

**CITY OF SEAFORD, DELAWARE**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2015**

# **CITY OF SEAFORD, DELAWARE**

## **TABLE OF CONTENTS**

<b>INDEPENDENT AUDITORS' REPORT</b>	<b>1 - 3</b>
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	<b>4 - 10</b>
<b>BASIC FINANCIAL STATEMENTS</b>	
Government-wide financial statements	
Statement of net position	11
Statement of activities	12
Fund financial statements	
Governmental funds	
Balance sheet	13
Reconciliation of the governmental funds balance sheet to the statement of net position	14
Statement of revenues, expenditures and changes in fund balances	15
Reconciliation of the statement of revenues, expenditures and changes in fund balances of governmental funds to the statement of activities	16
Proprietary funds	
Statement of net position	17
Statement of revenues, expenses and changes in net position	18
Statement of cash flows	19
Fiduciary funds	
Statement of fiduciary net position	20
Statement of changes in fiduciary net position	21
Notes to financial statements	22 - 51

## **REQUIRED SUPPLEMENTARY INFORMATION**

Budgetary comparison schedule – general fund	52
Schedule of funding progress - OPEB	53
Schedule of changes in the city's net pension liability and related ratios	54
Schedule of city contributions - single employer plan	55
Schedule of investment returns - single employer plan	56
Schedule of City's proportionate share of net pension liability – cost sharing plan	57
Schedule of City's contribution to cost sharing pension plan	58

## **SUPPLEMENTARY INFORMATION**

Schedules of revenues and expenditures—general fund	59
Schedules of revenues and expenses—electric fund	60
Schedules of revenues and expenses—sewer fund	61
Schedules of revenues and expenses—water fund	62
Schedules of revenues and expenses—golf fund	63
Schedules of debt service—enterprise funds	64

## **GOVERNMENT AUDITING STANDARDS REPORT**

Independent auditors' report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with <i>Government Auditing Standards</i>	65 - 66
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## INDEPENDENT AUDITORS' REPORT

Mayor and Council  
City of Seaford, 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 Seaford, Delaware, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Seaford, Delaware's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Seaford, Delaware, as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Change in Accounting Principle**

As discussed in the notes to the financial statements, in 2015 the City adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 25*. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Seaford, Delaware's basic financial statements. The supplementary information on pages 59 - 64 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedules of revenues and expenditures - general, electric, water, sewer, and golf funds and schedules of debt service - enterprise funds on pages 59 - 64 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional

procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of revenues and expenditures - general, electric, water, sewer, and golf funds and schedules of debt service - enterprise funds are fairly stated in all material respects in relation to the basic financial statements as a whole.

We also have previously audited, in accordance with auditing standards generally accepted in the United States, the City of Seaford, Delaware's basic financial statements for the year ended June 30, 2014, which are not presented with the accompanying financial statements and we expressed unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information. That audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Seaford, Delaware's financial statements as a whole. The schedules of revenues and expenditures - general, electric, water, sewer, and golf funds for the year ended June 30, 2014 were presented for purposes of additional analysis and were not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2014 financial statements. The information has been subjected to the auditing procedures applied in the audit of those basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2014 schedules of revenues and expenditures - general, electric, water, sewer, and golf funds are fairly stated in all material respects in relation to the basic financial statements from which they have been derived.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2015, on our consideration of the City of Seaford, Delaware's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Seaford, Delaware's internal control over financial reporting and compliance.

*PKS & Company, P.A.*

**CERTIFIED PUBLIC ACCOUNTANTS**

Salisbury, Maryland  
November 18, 2015

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**



## CITY OF SEAFORD, DELAWARE

### MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Seaford's (the City) annual report presents our discussion and analysis of the City's financial performance during the fiscal year that ended on June 30, 2015. Please read it in conjunction with the City's financial statements, which begin on page 10.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts – *management's discussion and analysis* (this section), the *basic financial statements*, *required supplementary information* and *supplementary information*. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the City's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the City, reporting the City's operations in more detail than the government-wide financial statements.
  - The *governmental funds* statements tell how general government services like public safety, public works, parks and recreation, and administration were financed in the *short term* as well as what remains for future spending.
  - *Proprietary fund* statements offer *short* and *long-term* financial information about the activities which the government operates *like businesses*, such as the water and sewer system and the electric department.
  - The *fiduciary fund* statements offer information about the pension funds.



The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that shows a budget comparison to actual for the general fund. In addition to these required elements, we have included certain schedules that provide more detail about the City's finances.

#### Government-wide financial statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes *all* of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's *net position* and how it has changed. Net position – the difference between the City's assets and liabilities – is one way to measure the City's financial health, or position. Over time, increases or decreases in the City's net position are an indicator of whether its financial health is improving or deteriorating, respectively.

- To assess the overall health of the City you need to consider additional nonfinancial factors such as changes in the property tax base and the condition of the City's roads, water, and sewage plants and electrical plant and distribution lines.

The government-wide financial statements are divided into two categories:

- *Governmental activities* – Most of the City's basic services are included here, such as the police, fire, public works, and parks departments, and general administration. Transfers from the business-type activities, property taxes and state and federal grants finance most of these activities.
- *Business-type activities* – The City charges fees to customers to cover the costs of services it provides. The City's water and sewer system, electric department and golf course are included here. The City also relies on the electrical services to provide major funding of the governmental activities.

#### Fund financial statements

The fund financial statements provide more detailed information about the City's most significant *funds* – not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

The City has three kinds of funds:

- *Governmental funds* – Most of the City's basic services are included in governmental funds which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide financial statements, we provide additional information on the subsequent page that explains the relationship (or differences) between them.
- *Proprietary funds* – Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide financial statements, provide both long and short-term financial information. In fact, the City's *enterprise funds* are the same as its business-type activities, but provide more detail and additional information, such as cash flows.
- *Fiduciary funds* – Pension assets for which the City is responsible for handling are in these funds and placed under its control.

## FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

### Net Position

The City's combined net position decreased by \$5,493,000 or 13% from fiscal year 2014 to 2015. \$4,179,000 is attributable to the amendment to net position as of June 30, 2014 due to the adoption of GASB 68.

The net position of the City's governmental activities decreased by \$1,007,000 for fiscal year 2015. Most of the net position is restricted as to the purposes for which they can be used, or are invested in capital assets (buildings, roads, equipment, and so on).

The net position of the City's business-type activities decreased \$308,078 for the year. Subject to the annual transfer of funds to help finance the general fund activities, the City generally uses the unrestricted net position to finance the continuing operations of the water, sewer, electric, and golf operations.

The table below compares key financial information in a condensed format between the current year and the prior year.

**Table 1**  
City of Seaford's Net position  
(in thousands of dollars)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2015	2014	2015	2014	2015	2014	
Current and other assets	\$ 2,885	\$ 3,046	\$ 7,911	\$ 7,590	\$ 10,796	\$ 10,636	1.5%
Capital assets	14,185	14,864	28,482	29,084	42,667	43,948	-2.9%
Total assets	17,070	17,910	36,393	36,674	53,463	54,584	-2.1%
Deferred outflows	682		319		1,001		
Long-term debt	890	1,367	6,555	7,045	7,445	8,412	-11.5%
Other liabilities	4,579	1,843	5,830	3,180	10,409	5,023	107.2%
Total liabilities	5,469	3,210	12,385	10,225	17,854	13,435	32.9%
Deferred inflows	765	38	227		992	38	2510.5%
Net position							
Invested in capital assets, net of related debt	13,023	13,166	20,907	21,196	33,930	34,362	-1.3%
Restricted	553	522	2,338	1,882	2,891	2,404	20.3%
Unrestricted	(2,057)	974	854	3,371	(1,203)	4,345	-127.7%
Total net position	\$ 11,519	\$ 14,662	\$ 24,099	\$ 26,449	\$ 35,618	\$ 41,111	-13.4%

The 2014 figures are as previously reported and prior to the GASB 68 amendment.

#### Changes in Net Position

The City's total revenues were \$24,294,354. Approximately 86% of the City's revenues come from fees charged for services. Another 2% comes from capital grants and 10% from property taxes. The remaining revenues are from state grants and miscellaneous fees and taxes.

The total cost of all programs and services was \$25,609,040. The City's expenses cover a range of services with about 68% related to the business activities.

Table 2 and the narrative that follows considers the operations of governmental and business-type activities separately for the years ended June 30, 2014 and 2015.

**Table 2**  
**Changes in City of Seaford's Net Assets**  
*(in thousands of dollars)*

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
<b>Revenues</b>						
Program services						
Charges for services	\$ 647	\$ 790	\$ 20,149	\$ 19,248	\$ 20,796	\$ 20,038
Operating grants	396	583			396	583
Capital grants	167	488	274	360	441	848
General revenues						
Property taxes	2,418	2,380			2,418	2,380
Other taxes	204	244			204	244
Grants	10	1			10	1
Other	30	27	4	6	34	33
Disposal of assets	(5)	53		(1)	(5)	52
Total revenues	3,867	4,566	20,427	19,613	24,294	24,179
<b>Expenses</b>						
Administration	941	948			941	948
Code enforcement	333	347			333	347
Community pool	31	30			31	30
Executive	104	97			104	97
Fire department	336	341			336	341
Dispatch	624	614			624	614
Highways and streets	781	826			781	826
Parks department	582	635			582	635
Police department	4,069	3,505			4,069	3,505
Recreation	225	220			225	220
Economic development	155	131			155	131
Interest on long-term debt	3	8			3	8
Electric			12,987	12,480	12,987	12,480
Water			1,193	1,289	1,193	1,289
Sewer			2,342	2,215	2,342	2,215
Golf			903	965	903	965
Total expenses	8,184	7,702	17,425	16,949	25,609	24,651
Change before transfers	(4,317)	(3,136)	3,002	2,664	(1,315)	(472)
Transfers	3,310	2,740	(3,310)	(2,740)	-	-
Change in net position	\$ (1,007)	\$ (396)	\$ (308)	\$ (76)	\$ (1,315)	\$ (472)

#### Governmental Activities

Revenues for the City's governmental activities excluding transfers were \$3,867,368.

The property tax rate for 2014 and 2015 was 31¢/\$100 assessed value each year.

The cost of all governmental activities this year was \$8,183,978. Of this cost, the largest program for the City is the police with a cost of \$4,068,091.

#### Business-Type Activities

Revenues of the City's business-type activities increased about 4% to \$20,426,986 and expenses increased 3% to \$17,425,062. The major factor contributing to an increase in revenue and expenses was an increase in purchase power and sale thereof.

### General Fund Activities

For the year ended June 30, 2015, after transfers and loan proceeds, the City had a \$166,261 decrease in its governmental fund balance.

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

There were no amendments to the City's budget throughout the year.

### **CAPITAL ASSET AND DEBT ADMINISTRATION**

#### Capital Assets

As of June 30, 2015, the City had invested \$42,666,918 (net of accumulated depreciation) in a broad range of capital assets, including police equipment, buildings, park facilities, roads, vehicles, electric distribution equipment and lines, and water and sewer lines. This amount represents a net decrease (including additions and deductions) of \$1,281,848 or about 3%, from last year.

**Table 3**  
City of Seaford's Capital Assets  
Net of Accumulated Depreciation  
(in thousands of dollars)

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 2,073	\$ 2,073	\$ 795	\$ 795	\$ 2,868	\$ 2,868
Land improvements	1,685	1,568			1,685	1,568
Buildings and improvement:	6,736	7,492	10,797	11,362	17,533	18,854
Equipment	1,192	1,224	1,112	1,035	2,304	2,259
Infrastructure	2,331	2,491	15,043	15,167	17,374	17,658
Construction in progress	168	17	735	725	903	742
Total	<u>\$ 14,185</u>	<u>\$ 14,865</u>	<u>\$ 28,482</u>	<u>\$ 29,084</u>	<u>\$ 42,667</u>	<u>\$ 43,949</u>

### Long-term debt

At year-end, the City had \$8,736,333 in bonds and notes outstanding, a decrease of 9% from last year. More detailed information about the City's long-term liabilities is presented in the notes to the financial statements.

