

TOWN OF BRIDGEVILLE, DELAWARE
FINANCIAL STATEMENTS WITH
SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2012

TOWN OF BRIDGEVILLE
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JUNE 30, 2012

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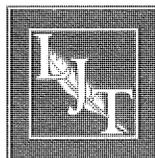
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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*



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INDEPENDENT AUDITOR'S REPORT

TO THE COMMISSIONERS
TOWN OF BRIDGEVILLE, DELAWARE

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 year ended June 30, 2012, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2012, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparisons for the general fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2013, on our consideration of the Town of Bridgeville's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

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 inquiries 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Bridgeville's financial statements as a whole. The supplemental information is presented for purposes of additional analysis and is not a required part of the financial statements. The supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in cursive script that reads "Lank, Johnson & Tull".

Seaford, Delaware
January 10, 2013

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

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, 2012. 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 assets includes all of the government's assets and liabilities, 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 assets and how they have changed. Net assets, the difference between the Town's assets and liabilities, are one way to measure the financial health of the Town. Over time, increases or decreases in the Town's net assets are 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, 2012

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 assets remained relatively constant from 2011 to 2012. (See table below) General Fund net assets decreased by 12%, which is primarily due to the fact the Commissioners budgeted to use prior years' un-appropriated surplus to fund current year expenses. Business-type funds increased by 1%.

Town of Bridgeville
Net Assets
(in millions)

	Governmental		Business-Type		Total		Total Percentage
	2012	2011	2012	2011	2012	2011	Change
Current and Other Assets	0.39	0.63	0.65	0.64	1.04	1.27	(18%)
Capital Assets	0.86	0.66	19.87	20.08	20.73	20.74	-
Total Assets	1.25	1.29	20.52	20.72	21.77	22.01	(1%)
Long Term Debt	0.13	-	5.64	5.80	5.77	5.80	(1%)
Other Liabilities	0.12	0.16	1.84	2.06	1.96	2.22	(12%)
Total Liabilities	0.25	0.16	7.48	7.86	7.73	8.02	(4%)
Net Assets							
Capital Assets Net of Debt	0.74	0.66	12.47	12.44	13.21	13.10	1%
Restricted	0.25	0.37	0.42	0.30	0.67	0.67	-
Unrestricted	0.01	0.10	0.15	0.12	0.16	0.22	(27%)
Total Net Assets	1.00	1.13	13.04	12.86	14.04	13.99	-

The Town's total revenues (excluding transfers) decreased by 2% to \$2.61 million (See table below). Revenue from business-type activities increased by 4%, to \$1.48 million, which is mainly attributable to an increase in grant funds and impact fees. Governmental revenues decreased by 10% to \$1.13 million, which is primarily attributable to decreases in transfer taxes, fines, trash collection fees, and federal and state grants.

The total cost of all programs and services decreased by 3%, to \$2.56 million. Costs of business-type activities increased by 12%, to \$1.39 million, which was primarily due to increases in salaries and benefits allocated to the enterprise fund and increases in various other operating expenses. Costs of governmental-type activities decreased by 16%, to \$1.17 million, primarily due to the allocation of salary and benefits to the enterprise fund and decreased garbage collection expense.

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

Town of Bridgeville
Change in Net Assets
(in millions)

	Governmental		Business-Type		Total		Total Percentage Change
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	
Program Revenue							
Fees, Fines, Services	0.21	0.26	1.41	1.40	1.62	1.66	(2%)
Operating Grants	0.14	0.11	0.02	-	0.16	0.11	45%
Capital Grants	0.05	0.12	0.05	0.02	0.10	0.14	(29%)
General Revenue							
Taxes	0.73	0.76	-	-	0.73	0.76	(4%)
Interest	-	-	-	-	-	-	
Total Revenue	1.13	1.25	1.48	1.42	2.61	2.67	(2%)
Program Expenses							
General	0.27	0.50	-	-	0.27	0.50	(46%)
Police	0.65	0.64	-	-	0.65	0.64	2%
Streets	0.25	0.25	-	-	0.25	0.25	-
Water and Sewer	-	-	1.39	1.24	1.39	1.24	12%
Total Expenses	1.17	1.39	1.39	1.24	2.56	2.63	(3%)
Excess (Deficiency)	(0.04)	(0.14)	0.09	0.18	0.05	0.04	25%
Transfers	(0.09)	0.27	0.09	(0.27)	-	-	-
Change in Net Assets	(0.13)	0.13	0.18	(0.09)	0.05	0.04	25%
Net Assets Beginning	1.13	1.00	12.86	12.95	13.99	13.95	-
Net Assets Ending	1.00	1.13	13.04	12.86	14.04	13.99	-

GENERAL FUND BUDGETARY HIGHLIGHTS

The original budget was amended once during the current fiscal year. General fund actual revenues of \$1.13 million exceeded budgeted revenues of \$1.12 million by \$0.01 million (1%). This favorable variance was primarily the result of unanticipated transfer tax revenue and unbudgeted grant funds.

General fund actual expenditures of \$1.39 million exceeded budgeted expenditures of \$1.22 million by \$0.17 million (14%). This unfavorable variance was due mainly to unbudgeted capital projects that were funded by grants and/or loans

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2012 the Town had \$20.73 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 \$0.01 million.

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

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

	Governmental		Business-Type		Total	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Land	0.27	0.24	3.96	3.94	4.23	4.18
Buildings	0.19	0.05	0.01	0.01	0.20	0.06
Equipment	0.08	0.06	1.45	1.40	1.53	1.46
Improvements	0.26	0.26	-	-	0.26	0.26
Vehicles	0.06	0.05	-	0.01	0.06	0.06
Water and Sewer	-	-	14.45	14.72	14.45	14.72
Total Capital Assets	0.86	0.66	19.87	20.08	20.73	20.74

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 \$5.77 million in bonds and notes outstanding, versus \$5.8 million last year.

