

CITY OF SEAFORD, DELAWARE

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

For the Year Ended June 30, 2018



SB & COMPANY, LLC
KNOWLEDGE • QUALITY • CLIENT SERVICE

JUNE 30, 2018

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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, 2018, 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 controls 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 an opinion 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 controls 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 controls. 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Seaford, Delaware, as of June 30, 2018, 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.



Other Matters

Emphasis of Matter

As discussed in Note 1 to the financial statements, during the year ended June 30, 2018, the City adopted new accounting guidance from Government Accounting Standards Board (GASB) Statement No. 75, “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions”. The implementation of GASB No. 75 by the City required a restatement of the prior year net position to recognize the City’s net Other Post-Employment Benefits (OPEB) liability. Our opinion is not modified with respect to this matter.

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 changes in net OPEB liability and related ratios, 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 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information and financial highlights are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of revenue and expenditures, 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2018 on our consideration of the City's internal controls 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 controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal controls 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
December 10, 2018

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, 2018. 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 increased by approximately \$1,584,000, or 4.5% from fiscal year 2017 to 2018.

The net position of the City’s governmental activities increased by approximately \$315,000, for fiscal year 2018. 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 increased approximately \$1,270,000, 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
	2018	2017	2018	2017	2018	2017	
Current and other assets	\$ 3,189	\$ 2,775	\$ 9,527	\$ 8,556	\$ 12,716	\$ 11,331	12%
Capital assets	13,502	14,023	27,529	28,630	41,031	42,653	-4%
Total assets	<u>16,692</u>	<u>16,798</u>	<u>37,056</u>	<u>37,186</u>	<u>53,747</u>	<u>53,984</u>	0%
Deferred outflows	609	673	-	1	609	674	-10%
Long-term debt	393	695	5,716	6,765	6,109	7,460	-18%
Other liabilities	5,986	5,199	4,894	4,918	10,879	10,116	8%
Total liabilities	<u>6,379</u>	<u>5,893</u>	<u>10,610</u>	<u>11,683</u>	<u>16,988</u>	<u>17,576</u>	-3%
Deferred inflows	599	312	279	53	878	365	141%
Net position							
Net investment in capital assets	13,099	13,317	21,813	21,865	34,912	35,182	-1%
Restricted	918	771	2,575	2,527	3,493	3,299	6%
Unrestricted	<u>(3,694)</u>	<u>(2,825)</u>	<u>1,810</u>	<u>1,060</u>	<u>(1,885)</u>	<u>(1,765)</u>	7%
Restatement to net position	-	<u>(1,256)</u>	-	<u>(524)</u>	-	<u>(1,780)</u>	
Total net position	<u>\$ 10,323</u>	<u>\$ 10,008</u>	<u>\$ 26,197</u>	<u>\$ 24,928</u>	<u>\$ 36,520</u>	<u>\$ 34,936</u>	5%

Changes in Net Position

The City's total revenues were approximately \$23,533,000. Approximately 85% of the City's revenues come from fees charged for services. Another 4% comes from capital grants and 10% from property taxes. The remaining revenues were from state grants and miscellaneous fees and taxes.

The total cost of all programs and services was approximately \$21,948,000. The City's expenses cover a range of services with about 67% 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, 2017 and 2018.

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

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues						
Program services						
Charges for services	\$ 802	\$ 869	\$ 18,860	\$ 18,978	\$ 19,662	\$ 19,847
Operating grants	427	411	-	-	427	411
Capital grants	79	421	31	488	110	909
General revenues						
Property taxes	2,437	2,381	-	-	2,437	2,381
Other taxes	294	694	-	-	294	694
Grants	70	10	-	-	70	10
Other	156	66	458	5	614	70
Total revenues	<u>4,265</u>	<u>4,852</u>	<u>19,349</u>	<u>19,471</u>	<u>23,615</u>	<u>24,323</u>
Expenses						
Administration	896	837	-	-	896	837
Code enforcement	344	338	-	-	344	338
Community pool	36	41	-	-	36	41
Executive	94	93	-	-	94	93
Fire department	322	326	-	-	322	326
Dispatch	612	537	-	-	612	537
Highways and streets	716	809	-	-	716	809
Parks department	529	546	-	-	529	546
Police department	3,316	3,127	-	-	3,316	3,127
Recreation	204	205	-	-	204	205
Economic development	230	207	-	-	230	207
Interest on long-term debt	13	19	-	-	13	19
Electric	-	-	11,328	12,064	11,328	12,064
Sewer	-	-	2,069	2,125	2,069	2,125
Water	-	-	1,040	1,126	1,040	1,126
Golf	-	-	281	286	281	286
Total expenses	<u>7,312</u>	<u>7,085</u>	<u>14,718</u>	<u>15,601</u>	<u>22,030</u>	<u>22,685</u>
Changes before transfers	(3,047)	(2,233)	4,631	3,870	1,584	1,637
Transfers	3,361	2,325	(3,361)	(2,325)	-	-
Changes in net position	<u>\$ 314</u>	<u>\$ 92</u>	<u>\$ 1,270</u>	<u>\$ 1,545</u>	<u>\$ 1,584</u>	<u>\$ 1,637</u>

Governmental Activities

Revenues for the City's governmental activities excluding transfers were approximately \$4,265,000.

The property tax rate for 2017 and 2018 was 31¢/\$100 assessed value each year.

The cost of all governmental activities this year was approximately \$7,312,000. Of this cost, the largest program for the City is the police with a cost of approximately \$3,116,000.

Business-Type Activities

Revenues of the City's business-type activities decreased about 1% to approximately \$19,267,000 and expenses decreased 6% to approximately \$14,636,000. 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, 2018, after transfers and loan proceeds, the City had an increase of \$521,240, 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, 2018, the City had invested approximately \$41,020,000 (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 \$1,622,000, or about 3.80%, 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	
	2018	2017	2018	2017	2018	2017
Land	\$ 2,197	\$ 2,197	\$ 958	\$ 958	\$ 3,155	\$ 3,155
Land improvements	1,521	1,512	-	-	1,521	1,512
Buildings and improvements	6,551	6,568	9,457	9,927	16,008	16,496
Equipment	763	1,319	530	811	1,293	2,130
Infrastructure	2,404	2,407	16,013	16,141	18,417	18,548
Construction in progress	55	8	571	793	626	801
Total	<u>\$ 13,491</u>	<u>\$ 14,012</u>	<u>\$ 27,529</u>	<u>\$ 28,630</u>	<u>\$ 41,020</u>	<u>\$ 42,642</u>

Long-term Debt

As of June 30, 2018, the City had \$6,109,000, in bonds and notes outstanding, a decrease of 18% 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)

	<u>Governmental</u> <u>Activities</u>		<u>Business-type</u> <u>Activities</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
General obligation bonds	\$ -	\$ -	\$ 5,265	\$ 6,118	\$ 5,265	\$ 6,118
Notes payable	393	695	451	647	844	1,342
Total	<u>\$ 393</u>	<u>\$ 695</u>	<u>\$ 5,716</u>	<u>\$ 6,765</u>	<u>\$ 6,109</u>	<u>\$ 7,460</u>

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, 2018

	Governmental Activities	Business-Type Activities	Total
Assets:			
Current Assets			
Cash and cash equivalents	\$ 1,775,481	\$ 6,854,780	\$ 8,630,261
Accounts receivable, net	433,206	1,922,328	2,355,534
Inventories	19,804	723,998	743,802
Prepaid expense	42,054	25,512	67,566
Restricted cash	918,639	-	918,639
Total current assets	<u>3,189,184</u>	<u>9,526,618</u>	<u>12,715,802</u>
Noncurrent Assets			
Notes receivables	11,002	-	11,002
Net capital assets, net	13,491,428	27,528,885	41,020,313
Total noncurrent assets	<u>13,502,430</u>	<u>27,528,885</u>	<u>41,031,315</u>
Total Assets	<u>16,691,614</u>	<u>37,055,503</u>	<u>53,747,117</u>
Deferred Outflow of Resources:			
Deferred financing outflow - OPEB	72,436	31,045	103,481
Deferred financing outflow - retirement	536,461	-	536,461
Total deferred outflow of resources	<u>608,897</u>	<u>31,045</u>	<u>639,942</u>
Liabilities:			
Current liabilities			
Accounts payable	118,409	831,378	949,787
Accrued interest	-	23,593	23,593
Accrued expense-other	106,497	40,962	147,459
Current portion of long-term debt	222,784	392,926	615,710
Deposits	6,818	691,909	698,727
Deferred grant revenue	22,975	-	22,975
Accrued compensated absences	217,742	82,364	300,106
Total current liabilities	<u>695,225</u>	<u>2,063,132</u>	<u>2,758,357</u>
Noncurrent liabilities			
Net OPEB liability	2,829,473	1,212,631	4,042,104
Net pension liability	2,684,138	2,011,355	4,695,493
Bonds and notes payable	169,741	5,323,139	5,492,880
Total non-current liabilities	<u>5,683,352</u>	<u>8,547,125</u>	<u>14,230,477</u>
Total Liabilities	<u>6,378,577</u>	<u>10,610,257</u>	<u>16,988,834</u>
Deferred Inflow of Resources:			
Deferred financing inflow - OPEB	31,524	13,512	45,036
Deferred financing inflow - retirement	567,304	265,491	832,795
Total deferred inflow of resources	<u>598,828</u>	<u>279,003</u>	<u>877,831</u>
Net Position:			
Net investment in capital assets	13,098,903	21,812,820	34,911,723
Restricted	918,639	2,574,798	3,493,437
Unrestricted	(3,694,436)	1,809,670	(1,884,766)
Total Net Position	<u>\$ 10,323,106</u>	<u>\$ 26,197,288</u>	<u>\$ 36,520,394</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, 2018

