COMPREHENSIVE ANNUAL FINANCIAL REPORT

CITY OF NEWARK, DELAWARE

FOR THE FISCAL YEAR ENDED

DECEMBER 31, 2011

Great American Main Street Awards
NATIONAL TRUST FOR HISTORIC PRESERVATION
2011 Winner

NEWARK
DELAWARE
Committed to Service Excellence

Comprehensive Annual Financial Report

For the Fiscal Year Ended

December 31, 2011

Prepared by the City of Newark Finance Department

Robert Uyttebroek, Finance Director

Wilma Garriz, Assistant Finance Director
Jim Smith, Accountant
Daina Montgomery, Finance Assistant

In 2011, the National Trust Main Street Center recognized the City of Newark for having exceptional Main Street communities whose successes serve as a model for comprehensive commercial district revitalization.

CITY OF NEWARK
Delaware

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011

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GUINNESS
Wine
&
Dine


SAVE THE DATE
Newark's Wine & Dine Downtown
DOWNTOWN
Newark
A New Day Everyday!
Wine!
Food!
Fun!
A treat
for all your
senses!
SATURDAY, APRIL 2, 2011 | 4:00 P.M.- 8:00 P.M.
Win a downtown Newark shopping and dining spree worth up to $1,000


WAY

INTRODUCTORY SECTION

FINANCE DEPARTMENT
CITY OF NEWARK
220 Elkton Road • Newark, Delaware 19711
(302) 366-7080 • Fax (302) 366-7169 • www.cityofnewarkde.us

June 29, 2012

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, Delaware for the fiscal year ended December 31, 2011. 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, banks, 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, 2011. 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 it. 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 two-year terms. 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 sixteen 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 21,000 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 that produced a line of sport utility vehicles. Chrysler, however, closed this plant in late 2008 due to its well-publicized financial difficulties. The plant site has 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 and Christiana Hospitals, the U.S. Army's Aberdeen Proving Grounds and as recently announced, Bloom Energy. E.I. DuPont de Nemours and Company (agricultural research), Dow Chemical (silicone wafer polishing compounds), Gore (Gore-Tex), FMC (biopolymers) and other major international firms have large facilities in and around the City. Newark is also the home for the state's major hi-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.

Regarding transportation, the nation's major East Coast north-south roadway, I-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 and 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.

Beginning in the mid-1980's, Newark has experienced a downtown development boom. Thereafter, in 1998, the City adopted the "Downtown Newark Economic Enhancement Strategy," that while focusing primarily on downtown economic development efforts, also contains considerable information applicable to the Newark economy in general. One of the key recommendations from the "Enhancement Strategy," the establishment of the tri-partite Downtown Newark Partnership, has, since its formation, brought 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 development downtown. While not the exclusive home for all of our local restaurants, retailers and offices, downtown remains Newark's commercial heart and soul that embodies, to a considerable extent, what makes Newark unique.

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 will complete construction of the Pomeroy Trail in the summer of 2012, a cycling / pedestrian trail that will bisect the Downtown corridor, connecting the University's Laird Campus with the already established Hall Trail, which parallels the AMTRAK rail tracks. These trails are, and will be, a part of the East Coast Greenway.

In 2001, one of the City's most acclaimed historic landmarks, the Deer Park Restaurant, was fully restored and reopened under new management. This U.S. Department of Interior National Registered property dates from 1851 and has been operated continuously at this location since that time. The restored Deer Park Restaurant, reviewed and approved through the City's strict historic preservation ordinance, has drawn large crowds since reopening in early October 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 imagine his excursions into the macabre.

Another significant project, the Washington House, consisting of mixed-use condominiums and commercial development, received Council approval in 2005. Construction of the facility was completed in 2008 with occupancy beginning in early 2009. This project brings 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 was the desire to develop housing for "non-students" in the Downtown neighborhood, a desire that exists today in an effort to have a "mixed" composite of residential population. A few years back, the City embarked on an effort to remove the student population from the neighborhoods and concentrate them downtown, now the City is redefining zoning regulations to bring owner-occupied or a "post-college" professional class back downtown with the creation of one and two bedroom housing units.

The City's first luxury hotel was completed with the opening in March 2000 of the Embassy Suites on South College Avenue across that roadway from the University of Delaware's sports complex. Later, two additional hotels have been built – a Homewood Suites adjoining the Embassy Suites and the Marriot Courtyard Hotel on the University's north campus -- significantly adding to the City's stock of high quality hostelries. 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.

As a result of the business community's confidence in Newark, new commercial development now spans the entire length of Main Street with successful new projects on every block beside traditional local businesses that have existed for generations. Most recently, the downtown area has enjoyed nearly $40 million in private investment and 26 new businesses have opened over the last three years. 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."

Other important economic development initiatives occurred in 1999 and 2000 at the Delaware Technology Park with the addition of two facilities totaling 50,000 square feet. 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 1990's. 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 edition of the Sunday New York Times.

The local Newark economy is very resilient to a considerable extent because of the presence of the University of Delaware, with the eighth largest per capita endowment of any public university in the United States. The University is the City's single largest employer. The City's December, 2011 unemployment rate was 5.5%. The State unemployment rate for the same point in time was 6.9%. These rates remain well below the national unemployment rate of 8.3%. As previously mentioned, the University has acquired the dormant Chrysler assembly plant 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, Southeastern Pennsylvania Transportation Authority and the Maryland Transit Administration. Ground-breaking was conducted recently on the first manufacturing facility at the site as the Bloom Energy Corporation initiated construction of a plant to build the "Bloom Boxes," or solid oxide fuel cells. All of this is in conjunction with the continued construction on the University campus. New science facilities are being built and designs have been drawn to reconstruct the Rodney housing complex.

Beyond that, however, the diversity and size of the other businesses and industries in Newark and its environs help ensure relatively smooth and stable local economic growth. Notably, in 2007, Newark was selected as the Small Business Association's Small Business Community of the Year and more recently was named by Business Weekly as the best city for business start-ups in Delaware. Moreover, Newark is an industrial, commercial and service hub for New Castle County and nearby counties in Pennsylvania and Maryland – in addition to our status as the State's principal home for higher education.

New development and redevelopment continues to be the major focus of the City. In 2007, the Downtown Newark Partnership extended the original boundaries of downtown Newark to include both sides of Elkton Road from Delaware Avenue to Apple Road. Since that time, four new mixed-use buildings with 25,410 square feet of commercial space on the first floors and thirty-one apartments have been completed and occupied. A 10,911 square feet footprint commercial bank building opened last year and another development of 17,250 square feet of commercial and 65 residential units is under construction. The City worked with the Delaware Department of Transportation to improve pedestrian and bicycle access, as well as appropriate downtown streetscape, for this newly expanded part of downtown Newark now under construction. Other relatively large residential projects have been approved by the City, primarily through annexation. Some of these new facilities have been limited to adults, fifty-five years and older, as part of the City's effort to increase its available housing stock for older Newarkers. In addition, the 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. This land use goal is particularly important in a community that is very significantly impacted by the continued demand for off-campus student housing.

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 – 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 regular high-tech corridor.

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. Work groups will be examining areas including 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 a consultant economic development study in 2010 to develop plans to update the City's commercial and industrial economic development programs. The Wadley-Donovan Group was hired for the study and they eventually completed an analysis of marketable strength; product deficiencies that can be corrected cost-effectively; development opportunities; issues having an impact on the community or region's economic development future and obstacles to development. From this analysis Wadley-Donovan developed a strategy of 11 initiatives to build upon our strengths in economic development. The City, working with the New Castle County Chamber, has begun the implementation of these recommendations.

While the City has a strong and diverse economic base, it had not been immune to the effects of the national economic recession. In particular the impact upon the local housing market had been noteworthy. The slowdown in housing sales had reduced the City's real estate transfer tax revenues significantly. Construction permit fees had also been adversely affected. However, the City believes the nadir has been experienced and now a turn-around is on-going. While construction of stand-alone single family housing may be slow or stagnant, the construction of apartments, primarily designed for the student population, and owner-occupied condominiums is strong and robust, 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 Elkton Road is nearing completion. These projects are clustered around the Downtown corridors of East Main Street and Delaware Avenue, and along Elkton Road. Elkton Road itself, funded by the State of Delaware, is undergoing a major reconstruction to improve traffic flow, install bicycle lanes, and traffic islands that will beautify the entry into the Downtown area.

Also, in the spring of 2012, the City, in association with the other cities that comprise the Delaware Municipal Electric Corporation, has entered into a "memorandum of understanding" with the Governor of the State of Delaware 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 agreement entered on May 10, 2012 provided four provisions that should spawn increased economic activity:

- The member utilities shall reduce electric rates by not less than an average of 10% prior to December 31, 2014.
- All member utilities will establish an economic development rate to incentivize job creation.
- 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.
- 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 is well on the way to full compliance. With the introduction of a new rate structure, after an independent rate study, in July, 2011, the City has established an economic development rate. With the introduction of our "revenue stabilization adjustment" on January 1, 2012, the City has reduce electric rates by 9.5% and the City foresees additional rate reductions due to the expected reduction in cost of purchased power from DEMEC based on the dropping price of natural gas. DEMEC has acquired an interest in a gas-fired generator in Ohio that will supply the needs of our customers with stable power. The City had placed, effective for fiscal year 2012, a cap on the amounts that may be transferred from the electric utility at 20% of gross receipts. And the removal of retail choice as an option to our larger customers will enable the utility to provide reliable power to our customers, build-out for expanded development and guarantee a revenue stream that is critical to the City. The City estimates that our revenue stream from the sale of electricity will grow based on increased consumption from our customer base. The University is our largest customer – a stable customer that we know will remain a stable customer that will only increase their use of our electricity.

All in all, as the City closes its accounts in 2011, the City is confident as it enters 2012. The City's motto is "Committed to Service Excellence" and it is well placed to continue this provision of a high quality of municipal services from public safety, through excellent parks and recreational facilities and opportunities, and a reliable governmental infrastructure of roads, electrical transmission and water / sewer lines that shall continue to meet the needs of our base. The City is moving toward easing the constraints of governmental interaction with more and more services or requests being able to be performed online. The City is firmly committed to the use of technology to connect and communicate with our residents in a more comprehensive manner. The partnership that has been developed between government, the Downtown business community and our residents has fostered such 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), Wine & Dine Night and Winterfest, as well as the Spring Concert series and many other joint activities that will bring the community together and solidify a high-quality of life to our residents. The City realizes, though that our association with the University brings many challenges; it is a symbiotic relationship that has produced a culturally diverse community that has presented a vast array of instructional and cultural opportunities for all of our citizens. In Newark, whether someone is here temporarily as a student at the University or has established long-term roots in the community, all of our residents shall comprise our social fabric and the City will continue to be committed to serving their municipal needs.

MAJOR INITIATIVES

The key objective for the City is the maintenance and the enhancement of the City's physical infrastructure to support the vital civil services the City provides to its residents and visitors. In recent years, the City has undertaken the following major initiatives to improve the physical plant. As previously disclosed, the City relies heavily on the sale of utilities to our customer base and the City is cognizant of the need to maintain these systems and to build for future expansion of these systems.

- The Electric utility has completed the construction of additional capacity at the Phillips Substation and is planning on purchasing an abandoned substation at the former Chrysler assembly plant. This 272-acre facility will be the site of the University of Delaware's Science, Technology and Advanced Research

Campus and there will be a need for expanded electrical service and the City will meet this demand. The utility is proud of the reliable and stable electrical service that our customer base enjoys.

- The Water utility is addressing the need to reline all of the water mains in the City and over the next ten years this will be accomplished. With the City's reservoir now in operation for six years, the utility has refrained from the purchase of water from outside sources. The Curtis Mill Water Treatment Plant was recently expanded and improved and the utility is confident in the quality of the water being provided to our customers.
- 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 move the wastewater out to the New Castle County sewer system.
- The Parking utility has been exploring the construction of parking facilities to relieve the under capacity of parking spaces in the Downtown area. A public / private partnership in the construction of a parking garage with commercial and residential components has begun to take shape as a potential solution.
- The City is moving rapidly toward the installation of "smart meters" for all of the City's electrical and water customers that will provide "real time" usage data, the ability to remotely disconnect and timelier billing of consumption. This will be a project through the Honeywell Corporation with a guarantee of service enhancements and annual savings that will fund the debt service 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.

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, Wilma Garriz, Assistant Finance Director, James Smith, City Accountant and Daina Montgomery, Finance Assistant, deserve appreciation for the effort to compile, prepare and format the various financial schedules and analyses contained in this report.

Respectfully submitted,

Robert J. Uyttebroek
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, 2010

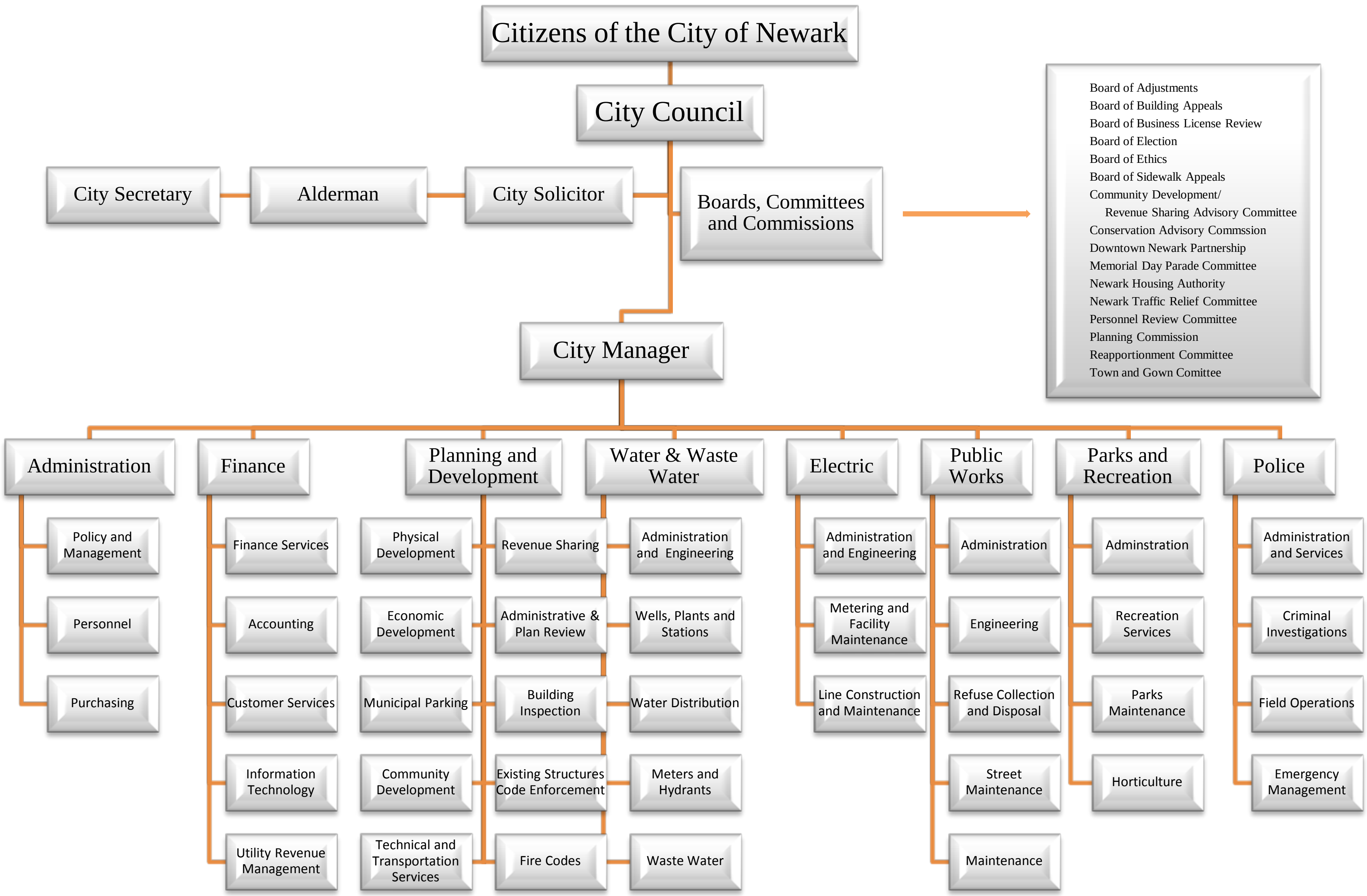
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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

Linda C. Davidson

President

Jeffrey R. Esser

Executive Director



Citizens of the City of Newark
City Council
City Secretary
Alderman
City Solicitor
Boards, Committees and Commissions
Board of Adjustments
Board of Building Appeals
Board of Business License Review
Board of Election
Board of Ethics
Board of Sidewalk Appeals
Community Development/
Revenue Sharing Advisory Committee
Conservation Advisory Commssion
Downtown Newark Partnership
Memorial Day Parade Committee
Newark Housing Authority
Newark Traffic Relief Committee
Personnel Review Committee
Planning Commission
Reapportionment Committee
Town and Gown Comittee
City Manager
Administration
Policy and Management
Personnel
Purchasing
Finance
Finance Services
Accounting
Customer Services
Information Technology
Utility Revenue Management
Planning and Development
Physical Development
Economic Development
Municipal Parking
Community Development
Technical and Transportation Services
Revenue Sharing
Administrative & Plan Review
Building Inspection
Existing Structures Code Enforcement
Fire Codes
Water & Waste Water
Administration and Engineering
Wells, Plants and Stations
Water Distribution
Meters and Hydrants
Waste Water
Electric
Administration and Engineering
Metering and Facility Maintenance
Line Construction and Maintenance
Public Works
Administration
Engineering
Refuse Collection and Disposal
Street Maintenance
Maintenance
Parks and Recreation
Adminstration
Recreation Services
Parks Maintenance
Horticulture
Police
Administration and Services
Criminal Investigations
Field Operations
Emergency Management

CITY OF NEWARK

DELAWARE

LIST OF PRINCIPAL OFFICIALS
DECEMBER 31, 2011

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	Ezra J. Temko
Council Member - District 6	Stu Markham

Appointed Officials

City Manager	Kyle R. Sonnenberg
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 to the City Manager	Charles M. Zusag
Assistant to the City Manager	Carol S. Houck
Director of Finance	Dennis W. McFarland
Director of Planning & Development	Roy H. Lopata
Director of Water & Waste Water	Roy A. Simonson
Director of Electric	Rick H. Vitelli
Director of Public Works	Richard M. Lapointe
Director of Parks & Recreation	Charles R. Emerson
Chief of Police	Paul M. Tiernan

Newark Nite
2011

NEWARK
DELAWARE
PARKS AND RECREATION

FINANCIAL SECTION

CliftonLarsonAllen LLP
www.cliftonlarsonallen.com

Independent Auditor's Report

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

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, 2011, and the budgetary comparison for the general fund for the year ended December 31, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the City's 2010 financial statements and, in our report dated May 31, 2011, we expressed an unqualified opinion on those financial statements.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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, each major fund, and the aggregate remaining fund information of the City as of December 31, 2011, and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2012 on our consideration of the City'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 results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information as listed in the table of contents 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. However, we did not audit the information and express no opinion on it. The City has not presented the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund financial statements and schedules as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and statistical tables as listed in the table of contents have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

CliftonLarsonAllen LLP

Baltimore, Maryland
June 22, 2012

Management's Discussion & Analysis

As Director of Finance for the City of Newark, Delaware (the "City"), we offer the following narrative overview and analysis of the financial activities of the City for the fiscal year that ended December 31, 2011. We encourage all to consider the information presented here in conjunction with the additional information that we have furnished in our letter of transmittal, which can be found in the beginning of this report and the City's financial statements which follow this section on Page 24.

