

Report of Independent Auditor

**CITY OF NEW CASTLE**  
New Castle, Delaware

Years Ended June 30, 2012 and 2011



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

CERTIFIED PUBLIC ACCOUNTANTS  
& MANAGEMENT CONSULTANTS

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CITY OF NEW CASTLE, DELAWARE

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

**CERTIFIED PUBLIC ACCOUNTANTS  
& MANAGEMENT CONSULTANTS**

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### **Report of Independent Auditor**

To the Mayor and City Council  
**City of New Castle**  
New Castle, Delaware

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of New Castle, Delaware, as of and for the years ended June 30, 2012 and 2011, which collectively comprise the basic financial statements of the City's primary government as listed in the table of contents. These financial statements are the responsibility of the City of New Castle, Delaware's management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* [applies only to fiscal year 2012], issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

The financial statements referred to in the first paragraph include only the primary government of the City of New Castle, Delaware, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the City's legal entity. The financial statements do not include the financial data for the City's legally separate component unit, which the modified cash basis of accounting requires to be reported with the financial data of the City's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of the City of New Castle, Delaware, as of June 30, 2012 and 2011, the changes in its financial position, or where applicable, its cash flows for the years then ended in conformity with the modified cash basis of accounting which is a basis of accounting other than accounting principles generally accepted in the United States of America.

As discussed in Note 1, the City of New Castle, Delaware, prepares its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position-modified cash basis of the governmental activities, each major fund, and the aggregate remaining fund information for the primary government of the City of New Castle, Delaware, as of June 30, 2012 and 2011, and the respective changes in financial position-modified cash basis, thereof for the years then ended in conformity with the modified cash basis of accounting discussed in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2013 on our consideration of the City of New Castle, Delaware's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

*Haggerty & Haggerty, P.A.*  
Certified Public Accountants

November 20, 2013  
Wilmington, Delaware

## **Basic Financial Statements Section**

**CITY OF NEW CASTLE, DELAWARE**  
 STATEMENTS OF NET ASSETS-MODIFIED CASH BASIS  
 As of June 30, 2012 and 2011

	<u>Governmental Activity</u>	
	<u>As of June 30</u>	
	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and equivalents	\$ 1,609,502	\$ 1,496,904
Prepayments and other assets	<u>...</u>	<u>4,775</u>
<b>TOTAL ASSETS</b>	<u>1,609,502</u>	<u>1,501,679</u>
<b>LIABILITIES</b>		
<b>Current liabilities:</b>		
Accounts payable and other	20,450	...
Employee payroll withholdings	<u>15,092</u>	<u>8,937</u>
<b>TOTAL LIABILITIES</b>	<u>35,542</u>	<u>8,937</u>
<b>NET ASSETS</b>		
Restricted for specific programs	392,314	284,937
Unrestricted	<u>1,181,646</u>	<u>1,207,805</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 1,573,960</u>	<u>\$ 1,492,742</u>

Accompanying notes are an integral part of these financial statements

**CITY OF NEW CASTLE, DELAWARE**  
**STATEMENT OF ACTIVITIES-MODIFIED CASH BASIS**  
**Year Ended June 30, 2012**

Functions	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenues and Changes In Net Assets Total Governmental Activities
<b>GOVERNMENTAL ACTIVITIES</b>					
General government:					
City Administration	\$ 669,412	\$ ...	\$ ...	\$ ...	\$ (669,412)
Mayor's Office	61,466	...	...	...	(61,466)
Board of Adjustments	8,534	...	...	...	(8,534)
Building maintenance	108,831	...	...	...	(108,831)
Insurance costs	282,913	...	...	...	(282,913)
Outside professional services	112,254	...	...	...	(112,254)
Public safety-police	2,064,220	107,520	141,198	...	(1,815,502)
Public safety-fire	500	...	...	...	(500)
Public services	1,099,055	328,530	124,862	...	(645,663)
Parks and recreation	242,704	3,119	176,182	...	(63,403)
Committees and commissions	28,123	...	...	...	(28,123)
Capital expenditures	2,345,005	...	...	2,350,895	5,890
Interest and principal on long-term debt	35,907	...	29,692	...	(6,215)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>\$ 7,058,924</b>	<b>\$ 439,169</b>	<b>\$ 471,934</b>	<b>\$ 2,350,895</b>	<b>(3,796,926)</b>
<b>GENERAL REVENUES</b>					
					3,053,323
					94,570
					150,821
					...
					29,430
					550,000
					<b>3,878,144</b>
<b>CHANGE IN NET ASSETS</b>					
					81,218
<b>NET ASSETS</b>					
					<u>1,492,742</u>
					<b>\$ 1,573,960</b>

Accompanying notes are an integral part of these financial statements

**CITY OF NEW CASTLE, DELAWARE**  
**STATEMENT OF ACTIVITIES-MODIFIED CASH BASIS**  
Year Ended June 30, 2011

Functions	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenues and Changes In Net Assets Total Governmental Activities
<b>GOVERNMENTAL ACTIVITIES</b>					
General government:					
City Administration	\$ 807,038	\$ ...	\$ ...	\$ ...	\$ (807,038)
Mayor's Office	58,843	...	...	...	(58,843)
Board of Adjustments	9,995	...	...	...	(9,995)
Building maintenance	153,003	...	...	...	(153,003)
Insurance costs	230,829	...	...	...	(230,829)
Outside professional services	100,533	...	...	...	(100,533)
Public safety-police	1,966,066	104,179	116,722	13,500	(1,731,665)
Public safety-fire	66,750	...	63,750	...	(3,000)
Public services	1,481,266	284,191	139,988	549,504	(507,583)
Parks and recreation	222,874	4,777	33,200	...	(184,897)
Committees and commissions	30,529	...	...	...	(30,529)
Interest on long-term debt	3,886	...	...	...	(3,886)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>\$ 5,131,612</b>	<b>\$ 393,147</b>	<b>\$ 353,660</b>	<b>\$ 563,004</b>	<b>(3,821,801)</b>
<b>GENERAL REVENUES</b>					
					3,132,005
					85,985
					150,619
					12,889
					74,453
					450,000
					<b>3,905,951</b>
<b>CHANGE IN NET ASSETS</b>					
					84,150
<b>NET ASSETS</b>					
					<u>1,408,592</u>
					<b>\$ 1,492,742</b>

Accompanying notes are an integral part of these financial statements

**CITY OF NEW CASTLE, DELAWARE**  
BALANCE SHEETS-MODIFIED CASH BASIS FOR GOVERNMENTAL FUNDS  
As of June 30, 2012 and 2011

