



WHISMAN GIORDANO
CERTIFIED PUBLIC ACCOUNTANTS

Building Extraordinary Relationships

FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT AUDITOR
WITH REPORT IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

CITY OF DELAWARE CITY
Delaware City, Delaware

Years Ended June 30, 2023 and 2022

CITY OF DELAWARE CITY, DELAWARE

Table of Contents

Report of Independent Auditor	1-3
--	------------

Basic Financial Statements Section

Government-Wide Financial Statements:	
Statements of Net Position	4
Statements of Activities	5-6
Fund Financial Statements:	
Balance Sheets-Governmental Funds	7
Reconciliation of the Balance Sheets of Governmental Funds to the Statements of Net Position	8
Statements of Revenues, Expenditures and Changes in Fund Balances-Governmental Funds	9
Reconciliation of the Statements of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statements of Activities	10
Notes to Financial Statements	11-26

Required Supplementary Information [RSI] Section

Schedule of Revenues, Expenditures and and Change in Fund Balance-Budget and Actual-General Fund	27-28
---	-------

Supplementary Information Section

Combining Balance Sheet-Special Revenue Fund With Comparative Totals	29
Combining Statement of Revenues, Expenditures and Changes in Fund Balances-Special Revenue Fund With Comparative Totals	30

Reports Required by Government Auditing Standards

Report of Independent Auditor on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	31-32
Report of Independent Auditor on Compliance for Each Major Program and on Internal Control Over Compliance and Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	33-35
Schedule of Expenditures of Federal Awards and Related Disclosures	36-37
Schedule of Findings and Responses	38-39



Report of Independent Auditor

Mayor and City Council
City of Delaware City
Delaware City, Delaware

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Delaware City, Delaware as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Delaware City, Delaware, as of June 30, 2023 and 2022, and the respective changes in financial position and where applicable, cash flows thereof, for the years then ended in accordance accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits 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 (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 audits. 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

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, which raise substantial doubt about the City of Delaware City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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 of Delaware 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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, which raise substantial doubt about the City of Delaware 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 budgetary comparison information, reported on pages 27 and 28, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or to provide any assurance. Management has omitted the management's discussion and analysis section that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by the missing information.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Delaware City, Delaware's financial statements. The combining fund financial statements, reported on pages 29 and 30, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fund financial statements are the responsibility of management and were derived from and relate 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 combining fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2024 on our consideration of the City of Delaware City, Delaware'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 the City of Delaware City, Delaware's 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 of Delaware 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 Council, others within the City, the Office of the Governor, the Office of Controller General, the Office of Attorney General, the Office of Management and Budget, the Secretary of Finance, the 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
January 22, 2024

Basic Financial Statements Section

CITY OF DELAWARE CITY, DELAWARE
STATEMENTS OF NET POSITION
As of June 30, 2023 and 2022

	2023		2022	
	Primary Government Activity Type Governmental	Component Unit Delaware City Day Committee	Primary Government Activity Type Governmental	Component Unit Delaware City Day Committee
ASSETS				
Current assets				
Cash and equivalents	\$ 2,407,686	\$ 53,249	\$ 1,860,915	\$ 60,771
Receivables, net of allowance:				
Property taxes	-	-	75	-
Accounts	3,861	-	3,861	-
Other	4,850	-	1,500	-
Prepayments	7,614	-	-	-
Due from other governments	3,200	-	-	-
Investments at fair value	1,173,549	-	1,129,389	-
Interfund receivable (payable)	-	-	-	-
Due from primary government	-	-	-	-
Total current assets	3,600,760	53,249	2,995,740	60,771
Noncurrent assets				
Capital assets, net of depreciation:				
Nondepreciable	723,843	-	421,737	-
Depreciable	6,230,311	-	5,181,682	-
Total noncurrent assets	6,954,154	-	5,603,419	-
TOTAL ASSETS	10,554,914	53,249	8,599,159	60,771
LIABILITIES				
Current liabilities				
Line of credit	-	-	-	-
Accounts payable and other	145,763	-	83,093	-
Current portion of long-term debt	58,169	-	100,898	-
Funds held in custody	-	-	-	-
Refundable advances and other deposits	1,982,137	13,923	1,534,244	21,445
Total current liabilities	2,186,069	13,923	1,718,235	21,445
Noncurrent liabilities				
Long-term debt, net of current portion	687,553	-	745,726	-
Long-term portion of compensated absences	21,787	-	25,237	-
Total noncurrent liabilities	709,340	-	770,963	-
TOTAL LIABILITIES	2,895,409	13,923	2,489,198	21,445
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue-other	7,284	-	7,284	-
NET POSITION				
Net investment in capital assets	6,208,432	-	4,756,795	-
Restricted for specific programs	97,025	39,326	71,933	39,326
Unrestricted	1,346,764	-	1,273,949	-
TOTAL NET POSITION	\$ 7,652,221	\$ 39,326	\$ 6,102,677	\$ 39,326

Accompanying notes are an integral part of these financial statements

	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position	Component Unit
		Charges for Services	Grants and Contributions		Totals	Delaware City Day Committee
			Operating	Capital		
	\$ 657,697	\$ 54,927	\$ 18,012	\$ -	\$ (584,758)	\$ -
	12,729	34,900	-	-	22,171	-
	385,632	10,801	75,078	-	(299,753)	-
	41,478	-	-	647,597	606,119	-
	250,173	8,532	-	337,836	96,195	-
	81,049	-	-	124,110	43,061	-
	129,031	-	36,050	616,394	523,413	-
	246,153	-	-	296,218	50,065	-
	20,995	-	-	-	(20,995)	-
	506,601	-	-	-	(506,601)	-
ies	<u>2,331,538</u>	<u>109,160</u>	<u>129,140</u>	<u>2,022,155</u>	<u>(71,083)</u>	<u>-</u>
	2,331,538	109,160	129,140	2,022,155	(71,083)	-
T UNIT	<u>50,782</u>	<u>6,210</u>	<u>44,572</u>	<u>-</u>	<u>-</u>	<u>-</u>
COMPONENT UNIT	<u>\$ 2,382,320</u>	<u>\$ 115,370</u>	<u>\$ 173,712</u>	<u>\$ 2,022,155</u>	<u>(71,083)</u>	<u>-</u>
GENERAL REVENUES AND TRANSFERS						
	Property taxes levied for general purposes				1,354,234	-
	Cable franchise taxes				16,070	-
	Investment income and rents				228,912	-
	Gain from sale of capital assets				-	-
	Miscellaneous revenues				21,411	-
	Transfers between governmental, BT activities				-	-
	Total general revenues and transfers				<u>1,620,627</u>	<u>-</u>
CHANGES IN NET POSITION						
					1,549,544	-
NET POSITION						
	Beginning of year				<u>6,102,677</u>	<u>39,326</u>
	End of year				<u>\$ 7,652,221</u>	<u>\$ 39,326</u>

