



VILLAGE OF ARDEN, INC.

**BASIC FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION**

MARCH 24, 2013



VILLAGE OF ARDEN, INC.

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INDEPENDENT AUDITOR'S REPORT

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May 13, 2013

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Trustees of Arden
Village of Arden, Inc.
Arden, 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 Village of Arden, Inc., Arden, Delaware as of and for the year ended March 24, 2013, and the related notes to the financial statements, which collectively comprise the Village'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.

Trustees of Arden
Village of Arden, Inc.

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 Village of Arden, Inc., Arden, Delaware as of March 24, 2013, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Arden, Inc., Arden, Delaware's 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 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 nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 13, 2013 on our consideration of the Village of Arden's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters.

Trustees of Arden
Village of Arden, Inc.

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 Village of Arden's internal control over financial reporting and compliance.

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

VILLAGE OF ARDEN, INC.
ARDEN, DELAWARE
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED
MARCH 24, 2013

Introduction

The financial statements of the Village of Arden, Inc. (the "Village"), and narrative overview and analysis of the financial activities of the Village, for the year ended March 24, 2013 are presented herein.

Management's Discussion and Analysis ("MD&A") is designed to focus on the current year's activities and subsequent changes in the Village's financial position. It also includes currently known facts that may have a significant impact on the Village's financial position now and in the foreseeable future.

The required elements of the general purpose external financial report are:

- Management's Discussion and Analysis
- Basic Financial Statements
 - Entity-wide Financial Statements
 - Fund Financial Statements
 - Notes to the Financial Statements

Financial Highlights

The assets of the Village of Arden, Inc. exceeded its liabilities at the close of the calendar year by \$1,315,821.

The assets included \$61,802 of cash on hand in the general operating fund, which was available to meet the government's ongoing obligation to citizens and creditors and for spending at the Village's discretion. Special revenue funds had a combined ending cash balance of \$481,427.

Revenue in fiscal year 2013 reflected the Village's continued allocation of land rentals and collection of grants from the State of Delaware. For the year ended March 24, 2013, \$169,735 was collected for land rent and \$159,085 in operating grants and contributions.

Overview of the Financial Statements

The Village's basic financial statements are comprised of three components: 1) entity-wide financial statements; 2) fund financial statements; and 3) notes to the basic financial statements. This report also contains supplementary information in addition to the basic financial statements themselves.

Entity-wide Financial Statements: The entity-wide financial statements provide a broad overview of the Village of Arden's finances in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the Village's assets and liabilities, 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 Village is improving or deteriorating.

VILLAGE OF ARDEN, INC.
ARDEN, DELAWARE
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
MARCH 24, 2013

The Statement of Activities presents information showing how the government'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, revenue and expenses are reported in this statement for some items that will result in cash flows only in future fiscal periods.

The entity-wide financial statements distinguish functions of the Village that are supported principally by land rent, franchise fees and grant revenues.

Governmental Activities – All of the Village's basic services are reported in this category. Land rent, franchise fees, grants and intergovernmental revenues generally support these services. Services provided include general government, public works - highways and streets, sanitation, cemetery, cultural and recreation, and community and economic development.

Fund Financial Statements: The fund financial statements provide detailed information about the general operating and special revenue accounts. A fund is a fiscal and accounting entity with a self-balancing set of accounts that the Village uses to keep track of specific sources of funding and spending for a particular purpose. All of the funds of the Village can be divided into two categories: general and special revenue.

General Fund – Most of the Village's basic services are reported in the general fund, which focuses on how money flows into and out of this fund and the balances left at year end that are available for future spending. This fund is reported using the modified accrual basis of accounting, which primarily measures cash and other financial assets usable in the short term.

Special Revenue Funds – When the Village receives special revenue through grant funding that must be dedicated for certain expenditures, those funds are kept in segregated accounts. All earned interest is posted as income to the appropriate dedicated account. Dedicated grant funded accounts include Municipal Street Aid, Energy Efficient and Conservation Block Grant ("EECBG") Program, Natural Spaces, Capital Maintenance and Repair, Memorial Garden, Lecture Series and the Renovation funds. The Village is reimbursed for expenditures through withdrawal and transfer of funds from the EECBG grants.

