

TOWN OF BRIDGEVILLE, DELAWARE  
FINANCIAL STATEMENTS WITH  
SUPPLEMENTAL INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2011

**TOWN OF BRIDGEVILLE**  
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## INDEPENDENT AUDITOR'S REPORT

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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, 2011, 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, 2011, 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 November 10, 2011, 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.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Town of Bridgeville's financial statements as a whole. The accompanying financial information listed as supplemental information in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Town of Bridgeville. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Lank, Johnson & Tull*

Seaford, Delaware  
November 10, 2011

Members

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

**Town of Bridgeville**  
**Management's Discussion and Analysis**  
**June 30, 2011**

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, 2011. 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, 2011**

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 constant from 2010 to 2011. (See table below) General Fund net assets increased by 13%, while the business-type funds decreased by 1%. This outcome is the result of the Town being able to fund current expenses and capital projects with the revenues generated in the current year.

**Town of Bridgeville**  
**Net Assets**  
**(in millions)**

	Governmental		Business-Type		Total		Total Percentage
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>Change</u>
Current and Other Assets	0.63	0.42	0.64	0.42	1.27	0.84	51%
Capital Assets	0.66	0.71	20.08	20.20	20.74	20.91	(1%)
Total Assets	1.29	1.13	20.72	20.62	22.01	21.75	1%
Long Term Debt	-	-	5.80	5.68	5.80	5.68	2%
Other Liabilities	0.16	0.13	2.06	1.99	2.22	2.12	5%
Total Liabilities	0.16	0.13	7.86	7.67	8.02	7.80	3%
Net Assets							
Capital Assets Net of Debt	0.66	0.71	12.44	12.61	13.10	13.32	(2%)
Restricted	0.37	0.29	0.30	0.27	0.67	0.56	20%
Unrestricted	0.10	-	0.12	0.07	0.22	0.07	214%
Total Net Assets	1.13	1.00	12.86	12.95	13.99	13.95	-

The Town's total revenues (excluding transfers) decreased by 73% to 2.67 million (See table below). Revenue from business-type activities decreased by 84%, to \$1.42 million, which is attributable to the donation of water and sewer fixed assets by a developer in the prior year. Governmental revenues increased by 36% to \$1.25 million, which is primarily attributable to an increase in property taxes, transfer taxes, building permits, and federal and state grants.

The total cost of all programs and services increased by 9%, to \$2.63 million. Costs of business-type activities increased by 7%, to \$1.24 million, which was due to increases in depreciation, maintenance and other operating expenses. Costs of governmental-type activities increased by 11%, to \$1.39 million, primarily due to capital project costs, public safety salaries, and general operating expenses.

**Town of Bridgeville**  
**Management's Discussion and Analysis**  
**June 30, 2011**

**Town of Bridgeville**  
**Change in Net Assets**  
**(in millions)**

	Governmental		Business-Type		Total		Total Percentage
	2011	2010	2011	2010	2011	2010	Change
Program Revenue							
Fees, Fines, Services	0.26	0.21	1.40	0.97	1.66	1.18	41%
Operating Grants	0.11	0.03	-	-	0.11	0.03	267%
Capital Grants	0.12	0.04	0.02	7.88	0.14	7.92	(98%)
General Revenue							
Taxes	0.76	0.64	-	-	0.76	0.64	19%
Interest	-	-	-	-	-	-	-
Total Revenue	1.25	0.92	1.42	8.85	2.67	9.77	(73%)
Program Expenses							
General	0.50	0.46	-	-	0.50	0.46	9%
Police	0.64	0.61	-	-	0.64	0.61	5%
Streets	0.25	0.18	-	-	0.25	0.18	39%
Water and Sewer	-	-	1.24	1.16	1.24	1.16	7%
Total Expenses	1.39	1.25	1.24	1.16	2.63	2.41	9%
Excess (Deficiency)	(0.14)	(0.33)	0.18	7.69	0.04	7.36	(99%)
Transfers	0.27	(0.08)	(0.27)	0.08	-	-	-
Change in Net Assets	0.13	(0.41)	(0.09)	7.77	0.04	7.36	(99%)
Net Assets Beginning	1.00	1.41	12.95	5.18	13.95	6.59	112%
Net Assets Ending	1.13	1.00	12.86	12.95	13.99	13.95	-

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The original budget was amended once during the current fiscal year. Budgeted revenues of \$1.33 million exceeded general fund revenues of \$1.25 million by \$0.08 million (6%). This unfavorable variance was primarily the result of budgeting for capital project grants not received in the current year.

Budgeted expenditures of \$1.45 million exceeded general fund actual expenditures of \$1.35 million by \$0.10 million (7%). This favorable variance was due mainly to budgeted capital projects not being undertaken in the current fiscal year.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At June 30, 2011 the Town had \$20.74 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 \$0.17 million, or 1% under last year.

**Town of Bridgeville**  
**Management's Discussion and Analysis**  
**June 30, 2011**

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

	Governmental		Business-Type		Total	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Land	0.24	0.24	3.94	3.94	4.18	4.18
Buildings	0.05	0.05	0.01	0.02	0.06	0.07
Equipment	0.06	0.08	1.40	1.15	1.46	1.23
Improvements	0.26	0.26	-	-	0.26	0.26
Vehicles	0.05	0.08	0.01	0.02	0.06	0.10
Water and Sewer	-	-	14.72	15.07	14.72	15.07
<b>Total Capital Assets</b>	<b>0.66</b>	<b>0.71</b>	<b>20.08</b>	<b>20.20</b>	<b>20.74</b>	<b>20.91</b>

Note 4 of the Notes to Basic Financial Statements gives further details of the Town's capital asset activity.

**Debt**

At year-end, the Town had \$5.8 million in bonds and notes outstanding, versus \$5.68 million last year, an increase of \$0.12 million.

**Town of Bridgeville**  
**Debt**  
**(in millions)**

	Governmental		Business-Type		Total	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Rural Development-Water Bonds	-	-	0.92	0.94	0.92	0.94
Rural Development-Sewer Bonds	-	-	0.67	0.68	0.67	0.68
Rural Development-Sewer Bonds	-	-	0.35	0.36	0.35	0.36
Rural Development-Sewer Bonds	-	-	1.23	1.24	1.23	1.24
State of Delaware	-	-	2.18	2.30	2.18	2.30
State of Delaware	-	-	0.40	0.11	0.40	0.11
State of Delaware	-	-	0.05	0.05	0.05	0.05
<b>Total Debt</b>	<b>-</b>	<b>-</b>	<b>5.80</b>	<b>5.68</b>	<b>5.80</b>	<b>5.68</b>

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

**ECONOMIC FACTORS AND NEXT YEARS BUDGET AND RATES**

2011 was a productive year for the Town of Bridgeville. Town management presented a \$2.3 million balanced budget to the Commissioners which was adopted in June 2011. Town Commissioners maintained the current water and sewer rates while no new tax increases were discussed. Additionally, the Town awarded employees with small merit-based raises. The yearly goal of the Commissioners is to provide the residents of Bridgeville with a high level of customer service by a dedicated and professional staff. Town management does not anticipate employee layoffs or furloughs in the future.

