

Report of Independent Auditor

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

Year Ended June 30, 2011



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

CERTIFIED PUBLIC ACCOUNTANTS  
& MANAGEMENT CONSULTANTS

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CITY OF NEW CASTLE, DELAWARE

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**CERTIFIED PUBLIC ACCOUNTANTS  
& MANAGEMENT CONSULTANTS**

American Institute of CPA  
Pennsylvania Institute of CPA\*  
Delaware Society of CPA†  
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James R. Zdimal, CPA†  
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**Report of Independent Auditor**

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

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

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

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

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

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

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



Certified Public Accountants

April 5, 2013  
Wilmington, Delaware

## **Basic Financial Statements Section**

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

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	<u>Governmental Activity</u>
	<u>As of June 30, 2011</u>
<b>ASSETS</b>	
<b>Current assets:</b>	
Cash and equivalents	\$ 1,496,904
Prepayments and other assets	<u>4,775</u>
<b>TOTAL ASSETS</b>	<b>\$ 1,501,679</b>
<b>LIABILITIES</b>	
<b>Current liabilities:</b>	
Accounts payable and other	...
Employee payroll withholdings	<u>8,937</u>
<b>TOTAL LIABILITIES</b>	<u>8,937</u>
<b>NET ASSETS</b>	
Restricted for specific programs	284,937
Unrestricted	<u>1,207,805</u>
<b>TOTAL NET ASSETS</b>	<b><u>\$ 1,492,742</u></b>

Accompanying notes are an integral  
part of these financial statements

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

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

Accompanying notes are an integral part of these financial statements

**CITY OF NEW CASTLE, DELAWARE**

BALANCE SHEET-MODIFIED CASH BASIS FOR GOVERNMENTAL FUNDS

As of June 30, 2011

	As of June 30, 2011			
	Governmental Fund Types			
	General	Special Revenue	Capital Projects	Total
<b>ASSETS</b>				
<b>ASSETS</b>				
Cash and equivalents	\$1,076,814	\$ 291,647	\$ 128,443	\$1,496,904
Prepayments and other assets	4,775	...	...	4,775
Interfund receivable (payable)	58,437	(58,437)	...	...
<b>TOTAL ASSETS</b>	<u>\$1,140,026</u>	<u>\$ 233,210</u>	<u>\$ 128,443</u>	<u>\$1,501,679</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable and other	\$ ...	\$ ...	\$ ...	\$ ...
Employee payroll withholdings	8,937	...	...	8,937
<b>Total liabilities</b>	<u>8,937</u>	<u>...</u>	<u>...</u>	<u>8,937</u>
<b>FUND BALANCES</b>				
Nonspendable:				
Prepayments and other assets	4,775	...	...	4,775
Restricted-Specific programs	...	284,937	...	284,937
Committed	185,258	...	128,443	313,701
Assigned-Encumbrances	17,279	...	...	17,279
Unassigned	923,777	(51,727)	...	872,050
<b>Total fund balances</b>	<u>1,131,089</u>	<u>233,210</u>	<u>128,443</u>	<u>1,492,742</u>
<b>TOTAL LIABILITIES &amp; FUND BALANCES</b>	<u>\$1,140,026</u>	<u>\$ 233,210</u>	<u>\$ 128,443</u>	<u>\$1,501,679</u>

Accompanying notes are an integral part of these financial statements

**CITY OF NEW CASTLE, DELAWARE**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES-MODIFIED CASH BASIS FOR GOVERNMENTAL FUNDS**  
Year Ended June 30, 2011

