

Report of Independent Auditor

CITY OF DELAWARE CITY
Delaware City, Delaware

Years Ended June 30, 2015 and 2014



HAGGERTY & HAGGERTY, P.A.

CERTIFIED PUBLIC ACCOUNTANTS
& MANAGEMENT CONSULTANTS

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, 2015 and 2014, 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, the implementation, and the 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 audit. We conducted our audit 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, 2015 and 2014, 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, reflected on page 29, 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 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 supplementary information, reflected on pages 30 and 31, is the responsibility of management and was derived from and relates 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 supplementary information is 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 December 15, 2015 on our consideration of the City of Delaware City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and in considering the City of Delaware City'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 City, 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.

Haggerty & Haggerty, P.A.
Certified Public Accountants

December 15, 2015
Wilmington, Delaware

Basic Financial Statements Section

CITY OF DELAWARE CITY, DELAWARE
STATEMENTS OF NET POSITION
As of June 30, 2015 and 2014

	2015				Discretely Presented Component Unit	2014				
	Primary Government			Total		Primary Government			Total	Discretely Presented Component Unit
	Governmental	Business				Governmental	Business			
ASSETS										
Current assets										
Cash and equivalents	\$ 768,205	\$...	\$ 768,205	\$ 62,436	\$ 543,461	\$...	\$ 543,461	\$ 55,276		
Receivables, net of allowance:										
Property taxes	5,526	...	5,526	...	4,570	...	4,570	...		
Accounts	...	7,713	7,713	...	...	7,713	7,713	...	
Other	8,716	...	8,716	...	67,413	...	67,413	...		
Due from other governments	109,186	...	109,186	...	223,792	...	223,792	...		
Restricted assets:										
Cash and equivalents	...	...	...	...	369,913	...	369,913	...	
Total current assets	891,633	7,713	899,346	62,436	1,209,149	7,713	1,216,862	55,276		
Noncurrent assets										
Capital assets, net of depreciation:										
Nondepreciable	709,204	18,331	727,535	...	773,196	18,331	791,527	...		
Depreciable	6,011,453	484,511	6,495,964	...	5,733,239	608,241	6,341,480	...		
Total noncurrent assets	6,720,657	502,842	7,223,499	...	6,506,435	626,572	7,133,007	...		
TOTAL ASSETS	7,612,290	510,555	8,122,845	62,436	7,715,584	634,285	8,349,869	55,276		
DEFERRED OUTFLOWS OF RESOURCES										
Bond issue costs, net of amortization	...	15,968	15,968	...	...	17,366	17,366	...	
LIABILITIES										
Current liabilities										
Line of credit	...	...	...	...	...	...	...	...
Accounts payable	60,660	...	60,660	14,500	18,933	...	18,933	...		
Accrued interest payable	...	4,886	4,886	...	...	5,096	5,096	...	
Current portion of long-term debt	32,654	37,658	70,312	...	37,883	36,104	73,987	...		
Payroll deductions and withholdings	1,132	...	1,132	...	792	...	792	...		
Funds held in custody	19,509	...	19,509	2,663	5,417	...	5,417	2,663		
Refundable advances and deposits	82,091	13,150	95,241	...	456,677	12,900	469,577	...		
Unearned revenue	...	...	...	...	2,949	...	2,949	...	
Total current liabilities	196,046	55,694	251,740	17,163	522,651	54,100	576,751	2,663		
Noncurrent liabilities										
Long-term debt, net of current portion	338,938	679,456	1,018,394	...	379,795	717,114	1,096,909	...		
Long-term portion of compensated absences	7,402	...	7,402	...	7,750	...	7,750	...		
Total noncurrent liabilities	346,340	679,456	1,025,796	...	387,545	717,114	1,104,659	...		
TOTAL LIABILITIES	542,386	735,150	1,277,536	17,163	910,196	771,214	1,681,410	2,663		
DEFERRED INFLOWS OF RESOURCES										
Unavailable revenue-other	1,125	...	1,125	...	50,031	...	50,031	...		
NET POSITION										
Net investment in capital assets	6,349,065	(198,304)	6,150,761	...	6,088,757	(109,280)	5,979,477	...		
Restricted for specific programs	62,136	...	62,136	45,273	62,136	...	62,136	52,613		
Unrestricted (deficit)	657,578	(10,323)	647,255	...	604,464	(10,283)	594,181	...		
TOTAL NET POSITION	\$ 7,068,779	\$ (208,627)	\$ 6,860,152	\$ 45,273	\$ 6,755,357	\$ (119,563)	\$ 6,635,794	\$ 52,613		

Accompanying notes are an integral part of these financial statements

CITY OF DELAWARE CITY, DELAWARE
STATEMENT OF ACTIVITIES
Year Ended June 30, 2015

Functions	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Position			Discretely Presented Component Unit
		Charges for Services	Grants and Contributions Operating	Capital	Activity Type			
					Governmental	Business	Total	
GOVERNMENTAL ACTIVITIES								
General government	\$ 454,476	\$ 12,649	\$ 9,780	\$...	\$ (432,047)	\$...	\$ (432,047)	\$...
Code enforcement	1,735	...	...	...	(1,735)	...	(1,735)	...
Public safety-police	301,391	10,659	25,910	8,670	(256,152)	...	(256,152)	...
Public works-streets	125,411	...	18,615	18,169	(88,627)	...	(88,627)	...
Public works-sanitation	204,523	4,937	...	...	(199,586)	...	(199,586)	...
Parks and recreation	77,183	...	5,344	630,801	558,962	...	558,962	...
Community Center	61,387	20	26,671	...	(34,696)	...	(34,696)	...
Interest on long-term debt	17,302	...	...	8,491	(8,811)	...	(8,811)	...
Depreciation-unallocated	338,100	...	...	...	(338,100)	...	(338,100)	...
Total governmental activities	1,581,508	28,265	86,320	666,131	(800,792)	...	(800,792)	...
BUSINESS-TYPE ACTIVITIES								
Water system	353,012	307,464	...	...	...	(45,548)	(45,548)	...
Total business-type activities	353,012	307,464	...	...	...	(45,548)	(45,548)	...
TOTAL PRIMARY GOVERNMENT	1,934,520	335,729	86,320	666,131	(800,792)	(45,548)	(846,340)	...
DISCRETELY PRESENTED COMPONENT UNIT	76,105	10,035	58,730	...	...	...	...	(7,340)
TOTAL PRIMARY GOV'T AND COMPONENT UNIT	\$ 2,010,625	\$ 345,764	\$ 145,050	\$ 666,131	(800,792)	(45,548)	(846,340)	(7,340)
GENERAL REVENUES AND TRANSFERS								
Property taxes levied for general purposes					907,057	...	907,057	...
Cable franchise taxes					20,965	...	20,965	...
Investment earnings and rents					142,697	...	142,697	...
Gain (loss) from sale of capital assets					(15,251)	...	(15,251)	...
Miscellaneous revenues					14,330	900	15,230	...
Transfers between governmental, BT activities					44,416	(44,416)	...	...
Total general revenues and transfers					1,114,214	(43,516)	1,070,698	...
CHANGES IN NET POSITION					313,422	(89,064)	224,358	(7,340)
NET POSITION								
Beginning of year					6,755,357	(119,563)	6,635,794	52,613
End of year					\$ 7,068,779	\$ (208,627)	\$ 6,860,152	\$ 45,273

