N E W A R K

2010 COMPREHENSIVE ANNUAL FINANCIAL REPORT

CITY OF NEWARK, DELAWARE

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2010

UNIVERSITY OF DE
GREEN
ECONOMICALLY GROWING
HISTORICAL
INTER-GOVERNMENTALLY CONNECTED
IMPROVING QUALITY OF LIFE
BICYCLE FRIENDLY

NEWARK DELAWARE
Committed to Service Excellence

Comprehensive Annual Financial Report

For the Fiscal Year Ended December 31, 2010

NEWARK
DELAWARE
Committed to Service Excellence

Prepared by the Finance Department
Dennis McFarland, Director

City of Newark, Delaware

CITY OF NEWARK
DELAWARE

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2010

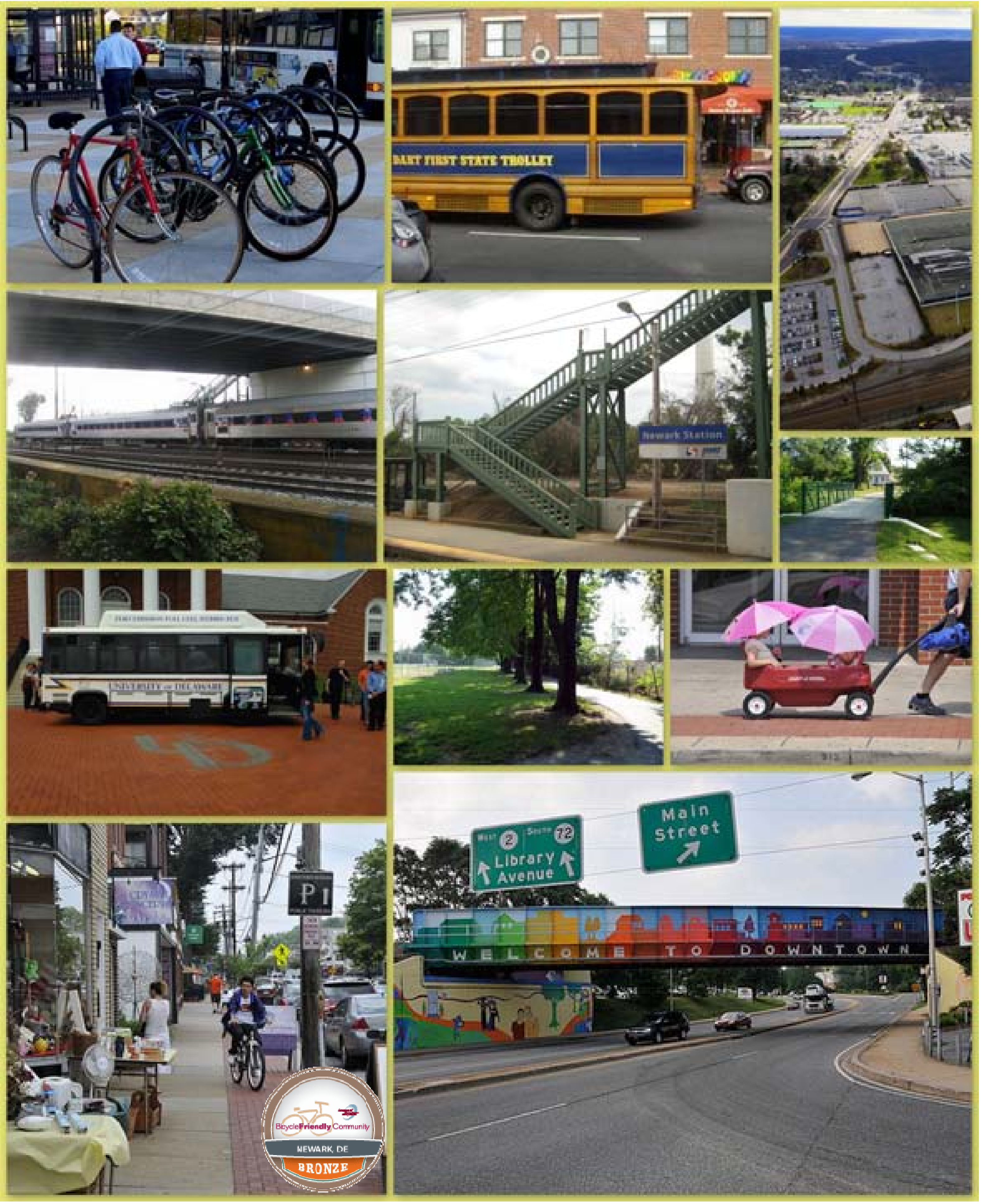
TABLE OF CONTENTS

I. INTRODUCTORY SECTION

II. FINANCIAL SECTION

III. STATISTICAL SECTION

Getting Around the City



INTRODUCTORY SECTION

FINANCE DEPARTMENT
CITY OF NEWARK
220 Elkton Road • Newark, Delaware 19711

(302) 366-7080 • Fax (302) 366-7169 • www.cityofnewarkde.us

June 22, 2011

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, 2010. 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 rate 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 Clifton Gunderson LLP, an independent firm of certified public accountants as required by Section 807 of the City Charter. Clifton Gunderson LLP has provided an unqualified opinion on the City of Newark financial statements for the year ended December 31, 2010. 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.

Administrative responsibilities are vested in a City Manager who is charged with overseeing the day-to-day operations of the municipal government. Major public services include general administration, public safety, parks and recreation, land use, building code enforcement, refuse collection, residential street repair, snow removal, judiciary and street and stormwater maintenance and improvements. The City also provides electric, water and sewer utility services.

The City Council shall adopt the budget for the ensuing fiscal year not later than the last day of the fiscal year currently ending. This annual budget serves as the foundation of the City's financial planning and control. The City Council approves, by ordinance, total budget appropriations only. The City Manager is authorized to transfer budget amounts between departments within any fund; however, any revisions that alter the total appropriation of any fund must be approved by the City Council. For management control, appropriations are maintained throughout the accounting system at the department level by object of expenditures.

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, including the Dodge Durango. Chrysler, however, closed this plant in late 2008 due to its well publicized financial difficulties. The plant site was purchased by the University of Delaware in 2009. The University has extensive plans for development of the site as a science and technology center in connection with Thomas Jefferson Hospital, Christiana Hospital and the U.S. Army's Aberdeen Proving Grounds. Most recently, the University announced the recruitment to the site of Bloom Energy, a cutting edge fuel cell manufacturer. This is particularly noteworthy as it will bring, at a minimum, 900 new high tech jobs to Newark. The spillover economic impacts from Bloom Energy bringing so many professional and high paid employees to the science and technology campus should be significant. In addition to the Chrysler site development, E.I. DuPont de Nemours and Company (agricultural research), Dow Chemical (silicone wafer polishing compounds), Lear Corporation (automobile components), Gore (GoreTex), FMC (biopolymers) and other major international firms have large facilities in and around the City. Newark is also the home of 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 roadway, I-95, passes through the southern portion of the City. In addition, Amtrak provides limited intercity passenger rail service 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 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.

One of the City's most acclaimed historic landmarks is the Deer Park Restaurant. This U.S. Department of Interior National Registered property is one of the City's most notable landmarks and a popular local entertainment center. It is also a significant business anchor at the west end of Main Street near the edge of the University campus.

Another significant project is the Washington House mixed use condominium and commercial development. Construction of this 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.

At the opposite end of Main Street is the University Courtyard. This attractive garden apartment complex on a 22 acre abandoned Brownfield factory site is the City's first privately financed "dormitory" providing high quality apartment amenities for University of Delaware students seeking off-campus housing near University facilities and a short walk from downtown. The City also houses its first luxury hotel, the Embassy Suites, on South College Avenue across the roadway from the University of Delaware's sports complex. Two other hotels, a Homewood Suites adjoining the Embassy Suites and the Marriot Blue Hen Hotel on the University's north campus, significantly adds to the City's stock of high quality hostelries.

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. 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 evidenced in 2011 with the National Trust for Historic Preservation's presentation of the "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." The City should reap considerable economic benefit from heritage tourism by winning the coveted GAMSA award.

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 April 2011 unemployment rate was 6.0%. The State unemployment rate for the same period was 8.2%. These rates remain well below the national unemployment rate of 9%.

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, Rittenhouse Station, providing an additional 17,250 square feet of commercial and 65 residential units, is under construction. In addition to the projects noted, plans for a fifth mixed use building containing 10,600 square feet of commercial space on the first floor and fourteen upper story apartments on Elkton Road have been approved. 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 targeted 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, 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 this study and eventually completed the analysis of marketable strengths, product deficiencies, development opportunities, issues having an impact on the community'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 has not been immune to the effects of the national economic recession. In particular the impact upon the local housing market has been noteworthy. The slowdown in housing sales has reduced the City's real estate transfer tax revenues significantly. Construction permit fees have also been adversely affected.

MAJOR INITIATIVES

A key objective for the City is the enhancement of its physical infrastructure to support the provision of vital services and to maintain the quality of its physical assets. To achieve this, the City has, in recent years, undertaken major investments in its infrastructure such as the following:

- The construction of a 318 million gallon water reservoir which went into service in 2006. The reservoir ensures the City's ability to serve the water needs of its customers even in time of significant drought conditions.
- The expansion and upgrading of its Curtis Mill Water Treatment Plant in 2008. The expansion increased the plant's treatment capacity by 67%.
- The construction in 2008 of an additional substation unit at its Kershaw sub-station.
- The 2010 completion of the construction of an additional substation unit at its Phillips sub-station to support future development of the old Chrysler site.
- An increase in its street maintenance program under which $1.75 million is budgeted annually.

- The commencement of a multi-year program to install a state of the art SCADA system to monitor and control its electric distribution system.
- The planned replacement and repair of major sewer crossings over the Christina Creek in 2011.

Taken as a whole, these and other projects will ensure the provision of economic and reliable utility services for years to come.

The City has also expanded and improved the range of municipal services it provides to residents. These include:

- The establishment in 2008 of a Community Affairs office intended to provide greater communications with and transparency to the City's residents. This expanded the use of internet and electronic media to communicate with residents.
- The upgrading of its information technology infrastructure including both hardware and software elements. In 2008, the City upgraded its major accounting software system and has already upgraded its utility billing system in 2009. The City plans to update its primary land management system in 2012. The City has also moved to a Microsoft Exchange server to support various office functions.
- The City, in keeping with its commitment to environmental sustainability, implemented a weekly curbside recycling program in 2009.
- In 2008 the City began offering residents an on-line residential home energy audit to assist them with energy conservation efforts.
- In 2010, the City commenced a program offering low income customers financial help in paying electric bills. A program to help customers finance energy conservation measures is planned for 2012.
- In 2010 the City began offering on-line payment systems for utility bills, court fines and fees for recreational programs.

ACKNOWLEDGEMENTS

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, Jim Smith, Accountant and Daina Montgomery, Finance Assistant, deserve thanks for the effort they put into the quality of the presentation.

Respectfully submitted,

Dennis W. McFarland
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Newark Delaware

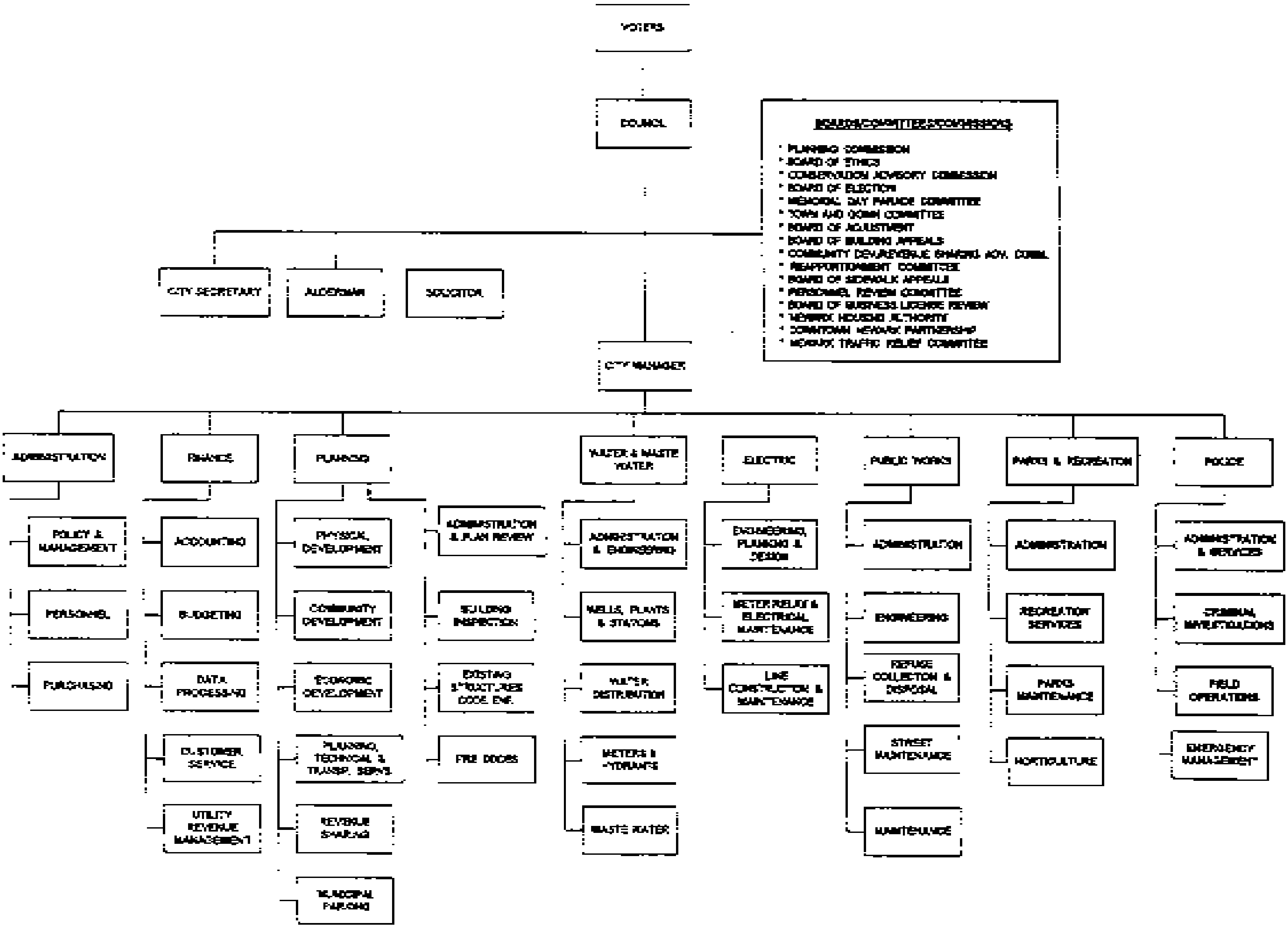
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2009

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.

President

Executive Director

CITY OF NEWARK, DELAWARE



CITY OF NEWARK
DELAWARE

LIST OF PRINCIPAL OFFICIALS
DECEMBER 31, 2010

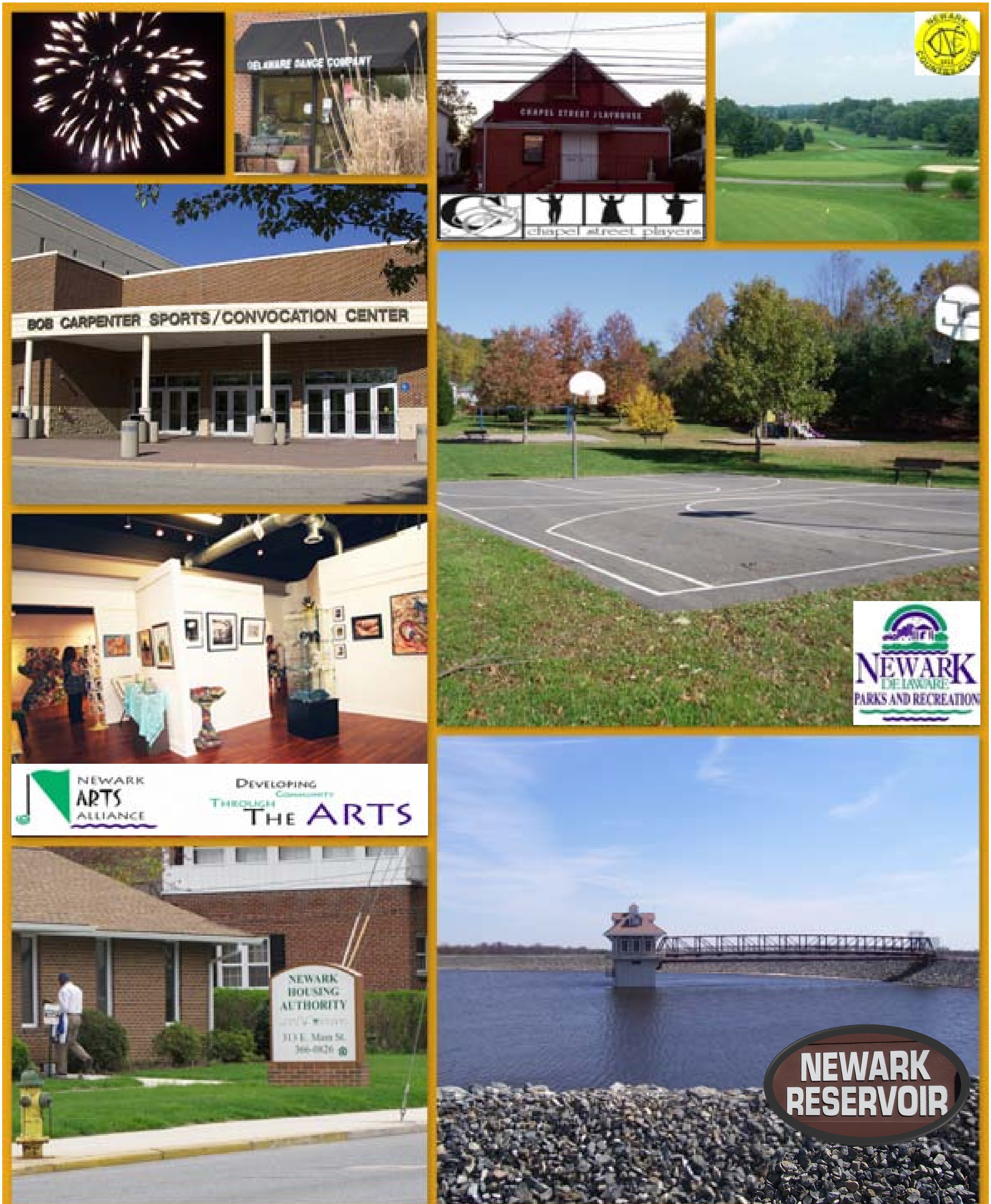
Elected Officials

Mayor	Vance A. Funk, III
Council Member - District 1	Paul J. Pomeroy
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	Roger A. Akin
Deputy City Solicitor	Bruce C. Herron
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

Improving Quality of Life



FINANCIAL SECTION

Clifton Gunderson LLP
Certified Public Accountants & Consultants

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, 2010, and the budgetary comparison for the general fund for the year ended December 31, 2010, 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 2009 financial statements and, in our report dated June 16, 2010, 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, 2010, 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 May 31, 2011 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.