	As of June 30, 2012				As of June 30, 2011			
	Governmental Fund Types				Governmental Fund Types			
	General	Special Revenue	Capital Projects	Total	General	Special Revenue	Capital Projects	Total
<b>ASSETS</b>								
<b>ASSETS</b>								
Cash and equivalents	\$1,077,452	\$ 404,243	\$ 127,807	\$1,609,502	\$1,076,814	\$ 291,647	\$ 128,443	\$1,496,904
Prepayments and other assets	...	...	...	...	4,775	...	...	4,775
Interfund receivable (payable)	63,797	(63,797)	...	...	58,437	(58,437)	...	...
<b>TOTAL ASSETS</b>	<u>\$1,141,249</u>	<u>\$ 340,446</u>	<u>\$ 127,807</u>	<u>\$1,609,502</u>	<u>\$1,140,026</u>	<u>\$ 233,210</u>	<u>\$ 128,443</u>	<u>\$1,501,679</u>
<b>LIABILITIES AND FUND BALANCES</b>								
<b>LIABILITIES</b>								
Accounts payable and other	\$ 20,450	\$ ...	\$ ...	\$ 20,450	\$ ...	\$ ...	\$ ...	\$ ...
Employee payroll withholdings	15,092	...	...	15,092	8,937	...	...	8,937
<b>Total liabilities</b>	<u>35,542</u>	<u>...</u>	<u>...</u>	<u>35,542</u>	<u>8,937</u>	<u>...</u>	<u>...</u>	<u>8,937</u>
<b>FUND BALANCES</b>								
Nonspendable:								
Prepayments and other assets	...	...	...	...	4,775	...	...	4,775
Restricted-Specific programs	...	392,314	...	392,314	...	284,937	...	284,937
Committed	190,124	...	127,807	317,931	185,258	...	128,443	313,701
Assigned-Encumbrances	...	...	...	...	17,279	...	...	17,279
Unassigned	915,583	(51,868)	...	863,715	923,777	(51,727)	...	872,050
<b>Total fund balances</b>	<u>1,105,707</u>	<u>340,446</u>	<u>127,807</u>	<u>1,573,960</u>	<u>1,131,089</u>	<u>233,210</u>	<u>128,443</u>	<u>1,492,742</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$1,141,249</u>	<u>\$ 340,446</u>	<u>\$ 127,807</u>	<u>\$1,609,502</u>	<u>\$1,140,026</u>	<u>\$ 233,210</u>	<u>\$ 128,443</u>	<u>\$1,501,679</u>

Accompanying notes are an integral part of these financial statements

**CITY OF NEW CASTLE, DELAWARE**

STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-MODIFIED CASH BASIS FOR GOVERNMENTAL FUNDS  
 Years ended June 30, 2012 and 2011

	Year Ended June 30, 2012				Year Ended June 30, 2011			
	Governmental Fund Types				Governmental Fund Types			
	General	Special Revenue	Capital Projects	Total	General	Special Revenue	Capital Projects	Total
<b>REVENUES</b>								
Taxes:								
Property taxes	\$2,940,892	\$ ...	\$ ...	\$2,940,892	\$2,955,072	\$ ...	\$ ...	\$2,955,072
Property transfer taxes	112,431	...	...	112,431	176,933	...	...	176,933
Cable franchise taxes	94,570	...	...	94,570	85,985	...	...	85,985
Licenses and permits	323,339	...	...	323,339	277,904	...	...	277,904
Intergovernmental revenues:								
Federal funding	12,036	1,835,388	...	1,847,424	12,428	348,815	...	361,243
State funding	...	668,489	...	668,489	...	287,486	...	287,486
Contribution revenue	...	100,000	...	100,000	...	...	...	...
Trustees of New Castle Common	...	206,916	...	206,916	...	267,935	...	267,935
Police fines and court fees	52,661	...	...	52,661	59,415	...	...	59,415
Charges for services	63,169	...	...	63,169	55,828	...	...	55,828
Interest and rents	148,675	1,282	864	150,821	149,424	995	200	150,619
Miscellaneous revenues	25,041	4,389	...	29,430	71,665	2,788	...	74,453
<b>Total revenues</b>	<b>3,772,814</b>	<b>2,816,464</b>	<b>864</b>	<b>6,590,142</b>	<b>3,844,654</b>	<b>908,019</b>	<b>200</b>	<b>4,752,873</b>
<b>EXPENDITURES</b>								
Current:								
General government:								
City Administration	669,412	...	...	669,412	745,688	...	...	745,688
Mayor's Office	61,466	...	...	61,466	58,843	...	...	58,843
Board of Adjustments	8,534	...	...	8,534	9,995	...	...	9,995
Building maintenance	108,831	...	...	108,831	116,801	...	...	116,801
Insurance costs	282,913	...	...	282,913	230,829	...	...	230,829
Outside professional services	112,254	...	...	112,254	100,533	...	...	100,533
Public safety-police	1,945,311	118,909	...	2,064,220	1,812,439	111,498	...	1,923,937
Public safety-fire	500	...	...	500	3,000	63,750	...	66,750
Public services	1,079,295	19,760	...	1,099,055	988,736	...	...	988,736
Parks and recreation	63,460	179,244	...	242,704	38,759	184,115	...	222,874
Committees and commissions	28,123	...	...	28,123	30,529	...	...	30,529
Capital outlay	1,900	2,343,105	...	2,345,005	36,202	566,317	...	602,519
Debt service-interest	6,215	29,692	...	35,907	3,886	29,692	...	33,578
<b>Total expenditures</b>	<b>4,368,214</b>	<b>2,690,710</b>	<b>...</b>	<b>7,058,924</b>	<b>4,176,240</b>	<b>955,372</b>	<b>...</b>	<b>5,131,612</b>
<b>EXCESS (DEFICIT) OF</b>								
<b>REVENUES OVER EXPENDITURES</b>	<b>(595,400)</b>	<b>125,754</b>	<b>864</b>	<b>(468,782)</b>	<b>(331,586)</b>	<b>(47,353)</b>	<b>200</b>	<b>(378,739)</b>
<b>OTHER FINANCING SOURCES (USES)</b>								
Proceeds from sale of capital assets	...	...	...	...	12,889	...	...	12,889
Annual appropriation:								
Municipal Services Commission	550,000	...	...	550,000	450,000	...	...	450,000
Operating transfers (out) in	20,018	(18,518)	(1,500)	...	(124,028)	(972)	125,000	...
<b>Total other financing sources (uses)</b>	<b>570,018</b>	<b>(18,518)</b>	<b>(1,500)</b>	<b>550,000</b>	<b>338,861</b>	<b>(972)</b>	<b>125,000</b>	<b>462,889</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(25,382)</b>	<b>107,236</b>	<b>(636)</b>	<b>81,218</b>	<b>7,275</b>	<b>(48,325)</b>	<b>125,200</b>	<b>84,150</b>
<b>FUND BALANCES</b>								
Beginning of year, previously reported	1,131,089	233,210	128,443	1,492,742	1,138,208	267,141	3,243	1,408,592
Recharacterization of certain funds	...	...	...	...	(14,394)	14,394	...	...
Beginning of year, as restated	<u>1,131,089</u>	<u>233,210</u>	<u>128,443</u>	<u>1,492,742</u>	<u>1,123,814</u>	<u>281,535</u>	<u>3,243</u>	<u>1,408,592</u>
End of year	<u>\$1,105,707</u>	<u>\$ 340,446</u>	<u>\$ 127,807</u>	<u>\$1,573,960</u>	<u>\$1,131,089</u>	<u>\$ 233,210</u>	<u>\$ 128,443</u>	<u>\$1,492,742</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 New Castle, Delaware, [the "City"] have been prepared in conformity with the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America, as applied to local governmental units. Accordingly, revenues are recognized when received rather than when earned, and expenditures are recognized when paid rather than when incurred. Governmental Accounting Standards Board [the "GASB"] is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies of the City are described below.