	Year Ended June 30, 2011			
	Governmental Fund Types			
	General	Special Revenue	Capital Projects	Total
<b>REVENUES</b>				
Taxes:				
Property taxes	\$2,955,072	\$ ...	\$ ...	\$2,955,072
Property transfer taxes	176,933	...	...	176,933
Cable franchise taxes	85,985	...	...	85,985
Licenses and permits	277,904	...	...	277,904
Intergovernmental revenues:				
Federal	12,428	348,815	...	361,243
State	...	287,486	...	287,486
Trustees of New Castle Common	...	267,935	...	267,935
Police fines and court fees	59,415	...	...	59,415
Charges for services	55,828	...	...	55,828
Interest and rents	149,424	995	200	150,619
Miscellaneous revenues	71,665	2,788	...	74,453
<b>Total revenues</b>	<b>3,844,654</b>	<b>908,019</b>	<b>200</b>	<b>4,752,873</b>
<b>EXPENDITURES</b>				
Current:				
General government:				
City Administration	745,688	...	...	745,688
Mayor's Office	58,843	...	...	58,843
Board of Adjustments	9,995	...	...	9,995
Building maintenance	116,801	...	...	116,801
Insurance costs	230,829	...	...	230,829
Outside professional services	100,533	...	...	100,533
Public safety-police	1,812,439	111,498	...	1,923,937
Public safety-fire	3,000	63,750	...	66,750
Public services	988,736	...	...	988,736
Parks and recreation	38,759	184,115	...	222,874
Committees and commissions	30,529	...	...	30,529
Capital outlay	36,202	596,009	...	632,211
Debt service-interest	3,886	...	...	3,886
<b>Total expenditures</b>	<b>4,176,240</b>	<b>955,372</b>	<b>...</b>	<b>5,131,612</b>
<b>EXCESS (DEFICIT) OF</b>				
<b>REVENUES OVER EXPENDITURES</b>	<b>(331,586)</b>	<b>(47,353)</b>	<b>200</b>	<b>(378,739)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of capital assets	12,889	...	...	12,889
Annual appropriation:				
Municipal Services Commission	450,000	...	...	450,000
Operating transfers (out) in	(124,028)	(972)	125,000	...
<b>Total other financing sources (uses)</b>	<b>338,861</b>	<b>(972)</b>	<b>125,000</b>	<b>462,889</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>7,275</b>	<b>(48,325)</b>	<b>125,200</b>	<b>84,150</b>
<b>FUND BALANCES</b>				
Beginning of year, previously reported	1,138,208	267,141	3,243	1,408,592
Recharacterization of certain funds	(14,394)	14,394	...	...
Beginning of year, as restated	1,123,814	281,535	3,243	1,408,592
End of year	\$1,131,089	\$ 233,210	\$ 128,443	\$1,492,742

Accompanying notes are an integral part of these financial statements

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the City of New Castle, Delaware, [the "City"] have been prepared in conformity with the modified cash basis of accounting, as applied to local governmental units, which is a comprehensive basis of accounting other than the accounting principles generally accepted in the United States of America. Accordingly, revenues are recognized when received rather than when earned, and expenditures are recognized when paid rather than when incurred. Governmental Accounting Standards Board [GASB] is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies of the City are described below.

Reporting Entity

The City of New Castle, Delaware is a municipal corporation governed by a six member governing body consisting of the Mayor and President of Council who are elected at large and four district council representatives. In evaluating the City as a reporting entity, management has addressed all potential component units for which the City may or may not be financially accountable and, as such, be includable 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 specific financial burden on the City. Additionally the statement requires the City to consider other entities for which the nature and significance of the relationship are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. There is only one component unit meeting the above criteria: Municipal Services Commission.

Component Unit

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

Use of Estimates

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

Government-Wide and Fund Financial Statements

The City's basic financial statements consist of the following:

- Government-wide financial statements,
- Fund financial statements, and
- Notes to financial statements.

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

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

Government-Wide and Fund Financial Statements (continued)

Both government-wide financial statements distinguish functions of the City that are principally supported by property tax assessments and intergovernmental revenues [governmental activities] from other functions that are intended to recover all or a significant portion of their costs through user fees and/or charges for services [business-type activities]. The City's primary government does not present business-type activities. The governmental activities of the City include the general government, public safety [police and fire], public services [streets and sanitation], parks and recreation, and other general administrative support services.

The statement of activities presented on the modified cash basis of accounting demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not included among program revenues are reported instead as general revenues.

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

Measurement Focus, Basis of Accounting, & Financial Statement Presentation

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

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

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

The City reports the following major governmental funds:

- The **general fund** is the City's primary operating fund. It accounts for all financial resources of the City, except those required to be accounted in the special revenue fund.
- The **special revenue fund** accounts for resources and payments of activities derived from earmarked revenue sources. When such needs arise, separate self-balancing funds are established to account for each restricted special revenue source.
- The **capital projects fund** accounts for resources reserved for the construction of capital projects, the purchase of equipment and improvements or emergency goods and services.

