



WHISMAN GIORDANO
CERTIFIED PUBLIC ACCOUNTANTS

Building Extraordinary Relationships

FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT AUDITOR

CITY OF NEW CASTLE
New Castle, Delaware

Years Ended June 30, 2020 and 2019

CITY OF NEW CASTLE, DELAWARE

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WHISMAN GIORDANO
CERTIFIED PUBLIC ACCOUNTANTS

Building Extraordinary Relationships

Report of Independent Auditor

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of New Castle [the "City" and primary government], Delaware, as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the primary government financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the primary government 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 the primary government financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the primary government financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of New Castle, Delaware as of June 30, 2020 and 2019, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

To the Mayor and City Council
City of New Castle

Other Matters

Required Supplementary Information

The accounting principles generally accepted in the United States of America require that the budgetary comparison information, presented on pages 31 to 32, along with schedules of net pension liability and schedules of pension contributions, presented on pages 33 to 36, be presented to supplement the basic financial statements of the primary government. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. Management has omitted the management's discussion and analysis section that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements of the primary government is not affected by the missing information.

Other Supplementary Information

Our audits were conducted for the purpose of forming opinions on the basic financial statements of the primary government that collectively comprise the City of New Castle, Delaware's financial statements. The supplementary information, reported on pages 37 through 42, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements of the primary government as a whole.

Restriction on Use

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

Whisman Giordano & Associates, LLC

Newark, Delaware
February 16, 2021

Basic Financial Statements Section

CITY OF NEW CASTLE, DELAWARE
STATEMENTS OF NET POSITION
As of June 30, 2020 and 2019

| | Primary Government | |
|--|-------------------------|----------------------|
| | Governmental Activities | |
| | 2020 | 2019 |
| ASSETS | | |
| Current assets | | |
| Cash and equivalents | \$ 3,097,139 | \$ 3,293,770 |
| Cash and equivalents-restricted | 2,060,832 | 2,048,248 |
| Receivables, net of allowance: | | |
| Property taxes | 224,453 | 259,939 |
| Accounts | 70,284 | 142,501 |
| Other | 919 | 6,716 |
| Due from other governments | 71,736 | 17,299 |
| Due from component unit | - | - |
| Total current assets | <u>5,525,363</u> | <u>5,768,473</u> |
| Noncurrent assets | | |
| Capital assets, net of depreciation: | | |
| Nondepreciable | 28,880,428 | 27,856,470 |
| Depreciable | 4,718,120 | 4,993,423 |
| Net pension asset | - | - |
| Total noncurrent assets | <u>33,598,548</u> | <u>32,849,893</u> |
| TOTAL ASSETS | <u>39,123,911</u> | <u>38,618,366</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Deferred contributions and changes in proportion related to pension activity | 437,578 | 564,512 |
| LIABILITIES | | |
| Current liabilities | | |
| Accounts payable and other | 301,810 | 384,190 |
| Accrued wages and related taxes | 103,987 | 89,979 |
| Current portion of debt obligation | 223,049 | 251,358 |
| Unearned revenues | 15,560 | 15,887 |
| Refundable advances | 919 | 9,766 |
| Total current liabilities | <u>645,325</u> | <u>751,180</u> |
| Noncurrent liabilities | | |
| Long-term portion: | | |
| Compensated absences liability | 388,078 | 432,312 |
| Debt obligation, net of current portion | 1,467,043 | 1,727,027 |
| Net pension liability | 437,845 | 386,186 |
| Total noncurrent liabilities | <u>2,292,966</u> | <u>2,545,525</u> |
| TOTAL LIABILITIES | <u>2,938,291</u> | <u>3,296,705</u> |
| DEFERRED INFLOWS OF RESOURCES | | |
| Deferred investment earnings of pension activity | 56,207 | 90,451 |
| Unavailable revenue-property taxes | 197,437 | 232,923 |
| Unavailable revenue-fees and assessments | 70,284 | 113,601 |
| Total deferred inflows of resources | <u>323,928</u> | <u>436,975</u> |
| NET POSITION | | |
| Net investment in capital assets | 33,854,930 | 32,793,325 |
| Restricted for specific programs | 8,169 | 243,100 |
| Unrestricted | 2,436,171 | 2,412,773 |
| TOTAL NET POSITION | <u>\$ 36,299,270</u> | <u>\$ 35,449,198</u> |

Accompanying notes are an integral part of these financial statements

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

| Functions | Expenses | Program Revenues | | | Net (Expense) |
|---|---------------------|-------------------------|--|--|---------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Revenues and |
| | | | | | Change In |
| | | | | | Net Position |
| | | | | | Primary |
| | | | | | Government |
| | | | | | Total |
| | | | | | Governmental |
| | | | | | Activities |
| GOVERNMENTAL ACTIVITIES | | | | | |
| General government: | | | | | |
| City Administration | \$ 698,872 | \$ - | \$ - | \$ - | \$ (698,872) |
| Board of Adjustments | 5,559 | - | - | - | (5,559) |
| Building maintenance | 24,752 | - | - | - | (24,752) |
| Insurance costs | 243,866 | - | - | - | (243,866) |
| Outside professional services | 136,216 | - | - | - | (136,216) |
| Public safety | 2,104,184 | 91,562 | 155,372 | - | (1,857,250) |
| Public services | 1,172,405 | 497,759 | 391,469 | - | (283,177) |
| Parks and recreation | 125,683 | - | - | - | (125,683) |
| Committees and commissions | 28,965 | - | - | - | (28,965) |
| Interest on long-term debt obligations | 68,309 | - | - | 225,000 | 156,691 |
| Depreciation-unallocated | 387,882 | - | - | - | (387,882) |
| TOTAL PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES | \$ 4,996,693 | \$ 589,321 | \$ 546,841 | \$ 225,000 | (3,635,531) |
| GENERAL REVENUES | | | | | |
| | | | | | 3,562,222 |
| Property taxes levied for general purposes | | | | | 133,159 |
| Franchise taxes levied for general purposes | | | | | 133,794 |
| Investment earnings and rents | | | | | (7,662) |
| Gain (loss) from sale of capital assets | | | | | (6,346) |
| Miscellaneous revenues (expenditures) | | | | | 670,436 |
| Component unit appropriations | | | | | <u>4,485,603</u> |
| Total general revenues | | | | | |
| CHANGE IN NET POSITION | | | | | |
| | | | | | 850,072 |
| NET POSITION | | | | | |
| Beginning of year | | | | | <u>35,449,198</u> |
| End of year | | | | | <u>\$36,299,270</u> |

Accompanying notes are an integral part of these financial statements

CITY OF NEW CASTLE, DELAWARE
STATEMENT OF ACTIVITIES
Year Ended June 30, 2019

| Functions | Expenses | Program Revenues | | | Net (Expense) |
|---|---------------------|-------------------------|--|--|---------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Revenues and |
| | | | | | Change In |
| | | | | | Net Position |
| | | | | | Primary |
| | | | | | Government |
| | | | | | Total |
| | | | | | Governmental |
| | | | | | Activities |
| GOVERNMENTAL ACTIVITIES | | | | | |
| General government: | | | | | |
| City Administration | \$ 709,346 | \$ - | \$ - | \$ - | \$ (709,346) |
| Board of Adjustments | 26,979 | - | - | - | (26,979) |
| Building maintenance | 4,947 | - | - | - | (4,947) |
| Insurance costs | 301,796 | - | - | - | (301,796) |
| Outside professional services | 126,615 | - | - | - | (126,615) |
| Public safety | 2,160,072 | 85,195 | 196,012 | - | (1,878,865) |
| Public services | 1,245,719 | 339,411 | 279,195 | 125,157 | (501,956) |
| Parks and recreation | 205,779 | - | - | - | (205,779) |
| Committees and commissions | 29,805 | - | - | - | (29,805) |
| Interest on long-term debt obligations | 78,200 | - | - | 225,000 | 146,800 |
| Depreciation-unallocated | 391,586 | - | - | - | (391,586) |
| TOTAL PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES | \$ 5,280,844 | \$ 424,606 | \$ 475,207 | \$ 350,157 | (4,030,874) |
| GENERAL REVENUES | | | | | |
| | | | | | 3,340,575 |
| Property taxes levied for general purposes | | | | | 126,725 |
| Franchise taxes levied for general purposes | | | | | 153,208 |
| Investment earnings and rents | | | | | 293 |
| Gain (loss) from sale of capital assets | | | | | 220,655 |
| Miscellaneous revenues (expenditures) | | | | | 659,635 |
| Component unit appropriations | | | | | <u>4,501,091</u> |
| Total general revenues | | | | | |
| CHANGE IN NET POSITION | | | | | |
| | | | | | 470,217 |
| NET POSITION | | | | | |
| Beginning of year | | | | | <u>34,978,981</u> |
| End of year | | | | | <u>\$35,449,198</u> |

