

Report of Independent Auditor

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

Years Ended June 30, 2010 and 2009



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

CERTIFIED PUBLIC ACCOUNTANTS  
& MANAGEMENT CONSULTANTS

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# CITY OF DELAWARE CITY, DELAWARE

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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, 2010 and 2009, 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.

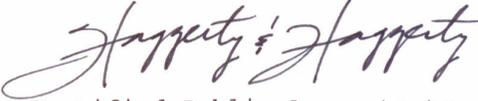
We conducted our audits in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain 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 that 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, 2010 and 2009, 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 November 11, 2010 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 30 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. Such information has 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.

A handwritten signature in cursive script that reads "Happety & Happety".

Certified Public Accountants

November 11, 2010  
Wilmington, Delaware

## **Basic Financial Statements Section**

**CITY OF DELAWARE CITY, DELAWARE**  
**STATEMENTS OF NET ASSETS**  
June 30, 2010 and 2009

	2010			Discretely Presented Component Unit	2009			Discretely Presented Component Unit
	Primary Government		Total		Primary Government		Total	
	Activity Type				Activity Type			
Governmental	Business		Governmental	Business				
<b>ASSETS</b>								
<b>Current assets:</b>								
Cash and equivalents	\$ 315,811	\$ ...	\$ 315,811	\$ 24,213	\$ 235,049	\$ ...	\$ 235,049	\$ 6,526
Receivables, net:								
Taxes	9,003	...	9,003	...	13,898	...	13,898	...
Trade accounts	...	7,291	7,291	...	...	6,991	6,991	...
Other	16,731	...	16,731	...	18,233	...	18,233	...
Due from other governments	33,774	...	33,774	...	54,575	...	54,575	...
Restricted assets:								
Cash and equivalents	369,761	...	369,761	...	368,924	...	368,924	...
Note receivable due within one year	...	...	...	...	2,040	...	2,040	...
Prepayments and other assets	...	...	...	6,150	...	...	...	3,500
<b>Total current assets</b>	<b>745,080</b>	<b>7,291</b>	<b>752,371</b>	<b>30,363</b>	<b>692,719</b>	<b>6,991</b>	<b>699,710</b>	<b>10,026</b>
<b>Noncurrent assets:</b>								
Capital assets, net:								
Nondepreciable	516,502	18,331	534,833	...	767,306	18,331	785,637	...
Depreciable	7,596,222	1,106,286	8,702,508	...	7,633,907	1,230,796	8,864,703	...
Bond issue costs, net of amortization	...	22,958	22,958	...	...	24,356	24,356	...
<b>Total noncurrent assets</b>	<b>8,112,724</b>	<b>1,147,575</b>	<b>9,260,299</b>	<b>...</b>	<b>8,401,213</b>	<b>1,273,483</b>	<b>9,674,696</b>	<b>...</b>
<b>TOTAL ASSETS</b>	<b>8,857,804</b>	<b>1,154,866</b>	<b>10,012,670</b>	<b>30,363</b>	<b>9,093,932</b>	<b>1,280,474</b>	<b>10,374,406</b>	<b>10,026</b>
<b>LIABILITIES</b>								
<b>Current liabilities:</b>								
Line of credit	...	...	...	...	...	...	...	...
Contract payable	...	...	...	...	65,637	...	65,637	...
Accounts payable	46,249	...	46,249	...	19,241	...	19,241	...
Accrued interest payable	...	5,860	5,860	...	...	6,050	6,050	...
Current portion of long-term debt	61,094	30,537	91,631	...	262,167	29,295	291,462	...
Payroll deductions and withholdings	4,366	...	4,366	...	1,439	...	1,439	...
Compensated absences liability	1,895	...	1,895	...	...	...	...	...
Deferred revenues due within one year	5,864	...	5,864	...	5,283	...	5,283	...
Refundable advances and deposits	391,704	11,340	403,044	5,974	384,247	6,160	390,407	9,900
<b>Total current liabilities</b>	<b>511,172</b>	<b>47,737</b>	<b>558,909</b>	<b>5,974</b>	<b>738,014</b>	<b>41,505</b>	<b>779,519</b>	<b>9,900</b>
<b>Noncurrent liabilities:</b>								
Long-term debt, net of current portion	934,895	852,875	1,787,770	...	783,841	882,984	1,666,825	...
Long-term portion of compensated absences	9,600	...	9,600	...	11,980	...	11,980	...
<b>Total noncurrent liabilities</b>	<b>944,495</b>	<b>852,875</b>	<b>1,797,370</b>	<b>...</b>	<b>795,821</b>	<b>882,984</b>	<b>1,678,805</b>	<b>...</b>
<b>TOTAL LIABILITIES</b>	<b>1,455,667</b>	<b>900,612</b>	<b>2,356,279</b>	<b>5,974</b>	<b>1,533,835</b>	<b>924,489</b>	<b>2,458,324</b>	<b>9,900</b>
<b>NET ASSETS (LIABILITIES)</b>								
Invested in capital assets, net of related debt	7,116,735	264,163	7,380,898	...	7,355,205	361,204	7,716,409	...
Restricted for specific programs	70,968	...	70,968	24,389	94,013	...	94,013	126
Unrestricted	214,434	(9,909)	204,525	...	110,879	(5,219)	105,660	...
<b>TOTAL NET ASSETS</b>	<b>\$ 7,402,137</b>	<b>\$ 254,254</b>	<b>\$ 7,656,391</b>	<b>\$ 24,389</b>	<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, 2010