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

Budgetary Accounting

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

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

Encumbrances

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

Cash and Equivalents

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

Prepayments and Other Assets

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

Interfund Activity

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

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

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

Net Assets and Fund Equity

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

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

- **Nonspendable fund balance**-Includes resources that cannot be spent because the resources are either not in spendable form, or, for legal or contractual reasons, must be kept intact. The classification generally includes inventories, prepaid amounts, assets held for sale, and long-term receivables.
- **Restricted fund balance**-Constraints placed on the use of these resources are either externally imposed by creditors [debt covenants], grantors, contributors, or other governments; or are imposed by law through constitutional provisions or enabling legislation.
- **Committed fund balance**- Resources 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**-Resources 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. This is the residual fund balance classification for all governmental funds with positive balances.
- **Unassigned fund balance**-This is the residual classification of the general fund. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification, as the result of overspending for specific purposes for which amounts had been restricted, committed or assigned.

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

Evaluation of Subsequent Events

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

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

**NOTE 2 - PROPERTY TAXES**

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

- July 1 - Levy Date
- July 1-August 31 - 2% Discount Period
- September 1-September 30 - Face Payment Period
- October 1- - 6% Penalty, plus 1.50% delinquency fee for each month

**NOTE 3 - CASH AND EQUIVALENTS**

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

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

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

Category 3- Uncollateralized and uninsured deposits.

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

Category	As of June 30, 2011	
	Books	Banks
1	\$ 845,639	\$1,000,000
2	...	...
3	651,265	651,265
Total deposits of the primary government	\$1,496,904	\$1,651,265

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

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

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

Description	Year Ended June 30, 2011					
	Beginning Balances	Additions	Deletions	Ending Balances		
				Long-term Portion	Due Within One Year	
Federal stimulus loan	\$ ...	\$ 316,912	\$ ...	\$ 316,912	\$ ...	
Note payable-2012 truck	...	141,806	29,692	83,360	28,754	
Accrued employee benefits	330,585	85,587	...	416,172	...	
Total debt obligation	\$ 330,585	\$ 544,305	\$ 29,692	\$ 816,444	\$ 28,754	

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

Federal Stimulus Loan

In February 2010, the Mayor and Council committed the City to complete three stormwater projects for a total cost of \$1,710,627. To fund these projects named the "Green Project Reserve" [GPR], the City borrowed \$1,322,500 under the American Recovery and Reinvestment Act [ARRA]. Half of the stimulus loan amount will be forgiven while the other half will be repaid by the City over a term of five years at a 2.00% rate of interest. The remaining cost of the project amounting to \$388,127 will be funded by other local sources. The City entered into an agreement with the 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]. At June 30, 2011, the City has drawn down \$316,912 and made interest payments of \$3,886 on the loan.

Note Payable-2012 Truck

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

Accrued Employee Benefits

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

**NOTE 5 - LEASE-PURCHASE AGREEMENT**

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

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

<u>Years Ending June 30</u>	<u>Amount</u>
2012	\$ 200,000
2013	200,000
2014	<u>133,333</u>
Total minimum future lease payments required	<u>\$ 533,333</u>

**NOTE 6 - PENSION PLANS**

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

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

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

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

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

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

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

Pension Contributions

The City's contributions to the above described plans totaled \$197,120 for the year ended June 30, 2011.

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

**NOTE 7 - LEASING ARRANGEMENTS AS LESSEE**

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

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

At June 30, 2011, minimum future rental payments under non-cancelable operating leasing arrangements having remaining terms in excess of one year in the aggregate are:

Years Ending June 30	Amount
2012	\$ 8,715
2013	8,429
2014	3,393
2015	<u>283</u>
Total minimum future rental payments required	<u>\$ 20,820</u>

**NOTE 8 - LEASING ARRANGEMENTS AS LESSOR**

The City is the lessor of certain real property under non-cancelable operating leasing arrangements expiring at various dates. The following schedule summarizes the property held for lease at June 30, 2011:

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

At June 30, 2011, minimum future rental revenues under non-cancelable leasing arrangements having remaining terms in excess of one year in the aggregate are:

Years Ending June 30	Amount
2012	\$ 146,207
2013	<u>100,180</u>
Total minimum future rental revenues	<u>\$ 246,387</u>

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

**NOTE 9 - RELATED PARTY TRANSACTIONS**

The Municipal Services Commission [MSC] appropriated \$450,000 to the Mayor and Council of New Castle for the fiscal year ended June 30, 2011. In addition, the Board provided, at no cost to the City, electric service and water service for municipal buildings, valued at \$92,262.

