

CITY OF SEAFORD, DELAWARE

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

For the Year Ended June 30, 2017



S B & COMPANY, LLC
KNOWLEDGE • QUALITY • CLIENT SERVICE

JUNE 30, 2017

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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, 2017, 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, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.



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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedule – general fund, schedule of funding progress – OPEB, schedule of changes in the City's net pension liability and related ratios – single employer plan, schedule of City contributions – single employer plan, schedule of investment returns – single employer plan, schedule of the City's proportionate share of net pension liability – cost sharing plan, and schedule of the City's contributions to cost sharing pension plan be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The schedules of revenue and expenditures, schedules of debt service, and financial highlights 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 4, 2017 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 4, 2017

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, 2017. 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 \$1,637,000, or 4.7% from fiscal year 2016 to 2017.

The net position of the City’s governmental activities increased by approximately \$92,000, for fiscal year 2017. 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 \$1,545,000, 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
	2017	2016	2017	2016	2017	2016	
Current and other assets	\$ 2,775	\$ 2,563	\$ 8,556	\$ 7,719	\$ 11,331	\$ 10,282	10%
Capital assets	14,023	14,125	28,630	27,604	42,653	41,729	2%
Total assets	<u>16,798</u>	<u>16,688</u>	<u>37,186</u>	<u>35,323</u>	<u>53,984</u>	<u>52,011</u>	4%
Deferred outflows	673	489	1	170	674	659	2%
Long-term debt	695	991	6,765	6,556	7,460	7,547	-1%
Other liabilities	5,199	4,555	4,918	4,894	10,116	9,449	7%
Total liabilities	<u>5,893</u>	<u>5,546</u>	<u>11,683</u>	<u>11,450</u>	<u>17,576</u>	<u>16,996</u>	3%
Deferred inflows	312	459	53	137	365	596	-39%
Net position							
Net investment in capital assets	13,317	13,123	21,865	21,048	35,182	34,171	3%
Restricted	771	689	2,527	2,490	3,299	3,179	4%
Unrestricted	(2,825)	(2,640)	1,060	368	(1,765)	(2,272)	-22%
Total net position	<u>\$ 11,264</u>	<u>\$ 11,172</u>	<u>\$ 25,451</u>	<u>\$ 23,906</u>	<u>\$ 36,716</u>	<u>\$ 35,078</u>	5%

Changes in Net Position

The City's total revenues were approximately \$24,323,000. Approximately 82% 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 \$22,686,000. The City's expenses cover a range of services with about 69% 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, 2016 and 2017.

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

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues						
Program services						
Charges for services	\$ 869	\$ 977	\$ 18,978	\$ 19,077	\$ 19,847	\$ 20,055
Operating grants	411	389	-	-	411	389
Capital grants	421	49	488	154	909	203
General revenues						
Property taxes	2,381	2,377	-	-	2,381	2,377
Other taxes	694	237	-	-	694	237
Grants	10	1	-	-	10	1
Other	66	86	5	4	70	90
Total revenues	<u>4,852</u>	<u>4,116</u>	<u>19,471</u>	<u>19,235</u>	<u>24,323</u>	<u>23,352</u>
Expenses						
Administration	837	882	-	-	837	882
Code enforcement	338	413	-	-	338	413
Community pool	41	32	-	-	41	32
Executive	93	153	-	-	93	153
Fire department	326	334	-	-	326	334
Dispatch	537	649	-	-	537	649
Highways and streets	809	731	-	-	809	731
Parks department	546	627	-	-	546	627
Police department	3,127	3,476	-	-	3,127	3,476
Recreation	205	217	-	-	205	217
Economic development	207	142	-	-	207	142
Interest on long-term debt	19	22	-	-	19	22
Electric	-	-	12,064	12,457	12,064	12,457
Sewer	-	-	2,125	2,328	2,125	2,328
Water	-	-	1,126	1,160	1,126	1,160
Golf	-	-	286	268	286	268
Total expenses	<u>7,085</u>	<u>7,678</u>	<u>15,601</u>	<u>16,213</u>	<u>22,685</u>	<u>23,891</u>
Changes before transfers	(2,233)	(3,562)	3,870	3,022	1,637	(539)
Transfers	2,325	3,215	(2,325)	(3,215)	-	-
Changes in net position	<u>\$ 92</u>	<u>\$ (347)</u>	<u>\$ 1,545</u>	<u>\$ (193)</u>	<u>\$ 1,637</u>	<u>\$ (539)</u>

Governmental Activities

Revenues for the City's governmental activities excluding transfers were approximately \$4,852,000.

The property tax rate for 2016 and 2017 was 31¢/\$100 assessed value each year.

The cost of all governmental activities this year was approximately \$7,085,000. Of this cost, the largest program for the City is the police with a cost of approximately \$3,127,000.

Business-Type Activities

Revenues of the City's business-type activities increased about 1% to approximately \$19,471,000 and expenses decreased 4% to approximately \$15,601,000. 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, 2017, after transfers and loan proceeds, the City had an increase of \$50,267, 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, 2017, the City had invested approximately \$42,642,000 (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 increase (including additions and deductions) of approximately \$923,000, or about 2.21%, 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	
	2017	2016	2017	2016	2017	2016
Land	\$ 2,197	\$ 2,074	\$ 958	\$ 958	\$ 3,155	\$ 3,032
Land improvements	1,512	1,706	-	-	1,512	1,706
Buildings and improvements	6,568	6,775	9,927	10,337	16,496	17,112
Equipment	1,319	1,328	811	1,068	2,130	2,396
Infrastructure	2,407	2,176	16,141	14,796	18,548	16,972
Construction in progress	8	56	793	445	801	501
Total	\$ 14,012	\$ 14,115	\$ 28,630	\$ 27,604	\$ 42,642	\$ 41,719

Long-term Debt

At June 30, 2017, the City had \$7,460,000, in bonds and notes outstanding, a decrease of 1% from last year. More detailed information about the City's long-term liabilities is presented in the notes to the financial statements.