Accompanying notes are an integral part of these financial statements

		Program Revenues		Net (Expenses)	Revenues and Changes in Net Position	Component Unit
	Expenses	Charges for Services	Grants and Contributions Operating	Capital	Totals	Delaware City Day Committee
	\$ 740,565	\$ 140,821	\$ 36,430	\$ 121,854	\$ (441,460)	\$ -
	9,528	8,050	-	-	(1,478)	-
	409,482	10,183	14,210	-	(385,089)	-
	144,827	-	-	159,621	14,794	-
	248,438	8,121	-	-	(240,317)	-
	398,757	-	-	180,883	(217,874)	-
	82,660	-	35,000	23,285	(24,375)	-
	21,143	-	-	-	(21,143)	-
	442,800	-	-	-	(442,800)	-
ies	2,498,200	167,175	85,640	485,643	(1,759,742)	-
	2,498,200	167,175	85,640	485,643	(1,759,742)	-
T UNIT	14,605	-	14,605	-	-	-
COMPONENT UNIT	\$ 2,512,805	\$ 167,175	\$ 100,245	\$ 485,643	(1,759,742)	-
GENERAL REVENUES AND TRANSFERS						
	Property taxes levied for general purposes				1,357,218	-
	Cable franchise taxes				16,697	-
	Investment income and rents				2,831	-
	Gain from sale of capital assets				6,500	-
	Miscellaneous revenues				22,496	-
	Transfers between governmental, BT activities				-	-
	Total general revenues and transfers				1,405,742	-
CHANGES IN NET POSITION					(354,000)	-
NET POSITION (LIABILITIES)						
	Beginning of year				6,456,677	39,326
	End of year				\$ 6,102,677	\$ 39,326

Accompanying notes are an integral part of these financial statements

S

nce:

ble)

FUND BALANCES

her deposits

ES

ms

BALANCES

2023			2022		
Governmental Fund Types			Governmental Fund Types		
General	Special Revenue	Totals	General	Special Revenue	Totals
\$2,292,206	\$ 115,480	\$2,407,686	\$1,766,341	\$ 94,574	\$1,860,915
-	-	-	75	-	75
3,861	-	3,861	3,861	-	3,861
4,850	-	4,850	1,500	-	1,500
7,614	-	7,614	-	-	-
3,200	-	3,200	-	-	-
1,173,549	-	1,173,549	1,129,389	-	1,129,389
1,000	(1,000)	-	1,000	(1,000)	-
<u>\$3,486,280</u>	<u>\$ 114,480</u>	<u>\$3,600,760</u>	<u>\$2,902,166</u>	<u>\$ 93,574</u>	<u>\$2,995,740</u>
FUND BALANCES					
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
145,763	-	145,763	83,093	-	83,093
-	-	-	-	-	-
1,971,251	10,886	1,982,137	1,522,870	11,374	1,534,244
<u>2,117,014</u>	<u>10,886</u>	<u>2,127,900</u>	<u>1,605,963</u>	<u>11,374</u>	<u>1,617,337</u>
7,284	-	7,284	7,284	-	7,284
-	97,025	97,025	-	71,933	71,933
500,000	-	500,000	500,000	-	500,000
500,000	-	500,000	500,000	-	500,000
-	6,569	6,569	-	10,267	10,267
361,982	-	361,982	288,919	-	288,919
<u>1,361,982</u>	<u>103,594</u>	<u>1,465,576</u>	<u>1,288,919</u>	<u>82,200</u>	<u>1,371,119</u>
<u>\$3,486,280</u>	<u>\$ 114,480</u>	<u>\$3,600,760</u>	<u>\$2,902,166</u>	<u>\$ 93,574</u>	<u>\$2,995,740</u>

Accompanying notes are an integral part of these financial statements

CITY OF DELAWARE CITY, DELAWARE

RECONCILIATION OF THE BALANCE SHEETS OF GOVERNMENTAL FUNDS

TO THE STATEMENTS OF NET POSITION

As of June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Amounts reported for governmental activities in the statement of net position are different because:		
Total fund balances-governmental funds	\$ 1,465,576	\$ 1,371,119
Capital assets used in governmental activities are not financial resources and, therefore are not reported as assets in the governmental funds. The cost of capital assets is \$13,073,721 and \$11,216,385 and the related accumulated depreciation is \$6,119,567 and \$5,612,966 for the periods presented.	6,954,154	5,603,419
Long-term obligations are not due and payable within the current period and, therefore are not reported as liabilities in the governmental fund types.		
Long-Term Debt Obligations	<u>2023</u>	<u>2022</u>
Current portion	\$ (58,169)	\$ (100,898)
Net of current portion	<u>(687,553)</u>	<u>(745,726)</u>
	(745,722)	(846,624)
Compensated absences not due and payable within the period presented are not reported in the governmental funds.	<u>(21,787)</u>	<u>(25,237)</u>
Total net position-governmental activities	<u><u>\$ 7,652,221</u></u>	<u><u>\$ 6,102,677</u></u>

Accompanying notes are an integral
part of these financial statements

WARE

EXPENDITURES AND CHANGES IN FUND BALANCES-GOVERNMENTAL FUNDS
and 2022

	2023			2022		
	Governmental Fund Types			Governmental Fund Types		
	General	Special Revenue	Totals	General	Special Revenue	Totals
	\$ 1,213,249	\$ -	\$ 1,213,249	\$ 1,097,960	\$ -	\$ 1,097,960
	140,985	-	140,985	259,258	-	259,258
	16,070	-	16,070	16,697	-	16,697
	54,912	-	54,912	140,791	-	140,791
	751,352	-	751,352	163,744	-	163,744
	1,311,777	107,056	1,418,833	358,387	49,152	407,539
	6,636	-	6,636	5,885	-	5,885
	28,722	-	28,722	20,499	-	20,499
	188,232	94	188,326	148,054	23	148,077
	40,586	-	40,586	(145,246)	-	(145,246)
	17,422	-	17,422	22,496	-	22,496
	3,989	-	3,989	-	-	-
	<u>3,773,932</u>	<u>107,150</u>	<u>3,881,082</u>	<u>2,088,525</u>	<u>49,175</u>	<u>2,137,700</u>
	667,585	-	667,585	707,335	-	707,335
	12,729	-	12,729	9,528	-	9,528
	382,482	10,235	392,717	401,572	424	401,996
	68,234	24,682	92,916	72,308	38,795	111,103
	250,173	-	250,173	248,438	-	248,438
	102,426	-	102,426	73,902	-	73,902
	150,743	-	150,743	82,660	-	82,660
	246,153	50,065	296,218	-	-	-
	1,698,447	774	1,699,221	893,268	-	893,268
	100,902	-	100,902	100,754	-	100,754
	20,995	-	20,995	21,143	-	21,143
	<u>3,700,869</u>	<u>85,756</u>	<u>3,786,625</u>	<u>2,610,908</u>	<u>39,219</u>	<u>2,650,127</u>
EXPENDITURES	<u>73,063</u>	<u>21,394</u>	<u>94,457</u>	<u>(522,383)</u>	<u>9,956</u>	<u>(512,427)</u>
Assets	-	-	-	41,992	-	41,992
expenditures	-	-	-	6,500	-	6,500
	-	-	-	-	-	-
uses (uses)	-	-	-	48,492	-	48,492
	73,063	21,394	94,457	(473,891)	9,956	(463,935)
	<u>1,288,919</u>	<u>82,200</u>	<u>1,371,119</u>	<u>1,762,810</u>	<u>72,244</u>	<u>1,835,054</u>
	<u>\$ 1,361,982</u>	<u>\$ 103,594</u>	<u>\$ 1,465,576</u>	<u>\$ 1,288,919</u>	<u>\$ 82,200</u>	<u>\$ 1,371,119</u>

