

Report of Independent Auditor

CITY OF NEW CASTLE
New Castle, Delaware

Years Ended June 30, 2016 and 2015



HAGGERTY & HAGGERTY, P.A.

CERTIFIED PUBLIC ACCOUNTANTS
& MANAGEMENT CONSULTANTS

CITY OF NEW CASTLE, DELAWARE

Table of Contents

Report of Independent Auditor1-2

Basic Financial Statements Section

Government-Wide Financial Statements:
Statements of Net Position3
Statements of Activities4-5
Fund Financial Statements:
Balance Sheets-Governmental Funds6
Reconciliation of the Balance Sheets of Governmental Funds
to the Statements of Net Position7
Statements of Revenues, Expenditures and
Changes in Fund Balances-Governmental Funds8
Reconciliation of the Statements of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statements of Activities9
Notes to Financial Statements10-27

Required Supplementary Information [RSI] Section

Schedule of Revenues, Expenditures
and Changes in Fund Balance-Budget and Actual-General Fund28
Schedule of Proportionate Share of Net Pension Liability
of the County & Municipal Police and Firefighters' Pension Plan [CMPFPP]29
Schedule of Pension Contributions
of the County & Municipal Police and Firefighters' Pension Plan [CMPFPP]30
Schedule of Proportionate Share of Net Pension Liability
of the County & Municipal Other Employees' Pension Plan [CMOEPP]31
Schedule of Pension Contributions
of the County & Municipal Other Employees' Pension Plan [CMOEPP]32

Supplementary Information Section

Combining Balance Sheet-Special Revenue Fund
With Comparative Totals33-35
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances-Special Revenue Fund
With Comparative Totals36-38



HAGGERTY & HAGGERTY, P.A.
CERTIFIED PUBLIC ACCOUNTANTS
& MANAGEMENT CONSULTANTS

American Institute of CPA
Pennsylvania Institute of CPA*
Delaware Society of CPA†
Private Companies Practice Section

James R. Zdimal, CPA†
Vincent S. Barbone, CPA, CFE*†

Report of Independent Auditor

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

Report on the Financial Statements

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 [the "City"], Delaware, as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the primary government 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 the primary government financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, the implementation, and the maintenance of internal control relevant to the preparation and fair presentation of the primary government financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on the primary government financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the primary government financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the primary government 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 primary government 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 primary government 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 primary government financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of New Castle as of June 30, 2016 and 2015, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

The accounting principles generally accepted in the United States of America require that the budgetary comparison information, reflected on page 28, along with schedules of net pension liability and schedules of pension contributions, reflected on pages 29 to 32, be presented to supplement the basic financial statements of the primary government. Such information, although not 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 financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. Management has omitted the management's discussion and analysis section that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements of the primary government is not affected by the missing information.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the basic financial statements of the primary government that collectively comprise the City of New Castle, Delaware's financial statements. The supplementary information, reflected on pages 33 through 38, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements of the primary government as a whole.

Restriction on Use

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

Haggerty & Haggerty, P.A.
Certified Public Accountants

December 9, 2016
Wilmington, Delaware

Basic Financial Statements Section

CITY OF NEW CASTLE, DELAWARE
STATEMENTS OF NET POSITION
As of June 30, 2016 and 2015

| | <u>Primary Government</u> | |
|--|--------------------------------|----------------------|
| | <u>Governmental Activities</u> | |
| | <u>2016</u> | <u>2015</u> |
| ASSETS | | |
| Current assets | | |
| Cash and equivalents | \$ 3,066,153 | \$ 2,735,011 |
| Receivables, net of allowance: | | |
| Property taxes | 325,623 | 340,935 |
| Accounts | 163,471 | 128,597 |
| Other | 6,872 | 8,856 |
| Due from other governments | 1,815 | 23,606 |
| Due from component unit | ... | ... |
| Total current assets | <u>3,563,934</u> | <u>3,237,005</u> |
| Noncurrent assets | | |
| Capital assets, net of depreciation: | | |
| Nondepreciable | 26,424,698 | 26,209,930 |
| Depreciable | 4,293,406 | 3,716,948 |
| Net pension asset | 88,564 | 190,293 |
| Total noncurrent assets | <u>30,806,668</u> | <u>30,117,171</u> |
| TOTAL ASSETS | <u>34,370,602</u> | <u>33,354,176</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Deferred contributions and changes in proportion related to pension activity | 261,362 | 223,331 |
| LIABILITIES | | |
| Current liabilities | | |
| Accounts payable and other | 55,496 | 65,261 |
| Accrued wages and related taxes | 69,545 | 64,911 |
| Current portion of debt obligation | 69,672 | 79,649 |
| Unearned revenues | 24,370 | 58,194 |
| Refundable advances | 679,207 | 800,364 |
| Total current liabilities | <u>898,290</u> | <u>1,068,379</u> |
| Noncurrent liabilities | | |
| Long-term portion: | | |
| Compensated absences liability | 417,008 | 471,073 |
| Debt obligation, net of current portion | 81,935 | 31,793 |
| Net pension liability | ... | ... |
| Total noncurrent liabilities | <u>498,943</u> | <u>502,866</u> |
| TOTAL LIABILITIES | <u>1,397,233</u> | <u>1,571,245</u> |
| DEFERRED INFLOWS OF RESOURCES | | |
| Deferred investment earnings of pension activity | 110,510 | 959,881 |
| Unavailable revenue-property taxes | 299,064 | 314,376 |
| Unavailable revenue-fees and assessments | 163,471 | 128,597 |
| Total deferred inflows of resources | <u>573,045</u> | <u>1,402,854</u> |
| NET POSITION | | |
| Net investment in capital assets | 30,566,497 | 29,815,436 |
| Restricted for specific programs | 81,382 | 267,015 |
| Unrestricted | 2,013,807 | 520,957 |
| TOTAL NET POSITION | <u>\$ 32,661,686</u> | <u>\$ 30,603,408</u> |

Accompanying notes are an integral part of these financial statements

CITY OF NEW CASTLE, DELAWARE
STATEMENT OF ACTIVITIES
Year Ended June 30, 2016

| Functions | Expenses | Program Revenues | | | Net (Expense) |
|---|---------------------|----------------------|------------------------------------|----------------------------------|---|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Revenues and Changes In Net Position Primary Government Total Governmental Activities |
| GOVERNMENTAL ACTIVITIES | | | | | |
| General government: | | | | | |
| City Administration | \$ 613,229 | \$... | \$... | \$... | \$ (613,229) |
| Board of Adjustments | 2,208 | ... | ... | ... | (2,208) |
| Building maintenance | 2,433 | ... | ... | ... | (2,433) |
| Insurance costs | 340,763 | ... | ... | ... | (340,763) |
| Outside professional services | 109,533 | ... | ... | ... | (109,533) |
| Public safety | 1,294,818 | 82,402 | 153,411 | ... | (1,059,005) |
| Public services | 722,843 | 355,143 | 97,726 | 330,659 | 60,685 |
| Parks and recreation | 425,379 | ... | 50,541 | 171,193 | (203,645) |
| Committees and commissions | 25,542 | ... | ... | ... | (25,542) |
| Interest on long-term debt obligation | 2,602 | ... | ... | 98,044 | 95,442 |
| Depreciation-unallocated | 329,348 | ... | ... | ... | (329,348) |
| TOTAL PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES | <u>\$ 3,868,698</u> | <u>\$ 437,545</u> | <u>\$ 301,678</u> | <u>\$ 599,896</u> | <u>(2,529,579)</u> |
| GENERAL REVENUES | | | | | |
| Property taxes levied for general purposes | | | | | 3,737,205 |
| Franchise taxes levied for general purposes | | | | | 120,911 |
| Investment earnings and rents | | | | | 64,999 |
| Gain from sale of capital assets | | | | | 51,398 |
| Miscellaneous revenues | | | | | 43,994 |
| Refund of prior year expenditures | | | | | ... |
| Component unit appropriations | | | | | 569,350 |
| Total general revenues | | | | | <u>4,587,857</u> |
| CHANGE IN NET POSITION | | | | | 2,058,278 |
| NET POSITION | | | | | |
| Beginning of year | | | | | <u>30,603,408</u> |
| End of year | | | | | <u>\$32,661,686</u> |

Accompanying notes are an integral part of these financial statements

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

| Functions | Expenses | Program Revenues | | | Net (Expense) |
|---|---------------------|----------------------|------------------------------------|----------------------------------|---|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Revenues and Changes In Net Position Primary Government Total Governmental Activities |
| GOVERNMENTAL ACTIVITIES | | | | | |
| General government: | | | | | |
| City Administration | \$ 570,709 | \$... | \$... | \$ 1,000 | \$ (569,709) |
| Board of Adjustments | 5,520 | ... | ... | ... | (5,520) |
| Building maintenance | 99,333 | ... | ... | ... | (99,333) |
| Insurance costs | 380,271 | ... | ... | ... | (380,271) |
| Outside professional services | 104,321 | ... | ... | ... | (104,321) |
| Public safety | 1,769,529 | 116,025 | 109,807 | 29,999 | (1,513,698) |
| Public services | 1,124,391 | 337,666 | ... | 106,191 | (680,534) |
| Parks and recreation | 198,473 | 4,216 | 55,795 | 80,758 | (57,704) |
| Committees and commissions | 50,860 | ... | ... | ... | (50,860) |
| Interest on long-term debt obligation | 4,851 | ... | ... | 196,090 | 191,239 |
| Depreciation-unallocated | 330,021 | ... | ... | ... | (330,021) |
| TOTAL PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES | \$ 4,638,279 | \$ 457,907 | \$ 165,602 | \$ 414,038 | (3,600,732) |

GENERAL REVENUES

| | |
|---|------------------|
| Property taxes levied for general purposes | 3,392,086 |
| Franchise taxes levied for general purposes | 113,727 |
| Investment earnings and rents | 110,926 |
| Gain from sale of capital assets | 68,143 |
| Miscellaneous revenues | 47,995 |
| Refund of prior year expenditures | 10,482 |
| Component unit appropriations | 509,375 |
| Total general revenues | 4,252,734 |

CHANGE IN NET POSITION

652,002

NET POSITION

| | |
|---|----------------------------|
| Beginning of year, as previously reported | 1,555,489 |
| Adjustment for new pension standards [Note 15] | (897,964) |
| Adjustment for change in accounting basis [Note 15] | <u>29,293,881</u> |
| Beginning of year, as restated | <u>29,951,406</u> |
| End of year | <u>\$30,603,408</u> |

