

TOWN OF CAMDEN, DELAWARE
FINANCIAL STATEMENTS
SUPPLEMENTARY INFORMATION
AND
INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2018

TOWN OF CAMDEN, DELAWARE

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TOWN OF CAMDEN, DELAWARE

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JUNE 30, 2018

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Independent Auditor's Report

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

Report on the Financial Statements

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, Delaware, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town of Camden, Delaware's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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, Delaware, as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Town of Camden, Delaware's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 12, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 6 through 12, budgetary comparison information on page 40, proportionate share of the net pension liability - Delaware Municipal Police/Firefighter and Delaware County and Municipal Other Employees' Pension Plans on pages 41 and 42 and schedules of the Town's contributions to the Delaware Municipal Police/Firefighter and Delaware County and Municipal Other Employees' Pension Plans on pages 43 and 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Camden, Delaware's basic financial statements. The accompanying combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic

financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 4, 2019 on our consideration of the Town of Camden, Delaware's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Camden, Delaware's internal control over financial reporting and compliance.



Dover, Delaware
February 4, 2019

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Camden, Delaware, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town of Camden's basic financial statements, and have issued our report thereon dated February 4, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We noted certain matters that we have reported to management of the Town of Camden, Delaware in a separate letter dated February 4, 2019.

Purpose of this Report

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



Dover, Delaware
February 4, 2019

TOWN OF CAMDEN, DELAWARE

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

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, 2018. We encourage users to read it in conjunction with the Town's financial statements, which follow this section.

Financial Highlights for Fiscal Year 2018

The assets of the Town exceeded its liabilities at June 30, 2018 by \$5.1 million (net position). The Town's total net position increased by approximately \$0.4 million. Of this amount \$2.8 million is unrestricted and may be used to meet the Town's ongoing obligations to citizens and creditors, and \$2.2 million is invested in capital assets, net of related debt.

As of June 30, 2018, the Town's governmental funds reported combined ending fund balances of \$3.0 million, an increase of \$0.4 million. The current year increase in fund balances represents the degree to which revenues exceeded expenditures in the current year.

During the year ended June 30, 2015, the Town implemented GASB Statement No. 68, "Accounting and Financial Reporting for Pensions", which generally requires state and local governments whose employees are provided with defined benefit pension through cost-sharing multiple-employer pension plans, such as Delaware Public Employees Retirement System ("DPERS"), to account for and report their proportionate share of the annual pension cost and outstanding pension obligations. The total net pension liability reported at June 30, 2018 totals \$0.1 million.

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's basic financial statements, which are comprised of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to 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 government-wide financial statements that provide both long-term and short-term information about the Town's overall financial status.

TOWN OF CAMDEN, DELAWARE

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

- 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 government-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.

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the Town'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 position presents information on all of the Town's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The statement of activities presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position 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.

TOWN OF CAMDEN, DELAWARE

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

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 position 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 government-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. Certain information regarding the Town's pension plans has also been presented.

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

Government-wide Financial Analysis

The following table presents a summary of the statement of net position as of June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
ASSETS		
Current assets	\$ 3,100,825	\$ 2,626,795
Capital assets, net	4,869,657	4,960,224
Deferred outflows of resources	<u>196,440</u>	<u>242,295</u>
TOTAL ASSETS and DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 8,166,922</u>	<u>\$ 7,829,314</u>

TOWN OF CAMDEN, DELAWARE

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

LIABILITIES		
Current liabilities	\$ 155,120	\$ 104,819
Noncurrent liabilities	2,859,656	2,958,755
Deferred inflows of resources	<u>74,765</u>	<u>57,916</u>
 TOTAL LIABILITIES and DEFERRED INFLOWS OF RESOURCES	 <u>3,089,541</u>	 <u>3,121,490</u>
 NET POSITION		
Net Investment in capital assets	2,241,846	2,276,504
Restricted	(461)	11,453
Unrestricted	<u>2,835,996</u>	<u>2,419,867</u>
 TOTAL NET POSITION	 <u>\$ 5,077,381</u>	 <u>\$ 4,707,824</u>

A significant 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.

The following table indicates the changes in net position for governmental activities:

	<u>Year Ended June 30,</u>	
	<u>2018</u>	<u>2017</u>
REVENUES		
<u>Program revenues</u>		
Charges for services	\$ 549,785	\$ 416,528
Operating grants and contributions	156,707	143,676
 <u>General revenues</u>		
Taxes and assessments	1,979,655	1,841,753
Interest income	4,086	3,464
Other revenue	<u>54,399</u>	<u>9,631</u>
 <u>Total Revenues</u>	 <u>2,744,632</u>	 <u>2,415,052</u>

TOWN OF CAMDEN, DELAWARE

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

EXPENSES

General government	\$ 953,487	\$ 914,928
Public safety	1,031,734	971,226
Public works	273,383	233,288
Debt service	<u>116,471</u>	<u>118,390</u>
<u>Total Expenses</u>	<u>2,375,075</u>	<u>2,237,832</u>
Change in net position	369,557	177,220
<u>Net Position</u> - Beginning of Year	<u>4,707,824</u>	<u>4,530,604</u>
<u>Net Position</u> - End of Year	<u>\$ 5,077,381</u>	<u>\$ 4,707,824</u>

Governmental Activities

The cost of all governmental activities in 2018 was \$2.4 million. The amount that taxpayers ultimately financed for these activities through Town taxes was \$2.0 million, or 83 percent. Other costs were paid by those who directly benefited from the programs (\$0.5 million) or by government agencies and organizations that subsidized funding with operating grants and contributions (\$0.2 million.)

As indicated by the governmental program expenses, general government programs accounted for approximately 40 percent of the total expenses of the Town's governmental activities.

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 unassigned 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, 2018, the Town's governmental funds reported combined ending fund balances of \$3.0 million, an increase of \$0.4 million as compared to the prior year.

