



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, 2019 and 2018

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**CITY OF DELAWARE CITY, DELAWARE**

Table of Contents

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**Report of Independent Auditor** .....1-2

**Basic Financial Statements Section**

Government-Wide Financial Statements:  
Statements of Net Position .....3  
Statements of Activities .....4-5

Fund Financial Statements:  
Balance Sheets-Governmental Funds .....6  
Reconciliation of the Balance Sheets of Governmental Funds  
to the Statements of Net Position .....7  
Statements of Revenues, Expenditures  
and Changes in Fund Balances-Governmental Funds .....8  
Reconciliation of the Statements of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statements of Activities .....9  
Statements of Net Position-Proprietary Fund .....10  
Statements of Revenues, Expenses  
and Changes in Fund Net Position-Proprietary Fund .....11  
Statements of Cash Flows-Proprietary Fund .....12  
Notes to Financial Statements .....13-29

**Required Supplementary Information [RSI] Section**

Schedule of Revenues, Expenditures and  
and Change in Fund Balance-Budget and Actual-General Fund .....30-31

**Supplementary Information Section**

Combining Balance Sheet-Special Revenue Fund  
With Comparative Totals .....32  
Combining Statement of Revenues, Expenditures  
and Changes in Fund Balances-Special Revenue Fund  
With Comparative Totals .....33

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WHISMAN GIORDANO  
CERTIFIED PUBLIC ACCOUNTANTS

Building Extraordinary Relationships

## 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, 2019 and 2018, 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, 2019 and 2018, 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 January 27, 2020 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 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.

*Whisman Giordano & Associates, LLC*

Newark, Delaware  
January 27, 2020

## **Basic Financial Statements Section**

**CITY OF DELAWARE CITY, DELAWARE**  
**STATEMENTS OF NET POSITION**  
As of June 30, 2019 and 2018

	2019				2018			
	Primary Government			Component	Primary Government			Component
	Activity Type			Unit	Activity Type			Unit
	Governmental	Business	Totals	Delaware City Day Committee	Governmental	Business	Totals	Delaware City Day Committee
<b>ASSETS</b>								
<b>Current assets</b>								
Cash and equivalents	\$ 365,520	\$ -	\$ 365,520	\$ 39,502	\$ 314,886	\$ -	\$ 314,886	\$ 9,492
Receivables, net of allowance:								
Property taxes	4,334	-	4,334	-	4,357	-	4,357	-
Accounts	-	85,215	85,215	-	-	73,356	73,356	-
Other	26,357	-	26,357	-	6,205	-	6,205	-
Prepayments and other assets	-	-	-	-	-	-	-	3,500
Due from other governments	105,733	-	105,733	-	229,857	-	229,857	-
Due from primary government	-	-	-	-	-	-	-	29,400
<b>Total current assets</b>	<b>501,944</b>	<b>85,215</b>	<b>587,159</b>	<b>39,502</b>	<b>555,305</b>	<b>73,356</b>	<b>628,661</b>	<b>42,392</b>
<b>Noncurrent assets</b>								
Capital assets, net of depreciation:								
Nondepreciable	421,737	18,331	440,068	-	421,737	18,331	440,068	-
Depreciable	5,520,383	143,956	5,664,339	-	5,536,826	178,222	5,715,048	-
<b>Total noncurrent assets</b>	<b>5,942,120</b>	<b>162,287</b>	<b>6,104,407</b>	<b>-</b>	<b>5,958,563</b>	<b>196,553</b>	<b>6,155,116</b>	<b>-</b>
<b>TOTAL ASSETS</b>	<b>6,444,064</b>	<b>247,502</b>	<b>6,691,566</b>	<b>39,502</b>	<b>6,513,868</b>	<b>269,909</b>	<b>6,783,777</b>	<b>42,392</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>								
Bond issue costs, net of amortization	-	10,376	10,376	-	-	11,774	11,774	-
<b>LIABILITIES</b>								
<b>Current liabilities</b>								
Line of credit	-	-	-	-	-	-	-	-
Accounts payable and other	113,260	-	113,260	-	57,425	-	57,425	-
Accrued interest payable	-	5,916	5,916	-	-	4,310	4,310	-
Current portion of long-term debt	85,969	37,462	123,431	-	82,767	29,309	112,076	-
Funds held in custody	75,012	-	75,012	-	44,016	-	44,016	-
Refundable advances and other deposits	87,922	16,008	103,930	-	120,533	15,408	135,941	-
Due to component unit	-	-	-	-	29,400	-	29,400	-
<b>Total current liabilities</b>	<b>362,163</b>	<b>59,386</b>	<b>421,549</b>	<b>-</b>	<b>334,141</b>	<b>49,027</b>	<b>383,168</b>	<b>-</b>
<b>Noncurrent liabilities</b>								
Long-term debt, net of current portion	999,677	552,633	1,552,310	-	373,170	583,114	956,284	-
Long-term portion of compensated absences	19,643	-	19,643	-	19,719	-	19,719	-
<b>Total noncurrent liabilities</b>	<b>1,019,320</b>	<b>552,633</b>	<b>1,571,953</b>	<b>-</b>	<b>392,889</b>	<b>583,114</b>	<b>976,003</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>	<b>1,381,483</b>	<b>612,019</b>	<b>1,993,502</b>	<b>-</b>	<b>727,030</b>	<b>632,141</b>	<b>1,359,171</b>	<b>-</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>								
Unavailable revenue-other	7,284	-	7,284	-	7,484	-	7,484	-
<b>NET POSITION (LIABILITIES)</b>								
Net investment in capital assets	4,856,474	(417,432)	4,439,042	-	5,502,626	(404,096)	5,098,530	-
Restricted for specific programs	71,189	-	71,189	39,502	114,110	-	114,110	42,392
Unrestricted	127,634	63,291	190,925	-	162,618	53,638	216,256	-
<b>TOTAL NET POSITION</b>	<b>\$ 5,055,297</b>	<b>\$ (354,141)</b>	<b>\$ 4,701,156</b>	<b>\$ 39,502</b>	<b>\$ 5,779,354</b>	<b>\$ (350,458)</b>	<b>\$ 5,428,896</b>	<b>\$ 42,392</b>

