

Report of Independent Auditor

**CITY OF DELAWARE CITY**  
Delaware City, Delaware

Years Ended June 30, 2009 and 2008

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**CITY OF DELAWARE CITY, DELAWARE**

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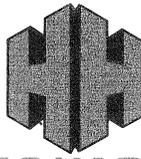
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**HAGGERTY & HAGGERTY, P.A.**

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**Report of Independent Auditor**

To Mayor and City Council  
**City of Delaware City**  
Delaware City, Delaware

We have audited the accompanying basic financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Delaware City, Delaware, as of and for the years ended June 30, 2009 and 2008, which collectively comprise the City's financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Delaware City's management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audits provide a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Delaware City as of June 30, 2009 and 2008, and the respective changes in financial position and cash flows where applicable, thereof for the years then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2009 on our consideration of the City of Delaware City'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The budgetary information on page 31 is not a required part of the basic financial statements but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it. The City has not presented Management's Discussion and Analysis that U.S. generally accepted accounting principles has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Delaware City's basic financial statements. The combining and individual nonmajor fund financial statements, listed in the table of contents as additional information, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133 *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City of Delaware City. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
Certified Public Accountants

October 12, 2009  
Wilmington, Delaware

## **Basic Financial Statements Section**

CITY OF DELAWARE CITY, DELAWARE  
STATEMENTS OF NET ASSETS  
June 30, 2009 and 2008

	2009			Discretely Presented Component Unit	2008			Discretely Presented Component Unit
	Primary Government		Total		Primary Government		Total	
	Governmental	Business			Governmental	Business		
<b>ASSETS</b>								
<b>Current assets:</b>								
Cash and equivalents	\$ 235,049	\$ ...	\$ 235,049	\$ 6,526	\$ 236,648	\$ ...	\$ 236,648	\$ 6,784
Receivables, net:								
Taxes	13,898	...	13,898	...	5,020	...	5,020	...
Trade accounts	...	6,991	6,991	...	...	9,958	9,958	...
Other	18,233	...	18,233	...	19,248	...	19,248	...
Due from other governments	54,575	...	54,575	...	32,781	...	32,781	...
Restricted assets:								
Cash and equivalents	368,924	...	368,924	...	357,067	...	357,067	...
Notes receivable due within one year	2,040	...	2,040	...	7,812	...	7,812	...
Prepayments and other assets	...	...	...	3,500	9,692	...	9,692	8,279
<b>Total current assets</b>	<b>692,719</b>	<b>6,991</b>	<b>699,710</b>	<b>10,026</b>	<b>668,268</b>	<b>9,958</b>	<b>678,226</b>	<b>15,063</b>
<b>Noncurrent assets:</b>								
Notes receivable due after one year	...	...	...	...	16,269	...	16,269	...
Capital assets, net:								
Nondepreciable	767,306	18,331	785,637	...	2,197,975	18,331	2,216,306	...
Depreciable	7,633,907	1,230,796	8,864,703	...	5,865,646	1,325,877	7,191,523	...
Bond issue costs, net of amortization	...	24,356	24,356	...	...	25,754	25,754	...
<b>Total noncurrent assets</b>	<b>8,401,213</b>	<b>1,273,483</b>	<b>9,674,696</b>	<b>...</b>	<b>8,079,890</b>	<b>1,369,962</b>	<b>9,449,852</b>	<b>...</b>
<b>TOTAL ASSETS</b>	<b>9,093,932</b>	<b>1,280,474</b>	<b>10,374,406</b>	<b>10,026</b>	<b>8,748,158</b>	<b>1,379,920</b>	<b>10,128,078</b>	<b>15,063</b>
<b>LIABILITIES</b>								
<b>Current liabilities:</b>								
Line of credit	...	...	...	...	...	...	...	...
Contract payable	65,637	...	65,637	...	41,230	...	41,230	...
Accounts payable	19,241	...	19,241	...	66,784	...	66,784	2,450
Accrued interest payable	...	6,050	6,050	...	...	6,173	6,173	...
Current portion of long-term debt	262,167	29,295	291,462	...	56,899	28,105	85,004	...
Payroll deductions and withholdings	1,439	...	1,439	...	4,168	...	4,168	...
Compensated absences liability	...	...	...	...	4,711	...	4,711	...
Due to other governments	...	...	...	...	...	...	...	...
Deferred revenues due within one year	5,283	...	5,283	...	23,853	...	23,853	...
Refundable advances and deposits	384,247	6,160	390,407	9,900	366,800	6,300	373,100	4,760
<b>Total current liabilities</b>	<b>738,014</b>	<b>41,505</b>	<b>779,519</b>	<b>9,900</b>	<b>564,445</b>	<b>40,578</b>	<b>605,023</b>	<b>7,210</b>
<b>Noncurrent liabilities:</b>								
Long-term debt, net of current portion	783,841	882,984	1,666,825	...	641,519	912,306	1,553,825	...
Long-term portion of compensated absences	11,980	...	11,980	...	5,736	...	5,736	...
<b>Total noncurrent liabilities</b>	<b>795,821</b>	<b>882,984</b>	<b>1,678,805</b>	<b>...</b>	<b>647,255</b>	<b>912,306</b>	<b>1,559,561</b>	<b>...</b>
<b>TOTAL LIABILITIES</b>	<b>1,533,835</b>	<b>924,489</b>	<b>2,458,324</b>	<b>9,900</b>	<b>1,211,700</b>	<b>952,884</b>	<b>2,164,584</b>	<b>7,210</b>
<b>NET ASSETS (LIABILITIES)</b>								
Invested in capital assets, net of related debt	7,355,205	361,204	7,716,409	...	7,365,203	429,551	7,794,754	...
Restricted for specific programs	94,013	...	94,013	126	99,883	...	99,883	7,853
Unrestricted	110,879	(5,219)	105,660	...	71,372	(2,515)	68,857	...
<b>TOTAL NET ASSETS</b>	<b>\$ 7,560,097</b>	<b>\$ 355,985</b>	<b>\$ 7,916,082</b>	<b>\$ 126</b>	<b>\$ 7,536,458</b>	<b>\$ 427,036</b>	<b>\$ 7,963,494</b>	<b>\$ 7,853</b>

Accompanying notes are an integral part of these financial statements

CITY OF DELAWARE CITY, DELAWARE  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2009

Functions	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Assets			Discretely Presented Component Unit
		Charges for Services	Grants and Contributions Operating	Capital	Activity Type			
					Governmental	Business	Total	
<b>GOVERNMENTAL ACTIVITIES</b>								
General government	\$ 274,110	\$ 4,899	\$ ...	\$ ...	\$ (269,211)	\$ ...	\$ (269,211)	\$ ...
Public safety-police	223,079	11,617	7,851	31,707	(171,904)	...	(171,904)	...
Public works-streets	151,681	...	42,847	40,000	(68,834)	...	(68,834)	...
Public works-sanitation	145,612	4,697	...	...	(140,915)	...	(140,915)	...
Parks and recreation	57,860	...	38,191	220,776	201,107	...	201,107	...
Standing Committees	...	...	...	...	...	...	...	...
Youth Center	59,236	192	34,200	...	(24,844)	...	(24,844)	...
Interest on long-term debt	38,235	...	11,140	...	(27,095)	...	(27,095)	...
Depreciation-unallocated	272,483	...	...	...	(272,483)	...	(272,483)	...
<b>Total governmental activities</b>	<b>1,222,296</b>	<b>21,405</b>	<b>134,229</b>	<b>292,483</b>	<b>(774,179)</b>	<b>...</b>	<b>(774,179)</b>	<b>...</b>
<b>BUSINESS-TYPE ACTIVITIES</b>								
Water system	377,874	270,953	...	...	...	(106,921)	(106,921)	...
<b>Total business-type activities</b>	<b>377,874</b>	<b>270,953</b>	<b>...</b>	<b>...</b>	<b>...</b>	<b>(106,921)</b>	<b>(106,921)</b>	<b>...</b>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>1,600,170</b>	<b>292,358</b>	<b>134,229</b>	<b>292,483</b>	<b>(774,179)</b>	<b>(106,921)</b>	<b>(881,100)</b>	<b>...</b>
<b>DISCRETELY PRESENTED COMPONENT UNIT</b>	<b>70,114</b>	<b>10,186</b>	<b>52,123</b>	<b>...</b>	<b>...</b>	<b>...</b>	<b>...</b>	<b>(7,805)</b>
<b>TOTAL PRIMARY GOV'T AND COMPONENT UNIT</b>	<b>\$ 1,670,284</b>	<b>\$ 302,544</b>	<b>\$ 186,352</b>	<b>\$ 292,483</b>	<b>(774,179)</b>	<b>(106,921)</b>	<b>(881,100)</b>	<b>(7,805)</b>
<b>GENERAL REVENUES AND TRANSFERS</b>								
Property taxes levied for general purposes, net					730,937	...	730,937	...
Investment earnings and rents					86,062	...	86,062	78
Gain (loss) from sale of capital assets					...	...	...	...
Miscellaneous revenues					15,039	1,650	16,689	...
Transfers between governmental, BT activities					(34,220)	34,220	...	...
<b>Total general revenues and transfers</b>					<b>797,818</b>	<b>35,870</b>	<b>833,688</b>	<b>78</b>
<b>CHANGES IN NET ASSETS (LIABILITIES)</b>					23,639	(71,051)	(47,412)	(7,727)
<b>NET ASSETS</b>								
Beginning of year					7,536,458	427,036	7,963,494	7,853
End of year					<b>\$ 7,560,097</b>	<b>\$ 355,985</b>	<b>\$ 7,916,082</b>	<b>\$ 126</b>