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The introductory section and statistical tables 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.

Clifton Gunderson LLP

Baltimore, Maryland
May 31, 2011

This discussion and analysis of the City of Newark, Delaware, provides an overview of the City's financial performance for the year ended December 31, 2010. Please read it in conjunction with the City's financial statements, which begin on page 22.

FINANCIAL HIGHLIGHTS

The City of Newark had a strong year financially in 2010. Operating income in the utility operations increased by $6.8 million due to more typical weather than in 2009. Revenues in the Governmental Funds rose by $2.6 million. This was due to higher license, fine, and intergovernmental revenues. Operating expenses, on the other hand, increased very modestly due to stringent cost management.

- The assets of the City of Newark exceeded its liabilities at the close of the most recent fiscal year by $85.4 million (representing its net assets). This represents an increase of $8.9 million over the prior year.
- The City's unrestricted net assets increased $7.9 million in 2010 to $25.3 million. This amount may be used to meet the government's ongoing obligations to citizens and creditors.

- As of December 31, 2010, the City's governmental funds reported a combined ending funds balance of $11.0 million, an increase of $3.3 million from the prior year. Approximately $2.4 million is available for spending at the City's discretion (unreserved fund balance).

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities on pages 22 and 23, respectively, provide information about the activities of the City as a whole and present a long-term view of the City's finances. Fund financial statements start on page 24. For governmental activities, these statements explain how services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

Reporting the City as a Whole

<u>Statement of Net Assets and the Statement of Activities</u>

The analysis of the City as a whole begins on page 22 with the Statement of Net Assets and page 23 with the Statement of Activities.

These statements provide information that will help the reader to determine if the City is financially better off as a result of the year's activities. These statements include all assets and liabilities using the accrual basis of accounting which is similar to the accounting used by private sector companies. All current year revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net assets and changes in them during the year. The reader can think of the City's net assets – the difference between assets and liabilities – as one way to measure the City's financial health or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving. The reader will need to consider other nonfinancial factors such as changes in the City's property tax base and the condition of the City's assets, to assess the overall health of the City.

In the Statement of Net Assets and the Statement of Activities we divide the City into two kinds of activities:

- **Governmental activities** – Many of the City's basic services are reported here, including the police, general administration, public works and parks and recreation. Operating transfers from the Electric Fund, property taxes, intergovernmental revenues and franchise fees finance most of these activities.

- **Business-type activities** – The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's electric, water, sewer and parking funds are reported here.

Reporting the City's Most Significant Funds

Fund Financial Statements

Our analysis of the City's major funds provides detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, the City Council establishes other funds to help it control and manage money for particular purposes (Special Revenue Funds) or to show that it is meeting legal responsibilities for using certain taxes, grants and other monies (Capital Projects Funds). The City's two kinds of funds – governmental and proprietary – use different accounting approaches.

Governmental Funds - Many of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds are reported using the modified accrual accounting method, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in the reconciliations on pages 25 and 27.

***Proprietary Funds* -** When the City charges customers for the services it provides, these services generally are reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows for proprietary funds.

The City as Trustee

Reporting the City's Fiduciary Responsibilities

The City is the trustee, or fiduciary, responsible for other assets that – because of a trust arrangement – can be used only for the trust beneficiaries. All of the City's fiduciary activities (such as Pension Plans) are reported in a separate Statement of Fiduciary Net Assets and Changes in Fiduciary Net Assets. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

FINANCIAL ANALYSIS OF THE CITY

Government-wide

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

The majority of the outstanding debt of the City was incurred for the acquisition and/or construction of the City's water reservoir. 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. The balance of unrestricted net assets at the close of 2010, $25.3 million, may be used to meet these current and ongoing obligations to citizens and creditors. In addition, the City maintains an "A" 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 tax base and low direct debt position.

Table 1

CITY OF NEWARK
STATEMENT OF NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2010

	Governmental Activities		Business-type Activities		Totals	
	2010	2009	2010	2009	2010	2009
ASSETS						
Total current assets	$ 15,599,028	$ 12,103,829	$ 16,952,468	$ 12,399,027	$ 32,551,496	$ 24,502,856
Total noncurrent assets	24,768,225	24,237,046	49,919,833	50,288,225	74,688,058	74,525,271
Total Assets	$ 40,367,253	$ 36,340,875	$ 66,872,301	$ 62,687,252	$ 107,239,554	$ 99,028,127
LIABILITIES						
Total current liabilities	$ 1,325,034	$ 1,612,778	$ 5,708,108	$ 5,218,096	$ 7,033,142	$ 6,830,874
Total noncurrent liabilities	2,618,332	2,723,919	12,146,291	12,986,389	14,764,623	15,710,308
Total Liabilities	$ 3,943,366	$ 4,336,697	$ 17,854,399	$ 18,204,485	$ 21,797,765	$ 22,541,182
NET ASSETS						
Invested in capital assets, net of related debt	$ 23,098,225	$ 22,282,046	$ 37,038,824	$ 36,781,751	$ 60,137,049	$ 59,063,797
Unrestricted	13,325,662	9,722,132	11,979,078	7,701,016	25,304,740	17,423,148
Total Net Assets	$ 36,423,887	$ 32,004,178	$ 49,017,902	$ 44,482,767	$ 85,441,789	$ 76,486,945
Total Liabilities and Net Assets	$ 40,367,253	$ 36,340,875	$ 66,872,301	$ 62,687,252	$ 107,239,554	$ 99,028,127

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. At the close of 2010, the City's assets exceeded it liabilities by $85.4 million. This is an $8.9 million increase from the prior year. Governmental activities benefitted from higher license, fines, and intergovernmental revenues which resulted in a $3.6 million increase in unrestricted net assets. Within Business-type activities, unrestricted net assets rose by $4.1 million due to higher operating income as a result of higher sales volumes.

Table 2

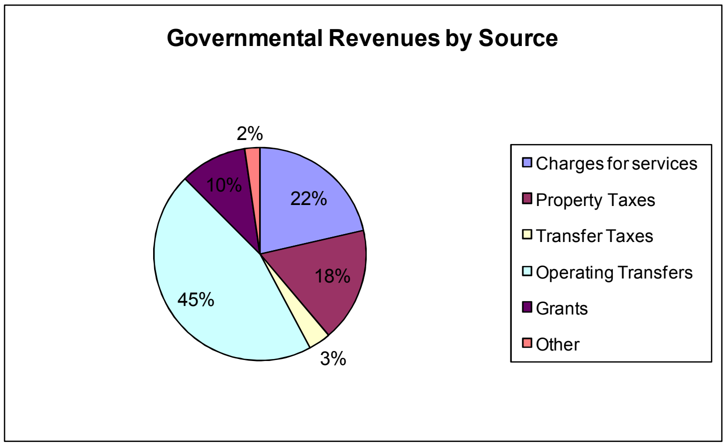
CITY OF NEWARK
CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2010

	Governmental Activities		Business-type Activities		Totals	
	2010	2009	2010	2009	2010	2009
REVENUES						
Program Revenues:						
Charges for services	$6,201,392	$4,829,264	$71,036,204	$60,800,382	$77,237,596	$65,629,646
Operating Grants & Contributions	1,240,437	1,054,982	-	-	1,240,437	1,054,982
Capital Grants & Contributions	1,698,039	941,869	660,740	-	2,358,779	941,869
General Revenues:						
Total Taxes	6,380,620	6,125,361	-	-	6,380,620	6,125,361
Investment Earnings	247,932	307,296	111,882	212,468	359,814	519,764
Other Revenues	38,861	44,045	6,474	6,474	45,335	50,519
Total Revenues	15,807,281	13,302,817	71,815,300	61,019,324	87,622,581	74,322,141
EXPENSES						
General Government	7,100,937	6,706,122	-	-	7,100,937	6,706,122
Public Safety	10,494,199	10,482,878	-	-	10,494,199	10,482,878
Public Works	4,608,499	4,274,977	-	-	4,608,499	4,274,977
Community Development	297,483	173,473	-	-	297,483	173,473
Culture and Recreation	1,916,029	2,385,848	-	-	1,916,029	2,385,848
Interest Expense	86,321	99,565	-	-	86,321	99,565
Business-type activities	-	-	54,164,269	50,814,569	54,164,269	50,814,569
Total Expenses	24,503,468	24,122,863	54,164,269	50,814,569	78,667,737	74,937,432
Subtotal	(8,696,187)	(10,820,046)	17,651,031	10,204,755	8,954,844	(615,291)
Transfers	13,115,896	12,385,000	(13,115,896)	(12,385,000)	-	-
Change in Net Assets	$4,419,709	$1,564,954	4,535,135	($2,180,245)	$8,954,844	($615,291)

Governmental Activities

Our analysis focuses on the net assets (Table 1) and changes in net assets (Table 2) of the City's governmental activities and the following 2010 Revenues by Source graph and Net Costs (Table 3).

As the following graph illustrates operating transfers from the utility funds, real estate taxes, real estate transfer taxes and program revenues (grants and contributions and charges for services) provide the major funding for our governmental activities. Transfers are the largest revenue source accounting for 45 percent of revenues. Property taxes supply 18 percent of funding. Real estate transfer taxes provide 3 percent of revenues and program revenues, 22 percent. The City relies on all of these revenues to provide the quality of life to citizens and businesses which residents have come to expect.



As shown in Table 3, the total cost of all governmental activities this year was $24.5 million. These costs were partially offset by program revenues of $9.1 million, leaving a net cost of $15.4 million. The program revenues were paid by those who directly benefited from the programs ($6.2 million) or by other governments and organizations that subsidized certain programs with intergovernmental aid and contributions ($2.9 million). The balance of the cost was funded by City taxes of $6.4 million, transfers of $13.1 million and $0.4 million of miscellaneous revenues. Public safety programs are the largest spending commitment, accounting for approximately 43 percent of the City's governmental activities expenditures. General administration and public works services account for approximately 29 and 19 percent, respectively, of expenditures.

Table 3

Governmental Activities Net Cost

Functions/Programs	Total Cost of Services	% of Total Cost	Service Charges	Grants	Program Revenues	Net Cost of Services
General Government	$7,100,937	29%	$3,858,308	$633,829	$4,492,137	$2,608,800
Public Safety	10,494,199	43%	1,641,801	627,654	2,269,455	8,224,744
Public Works	4,608,499	19%	178,582	614,602	793,184	3,815,315
Community Development	297,483	1%	-	352,997	352,997	(55,514)
Culture & Recreation	1,916,029	8%	522,701	709,394	1,232,095	683,934
Interest Expense	86,321	0%	-	-	-	86,321
Total	$24,503,468	100%	$6,201,392	$2,938,476	$9,139,868	$15,363,600

As shown in Table 2, expenses exceeded revenues by $8.7 million in 2010. General revenues were up $190 thousand in 2010 compared to 2009.

As shown in Table 2, governmental expenses increased by about $380 thousand.

In 2010, net assets increased by $4.4 million.

Business-type Activities

The City provides electric, water and sewer services to its residents. Additionally, it operates five surface parking lots within its downtown area. These services constitute the business-type activities presented in the City-wide financial statements. The City Council establishes and collects utility fees and parking fees from users of these systems. The revenues include investment income in addition to charges for services (operating revenues). The investment income revenues are not specific to an individual program, but to the activities as a whole.

As shown in Table 2, revenues totaled $71.8 million for the year, an increase of $10.8 million from the prior year. This increase was due to several factors. Within the electric utility, revenues increased due to higher sales volumes as a result of a return to normal weather and a higher sales rate. Parking revenues increased due to higher rates and expanded hours of operation. Expenses related to these services totaled $54.2 million in 2010, an increase of $3.3 million from the prior year. Expenses, other than utility purchases, increased only slightly due to ongoing cost management. Utility purchases increased by $2.9 million due to higher volumes. Wholesale power costs remained stable during the year.

As shown in Table 2, revenues exceeded expenses and transfers by $4.5 million in 2010, resulting in an overall increase in net assets within the business-type activities. This increase occurred even though transfers increased $.7 million to support governmental activities.

As shown in Table 1, net assets increased $4.5 million to $49.0 million. The amount invested in capital assets, net of related debt, increased slightly by $257 thousand. Unrestricted assets increased by $4.3 million reflecting 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, 2010, the City's governmental funds reported combined ending balances of $11.0 million, an increase of $3.3 million as compared to the prior year. The bulk of the fund balance is reserved, which means that it is not available for new spending because it has already been committed to pay for: 1) capital improvements, 2) debt service or 3) a variety of other restricted purposes.

The City maintains a General Fund which serves as the chief operating fund of the City. As of December 31, 2010, the total fund balance of the General Fund was $2.5 million, $2.4 million of which is unreserved. The General Fund balance increased by almost $1.3 million in fiscal year 2010. Key factors contributing to this increase are as follows:

- Revenues increased $1.8 million due primarily to higher license and fine revenues.
- Expenses increased only slightly due to ongoing cost management.
- Net transfers decreased $.6 million reflecting higher transfers in from the Proprietary Funds which were more than offset by increased transfers out to the Capital Projects Fund.

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 the 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, 2010, the fund balance was $46,620, all of which is reserved.

The City maintains a Capital Project Fund to account for major capital acquisitions and construction related to governmental activities separately from the ongoing operating activities. As of December 31, 2010, the fund balance was $6.7 million, all of which is reserved.

Other governmental funds include one bond fund.

The financial statements for the governmental funds can be found on pages 24 - 28 as well as 66 - 73 of this report.

<u>Proprietary Funds</u>

The City maintains four principal proprietary funds related to the provision of utility services and parking. 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 $16.1 million as of December 31, 2010 of which $4.6 million was unrestricted. Total net assets increased $1.1 million. Income before transfers amounted to $12.5 million. It is the City's policy that the electric operations roughly target a 20 percent operating margin.

The Water Fund had total net assets of $21.6 million as of December 31, 2010, an increase of $1.7 million from the prior year. Of this balance, the unrestricted portion was $2.7 million. The fund had income before transfers of $2.7 million. The Water Fund also carries roughly $12.7 million of long term debt associated with the construction of a reservoir.

The Sewer fund had total net assets of $8.8 million as of December 31, 2010, of which $3.5 million was unrestricted. Total net assets increased $1.4 million during the year. Income before transfers to the General Fund totaled $1.4 million.

The Parking Fund, the smallest of the proprietary funds, had total net assets of $2.5 million as of December 31, 2010. Of this amount, $1.1 million was unrestricted. Total net assets increased $394 thousand during the year.

The financial statements for the proprietary funds can be found on pages 29 - 32 of this report.

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 reimbursement basis. The assets and liabilities of the internal service fund are included with the governmental activities on the statement of net assets on page 22. The net revenue of certain activities of the internal service fund is reported with governmental activities on the statement of activities on page 23. The fund's assets and liabilities as well as revenue and expenses are also reported on pages 29 and 30 of the fund financial statements.

Fiduciary Funds

The City maintains four fiduciary funds – the Employees Pension Trust Fund, the Section 401(a) Retirement Fund, the Other Post Employment Benefits 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 non-police plan covering civilian, non-sworn and regular full-time employees, the police plan covering all sworn police officers except the Chief of police and the special police plan covering the Chief of Police. The assets held by the Insurance Fund are committed to funding workers' compensation claims and deductible amounts paid to insurance underwriters.

