



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, 2021 and 2020

CITY OF DELAWARE CITY, DELAWARE

Table of Contents

Report of Independent Auditor	1-2
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Basic Financial Statements Section

Government-Wide Financial Statements:	
Statements of Net Position	3
Statements of Activities	4-5
Fund Financial Statements:	
Balance Sheets-Governmental Funds	6
Reconciliation of the Balance Sheets of Governmental Funds to the Statements of Net Position	7
Statements of Revenues, Expenditures and Changes in Fund Balances-Governmental Funds	8
Reconciliation of the Statements of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statements of Activities	9
Statements of Net Position-Proprietary Fund	10
Statements of Revenues, Expenses and Changes in Fund Net Position-Proprietary Fund	11
Statements of Cash Flows-Proprietary Fund	12
Notes to Financial Statements	13-30

Required Supplementary Information [RSI] Section

Schedule of Revenues, Expenditures and and Change in Fund Balance-Budget and Actual-General Fund	31-32
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Supplementary Information Section

Combining Balance Sheet-Special Revenue Fund With Comparative Totals	33
Combining Statement of Revenues, Expenditures and Changes in Fund Balances-Special Revenue Fund With Comparative Totals	34

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>	35-36
Schedule of Findings and Responses	37
Schedule of Prior Findings and Responses	38



Report of Independent Auditor

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

We have audited the accompanying financial statements of the governmental activities, the business-type 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, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type 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, 2021 and 2020, and the respective changes in financial position and where applicable, cash flows thereof, for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that budgetary comparison information, reported on pages 31 and 32, 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 33 and 34, 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 November 15, 2021 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, 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
November 15, 2021

Basic Financial Statements Section

CITY OF DELAWARE CITY, DELAWARE
STATEMENTS OF NET POSITION
As of June 30, 2021 and 2020

	2021				2020			
	Primary Government			Component Unit	Primary Government			Component Unit
	Activity Type			Delaware City	Activity Type			Delaware City
	Governmental	Business	Totals	Day Committee	Governmental	Business	Totals	Day Committee
ASSETS								
Current assets								
Cash and equivalents	\$ 1,132,496	\$ -	\$ 1,132,496	\$ 39,326	\$ 333,239	\$ -	\$ 333,239	\$ 39,477
Receivables, net of allowance:								
Property taxes	2,745	-	2,745	-	638	-	638	-
Accounts	5,385	-	5,385	-	-	75,411	75,411	-
Other	6,963	-	6,963	-	15,611	-	15,611	-
Due from other governments	16,440	-	16,440	-	116,151	-	116,151	-
Investments at fair value	1,274,659	-	1,274,659	-	-	-	-	-
Interfund receivable (payable)	-	-	-	-	8,261	(8,261)	-	-
Total current assets	2,438,688	-	2,438,688	39,326	473,900	67,150	541,050	39,477
Noncurrent assets								
Capital assets, net of depreciation:								
Nondepreciable	504,065	-	504,065	-	421,737	18,331	440,068	-
Depreciable	5,042,587	-	5,042,587	-	5,275,834	161,259	5,437,093	-
Total noncurrent assets	5,546,652	-	5,546,652	-	5,697,571	179,590	5,877,161	-
TOTAL ASSETS	7,985,340	-	7,985,340	39,326	6,171,471	246,740	6,418,211	39,477
DEFERRED OUTFLOWS OF RESOURCES								
Bond issue costs, net of amortization	-	-	-	-	-	8,978	8,978	-
LIABILITIES								
Current liabilities								
Line of credit	-	-	-	-	-	-	-	-
Accounts payable and other	42,873	-	42,873	-	36,447	4,276	40,723	-
Accrued interest payable	-	-	-	-	-	3,719	3,719	-
Current portion of long-term debt	69,161	-	69,161	-	92,940	31,704	124,644	-
Funds held in custody	-	-	-	-	54,247	-	54,247	-
Refundable advances and other deposits	553,477	-	553,477	-	56,388	15,208	71,596	-
Total current liabilities	665,511	-	665,511	-	240,022	54,907	294,929	-
Noncurrent liabilities								
Long-term debt, net of current portion	836,225	-	836,225	-	890,830	520,929	1,411,759	-
Long-term portion of compensated absences	19,643	-	19,643	-	19,643	-	19,643	-
Total noncurrent liabilities	855,868	-	855,868	-	910,473	520,929	1,431,402	-
TOTAL LIABILITIES	1,521,379	-	1,521,379	-	1,150,495	575,836	1,726,331	-
DEFERRED INFLOWS OF RESOURCES								
Unavailable revenue-other	7,284	-	7,284	-	7,284	-	7,284	-
NET POSITION (LIABILITIES)								
Net investment in capital assets	4,641,266	-	4,641,266	-	4,713,801	(364,065)	4,349,736	-
Restricted for specific programs	62,000	-	62,000	39,326	88,995	-	88,995	39,477
Unrestricted	1,753,411	-	1,753,411	-	210,896	43,947	254,843	-
TOTAL NET POSITION	\$ 6,456,677	\$ -	\$ 6,456,677	\$ 39,326	\$ 5,013,692	\$ (320,118)	\$ 4,693,574	\$ 39,477

