

FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT AUDITOR

CITY OF NEW CASTLE
New Castle, Delaware

Years Ended June 30, 2017 and 2016

CITY OF NEW CASTLE, DELAWARE

TABLE OF CONTENTS

Report of Independent Auditor1-2

Basic Financial Statements Section

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

Required Supplementary Information [RSI] Section

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

Supplementary Information Section

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



WHISMAN GIORDANO
CERTIFIED PUBLIC ACCOUNTANTS

Building Extraordinary Relationships

Report of Independent Auditor

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of New Castle [the "City"], Delaware, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the primary government financial statements as listed in the table of contents. The primary government financial statements of the City of New Castle, Delaware as of and for year ended June 30, 2016 were audited by Haggerty & Haggerty, P.A. [which merged with Whisman, Giordano & Associates, LLC. effective August 1, 2017], whose report dated December 9, 2016 expressed unmodified opinions on those financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on the primary government financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the primary government financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the primary government financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the primary government financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 primary government financial statements.

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

Opinions

In our opinion, the primary government financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of New Castle, Delaware as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Supplementary Information

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

Restriction on Use

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

Whisman Giordano & Associates, LLC
Certified Public Accountants

January 16, 2018
Newark, Delaware

Basic Financial Statements Section

CITY OF NEW CASTLE, DELAWARE
STATEMENTS OF NET POSITION
As of June 30, 2017 and 2016

	Primary Government	
	Governmental Activities	
	2017	2016
ASSETS		
Current assets		
Cash and equivalents	\$ 3,187,596	\$ 3,066,153
Receivables, net of allowance:		
Property taxes	278,120	325,623
Accounts	178,632	163,471
Other	2,387	6,872
Due from other governments	7,050	1,815
Due from component unit	-	-
Total current assets	3,653,785	3,563,934
Noncurrent assets		
Capital assets, net of depreciation:		
Nondepreciable	26,759,170	26,424,698
Depreciable	5,091,566	4,293,406
Net pension asset	-	88,564
Total noncurrent assets	31,850,736	30,806,668
TOTAL ASSETS	35,504,521	34,370,602
DEFERRED OUTFLOWS OF RESOURCES		
Deferred contributions and changes in proportion related to pension activity	572,160	261,362
LIABILITIES		
Current liabilities		
Accounts payable and other	71,627	55,496
Accrued wages and related taxes	99,716	69,545
Current portion of debt obligation	36,298	69,672
Unearned revenues	15,517	24,370
Refundable advances	2,751	679,207
Total current liabilities	225,909	898,290
Noncurrent liabilities		
Long-term portion:		
Compensated absences liability	375,711	417,008
Debt obligation, net of current portion	45,637	81,935
Net pension liability	368,888	-
Total noncurrent liabilities	790,236	498,943
TOTAL LIABILITIES	1,016,145	1,397,233
DEFERRED INFLOWS OF RESOURCES		
Deferred investment earnings of pension activity	30,217	110,510
Unavailable revenue-property taxes	251,560	299,064
Unavailable revenue-fees and assessments	178,632	163,471
Total deferred inflows of resources	460,409	573,045
NET POSITION		
Net investment in capital assets	31,768,801	30,566,497
Restricted for specific programs	55,238	81,382
Unrestricted	2,776,088	2,013,807
TOTAL NET POSITION	\$ 34,600,127	\$ 32,661,686

Accompanying notes are an integral part of these financial statements

CITY OF NEW CASTLE, DELAWARE
STATEMENT OF ACTIVITIES
Year Ended June 30, 2017

Functions	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenues and
					Changes In
					Net Position
					Primary Government
					Total Governmental Activities
GOVERNMENTAL ACTIVITIES					
General government:					
City Administration	\$ 722,961	\$ -	\$ -	\$ -	\$ (722,961)
Board of Adjustments	10,780	-	-	-	(10,780)
Building maintenance	52,759	-	-	-	(52,759)
Insurance costs	316,880	-	-	-	(316,880)
Outside professional services	105,523	-	-	-	(105,523)
Public safety	2,049,694	77,614	125,456	-	(1,846,624)
Public services	1,136,254	413,732	148,690	-	(573,832)
Parks and recreation	152,826	-	1,000	1,348,710	1,196,884
Committees and commissions	34,388	-	-	-	(34,388)
Interest on long-term debt obligation	4,792	-	-	-	(4,792)
Depreciation-unallocated	366,124	-	-	-	(366,124)
TOTAL PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES	\$ 4,952,981	\$ 491,346	\$ 275,146	\$ 1,348,710	(2,837,779)
GENERAL REVENUES					
					3,800,503
Property taxes levied for general purposes					117,697
Franchise taxes levied for general purposes					83,061
Investment earnings and rents					(2,767)
Gain (loss) from sale of capital assets					113,332
Miscellaneous revenues					664,394
Component unit appropriations					<u>4,776,220</u>
Total general revenues					
CHANGE IN NET POSITION					
					1,938,441
NET POSITION					
					<u>32,661,686</u>
Beginning of year					
End of year					<u>\$34,600,127</u>

Accompanying notes are an integral part of these financial statements

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

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

Accompanying notes are an integral part of these financial statements

CITY OF NEW CASTLE, DELAWARE
BALANCE SHEETS-GOVERNMENTAL FUNDS
As of June 30, 2017 and 2016

	2017				2016			
	Governmental Fund Types				Governmental Fund Types			
	General	Special Revenue	Capital Projects	Totals	General	Special Revenue	Capital Projects	Totals
ASSETS								
ASSETS								
Cash and equivalents	\$2,991,717	\$ 71,457	\$ 124,422	\$3,187,596	\$2,170,716	\$ 771,139	\$ 124,298	\$3,066,153
Receivables, net of allowance:								
Property taxes	278,120	-	-	278,120	325,623	-	-	325,623
Accounts	178,632	-	-	178,632	163,471	-	-	163,471
Other	2,387	-	-	2,387	6,872	-	-	6,872
Due from other governments		7,050	-	7,050		1,815	-	1,815
Interfund receivable (payable)	(6,586)	6,586	-	-	(7,480)	7,480	-	-
TOTAL ASSETS	\$3,444,270	\$ 85,093	\$ 124,422	\$3,653,785	\$2,659,202	\$ 780,434	\$ 124,298	\$3,563,934
LIABILITIES AND FUND BALANCES								
LIABILITIES								
Accounts payable and other	\$ 66,093	\$ 5,534	\$ -	\$ 71,627	\$ 48,139	\$ 7,357	\$ -	\$ 55,496
Accrued wages and related taxes	99,716	-	-	99,716	69,545	-	-	69,545
Unearned revenues	647	14,870	-	15,517	18,391	5,979	-	24,370
Refundable advances	2,387	364	-	2,751	-	679,207	-	679,207
Total liabilities	168,843	20,768	-	189,611	136,075	692,543	-	828,618
DEFERRED INFLOWS OF RESOURCES								
Unavailable revenue-property taxes	251,560	-	-	251,560	299,064	-	-	299,064
Unavailable revenue-fees/assessments	178,632	-	-	178,632	163,471	-	-	163,471
Total deferred inflows of resources	430,192	-	-	430,192	462,535	-	-	462,535
FUND BALANCES								
Restricted for specific programs	-	55,238	-	55,238	-	81,382	-	81,382
Committed	129,047	-	124,422	253,469	116,921	-	124,298	241,219
Assigned-encumbrances and other	5,863	9,087	-	14,950	14,348	6,509	-	20,857
Unassigned	2,710,325	-	-	2,710,325	1,929,323	-	-	1,929,323
Total fund balances	2,845,235	64,325	124,422	3,033,982	2,060,592	87,891	124,298	2,272,781
TOTAL LIABILITIES AND FUND BALANCES	\$3,444,270	\$ 85,093	\$ 124,422	\$3,653,785	\$2,659,202	\$ 780,434	\$ 124,298	\$3,563,934