TOWN OF CAMDEN, DELAWARE

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

The General Fund is the chief operating fund of the Town. As of June 30, 2018, the General Fund had an unassigned fund balance in the amount of \$2.2 million. The fund balance increased by \$0.3 million during the year ended June 30, 2018.

The Municipal Street Aid Fund provides funding for street expenditures of the Town. Revenue is provided by intergovernmental revenues. As of June 30, 2018, the total fund balance of the Municipal Street Aid Fund was a deficit of \$539.

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, 2018, the total fund balance of the Real Estate Transfer Tax Fund was \$0.7 million.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Town's capital assets for its governmental activities as of June 30, 2018 amounted to \$4.9 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 \$0.1 million. Current year depreciation expense was \$0.3 million.

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

Debt

At June 30, 2018, the Town had outstanding loans payable totaling \$2.6 million. Other long-term obligations at June 30, 2018 in the amount of \$0.3 million include accrued sick leave and retirement severance and net pension liability for employees of the Town. Detailed information regarding long-term debt is included in the notes to the basic financial statements.

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 2018-2019 general fund budget reflects total appropriations in the amount of \$2.0 million.
- The 2018-2019 property tax rate is:
 - Senior Citizen at \$0.96 per hundred of assessed property value.
 - Residential at \$1.42 per hundred of assessed property value.
 - Commercial at \$1.59 per hundred of assessed property value.

TOWN OF CAMDEN, DELAWARE

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

- Town Council approved wage increases based on qualified step increases on the salary schedules currently in place and a cost of living percentage increase of 2.4% for 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.

BASIC FINANCIAL STATEMENTS

TOWN OF CAMDEN, DELAWARE

STATEMENT OF NET POSITION

JUNE 30, 2018 WITH SUMMARIZED FINANCIAL
INFORMATION AS OF JUNE 30, 2017

	<u>2018</u>	<u>2017</u>
<u>Assets</u>		
<u>Current Assets</u>		
Cash and cash equivalents	\$ 2,980,099	\$ 2,511,350
Tenant security deposit	1,860	1,860
Accounts receivable - net	30,726	24,795
Taxes receivable	53,251	51,724
Prepaid expenses	<u>34,889</u>	<u>37,066</u>
<u>Total Current Assets</u>	<u>3,100,825</u>	<u>2,626,795</u>
<u>Noncurrent Assets</u>		
<u>Capital Assets</u>		
Land	1,177,588	1,177,588
Construction in progress	27,997	
Building and improvements	3,479,440	3,474,440
Furniture and fixtures	22,114	22,114
Equipment	1,280,877	1,265,439
Streets	1,383,587	1,383,587
Transportation equipment - Vehicles	792,063	697,701
<u>Less: Accumulated depreciation</u>	<u>(3,294,009)</u>	<u>(3,060,645)</u>
<u>Total Capital Assets, Net of Accumulated Depreciation</u>	<u>4,869,657</u>	<u>4,960,224</u>
<u>Total Assets</u>	<u>7,970,482</u>	<u>7,587,019</u>
<u>Deferred Outflows of Resources</u>		
Deferred outflows of resources - Delaware Public Employees Retirement System	<u>196,440</u>	<u>242,295</u>
<u>Total Assets and Deferred Outflows of Resources</u>	<u>\$ 8,166,922</u>	<u>\$ 7,829,314</u>

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

	<u>2018</u>	<u>2017</u>
<u>Liabilities</u>		
<u>Current Liabilities</u>		
Accounts payable	\$ 10,883	\$ 17,596
Accrued liabilities	97,327	42,809
Tenant security deposit	1,860	1,860
Current portion of long-term debt	<u>45,050</u>	<u>42,554</u>
<u>Total Current Liabilities</u>	155,120	104,819
<u>Noncurrent Liabilities</u>		
Net pension liability	100,372	153,457
Accrued compensated absences	176,523	164,132
Long-term debt, net of current portion	<u>2,582,761</u>	<u>2,641,166</u>
<u>Total Liabilities</u>	3,014,776	3,063,574
<u>Deferred Inflows of Resources</u>		
Deferred inflows of resources - Delaware Public Employees Retirement System	<u>74,765</u>	<u>57,916</u>
<u>Total Liabilities and Deferred Inflows of Resources</u>	<u>3,089,541</u>	<u>3,121,490</u>
<u>Net Position</u>		
Restricted for:		
Public safety	78	2,132
Street rehabilitation expenditures	(539)	9,321
Invested in capital assets, net of related debt	2,241,846	2,276,504
Unrestricted	<u>2,835,996</u>	<u>2,419,867</u>
<u>Total Net Position</u>	<u>\$ 5,077,381</u>	<u>\$ 4,707,824</u>

TOWN OF CAMDEN, DELAWARE

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2018 WITH SUMMARIZED FINANCIAL
INFORMATION AS OF JUNE 30, 2017

<u>FUNCTIONS/PROGRAMS</u>	<u>Expenses</u>	Program Revenues		<u>Net (Expense) Revenue and Changes in Net Position</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>2018</u>
Governmental Activities:					
General government	\$ 953,487	\$ 494,876	\$ 1,000	(\$ 457,611)	(\$ 541,156)
Public safety	1,031,734	54,909	79,724	(897,101)	(849,700)
Public works	273,383		75,983	(197,400)	(168,382)
Debt service	116,471			(116,471)	(118,390)
<u>Total Governmental Activities</u>	<u>\$ 2,375,075</u>	<u>\$ 549,785</u>	<u>\$ 156,707</u>	(1,668,583)	(1,677,628)
		<u>General Revenues</u>			
				1,979,655	1,841,753
				4,086	3,464
				54,399	9,631
			<u>Total General Revenues</u>	2,038,140	1,854,848
			<u>Change in Net Position</u>	369,557	177,220
			<u>Net Position - Beginning of year</u>	4,707,824	4,530,604
			<u>Net Position - End of year</u>	<u>\$ 5,077,381</u>	<u>\$ 4,707,824</u>

