

Report of Independent Auditor

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

Years Ended June 30, 2013 and 2012



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

CERTIFIED PUBLIC ACCOUNTANTS  
& MANAGEMENT CONSULTANTS

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CITY OF NEW CASTLE, DELAWARE

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

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**Report of Independent Auditor**

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

**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, Delaware as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the primary government financial statements of the City as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting which is a comprehensive basis of accounting other than the accounting principles generally accepted in the United States of America; this includes the design, the implementation, and the maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of New Castle, Delaware, as of June 30, 2013 and 2012, and the respective changes in financial position for the years then ended in accordance with the modified cash basis of accounting which is a comprehensive basis of accounting other than the 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 in conformity with the modified cash basis of accounting require that the budgetary comparison information reflected on page 18 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. Management has omitted the management's discussion and analysis section that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by the missing information.

### Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of New Castle, Delaware's financial statements. The supplementary information reflected on pages 19 through 24 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 taken as a whole.

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 the accounting principles generally accepted in the United States of America.

### **Restriction on Use**

This report is intended solely for the information and use of management, members of Council, others within the entity, 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 1, 2014  
Wilmington, Delaware

## **Basic Financial Statements Section**

**CITY OF NEW CASTLE, DELAWARE**  
 STATEMENTS OF NET POSITION-MODIFIED CASH BASIS  
 As of June 30, 2013 and 2012

	<u>Primary Government</u>	
	<u>Governmental Activities</u>	
	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and equivalents	\$ 1,467,464	\$ 1,609,502
Due from other governments	<u>200,954</u>	<u>...</u>
<b>TOTAL ASSETS</b>	<u>1,668,418</u>	<u>1,609,502</u>
<b>LIABILITIES</b>		
<b>Current liabilities:</b>		
Accounts payable and other	20,894	20,450
Employee payroll withholdings	1,840	15,092
Unearned revenues	<u>38,181</u>	<u>...</u>
<b>TOTAL LIABILITIES</b>	<u>60,915</u>	<u>35,542</u>
<b>NET POSITION</b>		
Restricted for specific programs	336,681	392,314
Unrestricted	<u>1,270,822</u>	<u>1,181,646</u>
<b>TOTAL NET POSITION</b>	<u>\$ 1,607,503</u>	<u>\$ 1,573,960</u>

Accompanying notes are an integral part of these financial statements

**CITY OF NEW CASTLE, DELAWARE**  
STATEMENT OF ACTIVITIES-MODIFIED CASH BASIS  
Year Ended June 30, 2013

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
<b>GOVERNMENTAL ACTIVITIES</b>					
General government:					
City Administration	\$ 653,136	\$ ...	\$ ...	\$ ...	\$ (653,136)
Mayor's Office	55,675	...	...	...	(55,675)
Board of Adjustments	3,092	...	...	...	(3,092)
Building maintenance	105,180	...	...	...	(105,180)
Insurance costs	312,858	...	...	...	(312,858)
Outside professional services	114,405	...	...	...	(114,405)
Public safety-police	2,168,039	107,958	251,321	...	(1,808,760)
Public safety-fire	1,500	...	...	...	(1,500)
Public services	1,095,769	316,118	250	...	(779,401)
Parks and recreation	208,686	3,421	190,126	...	(15,139)
Committees and commissions	22,666	...	...	...	(22,666)
Capital expenditures	595,564	...	...	521,974	(73,590)
Interest and principal on long-term debt	274,804	...	218,714	...	(56,090)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>\$ 5,611,374</b>	<b>\$ 427,497</b>	<b>\$ 660,411</b>	<b>\$ 521,974</b>	<b>(4,001,492)</b>
<b>GENERAL REVENUES</b>					
Property taxes levied for general purposes					3,247,185
Franchise taxes levied for general purposes					99,858
Investment earnings and rents					147,259
Proceeds from sale of capital assets					1,423
Miscellaneous revenues					32,436
Component unit appropriations					506,874
<b>Total general revenues</b>					<b>4,035,035</b>
<b>CHANGE IN NET POSITION</b>					<b>33,543</b>
<b>NET POSITION</b>					
Beginning of year					<u>1,573,960</u>
End of year					<b>\$ 1,607,503</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, 2012

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

Accompanying notes are an integral part of these financial statements

**CITY OF NEW CASTLE, DELAWARE**  
BALANCE SHEETS-MODIFIED CASH BASIS FOR GOVERNMENTAL FUNDS  
As of June 30, 2013 and 2012