Accompanying notes are an integral part of these financial statements

CITY OF NEW CASTLE, DELAWARE
BALANCE SHEETS-GOVERNMENTAL FUNDS
As of June 30, 2020 and 2019

| | 2020 | | | | 2019 | | | |
|--|-------------------------|------------------|-------------------|--------------------|-------------------------|-------------------|-------------------|--------------------|
| | Governmental Fund Types | | | | Governmental Fund Types | | | |
| | General | Special Revenue | Capital Projects | Totals | General | Special Revenue | Capital Projects | Totals |
| ASSETS | | | | | | | | |
| ASSETS | | | | | | | | |
| Cash and equivalents | \$2,904,706 | \$ 67,433 | \$ 125,000 | \$3,097,139 | \$2,910,255 | \$ 258,515 | \$ 125,000 | \$3,293,770 |
| Cash and equivalents-restricted | 2,060,832 | - | - | 2,060,832 | 2,048,248 | - | - | 2,048,248 |
| Receivables, net of allowance: | | | | | | | | |
| Property taxes | 224,453 | - | - | 224,453 | 259,939 | - | - | 259,939 |
| Accounts | 70,284 | - | - | 70,284 | 113,601 | 28,900 | - | 142,501 |
| Other | 919 | - | - | 919 | 6,716 | - | - | 6,716 |
| Due from other governments | - | 71,736 | - | 71,736 | - | 17,299 | - | 17,299 |
| Interfund receivable (payable) | 71,933 | (71,933) | - | - | (19,448) | 19,448 | - | - |
| TOTAL ASSETS | \$5,333,127 | \$ 67,236 | \$ 125,000 | \$5,525,363 | \$5,319,311 | \$ 324,162 | \$ 125,000 | \$5,768,473 |
| LIABILITIES AND FUND BALANCES | | | | | | | | |
| LIABILITIES | | | | | | | | |
| Accounts payable and other | \$ 301,675 | \$ 135 | \$ - | \$ 301,810 | \$ 338,332 | \$ 45,858 | \$ - | \$ 384,190 |
| Accrued wages and related taxes | 103,987 | - | - | 103,987 | 89,979 | - | - | 89,979 |
| Unearned revenues | 6,137 | 9,423 | - | 15,560 | 647 | 15,240 | - | 15,887 |
| Refundable advances | 919 | - | - | 919 | 9,766 | - | - | 9,766 |
| Total liabilities | 412,718 | 9,558 | - | 422,276 | 438,724 | 61,098 | - | 499,822 |
| DEFERRED INFLOWS OF RESOURCES | | | | | | | | |
| Unavailable revenue-property taxes | 197,437 | - | - | 197,437 | 232,923 | - | - | 232,923 |
| Unavailable revenue-fees/assessments | 70,284 | - | - | 70,284 | 113,601 | - | - | 113,601 |
| Total deferred inflows of resources | 267,721 | - | - | 267,721 | 346,524 | - | - | 346,524 |
| FUND BALANCES | | | | | | | | |
| Restricted for specific programs | - | 8,169 | - | 8,169 | - | 243,100 | - | 243,100 |
| Committed by Council | 2,060,832 | - | 125,000 | 2,185,832 | 2,048,248 | - | 125,000 | 2,173,248 |
| Assigned-encumbrances and other | - | 49,509 | - | 49,509 | - | 19,964 | - | 19,964 |
| Unassigned | 2,591,856 | - | - | 2,591,856 | 2,485,815 | - | - | 2,485,815 |
| Total fund balances | 4,652,688 | 57,678 | 125,000 | 4,835,366 | 4,534,063 | 263,064 | 125,000 | 4,922,127 |
| TOTAL LIABILITIES AND FUND BALANCES | \$5,333,127 | \$ 67,236 | \$ 125,000 | \$5,525,363 | \$5,319,311 | \$ 324,162 | \$ 125,000 | \$5,768,473 |

Accompanying notes are an integral part of these financial statements

CITY OF NEW CASTLE, DELAWARE
RECONCILIATION OF THE BALANCE SHEETS OF GOVERNMENTAL FUNDS
TO THE STATEMENTS OF NET POSITION
As of June 30, 2020 and 2019

| | <u>2020</u> | <u>2019</u> |
|---|----------------------------|----------------------------|
| Amounts reported for governmental activities in the statement of net position are different because: | | |
| Total fund balances-governmental funds | \$ 4,835,366 | \$ 4,922,127 |
| Capital assets used in governmental activities are not financial resources and, therefore, not reported as assets in governmental funds. The cost of capital assets is \$41,607,792 and \$40,690,158 and the related accumulated depreciation is \$8,009,244 and \$7,840,265 for the periods presented. | 33,598,548 | 32,849,893 |
| Long-term obligations are not due and payable within the current period and, therefore, not reported as liabilities in the governmental fund types. | | |
| <u>Long-Term Debt Obligations</u> | <u>2020</u> | <u>2019</u> |
| Current portion | \$ 223,049 | \$ 251,358 |
| Net of current portion | <u>1,467,043</u> | <u>1,727,027</u> |
| | (1,690,092) | (1,978,385) |
| Compensated absences not due and payable within the period presented are not reported in the governmental funds. | (388,078) | (432,312) |
| Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, not reported in the fund financial statements: | | |
| Net pension (liability) asset | (437,845) | (386,186) |
| Deferred outflows and inflows or resources related to pension activity are applicable to future periods and, therefore, not reported in the fund financial statements: | | |
| Deferred outflows of resources related to pension activity of \$437,578 and \$564,512 consists of \$186,188 and \$321,748 of deferred outflows of resources pension expense and \$251,390 and \$242,764 of deferred outflows of 2020 and 2019 employer contributions related to the pension activity. | 437,578 | 564,512 |
| Deferred inflows of resources related to pension activity. | <u>(56,207)</u> | <u>(90,451)</u> |
| Total net position-governmental activities | <u><u>\$36,299,270</u></u> | <u><u>\$35,449,198</u></u> |

Accompanying notes are an integral part of these financial statements

CITY OF NEW CASTLE, DELAWARE

STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-GOVERNMENTAL FUNDS
Years Ended June 30, 2020 and 2019

| | 2020 | | | | 2019 | | | |
|---|-------------------------|------------------|------------------|------------------|-------------------------|-----------------|------------------|--------------------|
| | Governmental Fund Types | | | | Governmental Fund Types | | | |
| | General | Special Revenue | Capital Projects | Totals | General | Special Revenue | Capital Projects | Totals |
| REVENUES | | | | | | | | |
| Taxes: | | | | | | | | |
| Property taxes | \$3,161,821 | \$ - | \$ - | \$3,161,821 | \$3,081,381 | \$ - | \$ - | \$3,081,381 |
| Property transfer taxes | 400,401 | - | - | 400,401 | 259,194 | - | - | 259,194 |
| Cable franchise taxes | 133,159 | - | - | 133,159 | 126,725 | - | - | 126,725 |
| Licenses and permits | 488,109 | - | - | 488,109 | 329,475 | - | - | 329,475 |
| Intergovernmental revenues: | | | | | | | | |
| Federal funding | - | 18,204 | - | 18,204 | - | 20,565 | - | 20,565 |
| State funding | - | 528,637 | - | 528,637 | - | 454,642 | - | 454,642 |
| Trustees of New Castle Common | - | 225,000 | - | 225,000 | - | 350,157 | - | 350,157 |
| Police fines and court fees | 47,424 | - | - | 47,424 | 50,574 | - | - | 50,574 |
| Charges for services | 53,788 | - | - | 53,788 | 44,557 | - | - | 44,557 |
| Interest and rents | 131,926 | 1,868 | - | 133,794 | 151,555 | 1,200 | 453 | 153,208 |
| Miscellaneous revenues | 23,642 | 4,500 | - | 28,142 | 84,644 | 58,478 | - | 143,122 |
| Total revenues | 4,440,270 | 778,209 | - | 5,218,479 | 4,128,105 | 885,042 | 453 | 5,013,600 |
| EXPENDITURES | | | | | | | | |
| Current: | | | | | | | | |
| General government: | | | | | | | | |
| City Administration | 681,457 | - | - | 681,457 | 652,291 | - | - | 652,291 |
| Board of Adjustments | 5,559 | - | - | 5,559 | 26,979 | - | - | 26,979 |
| Building maintenance | 24,752 | - | - | 24,752 | 4,947 | - | - | 4,947 |
| Insurance costs | 243,866 | - | - | 243,866 | 301,796 | - | - | 301,796 |
| Outside professional services | 136,216 | - | - | 136,216 | 126,615 | - | - | 126,615 |
| Public safety | 1,860,357 | 155,372 | - | 2,015,729 | 1,855,068 | 196,012 | - | 2,051,080 |
| Public services | 1,126,735 | 235,000 | - | 1,361,735 | 1,079,088 | 153,831 | - | 1,232,919 |
| Parks and recreation | 125,683 | - | - | 125,683 | 112,851 | 92,928 | - | 205,779 |
| Committees and commissions | 28,965 | - | - | 28,965 | 29,805 | - | - | 29,805 |
| Capital outlay | 627,851 | 358,073 | - | 985,924 | 1,263,051 | 125,157 | - | 1,388,208 |
| Debt service: | | | | | | | | |
| Principal | 215,368 | 167,603 | - | 382,971 | 74,323 | 192,501 | - | 266,824 |
| Interest and other fees | 10,912 | 57,397 | - | 68,309 | 45,701 | 32,499 | - | 78,200 |
| Total expenditures | 5,087,721 | 973,445 | - | 6,061,166 | 5,572,515 | 792,928 | - | 6,365,443 |
| EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES | (647,451) | (195,236) | - | (842,687) | (1,444,410) | 92,114 | 453 | (1,351,843) |
| OTHER FINANCING SOURCES (USES) | | | | | | | | |
| Proceeds from new financing | 94,678 | - | - | 94,678 | 261,911 | - | - | 261,911 |
| Proceeds from sale of capital assets | 25,300 | - | - | 25,300 | 106,033 | - | - | 106,033 |
| Refunds of prior years' revenues | (34,488) | - | - | (34,488) | - | - | - | - |
| Annual appropriation: | | | | | | | | |
| Municipal Services Commission | 670,436 | - | - | 670,436 | 659,635 | - | - | 659,635 |
| Operating transfers (out) in | 10,150 | (10,150) | - | - | 974 | (974) | - | - |
| Total other financing sources (uses) | 766,076 | (10,150) | - | 755,926 | 1,028,553 | (974) | - | 1,027,579 |
| NET CHANGE IN FUND BALANCES | 118,625 | (205,386) | - | (86,761) | (415,857) | 91,140 | 453 | (324,264) |
| FUND BALANCES | | | | | | | | |
| Beginning of year | 4,534,063 | 263,064 | 125,000 | 4,922,127 | 4,949,920 | 171,924 | 124,547 | 5,246,391 |
| End of year | \$4,652,688 | \$ 57,678 | \$ 125,000 | \$4,835,366 | \$4,534,063 | \$ 263,064 | \$ 125,000 | \$4,922,127 |