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

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
General obligation bonds	\$ -	\$ -	\$ 6,118	\$ 5,758	\$ 6,118	\$ 5,758
Notes payable	695	991	647	798	1,342	1,789
Total	\$ 695	\$ 991	\$ 6,765	\$ 6,556	\$ 7,460	\$ 7,547

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

The City of Seaford is currently working on the Electric Substation & System Improvements project. The financing for this project is through DEMEC's On Behalf of Financing option at an approximate cost of \$8,500,000. This project is for the construction of the Pine Street Substation and multiple system improvements.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

CITY OF SEAFORD, DELAWARE

Statement of Net Position As of June 30, 2017

	Governmental Activities	Business-Type Activities	Total
Assets:			
Current Assets			
Cash and cash equivalents	\$ 1,475,288	\$ 5,688,543	\$ 7,163,831
Accounts receivable (net of allowance for uncollectibles)	468,921	2,139,938	2,608,859
Inventories	16,754	703,259	720,013
Prepaid expense	41,670	24,793	66,463
Restricted cash	772,283	-	772,283
Total current assets	<u>2,774,916</u>	<u>8,556,533</u>	<u>11,331,449</u>
Noncurrent Assets			
Notes receivables	11,002	-	11,002
Net capital assets, net	14,011,672	28,630,065	42,641,737
Total noncurrent assets	<u>14,022,674</u>	<u>28,630,065</u>	<u>42,652,739</u>
Total Assets	<u>16,797,590</u>	<u>37,186,598</u>	<u>53,984,188</u>
Deferred Outflow of Resources:			
Deferred financing outflow - retirement	<u>672,550</u>	<u>974</u>	<u>673,524</u>
Liabilities:			
Current liabilities			
Accounts payable	257,358	1,020,577	1,277,935
Accrued interest	-	27,092	27,092
Accrued expense-other	79,751	51,764	131,515
Current portion of long-term debt	304,849	1,024,453	1,329,302
Deposits	6,818	789,780	796,598
Accrued compensated absences	238,697	73,605	312,302
Total current liabilities	<u>887,473</u>	<u>2,987,271</u>	<u>3,874,744</u>
Noncurrent liabilities			
Accrued liabilities - OPEB	1,366,143	599,484	1,965,627
Net pension liability	3,249,957	2,355,955	5,605,912
Bonds and notes payable	389,924	5,740,553	6,130,477
Total non-current liabilities	<u>5,006,024</u>	<u>8,695,992</u>	<u>13,702,016</u>
Total Liabilities	<u>5,893,497</u>	<u>11,683,263</u>	<u>17,576,760</u>
Deferred Inflow of Resources:			
Deferred grant revenue	25,618	-	25,618
Deferred financing inflow - retirement	286,716	53,087	339,803
Total deferred inflow of resources	<u>312,334</u>	<u>53,087</u>	<u>365,421</u>
Net Position:			
Net investment in capital assets	13,316,899	21,865,059	35,181,958
Restricted	772,283	2,526,596	3,298,878
Unrestricted	(2,824,873)	1,059,567	(1,765,305)
Total Net Position	<u>\$ 11,264,309</u>	<u>\$ 25,451,222</u>	<u>\$ 36,715,531</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, 2017

	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	\$ 836,896	\$ 452,958	\$ -	\$ -	\$ (383,938)	\$ -	\$ (383,938)
Code enforcement	338,054	153,387	-	-	(184,667)	-	(184,667)
Community pool	41,143	-	-	-	(41,143)	-	(41,143)
Executive	92,894	-	-	-	(92,894)	-	(92,894)
Fire department	325,917	-	-	-	(325,917)	-	(325,917)
Dispatch	536,624	-	-	-	(536,624)	-	(536,624)
Highways and streets	809,712	-	179,490	395,832	(234,390)	-	(234,390)
Parks department	545,745	-	-	-	(545,745)	-	(545,745)
Police department	3,126,600	189,353	231,903	25,000	(2,680,344)	-	(2,680,344)
Recreation	204,571	68,061	-	-	(136,510)	-	(136,510)
Economic development	207,391	5,416	-	-	(201,975)	-	(201,975)
Interest on long-term debt	19,343	-	-	-	(19,343)	-	(19,343)
Total governmental activities	<u>7,084,890</u>	<u>869,175</u>	<u>411,393</u>	<u>420,832</u>	<u>(5,383,490)</u>	<u>-</u>	<u>(5,383,490)</u>
BUSINESS-TYPE ACTIVITIES							
Electric	12,064,331	15,432,807	-	-	-	3,368,476	3,368,476
Sewer	2,125,202	2,376,622	-	474,926	-	726,346	726,346
Water	1,125,670	1,169,061	-	12,666	-	56,057	56,057
Golf	285,625	-	-	-	-	(285,625)	(285,625)
Total business-type activities	<u>15,600,828</u>	<u>18,978,490</u>	<u>-</u>	<u>487,592</u>	<u>-</u>	<u>3,865,254</u>	<u>3,865,254</u>
Total	<u>\$ 22,685,718</u>	<u>\$ 19,847,665</u>	<u>\$ 411,393</u>	<u>\$ 908,424</u>	<u>(5,383,490)</u>	<u>3,865,254</u>	<u>(1,518,236)</u>
GENERAL REVENUES							
Taxes							
Property taxes					2,380,603	-	2,380,603
Transfer taxes					694,330	-	694,330
Grants and contributions not restricted to specific programs					9,950	-	9,950
Unrestricted investment earnings					1,595	4,795	6,390
Gain on disposal of fixed asset					26,470	-	26,470
Miscellaneous					37,500	-	37,500
Transfers - net					2,325,000	(2,325,000)	-
Total general revenues, special items and transfers					<u>5,475,448</u>	<u>(2,320,205)</u>	<u>3,155,243</u>
Changes in net position					91,958	1,545,049	1,637,007
NET POSITION, BEGINNING OF YEAR					<u>11,172,351</u>	<u>23,906,173</u>	<u>35,078,524</u>
NET POSITION, END OF YEAR					<u>\$ 11,264,309</u>	<u>\$ 25,451,222</u>	<u>\$ 36,715,531</u>