	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	\$ 895,200	\$ 459,720	\$ -	\$ -	\$ (435,480)	\$ -	\$ (435,480)
Code enforcement	344,141	85,287	-	-	(258,854)	-	(258,854)
Community pool	35,967	-	-	-	(35,967)	-	(35,967)
Executive	93,942	-	-	-	(93,942)	-	(93,942)
Fire department	322,413	-	-	-	(322,413)	-	(322,413)
Dispatch	612,135	-	-	-	(612,135)	-	(612,135)
Highways and streets	716,745	-	176,860	54,190	(485,695)	-	(485,695)
Parks department	528,876	-	-	-	(528,876)	-	(528,876)
Police department	3,315,548	179,664	250,596	25,000	(2,860,288)	-	(2,860,288)
Recreation	203,878	66,978	-	-	(136,900)	-	(136,900)
Economic development	230,382	9,871	-	-	(220,511)	-	(220,511)
Interest on long-term debt	13,400	-	-	-	(13,400)	-	(13,400)
Total governmental activities	<u>7,312,627</u>	<u>801,520</u>	<u>427,456</u>	<u>79,190</u>	<u>(6,004,461)</u>	<u>-</u>	<u>(6,004,461)</u>
BUSINESS-TYPE ACTIVITIES							
Electric	11,328,104	15,093,510	-	-	-	3,765,406	3,765,406
Sewer	2,068,705	2,646,074	-	19,884	-	597,253	597,253
Water	1,040,198	1,120,802	-	10,686	-	91,290	91,290
Golf	281,239	-	-	-	-	(281,239)	(281,239)
Total business-type activities	<u>14,718,246</u>	<u>18,860,386</u>	<u>-</u>	<u>30,570</u>	<u>-</u>	<u>4,172,710</u>	<u>4,172,710</u>
Total	<u>22,030,873</u>	<u>19,661,906</u>	<u>427,456</u>	<u>109,760</u>	<u>(6,004,461)</u>	<u>4,172,710</u>	<u>(1,831,751)</u>
GENERAL REVENUES							
Taxes							
Property taxes					2,437,346	-	2,437,346
Transfer taxes					294,032	-	294,032
Grants and contributions not restricted to specific programs					70,000	-	70,000
Unrestricted investment earnings					1,532	5,559	7,091
Miscellaneous					155,039	452,742	607,781
Transfers - net					3,360,850	(3,360,850)	-
Total general revenues, special items and transfers					<u>6,318,799</u>	<u>(2,902,549)</u>	<u>3,416,250</u>
Changes in net position					314,338	1,270,161	1,584,499
NET POSITION, BEGINNING OF YEAR					11,264,309	25,451,222	36,715,531
Restatement- change in accounting principle					<u>(1,255,541)</u>	<u>(524,095)</u>	<u>(1,779,636)</u>
NET POSITION, BEGINNING OF YEAR, as restated					<u>10,008,768</u>	<u>24,927,127</u>	<u>34,935,895</u>
NET POSITION, END OF YEAR					<u>\$ 10,323,106</u>	<u>\$ 26,197,288</u>	<u>\$ 36,520,394</u>

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

CITY OF SEAFORD, DELAWARE

**Balance Sheet – Governmental Funds
As of June 30, 2018**

	<u>General Fund</u>
Assets:	
Cash and cash equivalents	\$ 1,775,481
Accounts receivable (net of allowance for uncollectibles)	433,206
Inventories	19,804
Prepaid expenses	42,054
Notes receivable	11,002
Restricted cash	918,639
Total Assets	<u>\$ 3,200,186</u>
Liabilities:	
Accounts payable	\$ 118,409
Accrued expenses	324,239
Unearned revenue	22,975
Deposits	6,818
Total Liabilities	<u>472,441</u>
Deferred Inflows of Resources:	
Unavailable revenue	<u>289,449</u>
Fund Balances:	
Nonspendable	72,860
Restricted	918,639
Assigned	386,867
Unassigned	1,059,930
Total fund balances	<u>2,438,296</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 3,200,186</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, 2018**

Total fund balances, governmental funds	\$ 2,438,296
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.	13,491,428
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.	289,449
Certain deferred inflows and outflows related to net pension expenses as reported in the governmental activities statement, but not in the financial statement.	10,069
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>(5,906,136)</u>
Net position of governmental activities in the Statement of Net Position	<u>\$ 10,323,106</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, 2018**

	<u>General Fund</u>
Revenues	
Taxes	\$ 2,364,824
Transfer taxes	294,032
Intergovernmental revenues	506,646
Fines and forfeitures	73,743
Licenses, permits and fees	374,493
Interest and late charges	49,479
Community pool and recreation	108,354
Charges for services	254,656
Miscellaneous	82,171
Total revenues	<u>4,108,398</u>
Expenditures	
Administration	834,151
Code enforcement	332,855
Community pool	36,231
Executive	96,157
Fire department	201,051
Dispatch	598,139
Highways and streets	460,201
Parks department	395,531
Police department	3,113,287
Recreation	193,377
Economic development	211,173
Debt service	315,648
Capital outlay	294,439
Total Expenditures	<u>7,082,240</u>
Deficiency of revenues under expenditures	<u>(2,973,842)</u>
Other Financing Sources	
Operating transfers out	(364,150)
Operating transfers in	3,725,000
Proceeds from sale of fixed assets	134,232
Total Other Financing Sources	<u>3,495,082</u>
Net changes in fund balance	521,240
Fund Balance, Beginning of Year	<u>1,917,056</u>
Fund Balance, End of Year	<u>\$ 2,438,296</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, 2018

Net changes in fund balances, governmental funds	\$ 521,240
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 \$308,873 was less than depreciation expense \$824,989 in the current period.	(516,116)
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.	(4,128)
In the Statement of Activities, the net OPEB liability 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).	7,883
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.	3,211
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.	302,248
Changes in net position of governmental activities	<u>\$ 314,338</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, 2018**

	<u>Electric Fund</u>	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Golf Fund</u>	<u>Total</u>
Assets:					
Current Assets					
Cash and cash equivalents	\$ 2,587,539	\$ 2,689,626	\$ 1,537,788	\$ 39,827	\$ 6,854,780
Accounts receivable (net of allowance for uncollectibles)	1,465,955	331,427	124,946	-	1,922,328
Inventory	526,090	29,604	113,461	54,843	723,998
Prepaid expenses	10,841	10,529	3,612	530	25,512
Due from other fund	-	-	-	-	-
Total current assets	<u>4,590,425</u>	<u>3,061,186</u>	<u>1,779,807</u>	<u>95,200</u>	<u>9,526,618</u>
Noncurrent assets					
Capital Assets					
Land, buildings, and improvements	4,131,394	18,696,104	1,474,254	867,893	25,169,645
Machinery and equipment	748,275	954,671	718,642	186,389	2,607,977
Transmission mains and extensions	8,418,403	13,494,972	10,193,648	-	32,107,023
Transportation	863,987	14,095	339,410	-	1,217,492
Construction in progress	76,651	395,669	99,119	-	571,439
Less accumulated depreciation	(10,603,646)	(17,563,257)	(5,841,336)	(136,452)	(34,144,691)
Total noncurrent assets	<u>3,635,064</u>	<u>15,992,254</u>	<u>6,983,737</u>	<u>917,830</u>	<u>27,528,885</u>
Total assets	<u>8,225,489</u>	<u>19,053,440</u>	<u>8,763,544</u>	<u>1,013,030</u>	<u>37,055,503</u>
Deferred Outflows of Resources:					
Deferred financing outflow - OPEB	<u>17,592</u>	<u>6,209</u>	<u>7,244</u>	<u>-</u>	<u>31,045</u>
Liabilities:					
Current Liabilities					
Accounts payable	759,583	41,961	18,333	11,501	831,378
Accrued interest	108	18,392	5,093	-	23,593
Accrued expense - other	26,288	9,291	5,383	-	40,962
Current portion of long-term debt	60,575	272,126	60,225	-	392,926
Deposits	633,687	9,747	40,964	7,511	691,909
Accrued compensated absences	48,747	17,389	16,228	-	82,364
Due to other fund	-	-	-	-	-
Total current liabilities	<u>1,528,988</u>	<u>368,906</u>	<u>146,226</u>	<u>19,012</u>	<u>2,063,132</u>
Noncurrent liabilities					
Net OPEB liability	687,158	282,947	242,526	-	1,212,631
Net pension liability	1,195,088	437,447	378,820	-	2,011,355
Bonds, notes and capital leases payable	73,947	4,353,095	896,097	-	5,323,139
Total non-current liabilities	<u>1,956,193</u>	<u>5,073,489</u>	<u>1,517,443</u>	<u>-</u>	<u>8,547,125</u>
Total Liabilities	<u>3,485,181</u>	<u>5,442,395</u>	<u>1,663,669</u>	<u>19,012</u>	<u>10,610,257</u>
Deferred Inflow of Resources:					
Deferred financing inflow - OPEB	7,656	2,702	3,154	-	13,512
Deferred financing inflow - retirement	157,747	57,741	50,003	-	265,491
Total deferred inflow of resources	<u>165,403</u>	<u>60,443</u>	<u>53,157</u>	<u>-</u>	<u>279,003</u>
Net Position:					
Net investment in capital assets	3,500,542	11,367,033	6,027,415	917,830	21,812,820
Restricted	-	1,739,881	834,917	-	2,574,798
Unrestricted	1,091,955	449,897	191,630	76,188	1,809,670
Total Net Position	<u>\$ 4,592,497</u>	<u>\$ 13,556,811</u>	<u>\$ 7,053,962</u>	<u>\$ 994,018</u>	<u>\$ 26,197,288</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, 2018**

	<u>Electric Fund</u>	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Golf Fund</u>	<u>Total</u>
Operating Revenues					
Charges for services	\$ 15,093,510	\$ 2,641,704	\$ 1,115,677	\$ -	\$ 18,850,891
Tap fees	-	4,370	5,125	-	9,495
Miscellaneous	268,927	101,580	7,508	-	378,015
Total operating revenues	<u>15,362,437</u>	<u>2,747,654</u>	<u>1,128,310</u>	<u>-</u>	<u>19,238,401</u>
Operating Expenses					
Purchased power	9,124,557	-	-	-	9,124,557
Payroll and other costs	1,228,932	342,987	308,493	-	1,880,412
Utilities	37,260	125,845	71,999	-	235,104
Repairs and maintenance	58,551	63,984	77,104	22,268	221,907
Insurance	304,812	240,803	119,800	15,940	681,355
Contracts	-	-	-	151,704	151,704
Other supplies and expenses	289,082	214,145	121,387	63,516	688,130
Depreciation and amortization	276,181	953,747	309,320	27,374	1,566,622
Total operating expenses	<u>11,319,375</u>	<u>1,941,511</u>	<u>1,008,103</u>	<u>280,802</u>	<u>14,549,791</u>
Operating income (loss)	<u>4,043,062</u>	<u>806,143</u>	<u>120,207</u>	<u>(280,802)</u>	<u>4,688,610</u>
Nonoperating Revenues (Expenses)					
Interest revenue	1,832	2,311	1,416	-	5,559
Interest expense	(8,729)	(127,194)	(32,095)	(437)	(168,455)
Gain (Loss) on disposal of fixed asset	82,066	-	(7,339)	-	74,727
Transfers in (out)	(3,350,000)	(200,000)	(175,000)	364,150	(3,360,850)
Capital contribution	-	19,884	10,686	-	30,570
Net nonoperating revenues (expenses)	<u>(3,274,831)</u>	<u>(304,999)</u>	<u>(202,332)</u>	<u>363,713</u>	<u>(3,418,449)</u>
Changes in net position	768,231	501,144	(82,125)	82,911	1,270,161
Net Position, Beginning of Year	4,133,647	13,157,483	7,248,985	911,107	25,451,222
Restatement- change in accounting	<u>(309,381)</u>	<u>(101,816)</u>	<u>(112,898)</u>	<u>-</u>	<u>(524,095)</u>
Net Position, Beginning of Year, As Restated	<u>3,824,266</u>	<u>13,055,667</u>	<u>7,136,087</u>	<u>911,107</u>	<u>24,927,127</u>
Net Position, End of Year	<u>\$ 4,592,497</u>	<u>\$ 13,556,811</u>	<u>\$ 7,053,962</u>	<u>\$ 994,018</u>	<u>\$ 26,197,288</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, 2018

