

Report of Independent Auditor

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

Years Ended June 30, 2011 and 2010



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

CERTIFIED PUBLIC ACCOUNTANTS  
& MANAGEMENT CONSULTANTS

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# CITY OF DELAWARE CITY, DELAWARE

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**CERTIFIED PUBLIC ACCOUNTANTS  
& MANAGEMENT CONSULTANTS**

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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 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, 2011 and 2010, which collectively comprise the City of Delaware City's financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Delaware City, Delaware'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 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, Delaware as of June 30, 2011 and 2010, and the respective changes in financial position and, where applicable, cash flows 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 December 14, 2011 on our consideration of the City of Delaware City, Delaware'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 should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that budgetary comparison information on page 30 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis section that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Delaware City, Delaware's financial statements as a whole. The combining individual fund statements, listed in the table of contents as supplementary information, are presented for purposes of additional analysis and are not a required part of the financial statements. The combining fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Certified Public Accountants

December 14, 2011  
Wilmington, Delaware

## **Basic Financial Statements Section**

CITY OF DELAWARE CITY, DELAWARE  
STATEMENTS OF NET ASSETS  
June 30, 2011 and 2010

	2011				Discretely Presented Component Unit	2010				
	Primary Government			Total		Primary Government			Total	Discretely Presented Component Unit
	Activity Type		Total			Activity Type		Total		
	Governmental	Business				Governmental	Business			
<b>ASSETS</b>										
<b>Current assets:</b>										
Cash and equivalents	\$ 183,243	\$ ...	\$ 183,243	\$ 45,051	\$ 315,811	\$ ...	\$ 315,811	\$ 24,213		
Receivables, net:										
Taxes	4,943	...	4,943	...	9,003	...	9,003	...		
Trade accounts	...	7,291	7,291	...	...	7,291	7,291	...		
Other	21,810	...	21,810	...	16,731	...	16,731	...		
Due from other governments	272,307	...	272,307	...	33,774	...	33,774	...		
Restricted assets:										
Cash and equivalents	369,801	...	369,801	...	369,761	...	369,761	...		
Prepayments and other assets	...	...	...	4,400	...	...	...	6,150		
<b>Total current assets</b>	<b>852,104</b>	<b>7,291</b>	<b>859,395</b>	<b>49,451</b>	<b>745,080</b>	<b>7,291</b>	<b>752,371</b>	<b>30,363</b>		
<b>Noncurrent assets:</b>										
Capital assets, net:										
Nondepreciable	1,144,069	18,331	1,162,400	...	516,502	18,331	534,833	...		
Depreciable	7,276,436	981,775	8,258,211	...	7,596,222	1,106,286	8,702,508	...		
Bond issue costs, net of amortization	...	21,560	21,560	...	...	22,958	22,958	...		
<b>Total noncurrent assets</b>	<b>8,420,505</b>	<b>1,021,666</b>	<b>9,442,171</b>	<b>...</b>	<b>8,112,724</b>	<b>1,147,575</b>	<b>9,260,299</b>	<b>...</b>		
<b>TOTAL ASSETS</b>	<b>9,272,609</b>	<b>1,028,957</b>	<b>10,301,566</b>	<b>49,451</b>	<b>8,857,804</b>	<b>1,154,866</b>	<b>10,012,670</b>	<b>30,363</b>		
<b>LIABILITIES</b>										
<b>Current liabilities:</b>										
Line of credit	...	...	...	...	...	...	...	...		
Accounts payable	1,609	...	1,609	...	46,249	...	46,249	...		
Accrued interest payable	...	5,676	5,676	...	...	5,860	5,860	...		
Current portion of long-term debt	48,392	31,837	80,229	...	61,094	30,537	91,631	...		
Payroll deductions and withholdings	6,232	...	6,232	...	4,366	...	4,366	...		
Compensated absences liability	...	...	...	...	1,895	...	1,895	...		
Deferred revenues due within one year	40,398	...	40,398	3,945	5,864	...	5,864	5,974		
Refundable advances and deposits	383,901	12,700	396,601	...	391,704	11,340	403,044	...		
<b>Total current liabilities</b>	<b>480,532</b>	<b>50,213</b>	<b>530,745</b>	<b>3,945</b>	<b>511,172</b>	<b>47,737</b>	<b>558,909</b>	<b>5,974</b>		
<b>Noncurrent liabilities:</b>										
Long-term debt, net of current portion	885,977	821,038	1,707,015	...	934,895	852,875	1,787,770	...		
Long-term portion of compensated absences	3,061	...	3,061	...	9,600	...	9,600	...		
<b>Total noncurrent liabilities</b>	<b>889,038</b>	<b>821,038</b>	<b>1,710,076</b>	<b>...</b>	<b>944,495</b>	<b>852,875</b>	<b>1,797,370</b>	<b>...</b>		
<b>TOTAL LIABILITIES</b>	<b>1,369,570</b>	<b>871,251</b>	<b>2,240,821</b>	<b>3,945</b>	<b>1,455,667</b>	<b>900,612</b>	<b>2,356,279</b>	<b>5,974</b>		
<b>NET ASSETS (LIABILITIES)</b>										
Invested in capital assets, net of related debt	7,486,136	168,791	7,654,927	...	7,116,735	264,163	7,380,898	...		
Restricted for specific programs	71,235	...	71,235	45,506	70,968	...	70,968	24,389		
Unrestricted	345,668	(11,085)	334,583	...	214,434	(9,909)	204,525	...		
<b>TOTAL NET ASSETS</b>	<b>\$ 7,903,039</b>	<b>\$ 157,706</b>	<b>\$ 8,060,745</b>	<b>\$ 45,506</b>	<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, 2011