Accompanying notes are an integral part of these financial statements

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

Functions	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Position			Component
		Charges for	Grants and Contributions		Activity Type			Unit
		Services	Operating	Capital	Governmental	Business	Totals	Delaware City Day Committee
GOVERNMENTAL ACTIVITIES								
General government	\$ 657,392	\$ 80,411	\$ 26,344	\$ 55,927	\$ (494,710)	\$ -	\$ (494,710)	\$ -
Code enforcement	7,989	10,650	-	-	2,661	-	2,661	-
Public safety-police	354,700	9,927	10,415	54,488	(279,870)	-	(279,870)	-
Public works-streets	132,122	-	-	49,037	(83,085)	-	(83,085)	-
Public works-sanitation	254,644	7,524	11,352	-	(235,768)	-	(235,768)	-
Parks and recreation	60,025	-	-	-	(60,025)	-	(60,025)	-
Community Center	97,059	-	35,000	-	(62,059)	-	(62,059)	-
Interest on long-term debt	20,912	-	-	-	(20,912)	-	(20,912)	-
Depreciation-unallocated	431,610	-	-	-	(431,610)	-	(431,610)	-
Total governmental activities	2,016,453	108,512	83,111	159,452	(1,665,378)	-	(1,665,378)	-
BUSINESS-TYPE ACTIVITIES								
Water system	56,085	1,235	-	-	-	(54,850)	(54,850)	-
Total business-type activities	56,085	1,235	-	-	-	(54,850)	(54,850)	-
TOTAL PRIMARY GOVERNMENT	2,072,538	109,747	83,111	159,452	(1,665,378)	(54,850)	(1,720,228)	-
DISCRETELY PRESENTED COMPONENT UNIT								
Delaware City Day Committee	151	-	-	-	-	-	-	(151)
TOTAL PRIMARY GOVERNMENT AND COMPONENT UNIT	\$2,072,689	\$ 109,747	\$ 83,111	\$ 159,452	(1,665,378)	(54,850)	(1,720,228)	(151)
GENERAL REVENUES AND TRANSFERS								
Property taxes levied for general purposes					1,244,848	-	1,244,848	-
Cable franchise taxes					15,675	-	15,675	-
Investment income and rents					235,430	-	235,430	-
Gain from sale of capital assets					-	1,904,193	1,904,193	-
Miscellaneous revenues					85,483	(2,298)	83,185	-
Transfers between governmental, BT activities					1,526,927	(1,526,927)	-	-
Total general revenues and transfers					3,108,363	374,968	3,483,331	-
CHANGES IN NET POSITION					1,442,985	320,118	1,763,103	(151)
NET POSITION (LIABILITIES)								
Beginning of year					5,013,692	(320,118)	4,693,574	39,477
End of year					\$6,456,677	\$ -	\$6,456,677	\$ 39,326

Accompanying notes are an integral part of these financial statements

CITY OF DELAWARE CITY, DELAWARE
STATEMENT OF ACTIVITIES
Year Ended June 30, 2020

Functions	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Position			Component Unit
		Charges for Services	Grants and Contributions Operating	Capital	Activity Type		Totals	Delaware City Day Committee
					Governmental	Business		
GOVERNMENTAL ACTIVITIES								
General government	\$ 511,181	\$ 77,396	\$ -	\$ -	\$ (433,785)	\$ -	\$ (433,785)	\$ -
Code enforcement	9,514	5,080	-	-	(4,434)	-	(4,434)	-
Public safety-police	348,082	20,194	16,801	20,641	(290,446)	-	(290,446)	-
Public works-streets	62,142	-	-	49,593	(12,549)	-	(12,549)	-
Public works-sanitation	235,413	7,164	-	-	(228,249)	-	(228,249)	-
Parks and recreation	97,804	-	2,225	-	(95,579)	-	(95,579)	-
Community Center	58,665	-	56,166	135,206	132,707	-	132,707	-
Interest on long-term debt	25,258	-	-	-	(25,258)	-	(25,258)	-
Depreciation-unallocated	406,588	-	-	-	(406,588)	-	(406,588)	-
Total governmental activities	1,754,647	109,834	75,192	205,440	(1,364,181)	-	(1,364,181)	-
BUSINESS-TYPE ACTIVITIES								
Water system	275,328	293,772	-	-	-	18,444	18,444	-
Total business-type activities	275,328	293,772	-	-	-	18,444	18,444	-
TOTAL PRIMARY GOVERNMENT	2,029,975	403,606	75,192	205,440	(1,364,181)	18,444	(1,345,737)	-
DISCRETELY PRESENTED COMPONENT UNIT								
Delaware City Day Committee	51,128	4,053	47,050	-	-	-	-	(25)
TOTAL PRIMARY GOVERNMENT AND COMPONENT UNIT	\$2,081,103	\$ 407,659	\$ 122,242	\$ 205,440	(1,364,181)	18,444	(1,345,737)	(25)
GENERAL REVENUES AND TRANSFERS								
Property taxes levied for general purposes					1,155,579	-	1,155,579	-
Cable franchise taxes					16,869	-	16,869	-
Investment income and rents					138,815	-	138,815	-
Gain from sale of capital assets					800	-	800	-
Miscellaneous revenues					10,513	15,579	26,092	-
Transfers between governmental, BT activities					-	-	-	-
Total general revenues and transfers					1,322,576	15,579	1,338,155	-
CHANGES IN NET POSITION					(41,605)	34,023	(7,582)	(25)
NET POSITION (LIABILITIES)								
Beginning of year					5,055,297	(354,141)	4,701,156	39,502
End of year					<u>\$5,013,692</u>	<u>\$ (320,118)</u>	<u>\$4,693,574</u>	<u>\$ 39,477</u>

Accompanying notes are an integral part of these financial statements

CITY OF DELAWARE CITY, DELAWARE
BALANCE SHEETS-GOVERNMENTAL FUNDS
As of June 30, 2021 and 2020

	2021			2020		
	Governmental Fund Types			Governmental Fund Types		
	General	Special Revenue	Totals	General	Special Revenue	Totals
ASSETS						
ASSETS						
Cash and equivalents	\$1,054,306	\$ 78,190	\$1,132,496	\$ 234,615	\$ 98,624	\$ 333,239
Receivables, net of allowance:						
Property taxes	2,745	-	2,745	638	-	638
Accounts	5,385	-	5,385	-	-	-
Other	6,963	-	6,963	15,611	-	15,611
Due from other governments	16,440	-	16,440	116,151	-	116,151
Investments at fair value	1,274,659	-	1,274,659	-	-	-
Interfund receivable (payable)	1,000	(1,000)	-	2,793	5,468	8,261
TOTAL ASSETS	\$2,361,498	\$ 77,190	\$2,438,688	\$ 369,808	\$ 104,092	\$ 473,900
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Line of credit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable and other	42,873	-	42,873	36,447	-	36,447
Funds held in custody	-	-	-	54,247	-	54,247
Refundable advances and other deposits	548,531	4,946	553,477	51,478	4,910	56,388
Total liabilities	591,404	4,946	596,350	142,172	4,910	147,082
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue-other	7,284	-	7,284	7,284	-	7,284
FUND BALANCES						
Restricted-specific programs	-	62,000	62,000	-	88,995	88,995
Committed-capital reserve	500,000	-	500,000	-	-	-
Committed-budget reserve	500,000	-	500,000	-	-	-
Assigned	-	10,244	10,244	-	10,187	10,187
Unassigned	762,810	-	762,810	220,352	-	220,352
Total fund balances	1,762,810	72,244	1,835,054	220,352	99,182	319,534
TOTAL LIABILITIES AND FUND BALANCES	\$2,361,498	\$ 77,190	\$2,438,688	\$ 369,808	\$ 104,092	\$ 473,900