Town of Bridgeville
Debt
(in millions)

	Governmental		Business-Type		Total	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
O'Leary Mortgage	0.13	-	-	-	0.13	-
Rural Development-Water Bonds	-	-	0.90	0.92	0.90	0.92
Rural Development-Sewer Bonds	-	-	0.65	0.67	0.65	0.67
Rural Development-Sewer Bonds	-	-	0.34	0.35	0.34	0.35
Rural Development-Sewer Bonds	-	-	1.21	1.23	1.21	1.23
State of Delaware	-	-	2.05	2.18	2.05	2.18
State of Delaware	-	-	0.49	0.40	0.49	0.40
State of Delaware	-	-	-	0.05	-	0.05
Total Debt	0.13	-	5.64	5.80	5.77	5.80

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Fiscal Year 2012 (FY12) was an exciting year for the Town of Bridgeville. The Town Commissioners passed a \$2.47 million dollar budget, a slight increase over the prior year. However, the Town received many federal, state and local grants that help offset that budget increase. As always, the mission of the Commissioners is to provide the residents with quality services.

The Town continues to see consistent growth in the Heritage Shores development, as 35 new residential building permits were issued over the course of the fiscal year. The Commissioners remain excited about the future commercial development these new homes will bring.

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

In FY12, the Town staff continued negotiations with the Town of Greenwood on a new joint wastewater agreement that would replace the original agreement adopted in 1989. It has been a good-faith effort from both Towns, and much has been accomplished. The new agreement should be a significant improvement and will make the billing and treatment process much more transparent and easier to understand.

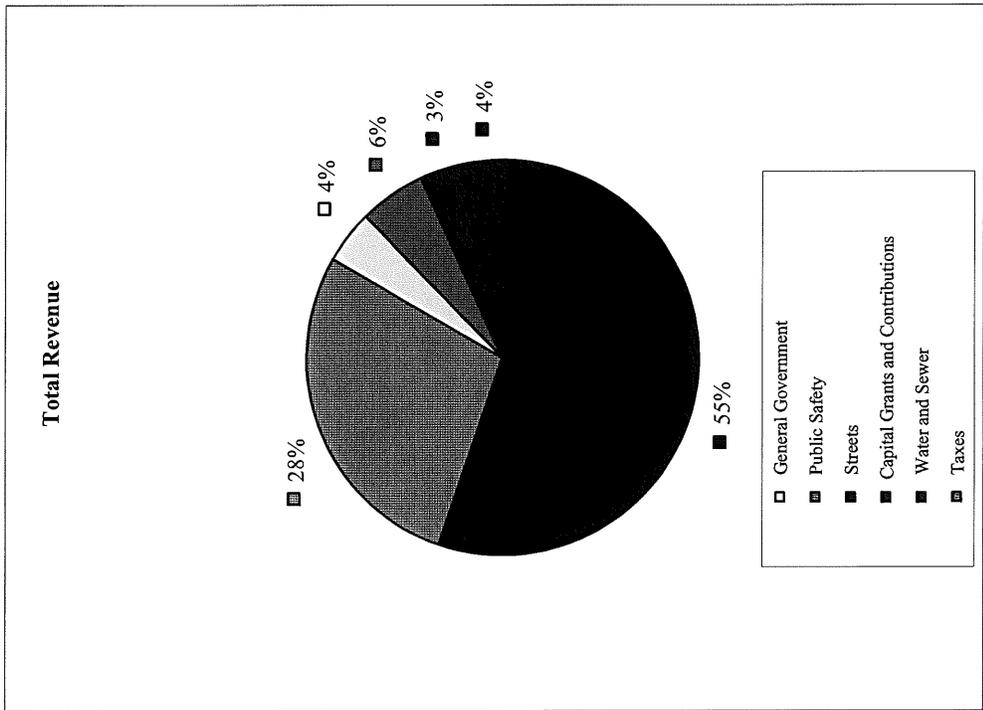
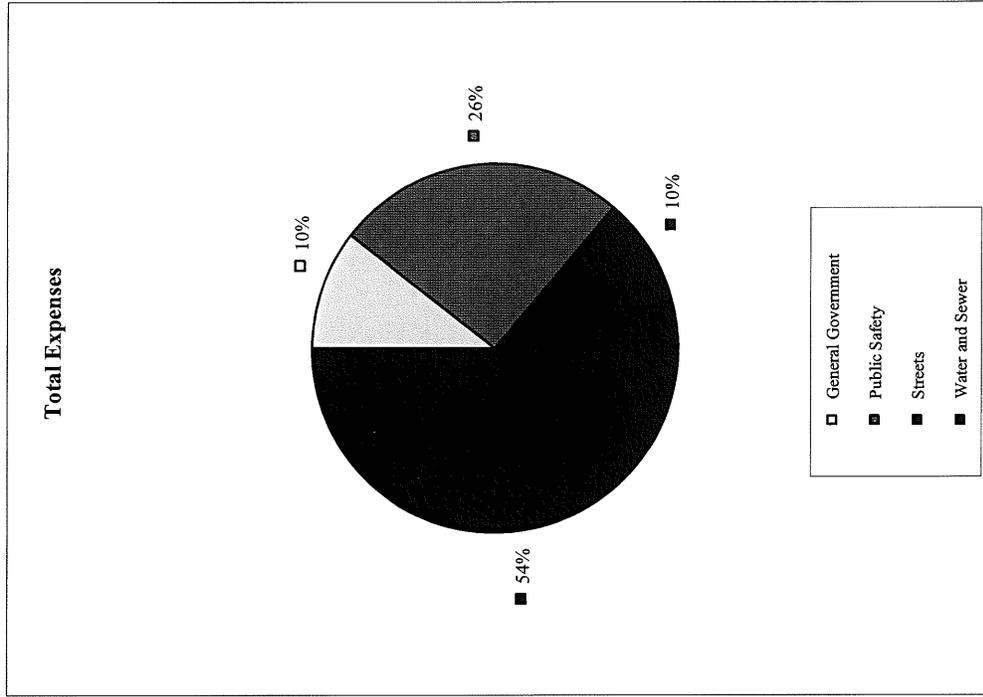
In addition, Bridgeville initiated a Master Plan Project that will assist with the continued improvements to the wastewater plant by further refining future land use activities within and surrounding the Town. Once complete, the Master Plan will provide the Town with a comprehensive phasing strategy to pace growth with necessary plant improvements that will meet State and Federal environmental requirements.

The Town expects a small increase in the overall budget for Fiscal Year 2013, due mainly to much needed maintenance and repairs to Town infrastructure. However, there are no tax or utility rate increases being proposed.

