

Comprehensive Annual Financial Report

City of Newark, Delaware



For the Fiscal Year Ended
December 31, 2012

Comprehensive Annual Financial Report For the Fiscal Year Ended December 31, 2012



Prepared by the City of Newark Finance Department

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CITY OF NEWARK

Delaware

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED DECEMBER 31, 2012

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*South Main Street
Ribbon Cutting Ceremony*

INTRODUCTORY SECTION



FINANCE DEPARTMENT

CITY OF NEWARK

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June 30, 2013

The Honorable Mayor, Members of City Council and Citizens of Newark,

I am pleased to submit to you the Comprehensive Annual Financial Report of the City of Newark for the fiscal year ended December 31, 2012. This report is published to comply with the provisions of Section 807 of the City Charter. It is also intended to provide financial data to the tax and utility payers, bond holders, trustees, lenders, depository institutions, federal and state agencies and the financial community at large.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal controls that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

The financial statements in this report have been audited by CliftonLarsonAllen LLP, an independent firm of certified public accountants as required by Section 807 of the City Charter. CliftonLarsonAllen LLP has provided an unqualified opinion on the City of Newark financial statements for the year ended December 31, 2012. The independent auditor's report is located at the front of the financial section of this report.

Management's Discussion and Analysis (MD&A) provides a narrative introduction, overview and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with the basic financial statements and notes to the financial statements. The MD&A can be found immediately following the report of our independent auditors.

THE REPORTING ENTITY AND ITS SERVICES

The City of Newark is located in the northwestern part of the state of Delaware. Pursuant to Title 22, Delaware Code, 1953, the City was granted the right to exercise all expressed and implied powers and authority of local self-government and home rule under a Charter governed by the Delaware Constitution.

The City has a Council-City Manager form of government with a non-partisan Mayor and six members of Council. The Council members are elected from separate districts for staggered terms of two years. The City Council has responsibility for all legislative matters, including the enactment of all ordinances and resolutions. Policy is formulated by the City Council and Mayor, with input from the professional staff, as well as resident volunteers who serve on the City's fourteen boards and committees.

THE ECONOMY

Newark is one of Delaware's principal economic, industrial and academic centers. The main campus of the University of Delaware is located within the City. The University is a leading scientific and research institution with a special focus on bio-technology, chemical engineering and composite materials. Approximately 21,850 full- and part-time undergraduate and graduate students attend the University in Newark. Newark's largest manufacturer had been the East Coast assembly plant for the Chrysler Corporation, which produced a line of sport utility vehicles. However, Chrysler closed the plant in 2008 due to the well-publicized financial difficulties that crippled US auto makers at the time. The plant site has since been purchased by the University of Delaware, which has extensive plans for development of the site as a science and technology center in connection with Thomas Jefferson University, Christiana Care and Nemours through the Delaware Health Sciences Alliance (DHSA), the U.S. Army's Aberdeen Proving Grounds, Bloom Energy, and as recently announced, The Data Centers, LLC. E.I. DuPont de Nemours and Company (agricultural research), Dow Chemical (silicone wafer polishing compounds), Gore (Gore-Tex), FMC (biopolymers) and other major international

*A Council-Manager City
Committed to Service Excellence*

firms maintain large facilities in and around the City. Newark is also the home of Delaware's premier high-tech industrial center – the Delaware Technology Park – located south of the College Square Shopping Center between Library Avenue and Marrows Road. The Bank of America, one of the nation's leading credit card banks, has purchased all of MBNA's corporate campuses in the Newark area. While Newark's industrial sector remains relatively healthy, the City works with area industrial park operators – including the Delaware Technology Park, the Greater Newark Network, the State and New Castle County Chambers of Commerce and the Delaware Development Office – to bring new high quality, low impact manufacturing firms to Newark. The City offers several tax and related benefits as incentives for high quality industrial growth and recently expanded this program by offering targeted electric rate discounts for new or enlarged industrial facilities.

Our nation's main East Coast north-south roadway, Interstate 95, passes through the southern portion of the City. In addition, AMTRAK provides limited intercity passenger rail service up and down the eastern seaboard at the City owned, historic Newark Railroad Station. A nearby SEPTA commuter rail station provides daily service to Wilmington and Philadelphia, and future plans for Maryland Transportation Administration (MARC) service to Baltimore and DC are being developed. The CSX and Norfolk Southern freight lines pass through the community and provide freight rail connections to all major points along the eastern seaboard.

The City has successfully revitalized its traditional Main Street with an exciting and vibrant mixture of adaptively reused historic and new buildings occupied with street level commercial businesses and apartments on upper floors. The City has specifically targeted pedestrian rather than auto-oriented businesses to limit the traffic impact on Main Street and the demand for off-street parking. With this in mind, the City completed construction of the Pomeroy Trail in the summer of 2012, a cycling / pedestrian trail that bisects the Downtown corridor, connecting the University's Laird Campus with the already established Hall Trail, which parallels the AMTRAK rail tracks. These trails are a part of the East Coast Greenway.

The grand opening of the Embassy Suites on South College Avenue in March 2000 marked the arrival of the City's first luxury hotel. Since then, two additional hotels have been constructed – a Homewood Suites adjoining the Embassy Suites at the University's Athletic Complex and a Marriot Courtyard Hotel on the University's north campus – each of which contributed to the City's hotel inventory. At the opposite end of Main Street, the University Courtyard was opened in August 2001. This attractive garden apartment complex on a 22 acre abandoned brownfield factory site is the City's first privately financed "dormitory" intended to provide high quality apartment amenities for University of Delaware students seeking off-campus housing near University facilities and a short walk from downtown.

In 1999 and 2000, two facilities totaling 50,000 square feet were located at the Delaware Technology. Shortly thereafter, the City's last idle downtown industrial site – the old National Vulcanized Fiber plant on White Clay Creek – was successfully redeveloped with waterfront dining and shops, forty apartments and 107,000 square feet of commercial office space. The original mill at this location was constructed in the early eighteenth century and the current structure, built in 1853, operated as a woolen mill and later produced vulcanized fiber (a composite material) up to the early 1990s. Many of the historic structures on the site have been preserved and renovated. The City's creative and flexible approach to planning and zoning that made the project possible was highlighted in the November 11, 2000 Sunday edition of *The New York Times*.

In 2001, one of the City's most acclaimed historic landmarks, the Deer Park Hotel, was fully restored and reopened under new management as the Deer Park Tavern. The property was recorded in 1982 on the U.S. Department of the Interior National Register of Historic Places inventory; it has been operated continuously at its current location since 1851. The restored Deer Park Tavern, reviewed and approved through the City's strict historic preservation ordinance, has drawn large crowds since reopening in the fall of 2001. In addition to being one of the City's most notable landmarks and a popular local entertainment center, the Deer Park is a significant business anchor at the west end of Main Street near the edge of the University campus. It is rumored that Edgar Allen Poe used the site to conjure his musings into the macabre.

Construction of the Washington House, which consists of mixed-use condominiums and commercial development, received Council approval in 2005. The facility was completed in 2008 with occupancy beginning in early 2009. The project brought 54 up-scale condominium apartments, commercial space and a two-story parking facility to the site of the former Stone Balloon tavern. The significance of this project included the introduction of housing for

“non-students” in the Downtown neighborhood, reflecting a desire that exists today for a more diverse mix of residential housing. Newark continues to make efforts to bring owner-occupied or “post-college” professionals back downtown by encouraging development of one and two bedroom housing units. City Council recently approved the New/Center Village overlay district in the heart of downtown to encourage more owner occupancy within the City’s core. In addition, some of Newark’s most recent development projects have been limited to adults, age fifty-five and older, as part of the City’s effort to increase its available housing stock for more mature Newarkers.

The current redevelopment boom discussed in the following section notwithstanding, the diversity and size of the legacy businesses and industries in and around Newark serve to ensure relatively smooth and stable local economic growth. Newark’s selection as the Small Business Association’s Small Business Community of the Year in 2007 is a testament to the strength and stability of the local economy. More recently, Newark was named by *Business Weekly* as the best city for business start-ups in Delaware. Newark remains an industrial, commercial and service hub for New Castle County and nearby counties in Pennsylvania and Maryland, in addition to its status as the State’s principal home for higher education.

While the City has a strong and diverse economic base, it has not been entirely immune to the effects of the national economic recession. The impact of the recession on the local housing market was especially significant, as the slowdown in housing sales reduced the City’s real estate transfer tax revenues in several consecutive years. Construction permit fees had also been adversely affected. However, the City believes the worst of the negative effects are behind it, and that the recovery is underway and ongoing. While the construction of new stand-alone single family housing remains slow, the construction of apartments, primarily designed for the student population, and owner-occupied condominiums is persistently strong, with projects nearing completion and designs being submitted for review by the City for future development. Rittenhouse Station, a mixed-use building containing 10,600 square feet of commercial space on the first floor and fourteen upper story apartments on South Main Street has been completed and is being followed by the Rittenhouse Station II development, which broke ground early in 2013. These projects are clustered around the Downtown corridors of East Main Street and Delaware Avenue, and along South Main Street.

The local Newark economy is considerably resilient in part due to the presence of the University of Delaware, which boasts an endowment in excess of \$1 billion, ranking it 67th in the nation among all universities and one of the highest per capita among public universities. The University is also the City’s single largest employer and electric user. The City’s December, 2012 unemployment rate was 6.5%, while the State unemployment rate was 7.1%. Each measure remains below the national unemployment rate of 7.8%. As previously mentioned, the University has acquired the dormant Chrysler assembly plant site and has produced a twenty-five year plan to revitalize the site into a science and technology campus with designs for renewable energy research / manufacturing and health sciences, as well as residential and other commercial activities and an intermodal transportation hub for rail service by AMTRAK, SEPTA and the Maryland Transit Administration. Bloom Energy Corporation was the first manufacturing facility to locate at the site. The manufacturer of solid oxide fuel cells marketed under the name Bloom Energy Servers™ has nearly completed the construction of its first East Coast facility, which is expected to bring hundreds of 21st century manufacturing jobs to Newark. In addition, The Data Centers, LLC announced plans to invest \$1 billion on the STAR campus to construct 900,000 square feet of data storage space supported by off-the-grid power generation. The activity on the STAR campus is occurring in conjunction with continued construction on the University campus, including new science facilities and plans to reconstruct the Rodney housing complex.

DOWNTOWN NEWARK AND ECONOMIC DEVELOPMENT

Beginning in the mid-1980s, Newark has experienced a downtown development boom. In 1998, the City adopted the “Downtown Newark Economic Enhancement Strategy,” which focuses primarily on downtown economic development efforts but also incorporates information applicable to the overall economic health of Newark. One of the key recommendations from the “Enhancement Strategy” was the establishment of the tri-partite Downtown Newark Partnership, which has served to bring together the business community, the City and the University to continue the enhancement of Newark’s Downtown. Formation of the Partnership has underscored an important aspect of the City’s land use policy; that is, to continue to review annexation and related development requests on the City’s fringes for possible negative impacts on downtown development. While not the exclusive home for all of our restaurants, retailers and offices, the Downtown area continues to embody the City’s commercial heart and soul and represent what makes Newark especially unique.

As part of its efforts to plan for and promote economic development, the City has begun to participate in a recently formed informal network of business, academic and community leaders known as the “Greater Newark Network.” The mission of the network is to foster the expansion of employment centers in the greater Newark area, as well as to establish the Newark community as a central point for innovation and a premier destination for advanced research and high-tech 21st Century jobs. To accomplish the mission, the Network intends to work in partnership with the New Castle County Chamber of Commerce and its Economic Development Council, as well as the wider community, to achieve the following:

- Provide a forum where all stakeholders in the economic development process can come together, discuss priorities, develop goals and objectives, and implement plans to promote positive economic outcomes.
- Capitalize on the vast economic, academic and technology resources existing in the Greater Newark Area to build a strong, vibrant, diverse and sustainable 21st Century local economy.
- Promote the Greater Newark Area as a center of creativity, innovation and technology.

The Greater Newark Network has begun to hold regular meetings with members of the New Castle County Economic Development Council with the intent of identifying issues and opportunities and establishing local work groups that will develop action plans in order to address these issues. Working groups will be examining areas such as zoning, job retention, marketing to perspective employers and addressing existing roadblocks to responsible and sustainable economic growth.

As the Greater Newark Network’s plans move forward, they will be integrated into the City of Newark’s development review system, including the comprehensive planning process, as necessary. As part of this process, the City may also consider adopting new economic incentive programs targeted specifically at recruiting sustainable 21st century high quality industrial growth. In this regard, the City, the Greater Newark Network, the University of Delaware and the New Castle Chamber of Commerce conducted an economic development study in 2010 to develop plans to update the City’s commercial and industrial economic development programs. The Wadley-Donovan Group was retained for the study, and the firm completed an analysis of marketable strength, product deficiencies that can be corrected cost-effectively, development opportunities, issues having an impact on the region’s economic development future and obstacles to development. From this analysis, Wadley-Donovan developed a strategy of 11 initiatives to build upon Newark’s strengths in economic development. The City, working with the New Castle County Chamber of Commerce, has begun the implementation of these recommendations.

As a result of the business community’s confidence in Newark, new commercial development spans the entire length of Main Street, including the northernmost spur of the former Elkton Road, which has been rededicated as South Main Street. The City invested significant resources and worked closely with Delaware’s Department of Transportation in an effort to develop the appropriate downtown streetscape and improve pedestrian and bicycle access for this newly expanded part of Downtown Newark. The State of Delaware also funded major upgrades to the remaining portion of Elkton Road south of the City to improve traffic flow, install bicycle lanes, and install landscaped traffic islands to beautify the entry into Newark’s Downtown. The efforts are clearly bearing fruit, as the downtown area boasts successful new projects on every block of Main Street and has enjoyed nearly \$40 million in private investment and 31 net new businesses since the formation of the Downtown Newark Partnership. Over that same time period, Newark’s Downtown has seen the construction of 11 new buildings, 24 successful building rehabilitation projects, and an improvement in the commercial vacancy rate from 11% to 5%. In fact, recognition of this success and confidence in the City’s downtown efforts was recently evidenced with the National Trust for Historic Preservation’s presentation of the “2011 Great American Main Street Award” to the Downtown Newark Partnership (DNP). The DNP was recognized for its “exceptional accomplishments in revitalizing” one of the nation’s historic and traditional main street commercial districts by, “capitalizing on the city’s business and tourism opportunities without losing its historic identity or small-city roots.”

MAJOR INITIATIVES

The maintenance and enhancement of the City’s physical infrastructure is a critical component supporting the vital civil services the City provides to its residents and visitors. In recent years, Newark has undertaken the following

major initiatives to improve its network of infrastructure assets. The City relies heavily on the sale of utilities to its customer base, and management is aware of the need to maintain its utility systems and to carefully prepare for the growth of each system.

- The Electric utility has completed the construction of additional capacity at the Phillips Substation and is making plans to construct a new substation at the former Chrysler assembly plant. This 272-acre site will experience tremendous growth as the University's Science, Technology and Advanced Research Campus builds out, resulting in the need for expanded electrical service. The new substation will allow the City to meet new demand but also will provide a higher level of reliability and redundancy for customers situated throughout the City.
- The Water utility is addressing the need to reline all of the water mains in the City, which is underway and expected to be completed over the next ten years. With the City's reservoir now in its seventh year of operation, the utility has become self-sustaining and has not had to rely on water purchases from outside Newark's borders. The Curtis Mill Water Treatment Plant was expanded and upgraded, which resulted in a higher quality of water throughout the City's system.
- The Sewer utility has initiated a project to repair and replace the major sewer crossings over the Christina River and to repair or replace major sewer lines that transmit wastewater to the New Castle County sewer system in Wilmington.
- The Parking division has been exploring alternatives in an effort to increase the capacity of parking spaces in the Downtown area. The City's Parking Lot #1 between West Main Street and Delaware Avenue has been identified as a potential location for a parking structure, which would serve to mitigate the capacity shortfall in the Downtown area.
- The City has kicked off a project to install "smart meters" for all of its electric and water customers. The smart meters will provide instant electricity and water consumption data, the ability to remotely connect and disconnect meters, and allow for more timely billing of consumption. The City has partnered with Honeywell Corporation to ensure guaranteed service enhancements and annual savings that will fund the lease payments, resulting in a budget-neutral deployment of the infrastructure required for this project.

Within the City's other departments, major initiatives include various projects that will enhance the quality of life for our residents and to make the administration of government more proficient:

- A strong effort to improve the streets within the City with increased funding for street maintenance.
- The transformation of the former Curtis Mill Paper Mill from a "brownfield" into a passive recreational facility.
- The continued enhancements to the City's information technology system that will improve the productivity and proficiency of our employees engaged in efforts to serve our customers, as well as enabling our customers to "self-serve" their needs through online or remote services.

In the spring of 2012, the City, in association with the other towns and cities that comprise the Delaware Municipal Electric Corporation, entered into a Memorandum of Understanding (MOU) with Delaware Governor Jack Markell to reduce electric rates. The Governor has held the belief that electric rates hindered economic development and that the member communities were relying too heavily on electric revenue to finance municipal operations. The May 10, 2012 agreement provided four provisions that should further stimulate economic activity in Newark:

1. The member utilities shall reduce electric rates by not less than an average of 10% prior to December 31, 2014.
2. All member utilities will establish an economic development rate to incentivize job creation.
3. All member utilities will limit the transfers from the electric utility to the general fund at the amount established during the course of fiscal year 2012 and this limitation will be effective through 2016, with a review and resetting available prior to the start of the 2015 fiscal year.
4. The State of Delaware shall preserve the member utilities' exclusive right to provide electric power to our customer base without the limitation of retail choice.

The City has complied with all requirements to date and plans to adhere to all requirements through the term of the MOU and beyond. The retail electric rates were reduced by 9.5% by January 1, 2012 and completely reduced by a cumulative total of at least 10% by January 1, 2013 in an effort to comply with provision #1 ahead of the required deadline. The City complied with provision #2 after the introduction of a new rate structure precipitated by an independent rate study completed in July 2011, which included an economic development rate. The City had placed, effective for fiscal years 2012 and 2013, a cap on the amounts that may be transferred from the electric utility at 20% of gross receipts, which complies with provision #3. The preservation of the City's right to serve all residential and corporate citizens of Newark enables the utility to provide reliable power to all of its customers, to make investments for expanded development, and to guarantee a revenue stream that is critical to the City. Management expects electricity sales revenue to grow organically as economic development initiatives and the growth of the University of Delaware continue to support growth in the utility's customer base.

While management is closing the chapter on 2012, we look forward with excitement toward the rest of 2013 and 2014. The City's motto is "Committed to Service Excellence," and Newark is indeed well positioned to continue delivering the highest quality of municipal services that the residents and businesses expect and deserve. From award winning public safety, through nationally recognized parks, trails and recreational facilities, to reliable infrastructure of roads, electric delivery and water / sewer services, Newark takes great pride in servicing the needs of our constituents. The City is moving toward easing the constraints of governmental interaction with more services available online. Newark is firmly committed to the use of technology to connect and communicate with our residents in a more comprehensive and efficient manner. The partnership that has been developed between government, the Downtown business community and our residents has fostered City-wide community activities such as the Memorial Day Parade, Newark Day (a day-long festival on a closed-off Main Street and the University Green), the Food and Brew Fest, Wine & Dine Night, Taste of Newark and Winterfest, as well as the Spring Concert Series and many other joint activities that bring the community together and truly underscore the high-quality of life available to our residents. The City's relationship with the University is one of mutual benefit and has produced a culturally diverse community that offers an unparalleled variety of educational, social, and economic opportunities for all of our citizens. In Newark, whether residing here temporarily as a student or permanently rooted in the community, all of our residents share in the makeup of our social fabric, and the City will continue steadfastly in its endeavor to provide services with pride and excellence.

ACKNOWLEDGMENTS

The compilation of the Comprehensive Annual Financial Report in an accurate and timely manner was made possible by the professional and dedicated service of the City's entire financial staff. In particular, Assistant Finance Director Wilma Garriz, James Smith, and Daina Montgomery deserve special appreciation for the extraordinary effort put forth to compile, prepare and format the various financial schedules and analyses highlighting this report.

Respectfully submitted,



Louis C. Vitola
Director of Finance

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Newark
Delaware

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



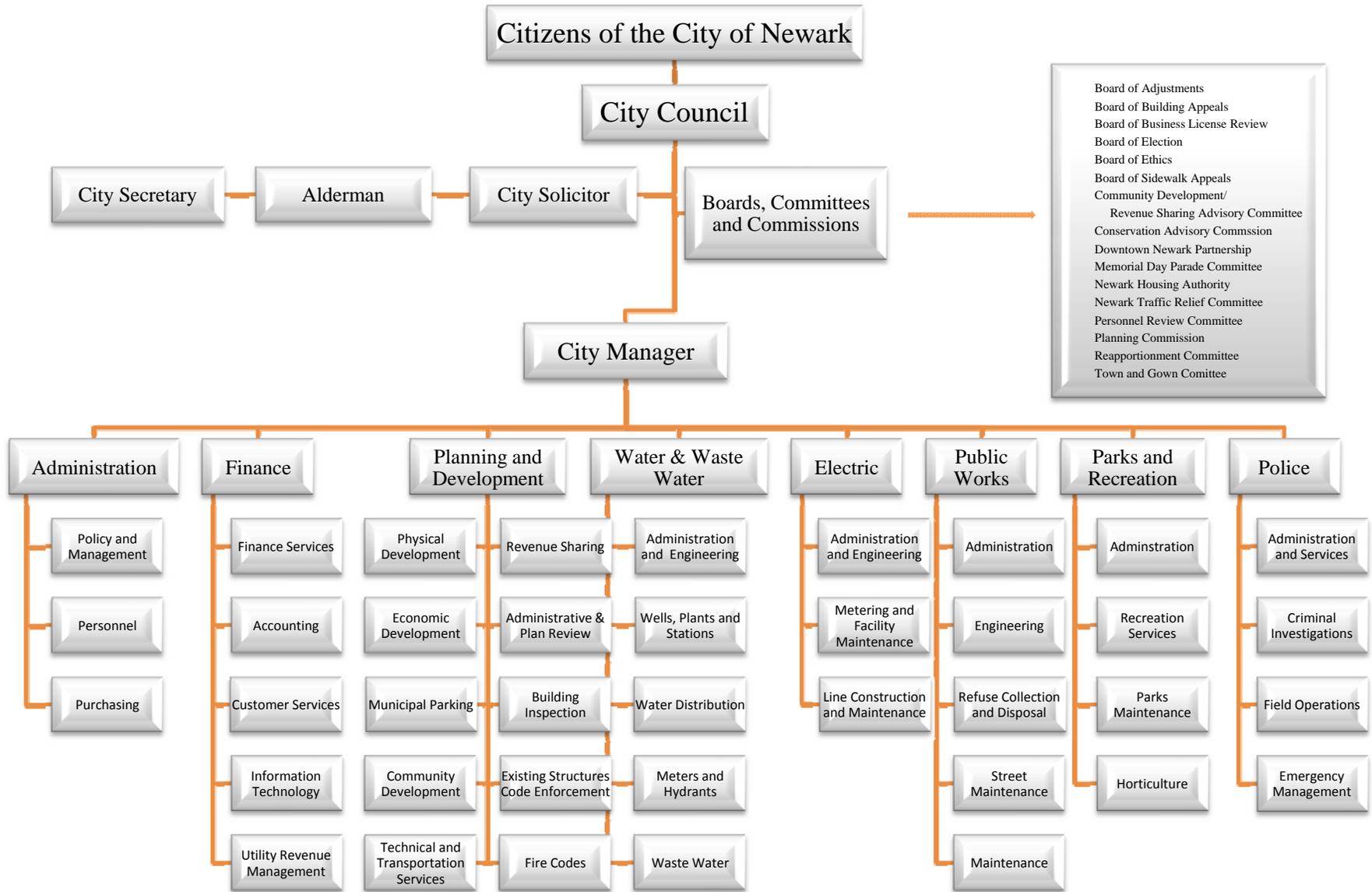
Christopher P. Morinell

President

Jeffrey R. Emer

Executive Director

City of Newark, Delaware



CITY OF NEWARK
Delaware

LIST OF ELECTED AND APPOINTED OFFICIALS
DECEMBER 31, 2012

Elected Officials

Mayor	Vance A. Funk, III
Council Member - District 1	Mark Morehead
Council Member - District 2	Jerry Clifton
Council Member - District 3	Doug Tuttle
Council Member - District 4	David J. Athey
Council Member - District 5	Luke Chapman
Council Member - District 6	Stu Markham

Appointed Officials

City Manager	Carol S. Houck
City Secretary	Patricia M. Fogg
Alderman	Lisa R. Hatfield
Deputy Alderman	Malcolm S. Cobin
City Solicitor	Bruce C. Herron
Deputy City Solicitor	Paul E. Bilodeau
Assistant City Manager	Charles M. Zusag
Interim Director of Finance	Wilma T. Garriz
Director of Planning & Development	Maureen Feeney-Roser
Director of Water & Waste Water	Roy A. Simonson
Director of Electric	Rick H. Vitelli
Director of Public Works	Richard Lapointe
Director of Parks & Recreation	Charles R. Emerson
Chief of Police	Paul M. Tiernan



*Arbor Day
Community Outreach*

FINANCIAL SECTION



CliftonLarsonAllen

INDEPENDENT AUDITORS' REPORT

Members of City Council
City of Newark, Delaware
Newark, Delaware

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Newark, Delaware (the City), as of and for the year ended December 31, 2012, and the budgetary comparison for the general fund and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Newark, Delaware as of December 31, 2012, and the respective changes in financial position and, where applicable, cash flows thereof, and budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 13-24, and the pension and OPEB funding status and progress schedule of employer contributions and annual OPEB cost on pages 74-75, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Newark, Delaware's basic financial statements. The the introductory, combining and individual nonmajor fund and combining fiduciary fund financial statements, nonmajor fund budgetary comparisons and statistical sections, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The the introductory, combining and individual nonmajor fund and combining fiduciary fund financial statements, nonmajor fund budgetary comparisons and statistical sections, are the responsibility of management and were 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 the introductory, combining and individual nonmajor fund and combining fiduciary fund financial statements, nonmajor fund budgetary comparisons and statistical sections, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2013, on our consideration of the City of Newark, Delaware's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Newark, Delaware's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Baltimore, Maryland
June 28, 2013

City of Newark, Delaware

Management's Discussion & Analysis

On behalf of the City of Newark, Delaware (the "City"), I am pleased to offer the following narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2012. I encourage all readers of the City's financial statements to consider that information in conjunction with the additional information presented in the following financial summaries, notes, and analyses, as well as in our letter of transmittal at the opening of this report.

FINANCIAL HIGHLIGHTS

- The total assets of the City of Newark exceeded its liabilities at the close of the most recent fiscal year by \$99.2 million (*representing its net position*). The net position is \$8.7 million higher than the prior year and is attributable to increases in both governmental and business-type activities.
- The City's unrestricted net position decreased by \$ 4.8 million in 2012 to \$23.6 million. This amount may be used to meet the government's ongoing obligations to citizens and creditors.
- As of December 31, 2012, the City's governmental funds reported combined ending fund balances of \$11.9 million, an increase of \$86 thousand from the prior year. Approximately \$2.7 million is *available for spending* at the City's discretion (*unassigned fund balance*).

OVERVIEW OF THE FINANCIAL STATEMENTS

This Management Discussion and Analysis serves as an introduction to the City's basic financial statements. These statements are comprised of three components:

1. Government-wide financial statements: The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.
 - a. *Statement of Net Position*: This statement presents information on all of the City's assets and liabilities, with the difference between the assets and liabilities reported as "net position." Increases or decreases in net position may serve as a useful indicator of an improving or deteriorating financial condition.
 - b. *Statement of Activities*: This statement presents information indicating how the City's net position changed during the reporting period. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (for example, uncollected taxes or personnel leave earned but unused by employees).
 - c. Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from the functions that are intended to recover all or most of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government administration, public safety, public works and recreation. The business-type activities of the City are electric, water, sewer and parking operations.

The government-wide financial statements may be found on Pages 25 through 26 of this report.

2. Fund financial statements: A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City may be divided into three categories: governmental funds, proprietary funds and fiduciary funds.
 - a. *Governmental Funds*: Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. This information may assist in evaluating the City's near-term financing requirements.

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Because the focus of government funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. Thus, the long-term impact of the government's near-term financing decisions becomes apparent. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Funds are classified as *major* and *nonmajor*. Data from major governmental funds is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances, and may be found on Pages 27 and 29 of this report. Data from the nonmajor funds are combined into a single, aggregated presentation. Individual fund data for each nonmajor governmental fund is provided in the form of *combining statements* and may be found on Pages 70 and 71 of this report.

Major funds include:

- i. General Fund: Funding, accounting and reporting of general governmental operations such as administration, public safety, public works, community development and recreation.
- ii. Capital Projects Fund: Funding, accounting and reporting of expenditures on capital projects as per the City's Five-Year Capital Improvement Plan.

Nonmajor funds include:

- iii. Debt Service Fund: Funding, accounting and reporting of principal and interest payments to service the City's outstanding debts.

The City utilizes *special revenue funds* to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. Revenue sources for these funds include grants from outside sources as well as interest earnings. The following are *special revenue funds* in addition to being nonmajor funds:

- iv. Street Fund: Funding, accounting and reporting of the City's street maintenance program.
- v. Insurance Fund: Funding, accounting and reporting of disability and medical claim payments made for job-related employee injuries and deductibles paid to insurance underwriters.
- vi. Community Development Fund: Funding, accounting and reporting of the City's Community Development Block Grants (CDBG) from the United States federal government.
- vii. Law Enforcement Fund: Funding, accounting and reporting of grants and other funding designated for law enforcement operating expenditures.
- viii. Parks and Recreation Fund: Funding, accounting and reporting of grants and other funding designated for the maintenance and beautification of the City's parks and the operation of the Recreation Department's programs.

