



**VILLAGE OF ARDEN, INC.**

**BASIC FINANCIAL STATEMENTS  
WITH SUPPLEMENTARY INFORMATION**

**MARCH 24, 2014**

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VILLAGE OF ARDEN, INC.

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1 - 3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4 - 8
BASIC FINANCIAL STATEMENTS	
Entity-wide Financial Statements:	
- Statements of Net Position - Governmental Activities	9
- Statement of Activities - Governmental Activities	10
Fund Financial Statements:	
- Balance Sheet - Governmental Funds	11
- Reconciliation of Balance Sheet - Governmental Funds to Statement of Net Position	12
- Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	13
- Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to Statement of Activities	14
- Budgetary Comparison Statement - General Fund	15
Notes to Financial Statements	16 - 22
SUPPLEMENTARY INFORMATION:	
- Combining Balance Sheet - Nonmajor Governmental Fund Types	23
- Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Fund Types	24
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 <i>Government Auditing Standards</i>	25 - 26

## INDEPENDENT AUDITOR'S REPORT

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May 19, 2014

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, 2014, 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 Village'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 Village'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.

BARBACANE  
THORNTON  
& COMPANY  
CERTIFIED PUBLIC ACCOUNTANTS

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, 2014, 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.

### Report on Summarized Comparative Information

We have previously audited the Village of Arden, Inc.'s 2013 financial statements, and we expressed unmodified opinions on the respective financial statements of the governmental activities, each major fund and the aggregate remaining fund information in our report dated May 13, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended March 24, 2013 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 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.'s basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements 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.

Trustees of Arden  
Village of Arden, Inc.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 19, 2014 on our consideration of the Village of Arden, Inc.'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 Village of Arden, Inc.'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, 2014

**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, 2014 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 fiscal year by \$1,335,399.

The assets included \$62,576 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 \$482,005.

Revenue in fiscal year 2014 reflected the Village's continued allocation of land rentals and collection of grants from the State of Delaware. For the year ended March 24, 2014, \$141,000 was collected for land rent and \$20,732 in grant income.

**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.

VILLAGE OF ARDEN, INC.  
ARDEN, DELAWARE  
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)  
MARCH 24, 2014

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.

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 rental allocations, franchise fees and grant revenues.

**Governmental Activities** – All of the Village's basic services are reported in this category. Land rental allocations, 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 those funds and the balances left at year end that are available for future spending. The general fund and special revenue funds are reported in the governmental fund financial statements.

**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, Natural Spaces, Capital Maintenance and Repair, Memorial Garden, Lecture Series, Renovation, and the Vacant Dwelling funds.

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. These funds are reported using the modified accrual basis of accounting, which primarily measures cash and other financial assets usable in the short term.

VILLAGE OF ARDEN, INC.  
 ARDEN, DELAWARE  
 MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)  
 MARCH 24, 2014

**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, 2014 and 2013**

	Governmental Activities	
	2014	2013
<b>ASSETS</b>		
Current and other assets	\$ 544,581	\$ 543,229
Noncurrent assets	859,379	859,379
<b>TOTAL ASSETS</b>	\$ 1,403,960	\$ 1,402,608
<b>LIABILITIES</b>		
Current and other liabilities	\$ 20,391	\$ 26,353
Noncurrent liabilities	48,170	60,434
<b>Total Liabilities</b>	68,561	86,787
<b>NET POSITION</b>		
Net investment in capital assets	798,772	787,279
Restricted	426,232	439,453
Unrestricted	110,395	89,089
<b>Total Net Position</b>	1,335,399	1,315,821
<b>TOTAL LIABILITIES AND NET POSITION</b>	\$ 1,403,960	\$ 1,402,608

**Changes in Net Position.** A schedule of changes in activity is provided on the following page. The Village's combined net position increased by \$19,578.

