



WHISMAN GIORDANO
CERTIFIED PUBLIC ACCOUNTANTS

Building Extraordinary Relationships

FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT AUDITOR

CITY OF DELAWARE CITY
Delaware City, Delaware

Years Ended June 30, 2018 and 2017

CITY OF DELAWARE CITY, DELAWARE

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WHISMAN GIORDANO
CERTIFIED PUBLIC ACCOUNTANTS

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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, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2018 and 2017, and the respective changes in financial position and where applicable, cash flows thereof, for the years then ended in accordance accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that budgetary comparison information, reported on pages 30 and 31, 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 to 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 the missing information.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Delaware City, Delaware's financial statements. The combining fund financial statements, reported on pages 32 and 33, are presented for purposes of additional analysis and are not a required part of the basic 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 25, 2019 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Delaware City, Delaware's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Delaware City, Delaware's internal control over financial reporting and compliance.

Restriction on Use

This report is intended solely for the information and use of management, Mayor and members of Council, others within the entity, the Office of the Governor, the Office of Controller General, Office of Attorney General, Office of Management and Budget, Secretary of Finance, Office of Auditor of Accounts, and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties. However, this report is a public record and its distribution is not limited.

Whisman Giordano & Associates, LLC

Newark, Delaware
February 25, 2019

Basic Financial Statements Section

CITY OF DELAWARE CITY, DELAWARE
STATEMENTS OF NET POSITION
As of June 30, 2018 and 2017

	2018			Component Unit Delaware City Day Committee	2017			Component Unit Delaware City Day Committee
	Primary Government		Total		Primary Government		Total	
	Activity Type				Activity Type			
	Governmental	Business	Governmental		Business			
ASSETS								
Current assets								
Cash and equivalents	\$ 314,886	\$ -	\$ 314,886	\$ 9,492	\$ 474,947	\$ -	\$ 474,947	\$ 24,724
Receivables, net of allowance:								
Property taxes	4,357	-	4,357	-	4,357	-	4,357	-
Accounts	-	73,356	73,356	-	-	69,752	69,752	-
Other	6,205	-	6,205	-	6,043	-	6,043	-
Prepayments and other assets	-	-	-	3,500	-	-	-	19,000
Due from other governments	229,857	-	229,857	-	138,738	-	138,738	-
Due from primary government	-	-	-	29,400	-	-	-	36,000
Total current assets	555,305	73,356	628,661	42,392	624,085	69,752	693,837	79,724
Noncurrent assets								
Capital assets, net of depreciation:								
Nondepreciable	421,737	18,331	440,068	-	421,737	18,331	440,068	-
Depreciable	5,536,826	178,222	5,715,048	-	5,864,264	248,734	6,112,998	-
Total noncurrent assets	5,958,563	196,553	6,155,116	-	6,286,001	267,065	6,553,066	-
TOTAL ASSETS	6,513,868	269,909	6,783,777	42,392	6,910,086	336,817	7,246,903	79,724
DEFERRED OUTFLOWS OF RESOURCES								
Bond issue costs, net of amortization	-	11,774	11,774	-	-	13,172	13,172	-
LIABILITIES								
Current liabilities								
Line of credit	-	-	-	-	-	-	-	-
Accounts payable and other	57,425	-	57,425	-	198,840	-	198,840	15,500
Accrued interest payable	-	4,310	4,310	-	-	4,443	4,443	-
Current portion of long-term debt	82,767	29,309	112,076	-	43,590	28,185	71,775	-
Funds held in custody	44,016	-	44,016	-	17,278	-	17,278	-
Refundable advances and other deposits	120,533	15,408	135,941	-	90,637	14,850	105,487	2,324
Due to component unit	29,400	-	29,400	-	36,000	-	36,000	-
Total current liabilities	334,141	49,027	383,168	-	386,345	47,478	433,823	17,824
Noncurrent liabilities								
Long-term debt, net of current portion	373,170	583,114	956,284	-	286,743	612,428	899,171	-
Long-term portion of compensated absences	19,719	-	19,719	-	21,698	-	21,698	-
Total noncurrent liabilities	392,889	583,114	976,003	-	308,441	612,428	920,869	-
TOTAL LIABILITIES	727,030	632,141	1,359,171	-	694,786	659,906	1,354,692	17,824
DEFERRED INFLOWS OF RESOURCES								
Unavailable revenue-other	7,484	-	7,484	-	-	-	-	-
NET POSITION (LIABILITIES)								
Net investment in capital assets	5,502,626	(404,096)	5,098,530	-	5,955,668	(360,376)	5,595,292	-
Restricted for specific programs	114,110	-	114,110	42,392	77,476	-	77,476	61,900
Unrestricted	162,618	53,638	216,256	-	182,156	50,459	232,615	-
TOTAL NET POSITION	\$ 5,779,354	\$ (350,458)	\$ 5,428,896	\$ 42,392	\$ 6,215,300	\$ (309,917)	\$ 5,905,383	\$ 61,900

Accompanying notes are an integral part of these financial statements

CITY OF DELAWARE CITY, DELAWARE
STATEMENT OF ACTIVITIES
Year Ended June 30, 2018

Functions	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Position			Component
		Charges for Services	Grants and Contributions		Activity Type			Unit
			Operating	Capital	Governmental	Business	Total	Delaware City Day Committee
GOVERNMENTAL ACTIVITIES								
General government	\$ 520,637	72,690	4,342	-	(443,605)	-	(443,605)	-
Code enforcement	57,414	38,964	-	-	(18,450)	-	(18,450)	-
Public safety-police	367,142	7,145	20,192	-	(339,805)	-	(339,805)	-
Public works-streets	103,602	-	42,158	-	(61,444)	-	(61,444)	-
Public works-sanitation	216,224	5,000	-	-	(211,224)	-	(211,224)	-
Parks and recreation	436,664	-	182,441	183,533	(70,690)	-	(70,690)	-
Community Center	73,605	-	18,772	-	(54,833)	-	(54,833)	-
Interest on long-term debt	10,640	-	-	-	(10,640)	-	(10,640)	-
Depreciation-unallocated	395,165	-	-	-	(395,165)	-	(395,165)	-
Total governmental activities	2,181,093	123,799	267,905	183,533	(1,605,856)	-	(1,605,856)	-
BUSINESS-TYPE ACTIVITIES								
Water system	340,430	272,592	-	-	-	(67,838)	(67,838)	-
Total business-type activities	340,430	272,592	-	-	-	(67,838)	(67,838)	-
TOTAL PRIMARY GOVERNMENT	2,521,523	396,391	267,905	183,533	(1,605,856)	(67,838)	(1,673,694)	-
DISCRETELY PRESENTED COMPONENT UNIT								
Delaware City Day Committee	68,897	10,165	39,224	-	-	-	-	(19,508)
TOTAL PRIMARY GOVERNMENT AND COMPONENT UNIT	\$2,590,420	\$ 406,556	\$ 307,129	\$ 183,533	(1,605,856)	(67,838)	(1,673,694)	(19,508)
GENERAL REVENUES AND TRANSFERS								
Property taxes levied for general purposes					994,722	-	994,722	-
Cable franchise taxes					17,022	-	17,022	-
Investment earnings and rents					155,706	-	155,706	-
Gain from sale of capital assets					5,151	-	5,151	-
Miscellaneous revenues (expenditures)					23,566	1,040	24,606	-
Transfers between governmental, BT activities					(26,257)	26,257	-	-
Total general revenues and transfers					1,169,910	27,297	1,197,207	-
CHANGES IN NET POSITION					(435,946)	(40,541)	(476,487)	(19,508)
NET POSITION (LIABILITIES)								
Beginning of year					6,215,300	(309,917)	5,905,383	61,900
End of year					<u>\$5,779,354</u>	<u>\$ (350,458)</u>	<u>\$5,428,896</u>	<u>\$ 42,392</u>