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

CITY OF SEAFORD, DELAWARE

**Balance Sheet – Governmental Funds
As of June 30, 2017**

	<u>General Fund</u>
Assets:	
Cash and cash equivalents	\$ 1,475,288
Accounts receivable (net of allowance for uncollectibles)	468,921
Inventories	16,754
Prepaid expenses	41,670
Notes receivable	11,002
Restricted cash	772,283
Total Assets	<u>\$ 2,785,918</u>
Liabilities:	
Accounts payable	\$ 257,358
Accrued expenses	318,448
Deposits	6,818
Total Liabilities	<u>582,624</u>
Deferred Inflows of Resources:	
Unearned revenue	<u>286,238</u>
Fund Balances:	
Nonspendable	58,424
Restricted	772,283
Assigned	336,529
Unassigned	749,820
Total fund balances	<u>1,917,056</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 2,785,918</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, 2017**

Total fund balances, governmental funds	\$ 1,917,056
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are therefore not reported in the fund financial statements, but are reported in the governmental activities of the Statement of Net Position.	14,011,672
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.	260,620
Certain deferred inflows and outflows related to net pension expenses as reported in the governmental activities statement, but not in the financial statement.	385,834
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>(5,310,873)</u>
Net position of governmental activities in the Statement of Net Position	<u>\$ 11,264,309</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, 2017

	<u>General Fund</u>
Revenues	
Taxes	\$ 2,336,910
Transfer taxes	694,330
Intergovernmental revenues	832,225
Fines and forfeitures	82,568
Licenses, permits and fees	442,714
Interest and late charges	44,448
Community pool and recreation	48,666
Charges for services	253,077
Miscellaneous	46,746
Total revenues	<u>4,781,684</u>
Expenditures	
Administration	718,784
Code enforcement	315,417
Community pool	40,457
Executive	92,624
Fire department	198,149
Dispatch	503,414
Highways and streets	554,154
Parks department	401,083
Police department	2,835,775
Recreation	188,474
Economic development	182,403
Debt service	315,648
Capital outlay	736,505
Total Expenditures	<u>7,082,887</u>
Deficiency of revenues under expenditures	<u>(2,301,203)</u>
Other Financing Sources	
Operating transfers out	(425,000)
Operating transfers in	2,750,000
Gain on disposal of fixed assets	26,470
	<u>2,351,470</u>
Net changes in fund balance	50,267
Fund Balance, Beginning of Year	<u>1,866,789</u>
Fund Balance, End of Year	<u>\$ 1,917,056</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, 2017

Net changes in fund balances, governmental funds	\$ 50,267
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 \$716,061 was less than depreciation expense \$815,145 in the current period.	(99,084)
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.	(3,274)
In the Statement of Activities, the net OPEB obligation and the net pension liabilities is measured by the amount accrued during the year. In the governmental funds, however, expenditures for the OPEB and pensions are measured by the amount of financial resources used (essentially, the amounts actually paid or expected to be paid within one year).	(195,950)
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.	43,693
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.	296,305
Changes in net position of governmental activities	<u>\$ 91,957</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, 2017