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

TOWN OF CAMDEN, DELAWARE

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2018 WITH SUMMARIZED FINANCIAL
INFORMATION AS OF JUNE 30, 2017

<u>ASSETS</u>	<u>General Fund</u>	<u>Municipal Street Aid Fund</u>	<u>Real Estate Transfer Tax Fund</u>	<u>Other Nonmajor Funds</u>	<u>Total Governmental Funds</u>	
					<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 2,313,427	\$ 5,603	\$ 660,991	\$ 78	\$ 2,980,099	\$ 2,511,350
Tenant security deposit	1,860				1,860	1,860
Accounts receivable - net	30,726				30,726	24,795
Taxes receivable	28,215		25,036		53,251	51,724
Prepaid expenses	<u>34,889</u>				<u>34,889</u>	<u>37,066</u>
<u>Total Assets</u>	<u>\$ 2,409,117</u>	<u>\$ 5,603</u>	<u>\$ 686,027</u>	<u>\$ 78</u>	<u>\$ 3,100,825</u>	<u>\$ 2,626,795</u>
<u>LIABILITIES</u>						
Accounts payable	\$ 4,741	\$ 6,142			\$ 10,883	\$ 17,596
Accrued liabilities	97,327				97,327	42,809
Tenant security deposit	<u>1,860</u>				<u>1,860</u>	<u>1,860</u>
<u>Total Liabilities</u>	<u>103,928</u>	<u>6,142</u>			<u>110,070</u>	<u>62,265</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>						
Unavailable revenues - property taxes	<u>23,844</u>				<u>23,844</u>	<u>35,827</u>
<u>FUND BALANCE</u>						
Nonspendable:						
Prepaid expenses	34,889				34,889	37,066
Restricted for:						
Public safety				\$ 78	78	2,132
Street rehabilitation expenditures		(539)			(539)	9,321
Committed for:						
Caesar Rodney School District capital improvements	2,043				2,043	2,931
Camden-Wyoming Fire Department	47,938				47,938	6,441
Assigned for:						
Other purposes			\$ 686,027		686,027	545,787
Unassigned	<u>2,196,475</u>				<u>2,196,475</u>	<u>1,925,025</u>
<u>Total Fund Balance</u>	<u>2,281,345</u>	<u>(539)</u>	<u>686,027</u>	<u>78</u>	<u>2,966,911</u>	<u>2,528,703</u>
<u>Total Liabilities, Deferred Inflows of Resources and Fund Balance</u>	<u>\$ 2,409,117</u>	<u>\$ 5,603</u>	<u>\$ 686,027</u>	<u>\$ 78</u>	<u>\$ 3,100,825</u>	<u>\$ 2,626,795</u>

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

TOWN OF CAMDEN, DELAWARE

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION

JUNE 30, 2018

Total Fund Balances, Governmental Funds (Page 15) \$ 2,966,911

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 governmental activities of the statement of net position.

Total capital assets	\$ 8,163,666	
Accumulated depreciation	(3,294,009)	4,869,657

Some liabilities are not due and payable in the current period and therefore are not reported as liabilities in the fund financial statements. Those liabilities consist of:

Net pension liability	(100,372)	
Loans payable	(2,627,811)	
Compensated absences	(176,523)	(2,904,706)

Deferred charges - Delaware Public Employees Retirement System 196,440

Deferred credits - Delaware Public Employees Retirement System (74,765)

Some of the Town's assets are not available soon enough to pay for current period expenditures and therefore are not reported as assets in the fund financial statements.

23,844

Net Position of Governmental Activities in the
Statement of Net Position (Page 13)

\$ 5,077,381

TOWN OF CAMDEN, DELAWARE

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2018 WITH SUMMARIZED FINANCIAL
INFORMATION AS OF JUNE 30, 2017

	General Fund	Municipal Street Aid Fund	Real Estate Transfer Tax Fund	Other Nonmajor Funds	Total Governmental Funds	
					2018	2017
<u>Revenues</u>						
Taxes and assessments	\$ 1,650,080		\$ 341,558		\$ 1,991,638	\$ 1,837,742
Licenses and permits	433,120				433,120	298,088
Fines, forfeits and costs	46,836				46,836	53,233
Intergovernmental grants	86,288	\$ 62,983		\$ 7,436	156,707	143,676
Charges for services	10,564				10,564	5,992
Rental income	59,265				59,265	59,215
Interest income	4,086				4,086	3,464
Other revenue	54,399				54,399	9,631
<u>Total Revenues</u>	<u>2,344,638</u>	<u>62,983</u>	<u>341,558</u>	<u>7,436</u>	<u>2,756,615</u>	<u>2,411,041</u>
<u>Expenditures</u>						
General government	814,658		34,375		849,033	801,616
Public safety	896,879		132,564	9,540	1,038,983	1,012,556
Public works	150,789	72,843	34,379		258,011	215,690
Debt service	172,380				172,380	159,120
<u>Total Expenditures</u>	<u>2,034,706</u>	<u>72,843</u>	<u>201,318</u>	<u>9,540</u>	<u>2,318,407</u>	<u>2,188,982</u>
<u>Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources</u>	<u>309,932</u>	<u>(9,860)</u>	<u>140,240</u>	<u>(2,104)</u>	<u>438,208</u>	<u>222,059</u>
<u>Other Financing Sources (Uses)</u>						
Transfers in				50	50	
Transfers out	(50)				(50)	
<u>Total Other Financing Sources (Uses)</u>	<u>(50)</u>			<u>50</u>		
<u>Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures</u>	<u>309,882</u>	<u>(9,860)</u>	<u>140,240</u>	<u>(2,054)</u>	<u>438,208</u>	<u>222,059</u>
<u>Fund Balances - Beginning of year</u>	<u>1,971,463</u>	<u>9,321</u>	<u>545,787</u>	<u>2,132</u>	<u>2,528,703</u>	<u>2,306,644</u>
<u>Fund Balances - End of Year</u>	<u>\$ 2,281,345</u>	<u>(\$ 539)</u>	<u>\$ 686,027</u>	<u>\$ 78</u>	<u>\$ 2,966,911</u>	<u>\$ 2,528,703</u>

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

TOWN OF CAMDEN, DELAWARE
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Note 1 - Summary of Significant Accounting Policies

Operations

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

The financial statements of the Town have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Town's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

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 is considered to be an independent reporting entity and has no component units.