Accompanying notes are an integral part of these financial statements

CITY OF DELAWARE CITY, DELAWARE
STATEMENT OF ACTIVITIES
Year Ended June 30, 2017

Functions	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Position			Component
		Charges for Services	Grants and Contributions		Activity Type			Unit
			Operating	Capital	Governmental	Business	Total	Delaware City Day Committee
GOVERNMENTAL ACTIVITIES								
General government	\$ 480,430	72,645	11,041	-	(396,744)	-	(396,744)	-
Code enforcement	54,856	8,746	-	-	(46,110)	-	(46,110)	-
Public safety-police	364,717	13,316	19,770	-	(331,631)	-	(331,631)	-
Public works-streets	85,905	-	42,785	-	(43,120)	-	(43,120)	-
Public works-sanitation	204,697	4,943	-	-	(199,754)	-	(199,754)	-
Parks and recreation	238,469	-	87,316	58,200	(92,953)	-	(92,953)	-
Community Center	32,233	10	21,913	-	(10,310)	-	(10,310)	-
Interest on long-term debt	13,919	-	-	-	(13,919)	-	(13,919)	-
Depreciation-unallocated	388,673	-	-	-	(388,673)	-	(388,673)	-
Total governmental activities	1,863,899	99,660	182,825	58,200	(1,523,214)	-	(1,523,214)	-
BUSINESS-TYPE ACTIVITIES								
Water system	387,151	253,388	-	-	-	(133,763)	(133,763)	-
Total business-type activities	387,151	253,388	-	-	-	(133,763)	(133,763)	-
TOTAL PRIMARY GOVERNMENT	2,251,050	353,048	182,825	58,200	(1,523,214)	(133,763)	(1,656,977)	-
DISCRETELY PRESENTED COMPONENT UNIT								
Delaware City Day Committee	68,729	11,115	50,518	-	-	-	-	(7,096)
TOTAL PRIMARY GOVERNMENT AND COMPONENT UNIT	\$2,319,779	\$ 364,163	\$ 233,343	\$ 58,200	(1,523,214)	(133,763)	(1,656,977)	(7,096)
GENERAL REVENUES AND TRANSFERS								
Property taxes levied for general purposes					914,849	-	914,849	-
Cable franchise taxes					17,570	-	17,570	-
Investment earnings and rents					168,311	-	168,311	-
Gain from sale of capital assets					-	-	-	-
Miscellaneous revenues (expenditures)					(75,619)	788	(74,831)	-
Transfers between governmental, BT activities					(51,421)	51,421	-	-
Total general revenues and transfers					973,690	52,209	1,025,899	-
CHANGES IN NET POSITION					(549,524)	(81,554)	(631,078)	(7,096)
NET POSITION (LIABILITIES)								
Beginning of year, as previously reported					6,865,082	(290,560)	6,574,522	68,996
Prior period adjustment (Note 15)					(100,258)	62,197	(38,061)	-
Beginning of year, as restated					6,764,824	(228,363)	6,536,461	68,996
End of year					\$6,215,300	\$ (309,917)	\$5,905,383	\$ 61,900

Accompanying notes are an integral part of these financial statements

CITY OF DELAWARE CITY, DELAWARE
BALANCE SHEETS-GOVERNMENTAL FUNDS
As of June 30, 2018 and 2017

	2018			2017		
	Governmental Fund Types			Governmental Fund Types		
	General	Special Revenue	Total	General	Special Revenue	Total
ASSETS						
ASSETS						
Cash and equivalents	\$ 200,275	\$ 114,611	\$ 314,886	\$ 360,443	\$ 114,504	\$ 474,947
Receivables, net of allowance:						
Property taxes	4,357	-	4,357	4,357	-	4,357
Other	6,205	-	6,205	6,043	-	6,043
Due from other governments	-	229,857	229,857	-	138,738	138,738
Interfund receivables (payables)	116,049	(116,049)	-	84,996	(84,996)	-
TOTAL ASSETS	\$ 326,886	\$ 228,419	\$ 555,305	\$ 455,839	\$ 168,246	\$ 624,085
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Line of credit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable and other	57,425	-	57,425	79,736	-	79,736
Payroll deductions and withholdings	-	-	-	-	-	-
Funds held in custody	44,016	-	44,016	17,278	-	17,278
Refundable advances and other deposits	15,914	104,619	120,533	9,450	81,187	90,637
Due to component unit	29,400	-	29,400	36,000	-	36,000
Total liabilities	146,755	104,619	251,374	142,464	81,187	223,651
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue-other	7,484	-	7,484	-	-	-
FUND BALANCES						
Restricted-specific programs	-	114,110	114,110	-	77,476	77,476
Committed-capital reserve	153,976	-	153,976	153,976	-	153,976
Committed-budget reserve	18,671	-	18,671	159,399	-	159,399
Unassigned	-	9,690	9,690	-	9,583	9,583
Total fund balances	172,647	123,800	296,447	313,375	87,059	400,434
TOTAL LIABILITIES AND FUND BALANCES	\$ 326,886	\$ 228,419	\$ 555,305	\$ 455,839	\$ 168,246	\$ 624,085

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 POSITION

As of June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Amounts reported for governmental activities in the statement of net position are different because:		
Total fund balances-governmental funds	\$ 296,447	\$ 400,434
Capital assets used in governmental activities are not financial resources and, therefore are not reported as assets in the governmental funds. The cost of capital assets is \$9,908,400 and \$9,840,673 and the related accumulated depreciation is \$3,949,837 and \$3,554,672 for the periods presented.	5,958,563	6,286,001
Accounts payable resulting from a successful appeal of property taxes assessment by one of the City's major taxpayers. The assessment rebate was converted to a long-term note on July 2, 2018 payable in five equal annual installments.	-	(119,104)
Long-term obligations are not due and payable within the current period and, therefore are not reported as liabilities in the governmental fund types.		
	<u>2018</u>	<u>2017</u>
<u>Long-Term Debt Obligations</u>		
Current portion	\$ (82,767)	\$ (43,590)
Net of current portion	<u>(373,170)</u>	<u>(286,743)</u>
	(455,937)	(330,333)
Compensated absences not due and payable within the period presented are not reported in the governmental funds.	<u>(19,719)</u>	<u>(21,698)</u>
Total net position-governmental activities	<u>\$5,779,354</u>	<u>\$6,215,300</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, 2018 and 2017

	2018			2017		
	Governmental Fund Types			Governmental Fund Types		
	General	Special Revenue	Total	General	Special Revenue	Total
REVENUES						
Taxes:						
Property taxes	\$ 946,794	\$ -	\$ 946,794	\$ 877,846	\$ -	\$ 877,846
Property taxes-transfer taxes	72,582	-	72,582	55,849	-	55,849
Cable franchise taxes	17,022	-	17,022	17,570	-	17,570
Licenses and permits	71,835	-	71,835	72,155	-	72,155
Intergovernmental revenues:						
Federal	-	148,172	148,172	-	83,634	83,634
State	-	303,266	303,266	-	155,679	155,679
Police fines and court fees	6,166	-	6,166	6,871	-	6,871
Charges for services	45,798	-	45,798	20,634	-	20,634
Interest and rents	155,599	107	155,706	168,204	107	168,311
Contributions	1,164	-	1,164	1,712	-	1,712
Miscellaneous revenues	-	-	-	-	-	-
Total revenues	<u>1,316,960</u>	<u>451,545</u>	<u>1,768,505</u>	<u>1,220,841</u>	<u>239,420</u>	<u>1,460,261</u>
EXPENDITURES						
Current:						
General government	514,480	4,342	518,822	464,888	10,486	475,374
Code enforcement	57,414	-	57,414	54,856	-	54,856
Public safety-police	344,328	20,192	364,520	342,567	19,770	362,337
Public works-streets	98,078	5,524	103,602	67,305	18,600	85,905
Public works-sanitation	216,224	-	216,224	204,697	-	204,697
Parks and recreation	70,690	17,563	88,253	77,926	69,063	146,989
Community Center	20,448	18,772	39,220	11,477	20,756	32,233
Capital outlay	108,528	348,411	456,939	122,974	77,954	200,928
Debt service:						
Principal	57,682	-	57,682	34,292	8,491	42,783
Interest and other fees	10,640	-	10,640	13,919	-	13,919
Total expenditures	<u>1,498,512</u>	<u>414,804</u>	<u>1,913,316</u>	<u>1,394,901</u>	<u>225,120</u>	<u>1,620,021</u>
EXCESS (DEFICIT) REVENUES OVER EXPENDITURES	<u>(181,552)</u>	<u>36,741</u>	<u>(144,811)</u>	<u>(174,060)</u>	<u>14,300</u>	<u>(159,760)</u>
OTHER FINANCING SOURCES (USES)						
Proceeds from new financing	39,528	-	39,528	33,655	-	33,655
Proceeds from Verizon financing	143,758	-	143,758	-	-	-
Proceeds from sale of capital assets	5,151	-	5,151	-	-	-
Refund of prior year revenues	(143,758)	-	(143,758)	(75,619)	-	(75,619)
Refund of prior year expenditures	22,402	-	22,402	-	-	-
Interfund transfers in (out)	(26,257)	-	(26,257)	(52,568)	1,147	(51,421)
Total other financing sources (uses)	<u>40,824</u>	<u>-</u>	<u>40,824</u>	<u>(94,532)</u>	<u>1,147</u>	<u>(93,385)</u>
NET CHANGES IN FUND BALANCES	<u>(140,728)</u>	<u>36,741</u>	<u>(103,987)</u>	<u>(268,592)</u>	<u>15,447</u>	<u>(253,145)</u>
FUND BALANCES						
Beginning of year	<u>313,375</u>	<u>87,059</u>	<u>400,434</u>	<u>581,967</u>	<u>71,612</u>	<u>653,579</u>
End of year	<u>\$ 172,647</u>	<u>\$ 123,800</u>	<u>\$ 296,447</u>	<u>\$ 313,375</u>	<u>\$ 87,059</u>	<u>\$ 400,434</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, 2018 and 2017