Accompanying notes are an integral part of these financial statements

CITY OF NEW CASTLE, DELAWARE
 RECONCILIATION OF THE BALANCE SHEETS OF GOVERNMENTAL FUNDS
 TO THE STATEMENTS OF NET POSITION
 As of June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Amounts reported for governmental activities in the statement of net position are different because:		
Total fund balances-governmental funds	\$ 3,033,982	\$ 2,272,781
Capital assets used in governmental activities are not financial resources and, therefore, not reported as assets in governmental funds. The cost of capital assets is \$39,032,651 and \$37,574,928 and the related accumulated depreciation is \$7,181,915 and \$6,856,824 for the periods presented.	31,850,736	30,718,104
Long-term obligations are not due and payable within the current period and, therefore, are not reported as liabilities in the governmental fund types.		
<u>Long-Term Debt Obligation</u>	<u>2017</u>	<u>2016</u>
Current portion	\$ 36,298	\$ 69,672
Net of current portion	<u>45,637</u>	<u>81,935</u>
	(81,935)	(151,607)
Compensated absences not due and payable within period presented are not reported in the governmental funds.	(375,711)	(417,008)
Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, not reported in the fund financial statements:		
Net pension (liability) asset	(368,888)	88,564
Deferred outflows and inflows or resources related to pension activity are applicable to future periods and, therefore, not reported in the fund financial statements:		
Deferred outflows of resources related to pension activity of \$572,160 and \$261,362 consists of \$66,409 and \$57,432 of deferred outflows of resources pension expense and \$505,751 and \$203,930 of deferred outflows of 2017 and 2016 employer contributions related to the pension activity.	572,160	261,362
Deferred inflows of resources related to pension activity.	<u>(30,217)</u>	<u>(110,510)</u>
Total net position-governmental activities	<u>\$34,600,127</u>	<u>\$32,661,686</u>

Accompanying notes are an integral part of these financial statements

CITY OF NEW CASTLE, DELAWARE

STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-GOVERNMENTAL FUNDS
Years Ended June 30, 2017 and 2016

	2017				2016			
	Governmental Fund Types				Governmental Fund Types			
	General	Special Revenue	Capital Projects	Totals	General	Special Revenue	Capital Projects	Totals
REVENUES								
Taxes:								
Property taxes	\$ 3,136,885	\$ -	\$ -	\$ 3,136,885	\$ 3,142,563	\$ -	\$ -	\$ 3,142,563
Property transfer taxes	663,618	-	-	663,618	594,642	-	-	594,642
Cable franchise taxes	117,697	-	-	117,697	120,911	-	-	120,911
Licenses and permits	408,585	-	-	408,585	350,249	-	-	350,249
Intergovernmental revenues:								
Federal funding	144,867	15,039	-	159,906	50,541	11,628	-	62,169
State funding	-	1,463,951	-	1,463,951	-	654,860	-	654,860
Trustees of New Castle Common	-	-	-	-	-	184,545	-	184,545
Police fines and court fees	35,325	-	-	35,325	29,724	-	-	29,724
Charges for services	47,436	-	-	47,436	57,572	-	-	57,572
Interest and rents	82,850	87	124	83,061	64,687	131	181	64,999
Miscellaneous revenues	33,229	19,131	-	52,360	30,045	13,949	-	43,994
Total revenues	4,670,492	1,498,208	124	6,168,824	4,440,934	865,113	181	5,306,228
EXPENDITURES								
Current:								
General government:								
City Administration	714,562	-	-	714,562	698,068	-	-	698,068
Board of Adjustments	10,780	-	-	10,780	2,208	-	-	2,208
Building maintenance	52,759	-	-	52,759	2,433	-	-	2,433
Insurance costs	316,880	-	-	316,880	340,763	-	-	340,763
Outside professional services	105,523	-	-	105,523	109,533	-	-	109,533
Public safety	1,916,474	128,187	-	2,044,661	1,878,359	152,995	-	2,031,354
Public services	1,120,065	11,067	-	1,131,132	1,104,981	18,421	-	1,123,402
Parks and recreation	205,560	62,480	-	268,040	115,713	56,361	-	172,074
Committees and commissions	34,388	-	-	34,388	25,542	-	-	25,542
Capital outlay	52,206	1,323,294	-	1,375,500	282,213	730,469	3,253	1,015,935
Debt service:								
Principal	76,672	-	-	76,672	85,431	48,778	-	134,209
Interest and other fees	4,792	-	-	4,792	2,358	244	-	2,602
Total expenditures	4,610,661	1,525,028	-	6,135,689	4,647,602	1,007,268	3,253	5,658,123
EXCESS (DEFICIT) OF								
REVENUES OVER EXPENDITURES	59,831	(26,820)	124	33,135	(206,668)	(142,155)	(3,072)	(351,895)
OTHER FINANCING SOURCES (USES)								
Proceeds from new financing	-	-	-	-	174,374	-	-	174,374
Proceeds from sale of capital assets	63,672	-	-	63,672	75,650	-	-	75,650
Annual appropriation:								
Municipal Services Commission	664,394	-	-	664,394	569,350	-	-	569,350
Operating transfers (out) in	(3,254)	3,254	-	-	36,969	(36,969)	-	-
Total other financing sources (uses)	724,812	3,254	-	728,066	856,343	(36,969)	-	819,374
NET CHANGE IN FUND BALANCES	784,643	(23,566)	124	761,201	649,675	(179,124)	(3,072)	467,479
FUND BALANCES								
Beginning of year	2,060,592	87,891	124,298	2,272,781	1,410,917	267,015	127,370	1,805,302
End of year	\$ 2,845,235	\$ 64,325	\$ 124,422	\$ 3,033,982	\$ 2,060,592	\$ 87,891	\$ 124,298	\$ 2,272,781

Accompanying notes are an integral part of these financial statements

CITY OF NEW CASTLE, DELAWARE

RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENTS OF ACTIVITIES
 Years Ended June 30, 2017 and 2016

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balance-total governmental funds 2017 2016
\$ 761,201 \$ 467,479

Governmental funds report capital outlay as expenditures. However, in government-wide statements, assets with an initial, individual cost of \$5,000 or more is capitalized and allocated over their estimated useful lives and reported as depreciation expense. The following represents the amount by which capital outlays exceeds or is less than depreciation expense for the periods presented.

Description	2017	2016		
Capital assets	\$1,504,223	\$1,144,826		
Depreciation expense	(366,124)	(329,348)	1,138,099	815,478

Some expenses reported in the statement of activities do not require current financial resources; therefore, are not reported as expenditures in the governmental funds.

Description	2017	2016		
Sale and/or disposal of capital assets:				
Proceeds received	\$ 2,700	\$ 75,650		
Loss (gain) recognized	2,767	(51,398)	(5,467)	(24,252)

Governmental funds report loan proceeds as other financing sources, repayment of loan principal is reported as an expenditure. Interest is recognized as an expenditure in governmental funds when due. However, in the statement of activities, interest expense is recognized as it accrued, regardless of when it is due. The net effect of differences in treatment of long-term obligation and related items is as follows:

Description	2017	2016		
Financing proceeds received	\$ -	\$ (174,374)		
Principal payments made	69,672	134,209	69,672	(40,165)

In the statement of activities, certain operating expenses such as compensated absences are measured by amounts earned for the period. In governmental funds, however, expenditures for these items are measured by the amount of financial resources used. This represents the difference between amount used versus amount earned for periods presented.