Accompanying notes are an integral part of these financial statements

CITY OF NEW CASTLE, DELAWARE
BALANCE SHEETS-GOVERNMENTAL FUNDS
As of June 30, 2016 and 2015

| | 2016 | | | | 2015 | | | |
|--|-------------------------|-------------------|-------------------|--------------------|-------------------------|--------------------|-------------------|--------------------|
| | Governmental Fund Types | | | | Governmental Fund Types | | | |
| | General | Special Revenue | Capital Projects | Totals | General | Special Revenue | Capital Projects | Totals |
| ASSETS | | | | | | | | |
| ASSETS | | | | | | | | |
| Cash and equivalents | \$2,170,716 | \$ 771,139 | \$ 124,298 | \$3,066,153 | \$1,511,585 | \$1,096,056 | \$ 127,370 | \$2,735,011 |
| Receivables, net of allowance: | | | | | | | | |
| Property taxes | 325,623 | ... | ... | 325,623 | 340,935 | ... | ... | 340,935 |
| Accounts | 163,471 | ... | ... | 163,471 | 128,597 | ... | ... | 128,597 |
| Other | 6,872 | ... | ... | 6,872 | 8,856 | ... | ... | 8,856 |
| Due from other governments | ... | 1,815 | ... | 1,815 | ... | 23,606 | ... | 23,606 |
| Interfund receivable (payable) | (7,480) | 7,480 | ... | ... | (12,973) | 12,973 | ... | ... |
| TOTAL ASSETS | <u>\$2,659,202</u> | <u>\$ 780,434</u> | <u>\$ 124,298</u> | <u>\$3,563,934</u> | <u>\$1,977,000</u> | <u>\$1,132,635</u> | <u>\$ 127,370</u> | <u>\$3,237,005</u> |
| LIABILITIES AND FUND BALANCES | | | | | | | | |
| LIABILITIES | | | | | | | | |
| Accounts payable and other | \$ 48,139 | \$ 7,357 | \$... | \$ 55,496 | \$ 57,552 | \$ 7,709 | \$... | \$ 65,261 |
| Accrued wages and related taxes | 69,545 | ... | ... | 69,545 | 64,911 | ... | ... | 64,911 |
| Unearned revenues | 18,391 | 5,979 | ... | 24,370 | 647 | 57,547 | ... | 58,194 |
| Refundable advances | ... | 679,207 | ... | 679,207 | ... | 800,364 | ... | 800,364 |
| Total liabilities | <u>136,075</u> | <u>692,543</u> | <u>...</u> | <u>828,618</u> | <u>123,110</u> | <u>865,620</u> | <u>...</u> | <u>988,730</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | | | | |
| Unavailable revenue-property taxes | 299,064 | ... | ... | 299,064 | 314,376 | ... | ... | 314,376 |
| Unavailable revenue-fees and assessments | 163,471 | ... | ... | 163,471 | 128,597 | ... | ... | 128,597 |
| Total deferred inflows of resources | <u>462,535</u> | <u>...</u> | <u>...</u> | <u>462,535</u> | <u>442,973</u> | <u>...</u> | <u>...</u> | <u>442,973</u> |
| FUND BALANCES | | | | | | | | |
| Restricted for specific programs | ... | 81,382 | ... | 81,382 | ... | 267,015 | ... | 267,015 |
| Committed | 116,921 | ... | 124,298 | 241,219 | 189,111 | ... | 127,370 | 316,481 |
| Assigned-encumbrances and other | 14,348 | 6,509 | ... | 20,857 | 34,705 | ... | ... | 34,705 |
| Unassigned | 1,929,323 | ... | ... | 1,929,323 | 1,187,101 | ... | ... | 1,187,101 |
| Total fund balances | <u>2,060,592</u> | <u>87,891</u> | <u>124,298</u> | <u>2,272,781</u> | <u>1,410,917</u> | <u>267,015</u> | <u>127,370</u> | <u>1,805,302</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$2,659,202</u> | <u>\$ 780,434</u> | <u>\$ 124,298</u> | <u>\$3,563,934</u> | <u>\$1,977,000</u> | <u>\$1,132,635</u> | <u>\$ 127,370</u> | <u>\$3,237,005</u> |

Accompanying notes are an integral part of these financial statements

CITY OF NEW CASTLE, DELAWARE
 RECONCILIATION OF THE BALANCE SHEETS OF GOVERNMENTAL FUNDS
 TO THE STATEMENTS OF NET POSITION
 As of June 30, 2016 and 2015

| | <u>2016</u> | <u>2015</u> |
|---|----------------------------|----------------------------|
| Amounts reported for governmental activities in the statement of net position are different because: | | |
| Total fund balances-governmental funds | \$ 2,272,781 | \$ 1,805,302 |
| Capital assets used in governmental activities are not financial resources and, therefore, not reported as assets in governmental funds. The cost of capital assets is \$37,574,928 and \$36,497,558 and the related accumulated depreciation is \$6,856,824 and \$6,570,680 for the periods presented. | 30,718,104 | 29,926,878 |
| 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 Obligation</u> | <u>2016</u> | <u>2015</u> |
| Current portion | \$ 69,672 | \$ 79,649 |
| Net of current portion | <u>81,935</u> | <u>31,793</u> |
| | (151,607) | (111,442) |
| Compensated absences not due and payable within period presented are not reported in the governmental funds. | (417,008) | (471,073) |
| Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, not reported in the fund financial statements: | | |
| Net pension (liability) asset | 88,564 | 190,293 |
| Deferred outflows and inflows or resources related to pension activity are applicable to future periods and, therefore, not reported in the fund financial statements: | | |
| Deferred outflows of resources related to pension activity of \$261,362 and \$223,331 consists of \$57,432 and \$0 of deferred outflows of resources pension expense and \$203,930 and \$223,331 of deferred outflows of 2016 and 2015 employer contributions related to the pension activity. | 261,362 | 223,331 |
| Deferred inflows of resources related to pension activity. | <u>(110,510)</u> | <u>(959,881)</u> |
| Total net position-governmental activities | <u>\$32,661,686</u> | <u>\$30,603,408</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-GOVERNMENTAL FUNDS
Years Ended June 30, 2016 and 2015

| | 2016 | | | | 2015 | | | |
|---|-------------------------|------------------|------------------|------------------|-------------------------|-----------------|------------------|------------------|
| | Governmental Fund Types | | | | Governmental Fund Types | | | |
| | General | Special Revenue | Capital Projects | Totals | General | Special Revenue | Capital Projects | Totals |
| REVENUES | | | | | | | | |
| Taxes: | | | | | | | | |
| Property taxes | \$3,142,563 | \$... | \$... | \$3,142,563 | \$3,151,517 | \$... | \$... | \$3,151,517 |
| Property transfer taxes | 594,642 | ... | ... | 594,642 | 240,569 | ... | ... | 240,569 |
| Cable franchise taxes | 120,911 | ... | ... | 120,911 | 113,727 | ... | ... | 113,727 |
| Licenses and permits | 350,249 | ... | ... | 350,249 | 332,954 | ... | ... | 332,954 |
| Intergovernmental revenues: | | | | | | | | |
| Federal funding | 50,541 | 11,628 | ... | 62,169 | ... | 43,466 | ... | 43,466 |
| State funding | ... | 654,860 | ... | 654,860 | 10,656 | 302,507 | ... | 313,163 |
| Trustees of New Castle Common | ... | 184,545 | ... | 184,545 | ... | 223,011 | ... | 223,011 |
| Police fines and court fees | 29,724 | ... | ... | 29,724 | 55,112 | ... | ... | 55,112 |
| Charges for services | 57,572 | ... | ... | 57,572 | 69,841 | ... | ... | 69,841 |
| Interest and rents | 64,687 | 131 | 181 | 64,999 | 110,399 | 208 | 319 | 110,926 |
| Miscellaneous revenues | 30,045 | 13,949 | ... | 43,994 | 39,490 | 8,505 | ... | 47,995 |
| Total revenues | 4,440,934 | 865,113 | 181 | 5,306,228 | 4,124,265 | 577,697 | 319 | 4,702,281 |
| EXPENDITURES | | | | | | | | |
| Current: | | | | | | | | |
| General government: | | | | | | | | |
| City Administration | 698,068 | ... | ... | 698,068 | 623,701 | ... | ... | 623,701 |
| Board of Adjustments | 2,208 | ... | ... | 2,208 | 5,520 | ... | ... | 5,520 |
| Building maintenance | 2,433 | ... | ... | 2,433 | 89,986 | ... | ... | 89,986 |
| Insurance costs | 340,763 | ... | ... | 340,763 | 380,271 | ... | ... | 380,271 |
| Outside professional services | 109,533 | ... | ... | 109,533 | 104,321 | ... | ... | 104,321 |
| Public safety | 1,878,359 | 152,995 | ... | 2,031,354 | 1,943,813 | 127,323 | ... | 2,071,136 |
| Public services | 1,104,981 | 18,421 | ... | 1,123,402 | 1,089,695 | ... | ... | 1,089,695 |
| Parks and recreation | 115,713 | 56,361 | ... | 172,074 | 93,338 | 47,308 | ... | 140,646 |
| Committees and commissions | 25,542 | ... | ... | 25,542 | 50,860 | ... | ... | 50,860 |
| Capital outlay | 282,213 | 730,469 | 3,253 | 1,015,935 | 15,058 | 141,900 | ... | 156,958 |
| Debt service: | | | | | | | | |
| Principal | 85,431 | 48,778 | ... | 134,209 | 60,975 | 192,700 | ... | 253,675 |
| Interest and other fees | 2,358 | 244 | ... | 2,602 | 1,461 | 3,390 | ... | 4,851 |
| Total expenditures | 4,647,602 | 1,007,268 | 3,253 | 5,658,123 | 4,458,999 | 512,621 | ... | 4,971,620 |
| EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES | (206,668) | (142,155) | (3,072) | (351,895) | (334,734) | 65,076 | 319 | (269,339) |
| OTHER FINANCING SOURCES (USES) | | | | | | | | |
| Proceeds from new financing | 174,374 | ... | ... | 174,374 | ... | ... | ... | ... |
| Proceeds from sale of capital assets | 75,650 | ... | ... | 75,650 | 68,143 | ... | ... | 68,143 |
| Annual appropriation: | | | | | | | | |
| Municipal Services Commission | 569,350 | ... | ... | 569,350 | 509,375 | ... | ... | 509,375 |
| Refund of prior year expenditures | ... | ... | ... | ... | 10,482 | ... | ... | 10,482 |
| Operating transfers (out) in | 36,969 | (36,969) | ... | ... | (18,814) | 19,814 | (1,000) | ... |
| Total other financing sources (uses) | 856,343 | (36,969) | ... | 819,374 | 569,186 | 19,814 | (1,000) | 588,000 |
| NET CHANGE IN FUND BALANCES | 649,675 | (179,124) | (3,072) | 467,479 | 234,452 | 84,890 | (681) | 318,661 |
| FUND BALANCES | | | | | | | | |
| Beginning of year | 1,410,917 | 267,015 | 127,370 | 1,805,302 | 1,176,465 | 182,125 | 128,051 | 1,486,641 |
| End of year | \$2,060,592 | \$ 87,891 | \$ 124,298 | \$2,272,781 | \$1,410,917 | \$ 267,015 | \$ 127,370 | \$1,805,302 |

Accompanying notes are an integral part of these financial statements

CITY OF NEW CASTLE, 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, 2016 and 2015

| | 2016 | 2015 | | |
|--|---------------------|-------------------|----------------|----------------|
| Amounts reported for the governmental activities in the statement of activities are different because: | | | | |
| Net change in fund balance-total governmental funds | \$ 467,479 | \$ 318,661 | | |
| The governmental funds report capital outlay as expenditures. However, in the government-wide statements, assets with an initial, individual cost of \$5,000 or more is 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 | 2016 | 2015 | | |
| Capital assets | \$ 1,144,826 | \$ 26,431 | | |
| Depreciation expense | <u>(329,348)</u> | <u>(330,021)</u> | 815,478 | (303,590) |
| Some expenses reported in the statement of activities do not require current financial resources and, therefore not reported as expenditures in the governmental funds. | | | | |
| Description | 2016 | 2015 | | |
| Sale and/or disposal of capital assets: | | | | |
| Proceeds received | \$ 75,650 | \$ 68,143 | | |
| Loss (gain) recognized | <u>(51,398)</u> | <u>(68,143)</u> | (24,252) | ... |
| 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 due. However, in the statement of activities, interest expense is recognized as it accrues, regardless of when it is due. The net effect of the differences in the treatment of long-term obligation and related items is as follows: | | | | |
| Description | 2016 | 2015 | | |
| Financing proceeds received | \$ (174,374) | \$... | | |
| Principal payments made | <u>134,209</u> | <u>253,675</u> | (40,165) | 253,675 |
| 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. | | | | |
| | | | 54,065 | 31,548 |
| The governmental funds report City pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense. | | | | |
| Description | 2016 | 2015 | | |
| City pension contributions for the fiscal years 2016 and 2015 | \$ 203,930 | \$ 223,331 | | |
| Cost of benefits earned net of contributions [pension expense] | <u>581,743</u> | <u>128,377</u> | <u>785,673</u> | <u>351,708</u> |
| Change in net position-governmental activities | \$ 2,058,278 | \$ 652,002 | | |

Accompanying notes are an integral part of these financial statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The primary government financial statements of the City of New Castle, 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 significant accounting policies are described below.