The governmental fund financial statements provide a detailed short-term view of the Village's general government operations and the basic services it provides. Governmental fund information helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the Village's programs. Because this information does not encompass the additional long-term focus of the entity-wide statements, reconciliations are provided to reconcile between the Governmental Funds Balance Sheet and the Statement of Net Position and between the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances and the Statement of Activities.

VILLAGE OF ARDEN, INC.
 ARDEN, DELAWARE
 MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
 MARCH 24, 2013

Notes to Basic Financial Statements: – The notes provide additional information that is essential to a full understanding of the data provided in the entity-wide and fund financial statements. The notes to the financial statements can be found beginning on page 16 of this report.

Other Information: This information includes combining financial statements for nonmajor governmental funds. The funds are added together by fund type and presented in single columns in the basic financial statements but are not reported individually, as with major funds, on the governmental fund financial statements.

Table A-1
Net Position
March 24, 2013 and 2012

	Governmental Activities	
	2013	2012
ASSETS		
Current and other assets	\$ 543,229	\$ 519,701
Noncurrent assets	859,379	859,379
TOTAL ASSETS	\$ 1,402,608	\$ 1,379,080
LIABILITIES		
Current and other liabilities	\$ 26,353	\$ 23,434
Noncurrent liabilities	60,434	70,683
Total Liabilities	86,787	94,117
NET POSITION		
Invested in capital assets, net of related debt	787,279	777,879
Restricted	439,453	393,646
Unrestricted	89,089	113,438
Total Net Position	1,315,821	1,284,963
TOTAL LIABILITIES AND NET POSITION	\$ 1,402,608	\$ 1,379,080

Changes in Net Position. A schedule of changes in activity is provided on the following page. The Village's combined net position increased by \$30,858.

VILLAGE OF ARDEN, INC.
 ARDEN, DELAWARE
 MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
 MARCH 24, 2013

Table A-2
Changes in Net Position
For the Years ended March 24, 2013 and 2012

	Governmental Activities	
	2013	2012
Revenues		
Program revenues:		
Charges for services	\$ 30,278	\$ 28,995
Operating grants and contributions	159,085	257,946
General revenues	188,265	181,926
Total Revenues	<u>377,628</u>	<u>468,867</u>
Expenses		
General government	58,326	39,888
Public works - highways and streets	54,845	63,463
Public works - sanitation	64,430	69,431
Public works - memorial garden	3,874	3,651
Culture and recreation	5,900	9,165
Community and economic development	152,670	230,721
Interest	6,725	5,142
Total Expenses	<u>346,770</u>	<u>421,461</u>
Increase in Net Position	<u>\$ 30,858</u>	<u>\$ 47,406</u>

Total revenues decreased compared to the prior year due mostly to the EECBG grant being completed in the current year, thereby reducing grant funds drawn down on the project. Decreased grant revenues also accounted for the decrease in expenses for community and economic development.

Financial Analysis of the Village's Funds

Government Funds

The net change in the balance of the general fund from 2012 to 2013 was an increase of \$1,507, reflecting a consistent level of spending.

The net change in the Village's special revenue funds showed a combined increase of \$19,951. The largest increase was a transfer in to the capital maintenance and repair fund in the amount of \$10,000. This is the second year in a three-year plan to transfer \$10,000 into a capital fund for future capital needs.

VILLAGE OF ARDEN, INC.
ARDEN, DELAWARE
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
MARCH 24, 2013

Budget. All budgets lapse at year end. For 2013, the budget was not amended. There were no significant differences between the original and final budget.

Capital Asset and Debt Administration. As of March 24, 2013 and 2012, the Village had invested \$859,379 in a tract of land. The land is known as Sherwood Forest and was purchased in April 2004. The purchase of the property was financed with a loan in the amount of \$150,000. The total balance due as of March 24, 2013 and 2012 was \$72,100 and \$81,500, respectively.

