

CITY OF SEAFORD, DELAWARE

**Financial Statements with
Report of Independent Public Accountants**

For the Year Ended June 30, 2016



SB & COMPANY, LLC
KNOWLEDGE • QUALITY • CLIENT SERVICE

JUNE 30, 2016

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

Mayor and Council
City of Seaford, Delaware

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Seaford, Delaware (the City), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The City's 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 opinion.

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, 2016, 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.



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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedule – general fund, schedule of funding progress – OPEB, schedule of changes in the City's net pension liability and related ratios – single employer plan, schedule of City contributions – single employer plan, schedule of investment returns – single employer plan, schedule of the City's proportionate share of net pension liability – cost sharing plan, and schedule of the City's contributions to cost sharing pension plan 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's basic financial statements. The schedules of revenue and expenditures, schedules of debt service, and financial highlights is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information and financial highlights is the responsibility of management and was 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 revenue and expenditures, and schedules of debt service and financial highlights are fairly stated in all material respects in relation to the basic financial statements as a whole.



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Other Matter

The summary financial statements as of and for the year ended June 30, 2015 presented in this annual report were derived from information from the audited financial statements and supplemental information as of and for the year ended June 30, 2015 that were audited by another auditor who expressed an unmodified opinion on those statements on November 18, 2015.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2016 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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's internal control over financial reporting and compliance.

Hunt Valley, MD
November 7, 2016

A handwritten signature in black ink that reads "SB & Company, LLC". The signature is written in a cursive, flowing style.

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, 2016. Please read it in conjunction with the City's financial statements, which begin on page 12.

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.
 - *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.
 - *Fiduciary fund* statements offer information about the pension funds.

The focus of government-wide financial statements is on the overall financial position and activities of the City. These financial statements are constructed around the concept of a primary government, the City.

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 revenue 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, 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* 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 approximately \$540,000, or 1.5% from fiscal year 2015 to 2016.

The net position of the City’s governmental activities decreased by approximately \$347,000, for fiscal year 2016. 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 approximately \$193,000, 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
	2016	2015	2016	2015	2016	2015	
Current and other assets	\$ 2,563	\$ 2,885	\$ 7,719	\$ 7,911	\$ 10,282	\$ 10,796	-5%
Capital assets	14,125	14,185	27,604	28,482	41,729	42,667	-2%
Total assets	<u>16,688</u>	<u>17,070</u>	<u>35,323</u>	<u>36,393</u>	<u>52,011</u>	<u>53,463</u>	-3%
Deferred outflows	<u>489</u>	<u>682</u>	<u>170</u>	<u>319</u>	<u>659</u>	<u>1,001</u>	-34%
Long-term debt	991	1,162	6,556	7,574	7,547	8,736	-14%
Other liabilities	<u>4,555</u>	<u>4,307</u>	<u>4,894</u>	<u>4,811</u>	<u>9,449</u>	<u>9,118</u>	4%
Total liabilities	<u>5,546</u>	<u>5,469</u>	<u>11,450</u>	<u>12,385</u>	<u>16,996</u>	<u>17,854</u>	-5%
Deferred inflows	<u>459</u>	<u>765</u>	<u>137</u>	<u>227</u>	<u>595</u>	<u>992</u>	-40%
Net position							
Net investment in capital assets	13,123	13,023	21,048	20,907	34,171	33,930	1%
Restricted	689	553	2,490	2,338	3,179	2,891	10%
Unrestricted	<u>(2,640)</u>	<u>(2,057)</u>	<u>368</u>	<u>854</u>	<u>(2,272)</u>	<u>(1,203)</u>	89%
Total net position	<u>\$ 11,172</u>	<u>\$ 11,519</u>	<u>\$ 23,906</u>	<u>\$ 24,099</u>	<u>\$ 35,078</u>	<u>\$ 35,618</u>	-2%

Changes in Net Position

The City's total revenue was approximately \$23,351,000. Approximately 86% of the City's revenues come from fees charged for services. Another 1% comes from capital grants and 10% from property taxes. The remaining revenue is from state grants and miscellaneous fees and taxes.

The total cost of all programs and services was approximately \$23,891,000. The City's expenses cover a range of services with about 68% related to the business activities.

Table 2 and the narrative that follows consider the operations of governmental and business-type activities separately for the years ended June 30, 2015 and 2016.

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

	Governmental		Business-type		Total	
	Activities		Activities			
	2016	2015	2016	2015	2016	2015
Revenues						
Program services						
Charges for services	\$ 977	\$ 647	\$ 19,077	\$ 20,149	\$ 20,055	\$ 20,796
Operating grants	389	396	-	-	389	396
Capital grants	49	167	154	274	203	441
General revenues						
Property taxes	2,377	2,418	-	-	2,377	2,418
Other taxes	237	204	-	-	237	204
Grants	1	10	-	-	1	10
Other	86	30	4	4	90	34
Dipsosal of assets	-	(5)	-	-	-	(5)
Total revenues	<u>4,116</u>	<u>3,867</u>	<u>19,235</u>	<u>20,427</u>	<u>23,352</u>	<u>24,294</u>
Expenses						
Adminstration	882	941	-	-	882	941
Code enforcement	413	333	-	-	413	333
Community pool	32	31	-	-	32	31
Executive	153	104	-	-	153	104
Fire department	334	336	-	-	334	336
Dispatch	649	624	-	-	649	624
Highways and streets	731	781	-	-	731	781
Parks department	627	582	-	-	627	582
Police department	3,476	4,069	-	-	3,476	4,069
Recreation	217	225	-	-	217	225
Economic development	142	155	-	-	142	155
Interest on long-term debt	22	3	-	-	22	3
Electric	-	-	12,457	12,987	12,457	12,987
Sewer	-	-	2,328	2,342	2,328	2,342
Water	-	-	1,160	1,193	1,160	1,193
Golf	-	-	268	903	268	903
Total expenses	<u>7,678</u>	<u>8,184</u>	<u>16,213</u>	<u>17,425</u>	<u>23,891</u>	<u>25,609</u>
Changes before tranfers	(3,562)	(4,317)	3,022	3,002	(539)	(1,315)
Tranfers	3,215	3,310	(3,215)	(3,310)	-	-
Change in net position	<u>\$ (347)</u>	<u>\$ (1,007)</u>	<u>\$ (193)</u>	<u>\$ (308)</u>	<u>\$ (539)</u>	<u>\$ (1,315)</u>

Governmental Activities

Revenues for the City's governmental activities excluding transfers were approximately \$4,116,000.

The property tax rate for 2015 and 2016 was 31¢/\$100 assessed value each year.

The cost of all governmental activities this year was approximately \$7,678,000. Of this cost, the largest program for the City is the police with a cost of approximately \$3,476,000.

Business-Type Activities

Revenues of the City's business-type activities decreased about 6% to approximately \$19,234,000 and expenses decreased 7% to approximately \$16,213,000. The major factor contributing to a decrease in revenue and expenses was a decrease in golf revenue and expenses.

General Fund Activities

For the year ended June 30, 2016, after transfers and loan proceeds, the City had a decrease of \$102,319, in its general 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, 2016, the City had invested approximately \$41,718,000 (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 approximately \$949,000, or about 2.22%, from last year, driven largely by depreciation of assets.

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

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 2,074	\$ 2,073	\$ 958	\$ 795	\$ 3,032	\$ 2,868
Land improvements	1,706	1,685	-	-	1,706	1,685
Buildings and improvements	6,775	6,736	10,337	10,797	17,112	17,533
Equipment	1,328	1,192	1,068	1,112	2,396	2,304
Infrastructure	2,176	2,331	14,796	15,043	16,972	17,374
Construction in progress	56	168	445	735	501	903
Total	<u>\$ 14,115</u>	<u>\$ 14,185</u>	<u>\$ 27,604</u>	<u>\$ 28,482</u>	<u>\$ 41,719</u>	<u>\$ 42,667</u>

Long-term Debt

At June 30, 2016, the City had \$7,547,408, in bonds and notes outstanding, a decrease of 14% 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	
	2016	2015	2016	2015	2016	2015
General obligation bonds	\$ -	\$ -	\$ 5,758	\$ 6,529	\$ 5,758	\$ 6,529
Notes payable	991	1,162	798	1,045	1,789	2,207
Total	<u>\$ 991</u>	<u>\$ 1,162</u>	<u>\$ 6,556</u>	<u>\$ 7,574</u>	<u>\$ 7,547</u>	<u>\$ 8,736</u>

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

The City of Seaford is currently working on the Electric Substation & System Improvements project. The financing for this project is through DEMEC's On Behalf of Financing option at an approximate cost of \$9,000,000. This project is for the construction of the Pine Street Substation and multiple system improvements.

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 As of June 30, 2016

	Governmental Activities	Business-Type Activities	Total
Assets:			
Current Assets			
Cash and cash equivalents	\$ 1,468,731	\$ 4,995,461	\$ 6,464,192
Accounts receivable (net of allowance for uncollectibles)	347,008	1,986,155	2,333,163
Inventories	18,254	712,669	730,923
Prepaid expense	39,845	24,875	64,720
Restricted cash	689,567	-	689,567
Total current assets	<u>2,563,405</u>	<u>7,719,160</u>	<u>10,282,565</u>
Noncurrent Assets			
Notes receivables	11,002	-	11,002
Net capital assets, net	14,114,029	27,604,375	41,718,404
Total noncurrent assets	<u>14,125,031</u>	<u>27,604,375</u>	<u>41,729,406</u>
Total Assets	<u>16,688,436</u>	<u>35,323,535</u>	<u>52,011,971</u>
Deferred Outflow of Resources:			
Deferred financing outflow - retirement	<u>488,510</u>	<u>169,852</u>	<u>658,362</u>
Liabilities:			
Current liabilities			
Accounts payable	137,086	948,606	1,085,692
Accrued interest	-	34,065	34,065
Accrued expense-other	67,102	37,042	104,144
Current portion of long-term debt	297,806	1,053,707	1,351,513
Deposits	6,818	824,796	831,614
Accrued compensated absences	242,279	76,942	319,221
Total current liabilities	<u>751,091</u>	<u>2,975,158</u>	<u>3,726,249</u>
Noncurrent liabilities			
Accrued liabilities - OPEB	1,187,762	522,888	1,710,650
Net pension liability	3,042,966	2,449,734	5,492,700
Net pension asset	(129,171)	-	(129,171)
Bonds and notes payable	693,272	5,502,623	6,195,895
Total non-current liabilities	<u>4,794,829</u>	<u>8,475,245</u>	<u>13,270,074</u>
Total Liabilities	<u>5,545,920</u>	<u>11,450,403</u>	<u>16,996,323</u>
Deferred Inflow of Resources:			
Deferred grant revenue	37,406	-	37,406
Deferred financing inflow - retirement	421,269	136,811	558,080
Total deferred inflow of resources	<u>458,675</u>	<u>136,811</u>	<u>595,486</u>
Net Position:			
Net investment in capital assets	13,122,951	21,048,045	34,170,996
Restricted	689,567	2,489,715	3,179,282
Unrestricted	(2,640,167)	368,413	(2,271,754)
Total Net Position	<u>\$ 11,172,351</u>	<u>\$ 23,906,173</u>	<u>\$ 35,078,524</u>

The accompanying notes are an integral part of this financial statement.