Reporting Entity

The City of New Castle is a municipal corporation governed by a six-member governing body consisting of the Mayor and President of Council who are elected at large. 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 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 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 basic financial statements to be misleading or incomplete. The City has only one organization meeting the above criteria and has elected not to include the following component unit:

- Municipal Services Commission [MSC].

Component Unit

The City has elected not to include the component unit within 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. The Municipal Services Commission was organized on March 11, 1921 for the purpose of accounting for the City's water and electric services.

Government-Wide and Fund Financial Statements

The City's financial statements consist of the following primary government presentation:

- 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 position and the statement of activities. As a general rule, effects of any interfund balances have been removed from the government-wide financial statements.

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

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 operating or capital requirements of a particular function. Property taxes and other items not properly 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The **government-wide financial statements** are reported using the *economic resources measurement focus and accrual basis of accounting*. Revenues are recorded when earned, or, for property taxes, in the fiscal period for which they are levied. Expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The **governmental fund financial statements** are reported using the *current financial resources measurement focus and 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 respective period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the respective reporting period.

Grants and similar items are recognized as revenue 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 period are considered to be susceptible to accrual and so have been recognized as revenues of the respective fiscal year. 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 payment 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 funding and other restricted activities.
- The **capital projects fund** accounts for resources reserved by City Council for the construction of capital assets, the purchase of equipment and improvements, or for emergency goods and services.

Use of Estimates

Preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses or expenditures during the reporting period. Accordingly, the actual results could differ from those estimates.

Budgetary Accounting

The Council shall, on or before the first Monday of July, meet and ascertain, as near as may be, the amount necessary to cover the net expenses of the City government 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 the City government. And immediately after the assessment and valuation shall have been finally settled and adjusted under the provisions of the Act, Council shall proceed to levy a tax on real property, thus valued and assessed, in just and equal portions and rates, sufficient to cover the aggregate of the budget. Unexpended budget items lapse at the end of the fiscal year.

Budgets for special revenue funds pertaining to grant awards are approved on a program-by-program basis by funding agencies and are included by City government in the grant budget.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2016 and 2015, the property taxes receivable is reflected net of an estimated uncollectible allowance of \$0 and \$0, respectively. The uncollectible allowance is based upon historical data established according to experience and other factors which in the judgment of City officials deserves recognition in estimating future possible losses. Management believes it has adequately provided for such losses.

Receivable-Accounts

At June 30, 2016 and 2015, the accounts receivable is reflected net of the estimated uncollectible allowance of \$1,068 and \$1,068, respectively. The uncollectible allowance is based upon historical data established according to experience and other factors which in the judgment of City officials deserve recognition in estimating future possible losses. Management believes it has adequately provided for such losses.

Receivables and Payables

Activities between the funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivable or interfund payable" [current] or "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 the advances are not available for appropriation and are not expendable available financial resources. The City reported 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, an equal amount of fund balance is classified as nonspendable as the amount is not available for appropriation. The City reported no such activity for the years presented.

Capital Assets and Depreciation

Capital assets consist of property, furnishings, equipment, and infrastructure assets [such as roads, sidewalks, traffic signals, street lights, and similar items], and are reported in the applicable governmental activity column of the government-wide financial statements. The City defines capital assets as assets having an initial, individual cost of \$5,000 or more and with 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 do not add to the value of a capital asset or materially extends its life is not capitalized. The major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets, for governmental-type activities, is not included as part of the capitalized value of the capital asset constructed.

Capital assets of the City are depreciated using the straight-line method over the following estimated useful lives:

| Asset Category | Years |
|-----------------------------------|----------|
| Buildings and improvements | 15 to 50 |
| Improvements other than buildings | 5 to 50 |
| Machinery and equipment | 3 to 10 |
| Furniture and office equipment | 3 to 10 |
| Infrastructure assets | 25 to 50 |

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Committed Fund Balance

Committed fund balance consists of Council-committed reserves to fund future accrued compensated absences, capital projects, or for emergency goods and services.

Unearned Revenues

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

Refundable Advances

The City records as refundable advances grant awards which are accounted for as exchange transactions. Refundable advances are not recognized as revenues until the services are performed or the goods are purchased.

Compensated Absences Liability

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

- The obligation relating to an employee's right to receive compensation for future absences is attributable to the 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 has accrued a liability for vacation and personal pay, which has been earned but not taken by City's employees on the government-wide financial statements. As for governmental funds, the long-term liability for compensated absences is reflected only when the liability will be liquidated with expendable available financial resources of the general fund.

During fiscal 2016, the City liquidated \$117,190 of accrued compensated absences which was charged to "General Government-City Administration" function of the general fund [refer to page 8 of the primary government financial statements].

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. The item is deferred contributions and changes in proportion related to pension activity. This amount is reported in the statement of net position as deferred outflows of resources and the changes in proportion are amortized over eleven [CMPFPP] and eight [CMOEPP] years.

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 three items that qualify for reporting in this category: [1] the deferred investment earnings related to pension activity, [2] unavailable property taxes, and [3] unavailable fees and assessments. Item one is the only item not reflected in the fund financial statements balance sheet presentation. These amounts are deferred and recognized as inflows from resources in the period the amounts become available.

Long-Term Debt Obligation

In the government-wide financial statements, long-term debt obligation is reported as a liability in the applicable governmental activities.

In the fund financial statements, when present, governmental fund types recognize bond discounts and related issuance costs in the current period.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the governmental funds. Encumbrances at year-end are reported as assigned fund balance since encumbrances do not constitute expenditures but serve as authorization for expenditures in the subsequent period. At June 30, 2016 and 2015, the City has encumbrances outstanding of \$14,348 and \$34,705, respectively.

Net Position and Fund Equity

In the government-wide 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, and does not include unspent proceeds of capital debt. Restricted net position represents net position restricted by outside parties [such as creditors, grantors, contributors, laws, and regulations of other governments] and may include certain unspent grant award funds. All other net position is considered to be unrestricted.

In the 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 be kept intact. The 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], contributors, grantors, or other governments; or 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 fund 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 fund balance in this classification, as a 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 assessed within the City limits for fiscal year 2016 are \$1.20 per \$100 of assessed valuation and for fiscal year 2015 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 is as follows:

| | |
|--------------------------|---|
| July 1 | - Levy Date |
| July 1-August 31 | - 2% Discount Period |
| September 1-September 30 | - Face Payment Period |
| October 1- | - 6% Penalty plus 1% 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 deposits [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.

At June 30, the City's deposits categorized by level of risk are as follows:

| Category | 2016 | | 2015 | |
|--|---------------------|---------------------|---------------------|---------------------|
| | Book | Bank | Book | Bank |
| 1 | \$ 500,000 | \$ 500,000 | \$ 917,294 | \$ 998,076 |
| 2 | 2,565,153 | 2,651,173 | ... | ... |
| 3 | 1,000 | ... | 1,817,717 | 1,817,717 |
| Total deposits of the primary government | <u>\$ 3,066,153</u> | <u>\$ 3,151,173</u> | <u>\$ 2,735,011</u> | <u>\$ 2,815,793</u> |

At June 30, 2016 and 2015, the City's deposits held primarily by one financial institution are insured with the Federal Deposit Insurance Corporation [FDIC]. Deposits totaling \$3,151,173 and \$2,815,793 held by the financial institutions are in excess of FDIC insurance limits in the amount of \$2,651,173 and \$1,817,717, respectively. The excess FDIC deposits for the fiscal year ended June 30, 2016 are collateralized with U.S. Government securities held by the financial institution in the City's name. Category 3 deposits are subject to custodial risk. Custodial risk is the risk that in the event of a financial institution's failure, the deposits may not be returned to the City.

NOTE 4 - INTERGOVERNMENTAL RECEIVABLES

Due from other governments represents reimbursements and grant awards received from other governmental units. In the government-wide financial statements grant revenues are recognized when expenditures have been incurred for purposes of the grant award, and as long as it meets the measurable and available criteria, they are also recognized in the governmental fund financial statements. At June 30, the intergovernmental receivables are as follows:

| Description | 2016 | 2015 |
|--|-----------------|------------------|
| Passed through the State of Delaware: | | |
| Delaware Criminal Justice Council [CJC] | \$... | \$ 9,142 |
| Delaware Department of Transportation [DELDOT] | ... | 14,464 |
| Delaware Department of Natural Resources and Environmental Control [DNREC] | <u>1,815</u> | <u>...</u> |
| Total intergovernmental receivables | <u>\$ 1,815</u> | <u>\$ 23,606</u> |

NOTE 5 - RELATED PARTY TRANSACTIONS

The Municipal Services Commission [MSC], the only component unit of the City of New Castle, Delaware, appropriated \$569,350 and \$509,375 to the Mayor and Council of the City of New Castle for the years ended June 30, 2016 and 2015, respectively.

In addition, MSC provided, at no cost to the City, electric and water service for municipal buildings and other municipal activities valued at \$103,301 and \$105,318 for the years ended June 30, 2016 and 2015, respectively.