Economic Factors

Arden is a village of 439 residents and approximately 229 households, according to the 2010 U.S. Census. The Village occupies about 160 acres, with half kept as open land.

The Village's housing is primarily single family residences. There are a few structures dedicated to cultural and recreational activities for the enjoyment of the residents.

Requests for Information

This financial report is designed to provide a general overview of the Village of Arden, Inc.'s finances to the Village's residents and other users of such data. Requests for additional copies of this report, questions concerning any of the information in this report and requests for additional financial information should be addressed to the Village Treasurer at 2119 The Highway, Arden, DE 19810.

**VILLAGE OF ARDEN, INC.
STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES
MARCH 24, 2013**

<u>ASSETS</u>	
Cash and cash equivalents	\$ 543,229
Land	<u>859,379</u>
TOTAL ASSETS	<u>\$ 1,402,608</u>
 <u>LIABILITIES AND NET POSITION</u>	
LIABILITIES:	
Accounts payable	\$ 14,008
Payroll taxes payable	679
Portion due or payable within one year:	
Note payable	11,666
Portion due or payable after one year:	
Note payable in future years	<u>60,434</u>
TOTAL LIABILITIES	<u>86,787</u>
 NET POSITION:	
Invested in capital assets, net of related debt	787,279
Restricted	439,461
Unrestricted	<u>89,081</u>
TOTAL NET POSITION	<u>1,315,821</u>
 TOTAL LIABILITIES AND NET POSITION	 <u>\$ 1,402,608</u>

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

VILLAGE OF ARDEN, INC.
STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED MARCH 24, 2013

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government
GOVERNMENTAL ACTIVITIES:					
General government	\$ 58,326	-	-	\$ -	\$ (58,326)
Public works - highways and streets	54,845	-	16,883	-	(37,962)
Public works - sanitation	64,430	-	-	-	(64,430)
Public works - cemetery	3,874	-	-	-	(3,874)
Culture and recreation	5,900	30,278	9,996	-	34,374
Community and economic development	152,670	-	132,206	-	(20,464)
Interest on loan	6,725	-	-	-	(6,725)
TOTAL GOVERNMENTAL ACTIVITIES	346,770	30,278	159,085	-	(157,407)
TOTAL PRIMARY GOVERNMENT	\$ 346,770	\$ 30,278	\$ 159,085	\$ -	(157,407)
GENERAL REVENUES					
Land rent					169,735
Franchise fees					15,498
Interest					3,032
TOTAL GENERAL REVENUES					188,265
CHANGE IN NET POSITION					30,858
NET POSITION, BEGINNING OF YEAR					1,284,963
NET POSITION, END OF YEAR					\$ 1,315,821

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

**VILLAGE OF ARDEN, INC.
BALANCE SHEET - GOVERNMENTAL FUNDS
MARCH 24, 2013**

	General Fund	Municipal Street Aid Fund	EECBG Program Fund	Natural Spaces Fund	Nonmajor Funds	Total
ASSETS						
Cash and cash equivalents	\$ 61,802	\$ 43,201	-	\$ 396,260	\$ 41,966	\$ 543,229
TOTAL ASSETS	<u>\$ 61,802</u>	<u>\$ 43,201</u>	<u>-</u>	<u>\$ 396,260</u>	<u>\$ 41,966</u>	<u>\$ 543,229</u>
LIABILITIES AND FUND BALANCES						
LIABILITIES:						
Accounts payable	\$ 14,008	-	-	-	-	\$ 14,008
Payroll taxes payable	679	-	-	-	-	679
TOTAL LIABILITIES	<u>14,687</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,687</u>
FUND BALANCES:						
Restricted	-	43,201	-	396,260	-	439,461
Assigned	-	-	-	-	41,966	41,966
Unassigned	47,115	-	-	-	-	47,115
TOTAL FUND BALANCES	<u>47,115</u>	<u>43,201</u>	<u>-</u>	<u>396,260</u>	<u>41,966</u>	<u>528,542</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 61,802</u>	<u>\$ 43,201</u>	<u>\$ -</u>	<u>\$ 396,260</u>	<u>\$ 41,966</u>	<u>\$ 543,229</u>