2018 2017

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

Net change in fund balance-total government funds \$ (103,987) \$ (253,145)

The governmental funds report capital outlays as expenditures. However, in the government-wide financial statements, assets with an initial individual cost of \$2,500 or more are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. The following represents the amount by which capital outlays capitalized exceeds or is less than the depreciation expense for the periods presented.

Description	2018	2017		
Capital assets	\$ 67,727	\$ 109,448		
Depreciation expense	<u>(395,165)</u>	<u>(388,673)</u>	(327,438)	(279,225)

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.

Description	2018	2017		
Proceeds from sale of assets	\$ 5,151	\$ -		
Gain from sale of assets	<u>(5,151)</u>	<u>-</u>	-	-

To reflect the impact of the property taxes assessment appeal rebate impacting the fiscal years presented. (24,654) (18,846)

The governmental funds report loan proceeds as other financing sources, 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 or when it is due. The net effect of these differences in the treatment of long-term obligations and related items is as follows:

Description	2018	2017		
Financing proceeds received	\$ (39,528)	\$ (33,655)		
Principal payments made	<u>57,682</u>	<u>42,783</u>	18,154	9,128

In the statement of activities, certain operating expenses such as compensated absences [vacation and personal days] are measured by amounts earned for the period. In the governmental funds, however, expenditures for these items are measured by the amount of the financial resources used. This amount represents the difference between the amount used versus the amount earned for the periods presented. 1,979 (7,436)

Change in net position-governmental activities \$ (435,946) \$ (549,524)

Accompanying notes are an integral part of these financial statements

CITY OF DELAWARE CITY, DELAWARE
 STATEMENTS OF NET POSITION-PROPRIETARY FUND
 As of June 30, 2018 and 2017

	Water Fund	
	2018	2017
ASSETS		
CURRENT ASSETS		
Cash and equivalents	\$ -	\$ -
Accounts receivable, net of allowance	73,356	69,752
Total current assets	<u>73,356</u>	<u>69,752</u>
NONCURRENT ASSETS		
Capital assets, net of depreciation:		
Nondepreciable	18,331	18,331
Depreciable	178,222	248,734
Total noncurrent assets	<u>196,553</u>	<u>267,065</u>
TOTAL ASSETS	<u>269,909</u>	<u>336,817</u>
DEFERRED OUTFLOWS OF RESOURCES		
Bond issue costs, net of amortization	11,774	13,172
LIABILITIES		
CURRENT LIABILITIES		
Accrued interest payable	4,310	4,443
Current portion of long-term debt	29,309	28,185
Refundable advances and other deposits	15,408	14,850
Total current liabilities	<u>49,027</u>	<u>47,478</u>
NONCURRENT LIABILITIES		
Long-term debt, net of current portion	583,114	612,428
TOTAL LIABILITIES	<u>632,141</u>	<u>659,906</u>
NET POSITION (LIABILITIES)		
Net investment in capital assets	(404,096)	(360,376)
Unrestricted	53,638	50,459
TOTAL NET POSITION (LIABILITIES)	<u>\$ (350,458)</u>	<u>\$ (309,917)</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 POSITION-PROPRIETARY FUND
 Years Ended June 30, 2018 and 2017

	Water Fund	
	2018	2017
OPERATING REVENUES		
Charges for services	\$ 272,592	\$ 253,388
OPERATING EXPENSES		
Salaries	68,449	62,285
Payroll taxes	5,983	5,282
Employee benefits	15,376	11,226
Contractual services	67,909	57,279
Insurance	15,706	17,575
Telephone	1,578	2,160
Electricity	13,604	15,833
Professional fees	28,058	43,598
Distribution system maintenance	6,165	17,591
Office supplies	1,413	1,246
Materials and supplies	13,619	2,737
Fuel for heating	1,652	654
Miscellaneous	957	892
Depreciation and amortization	71,910	118,988
Total operating expenses	<u>312,379</u>	<u>357,346</u>
OPERATING INCOME (LOSS)	<u>(39,787)</u>	<u>(103,958)</u>
NONOPERATING REVENUES (EXPENSES)		
Interest expense	(28,051)	(29,805)
Miscellaneous revenues	1,040	788
Total nonoperating revenues (expenses)	<u>(27,011)</u>	<u>(29,017)</u>
INCOME (LOSS) BEFORE OTHER FINANCING SOURCES	(66,798)	(132,975)
OTHER FINANCING SOURCES		
Transfers from governmental activities	26,257	51,421
CHANGES IN NET POSITION	<u>(40,541)</u>	<u>(81,554)</u>
NET POSITION (LIABILITIES)		
Beginning of year, as previously reported	(309,917)	(290,560)
Prior period adjustment (Note 15)	-	62,197
Beginning of year, as restated	<u>(309,917)</u>	<u>(228,363)</u>
End of year	<u>\$ (350,458)</u>	<u>\$ (309,917)</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, 2018 and 2017

	Water Fund	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	270,586	255,634
Cash payments to suppliers for goods and services	(150,661)	(159,565)
Cash payments to employees for services	(89,808)	(78,793)
Net cash provided (used) by operating activities	<u>30,117</u>	<u>17,276</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	-	-
Principal paid on general obligation bonds and note	(28,190)	(38,892)
Interest paid on general obligation bonds and note	(28,184)	(29,805)
Cash received from governmental activities	26,257	51,421
Net cash provided (used) by capital and related financing activities	<u>(30,117)</u>	<u>(17,276)</u>
NET INCREASE IN CASH AND EQUIVALENTS	-	-
CASH AND EQUIVALENTS		
Beginning of year	-	-
End of year	<u>\$ -</u>	<u>\$ -</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	<u>\$ (39,787)</u>	<u>\$ (103,958)</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	70,512	117,590
Amortization	1,398	1,398
Other nonoperating revenues	1,040	788
Changes in assets and liabilities:		
Receivables	(3,604)	158
Refundable advances and other deposits	558	1,300
Total adjustments	<u>69,904</u>	<u>121,234</u>
Net cash provided (used) by operating activities	<u>\$ 30,117</u>	<u>\$ 17,276</u>

Accompanying notes are an integral part of these financial statements

CITY OF DELAWARE CITY, DELAWARE
NOTES TO 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 accounting principles generally accepted in the United States of America as applied to governmental units, hereafter referred to as GAAP. The Governmental Accounting Standards Board [GASB] is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City's more significant accounting policies are described below.

Reporting Entity

The City of Delaware City is a municipal corporation incorporated March 5, 1851 under the provisions of the State of Delaware. The City is 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 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 a 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 City's [reporting entity] financial statements to be misleading or incomplete. The City has one organization meeting the above criteria and the City has elected to include the following component unit:

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

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. The component unit reports its financial activities using a year ending March 31 which coincides with its operating purpose.