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, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Amounts reported for governmental activities in the statement of net position are different because:		
Total fund balances-governmental funds	\$1,835,054	\$ 319,534
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 \$10,739,526 and \$10,458,835 and the related accumulated depreciation is \$5,192,874 and \$4,761,264 for the periods presented.	5,546,652	5,697,571
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>2021</u>	<u>2020</u>
Current portion	\$ (69,161)	\$ (92,940)
Net of current portion	<u>(836,225)</u>	<u>(890,830)</u>
	(905,386)	(983,770)
Compensated absences not due and payable within the period presented are not reported in the governmental funds.	<u>(19,643)</u>	<u>(19,643)</u>
Total net position-governmental activities	<u><u>\$6,456,677</u></u>	<u><u>\$5,013,692</u></u>

Accompanying notes are an integral
part of these financial statements

CITY OF DELAWARE CITY, DELAWARE

STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-GOVERNMENTAL FUNDS

Years Ended June 30, 2021 and 2020

	2021			2020		
	Governmental Fund Types			Governmental Fund Types		
	General	Special Revenue	Totals	General	Special Revenue	Totals
REVENUES						
Taxes:						
Property taxes	\$ 1,019,320	\$ -	\$ 1,019,320	\$ 982,657	\$ -	\$ 982,657
Property taxes-transfer taxes	225,528	-	225,528	172,922	-	172,922
Cable franchise taxes	15,675	-	15,675	16,869	-	16,869
Licenses and permits	80,328	-	80,328	76,951	-	76,951
Intergovernmental revenues:						
Federal	87,549	-	87,549	25,451	-	25,451
State	105,015	49,999	155,014	201,746	53,435	255,181
Police fines and court fees	5,452	-	5,452	9,204	-	9,204
Charges for services	22,732	-	22,732	23,679	-	23,679
Investment income and rents	235,373	57	235,430	138,426	389	138,815
Contributions	60,049	-	60,049	4,272	-	4,272
Miscellaneous revenues	20,457	-	20,457	64	-	64
Total revenues	1,877,478	50,056	1,927,534	1,652,241	53,824	1,706,065
EXPENDITURES						
Current:						
General government	627,583	-	627,583	507,600	-	507,600
Code enforcement	7,989	-	7,989	9,514	-	9,514
Public safety-police	349,392	962	350,354	341,548	3,842	345,390
Public works-streets	56,090	76,032	132,122	30,355	31,787	62,142
Public works-sanitation	254,644	-	254,644	235,413	-	235,413
Parks and recreation	60,025	-	60,025	97,804	-	97,804
Community Center	94,860	-	94,860	58,665	-	58,665
Capital outlay	317,045	-	317,045	168,312	-	168,312
Debt service:						
Principal	126,183	-	126,183	101,876	-	101,876
Interest and other fees	20,912	-	20,912	25,258	-	25,258
Total expenditures	1,914,723	76,994	1,991,717	1,576,345	35,629	1,611,974
EXCESS (DEFICIT) REVENUES OVER EXPENDITURES	(37,245)	(26,938)	(64,183)	75,896	18,195	94,091
OTHER FINANCING SOURCES (USES)						
Proceeds from new financing	47,799	-	47,799	-	-	-
Proceeds from sale of capital assets	-	-	-	800	-	800
Refund of prior year (revenues) expenditures	4,977	-	4,977	6,177	-	6,177
Interfund transfers in (out)	1,526,927	-	1,526,927	-	-	-
Total other financing sources (uses)	1,579,703	-	1,579,703	6,977	-	6,977
NET CHANGES IN FUND BALANCES	1,542,458	(26,938)	1,515,520	82,873	18,195	101,068
FUND BALANCES						
Beginning of year	220,352	99,182	319,534	137,479	80,987	218,466
End of year	\$ 1,762,810	\$ 72,244	\$ 1,835,054	\$ 220,352	\$ 99,182	\$ 319,534

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, 2021 and 2020

	2021	2020
Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balance-total government funds	\$ 1,515,520	\$ 101,068

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	2021	2020		
Capital assets	\$ 280,691	\$ 162,039		
Depreciation expense	(431,610)	(406,588)	(150,919)	(244,549)

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	2021	2020		
Proceeds from sale of assets	\$ -	\$ 800		
Gain from sale of assets	-	(800)	-	-

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	2021	2020		
Financing proceeds received	\$ (47,799)	\$ -		
Principal payments made	126,183	101,876	78,384	101,876

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.

Change in net position-governmental activities	\$ 1,442,985	\$ (41,605)
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Accompanying notes are an integral part of these financial statements

CITY OF DELAWARE CITY, DELAWARE
STATEMENTS OF NET POSITION-PROPRIETARY FUND
As of June 30, 2021 and 2020

	Water Fund	
	2021	2020
ASSETS		
CURRENT ASSETS		
Cash and equivalents	\$ -	\$ -
Accounts receivable, net of allowance	-	75,411
Total current assets	-	75,411
NONCURRENT ASSETS		
Capital assets, net of depreciation:		
Nondepreciable	-	18,331
Depreciable	-	161,259
Total noncurrent assets	-	179,590
TOTAL ASSETS	-	255,001
DEFERRED OUTFLOWS OF RESOURCES		
Bond issue costs, net of amortization	-	8,978
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	-	4,276
Accrued interest payable	-	3,719
Current portion of long-term debt	-	31,704
Refundable advances and other deposits	-	15,208
Interfund payable	-	8,261
Total current liabilities	-	63,168
NONCURRENT LIABILITIES		
Long-term debt, net of current portion	-	520,929
TOTAL LIABILITIES	-	584,097
NET POSITION (LIABILITIES)		
Net investment in capital assets	-	(364,065)
Unrestricted	-	43,947
TOTAL NET POSITION (LIABILITIES)	\$ -	\$ (320,118)