	As of June 30, 2013				As of June 30, 2012			
	Governmental Fund Types				Governmental Fund Types			
	General	Special Revenue	Capital Projects	Total	General	Special Revenue	Capital Projects	Total
<b>ASSETS</b>								
<b>ASSETS</b>								
Cash and equivalents	\$1,090,984	\$ 248,827	\$ 127,653	\$1,467,464	\$1,077,452	\$ 404,243	\$ 127,807	\$1,609,502
Due from other governments	200,954	...	...	200,954	...	...	...	...
Interfund receivable (payable)	(126,035)	126,035	...	...	63,797	(63,797)	...	...
<b>TOTAL ASSETS</b>	<b>\$1,165,903</b>	<b>\$ 374,862</b>	<b>\$ 127,653</b>	<b>\$1,668,418</b>	<b>\$1,141,249</b>	<b>\$ 340,446</b>	<b>\$ 127,807</b>	<b>\$1,609,502</b>
<b>LIABILITIES AND FUND BALANCES</b>								
<b>LIABILITIES</b>								
Accounts payable and other	\$ 20,894	\$ ...	\$ ...	\$ 20,894	\$ 20,450	\$ ...	\$ ...	\$ 20,450
Employee payroll withholdings	1,840	...	...	1,840	15,092	...	...	15,092
Unearned revenues	...	38,181	...	38,181	...	...	...	...
<b>Total liabilities</b>	<b>22,734</b>	<b>38,181</b>	<b>...</b>	<b>60,915</b>	<b>35,542</b>	<b>...</b>	<b>...</b>	<b>35,542</b>
<b>FUND BALANCES</b>								
Restricted-Specific programs	...	336,681	...	336,681	...	392,314	...	392,314
Committed	190,035	...	127,653	317,688	190,124	...	127,807	317,931
Unassigned	953,134	...	...	953,134	915,583	(51,868)	...	863,715
<b>Total fund balances</b>	<b>1,143,169</b>	<b>336,681</b>	<b>127,653</b>	<b>1,607,503</b>	<b>1,105,707</b>	<b>340,446</b>	<b>127,807</b>	<b>1,573,960</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$1,165,903</b>	<b>\$ 374,862</b>	<b>\$ 127,653</b>	<b>\$1,668,418</b>	<b>\$1,141,249</b>	<b>\$ 340,446</b>	<b>\$ 127,807</b>	<b>\$1,609,502</b>

Accompanying notes are an integral part of these financial statements

**CITY OF NEW CASTLE, DELAWARE**

STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-MODIFIED CASH BASIS FOR GOVERNMENTAL FUNDS  
 Years ended June 30, 2013 and 2012

	Year Ended June 30, 2013				Year Ended June 30, 2012			
	Governmental Fund Types				Governmental Fund Types			
	General	Special Revenue	Capital Projects	Total	General	Special Revenue	Capital Projects	Total
<b>REVENUES</b>								
Taxes:								
Property taxes	\$3,053,226	\$ ...	\$ ...	\$3,053,226	\$2,940,892	\$ ...	\$ ...	\$2,940,892
Property transfer taxes	193,959	...	...	193,959	112,431	...	...	112,431
Cable franchise taxes	99,858	...	...	99,858	94,570	...	...	94,570
Licenses and permits	310,730	...	...	310,730	323,339	...	...	323,339
Intergovernmental revenues:								
Federal funding	210,254	139,458	...	349,712	12,036	1,835,388	...	1,847,424
State funding	...	430,200	...	430,200	...	668,489	...	668,489
Contribution revenue	...	1,575	...	1,575	...	100,000	...	100,000
Trustees of New Castle Common	...	400,898	...	400,898	...	206,916	...	206,916
Police fines and court fees	53,744	...	...	53,744	52,661	...	...	52,661
Charges for services	63,023	...	...	63,023	63,169	...	...	63,169
Interest and rents	146,164	499	596	147,259	148,675	1,282	864	150,821
Miscellaneous revenues	28,580	3,856	...	32,436	25,041	4,389	...	29,430
<b>Total revenues</b>	<b>4,159,538</b>	<b>976,486</b>	<b>596</b>	<b>5,136,620</b>	<b>3,772,814</b>	<b>2,816,464</b>	<b>864</b>	<b>6,590,142</b>
<b>EXPENDITURES</b>								
Current:								
General government:								
City Administration	653,136	...	...	653,136	669,412	...	...	669,412
Mayor's Office	55,675	...	...	55,675	61,466	...	...	61,466
Board of Adjustments	3,092	...	...	3,092	8,534	...	...	8,534
Building maintenance	105,180	...	...	105,180	108,831	...	...	108,831
Insurance costs	312,858	...	...	312,858	282,913	...	...	282,913
Outside professional services	114,405	...	...	114,405	112,254	...	...	112,254
Public safety-police	1,952,617	215,422	...	2,168,039	1,945,311	118,909	...	2,064,220
Public safety-fire	1,500	...	...	1,500	500	...	...	500
Public services	1,095,769	...	...	1,095,769	1,079,295	19,760	...	1,099,055
Parks and recreation	49,125	159,561	...	208,686	63,460	179,244	...	242,704
Committees and commissions	22,666	...	...	22,666	28,123	...	...	28,123
Capital outlay	273,157	322,407	...	595,564	1,900	2,343,105	...	2,345,005
Debt service:								
Principal	53,705	204,038	...	257,743	...	28,753	...	28,753
Interest and other fees	2,385	14,676	...	17,061	6,215	939	...	7,154
<b>Total expenditures</b>	<b>4,695,270</b>	<b>916,104</b>	<b>...</b>	<b>5,611,374</b>	<b>4,368,214</b>	<b>2,690,710</b>	<b>...</b>	<b>7,058,924</b>
<b>EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES</b>	<b>(535,732)</b>	<b>60,382</b>	<b>596</b>	<b>(474,754)</b>	<b>(595,400)</b>	<b>125,754</b>	<b>864</b>	<b>(468,782)</b>
<b>OTHER FINANCING SOURCES (USES)</b>								
Proceeds from sale of capital assets	1,423	...	...	1,423	...	...	...	...
Annual appropriation:								
Municipal Services Commission	506,874	...	...	506,874	550,000	...	...	550,000
Operating transfers (out) in	64,897	(64,147)	(750)	...	20,018	(18,518)	(1,500)	...
<b>Total other financing sources (uses)</b>	<b>573,194</b>	<b>(64,147)</b>	<b>(750)</b>	<b>508,297</b>	<b>570,018</b>	<b>(18,518)</b>	<b>(1,500)</b>	<b>550,000</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>37,462</b>	<b>(3,765)</b>	<b>(154)</b>	<b>33,543</b>	<b>(25,382)</b>	<b>107,236</b>	<b>(636)</b>	<b>81,218</b>
<b>FUND BALANCES</b>								
Beginning of year	1,105,707	340,446	127,807	1,573,960	1,131,089	233,210	128,443	1,492,742
End of year	\$1,143,169	\$ 336,681	\$ 127,653	\$1,607,503	\$1,105,707	\$ 340,446	\$ 127,807	\$1,573,960