	Enterprise Funds				
	Electric Fund	Sewer Fund	Water Fund	Golf Fund	Total
Cash Flows from Operating Activities					
Receipts from customers	\$ 15,303,567	\$ 2,599,295	\$ 1,176,486	\$ -	\$ 19,079,348
Other receipts	268,927	101,580	7,508	-	378,015
Payments to suppliers	(10,224,095)	(495,211)	(391,070)	(258,239)	(11,368,615)
Payments to employees	(1,087,700)	(522,480)	(354,609)	-	(1,964,789)
Net cash from operating activities	<u>4,260,699</u>	<u>1,683,184</u>	<u>438,315</u>	<u>(258,239)</u>	<u>6,123,959</u>
Cash Flows from Noncapital Financing Activities					
Operating transfers in (out)	(3,350,000)	(200,000)	(175,000)	364,150	(3,360,850)
Contributions	-	19,884	10,686	-	30,570
Net cash from noncapital financing activities	<u>(3,350,000)</u>	<u>(180,116)</u>	<u>(164,314)</u>	<u>364,150</u>	<u>(3,330,280)</u>
Cash Flows from Capital and Related Financing Activities					
Payments for capital acquisitions	(231,186)	(172,916)	(132,208)	(16,465)	(552,775)
Proceeds from sale of assets	136,276	-	-	-	136,276
Principal paid on long-term debt	(60,059)	(858,099)	(58,019)	(72,463)	(1,048,640)
Interest paid on long-term debt	(4,678)	(130,215)	(32,406)	(563)	(167,862)
Net cash provided from capital and related financing activities	<u>(159,647)</u>	<u>(1,161,230)</u>	<u>(222,633)</u>	<u>(89,491)</u>	<u>(1,633,001)</u>
Cash Flows from Investing Activities					
Interest income	1,832	2,311	1,416	-	5,559
Net increase in cash	752,884	344,149	52,784	16,420	1,166,237
Cash and Cash Equivalents, Beginning of Year	<u>1,834,655</u>	<u>2,345,477</u>	<u>1,485,004</u>	<u>23,407</u>	<u>5,688,543</u>
Cash and Cash Equivalents, End of Year	<u>\$ 2,587,539</u>	<u>\$ 2,689,626</u>	<u>\$ 1,537,788</u>	<u>\$ 39,827</u>	<u>\$ 6,854,780</u>
Reconciliation of Operating Income (loss) to Net Cash Flows from Operating Activities					
Operating income (loss)	\$ 4,043,062	\$ 806,143	\$ 120,207	\$ (280,802)	\$ 4,688,610
Adjustments to reconcile operating income (loss) to net cash provided by operating activities					
Depreciation and amortization	276,181	953,747	309,320	27,374	1,566,622
Deferred financing outflows - retirement	579	212	183	-	974
Deferred financing inflows - retirement	126,204	46,195	40,005	-	212,404
(Increase) decrease in assets					
Accounts receivable	210,057	(46,779)	55,684	-	218,962
Due from sewer fund	46,392	-	-	-	
Prepaid expenses	10,666	(4,823)	(15,546)	(11,909)	(21,612)
Inventory	312	(392)	(41)	18	(103)
(Increase) decrease in liabilities					
Accounts payable	(194,345)	29,181	(24,980)	6,690	(183,454)
Accrued interest	(40)	(3,022)	(311)	390	(2,983)
Accrued expenses- other	(10,454)	31	(379)	-	(10,802)
AccNet OPEB liability	50,463	20,779	17,810	-	89,052
Due from sewer fund	-	(46,392)	-	-	(46,392)
Deposits	(95,999)	(157)	(1,714)	-	(97,870)
Accrued compensated absences	2,372	3,408	2,979	-	8,759
Net pension liability	(204,751)	(74,947)	(64,902)	-	(344,600)
Net cash provided (used) by operating activities	<u>\$ 4,260,699</u>	<u>\$ 1,683,184</u>	<u>\$ 438,315</u>	<u>\$ (258,239)</u>	<u>\$ 6,123,959</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, 2018**

ASSETS

Cash and cash equivalents	\$ 425,299
Mutual funds:	
Fixed income	
Taxable	3,208,132
Closed-end	154,293
Total fixed income	<u>3,362,425</u>
Equities	
Closed-end equity	5,197,385
International closed-end	2,323,045
Total equity	<u>7,520,430</u>
Total mutual fund	10,882,855
Interest receivable	452
TOTAL ASSETS	<u><u>11,308,606</u></u>
 NET POSITION RESTRICTED FOR PENSIONS	 <u><u>\$ 11,308,606</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, 2018**

ADDITIONS

Contributions:

Employer	\$	497,557
Plan members - required contribution		140,251
Plan members - voluntary contribution		59,927
Other		259,266
Total contributions		<u>957,001</u>

Investment income:

Net increase in fair value of investments		590,935
Interest and dividends		234,871
Total investment income		<u>825,806</u>

Total additions 1,782,807

DEDUCTIONS

Benefits		784,419
Administrative		348,796

Total deductions 1,133,215

Changes in net position 649,592

Net Position, Beginning of Year 10,659,014

Net Position, End of Year \$ 11,308,606

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, 2018

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, 2018

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 positions are 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, 2018

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, 2018

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 \$386,867, 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, 2018, 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, 2018

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, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New Pronouncements

As of the year ended June 30, 2018, GASB issued Statement No. 83 entitled, *Certain Asset Retirement Obligations*; No. 86 *Certain Debt Extinguishment Issues*; No. 87, *Leases*; No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements*; and No. 89, *Accounting for Interest Costs Incurred Before the End of a Construction Period*. The City will be analyzing the effects of these pronouncements and plans to adopt them as applicable by their effective date.

GASB Statement 75

GASB Statement No. 75 entitled *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*, was implemented as of June 30, 2018 and had a material effect on the financial statements. The impact of this new GASB 75 reduced the beginning net position by \$(1,779,636) for all City funds.

Fund Balances Impacted by Change in GASB 75 Restatement for FY17 Ending Net OPEB Liability Balances

	Governmental Funds	Business-Type Funds	Total Funds
FY17 Ending Net Position	\$ 11,264,309	\$ 25,451,222	\$ 36,715,531
Adjustment for GASB 75	<u>(1,255,541)</u>	<u>(524,095)</u>	<u>(1,779,636)</u>
Restated FY17 Ending Balance	<u>\$ 10,008,768</u>	<u>\$ 24,927,127</u>	<u>\$ 34,935,895</u>

2. CASH - OTHER THAN PENSION PLAN

As of June 30, 2018, the carrying amount of the City's cash deposits was \$8,630,261, and the bank balance was \$9,682,994. Of the bank balance, \$500,000 was covered by federal depository insurance, \$9,182,994 was collateralized by a tri-party collateral agreement with the Bank of New York Mellon, and M&T Bank with \$521,961 in securities but not in the City's name and a \$8,100,000 letter of credit. The total uncollateralized bank balance was \$561,033.

CITY OF SEAFORD, DELAWARE

Notes to the Financial Statements For the Year Ended June 30, 2018

3. 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, 2018, and consisted of the following:

Mutual Funds		
Fixed Income		
Taxable		\$ 3,208,132
Closed-end		154,293
Equity		
Close-end equity		5,197,385
International closed-end		2,323,045
Total Market Value		<u>\$ 10,882,856</u>

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, 2018:

Investments By Fair Value Level	6/30/2018	Quoted Prices in	Significant	Significant
		Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Mutual Funds				
Fixed Income				
Taxable	\$ 3,208,132	\$ 3,208,132	\$ -	\$ -
Closed-end	154,293	154,293	-	-
Equity				
Close-end equity	5,197,385	5,197,385	-	-
International closed-end	2,323,045	2,323,045	-	-
Total Investments	<u>\$ 10,882,856</u>	<u>\$ 10,882,856</u>	<u>\$ -</u>	<u>\$ -</u>

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.

CITY OF SEAFORD, DELAWARE

Notes to the Financial Statements For the Year Ended June 30, 2018

3. CASH AND INVESTMENTS - PENSION PLAN (continued)

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.

4. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2018 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	\$ 2,197,264	\$ -	\$ -	\$ 2,197,264
Construction in progress	8,282	46,979	-	55,261
Total capital assets, not being depreciated	<u>2,205,545</u>	<u>46,979</u>	<u>-</u>	<u>2,252,525</u>
Capital assets, being depreciated				
Land improvements	3,658,758	8,925	-	3,667,683
Infrastructure	9,685,832	54,042	-	9,739,874
Buildings and improvements	9,935,988	14,847	-	9,950,835
Machinery and equipment	3,133,275	63,516	(18,848)	3,177,943
Transportation equipment	1,388,363	120,564	(88,327)	1,420,600
Total capital assets, being depreciated	<u>27,802,216</u>	<u>261,894</u>	<u>(107,176)</u>	<u>27,956,934</u>
Less accumulated depreciation for:				
Land improvements	2,146,616	-	-	2,146,616
Infrastructure	7,278,893	56,853	-	7,335,746
Buildings and improvements	3,367,623	32,210	-	3,399,833
Machinery and equipment	2,184,675	615,593	(83,808)	2,716,461
Transportation equipment	1,018,283	120,333	(19,240)	1,119,376
Total accumulated depreciation	<u>15,996,090</u>	<u>824,989</u>	<u>(103,048)</u>	<u>16,718,032</u>
Capital Assets, net	<u>\$ 14,011,672</u>	<u>\$ (516,116)</u>	<u>\$ (4,128)</u>	<u>\$ 13,491,428</u>

CITY OF SEAFORD, DELAWARE

Notes to the Financial Statements For the Year Ended June 30, 2018

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	\$ 342,659	\$ -	\$ -	\$ 342,659
Construction in progress	424,415	108,619	(456,383)	76,651
Total capital assets, not being depreciated	<u>767,074</u>	<u>108,619</u>	<u>(456,383)</u>	<u>419,310</u>
<i>Capital assets, being depreciated</i>				
Buildings and improvements	3,970,316	-	(181,581)	3,788,735
Machinery and equipment	749,946	25,440	(27,111)	748,275
Distribution system	7,921,409	534,270	(37,276)	8,418,403
Transportation equipment	859,689	19,240	(14,941)	863,988
Total capital assets, being depreciated	<u>13,501,360</u>	<u>578,950</u>	<u>(260,909)</u>	<u>13,819,401</u>
Less accumulated depreciation for:				
Buildings and improvements	3,765,931	14,653	(195,034)	3,585,550
Machinery and equipment	521,449	22,752	-	544,201
Distribution system	5,614,857	196,908	-	5,811,765
Transportation equipment	615,965	61,107	(14,941)	662,131
Total accumulated depreciation	<u>10,518,202</u>	<u>295,420</u>	<u>(209,975)</u>	<u>10,603,647</u>
Electric activities, capital assets, net	<u>\$ 3,750,232</u>	<u>\$ 392,149</u>	<u>\$ (507,317)</u>	<u>\$ 3,635,064</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	\$ 313,981	\$ 130,345	\$ (48,657)	\$ 395,669
Total capital assets, not being depreciated	<u>313,981</u>	<u>130,345</u>	<u>(48,657)</u>	<u>395,669</u>
<i>Capital assets, being depreciated</i>				
Buildings and improvements	18,739,342	21,695	(64,932)	18,696,105
Machinery and equipment	935,587	20,390	(1,307)	954,670
Transmissions	13,446,315	48,657	-	13,494,972
Transportation equipment	14,095	-	-	14,095
Total capital assets, being depreciated	<u>33,135,339</u>	<u>90,742</u>	<u>(66,239)</u>	<u>33,159,842</u>
Less accumulated depreciation for:				
Buildings and improvements	9,627,619	393,273	-	10,020,892
Machinery and equipment	704,164	43,334	(66,239)	681,259
Transmissions	6,329,871	517,140	-	6,847,011
Transportation equipment	14,095	-	-	14,095
Total accumulated depreciation	<u>16,675,749</u>	<u>953,747</u>	<u>(66,239)</u>	<u>17,563,257</u>
Sewer activities, capital assets, net	<u>\$ 16,773,571</u>	<u>\$ (732,660)</u>	<u>\$ (48,657)</u>	<u>\$ 15,992,254</u>