The Other Post Employment Benefits Fund contains assets set aside to fund future retiree healthcare benefits and other benefits. The Section 401(a) Retirement Fund and the Retirement Health Savings Fund holds assets to provide future benefits to select management employees.

The financial statements for the fiduciary funds can be found on pages 33 and 34, as well as 74 and 75 of this report.

GENERAL FUND BUDGETARY HIGHLIGHTS

The schedules comparing the City's budget and actual results can be found on page 28.

Actual revenues in the General Fund exceeded budgeted revenues by $1.6 million. Increased license and fine revenues account for the bulk of this increase. Expenditures were $.2 million less than budget. Lower than budgeted expenditures in the Public Works and Finance functions were somewhat offset by higher than budgeted 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, 2010 amounted to $74.1 million, net of accumulated depreciation. This investment in capital assets includes land, buildings, improvements and machinery and equipment.

- The City made gross additions to capital assets of $3.6 million in 2010.

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

Long-term Debt

At December 31, 2010, the City had $14.4 million in bonds outstanding versus $15.5 million last year – a decrease of 7.1` 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 $724 thousand of compensated absences which include carry forward vacation and compensatory time.

The City maintains an "A" rating from Moody's and an "AA" rating from Fitch 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 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 2010 and will remain at that level in 2011. The millage was increased by 9 cents from 55.6 cents in 2009.

- In 2010, the City felt the effect of a modest economic recovery as evidenced by strong license and permit revenues. In addition, utility revenues rose due to a return to more normal weather compared to 2009.

- The operating budget for 2011 is evenly balanced with only a negligible surplus due to keeping effectively all rates and charges unchanged from 2010 and continuing cost management efforts.

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: Finance Director, 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.

Inter-Governmentally Connected


Main Street Post Office

BASIC FINANCIAL SECTION

CITY OF NEWARK, DELAWARE
STATEMENT OF NETS ASSETS
DECEMBER 31, 2010
(with summarized Comparative Data as of December 31, 2009)

	Primary Government		Totals	
	Governmental Activities	Business-type Activities	2010	2009
ASSETS				
Current Assets:				
Cash and cash equivalents	$ 6,585,274	$ 4,182,851	$ 10,768,125	$ 5,210,445
Investments	6,239,388	2,013,582	8,252,970	7,240,756
Accounts receivables, net	2,092,903	9,568,659	11,661,562	9,646,231
Taxes receivable	441,659	-	441,659	404,889
Due from other governments	50,000	-	50,000	200,000
Inventories	62,009	1,157,124	1,219,133	1,293,928
Prepaid items and deferred charges	127,795	30,252	158,047	149,747
Total current assets	15,599,028	16,952,468	32,551,496	24,145,996
Noncurrent Assets:				
Net pension asset	429,137	118,314	547,451	356,860
Capital assets, net:				
Land	5,499,380	8,788,127	14,287,507	13,777,507
Construction in progress	50,000	322,742	372,742	30,000
Buildings	5,458,198	9,010,444	14,468,642	15,250,840
Improvements	10,653,644	30,902,483	41,556,127	41,611,138
Machinery and Equipment	2,677,866	777,723	3,455,589	3,855,786
Total noncurrent assets	24,768,225	49,919,833	74,688,058	74,882,131
Total assets	$ 40,367,253	$ 66,872,301	$ 107,239,554	$ 99,028,127
LIABILITIES				
Current liabilities:				
Accounts payable	$ 704,877	$ 3,952,388	$ 4,657,265	$ 4,165,274
Customer deposits	344,018	712,417	1,056,435	1,021,045
Compensated absences	62,870	9,560	72,430	64,941
Due to other governments	50,000	33,756	83,756	273,453
Accrued interest payable	20,479	153,513	173,992	186,897
Bonds payable	130,000	846,474	976,474	1,106,474
Other current liabilities	12,790	-	12,790	12,790
Total current liabilities	1,325,034	5,708,108	7,033,142	6,830,874
Noncurrent liabilities:				
Compensated absences	565,828	86,055	651,883	584,467
Net other post employment benefits obligation	512,504	136,445	648,949	689,419
Unearned revenue	-	7,570	7,570	3,727
Bonds payable	1,540,000	11,916,221	13,456,221	14,432,695
Total noncurrent liabilities	2,618,332	12,146,291	14,764,623	15,710,308
Total liabilities	3,943,366	17,854,399	21,797,765	22,541,182
Net Assets				
Invested in capital assets, net of related debt	23,098,225	37,038,824	60,137,049	59,063,797
Unrestricted	13,325,662	11,979,078	25,304,740	17,423,148
Total net assets	36,423,887	49,017,902	85,441,789	76,486,945
Total liabilities and net assets	$ 40,367,253	$ 66,872,301	$ 107,239,554	$ 99,028,127

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

CITY OF NEWARK, DELAWARE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2010
(with summarized Comparative Data as of December 31, 2009)

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
					Primary Government			
			Operating	Capital			Totals	
Functions/Programs	**Expenses**	**Charges for Services**	**Grants and Contributions**	**Grants and Contributions**	**Governmental Activities**	**Business-Type Activities**	**2010**	**2009**
Primary government:								
Governmental activities:								
General Government	$ 7,100,937	$ 3,858,308	$ 380,700	$ 253,129	$ (2,608,800)	$ -	$ (2,608,800)	$ (2,792,352)
Public Safety	10,494,199	1,641,801	360,488	267,166	(8,224,744)	-	(8,224,744)	(9,291,106)
Public Works	4,608,499	178,582	35,276	579,326	(3,815,315)	-	(3,815,315)	(3,722,085)
Community Development	297,483	-	352,997	-	55,514	-	55,514	76,955
Culture and Recreation	1,916,029	522,701	110,976	598,418	(683,934)	-	(683,934)	(1,468,595)
Interest Expense	86,321	-	-	-	(86,321)	-	(86,321)	(99,565)
Total governmental activities	24,503,468	6,201,392	1,240,437	1,698,039	(15,363,600)	-	(15,363,600)	(17,296,748)
Business-type activities:								
Electric	45,272,708	57,757,600	-	656,727	-	13,141,619	13,141,619	8,533,533
Water	3,930,138	6,610,742	-	4,013	-	2,684,617	2,684,617	784,961
Sewer	4,195,238	5,528,975	-	-	-	1,333,737	1,333,737	524,074
Parking	765,549	1,138,887	-	-	-	373,338	373,338	143,245
Total business-type activities	54,163,633	71,036,204	-	660,740	-	17,533,311	17,533,311	9,985,813
Total primary government	$ 78,667,101	$ 77,237,596	$ 1,240,437	$ 2,358,779	(15,363,600)	17,533,311	2,169,711	(7,310,935)
General Revenues								
Taxes:								
Real estate taxes					5,027,187	-	5,027,187	4,751,835
Real estate transfer taxes					969,617	-	969,617	1,000,710
Franchise fees					383,816	-	383,816	372,816
Unrestricted investment earnings					247,932	111,882	359,814	519,764
Increase (Decrease) in fair value of investments					-	-	-	-
Miscellaneous					42	6,474	6,516	6,474
Proceeds from sale of capital assets					25,647	-	25,647	44,045
Gain (Loss) on sale of capital assets					13,172	(636)	12,536	
Extraordinary Item					-	-	-	
Transfers					13,115,896	(13,115,896)	-	-
Total General Revenues, Extraordinary Item, and Transfers					19,783,309	(12,998,176)	6,785,133	6,695,644
Change in Net Assets					4,419,709	4,535,135	8,954,844	(615,291)
Net Assets - Beginning of Year					32,004,178	44,482,767	76,486,945	77,102,236
Net Assets - End of Year					$ 36,423,887	$ 49,017,902	$ 85,441,789	$ 76,486,945

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

CITY OF NEWARK, DELAWARE
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2010
(with summarized Comparative Data as of December 31, 2009)

	General	Capital Projects	Other Governmental Funds	Totals 2010	Totals 2009
ASSETS					
Cash and cash equivalents	$ 2,366,975	$ 2,752,658	$ 725,789	$ 5,845,422	$ 3,546,410
Investments	1,774,403	3,749,076	715,909	6,239,388	5,198,038
Accounts receivable	1,376,466	341,417	366,862	2,084,745	2,044,513
Taxes receivable, net	441,659	-	-	441,659	404,889
Due from other funds	50,000	-	-	50,000	200,000
Inventory	9,872	-	29,776	39,648	39,848
Prepaid items	115,127	-	4,596	119,723	111,318
Total assets	$ 6,134,502	$ 6,843,151	$ 1,842,932	$ 14,820,585	$ 11,545,016
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts payable	$ 436,153	$ 94,605	$ 91,839	$ 622,597	$ 644,474
Customer deposits	344,018	-	-	344,018	341,906
Deferred revenue	2,804,991	9,950	7,620	2,822,561	2,643,418
Due to other funds	-	-	50,000	50,000	200,000
Other liabilities	-	-	12,790	12,790	12,790
Total liabilities	3,585,162	104,555	162,249	3,851,966	3,842,588
Fund balances:					
Reserved for:					
Inventory	9,872	-	29,776	39,648	39,848
Prepaid Items	115,127	-	4,596	119,723	111,318
Capital projects	-	6,738,596	-	6,738,596	4,888,627
Debt service	-	-	46,620	46,620	46,620
Law enforcement	-	-	242,536	242,536	199,549
Self insurance	-	-	988,448	988,448	772,111
Parks and recreation	-	-	165,109	165,109	155,986
Unreserved					
General fund	2,424,341	-	-	2,424,341	1,168,040
Special revenue funds	-	-	203,598	203,598	320,329
Total fund balances	2,549,340	6,738,596	1,680,683	10,968,619	7,702,428
Total liabilities and fund balances	$ 6,134,502	$ 6,843,151	$ 1,842,932	$ 14,820,585	$ 11,545,016

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

CITY OF NEWARK, DELAWARE
RECONCILIATION OF THE BALANCE SHEET-GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
DECEMBER 31, 2010

Total Fund Balance - Governmental Funds	$ 10,968,619
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 $371,383 of internal service capital assets accounted for in the following line:	23,967,705
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	1,051,311
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, $14,232 included in net assets above)	414,904
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.	2,822,561
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	(1,670,000)
Compensated absences (net of Internal Service Fund, $13,058 included in net assets above)	(615,640)
Net other post employment benefits obligation (net of Internal Service Fund, $17,410 included in net assets above)	(495,094)
Accrued interest payable	(20,479)
Net assets of governmental activities	$ 36,423,887

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

CITY OF NEWARK, DELAWARE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010
(with Summarized Comparative Date for the Year Ended December 31, 2009)

	Major Funds		Other	Totals	
	General	Capital Projects	Governmental Funds	2010	2009
REVENUES					
Taxes:					
Real Estate	$ 4,849,809	$ -	$ -	$ 4,849,809	$ 4,576,436
Real estate transfer	969,617	-	-	969,617	1,000,710
Franchise	383,816	-	-	383,816	372,817
Licenses and permits	2,253,729	-	-	2,253,729	1,322,388
Fines, forfeits and costs	2,239,742	-	25,301	2,265,043	1,994,227
Interest, dividends and rents	118,808	106,297	16,219	241,324	307,660
Intergovernmental revenues	368,765	1,420,948	949,605	2,739,318	1,734,340
Charges for services	1,682,503	-	115	1,682,618	1,512,652
Subvention - University of Delaware	204,000	-	-	204,000	204,000
Total revenues	13,070,789	1,527,245	991,240	15,589,274	13,025,230
EXPENDITURES					
Current:					
General Government	5,082,993	-	13	5,083,006	5,141,241
Public Safety	10,129,099	-	284,131	10,413,230	10,052,962
Public Works	3,050,430	-	1,390,007	4,440,437	4,382,222
Community Development	-	-	297,483	297,483	173,473
Culture and recreation	2,441,323	-	31,799	2,473,122	2,455,410
Debt Service:					
Principal	-	-	285,000	285,000	450,000
Interest	-	-	89,718	89,718	101,262
Capital Outlay	-	1,667,424	322,680	1,990,104	2,369,487
Total expenditures	20,703,845	1,667,424	2,700,831	25,072,100	25,126,057
Deficiency of revenues under expenditures	(7,633,056)	(140,179)	(1,709,591)	(9,482,826)	(12,100,827)
OTHER FINANCING SOURCES (USES)					
Transfers in	13,102,525	1,990,261	1,861,908	16,954,694	15,802,339
Transfers out	(4,242,257)	(9,285)	(7,256)	(4,258,798)	(3,417,339)
Proceeds from the sale of capital assets	43,949	9,172	-	53,121	44,045
Total other financing sources and uses	8,904,217	1,990,148	1,854,652	12,749,017	12,429,045
Net change in fund balances	1,271,161	1,849,969	145,061	3,266,191	328,218
Fund balances - Beginning of Year	1,278,179	4,888,627	1,535,622	7,702,428	7,374,210
Fund balances - End of Year	$ 2,549,340	$ 6,738,596	$ 1,680,683	$ 10,968,619	$ 7,702,428

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

CITY OF NEWARK, DELAWARE
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, 2010

Net Changes in Fund Balances - Total Governmental Funds	$	3,266,191
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 ($1,990,104) is allocated over their estimated useful lives as depreciation expense ($1,819,715) net of Internal Service Fund of $54,042 included in net assets above. This is the amount by which capital outlays exceeded depreciation in the current period.		170,389
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		179,142
The net effect of various miscellaneous transactions involving capital assets (I.e., sales, trade-ins, and donations) is to decrease net assets.		(14,305)
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		285,000
Accrued interest payable		3,397
Internal Service Fund		420,044
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		(63,040)
Net pension asset (net of Internal Service Fund, $4,694 included in net assets above)		142,011
Net other post employment benefits obligation		30,880
Change in Net Assets of Governmental Activities	$	4,419,709

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

CITY OF NEWARK, DELAWARE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts (Budgetary Basis)	Positive (Negative)
REVENUES				
Taxes:				
Real estate - current	$ 4,800,472	$ 4,800,472	$ 4,785,193	$ (15,279)
Real estate - delinquent and interest	29,000	29,000	64,616	35,616
Real estate - transfer	800,000	800,000	969,617	169,617
Franchise	300,740	300,740	383,816	83,076
Licenses and permits	1,301,100	1,301,100	2,253,729	952,629
Fines, forfeits and costs	1,919,700	1,919,700	2,239,742	320,042
Interest, dividends and rents	53,600	53,600	118,808	65,208
Intergovernmental revenues	278,700	278,700	368,765	90,065
Charges for services/fees	1,759,700	1,759,700	1,682,503	(77,197)
Subvention - University of Delaware	180,000	180,000	204,000	24,000
Total revenues	11,423,012	11,423,012	13,070,789	1,647,777
EXPENDITURES				
Current:				
General government:				
Finance department	2,284,155	2,284,155	2,165,905	118,250
Planning	744,075	744,075	791,044	(46,969)
Administration	841,629	841,629	821,869	19,760
Legislative	892,540	892,540	927,892	(35,352)
Judicial	381,594	381,594	376,283	5,311
Total general government	5,143,993	5,143,993	5,082,993	61,000
Public safety:				
Code Enforcement	1,029,655	1,029,655	1,021,299	8,356
Police	8,993,760	9,058,760	9,107,800	(114,040)
Total public safety	10,023,415	10,088,415	10,129,099	(105,684)
Public works:				
Highways and streets	1,120,249	1,120,249	1,104,725	15,524
Sanitation	2,134,381	2,140,381	1,945,705	188,676
Total public works	3,254,630	3,260,630	3,050,430	204,200
Culture and recreation	2,512,336	2,512,336	2,441,323	71,013
Total expenditures	20,934,374	21,005,374	20,703,845	230,529
Deficiency of revenues under expenditures	(9,511,362)	(9,582,362)	(7,633,056)	(1,878,306)
Other Financing Sources (Uses)				
Transfers In	10,200,000	10,200,000	13,102,525	2,902,525
Transfers Out	(374,718)	(374,718)	(4,242,257)	(3,867,539)
Proceeds from the sale of capital assets	29,000	29,000	43,949	14,949
Total other financing sources and uses	9,854,282	9,854,282	8,904,217	(950,065)
Net change in fund balances	342,920	271,920	1,271,161	928,241
Fund Balances - January 1			1,278,179	1,278,179
Fund Balances - December 31			$ 2,549,340	$ 2,206,420

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

CITY OF NEWARK, DELAWARE
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2010
(with Summarized Comparative Date as of December 31, 2009)