Governmental funds report City pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.

Description	2017	2016		
City pension contributions for the fiscal years 2017 and 2016	\$ 213,699	\$ 203,930		
Cost of benefits earned net of contributions [pension expense]	(280,060)	581,743	(66,361)	785,673

Change in net position-governmental activities 2017 2016
\$1,938,441 \$2,058,278

Accompanying notes are an integral part of these financial statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The primary government financial statements of the City of New Castle, Delaware, [the "City"] have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to governmental units, hereafter referred to as GAAP. The Governmental Accounting Standards Board [GASB] is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City's significant accounting policies are described below.

Reporting Entity

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

- Municipal Services Commission [MSC].

Component Unit

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

Government-Wide and Fund Financial Statements

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

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

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

The **governmental fund financial statements** are reported using the *current financial resources measurement focus* and *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the respective period or soon enough thereafter to pay liabilities of the respective period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the respective reporting period.

Grants and similar items are recognized as revenue as soon as all of the eligibility requirements imposed by the provider have been met. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and claims which are recognized when payment is due.

Charges for services, property taxes, grants and similar items, and interest associated with the period are considered to be susceptible to accrual and so have been recognized as revenues of the respective fiscal year. All other revenue items are considered to be measurable and available only when received.

The City reports the following major governmental fund types:

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

Use of Estimates

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

Budgetary Accounting

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Equivalents

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

Receivable-Property Taxes

At June 30, 2017 and 2016, the property taxes receivable is reflected net of an estimated uncollectible allowance of \$0 and \$0, respectively. The uncollectible allowance is based upon historical data established according to experience and other factors which in the judgment of City officials deserves recognition in estimating future possible losses. Management believes it has adequately provided for such losses.

Receivable-Accounts

At June 30, 2017 and 2016, the accounts receivable is reflected net of the estimated uncollectible allowance of \$0 and \$1,068, respectively. The uncollectible allowance is based upon historical data established according to experience and other factors which in the judgment of City officials deserve recognition in estimating future possible losses. Management believes it has adequately provided for such losses.

Receivables and Payables

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

Advances between funds, as reported in the fund financial statements, are offset by an assigned fund balance account in the applicable governmental funds to indicate that the advances are not available for appropriation and are not expendable available financial resources. The City reported no such activity for the years presented.

Prepayments and Other Assets

Payments made to vendors for goods and services that will benefit periods beyond the current period are recorded as prepayments and other assets using the consumption method by recording an asset for the prepaid amount and reflecting the expenditure/expense in the period in which the goods and services are consumed. At the fund reporting level, an equal amount of fund balance is classified as nonspendable as the amount is not available for appropriation. The City reported no such activity for the years presented.

Capital Assets and Depreciation

Capital assets consist of property, furnishings, equipment, and infrastructure assets [such as roads, sidewalks, traffic signals, street lights, and similar items], and are reported in the applicable governmental activity column of the government-wide financial statements. The City defines capital assets as assets having an initial, individual cost of \$5,000 or more and with an estimated useful life in excess of one year. Such capital assets are recorded at historical cost [or estimated historical cost] if purchased or constructed. Donated capital assets are recorded at estimated fair value as of the date of the donation.

The cost of normal maintenance and repairs that do not add to the value of a capital asset or materially extends its life is not capitalized. The major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets, for governmental-type activities, is not included as part of the capitalized value of the capital asset constructed.

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Committed Fund Balance

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

Unearned Revenues

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

Refundable Advances

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

Compensated Absences Liability

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

- The obligation relating to an employee's right to receive compensation for future absences is attributable to the services already rendered.
- The obligation relates to rights that vest or accumulate.
- The payment of the compensation is probable.
- The amount can be reasonably estimated.

In accordance with the above criteria, the City has accrued a liability for vacation and personal pay, which has been earned but not taken by City's employees on the government-wide financial statements. As for governmental funds, the long-term liability for compensated absences is reflected only when the liability will be liquidated with expendable available financial resources of the general fund.

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources [expense/expenditure] until that period. The City has one item that qualifies for reporting in this category. The item is deferred contributions and changes in proportion related to pension activity. This amount is reported in the statement of net position as deferred outflows of resources and the changes in proportion are amortized over eleven [CMPFPP] and eight [CMOEPP] years.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources [revenue] until that time. The City has three items that qualify for reporting in this category: [1] the deferred investment earnings related to pension activity, [2] unavailable property taxes, and [3] unavailable fees and assessments. Item one is the only item not reflected in the fund financial statements balance sheet presentation. These amounts are deferred and recognized as inflows from resources in the period the amounts become available.

Long-Term Debt Obligation

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the governmental funds. Encumbrances at year-end are reported as assigned fund balance since encumbrances do not constitute expenditures but serve as authorization for expenditures in the subsequent period. At June 30, 2017 and 2016, the City has encumbrances outstanding of \$14,950 and \$20,857, respectively.

Net Position and Fund Equity

In the government-wide financial statements, net position is reported in three separate categories. The net position invested in capital assets represents capital assets less accumulated depreciation less outstanding principal of the related debt, and does not include unspent proceeds of capital debt. Restricted net position represents net position restricted by outside parties [such as creditors, grantors, contributors, laws, and regulations of other governments] and may include certain unspent grant award funds. All other net position is considered to be unrestricted.

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

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

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

NOTE 2 - PROPERTY TAXES

Property taxes assessed within the City limits for fiscal year 2017 are \$1.20 per \$100 of assessed valuation and for fiscal year 2016 are \$1.20 per \$100 of assessed valuation as levied by City Council resolution. The City bills and collects its own property taxes. Delinquent property taxes are lienied by the City. The schedule of property taxes levied is as follows:

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

NOTE 3 - CASH AND EQUIVALENTS

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

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

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

Category 3 - Uncollateralized and uninsured deposits.

At June 30, the primary government's deposits categorized by level of risk are:

Category	2017		2016	
	Book	Bank	Book	Bank
1	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000
2	2,687,296	2,675,353	2,565,153	2,651,173
3	300	-	1,000	-
Total deposits	<u>\$3,187,596</u>	<u>\$3,175,353</u>	<u>\$3,066,153</u>	<u>\$3,151,173</u>

At June 30, 2017 and 2016, the City's deposits held primarily by one financial institution are insured with the Federal Deposit Insurance Corporation [FDIC]. Deposits totaling \$3,175,353 and \$3,151,173 held by the financial institutions are in excess of FDIC insurance limits in the amount of \$2,675,353 and \$2,651,173, respectively. The excess FDIC deposits for the fiscal year ended June 30, 2017 and 2016 are collateralized with U.S. Government securities held by the financial institution in the City's name. Category 3 deposits are subject to custodial risk. Custodial risk is the risk that in the event of a financial institution's failure, the deposits may not be returned to the City.

NOTE 4 - INTERGOVERNMENTAL RECEIVABLES

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

Description	2017	2016
Passed through the State of Delaware:		
Delaware Criminal Justice Council [CJC]	\$ 7,050	\$ -
Delaware Department of Natural Resources and Environmental Control [DNREC]	-	1,815
Total intergovernmental receivables	<u>\$ 7,050</u>	<u>\$ 1,815</u>

NOTE 5 - RELATED PARTY TRANSACTIONS

The Municipal Services Commission [MSC], the only component unit of the City of New Castle, Delaware, appropriated \$664,394 and \$569,350 to the Mayor and Council of the City of New Castle for the years ended June 30, 2017 and 2016, respectively.