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	\$ 262,758	\$ 3,351	\$ ...	\$ ...	\$ (259,407)	\$ ...	\$ (259,407)	\$ ...
Public safety-police	211,128	12,539	32,875	6,242	(159,472)	...	(159,472)	...
Public works-streets	265,465	...	...	25,580	(239,885)	...	(239,885)	...
Public works-sanitation	146,602	4,392	...	...	(142,210)	...	(142,210)	...
Parks and recreation	63,654	...	89,273	4,829	30,448	...	30,448	...
Youth Center	36,760	181	27,000	...	(9,579)	...	(9,579)	...
Interest on long-term debt	37,110	...	...	...	(37,110)	...	(37,110)	...
Depreciation-unallocated	320,318	...	...	...	(320,318)	...	(320,318)	...
<b>Total governmental activities</b>	<b>1,343,795</b>	<b>20,463</b>	<b>149,148</b>	<b>36,651</b>	<b>(1,137,533)</b>	<b>...</b>	<b>(1,137,533)</b>	<b>...</b>
<b>BUSINESS-TYPE ACTIVITIES</b>								
Water system	351,468	262,286	...	...	...	(89,182)	(89,182)	...
<b>Total business-type activities</b>	<b>351,468</b>	<b>262,286</b>	<b>...</b>	<b>...</b>	<b>...</b>	<b>(89,182)</b>	<b>(89,182)</b>	<b>...</b>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>1,695,263</b>	<b>282,749</b>	<b>149,148</b>	<b>36,651</b>	<b>(1,137,533)</b>	<b>(89,182)</b>	<b>(1,226,715)</b>	<b>...</b>
<b>DISCRETELY PRESENTED COMPONENT UNIT</b>	<b>36,105</b>	<b>11,083</b>	<b>49,116</b>	<b>...</b>	<b>...</b>	<b>...</b>	<b>...</b>	<b>24,094</b>
<b>TOTAL PRIMARY GOV'T AND COMPONENT UNIT</b>	<b>\$ 1,731,368</b>	<b>\$ 293,832</b>	<b>\$ 198,264</b>	<b>\$ 36,651</b>	<b>(1,137,533)</b>	<b>(89,182)</b>	<b>(1,226,715)</b>	<b>24,094</b>
<b>GENERAL REVENUES AND TRANSFERS</b>								
Property taxes levied for general purposes, net					757,031	...	757,031	...
Investment earnings and rents					102,892	...	102,892	169
Gain (loss) from sale of capital assets					104,805	...	104,805	...
Miscellaneous revenues					836	1,460	2,296	...
Transfers between governmental, BT activities					14,009	(14,009)	...	...
<b>Total general revenues and transfers</b>					<b>979,573</b>	<b>(12,549)</b>	<b>967,024</b>	<b>169</b>
<b>CHANGES IN NET ASSETS (LIABILITIES)</b>					<b>(157,960)</b>	<b>(101,731)</b>	<b>(259,691)</b>	<b>24,263</b>
<b>NET ASSETS</b>								
Beginning of year					7,560,097	355,985	7,916,082	126
End of year					<b>\$ 7,402,137</b>	<b>\$ 254,254</b>	<b>\$ 7,656,391</b>	<b>\$ 24,389</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	...
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**  
BALANCE SHEETS-GOVERNMENTAL FUNDS  
June 30, 2010 and 2009

	2010			2009		
	Governmental Fund Types			Governmental Fund Types		
	General	Special Revenue	Total	General	Special Revenue	Total
<b>ASSETS</b>						
<b>ASSETS</b>						
Cash and equivalents	\$ 244,843	\$ 70,968	\$ 315,811	\$ 143,076	\$ 91,973	\$ 235,049
Receivables, net:						
Taxes	9,003	...	9,003	13,898	...	13,898
Other	16,731	...	16,731	18,233	...	18,233
Due from other governments	...	33,774	33,774	...	54,575	54,575
Prepayments and other assets	...	...	...	...	...	...
Restricted assets:						
Cash and equivalents	...	369,761	369,761	...	368,924	368,924
Note receivable	...	...	...	...	2,040	2,040
Interfund receivables (payables)	11,831	(11,831)	...	39,252	(39,252)	...
<b>TOTAL ASSETS</b>	<u>\$ 282,408</u>	<u>\$ 462,672</u>	<u>\$ 745,080</u>	<u>\$ 214,459</u>	<u>\$ 478,260</u>	<u>\$ 692,719</u>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES</b>						
Lines of credit	\$ ...	\$ ...	\$ ...	\$ ...	\$ ...	\$ ...
Contract payable	...	...	...	65,637	...	65,637
Accounts payable	46,249	...	46,249	19,241	...	19,241
Payroll deductions and withholdings	4,366	...	4,366	1,439	...	1,439
Compensated absences liability	1,895	...	1,895	...	...	...
Deferred revenues	5,864	...	5,864	5,283	...	5,283
Refundable advances and deposits	...	391,704	391,704	...	384,247	384,247
<b>Total liabilities</b>	<u>58,374</u>	<u>391,704</u>	<u>450,078</u>	<u>91,600</u>	<u>384,247</u>	<u>475,847</u>
<b>FUND BALANCES</b>						
Reserved for notes receivable	...	...	...	...	2,040	2,040
Reserved for specific programs	...	70,968	70,968	...	91,973	91,973
Unreserved	224,034	...	224,034	122,859	...	122,859
<b>Total fund balances</b>	<u>224,034</u>	<u>70,968</u>	<u>295,002</u>	<u>122,859</u>	<u>94,013</u>	<u>216,872</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 282,408</u>	<u>\$ 462,672</u>	<u>\$ 745,080</u>	<u>\$ 214,459</u>	<u>\$ 478,260</u>	<u>\$ 692,719</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, 2010 and 2009