CITY OF NEW CASTLE, DELAWARE
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - CAPITAL ASSETS

The schedule summarizes the annual changes in the activity of the capital assets:

| Description | As of and Year Ended June 30, 2016 | | | |
|--|------------------------------------|--------------|------------|-----------------|
| | Beginning Balances | Additions | Deletions | Ending Balances |
| Governmental activities: | | | | |
| Capital assets, not depreciated: | | | | |
| Land | \$ 2,327,735 | \$... | \$... | \$ 2,327,735 |
| Streets and Roads | 23,859,264 | ... | ... | 23,859,264 |
| Construction in progress: | | | | |
| Buildings and improvements | ... | ... | ... | ... |
| Streets and sidewalks | ... | 565,900 | 472,288 | 93,612 |
| Trees, trails and landscape | 22,931 | 121,156 | ... | 144,087 |
| Total capital assets, not being depreciated | 26,209,930 | 687,056 | 472,288 | 26,424,698 |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | 2,737,664 | ... | ... | 2,737,664 |
| Furniture and equipment | 695,328 | ... | ... | 695,328 |
| Vehicles | 1,157,516 | 190,074 | 67,456 | 1,280,134 |
| Streets and sidewalks | 5,697,120 | 739,984 | ... | 6,437,104 |
| Trees, trails and landscape | ... | ... | ... | ... |
| Total being depreciated | 10,287,628 | 930,058 | 67,456 | 11,150,230 |
| Less accumulated depreciation: | | | | |
| Buildings and improvements | 1,233,185 | 65,994 | ... | 1,299,179 |
| Furniture and equipment | 404,252 | 43,638 | ... | 447,890 |
| Vehicles | 864,126 | 48,601 | 43,204 | 869,523 |
| Streets and sidewalks | 4,069,117 | 171,115 | ... | 4,240,232 |
| Trees, trails and landscape | ... | ... | ... | ... |
| Total accumulated depr. | 6,570,680 | 329,348 | 43,204 | 6,856,824 |
| Total capital assets, being depreciated, net | 3,716,948 | 600,710 | 24,252 | 4,293,406 |
| Net capital assets | \$29,926,878 | \$ 1,287,766 | \$ 496,540 | \$30,718,104 |

| Description | As of and Year Ended June 30, 2015 | | | |
|--|------------------------------------|--------------|-----------|-----------------|
| | Beginning Balances | Additions | Deletions | Ending Balances |
| Governmental activities: | | | | |
| Capital assets, not depreciated: | | | | |
| Land | \$ 2,327,735 | \$... | \$... | \$ 2,327,735 |
| Streets and Roads | 23,859,264 | ... | ... | 23,859,264 |
| Construction in progress: | | | | |
| Buildings and improvements | ... | ... | ... | ... |
| Streets and sidewalks | ... | ... | ... | ... |
| Trees, trails and landscape | ... | 22,931 | ... | 22,931 |
| Total capital assets, not being depreciated | 26,186,999 | 22,931 | ... | 26,209,930 |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | 2,737,664 | ... | ... | 2,737,664 |
| Furniture and equipment | 695,328 | ... | ... | 695,328 |
| Vehicles | 1,154,016 | 3,500 | ... | 1,157,516 |
| Streets and sidewalks | 5,697,120 | ... | ... | 5,697,120 |
| Trees, trails and landscape | ... | ... | ... | ... |
| Total being depreciated | 10,284,128 | 3,500 | ... | 10,287,628 |
| Less accumulated depreciation: | | | | |
| Buildings and improvements | 1,163,903 | 69,282 | ... | 1,233,185 |
| Furniture and equipment | 359,077 | 45,175 | ... | 404,252 |
| Vehicles | 807,395 | 56,731 | ... | 864,126 |
| Streets and sidewalks | 3,910,284 | 158,833 | ... | 4,069,117 |
| Trees, trails and landscape | ... | ... | ... | ... |
| Total accumulated depr. | 6,240,659 | 330,021 | ... | 6,570,680 |
| Total capital assets, being depreciated, net | 4,043,469 | (326,521) | ... | 3,716,948 |
| Net capital assets | \$30,230,468 | \$ (303,590) | \$... | \$29,926,878 |

NOTE 7 - 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 and insurance settlements have not exceeded insurance coverage.

NOTE 8 - LONG-TERM DEBT OBLIGATIONS

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

| Description | As of and Year Ended June 30, 2016 | | | | |
|------------------------------|------------------------------------|-------------------|-------------------|-------------------|---------------------|
| | Beginning Balances | Additions | Deletions | Ending Balances | |
| | | | | Long-term Portion | Due Within One Year |
| Accrued employee benefits | \$ 471,073 | \$... | \$ 54,065 | \$ 417,008 | \$... |
| Federal stimulus loan | 48,778 | ... | 48,778 | ... | ... |
| Note payable-CFNB | 62,664 | 18,481 | 46,623 | ... | 34,522 |
| Note payable-CFNB | ... | 112,250 | 23,821 | 67,377 | 21,052 |
| Note payable-CFNB | ... | 43,643 | 14,987 | 14,558 | 14,098 |
| Total debt obligation | \$ 582,515 | \$ 174,374 | \$ 188,274 | \$ 498,943 | \$ 69,672 |

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 to the City earned sick and vacation time upon separation of employment from the City. The balance of the accrued employee benefits at June 30, 2016 and 2015 is reflected above. To fund the accrued employee benefits liability, the City established a separate bank account which reflects a balance of \$116,921 and \$189,111 at June 30, 2016 and 2015, respectively.

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 federal stimulus loan amount was forgiven while the other half was to 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. On July 17, 2013, the Federal Stimulus Loan [loan] was modified to reflect the ARRA funding source to that of the Delaware Water Pollution Control Revolving Fund's base loan program. The remaining cost of the project amounting to \$388,127 was funded with local financial resources. 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 final payment on the loan was made during fiscal year 2016. Total interest paid on the loan is \$244 and \$3,390 for the years ended June 30, 2016 and 2015, respectively.

Note Payable-Community First National Bank [CFNB]

On May 14, 2014, the City entered into a Master Equipment Lease-Purchase Agreement to purchase four 2014 Dodge Chargers and a Dodge Durango. The Master Equipment Lease-Purchase Agreement calls for three equal annual installments of \$32,744.36 [principal and interest] with the first payment due July 15, 2014, and carries an annual interest rate of 3.00%. On October 28, 2015, one of the vehicles financed was totaled in an accident and the insurance proceeds were used to repay that portion of the loan. On November 13, 2015, the loan agreement was amended to borrow an additional \$18,481 to purchase a replacement for the totaled vehicle. Total interest paid on the loan is \$2,188 and \$488 for the years ended June 30, 2016 and 2015, respectively. At June 30, 2016, the repayment schedule is as follows:

| Year Ending June 30, 2017 | Principal | Interest | Total |
|---------------------------|-----------|----------|-----------|
| Total required payments | \$ 34,522 | \$ 964 | \$ 35,486 |

NOTE 8 - LONG-TERM DEBT OBLIGATIONS (continued)

Note Payable-Community First National Bank [CFNB]

On August 3, 2015, the City entered into a Master Equipment Lease-Purchase Agreement to purchase one 2016 Ford F-750. The Master Equipment Lease-Purchase Agreement calls for five equal annual installments of \$23,943.54 [principal and interest] with the first payment due August 15, 2015, and carries an annual interest rate of 3.27%. Total interest paid on the loan is \$122 for the year ended June 30, 2016. At June 30, 2016, the repayment schedule is as follows:

| <u>Years Ending June 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------------------|------------------|-----------------|------------------|
| 2017 | \$ 21,052 | \$ 2,892 | \$ 23,944 |
| 2018 | 21,740 | 2,204 | 23,944 |
| 2019 | 22,452 | 1,492 | 23,944 |
| 2020 | <u>23,185</u> | <u>759</u> | <u>23,944</u> |
| Total required payments | \$ 88,429 | \$ 7,347 | \$ 95,776 |

Note Payable-Community First National Bank [CFNB]

On August 3, 2015, the City entered into a Master Equipment Lease-Purchase Agreement to purchase one 2015 Chevy Tahoe and one 2014 Dodge Charger. The Master Equipment Lease-Purchase Agreement calls for three equal annual installments of \$15,034.56 [principal and interest] with the first payment due August 15, 2015, and carries an annual interest rate of 3.27%. Total interest paid on the loan is \$48 for the year ended June 30, 2016. At June 30, 2016, the repayment schedule is as follows:

| <u>Years Ending June 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------------------|------------------|-----------------|------------------|
| 2017 | \$ 14,098 | \$ 937 | \$ 15,035 |
| 2018 | <u>14,558</u> | <u>477</u> | <u>15,035</u> |
| Total required payments | \$ 28,656 | \$ 1,414 | \$ 30,070 |

NOTE 9 - DEFINED BENEFIT PENSION PLANS

The following schedules summarize the financial information regarding the City's two defined-benefit pension plans:

| <u>At June 30, 2016</u> | | | |
|---|--------------------------------------|---------------------------|-------------------|
| <u>Plan</u> | <u>Net Pension Liability (Asset)</u> | <u>Deferred Resources</u> | |
| | | <u>Outflows</u> | <u>Inflows</u> |
| County & Municipal Police and Firefighters' Pension Plan proportionate share [CMPFPP] | \$ (90,077) | \$ 204,020 | \$ 69,405 |
| County & Municipal Other Employees' Pension Plan proportionate share [CMOEPP] | <u>1,513</u> | <u>57,342</u> | <u>41,105</u> |
| Totals | \$ (88,564) | \$ 261,362 | \$ 110,510 |

| <u>At June 30, 2015</u> | | | |
|---|--------------------------------------|---------------------------|-------------------|
| <u>Plan</u> | <u>Net Pension Liability (Asset)</u> | <u>Deferred Resources</u> | |
| | | <u>Outflows</u> | <u>Inflows</u> |
| County & Municipal Police and Firefighters' Pension Plan proportionate share [CMPFPP] | \$ (177,172) | \$ 159,800 | \$ 869,550 |
| County & Municipal Other Employees' Pension Plan proportionate share [CMOEPP] | <u>(13,121)</u> | <u>63,531</u> | <u>90,331</u> |
| Totals | \$ (190,293) | \$ 223,331 | \$ 959,881 |

NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)

County & Municipal Police and Firefighters' Pension Plan [CMPFPP]

The City's first defined-benefit pension plan is part of the "County & Municipal Police and Firefighters' Pension Plan" [the "CMPFPP"] which is a cost-sharing multiple-employer defined-benefit pension plan established in the Delaware Code. The State of Delaware's General Assembly is responsible for setting benefits and contributions and amending the plan provisions; administrative rules and regulations are adopted and maintained by the Board of Pension Trustees [the "Board"]. Plan management is the responsibility of the Board, which is comprised of five members appointed by the Governor and confirmed by the State Senate, plus two exofficio members. The daily operation is the responsibility of the Delaware Office of Pensions. Although most of the assets of the Plan are commingled with other plans for investment purposes, the Plan's assets may be used only for the payment of benefits to the members of the Plan in accordance with the terms of the Plan. The following is a brief description of the Plan in effect at June 30, 2015 and 2014. For a more complete Plan description, refer to the Delaware Public Employee's Retirement System [the "DPERS"] CAFR.

Separately issued financial statements for the DPERS are available from the Delaware pension office at: McArdle Building, Suite 1; 860 Silver Lake Boulevard; Dover, Delaware 19904.

General Information About the Plan

Plan Description and Eligibility: The Plan covers police officers and firefighters employed by a County or a Municipality of the State of Delaware that have joined the Plan, such as the City of New Castle.