FINANCIAL HIGHLIGHTS

- The assets of the City of Newark exceeded its liabilities at the close of the most recent fiscal year by $90.6 million (*representing its net assets*). This represents an increase of $5.2 million over the prior year.
- The City's unrestricted net assets increased $4 million in 2011 to $29.3 million. This amount may be used to meet the government's ongoing obligations to citizens and creditors.
- As of December 31, 2011, the City's governmental funds reported combined ending fund balances of $11.8 million, an increase of $811 thousand from the prior year. Approximately $2.6 million is *available for spending* at the City's discretion (*unassigned fund balance*).

OVERVIEW OF THE FINANCIAL STATEMENTS

This Management Discussion and Analysis shall serve 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 Assets*: This statement presents information on all of the City's assets and liabilities, with the difference between the assets and liabilities reported as "net assets." Increases or decreases in net assets 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 assets have changed during the reporting period. All changes in net assets 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 earned but unused personnel leaves).

   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 more of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government administration, public safety, public work 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 24 through 25 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 in to 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.

      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 26 and 28 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 69 and 70 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.

iv. Bond Fund: Funding, accounting and reporting of principal and interest payments to service the debt from the bond issue that funded capital expenditures for the Electric and Water Departments.

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:

v. Street Fund: Funding, accounting and reporting of the City's street maintenance program.

vi. Insurance Fund: Funding, accounting and reporting of disability and medical claim payments made for employee job related injuries and deductibles paid to insurance underwriters.

vii. Community Development Fund: Funding, accounting and reporting of the City's Community Development Block Grants (CDBG) from the United States federal government.

viii. Law Enforcement Fund: Funding, accounting and reporting of grants and other funding designated for law enforcement operating expenditures.

ix. 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. Budgetary comparison statements have been provided for these funds to demonstrate compliance with this budget.

The basic governmental fund financial statements may be found on Pages 26 through 30 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.

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 31 through 34 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. Retirement Health Savings Plan: The City, acting as trustee of the assets contributed by senior management employees, which are being held on behalf of these employees for post-employment medical expenditures.

The fiduciary fund financial statements may be found on Pages 35 through 36 of this report.

3. Notes to the Financial Statements: The notes provide additional information that is essential to full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements may be found on Pages 37 through 66 of this report.

In addition to the basic financial statements and 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 67 through 68 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

The majority of the outstanding debt of the City was incurred for the acquisition and/or construction of the City's water reservoir. The balance of unrestricted net assets at the close of 2011, $29.3 million, may be used to meet these current and ongoing obligations to citizens and creditors. In addition, the City maintains an "AA3" rating from Moody's and an "AA+" rating from Fitch for its current debt issuances. These strong ratings reflect the City's strong financial operations, characterized by substantial reserves, a sizable and affluent residential and commercial base and low direct debt position.

Table 1

CITY OF NEWARK
STATEMENT OF NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2011

	Governmental Activities		Business-type Activities		Totals	
	2011	2010	2011	2010	2011	2010
ASSETS						
Total current assets	$ 16,976,550	$ 15,599,028	$ 21,783,450	$ 16,952,468	$ 38,760,000	$ 32,551,496
Total noncurrent assets	25,584,720	24,768,225	50,418,162	49,919,833	76,002,882	74,688,058
Total Assets	$ 42,561,270	$ 40,367,253	$ 72,201,612	$ 66,872,301	$ 114,762,882	$ 107,239,554
LIABILITIES						
Total current liabilities	$ 2,703,077	$ 1,325,034	$ 7,572,634	$ 5,708,108	$ 10,275,711	$ 7,033,142
Total noncurrent liabilities	2,311,358	2,618,332	11,577,598	12,146,291	13,888,956	14,764,623
Total Liabilities	$ 5,014,435	$ 3,943,366	$ 19,150,232	$ 17,854,399	$ 24,164,667	$ 21,797,765
NET ASSETS						
Invested in capital assets, net of related debt	$ 23,474,857	$ 23,098,225	$ 37,821,033	$ 37,038,824	$ 61,295,890	$ 60,137,049
Unrestricted	14,071,978	13,325,662	15,230,347	11,979,078	29,302,325	25,304,740
Total Net Assets	$ 37,546,835	$ 36,423,887	$ 53,051,380	$ 49,017,902	$ 90,598,215	$ 85,441,789
Total Liabilities and Net Assets	$ 42,561,270	$ 40,367,253	$ 72,201,612	$ 66,872,301	$ 114,762,882	$ 107,239,554

*Net Assets: C*omparing net assets, over time, may serve as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by $90.6 million at the close of this fiscal year. This is an increase of $5.2 million from the prior year. Within Business-type activities, unrestricted net assets rose by $3.3 million due to lower operating expenditures and transfers to the governmental funds. Governmental activities net assets increased by $1.1 million due to transfers from the business type activities.

The City's net assets consist principally of its investment in capital assets (that is land, buildings, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. 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 needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

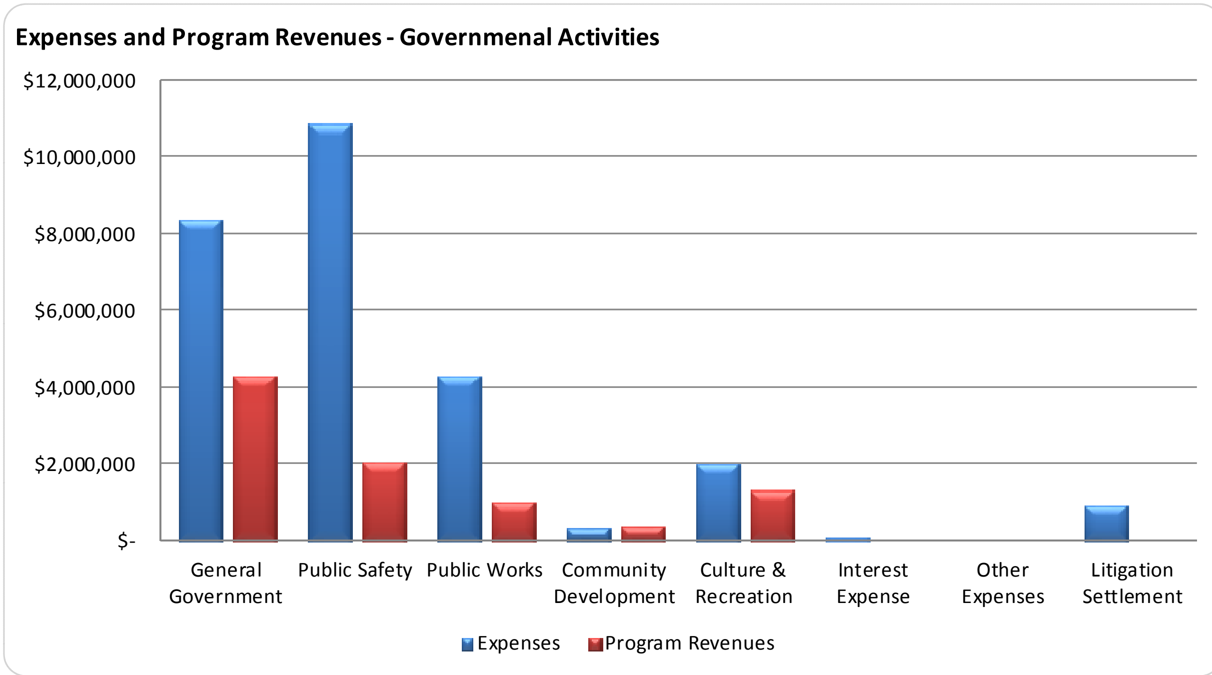
Table 2

CITY OF NEWARK
CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2011

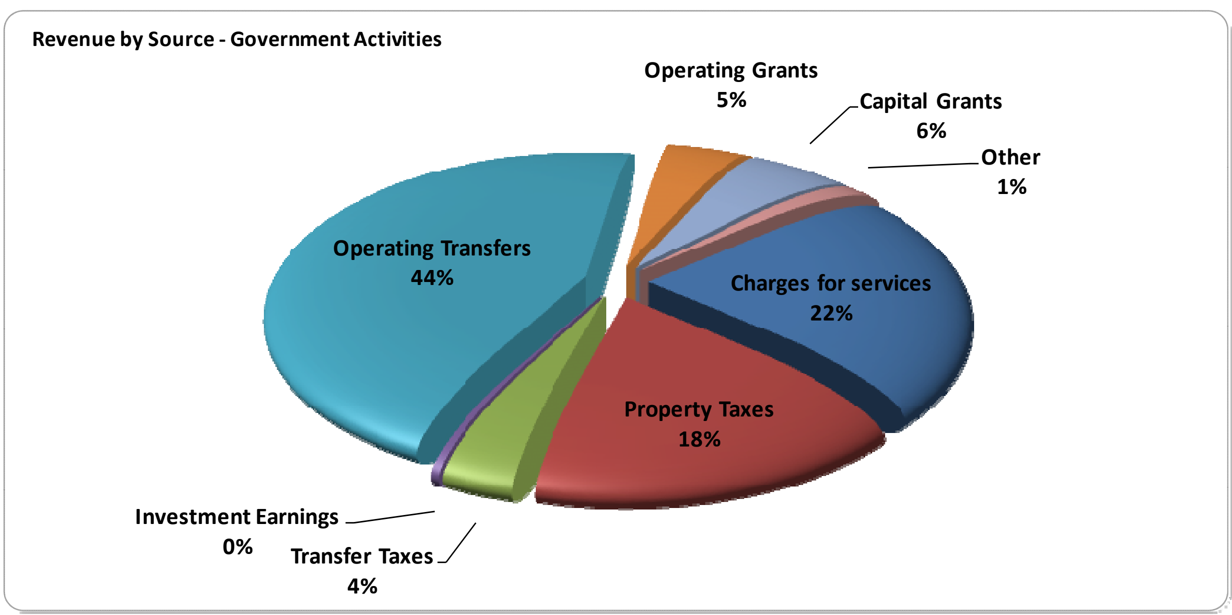
	Governmental Activities		Business-type Activities		Totals	
	2011	2010	2011	2010	2011	2010
REVENUES						
Program Revenues:						
Charges for services	$6,251,293	$6,201,392	$69,603,090	$71,036,204	$75,854,383	$77,237,596
Operating Grants & Contributions	1,262,306	1,240,437	-	-	1,262,306	1,240,437
Capital Grants & Contributions	1,565,828	1,698,039	644,724	660,740	2,210,552	2,358,779
General Revenues:						
Total Taxes	6,490,913	6,380,620	-	-	6,490,913	6,380,620
Investment Earnings	117,447	247,932	74,758	111,882	192,205	359,814
Other Revenues	1,039	38,861	36,821	6,474	37,860	45,335
Total Revenues	15,688,826	15,807,281	70,359,393	71,815,300	86,048,219	87,622,581
EXPENSES						
General Government	8,360,574	7,100,937	-	-	8,360,574	7,100,937
Public Safety	10,899,136	10,494,199	-	-	10,899,136	10,494,199
Public Works	4,303,785	4,608,499	-	-	4,303,785	4,608,499
Community Development	320,682	297,483	-	-	320,682	297,483
Culture and Recreation	2,020,999	1,916,029	-	-	2,020,999	1,916,029
Interest Expense	87,994	86,321	-	-	87,994	86,321
Other Expenses	12,702	-	-	-	12,702	-
Litigation Settlement	950,000	-	-	-	950,000	-
Business-type activities	-	-	53,935,921	54,164,269	53,935,921	54,164,269
Total Expenses	26,955,872	24,503,468	53,935,921	54,164,269	80,891,793	78,667,737
Increase (Decrease) in Net Assets before Transfers	(11,267,046)	(8,696,187)	16,423,472	17,651,031	5,156,426	8,954,844
Transfers	12,389,994	13,115,896	(12,389,994)	(13,115,896)	-	-
Change in Net Assets	1,122,948	4,419,709	4,033,478	4,535,135	5,156,426	8,954,844
Net Assets - Beginning of Year	36,423,887	32,004,178	49,017,902	44,482,767	85,441,789	76,486,945
Net Assets - End of Year	$37,546,835	$36,423,887	53,051,380	$49,017,902	$90,598,215	$85,441,789

Management's Discussion & Analysis

Governmental Activities: Our analysis will focus on the Schedule of Net Assets (Table 1) and the Schedule of Changes in Net Assets (Table 2) of the City's governmental activities and the following 2011 Revenues by Source graph and 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 major funding for our governmental activities. Transfers from the City's proprietary funds are the largest revenue source accounting for 44 percent of revenues. Property taxes supply 18 percent of revenues. Program revenues provide 22 percent and real estate transfer taxes, 4 percent. The City relies on all of these revenues to provide the high quality of life to its citizens and the bustling commercial activity to its businesses that both have come to expect.



Management's Discussion & Analysis

As shown in Table 3, the total cost of all governmental activities this year was $27.0 million. These costs were partially offset by program revenues of $9.1 million, leaving a net cost of $17.9 million. The program revenues were paid by those who directly benefited from the programs ($6.3 million) or by other governments and organizations that subsidized certain programs with intergovernmental aid and contributions ($2.8 million). The balance of the cost was funded by City taxes of $6.5 million and transfers of $12.4 million. Public safety programs are the largest spending commitment, accounting for approximately 40 percent of the City's governmental activities expenditures. General administration and public works services account for approximately 31 and 16 percent, respectively, of expenditures.

The City recorded a $950 thousand litigation settlement expenditure to reflect the pending settlement of litigation associated with rental permits. For more detail, see footnote 16.

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	$ 8,360,574	31%	$ 3,969,259	$ 313,615	$ 4,282,874	$ 4,077,700
Public Safety	10,899,136	40%	1,519,987	553,650	2,073,637	8,825,499
Public Works	4,303,785	16%	223,603	804,173	1,027,776	3,276,009
Community Development	320,682	1%	-	370,947	370,947	(50,265)
Culture & Recreation	2,020,999	8%	538,444	785,749	1,324,193	696,806
Interest Expense	87,994	0%	-	-	-	87,994
Other Expenses	12,702	0%	-	-	-	12,702
Litigation Settlement	950,000	4%	-	-	-	950,000
Total	$ 26,955,872	100%	$ 6,251,293	$ 2,828,134	$ 9,079,427	$ 17,876,445

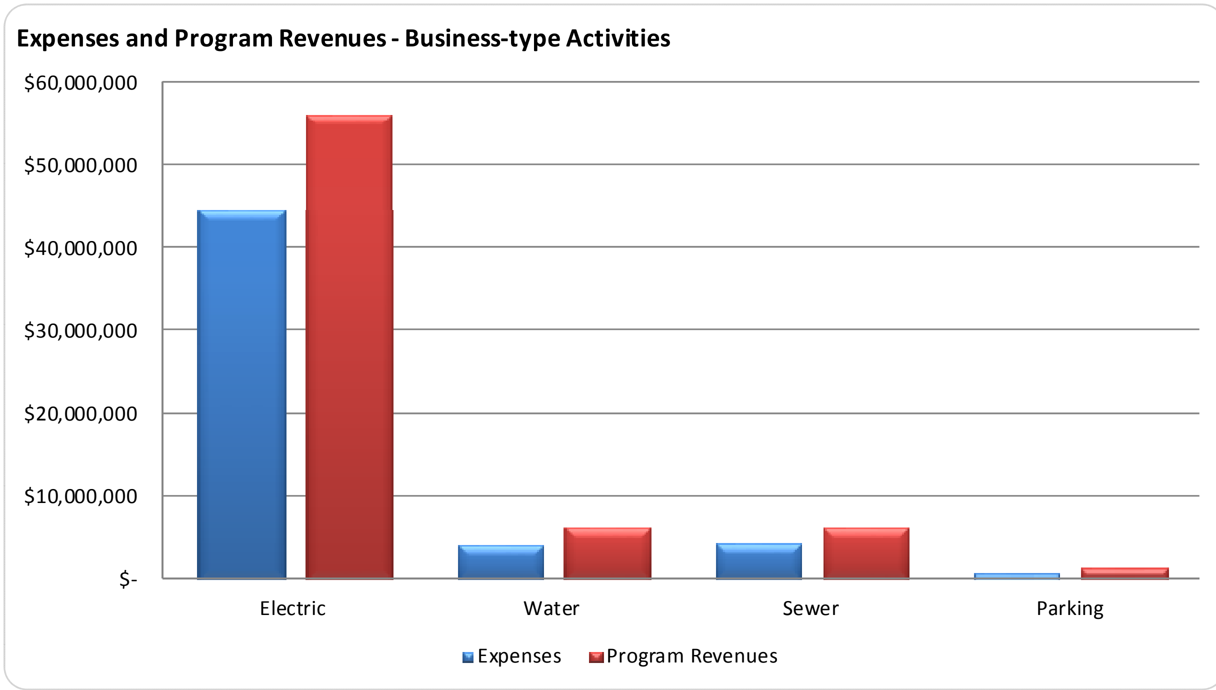
As shown in Table 2, governmental activities expenses exceeded revenues by $11.3 million in 2011. General revenues decreased $58 thousand in 2011 compared to 2010.

