

TOWN OF FRANKFORD
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Honorable President and Council Members
Town of Frankford
Frankford, Delaware

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and the major fund of the Town of Frankford as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town of Frankford's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, and the major fund of the Town of Frankford, as of June 30, 2023, and the respective changes in financial position, and the budgetary comparison for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* (GAS), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Frankford and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Frankford's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and GAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.



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To the Honorable President and Council Members
Town of Frankford
Page 2

In performing an audit in accordance with GAAS and GAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Town of Frankford's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Frankford's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matters

Required Supplementary Information

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinions on the basic financial statements are not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 1, 2024 on our consideration of the Town of Frankford'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Frankford's internal control over financial reporting and compliance.

Zelenkofske Axerrod LLC

ZELENKOFKSKE AXELROD LLC

Harrisburg, Pennsylvania
July 1, 2024

TOWN OF FRANKFORD
STATEMENT OF NET POSITION
JUNE 30, 2023

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 1,080,313
Receivables:	
Property taxes	21,199
Trash, net	11,171
Miscellaneous	8,325
Prepaid expenses	10,205
Investments	2,726,097
Restricted assets:	
Cash and cash equivalents	58,334
Capital assets:	
Nondepreciable assets	157,598
Other capital assets, net of accumulated depreciation	595,085
TOTAL ASSETS	4,668,327
 LIABILITIES	
Accounts payable	31,075
Accrued liabilities	14,916
Unearned revenue	100
TOTAL LIABILITIES	46,091
 NET POSITION	
Net investment in capital assets	752,683
Restricted for:	
Municipal street aid grant	5,542
Realty transfer tax	52,792
Unrestricted	3,811,219
TOTAL NET POSITION	\$ 4,622,236

See accompanying Notes to Financial Statements.

TOWN OF FRANKFORD
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

	Program Revenues			Net Revenue (Expense) and Changes in Net Position
	Charges for Services	Operating Grants and Contributions		Governmental Activities
PRIMARY GOVERNMENT				
GOVERNMENTAL ACTIVITIES				
General administration	\$ 523,040	\$ 145,158	\$ 452,876	\$ 74,994
Public safety	76,658	13,853	34,163	(28,642)
Streets and parks	58,787	1,775	35,288	(21,724)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 658,485	\$ 160,786	\$ 522,327	24,628
GENERAL REVENUES				
Property taxes				92,619
Really transfer taxes				24,048
Gross receipts taxes				14,488
Unrealized gain on investments				8,240
Other income				141,230
TOTAL GENERAL REVENUES				280,625
CHANGE IN NET POSITION				305,253
NET POSITION - BEGINNING				4,316,983
NET POSITION - ENDING				\$ 4,622,236

See accompanying Notes to Financial Statements.

TOWN OF FRANKFORD
BALANCE SHEET – GOVERNMENTAL FUND
JUNE 30, 2023

	General Fund
ASSETS	
Cash and cash equivalents	\$ 1,080,313
Receivables:	
Property taxes	21,199
Trash, net	11,171
Miscellaneous	8,325
Prepaid expenses	10,205
Investments	2,726,097
Restricted assets:	
Cash and cash equivalents	58,334
TOTAL ASSETS	\$ 3,915,644
 LIABILITIES	
Accounts payable	\$ 31,075
Accrued liabilities	14,916
Unearned revenue	100
TOTAL LIABILITIES	46,091
 DEFERRED INFLOWS OF RESOURCES	
Unavailable revenues:	
Property taxes	21,098
TOTAL DEFERRED INFLOWS OF RESOURCES	21,098
 FUND BALANCE	
Nonspendable	10,205
Restricted for:	
Street improvements	5,542
Realty transfer tax	52,792
Unassigned	3,779,916
TOTAL FUND BALANCE	3,848,455
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 3,915,644

See accompanying Notes to Financial Statements.

TOWN OF FRANKFORD
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2023

Amounts reported for governmental activities in the Statement of Net Position are different because:

Total Governmental Fund Balance	\$ 3,848,455
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund	752,683
Other assets are not available to pay for current period expenditures and therefore are deferred in the fund:	
Unavailable revenues - property taxes	<u>21,098</u>
Net Position of Governmental Activities	<u>\$ 4,622,236</u>

See accompanying Notes to Financial Statements.