Accompanying notes are an integral part of these financial statements

CITY OF DELAWARE CITY, DELAWARE
STATEMENT OF ACTIVITIES
Year Ended June 30, 2014

Functions	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Position			Discretely Presented Component Unit
		Charges for Services	Grants and Contributions Operating	Capital	Activity Type			
					Governmental	Business	Total	
GOVERNMENTAL ACTIVITIES								
General government	\$ 307,386	\$ 5,895	\$ 26,000	\$...	\$ (275,491)	\$...	\$ (275,491)	\$...
Public safety-police	256,952	6,862	2,260	33,810	(214,020)	...	(214,020)	...
Public works-streets	168,341	...	161,116	...	(7,225)	...	(7,225)	...
Public works-sanitation	197,149	3,754	...	...	(193,395)	...	(193,395)	...
Parks and recreation	59,817	...	...	105,627	45,810	...	45,810	...
Community Center	41,726	20	46,898	...	5,192	...	5,192	...
Interest on long-term debt	21,000	...	...	8,000	(13,000)	...	(13,000)	...
Depreciation-unallocated	342,835	...	...	...	(342,835)	...	(342,835)	...
Total governmental activities	1,395,206	16,531	236,274	147,437	(994,964)	...	(994,964)	...
BUSINESS-TYPE ACTIVITIES								
Water system	367,374	322,947	...	...	...	(44,427)	(44,427)	...
Total business-type activities	367,374	322,947	...	...	...	(44,427)	(44,427)	...
TOTAL PRIMARY GOVERNMENT	1,762,580	339,478	236,274	147,437	(994,964)	(44,427)	(1,039,391)	...
DISCRETELY PRESENTED COMPONENT UNIT	53,169	10,196	66,256	...	...	...	...	23,283
TOTAL PRIMARY GOV'T AND COMPONENT UNIT	\$ 1,815,749	\$ 349,674	\$ 302,530	\$ 147,437	(994,964)	(44,427)	(1,039,391)	23,283
GENERAL REVENUES AND TRANSFERS								
Property taxes levied for general purposes					845,118	...	845,118	...
Cable franchise taxes					19,320	...	19,320	...
Investment earnings and rents					154,915	...	154,915	9
Gain (loss) from sale of capital assets					20,429	...	20,429	...
Miscellaneous revenues					(7,555)	230	(7,325)	...
Transfers between governmental, BT activities					46,493	(46,493)	...	...
Total general revenues and transfers					1,078,720	(46,263)	1,032,457	9
CHANGES IN NET POSITION					83,756	(90,690)	(6,934)	23,292
NET POSITION								
Beginning of year					<u>6,671,601</u>	<u>(28,873)</u>	<u>6,642,728</u>	<u>29,321</u>
End of year					\$ 6,755,357	\$ (119,563)	\$ 6,635,794	\$ 52,613

Accompanying notes are an integral part of these financial statements

CITY OF DELAWARE CITY, DELAWARE
BALANCE SHEETS-GOVERNMENTAL FUNDS
As of June 30, 2015 and 2014

	2015			2014		
	Governmental Fund Types			Governmental Fund Types		
	General	Special Revenue	Total	General	Special Revenue	Total
ASSETS						
ASSETS						
Cash and equivalents	\$ 653,312	\$ 114,893	\$ 768,205	\$ 418,653	\$ 124,808	\$ 543,461
Receivables, net of allowance:						
Property taxes	5,526	...	5,526	4,570	...	4,570
Other	8,716	...	8,716	67,413	...	67,413
Due from other governments	...	109,186	109,186	...	223,792	223,792
Restricted assets:						
Cash and equivalents	...	...	...	...	369,913	369,913
Interfund receivables (payables)	114,804	(114,804)	...	241,489	(241,489)	...
TOTAL ASSETS	\$ 782,358	\$ 109,275	\$ 891,633	\$ 732,125	\$ 477,024	\$1,209,149
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Line of credit	\$...	\$...	\$...	\$...	\$...	\$...
Accounts payable	60,660	...	60,660	18,933	...	18,933
Payroll deductions and withholdings	1,132	...	1,132	792	...	792
Funds held in custody	19,509	...	19,509	54,261	...	54,261
Refundable advances and deposits	44,320	37,771	82,091	51,050	405,627	456,677
Unearned revenue	...	...	...	2,949	...	2,949
Total liabilities	125,621	37,771	163,392	127,985	405,627	533,612
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue-other	1,125	...	1,125	1,187	...	1,187
FUND BALANCES						
Restricted-specific programs	...	62,136	62,136	...	62,136	62,136
Committed-capital reserve	153,976	...	153,976	101,223	...	101,223
Committed-budget reserve	500,000	...	500,000	500,000	...	500,000
Unassigned	1,636	9,368	11,004	1,730	9,261	10,991
Total fund balances	655,612	71,504	727,116	602,953	71,397	674,350
TOTAL LIABILITIES AND FUND BALANCES	\$ 782,358	\$ 109,275	\$ 891,633	\$ 732,125	\$ 477,024	\$1,209,149

