

Resolution 2023-27

A Resolution to Approve the FY-2022 Financial Audit


WHEREAS, the firm of Whisman Giordano & Associates completed the FY2022 Financial Audit, and their representative has reviewed the draft Audit with City Council at a Public Meeting held on Tuesday, September 12, 2023.

NOW, THEREFORE, BE IT RESOLVED, that the City Council hereby approves the Fiscal Year 2022 Financial Audit.

PASSED this 12th day of September 2023.

VACANT

Council President



Nermin Zubaca, Councilperson



Suzanne Souder, Councilperson

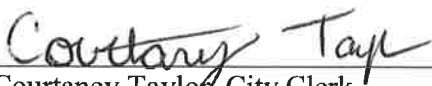


Joseph F. Day, III, Councilperson



Andrew Zeltt, Councilperson

Attest:



Courtancy Taylor, City Clerk



WHISMAN GIORDANO
CERTIFIED PUBLIC ACCOUNTANTS

Building Extraordinary Relationships

FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT AUDITOR

CITY OF NEW CASTLE
New Castle, Delaware

Years Ended June 30, 2022 and 2021

CITY OF NEW CASTLE, DELAWARE

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WHISMAN GIORDANO
CERTIFIED PUBLIC ACCOUNTANTS

Building Extraordinary Relationships

Report of Independent Auditor

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

Report on the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of New Castle (the "City" and primary government), Delaware, as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the primary government financial statements as listed in the table of contents.

In our opinion, the primary government financial statements 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, 2022 and 2021, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

The City's 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of primary government financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the primary government financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for one year after the date that the primary government financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the primary government financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the primary government financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the primary government financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the primary government financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the primary government financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, presented on pages 33 to 34, along with schedules of net pension liability and schedules of pension contributions, presented on pages 35 to 38, be presented to supplement the basic financial statements of the primary government. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. Management has omitted the management's discussion and analysis section that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements.

Required Supplementary Information (Continued)

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 financial statements of the primary government is not affected by the missing information.

Supplementary Information

Our audits were conducted for the purpose of forming opinions on the financial statements of the primary government that collectively comprise the City of New Castle, Delaware's financial statements. The supplementary information, reported on pages 39 through 48, 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.

Other Reporting Required By Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 12, 2023 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

Newark, Delaware
September 12, 2023

Basic Financial Statements Section

CITY OF NEW CASTLE, DELAWARE
STATEMENTS OF NET POSITION
As of June 30, 2022 and 2021

	Primary Government	
	Governmental Activities	
	2022	2021
ASSETS		
Current assets		
Cash and equivalents	\$ 9,755,097	\$ 7,803,800
Cash and equivalents-restricted	163,440	140,002
Receivables, net of allowance:		
Property taxes	244,450	219,226
Accounts	49,040	40,059
Other	210,497	14,943
Due from other governments	78,890	2,100
Total current assets	10,501,414	8,220,130
Noncurrent assets		
Capital assets, net of depreciation:		
Nondepreciable	30,290,546	30,261,267
Depreciable	4,345,841	4,721,832
Net pension asset	1,937,293	-
Total noncurrent assets	36,573,680	34,983,099
TOTAL ASSETS	47,075,094	43,203,229
DEFERRED OUTFLOWS OF RESOURCES		
Deferred contributions and changes in proportion related to pension activity	283,109	335,667
LIABILITIES		
Current liabilities		
Accounts payable and other	166,687	565,655
Accrued wages and related taxes	200,174	102,639
Current portion of debt obligation	276,881	275,672
Unearned revenues	23,800	16,523
Refundable advances	973,626	2,021,893
Total current liabilities	1,641,168	2,982,382
Noncurrent liabilities		
Long-term portion:		
Compensated absences liability	424,831	527,579
Debt obligation, net of current portion	1,323,622	1,622,458
Net pension liability	-	224,296
Total noncurrent liabilities	1,748,453	2,374,333
TOTAL LIABILITIES	3,389,621	5,356,715
DEFERRED INFLOWS OF RESOURCES		
Deferred investment earnings of pension activity	1,397,176	167,666
Unavailable revenue-property taxes	217,432	192,208
Unavailable revenue-fees and assessments	49,040	40,059
Total deferred inflows of resources	1,663,648	399,933
NET POSITION		
Net investment in capital assets	33,035,884	33,084,969
Restricted for specific programs	239,984	120,197
Unrestricted	9,029,066	4,577,082
TOTAL NET POSITION	\$ 42,304,934	\$ 37,782,248

Accompanying notes are an integral part of these financial statements

CITY OF NEW CASTLE, DELAWARE
STATEMENT OF ACTIVITIES
Year Ended June 30, 2022

Functions	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenues and
					Total
					Change In
					Net Position
					Primary
					Government
					Total
					Governmental
					Activities
GOVERNMENTAL ACTIVITIES					
General government:					
City Administration	\$ 777,328	\$ -	\$ -	\$ -	\$ (777,328)
Board of Adjustments	-	-	-	-	-
Building maintenance	-	-	-	-	-
Insurance costs	-	-	-	-	-
Outside professional services	-	-	-	-	-
Public safety	2,041,696	110,356	147,107	-	(1,784,233)
Public services	929,727	687,896	425,295	-	183,464
Parks and recreation	253,688	-	-	-	(253,688)
Committees and commissions	36,352	-	-	-	(36,352)
Interest on long-term debt obligations	60,780	-	-	225,000	164,220
Depreciation-unallocated	439,942	-	-	-	(439,942)
TOTAL PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES	\$ 4,539,513	\$ 798,252	\$ 572,402	\$ 225,000	(2,943,859)
GENERAL REVENUES					
Property taxes levied for general purposes					3,751,450
Franchise taxes levied for general purposes					112,552
Federal funding not restricted for a specific function					2,812,800
Investment earnings and rents					86,177
Gain (loss) from sale of capital assets					325
Miscellaneous revenues (expenditures)					47,747
Component unit appropriations					655,494
Total general revenues					7,466,545
CHANGE IN NET POSITION					4,522,686
NET POSITION					
Beginning of year					<u>37,782,248</u>
End of year					<u>\$ 42,304,934</u>

Accompanying notes are an integral part of these financial statements

CITY OF NEW CASTLE, DELAWARE
STATEMENT OF ACTIVITIES
Year Ended June 30, 2021

Functions	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenues and
					Total
					Change In Net Position
					Primary Government
					Governmental Activities
GOVERNMENTAL ACTIVITIES					
General government:					
City Administration	\$ 1,083,917	\$ -	\$ -	\$ -	\$ (1,083,917)
Board of Adjustments	-	-	-	-	-
Building maintenance	9,636	-	-	-	(9,636)
Insurance costs	-	-	-	-	-
Outside professional services	-	-	-	-	-
Public safety	2,051,547	49,054	104,059	-	(1,898,434)
Public services	1,233,505	450,341	203,403	-	(579,761)
Parks and recreation	134,322	-	-	-	(134,322)
Committees and commissions	43,307	-	-	-	(43,307)
Interest on long-term debt obligations	60,501	-	-	225,000	164,499
Depreciation-unallocated	402,393	-	-	-	(402,393)
TOTAL PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES	\$ 5,019,128	\$ 499,395	\$ 307,462	\$ 225,000	(3,987,271)
GENERAL REVENUES					
Property taxes levied for general purposes					4,071,356
Franchise taxes levied for general purposes					130,890
Federal funding not restricted for a specific function					354,836
Investment earnings and rents					86,945
Gain (loss) from sale of capital assets					(85)
Miscellaneous revenues (expenditures)					167,031
Component unit appropriations					659,276
Total general revenues					5,470,249
CHANGE IN NET POSITION					1,482,978
NET POSITION					
Beginning of year					36,299,270
Accompanying notes are an integral part of these financial statements					\$ 37,782,248

CITY OF NEW CASTLE, DELAWARE
BALANCE SHEETS-GOVERNMENTAL FUNDS
As of June 30, 2022 and 2021

	2022				2021			
	Governmental Fund Types				Governmental Fund Types			
	General	Special Revenue	Capital Projects	Totals	General	Special Revenue	Capital Projects	Totals
ASSETS								
ASSETS								
Cash and equivalents	\$ 9,278,749	\$ 351,348	125,000	\$ 9,755,097	7,490,484	\$ 188,316	125,000	\$ 7,803,800
Cash and equivalents-restricted	163,440	-	-	163,440	140,002	-	-	140,002
Receivables, net of allowance:								
Property taxes	244,450	-	-	244,450	219,226	-	-	219,226
Accounts	49,040	-	-	49,040	40,059	-	-	40,059
Other	210,497	-	-	210,497	14,943	-	-	14,943
Due from other governments	78,890	-	-	78,890	2,100	-	-	2,100
Interfund receivable (payable)	(54,593)	54,593	-	-	(14,787)	14,787	-	-
TOTAL ASSETS	\$ 9,970,473	\$ 405,941	\$ 125,000	10,501,414	\$ 7,892,027	\$ 203,103	\$ 125,000	\$ 8,220,130
LIABILITIES AND FUND BALANCES								
LIABILITIES								
Accounts payable and other	\$ 85,688	\$ 80,999	\$ -	\$ 166,687	\$ 559,682	\$ 5,973	\$ -	\$ 565,655
Accrued wages and related taxes	200,174	-	-	200,174	102,639	-	-	102,639
Unearned revenues	6,258	17,542	-	23,800	6,158	10,365	-	16,523
Refundable advances	973,281	345	-	973,626	2,021,893	-	-	2,021,893
Total liabilities	1,265,401	98,886	-	1,364,287	2,690,372	16,338	-	2,706,710
DEFERRED INFLOWS OF RESOURCES								
Unavailable revenue-property taxes	217,432	-	-	217,432	192,208	-	-	192,208
Unavailable revenue-fees/assessments	49,040	-	-	49,040	40,059	-	-	40,059
Total deferred inflows of resources	266,472	-	-	266,472	232,267	-	-	232,267
FUND BALANCES								
Restricted for specific programs	-	239,984	-	239,984	-	120,197	-	120,197
Committed by Council	163,440	-	125,000	288,440	140,002	-	125,000	265,002
Assigned-encumbrances and other	-	67,071	-	67,071	-	66,568	-	66,568
Unassigned	8,275,160	-	-	8,275,160	4,829,386	-	-	4,829,386
Total fund balances	8,438,600	307,055	125,000	8,870,655	4,969,388	186,765	125,000	5,281,153
TOTAL LIABILITIES AND FUND BALANCES	\$ 9,970,473	\$ 405,941	\$ 125,000	\$ 10,501,414	\$ 7,892,027	\$ 203,103	\$ 125,000	\$ 8,220,130