Accompanying notes are an integral part of these financial statements

CITY OF DELAWARE CITY, DELAWARE  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2008

Functions	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Assets			Discretely Presented Component Unit
		Charges for Services	Grants and Contributions Operating	Capital	Activity Type			
					Governmental	Business	Total	
<b>GOVERNMENTAL ACTIVITIES</b>								
General government	\$ 260,434	\$ 2,391	\$ ...	\$ ...	\$ (258,043)	\$ ...	\$ (258,043)	\$ ...
Public safety-police	198,135	5,583	29,644	...	(162,908)	...	(162,908)	...
Public works-streets	184,478	...	41,312	...	(143,166)	...	(143,166)	...
Public works-sanitation	142,546	5,806	...	...	(136,740)	...	(136,740)	...
Parks and recreation	39,747	...	6,127	1,067,744	1,034,124	...	1,034,124	...
Standing Committees	1,725	...	...	...	(1,725)	...	(1,725)	...
Youth Center	67,150	125	47,200	38,957	19,132	...	19,132	...
Interest on long-term debt	23,781	...	11,854	...	(11,927)	...	(11,927)	...
Depreciation-unallocated	262,324	...	...	...	(262,324)	...	(262,324)	...
<b>Total governmental activities</b>	<b>1,180,320</b>	<b>13,905</b>	<b>136,137</b>	<b>1,106,701</b>	<b>76,423</b>	<b>...</b>	<b>76,423</b>	<b>...</b>
<b>BUSINESS-TYPE ACTIVITIES</b>								
Water system	365,933	283,320	...	...	...	(82,613)	(82,613)	...
<b>Total business-type activities</b>	<b>365,933</b>	<b>283,320</b>	<b>...</b>	<b>...</b>	<b>...</b>	<b>(82,613)</b>	<b>(82,613)</b>	<b>...</b>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>1,546,253</b>	<b>297,225</b>	<b>136,137</b>	<b>1,106,701</b>	<b>76,423</b>	<b>(82,613)</b>	<b>(6,190)</b>	<b>...</b>
<b>DISCRETELY PRESENTED COMPONENT UNIT</b>	<b>61,011</b>	<b>9,668</b>	<b>58,666</b>	<b>...</b>	<b>...</b>	<b>...</b>	<b>...</b>	<b>7,323</b>
<b>TOTAL PRIMARY GOV'T AND COMPONENT UNIT</b>	<b>\$ 1,607,264</b>	<b>\$ 306,893</b>	<b>\$ 194,803</b>	<b>\$ 1,106,701</b>	<b>76,423</b>	<b>(82,613)</b>	<b>(6,190)</b>	<b>7,323</b>
<b>GENERAL REVENUES AND TRANSFERS</b>								
Property taxes levied for general purposes, net					762,826	...	762,826	...
Investment earnings and rents					99,664	...	99,664	412
Gain (loss) from sale of capital assets					(1,780)	...	(1,780)	...
Miscellaneous revenues					15,073	2,369	17,442	...
Transfers between governmental, BT activities					36,818	(36,818)	...	...
<b>Total general revenues and transfers</b>					<b>912,601</b>	<b>(34,449)</b>	<b>878,152</b>	<b>412</b>
<b>CHANGES IN NET ASSETS (LIABILITIES)</b>					989,024	(117,062)	871,962	7,735
<b>NET ASSETS</b>								
Beginning of year					6,547,434	544,098	7,091,532	118
End of year					<b>\$ 7,536,458</b>	<b>\$ 427,036</b>	<b>\$ 7,963,494</b>	<b>\$ 7,853</b>

Accompanying notes are an integral part of these financial statements

**CITY OF DELAWARE CITY, DELAWARE**  
BALANCE SHEETS-GOVERNMENTAL FUNDS  
June 30, 2009 and 2008

	2009			2008		
	Governmental Fund Types			Governmental Fund Types		
	General	Special Revenue	Total	General	Special Revenue	Total
<b>ASSETS</b>						
<b>ASSETS</b>						
Cash and equivalents	\$ 143,076	\$ 91,973	\$ 235,049	\$ 160,846	\$ 75,802	\$ 236,648
Receivables, net:						
Taxes	13,898	...	13,898	5,020	...	5,020
Other	18,233	...	18,233	19,248	...	19,248
Due from other governments	...	54,575	54,575	10,000	22,781	32,781
Prepayments and other assets	...	...	...	9,692	...	9,692
Restricted assets:						
Cash and equivalents	...	368,924	368,924	...	357,067	357,067
Notes receivable	...	2,040	2,040	...	24,081	24,081
Interfund receivables	<u>39,252</u>	<u>(39,252)</u>	<u>...</u>	<u>...</u>	<u>28,182</u>	<u>28,182</u>
<b>TOTAL ASSETS</b>	<u>\$ 214,459</u>	<u>\$ 478,260</u>	<u>\$ 692,719</u>	<u>\$ 204,806</u>	<u>\$ 507,913</u>	<u>\$ 712,719</u>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES</b>						
Lines of credit	\$ ...	\$ ...	\$ ...	\$ ...	\$ ...	\$ ...
Contract payable	65,637	...	65,637	...	41,230	41,230
Accounts payable	19,241	...	19,241	66,784	...	66,784
Payroll deductions and withholdings	1,439	...	1,439	4,168	...	4,168
Compensated absences liability	...	...	...	4,711	...	4,711
Deferred revenues	5,283	...	5,283	23,853	...	23,853
Refundable advances and deposits	...	384,247	384,247	...	366,800	366,800
Interfund payables	...	...	...	28,182	...	28,182
<b>Total liabilities</b>	<u>91,600</u>	<u>384,247</u>	<u>475,847</u>	<u>127,698</u>	<u>408,030</u>	<u>535,728</u>
<b>FUND BALANCES</b>						
Reserved for notes receivable	...	2,040	2,040	...	24,081	24,081
Reserved for specific programs	...	91,973	91,973	...	75,802	75,802
Unreserved	<u>122,859</u>	<u>...</u>	<u>122,859</u>	<u>77,108</u>	<u>...</u>	<u>77,108</u>
<b>Total fund balances</b>	<u>122,859</u>	<u>94,013</u>	<u>216,872</u>	<u>77,108</u>	<u>99,883</u>	<u>176,991</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 214,459</u>	<u>\$ 478,260</u>	<u>\$ 692,719</u>	<u>\$ 204,806</u>	<u>\$ 507,913</u>	<u>\$ 712,719</u>

Accompanying notes are an integral part of these financial statements

**CITY OF DELAWARE CITY, DELAWARE**  
 RECONCILIATION OF THE BALANCE SHEETS OF GOVERNMENTAL FUNDS  
 TO THE STATEMENTS OF NET ASSETS  
 June 30, 2009 and 2008

	2009	2008
Amounts reported for governmental activities in the statement of net assets are different because:		
<b>Total fund balances-governmental funds</b>	\$ 216,872	\$ 176,991
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds. The cost of capital assets is \$9,605,152 for 2009 and \$8,995,077 for 2008 and the related accumulated depreciation is \$1,203,939 for 2009 and \$931,456 for 2008.	8,401,213	8,063,621
Long-term liabilities are not due and payable within the current period and therefore are not reported as liabilities in the governmental funds.	(1,046,008)	(698,418)
Compensated absences are not due and payable within the current period and therefore are not reported in the governmental funds.	(11,980)	(5,736)
<b>Total net assets-governmental activities</b>	<u>\$ 7,560,097</u>	<u>\$ 7,536,458</u>

Accompanying notes are an integral part of these financial statements

**CITY OF DELAWARE CITY, DELAWARE**

STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-GOVERNMENTAL FUNDS  
Years Ended June 30, 2009 and 2008