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	\$ 213,821	\$ 2,507	\$ ...	\$ ...	\$ (211,314)	\$ ...	\$ (211,314)	\$ ...
Public safety-police	344,358	7,947	140,916	206	(195,289)	...	(195,289)	...
Public works-streets	183,666	...	75,926	29,003	(78,737)	...	(78,737)	...
Public works-sanitation	175,594	4,186	...	...	(171,408)	...	(171,408)	...
Parks and recreation	7,245	...	7,245	489,852	489,852	...	489,852	...
Youth Center	33,551	76	22,700	...	(10,775)	...	(10,775)	...
Interest on long-term debt	34,612	...	9,000	...	(25,612)	...	(25,612)	...
Depreciation-unallocated	319,786	...	...	...	(319,786)	...	(319,786)	...
<b>Total governmental activities</b>	<b>1,312,633</b>	<b>14,716</b>	<b>255,787</b>	<b>519,061</b>	<b>(523,069)</b>	<b>...</b>	<b>(523,069)</b>	<b>...</b>
<b>BUSINESS-TYPE ACTIVITIES</b>								
Water system	345,696	272,726	...	...	...	(72,970)	(72,970)	...
<b>Total business-type activities</b>	<b>345,696</b>	<b>272,726</b>	<b>...</b>	<b>...</b>	<b>...</b>	<b>(72,970)</b>	<b>(72,970)</b>	<b>...</b>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>1,658,329</b>	<b>287,442</b>	<b>255,787</b>	<b>519,061</b>	<b>(523,069)</b>	<b>(72,970)</b>	<b>(596,039)</b>	<b>...</b>
<b>DISCRETELY PRESENTED COMPONENT UNIT</b>	<b>35,082</b>	<b>12,223</b>	<b>43,809</b>	<b>...</b>	<b>...</b>	<b>...</b>	<b>...</b>	<b>20,950</b>
<b>TOTAL PRIMARY GOV'T AND COMPONENT UNIT</b>	<b>\$ 1,693,411</b>	<b>\$ 299,665</b>	<b>\$ 299,596</b>	<b>\$ 519,061</b>	<b>(523,069)</b>	<b>(72,970)</b>	<b>(596,039)</b>	<b>20,950</b>
<b>GENERAL REVENUES AND TRANSFERS</b>								
Property taxes levied for general purposes					852,348	...	852,348	...
Cable franchise taxes					16,863	...	16,863	...
Investment earnings and rents					114,732	...	114,732	167
Gain from sale of capital assets					5,000	...	5,000	...
Miscellaneous revenues					10,000	1,450	11,450	...
Transfers between governmental, BT activities					25,028	(25,028)	...	...
<b>Total general revenues and transfers</b>					<b>1,023,971</b>	<b>(23,578)</b>	<b>1,000,393</b>	<b>167</b>
<b>CHANGES IN NET ASSETS (LIABILITIES)</b>					500,902	(96,548)	404,354	21,117
<b>NET ASSETS</b>								
Beginning of year					7,402,137	254,254	7,656,391	24,389
End of year					<b>\$ 7,903,039</b>	<b>\$ 157,706</b>	<b>\$ 8,060,745</b>	<b>\$ 45,506</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					742,152	...	742,152	...
Cable franchise taxes					14,879	...	14,879	...
Investment earnings and rents					102,892	...	102,892	169
Gain 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					<u>7,560,097</u>	<u>355,985</u>	<u>7,916,082</u>	<u>126</u>
End of year					<u>\$ 7,402,137</u>	<u>\$ 254,254</u>	<u>\$ 7,656,391</u>	<u>\$ 24,389</u>

