

TOWN OF CAMDEN
CAMDEN, DELAWARE

BASIC FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION

JUNE 30, 2010

TOWN OF CAMDEN
CAMDEN, DELAWARE

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INDEPENDENT AUDITORS' REPORT

Barbacane, Thornton & Company LLP

200 Springer Building
3411 Silverside Road
Wilmington, Delaware 19810

June 24, 2011

T 302.478.8940
F 302.468.4001
www.btcpa.com

To the Honorable Mayor and Members of Council
Town of Camden
Camden, Delaware

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Camden, Camden, Delaware as of and for the year ended June 30, 2010, which collectively comprise the Town's basic financial statements as listed in the foregoing 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. The prior year summarized comparative information has been derived from the Town's 2009 financial statements and, in our report dated March 18, 2010, we expressed unqualified opinions on the respective financial statements of the governmental activities, each major fund and the aggregate remaining fund information.

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, each major fund and the aggregate remaining fund information of the Town of Camden, Camden, Delaware as of June 30, 2010 and the changes in financial position 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 June 24, 2011 on our consideration of the Town of Camden'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 should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3-7 and the budgetary comparison schedule - general fund on page 24 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of

Town of Camden
Camden, Delaware

America. We have applied certain limited procedures to the management's discussion and analysis and the budgetary comparison schedule - general fund, 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 conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Camden's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Barbacane, Thornton & Company LLP
BARBACANE, THORNTON & COMPANY LLP

TOWN OF CAMDEN, DELAWARE
Management's Discussion and Analysis - Unaudited
June 30, 2010

Management's discussion and analysis of the Town of Camden, Delaware ("the Town") provides an overview of the Town's financial performance for the fiscal year ended June 30, 2010. It should be read in conjunction with the Town's financial statements which begin on page 8.

FINANCIAL HIGHLIGHTS

The assets of the Town exceeded its liabilities at June 30, 2010 by \$2.8 million (net assets). The Town's total net assets decreased by \$486 thousand.

As of June 30, 2010, the Town's governmental funds reported combined ending fund balances of \$767 thousand, a decrease of \$330 thousand. The current year decrease in fund balances can be attributed to additional benefit costs and additional expenditures relating to the new municipal building. Approximately 20 percent of the total, or \$156 thousand, is available for spending at the Town's discretion (unreserved fund balance).

Overview of the Financial Statements

The financial statements consist of three parts – management's discussion and analysis ("MD&A"), the basic financial statements and required supplementary information. The MD&A is intended to serve as an introduction to the Town of Camden's basic financial statements, which are comprised of three components: 1) entity-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

The basic financial statements include two kinds of statements that present different views of the Town:

- The first two statements are entity-wide financial statements that provide both long-term and short-term information about the Town's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Town government, reporting the Town's operations in more detail than the entity-wide statements.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

Entity-wide Financial Statements. The entity-wide financial statements are designed to provide readers with a broad overview of the Town of Camden's finances, in a manner similar to a private-sector business. These statements are prepared using the accrual basis of accounting.

The statement of net assets presents information on all of the Town's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

TOWN OF CAMDEN, DELAWARE
Management's Discussion and Analysis - Unaudited (cont'd)
June 30, 2010

The statement of activities presents information showing how the Town's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows only in future fiscal periods.

Fund Financial Statements. Traditional readers of government financial statements will find the fund financial statement presentation more familiar where the focus is on the Town's most significant funds. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town uses fund accounting to ensure and demonstrate fiscal accountability. The Town uses governmental fund financial statements to provide more detailed information about the Town's most significant funds rather than the Town as a whole.

Governmental Funds. Most of the Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds are reported using the modified accrual accounting method, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is described in a reconciliation.

Notes to the Basic Financial Statements. The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the entity-wide and fund financial statements.

Required Supplementary Information. In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the Town. A budgetary comparison schedule has been provided for the general fund and combining nonmajor governmental fund statements.

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

Entity-wide Financial Analysis

The following table presents a summary of the Statement of Net Assets:

Table 1 - Condensed Statement of Net Assets - Governmental Activities
June 30, 2010 and 2009

	Totals	
	2010	2009
ASSETS		
Current and other assets	\$ 877,760	\$ 1,160,532
Capital assets, net	5,197,144	5,372,095
TOTAL ASSETS	6,074,904	6,532,627

TOWN OF CAMDEN, DELAWARE
Management's Discussion and Analysis - Unaudited (cont'd)
June 30, 2010

Statement of Net Assets (cont'd)

	Totals	
	2010	2009
LIABILITIES		
Current liabilities	128,241	76,933
Noncurrent liabilities	<u>3,112,322</u>	<u>3,135,577</u>
TOTAL LIABILITIES	<u>3,240,563</u>	<u>3,212,510</u>
NET ASSETS (DEFICIT)		
Invested in capital assets, net of related debt	2,230,441	2,376,749
Restricted	611,515	591,102
Unrestricted (Deficit)	<u>(7,615)</u>	<u>352,266</u>
TOTAL NET ASSETS	<u>\$ 2,834,341</u>	<u>\$ 3,320,117</u>

The largest portion of the Town's net assets is its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. Capital assets are used to provide services to residents and are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Table 2 - Changes in Net Assets - Governmental Activities
Fiscal Years Ended June 30, 2010 and 2009

	Totals	
	2010	2009
REVENUES		
Program revenues:		
Charges for services	\$ 477,375	\$ 682,579
Operating grants and contributions	107,616	421,211
Capital grants and contributions	-	1,145,000
General revenues:		
Real estate taxes	1,440,902	1,144,947
Interest income	26,770	34,329
Other revenue	94,621	34,431
Gain on sale of asset	-	8,425
TOTAL REVENUES	<u>2,147,284</u>	<u>3,470,922</u>
EXPENSES		
General government	1,254,659	827,455
Public safety	1,077,006	1,377,177
Public works	170,919	412,243
Debt service	130,476	21,867
TOTAL EXPENSES	<u>2,633,060</u>	<u>2,638,742</u>
INCREASE (DECREASE) IN NET ASSETS	(485,776)	832,180
NET ASSETS, BEGINNING OF YEAR	<u>3,320,117</u>	<u>2,487,937</u>
NET ASSETS, END OF YEAR	<u>\$ 2,834,341</u>	<u>\$ 3,320,117</u>

TOWN OF CAMDEN, DELAWARE
Management's Discussion and Analysis - Unaudited (cont'd)
June 30, 2010

Governmental Activities

The cost of all governmental activities in 2010 was \$2.6 million. The amount that taxpayers ultimately financed for these activities through Town taxes was \$1.4 million, or 55 percent. Other costs were paid by those who directly benefited from the programs (\$477 thousand) or by government agencies and organizations that subsidized funding with operating grants and contributions (\$108 thousand).

Operating grants and contributions decreased from the prior year by approximately \$314 thousand due to a decrease in police-related grants. Capital grants and contributions decreased from the prior year by approximately \$1.1 million due to donated land. The increase in real estate taxes is due to a slight rebound in the economy.