Reporting Entity

The City of New Castle, Delaware is a municipal corporation governed by a six member governing body consisting of the Mayor and President of Council who are elected at large and four district council representatives. 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 in the City's 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 the relationship are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. There is only one component unit meeting the above criteria: **Municipal Services Commission.**

Component Unit

The component unit is not included in the City's financial statements; however, the component unit issues separate audited financial statements, copies of which are available for review at the City's administrative offices. Municipal Services Commission was organized on March 11, 1921 for the purpose of accounting for the City's water and electric services.

Use of Estimates

Preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect assets and liabilities and disclosure of contingent assets and liabilities as of the financial statement date and the reported amounts of revenues and expenditures during the reporting period. Accordingly, the actual results could differ from those estimates.

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 financial statements.

The government-wide financial statements consist of two statements: the statement of net assets-modified cash basis and statement of activities-modified cash basis. As a general rule, effects of interfund balances from government-wide financial statements have been removed.

**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 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 charges for services [business-type activities]. The City's primary government does not present business-type activities. The governmental activities of the City include the general government, public safety [police and fire], public services [streets and sanitation], parks and recreation, and other general administrative support services.

The statement of activities presented on the modified cash basis of accounting 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 included among program revenues are reported instead as general revenues.

Separate financial statements are provided for the governmental funds and the proprietary funds when present. The City presents only governmental funds, of which the major individual funds are reported as separate columns, in the fund financial statements.

Measurement Focus, Basis of Accounting, & Financial Statement Presentation

The **government-wide financial statements** are reported using the *economic resources measurement focus* and the *modified cash basis of accounting*. Revenues are recorded when received and expenses are recorded when paid.

The **governmental fund financial statements** are reported using the *current financial resources measurement focus* and the *modified cash basis of accounting*. Revenues are recognized when received and expenditures are recorded when paid. Grants and similar items are recognized as revenue as soon they are received.

Charges for services, property taxes, grants and similar items, and interest and rents associated with the period are recognized as revenues when received.

The City reports the following major governmental funds:

- The **general fund** is the City's primary operating fund. It accounts for all financial resources of the City, except those required to be accounted in the special revenue fund.
- 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 **capital projects fund** accounts for resources reserved for the construction of capital projects, the purchase of equipment and improvements or emergency goods and services.

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

Budgetary Accounting

The Council shall, on or before the first Monday in each July, meet and ascertain, as near as may be, the amount necessary to cover the net expenses of the government of the said City for the current fiscal year, including, but not limited to, the maintenance of streets, police assessment, collection of taxes and cost of trash collection; and shall make up a budget containing the items and estimated amounts necessary to cover each and every branch and item of said City government. And immediately after the assessment and valuation shall have been finally settled and adjusted under the provisions of this Act, the said Council shall proceed to levy a tax on the real property, thus valued and assessed, in just and equal portions and rates, sufficient to cover the aggregate of said budget.

The budget for the special revenue fund is approved on a program by program basis by funding agencies and not by the City government.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the governmental funds. Encumbrances as of the year end are reported as reservations of fund balance since they do not constitute expenditures but serve as authorization for expenditures in the subsequent year. At June 30, 2012 and 2011, the City has encumbrances outstanding of \$0 and \$17,279, respectively.

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.

Prepayments and Other Assets

Certain payments to vendors reflect costs applicable to future periods and are recorded as prepayments and other assets in both government-wide and fund financial statements.

Interfund Balances

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

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in the applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Committed Assets

Committed assets consist of Council-committed reserves to fund future accrued compensated absences liability, capital projects, or emergency goods and services.

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

Net Assets and Fund Equity

In government-wide financial statements, generally net assets are reported in three separate categories: net assets invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. Net assets invested in capital assets, net of related debt represents capital assets less accumulated depreciation less outstanding principal of the related debt, and does not include unspent proceeds of capital debt. Restricted net assets represent net assets restricted by parties outside of the City [creditors, grantors, contributors, laws, and regulations of other governments] and may include certain unspent grant awards. All other net assets are considered unrestricted.

In the fund financial statements, the fund balances are required to be reported according to the following classifications:

- **Nonspendable fund balance**-Includes amounts that cannot be spent because they are either not in spendable form, or, for legal or contractual reasons, must be kept intact. The classification generally includes inventories, prepayments and other assets, and assets held for sale.
- **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 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 that authority has been given. With the exception of the general fund, this is the residual fund balance classification for all governmental funds with positive balances.
- **Unassigned fund balance**-This is the residual classification of the general fund. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification, as the result of overspending for specific purposes for which amounts had been restricted, committed or assigned.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

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 are necessary.

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

**NOTE 2 - PROPERTY TAXES**

Property taxes assessed within the City limits for fiscal year 2012 are \$1.20 per \$100 of assessed valuation and for fiscal year 2011 are \$1.20 per \$100 of assessed valuation as levied by City Council resolution. The City bills and collects its own property taxes. Delinquent property taxes are lienied by the City. The schedule of property taxes levied follows:

July 1	- Levy Date
July 1-August 31	- 2% Discount Period
September 1-September 30	- Face Payment Period
October 1-	- 6% Penalty plus 1½% delinquency fee for each month

**NOTE 3 - CASH AND EQUIVALENTS**

The City's policy is to invest deposits under its control principally in money market accounts with FDIC insured financial institutions. The City's cash and equivalents are categorized to give an indication of the level of assumed risk. The categories of risk are described below:

Category 1- Insured or collateralized with securities held by the City or by its agent in the City's name.

Category 2- Collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.

Category 3- Uncollateralized and uninsured deposits.