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, 2022 and 2021

	Governmental Funds			
	2022	2021		
Amounts reported for governmental activities in the statement of net position are different because:				
Total fund balances-governmental funds	\$ 8,870,655	\$ 5,281,153		
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 \$43,422,526 and \$43,354,779 and the related accumulated depreciation is \$8,786,139 and \$8,371,680 for the periods presented.	34,636,387	34,983,099		
Long-term obligations are not due and payable within the current period and, therefore, not reported as liabilities in the governmental fund types.				
<u>Long-Term Debt Obligations</u>	2022	2021		
Current portion	\$ 276,881	\$ 275,672		
Net of current portion	1,323,622	1,622,458	(1,600,503)	(1,898,130)
Compensated absences not due and payable within the period presented are not reported in the governmental funds.	(424,831)	(527,579)		
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	1,937,293	(224,296)		
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 \$283,109 and \$335,667 consists of \$45,827 and \$85,703 of deferred outflows of resources pension expense and \$238,282 and \$249,964 of deferred outflows of 2022 and 2021 employer contributions related to the pension activity.	283,109	335,667		
Deferred inflows of resources related to pension activity.	(1,397,176)	(167,666)		
Total net position-governmental activities	\$ 42,304,934	\$ 37,782,248		

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, 2022 and 2021

	2022				2021			
	Governmental Fund Types				Governmental Fund Types			
	General	Special Revenue	Capital Projects	Totals	General	Special Revenue	Capital Projects	Totals
REVENUES								
Taxes:								
Property taxes	\$ 3,128,304	\$ -	\$ -	\$ 3,128,304	\$ 3,153,268	\$ -	\$ -	\$ 3,153,268
Property transfer taxes	623,146	-	-	623,146	918,088	-	-	918,088
Cable franchise taxes	112,552	-	-	112,552	130,890	-	-	130,890
Licenses and permits	675,196	-	-	675,196	438,491	-	-	438,491
Intergovernmental revenues:								
Federal funding	2,812,800	37,761	-	2,850,561	354,836	28,519	-	383,355
State funding	109,346	425,295	-	534,641	75,540	203,403	-	278,943
Trustees of New Castle Common	-	225,000	-	225,000	-	225,000	-	225,000
Police fines and court fees	31,517	-	-	31,517	27,316	-	-	27,316
Charges for services	91,539	-	-	91,539	33,588	-	-	33,588
Interest and rents	85,829	348	-	86,177	86,864	81	-	86,945
Miscellaneous revenues	3,358	28,137	-	31,495	5,628	-	-	5,628
Total revenues	7,673,587	716,541	-	8,390,128	5,224,509	457,003	-	5,681,512
EXPENDITURES								
Current:								
General government:								
City Administration	964,147	-	-	964,147	1,059,369	-	-	1,059,369
Board of Adjustments	-	-	-	-	-	-	-	-
Building maintenance	-	-	-	-	9,636	-	-	9,636
Insurance costs	-	-	-	-	-	-	-	-
Outside professional services	-	-	-	-	-	-	-	-
Public safety	1,979,892	80,586	-	2,060,478	1,938,982	76,267	-	2,015,249
Public services	1,197,818	115,007	-	1,312,825	1,110,343	-	-	1,110,343
Parks and recreation	143,154	110,534	-	253,688	115,842	18,480	-	134,322
Committees and commissions	36,352	-	-	36,352	43,307	-	-	43,307
Capital outlay	421,676	65,124	-	486,800	1,859,090	-	-	1,859,090
Debt service:								
Principal	118,311	179,316	-	297,627	1,802	173,674	-	175,476
Interest and other fees	15,096	45,684	-	60,780	9,175	51,326	-	60,501
Total expenditures	4,876,446	596,251	-	5,472,697	6,147,546	319,747	-	6,467,293
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	2,797,141	120,290	-	2,917,431	(923,037)	137,256	-	(785,781)
OTHER FINANCING SOURCES (USES)								
Proceeds from new financing	-	-	-	-	383,514	-	-	383,514
Proceeds from sale of capital assets	325	-	-	325	27,375	-	-	27,375
Refund prior years (revenues)/expenditures	16,252	-	-	16,252	161,403	-	-	161,403
Annual appropriation:								
Municipal Services Commission	655,494	-	-	655,494	659,276	-	-	659,276
Operating transfers (out) in	-	-	-	-	8,169	(8,169)	-	-
Total other financing sources (uses)	672,071	-	-	672,071	1,239,737	(8,169)	-	1,231,568
NET CHANGE IN FUND BALANCES	3,469,212	120,290	-	3,589,502	316,700	129,087	-	445,787
FUND BALANCES								
Beginning of year	4,969,388	186,765	125,000	5,281,153	4,652,688	57,678	125,000	4,835,366
End of year	\$ 8,438,600	\$ 307,055	\$ 125,000	\$ 8,870,655	\$ 4,969,388	\$ 186,765	\$ 125,000	\$ 5,281,153

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, 2022 and 2021

	<u>Governmental Funds</u>			
	<u>2022</u>	<u>2021</u>		
Amounts reported for governmental activities in the statement of activities are different because:				
Net change in fund balance-total governmental funds	\$ 3,589,502	\$ 445,787		
Governmental funds report capital outlay as expenditures. However, in government-wide statements, assets with an initial, individual cost of \$5,000 or more are capitalized and allocated over their estimated useful lives and reported as depreciation expense. The following represents the amount by which capital outlay exceeds or is less than depreciation expense for the periods presented.				
<u>Description</u>	<u>2022</u>	<u>2021</u>		
Capital assets	\$ 93,230	\$ 1,814,404		
Depreciation expense	(439,942)	(402,393)	(346,712)	1,412,011
Some expenses reported in the statement of activities do not require current financial resources; therefore, are not reported as expenditures in the governmental funds.				
<u>Description</u>	<u>2022</u>	<u>2021</u>		
Sale and/or disposal of capital assets:				
Proceeds received	\$ 325	\$ 27,375		
Loss (gain) recognized	-	85	(325)	(27,460)
Governmental funds report loan proceeds as other financing sources, while repayment of loan principal is reported as an expenditure. Interest is recognized as an expenditure in governmental funds when due. However, in the statement of activities, interest expense is recognized as it accrues, regardless of when it is due. The net effect of differences in treatment of long-term obligation and related items is as follows:				
<u>Description</u>	<u>2022</u>	<u>2021</u>		
Financing proceeds received	\$ -	\$ (383,514)		
Principal payments made	297,627	175,476	297,627	(208,038)
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 between the amount used versus the amount earned for periods presented.			102,748	(139,501)
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.				
<u>Description</u>	<u>2022</u>	<u>2021</u>		
City pension contributions for the fiscal years 2022 and 2021	\$ 238,282	\$ 249,964		
Cost of benefits earned net of contributions [pension expense]	1,182,670	(249,785)	1,420,952	179
Change in net position-governmental activities	<u>\$ 4,522,686</u>	<u>\$ 1,482,978</u>		

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") and primary government 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 entity 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 as part of 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 (MSC) was organized on March 11, 1921 for purposes of providing water and electric service to City residents. MSC adopted a reporting period of April 1 to March 31.

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, the 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, component unit appropriations, 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 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 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 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 reporting period are considered susceptible to accrual and so have been recognized as revenues of the period. All other revenue items are considered 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 and/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 expenditures 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 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 budgeted 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 the City government reports the awards as part of 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 cash equivalents.

Receivable-Property Taxes

At June 30, 2022 and 2021, the property taxes receivable is reflected net of an estimated uncollectible allowance of \$0. The allowance is based on 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, 2022 and 2021, the accounts receivable is reflected net of the estimated uncollectible allowance of \$0. The allowance is based on 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 non-spendable 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, streetlights, 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. No interest costs were capitalized for the years presented. 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)

Unearned Revenues

Unearned revenues represent funding received in advance which will be recognized in future periods when the revenue recognition criteria are 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 Policy

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

- The obligation related to 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 employees, on the government-wide financial statements. As for the governmental funds, the long-term liability of the compensated absences is reflected only when the liability will be liquidated with expendable available financial resources of the general fund.

To fund the compensated absences liability, the City passed Resolution No. 2005-15 establishing an escrow account. (Refer to Note 8 for more detail).

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 ten (CMPFPP) and eight (CMOEP) 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] 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 balance sheet of the fund financial statements. 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.

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.

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 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, 2022 and 2021, the city has encumbrances outstanding of \$67,071 and \$66,568, 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 governmental units) and may include certain unspent grant award funds. All other net position is considered unrestricted.