Accompanying notes are an integral part of these financial statements

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

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

Reporting Entity

The City of New Castle, Delaware is a municipal corporation governed by a six member governing body consisting of the Mayor and President of Council who are elected at large and four district council representatives. In evaluating the City as a reporting entity, management has addressed all potential component units for which the City may or may not be financially accountable and, as such, be includable in the City's financial statements. According to GASB, the City is financially accountable if it appoints a voting majority of an entity's governing board and [1] it can impose its will on the entity or [2] there is a potential for the entity to provide specific financial benefit to or impose specific financial burden on the City. Additionally the statement requires the City to consider other entities for which the nature and significance of the relationship are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. There is only one component unit meeting the above criteria: **Municipal Services Commission.**

Component Unit

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

Use of Estimates

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

Government-Wide and Fund Financial Statements

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

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

The government-wide financial statements consist of two statements: the statement of net position-modified cash basis and the 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 expenditures are those that are clearly identifiable with a specific function or activity. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not included among program revenues are reported instead as general revenues.

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

Measurement Focus, Basis of Accounting, & Financial Statement Presentation

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

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

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

The City reports the following major governmental funds:

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

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

Budgetary Accounting

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

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

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the governmental funds. Encumbrances as of the year end are reported as reservations of fund balance since they do not constitute expenditures but serve as authorization for expenditures in the subsequent fiscal year. At June 30, 2013 and 2012, the City has no encumbrances outstanding.

Cash and Equivalents

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

Due from Other Governments

Due from other governments represents reimbursements and grants from other governments.

Interfund Balances

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

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

Committed Assets

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

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

Net Position and Fund Equity

In government-wide financial statements, generally the net position is reported in three separate categories: net position invested in capital assets; restricted net position; and unrestricted net position. 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 parties outside of the City [creditors, grantors, contributors, laws, and regulations of other governments] and may include certain unspent grant awards. All other net position is considered unrestricted.

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

- **Nonspendable fund balance**-Includes amounts that cannot be spent because they are either not in spendable form, or, for legal or contractual reasons, must be kept intact. The classification generally includes inventories, prepayments and other assets, and assets held for sale.
- **Restricted fund balance**-Constraints placed on the use of these amounts are either externally imposed by creditors [debt covenants], grantors, contributors, or other governments; or are imposed by law through constitutional provisions or enabling legislation.
- **Committed fund balance**-Amounts that can only be used for specific purposes because of a formal action [resolution or ordinance] by the City's highest level of decision-making authority: City Council.
- **Assigned fund balance**-Amounts constrained by the City's intent to be used for specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by City Council, or by an official to whom that authority has been given. With the exception of the general fund, this is the residual fund balance classification for all governmental funds with positive balances.
- **Unassigned fund balance**-This is the residual classification of the general fund. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification, as the result of overspending for specific purposes for which amounts had been restricted, committed or assigned.

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

Evaluation of Subsequent Events

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

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

**NOTE 2 - PROPERTY TAXES**

Property taxes assessed within the City limits for fiscal year 2013 are \$1.20 per \$100 of assessed valuation and for fiscal year 2012 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 lien-ed 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% 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, 2013		As of June 30, 2012	
	Books	Banks	Books	Banks
1	\$ 875,360	\$ 998,597	\$ 738,829	\$ 858,652
2				
3	592,104	592,104	870,673	870,673
Total deposits of the primary government	<u>\$1,467,464</u>	<u>\$1,590,701</u>	<u>\$1,609,502</u>	<u>\$1,729,325</u>

At June 30, 2013 and 2012, cash and equivalents [deposits] are held by certain financial institutions, which are insured with the Federal Deposit Insurance Corporation [FDIC]. Deposits totaling \$1,590,701 and \$1,729,325 held by these financial institutions are in excess of FDIC limits in the amount of \$592,104 and \$870,673. Category 3 deposits 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 - INTERGOVERNMENTAL RECEIVABLES**

Receivables from other governments represent revenue earned by the City. At June 30, intergovernmental receivables are as follows:

Description	2013	2012
Passed through the State of Delaware:		
DNREC, Delaware Energy Office	\$ 50,000	\$ ...
Delaware Emergency Management Agency [DEMA]	<u>150,954</u>	<u>...</u>
Total intergovernmental receivables	<u>\$ 200,954</u>	<u>\$ 241,981</u>