**Table 4**  
City of Seaford's Outstanding Debt  
(in thousands of dollars)

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
General Obligation bonds	\$ -	\$ -	\$ 6,529	\$ 7,273	\$ 6,529	\$ 7,273
Notes payable	1,162	1,698	1,045	615	2,207	2,313
Total	<u>\$ 1,162</u>	<u>\$ 1,698</u>	<u>\$ 7,574</u>	<u>\$ 7,888</u>	<u>\$ 8,736</u>	<u>\$ 9,586</u>

### **CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS**

The City is working with Pennoni Associates to obtain bids for a Solar Array Project. The project is expected to reduce the energy costs of the Wastewater Treatment Facility. This energy reduction savings combined with the sale of the SRECs (sustainable renewable energy credits) to DEMEC is expected to pay the debt service on the loan. The financing for this project is through the State Revolving Fund. Total general obligation bond issuance is \$1,658,300 with a principal forgiveness feature of \$500,000 which results in a debt service of \$1,158,300 upon commissioning of the solar array system.

Through the Downtown District Initiative, the City is working with a developer for the sale of the power plant lands and other parcels. The developer has plans to build a town center to revitalize downtown and attract tourists with shopping, hotels, restaurants, and other professional offices.

### **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional information, contact the City of Seaford Director of Finance Office, 414 High Street, Seaford, Delaware 19973.

## **BASIC FINANCIAL STATEMENTS**

# CITY OF SEAFORD, DELAWARE

## STATEMENT OF NET POSITION

JUNE 30, 2015

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current assets			
Cash	\$ 2,017,776	\$ 4,864,895	\$ 6,882,671
Accounts receivable (net of allowance for uncollectibles)	245,670	2,220,206	2,465,876
Inventories	18,531	801,859	820,390
Prepaid expenses	39,199	24,433	63,632
Restricted cash	553,239		553,239
Total current assets	2,874,415	7,911,393	10,785,808
Noncurrent assets			
Notes receivable	11,002		11,002
Net capital assets	14,185,188	28,481,730	42,666,918
Total assets	17,070,605	36,393,123	53,463,728
<b>DEFERRED OUTFLOW OF RESOURCES</b>			
Deferred financing outflow - retirement	682,370	319,186	1,001,556
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	267,524	1,135,785	1,403,309
Accrued interest		40,799	40,799
Accrued expenses-other	142,997	59,693	202,690
Current portion of long-term debt	272,138	1,019,046	1,291,184
Deposits	49,008	759,042	808,050
Accrued compensated absences	240,324	83,700	324,024
Total current liabilities	971,991	3,098,065	4,070,056
Noncurrent liabilities			
Accrued liabilities- OPEB	1,026,042	447,213	1,473,255
Net pension liability	2,837,648	2,284,461	5,122,109
Net pension asset	(256,543)		(256,543)
Bonds, and notes payable	889,699	6,555,448	7,445,147
Total liabilities	5,468,837	12,385,187	17,854,024
<b>DEFERRED INFLOW OF RESOURCES</b>			
Deferred grant revenue	29,764		29,764
Deferred financing inflow - retirement	735,292	227,735	963,027
Total deferred inflow of resources	765,056	227,735	992,791
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	13,023,351	20,907,236	33,930,587
Restricted	553,239	2,337,790	2,891,029
Unrestricted	(2,057,508)	854,361	(1,203,147)
Total net position	\$ 11,519,082	\$ 24,099,387	\$ 35,618,469

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



**CITY OF SEAFORD, DELAWARE**

**STATEMENT OF ACTIVITIES**

**YEAR ENDED JUNE 30, 2015**

FUNCTIONS/PROGRAMS	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
GOVERNMENTAL ACTIVITIES							
Administration	\$ 941,308	\$ 383,714	\$	\$	\$ (557,594)	\$	\$ (557,594)
Code enforcement	332,664	162,014			(170,650)		(170,650)
Community pool	31,334				(31,334)		(31,334)
Executive	104,490				(104,490)		(104,490)
Fire department	335,699				(335,699)		(335,699)
Dispatch	624,836				(624,836)		(624,836)
Highways and streets	780,963	33,873	182,010	131,223	(433,857)		(433,857)
Parks department	581,735			1,036	(580,699)		(580,699)
Police department	4,068,091	254,823	211,187	35,000	(3,567,081)		(3,567,081)
Recreation	224,639	69,987	3,300		(151,352)		(151,352)
Economic development	155,270	13,259			(142,011)		(142,011)
Interest on long-term debt	2,949				(2,949)		(2,949)
Total governmental activities	8,183,978	917,670	396,497	167,259	(6,702,552)		(6,702,552)
BUSINESS-TYPE ACTIVITIES							
Electric	12,987,612	15,999,424				\$ 3,011,812	3,011,812
Water	1,192,801	1,090,347		29,880		(72,574)	(72,574)
Sewer	2,341,767	2,573,199		244,298		475,730	475,730
Golf	902,882	486,070				(416,812)	(416,812)
Total business-type activities	17,425,062	20,149,040		274,178		2,998,156	2,998,156
Total	\$ 25,609,040	\$ 21,066,710	\$ 396,497	\$ 441,437	(6,702,552)	2,998,156	(3,704,396)
GENERAL REVENUES							
Taxes							
Property taxes					2,417,848		2,417,848
Transfer taxes					204,191		204,191
Grants and contributions not restricted to specific programs					10,000		10,000
Unrestricted investment earnings					2,360	4,062	6,422
Miscellaneous					28,180		28,180
Special item - gain (loss) on disposal of assets					(276,636)	(296)	(276,932)
Transfers -net					3,310,000	(3,310,000)	
Total general revenues, special items and transfers					5,695,943	(3,306,234)	2,389,709
Change in net position					(1,006,609)	(308,078)	(1,314,687)
NET POSITION, BEGINNING OF YEAR, AS RESTATED					12,525,691	24,407,465	36,933,156
NET POSITION, END OF YEAR					\$ 11,519,082	\$ 24,099,387	\$ 35,618,469

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

**CITY OF SEAFORD, DELAWARE**

**BALANCE SHEET  
GOVERNMENTAL FUNDS**

**JUNE 30, 2015**

**ASSETS**

	General Fund
Cash	\$ 2,017,776
Accounts receivable (net of allowance for uncollectibles)	245,670
Inventories	18,531
Prepaid expenses	39,199
Notes receivable	11,002
Restricted cash	553,239
Total assets	<u>\$ 2,885,417</u>

**LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES**

**LIABILITIES**

Accounts payable	\$ 267,524
Accrued expenses	383,321
Deposits	49,008
Total liabilities	<u>699,853</u>

**DEFERRED INFLOW OF RESOURCES**

Deferred revenue	<u>216,456</u>
------------------	----------------

**FUND BALANCES**

Fund balances	
Nonspendable	57,730
Restricted	553,239
Assigned	236,105
Unassigned	1,122,034
Total fund balances	<u>1,969,108</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,885,417</u>

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

**CITY OF SEAFORD, DELAWARE**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION**

**JUNE 30, 2015**

Total fund balances, governmental funds	\$ 1,969,108
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and are therefore not reported in the fund financial statements, but are reported in the governmental activities of the Statement of Net Position.	14,185,188
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Certain revenues that do not provide current financial resources are reported as deferred income in the fund financial statements, but are reported as revenue in the governmental activities of the Statement of Net Position.	186,692
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Certain deferred inflows and out flows related to net pension expenses as reported in the governmental activities statement, but not in the financial statement.	(52,922)
--	----------

Some liabilities including notes payable, capital leases payable, net pension liabilities (assets), and OPEB obligations are not due and payable in the current period and therefore are not reported in the fund financial statements, but are included in the governmental activities in the Statement of Net Position.	<u>(4,768,984)</u>
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Net position of governmental activities in the Statement of Net Position	<u><u>\$ 11,519,082</u></u>
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The accompanying notes are an integral part of these financial statements.

**CITY OF SEAFORD, DELAWARE**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUND**

**YEAR ENDED JUNE 30, 2015**

	<u>General Fund</u>
<b>REVENUES</b>	
Taxes	\$ 2,413,646
Transfer taxes	204,151
Intergovernmental revenues	559,420
Fines and forfeitures	133,740
Licenses, permits and fees	487,647
Interest and late charges	41,055
Community pool and recreation	46,898
Charges for services	245,919
Miscellaneous	48,605
Total revenues	<u>4,181,081</u>
<b>EXPENDITURES</b>	
Current	
Administration	825,233
Code enforcement	313,315
Community pool	30,679
Executive	104,490
Fire department	207,254
Dispatch	592,639
Highways and streets	554,729
Parks department	458,082
Police department	3,278,872
Recreation	209,141
Economic development	119,829
Debt service	567,125
Capital outlay	671,242
Total expenditures	<u>7,932,630</u>
Deficiency of revenues under expenditures	<u>(3,751,549)</u>
<b>OTHER FINANCING SOURCES</b>	
Operating transfers (net)	3,310,000
Sale of fixed assets	275,288
Total other financing sources	<u>3,585,288</u>
Net change in fund balance	(166,261)
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>2,135,369</u>
<b>FUND BALANCE, END OF YEAR</b>	<u><u>\$ 1,969,108</u></u>

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

**CITY OF SEAFORD, DELAWARE**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF  
ACTIVITIES**

**YEAR ENDED JUNE 30, 2015**

Net change in fund balances, governmental funds	\$ (166,261)
---	--------------

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 is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay of \$671,242 was less than depreciation expense \$802,868 in the current period.	(131,626)
---	-----------

In the Statement of Activities, only the gain or loss on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balances by the book value of the assets sold.	(547,750)
--	-----------

In the Statement of Activities, the net OPEB obligation and the net pension obligation is measured by the amount accrued during the year. In the governmental funds, however, expenditures for the OPEB and pensions are measured by the amount of financial resources used (essentially, the amounts actually paid or expected to be paid within one year).	(1,342,577)
--	-------------

Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned:

Change in deferred revenue affecting income	645,294
---	---------

Governmental funds report repayment of debt principal as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities.	536,311
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Change in net position of governmental activities	<u>\$ (1,006,609)</u>
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The accompanying notes are an integral part of these financial statements.

**CITY OF SEAFORD, DELAWARE**

**STATEMENT OF NET POSITION  
PROPRIETARY FUNDS**

**JUNE 30, 2015**

	<u>Enterprise Funds</u>		
	<u>Electric Fund</u>	<u>Sewer Fund</u>	<u>Water Fund</u>
<b>ASSETS</b>			
Current assets			
Cash	\$ 1,178,247	\$ 2,257,856	\$ 1,376,597
Accounts receivable (net of allowance for uncollectibles)	1,802,077	288,592	127,847
Inventory	635,744	24,854	89,970
Prepaid expenses	10,501	9,899	3,523
Total current assets	<u>3,626,569</u>	<u>2,581,201</u>	<u>1,597,937</u>
<b>NONCURRENT ASSETS</b>			
Capital assets			
Land, buildings and improvements	4,109,407	18,715,763	1,474,254
Machinery and equipment	801,385	912,971	990,102
Transmission mains and extensions	7,716,150	11,220,847	9,978,643
Transportation	803,263	14,095	339,410
Construction in progress	12,153	680,239	42,906
Less accumulated depreciation	(10,007,895)	(14,906,774)	(5,241,213)
Total noncurrent assets	<u>3,434,463</u>	<u>16,637,141</u>	<u>7,584,102</u>
Total assets	<u>7,061,032</u>	<u>19,218,342</u>	<u>9,182,039</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred financing outflow - retirement	<u>189,650</u>	<u>69,419</u>	<u>60,117</u>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	940,949	160,470	20,076
Accrued interest		34,146	5,996
Accrued expenses—other	36,526	13,898	9,269
Current portion of long-term debt	39,973	775,165	54,689
Deposits	735,418	9,395	613
Accrued compensated absences	55,004	12,074	16,622
Total current liabilities	<u>1,807,870</u>	<u>1,005,148</u>	<u>107,265</u>
Noncurrent liabilities			
Accrued expenses—OPEB	244,851	113,066	89,296
Net pension liability	1,357,359	496,845	430,257
Bonds, notes and capital leases payable	131,603	5,128,609	1,071,117
Total noncurrent liabilities	<u>1,733,813</u>	<u>5,738,520</u>	<u>1,590,670</u>
Total liabilities	<u>3,541,683</u>	<u>6,743,668</u>	<u>1,697,935</u>
<b>DEFERRED INFLOW OF RESOURCES</b>			
Deferred financing inflow - retirement	<u>135,313</u>	<u>49,530</u>	<u>42,892</u>
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	3,262,887	10,733,367	6,458,296
Restricted		1,619,837	717,953
Unrestricted	310,799	141,359	325,080
Total net position	<u>\$ 3,573,686</u>	<u>\$ 12,494,563</u>	<u>\$ 7,501,329</u>