As indicated by the governmental program expenses, general government programs accounted for approximately 47.65 percent of the total expenses of the Town's governmental activities. General governmental expenses increased from the prior year due to increased benefit costs and other costs relating to the new municipal building. Public safety and public works expenditures decreased from the prior year due to the implementation of cost-saving measures and restructuring of the departments.

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

The Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the Town's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is valuable in assessing the Town's financing requirements. In particular, the unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of June 30, 2010, the Town's governmental funds reported combined ending fund balances of \$767 thousand, a decrease of \$330 thousand as compared to the prior year.

The General Fund is the chief operating fund of the Town. As of June 30, 2010, the total fund balance of the General Fund was \$156 thousand, all of which is unreserved. The fund balance decreased by \$351 thousand during the year ended June 30, 2010.

Governmental fund revenues decreased by \$153 thousand in relation to the prior year, due primarily to a decrease in license and permit fees caused by a slowdown in the economy.

Governmental fund expenditures decreased by \$5.5 million in relation to the prior year. Major fluctuations in expenditures compared to the prior year are as follows:

- Capital outlays decreased by \$2.5 million due to the construction of a new town hall being completed in 2009.
- Debt service decreased in the current year by \$2.9 million related to the payment of a Wilmington Trust construction line of credit with proceeds from the USDA loan received in FY 2009.

TOWN OF CAMDEN, DELAWARE
Management's Discussion and Analysis - Unaudited (cont'd)
June 30, 2010

The Municipal Street Aid Fund provides funding for street expenditures of the Town. Revenue is provided by intergovernmental revenues. As of June 30, 2010, the total fund balance of the Municipal Street Aid Fund was \$0.

The Real Estate Transfer Tax Fund provides funding for operating costs of public safety, capital improvements and debt reduction. Revenue is provided by 1/2 percent of real estate transfer taxes. As of June 30, 2010, the total fund balance of the Real Estate Transfer Tax Fund was \$612 thousand.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Town's capital assets for its governmental activities as of June 30, 2010 amounted to \$5.2 million (net of accumulated depreciation). Capital assets include land, building and improvements, furniture and fixtures, equipment and streets. The total net decrease in the Town's capital assets for the current fiscal year was approximately \$175 thousand. Current year depreciation expense was \$271 thousand.

More detailed information about the Town's capital assets is presented in the notes to the basic financial statements (Note 4).

Debt

At June 30, 2010, the Town had \$2.9 million outstanding loans payable. Other long-term obligations at June 30, 2010 in the amount of \$176 thousand include accrued sick leave and retirement severance for employees of the Town. Detailed information regarding long-term debt is included in the notes to the financial statements (Note 5).

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The most significant factors that will affect the future finances of the Town are as follows:

- The Town of Camden is experiencing a volatile economic environment with an unstable work force.
- The 2010-2011 general fund budget reflects total appropriations in the amount of \$2.3 million.
- The 2010-2011 property tax rate is:
 - Senior Citizen at \$.84 per hundred of assessed property value.
 - Residential at \$1.20 per hundred of assessed property value.
 - Commercial at \$1.35 per hundred of assessed property value
- The Town removed a wage increase from next year's budget.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Town's finances. If you have questions about this report or need any additional information, please contact the Town of Camden, 1783 Friends Way, Camden, DE 19934.

**TOWN OF CAMDEN
CAMDEN, DELAWARE
STATEMENTS OF NET ASSETS
JUNE 30, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 736,511	\$ 954,504
Tenant security deposit	1,860	1,860
Accounts receivable - net of allowance for bad debts of \$8,685 and \$0, respectively, in 2010 and 2009	86,799	90,902
Taxes receivable	34,249	25,027
Prepaid expenses	18,341	19,767
Total Current Assets	<u>877,760</u>	<u>1,092,060</u>
Noncurrent Assets:		
Capital assets		
Land	1,168,920	1,168,920
Building and improvements	3,658,099	3,625,349
Equipment	959,520	900,563
Transportation equipment - vehicles	515,252	513,825
Streets	580,904	578,264
Furniture and fixtures	22,114	22,114
Accumulated depreciation	(1,707,665)	(1,436,940)
Total Capital Assets	<u>5,197,144</u>	<u>5,372,095</u>
Investments	-	68,472
Total Noncurrent Assets	<u>5,197,144</u>	<u>5,440,567</u>
TOTAL ASSETS	<u><u>\$ 6,074,904</u></u>	<u><u>\$ 6,532,627</u></u>
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Current Liabilities:		
Accounts payable	\$ 55,106	\$ 14,319
Accrued liabilities	41,073	26,366
Tenant security deposit	1,860	1,860
Deferred revenue	279	5,745
Current portion of loans payable	29,923	28,643
Total Current Liabilities	<u>128,241</u>	<u>76,933</u>
Noncurrent Liabilities:		
Accrued compensated absences	175,542	168,874
Loans payable	2,936,780	2,966,703
Total Noncurrent Liabilities	<u>3,112,322</u>	<u>3,135,577</u>
TOTAL LIABILITIES	<u>3,240,563</u>	<u>3,212,510</u>
NET ASSETS (DEFICIT):		
Invested in capital assets, net of related debt	2,230,441	2,376,749
Restricted	611,515	591,102
Unrestricted (Deficit)	(7,615)	352,266
TOTAL NET ASSETS	<u>2,834,341</u>	<u>3,320,117</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 6,074,904</u></u>	<u><u>\$ 6,532,627</u></u>

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

**TOWN OF CAMDEN
CAMDEN, DELAWARE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010
(With Summarized Comparative Data For the Year Ended June 30, 2009)**

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Totals	
		Expenses	Services	Contributions	Contributions	2010
GOVERNMENTAL ACTIVITIES:						
General government	\$ 1,254,659	\$ 303,237	\$ 92,369	\$ -	\$ (859,053)	\$ (25,770)
Public safety	1,077,006	174,138	15,247	-	(887,621)	(1,155,243)
Public works	170,919	-	-	-	(170,919)	(332,072)
Debt service	130,476	-	-	-	(130,476)	(21,867)
TOTAL GOVERNMENTAL ACTIVITIES	2,633,060	477,375	107,616	-	(2,048,069)	(1,534,952)
TOTAL PRIMARY GOVERNMENT	\$ 2,633,060	\$ 477,375	\$ 107,616	\$ -	(2,048,069)	(1,534,952)
GENERAL REVENUES:						
					1,440,902	1,144,947
					26,770	34,329
					94,621	34,431
					-	8,425
					-	1,145,000
					1,562,293	2,367,132
					(485,776)	832,180
					3,320,117	2,487,937
					\$ 2,834,341	\$ 3,320,117

* Restated for comparative purposes.