CITY OF SEAFORD, DELAWARE

**Statement of Activities
For the Year Ended June 30, 2016**

	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
FUNCTIONS/PROGRAMS							
GOVERNMENTAL ACTIVITIES							
Administration	\$ 882,465	\$ 423,899	\$ -	\$ -	\$ (458,566)	\$ -	\$ (458,566)
Code enforcement	413,432	261,951	-	-	(151,481)	-	(151,481)
Community pool	31,880	-	-	-	(31,880)	-	(31,880)
Executive	152,931	-	-	-	(152,931)	-	(152,931)
Fire department	333,964	-	-	-	(333,964)	-	(333,964)
Dispatch	648,987	-	-	-	(648,987)	-	(648,987)
Highways and streets	730,784	-	180,320	24,517	(525,947)	-	(525,947)
Parks department	627,404	-	-	-	(627,404)	-	(627,404)
Police department	3,476,385	209,906	209,051	25,000	(3,032,428)	-	(3,032,428)
Recreation	216,605	74,993	-	-	(141,612)	-	(141,612)
Economic development	141,675	6,534	-	-	(135,141)	-	(135,141)
Interest on long-term debt	21,641	-	-	-	(21,641)	-	(21,641)
Total governmental activities	<u>7,678,153</u>	<u>977,283</u>	<u>389,371</u>	<u>49,517</u>	<u>(6,261,982)</u>	<u>-</u>	<u>(6,261,982)</u>
BUSINESS-TYPE ACTIVITIES							
Electric	12,457,149	15,396,287	-	-	-	2,939,138	2,939,138
Sewer	2,327,486	2,543,886	-	115,950	-	332,350	332,350
Water	1,160,078	1,136,260	-	37,818	-	14,000	14,000
Golf	268,077	-	-	-	-	(268,077)	(268,077)
Total business-type activities	<u>16,212,790</u>	<u>19,076,433</u>	<u>-</u>	<u>153,768</u>	<u>-</u>	<u>3,017,411</u>	<u>3,017,411</u>
Total	<u>\$ 23,890,943</u>	<u>\$ 20,053,716</u>	<u>\$ 389,371</u>	<u>\$ 203,285</u>	<u>(6,261,982)</u>	<u>3,017,411</u>	<u>(3,244,571)</u>
GENERAL REVENUES							
Taxes							
Property taxes					2,377,021	-	2,377,021
Transfer taxes					236,878	-	236,878
Grants and contributions not restricted to specific programs					689	-	689
Unrestricted investment earnings					1,959	4,375	6,334
Miscellaneous					83,704	-	83,704
Transfers - net					3,215,000	(3,215,000)	-
Total general revenues, special items and transfers					<u>5,915,251</u>	<u>(3,210,625)</u>	<u>2,704,626</u>
Change in net position					(346,731)	(193,214)	(539,945)
NET POSITION, BEGINNING OF YEAR					<u>11,519,082</u>	<u>24,099,387</u>	<u>35,618,469</u>
NET POSITION, END OF YEAR					<u>\$ 11,172,351</u>	<u>\$ 23,906,173</u>	<u>\$ 35,078,524</u>

The accompanying notes are an integral part of this financial statement.

CITY OF SEAFORD, DELAWARE

**Balance Sheet – Governmental Funds
As of June 30, 2016**

	General Fund
Assets:	
Cash and cash equivalents	\$ 1,468,731
Accounts receivable (net of allowance for uncollectibles)	347,008
Inventories	18,254
Prepaid expenses	39,845
Notes receivable	11,002
Restricted cash	689,567
Total Assets	<u>\$ 2,574,407</u>
Liabilities:	
Accounts payable	\$ 137,086
Accrued expenses	309,381
Deposits	6,818
Total Liabilities	<u>453,285</u>
Deferred Inflows of Resources:	
Deferred revenue	<u>254,333</u>
Fund Balances:	
Nonspendable	58,099
Restricted	689,567
Assigned	286,343
Unassigned	832,780
Total fund balances	<u>1,866,789</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 2,574,407</u>

The accompanying notes are an integral part of this financial statement.

CITY OF SEAFORD, DELAWARE

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
As of June 30, 2016**

Total fund balances, governmental funds	\$ 1,866,789
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.	14,114,029
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.	216,927
Certain deferred inflows and outflows related to net pension expenses as reported in the governmental activities statement, but not in the financial statement.	67,241
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>(5,092,635)</u>
Net position of governmental activities in the Statement of Net Position	<u><u>\$ 11,172,351</u></u>

The accompanying notes are an integral part of this financial statement.

CITY OF SEAFORD, DELAWARE

Statement of Revenue, Expenditures, and Changes in Fund Balance – Governmental Funds For the Year Ended June 30, 2016

	<u>General Fund</u>
Revenues	
Taxes	\$ 2,346,786
Transfer taxes	236,878
Intergovernmental revenues	438,888
Fines and forfeitures	82,284
Licenses, permits and fees	555,941
Interest and late charges	40,404
Community pool and recreation	42,319
Charges for services	249,529
Miscellaneous	93,158
Total revenues	<u>4,086,187</u>
Expenditures	
Administration	782,165
Code enforcement	381,913
Community pool	30,280
Executive	148,088
Fire department	199,388
Dispatch	596,038
Highways and streets	481,958
Parks department	478,485
Police department	3,102,398
Recreation	196,403
Economic development	101,056
Debt service	295,226
Capital outlay	712,933
Total Expenditures	<u>7,506,331</u>
Deficiency of revenues under expenditures	<u>(3,420,144)</u>
Other Financing Sources	
Proceeds from loan borrowing	102,825
Operating transfers in	(510,000)
Operating transfers out	3,725,000
	<u>3,317,825</u>
Net changes in fund balance	(102,319)
Fund Balance, Beginning of Year	<u>1,969,108</u>
Fund Balance, End of Year	<u>\$ 1,866,789</u>

The accompanying notes are an integral part of this financial statement.

CITY OF SEAFORD, DELAWARE

Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balance – Governmental Funds to the Statement of Activities For the Year Ended June 30, 2016

Net change in fund balances, governmental funds	\$ (102,319)
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 \$724,768 was less than depreciation expense \$793,861 in the current period.	(69,093)
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.	(2,066)
In the Statement of Activities, the net OPEB obligation and the net pension liabilities 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).	(374,248)
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.	30,235
Governmental funds report repayment of debt principal as an expenditure and loan proceeds as other financing sources. In contrast, the Statement of Activities treats such repayments and loan proceeds as a changes in long-term liabilities.	170,760
Change in net position of governmental activities	<u>\$ (346,731)</u>

The accompanying notes are an integral part of this financial statement.

CITY OF SEAFORD, DELAWARE

Statement of Net Position – Proprietary Funds As of June 30, 2016

	Electric Fund	Sewer Fund	Water Fund	Golf Fund	Total
Assets:					
Current Assets					
Cash and cash equivalents	\$ 1,298,371	\$ 2,177,084	\$ 1,508,622	\$ 11,384	\$ 4,995,461
Accounts receivable (net of allowance for uncollectibles)	1,569,447	287,872	128,836	-	1,986,155
Inventory	546,091	27,269	96,375	42,934	712,669
Prepaid expenses	10,605	10,131	3,591	548	24,875
Total current assets	<u>3,424,514</u>	<u>2,502,356</u>	<u>1,737,424</u>	<u>54,866</u>	<u>7,719,160</u>
Noncurrent assets					
Capital Assets					
Land, buildings, and improvements	4,312,974	18,722,426	1,474,254	860,457	25,370,111
Machinery and equipment	810,533	915,966	1,021,316	175,179	2,922,994
Transmission mains and extensions	7,837,834	11,688,638	10,032,579	-	29,559,051
Transportation	803,263	14,095	339,410	-	1,156,768
Construction in progress	107,632	294,813	42,906	-	445,351
Less accumulated depreciation	(10,362,471)	(15,800,978)	(5,604,824)	(81,627)	(31,849,900)
Total noncurrent assets	<u>3,509,765</u>	<u>15,834,960</u>	<u>7,305,641</u>	<u>954,009</u>	<u>27,604,375</u>
Total assets	<u>6,934,279</u>	<u>18,337,316</u>	<u>9,043,065</u>	<u>1,008,875</u>	<u>35,323,535</u>
Deferred Outflows of Resources:					
Deferred financing outflow - retirement	100,921	36,941	31,990	-	169,852
Liabilities:					
Current Liabilities					
Accounts payable	876,659	59,227	7,909	4,811	948,606
Accrued interest	66	27,904	5,705	390	34,065
Accrued expense - other	24,306	7,539	5,197	-	37,042
Current portion of long-term debt	40,890	803,937	56,475	152,405	1,053,707
Deposits	766,589	9,334	41,362	7,511	824,796
Accrued compensated absences	48,579	13,603	14,760	-	76,942
Total current liabilities	<u>1,757,089</u>	<u>921,544</u>	<u>131,408</u>	<u>165,117</u>	<u>2,975,158</u>
Noncurrent liabilities					
Accrued liabilities - OPEB	286,315	136,297	100,276	-	522,888
Net pension liability	1,455,559	532,790	461,385	-	2,449,734
Bonds, notes and capital leases payable	91,086	4,324,869	1,014,642	72,026	5,502,623
Total non-current liabilities	<u>1,832,960</u>	<u>4,993,956</u>	<u>1,576,303</u>	<u>72,026</u>	<u>8,475,245</u>
Total Liabilities	<u>3,590,049</u>	<u>5,915,500</u>	<u>1,707,711</u>	<u>237,143</u>	<u>11,450,403</u>
Deferred Inflow of Resources:					
Deferred financing inflow - retirement	81,289	29,755	25,767	-	136,811
Total deferred inflow of resources	<u>81,289</u>	<u>29,755</u>	<u>25,767</u>	<u>-</u>	<u>136,811</u>
Net Position:					
Net investment in capital assets	3,377,789	10,706,154	6,234,524	729,578	21,048,045
Restricted	-	1,681,547	808,168	-	2,489,715
Unrestricted	(13,927)	41,301	298,885	42,154	368,413
Total Net Position	<u>\$ 3,363,862</u>	<u>\$ 12,429,002</u>	<u>\$ 7,341,577</u>	<u>\$ 771,732</u>	<u>23,906,173</u>

The accompanying notes are an integral part of this financial statement.