Accompanying notes are an integral part of these financial statements

**CITY OF DELAWARE CITY, DELAWARE**  
**BALANCE SHEETS-GOVERNMENTAL FUNDS**  
June 30, 2011 and 2010

	2011			2010		
	Governmental Fund Types			Governmental Fund Types		
	General	Special Revenue	Total	General	Special Revenue	Total
<b>ASSETS</b>						
<b>ASSETS</b>						
Cash and equivalents	\$ 112,008	\$ 71,235	\$ 183,243	\$ 244,843	\$ 70,968	\$ 315,811
Receivables, net:						
Taxes	4,943	...	4,943	9,003	...	9,003
Other	21,810	...	21,810	16,731	...	16,731
Due from other governments	...	272,307	272,307	...	33,774	33,774
Prepayments and other assets	...	...	...	...	...	...
Restricted assets:						
Cash and equivalents	...	369,801	369,801	...	369,761	369,761
Note receivable	...	...	...	...	...	...
Interfund receivables (payables)	258,207	(258,207)	...	11,831	(11,831)	...
<b>TOTAL ASSETS</b>	<u>\$ 396,968</u>	<u>\$ 455,136</u>	<u>\$ 852,104</u>	<u>\$ 282,408</u>	<u>\$ 462,672</u>	<u>\$ 745,080</u>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES</b>						
Lines of credit	\$ ...	\$ ...	\$ ...	\$ ...	\$ ...	\$ ...
Accounts payable	1,609	...	1,609	46,249	...	46,249
Payroll deductions and withholdings	6,232	...	6,232	4,366	...	4,366
Compensated absences liability	...	...	...	1,895	...	1,895
Deferred revenues	40,398	...	40,398	5,864	...	5,864
Refundable advances and deposits	...	383,901	383,901	...	391,704	391,704
<b>Total liabilities</b>	<u>48,239</u>	<u>383,901</u>	<u>432,140</u>	<u>58,374</u>	<u>391,704</u>	<u>450,078</u>
<b>FUND BALANCES</b>						
Restricted-Specific programs	...	71,235	71,235	...	70,968	70,968
Unassigned	348,729	...	348,729	224,034	...	224,034
<b>Total fund balances</b>	<u>348,729</u>	<u>71,235</u>	<u>419,964</u>	<u>224,034</u>	<u>70,968</u>	<u>295,002</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 396,968</u>	<u>\$ 455,136</u>	<u>\$ 852,104</u>	<u>\$ 282,408</u>	<u>\$ 462,672</u>	<u>\$ 745,080</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, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Amounts reported for governmental activities in the statement of net assets are different because:		
<b>Total fund balances-governmental funds</b>	\$ 419,964	\$ 295,002
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 \$10,264,548 and \$9,636,981 and the related accumulated depreciation is \$1,844,043 and \$1,524,257 as of June 30, 2011 and 2010, respectively.	8,420,505	8,112,724
Long-term liabilities are not due and payable within the current period and, therefore are not reported as liabilities in the governmental fund types.		
	<u>2011</u>	<u>2010</u>
Long-term debt:		
Current portion	\$ (48,392)	\$ (61,094)
Net of current portion	<u>(885,977)</u>	<u>(934,895)</u>
	(934,369)	(995,989)
Compensated absences are not due and payable within the current period and, therefore are not reported in the governmental fund types.	<u>(3,061)</u>	<u>(9,600)</u>
<b>Total net assets-governmental activities</b>	<u>\$ 7,903,039</u>	<u>\$ 7,402,137</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, 2011 and 2010

	2011			2010		
	Governmental Fund Types			Governmental Fund Types		
	General	Special Revenue	Total	General	Special Revenue	Total
<b>REVENUES</b>						
Taxes:						
Real estate taxes	\$ 698,708	\$ ...	\$ 698,708	\$ 720,430	\$ ...	\$ 720,430
Real estate transfer taxes	153,640	...	153,640	21,722	...	21,722
Cable franchise taxes	16,863	...	16,863	14,879	...	14,879
Licenses and permits	1,970	...	1,970	3,000	...	3,000
Intergovernmental revenues:						
Federal	49,368	126,574	175,942	41,250	33,629	74,879
State	...	598,175	598,175	...	63,646	63,646
Local	...	731	731	...	47,274	47,274
Police fines and court fees	7,947	...	7,947	12,539	...	12,539
Charges for services	4,799	...	4,799	4,924	...	4,924
Interest and rents	114,465	267	114,732	102,190	702	102,892
Miscellaneous revenues	...	...	...	100	...	100
<b>Total revenues</b>	<u>1,047,760</u>	<u>725,747</u>	<u>1,773,507</u>	<u>921,034</u>	<u>145,251</u>	<u>1,066,285</u>
<b>EXPENDITURES</b>						
Current:						
General government	219,625	...	219,625	265,685	...	265,685
Public safety-police	204,177	140,916	345,093	177,706	32,875	210,581
Public works-streets	145,587	26,558	172,145	265,465	...	265,465
Public works-sanitation	175,594	...	175,594	146,602	...	146,602
Parks and recreation	...	7,245	7,245	...	48,091	48,091
Youth Center	10,851	22,700	33,551	9,760	27,000	36,760
Capital outlay	120,027	519,061	639,088	10,741	36,651	47,392
Debt service:						
Principal	56,804	4,816	61,620	261,075	22,944	284,019
Interest and other fees	30,428	4,184	34,612	36,375	735	37,110
<b>Total expenditures</b>	<u>963,093</u>	<u>725,480</u>	<u>1,688,573</u>	<u>1,173,409</u>	<u>168,296</u>	<u>1,341,705</u>
<b>EXCESS (DEFICIT) REVENUES OVER EXPENDITURES</b>	<u>84,667</u>	<u>267</u>	<u>84,934</u>	<u>(252,375)</u>	<u>(23,045)</u>	<u>(275,420)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Proceeds from new financing	...	...	...	234,000	...	234,000
Proceeds from sale of capital assets	5,000	...	5,000	104,805	...	104,805
Refund of prior year expenditures	10,000	...	10,000	736	...	736
Interfund transfers in (out)	25,028	...	25,028	14,009	...	14,009
<b>Total other financing sources (uses)</b>	<u>40,028</u>	<u>...</u>	<u>40,028</u>	<u>353,550</u>	<u>...</u>	<u>353,550</u>
<b>NET CHANGES IN FUND BALANCES</b>	<u>124,695</u>	<u>267</u>	<u>124,962</u>	<u>101,175</u>	<u>(23,045)</u>	<u>78,130</u>
<b>FUND BALANCES</b>						
Beginning 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>
End of year	<u>\$ 348,729</u>	<u>\$ 71,235</u>	<u>\$ 419,964</u>	<u>\$ 224,034</u>	<u>\$ 70,968</u>	<u>\$ 295,002</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, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Amounts reported for governmental activities in the statement of activities are different because:		
<b>Net changes in fund balance-total governmental funds</b>	<b>\$ 124,962</b>	<b>\$ 78,130</b>
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 difference between capital outlay and depreciation expense.		
	<u>2011</u>	<u>2010</u>
Capital outlay	\$ 627,567	\$ 31,829
Depreciation expense	<u>(319,786)</u>	<u>(320,318)</u>
	307,781	(288,489)
The governmental funds report loan proceeds as 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:		
	<u>2011</u>	<u>2010</u>
Long-term financing:		
Proceeds received	\$ ...	\$ (234,000)
Principal payments made	<u>61,620</u>	<u>284,019</u>
	61,620	50,019
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.		
	<u>2011</u>	<u>2010</u>
Capital assets:		
Proceeds from sale	\$ 5,000	\$ ...
Gain (loss) from sale	<u>5,000</u>	<u>...</u>
	...	...
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.		
	<u>6,539</u>	<u>2,380</u>
<b>Changes in net assets-governmental activities</b>	<b>\$ 500,902</b>	<b>\$ (157,960)</b>

