



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, 2022 and 2021

CITY OF DELAWARE CITY, DELAWARE

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Report of Independent Auditor

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the 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, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the 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, 2022 and 2021, 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.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that budgetary comparison information, reported on pages 30 and 31, 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 32 and 33, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 23, 2023 on our consideration of the City of Delaware City, Delaware's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Delaware City, Delaware's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Delaware City's internal control over financial reporting and compliance.

Restriction on Use

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

Whisman Giordano & Associates, LLC

Newark, Delaware
January 23, 2023

Basic Financial Statements Section

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

	2022				2021			
	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	\$ 1,860,915	\$ -	\$ 1,860,915	\$ 60,771	\$ 1,132,496	\$ -	\$ 1,132,496	\$ 39,326
Receivables, net of allowance:								
Property taxes	75	-	75	-	2,745	-	2,745	-
Accounts	3,861	-	3,861	-	5,385	-	5,385	-
Other	1,500	-	1,500	-	6,963	-	6,963	-
Due from other governments	-	-	-	-	16,440	-	16,440	-
Investments at fair value	1,129,389	-	1,129,389	-	1,274,659	-	1,274,659	-
Interfund receivable (payable)	-	-	-	-	-	-	-	-
Total current assets	2,995,740	-	2,995,740	60,771	2,438,688	-	2,438,688	39,326
Noncurrent assets								
Capital assets, net of depreciation:								
Nondepreciable	421,737	-	421,737	-	504,065	-	504,065	-
Depreciable	5,181,682	-	5,181,682	-	5,042,587	-	5,042,587	-
Total noncurrent assets	5,603,419	-	5,603,419	-	5,546,652	-	5,546,652	-
TOTAL ASSETS	8,599,159	-	8,599,159	60,771	7,985,340	-	7,985,340	39,326
LIABILITIES								
Current liabilities								
Line of credit	-	-	-	-	-	-	-	-
Accounts payable and other	83,093	-	83,093	-	42,873	-	42,873	-
Current portion of long-term debt	100,898	-	100,898	-	69,161	-	69,161	-
Funds held in custody	-	-	-	-	-	-	-	-
Refundable advances and other deposits	1,534,244	-	1,534,244	21,445	553,477	-	553,477	-
Total current liabilities	1,718,235	-	1,718,235	21,445	665,511	-	665,511	-
Noncurrent liabilities								
Long-term debt, net of current portion	745,726	-	745,726	-	836,225	-	836,225	-
Long-term portion of compensated absences	25,237	-	25,237	-	19,643	-	19,643	-
Total noncurrent liabilities	770,963	-	770,963	-	855,868	-	855,868	-
TOTAL LIABILITIES	2,489,198	-	2,489,198	21,445	1,521,379	-	1,521,379	-
DEFERRED INFLOWS OF RESOURCES								
Unavailable revenue-other	7,284	-	7,284	-	7,284	-	7,284	-
NET POSITION								
Net investment in capital assets	4,756,795	-	4,756,795	-	4,641,266	-	4,641,266	-
Restricted for specific programs	71,933	-	71,933	39,326	62,000	-	62,000	39,326
Unrestricted	1,273,949	-	1,273,949	-	1,753,411	-	1,753,411	-
TOTAL NET POSITION	\$ 6,102,677	\$ -	\$ 6,102,677	\$ 39,326	\$ 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, 2022

Functions	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position			Component Unit
		Charges for Services	Grants and Contributions Operating	Capital	Activity Type		Totals	
					Governmental	Business		Delaware City Day Committee
GOVERNMENTAL ACTIVITIES								
General government	\$ 740,565	\$ 140,821	\$ 36,430	\$ 121,854	\$ (441,460)	\$ -	\$ (441,460)	\$ -
Code enforcement	9,528	8,050	-	-	(1,478)	-	(1,478)	-
Public safety-police	409,482	10,183	14,210	-	(385,089)	-	(385,089)	-
Public works-streets	144,827	-	-	159,621	14,794	-	14,794	-
Public works-sanitation	248,438	8,121	-	-	(240,317)	-	(240,317)	-
Parks and recreation	398,757	-	-	180,883	(217,874)	-	(217,874)	-
Community Center	82,660	-	35,000	23,285	(24,375)	-	(24,375)	-
Interest on long-term debt	21,143	-	-	-	(21,143)	-	(21,143)	-
Depreciation-unallocated	442,800	-	-	-	(442,800)	-	(442,800)	-
Total governmental activities	2,498,200	167,175	85,640	485,643	(1,759,742)	-	(1,759,742)	-
BUSINESS-TYPE ACTIVITIES								
Water system	-	-	-	-	-	-	-	-
Total business-type activities	-	-	-	-	-	-	-	-
TOTAL PRIMARY GOVERNMENT	2,498,200	167,175	85,640	485,643	(1,759,742)	-	(1,759,742)	-
DISCRETELY PRESENTED COMPONENT UNIT								
Delaware City Day Committee	14,605	-	14,605	-	-	-	-	-
TOTAL PRIMARY GOVERNMENT AND COMPONENT UNIT	\$ 2,512,805	\$ 167,175	\$ 100,245	\$ 485,643	(1,759,742)	-	(1,759,742)	-
GENERAL REVENUES AND TRANSFERS								
Property taxes levied for general purposes					1,357,218	-	1,357,218	-
Cable franchise taxes					16,697	-	16,697	-
Investment income and rents					2,831	-	2,831	-
Gain from sale of capital assets					6,500	-	6,500	-
Miscellaneous revenues					22,496	-	22,496	-
Transfers between governmental, BT activities					-	-	-	-
Total general revenues and transfers					1,405,742	-	1,405,742	-
CHANGES IN NET POSITION					(354,000)	-	(354,000)	-
NET POSITION								
Beginning of year					6,456,677	-	6,456,677	39,326
End of year					\$ 6,102,677	\$ -	\$ 6,102,677	\$ 39,326