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

VILLAGE OF ARDEN, INC.
RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS TO
STATEMENT OF NET POSITION
MARCH 24, 2013

TOTAL GOVERNMENTAL FUND BALANCE	\$ 528,542
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	859,379
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	<u>(72,100)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 1,315,821</u></u>

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

VILLAGE OF ARDEN, INC.
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MARCH 24, 2013

	General Fund	Municipal Street Aid Fund	EECBG Program Fund	Natural Spaces Fund	Nonmajor Funds	Totals
REVENUES						
Franchise fees	\$ 15,498	-	-	-	-	\$ 15,498
Governmental grants	-	16,883	132,206	-	-	149,089
Interest	418	-	-	2,614	-	3,032
Land rental allocations	169,735	-	-	-	-	169,735
Local donations	550	-	-	-	9,446	9,996
Rent	23,820	-	-	-	6,458	30,278
TOTAL REVENUES	210,021	16,883	132,206	2,614	15,904	377,628
EXPENDITURES						
Current:						
General government	57,896	-	430	-	-	58,326
Public works - highways and streets	49,970	4,875	-	-	-	54,845
Public works - sanitation	64,430	-	-	-	-	64,430
Public works - cemetery	-	-	-	-	3,874	3,874
Culture and recreation	5,900	-	-	-	-	5,900
Community and economic development	4,193	-	134,501	-	13,976	152,670
Debt service	16,125	-	-	-	-	16,125
TOTAL EXPENDITURES	198,514	4,875	134,931	-	17,850	356,170
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	11,507	12,008	(2,725)	2,614	(1,946)	21,458
OTHER FINANCING SOURCES(USES)						
Transfers in/(out)	(10,000)	-	-	-	10,000	-
NET CHANGE IN FUND BALANCES	1,507	12,008	(2,725)	2,614	8,054	21,458
FUND BALANCE, BEGINNING OF YEAR	45,608	31,193	2,725	393,646	33,912	507,084
FUND BALANCE, END OF YEAR	\$ 47,115	\$ 43,201	\$ -	\$ 396,260	\$ 41,966	\$ 528,542

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

VILLAGE OF ARDEN, INC.
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 24, 2013

NET CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 21,458

The repayment of the principal of the note payable consumes the current resources of governmental funds. This amount is the net effect of the differences in the treatment of these items.

9,400

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES

\$ 30,858

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

VILLAGE OF ARDEN, INC.
BUDGETARY COMPARISON STATEMENT - GENERAL FUND
FOR THE YEAR ENDED MARCH 24, 2013

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
	Original	Final		
REVENUES				
Franchise fees	\$ 16,176	\$ 16,176	\$ 15,498	\$ (678)
Interest	-	-	426	426
Land rental allocations	178,190	178,190	169,735	(8,455)
Local donations	-	-	550	550
Rent	27,684	27,684	23,820	(3,864)
TOTAL REVENUES	<u>222,050</u>	<u>222,050</u>	<u>210,029</u>	<u>(12,021)</u>
EXPENDITURES				
Current:				
General government:				
Office expenses	5,000	5,000	5,224	(224)
Payroll taxes	1,680	1,680	2,358	(678)
Printing	-	-	3,043	(3,043)
Professional fees	10,790	10,790	11,365	(575)
Repairs and maintenance	10,000	10,000	8,066	1,934
Salaries and wages	20,004	20,004	21,101	(1,097)
Utilities	10,000	10,000	6,739	3,261
	<u>57,474</u>	<u>57,474</u>	<u>57,896</u>	<u>(422)</u>
Public works - highways and streets:				
Ground maintenance	17,500	17,500	17,064	436
Road maintenance	43,000	43,000	32,906	10,094
	<u>60,500</u>	<u>60,500</u>	<u>49,970</u>	<u>10,530</u>
Public works - sanitation:				
Trash services	75,000	75,000	64,430	10,570
Culture and recreation:				
Donations	5,900	5,900	5,900	-
Community and economic development:				
Program expenses	7,000	7,000	4,193	2,807
Debt service:				
Principal	9,400	9,400	9,400	-
Interest	6,776	6,776	6,725	51
	<u>16,176</u>	<u>16,176</u>	<u>16,125</u>	<u>51</u>
TOTAL EXPENDITURES	<u>222,050</u>	<u>222,050</u>	<u>198,514</u>	<u>23,536</u>
EXCESS OF REVENUE OVER EXPENDITURES	-	-	11,515	11,515
OTHER FINANCING USES				
Transfers out	-	-	(10,000)	(10,000)
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	1,515	<u>\$ 1,515</u>
FUND BALANCE, BEGINNING OF YEAR			<u>45,608</u>	
FUND BALANCE, END OF YEAR			<u>\$ 47,123</u>	