Accompanying notes are an integral part of these financial statements

**CITY OF DELAWARE CITY, DELAWARE**  
**STATEMENTS OF NET ASSETS-PROPRIETARY FUND**  
June 30, 2011 and 2010

	Water Fund	
	2011	2010
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and equivalents	\$           ...	\$           ...
Accounts receivable, net	<u>7,291</u>	<u>7,291</u>
<b>Total current assets</b>	<u>7,291</u>	<u>7,291</u>
<b>NONCURRENT ASSETS</b>		
Capital assets, net:		
Nondepreciable	18,331	18,331
Depreciable	981,775	1,106,286
Bond issue costs, net of amortization	<u>21,560</u>	<u>22,958</u>
<b>Total noncurrent assets</b>	<u>1,021,666</u>	<u>1,147,575</u>
<b>TOTAL ASSETS</b>	<u>1,028,957</u>	<u>1,154,866</u>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accrued interest payable	5,676	5,860
Current portion of long-term debt	31,837	30,537
Refundable deposits	<u>12,700</u>	<u>11,340</u>
<b>Total current liabilities</b>	50,213	47,737
<b>NONCURRENT LIABILITIES</b>		
Long-term debt, net of current portion	<u>821,038</u>	<u>852,875</u>
<b>TOTAL LIABILITIES</b>	<u>871,251</u>	<u>900,612</u>
<b>NET ASSETS (LIABILITIES)</b>		
Invested in capital assets, net of related debt	168,791	264,163
Unrestricted	<u>(11,085)</u>	<u>(9,909)</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 157,706</u>	<u>\$ 254,254</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, 2011 and 2010

	Water Fund	
	2011	2010
<b>OPERATING REVENUES</b>		
Charges for services	\$ 272,726	\$ 262,286
<b>OPERATING EXPENSES</b>		
Salaries	33,207	36,874
Payroll taxes	3,068	3,162
Employee benefits	3,105	3,745
Contractual services	48,180	37,500
Insurance	17,119	16,644
Telephone	4,105	4,408
Electricity	29,575	29,271
Professional fees	14,171	13,397
Distribution system maintenance	22,508	35,136
Office supplies	1,074	960
Materials and supplies	3,499	2,775
Fuel for heating	1,892	2,278
Miscellaneous	310	270
Depreciation and amortization	125,909	125,908
<b>Total operating expenses</b>	<u>307,722</u>	<u>312,328</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(34,996)</u>	<u>(50,042)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest expense	(37,974)	(39,140)
Miscellaneous revenues	1,450	1,460
<b>Total nonoperating revenues (expenses)</b>	<u>(36,524)</u>	<u>(37,680)</u>
<b>INCOME (LOSS) BEFORE OTHER FINANCING SOURCES (USES)</b>	(71,520)	(87,722)
<b>TRANSFERS FROM (TO) GOVERNMENTAL ACTIVITIES</b>	<u>(25,028)</u>	<u>(14,009)</u>
<b>CHANGES IN NET ASSETS (LIABILITIES)</b>	(96,548)	(101,731)
<b>NET ASSETS</b>		
Beginning of year	<u>254,254</u>	<u>355,985</u>
End of year	<u>\$ 157,706</u>	<u>\$ 254,254</u>

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, 2011 and 2010**

	Water Fund	
	2011	2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 275,536	\$ 268,626
Cash payments to suppliers for goods and services	(142,433)	(142,639)
Cash payments to employees for services	(39,380)	(43,781)
<b>Net cash provided (used) by operating activities</b>	<u>93,723</u>	<u>82,206</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition of capital assets	...	...
Principal paid on general obligation bonds and notes	(30,537)	(28,867)
Interest paid on general obligation bonds and notes	(38,158)	(39,330)
Cash received (paid) from/(to) governmental activities	(25,028)	(14,009)
<b>Net cash provided (used) by capital and related financing activities</b>	<u>(93,723)</u>	<u>(82,206)</u>
<b>NET INCREASE (DECREASE) 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)	\$ (34,996)	\$ (50,042)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	124,511	124,510
Amortization	1,398	1,398
Other nonoperating revenues	1,450	1,460
Changes in assets and liabilities:		
Receivables	...	(300)
Refundable deposits	1,360	5,180
Total adjustments	<u>128,719</u>	<u>132,248</u>
Net cash provided from operating activities	<u>\$ 93,723</u>	<u>\$ 82,206</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, Delaware [the "City"] have been prepared in conformity with U.S. generally accepted accounting principles as applied to local governmental units, hereafter referred to as GAAP. The GASB [Governmental Accounting Standards Board] is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The City's significant accounting policies are described below.