Accompanying notes are an integral part of these financial statements

CITY OF DELAWARE CITY, 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, 2023 and 2022

	2023		2022	
Amounts reported for governmental activities in the statement of activities are different because:				
Net change in fund balance-total government funds	\$	94,457	\$	(463,935)
The governmental funds report capital outlays as expenditures. However, in the government-wide financial statements, assets with an initial individual cost of \$2,500 or more are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. The following represents the amount by which capital outlays capitalized exceeds or is less than the depreciation expense for the periods presented.				
Description	2023	2022		
Capital assets	\$ 1,857,336	\$ 499,567		
Depreciation expense	(506,601)	(442,800)	1,350,735	56,767
Some expenses reported in the statement of activities do not require current financial resources, and are therefore, not reported as expenditures in the governmental funds.				
Description	2023	2022		
Proceeds from sale of assets	\$ -	\$ 6,500		
Gain from sale of assets	-	(6,500)	-	-
The governmental funds report loan proceeds as other financing sources, while repayment of loan principal is reported as an expenditure. Interest is recognized as an expenditure in the governmental funds when it is due. However, in the statement of activities, interest expense is recognized as it accrues, regardless as to when it is due. The net effect of these differences in the treatment of long-term obligations and related items is as follows:				
Description	2023	2022		
Financing proceeds received	\$ -	\$ (41,992)		
Principal payments made	100,902	100,754	100,902	58,762
In the statement of activities, certain operating expenses such as compensated absences [vacation and personal days] are measured by amounts earned for the period. In the governmental funds, however, expenditures for these items are measured by the amount of the financial resources used. This amount represents the difference between the amount used versus the amount earned for the periods presented.				
			3,450	(5,594)
Change in net position-governmental activities	\$	1,549,544	\$	(354,000)

Accompanying notes are an integral part of these financial statements

CITY OF DELAWARE CITY, DELAWARE
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

The City of Delaware City is a municipal corporation incorporated March 5, 1851 under the provisions of the State of Delaware. The City is governed by a six-member governing body consisting of the Mayor [elected at large] and five Members of Council and provides traditional municipal services authorized by its charter. 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 basic 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 specific financial burden on the City. Additionally, the statement requires the City to consider other entities for which the nature and significance of their relationship are such that exclusion would cause the City's [reporting entity] financial statements to be misleading or incomplete. The City has one organization meeting the above criteria and the City has elected to include the following component unit:

- **Delaware City Day Committee** was formed for the purpose of accounting for the financial activity of "Delaware City Day" annual celebration.

Discretely Presented Component Unit

The component unit column in the government-wide financial statements includes the financial data of the only component unit of the City. The component unit is reported in a separate column to emphasize that it is legally separate from the City's primary government operations. The component unit reports its financial activities using a year ending March 31 which coincides with its operating purpose.

Government-Wide and Fund Financial Statements

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

- Government-wide financial statements
- Fund financial statements, and
- Notes to the 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. All internal balances in the statement of net position have been eliminated, with the exception of those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total government column. In the statement of activities, the transactions between the governmental and business-type activities have not been eliminated.

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 other charges. The governmental activities of the City include general government, code enforcement, public safety [police], public works [streets and sanitation], parks and recreation, Community Center, and other general administrative support services.

CITY OF DELAWARE CITY, DELAWARE
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government-Wide and Fund Financial Statements (continued)

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 operational or capital requirements of a particular function. Property taxes and other revenue sources not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for both the governmental funds and the proprietary fund. The major individual governmental funds and the proprietary fund are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

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

The City reports the following major governmental fund types:

- The **general fund** is the City's primary operating fund. It accounts for all financial resources of the City, except those required to be accounted in other funds.
- The **special revenue fund** accounts for resources and payments of activities derived from earmarked revenue sources. When such needs arise, separate self-balancing funds are established to account for each restricted special revenue source. The special revenue fund consists of grant award funds and the "Revolving Loan Fund." The purpose of the revolving loan fund is to provide "Façade Improvement" funding to private businesses for the revitalization of the City's downtown area.

CITY OF DELAWARE CITY, DELAWARE
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

The preparation of the financial statements in conformity with U.S. GAAP as it applies to governmental units 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 may differ from those estimates.

Budgetary Accounting

The City Council follows the following procedures in establishing the budgetary data reflected within the financial statements as Required Supplementary Information [RSI]:

- The City Manager submits to Council a proposed budget for the ensuing fiscal year. The budget includes proposed expenditures and means of financing them.
- Council meets in open session to review the proposed budget.
- Not later than the final public meeting prior to the end of the preceding fiscal year, the budget is legally enacted.
- The City Manager is required to present to Council a monthly budget report explaining any variances from the approved budget.
- Formal budgetary integration is employed as a management control device during the fiscal year for all operating funds.
- The budget for the general fund is adopted on a basis consistent with U.S. GAAP.
- The budget for budgeted special revenues is approved on a funding-by-funding basis.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to assign that portion of the applicable appropriation, is employed as an extension of formal budgetary integration for the governmental funds. Encumbrances at the year-end are reported as assigned fund balance since encumbrances do not constitute expenditures or liabilities but serve as the authorization for expenditures in the subsequent period. At June 30, 2023 and 2022, the City has no encumbrances outstanding.

Cash and Equivalents

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

Receivable-Property Taxes

At June 30, 2023 and 2022, the property taxes receivable is reflected net of an estimated uncollectible allowance of \$75,473 and \$82,521, respectively. The allowance also includes code enforcement fines which are combined by the City. The allowance is based upon historical data established according to experience and other factors which in the judgment of City officials deserve recognition in estimating probable future losses. Management believes they have adequately provided for such losses.

Receivable-Accounts

At June 30, 2023 and 2022, the accounts receivable are reflected net of an estimated uncollectible allowance of \$53,765 and \$53,765, respectively. The allowance is based upon historical data established according to experience and other factors which in the judgment of City officials deserve recognition in estimating probable future losses. Management believes they have adequately provided for such losses.