The City adopts an annual appropriated budget for its General Fund, Electric Fund, Water Fund, Sewer Fund and the Parking Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

The basic governmental fund financial statements may be found on Pages 27 through 31 of this report.

- b. *Proprietary Funds*: The City maintains two different proprietary funds. *Enterprise Funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. *Internal Service Funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions.

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The following are the City's enterprise funds:

- i. Electric Fund: Funding, accounting and reporting of the operations of the Electric Department.
- ii. Water Fund: Funding, accounting and reporting of the operations of the Water Department.
- iii. Sewer Fund: Funding, accounting and reporting of the operations of the Sewer Department.
- iv. Parking Fund: Funding, accounting and reporting of the operations of the Parking Department.

The following is the City's internal service fund:

- v. Maintenance Fund: Funding, accounting and reporting of the operations of the Fleet Maintenance Department.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Electric, Water, Sewer and Parking operations, all of which are considered to be major funds of the City.

The proprietary fund financial statements may be found on Pages 32 through 35 of this report.

- c. *Fiduciary Funds*: Fiduciary funds are used to account for resources held for the benefit of parties outside of government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources contained in these funds are *not* available to support the City's programs and operations. The accounting used for fiduciary funds is similar to that used for proprietary funds.

The following are the City's fiduciary funds:

- i. Pension Trust Fund: The City, acting as trustee of the assets contributed by both the City and its employees, which are being held for the future payment of retirement annuities to qualified retirees.
- ii. OPEB Trust Fund: The City, acting as trustee of the assets contributed by the City, which are being held for the future payment of post-employment benefits other than pension benefits.
- iii. Section 401A Retirement Fund: The City, acting as trustee of the assets contributed by both the City and the City Manager, which are being held on behalf of the City Manager.
- iv. Section 401A Management Employees' Retirement Fund: The City, acting as trustee of the assets contributed by both the City and management employees hired after January 1, 2012, which are being held on behalf of these employees.
- v. Retirement Health Savings Plan for Management Employees 2009: The City, acting as trustee of the assets contributed by senior management employees hired prior to January 1, 2012, which are being held on behalf of these employees for post-employment medical expenditures.
- vi. Retirement Health Savings Plan for Management Employees 2012: The City, acting as trustee of the assets contributed by both the City and senior management employees hired after January 1, 2012, which are being held on behalf of these employees for post-employment medical expenditures.

The fiduciary fund financial statements may be found on Pages 36 through 37 of this report.

3. Notes to the Financial Statements: The notes provide additional information that is essential to gain a complete understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements may be found on Pages 38 through 73 of this report.

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In addition to the basic financial statements, the accompanying notes and this MD&A, this report also presents certain other *required supplementary information* concerning the City's progress in funding its obligation to provide pension benefits to its enrolled employees. Required supplementary information may be found on Pages 68 through 69 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Our analysis focuses on the net position (Table 1) and changes in net position (Table 2) of the City's total activity.

The majority of the outstanding debt of the City was incurred in 2002 for the acquisition and construction of the City's water reservoir. The unrestricted net position balance of \$23.6 million at the close of 2012 may be used to meet the current and ongoing obligations to citizens and creditors. The City maintains an "Aa2" rating from Moody's and an "AA+" rating from Fitch for its current debt issuances. These high investment-grade ratings reflect the City's strong financial operations, characterized by substantial reserves, low reliance on debt, a robust residential and commercial base and stable employment in the healthcare and education sectors.

Table 1

CITY OF NEWARK STATEMENT OF NET POSITION FOR THE YEAR ENDED DECEMBER 31, 2012						
	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
ASSETS						
Total current assets	\$ 17,935,591	\$ 16,976,550	\$ 34,009,235	\$ 21,783,450	\$ 51,944,826	\$ 38,760,000
Total noncurrent assets	29,328,317	25,584,720	51,761,435	50,418,162	81,089,752	76,002,882
Total Assets	\$ 47,263,908	\$ 42,561,270	\$ 85,770,670	\$ 72,201,612	\$ 133,034,578	\$ 114,762,882
LIABILITIES						
Total current liabilities	\$ 2,358,496	\$ 2,703,077	\$ 6,515,005	\$ 7,572,634	\$ 8,873,501	\$ 10,275,711
Total noncurrent liabilities	2,398,956	2,311,358	22,512,299	11,577,598	24,911,255	13,888,956
Total Liabilities	\$ 4,757,451	\$ 5,014,435	\$ 29,027,304	\$ 19,150,232	\$ 33,784,755	\$ 24,164,667
NET POSITION						
Net investment in capital assets	\$ 27,031,981	\$ 23,474,857	\$ 39,486,456	\$ 37,821,033	\$ 66,518,437	\$ 61,295,890
Restricted	337,388	241,912	8,786,225	668,642	9,123,613	910,554
Unrestricted	15,137,088	13,830,066	8,470,685	14,561,705	23,607,773	28,391,771
Total Net Position	\$ 42,506,457	\$ 37,546,835	\$ 56,743,366	\$ 53,051,380	\$ 99,249,823	\$ 90,598,215
Total Liabilities and Net Position	\$ 47,263,908	\$ 42,561,270	\$ 85,770,670	\$ 72,201,612	\$ 133,034,578	\$ 114,762,882

Net Position: Comparing net position over time may serve as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$99.2 million at the close of this fiscal year, representing an increase of \$8.7 million over the prior year. Within Business-type activities, net position rose by \$3.7 million due to lower operating expenditures, which were partially offset by reduced charges for services. The governmental activities net position increased by \$5.0 million due to stronger real estate taxes and transfer taxes, higher general revenues, and transfers from the business type activities.

The City's net position consists principally of its investment in capital assets (land, buildings, machinery and equipment), net of any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to its citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources required to repay this debt must be provided from other sources because the capital assets themselves cannot be liquidated and used to satisfy these liabilities.

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Table 2

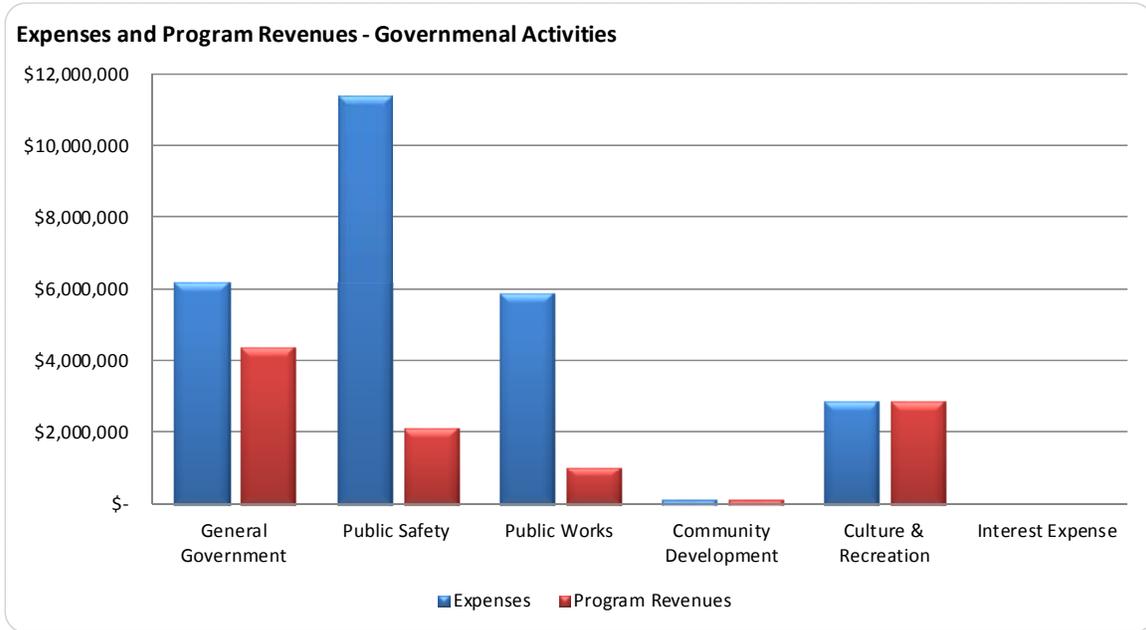
CITY OF NEWARK CHANGES IN NET POSITION FOR THE YEAR ENDED DECEMBER 31, 2012						
	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
REVENUES						
Program Revenues:						
Charges for services	\$ 6,189,274	\$ 6,251,293	\$ 68,186,001	\$ 69,603,090	\$ 74,375,275	\$ 75,854,383
Operating Grants & Contributions	1,067,730	1,262,306	-	-	1,067,730	1,262,306
Capital Grants & Contributions	3,393,569	1,565,828	66,045	644,724	3,459,614	2,210,552
General Revenues:						
Total Taxes	7,089,823	6,490,913	-	-	7,089,823	6,490,913
Investment Earnings	142,487	117,447	126,956	74,758	269,443	192,205
Other Revenues	41,176	1,039	-	36,821	41,176	37,860
Total Revenues	17,924,059	15,688,826	68,379,002	70,359,393	86,303,061	86,048,219
EXPENSES						
General Government	6,237,220	5,826,261	-	-	6,237,220	5,826,261
Public Safety	11,426,222	11,267,883	-	-	11,426,222	11,267,883
Public Works	5,938,001	5,785,342	-	-	5,938,001	5,785,342
Community Development	150,939	320,682	-	-	150,939	320,682
Culture and Recreation	2,908,610	2,705,008	-	-	2,908,610	2,705,008
Interest Expense	35,759	87,994	-	-	35,759	87,994
Other Expenses	-	12,702	-	-	-	12,702
Litigation Settlement	-	950,000	-	-	-	950,000
Business-type activities	-	-	50,954,702	53,935,921	50,954,702	53,935,921
Total Expenses	26,696,751	26,955,872	50,954,702	53,935,921	77,651,453	80,891,793
Increase (Decrease) in						
Net Position before Transfers	(8,772,692)	(11,267,046)	17,424,300	16,423,472	8,651,608	5,156,426
Transfers	13,732,314	12,389,994	(13,732,314)	(12,389,994)	-	-
Change in Net Position	4,959,622	1,122,948	3,691,986	4,033,478	8,651,608	5,156,426
Net Position - Beginning of Year	37,546,835	36,423,887	53,051,380	49,017,902	90,598,215	85,441,789
Net Position - End of Year	\$ 42,506,457	\$ 37,546,835	\$ 56,743,366	\$ 53,051,380	\$ 99,249,823	\$ 90,598,215

As shown in Table 2, governmental activities expenses exceeded revenues by \$8.8 million in 2012. The improvement versus 2011 is attributable to both higher revenues and lower expenses. The revenue increase was driven by increased grants and governmental contributions, while the expense decrease was driven by the one-time litigation settlement in 2011, partially offset by increases in general governmental, public safety, and public works expenses.

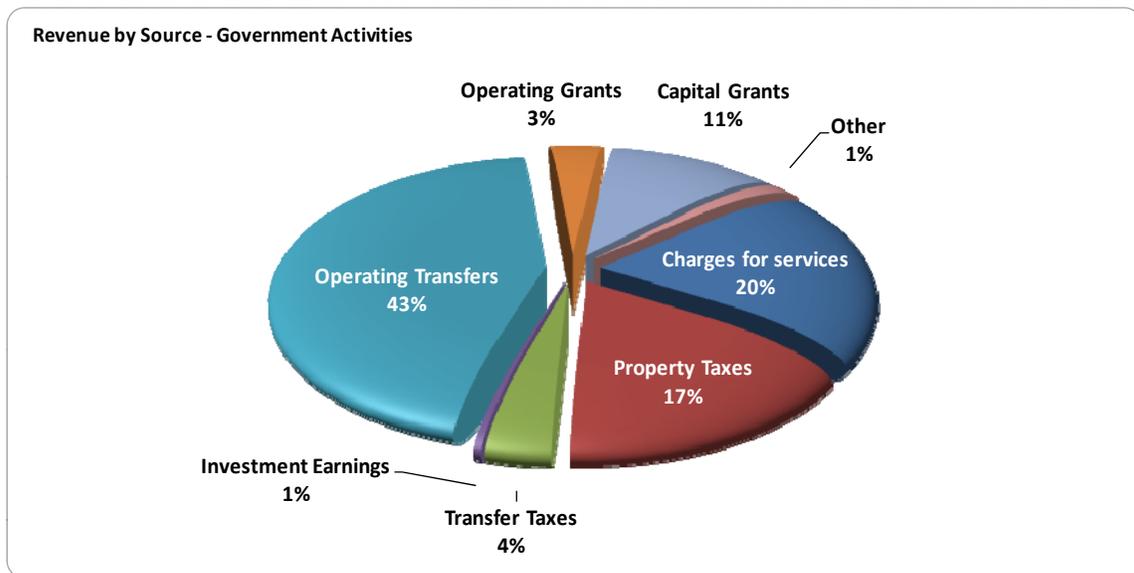
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Governmental Activities: Our analysis will focus on the Schedule of Net Position (Table 1) and the Schedule of Changes in Net Position (Table 2) of the City's governmental activities, the following 2012 Revenues by Source graph, and the Schedule of Net Costs (Table 3).



As the following graph illustrates, operating transfers from the enterprise funds, real property taxes, and program revenues (grants and contributions and charges for service) provide the majority of funding for the City's governmental activities. Transfers from the City's proprietary funds are the largest revenue source, accounting for 43% of revenues. Property taxes supply 17% of revenues. Program revenues contribute 20%, while real estate transfer taxes add 4%. The City relies on all of these revenue sources, as well as grants and miscellaneous funding, to provide the high quality of life to its citizens and the highest level of service to its business community that each has come to expect.



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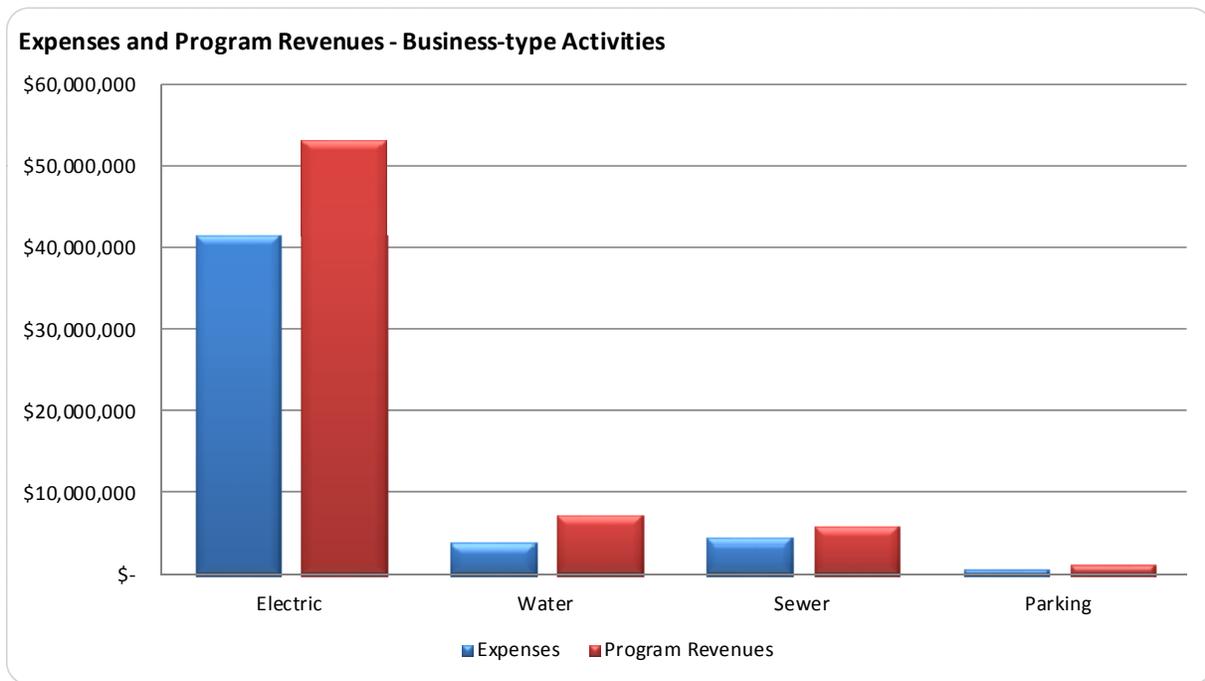
As shown in Table 3, the total cost of all governmental activities this year was \$26.7 million. These costs were partially offset by program revenues of \$10.7 million, leaving a net cost of \$16 million. The program revenues were paid by those who directly benefited from the programs (\$6.2 million) or by other governments and organizations that subsidized certain programs with intergovernmental aid and contributions (\$4.5 million). The balance of the cost was funded by City taxes of \$7.0 million and transfers of \$13.7 million. Public safety programs are the largest single spending commitment, accounting for almost 43% of the City's governmental activities expenditures. Various general administration, public works, and culture and recreation services combine for almost 57% of expenditures.

Table 3

Governmental Activities Net Cost

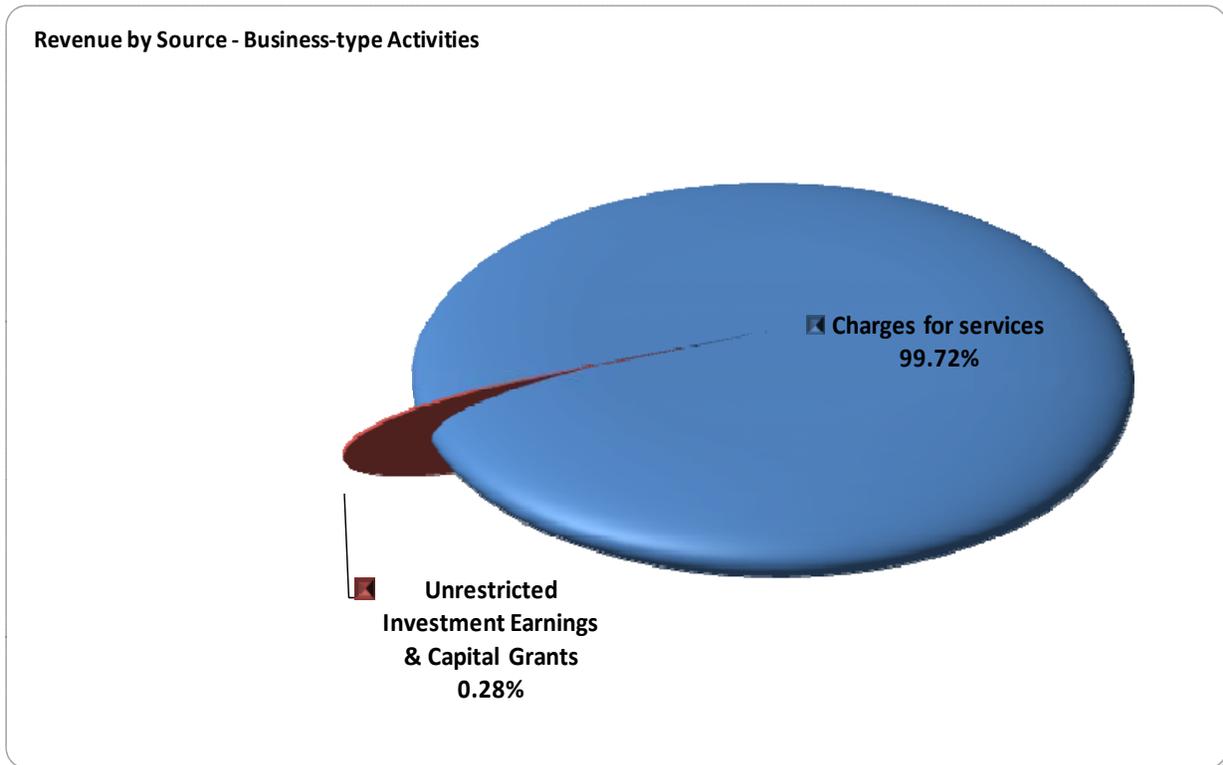
Functions/Programs	Total Cost of Services	% of Total Cost	Service Charges	Grants	Program Revenues	Net Cost of Services
General Government	\$ 6,237,220	23.4%	\$ 3,996,682	\$ 420,880	\$ 4,417,562	\$ 1,819,658
Public Safety	11,426,222	42.8%	1,436,915	710,118	2,147,033	9,279,189
Public Works	5,938,001	22.2%	184,811	852,176	1,036,987	4,901,014
Community Development	150,939	0.6%	-	155,637	155,637	(4,698)
Culture & Recreation	2,908,610	10.9%	570,866	2,322,488	2,893,354	15,256
Interest Expense	35,759	0.1%	-	-	-	35,759
Total	\$ 26,696,751	100%	\$ 6,189,274	\$ 4,461,299	\$ 10,650,573	\$ 16,046,178

Business-type Activities: The City provides electric, water, sewer, and parking services to its residents, businesses, and visitors. These services constitute the business-type activities presented in the City-wide financial statements. The City Council establishes rates and collects fees from users of the utility and parking systems. The revenues include investment income in addition to charges for services (operating revenues). The investment income is not specific to an individual program, but to the activities as a whole.



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The City is a full-requirements member of the Delaware Municipal Electric Corporation, Inc. (DEMEC). DEMEC is a public corporation constituted as a Joint Action Agency and a wholesale electric utility. DEMEC represents nine municipal electric distribution utilities located in the state of Delaware. The creation of DEMEC was made possible by an act of the Delaware General Assembly on June 6, 1978, and the entity was incorporated on July 12, 1979. The City purchases all of its electrical power from DEMEC for resale to its customers. All residential and commercial electric users within the City limits are customers of the City's electric utility. The Electric Department maintains 175 miles of high voltage electric lines, nine substation sites, 49 circuit breakers, and 27 power transformers in order to provide 11,500 customers with reliable electrical service. Over 400 million kilowatt-hours were delivered to our customers in this reporting period.

The City provides all customers within the City limits with drinking water and wastewater services. The City also provides drinking water to some customers outside the City. The Water Department is responsible for the maintenance and operation of all the equipment and facilities at each of the nine water supply wells, the Newark Surface Water Treatment Plant, the South Well Field Water Treatment Plant, six booster pumping stations, and two sewer pumping stations. The water distribution system provides drinking water to approximately 37,000 customers, including 31,454 residents. More than 1.0 billion gallons of water are pumped through 170 miles of pipe annually to serve 9,915 water service connections. The Sewer Department is responsible for the City's 99 miles of sanitary sewer collection and distribution lines. The sanitary sewer system operates primarily on a gravity system, while the lowest points of the City are served by a series of three lift stations. The sewage flows out of the City's system and through the New Castle County system before being treated at the Wilmington Regional Wastewater Treatment Facility. The County charges the City for this service, which represents the most significant operating cost in the Sewer Fund.

The Parking Department manages six surface parking lots within the City's downtown area. The City has 543 pay-to-use parking spaces and 112 paid permit parking spaces. In addition to the surface lot parking, the City maintains approximately 455 on-street metered parking spaces and 33 metered spaces located in a surface lot in the City's downtown area. Various lots, components of lots, and entrances to lots are owned by third parties that lease the space to the City for the benefit of its parking operations.

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As shown in Table 2, revenues totaled \$68.4 million for the year, which represents a decrease of \$2 million from the prior year. This decrease was driven by a reduction in electric utility revenue, which fell primarily due to the adoption of a new electric rate structure in 2011 that includes a Revenue Stabilization Adjustment ("RSA"). The RSA is adjusted annually to reflect changes in wholesale power costs and to assure recovery of the budgeted operating margin. The electric utility revenue decreased by design, as a function of reduced power costs, which allowed the utility to achieve its budgeted operating margin despite the revenue reduction. A \$0.4 million regulatory liability is included in the statement of net position to reflect this year's over collection. Expenses related to these business type activities totaled \$51.0 million in 2012, which represents a decrease of nearly \$3 million from the prior year. This decrease in expenses is due to wholesale power cost reductions of \$3 million in the electric utility as a result of reduced wholesale costs per unit; volume purchased was negligibly higher in 2012. The balance of the positive variance is attributable to reduced contractual services and materials and supplies expenditures across all utilities. Personnel expenses were flat with the prior year. In total, revenues exceeded expenses and transfers by \$3.7 million in 2012, resulting in an overall increase in net position within the business-type activities.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds: The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unreserved fund balances* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of December 31, 2012, the City's governmental funds reported combined ending balances of \$11.9 million, an increase of \$86 thousand as compared to the prior year. The bulk of the fund balance is restricted and assigned, which means that it is not available for new spending because it has already been appropriated to pay for: 1) capital improvements, 2) debt service or 3) a variety of other restricted and assigned purposes.

The City maintains a General Fund which serves as the chief operating fund of the City. As of December 31, 2012, the total fund balance of the General Fund was \$2.9 million, \$2.7 million of which is unassigned.

The General Fund balance increased by \$68 thousand in fiscal year 2012. Key factors contributing to this increase are as follows:

- Revenues increased by \$399 thousand due to higher real estate and realty transfer taxes.
- Expenses increased by \$1.4 million mostly due to a one-time litigation settlement related to the City's resolution of claims made by landlords with respect to rental fees.
- Net transfers increased by \$2.3 million reflecting higher transfers from the Proprietary Funds.

The City maintains a Capital Projects Fund to account for major capital acquisitions and construction related to governmental activities separately from the ongoing operating activities. As of December 31, 2012, the total fund balance of the Capital Projects Fund was \$7.2 million, all of which is either restricted or assigned.

The Capital Projects Fund balance is unchanged from the prior year. Revenues increased by \$1.7 million from intergovernmental sources compared to 2011; the increase was almost entirely offset by increased capital spending and transfers in. The increased outlay reflects the City's ongoing efforts to maintain and enhance Newark's infrastructure of streets, sidewalks, parks, parking facilities, and other structures supporting governmental operations.

The City maintains Special Revenue Funds to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The Special Revenue Funds include the Street Fund, Insurance Fund, Community Development Fund, the Law Enforcement Funds, and the Parks and Recreation Fund. Revenue sources for these funds include grants from State and other governmental units as well as interest earnings.

The City maintains a Debt Service Fund to set aside resources to meet current and future obligations of the City. As of December 31, 2012, the fund balance was \$46,340, all of which is assigned.

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The financial statements for the governmental funds may be found on Pages 27 through 31 as well as 70 through 77 of this report.

Proprietary Funds: As previously mentioned, the City maintains four principal proprietary funds related to the provision of utility services and parking, as well as an internal service fund for the maintenance of the City's fleet of vehicles and rolling stock. The City's proprietary funds provide the same type of information found in the government-wide financial statements.

The Electric Fund reported a total net position of \$19.7 million as of December 31, 2012, \$2.7 million of which was unrestricted. Total net position increased by \$1.8 million from the prior year as a result of \$11.8 million in total income before transfers, less \$10 million transferred to the General Fund to support governmental activities. City policy targets a 20% operating margin in the electric utility. The operating margin of 22% in 2012 results in a distribution back to rate payers in the form of the Revenue Stabilization Adjustment ("RSA") in future periods. The fund expended \$871 thousand in improvements to the City's electrical distribution system.

The Water Fund had a total net position of \$24.2 million as of December 31, 2012 of which \$0.5 million was unrestricted. Total net position increased \$1.7 million from the prior year. Income before transfers amounted to \$3.5 million; \$1.8 million was transferred to the General Fund to support governmental activities. The fund expended \$899 thousand in improvements to the City's water purification, containment and distribution system. The Water Fund also carries roughly \$12 million of long term debt associated with the construction of the City's water reservoir.

The Sewer Fund had a total net position of \$9.9 million as of December 31, 2012, \$3.5 million of which was unrestricted. Total net position increased by about \$54 thousand. Income before transfers amounted to \$1.5 million, which is equal to the prior period's income before transfers. \$1.4 million was transferred to the General Fund to support governmental activities. The fund expended \$226 thousand in improvements to the City's sewage transport and elimination system.

The Parking Fund had total net position of \$3.0 million as of December 31, 2012 of which \$1.7 million was unrestricted. Total net position increased by almost \$106 thousand. Income before transfers totaled to \$595 thousand, \$489 thousand of which was transferred to the General Fund to support governmental activities.

Internal Service Fund: The City maintains an Internal Service Fund to account for the operation of machinery, vehicle, and building maintenance provided to other departments of the City on a cost reimbursable basis. The Internal Service Fund's assets and liabilities are included with the governmental activities on the statement of net position on Page 25. The net revenue of certain activities of the internal service fund is reported with governmental activities on the statement of activities on Page 26. The fund's assets and liabilities as well as revenue and expenses are also reported on Pages 32 through 33 of the fund financial statements.

The financial statements for the proprietary funds may be found on Pages 31 through 34 of this report.

Fiduciary Funds: As previously mentioned, the City maintains four fiduciary funds – the Employees' Pension Trust Fund, the Other Post-Employment Benefits Fund, the Section 401(a) Retirement Fund, and the Retirement Health Savings Fund. These funds contain assets held by the City in a trustee capacity.

The assets in the Pension Fund pertain to three distinct plans, although the plans are collectively managed and administered. These plans are the police plan covering all sworn police officers except the Chief of Police, the special police plan covering the Chief of Police, and the non-police plan covering civilian, non-sworn and regular full-time employees. The Pension Fund ended the fiscal year with a balance of \$45 million, an increase of \$5.5 million over the prior fiscal year. The actuarial accrued liability, as of January 1, 2012, is \$62.9 million, representing a funding ratio of 64.8 percent. The annual required contribution was \$2.8 million; the City exceeded this contribution by \$91 thousand in 2012.