CITY OF SEAFORD, DELAWARE

**Notes to the Financial Statements
For the Year Ended June 30, 2018**

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	54,224	44,895	-	99,119
Total capital assets, not being depreciated	<u>62,974</u>	<u>44,895</u>	<u>-</u>	<u>107,869</u>
<i>Capital assets, being depreciated</i>				
Buildings and improvements	1,465,504	-	-	1,465,504
Machinery and equipment	669,946	50,821	(2,125)	718,642
Transmissions	10,174,924	32,412	(13,688)	10,193,648
Transportation equipment	339,410	-	-	339,410
Total capital assets, being depreciated	<u>12,649,784</u>	<u>83,233</u>	<u>(15,813)</u>	<u>12,717,204</u>
Less accumulated depreciation for:				
Buildings and improvements	1,058,195	20,768	-	1,078,963
Machinery and equipment	760,130	33,609	(8,474)	785,265
Transmissions	3,456,741	239,360	-	3,696,101
Transportation equipment	265,424	15,583	-	281,007
Total accumulated depreciation	<u>5,540,490</u>	<u>309,320</u>	<u>(8,474)</u>	<u>5,841,336</u>
Water activities, capital assets, net	<u>\$ 7,172,268</u>	<u>\$ (181,192)</u>	<u>\$ (7,339)</u>	<u>\$ 6,983,737</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	261,531	-	-	261,531
Machinery and equipment	175,175	11,214	-	186,389
Total capital assets, being depreciated	<u>436,706</u>	<u>11,214</u>	<u>-</u>	<u>447,920</u>
Less accumulated depreciation for:				
Buildings and improvements	57,594	11,622	-	69,216
Machinery and equipment	51,481	15,756	-	67,237
Total accumulated depreciation	<u>109,075</u>	<u>27,378</u>	<u>-</u>	<u>136,453</u>
Golf activities, capital assets, net	<u>\$ 933,994</u>	<u>\$ (16,164)</u>	<u>\$ -</u>	<u>\$ 917,830</u>
Business-type activities, capital assets, net	<u>\$ 28,630,065</u>	<u>\$ (537,867)</u>	<u>\$ (563,313)</u>	<u>\$ 27,528,885</u>

CITY OF SEAFORD, DELAWARE

**Notes to the Financial Statements
For the Year Ended June 30, 2018**

4. CAPITAL ASSETS (continued)

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

Administration	\$	79,955
Code enforcement		7,030
Community pool		568
Executive		878
Fire department		125,996
Dispatch		3,173
Highways and streets		255,643
Parks department		129,153
Police department		191,684
Recreation		11,875
Information technology		337
Economic development		18,697
Total	\$	824,989

5. INTERFUND BALANCES AND ACTIVITY

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

Electric to General	\$	3,350,000
Sewer to General		200,000
Water to General		175,000
General to Golf		364,150

6. LONG-TERM DEBT

Changes in long-term obligations for the year ended June 30, 2018 were 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	\$ 694,773	\$ -	\$ (302,248)	\$ 392,525	\$ 222,784
Total Governmental Activities	<u>\$ 694,773</u>	<u>\$ -</u>	<u>\$ (302,248)</u>	<u>\$ 392,525</u>	<u>\$ 222,784</u>

CITY OF SEAFORD, DELAWARE

**Notes to the Financial Statements
For the Year Ended June 30, 2018**

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	\$ 5,102,975	\$ -	\$ (794,563)	\$ 4,308,412	\$ 206,485
Notes payable	380,345	-	(63,535)	316,810	65,641
	<u>5,483,320</u>	<u>-</u>	<u>(858,098)</u>	<u>4,625,222</u>	<u>272,126</u>
Water					
General obligation bonds	1,014,642	-	(58,321)	956,321	60,225
Golf					
Notes payable	72,463	-	(72,463)	-	-
Electric					
Notes payable	194,581	-	(60,059)	134,522	60,575
Total Business-type Activities	<u>\$ 6,765,006</u>	<u>\$ -</u>	<u>\$ (1,048,941)</u>	<u>\$ 5,716,065</u>	<u>\$ 392,926</u>
Total Governmental and Business-type Activities	<u>\$ 7,459,779</u>	<u>\$ -</u>	<u>\$ (1,351,189)</u>	<u>\$ 6,108,590</u>	<u>\$ 615,710</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.	\$ 177,725
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.	61,909
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.	91,757
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.	61,134
	<u>\$ 392,525</u>

CITY OF SEAFORD, DELAWARE

**Notes to the Financial Statements
For the Year Ended June 30, 2018**

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.	\$ -	\$ 1,121,328	\$ -	\$ -	\$ 1,121,328
\$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.	-	-	956,321	-	956,321
\$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.	-	2,053,214	-	-	2,053,214
\$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.	-	-	-	-	-
\$1,158,300 – Solar Array Project loan. Requires semi-annual payments of principal and interest at 2.00% over a term of 19.5 years, matures May 2037.	-	1,133,870	-	-	1,133,870
Total	<u>\$ -</u>	<u>\$ 4,308,412</u>	<u>\$ 956,321</u>	<u>\$ -</u>	<u>\$ 5,264,733</u>

CITY OF SEAFORD, DELAWARE

**Notes to the Financial Statements
For the Year Ended June 30, 2018**

6. LONG-TERM DEBT (continued)

	<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.	\$ -	\$ -	\$ -	\$ -	\$ -
Note payable of \$497,300 to Farmers Home Administration; payable semi-annually through May, 2019; interest at 5%.	-	27,467	-	-	27,467
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.	-	289,343	-	-	289,343
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.	52,745	-	-	-	52,745
Note payable, The Bank of Delmarva. Payable in monthly installments of principal and interest of \$1,918.90. Secured by trucks. Interest rate is 2.8%. Matures in March, 2022.	81,777	-	-	-	81,777
Total	<u>\$ 134,522</u>	<u>\$ 316,810</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 451,332</u>

Debt Service Requirements

Debt service requirements on long-term debt as of June 30, 2018 were as follows:

<u>Years Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Notes</u>	
	<u>Principal</u>	<u>Interest</u>
2019	\$ 222,784	\$ 2,247
2020	76,453	1,015
2021	32,948	323
2022	11,840	-
2023	11,840	-
2023 - 2027	36,660	-
	<u>\$ 392,525</u>	<u>\$ 3,585</u>

CITY OF SEAFORD, DELAWARE

**Notes to the Financial Statements
For the Year Ended June 30, 2018**

6. LONG-TERM DEBT (continued)

Debt Service Requirements (continued)

Years Ending June 30	Business-Type Activities			
	General Obligation Bonds		Notes	
	Principal	Interest	Principal	Interest
2019	\$ 316,306	\$ 137,071	\$ 126,216	\$ 12,113
2020	325,081	128,297	74,113	8,604
2021	334,124	119,253	62,765	6,690
2022	343,443	109,933	58,880	4,818
2023	353,048	100,329	43,099	3,330
2024-2028	1,919,998	349,467	86,259	2,648
2029-2033	1,397,172	99,155	-	-
Thereafter	275,561	12,544	-	-
	<u>\$ 5,264,733</u>	<u>\$ 1,056,049</u>	<u>\$ 451,332</u>	<u>\$ 38,203</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 and the remaining debt has zero balance due.

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, 2018

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% ending on 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 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, 2018:

<u>Asset Class</u>	<u>Allocation</u>
Fixed Income	35% - 70%
Domestic Equity	10% - 55%
International Equity	3% - 30%
Cash	0% - 10%

The approximate annual money-weighted rate of return on pension plan investments for the year ended June 30, 2018 net of pension plan investment expense was 6.79%. 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, 2018**

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, 2018, the City recognized pension expense of \$262,409. As of June 30, 2018, 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	\$ -	\$ 396,984
Asset experience loss	-	88,243
Assumption change	-	110,044
	\$ -	\$ 595,271
	-	595,271

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized over six years and recognized in pension expense as follows:

<u>Years Ending June 30</u>	<u>Net Deferred Inflows of Resources</u>
2019	\$ (39,821)
2020	(119,791)
2021	(199,956)
2022	(91,784)
2023	(62,444)
2024	(81,475)
Total	\$ (595,271)

CITY OF SEAFORD, DELAWARE

**Notes to the Financial Statements
For the Year Ended June 30, 2018**

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)

Changes in net pension liability for the year ended June 30, 2018, were as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Net Pension Liability	\$ 5,282,410	\$ 1,196,700	\$ 1,969,343	\$ 4,509,767

The components of the net pension liability of the City as of June 30, 2018 were as follows:

Total pension liability	<u>\$ 14,123,968</u>
Plan fiduciary net position	11,308,606
Less employee voluntary accounts	<u>1,694,405</u>
Adjusted plan fiduciary net position	9,614,201
Net pension liability	<u><u>\$ 4,509,767</u></u>
Plan fiduciary net position adjusted as a percentage of the total pension liability	<u><u>68.07%</u></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, 2018 on a roll forward of the liabilities from the June 30, 2016 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.

CITY OF SEAFORD, DELAWARE

**Notes to the Financial Statements
For the Year Ended June 30, 2018**

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)

These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic rates of return for each major asset class included in the General Plan's target asset allocation as of June 30, 2018 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	Current Discount	1% Increase
	(6.00%)	Rate	(8.00%)
	<u> </u>	<u> </u>	<u> </u>
Net Pension Liability	\$ 6,401,244	\$ 4,509,767	\$ 2,927,414

CITY OF SEAFORD, DELAWARE

**Notes to the Financial Statements
For the Year Ended June 30, 2018**

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, 2017:

Active eligible	55
Terminated with vested rights	16
Retired	41
Total number of participants	<u>112</u>

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.

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, 2016. 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

CITY OF SEAFORD, DELAWARE

**Notes to the Financial Statements
For the Year Ended June 30, 2018**

7. RETIREMENT AND PENSION PLANS (continued)

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

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.