CITY OF SEAFORD, DELAWARE

Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds For the Year Ended June 30, 2016

	<u>Electric Fund</u>	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Golf Fund</u>	<u>Total</u>
Operating Revenues					
Charges for services	\$ 15,243,775	\$ 2,528,876	\$ 1,122,275	\$ -	\$ 18,894,926
Tap fees	-	11,850	10,155	-	22,005
Miscellaneous	152,512	3,160	3,830	-	159,502
Total operating revenues	<u>15,396,287</u>	<u>2,543,886</u>	<u>1,136,260</u>	<u>-</u>	<u>19,076,433</u>
Operating Expenses					
Purchased power	10,013,860	-	-	-	10,013,860
Payroll and other costs	1,256,509	544,499	368,868	-	2,169,876
Utilities	33,574	208,247	74,729	-	316,550
Repairs and maintenance	68,306	67,644	95,218	22,673	253,841
Insurance	331,799	254,005	115,237	15,913	716,954
Contracts	-	-	-	139,062	139,062
Other supplies and expenses	394,017	178,264	106,378	67,683	746,342
Depreciation and amortization	354,576	897,413	363,611	15,988	1,631,588
Total operating expenses	<u>12,452,641</u>	<u>2,150,072</u>	<u>1,124,041</u>	<u>261,319</u>	<u>15,988,073</u>
Operating income (loss)	2,943,646	393,814	12,219	(261,319)	3,088,360
Nonoperating Revenues (Expenses)					
Grant income	-	18,154	-	-	18,154
Interest revenue	1,038	2,089	1,248	-	4,375
Interest expense	(4,508)	(177,331)	(36,037)	(6,758)	(224,634)
Loss on disposal of fixed asset	-	(83)	-	-	(83)
Transfers in (out)	(3,150,000)	(400,000)	(175,000)	510,000	(3,215,000)
Capital contribution	-	97,796	37,818	-	135,614
Net nonoperating revenues (expenses)	<u>(3,153,470)</u>	<u>(459,375)</u>	<u>(171,971)</u>	<u>503,242</u>	<u>(3,281,574)</u>
Changes in net position	(209,824)	(65,561)	(159,752)	241,923	(193,214)
Net Position, Beginning of Year	<u>3,573,686</u>	<u>12,494,563</u>	<u>7,501,329</u>	<u>529,809</u>	<u>24,099,387</u>
Net Position, End of Year	<u>\$ 3,363,862</u>	<u>\$ 12,429,002</u>	<u>\$ 7,341,577</u>	<u>\$ 771,732</u>	<u>\$ 23,906,173</u>

The accompanying notes are an integral part of this financial statement.

CITY OF SEAFORD, DELAWARE

Statement of Cash Flows – Proprietary Funds For the Year Ended June 30, 2016

	Enterprise Funds				
	Electric Fund	Sewer Fund	Water Fund	Golf Fund	Total
Cash Flows from Operating Activities					
Receipts from customers	\$ 15,476,405	\$ 2,541,446	\$ 1,131,441	\$ 1,690	\$ 19,150,982
Other receipts	152,512	3,160	3,830	-	159,502
Payments to suppliers	(10,750,355)	(805,732)	(358,732)	(252,861)	(12,167,680)
Payments to employees	(1,135,490)	(490,153)	(332,694)	-	(1,958,337)
Net cash from operating activities	<u>3,743,072</u>	<u>1,248,721</u>	<u>443,845</u>	<u>(251,171)</u>	<u>5,184,467</u>
Cash Flows from Noncapital Financing Activities					
Operating transfers in (out)	(3,150,000)	(400,000)	(175,000)	510,000	(3,215,000)
Capital and related contribution	-	97,796	37,818	-	135,614
Net cash from noncapital financing activities	<u>(3,150,000)</u>	<u>(302,204)</u>	<u>(137,182)</u>	<u>510,000</u>	<u>(3,079,386)</u>
Cash Flows from Capital and Related Financing Activities					
Payments for capital acquisitions	(429,878)	(95,232)	(85,150)	(143,973)	(754,233)
Grant income	-	18,154	-	-	18,154
Principal paid on long-term debt	(39,600)	(774,969)	(54,689)	(148,909)	(1,018,167)
Interest paid on long-term debt	(4,508)	(177,331)	(36,037)	(6,758)	(224,634)
Net cash provided from capital and related financing activities	<u>(473,986)</u>	<u>(1,029,378)</u>	<u>(175,876)</u>	<u>(299,640)</u>	<u>(1,978,880)</u>
Cash Flows from Investing Activities					
Interest income	1,038	2,089	1,248	-	4,375
Net increase (decrease) in cash	120,124	(80,772)	132,035	(40,811)	130,576
Cash and Cash Equivalents, Beginning of Year	<u>1,178,247</u>	<u>2,257,856</u>	<u>1,376,587</u>	<u>52,195</u>	<u>4,864,885</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,298,371</u>	<u>\$ 2,177,084</u>	<u>\$ 1,508,622</u>	<u>\$ 11,384</u>	<u>\$ 4,995,461</u>
Reconciliation of Operating Income (loss) to Net Cash Flows from Operating Activities					
Operating income (loss)	\$ 2,943,646	\$ 393,814	\$ 12,219	\$ (261,319)	\$ 3,088,360
Adjustments to reconcile operating income (loss) to net cash provided by operating activities					
Depreciation and amortization	354,576	897,413	363,611	15,988	1,631,588
Deferred financing outflows - retirement	88,729	32,478	28,127	-	149,334
Deferred financing inflows - retirement	(54,024)	(19,775)	(17,125)	-	(90,924)
(Increase) decrease in assets					
Accounts receivable	232,630	720	(989)	1,690	234,051
Prepaid expenses	89,653	(2,415)	(6,405)	8,357	89,190
Inventory	(104)	(232)	(68)	(38)	(442)
(Increase) decrease in liabilities					
Accounts payable	(64,290)	(101,325)	(12,157)	(9,477)	(187,249)
Accrued interest	66	(6,242)	(291)	(267)	(6,734)
Accrued expenses- other	(12,220)	(6,359)	(4,072)	-	(22,651)
Accrued expenses- OPEB	41,464	23,231	10,980	-	75,675
Deposits	31,171	(61)	40,749	(6,105)	65,754
Accrued compensated absences	(6,425)	1,529	(1,862)	-	(6,758)
Net pension liability	98,200	35,945	31,128	-	165,273
Net cash provided (used) by operating activities	<u>\$ 3,743,072</u>	<u>\$ 1,248,721</u>	<u>\$ 443,845</u>	<u>\$ (251,171)</u>	<u>\$ 5,184,467</u>

The accompanying notes are an integral part of this financial statement.

CITY OF SEAFORD, DELAWARE

**Statement of Net Position - Fiduciary Fund
As of June 30, 2016**

ASSETS

Cash and cash equivalents	\$ 331,588
Mutual funds:	
Fixed income	
Taxable	3,177,054
Closed-end	328,659
Total fixed income	<u>3,505,713</u>
Equities	
Closed-end equity	4,366,811
International closed-end	1,336,180
Total equity	<u>5,702,991</u>
Total mutual fund	9,208,704
Interest receivable	<u>38</u>
TOTAL ASSETS	<u>9,540,330</u>
 NET POSITION RESTRICTED FOR PENSIONS	 <u><u>\$ 9,540,330</u></u>

The accompanying notes are an integral part of this financial statement.

CITY OF SEAFORD, DELAWARE

**Statement of Changes in Net Position - Fiduciary Fund
For the Year Ended June 30, 2016**

ADDITIONS

Contributions:

Employer	\$	574,895
Plan members - required contribution		84,371
Plan members - voluntary contribution		50,389
Other		14,089
Total contributions		<u>723,744</u>

Investment income:

Net decrease in fair value of investments		(149,426)
Interest and dividends		224,615
Total investment income		<u>75,189</u>

Total additions 798,933

DEDUCTIONS

Benefits		731,469
Administrative		106,542
Total deductions		<u>838,011</u>

Changes in net position (39,078)

Net Position, Beginning of Year 9,579,408

Net Position, End of Year \$ 9,540,330

The accompanying notes are an integral part of this financial statement.

CITY OF SEAFORD, DELAWARE

Notes to the Financial Statements For the Year Ended June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Seaford, Delaware (the City) 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.

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.

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 inflows 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 has no component units.

Basis of Presentation

Government-wide statements: The statement of net position and the statement of activities display the non-fiduciary 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 non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

CITY OF SEAFORD, DELAWARE

Notes to the Financial Statements For the Year Ended June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation (continued)

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

- Net investment in capital assets
- 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.

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 non-major 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. Non-operating revenues, such as grants and investment earnings, result from non-exchange 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.

CITY OF SEAFORD, DELAWARE

Notes to the Financial Statements For the Year Ended June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation (continued)

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.
- *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. Non-exchange 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.

CITY OF SEAFORD, DELAWARE

Notes to the Financial Statements For the Year Ended June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting (continued)

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.

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 restricted net position is \$286,343, 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. As of June 30, 2016, the allowance account in the General Fund was \$324,505, and the Electric Fund was \$74,548.

CITY OF SEAFORD, DELAWARE

Notes to the Financial Statements For the Year Ended June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 0.5% 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.

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

CITY OF SEAFORD, DELAWARE

Notes to the Financial Statements For the Year Ended June 30, 2016

2. CASH - OTHER THAN PENSION PLAN

At of June 30, 2016, the carrying amount of the City's cash deposits was \$7,153,759 and the bank balance was \$7,356,545. Of the bank balance, \$500,000 was covered by federal depository insurance and \$6,541,182 was collateralized by a tri-party collateral agreement with the Bank of New York Mellon and M&T Bank with \$541,182 in securities but not in the City's name and a \$6,000,000 letter of credit. The total uncollateralized bank balance was \$315,363.

3. 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.

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. Assets of the Pension Plan are not covered by FDIC insurance. Investments are recorded at fair value based on current share price as of June 30, 2016, and consisted of the following:

Mutual Funds		
Fixed Income		
Taxable	\$	3,177,054
Closed-end		328,659
Equity		
Close-end equity		4,366,811
International closed-end		1,336,180
Total Market Value	\$	<u>9,208,704</u>

CITY OF SEAFORD, DELAWARE

Notes to the Financial Statements For the Year Ended June 30, 2016

3. CASH AND INVESTMENTS - PENSION PLAN (continued)

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The City has the following recurring fair value measurements as of June 30, 2016:

Investments by fair value level	6/30/2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual Funds				
Fixed Income				
Taxable	\$ 3,177,054	\$ 3,177,054	\$ -	\$ -
Closed-end	328,659	328,659	-	-
Equity				
Close-end equity	4,366,811	4,366,811	-	-
International closed-end	1,336,180	1,336,180	-	-
Total Investments	\$ 9,208,704	\$ 9,208,704	\$ -	\$ -

Mutual funds, both fixed income and equity, are classified in Level 1 of the fair value hierarchy and are valued using prices quoted in active markets for those investments.

The City discloses investment risks as follows:

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government and are held by either (a) the counterparty, or (b) the counterparty's trust department or agent but not in the government's name.