The OPEB Trust Fund ended the fiscal year with a balance of \$4.2 million, an increase of \$1.2 million over the prior fiscal year. The actuarial accrued liability, as of January 1, 2012, was \$14.8 million, representing a funded ratio of 20.26 percent. The annual required contribution was \$1.1 million; the City exceeded this contribution by \$14 thousand in 2012.

The financial statements for the fiduciary funds can be found on Pages 36 through 37 of this report.

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GENERAL FUND BUDGETARY HIGHLIGHTS

The schedules comparing the City's budget and actual results can be found on Page 31.

Actual revenues in the General Fund exceeded budgeted revenues by \$106 thousand. This increase is attributable to higher than expected collections in permitting, licensing, fine revenue and franchise fees collected during 2012. Expenditures were \$1.2 million higher than the total budget, driven almost entirely by a one-time litigation settlement related to the City's resolution of claims made by landlords with respect to rental fees. Excluding the settlement, Public Works, Public Safety, and Culture and Recreation expenditures exceeded the budget by 2.7%, while expenses were controlled well in General government to offset the remainder of the unfavorable variance at 1.3%.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2012 amounted to \$80.1 million, net of accumulated depreciation. This investment in capital assets includes land, buildings, improvements and machinery and equipment.

- The City made gross additions to capital assets of \$11.1 million in 2012. Net additions, after depreciation and retirements, totaled \$5.0 million.

Additional information on the City's capital assets can be found in Note 3 of this report.

Long-term Debt

At December 31, 2012, the City had \$12.4 million in bonds outstanding versus \$13.6 million at the end of the prior year – a decrease of 8 percent. All outstanding bonds are general obligation bonds supported by the full faith and credit of the City. The vast majority of the outstanding debt was issued to finance the construction of the water reservoir.

During 2012, the City incurred additional long-term debt in the form of a lease payable and notes payable totaling \$12.3 million to fund an Automated Metering Infrastructure Project (the "AMI" or "Smart Meter" Project) and various energy efficiency loans. These various efficiencies will combine to provide the cost savings required to meet the payments associated with the project. The lease and notes payable are recorded as long-term debt, although the City's obligation to make principal and interest payments under the note and the security agreement, and lease payments under the lease agreement, constitute current obligations payable exclusively from legally available funds and shall not be construed to be an indebtedness within the meaning of any applicable constitutional or statutory limitation or requirement. All such payments made pursuant to the note, security agreement and lease agreement are subject to annual appropriations by the City.

Other long term obligations of the City include \$756 thousand of compensated absences which include carry forward vacation and compensatory time.

The City maintains an "Aa2" rating from Moody's Investor Service and an "AA+" rating from Fitch Ratings for its current debt issuances.

Additional information about the City's long-term debt can be found in Notes 4 and 5 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The City derives the vast majority of its operating revenue from the sale of electricity to a stable and diversified customer base that is 23 percent residential and 77 percent commercial or industrial, with the largest customer being the University of Delaware with 35 percent of the City's sales in kilowatt hours. As the result of a rate study, the City instituted a revised rate structure in July, 2011 that fairly and equitably assessed usage charges across various residential, commercial and industrial classifications.
- The City continues to maintain a diversified (68 percent residential, 21 percent commercial and 11 percent industrial) real estate revenue base, which protects the City's real estate tax revenue against short-term

City of Newark, Delaware

Management's Discussion & Analysis

fluctuations in any one segment. The real estate tax millage was 68.6 cents per \$100 of assessed value throughout 2012 and is expected to increase to 69.6 cents in 2013.

- In 2012, the City felt the continued effect of a modest economic recovery as evidenced by strong license and permit revenues, higher realty transfer taxes, an increased tax base, and higher revenues generated from services. Most governmental revenues increased, with the exception of interest income, which fell as a result of the continued low interest rate environment.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information may be addressed to: Director of Finance, City of Newark, 220 South Main Street, Newark, Delaware 19711.

General information relating to the City of Newark can be found on its website <http://www.cityofnewarkde.us>.



BASIC FINANCIAL STATEMENTS

CITY OF NEWARK, DELAWARE
STATEMENT OF NET POSITION
DECEMBER 31, 2012
(with Summarized Comparative Data as of December 31, 2011)

	Primary Government		Totals	
	Governmental Activities	Business-type Activities	2012	2011
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 5,173,119	\$ 2,344,785	\$ 7,517,904	\$ 10,143,652
Investments	9,177,923	9,491,811	18,669,734	14,022,672
Accounts receivables, net	2,533,988	8,046,336	10,580,324	11,326,192
Taxes receivable	538,291	-	538,291	497,754
Internal Balances	3,132	(3,132)	-	-
Inventories	63,871	1,279,388	1,343,259	1,298,871
Prepaid items	105,005	4,046,169	4,151,174	541,637
Restricted Assets:				
Cash and cash equivalents	-	7,202,180	7,202,180	-
Investments	337,388	1,584,045	1,921,433	910,554
Bond, notes, and lease issuance costs	2,874	17,653	20,527	18,668
Total current assets	<u>17,935,591</u>	<u>34,009,235</u>	<u>51,944,826</u>	<u>38,760,000</u>
Noncurrent Assets:				
Bond and lease issuance costs	20,597	162,898	183,495	162,570
Net pension asset	587,743	171,433	759,176	674,384
Capital assets, net:				
Land	5,499,380	8,788,127	14,287,507	14,287,507
Construction in progress	939,561	236,636	1,176,197	2,781,188
Buildings	5,068,282	9,425,111	14,493,393	13,534,300
Improvements	14,405,693	31,976,425	46,382,118	41,160,931
Machinery and Equipment	2,807,061	999,805	3,806,866	3,402,002
Intangibles	-	1,000	1,000	-
Total capital assets, net	<u>28,719,977</u>	<u>51,427,104</u>	<u>80,147,081</u>	<u>75,165,928</u>
Total noncurrent assets	<u>29,328,317</u>	<u>51,761,435</u>	<u>81,089,752</u>	<u>76,002,882</u>
Total assets	<u>\$ 47,263,908</u>	<u>\$ 85,770,670</u>	<u>\$ 133,034,578</u>	<u>\$ 114,762,882</u>
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 1,744,430	\$ 3,963,598	\$ 5,708,028	\$ 4,816,613
Customer deposits	337,388	726,563	1,063,951	910,554
Regulatory liability	-	367,749	367,749	2,228,611
Compensated absences	66,150	9,456	75,606	74,307
Due to other governments	-	178,756	178,756	31,756
Accrued interest payable	14,095	113,421	127,516	52,943
Bonds, notes, and lease payable	183,643	1,155,462	1,339,105	1,198,137
Litigation settlement payable	-	-	-	950,000
Other current liabilities	12,790	-	12,790	12,790
Total current liabilities	<u>2,358,496</u>	<u>6,515,005</u>	<u>8,873,501</u>	<u>10,275,711</u>
Noncurrent liabilities:				
Compensated absences	595,346	85,096	680,442	668,753
Net other post employment benefits obligation	299,257	73,232	372,489	380,416
Unearned revenue	-	11,696	11,696	5,316
Bonds, notes, and lease payable	1,504,353	22,342,275	23,846,628	12,834,471
Total noncurrent liabilities	<u>2,398,956</u>	<u>22,512,299</u>	<u>24,911,255</u>	<u>13,888,956</u>
Total liabilities	<u>4,757,451</u>	<u>29,027,304</u>	<u>33,784,755</u>	<u>24,164,667</u>
Net Position				
Net investment in capital assets	27,031,981	39,486,456	66,518,437	61,295,890
Restricted for:				
Customer deposits	337,388	726,563	1,063,951	910,554
Capital projects	-	8,059,662	8,059,662	-
Unrestricted	<u>15,137,088</u>	<u>8,470,685</u>	<u>23,607,773</u>	<u>28,391,771</u>
Total net position	<u>42,506,457</u>	<u>56,743,366</u>	<u>99,249,823</u>	<u>90,598,215</u>
Total liabilities and net position	<u>\$ 47,263,908</u>	<u>\$ 85,770,670</u>	<u>\$ 133,034,578</u>	<u>\$ 114,762,882</u>

The accompanying notes are an integral part of these financial statements.

CITY OF NEWARK, DELAWARE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012
(with Summarized Comparative Data as of December 31, 2011)

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Totals	
					Governmental Activities	Business-Type Activities	2012	2011
Primary government:								
Governmental activities:								
General Government	\$ 6,237,220	\$ 3,996,682	\$ 318,580	\$ 102,300	\$ (1,819,658)	\$ -	\$ (1,819,658)	\$ (1,543,387)
Public Safety	11,426,222	1,436,915	486,837	223,281	(9,279,189)	-	(9,279,189)	(9,194,246)
Public Works	5,938,001	184,811	14,172	838,004	(4,901,014)	-	(4,901,014)	(4,757,566)
Community Development	150,939	-	150,939	4,698	4,698	-	4,698	50,265
Culture and Recreation	2,908,610	570,866	97,202	2,225,286	(15,256)	-	(15,256)	(1,380,815)
Interest Expense	35,759	-	-	-	(35,759)	-	(35,759)	(86,955)
Total governmental activities	<u>26,696,751</u>	<u>6,189,274</u>	<u>1,067,730</u>	<u>3,393,569</u>	<u>(16,046,178)</u>	<u>-</u>	<u>(16,046,178)</u>	<u>(16,912,704)</u>
Business-type activities:								
Electric	41,681,970	53,455,096	-	-	-	11,773,126	11,773,126	11,453,309
Water	3,907,843	7,347,756	-	39,951	-	3,479,864	3,479,864	2,253,681
Sewer	4,559,881	6,002,001	-	26,094	-	1,468,214	1,468,214	2,054,853
Parking	805,008	1,381,148	-	-	-	576,140	576,140	574,169
Total business-type activities	<u>50,954,702</u>	<u>68,186,001</u>	<u>-</u>	<u>66,045</u>	<u>-</u>	<u>17,297,344</u>	<u>17,297,344</u>	<u>16,336,012</u>
Total primary government	<u>\$ 77,651,453</u>	<u>\$ 74,375,275</u>	<u>\$ 1,067,730</u>	<u>\$ 3,459,614</u>	<u>(16,046,178)</u>	<u>17,297,344</u>	<u>1,251,166</u>	<u>(576,692)</u>
General Revenues								
Taxes:								
Real estate taxes					5,515,728	-	5,515,728	5,102,146
Real estate transfer taxes					1,162,016	-	1,162,016	988,807
Franchise fees					412,079	-	412,079	399,960
Unrestricted investment earnings					142,487	126,956	269,443	192,205
Gain (Loss) on sale of capital assets					41,176	-	41,176	-
Litigation Settlement					-	-	-	(950,000)
Transfers					13,732,314	(13,732,314)	-	-
Total General Revenues, Extraordinary Item, and Transfers					<u>21,005,800</u>	<u>(13,605,358)</u>	<u>7,400,442</u>	<u>5,733,118</u>
Change in Net Position					4,959,622	3,691,986	8,651,608	5,156,426
Net Position - Beginning of Year					<u>37,546,835</u>	<u>53,051,380</u>	<u>90,598,215</u>	<u>85,441,789</u>
Net Position - End of Year					<u>\$ 42,506,457</u>	<u>\$ 56,743,366</u>	<u>\$ 99,249,823</u>	<u>\$ 90,598,215</u>

The accompanying notes are an integral part of these financial statements.

CITY OF NEWARK, DELAWARE
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2012
(with Summarized Comparative Data as of December 31, 2011)

	<u>Major Funds</u>			<u>Totals</u>	
	<u>General</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>2012</u>	<u>2011</u>
ASSETS					
Cash and cash equivalents	\$ 1,229,014	\$ 2,085,283	\$ 996,799	\$ 4,311,096	\$ 3,663,037
Investments	3,547,600	5,251,444	716,267	9,515,311	9,419,643
Accounts receivable	1,483,447	775,597	263,240	2,522,284	2,412,264
Taxes receivable, net	538,291	-	-	538,291	497,754
Due from other funds	133,132	-	-	133,132	73,132
Inventory	9,625	-	19,941	29,566	37,926
Prepaid items	44,401	17,980	16,255	78,636	102,074
Total assets	<u>\$ 6,985,510</u>	<u>\$ 8,130,304</u>	<u>\$ 2,012,502</u>	<u>\$ 17,128,316</u>	<u>\$ 16,205,830</u>
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts payable	\$ 622,160	\$ 896,704	\$ 94,869	\$ 1,613,733	\$ 1,194,490
Customer deposits	337,388	-	-	337,388	241,912
Deferred revenue	3,117,559	40,000	11,708	3,169,267	2,907,092
Due to other funds	-	-	130,000	130,000	70,000
Other liabilities	-	-	12,790	12,790	12,790
Total liabilities	<u>4,077,107</u>	<u>936,704</u>	<u>249,367</u>	<u>5,263,178</u>	<u>4,426,284</u>
Fund balances:					
Nonspendable					
Inventory	9,625	-	19,941	29,566	37,926
Prepaid Items	44,401	17,980	16,255	78,636	102,074
Restricted for					
Downtown Newark Partnership	132,891	-	53,126	186,017	150,664
Safetytown programs	-	-	943	943	46,172
Parks donations	-	-	15,702	15,702	943
Recreation donations	-	-	70,710	70,710	16,308
Island beautification	-	-	41,493	41,493	67,042
Parkland improvements	-	-	-	-	38,425
Capital projects	-	294,373	-	294,373	1,984,600
Law Enforcement	-	-	284,377	284,377	281,101
Assigned to					
Other departmental purposes	24,165	-	-	24,165	25,257
Debt service	-	-	38,641	38,641	46,620
Streets	-	-	219,601	219,601	215,324
Self insurance	-	-	1,000,255	1,000,255	996,019
Law enforcement	-	-	2,091	2,091	3,912
Capital projects	-	6,881,247	-	6,881,247	5,208,140
Unassigned	2,697,321	-	-	2,697,321	2,559,019
Total fund balances	<u>2,908,403</u>	<u>7,193,600</u>	<u>1,763,135</u>	<u>11,865,138</u>	<u>11,779,546</u>
Total liabilities and fund balances	<u>\$ 6,985,510</u>	<u>\$ 8,130,304</u>	<u>\$ 2,012,502</u>	<u>\$ 17,128,316</u>	<u>\$ 16,205,830</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF NEWARK, DELAWARE
RECONCILIATION OF THE BALANCE SHEET
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2012**

Total Fund Balance - Governmental Funds \$ 11,865,138

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Also excluded are \$276,173 of internal service capital assets accounted for in the following line: 28,443,804

Internal service funds are used by management to charge the costs of the operation of machinery, vehicle and building maintenance provided to other departments of the City on a cost-reimbursement basis. The assets and liabilities of the internal service fund are included in the governmental activities in the statement of net assets 1,054,670

Other long term assets such as net pension assets are not available to pay for current period expenditures and, therefore, are deferred in the funds (net of Internal Service Fund, \$19,807 included in net assets above) 567,936

Bond issue costs are reported as current expenditures in the funds. However, issue costs are deferred and amortized over the life of the bonds and are included in governmental activities in the statement of net position 23,471

Some of the City's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds. 3,169,267

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Bonds and notes payable	(1,687,996)
Compensated absences (net of Internal Service Fund, \$17,383 included in net assets above)	(644,112)
Net other post employment benefits obligation (net of Internal Service Fund, \$10,416 included in net assets above)	(288,841)
Accrued interest payable	(14,095)
Deferred loss on bond refunding	17,215

Net position of governmental activities \$ 42,506,457

CITY OF NEWARK, DELAWARE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012
(with Summarized Comparative Data for the Year Ended December 31, 2011)

	<u>Major Funds</u>			<u>Totals</u>	
	<u>General</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>2012</u>	<u>2011</u>
REVENUES					
Taxes:					
Real Estate	\$ 5,264,245	\$ -	\$ -	\$ 5,264,245	\$ 5,024,211
Real estate transfer	1,162,016	-	-	1,162,016	988,807
Franchise	412,079	-	-	412,079	399,960
Licenses and permits	1,961,647	-	-	1,961,647	1,945,632
Fines, forfeits and costs	2,280,264	-	26,524	2,306,788	2,465,745
Interest, dividends and rents	65,599	55,397	8,574	129,570	114,533
Intergovernmental revenues	322,775	3,193,721	734,527	4,251,023	2,618,365
Charges for services	1,919,352	-	1,488	1,920,840	1,836,072
Subvention - University of Delaware	211,500	-	-	211,500	207,125
Total revenues	<u>13,599,477</u>	<u>3,249,118</u>	<u>771,113</u>	<u>17,619,708</u>	<u>15,600,450</u>
EXPENDITURES					
Current:					
General Government	5,968,934	-	8,635	5,977,569	5,650,131
Public Safety	10,511,354	-	465,254	10,976,608	10,899,188
Public Works	3,513,578	-	1,418,595	4,932,173	4,966,108
Community Development	-	-	150,939	150,939	320,682
Culture and recreation	2,609,857	-	13,392	2,623,249	2,584,379
Debt Service:					
Principal	-	-	160,000	160,000	1,670,000
Interest	-	-	31,444	31,444	101,709
Refunding bond issuance costs	-	-	-	-	22,189
Lease acquisition costs	-	-	4,500	4,500	-
Capital Outlay	-	5,610,917	161,828	5,772,745	2,547,520
Litigation Settlement	950,000	-	-	950,000	-
Total expenditures	<u>23,553,723</u>	<u>5,610,917</u>	<u>2,414,587</u>	<u>31,579,227</u>	<u>28,761,906</u>
Deficiency of revenues under expenditures	<u>(9,954,246)</u>	<u>(2,361,799)</u>	<u>(1,643,474)</u>	<u>(13,959,519)</u>	<u>(13,161,456)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	13,631,444	2,079,067	2,270,882	17,981,393	17,366,337
Transfers out	(3,638,417)	-	(610,662)	(4,249,079)	(4,986,260)
Proceeds from the sale of capital assets	29,205	14,428	-	43,633	7,240
Refunding bonds issued	-	-	-	-	1,530,000
Premium on bonds issued	-	-	-	-	55,066
Proceeds from debt issuance	-	269,164	-	269,164	-
Total other financing sources and uses	<u>10,022,232</u>	<u>2,362,659</u>	<u>1,660,220</u>	<u>14,045,111</u>	<u>13,972,383</u>
Net change in fund balances	67,986	860	16,746	85,592	810,927
Fund balances - Beginning of Year	2,840,417	7,192,740	1,746,389	11,779,546	10,968,619
Fund balances - End of Year	<u>\$ 2,908,403</u>	<u>\$ 7,193,600</u>	<u>\$ 1,763,135</u>	<u>\$ 11,865,138</u>	<u>\$ 11,779,546</u>

The accompanying notes are an integral part of these financial statements.

CITY OF NEWARK, DELAWARE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012

Net Changes in Fund Balances - Total Governmental Funds	\$	85,592
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets (\$5,772,745) is allocated over their estimated useful lives as depreciation expense (\$2,049,641) net of Internal Service Fund of \$41,538 included in net assets above. This is the amount by which capital outlays exceeded depreciation in the current period.		3,723,103
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		262,175
The net effect of various miscellaneous transactions involving capital assets (I.e., sales, trade-ins, and donations) is to decrease net assets.		(2,457)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets:		
Bond principal		160,000
Accrued interest payable		(7,743)
Deferred loss on refunding		(2,197)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of bond issuance costs when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.		(261,236)
Internal Service Fund		(10,401)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:		
Compensated absences (net of Internal Service Fund \$4,538 included in net assets above)		(3,694)
Net pension asset (net of Internal Service Fund \$2,231 included in net assets above)		60,715
Net other post employment benefits obligation (net of Internal Service Fund \$216 included in net assets above)		5,765
Litigation Settlement		950,000
Change in Net Position of Governmental Activities	\$	<u>4,959,622</u>

The accompanying notes are an integral part of these financial statements.

CITY OF NEWARK, DELAWARE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
REVENUES				
Taxes:				
Real estate - current	\$ 5,184,098	\$ 5,227,933	\$ 5,214,381	\$ (13,552)
Real estate - delinquent and interest	51,200	51,200	49,864	(1,336)
Real estate - transfer	1,100,000	1,162,016	1,162,016	-
Franchise	366,000	366,000	412,079	46,079
Licenses and permits	1,576,300	1,901,442	1,961,647	60,205
Fines, forfeits and costs	2,234,400	2,234,400	2,280,264	45,864
Interest, dividends and rents	48,800	48,800	65,599	16,799
Intergovernmental revenues	286,835	286,835	322,775	35,940
Charges for services/fees	1,913,090	2,003,250	1,919,352	(83,898)
Subvention - University of Delaware	211,500	211,500	211,500	-
Total revenues	<u>12,972,223</u>	<u>13,493,376</u>	<u>13,599,477</u>	<u>106,101</u>
EXPENDITURES				
Current:				
General government:				
Finance department	2,451,334	2,451,334	2,340,483	110,851
Planning & development	848,107	828,107	846,039	(17,932)
Administration	897,762	897,762	867,369	30,393
Legislative	1,021,810	1,539,220	1,508,872	30,348
Judicial	393,511	401,206	406,171	(4,965)
Total general government	<u>5,612,524</u>	<u>6,117,629</u>	<u>5,968,934</u>	<u>148,695</u>
Public safety:				
Code Enforcement	1,065,135	1,065,135	1,074,893	(9,758)
Police	9,180,665	9,270,825	9,436,461	(165,636)
Total public safety	<u>10,245,800</u>	<u>10,335,960</u>	<u>10,511,354</u>	<u>(175,394)</u>
Public works:				
Highways and streets	1,170,780	1,170,780	1,287,858	(117,078)
Sanitation	2,201,207	2,153,595	2,225,720	(72,125)
Total public works	<u>3,371,987</u>	<u>3,324,375</u>	<u>3,513,578</u>	<u>(189,203)</u>
Culture and recreation	2,534,166	2,534,166	2,609,857	(75,691)
Litigation settlement	-	-	950,000	(950,000)
Total expenditures	<u>21,764,477</u>	<u>22,312,130</u>	<u>23,553,723</u>	<u>(1,241,593)</u>
Deficiency of revenues under expenditures	<u>(8,792,254)</u>	<u>(8,818,754)</u>	<u>(9,954,246)</u>	<u>(1,135,492)</u>
Other Financing Sources (Uses)				
Transfers In	12,990,000	12,990,000	13,631,444	641,444
Transfers Out	(4,806,745)	(4,806,745)	(3,638,417)	1,168,328
Proceeds from the sale of capital assets	-	-	29,205	29,205
Total other financing sources and uses	<u>8,183,255</u>	<u>8,183,255</u>	<u>10,022,232</u>	<u>1,838,977</u>
Net change in fund balances	<u>\$ (608,999)</u>	<u>\$ (635,499)</u>	67,986	<u>\$ 703,485</u>
Fund Balances - January 1			2,840,417	
Fund Balances - December 31			<u>\$ 2,908,403</u>	

The accompanying notes are an integral part of these financial statements.

CITY OF NEWARK, DELAWARE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2012
(with Summarized Comparative Data as of December 31, 2011)

	Business-Type Activities Enterprise Funds				Totals		Governmental Activities Internal Service Fund	
	Electric	Water	Sewer	Parking	2012	2011	2012	2011
ASSETS								
Current Assets:								
Cash and cash equivalents	\$ 1,411,028	\$ 248,044	\$ 679,997	\$ 5,716	\$ 2,344,785	\$ 5,685,378	\$ 862,023	\$ 795,237
Investments, unrestricted	3,754,340	2,074,440	1,972,567	1,690,464	9,491,811	4,844,941	-	-
Accounts receivable, net	5,669,535	1,303,734	1,049,280	23,787	8,046,336	8,913,072	11,704	856
Inventory	1,091,043	164,620	23,725	-	1,279,388	1,246,702	34,305	14,243
Prepaid expenses	2,005,534	2,038,955	-	1,680	4,046,169	411,901	9,154	8,249
Restricted Assets:								
Cash and cash equivalents	4,043,212	3,158,968	-	-	7,202,180	-	-	-
Investments	1,030,458	551,787	1,800	-	1,584,045	668,642	-	-
Bonds, notes, and lease issuance costs	1,615	16,038	-	-	17,653	15,946	-	-
Total current assets	19,006,765	9,556,586	3,727,369	1,721,647	34,012,367	21,786,582	917,186	818,585
Noncurrent Assets:								
Bond and lease issuance costs	16,855	146,043	-	-	162,898	143,515	-	-
Net pension asset	91,292	65,640	3,203	11,298	171,433	149,587	19,807	17,576
Capital assets, net:								
Land	-	7,957,953	-	830,174	8,788,127	8,788,127	-	-
Construction in progress	-	184,990	-	51,646	236,636	1,233,506	-	-
Buildings	6,367,506	3,057,605	-	-	9,425,111	8,342,128	270,212	304,559
Improvements	5,101,975	20,162,060	6,333,987	378,403	31,976,425	30,989,204	-	-
Machinery and Equipment	533,970	427,703	19,393	18,739	999,805	772,095	5,961	13,152
Intangibles	1,000	-	-	-	1,000	-	-	-
Total noncurrent assets	12,112,598	32,001,994	6,356,583	1,290,260	51,761,435	50,418,162	295,980	335,287
Total Assets	\$ 31,119,363	\$ 41,558,580	\$ 10,083,952	\$ 3,011,907	\$ 85,773,802	\$ 72,204,744	\$ 1,213,166	\$ 1,153,872
LIABILITIES								
Current Liabilities:								
Accounts payable	\$ 3,875,908	\$ 68,197	\$ 4,683	\$ 14,810	\$ 3,963,598	\$ 3,556,799	\$ 130,697	\$ 65,324
Customer deposits payable	715,371	9,392	1,800	-	726,563	668,642	-	-
Regulatory liability	367,749	-	-	-	367,749	2,228,611	-	-
Compensated absences	5,344	3,367	183	562	9,456	8,981	1,738	1,285
Due to other funds	-	3,132	-	-	3,132	3,132	-	-
Due to other governments	-	-	178,756	-	178,756	31,756	-	-
Accrued interest payable	22,614	90,807	-	-	113,421	46,591	-	-
Bonds, notes, and lease payable	104,993	1,012,388	-	-	1,117,381	990,000	-	-
Unamortized bond premium	-	38,081	-	-	38,081	41,254	-	-
Total Current Liabilities	5,091,979	1,225,364	185,422	15,372	6,518,137	7,575,766	132,435	66,609
Noncurrent Liabilities:								
Compensated absences	48,095	30,298	1,646	5,057	85,096	80,816	15,645	11,560
Net other post employment benefits obligation	36,528	32,940	-	3,764	73,232	75,178	10,416	10,632
Unearned revenue	7,685	2,971	1,040	-	11,696	5,316	-	-
Bonds, notes, and lease payable	6,261,229	15,744,666	-	-	22,005,895	11,045,000	-	-
Unamortized bond premium	-	336,380	-	-	336,380	371,288	-	-
Total Noncurrent Liabilities	6,353,537	16,147,255	2,686	8,821	22,512,299	11,577,598	26,061	22,192
Total Liabilities	11,445,516	17,372,619	188,108	24,193	29,030,436	19,153,364	158,496	88,801
NET POSITION								
Net investment in capital assets	11,899,458	19,954,656	6,353,380	1,278,962	39,486,456	37,821,033	276,173	317,711
Restricted for:								
Customer deposits	715,371	9,392	1,800	-	726,563	-	-	-
Capital projects	4,358,299	3,701,363	-	-	8,059,662	-	-	-
Unrestricted	2,700,719	520,550	3,540,664	1,708,752	8,470,685	15,230,347	778,497	747,360
Total Net Position	19,673,847	24,185,961	9,895,844	2,987,714	56,743,366	53,051,380	1,054,670	1,065,071
Total Liabilities and Net Position	\$ 31,119,363	\$ 41,558,580	\$ 10,083,952	\$ 3,011,907	\$ 85,773,802	\$ 72,204,744	\$ 1,213,166	\$ 1,153,872

The accompanying notes are an integral part of these financial statements.