	Business-Type Activities Enterprise Funds				Totals		Governmental Activities Internal Service Fund	
	Electric	Water	Sewer	Parking	2010	2009	2010	2009
ASSETS								
Current Assets:								
Cash and cash equivalents	$ 192,818	$ 1,658,859	$ 1,831,714	$ 499,460	$ 4,182,851	$ 1,408,319	$ 739,853	$ 255,716
Investments restricted:								
Customer deposits	640,182	70,435	1,800	-	712,417	679,139	-	-
Investments, unrestricted	27,193	12,507	671,662	589,803	1,301,165	1,363,579	-	-
Accounts receivable, net	7,224,145	1,230,932	1,067,206	46,376	9,568,659	7,600,863	8,158	855
Inventory	1,040,040	106,543	10,541	-	1,157,124	1,242,583	22,361	11,497
Prepaid expenses	13,610	15,914	-	728	30,252	30,116	8,072	8,313
Total current assets	9,137,988	3,095,190	3,582,923	1,136,367	16,952,468	12,324,599	778,444	276,381
Noncurrent Assets:								
Net pension asset	63,087	46,122	1,464	7,641	118,314	74,428	14,232	9,538
Capital assets, net:								
Land	-	7,957,953	-	830,174	8,788,127	8,788,127	-	-
Construction in progress	-	32,769	247,179	42,794	322,742	30,000	-	-
Buildings	5,803,002	3,207,442	-	-	9,010,444	9,643,690	347,880	391,202
Improvements	5,224,999	20,163,162	5,012,187	502,135	30,902,483	31,043,053	-	-
Machinery and Equipment	418,452	282,798	24,564	51,909	777,723	783,355	23,503	34,223
Total noncurrent assets	11,509,540	31,690,246	5,285,394	1,434,653	49,919,833	50,362,653	385,615	434,963
Total Assets	$ 20,647,528	$ 34,785,436	$ 8,868,317	$ 2,571,020	$ 66,872,301	$ 62,687,252	$ 1,164,059	$ 711,344
LIABILITIES								
Current Liabilities:								
Accounts payable	$ 3,802,976	$ 90,944	$ 14,952	$ 43,516	$ 3,952,388	$ 3,472,668	$ 82,280	$ 48,132
Customer deposits	640,182	70,435	1,800	-	712,417	679,139	-	-
Compensated absences	5,549	2,579	188	1,244	9,560	8,341	1,306	1,340
Due to other governments	-	-	33,756	-	33,756	73,453	-	-
Accrued interest payable	-	153,513	-	-	153,513	163,021	-	-
Bonds payable	-	840,000	-	-	840,000	815,000	-	-
Bond premium	-	6,474	-	-	6,474	6,474	-	-
Total Current Liabilities	4,448,707	1,163,945	50,696	44,760	5,708,108	5,218,096	83,586	49,472
Noncurrent Liabilities:								
Compensated absences	49,944	23,216	1,696	11,199	86,055	75,066	11,752	12,061
Net other post employment benefits obligation	71,909	56,186	-	8,350	136,445	144,901	17,410	18,544
Deferred revenue	-	6,530	1,040	-	7,570	3,727	-	-
Bonds payable	-	11,845,000	-	-	11,845,000	12,685,000	-	-
Bond premium	-	71,221		-	71,221	77,695	-	-
Total Noncurrent Liabilities	121,853	12,002,153	2,736	19,549	12,146,291	12,986,389	29,162	30,605
Total Liabilities	4,570,560	13,166,098	53,432	64,309	17,854,399	18,204,485	112,748	80,077
NET ASSETS								
Invested in Capital Assets, net of related debt	11,446,453	18,881,429	5,283,930	1,427,012	37,038,824	36,704,056	371,383	425,425
Unrestricted	4,630,515	2,737,909	3,530,955	1,079,699	11,979,078	7,778,711	679,928	205,842
Total Net Assets	16,076,968	21,619,338	8,814,885	2,506,711	49,017,902	44,482,767	1,051,311	631,267
Total Liabilities and Net Assets	$ 20,647,528	$ 34,785,436	$ 8,868,317	$ 2,571,020	$ 66,872,301	$ 62,687,252	$ 1,164,059	$ 711,344

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

CITY OF NEWARK, DELAWARE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010
(with Summarized Comparative Date as of December 31, 2009)

	Business-Type Activities Enterprise Funds				Totals		Governmental Activities Internal Service Fund	
	Electric	Water	Sewer	Parking	2010	2009	2010	2009
Operating Revenues:								
Charges for service	$ 57,457,359	$ 6,175,599	$ 5,505,785	$ 1,137,985	$ 70,276,728	$ 60,494,583	$ 1,374,652	$ 1,337,339
Penalties and fees	239,486	99,947	20,744	-	360,177	247,486	-	-
Miscellaneous	60,755	335,196	2,446	902	399,299	58,313	7,306	-
Total operating revenues	57,757,600	6,610,742	5,528,975	1,138,887	71,036,204	60,800,382	1,381,958	1,337,339
Operating Expenses:								
Personnel	2,288,793	1,634,081	140,786	480,090	4,543,750	4,360,345	471,819	499,645
Utility purchases	41,074,085	-	3,692,586	-	44,766,671	41,895,376	-	-
Materials and supplies	156,521	266,149	18,383	37,797	478,850	495,878	677,578	608,306
Contracted services	859,002	503,501	148,039	133,943	1,644,485	1,223,856	176,207	180,282
Depreciation	783,326	967,313	194,008	109,499	2,054,146	2,048,187	54,042	56,719
Other	96,588	9,672	1,436	4,220	111,916	194,010	2,268	1,393
Total operating expenses	45,258,315	3,380,716	4,195,238	765,549	53,599,818	50,217,652	1,381,914	1,346,345
Operating income (deficit)	12,499,285	3,230,026	1,333,737	373,338	17,436,386	10,582,730	44	(9,006)
Nonoperating Revenues (Expenses):								
Interest and investment revenue	6,663	42,063	41,087	22,069	111,882	212,468	-	-
Amortization of bond premium	-	6,474	-	-	6,474	6,474	-	-
Interest expense	(14,393)	(549,422)	-	-	(563,815)	(596,917)	-	-
Gain (loss) on Sale of Capital Assets	(636)	-	-	-	(636)	-	-	-
Total nonoperating revenues (expenses)	(8,366)	(500,885)	41,087	22,069	(446,095)	(377,975)	-	-
Income Before capital grants and transfers	12,490,919	2,729,141	1,374,824	395,407	16,990,291	10,204,755	44	(9,006)
Capital grants	656,727	4,013	-	-	660,740	-	-	-
Transfers in	-	-	-	-	-	152,216	420,000	-
Transfers out	(12,096,726)	(1,017,639)	-	(1,531)	(13,115,896)	(12,537,216)	-	-
Change in net assets	1,050,920	1,715,515	1,374,824	393,876	4,535,135	(2,180,245)	420,044	(9,006)
Total net assets - Beginning of year	15,026,048	19,903,823	7,440,061	2,112,835	44,482,767	46,663,012	631,267	640,273
Total net assets - End 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

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

CITY OF NEWARK, DELAWARE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010
(with Summarized Comparative Date as of December 31, 2009)

	Business-Type Activities Enterprise Funds						Governmental Activities Internal Service Fund	
					Totals			
	Electric	Water	Sewer	Parking	2010	2009	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES								
Receipts from customers and users	$ 57,092,602	$ 6,180,820	$ 5,277,261	$ 1,093,307	$ 69,643,990	$ 60,492,649	$ -	$ -
Receipts from interfund services provided	-	-	-	-	-	-	1,374,652	1,336,984
Customer deposits received	281,103	-	-	-	281,103	970,396	-	-
Customer deposits returned	(247,825)	-	-	-	(247,825)	(929,345)	-	-
Other operating receipts	60,755	339,209	2,446	902	403,312	58,313	3	-
Payments to suppliers for goods and services	(41,846,434)	(696,783)	(3,894,495)	(139,888)	(46,577,600)	(43,640,083)	(832,528)	(778,922)
Payments to employees for services	(2,308,829)	(1,648,871)	(140,366)	(485,818)	(4,583,884)	(4,288,784)	(477,990)	(489,945)
Payments for interfund services used	(109,643)	(92,661)	(10,672)	(9,333)	(222,309)	(247,247)	-	-
Net cash provided by operating activities	12,921,729	4,081,714	1,234,174	459,170	18,696,787	12,415,899	64,137	68,117
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES								
Interest paid	(14,393)	-	-	-	(14,393)	(17,217)	-	-
Repayments of interfund loans	-	-	-	-	-	220,000	-	-
Transfers in	-	-	-	-	-	152,216	420,000	-
Transfers out	(12,096,726)	(1,017,639)	-	(1,531)	(13,115,896)	(12,531,414)	-	-
Net cash provided (used) by noncapital financing activities	(12,111,119)	(1,017,639)	-	(1,531)	(13,130,289)	(12,176,415)	420,000	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES								
Purchases of capital assets	(1,036,311)	(118,979)	(280,317)	(123,516)	(1,559,123)	(1,672,631)	-	-
Principal paid on capital debt	-	(815,000)	-	-	(815,000)	(790,000)	-	-
Interest paid on capital debt	-	(558,930)	-	-	(558,930)	(582,630)	-	-
Net cash provided (used) by capital and related financing activities	(1,036,311)	(1,492,909)	(280,317)	(123,516)	(2,933,053)	(3,045,261)	-	-
CASH FLOWS FROM INVESTING ACTIVITIES								
Proceeds from sale of investments	50,000	-	-	-	50,000	3,433,641	-	-
Purchase of investments	-	-	-	-	-	(2,260,822)	-	
Interest received	8,195	31,580	33,608	17,704	91,087	141,785	-	-
Net cash provided (used) by investing activities	58,195	31,580	33,608	17,704	141,087	1,314,604	-	-
Net increase (decrease) in cash and cash equivalents	(167,506)	1,602,746	987,465	351,827	2,774,532	(1,491,173)	484,137	68,117
Cash and cash equivalents - Beginning of Year	360,324	56,113	844,249	147,633	1,408,319	2,899,492	255,716	187,599
Cash and cash equivalents - End of Year	$ 192,818	$ 1,658,859	$ 1,831,714	$ 499,460	$ 4,182,851	$ 1,408,319	$ 739,853	$ 255,716

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

CITY OF NEWARK, DELAWARE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010
(with Summarized Comparative Date as of December 31, 2009)

	Business-Type Activities Enterprise Funds						Governmental Activities Internal Service Fund	
					Totals			
	Electric	Water	Sewer	Parking	2010	2009	2010	2009
Reconciliation of operating income to net cash provided by operating activities								
Operating income	$ 12,499,285	$ 3,230,026	$ 1,333,737	$ 373,338	$ 17,436,386	$ 10,582,730	$ 44	$ (9,006)
Adjustments to reconcile operating income to net cash provided by operating activities:								
Depreciation expense	783,326	967,313	194,008	109,499	2,054,146	2,048,187	54,042	56,719
Advanced funding of pension costs	(23,744)	(15,600)	(1,464)	(3,077)	(43,885)	(74,428)	(4,694)	(9,538)
Unfunded other post employment benefits costs	(4,678)	(3,236)	-	(542)	(8,456)	144,901	(1,134)	18,544
Effect of changes in operating assets and liabilities:								
Accounts receivable	(943,367)	(95,741)	(250,264)	(44,678)	(1,334,050)	(241,007)	(7,303)	(355)
Allowance for uncollectible accounts	24,744	1,185	996	-	26,925	(8,368)	-	-
Inventory	117,651	(26,587)	(5,605)	-	85,459	(178,039)	(10,864)	(3,507)
Prepaid expenses	(1,156)	1,345	-	(325)	(136)	(29,732)	241	(8,313)
Customer deposits	33,278	-	-	-	33,278	41,051	-	-
Accounts payable	428,004	15,120	579	27,063	470,766	265,569	34,148	22,879
Compensated absences	8,386	4,046	1,884	(2,108)	12,208	1,088	(343)	694
Due to other governments	-	-	(39,697)	-	(39,697)	(136,008)	-	-
Deferred revenue	-	3,843	-	-	3,843	(45)	-	-
Total adjustments	422,444	851,688	(99,563)	85,832	1,260,401	1,833,169	64,093	77,123
Net cash provided by operating activities	$ 12,921,729	$ 4,081,714	$ 1,234,174	$ 459,170	$ 18,696,787	$ 12,415,899	$ 64,137	$ 68,117
Noncash investing, capital, and financing activities:								
Increase in fair value of investments	263	7,892	8,361	4,347	20,863	64,863	-	-
Increase (decrease) in capital grants receivable	656,727	-	-	-	656,727	-	-	-
Increase (decrease) in accrued interest receivable	(1,795)	2,591	(882)	18	(68)	13,641	-	-
Increase (decrease) in accrued interest payable	-	(9,508)	-	-	(9,508)	-	-	-
Capitalization of accrued retainage	-	-	-	8,953	8,953	(60,031)	-	-
Capitalization of trade-in credits	-	-	-	-	-	11,000	-	-
Loss on Capital Asset Disposal	(636)	-	-	-	(636)	(10,727)	-	-
Amortization of bond premium	-	6,474	-	-	6,474	6,474	-	-

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

CITY OF NEWARK, DELAWARE
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2010

		Pension and Other Benefits Funds
ASSETS		
Cash and cash equivalents	$	11,886
Investments:		
Money market funds		1,797,470
Domestic equity mutual funds		16,012,149
International equity mutual funds		8,068,420
Fixed income mutual funds		11,967,037
Real estate equity funds		2,716,788
Obligations of U.S. governments and agencies		465,666
Accounts receivable		1,630
Contributions receivable		67,873
Total Assets	$	41,108,919
LIABILITIES		
Accounts payable	$	721
NET ASSETS		
Assets held in trust for employee post employment benefits		41,108,198
TOTAL LIABILITIES AND NET ASSETS	$	41,108,919

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

CITY OF NEWARK, DELAWARE
STATEMENT OF CHANGES IN NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010

	Pension and Other Benefits Funds
ADDITIONS	
Contributions:	
Employer	$ 3,357,710
State aid - police	269,544
Employee	549,167
Total contributions	4,176,421
Investments:	
Investment earnings	607
Net increase in fair value of investments	4,636,432
Total investment earnings	4,637,039
Total additions	8,813,460
DEDUCTIONS	
Benefits	3,076,364
Administrative expenses	294,257
Total Deductions	3,370,621
Change in Net Assets	5,442,839
Net Assets - Beginning of Year	35,665,359
Net Assets - End of Year	$ 41,108,198

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. 53.

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 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

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

provider 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 2002 and 2004.

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.

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

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 was established toward the end of 2008 for the purpose of funding, accounting, and reporting 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 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.

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

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, 2010 for the City's governmental activities include real estate taxes receivables, home buyer's assistance program receivables, grants receivables, permits and licenses receivables, liens receivables, 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. In 2009, an allowance for doubtful accounts was established. Included in this allowance are 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 .14 percent of annual revenues, excluding adjustments, penalties and miscellaneous revenues. This amount approximates the City's actual loss experience.

As of December 31, 2010, the allowance for doubtful accounts amounted to $204,240 in the Electric Fund, $18,306 in the Water Fund, and $23,784 in the Sewer Fund.

Inventories And Prepaid Items

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

Capital Assets

Capital assets including property, plant and equipment are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City has defined capital assets as assets with a minimum 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.

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

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 year	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.

In the governmental fund financial statements, reservations of fund balances represent amounts that are legally restricted by outside parties for use for a specific purpose or are otherwise not available for appropriation. Designations of unrestricted fund balances represent tentative management plans that are subject to change.

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

Property Taxes

Property taxes attach as an enforceable lien on property when levied. Taxes are levied on July 1 and are payable on or before September 30. Taxes paid after the payable date are assessed a five percent penalty for nonpayment and one and one-half percent interest per month thereafter. The City bills and collects its own property taxes. City property tax revenues are recognized on a pro rata basis. An allowance for doubtful accounts is calculated on tax balances of identified properties where amounts due may not be collected at the time of a title transfer and one percent of the remaining tax receivable balance. The property tax rate for 2010 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.

b. The City Council adopts legal annual budgets for the General Fund, Proprietary Funds, Street Fund, Special Parks Revenue Funds, and the Debt Service 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 in the accompanying financial statements.

c. The City Manager is authorized to transfer budget amounts between departments within any fund; however, any revisions that alter the total appropriations of any fund must be approved by the City Council. Therefore, the level of budgetary responsibility is by total appropriations; however, for report purposes, this level has been expanded to a functional basis. Budget appropriations lapse at year-end.

d. The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

Revenue and Expenditures

For the year ended December 31, 2010, actual revenues in the General Fund exceeded budgeted revenues by $1,647,777. This amount represents greater than anticipated revenues mostly in Transfer Taxes, Permits, Fines and Forfeits.

Operating expenditures were $230,529 less than appropriated.

NOTE 2 CASH, CASH EQUIVALENTS AND INVESTMENTS

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. The City does not have a written policy for custodial credit risk. At December 31, 2010, the carrying amount of the City's cash accounts and cash on hand was $10,768,125. The bank balances were $11,365,245. Of the bank balances, $500,000 was covered by Federal Depository Insurance. The remaining balance of $10,865,245 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 fund deposits reflected in Note 9.

Investments

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

As of December 31, 2010 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	$ 8,252,970	$ 2,244,496	$ 6,008,474	$ -	$ -
Total	$ 8,252,970	$ 2,244,496	$ 6,008,474	$ -	$ -

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.

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

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 are bonded.