Receivable-Other

At June 30, 2023 and 2022, the receivable other is reflected net of an estimated uncollectible allowance of \$90,553 and \$89,853, respectively. The allowance is based upon historical data established according to experience and other factors which in the judgment of City officials deserve recognition in estimating probable future losses. Management believes they have adequately provided for such losses.

CITY OF DELAWARE CITY, DELAWARE
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Due From Other Governments

Due from other governments represents reimbursements and grants from other governments. Grant revenues are recognized when expenses/expenditures for purposes of the grant award have been incurred in the government-wide financial statements and, as long as it meets the measurable and available criteria in governmental fund financial statements.

Receivables and Payables

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

Advances between funds, as reported in the fund financial statements, are offset by an assigned fund balance account in the applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources. The City has 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, when present, an equal amount of fund balance is classified as nonspendable, as the amount is not available for appropriation.

Capital Assets and Depreciation

Capital assets consist of property, plant, furnishings, equipment, and infrastructure assets completed after June 30, 2003 [such as roads, sidewalks, traffic signals, street lights, and similar items], and are reported in the applicable governmental activities or business-type activities columns in the government-wide financial statements. The City defines capital assets as assets with an initial, individual cost of \$2,500 or more and 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 does not add to the value of an asset or materially extend its life is not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. The interest incurred during the construction phase of capital assets for business-type activities is included as part of the capitalized value of the asset constructed. The amount of interest capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. No interest costs were capitalized for the years presented. The capital assets of the City are depreciated using the straight-line method over the following estimated useful lives:

Asset Categories	Years
Buildings and improvements	10 to 50
Improvements other than buildings	5 to 50
Machinery and equipment	3 to 10
Furniture and office equipment	3 to 10
Water system	15 to 40
Infrastructure assets	20 to 50

CITY OF DELAWARE CITY, DELAWARE
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Funds Held in Custody

Funds held in custody are funds administered by the City in an agency capacity to account for assets of other organizations and activities not considered part of the City's budgeted operations.

Refundable Advances

The City records grant awards that are accounted as exchange transactions as refundable advances until such time the restrictions are met, at which time the advances are recognized as revenues.

Compensated Absences Policy

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

- The obligation related to employee's right to receive compensation for future absences is attributable to 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 reflects a liability for vacation pay, which has been earned but not taken by City employees, on the government-wide statements. As for the governmental fund statements, the long-term portion of the compensated absences liability is not reflected since it is anticipated that none of the liability will be liquidated with expendable available financial resources.

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources, when present. 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 no items that qualify for reporting in this category.

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 one item that qualifies for reporting in this category; that item is reflected as unavailable revenue. This item is reported in both the government-wide statement of net position and the governmental fund type balance sheet. These amounts are deferred and recognized as an inflow from resources in the period that the amounts become available.

Long-Term Obligations

In government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position of the respective governmental activities.

In the fund financial statements, the governmental fund types recognize bond discounts and issuance costs in the period incurred.

CITY OF DELAWARE CITY, DELAWARE
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Position and Fund Equity

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

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

- **Nonspendable fund balance**-Includes amounts that cannot be spent because they are either not in spendable form, or, for legal or contractual reasons, must remain intact. This 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], grantors, contributors, or other governments; or are imposed by law through constitutional provisions or enabling legislation.
- **Committed fund balance**-Amounts that can only be used for specific purposes because of a formal action [resolution or ordinance] by the City's highest level of decision-making authority: City Council.
- **Assigned fund balance**-Amounts constrained by the City's intent to be used for a 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 authority has been given. With the exception of the general fund, this is the residual fund balance classification for all governmental funds with positive balances.
- **Unassigned fund balance**-This is the residual classification of the general fund. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification, as the result of overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

Reclassifications

Certain amounts in the prior year basic financial statements have been reclassified for comparative purposes to conform with the current year presentation.

NOTE 2 - PROPERTY TAXES

Property taxes within the City limits are \$1.19 per \$100 of assessed valuation for fiscal year 2023 and \$1.19 per \$100 of assessed valuation for fiscal year 2022 as levied by City Council. 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 [effective date of enforceable lien]
October 1	- 5% Penalty plus 1% for each subsequent month not paid

NOTE 3 - ECONOMIC DEPENDENCY

A substantial portion of the City's annual assessment of property taxes is received from two corporate taxpayers. The collected property taxes from the two taxpayers approximate 46% of the City's total annual assessment.

CITY OF DELAWARE CITY, DELAWARE
NOTES TO FINANCIAL STATEMENTS

NOTE 4 - CASH AND EQUIVALENTS

It is the City's policy to invest its funds principally in money market accounts and with financial institutions that are FDIC insured and provide collateralization for deposits in excess of FDIC insurance.

The City's deposits [cash and equivalents] are categorized to give an indication of the level of risk assumed as of June 30, 2023 and 2022. The categories are described below:

Category	2023		2022	
	Book	Bank	Book	Bank
1	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000
2	1,907,286	1,969,120	1,360,515	1,427,829
3	400	-	400	-
Total deposits	<u>\$ 2,407,686</u>	<u>\$ 2,469,120</u>	<u>\$ 1,860,915</u>	<u>\$ 1,927,829</u>

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, 2023 and 2022, the City's deposits held primarily by one financial institution are insured with the Federal Deposit Insurance Corporation [FDIC]. Deposits totaling \$2,469,120 and \$1,927,829 held by the financial institutions are in excess [or non-coverage] of FDIC limits in the amount of \$1,969,120 and \$1,427,829, respectively. Deposits in excess of FDIC limits are collateralized with U.S. Government securities held by the primary financial institution in the City's name. Category 3 balances are subject to custodial risk and consist of cash held by the City.

Custodial credit risk is the risk that in the event of a financial institution's failure, the deposits may not be returned to the City.

NOTE 5 - INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables represent receivables from other governmental agencies for revenues earned but not received as of June 30 by the City.

At June 30, due from other governments consists of receivables from the following government agencies:

Description	Activity Type	
	2023	2022
	Governmental	Governmental
Edward Byrne Memorial Justice Assistance Grant	<u>\$ 3,200</u>	<u>\$ -</u>
Total intergovernmental receivables	<u><u>\$ 3,200</u></u>	<u><u>\$ -</u></u>

CITY OF DELAWARE CITY, DELAWARE
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - INVESTMENTS AT FAIR VALUE

At June 30, the investments of the general fund are reflected at fair value and consist of the following:

Description	June 30,	
	2023	2022
Mutual funds - equities	\$ 247,864	\$ 206,917
Mutual funds - fixed income	925,685	922,472
Total investments at fair value	<u>\$ 1,173,549</u>	<u>\$ 1,129,389</u>

The table that follows summarizes the City annual investment return (loss):

Description	June 30,	
	2023	2022
Investment (dividends and interest) income	\$ 48,769	\$ 50,777
Unrealized investment gain (loss)	1,183	(185,595)
Investment management fees	(9,366)	(10,428)
Total investment return (loss)	<u>\$ 40,586</u>	<u>\$ (145,246)</u>

At June 30, the investments of the general fund are categorized to give an indication as to the level of risk:

Description	At June 30			
	Fair Value	Level 1	Level 2	Level 3
General Fund:				
As of June 30, 2023	<u>\$1,173,549</u>	<u>\$1,173,549</u>	<u>\$ -</u>	<u>\$ -</u>
General Fund:				
As of June 30, 2022	<u>\$1,129,389</u>	<u>\$1,129,389</u>	<u>\$ -</u>	<u>\$ -</u>

The fair value measurement accounting literature establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels defined below:

Level 1 - Inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority. Since valuations are based on quoted prices that are readily available in an active market, valuation of these securities does not entail a significant degree of adjustment.