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

**TOWN OF CAMDEN
CAMDEN, DELAWARE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010
(With Summarized Comparative Data For the Year Ended June 30, 2009)**

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Totals		
		2010	2009*	2010	2009*	2010	2009*
GOVERNMENTAL ACTIVITIES:							
General government	\$ 1,254,659	\$ 303,237	\$ 92,369	\$ -	\$ (859,053)	\$ (25,770)	\$ (25,770)
Public safety	1,077,006	174,138	15,247	-	(887,621)	(1,155,243)	(1,155,243)
Public works	170,919	-	-	-	(170,919)	(332,072)	(332,072)
Debt service	130,476	-	-	-	(130,476)	(21,867)	(21,867)
TOTAL GOVERNMENTAL ACTIVITIES	2,633,060	477,375	107,616	-	(2,048,069)	(1,534,952)	(1,534,952)
TOTAL PRIMARY GOVERNMENT	\$ 2,633,060	\$ 477,375	\$ 107,616	\$ -	(2,048,069)	(1,534,952)	(1,534,952)
			GENERAL REVENUES:				
			Taxes and assessments	1,440,902	1,144,947		
			Interest income	26,770	34,329		
			Other revenue	94,621	34,431		
			Gain from sale of capital assets	-	8,425		
			Special item - donation of land	-	1,145,000		
			TOTAL GENERAL REVENUES	1,562,293	2,367,132		
			CHANGE IN NET ASSETS	(485,776)	832,180		
			NET ASSETS, BEGINNING OF YEAR	3,320,117	2,487,937		
			NET ASSETS, END OF YEAR	\$ 2,834,341	\$ 3,320,117		

* Restated for comparative purposes.

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

**TOWN OF CAMDEN
CAMDEN, DELAWARE
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2010
(With Summarized Comparative Data for June 30, 2009)**

	General Fund	Municipal Street Aid Fund	Real Estate Transfer Tax Fund	Other Nonmajor Funds	Totals	
					2010	2009
ASSETS:						
Cash and cash equivalents	\$ 645,823	\$ -	\$ 85,771	\$ 4,917	\$ 736,511	\$ 954,504
Tenant security deposit	1,860	-	-	-	1,860	1,860
Investments	-	-	-	-	-	68,472
Accounts receivable	86,799	-	-	-	86,799	90,902
Taxes receivable	28,856	-	5,393	-	34,249	25,027
Due from other funds	70,374	-	520,351	-	590,725	542,743
Prepaid expenses	18,341	-	-	-	18,341	19,767
TOTAL ASSETS	\$ 852,053	\$ -	\$ 611,515	\$ 4,917	\$ 1,468,485	\$ 1,703,275
LIABILITIES AND FUND BALANCES						
LIABILITIES:						
Accounts payable	\$ 55,106	\$ -	\$ -	\$ -	\$ 55,106	\$ 14,319
Accrued liabilities	41,073	-	-	-	41,073	26,366
Tenant security deposit	1,860	-	-	-	1,860	1,860
Due to other funds	586,187	-	-	4,538	590,725	542,743
Deferred revenues	12,006	-	-	279	12,285	20,055
TOTAL LIABILITIES	696,232	-	-	4,817	701,049	605,343
FUND BALANCES:						
Reserved	-	-	611,515	100	611,615	591,152
Unreserved:						
General fund	155,821	-	-	-	155,821	506,780
TOTAL FUND BALANCES	155,821	-	611,515	100	767,436	1,097,932
TOTAL LIABILITIES AND FUND BALANCES	\$ 852,053	\$ -	\$ 611,515	\$ 4,917	\$ 1,468,485	\$ 1,703,275

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

**TOWN OF CAMDEN
CAMDEN, DELAWARE
RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS TO STATEMENT OF NET ASSETS
JUNE 30, 2010**

TOTAL GOVERNMENTAL FUND BALANCES		\$ 767,436
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Capital assets net of accumulated depreciation are included in the statement of net assets.

Total capital assets	\$ 6,904,809	
Accumulated depreciation	<u>(1,707,665)</u>	5,197,144

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Loans payable	(2,966,703)	
Compensated absences	<u>(175,542)</u>	(3,142,245)

Some of the Town's assets are not available soon enough to pay for current period expenditures and therefore are deferred in the funds.		<u>12,006</u>
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NET ASSETS OF GOVERNMENTAL ACTIVITIES		<u>\$ 2,834,341</u>
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The accompanying notes are an integral part of these financial statements.

**TOWN OF CAMDEN
CAMDEN, DELAWARE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010
(With Summarized Comparative Data for the Year Ended June 30, 2009)**

	General Fund	Municipal Street Aid Fund	Real Estate Transfer Tax Fund	Other Nonmajor Funds	Totals	
					2010	2009*
REVENUES:						
Taxes and assessments	\$ 1,401,161	\$ -	\$ 42,045	\$ -	\$ 1,443,206	\$ 1,139,068
Licenses and permits	174,937	-	-	-	174,937	447,384
Fines, forfeits and costs	174,138	-	-	-	174,138	213,503
Intergovernmental grants	92,369	-	-	15,247	107,616	412,780
Charges for services	103,890	-	-	-	103,890	7,517
Rental Income	24,410	-	-	-	24,410	14,175
Interest income	26,414	89	260	7	26,770	34,329
Other revenue	94,621	-	-	-	94,621	34,431
TOTAL REVENUES	2,091,940	89	42,305	15,254	2,149,588	2,303,187
EXPENDITURES:						
Current:						
General government	1,111,986	-	-	-	1,111,986	787,705
Public safety	952,318	-	-	9,314	961,632	1,214,232
Public works	129,591	21,981	-	-	151,572	365,104
Capital outlays	89,884	-	-	5,890	95,774	2,567,693
Debt service	159,120	-	-	-	159,120	3,025,580
TOTAL EXPENDITURES	2,442,899	21,981	-	15,204	2,480,084	7,960,314
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(350,959)	(21,892)	42,305	50	(330,496)	(5,657,127)
OTHER FINANCING SOURCES:						
Proceeds from sale of capital assets	-	-	-	-	-	8,425
Debt proceeds	-	-	-	-	-	5,363,921
TOTAL FINANCING SOURCES	-	-	-	-	-	5,372,346
NET CHANGE IN FUND BALANCES	(350,959)	(21,892)	42,305	50	(330,496)	(284,781)
FUND BALANCES, BEGINNING OF YEAR	506,780	21,892	569,210	50	1,097,932	1,382,713
FUND BALANCES, END OF YEAR	\$ 155,821	\$ -	\$ 611,515	\$ 100	\$ 767,436	\$ 1,097,932

* Restated for comparative purposes.

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

**TOWN OF CAMDEN
CAMDEN, DELAWARE
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010**

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ (330,496)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation (\$270,725) exceeded capital outlays (\$95,774) in the current period. (174,951)

Repayment of debt is an expenditure in the governmental funds but the repayment reduces long-term liabilities in the statement of net assets.

Loan payments 28,643

Expenses accrued for compensated absences reported in the statement of activities that do not require the use of current financial resources are not reported as expenditures in the governmental funds. (6,668)

Because some property taxes will not be collected for several months after the Town's fiscal year ends, they are not considered as "available" revenues in the governmental funds. Deferred tax revenues decreased by this amount this year. (2,304)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ (485,776)

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

TOWN OF CAMDEN
CAMDEN, DELAWARE
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Camden, Camden, Delaware (the "Town"), a community in Kent County, was incorporated in 1941. The Town operates under a Mayor and Council form of government and provides the following services as authorized by its charter: public safety, street maintenance, planning and zoning, sanitation and general administrative services.