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	<u>2010</u>	<u>2009</u>
Amounts reported for governmental activities in the statement of net assets are different because:		
<b>Total fund balances-governmental funds</b>	\$ 295,002	\$ 216,872
Capital assets used in governmental activities are not financial resources and therefore are not reported as capital assets in the governmental funds. The cost of capital assets is \$9,636,981 and \$9,605,152 and the related accumulated depreciation is \$1,524,257 and \$1,203,939 as of June 30, 2010 and 2009, respectively.	8,112,724	8,401,213
Long-term liabilities are not due and payable within the current period and therefore are not reported as liabilities in the governmental fund types.	(995,989)	(1,046,008)
Compensated absences are not due and payable within the current periods and therefore are not reported in the governmental fund types.	<u>(9,600)</u>	<u>(11,980)</u>
<b>Total net assets-governmental activities</b>	<u>\$ 7,402,137</u>	<u>\$ 7,560,097</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, 2010 and 2009**

	2010			2009		
	Governmental Fund Types			Governmental Fund Types		
	General	Special Revenue	Total	General	Special Revenue	Total
<b>REVENUES</b>						
Taxes:						
Real estate taxes	\$ 720,430	\$ ...	\$ 720,430	\$ 693,226	\$ ...	\$ 693,226
Real estate transfer taxes	21,722	...	21,722	24,395	...	24,395
Cable franchise taxes	14,879	...	14,879	13,316	...	13,316
Licenses and permits	3,000	...	3,000	4,520	...	4,520
Intergovernmental revenues:						
Federal	41,250	33,629	74,879	...	32,566	32,566
State	...	63,646	63,646	...	358,020	358,020
Local	...	47,274	47,274	...	36,126	36,126
Police fines	12,539	...	12,539	11,617	...	11,617
Charges for services	4,924	...	4,924	5,268	...	5,268
Interest and rents	102,190	702	102,892	85,060	1,002	86,062
Miscellaneous revenues	100	...	100	15,039	...	15,039
<b>Total revenues</b>	<u>921,034</u>	<u>145,251</u>	<u>1,066,285</u>	<u>852,441</u>	<u>427,714</u>	<u>1,280,155</u>
<b>EXPENDITURES</b>						
Current:						
General government	265,685	...	265,685	267,336	...	267,336
Public safety-police	177,706	32,875	210,581	215,758	7,851	223,609
Public works-streets	265,465	...	265,465	120,711	30,970	151,681
Public works-sanitation	146,602	...	146,602	145,612	...	145,612
Parks and recreation	...	48,091	48,091	...	38,191	38,191
Youth Center	9,760	27,000	36,760	25,036	34,200	59,236
Capital outlay	10,741	36,651	47,392	377,261	252,483	629,744
Debt service:						
Principal	261,075	22,944	284,019	63,370	17,055	80,425
Interest and other fees	36,375	735	37,110	25,401	12,834	38,235
<b>Total expenditures</b>	<u>1,173,409</u>	<u>168,296</u>	<u>1,341,705</u>	<u>1,240,485</u>	<u>393,584</u>	<u>1,634,069</u>
<b>EXCESS (DEFICIT) REVENUES OVER EXPENDITURES</b>	<u>(252,375)</u>	<u>(23,045)</u>	<u>(275,420)</u>	<u>(388,044)</u>	<u>34,130</u>	<u>(353,914)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Proceeds from new financing	234,000	...	234,000	428,015	...	428,015
Proceeds from sale of capital assets	104,805	...	104,805	...	...	...
Refund of prior year expenditures	736	...	736	...	...	...
Interfund transfers in (out)	14,009	...	14,009	5,780	(40,000)	(34,220)
<b>Total other financing sources (uses)</b>	<u>353,550</u>	<u>...</u>	<u>353,550</u>	<u>433,795</u>	<u>(40,000)</u>	<u>393,795</u>
<b>NET CHANGES IN FUND BALANCES</b>	<u>101,175</u>	<u>(23,045)</u>	<u>78,130</u>	<u>45,751</u>	<u>(5,870)</u>	<u>39,881</u>
<b>FUND BALANCES</b>						
Beginning 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>
End of year	<u>\$ 224,034</u>	<u>\$ 70,968</u>	<u>\$ 295,002</u>	<u>\$ 122,859</u>	<u>\$ 94,013</u>	<u>\$ 216,872</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, 2010 and 2009

	2010	2009
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Amounts reported for governmental activities in the statement of activities are different because:

<b>Net changes in fund balance-total governmental funds</b>	\$ 78,130	\$ 39,881
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The governmental funds report capital outlay as expenditures. However, in the statement of activities, capital assets with an initial individual cost of \$1,500 or more are capitalized and the cost of those capital assets is allocated over their estimated useful lives as depreciation expense. The following is the amount by which capital outlay exceeded depreciation expense.

	2010	2009		
Capital outlay	\$ 31,829	\$ 610,075		
Depreciation expense	(320,318)	(272,483)	(288,489)	337,592

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. However, 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:

	2010	2009		
Long-term financing:				
Proceeds received	\$ (234,000)	\$ (428,015)		
Principal payments made	284,019	80,425	50,019	(347,590)

Some expenses reported in the statement of activities do not require current financial resources, and are therefore, not reported as expenditures in the governmental funds.

	2010	2009		
Capital assets:				
Proceeds from sale	\$ ...	\$ ...		
Gain (loss) from sale	...	...	...	...