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, 2012



TOWN OF BRIDGEVILLE
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
JUNE 30, 2012

EXHIBIT A

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash	\$ 330,503	\$ 413,579	\$ 744,082
Accounts Receivable	59,611	235,145	294,756
Capital Assets:			
Land	267,124	3,959,085	4,226,209
Equipment	270,494	1,628,110	1,898,604
Improvements	348,617	17,383,242	17,731,859
Vehicles	450,843	69,651	520,494
Buildings	240,941	20,829	261,770
Accumulated Depreciation	<u>(716,830)</u>	<u>(3,190,581)</u>	<u>(3,907,411)</u>
Total Assets	<u>\$ 1,251,303</u>	<u>\$ 20,519,060</u>	<u>\$ 21,770,363</u>
LIABILITIES			
Accounts Payable	\$ 27,963	\$ 45,421	\$ 73,384
Accrued Vacation Leave	32,952	13,579	46,531
Accrued Sick Leave	16,234	17,683	33,917
Accrued Wages	24,307	6,091	30,398
Non-Current Liabilities:			
Due within one year	28,000	193,286	221,286
Due in more than one year	98,000	5,449,885	5,547,885
Unearned Revenue	<u>26,295</u>	<u>1,755,000</u>	<u>1,781,295</u>
Total Liabilities	<u>253,751</u>	<u>7,480,945</u>	<u>7,734,696</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	735,189	12,472,165	13,207,354
Restricted	249,148	413,579	662,727
Unrestricted	<u>13,215</u>	<u>152,371</u>	<u>165,586</u>
Total Net Assets	<u>\$ 997,552</u>	<u>\$ 13,038,115</u>	<u>\$ 14,035,667</u>

TOWN OF BRIDGEVILLE
 GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2012

Program Activities	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets			
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<u>Governmental Activities:</u>							
General Government	\$ 269,794	\$ 113,639	\$ -	\$ 16,561	\$ (139,594)	\$ -	\$ (139,594)
Public Safety	657,658	96,366	47,757	34,930	(478,605)	-	(478,605)
Streets	246,312	356	88,603	-	(157,353)	-	(157,353)
Debt Service	3,242	-	-	-	(3,242)	-	(3,242)
<u>Total Governmental Activities</u>	<u>1,177,006</u>	<u>210,361</u>	<u>136,360</u>	<u>51,491</u>	<u>(778,794)</u>	<u>-</u>	<u>(778,794)</u>
<u>Business-Type Activities:</u>							
Water and Sewer	1,389,458	1,412,261	17,836	50,225	-	90,864	90,864
<u>Total Government</u>	<u>\$ 2,566,464</u>	<u>\$ 1,622,622</u>	<u>\$ 154,196</u>	<u>\$ 101,716</u>	<u>(778,794)</u>	<u>90,864</u>	<u>(687,930)</u>
General Revenues:							
Taxes							
Property Taxes, Penalties and Interest					529,223	-	529,223
Transfer Tax					204,630	-	204,630
Investment Income					1,379	1,453	2,832
Transfer In/(Out)					(91,439)	91,439	-
<u>Total General Revenues</u>					<u>643,793</u>	<u>92,892</u>	<u>736,685</u>
Change in Net Assets					(135,001)	183,756	48,755
Net Assets-Beginning					1,132,553	12,854,359	13,986,912
Net Assets-Ending					<u>\$ 997,552</u>	<u>\$ 13,038,115</u>	<u>\$ 14,035,667</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

TOWN OF BRIDGEVILLE
BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2012

EXHIBIT C

	<u>General Fund</u>
ASSETS	
Cash	\$ 330,503
Accounts Receivable	<u>59,611</u>
Total Assets	<u>\$ 390,114</u>
 LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts Payable	\$ 27,963
Accrued Wages	24,307
Unearned Revenue	<u>26,295</u>
Total Liabilities	<u>78,565</u>
Fund Balance:	
Assigned	249,148
Unassigned	<u>62,401</u>
Total Fund Balance	<u>311,549</u>
Total Liabilities and Fund Balance	<u>\$ 390,114</u>

Amounts Reported For Governmental Activities in the Statement of Activities Are Different Because:

Total Fund Balance	\$ 311,549
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.	861,189
Long-term liabilities are not due and payable in the current period and therefore are not reported in the fund statements.	
Mortgage Payable	(126,000)
Compensated Absences	<u>(49,186)</u>
Net Assets of Governmental Activities	<u>\$ 997,552</u>

TOWN OF BRIDGEVILLE **EXHIBIT D**
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2012

	<u>General Fund</u>
Revenues:	
Property Taxes	\$ 529,223
Transfer Tax	204,630
Fees and Charges for Services	49,648
Grants	187,851
Licenses and Permits	66,521
Investment Income	1,379
Police Pension Fund	35,004
Fines	59,188
Total Revenues	<u>1,133,444</u>
Expenditures:	
Current:	
General Government	262,087
Public Safety	627,342
Streets	207,728
Debt Service	17,242
Capital Outlay	273,551
Total Expenditures	<u>1,387,950</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(254,506)</u>
Other Financing Sources (Uses):	
Loan Proceeds	140,000
Operating Transfers In/(Out)	<u>(91,439)</u>
Total Other Financing Sources (Uses):	<u>48,561</u>
Net Change in Fund Balance	(205,945)
Fund Balance at Beginning of Year - Restated	<u>517,494</u>
Fund Balance at End of Year	<u><u>\$ 311,549</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, 2012

EXHIBIT E

Net Change in Fund Balance- Governmental Fund	\$ (205,945)
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.	273,551
Governmental funds report the proceeds from borrowing as current financial resources, but in the government-wide statements the proceeds are shown on the statement of net assets.	(140,000)
Debt Service Principal	14,000
Change in Compensated Absences	(1,652)
Depreciation expense on capital assets is reported in the government-wide statement of activities, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds.	<u>(74,955)</u>
Change in Net Assets of Governmental Activities	<u><u>\$ (135,001)</u></u>