**NOTE 5 - LONG-TERM DEBT OBLIGATION**

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

Description	As of and for the Year Ended June 30, 2013				
	Beginning Balances	Additions	Deletions	Ending Balances	
				Long-term Portion	Due Within One Year
Federal stimulus loan	\$ 661,250	\$ ...	\$ 230,878	\$ 241,478	\$ 188,894
Note payable-2012 truck	83,360	...	26,865	28,719	27,776
Accrued employee benefits	465,137	7,469	...	472,606	...
<b>Total debt obligation</b>	<b>\$ 1,209,747</b>	<b>\$ 7,469</b>	<b>\$ 257,743</b>	<b>\$ 742,803</b>	<b>\$ 216,670</b>

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 was forgiven while the other half is 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. The remaining cost of the project amounting to \$388,127 was funded with local sources. The City entered into an agreement with New Castle Conservation District [the "District"] to manage and administer the GPR projects. The District is a political subdivision of the State of Delaware and is under the oversight of Delaware Department of Natural Resources and Environmental Control [DNREC]. At June 30, 2013 and 2012, the outstanding loan balance is \$430,372 and \$661,250, respectively. Total interest paid on the loan is \$14,234 and \$6,215 for the years ended June 30, 2013 and 2012, respectively. At June 30, 2013, the repayment schedule is as follows:

Years Ending June 30	Principal	Interest	Total
2014	\$ 188,894	\$ 7,196	\$ 196,090
2015	192,699	3,391	196,090
2016	48,779	244	49,023
<b>Total required payments</b>	<b>\$ 430,372</b>	<b>\$ 10,831</b>	<b>\$ 441,203</b>

Note Payable-2012 Truck

On March 11, 2011, the City entered into a lease-purchase agreement to purchase a new 2012 International Garbage Truck with TCF Equipment Finance, Inc. The lease-purchase agreement calls for five equal annual installments of \$29,692.42 [principal and interest] with the first payment due at signing, and carries an annual interest rate of 3.34%. When the final payment is made, the City has the option to purchase the truck for \$1. At June 30, 2013, the repayment schedule is as follows:

Years Ending June 30	Principal	Interest	Total
2014	\$ 27,776	\$ 1,916	\$ 29,692
2015	28,719	973	29,692
<b>Total required payments</b>	<b>\$ 56,495</b>	<b>\$ 2,889</b>	<b>\$ 59,384</b>

**NOTE 5 - LONG-TERM DEBT OBLIGATION** (continued)

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, 2013 and 2012 is \$472,606 and \$465,137, respectively. To fund the accrued employee benefits liability, the City established a separate bank account whose balance at June 30, 2013 and 2012 is \$190,035 and \$190,124, respectively.

Future maturities of principal and interest payments are as follows:

<u>Years Ending June 30</u>	<u>Stimulus Loan</u>		<u>Note Payable</u>		<u>Totals</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
<b><u>Governmental activities:</u></b>					
2014	\$ 188,894	\$ 7,196	\$ 27,776	\$ 1,916	\$ 225,782
2015	192,699	3,391	28,719	973	225,782
2016	<u>48,779</u>	<u>244</u>	<u>...</u>	<u>...</u>	<u>49,023</u>
Totals	<u>\$ 430,372</u>	<u>\$ 10,831</u>	<u>\$ 56,495</u>	<u>\$ 2,889</u>	<u>\$ 500,587</u>

**NOTE 6 - LEASE-PURCHASE AGREEMENT**

On April 7, 2003, the City entered into a ten-year land lease agreement with the Trustees of the New Castle Common [the "Trustees"] for the property located at One Municipal Boulevard, New Castle, Delaware. The annual rental revenue due from the Trustees is \$100,000 paid 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 remaining are \$133,333.

**NOTE 7 - RELATED PARTY TRANSACTIONS**

The Municipal Services Commission [MSC], a component unit of the City of New Castle, appropriated \$506,874 and \$550,000 to the Mayor and Council of New Castle for the years ended June 30, 2013 and 2012, respectively. In addition, MSC provided, at no cost to the City, electric service and water service for municipal buildings, valued at \$89,414 and \$82,036 for the years ended June 30, 2013 and 2012, respectively.

**NOTE 8 - PENSION PLANS**

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

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

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

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

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

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

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

Pension Contributions

The City's contributions to the above described plans totaled \$254,773 and \$212,046 for the years ended June 30, 2013 and 2012, respectively.

**NOTE 9 - LEASING ARRANGEMENTS AS LESSEE**

The City leases the following office equipment under operating leasing arrangements expiring at various dates listed below. Total rental costs for the years ended June 30, 2013 and 2012 are \$8,429 and \$8,202, respectively.

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	282.72	July, 2014

At June 30, 2013, the minimum future rental payments 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
2014	\$ 8,997
2015	5,887
2016	<u>5,605</u>
Total minimum future rental payments required	<u>\$ 20,489</u>

**NOTE 10 - 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, 2013:

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

At June 30, 2013, 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
2014	\$ 75,000	\$ 45,858
2015	...	47,089
2016	...	48,358
2017	...	49,665
2018	<u>...</u>	<u>51,011</u>
Total minimum future rental revenues	<u>\$ 75,000</u>	<u>\$ 241,981</u>

Certain leasing arrangements are generally based on a percentage of lessee collections and as such rental revenue is estimated based on currently available information for future years. The rental revenue received for years ended June 30, 2013 and 2012 is \$144,663 and \$146,206, respectively.