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, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Amounts reported for governmental activities in the statement of net position are different because:		
Total fund balances-governmental funds	\$ 727,116	\$ 674,350
Capital assets used in governmental activities are not financial resources and, therefore are not reported as capital assets in the governmental funds. The amounts presented reflect total cost of capital assets net of the related accumulated depreciation.	6,720,657	6,506,435
Long-term liabilities are not due and payable within the current period and are therefore not reported as liabilities in the governmental fund types.		
<u>Description</u>	<u>2015</u>	<u>2014</u>
Long-term debt obligations:		
Current portion	\$ (32,654)	\$ (37,883)
Net of current portion	<u>(338,938)</u>	<u>(379,795)</u>
	(371,592)	(417,678)
Compensated absences are not due and payable within the current period and, therefore are not reported in the governmental fund types.	<u>(7,402)</u>	<u>(7,750)</u>
Total net position-governmental activities	<u>\$ 7,068,779</u>	<u>\$ 6,755,357</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, 2015 and 2014

	2015			2014		
	Governmental Fund Types			Governmental Fund Types		
	General	Special Revenue	Total	General	Special Revenue	Total
REVENUES						
Taxes:						
Real estate taxes	\$ 846,008	\$...	\$ 846,008	\$ 806,993	\$...	\$ 806,993
Real estate transfer taxes	61,049	...	61,049	38,125	...	38,125
Cable franchise taxes	20,965	...	20,965	19,320	...	19,320
Licenses and permits	11,914	...	11,914	4,747	...	4,747
Intergovernmental revenues:						
Federal	...	56,616	56,616	...	50,764	50,764
State	...	291,821	291,821	...	298,649	298,649
Local	...	354,000	354,000	...	1,000	1,000
Police fines and court fees	10,659	...	10,659	6,862	...	6,862
Charges for services	9,501	...	9,501	4,922	...	4,922
Interest and rents	142,590	107	142,697	161,032	73	161,105
Contributions	46,205	...	46,205	27,108	...	27,108
Miscellaneous revenues	104	...	104	...	...	...
Total revenues	1,148,995	702,544	1,851,539	1,069,109	350,486	1,419,595
EXPENDITURES						
Current:						
General government	361,370	...	361,370	292,316	...	292,316
Code enforcement	1,735	...	1,735	...	...	...
Public safety-police	277,313	21,851	299,164	222,719	35,669	258,388
Public works-streets	106,796	18,615	125,411	147,102	21,239	168,341
Public works-sanitation	204,523	...	204,523	197,149	...	197,149
Parks and recreation	71,839	5,344	77,183	53,908	35,746	89,654
Community Center	35,826	25,561	61,387	1,726	40,000	41,726
Capital outlay	44,179	622,575	666,754	92,610	219,793	312,403
Debt service:						
Principal	40,040	6,046	46,086	29,551	5,638	35,189
Interest and other fees	14,857	2,445	17,302	18,638	2,362	21,000
Total expenditures	1,158,478	702,437	1,860,915	1,055,719	360,447	1,416,166
EXCESS (DEFICIT) REVENUES OVER EXPENDITURES	(9,483)	107	(9,376)	13,390	(9,961)	3,429
OTHER FINANCING SOURCES (USES)						
Proceeds from sale of capital assets	3,500	...	3,500	20,429	...	20,429
Refund of prior year (revenues) expenditures	14,226	...	14,226	(7,555)	...	(7,555)
Interfund transfers in (out)	44,416	...	44,416	46,493	...	46,493
Total other financing sources (uses)	62,142	...	62,142	59,367	...	59,367
NET CHANGES IN FUND BALANCES	52,659	107	52,766	72,757	(9,961)	62,796
FUND BALANCES						
Beginning of year	602,953	71,397	674,350	530,196	81,358	611,554
End of year	\$ 655,612	\$ 71,504	\$ 727,116	\$ 602,953	\$ 71,397	\$ 674,350

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, 2015 and 2014

	2015	2014
Amounts reported for governmental activities in the statement of activities are different because:		
Net changes in fund balance-total governmental funds	\$ 52,766	\$ 62,796
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>Description</u>	<u>2015</u>	<u>2014</u>
Capital outlay	\$ 571,073	\$ 328,924
Depreciation expense	<u>(338,100)</u>	<u>(342,835)</u>
	232,973	(13,911)
The governmental funds report loan proceeds as other financing sources, while repayment of loan principal is reported as an expenditure. The 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>Description</u>	<u>2015</u>	<u>2014</u>
Long-term financing:		
Proceeds received	\$...	\$...
Principal payments made	<u>46,086</u>	<u>35,189</u>
	46,086	35,189
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>Description</u>	<u>2015</u>	<u>2014</u>
Capital assets:		
Proceeds from sale	\$ (3,500)	\$ (20,429)
Gain (loss) from sale	<u>(15,251)</u>	<u>20,429</u>
	(18,751)	...
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>348</u>	<u>(318)</u>
Changes in net position-governmental activities	\$ 313,422	\$ 83,756

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, 2015 and 2014

	Water Fund	
	2015	2014
ASSETS		
CURRENT ASSETS		
Cash and equivalents	\$	\$
Accounts receivable, net of allowances	7,713	7,713
Total current assets	<u>7,713</u>	<u>7,713</u>
NONCURRENT ASSETS		
Capital assets, net of depreciation:		
Nondepreciable	18,331	18,331
Depreciable	484,511	608,241
Total noncurrent assets	<u>502,842</u>	<u>626,572</u>
TOTAL ASSETS	<u>510,555</u>	<u>634,285</u>
DEFERRED OUTFLOWS OF RESOURCES		
Bond issue costs, net of amortization	15,968	17,366
LIABILITIES		
CURRENT LIABILITIES		
Accrued interest payable	4,886	5,096
Current portion of long-term debt	37,658	36,104
Refundable deposits	13,150	12,900
Total current liabilities	<u>55,694</u>	<u>54,100</u>
NONCURRENT LIABILITIES		
Long-term debt, net of current portion	679,456	717,114
TOTAL LIABILITIES	<u>735,150</u>	<u>771,214</u>
NET POSITION		
Net investment in capital assets	(198,304)	(109,280)
Unrestricted (deficit)	(10,323)	(10,283)
TOTAL NET POSITION (LIABILITIES)	<u>\$ (208,627)</u>	<u>\$ (119,563)</u>