TOWN OF BRIDGEVILLE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2012

EXHIBIT F

	Budgeted Amounts		Actual Amounts	Favorable (Unfavorable) Variance
	Original	Final		
Revenues:				
Property Taxes	\$ 531,734	\$ 532,051	\$ 529,223	\$ (2,828)
Transfer Tax	150,000	175,000	204,630	29,630
Charges for Services	112,480	46,956	49,648	2,692
Intergovernmental	111,500	149,313	187,851	38,538
Licenses and Permits	44,000	57,000	66,521	9,521
Interest and Land Rents	1,000	500	1,379	879
Police Pension Fund	20,000	35,000	35,004	4
Fines	90,000	75,500	59,188	(16,312)
Appropriated Surplus	87,200	46,363	-	(46,363)
Total Revenues	1,147,914	1,117,683	1,133,444	15,761
Expenditures:				
Current:				
General Government	489,318	259,068	262,087	(3,019)
Public Safety	618,213	648,985	627,342	21,643
Streets	179,392	185,735	207,728	(21,993)
Debt Service	-	-	17,242	(17,242)
Capital Outlay	178,000	130,905	273,551	(142,646)
Total Expenditures	1,464,923	1,224,693	1,387,950	(163,257)
Excess (Deficiency) of Revenues over Expenditures	(317,009)	(107,010)	(254,506)	(147,496)
Other Financing Sources (Uses):				
Loan Proceeds	-	-	140,000	140,000
Operating Transfers In/(Out)	(91,439)	(91,439)	(91,439)	-
Total Other Financing Sources (Uses)	(91,439)	(91,439)	48,561	140,000
Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses	(408,448)	(198,449)	(205,945)	(7,496)
Fund Balance at Beginning of Year - Restated	517,494	517,494	517,494	-
Fund Balance at End of Year	\$ 109,046	\$ 319,045	\$ 311,549	\$ (7,496)

TOWN OF BRIDGEVILLE
BALANCE SHEET-ENTERPRISE FUND
JUNE 30, 2012

EXHIBIT G

ASSETS

Current Assets:	
Cash	\$ 413,579
Accounts Receivable	235,145
Total Current Assets	<u>648,724</u>
Capital Assets:	
Land	3,959,085
Improvements	17,383,242
Equipment	1,628,110
Building	20,829
Vehicles	69,651
Accumulated Depreciation	<u>(3,190,581)</u>
Total Capital Assets	<u>19,870,336</u>
Total Assets	<u>\$ 20,519,060</u>

LIABILITIES

Current Liabilities:	
Accounts Payable	\$ 45,421
Accrued Wages	6,091
Accrued Sick Leave	17,683
Accrued Vacation Leave	13,579
Current Portion of Long Term Debt	<u>193,286</u>
Total Current Liabilities	<u>276,060</u>
Non-Current Liabilities:	
Unearned Revenue	1,755,000
Long Term Debt-Net of Current Portion	<u>5,449,885</u>
Total Non-Current Liabilities	<u>7,204,885</u>
Total Liabilities	<u>7,480,945</u>

NET ASSETS

Invested in Capital Assets, Net of Related Debt	12,472,165
Restricted	413,579
Unrestricted	<u>152,371</u>
Total Net Assets	<u>13,038,115</u>
Total Liabilities and Net Assets	<u>\$ 20,519,060</u>

TOWN OF BRIDGEVILLE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2012

EXHIBIT H

Operating Revenues:	
Charges for Services	\$ 1,378,489
Miscellaneous Income	33,772
Operating Grants	17,836
Interest Income	1,453
Total Operating Revenues	1,431,550
Operating Expenses:	
Health Insurance	40,363
Advertising	596
Chemicals	34,783
Depreciation	445,488
Dues	470
Engineering Fees	7,081
Equipment - Purchase/Rental	17,833
Testing Fees	18,099
Sludge Disposal	9,636
Insurance	20,847
Interest Expense	221,671
Leases	16,636
Legal & Auditing	7,353
Maintenance - Buildings/Grounds/Tools	12,627
Maintenance - Collector System	1,798
Maintenance - Wells	503
Office Supplies	1,839
Postage	3,031
Payroll Taxes	20,189
Pension Costs	27,105
Repairs	61,406
Salary Expense	276,399
Supplies	11,031
Uniform Expense	1,474
Utilities - Electric	97,198
Utilities - Gas	15,662
Utilities - Telephone	9,091
Miss Utility Locates	631
Vehicle Expense	8,618
Total Operating Expenses	1,389,458
Operating Income	42,092
Other Income:	
Capital Grant Funds	50,225
Operating Transfer In/(Out)	91,439
Total Other Income	141,664
Net Income	183,756
Net Assets at Beginning of Year	12,854,359
Net Assets at End of Year	\$ 13,038,115

TOWN OF BRIDGEVILLE
STATEMENT OF CASH FLOWS
ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2012

EXHIBIT I

	<u>Water and Sewer Fund</u>
Cash Flows from Operating Activities:	
Cash Received from Customers and Grants	\$ 1,446,809
Interest Income	1,453
Cash Payments for Interest	(221,671)
Cash Payments to Employees for Services	(368,191)
Cash Payments to Suppliers for Goods and Services	(492,514)
Net Cash from Operating Activities	<u>365,886</u>
Cash Flows from Non-Capital Financing Activities	
Operating Transfer In/(Out)	<u>91,439</u>
Cash Flows from Capital and Related Financing Activities:	
Acquisition of Capital Assets	(235,672)
Proceeds from Capital Grants	50,225
Retirement of Debt	(240,635)
Proceeds from Long-Term Borrowings	80,618
Net Cash from Capital and Related Financing Activities	<u>(345,464)</u>
Net Increase in Cash	111,861
Cash - Beginning of year	<u>301,718</u>
Cash - End of year	<u><u>\$ 413,579</u></u>
Reconciliation of Operating Income to Net Cash from Operating Activities:	
Operating Income	\$ 42,092
Adjustments to Reconcile Operating Income to Net Cash from Operating Activities:	
Depreciation	445,488
Change in Accounts Receivable	106,712
Change in Accounts Payable	(134,271)
Change in Deferred Revenue	(90,000)
Change in Accrued Payroll, Vacation and Taxes	<u>(4,135)</u>
Net Cash from Operating Activities	<u><u>\$ 365,886</u></u>

TOWN OF BRIDGEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

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, trash collection, 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 assets 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, 2012

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 the 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, 2012

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 utilizes 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, 2012

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 Assets

Net Assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt 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 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.

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, 2012

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, January 10, 2013, which is the date the financial statements were available for issuance.