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

<u>Golf Fund</u>	<u>Total</u>
\$ 52,195	\$ 4,864,895
1,690	2,220,206
51,291	801,859
510	24,433
<u>105,686</u>	<u>7,911,393</u>
860,457	25,159,881
99,138	2,803,596
	28,915,640
	1,156,768
	735,298
<u>(133,571)</u>	<u>(30,289,453)</u>
<u>826,024</u>	<u>28,481,730</u>
<u>931,710</u>	<u>36,393,123</u>
	<u>319,186</u>
14,290	1,135,785
657	40,799
	59,693
149,219	1,019,046
13,616	759,042
	83,700
<u>177,782</u>	<u>3,098,065</u>
	447,213
	2,284,461
<u>224,119</u>	<u>6,555,448</u>
<u>224,119</u>	<u>9,287,122</u>
<u>401,901</u>	<u>12,385,187</u>
	<u>227,735</u>
452,686	20,907,236
	2,337,790
77,123	854,361
<u>\$ 529,809</u>	<u>\$ 24,099,387</u>

**CITY OF SEAFORD, DELAWARE**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS**

**YEAR ENDED JUNE 30, 2015**

	Enterprise Funds		
	Electric Fund	Sewer Fund	Water Fund
<b>OPERATING REVENUES</b>			
Charges for services	\$ 15,915,496	\$ 2,562,328	\$ 1,076,855
Tap fees		6,900	8,750
Sales			
Miscellaneous	83,928	3,971	4,742
Total operating revenues	<u>15,999,424</u>	<u>2,573,199</u>	<u>1,090,347</u>
<b>OPERATING EXPENSES</b>			
Purchased power	10,597,747		
Payroll and other costs	1,198,552	515,541	361,899
Utilities	41,674	235,508	85,247
Repairs and maintenance	117,022	103,403	97,092
Insurance	330,602	250,045	120,075
Contracts			
Other supplies and expenses	271,332	164,417	127,815
Depreciation and amortization	427,490	882,380	356,911
Total operating expenses	<u>12,984,419</u>	<u>2,151,294</u>	<u>1,149,039</u>
Operating income (loss)	<u>3,015,005</u>	<u>421,905</u>	<u>(58,692)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Grant income		180,956	
Interest revenue	938	1,928	1,196
Interest expense	(3,194)	(190,473)	(43,763)
Loss on disposal of fixed assets	(74)	(220)	
Transfers in (out)	(3,150,000)	(575,000)	(100,000)
Capital contribution		63,342	29,880
Net nonoperating revenues (expenses)	<u>(3,152,330)</u>	<u>(519,467)</u>	<u>(112,687)</u>
Change in net position	(137,325)	(97,562)	(171,379)
<b>NET POSITION, BEGINNING OF YEAR, AS RESTATED</b>	<u>3,711,011</u>	<u>12,592,125</u>	<u>7,672,708</u>
<b>NET POSITION, END OF YEAR</b>	<u>\$ 3,573,686</u>	<u>\$ 12,494,563</u>	<u>\$ 7,501,329</u>

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



<u>Golf Fund</u>	<u>Total</u>
\$ 420,023	\$ 19,974,702
	15,650
63,475	63,475
2,572	95,213
<u>486,070</u>	<u>20,149,040</u>
	10,597,747
	2,075,992
	362,429
23,854	341,371
24,349	725,071
744,338	744,338
69,722	633,286
29,297	1,696,078
<u>891,560</u>	<u>17,176,312</u>
<u>(405,490)</u>	<u>2,972,728</u>
	180,956
	4,062
(11,322)	(248,752)
	(294)
515,000	(3,310,000)
	93,222
<u>503,678</u>	<u>(3,280,806)</u>
98,188	(308,078)
<u>431,621</u>	<u>24,407,465</u>
<u>\$ 529,809</u>	<u>\$ 24,099,387</u>

**CITY OF SEAFORD, DELAWARE**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS**

**YEAR ENDED JUNE 30, 2015**

	<b>Enterprise Funds</b>		
	<b>Electric Fund</b>	<b>Sewer Fund</b>	<b>Water Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 15,908,450	\$ 2,570,211	\$ 1,077,907
Other receipts	83,928	3,971	4,742
Payments to suppliers	(11,350,744)	(774,016)	(426,231)
Payments to employees	(1,066,483)	(463,339)	(321,491)
Net cash provided (used) by operating activities	<u>3,575,151</u>	<u>1,336,827</u>	<u>334,927</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Operating transfers in (out)	(3,150,000)	(575,000)	(100,000)
Capital and related contributions		63,342	29,880
Net cash provided (used) by noncapital financing activities	<u>(3,150,000)</u>	<u>(511,658)</u>	<u>(70,120)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Payments for capital acquisitions	(414,140)	(569,620)	(110,139)
Grant income		180,956	
Loan proceeds	198,000	400,000	
Principal paid on long-term debt	(26,423)	(716,299)	(52,959)
Interest paid on long-term debt	(3,194)	(192,152)	(37,767)
Net cash used by capital and related financing activities	<u>(245,757)</u>	<u>(897,115)</u>	<u>(200,865)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest income	<u>938</u>	<u>1,928</u>	<u>1,196</u>
Net increase (decrease) in cash	180,332	(70,018)	65,138
<b>CASH, BEGINNING OF YEAR</b>	<u>997,915</u>	<u>2,327,874</u>	<u>1,311,459</u>
<b>CASH, END OF YEAR</b>	<u><u>\$ 1,178,247</u></u>	<u><u>\$ 2,257,856</u></u>	<u><u>\$ 1,376,597</u></u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Operating income (loss)	\$ 3,015,005	\$ 421,905	\$ (58,692)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities			
Depreciation and amortization	427,490	882,380	356,911
Deferred financing outflows - retirement	(189,650)	(69,419)	(60,117)
Deferred financing inflows - retirement	135,313	49,530	42,892
(Increase) decrease in assets			
Accounts receivable	(126,144)	13,044	(6,645)
Prepaid expenses	(694)	(777)	(390)
Inventory	(2,900)	(1,101)	2,202
Increase (decrease) in liabilities			
Accounts payable	(5,979)	(18,217)	1,702
Accrued expenses- other	17,206	(548)	484
Accrued expenses- OPEB	42,312	19,347	11,957
Deposits	119,098	(12,061)	(1,053)
Net pension liability	144,094	52,744	45,676
Net cash provided (used) by operating activities	<u><u>\$ 3,575,151</u></u>	<u><u>\$ 1,336,827</u></u>	<u><u>\$ 334,927</u></u>

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

<u>Golf Fund</u>	<u>Total</u>
\$ 488,108	\$ 20,044,676
2,572	95,213
(847,348)	(13,398,339)
	(1,851,313)
<u>(356,668)</u>	<u>4,890,237</u>
515,000	(3,310,000)
	93,222
<u>515,000</u>	<u>(3,216,778)</u>
	(1,093,899)
	180,956
	598,000
(116,094)	(911,775)
(10,664)	(243,777)
<u>(126,758)</u>	<u>(1,470,495)</u>
	4,062
31,574	207,026
20,621	4,657,869
<u>\$ 52,195</u>	<u>\$ 4,864,895</u>
\$ (405,490)	\$ 2,972,728
29,297	1,696,078
	(319,186)
	227,735
(60)	(119,805)
(84)	(1,945)
8,871	7,072
6,128	(16,366)
	17,142
	73,616
4,670	110,654
	242,514
<u>\$ (356,668)</u>	<u>\$ 4,890,237</u>

**CITY OF SEAFORD, DELAWARE**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUND**  
**PENSION TRUST FUND**  
**JUNE 30, 2015**

	<u>General Employee Plan</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 530,105
Mutual funds:	
Fixed income	
Taxable	2,649,202
Closed-end	219,282
Total fixed income	<u>2,868,484</u>
Equities	
Global	72,629
Closed-end equity	3,954,581
International closed-end	2,153,595
Total equity	<u>6,180,805</u>
Total mutual fund	<u>9,049,289</u>
Interest receivable	<u>14</u>
<b>TOTAL ASSETS</b>	<u><u>9,579,408</u></u>
 <b>NET POSITION RESTRICTED FOR PENSIONS</b>	 <u><u>\$ 9,579,408</u></u>

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

**CITY OF SEAFORD, DELAWARE**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUND**  
**PENSION TRUST FUND**  
**YEAR ENDED JUNE 30, 2015**

**ADDITIONS**

Contributions:

Employer	\$ 715,334
Plan members - required contribution	52,887
Plan members - voluntary contribution	74,798
Other	14,867
Total contributions	<u>857,886</u>

Investment income:

Net decrease in fair value of investments	(32,835)
Interest and dividends	190,112
Total investment income	<u>157,277</u>

Total additions	<u>1,015,163</u>
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**DEDUCTIONS**

Benefits	895,234
Administrative	117,450
Total deductions	<u>1,012,684</u>

Change in net position	2,479
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Net position - beginning of year	<u>9,576,929</u>
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Net position - end of year	<u><u>\$ 9,579,408</u></u>
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The accompanying notes are an integral part of these financial statements.

**CITY OF SEAFORD, DELAWARE**  
**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015**

**BASIS OF PRESENTATION AND  
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the City of Seaford, Delaware conform to generally accepted accounting principles applicable to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing government accounting and financial reporting standards.

**Change in Accounting Principle**

During 2015, the City adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Adoption of this statement requires the City to provide additional information in the financial statements related to all pension plans. Implementation of GASB Statement No. 68 resulted in a restatement of the net position as of June 30, 2014 as follows:

	Government-wide		Funds			
	Governmental Activities	Business-type Activities	Electric	Sewer	Water	Golf
Adjustment for net pension liability at June 30, 2014:						
The general plan	\$ (2,536,411)	\$ (2,041,946)	\$ (1,213,264)	\$ (444,101)	\$ (384,581)	\$ -
Delaware County and municipal Police/ Firefighters' Pension	399,521					
Total net adjustment	(2,136,890)	(2,041,946)	(1,213,264)	(444,101)	(384,581)	-
Net position June 30, 2014 as originally reported	14,662,581	26,449,411	4,924,275	13,036,226	8,057,289	431,621
Net position, beginning of year, as restated	\$ 12,525,691	\$ 24,407,465	\$ 3,711,011	\$ 12,592,125	\$ 7,672,708	\$ 431,621

**Deferred Inflows of Resources**

The City's governmental funds and activities report a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net assets that applies to a future period. The City has three types of items that qualify for reporting in this category; deferred property taxes which are not recognized in the governmental funds until available (collected not later than 60 days after the end of the City's fiscal year), deferred grant revenue which is not recognized until a future event occurs and deferred inflows related to pension plans.

**CITY OF SEAFORD, DELAWARE**  
**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015**

**BASIS OF PRESENTATION AND  
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Deferred Outflows of Resources

The City reports decreases in net assets that relate to future periods as deferred outflows of resources in a separate section of its government-wide and proprietary statements of net position or the governmental funds balance sheet. The City reports deferred outflows related to pension plans.

Pension Plans

The deferred inflow and outflows related to the Delaware County and Municipal Police/Firefighters' Pension Plan (DCMPFPP) have been determined on the same basis as they are reported by DCMPFPP.

Reporting Entity

The basic criteria for including component units in the City's financial statements is the exercise of oversight responsibility over such units by the City's elected officials. In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. Based on criteria set forth by the GASB, the City of Seaford has no component units.