**Town of Bridgeville**  
**Management's Discussion and Analysis**  
**June 30, 2011**

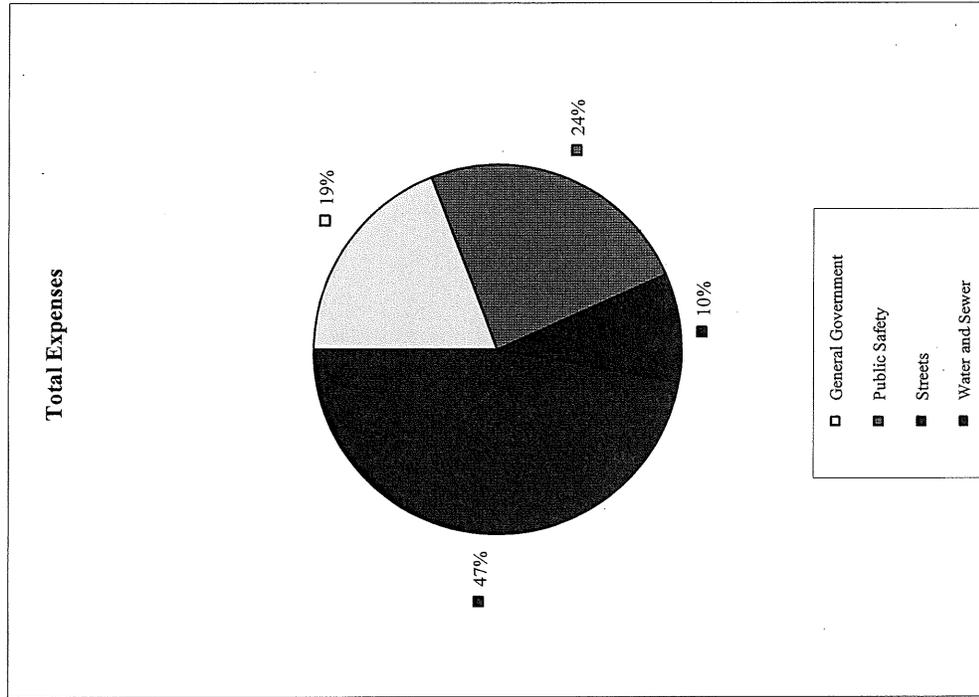
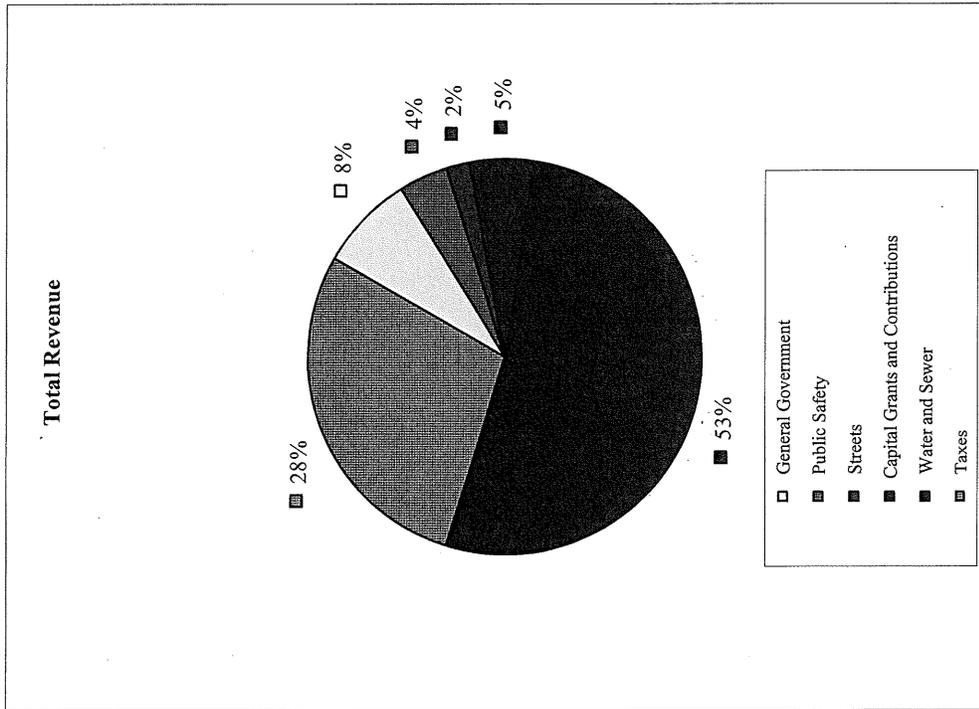
The outlook for FY2012 is one of cautious optimism as the Town faces unknown capital expenses for wastewater facility upgrades and additional spray irrigation land. As the federal and state governments continue to force unfunded environmental mandates on small towns in the Chesapeake Watershed, it is difficult from a capital planning perspective to efficiently plan for future growth. In 2011 two property owners rezoned their respective farms R-1 / AIOZ (Agricultural / Industrial Overlay Zone) because the residential real estate market slowed. Conversely, Heritage Shores, a 55+ community south of Bridgeville proper managed by Brookfield Homes is continuing to softly absorb homes at 1-3 per month. New home sales increase the tax base, sustain local employment and bring financial and human capital dollars to the community. Regarding commercial real estate development, the Town has water and sewer capacity for new properties and is excited to welcome a new 19,000 sq. ft. medical center complex to the area.

Overall, the Town of Bridgeville is financially solvent; however with aging water, sewer and streets infrastructure and a conservative economic outlook, town management will continue to evaluate rates, fees and taxes to make sure the necessary revenue is there to pay for the high quality of life that the residents and businesses enjoy.