Accompanying notes are an integral part of these financial statements

CITY OF DELAWARE CITY, DELAWARESTATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION-PROPRIETARY FUND
Years Ended June 30, 2015 and 2014

	Water Fund	
	2015	2014
OPERATING REVENUES		
Charges for services	\$ 307,464	\$ 322,947
OPERATING EXPENSES		
Salaries	53,568	51,416
Payroll taxes	4,753	4,281
Employee benefits	7,959	7,564
Contractual services	52,258	48,180
Insurance	15,021	16,360
Telephone	2,580	2,761
Electricity	16,366	18,482
Professional fees	15,246	16,583
Distribution system maintenance	21,732	33,989
Office supplies	955	861
Materials and supplies	2,692	3,559
Fuel for heating	1,483	3,222
Miscellaneous	888	710
Depreciation and amortization	125,128	125,908
Total operating expenses	<u>320,629</u>	<u>333,876</u>
OPERATING INCOME (LOSS)	<u>(13,165)</u>	<u>(10,929)</u>
NONOPERATING REVENUES (EXPENSES)		
Interest expense	(32,383)	(33,498)
Miscellaneous revenues	900	230
Total nonoperating revenues (expenses)	<u>(31,483)</u>	<u>(33,268)</u>
INCOME (LOSS) BEFORE OTHER FINANCING SOURCES (USES)	<u>(44,648)</u>	<u>(44,197)</u>
TRANSFERS FROM (TO) GOVERNMENTAL ACTIVITIES	<u>(44,416)</u>	<u>(46,493)</u>
CHANGES IN NET POSITION	<u>(89,064)</u>	<u>(90,690)</u>
NET POSITION (LIABILITIES)		
Beginning of year	<u>(119,563)</u>	<u>(28,873)</u>
End of year	<u>\$ (208,627)</u>	<u>\$ (119,563)</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, 2015 and 2014

	Water Fund	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 308,614	\$ 323,155
Cash payments to suppliers for goods and services	(129,221)	(144,707)
Cash payments to employees for services	(66,280)	(63,261)
Net cash provided (used) by operating activities	<u>113,113</u>	<u>115,187</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	...	...
Principal paid on general obligation bonds and notes	(36,104)	(34,616)
Interest paid on general obligation bonds and notes	(32,593)	(34,078)
Cash received (paid) from/(to) governmental activities	(44,416)	(46,493)
Net cash provided (used) by capital and related financing activities	<u>(113,113)</u>	<u>(115,187)</u>
NET INCREASE (DECREASE) 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)	\$ (13,165)	\$ (10,929)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	123,730	124,510
Amortization	1,398	1,398
Other nonoperating revenues	900	230
Changes in assets and liabilities:		
Receivables	...	(422)
Refundable deposits	250	400
Total adjustments	<u>126,278</u>	<u>126,116</u>
Net cash provided from operating activities	<u>\$ 113,113</u>	<u>\$ 115,187</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 accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board [GASB] is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more 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 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 it has 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.

Reclassifications

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

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 position 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 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government-Wide and Fund Financial Statements (continued)

Both government-wide financial statements distinguish functions of the City that are principally supported by property tax assessments and the intergovernmental revenues [governmental activities] from other functions that are intended to recover all or a significant portion of their costs through user fees and other charges [business-type activities]. The governmental activities of the City include the general government, public safety [police], public works [streets and sanitation], parks and recreation, Community Center, and other general administrative support services. The City's 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 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 tax revenues in the period for which levied. Expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

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

Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and claims which are recognized when payment is due.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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 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. 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 revitalization of the 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* items. 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 is water fees. Operating expenses for the proprietary fund include salaries, employee benefits, contracted services, supplies and materials, plant and system maintenance, and administrative expenses. Revenues and expenses not meeting this criteria are reported as nonoperating revenues and expenses.

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 and/or expenditures during the reporting period. Accordingly, 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 RSI:

- City Manager submits to Council a proposed budget for 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.
- 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. generally accepted accounting principles.
- The budget for budgeted special revenue funds are approved based on the individual funding sources.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to assign 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 assigned fund balance since they do not constitute expenditures or liabilities but serve as authorization for expenditures in the subsequent year. At June 30, 2015 and 2014, the City had 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, 2015 and 2014, the property taxes receivable is reflected net of the estimated uncollectible allowance of \$57,601 and \$61,435, respectively. The uncollectible allowance is based upon historical data established according to experience and other factors which in the judgment of City officials deserve recognition in estimating possible losses. Management believes that they have adequately provided for future probable losses.

Receivable-Accounts

At June 30, 2015 and 2014, the accounts receivable is reflected net of the estimated uncollectible allowance of \$23,370 and \$25,747, respectively. The uncollectible allowance is based upon historical data established according to experience and other factors which in the judgment of City officials deserve recognition in estimating possible losses. Management believes that they have adequately provided for future probable losses.

Receivable-Other

At June 30, 2015 and 2014, the other receivable is reflected net of the estimated uncollectible allowance of \$10,500 and \$0, respectively. The uncollectible allowance is based upon historical data established according to experience and other factors which in the judgment of City officials deserve recognition in estimating possible losses. Management believes that they have adequately provided for future probable losses.

Due From Other Governments

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

Receivables and Payables

Activity between funds that are representative of lending arrangements outstanding at the end of the fiscal year are referred to as either "interfund balances" [current] or "interfund advances" [noncurrent].

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, an equal amount of fund balance is classified as nonspendable, as the amount is not available for appropriation.

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 the net investment income earned on these funds. During fiscal year 2015, the City expended \$352,500 of said funds with the remainder of the funds in the amount of \$15,205 reflected as refundable advances and deposits.

Capital Assets and Depreciation

Capital assets, which include property, plant, furnishings, 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. 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. Capital assets are recorded at historical cost [or estimated historical cost] if purchased or constructed. Donated assets are recorded at estimated fair value at the date of donation.