Accompanying notes are an integral part of these financial statements

**CITY OF DELAWARE CITY, DELAWARE**  
**STATEMENT OF ACTIVITIES**  
Year Ended June 30, 2019

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	Totals	Delaware City Day Committee
<b>GOVERNMENTAL ACTIVITIES</b>								
General government	\$ 520,474	80,224	44,134	-	(396,116)	-	(396,116)	-
Code enforcement	22,366	7,575	-	-	(14,791)	-	(14,791)	-
Public safety-police	476,286	20,071	25,745	16,627	(413,843)	-	(413,843)	-
Public works-streets	86,100	-	-	296,347	210,247	-	210,247	-
Public works-sanitation	213,813	6,367	-	-	(207,446)	-	(207,446)	-
Parks and recreation	1,320,859	-	-	519,242	(801,617)	-	(801,617)	-
Community Center	61,563	-	61,563	15,000	15,000	-	15,000	-
Interest on long-term debt	18,529	-	-	-	(18,529)	-	(18,529)	-
Depreciation-unallocated	404,839	-	-	-	(404,839)	-	(404,839)	-
<b>Total governmental activities</b>	<b>3,124,829</b>	<b>114,237</b>	<b>131,442</b>	<b>847,216</b>	<b>(2,031,934)</b>	<b>-</b>	<b>(2,031,934)</b>	<b>-</b>
<b>BUSINESS-TYPE ACTIVITIES</b>								
Water system	283,709	321,661	-	-	-	37,952	37,952	-
<b>Total business-type activities</b>	<b>283,709</b>	<b>321,661</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>37,952</b>	<b>37,952</b>	<b>-</b>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>3,408,538</b>	<b>435,898</b>	<b>131,442</b>	<b>847,216</b>	<b>(2,031,934)</b>	<b>37,952</b>	<b>(1,993,982)</b>	<b>-</b>
<b>DISCRETELY PRESENTED COMPONENT UNIT</b>								
Delaware City Day Committee	68,730	14,550	51,290	-	-	-	-	(2,890)
<b>TOTAL PRIMARY GOVERNMENT AND COMPONENT UNIT</b>	<b>\$3,477,268</b>	<b>\$ 450,448</b>	<b>\$ 182,732</b>	<b>\$ 847,216</b>	<b>(2,031,934)</b>	<b>37,952</b>	<b>(1,993,982)</b>	<b>(2,890)</b>
<b>GENERAL REVENUES AND TRANSFERS</b>								
Property taxes levied for general purposes					1,089,749	-	1,089,749	-
Cable franchise taxes					16,722	-	16,722	-
Investment earnings and rents					140,819	-	140,819	-
Gain from sale of capital assets					800	-	800	-
Miscellaneous revenues					9,714	8,438	18,152	-
Transfers between governmental, BT activities					50,073	(50,073)	-	-
<b>Total general revenues and transfers</b>					<b>1,307,877</b>	<b>(41,635)</b>	<b>1,266,242</b>	<b>-</b>
<b>CHANGES IN NET POSITION</b>					(724,057)	(3,683)	(727,740)	(2,890)
<b>NET POSITION (LIABILITIES)</b>								
Beginning of year					5,779,354	(350,458)	5,428,896	42,392
End of year					<u>\$5,055,297</u>	<u>\$ (354,141)</u>	<u>\$4,701,156</u>	<u>\$ 39,502</u>

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	Totals	Delaware City Day Committee
<b>GOVERNMENTAL ACTIVITIES</b>								
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)	-
<b>Total governmental activities</b>	<b>2,181,093</b>	<b>123,799</b>	<b>267,905</b>	<b>183,533</b>	<b>(1,605,856)</b>	<b>-</b>	<b>(1,605,856)</b>	<b>-</b>
<b>BUSINESS-TYPE ACTIVITIES</b>								
Water system	340,430	272,592	-	-	-	(67,838)	(67,838)	-
<b>Total business-type activities</b>	<b>340,430</b>	<b>272,592</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(67,838)</b>	<b>(67,838)</b>	<b>-</b>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>2,521,523</b>	<b>396,391</b>	<b>267,905</b>	<b>183,533</b>	<b>(1,605,856)</b>	<b>(67,838)</b>	<b>(1,673,694)</b>	<b>-</b>
<b>DISCRETELY PRESENTED COMPONENT UNIT</b>								
Delaware City Day Committee	68,897	10,165	39,224	-	-	-	-	(19,508)
<b>TOTAL PRIMARY GOVERNMENT AND COMPONENT UNIT</b>	<b>\$2,590,420</b>	<b>\$ 406,556</b>	<b>\$ 307,129</b>	<b>\$ 183,533</b>	<b>(1,605,856)</b>	<b>(67,838)</b>	<b>(1,673,694)</b>	<b>(19,508)</b>
<b>GENERAL REVENUES AND TRANSFERS</b>								
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					23,566	1,040	24,606	-
Transfers between governmental, BT activities					(26,257)	26,257	-	-
<b>Total general revenues and transfers</b>					<b>1,169,910</b>	<b>27,297</b>	<b>1,197,207</b>	<b>-</b>
<b>CHANGES IN NET POSITION</b>					(435,946)	(40,541)	(476,487)	(19,508)
<b>NET POSITION (LIABILITIES)</b>								
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**  
BALANCE SHEETS-GOVERNMENTAL FUNDS  
As of June 30, 2019 and 2018