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

- **Non-spendable 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. Except for 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 2022 are \$1.20 per \$100 of assessed valuation and for fiscal year 2021 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 1¼% 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	2022		2021	
	Book	Bank	Book	Bank
1	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000
2	9,418,237	9,480,530	7,443,502	7,472,929
3	300	-	300	-
Total deposits	\$ 9,918,537	\$ 9,980,530	\$ 7,943,802	\$ 7,972,929

At June 30, 2022 and 2021, the primary government's deposits are held primarily by one financial institution and are either insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized by the financial institution. Deposits totaling \$9,980,530 and \$7,972,929 held by the financial institution are in excess (or non-coverage) of the FDIC insurance limits in the amount of \$9,480,530 and \$7,472,929, respectively. Deposits that are in excess of FDIC limits are either collateralized with U.S. Government securities held by the financial institution in the City's name or backed by U.S. Treasuries. Category 3 deposits are subject to custodial credit risk and consist of cash on hand. Custodial credit risk is the risk that in the event of a financial institution failure, 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 so 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 due from the following government agencies:

Description	2022	2021
Passed through the State of Delaware:		
Delaware Criminal Justice Council [CJC]	\$ 1,723	\$ 1,840
Delaware Office of Highway Safety	2,330	260
Delaware Department of Natural Resources and Environmental Control	35,558	-
Delaware Emergency Management Agency	35,529	-
Delaware Division of Historical and Cultural Affairs [HCA]	3,750	-
Total intergovernmental receivables	\$ 78,890	\$ 2,100

NOTE 5 - RELATED PARTY TRANSACTIONS

Municipal Services Commission (MSC), a component unit of the City, appropriated \$655,494 and \$659,276 to the Mayor and Council of the City for the years ended June 30, 2022 and 2021, respectively. In addition, the City leases real property to MSC.

CITY OF NEW CASTLE, DELAWARE
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - CAPITAL ASSETS

The following tables summarize changes to the capital assets of governmental activities:

As of and Year Ended June 30, 2022				
Asset Category	Beginning Balances	Additions	Deletions	Ending Balances
Capital assets, not depreciated:				
Land	\$ 2,313,504	\$ -	\$ -	\$ 2,313,504
Streets and Roads	25,719,408	-	-	25,719,408
Construction in progress:				
Streets and sidewalks	2,228,355	29,279	-	2,257,634
Total, not depreciated	<u>30,261,267</u>	<u>29,279</u>	<u>-</u>	<u>30,290,546</u>
Capital assets, depreciable:				
Buildings and improvements	2,785,405	21,236	-	2,806,641
Furniture and equipment	731,465	-	-	731,465
Vehicles	1,713,017	42,715	-	1,755,732
Streets and sidewalks	6,429,852	-	-	6,429,852
Trees, trails and landscape	1,433,773	-	-	1,433,773
Total depreciable	<u>13,093,512</u>	<u>63,951</u>	<u>-</u>	<u>13,157,463</u>
Less accumulated depreciation:				
Buildings and improvements	1,622,919	64,085	-	1,687,004
Furniture and equipment	581,029	19,759	-	600,788
Vehicles	897,280	164,907	-	1,062,187
Streets and sidewalks	4,947,853	119,502	-	5,067,355
Trees, trails and landscape	322,599	71,689	-	394,288
Total accumulated depr.	<u>8,371,680</u>	<u>439,942</u>	<u>-</u>	<u>8,811,622</u>
Total, net depreciation	<u>4,721,832</u>	<u>(375,991)</u>	<u>-</u>	<u>4,345,841</u>
Net capital assets	<u>\$34,983,099</u>	<u>\$ (346,712)</u>	<u>\$ -</u>	<u>\$34,636,387</u>

As of and Year Ended June 30, 2021				
Asset Category	Beginning Balances	Additions	Deletions	Ending Balances
Capital assets, not depreciated:				
Land	2,313,504	\$ -	\$ -	\$ 2,313,504
Streets and Roads	25,719,408	-	-	25,719,408
Construction in progress:				
Streets and sidewalks	847,516	1,380,839	-	2,228,355
Total, not depreciated	<u>28,880,428</u>	<u>1,380,839</u>	<u>-</u>	<u>30,261,267</u>
Capital assets, depreciable:				
Buildings and improvements	2,785,405	-	-	2,785,405
Furniture and equipment	707,615	23,850	-	731,465
Vehicles	1,370,719	409,715	(67,417)	1,713,017
Streets and sidewalks	6,429,852	-	-	6,429,852
Trees, trails and landscape	1,433,773	-	-	1,433,773
Total depreciable	<u>12,727,364</u>	<u>433,565</u>	<u>(67,417)</u>	<u>13,093,512</u>
Less accumulated depreciation:				
Buildings and improvements	1,559,548	63,371	-	1,622,919
Furniture and equipment	562,587	18,442	-	581,029
Vehicles	807,848	129,389	(39,957)	897,280
Streets and sidewalks	4,828,351	119,502	-	4,947,853
Trees, trails and landscape	250,910	71,689	-	322,599
Total accumulated depr.	<u>8,009,244</u>	<u>402,393</u>	<u>(39,957)</u>	<u>8,371,680</u>
Total, net depreciation	<u>4,718,120</u>	<u>31,172</u>	<u>(27,460)</u>	<u>4,721,832</u>
Net capital assets	<u>\$33,598,548</u>	<u>\$ 1,412,011</u>	<u>\$ (27,460)</u>	<u>\$34,983,099</u>

CITY OF NEW CASTLE, DELAWARE
NOTES TO FINANCIAL STATEMENTS

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 for the years presented.

NOTE 8 - LONG-TERM DEBT OBLIGATIONS

The following table summarizes the annual changes to long-term debt obligations:

Description	As of and Year Ended June 30, 2022				
	Beginning Balances	Additions	Deletions	Ending Balances	
				Long-term Portion	Due Within One Year
Accrued employee benefits	\$ 527,579	\$ -	\$ 102,748	\$ 424,831	\$ -
Note payable-PNC Bank	186,227	-	26,604	133,019	26,604
Note payable-PNC Bank	146,141	-	34,539	78,264	33,338
Note payable-PNC Bank	18,900	-	18,900	-	-
Note payable-Enterprise	141,744	-	28,349	85,046	28,349
Note payable-Enterprise	44,566	-	9,274	26,018	9,274
General Obligation Bonds	1,360,552	-	179,961	1,001,275	179,316
Total debt obligations	\$2,425,709	\$ -	\$ 400,375	\$1,748,453	\$ 276,881

Accrued Employee Benefits

On July 12, 2005, the City passed Resolution No. 2005-15 establishing an escrow account to fund accrued employee benefits. In accordance with the resolution, employees can sell back to the City earned sick and vacation time upon separation of employment. Accrued employee benefits balance at June 30, 2022 and 2021 is reflected above. To fund the accrued employee benefits liability, the City established a separate bank account which reflects a balance of \$163,440 and \$140,002 at June 30, 2022 and 2021, respectively.

Note Payable-PNC Bank

On August 10, 2020, the city entered into a borrowing arrangement with PNC Bank for \$186,227 to purchase a Western Star Trash Truck. The note to PNC Bank calls for annual principal payments of \$26,604 plus interest with the first payment due August 10, 2021. The note carries a fixed rate of interest of 2.34% and matures on August 10, 2027. Total interest paid on the note is \$0 for the year ended June 30, 2022. At June 30, 2022, the repayment schedule is as follows:

Years Ending June 30	Principal	Interest	Total
2023	\$ 26,604	\$ 4,394	\$ 30,998
2024	26,604	3,113	29,717
2025	26,604	2,490	29,094
2026	26,604	1,868	28,472
2027	26,604	1,245	27,849
2028	26,603	622	27,225
Total required payments	\$ 159,623	\$ 13,732	\$ 173,355

CITY OF NEW CASTLE, DELAWARE
NOTES TO FINANCIAL STATEMENTS

NOTE 8 - LONG-TERM DEBT OBLIGATIONS (continued)

Note Payable-PNC Bank

On December 6, 2018, the city entered into a borrowing arrangement with PNC Bank for \$226,000 to purchase a TYMCO Model 600 Regenerative Air Sweeper. The note to PNC Bank calls for 84 monthly payments of \$3,058 [principal and interest] with the first payment due January 6, 2019. The note carries a fixed rate of interest of 3.70% and matures on October 6, 2025. Total interest paid on the note is \$8,075 and \$7,089 for the years ended June 30, 2022 and 2021, respectively. The city took advantage of the deferred payment program available to borrowers during the COVID-19 pandemic. The accrued interest of \$8,075 was added to the note principal balance. At June 30, 2022, the repayment schedule is as follows:

<u>Years Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 33,338	\$ 3,358	\$ 36,696
2024	34,593	2,103	36,696
2025	35,895	801	36,696
2026	7,776	95	7,871
Total required payments	<u>\$ 111,602</u>	<u>\$ 6,357</u>	<u>\$ 117,959</u>

Note Payable-PNC Bank

On April 7, 2020, the city entered into a borrowing arrangement with PNC Bank for \$56,700 to purchase a 2020 Ram 4500 Dump Truck. The note to PNC Bank calls for three annual installments of \$18,900 with the first due May 15, 2020. The note matures on May 15, 2022 and carries a fixed interest rate of 2.10%. Total interest paid on the note is \$1,100 and \$1,100 for years ended June 30, 2022 and 2021, respectively. The city prepaid \$20,000 of additional principal during the year ended June 30, 2020. At June 30, 2022, the note was paid-in full.