Basis of Presentation

*Government-wide statements:* The statement of net position and the statement of activities display the nonfiduciary information about the City. These statements include the financial activities of the overall government. These statements distinguish between the governmental and business-type activities of the City. Governmental activities are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of net position shows net position divided into three major categories:

- Invested in capital assets, net of related debt
- Restricted
- Unrestricted

Restricted assets represent those assets which have constraints placed on their expenditure either externally imposed or imposed by law or enabling legislation. When expenditures are incurred for purposes for which both restricted and unrestricted net position is available, the City's policy is to use the unrestricted net position first.

The statement of activities presents a comparison between direct expenses and revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function.

**CITY OF SEAFORD, DELAWARE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**BASIS OF PRESENTATION AND  
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Basis of Presentation (Continued)

Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

*Fund Financial statements:* The fund financial statements provide information about the City's funds. Separate statements for each fund category - governmental, fiduciary, and proprietary - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. Any remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as grants and investment earnings, result from nonexchange transactions.

The City reports the following major governmental fund: general fund. This is the primary operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

The City reports the following major enterprise funds: electric, sewer, water, and golf. These funds account for the operation and management of the electric, sewer, water, and golf course departments.

Fiduciary funds are used to account for resources held for the benefit of parties outside the government.

Governmental Fund Balances

In the governmental fund financial statements, fund balances are classified as follows:

- *Nonspendable fund balance*—amounts that cannot be spent because they are either not in a spendable form (such as inventories and prepaid amounts) or are legally or contractually required to be maintained intact.
- *Restricted fund balance*—amounts that can be spent only for specific purposes because of the City Charter, state or federal laws, or externally imposed conditions by grantors or creditors.
- *Committed fund balance*—amounts that can be spent only for specific purposes determined by a formal action of the City Council ordinance or resolution.



**CITY OF SEAFORD, DELAWARE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**BASIS OF PRESENTATION AND  
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Basis of Presentation (Continued)

Governmental Fund Balances (Continued)

- *Assigned fund balance*—amounts that are designated by the Mayor and Council for a particular purpose but are not spendable until a budget ordinance is passed or there is a majority vote approval by the City Council.
- *Unassigned fund balance*—all amounts not included in other spendable classifications.

In governmental funds, the City's policy is to first apply the expenditure toward restricted fund balances and then to other, less restrictive classifications (committed and then assigned fund balances) before using unassigned fund balances.

Measurement Focus, Basis of Accounting

The government-wide, fiduciary fund and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which taxes are levied. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all the eligibility requirements have been satisfied.

The governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year end. Property taxes, charges for services, and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, 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 acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt, acquisitions under capital leases, and capital contributions are reported as other financing sources.

As a general rule, the effect of interfund activity has been eliminated from both the government-wide and fund financial statements, but interfund services provided and used are not eliminated in the process of consolidation.

**CITY OF SEAFORD, DELAWARE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**BASIS OF PRESENTATION AND  
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Budgetary Data

Budgets are adopted on a basis consistent with generally accepted accounting principles for governmental funds. An annual appropriated budget is adopted for the General Fund and the Proprietary Funds. Budget amendments must be approved by the City Council.

Cash Equivalents

For purposes of the statement of cash flows, the Enterprise Funds consider all highly liquid debt instruments to be cash equivalents.

Restricted Cash

Restricted cash in the General Fund and restricted net position in the Government Wide Statement of Net Position consists of various accounts, the proceeds of which are from the State or other parties and the expenditures of which are limited to certain guidelines. Included in the restricted cash and unrestricted net position is \$236,105 that the Council has designated as Fire Equipment Reserve.

Allowance for Doubtful Accounts

The City utilizes the allowance method for recognizing bad debt expense for receivables other than taxes, water and sewer. The amount of the allowance is determined by a review of receivables and prior years' experience. At June 30, 2015, the allowance account in the General Fund was \$324,505 and the Electric Fund was \$74,548.

Inventories

Inventories are stated at the lower of cost or market. Cost is determined by the first-in, first-out method.

Deferred Inflow of Resources/Revenue

Deferred revenue represents income received but not earned at year end. In addition, the City reports deferred revenue in the General Fund when a revenue does not meet both the "measurable" and the "available" criteria for recognition in the current period. For the governmental funds statements, property taxes not collected within sixty days following the end of the year are considered not available to pay liabilities that are owed at the balance sheet date and therefore are reported as deferred revenue.

Property Taxes

Property taxes are levied on July 1 and are payable by September 1. A 1% penalty plus .5% simple interest per month accrue on unpaid property taxes beginning September 1. All taxes attach as an enforceable lien on the property as of July 1. The City provides tax exemptions for qualifying senior citizens. The City bills and collects its own property taxes.

**CITY OF SEAFORD, DELAWARE**  
**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015**

**BASIS OF PRESENTATION AND  
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of donation. General infrastructure assets acquired prior to July 1, 2002 are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	20 - 50
Buildings and improvements	20 - 40
Machinery and equipment	5 - 10
Transportation equipment	5 - 15

**CASH - OTHER THAN PENSION PLAN**

At year end, the carrying amount of the City's cash deposits was \$7,435,910 and the bank balance was \$7,683,937. Of the bank balance, \$485,600 was covered by federal depository insurance and \$6,950,310 was collateralized by a tri-party collateral agreement with the Bank of New York Mellon and M&T Bank with \$572,735 in securities but not in the City's name and a \$6,000,000 letter of credit. \$625,602 was not collateralized.

**CASH AND INVESTMENTS - PENSION PLAN**

All assets of the Pension Plan are invested in various open and closed-end Mutual funds and further identified on the Statement of Fiduciary Net Position and reported at fair value based on current share price. Assets of the Pension Plan are not covered by FDIC insurance.

**CITY OF SEAFORD, DELAWARE**  
**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015**

**CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2015 was as follows:

	Beginning Balance	Increases and Transfers	Decreases and Transfers	Ending Balance
<b>Governmental activities:</b>				
<i>Capital assets not being depreciated</i>				
Land	\$ 2,073,881	\$	\$	\$ 2,073,881
Construction in progress	17,393	150,274		167,667
Total capital assets not being depreciated	<u>2,091,274</u>	<u>150,274</u>		<u>2,241,548</u>
<i>Capital assets being depreciated</i>				
Land improvements	3,394,573	225,355		3,619,928
Infrastructure	9,289,226			9,289,226
Buildings and improvements	10,138,180	104,750	(668,680)	9,574,250
Machinery and equipment	2,746,183	140,396	(18,481)	2,868,098
Transportation equipment	1,298,774	54,642	(69,002)	1,284,414
Total capital assets being depreciated	<u>26,866,936</u>	<u>525,143</u>	<u>(756,163)</u>	<u>26,635,916</u>
Less accumulated depreciation for:				
Land improvements	1,827,255	106,952		1,934,207
Infrastructure	6,798,338	159,495		6,957,833
Buildings and improvements	2,647,295	314,313	(122,723)	2,838,885
Machinery and equipment	1,948,116	103,809	(12,938)	2,038,987
Transportation equipment	872,643	118,299	(68,578)	922,364
Total accumulated depreciation	<u>14,093,647</u>	<u>802,868</u>	<u>(204,239)</u>	<u>14,692,276</u>
Total capital assets being depreciation, net	<u>12,773,289</u>	<u>(277,725)</u>	<u>(551,924)</u>	<u>11,943,640</u>
Governmental activities, capital assets, net	<u>\$ 14,864,563</u>	<u>\$ (127,451)</u>	<u>\$ (551,924)</u>	<u>\$ 14,185,188</u>

**CITY OF SEAFORD, DELAWARE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**CAPITAL ASSETS (CONTINUED)**

	Beginning Balance	Increases and Transfers	Decreases and Transfers	Ending Balance
<b>Business-type activities:</b>				
<u>Electric:</u>				
<i>Capital assets not being depreciated</i>				
Land	\$ 180,148	\$	\$	\$ 180,148
Construction in progress	196,299	55,533	(239,679)	12,153
Total capital assets not being depreciated	376,447	55,533	(239,679)	192,301
<i>Capital assets being depreciated</i>				
Buildings and improvements	3,929,259			3,929,259
Machinery and equipment	796,912	5,662	(1,189)	801,385
Distribution system	7,321,649	394,501		7,716,150
Transportation equipment	707,788	198,123	(102,648)	803,263
Total capital assets being depreciated	12,755,608	598,286	(103,837)	13,250,057
Less accumulated depreciation for:				
Buildings and improvements	3,504,612	149,677		3,654,289
Machinery and equipment	516,387	28,838	(1,115)	544,110
Distribution system	5,015,114	198,659		5,213,773
Transportation equipment	648,055	50,316	(102,648)	595,723
Total accumulated depreciation	9,684,168	427,490	(103,763)	10,007,895
Total capital assets being depreciation, net	3,071,440	170,796	(74)	3,242,162
Electric activities, capital assets, net	3,447,887	226,329	(239,753)	3,434,463
	Beginning Balance	Increases and Transfers	Decreases and Transfers	Ending Balance
<u>Sewer:</u>				
<i>Capital assets not being depreciated</i>				
Construction in progress	486,011	535,914	(341,686)	680,239
Total capital assets not being depreciated	486,011	535,914	(341,686)	680,239
<i>Capital assets being depreciated</i>				
Buildings and improvements	18,689,143	26,620		18,715,763
Machinery and equipment	909,450	7,087	(3,566)	912,971
Transmissions	10,879,162	341,685		11,220,847
Transportation equipment	14,095			14,095
Total capital assets being depreciated	30,491,850	375,392		30,863,676
Less accumulated depreciation for:				
Buildings and improvements	8,436,534	397,223		8,833,757
Machinery and equipment	574,886	48,464	(3,346)	620,004
Transmissions	5,002,225	436,693		5,438,918
Transportation equipment	14,095			14,095
Total accumulated depreciation	14,027,740	882,380	(3,346)	14,906,774
Total capital assets being depreciated, net	16,464,110	(506,988)	(220)	15,956,902
Sewer activities, capital assets, net	16,950,121	28,926	(341,906)	16,637,141

**CITY OF SEAFORD, DELAWARE**  
**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015**

**CAPITAL ASSETS (CONTINUED)**

	Beginning Balance	Increases and Transfers	Decreases and Transfers	Ending Balance
<b>Business-type activities:</b>				
<u>Water:</u>				
<i>Capital assets not being depreciated</i>				
Land	8,750			8,750
Construction in progress	42,906			42,906
Total capital assets not being depreciated	51,656			51,656
<i>Capital assets being depreciated</i>				
Buildings and improvements	1,465,504			1,465,504
Machinery and equipment	965,482	24,620		990,102
Transmissions	9,971,043	7,600		9,978,643
Transportation equipment	327,417	77,919	(65,926)	339,410
Total capital assets being depreciated	12,729,446	110,139	(65,926)	12,773,659
Less accumulated depreciation for:				
Buildings and improvements	999,311	34,207		1,033,518
Machinery and equipment	720,825	50,720		771,545
Transmissions	2,989,566	232,848		3,222,414
Transportation equipment	240,526	39,136	(65,926)	213,736
Total accumulated depreciation	4,950,228	356,911	(65,926)	5,241,213
Total capital assets being depreciated, net	7,779,218	(246,772)		7,532,446
Water activities, capital assets, net	7,830,874	(246,772)		7,584,102
	Beginning Balance	Increases and Transfers	Decreases and Transfers	Ending Balance
<u>Golf:</u>				
<i>Capital assets not being depreciated</i>				
Land	606,363			606,363
Total capital assets not being depreciated	606,363			606,363
<i>Capital assets being depreciated</i>				
Buildings and improvements	254,094			254,094
Machinery and equipment	99,138			99,138
Total capital assets being depreciated	353,232			353,232
Less accumulated depreciation for:				
Buildings and improvements	34,790	11,250		46,040
Machinery and equipment	69,484	18,047		87,531
Total accumulated depreciation	104,274	29,297		133,571
Total capital assets being depreciated, net	248,958	(29,297)		219,661
Golf activities, capital assets, net	855,321	(29,297)		826,024
Business-type activities, capital assets, net	\$ 29,084,203	\$ (20,814)	\$ (581,659)	\$ 28,481,730

**CITY OF SEAFORD, DELAWARE**  
**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015**

**CAPITAL ASSETS (CONTINUED)**

Depreciation expense of governmental activities was charged to functions as follows:

Administration	\$ 101,946
Code enforcement	8,607
Community pool	655
Fire department	128,445
Dispatch	6,136
Highways and streets	215,253
Parks department	116,851
Police department	179,482
Recreation	11,890
Economic development	33,603
	<u>\$ 802,868</u>

**INTERFUND BALANCES AND ACTIVITY**

In the current year, the following transfers were made and are treated as other financing sources or expenses within their respective funds. Operating transfers are included in the original budget.