TOWN OF BRIDGEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

EXHIBIT J
PAGE 6

NOTE 2 - CASH:

The balance of cash is categorized as follows:

General Fund Checking	\$	66,172
General Fund Savings		<u>264,331</u>
 <u>TOTAL GENERAL FUND</u>		 <u>330,503</u>
 Water and Sewer Savings		 <u>413,579</u>
 <u>TOTAL WATER AND SEWER FUND</u>	\$	 <u>413,579</u>
 <u>TOTAL CASH IN BANK (Per Bank Statements)</u>	\$	 <u><u>744,082</u></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>325,379</u>
Collateralized by the financial institution's trust department with securities not in the Town's name		<u>418,703</u>

NOTE 3 - RECEIVABLES:

Following is a list, by type of charge, of outstanding receivables as of June 30, 2012:

Water and Sewer Charges	\$	119,466
Demolition Reimbursement		27,957
Town of Greenwood-Sewer Charges		66,651
Effluent Line Project		19,381
Fines		5,020
Waste Water Industry Payments		29,646
Garbage Fees		675
Administrative Fees		1,453
Property Tax		9,653
Transfer Tax		<u>14,854</u>
 <u>TOTAL</u>	\$	 <u><u>294,756</u></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, 2012, the bond issue had a balance of \$21,646,000.

TOWN OF BRIDGEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

EXHIBIT J
PAGE 7

NOTE 5 – CAPITAL ASSETS:

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

	<u>ASSETS</u>			<u>BALANCE</u> JUNE 30, 2012
	<u>BALANCE</u> JULY 1, 2011	<u>ACQUISITIONS</u>	<u>RETIREMENTS</u>	
Land-Governmental	\$ 238,060	\$ 29,064	\$ -	\$ 267,124
Land-Water and Sewer	3,938,148	20,937	-	3,959,085
Buildings	96,700	144,241	-	240,941
Equipment	233,837	36,657	-	270,494
Improvements	332,056	16,561	-	348,617
Vehicles	403,815	47,028	-	450,843
Water and Sewer Improvements	<u>18,887,097</u>	<u>214,735</u>	<u>-</u>	<u>19,101,832</u>
<u>TOTAL</u>	<u>\$ 24,129,713</u>	<u>\$ 509,223</u>	<u>\$ -</u>	<u>\$ 24,638,936</u>
	<u>ACCUMULATED DEPRECIATION</u>			
	<u>BALANCE</u> JULY 1, 2011	<u>DEPRECIATION</u>	<u>RETIREMENTS</u>	<u>BALANCE</u> JUNE 30, 2012
Buildings	\$ 48,614	\$ 5,358	\$ -	\$ 53,972
Equipment	173,371	21,013	-	194,384
Improvements	64,548	13,192	-	77,740
Vehicles	355,342	35,392	-	390,734
Water and Sewer Improvements	<u>2,745,093</u>	<u>445,488</u>	<u>-</u>	<u>3,190,581</u>
<u>TOTAL</u>	<u>\$ 3,386,968</u>	<u>\$ 520,443</u>	<u>\$ -</u>	<u>\$ 3,907,411</u>
<u>CAPITAL ASSETS</u>				<u>\$ 20,731,525</u>

Depreciation expense was charged as direct expense to programs of the primary government as follows:

Governmental Activities:	
General Government	\$ 6,055
Police	30,316
Streets	38,584
Water and Sewer	<u>445,488</u>
Total Depreciation Expense	<u>\$ 520,443</u>

TOWN OF BRIDGEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

EXHIBIT J
PAGE 8

NOTE 6 - DEBT:

Debt at June 30, 2012 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.	\$ 126,000
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.	337,998
Bonds payable to Rural Development in the amount of \$829,000. Paid in quarterly installments of \$11,202 including interest of 4.5% through June 25, 2036. The bond proceeds were for sewer system upgrades.	654,688
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.	898,767
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.	1,214,083
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. Currently paying interest only at the rate of 3.672%, until construction is complete. Upon completion, semi-annual payments of principal and interest are due until the loan matures on November 11, 2027.	485,407
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.	2,052,228
<u>TOTAL DEBT</u>	<u>5,769,171</u>
Less: Current Portion	<u>(207,286)</u>
<u>TOTAL LONG-TERM DEBT</u>	<u>\$ 5,561,885</u>

TOWN OF BRIDGEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

EXHIBIT J
PAGE 9

NOTE 6 – DEBT (CONTINUED):

Maturities of Debt subsequent to June 30, 2012, are as follows:

	<u>GOVERNMENTAL</u>		<u>ENTERPRISE</u>	
	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>
2013	\$ 28,000	\$ 5,486	\$ 193,286	\$ 198,372
2014	28,000	4,156	199,846	191,812
2015	28,000	2,826	207,190	184,468
2016	28,000	1,496	213,708	177,950
2017	14,000	250	221,030	170,629
2018-2022	-	-	1,224,977	733,313
2023-2027	-	-	1,104,416	574,304
2028-2032	-	-	1,109,886	339,841
2033-2037	-	-	563,605	201,303
2038-2042	-	-	226,750	112,910
2043-2047	-	-	283,608	56,052
2048	-	-	94,869	40,996
<u>TOTAL</u>	<u>\$ 126,000</u>	<u>\$ 14,214</u>	<u>\$ 5,643,171</u>	<u>\$ 2,981,950</u>

Below summarizes the changes in Debt:

	<u>BALANCE</u> <u>7/1/11</u>	<u>ADDITIONS</u>	<u>RETIREMENTS</u>	<u>BALANCE</u> <u>6/30/12</u>
O'Leary Mortgage	\$ -	\$ 140,000	\$ 14,000	\$ 126,000
Rural Development	348,285	-	10,287	337,998
Rural Development	669,612	-	14,924	654,688
Rural Development	919,246	-	20,479	898,767
Rural Development	1,227,015	-	12,932	1,214,083
Rural Development	53,648	-	53,648	-
State of Delaware	404,789	80,618	-	485,407
State of Delaware	2,180,593	-	128,365	2,052,228
<u>TOTAL</u>	<u>\$ 5,803,188</u>	<u>\$ 220,618</u>	<u>\$ 254,635</u>	<u>\$ 5,769,171</u>

NOTE 7 – NET ASSET RESTRICTIONS:

The following amounts have been restricted for the purpose indicated:

	<u>GENERAL</u>	<u>ENTERPRISE</u>
Impact Fee Fund	\$ -	\$ 42,523
Heritage Shores Meters	-	32,831
Children's Sanctuary Park/Charity Golf	9,475	-
Capital Improvement Escrows	239,673	322,396
Sewer Sinking	-	15,829
<u>TOTAL</u>	<u>\$ 249,148</u>	<u>\$ 413,579</u>

TOWN OF BRIDGEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

EXHIBIT J
PAGE 10

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 5% of base pay. This rose to 7% as of January 1, 2006. 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, 2012, the Town made pension contributions of \$88,947 (28.22% of covered payroll).