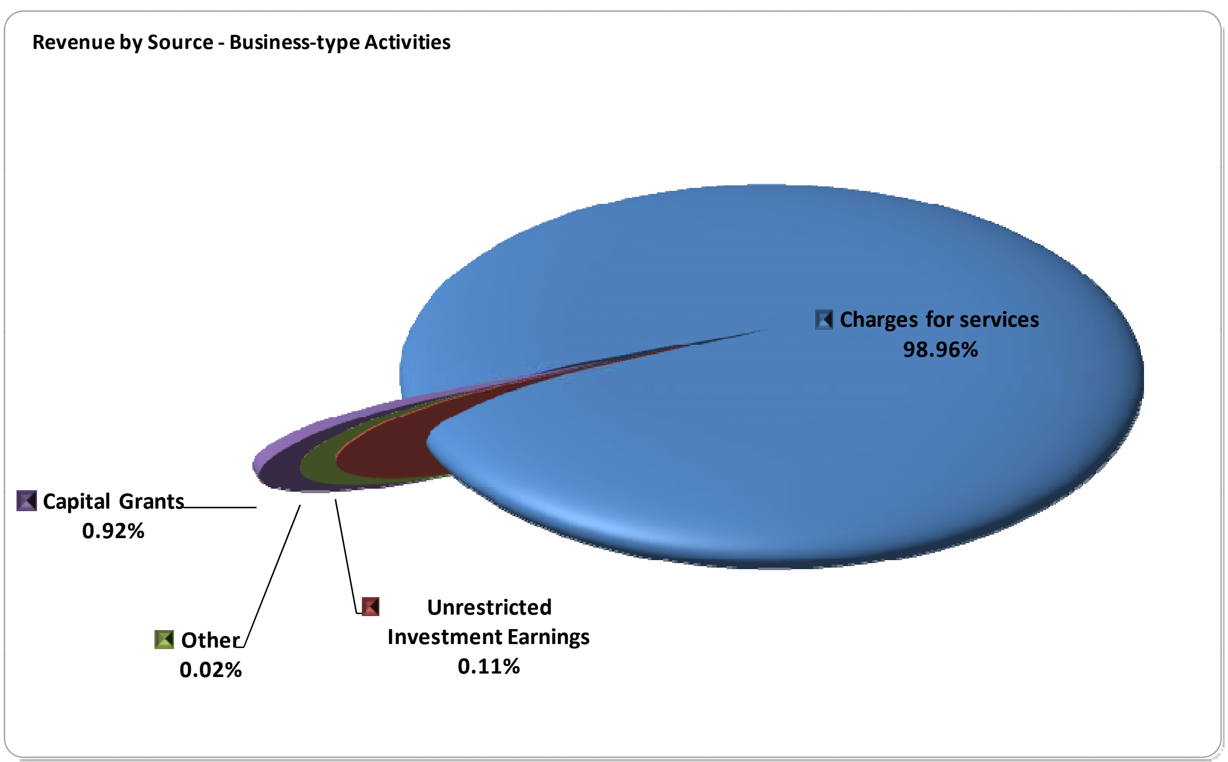
As shown in Table 2, governmental activities expenses increased by about $2.5 million.

In 2011, net assets increased by $1.1 million.

Management's Discussion & Analysis

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





Management's Discussion & Analysis

The City is an "owner" 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 our electrical power from DEMEC for resale to our customers. All residential and commercial entities within the City limits must purchase their electrical power from the City. The Electric Department maintains 99 miles of electric lines, substation sites, substation units, circuit breakers, and transformers in order to provide 11,000 customers of stable electrical service. Over 400 million kilowatt hours were sold to our customers in this reporting period.

The City provides all customers within the City limits and some customers outside the City, with potable water and then removes the wastewater. The Water Department is responsible for the maintenance and operation of all the equipment and facilities at the ten water supply wells, the groundwater treatment plant, six booster pumping stations, and two sewer pumping stations. In addition, the department is responsible for the new surface water treatment facility that operates with a capacity of three million gallons per day. The water distribution system provides water services to 33,000 customers including 26,463 residents. Over 1.3 billion gallons of water is pumped through 91 miles of pipe annually to serve 7,500 water service connections. In addition, the city services 1,300 commercial and industrial accounts. The Sewer Department transports over 2.2 billion gallons of sewage annually through the city's 73 miles of sewer distribution lines. The sanitary sewer system operates on a gravity system. With the help of two primary pumping stations, sewage which originates from the city flows through the New Castle County system and is delivered to the Wilmington Regional Wastewater Treatment Facility. The County charges the City for this service and is one of our major costs.

The Parking Department manages five surface parking lots within the City's downtown area. The City has 543 pay-to-use parking spaces and 114 paid permit parking spaces.

As shown in Table 2, revenues totaled $70.4 million for the year, a decrease of $1.5 million from the prior year. This decrease was due to several factors in the electric utility. Revenues in the electric utility decreased due to lower electric sales volumes as a result of milder weather and the adoption of a new electric rate structure that includes a Revenue Stabilization Adjustment. The RSA is adjusted annually to reflect changes in wholesale power costs and to assure recovery of the budgeted operating margin. As such, the electric utility revenue tracked to budget and achieved its budgeted operating margin. A $2.2 million regulatory liability is included in the statement of net assets to reflect this year's over collection. The City's parking revenues increased due to higher hourly rates and expanded hours of operation. Expenses related to these business type activities totaled $54.0 million in 2011, a decrease of $228 thousand from the prior year. This decrease in expenses is due to lower wholesale power costs in the electric utility. In total, utility purchases decreased by $796 thousand due to a decrease in the cost of utilities.

As shown in Table 2, revenues exceeded expenses and transfers by $4.0 million in 2011, resulting in an overall increase in net assets within the business-type activities. Included in this increase is a $726 thousand decrease in transfers to support governmental activities.

As shown in Table 1, net assets increased $4.0 million to $53.1 million. The amount invested in capital assets, net of related debt, increased slightly by $782 thousand. Unrestricted assets increased by $3.3 million reflecting continued improved operating results.

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, 2011, the City's governmental funds reported combined ending balances of $11.8 million, an increase of $811 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, 2011, the total fund balance of the General Fund was $2.8 million, $2.6 million of which is unassigned.

The General Fund balance increased by $291 thousand in fiscal year 2011. Key factors contributing to this increase are as follows:

- Revenues increased slightly by $130 thousand due higher real estate taxes and fine revenues.
- Expenses increased $1.4 million due inflationary pressures and ongoing cost of litigation.
- Net transfers decreased $1.2 million reflecting lower 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, 2011, the total fund balance of the Capital Projects Fund was $7.2 million, all of which are either restricted or assigned.

The Capital Projects Fund balance increased by $454 thousand in fiscal year 2011. Revenues decreased by $13 thousand due to lower interest income partly offset by an increase in intergovernmental revenues. Expenditures increased by $673 thousand mainly due to an increase in the cost in the annual street maintenance program.

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, 2011, the fund balance was $46,620, all of which is assigned.

The financial statements for the governmental funds may be found on Pages 26 through 30 as well as 69 through 76 of this report.

***Proprietary Funds*:** As previously mentioned, the City maintains four principal proprietary funds related to the provision of utility services and parking and 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, but in more detail.

The Electric Fund had total net assets of $17.9 million as of December 31, 2011 of which $6.3 million was unrestricted. Total net assets increased $1.8 million. Income before transfers amounted to $11.4 million and $9.7 million was transferred to the General Fund to support governmental activities. It is the City's policy that the electric operations target a 20 percent operating margin. The fund expended $792 thousand in improvements to the City's electrical distribution system.

The Water Fund had total net assets of $22.5 million as of December 31, 2011 of which $3.7 million was unrestricted. Total net assets increased $846 thousand. Income before transfers amounted to $2.3 million and $1.5 million was transferred to the General Fund to support governmental activities. The fund expended $944 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 a reservoir.

The Sewer Fund had total net assets of $9.8 million as of December 31, 2011 of which $3.7 million was unrestricted. Total net assets increased $1 million. Income before transfers amounted to $1.5 million and $1.1 million was transferred to the General Fund to support governmental activities. The fund expended $203 thousand in improvements to the City's sewage transport and elimination system.

The Parking Fund had total net assets of $2.9 million as of December 31, 2011 of which $1.5 million was unrestricted. Total net assets increased $375 thousand. Income before transfers amounted to $586 thousand and $211 thousand 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 assets on Page 24. The net revenue of certain activities of the internal service fund is reported with governmental activities on the statement of activities on Page 25. The fund's assets and liabilities as well as revenue and expenses are also reported on Pages 31 through 32 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 $39.5 million, an increase of $379 thousand over the prior fiscal year. The actuarial accrued liability, as of January 1, 2011, is $60.2 million, and funding is at 61.7 percent. The annual required contribution is $2.6 million; the City exceeded this contribution by $129 thousand in 2011.

The OPEB Trust Fund ended the fiscal year with a balance of $3 million, an increase of $1.2 million over the prior fiscal year. The actuarial accrued liability, as of January 1, 2011, is $15.0 million, funding is at 12 percent. The annual required contribution is $1.2 million; the City exceeded this contribution by $280 thousand in 2011.

The financial statements for the fiduciary funds can be found on Pages 35 through 36 of this report.

GENERAL FUND BUDGETARY HIGHLIGHTS

The schedules comparing the City's budget and actual results can be found on Page 30.

Actual revenues in the General Fund exceeded budgeted revenues by $1 million. This increase may be attributed to permitting, license and fine revenues collected during 2011. Expenditures were $597 thousand greater than budget. Lower than budgeted expenditures in the Public Works, Parks & Recreation, Planning & Development and Finance departments were somewhat offset by higher than budgeted Legislative and Police expenditures.

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, 2011 amounted to $75.2 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 $5.2 million in 2011. Net additions, after depreciation and retirements totaled $1.0 million.

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

Long-term Debt

At December 31, 2011, the City had $13.6 million in bonds outstanding versus $14.4 million last year – a decrease of 6 percent. All the 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.

Other long term obligations of the City include $743 thousand of compensated absences which include carry forward vacation and compensatory time.

The City maintains an "AA3" 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 our largest customer being the University of Delaware with 40 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.

Management's Discussion & Analysis

- The City continues to maintain a diversified (62 percent residential, 20 percent commercial and 18 percent industrial) real estate revenue base should there be any short-term fluctuations in any one segment. The real estate tax millage was 64.6 cents per $100 of assessed value throughout 2011 and will remain at that level in 2012.
- In 2011, the City felt the effect of a modest economic recovery as evidenced by strong license and permit revenues. The City also benefited from a sizeable increase in the revenues generated from fines adjudicated through the City's Alderman's Court for minor offenses occurring with the City's limits.

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 should be addressed to: Director of Finance, City of Newark, 220 Elkton Road, Newark, Delaware 19711.

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

DOWNTOWN NEWARK
FOOD & BREW
FESTIVAL 8

BASIC FINANCIAL STATEMENTS

CITY OF NEWARK, DELAWARE
STATEMENT OF NET ASSETS
DECEMBER 31, 2011
(with Summarized Comparative Data as of December 31, 2010)

	Primary Government		Totals	
	Governmental Activities	Business-type Activities	2011	2010
ASSETS				
Current Assets:				
Cash and cash equivalents	$ 4,458,274	$ 5,685,378	$ 10,143,652	$ 10,768,125
Investments	9,419,643	5,513,583	14,933,226	8,252,970
Accounts receivables, net	2,413,120	8,913,072	11,326,192	11,661,562
Taxes receivable	497,754	-	497,754	441,659
Internal Balances	3,132	(3,132)	-	-
Due from other governments	-	-	-	50,000
Inventories	52,169	1,246,702	1,298,871	1,219,133
Prepaid items and deferred charges	129,736	411,901	541,637	158,047
Bond issuance costs	2,722	15,946	18,668	-
Total current assets	16,976,550	21,783,450	38,760,000	32,551,496
Noncurrent Assets:				
Bond issuance Costs	19,055	143,515	162,570	-
Net pension asset	524,797	149,587	674,384	547,451
Capital assets, net:				
Land	5,499,380	8,788,127	14,287,507	14,287,507
Construction in progress	1,547,682	1,233,506	2,781,188	372,742
Buildings	5,192,172	8,342,128	13,534,300	14,468,642
Improvements	10,171,727	30,989,204	41,160,931	41,556,127
Machinery and Equipment	2,629,907	772,095	3,402,002	3,455,589
Total capital assets, net	25,040,868	50,125,060	75,165,928	74,140,607
Total noncurrent assets	25,584,720	50,418,162	76,002,882	74,688,058
Total assets	$ 42,561,270	$ 72,201,612	$ 114,762,882	$ 107,239,554
LIABILITIES				
Current liabilities:				
Accounts payable	$ 1,259,814	$ 3,556,799	$ 4,816,613	$ 4,657,265
Customer deposits	241,912	668,642	910,554	1,056,435
Regulatory liability	-	2,228,611	2,228,611	-
Compensated absences	65,326	8,981	74,307	72,430
Due to other governments	-	31,756	31,756	83,756
Accrued interest payable	6,352	46,591	52,943	173,992
Bonds payable	166,883	1,031,254	1,198,137	976,474
Litigation settlement payable	950,000	-	950,000	-
Other current liabilities	12,790	-	12,790	12,790
Total current liabilities	2,703,077	7,572,634	10,275,711	7,033,142
Noncurrent liabilities:				
Compensated absences	587,937	80,816	668,753	651,883
Net other post employment benefits obligation	305,238	75,178	380,416	648,949
Unearned revenue	-	5,316	5,316	7,570
Bonds payable	1,418,183	11,416,288	12,834,471	13,456,221
Total noncurrent liabilities	2,311,358	11,577,598	13,888,956	14,764,623
Total liabilities	5,014,435	19,150,232	24,164,667	21,797,765
Net Assets				
Invested in capital assets, net of related debt	23,474,857	37,821,033	61,295,890	60,137,049
Unrestricted	14,071,978	15,230,347	29,302,325	25,304,740
Total net assets	37,546,835	53,051,380	90,598,215	85,441,789
Total liabilities and net assets	$ 42,561,270	$ 72,201,612	$ 114,762,882	$ 107,239,554

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

CITY OF NEWARK, DELAWARE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011
(with Summarized Comparative Data as of December 31, 2010)

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets — Primary Government: Governmental Activities	Primary Government: Business-Type Activities	Totals: 2011	Totals: 2010
Primary government:								
Governmental activities:								
General Government	$ 8,360,574	$ 3,969,259	$ 313,615	$ -	$ (4,077,700)	$ -	$ (4,077,700)	$ (2,608,800)
Public Safety	10,899,136	1,519,987	484,433	69,217	(8,825,499)	-	(8,825,499)	(8,224,744)
Public Works	4,303,785	223,603	7,753	796,420	(3,276,009)	-	(3,276,009)	(3,815,315)
Community Development	320,682	-	370,947	-	50,265	-	50,265	55,514
Culture and Recreation	2,020,999	538,444	85,558	700,191	(696,806)	-	(696,806)	(683,934)
Interest Expense	87,994	-	-		(87,994)	-	(87,994)	(86,321)
Total governmental activities	25,993,170	6,251,293	1,262,306	1,565,828	(16,913,743)	-	(16,913,743)	(15,363,600)
Business-type activities:								
Electric	44,815,073	56,230,178	-	26,906	-	11,442,011	11,442,011	13,140,983
Water	4,105,171	6,346,031	-	-	-	2,240,860	2,240,860	2,684,617
Sewer	4,206,078	5,643,113	-	617,818	-	2,054,853	2,054,853	1,333,737
Parking	809,599	1,383,768	-	-	-	574,169	574,169	373,338
Total business-type activities	53,935,921	69,603,090	-	644,724	-	16,311,893	16,311,893	17,532,675
Total primary government	$ 79,929,091	$ 75,854,383	$ 1,262,306	$ 2,210,552	(16,913,743)	16,311,893	(601,850)	2,169,075

	Governmental Activities	Business-Type Activities	2011	2010
General Revenues				
Taxes:				
Real estate taxes	5,102,146	-	5,102,146	5,027,187
Real estate transfer taxes	988,807	-	988,807	969,617
Franchise fees	399,960	-	399,960	383,816
Unrestricted investment earnings	117,447	74,758	192,205	359,814
Increase (Decrease) in fair value of investments	-	-	-	-
Miscellaneous	-	-	-	6,516
Amortization of bond premium	1,039	12,821	13,860	-
Gain (Loss) on sale of capital assets	(12,702)	24,000	11,298	38,819
Litigation Settlement	(950,000)	-	(950,000)	-
Transfers	12,389,994	(12,389,994)	-	-
Total General Revenues, Extraordinary Item, and Transfers	18,036,691	(12,278,415)	5,758,276	6,785,769
Change in Net Assets	1,122,948	4,033,478	5,156,426	8,954,844
Net Assets - Beginning of Year	36,423,887	49,017,902	85,441,789	76,486,945
Net Assets - End of Year	$ 37,546,835	$ 53,051,380	$ 90,598,215	$ 85,441,789

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

CITY OF NEWARK, DELAWARE
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2011
(with Summarized Comparative Data as of December 31, 2010)