Electric to General	\$ 3,150,000
Sewer to General	\$ 575,000
Water to General	\$ 100,000
General to Golf	\$ 515,000

**LONG-TERM DEBT**

Changes in long-term obligations for the year June 30, 2015 are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
Notes payable	\$ 1,698,149	\$	\$ (536,311)	\$ 1,161,838
	<u>\$ 1,698,149</u>	<u>\$</u>	<u>\$ (536,311)</u>	<u>\$ 1,161,838</u>

**CITY OF SEAFORD, DELAWARE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**LONG-TERM DEBT (CONTINUED)**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-type activities:</b>				
<b>Sewer</b>				
General obligation bonds	6,094,025		(690,609)	5,403,416
Notes payable	126,048	400,000	(25,690)	500,358
	<u>6,220,073</u>	<u>400,000</u>	<u>(716,299)</u>	<u>5,903,774</u>
<b>Water</b>				
General obligation bonds	1,178,765		(52,959)	1,125,806
<b>Golf</b>				
Notes payable	489,432		(116,093)	373,339
<b>Electric</b>				
Notes payable		198,000	(26,424)	171,576
	<u>\$ 7,888,270</u>	<u>\$ 598,000</u>	<u>\$ (911,705)</u>	<u>\$ 7,574,495</u>

Governmental Activities

Notes payable consist of the following:

Note payable, M&T Bank. Payable in monthly installments of principal and interest of \$12,348. Interest rate is 2.6%. Matures in December, 2018.	\$ 483,105
Note payable, M&T Bank. Payable in monthly installments of principal and interest of \$11,113. Interest rate is 2.11%. Matures in October, 2019.	551,457
Note payable to Sussex County, DE secured by buildings. Effective April 5, 2011, payable in monthly installments of \$987 at 0% interest. Matures in April, 2026.	<u>127,276</u>
	<u>\$ 1,161,838</u>



**CITY OF SEAFORD, DELAWARE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**LONG-TERM DEBT (CONTINUED)**

Business-type Activities

General obligation bonds consist of the following:

	<u>Electric</u>	<u>Sewer</u>	<u>Water</u>	<u>Golf</u>	<u>Total</u>
\$1,620,000 – Series 2008 SRF General Obligation notes issued to the Delaware Water Pollution Control Revolving Fund. Requires semi-annual payments of principal and interest at 3.969% over a term of 20 years, matures April 2029.	\$	\$1,351,927	\$	\$	\$1,351,927
\$2,729,408 – Series 2009 ARRA/SRF General Obligation notes issued to Water System Improvements Project with 52% forgiven by Delaware Dept. of Health and Social Services. Requires semi-annual payments of principal and interest at 3.24% over a term of 20 years – less 52%, matures May 2031.			1,125,806		1,125,806
\$2,579,004 – SRF Loan Series, notes issued to Water System Improvements Project. Requires semi-annual payment of principal and interest at 2.00%, matures December 2032.		2,408,946			2,408,946
\$8,216,930-1996 SRF Series A and B General Obligation notes issued to the Delaware Water Pollution Control Revolving Fund. Requires semi-annual payments of principal and interest at 3.99% over a term of 20 years, matures April 2018.		1,642,543			1,642,543
	\$	\$5,403,416	\$1,128,806	\$	\$6,529,222

**CITY OF SEAFORD, DELAWARE**  
**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015**

**LONG-TERM DEBT (CONTINUED)**

**Business-Type Activities (Continued)**

Notes payable consist of the following:

	<u>Electric</u>	<u>Sewer</u>	<u>Water</u>	<u>Golf</u>	<u>Total</u>
Note payable, M&T Bank. Payable in monthly installments of principal and interest of \$12,972.20. Interest rate is 2.11%. Matures in July, 2020. See Golf Course and Country Club.	\$	\$	\$	\$ 373,339	\$ 373,339
 \$497,300 note payable to Farmers Home Administration; payable semi-annually through May, 2019; interest at 5%.		103,197			103,197
 Note payable, Fulton Bank. Payable in monthly installments of principal and interest of \$3,869.03. Interest rate is 2.99%. Matures in May, 2025.		397,161			397,161
 Note payable, The Bank of Delmarva. Payable in monthly installments of principal and interest of \$3,622.27. Secured by trucks. Interest rate is 2.275%. Matures in October, 2019.	171,576				171,576
	<u>\$ 171,576</u>	<u>\$ 500,358</u>	<u>\$</u>	<u>\$373,339</u>	<u>\$1,045,273</u>

**CITY OF SEAFORD, DELAWARE**  
**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015**

**LONG-TERM DEBT (CONTINUED)**

Debt Service Requirements

Debt service requirements on long-term debt at June 30, 2015 are as follows:

Year Ending June 30,	Governmental Activities	
	Notes	
	Principal	Interest
2016	\$ 272,138	\$ 24,959
2017	278,437	17,260
2018	284,861	9,406
2019	202,157	2,705
2020	56,167	198
2021-2025	59,200	
2026-2030	8,878	
	<u>\$ 1,161,838</u>	<u>\$ 54,528</u>

Year Ending June 30,	Business-Type Activities			
	General Obligation Bonds		Notes	
	Principal	Interest	Principal	Interest
2016	\$ 770,812	\$ 196,912	\$ 248,235	\$ 26,202
2017	799,093	168,630	254,614	19,823
2018	828,453	139,271	177,241	13,664
2019	266,710	114,640	108,565	9,816
2020	274,488	106,863	45,562	6,969
2021-2025	1,498,083	397,356	211,056	16,070
2026-2030	1,605,458	174,494		
2031-2035	486,127	14,163		
	<u>\$ 6,529,224</u>	<u>\$ 1,312,329</u>	<u>\$ 1,045,273</u>	<u>\$ 92,544</u>

Golf Course and Country Club

In June 2010, the City purchased the golf course, club house, tennis court, equipment and pool from the Seaford Golf and Country Club for an agreed upon price of \$1,400,000.

Also in June 2010, the City entered into an agreement to sell the improvements known as the Club House to the Nanticoke Senior Center, Inc. at an agreed upon price of \$624,000 with settlement to occur at a future date.

**CITY OF SEAFORD, DELAWARE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**LONG-TERM DEBT (CONTINUED)**

Golf Course and Country Club (Continued)

The agreement included a 99 year lease of the land under the Club House with rent prepaid. The agreement also included effective August 1, 2010, a lease of the property until settlement at a monthly rate of 44.57% of the monthly payment due to the bank for the subsequent loan of \$1,400,000. The portion of this lease payment attributable to principal shall be credited to the \$624,000 purchase price at settlement. The total principal lease payments received through 2014 of \$353,192 were recorded as miscellaneous income in the General Fund and used to repay the debt. The total payments in 2015 of \$270,808 is recorded as sale of assets.

The remaining property of the Golf Course of \$776,000 is included in the proprietary Golf Fund along with the remaining debt with a current balance due of \$373,339.

**RETIREMENT AND PENSION PLANS**

**City of Seaford Pension Plan and Trusts**

Plan Description and Provisions

The City contributed to two separate defined benefit pension plans; the City of Seaford, Delaware Pension Plan and Trust (General Plan) and the Delaware County Municipal Police/Firefighters' Pension Plan which together covers substantially all full time employees.

The General Plan

The General Plan was created by a formal resolution of the Mayor and Council of the City of Seaford and is a single employer plan.

The plan administrator for the General Plan is the City of Seaford Retirement Plan Committee comprised of various City employees and City council members. The Plan does not issue separate financial statements.

Employee contributions for the general employees are both voluntary and effective July 1, 2013, require a mandatory participant contribution of 1% increasing 1% a year to 5% July 1, 2017. Contributions by the City are recommended by the employee benefit plan consultants and actuaries who do a review and actuarial valuation of the plan annually.

The latest available actuarial report for the City of Seaford Pension Plan as of July 1, 2014 and for the plan year July 1, 2014 to June 30, 2015, is calculated based on employee earnings of \$2,727,062.

**CITY OF SEAFORD, DELAWARE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**RETIREMENT AND PENSION PLANS (CONTINUED)**

Plan Description and Provisions (Continued)

The General Plan (Continued)

The plan provides normal retirement benefits only based on length of service and average monthly compensation. Normal retirement is the earlier of (1) the later of the participant reaching age 65 or the fifth anniversary of participation in the plan, or (2) the later of age 62 and the twenty-fifth anniversary of date of hire. The plan provides early retirement benefits for participants that have reached age 55 and completed at least 10 years of service. Participants are 100% vested after 10 years of service.

Investments

The investment policy is established by the Retirement Plan Committee. The policy of the Committee is to pursue an investment strategy that reduces risk through the prudent diversifications of assets. With the exception of cash, the Committee requires a diversification of investments in mutual funds only, which are reported at fair value which is quoted market price. The following is the asset allocation as of June 30, 2015:

<u>Asset Class</u>	<u>Allocation</u>
Fixed Income	30%
Domestic Equity	41%
International Equity	23%
Cash	6%

The approximate annual money-weighted rate of return on pension plan investments for the year ended June 30, 2015 net of pension plan investment expense was 0.42%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**CITY OF SEAFORD, DELAWARE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**RETIREMENT AND PENSION PLANS (CONTINUED)**

Plan Description and Provisions (Continued)

The General Plan (Continued)

Pension Liabilities, Pension Expense and Deferred Outflow of Resources and Deferred Inflow of Resources Related to the Plan

For the year ended June 30, 2015, the City recognized pension expense of \$995,227. At June 30, 2015, the City reported deferred outflows of resources or deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change to proportion	\$ 59,142	\$
Projected and actual plan investment difference		510,614
Contributions subsequent to measurement date	656,520	
	\$ 715,662	\$ 510,614

The City's contribution subsequent to the measurement date of \$656,520, reported as deferred outflows of resources, will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized over five years and recognized in pension expense as follows:

<u>Year Ending June 30,</u>	
2016	\$ (117,797)
2017	(117,797)
2018	(117,797)
2019	(117,797)

**CITY OF SEAFORD, DELAWARE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**RETIREMENT AND PENSION PLANS (CONTINUED)**

Plan Description and Provisions (Continued)

The General Plan (Continued)

Pension Liabilities, Pension Expense and Deferred Outflow of Resources and Deferred Inflow of Resources Related to the Plan (Continued)

The components of the net pension liability of the City at June 30, 2015 were as follows:

Total pension liability	\$ 13,153,647
Plan fiduciary net position	9,579,408
Less employee voluntary contribution	1,547,874
Adjusted plan fiduciary net position	8,031,534
Net pension liability	\$ 5,122,113
Plan fiduciary net position adjusted as a percentage of the total pension liability	<u>61.06%</u>

The amount shown above as the "total pension liability" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effect of projected salary increases, estimated to be payable in the future as a result of employee service to date. This measure is the actuarial accrued liability under the entry age normal actuarial cost method determined by an actuarial valuation as of June 30, 2015 on a roll forward of the liabilities from the June 30, 2014 valuation. Significant actuarial assumptions used in determining the pension benefit obligation include the RP-2000 Generational Mortality table, an assumed rate of return of 7.0%; changed from 8.0% effective July 1, 2010 and salary increases of 4% per year, changed from 5% effective July 1, 2010.