Deposits categorized by level of risk as of June 30 are as follows:

Category	As of June 30, 2012		As of June 30, 2011	
	Books	Banks	Books	Banks
1	\$ 738,829	\$ 858,652	\$ 845,339	\$1,000,000
2	...	...	...	...
3	870,673	870,673	651,265	651,265
Total deposits of the primary government	<u>\$1,609,502</u>	<u>\$1,729,325</u>	<u>\$1,496,604</u>	<u>\$1,651,265</u>

At June 30, 2012 and 2011, the City's cash and equivalents [deposits] are held by certain financial institutions, which are insured with the Federal Deposit Insurance Corporation [FDIC]. The deposits totaling \$1,729,325 and \$1,651,265 held by these financial institutions are in excess of FDIC limits in the amount of \$870,673 and \$651,265. The deposits reflected as category 3 are subject to custodial risk. Custodial risk is the risk that in the event of a bank or other failure, the deposits may not be returned to the City.

**NOTE 4 - LONG-TERM DEBT OBLIGATION**

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

Description	As of and for the Year Ended June 30, 2012					
	Beginning Balances	Additions	Deletions	Ending Balances		
				Long-term Portion	Due Within One Year	
Federal stimulus loan	\$ 316,912	\$ 344,338	\$ ...	\$ 430,372	\$ 230,878	
Note payable-2012 truck	112,114	...	28,754	56,495	26,865	
Accrued employee benefits	416,172	48,965	...	465,137	...	
Total debt obligation	<u>\$ 845,198</u>	<u>\$ 393,303</u>	<u>\$ 28,754</u>	<u>\$ 952,004</u>	<u>\$ 257,743</u>	

**NOTE 4 - LONG-TERM DEBT OBLIGATION** (continued)

Federal Stimulus Loan

In February 2010, the Mayor and Council committed the City to complete three stormwater projects for a total cost of \$1,710,627. To fund these projects named the "Green Project Reserve" [GPR], the City borrowed \$1,322,500 under the American Recovery and Reinvestment Act [ARRA]. Half of the stimulus loan amount will be forgiven while the other half will be repaid in quarterly installments of \$49,022.49 [principal and interest] starting June 30, 2012 [first payment was made on August 17, 2012] by the City over a term of five years at a 2.00% rate of interest. The remaining cost of the project amounting to \$388,127 will be funded by other local sources. The City entered into an agreement with New Castle Conservation District [the "District"] to manage and administer the GPR projects. The District is a political subdivision of the State of Delaware and is under the oversight of the Delaware Department of Natural Resources and Environmental Control [DNREC]. The City has drawn down \$1,322,500 and \$316,912 for the years ended June 30, 2012 and 2011, respectively. At June 30, 2012 and 2011, the outstanding loan balance was \$661,250 and \$316,912, respectively. Total interest payments of \$6,215 and \$3,886 were made on the loan for the years ended June 30, 2012 and 2011, respectively. At June 30, 2012, the repayment schedule is as follows:

<u>Years Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 230,878	\$ 14,234	\$ 245,112
2014	188,893	7,197	196,090
2015	192,700	3,390	196,090
2016	<u>48,779</u>	<u>244</u>	<u>49,023</u>
<b>Total required payments</b>	<b>\$ 661,250</b>	<b>\$ 25,065</b>	<b>\$ 686,315</b>

Note Payable-2012 Truck

On March 11, 2011, the City entered into a lease-purchase agreement to purchase a new 2012 International Garbage Truck with TCF Equipment Finance, Inc. The lease-purchase agreement calls for five equal annual installments of \$29,692.42 [principal and interest] with the first payment due at signing, and carries an annual interest rate of 3.34%. When the final payment is made, the City has the option to purchase the truck for \$1. At June 30, 2012, the repayment schedule is as follows:

<u>Years Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 26,865	\$ 2,827	\$ 29,692
2014	27,776	1,916	29,692
2015	<u>28,719</u>	<u>973</u>	<u>29,692</u>
<b>Total required payments</b>	<b>\$ 83,360</b>	<b>\$ 5,716</b>	<b>\$ 89,076</b>

Accrued Employee Benefits

On July 12, 2005, the City passed Resolution No. 2005-15 to establish an escrow account to fund accrued employee benefits. In accordance with the resolution, City employees can sell back sick and vacation time to collect these amounts upon separation of employment from the City. The balance of the accrued employee benefits at June 30, 2012 and 2011 is \$465,137 and \$416,172, respectively. To fund the accrued employee benefits liability, the City established a bank account whose balance at June 30, 2012 and 2011 is \$190,124 and \$185,258, respectively.

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

**NOTE 4 - LONG-TERM DEBT OBLIGATION** (continued)

Future maturities of principal and interest payments are as follows:

<u>Years Ending June 30</u>	<u>Stimulus Loan</u>		<u>Note Payable</u>		<u>Totals</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
<b>Governmental activities:</b>					
2013	\$ 230,878	\$ 14,234	\$ 26,865	\$ 2,827	\$ 274,804
2014	188,893	7,197	27,776	1,916	225,782
2015	192,700	3,390	28,719	973	225,782
2016	<u>48,779</u>	<u>244</u>	<u>...</u>	<u>...</u>	<u>49,023</u>
Totals	<u>\$ 661,250</u>	<u>\$ 25,065</u>	<u>\$ 83,360</u>	<u>\$ 5,716</u>	<u>\$ 775,391</u>

**NOTE 5 - LEASE-PURCHASE AGREEMENT**

On April 7, 2003, the City entered into a ten-year land lease with the Trustees of the New Castle Common [the "Trustees"] for property located at One Municipal Boulevard, New Castle, Delaware. The annual rent revenue is \$100,000, due from the Trustees in monthly installments of \$8,333.

Concurrently, the City agreed to lease [for a ten year period] the police station at the same location for \$200,000 per year, payable in monthly installments of \$16,667 beginning March 1, 2004. At the end of the lease, the Trustees will deed the building to the City. The minimum future lease payments under the lease-purchase agreement having remaining terms in excess of one year are:

<u>Years Ending June 30</u>	<u>Amount</u>
2013	\$ 200,000
2014	<u>133,333</u>
Total minimum future lease payments required	<u>\$ 333,333</u>

**NOTE 6 - RELATED PARTY TRANSACTIONS**

The Municipal Services Commission [MSC], a component unit of the City of New Castle, appropriated \$550,000 and \$450,000 to the Mayor and Council of New Castle for the years ended June 30, 2012 and 2011, respectively. In addition, MSC provided, at no cost to the City, electric service and water service for municipal buildings, valued at \$82,036 and \$92,262 for the years ended June 30, 2012 and 2011, respectively.