TOWN OF FRANKFORD
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2023

	General Fund
REVENUES	
Property taxes	\$ 86,882
Intergovernmental	522,327
Charges for Services	105,812
Permits and fees	41,121
Gross receipts tax	14,488
Realty transfer tax	24,048
Miscellaneous	20,073
Rental	8,700
Fines	13,853
Interest	112,457
TOTAL REVENUES	949,761
EXPENDITURES	
Current:	
General administration	458,758
Public safety	73,020
Streets and parks	30,920
Capital outlays	70,333
Bad debt expense	47,692
TOTAL EXPENDITURES	680,723
EXCESS OF REVENUES UNDER EXPENDITURES	269,038
OTHER FINANCING SOURCES (USES)	
Unrealized gain on investments	8,240
TOTAL OTHER FINANCING USES	8,240
NET CHANGE IN FUND BALANCE	277,278
FUND BALANCE - BEGINNING	3,571,177
FUND BALANCE - ENDING	\$ 3,848,455

See accompanying Notes to Financial Statements.

TOWN OF FRANKFORD
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE OF GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

NET CHANGE IN FUND BALANCE - GOVERNMENTAL FUND	\$	277,278
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as a depreciation expense.</p>		
Capital outlays		70,333
Depreciation expense		(48,095)
<p>Increase of deferred revenues that are reported in the governmental fund but were not deferred in the Statement of Activities</p>		
Property taxes		<u>5,737</u>
CHANGES IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u>305,253</u>

See accompanying Notes to Financial Statements.

TOWN OF FRANKFORD
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2023

	Original Budget	Final Budget	Actual	Variance with Budget
REVENUES				
Property taxes	\$ 125,000	\$ 125,000	\$ 86,882	\$ (38,118)
Intergovernmental revenues:				
Municipal street aid	19,650	19,650	20,160	510
Law enforcement grants	30,000	30,000	30,000	-
American Rescue Plan	-	-	428,078	428,078
Race to the Top	-	-	24,798	24,798
Other Grants	-	-	19,291	19,291
Trash collection	78,000	78,000	104,037	26,037
Permits and fees	36,600	36,600	41,121	4,521
Gross receipts tax	16,000	16,000	14,488	(1,512)
Realty transfer tax	50,000	50,000	24,048	(25,952)
Rental	8,700	8,700	8,700	-
Fines	8,000	8,000	13,853	5,853
Miscellaneous	35,000	35,000	20,073	(14,927)
Interest	76,666	76,666	112,457	35,791
Charges for services	1,000	1,000	1,775	775
	<u>484,616</u>	<u>484,616</u>	<u>949,761</u>	<u>465,145</u>
TOTAL REVENUES				
EXPENDITURES				
Current:				
General administration	279,460	279,460	458,758	(179,298)
Public safety	169,096	169,096	73,020	96,076
Streets and parks	36,060	36,060	30,920	5,140
Capital outlays	-	-	70,333	(70,333)
Bad debt expense	-	-	47,692	(47,692)
	<u>484,616</u>	<u>484,616</u>	<u>680,723</u>	<u>(196,107)</u>
TOTAL EXPENDITURES				
EXCESS OF REVENUES UNDER EXPENDITURES				
	-	-	269,038	269,038
OTHER FINANCING SOURCES				
Unrealized gain on investments	-	-	8,240	8,240
	<u>-</u>	<u>-</u>	<u>8,240</u>	<u>8,240</u>
NET CHANGE IN FUND BALANCE				
	-	-	277,278	277,278
FUND BALANCE - BEGINNING	<u>3,571,177</u>	<u>3,571,177</u>	<u>3,571,177</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 3,571,177</u>	<u>\$ 3,571,177</u>	<u>\$ 3,848,455</u>	<u>\$ 277,278</u>

See accompanying Notes to Financial Statements.

TOWN OF FRANKFORD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Frankford (the "Town") was incorporated in 1883 under the provisions of the State of Delaware. The Town operates under a president and town council as authorized in the charter. The Town provides services in the form of police protection and trash collection.

The Town's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the Town are discussed below.