The accounting and reporting policies of the Town of Camden conform in all material respects to generally accepted accounting principles ("GAAP") as applicable to governments. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles, which are set forth primarily in the GASB's "Codification of Governmental Accounting and Financial Reporting Standards" (GASB Codification).

The following summarizes the Town's significant accounting policies.

Reporting Entity

In evaluating how to define the government for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic - but not the only - criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Based upon the application of these criteria, the Town of Camden is considered to be an independent reporting entity and has no component units.

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.

Entity-wide and Fund Financial Statements

The entity-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the Town (the primary government). For the most part, the effect of interfund activity has been removed from these statements. Governmental activities normally are supported by taxes and intergovernmental revenues.

TOWN OF CAMDEN
CAMDEN, DELAWARE
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

Entity-wide Fund Financial Statements

The entity-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or noncurrent) are included on the statement of net assets and the statement of activities presents increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time the liability is incurred.

Governmental Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for 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 that 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 of the end of the fiscal period. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

The revenues susceptible to accrual are property taxes, franchise fees, licenses, charges for service, interest income and intergovernmental revenues. All other governmental fund type revenues are recognized when received.

The Town segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. The statements present each major fund as a separate column on the fund financial statements; all nonmajor funds are aggregated and presented in a single column.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources used and balance of current and financial resources. The Town has presented the following major governmental funds:

TOWN OF CAMDEN
CAMDEN, DELAWARE
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

General Fund - This is the main operating fund of the Town. It is used to account for all financial transactions not accounted for in another fund. Revenues are derived principally from property taxes, municipal user taxes and other intergovernmental revenues. This fund accounts for the general administrative services of the Town not recorded elsewhere, including the activities of the various departments, public safety, street maintenance, administrative and council. 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.

Municipal Street Aid Fund - This fund is a grant that is derived from a portion of the State of Delaware's motor fuel tax. All revenue received must be expended on street maintenance and repairs.

Real Estate Transfer Tax Fund - This fund is a source of income derived from the State of Delaware, by which each town will receive 1-1/2 percent of real estate transfer taxes. This revenue may be used for public safety, economic development programs, capital and Town capital projects and improvements, and debt reduction.

Capital Assets

Capital assets, including property, plant and equipment, are reported in the entity-wide financial statements. The Town defines capital assets as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Capital assets may be purchased or constructed and are recorded at cost or estimated historical cost. Estimated historical costs are based either on similar assets of the same era or on deflated current values. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

Capital assets of the Town and its components are depreciated using the straight-line method over the estimated useful lives of the related assets. Unless an asset's life has been adjusted based on actual experience, the Town generally uses the following estimated useful lives:

Buildings and building improvements	40 years
Equipment	5-10 years
Furniture and fixtures	7 years
Streets	15-40 years
Transportation equipment - vehicles	5 years

Budgets and Budgetary Accounting

The Town charter established the fiscal year as the 12-month period beginning July 1st. The Town Council adopts the budget annually, which occurs during the May Town Council meeting. The financial coordinator, police chief and Town Manager begin the budget process by setting up a

TOWN OF CAMDEN
CAMDEN, DELAWARE
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

preliminary budget. Once the final budget is reached, the Mayor and Town Council approve it. The budget can be revised if deemed necessary by the Council. The budgetary amounts are comprised of the normal operating budget and supplemental budget allocations, if applicable. All annual appropriations lapse at year end.

Compensated Absences

Full-time permanent administrative employees of the Town accrue vacation and sick leave based on their tenure as specified in the employee handbook. Vacation is accrued differently for the police department and is specified in the department's personnel handbook. Police officers accrue based on tenure, contracts and holiday transfers. Upon termination or retirement, administrative employees in good standing are entitled to their vacation accrual maximum of 30 days and one-half of sick accrual up to a maximum of 30 days. Upon termination or retirement of a police officer, vacation accrual is based on tenure and contracts, and one-half of sick accrual up to a maximum of 30 days.

The liability for these compensated absences is recorded as long-term debt in the entity-wide financial statements. In the fund financial statements, governmental funds report a liability for compensated absences only if they have matured. Historically, the general fund has been responsible for liquidation of the compensated absences associated with governmental activities.

Total accrued compensated absences recorded in the financial statements as of June 30, 2010 are as follows:

	<u>Sick Leave</u>	<u>Vacation Leave</u>
Administrative Department	\$ 3,660	\$ 10,905
Public Works	6,364	6,738
Police Department	80,949	66,926
TOTAL	<u>\$ 90,973</u>	<u>\$ 84,569</u>

Net Assets and Fund Equity

The difference between fund assets and liabilities is "Net Assets" on the entity-wide fund statements and "Fund Balance" on governmental fund statements. Net assets are classified as "invested in capital assets, net of related debt," legally "restricted" for a specific purpose or "unrestricted" and available for appropriation for the general purposes of the fund.

Net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net assets restricted for other purposes result from special revenue and capital projects funds and the restrictions on their net asset use. When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first and then unrestricted resources as they are needed.

TOWN OF CAMDEN
CAMDEN, DELAWARE
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

In the governmental fund financial statements, reservations of fund balance represent amounts that are legally restricted by outside parties for use for a specific purpose or are otherwise not available for appropriation. Designations of fund balance represent tentative management plans that are subject to change.

Reservation and Designation of Fund Balances

The fund balance of \$611,515 in the Real Estate Transfer Tax Fund is reserved for public safety, economic development programs, public works, Town capital projects and improvements, and debt reduction. The fund balance of \$100 in the Emergency Illegal Drug Enforcement Fund is reserved for public safety.

Investments

All investments are recorded at fair value based on market prices. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties. The investment policy of the Town specifies that public funds are to be invested in a manner that will maximize both return on investment and safety of principal, while providing for the Town's cash flow needs. Implementation of the policy is the responsibility of the treasurer of the Town Council, who delegates the purchasing and recording of the investments to the Town Manager.

Deferred Revenue

Deferred revenue consists of revenues that have not met all requirements of revenue recognition. In the fund financial statements; deferred revenue includes property taxes and grants that are not available resources.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires the Town to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates.

Comparative Data

Comparative totals for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the Town's financial position and operations. Certain amounts presented in the prior year have been reclassified in order to be consistent with the current year's presentation. However, presentation of prior year totals by fund and activity type have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

TOWN OF CAMDEN
CAMDEN, DELAWARE
NOTES TO FINANCIAL STATEMENTS

NOTE 2 DEPOSITS

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. The Town does not have a policy for custodial credit risk on deposits. At June 30, 2010, the carrying amount of the Town's deposits was \$736,511 and the bank balance was \$749,354. Of the bank balance, \$250,000 was covered by federal depository insurance ("FDIC"), and \$501,214 was not covered by approved collateralization agreements.