Accompanying notes are an integral
part of these financial statements

CITY OF DELAWARE CITY, DELAWARE**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION-PROPRIETARY FUND**
Years Ended June 30, 2021 and 2020

	Water Fund	
	2021	2020
OPERATING REVENUES		
Charges for services	\$ 1,235	\$ 293,772
OPERATING EXPENSES		
Salaries	-	63,099
Payroll taxes	-	5,480
Employee benefits	-	10,479
Contractual services	33,845	79,609
Insurance	-	15,527
Telephone	141	1,508
Electricity	2,823	15,117
Professional fees	7,519	15,483
Distribution system maintenance	249	2,583
Materials and supplies	364	2,061
Fuel for heating	62	1,243
Miscellaneous	-	1,535
Depreciation and amortization	11,082	36,087
Total operating expenses	56,085	249,811
OPERATING INCOME	(54,850)	43,961
NONOPERATING REVENUES (EXPENSES)		
Gain from sale of Water Fund	1,904,193	-
Miscellaneous revenues	-	15,579
Interest expense	(2,298)	(25,517)
Total nonoperating revenues (expenses)	1,901,895	(9,938)
INCOME BEFORE OTHER FINANCING SOURCES AND USES	1,847,045	34,023
OTHER FINANCING SOURCES AND USES		
Transfers from (to) governmental activities	(1,526,927)	-
CHANGE IN NET POSITION	320,118	34,023
NET POSITION (LIABILITIES)		
Beginning of year	(320,118)	(354,141)
End of year	\$ -	\$ (320,118)

Accompanying notes are an integral
part of these financial statements

CITY OF DELAWARE CITY, DELAWARE
STATEMENTS OF CASH FLOWS-PROPRIETARY FUND
Years Ended June 30, 2021 and 2020

	Water Fund	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 1,235	\$ 318,355
Cash payments to suppliers for goods and services	(49,279)	(134,666)
Cash payments to employees for services	-	(79,058)
Net cash provided (used) by operating activities	(48,044)	104,631
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from sale of Water Fund	1,493,720	(51,992)
Principal paid on general obligation bonds and note	(552,633)	(37,462)
Interest paid on general obligation bonds and note	(6,017)	(27,714)
Cash received from governmental activities	(887,026)	12,537
Net cash provided (used) by capital and related financing activities	48,044	(104,631)
NET INCREASE IN CASH AND EQUIVALENTS	-	-
CASH AND EQUIVALENTS		
Beginning of year	-	-
End of year	<u>\$ -</u>	<u>\$ -</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income	<u>\$ (54,850)</u>	<u>\$ 43,961</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Gain on sale of Water Fund		
Depreciation	2,104	34,689
Amortization	8,978	1,398
Other nonoperating revenues	-	15,579
Changes in assets and liabilities:		
Accounts receivable	-	9,804
Accounts payable	(4,276)	-
Refundable advances and other deposits	-	(800)
Total adjustments	<u>6,806</u>	<u>60,670</u>
Net cash provided (used) by operating activities	<u>\$ (48,044)</u>	<u>\$ 104,631</u>

Accompanying notes are an integral part of these 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 as well as water services. 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 [business-type activities]. 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. The business-type activities of the City include the water system.

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.

Additionally, the City reports the following business fund type:

- The **proprietary fund** accounts for resources and payments made for providing water service to the citizens of the City and the surrounding community. The fund consists of the water fund.

The proprietary fund distinguishes *operating* revenues and expenses from *nonoperating* activities. The operating revenues and expenses generally result from providing and delivering goods and services in connection with the proprietary fund's principal ongoing operations. The principal operating revenue of the proprietary fund are water fees. Operating expenses include salaries, employee benefits, contracted services, supplies and materials, plant and system maintenance, and administrative expenses. Revenues and expenses not meeting the criteria are reported as nonoperating revenues and expenses.

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 year. At June 30, 2021 and 2020, 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, 2021 and 2020, the property taxes receivable is reflected net of an estimated uncollectible allowance of \$108,878 and \$91,300, 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, 2021 and 2020, the accounts receivable are reflected net of an estimated uncollectible allowance of \$53,765 and \$48,789, 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, 2021 and 2020, the other receivable is reflected net of an estimated uncollectible allowance of \$80,110 and \$71,480, 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)

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.

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.

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 \$1,500 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

Bond Issue Costs

Bond issue costs of \$27,969 resulted from the Bond Issue, Series 2006. The costs were amortized over the twenty-year [20] life of the bond using the straight-line method. The remaining unamortized costs were expensed in full upon the sale of the Water Fund in August 2020. For the years ended June 30, 2021 and 2020, amortization expense amounted to \$8,978 and \$1,398, respectively.

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. However, when present, the proprietary fund liability for compensated absences is reflected as an accrued liability.

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources [expense/expenditure] until that period. The City has one item that qualifies for reporting in this category. This item is bond issue costs. The amount is reflected in both the government-wide and proprietary fund statement of net position. The amount is deferred and amortized over the life of the bond.

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 and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or the proprietary fund statement of net position.

In fund financial statements, the governmental fund types recognize bond discounts and issuance costs in the current period. The bond discounts and refunding losses for the proprietary fund type are deferred and amortized over the term of the bonds using the bonds-outstanding method which approximates the effective interest method.

CITY OF DELAWARE CITY, DELAWARE
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Position and Fund Equity

In government-wide financial statements and the proprietary fund 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.