Note Payable-Enterprise FM Trust

On June 3, 2021, the city entered into four arrangements with Enterprise FM Trust totaling \$141,744 (\$99,839 and \$41,905) to purchase four 2021 Ford Police Interceptors. The arrangements are all for a term of sixty-months and call for monthly payments of \$673 for three interceptors (principal of \$555 and interest of \$118) and \$814 for one interceptor (principal of \$699 and interest of \$115). The arrangements all mature on June 3, 2026 and carry a fixed monthly interest amount. Total interest paid is \$0 for the year ended June 30, 2021. At June 30, 2021, the repayment schedule is as follows:

<u>Years Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 28,349	\$ 5,656	\$ 34,005
2024	28,349	5,656	34,005
2025	28,349	5,656	34,005
2026	28,348	5,656	34,004
Total required payments	<u>\$ 113,395</u>	<u>\$ 22,624</u>	<u>\$ 136,019</u>

Note Payable-Enterprise FM Trust

On April 21, 2021, the city entered into two arrangements with Enterprise FM Trust totaling \$46,368 to purchase two 2021 Chevy Volts. The arrangements are both for terms of sixty-months and call for monthly payments \$482 (principal of \$386 and interest of \$96). The arrangements all mature on March 21, 2026 and carry a fixed monthly interest amount. Total interest paid is \$444 for the year ended June 30, 2021.

CITY OF NEW CASTLE, DELAWARE
NOTES TO FINANCIAL STATEMENTS

NOTE 8 - LONG-TERM DEBT OBLIGATIONS (continued)

Note Payable-Enterprise FM Trust (Continued)

At June 30, 2022, the repayment schedule is as follows:

<u>Years Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 9,274	\$ 2,294	\$ 11,568
2024	9,274	2,294	11,568
2025	9,274	2,294	11,568
2026	7,470	1,851	9,321
Total required payments	\$ 35,292	\$ 8,733	\$ 44,025

General Obligation Bonds, Series 2018

General Obligation Bonds, Series 2018 (original amount of \$1,894,330) carry a maturity date of May 1, 2028. The proceeds of the general obligation bonds were used to finance multiple capital improvement projects related to City streets and roads. The bonds carry a fixed rate of interest of 3.52% and are payable in monthly installments of \$18,750 (principal and interest) commencing June 1, 2018. The June 1, 2018 payment was made on July 1, 2018 with lender approval since the City had not budgeted the payment for fiscal year 2018. Total interest paid is \$51,326 and \$57,397 for the years ended June 30, 2022 and 2021, respectively. At June 30, 2022, the repayment schedule is as follows:

<u>Years Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 179,316	\$ 45,684	\$ 225,000
2024	185,731	39,269	225,000
2025	192,375	32,625	225,000
2026	199,257	25,743	225,000
2027	206,381	18,619	225,000
2028	217,531	14,994	232,525
Total required payments	\$ 1,180,591	\$ 176,934	\$ 1,357,525

On April 10, 2018, the Trustees of New Castle Common approved a grant to pay [and are paying] the principal and interest of the General Obligation Bonds, Series 2018 with limits to \$56,250 per quarter and for 40 consecutive quarters beginning October of 2018.

The following table summarizes future maturities of principal and interest payments:

<u>Years Ending June 30</u>	<u>General Obligation Bonds</u>		<u>Notes Payable</u>		<u>Totals</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2023	\$ 179,316	\$ 45,684	\$ 97,565	\$ 15,702	\$ 338,267
2024	185,731	39,269	\$ 98,820	\$ 13,166	336,986
2025	192,375	32,625	\$ 100,122	\$ 11,241	336,363
2026	199,257	25,743	\$ 70,198	\$ 9,470	304,668
2027	206,381	18,619	\$ 26,604	\$ 1,245	252,849
2028	217,531	14,994	26,603	622	259,750
Totals	\$1,180,591	\$ 176,934	\$ 419,912	\$ 51,446	\$1,828,883

NOTE 9 - DEFINED BENEFIT PENSION PLANS

The following tables summarize the financial information of the two defined-benefit pension plans sponsored by the City:

At June 30, 2022

Plan	Net Pension Liability (Asset)	Deferred Resources	
		Outflows	Inflows
County & Municipal Police and Firefighters' Pension Plan proportionate share (CMPFPP)	\$ (1,568,450)	\$ 233,121	\$ 1,144,474
County & Municipal Other Employees' Pension Plan proportionate share (CMOEPP)	(368,843)	49,988	252,702
Totals	\$ (1,937,293)	\$ 283,109	\$ 1,397,176

At June 30, 2021

Plan	Net Pension Liability (Asset)	Deferred Resources	
		Outflows	Inflows
County & Municipal Police and Firefighters' Pension Plan proportionate share (CMPFPP)	\$ 184,229	\$ 272,810	\$ 134,992
County & Municipal Other Employees' Pension Plan proportionate share (CMOEPP)	40,067	62,857	32,674
Totals	\$ 224,296	\$ 335,667	\$ 167,666

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" (CMPFPP), 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 ex-officio members. The daily operation is the responsibility of Delaware Office of Pensions. Although most of the Plan assets are commingled with other plans for investment purposes, the Plan assets may be used only for the payment of benefits to the Plan members in accordance with the terms of the Plan. The following is a brief description of the Plan in effect at June 30, 2022 and 2021. For a more complete Plan description, refer to Delaware Public Employee's Retirement System (DPERS) CAFR.

Separately issued financial statements for DPERS are available from 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: 2.50% of final average monthly compensation 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 (excluding overtime and special pay).

Vesting: Five years of credited service.

NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)

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

General Information About the Plan (continued)

Retirement: Age 62 with 5 years of service; age plus credited service (but not less than 10 years) equals 75; or 20 years of 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.
- **Non-Duty:** 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 16.59% and 16.84% of employee earnings for fiscal 2021 and 2020, respectively.
- **Member:** 7% of compensation.

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

At June 30, 2022 and 2021, the City reported a pension asset of \$1,568,450 and a pension liability of \$184,229, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021 and 2020, 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 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, 2021 and 2020, the City's proportion was 1.1398% and 1.1988%, which was a decrease of 0.059% and a decrease of 0.0019% from its proportion measured as of June 30, 2020 and 2019, respectively.

As a result of its requirement to contribute to the DPERS, the City recognized pension expense of \$217,609 and \$195,210 for the years ended June 30, 2022 and 2021, respectively. At June 30, 2022 and 2021, the city reported deferred outflows and inflows of resources from the following sources resulting from its requirement to contribute to DPERS:

Description	Deferred Resources			
	2022		2021	
	Outflows	Inflows	Outflows	Inflows
Differences between expected and actual experience	\$ 60,120	\$ 20,660	\$ 109,853	\$ 23,386
Changes of assumptions	12,271	81,805	31,784	6,834
Net difference between projected and actual earnings on pension plan investments	(14,042)	1,029,022	(57,812)	93,452
Contributions subsequent to the measurement date	178,154	-	183,377	-
Change in proportion and differences between City contributions and proportionate share of contributions	(3,382)	12,987	5,608	11,320
Totals	\$ 233,121	\$ 1,144,474	\$ 272,810	\$ 134,992

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)

\$225,328 and \$183,377 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, 2023 and 2022, respectively. Other amounts reported as deferred outflows and inflows of resources related to pension will be recognized in pension expense as follows:

Years Ending June 30	Amounts
2022	\$ (277,353)
2023	(252,934)
2024	(264,637)
2025	(237,851)
2026	5,134
2027 and thereafter	(61,866)
Totals	<u>\$ (1,089,507)</u>

Actuarial assumptions: The total pension asset/liability in the June 30, 2021 and 2020 actuarial valuation was determined using the following actuarial assumptions noted below, applied to all periods included in the measurement.

Description	2021	2020
Inflation	2.50%	2.50%
Projected salary increases	2.50% plus Merit, including inflation	2.50% plus Merit, including inflation
Investment rate of return	7.00%, net of expenses	7.00%, net of expenses

The total pension liabilities are measured based on assumptions pertaining to the interest rates, inflation rates, and employee demographic behavior in future years. 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 are 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.

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.

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)

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 Plan's current and expected asset allocation is summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return		Asset Allocations	
	2021	2020	2021	2020
Domestic equity	5.70%	5.70%	32.30%	28.50%
International equity	5.70%	5.70%	18.10%	15.20%
Fixed income	2.00%	2.00%	20.60%	28.80%
Alternative investments	7.80%	7.80%	24.20%	23.00%

Discount rate: The discount rate for the Plan used to measure total pension liability was 7.00% for the years ended June 30, 2021 and 2020. 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.

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 7.00%, respectively, 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	Discount Rate	1% Increase
	[6.00%]	[7.00%]	[8.00%]
Police Officers of City of New Castle's County & Municipal Police and Firefighters' Pension Plan (CMPFPP): Fiscal year 2022	\$ (724,081)	\$ (1,568,450)	(2,257,351)
Plan	[6.00%]	[7.00%]	[8.00%]
Police Officers of City of New Castle's County & Municipal Police and Firefighters' Pension Plan (CMPFPP): Fiscal year 2021	\$ 243,366	\$ 40,067	\$ (126,769)

NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)

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" (CMOEPP), 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 ex-officio members. The daily operation is the responsibility of the Delaware Office of Pensions. Although most of the Plan assets are commingled with other plans for investment purposes, the Plan assets may be used only for the payment of benefits to the Plan members in accordance with the terms of the Plan. The following is a brief description of the Plan in effect at June 30, 2021 and 2020. For a more complete Plan description, refer to the Delaware Public Employee's Retirement System (DPERS) CAFR.

Separately issued financial statements for DPERS are available from 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 employees [other than police officers or firefighters] of counties or municipalities 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 after 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.

Contributions:

- **Employer:** Determined by Board of Pension Trustees. Employer contributions were 7.06% and 7.27% of employee earnings for fiscal years 2021 and 2020, 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, 2022 and 2021, the City reported a pension asset of \$368,843 and pension liability \$40,067, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021 and 2020, 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, 2021 and 2020, the City's proportion was 1.7610% and 1.8870% which was a decrease of 0.126% and a decrease of 0.1425 from its proportion measured as of June 30, 2020 and 2019, respectively.