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

VILLAGE OF ARDEN, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the Village of Arden, Inc. ("the Village") 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 Village'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 Village of Arden, Inc. is considered to be an independent reporting entity and has no component units.

Entity-wide and Fund Financial Statements

The entity-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the Village (the primary government). For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment 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) grants and contributions that are restricted to meeting the operational or capital requirements of a function or segment. Land rent, franchise fees and other items not properly included among program revenues are reported instead as general revenues.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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.

VILLAGE OF ARDEN, INC.

NOTES TO FINANCIAL STATEMENTS

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

The entity-wide financial statements report net position in one of three components. Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of borrowing attributable to acquiring, constructing or improving those assets. Net position is reported as restricted when constraints placed on their 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. Those restrictions affect net position arising from special revenue and capital funds. Unrestricted net position consist of accumulated resources that do not meet the definition of "Invested in capital assets, net of related debt" or "restricted."

Entity-wide Financial Statements

The entity-wide financial statements are reported using the economic resources measurement focus using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of the related cash flows. Fines are recognized as revenue in the year for which they are levied. Grants and similar items (nonexchange transactions) are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental Fund Financial Statements

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they become both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For governmental fund types, the Village considers all revenues to be available if they are collected within 60 days after fiscal year end. Revenues considered susceptible to accrual include franchise taxes, licenses, investment income and grants associated with the current fiscal year. All other revenue items are considered measurable and available only when cash is received by the Village.

Expenditures are recorded when the related fund liability is incurred (upon receipt of goods or services), except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital assets acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

The Village reports the following major governmental funds:

General Fund - to account for all financial resources, except those required to be accounted for in another fund. Revenues for this fund are derived primarily from land rental allocations, franchise fees, and rent of facilities. Some of the important activities accounted for in the general fund are Village operations pertaining to general government and maintenance.

VILLAGE OF ARDEN, INC.

NOTES TO FINANCIAL STATEMENTS

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

Special Revenue Funds - to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. Special revenue funds of the Village are:

Municipal Street Aid - to account for resources used for the general maintenance of the Village's road. Revenue for this fund consists of a grant received from the State of Delaware.

EECBG Program Fund - to account for resources used for the costs to manage energy efficiency and conservation projects and programs designed to improve energy efficiency in amongst the facilities. Revenue for this fund consists of the Energy Efficiency and Conservation Block Grant program which is received from the State of Delaware.

Natural Spaces Fund - to account for resources used for the preservation and care of the natural spaces within the Village. Revenue for this fund was received from a bequest according to will of an Arden resident. No funds were received in the fiscal year ended March 24, 2013.

Nonmajor funds include capital maintenance and repair fund; memorial garden fund; lecture series fund; and the renovation fund.

Budgets and Budgetary Accounting

The Village follows these procedures in establishing the budgetary data reflected in the financial statements:

- The Village is required to adopt an annual budget for the general fund. Each November a referendum is held to approve the budget. Ballots are mailed to every eligible voter, and the budget must be approved by a majority vote. The Village has a Budget Committee which organizes past and coming-year village expenditures for presentation to the September Town Assembly. It also prepares a three-year projection for the March Assembly. The September report forms the basis of the annual budget referendum. To prepare reports, committee members communicate with the other standing committees, the town secretary, treasurer and the trustees.
- The budget is presented on the modified accrual basis of accounting, which is consistent with GAAP.
- The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.
- Budgets lapse at the end of the fiscal year.