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. The difference reflected represents the amount used versus the amount earned.

	2,380	(6,244)
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<b>Changes in net assets-governmental activities</b>	\$ (157,960)	\$ 23,639
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Accompanying notes are an integral part of these financial statements

**CITY OF DELAWARE CITY, DELAWARE**  
**STATEMENTS OF NET ASSETS-PROPRIETARY FUND**  
June 30, 2010 and 2009

	Water Fund	
	2010	2009
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and equivalents	\$           ...	\$           ...
Accounts receivable, net	<u>7,291</u>	<u>6,991</u>
<b>Total current assets</b>	<u>7,291</u>	<u>6,991</u>
<b>NONCURRENT ASSETS</b>		
Capital assets, net:		
Nondepreciable	18,331	18,331
Depreciable	1,106,286	1,230,796
Bond issue costs, net of amortization	<u>22,958</u>	<u>24,356</u>
<b>Total noncurrent assets</b>	<u>1,147,575</u>	<u>1,273,483</u>
<b>TOTAL ASSETS</b>	<u>1,154,866</u>	<u>1,280,474</u>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accrued interest payable	5,860	6,050
Current portion of long-term debt	30,537	29,295
Refundable deposits	<u>11,340</u>	<u>6,160</u>
<b>Total current liabilities</b>	<u>47,737</u>	<u>41,505</u>
<b>NONCURRENT LIABILITIES</b>		
Long-term debt, net of current portion	<u>852,875</u>	<u>882,984</u>
<b>TOTAL LIABILITIES</b>	<u>900,612</u>	<u>924,489</u>
<b>NET ASSETS (LIABILITIES)</b>		
Invested in capital assets, net of related debt	264,163	361,204
Unrestricted	<u>(9,909)</u>	<u>(5,219)</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 254,254</u>	<u>\$ 355,985</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, 2010 and 2009

	Water Fund	
	2010	2009
<b>OPERATING REVENUES</b>		
Charges for services	\$ 262,286	\$ 270,953
<b>OPERATING EXPENSES</b>		
Salaries	36,874	37,293
Payroll taxes	3,162	3,215
Employee benefits	3,745	5,067
Contractual services	37,500	37,500
Insurance	16,644	15,446
Telephone	4,408	4,294
Electricity	29,271	33,496
Professional fees	13,397	16,006
Distribution system maintenance	35,136	40,905
Office supplies	960	1,321
Materials and supplies	2,775	3,578
Fuel for heating	2,278	2,885
Miscellaneous	270	200
Depreciation and amortization	125,908	135,762
<b>Total operating expenses</b>	<b>312,328</b>	<b>336,968</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(50,042)</b>	<b>(66,015)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest expense	(39,140)	(40,906)
Miscellaneous revenues	1,460	1,650
<b>Total nonoperating revenues (expenses)</b>	<b>(37,680)</b>	<b>(39,256)</b>
<b>INCOME (LOSS) BEFORE OTHER FINANCING SOURCES (USES)</b>	<b>(87,722)</b>	<b>(105,271)</b>
<b>TRANSFERS FROM (TO) GOVERNMENTAL ACTIVITIES</b>	<b>(14,009)</b>	<b>34,220</b>
<b>CHANGES IN NET ASSETS (LIABILITIES)</b>	<b>(101,731)</b>	<b>(71,051)</b>
<b>NET ASSETS</b>		
Beginning of year	355,985	427,036
End of year	\$ 254,254	\$ 355,985

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, 2010 and 2009

	Water Fund	
	2010	2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 268,626	\$ 275,430
Cash payments to suppliers for goods and services	(142,639)	(155,631)
Cash payments to employees for services	(43,781)	(45,575)
<b>Net cash provided (used) by operating activities</b>	<u>82,206</u>	<u>74,224</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	(28,867)	(28,132)
Interest paid on general obligation bonds and notes	(39,330)	(41,029)
Cash received (paid) from governmental activities	(14,009)	34,220
<b>Net cash provided (used) by capital and related financing activities</b>	<u>(82,206)</u>	<u>(74,224)</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)	\$ (50,042)	\$ (66,015)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	124,510	134,364
Amortization	1,398	1,398
Other nonoperating revenues	1,460	1,650
Changes in assets and liabilities:		
Receivables	(300)	2,967
Refundable deposits	5,180	(140)
Total adjustments	<u>132,248</u>	<u>140,239</u>
<b>Net cash provided from operating activities</b>	<u>\$ 82,206</u>	<u>\$ 74,224</u>

Accompanying notes are an integral part of these financial statements

**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 City's significant accounting policies 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 "Delaware City Day" annual celebration.

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.

**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 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 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 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.

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.

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

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

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.

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 the proprietary fund's principal ongoing operations. The principal operating revenues of the 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 policy of the City to use restricted resources first, then unrestricted resources as they are needed.

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

Budgetary Accounting

The City Council follows the following procedures in establishing the budgetary data reflected within the financial statements as RSI:

- The City Manager submits to the City Council a proposed budget for the ensuing fiscal year. The budget includes proposed expenditures and/or expenses 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.
- The budget for budgeted special revenue funds are approved based on individual funding sources.

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, 2010 and 2009, the City had no outstanding encumbrances.

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, 2010 and 2009, taxes receivable are shown net of the estimated allowance for uncollectibles of \$35,307 and \$43,422, respectively. The allowance 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 the possible losses. Management believes that they have adequately provided for future probable losses.

Receivable-Trade Accounts

At June 30, 2010 and 2009, trade accounts receivable are shown net of the estimated allowance for uncollectibles of \$19,251 and \$12,799, respectively. The allowance 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 the possible losses. Management believes that they have adequately provided for future probable losses.