VILLAGE OF ARDEN, INC.  
 ARDEN, DELAWARE  
 MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)  
 MARCH 24, 2014

**Table A-2**  
**Changes in Net Position**  
**For the Years Ended March 24, 2014 and 2013**

	Governmental Activities	
	2014	2013
<b>Revenues</b>		
Program revenues:		
Charges for services	\$ 32,529	\$ 30,278
Operating grants and contributions	29,321	159,085
General revenues	162,057	188,265
<b>Total Revenues</b>	<u>223,907</u>	<u>377,628</u>
<b>Expenses</b>		
General government	49,271	58,326
Public works - highways and streets	73,612	54,845
Public works - sanitation	55,051	64,430
Public works - memorial garden	3,818	3,874
Culture and recreation	5,900	5,900
Community and economic development	11,991	152,670
Interest	4,686	6,725
<b>Total Expenses</b>	<u>204,329</u>	<u>346,770</u>
<b>Increase in Net Position</b>	<u>\$ 19,578</u>	<u>\$ 30,858</u>

Total revenues decreased compared to the prior year due mostly to the Energy Efficiency and Conservation Block Grant being completed in the prior year, thereby eliminating 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**

**Governmental Funds**

The net change in the balance of the general fund from 2013 to 2014 was an increase of \$4,222, reflecting a decrease in expenditures primarily relating to repair and maintenance.

The net change in the Village's special revenue funds showed a combined increase of \$3,863. The largest increase was a transfer in to the capital maintenance and repair fund in the amount of \$10,000. This is the third year in a three-year plan to transfer \$10,000 into a capital fund for future capital needs. This was offset by a decrease in the Municipal Street Aid Fund in the amount of \$15,386, relating to a large increase in expense for road maintenance.

**VILLAGE OF ARDEN, INC.**  
**ARDEN, DELAWARE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)**  
**MARCH 24, 2014**

**Budget.** All budgets lapse at year end. For 2014, 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, 2014 and 2013, 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 partially financed with a loan in the amount of \$150,000. The total balance due as of March 24, 2014 and 2013 was \$60,607 and \$72,100, 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.**  
**STATEMENTS OF NET POSITION - GOVERNMENTAL ACTIVITIES**  
**MARCH 24, 2014**  
**(With Summarized Comparative Data for March 24, 2013)**

	2014	2013
<u>ASSETS</u>		
Cash and cash equivalents	\$ 544,581	\$ 543,229
Land	859,379	859,379
<b>TOTAL ASSETS</b>	<b>\$ 1,403,960</b>	<b>\$ 1,402,608</b>
<u>LIABILITIES AND NET POSITION</u>		
<u>LIABILITIES:</u>		
Accounts payable	\$ 7,416	\$ 14,008
Payroll taxes payable	538	679
Portion due or payable within one year:		
Note payable	12,437	11,666
Portion due or payable after one year:		
Note payable in future years	48,170	60,434
<b>TOTAL LIABILITIES</b>	<b>68,561</b>	<b>86,787</b>
<u>NET POSITION:</u>		
Net investment in capital assets	798,772	787,279
Restricted	426,232	439,461
Unrestricted	110,395	89,081
<b>TOTAL NET POSITION</b>	<b>1,335,399</b>	<b>1,315,821</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 1,403,960</b>	<b>\$ 1,402,608</b>

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, 2014**  
**(With Summarized Comparative Data for the Year Ended March 24, 2013)**

	Program Revenues		Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position	
	Charges for Services	Operating Grants and Contributions		Totals	
	Expenses			2014	2013
<b>GOVERNMENTAL ACTIVITIES:</b>					
General government	\$ 49,271	\$ -	\$ -	\$ (45,271)	\$ (58,326)
Public works - highways and streets	73,612	-	-	(56,880)	(37,962)
Public works - sanitation	55,051	-	-	(55,051)	(64,430)
Public works - cemetery	3,818	-	-	(3,818)	(3,874)
Culture and recreation	5,900	32,529	-	35,218	34,374
Community and economic development	11,991	-	-	(11,991)	(20,464)
Interest on loan	4,686	-	-	(4,686)	(6,725)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>204,329</b>	<b>32,529</b>	<b>-</b>	<b>(142,479)</b>	<b>(157,407)</b>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 204,329</b>	<b>\$ 32,529</b>	<b>\$ -</b>	<b>(142,479)</b>	<b>(157,407)</b>
<b>GENERAL REVENUES</b>					
Land rent				141,000	169,735
Franchise and registration fees				18,426	15,498
Interest				2,631	3,032
<b>TOTAL GENERAL REVENUES</b>				<b>162,057</b>	<b>188,265</b>
<b>CHANGE IN NET POSITION</b>				19,578	30,858
<b>NET POSITION, BEGINNING OF YEAR</b>				<b>1,315,821</b>	<b>1,284,963</b>
<b>NET POSITION, END OF YEAR</b>				<b>\$ 1,335,399</b>	<b>\$ 1,315,821</b>