	2009			2008		
	Governmental Fund Types			Governmental Fund Types		
	General	Special Revenue	Total	General	Special Revenue	Total
<b>REVENUES</b>						
Taxes:						
Real estate taxes	\$ 693,226	\$ ...	\$ 693,226	\$ 647,122	\$ ...	\$ 647,122
Real estate transfer taxes	24,395	...	24,395	104,616	...	104,616
Cable franchise taxes	13,316	...	13,316	11,088	...	11,088
Licenses and permits	4,520	...	4,520	2,020	...	2,020
Intergovernmental revenues:						
Federal	...	32,566	32,566	...	1,014,169	1,014,169
State	...	358,020	358,020	...	228,269	228,269
Local	...	36,126	36,126	...	400	400
Police fines	11,617	...	11,617	5,583	...	5,583
Charges for services	5,268	...	5,268	6,302	...	6,302
Interest and rents	85,060	1,002	86,062	96,202	3,462	99,664
Miscellaneous revenues	15,039	...	15,039	15,073	...	15,073
<b>Total revenues</b>	<u>852,441</u>	<u>427,714</u>	<u>1,280,155</u>	<u>888,006</u>	<u>1,246,300</u>	<u>2,134,306</u>
<b>EXPENDITURES</b>						
Current:						
General governments	267,336	...	267,336	266,449	...	266,449
Public safety-police	215,758	7,851	223,609	168,046	29,644	197,690
Public works-streets	120,711	30,970	151,681	154,462	30,016	184,478
Public works-sanitation	145,612	...	145,612	142,546	...	142,546
Parks and recreation	...	38,191	38,191	...	6,127	6,127
Standing Committees	...	...	...	1,725	...	1,725
Youth Center	25,036	34,200	59,236	19,950	57,143	77,093
Capital outlay	377,261	252,483	629,744	474,700	1,087,858	1,562,558
Debt service:						
Principal	63,370	17,055	80,425	26,705	16,055	42,760
Interest and other fees	25,401	12,834	38,235	9,995	13,786	23,781
<b>Total expenditures</b>	<u>1,240,485</u>	<u>393,584</u>	<u>1,634,069</u>	<u>1,264,578</u>	<u>1,240,629</u>	<u>2,505,207</u>
<b>EXCESS (DEFICIT) REVENUES OVER EXPENDITURES</b>	<u>(388,044)</u>	<u>34,130</u>	<u>(353,914)</u>	<u>(376,572)</u>	<u>5,671</u>	<u>(370,901)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Proceeds from new financing	428,015	...	428,015	300,000	...	300,000
Capital lease arrangement	...	...	...	20,442	...	20,442
Proceeds from sale of capital assets	...	...	...	12,716	...	12,716
Interfund transfers in (out)	5,780	(40,000)	(34,220)	26,170	10,648	36,818
<b>Total other financing sources (uses)</b>	<u>433,795</u>	<u>(40,000)</u>	<u>393,795</u>	<u>359,328</u>	<u>10,648</u>	<u>369,976</u>
<b>NET CHANGES IN FUND BALANCES</b>	<u>45,751</u>	<u>(5,870)</u>	<u>39,881</u>	<u>(17,244)</u>	<u>16,319</u>	<u>(925)</u>
<b>FUND BALANCES</b>						
Beginning of year	<u>77,108</u>	<u>99,883</u>	<u>176,991</u>	<u>94,352</u>	<u>83,564</u>	<u>177,916</u>
End of year	<u>\$ 122,859</u>	<u>\$ 94,013</u>	<u>\$ 216,872</u>	<u>\$ 77,108</u>	<u>\$ 99,883</u>	<u>\$ 176,991</u>

Accompanying notes are an integral part of these financial statements

**CITY OF DELAWARE CITY, DELAWARE**

RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES AND

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENTS OF ACTIVITIES  
Years Ended June 30, 2009 and 2008

	2009	2008
Amounts reported for governmental activities in the statement of activities are different because:		
<b>Net changes in fund balance-total governmental funds</b>	<b>\$ 39,881</b>	<b>\$ (925)</b>
Government funds report capital outlay as expenditures. However, in the statement of activities, assets with an initial individual cost of \$1,500 or more are capitalized and the cost of those assets is allocated over their estimated useful lives as depreciation expense. The following is the amount by which capital outlay exceeded depreciation expense.		
	2009	2008
Capital outlay	\$ 610,075	\$1,538,881
Depreciation expense	(272,483)	(262,324)
	337,592	1,276,557
The governmental funds report loan proceeds as an other financing source, while repayment of loan principal is reported as an expenditure. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of long-term liabilities and related items is as follows:		
	2009	2008
Long-term financing:		
Proceeds received	\$ (428,015)	\$ (300,000)
Principal payments made	80,425	36,442
	(347,590)	(263,558)
Capital assets acquired by capital lease are shown as expenditures and other financing sources in the governmental funds. The principal payments must be removed from the statement of activities and applied to the lease liability.		
	2009	2008
Capital lease financing:		
Proceeds	\$ ...	\$ (20,442)
Principal payments	...	6,318
	...	(14,124)
Some expenses reported in the statement of activities do not require current financial resources and, therefore, are not reported as expenditures in governmental funds.		
	2009	2008
Capital assets:		
Proceeds from sale	\$ ...	\$ (12,716)
Gain (loss) from sale	...	(1,780)
	...	(14,496)
In the statement of activities, certain operating expenses such as compensated absences for vacation are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used. This amount represents the difference between the amount used versus the amount earned.		
	(6,244)	5,570
<b>Changes in net assets-governmental activities</b>	<b>\$ 23,639</b>	<b>\$ 989,024</b>

Accompanying notes are an integral part of these financial statements

**CITY OF DELAWARE CITY, DELAWARE**  
**STATEMENTS OF NET ASSETS-PROPRIETARY FUND**  
June 30, 2009 and 2008

	Water Fund	
	2009	2008
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and equivalents	\$ . . .	\$ . . .
Accounts receivable, net	6,991	9,958
<b>Total current assets</b>	<u>6,991</u>	<u>9,958</u>
<b>NONCURRENT ASSETS</b>		
Capital assets, net:		
Nondepreciable	18,331	18,331
Depreciable	1,230,796	1,325,877
Bond issue costs, net of amortization	24,356	25,754
<b>Total noncurrent assets</b>	<u>1,273,483</u>	<u>1,369,962</u>
<b>TOTAL ASSETS</b>	<u>1,280,474</u>	<u>1,379,920</u>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accrued interest payable	6,050	6,173
Current portion of long-term debt	29,295	28,105
Refundable deposits	6,160	6,300
<b>Total current liabilities</b>	<u>41,505</u>	<u>40,578</u>
<b>NONCURRENT LIABILITIES</b>		
Long-term debt, net of current portion	<u>882,984</u>	<u>912,306</u>
<b>TOTAL LIABILITIES</b>	<u>924,489</u>	<u>952,884</u>
<b>NET ASSETS (LIABILITIES)</b>		
Invested in capital assets, net of related debt	361,204	429,551
Unrestricted	<u>(5,219)</u>	<u>(2,515)</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 355,985</u>	<u>\$ 427,036</u>

Accompanying notes are an integral part of these financial statements

**CITY OF DELAWARE CITY, DELAWARE**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS-PROPRIETARY FUND  
Years Ended June 30, 2009 and 2008

	Water Fund	
	2009	2008
<b>OPERATING REVENUES</b>		
Charges for services	\$ 270,953	\$ 283,320
<b>OPERATING EXPENSES</b>		
Salaries	37,293	42,815
Payroll taxes	3,215	3,550
Employee benefits	5,067	8,652
Contractual services	37,500	37,500
Insurance	15,446	18,277
Telephone	4,294	3,731
Electricity	33,496	35,018
Professional fees	16,006	9,609
Distribution system maintenance	40,905	23,408
Office supplies	1,321	694
Materials and supplies	3,578	4,310
Fuel for heating	2,885	2,191
Miscellaneous	200	230
Depreciation and amortization	135,762	133,816
<b>Total operating expenses</b>	<b>336,968</b>	<b>323,801</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(66,015)</b>	<b>(40,481)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest expense	(40,906)	(42,132)
Miscellaneous revenues	1,650	2,369
<b>Total nonoperating revenues (expenses)</b>	<b>(39,256)</b>	<b>(39,763)</b>
<b>INCOME (LOSS) BEFORE OTHER FINANCING SOURCES (USES)</b>	<b>(105,271)</b>	<b>(80,244)</b>
<b>TRANSFERS FROM (TO) GOVERNMENTAL ACTIVITIES</b>	<b>34,220</b>	<b>(36,818)</b>
<b>CHANGES IN NET ASSETS (LIABILITIES)</b>	<b>(71,051)</b>	<b>(117,062)</b>
<b>NET ASSETS</b>		
Beginning of year	427,036	544,098
End of year	\$ 355,985	\$ 427,036

Accompanying notes are an integral  
part of these financial statements

**CITY OF DELAWARE CITY, DELAWARE**  
**STATEMENTS OF CASH FLOWS-PROPRIETARY FUND**  
**Years Ended June 30, 2009 and 2008**