Concentration of Credit Risk

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

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

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

As of December 31, 2010, 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, 2010 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital assets not being depreciated				
Land	$ 4,989,380	$ 510,000	$ -	$ 5,499,380
Construction In Progress	-	50,000	-	50,000
Total capital assets not being depreciated	4,989,380	560,000	-	5,549,380
Capital assets being depreciated				
Buildings	9,934,233	116,905	-	10,051,138
Improvements	15,858,373	669,729	-	16,528,102
Machinery and Equipment	10,992,318	643,470	(272,441)	11,363,347
Total capital assets being depreciated	36,784,924	1,430,104	(272,441)	37,942,587
Less Accumulated Depreciation for:				
Buildings	4,327,083	265,857	-	4,592,940
Improvements	5,290,288	584,170	-	5,874,458
Machinery and Equipment	7,919,887	1,023,730	(258,136)	8,685,481
Total Accumulated Depreciation	17,537,258	1,873,757	(258,136)	19,152,879
Total capital assets being depreciated, net	19,247,666	(443,653)	(14,305)	18,789,708
Governmental Activities Capital Assets, Net	$ 24,237,046	$ 116,347	$ (14,305)	$ 24,339,088

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	30,000	292,742	-	322,742
Total capital assets not being depreciated	8,818,127	292,742	-	9,110,869
Capital assets being depreciated				
Buildings	21,617,208	101,622	-	21,718,830
Improvements	50,406,733	981,368	-	51,388,101
Machinery and Equipment	2,577,056	192,344	(62,746)	2,706,654
Total capital assets being depreciated	74,600,997	1,275,334	(62,746)	75,813,585
Less Accumulated Depreciation for:				
Buildings	11,973,518	734,868	-	12,708,386
Improvements	19,363,680	1,121,938	-	20,485,618
Machinery and Equipment	1,793,701	197,340	(62,110)	1,928,931
Total Accumulated Depreciation	33,130,899	2,054,146	(62,110)	35,122,935
Total capital assets being depreciated, net	41,470,098	(778,812)	(636)	40,690,650
Business-Type Activities Capital Assets, Net	$ 50,288,225	$ (778,812)	$ (636)	$ 49,801,519

Depreciation expense was charged to the functions as follows:	
General Government	$286,580
Public Safety	566,351
Public Works	818,691
Culture and Recreation	148,093
Capital assets held by the government's internal service funds are charged to the various functions based on their usage	54,042
Total Depreciation Expense - Governmental Activities	$1,873,757
Business-type Activities:	
Electric	$783,326
Water	967,313
Sewer	194,008
Parking	109,499
Total Depreciation Expense - Business-type Activities	$2,054,146

NOTE 4 LONG-TERM DEBT

General Obligation Bonds

General obligation bonds have been issued for both governmental and business-type activities. All bonds outstanding on December 31, 2010 are general obligation debt supported by the full faith and credit of the City.

The 2000 Series General Obligation Bonds were issued to partially reimburse funds advanced for the acquisition of a reservoir site and adjacent open space and to pay the costs of issuing the bonds. The bonds mature September 1, 2003 through September 1, 2020 and bear interest rates that vary from 4.6 percent to 5.1 percent, payable March 1 and September 1. Property tax revenues will be used to pay the principal and interest due on the bonds. The balance outstanding as of December 31, 2010 was $1,670,000.

The 2002 Series General Obligation Bonds were issued to provide funds for the construction of a water reservoir and South Wellfield water treatment plant and to pay the costs of issuing the bonds. The bonds mature September 15, 2003 through September 15, 2022 and bear interest at rates that vary from 2.0% to 4.5%, payable March 15 and September 15. Water service fees will be used to pay the principal and interest due on the bonds. The balance outstanding as of December 31, 2010 was $12,685,000.

The 2004 Series A General Obligation Bonds were issued to provide funds necessary for the current refunding of the City's General Obligation Bonds, Series of 1993. The bonds matured January 15, 2005 through January 15, 2010 with interest at a rate of 2.41 percent, paid January 15 and July 15. Property tax revenues were used to pay the principal and interest due on the bonds. The was no outstanding balance as of December 31, 2010.

General obligation bonds currently outstanding are as follows:

Purpose	Amount
Governmental activities	$ 1,670,000
Business-type activities	12,685,000
	$14,355,000

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

Year Ending December 31	Governmental Activities Principal	Interest	Total	Business Type Activities Principal	Interest	Total
2011	$130,000	$81,915	$211,915	$840,000	$526,330	$1,366,330
2012	140,000	75,805	215,805	870,000	492,730	1,362,730
2013	145,000	69,155	214,155	900,000	457,930	1,357,930
2014	155,000	62,195	217,195	935,000	421,930	1,356,930
2015	160,000	54,755	214,755	970,000	384,530	1,354,530
2016-2020	940,000	145,665	1,085,665	5,545,000	1,301,920	6,846,920
2021-2022	-	-	-	2,625,000	177,370	2,802,370
	$1,670,000	$489,490	$2,159,490	$12,685,000	$3,762,740	$16,447,740

NOTE 5 CHANGES IN LONG-TERM LIABILITIES

Long term liability activity for the year ended December 31, 2010, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds Payable	$ 1,955,000	$ -	$ (285,000)	$ 1,670,000	$ 130,000
Compensated absences	566,001	1,265,695	(1,202,998)	628,698	62,870
Long-Term Liabilities	$ 2,521,001	$ 1,265,695	$ (1,487,998)	$ 2,298,698	$ 192,870
Business Type Activities:					
Bonds Payable	$ 13,500,000	$ -	$ (815,000)	$ 12,685,000	$ 840,000
Plus: deferred amounts - bond premium	84,169	-	(6,474)	77,695	6,474
Total bonds payable	$ 13,584,169	$ -	$ (821,474)	$ 12,762,695	$ 846,474
Compensated absences	83,407	270,833	(258,625)	95,615	9,560
Long-Term Liabilities	$ 13,667,576	$ 270,833	$ (1,080,099)	$ 12,858,310	$ 856,034

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, 2010, $13,058 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, 2010 were as follows:

	Transfer In	Transfer Out
General Fund	$ 13,102,525	$ 4,242,257
Capital Projects Fund	1,990,261	9,285
Nonmajor Governmental Funds	1,861,908	7,256
Electric Fund	-	12,096,726
Water Fund	-	1,017,639
Sewer Fund	-	-
Parking Fund	-	1,531
Internal Service fund	420,000	-
Total Transfers	$ 17,374,694	$ 17,374,694

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 FUND BALANCE

Amounts are reserved for the following purposes:

Inventory	$ 39,648
Prepaid Items	119,723
Capital Projects	6,788,596
Debt Service	46,620
Law Enforcement Fund	242,536
Insurance	988,448
Parks and Recreation	165,109
	$ 8,390,680

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.

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, Frank Russell Trust Company 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 eligible to enroll in the plan immediately upon hire. Prior service as a part-time or temporary employee is not considered.

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

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

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

NOTE 8 PENSIONS (cont'd)

years of credited service. The early retirement benefit is actuarially reduced unless the sum of years of service and age is equal to 85. There are no early retirement options for Special Police.

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

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

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

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

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

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

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 2010 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.

NOTE 8 PENSIONS (cont'd)

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 2010

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, 2010 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.

The unfunded actuarial accrued liabilities are funded over an open 30-year period from the valuation date at the rate of 7.5 percent per year.

Annual required contribution	$ 2,277,619
Interest on net pension obligation	(26,765)
Adjustment to annual required contribution	28,099
Annual pension cost	2,278,953
Contributions made	2,469,544
Increase (decrease) in net pension obligation	(190,591)
Net pension asset, beginning of year	(356,860)
Net pension asset, end of year	$ (547,451)

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
2008	$ 1,607,872	$ 1,710,432	106%	$ (297,251)
2009	1,961,358	2,020,967	103%	(356,860)
2010	2,278,953	2,469,544	108%	(547,451)

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% 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) projected salary increases of 4.5 percent per year, (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. Assumptions for inflation are implicit in assumptions for the investment rate of return, salary increases, and employee contributions.

NOTE 8 PENSIONS (cont'd)

The City's annual employer pension cost for the fiscal year ended December 31, 2010 was $2,278,953. The contributions for the year by various City funds totaled $2,469,544 including $269,544 of funds provided by the State of Delaware. The State aid for police pension is recorded through the general fund escrow account.

Plan Membership

As of January 1, 2010, the most recent actuarial valuation, employee membership consisted of:

Police and Nonpolice Participants	Police	Non Police	Total
Active Employees	65	160	225
Retired and disabled members receiving benefits	56	92	148
Deferred vested participants	1	8	9
Total	122	260	382

The City's total payroll for all employees covered by Plan for the current year was $12,735,266. Participation in the Plan is voluntary and virtually all eligible employees have chosen to participate.

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.

NOTE 8 PENSIONS (cont'd)

Concentration of Plan Assets

As of December 31, 2010 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.

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, 2005	$32,017,782	$41,509,811	$9,492,029	77.13%	$10,720,609	88.54%
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%

Schedule of Contributions from Employer and Other Contributing Entities

Valuation Date	Annual Required Contribution	Actual Contribution	Percentage Contributed
January 1, 2005	$1,453,304	$1,542,735	106.15%
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%

NOTE 8 PENSIONS (cont'd)

The condensed financial statements as of and for the year ended December 31, 2009 are as follows:

Statement of Plan Net Assets
Employees Pension Trust Fund
As of December 31, 2010

ASSETS		
Investments:		
Domestic equity mutual funds	$	15,904,568
International equity mutual funds		8,056,608
Fixed income mutual funds		11,944,496
Real estate equity funds		2,716,788
Obligations of U.S. governments & agencies		457,431
Contributions receivable		67,872
Total Assets	$	39,147,763
LIABILITIES		
Accounts Payable		-
Total Liabilities		-
NET ASSETS		
Assets held in trust for employee post employment benefits		39,147,763
TOTAL LIABILITIES AND NET ASSETS	$	39,147,763

NOTE 8 PENSIONS (cont'd)

Statement of Changes in Plan Net Assets
Employees Pension Trust Fund
For the Year Ended December 31, 2010

ADDITIONS	
Contributions:	
Employer contributions	$ 2,200,000
State aid - police	269,544
Employee contributions	480,150
Total contributions	2,949,694
Investments:	
Net increase (decrease) in	
fair value of investments	4,624,780
Total investments earnings (deficit)	4,624,780
Total additions	7,574,474
DEDUCTIONS	
Benefits	2,834,389
Administrative expenses	291,060
Total Deductions	3,125,449
Change in Net Assets	4,449,025
Net Assets - January 1	34,698,738
Net Assets - December 31	$ 39,147,763

NOTE 9 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. On June 23, 2008, City Council approved a $10.6 million settlement for the litigation regarding the construction of a reservoir. Of this amount, $3.6 million is above the insurance limit of $7 million and was paid by the City directly. There have been no other losses above the insurance limits during the last four 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. There were seven outstanding workers compensation claims at December 31, 2010.

NOTE 9 RISK MANAGEMENT (cont'd)

Fiscal Year	Aggregate Liability for Claims 1/1/10	Current Year Claims	Actual Claims Payments	Aggregate Liability for Claims 12/31/10
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	-
2006	-	211,571	211,571	-

NOTE 10 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 will no longer be 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 11 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. For the year ended December 31, 2010, the current premium cost of those benefits was $241,975.

Participant data consisted of the following at January 1, 2009, the date of the latest actuarial valuation:

Participants	
Active	227
Retired	63
Total	290

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 2010, the City contributed $1,145,110 to prefund benefits and to pay current premiums for post employment benefits.

NOTE 11 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	$1,098,196
Interest on net OPEB obligation	31,298
Adjustment to annual required contribution	(24,854)
Annual OPEB cost (expense)	1,104,640
Contributions made	1,145,110
Decrease in net OPEB obligation	(40,470)
Net OPEB obligation, beginning of year	689,419
Net OPEB obligation, end of year	$648,949

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010, the first year of the plan, were as follows:

Calendar Year Ended	Annual OPEB cost	% of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2008	$930,000	51.1%	$454,916
12/31/2009	1,067,503	78.0%	689,419
12/31/2010	1,104,640	103.7%	648,949

NOTE 11 OTHER POST EMPLOYMENT BENEFITS (cont'd)

Funded Status

As of January 1, 2009, the most recent actuarial valuation date, the plan was 2.59 percent funded. The actuarial accrued liability for benefits was $11.58 million, the actuarial value of assets was $300,007, and the unfunded actuarial accrued liability was $11.28 million. The covered payroll (annual payroll of active employees covered by the plan) was $12.71 million, and the ratio of UAAL to the covered payroll was (UAAL) 88.7 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%

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 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. Expected medical costs were based on actual City of Newark insured premium amounts and plan enrollment, standard actuarial factors to translate premiums into expected claims by age, and health care trend/inflation beginning at ten percent, grading down to five percent over ten years. Actuarial cost methods allocate the present value of benefits to past and future periods of service. 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 investment return used was the five year phase-in to fully funded annual required contribution (ARC) with an effective 6.88 percent rate of return over thirty years. 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 11 OTHER POST EMPLOYMENT BENEFITS (cont'd)

The condensed financial statements as of and for the year ended December 31, 2010 are as follows:

Statement of Plan Net Assets
Other Post Employment Benefits Plan
As of December 31, 2010

ASSETS		
Cash and cash equivalents	$	11,886
Investments:		
Money market funds		1,797,470
Accounts Receivable		1,630
Total Assets	$	1,810,986
LIABILITIES		
Accounts Payable	$	721
Total Liabilities		721
NET ASSETS		
Assets held in trust for employee post employment benefits		1,810,265
TOTAL LIABILITIES AND NET ASSETS	$	1,810,986

NOTE 11 OTHER POST EMPLOYMENT BENEFITS (cont'd)

Statement of Changes in Plan Net Assets
Other Post Employment Benefits Plan
For the Year Ended December 31, 2010

ADDITIONS	
Contributions:	
Employer contributions	$ 1,145,110
Total contributions	1,145,110
Investments:	
Investment earnings	607
Net increase (decrease) in fair value of investments	-
Total investments earnings (deficit)	607
Total additions	1,145,717
DEDUCTIONS	
Benefits	241,975
Administrative expenses	3,147
Total Deductions	245,122
Change in Net Assets	900,595
Net Assets - January 1	909,670
Net Assets - December 31	$ 1,810,265

NOTE 12 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.

The condensed financial statements as of and for the year ended December 31, 2010 are as follows:

Statement of Plan Net Assets
Section 401(a) Retirement Fund
As of December 31, 2010

ASSETS		
Investments:		
Domestic equity mutual funds	$	65,780
International equity mutual funds		11,812
Fixed income mutual funds		22,541
Obligations of U.S. governments & agencies		8,236
Total Assets	$	108,369
LIABILITIES		
Accounts Payable	$	-
Total Liabilities		-
NET ASSETS		
Assets held in trust for employee post employment benefits		108,369
TOTAL LIABILITIES AND NET ASSETS	$	108,369

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

Statement of Changes in Plan Net Assets
Section 401(a) Retirement Fund
For the Year Ended December 31, 2010

ADDITIONS		
Contributions:		
Employer contributions	$	12,600
Employee contributions		30,000
Total contributions		42,600
Investments:		
Net increase (decrease) in		
fair value of investments		8,818
Total investments earnings (deficit)		8,818
Total additions		51,418
Net Assets - January 1		56,951
Net Assets - December 31	$	108,369

NOTE 13 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, 2010 are as follows:

Statement of Plan Net Assets
Retirement Health Savings Plan
As of December 31, 2010

ASSETS		
Investments:		
Domestic equity mutual funds	$	41,801
Total Assets	$	41,801
LIABILITIES		
Accounts Payable	$	-
Total Liabilities		-
NET ASSETS		
Assets held in trust for employee post		
employment benefits		41,801
TOTAL LIABILITIES AND NET ASSETS	$	41,801

NOTE 13 RETIREMENT HEALTH SAVINGS PLAN (cont'd)

Statement of Changes in Plan Net Assets
Retiree Health Savings Plan
For the Year Ended December 31, 2010

ADDITIONS	
Contributions:	
Employee contributions	$ 39,017
Total contributions	39,017
Investments:	
Net increase (decrease) in	
fair value of investments	2,834
Total investments earnings (deficit)	2,834
Total additions	41,851
DEDUCTIONS	
Administrative expenses	50
Total Deductions	50
Change in Net Assets	41,801
Net Assets - January 1	-
Net Assets - December 31	$ 41,801

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 will be required to perform quarterly sampling of two wells on site and send the results to DNREC for review and determination of further action. DNREC will issue a proposed plan of remedial action for this site, recommending no further action based on restricted land use. 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 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. The site has the potential to be reused or redeveloped once it is cleaned up. 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 has since entered into a Brownfield Voluntary Cleanup Program agreement with the State. This agreement would provide funds for testing and, if needed, 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. Currently, the City is conducting a community outreach to seek input on the future use of the site.

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.

The City entered into a separate power sales agreement effective May 1, 2001 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.

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

The City was in litigation regarding the construction of a reservoir near the White Clay Creek. Construction began in June 2002 and was scheduled to be completed in December 2003. The general contractor hired to build the project stopped most work in September 2003 and refused to continue performance of major components of the work, arguing that the project could not be built as designed. After attempts to mediate the dispute, the contract was terminated by the City in early 2004. The contractor filed a civil suit against the City in the U.S. District Court for Delaware alleging breach of contract, defamation, and civil rights violations.