Reporting Entity

The City of Delaware City was incorporated on March 5, 1851 under the provisions of the State of Delaware, and 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 the financial statements in conformity 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 or expenditures during the reporting period. Accordingly, the 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.

**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, 2011 and 2010, 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, 2011 and 2010, taxes receivable are shown net of the estimated allowance for uncollectibles of \$43,329 and \$35,307, 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, 2011 and 2010, trade accounts receivable are shown net of the estimated allowance for uncollectibles of \$25,747 and \$19,251, 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, 2011 and 2010, 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 2011 and 2010, 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 [twenty years] of the Bond using the straight-line method. At June 30, 2011 and 2010, the accumulated amortization was \$6,409 and \$5,011, 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, 2011 and 2010, deferred revenues in the general fund are \$40,398 and \$5,864, 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. The 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.

The City has implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* for its governmental funds. Under GASB Statement No. 54, fund balances are required to be reported according to the following classifications:

- **Nonspendable fund balance**-Includes amounts that cannot be spent because they are either not in spendable form, or, for legal or contractual reasons, must be kept intact. This classification includes inventories, prepaid amounts, assets held for sale, and long-term receivables.
- **Restricted fund balance**-Constraints placed on the use of these resources are either externally imposed by creditors [such as debt covenants], grantors, contributors, or other governments; or are imposed by law [through constitutional provisions or enabling legislation].
- **Committed fund balance**-Amounts that can only be used for specific purposes because of a formal action [resolution or ordinance] by the City's highest level of decision-making authority: the City Council.
- **Assigned fund balance**-Amounts that are constrained by the City's intent to be used for specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the City Council, or by an official to whom that authority has been given. With the exception of the general fund, this is the residual fund balance classification for all governmental funds with positive balances.
- **Unassigned fund balance**-This is the residual classification of the general fund. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification, as the result of overspending for specific purposes for which amounts had been restricted, committed or assigned.

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.

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

Implementation of New Accounting Principles

For the year ending June 30, 2010, the City implemented the following GASB statements of financial accounting standards:

- No. 54, *Fund Balance Reporting & Governmental Fund Type Definitions*
- No. 53, *Accounting & Financial Reporting for Derivative Instruments*
- No. 58, *Accounting & Financial Reporting for Chapter 9 Bankruptcies*.

Statement No. 54 establishes standards for classifications of fund balance that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Additionally, the definitions of the general fund, the special revenue fund type, the capital projects fund type, the debt service fund type, and the permanent fund type are clarified by the provisions in this Statement. Interpretations of certain terms within the definition of the special revenue fund type have been provided and, for some governments, those interpretations may affect the activities they choose to report in those funds. Definitions of other governmental fund types also have been modified for clarity and consistency.

Statements Nos. 53 and 58 have no reporting implications for the City.

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 are 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 2011 and \$1.09 per \$100 of assessed valuation for the fiscal year 2010 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 2011 and 2010 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 42% of the total annual assessments for the years ended June 30, 2011 and 2010, 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 and with financial institutions that are FDIC insured.

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, 2011 and 2010. 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	2011		2010	
	Book	Bank	Book	Bank
Category 1	\$ 174,777	\$ 250,140	\$ 250,000	\$ 250,000
Category 2	8,166	8,166	65,511	87,101
Category 3	300	...	300	...
Totals	<u>\$ 183,243</u>	<u>\$ 258,306</u>	<u>\$ 315,811</u>	<u>\$ 337,101</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 - INTERGOVERNMENTAL RECEIVABLES**

The primary government receivables due from other governmental units represent revenues earned by the City. At June 30, 2011 and 2010, the receivables consist of the following:

Description	Activity Type			
	2011		2010	
	Governmental	Business	Governmental	Business
U.S. Department of Justice	\$ 11,909	\$ ...	\$ 23,419	\$ ...
Delaware Land and Water Conservation Trust	201,461	...	1,500	...
Delaware Department of Transportation	20,404	...	...	...
Delaware Department of Natural Resources	29,659	...	...	...
Delaware Criminal Justice Council	5,337	...	4,778	...
Delaware Department of Agriculture	2,476	...	4,077	...
Federal pass-thru agency:				
American Lung Association	697	...	...	...
Delaware Division of				
Historical and Cultural Affairs	364	...	...	...
Total intergovernmental receivables	<u>\$ 272,307</u>	<u>\$ ...</u>	<u>\$ 33,774</u>	<u>\$ ...</u>