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.

CITY OF SEAFORD, DELAWARE

**Notes to the Financial Statements
For the Year Ended June 30, 2018**

7. RETIREMENT AND PENSION PLANS (continued)

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

Plan Benefits (continued)

Contributions

Employer

Determined by Board of Pension Trustees, employer contributions were 16.7% and 13.8% of earnings for the fiscal year 2018 and 2017, respectively.

Member

7% of compensation.

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

As of June 30, 2018, the City reported a liability of \$185,726 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016, and update procedures were used to roll forward the total pension liability to June 30, 2017. The City's proportion of the net pension liability was based on the percentage of actual employee contributions. As of June 30, 2017, the City's proportion was 1.8423 percent, which was a decrease of 0.1929 from its proportion measured as of June 30, 2016.

Changes in net pension liability for the year ended June 30, 2018, were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Net Pension Liability	\$ 323,502	\$ 70,658	\$ 208,434	\$ 185,726

For the year ended June 30, 2018, the City recognized pension expense of \$211,566.

CITY OF SEAFORD, DELAWARE

**Notes to the Financial Statements
For the Year Ended June 30, 2018**

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)

As of June 30, 2018, the City reported deferred outflows of resources or deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change to proportion	\$ 42,838	\$ 55,826
Differences between expected and actual experience	44,444	113,263
Changes of assumptions	156,802	68,435
Projected and actual plan investment earnings difference	94,664	-
Contributions subsequent to measurement date	197,713	-
	<u>\$ 536,461</u>	<u>\$ 237,524</u>

The City's contribution subsequent to the measurement date of \$197,713, reported as deferred outflows of resources, will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized over six years and recognized in pension expense as follows:

Years Ending June 30	
2019	\$ (5,683)
2020	(73,726)
2021	(43,729)
2022	34,912
2023	(1,094)
Thereafter	(11,904)
Total	<u>\$ (101,224)</u>

CITY OF SEAFORD, DELAWARE

Notes to the Financial Statements For the Year Ended June 30, 2018

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

The collective total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of June 30, 2016, and update procedures were used to roll forward the total pension liability to June 30, 2017. These actuarial valuations used the following actuarial assumptions:

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	7.0%
Projected salary increases	2.5% + Merit
Inflation	0.0%

Mortality rates were based on the RP – 2014 tables with gender adjustments for healthy annuitants and disabled retirees and an adjusted version on MP-2015 mortality improvement scale on a fully generational basis.

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:

CITY OF SEAFORD, DELAWARE

Notes to the Financial Statements For the Year Ended June 30, 2018

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)

<u>Asset Class</u>	<u>Long-Term Expected Rate of Return</u>	<u>Asset Allocation</u>
Domestic equity	5.7%	33.5%
International equity	5.7%	13.7%
Fixed income	2.0%	26.6%
Alternative investments	7.8%	22.7%
Cash and equivalents	0.0%	3.5%

Discount rate: The discount rate for all plans used to measure the total pension liability was 7.0%. 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 7.0%, 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>
\$ 1,174,450	\$ 185,726	\$ (619,317)

Pension Plan Fiduciary Net Position

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

CITY OF SEAFORD, DELAWARE

Notes to the Financial Statements For the Year Ended June 30, 2018

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. Currently, the City has not set up a separate trust for the OPEB Plan. The City has the following participation in the OPEB plan as of June 30, 2018:

Active eligible	80
Retired	<u>32</u>
Total number of participants	<u><u>112</u></u>

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.

Significant valuations methods and assumptions are as follows:

Valuation date	June 30, 2018
Actuarial cost method	Entry age normal
Actuarial assumptions:	
Discount rate	2.98%
Salary increases	4.00%
Healthcare cost trend	7.0% decreasing to 4.5%
Mortality	adjustments with modified MP2017 improvement scale

Discount rate:

The discount rate used to measure the total OPEB liability was 2.98%. Since there is no trust currently in place, there are no assets to considered when determining the discount rate associated with the OPEB plan. As a result, a long term expected investment rate of return was not applied to all periods of project benefit payments to determine the total OPEB liability.

CITY OF SEAFORD, DELAWARE

**Notes to the Financial Statements
For the Year Ended June 30, 2018**

8. OTHER POST-EMPLOYMENT BENEFITS (continued)

Sensitivity to change in the discount rate and medical cost trend rates:

The following presents the OPEB liability of the City, as well as what the City's OPEB liability would be if it were calculated using rates that is 1 percentage point lower and higher than the current rate as follows:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Net OPEB Liability	\$ 4,944,514	\$ 4,042,104	\$ 3,348,724

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
Net OPEB Liability	\$ 3,693,961	\$ 4,042,104	\$ 4,513,230

As of June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 45,036
Changes in assumptions or other inputs	103,481	-
	<u>\$ 103,481</u>	<u>\$ 45,036</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources will be amortized over approximately nine years and recognized in OPEB expense as follows:

<u>Years Ending June 30</u>	
2019	\$ 6,958
2020	6,958
2021	6,958
2022	6,958
2023	6,958
Thereafter	23,655
Total	<u>\$ 58,445</u>

CITY OF SEAFORD, DELAWARE

Notes to the Financial Statements For the Year Ended June 30, 2018

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, 2017, DEMEC's total bonded debt was \$52,650,085.

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 13.69% of the electric capacity available from the AMP Fremont Energy Center (AFEC). The supplement includes provisions relating to the AFEC Power Sales Contract with DEMEC which requires members (Seaford) in addition to receiving and paying for power from AFEC through DEMEC to also share in the operating costs of the project including debt financing. The City's portion of DEMEC's AFEC share is 9.7%.

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

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

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

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

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

CITY OF SEAFORD, DELAWARE

Notes to the Financial Statements For the Year Ended June 30, 2018

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 four 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 \$162,908 as of June 30, 2018.

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. As of June 30, 2018, the City is not aware of any repayment requests.

In July 2015, the Council approved an agreement with Adkins Management Company for the operation of the golf course for the period July 1, 2016 to June 30, 2018.

For the year ended June 30, 2018, 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.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SEAFORD, DELAWARE

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 3,248,161	\$ 3,248,161	\$ 2,364,824	\$ (883,337)
Transfer taxes	230,000	230,000	294,032	64,032
Intergovernmental revenues	460,829	460,829	506,646	45,817
Fines and forfeitures	80,000	80,000	73,743	(6,257)
Licenses, permits and fees	431,936	431,936	374,493	(57,443)
Interest and late charges	41,426	41,426	49,479	8,053
Community pool and recreation	41,015	41,015	108,354	67,339
Charges for services	246,950	246,950	254,656	7,706
Miscellaneous	33,200	33,200	82,171	48,971
Total revenues	<u>4,813,517</u>	<u>4,813,517</u>	<u>4,108,398</u>	<u>(705,119)</u>
Expenditures				
Administration	997,559	997,559	834,151	(163,408)
Code enforcement	515,953	515,953	332,855	(183,098)
Community pool	38,552	38,552	36,231	(2,321)
Executive	99,413	99,413	96,157	(3,256)
Fire department	255,662	255,662	201,051	(54,611)
Dispatch	617,407	617,407	598,139	(19,268)
Highways and streets	472,494	472,494	460,201	(12,293)
Parks department	454,137	454,137	395,531	(58,606)
Police department	3,144,379	3,144,379	3,113,287	(31,092)
Recreation	211,045	211,045	193,377	(17,668)
Economic development	228,800	228,800	211,173	(17,627)
Debt Service	315,650	315,650	315,648	(2)
Capital Outlay	374,087	374,087	294,439	(79,648)
Total Expenditures	<u>7,725,138</u>	<u>7,725,138</u>	<u>7,082,240</u>	<u>(642,898)</u>
Deficiency of revenues under expenditures	<u>(2,911,621)</u>	<u>(2,911,621)</u>	<u>(2,973,842)</u>	<u>(62,221)</u>
Other Financing Sources				
Operating transfers, net	4,001,510	4,001,510	3,360,850	(640,660)
Gain on disposal of fixed assets	-	-	134,232	-
Total other financing sources	<u>4,001,510</u>	<u>4,001,510</u>	<u>3,495,082</u>	<u>(640,660)</u>
Net change in fund balance	<u>\$ 1,089,889</u>	<u>\$ 1,089,889</u>	<u>\$ 521,240</u>	<u>\$ (568,649)</u>

CITY OF SEAFORD, DELAWARE

SCHEDULE OF CHANGES IN THE CITY'S NET OPEB LIABILITY AND RELATED RATIOS

For the Year Ended June 30, 2018

	<u>2018</u>
Total OPEB liability	
Service Cost	\$ 132,318
Interest	121,028
Differences between expected and actual experience	(50,397)
Changes of assumptions	115,800
Benefit payments	<u>(21,908)</u>
Net change in total pension liability	296,841
Total OPEB liability-beginning	<u>3,745,263</u>
Total OPEB liability-ending	<u><u>\$ 4,042,104</u></u>
Covered-employee payroll	\$ 2,859,315
Net OPEB liability as a percentage of covered-employee payroll	141.37%

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability					
Service Cost	\$ 109,341	\$ 147,185	\$ 173,495	\$ 200,070	\$ 214,075
Interest	981,669	940,901	910,611	867,976	854,346
Differences between expected and actual experience	(493,600)	259,854	(16,862)	-	-
Changes of assumptions	(76,707)	(126,664)	-	-	-
Benefit payments	<u>(622,465)</u>	<u>(579,617)</u>	<u>(636,820)</u>	<u>(865,589)</u>	<u>(633,632)</u>
Net change in total pension liability	(101,762)	641,659	430,424	202,457	434,789
Total pension liability-beginning	<u>14,225,730</u>	<u>13,584,071</u>	<u>13,153,647</u>	<u>12,951,190</u>	<u>12,516,401</u>
Total pension liability-ending (a)	<u><u>14,123,968</u></u>	<u><u>14,225,730</u></u>	<u><u>13,584,071</u></u>	<u><u>13,153,647</u></u>	<u><u>12,951,190</u></u>
Plan fiduciary net pension					
Contributions-city	497,557	505,651	573,638	656,520	661,932
Contributions-member	140,251	122,873	70,822	26,332	28,000
Net investment income	761,228	854,607	204,078	157,277	1,049,347
Other	-	-	-	276,742	-
Benefit payments, including refunds of employee contributions	(622,465)	(579,617)	(636,820)	(865,589)	(568,414)
Administrative expense	<u>(105,690)</u>	<u>(96,905)</u>	<u>(106,541)</u>	<u>(117,450)</u>	<u>(97,803)</u>
Net change in plan fiduciary net position	670,881	806,609	105,177	133,832	1,073,062
Plan fiduciary net position-beginning	<u>8,943,320</u>	<u>8,136,711</u>	<u>8,031,534</u>	<u>7,897,702</u>	<u>6,824,640</u>
Plan fiduciary net position-ending (b)	<u>9,614,201</u>	<u>8,943,320</u>	<u>8,136,711</u>	<u>8,031,534</u>	<u>7,897,702</u>
Plan's net pension liability- ending (a)-(b)	<u><u>\$ 4,509,767</u></u>	<u><u>\$ 5,282,410</u></u>	<u><u>\$ 5,447,360</u></u>	<u><u>\$ 5,122,113</u></u>	<u><u>\$ 5,053,488</u></u>
Plan fiduciary net position as a percentage of the total pension liability	68.07%	62.87%	59.90%	60.04%	60.98%
Covered-employee payroll	\$ 2,859,315	\$ 2,860,613	\$ 2,833,872	\$ 2,727,062	\$ 2,650,963
Net pension liability as a percentage of covered-employee payroll	157.72%	184.66%	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 PLAN For the Years Ended June 30