Accompanying notes are an integral part of these financial statements

CITY OF NEW CASTLE, DELAWARE

RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES AND

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENTS OF ACTIVITIES
Years Ended June 30, 2020 and 2019

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

| | | |
|--|-------------|--------------|
| | <u>2020</u> | <u>2019</u> |
| Net change in fund balance-total governmental funds | \$ (86,761) | \$ (324,264) |

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

| <u>Description</u> | <u>2020</u> | <u>2019</u> | | |
|----------------------|------------------|------------------|---------|---------|
| Capital assets | \$1,169,500 | \$1,323,960 | | |
| Depreciation expense | <u>(387,882)</u> | <u>(391,586)</u> | 781,618 | 932,374 |

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

| <u>Description</u> | <u>2020</u> | <u>2019</u> | | |
|---|--------------|--------------|----------|----------|
| Sale and/or disposal of capital assets: | | | | |
| Proceeds received | \$ 25,300 | \$ 28,500 | | |
| Loss (gain) recognized | <u>7,662</u> | <u>(293)</u> | (32,962) | (28,207) |

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

| <u>Description</u> | <u>2020</u> | <u>2019</u> | | |
|-----------------------------|----------------|----------------|---------|-------|
| Financing proceeds received | \$ (94,678) | \$ (261,911) | | |
| Principal payments made | <u>382,971</u> | <u>266,824</u> | 288,293 | 4,913 |

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

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

| <u>Description</u> | <u>2020</u> | <u>2019</u> | | |
|--|------------------|------------------|-----------|----------|
| City pension contributions for the fiscal years 2020 and 2019 | \$ 251,390 | \$ 242,764 | | |
| Cost of benefits earned net of contributions [pension expense] | <u>(395,740)</u> | <u>(266,580)</u> | (144,350) | (23,816) |

| | | |
|---|-------------------|-------------------|
| Change in net position-governmental activities | <u>\$ 850,072</u> | <u>\$ 470,217</u> |
|---|-------------------|-------------------|

Accompanying notes are an integral part of these financial statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

- Municipal Services Commission [MSC].

Component Unit

The City has elected not to include the component unit as part of the City's financial statements; however, the component unit issues separate audited financial statements, copies of which are available for review at the City's administrative offices. The Municipal Services Commission was organized on March 11, 1921 for the purpose of providing water and electric service to City residents. MSC adopted a reporting period of April 1 to March 31.

Government-Wide and Fund Financial Statements

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

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

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

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

The City reports the following major governmental fund types:

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

Use of Estimates

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

Budgetary Accounting

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Equivalents

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

Receivable-Property Taxes

At June 30, 2020 and 2019, the property taxes receivable is reflected net of an estimated uncollectible allowance of \$0. The allowance is based on historical data established according to experience and other factors which in the judgment of City officials deserves recognition in estimating future possible losses. Management believes it has adequately provided for such losses.

Receivable-Accounts

At June 30, 2020 and 2019, the accounts receivable is reflected net of the estimated uncollectible allowance of \$0. The allowance is based on historical data established according to experience and other factors which in the judgment of City officials deserve recognition in estimating future possible losses. Management believes it has adequately provided for such losses.

Receivables and Payables

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

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

Prepayments and Other Assets

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

Capital Assets and Depreciation

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

The cost of normal maintenance and repairs that do not add to the value of a capital asset or materially extends its life is not capitalized. The major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets, for governmental-type activities, is not included as part of the capitalized value of the capital asset constructed. No interest costs were capitalized for the years presented. Capital assets of the City are depreciated using the straight-line method over the following estimated useful lives:

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Committed Fund Balance

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

Unearned Revenues

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

Refundable Advances

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

Compensated Absences Policy

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

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

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

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

Deferred Outflows and Inflows of Resources

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

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

Long-Term Debt Obligation

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the governmental funds. Encumbrances at year-end are reported as assigned fund balance since encumbrances do not constitute expenditures but serve as authorization for expenditures in the subsequent period. At June 30, 2020 and 2019, the City has encumbrances outstanding of \$49,509 and \$19,964, respectively.

Net Position and Fund Equity

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

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

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

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

NOTE 2 - PROPERTY TAXES

Property taxes assessed within the City limits for fiscal year 2020 are \$1.20 per \$100 of assessed valuation and for fiscal year 2019 are \$1.20 per \$100 of assessed valuation as levied by City Council resolution. The City bills and collects its own property taxes. Delinquent property taxes are lienied by the City. The schedule of property taxes levied is as follows:

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

NOTE 3 - CASH AND EQUIVALENTS

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

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

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

Category 3 - Uncollateralized and uninsured deposits.

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

| Category | 2020 | | 2019 | |
|----------------|---------------------|---------------------|---------------------|---------------------|
| | Book | Bank | Book | Bank |
| 1 | \$ 500,000 | \$ 500,000 | \$ 500,000 | \$ 500,000 |
| 2 | 4,657,671 | 4,744,363 | 4,841,718 | 4,947,115 |
| 3 | 300 | - | 300 | - |
| Total deposits | <u>\$ 5,157,971</u> | <u>\$ 5,244,363</u> | <u>\$ 5,342,018</u> | <u>\$ 5,447,115</u> |

At June 30, 2020 and 2019, the primary government's deposits are held primarily by one financial institution and are either insured by the Federal Deposit Insurance Corporation [FDIC] or collateralized by the financial institution. Deposits totaling \$5,244,363 and \$5,447,115 held by the financial institution are in excess (or non-coverage) of the FDIC insurance limits in the amount of \$4,744,363 and \$4,947,115, respectively. Deposits that are in excess of FDIC limits are either collateralized with U.S. Government securities held by the financial institution in the City's name or backed by U.S. Treasuries. Category 3 deposits are subject to custodial risk and consist of cash held by the City.

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

NOTE 4 - INTERGOVERNMENTAL RECEIVABLES

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

| Description | 2020 | 2019 |
|--|------------------|------------------|
| Passed through the State of Delaware: | | |
| Delaware Criminal Justice Council [CJC] | \$ 11,736 | \$ 7,050 |
| Delaware Division of Historical and Cultural Affairs | - | 4,776 |
| Delaware Department of Transportation [DELDOT] | 60,000 | 5,473 |
| Total intergovernmental receivables | <u>\$ 71,736</u> | <u>\$ 17,299</u> |

CITY OF NEW CASTLE, DELAWARE
NOTES TO FINANCIAL STATEMENTS

NOTE 5 - RELATED PARTY TRANSACTIONS

Municipal Services Commission [MSC], a component unit of the City, appropriated \$670,436 and \$659,635 to the Mayor and Council of the City of New Castle for the years ended June 30, 2020 and 2019, respectively. In addition, MSC provided, at no cost to the City, water service for municipal buildings and other municipal activities valued at \$0 and \$0 for the years ended June 30, 2020 and 2019, respectively.

The City in turn leases real property to MSC. (For detail, refer to Note 11).

NOTE 6 - CAPITAL ASSETS

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

| Asset Category | As of and Year Ended June 30, 2020 | | | |
|----------------------------------|------------------------------------|------------|-----------|-----------------|
| | Beginning Balances | Additions | Deletions | Ending Balances |
| Capital assets, not depreciated: | | | | |
| Land | \$ 2,313,504 | \$ - | \$ - | \$ 2,313,504 |
| Streets and Roads | 25,542,966 | 176,442 | - | 25,719,408 |
| Construction in progress: | | | | |
| Streets and sidewalks | - | 847,516 | - | 847,516 |
| Trees, trails and landscape | - | - | - | - |
| Total, not depreciated | 27,856,470 | 1,023,958 | - | 28,880,428 |
| Capital assets, depreciable: | | | | |
| Buildings and improvements | 2,785,405 | - | - | 2,785,405 |
| Furniture and equipment | 742,673 | - | 35,058 | 707,615 |
| Vehicles | 1,486,095 | 101,432 | 216,808 | 1,370,719 |
| Streets and sidewalks | 6,385,742 | 44,110 | - | 6,429,852 |
| Trees, trails and landscape | 1,433,773 | - | - | 1,433,773 |
| Total depreciable | 12,833,688 | 145,542 | 251,866 | 12,727,364 |
| Less accumulated depreciation: | | | | |
| Buildings and improvements | 1,496,170 | 63,378 | - | 1,559,548 |
| Furniture and equipment | 570,076 | 25,816 | 33,305 | 562,587 |
| Vehicles | 902,422 | 91,024 | 185,598 | 807,848 |
| Streets and sidewalks | 4,692,375 | 135,976 | - | 4,828,351 |
| Trees, trails and landscape | 179,222 | 71,688 | - | 250,910 |
| Total accumulated depr. | 7,840,265 | 387,882 | 218,903 | 8,009,244 |
| Total, net depreciation | 4,993,423 | (242,340) | 32,963 | 4,718,120 |
| Net capital assets | \$32,849,893 | \$ 781,618 | \$ 32,963 | \$33,598,548 |