Reporting Entity

The accompanying financial statements include the various departments and offices that are legally controlled by or dependent on the Town Council. The Town's major operations include general administration, public safety, and streets and parks. The Town's financial reporting entity is required to consist of all organizations for which the Town is financially accountable or for which there is a significant relationship. The Town has no component units in its reporting entity.

Basic Financial Statements - Government-wide Statements

The Town's basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements. Both the government-wide and fund financial statements categorize primary activities as governmental. The Town's governmental activities consist of general administration, public safety, and streets and parks maintenance.

The government-wide Statement of Activities reports both the gross and net cost of each of the Town's functions. The functions are also supported by general government revenues (property and transfer taxes, certain intergovernmental revenues, trash collection, fines, and permits, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues and operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. Direct expenses are those that are clearly identifiable with a specific function.

The net costs (by function) are normally covered by general revenue (property taxes, interest income, etc.).

This government-wide focus is more on the sustainability of the Town as an entity, and the change in the Town's net position resulting from the current year's activities.

TOWN OF FRANKFORD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

NOTE 1 NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Basic Financial Statements - Fund Financial Statements

The financial transactions of the Town are reported in the general fund financial statements. The Town does not have any other funds. The Town uses the following fund type:

Governmental Fund

The general fund is the general operating fund of the Town. It is used to account for all financial resources.

Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe which transactions are recorded within the various financial statements. Basis of accounting refers to when transactions are recorded regardless of the measurement focus.

The government-wide financial statements are presented on a full accrual basis of accounting with an economic resources' measurement focus concentrating on an entity or fund's net position. All transactions and events that affect the total economic resources during the period are reported. Under the full accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time an obligation (liability) is incurred, regardless of the timing of related cash inflows and outflows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are presented on a modified accrual basis of accounting with a current financial resources' measurement focus. This measurement focus concentrates on the fund's resources available for spending in the near future. Only transactions and events affecting the fund's current financial resources during the period are reported. Under modified accrual accounting, revenues are recognized as soon as they are both measurable and available. Revenues are considered available if collected within 60 days of year end. The Town reports deferred inflows of resources when the potential revenue does not meet both the measurable and available criteria for recognition in the current period.

Property taxes, interest revenue, intergovernmental, and miscellaneous revenue are the primary revenue sources subject to accrual. Property taxes are reported as receivable and a deferred inflow of resources when an enforceable lien on the property exists. The Town bills and collects its own property taxes.

Under modified accrual accounting, governmental fund liabilities (and expenditures) should be accrued in the absence of applicable modification. Such modifications exist for long-term indebtedness, compensated absences, claims and judgments and special termination benefit liabilities. These liabilities are accrued in the governmental funds only to the extent they are due.

TOWN OF FRANKFORD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

NOTE 1 NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Measurement Focus and Basis of Accounting (Continued)

Since the governmental fund financial statements are presented on a different measurement focus and basis of accounting than the government-wide statements, reconciliations are provided in the fund financial statements.

Cash and Cash Equivalents

The Town has defined cash and cash equivalents to include cash on hand, demand deposits, and all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased.

Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Capital assets are reviewed on an ongoing basis for impairment whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the excess of the assets carrying amount over the fair value of the asset. No impairment of capital assets was recorded during fiscal year 2023.

Contributed assets are reported at acquisition value on the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The Town's governmental activities infrastructure consists mainly of roads and storm drains. The Town has elected not to capitalize infrastructure acquired prior to July 1, 2003.

Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	40 years
Equipment	5 - 15 years
Streets	15 years
Water system	25 - 50 years

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure) until then. The Town did not have any items to report in this category.

In addition to liabilities, the statement of net position and balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position and fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has one item, which arises only under the modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable

TOWN OF FRANKFORD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

NOTE 1 NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Deferred Outflows/Inflows of Resources (Continued)

revenue, is reported only in the governmental fund's balance sheet. The governmental funds report unavailable revenues from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

Equity Classifications

Government-wide Statements

Net position is classified and displayed in three categories:

- a. Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position - Net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for expenditures, it will be the responsibility of the Board Treasurer to determine which resources should generally be spent first.
- c. Unrestricted net position - All remaining net position that does not meet the definition of "restricted" or "net investment in capital assets."