Net Position and Fund Equity

As of March 24, 2013, fund balances of the governmental funds are classified, if applicable, as follows:

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

VILLAGE OF ARDEN, INC.

NOTES TO FINANCIAL STATEMENTS

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

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed - amounts that can be used only for specific purposes determined by formal action of the Trustees. The Trustees are the highest level of decision-making authority for the Village of Arden, Inc. Commitments may be established, modified or rescinded only through approved resolutions.

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes.

Unassigned - all other spendable amounts.

Long-term Liabilities

In the entity-wide financial statements, long-term debt and other long-term obligations are reported as liabilities.

In the fund financial statements, the face amount of debt issued is reported as other financing sources.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Implementation of GASB Statements

During the current year, the Village implemented GASB Statement No. 61, "The Financial Reporting Entity: Omnibus." This new guidance affects the treatment of component units within the financial statements. The implementation of this new Statement did not have an effect on the Village's current year financial statements.

The Village has implemented the provisions of GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements," which revises the hierarchy of applying accounting standards to certain defined transactions, and GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position," which establishes changes in the reporting framework. Neither of these Statements has a significant impact on the changes in net position for the Village for the year ended March 24, 2013.

VILLAGE OF ARDEN, INC.

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. At March 24, 2013, the carrying amount of the Village's deposits was \$543,229 and the bank balance was \$542,795. Of the bank balance, \$525,823 was covered by federal depository insurance and \$16,972 was uninsured.

NOTE 3 CAPITAL ASSET - SHERWOOD FOREST

In April 2004, the Village of Arden, Inc. purchased the 5.02 acres of land known as Sherwood Forest, 2029 East Marsh Road, Wilmington, Delaware from Avery Development Company for \$859,379. The purchase was funded by contributions from residents of Arden, grants from the State of Delaware and New Castle County, and a loan from the Arden Building and Loan Association.

NOTE 4 LONG-TERM DEBT

In April 2004, the Trustees of Arden and the Village of Arden, Inc. obtained financing in the amount of \$150,000 from the Arden Building and Loan Association for the purchase of 5.02 acres of land known as Sherwood Forest. The loan is secured by the municipal income of the Village of Arden, Inc. or any other unencumbered income. The loan is payable in monthly installments of \$1,349 including interest at the rate of seven percent per annum, and matures May 1, 2018. The total balance due on this loan is \$72,100 as of March 24, 2013. Interest expense for the year ended March 24, 2013 was \$6,725.

The following is a summary of the changes in long-term debt for the year ended March 24, 2013:

Beginning balance	\$ 81,500
Payments	<u>9,400</u>
Ending balance	<u>\$ 72,100</u>

Scheduled repayments of interest and principal as of March 24, 2013 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 11,666	\$ 5,260	\$ 16,188
2015	11,718	4,470	16,188
2016	12,565	3,623	16,188
2017	13,473	2,715	16,188
2018	14,447	1,741	16,188
2019	<u>8,231</u>	<u>474</u>	<u>9,443</u>
	<u>\$ 72,100</u>	<u>\$ 18,283</u>	<u>\$ 90,383</u>

VILLAGE OF ARDEN, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 5 LAND RENTS

Each year the Village of Arden, Inc. land rent is levied and collected by the Trustees of Arden on March 25 on the full rental value of each individual leasehold in the Village. The full rental value is based upon the amount required to pay county and school taxes levied by outside taxing authorities, the amount required to maintain the community standard of living and the amount needed to maintain a prudent reserve to ensure community expenditures. The value is affected by the general location of the leasehold and by certain specific location factors. During the year ended March 24, 2013, land rent revenue of \$169,735 was allocated to the Village of Arden, Inc. from the Trustees of Arden for general operations.

NOTE 6 EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended March 24, 2013, expenditures exceeded general fund appropriations (the legal level of budgetary control) in the following functions:

Office expenses	\$	224
Payroll taxes	\$	678
Printing	\$	3,043
Professional fees	\$	575
Salaries and wages	\$	1,097

The deficits were funded from available revenue.