	Major Funds		Other Governmental Funds	Totals	
	General	Capital Projects		2011	2010
ASSETS					
Cash and cash equivalents	$ 503,440	$ 2,201,979	$ 957,618	$ 3,663,037	$ 5,845,422
Investments	3,954,658	4,749,076	715,909	9,419,643	6,239,388
Accounts receivable	1,376,211	837,433	198,620	2,412,264	2,084,745
Taxes receivable, net	497,754	-	-	497,754	441,659
Due from other funds	73,132	-	-	73,132	50,000
Inventory	13,744	-	24,182	37,926	39,648
Prepaid items	91,697	-	10,377	102,074	119,723
Total assets	$ 6,510,636	$ 7,788,488	$ 1,906,706	$ 16,205,830	$ 14,820,585
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts payable	$ 575,707	$ 552,768	$ 66,015	$ 1,194,490	$ 622,597
Customer deposits	241,912	-	-	241,912	344,018
Deferred revenue	2,852,600	42,980	11,512	2,907,092	2,822,561
Due to other funds	-	-	70,000	70,000	50,000
Other liabilities	-	-	12,790	12,790	12,790
Total liabilities	3,670,219	595,748	160,317	4,426,284	3,851,966
Fund balances:					
Nonspendable					
Inventory	13,744	-	24,182	37,926	39,648
Prepaid Items	91,697	-	10,377	102,074	119,723
Restricted for					
Downtown Newark Partnership	150,664	-	-	150,664	191,392
Safetytown programs	-	-	46,172	46,172	41,189
Parks donations	-	-	943	943	1,568
Recreation donations	-	-	16,308	16,308	16,298
Island beautification	-	-	67,042	67,042	66,278
Parkland improvements	-	-	38,425	38,425	39,776
Capital projects	-	1,984,600	-	1,984,600	164,322
Law Enforcement	-	-	281,101	281,101	238,624
Assigned to					
Other departmental purposes	25,257	-	-	25,257	-
Debt service	-	-	46,620	46,620	46,620
Streets	-	-	215,324	215,324	203,598
Self insurance	-	-	996,019	996,019	988,448
Law enforcement	-	-	3,912	3,912	3,912
Capital projects	-	5,208,140	-	5,208,140	6,574,274
Unassigned	2,559,055	-	(36)	2,559,019	2,232,949
Total fund balances	2,840,417	7,192,740	1,746,389	11,779,546	10,968,619
Total liabilities and fund balances	$ 6,510,636	$ 7,788,488	$ 1,906,706	$ 16,205,830	$ 14,820,585

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

CITY OF NEWARK
RECONCILIATION OF THE BALANCE SHEET –
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
DECEMBER 31, 2011

Total Fund Balance - Governmental Funds	$ 11,779,546
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Also excluded are $317,711 of internal service capital assets accounted for in the following line:	24,723,157
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	1,065,071
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, $17,576 included in net assets above)	507,221
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 assets	21,777
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.	2,907,092
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:	
Bonds Payable	(1,585,066)
Compensated absences (net of Internal Service Fund, $12,845 included in net assets above)	(640,418)
Net other post employment benefits obligation (net of Internal Service Fund, $10,632 included in net assets above)	(294,606)
Accrued interest payable	(6,352)
Deferred loss on bond refunding	19,413
Litigation Settlement	(950,000)
Net assets of governmental activities	$ 37,546,835

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

CITY OF NEWARK
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011
(with Summarized Comparative Data for the Year Ended December 31, 2010)

	Major Funds		Other	Totals	
	General	Capital Projects	Other Governmental Funds	2011	2010
REVENUES					
Taxes:					
Real Estate	$ 5,024,211	$ -	$ -	$ 5,024,211	$ 4,849,809
Real estate transfer	988,807	-	-	988,807	969,617
Franchise	399,960	-	-	399,960	383,816
Licenses and permits	1,945,632	-	-	1,945,632	2,253,729
Fines, forfeits and costs	2,391,968	-	73,777	2,465,745	2,265,043
Interest, dividends and rents	111,237	50,562	7,800	169,599	241,324
Intergovernmental revenues	296,363	1,463,581	858,421	2,618,365	2,739,318
Charges for services	1,835,101	-	971	1,836,072	1,682,618
Subvention - University of Delaware	207,125	-	-	207,125	204,000
Total revenues	13,200,404	1,514,143	940,969	15,655,516	15,589,274
EXPENDITURES					
Current:					
General Government	5,609,626	-	40,505	5,650,131	5,083,006
Public Safety	10,551,469	-	347,719	10,899,188	10,413,230
Public Works	3,403,655	-	1,562,453	4,966,108	4,440,437
Community Development	-	-	320,682	320,682	297,483
Culture and recreation	2,564,755	-	19,624	2,584,379	2,473,122
Debt Service:					
Principal	-	-	1,670,000	1,670,000	285,000
Interest	-	-	101,709	101,709	89,718
Refunding bond issuance costs	-	-	22,189	22,189	-
Capital Outlay	-	2,340,211	207,309	2,547,520	1,990,104
Total expenditures	22,129,505	2,340,211	4,292,190	28,761,906	25,072,100
Deficiency of revenues under expenditures	(8,929,101)	(826,068)	(3,351,221)	(13,106,390)	(9,482,826)
OTHER FINANCING SOURCES (USES)					
Transfers in	12,340,453	1,272,972	3,752,912	17,366,337	16,954,694
Transfers out	(4,650,275)	-	(335,985)	(4,986,260)	(4,258,798)
Proceeds from the sale of capital assets	-	7,240	-	7,240	53,121
Refunding bonds issued	1,530,000	-	-	1,530,000	-
Total other financing sources and uses	9,220,178	1,280,212	3,416,927	13,917,317	12,749,017
Net change in fund balances	291,077	454,144	65,706	810,927	3,266,191
Fund balances - Beginning of Year	2,549,340	6,738,596	1,680,683	10,968,619	7,702,428
Fund balances - End of Year	$ 2,840,417	$ 7,192,740	$ 1,746,389	$ 11,779,546	$ 10,968,619

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

CITY OF NEWARK
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011

Net Changes in Fund Balances - Total Governmental Funds	$	810,927
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets ($2,547,520) is allocated over their estimated useful lives as depreciation expense ($1,772,126) net of Internal Service Fund of $53,672 included in net assets above. This is the amount by which capital outlays exceeded depreciation in the current period.		775,394
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		84,533
The net effect of various miscellaneous transactions involving capital assets (I.e., sales, trade-ins, and donations) is to decrease net assets.		(19,942)
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		1,670,000
Accrued interest payable		14,127
Deferred loss on refunding		19,413
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 assets. 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.		(1,563,289)
Internal Service Fund		13,760
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		(24,778)
Net pension asset (net of Internal Service Fund, $3,345 included in net assets above)		92,315
Net other post employment benefits obligation		200,488
Litigation Settlement		(950,000)
Change in Net Assets of Governmental Activities	$	1,122,948

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

CITY OF NEWARK
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

	Budgeted Amounts			Variance with Final Budget - Positive
	Original	Final	Actual Amounts	(Negative)
REVENUES				
Taxes:				
Real estate - current	$ 4,968,370	$ 4,968,370	$ 4,998,395	$ 30,025
Real estate - delinquent and interest	17,000	17,000	25,816	8,816
Real estate - transfer	1,000,000	1,000,000	988,807	(11,193)
Franchise	324,000	324,000	399,960	75,960
Licenses and permits	1,255,000	1,255,000	1,945,632	690,632
Fines, forfeits and costs	2,067,900	2,067,900	2,391,968	324,068
Interest, dividends and rents	80,900	80,900	111,237	30,337
Intergovernmental revenues	452,900	452,900	296,363	(156,537)
Charges for services/fees	1,789,000	1,789,000	1,835,101	46,101
Subvention - University of Delaware	211,500	211,500	207,125	(4,375)
Total revenues	12,166,570	12,166,570	13,200,404	1,033,834
EXPENDITURES				
Current:				
General government:				
Finance department	2,367,036	2,367,036	2,268,621	98,415
Planning & development	809,485	809,485	889,578	(80,093)
Administration	874,350	874,350	897,695	(23,345)
Legislative	935,586	935,586	1,161,017	(225,431)
Judicial	399,382	399,382	392,715	6,667
Total general government	5,385,839	5,385,839	5,609,626	(223,787)
Public safety:				
Code Enforcement	1,072,089	1,072,089	1,077,873	(5,784)
Police	9,223,530	9,223,530	9,473,596	(250,066)
Total public safety	10,295,619	10,295,619	10,551,469	(255,850)
Public works:				
Highways and streets	1,156,465	1,156,465	1,133,684	22,781
Sanitation	2,164,602	2,164,602	2,269,971	(105,369)
Total public works	3,321,067	3,321,067	3,403,655	(82,588)
Culture and recreation	2,529,935	2,532,935	2,564,755	(34,820)
Total expenditures	21,532,460	21,535,460	22,129,505	(597,045)
Deficiency of revenues under expenditures	(9,365,890)	(9,368,890)	(8,929,101)	(436,789)
Other Financing Sources (Uses)				
Transfers In	9,142,800	9,142,800	12,340,453	3,197,653
Transfers Out	(211,915)	(211,915)	(4,650,275)	(4,438,360)
Proceeds from the sale of capital assets	30,000	30,000	-	(30,000)
Proceeds from sale of bonds	-	-	1,530,000	1,530,000
Total other financing sources and uses	8,960,885	8,960,885	9,220,178	259,293
Net change in fund balances	(405,005)	(408,005)	291,077	696,082
Fund Balances - January 1			2,549,340	2,549,340
Fund Balances - December 31			$ 2,840,417	$ 3,245,422

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

CITY OF NEWARK
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2011
(with Summarized Comparative Data as of December 31, 2010)

	Business-Type Activities Enterprise Funds				Totals		Governmental Activities Internal Service Fund	
	Electric	Water	Sewer	Parking	2011	2010	2011	2010
ASSETS								
Current Assets:								
Cash and cash equivalents	$ 3,881,432	$ 595,521	$ 740,400	$ 468,025	$ 5,685,378	$ 4,182,851	$ 795,237	$ 739,853
Investments restricted:								
Customer deposits	657,450	9,392	1,800	-	668,642	712,417	-	-
Investments, unrestricted	509,925	1,573,551	1,671,662	1,089,803	4,844,941	1,301,165	-	-
Accounts receivable, net	6,301,310	1,135,847	1,468,228	7,687	8,913,072	9,568,659	856	8,158
Inventory	1,100,800	113,713	32,189	-	1,246,702	1,157,124	14,243	22,361
Prepaid expenses	17,271	392,456	279	1,895	411,901	30,252	8,249	8,072
Bond issuance costs	-	15,946	-	-	15,946	-	-	-
Total current assets	12,468,188	3,836,426	3,914,558	1,567,410	21,786,582	16,952,468	818,585	778,444
Noncurrent Assets:								
Bond issuance costs	-	143,515	-	-	143,515	-	-	-
Net pension asset	80,007	57,238	2,507	9,835	149,587	118,314	17,576	14,232
Capital assets, net:								
Land	-	7,957,953	-	830,174	8,788,127	8,788,127	-	-
Construction in progress	634,928	177,362	378,422	42,794	1,233,506	322,742	-	-
Buildings	5,462,934	2,879,194	-	-	8,342,128	9,010,444	304,559	347,880
Improvements	5,153,768	19,695,330	5,693,833	446,273	30,989,204	30,902,483	-	-
Machinery and Equipment	339,734	392,882	21,978	17,501	772,095	777,723	13,152	23,503
Total noncurrent assets	11,671,371	31,303,474	6,096,740	1,346,577	50,418,162	49,919,833	335,287	385,615
Total Assets	$ 24,139,559	$ 35,139,900	$ 10,011,298	$ 2,913,987	$ 72,204,744	$ 66,872,301	$ 1,153,872	$ 1,164,059
LIABILITIES								
Current Liabilities:								
Accounts payable	$ 3,303,273	$ 100,488	$ 131,381	$ 21,657	$ 3,556,799	$ 3,952,388	$ 65,324	$ 82,280
Customer deposits	657,450	9,392	1,800	-	668,642	712,417	-	-
Regulatory liability	2,228,611	-	-	-	2,228,611	-	-	-
Compensated absences	5,093	2,923	329	636	8,981	9,560	1,285	1,306
Due to other funds	-	3,132	-	-	3,132	-	-	-
Due to other governments	-	-	31,756	-	31,756	33,756	-	-
Accrued interest payable	-	46,591	-	-	46,591	153,513	-	-
Bonds payable	-	990,000	-	-	990,000	840,000	-	-
Unamortized bond premium	-	41,254	-	-	41,254	6,474	-	-
Total Current Liabilities	6,194,427	1,193,780	165,266	22,293	7,575,766	5,708,108	66,609	83,586
Noncurrent Liabilities:								
Compensated absences	45,836	26,302	2,957	5,721	80,816	86,055	11,560	11,752
Net other post employment benefits obligation	37,617	33,656	-	3,905	75,178	136,445	10,632	17,410
Deferred revenue	-	4,276	1,040	-	5,316	7,570	-	-
Bonds payable	-	11,045,000	-	-	11,045,000	11,845,000	-	-
Unamortized bond premium	-	371,288		-	371,288	71,221	-	-
Total Noncurrent Liabilities	83,453	11,480,522	3,997	9,626	11,577,598	12,146,291	22,192	29,162
Total Liabilities	6,277,880	12,674,302	169,263	31,919	19,153,364	17,854,399	88,801	112,748
NET ASSETS								
Invested in Capital Assets, net of related debt	11,591,364	18,798,694	6,094,233	1,336,742	37,821,033	37,038,824	317,711	371,383
Unrestricted	6,270,315	3,666,904	3,747,802	1,545,326	15,230,347	11,979,078	747,360	679,928
Total Net Assets	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 Liabilities and Net Assets	$ 24,139,559	$ 35,139,900	$ 10,011,298	$ 2,913,987	$ 72,204,744	$ 66,872,301	$ 1,153,872	$ 1,164,059

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

CITY OF NEWARK
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011
(with Summarized Comparative Data as of December 31, 2010)

	Business-Type Activities Enterprise Funds				Totals		Governmental Activities Internal Service Fund	
	Electric	Water	Sewer	Parking	2011	2010	2011	2010
Operating Revenues:								
Charges for service	$ 55,788,636	$ 6,101,325	$ 5,603,530	$ 1,383,374	$ 68,876,865	$ 70,276,728	$ 1,584,802	$ 1,374,652
Penalties and fees	345,019	81,391	25,482	394	452,286	360,177	-	-
Miscellaneous	96,523	163,315	14,101	-	273,939	399,299	738	7,306
Total operating revenues	56,230,178	6,346,031	5,643,113	1,383,768	69,603,090	71,036,204	1,585,540	1,381,958
Operating Expenses:								
Personnel	2,333,599	1,751,753	148,343	512,680	4,746,375	4,543,750	483,564	471,819
Utility purchases	40,313,836	30	3,657,106	-	43,970,972	44,766,671	-	-
Materials and supplies	180,136	275,629	8,531	39,220	503,516	478,850	781,901	677,578
Contracted services	1,085,143	697,501	187,234	157,486	2,127,364	1,644,485	261,324	176,207
Depreciation	791,521	944,001	203,212	97,789	2,036,523	2,054,146	53,672	54,042
Other	86,807	8,645	1,652	2,424	99,528	111,916	1,236	2,268
Total operating expenses	44,791,042	3,677,559	4,206,078	809,599	53,484,278	53,599,818	1,581,697	1,381,914
Operating income (deficit)	11,439,136	2,668,472	1,437,035	574,169	16,118,812	17,436,386	3,843	44
Nonoperating Revenues (Expenses):								
Interest and investment revenue	20,130	20,060	22,297	12,271	74,758	111,882	-	-
Amortization of bond premium	-	12,821	-	-	12,821	6,474	-	-
Amortization of loss on bond refunding	-	(5,741)	-	-	(5,741)	-	-	-
Interest expense	(24,031)	(419,408)	-	-	(443,439)	(563,815)	-	-
Bond issuance costs	-	(2,463)	-	-	(2,463)	-	-	-
Gain (loss) on Sale of Capital Assets	-	24,000	-	-	24,000	(636)	-	-
Total nonoperating revenues (expenses)	(3,901)	(370,731)	22,297	12,271	(340,064)	(446,095)	-	-
Income Before capital grants and transfers	11,435,235	2,297,741	1,459,332	586,440	15,778,748	16,990,291	3,843	44
Capital grants	26,906	-	617,818	-	644,724	660,740	-	-
Transfers in	-	5,718	-	-	5,718	-	10,000	420,000
Transfers out	(9,677,430)	(1,457,199)	(1,050,000)	(211,083)	(12,395,712)	(13,115,896)	(83)	-
Change in net assets	1,784,711	846,260	1,027,150	375,357	4,033,478	4,535,135	13,760	420,044
Total net assets - Beginning of year	16,076,968	21,619,338	8,814,885	2,506,711	49,017,902	44,482,767	1,051,311	631,267
Total net assets - End 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

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

CITY OF NEWARK
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011
(with Summarized Comparative Data as of December 31, 2010)