**NOTE 11 - COMMITMENTS AND CONTINGENCIES**

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

Collective Bargaining Agreements

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

The City is also operating under a three-year agreement with Council 81 AFSCME AFL-CIO for its nonsupervisory employees in Public Works, Building and Administration Departments. This contract extends for the periods July 1, 2012 to June 30, 2015. Under the collective bargaining agreement, a 403(b) tax advantaged retirement savings plan is available to all non-uniformed, nonsupervisory employees.

Government Grant/Award Programs

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

Government Awards Subject to OMB A-133

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

Litigation

In the course of business, the City may become involved in litigation; any losses from such litigation are generally covered by insurance. At June 30, 2013, the City is involved in certain disputes which the City solicitor anticipates will not result in significant financial liability.

**Required Supplemental Information [RSI] Section**

**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, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes:				
Property taxes	\$ 2,965,000	\$ 2,965,000	\$ 3,053,226	\$ 88,226
Property transfer taxes	100,000	100,000	193,959	93,959
Cable franchise taxes	70,000	70,000	99,858	29,858
Licenses and permits	263,000	263,000	310,730	47,730
Intergovernmental revenues	...	...	210,254	210,254
Police fines and court fees	50,000	50,000	53,744	3,744
Charges for services	58,000	58,000	63,023	5,023
Interest and rents	162,000	162,000	146,164	(15,836)
Miscellaneous revenues	10,000	10,000	28,580	18,580
<b>Total revenues</b>	<b>3,678,000</b>	<b>3,678,000</b>	<b>4,159,538</b>	<b>481,538</b>
<b>EXPENDITURES</b>				
Current:				
General government:				
City Administration	654,330	654,330	653,136	1,194
Mayor's Office	56,822	56,822	55,675	1,147
Board of Adjustments	8,000	8,000	3,092	4,908
Building maintenance	118,450	118,450	105,180	13,270
Insurance costs	247,925	247,925	312,858	(64,933)
Outside professional services	92,750	92,750	114,405	(21,655)
Public safety-police	2,008,347	2,008,347	1,952,617	55,730
Public safety-fire	...	...	1,500	(1,500)
Public services	1,047,927	1,047,927	1,095,769	(47,842)
Parks and recreation	53,465	53,465	49,125	4,340
Committees and commissions	19,230	19,230	22,666	(3,436)
Capital outlay	3,300	3,300	273,157	(269,857)
Debt service	35,000	35,000	56,090	(21,090)
<b>Total expenditures</b>	<b>4,345,546</b>	<b>4,345,546</b>	<b>4,695,270</b>	<b>(349,724)</b>
<b>EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES</b>				
	<b>(667,546)</b>	<b>(667,546)</b>	<b>(535,732)</b>	<b>131,814</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of capital assets	...	...	1,423	1,423
Annual appropriation:				
Municipal Services Commission	500,000	500,000	506,874	6,894
Operating transfers (out) in	83,420	83,420	64,897	(18,523)
<b>Total other financing sources (uses)</b>	<b>583,420</b>	<b>583,420</b>	<b>573,194</b>	<b>(10,226)</b>
<b>NET CHANGE IN FUND BALANCE</b>				
	<b>(84,126)</b>	<b>(84,126)</b>	<b>37,462</b>	<b>121,588</b>
<b>FUND BALANCES</b>				
Beginning of year, as restated	84,126	84,126	1,105,707	1,021,581
End of year	\$ ...	\$ ...	\$ 1,143,169	\$ 1,143,169

**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.

The capital outlay significantly exceeded the budgeted amount. The excess was a result of unbudgeted storm-related costs which were substantially reimbursed by other governments.

See Report of Independent Auditor

## Supplementary Information Section

**CITY OF NEW CASTLE, DELAWARE**

COMBINING BALANCE SHEET-MODIFIED CASH BASIS FOR SPECIAL REVENUE FUNDS

As of June 30, 2013 with Comparative Totals for 2012

	Special Revenue Funds							Total Special Revenue	
	Federal Funding	State Funding	Separation Day Fund	Tree Commission Fund	Park Donor Program Fund	Trustees New Castle Common	2013	2012	
<b>ASSETS</b>	[See Pg 20]	[See Pg 21]							
<b>ASSETS</b>									
Cash and equivalents	\$ ...	\$ 231,840	\$ 7,936	\$ ...	\$ 9,051	\$ ...	\$ 248,827	\$ 404,243	
Interfund receivable (payable)	...	128,164	(1,960)	1,801	(1,970)	...	126,035	(63,797)	
<b>TOTAL ASSETS</b>	\$ ...	\$ 360,004	\$ 5,976	\$ 1,801	\$ 7,081	\$ ...	\$ 374,862	\$ 340,446	
<b>LIABILITIES AND FUND BALANCES</b>									
<b>LIABILITIES</b>									
Accounts payable and other	\$ ...	\$ ...	\$ ...	\$ ...	\$ ...	\$ ...	\$ ...	\$ ...	
Employee payroll withholdings	...	...	...	...	...	...	...	...	
Unearned revenues	...	38,181	...	...	...	...	38,181	...	
<b>Total liabilities</b>	...	38,181	...	...	...	...	38,181	...	
<b>FUND BALANCES</b>									
Restricted-Specific programs	...	321,823	5,976	1,801	7,081	...	336,681	392,314	
Unassigned	...	...	...	...	...	...	...	(51,868)	
<b>Total fund balances</b>	...	321,823	5,976	1,801	7,081	...	336,681	340,446	
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	\$ ...	\$ 360,004	\$ 5,976	\$ 1,801	\$ 7,081	\$ ...	\$ 374,862	\$ 340,446	