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

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, 2010 and 2009, 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.

Capital Assets and Depreciation

Capital assets, which include property, plant, equipment, and infrastructure assets completed after June 30, 2003 [such as roads, sidewalks, traffic signals, street lights, and similar items], are reported in the applicable governmental activities or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as capital 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 as of 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 capital 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 2010 and 2009, no interest was capitalized.

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

<u>Assets</u>	<u>Years</u>
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 [completed after 06/30/03]	20 to 50

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

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, 2010 and 2009, accumulated amortization was \$5,011 and \$3,613, respectively. The amortization expense annually is \$1,398.

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, 2010 and 2009, deferred revenues in the general fund are \$5,864 and \$5,283, 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 the employees' rights to receive compensation for future absences is attributable to the 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 the City's 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 FASB 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.

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

Net Assets and Fund Equity

In the government-wide financial statements and proprietary fund 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 also 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.

Subsequent Events

Management has evaluated subsequent events through the date of the auditor's report, the date on which the financial statements were available to be issued. Management has determined that no additional disclosures were necessary.

**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 2010 and \$1.09 per \$100 of assessed valuation for the fiscal year 2009 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 2010 and 2009 follows:

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

**NOTE 3 - ECONOMIC DEPENDENCY**

A substantial portion of the City's annual property tax assessment is paid by one corporate taxpayer, which approximates 42% and 44% of the total annual assessments for the years ended June 30, 2010 and 2009, respectively.

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

**NOTE 4 - 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, 2010 and 2009. 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	2010		2009	
	Book	Bank	Book	Bank
Category 1	\$ 250,000	\$ 250,000	\$ 234,749	\$ 244,000
Category 2	65,511	87,101	...	...
Category 3	300	...	300	...
Totals	<u>\$ 315,811</u>	<u>\$ 337,101</u>	<u>\$ 235,049</u>	<u>\$ 244,000</u>

Custodial credit risk is the risk that in the event of the financial institution's failure, the City's deposits may not be returned.

**NOTE 5 - NOTE RECEIVABLE**

Note receivable consisted of loans made by the "Revolving Loan Fund" for the Façade Improvement Program. At June 30, 2010 and 2009, the receivable consisted of none and one note, respectively, which was payable in monthly installments of interest and principal. The note carried a fixed interest rate and was secured with the real property of the borrower.

**NOTE 6 - INTERGOVERNMENTAL RECEIVABLES**

The primary government receivables due from other governmental units represent revenues earned by the City. At June 30, 2010 and 2009, the receivables consist of the following:

Description	Activity Type			
	2010		2009	
	Governmental	Business	Governmental	Business
U.S. Department of Justice	\$ 23,419	\$ ...	\$ ...	\$ ...
Delaware Land and Water Conservation Trust	1,500	...	54,575	...
Delaware Department of Agriculture	4,077	...	...	...
Delaware Criminal Justice Council	4,778	...	...	...
Total intergovernmental receivables	<u>\$ 33,774</u>	<u>\$ ...</u>	<u>\$ 54,575</u>	<u>\$ ...</u>

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

**NOTE 7 - CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2010 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	276,384	6,249	282,633	...
Streets and sidewalks	...	...	...	...
Trees, trails and landscape	69,185	25,580	...	94,765
Total capital assets, not being depreciated	<u>767,306</u>	<u>31,829</u>	<u>282,633</u>	<u>516,502</u>
Capital assets, being depreciated:				
Buildings and improvements	6,104,988	282,633	...	6,387,621
Furniture and office equipment	57,520	...	...	57,520
Vehicles and equipment	284,329	...	...	284,329
Streets and sidewalks	1,332,287	...	...	1,332,287
Trees, trails and landscape	1,058,722	...	...	1,058,722
Total being depreciated	<u>8,837,846</u>	<u>282,633</u>	<u>...</u>	<u>9,120,479</u>
Less accumulated depreciation:				
Buildings and improvements	569,422	168,189	...	737,611
Furniture and office equipment	43,511	6,372	...	49,883
Vehicles and equipment	155,891	36,786	...	192,677
Streets and sidewalks	313,347	66,615	...	379,962
Trees, trails and landscape	121,768	42,356	...	164,124
Accumulated depreciation	<u>1,203,939</u>	<u>320,318</u>	<u>...</u>	<u>1,524,257</u>
Total capital assets, being depreciated	<u>7,633,907</u>	<u>(37,685)</u>	<u>...</u>	<u>7,596,222</u>
Governmental activities capital assets, net	<u>\$ 8,401,213</u>	<u>\$ (5,856)</u>	<u>\$ 282,633</u>	<u>\$ 8,112,724</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	...	...	415,492
Water distribution system	2,711,684	...	...	2,711,684
Machinery and equipment	...	...	...	...
Total being depreciated	<u>3,127,276</u>	<u>...</u>	<u>...</u>	<u>3,127,276</u>
Less accumulated depreciation:				
Buildings and improvements	299,989	10,500	...	310,489
Water distribution system	1,596,491	114,010	...	1,710,501
Machinery and equipment	...	...	...	...
Accumulated depreciation	<u>1,896,480</u>	<u>124,510</u>	<u>...</u>	<u>2,020,990</u>
Total capital assets, being depreciated	<u>1,230,796</u>	<u>(124,510)</u>	<u>...</u>	<u>1,106,286</u>
Business-type activities capital assets, net	<u>\$ 1,249,127</u>	<u>\$ (124,510)</u>	<u>\$ ...</u>	<u>\$ 1,124,617</u>