	Business-Type Activities Enterprise Funds						Governmental Activities Internal Service Fund	
					Totals			
	Electric	Water	Sewer	Parking	2011	2010	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES								
Receipts from customers and users	$ 58,629,149	$ 6,274,880	$ 5,710,410	$ 1,423,149	$ 72,037,588	$ 69,643,990	$ -	$ -
Receipts from interfund services provided	-	-	-	-	-	-	1,584,802	1,374,652
Customer deposits received	339,944	-	-	-	339,944	281,103	-	-
Customer deposits returned	(322,676)	-	-	-	(322,676)	(247,825)	-	-
Other operating receipts	96,523	102,272	140	-	198,935	403,312	8,041	3
Payments to suppliers for goods and services	(42,181,566)	(895,641)	(3,802,630)	(211,526)	(47,091,363)	(46,577,600)	(1,053,476)	(832,528)
Payments to employees for services	(2,389,375)	(1,781,969)	(147,984)	(525,405)	(4,844,733)	(4,583,884)	(493,900)	(477,990)
Payments for interfund services used	(66,464)	(129,949)	(4,478)	(11,366)	(212,257)	(222,309)	-	-
Net cash provided by operating activities	14,105,535	3,569,593	1,755,458	674,852	20,105,438	18,696,787	45,467	64,137
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES								
Interest paid	(24,031)	-	-	-	(24,031)	(14,393)	-	-
Interfund loans	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	10,000	420,000
Transfers out	(9,677,430)	(1,451,035)	(1,050,000)	(211,083)	(12,389,548)	(13,115,896)	(83)	-
Net cash provided (used) by noncapital financing activities	(9,701,461)	(1,451,035)	(1,050,000)	(211,083)	(12,413,579)	(13,130,289)	9,917	420,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES								
Proceeds from bond issuance	-	11,425,098	-	-	11,425,098	-	-	-
Payments to escrow agent	-	(11,265,637)	-	-	(11,265,637)	-	-	-
Purchases of capital assets	(898,506)	(336,289)	(954,467)	(6,783)	(2,196,045)	(1,559,123)	-	-
Proceeds from sale of capital assets	-	-	-	-	-	-	-	-
Capital grants received	663,691	-	135,830	-	799,521	-	-	-
Bond issuance costs	-	(159,461)	-	-	(159,461)	-	-	-
Principal paid on capital debt	-	(840,000)	-	-	(840,000)	(815,000)	-	-
Interest paid on capital debt	-	(526,330)	-	-	(526,330)	(558,930)	-	-
Net cash provided (used) by capital and related financing activities	(234,815)	(1,702,619)	(818,637)	(6,783)	(2,762,854)	(2,933,053)	-	-
CASH FLOWS FROM INVESTING ACTIVITIES								
Proceeds from sale of investments	-	-	-	-	-	50,000	-	-
Purchase of investments	(500,000)	(1,500,001)	(1,000,000)	(500,000)	(3,500,001)	-	-	
Interest received	19,355	20,724	21,865	11,579	73,523	91,087	-	-
Net cash provided (used) by investing activities	(480,645)	(1,479,277)	(978,135)	(488,421)	(3,426,478)	141,087	-	-
Net increase (decrease) in cash and cash equivalents	3,688,614	(1,063,338)	(1,091,314)	(31,435)	1,502,527	2,774,532	55,384	484,137
Cash and cash equivalents - Beginning of Year	192,818	1,658,859	1,831,714	499,460	4,182,851	1,408,319	739,853	255,716
Cash and cash equivalents - End of Year	$ 3,881,432	$ 595,521	$ 740,400	$ 468,025	$ 5,685,378	$ 4,182,851	$ 795,237	$ 739,853

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

CITY OF NEWARK
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011
(with Summarized Comparative Data as of December 31, 2010)

	Business-Type Activities Enterprise Funds						Governmental Activities Internal Service Fund	
					Totals			
	Electric	Water	Sewer	Parking	2011	2010	2011	2010
Reconciliation of operating income to net cash provided by operating activities								
Operating income	$ 11,439,136	$ 2,668,472	$ 1,437,035	$ 574,169	$ 16,118,812	$ 17,436,386	$ 3,843	$ 44
Adjustments to reconcile operating income to net cash provided by operating activities:								
Depreciation expense	791,521	944,001	203,212	97,789	2,036,523	2,054,146	53,672	54,042
Effect of changes in operating assets and liabilities:								
Accounts receivable	269,966	93,200	80,474	39,381	483,021	(1,334,050)	7,303	(7,303)
Allowance for uncollectible accounts	(3,083)	1,218	924	-	(941)	26,925	-	-
Inventory	(60,760)	(7,170)	(21,648)	-	(89,578)	85,459	8,118	(10,864)
Prepaid expenses	(3,661)	(3,405)	(279)	(1,167)	(8,512)	(136)	(177)	241
Net pension asset	(16,920)	(11,116)	(1,043)	(2,194)	(31,273)	(43,885)	(3,344)	(4,694)
Customer deposits	17,268	(61,043)	-	-	(43,775)	33,278	-	-
Accounts payable	(517,687)	(33,210)	57,381	(22,595)	(516,111)	156,386	(16,956)	34,148
Regulatory liability	2,228,611	-	-	-	2,228,611	314,380	-	-
Compensated absences	(4,564)	3,430	1,402	(6,086)	(5,818)	12,208	(213)	(343)
Net other post employment benefits obligation	(34,292)	(22,530)	-	(4,445)	(61,267)	(8,456)	(6,779)	(1,134)
Due to other funds	-	-	-	-	-	-	-	-
Due to other governments	-	-	(2,000)	-	(2,000)	(39,697)	-	-
Deferred revenue	-	(2,254)	-	-	(2,254)	3,843	-	-
Total adjustments	2,666,399	901,121	318,423	100,683	3,986,626	1,260,401	41,624	64,093
Net cash provided by operating activities	$ 14,105,535	$ 3,569,593	$ 1,755,458	$ 674,852	$ 20,105,438	$ 18,696,787	$ 45,467	$ 64,137
Noncash investing, capital, and financing activities:								
Increase in fair value of investments	-	-	-	-	-	20,863	-	-
Increase (decrease) in capital grants receivable	(656,727)	(4,013)	481,988	-	(178,752)	660,740	-	-
Increase (decrease) in accrued interest receivable	775	(664)	432	692	1,235	(68)	-	-
Increase (decrease) in accrued interest payable	-	-	-	-	-	(9,508)	-	-
Capitalization of accrued payables, retainage	17,984	42,754	59,048	736	120,522	8,953	-	-
Capital contributions of equipment	19,942	-	-	-	19,942	-	-	-
Capitalization of trade-in credits	-	24,000	-	-	24,000	-	-	-
Loss on Capital Asset Disposal	-	-	-	-	-	(636)	-	-
Transfers of fixed assets with book value	-	(446)	-	(5,718)	(6,164)	-	-	-
Inter-fund payable related to bond refunding	-	(3,132)	-	-	(3,132)	-	-	-
Amortization of bond premium	-	6,347	-	-	6,347	6,474	-	-
Amortization of loss on bond refinancing	-	(5,741)	-	-	(5,741)	-	-	-
Amortization of bond issuance costs	-	(2,463)	-	-	(2,463)	-	-	-
Loss on bond refunding	-	378,878	-	-	378,878	-	-	-
Premium on bond refunding	-	341,323	-	-	341,323	-	-	-
Accrued interest payable reduction on refunding	-	106,922	-	-	106,922	-	-	-

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

CITY OF NEWARK
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2011

	Pension and Other Benefits Funds
ASSETS	
Cash and cash equivalents	$ 14,351
Investments:	
Money market funds	2,976,288
Domestic equity mutual funds	16,965,462
International equity mutual funds	7,486,976
Fixed income mutual funds	11,388,770
Real estate equity funds	3,048,250
Obligations of U.S. governments and agencies	805,675
Accounts receivable	2,869
Contributions receivable	60,714
Prepaid expenses	1,600
Total Assets	42,750,955
LIABILITIES	
Accounts payable	37
Total Liabilities	37
NET ASSETS	
Assets held in trust for employee post employment benefits	$ 42,750,918

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

CITY OF NEWARK
STATEMENT OF CHANGES IN NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

	Pension and Other Benefits Funds
ADDITIONS	
Contributions:	
Employer	$ 3,923,443
State aid - police	293,738
Employee	557,891
Total contributions	4,775,072
Investments:	
Investment earnings	94,257
Net increase in fair value of investments	322,026
Total investment earnings	416,283
Total additions	5,191,355
DEDUCTIONS	
Benefits	3,205,264
Administrative expenses	343,371
Total Deductions	3,548,635
Change in Net Assets	1,642,720
Net Assets - Beginning of Year	41,108,198
Net Assets - End of Year	$ 42,750,918

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

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. 59.

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. In addition, the City is not aware of any entity which would exercise such oversight and result in the City being considered a component unit of the entity.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) 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

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.

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 2000 and series 2011.

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

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

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

All governmental and business-type activities and enterprise funds of the City follow Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

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

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

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, 2011 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 .02 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 .15 percent of annual revenues, excluding adjustments, penalties and miscellaneous revenues. This amount approximates the City's actual loss experience.

As of December 31, 2011, the allowance for doubtful accounts amounted to $201,156 in the Electric Fund, $19,524 in the Water Fund, and $24,708 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.

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

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 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 government activities, business-type activities or proprietary fund type statement of net assets. 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.

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 Assets and Fund Equity

The difference between fund assets and liabilities is "Net Assets" on the government-wide, proprietary and fiduciary fund statements and "Fund Balance" on governmental fund statements. Net Assets are 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.

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

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. This new standard has not affected the total amount of fund balances reported but has changed the categories and terminology used to describe their components. In 2010, the City categorized fund balances in the Balance Sheet of Governmental Funds as reserved and unreserved. GASB 54 requires that the fund balances be classified by categories based upon the type of restriction imposed on the use of funds. The City evaluated each of its governmental funds at December 31, 2011 and December 31, 2010 and classified fund balances into the following five categories:

- Nonspendable – 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 – items that are restricted by external parties or imposed by grants, law, or legislation.
- Committed – items that are constrained by the City's highest level of decision making authority. 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, 2012.
- Assigned – items that have been allocated by budgetary action where the City's intent is to use the funds for a specific purpose.
- Unassigned – this category is for any balances that have no restrictions placed upon them.

Fund balances are reported on the Balance Sheet of the Governmental Funds.

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 2011 was 64.58 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.

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

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.

NOTE 2 CASH, CASH EQUIVALENTS AND INVESTMENTS

Revenue and Expenditures

For the year ended December 31, 2011, actual revenues in the General Fund exceeded budgeted revenues by $1,033,834. This amount represents greater than anticipated revenues mostly in Permits, Fines and Forfeits.

Operating expenditures were $597,045 greater than appropriated.

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, 2011, the carrying amount of the City's cash accounts and cash on hand was $10,143,652. The bank balances were $9,964,598. Of the bank balances, $500,000 was covered by Federal Depository Insurance. The remaining balance of $9,464,598 was secured by collateral consisting of uninsured and unregistered investments held by the pledging financial institution but not 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.

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

As of December 31, 2011 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):

		INVESTMENT MATURITIES (in years)			
Investment Type	Fair Value	Less Than One Year	One to Five Years	Six to Ten Years	More Than Ten Years
Certificates of Deposit	$ 14,933,226	$ 4,047,304	$ 10,686,823	$ 199,099	$ -

Credit Risk

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

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 five 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.)

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

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, 2011, there were no investments with a fair value in excess of 5% of the City's portfolio invested in any single issuer.

NOTE 3 CAPITAL ASSETS

The capital asset activity for the year ended December 31, 2011 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital assets not being depreciated:				
Land	$ 5,499,380	$ -	$ -	$ 5,499,380
Construction In Progress	50,000	1,547,682	(50,000)	1,547,682
Total capital assets not being depreciated	5,549,380	1,547,682	(50,000)	7,047,062
Capital assets being depreciated:				
Buildings	10,051,138	18,037	-	10,069,175
Improvements	16,528,102	160,871	-	16,688,973
Machinery and Equipment	11,363,347	870,930	(376,684)	11,857,593
Total capital assets being depreciated	37,942,587	1,049,838	(376,684)	38,615,741
Less Accumulated Depreciation for:				
Buildings	4,592,940	284,063	-	4,877,003
Improvements	5,874,458	642,788	-	6,517,246
Machinery and Equipment	8,685,481	898,947	(356,742)	9,227,686
Total Accumulated Depreciation	19,152,879	1,825,798	(356,742)	20,621,935
Total capital assets being depreciated, net	18,789,708	(775,960)	(19,942)	17,993,806
Governmental Activities Capital Assets, Net	$ 24,339,088	$ 771,722	$ (69,942)	$ 25,040,868

NOTE 3 CAPITAL ASSETS (cont'd)

	Beginning Balance	Increases	Decreases	Ending Balance
Business Type Activities				
Capital assets not being depreciated:				
Land	$ 8,788,127	$ -	$ -	$ 8,788,127
Construction in progress	322,742	1,101,555	(190,791)	1,233,506
Total capital assets not being depreciated	9,110,869	1,101,555	(190,791)	10,021,633
Capital assets being depreciated:				
Buildings	21,718,830	31,510	-	21,750,340
Improvements	51,388,101	1,215,235	-	52,603,336
Machinery and Equipment	2,706,654	214,436	(131,582)	2,789,508
Total capital assets being depreciated	75,813,585	1,461,181	(131,582)	77,143,184
Less Accumulated Depreciation for:				
Buildings	12,708,386	699,826	-	13,408,212
Improvements	20,485,618	1,128,514	-	21,614,132
Machinery and Equipment	1,928,931	208,183	(119,701)	2,017,413
Total Accumulated Depreciation	35,122,935	2,036,523	(119,701)	37,039,757
Total capital assets being depreciated, net	40,690,650	(575,342)	(11,881)	40,103,427
Business-Type Activities Capital Assets, Net	$ 49,801,519	$ 526,213	$ (202,672)	$ 50,125,060

Depreciation expense was charged to the functions as follows:	
General Government	$361,392
Public Safety	461,339
Public Works	886,386
Culture and Recreation	63,009
Capital assets held by the government's internal service funds are charged to the various functions based on their usage	53,672
Total Depreciation Expense - Governmental Activities	$1,825,798

Business-type Activities:	
Electric	$791,521
Water	944,001
Sewer	203,212
Parking	97,789
Total Depreciation Expense - Business-type Activities	$2,036,523

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 details of the issue are as follows:

$11,165,000 was used to provide resources to purchase non-callable direct obligations of the U.S. Government that were deposited in a trust with an escrow agent to provide for all future debt service of the refunded General Obligation Bond Series 2002. As a result, $10,975,000 of the refunded bonds are considered to be defeased and the liabilities for those bonds have been removed from the Water Fund in the business-type activity. The reacquisition price exceeded the net carrying amount of the old debt by $378,878. This amount is being netted against the new debt issued and amortized over the remaining life of the refunded debt. This advance refunding was undertaken to reduce total debt service payments by $1,018,364 and resulted in an economic gain of $909,722.

$1,530,000 was used to currently refund $1,540,000 of General Obligation Bond Series 2000. The reacquisition price exceeded the net carrying amount of the old debt by $19,779. This amount is being netted against the new debt and amortized over remaining life of the refunded debt. This transaction also resulted in an economic gain of $201,300 and a reduction of $220,731 in future debt service payments.

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, 2011 are general obligation debt supported by the full faith and credit of the City and are summarized as follows:

Purpose	Amount
Governmental activities	$1,530,000
Business-type activities	12,035,000
	$13,565,000

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

Year Ending	Governmental Activities			Business Type Activities		
December 31	Principal	Interest	Total	Principal	Interest	Total
2012	$ 160,000	$ 31,444	$ 191,444	$ 990,000	$ 246,446	$ 1,236,446
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
2017-2021	720,000	53,000	773,000	5,720,000	707,650	6,427,650
2022	-	-	-	1,275,000	38,250	1,313,250
	$ 1,530,000	$ 196,844	$ 1,726,844	$ 12,035,000	$ 1,993,246	$ 14,028,246

NOTE 5 CHANGES IN LONG-TERM LIABILITIES

Long term liability activity for the year ended December 31, 2011, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds Payable	$ 1,670,000	$ 1,530,000	$ (1,670,000)	$ 1,530,000	$ 160,000
Plus: deferred amounts - bond premium	-	55,066	-	55,066	6,883
Total bonds payable	1,670,000	1,585,066	(1,670,000)	1,585,066	166,883
Compensated absences	628,698	1,202,059	(1,177,494)	653,263	65,326
Long-Term Liabilities	$ 2,298,698	$ 2,787,125	$ (2,847,494)	$ 2,238,329	$ 232,209
Business Type Activities:					
Bonds Payable	$ 12,685,000	$ 11,165,000	$ (11,815,000)	$ 12,035,000	$ 990,000
Plus: deferred amounts - bond premium	77,695	412,542	(77,695)	412,542	41,254
Total bonds payable	12,762,695	11,577,542	(11,892,695)	12,447,542	1,031,254
Compensated absences	95,615	281,346	(287,164)	89,797	8,981
Long-Term Liabilities	$ 12,858,310	$ 11,858,888	$ (12,179,859)	$ 12,537,339	$ 1,040,235

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, 2011, $12,845 of internal service funds compensated absences is included in the above amounts.

NOTE 6 INTERFUND TRANSFERS

The composition of interfund transfers as of the year ended December 31, 2011 was as follows:

	Transfer In	Transfer Out
General Fund	$ 12,340,453	$ 4,650,275
Capital Projects Fund	1,272,972	-
Nonmajor Governmental Funds	3,752,912	335,985
Electric Fund	-	9,677,430
Water Fund	5,718	1,457,199
Sewer Fund	-	1,050,000
Parking Fund	-	211,083
Internal Service fund	10,000	83
Total Transfers	$ 17,382,055	$ 17,382,055

NOTE 6 INTERFUND TRANSFERS (cont'd)

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.

NOTE 7 ENCUMBRANCES

Governmental funds use encumbrance accounting for budgetary purposes. 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 other governmental funds are included in the restricted fund balance category. The following table includes functional encumbrance balances as of December 31, 2011:

	Total	General Fund	Capital Projects Fund	Other Governmental Funds
General Government	$ 15,562	$ 15,562	$ -	$ -
Public Safety	2,842	2,652	-	190
Public Works	4,896	4,896	-	-
Culture & Recreation	3,497	2,147	-	1,350
Capital Projects	2,141,589	-	2,141,589	-
	$ 2,168,386	$ 25,257	$ 2,141,589	$ 1,540

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, Mercer Human Resources 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.

All full-time municipal employees are required to enroll in the plan immediately upon hire. Prior service as a part-time or temporary employee is not considered.

NOTE 8 PENSIONS (cont'd)

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

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 50^{th} 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.