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarially determined contribution	\$ 484,922	\$ 506,038	\$ 614,147	\$ 656,520	\$ 656,822	\$ 672,310	\$ 659,989	\$ 621,877	\$ 575,109	\$ 210,015
Contributions in relation to the actuarially determined contribution	497,557	505,651	625,036	656,520	661,932	672,310	626,989	621,877	575,109	210,015
Contribution deficiency (excess)	\$ (12,635)	\$ 387	\$ (10,889)	\$ -	\$ (5,110)	\$ -	\$ 33,000	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 2,859,315	\$ 2,860,613	\$ 2,833,872	\$ 2,727,062	\$ 2,650,963	\$ 2,690,002	\$ 2,757,943	\$ 2,693,121	\$ 2,665,163	\$ 2,492,689
Contributions as a percentage of covered- employee payroll	17.40%	17.68%	22.06%	24.07%	24.97%	24.99%	22.73%	23.09%	21.58%	8.43%

Notes to Schedule

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal - Level Percentage of Pay
Amortization method	Level dollar, open
Remaining amortization period	30 years
Asset valuation method	Market value
Inflation	N/A
Salary increases	4% per annum
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 67
Mortality	The RP-2014 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 PLAN
For the Years Ended June 30**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expense	6.79%	10.66%	-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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability	1.8423%	2.0352%	2.4509%	2.3715%
City's proportionate share of the net pension liability (asset)	\$ 185,726	\$ 323,502	\$ (129,171)	\$ (256,525)
City's covered employee payroll	2,859,315	2,860,613	1,607,018	1,549,414
City's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	6.50%	11.31%	-8.04%	-16.56%
Plan fiduciary net position as a percentage of the total pension liability	97.00%	94.70%	94.70%	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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 197,713	\$ 208,434	\$ 222,572	\$ 229,526
Contribution in relation to the contractually required contribution	<u>197,713</u>	<u>208,434</u>	<u>222,572</u>	<u>229,526</u>
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered employee payroll	\$ 2,859,315	\$ 2,860,613	\$ 1,607,018	\$ 1,549,414
Contribution as a percentage of covered employee payroll	6.91%	7.29%	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, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
Revenues		
Taxes	\$ 2,364,824	\$ 2,336,910
Transfer taxes	294,032	694,330
Intergovernmental revenues	506,646	832,225
Fines and forfeitures	73,743	82,568
Licenses, permits and fees	374,493	442,714
Interest and late charges	49,479	44,448
Community pool and recreation	108,354	48,666
Charges for services	254,656	253,077
Miscellaneous	82,171	46,746
Total revenues	<u>4,108,398</u>	<u>4,781,684</u>
Expenditures		
Administration	834,151	718,784
Code enforcement	332,855	315,417
Community pool	36,231	40,457
Executive	96,157	92,624
Fire department	201,051	198,149
Dispatch	598,139	503,414
Highways and streets	460,201	554,154
Parks department	395,531	401,083
Police department	3,113,287	2,835,775
Recreation	193,377	188,474
Economic development	211,173	182,403
Debt Service	315,648	315,648
Capital Outlay	294,439	736,505
Total Expenditures	<u>7,082,240</u>	<u>7,082,887</u>
Deficiency of revenues under expenditures	<u>(2,973,842)</u>	<u>(2,301,203)</u>
Other Financing Sources		
Operating transfers, net	3,360,850	2,325,000
Gain on disposal of fixed assets	134,232	26,470
Total other financing sources	<u>3,495,082</u>	<u>2,351,470</u>
Net change in fund balance	<u>\$ 521,240</u>	<u>\$ 50,267</u>

CITY OF SEAFORD, DELAWARE

SCHEDULES OF REVENUES AND EXPENSES - ELECTRIC FUND
For the Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Operating Revenues		
Charges for services	\$ 15,093,510	\$ 15,300,557
Miscellaneous	268,927	132,250
Total operating revenues	<u>15,362,437</u>	<u>15,432,807</u>
Operating Expenses		
Purchased power	9,124,557	9,780,301
Payroll and other costs	1,228,932	1,117,101
Utilities	37,260	35,959
Repairs and maintenance	58,551	64,494
Insurance	304,812	245,067
Other supplies and expenses	289,082	487,498
Depreciation and amortization	276,181	278,321
Total operating expenses	<u>11,319,375</u>	<u>12,008,741</u>
Operating income (loss)	4,043,062	3,424,066
Nonoperating Revenues (Expenses)		
Interest revenue	1,832	1,309
Interest expense	(8,729)	(5,343)
Loss on disposal of fixed asset	82,066	(50,247)
Transfers in (out)	(3,350,000)	(2,600,000)
Net nonoperating revenues (expenses)	<u>(3,274,831)</u>	<u>(2,654,281)</u>
Change in net position	<u>\$ 768,231</u>	<u>\$ 769,785</u>

CITY OF SEAFORD, DELAWARE

SCHEDULES OF REVENUES AND EXPENSES - SEWER FUND

For the Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Operating Revenues		
Charges for services	\$ 2,641,704	\$ 2,521,865
Tap fees	4,370	6,450
Miscellaneous	101,580	(151,693)
Total operating revenues	<u>2,747,654</u>	<u>2,376,622</u>
Operating Expenses		
Payroll and other costs	342,987	494,446
Utilities	125,845	163,275
Repairs and maintenance	63,984	96,953
Insurance	240,803	212,293
Other supplies and expenses	214,145	141,441
Depreciation and amortization	953,747	874,770
Total operating expenses	<u>1,941,511</u>	<u>1,983,178</u>
Operating income (loss)	806,143	393,444
Nonoperating Revenues (Expenses)		
Grant revenue	-	460,988
Interest revenue	2,311	2,135
Interest expense	(127,194)	(142,024)
Loss on disposal of fixed asset	-	-
Transfers in (out)	(200,000)	-
Capital contribution	19,884	13,938
Net nonoperating revenues (expenses)	<u>(304,999)</u>	<u>335,037</u>
Change in net position	<u>\$ 501,144</u>	<u>\$ 728,481</u>

CITY OF SEAFORD, DELAWARE

**SCHEDULES OF REVENUES AND EXPENSES - WATER FUND
For the Years Ended June 30, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
Operating Revenues		
Charges for services	\$ 1,115,677	\$ 1,158,753
Tap fees	5,125	7,600
Miscellaneous	7,508	2,708
Total operating revenues	<u>1,128,310</u>	<u>1,169,061</u>
Operating Expenses		
Payroll and other costs	308,493	313,927
Utilities	71,999	74,462
Repairs and maintenance	77,104	175,304
Insurance	119,800	92,804
Other supplies and expenses	121,387	111,703
Depreciation and amortization	309,320	323,520
Total operating expenses	<u>1,008,103</u>	<u>1,091,720</u>
Operating income (loss)	120,207	77,341
Nonoperating Revenues (Expenses)		
Interest revenue	1,416	1,351
Interest expense	(32,095)	(33,950)
Loss on disposal of fixed asset	(175,000)	-
Transfers in (out)	(7,339)	(150,000)
Capital contribution	10,686	12,666
Net nonoperating revenues (expenses)	<u>(202,332)</u>	<u>(169,933)</u>
Change in net position	<u>\$ (82,125)</u>	<u>\$ (92,592)</u>

CITY OF SEAFORD, DELAWARE

SCHEDULES OF REVENUES AND EXPENSES - GOLF FUND

For the Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Operating Revenues		
Charges for services	\$ -	\$ -
Sales	-	-
Miscellaneous	-	-
Total operating revenues	<u>-</u>	<u>-</u>
Operating Expenses		
Repairs and maintenance	22,268	22,674
Insurance	15,940	15,947
Contracts	151,704	151,704
Other supplies and expenses	63,516	64,413
Depreciation and amortization	27,374	27,452
Total operating expenses	<u>280,802</u>	<u>282,190</u>
Operating income (loss)	(280,802)	(282,190)
Nonoperating Revenues (Expenses)		
Interest expense	(437)	(3,435)
Transfers in (out)	364,150	425,000
Net nonoperating revenues (expenses)	<u>363,713</u>	<u>421,565</u>
Change in net position	<u>\$ 82,911</u>	<u>\$ 139,375</u>

CITY OF SEAFORD, DELAWARE

SCHEDULES OF DEBT SERVICE - ENTERPRISE FUNDS

As of June 30, 2018

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>Thereafter</u>	<u>Total</u>
GENERAL OBLIGATION BONDS							
<u>Principal Payments Due</u>							
\$5,300,000 SRF Series A Bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$2,719,096 SRF Series B Bonds	-	-	-	-	-	-	-
\$1,620,000 SRF Series Bonds	83,109	86,441	89,905	93,509	97,257	671,107	1,121,328
\$2,579,004 SRF Loan Series 2011	123,376	125,855	128,385	130,966	133,598	1,411,034	2,053,214
\$2,729,408 SRF Series Bonds	60,225	62,192	64,224	66,321	68,487	634,872	956,321
\$1,158,300 Solar Array	49,596	50,593	51,610	52,647	54,707	874,717	1,133,870
Total principal payments	<u>316,306</u>	<u>325,081</u>	<u>334,124</u>	<u>343,443</u>	<u>354,049</u>	<u>3,591,730</u>	<u>5,264,733</u>
<u>Interest Payments Due</u>							
\$5,300,000 SRF Series A Bonds	-	-	-	-	-	-	-
\$2,719,096 SRF Series B Bonds	-	-	-	-	-	-	-
\$1,620,000 General Obligation Bonds	43,689	40,358	36,893	33,289	29,541	89,683	273,453
\$2,579,004 SRF Loan Series 2011	40,450	37,971	35,441	32,860	30,228	145,313	322,263
\$2,729,408 SRF Series Bonds	30,501	28,534	26,502	24,405	22,239	90,930	223,111
Solar Array	22,431	21,434	20,417	19,379	18,321	135,240	237,222
Total interest payments due	<u>137,071</u>	<u>128,297</u>	<u>119,253</u>	<u>109,933</u>	<u>100,329</u>	<u>461,166</u>	<u>1,056,049</u>
Total debt service requirements— general obligation bonds	<u>453,377</u>	<u>453,378</u>	<u>453,377</u>	<u>453,376</u>	<u>454,378</u>	<u>4,052,896</u>	<u>6,320,782</u>
NOTES PAYABLE							
<u>Principal Payments Due</u>							
Farmers Home Administration	27,467	-	-	-	-	-	27,467
Fulton Bank - Sewer Extension	38,187	39,338	40,566	41,813	43,099	86,338	289,341
Bank of Delmarva - Truck	39,600	13,147	-	-	-	-	52,747
Bank of Delmarva - Electric Line Truck	20,975	21,575	22,199	17,028	-	-	81,777
Total principal payments	<u>126,229</u>	<u>74,060</u>	<u>62,765</u>	<u>58,841</u>	<u>43,099</u>	<u>86,338</u>	<u>451,332</u>
<u>Interest Payments Due</u>							
Farmers Home Administration	1,029	-	-	-	-	-	1,029
M&T Bank - Golf Course	-	-	-	-	-	-	-
Fulton Bank - Sewer Extension	8,245	7,089	5,862	4,615	3,330	2,649	31,790
Bank of Delmarva - Truck	787	63	-	-	-	-	850
Bank of Delmarva - Electric Line Truck	2,052	1,452	827	203	-	-	4,534
Total interest payments due	<u>12,113</u>	<u>8,604</u>	<u>6,689</u>	<u>4,818</u>	<u>3,330</u>	<u>2,649</u>	<u>38,203</u>
Total debt service requirements— notes payable	<u>138,342</u>	<u>82,664</u>	<u>69,454</u>	<u>63,659</u>	<u>46,429</u>	<u>88,987</u>	<u>489,535</u>
Total debt service requirements	<u>\$ 591,719</u>	<u>\$ 536,042</u>	<u>\$ 522,831</u>	<u>\$ 517,035</u>	<u>\$ 500,807</u>	<u>\$ 4,141,883</u>	<u>\$ 6,810,317</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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 10, 2018.