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)

As a result of its requirement to contribute to DPERS, the City recognized pension expense of \$38,484 and \$54,575 for the years ended June 30, 2022 and 2021, respectively. At June 30, 2022 and 2021, 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			
	2022		2021	
	Outflows	Inflows	Outflows	Inflows
Differences between expected and actual experience	\$ (2,452)	\$ 4,483	\$ 7,208	\$ 10,067
Changes of assumptions	(3,779)	9,881	4,515	-
Net difference between projected and actual earnings on pension plan investments	(4,048)	243,736	(15,891)	21,464
Contributions subsequent to the measurement date	60,128		66,587	-
Change in proportion and differences between City contributions and proportionate share of contributions	139	(5,398)	438	1,143
Totals	\$ 49,988	\$ 252,702	\$ 62,857	\$ 32,674

\$38,675 and \$66,587 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, 2023 and 2022, 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	Amounts
2022	\$ (66,658)
2023	(57,920)
2024	(61,400)
2025	(61,980)
2026	(6,034)
2026 and thereafter	(8,850)
Totals	\$ (262,842)

Actuarial assumptions: The total pension liability in the June 30, 2021 and 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Description	2021	2020
Inflation	2.50%	2.50%
Projected salary increases	2.50% plus Merit, including inflation	2.50% plus Merit, including inflation
Investment rate of return	7.00%, net of expenses	7.00%, net of expenses

NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)

County & Municipal Other Employees' Pension Plan (CMOEEP) (continued)

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

The total pension liabilities are measured based on assumptions pertaining to the interest rates, inflation rates, and employee demographic behavior in future years. 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 are 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.

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 Plan's current and expected asset allocation is summarized in the following table:

Asset Class	Long-Term Expected		Asset Allocations	
	Real Rate of Return			
	2021	2020	2021	2020
Domestic equity	5.70%	5.70%	32.30%	28.50%
International equity	5.70%	5.70%	18.10%	15.20%
Fixed income	2.00%	2.00%	20.60%	28.80%
Alternative investments	7.80%	7.80%	24.20%	23.00%

Discount rate: The discount rate for the Plan used to measure the total pension liability was 7.00% for the years ended June 30, 2021 and 2020. 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 calculated using the discount rate of 7.00%, respectively, 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 [6.00%]	Discount Rate [7.00%]	1% Increase [8.00%]
Other Employees of City of New Castle's County & Municipal Other Employees' Pension Plan (CMOEPP): Fiscal year 2022	\$ (159,529)	\$ (368,843)	\$ (578,189)
Plan	1% Decrease [6.00%]	Discount Rate [7.00%]	1% Increase [8.00%]
Other Employees of City of New Castle's County & Municipal Other Employees' Pension Plan (CMOEPP): Fiscal year 2021	\$ 291,352	\$ 92,973	\$ (70,082)

NOTE 10 - LEASING ARRANGEMENTS AS LESSEE

The city leases office equipment under operating leasing arrangements expiring at various dates listed below. The following table summarizes the City's leasing arrangements:

Description	Monthly Rentals	Expiration Date
Cannon Model IRC 5535i II Copier System	\$ 283	August, 2022
Cannon Model IRC 5535i II Copier System	\$ 283	September, 2022

At June 30, 2022, the minimum future payments required under non-cancelable operating leasing arrangements having remaining terms in excess of one year in the aggregate are as follows:

Year Ending June 30	Amount
2023	1,132
Total minimum future payments required	\$ 1,132

Total leasing costs are \$6,792 and \$6,792 for the years ended June 30, 2022 and 2021, 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 table summarizes the property held for lease at June 30, 2022:

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

Certain leasing arrangements are generally based on a percentage of lessee collections and as such rental revenue is not estimated for future years. Total rental revenue received is \$84,580 and \$82,393 for the years ended June 30, 2022 and 2021, respectively.

On June 22, 2016, the City entered into three thirty (30) year leasing arrangements, commencing on the date of the leases, and terminating on June 30, 2046 with tenant option to renew for three successive increments of ten (10) years not to exceed a maximum possible term of sixty (60) years with the Municipal Services Commission [MSC] for the following three real properties. The three lease arrangements carry an annual rental of \$1 and consist of the following locations:

- Gray Street Tank Facility located at 1008 Gray Street, City of New Castle, Delaware.
- Land and Improvements located at 216 Chestnut Street, City of New Castle, Delaware.
- Land and Improvements located at 100 Municipal Boulevard, City of New Castle, Delaware.

NOTE 12 - OTHER RISKS

The outbreak of a novel strain of coronavirus (COVID-19) has spread throughout the United States as of the date of the auditor's report. Multiple jurisdictions in the U.S. have declared various levels of States of Emergency. The potential impact cannot be reasonably predicted as of the date of the auditor's report.

NOTE 13 - 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 agreement covers all uniformed police officers for the four-year period of July 1, 2017 to June 30, 2021, and the agreement was extended for an additional three-year period from July 1, 2021 to June 30, 2024.

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 period of July 1, 2015 to June 30, 2018, and the agreement was extended for an additional four-year period from July 1, 2018 to June 30, 2022.

Government Grant Awards

The city participates in certain 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 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, 2022, the City is involved in certain disputes which the City solicitor anticipates will not result in significant financial liability to the City.

NOTE 13 - COMMITMENTS AND CONTINGENCIES (continued)

Construction Commitment

At June 30, 2022, the city has the following construction commitment:

Description	Total	Expended	Remaining
Street and infrastructure improvements	\$ 375,932	\$ 29,279	\$ 346,653

Funding for this project is being provided by the Trustees of New Castle Common in the amount of \$1,894,330, payable in monthly installments over a 10-year period.

NOTE 14 - GASB STATEMENT IMPLEMENTATION

In June of 2017, GASB issued Statement No. 87, *Leases*. Implementation is required for periods beginning after June 15, 2021, with earlier application encouraged. The objective of the Statement is to better meet the informational needs of the financial statement users by improving accounting and financial reporting for leases by governments. The Statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Implementation of the statement had no significant impact on the financial statements.

In June of 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. Implementation is required for periods beginning after December 15, 2020; however, the Statement should be applied prospectively. The Statement requires that interest cost incurred before the end of the construction period be recognized as an expense in the period in which the cost is incurred for the financial statements prepared using the economic resources measurement focus. As a result, the interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in the business-type activity or enterprise fund. The statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. Such interest includes all interest that was previously accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. Implementation of the statement had no significant impact on the financial statements.

NOTE 15 - PENDING GASB STATEMENT

The City has not completed the various analyses required to estimate the future impact of the following new pronouncements on the financial statements. Generally, the City does not early implement GASB statements and pronouncements. As a result of the COVID-19 pandemic, the GASB has postponed the implementation date for statements issued prior to the GASB Statement No. 95 for one year in order to provide relief to governments.

In May of 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. Implementation is required for periods beginning after December 15, 2021, with earlier application encouraged. The primary objectives of the Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with [1] commitments extended by issuers, [2] arrangements associated with conduit debt obligations, and [3] related note disclosures. The Statement achieves the objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

NOTE 15 - PENDING GASB STATEMENT (continued)

In January of 2020, GASB issued Statement No. 92, *Omnibus 2020*. Implementation for requirements related to Statement No. 87 is effective for fiscal years beginning after December 15, 2020. Implementation for requirements related to Statements 73, 74, and 84 is effective for fiscal years beginning after June 15, 2021. The primary objective of the Statement is to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB statements.

In March of 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. Implementation is required for periods ending after December 31, 2021, with earlier application encouraged. The Statement objective is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR.

In March of 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. Implementation is required for periods ending after June 15, 2022, with earlier application encouraged. The primary objective of the Statement is to better meet the information needs of financial statement users by improving the comparability of financial statements among governments that enter into PPPs and APAs and by enhancing the understandability, reliability, relevance, and consistency of information about PPPs and APAs.

In March of 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. Implementation is required for periods ending after June 15, 2022, with earlier application encouraged. The primary objective of the Statement is to better meet the information needs of financial statement users by [1] establishing uniform accounting and financial reporting requirements for SBITAs; [2] improving the comparability of the statements among governments that have entered into SBITAs; and [3] enhancing the understandability, reliability, relevance, and consistency of information about SBITAs.

In June of 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. Implementation is required for fiscal years beginning after June 15, 2021, with earlier application encouraged. The primary objectives of the Statement are to [1] increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; [2] mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit [OPEB] plans, and employee benefit plans other than pension plans or OPEB plans [other employee benefit plans] as fiduciary component units in fiduciary fund financial statements; and [3] enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code [IRC] Section 457 deferred compensation plans [Section 457 plans] that meet the definition of a pension plan and for benefits provided through those plans.

In October 2021, The GASB issued Statement No. 98, *The Annual Comprehensive Financial Report*. Implementation is required for periods ending after December 31, 2021, with earlier application encouraged. The primary objective of the Statement is to replace the term comprehensive annual financial report with annual comprehensive financial report (ACFR).

In June 2022, The GASB issued Statement No. 100, *Accounting Changes and Error Corrections*. Implementation is required for periods ending after June 15, 2024, with earlier application encouraged. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

NOTE 15 - PENDING GASB STATEMENT (continued)

In June 2022, The GASB issued Statement No. 101, Compensated Absences. Implementation is required for periods ending after December 15, 2024, with earlier application encouraged. The objective of this Statement is to better meet the informational needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

NOTE 16 - RECLASSIFICATIONS

Certain prior year amounts have been reclassified to conform to the current year presentation. The reclassifications had no effect on the reported results of operations.