CITY OF NEWARK, DELAWARE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012
(with Summarized Comparative Data as of December 31, 2011)

	Business-Type Activities Enterprise Funds				Totals		Governmental Activities Internal Service Fund	
	Electric	Water	Sewer	Parking	2012	2011	2012	2011
Operating Revenues:								
Charges for service	\$ 53,094,738	\$ 7,142,597	\$ 5,976,694	\$ 1,380,772	\$ 67,594,801	\$ 68,876,865	\$ 1,632,267	\$ 1,584,802
Penalties and fees	250,963	42,918	22,925	-	316,806	452,286	-	-
Miscellaneous	91,370	162,241	2,382	376	256,369	273,939	8,833	738
Total operating revenues	<u>53,437,071</u>	<u>7,347,756</u>	<u>6,002,001</u>	<u>1,381,148</u>	<u>68,167,976</u>	<u>69,603,090</u>	<u>1,641,100</u>	<u>1,585,540</u>
Operating Expenses:								
Personnel	2,291,878	1,797,426	156,502	530,171	4,775,977	4,746,375	487,978	483,564
Utility purchases	37,327,221	18	4,019,672	-	41,346,911	43,970,972	-	-
Materials and supplies	161,889	269,969	18,694	37,589	488,141	503,516	855,785	781,901
Contracted services	897,406	600,108	136,902	156,792	1,791,208	2,127,364	266,083	261,324
Depreciation	871,452	899,157	226,232	77,609	2,074,450	2,036,523	41,538	53,672
Other	94,513	4,180	1,879	2,847	103,419	99,528	1,117	1,236
Total operating expenses	<u>41,644,359</u>	<u>3,570,858</u>	<u>4,559,881</u>	<u>805,008</u>	<u>50,580,106</u>	<u>53,484,278</u>	<u>1,652,501</u>	<u>1,581,697</u>
Operating income (deficit)	<u>11,792,712</u>	<u>3,776,898</u>	<u>1,442,120</u>	<u>576,140</u>	<u>17,587,870</u>	<u>16,118,812</u>	<u>(11,401)</u>	<u>3,843</u>
Nonoperating Revenues (Expenses):								
Interest and investment revenue	55,297	27,396	25,595	18,668	126,956	74,758	-	-
Amortization of bond premium	-	38,081	-	-	38,081	12,821	-	-
Amortization of loss on bond refunding	-	(34,443)	-	-	(34,443)	(5,741)	-	-
Interest expense	(37,562)	(325,462)	-	-	(363,024)	(443,439)	-	-
Bond and lease issuance costs	(49)	(15,161)	-	-	(15,210)	(2,463)	-	-
Gain on Sale of Capital Assets	18,025	-	-	-	18,025	24,000	-	-
Total nonoperating revenues (expenses)	<u>35,711</u>	<u>(309,589)</u>	<u>25,595</u>	<u>18,668</u>	<u>(229,615)</u>	<u>(340,064)</u>	<u>-</u>	<u>-</u>
Income Before capital grants and transfers	11,828,423	3,467,309	1,467,715	594,808	17,358,255	15,778,748	(11,401)	3,843
Capital grants	-	39,951	26,094	-	66,045	644,724	1,000	-
Transfers in	-	-	-	-	-	5,718	-	10,000
Transfers out	(10,016,255)	(1,786,897)	(1,440,000)	(489,162)	(13,732,314)	(12,395,712)	-	(83)
Change in net position	1,812,168	1,720,363	53,809	105,646	3,691,986	4,033,478	(10,401)	13,760
Total net position - Beginning of year	17,861,679	22,465,598	9,842,035	2,882,068	53,051,380	49,017,902	1,065,071	1,051,311
Total net position - End of Year	<u>\$ 19,673,847</u>	<u>\$ 24,185,961</u>	<u>\$ 9,895,844</u>	<u>\$ 2,987,714</u>	<u>\$ 56,743,366</u>	<u>\$ 53,051,380</u>	<u>\$ 1,054,670</u>	<u>\$ 1,065,071</u>

The accompanying notes are an integral part of these financial statements.

CITY OF NEWARK, DELAWARE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012
(with Summarized Comparative Data as of December 31, 2011)

	Business-Type Activities Enterprise Funds				Totals		Governmental Activities Internal Service Fund	
	Electric	Water	Sewer	Parking	2012	2011	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES								
Receipts from customers and users	\$ 54,019,927	\$ 7,120,683	\$ 5,918,124	\$ 1,364,671	\$ 68,423,405	\$ 72,037,588	\$ -	\$ -
Receipts from interfund services provided	-	-	-	-	-	-	1,622,419	1,584,802
Customer deposits received	324,985	-	-	-	324,985	339,944	-	-
Customer deposits returned	(267,064)	-	-	-	(267,064)	(322,676)	-	-
Other operating receipts	56,890	57,883	2,382	376	117,531	198,935	8,833	8,041
Payments to suppliers for goods and services	(39,668,169)	(853,669)	(4,143,539)	(189,782)	(44,855,159)	(47,091,363)	(1,078,579)	(1,053,476)
Payments to employees for services	(2,301,742)	(1,802,104)	(158,655)	(532,513)	(4,795,014)	(4,844,733)	(485,887)	(493,900)
Payments for interfund services used	(90,187)	(120,991)	(4,563)	(14,078)	(229,819)	(212,257)	-	-
Net cash provided by operating activities	<u>12,074,640</u>	<u>4,401,802</u>	<u>1,613,749</u>	<u>628,674</u>	<u>18,718,865</u>	<u>20,105,438</u>	<u>66,786</u>	<u>45,467</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES								
Interest paid	(14,948)	-	-	-	(14,948)	(24,031)	-	-
Transfers in	-	-	-	-	-	-	-	10,000
Transfers out	(10,016,255)	(1,786,897)	(1,440,000)	(489,162)	(13,732,314)	(12,389,548)	-	(83)
Net cash provided (used) by noncapital financing activities	<u>(10,031,203)</u>	<u>(1,786,897)</u>	<u>(1,440,000)</u>	<u>(489,162)</u>	<u>(13,747,262)</u>	<u>(12,413,579)</u>	<u>-</u>	<u>9,917</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES								
Proceeds from bonds, notes and capital lease issuance	6,366,222	5,712,055	-	-	12,078,277	11,425,098	-	-
Payments to escrow agent	-	-	-	-	-	(11,265,637)	-	-
Purchases of capital assets	(1,272,226)	(1,586,563)	(485,378)	(19,827)	(3,363,994)	(2,196,045)	-	-
Proceeds from sale of capital assets	5,525	-	-	-	5,525	-	-	-
Capital grants received	-	39,951	526,536	-	566,487	799,521	-	-
Bond and lease issuance costs	(18,618)	(12,282)	-	-	(30,900)	(159,461)	-	-
Capital lease down payment	(1,989,406)	(1,669,441)	-	-	(3,658,847)	-	-	-
Principal paid on capital debt	-	(990,000)	-	-	(990,000)	(840,000)	-	-
Interest paid on capital debt	-	(281,246)	-	-	(281,246)	(526,330)	-	-
Net cash provided (used) by capital and related financing activities	<u>3,091,497</u>	<u>1,212,474</u>	<u>41,158</u>	<u>(19,827)</u>	<u>4,325,302</u>	<u>(2,762,854)</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES								
Purchase of investments	(3,609,986)	(1,043,070)	(302,216)	(600,620)	(5,555,892)	(3,500,001)	-	-
Interest received	47,860	27,182	26,906	18,626	120,574	73,523	-	-
Net cash (used) by investing activities	<u>(3,562,126)</u>	<u>(1,015,888)</u>	<u>(275,310)</u>	<u>(581,994)</u>	<u>(5,435,318)</u>	<u>(3,426,478)</u>	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	1,572,808	2,811,491	(60,403)	(462,309)	3,861,587	1,502,527	66,786	55,384
Cash and cash equivalents - Beginning of Year	3,881,432	595,521	740,400	468,025	5,685,378	4,182,851	795,237	739,853
Cash and cash equivalents - End of Year (including \$5,221,435 and \$-0-, respectively, reported in restricted accounts)	<u>\$ 5,454,240</u>	<u>\$ 3,407,012</u>	<u>\$ 679,997</u>	<u>\$ 5,716</u>	<u>\$ 9,546,965</u>	<u>\$ 5,685,378</u>	<u>\$ 862,023</u>	<u>\$ 795,237</u>

The accompanying notes are an integral part of these financial statements.

CITY OF NEWARK, DELAWARE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012
(with Summarized Comparative Data as of December 31, 2011)

	Business-Type Activities Enterprise Funds				Totals		Governmental Activities Internal Service Fund	
	Electric	Water	Sewer	Parking	2012	2011	2012	2011
	\$	\$	\$	\$	\$	\$	\$	\$
Reconciliation of operating income to net cash provided by operating activities								
Operating income	11,792,712	3,776,898	1,442,120	576,140	17,587,870	16,118,812	(11,401)	3,843
Adjustments to reconcile operating income to net cash provided by operating activities:								
Depreciation expense	871,452	899,157	226,232	77,609	2,074,450	2,036,523	41,538	53,672
Effect of changes in operating assets and liabilities:								
Accounts receivable	620,450	(169,009)	(82,576)	(16,101)	352,764	483,021	(9,848)	7,303
Allowance for uncollectible accounts	11,611	1,124	1,081	-	13,816	(941)	-	-
Inventory	9,757	(50,907)	8,464	-	(32,686)	(89,578)	(20,062)	8,118
Prepaid expenses	1,143	(17,187)	279	215	(15,550)	(8,512)	(905)	(177)
Net pension asset	(11,285)	(8,402)	(696)	(1,463)	(21,846)	(31,273)	(2,231)	(3,344)
Customer deposits	57,921	-	-	-	57,921	(43,775)	-	-
Accounts payable	572,635	(32,291)	(126,698)	(6,847)	406,799	(516,111)	65,373	(16,956)
Regulatory liability	(1,860,862)	-	-	-	(1,860,862)	2,228,611	-	-
Compensated absences	2,510	4,440	(1,457)	(738)	4,755	(5,818)	4,538	(213)
Net other post employment benefits obligation	(1,089)	(716)	-	(141)	(1,946)	(61,267)	(216)	(6,779)
Due to other governments	-	-	147,000	-	147,000	(2,000)	-	-
Deferred revenue	7,685	(1,305)	-	-	6,380	(2,254)	-	-
Total adjustments	281,928	624,904	171,629	52,534	1,130,995	3,986,626	78,187	41,624
Net cash provided by operating activities	\$ 12,074,640	\$ 4,401,802	\$ 1,613,749	\$ 628,674	\$ 18,718,865	\$ 20,105,438	\$ 66,786	\$ 45,467
Noncash investing, capital, and financing activities:								
Increase (decrease) in fair value of investments	2,337	889	905	661	4,792	(24,139)	-	-
Capitalization of trade-in credits	12,500	-	-	-	12,500	24,000	-	-

The accompanying notes are an integral part of these financial statements.

CITY OF NEWARK, DELAWARE
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2012

	Pension and Other Benefits Funds
ASSETS	
Cash and cash equivalents	\$ 19,980
Investments:	
Money market funds	1,889
Domestic equity mutual funds	19,735,453
International equity mutual funds	10,580,913
Fixed income mutual funds	13,837,087
Real estate equity funds	3,831,115
Balanced asset allocation mutual funds	299,109
U.S. stocks	3,703
Obligations of U.S. governments and agencies	1,025,796
Accounts receivable	1,176
Contributions receivable	152,028
	49,488,249
NET POSITION	
Position held in trust for employee post employment benefits	\$ 49,488,249

The accompanying notes are an integral part of these financial statements.

**CITY OF NEWARK, DELAWARE
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Pension and Other Benefits Funds
ADDITIONS	
Contributions:	
Employer	\$ 3,646,480
State aid - police	377,658
Employee	<u>546,229</u>
Total contributions	<u>4,570,367</u>
Investments:	
Investment earnings	102,500
Net increase in fair value of investments	<u>5,746,299</u>
Total investment earnings	<u>5,848,799</u>
Total additions	<u>10,419,166</u>
DEDUCTIONS	
Benefits	3,383,782
Administrative expenses	<u>298,053</u>
Total Deductions	<u>3,681,835</u>
Change in Net Position	6,737,331
Net Position - Beginning of Year	<u>42,750,918</u>
Net Position - End of Year	<u><u>\$ 49,488,249</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF NEWARK, DELAWARE
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Newark complies with generally accepted accounting principles (GAAP) including all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note. The City has implemented all applicable GASB financial reporting requirements through GASB Statement No. 63.

Financial Reporting Entity

The City of Newark, Delaware (the "City") was incorporated in 1852, under the provisions of the State of Delaware. The City operates under a Council-Manager form of government and provides the following services as authorized by its charter: public safety, streets, sanitation, utilities, health and social services, culture and recreation, public improvements, planning and zoning, and general administration.

The Government Accounting Standards Board established the criteria for determining the activities, organizations and functions of government to be included in the financial statements of the reporting entity. The criteria used in determining whether such organizations should be included in the City's financial reporting entity are financial interdependences, selection of governing authority, designation of management, ability to significantly influence operations, accountability for fiscal matters, scope of public service and special financing relationships.

The City has determined that no other outside agency meets the above criteria and, therefore, no other agency has been included as a component unit in the City's financial statements.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the nonfiduciary activities of the City. Eliminations of interfund activity have been made to minimize the double counting of internal activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the last are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor funds. In addition, the fund financial statements present internal service funds and fiduciary funds by fund type.

Measurement Focus, Basis of Accounting, And Financial Statement Presentation

The entity-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund statements. Revenues are

CITY OF NEWARK, DELAWARE
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items (nonexchange transactions) are recognized as revenue as soon as all eligibility requirements imposed by the providers have been satisfied. Agency funds report only assets and liabilities as they do not have a measurement focus, but do use the accrual basis of accounting.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they become both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For governmental fund types, the City considers all revenues to be available if they are collected within 60 days after fiscal year end. Revenues considered susceptible to accrual include property taxes, franchise taxes, licenses, interest and dividend income, and grants associated with the current fiscal year. Only the portion of the special assessments receivable due within the current fiscal year is considered to be susceptible to accrual and recognized as revenue in the current fiscal year. All other revenue items are considered measurable and available only when cash is received by the City.

Expenditures are recorded when the related fund liability is incurred (upon receipt of goods or services), except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Long-term debt issues and acquisitions under capital leases are reported as other financing sources.

The City reports the following major governmental funds:

General Fund – This fund is used to account for the general operating activities of the City. General government, public safety, public works, parks and recreation, and judiciary offices are financed through this fund with receipts from general property taxes, licenses and permits, investment interest, fines, charges for current services, intergovernmental and other revenue.

Capital Projects Fund – This fund is used to account for the design, construction and improvement of City buildings, land improvements, and the purchase and replacement of vehicles, machinery and equipment.

The City reports the following major proprietary funds:

Electric Fund – Used to account for the operation of an electric distribution system.

Water Fund – Used to account for the operation of a water supply system.

Sewer Fund – Used to account for the operation of a sewage collection system.

Parking Fund – Used to account for the operation of a municipal parking lot system.

Internal Service Fund – This fund is used to account for the operation of machinery, vehicle and building maintenance provided to other departments of the City on a cost-reimbursement basis.

CITY OF NEWARK, DELAWARE
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The City reports the following non-major governmental funds:

Debt Service Fund – Used to account for principal and interest payments made for the City's General Obligation Bonds Series 2011 and the Energy Improvement Loan.

Street Fund – Used to account for the City's street maintenance program, two-thirds of the City's roadways are maintained under this program.

Insurance Fund – This fund accounts for disability and medical claim payments made for employee job related injuries and deductible amounts paid to insurance underwriters.

Community Development Fund – Used to account for the City's Community Development Block Grant from the United States Department of Housing and Urban Development passed through New Castle County Department of Community Development and Housing.

Law Enforcement Funds – Used to account for grants and other funding designated for Law Enforcement operating expenditures.

Parks and Recreation Fund – Used to account for grants and other funding designated for Parks maintenance and beautification and for the City's Recreational program operating expenditures.

The City reports the following fiduciary fund types:

Pension Trust Fund – This fund is used to account for the assets held by the Pension Program in a trustee capacity for the employees of the City. The Pension Program, which is part of the City's legal entity, is a single-employer defined benefit pension plan that provides benefits to City employees.

OPEB Trust Fund – This fund is used to account for the funding, accounting, and reporting of postemployment benefits other than pension.

Section 401A City Manager's Retirement Fund – This fund is used to account for the assets held by a third party administrator in a retirement savings plan for the former City Manager. The fund accounts for all activities in the account during the year including contributions made by the City and the former City Manager.

Section 401A Management Employees' Retirement Fund – This fund is used to account for the assets held by a third party administrator in a retirement savings plan for management employees hired after January 1, 2012. The fund accounts for all activities in the account during the year including contributions made by the City and management employees hired after January 1, 2012.

Retirement Health Savings Plan for Management Employees 2009 – This fund is used to account for the assets held by a third party administrator in a retirement health savings plan for management employees hired prior to January 1, 2012. The fund accounts for all activities in the account during the year including contributions made by the management employees.

Retirement Health Savings Plan for Management Employees 2012 – This fund is used to account for the assets held by a third party administrator in a retirement health savings plan for management employees hired after January 1, 2012. The fund accounts for all activities in the account during the year including contributions made by the City and the management employees hired after January 1, 2012.

CITY OF NEWARK, DELAWARE
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

All governmental and business-type activities of the City follow GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in pre November 30, 1989 FASB and AICPA pronouncements which incorporates into GASB authoritative literature certain accounting and financial reporting guidance previously included in Financial Accounting Standards Board (FASB), Accounting Principles Board Opinions (APB), and American Institute of Certified Public Accountants (AICPA) guidance issued before November 30, 1989. The implementation of this new standard modified certain language in disclosures related to the applicable basis of accounting in the City's 2012 financial statements.

The City also has the option to follow subsequent private-sector guidance for its business-type activities and enterprise funds with certain limitations, but has elected not to do so.

With limited exceptions, the effects of interfund activity have been eliminated from the government-wide financial statements. Exceptions include charges by one government function to another where services have been provided. Elimination of these charges would distort the direct costs and program revenues reported for the various functions.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the electric, water, sewer and parking proprietary funds and the maintenance internal service fund are charges to customers for sales and services. Operating expenses for enterprise and internal service funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use in certain programs, it is the City's policy to apply cost-reimbursement grant resources first to those programs, followed by bond proceeds, categorical block grants and then by general revenues, as they are needed.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the proprietary funds consider all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Receivables

Receivables as of December 31, 2012 for the City's governmental activities include real estate taxes receivable, home buyer's assistance program receivables, grants receivable, permits and licenses receivable, liens receivable, interest receivables, and other miscellaneous receivables.

Allowance for Doubtful Accounts

Historically, the City of Newark has experienced a 99% collection rate for real estate taxes. Taxes constitute a lien against real property and are collected in full when title transfers. An allowance for doubtful accounts is established which includes outstanding receivables for parcels of undeveloped land that may not be recoverable through a transfer or munitions sale and one percent of the remaining receivable balance.

The City of Newark's water, sewer and electric utilities experience very small losses from uncollectible accounts. Water and sewer fees constitute a lien against real property and can usually be collected in full when title transfers. Accordingly, an allowance for doubtful accounts is funded annually at the rate of .03

CITY OF NEWARK, DELAWARE
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

percent of annual revenues, excluding adjustment, penalties and miscellaneous revenues. This amount approximates actual losses. Only balances that remain after tax sales are written off each year.

Electric fees do not constitute a lien; however, maintenance of adequate customer deposits, monthly billing and diligent collection procedures minimize losses from uncollectible accounts. Accordingly, an allowance for doubtful accounts is funded annually at the rate of .16 percent of annual revenues, excluding adjustments, penalties and miscellaneous revenues. This amount approximates the City's actual loss experience.

As of December 31, 2012, the allowance for doubtful accounts amounted to \$212,767 in the Electric Fund, \$20,648 in the Water Fund, and \$25,787 in the Sewer Fund.

Inventories and Prepaid Items

Inventories of governmental and proprietary fund types are valued at lower of average cost or market. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. These items are recorded as expense/expenditures when consumed.

Capital Assets

Capital assets including property, plant and equipment are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City has defined capital assets as assets with a minimum individual cost of \$20,000 and an estimated useful life in excess of one year. Capital assets may be purchased or constructed and are recorded at cost. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

Capital assets of the City are depreciated using the straight-line method over the estimated useful lives of the related assets. The City generally uses the following estimated useful lives unless an asset's life has been adjusted based on actual experience:

Buildings	20-40 years	Electric System	15-30 years
Sewer System	50 years	Water System	20-50 years
Improvements	10-20 years	Equipment	5-10 years

Compensated Absences

City employees earn vacation and sick leave depending on their length of service. Sick leave is accumulated at the rate of 15 days per year. Any unused sick leave is paid annually at the rate of one day for every three days accumulated in excess of 90 days. Employees have no vested interest in unused sick leave at termination and, accordingly, the City has no such liability. After 10 years of service, employees may carry forward up to two weeks of vacation time which, if unused, is paid at time of leaving the City.

Compensatory time is accumulated as earned, with any unused amounts up to a maximum limit, being paid at the time of leaving the City.

Long-Term Obligations

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable

CITY OF NEWARK, DELAWARE
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

government activities, business-type activities or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest rate method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. Notes & lease issuance costs are deferred and amortized over the life of the notes and lease. Notes and lease payables are reported net of issuance costs. Note and lease issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums, discounts and bond issuance costs during the current financial period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Net Position and Fund Equity

The difference between fund assets and liabilities is “Net Position” on the government-wide, proprietary and fiduciary fund statements and “Fund Balance” on governmental fund statements. Net Position is classified as “Invested in Capital Assets, Net of Related Debt,” legally “Restricted” for a specific purpose, or “Unrestricted” and available for appropriation for the general purposes of the fund or activity.

Fund Balance

Fund balances presented in the governmental fund financial statements represent the difference between assets and liabilities reported in the governmental funds. GASB 54, “Fund Balance Reporting and Governmental Fund Type Definitions”, establishes criteria for classifying fund balances into specifically defined classifications and clarifies definitions for governmental funds. In the Governmental Fund financial statements, fund balances are classified as:

- Nonspendable – includes items that cannot be spent because they are not in spendable form, such as prepaid and inventory items reported in the general fund, capital projects fund, and other governmental funds.
- Restricted – includes items that are restricted by external parties or imposed by grants, law, or legislation.
- Committed – includes items that can be used only for the specific purposes determined by formal action (council bill or resolution) of the City’s highest level of decision making authority (City Council.) Constraint can be removed or changed only by taking the same action prior to the end of the fiscal year. The City had no committed fund balances at December 31, 2013.
- Assigned – includes items that have been allocated by budgetary action (approved by City Council) where the City’s intent is to use the funds for a specific purpose. In the governmental funds, other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed.
- Unassigned – this category is for any balances that have no restrictions placed upon them.

When both restricted and unrestricted resources are available for use, it is the City’s policy to use restricted resources first, and then unrestricted resources as they are needed. Within the unrestricted fund balance, the City will apply expenditures against assigned and then unassigned amounts.

CITY OF NEWARK, DELAWARE
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Property Taxes

Property taxes attach as an enforceable lien on property when levied. Taxes are levied on July 1 and are payable on or before September 30. Taxes paid after the payable date are assessed a five percent penalty for nonpayment and one and one-half percent interest per month thereafter. The City bills and collects its own property taxes. City property tax revenues are recognized on a pro rata basis. An allowance for doubtful accounts is calculated on tax balances of identified properties where amounts due may not be collected at the time of a title transfer and one percent of the remaining tax receivable balance. The property tax rate for 2012 was 68.58 cents per \$100 of assessed value.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Budgetary Information

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Formal budgetary integration is employed as a management control device during the year for the General fund. This budget is adopted on a basis consistent with generally accepted accounting principles.
- b. The City Council adopts legal annual budgets for the General Fund, Proprietary Funds, Street Fund, Parks Special Revenue Funds, Debt Service Fund, and the Insurance Fund. The City Council also adopts legal project length budgets for its Capital Projects Funds, Community Development Block Grant Fund, and the Law Enforcement Fund. Project periods for these funds may differ from the City's fiscal year; comparisons of budgetary information for these funds are presented as supplemental information.
- c. The City Manager is authorized to transfer budget amounts between departments within any fund; however, any revisions that alter the total appropriations of any fund must be approved by the City Council. Therefore, the level of budgetary responsibility is by total appropriations; however, for report purposes, this level has been expanded to a functional basis. Budget appropriations lapse at year-end.
- d. The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

Revenue and Expenditures

For the year ended December 31, 2012, actual revenues in the General Fund exceeded budgeted revenues by \$106,101. This amount represents greater than anticipated revenues mostly in Fines and Intergovernmental revenues.

Operating expenditures were \$1,241,593 greater than appropriated mostly due to litigation settlement for a class action lawsuit filed by landlords regarding rental permit fees.

CITY OF NEWARK, DELAWARE
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Reclassification

Certain amounts in the 2011 summarized comparative data have been reclassified to conform to the 2012 financial statement presentation.

NOTE 2 CASH, CASH EQUIVALENTS AND INVESTMENTS

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. The City does not have a written policy for custodial credit risk. At December 31, 2012, the carrying amount of the City's cash accounts and cash on hand was \$14,720,084. The bank balances were \$9,096,967. Of the bank balances, \$250,000 was covered by Federal Depository Insurance. The remaining balance of \$8,846,967 was secured by collateral consisting of uninsured and unregistered investments held by the pledging financial institution but not in the City's name. Of the cash accounts and cash on hand, \$7,202,180 was restricted for the Automated Meter Infrastructure project. Of this amount, \$5,221,435 was deposited in an acquisition fund in the City's name.

The above does not include pension and post-employment benefits fund deposits reflected in Notes 8 and 10.

Investments

The City's investments are reported at fair value. The City is authorized to invest in United States Government Securities; Federal Agency Securities; Certificates of Deposits, Time Deposits, and Bankers Acceptances; Corporate Debt Instruments; Repurchase Agreements; Money Market Mutual Funds; the pooled investment fund known as the Delaware Local Government Investment Pool (DELGIP) as authorized by Title 29, Chapter 12 of the Delaware Code; Municipal Obligations that are rated in either of the two highest rating categories by a nationally recognized rating agency; and Guaranteed Investment Contracts. Amounts that may be invested in any one of these categories are subject to percentage limitations as set forth in the City's written Investment Policy.

As of December 31, 2012 the City had the following investments (investments in certificates of deposits are insured, registered, or held by the City or its agent in the City's name):

<u>Investment Type</u>	<u>Fair Value</u>	<u>INVESTMENT MATURITIES (in years)</u>			
		<u>Less Than One Year</u>	<u>One to Five Years</u>	<u>Six to Ten Years</u>	<u>More Than Ten Years</u>
Certificates of Deposit	<u>\$ 20,591,167</u>	<u>\$ 8,067,964</u>	<u>\$ 11,736,157</u>	<u>\$ 639,143</u>	<u>\$ 147,903</u>

Included in the investment balance above are restricted investments in the amount of \$1,584,045. The restricted deposits are held for the Automated Meter Infrastructure Project and customer deposits.

Credit Risk

The City has no policy regarding credit risk for U.S. Government Securities or Federal Agency Securities.

CITY OF NEWARK, DELAWARE
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 2 CASH, CASH EQUIVALENTS AND INVESTMENTS (cont'd)

Interest Rate Risk

Interest rate risk is the possibility that an interest rate change could adversely affect an investment's fair value.

The City's investment policy regarding maximum maturity of investments requires the maintenance of adequate liquidity to meet cash flow needs of the City. The portfolio is structured in a manner that ensures sufficient cash is available to meet anticipated liquidity needs. The portfolio is invested in permitted investments with a stated maturity of no more than ten years from the date of purchase, unless the security is matched to a specific obligation or debt of the City. To control volatility of the portfolio, the City determines a duration target for the portfolio, not to exceed three years.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

All investment securities purchased by the City or held as collateral on deposits or investments are held in third-party safekeeping at a qualified financial institution that is not a counterparty to the investment transaction.

All securities in the City investment portfolio are held in the name of the City and are free and clear of any lien.

Appropriate City officials and representatives of the depository responsible for, or in any manner involved with, the safekeeping and custody process of the City may be required to be bonded.

Concentration of Credit Risk

Concentration of credit risk is the inability to recover the value of deposits, investments, or collateral securities in the possession of an outside party caused by a lack of diversification (investments acquired from a single issuer.)

The City's portfolio is diversified to limit exposure to any one issuer. No more than 5% of the City's portfolio will be invested in the securities of any single issuer with the following exceptions:

US Treasury	100% maximum
Each Federal Agency	25% maximum
Time Deposits fully insured by FDIC/FSLIC	10% maximum
Each Repurchase Agreement Counterparty	25% maximum
Money Market Mutual Fund	25% maximum
DELGIP	25% maximum

As of December 31, 2012, there were no investments with a fair value in excess of 5% of the City's portfolio invested in any single issuer.

CITY OF NEWARK, DELAWARE
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 3 CAPITAL ASSETS

The capital asset activity for the year ended December 31, 2012 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental Activities</u>				
Capital assets not being depreciated:				
Land	\$ 5,499,380	\$ -	\$ -	\$ 5,499,380
Construction in progress	<u>1,547,682</u>	<u>277,452</u>	<u>885,573</u>	<u>939,561</u>
Total capital assets not being depreciated	<u>7,047,062</u>	<u>277,452</u>	<u>885,573</u>	<u>6,438,941</u>
Capital assets being depreciated:				
Buildings	10,069,175	148,203	-	10,217,378
Improvements	16,688,973	5,158,311	-	21,847,284
Machinery and equipment	<u>11,857,593</u>	<u>1,074,352</u>	<u>341,428</u>	<u>12,590,517</u>
Total capital assets being depreciated	<u>38,615,741</u>	<u>6,380,866</u>	<u>341,428</u>	<u>44,655,179</u>
Less accumulated depreciation for:				
Buildings	4,877,003	272,093	-	5,149,096
Improvements	6,517,246	924,345	-	7,441,591
Machinery and equipment	<u>9,227,686</u>	<u>894,741</u>	<u>338,971</u>	<u>9,783,456</u>
Total accumulated depreciation	<u>20,621,935</u>	<u>2,091,179</u>	<u>338,971</u>	<u>22,374,143</u>
Total capital assets being depreciated, net	<u>17,993,806</u>	<u>4,289,687</u>	<u>2,457</u>	<u>22,281,036</u>
Governmental activities capital assets, net	<u>\$ 25,040,868</u>	<u>\$ 4,567,139</u>	<u>\$ 888,030</u>	<u>\$ 28,719,977</u>

CITY OF NEWARK, DELAWARE
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 3 CAPITAL ASSETS (cont'd)

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Business-Type Activities</u>				
Capital assets not being depreciated:				
Land	\$ 8,788,127	\$ -	\$ -	\$ 8,788,127
Construction in progress	1,233,506	47,979	1,044,849	236,636
Other assets	-	1,000	-	1,000
Total capital assets not being depreciated	<u>10,021,633</u>	<u>48,979</u>	<u>1,044,849</u>	<u>9,025,763</u>
Capital assets being depreciated:				
Buildings	21,750,340	1,766,072	-	23,516,412
Improvements	52,603,336	2,154,067	-	54,757,403
Machinery and equipment	2,789,508	452,225	259,978	2,981,755
Total capital assets being depreciated	<u>77,143,184</u>	<u>4,372,364</u>	<u>259,978</u>	<u>81,255,570</u>
Less accumulated depreciation for:				
Buildings	13,408,212	683,089	-	14,091,301
Improvements	21,614,132	1,166,846	-	22,780,978
Machinery and equipment	2,017,413	224,515	259,978	1,981,950
Total accumulated depreciation	<u>37,039,757</u>	<u>2,074,450</u>	<u>259,978</u>	<u>38,854,229</u>
Total capital assets being depreciated, net	<u>40,103,427</u>	<u>2,297,914</u>	<u>-</u>	<u>42,401,341</u>
Business-type activities capital assets, net	<u>\$ 50,125,060</u>	<u>\$ 2,346,893</u>	<u>\$ 1,044,849</u>	<u>\$ 51,427,104</u>
Depreciation expense was charged to the functions as follows:				
General Government				273,990
Public Safety				460,927
Public Works				1,021,403
Culture and Recreation				293,321
Capital assets held by the government's internal service funds and charged to the various functions based on their usage				<u>41,538</u>
Total depreciation expense - governmental activities				<u>\$ 2,091,179</u>
Business-type activities:				
Electric				871,452
Water				899,157
Sewer				226,232
Parking				<u>77,609</u>
Total depreciation expense - business-type activities				<u>\$ 2,074,450</u>

CITY OF NEWARK, DELAWARE
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 4 LONG-TERM DEBT

General Obligation Bonds

On December 5, 2011, the City issued \$12,695,000 of General Obligation Refunding Bond Series 2011 for both governmental and business-type activities.