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.

December 10, 2018
Hunt Valley, Maryland

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

CITY OF SEAFORD, DELAWARE

FINANCIAL HIGHLIGHTS – GENERAL FUND

For the Years Ended June 30, 2018 and 2017

Information selected from audited financial statements

	2018		2017
	Budget	Actual	Total
Revenues			
Taxes	\$ 3,248,161	\$ 2,364,824	\$ 2,336,910
Transfer taxes	230,000	294,032	694,330
Intergovernmental revenues	460,829	506,646	832,225
Fines and forfeitures	80,000	73,743	82,568
Licenses, permits and fees	431,936	374,493	442,714
Interest and late charges	41,426	49,479	44,448
Community pool and recreation	41,015	108,354	48,666
Charges for services	246,950	254,656	253,077
Miscellaneous	33,200	82,171	46,746
Total Revenues	<u>4,813,517</u>	<u>4,108,398</u>	<u>4,781,684</u>
Expenditures			
Administration	997,559	834,151	718,784
Code enforcement	515,953	332,855	315,417
Community pool	38,552	36,231	40,457
Executive	99,413	96,157	92,624
Fire department	255,662	201,051	198,149
Dispatch	617,407	598,139	503,414
Highways and streets	472,494	460,201	554,154
Parks department	454,137	395,531	401,083
Police department	3,144,379	3,113,287	2,835,775
Recreation	211,045	193,377	188,474
Economic development	228,800	211,173	182,403
Debt service	315,650	315,648	315,648
Capital outlay	374,087	294,439	736,505
Total Expenditures	<u>7,725,138</u>	<u>7,082,240</u>	<u>7,082,887</u>
Deficiency of revenues under expenditures		<u>(2,973,842)</u>	<u>(2,301,203)</u>
Other Financing Sources			
Operating transfers (net)		3,360,850	2,325,000
Proceeds from loan borrowing		-	-
Gain on disposal of fixed assets		134,232	26,470
Total other financing sources		<u>3,495,082</u>	<u>2,351,470</u>
Net change in fund balance		521,240	50,267
Fund Balance, Beginning of Year		<u>1,917,056</u>	<u>1,866,789</u>
Fund Balance, End of Year		<u>\$ 2,438,296</u>	<u>\$ 1,917,056</u>

CITY OF SEAFORD, DELAWARE

FINANCIAL HIGHLIGHTS – ENTERPRISE FUND

For the Years Ended June 30, 2018 and 2017

Information selected from audited financial statements

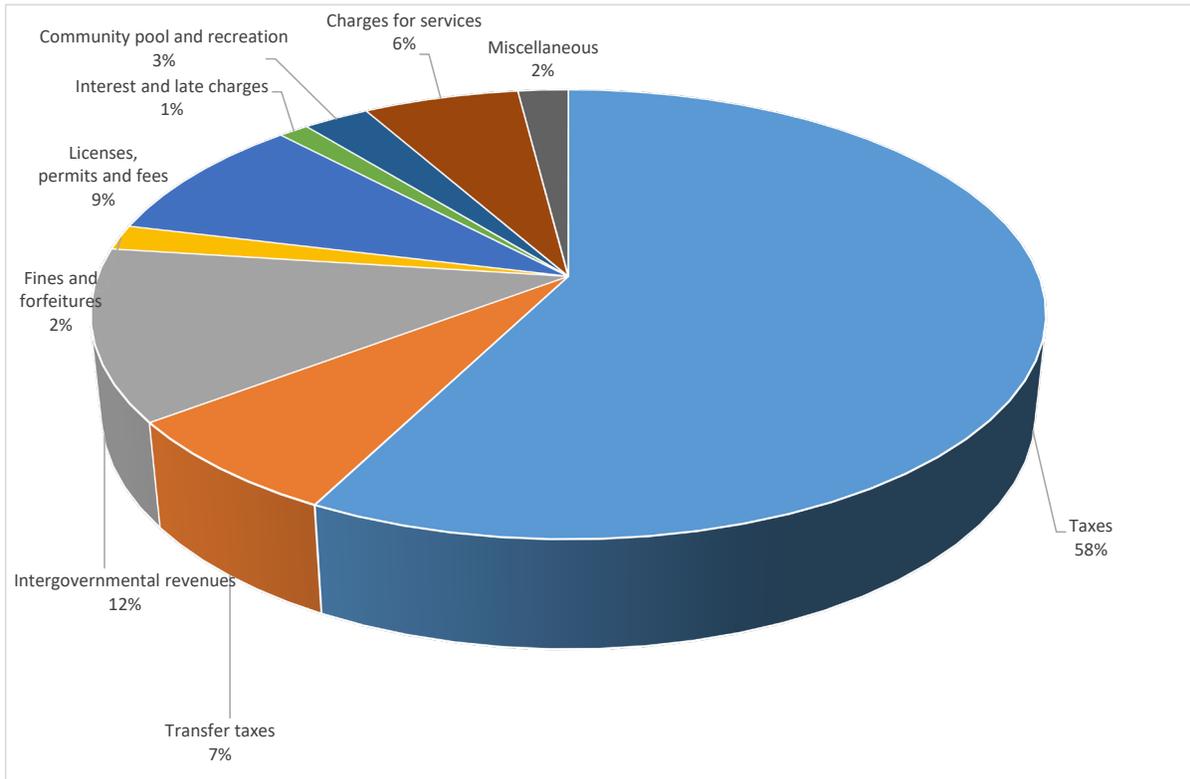
	<u>2018</u>	<u>2017</u>
Operating Revenues		
Charges for services	\$ 18,850,891	\$ 18,981,175
Tap fees	9,495	14,050
Miscellaneous	378,015	32,950
Total operating revenues	<u>19,238,401</u>	<u>19,028,175</u>
Operating Expenses		
Purchased power	9,124,557	9,780,301
Payroll and other costs	1,880,412	1,925,474
Utilities	235,104	273,696
Repairs and maintenance	221,907	359,425
Insurance	681,355	566,111
Contracts	151,704	151,704
Other supplies and expenses	688,130	805,055
Depreciation and amortization	1,566,622	1,504,063
Total operating expenses	<u>14,549,791</u>	<u>15,365,829</u>
Operating income	4,688,610	3,662,346
Nonoperating Revenues (Expenses)		
Grant income	-	460,988
Interest revenue	5,559	4,795
Interest expense	(168,455)	(184,752)
Loss on disposal of fixed asset	74,727	(99,932)
Transfers in (out)	(3,360,850)	(2,325,000)
Capital contribution	30,570	26,604
Net nonoperating revenues (expenses)	<u>(3,418,449)</u>	<u>(2,117,297)</u>
Change in net position	1,270,161	1,545,049
Net Position, Beginning of Year	24,927,127	23,906,173
Restatement - change in accounting principle	-	(524,095)
Net Position, End of Year	<u>\$ 26,197,288</u>	<u>\$ 24,927,127</u>

CITY OF SEAFORD, DELAWARE

FINANCIAL HIGHLIGHTS – GENERAL FUND

For the Years Ended June 30, 2018 and 2017

**City of Seaford, Delaware
Sources of Revenue - General Fund
For the Year Ended June 30, 2018**



	2018	
	\$	%
Taxes	2,364,824	57.56%
Transfer taxes	294,032	7.16%
Intergovernmental revenues	506,646	12.33%
Fines and forfeitures	73,743	1.79%
Licenses, permits and fees	374,493	9.12%
Interest and late charges	49,479	1.20%
Community pool and recreation	108,354	2.64%
Charges for services	254,656	6.20%
Miscellaneous	82,171	2.00%
	4,108,398	100.00%

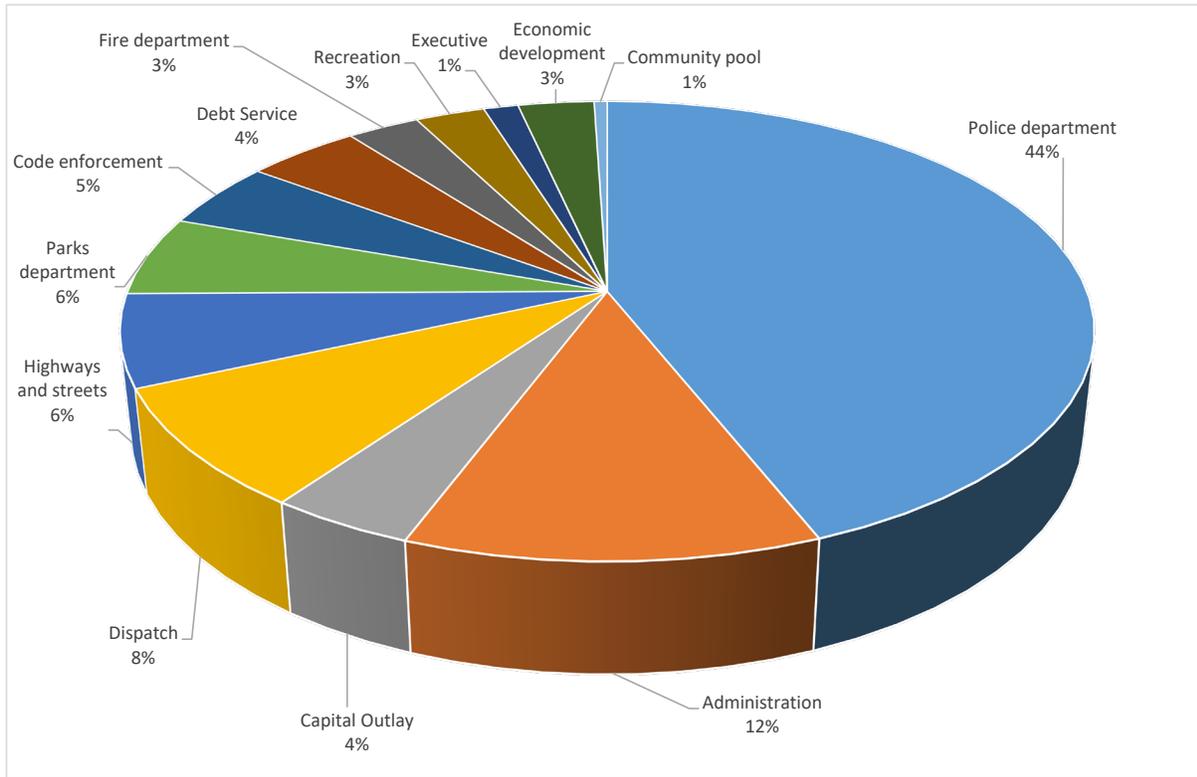
	2017	
	\$	%
Taxes	2,336,910	48.87%
Transfer taxes	694,330	14.52%
Intergovernmental revenues	832,225	17.40%
Fines and forfeitures	82,568	1.73%
Licenses, permits and fees	442,714	9.26%
Interest and late charges	44,448	0.93%
Community pool and recreation	48,666	1.02%
Charges for services	253,077	5.29%
Miscellaneous	46,746	0.98%
	4,781,684	100.00%