In addition, MSC provided, at no cost to the City, electric [fiscal year 2016 only] and water service for municipal buildings and other municipal activities valued at \$19,070 and \$103,301 for the years ended June 30, 2017 and 2016, respectively.

CITY OF NEW CASTLE, DELAWARE
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - CAPITAL ASSETS

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

Description	As of and Year Ended June 30, 2017			
	Beginning Balances	Additions	Deletions	Ending Balances
Governmental activities:				
Capital assets, not depreciated:				
Land	\$ 2,327,735	\$ -	\$ -	\$ 2,327,735
Streets and Roads	23,859,264	452,720	-	24,311,984
Construction in progress:				
Streets and sidewalks	93,612	119,451	93,612	119,451
Trees, trails and landscape	144,087	1,289,686	1,433,773	-
Total, not depreciated	26,424,698	1,861,857	1,527,385	26,759,170
Capital assets, depreciable:				
Buildings and improvements	2,737,664	47,741	-	2,785,405
Furniture and equipment	695,328	32,861	-	728,189
Vehicles	1,280,134	-	46,500	1,233,634
Streets and sidewalks	6,437,104	-	359,108	6,077,996
Trees, trails and landscape	-	1,448,257	-	1,448,257
Total depreciable	11,150,230	1,528,859	405,608	12,273,481
Less accumulated depreciation:				
Buildings and improvements	1,299,179	67,462	-	1,366,641
Furniture and equipment	447,890	42,982	-	490,872
Vehicles	869,523	51,534	41,033	880,024
Streets and sidewalks	4,240,232	168,302	-	4,408,534
Trees, trails and landscape	-	35,844	-	35,844
Total accumulated depr.	6,856,824	366,124	41,033	7,181,915
Total, net depreciation	4,293,406	1,162,735	364,575	5,091,566
Net capital assets	\$30,718,104	\$3,024,592	\$1,891,960	\$31,850,736

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

NOTE 7 - RISK MANAGEMENT

The City purchases commercial insurance policies in response to risks of loss related to torts; theft, damage or destruction of assets; errors or omissions; injuries to employees; or acts of God. Premium payments for the insurance policies are recorded as expenditures/expenses and insurance settlements have not exceeded insurance coverage.

NOTE 8 - LONG-TERM DEBT OBLIGATIONS

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

Description	As of and Year Ended June 30, 2017				
	Beginning			Ending Balances	
	Balances	Additions	Deletions	Long-term Portion	Due Within One Year
Accrued employee benefits	\$417,008	\$ -	\$ 41,297	\$375,711	\$ -
Note payable-CFNB	34,522	-	34,522	-	-
Note payable-CFNB	88,429	-	21,052	45,637	21,740
Note payable-CFNB	28,656	-	14,098	-	14,558
Total debt obligation	<u>\$568,615</u>	<u>\$ -</u>	<u>\$110,969</u>	<u>\$421,348</u>	<u>\$ 36,298</u>

Accrued Employee Benefits

On July 12, 2005, the City passed Resolution No. 2005-15 to establish an escrow account to fund accrued employee benefits. In accordance with the resolution, City employees can sell back to the City earned sick and vacation time upon separation of employment from the City. The balance of the accrued employee benefits at June 30, 2017 and 2016 is reflected above. To fund the accrued employee benefits liability, the City established a separate bank account which reflects a balance of \$129,047 and \$116,921 at June 30, 2017 and 2016, respectively.

Federal Stimulus Loan

In February 2010, the Mayor and Council committed the City to complete three stormwater projects for a total cost of \$1,710,627. To fund these projects named the "Green Project Reserve" [GPR], the City borrowed \$1,322,500 under the American Recovery and Reinvestment Act [ARRA]. Half of the federal stimulus loan amount was forgiven while the other half was to be repaid in quarterly installments of \$49,022 [principal and interest] starting June 30, 2012 [first payment was made on August 17, 2012] by the City over a term of five years at a 2.00% rate of interest. On July 17, 2013, the Federal Stimulus Loan [loan] was modified to reflect the ARRA funding source to that of the Delaware Water Pollution Control Revolving Fund's base loan program. The remaining cost of the project amounting to \$388,127 was funded with local financial resources. The City entered into an agreement with New Castle Conservation District [the "District"] to manage and administer the GPR projects. The District is a political subdivision of the State of Delaware and is under the oversight of the Delaware Department of Natural Resources and Environmental Control [DNREC]. The final payment on the loan was made during fiscal year 2016. Total interest paid on the loan is \$244 for the year ended June 30, 2016.

Note Payable-Community First National Bank [CFNB]

On May 14, 2014, the City entered into a Master Equipment Lease-Purchase Agreement to purchase four 2014 Dodge Chargers and a Dodge Durango. The Master Equipment Lease-Purchase Agreement calls for three equal annual installments of \$32,744 [principal and interest] with the first payment due July 15, 2014, and carries an annual interest rate of 3.00%. On October 28, 2015, one of the vehicles financed was totaled in an accident and the insurance proceeds were used to repay that portion of the loan. On November 13, 2015, the loan agreement was amended to borrow an additional \$18,481 to purchase a replacement for the totaled vehicle. The final payment on the loan was made during fiscal year 2017. Total interest paid on the loan is \$963 and \$2,188 for years ended June 30, 2017 and 2016, respectively.

NOTE 8 - LONG-TERM DEBT OBLIGATIONS (continued)

Note Payable-Community First National Bank [CFNB]

On August 3, 2015, the City entered into a Master Equipment Lease-Purchase Agreement to purchase one 2016 Ford F-750. The Master Equipment Lease-Purchase Agreement calls for five equal annual installments of \$23,944 [principal and interest] with the first payment due August 15, 2015, and carries an annual interest rate of 3.27%. Total interest paid on the loan is \$2.892 and \$122 for the years ended June 30, 2017 and 2016, respectively. At June 30, 2017, the repayment schedule is as follows:

<u>Years Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 21,740	\$ 2,203	\$ 23,943
2019	22,451	1,492	23,943
2020	23,186	758	23,944
Total required payments	<u>\$ 67,377</u>	<u>\$ 4,453</u>	<u>\$ 71,830</u>

Note Payable-Community First National Bank [CFNB]

On August 3, 2015, the City entered into a Master Equipment Lease-Purchase Agreement to purchase one 2015 Chevy Tahoe and one 2014 Dodge Charger. The Master Equipment Lease-Purchase Agreement calls for three equal annual installments of \$15,035 [principal and interest] with the first payment due August 15, 2015, and carries an annual interest rate of 3.27%. Total interest paid on the loan is \$937 and \$48 for the years ended June 30, 2017 and 2016, respectively. At June 30, 2017, the repayment schedule is as follows:

<u>Years Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 14,558	\$ 477	\$ 15,035

NOTE 9 - DEFINED BENEFIT PENSION PLANS

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

At June 30, 2017

<u>Plan</u>	<u>Net Pension Liability (Asset)</u>	<u>Deferred Resources</u>	
		<u>Outflows</u>	<u>Inflows</u>
County & Municipal Police and Firefighters' Pension Plan proportionate share [CMPFPP]	\$ 211,602	\$ 400,292	\$ 19,330
County & Municipal Other Employees' Pension Plan proportionate share [CMOEP]	157,286	171,868	10,887
Totals	<u>\$ 368,888</u>	<u>\$ 572,160</u>	<u>\$ 30,217</u>

At June 30, 2016

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

NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)

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

The City's first defined-benefit pension plan is part of the "County & Municipal Police and Firefighters' Pension Plan" [the "CMPFPP"] which is a cost-sharing multiple-employer defined-benefit pension plan established in the Delaware Code. The State of Delaware's General Assembly is responsible for setting benefits and contributions and amending the plan provisions; administrative rules and regulations are adopted and maintained by the Board of Pension Trustees [the "Board"]. Plan management is the responsibility of the Board, which is comprised of five members appointed by the Governor and confirmed by the State Senate, plus two exofficio members. The daily operation is the responsibility of the Delaware Office of Pensions. Although most of the assets of the Plan are commingled with other plans for investment purposes, the Plan's assets may be used only for the payment of benefits to the members of the Plan in accordance with the terms of the Plan. The following is a brief description of the Plan in effect at June 30, 2016 and 2015. For a more complete Plan description, refer to the Delaware Public Employee's Retirement System [the "DPERS"] CAFR.