See Report of Independent Auditor

**CITY OF NEW CASTLE, DELAWARE**

COMBINING BALANCE SHEET-MODIFIED CASH BASIS FOR SPECIAL REVENUE FUNDS

As of June 30, 2013 with Comparative Totals for 2012

	Federal Funding							Total Federal Funding	
	Police Stimulus Grant	Criminal Justice Council	Office of Highway	Tobacco Prevention	Homeland Security	Energy Grant	Delaware Preservation Fund	2013	2012
<b>ASSETS</b>									
<b>ASSETS</b>									
Cash and equivalents	\$ ...	\$ ...	\$ ...	\$ ...	\$ ...	\$ ...	\$ ...	\$ ...	\$ 50
Interfund receivable (payable)	...	...	...	...	...	...	...	...	(44,504)
<b>TOTAL ASSETS</b>	<u>\$ ...</u>	<u>\$ ...</u>	<u>\$ ...</u>	<u>\$ ...</u>	<u>\$ ...</u>	<u>\$ ...</u>	<u>\$ ...</u>	<u>\$ ...</u>	<u>\$ (44,454)</u>
<b>LIABILITIES AND FUND BALANCES</b>									
<b>LIABILITIES</b>									
Accounts payable and other	\$ ...	\$ ...	\$ ...	\$ ...	\$ ...	\$ ...	\$ ...	\$ ...	\$ ...
Employee payroll withholdings	...	...	...	...	...	...	...	...	...
Unearned revenues	...	...	...	...	...	...	...	...	...
<b>Total liabilities</b>	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>
<b>FUND BALANCES</b>									
Restricted-Specific programs	...	...	...	...	...	...	...	...	7,414
Unassigned	...	...	...	...	...	...	...	...	(51,868)
<b>Total fund balances</b>	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>(44,454)</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ ...</u>	<u>\$ ...</u>	<u>\$ ...</u>	<u>\$ ...</u>	<u>\$ ...</u>	<u>\$ ...</u>	<u>\$ ...</u>	<u>\$ ...</u>	<u>\$ (44,454)</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, 2013 with Comparative Totals for 2012

	State Funding							Total State Funding	
	Municipal Street Aid	Police Pension	SALLE	EIDE	DNREC Grant	Other Grants	Gateway Project	2013	2012
<b>ASSETS</b>									
<b>ASSETS</b>									
Cash and equivalents	\$ 130,019	\$ 42,084	\$ 5,493	\$ 4,145	\$ ...	\$ 9,344	\$ 40,755	\$ 231,840	\$ 386,197
Interfund receivable (payable)	(1,944)	...	(3,587)	350	125,000	8,622	(277)	128,164	(12,323)
<b>TOTAL ASSETS</b>	<u>\$ 128,075</u>	<u>\$ 42,084</u>	<u>\$ 1,906</u>	<u>\$ 4,495</u>	<u>\$ 125,000</u>	<u>\$ 17,966</u>	<u>\$ 40,478</u>	<u>\$ 360,004</u>	<u>\$ 373,874</u>
<b>LIABILITIES AND FUND BALANCES</b>									
<b>LIABILITIES</b>									
Accounts payable and other	\$ ...	\$ ...	\$ ...	\$ ...	\$ ...	\$ ...	\$ ...	\$ ...	\$ ...
Employee payroll withholdings	...	...	...	...	...	...	...	...	...
Unearned revenues	...	38,181	...	...	...	...	...	38,181	...
<b>Total liabilities</b>	<u>...</u>	<u>38,181</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>38,181</u>	<u>...</u>
<b>FUND BALANCES</b>									
Restricted-Specific programs	128,075	3,903	1,906	4,495	125,000	17,966	40,478	321,823	373,874
Unassigned	...	...	...	...	...	...	...	...	...
<b>Total fund balances</b>	<u>128,075</u>	<u>3,903</u>	<u>1,906</u>	<u>4,495</u>	<u>125,000</u>	<u>17,966</u>	<u>40,478</u>	<u>321,823</u>	<u>373,874</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 128,075</u>	<u>\$ 42,084</u>	<u>\$ 1,906</u>	<u>\$ 4,495</u>	<u>\$ 125,000</u>	<u>\$ 17,966</u>	<u>\$ 40,478</u>	<u>\$ 360,004</u>	<u>\$ 373,874</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, 2013 with Comparative Totals for 2012