	Electric Fund	Sewer Fund	Water Fund	Golf Fund	Total
Assets:					
Current Assets					
Cash and cash equivalents	\$ 1,834,655	\$ 2,345,477	\$ 1,485,004	\$ 23,407	\$ 5,688,543
Accounts receivable (net of allowance for uncollectibles)	1,674,660	284,648	180,630	-	2,139,938
Inventory	536,756	24,781	97,915	43,807	703,259
Prepaid expenses	10,529	10,137	3,571	556	24,793
Due from other fund	46,392	-	-	-	46,392
Total current assets	<u>4,102,992</u>	<u>2,665,043</u>	<u>1,767,120</u>	<u>67,770</u>	<u>8,602,925</u>
Noncurrent assets					
Capital Assets					
Land, buildings, and improvements	4,312,974	18,739,341	1,474,254	867,894	25,394,463
Machinery and equipment	749,945	935,585	669,946	175,179	2,530,655
Transmission mains and extensions	7,921,408	13,446,317	10,174,924	-	31,542,649
Transportation	859,689	14,095	339,410	-	1,213,194
Construction in progress	424,415	313,981	54,224	-	792,620
Less accumulated depreciation	(10,518,199)	(16,675,748)	(5,540,490)	(109,079)	(32,843,516)
Total noncurrent assets	<u>3,750,232</u>	<u>16,773,571</u>	<u>7,172,268</u>	<u>933,994</u>	<u>28,630,065</u>
Total assets	<u>7,853,224</u>	<u>19,438,614</u>	<u>8,939,388</u>	<u>1,001,764</u>	<u>37,232,990</u>
Deferred Outflows of Resources:					
Deferred financing outflow - retirement	579	212	183	-	974
Liabilities:					
Current Liabilities					
Accounts payable	953,928	12,780	43,313	10,556	1,020,577
Accrued interest	148	21,414	5,404	126	27,092
Accrued expense - other	36,742	9,260	5,762	-	51,764
Current portion of long-term debt	59,989	833,681	58,320	72,463	1,024,453
Deposits	729,686	9,904	42,678	7,512	789,780
Accrued compensated absences	46,375	13,981	13,249	-	73,605
Due to other fund	-	46,392	-	-	46,392
Total current liabilities	<u>1,826,868</u>	<u>947,412</u>	<u>168,726</u>	<u>90,657</u>	<u>3,033,663</u>
Noncurrent liabilities					
Accrued liabilities - OPEB	327,314	160,352	111,818	-	599,484
Net pension liability	1,399,839	512,394	443,722	-	2,355,955
Bonds, notes and capital leases payable	134,592	4,649,639	956,322	-	5,740,553
Total non-current liabilities	<u>1,861,745</u>	<u>5,322,385</u>	<u>1,511,862</u>	<u>-</u>	<u>8,695,992</u>
Total Liabilities	<u>3,688,613</u>	<u>6,269,797</u>	<u>1,680,588</u>	<u>90,657</u>	<u>11,729,655</u>
Deferred Inflow of Resources:					
Deferred financing inflow - retirement	31,543	11,546	9,998	-	53,087
Total deferred inflow of resources	<u>31,543</u>	<u>11,546</u>	<u>9,998</u>	<u>-</u>	<u>53,087</u>
Net Position:					
Net investment in capital assets	3,555,651	11,290,251	6,157,626	861,531	21,865,059
Restricted	-	1,708,982	817,614	-	2,526,596
Unrestricted	577,996	158,250	273,745	49,576	1,059,567
Total Net Position	<u>\$ 4,133,647</u>	<u>\$ 13,157,483</u>	<u>\$ 7,248,985</u>	<u>\$ 911,107</u>	<u>\$ 25,451,222</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, 2017

	<u>Electric Fund</u>	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Golf Fund</u>	<u>Total</u>
Operating Revenues					
Charges for services	\$ 15,300,557	\$ 2,521,865	\$ 1,158,753	\$ -	\$ 18,981,175
Tap fees	-	6,450	7,600	-	14,050
Miscellaneous	132,250	(151,693)	52,393	-	32,950
Total operating revenues	<u>15,432,807</u>	<u>2,376,622</u>	<u>1,218,746</u>	<u>-</u>	<u>19,028,175</u>
Operating Expenses					
Purchased power	9,780,301	-	-	-	9,780,301
Payroll and other costs	1,117,101	494,446	313,927	-	1,925,474
Utilities	35,959	163,275	74,462	-	273,696
Repairs and maintenance	64,494	96,953	175,304	22,674	359,425
Insurance	245,067	212,293	92,804	15,947	566,111
Contracts	-	-	-	151,704	151,704
Other supplies and expenses	487,498	141,441	111,703	64,413	805,055
Depreciation and amortization	278,321	874,770	323,520	27,452	1,504,063
Total operating expenses	<u>12,008,741</u>	<u>1,983,178</u>	<u>1,091,720</u>	<u>282,190</u>	<u>15,365,829</u>
Operating income (loss)	<u>3,424,066</u>	<u>393,444</u>	<u>127,026</u>	<u>(282,190)</u>	<u>3,662,346</u>
Nonoperating Revenues (Expenses)					
Grant income	-	460,988	-	-	460,988
Interest revenue	1,309	2,135	1,351	-	4,795
Interest expense	(5,343)	(142,024)	(33,950)	(3,435)	(184,752)
Loss on disposal of fixed asset	(50,247)	-	(49,685)	-	(99,932)
Transfers in (out)	(2,600,000)	-	(150,000)	425,000	(2,325,000)
Capital contribution	-	13,938	12,666	-	26,604
Net nonoperating revenues (expenses)	<u>(2,654,281)</u>	<u>335,037</u>	<u>(219,618)</u>	<u>421,565</u>	<u>(2,117,297)</u>
Changes in net position	769,785	728,481	(92,592)	139,375	1,545,049
Net Position, Beginning of Year	<u>3,363,862</u>	<u>12,429,002</u>	<u>7,341,577</u>	<u>771,732</u>	<u>23,906,173</u>
Net Position, End of Year	<u>\$ 4,133,647</u>	<u>\$ 13,157,483</u>	<u>\$ 7,248,985</u>	<u>\$ 911,107</u>	<u>\$ 25,451,222</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, 2017