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

**NOTE 6 - CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2011 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	...	...	...	...
Streets and sidewalks	...	29,003	...	29,003
Trees, trails and landscape	94,765	598,564	...	693,329
Total capital assets, not being depreciated	<u>516,502</u>	<u>627,567</u>	<u>...</u>	<u>1,144,069</u>
Capital assets, being depreciated:				
Buildings and improvements	6,387,621	...	...	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>9,120,479</u>	<u>...</u>	<u>...</u>	<u>9,120,479</u>
Less accumulated depreciation:				
Buildings and improvements	737,611	168,056	...	905,667
Furniture and office equipment	49,883	6,308	...	56,191
Vehicles and equipment	192,677	36,452	...	229,129
Streets and sidewalks	379,962	66,614	...	446,576
Trees, trails and landscape	164,124	42,356	...	206,480
Accumulated depreciation	<u>1,524,257</u>	<u>319,786</u>	<u>...</u>	<u>1,844,043</u>
Total capital assets, being depreciated	<u>7,596,222</u>	<u>(319,786)</u>	<u>...</u>	<u>7,276,436</u>
Governmental activities capital assets, net	<u>\$ 8,112,724</u>	<u>\$ 307,781</u>	<u>\$ ...</u>	<u>\$ 8,420,505</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	2,711,684	...	...	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	310,489	10,501	...	320,990
Water distribution system	1,710,501	114,010	...	1,824,511
Machinery and equipment	...	...	...	...
Accumulated depreciation	<u>2,020,990</u>	<u>124,511</u>	<u>...</u>	<u>2,145,501</u>
Total capital assets, being depreciated	<u>1,106,286</u>	<u>(124,511)</u>	<u>...</u>	<u>981,775</u>
Business-type activities capital assets, net	<u>\$ 1,124,617</u>	<u>\$ (124,511)</u>	<u>\$ ...</u>	<u>\$ 1,000,106</u>

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

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

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	767,306	31,829	282,633	516,502
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	8,837,846	282,633	...	9,120,479
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	1,203,939	320,318	...	1,524,257
Total capital assets, being depreciated	7,633,907	(37,685)	...	7,596,222
Governmental activities capital assets, net	\$ 8,401,213	\$ (5,856)	\$ 282,633	\$ 8,112,724
<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	2,711,684	...	...	2,711,684
Machinery and equipment	...	...	...	...
Total being depreciated	3,127,276	...	...	3,127,276
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	1,896,480	124,510	...	2,020,990
Total capital assets, being depreciated	1,230,796	(124,510)	...	1,106,286
Business-type activities capital assets, net	\$ 1,249,127	\$ (124,510)	\$ ...	\$ 1,124,617

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

**NOTE 7 - LONG-TERM DEBT OBLIGATIONS**

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

Description	Year Ended June 30, 2011				
	Beginning Balances	Additions	Deletions	Ending Balances	
				Long-term Portion	Due Within One Year
<b>Governmental Activities:</b>					
General obligation notes:					
Ford Motor Credit Corp.	\$ 6,873	\$ ...	\$ 6,873	\$ ...	\$ ...
Sun National Bank	280,000	...	12,000	256,000	12,000
Sun National Bank	186,667	...	8,000	170,667	8,000
Stoltz Foundation	10,736	...	9,277	...	1,459
Total note obligations	484,276	...	36,150	426,667	21,459
General obligation bonds:					
Citizens Bank	282,263	...	19,805	241,403	21,055
2008 Series	229,450	...	5,665	217,907	5,878
Total governmental	\$ 995,989	\$ ...	\$ 61,620	\$ 885,977	\$ 48,392
<b>Business-Type Activities:</b>					
General obligation bonds:					
1995 Series	\$ 563,479	\$ ...	\$ 10,376	\$ 542,198	\$ 10,905
2006 Series	246,694	...	11,137	224,111	11,446
Total bond obligations	810,173	...	21,513	766,309	22,351
General obligation notes:					
SERCAP	73,239	...	9,024	54,729	9,486
Total business-type	\$ 883,412	\$ ...	\$ 30,537	\$ 821,038	\$ 31,837

General Obligation Bonds and Notes

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 was secured with an interest in the vehicle. The note was repaid in full during the current fiscal year.

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 within the City limits in New Castle County, Delaware, as stipulated in the security agreement.

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

**NOTE 7 - LONG-TERM DEBT OBLIGATIONS** (continued)

General Obligation Bonds and Notes (continued)

Sun National Bank-Lines of Credit (continued)

At June 30, 2011, 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>
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>\$ 268,000</u>	<u>\$ 12,000</u>	<u>\$ 280,000</u>

At June 30, 2011, 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>
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>\$ 178,667</u>	<u>\$ 8,001</u>	<u>\$ 186,668</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, 2011, the repayment schedule follows:

<u>Years Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	<u>\$ 1,459</u>	<u>\$ 6</u>	<u>\$ 1,465</u>

Citizens Bank-Bond

On June 15, 2006, the City issued a General Obligation Bond in the amount of \$355,000 carrying a maturity date of June 15, 2021. The bond carries an annual interest rate of 5.125% 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 Project. The bond is secured with the full faith and credit of the City. At June 30, 2011, the repayment schedule is as follows:

<u>Years Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	25,834	8,132	33,966
2017-2021	<u>145,541</u>	<u>18,627</u>	<u>164,168</u>
Total required payments	<u>\$ 262,458</u>	<u>\$ 71,540</u>	<u>\$ 333,998</u>

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

**NOTE 7 - LONG-TERM DEBT OBLIGATIONS** (continued)

General Obligation Bonds and Notes (continued)

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, 2011, the repayment schedule is as follows:

<u>Years Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	6,937	8,087	15,024
2017-2021	38,633	36,487	75,120
2022-2026	48,104	27,016	75,120
2027-2031	59,109	16,011	75,120
2032-2035	<u>45,887</u>	<u>3,969</u>	<u>49,856</u>
Total required payments	<u>\$ 223,785</u>	<u>\$ 126,551</u>	<u>\$ 350,336</u>

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, 2011, the repayment schedule is as follows:

<u>Years Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	13,303	25,069	38,372
2017-2021	77,398	114,462	191,860
2022-2026	99,227	92,633	191,860
2027-2031	127,213	64,647	191,860
2032-2036	163,091	28,769	191,860
2037	<u>25,803</u>	<u>913</u>	<u>26,716</u>
Total required payments	<u>\$ 553,103</u>	<u>\$ 432,913</u>	<u>\$ 986,016</u>

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

**NOTE 7 - 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 \$8,934.69 [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 No. 5 Upgrade Project". The bond is secured with the full faith and credit of the City. At June 30, 2011, the repayment schedule is as follows:

<u>Years Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	12,773	5,096	17,869
2017-2021	69,390	19,957	89,347
2022-2026	79,583	9,764	89,347
2027-2028	<u>26,082</u>	<u>724</u>	<u>26,806</u>
Total required payments	<u>\$ 235,557</u>	<u>\$ 59,288</u>	<u>\$ 294,845</u>

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, 2011, the repayment schedule is as follows:

<u>Years Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	11,582	873	12,455
2017	<u>11,675</u>	<u>(254)</u>	<u>11,421</u>
Total required payments	<u>\$ 64,215</u>	<u>\$ 9,481</u>	<u>\$ 73,696</u>

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

**NOTE 7 - LONG-TERM DEBT OBLIGATIONS** (continued)

General Obligation Bonds and Notes (continued)

Future maturities of principal and interest payments follow:

Years Ending June 30	<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>					
2012	\$ 26,933	\$ 22,057	\$ 21,459	\$ 9,850	\$ 80,299
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	32,771	16,219	...	...	48,990
2017-2021	184,174	55,114	...	...	239,288
2022-2026	48,104	27,016	...	...	75,120
2027-2031	59,109	16,011	...	...	75,120
2032-2035	45,887	3,969	...	...	49,856
<b>Totals</b>	<b>\$ 486,243</b>	<b>\$ 198,091</b>	<b>\$ 448,126</b>	<b>\$ 20,007</b>	<b>\$ 1,152,467</b>

**Business-Type Activities:**

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	26,076	30,165	11,582	873	68,696
2017-2021	146,788	134,419	11,675	(254)	292,628
2022-2026	178,810	102,397	...	...	281,207
2027-2031	153,295	65,371	...	...	218,666
2032-2036	163,091	28,769	...	...	191,860
2037	25,803	913	...	...	26,716
<b>Totals</b>	<b>\$ 788,660</b>	<b>\$ 492,201</b>	<b>\$ 64,215</b>	<b>\$ 9,481</b>	<b>\$ 1,354,557</b>

**NOTE 8 - LEASING ARRANGEMENTS 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, 2011 and 2010, respectively.

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

At June 30, 2011, the minimum future rental payments under the non-cancelable leasing arrangement having remaining terms in excess of one year in the aggregate are:

<u>Years Ending June 30</u>	<u>Amount</u>
2012	\$ 5,008
2013	417
<b>Total minimum future rental payments required</b>	<b>\$ 5,425</b>

**NOTE 9 - LEASING ARRANGEMENTS AS LESSOR**

The City is the lessor of certain real property under operating leasing arrangements expiring at various dates. The following is a summary of property held for lease at June 30, 2011:

<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, 2011 and 2010 was \$101,963 and \$86,269, respectively.

**NOTE 10 - LINE OF CREDIT**

On August 12, 2011, the City issued a general obligation note for \$150,000 to Wilmington Savings Fund Society, FSB. The note [a line of credit] carries a variable interest rate [currently at 4.00%] and is on demand. The note is for the purpose of providing working capital and is secured with the full faith and credit of the City and the assignment of tax revenues. At June 30, 2011, the City had no balance outstanding.

**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, 2011, 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, 2011

	<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	\$ 668,486	\$ 668,486	\$ 698,708	\$ 30,222
Real estate transfer taxes	20,000	20,000	153,640	133,640
Cable franchise taxes	13,000	13,000	16,863	3,863
Licenses and permits	3,500	3,500	1,970	(1,530)
Intergovernmental revenues	...	...	49,368	49,368
Police fines and court fees	15,000	15,000	7,947	(7,053)
Charges for services	4,500	4,500	4,799	299
Interest and rents	95,800	95,800	114,465	18,665
Miscellaneous revenues	2,200	2,200	...	(2,200)
<b>Total revenues</b>	<u>822,486</u>	<u>822,486</u>	<u>1,047,760</u>	<u>225,274</u>
<b>EXPENDITURES</b>				
Current:				
General government	253,212	253,212	219,625	33,587
Public safety-police	213,024	213,024	204,177	8,847
Public works-streets	130,100	130,100	145,587	(15,487)
Public works-sanitation	166,000	166,000	175,594	(9,594)
Standing Committees	300	300	...	300
Youth Center	16,000	16,000	10,851	5,149
Capital outlay	...	...	120,027	(120,027)
Debt service	87,150	87,150	87,232	(82)
<b>Total expenditures</b>	<u>865,786</u>	<u>865,786</u>	<u>963,093</u>	<u>(97,307)</u>
<b>EXCESS (DEFICIT)</b>				
<b>REVENUES OVER EXPENDITURES</b>	<u>(43,300)</u>	<u>(43,300)</u>	<u>84,667</u>	<u>127,967</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from new financing	...	...	5,000	(8,300)
Proceeds from sale of capital assets	13,300	13,300	...	...
Refund of prior year expenditures	...	...	10,000	10,000
Operating transfers in (out)	5,000	5,000	25,028	20,028
<b>Total other financing sources (uses)</b>	<u>18,300</u>	<u>18,300</u>	<u>40,028</u>	<u>21,728</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(25,000)</u>	<u>(25,000)</u>	<u>124,695</u>	<u>149,695</u>
<b>FUND BALANCE</b>				
Beginning of year	<u>25,000</u>	<u>25,000</u>	<u>224,034</u>	<u>199,034</u>
End of year	<u>\$ ...</u>	<u>\$ ...</u>	<u>\$ 348,729</u>	<u>\$ 348,729</u>