The bonds mature September 15, 2012 through September 14, 2022 and bear interest rates that vary from 2.0 percent to 3.0 percent, payable March 15 and September 15.

The bonds outstanding on December 31, 2012 are general obligation debt supported by the full faith and credit of the City and are summarized as follows:

Purpose	Amount
Governmental activities	\$ 1,370,000
Business-type activities	11,045,000
	\$ 12,415,000

Annual debt service requirements to maturity for the bonds payable are as follows:

Year Ending December 31	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2013	\$ 155,000	\$ 32,850	\$ 187,850	\$ 985,000	\$ 280,150	\$ 1,265,150
2014	160,000	29,750	189,750	1,005,000	260,450	1,265,450
2015	165,000	26,550	191,550	1,020,000	240,350	1,260,350
2016	170,000	23,250	193,250	1,040,000	219,950	1,259,950
2017	175,000	19,850	194,850	1,070,000	199,150	1,269,150
2018-2022	\$ 545,000	\$ 33,150	578,150	5,925,000	546,750	6,471,750
	\$ 1,370,000	\$ 165,400	\$ 1,535,400	\$ 11,045,000	\$ 1,746,800	\$ 12,791,800

In the prior year, the City defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, assets in the trust account and the liability for the defeased bonds are not included in the City's financial statements. On December 31, 2012, \$10.98 million of bonds outstanding are considered defeased.

Equipment Lease/Purchase Agreement – Business Type Activities

On December 19, 2012, the City entered into an \$8,897,374 Equipment Lease/Purchase Agreement with Bank of America Public Capital Corporation. The loan bears an interest rate of 2.20%. Payments are due quarterly starting January 1, 2014, with the final payment due January 1, 2028. The proceeds, which will be used to partially finance the City's \$11,495,735 Automated Meter Infrastructure Project in the business-type activities, was deposited in an Acquisition Fund under the City's name. Disbursements for project construction costs will be made out of this fund. The present value of all future minimum lease payments is reported as a lease obligation in the statement of net position.

CITY OF NEWARK, DELAWARE
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 4 LONG-TERM DEBT (cont'd)

As of December 31, 2012, payments under this lease obligation are as follows:

<u>Year Ending December 31</u>	<u>Business Type</u> <u>Activities</u>
2014	\$ 703,350
2015	703,350
2016	703,350
2017	703,350
2018-2022	3,516,749
2023-2027	3,516,750
2028	<u>703,350</u>
Total lease payments	10,550,249
Less: interest	<u>(1,652,875)</u>
Present value of lease payments	<u><u>\$ 8,897,374</u></u>

Energy Improvement Loans – Governmental & Business Type Activities

On July 20, 2012, the City signed a \$2,851,935 financing agreement with the Delaware Department of Natural Resources & Environmental Control. The agreement, under the American Recovery and Reinvestment Act of 2009, consists of a promissory note and a security agreement related to the Automated Meter Infrastructure Project in the business-type activities. The loan proceeds will partially finance the installation and acquisition of equipment for the Automated Meter Infrastructure Project. The loan bears an interest rate of 1.99%. Payments are due quarterly starting September 1, 2013, with the final payment due September 1, 2022.

On February 29, 2012, the City entered into a \$598,131 financing agreement with the Delaware Department of Natural Resources and Environment Control. The agreement, under the American Recovery and Reinvestment Act of 2009, consists of a promissory note and a security agreement related to the installation of energy efficiency improvements and equipment at various municipal facilities. The loan bears an interest rate of 1.99%. Payments are due quarterly starting January 1, 2013, with the final payment due July 1, 2022.

The loan outstanding on December 31, 2012 are summarized below:

<u>Purpose</u>	<u>Amount</u>
Governmental activities	\$ 269,164
Business-type activities	<u>3,180,902</u>
	<u><u>\$ 3,450,066</u></u>

CITY OF NEWARK, DELAWARE
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 4 LONG-TERM DEBT (cont'd)

Annual debt service requirements to maturity for the energy improvement loans are as follows:

Year Ending December 31	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2013	\$ 22,409	\$ 8,388	\$ 30,797	\$ 132,381	\$ 10,252	\$ 142,633
2014	26,080	4,717	30,797	322,209	5,765	327,974
2015	26,603	4,194	30,797	328,669	5,126	333,795
2016	27,137	3,660	30,797	335,258	4,474	339,732
2017	27,681	3,116	30,797	341,980	3,809	345,789
2018-2022	\$ 139,254	\$ 7,031	146,285	1,720,405	3,131	1,723,536
	<u>\$ 269,164</u>	<u>\$ 31,106</u>	<u>\$ 300,270</u>	<u>\$ 3,180,902</u>	<u>\$ 32,557</u>	<u>\$ 3,213,459</u>

NOTE 5 CHANGES IN LONG-TERM LIABILITIES

Long term liability activity for the year ended December 31, 2012, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental Activities</u>					
Bonds payable	\$ 1,530,000	\$ -	\$ (160,000)	\$ 1,370,000	\$ 155,000
Plus: deferred amounts - bond premium	55,066	-	(6,234)	48,832	6,234
Total bonds payable	1,585,066	-	(166,234)	1,418,832	161,234
Notes Payable	-	269,164	-	269,164	22,409
Compensated absences	653,263	1,170,662	(1,162,429)	661,496	66,150
Long-term liabilities	<u>\$ 2,238,329</u>	<u>\$ 1,439,826</u>	<u>\$ (1,328,663)</u>	<u>\$ 2,349,492</u>	<u>\$ 249,793</u>
<u>Business-Type Activities</u>					
Bonds payable	\$ 12,035,000	\$ -	\$ (990,000)	\$ 11,045,000	\$ 985,000
Plus: deferred amounts - bond premium	412,542	-	(38,081)	374,461	38,081
Total bonds payable	12,447,542	-	(1,028,081)	11,419,461	1,023,081
Lease payable	-	8,897,374	-	8,897,374	-
Notes Payable	-	3,180,902	-	3,180,902	132,381
Compensated absences	89,797	293,077	(288,322)	94,552	9,456
Long-term liabilities	<u>\$ 12,537,339</u>	<u>\$ 12,371,353</u>	<u>\$ (1,316,403)</u>	<u>\$ 23,592,289</u>	<u>\$ 1,164,918</u>

The compensated absences liability attributable to governmental activities will be paid by the governmental and internal service funds. In the past, approximately 90% has been paid by the General Fund and the remainder by other governmental and internal service funds. The internal service fund predominantly serves the governmental funds.

Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. As of December 31, 2012, \$17,383 of internal service funds compensated absences is included in the above amounts.

CITY OF NEWARK, DELAWARE
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 6 INTERFUND TRANSFERS, RECEIVABLES & PAYABLES

The composition of interfund transfers as of the year ended December 31, 2012 was as follows:

	Transfer In	Transfer Out
General Fund	\$ 13,631,444	\$ 3,638,417
Capital Projects Fund	2,079,067	-
Nonmajor Governmental Funds	2,270,882	610,662
Electric Fund	-	10,016,255
Water Fund	-	1,786,897
Sewer Fund	-	1,440,000
Parking Fund	-	489,162
	\$ 17,981,393	\$ 17,981,393
Total transfers		

Annual operating transfers of electric utility revenues have been made to the General Fund since 1996. The City's policy is that operating transfers may be made from the enterprise funds to the General Fund provided such transfers will take into consideration each enterprise fund's financial strength and operating condition.

The composition of interfund balances as of the year ended December 31, 2012 was as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Community development	\$ 130,000
General	Water	3,132
		\$ 133,132
Total		

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods & services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. These amounts include balances of working capital loans made to funds that are awaiting receivables.

The community development fund incurs expenditures for goods and services related to Community Development Grant (CDBG) funded programs which are later reimbursed by grant proceeds. On December 31, 2012, \$130,000 was due from the community development fund for working capital advances. The General Fund expects to collect this amount in the subsequent year. The General Fund receivable from the Water Fund is a result of settlement costs incurred in refunding bonded indebtedness in 2011. This balance is not expected to be collected in the subsequent year.

CITY OF NEWARK, DELAWARE
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 7 ENCUMBRANCES

Encumbrances represent claims against appropriations for purchase order and executed contracts that have not been expended. Amounts reported as encumbrances in the General Fund are reported as an assignment of Fund Balance. Encumbrances in the Capital Projects Fund are reported as restricted and assigned fund balances. Encumbrances in other governmental funds are included in the restricted fund balance category. The following table includes functional encumbrance balances as of December 31, 2012:

	<u>Total</u>	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>
General Government	\$ 10,073	\$ 10,073	\$ -	\$ -
Public Safety	5,380	2,132	-	3,248
Public Works	4,994	4,994	-	-
Culture & Recreation	7,671	6,966	-	705
Capital Projects	<u>1,300,362</u>	<u>-</u>	<u>1,300,362</u>	<u>-</u>
	<u>\$ 1,328,480</u>	<u>\$ 24,165</u>	<u>\$ 1,300,362</u>	<u>\$ 3,953</u>

NOTE 8 PENSIONS

Plan Description

Substantially all full-time employees of the City are covered by the Amended Pension Plan for Employees of the City of Newark, Delaware, created and operated under Section 2.98 of the City Code. This is a single-employer defined benefit pension plan accounted for as a pension trust fund and administered by the City Council sitting as the Board of Trustees. The defined benefit pension plan is reported in the City's financial statements and is not included in the report of any other public employee retirement system or other entity. A separate report for the Pension Trust Fund is not prepared.

Each year, on January 1, Milliman Consulting, prepares a complete Pension Plan Actuarial Valuation Report that is available for review in the Finance Department. On a monthly basis, Russell Investment Group and the Principal Financial Group, prepare a performance monitoring report on the investment returns of plan assets. Finance Department staff prepares a separate report which, along with those of the consultants, is transmitted to the Board of Trustees, discussed at regular public meetings and made available for review in the Finance Department.

Full-time municipal employees, including management employees hired prior to January 1, 2012, are required to enroll in the plan immediately upon hire. Prior service as a part-time or temporary employee is not considered.

Although plan assets are collectively managed and administered, the plan is actually a combination of three plans with distinctly different levels of benefits. Even though there are three benefit levels, all plan assets are available to pay benefits to any plan member. The three plans are:

1. Non-Police – civilian, non-sworn, regular, full-time employees
2. Police – all sworn police officers except the Chief of Police
3. Special Police – the Chief of Police

CITY OF NEWARK, DELAWARE
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 8 PENSIONS (cont'd)

Non-Police and Special Police employees are entitled to a benefit at 2.1 percent of their final average compensation comprised of base pay plus longevity times years of credited service. For Exempt and Special Police employees, final average compensation equals the average of the employee's 60 highest paid consecutive months of City employment. For members of the Communication Workers of America (white collar) and the American Federation of State, County and Municipal Employees (blue collar), final average compensation equals the average of the employee's 36 highest paid consecutive months of City employment. For Non-Police employees the normal retirement date is the first day of the month coinciding with or next following the latter of the fifth anniversary of the member's plan participation date or the member's 65th birthday. For Special Police the normal retirement date is the later of the employee's 50th birthday or the employee's fifth anniversary of participation in the Plan. The Plan permits early retirement for Non-Police employees at age 55 with the completion of 15 or more years of credited service. The early retirement benefit is actuarially reduced unless the sum of years of service and age is equal to 85. There are no early retirement options for Special Police.

Police employees are entitled to a benefit calculated at different rates. For service prior to January 1, 1978, a benefit at 2.2 percent of the final average compensation (the average of the employee's 36 highest paid consecutive months of employment with the City) comprised of base pay plus longevity times years of credited service. For service from January 1, 1978 through December 31, 1987, service credits accumulate at the rate of 2.25 percent for each year of service. For service after December 31, 1987 service credits accumulate at the rate of 2.5 percent for each year of service up to twenty years.

Service credits accumulate at the rate of 3.5% per year after twenty years.

Police members shall not be required to contribute after accumulating the maximum normal retirement benefit of 67.5% of final average compensation.

Normal retirement for Police employees hired before January 1, 1989 is the earlier of (1) the later of the employee's 50th birthday or the fifth anniversary of the member's date of participation in the plan or (2) the completion of 20 years of credited service as a Police employee. For a Police employee hired after January 1, 1989, normal retirement occurs upon the completion of 20 years of credited service as a contributing member. A Police member who has completed 15 or more years of credited service and who terminates employment no more than five years prior to the member's Normal Retirement Date shall be eligible to receive a retirement pension benefit commencing on the first of the month following the member's Normal Retirement Date.

Each employee who is unable to engage in any substantial gainful activity by reason of a medically determinable physical or mental impairment may be eligible for a disability pension equal to the employee's accumulated service credits, reduced by any benefits paid under the City's long-term disability insurance program. Police and Special Police employees whose disability results from the discharge of their official duties, shall receive pension benefits of not less than seventy-five percent of their prior December 1 compensation, reduced by any benefits paid under any workmen's compensation law, the City's long-term disability issuance program and 50 percent of actual Social Security Act disability benefits.

If a member terminates employment before becoming eligible for any other benefits under the plan, the member is entitled to a complete refund of the employee's pension contributions. The contributions are refunded with interest, which accumulates at the rate of four percent annually.

CITY OF NEWARK, DELAWARE
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 8 PENSIONS (cont'd)

With five years or more of credited service, eight vested benefit options of equivalent actuarial value are available as follows:

1. A retirement benefit for the remainder of the employee's life.
2. A retirement benefit for a minimum of five years and then only for the rest of the member's life. If the member does not live for five years after terminating employment, then the beneficiary would continue to receive the benefit for the remainder of the five-year period.
3. A retirement benefit for a minimum of 10 years and then only for the rest of the member's life. If the member does not live for 10 years after terminating employment, then the beneficiary would continue to receive the benefit for the remainder of the 10-year period.
4. A retirement benefit for a minimum of 15 years and then only for the rest of the member's life. If the member does not live for 15 years after terminating employment, then the beneficiary would continue to receive the benefit for the remainder of the 15-year period.
5. A survivor benefit equal to 50% of the employee's benefit after the member's death.
6. A survivor benefit equal to 66-2/3% of the employee's benefit after the member's death.
7. A survivor benefit equal to 75% of the employee's benefit after the member's death.
8. A survivor benefit equal to 100% of the employee's benefit after the member's death.

The contribution percentage for Non-Police and Special Police employees in 2012 was 2.5 percent of current base and longevity pay earned throughout the year.

Police employees of the City are required to contribute a floating percentage of their current base and longevity pay.

The Police employee contribution rate is equal to the City's contribution rate to the police fund for the prior year; but the rate increase is limited to not more than 2 percent over the previous year's contribution rate and the overall rate cannot exceed 7 percent. The Police employee contribution rate was 7.00 percent in 2012.

Annual Pension Cost

The City is required to make annual contributions based on actuarially computed percentage of covered wages in amounts sufficient to cover normal costs of benefits and amortize the prior service liabilities over a period of 30 years as a level percent of pay. The annual required contribution for the current year was determined as part of the January 1, 2012 actuarial valuation using the entry age normal cost method as defined in Section B of GASB Statement No. 27. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the fair value of investments over a three-year period.

CITY OF NEWARK, DELAWARE
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 8 PENSIONS (cont'd)

The unfunded actuarial accrued liability is amortized over an open 30 year period, as a level dollar amount, from the valuation date.

Annual required contribution	\$ 2,832,003
Interest on net pension asset	(50,579)
Adjustment to annual required contribution	<u>57,101</u>
Annual pension cost	2,838,525
Contributions made	<u>2,923,317</u>
Increase in net pension asset	(84,792)
Net pension asset , beginning of year	<u>(674,384)</u>
Net pension asset, end of year	<u>\$ (759,176)</u>

The following summarizes the annual pension cost, percentage of annual cost contributed, and the net pension obligation for the past three years:

Calendar Year Ending December 31	Annual Pension Cost	Contributions Made	Percentage of APC Contributed	Net Pension Asset
2010	\$2,278,953	\$2,469,544	108%	\$547,451
2011	\$2,616,805	\$2,743,738	105%	\$674,384
2012	\$2,838,525	\$2,923,317	103%	\$759,176

In 2006, the assumed retirement rates for police officers hired before 1989 were updated to reflect actual plan experience. Previously, it was assumed that these officers retired by age 50. Now, their assumed retirement age follows a table of rates, ending at the age at which they attain maximum accumulated service credits (67.5 percent of final average earnings). Significant actuarial assumptions used in determining the net pension benefit obligation include:

- (a) rate of return on the investment present and future assets of 7.5 percent per year compounded annually, net of investment and administrative expenses;
- (b) salaries that are assumed to increase annually by a percentage that is based on years of service with rates varying from 3.5 percent to 6.0 percent for non-police employees and 3.5 percent to 8.5 percent for police employees;
- (c) a 2.5 percent employee contribution rate for non-police and 7.0 percent for police and;
- (d) the assumption that benefits will not increase after retirement. The plan does not include a provision for inflation rate.

The City's annual employer pension cost for the fiscal year ended December 31, 2012 was \$2,838,525. The contributions for the year by various City funds totaled \$2,923,317 including \$377,658 of funds provided by the State of Delaware. The State aid for police pension is recorded through the general fund escrow account.

CITY OF NEWARK, DELAWARE
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 8 PENSIONS (cont'd)

Plan Membership

As of January 1, 2012, the most recent actuarial valuation, employee membership consisted of:

<u>Police and Nonpolice Participants</u>	<u>Police</u>	<u>Non Police</u>	<u>Total</u>
Active employees	67	157	224
Retired and disabled members receiving benefits	50	101	151
Deferred vested participants	<u>0</u>	<u>11</u>	<u>11</u>
Total	<u>117</u>	<u>269</u>	<u>386</u>

The City's total payroll for all employees covered by Plan for the current year was \$12,927,854. Participation in the Plan is required for new employees.

Plan Assets

In accordance with GASB No. 25, investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. In 2001, the City hired the Frank Russell Trust Company to manage the investment of pension plan assets. The Russell Company maintains numerous commingled investment funds for qualified public employee pension plans. These investments are not categorized according to the level of risk assumed at year end because they are not represented by securities.

Administrative Costs

Administrative costs, including the investment manager, custodial trustee and actuarial services, are charged and paid by short-term assets of the plan.

Concentration of Plan Assets

As of December 31, 2012 there were no individual investments, other than those backed by the U.S. Government, which constituted five percent or more of the plan's net position.

Required Supplementary Information – Municipal General Employees Pension Plan Actuarial valuations of an ongoing plan involve estimates of the value of the reported amounts and assumptions about the probability of occurrence of events far into the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of

CITY OF NEWARK, DELAWARE
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 8 PENSIONS (cont'd)

Funding Progress, as presented below, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities benefits.

Schedule of Funding Progress

Actuarial Valuation Date	Plan Assets	Actuarial Accrued Liability (AAL)	Unfunded Accrued Liability	Funded Ratio	Payroll	Unfunded AAL as a Percentage of Payroll
January 1, 2012	\$40,760,760	\$62,857,392	\$22,096,632	64.80%	\$12,927,854	170.90%

Schedule of Contributions from Employer and Other Contributing Entities

Valuation Date	Annual Required Contribution	Actual Contribution	Percentage Contributed
January 1, 2010	\$2,277,619	\$2,469,544	108.43%
January 1, 2011	\$2,614,758	\$2,743,738	104.93%
January 1, 2012	\$2,832,003	\$2,923,317	103.22%

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liability benefits.

CITY OF NEWARK, DELAWARE
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 8 PENSIONS (cont'd)

The condensed financial statements as of and for the year ended December 31, 2012 are as follows:

Statement of Plan Net Position
Employee's Pension Trust Fund
December 31, 2012

ASSETS

Investments:

Domestic equity mutual funds	\$ 18,069,250
International equity mutual funds	9,716,839
Fixed income mutual funds	12,590,504
Real estate equity funds	3,456,981
Obligations of U.S. governments & agencies	1,025,796
Contributions receivable	<u>152,028</u>
Total assets	<u>45,011,398</u>

NET POSITION

Position held in trust for employee post employment benefits	\$ <u>45,011,398</u>
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CITY OF NEWARK, DELAWARE
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 8 PENSIONS (cont'd)

Statement of Changes in Plan Net Position
Employee's Pension Trust Fund
For the Year Ended December 31, 2012

ADDITIONS

Contributions:

Employer contributions	\$ 2,545,659
State aid - police	377,658
Employee contributions	<u>500,296</u>
Total contributions	<u>3,423,613</u>

Investments:

Net increase in fair value of investments	<u>5,453,272</u>
Total investments earnings	<u>5,453,272</u>
Total additions	<u>8,876,885</u>

DEDUCTIONS

Benefits	3,103,707
Administrative expenses	<u>289,263</u>
Total deductions	<u>3,392,970</u>

Change in Net Position	5,483,915
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Net Position, January 1	<u>39,527,483</u>
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Net Position, December 31	<u>\$ 45,011,398</u>
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NOTE 9 DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code (IRC) Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years.

The IRC Section 457 was amended by adding subsection (g), which required the City to amend its Deferred Compensation Plan (DCP) Trust Agreement. In December 1996, the City amended its DCP and amended its existing DCP Trust Agreement to comply with changes in the IRC.

The amended DCP provides that all assets and income of the DCP are held in the DCP Trust for the exclusive benefit of participants and their beneficiaries. Therefore, these assets are no longer the sole property of the City and will not be subject to the claims of the City's general creditors. In addition, as a result of this change, the assets have been eliminated from the City's balance sheet as of January 1, 1999. All costs and expenses of administering the plan are borne by the participants.

CITY OF NEWARK, DELAWARE
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 10 OTHER POST EMPLOYMENT BENEFITS

Plan Description

The City of Newark Other Post-Employment Benefits Trust Fund is a single employer defined benefit OPEB plan administered by the City Council sitting as the Board of Trustees. The fund, adopted under City Resolution No. 08-DD on December 8, 2008, provides medical and life insurance benefits to eligible retired City employees and their spouses. The plan is reported in the City's financial statements and is not included in the report of any other public employee retirement system or other entity. A separate report for the OPEB Trust Fund is not prepared.

Participant data consisted of the following at January 1, 2011, the date of the latest actuarial valuation:

<u>Participants</u>	
Active	222
Retired	<u>142</u>
Total	<u><u>364</u></u>

Funding Policy

The trust is funded through contributions made by the City as an employer, earnings from investments, and reimbursements from retirees and spouses. The City's cost of providing retiree medical coverage and life insurance is paid out of the OPEB Fund. In 2012, the City contributed \$1,095,884 to prefund benefits and to pay current premiums for post-employment benefits. For 2012, the current premium costs of those benefits were \$278,887.

CITY OF NEWARK, DELAWARE
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 10 OTHER POST EMPLOYMENT BENEFITS (cont'd)

Annual OPEB Cost and Net OPEB Obligation

The City's annual Other Post Employment Benefit cost is based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or excess funding) over a period not to exceed thirty years.

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes to the City's net OPEB obligation:

Annual required contribution	1,081,823
Interest on net OPEB obligation	28,531
Adjustment to annual required contribution	<u>(22,397)</u>
Annual OPEB cost (expense)	1,087,957
Contributions made	<u>1,095,884</u>
Decrease in net OPEB obligation	(7,927)
Net OPEB obligation, beginning of year	<u>380,416</u>
Net OPEB obligation, end of year	<u>\$ 372,489</u>

Net other post employment benefits obligations are liquidated through the Insurance Fund.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012 were as follows:

<u>Calendar Year Ended</u>	<u>Annual OPEB Cost</u>	<u>% of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
12/31/2010	1,104,640	103.7%	648,949
12/31/2011	1,192,310	122.5%	380,416
12/31/2012	1,087,957	134.3%	372,489

CITY OF NEWARK, DELAWARE
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 10 OTHER POST EMPLOYMENT BENEFITS (cont'd)

Funded Status

As of January 1, 2012, the most recent (interim) actuarial valuation date, the plan was 20.26 percent funded. The actuarial accrued liability for benefits was \$14,763,000, the actuarial value of assets was \$2,991,033, and the unfunded actuarial accrued liability was \$11,771,967. The covered payroll (annual payroll of active employees covered by the plan) was \$12,927,854, and the ratio of UAAL to the covered payroll was (UAAL) 91.1 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of the reported amounts and assumptions about the probability of occurrence of events far into the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, as presented below, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities benefits:

Actuarial Valuation Date	Plan Assets	Actuarial Accrued Liability (AAL)	Unfunded Accrued Liability	Funded Ratio	Payroll	Unfunded AAL as a Percentage of Payroll
January 1, 2012	2,991,033	14,763,000	11,771,967	20.26%	12,927,854	91.10%

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liability for benefits.

Actuarial Methods & Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of the valuation.

The actuarial assumptions used for turnover, mortality, and retirement age were generally the same as those used for the Amended Pension Plan for the employees of the City of Newark. The assumed claims cost and contributions were updated to reflect recent plan experience. The entry age normal method was used for this valuation. Entry age normal method accrues liability in level dollar amounts over the career of the participant. The actuarial assumptions include a 7.5 percent investment rate of return and annual health care cost trend rates of 7.4 percent initially for pre-medicare and medicare eligible, reduced by decrements to an ultimate rate of 5.9 percent for pre-medicare and 5.7 percent for medicare eligible after twenty-nine years and the assumption that benefits will not increase after retirement. These healthcare trend rates were updated to include the excise tax due to healthcare reform which is effective. The plan does not have a provision for inflation rate. The unfunded actuarial liability is being amortized as a level percentage of projected payroll over thirty years on an open basis. For this purpose, payroll is assumed to grow by 3.5 percent per year.

CITY OF NEWARK, DELAWARE
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 10 OTHER POST EMPLOYMENT BENEFITS (cont'd)

The condensed financial statements as of and for the year ended December 31, 2012 are as follows:

Statement of Plan Net Position
Other Post Employment Benefits Plan
December 31, 2012

ASSETS	
Cash and cash equivalents	\$ 19,980
Investments:	
Domestic equity mutual funds	1,666,203
International equity mutual funds	864,074
Fixed income mutual funds	1,246,583
Real estate equity funds	374,134
Accounts receivable	<u>1,176</u>
Total assets	<u>4,172,150</u>
NET POSITION	
Position held in trust for employee post employment benefits	<u>\$ 4,172,150</u>

CITY OF NEWARK, DELAWARE
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 10 OTHER POST EMPLOYMENT BENEFITS (cont'd)

Statement of Changes in Plan Net Position
Other Post Employment Benefits Plan
For the Year Ended December 31, 2012

ADDITIONS	
Contributions:	
Employer contributions	\$ 1,095,884
Investments:	
Investment earnings	102,500
Net increase in fair value of investments	<u>268,120</u>
Total additions	<u>1,466,504</u>
DEDUCTIONS	
Benefits	278,887
Administrative expenses	<u>6,500</u>
Total deductions	<u>285,387</u>
Change in Net Position	1,181,117
Net Position, January 1	<u>2,991,033</u>
Net Position, December 31	<u>\$ 4,172,150</u>

CITY OF NEWARK, DELAWARE
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 11 SECTION 401A CITY MANAGER'S RETIREMENT FUND

The City of Newark 401A Retirement Fund is a money purchase retirement plan known as the City of Newark, Delaware City Manager's Pension Plan. This plan is administered by the ICMA Retirement Corporation Governmental Money Purchase Plan and Trust with the City of Newark serving as the trustee. The plan was adopted under Resolution No. 08-W on October 13, 2008. The former City Manager participated in the plan. Contributions to the plan were made by the City and the former City Manager according to the plan contribution provisions. In 2012, total contributions to the Fund were \$13,108.