| Asset Category | As of and Year Ended June 30, 2019 | | | |
|----------------------------------|------------------------------------|------------|-----------|-----------------|
| | Beginning Balances | Additions | Deletions | Ending Balances |
| Capital assets, not depreciated: | | | | |
| Land | \$ 2,327,735 | \$ - | \$ 14,231 | \$ 2,313,504 |
| Streets and Roads | 24,724,927 | 818,039 | - | 25,542,966 |
| Construction in progress: | | | | |
| Streets and sidewalks | - | - | - | - |
| Trees, trails and landscape | - | - | - | - |
| Total, not depreciated | 27,052,662 | 818,039 | 14,231 | 27,856,470 |
| Capital assets, depreciable: | | | | |
| Buildings and improvements | 2,785,405 | - | - | 2,785,405 |
| Furniture and equipment | 742,673 | - | - | 742,673 |
| Vehicles | 1,207,046 | 301,411 | 22,362 | 1,486,095 |
| Streets and sidewalks | 6,181,232 | 204,510 | - | 6,385,742 |
| Trees, trails and landscape | 1,433,773 | - | - | 1,433,773 |
| Total depreciable | 12,350,129 | 505,921 | 22,362 | 12,833,688 |
| Less accumulated depreciation: | | | | |
| Buildings and improvements | 1,432,792 | 63,378 | - | 1,496,170 |
| Furniture and equipment | 532,602 | 37,474 | - | 570,076 |
| Vehicles | 839,963 | 70,845 | 8,386 | 902,422 |
| Streets and sidewalks | 4,544,175 | 148,200 | - | 4,692,375 |
| Trees, trails and landscape | 107,533 | 71,689 | - | 179,222 |
| Total accumulated depr. | 7,457,065 | 391,586 | 8,386 | 7,840,265 |
| Total, net depreciation | 4,893,064 | 114,335 | 13,976 | 4,993,423 |
| Net capital assets | \$31,945,726 | \$ 932,374 | \$ 28,207 | \$32,849,893 |

NOTE 7 - RISK MANAGEMENT

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

NOTE 8 - LONG-TERM DEBT OBLIGATIONS

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

| Description | As of and Year Ended June 30, 2020 | | | | |
|---------------------------|------------------------------------|---------------|----------------|-------------------|---------------------|
| | Beginning Balances | Additions | Deletions | Ending Balances | |
| | | | | Long-term Portion | Due Within One Year |
| Accrued employee benefits | 432,312 | - | 44,234 | 388,078 | - |
| Note payable-CFNB | 23,186 | - | 23,186 | - | - |
| Note payable-CFNB | 10,078 | - | 10,078 | - | - |
| Note payable-M&T Bank | 11,985 | - | 11,985 | - | - |
| Note payable-PNC Bank | 204,373 | - | 66,307 | 105,937 | 32,129 |
| Note payable-PNC Bank | 26,934 | - | 26,934 | - | - |
| Note payable-PNC Bank | - | 37,978 | 37,978 | - | - |
| Note payable-PNC Bank | - | 56,700 | 38,900 | - | 17,800 |
| General Obligation Bonds | 1,701,829 | - | 167,603 | 1,361,106 | 173,120 |
| Total debt obligations | <u>2,410,697</u> | <u>94,678</u> | <u>427,205</u> | <u>1,855,121</u> | <u>223,049</u> |

Accrued Employee Benefits

On July 12, 2005, the City passed Resolution No. 2005-15 to establish an escrow account to fund accrued employee benefits. In accordance with the resolution, City employees can sell back to the City earned sick and vacation time upon separation of employment from the City. The balance of the accrued employee benefits at June 30, 2020 and 2019 is reflected above. To fund the accrued employee benefits liability, the City established a separate bank account which reflects a balance of \$114,358 and \$126,431 at June 30, 2020 and 2019, respectively.

Note Payable-Community First National Bank [CFNB]

On August 3, 2015, the City entered into a Master Equipment Lease-Purchase Agreement to purchase a 2016 Ford F-750. The Master Equipment Lease-Purchase Agreement calls for five equal annual installments of \$23,944 [principal and interest] with the first payment due August 15, 2015 and carries a fixed interest rate of 3.27%. Total interest paid on the loan is \$758 and \$1,492 for the years ended June 30, 2020 and 2019, respectively. The City paid off the loan during the year ended June 30, 2020.

Note Payable-Community First National Bank [CFNB]

On November 3, 2016, the City entered into a Master Equipment Lease-Purchase Agreement to purchase a 2016 Dodge Charger and a 2017 Dodge Charger. The Master Equipment Lease-Purchase Agreement calls for three equal annual installments of \$10,506 [principal and interest] with the first payment due July 15, 2017 and carries a fixed interest rate of 3.27%. Total interest paid on the loan is \$428 and \$839 for the years ended June 30, 2020 and 2019, respectively. The City paid off the loan during the year ended June 30, 2020.

NOTE 8 - LONG-TERM DEBT OBLIGATIONS [continued]

Note Payable-M&T Bank

On November 15, 2017, the City entered into a Master Equipment Lease-Purchase Agreement to purchase a 2017 Dodge Charger and a 2018 Dodge Charger. The Master Equipment Lease-Purchase Agreement calls for three equal annual installments of \$12,380 [principal and interest] with the first payment [principal only] due November 15, 2017 and carries a fixed interest rate of 3.62%. Total interest paid on the loan is \$394 and \$778 for the years ended June 30, 2020 and 2019, respectively. The City paid off the loan during the year ended June 30, 2020.

Note Payable-PNC Bank

On December 6, 2018, the City entered into a borrowing agreement with PNC Bank for \$226,000 to purchase a TYMCO Model 600 Regenerative Air Sweeper. The note to PNC Bank calls for 84 monthly payments of \$3,058 [principal and interest] with the first payment due January 6, 2019. The note carries a fixed rate of interest of 3.70% and matures on October 6, 2025. Total interest paid on the note is \$7,089 and \$4,779 for the years ended June 30, 2020 and 2019, respectively. At June 30, 2020, the repayment schedule is as follows:

| Years Ending June 30 | Principal | Interest | Total |
|-------------------------|-------------------|------------------|-------------------|
| 2021 | \$ 32,129 | \$ 4,567 | \$ 36,696 |
| 2022 | 33,338 | 3,358 | 36,696 |
| 2023 | 34,593 | 2,103 | 36,696 |
| 2024 | 35,895 | 801 | 36,696 |
| 2025 | 2,111 | 7 | 2,118 |
| Total required payments | <u>\$ 138,066</u> | <u>\$ 10,836</u> | <u>\$ 148,902</u> |

Note Payable-PNC Bank

On March 17, 2019, the City entered into a borrowing agreement with PNC Bank for \$35,911 to purchase a 2018 Chevy Tahoe. The note to PNC Bank calls for four annual installments of \$9,761 with the first due June 26, 2019. The note matures March 26, 2022 and carries a fixed interest rate of 3.43%. Total interest paid on the note is \$1,296 and \$311 for the years ended June 30, 2020 and 2019, respectively. The City prepaid the remaining balance on the loan during the year ended June 30, 2020.

Note Payable-PNC Bank

On December 20, 2019, the City entered into a borrowing agreement with PNC Bank for \$37,978 to purchase a 2020 Chevy Tahoe. The note to PNC Bank calls for three annual installments of \$12,659 with the first due January 20, 2020. The note matures January 20, 2022 and carries a fixed interest rate of 3.15%. Total interest paid on the note is \$864 for the year ended June 30, 2020. The City prepaid the remaining balance on the loan during the year ended June 30, 2020.

Note Payable-PNC Bank

On April 7, 2020, the City entered into a borrowing agreement with PNC Bank for \$56,700 to purchase a 2020 Ram 4500 Dump Truck. The note to PNC Bank calls for three annual installments of \$18,900 with the first due May 15, 2020. The note matures May 15, 2022 and carries a fixed interest rate of 2.10%. Total interest paid on the note is \$83 and \$311 for the year ended June 30, 2020. The City prepaid \$20,000 of additional principal during the year ended June 30, 2020. At June 30, 2020, the repayment schedule is as follows:

| Years Ending June 30 | Principal | Interest | Total |
|-------------------------|------------------|---------------|------------------|
| 2021 | \$ 17,800 | \$ 330 | \$ 18,130 |
| Total required payments | <u>\$ 17,800</u> | <u>\$ 330</u> | <u>\$ 18,130</u> |

NOTE 8 - LONG-TERM DEBT OBLIGATIONS [continued]

General Obligation Bonds, Series 2018

The General Obligation Bonds, Series 2018 [issued in the amount of \$1,894,330] carry a maturity date of May 1, 2028. The proceeds of the general obligation bonds will be used to finance multiple capital improvement projects related to the City's streets and roads. The bonds carry a fixed interest rate of 3.52% and are payable in monthly installments of \$18,750 [principal and interest] commencing June 1, 2018. The June 1, 2018 payment was made on July 1, 2018 with lender's approval since the City did not budget for the payment in fiscal year 2018. Total interest paid on the bonds is \$57,397 and \$64,049 for the years ended June 30, 2020 and 2019, respectively. At June 30, 2020, the repayment schedule is as follows:

| Years Ending June 30 | Principal | Interest | Total |
|-------------------------|---------------------|-------------------|---------------------|
| 2021 | \$ 173,120 | \$ 51,880 | \$ 225,000 |
| 2022 | 179,316 | 45,684 | 225,000 |
| 2023 | 185,731 | 39,269 | 225,000 |
| 2024 | 192,375 | 32,625 | 225,000 |
| 2025 | 199,257 | 25,743 | 225,000 |
| 2026-2028 | 604,427 | 61,003 | 656,250 |
| Total required payments | <u>\$ 1,534,226</u> | <u>\$ 256,204</u> | <u>\$ 1,781,250</u> |