**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 2011.

See Report of Independent Auditor

## **Additional Information Section**

**CITY OF DELAWARE CITY, DELAWARE**  
 COMBINING BALANCE SHEET-SPECIAL REVENUE FUND  
 June 30, 2011 With Comparative Totals for 2010

	Federal Funding	State Funding			Local Funding	Revolving Loan Fund	Totals	
		Municipal Street Aid	SALLE and EIDE	Other			2011	2010
<b>ASSETS</b>								
<b>ASSETS</b>								
Cash and equivalents	\$ ...	\$ 136	\$ ...	\$ ...	\$ ...	\$ 71,099	\$ 71,235	\$ 70,968
Due from other governments	47,966	...	...	224,341	...	...	272,307	33,774
Restricted assets:								
Cash and equivalents	...	...	...	...	369,801	...	369,801	369,761
Interfund balances	(42,466)	...	5,608	(219,354)	(1,995)	...	(258,207)	(11,831)
<b>TOTAL ASSETS</b>	<u>\$ 5,500</u>	<u>\$ 136</u>	<u>\$ 5,608</u>	<u>\$ 4,987</u>	<u>\$ 367,806</u>	<u>\$ 71,099</u>	<u>\$ 455,136</u>	<u>\$ 462,672</u>
<b>LIABILITIES AND FUND BALANCES</b>								
<b>LIABILITIES</b>								
Refundable advances and deposits	\$ 5,500	\$ ...	\$ 5,608	\$ 4,987	\$ 367,806	\$ ...	\$ 383,901	\$ 391,704
<b>Total liabilities</b>	<u>5,500</u>	<u>...</u>	<u>5,608</u>	<u>4,987</u>	<u>367,806</u>	<u>...</u>	<u>383,901</u>	<u>391,704</u>
<b>FUND BALANCES</b>								
Restricted-Specific programs	...	136	...	...	...	71,099	71,235	70,968
<b>Total fund balances</b>	<u>...</u>	<u>136</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>71,099</u>	<u>71,235</u>	<u>70,968</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 5,500</u>	<u>\$ 136</u>	<u>\$ 5,608</u>	<u>\$ 4,987</u>	<u>\$ 367,806</u>	<u>\$ 71,099</u>	<u>\$ 455,136</u>	<u>\$ 462,672</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, 2011 With Comparative Totals for 2010

	Federal Funding	State Funding			Local Funding	Revolving Loan Fund	Totals	
		Municipal Street Aid	SALLE and EIDE	Other			2011	2010
<b>REVENUES</b>								
Intergovernmental revenues:								
Federal	\$ 126,574	\$ ...	\$ ...	\$ ...	\$ ...	\$ ...	\$ 126,574	\$ 33,629
State	...	35,598	14,548	548,069	...	...	598,175	63,646
Local	...	...	...	...	731	...	731	47,274
Interest revenue	...	...	...	...	...	267	267	702
<b>Total revenues</b>	<u>126,574</u>	<u>35,558</u>	<u>14,548</u>	<u>548,069</u>	<u>731</u>	<u>267</u>	<u>725,747</u>	<u>145,251</u>
<b>EXPENDITURES</b>								
Current:								
Public safety-police	126,574	...	14,342	...	...	...	140,916	32,875
Public works-streets	...	26,558	...	...	...	...	26,558	...
Parks and recreation	...	...	...	6,514	731	...	7,245	48,091
Youth Center	...	...	...	22,700	...	...	22,700	27,000
Capital outlay:								
Public safety-police	...	...	206	...	...	...	206	6,242
Public works-streets	...	...	...	29,003	...	...	29,003	25,580
Parks and recreation	...	...	...	489,852	...	...	489,852	4,829
Debt service:								
Principal	...	4,816	...	...	...	...	4,816	22,944
Interest and other fees	...	4,184	...	...	...	...	4,184	735
<b>Total expenditures</b>	<u>126,574</u>	<u>35,558</u>	<u>14,548</u>	<u>548,069</u>	<u>731</u>	<u>...</u>	<u>725,480</u>	<u>168,296</u>
<b>EXCESS REVENUES OVER (UNDER) EXPENDITURES</b>	...	...	...	...	...	267	267	(23,045)
<b>OTHER FINANCING SOURCES (USES)</b>								
Operating transfers in	...	...	...	...	...	...	...	...
Operating transfers out	...	...	...	...	...	...	...	...
<b>Total other financing sources (uses)</b>	...	...	...	...	...	...	...	...
<b>NET CHANGES IN FUND BALANCES</b>	...	...	...	...	...	267	267	(23,045)
<b>FUND BALANCES</b>								
Beginning of year	...	136	...	...	...	70,832	70,968	94,013
End of year	<u>\$ ...</u>	<u>\$ 136</u>	<u>\$ ...</u>	<u>\$ ...</u>	<u>\$ ...</u>	<u>\$ 71,099</u>	<u>\$ 71,235</u>	<u>\$ 70,968</u>

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