**NOTE 10 - COMMITMENTS AND CONTINGENCIES**

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

Collective Bargaining Agreements

The City is operating under a collective bargaining agreement with the Wilmington Fraternal Order of Police, Lodge No. 1. The employment contract covers all uniformed police officers for the period July 1, 2008 to June 30, 2011. Under the collective bargaining agreement, a 403(b) tax advantaged retirement savings plan is available to all uniformed police officers.

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

Government Grant/Award Programs

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

Litigation

In the ordinary course of business, the City may become involved in litigations; any losses from these litigations are generally covered by insurance. As of June 30, 2011, the City was not involved in any disputes which the City solicitor anticipates will result in financial liability.

## Supplementary Information Section

**CITY OF NEW CASTLE, DELAWARE**

COMBINING BALANCE SHEET-MODIFIED CASH BASIS FOR SPECIAL REVENUE FUNDS

As of June 30, 2011

	Special Revenue Funds						
	Federal Funding	State Funding	Separation Day Fund	Tree Commission Fund	Park Donor Program Fund	Trustees of New Castle Common	Total Special Revenue
<b>ASSETS</b>	[See Pg 17]	[See Pg 18]					
<b>ASSETS</b>							
Cash and equivalents	\$ 50	\$ 275,539	\$ 5,830	\$ 2,772	\$ 7,456	\$ ...	\$ 291,647
Interfund receivable (payable)	(49,425)	(9,012)	...	...	...	...	(58,437)
<b>TOTAL ASSETS</b>	<u>\$ (49,375)</u>	<u>\$ 266,527</u>	<u>\$ 5,830</u>	<u>\$ 2,772</u>	<u>\$ 7,456</u>	<u>\$ ...</u>	<u>\$ 233,210</u>
<b>LIABILITIES AND FUND BALANCES</b>							
<b>LIABILITIES</b>							
Accounts payable and other	\$ ...	\$ ...	\$ ...	\$ ...	\$ ...	\$ ...	\$ ...
Employee payroll withholdings	...	...	...	...	...	...	...
<b>Total liabilities</b>	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>
<b>FUND BALANCES</b>							
Restricted-Specific programs	2,493	266,386	5,830	2,772	7,456	...	284,937
Unassigned	(51,868)	141	...	...	...	...	(51,727)
<b>Total fund balances</b>	<u>(49,375)</u>	<u>266,527</u>	<u>5,830</u>	<u>2,772</u>	<u>7,456</u>	<u>...</u>	<u>233,210</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ (49,375)</u>	<u>\$ 266,527</u>	<u>\$ 5,830</u>	<u>\$ 2,772</u>	<u>\$ 7,456</u>	<u>\$ ...</u>	<u>\$ 233,210</u>

See Report of Independent Auditor

**CITY OF NEW CASTLE, DELAWARE**

COMBINING BALANCE SHEET-MODIFIED CASH BASIS FOR SPECIAL REVENUE FUNDS

As of June 30, 2011

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

See Report of Independent Auditor

**CITY OF NEW CASTLE, DELAWARE**

COMBINING BALANCE SHEET-MODIFIED CASH BASIS FOR SPECIAL REVENUE FUNDS

As of June 30, 2011

	State Funding							Total State Funding
	Municipal Street Aid	Police Pension	SALLE	EIDE	Suburban Street Aid	Police Tech Fund	Gateway Project	
<b>ASSETS</b>								
<b>ASSETS</b>								
Cash and equivalents	\$ 205,088	\$ 3,589	\$ ...	\$ 2,181	\$ 23,787	\$ 141	\$ 40,753	\$ 275,539
Interfund receivable (payable)	...	...	...	...	(8,737)	...	(275)	(9,012)
<b>TOTAL ASSETS</b>	<u>\$ 205,088</u>	<u>\$ 3,589</u>	<u>\$ ...</u>	<u>\$ 2,181</u>	<u>\$ 15,050</u>	<u>\$ 141</u>	<u>\$ 40,478</u>	<u>\$ 266,527</u>
<b>LIABILITIES AND FUND BALANCES</b>								
<b>LIABILITIES</b>								
Accounts payable and other	\$ ...	\$ ...	\$ ...	\$ ...	\$ ...	\$ ...	\$ ...	\$ ...
Employee payroll withholdings	...	...	...	...	...	...	...	...
<b>Total liabilities</b>	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>
<b>FUND BALANCES</b>								
Restricted-Specific programs	205,088	3,589	...	2,181	15,050	...	40,478	266,386
Unassigned	...	...	...	...	...	141	...	141
<b>Total fund balances</b>	<u>205,088</u>	<u>3,589</u>	<u>...</u>	<u>2,181</u>	<u>15,050</u>	<u>141</u>	<u>40,478</u>	<u>266,527</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 205,088</u>	<u>\$ 3,589</u>	<u>\$ ...</u>	<u>\$ 2,181</u>	<u>\$ 15,050</u>	<u>\$ 141</u>	<u>\$ 40,478</u>	<u>\$ 266,527</u>