Level 2 - Inputs consist of quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 - Inputs are unobservable and have the lowest priority.

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 nature. Premium payments for the insurance policies are recorded as expenditures/expenses of the City, and insurance settlements have not exceeded insurance coverage for the years presented.

CITY OF DELAWARE CITY, DELAWARE
NOTES TO FINANCIAL STATEMENTS

NOTE 8 - CAPITAL ASSETS

The following tables summarize annual changes in the activity of the capital assets:

	As of and for the Year Ended June 30, 2023			
Description	Beginning Balances	Additions	Deletions	Ending Balances
Governmental activities:				
Capital assets, not depreciated:				
Land	\$ 421,737	\$ -	\$ -	421,737
Construction in progress:				
Buildings and improvements	-	302,106		302,106
Total capital assets, not being depreciated	421,737	302,106	-	723,843
Capital assets, bring depreciated:				
Buildings and improvements	5,334,053	471,382	-	5,805,435
Furniture and office equipment	229,031	3,091	-	232,122
Vehicles and equipment	463,774	208,722	-	672,496
Streets and sidewalks	2,702,414	768,143	-	3,470,557
Trees, trails and landscape	2,065,376	103,892	-	2,169,268
Total being depreciated	10,794,648	1,555,230	-	12,349,878
Less accumulated depreciation:				
Buildings and improvements	2,388,237	169,207	-	2,557,444
Furniture and office equipment	166,456	29,410	-	195,866
Vehicles and equipment	299,061	56,769	-	355,830
Streets and sidewalks	1,614,885	150,906	-	1,765,791
Trees, trails and landscape	1,144,327	100,309	-	1,244,636
Total accumulated depreciation	5,612,966	506,601	-	6,119,567
Total capital assets, being depreciated, net	5,181,682	1,048,629	-	6,230,311
Governmental activities capital assets, net	\$ 5,603,419	\$ 1,350,735	\$ -	\$ 6,954,154

CITY OF DELAWARE CITY, DELAWARE
NOTES TO FINANCIAL STATEMENTS

NOTE 8 - CAPITAL ASSETS (continued)

The following tables summarize annual changes in the activity of the capital assets:

Description	As of and for the Year Ended June 30, 2022			
	Beginning Balances	Additions	Deletions	Ending Balances
Governmental activities:				
Capital assets, not depreciated:				
Land	421,737	\$ -	\$ -	421,737
Construction in progress:				
Buildings and improvements	82,328	-	82,328	-
Total capital assets, not being depreciated	504,065	-	82,328	421,737
Capital assets, being depreciated:				
Buildings and improvements	4,885,428	448,625	-	5,334,053
Furniture and office equipment	215,413	13,618	-	229,031
Vehicles and equipment	410,921	75,561	22,708	463,774
Streets and sidewalks	2,690,349	12,065	-	2,702,414
Trees, trails and landscape	2,033,350	32,026	-	2,065,376
Total being depreciated	10,235,461	581,895	22,708	10,794,648
Less accumulated depreciation:				
Buildings and improvements	2,242,358	145,879	-	2,388,237
Furniture and office equipment	138,952	27,504	-	166,456
Vehicles and equipment	280,672	41,097	22,708	299,061
Streets and sidewalks	1,478,897	135,988	-	1,614,885
Trees, trails and landscape	1,051,995	92,332	-	1,144,327
Total accumulated depreciation	5,192,874	442,800	22,708	5,612,966
Total capital assets, being depreciated, net	5,042,587	139,095	-	5,181,682
Governmental activities capital assets, net	\$ 5,546,652	\$ 139,095	\$ 82,328	\$ 5,603,419

CITY OF DELAWARE CITY, DELAWARE
NOTES TO FINANCIAL STATEMENTS

NOTE 9 - LINE OF CREDIT

On August 12, 2011, the City issued a general obligation note for \$150,000 to Wilmington Savings Fund Society, FSB. The note [a line of credit] carries a variable interest rate [4.75% at June 30, 2023] and is payable on demand. The note is for the purpose of providing working capital and is secured with the full faith and credit of the City and the assignment of property tax revenues. As of and for the years ended June 30, 2023 and 2022, the City has not utilized the line of credit and has no outstanding balance.

NOTE 10 - LONG-TERM DEBT OBLIGATIONS

The following tables summarize the annual changes in long-term debt obligations:

	As of and Year Ended June 30, 2023				
				Ending Balances	
Description	Beginning Balances	Additions	Payments and Reductions	Long-term Portion	Due Within One Year
Governmental Activities:					
General obligation bonds:					
2008 Series	\$ 143,407	\$ -	\$ 9,286	\$ 124,463	\$ 9,658
2018 Series	631,475	-	33,852	563,090	34,533
Ford Motor Credit Note	15,914	-	15,914	-	-
Ford Motor Credit Note	27,078	-	13,100	-	13,978
Verizon Corporation Note	28,750	-	28,750	-	-
Total bond and notes	846,624	-	100,902	687,553	58,169
Compensated absences	25,237	-	3,450	21,787	-
Total long-term debt	\$ 871,861	\$ -	\$ 104,352	\$ 709,340	\$ 58,169

The compensated absences liability for governmental activities is generally liquidated with general fund resources.