	2019			2018		
	Governmental Fund Types			Governmental Fund Types		
	General	Special Revenue	Totals	General	Special Revenue	Totals
<b>ASSETS</b>						
<b>ASSETS</b>						
Cash and equivalents	\$ 285,337	\$ 80,183	\$ 365,520	\$ 200,275	\$ 114,611	\$ 314,886
Receivables, net of allowance:						
Property taxes	4,334	-	4,334	4,357	-	4,357
Other	26,357	-	26,357	6,205	-	6,205
Due from other governments	105,733	-	105,733	-	229,857	229,857
Interfund receivable (payable)	(2,460)	2,460	-	116,049	(116,049)	-
<b>TOTAL ASSETS</b>	<u>\$ 419,301</u>	<u>\$ 82,643</u>	<u>\$ 501,944</u>	<u>\$ 326,886</u>	<u>\$ 228,419</u>	<u>\$ 555,305</u>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES</b>						
Line of credit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable and other	113,260	-	113,260	57,425	-	57,425
Funds held in custody	75,012	-	75,012	44,016	-	44,016
Refundable advances and other deposits	86,266	1,656	87,922	15,914	104,619	120,533
Due to component unit	-	-	-	29,400	-	29,400
<b>Total liabilities</b>	<u>274,538</u>	<u>1,656</u>	<u>276,194</u>	<u>146,755</u>	<u>104,619</u>	<u>251,374</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenue-other	7,284	-	7,284	7,484	-	7,484
<b>FUND BALANCES</b>						
Restricted-specific programs	-	71,189	71,189	-	114,110	114,110
Committed-capital reserve	-	-	-	153,976	-	153,976
Committed-budget reserve	-	-	-	18,671	-	18,671
Unassigned	137,479	9,798	147,277	-	9,690	9,690
<b>Total fund balances</b>	<u>137,479</u>	<u>80,987</u>	<u>218,466</u>	<u>172,647</u>	<u>123,800</u>	<u>296,447</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 419,301</u>	<u>\$ 82,643</u>	<u>\$ 501,944</u>	<u>\$ 326,886</u>	<u>\$ 228,419</u>	<u>\$ 555,305</u>

Accompanying notes are an integral part of these financial statements

**CITY OF DELAWARE CITY, DELAWARE**

RECONCILIATION OF THE BALANCE SHEETS OF GOVERNMENTAL FUNDS

TO THE STATEMENTS OF NET POSITION

As of June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Amounts reported for governmental activities in the statement of net position are different because:		
<b>Total fund balances-governmental funds</b>	\$ 218,466	\$ 296,447
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 \$10,296,796 and \$9,908,400 and the related accumulated depreciation is \$4,354,676 and \$3,949,837 for the periods presented.	5,942,120	5,958,563
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>Long-Term Debt Obligations</u>	<u>2019</u>	<u>2018</u>
Current portion	\$ (85,969)	\$ (82,767)
Net of current portion	<u>(999,677)</u>	<u>(373,170)</u>
	(1,085,646)	(455,937)
Compensated absences not due and payable within the period presented are not reported in the governmental funds.	<u>(19,643)</u>	<u>(19,719)</u>
<b>Total net position-governmental activities</b>	<u>\$5,055,297</u>	<u>\$5,779,354</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, 2019 and 2018

	2019			2018		
	Governmental Fund Types			Governmental Fund Types		
	General	Special Revenue	Totals	General	Special Revenue	Totals
<b>REVENUES</b>						
Taxes:						
Property taxes	\$ 995,735	\$ -	\$ 995,735	\$ 946,794	\$ -	\$ 946,794
Property taxes-transfer taxes	94,014	-	94,014	72,582	-	72,582
Cable franchise taxes	16,722	-	16,722	17,022	-	17,022
Licenses and permits	78,925	-	78,925	71,835	-	71,835
Intergovernmental revenues:						
Federal	265,696	-	265,696	-	148,172	148,172
State	653,322	59,640	712,962	-	303,266	303,266
Police fines and court fees	9,353	-	9,353	6,166	-	6,166
Charges for services	25,959	-	25,959	45,798	-	45,798
Interest and rents	140,711	108	140,819	155,599	107	155,706
Contributions	6,466	-	6,466	1,164	-	1,164
Miscellaneous revenues	15,205	-	15,205	-	-	-
<b>Total revenues</b>	<b>2,302,108</b>	<b>59,748</b>	<b>2,361,856</b>	<b>1,316,960</b>	<b>451,545</b>	<b>1,768,505</b>
<b>EXPENDITURES</b>						
Current:						
General government	512,446	-	512,446	514,480	4,342	518,822
Code enforcement	22,366	-	22,366	57,414	-	57,414
Public safety-police	460,751	6,071	466,822	344,328	20,192	364,520
Public works-streets	86,100	-	86,100	98,078	5,524	103,602
Public works-sanitation	213,813	-	213,813	216,224	-	216,224
Parks and recreation	72,703	-	72,703	70,690	17,563	88,253
Community Center	61,563	-	61,563	20,448	18,772	39,220
Capital outlay	1,650,910	3,210	1,654,120	108,528	348,411	456,939
Debt service:						
Principal	83,508	-	83,508	57,682	-	57,682
Interest and other fees	18,529	-	18,529	10,640	-	10,640
<b>Total expenditures</b>	<b>3,182,689</b>	<b>9,281</b>	<b>3,191,970</b>	<b>1,498,512</b>	<b>414,804</b>	<b>1,913,316</b>
<b>EXCESS (DEFICIT) REVENUES OVER EXPENDITURES</b>	<b>(880,581)</b>	<b>50,467</b>	<b>(830,114)</b>	<b>(181,552)</b>	<b>36,741</b>	<b>(144,811)</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Proceeds from new financing	713,217	-	713,217	39,528	-	39,528
Proceeds from Verizon financing	-	-	-	143,758	-	143,758
Proceeds from sale of capital assets	800	-	800	5,151	-	5,151
Refund of prior year (revenues)-Verizon settlement	-	-	-	(143,758)	-	(143,758)
Refund of prior year (revenues) expenditures	(11,957)	-	(11,957)	22,402	-	22,402
Interfund transfers in (out)	143,353	(93,280)	50,073	(26,257)	-	(26,257)
<b>Total other financing sources (uses)</b>	<b>845,413</b>	<b>(93,280)</b>	<b>752,133</b>	<b>40,824</b>	<b>-</b>	<b>40,824</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>(35,168)</b>	<b>(42,813)</b>	<b>(77,981)</b>	<b>(140,728)</b>	<b>36,741</b>	<b>(103,987)</b>
<b>FUND BALANCES</b>						
Beginning of year	172,647	123,800	296,447	313,375	87,059	400,434
End of year	\$ 137,479	\$ 80,987	\$ 218,466	\$ 172,647	\$ 123,800	\$ 296,447