See Report of Independent Auditor

**CITY OF NEW CASTLE, DELAWARE**

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

	Special Revenue Funds						
	Federal Funding <i>[See Pg 20]</i>	State Funding <i>[See Pg 21]</i>	Separation Day Fund	Tree Commission Fund	Park Donor Program Fund	Trustees of New Castle Common	Total Special Revenue
<b>REVENUES</b>							
Intergovernmental revenues:							
Federal	\$ 348,815	\$ ...	\$ ...	\$ ...	\$ ...	\$ ...	\$ 348,815
State	...	260,286	27,200	...	...	...	287,486
Trustees of New Castle Common	...	...	1,000	5,000	...	261,935	267,935
Interest revenue	...	840	132	9	14	...	995
Miscellaneous revenue	...	...	2,388	400	...	...	2,788
<b>Total revenues</b>	<u>348,815</u>	<u>261,126</u>	<u>30,720</u>	<u>5,409</u>	<u>14</u>	<u>261,935</u>	<u>908,019</u>
<b>EXPENDITURES</b>							
Current:							
General government	...	...	...	...	...	...	...
Public safety-police	16,273	80,951	...	...	...	14,274	111,498
Public safety-fire	...	...	...	...	...	63,750	63,750
Public services	...	...	...	...	...	...	...
Parks and recreation	807	9,300	33,674	18,913	8,130	113,291	184,115
Capital outlay:							
General government	61,350	...	...	...	...	...	61,350
Public safety-police	15,470	...	...	...	...	26,659	42,129
Public services	316,902	145,936	...	...	...	29,692	492,530
Parks and recreation	...	...	...	...	...	...	...
<b>Total expenditures</b>	<u>410,802</u>	<u>236,187</u>	<u>33,674</u>	<u>18,913</u>	<u>8,130</u>	<u>247,666</u>	<u>955,372</u>
<b>EXCESS REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(61,987)</u>	<u>24,939</u>	<u>(2,954)</u>	<u>(13,504)</u>	<u>(8,116)</u>	<u>14,269</u>	<u>(47,353)</u>
<b>OTHER FINANCING SOURCES (USES)</b>							
Proceeds from new financing	...	...	...	...	...	...	...
Operating transfers in (out)	12,612	(268)	953	...	...	(14,269)	(972)
<b>Total other financing sources (uses)</b>	<u>12,612</u>	<u>(268)</u>	<u>953</u>	<u>...</u>	<u>...</u>	<u>(14,269)</u>	<u>(972)</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(49,375)</u>	<u>24,671</u>	<u>(2,001)</u>	<u>(13,504)</u>	<u>(8,116)</u>	<u>...</u>	<u>(48,325)</u>
<b>FUND BALANCES</b>							
Beginning of year	...	241,856	7,831	16,276	15,572	...	281,535
End of year	<u>\$ (49,375)</u>	<u>\$ 266,527</u>	<u>\$ 5,830</u>	<u>\$ 2,772</u>	<u>\$ 7,456</u>	<u>\$ ...</u>	<u>\$ 233,210</u>