General Obligation Bonds and Notes

General Obligation Bonds, Series 2008

The general obligation bonds, Series 2008 [issued in the amount of \$234,000] carry a maturity date of August 14, 2034. The proceeds of the general obligation bonds were used to finance the City's "Community Center Roof Replacement" project. The bonds carry a fixed interest rate of 4.125% and are payable in monthly installments of \$1,252 [principal and interest]. At June 30, 2023, the repayment schedule is as follows:

Years Ending June 30	Principal	Interest	Total
2024	9,658	5,366	15,024
2025	10,078	4,946	15,024
2026	10,502	4,522	15,024
2027	10,943	4,081	15,024
2028	11,394	3,630	15,024
2029-2033	64,619	10,501	75,120
2034-2035	16,927	438	17,365
Total required payments	134,121	33,484	167,605
Less current portion	9,658	5,366	15,024
Total long-term debt portion	\$ 124,463	\$ 28,118	\$ 152,581

CITY OF DELAWARE CITY, DELAWARE
NOTES TO FINANCIAL STATEMENTS

NOTE 10 - LONG-TERM DEBT OBLIGATIONS (continued)

General Obligation Bonds and Notes (continued)

General Obligation Bonds, Series 2018

General obligation bonds, Series 2018 [issued in the amount of \$713,217] carry a maturity date of July 1, 2038. The proceeds of the general obligation bonds were used to finance the City's "Washington Street Flood Mitigation" project. The bonds carry a fixed interest rate of 2.00% and are payable in semiannual installments of interest only until July 1, 2020, when the bonds become payable in semiannual installments of \$23,157 [principal and interest]. At June 30, 2023, the repayment schedule is as follows:

<u>Years Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	34,533	11,781	46,314
2025	35,227	11,087	46,314
2026	35,935	10,379	46,314
2027	36,657	9,657	46,314
2028	37,394	8,920	46,314
2029-2033	198,552	33,016	231,568
2034-2038	219,325	12,242	231,567
Total required payments	597,623	97,082	694,705
Less current portion	34,533	11,781	46,314
Total long-term debt portion	<u>\$ 563,090</u>	<u>\$ 85,301</u>	<u>\$ 648,391</u>

Ford Motor Credit Note

On February 2, 2021, the City entered into a lease-purchase agreement in the amount of \$47,799 maturing on February 12, 2023. The proceeds were used to purchase a 2021 Ford Police Interceptor. The agreement carries a fixed interest rate of 6.15%, requiring a down payment of \$16,893 at signing, and two annual payments of \$16,893 [principal and interest]. At June 30, 2023, the remaining payment is \$16,893 [principal of \$15,914 and interest of \$979] payable February 12, 2023. As of June 30, 2023, the lease-purchase is paid in full.

Ford Motor Credit Note

On April 6, 2022, the City entered into a lease-purchase agreement in the amount of \$41,992 maturing on April 6, 2024. The proceeds were used to purchase a 2022 Ford Police Interceptor. The agreement carries a fixed interest rate of 6.70%, requiring a down payment of \$14,914 at signing, and two annual payments of \$14,914 [principal and interest]. At June 30, 2023, the repayment schedule is as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	13,978	937	14,914
Total required payments	<u>\$ 13,978</u>	<u>\$ 937</u>	<u>\$ 14,914</u>

Corporation Note

On July 2, 2018, the City issued an unsecured non-interest note to Verizon Corporation in the amount of \$143,758. The note was issued as a result of Verizon's successful appeal of New Castle County's property tax assessment value used by the City to assess its property taxes. The appeal resulted in an overpayment of property taxes by Verizon of \$143,758 to the City. The City negotiated a non-interest-bearing note payable over five years. The note requires annual installments of \$28,752 and has a maturity of July 1, 2023. At June 30, 2023, the remaining payment is \$28,750 payable on July 1, 2023. As of June 30, 2023, the City has honored the full appeal amount.

CITY OF DELAWARE CITY, DELAWARE
NOTES TO FINANCIAL STATEMENTS

NOTE 10 - LONG-TERM DEBT OBLIGATIONS (continued)

General Obligation Bonds and Notes (continued)

The following tables summarize future maturities of principal and interest payments:

Years Ending June 30	General Obligation Bonds		General Obligation Notes		Totals
	Principal	Interest	Principal	Interest	
<u>Governmental Activities:</u>					
2024	44,191	17,147	13,978	937	76,252
2025	45,305	16,033	-	-	61,338
2026	46,437	14,901	-	-	61,338
2027	47,600	13,738	-	-	61,338
2028	48,788	12,550	-	-	61,338
2029-2033	263,171	43,517	-	-	306,688
2034-2038	236,252	12,680	-	-	248,932
Totals	\$ 731,744	\$ 130,566	\$ 13,978	\$ 937	\$ 877,224

NOTE 11 - PENSION PLAN

The City adopted a "5304 Savings Incentive Plan for Employees of Small Employers [SIMPLE]" administered by Edward Jones for the City's employees. The plan is intended to provide benefits for eligible City employees. The City contributes to each eligible employee's SIMPLE IRA a matching contribution equal to the employee's salary reduction contributions up to a limit of 3.00% of the employee's compensation for the calendar year. The City contributed \$12,542 and \$12,242 for eligible employees participating in the retirement plan for fiscal years ended June 30, 2023 and 2022, respectively.

NOTE 12 - LEASING ARRANGEMENTS

At June 30, 2023, the City is involved in the following leasing arrangements:

Operating Leases as Lessee

The City leases the following office equipment under operating leasing arrangements:

Description	Monthly Rentals	Expiration Date
Canon Image Runner DX C5840i Copier System	\$ 340	January, 2025
Canon Image Runner DX C5735i Copier System	283	April, 2024

At June 30, 2023, the minimum future rentals under non-cancelable leasing arrangements having remaining terms in excess of one year in the aggregate are:

Years Ending June 30	Amount
2024	6,910
2025	2,380
Total minimum future rental payments required	\$ 9,290

For the years ended June 30, 2023 and 2022, total rental costs are \$7,708 and \$7,804, respectively.

CITY OF DELAWARE CITY, DELAWARE
NOTES TO FINANCIAL STATEMENTS

NOTE 12 - LEASING ARRANGEMENTS (continued)

Operating Leases as Lessor

The City is the lessor of certain real property under operating leasing arrangements expiring at various dates. The following is a summary of property held for lease for the years presented:

Property Under Lease	Purpose of Rental	Cost Basis
Certain land parcels	Commercial	\$ -
Water Tower-Air Rights	Mobile Antennae	-
511 Fifth Street, Delaware City	Public Works Yard	-

The leasing arrangements are generally based on a percentage of lessee collections in conjunction with fixed rentals and as such the rentals cannot be estimated for future periods. For the years ended June 30, 2023 and 2022, total rentals received are \$130,007 and \$147,624, respectively.

NOTE 13 - COMMITMENTS AND CONTINGENCIES

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

Government Grant Awards

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

Litigation

In the normal course of business, the City may become involved in litigation; any losses from such litigation are generally covered by insurance. At June 30, 2023, the City is not aware of any material threatened or pending litigation with which the City solicitor anticipates could result in significant financial liability to the City.

Leasing Arrangements

The city has leasing arrangements for certain office equipment. These arrangements are usually for a period of three or more years and are generally not significant to the basic financial statements.

The City also has certain leasing arrangements in the capacity of lessor for certain rental activity highlighted in note 12. These leasing arrangements did not meet the requirements of GASB Statement No. 87.

NOTE 14 - GASB STATEMENT IMPLEMENTATION

In May of 2019, the 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.

In January of 2020, GASB issued Statement No. 92, *Omnibus 2020*. Implementation for requirements related to Statement 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. Implementation of the Statement had no significant impact on the financial 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 primary objective of the Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. Implementation of the Statement had no significant impact on the financial statements.

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. Implementation of the Statement had no significant impact on the financial statements.