**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, 2011



**TOWN OF BRIDGEVILLE**  
**GOVERNMENT-WIDE STATEMENT OF NET ASSETS**  
**JUNE 30, 2011**

**EXHIBIT A**

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash	\$ 487,823	\$ 301,718	\$ 789,541
Accounts Receivable	140,848	341,857	482,705
Capital Assets:			
Land	238,060	3,938,148	4,176,208
Equipment	233,837	1,517,273	1,751,110
Improvements	332,056	17,279,344	17,611,400
Vehicles	403,815	69,651	473,466
Buildings	96,700	20,829	117,529
Accumulated Depreciation	<u>(641,875)</u>	<u>(2,745,093)</u>	<u>(3,386,968)</u>
Total Assets	<u>\$ 1,291,264</u>	<u>\$ 20,723,727</u>	<u>\$ 22,014,991</u>
 <b>LIABILITIES</b>			
Accounts Payable	\$ 34,719	\$ 179,692	\$ 214,411
Accrued Vacation Leave	31,384	8,522	39,906
Accrued Sick Leave	16,150	16,870	33,020
Accrued Wages	16,844	16,096	32,940
Non-Current Liabilities:			
Due within one year	-	240,607	240,607
Due in more than one year	-	5,562,581	5,562,581
Unearned Revenue	<u>59,614</u>	<u>1,845,000</u>	<u>1,904,614</u>
Total Liabilities	<u>158,711</u>	<u>7,869,368</u>	<u>8,028,079</u>
 <b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	662,593	12,431,964	13,094,557
Restricted	369,936	301,718	671,654
Unrestricted	<u>100,024</u>	<u>120,677</u>	<u>220,701</u>
Total Net Assets	<u>\$ 1,132,553</u>	<u>\$ 12,854,359</u>	<u>\$ 13,986,912</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF BRIDGEVILLE  
 GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED JUNE 30, 2011

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	\$ 503,747	\$ 180,786	\$ 28,000	\$ 3,119	\$ (291,842)	\$ -	\$ (291,842)
Public Safety	637,915	76,882	29,627	45,957	(485,449)	-	(485,449)
Streets	251,785	30	50,472	74,167	(127,116)	-	(127,116)
<u>Total Governmental Activities</u>	<u>1,393,447</u>	<u>257,698</u>	<u>108,099</u>	<u>123,243</u>	<u>(904,407)</u>	<u>-</u>	<u>(904,407)</u>
<u>Business-Type Activities</u>							
Water and Sewer	1,241,367	1,401,139	-	18,357	-	178,129	178,129
<u>Total Government</u>	<u>\$ 2,634,814</u>	<u>\$ 1,658,837</u>	<u>\$ 108,099</u>	<u>\$ 141,600</u>	<u>(904,407)</u>	<u>178,129</u>	<u>(726,278)</u>
General Revenues:							
Taxes							
Property Taxes, Penalties and Interest					519,344	-	519,344
Transfer Tax					241,023	-	241,023
Investment Income					2,417	406	2,823
Transfer In/(Out)					273,179	(273,179)	-
Total General Revenues					1,035,963	(272,773)	763,190
Change in Net Assets					131,556	(94,644)	36,912
Net Assets-Beginning					1,000,997	12,949,003	13,950,000
Net Assets-Ending					\$ 1,132,553	\$ 12,854,359	\$ 13,986,912

The accompany notes are an integral part of these financial statements.

**TOWN OF BRIDGEVILLE  
BALANCE SHEET  
GOVERNMENTAL FUND  
JUNE 30, 2011**

**EXHIBIT C**

<b>ASSETS</b>	<b>General Fund</b>
Cash	\$ 487,823
Accounts Receivable	<u>140,848</u>
 Total Assets	 <u><u>\$ 628,671</u></u>

**LIABILITIES AND FUND BALANCE**

<b>Liabilities:</b>	
Accounts Payable	\$ 34,719
Accrued Wages	16,844
Accrued Sick Leave	16,150
Accrued Vacation Leave	31,384
Unearned Revenue	<u>59,614</u>
Total Liabilities	<u>158,711</u>
 <b>Fund Balance:</b>	
Assigned	369,936
Unassigned	<u>100,024</u>
Total Fund Balance	<u>469,960</u>
 Total Liabilities and Fund Balance	 <u><u>\$ 628,671</u></u>

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

Total Fund Balance	\$ 469,960
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.	<u>662,593</u>
Net Assets of Governmental Activities	<u><u>\$ 1,132,553</u></u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF BRIDGEVILLE**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2011**

**EXHIBIT D**

	<b>General Fund</b>
Revenues:	
Property Taxes	\$ 519,344
Transfer Tax	241,023
Fees and Charges for Services	121,325
Grants	201,715
Licenses and Permits	60,747
Investment Income	2,417
Police Pension Fund	29,627
Fines	75,626
Total Revenues	1,251,824
Expenditures:	
Current:	
General Government	499,882
Public Safety	610,351
Streets	217,070
Capital Outlay	19,119
Total Expenditures	1,346,422
Excess (Deficiency) of Revenues over (under) Expenditures	(94,598)
Other Financing Sources (Uses):	
Operating Transfers In/(Out)	273,179
Net Change in Fund Balance	178,581
Fund Balance at Beginning of Year	291,379
Fund Balance at End of Year	\$ 469,960

The accompanying notes are an integral part of these financial statements.

**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, 2011**

**EXHIBIT E**

Net Change in Fund Balance- Governmental Fund	\$ 178,581
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.	19,119
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>(66,144)</u>
Change in Net Assets of Governmental Activities	<u>\$ 131,556</u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF BRIDGEVILLE**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2011**

**EXHIBIT F**

	Budgeted Amounts		Actual Amounts	Favorable (Unfavorable) Variance
	Original	Final		
Revenues:				
Property Taxes	\$ 529,900	\$ 522,176	\$ 519,344	\$ (2,832)
Transfer Tax	130,000	180,000	241,023	61,023
Charges for Services	130,550	133,550	121,325	(12,225)
Intergovernmental	145,500	301,750	201,715	(100,035)
Licenses and Permits	66,250	46,250	60,747	14,497
Interest and Land Rents	1,700	1,000	2,417	1,417
Police Pension Fund	5,000	29,650	29,627	(23)
Fines	120,000	90,000	75,626	(14,374)
Appropriated Surplus	35,160	26,500	-	(26,500)
Total Revenues	1,164,060	1,330,876	1,251,824	(79,052)
Expenditures:				
Current:				
General Government	476,950	506,900	499,882	7,018
Public Safety	608,900	660,175	610,351	49,824
Streets	207,930	285,820	217,070	68,750
Capital Outlay	-	-	19,119	(19,119)
Total Expenditures	1,293,780	1,452,895	1,346,422	106,473
Excess (Deficiency) of Revenues over Expenditures	(129,720)	(122,019)	(94,598)	27,421
Other Financing Sources (Uses):				
Operating Transfers In/(Out)	273,179	273,179	273,179	-
Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses	143,459	151,160	178,581	27,421
Fund Balance at Beginning of Year	291,379	291,379	291,379	-
Fund Balance at End of Year	\$ 434,838	\$ 442,539	\$ 469,960	\$ 27,421

The accompanying notes are an integral part of these financial statements.