**NOTE 7 - PENSION PLANS**

On July 1, 1995, the City's pension plans were joined with the plans administered by the Board of Pension Trustees of the State of Delaware. The following is a summary of each City plan:

**Delaware County and Municipal Police/Firefighter Pension Plan** - Covered employees may retire upon completion of 20 years of service, upon attaining 62 years of age, and 10 years of service or after 10 years of service when age plus service equals 75. The pension amount is equal to 2.50% of the member's final average salary for each year of service, subject to a maximum pension of 62.50% of final average salary. Combined pension benefits and age 62 Social Security benefits may not exceed 75% of final average salary for employees with 25 years of service, prorated for service less than 25 years.

The Plan also contains disability and dependent pension provisions. If a member terminates employment after 10 years of service, he or she is entitled to a benefit, payable at age 62, based on service and salary at the time of termination. If the member has less than 10 years of service at termination, he or she is entitled to a refund of the accumulated contributions with interest. Member contributions to the fund are 7% of monthly compensation.

**Delaware County and Municipal Pension Plan** - Covered employees may retire at age 65 with 5 years credited service, at age 60 with 15 years credited service or any age with 30 years credited service. The pension amount is equal to 1.67% of final average compensation for each year of credited service. The benefit payable beginning at age 62, or at retirement if later, may not exceed 75% of final average compensation minus age 62 Social Security benefits for employees with 30 or more years of credited service, prorated for employees with less than 30 years service. For employees age 55 with 15 years credited service, a benefit is calculated in the same manner as service retirement, reduced by 0.40% for each month the employee is under age 60 at time of retirement.

The Plan also contains disability and survivor pension provisions. Employee contributions are 3.00% of compensation which exceeds \$6,000 per calendar year, plus an additional 2.00% of monthly compensation which exceeds one-twelfth of the annual Social Security wage base.

The City's contribution for each fiscal year is calculated by the State Pension Office on the percentage of covered payroll approved on the basis of the most recent actuarial valuation, and shall equal:

- The normal cost; plus
- Adjustments for actuarial gains and losses or increases in benefits adopted on or subsequent to participation; plus
- Administrative costs as determined in 62 Del. Laws, C. 398.

Pension Contributions

The City's contributions to the above described plans totaled \$212,046 and \$197,120 for the years ended June 30, 2012 and 2011, respectively.

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

**NOTE 8 - LEASING ARRANGEMENTS AS LESSEE**

The City leases the following office equipment under operating leasing arrangements expiring at various dates listed below. Total rental cost for the years ended June 30, 2012 and 2011 is \$8,202 and \$10,463, respectively.

Description	Monthly Rentals	Expiration Date
Cannon Model 15-3230 Copier System	\$ 189.56	March, 2012
Cannon Model IRC 3480 Copier System	277.49	June, 2013
Ricoh Copier System	282.72	July, 2014

At June 30, 2012, the minimum future rental payments under non-cancelable operating leasing arrangements having remaining terms in excess of one year in the aggregate are:

Years Ending June 30	Amount
2013	\$ 8,429
2014	3,393
2015	<u>283</u>
Total minimum future rental payments required	<u>\$ 12,105</u>

**NOTE 9 - LEASING ARRANGEMENTS AS LESSOR**

The City is the lessor of certain real property under non-cancelable operating leasing arrangements expiring at various dates. The following schedule summarizes the property held for lease at June 30, 2012:

Property Under Lease	Purpose of Rental	Cost Basis
Certain real property	Land Lease	\$ ...
Air rights to certain real property	Mobile Antennae	...

At June 30, 2012, minimum future rental revenues under non-cancelable leasing arrangements having remaining terms in excess of one year in the aggregate are:

Years Ending June 30	Amount
2013	\$ <u>100,180</u>
Total minimum future rental revenues	<u>\$ 100,180</u>

Certain leasing arrangements are generally based on a percentage of lessee collections and as such rental revenue is estimated based on currently available information for future years. The rental revenue received for years ended June 30, 2012 and 2011 is \$146,206 and \$144,902, respectively.

**NOTE 10 - COMMITMENTS AND CONTINGENCIES**

In normal course of business, there are outstanding various commitments and contingent liabilities in addition to the normal encumbrances for the purchase of goods and services. The City does not anticipate any losses as a result of these transactions.

Collective Bargaining Agreements

The City is operating under a collective bargaining agreement with the Wilmington Fraternal Order of Police, Lodge No. 1. The employment contract covers all uniformed police officers for the period July 1, 2011 to June 30, 2014. Under the collective bargaining agreement, a 403(b) tax advantaged retirement savings plan is available to all uniformed police officers.

The City is also operating under a three-year agreement with Council 81 AFSCME AFL-CIO for its nonsupervisory employees in Public Works, Building and Administration Departments. This contract extends for the periods July 1, 2009 to June 30, 2012. Under the collective bargaining agreement, a 403(b) tax advantaged retirement savings plan is available to all non-uniformed, nonsupervisory employees.

Government Grant/Award Programs

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

Government Awards Subject to OMB A-133

The City participates in certain federal awards subject to the audit requirements of OMB Circular A-133. The compliance audit of the federal awards has been conducted as of and for the year ended June 30, 2012. The compliance audit revealed no significant questioned costs, which may be potentially disallowed by the federal agencies providing such funding. The actual disallowed amount cannot be determined at this time; however, the City expects such amounts to be immaterial to the primary government's basic financial statements.

Litigation

In the ordinary course of business, the City may become involved in litigations; any losses from these litigations are generally covered by insurance. As of June 30, 2012, the City was not involved in any disputes which the City solicitor anticipates will result in any significant financial liability.