NOTE 3 INTERFUND RECEIVABLES/PAYABLES

Interfund receivables/payables are recorded as current assets/liabilities between individual funds, as follows:

Fund Name	Due From	Due To
General Fund:		
Real Estate Transfer Tax Fund	\$ 65,836	\$ 586,187
State Aid to Local Law Enforcement Fund	1,628	-
Emergency Illegal Drug Enforcement	2,910	-
Real Estate Transfer Tax Fund:		
General Fund	520,351	-
Emergency Illegal Drug Enforcement Fund:		
General Fund	-	2,910
State Aid to Local Law Enforcement Fund:		
General Fund	-	1,628
	<u>\$ 590,725</u>	<u>\$ 590,725</u>

Interfund balances represent temporary loans which will be repaid shortly after year end.

NOTE 4 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2010 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 1,168,920	\$ -	\$ -	\$ 1,168,920
Capital assets being depreciated:				
Buildings and improvements	3,625,349	32,750	-	3,658,099
Furniture and fixtures	22,114	-	-	22,114
Equipment	900,563	58,957	-	959,520
Streets	578,264	2,640	-	580,904
Transportation equipment – vehicles	513,825	1,427	-	515,252
Total Capital Assets Being Depreciated	<u>5,640,115</u>	<u>95,774</u>	<u>-</u>	<u>5,735,889</u>

TOWN OF CAMDEN
CAMDEN, DELAWARE
NOTES TO FINANCIAL STATEMENTS

NOTE 4 CAPITAL ASSETS (cont'd)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decrease</u>	<u>Ending Balance</u>
(cont'd)				
Less accumulated depreciation for:				
Buildings and improvements	141,765	99,462	-	241,227
Furniture and fixtures	20,179	1,934	-	22,113
Equipment	535,841	87,864	-	623,705
Streets	329,657	30,347	-	360,004
Transportation equipment - vehicles	<u>409,498</u>	<u>51,118</u>	-	<u>460,616</u>
Total Accumulated Depreciation	<u>1,436,940</u>	<u>270,725</u>	-	<u>1,707,665</u>
Total Capital Assets Being Depreciated, Net	<u>4,203,175</u>	<u>(174,951)</u>	-	<u>4,028,224</u>
Governmental Activities Capital Assets, Net	<u>\$ 5,372,095</u>	<u>\$ (174,951)</u>	<u>\$ -</u>	<u>\$ 5,197,144</u>

Depreciation expense was charged to the following functions:

Governmental Activities:	
General government	\$ 135,727
Public safety	116,508
Public works	<u>18,490</u>
 Total Depreciation Expense - Governmental Activities	 <u>\$ 270,725</u>

NOTE 5 LONG-TERM DEBT

A schedule of changes in the long-term debt is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
USDA General Obligation Bond	\$ 2,995,346	\$ -	\$ 28,643	\$ 2,966,703
Compensated absences	<u>168,874</u>	<u>6,668</u>	-	<u>175,542</u>
	<u>\$ 3,164,220</u>	<u>\$ 6,668</u>	<u>\$ 28,643</u>	<u>\$ 3,142,245</u>

In 2009, the Town issued \$3,000,000 General Obligation Bonds with a fixed interest rate of 4.375 percent through the United States Department of Agriculture Rural Development ("USDA"). The loan made by the USDA matures on April 1, 2049. Maturities of debt obligations, including interest, are as follows:

TOWN OF CAMDEN
CAMDEN, DELAWARE
NOTES TO FINANCIAL STATEMENTS

NOTE 5 LONG-TERM DEBT (cont'd)

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 29,923	\$ 129,197	\$ 159,120
2012	31,257	127,863	159,120
2013	32,654	126,466	159,120
2014	34,111	125,009	159,120
2015	35,632	123,488	159,120
2016-2020	203,491	592,109	795,600
2021-2025	253,151	542,449	795,600
2026-2030	315,905	479,695	795,600
2031-2035	409,259	386,341	795,600
2036-2040	509,134	286,466	795,600
2041-2045	633,373	162,227	795,600
2046-2049	478,813	157,667	638,480
	<u>\$ 2,966,703</u>	<u>\$ 3,238,977</u>	<u>\$ 6,205,680</u>

NOTE 6 TAXES

The Town's property tax year is from July 1 through June 30. Taxes are billed on July 1. Taxes paid by August 31 are discounted three percent. Late fees are assessed on taxes not paid by September 30. Delinquent accounts are referred to the Town's solicitor for collection action if no payments have been received during the previous two years. At June 30, 2010, the balance of unpaid taxes was \$12,006, which is presented as deferred revenue.

For 2010, the following tax was levied on assessed value of real estate:

Senior citizen residence	-	\$.84 per \$100 assessed value
Personal residence	-	\$1.20 per \$100 assessed value
Commercial property	-	\$1.35 per \$100 assessed value
Lien date	-	December 31
Discount period	-	July 1 to August 31
Face period	-	September 1 to September 30
Penalty period	-	October 1 to collection

The taxable assessed valuation of property for fiscal year 2010 is \$79,098,500.

Other taxes levied in 2010:

Real estate transfer - 1.5% of sale price

TOWN OF CAMDEN
CAMDEN, DELAWARE
NOTES TO FINANCIAL STATEMENTS

NOTE 7 PENSION PLAN

The Town of Camden is a member of the State of Delaware defined benefit pension plan. All full-time employees are eligible to participate. The plan provides retirement, disability and survivor benefits to its plan members. The State of Delaware is responsible for setting benefits and contribution requirements, and ending the plan as deemed necessary. The contribution rate is seven percent for police and three percent for non-uniformed employees. The Town uses State grant monies received for the benefit of police to offset pension costs incurred. For the years ended June 30, 2010, 2009 and 2008, the pension expense was \$108,848, \$123,299 and \$102,000, respectively.

NOTE 8 RISK MANAGEMENT

Significant losses are covered by commercial insurance in all programs. There have been no significant reductions in insurance coverage, and settlement amounts have not exceeded insurance liabilities for the current year. The Town has a \$2,500 deductible per claim on the liability policies of its public officials and police officers.

NOTE 9 RELATED ORGANIZATIONS

The Camden-Wyoming Sewer and Water Authority, which provides sewer and water services to the residents of the Town, is a related organization that is excluded from the statements of the Town because the Town does not exercise significant influence over the operations or finances of the Authority. Significant influence or accountability is based primarily on operational or financial relationships with the Town, as distinct from legal relationships.

The Camden-Wyoming Sewer and Water Authority's audited financial statements are available from the Authority.

NOTE 10 EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The general fund incurred expenditures in excess of appropriations in the following amounts for the year ended June 30, 2010:

General	\$ 118,741
Public safety	\$ 155,340
Capital outlays	\$ 74,884

The expenditures were funded through the use of operating reserves.