NOTE 2 - PROPERTY TAXES

Property taxes within the City limits are \$1.19 per \$100 of assessed valuation for fiscal year 2021 and \$1.19 per \$100 of assessed valuation for fiscal year 2020 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 49% 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, 2021 and 2020. The categories are described below:

Category	2021		2020	
	Book	Bank	Book	Bank
1	\$ 500,000	\$ 500,000	\$ 332,839	\$ 381,145
2	632,096	685,546	-	-
3	400	-	400	-
Total deposits	<u>\$ 1,132,496</u>	<u>\$ 1,185,546</u>	<u>\$ 333,239</u>	<u>\$ 381,145</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, 2021 and 2020, the City's deposits held primarily by one financial institution are insured with the Federal Deposit Insurance Corporation [FDIC]. Deposits totaling \$1,175,518 and \$381,145 held by the financial institutions are in excess [or non-coverage] of FDIC limits in the amount of \$675,518 and \$0, 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 due from the following government agencies:

Description	Activity Type			
	2021		2020	
	Governmental	Business	Governmental	Business
New Castle County	\$ 10,820	\$ -	\$ -	\$ -
Delaware Emergency Management Agency	5,620	-	-	-
Delaware Department of Natural Resources	-	-	116,151	-
Total intergovernmental receivables	<u>\$ 16,440</u>	<u>\$ -</u>	<u>\$ 116,151</u>	<u>\$ -</u>

CITY OF DELAWARE CITY, DELAWARE
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - INVESTMENTS AT FAIR VALUE

At June 30, 2021 and 2020, the General Fund investments are reflected at fair value and consist of the following:

Description	June 30,	
	2021	2020
Mutual funds - equities	\$ 276,954	\$ -
Mutual funds - fixed income	997,705	-
Total investments at fair value	<u>\$1,274,659</u>	<u>\$ -</u>

At June 30, the General Fund investments 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, 2021	<u>\$1,274,659</u>	<u>\$1,274,659</u>	<u>\$ -</u>	<u>\$ -</u>
General Fund:				
As of June 30, 2020	<u>\$ -</u>	<u>\$ -</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 God. 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:

Description	As of and for the Year Ended June 30, 2021			
	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	421,737	82,328	-	504,065
Capital assets, being depreciated:				
Buildings and improvements	4,844,376	41,052	-	4,885,428
Furniture and office equipment	189,486	25,927	-	215,413
Vehicles and equipment	304,537	106,384	-	410,921
Streets and sidewalks	2,690,349	-	-	2,690,349
Trees, trails and landscape	2,008,350	25,000	-	2,033,350
Total being depreciated	10,037,098	198,363	-	10,235,461
Less accumulated depreciation:				
Buildings and improvements	2,100,386	141,972	-	2,242,358
Furniture and office equipment	113,684	25,268	-	138,952
Vehicles and equipment	246,387	34,285	-	280,672
Streets and sidewalks	1,340,364	138,533	-	1,478,897
Trees, trails and landscape	960,443	91,552	-	1,051,995
Total accumulated depreciation	4,761,264	431,610	-	5,192,874
Total capital assets, being depreciated, net	5,275,834	(233,247)	-	5,042,587
Governmental activities capital assets, net	\$ 5,697,571	\$ (150,919)	\$ -	\$ 5,546,652
Business-type activities:				
Capital assets, not depreciated:				
Land	\$ 18,331	\$ -	\$ 18,331	\$ -
Total capital assets, not being depreciated	18,331	-	18,331	-
Capital assets, being depreciated:				
Buildings and improvements	415,592	-	415,592	-
Water distribution system	2,763,676	-	2,763,676	-
Total being depreciated	3,179,268	-	3,179,268	-
Less accumulated depreciation:				
Buildings and improvements	415,502	16	415,518	-
Water distribution system	2,602,507	2,088	2,604,595	-
Total accumulated depreciation	3,018,009	2,104	3,020,113	-
Total capital assets, being depreciated, net	161,259	(2,104)	159,155	-
Business-type activities capital assets, net	\$ 179,590	\$ (2,104)	\$ 177,486	\$ -

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, 2020			
	Beginning Balances	Additions	Deletions	Ending Balances
Governmental activities:				
Capital assets, not depreciated:				
Land	\$ 421,737	\$ -	\$ -	421,737
Construction in progress:				
Buildings and improvements	-	-	-	-
Total capital assets, not being depreciated	421,737	-	-	421,737
Capital assets, being depreciated:				
Buildings and improvements	4,844,376	-	-	4,844,376
Furniture and office equipment	189,486	-	-	189,486
Vehicles and equipment	277,704	26,833	-	304,537
Streets and sidewalks	2,555,143	135,206	-	2,690,349
Trees, trails and landscape	2,008,350	-	-	2,008,350
Total being depreciated	9,875,059	162,039	-	10,037,098
Less accumulated depreciation:				
Buildings and improvements	1,959,672	140,714	-	2,100,386
Furniture and office equipment	91,020	22,664	-	113,684
Vehicles and equipment	227,350	19,037	-	246,387
Streets and sidewalks	1,206,339	134,025	-	1,340,364
Trees, trails and landscape	870,295	90,148	-	960,443
Total accumulated depreciation	4,354,676	406,588	-	4,761,264
Total capital assets, being depreciated, net	5,520,383	(244,549)	-	5,275,834
Governmental activities capital assets, net	\$ 5,942,120	\$ (244,549)	\$ -	\$ 5,697,571
Business-type activities:				
Capital assets, not depreciated:				
Land	\$ 18,331	\$ -	\$ -	\$ 18,331
Total capital assets, not being depreciated	18,331	-	-	18,331
Capital assets, being depreciated:				
Buildings and improvements	415,592	-	-	415,592
Water distribution system	2,711,684	51,992	-	2,763,676
Total being depreciated	3,127,276	51,992	-	3,179,268
Less accumulated depreciation:				
Buildings and improvements	405,001	10,501	-	415,502
Water distribution system	2,578,319	24,188	-	2,602,507
Total accumulated depreciation	2,983,320	34,689	-	3,018,009
Total capital assets, being depreciated, net	143,956	17,303	-	161,259
Business-type activities capital assets, net	\$ 162,287	\$ 17,303	\$ -	\$ 179,590