	Special Revenue Funds							Total Special Revenue	
	Federal Funding	State Funding	Separation Day Fund	Tree Commission Fund	Park Donor Program Fund	Trustees New Castle Common	2013	2012	
	[See Pg 23]	[See Pg 24]							
<b>REVENUES</b>									
Intergovernmental revenues:									
Federal funding	\$ 139,458	\$ ...	\$ ...	\$ ...	\$ ...	\$ ...	\$ 139,458	\$1,835,388	
State funding	...	397,200	33,000	...	...	...	430,200	668,489	
Contribution revenue	...	...	...	...	1,575	...	1,575	100,000	
Trustees of New Castle Common	...	...	...	10,000	...	390,898	400,898	206,916	
Interest revenue	...	463	27	...	9	...	499	1,282	
Miscellaneous revenue	...	...	3,856	...	...	...	3,856	4,389	
<b>Total revenues</b>	<u>139,458</u>	<u>397,663</u>	<u>36,883</u>	<u>10,000</u>	<u>1,584</u>	<u>390,898</u>	<u>976,486</u>	<u>2,816,464</u>	
<b>EXPENDITURES</b>									
Current:									
General government	...	...	...	...	...	...	...	...	
Public safety-police	48,823	157,963	...	...	...	8,636	215,422	118,909	
Public safety-fire	...	...	...	...	...	...	...	...	
Public services	...	...	...	...	...	...	...	19,760	
Parks and recreation	3,506	...	34,535	10,100	...	111,420	159,561	179,244	
Capital outlay:									
General government	...	...	...	...	...	...	...	...	
Public safety-police	...	...	...	...	...	29,898	29,898	29,644	
Public services	...	292,509	...	...	...	...	292,509	1,007,068	
Parks and recreation	...	...	...	...	...	...	...	1,306,393	
Debt service:									
Principal	...	...	...	...	...	204,038	204,038	28,753	
Interest and other fees	...	...	...	...	...	14,676	14,676	939	
<b>Total expenditures</b>	<u>52,329</u>	<u>450,472</u>	<u>34,535</u>	<u>10,100</u>	<u>...</u>	<u>368,668</u>	<u>916,104</u>	<u>2,690,710</u>	
<b>EXCESS REVENUES OVER (UNDER) EXPENDITURES</b>	<u>87,129</u>	<u>(52,809)</u>	<u>2,348</u>	<u>(100)</u>	<u>1,584</u>	<u>22,230</u>	<u>60,382</u>	<u>125,754</u>	
<b>OTHER FINANCING SOURCES (USES)</b>									
Proceeds from new financing	...	...	...	...	...	...	...	...	
Operating transfers in (out)	(42,675)	758	...	...	...	(22,230)	(64,147)	(18,518)	
<b>Total other financing     sources (uses)</b>	<u>(42,675)</u>	<u>758</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>(22,230)</u>	<u>(64,147)</u>	<u>(18,518)</u>	
<b>NET CHANGE IN FUND BALANCES</b>	<u>44,454</u>	<u>(52,051)</u>	<u>2,348</u>	<u>(100)</u>	<u>1,584</u>	<u>...</u>	<u>(3,765)</u>	<u>107,236</u>	
<b>FUND BALANCES</b>									
Beginning of year	(44,454)	373,874	3,628	1,901	5,497	...	340,446	233,210	
End of year	\$ ...	\$ 321,823	\$ 5,976	\$ 1,801	\$ 7,081	\$ ...	\$ 336,681	\$ 340,446	

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**CITY OF NEW CASTLE, DELAWARE**

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-MODIFIED CASH BASIS FOR SPECIAL REVENUE FUNDS  
 Year Ended June 30, 2013 with Comparative Totals for 2012

	Federal Funding							Total Federal Funding	2013	2012
	Police Stimulus Grant	Criminal Justice Council	Office of Highway	Tobacco Prevention	Homeland Security	Energy Grant	Delaware Preservation Fund			
<b>REVENUES</b>										
Intergovernmental revenues:										
Federal funding	\$ 37,517	\$ 2,697	\$ 45,729	\$ 1,515	\$ ...	\$ 50,000	\$ 2,000	\$ 139,458	\$1,835,388	
State funding	...	...	...	...	...	...	...	...	400,000	
Contribution revenue	...	...	...	...	...	...	...	...	100,000	
Trustees of New Castle Common	...	...	...	...	...	...	...	...	...	
Interest revenue	...	...	...	...	...	...	...	...	...	
Miscellaneous revenue	...	...	...	...	...	...	...	...	...	
<b>Total revenues</b>	<b>37,517</b>	<b>2,697</b>	<b>45,729</b>	<b>1,515</b>	<b>...</b>	<b>50,000</b>	<b>2,000</b>	<b>139,458</b>	<b>2,335,388</b>	
<b>EXPENDITURES</b>										
Current:										
General government	...	...	...	...	...	...	...	...	...	...
Public safety-police	...	2,697	46,126	...	...	...	...	48,823	18,180	
Public safety-fire	...	...	...	...	...	...	...	...	...	
Public services	...	...	...	...	...	...	...	...	...	
Parks and recreation	...	...	...	1,506	...	...	2,000	3,506	9,463	
Capital outlay:										
General government	...	...	...	...	...	...	...	...	...	
Public safety-police	...	...	...	...	...	...	...	...	...	
Public services	...	...	...	...	...	...	...	...	1,005,598	
Parks and recreation	...	...	...	...	...	...	...	...	1,306,393	
Debt service:										
Principal	...	...	...	...	...	...	...	...	...	
Interest and other fees	...	...	...	...	...	...	...	...	...	
<b>Total expenditures</b>	<b>...</b>	<b>2,697</b>	<b>46,126</b>	<b>1,506</b>	<b>...</b>	<b>...</b>	<b>2,000</b>	<b>52,329</b>	<b>2,339,634</b>	
<b>EXCESS REVENUES OVER (UNDER) EXPENDITURES</b>	<b>37,517</b>	<b>...</b>	<b>(397)</b>	<b>9</b>	<b>...</b>	<b>50,000</b>	<b>...</b>	<b>87,129</b>	<b>(4,246)</b>	
<b>OTHER FINANCING SOURCES (USES)</b>										
Proceeds from new financing	...	...	...	...	...	...	...	...	...	
Operating transfers in (out)	(37,517)	...	397	(7,423)	1,868	...	...	(42,675)	9,167	
<b>Total other financing sources (uses)</b>	<b>(37,517)</b>	<b>...</b>	<b>397</b>	<b>(7,423)</b>	<b>1,868</b>	<b>...</b>	<b>...</b>	<b>(42,675)</b>	<b>9,167</b>	
<b>NET CHANGE IN FUND BALANCES</b>	<b>...</b>	<b>...</b>	<b>...</b>	<b>(7,414)</b>	<b>1,868</b>	<b>50,000</b>	<b>...</b>	<b>44,454</b>	<b>4,921</b>	
<b>FUND BALANCES</b>										
Beginning of year	...	...	...	7,414	(1,868)	(50,000)	...	(44,454)	(49,375)	
End of year	\$ ...	\$ ...	\$ ...	\$ ...	\$ ...	\$ ...	\$ ...	\$ ...	\$ (44,454)	