**TOWN OF BRIDGEVILLE**  
**BALANCE SHEET-ENTERPRISE FUND**  
**JUNE 30, 2011**

**EXHIBIT G**

**ASSETS**

**Current Assets:**

Cash	\$ 301,718
Accounts Receivable	341,857
Total Current Assets	<u>643,575</u>

**Capital Assets:**

Land	3,938,148
Improvements	17,279,344
Equipment	1,517,273
Building	20,829
Vehicles	69,651
Accumulated Depreciation	<u>(2,745,093)</u>
Total Capital Assets	<u>20,080,152</u>

Total Assets \$ 20,723,727

**LIABILITIES AND FUND BALANCES**

**Current Liabilities:**

Accounts Payable	\$ 179,692
Accrued Wages	16,096
Accrued Sick Leave	16,870
Accrued Vacation Leave	8,522
Current Portion of Long Term Debt	240,607
Total Current Liabilities	<u>461,787</u>

**Non-Current Liabilities:**

Unearned Revenue	1,845,000
Long Term Debt-Net of Current Portion	<u>5,562,581</u>
Total Non-Current Liabilities	<u>7,407,581</u>

Total Liabilities 7,869,368

**NET ASSETS**

Invested in Capital Assets, Net of Related Debt	12,431,964
Restricted	301,718
Unrestricted	120,677
Total Net Assets	<u>12,854,359</u>

Total Liabilities and Net Assets \$ 20,723,727

The accompanying notes are an integral part of these financial statements.

**TOWN OF BRIDGEVILLE**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**ENTERPRISE FUND**  
**FOR THE YEAR ENDED JUNE 30, 2011**

**EXHIBIT H**

Operating Revenues:	
Charges for Services	\$ 1,345,770
Miscellaneous Income	55,369
Interest Income	406
Total Operating Revenues	<u>1,401,545</u>
Operating Expenses:	
Health Insurance	23,488
Capital Outlay - Small Items	758
Chemicals	46,326
Depreciation	426,724
Dues	475
Engineering Fees	18,938
Equipment - Purchase/Rental	6,679
Gateway Plaza Expense	789
Heritage - Lift Station	2,984
Testing Fees	15,246
Sludge Disposal	13,017
Insurance	30,217
Interest Expense	225,189
Leases	20,890
Legal & Auditing	9,271
Maintenance - Buildings/Grounds/Tools	11,964
Maintenance - Collector System	1,110
Maintenance - Wells	234
Office Supplies	2,214
Postage	1,280
Payroll Taxes	9,155
Pension Costs	20,696
Repairs	83,565
Salary Expense	117,485
Supplies	16,363
Uniform Expense	954
Utilities - Electric	91,788
Utilities - Gas	19,470
Utilities - Telephone	8,334
Miss Utility Locates	526
Vehicle Expense	15,238
Total Operating Expenses	<u>1,241,367</u>
Operating Income (Loss)	<u>160,178</u>
Other Income:	
Capital Grant Funds	18,357
Operating Transfer In/(Out)	<u>(273,179)</u>
Total Other Income	<u>(254,822)</u>
Net Income	(94,644)
Net Assets at Beginning of Year	<u>12,949,003</u>
Net Assets at End of Year	<u>\$ 12,854,359</u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF BRIDGEVILLE  
STATEMENT OF CASH FLOWS  
ENTERPRISE FUND  
FOR THE YEAR ENDED JUNE 30, 2011**

**EXHIBIT I**

	<u>Water and Sewer Fund</u>
Cash Flows from Operating Activities:	
Cash Received from Customers	\$ 1,148,178
Interest Income	406
Cash Payments for Interest	(225,189)
Cash Payments to Employees for Services	(180,414)
Cash Payments to Suppliers for Goods and Services	<u>(270,603)</u>
Net Cash from Operating Activities	<u>472,378</u>
Cash Flows from Non-Capital Financing Activities	
Operating Transfer In/(Out)	<u>(273,179)</u>
Cash Flows from Capital and Related Financing Activities:	
Acquisition of Capital Assets	(308,654)
Proceeds from Capital Grants	18,357
Retirement of Debt	(180,885)
Proceeds from Long-Term Borrowings	<u>299,498</u>
Net Cash from Capital and Related Financing Activities	<u>(171,684)</u>
Net Increase (Decrease) in Cash	27,515
Cash - Beginning of year	<u>274,203</u>
Cash - End of year	<u>\$ 301,718</u>
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities:	
Operating Income (Loss)	\$ 160,178
Adjustments to Reconcile Operating Income (Loss) to Net Cash from Operating Activities:	
Depreciation	426,724
Change in Accounts Receivable	(192,961)
Change in Accounts Payable	148,027
Change in Deferred Revenue	(60,000)
Change in Accrued Payroll, Vacation and Taxes	<u>(9,590)</u>
Net Cash from Operating Activities	<u>\$ 472,378</u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF BRIDGEVILLE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**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.

**TOWN OF BRIDGEVILLE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**EXHIBIT J**  
**PAGE 2**

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

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:

- 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, 2011**

**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 of uncollectibility.

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.

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.

**TOWN OF BRIDGEVILLE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**EXHIBIT J**  
**PAGE 4**

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

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

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.

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.

**TOWN OF BRIDGEVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

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

- **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.