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 [4.00% at June 30, 2020] 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, 2021 and 2020, 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, 2021				
Description	Beginning Balances	Additions	Payments	Ending Balances	
				Long-term Portion	Due Within One Year
Governmental Activities:					
General obligation bonds:					
2008 Series	\$ 160,869	\$ -	\$ 8,551	\$ 143,411	\$ 8,907
2018 Series	697,192	-	32,532	648,150	16,510
Promissory note-WSFS Bank	29,285	-	29,285	-	-
Ford Motor Credit Note	-	47,799	16,893	15,914	14,992
Ford Motor Credit Note	10,170	-	10,170	-	-
Verizon Corporation Note	86,254	-	28,752	28,750	28,752
Total bond and notes	983,770	47,799	126,183	836,225	69,161
Compensated absences	19,643	-	-	19,643	-
Total long-term debt	\$1,003,413	\$ 47,799	\$ 126,183	\$ 855,868	\$ 69,161

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

	As of and Year Ended June 30, 2021				
				Ending Balances	
Description	Beginning Balances	Additions	Payments	Long-term Portion	Due Within One Year
Business-Type Activities:					
General obligation bonds:					
1995 Series	432,320	\$ -	\$ 432,320	-	-
2006 Series	120,313	-	120,313	-	-
Total long-term debt	\$ 552,633	\$ -	\$ 552,633	\$ -	\$ -

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].

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 2008 (continued)

At June 30, 2021, the repayment schedule is as follows:

<u>Years Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 8,907	\$ 6,117	\$ 15,024
2023	9,282	5,742	15,024
2024	9,658	5,366	15,024
2025	10,078	4,946	15,024
2026	10,502	4,522	15,024
2027-2031	59,505	15,615	75,120
2032-2035	44,386	3,035	47,421
Total required payments	<u>\$ 152,318</u>	<u>\$ 45,343</u>	<u>\$ 197,661</u>

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, 2021, the repayment schedule is as follows:

<u>Years Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 16,510	\$ 6,647	\$ 23,157
2023	33,517	12,797	46,314
2024	34,191	12,123	46,314
2025	34,878	11,436	46,314
2026	35,579	10,735	46,314
2027-2031	188,915	42,655	231,570
2032-2036	208,680	22,890	231,570
2037-2039	112,390	3,395	115,785
Total required payments	<u>\$ 664,660</u>	<u>\$ 122,678</u>	<u>\$ 787,338</u>

Promissory Note-WSFS Bank

On June 29, 2016, the City issued a promissory note to WSFS Bank in the amount of \$147,223, with a fixed interest rate of 4.49%. The note was issued for the purpose of refinancing the Citizens Bank General Obligation Bond. The note required monthly payments of \$2,748 [principal and interest] for five years and had a maturity date of June 29, 2021. The note was secured with interest in land located at 321 Washington Street, Delaware City, Delaware. During the year ended June 30, 2021, the note's outstanding balance was paid off in full with proceeds received from the sale of the Water Fund.

CITY OF DELAWARE CITY, DELAWARE
NOTES TO FINANCIAL STATEMENTS

NOTE 10 - LONG-TERM DEBT OBLIGATIONS (continued)

General Obligation Bonds and Notes (continued)

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 2, 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 requires two annual payments of \$16,893 [principal and interest]. At June 30, 2021, the repayment schedule is as follows:

Year Ending June 30	Principal	Interest	Total
2022	\$ 14,992	\$ 1,901	\$ 16,893
2023	15,914	979	16,893
Total required payments	<u>\$ 30,906</u>	<u>\$ 2,880</u>	<u>\$ 33,786</u>

Ford Motor Credit Note

On January 3, 2018, the City entered into a lease-purchase agreement in the amount of \$43,308 maturing on January 3, 2021. The proceeds were used to purchase a 2017 Ford Police Explorer. The agreement carried a fixed interest rate of 6.45%, requiring a down payment of \$10,827 at signing, and required three annual payments of \$10,827 [principal and interest]. The note was paid off in full upon maturity on January 3, 2021.

Verizon 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, 2021, the repayment schedule is as follows:

Years Ending June 30	Principal	Interest	Total
2022	\$ 28,752	\$ -	\$ 28,752
2023	28,750	-	28,750
Total required payments	<u>\$ 57,502</u>	<u>\$ -</u>	<u>\$ 57,502</u>

General Obligation Bonds, Series 1995

The general obligation bonds, Series 1995 [issued in the amount of \$662,000] carried a maturity date of February 21, 2037. The proceeds of the general obligation bonds were used to finance the City's "Water System Improvement Project." The bonds carried a fixed interest rate of 5.00% and were payable in quarterly installments of \$9,593 [principal and interest]. During the year ended June 30, 2021, the note's outstanding balance was paid off in full with proceeds received from the sale of the Water Fund.

CITY OF DELAWARE CITY, DELAWARE
NOTES TO FINANCIAL STATEMENTS

NOTE 10 - LONG-TERM DEBT OBLIGATIONS (continued)

General Obligation Bonds and Notes (continued)

General Obligation Bond, Series 2006

On October 11, 2006, the City issued a General Obligation Bond to the Delaware Safe Drinking Water Revolving Fund, Delaware Department of Health & Social Services, Division of Public Health in the amount of \$273,237, with a maturity date of August 1, 2027. The bond carried a fixed interest rate of 2.76% on the principal amount thereof and required semiannual payments of \$8,935 [principal and interest] on August 1 and February 1 of each year. The bond was issued for the purpose of funding the "Delaware City Well No. 5 Upgrade Project." During the year ended June 30, 2021, the note's outstanding balance was paid off in full with proceeds received from the sale of the Water Fund.

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>					
2022	\$ 25,417	\$ 12,764	\$ 43,744	\$ 1,901	\$ 83,826
2023	42,799	18,539	44,664	979	106,981
2024	43,849	17,489	-	-	61,338
2025	44,956	16,382	-	-	61,338
2026	46,081	15,257	-	-	61,338
2027-2031	248,420	58,270	-	-	306,690
2032-2036	253,066	25,925	-	-	278,991
2037-2039	112,390	3,395	-	-	115,785
Totals	\$ 816,978	\$ 168,021	\$ 88,408	\$ 2,880	\$1,076,287

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 \$9,558 and \$6,485 for eligible employees participating in the retirement plan for fiscal years ended June 30, 2021 and 2020, respectively.