The cost of normal repairs and maintenance that do not add to the value of a capital asset or materially extend its life is not capitalized. The 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 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:

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

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 amortization method. At June 30, 2015 and 2014, the accumulated amortization is \$12,001 and \$10,603, respectively. The annual amortization expense is \$1,398.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Funds Held in Custody

Funds held in custody are funds held 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 related restrictions are met, at which time they are recognized as revenues.

Unearned Revenues

Unearned revenues represent revenues received in advance which will be recognized in future periods when the revenue recognition criteria is met.

Compensated Absences

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

- The obligation relating to an 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, when applicable the City accrues a liability for vacation pay, which has been earned but not taken by the City's employees, on the government-wide financial statements. As 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, when present, the proprietary fund liability for compensated absences is recorded as an accrued liability in accordance with FASB guidelines.

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 reported in both the government-wide and proprietary fund statement of net position and 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Long-Term Obligations

In government-wide financial statements and proprietary fund type 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 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.

Net Position and Fund Equity

In government-wide financial statements and the proprietary fund financial statements, net position is reported in three 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. The net position invested in capital assets does not include unspent proceeds of any 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 includes unspent grant awards not considered refundable advances. All other net position is considered unrestricted.

The City follows the requirements of the GASB Statements under which fund balances are required to be reported in accordance with 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 that are 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 the restricted resources first, then unrestricted resources as they are needed.

CITY OF DELAWARE CITY, DELAWARE
 NOTES TO FINANCIAL STATEMENTS

NOTE 2 - PROPERTY TAXES

The tax on real estate within the City limits is \$1.09 per \$100 of assessed valuation for the fiscal year 2015 and \$1.09 per \$100 of assessed valuation for the fiscal year 2014 as levied by the 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 the fiscal years presented follows:

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

NOTE 3 - CASH AND INVESTMENTS

It is the City's policy to invest its funds 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 as of June 30, 2015 and 2014. The categories are described below:

Description	2015		2014	
	Book	Bank	Book	Bank
Category 1	\$ 258,777	\$ 258,777	\$ 258,742	\$ 258,742
Category 2	509,128	526,903	284,419	310,796
Category 3	300	...	300	...
Totals	<u>\$ 768,205</u>	<u>\$ 785,680</u>	<u>\$ 543,461</u>	<u>\$ 569,538</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.

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

NOTE 4 - INTERGOVERNMENTAL RECEIVABLES

The primary government receivables due from other governmental agencies represent revenues earned by the City. At June 30, 2015 and 2014, the receivables consist of the following:

Description	Activity Type			
	2015		2014	
	Governmental	Business	Governmental	Business
U.S. Department of Agriculture	\$...	\$...	\$ 44,426	\$...
Delaware Emergency Management Agency	26,354	...	...	...
Delaware Department of Transportation	1,886	...	125,738	...
Delaware Department of Natural Resources	10,751	...	53,628	...
Delaware Land & Conservation Trust Fund	70,195	...	...	...
Total intergovernmental receivables	<u>\$ 109,186</u>	<u>\$...</u>	<u>\$ 223,792</u>	<u>\$...</u>

CITY OF DELAWARE CITY, DELAWARE
NOTES TO FINANCIAL STATEMENTS

NOTE 5 - CAPITAL ASSETS

The capital assets activity for the year ended June 30, 2015 follows:

Description	As of and Year Ended June 30, 2015			
	Beginning Balances	Additions	Deletions	Ending Balances
Governmental activities:				
Capital assets, not depreciated:				
Land	\$ 421,737	\$...	\$...	\$ 421,737
Construction in progress:				
Buildings and improvements	...	...	...	...
Streets and sidewalks	158,640	11,919	...	170,559
Trees, trails and landscape	192,819	524,089	600,000	116,908
Total capital assets, not being depreciated	773,196	536,008	600,000	709,204
Capital assets, being depreciated:				
Buildings and improvements	4,831,085	...	...	4,831,085
Furniture and office equipment	58,088	...	...	58,088
Vehicles and equipment	332,689	...	132,453	200,236
Streets and sidewalks	1,412,574	600,000	...	2,012,574
Trees, trails and landscape	1,683,426	35,065	...	1,718,491
Total being depreciated	8,317,862	635,065	132,453	8,820,474
Less accumulated depreciation:				
Buildings and improvements	1,206,274	151,382	...	1,357,656
Furniture and office equipment	51,660	1,292	...	52,952
Vehicles and equipment	226,876	25,578	113,702	138,752
Streets and sidewalks	665,153	78,906	...	744,059
Trees, trails and landscape	434,660	80,942	...	515,602
Accumulated depreciation	2,584,623	338,100	113,702	2,809,021
Total capital assets, being depreciated	5,733,239	296,965	18,751	6,011,453
Governmental activities capital assets, net	\$ 6,506,435	\$ 832,973	\$ 618,751	\$ 6,720,657
Business-type activities:				
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	352,494	10,502	...	362,996
Water distribution system	2,166,541	113,228	...	2,279,769
Machinery and equipment	...	...	...	...
Accumulated depreciation	2,519,035	123,730	...	2,642,765
Total capital assets, being depreciated	608,241	(123,730)	...	484,511
Business-type activities capital assets, net	\$ 626,572	\$ (123,730)	\$...	\$ 502,842

CITY OF DELAWARE CITY, DELAWARE
NOTES TO FINANCIAL STATEMENTS

NOTE 5 - CAPITAL ASSETS (continued)

The capital assets activity for the year ended June 30, 2014 follows:

Description	As of and Year Ended June 30, 2014			
	Beginning Balances	Additions	Deletions	Ending Balances
Governmental activities:				
Capital assets, not depreciated:				
Land	\$ 421,737	\$...	\$...	\$ 421,737
Construction in progress:				
Buildings and improvements	...	...	...	...
Streets and sidewalks	...	158,640	...	158,640
Trees, trails and landscape	110,055	82,764	...	192,819
Total capital assets, not being depreciated	531,792	241,404	...	773,196
Capital assets, being depreciated:				
Buildings and improvements	4,783,104	47,981	...	4,831,085
Furniture and office equipment	58,088	...	...	58,088
Vehicles and equipment	370,272	39,539	77,122	332,689
Streets and sidewalks	1,412,574	...	...	1,412,574
Trees, trails and landscape	1,683,426	...	...	1,683,426
Total being depreciated	8,307,464	87,520	77,122	8,317,862
Less accumulated depreciation:				
Buildings and improvements	1,058,136	148,138	...	1,206,274
Furniture and office equipment	50,369	1,291	...	51,660
Vehicles and equipment	262,748	41,250	77,122	226,876
Streets and sidewalks	590,510	74,643	...	665,153
Trees, trails and landscape	357,147	77,513	...	434,660
Accumulated depreciation	2,318,910	342,835	77,122	2,584,623
Total capital assets, being depreciated	5,988,554	(255,315)	...	5,733,239
Governmental activities capital assets, net	\$ 6,520,346	\$ (13,911)	\$...	\$ 6,506,435
Business-type activities:				
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	341,993	10,501	...	352,494
Water distribution system	2,052,532	114,009	...	2,166,541
Machinery and equipment	...	...	...	...
Accumulated depreciation	2,394,525	124,510	...	2,519,035
Total capital assets, being depreciated	732,751	(124,510)	...	608,241
Business-type activities capital assets, net	\$ 751,082	\$ (124,510)	\$...	\$ 626,572

CITY OF DELAWARE CITY, DELAWARE
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - 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 property tax revenue. At June 30, 2015 and 2014, the City had no balance outstanding.

NOTE 7 - 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% of the employee's compensation for the calendar year. The City contributed a total of \$6,542 and \$6,700 for eligible employees participating in the retirement plan for the fiscal years ended June 30, 2015 and 2014, respectively.

NOTE 8 - LONG-TERM DEBT OBLIGATIONS

The schedule summarizes the annual changes to long-term debt obligations:

Description	As of and Year Ended June 30, 2015				
	Beginning Balances	Additions	Deletions	Ending Balances	
				Long-term Portion	Due Within One Year
Governmental Activities:					
General obligation notes:					
Ally Financial	\$ 13,136	\$...	\$ 13,136	\$...	\$...
General obligation bonds:					
Citizens Bank	198,664	...	26,272	146,675	25,717
2008 Series	205,878	...	6,678	192,263	6,937
Total governmental	\$ 417,678	\$...	\$ 46,086	\$ 338,938	\$ 32,654

The compensated absences liability for governmental activities is generally liquidated with general fund resources. At June 30, 2015 and 2014, the compensated absences liability is \$7,402 and \$7,750, respectively.

Description	As of and Year Ended June 30, 2015				
	Beginning Balances	Additions	Deletions	Ending Balances	
				Long-term Portion	Due Within One Year
Business-Type Activities:					
General obligation bonds:					
1995 Series	\$ 518,684	\$...	\$ 12,658	\$ 492,723	\$ 13,303
2006 Series	200,255	...	12,428	175,054	12,773
Total bond obligations	718,939	...	25,086	667,777	26,076
General obligation notes:					
SERCAP	34,279	...	11,018	11,679	11,582
Total business-type	\$ 753,218	\$...	\$ 36,104	\$ 679,456	\$ 37,658

NOTE 8 - LONG-TERM DEBT OBLIGATIONS (continued)

General Obligation Bonds and Notes

Ally Financial

On June 26, 2013, the City entered into a lease-purchase agreement in the amount of \$20,335 with a maturity date of June 26, 2015. The agreement carried a fixed interest rate of 6.34% and required a downpayment of \$7,199 at signing [the downpayment was made on July 1, 2013] and two annual payments of \$7,199 [principal and interest]. The proceeds of the borrowing were used to purchase a 2012 Chrysler/Dodge Charger. As of June 30, 2015, the lease-purchase agreement was paid-in-full.

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 a fixed interest rate of 5.125% and requires monthly payments of \$2,830.49 [principal and interest]. The bond was issued for the purpose of funding the City's 2006 Capital Improvement Project and is secured with the full faith and credit of the City. At June 30, 2015, the repayment schedule is as follows:

<u>Years Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 25,717	\$ 8,249	\$ 33,966
2017	27,066	6,900	33,966
2018	28,486	5,480	33,966
2019	29,981	3,985	33,966
2020	31,554	2,412	33,966
2021	<u>29,588</u>	<u>749</u>	<u>30,337</u>
Total required payments	<u>\$ 172,392</u>	<u>\$ 27,775</u>	<u>\$ 200,167</u>

General Obligation Bonds, Series 2008

The general obligation bonds, Series 2008 [originally issued in the amount of \$234,000] carry a maturity date of August 14, 2034. The proceeds of the general obligation bonds were used to finance the City's "Community Center Roof Replacement Project". The bonds carry a fixed interest rate of 4.125% and are payable in monthly installments of \$1,252 [principal and interest]. At June 30, 2015, the repayment schedule is as follows:

<u>Years Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 6,937	\$ 8,087	\$ 15,024
2017	7,251	7,773	15,024
2018	7,555	7,469	15,024
2019	7,205	7,819	15,024
2020	8,131	6,893	15,024
2021-2025	46,164	28,956	75,120
2026-2030	56,722	18,398	75,120
2031-2035	<u>59,235</u>	<u>5,546</u>	<u>64,781</u>
Total required payments	<u>\$ 199,200</u>	<u>\$ 90,941</u>	<u>\$ 290,141</u>

NOTE 8 - LONG-TERM DEBT OBLIGATIONS (continued)

General Obligation Bonds and Notes (continued)

General Obligation Bonds, Series 1995

The general obligation bonds, Series 1995 [originally issued in the amount of \$662,000] carry a maturity date of February 21, 2037. The proceeds of the general obligation bonds were used to finance the City's "Water System Improvement Project". The bonds carry a fixed interest rate of 5.00% and are payable in quarterly installments of \$9,593 [principal and interest]. At June 30, 2015, the repayment schedule is as follows:

<u>Years Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 13,303	\$ 25,069	\$ 38,372
2017	13,981	24,391	38,372
2018	14,693	23,679	38,372
2019	15,441	22,931	38,372
2020	16,228	22,144	38,372
2021-2025	94,417	97,443	191,860
2026-2030	121,046	70,814	191,860
2031-2035	155,185	36,675	191,860
2036-2037	<u>61,732</u>	<u>2,863</u>	<u>64,595</u>
Total required payments	\$ 506,026	\$ 326,009	\$ 832,035