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

**VILLAGE OF ARDEN, INC.**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**MARCH 24, 2014**

(With Summarized Comparative Data for March 24, 2013)

	General Fund	Municipal Street Aid Fund	Natural Spaces Fund	Nonmajor Funds	Totals	
	2014	2014	2014	2014	2013	2013
<b>ASSETS</b>						
Cash and cash equivalents	\$ 59,291	\$ 27,815	\$ 398,417	\$ 59,058	\$ 544,581	\$ 543,229
<b>TOTAL ASSETS</b>	<u>\$ 59,291</u>	<u>\$ 27,815</u>	<u>\$ 398,417</u>	<u>\$ 59,058</u>	<u>\$ 544,581</u>	<u>\$ 543,229</u>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES:</b>						
Accounts payable	\$ 7,416	-	-	-	\$ 7,416	\$ 14,008
Payroll taxes payable	538	-	-	-	538	679
<b>TOTAL LIABILITIES</b>	<u>7,954</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,954</u>	<u>14,687</u>
<b>FUND BALANCES:</b>						
Restricted	-	27,815	398,417	-	426,232	439,461
Assigned	-	-	-	59,058	59,058	41,966
Unassigned	51,337	-	-	-	51,337	47,115
<b>TOTAL FUND BALANCES</b>	<u>51,337</u>	<u>27,815</u>	<u>398,417</u>	<u>59,058</u>	<u>536,627</u>	<u>528,542</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 59,291</u>	<u>\$ 27,815</u>	<u>\$ 398,417</u>	<u>\$ 59,058</u>	<u>\$ 544,581</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, 2014**

TOTAL GOVERNMENTAL FUND BALANCE \$ 536,627

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. (60,607)

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 1,335,399

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, 2014**  
(With Summarized Comparative Data for the Year Ended March 24, 2013)

	General Fund	Municipal Street Aid Fund	Natural Spaces Fund	Nonmajor Funds	Totals
	2014	2014	2014	2014	2013
<b>REVENUES</b>					
Franchise fees	\$ 15,826	-	-	-	\$ 15,498
Governmental grants	4,000	16,732	-	-	149,089
Interest	389	-	2,157	85	3,032
Land rental allocations	141,000	-	-	-	169,735
Local donations	1,068	-	-	7,521	9,996
Rent	25,977	-	-	6,552	30,278
Vacant property registration fees	-	-	-	2,600	-
<b>TOTAL REVENUES</b>	<u>188,260</u>	<u>16,732</u>	<u>2,157</u>	<u>16,758</u>	<u>377,628</u>
<b>EXPENDITURES</b>					
Current:					
General government	49,271	-	-	-	58,326
Public works - highways and streets	41,494	32,118	-	-	54,845
Public works - sanitation	55,051	-	-	-	64,430
Public works - cemetery	-	-	-	3,818	3,874
Culture and recreation	5,900	-	-	-	5,900
Community and economic development	5,543	-	-	6,448	152,670
Debt service	16,179	-	-	-	16,125
<b>TOTAL EXPENDITURES</b>	<u>173,438</u>	<u>32,118</u>	<u>-</u>	<u>10,266</u>	<u>356,170</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	14,822	(15,386)	2,157	6,492	21,458
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in (out)	(10,600)	-	-	10,600	-
<b>NET CHANGE IN FUND BALANCES</b>	4,222	(15,386)	2,157	17,092	21,458
<b>FUND BALANCE, BEGINNING OF YEAR</b>	47,115	43,201	396,260	41,966	507,084
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 51,337</u>	<u>\$ 27,815</u>	<u>\$ 398,417</u>	<u>\$ 59,058</u>	<u>\$ 528,542</u>

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, 2014**

NET CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS	\$ 8,085
 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.	 <u>11,493</u>
 CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	 <u><u>\$ 19,578</u></u>