## Supplementary Information Section

**CITY OF NEW CASTLE, DELAWARE**

COMBINING BALANCE SHEET-MODIFIED CASH BASIS FOR SPECIAL REVENUE FUNDS

As of June 30, 2012 with Comparative Totals for 2011

	Special Revenue Funds							Total Special Revenue	
	Federal Funding	State Funding	Separation Day Fund	Tree Commission Fund	Park Donor Program Fund	Trustees New Castle Common	2012	2011	
<b>ASSETS</b>	[See Pg 19]	[See Pg 20]							
<b>ASSETS</b>									
Cash and equivalents	\$ 50	\$ 386,197	\$ 3,628	\$ 6,901	\$ 7,467	\$ ...	\$ 404,243	\$ 291,647	
Interfund receivable (payable)	(44,504)	(12,323)	...	(5,000)	(1,970)	...	(63,797)	(58,437)	
<b>TOTAL ASSETS</b>	<u>\$ (44,454)</u>	<u>\$ 373,874</u>	<u>\$ 3,628</u>	<u>\$ 1,901</u>	<u>\$ 5,497</u>	<u>\$ ...</u>	<u>\$ 340,446</u>	<u>\$ 233,210</u>	
<b>LIABILITIES AND FUND BALANCES</b>									
<b>LIABILITIES</b>									
Accounts payable and other	\$ ...	\$ ...	\$ ...	\$ ...	\$ ...	\$ ...	\$ ...	\$ ...	
Employee payroll withholdings	...	...	...	...	...	...	...	...	
<b>Total liabilities</b>	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>	
<b>FUND BALANCES</b>									
Restricted-Specific programs	7,414	373,874	3,628	1,901	5,497	...	392,314	284,937	
Unassigned	(51,868)	...	...	...	...	...	(51,868)	(51,727)	
<b>Total fund balances</b>	<u>(44,454)</u>	<u>373,874</u>	<u>3,628</u>	<u>1,901</u>	<u>5,497</u>	<u>...</u>	<u>340,446</u>	<u>233,210</u>	
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ (44,454)</u>	<u>\$ 373,874</u>	<u>\$ 3,628</u>	<u>\$ 1,901</u>	<u>\$ 5,497</u>	<u>\$ ...</u>	<u>\$ 340,446</u>	<u>\$ 233,210</u>	

See Report of Independent Auditor

**CITY OF NEW CASTLE, DELAWARE**

COMBINING BALANCE SHEET-MODIFIED CASH BASIS FOR SPECIAL REVENUE FUNDS

As of June 30, 2012 with Comparative Totals for 2011

	Federal Funding							Total Federal Funding	
	Green Project Stormwater	Criminal Justice Council	Office of Highway	Tobacco Prevention	Homeland Security	Energy Grant	Other Grants	2012	2011
<b>ASSETS</b>									
<b>ASSETS</b>									
Cash and equivalents	\$ ...	\$ ...	\$ ...	\$ ...	\$ ...	\$ ...	\$ 50	\$ 50	\$ 50
Interfund receivable (payable)	...	...	...	7,414	(1,868)	(50,000)	(50)	(44,504)	(49,425)
<b>TOTAL ASSETS</b>	<u>\$ ...</u>	<u>\$ ...</u>	<u>\$ ...</u>	<u>\$ 7,414</u>	<u>\$ (1,868)</u>	<u>\$ (50,000)</u>	<u>\$ ...</u>	<u>\$ (44,454)</u>	<u>\$ (49,375)</u>
<b>LIABILITIES AND FUND BALANCES</b>									
<b>LIABILITIES</b>									
Accounts payable and other	\$ ...	\$ ...	\$ ...	\$ ...	\$ ...	\$ ...	\$ ...	\$ ...	\$ ...
Employee payroll withholdings	...	...	...	...	...	...	...	...	...
<b>Total liabilities</b>	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>
<b>FUND BALANCES</b>									
Restricted-Specific programs	...	...	...	7,414	...	...	...	7,414	2,493
Unassigned	...	...	...	...	(1,868)	(50,000)	...	(51,868)	(51,868)
<b>Total fund balances</b>	<u>...</u>	<u>...</u>	<u>...</u>	<u>7,414</u>	<u>(1,868)</u>	<u>(50,000)</u>	<u>...</u>	<u>(44,454)</u>	<u>(49,375)</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ ...</u>	<u>\$ ...</u>	<u>\$ ...</u>	<u>\$ 7,414</u>	<u>\$ (1,868)</u>	<u>\$ (50,000)</u>	<u>\$ ...</u>	<u>\$ (44,454)</u>	<u>\$ (49,375)</u>

See Report of Independent Auditor

**CITY OF NEW CASTLE, DELAWARE**

COMBINING BALANCE SHEET-MODIFIED CASH BASIS FOR SPECIAL REVENUE FUNDS

As of June 30, 2012 with Comparative Totals for 2011

	State Funding							Total State Funding	
	Municipal Street Aid	Police Pension	SALLE	EIDE	Suburban Street Aid	Other Grants	Gateway Project	2012	2011
<b>ASSETS</b>									
<b>ASSETS</b>									
Cash and equivalents	\$ 314,793	\$ 1,278	\$ 2,374	\$ 3,174	\$ 23,823	\$ ...	\$ 40,755	\$ 386,197	\$ 275,539
Interfund receivable (payable)	(1,470)	...	...	...	(10,576)	...	(277)	(12,323)	(9,012)
<b>TOTAL ASSETS</b>	<b>\$ 313,323</b>	<b>\$ 1,278</b>	<b>\$ 2,374</b>	<b>\$ 3,174</b>	<b>\$ 13,247</b>	<b>\$ ...</b>	<b>\$ 40,478</b>	<b>\$ 373,874</b>	<b>\$ 266,527</b>
<b>LIABILITIES AND FUND BALANCES</b>									
<b>LIABILITIES</b>									
Accounts payable and other	\$ ...	\$ ...	\$ ...	\$ ...	\$ ...	\$ ...	\$ ...	\$ ...	\$ ...
Employee payroll withholdings	...	...	...	...	...	...	...	...	...
<b>Total liabilities</b>	<b>...</b>	<b>...</b>	<b>...</b>	<b>...</b>	<b>...</b>	<b>...</b>	<b>...</b>	<b>...</b>	<b>...</b>
<b>FUND BALANCES</b>									
Restricted-Specific programs	313,323	1,278	2,374	3,174	13,247	...	40,478	373,874	266,386
Unassigned	...	...	...	...	...	...	...	...	141
<b>Total fund balances</b>	<b>313,323</b>	<b>1,278</b>	<b>2,374</b>	<b>3,174</b>	<b>13,247</b>	<b>...</b>	<b>40,478</b>	<b>373,874</b>	<b>266,527</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 313,323</b>	<b>\$ 1,278</b>	<b>\$ 2,374</b>	<b>\$ 3,174</b>	<b>\$ 13,247</b>	<b>\$ ...</b>	<b>\$ 40,478</b>	<b>\$ 373,874</b>	<b>\$ 266,527</b>

See Report of Independent Auditor

**CITY OF NEW CASTLE, DELAWARE**

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-MODIFIED CASH BASIS FOR SPECIAL REVENUE FUNDS  
Year Ended June 30, 2012 with Comparative Totals for 2011