TOWN OF CAMDEN
CAMDEN, DELAWARE
NOTES TO FINANCIAL STATEMENTS

NOTE 11 LEASING ACTIVITIES

The Town leases office space to a tenant, the Dover/Kent County Metropolitan Planning Organization. This lease expires on March 31, 2011. The schedule of future minimum lease payments to be received is as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2011	<u>\$ 5,580</u>

NOTE 12 SUBSEQUENT EVENTS

The Town has evaluated all subsequent events through June 24, 2011, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

**TOWN OF CAMDEN
CAMDEN, DELAWARE
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Original and Final Budget</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Taxes and assessments	\$ 1,383,564	\$ 1,401,161	\$ 17,597
Licenses and permits	265,583	174,937	(90,646)
Fines, forfeits and costs	203,000	174,138	(28,862)
Intergovernmental grants	60,000	92,369	32,369
Charges for services	76,259	103,890	27,631
Rental income	20,000	24,410	4,410
Interest income	-	26,414	26,414
Other revenues	18,500	94,621	76,121
TOTAL REVENUES	<u>2,026,906</u>	<u>2,091,940</u>	<u>65,034</u>
EXPENDITURES			
Current:			
General	993,245	1,111,986	(118,741)
Public safety	796,978	952,318	(155,340)
Public works	133,602	129,591	4,011
Capital outlays	15,000	89,884	(74,884)
Debt service	160,000	159,120	880
TOTAL EXPENDITURES	<u>2,098,825</u>	<u>2,442,899</u>	<u>(344,074)</u>
NET CHANGE IN FUND BALANCE	<u>\$ (71,919)</u>	(350,959)	<u>\$ (279,040)</u>
FUND BALANCE, BEGINNING OF YEAR		<u>506,780</u>	
FUND BALANCE, END OF YEAR		<u>\$ 155,821</u>	

COMBINING NONMAJOR FUND STATEMENTS

**TOWN OF CAMDEN
CAMDEN, DELAWARE
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUND TYPES
JUNE 30, 2010
(With Summarized Comparative Data for June 30, 2009)**

	State Aid to Local Law Enforcement	Emergency Illegal Drug Enforcement	Totals	
			2010	2009
ASSETS				
Cash and cash equivalents	<u>\$ 1,628</u>	<u>\$ 3,289</u>	<u>\$ 4,917</u>	<u>\$ 7,397</u>
TOTAL ASSETS	<u><u>\$ 1,628</u></u>	<u><u>\$ 3,289</u></u>	<u><u>\$ 4,917</u></u>	<u><u>\$ 7,397</u></u>
 LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Due to other funds	\$ 1,628	\$ 2,910	\$ 4,538	\$ 1,602
Deferred revenues	<u>-</u>	<u>279</u>	<u>279</u>	<u>5,745</u>
TOTAL LIABILITIES	<u>1,628</u>	<u>3,189</u>	<u>4,817</u>	<u>7,347</u>
 FUND BALANCES	 <u>-</u>	 <u>100</u>	 <u>100</u>	 <u>50</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 1,628</u></u>	<u><u>\$ 3,289</u></u>	<u><u>\$ 4,917</u></u>	<u><u>\$ 7,397</u></u>

**TOWN OF CAMDEN
CAMDEN, DELAWARE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2010
(With Summarized Comparative Data for the Year Ended June 30, 2009)**

	State Aid to Local Law Enforcement	Emergency Illegal Drug Enforcement	Totals	
			2010	2009
REVENUES				
Intergovernmental grants	\$ 10,654	\$ 4,593	\$ 15,247	\$ 8,431
Interest income	7	-	7	56
TOTAL REVENUES	<u>10,661</u>	<u>4,593</u>	<u>15,254</u>	<u>8,487</u>
EXPENDITURES				
CURRENT:				
Public safety	6,038	3,276	9,314	3,868
Capital outlays	<u>4,623</u>	<u>1,267</u>	<u>5,890</u>	<u>4,569</u>
TOTAL EXPENDITURES	<u>10,661</u>	<u>4,543</u>	<u>15,204</u>	<u>8,437</u>
NET CHANGE IN FUND BALANCES	-	50	50	50
FUND BALANCES, BEGINNING OF YEAR	<u>-</u>	<u>50</u>	<u>50</u>	<u>-</u>
FUND BALANCES, END OF YEAR	<u>\$ -</u>	<u>\$ 100</u>	<u>\$ 100</u>	<u>\$ 50</u>

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

June 24, 2011

To the Honorable Mayor and Members of Council
Town of Camden
Camden, Delaware

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Camden as of and for the year ended June 30, 2010, which collectively comprise the Town of Camden's basic financial statements, and have issued our report thereon dated June 24, 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 Camden's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Camden's internal control over financial reporting. Accordingly we do not express an opinion on the effectiveness of the Town of Camden's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying schedule of findings and recommendations, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and recommendations as items #05-17, #08-4, #09-2, #09-3 and #09-4 to be material weaknesses.

To the Honorable Mayor and Members of Council
Town of Camden

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and recommendations as #05-14, #06-1, #06-2, #08-1, #08-2, #08-3 and #09-5 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Camden'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*.

The Town's response to the findings identified in our audit is described in the accompanying schedule of findings and recommendations. We did not audit the Town's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Mayor and members of Council of the Town of Camden, and is not intended to be and should not be used by anyone other than these specified parties.


BARBACANE, THORNTON & COMPANY LLP

**SCHEDULE OF
FINDINGS AND RECOMMENDATIONS**

TOWN OF CAMDEN
SCHEDULE OF FINDINGS AND RECOMMENDATIONS

STATUS OF PRIOR YEAR FINDINGS

ORGANIZATION CHART AND JOB DESCRIPTIONS

05-3 Finding

During our prior year audits, we noted that the Town did not have job descriptions for its employees.

Recommendation

We recommended that written descriptions of job responsibilities be prepared for all personnel in accounting and administrative functions. This would provide management with a basis for redistributing work loads, evaluating personnel requirements and judging job performance.

Status

During our current year audit, we noted that the Town of Camden has completed written job descriptions for all employees. This finding is no longer applicable.

CREDIT CARD POLICY

05-11 Finding

During our prior year audits, we noted that the Town prepared a formal credit card policy that was approved at the October 2007 Board meeting. However, based on prior year testing, we noted that receipts were not being collected consistently for expenses incurred and employees not on the list of allowable cardholders were using the financial director's card to make purchases. It is against federal banking laws to give a credit card bearing the name of a specific individual to another employee for use.

Recommendation

We recommended that if a credit card does not have a receipt, then the applicable employee will be responsible for reimbursement to the Town. We further recommended that the Town adhere to the allowable usage of the credit cards.

Status

During our current year audit, we did not note any exceptions during our testing of controls surrounding credit card usage. This finding is no longer applicable.

CONFLICT-OF-INTEREST POLICY

05-14 Finding

During our prior year audits, we noted that although the Town of Camden has a conflict-of-interest policy in the Town code, the policy is not always being used for its intended purpose.

TOWN OF CAMDEN

SCHEDULE OF FINDINGS AND RECOMMENDATIONS (CONT'D)

STATUS OF PRIOR YEAR FINDINGS

Recommendation

We recommended that the conflict-of-interest policy be amended, and that under no situation should a conflict of interest purchase be allowed. We feel the Town of Camden should dissolve the section in the Code which states that if all elected members vote in favor, then the Town may proceed with a proposed contract which is a conflict of interest. The purpose of a conflict-of-interest policy is to ensure that certain officials will not receive kickbacks.