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, 2014**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Franchise fees	\$ 21,802	\$ 21,802	\$ 15,826	\$ (5,976)
Grants	-	-	4,000	4,000
Interest	-	-	389	389
Land rental allocations	217,880	217,880	141,000	(76,880)
Local donations	-	-	1,068	1,068
Rent	5,000	5,000	25,977	20,977
<b>TOTAL REVENUES</b>	<u>244,682</u>	<u>244,682</u>	<u>188,260</u>	<u>(56,422)</u>
<b>EXPENDITURES</b>				
Current:				
General government:				
Office expenses	10,980	10,980	8,285	2,695
Payroll taxes	1,980	1,980	2,075	(95)
Professional fees	10,740	10,740	13,363	(2,623)
Repairs and maintenance	-	-	265	(265)
Salaries and wages	20,004	20,004	19,719	285
Utilities	10,000	10,000	5,564	4,436
	<u>53,704</u>	<u>53,704</u>	<u>49,271</u>	<u>4,433</u>
Public works - highways and streets:				
Ground maintenance	47,100	47,100	40,134	6,966
Road maintenance	3,000	3,000	1,360	1,640
	<u>50,100</u>	<u>50,100</u>	<u>41,494</u>	<u>8,606</u>
Public works - sanitation:				
Trash services	75,000	75,000	55,051	19,949
Culture and recreation:				
Donations	5,900	5,900	5,900	-
Community and economic development:				
Program expenses	7,000	7,000	5,543	1,457
Debt service:				
Principal	11,666	11,666	11,493	173
Interest	4,510	4,510	4,686	(176)
	<u>16,176</u>	<u>16,176</u>	<u>16,179</u>	<u>(3)</u>
<b>TOTAL EXPENDITURES</b>	<u>207,880</u>	<u>207,880</u>	<u>173,438</u>	<u>34,442</u>
<b>EXCESS OF REVENUE OVER EXPENDITURES</b>	36,802	36,802	14,822	(21,980)
<b>OTHER FINANCING USES</b>				
Transfers out	<u>(10,000)</u>	<u>(10,000)</u>	<u>(10,600)</u>	<u>(600)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ 26,802</u>	<u>\$ 26,802</u>	4,222	<u>\$ (22,580)</u>
<b>FUND BALANCE, BEGINNING OF YEAR</b>			<u>47,115</u>	
<b>FUND BALANCE, END OF YEAR</b>			<u>\$ 51,337</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 is 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. Net investment in capital assets 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 consists of accumulated resources that do not meet the definition of "net investment in capital assets" 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.

**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, 2014.

Nonmajor funds include the capital maintenance and repair fund, memorial garden fund, lecture series fund, renovation fund, and the vacant dwelling 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, 2014, 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

The Village has implemented the provisions of GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities." The objective of this statement is to either (a) properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or (b) recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). The implementation of this statement did not have an impact on the changes in net position for the Village for the year ended March 24, 2014.

Comparative Data

Comparative totals for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the Village's financial position and operations. However, presentation of prior year totals by fund and activity type have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read. Summarized comparative information should be read in conjunction with the Village's financial statements for the year ended March 24, 2013, from which the summarized information was derived.

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, 2014, the carrying amount of the Village's deposits was \$544,581 and the bank balance was \$533,405. Of the bank balance, \$516,381 was covered by federal depository insurance and \$17,024 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 \$60,607 as of March 24, 2014. Interest expense for the year ended March 24, 2014 was \$4,686.

The following is a summary of the changes in long-term debt for the year ended March 24, 2014:

Beginning balance	\$ 72,100
Payments	<u>11,493</u>
Ending balance	<u>\$ 60,607</u>

Scheduled repayments of interest and principal as of March 24, 2014 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 12,437	\$ 3,751	\$ 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>7,685</u>	<u>1,202</u>	<u>8,887</u>
	<u>\$ 60,607</u>	<u>\$ 13,032</u>	<u>\$ 73,639</u>

VILLAGE OF ARDEN, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 5 LAND RENTS

Each year the Village of Arden, Inc.'s 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, 2014, land rent revenue of \$141,000 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, 2014, expenditures exceeded general fund appropriations (the legal level of budgetary control) in the following functions:

Payroll taxes	\$	95
Repairs and maintenance	\$	265
Professional fees	\$	2,623
Interest	\$	176

The deficits were funded from available revenue.