NOTE 2 - CASH:

The balance of cash is categorized as follows:

General Fund Checking	\$ 95,240
General Fund Savings	<u>422,375</u>
 <u>TOTAL GENERAL FUND</u>	 <u>517,615</u>
 Water and Sewer Savings	 <u>300,288</u>
 <u>TOTAL WATER AND SEWER FUND</u>	 <u>\$ 300,288</u>
 <u>TOTAL CASH IN BANK (Per Bank Statements)</u>	 <u>\$ 817,903</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>367,530</u>
Collateralized by the financial institution’s trust department with securities not in the Town’s name	<u>\$ 450,373</u>

**TOWN OF BRIDGEVILLE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**EXHIBIT J**  
**PAGE 6**

NOTE 3 - RECEIVABLES:

Following is a list, by type of charge, of outstanding receivables as of June 30, 2011:

Water and Sewer Charges	\$	108,253
Demolition Reimbursement		27,524
Town of Greenwood-Sewer Charges		72,405
RBC Project		126,837
EECBG Grant		150
Fines		6,585
CJC Grant		2,048
Del-Dot Grant		58,900
Waste Water Industry Payments		34,362
Garbage Fees		12,038
Administrative Fees		1,877
Property Tax		5,671
Transfer Tax		26,055
		26,055
<u>TOTAL</u>	\$	482,705

NOTE 4 – CAPITAL ASSETS:

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

	<u>ASSETS</u>			
	BALANCE			BALANCE
	JULY 1, 2010	<u>ACQUISITIONS</u>	<u>RETIREMENTS</u>	JUNE 30, 2011
Land-Governmental	\$ 238,060	\$ -	\$ -	\$ 238,060
Land-Water and Sewer	3,938,148	-	-	3,938,148
Buildings	96,700	-	-	96,700
Equipment	233,837	-	-	233,837
Improvements	312,937	19,119	-	332,056
Vehicles	403,815	-	-	403,815
Water and Sewer Improvements	18,578,443	308,654	-	18,887,097
<u>TOTAL</u>	\$ 23,801,940	\$ 327,773	\$ -	\$ 24,129,713

	<u>ACCUMULATED DEPRECIATION</u>			
	BALANCE			BALANCE
	JULY 1, 2010	<u>DEPRECIATION</u>	<u>RETIREMENTS</u>	JUNE 30, 2011
Buildings	\$ 45,662	\$ 2,952	\$ -	\$ 48,614
Equipment	153,611	19,760	-	173,371
Improvements	51,889	12,659	-	64,548
Vehicles	324,569	30,773	-	355,342
Water and Sewer Improvements	2,318,369	426,724	-	2,745,093
<u>TOTAL</u>	\$ 2,894,100	\$ 492,868	\$ -	\$ 3,386,968

CAPITAL ASSETS \$ 20,742,745

**TOWN OF BRIDGEVILLE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

NOTE 4 – CAPITAL ASSETS (CONTINUED):

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

Governmental Activities:	
General Government	\$ 3,865
Police	27,564
Streets	34,715
Water and Sewer	426,724
Total Depreciation Expense	\$ <u>492,868</u>

NOTE 5 - 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, 2011, the bond issue had a balance of \$22,348,000.

NOTE 6 - DEBT:

Debt at June 30, 2011 consists of the following:

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.	\$ 348,285
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.	669,612
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.	919,247
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.	1,227,015
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.	404,788

**TOWN OF BRIDGEVILLE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**EXHIBIT J**  
**PAGE 8**

NOTE 6 – DEBT (CONTINUED):

Unsecured note payable to Delaware Department of Natural Resources and Environmental Control in the total amount of \$250,000. All proceeds to be used in the construction of a new well. The payments for the note are deferred until the end of construction, with an interest rate of 3.24%. Loan matures on May 1, 2031. 53,648

Unsecured note payable to Delaware Department of Natural Resources and Environmental Control in the total amount of \$2,700,000. All proceeds to be 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. 2,180,593

<u>TOTAL DEBT</u>	5,803,188
Less: Current Portion	(240,607)
<u>TOTAL LONG-TERM DEBT</u>	<u>\$ 5,562,581</u>

Maturities of Debt subsequent to June 30, 2011, are as follows:

	<u>GOVERNMENTAL</u>		<u>ENTERPRISE</u>	
	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>
2012	\$ -	\$ -	\$ 240,607	\$ 204,699
2013	-	-	193,286	198,373
2014	-	-	199,846	191,812
2015	-	-	207,190	184,468
2016	-	-	213,708	177,950
2017-2021	-	-	1,184,036	774,255
2022-2026	-	-	1,246,931	711,360
2027-2031	-	-	1,030,484	369,659
2032-2036	-	-	642,297	228,923
2037-2041	-	-	216,827	122,833
2042-2046	-	-	271,197	68,463
2047-2048	-	-	156,779	47,017
<u>TOTAL</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,803,188</u>	<u>\$ 3,279,812</u>

Below summarizes the changes in Debt:

	<u>BALANCE</u> <u>7/1/10</u>	<u>ADDITIONS</u>	<u>RETIREMENTS</u>	<u>BALANCE</u> <u>6/30/11</u>
Rural Development	\$ 357,981	\$ -	\$ 9,696	\$ 348,285
Rural Development	683,884	-	14,272	669,612
Rural Development	938,830	-	19,583	919,247
Rural Development	1,239,380	-	12,365	1,227,015
Rural Development	50,691	2,957	-	53,648
State of Delaware	108,247	296,541	-	404,788
State of Delaware	<u>2,305,562</u>	<u>-</u>	<u>124,969</u>	<u>2,180,593</u>
<u>TOTAL</u>	<u>\$ 5,684,575</u>	<u>\$ 299,498</u>	<u>\$ 180,885</u>	<u>\$ 5,803,188</u>

**TOWN OF BRIDGEVILLE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

NOTE 7 – NET ASSET RESTRICTIONS:

The following amounts have been restricted for the purpose indicated:

	<u>GENERAL</u>	<u>ENTERPRISE</u>
Impact Fee Fund	\$ -	\$ 110,459
Heritage Shores Meters	-	32,447
Children’s Sanctuary Park/Charity Golf	10,257	-
Capital Improvement Escrows	359,677	154,681
Sewer Sinking	-	4,131
<u>TOTAL</u>	<u>\$ 369,934</u>	<u>\$ 301,718</u>

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 Municipal Police Pension plan, a defined benefit pension plan, which is partially funded by a grant from the State. Information on this plan is available at [www.delawarepensions.com](http://www.delawarepensions.com)

For the year ended June 30, 2011, the Town made pension contributions of \$51,686 (14.9% of covered payroll).

For the year ended June 30, 2011, the contribution was figured on total covered payroll of \$347,498 and total payroll of \$693,527.

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, 2011**

**EXHIBIT J**  
**PAGE 10**

NOTE 11 – SEWER PLANT UPGRADE:

The Town is upgrading the waste water treatment plant by adding a biological nutrient removal system. The Town has a commitment from Rural Development in the amount of \$2,257,000, consisting of a \$1,000,000 grant and a \$1,257,000 loan. The Town also obtained unsecured loans from the State of Delaware Department of Natural Resources and Environmental Control in the total amount of \$3,450,000. The State has advanced the Town \$2,710,350 as of June 30, 2011 for upgrades to the wastewater treatment plant, the purchase of land on which to spray irrigate treated waste water, and related engineering costs.