	Enterprise Funds				Total
	Electric Fund	Sewer Fund	Water Fund	Golf Fund	
Cash Flows from Operating Activities					
Receipts from customers	\$ 15,196,696	\$ 2,531,539	\$ 1,114,559	\$ -	\$ 18,842,794
Other receipts	132,250	(151,693)	52,393	-	32,950
Payments to suppliers	(10,559,408)	(598,935)	(403,326)	(249,609)	(11,811,278)
Payments to employees	(1,121,770)	(488,688)	(320,994)	-	(1,931,452)
Net cash from operating activities	<u>3,647,768</u>	<u>1,292,223</u>	<u>442,632</u>	<u>(249,609)</u>	<u>5,133,014</u>
Cash Flows from Noncapital Financing Activities					
Operating transfers in (out)	(2,600,000)	-	(150,000)	425,000	(2,325,000)
Contributions	-	13,938	12,666	-	26,604
Net cash from noncapital financing activities	<u>(2,600,000)</u>	<u>13,938</u>	<u>(137,334)</u>	<u>425,000</u>	<u>(2,298,396)</u>
Cash Flows from Capital and Related Financing Activities					
Payments for capital acquisitions	(570,054)	(1,813,381)	(239,832)	(7,437)	(2,630,703)
Loan proceeds	107,206	1,619,287	-	-	1,726,493
Principal paid on long-term debt	(44,602)	(803,785)	(56,485)	(152,496)	(1,057,368)
Interest paid on long-term debt	(5,343)	(142,024)	(33,950)	(3,435)	(184,752)
Net cash provided from capital and related financing activities	<u>(512,793)</u>	<u>(1,139,903)</u>	<u>(330,267)</u>	<u>(163,368)</u>	<u>(2,146,330)</u>
Cash Flows from Investing Activities					
Interest income	1,309	2,135	1,351	-	4,795
Net increase (decrease) in cash	536,284	168,393	(23,618)	12,023	693,083
Cash and Cash Equivalents, Beginning of Year	<u>1,298,371</u>	<u>2,177,084</u>	<u>1,508,622</u>	<u>11,384</u>	<u>4,995,461</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,834,655</u>	<u>\$ 2,345,477</u>	<u>\$ 1,485,004</u>	<u>\$ 23,407</u>	<u>\$ 5,688,544</u>
Reconciliation of Operating Income (loss) to Net Cash Flows from Operating Activities					
Operating income (loss)	\$ 3,424,066	\$ 393,444	\$ 127,026	\$ (282,190)	\$ 3,662,346
Adjustments to reconcile operating income (loss) to net cash provided by operating activities					
Depreciation and amortization	278,321	874,770	323,520	27,452	1,504,063
Deferred financing outflows - retirement	100,342	36,729	31,807	-	168,878
Deferred financing inflows - retirement	(49,746)	(18,209)	(15,769)	-	(83,724)
(Increase) decrease in assets					
Accounts receivable	(103,861)	3,224	(51,794)	-	(152,431)
Due from sewer fund	(46,392)	-	-	-	-
Prepaid expenses	9,335	2,488	(1,540)	(873)	9,410
Inventory	(76)	(6)	20	(8)	(70)
(Increase) decrease in liabilities					
Accounts payable	77,269	(46,447)	35,414	5,745	71,981
Accrued interest	82	(6,490)	(301)	264	(6,445)
Accrued expenses- other	12,436	1,721	565	-	14,722
Accrued expenses- OPEB	40,999	24,055	11,542	-	76,596
Due from sewer fund	-	46,392	-	-	46,392
Deposits	(36,903)	570	1,316	1	(35,016)
Accrued compensated absences	(2,384)	378	(1,511)	-	(3,517)
Net pension liability	(55,720)	(20,396)	(17,663)	-	(93,779)
Net cash provided (used) by operating activities	<u>\$ 3,647,768</u>	<u>\$ 1,292,223</u>	<u>\$ 442,632</u>	<u>\$ (249,609)</u>	<u>\$ 5,133,014</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, 2017**

ASSETS

Cash and cash equivalents	\$ 445,715
Mutual funds:	
Fixed income	
Taxable	3,226,383
Closed-end	155,059
Total fixed income	<u>3,381,442</u>
Equities	
Closed-end equity	4,597,118
International closed-end	2,234,560
Total equity	<u>6,831,678</u>
Total mutual fund	10,213,120
Interest receivable	179
TOTAL ASSETS	<u>10,659,014</u>
 NET POSITION RESTRICTED FOR PENSIONS	 <u><u>\$ 10,659,014</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, 2017**

ADDITIONS

Contributions:

Employer	\$	505,651
Plan members - required contribution		122,873
Plan members - voluntary contribution		56,542
Other		75,036
Total contributions		<u>760,102</u>

Investment income:

Net increase in fair value of investments		902,853
Interest and dividends		216,082
Total investment income		<u>1,118,935</u>

Total additions 1,879,037

DEDUCTIONS

Benefits		603,448
Administrative		156,905
Total deductions		<u>760,353</u>

Changes in net position 1,118,684

Net Position, Beginning of Year 9,540,330

Net Position, End of Year \$ 10,659,014

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, 2017

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, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation (continued)

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

- Net investment in capital assets
- Restricted
- Unrestricted

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

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

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

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

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

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

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

CITY OF SEAFORD, DELAWARE

Notes to the Financial Statements For the Year Ended June 30, 2017

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, 2017

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 \$336,529, 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, 2017, 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, 2017**

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, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New Pronouncements

As of the year ended June 30, 2017, GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, GASB No. 80, *Blending Requirements for Certain Component Units – and amendment of GASB Statement No. 14*, GASB No. 81, *Irrevocable Split Interest Agreements*, GASB No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*, GASB No. 83, *Certain Asset Retirement Obligations*, GASB No. 84, *Fiduciary Activities*, GASB No. 85, *Omnibus 2017*, GASB No. 86, *Certain Debt Extinguishment Issues*, and GASB No. 87, *Leases*. These statements may have a material effect on the City's financial statements once implemented. The City will be analyzing the effects of these pronouncements and plans to adopt them as applicable by their effective date.