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

**NOTE 7 - CAPITAL ASSETS** (continued)

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	2,954	66,231	...	69,185
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	1,058,722	...	...	1,058,722
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	246,733	66,614	...	313,347
Trees, trails and landscape	79,412	42,356	...	121,768
Accumulated depreciation	<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	...	...	...	...
Accumulated depreciation	<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 8 - LONG-TERM DEBT OBLIGATIONS**

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

Description	Year Ended June 30, 2010					
	Beginning Balances	Additions	Deletions	Ending Balances		
				Long-term Portion	Due Within One Year	
<b>Governmental Activities:</b>						
General obligation notes:						
Wilmington Trust Company	\$ 203,015	\$ ...	\$ 203,015	\$ ...	\$ ...	...
Ford Motor Credit Corp.	13,360	...	6,487	...	...	6,873
Sun National Bank	22,944	...	22,944	...	...	...
Sun National Bank	292,000	...	12,000	268,000	...	12,000
Sun National Bank	194,667	...	8,000	178,667	...	8,000
Stoltz Foundation	18,994	...	8,258	2,185	...	8,551
Total note obligations	744,980	...	260,704	448,852	...	35,424
General obligation bonds:						
Citizens Bank	301,028	...	18,765	262,258	...	20,005
2008 Series	...	234,000	4,550	223,785	...	5,665
Total governmental	\$ 1,046,008	\$ 234,000	\$ 284,019	\$ 934,895	\$ ...	\$ 61,094
<b>Business-Type Activities:</b>						
General obligation bonds:						
1995 Series	\$ 573,482	\$ ...	\$ 10,003	\$ 553,104	\$ ...	\$ 10,375
2006 Series	257,530	...	10,836	235,557	...	11,137
Total bond obligations	831,012	...	20,839	788,661	...	21,512
General obligation notes:						
SERCAP	81,267	...	8,028	64,214	...	9,025
Total business-type	\$ 912,279	\$ ...	\$ 28,867	\$ 852,875	\$ ...	\$ 30,537

General Obligation Bonds and Notes

Wilmington Trust Company-Note

On May 23, 2008, the City entered into a loan arrangement with Wilmington Trust Company in the amount of \$234,000. The arrangement called for payments of interest only at a fixed rate of 3% with a maturity date of May 23, 2010. On or prior to the maturity date the City intended and did refinance the balance outstanding with long-term financing through the USDA, Rural Development Office.

Ford Motor Credit Corporation

On May 16, 2008, the City entered into a lease-purchase arrangement with Ford Motor Credit Corporation in the amount of \$20,442, with interest payable at an annual rate of 5.95%, and a maturity date of July 15, 2010. The arrangement was for the purchase of a 2008 Ford Crown Victoria, and is secured with an interest in the vehicle. At June 30, 2010, the repayment amount is \$7,281 [\$6,873 principal and \$408 interest].

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 an original maturity date of April 10, 2013. The note was issued for the purpose of funding the Façade Improvement Program of the "Revolving Loan Fund", and was secured with the full faith and credit of the City. The note was repaid in full during the current fiscal year.

**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

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 subsequently converted into a five year term loan with fixed principal payments based on a twenty-five year amortization with the final payment due on July 25, 2013. The lines of credit are collateralized with real property located in New Castle County, Delaware, as stipulated in the security agreement.

At June 30, 2010, 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>
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>\$ 280,000</u>	<u>\$ 18,176</u>	<u>\$ 298,176</u>

At June 30, 2010, 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>
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>
Total required payments	<u>\$ 186,667</u>	<u>\$ 12,119</u>	<u>\$ 198,786</u>

Stoltz Foundation-Note

On September 3, 2008, the City issued a promissory note in the amount of \$25,000 maturing on September 29, 2011. The note carries a fixed 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, 2010, the repayment schedule follows:

<u>Years Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 8,551	\$ 420	\$ 8,971
2012	<u>2,185</u>	<u>13</u>	<u>2,198</u>
Total required payments	<u>\$ 10,736</u>	<u>\$ 433</u>	<u>\$ 11,169</u>

**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 carrying 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, 2010, the repayment schedule is as follows:

<u>Years Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	24,546	9,420	33,966
2016-2020	143,455	26,374	169,829
2021	<u>27,720</u>	<u>585</u>	<u>28,305</u>
Total required payments	<u>\$ 282,263</u>	<u>\$ 85,701</u>	<u>\$ 367,964</u>

General Obligation Bonds, Series 2008

The general obligation bonds, Series 2008 [originally issued in the amount of \$234,000] carry a maturity date of August 14, 2034. The proceeds of the general obligation bonds were used to finance the City's "Community Center Roof Replacement Project". The bonds carry a fixed interest rate of 4.125% per annum and are payable in monthly installments of \$1,252 [principal and interest]. At June 30, 2010, the repayment schedule is as follows:

<u>Years Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 5,665	\$ 9,359	\$ 15,024
2012	5,878	9,146	15,024
2013	6,150	8,874	15,024
2014	6,409	8,615	15,024
2015	6,678	8,346	15,024
2016-2020	37,078	38,042	75,120
2021-2025	46,164	28,956	75,120
2026-2030	56,722	18,398	75,120
2031-2035	<u>58,706</u>	<u>6,174</u>	<u>64,880</u>
Total required payments	<u>\$ 229,450</u>	<u>\$ 135,910</u>	<u>\$ 365,360</u>

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

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

General Obligation Bonds and Notes (continued)

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 [principal and interest]. At June 30, 2010, the repayment schedule is as follows:

<u>Years Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	12,658	25,714	38,372
2016-2020	73,646	118,214	191,860
2021-2025	94,417	97,443	191,860
2026-2030	121,046	70,814	191,860
2031-2035	155,185	36,675	191,860
2036-2037	<u>61,742</u>	<u>3,217</u>	<u>64,959</u>
Total required payments	<u>\$ 563,479</u>	<u>\$ 460,780</u>	<u>\$1,024,259</u>

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, 2010, the repayment schedule is as follows:

<u>Years Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	12,428	5,441	17,869
2016-2020	67,514	21,833	89,347
2021-2025	77,431	11,916	89,347
2026-2028	<u>42,883</u>	<u>1,792</u>	<u>44,675</u>
Total required payments	<u>\$ 246,694</u>	<u>\$ 66,020</u>	<u>\$ 312,714</u>

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

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

General Obligation Bonds and Notes (continued)

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, 2010, the repayment schedule is as follows:

<u>Years Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	11,018	1,437	12,455
2016-2017	<u>23,256</u>	<u>620</u>	<u>23,876</u>
Total required payments	<u>\$ 73,239</u>	<u>\$ 12,912</u>	<u>\$ 86,151</u>

Future maturities of principal and interest payments follow:

<u>Years Ending June 30</u>	<u>General Obligation Bonds</u>		<u>General Obligation Notes</u>		<u>Totals</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
<b>Governmental Activities:</b>					
2011	\$ 25,670	\$ 23,320	\$ 35,424	\$ 11,122	\$ 95,536
2012	26,933	22,057	22,185	9,857	81,032
2013	28,310	20,680	20,000	9,394	78,384
2014	29,731	19,259	406,667	763	456,420
2015	31,224	17,766	...	...	48,990
2016-2020	180,533	64,416	...	...	244,949
2021-2025	73,884	29,541	..	...	103,425
2026-2030	56,722	18,398	...	...	75,120
2031-2035	<u>58,706</u>	<u>6,174</u>	<u>...</u>	<u>...</u>	<u>64,880</u>
Totals	<u>\$ 511,713</u>	<u>\$ 221,611</u>	<u>\$ 484,276</u>	<u>\$ 31,136</u>	<u>\$ 1,248,736</u>

**Business-Type Activities:**

2011	\$ 21,512	\$ 34,729	\$ 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	25,086	31,155	11,018	1,437	68,696
2016-2020	141,160	140,047	23,256	620	305,083
2021-2025	171,848	109,359	...	...	281,207
2026-2030	163,929	72,606	...	...	236,535
2031-2035	155,185	36,675	...	...	191,860
2036-2037	<u>61,742</u>	<u>3,217</u>	<u>...</u>	<u>...</u>	<u>64,959</u>
Totals	<u>\$ 810,173</u>	<u>\$ 526,800</u>	<u>\$ 73,239</u>	<u>\$ 12,912</u>	<u>\$ 1,423,124</u>

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

**NOTE 9 - 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] carried 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, 2010 and 2009, the City had no balance outstanding, respectively.

**NOTE 10 - 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 cost was \$5,008 and \$5,008 for the years ended June 30, 2010 and 2009, respectively.

Description	Monthly Rentals	Expiration Date
Kyocera KM-4039 Digital Copy System	\$ 417	July, 2012

At June 30, 2010, 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
2011	\$ 5,008
2012	5,008
2013	<u>417</u>
Total minimum future rental payments required	<u>\$ 10,433</u>

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, 2010:

Property Under Lease	Purpose of Rental	Cost Basis
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, 2010 and 2009 was \$86,269 and \$70,655, 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 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, 2010, the City had not drawn down any funds on the note.

**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, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes:				
Real estate taxes	\$ 696,220	\$ 696,220	\$ 720,430	\$ 24,210
Real estate transfer taxes	20,000	20,000	21,722	1,722
Cable franchise taxes	13,000	13,000	14,879	1,879
Licenses and permits	2,000	2,000	3,000	1,000
Intergovernmental revenues	...	...	41,250	41,250
Police fines	10,500	10,500	12,539	2,039
Charges for services	5,000	5,000	4,924	(76)
Interest and rents	95,800	95,800	102,190	6,390
Miscellaneous revenues	2,000	2,000	100	(1,900)
<b>Total revenues</b>	<b>844,520</b>	<b>844,520</b>	<b>921,034</b>	<b>76,514</b>
<b>EXPENDITURES</b>				
Current:				
General government	285,456	285,456	265,685	19,771
Public safety-police	196,200	196,200	177,706	18,494
Public works-streets	146,222	146,222	265,465	(119,243)
Public works-sanitation	151,000	151,000	146,602	4,398
Standing Committees	300	300	...	300
Youth Center	16,000	16,000	9,760	6,240
Capital outlay	...	...	10,741	(10,741)
Debt service	97,342	97,342	297,450	(200,108)
<b>Total expenditures</b>	<b>892,520</b>	<b>892,520</b>	<b>1,173,409</b>	<b>(280,889)</b>
<b>EXCESS (DEFICIT)</b>				
<b>REVENUES OVER EXPENDITURES</b>	<b>(48,000)</b>	<b>(48,000)</b>	<b>(252,375)</b>	<b>(204,375)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from new financing	...	...	234,000	234,000
Proceeds from sale of capital assets	18,000	18,000	104,805	86,805
Refund of prior year expenditures	...	...	736	736
Operating transfers in (out)	10,000	10,000	14,009	4,009
<b>Total other financing sources (uses)</b>	<b>28,000</b>	<b>28,000</b>	<b>353,550</b>	<b>325,550</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(20,000)</b>	<b>(20,000)</b>	<b>101,175</b>	<b>121,175</b>
<b>FUND BALANCE</b>				
Beginning of year	20,000	20,000	122,859	102,859
End of year	\$ ...	\$ ...	\$ 224,034	\$ 224,034