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

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

| Years Ending June 30 | General Obligation Bonds | | Notes Payable | | Totals |
|-------------------------|--------------------------|-------------------|-------------------|------------------|--------------------|
| | Principal | Interest | Principal | Interest | |
| 2021 | \$ 173,120 | \$ 51,880 | \$ 49,929 | \$ 4,897 | \$ 279,826 |
| 2022 | 179,316 | 45,684 | 33,338 | 3,358 | 261,696 |
| 2023 | 185,731 | 39,269 | 34,593 | 2,103 | 261,696 |
| 2024 | 192,375 | 32,625 | 35,895 | 801 | 261,696 |
| 2025 | 199,257 | 25,743 | 2,111 | 7 | 227,118 |
| 2026-2028 | 604,427 | 61,003 | - | - | 665,430 |
| Totals | <u>\$1,534,226</u> | <u>\$ 256,204</u> | <u>\$ 155,866</u> | <u>\$ 11,166</u> | <u>\$1,957,462</u> |

NOTE 9 - DEFINED BENEFIT PENSION PLANS

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

| At June 30, 2020 | | | |
|--|-------------------------------------|--------------------|-----------|
| Plan | Net Pension Liability (Asset) | Deferred Resources | |
| | | Outflows | Inflows |
| County & Municipal Police and Firefighters' Pension Plan proportionate share [CMPFPP] | \$ 344,872 | \$ 350,688 | \$ 40,395 |
| County & Municipal Other Employees' Pension Plan proportionate share [CMOEPP] | 92,973 | 86,890 | 15,812 |
| Totals | \$ 437,845 | \$ 437,578 | \$ 56,207 |

| At June 30, 2019 | | | |
|--|-------------------------------------|--------------------|-----------|
| Plan | Net Pension Liability (Asset) | Deferred Resources | |
| | | Outflows | Inflows |
| County & Municipal Police and Firefighters' Pension Plan proportionate share [CMPFPP] | \$ 316,759 | \$ 466,966 | \$ 59,400 |
| County & Municipal Other Employees' Pension Plan proportionate share [CMOEPP] | 69,427 | 97,546 | 31,051 |
| Totals | \$ 386,186 | \$ 564,512 | \$ 90,451 |

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

The City's first defined-benefit pension plan is part of the "County & Municipal Police and Firefighters' Pension Plan" [CMPFPP], a cost-sharing multiple-employer defined-benefit pension plan established in the Delaware Code. The State of Delaware's General Assembly is responsible for setting benefits and contributions and amending the plan provisions; administrative rules and regulations are adopted and maintained by the Board of Pension Trustees [the Board]. Plan management is the responsibility of the Board, which is comprised of five members appointed by the Governor and confirmed by the State Senate, plus two ex-officio members. The daily operation is the responsibility of Delaware Office of Pensions. Although most of the Plan assets are commingled with other plans for investment purposes, the Plan assets may be used only for the payment of benefits to the Plan members in accordance with the terms of the Plan. The following is a brief description of the Plan in effect at June 30, 2019 and 2018. For a more complete Plan description, refer to Delaware Public Employee's Retirement System [DPERS] CAFR.

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

General Information About the Plan

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

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

Vesting: Five years of credited service.

NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)

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

General Information About the Plan (continued)

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

Disability Benefits:

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

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

Contributions:

- **Employer:** Determined by Board of Pension Trustees. Employer contributions were 16.68% and 11.66% of employee earnings for fiscal 2019 and 2018, respectively.
- **Member:** 7% of compensation.

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

At June 30, 2020 and 2019, the City reported a pension liability of \$344,872 and \$316,759, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019 and 2018, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The City's proportion of the net pension liability was based on a projection of the City's long-term share of the contributions to the pension plan relative to the total projected contributions of the State and all participating Counties and municipalities within the State of Delaware, actuarially determined. At June 30, 2019 and 2018, the City's proportion was 1.2007% and 1.3754%, which was a decrease of 0.1747% and an increase of 0.0736% from its proportion measured as of June 30, 2018 and 2017, respectively.

As a result of its requirement to contribute to the DPERS, the City recognized pension expense (contribution) of \$309,450 and \$217,274 for the years ended June 30, 2020 and 2019, respectively. At June 30, 2020 and 2019, the City reported deferred outflows and inflows of resources from the following sources resulting from its requirement to contribute to DPERS:

| Description | Deferred Resources | | | |
|--|--------------------|------------------|-------------------|------------------|
| | 2020 | | 2019 | |
| | Outflows | Inflows | Outflows | Inflows |
| Differences between expected and actual experience | \$ 155,741 | \$ 38,258 | \$ 238,732 | \$ 51,935 |
| Changes of assumptions | 50,051 | 15,237 | 82,570 | 29,835 |
| Net difference between projected and actual earnings on pension plan investments | (54,494) | (28,652) | (57,148) | (28,066) |
| Contributions subsequent to the measurement date | 184,064 | - | 177,043 | - |
| Change in proportion and differences between City contributions and proportionate share of contributions | 15,326 | 15,552 | 25,769 | 5,696 |
| Totals | <u>\$ 350,688</u> | <u>\$ 40,395</u> | <u>\$ 466,966</u> | <u>\$ 59,400</u> |

NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)

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

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

\$184,064 and \$177,043 reported as deferred outflows of resources related to the pension resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the years ending June 30, 2021 and 2020, respectively. Other amounts reported as deferred outflows and inflows of resources related to pension will be recognized in pension expense as follows:

| Years Ending June 30 | Amounts |
|----------------------|-------------------|
| 2020 | \$ 38,690 |
| 2021 | (22,692) |
| 2022 | 7,698 |
| 2023 | 32,117 |
| 2024 | 20,413 |
| 2025 and thereafter | 50,003 |
| Totals | <u>\$ 126,229</u> |

Actuarial assumptions: The total pension liability in the June 30, 2019 and 2018 actuarial valuation was determined using the following actuarial assumptions noted below, applied to all periods included in the measurement.

| Description | 2019 | 2018 |
|----------------------------|--|--|
| Inflation | 2.50% | 2.50% |
| Projected salary increases | 2.50% plus Merit, including inflation | 2.50% plus Merit, including inflation |
| Investment rate of return | 7.00%, net of expenses | 7.00%, net of expenses |
| Cost-of-living adjustments | 0.00% | 0.00% |

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

Mortality rates are based on the RP-2014 tables with gender adjustments for healthy annuitants and disabled retirees and an adjusted version on MP-2015 mortality improvement scale on a fully generational basis.

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

NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)

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

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

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

| Asset Class | Long-Term Expected | | | |
|-------------------------|---------------------|-------|-------------------|--------|
| | Real Rate of Return | | Asset Allocations | |
| | 2019 | 2018 | 2019 | 2018 |
| Domestic equity | 5.70% | 5.70% | 29.50% | 30.70% |
| International equity | 5.70% | 5.70% | 13.50% | 13.90% |
| Fixed income | 2.00% | 2.00% | 27.10% | 23.30% |
| Alternative investments | 7.80% | 7.80% | 22.40% | 24.40% |
| Cash and equivalents | 0.00% | 0.00% | 7.50% | 7.70% |

Discount rate: The discount rate for the Plan used to measure total pension liability was 7.00% for the years ended June 30, 2019 and 2018. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at rates determined by the Board of Pension Trustees, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate: The following presents the City's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.00%, respectively, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

| Plan | 1% | Discount | 1% |
|--|-------------|------------|--------------|
| | Decrease | Rate | Increase |
| Plan | [6.00%] | [7.00%] | [8.00%] |
| Police Officers of City of New Castle's County & Municipal Police and Firefighters' Pension Plan [CMPFPP]: | | | |
| Fiscal year 2020 | \$1,132,896 | \$ 344,872 | \$ (297,906) |
| Plan | [6.00%] | [7.00%] | [8.00%] |
| Police Officers of City of New Castle's County & Municipal Police and Firefighters' Pension Plan [CMPFPP]: | | | |
| Fiscal year 2019 | \$1,161,168 | \$ 316,759 | \$ (336,737) |

NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)

County & Municipal Other Employees' Pension Plan [CMOEPP]

The City's second defined-benefit pension plan is part of the "County & Municipal Other Employees' Pension Plan" [CMOEPP], a cost-sharing multiple-employer defined-benefit pension plan established in the Delaware Code. The State of Delaware's General Assembly is responsible for setting benefits and contributions and amending the plan provisions; administrative rules and regulations are adopted and maintained by the Board of Pension Trustees [the "Board"]. Plan management is the responsibility of the Board, which is comprised of five members appointed by the Governor and confirmed by the State Senate, plus two ex-officio members. The daily operation is the responsibility of the Delaware Office of Pensions. Although most of the Plan assets are commingled with other plans for investment purposes, the Plan assets may be used only for the payment of benefits to the Plan members in accordance with the terms of the Plan. The following is a brief description of the Plan in effect at June 30, 2019 and 2018. For a more complete Plan description, refer to the Delaware Public Employee's Retirement System [the DPERS] CAFR.

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

General Information About the Plan

Plan Description and Eligibility: The Plan covers employees [other than police officers or firefighters] of Counties or Municipalities of the State of Delaware that have joined the Plan, such as the City of New Castle.

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

Vesting: 5 years of credited service.

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

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

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

Contributions:

- **Employer:** Determined by Board of Pension Trustees. Employer contributions were 7.29% and 7.09% of employee earnings for fiscal years 2019 and 2018, respectively.
- **Member:** 3% of earnings in excess of \$6,000.

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

At June 30, 2020 and 2019, the City reported a pension liability of \$92,973 and \$69,427, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019 and 2018, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the total projected contributions of the State and all participating Counties and municipalities within the State of Delaware, actuarially determined. At June 30, 2019 and 2018, the City's proportion was 2.0296% and 2.2062%, which was a decrease of 0.1766% and a decrease of 0.4353% from its proportion measured as of June 30, 2018 and 2017, respectively.

NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)

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

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

As a result of its requirement to contribute to DPERS, the City recognized pension expense of \$86,290 and \$49,306 for the years ended June 30, 2020 and 2019, respectively. At June 30, 2020 and 2019, the City reported deferred outflows and inflows of resources from the following sources as a result of its requirement to contribute to DPERS:

| Description | Deferred Resources | | | |
|--|--------------------|------------------|------------------|------------------|
| | 2020 | | 2019 | |
| | Outflows | Inflows | Outflows | Inflows |
| Differences between expected and actual experience | \$ 18,771 | \$ 16,028 | \$ 19,774 | \$ 29,045 |
| Changes of assumptions | 14,459 | - | 26,605 | - |
| Net difference between projected and actual earnings on pension plan investments | (14,427) | (7,259) | (15,660) | (10,746) |
| Contributions subsequent to the measurement date | 67,326 | - | 65,721 | - |
| Change in proportion and differences between City contributions and proportionate share of contributions | 761 | 7,043 | 1,106 | 12,752 |
| Totals | <u>\$ 86,890</u> | <u>\$ 15,812</u> | <u>\$ 97,546</u> | <u>\$ 31,051</u> |

\$67,326 and \$65,721 reported as deferred outflows of resources related to the pension resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the years ending June 30, 2021 and 2020, respectively. The other amounts reported as deferred outflows and inflows of resources will be recognized in the pension expense as follows:

| Years Ending June 30 | Amounts |
|----------------------|-----------------|
| 2020 | \$ 5,763 |
| 2021 | (10,752) |
| 2022 | 3 |
| 2023 | 8,740 |
| 2024 | 4,875 |
| 2025 and thereafter | (4,877) |
| Totals | <u>\$ 3,752</u> |

Actuarial assumptions: The total pension liability in the June 30, 2019 and 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| Description | 2019 | 2018 |
|----------------------------|---------------------------------------|---------------------------------------|
| Inflation | 2.50% | 2.50% |
| Projected salary increases | 2.50% plus Merit, including inflation | 2.50% plus Merit, including inflation |
| Investment rate of return | 7.00%, net of expenses | 7.00%, net of expenses |
| Cost-of-living adjustments | 0.00% | 0.00% |

NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)

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

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

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

Mortality rates are based on the RP-2014 tables with gender adjustments for healthy annuitants and disabled retirees and an adjusted version on MP-2015 mortality improvement scale on a fully generational basis.

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

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

| Asset Class | Long-Term Expected | | Asset Allocations | |
|-------------------------|---------------------|-------|-------------------|--------|
| | Real Rate of Return | | | |
| | 2019 | 2018 | 2019 | 2018 |
| Domestic equity | 5.70% | 5.70% | 29.50% | 30.70% |
| International equity | 5.70% | 5.70% | 13.50% | 13.90% |
| Fixed income | 2.00% | 2.00% | 27.10% | 23.30% |
| Alternative investments | 7.80% | 7.80% | 22.40% | 24.40% |
| Cash and equivalents | 0.00% | 0.00% | 7.50% | 7.70% |

Discount rate: The discount rate for the Plan used to measure the total pension liability was 7.00% for the years ended June 30, 2019 and 2018. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at rates determined by the Board of Pension Trustees, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)

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

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

Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate: The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.00%, respectively, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

| Plan | 1% Decrease [6.00%] | Discount Rate [7.00%] | 1% Increase [8.00%] |
|--|---------------------------|-----------------------------|---------------------------|
| Other Employees of City of New Castle's County & Municipal Other Employees' Pension Plan [CMOEPP]: | | | |
| Fiscal year 2020 | \$ 291,532 | \$ 92,973 | \$ (70,082) |
| Plan | 1% Decrease [6.00%] | Discount Rate [7.00%] | 1% Increase [8.00%] |
| Other Employees of City of New Castle's County & Municipal Other Employees' Pension Plan [CMOEPP]: | | | |
| Fiscal year 2019 | \$ 262,383 | \$ 69,427 | \$ (86,417) |

NOTE 10 - LEASING ARRANGEMENTS AS LESSEE

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

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

At June 30, 2020, the minimum future payments required under non-cancelable operating leasing arrangements having remaining terms in excess of one year in the aggregate are as follows:

| Years Ending June 30 | Amount |
|--|-----------|
| 2021 | \$ 6,792 |
| 2022 | 6,792 |
| 2023 | 1,132 |
| Total minimum future payments required | \$ 14,716 |

Total leasing costs are \$6,792 and \$6,192 for the years ended June 30, 2020 and 2019, respectively.

NOTE 11 - LEASING ARRANGEMENTS AS LESSOR

The City is the lessor of certain property under non-cancelable operating leasing arrangements expiring at various dates. The following table summarizes the property held for lease at June 30, 2020:

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

Certain leasing arrangements are generally based on a percentage of lessee collections and as such rental revenue is not estimated for future years. Total rental revenue received is \$80,271 and \$90,339 for the years ended June 30, 2020 and 2019, respectively.

On June 22, 2016, the City entered into three thirty [30] year leasing arrangements, commencing on the date of the leases, and terminating on June 30, 2046 with tenant option to renew for three successive increments of ten [10] years not to exceed a maximum possible term of sixty [60] years with the Municipal Services Commission [MSC] for the following three real properties:

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

The three lease arrangements carry an annual rent of \$1.

NOTE 12 - OTHER RISKS

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

NOTE 13 - COMMITMENTS AND CONTINGENCIES

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

Collective Bargaining Agreements

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

The City is also operating under a three-year agreement with Council 81 AFSCME AFL-CIO for its nonsupervisory employees in Public Works, Building and Administration Departments for the period of July 1, 2015 to June 30, 2018, and the agreement was extended for an additional four-year period from July 1, 2018 to June 30, 2022.

Government Grant Awards

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

Litigation

In the normal course of business, the City may become involved in litigation; any losses from such litigation are generally covered by insurance. At June 30, 2020, the City is involved in several disputes which the City solicitor anticipates will not result in significant financial liability to the City.

NOTE 13 - COMMITMENTS AND CONTINGENCIES (continued)

Construction Commitment

At June 30, 2020, the City has the following construction commitment:

| Description | Total | Expended | Remaining | Expected Completion Date |
|--|-------------|------------|-------------|--------------------------------|
| Street and infrastructure improvements | \$2,013,271 | \$ 771,586 | \$1,241,685 | 6/30/2021 |

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

NOTE 14 - GASB STATEMENT IMPLEMENTATION

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. As a result of the COVID-19 pandemic, the GASB has postponed the implementation date for statements issued prior to the GASB Statement No. 95 for one year in order to provide relief to governments. The City has not implemented any new GASB Statements during the year ended June 30, 2020.

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

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 information needs of the financial statement users by improving accounting and financial reporting for leases by governments. The Statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset.

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

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

NOTE 14 - GASB STATEMENT IMPLEMENTATION (continued)

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

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

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

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

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

NOTE 15 - RECLASSIFICATIONS

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

NOTE 16 - EVALUATION OF SUBSEQUENT EVENTS

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

Required Supplementary Information [RSI] Section

CITY OF NEW CASTLE, DELAWARE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE—BUDGET AND ACTUAL—
GENERAL FUND
Year Ended June 30, 2020

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget |
|---|---------------------|---------------------|---------------------|-------------------------------|
| | Original | Final | | Positive (Negative) |
| REVENUES | | | | |
| Taxes: | | | | |
| Property taxes | \$ 3,050,000 | \$ 3,050,000 | \$ 3,161,821 | \$ 111,821 |
| Property transfer taxes | 225,000 | 225,000 | 400,401 | 175,401 1 |
| Cable franchise taxes | 125,000 | 125,000 | 133,159 | 8,159 |
| Licenses and permits | 279,500 | 279,500 | 488,109 | 208,609 2 |
| Intergovernmental revenues | - | - | - | - 3 |
| Police fines and court fees | 35,000 | 35,000 | 47,424 | 12,424 4 |
| Charges for services | 39,000 | 39,000 | 53,788 | 14,788 4 |
| Interest and rents | 95,000 | 95,000 | 131,926 | 36,926 5 |
| Miscellaneous revenues | 1,482,271 | 1,482,271 | 23,642 | (1,458,629) 4 |
| Total revenues | 5,330,771 | 5,330,771 | 4,440,270 | (890,501) |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 1,199,464 | 1,199,464 | 1,091,850 | 107,614 |
| Public safety | 1,993,088 | 1,993,088 | 1,860,357 | 132,731 |
| Public services | 1,123,919 | 1,123,919 | 1,126,735 | (2,816) |
| Parks and recreation | 140,326 | 140,326 | 125,683 | 14,643 6 |
| Committees and commissions | 24,265 | 24,265 | 28,965 | (4,700) |
| Capital outlay | 1,450,009 | 1,450,009 | 627,851 | 822,158 7 |
| Debt service | 147,200 | 147,200 | 226,280 | (79,080) 8 |
| Total expenditures | 6,078,271 | 6,078,271 | 5,087,721 | 990,550 |
| EXCESS (DEFICIT) OF | | | | |
| REVENUES OVER EXPENDITURES | (747,500) | (747,500) | (647,451) | 100,049 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Proceeds from new financing | - | - | 94,678 | 94,678 9 |
| Proceeds from sale of capital assets | 2,500 | 2,500 | 25,300 | 22,800 10 |
| Refunds of prior years' revenues | - | - | (34,488) | (34,488) |
| Annual appropriation: | | | | |
| Municipal Services Commission | 665,000 | 665,000 | 670,436 | 5,436 |
| Operating transfers (out) in | - | - | 10,150 | 10,150 |
| Total other financing sources (uses) | 667,500 | 667,500 | 766,076 | 98,576 |
| NET CHANGE IN FUND BALANCE | (80,000) | (80,000) | 118,625 | 198,625 |
| FUND BALANCES | | | | |
| Beginning of year | 1,452,271 | 1,452,271 | 4,534,063 | 3,081,792 |
| Budgeted as special revenues | 80,000 | 80,000 | - | (80,000) 3 |
| End of year | \$ 1,452,271 | \$ 1,452,271 | \$ 4,652,688 | \$ 3,200,417 |

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CITY OF NEW CASTLE, DELAWARE

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

Year Ended June 30, 2020

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Budget Variances in Excess of 10% of budget

1. The favorable variance in property transfer taxes is due to a better-than-expected housing market.
2. The favorable variance in licenses and permits is due to an increase in property development in the City, business demand for services, and the general economic environment.
3. Intergovernmental revenues are generally reported in the special revenue fund.
4. Police fines and court fees, charges for services, and miscellaneous revenues are budgeted consistent with recent historical trends; however, these sources of revenue are difficult to predict.
5. Interest and rents exceeded the budgeted amount primarily due to the increase in interest rates by the Federal Reserve Bank.
6. The favorable variance in parks and recreations expenditures is primarily due to budgeting for a revitalization project which did not proceed.
7. The favorable capital outlay expenditures variance is due to City using special revenue grants and reserves to assist in major infrastructure projects.
8. Variance in debt service expenditures is due to the accelerated paydown and payoff of long-term debt.
9. Proceeds from new financing is typically not budgeted. The City received new financing for vehicles during the year.
10. The City sold several vehicles during the year.