NOTE 8 PENSIONS (cont'd)

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.

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 2011 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 2011.

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, 2011 actuarial valuation using the entry age 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.

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	$ 2,614,758
Interest on net pension obligation	(41,059)
Adjustment to annual required contribution	43,106
Annual pension cost	2,616,805
Contributions made	2,743,738
Increase in net pension asset	126,933
Net pension asset, beginning of year	547,451
Net pension asset, end of year	$ 674,384

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
2009	1,961,358	2,020,967	103%	356,860
2010	2,278,953	2,469,544	108%	547,451
2011	2,616,805	2,743,738	105%	674,384

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;

(b) salaries that are assumed to increase annually by a percentage that is based on years of service with rates varying from 4.0 percent to 5.5 percent for non-police employees and 4.0 percent to 8.5 percent for police employees;

(c) a 2.5 percent employee contribution rate for non-police and a rolling three year average of the prior three years actual contribution rates 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, 2011 was $2,616,805. The contributions for the year by various City funds totaled $2,743,738 including $293,738 of funds provided by the State of Delaware. The State aid for police pension is recorded through the general fund escrow account.

NOTE 8 PENSIONS (cont'd)

Plan Membership

As of January 1, 2011, the most recent actuarial valuation, employee membership consisted of:

Police and Nonpolice Participants	Police	Non Police	Total
Active Employees	64	156	220
Retired and disabled members receiving benefits	55	96	151
Deferred vested participants	1	7	8
Total	120	259	379

The City's total payroll for all employees covered by Plan for the current year was $12,683,712. 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, 2011 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 assets.

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 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.

NOTE 8 PENSIONS (cont'd)

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, 2006	$35,354,039	$44,226,692	$8,872,653	79.94%	$10,892,965	81.45%
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%

Schedule of Contributions from Employer and Other Contributing Entities

Valuation Date	Annual Required Contribution	Actual Contribution	Percentage Contributed
January 1, 2006	$1,420,363	$1,502,867	105.81%
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%

NOTE 8 PENSIONS (cont'd)

The condensed financial statements as of and for the year ended December 31, 2011 are as follows:

Statement of Plan Net Assets
Employees Pension Trust Fund
As of December 31, 2011

ASSETS		
Investments:		
Domestic equity mutual funds	$	16,804,296
International equity mutual funds		7,470,954
Fixed income mutual funds		11,367,234
Real estate equity funds		3,048,250
Obligations of U.S. governments & agencies		776,035
Contributions receivable		60,714
Total Assets		39,527,483
LIABILITIES		
Accounts Payable		-
Total Liabilities		-
NET ASSETS		
Assets held in trust for employee post employment benefits	$	39,527,483

NOTE 8 PENSIONS (cont'd)

Statement of Changes in Plan Net Assets
Employees Pension Trust Fund
For the Year Ended December 31, 2011

ADDITIONS	
Contributions:	
Employer contributions	$ 2,450,000
State aid - police	293,738
Employee contributions	488,457
Total contributions	3,232,195
Investments:	
Net increase in fair value of investments	415,830
Total investments earnings	415,830
Total additions	3,648,025
DEDUCTIONS	
Benefits	2,950,142
Administrative expenses	318,163
Total Deductions	3,268,305
Change in Net Assets	379,720
Net Assets - January 1	39,147,763
Net Assets - December 31	$ 39,527,483

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.

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:

Participants	
Active	222
Retired	142
Total	364

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 2011, the City contributed $1,460,843 to prefund benefits and to pay current premiums for post-employment benefits. For 2011, the current premium costs of those benefits were $255,122.

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	$1,180,513
Interest on net OPEB obligation	48,671
Adjustment to annual required contribution	(36,874)
Annual OPEB cost (expense)	1,192,310
Contributions made	1,460,843
Decrease in net OPEB obligation	(268,533)
Net OPEB obligation, beginning of year	648,949
Net OPEB obligation, end of year	$380,416

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 were as follows:

Calendar Year Ended	Annual OPEB cost	% of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2009	1,067,503	78.0%	689,419
12/31/2010	1,104,640	103.7%	648,949
12/31/2011	1,192,310	122.5%	380,416

NOTE 10 OTHER POST EMPLOYMENT BENEFITS (cont'd)

Funded Status

As of January 1, 2011, the most recent actuarial valuation date, the plan was 12.07 percent funded. The actuarial accrued liability for benefits was $15 million, the actuarial value of assets was $1,810,265, and the unfunded actuarial accrued liability was $13.19 million. The covered payroll (annual payroll of active employees covered by the plan) was $12.68 million, and the ratio of UAAL to the covered payroll was (UAAL) 104 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
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%

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 9.0 percent initially for pre-medicare and 7.0 percent for medicare eligible, reduced by decrements to an ultimate rate of 4.5 percent after nineteen years and the assumption that benefits will not increase after retirement. 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.

NOTE 10 OTHER POST EMPLOYMENT BENEFITS (cont'd)

The condensed financial statements as of and for the year ended December 31, 2011 are as follows:

Statement of Plan Net Assets
Other Post Employment Benefits Plan
As of December 31, 2011

ASSETS		
Cash and cash equivalents	$	14,351
Investments:		
Money market funds		2,972,250
Accounts Receivable		2,869
Prepaid Expenses		1,600
Total Assets		2,991,070
LIABILITIES		
Accounts Payable		37
Total Liabilities		37
NET ASSETS		
Assets held in trust for employee post employment benefits	$	2,991,033

NOTE 10 OTHER POST EMPLOYMENT BENEFITS (cont'd)

Statement of Changes in Plan Net Assets
Other Post Employment Benefits Plan
For the Year Ended December 31, 2011

ADDITIONS	
Contributions:	
Employer contributions	$ 1,460,843
Total contributions	1,460,843
Investments:	
Investment earnings	255
Total additions	1,461,098
DEDUCTIONS	
Benefits	255,122
Administrative expenses	25,208
Total Deductions	280,330
Change in Net Assets	1,180,768
Net Assets - January 1	1,810,265
Net Assets - December 31	$ 2,991,033

NOTE 11 SECTION 401A 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 incumbent City Manager is eligible to participate in the plan. Contributions to the plan are made by the City and the City Manager according to the plan contribution provisions. In 2011, total contributions to the Fund were $42,600,

The condensed financial statements as of and for the year ended December 31, 2011 are as follows:

Statement of Plan Net Assets
Section 401(a) Retirement Fund
As of December 31, 2011

ASSETS		
Investments:		
Money market funds	$	4,038
Domestic equity mutual funds		79,913
International equity mutual funds		16,022
Fixed income mutual funds		21,536
Obligations of U.S. governments & agencies		29,640
Total Assets		151,149
LIABILITIES		
Accounts Payable		-
Total Liabilities		-
NET ASSETS		
Assets held in trust for employee post employment benefits	$	151,149

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

Statement of Changes in Plan Net Assets
Section 401(a) Retirement Fund
For the Year Ended December 31, 2011

ADDITIONS		
Contributions:		
Employer contributions	$	12,600
Employee contributions		30,000
Total contributions		42,600
Investments:		
Net increase (decrease) in		
fair value of investments		180
Total investments earnings (deficit)		180
Total additions		42,780
Net Assets - January 1		108,369
Net Assets - December 31	$	151,149

NOTE 12 RETIREMENT HEALTH SAVINGS PLAN

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, 2011 are as follows:

Statement of Plan Net Assets
Retirement Health Savings Plan
As of December 31, 2011

ASSETS		
Investments:		
Domestic equity mutual funds	$	81,253
Total Assets		81,253
LIABILITIES		
Accounts Payable		-
Total Liabilities		-
NET ASSETS		
Assets held in trust for employee post		
employment benefits	$	81,253

NOTE 12 RETIREMENT HEALTH SAVINGS PLAN (cont'd)

Statement of Changes in Plan Net Assets
Retiree Health Savings Plan
For the Year Ended December 31, 2011

ADDITIONS	
Contributions:	
Employee contributions	$ 39,434
Total contributions	39,434
Investments:	
Net increase (decrease) in	
fair value of investments	18
Total investments earnings (deficit)	18
Total additions	39,452
DEDUCTIONS	
Administrative expenses	-
Total Deductions	-
Change in Net Assets	39,452
Net Assets - January 1	41,801
Net Assets - December 31	$ 81,253

NOTE 13 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 worker's compensation; however, medical costs related to on-the-job injuries are covered by the City's health insurance provider. 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. At December 31, 2011, there were three outstanding workers compensation claims and four outstanding general liability claims under the City's deductible amounts. No amounts were accrued in the City's financial statements.

Fiscal Year	Aggregate Liability for Claims 1/1/11	Current Year Claims	Actual Claims Payments	Aggregate Liability for Claims 12/31/11
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	-
2007	-	222,906	222,906	-

NOTE 14 POLLUTION REMEDIATION

In 2008, the City hired an environmental engineering firm to perform a remedial investigation of its old Cleveland Avenue Landfill site. This site was operated by the City from the year 1914 to the early 1960's. An 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 provide data for development of remedial alternatives, if necessary, to reduce or eliminate hazards. The site is currently owned by the City and operated as McKees Park. The City has secured the site by installing a fence around the perimeter. In 2011, the City was required to perform quarterly sampling of two wells on site and send the results to DNREC for review and determination of further action. If the land use changes in the future, DNREC will require additional investigation at the site.

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 15 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 seven of the nine members, including the City, through the operation of owned generation assets and various wholesale supply contracts with external parties.

The City purchases100% 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.

NOTE 15 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 16 LITIGATION

There are two pending lawsuits in which the City is involved. The first claim involves a lawsuit filed in the Delaware Court of Chancery by a number of Newark landlords. The landlords are challenging the City's rental permit structure and have been certified as a class of all Newark landlords who have paid the rental permit fee since 2005. The City has retained outside counsel to assist in the defense of this case. Depositions and written discovery have been completed. 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 a tentative agreement in which the City will pay 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. The settlement agreement was approved by City Council on June 11, 2012, and final settlement is now pending court approval. The $950,000 settlement amount is reported on the government wide financial statements.

The City attorney estimates that a motion to dismiss the second pending lawsuit will be filed and the claim will dismissed.


Newark Community Day

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF NEWARK
PENSION FUNDING PROGRESS
December 31, 2011

The following required supplementary information is provided in accordance with GASB Statement No. 25. The plan has an actuarial valuation 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, 2006	$35,354,039	$44,226,692	$8,872,653	79.94%	$10,892,965	81.45%
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%

CITY OF NEWARK
OPEB FUNDING PROGRESS
December 31, 2011

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%

CITY OF NEWARK
SCHEDULE OF EMPLOYER CONTRIBUTIONS - PENSION
December 31, 2011

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, 2006	$1,420,363	$1,502,867	105.81%
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%

CITY OF NEWARK
SCHEDULE OF ANNUAL OPEB COST
December 31, 2011

Calendar Year Ended	Annual OPEB cost	% of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2009	1,067,503	78.0%	689,419
12/31/2010	1,104,640	103.7%	648,949
12/31/2011	1,192,310	122.5%	380,416

THE Main Street MILE

COMBINING FUND STATEMENTS

CITY OF NEWARK
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2011
(with Summarized Comparative Data as of December 31, 2010)

		Special Revenue Funds					Totals	
	Debt Service	Street Fund	Insurance Fund	Community Development Fund	Law Enforcement	Parks and Recreation	2011	2010
ASSETS								
Cash and cash equivalents	$ 46,620	$ 220,646	$ 280,523	$ 3,917	$ 238,272	$ 167,640	$ 957,618	$ 725,789
Investments	-	-	715,909	-	-	-	715,909	715,909
Accounts receivable	-	8,294	1,667	113,049	74,360	1,250	198,620	366,862
Inventory	-	24,182	-	-	-	-	24,182	29,776
Prepaid expenses	-	8,500	-	36	343	1,498	10,377	4,596
Total assets	$ 46,620	$ 261,622	$ 998,099	$ 117,002	$ 312,975	$ 170,388	$ 1,906,706	$ 1,842,932
LIABILITIES								
Accounts payable	$ -	$ 13,616	$ 2,080	$ 47,002	$ 3,317	$ -	$ 66,015	$ 91,839
Deferred revenues	-	-	-	-	11,512	-	11,512	7,620
Due to other funds	-	-	-	70,000	-	-	70,000	50,000
Other liabilities	-	-	-	-	12,790	-	12,790	12,790
Total liabilities	-	13,616	2,080	117,002	27,619	-	160,317	162,249
FUND BALANCES								
Nonspendable								
Inventory	-	24,182	-	-	-	-	24,182	29,776
Prepaid Items	-	8,500	-	36	343	1,498	10,377	4,596
Restricted for								
Safetytown programs	-	-	-	-	-	46,172	46,172	41,189
Parks donations	-	-	-	-	-	943	943	1,568
Recreation donations	-	-	-	-	-	16,308	16,308	16,298
Island beautification	-	-	-	-	-	67,042	67,042	66,278
Parkland improvements	-	-	-	-	-	38,425	38,425	39,776
Law Enforcement	-	-	-	-	281,101	-	281,101	238,624
Assigned to								
Debt service	46,620	-	-	-	-	-	46,620	46,620
Streets	-	215,324	-	-	-	-	215,324	203,598
Self insurance	-	-	996,019	-	-	-	996,019	988,448
Law enforcement	-	-	-	-	3,912	-	3,912	3,912
Unassigned	-	-	-	(36)	-	-	(36)	-
Total fund balances	46,620	248,006	996,019	-	285,356	170,388	1,746,389	1,680,683
Total liabilities and fund balances	$ 46,620	$ 261,622	$ 998,099	$ 117,002	$ 312,975	$ 170,388	$ 1,906,706	$ 1,842,932

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

CITY OF NEWARK
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011
(with Summarized Comparative Data as of December 31, 2010)

		Special Revenue Funds					Totals	
	Debt Service	Street Fund	Insurance Fund	Community Development Fund	Law Enforcement	Parks and Recreation	2011	2010
REVENUES								
Fines, forfeits and costs	$ -	$ -	$ -	$ -	$ 73,777	$ -	$ 73,777	$ 25,301
Interest, dividends and rents	-	-	7,571	-	229	-	7,800	16,219
Intergovernmental revenues	-	7,753	-	370,947	463,701	16,020	858,421	949,605
Charges for services	-	957	-	-	14	-	971	115
Total revenues	-	8,710	7,571	370,947	537,721	16,020	940,969	991,240
EXPENDITURES								
Current:								
General Government	-	-	40,505	-	-	-	40,505	13
Public Safety	-	-	9,770	-	337,949	-	347,719	284,131
Public Works	-	1,452,597	109,856	-	-	-	1,562,453	1,390,007
Community Development	-	-	-	320,682	-	-	320,682	297,483
Culture and recreation	-	-	8,883	-	-	10,741	19,624	31,799
Debt Service:								
Principal	1,670,000	-	-	-	-	-	1,670,000	285,000
Interest	101,709	-	-	-	-	-	101,709	89,718
Refunding bond issuance costs	22,189	-	-	-	-	-	22,189	-
Capital Outlay	-	-	-	50,265	157,044	-	207,309	322,680
Total expenditures	1,793,898	1,452,597	169,014	370,947	494,993	10,741	4,292,190	2,700,831
Excess (deficiency) of revenues over (under) expenditures	(1,793,898)	(1,443,887)	(161,443)	-	42,728	5,279	(3,351,221)	(1,709,591)
OTHER FINANCING SOURCES (USES)								
Transfers in	1,793,898	1,790,000	169,014	-	-	-	3,752,912	1,861,908
Transfers out	-	(335,985)	-	-	-	-	(335,985)	(7,256)
Total other financing sources and (uses)	1,793,898	1,454,015	169,014	-	-	-	3,416,927	1,854,652
Net change in fund balances	-	10,128	7,571	-	42,728	5,279	65,706	145,061
Fund balances - January 1	46,620	237,878	988,448	-	242,628	165,109	1,680,683	1,535,622
Fund balances - December 31	$ 46,620	$ 248,006	$ 996,019	$ -	$ 285,356	$ 170,388	$ 1,746,389	$ 1,680,683

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

CITY OF NEWARK
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts (Budgetary Basis)	
REVENUES				
Total revenues	$ -	$ -	$ -	$ -
EXPENDITURES				
Debt service:				
Principal	130,000	130,000	1,670,000	(1,540,000)
Interest	81,915	81,915	101,709	(19,794)
Refunding bond issuance costs	-	-	22,189	(22,189)
Total debt service	211,915	211,915	1,793,898	(1,581,983)
Total expenditures	211,915	211,915	1,793,898	(1,581,983)
Deficiency of revenues under expenditures	(211,915)	(211,915)	(1,793,898)	(1,581,983)
Other Financing Sources (Uses)				
Transfers In	211,915	211,915	1,793,898	1,581,983
Transfers Out	-	-	-	-
Total other financing sources and uses	211,915	211,915	1,793,898	1,581,983
Net change in fund balances	-	-	-	-
Fund Balances - January 1	46,620	46,620	46,620	-
Fund Balances - December 31	$ 46,620	$ 46,620	$ 46,620	$ -

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

CITY OF NEWARK
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
STREET SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental revenues	$ -	$ -	$ 7,753	$ 7,753
Interest, dividends and rents	-	-	-	-
Charges for service	-	-	957	957
Total revenues	-	-	8,710	8,710
EXPENDITURES				
Current:				
Public works:				
Highways and streets	1,457,095	1,457,095	1,452,597	4,498
Total public works	1,457,095	1,457,095	1,452,597	4,498
Total expenditures	1,457,095	1,457,095	1,452,597	4,498
Excess (deficiency) of revenues over (under) expenditures	(1,457,095)	(1,457,095)	(1,443,887)	13,208
Other Financing Sources (Uses)				
Transfers In	1,895,400	1,895,400	1,790,000	(105,400)
Transfers Out	-	-	(335,985)	(335,985)
Total other financing sources and uses	1,895,400	1,895,400	1,454,015	(441,385)
Net change in fund balances	438,305	438,305	10,128	(428,177)
Fund Balances - January 1	237,878	237,878	237,878	-
Fund Balances - December 31	$ 676,183	$ 676,183	$ 248,006	$ (428,177)