NOTE 7 FUND BALANCES

As of March 24, 2013, fund balances are composed of the following:

	General Fund	Municipal Street Aid Fund	Natural Spaces Fund	Nonmajor Governmental Funds	Total Governmental Funds
Restricted:					
Streets	\$ -	\$ 43,201	\$ -	\$ -	\$ 43,201
Land preservation	-	-	396,260	-	396,260
Assigned:					
Capital maintenance	-	-	-	20,000	20,000
Memorial garden	-	-	-	6,005	6,005
Lecture series	-	-	-	12,176	12,176
Renovations	-	-	-	3,785	3,785
Unassigned	47,115	-	-	-	46,115
Total fund balances	<u>\$ 47,115</u>	<u>\$ 43,201</u>	<u>\$ 396,260</u>	<u>\$ 41,966</u>	<u>\$ 528,542</u>

NOTE 8 INTERNAL TRANSFERS

In accordance with the approved budget, \$10,000 was transferred from the general fund to the capital maintenance and repair fund for future capital needs.

VILLAGE OF ARDEN, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 9 SUBSEQUENT EVENTS

The Village has evaluated all subsequent events through May 13, 2013, the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

VILLAGE OF ARDEN, INC.
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUND TYPES
March 24, 2013

	Capital Maintenance and Repair Fund	Memorial Garden Fund	Lecture Series Fund	Renovation Fund	Total
ASSETS					
Cash and cash equivalents	\$ 20,000	\$ 6,005	\$ 12,176	\$ 3,785	\$ 41,966
TOTAL ASSETS	<u>\$ 20,000</u>	<u>\$ 6,005</u>	<u>\$ 12,176</u>	<u>\$ 3,785</u>	<u>\$ 41,966</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES	\$ -	\$ -	\$ -	\$ -	\$ -
FUND BALANCES					
Assigned	20,000	6,005	12,176	3,785	41,966
TOTAL FUND BALANCES	<u>20,000</u>	<u>6,005</u>	<u>12,176</u>	<u>3,785</u>	<u>41,966</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 20,000</u>	<u>\$ 6,005</u>	<u>\$ 12,176</u>	<u>\$ 3,785</u>	<u>\$ 41,966</u>

VILLAGE OF ARDEN, INC.
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED MARCH 24, 2013

	Capital Maintenance and Repair Fund	Memorial Garden Fund	Lecture Series Fund	Renovation Fund	Total
REVENUES					
Local donations	\$ -	\$ 3,568	-	\$ 5,878	\$ 9,446
Rent	-	-	-	6,458	6,458
TOTAL REVENUES	-	3,568	-	12,336	15,904
EXPENDITURES					
Current:					
Public works - cemetery	-	3,874	-	-	3,874
Community and economic development	-	-	-	13,976	13,976
TOTAL EXPENDITURES	-	3,874	-	13,976	17,850
DEFICIENCY OF REVENUES UNDER EXPENDITURES	-	(306)	-	(1,640)	(1,946)
OTHER FINANCING SOURCES					
Transfers in	10,000	-	-	-	10,000
NET CHANGE IN FUND BALANCES	10,000	(306)	-	(1,640)	8,054
FUND BALANCES, BEGINNING OF YEAR	10,000	6,311	12,176	5,425	33,912
FUND BALANCES, END OF YEAR	\$ 20,000	\$ 6,005	\$ 12,176	\$ 3,785	\$ 41,966

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

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May 13, 2013

Trustees of Arden
Village of Arden, Inc.
Arden, 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 Village of Arden, Inc., Arden, Delaware as of and for the year ended March 24, 2013, and the related notes to the financial statements, which collectively comprise the Village of Arden's basic financial statements, and have issued our report thereon dated May 13, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Village of Arden'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 Village of Arden's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village of Arden's internal control.

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

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

Trustees of Arden
Village of Arden, Inc.

Compliance and Other Matters

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

Purpose of this Report

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

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