NOTE 7 FUND BALANCES

As of March 24, 2014, fund balances are composed of the following:

	General Fund	Municipal Street Aid Fund	Natural Spaces Fund	Nonmajor Governmental Funds	Total Governmental Funds
Restricted:					
Streets	\$ -	\$ 27,815	\$ -	\$ -	\$ 27,815
Land preservation	-	-	398,417	-	398,417
Assigned:					
Capital maintenance	-	-	-	30,060	30,060
Memorial garden	-	-	-	5,844	5,844
Lecture series	-	-	-	12,176	12,176
Renovations	-	-	-	7,778	7,778
Vacant dwelling	-	-	-	3,200	3,200
Unassigned	51,337	-	-	-	51,337
Total Fund Balances	<u>\$ 51,337</u>	<u>\$ 27,815</u>	<u>\$ 398,417</u>	<u>\$ 59,058</u>	<u>\$ 536,627</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 19, 2014, 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, 2014**  
**(With Summarized Comparative Data for March 24, 2013)**

	Capital Maintenance and Repair Fund	Memorial Garden Fund	Lecture Series Fund	Renovation Fund	Vacant Dwelling Fund	Totals	
						2014	2013
<b>ASSETS</b>							
Cash and cash equivalents	\$ 30,060	\$ 5,844	\$ 12,176	\$ 7,778	\$ 3,200	\$ 59,058	\$ 41,966
<b>TOTAL ASSETS</b>	<u>\$ 30,060</u>	<u>\$ 5,844</u>	<u>\$ 12,176</u>	<u>\$ 7,778</u>	<u>\$ 3,200</u>	<u>\$ 59,058</u>	<u>\$ 41,966</u>
<b>LIABILITIES AND FUND BALANCES</b>							
<b>LIABILITIES</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>FUND BALANCES</b>							
Assigned	30,060	5,844	12,176	7,778	3,200	59,058	41,966
<b>TOTAL FUND BALANCES</b>	<u>30,060</u>	<u>5,844</u>	<u>12,176</u>	<u>7,778</u>	<u>3,200</u>	<u>59,058</u>	<u>41,966</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 30,060</u>	<u>\$ 5,844</u>	<u>\$ 12,176</u>	<u>\$ 7,778</u>	<u>\$ 3,200</u>	<u>\$ 59,058</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, 2014**  
**(With Summarized Comparative Data for the Year Ended March 24, 2013)**

	Capital Maintenance and Repair Fund	Memorial Garden Fund	Lecture Series Fund	Renovation Fund	Vacant Dwelling Fund	Totals
	2014	2013	2014	2013	2014	2013
<b>REVENUES</b>						
Interest	\$ 60	\$ 25	-	-	-	-
Local donations	-	3,632	-	3,889	-	9,446
Rent	-	-	-	6,552	-	6,458
Vacant property registration fees	-	-	-	-	2,600	-
<b>TOTAL REVENUES</b>	<u>60</u>	<u>3,657</u>	<u>-</u>	<u>10,441</u>	<u>2,600</u>	<u>15,904</u>
<b>EXPENDITURES</b>						
Current:						
Public works - cemetery	-	3,818	-	-	-	3,874
Community and economic development	-	-	-	6,448	-	13,976
<b>TOTAL EXPENDITURES</b>	<u>-</u>	<u>3,818</u>	<u>-</u>	<u>6,448</u>	<u>-</u>	<u>17,850</u>
<b>DEFICIENCY OF REVENUES UNDER EXPENDITURES</b>	<u>60</u>	<u>(161)</u>	<u>-</u>	<u>3,993</u>	<u>2,600</u>	<u>(1,946)</u>
<b>OTHER FINANCING SOURCES</b>						
Transfers in	10,000	-	-	-	600	10,000
<b>NET CHANGE IN FUND BALANCES</b>	<u>10,060</u>	<u>(161)</u>	<u>-</u>	<u>3,993</u>	<u>3,200</u>	<u>8,054</u>
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<u>20,000</u>	<u>6,005</u>	<u>12,176</u>	<u>3,785</u>	<u>-</u>	<u>33,912</u>
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ 30,060</u>	<u>\$ 5,844</u>	<u>\$ 12,176</u>	<u>\$ 7,778</u>	<u>\$ 3,200</u>	<u>\$ 41,966</u>

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 19, 2014

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, 2014, and the related notes to the financial statements, which collectively comprise the Village of Arden, Inc.'s basic financial statements, and have issued our report thereon dated May 19, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Village of Arden, Inc.'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, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Village of Arden, Inc.'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 Village'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, Inc.'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 Village'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 Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Barbacane, Thornton & Company LLP*

BARBACANE, THORNTON & COMPANY LLP