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

General Information About the Plan

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

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

Vesting: Five years of credited service.

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

Disability Benefits:

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

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

Contributions:

- **Employer:** Determined by Board of Pension Trustees. Employer contributions were 13.90% and 14.20% of employee earnings for fiscal 2016 and 2015, respectively.
- **Member:** 7% of compensation.

NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)

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

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

At June 30, 2017 and 2016, the City reported a pension liability (asset) of \$211,602 and \$(90,077), respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016 and 2015, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of the contributions to the pension plan relative to the total projected contributions of the State and all participating Counties and municipalities within the State of Delaware, actuarially determined. At June 30, 2016 and 2015, the City's proportion was 1.3312 and 1.7091 percent, which was a decrease of 0.3779 and an increase of 0.0713 percent from its proportion measured as of June 30, 2015 and 2014, respectively.

As a result of its requirement to contribute to the DPERS, the City recognized pension expense (contribution) of \$202,622 and \$(610,682) for the years ended June 30, 2017 and 2016, respectively. At June 30, 2017 and 2016, the City reported deferred outflows and inflows of resources from the following sources resulting from its requirement to contribute to DPERS:

Description	Deferred Resources			
	2017		2016	
	Outflows	Inflows	Outflows	Inflows
Differences between expected and actual experience	\$ 32,516	\$ 28,088	\$ -	\$ 46,737
Changes of assumptions	-	50,068	-	-
Net difference between projected and actual earnings on pension plan investments	175,077	(67,675)	-	22,668
Contributions subsequent to the measurement date	147,290	-	146,588	-
Change in proportion and differences between City contributions and proportionate share of	45,409	8,849	57,432	-
Totals	\$ 400,292	\$ 19,330	\$ 204,020	\$ 69,405

\$147,290 and \$146,588 reported as deferred outflows of resources related to the pension resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the years ending June 30, 2018 and 2017, respectively. The other amounts reported as deferred outflows and inflows of resources will be recognized in the pension expense as follows:

Years Ending June 30	2017	2016
2016	\$ -	\$ 18,819
2017	(40,330)	18,819
2018	(40,330)	18,819
2019	(97,217)	(38,068)
2020	(60,219)	(1,069)
2021	1,164	(1,069)
2022	1,164	(1,069)
2023 and thereafter	2,096	(3,209)
Totals	\$ (233,672)	\$ 11,973

NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)

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

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

Actuarial assumptions: The total pension liability in the June 30, 2016 and 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Description	2016	2015
Inflation	2.50%	3.00%
Projected salary increases	2.50% + Merit, including inflation	4.00% to 11.50%, including inflation
Investment rate of return	7.20%, net of expenses	7.20%, net of expenses
Cost-of-living adjustments	0.00%	n/a

The total pension liabilities are measured based on assumptions pertaining to the interest rates, inflation rates, and employee demographic behavior in future years. The assumptions used were based on the results of an actuarial experience study conducted in 2016. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates the larger the impact on future financial statements.

Mortality rates for 2016 were based on the RP-2014 tables with gender adjustments for health annuitants and disabled retirees and an adjusted version on MP-2015 mortality improvement scale on a fully generational basis. Mortality rates for 2015 were based on the Sex distinct RP-2000 combined Mortality Table projected to 2015 and 2014 using scale AA for Males and Females, as appropriate, for mortality improvement.

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

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

Asset Class	Long-Term Expected			
	Real Rate of Return		Asset Allocations	
	2016	2015	2016	2015
Domestic equity	5.70%	5.70%	34.00%	36.50%
International equity	5.70%	5.70%	14.70%	16.50%
Fixed income	2.00%	2.00%	25.00%	22.60%
Alternative investments	7.80%	7.80%	20.90%	19.60%
Cash and equivalents	0.00%	0.00%	5.40%	4.80%

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

NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)

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

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

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

Plan	1% Decrease [6.20%]	Current Discount Rate [7.20%]	1% Increase [8.20%]
Police Officers of City of New Castle's County & Municipal Police and Firefighters' Pension Plan [CMPFPP]:			
Fiscal year 2017	\$ 841,804	\$ 211,602	\$ (301,994)
Fiscal year 2016	\$ 390,847	\$ (90,077)	\$ (812,852)

County & Municipal Other Employees' Pension Plan [CMOEPP]

The City's second defined-benefit pension plan is part of the "County & Municipal Other Employees' Pension Plan" [the "CMOEPP"] which is a cost-sharing multiple-employer defined-benefit pension plan established in the Delaware Code. The State of Delaware's General Assembly is responsible for setting benefits and contributions and amending the plan provisions; administrative rules and regulations are adopted and maintained by the Board of Pension Trustees [the "Board"]. Plan management is the responsibility of the Board, which is comprised of five members appointed by the Governor and confirmed by the State Senate, plus two exofficio members. The daily operation is the responsibility of the Delaware Office of Pensions. Although most of the assets of the Plan are commingled with other plans for investment purposes, the Plan's assets may be used only for the payment of benefits to the members of the Plan in accordance with the terms of the Plan. The following is a brief description of the Plan in effect at June 30, 2016 and 2015. For a more complete Plan description, refer to the Delaware Public Employee's Retirement System [the "DPERS"] CAFR.

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

General Information About the Plan

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

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

Vesting: 5 years of credited service.

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

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

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

NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)

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

General Information About the Plan (continued)

Contributions:

- **Employer:** Determined by Board of Pension Trustees. Employer contributions were 6.20% and 6.50% of employee earnings for fiscal years 2016 and 2015, respectively.
- **Member:** 3% of earnings in excess of \$6,000.

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

At June 30, 2017 and 2016, the City reported a pension liability (asset) of \$157,286 and \$1,513), respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016 and 2015, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the total projected contributions of the State and all participating Counties and municipalities within the State of Delaware, actuarially determined. At June 30, 2016 and 2015, the City's proportion was 2.5386 and 3.5470 percent, which was a decrease of 1.0084 and 0.0173 percent from its proportion measured as of June 30, 2015 and 2014, respectively.