NOTE 17 - 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, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes:				
Property taxes	\$ 3,075,000	\$ 3,075,000	\$ 3,128,304	\$ 53,304
Property transfer taxes	213,000	213,000	623,146	410,146 1
Cable franchise taxes	125,000	125,000	112,552	(12,448)
Licenses and permits	244,000	244,000	675,196	431,196 2
Intergovernmental revenues	47,500	47,500	2,922,146	2,874,646 3
Police fines and court fees	20,000	20,000	31,517	11,517 4
Charges for services	33,500	33,500	91,539	58,039 4
Interest and rents	82,000	82,000	85,829	3,829
Miscellaneous revenues	5,500	5,500	3,358	(2,142) 4
Total revenues	3,845,500	3,845,500	7,673,587	3,828,087
EXPENDITURES				
Current:				
General government	1,185,526	1,185,526	964,147	221,379 5
Public safety	2,076,802	2,076,802	1,979,892	96,910
Public services	1,094,996	1,094,996	1,197,818	(102,822)
Parks and recreation	121,300	121,300	143,154	(21,854) 6
Committees and commissions	29,000	29,000	36,352	(7,352) 7
Capital outlay	621,500	621,500	421,676	199,824 8
Debt service	135,470	135,470	133,407	2,063
Total expenditures	5,264,594	5,264,594	4,876,446	388,148
EXCESS (DEFICIT) OF				
REVENUES OVER EXPENDITURES	(1,419,094)	(1,419,094)	2,797,141	4,216,235
OTHER FINANCING SOURCES (USES)				
Proceeds from new financing	-	-	-	-
Proceeds from sale of capital assets	500	500	325	(175)
Refunds of prior years' revenues	-	-	16,252	16,252
Annual appropriation:				
Municipal Services Commission	669,600	669,600	655,494	(14,106)
Operating transfers (out) in	-	-	-	-
Total other financing sources (uses)	670,100	670,100	672,071	1,971
NET CHANGE IN FUND BALANCE	(748,994)	(748,994)	3,469,212	4,218,206
FUND BALANCES				
Beginning of year	748,994	748,994	4,969,388	4,220,394
End of year	\$ -	\$ -	\$ 8,438,600	\$ 8,438,600

See Report of Independent Auditor

CITY OF NEW CASTLE, DELAWARE

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL-
GENERAL FUND (CONTINUED)**

Year Ended June 30, 2022

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

Budget Variances in Excess of 10% of budget

1. Favorable variance in property transfer taxes is due to the sale of a high value property.
2. Favorable variance in licenses and permits is due to an increase in property development within the city limits, demand for services, and the general economic environment.
3. Intergovernmental revenues are generally reported in the special revenue fund. The favorable variance is primarily due to the receipt of ARPA funding of \$2,911,042.
4. Police fines and court fees, charges for services, and miscellaneous revenue are budgeted consistent with recent historical trends; however, these sources of revenue are difficult to predict.
5. The unfavorable variance is due to an insurance increase from the purchase of four new vehicles.
6. The unfavorable variance is due to the city lawn service contractor performing more frequent maintains of city owned properties.
7. Due to the increase of historic and commission applications. The city's architect performed more services than expected.
8. The City was unable to complete several planned road projects. The money was carried forward to the next year.

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>2022</u>	<u>2021</u>			
City's proportion of net pension liability (asset)	<u>1.1398%</u>	<u>1.1988%</u>			
City's proportionate share of net pension liability (asset)	<u>\$ (1,568,450)</u>	<u>\$ 184,229</u>			
City's covered-employee payroll	<u>\$ 1,105,348</u>	<u>\$ 1,093,015</u>			
City's proportionate share of net pension liability (asset) as a percentage of its covered-employee payroll	<u>-141.90%</u>	<u>16.86%</u>			
Plan's fiduciary net position as percentage of total pension liability	<u>128.19%</u>	<u>96.67%</u>			
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
City's proportion of net pension liability (asset)	<u>1.2007%</u>	<u>1.3754%</u>	<u>1.3018%</u>	<u>1.3312%</u>	<u>1.7091%</u>
City's proportionate share of net pension liability (asset)	<u>\$ 344,872</u>	<u>\$ 316,759</u>	<u>\$ 131,244</u>	<u>\$ 211,602</u>	<u>\$ (90,077)</u>
City's covered-employee payroll	<u>\$ 1,061,436</u>	<u>\$ 1,151,657</u>	<u>\$ 1,069,639</u>	<u>\$ 1,058,392</u>	<u>\$ 1,126,936</u>
City's proportionate share of net pension liability (asset) as a percentage of its covered-employee payroll	<u>32.49%</u>	<u>27.50%</u>	<u>12.27%</u>	<u>19.99%</u>	<u>-7.99%</u>
Plan's fiduciary net position as percentage of total pension liability	<u>93.25%</u>	<u>94.10%</u>	<u>97.00%</u>	<u>94.71%</u>	<u>101.97%</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>2022</u>	<u>2021</u>			
Contractually required contribution	\$ 178,154	\$ 183,377			
Contributions in relation to contractually required contribution	<u>178,154</u>	<u>183,377</u>			
Annual contribution (deficiency) excess	<u>\$ -</u>	<u>\$ -</u>			
City covered-employee payroll	<u>\$ 1,114,374</u>	<u>\$ 1,105,348</u>			
Contributions as percentage of covered-employee payroll	<u>15.99%</u>	<u>16.59%</u>			
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 184,064	\$ 177,043	\$ 134,242	\$ 147,290	\$ 146,588
Contributions in relation to contractually required contribution	<u>184,064</u>	<u>177,043</u>	<u>134,242</u>	<u>147,290</u>	<u>146,588</u>
Annual contribution (deficiency) excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City covered-employee payroll	<u>\$ 1,093,015</u>	<u>\$ 1,061,436</u>	<u>\$ 1,151,657</u>	<u>\$ 1,069,639</u>	<u>\$ 1,058,392</u>
Contributions as percentage of covered-employee payroll	<u>16.84%</u>	<u>16.68%</u>	<u>11.66%</u>	<u>13.77%</u>	<u>13.85%</u>

See Report of Independent Auditor

CITY OF NEW CASTLE, DELAWARE
 SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
 OF THE COUNTY & MUNICIPAL OTHER EMPLOYEES' PENSION PLAN (CMOEPP)
 As of and Years Ended June 30,

	<u>2022</u>	<u>2021</u>
City's proportion of net pension liability (asset)	<u>1.7610%</u>	<u>1.8870%</u>
City's proportionate share of net pension liability (asset)	<u>\$ (368,843)</u>	<u>\$ 40,067</u>
City's covered-employee payroll	<u>\$ 943,160</u>	<u>\$ 924,795</u>
City's proportionate share of net pension liability (asset) as a percentage of its covered-employee payroll	<u>-39.11%</u>	<u>4.33%</u>
Plan's fiduciary net position as percentage of total pension liability	<u>127.56%</u>	<u>96.95%</u>

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
City's proportion of net pension liability (asset)	<u>2.0295%</u>	<u>2.2062%</u>	<u>2.6415%</u>	<u>2.5386%</u>	<u>3.5470%</u>
City's proportionate share of net pension liability (asset)	<u>\$ 92,973</u>	<u>\$ 69,427</u>	<u>\$ 171,148</u>	<u>\$ 157,286</u>	<u>\$ 1,513</u>
City's covered-employee payroll	<u>\$ 901,508</u>	<u>\$ 878,846</u>	<u>\$ 902,442</u>	<u>\$ 923,387</u>	<u>\$ 980,414</u>
City's proportionate share of net pension liability (asset) as a percentage of its covered-employee payroll	<u>10.31%</u>	<u>7.90%</u>	<u>18.96%</u>	<u>17.03%</u>	<u>0.15%</u>
Plan's fiduciary net position as percentage of total pension liability	<u>92.74%</u>	<u>94.41%</u>	<u>87.62%</u>	<u>86.38%</u>	<u>99.89%</u>

Note to Schedule:

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

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

	<u>2022</u>	<u>2021</u>
Contractually required contribution	\$ 60,128	\$ 66,587
Contributions in relation to contractually required contribution	<u>60,128</u>	<u>66,587</u>
Annual contribution (deficiency) excess	<u>\$ -</u>	<u>\$ -</u>
City covered-employee payroll	<u>\$ 886,838</u>	<u>\$ 943,160</u>
Contributions as percentage of covered-employee payroll	<u>6.78%</u>	<u>7.06%</u>

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 67,236	\$ 65,721	\$ 62,342	\$ 66,409	\$ 57,342
Contributions in relation to contractually required contribution	<u>67,236</u>	<u>65,721</u>	<u>62,342</u>	<u>66,409</u>	<u>57,342</u>
Annual contribution (deficiency) excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City covered-employee payroll	<u>\$ 924,795</u>	<u>\$ 901,518</u>	<u>\$ 878,846</u>	<u>\$ 902,442</u>	<u>\$ 923,387</u>
Contributions as percentage of covered-employee payroll	<u>7.27%</u>	<u>7.29%</u>	<u>7.09%</u>	<u>7.36%</u>	<u>6.21%</u>

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Supplementary Information Section

CITY OF NEW CASTLE, DELAWARE
 COMBINING BALANCE SHEET-SPECIAL REVENUE FUND
 As of June 30, 2022 with Comparative Totals for 2021