**CITY OF SEAFORD, DELAWARE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**RETIREMENT AND PENSION PLANS (CONTINUED)**

Plan Description and Provisions (Continued)

The General Plan (Continued)

Pension Liabilities, Pension Expense and Deferred Outflow of Resources and Deferred Inflow of Resources Related to the Plan (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in the Pension's Plan target asset allocation as of June 30, 2015 are summarized in the following table (note that the rates shown below include the inflation component):

<u>Asset Class</u>	<u>Long-Term Expected Rate of Return</u>
Domestic equity	12.43%
International equity	11.85%
Fixed income	5.33%
Real estate	8.05%
Commodities	8.36%
Cash	3.81%

Discount rate – The discount rate used to measure the total pension liability was the long-term expected rate-of-return assumption of 7.00%. The projection of cash flows used to determine the discount rate assumes that the City will continue to follow the current funding policy. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability and no municipal bond rate was utilized.



**CITY OF SEAFORD, DELAWARE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**RETIREMENT AND PENSION PLANS (CONTINUED)**

Plan Description and Provisions (Continued)

The General Plan (Continued)

Pension Liabilities, Pension Expense and Deferred Outflow of Resources and Deferred Inflow of Resources Related to the Plan (Continued)

Sensitivity of the net pension liability to changes in the discount rate – The following presents the net pension liability, calculated using the discount rate of 7.00%, as well as what the Plan's Net Pension Liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Net Pension Liability	\$6,798,273	\$5,122,113	\$3,720,944

Membership in the pension plan is comprised of the following for the plan year beginning July 1, 2014:

Active eligible	57
Terminated with vested rights	16
Retired	35
Total number of participants	108

Contributions Required and Contributions Made

The City's funding policy is to provide for periodic employer contributions at actuarially determined rates that are designed to accumulate sufficient assets to pay benefits when due.

	Annual Required Contribution	Percentage of APC Contributed
6/30/2013	\$ 672,310	100%
6/30/2014	656,822	101%
6/30/2015	656,520	100%

**CITY OF SEAFORD, DELAWARE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**RETIREMENT AND PENSION PLANS (CONTINUED)**

**Delaware County and Municipal Police/Firefighters' Pension Plan**

**Plan Description**

The County & Municipal Police and Firefighters' Pension Plan (the Plan) is a cost sharing multiple-employer defined-benefit pension plan established in the Delaware Code.

The General Assembly is responsible for setting benefits and contributions and amending plan provisions; administrative rules and regulations are adopted and maintained by the Board of Pension Trustees (the Board).

The management of the Plan is the responsibility of the Board. The Board is comprised of five members appointed by the Governor and confirmed by the State Senate, plus two ex officio members. The daily operation is the responsibility of the Office of Pensions. Although most of the assets of the Plan are commingled with other Plans for investment purposes, the Plan's assets may be used for the payment of benefits to the members of the Plan in accordance with the terms of the Plan.

The following are brief descriptions of the Plan in effect as of June 30, 2014. For a more complete description, please refer to the DPERS CAFR.

Separately issued financial statements for DPERS are available from the pension office at:

MaArdle Building, Suite 1  
860 Silver Lake Blvd  
Dover, DE 19904

**Plan Benefits**

**Eligibility**

The Plan covers police officers and firefighters employed by a county or municipality of the state that have joined the Plan.

**Service Benefits**

2.5% of final average monthly compensation multiplied by years of credited service up to 20 years, plus 3.5% of final average monthly compensation multiplied by years of service in excess of 20 years. For this plan, final average monthly compensation is the monthly average of the highest three consecutive years of compensation.

**Vesting**

Five years of credited service.

**CITY OF SEAFORD, DELAWARE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**RETIREMENT AND PENSION PLANS (CONTINUED)**

Delaware County and Municipal Police/Firefighters' Pension Plan (Continued)

Plan Benefits (Continued)

Retirement

Age 62 with 5 years of service; age plus credited service (but not less than 10 years) equals 75; or 20 years of credited service.

Disability Benefits:

Duty – Total Disability – 75% of final average compensation plus 10% for each dependent not to exceed 25% for all dependents.

Duty – Partial Disability – Calculated the same as Service Benefits, subjects to minimum 50% of final average compensation.

Non-Duty – Same as Service Benefits, total disability subject to a minimum 50% of final average monthly compensation plus 5% of each dependent not to exceed 20% for all dependents. Partial disability to a minimum of 30% of final average monthly compensation.

Survivor Benefits

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

Contributions

Employer

Determined by Board of Pension Trustees. Employer contributions were 15.5% and 14.8% of earnings for the Fiscal Year 2014 and 2013, respectively.

Member

7% of compensation.

**CITY OF SEAFORD, DELAWARE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**RETIREMENT AND PENSION PLANS (CONTINUED)**

Delaware County and Municipal Police/Firefighters' Pension Plan (Continued)

Pension Liabilities, Pension Expense and Deferred Outflow of Resources and Deferred Inflow of Resources Related to the Plan

At June 30, 2015, the City reported a liability (asset) of (\$256,546) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013, and update procedures were used to roll forward the total pension liability to June 30, 2014. The City's proportion of the net pension liability (asset) was based on the percentage of actual employee contributions. At June 30, 2014, the City's proportion was 2.3715 percent, which was a decrease of 0.0071 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the City recognized pension expense of \$539,019. At June 30, 2015, the City reported deferred outflows of resources or deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change to proportion	\$ 56,368	\$ 57,020
Projected and actual plan investment difference		395,392
Contributions subsequent to measurement date	229,529	
	<u>\$ 285,897</u>	<u>\$ 452,412</u>

The City's contribution subsequent to the measurement date of \$229,529, reported as deferred outflows of resources, will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized over five years and recognized in pension expense as follows:

<u>Year Ending June 30,</u>	
2016	\$ (98,847)
2017	(98,847)
2018	(98,847)
2019	(98,847)

**CITY OF SEAFORD, DELAWARE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**RETIREMENT AND PENSION PLANS (CONTINUED)**

Delaware County and Municipal Police/Firefighters' Pension Plan (Continued)

Actuarial Assumptions

The collective total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of June 30, 2013, and update procedures were used to roll forward the total pension liability to June 30, 2014. The collective total pension liability for the June 30, 2013 measurement date was determined by an actuarial valuation as of June 30, 2013. These actuarial valuations used the following actuarial assumptions:

Investment rate of return	7.2%
Projected salary increases	4% to 11.5%
Inflation	3%

The total pension liabilities are measured based on assumptions pertaining to the interest rates, inflation rates, and employee demographic behavior in future years. The assumptions used were based on the results of an actuarial experience study conducted in 2011. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates the larger the impact on future financial statements.

Mortality rates were based on the Sex distinct RP – 2000 combined Mortality Table projected to 2015 using scale AA for Males or Females, as appropriate, for mortality improvement.

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

<u>Asset Class</u>	<u>Long-Term Expected Rate of Return</u>
Domestic equity	5.7%
International equity	5.7%
Fixed income	2.0%
Alternative investments	7.8%
Cash and equivalents	-

**CITY OF SEAFORD, DELAWARE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**RETIREMENT AND PENSION PLANS (CONTINUED)**

Delaware County and Municipal Police/Firefighters' Pension Plan (Continued)

Actuarial Assumptions (Continued)

*Discount rate:* The discount rate for all plans used to measure the total pension liability was 7.2%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at rates determined by the Board of Pension Trustees, actuarially determined. Based on those assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investment was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the net pension liability to changes in the discount rate:* The following presents the collective net pension liability of the Plan, calculated using the discount rate of 7.2%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate:

<u>1% Decrease</u>	<u>Current Discount rate</u>	<u>1% Increase</u>
\$ 672,208	\$ (256,546)	\$ (1,017,218)

Pension Plan Fiduciary Net Position

Detailed information about the Pension Plan's fiduciary net position is available in the separately issued DPERS financial report.

Funding Policy

The Delaware County and Municipal Police/Firefighters' Pension Plan requires active members to contribute 7% of compensation. The City is required to contribute at an actuarially determined rate, which was 14.75% at July 1, 2012, 15.52% at July 1, 2013, and 14.18% at July 1, 2014. The contribution information for the City is as follows:

	<u>Annual Required Contribution</u>	<u>Percentage of APC Contributed</u>
6/30/2013	\$ 233,451	100%
6/30/2014	\$ 243,499	100%
6/30/2015	\$ 229,529	100%

**CITY OF SEAFORD, DELAWARE**  
**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015**

**OTHER POST-EMPLOYMENT BENEFITS**

As directed and approved by the Mayor and Council, the City currently provides additional post-employment benefits for health and life insurance for retired employees at age 65 who have retired under the above mentioned pension plans.

The current benefit for those who elect is 50% of the cost of the supplemental health insurance premium and 100% of the cost of the life insurance premium.

The benefit is funded on a pay-as-you-go plan. For the year ended June 30, 2015 the recognized direct cost was \$25,906 for 14 retirees.

In June 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pension*. The basic premise of the statement is that Other Postemployment Benefits (OPEB) are earned by employees and should be recognized by the employer as the employee provides services. GASB 45 requires employers to account for and report the annual cost of OPEB and the outstanding obligations and commitments related to them in the same manner as they currently do for pensions. In fiscal year 2009, the City adopted GASB 45 which resulted in the City reporting an actuarially-based liability for benefits in its government-wide and proprietary funds financial statements.

The City contracted for an actuarial study that determined the Actuarially Required Contribution (ARC). The last actuarial valuation was as of July 1, 2012 with subsequent roll forwards based on unfunded 4% discount rate. Although the City hopes in the future to be able to fully fund the ARC, to date no amount has been budgeted for this expenditure.

**Annual OPEB Cost and Net OPEB Obligation**

The City's OPEB cost is the ARC (annual required contribution), which 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 over a period not to exceed 30 years. The following table shows the components of the City's annual OPEB cost for the year, adjustment for prior year, the estimated pay as you go cost and changes in the City's net OPEB obligation.

Annual required contribution	\$ 305,955
Adjustment to ARC	(52,504)
Interest on net OPEB	49,462
Annual OPEB cost	<u>302,913</u>
Estimated pay as you go costs	(66,226)
Increase in net OPEB obligation	<u>236,687</u>
Net OPEB obligation – beginning of year	1,236,567
Net OPEB obligation – end of year	<u>\$ 1,473,254</u>

**CITY OF SEAFORD, DELAWARE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**OTHER POST-EMPLOYMENT BENEFITS (Continued)**

Schedule of Funding Progress

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2013	\$ 271,298	20.1%	\$1,007,287
6/30/2014	\$ 286,735	20.0%	\$1,236,567
6/30/2015	\$ 302,913	21.9%	\$1,473,254

Based on an actuarial study performed in September 2013 as of July 1, 2012, the most recent actuarial date, the plan was 0% funded. The actuarial accrued liability (AAL) for benefits was rolled forward to July 1, 2014 to \$3,565,108 and the actuarial value of assets was \$0 resulting in an unfunded actuarial accrued liability (UAAL) of \$3,565,108.

Actuarial accrued liabilities	\$ 3,565,108
Actuarial value of plan assets	0
Unfunded AAL	<u>\$ 3,565,108</u>
Funded ratio as of actuarial value dates	0%
Covered payroll	\$ 4,345,743
UAAL as a percentage of covered payroll	82.04%

Actuarial assumptions of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funding status of the plan and 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, presented as required supplementary information but included in the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.



**CITY OF SEAFORD, DELAWARE**  
**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015**

**OTHER POST-EMPLOYMENT BENEFITS (Continued)**

Summary of Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on a substantive plan as understood by the employer and the plan members and includes the type of benefits provided at the time of each valuation and the historical pattern of sharing the benefit costs between the employer and plan members to that point, and any known changes in the plan going forward. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in the actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the September, 2013 actuarial valuation as of July 1, 2012, the entry age normal cost method was used. Mortality calculations were done using the RP-2000 Fully Generational Combined Mortality table. Salary scale was 4%. The valuation assumed that 70% of active participants retiring at age 65 are to continue coverage into retirement.

**RELATED PARTY – THE DELAWARE MUNICIPAL ELECTRIC CORPORATION, INC.**

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

The City of Seaford purchases 100% of its electric supply requirements from DEMEC under a long-term full requirements service contract that became effective January 1, 2004 and which will remain in effect unless terminated upon one year's written notice by either party. The obligation of the City of Seaford 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 of Seaford has entered into a separate power sales agreement effective May 1, 2001 to purchase a 7.1% 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 of Seaford is entitled to 7.1% 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 power sale contract, the City of Seaford as a project participant has agreed to pay its share (7.1%) of the annual operating cost of the project including debt financing on a monthly basis.