2. CASH - OTHER THAN PENSION PLAN

As of June 30, 2017, the carrying amount of the City's cash deposits was \$7,936,114, and the bank balance was \$7,789,061. Of the bank balance, \$500,000 was covered by federal depository insurance, \$6,611,813 was collateralized by a tri-party collateral agreement with the Bank of New York Mellon, and M&T Bank with \$611,813 in securities but not in the City's name and a \$6,000,000 letter of credit. The total uncollateralized bank balance was \$679,203.

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, 2017, and consisted of the following:

Mutual Funds		
Fixed Income		
Taxable	\$	3,226,383
Closed-end		155,059
Equity		
Close-end equity		4,597,118
International closed-end		2,234,560
Total Market Value	\$	<u>10,213,120</u>

CITY OF SEAFORD, DELAWARE

Notes to the Financial Statements For the Year Ended June 30, 2017

3. CASH AND INVESTMENTS - PENSION PLAN (continued)

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The City has the following recurring fair value measurements as of June 30, 2017:

Investments By Fair Value Level	6/30/2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual Funds				
Fixed Income				
Taxable	\$ 3,226,383	\$ 3,226,383	\$ -	\$ -
Closed-end	155,059	155,059	-	-
Equity				
Close-end equity	4,597,118	4,597,118	-	-
International closed-end	2,234,560	2,234,560	-	-
Total Investments	\$ 10,213,120	\$ 10,213,120	\$ -	\$ -

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

The City discloses investment risks as follows:

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

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

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

CITY OF SEAFORD, DELAWARE

Notes to the Financial Statements For the Year Ended June 30, 2017

4. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2017 was as follows:

<u>Governmental Activities:</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated				
Land	\$ 2,073,881	\$ 123,383	\$ -	\$ 2,197,264
Construction in progress	55,980	230,948	(278,646)	8,282
Total capital assets, not being depreciated	<u>2,129,861</u>	<u>354,331</u>	<u>(278,646)</u>	<u>2,205,545</u>
Capital assets, being depreciated				
Land improvements	3,754,446	-	\$ (95,688)	3,658,758
Infrastructure	9,289,226	396,606	-	9,685,832
Buildings and improvements	9,924,503	11,485	-	9,935,988
Machinery and equipment	3,036,228	108,010	(10,963)	3,133,275
Transportation equipment	1,408,132	124,276	(144,045)	1,388,363
Total capital assets, being depreciated	<u>27,412,535</u>	<u>640,377</u>	<u>(250,696)</u>	<u>27,802,216</u>
Less accumulated depreciation for:				
Land improvements	2,048,958	97,658	-	2,146,616
Infrastructure	7,113,150	165,743	-	7,278,893
Buildings and improvements	3,149,691	313,620	(95,688)	3,367,623
Machinery and equipment	2,086,264	109,374	(10,963)	2,184,675
Transportation equipment	1,030,304	128,750	(140,771)	1,018,283
Total accumulated depreciation	<u>15,428,367</u>	<u>815,145</u>	<u>(247,422)</u>	<u>15,996,090</u>
Capital Assets, net	<u>\$ 14,114,029</u>	<u>\$ 179,563</u>	<u>\$ (281,920)</u>	<u>\$ 14,011,672</u>

CITY OF SEAFORD, DELAWARE

**Notes to the Financial Statements
For the Year Ended June 30, 2017**

4. CAPITAL ASSETS (continued)

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Electric:</u>				
<i>Capital assets, not being depreciated</i>				
Land	\$ 342,659	\$ -	\$ -	\$ 342,659
Construction in progress	107,632	316,783	-	424,415
Total capital assets, not being depreciated	<u>450,291</u>	<u>316,783</u>	<u>-</u>	<u>767,074</u>
<i>Capital assets, being depreciated</i>				
Buildings and improvements	3,970,316	-	-	3,970,316
Machinery and equipment	810,533	62,269	(122,856)	749,946
Distribution system	7,837,833	83,576	-	7,921,409
Transportation equipment	803,263	107,426	(51,000)	859,689
Total capital assets, being depreciated	<u>13,421,945</u>	<u>253,271</u>	<u>(173,856)</u>	<u>13,501,360</u>
Less accumulated depreciation for:				
Buildings and improvements	3,735,385	30,546	-	3,765,931
Machinery and equipment	570,603	22,436	(71,590)	521,449
Distribution system	5,416,258	198,599	-	5,614,857
Transportation equipment	640,225	26,740	(51,000)	615,965
Total accumulated depreciation	<u>10,362,471</u>	<u>278,321</u>	<u>(122,590)</u>	<u>10,518,202</u>
Electric activities, capital assets, net	<u>\$ 3,509,765</u>	<u>\$ 291,733</u>	<u>\$ (51,266)</u>	<u>\$ 3,750,232</u>
	Beginning Balance	Increases	Decreases	Ending Balance
<u>Sewer:</u>				
<i>Capital assets, not being depreciated</i>				
Construction in progress	\$ 294,813	\$ 1,705,162	\$ (1,685,994)	\$ 313,981
Total capital assets, not being depreciated	<u>294,813</u>	<u>1,705,162</u>	<u>(1,685,994)</u>	<u>313,981</u>
<i>Capital assets, being depreciated</i>				
Buildings and improvements	18,722,426	16,916	-	18,739,342
Machinery and equipment	915,968	19,619	-	935,587
Transmissions	11,688,637	1,757,678	-	13,446,315
Transportation equipment	14,095	-	-	14,095
Total capital assets, being depreciated	<u>31,341,126</u>	<u>1,794,213</u>	<u>-</u>	<u>33,135,339</u>
Less accumulated depreciation for:				
Buildings and improvements	9,235,378	392,241	-	9,627,619
Machinery and equipment	661,529	42,635	-	704,164
Transmissions	5,889,977	439,894	-	6,329,871
Transportation equipment	14,095	-	-	14,095
Total accumulated depreciation	<u>15,800,979</u>	<u>874,770</u>	<u>-</u>	<u>16,675,749</u>
Sewer activities, capital assets, net	<u>\$ 15,834,960</u>	<u>\$ 2,624,604</u>	<u>\$ (1,685,994)</u>	<u>\$ 16,773,571</u>