NOTE 12 – 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	\$ 1,905,000
Fees Used	60,000
Prepaid Fees - Ending	\$ <u>1,845,000</u>

NOTE 13 – SUBSEQUENT EVENTS:

Subsequent event inquiries and testing were performed through the report date, November 10, 2011, which is the date the financial statements were available for issuance.

NOTE 14 – IMPAIRMENT OF LONG-LIVED ASSETS:

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 ended June 30, 2011.

TOWN OF BRIDGEVILLE  
SUPPLEMENTAL INFORMATION  
JUNE 30, 2011

**TOWN OF BRIDGEVILLE  
SUPPLEMENTAL INFORMATION  
REVENUES-BUDGET AND ACTUAL-ALL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2011**

SCHEDULE A

2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Favorable (Unfavorable) Variance</u>	<u>Prior Year 6/30/10</u>
	<u>Original</u>	<u>Final</u>			
<u>GOVERNMENTAL ACTIVITIES</u>					
Building Permits	\$ 40,000	\$ 40,000	\$ 45,297	\$ 5,297	\$ 21,528
Emergency Services	16,800	16,800	11,946	(4,854)	-
Newsletter Ads	4,500	4,500	4,150	(350)	4,500
Property Tax	485,200	486,226	486,226	-	427,236
Quarterly/Supplemental Taxes	15,000	5,000	5,460	460	7,402
Property Tax Penalties	1,500	2,000	3,488	1,488	1,818
Transfer Tax	130,000	180,000	241,023	61,023	180,746
Payments in Lieu of Taxes	23,200	23,950	24,090	140	20,574
Sussex County Council - Grant	10,000	21,500	22,500	1,000	20,000
Delinquent Taxes	5,000	5,000	80	(4,920)	3,862
Interest Income	1,700	1,000	2,417	1,417	3,991
Grass Cutting	500	500	250	(250)	648
Miscellaneous Fees	5,350	5,700	7,734	2,034	29,866
Fines	120,000	90,000	75,626	(14,374)	73,780
Federal and State Grants	135,500	280,250	179,215	(101,035)	24,919
Police Pension Fund	5,000	29,650	29,627	(23)	5,529
Appropriated Surplus	35,160	26,500	-	(26,500)	-
Garbage Fees	100,800	105,050	96,477	(8,573)	91,284
Miscellaneous Income	500	1,000	768	(232)	-
Business Licenses	20,000	-	-	-	-
Rental Licenses	6,250	6,250	15,450	9,200	-
Library Fund	2,100	-	-	-	-
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>1,164,060</b>	<b>1,330,876</b>	<b>1,251,824</b>	<b>(79,052)</b>	<b>917,683</b>
<u>BUSINESS-TYPE ACTIVITIES</u>					
Fire Lines	11,300	11,300	11,300	-	11,300
Water/Sewer Inspection Fees	1,500	1,500	1,200	(300)	1,150
Sewer Rents	575,950	569,650	564,420	(5,230)	334,572
Fats, Oils, Grease Fees	1,300	1,500	1,500	-	1,300
Roof Connector Rent	720	720	552	(168)	640
Sewer Rent - Industrial	75,000	75,000	91,733	16,733	64,177
Sewer Fee Penalties	2,000	3,000	4,034	1,034	-
Town of Greenwood	198,650	198,650	219,458	20,808	204,144
Water Rent	221,100	298,800	265,393	(33,407)	175,992
Water Meter Rent	53,000	54,000	58,891	4,891	61,270
Water Meter Pit Fees	6,600	22,200	16,070	(6,130)	5,280
Water Fee Penalties	2,000	3,000	4,009	1,009	-
Federal and State Grants	-	-	18,357	18,357	165,974
Tapping Fees	3,000	3,600	3,300	(300)	2,500
Impact Fees	-	-	103,910	103,910	78,000
Interest Income	1,000	200	406	206	2,769
Miscellaneous Fees	6,000	50,000	55,369	5,369	27,182
Appropriated Funds	-	20,750	-	(20,750)	-
Donated Capital Assets	-	-	-	-	7,712,128
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>1,159,120</b>	<b>1,313,870</b>	<b>1,419,902</b>	<b>106,032</b>	<b>8,848,378</b>
<b>TOTAL REVENUE</b>	<b>\$ 2,323,180</b>	<b>\$ 2,644,746</b>	<b>\$ 2,671,726</b>	<b>\$ 26,980</b>	<b>\$ 9,766,061</b>