Governmental Fund Balances

In the fund financial statements, governmental funds may report amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (1) not in spendable form such as prepaid items or inventories; or (2) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications:

- a. Restricted fund balance - This classification reflects the constraints imposed on resources either (1) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation.
- b. Committed fund balance - These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the Town Council, the government's highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the Town Council removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. Currently, the Town does not have any funds that meet this classification.

TOWN OF FRANKFORD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

NOTE 1 NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Equity Classifications (Continued)

- c. Assigned fund balance - This classification reflects the amounts constrained by the Town's "intent" to be used for specific purposes but are neither restricted nor committed. The Town Council has the authority to assign amounts to be used for specific purposes. Currently, the Town does not have any funds that meet this classification.
- d. Unassigned fund balance - This fund balance is the residual classification for the general fund.

It is the Town's policy to maintain a diversified and stable revenue stream to protect the government from problematic fluctuations in any single revenue source and protect stability to ongoing services. The Town's decision to use restricted or unrestricted resources is determined on a transaction-by-transaction basis in accordance with the specified provisions imposed by those resources. The Town reviews the available resources and Town budget and makes a decision based on their current financial position. The Town's unassigned general fund balance is maintained to provide it with sufficient resources to meet the Town's daily operational needs.

Receivables

Receivables are reported at their net value. The Town determined 100% of the \$25,610 in water receivables and 75% (\$33,512) of the \$44,683 in trash receivables to be potentially uncollectible as shown in the financial statements.

Revenues

Program revenues include charges to customers for goods, services or privileges provided, operating grants and contributions, and capital grants and contributions. General revenues include all taxes.

Compensated Absences

The Town's employees accrue accumulated unpaid vacation when earned (or estimated to be earned) by the employee. The unused vacation time must be used within the following year.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from these estimates.

Budgets and Budgetary Accounting

The budget in these financial statements is presented on a basis consistent with accounting principles generally accepted in the United States of America under the modified accrual basis of accounting. Annually and not later than July 1, the Town Clerk, and the Council

TOWN OF FRANKFORD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

NOTE 1 NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Budgets and Budgetary Accounting (Continued)

members prepare the Town's budget. The Town Council shall, as reasonably as possible, adhere to the budget so adopted in the making of appropriations.

Pending Changes in Accounting Principles

The GASB issued Statement No. 100, *Accounting Changes and Error Corrections – Amendment of GASB No. 62*. The Town is required to adopt Statement No. 100 for its 2024 financial statements and

The GASB issued Statement No. 101, *Compensated Absences*. The Town is required to adopt Statement No. 101 for its fiscal year 2025 financial statements.

The GASB issued Statement No. 102, *Certain Risk Disclosures*. The Town is required to adopt Statement No. 102 for its fiscal year 2025 financial statements.

The GASB issued Statement No. 103, *Financial Reporting Model Improvements*. The Town is required to adopt Statement No. 103 for its fiscal year 2026 financial statements.

The Town has not yet completed the various analyses required to estimate the financial statement impact of these new pronouncements.

NOTE 2 DEPOSITS AND INVESTMENTS

Deposits

All deposits are in one financial institution and are carried at cost. Transactions are made directly with the bank; services of brokers or securities deals are not used. Cash and cash equivalents at June 30, 2023 consisted of the following:

UNRESTRICTED CASH		
General Fund		
Operating - checking	\$	42,632
ICS sweep		1,017,106
Investment sweep		<u>20,575</u>
TOTAL UNRESTRICTED CASH		<u>1,080,313</u>
RESTRICTED CASH		
General Fund		
Real estate transfer tax - savings		52,792
Municipal street aid - checking		<u>5,542</u>
TOTAL RESTRICTED CASH		<u>58,334</u>
TOTAL CASH	\$	<u>1,138,647</u>

TOWN OF FRANKFORD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Custodial Credit Risk - Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the Town will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Town has no formal policy to address custodial credit risk. Cash balances in one institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. As of June 30, 2023, the Town's cash balance was \$1,138,647 and its bank balance was \$1,191,315. The bank balance of \$1,017,106 was fully collateralized by the financial institution and FDIC covered the remaining bank balance of \$174,209.