Reclassifications

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

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 two statements: the statement of net position and the statement of activities. As a general rule, the effects of any interfund balances have been removed from the government-wide financial statements. All internal balances in the statement of net position 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, the transactions between the governmental and business-type activities have not been eliminated.

Both government-wide financial statements distinguish functions of the City that are principally supported by property 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/or other charges [business-type activities]. The governmental activities of the City include general government, code enforcement, public safety [police], public works [streets and sanitation], parks and recreation, Community Center, and other general administrative support services. The business-type activities of the City include the water system.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government-Wide and Fund Financial Statements (continued)

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. Property taxes and other revenue sources not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for both the governmental funds and the proprietary fund. The major individual governmental funds and the proprietary fund 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 received, and for property taxes in the period for which they are levied. Expenses are recorded when the liability is incurred, regardless of the timing of the related cash flows.

The **governmental fund financial statements** are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the respective period or soon enough thereafter to pay liabilities of the period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the respective period.

Grants and similar items are recognized as revenues as soon as all of the 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 which are recognized when payment is due.

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

The City reports the following major governmental fund types:

- 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 activities derived from earmarked revenue sources. When such needs arise, separate self-balancing funds are established to account for each restricted special revenue source. The special revenue fund consists of grant award funds and the "Revolving Loan Fund." The purpose of the revolving loan fund is to provide "Façade Improvement" funding to private businesses for the revitalization of the City's downtown area.

Additionally, the City reports the following business fund type:

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

The proprietary fund distinguishes *operating* revenues and expenses from *nonoperating* activities. The 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 revenue of the proprietary fund are water fees. Operating expenses include salaries, employee benefits, contracted services, supplies and materials, plant and system maintenance, and administrative expenses. Revenues and expenses not meeting the criteria are reported as nonoperating revenues and expenses.

CITY OF DELAWARE CITY, DELAWARE
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

The preparation of the financial statements in conformity with U.S. GAAP as it applies to governmental units 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 and/or expenditures during the reporting period. Accordingly, the actual results may differ from those estimates.

Budgetary Accounting

The City Council follows the following procedures in establishing the budgetary data reflected within the financial statements as Required Supplementary Information [RSI]:

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

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to assign that portion of the applicable appropriation, is employed as an extension of formal budgetary integration for the governmental funds. Encumbrances at the year-end are reported as assigned fund balance since encumbrances do not constitute expenditures or liabilities but serve as the authorization for expenditures in the subsequent year. At June 30, 2018 and 2017, the City has no encumbrances outstanding.

Cash and Equivalents

Demand deposits and highly liquid unrestricted investments with an initial maturity of three months or less are considered to be cash equivalents.

Receivable-Property Taxes

At June 30, 2018 and 2017, the property taxes receivable is reflected net of an estimated uncollectible allowance of \$157,721 and \$122,683, respectively. The allowance also includes code enforcement fines which are combined by the City. The allowance is based upon historical data established according to experience and other factors which in the judgment of City officials deserve recognition in estimating probable future losses. Management believes they have adequately provided for such losses.

Receivable-Accounts

At June 30, 2018 and 2017, the accounts receivable are reflected net of an estimated uncollectible allowance of \$36,113 and \$29,369, respectively. The allowance is based upon historical data established according to experience and other factors which in the judgment of City officials deserve recognition in estimating probable future losses. Management believes they have adequately provided for such losses.

Receivable-Other

At June 30, 2018 and 2017, the other receivable is reflected net of an estimated uncollectible allowance of \$1,196 and \$12,143, respectively. The allowance is based upon historical data established according to experience and other factors which in the judgment of City officials deserve recognition in estimating probable future losses. Management believes they have adequately provided for such losses.

CITY OF DELAWARE CITY, DELAWARE
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Receivables and Payables

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

Advances between funds, as reported in the fund financial statements, are offset by an assigned fund balance account in the applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources. The City has no such activity for the years presented.

Prepayments and Other Assets

Payments made to vendors for goods and services that will benefit periods beyond the current period are recorded as prepayments and other assets using the consumption method by recording an asset for the prepaid amount and reflecting the expenditure/expense in the period in which the goods and services are consumed. At the fund reporting level, when present, an equal amount of fund balance is classified as nonspendable, as the amount is not available for appropriation.

Due From Other Governments

Due from other governments represents reimbursements and grants from other governments. Grant revenues are recognized when expenses/expenditures for purposes of the grant award have been incurred in the government-wide financial statements and, as long as it meets the measurable and available criteria in governmental fund financial statements.

Restricted Assets

Restricted assets consisted of funds awarded to the City in the "Texaco Settlement Agreement and Release" dated September 20, 2007 in the amount of \$350,000. The restricted assets also included net investment income earned on these funds since receipt of the award. During fiscal years 2018 and 2017, the City expended \$0 and \$0 of said funds with the remainder of the funds in the amount of \$15,205 and \$15,205 are reflected as refundable advances and other deposits, respectively, in the special revenue fund.

Capital Assets and Depreciation

Capital assets consist of property, plant, furnishings, equipment, and infrastructure assets completed after June 30, 2003 [such as roads, sidewalks, traffic signals, street lights, and similar items], and are reported in the applicable governmental activities or business-type activities columns in the government-wide financial statements. The City defines capital assets as assets with an initial, individual cost of \$1,500 or more and an estimated useful life in excess of one year. Such capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value as of the date of the donation.

The cost of normal maintenance and repairs that does not add to the value of an asset or materially extend its life is not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. The interest incurred during the construction phase of capital assets for business-type activities is included as part of the capitalized value of the asset constructed. The amount of interest 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. No interest costs were capitalized for the years presented. The capital assets of the City are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Categories</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	20 to 50

CITY OF DELAWARE CITY, DELAWARE
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Bond Issue Costs

Bond issue costs of \$27,969 resulted from the Bond Issue, Series 2006. The costs are being amortized over the twenty-year [20] life of the bond using the straight-line method. At June 30, 2018 and 2017, the accumulated amortization is \$16,195 and \$14,797 respectively. The annual amortization expense is \$1,398.

Funds Held in Custody

Funds held in custody are funds administered by the City in an agency capacity to account for assets of other organizations and activities not considered part of the City's budgeted operations.

Refundable Advances

The City records grant awards that are accounted as exchange transactions as refundable advances until such time the restrictions are met, at which time the advances are recognized as revenues.

Compensated Absences Liability

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

- The obligation related to employee's right to receive compensation for future absences is attributable to services already rendered.
- The obligation relates to rights that vest or accumulate.
- The payment of the compensation is probable.
- The amount can be reasonably estimated.

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

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources [expense/expenditure] until that period. The City has one item that qualifies for reporting in this category. This item is bond issue costs. The amount is reflected in both the government-wide and proprietary fund statement of net position. The amount is deferred and amortized over the life of the bond.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources [revenue] until that time. The City has one item that qualifies for reporting in this category; that item is reflected as unavailable revenue. This item is reported in both the government-wide statement of net position and the governmental fund type balance sheet. These amounts are deferred and recognized as an inflow from resources in the period that the amounts become available.

Long-Term Obligations

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

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

CITY OF DELAWARE CITY, DELAWARE
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Position and Fund Equity

In government-wide financial statements and the proprietary fund financial statements, net position is reported in three separate categories: net position invested in capital assets; restricted net position; and unrestricted net position. The net position invested in capital assets represents capital assets less accumulated depreciation less outstanding principal of the related debt obligation and does not include unspent proceeds of capital debt. Restricted net position represents net position restricted by parties outside of the City [such as creditors, grantors, contributors, laws, and regulations of other governments] and may include unspent grant awards. All other net position is considered to be unrestricted.

In the governmental fund financial statements, 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 remain intact. This classification includes prepayments and other assets, inventory, assets held for sale, and long-term receivables.
- **Restricted fund balance**-Constraints placed on the use of these amounts are either externally imposed by creditors [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: City Council.
- **Assigned fund balance**-Amounts constrained by the City's intent to be used for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by City Council, or by an official to whom 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 2 - PROPERTY TAXES

Property taxes within the City limits are \$1.09 per \$100 of assessed valuation for fiscal year 2018 and \$1.09 per \$100 of assessed valuation for fiscal year 2017 as levied by City Council. The City bills and collects its own property taxes. Delinquent property taxes are lienied by the City. The schedule of property taxes levied is as 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 assessment of property taxes is received from two corporate taxpayers. The collected property taxes from the two taxpayers approximate 60% of the City's total annual assessment.