**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 2010.

See Report of Independent Auditor

## **Additional Information Section**

**CITY OF DELAWARE CITY, DELAWARE**  
 COMBINING BALANCE SHEET-SPECIAL REVENUE FUND  
 June 30, 2010 With Comparative Totals for 2009

	Federal Funding	State Funding			Local Funding	Revolving Loan Fund	Totals	
		Municipal Street Aid	SALLE and EIDE	Other			2010	2009
<b>ASSETS</b>								
<b>ASSETS</b>								
Cash and equivalents	\$ ...	\$ 136	\$ ...	\$ ...	\$ ...	\$ 70,832	\$ 70,968	\$ 91,973
Due from other governments	28,197	...	...	5,577	...	...	33,774	54,575
Restricted assets:								
Cash and equivalents	...	...	...	...	369,761	...	369,761	368,924
Note receivable	...	...	...	...	...	...	...	2,040
Interfund balances	(22,697)	...	13,406	(590)	(1,950)	...	(11,831)	(39,252)
<b>TOTAL ASSETS</b>	<u>\$ 5,500</u>	<u>\$ 136</u>	<u>\$ 13,406</u>	<u>\$ 4,987</u>	<u>\$ 367,811</u>	<u>\$ 70,832</u>	<u>\$ 462,672</u>	<u>\$ 478,260</u>
<b>LIABILITIES AND FUND BALANCES</b>								
<b>LIABILITIES</b>								
Contract payable	\$ ...	\$ ...	\$ ...	\$ ...	\$ ...	\$ ...	\$ ...	\$ ...
Refundable advances and deposits	5,500	...	13,406	4,987	367,811	...	391,704	384,247
<b>Total liabilities</b>	<u>5,500</u>	<u>...</u>	<u>13,406</u>	<u>4,987</u>	<u>367,811</u>	<u>...</u>	<u>391,704</u>	<u>384,247</u>
<b>FUND BALANCES</b>								
Reserved for notes receivable	...	...	...	...	...	...	...	2,040
Reserved for specific programs	...	136	...	...	...	70,832	70,968	91,973
<b>Total fund balances</b>	<u>...</u>	<u>136</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>70,832</u>	<u>70,968</u>	<u>94,013</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 5,500</u>	<u>\$ 136</u>	<u>\$ 13,406</u>	<u>\$ 4,987</u>	<u>\$ 367,811</u>	<u>\$ 70,832</u>	<u>\$ 462,672</u>	<u>\$ 478,260</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, 2010 With Comparative Totals for 2009

	Federal Funding	State Funding			Local Funding	Revolving Loan Fund	Totals	
		Municipal Street Aid	SALLE and EIDE	Other			2010	2009
<b>REVENUES</b>								
Intergovernmental revenues:								
Federal	\$ 33,629	\$ ...	\$ ...	\$ ...	\$ ...	\$ ...	\$ 33,629	\$ 32,566
State	...	...	2,614	61,032	...	...	63,646	358,020
Local	...	...	...	...	47,274	...	47,274	36,126
Interest revenue	...	...	...	...	...	702	702	1,002
<b>Total revenues</b>	<u>33,629</u>	<u>...</u>	<u>2,614</u>	<u>61,032</u>	<u>47,274</u>	<u>702</u>	<u>145,251</u>	<u>427,714</u>
<b>EXPENDITURES</b>								
Current:								
Public safety-police	30,261	...	2,614	...	...	...	32,875	7,851
Public works-streets	...	...	...	...	...	...	...	30,970
Parks and recreation	...	...	...	1,823	46,200	68	48,091	38,191
Youth Center	...	...	...	27,000	...	...	27,000	34,200
Capital outlay:								
Public safety-police	3,368	...	...	2,874	...	...	6,242	31,707
Public works-streets	...	...	...	25,580	...	...	25,580	...
Parks and recreation	...	...	...	3,755	1,074	...	4,829	220,776
Youth Center	...	...	...	...	...	...	...	...
Debt service:								
Principal	...	...	...	...	...	22,944	22,944	17,055
Interest and other fees	...	...	...	...	...	735	735	12,834
<b>Total expenditures</b>	<u>33,629</u>	<u>...</u>	<u>2,614</u>	<u>61,032</u>	<u>47,274</u>	<u>23,747</u>	<u>168,296</u>	<u>393,584</u>
<b>EXCESS REVENUES OVER (UNDER) EXPENDITURES</b>	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>(23,045)</u>	<u>(23,045)</u>	<u>34,130</u>
<b>OTHER FINANCING SOURCES (USES)</b>								
Operating transfers in	...	...	...	...	...	...	...	...
Operating transfers out	...	...	...	...	...	...	...	(40,000)
<b>Total other financing sources (uses)</b>	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>(40,000)</u>
<b>NET CHANGES IN FUND BALANCES</b>	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>(23,045)</u>	<u>(23,045)</u>	<u>(5,870)</u>
<b>FUND BALANCES</b>								
Beginning of year	...	136	...	...	...	93,877	94,013	99,883
End of year	<u>\$ ...</u>	<u>\$ 136</u>	<u>\$ ...</u>	<u>\$ ...</u>	<u>\$ ...</u>	<u>\$ 70,832</u>	<u>\$ 70,968</u>	<u>\$ 94,013</u>

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