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**CITY OF NEW CASTLE, DELAWARE**

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-MODIFIED CASH BASIS FOR SPECIAL REVENUE FUNDS  
Year Ended June 30, 2013 with Comparative Totals for 2012

	State Funding							Total State Funding	
	Municipal	Police			DNREC	Other	Gateway	2013	2012
	Street Aid	Pension	SALLE	EIDE	Grant	Grants	Project		
<b>REVENUES</b>									
Intergovernmental revenues:									
Federal funding	\$ ...	\$ ...	\$ ...	\$ ...	\$ ...	\$ ...	\$ ...	\$ ...	\$ ...
State funding	106,822	93,261	6,277	4,700	125,000	61,140	...	397,200	235,849
Contribution revenue	...	...	...	...	...	...	...	...	...
Trustees of New Castle Common	...	...	...	...	...	...	...	...	...
Interest revenue	439	24	...	...	...	...	...	463	1,167
Miscellaneous revenue	...	...	...	...	...	...	...	...	...
<b>Total revenues</b>	<b>107,261</b>	<b>93,285</b>	<b>6,277</b>	<b>4,700</b>	<b>125,000</b>	<b>61,140</b>	<b>...</b>	<b>397,663</b>	<b>237,016</b>
<b>EXPENDITURES</b>									
Current:									
General government	...	...	...	...	...	...	...	...	...
Public safety-police	...	90,660	6,745	4,137	...	56,421	...	157,963	87,228
Public safety-fire	...	...	...	...	...	...	...	...	...
Public services	...	...	...	...	...	...	...	...	19,760
Parks and recreation	...	...	...	...	...	...	...	...	...
Capital outlay:									
General government	...	...	...	...	...	...	...	...	...
Public safety-police	...	...	...	...	...	...	...	...	...
Public services	292,509	...	...	...	...	...	...	292,509	1,470
Parks and recreation	...	...	...	...	...	...	...	...	...
Debt service:									
Principal	...	...	...	...	...	...	...	...	...
Interest and other fees	...	...	...	...	...	...	...	...	...
<b>Total expenditures</b>	<b>292,509</b>	<b>90,660</b>	<b>6,745</b>	<b>4,137</b>	<b>...</b>	<b>56,421</b>	<b>...</b>	<b>450,472</b>	<b>108,458</b>
<b>EXCESS REVENUES OVER</b>									
<b>(UNDER) EXPENDITURES</b>	<b>(185,248)</b>	<b>2,625</b>	<b>(468)</b>	<b>563</b>	<b>125,000</b>	<b>4,719</b>	<b>...</b>	<b>(52,809)</b>	<b>128,558</b>
<b>OTHER FINANCING SOURCES (USES)</b>									
Proceeds from new financing	...	...	...	...	...	...	...	...	...
Operating transfers in (out)	...	...	...	758	...	...	...	758	(21,211)
<b>Total other financing</b>	<b>...</b>	<b>...</b>	<b>...</b>	<b>758</b>	<b>...</b>	<b>...</b>	<b>...</b>	<b>758</b>	<b>(21,211)</b>
<b>sources (uses)</b>	<b>...</b>	<b>...</b>	<b>...</b>	<b>758</b>	<b>...</b>	<b>...</b>	<b>...</b>	<b>758</b>	<b>(21,211)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(185,248)</b>	<b>2,625</b>	<b>(468)</b>	<b>1,321</b>	<b>125,000</b>	<b>4,719</b>	<b>...</b>	<b>(52,051)</b>	<b>107,347</b>
<b>FUND BALANCES</b>									
Beginning of year	313,323	1,278	2,374	3,174	...	13,247	40,478	373,874	266,527
End of year	\$ 128,075	\$ 3,903	\$ 1,906	\$ 4,495	\$ 125,000	\$ 17,966	\$ 40,478	\$ 321,823	\$ 373,874

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