As a result of its requirement to contribute to the DPERS, the City recognized pension expense of \$77,438 and \$28,939 for the years ended June 30, 2017 and 2016, respectively. At June 30, 2017 and 2016, the City reported deferred outflows and inflows of resources from the following sources as a result of its requirement to contribute to DPERS:

Description	Deferred Resources			
	2017		2016	
	Outflows	Inflows	Outflows	Inflows
Differences between expected and actual experience	\$ 37,969	\$ 8,930	\$ -	\$ 18,975
Changes of assumptions	20,427	-	-	-
Net difference between projected and actual earnings on pension plan investments	47,063	(17,778)	-	7,470
Contributions subsequent to the measurement date	66,409	-	57,342	-
Change in proportion and differences between City contributions and proportionate share of contributions	-	19,735	-	14,660
Totals	\$ 171,868	\$ 10,887	\$ 57,342	\$ 41,105

\$66,409 and \$57,342 reported as deferred outflows of resources related to the pension resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the years ending June 30, 2018 and 2017, respectively. The other amounts reported as deferred outflows and inflows of resources will be recognized in the pension expense as follows:

Years Ending June 30	2017	2016
2016	\$ -	\$ 13,804
2017	(12,446)	11,469
2018	(12,446)	11,468
2019	(29,986)	(6,070)
2020	(18,697)	5,217
2021	(2,182)	5,217
2022	(5,065)	-
2023 and thereafter	(13,750)	-
Totals	\$ (94,572)	\$ 41,105

NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)

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

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

Actuarial assumptions: The total pension liability in the June 30, 2016 and 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Description	2016	2015
Inflation	2.50%	3.00%
Projected salary increases	2.50% + Merit, including inflation	3.50% to 11.50%, including inflation
Investment rate of return	7.20%, net of expenses	7.20%, net of expenses
Cost-of-living adjustments	0.00%	n/a

The total pension liabilities are measured based on assumptions pertaining to the interest rates, inflation rates, and employee demographic behavior in future years. The assumptions used were based on the results of an actuarial experience study conducted in 2016. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates the larger the impact on future financial statements.

Mortality rates for 2016 were based on the RP-2014 tables with gender adjustments for healthy annuitants and disabled retirees and an adjusted version on MP-2015 mortality improvement scale on a fully generational basis. Mortality rates for 2015 were based on the Sex distinct RP-2000 combined Mortality Table projected to 2015 and 2014 using scale AA for Males and Females, as appropriate, for mortality improvement.

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

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

Asset Class	Long-Term Expected Real Rate of Return		Asset Allocations	
	2016	2015	2016	2015
Domestic equity	5.70%	5.70%	34.00%	36.50%
International equity	5.70%	5.70%	14.70%	16.50%
Fixed income	2.00%	2.00%	25.00%	22.60%
Alternative investments	7.80%	7.80%	20.90%	19.60%
Cash and equivalents	0.00%	0.00%	5.40%	4.80%

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

NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)

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

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

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

Plan	1% Decrease [6.20%]	Current Discount Rate [7.20%]	1% Increase [8.20%]
Other Employees of City of New Castle's County & Municipal Other Employees' Pension Plan [CMOEPP]:			
Fiscal year 2017	\$ 348,397	\$ 157,286	\$ 11,094
Fiscal year 2016	\$ 121,911	\$ 1,513	\$ (210,702)

NOTE 10 - LEASING ARRANGEMENTS AS LESSEE

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

Description	Monthly Rentals	Expiration Date
Ricoh Copier System	\$ 197.20	August, 2019
Cannon Model IRC 5235A Copier System	\$ 319.15	August, 2019

At June 30, 2017, the minimum future rental payments required under non-cancelable operating leasing arrangements having remaining terms in excess of one year in the aggregate are as follows:

Years Ending June 30	Amount
2018	\$ 6,196
2019	6,196
2020	1,032
Total minimum future rental payments required	<u>\$ 13,424</u>

Total rental expense/expenditure is \$7,370 and \$9,143 for the years ended June 30, 2017 and 2016, respectively.

NOTE 11 - LEASING ARRANGEMENTS AS LESSOR

The City is the lessor of certain property under non-cancelable operating leasing arrangements expiring at various dates. The following schedule summarizes the property held for lease at June 30, 2017:

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

At June 30, 2017, the minimum future rental revenues under non-cancelable leasing arrangements having remaining terms in excess of one year in the aggregate are as follows:

Years Ending June 30	Land Lease	Air Rights
2018	\$ -	\$ 51,011

Certain leasing arrangements are generally based on a percentage of lessee collections and as such rental revenue is estimated based on current available information for future years. Total rental revenue received for the years ended June 30, 2017 and 2016 is \$79,680 and \$62,476, respectively.

NOTE 12 - COMMITMENTS AND CONTINGENCIES

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

Collective Bargaining Agreements

The City is operating under a collective bargaining agreement with the Wilmington Fraternal Order of Police, Lodge No. 1. The contract covers all uniformed police officers for the period July 1, 2014 to June 30, 2017, and the agreement was extended for an additional four year period of July 1, 2017 to June 30, 2021.

The City is also operating under a three-year agreement with Council 81 AFSCME AFL-CIO for its nonsupervisory employees in Public Works, Building and Administration Departments for the periods July 1, 2015 to June 30, 2018.

Government Grant Awards

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

Litigation

In the normal course of business, the City may become involved in litigation; any losses from such litigation are generally covered by insurance. At June 30, 2017, the City is involved in one dispute which the City solicitor anticipates will not result in significant financial liability to the City.

NOTE 13 - GASB STATEMENT IMPLEMENTATION

The City has implemented GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of the Statement is to improve financial reporting by [1] raising the category of GASB *Implementation Guides* in the GAAP hierarchy, thus providing the opportunity for broader public input on implementation guidance; [2] emphasizing the importance of analogies to authoritative literature when the accounting treatment for an event is not specified in authoritative GAAP; and [3] requiring the consideration of consistency with GASB *Concepts Statements* when evaluating accounting treatments specified in nonauthoritative literature.

The City has implemented GASB Statement No. 77, *Tax Abatement Disclosures*. The objective of the Statement is to require governments entering into tax abatement agreements to disclose the following information about such agreements: [1] brief descriptive information; [2] the gross dollar amount of taxes being abated during the period; and [3] commitments made by a government, other than to abate taxes, as part of a tax abatement agreement. The implementation of the Statement has no impact on the financial statements since the City has not entered into such agreements.

NOTE 14 - EVALUATION OF SUBSEQUENT EVENTS

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

Required Supplementary Information [RSI] Section

CITY OF NEW CASTLE, DELAWARE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-BUDGET AND
ACTUAL-GENERAL FUND
Year Ended June 30,2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES				
Taxes:				
Property taxes	\$ 3,060,000	\$ 3,060,000	\$ 3,136,885	\$ 76,885
Property transfer taxes	250,000	250,000	663,618	413,618
Cable franchise taxes	110,000	110,000	117,697	7,697
Licenses and permits	277,500	277,500	408,585	131,085
Intergovernmental-Federal	145,000	145,000	144,867	(133)
Intergovernmental-State	76,000	76,000	-	(76,000)
Police fines and court fees	45,000	45,000	35,325	(9,675)
Charges for services	62,000	62,000	47,436	(14,564)
Interest and rents	72,000	72,000	82,850	10,850
Miscellaneous revenues	18,375	18,375	33,229	14,854
Total revenues	4,115,875	4,115,875	4,670,492	554,617
EXPENDITURES				
Current:				
General government:				
City Administration	717,235	717,235	714,562	2,673
Board of Adjustments	5,500	5,500	10,780	(5,280)
Building maintenance	30,000	30,000	52,759	(22,759)
Insurance costs	301,228	301,228	316,880	(15,652)
Outside professional services	92,000	92,000	105,523	(13,523)
Public safety	2,033,167	2,033,167	1,916,474	116,693
Public services	1,320,258	1,320,258	1,120,065	200,193
Parks and recreation	106,500	106,500	205,560	(99,060)
Committees and commissions	69,650	69,650	34,388	35,262
Capital outlay	563,700	563,700	52,206	511,494
Debt service	74,600	74,600	81,464	(6,864)
Total expenditures	5,313,838	5,313,838	4,610,661	703,177
EXCESS (DEFICIT) OF				
REVENUES OVER EXPENDITURES	(1,197,963)	(1,197,963)	59,831	1,257,794
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	2,500	2,500	63,672	61,172
Annual appropriation:				
Municipal Services Commission	665,045	665,045	664,394	(651)
Operating transfers (out) in	-	-	(3,254)	(3,254)
Total other financing sources (uses)	667,545	667,545	724,812	57,267
NET CHANGE IN FUND BALANCE	(530,418)	(530,418)	784,643	1,315,061
FUND BALANCES				
Beginning of year	530,418	530,418	2,060,592	1,530,174
End of year	\$ -	\$ -	\$ 2,845,235	\$ 2,845,235