Service Benefits: Final average monthly compensation multiplied by 2.50% and multiplied by years of credited service up to 20 years, plus 3.50% of final average monthly compensation multiplied by years of service in excess of 20 years. For the Plan, final average monthly compensation is the monthly average of the highest three consecutive years of compensation.

Vesting: Five years of credited service.

Retirement: Age 62 with 5 years of credited service; age plus credited service [but not less than 10 years] equals 75; or 20 years credited service.

Disability Benefits:

- **Duty-Total Disability:** 75% of final average compensation plus 10% for each dependent not to exceed 25% for all dependents.
- **Duty-Partial Disability:** Calculated the same as Service Benefits, subject to minimum 50% of final average compensation.
- **NonDuty:** Same as Service Benefits. Total disability subject to a minimum 50% of final average monthly compensation plus 5% for each dependent not to exceed 20% for all dependents. Partial disability to a minimum of 30% of final average monthly compensation.

Survivor Benefits: If employee is receiving a pension, the eligible survivor receives 50% of pension; if employee is active, eligible survivor receives 50% of pension the employee would have received at age 62. If member is killed in the line of duty, eligible survivor receives 75% of member's compensation.

Contributions:

- **Employer:** Determined by Board of Pension Trustees. Employer contributions were 14.20% and 15.50% of employee earnings for fiscal 2015 and 2014, respectively.
- **Member:** 7% of compensation.

NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)

County & Municipal Police and Firefighters' Pension Plan [CMPFPP] (continued)

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

At June 30, 2016 and 2015, the City reported a pension liability (asset) of \$(90,077) and \$(177,172), respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015 and 2014, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of the contributions to the pension plan relative to the total projected contributions of the State and all participating Counties and municipalities within the State of Delaware, actuarially determined. At June 30, 2015 and 2014, the City's proportion was 1.7091 and 1.6378 percent, which was an increase of 0.0713 and a decrease of 8.3855 percent from its proportion measured as of June 30, 2014 and 2013, respectively.

As a result of its requirement to contribute to the DPERS, the City recognized pension expense (contribution) of \$(610,682) and \$(152,165) for the years ended June 30, 2016 and 2015, respectively. At June 30, 2016 and 2015, the City reported deferred outflows and inflows of resources from the following sources resulting from its requirement to contribute to DPERS:

| Description | Deferred Resources | | | |
|--|--------------------|------------------|-------------------|-------------------|
| | 2016 | | 2015 | |
| | Outflows | Inflows | Outflows | Inflows |
| Differences between expected and actual experience | \$... | \$ 46,737 | \$... | \$... |
| Changes of assumptions | ... | ... | ... | ... |
| Net difference between projected and actual earnings on pension plan investments | ... | 22,668 | ... | 869,550 |
| Contributions subsequent to the measurement date | 146,588 | ... | 159,800 | ... |
| Change in proportion and differences between City contributions and proportionate share of contributions | 57,432 | ... | ... | ... |
| Totals | \$ 204,020 | \$ 69,405 | \$ 159,800 | \$ 869,550 |

\$146,588 and \$159,800 reported as deferred outflows of resources related to the pension resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the years ending June 30, 2017 and 2016, respectively. The other amounts reported as deferred outflows and inflows of resources will be recognized in the pension expense as follows:

| Years Ending June 30 | 2016 | 2015 |
|----------------------|------------------|-------------------|
| 2016 | \$... | \$ 173,910 |
| 2017 | 18,819 | 173,910 |
| 2018 | 18,819 | 173,910 |
| 2019 | (38,068) | 173,910 |
| 2020 | (1,069) | 173,910 |
| 2021 | (1,069) | ... |
| 2022 and thereafter | 14,541 | ... |
| Totals | \$ 11,973 | \$ 869,550 |

NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)

County & Municipal Police and Firefighters' Pension Plan [CMPFPP] (continued)

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions (continued)

Actuarial assumptions: The total pension liability in the June 30, 2015 and 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| Description | Percentages | |
|----------------------------|--------------------------------------|--------------------------------------|
| | 2015 | 2014 |
| Inflation | 3.00% | 3.00% |
| Projected salary increases | 4.00% to 11.50%, including inflation | 4.00% to 11.50%, including inflation |
| Investment rate of return | 7.20%, net of expenses | 7.20%, net of expenses |
| Cost-of-living adjustments | n/a | Ad hoc |

The total pension liabilities are measured based on assumptions pertaining to the interest rates, inflation rates, and employee demographic behavior in future years. The assumptions used were based on the results of an actuarial experience study conducted in 2011. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates the larger the impact on future financial statements.

Mortality rates were based on the Sex distinct RP-2000 combined Mortality Table projected to 2015 and 2014 using scale AA for Males and Females, as appropriate, for mortality improvement.

Projected benefit payments do not include the effects of projected ad hoc cost-of-living adjustments [ad hoc COLAs] as they are not substantively automatic. The primary considerations relevant to making this determination include the historical pattern of granting the changes and the consistency in the amounts of the changes.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return [expected returns, net of investment expense and inflation] are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by an asset allocation percentage, which is based on the nature and mix of current and expected Plan investments, and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the System's current and expected asset allocation is summarized in the following table:

| Asset Class | Long-Term Expected Real Rate of Return | | Asset Allocations | |
|-------------------------|--|-------|-------------------|--------|
| | 2015 | 2014 | 2015 | 2014 |
| Domestic equity | 5.70% | 5.70% | 36.50% | 36.50% |
| International equity | 5.70% | 5.70% | 16.50% | 16.50% |
| Fixed income | 2.00% | 2.00% | 22.60% | 22.60% |
| Alternative investments | 7.80% | 7.80% | 19.60% | 19.60% |
| Cash and equivalents | 0.00% | 0.00% | 4.80% | 4.80% |

Discount rate: The discount rate for the Plan used to measure the total pension liability was 7.20% for both periods presented. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at rates determined by the Board of Pension Trustees, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)

County & Municipal Police and Firefighters' Pension Plan [CMPFPP] (continued)

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions (continued)

Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate: The following presents the City's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.20%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

| Plan | 1% Decrease [6.20%] | Current Discount Rate [7.20%] | 1% Increase [8.20%] |
|--|---------------------------|--|---------------------------|
| Police Officers of City of New Castle's County & Municipal Police and Firefighters' Pension Plan [CMPFPP]: | | | |
| Fiscal year 2016 | \$ 390,847 | \$ (90,077) | \$ (812,852) |
| Fiscal year 2015 | \$ 464,231 | \$ (177,172) | \$ (702,497) |

County & Municipal Other Employees' Pension Plan [CMOEPP]

The City's second defined-benefit pension plan is part of the "County & Municipal Other Employees' Pension Plan" [the "CMOEPP"] which is a cost-sharing multiple-employer defined-benefit pension plan established in the Delaware Code. The State of Delaware's General Assembly is responsible for setting benefits and contributions and amending the plan provisions; administrative rules and regulations are adopted and maintained by the Board of Pension Trustees [the "Board"]. Plan management is the responsibility of the Board, which is comprised of five members appointed by the Governor and confirmed by the State Senate, plus two exofficio members. The daily operation is the responsibility of the Delaware Office of Pensions. Although most of the assets of the Plan are commingled with other plans for investment purposes, the Plan's assets may be used only for the payment of benefits to the members of the Plan in accordance with the terms of the Plan. The following is a brief description of the Plan in effect at June 30, 2015 and 2014. For a more complete Plan description, refer to the Delaware Public Employee's Retirement System [the "DPERS"] CAFR.

Separately issued financial statements for the DPERS are available from the Delaware pension office at: McArdle Building, Suite 1; 860 Silver Lake Boulevard; Dover, Delaware 19904.

General Information About the Plan

Plan Description and Eligibility: The Plan covers other employees of a County or a Municipality of the State of Delaware that have joined the Plan, such as the City of New Castle.

Service Benefits: 1/60th of final average monthly compensation multiplied by years of credited service, subject to maximum limitations. For the Plan, final average monthly compensation is the monthly average of the highest five years of compensation.

Vesting: 5 years of credited service.

Retirement: Age 62 with 5 years of credited service; age 60 with 15 years of credited service; or 30 years of credited service.

Disability Benefits: Same as Service Benefits. Employees must have 5 years of credited service.

Survivor Benefits: If employee is receiving a pension, the eligible survivor receives 50% of pension; if employee is active, eligible survivor receives 50% of pension the employee would have received at age 62.

NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)

County & Municipal Other Employees' Pension Plan [CMOEPP] (continued)

General Information About the Plan (continued)

Contributions:

- **Employer:** Determined by Board of Pension Trustees. Employer contributions were 6.50% and 6.60% of employee earnings for fiscal years 2015 and 2014, respectively.
- **Member:** 3% of earnings in excess of \$6,000.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

At June 30, 2016 and 2015, the City reported a pension liability (asset) of \$1,513 and \$(13,121), respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015 and 2014, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the total projected contributions of the State and all participating Counties and municipalities within the State of Delaware, actuarially determined. At June 30, 2015 and 2014, the City's proportion was 3.5470 and 3.5643 percent, which was a decrease of 0.0173 and 1.0337 percent from its proportion measured as of June 30, 2014 and 2013, respectively.

As a result of its requirement to contribute to the DPERS, the City recognized pension expense of \$28,939 and \$23,788 for the years ended June 30, 2016 and 2015, respectively. At June 30, 2016 and 2015, the City reported deferred outflows and inflows of resources from the following sources as a result of its requirement to contribute to DPERS:

| Description | Deferred Resources | | | |
|--|--------------------|------------------|------------------|------------------|
| | 2016 | | 2015 | |
| | Outflows | Inflows | Outflows | Inflows |
| Differences between expected and actual experience | \$... | \$ 18,975 | \$... | \$... |
| Changes of assumptions | ... | ... | ... | ... |
| Net difference between projected and actual earnings on pension plan investments | ... | 7,470 | ... | 90,331 |
| Contributions subsequent to the measurement date | 57,342 | ... | 63,531 | ... |
| Change in proportion and differences between City contributions and proportionate share of contributions | ... | 14,660 | ... | ... |
| Totals | \$ 57,342 | \$ 41,105 | \$ 63,531 | \$ 90,331 |

\$57,342 and \$63,531 reported as deferred outflows of resources related to the pension resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the years ending June 30, 2017 and 2016, respectively. The other amounts reported as deferred outflows and inflows of resources will be recognized in the pension expense as follows:

| Years Ending June 30 | 2016 | 2015 |
|----------------------|------------------|------------------|
| 2016 | \$... | \$ 12,904 |
| 2017 | 11,469 | 12,904 |
| 2018 | 11,468 | 12,904 |
| 2019 | (6,070) | 12,904 |
| 2020 | 5,217 | 12,905 |
| 2021 | 5,217 | 12,905 |
| 2022 and thereafter | 13,804 | 12,905 |
| Total | \$ 41,105 | \$ 90,331 |

NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)

County & Municipal Other Employees' Pension Plan [CMOEPP] (continued)

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions (continued)

Actuarial assumptions: The total pension liability in the June 30, 2015 and 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| Description | Percentages | |
|----------------------------|--------------------------------------|--------------------------------------|
| | 2015 | 2014 |
| Inflation | 3.00% | 3.00% |
| Projected salary increases | 3.50% to 11.50%, including inflation | 3.50% to 11.50%, including inflation |
| Investment rate of return | 7.20%, net of expenses | 7.20%, net of expenses |
| Cost-of-living adjustments | n/a | Ad hoc |

The total pension liabilities are measured based on assumptions pertaining to the interest rates, inflation rates, and employee demographic behavior in future years. The assumptions used were based on the results of an actuarial experience study conducted in 2011. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates the larger the impact on future financial statements.