The trial phase of the civil suit initiated by the terminated contractor in 2004 concluded on October 6, 2006. A federal jury awarded the plaintiff $25 million in civil rights damages for preclusion of the contractor's right to pursue post-termination business without due process and approximately $11 million in contract damages. Subsequent to post-trial motions, the judge reduced the contract damages award to $630,819. The City appealed in the Third U.S. Circuit Court of Appeals in Philadelphia, Pennsylvania. Subsequent to the filing of the appeal, the parties have agreed to enter into a nonbinding mediation to resolve the dispute. Such mediation occurred in May 2008. On June 23, 2008, City Council approved a $10.6 million settlement for the litigation regarding the construction of a reservoir. Of this amount, $3.6 million is above the insurance limit of $7 million and was paid by the City directly.

The City was also a party to a claim settlement associated with the reservoir litigation. Such claim settlement, which offset the $10.6 million settlement to a small degree, was received in June 2010.

There are two pending lawsuits and one potential lawsuit in which the City is involved. The City attorney estimates that the first claim will be defended well within the City's liability policy limits.

The second 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 are seeking to be certified as a class of all Newark landlords. The City has retained outside counsel to assist in the defense of this case. Depositions and written discovery must be completed by September 2011, motions for summary judgment are due by December 2011, and trial date is March 2012. If the landlords are successful in their claim, the City attorney estimates potential settlement could exceed $2.0 million. This amount has not been accrued in the City's financial statements.

It is uncertain if the potential claim will be filed. The possible liability, if any, is not currently determinable.

Reuse the past, Recycle the present, Save the future

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF NEWARK, DELAWARE
PENSION FUNDING PROGRESS
DECEMBER 31, 2010

The following required supplementary information is provided 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.

Actuarial Valuation Date	Plan Assets	Actuarial Accrued Liability (AAL)	Unfunded Accrued Liability	Funded Ratio	Payroll	Unfunded AAL as a Percentage of Payroll
January 1, 2005	$32,017,782	$41,509,811	$9,492,029	77.13%	$10,720,609	88.54%
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%

City of Newark
Schedule of OPEB Funding Progress
December 31, 2010

Actuarial Valuation Date	Plan Assets	Actuarial Accrued Liability (AAL)	Unfunded Accrued Liability	Funded Ratio	Payroll	Unfunded AAL as a Percentage of Payroll
January 1, 2007	$0	$11,740,000	$11,740,000	0.0%	$11,634,740	100.9%
January 1, 2009	$300,007	$11,582,043	$11,282,036	2.59%	$12,712,244	88.7%

CITY OF NEWARK, DELAWARE
SCHEDULE OF EMPLOYER CONTRIBUTIONS
DECEMBER 31, 2010

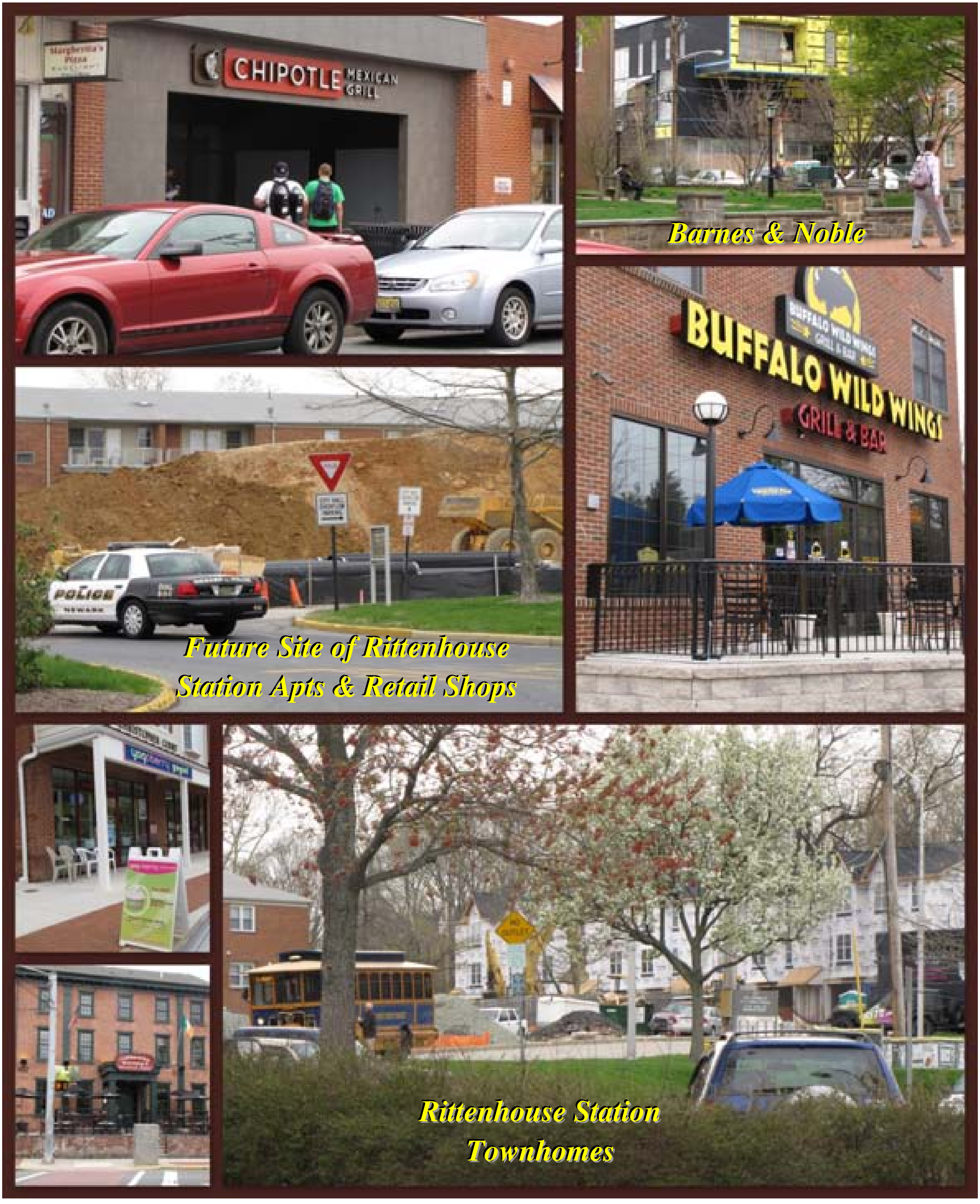
The following required supplementary information is presented in accordance with GASB Statement No. 25. The plan has an actuarial valuation preformed each year and the schedule below presents information for the past six plan years.

Valuation Date	Annual Required Contribution	Actual Contribution	Percentage Contributed
January 1, 2005	$1,453,304	$1,542,735	106.15%
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%

City of Newark
Schedule of Annual OPEB Cost
December 31, 2010

Calendar Year Ended	Annual OPEB cost	% of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2008	$930,000	51.1%	$454,916
12/31/2009	1,067,503	78.0%	689,419
12/31/2010	1,104,640	81.5%	648,949

Fostering Economic Growth



COMBINING FUND STATEMENTS

CITY OF NEWARK, DELAWARE
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2010
(with Summarized Comparative Data as of December 31, 2009)

		Special Revenue Funds					Totals	
	Debt Service	Street Fund	Insurance Fund	Community Development Fund	Law Enforcement	Parks and Recreation	2010	2009
ASSETS								
Cash and cash equivalents	$ 46,620	$ 194,462	$ 272,813	$ 10,211	$ 37,199	$ 164,484	$ 725,789	$ 840,878
Investments	-	-	715,909	-	-	-	715,909	712,521
Accounts receivable	-	35,629	1,345	76,811	252,452	625	366,862	261,252
Inventory	-	29,776	-	-	-	-	29,776	39,848
Prepaid expenses	-	4,504	-	-	92	-	4,596	1,179
Total assets	$ 46,620	$ 264,371	$ 990,067	$ 87,022	$ 289,743	$ 165,109	$ 1,842,932	$ 1,855,678
LIABILITIES								
Accounts payable	$ -	$ 26,493	$ 1,619	$ 37,022	$ 26,705	$ -	$ 91,839	$ 84,266
Deferred revenues	-	-	-	-	7,620	-	7,620	23,000
Due to other funds	-	-	-	50,000	-	-	50,000	200,000
Other liabilities	-	-	-	-	12,790	-	12,790	12,790
Total liabilities	-	26,493	1,619	87,022	47,115	-	162,249	320,056
FUND BALANCES								
Reserved for:								
Inventory	-	29,776	-	-	-	-	29,776	39,848
Prepaid Items	-	4,504	-	-	92	-	4,596	1,179
Debt service	46,620	-	-	-	-	-	46,620	46,620
Law enforcement	-	-	-	-	242,536	-	242,536	199,549
Self insurance	-	-	988,448	-	-	-	988,448	772,111
Parks and recreation	-	-	-	-	-	165,109	165,109	155,986
Unreserved	-	203,598	-	-	-	-	203,598	320,329
Total fund balances	46,620	237,878	988,448	-	242,628	165,109	1,680,683	1,535,622
Total liabilities and fund balances	$ 46,620	$ 264,371	$ 990,067	$ 87,022	$ 289,743	$ 165,109	$ 1,842,932	$ 1,855,678

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

CITY OF NEWARK, DELAWARE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010
(with Summarized Comparative Data as of December 31, 2009)

		Special Revenue Funds					Totals	
	Debt Service	Street Fund	Insurance Fund	Community Development Fund	Law Enforcement	Parks and Recreation	2010	2009
REVENUES								
Fines, forfeits and costs	$ -	$ -	$ -	$ -	$ 25,301	$ -	$ 25,301	$ 26,042
Interest, dividends and rents	-	57	16,089	-	73	-	16,219	40,103
Intergovernmental revenues	-	35,276	-	352,997	540,885	20,447	949,605	723,539
Charges for services	-	115	-	-	-	-	115	640
Total revenues	-	35,448	16,089	352,997	566,259	20,447	991,240	790,324
EXPENDITURES								
Current:								
General Government	-	-	13	-	-	-	13	60,222
Public Safety	-	-	27,537	-	256,594	-	284,131	355,116
Public Works	-	1,350,491	39,516	-	-	-	1,390,007	1,418,360
Community Development	-	-	-	297,483	-	-	297,483	173,473
Culture and recreation	-	-	19,876	-	-	11,923	31,799	26,974
Debt Service:								
Principal	285,000	-	-	-	-	-	285,000	450,000
Interest	89,718	-	-	-	-	-	89,718	101,262
Capital Outlay	-	-	-	55,514	267,166	-	322,680	586,864
Total expenditures	374,718	1,350,491	86,942	352,997	523,760	11,923	2,700,831	3,172,271
Excess (deficiency) of revenues over (under) expenditures	(374,718)	(1,315,043)	(70,853)	-	42,499	8,524	(1,709,591)	(2,381,947)
OTHER FINANCING SOURCES (USES)								
Transfers in	374,718	1,200,000	287,190	-	-	-	1,861,908	2,093,725
Transfers out	-	(7,256)	-	-	-	-	(7,256)	(362,878)
Total other financing sources and (uses)	374,718	1,192,744	287,190	-	-	-	1,854,652	1,730,847
Net change in fund balances	-	(122,299)	216,337	-	42,499	8,524	145,061	(651,100)
Fund balances - January 1	46,620	360,177	772,111	-	200,129	156,585	1,535,622	2,186,722
Fund balances - December 31	$ 46,620	$ 237,878	$ 988,448	$ -	$ 242,628	$ 165,109	$ 1,680,683	$ 1,535,622

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

CITY OF NEWARK, DELAWARE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts (Budgetary Basis)	
REVENUES				
Total revenues	$ -	$ -	$ -	$ -
EXPENDITURES				
Debt service:				
Principal	285,000	285,000	285,000	-
Interest	89,718	89,718	89,718	-
Total debt service	374,718	374,718	374,718	-
Total expenditures	374,718	374,718	374,718	-
Deficiency of revenues under expenditures	(374,718)	(374,718)	(374,718)	-
Other Financing Sources (Uses)				
Transfers In	374,718	374,718	374,718	-
Transfers Out	-	-	-	-
Total other financing sources and uses	374,718	374,718	374,718	-
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, DELAWARE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
STREET SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts (Budgetary Basis)	Positive (Negative)
REVENUES				
Intergovernmental revenues	$ -	$ -	$ 35,276	$ 35,276
Interest, dividends and rents	600	600	57	(543)
Charges for service	500	500	115	(385)
Total revenues	1,100	1,100	35,448	34,348
EXPENDITURES				
Current:				
Public works:				
Highways and streets	2,185,236	2,185,236	1,350,491	834,745
Total public works	2,185,236	2,185,236	1,350,491	834,745
Total expenditures	2,185,236	2,185,236	1,350,491	834,745
Excess (deficiency) of revenues over (under) expenditures	(2,184,136)	(2,184,136)	(1,315,043)	869,093
Other Financing Sources (Uses)				
Transfers In	2,200,000	2,200,000	1,200,000	(1,000,000)
Transfers Out	-	-	(7,256)	(7,256)
Total other financing sources and uses	2,200,000	2,200,000	1,192,744	(1,007,256)
Net change in fund balances	15,864	15,864	(122,299)	(138,163)
Fund Balances - January 1	360,177	360,177	360,177	-
Fund Balances - December 31	$ 376,041	$ 376,041	$ 237,878	$ (138,163)

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

CITY OF NEWARK, DELAWARE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
INSURANCE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

	Budgeted Amounts			Variance with Final Budget - Positive
	Original	Final	Actual	(Negative)
REVENUES				
Intergovernmental revenues	$ -	$ -	$ -	$ -
Interest, dividends and rents	18,200	18,200	16,089	(2,111)
Total revenues	18,200	18,200	16,089	(2,111)
EXPENDITURES				
Current:				
General government	56,043	56,043	13	56,030
Public safety	30,383	30,383	27,537	2,846
Public works	56,339	56,339	39,516	16,823
Culture and recreation	2,235	2,235	19,876	(17,641)
Total Insurance Special Revenue Fund	145,000	145,000	86,942	58,058
Total expenditures	145,000	145,000	86,942	58,058
Excess (deficiency) of revenues over (under) expenditures	(126,800)	(126,800)	(70,853)	55,947
Other Financing Sources (Uses)				
Transfers In	130,000	130,000	287,190	157,190
Transfers Out	-	-	-	-
Total other financing sources and uses	130,000	130,000	287,190	157,190
Net change in fund balances	3,200	3,200	216,337	213,137
Fund Balances - January 1	772,111	772,111	772,111	-
Fund Balances - December 31	$ 775,311	$ 775,311	$ 988,448	$ 213,137

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

CITY OF NEWARK, DELAWARE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
COMMUNITY DEVELOPMENT BLOCK GRANT FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts (Budgetary Basis)	Positive (Negative)
REVENUES				
Intergovernmental revenues	$ 404,144	$ 404,144	$ 352,997	$ (51,147)
Total revenues	404,144	404,144	352,997	(51,147)
EXPENDITURES				
Current:				
Community development:				
Community Development & Subventions	292,034	292,034	297,483	(5,449)
Total Community Development	292,034	292,034	297,483	(5,449)
Capital Outlay	112,110	112,110	55,514	56,596
Total expenditures	404,144	404,144	352,997	51,147
Excess of revenues over expenditures	-	-	-	-
Other Financing Sources (Uses)				
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Total other financing sources and uses	-	-	-	-
Net change in fund balances	-	-	-	-
Fund Balances - January 1	-	-	-	-
Fund Balances - December 31	$ -	$ -	$ -	$ -

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

CITY OF NEWARK, DELAWARE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
LAW ENFORCEMENT SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

	Budgeted Amounts			Variance with Final Budget - Positive
	Original	Final	Actual Amounts (Budgetary Basis)	(Negative)
REVENUES				
Fines, forfeits and costs	$ 38,000	$ 38,000	$ 25,301	$ (12,699)
Interest, dividends and rents	-	-	73	73
Intergovernmental revenues	536,174	536,174	540,885	4,711
Total revenues	574,174	574,174	566,259	(7,915)
EXPENDITURES				
Current:				
Public safety:				
Police	305,174	305,174	256,594	48,580
Total public safety	305,174	305,174	256,594	48,580
Capital Outlay	200,000	200,000	267,166	(67,166)
Total expenditures	505,174	505,174	523,760	(18,586)
Excess (deficiency) of revenues over (under) expenditures	69,000	69,000	42,499	(26,501)
Other Financing Sources (Uses)				
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Total other financing sources and uses	-	-	-	-
Net change in fund balances	69,000	69,000	42,499	(26,501)
Fund Balances - January 1	200,129	200,129	200,129	-
Fund Balances - December 31	$ 269,129	$ 269,129	$ 242,628	$ (26,501)

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

CITY OF NEWARK, DELAWARE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
PARKS AND RECREATION SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts (Budgetary Basis)	
REVENUES				
Intergovernmental Revenue	22,800	22,800	20,447	(2,353)
Total revenues	22,800	22,800	20,447	(2,353)
EXPENDITURES				
Current:				
Culture and recreation:				
Parks and recreation	6,500	6,500	2,885	3,615
Landscape beautification	11,600	11,600	9,038	2,562
Total culture and recreation	18,100	18,100	11,923	6,177
Capital Outlay	-	-	-	-
Total expenditures	18,100	18,100	11,923	6,177
Excess (deficiency) of revenues over (under) expenditures	4,700	4,700	8,524	3,824
Other Financing Sources (Uses)				
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Total other financing sources and uses	-	-	-	-
Net change in fund balances	4,700	4,700	8,524	3,824
Fund Balances - January 1	156,585	156,585	156,585	-
Fund Balances - December 31	$ 161,285	$ 161,285	$ 165,109	$ 3,824