The condensed financial statements as of and for the year ended December 31, 2012 are as follows:

Statement of Plan Net Position
Section 401(a) City Manager's Retirement Fund
December 31, 2012

ASSETS

Investments:

Balanced asset allocation mutual funds	\$ <u>179,260</u>
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Total assets	<u>179,260</u>
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NET POSITION

Position held in trust for employee post employment benefits	\$ <u><u>179,260</u></u>
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CITY OF NEWARK, DELAWARE
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 11 SECTION 401A CITY MANAGER'S RETIREMENT FUND (cont'd)

Statement of Changes in Plan Net Position
Section 401(a) City Manager's Retirement Fund
For the Year Ended December 31, 2012

ADDITIONS	
Contributions:	
Employer contributions	\$ 3,877
Employee contributions	<u>9,231</u>
Total contributions	<u>13,108</u>
Investments:	
Net increase in fair value of investments	<u>15,003</u>
Total investments earnings	<u>15,003</u>
Total additions	<u>28,111</u>
Net Position, January 1	<u>151,149</u>
Net Position, December 31	<u><u>\$ 179,260</u></u>

NOTE 12 SECTION 401A MANAGEMENT EMPLOYEES RETIREMENT FUND

The City of Newark 401A Management Employees Retirement Fund is a money purchase retirement plan and trust known as the City of Newark, Delaware Management Employee Defined Contribution Pension Plan. This plan is administered by the ICMA Retirement Corporation Governmental Money Purchase Plan and Trust with the City of Newark serving as the trustee. The plan was adopted under Resolution No. 12-R on October 8, 2012. Management employees hired after January 1, 2012 participate in the plan. Contributions to the plan are made by the City and the management employees according to the plan contribution provisions. In 2012, total contributions to the Fund were \$744.

The condensed financial statements as of and for the year ended December 31, 2012 are as follows:

Statement of Plan Assets
Section 401(a) Management Employees' Retirement Fund
December 31, 2012

ASSETS	
Investments:	
Balanced asset allocation mutual funds	\$ <u>786</u>
Total assets	<u>786</u>
NET POSITION	
Position held in trust for employee post employment benefits	<u><u>\$ 786</u></u>

CITY OF NEWARK, DELAWARE
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 12 SECTION 401A MANAGEMENT EMPLOYEES RETIREMENT FUND (cont'd)

Statement of Changes in Plan Net Position
Section 401(a) Management Employees' Retirement Fund
For the Year Ended December 31, 2012

ADDITIONS	
Contributions:	
Employer contributions	\$ 430
Employee contributions	344
Total contributions	774
Investments:	
Net increase (decrease) in fair value of investments	12
Total investments earnings (deficit)	12
Total additions	786
Net Position, January 1	-
Net Position, December 31	\$ 786

NOTE 13 RETIREMENT HEALTH SAVINGS PLAN 2009

The City of Newark Retirement Health Savings Plan is an employer-sponsored health savings plan that is administered by the City Council sitting as the Board of Trustees. The fund, adopted under City Resolution No. 09-Q on August 24, 2009, is a savings vehicle that allows management employees to accumulate assets to pay for their medical expenses, their spouse's, and their dependents in retirement.

The condensed financial statements as of and for the year ended December 31, 2012 are as follows:

Statement of Plan Net Position
Retirement Health Savings Plan 2009
December 31, 2012

ASSETS	
Investments:	
Money market funds	\$ 1,889
Balanced asset allocation mutual funds	118,083
U.S. stocks	3,703
Total assets	123,675
NET POSITION	
Position held in trust for employee post employment benefits	\$ 123,675

CITY OF NEWARK, DELAWARE
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 13 RETIREMENT HEALTH SAVINGS PLAN 2009 (cont'd)

Statement of Changes in Plan Net Position
Retirement Health Savings Plan 2009
For the Year Ended December 31, 2012

ADDITIONS

Contributions:

Employee contributions	\$ 36,023
Total contributions	<u>36,023</u>

Investments:

Net increase (decrease) in fair value of investments	<u>9,877</u>
Total investments earnings (deficit)	<u>9,877</u>
Total additions	<u>45,900</u>

DEDUCTIONS

Benefits	1,188
Administrative expenses	<u>2,290</u>
Total deductions	<u>3,478</u>

Change in Net Position 42,422

Net Position, January 1 81,253

Net Position, December 31 \$ 123,675

CITY OF NEWARK, DELAWARE
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 14 RETIREMENT HEALTH SAVINGS PLAN 2012

The City of Newark Retirement Health Savings Plan is an employer-sponsored health savings plan that is administered by the City Council sitting as the Board of Trustees. The fund, adopted under City Resolution No. 12-S on October 8, 2012, is a savings vehicle that allows management employees to accumulate assets to pay for their medical expenses, their spouse's, and their dependents in retirement. Contributions to the plan are made by the City and management employees according to the plan contribution provisions.

The condensed financial statements as of and for the year ended December 31, 2012 are as follows:

Statement of Plan Net Position Retirement Health Savings Plan 2012 December 31, 2012	
ASSETS	
Investments:	
Balanced asset allocation mutual funds	\$ 980
Total assets	980
NET POSITION	
Position held in trust for employee post employment benefits	\$ 980

Statement of Changes in Plan Net Position Retirement Health Savings Plan 2012 For the Year Ended December 31, 2012	
ADDITIONS	
Contributions:	
Employer contributions	\$ 630
Employee contributions	335
Total contributions	965
Investments:	
Net increase (decrease) in fair value of investments	15
Total investments earnings (deficit)	15
Total additions	980
DEDUCTIONS	
Benefits	-
Administrative expenses	-
Total deductions	-
Change in Net Position	980
Net Position, January 1	-
Net Position, December 31	\$ 980

CITY OF NEWARK, DELAWARE
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 15 RISK MANAGEMENT

The City maintains commercial insurance coverage for risk of losses relating to general, automotive, police professional, public officials and crime. There has been no significant change in coverage during the past year. There have been no losses above the insurance limits during the last three years.

The City is self-insured for workers' compensation; however, medical costs related to on-the-job injuries are covered by the City's health insurance provider for employees covered by the City's group health plan. The City's compensation payments are calculated based upon a written policy administered by the City.

The City maintains an insurance fund for worker's compensation claims and deductible amounts paid to its insurance underwriters. That insurance fund is included in these statements. Resources are allocated to this fund from operating funds. Historically, the City has experienced very few individual claims. As of December 31, 2012, there were six outstanding workers compensation claims and three outstanding general liability claims under the City's deductible amounts. No amounts were accrued in the City's financial statements.

<u>Fiscal Year</u>	<u>Aggregate Liability for Claims 1/1/12</u>	<u>Current Year Claims</u>	<u>Actual Claims Payments</u>	<u>Aggregate Liability for Claims 12/31/12</u>
2012	\$ 2,080	\$ 89,253	\$ 84,576	\$ 6,757
2011	346	169,014	167,280	2,080
2010	1,392	85,550	86,596	346
2009	-	36,503	35,111	1,392
2008	-	186,723	186,723	-

CITY OF NEWARK, DELAWARE
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 16 POLLUTION REMEDIATION

In 2008, the City hired an environmental engineering firm to perform a remedial investigation of its Cleveland Avenue Landfill site, which was operated by the City from 1914 to the early 1960's. After the site was capped, it served as McKees Park until 2009. The investigation of the site was conducted for the City at the request of the Delaware Department of Natural Resources and Environmental Control (DNREC) in order to characterize the site and its actual or potential risk to public health, welfare, or the environment, and to provide data for development of remedial alternatives, if necessary, to reduce or eliminate hazards. In 2011, the City secured the site by installing a fence around the perimeter and began conducting quarterly sampling of two wells on site as required by DNREC for review and determination of any further action. In 2012, the City identified the site for beneficial reuse as a photovoltaic power station and issued a request for proposals through its wholesale electric supplier accordingly.

In the fall of 2008, the State declared the City's Curtis Mill property a Certified Brownfield site. A Brownfield is a property or land previously used as an industrial site where the potential presence of low concentrations of hazardous waste may hinder expansion or redevelopment. By certifying a property as a Brownfield site, DNREC encourages the cleanup and redevelopment of vacant, abandoned, or underutilized properties which may be contaminated with hazardous substances. The City entered into a Brownfield Voluntary Cleanup Program agreement with the State. This agreement provided funds for testing and will provide funds for remediation. The Curtis Mill site was purchased by the City in 1999 and is currently vacant. Testing of the property for hazardous waste was completed in 2009. The proposed plan of remedial action was issued by DNREC in November 2011 and approved in January 2012. The plan presents DNREC's determination that the cleanup actions are in accordance with the Delaware Hazardous Substance Cleanup Act and will be protective of human health and environment. Following the completion of the cleanup plan, the site will be redeveloped into a public park. No amounts were accrued in the City's financial statements.

NOTE 17 THE DELAWARE MUNICIPAL ELECTRIC CORPORATION, INC.

The City is a member of the Delaware Municipal Electric Corporation (DEMEC). DEMEC is a public corporation constituted as a Joint Action Agency and a wholesale electric utility. DEMEC was established in 1979 and represents nine municipal electric distribution utilities located in the State of Delaware and provides full requirements wholesale electric power supply service to eight of the nine members, including the City, through the operation of owned generation assets and various wholesale supply contracts with external parties.

The City purchases 100% of its electric supply requirements from DEMEC under a long-term full requirements service contract that became effective January 1, 2004 and which will remain in effect unless terminated upon one year's written notice by either party. The obligation of the City to purchase and pay for full requirements service, including its allocated costs under any then current forward contract for capacity and energy between DEMEC and a third party in effect as of the date of notice of termination, shall survive the termination of this Agreement.

On May 1, 2001, the City entered into separate power sales agreements to purchase a 47.4% interest in the capacity produced by Unit 1 of the Warren F. "Sam" Beasley Power Station located in Smyrna, Delaware, owned by DEMEC. The City is entitled to 47.4% of all power supply and ancillary products generated from the existing nominal 45 MW natural gas fired combustion turbine generator for the useful life of the facility.

On May 1, 2011, the City entered into separate power sales agreements to purchase a 43.7% interest in the capacity produced by Unit 2 of the Warren F. "Sam" Beasley Power Station located in Smyrna, Delaware, owned by DEMEC. The City is entitled to 43.7% of all power supply and ancillary products generated from the existing nominal 50 MW natural gas fired combustion turbine generator for the useful life of the facility.

CITY OF NEWARK, DELAWARE
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 17 THE DELAWARE MUNICIPAL ELECTRIC CORPORATION, INC. (cont'd)

Under the terms of the various agreements, DEMEC is authorized to act as agent for the City in all matters relating to the acquisition and delivery of its wholesale power supply and management of energy cost risk on behalf of the City in the deregulated energy markets.

NOTE 18 LITIGATION

The City was involved in a lawsuit filed in the Delaware Court of Chancery by a number of Newark landlords. The landlords challenged the City's rental permit structure and were certified as a class of all Newark landlords who have paid the rental permit fee since 2005. The City retained outside counsel for the defense of this case. The case was tried in the Court of Chancery in May 2012. The Judge involved in the case reserved decision and urged the parties to consider settlement prior to extensive post trial briefings. The parties reached an agreement in which the City paid the plaintiffs \$950,000, inclusive of attorney's fees and costs. The City also agreed to reduce its existing rental permit fees by one-third. On June 11, 2012, City Council approved a \$950,000 settlement agreement and payment was made in August 2012.

There are two pending lawsuits in which the City is involved. The first claim is defended by the City's insurance defense counsel. Counsel filed a motion to dismiss which was granted on May 7, 2013. The plaintiff's attorney informed defense counsel that the motion to dismiss will not be opposed. The second claim was dismissed in 2012. In March 2013, a decision was affirmed on appeal by the Delaware Supreme Court.



Community Day

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF NEWARK, DELAWARE
PENSION FUNDING PROGRESS
December 31, 2012**

The following required supplementary information is provided in accordance with GASB Statement No. 25. The plan has an actuarial an actuarial valuation performed each year and the schedule below presents information for the past six plan years.

Actuarial Valuation Date	Plan Assets	Actuarial Accrued Liability (AAL)	Unfunded Accrued Liability	Funded Ratio	Payroll	Unfunded AAL as a Percentage of Payroll
January 1, 2007	\$38,008,260	\$48,564,433	\$10,556,173	78.26%	\$11,478,460	91.97%
January 1, 2008	\$40,730,848	\$51,132,896	\$10,402,048	79.66%	\$12,053,590	86.30%
January 1, 2009	\$38,956,105	\$53,944,288	\$14,988,183	72.22%	\$12,572,244	119.22%
January 1, 2010	\$37,710,603	\$56,605,675	\$18,895,072	66.62%	\$12,735,266	148.37%
January 1, 2011	\$37,139,934	\$60,197,225	\$23,057,291	61.70%	\$12,683,712	181.79%
January 1, 2012	\$40,760,760	\$62,857,392	\$22,096,632	64.80%	\$12,927,854	170.90%

**CITY OF NEWARK, DELAWARE
OPEB FUNDING PROGRESS
December 31, 2012**

Actuarial Valuation Date	Plan Assets	Actuarial Accrued Liability (AAL)	Unfunded Accrued Liability	Funded Ratio	Payroll	Unfunded AAL as a Percentage of Payroll
1/1/2007	\$0	\$11,740,000	\$11,740,000	0.0%	\$11,634,740	100.9%
1/1/2009	\$300,007	\$11,582,043	\$11,282,036	2.59%	\$12,712,244	88.7%
1/1/2011	\$1,810,265	\$15,001,532	\$13,191,267	12.07%	\$12,683,712	104.0%
1/1/2012	\$2,991,033	\$14,763,000	\$11,771,967	20.26%	\$12,683,712	92.8%

CITY OF NEWARK, DELAWARE
SCHEDULE OF EMPLOYER CONTRIBUTIONS - PENSION
December 31, 2012

The following required supplementary information is presented in accordance with GASB Statement No. 25. The plan has an actuarial valuation performed each year and the schedule below presents information for the past six plan years.

Valuation Date	Annual Required Contribution	Actual Contribution	Percentage Contributed
January 1, 2007	\$1,559,167	\$1,640,433	105.21%
January 1, 2008	\$1,605,989	\$1,710,432	106.50%
January 1, 2009	\$1,958,483	\$2,020,967	103.19%
January 1, 2010	\$2,277,619	\$2,469,544	108.43%
January 1, 2011	\$2,614,758	\$2,743,738	104.93%
January 1, 2012	\$2,832,003	\$2,923,317	103.22%

CITY OF NEWARK, DELAWARE
SCHEDULE OF ANNUAL OPEB COST
December 31, 2012

Calendar Year Ended	Annual OPEB cost	% of Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2008	\$930,000	51.1%	\$454,916
December 31, 2009	\$1,067,503	78.0%	\$689,419
December 31, 2010	\$1,104,640	103.7%	\$648,949
December 31, 2011	\$1,192,310	122.5%	\$380,416
December 31, 2012	\$1,087,957	134.3%	\$372,489



Holiday Food Drive

COMBINING FUND STATEMENTS

CITY OF NEWARK, DELAWARE
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2012
(with Summarized Comparative Data as of December 31, 2011)

	Special Revenue Funds						Totals	
	Debt Service	Street Fund	Insurance Fund	Community Development Fund	Law Enforcement	Parks and Recreation	2012	2011
ASSETS								
Cash and cash equivalents	\$ 38,641	\$ 219,872	\$ 289,650	\$ 7,219	\$ 258,367	\$ 183,050	\$ 996,799	\$ 957,618
Investments	-	-	716,267	-	-	-	716,267	715,909
Accounts receivable	-	15,144	1,095	156,469	90,532	-	263,240	198,620
Inventory	-	19,941	-	-	-	-	19,941	24,182
Prepaid expenses	7,699	8,464	-	-	92	-	16,255	10,377
Total assets	<u>\$ 46,340</u>	<u>\$ 263,421</u>	<u>\$ 1,007,012</u>	<u>\$ 163,688</u>	<u>\$ 348,991</u>	<u>\$ 183,050</u>	<u>\$ 2,012,502</u>	<u>\$ 1,906,706</u>
LIABILITIES								
Accounts payable	\$ -	\$ 15,415	\$ 6,757	\$ 33,688	\$ 37,933	\$ 1,076	\$ 94,869	\$ 66,015
Deferred revenues	-	-	-	-	11,708	-	11,708	11,512
Due to other funds	-	-	-	130,000	-	-	130,000	70,000
Other liabilities	-	-	-	-	12,790	-	12,790	12,790
Total liabilities	<u>-</u>	<u>15,415</u>	<u>6,757</u>	<u>163,688</u>	<u>62,431</u>	<u>1,076</u>	<u>249,367</u>	<u>160,317</u>
FUND BALANCES								
Nonspendable								
Inventory	-	19,941	-	-	-	-	19,941	24,182
Prepaid Items	7,699	8,464	-	-	92	-	16,255	10,377
Restricted for								
Safetytown programs	-	-	-	-	-	53,126	53,126	46,172
Parks donations	-	-	-	-	-	943	943	943
Recreation donations	-	-	-	-	-	15,702	15,702	16,308
Island beautification	-	-	-	-	-	70,710	70,710	67,042
Parkland improvements	-	-	-	-	-	41,493	41,493	38,425
Law Enforcement	-	-	-	-	284,377	-	284,377	281,101
Assigned to								
Debt service	38,641	-	-	-	-	-	38,641	46,620
Streets	-	219,601	-	-	-	-	219,601	215,324
Self insurance	-	-	1,000,255	-	-	-	1,000,255	996,019
Law enforcement	-	-	-	-	2,091	-	2,091	3,912
Unassigned	-	-	-	-	-	-	-	(36)
Total fund balances	<u>46,340</u>	<u>248,006</u>	<u>1,000,255</u>	<u>-</u>	<u>286,560</u>	<u>181,974</u>	<u>1,763,135</u>	<u>1,746,389</u>
Total liabilities and fund balances	<u>\$ 46,340</u>	<u>\$ 263,421</u>	<u>\$ 1,007,012</u>	<u>\$ 163,688</u>	<u>\$ 348,991</u>	<u>\$ 183,050</u>	<u>\$ 2,012,502</u>	<u>\$ 1,906,706</u>

The accompanying notes are an integral part of these financial statements.

CITY OF NEWARK, DELAWARE
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012
(with Summarized Comparative Data as of December 31, 2011)

	Special Revenue Funds						Totals	
	Debt Service	Street Fund	Insurance Fund	Community	Law Enforcement	Parks and Recreation	2012	2011
				Development Fund				
REVENUES								
Fines, forfeits and costs	\$ -	\$ -	\$ -	\$ -	\$ 26,524	\$ -	\$ 26,524	\$ 73,777
Interest, dividends and rents	-	-	8,567	-	7	-	8,574	7,800
Intergovernmental revenues	-	14,172	-	155,637	544,233	20,485	734,527	858,421
Charges for services	-	1,488	-	-	-	-	1,488	971
Total revenues	<u>-</u>	<u>15,660</u>	<u>8,567</u>	<u>155,637</u>	<u>570,764</u>	<u>20,485</u>	<u>771,113</u>	<u>940,969</u>
EXPENDITURES								
Current:								
General Government	-	-	8,635	-	-	-	8,635	40,505
Public Safety	-	-	60,472	-	404,782	-	465,254	347,719
Public Works	-	1,402,942	15,653	-	-	-	1,418,595	1,562,453
Community Development	-	-	-	150,939	-	-	150,939	320,682
Culture and recreation	-	-	4,493	-	-	8,899	13,392	19,624
Debt Service:								
Principal	160,000	-	-	-	-	-	160,000	1,670,000
Interest	31,444	-	-	-	-	-	31,444	101,709
Refunding bond issuance costs	-	-	-	-	-	-	-	22,189
Lease acquisition costs	4,500	-	-	-	-	-	4,500	-
Capital Outlay	-	-	-	4,698	157,130	-	161,828	207,309
Total expenditures	<u>195,944</u>	<u>1,402,942</u>	<u>89,253</u>	<u>155,637</u>	<u>561,912</u>	<u>8,899</u>	<u>2,414,587</u>	<u>4,292,190</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(195,944)</u>	<u>(1,387,282)</u>	<u>(80,686)</u>	<u>-</u>	<u>8,852</u>	<u>11,586</u>	<u>(1,643,474)</u>	<u>(3,351,221)</u>
OTHER FINANCING SOURCES (USES)								
Transfers in	195,664	1,990,296	84,922	-	-	-	2,270,882	3,752,912
Transfers out	-	(603,014)	-	-	(7,648)	-	(610,662)	(335,985)
Total other financing sources and (uses)	<u>195,664</u>	<u>1,387,282</u>	<u>84,922</u>	<u>-</u>	<u>(7,648)</u>	<u>-</u>	<u>1,660,220</u>	<u>3,416,927</u>
Net change in fund balances	(280)	-	4,236	-	1,204	11,586	16,746	65,706
Fund balances - January 1	46,620	248,006	996,019	-	285,356	170,388	1,746,389	1,680,683
Fund balances - December 31	<u>\$ 46,340</u>	<u>\$ 248,006</u>	<u>\$ 1,000,255</u>	<u>\$ -</u>	<u>\$ 286,560</u>	<u>\$ 181,974</u>	<u>\$ 1,763,135</u>	<u>\$ 1,746,389</u>

The accompanying notes are an integral part of these financial statements.

CITY OF NEWARK, DELAWARE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
REVENUES				
Proceeds from debt issuance	\$ -	\$ -	\$ -	\$ -
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
EXPENDITURES				
Debt service:				
Principal	140,000	140,000	160,000	(20,000)
Interest	75,805	75,805	31,444	44,361
Lease acquisition costs	-	-	4,500	(4,500)
Total debt service	<u>215,805</u>	<u>215,805</u>	<u>195,944</u>	<u>19,861</u>
Total expenditures	<u>215,805</u>	<u>215,805</u>	<u>195,944</u>	<u>19,861</u>
Deficiency of revenues under expenditures	<u>(215,805)</u>	<u>(215,805)</u>	<u>(195,944)</u>	<u>19,861</u>
Other Financing Sources (Uses)				
Transfers In	215,805	215,805	195,664	(20,141)
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources and uses	<u>215,805</u>	<u>215,805</u>	<u>195,664</u>	<u>(20,141)</u>
Net change in fund balances	-	-	(280)	(280)
Fund Balances - January 1	<u>46,620</u>	<u>46,620</u>	<u>46,620</u>	<u>-</u>
Fund Balances - December 31	<u><u>\$ 46,620</u></u>	<u><u>\$ 46,620</u></u>	<u><u>\$ 46,340</u></u>	<u><u>\$ (280)</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF NEWARK, DELAWARE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
STREET SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
REVENUES				
Intergovernmental revenues	\$ -	\$ -	\$ 14,172	\$ 14,172
Interest, dividends and rents	-	-	-	-
Charges for service	-	-	1,488	1,488
Total revenues	-	-	15,660	15,660
EXPENDITURES				
Current:				
Public works:				
Highways and streets	1,454,100	1,427,600	1,402,942	24,658
Total public works	1,454,100	1,427,600	1,402,942	24,658
Total expenditures	1,454,100	1,427,600	1,402,942	24,658
Excess (deficiency) of revenues over (under) expenditures	(1,454,100)	(1,427,600)	(1,387,282)	40,318
Other Financing Sources (Uses)				
Transfers In	2,000,000	2,000,000	1,990,296	(9,704)
Transfers Out	-	-	(603,014)	(603,014)
Total other financing sources and uses	2,000,000	2,000,000	1,387,282	(612,718)
Net change in fund balances	545,900	572,400	-	(572,400)
Fund Balances - January 1	248,006	248,006	248,006	-
Fund Balances - December 31	\$ 793,906	\$ 820,406	\$ 248,006	\$ (572,400)

The accompanying notes are an integral part of these financial statements.

CITY OF NEWARK, DELAWARE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
INSURANCE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

	Budgeted Amounts		Actual	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
REVENUES				
Intergovernmental revenues	\$ -	\$ -	\$ -	\$ -
Interest, dividends and rents	7,900	7,900	8,567	667
Total revenues	<u>7,900</u>	<u>7,900</u>	<u>8,567</u>	<u>667</u>
EXPENDITURES				
Current:				
General government	23,703	23,703	8,635	15,068
Public safety	165,996	165,996	60,472	105,524
Public works	42,968	42,968	15,653	27,315
Culture and recreation	12,333	12,333	4,493	7,840
Total Insurance Special Revenue Fund	<u>245,000</u>	<u>245,000</u>	<u>89,253</u>	<u>155,747</u>
Total expenditures	<u>245,000</u>	<u>245,000</u>	<u>89,253</u>	<u>155,747</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(237,100)</u>	<u>(237,100)</u>	<u>(80,686)</u>	<u>156,414</u>
Other Financing Sources (Uses)				
Transfers In	245,000	245,000	84,922	(160,078)
Transfers Out	-	-	-	-
Total other financing sources and uses	<u>245,000</u>	<u>245,000</u>	<u>84,922</u>	<u>(160,078)</u>
Net change in fund balances	7,900	7,900	4,236	(3,664)
Fund Balances - January 1	<u>996,019</u>	<u>996,019</u>	<u>996,019</u>	<u>-</u>
Fund Balances - December 31	<u>\$ 1,003,919</u>	<u>\$ 1,003,919</u>	<u>\$ 1,000,255</u>	<u>\$ (3,664)</u>

The accompanying notes are an integral part of these financial statements.

CITY OF NEWARK, DELAWARE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
COMMUNITY DEVELOPMENT BLOCK GRANT FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
REVENUES				
Intergovernmental revenues	\$ 396,139	\$ 396,139	\$ 155,637	\$ (240,502)
Total revenues	396,139	396,139	155,637	(240,502)
EXPENDITURES				
Current:				
Community development:				
Community Development & Subventions	366,139	366,139	150,939	215,200
Total Community Development	366,139	366,139	150,939	215,200
Capital Outlay	30,000	30,000	4,698	25,302
Total expenditures	396,139	396,139	155,637	240,502
Excess of revenues over expenditures	-	-	-	-
Other Financing Sources (Uses)				
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Total other financing sources and uses	-	-	-	-
Net change in fund balances	-	-	-	-
Fund Balances - January 1	-	-	-	-
Fund Balances - December 31	\$ -	\$ -	\$ -	\$ -

The accompanying notes are an integral part of these financial statements.

CITY OF NEWARK, DELAWARE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
LAW ENFORCEMENT SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
REVENUES				
Fines, forfeits and costs	\$ 40,000	\$ 40,000	\$ 26,524	\$ (13,476)
Interest, dividends and rents	300	300	7	(293)
Intergovernmental revenues	460,300	460,300	544,233	83,933
Charges for service	-	-	-	-
Total revenues	<u>500,600</u>	<u>500,600</u>	<u>570,764</u>	<u>70,164</u>
EXPENDITURES				
Current:				
Public safety:				
Police	<u>428,765</u>	<u>428,765</u>	<u>404,782</u>	<u>23,983</u>
Total public safety	<u>428,765</u>	<u>428,765</u>	<u>404,782</u>	<u>23,983</u>
Capital Outlay	<u>-</u>	<u>-</u>	<u>157,130</u>	<u>(157,130)</u>
Total expenditures	<u>428,765</u>	<u>428,765</u>	<u>561,912</u>	<u>(133,147)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>71,835</u>	<u>71,835</u>	<u>8,852</u>	<u>(62,983)</u>
Other Financing Sources (Uses)				
Transfers In	-	-	-	-
Transfers Out	<u>-</u>	<u>-</u>	<u>(7,648)</u>	<u>(7,648)</u>
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>(7,648)</u>	<u>(7,648)</u>
Net change in fund balances	71,835	71,835	1,204	(70,631)
Fund Balances - January 1	<u>285,356</u>	<u>285,356</u>	<u>285,356</u>	<u>-</u>
Fund Balances - December 31	<u><u>\$ 357,191</u></u>	<u><u>\$ 357,191</u></u>	<u><u>\$ 286,560</u></u>	<u><u>\$ (70,631)</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF NEWARK, DELAWARE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
PARKS AND RECREATION SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
REVENUES				
Intergovernmental Revenue	15,300	15,300	20,485	5,185
Total revenues	15,300	15,300	20,485	5,185
EXPENDITURES				
Current:				
Culture and recreation:				
Parks and recreation	7,200	7,200	2,417	4,783
Landscape beautification	10,300	10,300	6,482	3,818
Total culture and recreation	17,500	17,500	8,899	8,601
Capital Outlay	-	-	-	-
Total expenditures	17,500	17,500	8,899	8,601
Excess (deficiency) of revenues over (under) expenditures	(2,200)	(2,200)	11,586	13,786
Other Financing Sources (Uses)				
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Total other financing sources and uses	-	-	-	-
Net change in fund balances	(2,200)	(2,200)	11,586	13,786
Fund Balances - January 1	170,388	170,388	170,388	-
Fund Balances - December 31	\$ 168,188	\$ 168,188	\$ 181,974	\$ 13,786

The accompanying notes are an integral part of these financial statements.