Mortality rates were based on the Sex distinct RP-2000 combined Mortality Table projected to 2015 and 2014 using scale AA for Males and Females, as appropriate, for mortality improvement.

Projected benefit payments do not include the effects of projected ad hoc cost-of-living adjustments [ad hoc COLAs] as they are not substantively automatic. The primary considerations relevant to making this determination include the historical pattern of granting the changes and the consistency in the amounts of the changes.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return [expected returns, net of investment expense and inflation] are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by an asset allocation percentage, which is based on the nature and mix of current and expected Plan investments, and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the System's current and expected asset allocation is summarized in the following table:

| Asset Class | Long-Term Expected Real Rate of Return | | Asset Allocations | |
|-------------------------|--|-------|-------------------|--------|
| | 2015 | 2014 | 2015 | 2014 |
| Domestic equity | 5.70% | 5.70% | 36.50% | 36.50% |
| International equity | 5.70% | 5.70% | 16.50% | 16.50% |
| Fixed income | 2.00% | 2.00% | 22.60% | 22.60% |
| Alternative investments | 7.80% | 7.80% | 19.60% | 19.60% |
| Cash and equivalents | 0.00% | 0.00% | 4.80% | 4.80% |

Discount rate: The discount rate for the Plan used to measure the total pension liability was 7.20% for both periods presented. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at rates determined by the Board of Pension Trustees, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)

County & Municipal Other Employees' Pension Plan [CMOEPP] (continued)

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions (continued)

Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate: The following presents the City's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.20%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

| Plan | 1% Decrease [6.20%] | Current Discount Rate [7.20%] | 1% Increase [8.20%] |
|--|---------------------------|--|---------------------------|
| Other Employees of City of New Castle's County & Municipal Other Employees' Pension Plan [CMOEPP]: | | | |
| Fiscal year 2016 | \$ 121,911 | \$ 1,513 | \$ (210,702) |
| Fiscal year 2015 | \$ 172,800 | \$ (13,121) | \$ (166,385) |

NOTE 10 - LEASING ARRANGEMENTS AS LESSEE

The City leases and/or leased office equipment under operating leasing arrangements expiring at various dates listed below. The following table summarizes the leasing arrangements:

| Description | Monthly Rentals | Expiration Date |
|--------------------------------------|--------------------|-----------------|
| Cannon Model 15-3230 Copier System | \$ 189.56 | June, 2016 |
| Cannon Model IRC 3480 Copier System | 277.49 | June, 2016 |
| Ricoh Copier System | 197.20 | August, 2019 |
| Cannon Model IRC 5235A Copier System | 319.15 | August, 2019 |

At June 30, 2016, the minimum future rental payments required under non-cancelable operating leasing arrangements having remaining terms in excess of one year in the aggregate are as follows:

| Years Ending June 30 | Amount |
|---|-----------|
| 2017 | \$ 5,558 |
| 2018 | 6,196 |
| 2019 | 6,196 |
| 2020 | 1,032 |
| Total minimum future rental payments required | \$ 18,982 |

Total rental expense/expenditure is \$9,143 and \$8,800 for the years ended June 30, 2016 and 2015, respectively.

NOTE 11 - LEASING ARRANGEMENTS AS LESSOR

The City is the lessor of certain property under non-cancelable operating leasing arrangements expiring at various dates. The following schedule summarizes the property held for lease at June 30, 2016:

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

At June 30, 2016, the minimum future rental revenues under non-cancelable leasing arrangements having remaining terms in excess of one year in the aggregate are as follows:

| Years Ending June 30 | Land Lease | Air Rights |
|---|----------------------|--------------------------|
| 2017 | \$... | \$ 49,665 |
| 2018 | ... | <u>51,011</u> |
| Total minimum future rental revenues | <u>\$...</u> | <u>\$ 100,676</u> |

Certain leasing arrangements are generally based on a percentage of lessee collections and as such rental revenue is estimated based on current available information for future years. Total rental revenue received for the years ended June 30, 2016 and 2015 is \$62,476 and \$108,460, respectively.

NOTE 12 - COMMITMENTS AND CONTINGENCIES

In the normal course of business, there are outstanding various commitments and contingent liabilities in addition to the normal encumbrances for the purchase of goods and services. The City does not anticipate 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 contract covers all uniformed police officers for the period July 1, 2014 to June 30, 2017.

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 for the periods July 1, 2015 to June 30, 2018.

Government Grant Awards

The City participates in a number of federally and state assisted grant awards. These grant awards are subject to compliance audits by the grantors or their representatives. Accordingly, the City's compliance with the applicable compliance requirements will be established at a future date. The amount of expenditures, if any, not already disclosed which may be disallowed by the granting agencies cannot be determined at this time although the City expects such amounts to be immaterial to the financial statements.

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, 2016, the City is involved in one dispute which the City solicitor anticipates will not result in significant financial liability to the City.

NOTE 13 - RESTATEMENT OF BEGINNING FUND BALANCE

At June 30, 2014, the reduction in the City's general fund fund balance by \$68,848 is a result of the adoption of the accrual basis of accounting applicable to governments. The net change to the general fund fund balance is as follows:

| Description | Amount |
|---|---------------------|
| Overstatement of accounts receivable-other | \$ (845) |
| Overstatement of deferred inflows-property taxes | 18,306 |
| Understatement of accounts payable and other | (30,654) |
| Understatement of accrued wages and related taxes | (55,655) |
| Net adjustment due to change to accrual basis of accounting | (68,848) |
| General fund-fund balance, as previously reported | <u>1,245,313</u> |
| General fund-fund balance, as restated [refer to page 8] | <u>\$ 1,176,465</u> |

NOTE 14 - GASB STATEMENT IMPLEMENTATION

The City has implemented GASB Statement No. 72, *Fair Value Measurement and Application*. The objective of the Statement is to improve financial reporting by [1] clarifying the definition of fair value for financial reporting purposes, [2] establishing general principles for measuring fair value, [3] providing additional fair value application guidance, and [4] enhancing disclosures about fair value measurements. These improvements are based in part on the concepts and definitions established in Concepts Statement No. 6, *Measurement of Elements of Financial Statements*, and other relevant literature. Statement implementation had no impact on the City's financial reporting.

NOTE 15 - RESTATEMENT OF BEGINNING NET POSITION

At June 30, 2014, the reduction in the City's net position by \$897,964 is a direct result of GASB Statements No. 68 and 71 implementation. Total restatement is as follows:

| Pension Plans | Net Pension Liability |
|--|-----------------------|
| County & Municipal Police and Firefighters' Pension Plan proportionate share [CMPFPP] | \$ 844,543 |
| County & Municipal Other Employees' Pension Plan proportionate share [CMOEP] | <u>53,421</u> |
| Restatement due to adoption of pension standards [refer to page 5] | <u>\$ 897,964</u> |

At June 30, 2014, the increase in the City's net position by \$29,293,881 is a result of the adoption of the accrual basis of accounting applicable to governments. The total restatement is as follows:

| Description | Amount |
|--|---------------------|
| Overstatement of accounts receivable-other | \$ (845) |
| Overstatement of deferred inflows-property taxes | 18,306 |
| Understatement of accounts payable and other | (30,654) |
| Understatement of accrued wages and relates taxes | (55,655) |
| Understatement of capital assets, net accumulated depreciation | 30,230,468 |
| Understatement of compensated absences liability | (502,621) |
| Understatement of long-term debt obligations | <u>(365,118)</u> |
| Net position, as restated [refer to page 5] | <u>\$29,293,881</u> |

NOTE 16 - EVALUATION OF SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date of the auditor's report, the date on which the primary government financial statements were available to be issued. Management has determined that no additional disclosures or adjustments are necessary to the primary government financial statements.

Required Supplementary Information [RSI] Section

CITY OF NEW CASTLE, DELAWARE

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE—BUDGET AND ACTUAL—GENERAL FUND
 Year Ended June 30, 2016

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|---|------------------|------------------|-------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Taxes: | | | | |
| Property taxes | \$ 3,035,000 | \$ 3,035,000 | \$ 3,142,563 | \$ 107,563 |
| Property transfer taxes | 250,000 | 250,000 | 594,642 | 344,642 |
| Cable franchise taxes | 100,000 | 100,000 | 120,911 | 20,911 |
| Licenses and permits | 280,000 | 280,000 | 350,249 | 70,249 |
| Intergovernmental-Federal | ... | ... | 50,541 | 50,541 |
| Intergovernmental-State | ... | ... | ... | ... |
| Police fines and court fees | 50,000 | 50,000 | 29,724 | (20,276) |
| Charges for services | 73,000 | 73,000 | 57,572 | (15,428) |
| Interest and rents | 72,000 | 72,000 | 64,687 | (7,313) |
| Miscellaneous revenues | 13,500 | 13,500 | 30,045 | 16,545 |
| Total revenues | 3,873,500 | 3,873,500 | 4,440,934 | 567,434 |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government: | | | | |
| City Administration | 690,165 | 690,165 | 698,068 | (7,903) |
| Board of Adjustments | 5,500 | 5,500 | 2,208 | 3,292 |
| Building maintenance | 33,460 | 33,460 | 2,433 | 31,027 |
| Insurance costs | 301,228 | 301,228 | 340,763 | (39,535) |
| Outside professional services | 92,750 | 92,750 | 109,533 | (16,783) |
| Public safety | 1,940,737 | 1,940,737 | 1,878,359 | 62,378 |
| Public services | 1,236,501 | 1,236,501 | 1,104,981 | 131,520 |
| Parks and recreation | 106,200 | 106,200 | 115,713 | (9,513) |
| Committees and commissions | 17,850 | 17,850 | 25,542 | (7,692) |
| Capital outlay | 190,000 | 190,000 | 282,213 | (92,213) |
| Debt service | 65,100 | 65,100 | 87,789 | (22,689) |
| Total expenditures | 4,679,491 | 4,679,491 | 4,647,602 | 31,889 |
| EXCESS (DEFICIT) OF | | | | |
| REVENUES OVER EXPENDITURES | (805,991) | (805,991) | (206,668) | 599,323 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Proceeds from new financing | ... | ... | 174,374 | 174,374 |
| Proceeds from sale of capital assets | 32,500 | 32,500 | 75,650 | 43,150 |
| Annual appropriation: | | | | |
| Municipal Services Commission | 528,125 | 528,125 | 569,350 | 41,225 |
| Operating transfers (out) in | 8,837 | 8,837 | 36,969 | 28,132 |
| Total other financing sources (uses) | 569,462 | 569,462 | 856,343 | 286,881 |
| NET CHANGE IN FUND BALANCE | (236,529) | (236,529) | 649,675 | 886,204 |
| FUND BALANCES | | | | |
| Beginning of year | 236,529 | 236,529 | 1,410,917 | 1,174,388 |
| End of year | \$... | \$... | \$ 2,060,592 | \$ 2,060,592 |

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 accrual basis of accounting. Accordingly, the accompanying budgetary comparison schedule for the general fund presents actual expenditures in accordance with the accrual basis consistent with the legally adopted budget as amended. Unexpended appropriations on the annual budgets lapse at the end of each fiscal year.