CITY OF SEAFORD, DELAWARE

**Notes to the Financial Statements
For the Year Ended June 30, 2016**

4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016 was as follows:

<u>Governmental Activities:</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated				
Land	\$ 2,073,881	\$ -	\$ -	\$ 2,073,881
Construction in progress	167,667	289,605	(401,292)	55,980
Total capital assets, not being depreciated	<u>2,241,548</u>	<u>289,605</u>	<u>(401,292)</u>	<u>2,129,861</u>
Capital assets, being depreciated				
Land improvements	3,619,928	134,518	-	3,754,446
Infrastructure	9,289,226	-	-	9,289,226
Buildings and improvements	9,574,250	350,253	-	9,924,503
Machinery and equipment	2,868,098	211,747	(43,617)	3,036,228
Transportation equipment	1,284,414	139,937	(16,219)	1,408,132
Total capital assets, being depreciated	<u>26,635,916</u>	<u>836,455</u>	<u>(59,836)</u>	<u>27,412,535</u>
Less accumulated depreciation for:				
Land improvements	1,934,207	114,751	-	2,048,958
Infrastructure	6,957,833	155,317	-	7,113,150
Buildings and improvements	2,838,885	310,806	-	3,149,691
Machinery and equipment	2,038,987	88,828	(41,551)	2,086,264
Transportation equipment	922,364	124,159	(16,219)	1,030,304
Total accumulated depreciation	<u>14,692,276</u>	<u>793,861</u>	<u>(57,770)</u>	<u>15,428,367</u>
Capital Assets, net	<u>\$ 14,185,188</u>	<u>\$ 332,199</u>	<u>\$ (403,358)</u>	<u>\$ 14,114,029</u>

CITY OF SEAFORD, DELAWARE

**Notes to the Financial Statements
For the Year Ended June 30, 2016**

4. CAPITAL ASSETS (continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Electric:</u>				
<i>Capital assets, not being depreciated</i>				
Land	\$ 180,148	\$ 162,511	\$ -	\$ 342,659
Construction in progress	12,153	308,890	(213,411)	107,632
Total capital assets, not being depreciated	<u>192,301</u>	<u>471,401</u>	<u>(213,411)</u>	<u>450,291</u>
<i>Capital assets, being depreciated</i>				
Buildings and improvements	3,929,259	41,057	-	3,970,316
Machinery and equipment	801,385	9,148	-	810,533
Distribution system	7,716,150	121,683	-	7,837,833
Transportation equipment	803,263	-	-	803,263
Total capital assets, being depreciated	<u>13,250,057</u>	<u>171,888</u>	<u>-</u>	<u>13,421,945</u>
Less accumulated depreciation for:				
Buildings and improvements	3,654,289	81,096	-	3,735,385
Machinery and equipment	544,110	26,493	-	570,603
Distribution system	5,213,773	202,485	-	5,416,258
Transportation equipment	595,723	44,502	-	640,225
Total accumulated depreciation	<u>10,007,895</u>	<u>354,576</u>	<u>-</u>	<u>10,362,471</u>
Electric activities, capital assets, net	<u>\$ 3,434,463</u>	<u>\$ 288,713</u>	<u>\$ (213,412)</u>	<u>\$ 3,509,765</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Sewer:</u>				
<i>Capital assets, not being depreciated</i>				
Construction in progress	\$ 680,239	\$ 82,364	\$ (467,790)	\$ 294,813
Total capital assets, not being depreciated	<u>680,239</u>	<u>82,364</u>	<u>(467,790)</u>	<u>294,813</u>
<i>Capital assets, being depreciated</i>				
Buildings and improvements	18,715,763	6,663	-	18,722,426
Machinery and equipment	912,971	6,287	(3,290)	915,968
Transmissions	11,220,847	467,790	-	11,688,637
Transportation equipment	14,095	-	-	14,095
Total capital assets, being depreciated	<u>30,863,676</u>	<u>480,740</u>	<u>(3,290)</u>	<u>31,341,126</u>
Less accumulated depreciation for:				
Buildings and improvements	8,833,757	401,621	-	9,235,378
Machinery and equipment	620,004	44,733	(3,208)	661,529
Transmissions	5,438,918	451,059	-	5,889,977
Transportation equipment	14,095	-	-	14,095
Total accumulated depreciation	<u>14,906,774</u>	<u>897,413</u>	<u>(3,208)</u>	<u>15,800,979</u>
Sewer activities, capital assets, net	<u>\$ 16,637,141</u>	<u>\$ (334,309)</u>	<u>\$ (474,288)</u>	<u>\$ 15,834,960</u>

CITY OF SEAFORD, DELAWARE

Notes to the Financial Statements For the Year Ended June 30, 2016

4. CAPITAL ASSETS (continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<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	<u>51,656</u>	<u>-</u>	<u>-</u>	<u>51,656</u>
<i>Capital assets, being depreciated</i>				
Buildings and improvements	1,465,504	-	-	1,465,504
Machinery and equipment	990,102	31,214	-	1,021,316
Transmissions	9,978,643	53,936	-	10,032,579
Transportation equipment	339,410	-	-	339,410
Total capital assets, being depreciated	<u>12,773,659</u>	<u>85,150</u>	<u>-</u>	<u>12,858,809</u>
Less accumulated depreciation for:				
Buildings and improvements	1,033,518	24,677	-	1,058,195
Machinery and equipment	771,545	52,919	-	824,464
Transmissions	3,222,414	234,327	-	3,456,741
Transportation equipment	213,736	51,688	-	265,424
Total accumulated depreciation	<u>5,241,213</u>	<u>363,611</u>	<u>-</u>	<u>5,604,824</u>
Water activities, capital assets, net	<u>\$ 7,584,102</u>	<u>\$ (278,461)</u>	<u>\$ -</u>	<u>\$ 7,305,641</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Golf:</u>				
<i>Capital assets, not being depreciated</i>				
Land	\$ 606,363	\$ -	\$ -	\$ 606,363
Total capital assets, not being depreciated	<u>606,363</u>	<u>-</u>	<u>-</u>	<u>606,363</u>
<i>Capital assets, being depreciated</i>				
Buildings and improvements	254,094	-	-	254,094
Machinery and equipment	99,138	143,969	(67,932)	175,175
Total capital assets, being depreciated	<u>353,232</u>	<u>143,969</u>	<u>(67,932)</u>	<u>429,269</u>
Less accumulated depreciation for:				
Buildings and improvements	46,040	-	-	46,040
Machinery and equipment	87,531	15,984	(67,932)	35,583
Total accumulated depreciation	<u>133,571</u>	<u>15,984</u>	<u>(67,932)</u>	<u>81,623</u>
Golf activities, capital assets, net	<u>\$ 826,024</u>	<u>\$ 127,985</u>	<u>\$ -</u>	<u>\$ 954,009</u>
Business-type activities, capital assets, net	<u>\$ 28,481,730</u>	<u>\$ (196,072)</u>	<u>\$ (687,700)</u>	<u>\$ 27,604,375</u>

CITY OF SEAFORD, DELAWARE

Notes to the Financial Statements For the Year Ended June 30, 2016

4. CAPITAL ASSETS (continued)

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

Administration	\$ 66,366
Code enforcement	6,624
Community pool	610
Fire department	128,055
Dispatch	7,107
Highways and streets	221,341
Parks department	123,366
Police department	193,285
Recreation	11,761
Economic development	35,346
Total	<u><u>\$ 793,861</u></u>

5. 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	400,000
Water to General	175,000
General to Golf	510,000

6. LONG-TERM DEBT

Changes in long-term obligations for the year ended June 30, 2016 are as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amount Due in One Year</u>
Governmental Activities					
Notes payable	\$ 1,161,838	\$ 102,825	\$ (273,585)	\$ 991,078	\$ 297,806
Total Governmental Activities	<u><u>\$ 1,161,838</u></u>	<u><u>\$ 102,825</u></u>	<u><u>\$ (273,585)</u></u>	<u><u>\$ 991,078</u></u>	<u><u>\$ 297,806</u></u>

CITY OF SEAFORD, DELAWARE

**Notes to the Financial Statements
For the Year Ended June 30, 2016**

6. LONG-TERM DEBT (continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amount Due in One Year</u>
Business-type Activities					
Sewer					
General obligation bonds	\$ 5,403,416	\$ -	\$ (716,123)	\$ 4,687,293	\$ 742,618
Notes payable	500,358	-	(58,846)	441,512	61,319
	<u>5,903,774</u>	<u>-</u>	<u>(774,969)</u>	<u>5,128,805</u>	<u>803,937</u>
Water					
General obligation bonds	1,125,806	-	(54,687)	1,071,119	56,475
Golf					
Notes payable	373,339	-	(148,909)	224,430	152,405
Electric					
Notes payable	171,576	-	(39,600)	131,976	40,890
Total Business-type Activities	<u>\$ 7,574,495</u>	<u>\$ -</u>	<u>\$ (1,018,165)</u>	<u>\$ 6,556,330</u>	<u>\$ 1,053,707</u>
Total Governmental and Business-type Activities	<u>\$ 8,736,333</u>	<u>\$ 102,825</u>	<u>\$ (1,291,750)</u>	<u>\$ 7,547,408</u>	<u>\$ 1,351,513</u>

Governmental Activities

Notes payable consist of the following:

Note payable, M&T Bank. Payable in monthly installments of principal and interest of \$12,972. Interest rate is 2.6%. Matures in December, 2018.	\$ 346,049
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.	428,345
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.	115,437
Note payable, Bank of Delmarva. Payable in monthly installments of principal and interest of \$1,857. Interest rate is 3.15%. Matures in May, 2021.	101,247
	<u>\$ 991,078</u>

CITY OF SEAFORD, DELAWARE

**Notes to the Financial Statements
For the Year Ended June 30, 2016**

6. 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.	\$ -	\$ 1,278,061	\$ -	\$ -	\$ 1,278,061
\$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.	-	-	1,071,119	-	1,071,119
\$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.	-	2,292,720	-	-	2,292,720
\$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.	-	1,116,512	-	-	1,116,512
Total	<u>\$ -</u>	<u>\$ 4,687,293</u>	<u>\$ 1,071,119</u>	<u>\$ -</u>	<u>\$ 5,758,412</u>

CITY OF SEAFORD, DELAWARE

**Notes to the Financial Statements
For the Year Ended June 30, 2016**

6. LONG-TERM DEBT (continued)

Business-type Activities

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.	\$ -	\$ -	\$ -	\$ 224,430	\$ 224,430
Note payable of \$497,300 to Farmers Home Administration; payable semi-annually through May, 2019; interest at 5%.	-	79,190	-	-	79,190
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.	-	362,322	-	-	362,322
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.	131,976	-	-	-	131,976
Total	<u>\$ 131,976</u>	<u>\$ 441,512</u>	<u>\$ -</u>	<u>\$ 224,430</u>	<u>\$ 797,918</u>

Debt Service Requirements

Debt service requirements on long-term debt at June 30, 2016 are as follows:

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CITY OF SEAFORD, DELAWARE

Notes to the Financial Statements For the Year Ended June 30, 2016

6. LONG-TERM DEBT (continued)

Debt Service Requirements (continued)

Years Ending June 30	Business-Type Activities			
	General Obligation Bonds		Notes	
	Principal	Interest	Principal	Interest
2017	\$ 799,093	\$ 168,630	\$ 254,614	\$ 19,823
2018	828,453	139,271	177,550	13,664
2019	266,710	114,640	108,569	9,816
2020	274,488	106,863	45,935	6,969
2021	282,514	98,836	40,566	5,861
2022-2026	1,542,233	364,517	170,684	10,209
2027-2031	1,524,015	129,138	-	-
2031-2036	240,906	4,834	-	-
	<u>\$ 5,758,412</u>	<u>\$ 1,126,729</u>	<u>\$ 797,918</u>	<u>\$ 66,342</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. The agreement included a 99 year lease of the land under the Club House with rent prepaid.

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 \$224,431.

7. 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. The General Plan does not issue separate financial statements.

CITY OF SEAFORD, DELAWARE

Notes to the Financial Statements For the Year Ended June 30, 2016

7. RETIREMENT AND PENSION PLANS (continued)

The General Plan (continued)

Employee contributions for the general employees are both voluntary and effective July 1, 2013, and 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 General Plan as of July 1, 2015 and for the plan year July 1, 2015 to June 30, 2016, is calculated based on employee earnings of \$2,881,188.