	Water Fund	
	2009	2008
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 275,430	\$ 290,356
Cash payments to suppliers for goods and services	(155,631)	(134,968)
Cash payments to employees for services	(45,575)	(55,017)
<b>Net cash provided (used) by operating activities</b>	<u>74,224</u>	<u>100,371</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition of capital assets	(39,283)	...
Principal paid on general obligation bonds and notes	(28,132)	(21,873)
Interest paid on general obligation bonds and notes	(41,029)	(41,680)
Cash received (paid) from governmental activities	34,220	(36,818)
<b>Net cash provided (used) by capital and related financing activities</b>	<u>(74,224)</u>	<u>(100,371)</u>
<b>NET INCREASE IN CASH AND EQUIVALENTS</b>	...	...
<b>CASH AND EQUIVALENTS</b>		
Beginning of year	...	...
End of year	<u>\$ ...</u>	<u>\$ ...</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Operating income (loss)	\$ (66,015)	\$ (40,481)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	134,364	132,417
Amortization	1,398	1,399
Other nonoperating revenues	1,650	2,369
Changes in assets and liabilities:		
Receivables	2,967	4,142
Refundable deposits	(140)	525
Total adjustments	<u>140,239</u>	<u>140,852</u>
<b>Net cash provided from operating activities</b>	<u>\$ 74,224</u>	<u>\$ 100,371</u>

Accompanying notes are an integral part of these financial statements

**CITY OF DELAWARE CITY, DELAWARE**  
NOTES TO FINANCIAL STATEMENTS

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the City of Delaware City [the "City"] have been prepared in conformity with U.S. generally accepted accounting principles as applied to local governmental units. The Governmental Accounting Standards Board [GASB] is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board [FASB] pronouncements and Accounting Principles Board [APB] opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The City has the option of election to apply FASB pronouncements issued after November 30, 1989. The City has elected not to apply those pronouncements. The significant accounting policies of the City are described below.

Reporting Entity

The City of Delaware City incorporated on March 5, 1851 under the provisions of the State of Delaware, is a municipal corporation governed by a six-member governing body consisting of the Mayor [elected at large] and five Members of Council and provides traditional municipal services authorized by its charter as well as water services. In evaluating the City as a reporting entity, management has addressed all potential component units for which the City may or may not be financially accountable and, as such, be includable within the City's basic financial statements. According to the GASB, the City is financially accountable if it appoints a voting majority of an entity's governing board and (1) it can impose its will on the entity or (2) there is a potential for the entity to provide specific financial benefit to or impose specific financial burden on the City. Additionally the statement requires the City to consider other entities for which the nature and significance of their relationship are such that exclusion would cause the reporting entity's basic financial statements to be misleading or incomplete. The component unit discussed below is included in the City's reporting entity because of the financial relationship with the City.

Discretely Presented Component Unit

The component unit column in the government-wide financial statements includes the financial data of the only component unit of the City. The component unit is reported in a separate column to emphasize that it is legally separate from the City's primary government operations.

**Delaware City Day Committee** was formed for the purpose of accounting for the financial activity of the City's annual celebration of "Delaware City Day".

**CITY OF DELAWARE CITY, DELAWARE**  
NOTES TO FINANCIAL STATEMENTS

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

Government-Wide and Fund Financial Statements

The City's basic financial statements consist of the following:

- Government-wide financial statements
- Fund financial statements, and
- Notes to the financial statements.

The government-wide financial statements consist of the statement of net assets and the statement of activities. As a general rule, the effect of interfund activity has been removed from the government-wide financial statements. All internal balances in the statement of net assets have been eliminated, with the exception of those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total government column. In the statement of activities, transactions between governmental and business-type activities have not been eliminated.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues [governmental activities] from other functions that are intended to recover all or a significant portion of their costs through user fees and charges [business-type activities]. The governmental activities of the City include general government, public safety [police], public works [streets and sanitation], parks and recreation, Youth Center, and other general administrative support services. The business-type activities of the City include the water system.

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

Separate financial statements are provided for governmental funds and proprietary funds. The major individual governmental and proprietary funds are reported as separate columns in the fund financial statements.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The **government-wide financial statements** are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned, or, for property tax revenues, in the period for which levied. Expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

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 are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when payment is due.

Charges for services, property taxes, grants and similar items, and interest associated with the current fiscal year are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal year. All other revenue items are considered to be measurable and available only when received.

The City reports the following major governmental funds:

- The **general fund** is the City's primary operating fund. It accounts for all financial resources of the City, except those required to be accounted in other funds.
- The **special revenue fund** accounts for resources and payments of the activities derived from earmarked revenue sources. When such needs arise, separate self-balancing funds are established to account for each restricted special revenue source. Also included is the "Revolving Loan Fund" whose purpose is to provide "Façade Improvement" funding to private businesses for the revitalization of the City's downtown area.

Additionally, the City reports the following fund type:

- The **proprietary fund** [water] accounts for resources and payments made for providing water service to the citizens of the City.

**CITY OF DELAWARE CITY, DELAWARE**  
NOTES TO FINANCIAL STATEMENTS

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing and delivering goods and services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's proprietary fund is water fees. Operating expenses for the proprietary fund include salaries, employee benefits, purchased services, supplies and materials, water plant maintenance, and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Budgetary Accounting

The City Council follows these procedures in establishing the budgetary data reflected within the financial statements:

- The City Manager submits to the City Council a proposed budget for the ensuing fiscal year. The budget includes proposed expenditures and the means of financing them.
- Council meets in open session to review the proposed budget.
- Not later than the public meeting and prior to the end of the preceding fiscal year, the budget is legally enacted.
- The City Manager is required to present a monthly report to Council explaining any variances from the approved budget.
- Formal budgetary integration is employed as a management control device during the year for all operating funds.
- The budget for the general fund is adopted on a basis consistent with U.S. generally accepted accounting principles [GAAP].
- The budget for budgeted special revenue funds are approved based on individual funding sources.

Use of Estimates

The preparation of financial statements in conformance with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results may differ from those estimates.

**CITY OF DELAWARE CITY, DELAWARE**  
NOTES TO FINANCIAL STATEMENTS

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

Cash and Equivalents

The City considers demand deposits and all unrestricted highly liquid investments with an initial maturity of three months or less to be cash and equivalents.

Receivable-Taxes

At June 30, 2009 and 2008, taxes receivable are shown net of the estimated uncollectible allowances of \$43,422 and \$27,614, respectively. The allowances for uncollectible accounts are based upon historical data established according to experience and other factors which in the judgment of City officials deserve recognition in estimating possible losses. Management believes that they have adequately provided for future probable losses.

Receivable-Trade Accounts

At June 30, 2009 and 2008, trade accounts receivable are shown net of the estimated uncollectible allowances of \$12,799 and \$4,043, respectively. The allowances for uncollectible accounts are based upon historical data established according to experience and other factors which in the judgment of City officials deserve recognition in estimating possible losses. Management believes that they have adequately provided for future probable losses.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund balances" [i.e., current portion] or "advances from/to other funds" [i.e., the noncurrent portion].

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in the applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources. At June 30, 2009 and 2008, the City had no such activity.

Restricted Assets

Restricted assets consist of funds awarded to the City in the *Texaco Settlement Agreement and Release* in the amount of \$350,000 dated September 20, 2007. The restricted assets also include the net investment income earned on the funds.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

Capital Assets and Depreciation

Capital assets, which include property, plant, equipment, and infrastructure assets [such as roads, sidewalks, traffic signals, street lights, and similar items], are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of \$1,500 or more and an estimated useful life in excess of one year. Such capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of a capital asset or materially extends its life is not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of the capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. During fiscal years 2009 and 2008, no interest was capitalized.

Capital assets of the City are depreciated using a straight-line method over the following estimated useful lives:

Assets	Years
Buildings and improvements	10 to 50
Improvements other than buildings	5 to 50
Machinery and equipment	3 to 10
Furniture and office equipment	3 to 10
Water system	15 to 40
Infrastructure assets	20 to 50

As a result of GASB 34 implementation, the City is now accounting for infrastructure assets on its financial statements. The government-wide financial statements include those infrastructure assets that were either completed during the current fiscal year or considered construction in progress at year-end. However, the government-wide financial statements do not reflect those infrastructure assets completed prior to July 1, 2003.

Unamortized Bond Issue Costs

Bond issue costs of the Series 2006 Bond in the amount of \$27,969 are being amortized over the life [20 years] of the Bond using the straight-line method. At June 30, 2009 and 2008, accumulated amortization was \$3,613 and \$2,215, respectively. Amortization expense annually is \$1,399.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

Deferred Revenues

Deferred revenues represent funds received in advance which will be recognized in future years when the revenue recognition criteria is met. At June 30, 2009 and 2008, deferred revenues in the general fund consist of \$5,283 and \$23,853 of which deferred rent was \$0 and \$19,032 and other revenue sources, respectively.

Refundable Advances

The City records grant and other awards, accounted for as exchange transactions, as refundable advances until the related services are performed at which time they are recognized as revenues.

Compensated Absences

Employees can accumulate certain number of vacation days. The City accrues a liability for absences that meet the following criteria:

- The City's obligation relating to employees' rights to receive compensation for future absences is attributable to employees' services already rendered.
- The obligation relates to rights that vest or accumulate.
- Payment of the compensation is probable.
- The amount can be reasonably estimated.