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, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Amounts reported for governmental activities in the statement of activities are different because:		
<b>Net change in fund balance-total government funds</b>	\$ (77,981)	\$ (103,987)

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	2019	2018		
Capital assets	\$ 388,396	\$ 67,727		
Depreciation expense	(404,839)	(395,165)	(16,443)	(327,438)

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	2019	2018		
Proceeds from sale of assets	\$ 800	\$ 5,151		
Gain from sale of assets	(800)	(5,151)	-	-

To reflect the impact of the property taxes assessment appeal rebate impacting the fiscal years presented.

	-	(24,654)
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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	2019	2018		
Financing proceeds received	\$ (713,217)	\$ (39,528)		
Principal payments made	83,508	57,682	(629,709)	18,154

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.

	76	1,979
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<b>Change in net position-governmental activities</b>	<u>\$ (724,057)</u>	<u>\$ (435,946)</u>
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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, 2019 and 2018

	Water Fund	
	2019	2018
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and equivalents	\$ -	\$ -
Accounts receivable, net of allowance	85,215	73,356
<b>Total current assets</b>	<b>85,215</b>	<b>73,356</b>
<b>NONCURRENT ASSETS</b>		
Capital assets, net of depreciation:		
Nondepreciable	18,331	18,331
Depreciable	143,956	178,222
<b>Total noncurrent assets</b>	<b>162,287</b>	<b>196,553</b>
<b>TOTAL ASSETS</b>	<b>247,502</b>	<b>269,909</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Bond issue costs, net of amortization	10,376	11,774
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accrued interest payable	5,916	4,310
Current portion of long-term debt	37,462	29,309
Refundable advances and other deposits	16,008	15,408
<b>Total current liabilities</b>	<b>59,386</b>	<b>49,027</b>
<b>NONCURRENT LIABILITIES</b>		
Long-term debt, net of current portion	552,633	583,114
<b>TOTAL LIABILITIES</b>	<b>612,019</b>	<b>632,141</b>
<b>NET POSITION (LIABILITIES)</b>		
Net investment in capital assets	(417,432)	(404,096)
Unrestricted	63,291	53,638
<b>TOTAL NET POSITION (LIABILITIES)</b>	<b>\$ (354,141)</b>	<b>\$ (350,458)</b>

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, 2019 and 2018

	Water Fund	
	2019	2018
<b>OPERATING REVENUES</b>		
Charges for services	\$ 321,661	\$ 272,592
<b>OPERATING EXPENSES</b>		
Salaries	56,602	68,449
Payroll taxes	5,156	5,983
Employee benefits	11,193	15,376
Contractual services	81,196	67,909
Insurance	16,383	15,706
Telephone	1,583	1,578
Electricity	20,780	13,604
Professional fees	13,111	28,058
Distribution system maintenance	6,349	6,165
Office supplies	-	1,413
Materials and supplies	5,249	13,619
Fuel for heating	2,080	1,652
Miscellaneous	1,779	957
Depreciation and amortization	35,664	71,910
<b>Total operating expenses</b>	<b>257,125</b>	<b>312,379</b>
<b>OPERATING INCOME (LOSS)</b>	<b>64,536</b>	<b>(39,787)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest expense	(26,584)	(28,051)
Miscellaneous revenues	8,438	1,040
<b>Total nonoperating revenues (expenses)</b>	<b>(18,146)</b>	<b>(27,011)</b>
<b>INCOME (LOSS) BEFORE OTHER FINANCING SOURCES</b>	<b>46,390</b>	<b>(66,798)</b>
<b>OTHER FINANCING SOURCES</b>		
Transfers from governmental activities	(50,073)	26,257
<b>CHANGES IN NET POSITION</b>	<b>(3,683)</b>	<b>(40,541)</b>
<b>NET POSITION (LIABILITIES)</b>		
Beginning of year	(350,458)	(309,917)
End of year	<b>\$ (354,141)</b>	<b>\$ (350,458)</b>

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, 2019 and 2018

	Water Fund	
	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	318,840	270,586
Cash payments to suppliers for goods and services	(148,510)	(150,661)
Cash payments to employees for services	(72,951)	(89,808)
<b>Net cash provided (used) by operating activities</b>	<b>97,379</b>	<b>30,117</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition of capital assets	-	-
Principal paid on general obligation bonds and note	(22,328)	(28,190)
Interest paid on general obligation bonds and note	(24,978)	(28,184)
Cash received from governmental activities	(50,073)	26,257
<b>Net cash provided (used) by capital and related financing activities</b>	<b>(97,379)</b>	<b>(30,117)</b>
<b>NET INCREASE IN CASH AND EQUIVALENTS</b>	<b>-</b>	<b>-</b>
<b>CASH AND EQUIVALENTS</b>		
Beginning of year	-	-
End of year	<u>\$ -</u>	<u>\$ -</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Operating income (loss)	<u>\$ 64,536</u>	<u>\$ (39,787)</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	34,266	70,512
Amortization	1,398	1,398
Other nonoperating revenues	8,438	1,040
Changes in assets and liabilities:		
Receivables	(11,859)	(3,604)
Refundable advances and other deposits	600	558
Total adjustments	<u>32,843</u>	<u>69,904</u>
Net cash provided (used) by operating activities	<u>\$ 97,379</u>	<u>\$ 30,117</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.