The General 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 General 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, 2016:

<u>Asset Class</u>	<u>Allocation</u>
Fixed Income	35% - 70%
Domestic Equity	10% - 55%
International Equity	3% - 30%

The approximate annual money-weighted rate of return on pension plan investments for the year ended June 30, 2016 net of pension plan investment expense was (0.33%). 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 the Financial Statements
For the Year Ended June 30, 2016**

7. RETIREMENT AND PENSION PLANS (continued)

The General Plan (continued)

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

For the year ended June 30, 2016, the City recognized pension expense of \$553,133. As of June 30, 2016, 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
Liability experience gain	\$ -	\$ (306,751)
Asset experience loss	288,476	-
Assumption change	92,358	-
	<u>\$ 380,834</u>	<u>\$ (306,751)</u>

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:

Years Ending June 30	Deferred Outflows of Resources	Deferred Inflows of Resources
2017	\$ 38,021	\$ (49,081)
2018	38,021	(49,081)
2019	38,023	(49,081)
2020	165,673	(49,081)
2021	85,704	(49,081)
2022	15,392	(58,938)
2023	-	(2,408)
	<u>\$ 380,834</u>	<u>\$ (306,751)</u>

CITY OF SEAFORD, DELAWARE

Notes to the Financial Statements For the Year Ended June 30, 2016

7. RETIREMENT AND PENSION PLANS (continued)

The General Plan (continued)

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

The components of the net pension liability of the City as of June 30, 2016 were as follows:

Total pension liability	<u>\$ 13,584,094</u>
Plan fiduciary net position	9,540,330
Less employee voluntary accounts	<u>1,448,936</u>
Adjusted plan fiduciary net position	8,091,394
Net pension liability	<u><u>\$ 5,492,700</u></u>
 Plan fiduciary net position adjusted as a percentage of the total pension liability	 <u>59.57%</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, 2016 on a roll forward of the liabilities from the June 30, 2015 valuation. Significant actuarial assumptions used in determining the pension benefit obligation include the RP-2014 Generational Mortality table, an assumed rate of return of 7.0%, and salary increases of 4% per year.

The long-term expected rate of return on General 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.

CITY OF SEAFORD, DELAWARE

**Notes to the Financial Statements
For the Year Ended June 30, 2016**

7. RETIREMENT AND PENSION PLANS (continued)

The General Plan (continued)

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

Best estimates of arithmetic rates of return for each major asset class included in the General Plan’s target asset allocation as of June 30, 2016 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.

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 General 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	\$ 7,315,776	\$ 5,492,700	\$ 3,973,519

CITY OF SEAFORD, DELAWARE

Notes to the Financial Statements For the Year Ended June 30, 2016

7. RETIREMENT AND PENSION PLANS (continued)

The General Plan (continued)

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

Membership in the General Plan is comprised of the following for the plan year beginning July 1, 2015:

Active eligible	59
Terminated with vested rights	13
Retired	41
Total number of participants	<u>113</u>

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.

<u>Fiscal Years Ended</u>	<u>Annual Determined Contribution</u>	<u>Percentage of ADC Contributed</u>
6/30/2014	\$ 656,822	101%
6/30/2015	558,682	100%
6/30/2016	527,711	108%

Delaware County and Municipal Police/Firefighters' Pension Plan

Plan Description

The County and 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.

CITY OF SEAFORD, DELAWARE

Notes to the Financial Statements For the Year Ended June 30, 2016

7. RETIREMENT AND PENSION PLANS (continued)

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

Plan Description (continued)

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, 2015. For a more complete description, please refer to the DPERS CAFR.

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

McArdle 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.

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.

CITY OF SEAFORD, DELAWARE

Notes to the Financial Statements For the Year Ended June 30, 2016

7. RETIREMENT AND PENSION PLANS (continued)

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

Plan Benefits (continued)

Disability Benefits (continued)

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 13.9% and 14.2% of earnings for the fiscal year 2016 and 2015, respectively.

Member

7% of compensation.

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

At June 30, 2016, the City reported an asset of \$129,171 for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014, and update procedures were used to roll forward the total pension liability to June 30, 2015. The City's proportion of the net pension liability (asset) was based on the percentage of actual employee contributions. At June 30, 2015, the City's proportion was 2.4509 percent, which was an increase of 0.074 from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the City recognized pension expense of \$370,819. At June 30, 2016, the City reported deferred outflows of resources or deferred inflows of resources related to pensions from the following sources:

CITY OF SEAFORD, DELAWARE

**Notes to the Financial Statements
For the Year Ended June 30, 2016**

7. 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 (continued)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Change to proportion	\$ 54,956	\$ (51,318)
Differences between expected and actual experience	-	(73,723)
Projected and actual plan investment difference	-	(126,288)
Contributions subsequent to measurement date	222,572	-
	<u>\$ 277,528</u>	<u>\$ (251,329)</u>

The City's contribution subsequent to the measurement date of \$222,572, reported as deferred outflows of resources, will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. 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>Years Ending June 30</u>	
2017	\$ 64,483
2018	64,483
2019	64,483
2020	(37,673)
2021	7,372
Thereafter	(359,520)
Total	<u>\$ (196,373)</u>

Actuarial Assumptions

The collective total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of June 30, 2014, and update procedures were used to roll forward the total pension liability to June 30, 2015. These actuarial valuations used the following actuarial assumptions:

CITY OF SEAFORD, DELAWARE

Notes to the Financial Statements For the Year Ended June 30, 2016

7. 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 (continued)

Actuarial Assumptions (continued)

The total pension liabilities are measured based on assumptions pertaining to the interest rates, inflation rates, and employee demographic behavior in future years.

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

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>	<u>Asset Allocation</u>
Domestic equity	5.7%	36.5%
International equity	5.7%	15.6%
Fixed income	2.0%	22.6%
Alternative investments	7.8%	19.6%
Cash and equivalents	0.0%	4.8%

CITY OF SEAFORD, DELAWARE

**Notes to the Financial Statements
For the Year Ended June 30, 2016**

7. 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 (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 (assets) of the Plan, calculated using the discount rate of 7.2%, as well as what the Plan's net pension liability (assets) 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>
\$ 560,472	\$ (129,171)	\$ (1,165,624)

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 (the Plan) requires active members to contribute 7% of compensation. The City is required to contribute at an actuarially determined rate, which was 15.52% at July 1, 2013, 14.18% at July 1, 2014, and 13.85% at July 1, 2015. The contribution information for the City is as follows:

<u>Fiscal Years Ended</u>	<u>Annual Required Contribution</u>	<u>Percentage of APC Contributed</u>
6/30/2014	\$ 243,499	100%
6/30/2015	229,529	100%
6/30/2016	222,572	100%

CITY OF SEAFORD, DELAWARE

Notes to the Financial Statements For the Year Ended June 30, 2016

8. 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, 2016, the recognized direct cost was \$28,176 for 30 retirees for life insurance and 12 retirees for health insurance.

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, 2015 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	\$	310,299
Adjustment to ARC		(58,304)
Interest on net OPEB		51,564
Annual OPEB cost		303,559
Pay as you go contribution		66,163
Increase in net OPEB obligation		237,396
Net OPEB obligation, beginning of year		1,473,254
Net OPEB Obligation, End of Year	\$	1,710,650

CITY OF SEAFORD, DELAWARE

**Notes to the Financial Statements
For the Year Ended June 30, 2016**

8. 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 2016 and the two preceding years were as follows:

<u>Fiscal Years Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2014	\$ 286,735	20.00%	\$ 1,236,567
6/30/2015	302,913	21.90%	1,473,254
6/30/2016	303,559	21.80%	1,710,650

Based on an actuarial study performed in September 2016 as of July 1, 2015, the most recent actuarial date, the plan was 0% funded. The actuarial accrued liability (AAL) for benefits was rolled forward to July 1, 2015 to \$3,852,746 and the actuarial value of assets was \$0 resulting in an unfunded actuarial accrued liability (UAAL) of \$3,852,746.

Annual accrued liabilities	\$ 3,852,746
Actuarial value of plan assets	-
Unfunded AAL	<u>\$ 3,852,746</u>
Funded ratio as of actuarial value dates	0%
Covered payroll	\$ 4,440,890
UAAL as a percentage of covered payroll	86.76%

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.

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.

CITY OF SEAFORD, DELAWARE

Notes to the Financial Statements For the Year Ended June 30, 2016

8. OTHER POST-EMPLOYMENT BENEFITS (continued)

Summary of Actuarial Methods and Assumptions (continued)

In the September 2016 actuarial valuation as of July 1, 2015, the Entry Age Normal (EAN) cost method was used. Mortality calculations were done using the RP-2014 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.

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

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 8.4% 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, 2015, DEMEC's total bonded debt was \$56,256,387.

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.

CITY OF SEAFORD, DELAWARE

Notes to the Financial Statements For the Year Ended June 30, 2016

9. RELATED PARTY – THE DELAWARE MUNICIPAL ELECTRIC CORPORATION, INC (continued)

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.

10. 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 \$35,997, at June 30, 2016.

11. 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. At June 30, 2016, 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.

CITY OF SEAFORD, DELAWARE

**Notes to the Financial Statements
For the Year Ended June 30, 2016**

11. COMMITMENTS AND CONTINGENT LIABILITIES (continued)

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
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Taxes	\$ 2,370,703	\$ 2,370,703	\$ 2,346,786	\$ (23,917)
Transfer taxes	222,662	222,662	236,878	14,216
Intergovernmental revenues	467,600	467,600	438,888	(28,712)
Fines and forfeitures	145,000	145,000	82,284	(62,716)
Licenses, permits and fees	402,401	402,401	555,941	153,540
Interest and late charges	35,121	35,121	40,404	5,283
Community pool and recreation	34,015	34,015	42,319	8,304
Charges for services	218,950	218,950	249,529	30,579
Miscellaneous	28,040	28,040	93,158	65,118
Total revenues	3,924,492	3,924,492	4,086,187	161,695
Expenditures				
Administration	1,262,442	1,262,442	782,165	480,277
Code enforcement	321,163	321,163	381,913	(60,750)
Community pool	25,630	25,630	30,280	(4,650)
Executive	115,921	115,921	148,088	(32,167)
Fire department	273,707	273,707	199,388	74,319
Dispatch	630,808	630,808	596,038	34,770
Highways and streets	471,678	471,678	481,958	(10,280)
Parks department	484,265	484,265	478,485	5,780
Police department	3,400,536	3,400,536	3,102,398	298,138
Recreation	214,611	214,611	196,403	18,208
Economic development	127,578	127,578	101,056	26,522
Debt Service	299,414	299,414	295,226	4,188
Capital Outlay	326,900	326,900	712,933	(386,033)
Total Expenditures	7,954,653	7,954,653	7,506,331	448,322
Deficiency of revenues under expenditures	(4,030,161)	(4,030,161)	(3,420,144)	610,017
Other Financing Sources				
Operating transfers (net)	3,009,304	3,009,304	3,215,000	205,696
Transfer from reserve	920,547	920,547	-	(920,547)
Total other financing sources	3,929,851	3,929,851	3,215,000	(714,851)
Net change in fund balance	\$ (100,310)	\$ (100,310)	\$ (205,144)	\$ (104,834)

CITY OF SEAFORD, DELAWARE

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

For the Year Ended June 30, 2016

Actual Valuation Date	Actuarial Value of Assets	Actual Accrued Liability	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/2008	\$ -	\$ 2,981,653	\$ 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	82.0%
7/1/2015	-	3,852,746	3,852,746	0%	4,440,890	86.8%