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

CITY OF NEWARK
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
INSURANCE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Intergovernmental revenues	$ -	$ -	$ -	$ -
Interest, dividends and rents	8,700	8,700	7,571	(1,129)
Total revenues	8,700	8,700	7,571	(1,129)
EXPENDITURES				
Current:				
General government	34,750	34,750	40,505	(5,755)
Public safety	8,382	8,382	9,770	(1,388)
Public works	94,247	94,247	109,856	(15,609)
Culture and recreation	7,621	7,621	8,883	(1,262)
Total Insurance Special Revenue Fund	145,000	145,000	169,014	(24,014)
Total expenditures	145,000	145,000	169,014	(24,014)
Excess (deficiency) of revenues over (under) expenditures	(136,300)	(136,300)	(161,443)	(25,143)
Other Financing Sources (Uses)				
Transfers In	-	-	169,014	169,014
Transfers Out	(75,000)	(75,000)	-	75,000
Total other financing sources and uses	(75,000)	(75,000)	169,014	244,014
Net change in fund balances	(211,300)	(211,300)	7,571	218,871
Fund Balances - January 1	988,448	988,448	988,448	-
Fund Balances - December 31	$ 777,148	$ 777,148	$ 996,019	$ 218,871

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

CITY OF NEWARK
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
COMMUNITY DEVELOPMENT BLOCK GRANT FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts (Budgetary Basis)	
REVENUES				
Intergovernmental revenues	$ 420,100	$ 420,100	$ 370,947	$ (49,153)
Total revenues	420,100	420,100	370,947	(49,153)
EXPENDITURES				
Current:				
Community development:				
Community Development & Subventions	360,100	360,100	320,682	39,418
Total Community Development	360,100	360,100	320,682	39,418
Capital Outlay	60,000	60,000	50,265	9,735
Total expenditures	420,100	420,100	370,947	49,153
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
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
LAW ENFORCEMENT SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

	Budgeted Amounts			Variance with
	Original	Final	Actual Amounts (Budgetary Basis)	Final Budget - Positive (Negative)
REVENUES				
Fines, forfeits and costs	$ 40,000	$ 40,000	$ 73,777	$ 33,777
Interest, dividends and rents	-	-	229	229
Intergovernmental revenues	340,800	340,800	463,701	122,901
Charges for service	-	-	14	14
Total revenues	380,800	380,800	537,721	156,921
EXPENDITURES				
Current:				
Public safety:				
Police	322,100	322,100	337,949	(15,849)
Total public safety	322,100	322,100	337,949	(15,849)
Capital Outlay	58,700	58,700	157,044	(98,344)
Total expenditures	380,800	380,800	494,993	(114,193)
Excess (deficiency) of revenues over (under) expenditures	-	-	42,728	42,728
Other Financing Sources (Uses)				
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Total other financing sources and uses	-	-	-	-
Net change in fund balances	-	-	42,728	42,728
Fund Balances - January 1	242,628	242,628	242,628	-
Fund Balances - December 31	$ 242,628	$ 242,628	$ 285,356	$ 42,728

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

CITY OF NEWARK
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
PARKS AND RECREATION SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts (Budgetary Basis)	
REVENUES				
Intergovernmental Revenue	14,600	14,600	16,020	1,420
Total revenues	14,600	14,600	16,020	1,420
EXPENDITURES				
Current:				
Culture and recreation:				
Parks and recreation	6,600	6,600	2,956	3,644
Landscape beautification	10,300	10,300	7,785	2,515
Total culture and recreation	16,900	16,900	10,741	6,159
Capital Outlay	-	-	-	-
Total expenditures	16,900	16,900	10,741	6,159
Excess (deficiency) of revenues over (under) expenditures	(2,300)	(2,300)	5,279	7,579
Other Financing Sources (Uses)				
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Total other financing sources and uses	-	-	-	-
Net change in fund balances	(2,300)	(2,300)	5,279	7,579
Fund Balances - January 1	165,109	165,109	165,109	-
Fund Balances - December 31	$ 162,809	$ 162,809	$ 170,388	$ 7,579

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

CITY OF NEWARK
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2011
(with Summarized Comparative Data for Year Ended December 31, 2010)

	Employees Pension Trust Fund	Section 401(a) Retirement Fund	Other Post-Employment Benefits Fund	Retirement Health Savings Fund	2011	2010
ASSETS						
Cash and cash equivalents	$ -	$ -	$ 14,351	$ -	$ 14,351	$ 11,886
Investments:						
Money market funds		4,038	2,972,250	-	2,976,288	1,797,470
Domestic equity mutual funds	16,804,296	79,913	-	81,253	16,965,462	16,012,149
International equity mutual funds	7,470,954	16,022	-	-	7,486,976	8,068,420
Fixed income mutual funds	11,367,234	21,536	-	-	11,388,770	11,967,037
Real estate equity funds	3,048,250	-	-	-	3,048,250	2,716,788
Obligations of U.S. governments and agencies	776,035	29,640	-	-	805,675	465,666
Accounts receivable	-	-	2,869	-	2,869	1,630
Net pension asset	-	-	-	-	-	-
Contributions receivable	60,714	-	-	-	60,714	67,873
Prepaid expenses	-	-	1,600	-	1,600	-
Total Assets	39,527,483	151,149	2,991,070	81,253	42,750,955	41,108,919
LIABILITIES						
Accounts payable	-	-	37	-	37	721
Total Liabilities	-	-	37	-	37	721
NET ASSETS						
Assets held in trust for employee post employment benefits	$ 39,527,483	$ 151,149	$ 2,991,033	$ 81,253	$ 42,750,918	$ 41,108,198

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

CITY OF NEWARK
COMBINING STATEMENT OF CHANGES IN NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011
(with Summarized Comparative Data for Year Ended December 31, 2010)

	Employees Pension Trust Fund	Section 401(a) Retirement Fund	Other Post-Employment Benefits Fund	Retirement Health Savings Fund	2011	2010
ADDITIONS						
Contributions:						
Employer contributions	$ 2,450,000	$ 12,600	$ 1,460,843	$ -	$ 3,923,443	$ 3,357,710
State aid - police	293,738	-	-	-	293,738	269,544
Employee contributions	488,457	30,000	-	39,434	557,891	549,167
Total contributions	3,232,195	42,600	1,460,843	39,434	4,775,072	4,176,421
Investments:						
Investment earnings	94,002	-	255	-	94,257	607
Net increase (decrease) in fair value of investments	321,828	180	-	18	322,026	4,636,432
Total investment earnings (deficit)	415,830	180	255	18	416,283	4,637,039
Total additions	3,648,025	42,780	1,461,098	39,452	5,191,355	8,813,460
DEDUCTIONS						
Benefits	2,950,142	-	255,122	-	3,205,264	3,076,364
Administrative expenses	318,163	-	25,208	-	343,371	294,257
Total Deductions	3,268,305	-	280,330	-	3,548,635	3,370,621
Change in Net Assets	379,720	42,780	1,180,768	39,452	1,642,720	5,442,839
Net Assets - January 1	39,147,763	108,369	1,810,265	41,801	41,108,198	35,665,359
Net Assets - December 31	$ 39,527,483	$ 151,149	$ 2,991,033	$ 81,253	$ 42,750,918	$ 41,108,198

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

Main Street Merchants Winter 2011

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.

Contents

Contents	Page
Financial Trends	80
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	85
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	93
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	97
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	99
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. The City implemented GASB Statement 34 in Fiscal Year 2003; schedules presenting government-wide information include information beginning with that fiscal year.

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

	Fiscal Year 2003	2004	2005	2006	2007	2008	2009	2010	2011
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
Restricted	-	4,998,277	-	-	-	-	-	-	-
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	15,021,978
Total governmental activities net assets	$ 26,208,502	$ 26,993,128	$ 28,483,587	$ 29,526,245	$ 29,555,554	$ 29,468,543	$ 32,004,178	$ 36,423,887	$ 38,496,835
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
Restricted	-	-	-	-	-	-	-	-	-
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	15,230,347
Total business-type activities net assets	$ 48,784,018	$ 51,301,491	$ 42,332,266	$ 42,689,121	$ 43,758,370	$ 46,663,012	$ 44,482,767	$ 49,017,902	$ 53,051,380
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
Restricted	-	4,998,277	-	-	-	-	-	-	-
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	30,252,325
Total primary government net assets	$ 74,992,520	$ 78,294,619	$ 70,815,853	$ 72,215,366	$ 73,313,924	$ 76,131,555	$ 76,486,945	$ 85,441,789	$ 91,548,215

Notes:

Ninth year of full-accrual basis accounting.
Prior years statistics are not available.

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

	Fiscal Year								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
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
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
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
Community Development	339,837	520,893	349,775	643,663	308,268	391,652	173,473	297,483	320,682
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
Interest Expense	235,911	209,969	154,763	140,879	126,851	112,984	99,565	86,321	87,994
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
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
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
Sewer	3,203,422	3,144,327	3,402,353	3,987,793	4,214,297	3,915,177	3,643,891	4,195,238	4,206,078
Parking	408,780	499,075	508,099	538,188	588,443	690,479	750,768	765,549	809,599
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
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
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
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
Public Works	307,444	346,604	345,565	214,556	193,430	203,222	24,509	178,582	223,603
Culture and Recreation	512,050	509,959	508,156	574,454	585,475	614,836	609,299	522,701	538,444
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
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
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
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
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
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
Parking	493,387	578,383	648,538	754,160	757,340	807,875	894,013	1,138,887	1,383,768
Capital Grants and Contributions	-	58,231	585,189	118,094	86,742	125,765	-	660,740	644,724
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
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
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)
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
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)

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

	Fiscal Year								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Revenues and Other Changes in Net Assets									
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
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
Franchise fees	255,354	275,102	283,799	282,401	318,771	345,174	372,816	383,816	399,960
Fines and forfeits	1,239,830	1,329,392	1,646,455	1,620,792	1,775,150	- [5]	- [5]	- [5]	-
Investment earnings	207,186	260,686	255,169	216,770	328,743	286,154	307,296	247,932	117,447
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	-
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
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
Business-type activities:									
Investment earnings	740,125	660,998	620,250	236,845	278,038	344,635	212,468	111,882	74,758
Increase (decrease) in fair value of investments	(518,472)	(57,185)	(324,041)	29,668	80,175	48,699	- [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)
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)
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
Change in Net Assets									
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
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
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

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 reservior 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.

Ninth year of full-accrual basis accounting.

Prior years statistics are not available.

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

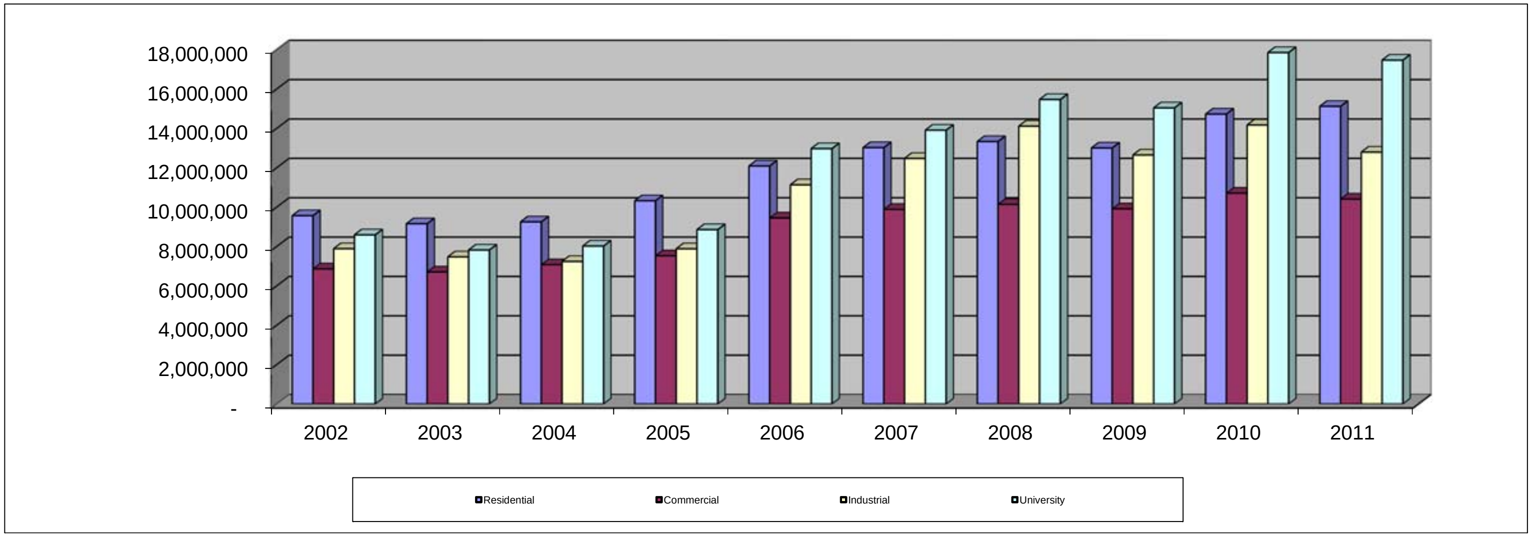
	Fiscal Year										
	2002	2003	2004	2005	2006	2007	2008	2009	2010		2011
General fund											
Reserved	$ 40,982	$ -	$ -	$ -	$ -	$ 50,171	$ 12,903	$ 110,139	$ 124,999	(1)	
Unreserved (deficit)	135,073	(28,512)	39,041	(50,417)	71,213	645,971	675,353	1,168,040	2,424,341		
Total general fund	$ 176,055	$ (28,512)	$ 39,041	$ (50,417)	$ 71,213	$ 696,142	$ 688,256	$ 1,278,179	$ 2,549,340		
All other governmental funds											
Reserved	$ 4,736,266	$ 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	1,842,672	-	-	-	-	-	-	-	-		
Total all other governmental funds	$ 6,578,938	$ 7,307,919	$ 7,528,331	$ 7,869,972	$ 7,909,003	$ 7,204,082	$ 6,685,954	$ 6,424,249	$ 8,419,279		
General fund											
Fund balances:											
Nonspendable											$ 105,441
Restricted											150,664
Committed											-
Assigned											25,257
Unassigned											2,559,055
Total general fund											$ 2,840,417
All other governmental funds											
Fund balances:											
Nonspendable											$ 34,559
Restricted											2,434,591
Committed											-
Assigned											6,470,015
Unassigned											(36)
Total all other governmental funds											$ 8,939,129

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									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Revenues										
Taxes	$ 4,871,086	$ 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
Licenses and permits	1,091,787	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
Fines,forfeits and costs	1,532,289	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
Investment earnings	332,525	207,186	260,686	255,169	216,770	328,285	283,600	307,660	241,324	169,599
Intergovernmental revenues	2,622,421	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
Charges for services/fees	928,682	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
Subvention-University of Delaware	204,000	204,000	197,300	204,000	204,000	204,000	204,000	204,000	204,000	207,125
Miscellaneous	90,281	-	-	-	-	-	-	-	-	-
Total revenues	11,673,071	12,068,372	13,237,386	13,083,140	13,063,404	15,253,912	15,332,452	13,025,230	15,589,274	15,655,516
Expenditures										
General government	3,507,944	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
Public safety	6,670,740	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
Public works	4,158,446	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
Community development	-	-	520,893	349,775	643,663	308,268	391,652	173,473	297,483	320,682
Culture and recreation	1,730,745	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
(Increase) decrease in fair value of investments	(114,175)	246,695	39,786	220,807	(83,360)	-	-	-	-	-
Capital outlay	3,806,245	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
Debt service										
Principal	480,000	480,000	480,000	505,000	495,000	490,000	480,000	450,000	285,000	1,670,000
Interest and other charges	261,505	241,131	208,542	157,089	143,097	129,003	115,043	101,262	89,718	101,709
Total expenditures	20,501,450	21,141,620	20,601,165	22,342,888	22,231,983	22,136,261	25,219,417	25,126,057	25,072,100	28,739,717
Excess of revenues over (under) expenditures	(8,828,379)	(9,073,248)	(7,363,779)	(9,259,748)	(9,168,579)	(6,882,349)	(9,886,965)	(12,100,827)	(9,482,826)	(13,084,201)
Other financing sources (uses)										
Transfers in	10,548,195	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
Transfers out	(2,840,893)	(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)
Proceeds from debt	-	-	35,000	-	-	-	-	-	-	1,530,000
Bond issuance costs	-	-	(22,150)	-	-	-	-	-	-	(22,189)
Proceeds from sales of capital assets	32,518	46,056	84,396	22,734	40,889	17,608	32,206	44,045	53,121	7,240
Net effect of restatement	-	-	-	-	-	-	970,681	-	-	-
Total other financing sources (uses)	7,739,820	9,597,662	7,651,744	9,511,931	9,329,240	6,802,357	9,360,951	12,429,045	12,749,017	13,895,128
Net change in fund balances	$(1,088,559)	$ 524,414	$ 287,965	$ 252,183	$ 160,661	$ (79,992)	$ (526,014)	$ 328,218	$ 3,266,191	$ 810,927
Debt service as a percentage of noncapital expenditures	2.9%	2.6%	2.5%	2.5%	2.4%	2.3%	2.1%	2.0%	1.2%	6.4%

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



	RESIDENTIAL			COMMERCIAL			INDUSTRIAL			UNIVERSITY			TOTALS		
YEAR	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
2002	94,460,229	9,565,888	0.101	65,221,814	6,861,715	0.105	95,028,551	7,887,707	0.083	127,708,904	8,589,799	0.067	382,419,498	32,905,108	0.086
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

City of Newark, Delaware
Principal Electric Utility Customers
December 31, 2011

Customer	Type of Business	2011 Consumption (1)	2011 Rank	2011 Percentage of Total Consumption	2002 Consumption (1)	2002 Rank	2002 Percentage of Total Consumption
University of Delaware (2)	Public University	147,296,641	1	36.64%	127,708,904	1	33.46%
Rohm & Haas Electronics	Manufacturing-Various	29,631,424	2	7.37%	21,473,296	2	5.63%
Power Systems Composites LLC	Wholesale Electric Equipment	6,537,648	3	1.63%	-		-
E I Dupont De Nemours & Company	Chemicals and Synthetics	5,603,400	4	1.39%	15,962,520	3	4.18%
Fraunhofer USA, Inc.	Biotechnology Research	4,229,040	5	1.05%	-		-
Christina School District	Public Schools	3,828,852	6	0.95%	-		-
618 G P Warehouse LLC	Warehousing	3,752,400	7	0.93%	-		-
Supermarkets General Corp.	Retail-Groceries	3,727,600	8	0.93%	3,785,200	4	0.99%
Verizon Communications	Public Utility	3,190,752	9	0.79%	2,660,112	8	0.70%
Acme Markets	Retail-Groceries	2,606,640	10	0.65%	2,757,600	7	0.72%
Delaware Biotech Institute	Research	-		-	3,518,592	5	0.92%
ADVO, Inc.	Direct Mail Advertising	-		-	2,844,720	6	0.75%
F. Schumacher & Company	Manufacturing-Fabrics				2,298,492	9	0.60%
BPG Hotel Partners IV	Hotel				2,106,480	10	0.55%
		210,404,397		52.34%	185,115,916		48.50%

Note: (1) Consumptions are based on only those accounts with usage in excess of 20,000 KWH in a month. Peak demand rate is not considered.
(2) University totals include accounts not billed at "UD" rate.