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Material Violation

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

See Report of Independent Auditor

CITY OF NEW CASTLE, DELAWARE

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's proportion of net pension liability (asset)	<u>1.3312%</u>	<u>1.7091%</u>	<u>1.6378%</u>
City's proportionate share of net pension liability (asset)	<u>\$ 211,602</u>	<u>\$ (90,077)</u>	<u>\$ (177,172)</u>
City's covered-employee payroll	<u>\$ 1,058,392</u>	<u>\$ 1,126,936</u>	<u>\$ 1,085,123</u>
City's proportionate share of net pension liability (asset) as a percentage of its covered-employee payroll	<u>19.99%</u>	<u>-7.99%</u>	<u>-16.33%</u>
Plan's fiduciary net position as percentage of total pension liability	<u>94.71%</u>	<u>101.97%</u>	<u>104.47%</u>

Note to Schedule:

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

See Report of Independent Auditor

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 147,290	\$ 146,588	\$ 159,800
Contributions in relation to contractually required contribution	<u>147,290</u>	<u>146,588</u>	<u>159,800</u>
Annual contribution (deficiency) excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City covered-employee payroll	<u>\$ 1,069,639</u>	<u>\$ 1,058,392</u>	<u>\$ 1,126,936</u>
Contributions as percentage of covered-employee payroll	<u>13.77%</u>	<u>13.85%</u>	<u>14.18%</u>

See Report of Independent Auditor

CITY OF NEW CASTLE, DELAWARE

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
OF THE COUNTY & MUNICIPAL OTHER EMPLOYEES' PENSION PLAN [CMOEPF]

As of and Years Ended June 30

	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's proportion of net pension liability (asset)	<u>2.5386%</u>	<u>3.5470%</u>	<u>3.5643%</u>
City's proportionate share of net pension liability (asset)	<u>\$ 157,286</u>	<u>\$ 1,513</u>	<u>\$ (13,121)</u>
City's covered-employee payroll	<u>\$ 902,442</u>	<u>\$ 980,414</u>	<u>\$ 963,705</u>
City's proportionate share of net pension liability (asset) as a percentage of its covered-employee payroll	<u>17.43%</u>	<u>0.15%</u>	<u>-1.36%</u>
Plan's fiduciary net position as percentage of total pension liability	<u>86.38%</u>	<u>99.89%</u>	<u>101.07%</u>

Note to Schedule:

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

See Report of Independent Auditor

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 66,409	\$ 57,342	\$ 63,531
Contributions in relation to contractually required contribution	<u>66,409</u>	<u>57,342</u>	<u>63,531</u>
Annual contribution (deficiency) excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City covered-employee payroll	<u>\$ 902,442</u>	<u>\$ 923,387</u>	<u>\$ 980,414</u>
Contributions as percentage of covered-employee payroll	<u>7.36%</u>	<u>6.21%</u>	<u>6.48%</u>

See Report of Independent Auditor

Supplementary Information Section

CITY OF NEW CASTLE, DELAWARE
 COMBINING BALANCE SHEET-SPECIAL REVENUE FUND
 As of June 30, 2017 with Comparative Totals for 2016

	Special Revenue Fund						Totals	
	Federal Funding	State Funding	Separation Day Fund	Gateway Project	Park Program Fund	Trustees New Castle Common	Special Revenue Fund [Memorandum Only]	
	<i>[See Pg 34]</i>	<i>[See Pg 35]</i>					2017	2016
ASSETS								
Cash and equivalents	\$ -	\$ 53,196	\$ -	\$18,261	\$ -	\$ -	\$71,457	\$771,139
Due from other governments	7,050	-	-	-	-	-	7,050	1,815
Interfund receivable (payable)	(7,050)	4,058	9,578	-	-	-	6,586	7,480
TOTAL ASSETS	<u>\$ -</u>	<u>\$ 57,254</u>	<u>\$ 9,578</u>	<u>\$18,261</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$85,093</u>	<u>\$780,434</u>
LIABILITIES AND FUND BALANCES								
LIABILITIES								
Accounts payable and other	\$ -	\$ 5,043	\$ 491	\$ -	\$ -	\$ -	\$ 5,534	\$ 7,357
Unearned revenues	-	14,870	-	-	-	-	14,870	5,979
Refundable advances	-	364	-	-	-	-	364	679,207
Total liabilities	<u>-</u>	<u>20,277</u>	<u>491</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,768</u>	<u>692,543</u>
FUND BALANCES								
Restricted for specific programs	-	36,977	-	18,261	-	-	55,238	81,382
Assigned	-	-	9,087	-	-	-	9,087	6,509
Total fund balances	<u>-</u>	<u>36,977</u>	<u>9,087</u>	<u>18,261</u>	<u>-</u>	<u>-</u>	<u>64,325</u>	<u>87,891</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ -</u>	<u>\$ 57,254</u>	<u>\$ 9,578</u>	<u>\$18,261</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$85,093</u>	<u>\$780,434</u>

See Report of Independent Auditor

CITY OF NEW CASTLE, DELAWARE
 COMBINING BALANCE SHEET-SPECIAL REVENUE FUND
 As of June 30, 2017 with Comparative Totals for 2016

	Federal Funding				Total Federal Funding	
	Criminal Justice Council	Office of Highway	Homeland Security	Other Grants	[Memorandum Only]	
					2017	2016
ASSETS						
ASSETS						
Cash and equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other governments	7,050	-	-	-	7,050	-
Interfund receivable (payable)	(7,050)	-	-	-	(7,050)	-
TOTAL ASSETS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable and other	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unearned revenues	-	-	-	-	-	-
Refundable advances	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES						
Restricted for specific programs	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See Report of Independent Auditor

CITY OF NEW CASTLE, DELAWARE
 COMBINING BALANCE SHEET-SPECIAL REVENUE FUND
 As of June 30, 2017 with Comparative Totals for 2016