CITY OF SEAFORD, DELAWARE

SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS - SINGLE EMPLOYER DEFINED BENEFIT PENSION PLAN
For the Years Ended June 30

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability			
Service Cost	\$ 173,495	\$ 200,070	\$ 214,075
Interest	910,611	867,976	854,346
Differences between expected and actual experience	(16,862)	-	-
Benefit payments	<u>(636,820)</u>	<u>(865,589)</u>	<u>(633,632)</u>
Net change in total pension liability	430,424	202,457	434,789
Total pension liability-beginning	<u>13,153,647</u>	<u>12,951,190</u>	<u>12,516,401</u>
Total pension liability-ending (a)	<u>\$ 13,584,071</u>	<u>\$ 13,153,647</u>	<u>\$ 12,951,190</u>
Plan fiduciary net pension			
Contributions-city	\$ 573,638	\$ 656,520	\$ 661,932
Contributions-member	70,822	26,332	28,000
Net investment income	204,078	157,277	1,049,347
Other	-	276,742	-
Benefit payments, including refunds of employee contributions	(636,820)	(865,589)	(568,414)
Administrative expense	<u>(106,541)</u>	<u>(117,450)</u>	<u>(97,803)</u>
Net change in plan fiduciary net position	105,177	133,832	1,073,062
Plan fiduciary net position-beginning	<u>8,031,534</u>	<u>7,897,702</u>	<u>6,824,640</u>
Plan fiduciary net position-ending (b)	<u>8,136,711</u>	<u>8,031,534</u>	<u>7,897,702</u>
Plan's net pension liability- ending (a)-(b)	<u>\$ 5,447,360</u>	<u>\$ 5,122,113</u>	<u>\$ 5,053,488</u>
Plan fiduciary net position as a percentage of the total pension liability	59.90%	60.04%	60.98%
Covered-employee payroll	\$ 2,833,872	\$ 2,727,062	\$ 2,650,963
Net pension liability as a percentage of covered-employee payroll	192.22%	187.83%	190.62%

Notes to Schedule

Items in the above schedule do not include activity or balances in the voluntary employee account.
Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

CITY OF SEAFORD, DELAWARE

**SCHEDULE OF CITY CONTRIBUTIONS –SINGLE EMPLOYER DEFINED BENEFIT PENSION PLAN
For the Years Ended June 30**

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Actuarially determined contribution	\$ 614,147	\$ 656,520	\$ 656,822	\$ 672,310	\$ 659,989	\$ 621,877	\$ 575,109	\$ 210,015	\$ 188,057	\$ 190,324
Contributions in relation to the actuarially determined contribution	<u>625,036</u>	<u>656,520</u>	<u>661,932</u>	<u>672,310</u>	<u>626,989</u>	<u>621,877</u>	<u>575,109</u>	<u>210,015</u>	<u>188,057</u>	<u>190,324</u>
Contribution deficiency (excess)	\$ (10,889)	\$ -	\$ (5,110)	\$ -	\$ 33,000	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 2,833,872	\$ 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
Contributions as a percentage of covered- employee payroll	22.06%	24.07%	24.97%	24.99%	22.73%	23.09%	21.58%	8.43%	8.05%	7.97%

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
For the Years Ended June 30**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expense	-0.33%	0.42%	14.14%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

CITY OF SEAFORD, DELAWARE

**SCHEDULE OF CITY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
COST SHARING PLAN - MUNICIPAL POLICE/FIREFIGHTERS PENSION PLAN
For the Years Ended June 30**

	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability	2.4509%	2.3715%
City's proportionate share of the net pension liability (asset)	\$ (129,171)	\$ (256,525)
City's covered employee payroll	1,607,018	1,549,414
City's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	-8.04%	-16.56%
Plan fiduciary net position as a percentage of the total pension liability	101.97%	151.20%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

CITY OF SEAFORD, DELAWARE

**SCHEDULE OF CITY'S CONTRIBUTIONS TO COST SHARING PENSION PLAN -
MUNICIPAL POLICE/FIREFIGHTERS PENSION PLAN
For the Years Ended June 30**

	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 222,572	\$ 229,526
Contribution in relation to the contractually required contribution	<u>222,572</u>	<u>229,526</u>
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>
City's covered employee payroll	\$ 1,607,018	\$ 1,549,414
Contribution as a percentage of covered employee payroll	13.85%	14.81%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

SUPPLEMENTARY INFORMATION

CITY OF SEAFORD, DELAWARE

**SCHEDULES OF REVENUES AND EXPENDITURES - GENERAL FUND
For the Years Ended June 30, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
Revenues		
Taxes	\$ 2,346,786	\$ 2,413,646
Transfer taxes	236,878	204,151
Intergovernmental revenues	438,888	559,420
Fines and forfeitures	82,284	133,740
Licenses, permits and fees	555,941	487,647
Interest and late charges	40,404	41,055
Community pool and recreation	42,319	46,898
Charges for services	249,529	245,919
Miscellaneous	93,158	48,605
Total revenues	<u>4,086,187</u>	<u>4,181,081</u>
Expenditures		
Administration	782,165	825,233
Code enforcement	381,913	313,315
Community pool	30,280	30,679
Executive	148,088	104,490
Fire department	199,388	207,254
Dispatch	596,038	592,639
Highways and streets	481,958	554,729
Parks department	478,485	458,082
Police department	3,102,398	3,278,872
Recreation	196,403	209,141
Economic development	101,056	119,829
Debt Service	295,226	567,125
Capital Outlay	712,933	671,242
Total Expenditures	<u>7,506,331</u>	<u>7,932,630</u>
Deficiency of revenues under expenditures	<u>(3,420,144)</u>	<u>(3,751,549)</u>
Other Financing Sources		
Proceeds from loan borrowing	102,825	-
Operating transfers (net)	3,215,000	3,310,000
Sale of fixed assets	-	275,288
Total other financing sources	<u>3,317,825</u>	<u>3,585,288</u>
Net change in fund balance	<u>\$ (102,319)</u>	<u>\$ (166,261)</u>

CITY OF SEAFORD, DELAWARE

SCHEDULES OF REVENUES AND EXPENSES - ELECTRIC FUND

For the Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Operating Revenues		
Charges for services	\$ 15,243,775	\$ 15,915,496
Miscellaneous	152,512	83,928
Total operating revenues	<u>15,396,287</u>	<u>15,999,424</u>
Operating Expenses		
Purchased power	10,013,860	10,597,747
Payroll and other costs	1,256,509	1,198,552
Utilities	33,574	41,674
Repairs and maintenance	68,306	117,022
Insurance	331,799	330,602
Other supplies and expenses	393,954	271,332
Depreciation annd amortization	354,576	427,490
Total operating expenses	<u>12,452,578</u>	<u>12,984,419</u>
Operating income (loss)	2,943,709	3,015,005
Nonoperating Revenues (Expenses)		
Interest revenue	1,038	938
Interest expense	(4,508)	(3,194)
Loss on disposal of fixed asset	-	(74)
Transfers in (out)	(3,150,000)	(3,150,000)
Net nonoperating revenues (expenses)	<u>(3,153,470)</u>	<u>(3,152,330)</u>
Change in net position	<u>\$ (209,761)</u>	<u>\$ (137,325)</u>

CITY OF SEAFORD, DELAWARE

SCHEDULES OF REVENUES AND EXPENSES - SEWER FUND

For the Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Operating Revenues		
Charges for services	\$ 2,528,876	\$ 2,562,328
Tap fees	11,850	6,900
Miscellaneous	3,160	3,971
Total operating revenues	<u>2,543,886</u>	<u>2,573,199</u>
Operating Expenses		
Payroll and other costs	544,499	515,541
Utilities	208,247	235,508
Repairs and maintenance	67,644	103,403
Insurance	254,005	250,045
Other supplies and expenses	178,264	164,417
Depreciation and amortization	897,413	882,380
Total operating expenses	<u>2,150,072</u>	<u>2,151,294</u>
Operating income (loss)	393,814	421,905
Nonoperating Revenues (Expenses)		
Grant revenue	18,154	180,956
Interest revenue	2,089	1,928
Interest expense	(177,331)	(190,473)
Loss on disposal of fixed asset	(83)	(220)
Transfers in (out)	(400,000)	(575,000)
Capital contribution	97,796	63,342
Net nonoperating revenues (expenses)	<u>(459,375)</u>	<u>(519,467)</u>
Change in net position	<u>\$ (65,561)</u>	<u>\$ (97,562)</u>

CITY OF SEAFORD, DELAWARE

**SCHEDULES OF REVENUES AND EXPENSES - WATER FUND
For the Years Ended June 30, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
Operating Revenues		
Charges for services	\$ 1,122,275	\$ 1,076,855
Tap fees	10,155	8,750
Miscellaneous	3,830	4,742
Total operating revenues	<u>1,136,260</u>	<u>1,090,347</u>
Operating Expenses		
Payroll and other costs	368,868	361,899
Utilities	74,729	85,247
Repairs and maintenance	95,218	97,092
Insurance	115,237	120,075
Other supplies and expenses	106,378	127,815
Depreciation and amortization	363,611	356,911
Total operating expenses	<u>1,124,041</u>	<u>1,149,039</u>
Operating income (loss)	12,219	(58,692)
Nonoperating Revenues (Expenses)		
Interest revenue	1,248	1,196
Interest expense	(36,037)	(43,763)
Transfers in (out)	(175,000)	(100,000)
Capital contribution	37,818	29,880
Net nonoperating revenues (expenses)	<u>(171,971)</u>	<u>(112,687)</u>
Change in net position	<u>\$ (159,752)</u>	<u>\$ (171,379)</u>

CITY OF SEAFORD, DELAWARE

SCHEDULES OF REVENUES AND EXPENSES - GOLF FUND

For the Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Operating Revenues		
Charges for services	\$ -	\$ 420,023
Sales	-	63,475
Miscellaneous	-	2,572
Total operating revenues	<u>-</u>	<u>486,070</u>
Operating Expenses		
Repairs and maintenance	22,673	23,854
Insurance	15,913	24,349
Contracts	139,062	744,338
Other supplies and expenses	67,683	69,722
Depreciation and amortization	15,988	29,297
Total operating expenses	<u>261,319</u>	<u>891,560</u>
Operating income (loss)	(261,319)	(405,490)
Nonoperating Revenues (Expenses)		
Interest expense	(6,758)	(11,322)
Transfers in (out)	510,000	515,000
Net nonoperating revenues (expenses)	<u>503,242</u>	<u>503,678</u>
Change in net position	<u>\$ 241,923</u>	<u>\$ 98,188</u>