CITY OF DELAWARE CITY, DELAWARE
NOTES TO FINANCIAL STATEMENTS

NOTE 4 - CASH AND EQUIVALENTS

It is the City's policy to invest its funds principally in money market accounts and with financial institutions that are FDIC insured and provide collateralization for deposits in excess of FDIC insurance.

The City's deposits [cash and equivalents] are categorized to give an indication of the level of risk assumed as of June 30, 2018 and 2017. The categories are described below:

Category	2018		2017	
	Book	Bank	Book	Bank
1	\$ 258,492	\$ 258,492	\$ 258,492	\$ 258,492
2	55,623	106,179	216,155	356,228
3	771	-	300	-
Total deposits	<u>\$ 314,886</u>	<u>\$ 364,671</u>	<u>\$ 474,947</u>	<u>\$ 614,720</u>

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.

At June 30, 2018 and 2017, the City's deposits held primarily by one financial institution are insured with the Federal Deposit Insurance Corporation [FDIC]. Deposits totaling \$364,671 and \$614,720 held by the financial institutions are in excess of FDIC limits in the amount of \$106,179 and \$356,228, respectively. Deposits in excess of FDIC limits are collateralized with U.S. Government securities held by the primary financial institution in the City's name. Category 3 balances are subject to custodial risk and consist of cash held by the City.

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

NOTE 5 - INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables represent receivables from other governmental agencies for revenues earned but not received as of June 30 by the City.

At June 30, due from other governments consists of receivables due from the following government agencies:

Description	Activity Type			
	2018		2017	
	Governmental	Business	Governmental	Business
U.S. Department of Justice	\$ -	\$ -	\$ 2,743	\$ -
Delaware Emergency Management Agency	73,077	-	70,345	-
Delaware Department of Natural Resources	113,337	-	60,876	-
Delaware Historical and Cultural Affairs	4,342	-	4,774	-
Delaware Economic Development Office	39,101	-	-	-
Total intergovernmental receivables	<u>\$ 229,857</u>	<u>\$ -</u>	<u>\$ 138,738</u>	<u>\$ -</u>

NOTE 6 - RISK MANAGEMENT

The City purchases commercial insurance policies in response to risks of loss related to torts; theft, damage or destruction of assets; errors or omissions; injuries to employees; or acts of God. Premium payments for the insurance policies are recorded as expenditures/expenses of the City, and insurance settlements have not exceeded insurance coverage for the years presented.

CITY OF DELAWARE CITY, DELAWARE
NOTES TO FINANCIAL STATEMENTS

NOTE 7 - CAPITAL ASSETS

The following tables summarize annual changes in the activity of the capital assets:

Description	As of and for the Year Ended June 30, 2018			
	Beginning Balances	Additions	Deletions	Ending Balances
Governmental activities:				
Capital assets, not depreciated:				
Land	\$ 421,737	\$ -	\$ -	\$ 421,737
Construction in progress:				
Streets and sidewalks	-	-	-	-
Trees, trails and landscape	-	-	-	-
Total capital assets, not being depreciated	<u>421,737</u>	<u>-</u>	<u>-</u>	<u>421,737</u>
Capital assets, bring depreciated:				
Buildings and improvements	4,831,085	-	-	4,831,085
Furniture and office equipment	133,088	28,199	-	161,287
Vehicles and equipment	229,865	39,528	-	269,393
Streets and sidewalks	2,216,548	-	-	2,216,548
Trees, trails and landscape	2,008,350	-	-	2,008,350
Total being depreciated	<u>9,418,936</u>	<u>67,727</u>	<u>-</u>	<u>9,486,663</u>
Less accumulated depreciation:				
Buildings and improvements	1,659,334	150,839	-	1,810,173
Furniture and office equipment	56,427	11,707	-	68,134
Vehicles and equipment	183,607	27,630	-	211,237
Streets and sidewalks	966,780	114,841	-	1,081,621
Trees, trails and landscape	688,524	90,148	-	778,672
Total accumulated depreciation	<u>3,554,672</u>	<u>395,165</u>	<u>-</u>	<u>3,949,837</u>
Total capital assets, being depreciated, net	<u>5,864,264</u>	<u>(327,438)</u>	<u>-</u>	<u>5,536,826</u>
Governmental activities capital assets, net	<u>\$ 6,286,001</u>	<u>\$ (327,438)</u>	<u>\$ -</u>	<u>\$ 5,958,563</u>
Business-type activities:				
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, bring 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	383,998	10,501	-	394,499
Water distribution system	2,494,544	60,011	-	2,554,555
Machinery and equipment	-	-	-	-
Total accumulated depreciation	<u>2,878,542</u>	<u>70,512</u>	<u>-</u>	<u>2,949,054</u>
Total capital assets, being depreciated, net	<u>248,734</u>	<u>(70,512)</u>	<u>-</u>	<u>178,222</u>
Business-type activities capital assets, net	<u>\$ 267,065</u>	<u>\$ (70,512)</u>	<u>\$ -</u>	<u>\$ 196,553</u>

CITY OF DELAWARE CITY, DELAWARE
NOTES TO FINANCIAL STATEMENTS

NOTE 7 - CAPITAL ASSETS (continued)

The following tables summarize annual changes in the activity of the capital assets:

Description	As of and for the Year Ended June 30, 2017			
	Beginning Balances	Additions	Deletions	Ending Balances
Governmental activities:				
Capital assets, not depreciated:				
Land	\$ 421,737	\$ -	\$ -	\$ 421,737
Construction in progress:				
Streets and sidewalks	-	-	-	-
Trees, trails and landscape	-	-	-	-
Total capital assets, not being depreciated	<u>421,737</u>	<u>-</u>	<u>-</u>	<u>421,737</u>
Capital assets, bring depreciated:				
Buildings and improvements	4,831,085	-	-	4,831,085
Furniture and office equipment	58,088	75,000	-	133,088
Vehicles and equipment	195,417	34,448	-	229,865
Streets and sidewalks	2,216,548	-	-	2,216,548
Trees, trails and landscape	2,008,350	-	-	2,008,350
Total being depreciated	<u>9,309,488</u>	<u>109,448</u>	<u>-</u>	<u>9,418,936</u>
Less accumulated depreciation:				
Buildings and improvements	1,508,494	150,840	-	1,659,334
Furniture and office equipment	54,243	2,184	-	56,427
Vehicles and equipment	155,831	27,776	-	183,607
Streets and sidewalks	851,938	114,842	-	966,780
Trees, trails and landscape	595,493	93,031	-	688,524
Total accumulated depreciation	<u>3,165,999</u>	<u>388,673</u>	<u>-</u>	<u>3,554,672</u>
Total capital assets, being depreciated, net	<u>6,143,489</u>	<u>(279,225)</u>	<u>-</u>	<u>5,864,264</u>
Governmental activities capital assets, net	<u>\$ 6,565,226</u>	<u>\$ (279,225)</u>	<u>\$ -</u>	<u>\$ 6,286,001</u>
Business-type activities:				
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, bring 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	373,497	10,501	-	383,998
Water distribution system	2,387,455	107,089	-	2,494,544
Machinery and equipment	-	-	-	-
Total accumulated depreciation	<u>2,760,952</u>	<u>117,590</u>	<u>-</u>	<u>2,878,542</u>
Total capital assets, being depreciated, net	<u>366,324</u>	<u>(117,590)</u>	<u>-</u>	<u>248,734</u>
Business-type activities capital assets, net	<u>\$ 384,655</u>	<u>\$ (117,590)</u>	<u>\$ -</u>	<u>\$ 267,065</u>

CITY OF DELAWARE CITY, DELAWARE
NOTES TO FINANCIAL STATEMENTS

NOTE 8 - 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 4.75%] and is payable 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 property tax revenues. As of and for the years ended June 30, 2018 and 2017, the City has not utilized the line of credit and has no outstanding balance.