See Report of Independent Auditor

**CITY OF NEW CASTLE, DELAWARE**

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

	Federal Funding							Total Federal Funding
	Green Project Stormwater	Criminal Justice Council	Office of Highway	Tobacco Prevention	Homeland Security	Energy Grant	Other Grants	
<b>REVENUES</b>								
Intergovernmental revenues:								
Federal	\$ 316,902	\$ 13,500	\$ 15,113	\$ 3,300	\$ ...	\$ ...	\$ ...	\$ 348,815
State	...	...	...	...	...	...	...	...
Trustees of New Castle Common	...	...	...	...	...	...	...	...
Interest revenue	...	...	...	...	...	...	...	...
Miscellaneous revenue	...	...	...	...	...	...	...	...
<b>Total revenues</b>	<u>316,902</u>	<u>13,500</u>	<u>15,113</u>	<u>3,300</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>348,815</u>
<b>EXPENDITURES</b>								
Current:								
General government	...	...	...	...	...	...	...	...
Public safety-police	...	...	16,273	...	...	...	...	16,273
Public safety-fire	...	...	...	...	...	...	...	...
Public services	...	...	...	...	...	...	...	...
Parks and recreation	...	...	...	807	...	...	...	807
Capital outlay:								
General government	...	...	...	...	...	61,350	...	61,350
Public safety-police	...	13,500	...	...	1,970	...	...	15,470
Public services	316,902	...	...	...	...	...	...	316,902
Parks and recreation	...	...	...	...	...	...	...	...
<b>Total expenditures</b>	<u>316,902</u>	<u>13,500</u>	<u>16,273</u>	<u>807</u>	<u>1,970</u>	<u>61,350</u>	<u>...</u>	<u>410,802</u>
<b>EXCESS REVENUES OVER (UNDER) EXPENDITURES</b>	<u>...</u>	<u>...</u>	<u>(1,160)</u>	<u>2,493</u>	<u>(1,970)</u>	<u>(61,350)</u>	<u>...</u>	<u>(61,987)</u>
<b>OTHER FINANCING SOURCES (USES)</b>								
Proceeds from new financing	...	...	...	...	...	...	...	...
Operating transfers in (out)	...	...	1,160	...	102	11,350	...	12,612
<b>Total other financing     sources (uses)</b>	<u>...</u>	<u>...</u>	<u>1,160</u>	<u>...</u>	<u>102</u>	<u>11,350</u>	<u>...</u>	<u>12,612</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>...</u>	<u>...</u>	<u>...</u>	<u>2,493</u>	<u>(1,868)</u>	<u>(50,000)</u>	<u>...</u>	<u>(49,375)</u>
<b>FUND BALANCES</b>								
Beginning of year	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>
End of year	<u>\$ ...</u>	<u>\$ ...</u>	<u>\$ ...</u>	<u>\$ 2,493</u>	<u>\$ (1,868)</u>	<u>\$ (50,000)</u>	<u>\$ ...</u>	<u>\$ (49,375)</u>

See Report of Independent Auditor

**CITY OF NEW CASTLE, DELAWARE**

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

	State Funding							Total State Funding
	Municipal Street Aid	Police Pension	SALLE	EIDE	Suburban Street Aid	Police Tech Fund	Gateway Project	
<b>REVENUES</b>								
Intergovernmental revenues:								
Federal	\$ ...	\$ ...	\$ ...	\$ ...	\$ ...	\$ ...	\$ ...	\$ ...
State	87,617	74,521	5,388	4,126	88,634	...	...	260,286
Trustees of New Castle Common	...	...	...	...	...	...	...	...
Interest revenue	729	64	...	...	47	...	...	840
Miscellaneous revenue	...	...	...	...	...	...	...	...
<b>Total revenues</b>	<u>88,346</u>	<u>74,585</u>	<u>5,388</u>	<u>4,126</u>	<u>88,681</u>	<u>...</u>	<u>...</u>	<u>261,126</u>
<b>EXPENDITURES</b>								
Current:								
General government	...	...	...	...	...	...	...	...
Public safety-police	...	71,180	6,319	3,452	...	...	...	80,951
Public safety-fire	...	...	...	...	...	...	...	...
Public services	...	...	...	...	...	...	...	...
Parks and recreation	...	...	...	...	...	...	9,300	9,300
Capital outlay:								
General government	...	...	...	...	...	...	...	...
Public safety-police	...	...	...	...	...	...	...	...
Public services	62,915	...	...	...	83,021	...	...	145,936
Parks and recreation	...	...	...	...	...	...	...	...
<b>Total expenditures</b>	<u>62,915</u>	<u>71,180</u>	<u>6,319</u>	<u>3,452</u>	<u>83,021</u>	<u>...</u>	<u>9,300</u>	<u>236,187</u>
<b>EXCESS REVENUES OVER (UNDER) EXPENDITURES</b>	<u>25,431</u>	<u>3,405</u>	<u>(931)</u>	<u>674</u>	<u>5,660</u>	<u>...</u>	<u>(9,300)</u>	<u>24,939</u>
<b>OTHER FINANCING SOURCES (USES)</b>								
Proceeds from new financing	...	...	...	...	...	...	...	...
Operating transfers in (out)	...	...	...	...	(47)	...	(221)	(268)
<b>Total other financing     sources (uses)</b>	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>(47)</u>	<u>...</u>	<u>(221)</u>	<u>(268)</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>25,431</u>	<u>3,405</u>	<u>(931)</u>	<u>674</u>	<u>5,613</u>	<u>...</u>	<u>(9,521)</u>	<u>24,671</u>
<b>FUND BALANCES</b>								
Beginning of year	<u>179,657</u>	<u>184</u>	<u>931</u>	<u>1,507</u>	<u>9,437</u>	<u>141</u>	<u>49,999</u>	<u>241,856</u>
End of year	<u>\$ 205,088</u>	<u>\$ 3,589</u>	<u>\$ ...</u>	<u>\$ 2,181</u>	<u>\$ 15,050</u>	<u>\$ 141</u>	<u>\$ 40,478</u>	<u>\$ 266,527</u>