**TOWN OF BRIDGEVILLE  
SUPPLEMENTAL INFORMATION  
EXPENDITURES/EXPENSES-BUDGET AND ACTUAL-ALL FUNDS  
JUNE 30, 2011**

2011					
	Budgeted Amounts		Actual Amounts	Favorable (Unfavorable) Variance	Prior Year 6/30/10
	Original	Final			
<b>GOVERNMENTAL FUNDS</b>					
<b>GENERAL GOVERNMENT</b>					
Advertising Expense	\$ 750	\$ 1,000	\$ 1,985	\$ (985)	\$ 1,560
Emergency Services Fund	12,300	16,800	11,946	4,854	-
Travel	500	500	377	123	441
Continuing Education	200	500	373	127	212
Grass Cutting Expense	600	600	635	(35)	633
Cleanup Day	3,000	4,200	2,800	1,400	2,591
SCAT Meetings	500	1,150	2,644	(1,494)	2,435
Code Update	4,000	4,000	908	3,092	2,372
Health Insurance	39,150	37,050	38,368	(1,318)	36,974
Capital Outlay	-	-	3,119	(3,119)	21,978
Donations	-	-	945	(945)	23,979
Dues	2,500	2,500	1,605	895	3,005
Engineering Fees	-	28,500	28,651	(151)	13
Equipment - Purchase/Rental	-	1,200	1,197	3	-
Garbage Pick Up Fees	90,750	95,000	96,029	(1,029)	78,498
Insurance	11,200	11,200	10,012	1,188	8,686
Leases	5,800	5,800	4,892	908	5,691
Legal and Auditing	6,000	7,000	9,255	(2,255)	8,403
Maintenance - Buildings/Grounds/Tools	2,000	2,000	2,243	(243)	2,764
Newsletter Expense	3,200	3,200	3,184	16	4,458
Office Supplies	4,500	4,500	4,748	(248)	4,602
Postage	3,500	3,500	4,871	(1,371)	3,285
Payroll Taxes	16,750	16,300	15,481	819	15,890
Pension Costs	27,350	27,350	25,547	1,803	25,910
Ditch Tax - Annual	1,600	1,600	1,569	31	1,567
Repairs	1,000	1,000	766	234	1,714
Salary Expense	219,000	212,750	212,157	593	225,754
Special Recognitions	1,000	1,000	840	160	1,727
Supplies	3,600	1,500	1,787	(287)	4,588
Uniform Expense	500	500	497	3	128
Employment Expense	1,000	1,000	470	530	350
Utilities - Electric	5,000	4,000	3,754	246	4,690
Utilities - Gas	1,200	1,200	1,286	(86)	1,031
Utilities - Telephone	4,500	4,500	4,735	(235)	4,220
Vehicle Expense	4,000	4,000	3,325	675	2,232
<b>TOTAL GENERAL GOVERNMENT</b>	<b>476,950</b>	<b>506,900</b>	<b>503,001</b>	<b>3,899</b>	<b>502,381</b>
<b>POLICE</b>					
Advertising	100	100	-	100	59
Health Insurance	61,900	60,400	62,083	(1,683)	50,615
Capital Outlay	-	62,500	-	62,500	-
Continuing Education	800	-	-	-	257
Donations	700	300	175	125	554
Dues	500	500	385	115	270
Equipment - Purchase/Rental	-	2,175	2,175	-	-
Insurance	27,750	28,000	32,629	(4,629)	22,033
SALLE Expense	-	7,000	2,596	4,404	1,069
Leases, Maintenance Agreements	1,000	1,000	897	103	883
Legal and Auditing	4,000	4,500	5,355	(855)	3,615
Maintenance - Buildings/Grounds/Tools	1,500	1,500	419	1,081	817
Office Supplies	1,200	1,200	1,589	(389)	878
Postage	1,700	1,700	1,250	450	1,566
Payroll Taxes	27,150	26,950	25,961	989	23,025
Pension Costs	44,550	43,700	43,511	189	55,843
Repairs	1,200	1,200	1,552	(352)	1,200
Salary Expense	320,550	316,500	322,468	(5,968)	292,173
Salaries - Overtime, Part-time	34,300	34,800	31,284	3,516	35,820
EIDE Drug Overtime	-	7,500	6,070	1,430	2,391
Supplies	36,500	12,650	12,499	151	32,768
Uniform Expense	3,000	1,500	1,335	165	3,007
Employment Expense	500	500	180	320	-
Utilities - Electric	5,000	5,000	4,428	572	4,873
Utilities - Gas	2,000	2,000	1,660	340	1,566
Utilities - Telephone	8,000	7,000	7,780	(780)	6,172
Vehicle Expense	25,000	30,000	42,070	(12,070)	26,114
<b>TOTAL POLICE</b>	<b>608,900</b>	<b>660,175</b>	<b>610,351</b>	<b>49,824</b>	<b>567,568</b>

**TOWN OF BRIDGEVILLE  
SUPPLEMENTAL INFORMATION  
EXPENDITURES/EXPENSES-BUDGET AND ACTUAL-ALL FUNDS  
JUNE 30, 2011**

**SCHEDULE B  
PAGE 2**

2011					
	Budgeted Amounts		Actual Amounts	Favorable (Unfavorable) Variance	Prior Year 6/30/10
	Original	Final			
<b><u>STREETS</u></b>					
Advertising	500	500	163	337	-
Health Insurance	7,850	7,850	7,992	(142)	7,334
Christmas Lighting/Repairs	1,000	1,000	813	187	556
Capital Outlay	-	-	16,000	(16,000)	1,500
Sidewalk Improvements	60,000	125,000	57,600	67,400	-
Engineering Expenses	500	500	304	196	1,222
Insurance	7,750	5,600	6,197	(597)	5,008
Legal and Auditing	4,000	4,000	4,000	-	3,500
Maintenance - Buildings/Grounds/Tools	2,500	1,800	1,807	(7)	4,119
Mother Nature	1,000	1,000	1,000	-	-
Office Supplies	300	300	203	97	94
Payroll Taxes	3,500	4,400	4,408	(8)	3,228
Permits	30	20	20	-	-
Pension Costs	5,750	5,750	5,702	48	7,832
Repairs	3,200	3,200	6,349	(3,149)	1,814
Salary Expense	43,250	55,300	54,009	1,291	40,361
Salary - Overtime	2,000	4,000	4,358	(358)	3,440
Snow Removal	5,300	10,000	9,610	390	11,389
Supplies	1,000	1,000	1,500	(500)	1,417
Tree Removal	1,000	800	1,503	(703)	100
Uniform Expense	500	500	500	-	506
Utilities - Electric	48,000	46,000	42,787	3,213	43,573
Utilities - Gas	500	500	626	(126)	548
Utilities - Telephone	1,000	1,300	1,359	(59)	901
Vehicle Expense	7,500	5,500	4,260	1,240	4,927
<b>TOTAL STREETS</b>	<b>207,930</b>	<b>285,820</b>	<b>233,070</b>	<b>52,750</b>	<b>143,369</b>
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>1,293,780</b>	<b>1,452,895</b>	<b>1,346,422</b>	<b>106,473</b>	<b>1,213,318</b>
<b><u>BUSINESS-TYPE ACTIVITIES</u></b>					
<b><u>WASTEWATER</u></b>					
Advertising	100	100	-	100	39
Continuing Education	250	250	-	250	72
Health Insurance	15,800	15,800	16,096	(296)	19,631
Capital Outlay	3,500	800	758	42	-
Chemicals	52,400	40,000	31,780	8,220	44,301
Debt Service - Interest	350,000	350,000	183,268	166,732	173,882
Depreciation	-	-	213,362	(213,362)	163,656
Dues	100	100	125	(25)	150
Engineering Fees	2,000	9,000	18,080	(9,080)	3,940
Equipment - Purchase/Rental	6,000	6,000	6,362	(362)	2,826
Gateway Plaza Expense	4,500	3,000	789	2,211	1,236
Heritage Shores - Lift Station	7,750	5,000	2,984	2,016	5,038
Testing Fees	16,500	16,500	15,221	1,279	18,252
Sludge Disposal	18,300	18,300	13,017	5,283	18,356
Insurance	17,250	21,850	21,749	101	18,653
Leases/Maintenance Agreements	12,300	14,300	12,810	1,490	12,165
Legal and Auditing	4,000	4,500	5,271	(771)	3,780
Maintenance - Buildings/Grounds/Tools	11,000	9,000	9,926	(926)	7,232
Maintenance - Collector System	500	1,000	1,110	(110)	-
Office Supplies	1,200	700	771	(71)	1,064
Postage	1,000	1,000	655	345	803
Payroll Taxes	8,300	8,300	7,916	384	9,706
Pension Costs	16,100	12,300	12,275	25	12,179
Repairs	5,800	45,750	75,510	(29,760)	2,692
Salary Expense	97,750	100,650	99,608	1,042	141,377
Salary - Overtime	7,000	10,000	7,372	2,628	6,844
Supplies	1,000	1,000	971	29	1,384
Uniform Expense	1,000	1,000	954	46	1,114
Utilities - Electric	90,000	75,000	70,793	4,207	86,050
Utilities - Gas	24,000	20,000	18,844	1,156	20,380
Utilities - Telephone	3,000	3,000	3,060	(60)	3,019
Miss Utility Locates	250	250	263	(13)	221
Vehicle Expense	4,000	6,000	5,191	809	4,002
<b>TOTAL WASTEWATER</b>	<b>782,650</b>	<b>800,450</b>	<b>856,891</b>	<b>(56,441)</b>	<b>784,044</b>