CITY OF SEAFORD, DELAWARE

SCHEDULES OF DEBT SERVICE - ENTERPRISE FUNDS

As of June 30, 2016

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>Thereafter</u>	<u>Total</u>
GENERAL OBLIGATION BONDS							
<u>Principal Payments Due</u>							
\$5,300,000 SRF Series A Bonds	\$ 355,130	\$ 369,441	\$ -	\$ -	\$ -	\$ -	\$ 724,571
\$2,719,096 SRF Series B Bonds	192,099	199,842	-	-	-	-	391,941
\$1,620,000 SRF Series Bonds	76,827	79,906	83,109	86,441	89,905	861,873	1,278,061
\$2,579,004 SRF Loan Series 2011	118,562	120,944	123,376	125,855	128,385	1,675,598	2,292,720
\$2,729,408 SRF Series Bonds	56,475	58,320	60,225	62,192	64,224	769,683	1,071,119
Total principal payments	<u>799,093</u>	<u>828,453</u>	<u>266,710</u>	<u>274,488</u>	<u>282,514</u>	<u>3,307,154</u>	<u>5,758,412</u>
<u>Interest Payments Due</u>							
\$5,300,000 SRF Series A Bonds	25,403	11,092	-	-	-	-	36,495
\$2,719,096 SRF Series B Bonds	13,741	6,000	-	-	-	-	19,741
\$1,620,000 General Obligation Bonds	49,971	46,892	43,689	40,358	36,893	152,513	370,316
\$2,579,004 SRF Loan Series 2011	45,265	42,881	40,450	37,971	35,440	208,402	410,409
\$2,729,408 SRF Series Bonds	34,250	32,406	30,501	28,534	26,503	137,574	289,768
Total interest payments due	<u>168,630</u>	<u>139,271</u>	<u>114,640</u>	<u>106,863</u>	<u>98,836</u>	<u>498,489</u>	<u>1,126,729</u>
Total debt service requirements— general obligation bonds	<u>967,723</u>	<u>967,724</u>	<u>381,350</u>	<u>381,351</u>	<u>381,350</u>	<u>3,805,643</u>	<u>6,885,141</u>
NOTES PAYABLE							
<u>Principal Payments Due</u>							
Farmers Home Administration	25,226	26,503	27,461	-	-	-	79,190
M&T Bank - Golf Course	152,405	72,025	-	-	-	-	224,430
Fulton Bank - Sewer Extension	36,093	37,188	38,315	39,476	40,566	170,684	362,322
Bank of Delmarva - Truck	40,890	41,834	42,793	6,459	-	-	131,976
Total principal payments	<u>254,614</u>	<u>177,550</u>	<u>108,569</u>	<u>45,935</u>	<u>40,566</u>	<u>170,684</u>	<u>797,918</u>
<u>Interest Payments Due</u>							
Farmers Home Administration	3,648	2,371	1,029	-	-	-	7,048
M&T Bank - Golf Course	3,265	418	-	-	-	-	3,683
Fulton Bank - Sewer Extension	10,335	9,241	8,113	6,952	5,862	10,953	51,456
Bank of Delmarva - Truck	2,576	1,636	674	17	-	-	4,903
Total interest payments due	<u>19,824</u>	<u>13,666</u>	<u>9,816</u>	<u>6,969</u>	<u>5,862</u>	<u>10,953</u>	<u>67,090</u>
Total debt service requirements— notes payable	<u>274,438</u>	<u>191,216</u>	<u>118,385</u>	<u>52,904</u>	<u>46,428</u>	<u>181,637</u>	<u>865,008</u>
Total debt service requirements	<u>\$ 1,242,161</u>	<u>\$ 1,158,940</u>	<u>\$ 499,735</u>	<u>\$ 434,255</u>	<u>\$ 427,778</u>	<u>\$ 3,987,280</u>	<u>\$ 7,750,149</u>



SB & COMPANY, LLC
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**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 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 City of Seaford (the City) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 7, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City'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's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



SB & COMPANY, LLC
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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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.

November 7, 2016
Hunt Valley, Maryland

SB & Company, LLC

CITY OF SEAFORD, DELAWARE

FINANCIAL HIGHLIGHTS – GENERAL FUND

As of June 30, 2016

Information selected from audited financial statements

	2016		2015
	Budget	Actual	Total
Revenues			
Taxes	\$ 2,370,703	\$ 2,346,786	\$ 2,413,646
Transfer taxes	222,662	236,878	204,151
Intergovernmental revenues	467,600	438,888	559,420
Fines and forfeitures	145,000	82,284	133,740
Licenses, permits and fees	402,401	555,941	487,647
Interest and late charges	35,121	40,404	41,055
Community pool and recreation	34,015	42,319	46,898
Charges for services	218,950	249,529	245,919
Miscellaneous	28,040	93,158	48,605
Total Revenues	<u>3,924,492</u>	<u>4,086,187</u>	<u>4,181,081</u>
Expenditures			
Administration	1,262,442	782,165	825,233
Code enforcement	321,163	381,913	313,315
Community pool	25,630	30,280	30,679
Executive	115,921	148,088	104,490
Fire department	273,707	199,388	207,254
Dispatch	630,808	596,038	592,639
Highways and streets	471,678	481,958	554,729
Parks department	484,265	478,485	458,082
Police department	3,400,536	3,102,398	3,278,872
Recreation	214,611	196,403	209,141
Economic development	127,578	101,056	119,829
Debt service	299,414	295,226	567,125
Capital outlay	326,900	712,933	671,242
Total Expenditures	<u>7,954,653</u>	<u>7,506,331</u>	<u>7,932,630</u>
Deficiency of revenues under expenditures		<u>(3,420,144)</u>	<u>(3,751,549)</u>
Other Financing Sources			
Operating transfers (net)		3,215,000	3,310,000
Proceeds from loan borrowing		102,825	-
Sale of fixed assets		-	275,288
Total other financing sources		<u>3,317,825</u>	<u>3,585,288</u>
Net change in fund balance		(102,319)	(166,261)
Fund Balance, Beginning of Year		<u>1,969,108</u>	<u>2,135,369</u>
Fund Balance, End of Year		<u>\$ 1,866,789</u>	<u>\$ 1,969,108</u>

CITY OF SEAFORD, DELAWARE

**FINANCIAL HIGHLIGHTS – GENERAL FUND
For the Years Ended June 30, 2016 and 2015**

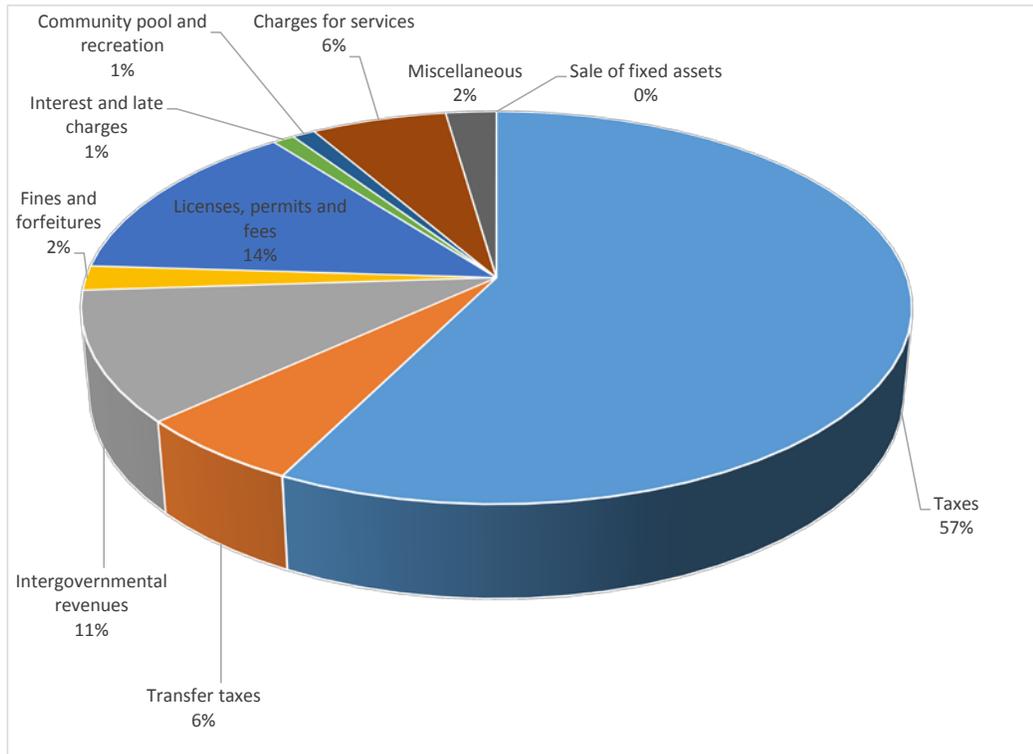
	<u>2016</u>	<u>2015</u>
Operating Revenues		
Charges for services	\$ 18,894,926	\$ 19,974,702
Tap fees	22,005	15,650
Sales	-	63,475
Miscellaneous	159,502	95,213
Total operating revenues	<u>19,076,433</u>	<u>20,149,040</u>
Operating Expenses		
Purchased power	10,013,860	10,597,747
Payroll and other costs	2,169,876	2,075,992
Utilities	316,550	362,429
Repairs and maintenance	253,841	341,371
Insurance	716,954	725,071
Contracts	139,062	744,338
Other supplies and expenses	746,342	633,286
Depreciation and amortization	1,631,588	1,696,078
Total operating expenses	<u>15,988,073</u>	<u>17,176,312</u>
Operating income	3,088,360	2,972,728
Nonoperating Revenues (Expenses)		
Grant income	18,154	180,956
Interest revenue	4,375	4,062
Interest expense	(224,634)	(248,752)
Loss on disposal of fixed asset	(83)	(294)
Transfers in (out)	(3,215,000)	(3,310,000)
Capital contribution	135,614	93,222
Net nonoperating revenues (expenses)	<u>(3,281,574)</u>	<u>(3,280,806)</u>
Change in net position	(193,214)	(308,078)
Net Position, Beginning of Year	24,099,387	24,407,465
Net Position, End of Year	<u>\$ 23,906,173</u>	<u>\$ 24,099,387</u>