For the year ended June 30, 2012, the contribution was figured on total covered payroll of \$315,235 and total payroll of \$770,662.

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, 2012

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 Unearned Revenue on the financial statements. Current year activity was as follows:

Prepaid Fees - Beginning	\$ 1,845,000
Fees Used	<u>(90,000)</u>
Prepaid Fees - Ending	\$ <u>1,755,000</u>

NOTE 12 – RESTATED FUND BALANCE – GENERAL FUND

Beginning fund balance on Exhibit C for the general fund has been increased by \$47,534, the amount of compensated absences that was erroneously included as a current liability on the balance sheet for the governmental fund in 2011.

TOWN OF BRIDGEVILLE
SUPPLEMENTAL INFORMATION
JUNE 30, 2012

TOWN OF BRIDGEVILLE
SUPPLEMENTAL INFORMATION
REVENUES-BUDGET AND ACTUAL-ALL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

SCHEDULE A

2012

	Budgeted Amounts		Actual Amounts	Favorable (Unfavorable) Variance	Prior Year 6/30/11
	Original	Final			
GOVERNMENTAL ACTIVITIES:					
Building Permits	\$ 30,000	\$ 35,000	\$ 49,121	\$ 14,121	\$ 45,297
Emergency Services	6,000	-	-	-	11,946
Newsletter Ads	4,000	4,000	3,575	(425)	4,150
Property Tax	495,602	496,569	496,569	-	486,226
Quarterly/Supplemental Taxes	5,000	6,500	7,132	632	5,460
Property Tax Penalties	2,000	1,200	2,290	1,090	3,488
Transfer Tax	150,000	175,000	204,630	29,630	241,023
Payments in Lieu of Taxes	23,932	23,932	23,232	(700)	24,090
Sussex County Council - Grant	10,000	25,000	25,000	-	22,500
Delinquent Taxes	5,200	3,850	-	(3,850)	80
Interest Income	1,000	500	1,379	879	2,417
Grass Cutting	500	500	659	159	250
Miscellaneous Fees	3,200	6,131	5,215	(916)	7,734
Fines	90,000	75,500	59,188	(16,312)	75,626
Federal and State Grants	101,500	124,313	162,851	38,538	179,215
Police Pension Fund	20,000	35,000	35,004	4	29,627
Appropriated Surplus	87,200	46,363	-	(46,363)	-
Garbage Fees	98,280	35,600	33,666	(1,934)	96,477
Miscellaneous Income	500	725	2,733	2,008	768
Contractor Licenses	-	5,000	3,800	(1,200)	-
Rental Licenses	14,000	17,000	17,400	400	15,450
TOTAL GOVERNMENTAL ACTIVITIES	1,147,914	1,117,683	1,133,444	15,761	1,251,824
BUSINESS-TYPE ACTIVITIES:					
Fire Lines	11,300	11,300	11,300	-	11,300
Water/Sewer Inspection Fees	1,000	1,300	1,750	450	1,200
Sewer Rents	560,000	530,000	539,706	9,706	564,420
Fats, Oils, Grease Fees	1,500	1,600	1,600	-	1,500
Roof Connector Rent	720	660	525	(135)	552
Sewer Rent - Industrial	90,000	90,000	95,718	5,718	91,733
Sewer Fee Penalties	3,000	4,000	5,160	1,160	4,034
Town of Greenwood	245,864	203,500	200,102	(3,398)	219,458
Water Rent	280,000	235,000	258,073	23,073	265,393
Water Meter Rent	54,700	54,700	56,651	1,951	58,891
Water Meter Pit Fees	14,300	24,500	30,646	6,146	16,070
Water Fee Penalties	3,000	4,000	5,008	1,008	4,009
Federal and State Grants	-	-	68,061	68,061	18,357
Tapping Fees	3,000	3,000	3,500	500	3,300
Impact Fees	-	-	165,250	165,250	103,910
Connection Fees	-	2,600	3,500	-	-
Interest Income	200	500	1,453	953	406
Miscellaneous Fees	25,000	25,000	33,772	8,772	55,369
Appropriated Surplus	125,840	160,455	-	(160,455)	-
TOTAL BUSINESS-TYPE ACTIVITIES	1,419,424	1,352,115	1,481,775	128,760	1,419,902
TOTAL REVENUE	\$ 2,567,338	\$ 2,469,798	\$ 2,615,219	\$ 144,521	\$ 2,671,726