Accompanying notes are an integral part of these financial statements

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

Functions	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position			Component
		Charges for	Grants and Contributions		Activity Type		Totals	Unit
		Services	Operating	Capital	Governmental	Business		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
BALANCE SHEETS-GOVERNMENTAL FUNDS
As of June 30, 2022 and 2021

	2022			2021		
	Governmental Fund Types			Governmental Fund Types		
	General	Special Revenue	Totals	General	Special Revenue	Totals
ASSETS						
ASSETS						
Cash and equivalents	\$1,766,341	\$ 94,574	\$1,860,915	\$1,054,306	\$ 78,190	\$1,132,496
Receivables, net of allowance:						
Property taxes	75	-	75	2,745	-	2,745
Accounts	3,861	-	3,861	5,385	-	5,385
Other	1,500	-	1,500	6,963	-	6,963
Due from other governments	-	-	-	16,440	-	16,440
Investments at fair value	1,129,389	-	1,129,389	1,274,659	-	1,274,659
Interfund receivable (payable)	1,000	(1,000)	-	1,000	(1,000)	-
TOTAL ASSETS	\$2,902,166	\$ 93,574	\$2,995,740	\$2,361,498	\$ 77,190	\$2,438,688
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Line of credit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable and other	83,093	-	83,093	42,873	-	42,873
Funds held in custody	-	-	-	-	-	-
Refundable advances and other deposits	1,522,870	11,374	1,534,244	548,531	4,946	553,477
Total liabilities	1,605,963	11,374	1,617,337	591,404	4,946	596,350
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue-other	7,284	-	7,284	7,284	-	7,284
FUND BALANCES						
Restricted-specific programs	-	71,933	71,933	-	62,000	62,000
Committed-capital reserve	500,000	-	500,000	500,000	-	500,000
Committed-budget reserve	500,000	-	500,000	500,000	-	500,000
Assigned	-	10,267	10,267	-	10,244	10,244
Unassigned	288,919	-	288,919	762,810	-	762,810
Total fund balances	1,288,919	82,200	1,371,119	1,762,810	72,244	1,835,054
TOTAL LIABILITIES AND FUND BALANCES	\$2,902,166	\$ 93,574	\$2,995,740	\$2,361,498	\$ 77,190	\$2,438,688

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, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Amounts reported for governmental activities in the statement of net position are different because:		
Total fund balances-governmental funds	\$ 1,371,119	\$ 1,835,054
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 \$11,216,385 and \$10,739,526 and the related accumulated depreciation is \$5,612,966 and \$5,192,874 for the periods presented.	5,603,419	5,546,652
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>2022</u>	<u>2021</u>
Current portion	\$ (100,898)	\$ (69,161)
Net of current portion	<u>(745,726)</u>	<u>(836,225)</u>
	(846,624)	(905,386)
Compensated absences not due and payable within the period presented are not reported in the governmental funds.	<u>(25,237)</u>	<u>(19,643)</u>
Total net position-governmental activities	<u><u>\$ 6,102,677</u></u>	<u><u>\$ 6,456,677</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, 2022 and 2021