TOWN OF CAMDEN, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Government-Wide and Fund Financial Statements

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

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.

The Town adopted the provisions of GASB Statement No. 34 "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments," as modified by GASB Statement No. 37. These statements affect the manner in which the Town records transactions and presents financial information. State and local governments have traditionally used a financial reporting model substantially different from the one used to prepare private-sector financial reports.

GASB Statement No. 34 established a reporting model for the annual financial reports of state and local governments. The statement was developed to make annual reports of state and local governments easier to understand and more useful to the people who use governmental financial information to make decisions.

The retroactive reporting of roads and certain other infrastructure as capital assets is not required for the Town under GASB reporting principles and has not been implemented.

Fund Accounting

The accounts of the Town are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, reserves, fund balance/net position, revenues, and expenditures or expenses, as appropriate. The Town has the following funds:

TOWN OF CAMDEN, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Governmental Fund Types - Governmental fund types are those funds through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used; current liabilities are assigned to the fund from which they are paid. The fund equity is referred to as "fund balance". The measurement focus is upon determination of changes in financial position, rather than upon net income determination.

The following comprise the Town's major governmental funds:

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.

The Town reports three special revenue funds as nonmajor funds. These special revenue funds account for proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

TOWN OF CAMDEN, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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 non-major funds are aggregated and presented in a single column.

Cash and Cash Equivalents

Except where otherwise required, the Town maintains all deposits in bank accounts in the name of the Town. These deposits are invested on a short term basis with interest income being recorded in the general fund, except for interest income allocated where specifically required by law to be recorded in other funds.

TOWN OF CAMDEN, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Capital Assets and Depreciation

Capital assets, including property, plant and equipment, are reported in the government-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.

Under GASB Statement No. 34, the Town is not required and therefore has elected not to reconstruct public domain or infrastructure assets added in years' prior to its implementation such as roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems, that are immovable and of value only to the Town government.

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 improvements	40 years
Furniture and fixtures	7 years
Equipment	5 - 10 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 June Town Council meeting. The financial coordinator, police chief and Town Manager begin the budget process by setting up a 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.

TOWN OF CAMDEN, DELAWARE
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net investment in capital assets excludes unspent debt proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Restricted resources are used first to fund appropriation.

The Town first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Balance

The Town has adopted GASB No. 54 "Fund Balances Reporting and Governmental Fund Type Definitions," which redefined how fund balances are presented in fund financial statements. In the governmental fund financial statements, fund balances are as follows:

Nonspendable - Amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - Amounts that can be spent only for specific purposes because of the Town Charter, Town Code, state or federal laws, or externally imposed conditions by grantors or creditors.

Committed - Amounts that can be used only for specific purposes determined by a formal action by Town Council ordinance or resolution.

Assigned - Amounts are intended for a particular purpose such as segregation of an amount intended to be used at some time in the future. This intent can be expressed by Town Council or through the council delegating this responsibility to the Town Manager through the budgetary process.

Unassigned - All amounts not included in other spendable classifications.

TOWN OF CAMDEN, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Deferred Inflows/Outflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Town has four items that are required to be reported in this category: (1) unavailable revenue, is reported only in the governmental funds balance sheet which report unavailable revenues from property taxes, (2) differences between actual and expected experience, (3) changes in pension plan assumptions and (4) changes in employer proportionate share of the net pension assets that are being amortized over future periods, which are all reported in the statement of net position which reports deferred inflows of resources - Delaware Public Employees Retirement System.

Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenditure) until the future period. The Town has five items that are required to be reported in this category: (1) differences between projected and actual investment earnings, (2) differences between actual and expected experience, (3) changes in employer proportionate share of the net pension assets that are being amortized over future periods, (4) changes in pension assumptions and (5) pension contributions made subsequent to the measurement date related to pensions. Accordingly, these items are reported in the statement of net position as deferred outflow of resources - Delaware Public Employees Retirement System.

Use of Estimates

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 reporting period. Actual results could differ from those estimates.

Note 2 - Cash and Cash Equivalents

The Town's cash and cash equivalents on deposit with financial institutions are subject to prudent business practices. They are held in federally regulated financial institutions whose balances are covered by the Federal Deposit Insurance Corporation (FDIC). The Town's deposits are categorized to give an indication of the level of risk assumed by the Town at fiscal year-end. The categories are as follows:

TOWN OF CAMDEN, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Category 1 - Insured or collateralized with securities held by the Town or by its agent in the Town's name.

Category 2 - Collateralized with securities held by the pledging financial institution's trust department in the Town's name.

Category 3 - Uncollateralized.

Carrying amounts differ from bank balances as a result of normal reconciling items. A summary of these deposits at June 30, 2018 is shown below:

<u>Cash and Cash Equivalents</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
Category 1	\$ 250,000	\$ 250,000
Category 2	2,730,099	2,771,868
Category 3	<u> </u>	<u> </u>
<u>Total Cash and Cash Equivalents</u>	<u>\$2,980,099</u>	<u>\$3,021,868</u>

At June 30, 2018, the Town's cash and cash equivalents are comprised of the following:

Carrying value of unrestricted cash and cash equivalents	\$2,974,418
Restricted cash and cash equivalents	<u>5,681</u>
<u>Total</u>	<u>\$2,980,099</u>

Note 3 - Property Taxes

Property taxes are levied on July 1. Town property taxes are recognized when levied since they result in current receivables. The Town bills and collects its own real estate taxes. The schedule for real estate taxes for the fiscal year is as follows:

- July 1 Levy date.
- July - September 30 Face payment period.
- October 1 Penalty period.