TOWN OF BRIDGEVILLE  
 SUPPLEMENTAL INFORMATION  
 EXPENDITURES/EXPENSES-BUDGET AND ACTUAL-ALL FUNDS  
 JUNE 30, 2011

2011					
	Budgeted Amounts		Actual Amounts	Favorable (Unfavorable) Variance	Prior Year 6/30/10
	Original	Final			
<u>WATER</u>					
Continuing Education	100	100	-	100	-
Health Insurance	7,850	7,850	7,392	458	7,359
Capital Outlay	-	-	-	-	7,359
Chemicals	12,000	14,500	14,546	(46)	14,116
Debt Service - Interest	81,000	65,000	41,921	23,079	42,778
Depreciation	-	-	213,362	(213,362)	163,656
Dues	600	600	350	250	715
Engineering Fees	500	500	858	(358)	1,767
Equipment - Purchase/Rental	1,000	1,000	317	683	-
Testing Fees	550	1,000	25	975	1,202
Insurance	9,800	9,800	8,468	1,332	7,038
Leases	8,100	8,100	8,080	20	7,697
Legal and Auditing	4,000	4,000	4,000	-	3,577
Maintenance - Buildings/Grounds/Tools	2,000	2,000	2,038	(38)	10
Maintenance - Wells	1,500	1,500	234	1,266	502
Office Supplies	700	700	1,443	(743)	537
Postage	1,000	1,000	625	375	780
Payroll Taxes	4,000	4,000	1,239	2,761	3,879
Pension Costs	8,450	8,450	8,421	29	8,130
Repairs	2,500	3,500	8,055	(4,555)	2,873
Salary Expense	45,150	13,000	5,285	7,715	60,606
Salary - Overtime	7,000	7,000	5,220	1,780	4,369
Supplies	5,000	27,200	15,392	11,808	10,308
Uniform Expense	500	-	-	-	160
Utilities - Gas	650	650	626	24	548
Utilities - Electric	32,500	25,000	20,995	4,005	26,894
Utilities - Telephone	6,000	6,000	5,274	726	5,225
Miss Utility Locates	500	500	263	237	221
Vehicle Expense	3,800	10,500	10,047	453	2,442
<u>TOTAL WATER</u>	<u>246,750</u>	<u>223,450</u>	<u>384,476</u>	<u>(161,026)</u>	<u>384,748</u>
<u>TOTAL BUSINESS-TYPE ACTIVITIES</u>	<u>1,029,400</u>	<u>1,023,900</u>	<u>1,241,367</u>	<u>(217,467)</u>	<u>1,168,792</u>
<u>TOTAL EXPENDITURES/EXPENSES</u>	<u>\$ 2,323,180</u>	<u>\$ 2,476,795</u>	<u>\$ 2,587,789</u>	<u>\$ (110,994)</u>	<u>\$ 2,382,110</u>

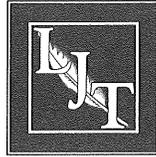
**TOWN OF BRIDGEVILLE**  
**SUPPLEMENTAL INFORMATION**  
**STATEMENT OF OPERATING REVENUES AND EXPENSES**  
**ENTERPRISE FUND**  
**FOR THE YEAR ENDED JUNE 30, 2011**

**SCHEDULE C**

	<u>Wastewater Department</u>	<u>Water Department</u>	<u>Total</u>
Operating Income			
Charges for Services	\$ 972,932	\$ 372,838	\$ 1,345,770
Miscellaneous Income	29,571	25,798	55,369
Interest Income	203	203	406
	<u>1,002,706</u>	<u>398,839</u>	<u>1,401,545</u>
Total Operating Income			
Operating Expense			
Health Insurance	16,096	7,392	23,488
Capital Outlay	758	-	758
Chemicals	31,780	14,546	46,326
Depreciation	213,362	213,362	426,724
Dues	125	350	475
Engineering Fees	18,080	858	18,938
Equipment - Purchase/Rental	6,362	317	6,679
Gateway Plaza Expense	789	-	789
Heritage - Lift Station	2,984	-	2,984
Testing Fees	15,221	25	15,246
Sludge Disposal	13,017	-	13,017
Insurance	21,749	8,468	30,217
Interest Expense	183,268	41,921	225,189
Leases	12,810	8,080	20,890
Legal and Auditing	5,271	4,000	9,271
Maintenance - Buildings/Grounds/Tools	9,926	2,038	11,964
Maintenance - Collector System	1,110	-	1,110
Maintenance - Wells	-	234	234
Office Supplies	771	1,443	2,214
Postage	655	625	1,280
Payroll Taxes	7,916	1,239	9,155
Pension Costs	12,275	8,421	20,696
Repairs	75,510	8,055	83,565
Salary Expense	99,608	5,285	104,893
Salary - Overtime	7,372	5,220	12,592
Supplies	971	15,392	16,363
Uniform Expense	954	-	954
Utilities - Electric	70,793	20,995	91,788
Utilities - Gas	18,844	626	19,470
Utilities - Telephone	3,060	5,274	8,334
Miss Utility Locates	263	263	526
Vehicle Expense	5,191	10,047	15,238
	<u>856,891</u>	<u>384,476</u>	<u>1,241,367</u>
Total Operating Expense			
Net Operating Income (Loss)	<u>\$ 145,815</u>	<u>\$ 14,363</u>	<u>\$ 160,178</u>

See Accompanying Report of Independent Auditor

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, 2011, and have issued our report thereon dated November 10, 2011. 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

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*.

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This report is intended solely for the information and use of management, others within the entity, the Board of Directors, 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  
November 10, 2011