	2022			2021		
	Governmental Fund Types			Governmental Fund Types		
	General	Special Revenue	Totals	General	Special Revenue	Totals
REVENUES						
Taxes:						
Property taxes	\$ 1,097,960	\$ -	\$ 1,097,960	\$ 1,019,320	\$ -	\$ 1,019,320
Property taxes-transfer taxes	259,258	-	259,258	225,528	-	225,528
Cable franchise taxes	16,697	-	16,697	15,675	-	15,675
Licenses and permits	140,791	-	140,791	80,328	-	80,328
Intergovernmental revenues:						
Federal	163,744	-	163,744	87,549	-	87,549
State	358,387	49,152	407,539	105,015	49,999	155,014
Police fines and court fees	5,885	-	5,885	5,452	-	5,452
Charges for services	20,499	-	20,499	22,732	-	22,732
Interest income and rents	148,054	23	148,077	150,687	57	150,744
Investment income (loss)	(145,246)	-	(145,246)	84,686	-	84,686
Contributions	22,496	-	22,496	60,049	-	60,049
Miscellaneous revenues	-	-	-	20,457	-	20,457
Total revenues	2,088,525	49,175	2,137,700	1,877,478	50,056	1,927,534
EXPENDITURES						
Current:						
General government	707,335	-	707,335	627,583	-	627,583
Code enforcement	9,528	-	9,528	7,989	-	7,989
Public safety-police	401,572	424	401,996	349,392	962	350,354
Public works-streets	72,308	38,795	111,103	44,566	76,032	120,598
Public works-sanitation	248,438	-	248,438	254,644	-	254,644
Parks and recreation	73,902	-	73,902	60,025	-	60,025
Community Center	82,660	-	82,660	94,860	-	94,860
Capital outlay	893,268	-	893,268	328,569	-	328,569
Debt service:						
Principal	100,754	-	100,754	126,183	-	126,183
Interest and other fees	21,143	-	21,143	20,912	-	20,912
Total expenditures	2,610,908	39,219	2,650,127	1,914,723	76,994	1,991,717
EXCESS (DEFICIT) REVENUES OVER EXPENDITURES	(522,383)	9,956	(512,427)	(37,245)	(26,938)	(64,183)
OTHER FINANCING SOURCES (USES)						
Proceeds from new financing	41,992	-	41,992	47,799	-	47,799
Proceeds from sale of capital assets	6,500	-	6,500	-	-	-
Refund of prior year (revenues) expenditures	-	-	-	4,977	-	4,977
Interfund transfers in (out)	-	-	-	1,526,927	-	1,526,927
Total other financing sources (uses)	48,492	-	48,492	1,579,703	-	1,579,703
NET CHANGES IN FUND BALANCES	(473,891)	9,956	(463,935)	1,542,458	(26,938)	1,515,520
FUND BALANCES						
Beginning of year	1,762,810	72,244	1,835,054	220,352	99,182	319,534
End of year	\$ 1,288,919	\$ 82,200	\$ 1,371,119	\$ 1,762,810	\$ 72,244	\$ 1,835,054

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, 2022 and 2021

	2022	2021
Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balance-total government funds	\$ (463,935)	\$ 1,515,520

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	2022	2021		
Capital assets	\$ 499,567	\$ 280,691		
Depreciation expense	(442,800)	(431,610)	56,767	(150,919)

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	2022	2021		
Proceeds from sale of assets	\$ 6,500	\$ -		
Gain from sale of assets	(6,500)	-	-	-

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

Description	2022	2021		
Financing proceeds received	\$ (41,992)	\$ (47,799)		
Principal payments made	100,754	126,183	58,762	78,384

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.

	(5,594)	-
Change in net position-governmental activities	<u>\$ (354,000)</u>	<u>\$ 1,442,985</u>

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, 2022 and 2021

	Water Fund	
	2022	2021
ASSETS		
CURRENT ASSETS		
Cash and equivalents	\$ -	\$ -
Accounts receivable, net of allowance	-	-
Total current assets	-	-
NONCURRENT ASSETS		
Capital assets, net of depreciation:		
Nondepreciable	-	-
Depreciable	-	-
Total noncurrent assets	-	-
TOTAL ASSETS	-	-
DEFERRED OUTFLOWS OF RESOURCES		
Bond issue costs, net of amortization	-	-
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	-	-
Accrued interest payable	-	-
Current portion of long-term debt	-	-
Refundable advances and other deposits	-	-
Interfund payable	-	-
Total current liabilities	-	-
NONCURRENT LIABILITIES		
Long-term debt, net of current portion	-	-
TOTAL LIABILITIES	-	-
NET POSITION		
Net investment in capital assets	-	-
Unrestricted	-	-
TOTAL NET POSITION	\$ -	\$ -