Investments

The Town has invested funds in a financial institution comprising equity mutual funds and fixed income mutual funds.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation to the holder of the investment.

The Township categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The general fund had the following recurring fair value measurements as of June 30, 2023:

Investment Type	Fair Value	Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt Securities				
Fixed Income Mutual Funds	\$ 2,150,317	\$ 2,150,317	\$ -	\$ -
Equity Securities				
Equity Mutual Funds	<u>575,780</u>	<u>575,780</u>	<u>-</u>	<u>-</u>
Total Investments	<u>\$ 2,726,097</u>	<u>\$ 2,726,097</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 3 PROPERTY TAXES

Taxes are levied in late June for the fiscal year July 1 - June 30, and are due and payable by October 1. All unpaid taxes become delinquent on October 1 of the current year. Town property tax revenue is recognized on July 1 of the current year. Liens are recorded against the property if no payments have been received during the previous two years. The property tax rate for the year ended June 30, 2023 was \$2.50 per \$100 of assessed valuation. The total taxable assessed value of all real property and improvements was \$5,209,500 net of \$1,199,150 exclusions.

TOWN OF FRANKFORD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

NOTE 4 RISK MANAGEMENT

The Town is exposed to various risks of loss related to limited torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the Town carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past four years.

NOTE 5 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023 was as follows:

	Balance at June 30, 2022	Increases	Decreases	Balance at June 30, 2023
<u>Governmental Activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 133,424	\$ -	\$ -	\$ 133,424
Construction in progress	76,223	40,922	(92,971)	24,174
Total capital assets, not being depreciated	<u>209,647</u>	<u>40,922</u>	<u>(92,971)</u>	<u>157,598</u>
Other capital assets:				
Buildings	538,196	92,971	-	631,167
Equipment	359,124	11,022	-	370,146
Streets	471,746	18,389	-	490,135
Total other capital assets	<u>1,369,066</u>	<u>122,382</u>	<u>-</u>	<u>1,491,448</u>
Less accumulated depreciation for:				
Buildings	258,249	15,209	-	273,458
Equipment	319,658	10,055	-	329,713
Streets	270,361	22,831	-	293,192
Total accumulated depreciation	<u>848,268</u>	<u>48,095</u>	<u>-</u>	<u>896,363</u>
Other capital assets, net	<u>520,798</u>	<u>74,287</u>	<u>-</u>	<u>595,085</u>
Governmental Activities Capital Assets, Net	<u>\$ 730,445</u>	<u>\$ 115,209</u>	<u>\$ (92,971)</u>	<u>\$ 752,683</u>

Depreciation expense was charged to functions as follows:

<u>Governmental Activities:</u>	
General administration	\$ 16,590
Public safety	3,638
Streets and parks	<u>27,867</u>
Total Governmental Activities Depreciation Expense	<u>\$ 48,095</u>

NOTE 6 TOWN EMPLOYEE PENSION PLAN

The Town of Frankford has a simplified employee pension IRA plan, which is available to employees over the age of 21, who are not covered under a collective bargaining agreement, are a resident alien, and receive over \$600 in compensation during the year. This plan became effective to employees of the Town beginning on October 1, 2015. Under the plan provisions, employees are immediately vested in the plan and the employer contributes 5% of gross compensation for each eligible employee as set forth in the Town's employee benefit manual. The Town has no administrative duties in regard to the plan and

TOWN OF FRANKFORD
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2023

NOTE 6 TOWN EMPLOYEE PENSION PLAN (CONTINUED)

it is not presented in the financial statements. Vanguard is the agent on the plan. Employer pension contributions for the fiscal year ended June 30, 2023 totaled \$5,790.