TOWN OF CAMDEN, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Note 4 - Capital Assets

The following is a summary of changes in capital assets for the year ended June 30, 2018:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$1,177,588			\$1,177,588
Construction in progress	<u> </u>	\$ 27,997		<u>27,997</u>
 <u>Total Capital Assets Not Being Depreciated</u>	<u>1,177,588</u>	<u>27,997</u>		<u>1,205,585</u>
Capital assets being depreciated:				
Buildings and improvements	3,474,440	5,000		3,479,440
Furniture and fixtures	22,114			22,114
Equipment	1,265,439	15,438		1,280,877
Streets	1,383,587			1,383,587
Transportation equipment - Vehicles	<u>697,701</u>	<u>113,594</u>	<u>\$19,232</u>	<u>792,063</u>
 <u>Total Capital Assets Being Depreciated</u>	<u>6,843,281</u>	<u>134,032</u>	<u>19,232</u>	<u>6,958,081</u>
 <u>Less: Accumulated depreciation for:</u>				
Buildings and improvements	784,446	92,713		877,159
Furniture and fixtures	22,114			22,114
Equipment	1,095,623	58,301		1,153,924
Streets	629,634	47,582		677,216
Transportation equipment - Vehicles	<u>528,828</u>	<u>54,000</u>	<u>19,232</u>	<u>563,596</u>
 <u>Total Accumulated Depreciation</u>	<u>3,060,645</u>	<u>252,596</u>	<u>19,232</u>	<u>3,294,009</u>
 <u>Total Capital Assets Being Depreciated, Net</u>	<u>3,782,636</u>	<u>(118,564)</u>		<u>3,664,072</u>
 <u>Total Capital Assets, Net</u>	<u>\$4,960,224</u>	<u>(\$ 90,567)</u>	<u>\$ -0-</u>	<u>\$4,869,657</u>

TOWN OF CAMDEN, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Depreciation expense for the year ended June 30, 2018 was charged to the functions of the primary government as follows:

Governmental Activities

General government	\$107,165
Public safety	118,007
Public works	<u>27,424</u>

<u>Total Depreciation Expense - Governmental Activities</u>	<u>\$252,596</u>
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Construction in progress includes costs accumulated through June 30, 2018 for various rehabilitation and construction projects currently underway. During the year ended June 30, 2018, the Town entered into a construction contract for street paving in the amount of approximately \$140,000 which was completed in August 2018.

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	\$2,683,720		(\$ 55,909)	\$2,627,811
Compensated absences	<u>164,132</u>	<u>\$12,391</u>	<u> </u>	<u>176,523</u>
<u>Total</u>	<u>\$2,847,852</u>	<u>\$12,391</u>	<u>(\$ 55,909)</u>	<u>\$2,804,334</u>

In 2009, the Town issued \$3,000,000 General Obligation Bonds with a fixed interest rate of 4.375% through the United States Department of Agriculture Rural Development ("USDA"). The loan made by the USDA matures in February 2048. Maturities of debt obligations, including interest, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 45,050	\$ 114,070	\$ 159,120
2020	47,060	112,060	159,120
2021	49,161	109,959	159,120
2022	51,356	107,764	159,120

TOWN OF CAMDEN, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

2023	53,648	105,472	159,120
Thereafter	<u>2,381,536</u>	<u>1,493,988</u>	<u>3,875,524</u>
<u>Total</u>	<u>\$2,627,811</u>	<u>\$2,043,313</u>	<u>\$4,671,124</u>

Note 6 - State of Delaware Municipal Police/Firefighter Pension Plan

The Town participates in the State of Delaware Municipal Police/Firefighter Pension Plan for uniformed police officers whose employment with the Town started on or after July 1, 1989. This is a "multiple-employer, cost-sharing" contributory pension plan, with the employee contributing 7% of gross salary exclusive of overtime. The Town's employer contributions are based upon actuarial valuations and was 11.42% of covered payroll for the year ended June 30, 2018. The total amount contributed by the Town for the year ended June 30, 2018 is \$53,880 of which \$38,954 was reimbursed by the State of Delaware.

This contribution covers the Town's total liability for funding, as determined by the State of Delaware. The pension plan is managed by the State of Delaware. The Comprehensive Annual Financial Report of the Delaware Public Employees' Retirement System can be obtained from the Office of Pension, McArdle Building, Suite #1, 860 Silver Lake Blvd., Dover, Delaware 19904.

The State of Delaware Municipal Police/Firefighter Pension Plan provides benefits equal to 2½% of final average monthly compensation for up to twenty years of service and 3½% of final average compensation for up to twenty years of service, multiplied by years of credited service. Vesting occurs after five consecutive years of credited service, age plus credited service (but not less than ten years) equals seventy-five, or twenty years of service at any age.

Disability benefits paid to a participant who is totally disabled in the performance of duty are 75% of final average compensation plus 10% for each dependent not to exceed 25% for all dependents. Partial disability benefits for duty-related or ordinary disability are calculated the same as a service pension (subject to maximum and minimum limitations).

If a retired participant dies, the eligible survivor receives 50% of the monthly benefit. If any active employee dies, the survivor receives 50% of the monthly benefit that the employee would have received at age sixty-two.

The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of June 30, 2016, and update procedures were used to roll forward the total pension liability to June 30, 2017. These actuarial valuations used the following actuarial assumptions, applied to all periods:

TOWN OF CAMDEN, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Significant actuarial assumptions are as follows:

Actuarial Cost Method - Entry Age Normal
Amortization Method - Level Percent Open
Remaining Amortization Period - 8 Years
Asset Valuation Method - 5 Year Smoothed Market
Actuarial Assumptions:
Investment Rate of Return - 7.0%
Projected Salary Increases - 2.5% + Merit
Inflation - 2.5%
Cost-of-Living Adjustments - 0.00%

The total pension liabilities are measured based on the assumptions pertaining to the interest rates, inflation rates, and employee demographics behavior in future years. It is likely that future experiences will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates the larger the impact on future financial statements.