	Special Revenue Fund			Totals	
	Federal	State	Trustees of	Special Revenue Fund	
	Funding	Funding	New Castle	[Memorandum Only]	
	<u>[See Pg 38]</u>	<u>[See Pg 41]</u>	Common	2022	2021
ASSETS					
Cash and equivalents	\$ -	\$ 351,348	\$ -	\$ 351,348	\$ 188,316
Accounts receivable	-	-	-	-	-
Due from other governments	-	-	-	-	-
Interfund receivable (payable)	6,738	47,855	-	54,593	14,787
TOTAL ASSETS	<u>\$ 6,738</u>	<u>\$ 399,203</u>	<u>\$ -</u>	<u>\$ 405,941</u>	<u>\$ 203,103</u>
 LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable and other	\$ 6,738	\$ 74,261	\$ -	\$ 80,999	\$ 5,973
Unearned revenues	-	17,542	-	17,542	10,365
Refundable advances	-	345	-	345	-
Total liabilities	<u>6,738</u>	<u>92,148</u>	<u>-</u>	<u>98,886</u>	<u>16,338</u>
 FUND BALANCES					
Restricted for specific programs	-	239,984	-	239,984	120,197
Assigned	-	67,071	-	67,071	66,568
Total fund balances	<u>-</u>	<u>307,055</u>	<u>-</u>	<u>307,055</u>	<u>186,765</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 6,738</u>	<u>\$ 399,203</u>	<u>\$ -</u>	<u>\$ 405,941</u>	<u>\$ 203,103</u>

See Report of Independent Auditor

CITY OF NEW CASTLE, DELAWARE
 COMBINING BALANCE SHEET-SPECIAL REVENUE FUND
 As of June 30, 2022 with Comparative Totals for 2021

	Federal Funding		Total Federal Funding	
	Criminal	Office of	[Memorandum Only]	
	Justice	Highway	2022	2021
	Council	Safety		
ASSETS				
ASSETS				
Cash and equivalents	\$ -	\$ -	\$ -	\$ -
Accounts receivable	-	-	-	-
Due from other governments	-	-	-	-
Interfund receivable (payable)	6,738	-	6,738	-
TOTAL ASSETS	\$ 6,738	\$ -	\$ 6,738	\$ -
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable and other	\$ 6,738	\$ -	\$ 6,738	\$ -
Unearned revenues	-	-	-	-
Refundable advances	-	-	-	-
Total liabilities	6,738	-	6,738	-
FUND BALANCES				
Restricted for specific programs	-	-	-	-
Assigned	-	-	-	-
Total fund balances	-	-	-	-
TOTAL LIABILITIES AND FUND BALANCES	\$ 6,738	\$ -	\$ 6,738	\$ -

See Report of Independent Auditor

CITY OF NEW CASTLE, DELAWARE
 COMBINING BALANCE SHEET-SPECIAL REVENUE FUND
 As of June 30, 2022 with Comparative Totals for 2021

	State Funding					Total State Funding [Carried To Page 40]		
	Municipal Street Aid	Police Pension	SALLE	EIDE	Separation Day	FCVC	2022	2021
ASSETS								
ASSETS								
Cash and equivalents	\$ 239,984	\$ -	\$ 4,049	\$ 3,897	\$ 93,822	9,596	\$ 351,348	188,316
Accounts receivable	-	-	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-	-	-
Interfund receivable (payable)	-	-	-	-	(5,260)	-	(5,260)	14,787
TOTAL ASSETS	\$ 239,984	\$ -	\$ 4,049	\$ 3,897	\$ 88,562	\$ 9,596	\$ 346,088	\$ 203,103
LIABILITIES AND FUND BALANCES								
LIABILITIES								
Accounts payable and other	\$ -	\$ -	\$ -	\$ -	\$ 21,491	-	\$ 21,491	\$ 5,973
Unearned revenues	-	-	4,049	3,897	-	9,596	17,542	10,365
Refundable advances	-	-	-	-	-	-	-	-
Total liabilities	-	-	4,049	3,897	21,491	9,596	39,033	16,338
FUND BALANCES								
Restricted for specific programs	239,984	-	-	-	-	-	239,984	120,197
Assigned	-	-	-	-	67,071	-	67,071	66,568
Total fund balances	239,984	-	-	-	67,071	-	307,055	186,765
TOTAL LIABILITIES AND FUND BALANCES	\$ 239,984	\$ -	\$ 4,049	\$ 3,897	\$ 88,562	\$ 9,596	\$ 346,088	\$ 203,103

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CITY OF NEW CASTLE, DELAWARE
 COMBINING BALANCE SHEET-SPECIAL REVENUE FUND
 As of June 30, 2022 with Comparative Totals for 2021

	State Funding						Total State Funding	
	[Total Carried			Certified	DFS Urban		[Carried To Page 41]	
	From Page 39]	DELDOT	SLEAF	Local Gov't	Forestry	DEMA	2022	2021
ASSETS								
ASSETS								
Cash and equivalents	\$ 351,348	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 351,348	188,316
Accounts receivable	-	-	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-	-	-
Interfund receivable (payable)	(5,260)	3,211	10,914	-	-	38,990	47,855	14,787
TOTAL ASSETS	\$ 346,088	\$ 3,211	\$ 10,914	\$ -	\$ -	\$ 38,990	\$ 399,203	\$ 203,103
LIABILITIES AND FUND BALANCES								
LIABILITIES								
Accounts payable and other	\$ 21,491	\$ 2,866	\$ 10,914	\$ -	\$ -	38,990	\$ 74,261	\$ 5,973
Unearned revenues	17,542	-	-	-	-	-	17,542	10,365
Refundable advances	-	345	-	-	-	-	345	-
Total liabilities	39,033	3,211	10,914	-	-	38,990	92,148	16,338
FUND BALANCES								
Restricted for specific programs	239,984	-	-	-	-	-	239,984	120,197
Assigned	67,071	-	-	-	-	-	67,071	66,568
Total fund balances	307,055	-	-	-	-	-	307,055	186,765
TOTAL LIABILITIES AND FUND BALANCES	\$ 346,088	\$ 3,211	\$ 10,914	\$ -	\$ -	\$ 38,990	\$ 399,203	\$ 203,103

See Report of Independent Auditor

CITY OF NEW CASTLE, DELAWARE
 COMBINING BALANCE SHEET-SPECIAL REVENUE FUND
 As of June 30, 2022 with Comparative Totals for 2021

	State Funding		Total State Funding	
	[Total Carried		[Carried To Page 37]	
	From Page 40]	DNREC	2022	2021
ASSETS				
ASSETS				
Cash and equivalents	\$ 351,348	\$ -	\$ 351,348	188,316
Accounts receivable	-	-	-	-
Due from other governments	-	-	-	-
Interfund receivable (payable)	47,855	-	47,855	14,787
TOTAL ASSETS	\$ 399,203	\$ -	\$ 399,203	\$ 203,103
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable and other	\$ 74,261	\$ -	\$ 74,261	\$ 5,973
Unearned revenues	17,542	-	17,542	10,365
Refundable advances	345	-	345	-
Total liabilities	92,148	-	92,148	16,338
FUND BALANCES				
Restricted for specific programs	239,984	-	239,984	120,197
Assigned	67,071	-	67,071	66,568
Total fund balances	307,055	-	307,055	186,765
TOTAL LIABILITIES AND FUND BALANCES	\$ 399,203	\$ -	\$ 399,203	\$ 203,103

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, 2022 with Comparative Totals for 2021

	Special Revenue Fund			Totals	
	Federal	State	Trustees of	Special Revenue Fund	
	Funding	Funding	New Castle	[Memorandum Only]	
		Common	2022	2021	
	[See Pg 43]	[See Pg 46]			
REVENUES					
Intergovernmental revenues:					
Federal funding	\$ 37,761	\$ -	\$ -	\$ 37,761	\$ 28,519
State funding	-	425,295	-	425,295	203,403
Trustees of New Castle Common	-	-	225,000	225,000	225,000
Interest revenue	-	348	-	348	81
Program fees and other	-	28,137	-	28,137	-
Total revenues	37,761	453,780	225,000	716,541	457,003
EXPENDITURES					
Current:					
General government	-	-	-	-	-
Public safety	29,299	51,287	-	80,586	76,267
Public services	-	115,007	-	115,007	-
Parks and recreation	-	110,534	-	110,534	18,480
Capital outlay:					
General government	-	42,514	-	42,514	-
Public safety	8,462	-	-	8,462	-
Public services	-	-	-	-	-
Parks and recreation	-	14,148	-	14,148	-
Debt service:					
Principal	-	-	179,316	179,316	173,674
Interest and other fees	-	-	45,684	45,684	51,326
Total expenditures	37,761	333,490	225,000	596,251	319,747
EXCESS REVENUES OVER					
(UNDER) EXPENDITURES	-	120,290	-	120,290	137,256
OTHER FINANCING SOURCES (USES)					
Refund of prior year revenues	-	-	-	-	-
Operating transfers in (out)	-	-	-	-	(8,169)
Total other financing	-	-	-	-	(8,169)
sources (uses)	-	-	-	-	(8,169)
NET CHANGE IN FUND BALANCES	-	120,290	-	120,290	129,087
FUND BALANCES					
Beginning of year	-	186,765	-	186,765	57,678
End of year	\$ -	\$ 307,055	\$ -	\$ 307,055	\$ 186,765

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CITY OF NEW CASTLE, DELAWARE
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-
 SPECIAL REVENUE FUND
 Year Ended June 30, 2022 with Comparative Totals for 2021

	Federal Funding		Total Federal Funding	
	Criminal Justice Council	Office of Highway Safety	[Memorandum Only]	
			2022	2021
REVENUES				
Intergovernmental revenues:				
Federal funding	23,951	\$ 13,810	\$ 37,761	\$ 28,519
State funding	-	-	-	-
Trustees of New Castle Common	-	-	-	-
Interest revenue	-	-	-	-
Program fees and other	-	-	-	-
Total revenues	23,951	13,810	37,761	28,519
EXPENDITURES				
Current:				
General government	-	-	-	-
Public safety	15,489	13,810	29,299	28,519
Public services	-	-	-	-
Parks and recreation	-	-	-	-
Capital outlay:				
General government	-	-	-	-
Public safety	8,462	-	8,462	-
Public services	-	-	-	-
Parks and recreation	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and other fees	-	-	-	-
Total expenditures	23,951	13,810	37,761	28,519
EXCESS REVENUES OVER (UNDER) EXPENDITURES	-	-	-	-
OTHER FINANCING SOURCES (USES)				
Refund of prior year revenues	-	-	-	-
Operating transfers in (out)	-	-	-	-
Total other financing sources (uses)	-	-	-	-
NET CHANGE IN FUND BALANCES	-	-	-	-
FUND BALANCES				
Beginning of year	-	-	-	-
End of year	\$ -	\$ -	\$ -	\$ -