See Report of Independent Auditor

**CITY OF NEW CASTLE, DELAWARE**  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-MODIFIED CASH BASIS  
 BUDGET AND ACTUAL-GENERAL FUND  
 Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes:				
Property taxes	\$ 3,020,000	\$ 3,020,000	\$ 2,955,072	\$ (64,928)
Property transfer taxes	175,000	175,000	176,933	1,933
Cable franchise taxes	80,000	80,000	85,985	5,985
Licenses and permits	281,500	281,500	277,904	(3,596)
Intergovernmental revenues	386,000	...	12,428	12,428
Police fines and court fees	80,000	80,000	59,415	(20,585)
Charges for services	73,100	73,100	55,828	(17,272)
Interest and rents	146,000	146,000	149,424	3,424
Trustees of New Castle Common	281,950	...	...	...
Miscellaneous revenues	20,000	20,000	71,665	51,665
<b>Total revenues</b>	<u>4,543,550</u>	<u>3,875,600</u>	<u>3,844,654</u>	<u>(30,946)</u>
<b>EXPENDITURES</b>				
Current:				
General government:				
City Administration	827,770	827,770	745,688	82,082
Mayor's Office	54,489	54,489	58,843	(4,354)
Board of Adjustments	21,000	21,000	9,995	11,005
Building maintenance	130,960	130,960	116,801	14,159
Insurance costs	247,925	247,925	230,829	17,096
Outside professional services	94,000	94,000	100,533	(6,533)
Public safety-police	1,977,550	1,859,150	1,812,439	46,711
Public safety-fire	...	...	3,000	(3,000)
Public services	1,340,840	1,139,840	988,736	151,104
Parks and recreation	27,900	27,900	38,759	(10,859)
Trustees of New Castle Common	271,950	...	...	...
Committees and commissions	55,955	25,955	30,529	(4,574)
Capital outlay	...	...	36,202	(36,202)
Debt service-interest	57,000	57,000	3,886	53,114
<b>Total expenditures</b>	<u>5,107,339</u>	<u>4,485,989</u>	<u>4,176,240</u>	<u>309,749</u>
<b>EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES</b>				
	<u>(563,789)</u>	<u>(610,389)</u>	<u>(331,586)</u>	<u>278,803</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of capital assets	...	...	12,889	12,889
Annual appropriation:				
Municipal Services Commission	450,000	450,000	450,000	...
Operating transfers (out) in	...	46,600	(124,028)	(170,628)
<b>Total other financing sources (uses)</b>	<u>450,000</u>	<u>496,600</u>	<u>338,861</u>	<u>(157,739)</u>
<b>NET CHANGE IN FUND BALANCE</b>				
	<u>(113,789)</u>	<u>(113,789)</u>	<u>7,275</u>	<u>121,064</u>
<b>FUND BALANCES</b>				
Beginning of year, as restated	<u>113,789</u>	<u>113,789</u>	<u>1,123,814</u>	<u>1,010,025</u>
End of year	<u>\$ ...</u>	<u>\$ ...</u>	<u>\$ 1,131,089</u>	<u>\$ 1,131,089</u>

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

Material Violations

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

See Report of Independent Auditor