Mortality assumptions are based on the RP - 2014 tables with gender adjustments for healthy annuitants and disabled retirees and an adjusted version on MP - 2015 mortality improvement scale on a fully generational basis.

Projected benefit payments do not include the effects of projected ad hoc cost-of-living adjustments (ad hoc COLAs) as they are not substantively automatic. The primary consideration relevant to making this determination include the historical pattern of granting the changes and the consistency in the amounts of the changes.

Assets of the plan are managed by many investment firms approved by the State Pension Board. Details are available from the Office of Pensions, Dover, Delaware.

Pension Liability and Expense, and Deferred Outflows and Inflows of Resources

At June 30, 2018, the Town reported a pension liability of \$55,662 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by rolling forward the plan's total pension liability as of June 30, 2016 to June 30, 2017. The Town's proportion of the net pension liability was calculated utilizing the employer's one-year actual reported contributions. At June 30, 2017, the Town's proportion was 0.5521%, which was a decrease of 0.0196% from its proportion measured as of June 30, 2016.

TOWN OF CAMDEN, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

For the year ended June 30, 2018, the Town recognized a net pension expense of \$8,592. At June 30, 2018 the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between projected and actual investment earnings	\$ 28,371	
Difference between actual and expected experience	13,320	\$ 33,945
Change of assumptions	46,994	20,510
Changes in proportions	606	10,502
Contributions subsequent to the measurement date	<u>53,880</u>	
	<u>\$ 143,171</u>	<u>\$ 64,957</u>

An amount of \$53,880 is reported as deferred outflows of resources resulting from the Town's contribution subsequent to the measurement date (June 30, 2017) and will be recognized as a reduction of the net pension liability in the year ended June 30, 2019.

Other amounts will be reported as deferred outflows and inflows of resources related to pensions, and will be recognized in pension expense as follows:

Year ended June 30,	
2019	\$ 294
2020	23,306
2021	13,159
2022	(13,428)
2023	(1,260)
Thereafter	<u>2,263</u>
	<u>\$24,334</u>

The difference between expected and actual experience and the change in assumptions with regard to economic and demographic factors, and the change in employer proportionate share are amortized over the average of the expected remaining service life of active and inactive members, which is 10 years for the 2017 amounts.

TOWN OF CAMDEN, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

The difference between the actual earnings on plan investments compared to the plan's expected rate of return of 7.0% is amortized over a closed period of 5 years.

The long-term expected rate of return on pension plan investments was determined using the building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by an asset allocation percentage, which is based on the nature and mix of current and expected plan investments, and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the system's current and expected asset allocation are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	5.7%
International equity	5.7%
Fixed income	2.0%
Alternative investments	7.8%
Cash and cash equivalents	0.0%

Discount Rate

The discount rate used to measure the total pension liability was 7.0%. The change in the discount rate to 7.0% from 7.2% was due to an adoption by the Board of Trustees in 2017. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at rates determined by the Board of Pension Trustees, actuarially determined. Based on those assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Town's Proportionate Share of the Net Pension Liability to
Changes in the Discount Rate

The following presents the collective net pension liability, calculated using the discount rate of 7.0%, as well as what the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate:

TOWN OF CAMDEN, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Town's proportionate share of the net pension liability (asset)	\$351,964	\$55,662	(\$185,599)

Pension Plan Fiduciary Net Position

Detailed information about Delaware Public Employees' Retirement Systems' fiduciary net position is available in Delaware Public Employees' Retirement System Comprehensive Annual Financial Report, which are available from the pension office in Dover, Delaware.

Note 7 - State of Delaware County and Municipal Other Employees' Pension Plan

The Town participates in the State of Delaware County and Municipal Other Employees' Pension Plan. This is a "multiple-employer, cost-sharing" contributory pension plan, with the employee contributing 3% of gross salary. The Town's employer contributions are based upon actuarial valuations and was 7.09% of covered payroll for the year ended June 30, 2018. The total amount contributed by the Town for the year ended June 30, 2018 is \$19,350.

This contribution covers the Town's total liability for funding, as determined by the State of Delaware. The pension plan is managed by the State of Delaware. The Comprehensive Annual Financial Report of the Delaware Public Employees' Retirement System can be obtained from the Office of Pensions, McArdle Building, Suite #1, 860 Silver Lake Blvd., Dover, Delaware 19904.

The State of Delaware County and Municipal Other Employees' Pension Plan provides benefits equal to 1/60th of final average monthly compensation, multiplied by years of credited service, subject to maximum limitations. Vesting occurs after five years of credited service; and, retirement is at age sixty-two with five years of service, age sixty with fifteen years of service or thirty years of service.

Disability benefits paid to a participant are the same as service benefits.

If an employee who is receiving a pension dies, the survivor receives 75% of the pension. If an employee who has years of service dies, the eligible survivor receives 50% of pension that the employee would have received at age sixty-two.

TOWN OF CAMDEN, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of June 30, 2016, and update procedures were used to roll forward the total pension liability to June 30, 2017. These actuarial valuations used the following actuarial assumptions, applied to all periods:

Significant actuarial assumptions are as follows:

Actuarial Cost Method - Entry Age Normal
Amortization Method - Level Percent Open
Remaining Amortization Period - 8 Years
Asset Valuation Method - 5 Year Smoothed Market
Actuarial Assumptions:
Investment Rate of Return - 7.0%
Projected Salary Increases - 2.5% + Merit
Inflation - 2.50%
Cost-Of-Living Adjustments - 0.0%

The total pension liabilities are measured based on the assumptions pertaining to the interest rates, inflation rates, and employee demographics behavior in future years. It is likely that future experiences will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates the larger the impact on future financial statements.

Mortality rates were based on the RP - 2014 tables with gender adjustments for healthy annuitants and disabled retirees and an adjusted version on MP-2015 mortality improvement scale on a fully generational basis.