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 financial statements among governments that have entered into SBITAS; and [3] enhancing the understandability, reliability, relevance, and consistency of information about SBITAS. Implementation of the Statement had no significant impact on the financial statements.

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 periods ending 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. Implementation of the Statement had no significant impact on the financial statements.

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). Implementation of the Statement had no significant impact on the financial statements

CITY OF DELAWARE CITY, DELAWARE
NOTES TO FINANCIAL STATEMENTS

NOTE 15 - PENDING GASB STATEMENTS

The City has not completed the various analyses required to estimate the future impact of the following new pronouncements on its financial statements. Generally, the City does not early implement GASB statements and pronouncements.

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

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.

In December 2023, The GASB issued Statement No. 102, *Certain Risk Disclosures*. Implementation is required for periods ending after June 15, 2024, with earlier application encouraged. The requirements of this Statement will improve financial reporting by providing users of financial statements with essential information that currently is not often provided. The disclosures will provide users with timely information regarding certain concentrations or constraints and related events that have occurred or have begun to occur that make a government vulnerable to a substantial impact. As a result, users will have better information with which to understand and anticipate certain risks to a government's financial condition.

NOTE 16 - EVALUATION OF SUBSEQUENT EVENTS

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

Required Supplementary Information [RSI] Section

CITY OF DELAWARE CITY, DELAWARE

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE-BUDGET AND ACTUAL-
GENERAL FUND**

Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	
	Original	Final	Amounts		
REVENUES					
Taxes:					
Property taxes	\$ 1,092,603	\$ 1,092,603	\$ 1,213,249	\$ 120,646	1
Property taxes-transfer taxes	150,000	150,000	140,985	(9,015)	
Cable franchise taxes	15,000	15,000	16,070	1,070	
Licenses and permits	75,000	75,000	54,912	(20,088)	1
Intergovernmental revenues	35,000	35,000	2,063,129	2,028,129	2
Police fines and court fees	7,000	7,000	6,636	(364)	
Charges for services	15,320	15,320	28,722	13,402	3
Interest and rents	165,950	165,950	188,232	22,282	4
Investment income (loss)	-	-	40,586	40,586	5
Contributions	-	-	17,422	17,422	6
Miscellaneous revenues	-	-	3,989	3,989	7
Total revenues	1,555,873	1,555,873	3,773,932	2,218,059	
EXPENDITURES					
Current:					
General government	641,415	641,415	630,683	10,732	
Code enforcement	27,810	27,810	12,729	15,081	8
Public safety-police	364,352	364,352	376,834	(12,482)	
Public works-streets	80,500	80,500	67,180	13,320	9
Public works-sanitation	255,500	255,500	250,173	5,327	
Parks and recreation	76,500	76,500	102,426	(25,926)	10
Community Center	51,740	51,740	150,743	(99,003)	11
Fire Hall	-	-	246,153	(246,153)	12
Capital reserve	-	-	-	-	
Capital outlay	-	-	990,699	(990,699)	2
Debt service	121,897	121,897	121,897	-	
Federal expenditures	255,583	255,583	751,352	(495,769)	13
Total expenditures	1,875,297	1,875,297	3,700,869	(1,825,572)	
EXCESS (DEFICIT)					
REVENUES OVER EXPENDITURES	(319,424)	(319,424)	73,063	392,487	
OTHER FINANCING SOURCES (USES)					
Proceeds from new financing	-	-	-	-	
Proceeds from sale of capital assets	-	-	-	-	
Operating transfers in (out)	63,841	63,841	-	(63,841)	14
Total other financing sources (uses)	63,841	63,841	-	(63,841)	
NET CHANGE IN FUND BALANCE	(255,583)	(255,583)	73,063	328,646	
FUND BALANCES					
Beginning of year	-	-	1,288,919	1,288,919	
End of year	\$ -	\$ -	\$ 1,361,982	\$ 1,617,565	

See Report of Independent Auditor

CITY OF DELAWARE CITY, DELAWARE

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

Year Ended June 30, 2023

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City annually adopts a budget for the general fund financial statements. 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 the 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 U.S. GAAP as applied to governmental units on a basis consistent with the legally adopted budgets as amended. The unexpended appropriations on annual budgets lapse at the end of each fiscal year.

Significant Budget Variances in Excess of 10% of Budget

1. Property taxes exceeded budgeted expectations due to an additional PILOT revenue and penalties assessed on delinquent taxes. Licenses and permits were under budget due to a slow-down in new development.
2. The City does not generally budget for intergovernmental revenue or capital project expenditures since such expenditures are typically funded by the intergovernmental revenues or proceeds from new financing.
3. Charges for services exceeded the budget mainly due to Code Enforcement fines as a result of aggressive enforcement by the City.
4. Interest and rents exceeded budgeted expectations due to high balances on the bank accounts due to receipt of grant funds and revenue from the cell tower/ballfield lease.
5. Investment income is generally not budgeted by the city given the nature of the investment markets and the fluctuations in the value of the long-term investments.
6. The city does not budget for contribution revenue given its unpredictability.
7. The city does not budget for miscellaneous revenue given its unpredictability.
8. Code enforcement expenditures were below budgeted expectations due to code enforcement staff hours not increasing as planned at the time of the budget.
9. Public works-streets expenditures were under budget because some expenditures were funded by special revenue funds through state Municipal Street Aid.
10. Parks and recreation expenditures exceeded the budgeted expectations due to several maintenance projects and multiple tree maintenance costs.
11. Community Center expenditures exceeded budgeted expectations due to multiple renovation and repair projects and an increase in electricity and heating costs.
12. The City does not generally budget for Fire Hall capital project expenditures since such expenditures are typically funded by intergovernmental revenues.
13. Federal expenditures exceeded budgeted expectations due to the onset of projects throughout the fiscal year.
14. Budgeted operating transfers from the Water Fund did not occur since the water system was sold by the city.

See Report of Independent Auditor

Supplementary Information Section

WARE

ICIAL REVENUE FUND
Comparative Totals for 2022

Federal Funding	State Funding			Local Funding	Revolving Loan Fund	Totals	
	Municipal Street Aid	SALLE and EIDE	Other			[Memorandum Only]	
						2023	2022
\$ -	\$ 35,025	\$ 11,886	\$ -	\$ -	\$ 68,569	\$ 115,480	\$ 94,574
-	-	(1,000)	-	-	-	(1,000)	(1,000)
\$ -	\$ 35,025	\$ 10,886	\$ -	\$ -	\$ 68,569	\$ 114,480	\$ 93,574

CES

deposits	\$ -	\$ -	\$ 10,886	\$ -	\$ -	\$ -	\$ 10,886	\$ 11,374
	-	-	10,886	-	-	-	10,886	11,374
	\$ -	\$ 35,025	\$ -	\$ -	\$ -	62,000	\$ 97,025	\$ 71,933
	-	-	-	-	-	6,569	6,569	10,267
	-	35,025	-	-	-	68,569	103,594	82,200
NCES	\$ -	\$ 35,025	\$ 10,886	\$ -	\$ -	\$ 68,569	\$ 114,480	\$ 93,574