NOTE 9 - LONG-TERM DEBT OBLIGATIONS

The following tables summarize the annual changes in long-term debt obligations:

Description	As of and Year Ended June 30, 2018				
	Beginning Balances	Additions	Payments	Ending Balances	
				Long-term Portion	Due Within One Year
Governmental Activities:					
General obligation bonds:					
2008 Series	\$ 184,986	\$ -	\$ 8,059	\$ 169,722	\$ 7,205
Promissory note-WSFS Bank	120,390	-	30,914	60,032	29,444
Ford Motor Credit Note	24,957	-	7,882	8,685	8,390
Ford Motor Credit Note	-	39,528	10,827	19,725	8,976
Verizon Corporation Note	-	143,758	-	115,006	28,752
Total bond and notes	330,333	183,286	57,682	373,170	82,767
Compensated absences	21,698	-	1,979	19,719	-
Total long-term debt	<u>\$ 352,031</u>	<u>\$ 183,286</u>	<u>\$ 59,661</u>	<u>\$ 392,889</u>	<u>\$ 82,767</u>

The compensated absences liability for governmental activities is generally liquidated with general fund resources.

Description	As of and Year Ended June 30, 2018				
	Beginning Balances	Additions	Payments	Ending Balances	
				Long-term Portion	Due Within One Year
Business-Type Activities:					
General obligation bonds:					
1995 Series	\$ 478,686	\$ -	\$ 14,697	\$ 448,548	\$ 15,441
2006 Series	161,927	-	13,493	134,566	13,868
Total bond obligations	640,613	-	28,190	583,114	29,309
General obligation note:					
SERCAP	-	-	-	-	-
Total long-term debt	<u>\$ 640,613</u>	<u>\$ -</u>	<u>\$ 28,190</u>	<u>\$ 583,114</u>	<u>\$ 29,309</u>

General Obligation Bonds and Notes

General Obligation Bonds, Series 2008

The general obligation bonds, Series 2008 [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% and are payable in monthly installments of \$1,252 [principal and interest].

CITY OF DELAWARE CITY, DELAWARE
NOTES TO FINANCIAL STATEMENTS

NOTE 9 - LONG-TERM DEBT OBLIGATIONS (continued)

General Obligation Bonds and Notes (continued)

General Obligation Bonds, Series 2008 (continued)

At June 30, 2018, the repayment schedule is as follows:

<u>Years Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 7,205	\$ 7,819	\$ 15,024
2020	8,131	6,893	15,024
2021	8,491	6,533	15,024
2022	8,848	6,176	15,024
2023	9,220	5,804	15,024
2024-2028	52,224	22,896	75,120
2029-2033	64,188	10,932	75,120
2034-2035	18,620	1,188	19,808
Total required payments	<u>\$ 176,927</u>	<u>\$ 68,241</u>	<u>\$ 245,168</u>

Promissory Note-WSFS Bank

On June 29, 2016, the City issued a promissory note to WSFS Bank in the amount of \$147,223, with a fixed interest rate of 4.49%. The note was issued for the purpose of refinancing the Citizens Bank General Obligation Bond. The note requires monthly payments of \$2,748 [principal and interest] for five years and has a maturity date of June 29, 2021. The note is secured with interest in land located at 321 Washington Street, Delaware City, Delaware. At June 30, 2018, the repayment schedule is as follows:

<u>Years Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 29,444	\$ 3,536	\$ 32,980
2020	30,793	2,187	32,980
2021	29,239	993	30,232
Total required payments	<u>\$ 89,476</u>	<u>\$ 6,716</u>	<u>\$ 96,192</u>

Ford Motor Credit Note

On August 26, 2016, the City entered into a lease-purchase agreement in the amount of \$35,421 maturing on November 26, 2019. The proceeds were used to purchase a 2016 Ford Police Interceptor Sedan. The agreement carries a fixed interest rate of 6.45%, requiring a down payment of \$9,491 at signing, and requires three annual payments of \$9,491 [principal and interest]. At June 30, 2018, the repayment schedule is as follows:

<u>Years Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 8,390	\$ 1,101	\$ 9,491
2020	8,685	561	9,246
Total required payments	<u>\$ 17,075</u>	<u>\$ 1,662</u>	<u>\$ 18,737</u>

CITY OF DELAWARE CITY, DELAWARE
NOTES TO FINANCIAL STATEMENTS

NOTE 9 - LONG-TERM DEBT OBLIGATIONS (continued)

General Obligation Bonds and Notes (continued)

Ford Motor Credit Note

On January 3, 2018, the City entered into a lease-purchase agreement in the amount of \$43,308 maturing on January 3, 2021. The proceeds were used to purchase a 2017 Ford Police Explorer. The agreement carries a fixed interest rate of 6.45%, requiring a down payment of \$10,827 at signing, and requires three annual payments of \$10,827 [principal and interest]. At June 30, 2018, the repayment schedule is as follows:

<u>Years Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 8,976	\$ 1,851	\$ 10,827
2020	9,554	1,273	10,827
2021	10,171	656	10,827
Total required payments	<u>\$ 28,701</u>	<u>\$ 3,780</u>	<u>\$ 32,481</u>

Verizon Corporation Note

On July 2, 2018, the City issued an unsecured non-interest note to Verizon Corporation in the amount of \$143,758. The note was issued as a result of Verizon's successful appeal of New Castle County's property tax assessment value used by the City to assess its property taxes. The appeal resulted in an overpayment of property taxes by Verizon of \$143,758 to the City. The note requires annual installments of \$28,752 and has a maturity date of July 1, 2023. At June 30, 2018, the repayment schedule is as follows:

<u>Years Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 28,752	\$ -	\$ 28,752
2020	28,752	-	28,752
2021	28,752	-	28,752
2022	28,752	-	28,752
2023	28,750	-	28,750
Total required payments	<u>\$ 143,758</u>	<u>\$ -</u>	<u>\$ 143,758</u>

General Obligation Bonds, Series 1995

The general obligation bonds, Series 1995 [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% and are payable in quarterly installments of \$9,593 [principal and interest]. At June 30, 2018, the repayment schedule is as follows:

<u>Years Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 15,441	\$ 22,931	\$ 38,372
2020	16,228	22,144	38,372
2021	17,055	21,317	38,372
2022	17,924	20,448	38,372
2023	18,837	19,535	38,372
2024-2028	109,595	82,265	191,860
2029-2033	140,504	51,356	191,860
2034-2037	128,405	13,427	141,832
Total required payments	<u>\$ 463,989</u>	<u>\$ 253,423</u>	<u>\$ 717,412</u>

CITY OF DELAWARE CITY, DELAWARE
NOTES TO FINANCIAL STATEMENTS

NOTE 9 - 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 a fixed interest rate of 2.76% on the principal amount thereof and requires semiannual payments of \$8,935 [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, 2018, the repayment schedule is as follows:

<u>Years Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 13,868	\$ 4,001	\$ 17,869
2020	14,252	3,617	17,869
2021	14,649	3,220	17,869
2022	15,056	2,813	17,869
2023	15,475	2,394	17,869
2024-2028	75,134	5,278	80,412
Total required payments	<u>\$ 148,434</u>	<u>\$ 21,323</u>	<u>\$ 169,757</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 required monthly payments of \$1,038 [principal and interest] for fifteen years and had a maturity date of May 21, 2017. The note was issued for the City's "Well No. 4 Water Filter Rehabilitation Project" and was secured with an interest in land located at 321 Washington Street, Delaware City, Delaware. The note was fully repaid during the year ended June 30, 2017.