NOTE 12 - LEASING ARRANGEMENTS

At June 30, 2021, 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 Advance C5540iii Copier System	\$ 398	October, 2021
Canon Image Runner DX C5735i Copier System	283	April, 2024

CITY OF DELAWARE CITY, DELAWARE
NOTES TO FINANCIAL STATEMENTS

NOTE 12 - LEASING ARRANGEMENTS (continued)

Operating Leases as Lessee (continued)

At June 30, 2021, 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
2022	\$ 4,590
2023	3,396
2024	2,830
Total minimum future rental payments required	<u>\$ 10,816</u>

For the years ended June 30, 2021 and 2020, total rental costs are \$7,804 and \$6,624, respectively.

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, 2021 and 2020, total rentals received are \$149,125 and \$131,906, respectively.

NOTE 13 - SALE OF WATER FUND

On August 3, 2020, the City sold all of its right, title, and interest in and to the City's municipal water system to an outside party. The gross sales price was \$2,081,992, which was reduced at settlement by \$588,272 for costs related to the sale and satisfaction of outstanding debt as of the date of sale. Assets sold included certain real estate, wells, water supply and treatment facilities, equipment, and distribution mains and lines related to the water system. The City retained rights to collection of all customer accounts receivable relating to the period prior to August 3, 2020.

NOTE 14 - OTHER RISKS

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

CITY OF DELAWARE CITY, DELAWARE
NOTES TO FINANCIAL STATEMENTS

NOTE 15 - 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, 2021, 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.

NOTE 16 - GASB STATEMENT IMPLEMENTATION

In January of 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. Implementation is required for periods beginning after December 15, 2019, with earlier application encouraged. The objective of the Statement is to establish criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on [1] whether a government is controlling the assets of the fiduciary activity, and [2] the beneficiaries with whom a fiduciary relationship exists. Implementation of the standard had no significant impact on the financial statements.

In August of 2018, the GASB issued Statement No. 90, *Majority Equity Interests - An Amendment of GASB Statements No. 14 and No. 61*. Implementation is required for periods beginning after December 15, 2019, with earlier application encouraged. The primary objective of this Statement is to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improve the relevance of financial statement information for certain component units. Implementation of the standard had no significant impact on the financial statements.

NOTE 17 - 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 of 2017, the GASB issued Statement No. 87, *Leases*. Implementation is required for periods beginning after June 15, 2021, with earlier application encouraged. The objective of the Statement is to better meet the informational needs of the financial statement users by improving accounting and financial reporting for leases by governments. The Statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an asset.

CITY OF DELAWARE CITY, DELAWARE
NOTES TO FINANCIAL STATEMENTS

NOTE 17 - PENDING GASB STATEMENTS (continued)

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

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.

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.

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

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

CITY OF DELAWARE CITY, DELAWARE
NOTES TO FINANCIAL STATEMENTS

NOTE 17 - PENDING GASB STATEMENTS (continued)

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.

NOTE 18 - 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, 2021

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	
	Original	Final	Amounts		
REVENUES					
Taxes:					
Property taxes	\$ 1,011,000	\$ 1,011,000	\$ 1,019,320	\$ 8,320	
Property taxes-transfer taxes	90,000	90,000	225,528	135,528	1
Cable franchise taxes	17,000	17,000	15,675	(1,325)	
Licenses and permits	70,000	70,000	80,328	10,328	1
Intergovernmental revenues	40,000	40,000	192,564	152,564	2
Police fines and court fees	9,500	9,500	5,452	(4,048)	3
Charges for services	12,400	12,400	22,732	10,332	4
Interest and rents	161,100	161,100	235,373	74,273	5
Contributions	-	-	60,049	60,049	6
Miscellaneous revenues	-	-	20,457	20,457	7
Total revenues	1,411,000	1,411,000	1,877,478	466,478	
EXPENDITURES					
Current:					
General government	545,600	545,600	627,583	(81,983)	8
Code enforcement	12,200	12,200	7,989	4,211	3
Public safety-police	415,330	415,330	349,392	65,938	3
Public works-streets	72,000	72,000	56,090	15,910	9
Public works-sanitation	262,500	262,500	254,644	7,856	
Parks and recreation	50,500	50,500	60,025	(9,525)	10
Community Center	57,600	57,600	94,860	(37,260)	10
Capital reserve	-	-	-	-	
Capital outlay	20,320	20,320	317,045	(296,725)	2
Debt service	123,070	123,070	147,095	(24,025)	11
Total expenditures	1,559,120	1,559,120	1,914,723	(355,603)	
EXCESS (DEFICIT)					
REVENUES OVER EXPENDITURES	(148,120)	(148,120)	(37,245)	110,875	
OTHER FINANCING SOURCES (USES)					
Proceeds from new financing	-	-	47,799	47,799	7
Refund of prior year expenditures	-	-	4,977	4,977	7
Operating transfers in (out)	148,120	148,120	1,526,927	1,378,807	5
Total other financing sources (uses)	148,120	148,120	1,579,703	1,431,583	
NET CHANGE IN FUND BALANCE	-	-	1,542,458	1,542,458	
FUND BALANCES					
Beginning of year	-	-	220,352	220,352	
End of year	\$ -	\$ -	\$ 1,762,810	\$ 1,762,810	

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, 2021

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 transfer taxes and licenses and permits exceeded budgeted expectations as a result of new development and an improved housing market.
2. The City does not generally budget for intergovernmental revenues or capital project expenditures since such expenditures are typically funded by the intergovernmental revenues or proceeds from new financing, as was the case this year.
3. Public safety-police expenditures (and related police fines revenue) and code enforcement expenditures were under budget likely due to personnel shortages.
4. Code enforcement fines revenue exceed expectations due to aggressive enforcement by the City.
5. Interest and rents and operating transfers exceeded budgeted expectations primarily due to proceeds received from the sale of the water system and the earnings on the funds' investment.
6. The City does not typically budget for contribution income. The majority of the revenues in this category is due to previously restricted funds becoming available and recognized as revenue during the year.
7. Miscellaneous revenues and other financing sources are typically not budgeted. During the year, the City received financing for a new public safety vehicle and also an insurance reimbursement for a damaged vehicle.
8. General government expenditures exceeded budgeted expectations primarily due to multiple building maintenance and repair projects and professional fees associated with collections of past due accounts.
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 and Community Center expenditures exceeded budgeted expectations primarily due to multiple renovation and maintenance projects.
11. Debt service exceeded budgeted expectations due to the payoff of certain obligations using proceeds received from the sale of the water system.