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, 2019 and 2018, 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, 2019 and 2018, the property taxes receivable is reflected net of an estimated uncollectible allowance of \$75,700 and \$157,721, 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, 2019 and 2018, the accounts receivable are reflected net of an estimated uncollectible allowance of \$44,409 and \$36,113, 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, 2019 and 2018, the other receivable is reflected net of an estimated uncollectible allowance of \$67,480 and \$1,196, 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 2019 and 2018, the City expended \$15,205 and \$0 of said funds with the remainder of the funds in the amount of \$0 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:

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

**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, 2019 and 2018, the accumulated amortization is \$17,593 and \$16,195 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 Policy

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 \$1.19 per \$100 of assessed valuation for fiscal year 2019 and \$1.09 per \$100 of assessed valuation for fiscal year 2018 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, 2019 and 2018. The categories are described below:

Category	2019		2018	
	Book	Bank	Book	Bank
1	\$ 365,120	\$ 394,440	\$ 279,626	\$ 330,182
2	-	-	34,489	34,489
3	400	-	771	-
Total deposits	<u>\$ 365,520</u>	<u>\$ 394,440</u>	<u>\$ 314,886</u>	<u>\$ 364,671</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, 2019 and 2018, the City's deposits held primarily by one financial institution are insured with the Federal Deposit Insurance Corporation [FDIC]. Deposits totaling \$394,440 and \$364,671 held by the financial institutions are in excess of FDIC limits in the amount of \$0 and \$34,489, 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			
	2019		2018	
	Governmental	Business	Governmental	Business
Delaware Department of Natural Resources	\$ 105,733	\$ -	\$ 113,337	\$ -
Delaware Emergency Management Agency	-	-	73,077	-
Delaware Economic Development Office	-	-	39,101	-
Delaware Historical and Cultural Affairs	-	-	4,342	-
Total intergovernmental receivables	<u>\$ 105,733</u>	<u>\$ -</u>	<u>\$ 229,857</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, 2019			
	Beginning Balances	Additions	Deletions	Ending Balances
<b>Governmental activities:</b>				
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	421,737	-	-	421,737
Capital assets, being depreciated:				
Buildings and improvements	4,831,085	13,291	-	4,844,376
Furniture and office equipment	161,287	28,199	-	189,486
Vehicles and equipment	269,393	8,311	-	277,704
Streets and sidewalks	2,216,548	338,595	-	2,555,143
Trees, trails and landscape	2,008,350	-	-	2,008,350
Total being depreciated	9,486,663	388,396	-	9,875,059
Less accumulated depreciation:				
Buildings and improvements	1,810,173	149,499	-	1,959,672
Furniture and office equipment	68,134	22,886	-	91,020
Vehicles and equipment	211,237	16,113	-	227,350
Streets and sidewalks	1,081,621	124,718	-	1,206,339
Trees, trails and landscape	778,672	91,623	-	870,295
Total accumulated depreciation	3,949,837	404,839	-	4,354,676
Total capital assets, being depreciated, net	5,536,826	(16,443)	-	5,520,383
Governmental activities capital assets, net	\$ 5,958,563	\$ (16,443)	\$ -	\$ 5,942,120
<b>Business-type activities:</b>				
Capital assets, not depreciated:				
Land	\$ 18,331	\$ -	\$ -	\$ 18,331
Construction in progress	-	-	-	-
Total capital assets, not being depreciated	18,331	-	-	18,331
Capital assets, being depreciated:				
Buildings and improvements	415,592	-	-	415,592
Water distribution system	2,711,684	-	-	2,711,684
Machinery and equipment	-	-	-	-
Total being depreciated	3,127,276	-	-	3,127,276
Less accumulated depreciation:				
Buildings and improvements	394,499	10,502	-	405,001
Water distribution system	2,554,555	23,764	-	2,578,319
Machinery and equipment	-	-	-	-
Total accumulated depreciation	2,949,054	34,266	-	2,983,320
Total capital assets, being depreciated, net	178,222	(34,266)	-	143,956
Business-type activities capital assets, net	\$ 196,553	\$ (34,266)	\$ -	\$ 162,287

**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, 2018			Ending Balances
	Beginning Balances	Additions	Deletions	
<b>Governmental activities:</b>				
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	421,737	-	-	421,737
Capital assets, being 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	9,418,936	67,727	-	9,486,663
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	3,554,672	395,165	-	3,949,837
Total capital assets, being depreciated, net	5,864,264	(327,438)	-	5,536,826
Governmental activities capital assets, net	<u>\$ 6,286,001</u>	<u>\$ (327,438)</u>	<u>\$ -</u>	<u>\$ 5,958,563</u>
<b>Business-type activities:</b>				
Capital assets, not depreciated:				
Land	\$ 18,331	\$ -	\$ -	\$ 18,331
Construction in progress				
Total capital assets, not being depreciated	18,331	-	-	18,331
Capital assets, being depreciated:				
Buildings and improvements	415,592	-	-	415,592
Water distribution system	2,711,684	-	-	2,711,684
Machinery and equipment	-	-	-	-
Total being depreciated	3,127,276	-	-	3,127,276
Less accumulated depreciation:				
Buildings and improvements	383,998	10,501	-	394,499
Water distribution system	2,494,544	60,011	-	2,554,555
Machinery and equipment	-	-	-	-
Total accumulated depreciation	2,878,542	70,512	-	2,949,054
Total capital assets, being depreciated, net	248,734	(70,512)	-	178,222
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 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, 2019 and 2018, 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, 2019				
	Beginning Balances	Additions	Payments	Ending Balances	
				Long-term Portion	Due Within One Year
<b>Governmental Activities:</b>					
General obligation bonds:					
2008 Series	\$ 176,927	\$ -	\$ 7,873	\$ 160,869	\$ 8,185
2018 Series	-	713,217	-	713,217	-
Promissory note-WSFS Bank	89,476	-	29,517	29,166	30,793
Ford Motor Credit Note	17,075	-	8,390	-	8,685
Ford Motor Credit Note	28,701	-	8,976	10,171	9,554
Verizon Corporation Note	143,758	-	28,752	86,254	28,752
Total bond and notes	455,937	713,217	83,508	999,677	85,969
Compensated absences	19,719	-	76	19,643	-
Total long-term debt	\$ 475,656	\$ 713,217	\$ 83,584	\$1,019,320	\$ 85,969