Status

During our current year audit, we noted that the code was not rewritten as described in the prior year's management corrective action plan. This finding is still applicable for the current year.

Corrective Action Plan

The Town currently is undertaking a rewrite of its charter (by committee) as well as its ordinances (by General Code Publishers, Inc.) to facilitate the required language changes necessary to properly accommodate the conflict-of-interest concerns.

RECONCILE GENERAL LEDGER ACCOUNTS TO SUBSIDIARY LEDGERS

05-17 Finding

During our prior year audits, we noted that some of the Town of Camden's subsidiary ledgers were not in agreement with the general ledger. We further noted that reconciliations were not being approved by the appropriate level of management.

Recommendation

We recommended that the Town of Camden adopt a policy requiring monthly reconciliation of all balance sheet accounts to their subsidiary ledgers in order to ensure accuracy of the monthly financial statements and underlying subsidiary ledgers. Balance sheet reconciliations quickly identify errors and needed corrections. If reconciliations are performed infrequently, errors and adjustments can occur, resulting in the need for significant corrections when the reconciliations are performed. Any reconciling differences should be corrected before the books are closed for the month end.

Status

During our current year audit, we noted that a policy has been adopted requiring monthly reconciliation of all balance sheet accounts to their subsidiary ledgers. However, we noted that there were still instances in which the reconciliations do not balance. This finding is still applicable for the current year.

Corrective Action Plan

The Town currently is performing monthly reconciliations and is in the process of verifying its balances with the general ledger. Problems with past accounting, which led to disagreements with the general ledger, have been rectified; this will help to ensure the accuracy of the monthly financial statements and the underlying subsidiary ledgers.

TOWN OF CAMDEN

SCHEDULE OF FINDINGS AND RECOMMENDATIONS (CONT'D)

STATUS OF PRIOR YEAR FINDINGS

EXPENDITURE CODING

06-1 Finding

During our prior year audits, we noted that the Town of Camden started coding expenditures; however, during our testing we noted several instances in which invoices were not coded due to a lack of management oversight. To ensure the proper accounts are consistently being charged, the correct coding for all expenditures should be manually written on each invoice during approval, in accordance with the Town's internal control policies.

Recommendation

We recommended that the correct coding for all expenditures be manually written on each invoice during approval by the Town of Camden. This improvement will serve as an additional safeguard that the payment is charged to the correct account when the payment is being reviewed and approved.

Status

During our current year audit, we noted that the Town was coding all expenditures. However, we noted during our controls testing that four invoices out of 60 invoices tested had incorrect coding. This finding is still applicable for the current year.

Corrective Action Plan

The Town has adopted an expenditure coding policy by which the correct coding is manually written on each invoice for the approval of the Town Manager. The Town also is verifying that the coding indicated on each invoice is correct.

APPROVAL OF INVOICES

06-2 Finding

During our prior year audits, we noted that the Town of Camden Town Manager does not approve invoices prior to check runs for payment. It is important for each invoice to be reviewed for prices, extensions, footings and cash discounts of vendors' invoices.

Recommendation

We recommended that the Town of Camden Manager approve a batch of invoices prior to check runs. To ensure proper payment of expenditures, the Town of Camden Town Manager should sign off on each batch.

Status

During our current year audit, we noted that, while there has been a significant improvement in the consistency of approvals, eight invoices out of 60 tested were not approved. This finding is still applicable for the current year.

TOWN OF CAMDEN

SCHEDULE OF FINDINGS AND RECOMMENDATIONS (CONT'D)

STATUS OF PRIOR YEAR FINDINGS

Corrective Action Plan

The Town Manager currently is reviewing and initialing all invoices prior to preparation of a check being written for payment as required.

TRACKING VACATION AND SICK LEAVE

08-1 Finding

During our prior year audit, we noted that the Town of Camden's vacation and sick leave balances as shown on management's EXCEL spreadsheets did not agree with the amounts reflected on the employee payroll stubs. However, with the assistance of the financial coordinator, we were able to reconcile the amounts.

Recommendation

We recommended that the financial coordinator's EXCEL spreadsheet to track employee vacation and sick time be reconciled to individual paystubs and timesheets. We further recommended that an appropriate level of management review these reconciliations on a monthly basis or, at a minimum, on a quarterly basis.

Status

During our current year audit, we noted that vacation and sick time is being tracked by the Finance Administrator. During testing, however, we noted that while the vacation and sick time is being properly documented, it is not being accrued/carried over in accordance with the different department and employee vacation and sick agreements. We recommend that management review the contracts for each type of Town employee such as police, maintenance, administrative and those employees with specific contracts, i.e. Town Manager and Chief of Police.

Corrective Action Plan

This recommendation has been addressed with the implementation of the new financial software which manages and tracks employee vacation and sick leave including those with specific contracts.

CAPITALIZATION POLICY

08-2 Finding

During our prior year audit, we noted that the Town of Camden does not have a policy in place for capitalizing and depreciating assets.

TOWN OF CAMDEN

SCHEDULE OF FINDINGS AND RECOMMENDATIONS (CONT'D)

STATUS OF PRIOR YEAR FINDINGS

Recommendation

We recommended that the Town of Camden adopt a policy for capitalizing and depreciating assets. Governmental Accounting Standards Board No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments," states that capital assets include land, land improvements, easements, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period.

Status

During our current year audit, we noted that the Town has not completed a capitalization policy. This finding is still applicable for the current year.

Corrective Action Plan

The Town is in the process of adopting GASB standards as part of its accounting manual. As such, the requirements of GASB No. 34 shall be implemented.

EMPLOYEE EVALUATIONS

08-3 Finding

During our prior year audit, we noted that the Town of Camden does not have a prescribed standard or written record for measuring, evaluating and reporting employee performance. It has been demonstrated that individuals generally accomplish more and work better as a team when they fully understand their responsibilities and have a common agreement with their superiors about the job objectives and performance standards on which they will be evaluated.

Recommendation

We recommended that the Town of Camden adopt a personnel performance evaluation program that would include the following features:

- The preparation and issuance of written job responsibilities for all personnel.
- A periodic reappraisal of employee functions to determine that each employee is fully employed.
- A mutual understanding between the superior and subordinate about job description, operating objectives and performance standards.
- A periodic review of employee performance against these goals.

TOWN OF CAMDEN

SCHEDULE OF FINDINGS AND RECOMMENDATIONS (CONT'D)

STATUS OF PRIOR YEAR FINDINGS

An employee evaluation and progress report should be prepared at regular intervals by the employee's supervisor, discussed with the employee and filed in the employee's personnel file. Ideally, the employee would have an opportunity to challenge the supervisor's evaluation and record comments before signing it as an indication that it had been discussed with the supervisor.

Status

During our current year audit, we noted that management is in the process of adopting a personnel performance evaluation program. This will be initiated once the job descriptions are finalized. This finding is still applicable for the current year.

Corrective Action Plan

The Town has implemented new job descriptions for each position. As a result, individual employee evaluations have begun as well as future scheduling.