In accordance with the above criteria, the City has accrued on the government-wide financial statements a liability for vacation pay which has been earned but not taken by City employees. For governmental funds, the long-term portion of the liability for compensated absences is not reflected in the fund financial statements since it is anticipated that none of the liability will be liquidated with expendable available financial resources. However, the proprietary fund liability for compensated absences is recorded as an accrued liability in accordance with Financial Accounting Standards Board guidelines.

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

In the fund financial statements, governmental fund types recognize bond discounts and issuance costs in the current period. Bond discounts and refunding losses for proprietary fund types are deferred and amortized over the term of the bonds using the bonds-outstanding method, which approximates the effective interest method.

**CITY OF DELAWARE CITY, DELAWARE**  
NOTES TO FINANCIAL STATEMENTS

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in governmental funds. Encumbrances as of the year end are reported as reservations of fund balance since they do not constitute expenditures or liabilities but serve as authorization for expenditures in the subsequent year. At June 30, 2009 and 2008, the City had no outstanding encumbrances.

Net Assets and Fund Equity

In the government-wide financial statements and proprietary funds financial statements, net assets are reported in three categories: net assets invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. Net assets invested in capital assets, net of related debt represents capital assets less accumulated depreciation less outstanding principal of related debt. Net assets invested in capital assets, net of related debt does not include the unspent proceeds of capital debt. Restricted net assets represent net assets restricted by parties outside of the City [such as creditors, grantors, contributors, laws, and regulations of other governments] and include unspent grant awards not considered refundable advances. All other net assets are considered unrestricted.

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

Reclassifications

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

**NOTE 2 - PROPERTY TAXES**

The tax on real estate within the City limits is \$1.09 per \$100 of assessed valuation for the fiscal year 2009 and \$1.09 per \$100 of assessed valuation for the fiscal year 2008 as levied by City Council. The City bills and collects its own property taxes. The delinquent property taxes are levied by the City. The schedule of property taxes levied for fiscal years 2009 and 2008 follows:

- |           |   |
|-----------|---|
| July 1    | - Levy Date [effective date of enforceable lien]        |
| October 1 | - 5% Penalty plus 1% for each subsequent month not paid |

**CITY OF DELAWARE CITY, DELAWARE**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 3 - CASH AND INVESTMENTS**

It is the policy of the City of Delaware City to invest funds under its control principally in money market accounts.

Cash and Equivalents

The City's deposits [cash and equivalents] are categorized to give an indication of the level of risk assumed at June 30, 2009 and 2008. The categories are described below:

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

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

Category 3-Uncollateralized and uninsured deposits.

Deposits categorized by level of risk at June 30 are as follows:

Description	2009		2008	
	Book	Bank	Book	Bank
Category 1	\$ 234,749	\$ 244,000	\$ 109,038	\$ 101,038
Category 2	...	...	127,310	172,723
Category 3	<u>300</u>	<u>...</u>	<u>300</u>	<u>...</u>
<b>Totals</b>	<b>\$ 235,049</b>	<b>\$ 244,000</b>	<b>\$ 236,648</b>	<b>\$ 273,761</b>

**NOTE 4 - NOTES RECEIVABLE**

Notes receivable consist of loans made by the "Revolving Loan Fund" for the Façade Improvement Program. At June 30, 2009 and 2008, the receivable consisted of one and three notes, respectively, which are payable either in monthly or quarterly installments of interest and principal. The notes carry a fixed rate of interest and are secured with the real property of the borrower.

**NOTE 5 - INTERGOVERNMENTAL RECEIVABLES**

Primary government receivables due from other governmental units represent revenues earned by the City. At June 30, 2009 and 2008, the receivables consist of:

Description	Activity Type			
	2009		2008	
	Governmental	Business	Governmental	Business
Delaware Land and Water Conservation Trust Fund	\$ 54,575	\$ ...	\$ 2,500	\$ ...
Delaware Emergency Management Agency	...	...	17,067	...
Various other State agencies	<u>...</u>	<u>...</u>	<u>13,214</u>	<u>...</u>
<b>Total intergovernmental receivables</b>	<b>\$ 54,575</b>	<b>\$ ...</b>	<b>\$ 32,781</b>	<b>\$ ...</b>

**CITY OF DELAWARE CITY, DELAWARE**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 - CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2009 follows:

Description	Beginning Balances	Additions	Deletions	Ending Balances
<b>Governmental activities:</b>				
Capital assets, not depreciated:				
Land	\$ 421,737	\$ ...	\$ ...	\$ 421,737
Construction in progress:				
Buildings and improvements	1,773,284	444,302	1,941,202	276,384
Streets and sidewalks	...	...	...	...
Trees, trails and landscape	<u>2,954</u>	<u>66,231</u>	<u>...</u>	<u>69,185</u>
Total capital assets, not being depreciated	<u>2,197,975</u>	<u>510,533</u>	<u>1,941,202</u>	<u>767,306</u>
Capital assets, being depreciated:				
Buildings and improvements	4,089,242	2,015,746	...	6,104,988
Furniture and office equipment	57,520	...	...	57,520
Vehicles and equipment	259,331	24,998	...	284,329
Streets and sidewalks	1,332,287	...	...	1,332,287
Trees, trails and landscape	<u>1,058,722</u>	<u>...</u>	<u>...</u>	<u>1,058,722</u>
Total being depreciated	<u>6,797,102</u>	<u>2,040,744</u>	<u>...</u>	<u>8,837,846</u>
Less accumulated depreciation:				
Buildings and improvements	453,457	115,965	...	569,422
Furniture and office equipment	37,140	6,371	...	43,511
Vehicles and equipment	114,714	41,177	...	155,891
Streets and sidewalks	326,145	108,970	...	435,115
Trees, trails and landscape	...	...	...	...
Total accumulated depr.	<u>931,456</u>	<u>272,483</u>	<u>...</u>	<u>1,203,939</u>
Total capital assets, being depreciated	<u>5,865,646</u>	<u>1,768,261</u>	<u>...</u>	<u>7,633,907</u>
Governmental activities capital assets, net	<u>\$ 8,063,621</u>	<u>\$ 2,278,794</u>	<u>\$ 1,941,202</u>	<u>\$ 8,401,213</u>
<b>Business-type activities:</b>				
Capital assets, not depreciated:				
Land	\$ 18,331	\$ ...	\$ ...	\$ 18,331
Construction in progress	...	...	...	...
Total capital assets, not being depreciated	<u>18,331</u>	<u>...</u>	<u>...</u>	<u>18,331</u>
Capital assets, being depreciated:				
Buildings and improvements	415,592	...	...	415,592
Water distribution system	2,672,401	39,283	...	2,711,684
Machinery and equipment	...	...	...	...
Total being depreciated	<u>3,087,993</u>	<u>39,283</u>	<u>...</u>	<u>3,127,276</u>
Less accumulated depreciation:				
Buildings and improvements	289,488	10,501	...	299,989
Water distribution system	1,472,628	123,863	...	1,596,491
Machinery and equipment	...	...	...	...
Total accumulated depr.	<u>1,762,116</u>	<u>134,364</u>	<u>...</u>	<u>1,896,480</u>
Total capital assets, being depreciated	<u>1,325,877</u>	<u>(95,081)</u>	<u>...</u>	<u>1,230,796</u>
Business-type activities capital assets, net	<u>\$ 1,344,208</u>	<u>\$ (95,081)</u>	<u>\$ ...</u>	<u>\$ 1,249,127</u>

**CITY OF DELAWARE CITY, DELAWARE**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 - CAPITAL ASSETS (continued)**

Capital assets activity for the year ended June 30, 2008 follows:

Description	Beginning Balances	Additions	Deletions	Ending Balances
<b>Governmental activities:</b>				
Capital assets, not depreciated:				
Land	\$ 421,737	\$ ...	\$ ...	\$ 421,737
Construction in progress:				
Buildings and improvements	258,949	1,514,335	...	1,773,284
Streets and sidewalks	...	...	...	...
Trees, trails and landscape	...	2,954	...	2,954
Total capital assets, not being depreciated	680,686	1,517,289	...	2,197,975
Capital assets, being depreciated:				
Buildings and improvements	4,089,242	...	...	4,089,242
Furniture and office equipment	57,520	...	...	57,520
Vehicles and equipment	293,268	21,592	55,529	259,331
Streets and sidewalks	1,332,287	...	...	1,332,287
Trees, trails and landscape	1,058,722	...	...	1,058,722
Total being depreciated	6,831,039	21,592	55,529	6,797,102
Less accumulated depreciation:				
Buildings and improvements	347,142	106,315	...	453,457
Furniture and office equipment	30,769	6,371	...	37,140
Vehicles and equipment	115,079	40,668	41,033	114,714
Streets and sidewalks	217,175	108,970	...	326,145
Trees, trails and landscape	...	...	...	...
Total accumulated depr.	710,165	262,324	41,033	931,456
Total capital assets, being depreciated	6,120,874	(240,732)	14,496	5,865,646
Governmental activities capital assets, net	\$ 6,801,560	\$ 1,276,557	\$ 14,496	\$ 8,063,621
<b>Business-type activities:</b>				
Capital assets, not depreciated:				
Land	\$ 18,331	\$ ...	\$ ...	\$ 18,331
Construction in progress	...	...	...	...
Total capital assets, not being depreciated	18,331	...	...	18,331
Capital assets, being depreciated:				
Buildings and improvements	415,592	...	...	415,592
Water distribution system	2,672,401	...	...	2,672,401
Machinery and equipment	...	...	...	...
Total being depreciated	3,087,993	...	...	3,087,993
Less accumulated depreciation:				
Buildings and improvements	278,986	10,502	...	289,488
Water distribution system	1,350,713	121,915	...	1,472,628
Machinery and equipment	...	...	...	...
Total accumulated depr.	1,629,699	132,417	...	1,762,116
Total capital assets, being depreciated	1,458,294	(132,417)	...	1,325,877
Business-type activities capital assets, net	\$ 1,476,625	\$ (132,417)	\$ ...	\$ 1,344,208

**NOTE 7 - ECONOMIC DEPENDENCY**

A substantial portion of the City's annual property tax assessment is paid by one corporate taxpayer, which approximates 44% of the total annual assessment.

**CITY OF DELAWARE CITY, DELAWARE**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 8 - LONG-TERM DEBT OBLIGATIONS**

The schedule summarizes the changes in long-term obligation debt:

Description	Year Ended June 30, 2009				
	Beginning Balances	Additions	Deletions	Ending Balances	
				Long-term Portion	Due Within One Year
<b>Governmental Activities:</b>					
General obligation notes:					
Wilmington Trust Company	\$ 24,342	\$ ...	\$ 24,342	\$ ...	\$ ...
Wilmington Trust Company	...	203,015	...	...	203,015
Sun National Bank	28,040	...	5,096	17,545	5,399
Sun National Bank	300,000	...	8,000	280,000	12,000
Sun National Bank	...	200,000	5,333	186,667	8,000
Ford Motor Credit Corp.	6,748	...	6,748	...	...
Ford Motor Credit Corp.	20,442	...	7,082	6,873	6,487
Stoltz Foundation	...	25,000	6,006	10,736	8,258
Total note obligations	379,572	428,015	62,607	501,821	243,159
General obligation bond:					
Citizens Bank	318,846	...	17,818	282,020	19,008
<b>Total governmental</b>	<b>\$ 698,418</b>	<b>\$ 428,015</b>	<b>\$ 80,425</b>	<b>\$ 783,841</b>	<b>\$ 262,167</b>
<b>Business-Type Activities:</b>					
General obligation bonds:					
1995 Series	\$ 582,904	\$ ...	\$ 9,422	\$ 563,608	\$ 9,874
2006 Series	268,073	...	10,543	246,694	10,836
Total bond obligations	850,977	...	19,965	810,302	20,710
General obligation notes:					
SERCAP	89,434	...	8,167	72,682	8,585
<b>Total business-type</b>	<b>\$ 940,411</b>	<b>\$ ...</b>	<b>\$ 28,132</b>	<b>\$ 882,984</b>	<b>\$ 29,295</b>

General Obligation Bonds and Notes

Wilmington Trust Company-Notes

On September 30, 1999, the City issued a general obligation note to Wilmington Trust Bank in the amount of \$115,000, carrying a maturity date of September 30, 2009. The note was for a term of ten years with a fifteen-year amortization and called for monthly payments of \$1,175.52. Interest was payable at the adjusted rate [defined as the annual rate equal to 75% of the Wilmington Trust Company's National Commercial Rate (NCR)]. The note was issued for the purpose of purchasing real estate located at 112 Clinton Street, Delaware City, and was secured with an interest in all machinery, equipment, furniture and inventory, and contract rights now owned by the City or hereafter acquired wherever located. The note was repaid in full during fiscal year 2009.

On May 23, 2008, the City entered into a loan arrangement with Wilmington Trust Company in the amount of \$234,000. The arrangement calls for payments of interest only at a fixed rate of 3% and matures May 23, 2010. On that date the City intends to refinance the balance outstanding with long-term financing. At June 30, 2009, the balance outstanding was \$203,015.

**CITY OF DELAWARE CITY, DELAWARE**  
 NOTES TO FINANCIAL STATEMENTS

**NOTE 8 - LONG-TERM DEBT OBLIGATIONS** (continued)

General Obligation Bonds and Notes (continued)

Sun National Bank-Note

On January 9, 2003, the City issued a general obligation note to Sun National Bank in the amount of \$50,000, with a maturity date of April 10, 2013. The note was issued for the purpose of funding the "Revolving Loan Fund" for the Façade Improvement Program. The note is secured with the full faith and credit of the City, and the assignment of tax revenues. At June 30, 2009, the note repayment schedule [based on an interest rate of 6.49%] follows:

<u>Years Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 5,399	\$ 1,332	\$ 6,731
2011	5,760	971	6,731
2012	6,145	586	6,731
2013	<u>5,640</u>	<u>213</u>	<u>5,853</u>
Total required payments	<u>\$ 22,944</u>	<u>\$ 3,102</u>	<u>\$ 26,046</u>

Sun National Bank-Lines of Credit

On October 25, 2007, the City opened two non-revolving lines of credit with Sun National Bank in the amounts of \$300,000 and \$200,000. The lines of credit required nine monthly payments of interest only at the bank's prime rate minus 1%, floating, beginning with the payment due November 25, 2007. The principal balance outstanding on the lines of credit was converted to a five year term loan with fixed principal payments based on a twenty-five year amortization with the final payment due July 25, 2013. The lines of credit are collateralized with the real property located in New Castle County, State of Delaware, as stipulated in the security agreement.

At June 30, 2009, the \$300,000 loan repayment schedule [based on an effective interest rate of 2.25%] follows:

<u>Years Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 12,000	\$ 6,446	\$ 18,446
2011	12,000	6,176	18,176
2012	12,000	5,906	17,906
2013	12,000	5,636	17,636
2014	<u>244,000</u>	<u>458</u>	<u>244,458</u>
Total required payments	<u>\$ 292,000</u>	<u>\$ 24,622</u>	<u>\$ 316,622</u>

**CITY OF DELAWARE CITY, DELAWARE**  
 NOTES TO FINANCIAL STATEMENTS

**NOTE 8 - LONG-TERM DEBT OBLIGATIONS** (continued)

General Obligation Bonds and Notes (continued)

Sun National Bank-Lines of Credit (continued)

At June 30, 2009, the \$200,000 loan repayment schedule [based on an effective interest rate of 2.25%] follows:

<u>Years Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 8,000	\$ 4,298	\$ 12,298
2011	8,000	4,118	12,118
2012	8,000	3,938	11,938
2013	8,000	3,758	11,758
2014	<u>162,667</u>	<u>305</u>	<u>162,972</u>
<b>Total required payments</b>	<b>\$ <u>194,667</u></b>	<b>\$ <u>16,417</u></b>	<b>\$ <u>211,084</u></b>

Ford Motor Credit Corporation

On May 18, 2006, the City entered into a lease-purchase arrangement with Ford Motor Credit Corporation in the amount of \$20,057, with a maturity date of July 15, 2008. Interest was payable at an annual rate of 6.80%. The arrangement was for the purchase of a 2006 Ford Crown Victoria. The note was repaid during fiscal year 2009.