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

Description	As of and Year Ended June 30, 2019				
	Beginning Balances	Additions	Payments	Ending Balances	
				Long-term Portion	Due Within One Year
<b>Business-Type Activities:</b>					
General obligation bonds:					
1995 Series	\$ 463,989	\$ -	\$ 15,441	\$ 432,320	\$ 16,228
2006 Series	148,434	-	6,887	120,313	21,234
Total long-term debt	\$ 612,423	\$ -	\$ 22,328	\$ 552,633	\$ 37,462

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, 2019, the repayment schedule is as follows:

<u>Years Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 8,185	\$ 6,839	\$ 15,024
2021	8,548	6,476	15,024
2022	8,908	6,116	15,024
2023	9,282	5,742	15,024
2024	9,658	5,366	15,024
2025-2029	54,799	20,321	75,120
2030-2034	67,335	7,785	75,120
2035	2,339	165	2,504
Total required payments	<u>\$ 169,054</u>	<u>\$ 58,810</u>	<u>\$ 227,864</u>

General Obligation Bonds, Series 2018

The general obligation bonds, Series 2018 [issued in the amount of \$713,217] carry a maturity date of July 1, 2038. The proceeds of the general obligation bonds were used to finance the City's "Washington Street Flood Mitigation" project. The bonds carry a fixed interest rate of 2.000% and are payable in semiannual installments of interest only until July 1, 2020, when they become payable in semiannual installments of \$23,157 [principal and interest]. At June 30, 2019, the repayment schedule is as follows:

<u>Years Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ -	\$ -	\$ -
2021	32,209	14,104	46,313
2022	32,857	13,457	46,314
2023	33,517	12,796	46,313
2024	34,191	12,123	46,314
2025-2029	181,544	50,024	231,568
2030-2034	200,538	31,030	231,568
2035-2039	198,361	10,050	208,411
Total required payments	<u>\$ 713,217</u>	<u>\$ 143,584</u>	<u>\$ 856,801</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, 2019, the repayment schedule is as follows:

<u>Years Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 30,793	\$ 2,187	\$ 32,980
2021	29,166	1,066	30,232
Total required payments	<u>\$ 59,959</u>	<u>\$ 3,253</u>	<u>\$ 63,212</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 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, 2019, the repayment schedule is as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 8,685	\$ 561	\$ 9,246
Total required payments	<u>\$ 8,685</u>	<u>\$ 561</u>	<u>\$ 9,246</u>

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, 2019, the repayment schedule is as follows:

<u>Years Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 9,554	\$ 1,273	\$ 10,827
2021	10,171	656	10,827
Total required payments	<u>\$ 19,725</u>	<u>\$ 1,929</u>	<u>\$ 21,654</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 City negotiated a non-interest bearing note payable over five years. The note requires annual installments of \$28,752 and has a maturity date of July 1, 2023. At June 30, 2019, the repayment schedule is as follows:

<u>Years Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 28,752	\$ -	\$ 28,752
2021	28,752	-	28,752
2022	28,752	-	28,752
2023	28,750	-	28,750
Total required payments	<u>\$ 115,006</u>	<u>\$ -</u>	<u>\$ 115,006</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 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, 2019, the repayment schedule is as follows:

Years Ending June 30	Principal	Interest	Total
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	19,796	18,576	38,372
2025-2029	115,178	76,682	191,860
2030-2034	147,663	44,197	191,860
2035-2037	95,867	7,593	103,460
Total required payments	<u>\$ 448,548</u>	<u>\$ 230,492</u>	<u>\$ 679,040</u>

General Obligation Bond, Series 2006

On October 11, 2006, the City issued a General Obligation Bond to the Delaware Safe Drinking Water Revolving Fund, Delaware Department of Health & Social Services, Division of Public Health in the amount of \$273,237, with a maturity date of August 1, 2027. The bond carries 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, 2019, the repayment schedule is as follows:

Years Ending June 30	Principal	Interest	Total
2020	\$ 21,234	\$ 5,570	\$ 26,804
2021	14,649	3,220	17,869
2022	15,056	2,813	17,869
2023	15,475	2,394	17,869
2024	15,905	1,964	17,869
2025-2028	59,228	3,315	62,543
Total required payments	<u>\$ 141,547</u>	<u>\$ 19,276</u>	<u>\$ 160,823</u>

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

**NOTE 9 LONG-TERM DEBT OBLIGATIONS** (continued)

General Obligation Bonds and Notes (continued)

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

Years Ending June 30	General Obligation Bonds		General Obligation Notes		Totals
	Principal	Interest	Principal	Interest	
<b><u>Governmental Activities:</u></b>					
2020	\$ 8,185	\$ 6,839	77,784	4,021	96,829
2021	40,757	20,580	68,089	1,722	131,148
2022	41,765	19,573	28,752	-	90,090
2023	42,799	18,538	28,750	-	90,087
2024	43,849	17,489	-	-	61,338
2025-2029	236,343	70,345	-	-	306,688
2030-2034	267,873	38,815	-	-	306,688
2035-2039	200,700	10,215	-	-	210,915
Totals	<u>\$ 882,271</u>	<u>\$ 202,394</u>	<u>\$ 203,375</u>	<u>\$ 5,743</u>	<u>\$1,293,783</u>
<b><u>Business-Type Activities:</u></b>					
2020	37,462	27,714	-	-	65,176
2021	31,704	24,537	-	-	56,241
2022	32,980	23,261	-	-	56,241
2023	34,312	21,929	-	-	56,241
2024	35,701	20,540	-	-	56,241
2025-2029	174,406	79,997	-	-	254,403
2030-2034	147,663	44,197	-	-	191,860
2035-2039	95,867	7,593	-	-	103,460
Totals	<u>\$ 590,095</u>	<u>\$ 249,768</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 839,863</u>

**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 \$5,052 and \$7,717 for eligible employees participating in the retirement plan for fiscal years ended June 30, 2019 and 2018, respectively.