PURCHASE ORDER POLICY

08-4 Finding

During our prior year audit, we noted that the Town has not been following its purchase order policy. Although the policy currently states that any item over \$500 will require a purchase order, we noted during our testing that many items greater than \$500 did not have a purchase order. The cause of this was a lack of understanding of the internal controls currently outlined in the purchase order policy.

Recommendation

We recommended that management adhere to the Town's purchase order policy. We further recommended that, to help monitor the volume of purchases due to budget constraints and ensure that purchase orders are initiated with proper approval, purchase orders be prepared and approved before items are received or ordered by other means.

Status

This finding is still applicable for the current year.

Corrective Action Plan

This recommendation has been met as a result of the addition to the financial software which automatically issues a purchase order upon requisition.

TOWN OF CAMDEN
SCHEDULE OF FINDINGS AND RECOMMENDATIONS (CONT'D)

STATUS OF PRIOR YEAR FINDINGS

FILING OF INVOICES

08-5 Finding

During our prior year audit, we noted that there was difficulty in locating vendor files and invoices. Of the 60 files we requested from management for controls testing, three could not be located. We further noted that many of the invoices in the miscellaneous file were for vendors who currently have a file folder or are repeat vendors.

Recommendation

We recommended that the Town eliminate the miscellaneous file folder, create a file folder for each vendor from whom an invoice has been received and sort folders in chronological order, with most recent invoices in the front.

Status

During our current year audit, we noted that the Town has implemented a filing system in which each vendor had a file. Also, all invoices requested from management during our current year test of controls were located. This finding is no longer applicable.

BUILDING PERMIT CALCULATION

09-1 Finding

During our prior year audit, we noted two exceptions out of 20 permits tested wherein discounts were approved by the former Town Manager without proper documentation or authorization. These undocumented discounts give the appearance of miscalculated building permit fees. In accordance with Ordinance #78, the Town Manager is given the authority to waive penalties for permits applied for after construction has commenced. However, the Ordinance does not give the Town Manager the authority to give discounts for permits applied for correctly.

Recommendation

We recommended that the Town adhere to Ordinance #78 approved by the Town Council when calculating permit fees.

Status

During the current year testing of building permits issued, we did not note any instances of miscalculation or any occurrences that went contrary to Ordinance #78. This finding is no longer applicable.

TOWN OF CAMDEN

SCHEDULE OF FINDINGS AND RECOMMENDATIONS (CONT'D)

STATUS OF PRIOR YEAR FINDINGS

IMPROVE BUDGETING PROCEDURES

09-2 Finding

The Town's budgeting procedures provide for the preparation of an annual budget prior to the beginning of the year based on a projected fixed level of activity in the General Fund. When properly constructed and monitored, budgets stimulate early identification of operational problems and help to ensure that timely decisions are made for resolving the problems. During our prior year audit, we noted that the prior year's original budget was a significantly inaccurate projection of current year activities. Original budgeted revenues were overbudgeted by approximately \$751 thousand. Consequently, the fiscal year ended June 30, 2009 resulted in a net decrease in fund balance of \$175 thousand in the general fund, compared to the original balanced budgeted.

Recommendation

We recommended that actual results of Town operations be used to develop realistic future budgets and that monthly actual results be compared to budgeted amounts. Any large discrepancies uncovered during the monthly comparisons should be investigated so that a corrective action plan can be considered and implemented. Variances can be caused by erroneous assumptions or economic factors. If the investigations of budget variance suggest that the budget is inaccurate, or if economic conditions vary from expectations, the budget should be revised to reflect current conditions or more reasonable estimates. By revising the budget in a timely manner, management can plan to reduce expenses to the amount of revenue being received. These analyses should be included in the monthly reports to the Town Council to help them understand the financial results and their implications and to help the Council make informed financial decisions.

Status

During our current year audit, we noted that original budgeted expenditures were over budgeted by approximately \$344,074. Consequently, this fiscal year end resulted in a net decrease in fund balance of \$350,959 in the general fund compared to the decrease in the original budget in the amount of \$71,919. This finding is still applicable for the current year.

Corrective Action Plan

This recommendation has been satisfied as a result of the new financial software which allows the Town Manager to continually monitor both revenues and expenditures and compare them to the budget.

CAPITALIZATION OF FIXED ASSETS

09-3 Finding

During our prior year audit, we noted that the Town's detailed records of capital assets did not include material additions for the current year and disposals which were not material in total. As a result, we proposed material adjustments which were approved and posted by the Town's management.

TOWN OF CAMDEN

SCHEDULE OF FINDINGS AND RECOMMENDATIONS (CONT'D)

STATUS OF PRIOR YEAR FINDINGS

Recommendation

We recommended that management devote more time prior to its annual audit to reviewing its Board minutes, general ledger accounts and other supporting documentation, noting any items purchased which need to be capitalized. Those items should be properly capitalized and depreciated in accordance with the Town's policies prior to the commencement of the annual audit. Refer to finding #08-02 for our recommendation on the adoption of a formal capitalization policy.

Status

This finding is still applicable for the current year.

Corrective Action Plan

After an exhaustive clean-up process of prior accounting entries and the implementation and understanding of the new financial software package, the Town is much better equipped to be properly prepared for the start of subsequent year-end audits.

YEAR-END CLOSING PROCEDURES

09-4 Finding

As described in Statement of Auditing Standards (SAS) No. 112, "Communicating Internal Control- Related Matters Identified in an Audit," the auditor is required to report to those charged with governance any deficiencies in internal control identified during the audit. Specifically, deficiencies in "controls over the period-end financial reporting process, including controls over procedures used to initiate, authorize, record and process journal entries into the general ledger" are to be reported.

During the course of prior year our audit, we made several journal entries to accrue liabilities, to reclassify capital outlays, to record debt payments and to record transfers between funds. Management should have the financial records ready prior to the start of the audit. When the auditor is making the journal entries as well as conducting the audit, the perception of independence may arise.

Recommendation

We recommended that the Town's Finance Administrator make all year-end journal entries prior to the start of the audit.

Status

During our current year audit, we noted that year-end journal entries were not made prior to the start of the audit. This finding is still applicable for the current year.

TOWN OF CAMDEN

SCHEDULE OF FINDINGS AND RECOMMENDATIONS (CONT'D)

STATUS OF PRIOR YEAR FINDINGS

Corrective Action Plan

After an exhaustive clean-up process of prior accounting entries and the implementation and understanding of the new financial software package, the Town is much better equipped to be properly prepared for the start of subsequent year-end audits.

CUSTODIAL CREDIT RISK - COLLATERALIZATION

09-5 Finding

During our prior year audit, we noted that the Town has excess deposits held in financial institutions at various times during the year. Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned. Accounts at these financial institutions are insured by the Federal Deposit Insurance Corporation up to \$250,000. The Town has not experienced any losses related to these accounts and believes it is not exposed to any significant credit risk.

Recommendation

We recommended that the Town adopt a policy regarding custodial credit risk and enter into a collateralization agreement with the appropriate financial institutions to limit its exposure surrounding excess deposits.

Status

This finding is still applicable for the current year.

Corrective Action Plan

The Town has begun communications with its financial institutions to enter into appropriate collateralization agreements.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None.