TOWN OF BRIDGEVILLE
SUPPLEMENTAL INFORMATION
EXPENDITURES/EXPENSES-BUDGET AND ACTUAL-ALL FUNDS
JUNE 30, 2012

SCHEDULE B
PAGE 1

	2012				
	Budgeted Amounts		Actual Amounts	Favorable (Unfavorable) Variance	Prior Year 6/30/11
	Original	Final			
GOVERNMENTAL FUNDS:					
GENERAL GOVERNMENT:					
Advertising Expense	\$ 2,000	\$ 2,000	\$ 1,111	\$ 889	\$ 1,985
Emergency Services Fund	6,000	-	-	-	11,946
Travel	500	500	263	237	377
Continuing Education	500	500	192	308	373
Grass Cutting Expense	600	500	350	150	635
Cleanup Day	4,500	3,000	2,924	76	2,800
SCAT Meetings	1,900	2,100	3,222	(1,122)	2,644
Code Update	4,000	4,000	3,302	698	908
Health Insurance	39,190	18,300	15,112	3,188	38,368
Capital Outlay	7,500	36,330	175,630	(139,300)	3,119
Debt Service 103 S. Main Street	-	-	17,242	(17,242)	-
Dues	2,430	2,500	3,391	(891)	1,605
Service Charges	-	1,200	685	515	-
Engineering Fees	8,000	3,150	2,664	486	28,651
Equipment - Purchase/Rental	1,500	1,000	-	1,000	1,197
Garbage Pick Up Fees	95,121	32,960	32,960	-	96,029
Insurance	10,175	9,500	9,790	(290)	10,012
Leases	5,450	6,000	4,593	1,407	4,892
Legal and Auditing	7,500	20,000	24,658	(4,658)	9,255
Maintenance - Buildings/Grounds/Tools	1,000	1,000	1,032	(32)	2,243
Newsletter Expense	3,355	3,300	3,591	(291)	3,184
Office Supplies	4,000	4,000	5,097	(1,097)	5,693
Postage	3,500	3,000	2,641	359	4,871
Payroll Taxes	17,382	8,400	6,201	2,199	15,481
Pension Costs	24,115	3,508	5,108	(1,600)	25,547
Ditch Tax - Annual	1,600	1,600	1,569	31	1,569
Repairs	1,000	1,500	2,183	(683)	766
Salary Expense	227,000	109,250	112,680	(3,430)	212,157
Special Recognitions	1,000	1,200	1,339	(139)	840
Supplies	1,500	1,000	858	142	1,787
Uniform Expense	500	500	475	25	497
Employment Expense	700	500	650	(150)	470
Utilities - Electric	4,000	4,000	4,345	(345)	3,754
Utilities - Gas	1,300	1,300	954	346	1,286
Utilities - Telephone	5,000	5,500	4,982	518	4,735
Vehicle Fuel	2,000	1,800	1,745	55	-
Vehicle Expense	1,000	500	1,420	(920)	3,325
TOTAL GENERAL GOVERNMENT	496,818	295,398	454,959	(159,561)	503,001
POLICE:					
Advertising	100	100	-	100	-
Health Insurance	62,568	62,568	64,009	(1,441)	62,083
Travel	-	100	76	24	-
Capital Outlay	145,500	58,000	61,346	(3,346)	-
Continuing Education	-	750	210	540	-
Donations	400	400	385	15	175
Dues	550	300	520	(220)	385
Insurance	29,863	34,850	32,376	2,474	32,629
SALLE Expense	3,500	9,000	7,670	1,330	2,596
Leases, Maintenance Agreements	1,000	950	925	25	897
Legal and Auditing	4,500	4,500	4,370	130	5,355
Maintenance - Buildings/Grounds/Tools	1,000	1,500	1,064	436	419
Office Supplies	1,500	1,500	1,207	293	1,589
Postage	1,700	1,700	1,105	595	1,250
Payroll Taxes	28,280	28,500	26,859	1,641	25,961
Pension Costs	49,332	49,332	48,556	776	43,511
Repairs	750	1,000	627	373	1,552
Salary Expense	337,745	337,745	332,883	4,862	322,468
Salaries - Overtime, Part-time	36,925	38,250	35,187	3,063	31,284
EIDE Drug Overtime	3,500	8,000	3,405	4,595	6,070
Supplies	3,000	5,500	6,380	(880)	14,674
Uniform Expense	2,500	2,500	1,846	654	1,335

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

TOWN OF BRIDGEVILLE
SUPPLEMENTAL INFORMATION
EXPENDITURES/EXPENSES-BUDGET AND ACTUAL-ALL FUNDS
JUNE 30, 2012

SCHEDULE B
PAGE 2

	2012				
	Budgeted Amounts		Actual Amounts	Favorable (Unfavorable) Variance	Prior Year 6/30/11
	Original	Final			
Employment Expense	-	1,040	1,045	(5)	180
Utilities - Electric	4,500	4,000	3,132	868	4,428
Utilities - Gas	2,000	1,500	1,461	39	1,660
Utilities - Telephone	8,000	13,400	12,404	996	7,780
Vehicle Fuel	27,000	30,000	29,042	958	-
Vehicle Expense	8,000	10,000	10,598	(598)	42,070
TOTAL POLICE	763,713	706,985	688,688	18,297	610,351
STREETS:					
Advertising	500	250	-	250	163
Health Insurance	7,868	7,868	8,068	(200)	7,992
Christmas Lighting/Repairs	1,200	1,006	1,006	-	813
Capital Outlay	25,000	36,575	36,575	-	16,000
Community Transportation	-	-	26,400	(26,400)	57,600
Engineering Expenses	300	2,000	1,374	626	304
Insurance	6,020	6,518	5,305	1,213	6,197
Legal and Auditing	4,000	3,500	3,000	500	4,000
Maintenance - Buildings/Grounds/Tools	4,350	3,850	4,776	(926)	1,807
Office Supplies	500	500	444	56	203
Payroll Taxes	4,911	4,950	4,711	239	4,408
Permits	20	20	20	-	20
Pension Costs	8,178	8,178	8,178	-	5,702
Repairs	2,250	21,000	22,415	(1,415)	7,349
Salary Expense	60,195	60,195	60,680	(485)	54,009
Salary - Overtime	4,000	4,000	920	3,080	4,358
Snow Removal	8,300	7,300	3,266	4,034	9,610
Supplies	4,000	4,000	4,301	(301)	1,500
Tree Removal	6,000	3,000	2,895	105	1,503
Uniform Expense	500	500	500	-	500
Utilities - Electric	44,000	37,000	40,252	(3,252)	42,787
Utilities - Gas	800	600	500	100	626
Utilities - Telephone	1,500	1,500	1,444	56	1,359
Vehicle Fuel	4,000	3,000	2,180	820	-
Vehicle Expense	6,000	5,000	5,093	(93)	4,260
TOTAL STREETS	204,392	222,310	244,303	(21,993)	233,070
TOTAL GOVERNMENTAL ACTIVITIES	1,464,923	1,224,693	1,387,950	(163,257)	1,346,422
BUSINESS-TYPE ACTIVITIES:					
WASTEWATER:					
Advertising	100	100	85	15	-
Continuing Education	250	250	60	190	-
Health Insurance	15,900	26,288	26,675	(387)	16,096
Capital Outlay	5,000	14,700	-	14,700	758
Chemicals	52,300	40,000	20,306	19,694	31,780
Debt Service - Interest	371,200	350,000	178,853	171,147	183,268
Depreciation	-	-	222,744	(222,744)	213,362
Dues	100	100	113	(13)	125
Engineering Fees	5,000	5,000	4,457	543	18,080
Equipment - Purchase/Rental	8,105	4,100	3,101	999	6,362
Testing Fees	19,700	19,700	16,699	3,001	15,221
Sludge Disposal	20,330	16,000	9,636	6,364	13,017
Insurance	17,740	18,129	13,025	5,104	21,749
Leases/Maintenance Agreements	15,000	15,000	15,206	(206)	12,810
Legal and Auditing	5,000	5,000	4,304	696	5,271
Maintenance - Buildings/Grounds/Tools	14,000	12,000	10,323	1,677	9,926
Maintenance - Collector System	915	3,000	1,798	1,202	1,110
Office Supplies	1,200	1,000	782	218	771
Postage	1,000	1,500	1,531	(31)	655
Payroll Taxes	8,629	13,150	13,150	-	7,916
Pension Costs	14,374	17,806	17,806	-	12,275
Repairs	10,000	33,055	33,653	(598)	79,283
Salary Expense	105,789	165,100	169,424	(4,324)	99,608
Salary - Overtime	7,000	7,500	7,437	63	7,372