Material Violations

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

See Report of Independent Auditor

CITY OF NEW CASTLE, DELAWARE

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
OF THE COUNTY & MUNICIPAL POLICE AND FIREFIGHTERS' PENSION PLAN [CMPFPP]
As of and Years Ended June 30,

| | <u>2016</u> | <u>2015</u> |
|--|---------------------|---------------------|
| City's proportion of net pension liability (asset) | <u>1.7091%</u> | <u>1.6378%</u> |
| City's proportionate share of net pension liability (asset) | <u>\$ (90,077)</u> | <u>\$ (177,172)</u> |
| City's covered-employee payroll | <u>\$ 1,126,936</u> | <u>\$ 1,085,123</u> |
| City's proportionate share of net pension liability (asset) as a percentage of its covered-employee payroll | <u>(7.99)%</u> | <u>(16.33)%</u> |
| Plan's fiduciary net position as percentage of total pension liability | <u>101.97%</u> | <u>104.47%</u> |

Note to Schedule:

The amounts presented above are determined at June 30 of the preceding year.

See Report of Independent Auditor

CITY OF NEW CASTLE, DELAWARE
 SCHEDULE OF PENSION CONTRIBUTIONS
 OF THE COUNTY & MUNICIPAL POLICE AND FIREFIGHTERS' PENSION PLAN [CMPFPP]
 Years Ended June 30,

| | <u>2016</u> | <u>2015</u> |
|--|---------------------|---------------------|
| Contractually required contribution | \$ 146,588 | \$ 159,800 |
| Contributions in relation to contractually required contribution | <u>146,588</u> | <u>159,800</u> |
| Annual contribution (deficiency) excess | <u>\$. . .</u> | <u>\$. . .</u> |
| City covered-employee payroll | <u>\$ 1,058,392</u> | <u>\$ 1,126,936</u> |
| Contributions as percentage of covered-employee payroll | <u>13.85%</u> | <u>14.18%</u> |

See Report of Independent Auditor

CITY OF NEW CASTLE, DELAWARE

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
OF THE COUNTY & MUNICIPAL OTHER EMPLOYEES' PENSION PLAN [CMOEPP]
As of and Years Ended June 30,

| | <u>2016</u> | <u>2015</u> |
|--|-------------------|--------------------|
| City's proportion of net pension liability (asset) | <u>3.5470%</u> | <u>3.5643%</u> |
| City's proportionate share of net pension liability (asset) | <u>\$ 1,513</u> | <u>\$ (13,121)</u> |
| City's covered-employee payroll | <u>\$ 980,414</u> | <u>\$ 963,705</u> |
| City's proportionate share of net pension liability (asset) as a percentage of its covered-employee payroll | <u>0.15%</u> | <u>(1.36)%</u> |
| Plan's fiduciary net position as percentage of total pension liability | <u>99.89%</u> | <u>101.07%</u> |

Note to Schedule:

The amounts presented above are determined at June 30 of the preceding year.

See Report of Independent Auditor

CITY OF NEW CASTLE, DELAWARE
 SCHEDULE OF PENSION CONTRIBUTIONS
 OF THE COUNTY & MUNICIPAL OTHER EMPLOYEES' PENSION PLAN [CMOEPP]
 Years Ended June 30,

| | <u>2016</u> | <u>2015</u> |
|--|-------------------|-------------------|
| Contractually required contribution | \$ 57,342 | \$ 63,531 |
| Contributions in relation to contractually required contribution | <u>57,342</u> | <u>63,531</u> |
| Annual contribution (deficiency) excess | <u>\$. . .</u> | <u>\$. . .</u> |
| City covered-employee payroll | <u>\$ 923,387</u> | <u>\$ 980,414</u> |
| Contributions as percentage of covered-employee payroll | <u>6.21%</u> | <u>6.48%</u> |

See Report of Independent Auditor

Supplementary Information Section

CITY OF NEW CASTLE, DELAWARE
 COMBINING BALANCE SHEET-SPECIAL REVENUE FUND
 As of June 30, 2016 with Comparative Totals for 2015

| | Special Revenue Fund | | | | | | Totals | |
|--|----------------------|-------------------|-----------------|------------------|---------------|---------------|----------------------|--------------------|
| | Federal | State | Separation | Gateway | Park Donor | Trustees | Special Revenue Fund | |
| | Funding | Funding | Day | Project | Program | New Castle | [Memorandum Only] | |
| | | | Fund | | Fund | Common | 2016 | 2015 |
| ASSETS | [See Pg 34] | [See Pg 35] | | | | | | |
| ASSETS | | | | | | | | |
| Cash and equivalents | \$... | \$ 744,221 | \$... | \$ 26,918 | \$... | \$... | \$ 771,139 | \$1,096,056 |
| Due from other governments | ... | 1,815 | ... | ... | ... | ... | 1,815 | 23,606 |
| Interfund receivable (payable) | ... | (2,369) | 9,849 | ... | ... | ... | 7,480 | 12,973 |
| TOTAL ASSETS | <u>\$...</u> | <u>\$ 743,667</u> | <u>\$ 9,849</u> | <u>\$ 26,918</u> | <u>\$...</u> | <u>\$...</u> | <u>\$ 780,434</u> | <u>\$1,132,635</u> |
| LIABILITIES AND FUND BALANCES | | | | | | | | |
| LIABILITIES | | | | | | | | |
| Accounts payable and other | \$... | \$ 4,017 | \$ 3,340 | \$... | \$... | \$... | \$ 7,357 | \$ 7,709 |
| Unearned revenues | ... | 5,979 | ... | ... | ... | ... | 5,979 | 57,547 |
| Refundable advances | ... | 679,207 | ... | ... | ... | ... | 679,207 | 800,364 |
| Total liabilities | <u>...</u> | <u>689,203</u> | <u>3,340</u> | <u>...</u> | <u>...</u> | <u>...</u> | <u>692,543</u> | <u>865,620</u> |
| FUND BALANCES | | | | | | | | |
| Restricted for specific programs | ... | 54,464 | ... | 26,918 | ... | ... | 81,382 | 267,015 |
| Assigned | ... | ... | 6,509 | ... | ... | ... | 6,509 | ... |
| Total fund balances | <u>...</u> | <u>54,464</u> | <u>6,509</u> | <u>26,918</u> | <u>...</u> | <u>...</u> | <u>87,891</u> | <u>267,015</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$...</u> | <u>\$ 743,667</u> | <u>\$ 9,849</u> | <u>\$ 26,918</u> | <u>\$...</u> | <u>\$...</u> | <u>\$ 780,434</u> | <u>\$1,132,635</u> |

See Report of Independent Auditor

CITY OF NEW CASTLE, DELAWARE
 COMBINING BALANCE SHEET-SPECIAL REVENUE FUND
 As of June 30, 2016 with Comparative Totals for 2015

| | Federal Funding | | | | Total Federal Funding | |
|--|--------------------------------|----------------------|----------------------|-----------------|-----------------------|---------------|
| | Criminal Justice Council | Office of Highway | Homeland Security | Other Grants | [Memorandum Only] | |
| | | | | | 2016 | 2015 |
| ASSETS | | | | | | |
| ASSETS | | | | | | |
| Cash and equivalents | \$... | \$... | \$... | \$... | \$... | \$... |
| Due from other governments | ... | ... | ... | ... | ... | 9,142 |
| Interfund receivable (payable) | ... | ... | ... | ... | ... | (9,142) |
| TOTAL ASSETS | <u>\$...</u> | <u>\$...</u> | <u>\$...</u> | <u>\$...</u> | <u>\$...</u> | <u>\$...</u> |
| LIABILITIES AND FUND BALANCES | | | | | | |
| LIABILITIES | | | | | | |
| Accounts payable and other | \$... | \$... | \$... | \$... | \$... | \$... |
| Unearned revenues | ... | ... | ... | ... | ... | ... |
| Refundable advances | ... | ... | ... | ... | ... | ... |
| Total liabilities | <u>...</u> | <u>...</u> | <u>...</u> | <u>...</u> | <u>...</u> | <u>...</u> |
| FUND BALANCES | | | | | | |
| Restricted for specific programs | ... | ... | ... | ... | ... | ... |
| Assigned | ... | ... | ... | ... | ... | ... |
| Total fund balances | <u>...</u> | <u>...</u> | <u>...</u> | <u>...</u> | <u>...</u> | <u>...</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$...</u> | <u>\$...</u> | <u>\$...</u> | <u>\$...</u> | <u>\$...</u> | <u>\$...</u> |

See Report of Independent Auditor

CITY OF NEW CASTLE, DELAWARE
 COMBINING BALANCE SHEET-SPECIAL REVENUE FUND
 As of June 30, 2016 with Comparative Totals for 2015

| | State Funding | | | | | | Total State Funding | |
|--|-------------------------|-------------------|---------------|-----------------|-------------------|-----------------|---------------------------|--------------------|
| | Municipal Street Aid | Police Pension | SALLE | EIDE | DNREC Grant | Other Grants | [Memorandum Only] 2016 | 2015 |
| ASSETS | | | | | | | | |
| ASSETS | | | | | | | | |
| Cash and equivalents | \$ 22,231 | \$ 32,233 | \$ 647 | \$ 5,480 | \$ 683,630 | \$... | \$ 744,221 | \$1,040,008 |
| Due from other governments | ... | ... | ... | ... | 1,815 | ... | 1,815 | 14,464 |
| Interfund receivable (payable) | ... | ... | ... | (148) | (2,221) | ... | (2,369) | (18,914) |
| TOTAL ASSETS | <u>\$ 22,231</u> | <u>\$ 32,233</u> | <u>\$ 647</u> | <u>\$ 5,332</u> | <u>\$ 683,224</u> | <u>\$...</u> | <u>\$ 743,667</u> | <u>\$1,035,558</u> |
| LIABILITIES AND FUND BALANCES | | | | | | | | |
| LIABILITIES | | | | | | | | |
| Accounts payable and other | \$... | \$... | \$... | \$... | \$ 4,017 | \$... | \$ 4,017 | \$ 154 |
| Unearned revenues | ... | ... | 647 | 5,332 | ... | ... | 5,979 | 8,525 |
| Refundable advances | ... | ... | ... | ... | 679,207 | ... | 679,207 | 800,364 |
| Total liabilities | <u>...</u> | <u>...</u> | <u>647</u> | <u>5,332</u> | <u>683,224</u> | <u>...</u> | <u>689,203</u> | <u>809,043</u> |
| FUND BALANCES | | | | | | | | |
| Restricted for specific programs | 22,231 | 32,233 | ... | ... | ... | ... | 54,464 | 226,515 |
| Assigned | ... | ... | ... | ... | ... | ... | ... | ... |
| Total fund balances | <u>22,231</u> | <u>32,233</u> | <u>...</u> | <u>...</u> | <u>...</u> | <u>...</u> | <u>54,464</u> | <u>226,515</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ 22,231</u> | <u>\$ 32,233</u> | <u>\$ 647</u> | <u>\$ 5,332</u> | <u>\$ 683,224</u> | <u>\$...</u> | <u>\$ 743,667</u> | <u>\$1,035,558</u> |