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, 2022 with Comparative Totals for 2021

	State Funding						Total State Funding [Carried To Page 45]	
	Municipal	Police	SALLE	EIDE	Separation	FCVC	2022	2021
	Street Aid	Pension			Day			
REVENUES								
Intergovernmental revenues:								
Federal funding	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State funding	119,456	-	5,802	2,931	36,050	31,640	195,879	203,403
Trustees of New Castle Common	-	-	-	-	-	-	-	-
Interest revenue	331	-	-	-	17	-	348	81
Program fees and other	-	-	-	-	28,137	-	28,137	-
Total revenues	<u>119,787</u>	<u>-</u>	<u>5,802</u>	<u>2,931</u>	<u>64,204</u>	<u>31,640</u>	<u>224,364</u>	<u>203,484</u>
EXPENDITURES								
Current:								
General government	-	-	-	-	-	-	-	-
Public safety	-	-	5,802	2,931	-	31,640	40,373	47,748
Public services	-	-	-	-	-	-	-	-
Parks and recreation	-	-	-	-	63,701	-	63,701	18,480
Capital outlay:								
General government	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-
Public services	-	-	-	-	-	-	-	-
Parks and recreation	-	-	-	-	-	-	-	-
Debt service:								
Principal	-	-	-	-	-	-	-	-
Interest and other fees	-	-	-	-	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>5,802</u>	<u>2,931</u>	<u>63,701</u>	<u>31,640</u>	<u>104,074</u>	<u>66,228</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	<u>119,787</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>503</u>	<u>-</u>	<u>120,290</u>	<u>137,256</u>
OTHER FINANCING SOURCES (USES)								
Refund of prior year revenues	-	-	-	-	-	-	-	-
Operating transfers in (out)	-	-	-	-	-	-	-	(8,169)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,169)</u>
NET CHANGE IN FUND BALANCES	<u>119,787</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>503</u>	<u>-</u>	<u>120,290</u>	<u>129,087</u>
FUND BALANCES								
Beginning of year	<u>120,197</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>66,568</u>	<u>-</u>	<u>186,765</u>	<u>57,678</u>
End of year	<u>\$ 239,984</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 67,071</u>	<u>\$ -</u>	<u>\$ 307,055</u>	<u>\$ 186,765</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, 2022 with Comparative Totals for 2021

	State Funding						Total State Funding	
	[Total Carried	DELDOT	SLEAF	Certified Local Gov't	DFS Urban Forestry	DEMA	[Carried To Page 46]	
	From Page 44]						2022	2021
REVENUES								
Intergovernmental revenues:								
Federal funding	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State funding	195,879	14,148	10,914	3,750	4,998	63,082	292,771	203,403
Trustees of New Castle Common	-	-	-	-	-	-	-	-
Interest revenue	348	-	-	-	-	-	348	81
Program fees and other	28,137	-	-	-	-	-	28,137	-
Total revenues	<u>224,364</u>	<u>14,148</u>	<u>10,914</u>	<u>3,750</u>	<u>4,998</u>	<u>63,082</u>	<u>321,256</u>	<u>203,484</u>
EXPENDITURES								
Current:								
General government	-	-	-	-	-	-	-	-
Public safety	40,373	-	10,914	-	-	-	51,287	47,748
Public services	-	-	-	3,750	-	63,082	66,832	-
Parks and recreation	63,701	-	-	-	4,998	-	68,699	18,480
Capital outlay:								
General government	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-
Public services	-	-	-	-	-	-	-	-
Parks and recreation	-	14,148	-	-	-	-	14,148	-
Debt service:								
Principal	-	-	-	-	-	-	-	-
Interest and other fees	-	-	-	-	-	-	-	-
Total expenditures	<u>104,074</u>	<u>14,148</u>	<u>10,914</u>	<u>3,750</u>	<u>4,998</u>	<u>63,082</u>	<u>200,966</u>	<u>66,228</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	<u>120,290</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>120,290</u>	<u>137,256</u>
OTHER FINANCING SOURCES (USES)								
Refund of prior year revenues	-	-	-	-	-	-	-	-
Operating transfers in (out)	-	-	-	-	-	-	-	(8,169)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,169)</u>
NET CHANGE IN FUND BALANCES	<u>120,290</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>120,290</u>	<u>129,087</u>
FUND BALANCES								
Beginning of year	<u>186,765</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>186,765</u>	<u>57,678</u>
End of year	<u>\$ 307,055</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 307,055</u>	<u>\$ 186,765</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, 2022 with Comparative Totals for 2021

	State Funding		Total State Funding	
	[Total Carried From Page 45]	DNREC	[Carried To Page 42] 2022	2021
REVENUES				
Intergovernmental revenues:				
Federal funding	\$ -	\$ -	\$ -	\$ -
State funding	292,771	132,524	425,295	203,403
Trustees of New Castle Common	-	-	-	-
Interest revenue	348	-	348	81
Program fees and other	28,137	-	28,137	-
Total revenues	<u>321,256</u>	<u>132,524</u>	<u>453,780</u>	<u>203,484</u>
EXPENDITURES				
Current:				
General government	-	-	-	-
Public safety	51,287	-	51,287	47,748
Public services	66,832	48,175	115,007	-
Parks and recreation	68,699	41,835	110,534	18,480
Capital outlay:				
General government	-	42,514	42,514	-
Public safety	-	-	-	-
Public services	-	-	-	-
Parks and recreation	14,148	-	14,148	-
Debt service:				
Principal	-	-	-	-
Interest and other fees	-	-	-	-
Total expenditures	<u>200,966</u>	<u>132,524</u>	<u>333,490</u>	<u>66,228</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	<u>120,290</u>	<u>-</u>	<u>120,290</u>	<u>137,256</u>
OTHER FINANCING SOURCES (USES)				
Refund of prior year revenues	-	-	-	-
Operating transfers in (out)	-	-	-	(8,169)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,169)</u>
NET CHANGE IN FUND BALANCES	120,290	-	120,290	129,087
FUND BALANCES				
Beginning of year	186,765	-	186,765	57,678
End of year	<u>\$ 307,055</u>	<u>\$ -</u>	<u>\$ 307,055</u>	<u>\$ 186,765</u>

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REPORTS REQUIRED BY GOVERNMENT AUDITING STANDARDS



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of City of New Castle (the "City and Primary government as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 12, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying [include the title of the schedule in which the findings are reported (e.g., schedule of findings and responses or schedule of findings and questioned costs)], we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as item 2022-01 to be a material weakness.

Report on Internal Control over Financial Reporting (Continued)

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs) as items 2022-02, 2022-03 and 2022-04 to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards

The City's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the findings identified in our engagement and described in the accompanying schedule of findings and questioned costs) The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Newark, Delaware
September 12, 2023

CITY OF NEW CASTLE, DELAWARE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2022

Current Year Findings

2022-001 Post Audit Entries to General Ledger

During the 2002 audit, we noted that the City's management did not post the prior year's adjusting journal entries to their general ledger. Failure to post the prior year's adjusting entries will cause the City's opening balance to be different than the audited balances. In addition, this will cause extra time and complications in the subsequent year's audit.

Recommendation

We recommend that the City's management post all adjusting entries in the future and ensure that the opening balances for the new audit year agree with the ending audit balances of the prior audit year.

City's Management Response

The City was unable to post prior year's adjustments to do the format the auditor provided the adjustment Edmunds would not allow the transactions. Moving forward the City plans to meet with the auditor to make sure the recommended adjustments are properly entered into Edmunds.

2022-002 Property and Equipment Schedules

During the 2022 audit, procedures regarding the property and equipment revealed that the City did not update the schedule of capital assets.

Recommendation

We recommend that the City's management maintain and update on a regular basis the property and equipment schedules.

City's Management Response

The City maintains this information in various spreadsheets which is not in Edmunds. Moving forward the information will now be entered into Edmunds.

CITY OF NEW CASTLE, DELAWARE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2022

Current Year Findings (Continued)

2022-003 Maintenance of Account Groups/Funds in Edmunds Accounting System

During the 2022 audit, procedures revealed that the city does not maintain the General Fixed Assets and the General Long-Term Debt Account Groups in Edmunds accounting system now that it has completely converted to the modified accrual basis of accounting.

Recommendation

We recommend that the City's management include the General Fixed Assets and the General Long-Term Debt Account Groups in the Edmunds accounting system and record the transactions impacting them.

City's Management Response

The City will implement recording the fixed assets and the general long-term debt account in Edmunds.

2022-004 Reconcile the Due From/To Account Balances Between The Funds

During the 2022 audit, we noted that the City's management does not reconcile the due from/to account balances between the funds. Failure to reconcile the due from/to account balances may result in incorrect recording of transactions between the funds.

Recommendation

We recommend that the City's management reconcile the due from/to account balances on a monthly basis to ensure transactions are recorded properly between the funds.

City's Management Response

The City experiences a timing issue due to when funds are received. The City has to expense funds and wait to receive the reimbursements of these funds. The City will continue to reconcile these funds on a monthly basis and investigate any variances.

Prior Year Findings

None Reported