On May 16, 2008, the City entered into a lease-purchase arrangement with Ford Motor Credit Corporation in the amount of \$20,442, with a maturity date of July 15, 2010. Interest is payable at an annual rate of 5.95%. The arrangement was for the purchase of a 2008 Ford Crown Victoria, and is secured with an interest in the vehicle. At June 30, 2009, the repayment schedule is as follows:

<u>Years Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 6,487	\$ 795	\$ 7,282
2011	<u>6,873</u>	<u>408</u>	<u>7,281</u>
<b>Total required payments</b>	<b>\$ <u>13,360</u></b>	<b>\$ <u>1,203</u></b>	<b>\$ <u>14,563</u></b>

Stoltz Foundation-Note

On September 3, 2008, the City issued a promissory note in the amount of \$25,000 with a maturity date of September 29, 2011. The note carries an interest rate of 3.50% and requires monthly payments of \$732.55 [principal and interest]. The proceeds were used to purchase a 2008 Dodge Charger. At June 30, 2009, the repayment schedule is as follows:

<u>Years Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 8,258	\$ 713	\$ 8,971
2011	8,551	420	8,971
2012	<u>2,185</u>	<u>13</u>	<u>2,198</u>
<b>Total required payments</b>	<b>\$ <u>18,994</u></b>	<b>\$ <u>1,146</u></b>	<b>\$ <u>20,140</u></b>

**CITY OF DELAWARE CITY, DELAWARE**  
 NOTES TO FINANCIAL STATEMENTS

**NOTE 8 - LONG-TERM DEBT OBLIGATIONS** (continued)

General Obligation Bonds and Notes (continued)

Citizens Bank-Bond

On June 15, 2006, the City issued a General Obligation Bond to Citizens Bank in the amount of \$355,000, with a maturity date of June 15, 2021. The bond carries an annual interest rate of 5.125% on the principal amount thereof, and requires monthly payments of \$2,830.49 [principal and interest]. The note was issued for the purpose of funding the City's 2006 Capital Improvement Projects. The bond is secured with the full faith and credit of the City. At June 30, 2009, the repayment schedule is as follows:

<u>Years Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 19,008	\$ 14,958	\$ 33,966
2011	20,005	13,961	33,966
2012	21,055	12,911	33,966
2013	22,160	11,806	33,966
2014	23,322	10,644	33,966
2015-2019	136,303	33,526	169,829
2020-2021	<u>59,175</u>	<u>2,361</u>	<u>61,536</u>
<b>Total required payments</b>	<b>\$ 301,028</b>	<b>\$ 100,167</b>	<b>\$ 401,195</b>

General Obligation Bonds, Series 1995

The general obligation bonds, Series 1995 [originally issued in the amount of \$662,000] carry a maturity date of February 21, 2037. The proceeds of the general obligation bonds were used to finance the City's "Water System Improvement Project". The bonds carry a fixed interest rate of 5.00% per annum and are payable in quarterly installments of \$9,593, including interest. At June 30, 2009, the repayment schedule is as follows:

<u>Years Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 9,874	\$ 28,498	\$ 38,372
2011	10,375	27,997	38,372
2012	10,905	27,467	38,372
2013	11,461	26,911	38,372
2014	12,044	26,328	38,372
2015-2019	70,076	121,784	191,860
2020-2024	89,840	102,020	191,860
2025-2029	115,178	76,682	191,860
2030-2034	147,662	44,198	191,860
2035-2037	<u>96,067</u>	<u>7,393</u>	<u>103,460</u>
<b>Total required payments</b>	<b>\$ 573,482</b>	<b>\$ 489,278</b>	<b>\$1,062,760</b>

**CITY OF DELAWARE CITY, DELAWARE**  
 NOTES TO FINANCIAL STATEMENTS

**NOTE 8 - LONG-TERM DEBT OBLIGATIONS** (continued)

General Obligation Bonds and Notes (continued)

General Obligation Bond, Series 2006

On October 11, 2006, the City issued a General Obligation Bond to the Delaware Safe Drinking Water Revolving Fund, Delaware Department of Health & Social Services, Division of Public Health in the amount of \$273,237, with a maturity date of August 1, 2027. The bond carries an annual interest rate of 2.76% on the principal amount thereof, and requires semiannual payments of principal and interest on August 1 and February 1 of each year. The bond was issued for the purpose of funding the Delaware City Well 5 Upgrade Project. The bond is secured with the full faith and credit of the City. At June 30, 2009, the repayment schedule is as follows:

<u>Years Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 10,836	\$ 7,033	\$ 17,869
2011	11,137	6,732	17,869
2012	11,446	6,423	17,869
2013	11,764	6,105	17,869
2014	12,091	5,778	17,869
2015-2019	65,689	23,658	89,347
2020-2024	75,338	14,009	89,347
2025-2028	<u>59,229</u>	<u>3,315</u>	<u>62,544</u>
<b>Total required payments</b>	<b>\$ <u>257,530</u></b>	<b>\$ <u>73,053</u></b>	<b>\$ <u>330,583</u></b>

SERCAP Note

On May 21, 2002, the City issued a general obligation note to the Southeast Rural Community Assistance Project, Inc. [SERCAP] in the amount of \$131,250, with an annual interest rate of 5.00%. The note requires monthly payments of \$1,037.90 [principal and interest] for fifteen years and matures on May 21, 2017. The note was issued for the City's "Well No. 4 Water Filter Rehabilitation Project". The note is secured with an interest in land [parcel no. 22.008.00.055] located at 321 Washington Street, Delaware City, Delaware. At June 30, 2009, the repayment schedule is as follows:

<u>Years Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 8,585	\$ 3,870	\$ 12,455
2011	9,025	3,430	12,455
2012	9,486	2,969	12,455
2013	9,972	2,483	12,455
2014	10,482	1,973	12,455
2015-2017	<u>33,717</u>	<u>2,614</u>	<u>36,331</u>
<b>Total required payments</b>	<b>\$ <u>81,267</u></b>	<b>\$ <u>17,339</u></b>	<b>\$ <u>98,606</u></b>

**CITY OF DELAWARE CITY, DELAWARE**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 8 - LONG-TERM DEBT OBLIGATIONS** (continued)

General Obligation Bonds and Notes (continued)

Future maturities of principal and interest payments follow:

Years Ending June 30	General Obligation Bonds		General Obligation Notes		Totals
	Principal	Interest	Principal	Interest	
<b>Governmental Activities:</b>					
2010	\$ 19,008	\$ 14,958	\$ 243,159	\$ 18,152	\$ 295,277
2011	20,005	13,961	41,184	12,093	87,243
2012	21,055	12,911	28,330	10,443	72,739
2013	22,160	11,806	25,640	9,607	69,213
2014	23,322	10,644	406,667	763	441,396
2015-2019	136,303	33,526	...	...	169,829
2020-2021	<u>59,175</u>	<u>2,361</u>	<u>...</u>	<u>...</u>	<u>61,536</u>
<b>Totals</b>	<b>\$ 301,028</b>	<b>\$ 100,167</b>	<b>\$ 744,980</b>	<b>\$ 51,058</b>	<b>\$ 1,197,233</b>

**Business-Type Activities:**

2010	\$ 20,709	\$ 35,532	\$ 8,585	\$ 3,870	\$ 68,696
2011	21,513	34,728	9,025	3,430	68,696
2012	22,351	33,890	9,486	2,969	68,696
2013	23,225	33,016	9,972	2,483	68,696
2014	24,135	32,106	10,482	1,973	68,696
2015-2019	135,765	145,442	33,717	2,614	317,538
2020-2024	165,178	116,029	...	...	281,207
2025-2029	174,407	79,997	...	...	254,404
2030-2034	147,662	44,198	...	...	191,860
2035-2037	<u>96,067</u>	<u>7,393</u>	<u>...</u>	<u>...</u>	<u>103,460</u>
<b>Totals</b>	<b>\$ 831,012</b>	<b>\$ 562,331</b>	<b>\$ 81,267</b>	<b>\$ 17,339</b>	<b>\$ 1,491,949</b>

**NOTE 9 - LEASING ARRANGEMENTS**

At June 30, the City is involved with the following arrangements:

Operating Lease as Lessee

The City leases the following equipment under an operating leasing arrangement. Total rental expense for years ended June 30, 2009 and 2008 was \$3,588 and \$3,588, respectively.

Description	Monthly Rentals	Expiration Date
Kyocera KM-4039 Digital Copy System	\$ 299	September, 2009

At June 30, 2009, the minimum future rental payments under the non-cancelable leasing arrangement having remaining terms in excess of one year in the aggregate are:

Years Ending June 30	Amount
2010	\$ 897
<b>Total minimum future rental payments required</b>	<b>\$ 897</b>

**CITY OF DELAWARE CITY, DELAWARE**  
NOTES TO FINANCIAL STATEMENTS

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**NOTE 9 - LEASING ARRANGEMENTS** (continued)

Operating Leases as Lessor

The City is the lessor of certain real property under operating leasing arrangements expiring at various dates through 2010. The following is a summary of property held for lease at June 30, 2009:

<u>Property Under Lease</u>	<u>Purpose of Rental</u>	<u>Cost Basis</u>
Certain land parcels	Commercial	\$ ...
Water Tower-Air Rights	Mobile Antennae	...

The lease arrangements are generally based on a percentage of lessee collections and as such the rentals cannot be estimated for future periods. Total rentals received for the years ended June 30, 2009 and 2008 was \$70,655 and \$69,437, respectively.

**NOTE 10 - LINE OF CREDIT**

On May 18, 2009, the City renewed a general obligation note for \$200,000 to Sun National Bank. The note [a line of credit] carries a variable interest rate with a maturity date of May 31, 2010. The note was issued for the purpose of providing working capital and was secured with the full faith and credit of the City and the assignment of tax revenues. At June 30, 2009 and 2008, the City had no balance outstanding, respectively.

**NOTE 11 - COMMITMENTS AND CONTINGENCIES**

In the normal course of business, there are outstanding various commitments and contingent liabilities in addition to the normal encumbrances for the purchase of goods and services. The City does not anticipate losses as a result of these transactions.