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CITY OF NEW CASTLE, DELAWARE

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
OF THE COUNTY & MUNICIPAL POLICE AND FIREFIGHTERS' PENSION PLAN [CMPFPP]

As of and Years Ended June 30,

| | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| City's proportion of net pension liability (asset) | <u>1.2007%</u> | <u>1.3754%</u> | <u>1.3018%</u> | <u>1.3312%</u> | <u>1.7091%</u> | <u>1.6378%</u> |
| City's proportionate share of net pension liability (asset) | <u>\$ 344,872</u> | <u>\$ 316,759</u> | <u>\$ 131,244</u> | <u>\$ 211,602</u> | <u>\$ (90,077)</u> | <u>\$ (177,172)</u> |
| City's covered-employee payroll | <u>\$ 1,061,436</u> | <u>\$ 1,151,657</u> | <u>\$ 1,069,639</u> | <u>\$ 1,058,392</u> | <u>\$ 1,126,936</u> | <u>\$ 1,085,123</u> |
| City's proportionate share of net pension liability (asset) as a percentage of its covered-employee payroll | <u>32.49%</u> | <u>27.50%</u> | <u>12.27%</u> | <u>19.99%</u> | <u>-7.99%</u> | <u>-16.33%</u> |
| Plan's fiduciary net position as percentage of total pension liability | <u>93.25%</u> | <u>94.10%</u> | <u>97.00%</u> | <u>94.71%</u> | <u>101.97%</u> | <u>104.47%</u> |

Note to Schedule:

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

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

| | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Contractually required contribution | \$ 184,064 | \$ 177,043 | \$ 134,242 | \$ 147,290 | \$ 146,588 | \$ 159,800 |
| Contributions in relation to contractually required contribution | <u>184,064</u> | <u>177,043</u> | <u>134,242</u> | <u>147,290</u> | <u>146,588</u> | <u>159,800</u> |
| Annual contribution (deficiency) excess | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| City covered-employee payroll | <u>\$ 1,093,015</u> | <u>\$ 1,061,436</u> | <u>\$ 1,151,657</u> | <u>\$ 1,069,639</u> | <u>\$ 1,058,392</u> | <u>\$ 1,126,936</u> |
| Contributions as percentage of covered-employee payroll | <u>16.84%</u> | <u>16.68%</u> | <u>11.66%</u> | <u>13.77%</u> | <u>13.85%</u> | <u>14.18%</u> |

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CITY OF NEW CASTLE, DELAWARE

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

As of and Years Ended June 30,

| | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|--------------------|
| City's proportion of net pension liability (asset) | <u>2.0296%</u> | <u>2.2062%</u> | <u>2.6415%</u> | <u>2.5386%</u> | <u>3.5470%</u> | <u>3.5643%</u> |
| City's proportionate share of net pension liability (asset) | <u>\$ 92,973</u> | <u>\$ 69,427</u> | <u>\$ 171,148</u> | <u>\$ 157,286</u> | <u>\$ 1,513</u> | <u>\$ (13,121)</u> |
| City's covered-employee payroll | <u>\$ 901,508</u> | <u>\$ 878,846</u> | <u>\$ 902,442</u> | <u>\$ 923,387</u> | <u>\$ 980,414</u> | <u>\$ 963,705</u> |
| City's proportionate share of net pension liability (asset) as a percentage of its covered-employee payroll | <u>10.31%</u> | <u>7.90%</u> | <u>18.96%</u> | <u>17.03%</u> | <u>0.15%</u> | <u>-1.36%</u> |
| Plan's fiduciary net position as percentage of total pension liability | <u>92.74%</u> | <u>94.41%</u> | <u>87.62%</u> | <u>86.38%</u> | <u>99.89%</u> | <u>101.07%</u> |

Note to Schedule:

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

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

| | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Contractually required contribution | \$ 67,326 | \$ 65,721 | \$ 62,342 | \$ 66,409 | \$ 57,342 | \$ 63,531 |
| Contributions in relation to contractually required contribution | <u>67,326</u> | <u>65,721</u> | <u>62,342</u> | <u>66,409</u> | <u>57,342</u> | <u>63,531</u> |
| Annual contribution (deficiency) excess | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| City covered-employee payroll | <u>\$ 924,795</u> | <u>\$ 901,518</u> | <u>\$ 878,846</u> | <u>\$ 902,442</u> | <u>\$ 923,387</u> | <u>\$ 980,414</u> |
| Contributions as percentage of covered-employee payroll | <u>7.28%</u> | <u>7.29%</u> | <u>7.09%</u> | <u>7.36%</u> | <u>6.21%</u> | <u>6.48%</u> |

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Supplementary Information Section

CITY OF NEW CASTLE, DELAWARE
 COMBINING BALANCE SHEET-SPECIAL REVENUE FUND
 As of June 30, 2020 with Comparative Totals for 2019

| | Special Revenue Fund | | | Totals | |
|--|----------------------|------------------|-------------|----------------------|-------------------|
| | Federal | State | Trustees of | Special Revenue Fund | |
| | Funding | Funding | New Castle | [Memorandum Only] | |
| | [See Pg 38] | [See Pg 39] | Common | 2020 | 2019 |
| ASSETS | | | | | |
| ASSETS | | | | | |
| Cash and equivalents | \$ - | \$ 67,433 | \$ - | \$ 67,433 | \$ 258,515 |
| Accounts receivable | - | - | - | - | 28,900 |
| Due from other governments | 11,736 | 60,000 | - | 71,736 | 17,299 |
| Interfund receivable (payable) | (11,601) | (60,332) | - | (71,933) | 19,448 |
| TOTAL ASSETS | <u>\$ 135</u> | <u>\$ 67,101</u> | <u>\$ -</u> | <u>\$ 67,236</u> | <u>\$ 324,162</u> |
| LIABILITIES AND FUND BALANCES | | | | | |
| LIABILITIES | | | | | |
| Accounts payable and other | \$ 135 | \$ - | \$ - | \$ 135 | \$ 45,858 |
| Unearned revenues | - | 9,423 | - | 9,423 | 15,240 |
| Refundable advances | - | - | - | - | - |
| Total liabilities | <u>135</u> | <u>9,423</u> | <u>-</u> | <u>9,558</u> | <u>61,098</u> |
| FUND BALANCES | | | | | |
| Restricted for specific programs | - | 8,169 | - | 8,169 | 243,100 |
| Assigned | - | 49,509 | - | 49,509 | 19,964 |
| Total fund balances | <u>-</u> | <u>57,678</u> | <u>-</u> | <u>57,678</u> | <u>263,064</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ 135</u> | <u>\$ 67,101</u> | <u>\$ -</u> | <u>\$ 67,236</u> | <u>\$ 324,162</u> |

See Report of Independent Auditor

CITY OF NEW CASTLE, DELAWARE
 COMBINING BALANCE SHEET-SPECIAL REVENUE FUND
 As of June 30, 2020 with Comparative Totals for 2019

| | Federal Funding | | Total Federal Funding | |
|--|--------------------------------|--------------------------------|-----------------------|-------------|
| | Criminal Justice Council | Office of Highway Safety | [Memorandum Only] | |
| | | | 2020 | 2019 |
| ASSETS | | | | |
| ASSETS | | | | |
| Cash and equivalents | \$ - | \$ - | \$ - | \$ - |
| Accounts receivable | - | - | - | - |
| Due from other governments | 11,736 | - | 11,736 | 7,050 |
| Interfund receivable (payable) | (11,601) | - | (11,601) | (7,050) |
| TOTAL ASSETS | \$ 135 | \$ - | \$ 135 | \$ - |
| LIABILITIES AND FUND BALANCES | | | | |
| LIABILITIES | | | | |
| Accounts payable and other | \$ 135 | \$ - | \$ 135 | \$ - |
| Unearned revenues | - | - | - | - |
| Refundable advances | - | - | - | - |
| Total liabilities | 135 | - | 135 | - |
| FUND BALANCES | | | | |
| Restricted for specific programs | - | - | - | - |
| Assigned | - | - | - | - |
| Total fund balances | - | - | - | - |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 135 | \$ - | \$ 135 | \$ - |