	Special Revenue Funds						Total Special Revenue	
	Federal Funding	State Funding	Separation Day Fund	Tree Commission Fund	Park Donor Program Fund	Trustees New Castle Common	2012	2011
	[See Pg 22]	[See Pg 23]						
<b>REVENUES</b>								
Intergovernmental revenues:								
Federal funding	\$1,835,388	\$ ...	\$ ...	\$ ...	\$ ...	\$ ...	\$1,835,388	\$ 348,815
State funding	400,000	235,849	32,640	...	...	...	668,489	287,486
Contribution revenue	100,000	...	...	...	...	...	100,000	...
Trustees of New Castle Common	...	...	...	5,000	...	201,916	206,916	267,935
Interest revenue	...	1,167	100	4	11	...	1,282	995
Miscellaneous revenue	...	...	4,389	...	...	...	4,389	2,788
<b>Total revenues</b>	<b>2,335,388</b>	<b>237,016</b>	<b>37,129</b>	<b>5,004</b>	<b>11</b>	<b>201,916</b>	<b>2,816,464</b>	<b>908,019</b>
<b>EXPENDITURES</b>								
Current:								
General government	...	...	...	...	...	...	...	...
Public safety-police	18,180	87,228	...	...	...	13,501	118,909	111,498
Public safety-fire	...	...	...	...	...	...	...	63,750
Public services	...	19,760	...	...	...	...	19,760	...
Parks and recreation	9,463	...	39,331	5,000	1,970	123,480	179,244	184,115
Capital outlay:								
General government	...	...	...	...	...	...	...	61,350
Public safety-police	...	...	...	...	...	29,644	29,644	42,129
Public services	1,005,598	1,470	...	...	...	...	1,007,068	462,838
Parks and recreation	1,306,393	...	...	...	...	...	1,306,393	...
Debt service:								
Interest	...	...	...	...	...	939	939	...
Principal	...	...	...	...	...	28,753	28,753	29,692
<b>Total expenditures</b>	<b>2,339,634</b>	<b>108,458</b>	<b>39,331</b>	<b>5,000</b>	<b>1,970</b>	<b>196,317</b>	<b>2,690,710</b>	<b>955,372</b>
<b>EXCESS REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(4,246)</b>	<b>128,558</b>	<b>(2,202)</b>	<b>4</b>	<b>(1,959)</b>	<b>5,599</b>	<b>125,754</b>	<b>(47,353)</b>
<b>OTHER FINANCING SOURCES (USES)</b>								
Proceeds from new financing	...	...	...	...	...	...	...	...
Operating transfers in (out)	9,167	(21,211)	...	(875)	...	(5,599)	(18,518)	(972)
<b>Total other financing sources (uses)</b>	<b>9,167</b>	<b>(21,211)</b>	<b>...</b>	<b>(875)</b>	<b>...</b>	<b>(5,599)</b>	<b>(18,518)</b>	<b>(972)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>4,921</b>	<b>107,347</b>	<b>(2,202)</b>	<b>(871)</b>	<b>(1,959)</b>	<b>...</b>	<b>107,236</b>	<b>(48,325)</b>
<b>FUND BALANCES</b>								
Beginning of year	(49,375)	266,527	5,830	2,772	7,456	...	233,210	281,535
End of year	\$ (44,454)	\$ 373,874	\$ 3,628	\$ 1,901	\$ 5,497	\$ ...	\$ 340,446	\$ 233,210

See Report of Independent Auditor

**CITY OF NEW CASTLE, DELAWARE**

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-MODIFIED CASH BASIS FOR SPECIAL REVENUE FUNDS  
Year Ended June 30, 2012 with Comparative Totals for 2011

	Federal Funding							Total Federal Funding	
	Green Project Stormwater	Criminal Justice Council	Office of Highway	Tobacco Prevention	Homeland Security	Energy Grant	Wetlands Protection Project	2012	2011
<b>REVENUES</b>									
Intergovernmental revenues:									
Federal funding	\$1,005,598	\$ 1,290	\$ 12,540	\$ 14,384	\$ 1,576	\$ ...	\$ 800,000	\$1,835,388	\$ 348,815
State funding	...	...	...	...	...	...	400,000	400,000	...
Contribution revenue	...	...	...	...	...	...	100,000	100,000	...
Trustees of New Castle Common	...	...	...	...	...	...	...	...	...
Interest revenue	...	...	...	...	...	...	...	...	...
Miscellaneous revenue	...	...	...	...	...	...	...	...	...
<b>Total revenues</b>	<b>1,005,598</b>	<b>1,290</b>	<b>12,540</b>	<b>14,384</b>	<b>1,576</b>	<b>...</b>	<b>1,300,000</b>	<b>2,335,388</b>	<b>348,815</b>
<b>EXPENDITURES</b>									
Current:									
General government	...	...	...	...	...	...	...	...	...
Public safety-police	...	1,290	15,314	...	1,576	...	...	18,180	16,273
Public safety-fire	...	...	...	...	...	...	...	...	...
Public services	...	...	...	...	...	...	...	...	...
Parks and recreation	...	...	...	9,463	...	...	...	9,463	807
Capital outlay:									
General government	...	...	...	...	...	...	...	...	61,350
Public safety-police	...	...	...	...	...	...	...	...	15,470
Public services	1,005,598	...	...	...	...	...	...	1,005,598	316,902
Parks and recreation	...	...	...	...	...	...	1,306,393	1,306,393	...
Debt service:									
Interest	...	...	...	...	...	...	...	...	...
Principal	...	...	...	...	...	...	...	...	...
<b>Total expenditures</b>	<b>1,005,598</b>	<b>1,290</b>	<b>15,314</b>	<b>9,463</b>	<b>1,576</b>	<b>...</b>	<b>1,306,393</b>	<b>2,339,634</b>	<b>410,802</b>
<b>EXCESS REVENUES OVER (UNDER) EXPENDITURES</b>	<b>...</b>	<b>...</b>	<b>(2,774)</b>	<b>4,921</b>	<b>...</b>	<b>...</b>	<b>(6,393)</b>	<b>(4,246)</b>	<b>(61,987)</b>
<b>OTHER FINANCING SOURCES (USES)</b>									
Proceeds from new financing	...	...	...	...	...	...	...	...	...
Operating transfers in (out)	...	...	2,774	...	...	...	6,393	9,167	12,612
<b>Total other financing sources (uses)</b>	<b>...</b>	<b>...</b>	<b>2,774</b>	<b>...</b>	<b>...</b>	<b>...</b>	<b>6,393</b>	<b>9,167</b>	<b>12,612</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>...</b>	<b>...</b>	<b>...</b>	<b>4,921</b>	<b>...</b>	<b>...</b>	<b>...</b>	<b>4,921</b>	<b>(49,375)</b>
<b>FUND BALANCES</b>									
Beginning of year	...	...	...	2,493	(1,868)	(50,000)	...	(49,375)	...
End of year	\$ ...	\$ ...	\$ ...	\$ 7,414	\$ (1,868)	\$ (50,000)	\$ ...	\$ (44,454)	\$ (49,375)

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**CITY OF NEW CASTLE, DELAWARE**

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-MODIFIED CASH BASIS FOR SPECIAL REVENUE FUNDS  
Year Ended June 30, 2012 with Comparative Totals for 2011