CITY OF SEAFORD, DELAWARE

FINANCIAL HIGHLIGHTS – GENERAL FUND

For the Years Ended June 30, 2018 and 2017

**City of Seaford, Delaware
Functional Expenses - General Fund
For the Year Ended June 30, 2018**



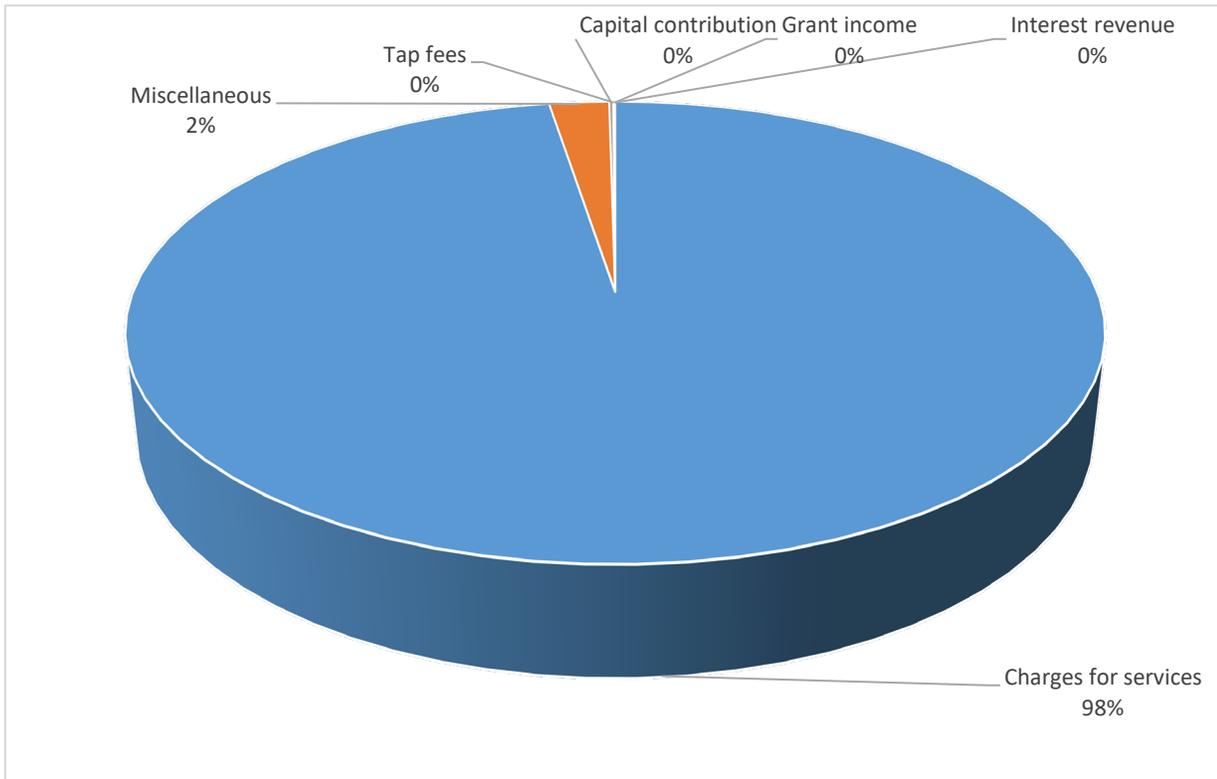
	2018		2017	
	\$	%	\$	%
Police department	3,113,287	43.96%	2,835,775	40.04%
Administration	834,151	11.78%	718,784	10.15%
Capital Outlay	294,439	4.16%	736,505	10.40%
Dispatch	598,139	8.45%	503,414	7.11%
Highways and streets	460,201	6.50%	554,154	7.82%
Parks department	395,531	5.58%	401,083	5.66%
Code enforcement	332,855	4.70%	315,417	4.45%
Debt Service	315,648	4.46%	315,648	4.46%
Fire department	201,051	2.84%	198,149	2.80%
Recreation	193,377	2.73%	188,474	2.66%
Executive	96,157	1.36%	92,624	1.31%
Economic development	211,173	2.98%	182,403	2.58%
Community pool	36,231	0.51%	40,457	0.57%
	7,082,240	100.00%	7,082,887	100.00%

CITY OF SEAFORD, DELAWARE

FINANCIAL HIGHLIGHTS – PROPRIETARY FUND

As of June 30, 2018 and 2017

**City of Seaford, Delaware
Sources of Revenue - Proprietary Fund
For the Year Ended June 30, 2018**



	2018	
	\$	%
Charges for services	18,850,891	97.42%
Miscellaneous	452,742	2.34%
Capital contribution	30,570	0.16%
Tap fees	9,495	0.05%
Grant income	-	0.00%
Interest revenue	5,559	0.03%
	19,349,257	100.00%

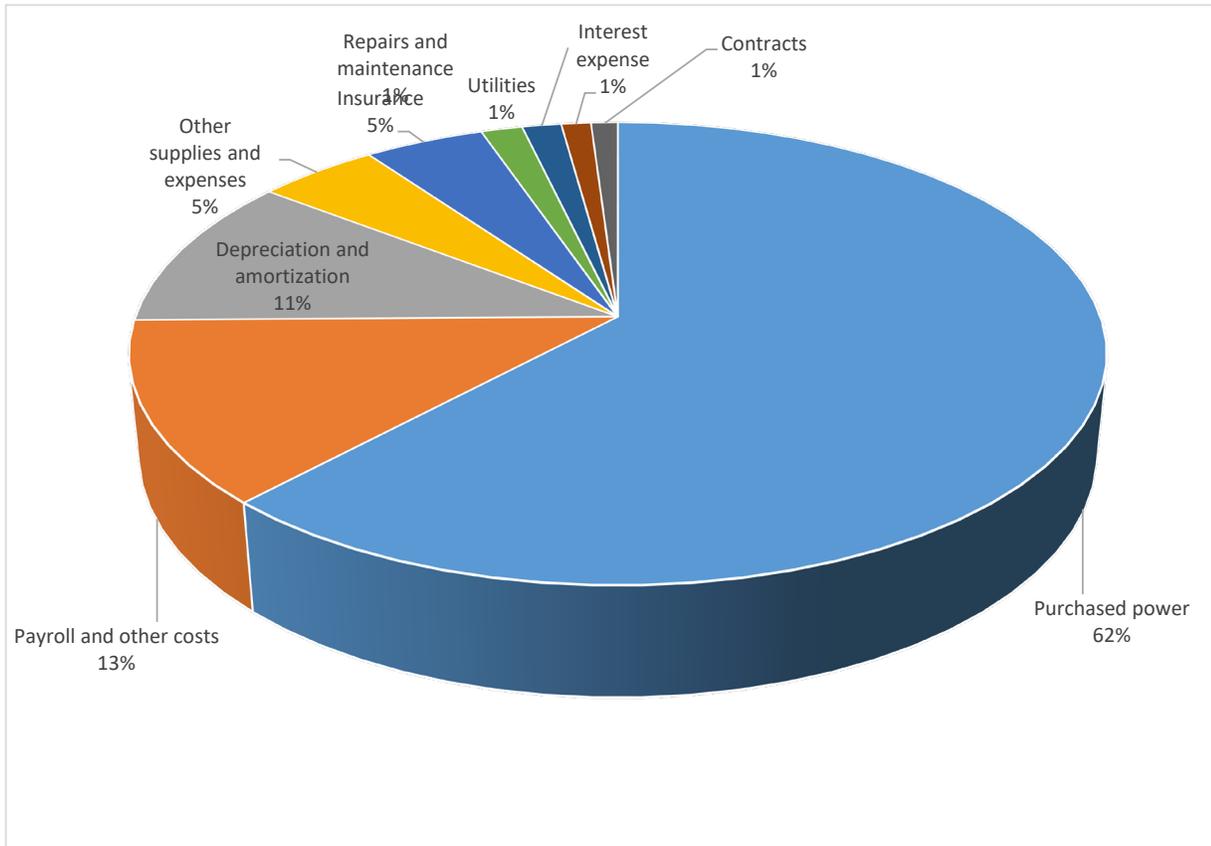
	2017	
	\$	%
Charges for services	18,981,175	97.24%
Miscellaneous	32,950	0.17%
Capital contribution	26,604	0.14%
Tap fees	14,050	0.07%
Grant income	460,988	2.36%
Interest revenue	4,795	0.02%
	19,520,562	100.00%

CITY OF SEAFORD, DELAWARE

FINANCIAL HIGHLIGHTS – PROPRIETARY FUND

For the Years Ended June 30, 2018 and 2017

**City of Seaford, Delaware
Functional Expenses - Proprietary Fund
For the Year Ended June 30, 2018**



	2018		2017	
	\$	%	\$	%
Purchased power	9,124,557	61.99%	9,780,301	62.89%
Payroll and other costs	1,880,412	12.78%	1,925,474	12.38%
Depreciation and amortization	1,566,622	10.64%	1,504,063	9.67%
Other supplies and expenses	688,130	4.68%	805,055	5.18%
Insurance	681,355	4.63%	566,111	3.64%
Utilities	235,104	1.60%	273,696	1.76%
Repairs and maintenance	221,907	1.51%	359,425	2.31%
Interest expense	168,455	1.14%	184,752	1.19%
Contracts	151,704	1.03%	151,704	0.98%
	14,718,246	100.00%	15,550,581	100.00%