	State Funding					Total State Funding [Memorandum Only]		
	Municipal Street Aid	Police Pension	SALLE	EIDE	DNREC Grant	Other Grants	2017	2016
ASSETS								
ASSETS								
Cash and equivalents	\$ 7,469	\$ 29,508	\$ -	\$ 1,690	\$ 300	\$ 14,229	\$ 53,196	\$744,221
Due from other government	-	-	-	-	-	-	-	1,815
Interfund receivable (payable)	-	-	-	(797)	64	4,791	4,058	(2,369)
TOTAL ASSETS	<u>\$ 7,469</u>	<u>\$ 29,508</u>	<u>\$ -</u>	<u>\$ 893</u>	<u>\$ 364</u>	<u>\$ 19,020</u>	<u>\$ 57,254</u>	<u>\$743,667</u>
LIABILITIES AND FUND BALANCES								
LIABILITIES								
Accounts payable and other	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,043	\$ 5,043	\$ 4,017
Unearned revenues	-	-	-	893	-	13,977	14,870	5,979
Refundable advances	-	-	-	-	364	-	364	679,207
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>893</u>	<u>364</u>	<u>19,020</u>	<u>20,277</u>	<u>689,203</u>
FUND BALANCES								
Restricted for specific programs	7,469	29,508	-	-	-	-	36,977	54,464
Assigned	-	-	-	-	-	-	-	-
Total fund balances	<u>7,469</u>	<u>29,508</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>36,977</u>	<u>54,464</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 7,469</u>	<u>\$ 29,508</u>	<u>\$ -</u>	<u>\$ 893</u>	<u>\$ 364</u>	<u>\$ 19,020</u>	<u>\$ 57,254</u>	<u>\$743,667</u>

See Report of Independent Auditor

CITY OF NEW CASTLE, DELAWARE

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-SPECIAL REVENUE FUND
Year Ended June 30, 2017 with Comparative Totals for 2016

	Special Revenue Fund						Totals	
	Federal Funding	State Funding	Separation Day Fund	Gateway Project	Park Donor Program Fund	Trustees New Castle Common	Special Revenue Fund [Memorandum Only]	
	[See Pg 37]	[See Pg 38]					2017	2016
REVENUES								
Intergovernmental revenues:								
Federal funding	\$ 15,039	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,039	\$ 11,628
State funding	-	1,430,951	33,000	-	-	-	1,463,951	654,860
Trustees of New Castle Common	-	-	-	-	-	-	-	184,545
Interest revenue	-	71	16	-	-	-	87	131
Miscellaneous revenue	-	-	19,131	-	-	-	19,131	13,949
Total revenues	<u>15,039</u>	<u>1,431,022</u>	<u>52,147</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,498,208</u>	<u>865,113</u>
EXPENDITURES								
Current:								
General government	-	-	-	-	-	-	-	-
Public safety	14,039	114,148	-	-	-	-	128,187	152,995
Public services	-	11,067	-	-	-	-	11,067	18,421
Parks and recreation	1,000	-	52,823	8,657	-	-	62,480	56,361
Capital outlay:								
General government	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-
Public services	-	119,451	-	-	-	-	119,451	389,558
Parks and recreation	-	1,203,843	-	-	-	-	1,203,843	340,911
Debt service:								
Principal	-	-	-	-	-	-	-	48,778
Interest and other fees	-	-	-	-	-	-	-	244
Total expenditures	<u>15,039</u>	<u>1,448,509</u>	<u>52,823</u>	<u>8,657</u>	<u>-</u>	<u>-</u>	<u>1,525,028</u>	<u>1,007,268</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>(17,487)</u>	<u>(676)</u>	<u>(8,657)</u>	<u>-</u>	<u>-</u>	<u>(26,820)</u>	<u>(142,155)</u>
OTHER FINANCING SOURCES (USES)								
Refund of prior year revenues	-	-	-	-	-	-	-	-
Operating transfers in (out)	-	-	3,254	-	-	-	3,254	(36,969)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>3,254</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,254</u>	<u>(36,969)</u>
NET CHANGE IN FUND BALANCES	<u>-</u>	<u>(17,487)</u>	<u>2,578</u>	<u>(8,657)</u>	<u>-</u>	<u>-</u>	<u>(23,566)</u>	<u>(179,124)</u>
FUND BALANCES								
Beginning of year	-	54,464	6,509	26,918	-	-	87,891	267,015
End of year	<u>\$ -</u>	<u>\$ 36,977</u>	<u>\$ 9,087</u>	<u>\$ 18,261</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 64,325</u>	<u>\$ 87,891</u>

See Report of Independent Auditor

CITY OF NEW CASTLE, DELAWARE

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-SPECIAL REVENUE FUND
Year Ended June 30, 2017 with Comparative Totals for 2016

	Federal Funding				Total Federal Funding	
	Criminal Justice Council	Office of Highway	Homeland Security	Other Grants	[Memorandum Only]	
					2017	2016
REVENUES						
Intergovernmental revenues:						
Federal funding	\$ 7,050	\$ 6,070	\$ 919	\$ 1,000	\$ 15,039	\$ 11,628
State funding	-	-	-	-	-	-
Trustees of New Castle Common	-	-	-	-	-	-
Interest revenue	-	-	-	-	-	-
Miscellaneous revenue	-	-	-	-	-	-
Total revenues	<u>7,050</u>	<u>6,070</u>	<u>919</u>	<u>1,000</u>	<u>15,039</u>	<u>11,628</u>
EXPENDITURES						
Current:						
General government	-	-	-	-	-	-
Public safety	7,050	6,070	919	-	14,039	11,628
Public services	-	-	-	-	-	-
Parks and recreation	-	-	-	1,000	1,000	-
Capital outlay:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Public services	-	-	-	-	-	-
Parks and recreation	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest and other fees	-	-	-	-	-	-
Total expenditures	<u>7,050</u>	<u>6,070</u>	<u>919</u>	<u>1,000</u>	<u>15,039</u>	<u>11,628</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)						
Refund of prior year revenues	-	-	-	-	-	-
Operating transfers in (out)	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES						
Beginning of year	-	-	-	-	-	-
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See Report of Independent Auditor

CITY OF NEW CASTLE, DELAWARE

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-SPECIAL REVENUE FUND
Year Ended June 30, 2017 with Comparative Totals for 2016

	State Funding						Total State Funding	
	Municipal	Police			DNREC	Other	[Memorandum Only]	
	Street Aid	Pension	SALLE	EIDE	Grant	Grants	2017	2016
REVENUES								
Intergovernmental revenues:								
Federal funding	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State funding	104,624	77,331	5,989	4,439	1,203,843	34,725	1,430,951	609,251
Trustees of New Castle Common	-	-	-	-	-	-	-	-
Interest revenue	65	6	-	-	-	-	71	122
Miscellaneous revenue	-	-	-	-	-	-	-	-
Total revenues	104,689	77,337	5,989	4,439	1,203,843	34,725	1,431,022	609,373
EXPENDITURES								
Current:								
General government	-	-	-	-	-	-	-	-
Public safety	-	80,062	5,989	4,439	-	23,658	114,148	123,254
Public services	-	-	-	-	-	11,067	11,067	18,421
Parks and recreation	-	-	-	-	-	-	-	-
Capital outlay:								
General government	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-
Public services	119,451	-	-	-	-	-	119,451	324,056
Parks and recreation	-	-	-	-	1,203,843	-	1,203,843	315,693
Debt service:								
Principal	-	-	-	-	-	-	-	-
Interest and other fees	-	-	-	-	-	-	-	-
Total expenditures	119,451	80,062	5,989	4,439	1,203,843	34,725	1,448,509	781,424
EXCESS REVENUES OVER (UNDER) EXPENDITURES	(14,762)	(2,725)	-	-	-	-	(17,487)	(172,051)
OTHER FINANCING SOURCES (USES)								
Refund of prior year revenues	-	-	-	-	-	-	-	-
Operating transfers in (out)	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
NET CHANGE IN FUND BALANCES	(14,762)	(2,725)	-	-	-	-	(17,487)	(172,051)
FUND BALANCES								
Beginning of year	22,231	32,233	-	-	-	-	54,464	226,515
End of year	\$ 7,469	\$ 29,508	\$ -	\$ -	\$ -	\$ -	\$ 36,977	\$ 54,464

See Report of Independent Auditor