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

CITY OF NEWARK, DELAWARE
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2010
(with Summarized Comparative Data for Year Ended December 31, 2009)

	Employees Pension Trust Fund	Section 401(a) Retirement Fund	Other Post-Employment Benefits Fund	Retirement Health Savings Fund	2010	2009
ASSETS						
Cash and cash equivalents	$ -	$ -	$ 11,886	$ -	$ 11,886	$ 9,303
Investments:						
Money market funds	-	-	1,797,470	-	1,797,470	900,489
Domestic equity mutual funds	15,904,568	65,780	-	41,801	16,012,149	14,535,957
International equity mutual funds	8,056,608	11,812	-	-	8,068,420	7,334,606
Fixed income mutual funds	11,944,496	22,541	-	-	11,967,037	10,072,862
Real estate equity funds	2,716,788	-	-	-	2,716,788	2,409,777
Obligations of U.S. governments and agencies	457,430	8,236	-	-	465,666	330,610
Accounts Receivable	-	-	1,630	-	1,630	-
Contributions receivable	67,873	-	-	-	67,873	71,877
Total Assets	$ 39,147,763	$ 108,369	$ 1,810,986	$ 41,801	$ 41,108,919	$ 35,665,481
LIABILITIES						
Accounts payable	$ -	$ -	$ 721	$ -	$ 721	$ 122
Total Liabilities	-	-	721	-	721	122
NET ASSETS						
Assets held in trust for employee post employment benefits	39,147,763	108,369	1,810,265	41,801	41,108,198	35,665,359
TOTAL LIABILITIES AND NET ASSETS	$ 39,147,763	$ 108,369	$ 1,810,986	$ 41,801	$ 41,108,919	$ 35,665,481

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

CITY OF NEWARK, DELAWARE
COMBINING STATEMENT OF CHANGES IN NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010
(with Summarized Comparative Data for Year Ended December 31, 2009)

	Employees Pension Trust Fund	Section 401(a) Retirement Fund	Other Post-Employment Benefits Fund	Retirement Health Savings Fund	2010	2009
ADDITIONS						
Contributions:						
Employer contributions	$ 2,200,000	$ 12,600	$ 1,145,110	$ -	$ 3,357,710	$ 2,579,084
State aid - police	269,544	-	-	-	269,544	287,483
Employee contributions	480,150	30,000	-	39,017	549,167	506,530
Total contributions	2,949,694	42,600	1,145,110	39,017	4,176,421	3,373,097
Investments:						
Investment earnings	-	-	607	-	607	1,254
Net increase (decrease) in fair value of investments	4,624,780	8,818	-	2,834	4,636,432	6,020,261
Total investment earnings (deficit)	4,624,780	8,818	607	2,834	4,637,039	6,021,515
Total additions	7,574,474	51,418	1,145,717	41,851	8,813,460	9,394,612
DEDUCTIONS						
Benefits	2,834,389	-	241,975	-	3,076,364	2,808,195
Administrative expenses	291,060	-	3,147	50	294,257	280,411
Total Deductions	3,125,449	-	245,122	50	3,370,621	3,088,606
Change in Net Assets	4,449,025	51,418	900,595	41,801	5,442,839	6,306,006
Net Assets - January 1	34,698,738	56,951	909,670	-	35,665,359	29,359,353
Net Assets - December 31	$ 39,147,763	$ 108,369	$ 1,810,265	$ 41,801	$ 41,108,198	$ 35,665,359

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

Education is Key

STATISTICAL SECTION

STATISTICAL SECTION

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

<u>**Contents**</u> **Page**

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 EIGHT FISCAL YEARS
(accrual basis of accounting)

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
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
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
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
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
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
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
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
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
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

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

CITY OF NEWARK, DELAWARE
CHANGES IN NET ASSETS
LAST EIGHT FISCAL YEARS
(accrual basis of accounting)

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010 [1]
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
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
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
Community Development	339,837	520,893	349,775	643,663	308,268	391,652	173,473	297,483
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
Interest Expense	235,911	209,969	154,763	140,879	126,851	112,984	99,565	86,321
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
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
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
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
Parking	408,780	499,075	508,099	538,188	588,443	690,479	750,768	765,549
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
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
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]
Public Safety	455,618	724,281	614,251	589,566	935,273	800,518 [5]	681,636 [5]	1,641,801 [5]
Public Works	307,444	346,604	345,565	214,556	193,430	203,222	24,509	178,582
Culture and Recreation	512,050	509,959	508,156	574,454	585,475	614,836	609,299	522,701
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
Capital Grants and Contributions	1,188,028	314,611	27,300	23,000	153,996	861,235	941,869	1,698,039
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
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
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
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
Parking	493,387	578,383	648,538	754,160	757,340	807,875	894,013	1,138,887
Capital Grants and Contributions	-	58,231	585,189	118,094	86,742	125,765	-	660,740
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
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
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)
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
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

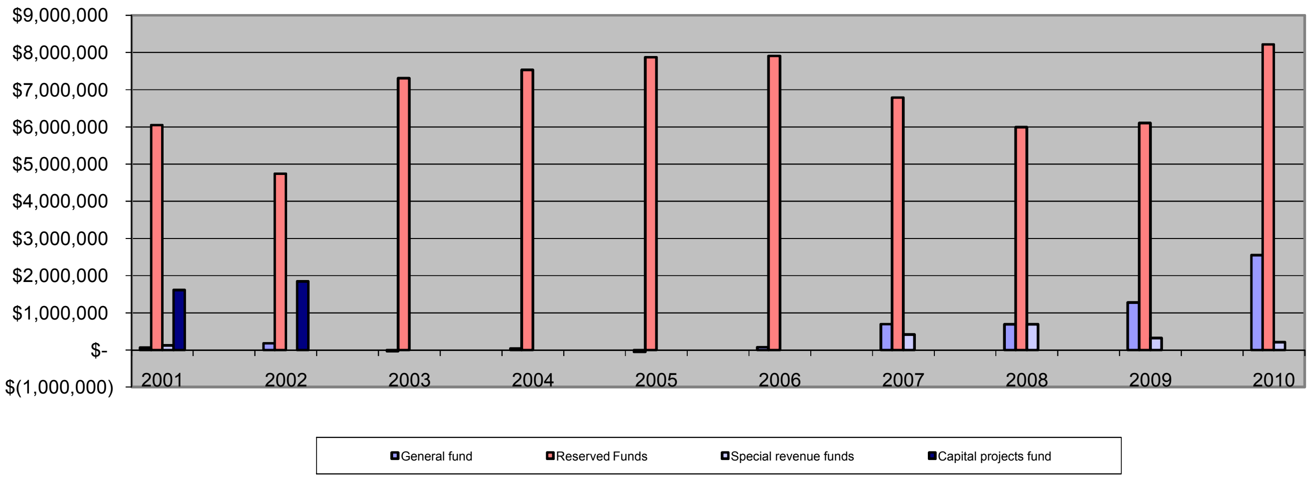
CITY OF NEWARK, DELAWARE
CHANGES IN NET ASSETS
LAST EIGHT FISCAL YEARS
(accrual basis of accounting)

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
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
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
Franchise fees	255,354	275,102	283,799	282,401	318,771	345,174	372,816	383,816
Fines and forfeits	1,239,830	1,329,392	1,646,455	1,620,792	1,775,150	- [5]	- [5]	-
Investment earnings	207,186	260,686	255,169	216,770	328,743	286,154	307,296	247,932
Increase (decrease) in fair value of investments	(246,695)	(39,786)	(220,807)	83,360	-	-	-	-
Miscellaneous	-	-	-	-	-	761	-	42
Proceeds from sale of capital assets	-	-	-	-	17,608	32,206	44,045	25,647
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
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
Business-type activities:								
Investment earnings	740,125	660,998	620,250	236,845	278,038	344,635	212,468	111,882
Increase (decrease) in fair value of investments	(518,472)	(57,185)	(324,041)	29,668	80,175	48,699	-	-
Miscellaneous	6,474	6,474	6,474	6,474	6,474	6,474	6,474	6,474
Gain (loss) on sale of capital assets	-	-	-	21,129	-	-	-	(636)
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)
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)
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
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
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
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

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.
Eighth 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)

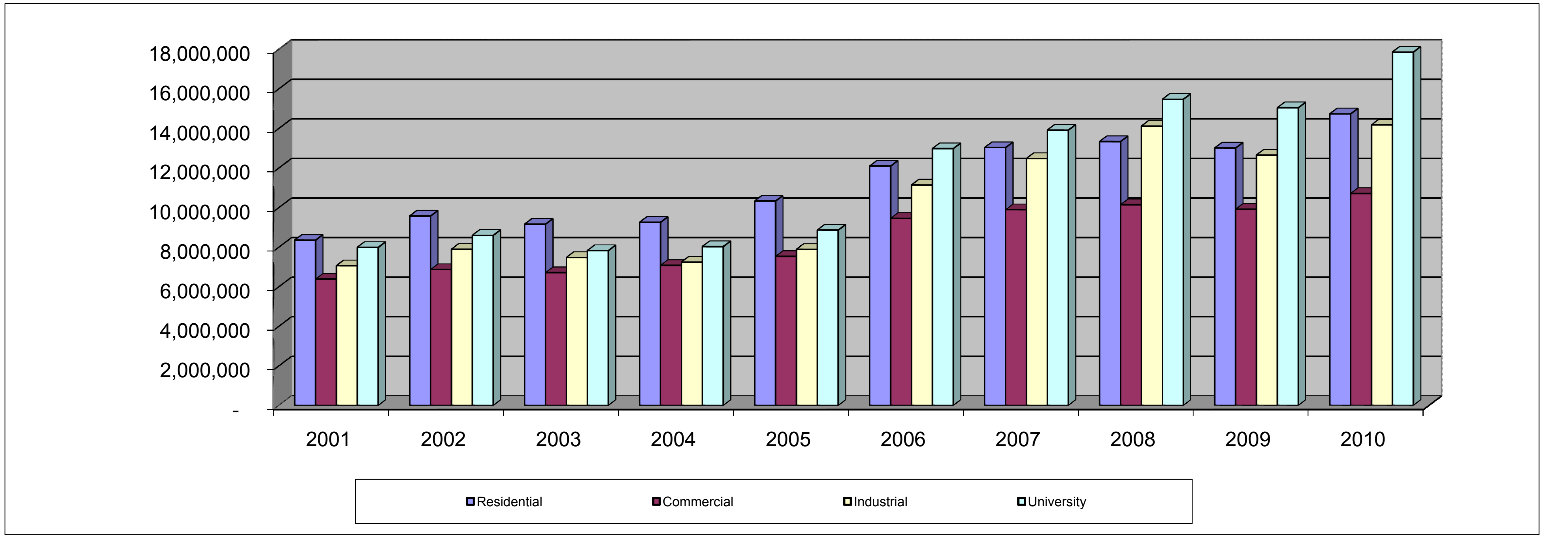


	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General fund										
Reserved	$ 19,570	$ 40,982	$ -	$ -	$ -	$ -	$ 50,171	$ 12,903	$ 110,139	$ 124,999
Unreserved (deficit)	40,627	135,073	(28,512)	39,041	(50,417)	71,213	645,971	675,353	1,168,040	2,424,341
Total general fund	$ 60,197	$ 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	$ 6,044,724	$ 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
Unreserved, reported in:										
Special revenue funds	123,805	-	-	-	-	-	416,179	691,617	320,329	203,598
Capital projects fund	1,614,826	1,842,672	-	-	-	-	-	-	-	-
Total all other governmental funds	$ 7,783,355	$ 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

CITY OF NEWARK, DELAWARE
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Revenues										
Taxes	$ 4,563,477	$ 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
Licenses and permits	1,094,121	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
Fines,forfeits and costs	1,563,335	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
Investment earnings	529,586	332,525	207,186	260,686	255,169	216,770	328,285	283,600	307,660	241,324
Intergovernmental revenues	2,019,193	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
Charges for services/fees	767,189	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
Subvention-University of Delaware	204,000	204,000	204,000	197,300	204,000	204,000	204,000	204,000	204,000	204,000
Miscellaneous	84,514	90,281	-	-	-	-	-	-	-	-
Total revenues	10,825,415	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
Expenditures										
General government	3,414,896	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
Public safety	6,039,881	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
Public works	4,187,026	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
Community development	-	-	-	520,893	349,775	643,663	308,268	391,652	173,473	297,483
Culture and recreation	1,664,863	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
(Increase) decrease in fair value of investments	(153,727)	(114,175)	246,695	39,786	220,807	(83,360)	-	-	-	-
Capital outlay	2,053,319	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
Debt service										
Principal	515,000	480,000	480,000	480,000	505,000	495,000	490,000	480,000	450,000	285,000
Interest and other charges	245,610	261,505	241,131	208,542	157,089	143,097	129,003	115,043	101,262	89,718
Total expenditures	17,966,868	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
Excess of revenues over (under) expenditures	(7,141,453)	(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)
Other financing sources (uses)										
Transfers in	8,733,500	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
Transfers out	(1,584,071)	(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)
Proceeds from debt	-	-	-	35,000	-	-	-	-	-	-
Bond issuance costs	-	-	-	(22,150)	-	-	-	-	-	-
Proceeds from sales of capital assets	84,352	32,518	46,056	84,396	22,734	40,889	17,608	32,206	44,045	53,121
Net effect of restatement	-	-	-	-	-	-	-	970,681	-	-
Total other financing sources (uses)	7,233,781	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
Net change in fund balances	$ 92,328	$ (1,088,559)	$ 524,414	$ 287,965	$ 252,183	$ 160,661	$ (79,992)	$ (526,014)	$ 328,218	$ 3,266,191
Debt service as a percentage of noncapital expenditures	3.2%	2.9%	2.6%	2.5%	2.5%	2.4%	2.3%	2.1%	2.0%	1.2%

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
2001	88,519,870	8,344,375	0.094	65,464,111	6,376,357	0.097	92,982,421	7,055,401	0.076	126,136,710	7,984,052	0.063	373,103,112	29,760,185	0.080
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

CITY OF NEWARK, DELAWARE
PRINCIPAL ELECTRIC UTILITY CUSTOMERS
DECEMBER 31, 2010

Customer	Type of Business	2010 Consumption (1)	2010 Rank	2010 Percentage of Total Consumption	2001 Consumption (1)	2001 Rank	2001 Percentage of Total Consumption
University of Delaware	Public University	144,370,338	1	35.55%	126,136,710	1	33.81%
Rohm & Haas Electronics	Manufacturing-Various	31,104,256	2	7.66%	20,178,696	2	5.41%
Power Systems Composites LLC	Wholesale Electric Equipment	6,823,152	3	1.68%			
E I Dupont De Nemours & Company	Chemicals and Synthetics	5,605,992	4	1.38%	10,957,968	3	2.94%
Fraunhofer USA, Inc.	Biotechnology Research	4,971,360	5	1.22%			
Supermarkets General Corp.	Retail-Groceries	4,157,000	6	1.02%	3,801,400	5	1.02%
618 G P Warehouse LLC	Warehousing	4,146,720	7	1.02%			
Christina School District	Public Schools	3,466,368	8	0.85%	2,643,496	10	0.71%
Verizon Communications	Public Utility	3,206,952	9	0.79%			
Acme Markets	Retail-Groceries	2,732,400	10	0.67%	3,006,480	6	0.81%
Honeywell Advanced Composites	Manufacturing-Armor Fibers	-		-	5,593,056	4	1.50%
Delaware Biotech Institute	Research	-		-	2,900,016	7	0.78%
ADVO, Inc.	Direct Mail Advertising	-		-	2,684,640	8	0.72%
Astro Power, Inc.	Manufacturing-Solar Panels	-		-	2,671,437	9	0.72%
		210,584,538		51.86%	180,573,899		48.42%

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 "U" 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
2001	518,037,000	902,534,300	663,782,065	756,789,235	0.4200	N/A
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**	**0.6458**	N/A

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

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 annually, therefore the estimated actual value is not available.