The following tables summarize future maturities of principal and interest payments:

<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>	
<u>Governmental Activities:</u>					
2019	\$ 7,205	\$ 7,819	\$ 75,562	\$ 6,488	\$ 97,074
2020	8,131	6,893	77,784	4,021	96,829
2021	8,491	6,533	68,162	1,649	84,835
2022	8,848	6,176	28,752	-	43,776
2023	9,220	5,804	28,750	-	43,774
2024-2028	52,224	22,896	-	-	75,120
2029-2033	64,188	10,932	-	-	75,120
2034-2035	18,620	1,188	-	-	19,808
Totals	<u>\$ 176,927</u>	<u>\$ 68,241</u>	<u>\$ 279,010</u>	<u>\$ 12,158</u>	<u>\$ 536,336</u>
<u>Business-Type Activities:</u>					
2019	\$ 29,309	\$ 26,932	\$ -	\$ -	\$ 56,241
2020	30,480	25,761	-	-	56,241
2021	31,704	24,537	-	-	56,241
2022	32,980	23,261	-	-	56,241
2023	34,312	21,929	-	-	56,241
2024-2028	184,729	87,543	-	-	272,272
2029-2033	140,504	51,356	-	-	191,860
2034-2037	128,405	13,427	-	-	141,832
Totals	<u>\$ 612,423</u>	<u>\$ 274,746</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 887,169</u>

CITY OF DELAWARE CITY, DELAWARE
 NOTES TO FINANCIAL STATEMENTS

NOTE 10 - PENSION PLAN

The City adopted a "5304 Savings Incentive Plan for Employees of Small Employers [SIMPLE]" administered by Edward Jones for the City's employees. The plan is intended to provide benefits for eligible City employees. The City contributes to each eligible employee's SIMPLE IRA a matching contribution equal to the employee's salary reduction contributions up to a limit of 3.00% of the employee's compensation for the calendar year. The City contributed \$7,717 and \$8,185 for eligible employees participating in the retirement plan for fiscal years ended June 30, 2018 and 2017, respectively.

NOTE 11 - LEASING ARRANGEMENTS

At June 30, 2018, the City is involved in the following leasing arrangements:

Operating Leases as Lessee

The City leases the following office equipment under operating leasing arrangements:

Description	Monthly Rentals	Expiration Date
Konica-Minolta C364e Digital Copier System	\$ 365	September, 2018
Konica-Minolta C224e Digital Copier System	154	June, 2022

At June 30, 2018, the minimum future rentals under non-cancelable leasing arrangements having remaining terms in excess of one year in the aggregate are:

Years Ending June 30	Amount
2019	\$ 2,943
2020	1,848
2021	1,848
2022	1,848
Total minimum future rental payments required	<u>\$ 8,487</u>

Total rental costs are \$6,228 and \$6,228 for the years ended June 30, 2018 and 2017, respectively.

Operating Leases 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 for the years presented:

Property Under Lease	Purpose of Rental	Cost Basis
Certain land parcels	Commercial	\$ -
Water Tower-Air Rights	Mobile Antennae	-
511 Fifth Street, Delaware City	Public Works Yard	-

The leasing arrangements are generally based on a percentage of lessee collections in conjunction with fixed rentals and as such the rentals cannot be estimated for future periods. Total rentals received are \$153,713 and \$166,319 for the years ended June 30, 2018 and 2017, respectively.

NOTE 12 - COMMITMENTS AND CONTINGENCIES

In the normal course of business, there are various outstanding 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 Awards

The City participates in a number of federally and state-assisted grant awards. These awards are subject to compliance audits by the grantors or their representatives. Accordingly, the City's compliance with applicable grant 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.

Litigation

In the normal course of business, the City may become involved in litigation; any losses from such litigation are generally covered by insurance. At June 30, 2018, the City is not aware of any material threatened or pending litigation with which the City solicitor anticipates could result in significant financial liability to the City.

NOTE 13 - GASB STATEMENT IMPLEMENTATION

The City has implemented GASB Statement No. 85, *Omnibus 2017*. Implementation is required for periods beginning after June 15, 2017, with earlier application encouraged. The objective of the Statement is to address practice issues that have been identified during the implementation and application of certain GASB Statements. The Statement addresses topics, such as: issues related to blending of component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The implementation of the Statement has minimal impact.

The City has implemented GASB Statement No. 86, *Certain Debt Extinguishment Issues*. Implementation is required for periods beginning after June 15, 2017, with earlier application encouraged. The objective of the Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources [resources other than the proceeds of refunding debt] are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The implementation of the Statement has no impact on the financial statements since the City does not have such debt arrangements.

NOTE 14 - PENDING GASB STATEMENTS

The City has not completed the various analyses required to estimate the future impact of the following new pronouncements on its financial statements. Generally, the City does not early implement GASB statements and pronouncements.

In November of 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. Implementation is required for periods beginning after June 15, 2018, with earlier application encouraged. The objective of the Statement is to address accounting and financial reporting for certain asset retirement obligations [ARO]. An ARO is a legally enforceable liability associated with the retirement of a tangible asset.

In January of 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. Implementation is required for periods beginning after December 15, 2018, with earlier application encouraged. The objective of the Statement is to establish criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on [1] whether a government is controlling the assets of the fiduciary activity, and [2] the beneficiaries with whom a fiduciary relationship exists.

In June of 2017, The GASB issued Statement No. 87, *Leases*. Implementation is required for periods beginning after December 15, 2019, with earlier application encouraged. The objective of the Statement is to better meet the informational needs of the financial statement users by improving accounting and financial reporting for leases by governments. The Statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an asset.

CITY OF DELAWARE CITY, DELAWARE
NOTES TO FINANCIAL STATEMENTS

NOTE 14 - PENDING GASB STATEMENTS (continued)

In April of 2018, the GASB issued Statement No. 88, *Certain Disclosures related to Debt, Including Direct Borrowings and Direct Placements*. Implementation is required for periods beginning after June 15, 2018, with earlier application encouraged. The objective of the Statement is to improve the information that is disclosed in the notes to government financial statements related to debt, including borrowings and direct placements. The Statement also clarifies which liabilities governments should include when disclosing information related to debt.

In August of 2018, the GASB issued Statement No. 90, *Majority Equity Interests - An Amendment of GASB Statements No. 14 and No. 61*. Implementation is required for periods beginning after December 15, 2018, with earlier application encouraged. The primary objective of this Statement is to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improve the relevance of financial statement information for certain component units.

NOTE 15 - PRIOR PERIOD ADJUSTMENTS AND RESTATEMENTS

At June 30, 2016, the net position of the governmental and business-type activities have been adjusted to reflect the following:

Description	Activity Type	
	Governmental	Business
Net position, as previously reported	\$ 6,865,082	\$ (290,560)
Retroactively apply the impact of a successful property taxes appeal by one of the City's major taxpayers	(100,258)	-
Include in accounts receivable the fourth quarter Water Fund billings	-	62,197
Net position, as restated	<u>\$ 6,764,824</u>	<u>\$ (228,363)</u>

The proprietary (Water) fund's retained earnings at June 30, 2016 was also restated by the same amount as the business-type activities.

As a result of the prior period adjustments noted above, the government-wide financial statements for fiscal 2017 also required the following restatements:

Description	Activity Type	
	Governmental	Business
Changes in net position, as previously reported	\$ (530,678)	\$ (81,396)
Overstatement of property taxes due to appeal	(18,846)	-
Overstatement of charges for services due to impact of recording Water Fund fourth quarter billings	-	(158)
Changes in net assets, as restated	<u>\$ (549,524)</u>	<u>\$ (81,554)</u>

The proprietary (Water) fund's charges for services for the year ended June 30, 2017 were also overstated by the same amount as the business-type activities.

CITY OF DELAWARE CITY, DELAWARE
NOTES TO FINANCIAL STATEMENTS

NOTE 16 - EVALUATION OF 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 adjustments are necessary to the financial statements; however, the following disclosure is considered pertinent to the financial statement reader.

On July 2, 2018, the City entered into a financing agreement with the Delaware Water Pollution Control Revolving Loan Fund in the amount of \$790,000. The loan proceeds are to be used, once all grant funding is exhausted, for the City's Washington Street Flood Mitigation Project. The schedule of disbursements of the proceeds received is identified in Exhibit D of the agreement and the proceeds cannot be drawn upon prior to August 1, 2018. Repayment of the loan is pursuant to the terms established in the bond document.