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
2002	523,657,000	905,744,600	659,584,238	769,817,362	0.4200	N/A
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

(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

	Direct Rate	Overlapping Rates		
Fiscal Year	City of Newark	New Castle County	Christina School District	Total Tax Rate
2002	0.4200	0.1580	1.2708	1.8488
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**

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, 2011

Customer	Type of Business	2011 Taxable Assessed Value	2011 Rank	2011 Percentage of Total Taxable Assessed Value	2002 Taxable Assessed Value	2002 Rank	2002 Percentage of Total Taxable Assessed Value
Verizon Communication	Public Utility	$ 11,379,400	1	1.46%	$ 8,931,800	4	1.16%
BPG Hotel Partners, LLC	Hotel	11,112,300	2	1.43%	7,567,300	6	0.98%
Fusco Properties L P	Apartments	10,668,700	3	1.37%	11,540,900	2	1.50%
Pauline A. Mayer, Inc.	Retail Property Owner	10,484,500	4	1.35%	-		-
CHF-Delaware LLC	Apartments	9,769,700	5	1.26%	9,769,700	3	1.27%
Rohm and Haas Electronic Materials	Manufacturing	8,562,000	6	1.10%	7,340,900	8	0.95%
UDEL I LLC	Apartments	8,248,100	7	1.06%	-		-
Fusco Enterprises L P	Retail Property Owner	7,876,300	8	1.01%	7,876,300	5	1.02%
Emory Hill & Company	Industrial Park	7,781,700	9	1.00%	-		-
University of Delaware	Education (Non-exempt portion)	7,154,400	10	0.92%	7,512,360	7	0.98%
Chrysler Corporation	Manufacturing-Automobiles	-		-	57,298,395	1	7.44%
Interstate Business Park LP	Industrial Park	-		-	6,979,880	9	0.91%
White Clay Associates, LLC	Retail/Apartments	-		-	6,946,600	10	0.90%
		93,037,100		11.97%	131,764,135		17.11%

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.

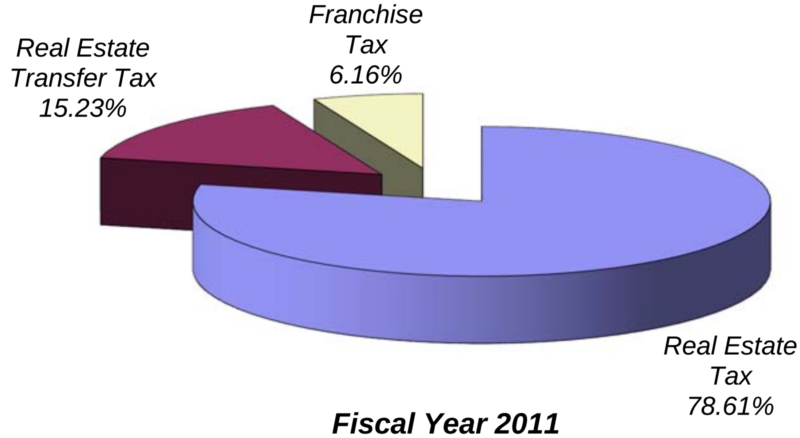
Source: City of Newark Finance Department

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: Amount	Collected within the Fiscal Year of Levy: Percent of Levy	Collections in Subsequent Years	Total Collections for Year: Amount (2)	Total Collections for Year: Percent of Levy
2002	3,242,998		3,231,588	99.6%	8,664	3,240,252	99.9%
2003	3,290,900		3,260,292	99.1%	27,302	3,287,594	99.9%
2004	3,475,803		3,440,763	99.0%	30,876	3,471,639	99.9%
2005	3,581,102		3,567,585	99.6%	8,497	3,576,082	99.9%
2006	4,196,269	(3)	4,149,161	98.9%	40,037	4,189,198	99.8%
2007	4,274,197		4,257,691	99.6%	9,239	4,266,930	99.8%
2008	4,381,947		4,345,317	99.2%	23,586	4,368,903	99.7%
2009	4,681,253		4,617,380	98.6%	43,327	4,660,707	99.6%
2010	4,980,536		4,898,066	98.3%	45,751	4,943,817	99.3%
2011	**5,028,511**		**4,919,181**	**97.8%**	**-**	**4,919,181**	**97.8%**

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 Nine Years
(accrual basis of accounting)

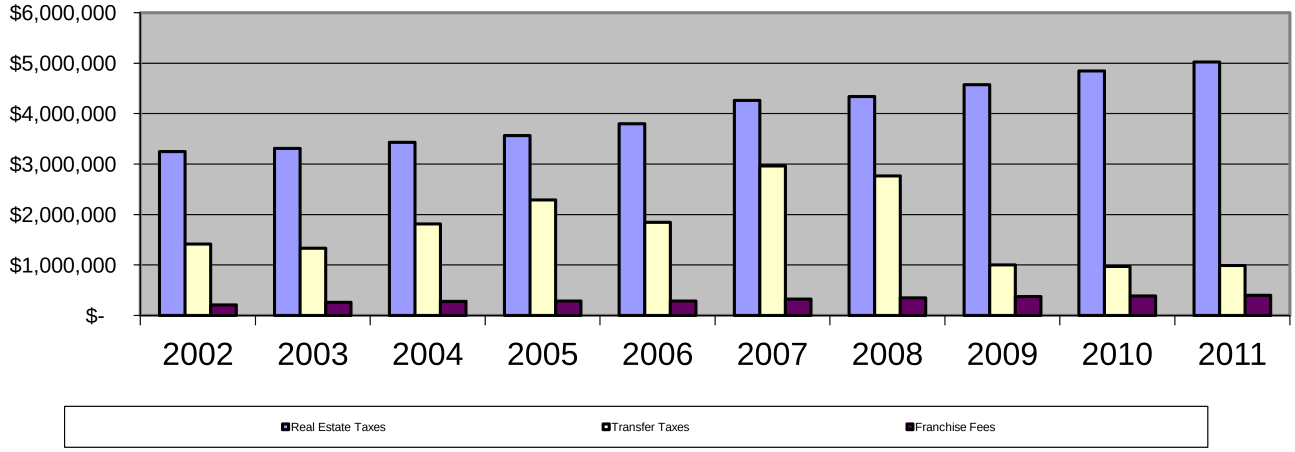


Fiscal Year 2011

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	78.84%	15.42%	5.74%	100.00%
2010	5,027,187	969,617	383,816	6,380,620
% of total	79.15%	14.94%	5.91%	100.00%
2011	5,102,146	988,807	399,960	6,490,913
% of total	78.61%	15.23%	6.16%	100.00%

Notes:
Ninth year of full-accrual basis accounting.
Prior years statistics are not available.

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



Fiscal Year	Real Estate Taxes	Real Estate Transfer Taxes	Franchise Fees	Total
2002	$ 3,247,593	$ 1,414,013	$ 209,480	$ 4,871,086
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

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 General Obligation Bonds	Business-Type Activities General Obligation Bonds	Business-Type Activities Other Notes Payable	Total Primary Government	Percentage of Personal Income	Per Capita
2002	$ 5,300,000	$ 18,600,000	$ 131,667	$ 24,031,667	N/A	$ 801
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

Sources: US Census Bureau Population Estimates Program (2001-2006, 2009) and Census 2000, 2010;
Delaware Population Consortium projection (2007).
2008 and 2011 are projected estimates by the City of Newark.
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	Govenmental 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
2002	30,011	769,817,362	$ 5,300,000	$ 18,731,667	$ 24,031,667	3.12%	$ 801
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**

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) 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, 2011

Jurisdiction	Net Debt Outstanding	Percentage Applicable to City of Newark	Amount Applicable to City of Newark
New Castle County (1)	$ 194,817,233 (3)	4.32% (1)	$ 8,416,104
Christina School District (2)	63,616,444	14.41% (2)	9,167,130
Overlapping Debt	$ 258,433,677		$ 17,583,234
City of Newark	1,530,000 (3)	100.00%	1,530,000
Total Direct and Overlapping Debt	$ 259,963,677		$ 19,113,234

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 ($777,128,237) by the total taxable assessed valuation of New Castle County ($17,995,703,000). Net Debt Outstanding is as of June 30, 2011.
(2) Determined by dividing the students enrolled in the City of Newark (2,277) by the total student enrollment of the Christina School District (15,798). Net debt outstanding is as of June 30, 2011.
(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)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Debt Limit (1)	76,982	78,026	79,010	79,427	80,126	81,112	81,864	83,594	77,051 [2]	77,713
Total net debt applicable to limit	24,011	22,827	21,633	20,386	19,133	17,893	16,648	15,455	14,308	13,518
Legal debt margin	52,971	55,199	57,377	59,041	60,993	63,219	65,216	68,139	62,743	64,195
Total net debt applicable to the limit as a percentage of debt limit	31.19%	29.26%	27.38%	25.67%	23.88%	22.06%	20.34%	18.49%	18.57%	17.39%

Legal Debt Margin for Fiscal Year 2011

Total Assessed Value	$ 1,515,532
Less: exempt real property	(738,403)
Total assessed value	$ 777,129
Debt limit (10% of taxable assessed value)	77,713
Debt applicable to limit:	
General obligation bonds	13,565
Less: Amount set aside for repayment of general obligation debt	(47)
Total net debt applicable to limit	13,518
Legal debt margin	$ 64,195

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)
2002	30,011	N/A	N/A	N/A	21,289	2.8%
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%**

Sources: (1) US Census Bureau Population Estimates Program (2002-2006, 2009) and Census 2000, 2010; Delaware Population Consortium projection (2007).
2008 and 2011 are projected estimates by the City of Newark.
(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 2011: Christina School District 2,277, Local Independent Schools 1,463
(5) University of Delaware Office of Institutional Research
(6) Economagic.com (2002-2006), Delaware Department of Labor (2007-2011)

N/A = Information not available

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

Industry Description	2011 Employment (2)	2011 Rank	2011 Percentage of Total County Employment	2002 Employment (2)	2002 Rank	2002 Percentage of Total County Employment
Health care and social assistance	39,031	1	14.6%	29,941	2	10.7%
Finance and insurance	32,307	2	12.1%	27,114	3	9.7%
Retail trade	30,701	3	11.5%	35,750	1	12.7%
Professional and technical services	20,591	4	7.7%	23,237	4	8.3%
Accommodation and food services	19,405	5	7.3%	17,353	7	6.2%
Administrative and waste services	16,577	6	6.2%	17,694	6	6.3%
State government	16,107	7	6.0%	14,310	10	5.1%
Local government	14,814	8	5.5%	13,727	11	4.9%
Construction	13,034	9	4.9%	16,198	9	5.8%
Manufacturing	11,127	10	4.2%	22,717	5	8.1%
Management of companies/enterprises	9,176	11	3.4%	16,667	8	5.9%
Total	222,870		83.4%	234,708		83.7%

(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.
(2) Source: State of Delaware Department of Labor.

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 2011 Comprehensive Annual Financial Report, page 99.

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									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General government	38.0	38.5	38.5	39.5	39.0	39.0	40.0	37.0	36.5	36.0
Public Safety										
Police										
Officers	55.0	60.0	60.0	60.0	65.0	65.0	65.0	66.0	68.0	68.0
Civilian	24.5	19.5	19.0	19.5	20.5	21.5	22.0	21.0	21.5	21.5
Code Enforcement	12.5	12.5	12.5	12.5	12.5	12.5	12.5	11.0	11.0	10.0
Streets										
Engineering	12.0	12.0	11.0	11.0	11.0	11.0	11.0	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	17.0	16.0	16.0	15.0	15.0	14.0	13.0	12.0	12.0
Culture and Recreation	18.0	19.0	19.0	19.0	19.0	19.5	20.0	20.0	19.5	19.5
Electric	20.0	20.0	20.0	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	3.5	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	238.0	239.5	237.0	239.5	244.0	245.5	247.5	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 2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Public Safety										
Police calls for service	32,162	32,169	30,969	29,350	28,132	27,343	32,274	35,645	45,562	48,348
Criminal charges	3,799	3,694	3,501	3,136	2,890	2,564	3,650	3,166	3,675	3,215
Traffic summonses	8,673	8,683	9,286	8,775	7,798	8,826	12,067	10,066	11,724	12,302
Parking summonses	9,321	9,585	9,766	9,956	8,797	9,454	7,571	6,183	8,005	6,916
Meter summonses	47,011	39,556	42,428	39,337	28,420	29,144	18,206	19,736	26,024	22,740
Building permits issued	1,065	1,077	1,131	1,080	1,021	870	1,856	1,826	2,108	1,976
Public Works										
Refuse tons collected	14,517	15,009	14,953	13,656	14,462	12,846	11,624	9,079	8,091	7,746
Recycling tons collected	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1,989
Miles of street	65	65	65	65	65	65	65	65	66	66
Patches (s.f.)	37,021	54,531	54,305	79,399	31,050	38,689	53,962	41,792	57,631	34,086
Curbs replaced and installed (s.f.)	21,011	22,600	19,790	18,330	13,448	10,293	10,031	14,212	8,967	24,569
Sidewalks										
4" (s.f.)	57,960	34,063	21,069	27,786	35,166	41,337	23,203	22,660	18,804	24,344
6" (s.f.)	22,003	18,896	12,557	11,326	10,483	8,698	9,404	5,599	4,555	7,965
Leaves collected (c.y.)	14,486	10,816	10,512	12,820	14,640	15,200	15,200	9,344	8,000	9,089
General Government										
Parking tickets issued	56,332	49,141	52,058	49,293	37,629	39,010	26,335	26,163	34,388	29,957
Culture and Recreation										
Trails in Newark parks (mi)	N/A	N/A	N/A	N/A	N/A	15.2	15.2	15.2	15.2	15.2
Registrants	7,361	7,352	7,527	7,977	7,924	8,077	8,379	8,863	8,316	7,876
Participants	82,909	83,873	83,292	82,622	83,942	83,072	84,826	86,400	86,700	76,684
Electric										
MWH's sold	382,419	379,844	389,426	401,365	389,164	401,090	405,234	391,916	406,053	401,980
MWH's purchased	418,478	419,915	424,831	436,513	425,069	437,712	434,097	422,048	438,960	436,108
Meters in service	10,934	11,336	11,418	11,503	11,878	11,568	11,528	11,906	11,988	11,948
Water and Waste Water										
Meters in service	9,390	9,444	9,494	9,494	9,593	9,567	9,587	9,751	9,795	9,842
Fire Hydrants maintained	200	200	200	200	200	200	N/A	N/A	N/A	N/A
Fire Hydrants in system	N/A	N/A	N/A	N/A	N/A	N/A	877	877	877	877
Gallons of water sold (000's)	1,226,975	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
Gallons of sewage collected (000's)	1,271,882	1,252,327	1,132,686	1,109,095	1,148,817	1,020,098	954,057	774,068	768,424	760,850

Sources: Various city departments.

N/A = not available

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

Function	Fiscal Year 2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Public Safety										
Police stations	1	1	1	1	1	1	1	1	1	1
Patrol units	27	28	29	29	33	33	35	35	36	36
Sanitation										
Collection trucks	14	14	14	14	16	16	16	16	16	14
Streets										
Miles of streets	64.79	64.80	65.01	65.16	65.16	65.26	65.26	65.33	65.58	65.58
Street lights	2,570	2,590	2,600	2,615	2,640	2,640	2,640	2,710	2,776	2,776
Traffic signals	53	55	55	55	55	52	57	56	56	57
Culture and recreation										
Parks acreage	558.68	558.68	562.88	562.88	567.18	619.2	632.31	652.03	652.03	657
Swimming pools	2	2	2	2	2	2	2	2	2	2
Tennis and basketball courts	35	35	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	25	27
Miles of service lines	104	104	104	104	104	105	106	108	108	165 (1)
Water										
Water mains (miles)	166	169	169	169	170	170	170	170	170	170
Wells in operation	9	7	7	7	11	11	11	9	9	9
Maximum daily capacity (gal)	N/A	N/A	N/A	N/A	N/A	8.5 Mil	8.5 Mil	8.5 Mil	8.5 Mil	8.5 Mil
Sewer										
Sanitary sewers (miles)	96	97	97	98	98	99	99	99	99	99
Storm sewers (miles)	N/A	N/A	N/A	N/A	N/A	58.77	58.77	58.86	58.86	58.86
Parking										
Meters maintained	390	395	391	391	370	370	380	380	392	430

Sources: Various city departments.

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

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