**CITY OF SEAFORD, DELAWARE**  
**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015**

**RELATED PARTY – THE DELAWARE MUNICIPAL ELECTRIC CORPORATION, INC. (CONTINUED)**

On August 10, 2010, the City entered into a new power sales contract with DEMEC for the development, engineering, design, and installation of a second generator at DEMEC's existing power generation station in Smyrna, Delaware (Beasley #2 which was fully operational on June 1, 2012), for the generation of up to 67mw of capacity. As in the previous power sales agreement, the city is entitled to purchase 7.1% of all power generated and agrees to pay its share of the annual operating cost of the project including debt financing on a monthly basis.

In its issued financial statements for the year ended December 31, 2014, DEMEC's total bonded debt was \$58,035,493. In addition, DEMEC reported that Seaford's expected share of debt through July 1, 2026 will be 8.4%.

In March 2012, the City approved a supplement to the full requirement service contract with DEMEC. DEMEC became a member of American Municipal Power, Inc. (AMP) and purchased the right to approximately 13.6% of the electric capacity available from the AMP Fremont Energy Center (AFEC). The supplement includes provisions relating to the AFEC Power Sales Contract with DEMEC which requires members (Seaford) in addition to receiving and paying for power from AFEC through DEMEC to also share in the operating costs of the project including debt financing. The City's portion of DEMEC's AFEC share is 9.7%.

All of the shared cost of the above three projects is included in the cost of Purchased Power.

Distribution of net income by DEMEC to its members is included as a reduction of the cost of Purchased Power.

On May 9, 2012, DEMEC, on behalf of its nine municipal members, entered into a memorandum of understanding with the Governor of Delaware in which members (Seaford), in order to create economic opportunity for all, agreed to:

- 1) reduce retail electric rates by not less than an average of ten percent (10%) prior to the conclusion of the three year period commencing January 1, 2012. On June 12, 2012, Council lowered its electric rates 6.8% effective July 1, 2012 and 4.4% effective April 1, 2013.
- 2) maintain for a five year period commencing with their 2012 fiscal year (Seaford – June 30, 2012) a limit on the transfer of revenues from its electric utility into its general fund equal to the actual dollar transfer in fiscal year 2012 (Seaford - \$3,750,000) ( subject to a determination of need prior to the start of the fiscal year 2015).

The City Manager serves on the Board of Directors of DEMEC.

**CITY OF SEAFORD, DELAWARE**  
**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015**

**RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The City maintains commercial insurance covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims have not exceeded this coverage in any of the past three fiscal years.

The City participates in a "minimum premium plan" for its employee healthcare insurance. Under this plan, the City, who uses a third party administrator to process and pay claims, is responsible for paying all claims up to agreed-upon aggregate level with an insurance program responsible for the excess. The City has obtained a stop loss insurance policy of \$70,000 per participant to limit its healthcare costs. The City has been provided by the third party administrator an estimated accrual for claims incurred, but not reported in the amount of \$57,733 as of June 30, 2015.

**COMMITMENTS AND CONTINGENT LIABILITIES**

The City is the recipient of various federal and state grants. The City may be under obligation to repay these grant funds if, upon final review by the respective granting agencies, the funds expended did not meet the established program objectives. As of June 30, 2015, the City is not aware of any repayment requests.

In July 2015, the Council approved an agreement with Adkins Management Company for the operation of the Golf Course for the period July 1, 2016 to June 30, 2018. For the year ended June 30, 2016, the agreement is an operating lease in which both parties will share revenue and expenses on an agreed-upon basis. For the second and third years, if both parties agree to a changeover to a management fee arrangement, the City will compensate the Adkins Management Company an annual fee of \$711,976.

In September 2015, the Council and City voters approved for the City to issue \$1.6 million in general obligation bonds through the State Revolving fund for a mounted solar array to reduce electric cost at the wastewater treatment plant. It is expected that \$500,000 of the debt will be forgiven upon completion.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF SEAFORD, DELAWARE**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**

**YEAR ENDED JUNE 30, 2015**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Favorable
				(Unfavorable)
<b>REVENUES</b>				
Taxes	\$ 2,607,611	\$ 2,607,611	\$ 2,617,797	\$ 10,186
Intergovernmental	406,607	406,607	559,420	152,813
Fines and forfeitures	135,000	135,000	133,740	(1,260)
Licenses, permits and fees	476,502	476,502	487,647	11,145
Interest and late charges	43,636	43,636	41,055	(2,581)
Community pool and recreation	31,015	31,015	46,898	15,883
Charges for services	240,855	240,855	245,919	5,064
Miscellaneous	19,700	19,700	48,605	28,905
Total revenues	<u>3,960,926</u>	<u>3,960,926</u>	<u>4,181,081</u>	<u>220,155</u>
<b>EXPENDITURES</b>				
Current				
Administration	821,013	821,013	825,233	(4,220)
Code enforcement	410,750	410,750	313,315	97,435
Community pool	25,712	25,712	30,679	(4,967)
Executive	107,264	107,264	104,490	2,774
Fire department	272,375	272,375	207,254	65,121
Dispatch	601,745	601,745	592,639	9,106
Highways and streets	468,660	468,660	554,729	(86,069)
Parks department	528,590	528,590	458,082	70,508
Police department	3,241,327	3,241,327	3,278,872	(37,545)
Recreation	217,347	217,347	209,141	8,206
Economic development	109,714	109,714	119,829	(10,115)
Debt service	362,665	362,665	567,125	(204,460)
Capital outlay	310,406	310,406	671,242	(360,836)
Total expenditures	<u>7,477,568</u>	<u>7,477,568</u>	<u>7,932,630</u>	<u>(455,062)</u>
Deficiency of revenues under expenditures	<u>(3,516,642)</u>	<u>(3,516,642)</u>	<u>(3,751,549)</u>	<u>(234,907)</u>
<b>OTHER FINANCING SOURCES</b>				
Operating transfers (net)	2,645,666	2,645,666	3,310,000	664,334
Transfers from reserve	870,976	870,976		(870,976)
Sale of fixed assets			275,288	275,288
Total other financing sources	<u>3,516,642</u>	<u>3,516,642</u>	<u>3,585,288</u>	<u>68,646</u>
Net change in fund balances	<u>\$</u>	<u>\$</u>	<u>\$ (166,261)</u>	<u>\$ (166,261)</u>

**CITY OF SEAFORD, DELAWARE**

**SCHEDULE OF FUNDING PROGRESS  
OTHER POST EMPLOYMENT BENEFIT PLAN (OPEB)**

(UNAUDITED)

Actual Valuation Date	Actuarial Value of Assets	Actual Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/2008	-	2,891,653	2,891,653	0%	3,509,836	82.4%
7/1/2009	-	3,080,312	3,080,312	0%	3,754,694	82.0%
7/1/2010	-	2,831,838	2,831,838	0%	4,098,023	69.1%
7/1/2011	-	3,024,658	3,024,658	0%	4,215,534	71.8%
7/1/2012	-	3,130,601	3,130,601	0%	4,347,594	72.0%
7/1/2013	-	3,130,601	3,130,601	0%	4,215,534	74.3%
7/1/2014	-	3,565,108	3,565,108	0%	4,345,743	82.04%

**CITY OF SEAFORD, DELAWARE**

**SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY  
AND RELATED RATIOS  
SINGLE EMPLOYER DEFINED BENEFIT PENSION PLAN**

	<u>2015</u>	<u>2014</u>
<b>Total pension liability</b>		
Service Cost	\$ 200,070	\$ 214,075
Interest	867,976	854,346
Benefit payments	<u>(865,589)</u>	<u>(633,632)</u>
Net change in total pension liability	202,457	434,789
Total pension liability-beginning	12,951,190	12,516,401
Total pension liability-ending (a)	<u>\$ 13,153,647</u>	<u>\$ 12,951,190</u>
 <b>Plan fiduciary net pension</b>		
Contributions-city	\$ 656,520	\$ 661,932
Contributions-member	26,332	28,000
Net investment income	157,277	1,049,347
Other	276,742	-
Benefit payments, including refunds of employee contributions	(865,589)	(568,414)
Administrative expense	<u>(117,450)</u>	<u>(97,803)</u>
Net change in plan fiduciary net position	133,832	1,073,062
Plan fiduciary net position-beginning	7,897,702	6,824,640
Plan fiduciary net position-ending (b)	<u>8,031,534</u>	<u>7,897,702</u>
Plan's net pension liability- ending (a)-(b)	<u>\$ 5,122,113</u>	<u>\$ 5,053,488</u>
 Plan fiduciary net position as a percentage of the total pension liability	60.04%	60.98%
 Covered-employee payroll	\$ 2,727,062	\$ 2,650,963
Net pension liability as a percentage of covered-employee payroll	187.83%	190.62%

**Note to Schedule**

Items in the above schedule do not include activity or balances in the voluntary employee account.

CITY OF SEAFORD, DELAWARE

SCHEDULE OF CITY CONTRIBUTIONS  
SINGLE EMPLOYER DEFINED BENEFIT PENSION PLAN  
Last 10 Fiscal Years

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Actuarially determined contribution	\$ 656,520	\$ 656,822	\$ 672,310	\$ 659,989	\$ 621,877	\$ 575,109	\$ 210,015	\$ 188,057	\$ 190,324	\$ 199,990
Contributions in relation to the actuarially determined contribution	656,520	661,932	672,310	626,989	621,877	575,109	210,015	188,057	190,324	199,990
Contribution deficiency (excess)	\$ _____	\$ (5,110)	\$ _____	\$ 33,000	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Covered-employee payroll	\$ 2,727,062	\$ 2,650,963	\$ 2,690,002	\$ 2,757,943	\$ 2,693,121	\$ 2,665,163	\$ 2,492,689	\$ 2,334,914	\$ 2,387,991	\$ 2,153,843
Contributions as a percentage of covered-employee payroll	24.07%	24.97%	24.99%	22.73%	23.09%	21.58%	8.43%	8.05%	7.97%	9.29%

Notes to Schedule

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal actuarial cost method
Amortization method	Level dollar, open
Remaining amortization period	30 years
Asset valuation method	Actual value
Inflation	N/A
Salary increases	4%
Investment rate of return	7%, net of pension plan investment expense
Retirement age	An age-related assumption is used for participants not yet receiving payment. Participants are assumed to retire between age 55 and age 65.
Mortality	The RP-2000 Generational Mortality Table

Effective July 1, 2000, benefits for current retirees were increased 1% for each full year of retirement to a maximum of 5%. The plan was amended March 1, 2007 to provide a one-time cost of living adjustment (COLA) to certain retirees.

Effective December 1, 2008, the Plan was amended to accept into the Plan the retired and terminated police officers who were not eligible to go into Delaware County Municipal Police/Firefighters' Pension Plan and amended also to change the formula for calculating and retaining their current benefits. The plan was also amended to eliminate the supplemental medical annuity, and to provide an additional benefit to participants with over 25 years of service at retirement.

In June 2013 the Plan was amended effective July 1, 2013 requiring a Mandatory Participant Contribution of 1% increasing 1% a year to 5% as of July 1, 2017 and thereafter. The Mandatory Participant Contribution will be pursuant to the provisions of Internal Revenue Code Section 414(h)(2) and therefore, although withheld from Employee Compensation, will be treated as a City contribution for federal income tax purposes. The amendment also adjusted the voluntary contributions effective July 1, 2013 to at least 1% a year to 5% July 1, 2017 and added a new section to the Plan related to the refunds of Mandatory Participation Contribution refunds.