Projected benefit payments do not include the effects of projected ad hoc cost-of-living adjustments (ad hoc COLAs) as they are not substantively automatic. The primary consideration relevant to making this determination include the historical pattern of granting the changes and the consistency in the amounts of the changes.

Assets of the plan are managed by many investment firms approved by the State Pension Board. Details are available from the Office of Pensions, Dover, Delaware.

Pension Liability and Expense, and Deferred Outflows and Inflows of Resources

At June 30, 2018, the Town reported a pension liability of \$44,710 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by rolling forward the plan's total pension liability as of June 30, 2016 to June 30, 2017. The Town's proportion of the net pension liability was calculated utilizing the

TOWN OF CAMDEN, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

employer's one-year actual reported contributions. At June 30, 2017, the Town's proportion was 0.6900%, which was decrease of 0.3200% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the Town recognized a net pension expense of \$1,027. At June 30, 2018 the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between projected and actual investment earnings	\$ 5,086	
Difference between actual and expected experience	12,145	\$ 3,013
Changes in proportions	2,408	6,795
Changes of assumptions	14,280	
Contributions subsequent to the measurement date	<u>19,350</u>	
	<u>\$ 53,269</u>	<u>\$ 9,808</u>

An amount of \$19,350 is reported as deferred outflows of resources resulting from the Town's contribution subsequent to the measurement date (June 30, 2017) and will be recognized as a reduction of the net pension liability in the year ended June 30, 2019.

Other amounts will be reported as deferred outflows and inflows of resources related to pensions, and will be recognized in pension expense as follows:

Year ended June 30,	
2019	\$ 2,710
2020	6,590
2021	4,835
2022	215
2023	2,493
Thereafter	<u>7,268</u>
	<u>\$ 24,111</u>

The difference between expected and actual experience and the change in assumptions with regard to economic and demographic factors, and the change in employer proportionate share are amortized over the average of the expected remaining service life of active and inactive members which 9 years for the 2017 amounts.

TOWN OF CAMDEN, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

The difference between the actual earnings on plan investments compared to the plan's expected rate of return of 7.0% is amortized over a closed period of 5 years.

The long-term expected rate of return on pension plan investments was determined using the building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by an asset allocation percentage, which is based on the nature and mix of current and expected plan investments, and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the system's current and expected asset allocation are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	5.7%
International equity	5.7%
Fixed income	2.0%
Alternative investments	7.8%
Cash and cash equivalents	0.0%

Discount Rate

The discount rate used to measure the total pension liability was 7.0%. The change in the discount rate assumption to 7.0% from 7.2% was due to an adoption by the Board of Trustees in 2017. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at rates determined by the Board of Pension Trustees, actuarially determined. Based on those assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Town's Proportionate Share of the Net Pension Liability to
Changes in the Discount Rate

The following presents the collective net pension liability, calculated using the discount rate of 7.0%, as well as what the net pension liability would be if it were calculated using a

TOWN OF CAMDEN, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate:

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Town's proportionate share of the net pension liability (asset)	\$100,595	\$44,710	(\$1,256)

Pension Plan Fiduciary Net Position

Detailed information about Delaware Public Employees' Retirement Systems' fiduciary net position is available in Delaware Public Employees' Retirement System Comprehensive Annual Financial Report, which are available from the pension office in Dover, Delaware.

Note 8 - 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 time accrual up to a maximum of 60 days.

The liability for these compensated absences is recorded as long-term debt in the government-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, 2018 are as follows:

	<u>Sick Leave</u>	<u>Vacation Leave</u>
General Government	\$ 7,093	\$17,235
Public Works	6,801	7,228

TOWN OF CAMDEN, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Public Safety	<u>82,572</u>	<u>55,594</u>
<u>Total</u>	<u>\$96,466</u>	<u>\$80,057</u>

Note 9 - Risk Management

The Town is exposed to various risks of loss related to torts; theft, damage to, and destruction of assets; errors and omissions; injuries to employees; employee health benefits; and other claims of various nature for which it purchases insurance.

Note 10 - Fund Equity

Fund Balance

The details of the fund balances are included in the balance of Governmental Funds. As noted in Note 1, restricted funds are used first as appropriate. Assigned funds are reduced to the extent that expenditure authority has been budgeted by Council or the assignment has been changed by the Mayor. Decreases to fund balance first reduce unassigned fund balance; in the event that unassigned becomes zero, then assigned and committed fund balances are used in that order.

Note 11 - Leases - Lessor

Operating Lease Commitments

The Town leases office space to tenants under operating leases with terms between 3 and 4 years. The Town received \$46,320 in rental income during the year ended June 30, 2018. The following is a schedule by years of future minimum rentals under the leases at June 30, 2018:

2019	\$ 46,320
2020	34,320
2021	<u>16,740</u>
	<u>\$ 97,380</u>

TOWN OF CAMDEN, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Note 12 - Pronouncements Issued, Not Yet Effective

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2018 that have effective dates that may impact future financial presentations. Management has not currently determined what, if any, impact the implementation may have on the financial statements of the Town.

Note 13 - Related Party Transactions

The Town purchases goods and services from various businesses that are owned by or affiliated with certain members of Council of the Town. These purchases include petroleum supplies and various maintenance services and supplies and are conducted in the normal course of business.