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, 2022 and 2021

	Water Fund	
	2022	2021
OPERATING REVENUES		
Charges for services	\$ -	\$ 1,235
OPERATING EXPENSES		
Salaries	-	-
Payroll taxes	-	-
Employee benefits	-	-
Contractual services	-	33,845
Insurance	-	-
Telephone	-	141
Electricity	-	2,823
Professional fees	-	7,519
Distribution system maintenance	-	249
Materials and supplies	-	364
Fuel for heating	-	62
Miscellaneous	-	-
Depreciation and amortization	-	11,082
Total operating expenses	-	56,085
OPERATING INCOME (LOSS)	-	(54,850)
NONOPERATING REVENUES (EXPENSES)		
Gain from sale of Water Fund	-	1,904,193
Miscellaneous revenues	-	-
Interest expense	-	(2,298)
Total nonoperating revenues (expenses)	-	1,901,895
INCOME BEFORE OTHER FINANCING SOURCES AND USES	-	1,847,045
OTHER FINANCING SOURCES AND USES		
Transfers from (to) governmental activities	-	(1,526,927)
CHANGE IN NET POSITION	-	320,118
NET POSITION (LIABILITIES)		
Beginning of year	-	(320,118)
End of year	\$ -	\$ -

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, 2022 and 2021

	Water Fund	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ -	\$ 1,235
Cash payments to suppliers for goods and services	-	(49,279)
Cash payments to employees for services	-	-
Net cash provided (used) by operating activities	-	(48,044)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from sale of Water Fund	-	1,493,720
Principal paid on general obligation bonds and note	-	(552,633)
Interest paid on general obligation bonds and note	-	(6,017)
Cash received from governmental activities	-	(887,026)
Net cash provided (used) by capital and related financing activities	-	48,044
NET INCREASE IN CASH AND EQUIVALENTS	-	-
CASH AND EQUIVALENTS		
Beginning of year	-	-
End of year	\$ -	\$ -
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ -	\$ (54,850)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation	-	2,104
Amortization	-	8,978
Other nonoperating revenues	-	-
Changes in assets and liabilities:		
Accounts receivable	-	-
Accounts payable	-	(4,276)
Refundable advances and other deposits	-	-
Total adjustments	-	6,806
Net cash provided (used) by operating activities	\$ -	\$ (48,044)

Accompanying notes are an integral part of these financial statements

CITY OF DELAWARE CITY, DELAWARE
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

The City of Delaware City is a municipal corporation incorporated March 5, 1851 under the provisions of the State of Delaware. The City is governed by a six-member governing body consisting of the Mayor [elected at large] and five Members of Council and provides traditional municipal services authorized by its charter. In evaluating the City as a reporting entity, management has addressed all potential component units for which the City may or may not be financially accountable and, as such, be includable within the City's basic financial statements. According to GASB, the City is financially accountable if it appoints a voting majority of an entity's governing board and [1] it can impose its will on the entity or [2] there is a potential for the entity to provide specific financial benefit to or impose a specific financial burden on the City. Additionally, the statement requires the City to consider other entities for which the nature and significance of their relationship are such that exclusion would cause the City's [reporting entity] financial statements to be misleading or incomplete. The City has one organization meeting the above criteria and the City has elected to include the following component unit:

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

Discretely Presented Component Unit

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

Government-Wide and Fund Financial Statements

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

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

The government-wide financial statements consist of two statements: the statement of net position and the statement of activities. As a general rule, the effects of any interfund balances have been removed from the government-wide financial statements. All internal balances in the statement of net position have been eliminated, with the exception of those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total government column. In the statement of activities, the transactions between the governmental and business-type activities have not been eliminated.

Both government-wide financial statements distinguish functions of the City that are principally supported by property taxes and intergovernmental revenues [governmental activities] from other functions that are intended to recover all or a significant portion of their costs through user fees and/or other charges. The governmental activities of the City include general government, code enforcement, public safety [police], public works [streets and sanitation], parks and recreation, Community Center, and other general administrative support services. The business-type activities of the City include the water system which the City sold on August 3, 2020.

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 consisted of the City's water system which the City sold on August 3, 2020.

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 period. At June 30, 2022 and 2021, 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, 2022 and 2021, the property taxes receivable is reflected net of an estimated uncollectible allowance of \$82,521 and \$108,878, 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, 2022 and 2021, the accounts receivable are reflected net of an estimated uncollectible allowance of \$53,765 and \$53,765, respectively. The allowance is based upon historical data established according to experience and other factors which in the judgment of City officials deserve recognition in estimating probable future losses. Management believes they have adequately provided for such losses.

Receivable-Other

At June 30, 2022 and 2021, the receivable other is reflected net of an estimated uncollectible allowance of \$89,853 and \$80,110, respectively. The allowance is based upon historical data established according to experience and other factors which in the judgment of City officials deserve recognition in estimating probable future losses. Management believes they have adequately provided for such losses.