NOTE 7 RESTRICTED NET POSITION

Restricted net position indicates portions of net position that are not available for appropriation or expenditure or are legally separated for a specific future use. At June 30, 2023, restricted net position consisted of the following:

General Fund

Realty transfer tax (Restricted for capital and operating costs of public safety services, economic development programs, public works services, capital projects and improvements, infrastructure projects and improvements and debt reduction)	\$ 52,792
Municipal street aid grant (Street improvements, street lighting, and law enforcement essentials are among the allowable expenditures)	<u>5,542</u>
TOTAL RESTRICTED NET POSITION	<u>\$ 58,334</u>

The government-wide Statement of Net Position reports \$58,334 of restricted net position. Equity reservations and restrictions for grant funds and realty transfer tax are enforced by outside source enabling legislation. All other equity reservations and restrictions are enforced by the Town's code.

NOTE 8 RENT REVENUES

The Town leased 5 Main Street, the former Town Hall, on a month-to-month basis during fiscal year 2023. Total rental income for the year ended June 30, 2023 was \$8,700.

NOTE 9 FINANCIAL ACCOUNTABILITY AND STEWARDSHIP

The general fund had excesses of general administration expenditures of \$179,298, capital outlays of \$70,033, and bad debt expense of \$47,692 for the year ended June 30, 2023. The excess expenditures over appropriations were funded by additional revenues, including capital grants and prior year fund balance.

NOTE 10 SUBSEQUENT EVENTS

The Town of Frankford has granted preliminary site plan approval to the applicant for Vines Creek Crossing - a roughly 500-unit residential subdivision that, once constructed, would lead to a more than doubling of the Town's population. Needless to say, the Town expects to receive significant additional revenue both while (building permit fees, transfer taxes, etc.) and after (property taxes) the development is built.

Sussex County, the county in which the Town is located, is in the process of conducting a comprehensive reassessment of each and every real property located in the county. While the total yield must be constant, the Town expects that those owners whose property is located east of US 113 will see their County tax bill increase - and the Town is located east of US 113. Since the Town uses County assessment data, the Town expects that Town property owners will see their Town tax bill go up also - with the Town obviously receiving some additional revenue as a result.

Other than the events noted above, no additional matters of audit significance have been noted.



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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

To the Honorable President and Council Members
Town of Frankford
Frankford, Delaware

We have audited, 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, the financial statements of the governmental activities and the major fund of the Town of Frankford as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town of Frankford's basic financial statements, and have issued our report thereon dated July 1, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Frankford's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Frankford's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Frankford'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a deficiency in internal control, described in the accompanying schedule of finding and response as Item 2023-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Frankford'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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



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The Town of Frankford's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Town of Frankford's response to the findings identified in our audit and described in the accompanying schedule of finding and response. The Town of Frankford's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

Zelenkofske Axlerod LLC

ZELENKOFKSKE AXELROD LLC

Harrisburg, Pennsylvania
July 1, 2024

TOWN OF FRANKFORD
SCHEDULE OF FINDING AND RESPONSE
FOR THE YEAR ENDED JUNE 30, 2023

FINDING RELATED TO FINANCIAL STATEMENTS

Finding No. 2023-001 (Repeat Finding No. 2022-001) - Segregation of Accounting Functions

Condition

There is a lack of adequate segregation of accounting functions and appropriate supervisory review procedures. An adequate system of internal control includes proper segregation of duties. One individual should not have (1) access to both physical assets and the respective accounting records or (2) full responsibility for all aspects of an accounting transaction. For example, the same individual should not prepare billings, open the mail, collect cash, make the bank deposit, record the collection transaction in the accounting records, and reconcile the bank account each month.

Criteria

Segregation of duties helps mitigate intentional or unintentional errors or fraud that may occur when one individual performs all related accounting functions.

Effect

The lack of proper segregation of duties increases the possibility of error and opportunity for fraud that may lead to material misstatement of the Town's financial statements and the loss of assets.

Cause

This situation is the result of staffing limitations at the Town of Frankford.

Recommendation

An individual independent of the billing and cash collection process should periodically review the real estate tax billings. A list of all cash and check collections should be maintained and reconciled with the periodic bank deposit slip. A second person should review the cash receipts listings and compare them to the deposit slips and other supporting documentation, such as records of issued permits and various billings (taxes, trash fees, etc.). Having members of the Board periodically review accounting transactions will enhance internal control over the Town's assets. When someone reviews transactions and reconciliations, they should initial and date the documents that were reviewed.

View of Responsible Officials

The Town agrees with the finding and is implementing more stringent review and approval policies and procedures.