CITY OF NEWARK, DELAWARE
COMBINING STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2012
(with Summarized Comparative Data for Year Ended December 31, 2011)

	Employees Pension Trust Fund	Section 401(a) City Manager's Retirement Fund	Section 401(a) Management EE Retirement Fund	Other Post- Employment Benefits Fund	RHS Plan Management Employees Prior To 1/1/12	RHS Plan Management Employees 1/1/2012	2012	2011
ASSETS								
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 19,980	\$ -	\$ -	\$ 19,980	\$ 14,351
Investments:								
Money market funds	-	-	-	-	1,889	-	1,889	2,976,288
Domestic equity mutual funds	18,069,250	-	-	1,666,203	-	-	19,735,453	16,965,462
International equity mutual funds	9,716,839	-	-	864,074	-	-	10,580,913	7,486,976
Fixed income mutual funds	12,590,504	-	-	1,246,583	-	-	13,837,087	11,388,770
Real estate equity funds	3,456,981	-	-	374,134	-	-	3,831,115	3,048,250
Balanced asset allocation mutual funds	-	179,260	786	-	118,083	980	299,109	-
U.S. stocks	-	-	-	-	3,703	-	3,703	-
Obligations of U.S. governments and agencies	1,025,796	-	-	-	-	-	1,025,796	805,675
Accounts receivable	-	-	-	1,176	-	-	1,176	2,869
Net pension asset	-	-	-	-	-	-	-	-
Contributions receivable	152,028	-	-	-	-	-	152,028	60,714
Prepaid expenses	-	-	-	-	-	-	-	1,600
Total Assets	45,011,398	179,260	786	4,172,150	123,675	980	49,488,249	42,750,955
LIABILITIES								
Accounts payable	-	-	-	-	-	-	-	37
Total Liabilities	-	-	-	-	-	-	-	37
NET POSITION								
Position held in trust for employee post employment benefits	\$ 45,011,398	\$ 179,260	\$ 786	\$ 4,172,150	\$ 123,675	\$ 980	\$ 49,488,249	\$ 42,750,918

The accompanying notes are an integral part of these financial statements.

CITY OF NEWARK, DELAWARE
COMBINING STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012
(with Summarized Comparative Data for Year Ended December 31, 2011)

	Employees Pension Trust Fund	Section 401(a) City Manager's Retirement Fund	Section 401(a) Mgt Employees Retirement Fund	Other Post- Employment Benefits Fund	RHS Plan Management Employees 2009	RHS Plan Management Employees 2012	2012	2011
ADDITIONS								
Contributions:								
Employer contributions	\$ 2,545,659	\$ 3,877	\$ 430	\$ 1,095,884	\$ -	\$ 630	\$ 3,646,480	\$ 3,923,443
State aid - police	377,658	-	-	-	-	-	377,658	293,738
Employee contributions	500,296	9,231	344	-	36,023	335	546,229	557,891
Total contributions	<u>3,423,613</u>	<u>13,108</u>	<u>774</u>	<u>1,095,884</u>	<u>36,023</u>	<u>965</u>	<u>4,570,367</u>	<u>4,775,072</u>
Investments:								
Investment earnings	-	-	-	102,500	-	-	102,500	94,257
Net increase (decrease) in fair value of investments	5,453,272	15,003	12	268,120	9,877	15	5,746,299	322,026
Total investment earnings (deficit)	<u>5,453,272</u>	<u>15,003</u>	<u>12</u>	<u>370,620</u>	<u>9,877</u>	<u>15</u>	<u>5,848,799</u>	<u>416,283</u>
Total additions	<u>8,876,885</u>	<u>28,111</u>	<u>786</u>	<u>1,466,504</u>	<u>45,900</u>	<u>980</u>	<u>10,419,166</u>	<u>5,191,355</u>
DEDUCTIONS								
Benefits	3,103,707	-	-	278,887	1,188	-	3,383,782	3,205,264
Administrative expenses	289,263	-	-	6,500	2,290	-	298,053	343,371
Total Deductions	<u>3,392,970</u>	<u>-</u>	<u>-</u>	<u>285,387</u>	<u>3,478</u>	<u>-</u>	<u>3,681,835</u>	<u>3,548,635</u>
Change in Net Position	5,483,915	28,111	786	1,181,117	42,422	980	6,737,331	1,642,720
Net Position - January 1	<u>39,527,483</u>	<u>151,149</u>	<u>-</u>	<u>2,991,033</u>	<u>81,253</u>	<u>-</u>	<u>42,750,918</u>	<u>41,108,198</u>
Net Position - December 31	<u>\$ 45,011,398</u>	<u>\$ 179,260</u>	<u>\$ 786</u>	<u>\$ 4,172,150</u>	<u>\$ 123,675</u>	<u>\$ 980</u>	<u>\$ 49,488,249</u>	<u>\$ 42,750,918</u>

The accompanying notes are an integral part of these financial statements.



Employee Service Award Recognition



STATISTICAL SECTION

STATISTICAL SECTION

This part of the City of Newark's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the City's overall financial health.

<u>Contents</u>	Page
Financial Trends	86-90
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	
Revenue Capacity	91-98
These schedules contain information to help the reader assess the City's most significant local revenue sources, the electric utility and real estate tax.	
Debt Capacity	99-102
These schedules present information to help the reader assess the affordability of the city's current levels of outstanding debt and the City's ability to issue additional debt in the future.	
Demographic and Economic Information	103-104
These schedules offer demographic and economic indicators to help the reader understand the environment within which the city's financial activities take place.	
Operating Information	105-107
These schedules contain service and infrastructure data to help the reader understand how the information in the city's financial report relates to the services the city provides and the activities it performs.	

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

City of Newark, Delaware
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental activities										
Invested in capital assets, net of related debt	\$ 17,674,995	\$ 18,057,618	\$ 19,167,547	\$ 19,738,481	\$ 19,664,200	\$ 21,116,573	\$ 22,282,046	\$ 23,098,225	\$ 23,474,857	\$ 27,031,981
Restricted	-	4,998,277	-	-	-	-	-	-	241,912	337,388
Unrestricted	8,533,507	3,937,233	9,316,040	9,787,764	9,891,354	8,351,970	9,722,132	13,325,662	13,830,066	15,137,088
Total governmental activities net position	<u>\$ 26,208,502</u>	<u>\$ 26,993,128</u>	<u>\$ 28,483,587</u>	<u>\$ 29,526,245</u>	<u>\$ 29,555,554</u>	<u>\$ 29,468,543</u>	<u>\$ 32,004,178</u>	<u>\$ 36,423,887</u>	<u>\$ 37,546,835</u>	<u>\$ 42,506,457</u>
Business-type activities										
Invested in capital assets, net of related debt	\$ 31,179,107	\$ 31,386,812	\$ 31,916,587	\$ 33,520,059	\$ 33,883,335	\$ 36,343,169	\$ 36,781,751	\$ 37,038,824	\$ 37,821,033	\$ 39,486,456
Restricted	-	-	-	-	-	-	-	-	668,642	8,786,225
Unrestricted	17,604,911	19,914,679	10,415,679	9,169,062	9,875,035	10,319,843	7,701,016	11,979,078	14,561,705	8,470,685
Total business-type activities net position	<u>\$ 48,784,018</u>	<u>\$ 51,301,491</u>	<u>\$ 42,332,266</u>	<u>\$ 42,689,121</u>	<u>\$ 43,758,370</u>	<u>\$ 46,663,012</u>	<u>\$ 44,482,767</u>	<u>\$ 49,017,902</u>	<u>\$ 53,051,380</u>	<u>\$ 56,743,366</u>
Primary government										
Invested in capital assets, net of related debt	\$ 48,854,102	\$ 49,444,430	\$ 51,084,134	\$ 53,258,540	\$ 53,547,535	\$ 57,459,742	\$ 59,063,797	\$ 60,137,049	\$ 61,295,890	\$ 66,518,437
Restricted	-	4,998,277	-	-	-	-	-	-	910,554	9,123,613
Unrestricted	26,138,418	23,851,912	19,731,719	18,956,826	19,766,389	18,671,813	17,423,148	25,304,740	28,391,771	23,607,773
Total primary government net position	<u>\$ 74,992,520</u>	<u>\$ 78,294,619</u>	<u>\$ 70,815,853</u>	<u>\$ 72,215,366</u>	<u>\$ 73,313,924</u>	<u>\$ 76,131,555</u>	<u>\$ 76,486,945</u>	<u>\$ 85,441,789</u>	<u>\$ 90,598,215</u>	<u>\$ 99,249,823</u>

City of Newark, Delaware
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses										
Governmental activities:										
General Government	\$ 4,146,875	\$ 4,405,092	\$ 4,895,612	\$ 4,897,378	\$ 5,291,456	\$ 5,893,962	\$ 6,706,122	\$ 7,100,937	\$ 8,380,516	\$ 6,237,220
Public Safety	7,455,881	7,778,963	8,380,903	8,727,705	9,255,012	10,078,299	10,482,878	10,494,199	10,899,136	11,426,222
Public Works	4,907,229	4,977,832	5,185,938	5,155,210	5,223,684	4,897,004	4,274,977	4,608,499	4,303,785	5,938,001
Community Development	339,837	520,893	349,775	643,663	308,268	391,652	173,473	297,483	320,682	150,939
Culture and Recreation	2,002,847	2,201,564	1,979,929	2,123,181	2,131,537	2,594,927	2,385,848	1,916,029	2,020,999	2,908,610
Interest Expense	235,911	209,969	154,763	140,879	126,851	112,984	99,565	86,321	87,994	35,759
Total governmental activities expenses	19,088,580	20,094,313	20,946,920	21,688,016	22,336,808	23,968,828	24,122,863	24,503,468	26,013,112	26,696,751
Business-type activities:										
Electric	25,670,132	24,223,237	36,021,168 ¹	40,127,409	40,222,278	43,343,324	42,318,337	45,272,708	44,815,073	41,681,970
Water	4,042,736	3,720,485	3,810,564	4,191,572	3,913,342	4,259,128	4,101,573	3,930,138	4,105,171	3,907,843
Sewer	3,203,422	3,144,327	3,402,353	3,987,793	4,214,297	3,915,177	3,643,891	4,206,078	4,206,078	4,559,881
Parking	408,780	499,075	508,099	538,188	588,443	690,479	750,768	765,549	809,599	805,008
Total business-type activities expenses	33,325,070	31,587,124	43,742,184	48,844,962	48,938,360	52,208,108	50,814,569	54,163,633	53,935,921	50,954,702
Total primary government expenses	\$ 52,413,650	\$ 51,681,437	\$ 64,689,104	\$ 70,532,978	\$ 71,275,168	\$ 76,176,936	\$ 74,937,432	\$ 78,667,101	\$ 79,949,033	\$ 77,651,453
Program Revenues										
Governmental activities:										
Charges for services:										
General Government	\$ 1,446,950	\$ 1,378,055	\$ 1,467,235	\$ 1,544,438	\$ 1,566,680	\$ 3,383,722 ⁵	\$ 3,513,820 ⁵	\$ 3,858,308 ⁵	\$ 3,969,259 ⁵	\$ 3,996,682
Public Safety	455,618	724,281	614,251	589,566	935,273	800,518 ⁵	681,636 ⁵	1,641,801 ⁵	1,519,987 ⁵	1,436,915
Public Works	307,444	346,604	345,565	214,556	193,430	203,222	24,509	178,582	223,603	184,811
Culture and Recreation	512,050	509,959	508,156	574,454	585,475	614,836	609,299	522,701	538,444	570,866
Operating Grants and Contributions	1,818,619	2,856,355	2,079,616	2,356,218	2,177,480	1,730,478	1,054,982	1,240,437	1,262,306	1,067,730
Capital Grants and Contributions	1,188,028	314,611	27,300	23,000	153,996	861,235	941,869	1,698,039	1,565,828	3,393,569
Total governmental activities program revenues	5,728,709	6,129,865	5,042,123	5,302,232	5,612,334	7,594,011	6,826,115	9,139,868	9,079,427	10,650,573
Business-type activities:										
Charges for services:										
Electric	31,312,949	31,749,114	34,773,723	47,556,558 ²	49,511,071	53,356,156	50,851,870	57,757,600	56,230,178	53,455,096
Water	4,654,053	4,455,146	4,658,273	4,501,017	4,782,907	4,310,761	4,886,534	6,610,742	6,346,031	7,347,756
Sewer	4,212,858	4,207,934	3,293,750	5,266,222	5,022,231	4,533,959	4,167,965	5,528,975	5,643,113	6,002,001
Parking	493,387	578,383	648,538	754,160	757,340	807,875	894,013	1,138,887	1,383,768	1,381,148
Capital Grants and Contributions	-	58,231	585,189	118,094	86,742	125,765	-	660,740	644,724	66,045
Total business-type activities program revenues	40,673,247	41,048,808	43,959,473	58,196,051	60,160,291	63,134,516	60,800,382	71,696,944	70,247,814	68,252,046
Total primary government program revenues	\$ 46,401,956	\$ 47,178,673	\$ 49,001,596	\$ 63,498,283	\$ 65,772,625	\$ 70,728,527	\$ 67,626,497	\$ 80,836,812	\$ 79,327,241	\$ 78,902,619
Net (expense)/revenue										
Governmental activities	\$ (13,359,871)	\$ (13,964,448)	\$ (15,904,797)	\$ (16,385,784)	\$ (16,724,474)	\$ (16,374,817)	\$ (17,296,748)	\$ (15,363,600)	\$ (16,933,685)	\$ (16,046,178)
Business-type activities	7,348,177	9,461,684	217,289	9,351,089	11,221,931	10,926,408	9,985,813	17,533,311	16,311,893	17,297,344
Total primary government net expense	\$ (6,011,694)	\$ (4,502,764)	\$ (15,687,508)	\$ (7,034,695)	\$ (5,502,543)	\$ (5,448,409)	\$ (7,310,935)	\$ 2,169,711	\$ (621,792)	\$ 1,251,166

City of Newark, Delaware
Changes in Net Position - continued
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Real estate taxes	\$ 3,161,145	\$ 3,517,228	\$ 3,654,026	\$ 4,084,439	\$ 4,433,787	\$ 4,437,008	\$ 4,751,835	\$ 5,027,187	\$ 5,102,146	\$ 5,515,728
Real estate transfer taxes	1,328,656	1,810,110	2,291,841	1,842,126	2,962,355 ³	2,764,929	1,000,710	969,617	988,807	1,162,016
Franchise fees	255,354	275,102	283,799	282,401	318,771	345,174	372,816	383,816	399,960	412,079
Fines and forfeits	1,239,830	1,329,392	1,646,455	1,620,792	1,775,150	- ⁵				
Investment earnings	207,186	260,686	255,169	216,770	328,743	286,154	307,296	247,932	117,447	142,487
Increase (decrease) in fair value of investments	(246,695)	(39,786)	(220,807)	83,360	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	761	-	42	1,039	-
Proceeds from sale of capital assets	-	-	-	-	17,608	32,206	44,045	25,647	7,240	-
Gain (loss) on sale of capital assets	10,890	41,844	(4,424)	10,204	-	-	-	13,172	-	41,176
Transfers	9,551,606	7,554,498	9,489,197	9,288,350	6,917,369	8,421,574	12,385,000	13,115,896	12,389,994	13,732,314
Total governmental activities	15,507,972	14,749,074	17,395,256	17,428,442	16,753,783	16,287,806	18,861,702	19,783,309	19,006,633	21,005,800
Business-type activities:										
Investment earnings	740,125	660,998	620,250	236,845	278,038	344,635	212,468	111,882	74,758	126,956
Increase (decrease) in fair value of investments	(518,472)	(57,185)	(324,041)	29,668	80,175	48,699	- ⁶	- ⁶	- ⁶	-
Miscellaneous	6,474	6,474	6,474	6,474	6,474	6,474	6,474	6,474	12,821	-
Gain (loss) on sale of capital assets	-	-	-	21,129	-	-	-	(636)	24,000	-
Extraordinary Item	-	-	-	-	(3,600,000) ⁴	-	-	-	-	-
Transfers	(9,551,606)	(7,554,498)	(9,489,197)	(9,288,350)	(6,917,369)	(8,421,574)	(12,385,000)	(13,115,896)	(12,389,994)	(13,732,314)
Total business-type activities	(9,323,479)	(6,944,211)	(9,186,514)	(8,994,234)	(10,152,682)	(8,021,766)	(12,166,058)	(12,998,176)	(12,278,415)	(13,605,358)
Total primary government	\$ 6,184,493	\$ 7,804,863	\$ 8,208,742	\$ 8,434,208	\$ 6,601,101	\$ 8,266,040	\$ 6,695,644	\$ 6,785,133	\$ 6,728,218	\$ 7,400,442
Change in Net Position										
Governmental activities	\$ 2,148,101	\$ 784,626	\$ 1,490,459	\$ 1,042,658	\$ 29,309	\$ (87,011)	\$ 1,564,954	\$ 4,419,709	\$ 2,072,948	\$ 4,959,622
Business-type activities	(1,975,302)	2,517,473	(8,969,225)	356,855	1,069,249	2,904,642	(2,180,245)	4,535,135	4,033,478	3,691,986
Total primary government	\$ 172,799	\$ 3,302,099	\$ (7,478,766)	\$ 1,399,513	\$ 1,098,558	\$ 2,817,631	\$ (615,291)	\$ 8,954,844	\$ 6,106,426	\$ 8,651,608

Notes:

¹ The increase reflects changes in the wholesale electric market during 2005.

² Electric rates were increased approximately 6.6 percent in July of 2006.

³ Includes tax from the sale of the Chrysler assembly plant to Cerberus Capital Management in the amount of \$803,735.

⁴ Litigation settlement relating to reservoir construction.

⁵ For 2008 and later, fines and forfeits are classified as charges for services in general government and public safety.

⁶ For 2009 and later, changes in the fair value of investments is included as a component of investment earnings.

City of Newark, Delaware
Fund Balances of Governmental Funds
Last Ten Years
(modified accrual basis of accounting)

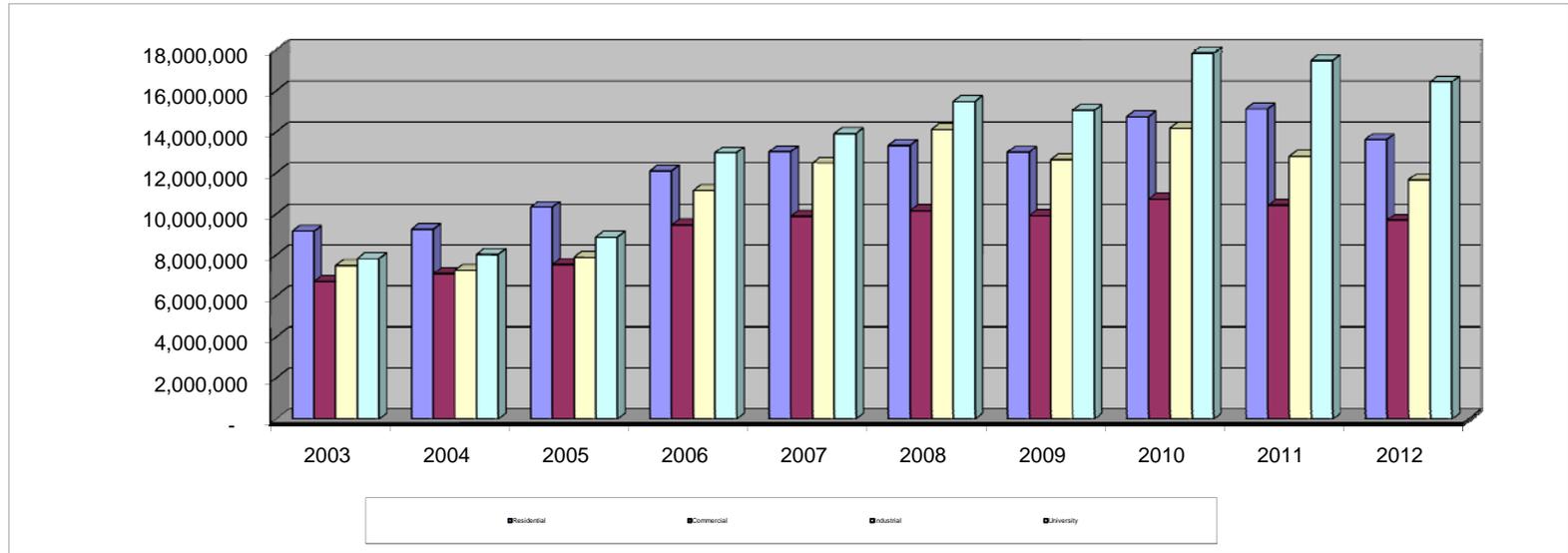
	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General fund										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ 50,171	\$ 12,903	\$ 110,139	\$ 124,999	(1)	
Unreserved (deficit)	(28,512)	39,041	(50,417)	71,213	645,971	675,353	1,168,040	2,424,341		
Total general fund	<u>\$ (28,512)</u>	<u>\$ 39,041</u>	<u>\$ (50,417)</u>	<u>\$ 71,213</u>	<u>\$ 696,142</u>	<u>\$ 688,256</u>	<u>\$ 1,278,179</u>	<u>\$ 2,549,340</u>		
All other governmental funds										
Reserved	\$ 7,307,919	\$ 7,528,331	\$ 7,869,972	\$ 7,909,003	\$ 6,787,903	\$ 5,994,337	\$ 6,103,920	\$ 8,215,681	(1)	
Unreserved, reported in:										
Special revenue funds	-	-	-	-	416,179	691,617	320,329	203,598		
Capital projects fund	-	-	-	-	-	-	-	-		
Total all other governmental funds	<u>\$ 7,307,919</u>	<u>\$ 7,528,331</u>	<u>\$ 7,869,972</u>	<u>\$ 7,909,003</u>	<u>\$ 7,204,082</u>	<u>\$ 6,685,954</u>	<u>\$ 6,424,249</u>	<u>\$ 8,419,279</u>		
General fund										
Fund balances:										
Nonspendable								\$ 105,441		\$ 54,026
Restricted								150,664		132,891
Committed								-		-
Assigned								25,257		24,165
Unassigned								2,559,055		2,697,321
Total general fund								<u>\$ 2,840,417</u>		<u>\$ 2,908,403</u>
All other governmental funds										
Fund balances:										
Nonspendable								\$ 34,559		\$ 54,176
Restricted								2,434,591		760,724
Committed								-		-
Assigned								6,470,015		8,141,835
Unassigned								(36)		-
Total all other governmental funds								<u>\$ 8,939,129</u>		<u>\$ 8,956,735</u>

Note:
(1) In Fiscal Year 2011, GASB 54, "Fund Balance Reporting and Governmental Fund Type Definitions" was implemented.

City of Newark, Delaware
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues										
Taxes	\$ 4,892,647	\$ 5,517,443	\$ 6,139,393	\$ 5,923,624	\$ 7,545,477	\$ 7,451,469	\$ 5,949,963	\$ 6,203,242	\$ 6,412,978	\$ 6,838,340
Licenses and permits	1,347,457	1,621,234	1,529,526	1,460,470	1,831,706	1,460,441	1,322,388	2,253,729	1,945,632	1,961,647
Fines,forfeits and costs	1,239,830	1,329,392	1,646,455	1,620,792	1,775,150	1,927,392	1,994,227	2,265,043	2,465,745	2,306,788
Investment earnings	207,186	260,686	255,169	216,770	328,285	283,600	307,660	241,324	169,599	129,570
Intergovernmental revenues	2,802,647	2,973,666	1,902,916	2,175,218	2,120,417	2,391,084	1,734,340	2,739,318	2,618,365	4,251,023
Charges for services/fees	1,374,605	1,337,665	1,405,681	1,462,530	1,448,877	1,614,466	1,512,652	1,682,618	1,836,072	1,920,840
Subvention-University of Delaware	204,000	197,300	204,000	204,000	204,000	204,000	204,000	204,000	207,125	211,500
Miscellaneous	-	-	-	-	-	-	-	-	-	-
Total revenues	<u>12,068,372</u>	<u>13,237,386</u>	<u>13,083,140</u>	<u>13,063,404</u>	<u>15,253,912</u>	<u>15,332,452</u>	<u>13,025,230</u>	<u>15,589,274</u>	<u>15,655,516</u>	<u>17,619,708</u>
Expenditures										
General government	3,777,909	4,041,046	4,314,201	4,346,685	4,576,443	5,271,780	5,141,241	5,083,006	5,650,131	5,977,569
Public safety	7,358,245	7,491,990	8,029,046	8,317,059	8,873,197	9,807,106	10,052,962	10,413,230	10,899,188	10,976,608
Public works	4,509,931	4,489,928	4,660,427	4,550,320	4,476,693	4,315,593	4,382,222	4,440,437	4,966,108	4,932,173
Community development	-	520,893	349,775	643,663	308,268	391,652	173,473	297,483	320,682	150,939
Culture and recreation	1,953,531	2,050,359	2,102,916	2,146,234	2,216,830	2,451,252	2,455,410	2,473,122	2,584,379	2,623,249
(Increase) decrease in fair value of investments	246,695	39,786	220,807	(83,360)	-	-	-	-	-	-
Bond issuance costs	-	22,150	-	-	-	-	-	-	22,189	-
Lease acquisition costs	-	-	-	-	-	-	-	-	-	4,500
Capital outlay	2,574,178	1,278,621	2,003,627	1,673,285	1,065,827	2,386,991	2,369,487	1,990,104	2,547,520	5,772,745
Debt service										
Principal	480,000	480,000	505,000	495,000	490,000	480,000	450,000	285,000	1,670,000	160,000
Interest and other charges	241,131	208,542	157,089	143,097	129,003	115,043	101,262	89,718	101,709	31,444
Total expenditures	<u>21,141,620</u>	<u>20,623,315</u>	<u>22,342,888</u>	<u>22,231,983</u>	<u>22,136,261</u>	<u>25,219,417</u>	<u>25,126,057</u>	<u>25,072,100</u>	<u>28,761,906</u>	<u>30,629,227</u>
Excess of revenues over (under) expenditures	(9,073,248)	(7,385,929)	(9,259,748)	(9,168,579)	(6,882,349)	(9,886,965)	(12,100,827)	(9,482,826)	(13,106,390)	(13,009,519)
Other financing sources (uses)										
Transfers in	12,276,503	13,268,700	12,947,274	12,808,252	8,704,661	13,306,520	15,802,339	16,954,694	17,366,337	17,981,393
Transfers out	(2,724,897)	(5,714,202)	(3,458,077)	(3,519,901)	(1,919,912)	(4,948,456)	(3,417,339)	(4,258,798)	(4,986,260)	(4,249,079)
Proceeds from debt	-	35,000	-	-	-	-	-	-	1,530,000	269,164
Proceeds from sales of capital assets	46,056	84,396	22,734	40,889	17,608	32,206	44,045	53,121	7,240	43,633
Litigation Settlement	-	-	-	-	-	-	-	-	-	(950,000)
Net effect of restatement	-	-	-	-	-	970,681	-	-	-	-
Total other financing sources (uses)	<u>9,597,662</u>	<u>7,673,894</u>	<u>9,511,931</u>	<u>9,329,240</u>	<u>6,802,357</u>	<u>9,360,951</u>	<u>12,429,045</u>	<u>12,749,017</u>	<u>13,917,317</u>	<u>13,095,111</u>
Net change in fund balances	<u>\$ 524,414</u>	<u>\$ 287,965</u>	<u>\$ 252,183</u>	<u>\$ 160,661</u>	<u>\$ (79,992)</u>	<u>\$ (526,014)</u>	<u>\$ 328,218</u>	<u>\$ 3,266,191</u>	<u>\$ 810,927</u>	<u>\$ 85,592</u>
Debt service as a percentage of noncapital expenditures	3.9%	3.6%	3.3%	3.1%	2.9%	2.6%	2.4%	1.6%	6.8%	0.6%

**City of Newark, Delaware
Electric Usage and Actual Sales Totals
Last Ten Fiscal Years**



YEAR	RESIDENTIAL			COMMERCIAL			INDUSTRIAL			UNIVERSITY			TOTALS		
	K.W.H'S	AMOUNT	AVG RATE	K.W.H'S	AMOUNT	AVG RATE	K.W.H'S	AMOUNT	AVG RATE	K.W.H'S	AMOUNT	AVG RATE	K.W.H'S	AMOUNT	AVG RATE
2003	94,231,512	9,155,323	0.097	65,415,679	6,706,108	0.103	95,929,785	7,470,934	0.078	124,266,991	7,819,159	0.063	379,843,967	31,151,524	0.082
2004	94,941,293	9,250,770	0.097	70,386,420	7,076,181	0.101	94,456,491	7,237,815	0.077	129,641,594	8,023,212	0.062	389,425,798	31,587,979	0.081
2005	101,147,622	10,322,536	0.102	72,096,285	7,526,829	0.104	95,934,668	7,883,381	0.082	132,186,077	8,856,840	0.067	401,364,652	34,589,586	0.086
2006	91,267,630	12,088,909	0.132	71,952,626	9,449,201	0.131	92,955,211	11,132,663	0.120	132,988,724	12,971,590	0.098	389,164,191	45,642,363	0.117
2007	93,500,629	13,024,245	0.139	75,696,947	9,885,974	0.131	98,276,336	12,472,474	0.127	133,616,527	13,908,227	0.104	401,090,439	49,290,920	0.123
2008	90,912,923	13,332,225	0.147	72,463,286	10,139,848	0.140	104,279,135	14,111,313	0.135	137,578,450	15,465,962	0.112	405,233,794	53,049,348	0.131
2009	88,897,987	13,002,979	0.146	70,135,918	9,912,707	0.141	98,225,136	12,648,019	0.129	134,656,684	15,040,237	0.112	391,915,725	50,603,942	0.129
2010	95,050,384	14,726,803	0.155	70,985,485	10,709,367	0.151	99,556,219	14,169,577	0.142	140,461,314	17,851,612	0.127	406,053,402	57,457,359	0.142
2011	91,825,911	15,120,100	0.165	69,658,960	10,409,620	0.149	94,563,322	12,792,357	0.135	145,931,881	17,466,559	0.120	401,980,074	55,788,636	0.139
2012	90,231,853	13,615,230	0.151	70,596,053	9,689,088	0.137	94,263,963	11,644,586	0.124	147,373,607	16,428,015	0.111	402,465,476	51,376,919	0.128

**City of Newark, Delaware
Principal Electric Utility Customers
December 31, 2012**

Customer	Type of Business	2012			2003		
		Consumption (1)	Rank	Percentage of Total Consumption	Consumption (1)	Rank	Percentage of Total Consumption
University of Delaware (2)	Public University	153,335,944	1	38.10%	133,045,621	1	35.03%
Rohm & Haas Electronics	Manufacturing-Variou	30,557,728	2	7.59%	22,158,341	2	5.83%
Power Systems Composites LLC	Wholesale Electric Equipment	6,611,472	3	1.64%	6,423,312	4	1.69%
A & P Food Stores (3)	Retail - Groceries	5,976,372	4	1.48%	-		-
E I Dupont De Nemours & Company	Chemicals and Synthetics	5,656,560	5	1.41%	15,349,176	3	4.04%
Fraunhofer USA, Inc.	Biotechnology Research	4,355,360	6	1.08%	-		-
CHF - Del LLC	Rental Apartments	4,302,511	7	1.07%	5,540,492	5	1.46%
618 G P Warehouse LLC	Warehousing	3,594,960	8	0.89%	3,032,160	7	0.80%
Verizon Communications	Public Utility	3,311,616	9	0.82%	2,623,656	8	0.69%
Christina School District	Public Schools	3,177,744	10	0.79%	-		-
Pathmark Inc Site #65900000	Retail - Groceries	-		-	3,669,400	6	0.97%
Acme Markets	Retail - Groceries	-		-	2,555,040	9	0.67%
Lear Corporation	Manufacturing - Auto Seating	-		-	2,533,600	10	0.67%
		<u>220,880,267</u>		<u>54.88%</u>	<u>196,930,798</u>		<u>51.84%</u>

- Note: (1) Peak demand rate is not considered
(2) University totals include accounts not billed at "University" rate.
(3) A&P Food Stores acquired the Pathmark, Inc. store in January, 2011.