CITY OF DELAWARE CITY, DELAWARE
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Due From Other Governments

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

Receivables and Payables

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

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

Prepayments and Other Assets

Payments made to vendors for goods and services that will benefit periods beyond the current period are recorded as prepayments and other assets using the consumption method by recording an asset for the prepaid amount and reflecting the expenditure/expense in the period in which the goods and services are consumed. At the fund reporting level, when present, an equal amount of fund balance is classified as nonspendable, as the amount is not available for appropriation.

Capital Assets and Depreciation

Capital assets consist of property, plant, furnishings, equipment, and infrastructure assets completed after June 30, 2003 [such as roads, sidewalks, traffic signals, street lights, and similar items], and are reported in the applicable governmental activities or business-type activities columns in the government-wide financial statements. The City defines capital assets as assets with an initial, individual cost of \$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 system in August 2020. For the year ended June 30, 2021, amortization expense amounted to \$8,978.

CITY OF DELAWARE CITY, DELAWARE
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Funds Held in Custody

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

Refundable Advances

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

Compensated Absences Policy

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

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

In accordance with the above criteria, the City reflects a liability for vacation pay, which has been earned but not taken by City employees, on the government-wide statements. As for the governmental fund statements, the long-term portion of the compensated absences liability is not reflected since it is anticipated that none of the liability will be liquidated with expendable available financial resources.

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources, when present. Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources [expense/expenditure] until that period. The City has no items that qualify for reporting in this category.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources [revenue] until that time. The City has one item that qualifies for reporting in this category; that item is reflected as unavailable revenue. This item is reported in both the government-wide statement of net position and the governmental fund type balance sheet. These amounts are deferred and recognized as an inflow from resources in the period that the amounts become available.

Long-Term Obligations

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

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

CITY OF DELAWARE CITY, DELAWARE
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Position and Fund Equity

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

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

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

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

Reclassifications

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

NOTE 2 - PROPERTY TAXES

Property taxes within the City limits are \$1.19 per \$100 of assessed valuation for fiscal year 2022 and \$1.19 per \$100 of assessed valuation for fiscal year 2021 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, 2022 and 2021. The categories are described below:

Category	2022		2021	
	Book	Bank	Book	Bank
1	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000
2	1,360,515	1,427,829	632,096	685,546
3	400	-	400	-
Total deposits	<u>\$ 1,860,915</u>	<u>\$ 1,927,829</u>	<u>\$ 1,132,496</u>	<u>\$ 1,185,546</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, 2022 and 2021, the City's deposits held primarily by one financial institution are insured with the Federal Deposit Insurance Corporation [FDIC]. Deposits totaling \$1,927,829 and \$1,185,546 held by the financial institutions are in excess [or non-coverage] of FDIC limits in the amount of \$1,427,829 and \$685,476, respectively. Deposits in excess of FDIC limits are collateralized with U.S. Government securities held by the primary financial institution in the City's name. Category 3 balances are subject to custodial risk and consist of cash held by the City.

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

NOTE 5 - INTERGOVERNMENTAL RECEIVABLES

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

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

Description	Activity Type			
	2022		2021	
	Governmental	Business	Governmental	Business
New Castle County	\$ -	\$ -	\$ 10,820	\$ -
Delaware Emergency Management Agency	-	-	5,620	-
Total intergovernmental receivables	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,440</u>	<u>\$ -</u>

CITY OF DELAWARE CITY, DELAWARE
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - INVESTMENTS AT FAIR VALUE

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

Description	June 30,	
	2022	2021
Mutual funds - equities	\$ 206,917	\$ 276,954
Mutual funds - fixed income	922,472	997,705
Total investments at fair value	<u>\$ 1,129,389</u>	<u>\$ 1,274,659</u>

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

Description	June 30,	
	2022	2021
Investment (dividends and interest) income	\$ 50,777	\$ 35,480
Unrealized investment gain (loss)	(185,595)	56,704
Investment management fees	(10,428)	(7,498)
Total investment return (loss)	<u>\$ (145,246)</u>	<u>\$ 84,686</u>

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

Description	At June 30			
	Fair Value	Level 1	Level 2	Level 3
General Fund:				
As of June 30, 2022	<u>\$1,129,389</u>	<u>\$1,129,389</u>	<u>\$ -</u>	<u>\$ -</u>
General Fund:				
As of June 30, 2021	<u>\$1,274,659</u>	<u>\$1,274,659</u>	<u>\$ -</u>	<u>\$ -</u>

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

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

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

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

NOTE 7 - RISK MANAGEMENT

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

CITY OF DELAWARE CITY, DELAWARE
NOTES TO FINANCIAL STATEMENTS

NOTE 8 - CAPITAL ASSETS

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

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

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, 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 9 - LINE OF CREDIT