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 \$8,934.69 [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, 2015, the repayment schedule is as follows:

<u>Years Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 12,773	\$ 5,096	\$ 17,869
2017	13,128	4,741	17,869
2018	13,492	4,377	17,869
2019	13,867	4,002	17,869
2020	14,253	3,616	17,869
2021-2025	77,431	11,916	89,347
2026-2028	<u>42,883</u>	<u>1,791</u>	<u>44,674</u>
Total required payments	\$ 187,827	\$ 35,539	\$ 223,366

CITY OF DELAWARE CITY, DELAWARE
 NOTES TO FINANCIAL STATEMENTS

NOTE 8 - LONG-TERM DEBT OBLIGATIONS (continued)

General Obligation Bonds and Notes (continued)

SERCAP Note

On May 21, 2002, the City issued a general obligation note to the Southeast Rural Community Assistance Project, Inc. [SERCAP] in the amount of \$131,250, with an annual interest rate of 5.00%. The note requires monthly payments of \$1,037.90 [principal and interest] for fifteen years and has a maturity date of 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, 2015, the repayment schedule is as follows:

<u>Years Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 11,582	\$ 873	\$ 12,455
2017	<u>11,679</u>	<u>281</u>	<u>11,960</u>
Total required payments	<u>\$ 23,261</u>	<u>\$ 1,154</u>	<u>\$ 24,415</u>

Future maturities of principal and interest payments follow:

<u>Years Ending June 30</u>	<u>General Obligation Bonds</u>		<u>General Obligation Notes</u>		<u>Totals</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
Governmental Activities:					
2016	\$ 32,654	\$ 16,336	\$...	\$...	\$ 48,990
2017	34,317	14,673	...	...	48,990
2018	36,041	12,949	...	...	48,990
2019	37,186	11,804	...	...	48,990
2020	39,685	9,305	...	...	48,990
2021-2025	75,752	29,705	...	...	105,457
2026-2030	56,722	18,398	...	...	75,120
2031-2035	<u>59,235</u>	<u>5,546</u>	<u>...</u>	<u>...</u>	<u>64,781</u>
Totals	<u>\$ 371,592</u>	<u>\$ 118,716</u>	<u>\$...</u>	<u>\$...</u>	<u>\$ 490,308</u>

Business-Type Activities:

2016	\$ 26,076	\$ 30,165	\$ 11,582	\$ 873	\$ 68,696
2017	27,109	29,132	11,679	281	68,201
2018	28,185	28,056	...	...	56,241
2019	29,308	26,933	...	...	56,241
2020	30,481	25,760	...	...	56,241
2021-2025	171,848	109,359	...	...	281,207
2026-2030	163,929	72,605	...	...	236,534
2031-2035	155,185	36,675	...	...	191,860
2036-2037	<u>61,732</u>	<u>2,863</u>	<u>...</u>	<u>...</u>	<u>64,595</u>
Totals	<u>\$ 693,853</u>	<u>\$ 361,548</u>	<u>\$ 23,261</u>	<u>\$ 1,154</u>	<u>\$ 1,079,816</u>

NOTE 9 - ECONOMIC DEPENDENCY

A substantial portion of the City's annual assessment of property taxes is received from two corporate taxpayers. The collected amount approximates 45% of the City's total annual assessment.

A substantial portion of the City's water user fees is received from one corporate customer. The collected amount approximates 13% and 20% of the City's total annual water user fees for the fiscal years ended June 30, 2015 and 2014, respectively.

NOTE 10 - LEASING ARRANGEMENTS

At June 30, 2015, the City is involved in the following leasing arrangements:

Operating Leases as Lessee

The City leases the following office equipment under an operating leasing arrangement. Total rental cost was \$2,868 and \$2,868 for the years ended June 30, 2015 and 2014, respectively.

Description	Monthly Rentals	Expiration Date
Konica-Minolta Digital Copier System and Fax	\$ 239	August, 2015

At June 30, 2015, the minimum future rentals under the non-cancelable leasing arrangement having remaining terms in excess of one year in the aggregate are:

Years Ending June 30	Amount
2016	\$ 239
Total minimum future rental payments required	\$ 239

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 at June 30, 2015:

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 were \$139,170 and \$154,840 for the fiscal years ended June 30, 2015 and 2014, respectively.

NOTE 11 - COMMITMENTS AND CONTINGENCIES

In the 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.

NOTE 12 - GASB STATEMENT IMPLEMENTATION

The City has implemented GASB Statements No. 67, 68 and 71, *Financial Reporting for Pension Plans, Accounting for Financial Reporting for Pensions, and Pension Transition for Contributions Made Subsequent to the Measurement Date*. The Statements' primary objective is to improve the accounting and financial reporting by state and local governments for pensions. The implementation of these Statements had no impact on the City's finances.

NOTE 13 - FUTURE GASB STATEMENT IMPLEMENTATION

The City has not early-implemented GASB Statement No. 72, *Fair Value Measurement and Application*. The objective of the Statement is to improve financial reporting by [1] clarifying the definition of fair value for financial reporting purposes, [2] establishing general principles for measuring fair value, [3] providing additional fair value application guidance, and [4] enhancing disclosures about fair value measurements. These improvements are based in part on the concepts and definitions established in Concepts Statement No. 6, *Measurement of Elements of Financial Statements*.

NOTE 14 - 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 additional disclosures or adjustments are necessary.