CITY OF SEAFORD, DELAWARE

Notes to the Financial Statements For the Year Ended June 30, 2017

4. CAPITAL ASSETS (continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Water:</u>				
<i>Capital assets, not being depreciated</i>				
Land	\$ 8,750	\$ -	\$ -	\$ 8,750
Construction in progress	42,906	11,318	-	54,224
Total capital assets, not being depreciated	<u>51,656</u>	<u>11,318</u>	<u>-</u>	<u>62,974</u>
<i>Capital assets, being depreciated</i>				
Buildings and improvements	1,465,504	-	-	1,465,504
Machinery and equipment	1,021,316	86,169	(437,539)	669,946
Transmissions	10,032,579	142,345	-	10,174,924
Transportation equipment	339,410	-	-	339,410
Total capital assets, being depreciated	<u>12,858,809</u>	<u>228,514</u>	<u>(437,539)</u>	<u>12,649,784</u>
Less accumulated depreciation for:				
Buildings and improvements	1,058,195	-	-	1,058,195
Machinery and equipment	824,464	323,520	(387,854)	760,130
Transmissions	3,456,741	-	-	3,456,741
Transportation equipment	265,424	-	-	265,424
Total accumulated depreciation	<u>5,604,824</u>	<u>323,520</u>	<u>(387,854)</u>	<u>5,540,490</u>
Water activities, capital assets, net	<u>\$ 7,305,641</u>	<u>\$ (83,688)</u>	<u>\$ (49,685)</u>	<u>\$ 7,172,268</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Golf:</u>				
<i>Capital assets, not being depreciated</i>				
Land	\$ 606,363	\$ -	\$ -	\$ 606,363
Total capital assets, not being depreciated	<u>606,363</u>	<u>-</u>	<u>-</u>	<u>606,363</u>
<i>Capital assets, being depreciated</i>				
Buildings and improvements	254,094	7,437	-	261,531
Machinery and equipment	175,175	-	-	175,175
Total capital assets, being depreciated	<u>429,269</u>	<u>7,437</u>	<u>-</u>	<u>436,706</u>
Less accumulated depreciation for:				
Buildings and improvements	46,040	11,554	-	57,594
Machinery and equipment	35,583	15,898	-	51,481
Total accumulated depreciation	<u>81,623</u>	<u>27,452</u>	<u>-</u>	<u>109,075</u>
Golf activities, capital assets, net	<u>\$ 954,009</u>	<u>\$ (20,015)</u>	<u>\$ -</u>	<u>\$ 933,994</u>
Business-type activities, capital assets, net	<u>\$ 28,650,080</u>	<u>\$ 2,812,635</u>	<u>\$ (1,786,945)</u>	<u>\$ 28,630,065</u>

CITY OF SEAFORD, DELAWARE

**Notes to the Financial Statements
For the Year Ended June 30, 2017**

4. CAPITAL ASSETS (continued)

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

Administration	\$ 75,617
Code enforcement	8,967
Community pool	568
Executive	586
Fire department	127,191
Dispatch	5,440
Highways and streets	241,649
Parks department	129,269
Police department	194,586
Recreation	12,254
Information technology	307
Economic development	18,711
Total	<u><u>\$ 815,145</u></u>

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	\$ 2,600,000
Water to General	150,000
General to Golf	425,000

6. LONG-TERM DEBT

Changes in long-term obligations for the year ended June 30, 2017 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	\$ 991,078	\$ -	\$ (296,305)	\$ 694,773	\$ 304,849
Total Governmental Activities	<u><u>\$ 991,078</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (296,305)</u></u>	<u><u>\$ 694,773</u></u>	<u><u>\$ 304,849</u></u>

CITY OF SEAFORD, DELAWARE

**Notes to the Financial Statements
For the Year Ended June 30, 2017**

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	\$ 4,687,293	\$ 1,158,300	\$ (742,618)	\$ 5,102,975	\$ 770,133
Notes payable	441,512	-	(61,167)	380,345	63,548
	<u>5,128,805</u>	<u>1,158,300</u>	<u>(803,785)</u>	<u>5,483,320</u>	<u>833,681</u>
Water					
General obligation bonds	1,071,119	-	(56,477)	1,014,642	58,320
Golf					
Notes payable	224,430	-	(151,967)	72,463	72,463
Electric					
Notes payable	131,976	107,206	(44,601)	194,581	59,989
Total Business-type Activities	<u>\$ 6,556,330</u>	<u>\$ 1,265,506</u>	<u>\$ (1,056,830)</u>	<u>\$ 6,765,006</u>	<u>\$ 1,024,453</u>
Total Governmental and Business-type Activities	<u>\$ 7,547,408</u>	<u>\$ 1,265,506</u>	<u>\$ (1,353,135)</u>	<u>\$ 7,459,779</u>	<u>\$ 1,329,302</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.	\$ 304,698
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.	204,558
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.	103,597
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.	81,920
	<u>\$ 694,773</u>