City of Newark, Delaware
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Residential Property	Commercial Property	Less: Tax Exempt Property	Total Taxable Assessed Value (1)	Direct Tax Rate (Per \$100)	Estimated Actual Value
2003	530,195,500	911,248,800	661,182,228	780,262,072	0.4200	N/A
2004	532,337,100	920,378,400	662,614,569	790,100,931	0.4400	N/A
2005	534,835,200	925,741,500	666,309,369	794,267,331	0.4500	N/A
2006	537,386,700	928,502,100	664,626,551	801,262,249	0.5233	N/A
2007	542,708,600	934,791,900	666,378,761	811,121,739	0.5233	N/A
2008	547,750,500	941,846,500	670,959,887	818,637,113	0.5333	N/A
2009	555,619,120	951,107,900	670,790,114	835,936,906	0.5558	N/A
2010	557,224,520	953,153,800	739,864,508	770,513,812 ²	0.6458	N/A
2011	559,853,320	955,678,400	738,403,483	777,128,237	0.6458	N/A
2012	564,568,720	965,638,700	740,299,430	789,907,990	0.6858	N/A

(1) Source: City of Newark Finance Department, in consultation with New Castle County Department of Land Use.

(2) The Chrysler Assembly Plant site was purchased by the University of Delaware on November 23, 2009. The property has received a full tax exemption. The site will be developed for educational purposes.

Note: As provided by State of Delaware law, the City of Newark utilizes property assessments established by the New Castle County Department of Land Use. The County last conducted a County-wide reassessment of all real property on July 1, 1985. Real property is assessed at 100% of the 1983 market value.

N/A = Property in the City is not reassessed periodically, therefore the estimated actual value is not available.

**City of Newark, Delaware
Property Tax Rates
Direct and Overlapping Governments
(Per \$100 of Assessed Value)
Last Ten Fiscal Years**

Fiscal Year	Direct Rate	Overlapping Rates		Total Tax Rate
	City of Newark	New Castle County	Christina School District	
2003	0.4200	0.1580	1.4128	1.9908
2004	0.4400	0.1580	1.5598	2.1578
2005	0.4500	0.1580	1.7257	2.3337
2006	0.5233	0.1659	1.8343	2.5235
2007	0.5233	0.1949	1.8229	2.5411
2008	0.5333	0.1949	1.6808	2.4090
2009	0.5558	0.2436	1.6746	2.4740
2010	0.6458	0.2436	1.8187	2.7081
2011	0.6458	0.2436	1.9427	2.8321
2012	0.6858	0.2436	2.1107	3.0401

Note: The real estate tax rate is a single component figure established by City Council through budget adoption and applies to all classes of real property.

**City of Newark, Delaware
Principal Property Taxpayers
December 31, 2012 and December 31, 2002**

Customer	Type of Business	2012			2002		
		Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Verizon Communication	Public Utility	\$ 11,337,100	1	1.44%	\$ 8,931,800	4	1.16%
BPG Hotel Partners, LLC	Hotel	11,112,300	2	1.41%	7,567,300	6	0.98%
Pauline A. Mayer, Inc.	Retail Property Owner	10,713,000	3	1.36%	-	-	-
CHF-Delaware LLC	Apartments	9,769,700	4	1.24%	9,769,700	3	1.27%
Rohm and Haas Electronic Materials	Manufacturing	8,562,000	5	1.08%	7,340,900	8	0.95%
Delmarva Power & Light Company	Public Utility	8,295,200	6	1.05%	-	-	-
UDEL HOLDINGS LLC	Apartments	8,248,100	7	1.04%	-	-	-
Emory Hill & Company	Industrial Park	7,781,700	8	0.99%	-	-	-
University of Delaware	Education (Non-exempt portion)	7,658,000	9	0.97%	7,512,360	7	0.98%
Fusco Enterprises L P	Retail Property Owner	7,369,800	10	0.93%	7,876,300	5	1.02%
Chrysler Corporation	Manufacturing-Automobiles	-	-	-	57,298,395	1	7.44%
Fusco Properties L P	Apartments	-	-	-	11,540,900	2	1.50%
Interstate Business Park LP	Industrial Park	-	-	-	6,979,880	9	0.91%
White Clay Associates, LLC	Retail/Apartments	-	-	-	6,946,600	10	0.90%
		<u>90,846,900</u>		<u>11.50%</u>	<u>131,764,135</u>		<u>17.11%</u>

Note: The Chrysler Assembly Plant site was purchased by the University of Delaware on November 23, 2009.

The property has received a full tax exemption. The site will be developed for educational purposes.

Source: City of Newark Finance Department

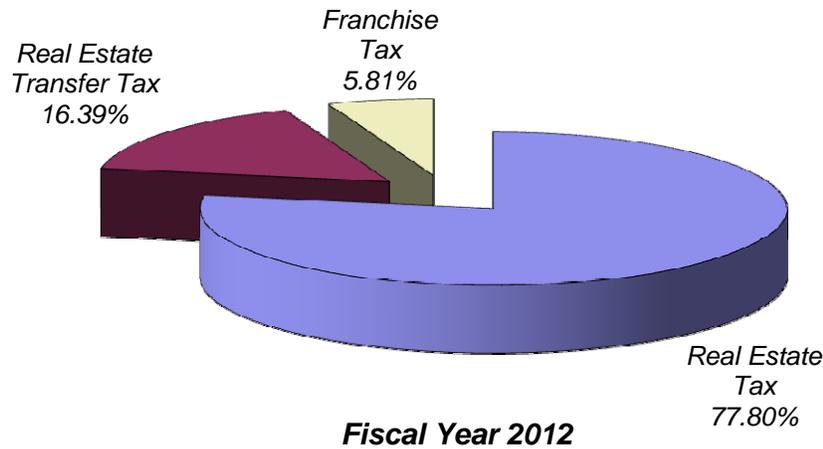
2002 items are reported. Statistics are not available for 2003.

**City of Newark, Delaware
Property Tax Levies and Collections
Last Ten Fiscal Years**

Fiscal Year	Total Tax Levy (1)	Collected within the Fiscal Year of Levy		Collections in Subsequent Years	Total Collections for Year	
		Amount	Percent of Levy		Amount (2)	Percent of Levy
2003	3,290,900	3,260,292	99.1%	28,238	3,288,530	99.9%
2004	3,475,803	3,440,763	99.0%	31,857	3,472,620	99.9%
2005	3,581,102	3,567,585	99.6%	9,620	3,577,205	99.9%
2006	4,196,269 (3)	4,149,161	98.9%	41,727	4,190,888	99.9%
2007	4,274,197	4,257,691	99.6%	11,124	4,268,815	99.9%
2008	4,381,947	4,345,317	99.2%	26,342	4,371,659	99.8%
2009	4,681,253	4,617,380	98.6%	51,141	4,668,521	99.7%
2010	4,980,536	4,898,066	98.3%	61,396	4,959,462	99.6%
2011	5,028,511	4,919,181	97.8%	76,735	4,995,916	99.4%
2012	5,423,483	5,316,521	98.0%	-	5,316,521	98.0%

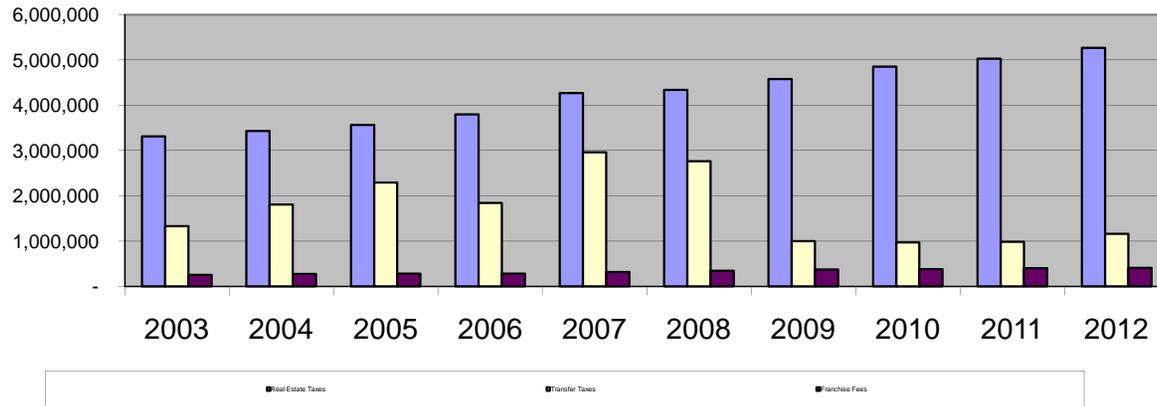
- Notes:
- (1) Represents initial annual levy plus quarterly supplementary billings.
 - (2) Excludes tax penalties/interest.
 - (3) Tax billings represent a tax rate increase of 16.6% over prior year.

City of Newark, Delaware
Governmental Activities Tax Revenues By Source
Last Ten Years
(accrual basis of accounting)



Fiscal Year	Real Estate Tax	Real Estate Transfer Tax	Franchise Tax	Total
2003	\$ 3,161,145	\$ 1,328,656	\$ 255,354	\$ 4,745,155
% of total	66.62%	28.00%	5.38%	100.00%
2004	3,517,228	1,810,110	275,102	5,602,440
% of total	62.78%	32.31%	4.91%	100.00%
2005	3,654,026	2,291,841	283,799	6,229,666
% of total	58.66%	36.79%	4.56%	100.00%
2006	4,084,439	1,842,126	282,401	6,208,966
% of total	65.78%	29.67%	4.55%	100.00%
2007	4,433,787	2,962,355	318,771	7,714,913
% of total	57.47%	38.40%	4.13%	100.00%
2008	4,437,008	2,764,929	345,174	7,547,111
% of total	58.79%	36.64%	4.57%	100.00%
2009	4,751,835	1,000,710	372,817	6,125,362
% of total	80.63%	14.11%	5.26%	100.00%
2010	5,027,187	969,617	383,816	6,380,620
% of total	80.91%	13.68%	5.41%	100.00%
2011	5,102,146	988,807	399,960	6,490,913
% of total	80.41%	13.95%	5.64%	100.00%
2012	5,515,728	1,162,016	412,079	7,089,823
% of total	77.80%	16.39%	5.81%	100.00%

City of Newark, Delaware
General Governmental Tax Revenues By Source
Last Ten Fiscal Years
(Modified accrual basis of accounting)



<u>Fiscal Year</u>	<u>Real Estate Taxes</u>	<u>Real Estate Transfer Taxes</u>	<u>Franchise Fees</u>	<u>Total</u>
2003	3,308,637	1,328,656	255,354	4,892,647
2004	3,432,231	1,810,110	275,102	5,517,443
2005	3,563,753	2,291,841	283,799	6,139,393
2006	3,799,097	1,842,126	282,401	5,923,624
2007	4,264,351 ¹	2,962,355 ²	318,771	7,545,479
2008	4,341,366	2,764,929	345,174	7,451,469
2009	4,576,436	1,000,710	372,817	5,949,963
2010	4,849,809	969,617	383,816	6,203,242
2011	5,024,211	988,807	399,960	6,412,978
2012	5,264,245	1,162,016	412,079	6,838,340

Notes:

¹ Revenue recognized from tax rate increase of 16.6% over prior year.

² Includes taxes of \$803,735 on sale of Chrysler assembly plant to Cerberus Capital Management.

City of Newark, Delaware
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities		Business-Type Activities		Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Other Notes Payable	General Obligation Bonds	Other Notes Payable			
2003	\$ 4,820,000	\$ -	\$ 17,925,000	\$ 101,059	\$ 22,846,059	N/A	\$ 759
2004	4,375,000	-	17,235,000	69,467	21,679,467	N/A	721
2005	3,870,000	-	16,525,000	37,528	20,432,528	N/A	680
2006	3,375,000	-	15,800,000	4,356	19,179,356	N/A	639
2007	2,885,000	-	15,055,000	-	17,940,000	N/A	594
2008	2,405,000	-	14,290,000	-	16,695,000	2.73%	552
2009	1,955,000	-	13,500,000	-	15,455,000	2.50%	510
2010	1,670,000	-	12,685,000	-	14,355,000	2.35%	456
2011	1,530,000	-	12,035,000	-	13,565,000	2.20%	429
2012	1,418,832	269,164	11,419,461	12,078,276	25,185,733	3.67%	801

Sources: US Census Bureau Population Estimates Program (2001-2006, 2009, 2012) and Census 2000, 2010;
 Delaware Population Consortium projection (2007) (Population)
 2008 and 2011 are projected estimates by the City of Newark (Population)
 Newark Planning Department (2000, 2010, 2011 Personal Income)
 Money Magazine Income Survey (2008 Personal Income)
 Federal Reserve Bank of Philadelphia Quarterly Percent Change (2009 Personal Income)

City of Newark, Delaware
Ratios of General Bonded Debt Outstanding
To Taxable Assessed Value and Per Capita
Last Ten Fiscal Years

Fiscal Year	Population	Total Taxable Assessed Value	Governmental Activities General Obligation Bonds	Business-Type Activities General Obligation Bonds & Notes	Net General Obligation Bonds and Notes Payable	Percentage of Net Long-Term Debt to Assessed Value (1)	Net Long-Term Debt Per Capita
2003	30,116	780,262,072	\$ 4,820,000	\$ 18,026,059	\$ 22,846,059	2.93%	\$ 759
2004	30,076	790,100,931	4,375,000	17,304,467	21,679,467	2.74%	721
2005	30,060	794,009,563	3,870,000	16,562,528	20,432,528	2.57%	680
2006	30,014	801,182,949	3,375,000	15,804,356	19,179,356	2.39%	639
2007	30,194	811,121,739	2,885,000	15,055,000	17,940,000	2.21%	594
2008	30,260	818,637,113	2,405,000	14,290,000	16,695,000	2.04%	552
2009	30,316	835,936,906	1,955,000	13,500,000	15,455,000	1.85%	510
2010	31,454	770,513,812 ²	1,670,000	12,685,000	14,355,000	1.86%	456
2011	31,611	777,128,237	1,530,000	12,035,000	13,565,000	1.75%	429
2012	31,456	789,907,990	1,418,832	11,419,461	12,838,293	1.63%	408

Notes: ¹ A City-wide reassessment of all real property was last updated on July 1, 1985.
Real property is assessed at 100% of the 1983 market value.

² The Chrysler Assembly Plant site was purchased by the University of Delaware on November 23, 2009.
The property has received a full tax exemption. The site will be developed for educational purposes.

Sources: City of Newark Finance Department (Taxable Assessments)
US Census Bureau Population Estimates Program (2001-2006, 2009, 2012) and Census 2000, 2010;
Delaware Population Consortium projection (2007).
2008 and 2011 are projected estimates by the City of Newark.

City of Newark, Delaware
Computation of Direct and Overlapping Debt
December 31, 2012

<u>Jurisdiction</u>	<u>Net Debt Outstanding</u>	<u>Percentage Applicable to City of Newark</u>	<u>Amount Applicable to City of Newark</u>
New Castle County	\$ 181,227,132 (3)	4.38% (1)	\$ 7,937,748
Christina School District	<u>58,054,855</u>	14.13% (2)	<u>8,203,151</u>
Overlapping Debt	\$ 239,281,987		\$ 16,140,899
City of Newark General Obligation Bonds	1,418,832 (3)	100.00%	1,418,832
City of Newark Other Notes Payable	<u>269,164 (3)</u>	100.00%	<u>269,164</u>
Total Direct and Overlapping Debt	<u><u>\$ 240,969,983</u></u>		<u><u>\$ 17,828,895</u></u>

Sources: New Castle County Office of Finance, Christina School District,
and City of Newark Department of Finance.

- (1) Determined by dividing the taxable assessed valuation of the City of Newark (\$789,907,990) by the total taxable assessed valuation of New Castle County (\$18,043,492,000). Net Debt Outstanding is as of June 30, 2012.
- (2) Determined by dividing the students enrolled in the City of Newark (2,374) by the total student enrollment of the Christina School District (16,807). Net debt outstanding is as of June 30, 2012.
- (3) Debt related to business-type activities is not included in this presentation.

**CITY OF NEWARK, DELAWARE
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
(amounts expressed in thousands)**

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Debt Limit (1)	78,026	79,010	79,427	80,126	81,112	81,864	83,594	77,051 ²	77,713	78,991
Total net debt applicable to limit	<u>22,827</u>	<u>21,633</u>	<u>20,386</u>	<u>19,133</u>	<u>17,893</u>	<u>16,648</u>	<u>15,455</u>	<u>14,308</u>	<u>13,518</u>	<u>12,792</u>
Legal debt margin	<u><u>55,199</u></u>	<u><u>57,377</u></u>	<u><u>59,041</u></u>	<u><u>60,993</u></u>	<u><u>63,219</u></u>	<u><u>65,216</u></u>	<u><u>68,139</u></u>	<u><u>62,743</u></u>	<u><u>64,195</u></u>	<u><u>66,199</u></u>
Total net debt applicable to the limit as a percentage of debt limit	29.26%	27.38%	25.67%	23.88%	22.06%	20.34%	18.49%	18.57%	17.39%	16.19%

Legal Debt Margin for Fiscal Year 2012

Total Assessed Value	\$ 1,530,207
Less: exempt real property	<u>(740,299)</u>
Total assessed value	\$ 789,908
Debt limit (10% of taxable assessed value)	78,991
Debt applicable to limit:	
General obligation bonds	12,838
Less: Amount set aside for repayment of general obligation debt	<u>(46)</u>
Total net debt applicable to limit	<u>12,792</u>
Legal debt margin	<u><u>\$ 66,199</u></u>

Notes: (1) In accordance with Section 407.1 of the City Charter, if general obligation bonds are issued, the total outstanding debt secured by such bonds shall not exceed ten (10) per centum of the assessed value of all the real estate subject to taxation located within the City. If revenue bonds are issued, each such bond shall recite in substance that said bond, including interest thereon, is payable from the revenue pledged to the payment thereof, and that said bond does not constitute a debt of the City of Newark within the meaning of the bonded indebtedness limitation.

² The Chrysler Assembly Plant site was purchased by the University of Delaware on November 23, 2009. The property has received a full tax exemption. The site will be developed for educational purposes.

**City of Newark, Delaware
Demographic and Economic Statistics
Last Ten Fiscal Years**

Fiscal Year	Population (1)	Personal Income (2)	Per Capita Income (3)	School Enrollment (4)	Univ of DE Enrollment (5)	Unemployment Rate (6)
2003	30,116	N/A	N/A	N/A	21,121	2.5%
2004	30,076	N/A	N/A	N/A	21,238	3.1%
2005	30,060	N/A	N/A	N/A	20,982	2.3%
2006	30,014	N/A	N/A	N/A	20,380	2.0%
2007	30,194	N/A	N/A	N/A	20,342	2.1%
2008	30,260	616,577,760	20,376	3,755	20,500	3.5%
2009	30,316	613,835,944	20,248	3,747	21,138	3.5%
2010	31,454	610,928,740	19,423	3,854	19,557	7.5%
2011	31,644	617,771,142	19,523	3,740	21,489	7.4%
2012	31,456	686,636,280	21,828	3,842	21,856	6.5%

Sources: (1) US Census Bureau Population Estimates Program (2002-2006, 2009, 2012) and Census 2000, 2010; Delaware Population Consortium projection (2007) (Population)
2008 and 2011 are projected estimates by the City of Newark (Population)
(2) and (3) Money Magazine Income Survey (2008 Personal Income)
(2) and (3) Federal Reserve Bank of Philadelphia Quarterly Percent Change (2009, 2010 Personal Income)
(4) For 2012: Christina School District 2,374, Local Independent Schools 1,468
(5) University of Delaware Office of Institutional Research
(6) Economagic.com (2002-2006), Delaware Department of Labor (2007-2012)

N/A = Information not available

**City of Newark, Delaware
Principal Employers in New Castle County (1)
Current Year and Ten Years Ago**

Industry Description	2012			2003		
	Employment	Rank	Percentage of Total County Employment	Employment	Rank	Percentage of Total County Employment
Health care and social assistance	40,563	1	15.0%	31,370	3	11.0%
Finance and insurance	33,037	2	12.2%	33,493	2	11.8%
Retail trade	31,268	3	11.6%	35,524	1	12.5%
Professional and technical services	22,545	4	8.3%	23,636	4	8.3%
Accommodation and food services	20,028	5	7.4%	18,029	7	6.3%
Administrative and waste services	17,093	6	6.3%	18,421	6	6.5%
State government	15,509	7	5.7%	14,662	9	5.2%
Local government	14,971	8	5.5%	13,959	10	4.9%
Construction	12,307	9	4.6%	16,738	8	5.9%
Manufacturing	11,866	10	4.4%	19,005	5	6.7%
Other services, except public administration	8,699	11	3.2%	8,691	13	3.1%
Total	227,886		84.2%	233,528		82.2%

(1) The United State Department of Labor, Employment & Training Administration has informed the Delaware Department of Labor that pursuant to 20 CFR (Code of Federal Regulations) Part 603, this information (Delaware's Top Employers) is confidential and may not be disclosed to the public.

In addition, the State of Delaware Department of Labor and the Delaware Economic Development Office have notified the City of Newark that, due to the Federal Economic Stimulus Package legislation, individual employer's data cannot be disclosed.

Note: The information presented is for New Castle County, Delaware, in which the City of Newark is entirely located, and is reprinted, with permission, from their 2012 Comprehensive Annual Financial Report, page 101.

City of Newark, Delaware
Full-time Equivalent City Government Employees by Function
Last Ten Fiscal Years

Function	Full-time Equivalent Employees as of December 31									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General government	38.5	38.5	39.5	39.0	39.0	40.0	40.0	37.0	36.5	36.0
Public Safety										
Police										
Officers	60.0	60.0	60.0	65.0	65.0	65.0	66.0	68.0	68.0	68.0
Civilian	19.5	19.0	19.5	20.5	21.5	22.0	25.0	19.0	21.5	21.5
Code Enforcement	12.5	12.5	12.5	12.5	12.5	12.5	12.0	11.0	11.0	10.0
Streets										
Engineering	12.0	11.0	11.0	11.0	11.0	11.0	10.5	10.5	10.0	10.0
Maintenance	12.5	12.5	12.5	12.5	12.5	12.5	12.5	12.5	11.5	11.5
Sanitation	17.0	16.0	16.0	15.0	15.0	14.0	13.0	13.0	12.0	12.0
Culture and Recreation	19.0	19.0	19.0	19.0	19.5	20.0	20.0	20.0	19.5	19.5
Electric	20.0	20.0	21.0	21.0	21.0	21.0	21.0	22.0	22.0	22.0
Water & Wastewater	19.0	19.0	19.0	19.0	19.0	19.0	19.0	19.0	19.0	19.0
Parking	3.5	3.5	3.5	3.5	3.5	4.5	4.5	4.5	4.5	4.5
Fleet Maintenance	6.0	6.0	6.0	6.0	6.0	6.0	6.0	5.0	5.0	5.0
Total	239.5	237.0	239.5	244.0	245.5	247.5	249.5	241.5	240.5	239.0

Source: City's Personnel Office.

City of Newark, Delaware
Operating Indicators By Function
Last Ten Fiscal Years

Function	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Public Safety										
Police calls for service	32,169	30,969	29,350	28,132	27,343	32,274	35,645	45,562	48,348	44,115
Criminal charges	3,694	3,501	3,136	2,890	2,564	3,650	3,166	3,675	3,215	3,825
Traffic summonses	8,683	9,286	8,775	7,798	8,826	12,067	10,066	11,724	12,302	12,962
Parking summonses	9,585	9,766	9,956	8,797	9,454	7,571	6,183	8,005	6,916	6,562
Meter summonses	39,556	42,428	39,337	28,420	29,144	18,206	19,736	26,024	22,740	20,229
Building permits issued	1,077	1,131	1,080	1,021	870	1,856	1,826	2,108	1,976	1,894
Public Works										
Refuse tons collected	15,009	14,953	13,656	14,462	12,846	11,624	9,079	8,091	7,746	7,936
Recycling tons collected	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1,989	2,074
Miles of street	65	65	65	65	65	65	65	66	66	66
Patches (s.f.)	54,531	54,305	79,399	31,050	38,689	53,962	41,792	57,631	34,086	25,559
Curbs replaced and installed (s.f.)	22,600	19,790	18,330	13,448	10,293	10,031	14,212	8,967	24,569	24,151
Sidewalks										
4" (s.f.)	34,063	21,069	27,786	35,166	41,337	23,203	22,660	18,804	24,344	21,512
6" (s.f.)	18,896	12,557	11,326	10,483	8,698	9,404	5,599	4,555	7,965	6,941
Leaves collected (c.y.)	10,816	10,512	12,820	14,640	15,200	15,200	9,344	8,000	9,089	9,089
General Government										
Parking tickets issued	49,141	52,058	49,293	37,629	39,010	26,335	26,163	34,388	29,957	27,102
Culture and Recreation										
Trails in Newark parks (mi)	N/A	N/A	N/A	N/A	15.2	15.2	15.2	15.2	15.2	16.8
Registrants	7,352	7,527	7,977	7,924	8,077	8,379	8,863	8,316	7,876	7,902
Participants	83,873	83,292	82,622	83,942	83,072	84,826	86,400	86,700	76,684	84,292
Electric										
MWH's sold	379,844	389,426	401,365	389,164	401,090	405,234	391,916	406,053	401,980	402,465
MWH's purchased	419,915	424,831	436,513	425,069	437,712	434,097	422,048	438,960	436,108	436,313
Meters in service	11,336	11,418	11,503	11,878	11,568	11,528	11,906	11,988	11,948	11,763
Water and Waste Water										
Meters in service	9,444	9,494	9,494	9,593	9,567	9,587	9,751	9,795	9,842	9,842
Fire Hydrants maintained	200	200	200	200	200	N/A	N/A	N/A	N/A	N/A
Fire Hydrants in system	N/A	N/A	N/A	N/A	N/A	877	877	877	877	876
Gallons of water sold (000's)	1,173,178	1,129,480	1,178,167	1,105,380	1,152,011	1,092,399	1,045,249	1,023,461	1,029,332	1,028,271
Gallons of sewage collected (000's)	1,252,327	1,132,686	1,109,095	1,148,817	1,020,098	954,057	774,068	768,424	760,850	794,165

Sources: Various city departments.

N/A = not available

City of Newark, Delaware
Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Public Safety										
Police stations	1	1	1	1	1	1	1	1	1	1
Patrol units	28	29	29	33	33	35	35	36	36	38
Sanitation										
Collection trucks	14	14	14	16	16	16	16	14	12	12
Streets										
Miles of streets	64.80	65.01	65.16	65.16	65.26	65.26	65.33	65.58	65.58	65.58
Street lights	2,590	2,600	2,615	2,640	2,640	2,640	2,710	2,776	2,776	2,856
Traffic signals	55	55	55	55	52	57	56	56	57	70
Culture and recreation										
Parks acreage	558.68	562.88	562.88	567.18	619.2	632.31	652.03	652.03	657	658.22
Swimming pools	2	2	2	2	2	2	2	2	2	2
Tennis and basketball courts	35	37	37	37	37	37	37	37	37	37
Community centers	1	1	1	1	1	1	1	1	1	1
Electric										
Distribution substations	25	25	25	25	25	25	25	25	27	27
Miles of service lines	104	104	104	104	105	106	108	108	165 (1)	175 (1)
Water										
Water mains (miles)	169	169	169	170	170	170	170	170	170	170
Wells in operation	7	7	7	11	11	11	9	9	9	9
Maximum daily capacity (gal)	N/A	N/A	N/A	N/A	8.5 Mil					
Sewer										
Sanitary sewers (miles)	97	97	98	98	99	99	99	99	99	99
Storm sewers (miles)	N/A	N/A	N/A	N/A	58.77	58.77	58.86	58.86	58.86	58.86
Parking										
Meters maintained	395	391	391	370	370	380	380	392	430	455

Sources: Various city departments.

(1) A new GIS system was utilized to measure the infrastructure.