On August 12, 2011, the City issued a general obligation note for \$150,000 to Wilmington Savings Fund Society, FSB. The note [a line of credit] carries a variable interest rate [4.75% at June 30, 2022] 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, 2022 and 2021, 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, 2022				
Description	Beginning Balances	Additions	Payments	Ending Balances	
				Long-term Portion	Due Within One Year
Governmental Activities:					
General obligation bonds:					
2008 Series	\$ 152,318	\$ -	\$ 8,911	\$ 134,125	\$ 9,282
2018 Series	664,660	-	33,185	597,623	33,852
Ford Motor Credit Note	30,906	-	14,992	-	15,914
Ford Motor Credit Note	-	41,992	14,914	13,978	13,100
Verizon Corporation Note	57,502	-	28,752	-	28,750
Total bond and notes	905,386	41,992	100,754	745,726	100,898
Compensated absences	19,643	5,594	-	25,237	-
Total long-term debt	\$ 925,029	\$ 47,586	\$ 100,754	\$ 770,963	\$ 100,898

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

General Obligation Bonds and Notes

General Obligation Bonds, Series 2008

The general obligation bonds, Series 2008 [issued in the amount of \$234,000] carry a maturity date of August 14, 2034. The proceeds of the general obligation bonds were used to finance the City's "Community Center Roof Replacement" project. The bonds carry a fixed interest rate of 4.125% and are payable in monthly installments of \$1,252 [principal and interest]. At June 30, 2022, the repayment schedule is as follows:

Years Ending June 30	Principal	Interest	Total
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	10,943	4,081	15,024
2028-2032	62,002	13,118	75,120
2033-2035	30,942	1,451	32,393
Total required payments	143,407	39,226	182,633
Less current portion	9,282	5,742	15,024
Total long-term debt portion	<u>\$ 134,125</u>	<u>\$ 33,484</u>	<u>\$ 167,609</u>

CITY OF DELAWARE CITY, DELAWARE
NOTES TO FINANCIAL STATEMENTS

NOTE 10 - LONG-TERM DEBT OBLIGATIONS (continued)

General Obligation Bonds and Notes (continued)

General Obligation Bonds, Series 2018

General obligation bonds, Series 2018 [issued in the amount of \$713,217] carry a maturity date of July 1, 2038. The proceeds of the general obligation bonds were used to finance the City's "Washington Street Flood Mitigation" project. The bonds carry a fixed interest rate of 2.00% and are payable in semiannual installments of interest only until July 1, 2020, when the bonds become payable in semiannual installments of \$23,157 [principal and interest]. At June 30, 2022, the repayment schedule is as follows:

<u>Years Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 33,852	\$ 12,462	\$ 46,314
2024	34,533	11,781	46,314
2025	35,227	11,087	46,314
2026	35,935	10,379	46,314
2027	36,657	9,657	46,314
2028-2032	194,640	36,928	231,568
2033-2037	215,003	16,565	231,568
2038-2039	45,628	685	46,313
Total required payments	631,475	109,544	741,019
Less current portion	33,852	12,462	46,314
Total long-term debt portion	<u>\$ 597,623</u>	<u>\$ 97,082</u>	<u>\$ 694,705</u>

Ford Motor Credit Note

On February 2, 2021, the City entered into a lease-purchase agreement in the amount of \$47,799 maturing on February 12, 2023. The proceeds were used to purchase a 2021 Ford Police Interceptor. The agreement carries a fixed interest rate of 6.15%, requiring a down payment of \$16,893 at signing, and two annual payments of \$16,893 [principal and interest]. At June 30, 2022, the remaining payment is \$16,893 [principal of \$15,914 and interest of \$979] payable February 12, 2023.

Ford Motor Credit Note

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 13,100	\$ 1,814	\$ 14,914
2024	13,978	937	14,914
Total required payments	<u>\$ 27,078</u>	<u>\$ 2,751</u>	<u>\$ 29,828</u>

Corporation Note

On July 2, 2018, the City issued an unsecured non-interest note to Verizon Corporation in the amount of \$143,758. The note was issued as a result of Verizon's successful appeal of New Castle County's property tax assessment value used by the City to assess its property taxes. The appeal resulted in an overpayment of property taxes by Verizon of \$143,758 to the City. The City negotiated a non-interest-bearing note payable over five years. The note requires annual installments of \$28,752 and has a maturity of July 1, 2023. At June 30, 2022, the remaining payment is \$28,750 payable on July 1, 2023.