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

TOWN OF BRIDGEVILLE
SUPPLEMENTAL INFORMATION
EXPENDITURES/EXPENSES-BUDGET AND ACTUAL-ALL FUNDS
JUNE 30, 2012

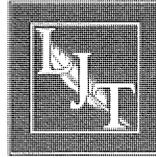
SCHEDULE B
PAGE 3

2012					
	Budgeted Amounts		Actual Amounts	Favorable (Unfavorable) Variance	Prior Year 6/30/11
	Original	Final			
Supplies	1,000	800	1,323	(523)	971
Uniform Expense	1,000	1,000	979	21	954
Utilities - Electric	80,000	70,000	78,738	(8,738)	70,793
Utilities - Gas	24,000	21,000	15,161	5,839	18,844
Utilities - Telephone	3,700	4,000	3,663	337	3,060
Miss Utility Locates	250	300	316	(16)	263
Vehicle Fuel	3,500	4,000	3,795	205	-
Vehicle Expense	1,500	1,000	840	160	5,191
TOTAL WASTEWATER	813,582	870,578	875,983	(5,405)	856,891
WATER:					
Advertising	100	500	511	(11)	-
Continuing Education	200	200	80	120	-
Health Insurance	5,851	13,548	13,688	(140)	7,392
Capital Outlay	9,100	18,855	-	18,855	-
Chemicals	14,500	13,000	14,477	(1,477)	14,546
Debt Service - Interest	115,152	115,946	42,818	73,128	41,921
Depreciation	-	-	222,744	(222,744)	213,362
Dues	400	400	357	43	350
Engineering Fees	500	2,000	2,624	(624)	858
Equipment - Purchase/Rental	10,500	14,750	14,732	18	317
Testing Fees	600	400	1,400	(1,000)	25
Insurance	7,865	8,175	7,822	353	8,468
Leases	14,000	1,500	1,430	70	8,080
Legal and Auditing	4,000	3,500	3,049	451	4,000
Maintenance - Buildings/Grounds/Tools	2,000	2,000	2,304	(304)	2,272
Newsletter Expense	500	500	503	(3)	-
Office Supplies	700	1,000	1,057	(57)	1,443
Postage	1,000	1,500	1,500	-	625
Payroll Taxes	3,596	7,050	7,039	11	1,239
Pension Costs	6,969	10,103	9,299	804	8,421
Repairs	3,000	27,000	27,753	(753)	8,055
Salary Expense	40,000	85,300	93,344	(8,044)	5,285
Salary - Overtime	7,000	7,000	6,194	806	5,220
Supplies	7,000	8,500	9,568	(1,068)	15,392
Uniform Expense	-	500	495	5	-
Utilities - Gas	800	800	501	299	626
Utilities - Electric	22,000	20,000	18,460	1,540	20,995
Utilities - Telephone	6,000	6,000	5,428	572	5,274
Miss Utility Locates	500	500	315	185	263
Vehicle Fuel	2,000	2,000	2,060	(60)	-
Vehicle Expense	3,000	2,000	1,923	77	10,047
TOTAL WATER	288,833	374,527	513,475	(138,948)	384,476
TOTAL BUSINESS-TYPE ACTIVITIES	1,102,415	1,245,105	1,389,458	(144,353)	1,241,367
TOTAL EXPENDITURES/EXPENSES	\$ 2,567,338	\$ 2,469,798	\$ 2,777,408	\$ (307,610)	\$ 2,587,789

TOWN OF BRIDGEVILLE
SUPPLEMENTAL INFORMATION
STATEMENT OF OPERATING REVENUES AND EXPENSES -
ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2012

SCHEDULE C

	Wastewater Department	Water Department	Total
Operating Income:			
Charges for Services	\$ 1,013,311	\$ 365,178	\$ 1,378,489
Miscellaneous Income	15,975	17,797	33,772
Operating Grant	17,836	-	17,836
Interest Income	838	615	1,453
Total Operating Income	1,047,960	383,590	1,431,550
Operating Expense:			
Health Insurance	26,675	13,688	40,363
Advertising	85	511	596
Chemicals	20,306	14,477	34,783
Depreciation	222,744	222,744	445,488
Dues	113	357	470
Engineering Fees	4,457	2,624	7,081
Equipment - Purchase/Rental	3,101	14,732	17,833
Testing Fees	16,699	1,400	18,099
Sludge Disposal	9,636	-	9,636
Insurance	13,025	7,822	20,847
Continuing Education	60	80	140
Interest Expense	178,853	42,818	221,671
Leases	15,206	1,430	16,636
Legal and Auditing	4,304	3,049	7,353
Maintenance - Buildings/Grounds/Tools	10,323	2,304	12,627
Maintenance - Collector System	1,798	-	1,798
Newsletter Expense	-	503	503
Office Supplies	782	1,057	1,839
Postage	1,531	1,500	3,031
Payroll Taxes	13,150	7,039	20,189
Pension Costs	17,806	9,299	27,105
Repairs	33,653	27,753	61,406
Salary Expense	169,424	93,344	262,768
Salary - Overtime	7,437	6,194	13,631
Supplies	1,323	9,568	10,891
Uniform Expense	979	495	1,474
Utilities - Electric	78,738	18,460	97,198
Utilities - Gas	15,161	501	15,662
Utilities - Telephone	3,663	5,428	9,091
Miss Utility Locates	316	315	631
Vehicle Expense	4,635	3,983	8,618
Total Operating Expense	875,983	513,475	1,389,458
Net Operating Income (Loss)	\$ 171,977	\$ (129,885)	\$ 42,092



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

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

LANK, JOHNSON & TULL

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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 the financial statements of the Town of Bridgeville, as of and for the year ended June 30, 2012, and have issued our report thereon dated January 10, 2013. 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.

Internal Control Over Financial Reporting

Management of the Town of Bridgeville is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Town of Bridgeville's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Bridgeville's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

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.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Bridgeville's financial statements are free of 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*.

This report is intended solely for the information and use of management, others within the entity, the Commissioners, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Lank, Johnson & Tull

Seaford, Delaware
January 10, 2013