CITY OF NEWARK, DELAWARE
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS

	Direct Rate	Overlapping Rates		
Fiscal Year	City of Newark	New Castle County	Christina School District	Total Tax Rate
2001	0.4200	0.1580	1.2478	1.8258
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**

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, 2010

		2010			2001		
Customer	Type of Business	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Verizon Communication	Public Utility	$ 11,416,000	1	1.48%	$ 8,784,500	4	1.16%
BPG Hotel Partners, LLC	Hotel	11,112,300	2	1.44%	7,547,700	6	1.00%
Fusco Properties L P	Apartments	10,668,700	3	1.38%	11,540,900	2	1.52%
Pauline A. Mayer, Inc.	Retail Property Owner	10,484,500	4	1.36%	-		-
CHF-Delaware LLC	Apartments	9,769,700	5	1.27%	9,769,700	3	1.29%
Rohm and Haas Electronic Materials	Manufacturing	8,562,000	6	1.11%	7,318,500	8	0.97%
UDEL I LLC	Apartments	8,248,100	7	1.07%	-		-
Fusco Enterprises L P	Retail Property Owner	7,876,300	8	1.02%	7,876,300	5	1.04%
Emory Hill & Company	Industrial Park	7,781,700	9	1.01%	-		-
University of Delaware	Education (Non-exempt portion)	7,442,100	10	0.97%	7,512,360	7	0.99%
Chrysler Corporation	Manufacturing-Automobiles	-		-	55,075,955	1	7.28%
Interstate Business Park LP	Industrial Park	-		-	6,969,240	9	0.92%
Delmarva Power & Light Company	Public Utility	-		-	6,629,900	10	0.88%
		93,361,400		12.12%	129,025,055		17.05%

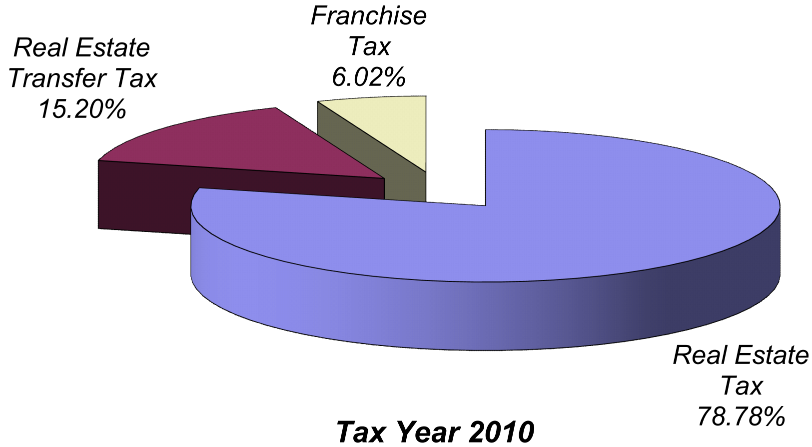
Note: The Chrysler Assembly Plant site was purchased by the University of Delaware on November 23, 2009.
The property has received a tax exemption. The site will be developed for educational purposes.
Source: City of Newark Finance Department

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		Collections in Subsequent Years	Total Collections for Year	
		Amount	Percent of Levy		Amount (2)	Percent of Levy
2001	3,188,848	3,134,081	98.3%	52,496	3,186,577	99.9%
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%	9,019	4,266,710	99.8%
2008	4,381,947	4,345,317	99.2%	23,571	4,368,888	99.7%
2009	4,681,253	4,617,380	98.6%	17,606	4,634,986	99.0%
2010	**4,980,536**	**4,898,066**	**98.3%**	-	**4,898,066**	**98.3%**

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 EIGHT YEARS
(accrual basis of accounting)



Tax Year 2010

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	78.48%	15.68%	5.84%	100.00%
2010	5,027,187	969,617	383,816	6,380,620
% of total	78.78%	15.20%	6.02%	100.00%

Notes:
eighth 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
2001	$ 3,052,622	$ 1,316,464	$ 194,391	$ 4,563,477
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

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

	Governmental Activities	Business-Type Activities				
Fiscal Year	**General Obligation Bonds**	**General Obligation Bonds**	**Other Notes Payable**	**Total Primary Government**	**Percentage of Personal Income**	**Per Capita**
2001	$ 5,780,000	$ -	$ 160,588	$ 5,940,588	N/A	$ 199
2002	5,300,000	18,600,000 [1]	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

Notes: [1] $18.6M General Obligation Bonds issued for the construction of a 318 million gallon water reservoir.

Sources: US Census Bureau Population Estimates Program (2001-2006, 2009) and Census 2000, 2010;
Delaware Population Consortium projection (2007).
2008 is a projected estimate by the City of Newark.
Newark Planning Department (2000, 2010 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	Total General Obligation Bonds and Notes Payable	Enterprise Funds Bonds and Notes Payable	Net General Obligation Bonds and Notes Payable	Percentage of Net Long-Term Debt to Assessed Value (1)	Net Long-Term Debt Per Capita
2001	29,921	756,837,735	$ 5,940,588	$ -	$ 5,940,588	0.78%	$ 199
2002	30,011	769,817,362	24,031,667 [2]	18,600,000 [2]	5,431,667	0.71%	181
2003	30,116	780,262,072	22,846,059	17,925,000	4,921,059	0.63%	163
2004	30,076	790,100,931	21,679,467	17,235,000	4,444,467	0.56%	148
2005	30,060	794,009,563	20,432,528	16,525,000	3,907,528	0.49%	130
2006	30,014	801,182,949	19,179,356	15,800,000	3,379,356	0.42%	113
2007	30,194	811,121,739	17,940,000	15,055,000	2,885,000	0.36%	96
2008	30,260	818,637,113	16,695,000	14,290,000	2,405,000	0.29%	79
2009	30,316	835,936,906	15,455,000	13,500,000	1,955,000	0.23%	64
2010	**31,454**	**770,513,812**	**14,355,000**	**12,685,000**	**1,670,000**	**0.22%**	**53**

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] $18.6M General Obligation Bonds issued for the construction of a 318 million gallon water reservoir.

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 is a projected estimate by the City of Newark.

CITY OF NEWARK, DELAWARE
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
DECEMBER 31, 2010

Jurisdiction	Net Debt Outstanding		Percentage Applicable to City of Newark		Amount Applicable to City of Newark
New Castle County (1)	$ 199,692,000	(3)	4.32%	(1)	$ 8,626,694
Christina School District (2)	69,355,060		14.18%	(2)	9,834,548
Overlapping Debt	$ 269,047,060				$ 18,461,242
City of Newark	1,670,000	(3)	100.00%		1,670,000
Total Direct and Overlapping Debt	$ 270,717,060				$ 20,131,242

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 ($770,513,812) by the total taxable assessed valuation of New Castle County ($17,850,436,000). Net Debt Outstanding is as of June 30, 2010.
(2) Determined by dividing the students enrolled in the City of Newark (2,437) by the total student enrollment of the Christina School District (17,190). Net debt outstanding is as of June 30, 2010.
(3) Enterprise Fund debt is not included in this presentation.

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

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Debt Limit	75,679	76,982	78,026	79,010	79,427	80,126	81,112	81,864	83,594	77,051
Total net debt applicable to limit	5,913	24,011	22,827	21,633	20,386	19,133	17,893	16,648	15,455	14,308
Legal debt margin	69,766	52,971	55,199	57,377	59,041	60,993	63,219	65,216	68,139	62,743
Total net debt applicable to the limit as a percentage of debt limit	7.81%	31.19%	29.26%	27.38%	25.67%	23.88%	22.06%	20.34%	18.49%	18.57%

Legal Debt Margin for Fiscal Year 2010

Total Assessed Value	$ 1,510,378
Less: exempt real property	(739,865)
Total assessed value	$ 770,513
Debt limit (10% of taxable assessed value)	77,051
Debt applicable to limit:	
General obligation bonds	14,355
Less: Amount set aside for repayment of general obligation debt	(47)
Total net debt applicable to limit	14,308
Legal debt margin	$ 62,743

Note: (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.

CITY OF NEWARK, DELAWARE
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEAR

Fiscal Year	Population (1)	Personal Income (2)	Per Capita Income (3)	School Enrollment (4)	Univ of DE Enrollment (5)	Unemployment Rate (6)
2001	29,921	N/A	N/A	N/A	20,949	2.5%
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%**

Sources:
(1) US Census Bureau Population Estimates Program (2001-2006, 2009) and Census 2000, 2010; Delaware Population Consortium projection (2007).
2008 is a projected estimate by the City of Newark.
(2) and (3) Newark Planning Department (2000 Personal Income)
(2) and (3) Money Magazine Income Survey (2008 Personal Income)
(2) and (3) Federal Reserve Bank of Philadelphia Quarterly Percent Change (2009 Personal Income)
(4) For 2010: Christina School District 2,437, Local Independent Schools 1,417
(5) University of Delaware Office of Institutional Research
(6) Economagic.com (2000-2006), Delaware Department of Labor (2007-2009)

N/A = Information not available

CITY OF NEWARK, DELAWARE
PRINCIPAL EMPLOYERS IN NEW CASTLE COUNTY (1)
CURRENT YEAR AND TEN YEARS AGO

	2010			2001		
Industry Description	Employment (2)	Rank	Percentage of Total County Employment	Employment (2)	Rank	Percentage of Total County Employment
Health care and social assistance	38,497	1	14.5%	29,286	2	10.3%
Finance and insurance	33,133	2	12.5%	27,056	3	9.5%
Retail trade	30,285	3	11.4%	35,661	1	12.6%
Professional and technical services	20,102	4	7.6%	24,141	4	8.5%
Accommodation and food services	18,667	5	7.0%	17,205	8	6.1%
Administrative and waste services	16,201	6	6.1%	20,015	6	7.1%
State government	15,948	7	6.0%	12,955	11	4.6%
Local government	14,413	8	5.4%	13,420	10	4.7%
Construction	12,772	9	4.8%	16,959	9	6.0%
Manufacturing	11,844	10	4.5%	21,063	5	7.4%
Wholesale trade	8,927	11	3.4%	9,562	12	3.4%
Total	220,789		83.2%	227,323		80.2%

(1) The United State Department of Labor, Employment & Training Administration has informed the Delaware Department of Labor that pursuant to 20 CFR (Code of Federal Regulations) Part 603, this information (Delaware's Top Employers) is confidential and may not be disclosed to the public.
In addition, the State of Delaware Department of Labor and the Delaware Economic Development Office have notified the City of Newark that, due to the Federal Economic Stimulus Package legislation, individual employer's data cannot be disclosed.
(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 2010 Comprehensive Annual Financial Report, page 97.

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									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General government	38.0	38.0	38.5	38.5	39.5	39.0	39.0	40.0	37.0	36.5
Public Safety										
Police										
Officers	56.0	55.0	60.0	60.0	60.0	65.0	65.0	65.0	66.0	68.0
Civilian	20.5	24.5	19.5	19.0	19.5	20.5	21.5	22.0	21.0	21.5
Code Enforcement	13.0	12.5	12.5	12.5	12.5	12.5	12.5	12.5	11.0	11.0
Streets										
Engineering	12.0	12.0	12.0	11.0	11.0	11.0	11.0	11.0	10.5	10.0
Maintenance	12.0	12.5	12.5	12.5	12.5	12.5	12.5	12.5	12.5	11.5
Sanitation	17.0	17.0	17.0	16.0	16.0	15.0	15.0	14.0	13.0	12.0
Culture and Recreation	18.0	18.0	19.0	19.0	19.0	19.0	19.5	20.0	20.0	19.5
Electric	20.0	20.0	20.0	20.0	21.0	21.0	21.0	21.0	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	4.0	3.5	3.5	3.5	3.5	3.5	3.5	4.5	4.5	4.5
Fleet Maintenance	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	5.0	5.0
Total	235.5	238.0	239.5	237.0	239.5	244.0	245.5	247.5	241.5	240.5

Source: City's Personnel Office.

CITY OF NEWARK, DELAWARE
OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS

	Fiscal Year									
Function	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**
Public Safety										
Police calls for service	31,185	32,162	32,169	30,969	29,350	28,132	27,343	32,274	35,645	45,562
Criminal charges	2,901	3,799	3,694	3,501	3,136	2,890	2,564	3,650	3,166	3,675
Traffic summonses	9,742	8,673	8,683	9,286	8,775	7,798	8,826	12,067	10,066	11,724
Parking summonses	11,345	9,321	9,585	9,766	9,956	8,797	9,454	7,571	6,183	8,005
Meter summonses	47,114	47,011	39,556	42,428	39,337	28,420	29,144	18,206	19,736	26,024
Building permits issued	840	1,065	1,077	1,131	1,080	1,021	870	1,856	1,826	2,108
Public Works										
Refuse tons collected	14,710	14,517	15,009	14,953	13,656	14,462	12,846	11,624	9,079	8,091
Miles of street	65	65	65	65	65	65	65	65	65	66
Patches (s.f.)	45,730	37,021	54,531	54,305	79,399	31,050	38,689	53,962	41,792	57,631
Curbs replaced and installed (s.f.)	29,470	21,011	22,600	19,790	18,330	13,448	10,293	10,031	14,212	8,967
Sidewalks										
4" (s.f.)	85,965	57,960	34,063	21,069	27,786	35,166	41,337	23,203	22,660	18,804
6" (s.f.)	22,200	22,003	18,896	12,557	11,326	10,483	8,698	9,404	5,599	4,555
Leaves collected (c.y.)	16,568	14,486	10,816	10,512	12,820	14,640	15,200	15,200	9,344	8,000
General Government										
Parking tickets issued	58,459	56,332	49,141	52,058	49,293	37,629	39,010	26,335	26,163	34,388
Culture and Recreation										
Trails in Newark parks (mi)	N/A	N/A	N/A	N/A	N/A	N/A	15.2	15.2	15.2	15.2
Registrants	7,397	7,361	7,352	7,527	7,977	7,924	8,077	8,379	8,863	8,316
Participants	82,453	82,909	83,873	83,292	82,622	83,942	83,072	84,826	86,400	86,700
Electric										
MWH's sold	373,103	382,419	379,844	389,426	401,365	389,164	401,090	405,234	391,916	406,053
MWH's purchased	407,807	418,478	419,915	424,831	436,513	425,069	437,712	434,097	422,048	438,960
Meters in service	10,722	10,934	11,336	11,418	11,503	11,878	11,568	11,528	11,906	11,988
Water and Waste Water										
Meters in service	9,285	9,390	9,444	9,494	9,494	9,593	9,567	9,587	9,751	9,795
Fire Hydrants maintained	200	200	200	200	200	200	200	N/A	N/A	N/A
Fire Hydrants in system	N/A	N/A	N/A	N/A	N/A	N/A	N/A	877	877	877
Gallons of water sold	1,264,606	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
Gallons of sewage collected	1,303,935	1,271,882	1,252,327	1,132,686	1,109,095	1,148,817	1,020,098	954,057	774,068	768,424

Sources: Various city departments.

N/A = not available

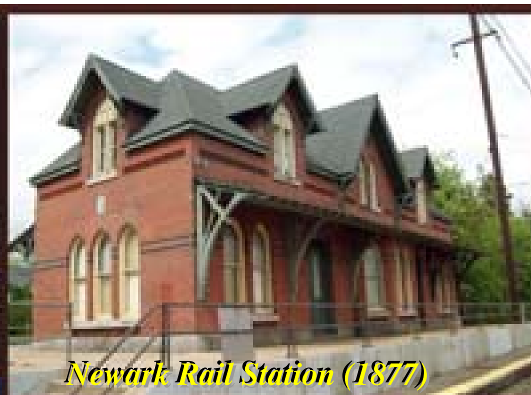
CITY OF NEWARK, DELAWARE
CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS

Function	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Public Safety										
Police stations	1	1	1	1	1	1	1	1	1	1
Patrol units	26	27	28	29	29	33	33	35	35	36
Sanitation										
Collection trucks	14	14	14	14	14	16	16	16	16	16
Streets										
Miles of streets	64.68	64.79	64.80	65.01	65.16	65.16	65.26	65.26	65.33	65.58
Street lights	2,520	2,570	2,590	2,600	2,615	2,640	2,640	2,640	2,710	2,776
Traffic signals	52	53	55	55	55	55	52	57	56	56
Culture and recreation										
Parks acreage	445.2	558.68	558.68	562.88	562.88	567.18	619.2	632.31	652.03	652.03
Swimming pools	2	2	2	2	2	2	2	2	2	2
Tennis and basketball courts	35	35	35	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	25
Miles of service lines	103	104	104	104	104	104	105	106	108	108
Water										
Water mains (miles)	165	166	169	169	169	170	170	170	170	170
Wells in operation	9	9	7	7	7	11	11	11	9	9
Maximum daily capacity (gal)	N/A	N/A	N/A	N/A	N/A	N/A	8.5 Mil	8.5 Mil	8.5 Mil	8.5 Mil
Sewer										
Sanitary sewers (miles)	96	96	97	97	98	98	99	99	99	99
Storm sewers (miles)	N/A	N/A	N/A	N/A	N/A	N/A	58.77	58.77	58.86	58.86
Parking										
Meters maintained	397	390	395	391	391	370	370	380	380	392

Sources: Various city departments.

Pieces of History

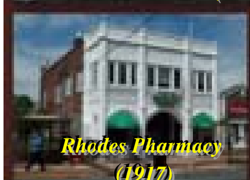

Exchange Building (1880)


Newark Rail Station (1877)


Deer Park Hotel (1851)

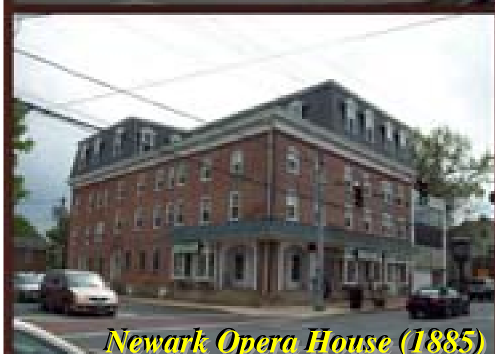

St. Thomas Episcopal Church (1843)


Bell Farmhouse (1845)


Rhodes Pharmacy (1917)


Aetna Fire Station No. 2 (1922)


Green Mansion (1882)


Newark Opera House (1885)


Thomas Phillips Mill Complex (1795)