See Report of Independent Auditor

CITY OF NEW CASTLE, DELAWARE

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-SPECIAL REVENUE FUND
Year Ended June 30, 2016 with Comparative Totals for 2015

| | Special Revenue Fund | | | | | | Totals | |
|---|--|--|---------------------------|--------------------|-------------------------------|----------------------------------|---|-------------------|
| | Federal Funding <i>[See Pg 37]</i> | State Funding <i>[See Pg 38]</i> | Separation Day Fund | Gateway Project | Park Donor Program Fund | Trustees New Castle Common | Special Revenue Fund [Memorandum Only] | |
| | | | | | | 2016 | 2015 | |
| REVENUES | | | | | | | | |
| Intergovernmental revenues: | | | | | | | | |
| Federal funding | \$ 11,628 | \$... | \$... | \$... | \$... | \$... | \$ 11,628 | \$ 43,466 |
| State funding | ... | 609,251 | 33,000 | ... | ... | 12,609 | 654,860 | 302,507 |
| Trustees of New Castle Common | ... | ... | ... | ... | ... | 184,545 | 184,545 | 223,011 |
| Interest revenue | ... | 122 | 9 | ... | ... | ... | 131 | 208 |
| Miscellaneous revenue | ... | ... | 13,949 | ... | ... | ... | 13,949 | 8,505 |
| Total revenues | <u>11,628</u> | <u>609,373</u> | <u>46,958</u> | <u>...</u> | <u>...</u> | <u>197,154</u> | <u>865,113</u> | <u>577,697</u> |
| EXPENDITURES | | | | | | | | |
| Current: | | | | | | | | |
| General government | ... | ... | ... | ... | ... | ... | ... | ... |
| Public safety | 11,628 | 123,254 | ... | ... | ... | 18,113 | 152,995 | 127,323 |
| Public services | ... | 18,421 | ... | ... | ... | ... | 18,421 | ... |
| Parks and recreation | ... | ... | 41,627 | 3,597 | 4,385 | 6,752 | 56,361 | 47,308 |
| Capital outlay: | | | | | | | | |
| General government | ... | ... | ... | ... | ... | ... | ... | 1,000 |
| Public safety | ... | ... | ... | ... | ... | ... | ... | 29,999 |
| Public services | ... | 324,056 | ... | ... | ... | 65,502 | 389,558 | 30,143 |
| Parks and recreation | ... | 315,693 | ... | ... | ... | 25,218 | 340,911 | 80,758 |
| Debt service: | | | | | | | | |
| Principal | ... | ... | ... | ... | ... | 48,778 | 48,778 | 192,700 |
| Interest and other fees | ... | ... | ... | ... | ... | 244 | 244 | 3,390 |
| Total expenditures | <u>11,628</u> | <u>781,424</u> | <u>41,627</u> | <u>3,597</u> | <u>4,385</u> | <u>164,607</u> | <u>1,007,268</u> | <u>512,621</u> |
| EXCESS REVENUES OVER | | | | | | | | |
| (UNDER) EXPENDITURES | <u>...</u> | <u>(172,051)</u> | <u>5,331</u> | <u>(3,597)</u> | <u>(4,385)</u> | <u>32,547</u> | <u>(142,155)</u> | <u>65,076</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | | | |
| Refund of prior year revenues | ... | ... | ... | ... | ... | ... | ... | ... |
| Operating transfers in (out) | ... | ... | (4,422) | ... | ... | (32,547) | (36,969) | 19,814 |
| Total other financing sources (uses) | <u>...</u> | <u>...</u> | <u>(4,422)</u> | <u>...</u> | <u>...</u> | <u>(32,547)</u> | <u>(36,969)</u> | <u>19,814</u> |
| NET CHANGE IN FUND BALANCES | <u>...</u> | <u>(172,051)</u> | <u>909</u> | <u>(3,597)</u> | <u>(4,385)</u> | <u>...</u> | <u>(179,124)</u> | <u>84,890</u> |
| FUND BALANCES | | | | | | | | |
| Beginning of year | <u>...</u> | <u>226,515</u> | <u>5,600</u> | <u>30,515</u> | <u>4,385</u> | <u>...</u> | <u>267,015</u> | <u>182,125</u> |
| End of year | <u>\$...</u> | <u>\$ 54,464</u> | <u>\$ 6,509</u> | <u>\$ 26,918</u> | <u>\$...</u> | <u>\$...</u> | <u>\$ 87,891</u> | <u>\$ 267,015</u> |

See Report of Independent Auditor

CITY OF NEW CASTLE, DELAWARE

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-SPECIAL REVENUE FUND
Year Ended June 30, 2016 with Comparative Totals for 2015

| | Federal Funding | | | | Total Federal Funding | |
|--|-----------------|---------------|---------------|---------------|-----------------------|---------------|
| | Criminal | Office of | Homeland | Other | [Memorandum Only] | |
| | Justice | Highway | Security | Grants | 2016 | 2015 |
| | Council | | | | | |
| REVENUES | | | | | | |
| Intergovernmental revenues: | | | | | | |
| Federal funding | \$ 7,408 | \$ 4,220 | \$... | \$... | \$ 11,628 | \$ 43,466 |
| State funding | ... | ... | ... | ... | ... | ... |
| Trustees of New Castle Common | ... | ... | ... | ... | ... | ... |
| Interest revenue | ... | ... | ... | ... | ... | ... |
| Miscellaneous revenue | ... | ... | ... | ... | ... | ... |
| Total revenues | <u>7,408</u> | <u>4,220</u> | <u>...</u> | <u>...</u> | <u>11,628</u> | <u>43,466</u> |
| EXPENDITURES | | | | | | |
| Current: | | | | | | |
| General government | ... | ... | ... | ... | ... | ... |
| Public safety | 7,408 | 4,220 | ... | ... | 11,628 | 13,467 |
| Public services | ... | ... | ... | ... | ... | ... |
| Parks and recreation | ... | ... | ... | ... | ... | ... |
| Capital outlay: | | | | | | |
| General government | ... | ... | ... | ... | ... | ... |
| Public safety | ... | ... | ... | ... | ... | 29,999 |
| Public services | ... | ... | ... | ... | ... | ... |
| Parks and recreation | ... | ... | ... | ... | ... | ... |
| Debt service: | | | | | | |
| Principal | ... | ... | ... | ... | ... | ... |
| Interest and other fees | ... | ... | ... | ... | ... | ... |
| Total expenditures | <u>7,408</u> | <u>4,220</u> | <u>...</u> | <u>...</u> | <u>11,628</u> | <u>43,466</u> |
| EXCESS REVENUES OVER (UNDER) EXPENDITURES | | | | | | |
| | ... | ... | ... | ... | ... | ... |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Refund of prior year revenues | ... | ... | ... | ... | ... | ... |
| Operating transfers in (out) | ... | ... | ... | ... | ... | ... |
| Total other financing sources (uses) | <u>...</u> | <u>...</u> | <u>...</u> | <u>...</u> | <u>...</u> | <u>...</u> |
| NET CHANGE IN FUND BALANCES | | | | | | |
| | ... | ... | ... | ... | ... | ... |
| FUND BALANCES | | | | | | |
| Beginning of year | ... | ... | ... | ... | ... | ... |
| End of year | <u>\$...</u> | <u>\$...</u> | <u>\$...</u> | <u>\$...</u> | <u>\$...</u> | <u>\$...</u> |

See Report of Independent Auditor

CITY OF NEW CASTLE, DELAWARE

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-SPECIAL REVENUE FUND
Year Ended June 30, 2016 with Comparative Totals for 2015

| | State Funding | | | | | | Total State Funding | |
|---|------------------|---------------|--------------|--------------|----------------|----------------|---------------------|----------------|
| | Municipal | Police | SALLE | EIDE | DNREC | Other | [Memorandum Only] | |
| | Street Aid | Pension | | | | | Grant | Grants |
| REVENUES | | | | | | | | |
| Intergovernmental revenues: | | | | | | | | |
| Federal funding | \$... | \$... | \$... | \$... | \$... | \$... | \$... | \$... |
| State funding | 105,164 | 77,702 | 6,260 | 3,883 | 121,157 | 295,085 | 609,251 | 269,507 |
| Trustees of New Castle Common | ... | ... | ... | ... | ... | ... | ... | ... |
| Interest revenue | 115 | 7 | ... | ... | ... | ... | 122 | 174 |
| Miscellaneous revenue | ... | ... | ... | ... | ... | ... | ... | ... |
| Total revenues | 105,279 | 77,709 | 6,260 | 3,883 | 121,157 | 295,085 | 609,373 | 269,681 |
| EXPENDITURES | | | | | | | | |
| Current: | | | | | | | | |
| General government | ... | ... | ... | ... | ... | ... | ... | ... |
| Public safety | ... | 77,287 | 6,260 | 3,883 | ... | 35,824 | 123,254 | 95,150 |
| Public services | ... | ... | ... | ... | ... | 18,421 | 18,421 | ... |
| Parks and recreation | ... | ... | ... | ... | ... | ... | ... | ... |
| Capital outlay: | | | | | | | | |
| General government | ... | ... | ... | ... | ... | ... | ... | 1,000 |
| Public safety | ... | ... | ... | ... | ... | ... | ... | ... |
| Public services | 277,752 | ... | ... | ... | ... | 46,304 | 324,056 | 30,143 |
| Parks and recreation | ... | ... | ... | ... | 121,157 | 194,536 | 315,693 | 65,976 |
| Debt service: | | | | | | | | |
| Principal | ... | ... | ... | ... | ... | ... | ... | ... |
| Interest and other fees | ... | ... | ... | ... | ... | ... | ... | ... |
| Total expenditures | 277,752 | 77,287 | 6,260 | 3,883 | 121,157 | 295,085 | 781,424 | 192,269 |
| EXCESS REVENUES OVER | | | | | | | | |
| (UNDER) EXPENDITURES | (172,473) | 422 | ... | ... | ... | ... | (172,051) | 77,412 |
| OTHER FINANCING SOURCES (USES) | | | | | | | | |
| Refund of prior year revenues | ... | ... | ... | ... | ... | ... | ... | ... |
| Operating transfers in (out) | ... | ... | ... | ... | ... | ... | ... | 13,247 |
| Total other financing sources (uses) | ... | ... | ... | ... | ... | ... | ... | 13,247 |
| NET CHANGE IN FUND BALANCES | (172,473) | 422 | ... | ... | ... | ... | (172,051) | 90,659 |
| FUND BALANCES | | | | | | | | |
| Beginning of year | 194,704 | 31,811 | ... | ... | ... | ... | 226,515 | 135,856 |
| End of year | \$ 22,231 | \$ 32,233 | \$... | \$... | \$... | \$... | \$ 54,464 | \$ 226,515 |

See Report of Independent Auditor