CITY OF DELAWARE CITY, DELAWARE
NOTES TO FINANCIAL STATEMENTS

NOTE 10 - LONG-TERM DEBT OBLIGATIONS (continued)

General Obligation Bonds and Notes (continued)

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

Years Ending June 30	General Obligation Bonds		General Obligation Notes		Totals
	Principal	Interest	Principal	Interest	
<u>Governmental Activities:</u>					
2023	\$ 43,134	\$ 18,204	\$ 57,764	\$ 2,793	\$ 121,895
2024	44,191	17,147	13,978	937	76,252
2025	45,305	16,033	-	-	61,338
2026	46,437	14,901	-	-	61,338
2027	47,600	13,738	-	-	-
2028-2032	256,642	50,046	-	-	306,688
2033-2037	245,945	18,016	-	-	263,961
2038-2039	45,628	685	-	-	46,313
Totals	\$ 774,882	\$ 148,770	\$ 71,742	\$ 3,730	\$ 937,785

NOTE 11 - PENSION PLAN

The City adopted a "5304 Savings Incentive Plan for Employees of Small Employers [SIMPLE]" administered by Edward Jones for the City's employees. The plan is intended to provide benefits for eligible City employees. The City contributes to each eligible employee's SIMPLE IRA a matching contribution equal to the employee's salary reduction contributions up to a limit of 3.00% of the employee's compensation for the calendar year. The City contributed \$12,242 and \$9,558 for eligible employees participating in the retirement plan for fiscal years ended June 30, 2022 and 2021, respectively.

NOTE 12 - LEASING ARRANGEMENTS

At June 30, 2022, the City is involved in the following leasing arrangements:

Operating Leases as Lessee

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

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

At June 30, 2022, 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
2023	\$ 7,476
2024	6,910
2025	2,380
Total minimum future rental payments required	\$ 16,766

For the years ended June 30, 2022 and 2021, total rental costs are \$7,708 and \$7,804, respectively.

CITY OF DELAWARE CITY, DELAWARE
NOTES TO FINANCIAL STATEMENTS

NOTE 12 - LEASING ARRANGEMENTS (continued)

Operating Leases as Lessor

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

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

The leasing arrangements are generally based on a percentage of lessee collections in conjunction with fixed rentals and as such the rentals cannot be estimated for future periods. For the years ended June 30, 2022 and 2021, total rentals received are \$130,007 and \$147,624, respectively.

NOTE 13 - SALE OF WATER SYSTEM

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 - 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, 2022, the City is not aware of any material threatened or pending litigation with which the City solicitor anticipates could result in significant financial liability to the City.

Leasing Arrangements

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

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

NOTE 15 - GASB STATEMENT IMPLEMENTATION

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

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

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

NOTE 16 - 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 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 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.

CITY OF DELAWARE CITY, DELAWARE
NOTES TO FINANCIAL STATEMENTS

NOTE 16 - PENDING GASB STATEMENTS (continued)

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.

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

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

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

NOTE 17 - 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, 2022

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES				
Taxes:				
Property taxes	\$ 1,046,567	\$ 1,046,567	\$ 1,097,960	\$ 51,393
Property taxes-transfer taxes	100,000	100,000	259,258	159,258 1
Cable franchise taxes	15,000	15,000	16,697	1,697
Licenses and permits	70,000	70,000	140,791	70,791 1
Intergovernmental revenues	40,000	40,000	522,131	482,131 2
Police fines and court fees	7,000	7,000	5,885	(1,115) 3
Charges for services	15,124	15,124	20,499	5,375 4
Interest and rents	155,252	155,252	148,054	(7,198)
Investment income (loss)	-	-	(145,246)	(145,246) 5
Contributions	-	-	22,496	22,496 6
Miscellaneous revenues	-	-	-	-
Total revenues	1,448,943	1,448,943	2,088,525	639,582
EXPENDITURES				
Current:				
General government	610,825	610,825	707,335	(96,510) 7
Code enforcement	11,850	11,850	9,528	2,322 3
Public safety-police	403,330	403,330	401,572	1,758
Public works-streets	81,000	81,000	72,308	8,692 8
Public works-sanitation	247,000	247,000	248,438	(1,438)
Parks and recreation	61,500	61,500	73,902	(12,402) 9
Community Center	57,140	57,140	82,660	(25,520) 10
Capital reserve	-	-	-	-
Capital outlay	-	-	893,268	(893,268) 2
Debt service	106,983	106,983	121,897	(14,914) 11
Total expenditures	1,579,628	1,579,628	2,610,908	(1,031,280)
EXCESS (DEFICIT)				
REVENUES OVER EXPENDITURES	(130,685)	(130,685)	(522,383)	(391,698)
OTHER FINANCING SOURCES (USES)				
Proceeds from new financing	-	-	41,992	41,992 11
Proceeds from sale of capital assets	-	-	6,500	6,500
Operating transfers in (out)	130,685	130,685	-	(130,685) 12
Total other financing sources (uses)	130,685	130,685	48,492	(82,193)
NET CHANGE IN FUND BALANCE	-	-	(473,891)	(473,891)
FUND BALANCES				
Beginning of year	-	-	1,762,810	1,762,810
End of year	\$ -	\$ -	\$ 1,288,919	\$ 1,288,919