Supplementary Information Section

CITY OF DELAWARE CITY, DELAWARE

COMBINING BALANCE SHEET-SPECIAL REVENUE FUND

As of June 30, 2021 With Comparative Totals for 2020

	Federal Funding	State Funding Municipal Street Aid	SALLE and EIDE	Other	Local Funding	Revolving Loan Fund	Totals [Memorandum Only]	
							2021	2020
ASSETS								
ASSETS								
Cash and equivalents	\$ -	\$ -	\$ 5,946	\$ -	\$ -	\$ 72,244	\$ 78,190	\$ 98,624
Interfund receivables (payables)	-	-	(1,000)	-	-	-	(1,000)	5,468
TOTAL ASSETS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,946</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 72,244</u>	<u>\$ 77,190</u>	<u>\$ 104,092</u>
LIABILITIES AND FUND BALANCES								
LIABILITIES								
Refundable advances and other deposits	\$ -	\$ -	\$ 4,946	\$ -	\$ -	\$ -	\$ 4,946	\$ 4,910
Total liabilities	<u>-</u>	<u>-</u>	<u>4,946</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,946</u>	<u>4,910</u>
FUND BALANCES								
Restricted-specific programs	\$ -	\$ -	\$ -	\$ -	\$ -	62,000	\$ 62,000	\$ 88,995
Assigned	-	-	-	-	-	10,244	10,244	10,187
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>72,244</u>	<u>72,244</u>	<u>99,182</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,946</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 72,244</u>	<u>\$ 77,190</u>	<u>\$ 104,092</u>

See Report of Independent Auditor

CITY OF DELAWARE CITY, DELAWARE

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-SPECIAL REVENUE FUND
Year Ended June 30, 2021 With Comparative Totals for 2020

	Federal Funding	State Funding Municipal Street Aid	SALLE and EIDE	Other	Local Funding	Revolving Loan Fund	Totals [Memorandum Only]	
							2021	2020
REVENUES								
Intergovernmental revenues:								
Federal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State	-	49,037	962	-	-	-	49,999	53,435
Interest revenue	-	-	-	-	-	57	57	389
Total revenues	<u>-</u>	<u>49,037</u>	<u>962</u>	<u>-</u>	<u>-</u>	<u>57</u>	<u>50,056</u>	<u>53,824</u>
EXPENDITURES								
Current:								
Public-general government	-	-	-	-	-	-	-	-
Public safety-police	-	-	962	-	-	-	962	3,842
Public works-streets	-	76,032	-	-	-	-	76,032	31,787
Parks and recreation	-	-	-	-	-	-	-	-
Community Center	-	-	-	-	-	-	-	-
Capital outlay:								
Public safety-police	-	-	-	-	-	-	-	-
Public works-streets	-	-	-	-	-	-	-	-
Parks and recreation	-	-	-	-	-	-	-	-
Debt service:								
Principal	-	-	-	-	-	-	-	-
Interest and other fees	-	-	-	-	-	-	-	-
Total expenditures	<u>-</u>	<u>76,032</u>	<u>962</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>76,994</u>	<u>35,629</u>
EXCESS (DEFICIT) REVENUES OVER EXPENDITURES	<u>-</u>	<u>(26,995)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>57</u>	<u>(26,938)</u>	<u>18,195</u>
OTHER FINANCING SOURCES (USES)								
Operating transfers in	-	-	-	-	-	-	-	-
Operating transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	-	(26,995)	-	-	-	57	(26,938)	18,195
FUND BALANCES								
Beginning of year	-	26,995	-	-	-	72,187	99,182	80,987
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 72,244</u>	<u>\$ 72,244</u>	<u>\$ 99,182</u>

See Report of Independent Auditor

**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 Government Auditing Standards**

To 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 business-type 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, 2021, 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 November 15, 2021.

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.

To Mayor and City Council
City of Delaware City
Delaware City, Delaware
November 15, 2021

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
November 15, 2021

CITY OF DELAWARE CITY, DELAWARE
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2021

SUMMARY OF AUDITOR'S RESULTS

1. The report of the independent auditor expresses unmodified opinions on the financial statements of the City of Delaware City, Delaware.
2. No deficiencies in internal control considered to be significant deficiencies or material weaknesses were identified during the audit of the financial statements of the City of Delaware City, Delaware.
3. No instances of noncompliance material to the financial statements were disclosed during the audit of the City of Delaware City, Delaware.

FINDINGS-FINANCIAL STATEMENT AUDIT

None reported.

FINDINGS-COMPLIANCE AND OTHER MATTERS

None reported.

CITY OF DELAWARE CITY, DELAWARE
SCHEDULE OF PRIOR FINDINGS AND RESPONSES
Year Ended June 30, 2021

FINDINGS-FINANCIAL STATEMENT AUDIT

None reported.

FINDINGS-COMPLIANCE AND OTHER MATTERS

2020-001 GRANT COMPLIANCE

Statement of Condition: The City sold equipment acquired with a federal award. The grant award file provided no evidence that the City complied with the federal guidelines in regards to the sale of equipment acquired with federal funds.

Criteria: In accordance with A-102 *Common Rule* for equipment acquired with federal awards: "When equipment with a current per unit fair market value of \$5,000 or more is no longer needed for a Federal program, it may be retained or sold with the Federal agency having a right to a proportionate (percent of Federal participation in the cost of the original project) amount of the current fair market value. Proper sales procedures shall be used that provide for competition to the extent practicable and result in the highest possible return."

Recommendation: We recommended that the City contact the Federal agency providing the award to the City to determine the course of action required to remedy the situation.

VIEWS OF RESPONSIBLE OFFICERS AND PLANNED CORRECTIVE ACTION

"The City Manager is aware of the matter."

Status of Finding

Our current audit procedures revealed no change in the status of the finding.