**CITY OF SEAFORD, DELAWARE**

**SCHEDULE OF INVESTMENT RETURNS  
SINGLE EMPLOYER DEFINED BENEFIT PENSION PLAN**

	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expense	0.42%	14.14%

**CITY OF SEAFORD , DELAWARE**

**SCHEDULE OF CITY'S PROPORTIONATE SHARE OF  
NET PENSION LIABILITY  
COST SHARING PLAN**

**MUNICIPAL POLICE/FIREFIGHTERS PENSION PLAN**

	<u>2015</u>
City's proportion of the net pension liability	2.3715
City's proportionate share of the net pension liability (asset)	\$ (256,525)
City's covered employee payroll	\$ 1,549,414
City's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	(16.56%)
Plan fiduciary net position as a percentage of the total pension liability	151.20%

**CITY OF SEAFORD, DELAWARE**

**SCHEDULE OF CITY'S CONTRIBUTIONS TO COST SHARING PENSION PLAN**

**MUNICIPAL POLICE/FIREFIGHTERS PENSION PLAN**

	<u>2015</u>
Contractually required contribution	\$ 229,526
Contribution in relation to the contractually required contribution	<u>229,526</u>
Contribution deficiency	<u>\$</u>
City's covered employee payroll	\$ 1,549,414
Contribution as a percentage of covered employee payroll	14.81%

## **SUPPLEMENTARY INFORMATION**

**CITY OF SEAFORD, DELAWARE**

**SCHEDULES OF REVENUES AND EXPENDITURES  
GENERAL FUND**

**YEAR ENDED JUNE 30, 2015  
(WITH COMPARATIVE INFORMATION FOR 2014)**

	2015	2014
<b>REVENUES</b>		
Taxes	\$ 2,617,797	\$ 2,639,165
Intergovernmental revenues	559,420	1,071,303
Fines and forfeitures	133,740	126,354
Licenses, permits and fees	487,647	473,462
Interest and late charges	41,055	33,947
Community pool and recreation	46,898	28,918
Charges for services	245,919	133,262
Miscellaneous	48,605	55,403
Total revenues	<u>4,181,081</u>	<u>4,561,814</u>
<b>EXPENDITURES</b>		
Current		
Administration	825,233	829,815
Code enforcement	313,315	327,656
Community pool	30,679	29,056
Executive	104,490	97,283
Fire department	207,254	212,273
Dispatch	592,639	583,815
Highways and streets	554,729	606,406
Parks department	458,082	512,218
Police department	3,278,872	3,201,044
Recreation	209,141	203,126
Economic development	119,829	101,647
Debt service	567,125	362,748
Capital outlay	671,242	560,924
Total expenditures	<u>7,932,630</u>	<u>7,628,011</u>
Deficiency of revenues under expenditures	<u>(3,751,549)</u>	<u>(3,066,197)</u>
<b>OTHER FINANCING SOURCES</b>		
Operating transfers (net)	3,310,000	2,740,000
Sale of fixed assets	275,288	76,675
Total other financing sources	<u>3,585,288</u>	<u>2,816,675</u>
Net change in fund balance	<u>\$ (166,261)</u>	<u>\$ (249,522)</u>

**CITY OF SEAFORD, DELAWARE**

**SCHEDULES OF REVENUES AND EXPENSES  
ELECTRIC FUND**

**YEAR ENDED JUNE 30, 2015  
(WITH COMPARATIVE INFORMATION FOR 2014)**

	<u>2015</u>	<u>2014</u>
<b>OPERATING REVENUES</b>		
Charges for services	\$ 15,915,496	\$ 15,201,632
Miscellaneous	83,928	84,371
Total operating revenues	<u>15,999,424</u>	<u>15,286,003</u>
<b>OPERATING EXPENSES</b>		
Purchased power	10,597,747	10,307,633
Payroll and other costs	1,198,552	1,076,275
Utilities	41,674	40,017
Repairs and maintenance	117,022	149,453
Insurance	330,602	316,455
Other supplies and expenses	271,332	187,160
Depreciation and amortization	427,490	401,195
Total operating expenses	<u>12,984,419</u>	<u>12,478,188</u>
Operating income	<u>3,015,005</u>	<u>2,807,815</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest revenue	938	1,209
Interest expense	(3,194)	(1,913)
Loss on disposal of fixed assets	(74)	
Transfers out	(3,150,000)	(2,850,000)
Net nonoperating expenses	<u>(3,152,330)</u>	<u>(2,850,704)</u>
Change in net position	<u>\$ (137,325)</u>	<u>\$ (42,889)</u>

**CITY OF SEAFORD, DELAWARE**

**SCHEDULES OF REVENUES AND EXPENSES  
SEWER FUND**

**YEAR ENDED JUNE 30, 2015  
(WITH COMPARATIVE INFORMATION FOR 2014)**

	<u>2015</u>	<u>2014</u>
<b>OPERATING REVENUES</b>		
Charges for services	\$ 2,562,328	\$ 2,320,160
Tap fees	6,900	13,800
Miscellaneous	3,971	137,537
Total operating revenues	<u>2,573,199</u>	<u>2,471,497</u>
<b>OPERATING EXPENSES</b>		
Payroll and other costs	515,541	463,374
Utilities	235,508	221,518
Repairs and maintenance	103,403	73,763
Insurance	250,045	219,746
Other supplies and expenses	164,417	176,208
Depreciation and amortization	882,380	853,757
Total operating expenses	<u>2,151,294</u>	<u>2,008,366</u>
Operating income	<u>421,905</u>	<u>463,131</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Grant revenue	180,956	258,961
Interest revenue	1,928	2,855
Interest expense	(190,473)	(206,674)
Loss on disposal of fixed assets	(220)	
Transfers out	(575,000)	(250,000)
Capital contributions	63,342	50,522
Net nonoperating expenses	<u>(519,467)</u>	<u>(144,336)</u>
Change in net position	<u>\$ (97,562)</u>	<u>\$ 318,795</u>

**CITY OF SEAFORD, DELAWARE**

**SCHEDULES OF REVENUES AND EXPENSES  
WATER FUND**

**YEAR ENDED JUNE 30, 2015  
(WITH COMPARATIVE INFORMATION FOR 2014)**

	<u>2015</u>	<u>2014</u>
<b>OPERATING REVENUES</b>		
Charges for services	\$ 1,076,855	\$ 967,368
Tap fees	8,750	12,550
Miscellaneous	4,742	10,097
Total operating revenues	<u>1,090,347</u>	<u>990,015</u>
<b>OPERATING EXPENSES</b>		
Payroll and other costs	361,899	354,649
Utilities	85,247	83,346
Repairs and maintenance	97,092	111,333
Insurance	120,075	132,368
Other supplies and expenses	127,815	153,289
Depreciation and amortization	356,911	379,032
Total operating expenses	<u>1,149,039</u>	<u>1,214,017</u>
Operating loss	<u>(58,692)</u>	<u>(224,002)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest revenue	1,196	1,556
Interest expense	(43,763)	(75,200)
Loss on sale of fixed assets		(1,059)
Transfers out	(100,000)	(150,000)
Contributed capital	29,880	50,065
Net nonoperating expenses	<u>(112,687)</u>	<u>(174,638)</u>
Change in net position	<u>\$ (171,379)</u>	<u>\$ (398,640)</u>



**CITY OF SEAFORD, DELAWARE**

**SCHEDULES OF REVENUES AND EXPENSES  
GOLF FUND**

**YEAR ENDED JUNE 30, 2015  
(WITH COMPARATIVE INFORMATION FOR 2014)**

	2015	2014
<b>OPERATING REVENUES</b>		
Charges for services	\$ 420,023	\$ 435,859
Sales	63,475	64,911
Miscellaneous	2,572	171
Total operating revenues	<u>486,070</u>	<u>500,941</u>
<b>OPERATING EXPENSES</b>		
Repairs and maintenance	23,854	29,524
Insurance	24,349	22,976
Contracts	744,338	793,125
Other supplies and expenses	69,722	79,856
Depreciation and amortization	29,297	29,340
Total operating expenses	<u>891,560</u>	<u>954,821</u>
Operating loss	<u>(405,490)</u>	<u>(453,880)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest expense	(11,322)	(9,916)
Transfers in	515,000	510,000
Net nonoperating revenue	<u>503,678</u>	<u>500,084</u>
Change in net position	<u>\$ 98,188</u>	<u>\$ 46,204</u>

**CITY OF SEAFORD, DELAWARE**

**SCHEDULES OF DEBT SERVICE  
ENTERPRISE FUNDS**

**JUNE 30, 2015**

	<u>2016</u>	<u>2017</u>	<u>2018</u>
<b>GENERAL OBLIGATION BONDS</b>			
<u>Principal Payments Due</u>			
\$5,300,000 SRF Series A Bonds	\$ 341,374	\$ 355,130	\$ 369,441
\$2,719,096 SRF Series B Bonds	184,658	192,099	199,841
\$1,620,000 SRF Series Bonds	73,866	76,827	79,906
\$2,579,004 SRF Loan Series 2011	116,225	118,562	120,945
\$2,729,408 SRF Series Bonds	54,689	56,475	58,320
Total principal payments	<u>770,812</u>	<u>799,093</u>	<u>828,453</u>
<u>Interest Payments Due</u>			
\$5,300,000 SRF Series A Bonds	39,160	25,403	11,092
\$2,719,096 SRF Series B Bonds	21,182	13,741	6,000
\$1,620,000 General Obligation Bonds	52,932	49,971	46,892
\$2,579,004 SRF Loan Series 2011	47,601	45,265	42,881
\$2,729,408 SRF Series Bonds	36,037	34,250	32,406
Total interest payments due	<u>196,912</u>	<u>168,630</u>	<u>139,271</u>
Total debt service requirements— general obligation bonds	<u>967,724</u>	<u>967,723</u>	<u>967,724</u>
<b>NOTES PAYABLE</b>			
<u>Principal Payments Due</u>			
Farmers Home Administration	24,011	25,226	26,503
M&T Bank - Golf Course	149,219	152,402	71,718
Fulton Bank - Sewer Extension	35,032	36,094	37,188
Bank of Delmarva - Truck	39,973	40,892	41,832
Total principal payments	<u>248,235</u>	<u>254,614</u>	<u>177,241</u>
<u>Interest Payments Due</u>			
Farmers Home Administration	4,863	3,648	2,371
M&T Bank - Golf Course	6,448	3,265	418
Fulton Bank - Sewer Extension	11,397	10,335	9,241
Bank of Delmarva - Truck	3,495	2,576	1,636
Total interest payments due	<u>26,203</u>	<u>19,824</u>	<u>13,666</u>
Total debt service requirements—notes payable	<u>274,438</u>	<u>274,438</u>	<u>190,907</u>
Total debt service requirements	<u>\$ 1,242,162</u>	<u>\$ 1,242,161</u>	<u>\$ 1,158,631</u>

<u>2019</u>	<u>2020</u>	<u>Thereafter</u>	<u>Total</u>
\$	\$	\$	\$ 1,065,945
			576,598
83,109	86,441	951,778	1,351,927
123,376	125,855	1,803,983	2,408,946
60,225	62,192	833,905	1,125,806
<u>266,710</u>	<u>274,488</u>	<u>3,589,666</u>	<u>6,529,222</u>
			75,655
			40,923
43,689	40,358	178,095	411,937
40,450	37,971	243,842	458,010
30,501	28,534	164,076	325,804
<u>114,640</u>	<u>106,863</u>	<u>586,013</u>	<u>1,312,329</u>
<u>381,350</u>	<u>381,351</u>	<u>4,175,679</u>	<u>7,841,551</u>
27,457			103,197
			373,339
38,315	39,476	211,056	397,161
42,793	6,086		171,576
<u>108,565</u>	<u>45,562</u>	<u>211,056</u>	<u>1,045,273</u>
1,029			11,911
			10,131
8,113	6,952	16,070	62,108
674	17		8,398
<u>9,816</u>	<u>6,969</u>	<u>16,070</u>	<u>92,548</u>
<u>118,381</u>	<u>52,531</u>	<u>227,126</u>	<u>1,137,821</u>
<u>\$ 499,731</u>	<u>\$ 433,882</u>	<u>\$ 4,402,805</u>	<u>\$ 8,979,372</u>

***GOVERNMENT AUDITING STANDARDS REPORT***



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PKF INTERNATIONAL

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER  
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING  
STANDARDS***

Mayor and Council  
City of Seaford, Delaware

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Seaford, Delaware, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Seaford, Delaware's basic financial statements, and have issued our report thereon dated November 18, 2015.

**Internal Control over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

*PKS & Company, P.A.*

**CERTIFIED PUBLIC ACCOUNTANTS**

Salisbury, Maryland  
November 18, 2015