Government Grant/Award Programs

The City participates in a number of federally and state assisted programs. These programs are subject to program compliance audits by the grantors or their representatives. Accordingly, the City's compliance with applicable program requirements will be established at some future date. The amount, if any, of expenditures, not already disclosed, which may be disallowed by the granting agencies cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

Loan Commitments

On October 22, 2008, the City issued a promissory note to Wilmington Trust Company in the amount of \$60,000 carrying a variable interest rate [currently at 2.70%]. As of June 30, 2009, the City has not drawn down any funds from the Bank.

**Required Supplemental Information [RSI] Section**

**CITY OF DELAWARE CITY, DELAWARE**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE-BUDGET AND ACTUAL-GENERAL FUND  
Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes:				
Real estate taxes	\$ 696,500	\$ 696,500	\$ 693,226	\$ (3,274)
Real estate transfer taxes	40,000	40,000	24,395	(15,605)
Cable franchise taxes	9,500	9,500	13,316	3,816
Licenses and permits	2,000	2,000	4,520	2,520
Intergovernmental revenues	...	...	...	...
Police fines	15,000	15,000	11,617	(3,383)
Charges for services	5,250	5,250	5,268	18
Public service contracts		...	...	...
Interest and rents	83,200	83,200	85,060	1,860
Miscellaneous revenues	2,000	2,000	15,039	13,039
<b>Total revenues</b>	<b>853,450</b>	<b>853,450</b>	<b>852,441</b>	<b>(1,009)</b>
<b>EXPENDITURES</b>				
Current:				
General government	269,052	281,703	267,336	14,367
Public safety-police	241,278	225,627	215,758	9,869
Public works-streets	120,472	120,472	120,711	(239)
Public works-sanitation	148,000	148,000	145,612	2,388
Standing Committees	300	300	...	300
Youth Center	16,000	16,000	25,036	(9,036)
Capital outlay	...	...	377,261	(377,261)
Debt service	88,348	91,348	88,771	2,577
<b>Total expenditures</b>	<b>883,450</b>	<b>883,450</b>	<b>1,240,485</b>	<b>(357,035)</b>
<b>EXCESS (DEFICIT)</b>				
<b>REVENUES OVER EXPENDITURES</b>	<b>(30,000)</b>	<b>(30,000)</b>	<b>(388,044)</b>	<b>(358,044)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from new financing	...	...	428,015	428,015
Capital lease arrangement	...	...	...	...
Proceeds from sale of capital assets	...	...	...	...
Operating transfers in (out)	10,000	10,000	5,780	(4,220)
<b>Total other financing sources (uses)</b>	<b>10,000</b>	<b>10,000</b>	<b>433,795</b>	<b>423,795</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(20,000)</b>	<b>(20,000)</b>	<b>45,751</b>	<b>65,751</b>
<b>FUND BALANCE</b>				
Beginning of year	20,000	20,000	77,108	57,108
End of year	\$ ...	\$ ...	\$ 122,859	\$ 122,859

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City annually adopts a budget for the general fund financial statements. The budgets are integrated into the accounting system, and the budgetary data, as presented in the financial statements for all funds with annual budgets, compare the expenditures with the amended budgets. The budgets for the governmental funds are presented on the modified accrual basis of accounting. Accordingly, the accompanying budgetary comparison schedule for the general fund presents actual expenditures in accordance with the U.S. generally accepted accounting principles on a basis consistent with the legally adopted budgets as amended. Unexpended appropriations on annual budgets lapse at the end of each fiscal year.

Material Violations

There were no material violations of the annual appropriated budget of the general fund for fiscal year 2009.

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## **Additional Information Section**

**CITY OF DELAWARE CITY, DELAWARE**  
 COMBINING BALANCE SHEET-SPECIAL REVENUE FUND  
 June 30, 2009 With Comparative Totals for 2008

	Federal Funding	State Funding			Local Funding	Revolving Loan Fund	Totals	
		Municipal Street Aid	SALLE and EIDE	Other			2009	2008
<b>ASSETS</b>								
<b>ASSETS</b>								
Cash and equivalents	\$ ...	\$ 136	\$ ...	\$ ...	\$ ...	\$ 91,837	\$ 91,973	\$ 75,802
Certificates of deposit	...	...	...	...	368,924	...	368,924	357,067
Due from other governments	...	...	...	54,575	...	...	54,575	22,781
Notes receivable	...	...	...	...	...	2,040	2,040	24,081
Interfund balances	1,920	...	9,293	(49,588)	(877)	...	(39,252)	28,182
<b>TOTAL ASSETS</b>	<u>\$ 1,920</u>	<u>\$ 136</u>	<u>\$ 9,293</u>	<u>\$ 4,987</u>	<u>\$ 368,047</u>	<u>\$ 93,877</u>	<u>\$ 478,260</u>	<u>\$ 507,913</u>
<b>LIABILITIES AND FUND BALANCES</b>								
<b>LIABILITIES</b>								
Contract payable	\$ ...	\$ ...	\$ ...	\$ ...	\$ ...	\$ ...	\$ ...	\$ 41,230
Refundable advances and deposits	1,920	...	9,293	4,987	368,047	...	384,247	366,800
<b>Total liabilities</b>	<u>1,920</u>	<u>...</u>	<u>9,293</u>	<u>4,987</u>	<u>368,047</u>	<u>...</u>	<u>384,247</u>	<u>408,030</u>
<b>FUND BALANCES</b>								
Reserved for notes receivable	...	...	...	...	...	2,040	2,040	24,081
Reserved for specific programs	...	136	...	...	...	91,837	91,973	75,802
<b>Total fund balances</b>	<u>...</u>	<u>136</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>93,877</u>	<u>94,013</u>	<u>99,883</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 1,920</u>	<u>\$ 136</u>	<u>\$ 9,293</u>	<u>\$ 4,987</u>	<u>\$ 368,047</u>	<u>\$ 93,877</u>	<u>\$ 478,260</u>	<u>\$ 507,913</u>

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**CITY OF DELAWARE CITY, DELAWARE**

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES--SPECIAL REVENUE FUND  
Year Ended June 30, 2009 With Comparative Totals for 2008

	Federal Funding	State Funding			Local Funding	Revolving Loan Fund	Totals	
		Municipal Street Aid	SALLE and EIDE	Other			2009	2008
<b>REVENUES</b>								
Intergovernmental revenues:								
Federal	\$ 32,566	\$ ...	\$ ...	\$ ...	\$ ...	\$ ...	\$ 32,566	\$1,014,169
State	...	53,987	5,992	298,041	...	...	358,020	228,269
Local	...	...	...	...	36,126	...	36,126	400
Interest revenue	...	141	...	...	...	861	1,002	3,462
<b>Total revenues</b>	<b>32,566</b>	<b>54,128</b>	<b>5,992</b>	<b>298,041</b>	<b>36,126</b>	<b>861</b>	<b>427,714</b>	<b>1,246,300</b>
<b>EXPENDITURES</b>								
Current:								
Public safety-police	5,091	...	1,760	...	1,000	...	7,851	29,644
Public works-streets	...	30,970	...	...	...	...	30,970	30,016
Parks and recreation	...	...	...	3,541	34,650	...	38,191	6,127
Youth Center	...	...	...	34,200	...	...	34,200	57,143
Capital outlay:								
Public safety-police	27,475	...	4,232	...	...	...	31,707	...
Public works-streets	...	...	...	...	...	...	...	...
Parks and recreation	...	...	...	220,300	476	...	220,776	1,058,844
Youth Center	...	...	...	...	...	...	...	29,014
Debt service:								
Principal	...	11,960	...	...	...	5,095	17,055	16,055
Interest and other fees	...	11,140	...	...	...	1,694	12,834	13,786
<b>Total expenditures</b>	<b>32,566</b>	<b>54,070</b>	<b>5,992</b>	<b>258,041</b>	<b>36,126</b>	<b>6,789</b>	<b>393,584</b>	<b>1,240,629</b>
<b>EXCESS REVENUES OVER (UNDER) EXPENDITURES</b>	<b>...</b>	<b>58</b>	<b>...</b>	<b>40,000</b>	<b>...</b>	<b>(5,928)</b>	<b>34,130</b>	<b>5,671</b>
<b>OTHER FINANCING SOURCES (USES)</b>								
Operating transfers in	...	...	...	...	...	...	...	10,648
Operating transfers out	...	...	...	(40,000)	...	...	(40,000)	...
<b>Total other financing     sources (uses)</b>	<b>...</b>	<b>...</b>	<b>...</b>	<b>(40,000)</b>	<b>...</b>	<b>...</b>	<b>(40,000)</b>	<b>10,648</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>...</b>	<b>58</b>	<b>...</b>	<b>...</b>	<b>...</b>	<b>(5,928)</b>	<b>(5,870)</b>	<b>16,319</b>
<b>FUND BALANCES</b>								
Beginning of year	...	78	...	...	...	99,805	99,883	83,564
End of year	\$ ...	\$ 136	\$ ...	\$ ...	\$ ...	\$ 93,877	\$ 94,013	\$ 99,883

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