CITY OF SEAFORD, DELAWARE

FINANCIAL HIGHLIGHTS – GENERAL FUND

For the Years Ended June 30, 2016 and 2015

**City of Seaford, Delaware
Sources of Revenue - General Fund
For the Year Ended June 30, 2016**



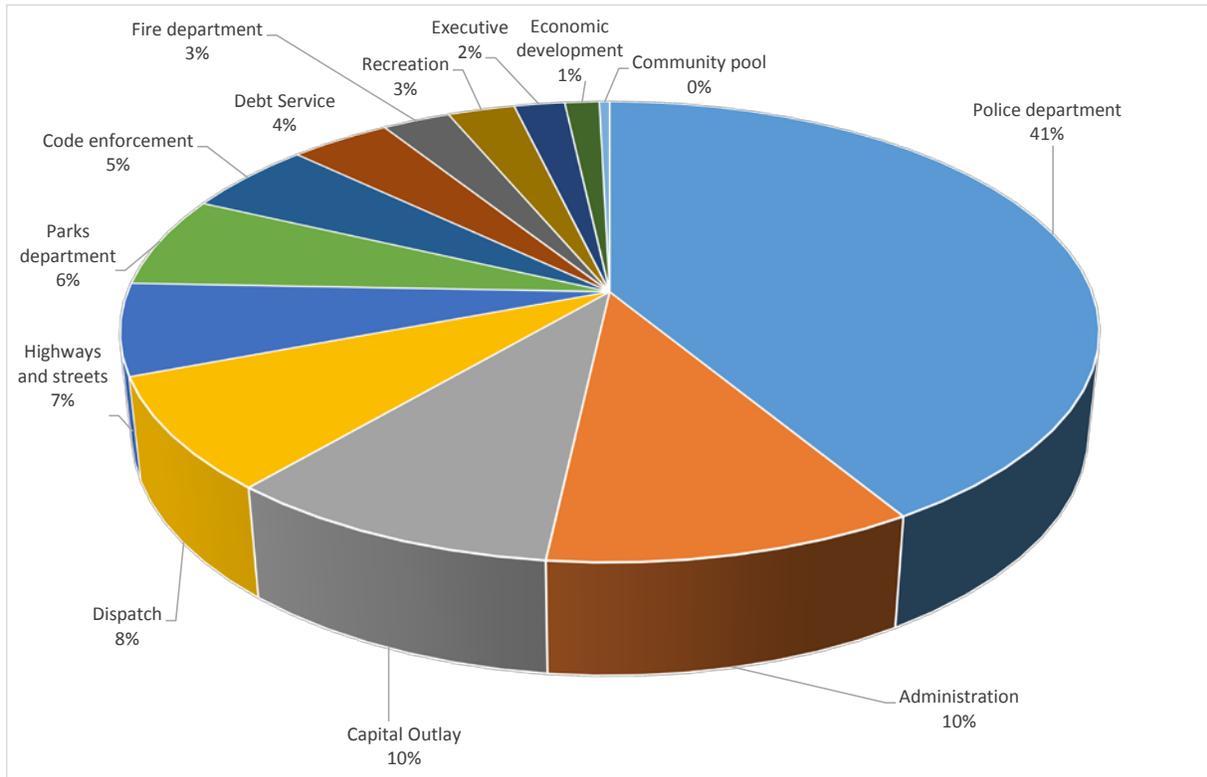
	2016		2015	
	\$	%	\$	%
Taxes	2,346,786	57.43%	2,413,646	54.16%
Transfer taxes	236,878	5.80%	204,151	4.58%
Intergovernmental revenues	438,888	10.74%	559,420	12.55%
Fines and forfeitures	82,284	2.01%	133,740	3.00%
Licenses, permits and fees	555,941	13.61%	487,647	10.94%
Interest and late charges	40,404	0.99%	41,055	0.92%
Community pool and recreation	42,319	1.04%	46,898	1.05%
Charges for services	249,529	6.11%	245,919	5.52%
Miscellaneous	93,158	2.28%	48,605	1.09%
Sale of fixed assets	-	0.00%	275,288	6.18%
	4,086,187	100.00%	4,456,369	100.00%

CITY OF SEAFORD, DELAWARE

FINANCIAL HIGHLIGHTS – GENERAL FUND

For the Years Ended June 30, 2016 and 2015

**City of Seaford, Delaware
Functional Expenses - General Fund
For the Year Ended June 30, 2016**



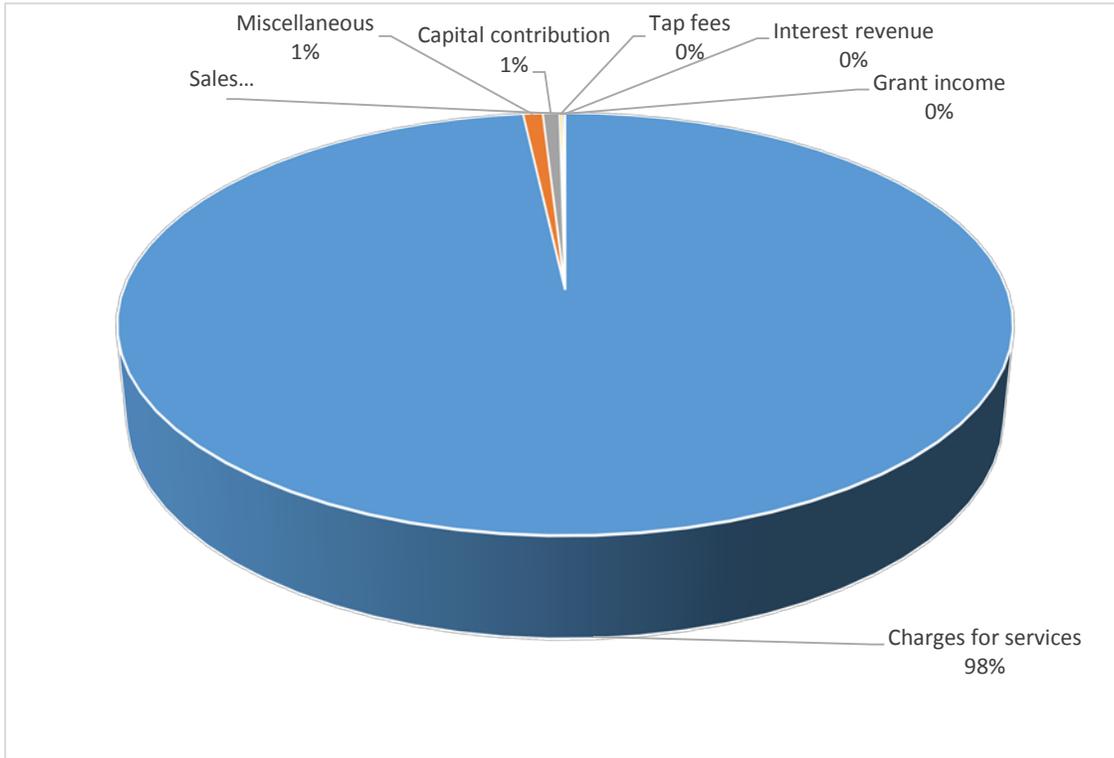
	2016		2015	
	\$	%	\$	%
Police department	3,102,398	41.33%	3,278,872	41.33%
Administration	782,165	10.42%	825,233	10.40%
Capital Outlay	712,933	9.50%	671,242	8.46%
Dispatch	596,038	7.94%	592,639	7.47%
Highways and streets	481,958	6.42%	554,729	6.99%
Parks department	478,485	6.37%	458,082	5.77%
Code enforcement	381,913	5.09%	313,315	3.95%
Debt Service	295,226	3.93%	567,125	7.15%
Fire department	199,388	2.66%	207,254	2.61%
Recreation	196,403	2.62%	209,141	2.64%
Executive	148,088	1.97%	104,490	1.32%
Economic development	101,056	1.35%	119,829	1.51%
Community pool	30,280	0.40%	30,679	0.39%
	7,506,331	100.00%	7,932,630	100.00%

CITY OF SEAFORD, DELAWARE

FINANCIAL HIGHLIGHTS – PROPRIETARY FUND

As of June 30, 2016 and 2015

**City of Seaford, Delaware
Sources of Revenue - Proprietary Fund
For the Year Ended June 30, 2016**



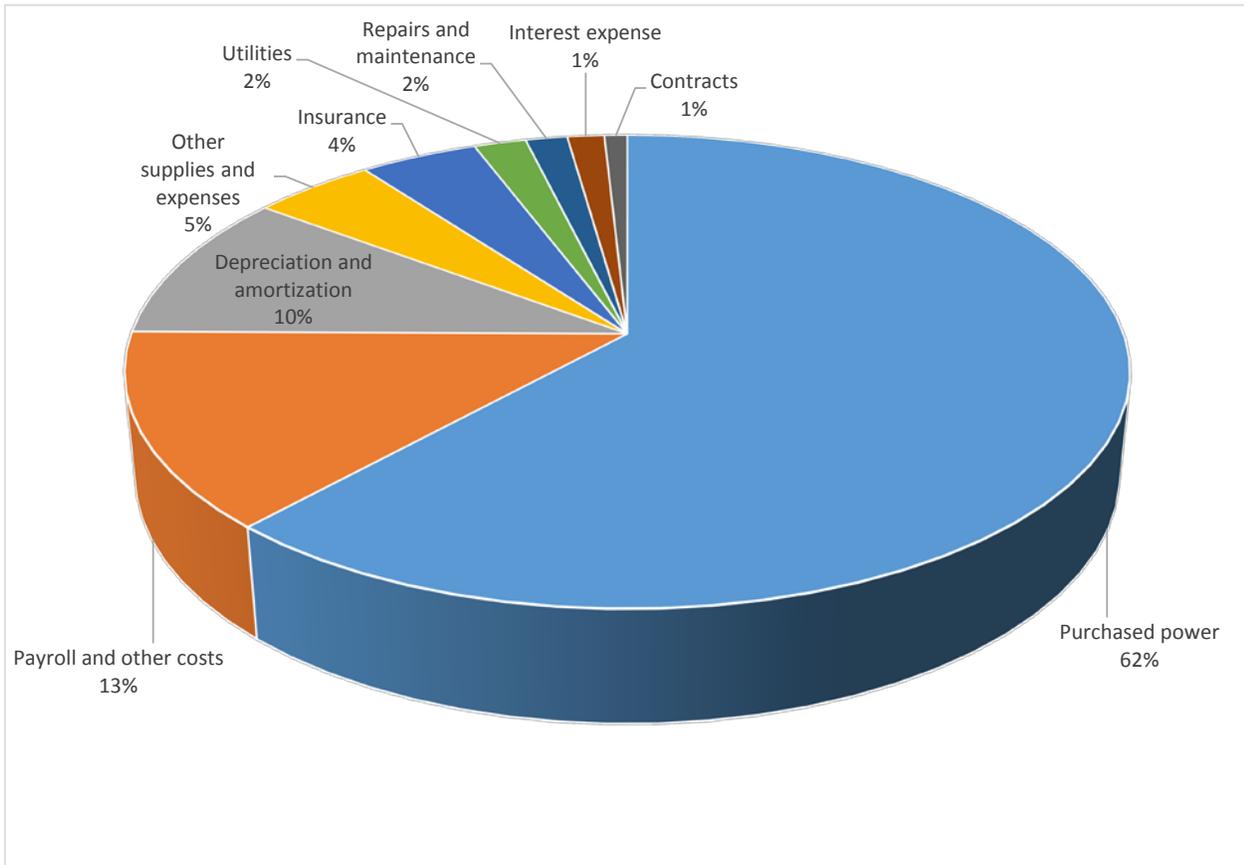
	2016		2015	
	\$	%	\$	%
Charges for services	18,894,926	98.23%	19,974,702	97.78%
Miscellaneous	159,502	0.83%	95,213	0.47%
Capital contribution	135,614	0.71%	93,222	0.46%
Tap fees	22,005	0.11%	15,650	0.08%
Grant income	18,154	0.09%	180,956	0.89%
Interest revenue	4,375	0.02%	4,062	0.02%
Sales	-	0.00%	63,475	0.31%
	19,234,576	100.00%	20,427,280	100.00%

CITY OF SEAFORD, DELAWARE

FINANCIAL HIGHLIGHTS – PROPRIETARY FUND

For the Years Ended June 30, 2016 and 2015

**City of Seaford, Delaware
Functional Expenses - Proprietary Fund
For the Year Ended June 30, 2016**



	2016	
	\$	%
Purchased power	10,013,860	61.77%
Payroll and other costs	2,169,576	13.38%
Depreciation and amortization	1,631,588	10.06%
Other supplies and expenses	746,342	4.60%
Insurance	716,954	4.42%
Utilities	316,550	1.95%
Repairs and maintenance	253,841	1.57%
Interest expense	224,634	1.39%
Contracts	139,062	0.86%
	16,212,407	100.00%

	2015	
	\$	%
Purchased power	10,597,747	60.82%
Payroll and other costs	2,075,992	11.91%
Depreciation and amortization	1,696,078	9.73%
Other supplies and expenses	633,286	3.63%
Insurance	725,071	4.16%
Utilities	362,429	2.08%
Repairs and maintenance	341,371	1.96%
Interest expense	248,752	1.43%
Contracts	744,338	4.27%
	17,425,064	100.00%