**NOTE 11 - LEASING ARRANGEMENTS**

At June 30, 2019, 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
Canon Image Runner Advance C5540 iii Copier System	\$ 398	October, 2021
Konica-Minolta C224e Digital Copier System	154	June, 2022

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

**NOTE 11 LEASING ARRANGEMENTS** (continued)

Operating Leases as Lessee (continued)

At June 30, 2019, 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
2020	\$ 6,624
2021	6,624
2022	3,042
	\$ 16,290

Total minimum future rental payments required \$ 16,290

Total rental costs are \$6,525 and \$6,228 for the years ended June 30, 2019 and 2018, 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 \$134,515 and \$153,713 for the years ended June 30, 2019 and 2018, 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, 2019, 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 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. The implementation of the Statement had no impact on the financial statements since the City does not have such asset retirement obligations.

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. The implementation of the Statement had minimal impact on the financial statements.

**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 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.

In June of 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. Implementation is required for periods beginning after December 15, 2019; however the Statement should be applied retrospectively. The Statement requires that interest cost incurred before the end of the construction period be recognized as an expense in the period in which the cost is incurred for the financial statements prepared using the economic resources measurement focus. As a result, the interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in the business-type activity or enterprise fund. The statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. Such interest includes all interest that was previously accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement.

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.

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

**NOTE 14 - PENDING GASB STATEMENTS** (continued)

In May of 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. Implementation is required for periods beginning after December 15, 2020, with earlier application encouraged. The primary objectives of the Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with [1] commitments extended by issuers, [2] arrangements associated with conduit debt obligations, and [3] related note disclosures. The Statement achieves the objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

**NOTE 15 - 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.

**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, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget	
	Original	Final		Positive (Negative)	
<b>REVENUES</b>					
Taxes:					
Property taxes	\$ 960,000	\$ 960,000	\$ 995,735	\$ 35,735	
Property taxes-transfer tax	70,000	70,000	94,014	24,014	1
Cable franchise taxes	20,000	20,000	16,722	(3,278)	6
Licenses and permits	98,675	98,675	78,925	(19,750)	2
Intergovernmental revenues	-	-	919,018	919,018	3
Police fines and court fees	12,000	12,000	9,353	(2,647)	6
Charges for services	60,525	60,525	25,959	(34,566)	4
Interest and rents	159,500	159,500	140,711	(18,789)	5
Contributions	2,050	2,050	6,466	4,416	6
Miscellaneous revenues	-	-	15,205	15,205	6
<b>Total revenues</b>	<b>1,382,750</b>	<b>1,382,750</b>	<b>2,302,108</b>	<b>919,358</b>	
<b>EXPENDITURES</b>					
Current:					
General government	704,194	704,194	512,446	191,748	7
Code enforcement	57,573	57,573	22,366	35,207	4
Public safety-police	368,688	368,688	460,751	(92,063)	8
Public works-streets	143,156	143,156	86,100	57,056	9
Public works-sanitation	189,520	189,520	213,813	(24,293)	10
Parks and recreation	60,000	60,000	72,703	(12,703)	11
Community Center	20,500	20,500	61,563	(41,063)	11
Capital reserve	-	-	-	-	
Capital outlay	8,326	8,326	1,650,910	(1,642,584)	3
Debt service	58,143	58,143	102,037	(43,894)	12
<b>Total expenditures</b>	<b>1,610,100</b>	<b>1,610,100</b>	<b>3,182,689</b>	<b>(1,572,589)</b>	
<b>EXCESS (DEFICIT)</b>					
<b>REVENUES OVER EXPENDITURES</b>	<b>(227,350)</b>	<b>(227,350)</b>	<b>(880,581)</b>	<b>(653,231)</b>	
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds from new financing	-	-	713,217	713,217	3
Proceeds from sale of capital assets	5,000	5,000	800	(4,200)	6
Refund of prior year expenditures	-	-	(11,957)	(11,957)	
Operating transfers in (out)	222,350	222,350	143,353	(78,997)	13
<b>Total other financing sources (uses)</b>	<b>227,350</b>	<b>227,350</b>	<b>845,413</b>	<b>618,063</b>	
<b>NET CHANGE IN FUND BALANCE</b>	<b>-</b>	<b>-</b>	<b>(35,168)</b>	<b>(35,168)</b>	
<b>FUND BALANCES</b>					
Beginning of year	-	-	172,647	172,647	
End of year	\$ -	\$ -	\$ 137,479	\$ 137,479	

See Report of Independent Auditor

**CITY OF DELAWARE CITY, DELAWARE**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE-BUDGET AND ACTUAL-  
GENERAL FUND (CONTINUED)  
Year Ended June 30, 2019