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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes:				
Real estate taxes	\$ 822,570	\$ 822,570	\$ 846,008	\$ 23,438
Real estate transfer taxes	22,000	22,000	61,049	39,049
Cable franchise taxes	18,000	18,000	20,965	2,965
Licenses and permits	4,000	4,000	11,914	7,914
Intergovernmental revenues	...	...	...	...
Police fines and court fees	7,000	7,000	10,659	3,659
Charges for services	4,700	4,700	9,501	4,801
Interest and rents	144,400	144,400	142,590	(1,810)
Contributions	...	...	46,205	46,205
Miscellaneous revenues	2,400	2,400	104	(2,296)
Total revenues	<u>1,025,070</u>	<u>1,025,070</u>	<u>1,148,995</u>	<u>123,925</u>
EXPENDITURES				
Current:				
General government	293,274	293,274	361,370	(68,096)
Code enforcement	...	...	1,735	(1,735)
Public safety-police	316,908	316,908	277,313	39,595
Public works-streets	77,945	77,945	106,796	(28,851)
Public works-sanitation	204,224	204,224	204,523	(299)
Parks and recreation	52,000	52,000	71,839	(19,839)
Community Center	13,000	13,000	35,826	(22,826)
Capital reserve	52,754	52,754	...	52,754
Capital outlay	...	...	44,179	(44,179)
Debt service	40,024	40,024	54,897	(14,873)
Total expenditures	<u>1,050,129</u>	<u>1,050,129</u>	<u>1,158,478</u>	<u>(108,349)</u>
EXCESS (DEFICIT)				
REVENUES OVER EXPENDITURES	<u>(25,059)</u>	<u>(25,059)</u>	<u>(9,483)</u>	<u>15,576</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	30,000	30,000	3,500	(26,500)
Refund of prior year expenditures	...	...	14,226	14,226
Operating transfers in (out)	(4,941)	(4,941)	44,416	49,357
Total other financing sources (uses)	<u>25,059</u>	<u>25,059</u>	<u>62,142</u>	<u>37,083</u>
NET CHANGE IN FUND BALANCE	...	...	52,659	52,659
FUND BALANCE				
Beginning of year	...	...	602,953	602,953
End of year	<u>\$...</u>	<u>\$...</u>	<u>\$ 655,612</u>	<u>\$ 655,612</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. The 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 the fiscal year presented.

See Report of Independent Auditor

Supplementary Information Section

CITY OF DELAWARE CITY, DELAWARE
 COMBINING BALANCE SHEET-SPECIAL REVENUE FUND
 As of June 30, 2015 With Comparative Totals for 2014

	Federal Funding	State Funding			Local Funding	Revolving Loan Fund	Totals	
		Municipal Street Aid	SALLE and EIDE	Other			[Memorandum Only]	
							2015	2014
ASSETS								
ASSETS								
Cash and equivalents	\$...	\$ 43,525	\$...	\$...	\$...	\$ 71,368	\$ 114,893	\$ 124,808
Due from other governments	26,354	...	...	82,832	...	...	109,186	223,792
Restricted assets:								
Cash and equivalents	...	...	...	...	...	...	...	369,913
Interfund balances	(26,354)	(43,389)	6,402	(66,668)	15,205	...	(114,804)	(241,489)
TOTAL ASSETS	<u>\$...</u>	<u>\$ 136</u>	<u>\$ 6,402</u>	<u>\$ 16,164</u>	<u>\$ 15,205</u>	<u>\$ 71,368</u>	<u>\$ 109,275</u>	<u>\$ 477,024</u>
LIABILITIES AND FUND BALANCES								
LIABILITIES								
Refundable advances and deposits	\$...	\$...	\$ 6,402	\$ 16,164	\$ 15,205	\$...	\$ 37,771	\$ 405,627
Total liabilities	<u>...</u>	<u>...</u>	<u>6,402</u>	<u>16,164</u>	<u>15,205</u>	<u>...</u>	<u>37,771</u>	<u>405,627</u>
FUND BALANCES								
Restricted-specific programs	...	136	...	...	...	62,000	62,136	62,136
Unassigned	...	...	...	...	...	9,368	9,368	9,261
Total fund balances	<u>...</u>	<u>136</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>71,368</u>	<u>71,504</u>	<u>71,397</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$...</u>	<u>\$ 136</u>	<u>\$ 6,402</u>	<u>\$ 16,164</u>	<u>\$ 15,205</u>	<u>\$ 71,368</u>	<u>\$ 109,275</u>	<u>\$ 477,024</u>

See Report of Independent Auditor

CITY OF DELAWARE CITY, DELAWARE

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES--SPECIAL REVENUE FUND
 Year Ended June 30, 2015 With Comparative Totals for 2014

	Federal Funding	State Funding			Local Funding	Revolving Loan Fund	Totals [Memorandum Only]	
		Municipal Street Aid	SALLE and EIDE	Other			2015	2014
REVENUES								
Intergovernmental revenues:								
Federal	\$ 56,616	\$...	\$...	\$...	\$...	\$...	\$ 56,616	\$ 50,764
State	...	43,389	12,763	235,669	...	...	291,821	298,649
Local	...	...	...	...	354,000	...	354,000	1,000
Interest revenue	...	...	...	...	...	107	107	73
Total revenues	56,616	43,389	12,763	235,669	354,000	107	702,544	350,486
EXPENDITURES								
Current:								
Public safety-police	2,350	...	9,202	10,299	...	...	21,851	35,669
Public works-streets	...	18,615	...	...	...	...	18,615	21,239
Parks and recreation	...	...	...	3,844	1,500	...	5,344	35,746
Community Center	...	...	...	25,561	...	...	25,561	40,000
Capital outlay:								
General government	...	...	...	...	...	...	...	...
Public safety-police	...	...	3,561	5,109	...	...	8,670	...
Public works-streets	...	16,283	...	1,886	...	...	18,169	149,911
Parks and recreation	54,266	...	...	188,970	352,500	...	595,736	69,882
Debt service:								
Principal	...	6,046	...	...	...	...	6,046	5,638
Interest and other fees	...	2,445	...	...	...	...	2,445	2,362
Total expenditures	56,616	43,389	12,763	235,669	354,000	...	702,437	360,447
EXCESS REVENUES OVER (UNDER) EXPENDITURES	...	...	...	...	...	107	107	(9,961)
OTHER FINANCING SOURCES (USES)								
Operating transfers in	...	...	...	...	...	...	...	...
Operating transfers out	...	...	...	...	...	...	...	...
Total other financing sources (uses)	...	...	...	...	...	...	...	...
NET CHANGES IN FUND BALANCES	...	...	...	...	...	107	107	(9,961)
FUND BALANCES								
Beginning of year	...	136	...	...	...	71,261	71,397	81,358
End of year	\$...	\$ 136	\$...	\$...	\$...	\$ 71,368	\$ 71,504	\$ 71,397

See Report of Independent Auditor