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, 2022

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. Investment income is generally not budgeted by the city given the nature of the investment markets and the fluctuations in the value of the long-term investments.
6. The City does not budget for contribution revenue given its unpredictability.
7. General government expenditures exceeded budgeted expectations primarily due to multiple building maintenance and capital projects, and professional fees associated with collections of past due accounts.
8. Public works-streets expenditures were over budget due an increase in contractual services costs.
9. Parks and recreation expenditures exceeded budgeted expectations primarily due to multiple tree maintenance costs.
10. Community Center expenditures were under budget due to lower maintenance costs.
11. Debt service expenditures exceeded budgeted expectations due to the purchase of a new police vehicle which also explains the source of the new financing revenue.
12. Budgeted operating transfers to the Water Fund did not occur since the water system was sold by the City.

See Report of Independent Auditor

Supplementary Information Section

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

	Federal Funding	State Funding Municipal Street Aid	SALLE and EIDE	Other	Local Funding	Revolving Loan Fund	Totals [Memorandum Only] 2022	2021
ASSETS								
ASSETS								
Cash and equivalents	\$ -	\$ 9,933	\$ 12,374	\$ -	\$ -	\$ 72,267	\$ 94,574	\$ 78,190
Interfund receivables (payables)	-	-	(1,000)	-	-	-	(1,000)	(1,000)
TOTAL ASSETS	<u>\$ -</u>	<u>\$ 9,933</u>	<u>\$ 11,374</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 72,267</u>	<u>\$ 93,574</u>	<u>\$ 77,190</u>
LIABILITIES AND FUND BALANCES								
LIABILITIES								
Refundable advances and other deposits	\$ -	\$ -	\$ 11,374	\$ -	\$ -	\$ -	\$ 11,374	\$ 4,946
Total liabilities	<u>-</u>	<u>-</u>	<u>11,374</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,374</u>	<u>4,946</u>
FUND BALANCES								
Restricted-specific programs	\$ -	\$ 9,933	\$ -	\$ -	\$ -	62,000	\$ 71,933	\$ 62,000
Assigned	-	-	-	-	-	10,267	10,267	10,244
Total fund balances	<u>-</u>	<u>9,933</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>72,267</u>	<u>82,200</u>	<u>72,244</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ -</u>	<u>\$ 9,933</u>	<u>\$ 11,374</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 72,267</u>	<u>\$ 93,574</u>	<u>\$ 77,190</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, 2022 With Comparative Totals for 2021

	Federal Funding	State Funding Municipal Street Aid	SALLE and EIDE	Other	Local Funding	Revolving Loan Fund	Totals [Memorandum Only]	
							2022	2021
REVENUES								
Intergovernmental revenues:								
Federal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State	-	48,728	424	-	-	-	49,152	49,999
Interest revenue	-	-	-	-	-	23	23	57
Total revenues	<u>-</u>	<u>48,728</u>	<u>424</u>	<u>-</u>	<u>-</u>	<u>23</u>	<u>49,175</u>	<u>50,056</u>
EXPENDITURES								
Current:								
Public-general government	-	-	-	-	-	-	-	-
Public safety-police	-	-	424	-	-	-	424	962
Public works-streets	-	38,795	-	-	-	-	38,795	76,032
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>38,795</u>	<u>424</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>39,219</u>	<u>76,994</u>
EXCESS (DEFICIT) REVENUES OVER EXPENDITURES	<u>-</u>	<u>9,933</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23</u>	<u>9,956</u>	<u>(26,938)</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	<u>-</u>	<u>9,933</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23</u>	<u>9,956</u>	<u>(26,938)</u>
FUND BALANCES								
Beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>72,244</u>	<u>72,244</u>	<u>99,182</u>
End of year	<u>\$ -</u>	<u>\$ 9,933</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 72,267</u>	<u>\$ 82,200</u>	<u>\$ 72,244</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**

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, 2022, and the related notes to the financial statements, which collectively comprise the City of Delaware City, Delaware's basic financial statements and have issued our report thereon dated January 23, 2023.

Internal Control Over Financial Reporting

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

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

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

Mayor and City Council
City of Delaware City

Compliance and Other Matters

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

Purpose of This Report

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

Restriction on Use

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

Whisman Giordano & Associates, LLC

Newark, Delaware
January 23, 2023

CITY OF DELAWARE CITY, DELAWARE
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2022

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, 2022

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.