	State Funding							Total State Funding	
	Municipal	Police	SALLE	EIDE	Suburban	Other	Gateway	2012	2011
	Street Aid	Pension			Street Aid	Grants	Project		
<b>REVENUES</b>									
Intergovernmental revenues:									
Federal funding	\$ ...	\$ ...	\$ ...	\$ ...	\$ ...	\$ ...	\$ ...	\$ ...	\$ ...
State funding	108,635	77,166	6,179	4,657	16,227	22,985	...	235,849	260,286
Contribution revenue	...	...	...	...	...	...	...	...	...
Trustees of New Castle Common	...	...	...	...	...	...	...	...	...
Interest revenue	1,070	61	...	...	36	...	...	1,167	840
Miscellaneous revenue	...	...	...	...	...	...	...	...	...
<b>Total revenues</b>	<b>109,705</b>	<b>77,227</b>	<b>6,179</b>	<b>4,657</b>	<b>16,263</b>	<b>22,985</b>	<b>...</b>	<b>237,016</b>	<b>261,126</b>
<b>EXPENDITURES</b>									
Current:									
General government	...	...	...	...	...	...	...	...	...
Public safety-police	...	79,538	3,805	3,885	...	...	...	87,228	80,951
Public safety-fire	...	...	...	...	...	...	...	...	...
Public services	...	...	...	...	...	19,760	...	19,760	...
Parks and recreation	...	...	...	...	...	...	...	...	9,300
Capital outlay:									
General government	...	...	...	...	...	...	...	...	...
Public safety-police	...	...	...	...	...	...	...	...	...
Public services	1,470	...	...	...	...	...	...	1,470	145,936
Parks and recreation	...	...	...	...	...	...	...	...	...
Debt service:									
Interest	...	...	...	...	...	...	...	...	...
Principal	...	...	...	...	...	...	...	...	...
<b>Total expenditures</b>	<b>1,470</b>	<b>79,538</b>	<b>3,805</b>	<b>3,885</b>	<b>...</b>	<b>19,760</b>	<b>...</b>	<b>108,458</b>	<b>236,187</b>
<b>EXCESS REVENUES OVER</b>									
<b>(UNDER) EXPENDITURES</b>	<b>108,235</b>	<b>(2,311)</b>	<b>2,374</b>	<b>772</b>	<b>16,263</b>	<b>3,225</b>	<b>...</b>	<b>128,558</b>	<b>24,939</b>
<b>OTHER FINANCING SOURCES (USES)</b>									
Proceeds from new financing	...	...	...	...	...	...	...	...	...
Operating transfers in (out)	...	...	...	221	(18,066)	(3,366)	...	(21,211)	(268)
<b>Total other financing sources (uses)</b>	<b>...</b>	<b>...</b>	<b>...</b>	<b>221</b>	<b>(18,066)</b>	<b>(3,366)</b>	<b>...</b>	<b>(21,211)</b>	<b>(268)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>108,235</b>	<b>(2,311)</b>	<b>2,374</b>	<b>993</b>	<b>(1,803)</b>	<b>(141)</b>	<b>...</b>	<b>107,347</b>	<b>24,671</b>
<b>FUND BALANCES</b>									
Beginning of year	205,088	3,589	...	2,181	15,050	141	40,478	266,527	241,856
End of year	\$ 313,323	\$ 1,278	\$ 2,374	\$ 3,174	\$ 13,247	\$ ...	\$ 40,478	\$ 373,874	\$ 266,527

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**CITY OF NEW CASTLE, DELAWARE**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-MODIFIED CASH BASIS**  
**BUDGET AND ACTUAL-GENERAL FUND**  
Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes:				
Property taxes	\$ 2,985,000	\$ 2,985,000	\$ 2,940,892	\$ (44,108)
Property transfer taxes	155,000	155,000	112,431	(42,569)
Cable franchise taxes	80,000	80,000	94,570	14,570
Licenses and permits	219,000	219,000	323,339	104,339
Intergovernmental revenues	...	...	12,036	12,036
Police fines and court fees	60,000	60,000	52,661	(7,339)
Charges for services	65,800	65,800	63,169	(2,631)
Interest and rents	147,000	147,000	148,675	1,675
Trustees of New Castle Common	...	...	...	...
Miscellaneous revenues	25,000	25,000	25,041	41
<b>Total revenues</b>	<b>3,736,800</b>	<b>3,736,800</b>	<b>3,772,814</b>	<b>36,014</b>
<b>EXPENDITURES</b>				
Current:				
General government:				
City Administration	693,492	693,492	669,412	24,080
Mayor's Office	56,174	56,174	61,466	(5,292)
Board of Adjustments	10,800	10,800	8,534	2,266
Building maintenance	121,750	121,750	108,831	12,919
Insurance costs	224,530	224,530	282,913	(58,383)
Outside professional services	82,000	82,000	112,254	(30,254)
Public safety-police	1,928,786	1,928,786	1,945,311	(16,525)
Public safety-fire	...	...	500	(500)
Public services	1,108,425	1,108,425	1,079,295	29,130
Parks and recreation	55,825	55,825	63,460	(7,635)
Trustees of New Castle Common	...	...	...	...
Committees and commissions	27,630	27,630	28,123	(493)
Capital outlay	...	...	1,900	(1,900)
Debt service-interest	...	...	6,215	(6,215)
<b>Total expenditures</b>	<b>4,309,412</b>	<b>4,309,412</b>	<b>4,368,214</b>	<b>(58,802)</b>
<b>EXCESS (DEFICIT) OF</b>				
<b>REVENUES OVER EXPENDITURES</b>	<b>(572,612)</b>	<b>(572,612)</b>	<b>(595,400)</b>	<b>(22,788)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of capital assets	...	...	...	...
Annual appropriation:				
Municipal Services Commission	450,000	450,000	550,000	100,000
Operating transfers (out) in	116,217	116,217	20,018	(96,199)
<b>Total other financing sources (uses)</b>	<b>566,217</b>	<b>566,217</b>	<b>570,018</b>	<b>3,801</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(6,395)</b>	<b>(6,395)</b>	<b>(25,382)</b>	<b>(18,987)</b>
<b>FUND BALANCES</b>				
Beginning of year, as restated	6,395	6,395	1,131,089	1,124,694
End of year	\$ ...	\$ ...	\$ 1,105,707	\$ 1,105,707

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City annually adopts a budget for the general fund. 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. All budgets are presented on the modified cash basis of accounting. Accordingly, the accompanying budgetary comparison schedule for the general fund presents actual expenditures in accordance with the modified cash basis consistent with the legally adopted budget as amended. The unexpended appropriations on the annual budgets lapse at the end of each fiscal year.

Material Violations

There were no material violations of the annual appropriated budget for the year presented.

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