See Report of Independent Auditor

WARE

REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-SPECIAL REVENUE FUND
with Comparative Totals for 2022

Federal Funding	State Funding			Local Funding	Revolving Loan Fund	Totals	
	Municipal Street Aid	SALLE and EIDE	Other			[Memorandum Only]	
						2023	2022
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	49,774	7,217	50,065	-	-	107,056	49,152
-	-	-	-	-	94	94	23
-	49,774	7,217	50,065	-	94	107,150	49,175
-	-	-	-	-	-	-	-
-	-	6,443	-	-	3,792	10,235	424
-	24,682	-	-	-	-	24,682	38,795
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	50,065	-	-	50,065	-
-	-	774	-	-	-	774	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	24,682	7,217	50,065	-	3,792	85,756	39,219
-	25,092	-	-	-	(3,698)	21,394	9,956
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	25,092	-	-	-	(3,698)	21,394	9,956
-	9,933	-	-	-	72,267	82,200	72,244
\$ -	\$ 35,025	\$ -	\$ -	\$ -	\$ 68,569	\$ 103,594	\$ 82,200

See Report of Independent Auditor

**Reports Required by
the Uniform Guidance**



**Report of Independent Auditor
on Internal Control over Financial Reporting
and on Compliance and Other Matters
Based on an Audit of the Financial Statements
Performed in Accordance with Government Auditing Standards**

Mayor and City Council
City of Delaware City
Delaware City, Delaware

We have audited, in accordance with the 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, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Delaware City, Delaware, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City of Delaware City, Delaware's basic financial statements and have issued our report thereon dated January 22, 2024.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Delaware City, Delaware's internal control over financial reporting (internal control) as a basis for designing the 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 of Delaware City, Delaware's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Delaware City, Delaware's internal control.

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 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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses or may exist that have not been identified.

Mayor and City Council
City of Delaware City

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Delaware City, Delaware'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*.

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 City of Delaware City, Delaware'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 the Mayor and members of Council, management, 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
January 22, 2024



**Report of Independent Auditor
on Compliance for Each Major Program
and on Internal Control Over Compliance
and Schedule of Expenditures of Federal Awards
Required by the Uniform Guidance**

Mayor and City Council
City of Delaware City
Delaware City, Delaware

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited City of Delaware City, Delaware's compliance with types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on City of Delaware City, Delaware's major federal program for the year ended June 30, 2023. City of Delaware City, Delaware's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, City of Delaware City, Delaware complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (Government Auditing Standards); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of City of Delaware City, Delaware and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for its major federal program. Our audit does not provide a legal determination of City of Delaware City, Delaware's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to City of Delaware City, Delaware's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on City of Delaware City, Delaware's compliance based on our audit. 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, Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about City of Delaware City, Delaware's compliance with the requirements of its major federal program as a whole.

In performing an audit in accordance with GAAS, Government Auditing Standards, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 City of Delaware City, Delaware's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of City of Delaware City, Delaware's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of City of Delaware City, Delaware's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Report on Internal Control Over Compliance (Continued)

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, it is not suitable for any other purpose.

Report of Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Delaware City, Delaware, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise City of Delaware City, Delaware's basic financial statements. We issued our report thereon dated January 22, 2024, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements.

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information 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. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Whisman Giordano & Associates, LLC

Newark, Delaware
January 22, 2024

CITY OF DELAWARE CITY, DELAWARE

STATEMENTS OF EXPENDITURES OF FEDERAL AWARDS AND RELATED DISCLOSURES

Year Ended June 30, 2023

Federal Grantor/ Pass-Through Grantor Project Title	Assistance Listing Number (ALN)	Grant Period	Federal Expenditures
U.S. DEPARTMENT OF JUSTICE			
Passed through State of Delaware, Department of Justice [DOJ]:			
Edward Bryne Memorial Justice Assistance Grant Program	16.738	07/01/2022-06/30/2023	\$ 3,200
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			3,200
U.S. DEPARTMENT OF TRANSPORTATION			
Passed through State of Delaware, Department of Transportation [DOT]:			
State and Community Highway Safety	20.600	07/01/2022-06/30/2023	752
National Priority Safety Programs	20.616	07/01/2022-06/30/2023	1,696
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			2,448
U.S. DEPARTMENT OF THE TREASURY			
Passed through State of Delaware, Department of the Treasury [TREAS]:			
Coronavirus Relief Fund	21.019	06/01/2021-12/31/2026	744,650
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			744,650
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed through State of Delaware, Department of Homeland Security [DHS]:			
Federal Emergency Management Agency (FEMA) Flood Mitigation Assistance Grants	97.029	07/01/2022-06/30/2023	1,054
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			1,054
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 751,352

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards [the "Schedule"] includes the federal award activity of City of Delaware City, Delaware under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* [Uniform Guidance]. Because the Schedule represents only a selected portion of the operation of City of Delaware City, Delaware, it is not intended to and does not present the financial position, change in net assets, or cash flows of City of Delaware City, Delaware.

CITY OF DELAWARE CITY, DELAWARE

STATEMENTS OF EXPENDITURES OF FEDERAL AWARDS AND RELATED DISCLOSURES (CONTINUED)
Year Ended June 30, 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on this Schedule are reflected on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. City of Delaware City, Delaware has elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

CITY OF DELAWARE CITY, DELAWARE
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2023

SECTION I - SUMMARY OF AUDITOR'S RESULTS

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued [*unmodified, modified, adverse, or disclaimer*].

Unmodified

Internal control over financial reporting:

-Material weakness(es) identified?

yes x no

-Significant deficiency(ies) identified?

yes x none reported

Noncompliance material to financial statements noted?

yes x no

Federal Awards

Internal control over major programs:

-Material weakness(es) identified?

yes x no

-Significant deficiency(ies) identified?

yes x none reported

Type of auditor's report issued on compliance for major programs [*unmodified, modified, adverse, or disclaimer*].

Unmodified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?

yes x no

Identification of major programs:

ALN	Name of Federal Program or Cluster
-----	------------------------------------

21.019	Coronavirus Relief Fund
--------	-------------------------

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee?

yes x no

SECTION II - CURRENT YEAR FINDINGS-FINANCIAL STATEMENTS AUDIT

None reported or outstanding.

SECTION III - CURRENT YEAR FINDINGS AND QUESTIONED COSTS-MAJOR FEDERAL AWARD PROGRAM AUDIT

None reported or outstanding.

SECTION II - PRIOR YEAR FINDINGS-FINANCIAL STATEMENTS AUDIT

None reported or outstanding.

SECTION III - PRIOR YEAR FINDINGS AND QUESTIONED COSTS-MAJOR FEDERAL AWARD PROGRAM AUDIT

None reported or outstanding.