Required Supplementary 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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget	
	Original	Final		Positive (Negative)	
REVENUES					
Taxes:					
Property taxes	\$ 938,000	\$ 938,000	\$ 946,794	\$ 8,794	
Property taxes-transfer tax	75,000	75,000	72,582	(2,418)	
Cable franchise taxes	20,000	20,000	17,022	(2,978)	
Licenses and permits	80,000	80,000	71,835	(8,165)	1
Intergovernmental revenues	-	-	-	-	
Police fines and court fees	-	-	6,166	6,166	
Charges for services	6,800	6,800	45,798	38,998	1
Interest and rents	184,000	184,000	155,599	(28,401)	2
Contributions	-	-	1,164	1,164	3
Miscellaneous revenues	-	-	-	-	
Total revenues	1,303,800	1,303,800	1,316,960	13,160	
EXPENDITURES					
Current:					
General government	389,247	389,247	514,480	(125,233)	4
Code enforcement	59,646	59,646	57,414	2,232	
Public safety-police	398,173	398,173	344,328	53,845	5
Public works-streets	100,370	100,370	98,078	2,292	
Public works-sanitation	199,865	199,865	216,224	(16,359)	
Parks and recreation	44,300	44,300	70,690	(26,390)	6
Community Center	10,000	10,000	20,448	(10,448)	7
Capital reserve	65,190	65,190	-	65,190	8
Capital outlay	-	-	108,528	(108,528)	8
Debt service	37,009	37,009	68,322	(31,313)	9
Total expenditures	1,303,800	1,303,800	1,498,512	(194,712)	
EXCESS (DEFICIT)					
REVENUES OVER EXPENDITURES	-	-	(181,552)	(181,552)	
OTHER FINANCING SOURCES (USES)					
Proceeds from new financing	-	-	39,528	39,528	8
Proceeds from Verizon financing	-	-	143,758	143,758	10
Proceeds from sale of capital assets	-	-	5,151	5,151	3
Refund of property taxes revenues	-	-	(143,758)	(143,758)	10
Refund of prior year expenditures	-	-	22,402	22,402	8
Operating transfers in (out)	-	-	(26,257)	(26,257)	11
Total other financing sources (uses)	-	-	40,824	40,824	
NET CHANGE IN FUND BALANCE	-	-	(140,728)	(140,728)	
FUND BALANCES					
Beginning of year	-	-	313,375	313,375	
End of year	\$ -	\$ -	\$ 172,647	\$ 172,647	

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CITY OF DELAWARE CITY, DELAWARE

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE-BUDGET AND ACTUAL-

GENERAL FUND (CONTINUED)

Year Ended June 30, 2018

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. GAAP as applied to governmental units on a basis consistent with the legally adopted budgets as amended. The unexpended appropriations on annual budgets lapse at the end of each fiscal year.

Budget Variances in Excess of 10% of Budget

1. Combined revenues of these two categories of revenues were in excess of budgeted expectations. The increase in revenue was predominantly from Code Enforcement fines.
2. The interest and rent revenue category fell short of the budgeted amount primarily from revenues related to leasing of property to the telecommunication industry.
3. Contributions from the public and other non-recurring revenues are difficult to budget and as such the City did not budget this line item.
4. The budgeted line item for the general government department was optimistic at best; expenditures exceeded the budget by approximately 32%. When the budget was adopted, the administration did not foresee the need for extensive consulting services due to turnover in personnel and other unforeseen events.
5. The Public Safety department had a substantial favorable variance due to Council's decision to scale back its intention to expand the police department due to budget constraints.
6. The Parks and Recreation department budget was optimistic since when the budget was adopted the budget did not reflect historical trends. Actual costs in fiscal 2018 decreased by approximately \$7,000 from fiscal year 2017.
7. The Community Center budget was exceeded due to unforeseen repairs to the Community Center building.
8. The fiscal year 2018 budget did not budget for any capital outlays and the related financing. At budget time it was not foreseen that the City would make a major investment in accounting software or a heating/AC system.
9. The debt service budget line item failed to include all debt service requirements.
10. The City did not foresee the impact of the successful result from the Verizon appeal of New Castle County property taxes assessment and its impact to the City.
11. Operating transfers between funds are generally not budgeted by the City.

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Supplementary Information Section

CITY OF DELAWARE CITY, DELAWARE

COMBINING BALANCE SHEET-SPECIAL REVENUE FUND

As of June 30, 2018 With Comparative Totals for 2017

	Federal Funding	State Funding			Local Funding	Revolving Loan Fund	Totals	
		Municipal Street Aid	SALLE and EIDE	Other			[Memorandum Only] 2018	2017
ASSETS								
ASSETS								
Cash and equivalents	\$ -	\$ 42,921	\$ -	\$ -	\$ -	\$ 71,690	\$ 114,611	\$ 114,504
Due from other governments	77,419	-	-	152,438	-	-	229,857	138,738
Interfund receivables (payables)	(77,419)	9,189	4,556	(67,580)	15,205	-	(116,049)	(84,996)
TOTAL ASSETS	<u>\$ -</u>	<u>\$ 52,110</u>	<u>\$ 4,556</u>	<u>\$ 84,858</u>	<u>\$ 15,205</u>	<u>\$ 71,690</u>	<u>\$ 228,419</u>	<u>\$ 168,246</u>
LIABILITIES AND FUND BALANCES								
LIABILITIES								
Refundable advances and other deposits	\$ -	\$ -	\$ 4,556	\$ 84,858	\$ 15,205	\$ -	\$ 104,619	\$ 81,187
Total liabilities	<u>-</u>	<u>-</u>	<u>4,556</u>	<u>84,858</u>	<u>15,205</u>	<u>-</u>	<u>104,619</u>	<u>81,187</u>
FUND BALANCES								
Restricted-specific programs	\$ -	\$ 52,110	\$ -	\$ -	\$ -	\$ 62,000	\$ 114,110	\$ 77,476
Unassigned	-	-	-	-	-	9,690	9,690	9,583
Total fund balances	<u>-</u>	<u>52,110</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>71,690</u>	<u>123,800</u>	<u>87,059</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ -</u>	<u>\$ 52,110</u>	<u>\$ 4,556</u>	<u>\$ 84,858</u>	<u>\$ 15,205</u>	<u>\$ 71,690</u>	<u>\$ 228,419</u>	<u>\$ 168,246</u>

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CITY OF DELAWARE CITY, DELAWARE

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-SPECIAL REVENUE FUND
Year Ended June 30, 2018 With Comparative Totals for 2017

	Federal Funding	State Funding			Local Funding	Revolving Loan Fund	Totals [Memorandum Only]	
		Municipal Street Aid	SALLE and EIDE	Other			2018	2017
REVENUES								
Intergovernmental revenues:								
Federal	\$ 148,172	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 148,172	\$ 83,634
State	-	42,158	4,982	256,126	-	-	303,266	155,679
Interest revenue	-	-	-	-	-	107	107	107
Total revenues	<u>148,172</u>	<u>42,158</u>	<u>4,982</u>	<u>256,126</u>	<u>-</u>	<u>107</u>	<u>451,545</u>	<u>239,420</u>
EXPENDITURES								
Current:								
Public-general government	4,342	-	-	-	-	-	4,342	10,486
Public safety-police	5,120	-	4,982	10,090	-	-	20,192	19,770
Public works-streets	-	5,524	-	-	-	-	5,524	18,600
Parks and recreation	-	-	-	17,563	-	-	17,563	69,063
Community Center	-	-	-	18,772	-	-	18,772	20,756
Capital outlay:								
Public works-streets	-	-	-	-	-	-	-	354
Parks and recreation	138,710	-	-	209,701	-	-	348,411	77,600
Debt service:								
Principal	-	-	-	-	-	-	-	8,491
Interest and other fees	-	-	-	-	-	-	-	-
Total expenditures	<u>148,172</u>	<u>5,524</u>	<u>4,982</u>	<u>256,126</u>	<u>-</u>	<u>-</u>	<u>414,804</u>	<u>225,120</u>
EXCESS (DEFICIT) REVENUES OVER EXPENDITURES	<u>-</u>	<u>36,634</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>107</u>	<u>36,741</u>	<u>14,300</u>
OTHER FINANCING SOURCES (USES)								
Operating transfers in	-	-	-	-	-	-	-	1,147
Operating transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,147</u>
NET CHANGE IN FUND BALANCES	-	36,634	-	-	-	107	36,741	15,447
FUND BALANCES								
Beginning of year	-	15,476	-	-	-	71,583	87,059	71,612
End of year	<u>\$ -</u>	<u>\$ 52,110</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 71,690</u>	<u>\$ 123,800</u>	<u>\$ 87,059</u>

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