**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.

Significant Budget Variances in Excess of 10% of Budget

1. Property transfer taxes exceeded budgeted expectations as a result of a better housing market.
2. The budget category for licenses and permits fees was optimistic at best; however, actual results were consistent with recent history.
3. The City does not generally budget for intergovernmental revenues or capital project expenditures since such expenditures are typically funded by the intergovernmental revenues or proceeds from new financing, as was the case this year.
4. The unfavorable variance for charges and services revenue was primarily due to much lower than budgeted revenue from code enforcement fines; and the positive variance in expenditures was due to the elimination of the code officer position.
5. The interest and rent revenue category fell short of the budgeted amount primarily from rents received from the telecommunication activity.
6. Contributions received from the public and other non-recurring revenues are difficult to budget as they can vary year to year.
7. The favorable variance in general governmental expenditures is a result of payroll expenditures and related benefits being lower than budgeted due to personnel turnover.
8. The unfavorable variance in public safety-police expenditures is a result of a more accurate allocation of administrative and personnel costs and higher than budgeted expenditures for vehicle maintenance and equipment and supplies.
9. The favorable variance in public works-streets expenditures is primarily due to a large amount budgeted for maintenance and repairs which was little used.
10. The unfavorable variance in public works-sanitation expenditures is due to higher than budgeted trash and yard waste collection costs.
11. The unfavorable variances in parks and recreation and the Community Center are due to additional maintenance costs in excess of what was budgeted.
12. The debt service budget category did not reflect all debt service requirements.
13. The City balanced the Water Fund's budget with operating transfers to the General Fund. However, the Water Fund's budget did not include several City-wide administrative and other operating expenses which are allocated to the Water Fund during the year, resulting in a much lower amount of operating transfers. However, Municipal Street Aid funds, used to assist in funding a major streets capital improvement project, were transferred from the Special Revenue Fund.

See Report of Independent Auditor

## **Supplementary Information Section**

**CITY OF DELAWARE CITY, DELAWARE**

COMBINING BALANCE SHEET-SPECIAL REVENUE FUND

As of June 30, 2019 With Comparative Totals for 2018

	Federal Funding	State Funding			Local Funding	Revolving Loan Fund	Totals	
		Municipal Street Aid	SALLE and EIDE	Other			[Memorandum Only] 2019	2018
<b>ASSETS</b>								
<b>ASSETS</b>								
Cash and equivalents	\$ -	\$ 1,000	\$ 7,385	\$ -	\$ -	\$ 71,798	\$ 80,183	\$ 114,611
Due from other governments	-	-	-	-	-	-	-	229,857
Interfund receivables (payables)	-	8,189	(5,729)	-	-	-	2,460	(116,049)
<b>TOTAL ASSETS</b>	<u>\$ -</u>	<u>\$ 9,189</u>	<u>\$ 1,656</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 71,798</u>	<u>\$ 82,643</u>	<u>\$ 228,419</u>
<b>LIABILITIES AND FUND BALANCES</b>								
<b>LIABILITIES</b>								
Refundable advances and other deposits	\$ -	\$ -	\$ 1,656	\$ -	\$ -	\$ -	\$ 1,656	\$ 104,619
<b>Total liabilities</b>	<u>-</u>	<u>-</u>	<u>1,656</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,656</u>	<u>104,619</u>
<b>FUND BALANCES</b>								
Restricted-specific programs	\$ -	\$ 9,189	\$ -	\$ -	\$ -	\$ 62,000	\$ 71,189	\$ 114,110
Unassigned	-	-	-	-	-	9,798	9,798	9,690
<b>Total fund balances</b>	<u>-</u>	<u>9,189</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>71,798</u>	<u>80,987</u>	<u>123,800</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ -</u>	<u>\$ 9,189</u>	<u>\$ 1,656</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 71,798</u>	<u>\$ 82,643</u>	<u>\$ 228,419</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, 2019 With Comparative Totals for 2018

	Federal Funding	State Funding			Local Funding	Revolving Loan Fund	Totals [Memorandum Only]	
		Municipal Street Aid	SALLE and EIDE	Other			2019	2018
<b>REVENUES</b>								
Intergovernmental revenues:								
Federal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 148,172
State	-	50,359	9,281	-	-	-	59,640	303,266
Interest revenue	-	-	-	-	-	108	108	107
<b>Total revenues</b>	<u>-</u>	<u>50,359</u>	<u>9,281</u>	<u>-</u>	<u>-</u>	<u>108</u>	<u>59,748</u>	<u>451,545</u>
<b>EXPENDITURES</b>								
Current:								
Public-general government	-	-	-	-	-	-	-	4,342
Public safety-police	-	-	6,071	-	-	-	6,071	20,192
Public works-streets	-	-	-	-	-	-	-	5,524
Parks and recreation	-	-	-	-	-	-	-	17,563
Community Center	-	-	-	-	-	-	-	18,772
Capital outlay:								
Public safety-police	-	-	3,210	-	-	-	3,210	-
Public works-streets	-	-	-	-	-	-	-	-
Parks and recreation	-	-	-	-	-	-	-	348,411
Debt service:								
Principal	-	-	-	-	-	-	-	-
Interest and other fees	-	-	-	-	-	-	-	-
<b>Total expenditures</b>	<u>-</u>	<u>-</u>	<u>9,281</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,281</u>	<u>414,804</u>
<b>EXCESS (DEFICIT) REVENUES OVER EXPENDITURES</b>	<u>-</u>	<u>50,359</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>108</u>	<u>50,467</u>	<u>36,741</u>
<b>OTHER FINANCING SOURCES (USES)</b>								
Operating transfers in	-	-	-	-	-	-	-	-
Operating transfers out	-	(93,280)	-	-	-	-	(93,280)	-
<b>Total other financing     sources (uses)</b>	<u>-</u>	<u>(93,280)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(93,280)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	-	(42,921)	-	-	-	108	(42,813)	36,741
<b>FUND BALANCES</b>								
Beginning of year	-	52,110	-	-	-	71,690	123,800	87,059
End of year	<u>\$ -</u>	<u>\$ 9,189</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 71,798</u>	<u>\$ 80,987</u>	<u>\$ 123,800</u>

See Report of Independent Auditor