Note 14 - Subsequent Events

The Town has evaluated all subsequent events through February 4, 2019, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF CAMDEN, DELAWARE

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

YEAR ENDED JUNE 30, 2018

	<u>Original and Final Budget</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance Favorable (Unfavorable)</u>
<u>Revenues</u>			
Taxes and assessments	\$ 1,610,046	\$ 1,650,080	\$ 40,034
Licenses and permits	221,094	433,120	212,026
Fines, forfeits and costs	69,450	46,836	(22,614)
Intergovernmental grants	55,858	86,288	30,430
Charges for services	11,645	10,564	(1,081)
Rental income	59,240	59,265	25
Interest income	4,000	4,086	86
Other revenues	<u>3,100</u>	<u>54,399</u>	<u>51,299</u>
<u>Total Revenues</u>	<u>2,034,433</u>	<u>2,344,638</u>	<u>310,205</u>
<u>Expenditures</u>			
General government	823,339	814,658	8,681
Public safety	908,093	896,879	11,214
Public works	143,881	150,789	(6,908)
Debt service	<u>159,120</u>	<u>172,380</u>	<u>(13,260)</u>
<u>Total Expenditures</u>	<u>2,034,433</u>	<u>2,034,706</u>	<u>(273)</u>
<u>Other Financing Sources</u>			
Transfer out	<u> </u>	<u>(50)</u>	<u>(50)</u>
<u>Excess of Revenues and Other Financing Sources Over Expenditures</u>			
	<u>\$ -0-</u>	<u>309,882</u>	<u>\$ 309,882</u>
<u>Fund Balance - Beginning of year</u>		<u>1,971,463</u>	
<u>Fund Balance - End of Year</u>		<u>\$ 2,281,345</u>	

TOWN OF CAMDEN, DELAWARE

PROPORTIONATE SHARE OF NET PENSION LIABILITY - DELAWARE MUNICIPAL
POLICE/FIREFIGHTER PENSION PLAN

YEAR ENDED JUNE 30, 2018

	<u>Measurement Date</u> <u>June 30, 2017</u>
Town's proportionate share of the net pension liability	.05521%
Town's proportionate share of the net pension liability	\$ 55,662
Town's covered employee payroll	\$ 489,125
Town's proportionate share of the net pension liability as a percentage of its covered employee payroll	11.4%
Plan fiduciary net position as a percentage of the total pension liability	97.0%

TOWN OF CAMDEN, DELAWARE

PROPORTIONATE SHARE OF NET PENSION LIABILITY - DELAWARE COUNTY
AND MUNICIPAL OTHER EMPLOYEES' PENSION PLAN

YEAR ENDED JUNE 30, 2018

	<u>Measurement Date</u> <u>June 30, 2017</u>
Town's proportionate share of the net pension liability	0.6900%
Town's proportionate share of the net pension liability	\$ 44,710
Town's covered employee payroll	\$ 257,795
Town's proportionate share of the net pension liability as a percentage of its covered employee payroll	17.3%
Plan fiduciary net position as a percentage of the total pension liability	87.6%

TOWN OF CAMDEN, DELAWARE

SCHEDULE OF TOWN CONTRIBUTIONS - DELAWARE MUNICIPAL
POLICE/FIREFIGHTER PENSION PLAN

YEAR ENDED JUNE 30, 2018

Required contribution	\$ 53,880
Contribution in relation to the required contribution	<u>53,880</u>
Contribution deficiency/excess	<u>\$ -0-</u>
Town's covered employee payroll	\$ 509,401
Contributions as a percentage of covered employee payroll	10.6%

TOWN OF CAMDEN, DELAWARE

SCHEDULE OF TOWN CONTRIBUTIONS - DELAWARE COUNTY AND
MUNICIPAL OTHER EMPLOYEES' PENSION PLAN

YEAR ENDED JUNE 30, 2018

Required contribution	\$ 19,350
Contribution in relation to the required contribution	<u>19,350</u>
Contribution deficiency/excess	<u>\$ -0-</u>
Town's covered employee payroll	\$ 278,805
Contributions as a percentage of covered employee payroll	6.9%

SUPPLEMENTARY INFORMATION

TOWN OF CAMDEN, DELAWARE

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUND TYPES

JUNE 30, 2018 WITH SUMMARIZED FINANCIAL
INFORMATION AS OF JUNE 30, 2017

	<u>State Aid to Local Law Enforcement</u>	<u>Special Law Enforcement Assistance Fund</u>	<u>Emergency Illegal Drug Enforcement</u>	<u>Total</u>	
				<u>2018</u>	<u>2017</u>
<u>ASSETS</u>					
<u>Current Assets</u>					
Cash and cash equivalents	\$ 26	\$ 26	\$ 26	\$ 78	\$ 2,132
<u>Total Assets</u>	<u>\$ 26</u>	<u>\$ 26</u>	<u>\$ 26</u>	<u>\$ 78</u>	<u>\$ 2,132</u>
<u>FUND BALANCE</u>					
<u>Fund Balances</u>					
Restricted	\$ 26	\$ 26	\$ 26	\$ 78	2,132
<u>Total Fund Balance</u>	<u>\$ 26</u>	<u>\$ 26</u>	<u>\$ 26</u>	<u>\$ 78</u>	<u>\$ 2,132</u>

TOWN OF CAMDEN, DELAWARE

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUND TYPES

YEAR ENDED JUNE 30, 2018 WITH SUMMARIZED FINANCIAL
INFORMATION AS OF JUNE 30, 2017

	<u>State Aid to Local Law Enforcement</u>	<u>Special Law Enforcement Assistance Fund</u>	<u>Emergency Illegal Drug Enforcement</u>	<u>Total</u>	
				<u>2018</u>	<u>2017</u>
<u>Revenues</u>					
Intergovernmental grants	\$ 4,003		\$ 3,433	\$ 7,436	\$ 8,202
<u>Expenditures</u>					
Public safety	<u>4,001</u>	<u>\$ 24</u>	<u>5,515</u>	<u>9,540</u>	<u>7,273</u>
<u>Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources</u>	2	(24)	(2,082)	(2,104)	929
<u>Other Financing Sources:</u>					
Transfer in		<u>50</u>		<u>50</u>	
<u>Excess (Deficiency) of Revenues Over Expenditures</u>	2	26	(2,082)	(2,054)	929
<u>Fund Balance - Beginning of year</u>	<u>24</u>		<u>2,108</u>	<u>2,132</u>	<u>1,203</u>
<u>Fund Balance - End of year</u>	<u>\$ 26</u>	<u>\$ 26</u>	<u>\$ 26</u>	<u>\$ 78</u>	<u>\$ 2,132</u>