See Report of Independent Auditor

CITY OF NEW CASTLE, DELAWARE
 COMBINING BALANCE SHEET-SPECIAL REVENUE FUND
 As of June 30, 2020 with Comparative Totals for 2019

| | State Funding | | | | | | Total State Funding | |
|--|---------------|-----------------|-----------------|-----------------|------------------|-----------------|---------------------|-------------------|
| | Municipal | Police | | | Separation | Other | [Memorandum Only] | |
| | Street Aid | Pension | SALLE | EIDE | Day | Grants | 2020 | 2019 |
| ASSETS | | | | | | | | |
| ASSETS | | | | | | | | |
| Cash and equivalents | \$ 1,246 | \$ 8,169 | \$ 3,889 | \$ 4,430 | \$ 35,195 | \$ 14,504 | \$ 67,433 | \$ 258,515 |
| Accounts receivable | - | - | - | - | - | - | - | 28,900 |
| Due from other governments | - | - | - | - | - | 60,000 | 60,000 | 10,249 |
| Interfund receivable (payable) | (1,246) | - | - | - | 14,314 | (73,400) | (60,332) | 26,498 |
| TOTAL ASSETS | \$ - | \$ 8,169 | \$ 3,889 | \$ 4,430 | \$ 49,509 | \$ 1,104 | \$ 67,101 | \$ 324,162 |
| LIABILITIES AND FUND BALANCES | | | | | | | | |
| LIABILITIES | | | | | | | | |
| Accounts payable and other | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 45,858 |
| Unearned revenues | - | - | 3,889 | 4,430 | - | 1,104 | 9,423 | 15,240 |
| Refundable advances | - | - | - | - | - | - | - | - |
| Total liabilities | - | - | 3,889 | 4,430 | - | 1,104 | 9,423 | 61,098 |
| FUND BALANCES | | | | | | | | |
| Restricted for specific programs | - | 8,169 | - | - | - | - | 8,169 | 243,100 |
| Assigned | - | - | - | - | 49,509 | - | 49,509 | 19,964 |
| Total fund balances | - | 8,169 | - | - | 49,509 | - | 57,678 | 263,064 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ - | \$ 8,169 | \$ 3,889 | \$ 4,430 | \$ 49,509 | \$ 1,104 | \$ 67,101 | \$ 324,162 |

See Report of Independent Auditor

CITY OF NEW CASTLE, DELAWARE

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-
SPECIAL REVENUE FUND

As of June 30, 2020 with Comparative Totals for 2019

| | Special Revenue Fund | | | Totals | |
|---|----------------------|------------------|----------------|----------------------|----------------|
| | Federal | State | Trustees of | Special Revenue Fund | |
| | Funding | Funding | New Castle | [Memorandum Only] | |
| | | | Common | 2020 | 2019 |
| | [See Pg 41] | [See Pg 42] | | | |
| REVENUES | | | | | |
| Intergovernmental revenues: | | | | | |
| Federal funding | \$ 18,204 | \$ - | \$ - | \$ 18,204 | \$ 20,565 |
| State funding | - | 528,637 | - | 528,637 | 454,642 |
| Trustees of New Castle Common | - | - | 225,000 | 225,000 | 350,157 |
| Interest revenue | - | 1,868 | - | 1,868 | 1,200 |
| Program fees and other | - | 4,500 | - | 4,500 | 58,478 |
| Total revenues | 18,204 | 535,005 | 225,000 | 778,209 | 885,042 |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| General government | - | - | - | - | - |
| Public safety | 18,204 | 137,168 | - | 155,372 | 196,012 |
| Public services | - | 235,000 | - | 235,000 | 153,831 |
| Parks and recreation | - | - | - | - | 92,928 |
| Capital outlay: | | | | | |
| General government | - | - | - | - | - |
| Public safety | - | - | - | - | - |
| Public services | - | 358,073 | - | 358,073 | 125,157 |
| Parks and recreation | - | - | - | - | - |
| Debt service: | | | | | |
| Principal | - | - | 167,603 | 167,603 | 192,501 |
| Interest and other fees | - | - | 57,397 | 57,397 | 32,499 |
| Total expenditures | 18,204 | 730,241 | 225,000 | 973,445 | 792,928 |
| EXCESS REVENUES OVER | | | | | |
| (UNDER) EXPENDITURES | | | | | |
| | - | (195,236) | - | (195,236) | 92,114 |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Refund of prior year revenues | - | - | - | - | - |
| Operating transfers in (out) | - | (10,150) | - | (10,150) | (974) |
| Total other financing sources (uses) | - | (10,150) | - | (10,150) | (974) |
| NET CHANGE IN FUND BALANCES | - | (205,386) | - | (205,386) | 91,140 |
| FUND BALANCES | | | | | |
| Beginning of year | - | 263,064 | - | 263,064 | 171,924 |
| End of year | \$ - | \$ 57,678 | \$ - | \$ 57,678 | \$ 263,064 |

See Report of Independent Auditor

CITY OF NEW CASTLE, DELAWARE

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-
SPECIAL REVENUE FUND

As of June 30, 2020 with Comparative Totals for 2019

| | Federal Funding | | Total Federal Funding | |
|--|--------------------------------|--------------------------------|-----------------------|---------------|
| | Criminal Justice Council | Office of Highway Safety | [Memorandum Only] | |
| | | | 2020 | 2019 |
| REVENUES | | | | |
| Intergovernmental revenues: | | | | |
| Federal funding | \$ 11,736 | \$ 6,468 | \$ 18,204 | \$ 20,565 |
| State funding | - | - | - | - |
| Trustees of New Castle Common | - | - | - | - |
| Interest revenue | - | - | - | - |
| Program fees and other | - | - | - | - |
| Total revenues | <u>11,736</u> | <u>6,468</u> | <u>18,204</u> | <u>20,565</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | - | - | - | - |
| Public safety | 11,736 | 6,468 | 18,204 | 20,565 |
| Public services | - | - | - | - |
| Parks and recreation | - | - | - | - |
| Capital outlay: | | | | |
| General government | - | - | - | - |
| Public safety | - | - | - | - |
| Public services | - | - | - | - |
| Parks and recreation | - | - | - | - |
| Debt service: | | | | |
| Principal | - | - | - | - |
| Interest and other fees | - | - | - | - |
| Total expenditures | <u>11,736</u> | <u>6,468</u> | <u>18,204</u> | <u>20,565</u> |
| EXCESS REVENUES OVER (UNDER) EXPENDITURES | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Refund of prior year revenues | - | - | - | - |
| Operating transfers in (out) | - | - | - | - |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| NET CHANGE IN FUND BALANCES | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| FUND BALANCES | | | | |
| Beginning of year | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| End of year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

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CITY OF NEW CASTLE, DELAWARE

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-
SPECIAL REVENUE FUND

As of June 30, 2020 with Comparative Totals for 2019

| | State Funding | | | | | Total State Funding [Memorandum Only] | | |
|---|-------------------------|-------------------|--------------|--------------|-------------------|--|------------------|-------------------|
| | Municipal Street Aid | Police Pension | SALLE | EIDE | Separation Day | Other Grants | 2020 | 2019 |
| REVENUES | | | | | | | | |
| Intergovernmental revenues: | | | | | | | | |
| Federal funding | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| State funding | 121,469 | 68,439 | 4,786 | 1,349 | 35,000 | 297,594 | 528,637 | 454,642 |
| Trustees of New Castle Common | - | - | - | - | - | - | - | - |
| Interest revenue | 1,629 | 44 | - | - | 195 | - | 1,868 | 1,200 |
| Program fees and other | - | - | - | - | 4,500 | - | 4,500 | 58,478 |
| Total revenues | <u>123,098</u> | <u>68,483</u> | <u>4,786</u> | <u>1,349</u> | <u>39,695</u> | <u>297,594</u> | <u>535,005</u> | <u>514,320</u> |
| EXPENDITURES | | | | | | | | |
| Current: | | | | | | | | |
| General government | - | - | - | - | - | - | - | - |
| Public safety | - | 68,439 | 4,786 | 1,349 | - | 62,594 | 137,168 | 175,447 |
| Public services | - | - | - | - | - | 235,000 | 235,000 | 153,831 |
| Parks and recreation | - | - | - | - | - | - | - | 92,928 |
| Capital outlay: | | | | | | | | |
| General government | - | - | - | - | - | - | - | - |
| Public safety | - | - | - | - | - | - | - | - |
| Public services | 358,073 | - | - | - | - | - | 358,073 | - |
| Parks and recreation | - | - | - | - | - | - | - | - |
| Debt service: | | | | | | | | |
| Principal | - | - | - | - | - | - | - | - |
| Interest and other fees | - | - | - | - | - | - | - | - |
| Total expenditures | <u>358,073</u> | <u>68,439</u> | <u>4,786</u> | <u>1,349</u> | <u>-</u> | <u>297,594</u> | <u>730,241</u> | <u>422,206</u> |
| EXCESS REVENUES OVER (UNDER) EXPENDITURES | <u>(234,975)</u> | <u>44</u> | <u>-</u> | <u>-</u> | <u>39,695</u> | <u>-</u> | <u>(195,236)</u> | <u>92,114</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | | | |
| Refund of prior year revenues | - | - | - | - | - | - | - | - |
| Operating transfers in (out) | - | - | - | - | (10,150) | - | (10,150) | (974) |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(10,150)</u> | <u>-</u> | <u>(10,150)</u> | <u>(974)</u> |
| NET CHANGE IN FUND BALANCES | <u>(234,975)</u> | <u>44</u> | <u>-</u> | <u>-</u> | <u>29,545</u> | <u>-</u> | <u>(205,386)</u> | <u>91,140</u> |
| FUND BALANCES | | | | | | | | |
| Beginning of year | 234,975 | 8,125 | - | - | 19,964 | - | 263,064 | 171,924 |
| End of year | <u>\$ -</u> | <u>\$ 8,169</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 49,509</u> | <u>\$ -</u> | <u>\$ 57,678</u> | <u>\$ 263,064</u> |

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