CITY OF SEAFORD, DELAWARE

Notes to the Financial Statements For the Year Ended June 30, 2017

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.	\$ -	\$ 1,201,234	\$ -	\$ -	\$ 1,201,234
\$2,729,408 – Series 2009 ARRA/SRF General Obligation notes issued to Water System Improvements Project with 52% forgiven by Delaware Dept. of Health and Social Services. Requires semi-annual payments of principal and interest at 3.24% over a term of 20 years – less 52%, matures May 2031.	-	-	1,014,642	-	1,014,642
\$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.	-	2,174,159	-	-	2,174,159
\$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.	-	569,282	-	-	569,282
\$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.	-	1,158,300	-	-	1,158,300
Total	<u>\$ -</u>	<u>\$ 5,102,975</u>	<u>\$ 1,014,642</u>	<u>\$ -</u>	<u>\$ 6,117,617</u>

CITY OF SEAFORD, DELAWARE

Notes to the Financial Statements For the Year Ended June 30, 2017

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.	\$ -	\$ -	\$ -	\$ 72,462	\$ 72,462
Note payable of \$497,300 to Farmers Home Administration; payable semi-annually through May, 2019; interest at 5%.	-	53,967	-	-	53,967
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.	-	326,378	-	-	326,378
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.	92,376	-	-	-	92,376
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.	102,204	-	-	-	102,204
Total	<u>\$ 194,580</u>	<u>\$ 380,345</u>	<u>\$ -</u>	<u>\$ 72,462</u>	<u>\$ 647,387</u>

Debt Service Requirements

Debt service requirements on long-term debt as of June 30, 2017 were as follows:

<u>Years Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Notes</u>	
	<u>Principal</u>	<u>Interest</u>
2018	\$ 304,849	\$ 6,332
2019	222,784	2,247
2020	76,453	1,015
2021	32,948	323
2022	11,840	323
2023 - 2026	45,899	-
	<u>\$ 694,773</u>	<u>\$ 10,240</u>

CITY OF SEAFORD, DELAWARE

Notes to the Financial Statements For the Year Ended June 30, 2017

6. LONG-TERM DEBT (continued)

Debt Service Requirements (continued)

Years Ending June 30	General Obligation Bonds		Notes	
	Principal	Interest	Principal	Interest
2018	\$ 852,883	\$ 150,854	\$ 195,404	\$ 16,505
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
2023-2027	1,867,344	402,122	130,009	5,978
2028-2032	1,656,242	139,522	-	-
Thereafter	422,196	19,851	-	-
	<u>\$ 6,117,619</u>	<u>\$ 1,206,903</u>	<u>\$ 647,387</u>	<u>\$ 54,708</u>

Golf Course and Country Club

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

Also in June 2010, the City entered into an agreement to sell the improvements known as the Club House to the Nanticoke Senior Center, Inc. at an agreed-upon price of \$624,000. The agreement included a 99 year lease of the land under the Club House with rent prepaid.

The remaining property of the golf course of \$776,000 is included in the proprietary golf fund along with the remaining debt with a current balance due of \$72,463.

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, 2017

7. RETIREMENT AND PENSION PLANS (continued)

The General Plan (continued)

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

The latest available actuarial report for the City of Seaford General Plan as of July 1, 2016 and for the plan year July 1, 2016 to June 30, 2017, is calculated based on employee earnings of \$2,860,613.

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, 2017:

<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, 2017 net of pension plan investment expense was (10.66%). 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, 2017**

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, 2017, the City recognized pension expense of \$438,303. As of June 30, 2017, 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	\$ 2,184	\$ -
Asset experience loss	-	69,330
Assumption change	-	49,699
	<u>\$ 2,184</u>	<u>\$ 119,029</u>

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

Years Ending June 30	Net Deferred Inflows/Outflows of Resources
2018	\$ (59,069)
2019	(59,067)
2020	68,583
2021	(11,387)
2022	(91,552)
2023	16,619
2024	19,028
	<u>\$ (116,845)</u>

CITY OF SEAFORD, DELAWARE

**Notes to the Financial Statements
For the Year Ended June 30, 2017**

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, 2017, were as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Net Pension Liability	\$ 5,492,700	\$ 1,444,845	\$ 1,655,135	\$ 5,282,410

The components of the net pension liability of the City as of June 30, 2017 were as follows:

Total pension liability	<u>\$ 14,225,730</u>
Plan fiduciary net position	10,659,014
Less employee voluntary accounts	<u>1,715,694</u>
Adjusted plan fiduciary net position	8,943,320
Net pension liability	<u><u>\$ 5,282,410</u></u>
Plan fiduciary net position adjusted as a percentage of the total pension liability	<u><u>62.87%</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, 2017 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, 2017**

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, 2017 are summarized in the following table (note that the rates shown below include the inflation component):

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

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

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

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Net Pension Liability	\$ 7,158,751	\$ 5,282,410	\$ 3,714,051

CITY OF SEAFORD, DELAWARE

**Notes to the Financial Statements
For the Year Ended June 30, 2017**

7. RETIREMENT AND PENSION PLANS (continued)

The General Plan (continued)

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

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

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

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, 2017

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, 2017**

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 13.8% and 13.9% of earnings for the fiscal year 2017 and 2016, 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, 2017, the City reported a liability of \$323,502 for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015, and update procedures were used to roll forward the total pension liability to June 30, 2016. The City's proportion of the net pension liability (asset) was based on the percentage of actual employee contributions. As of June 30, 2016, the City's proportion was 2.0352 percent, which was a decrease of .4157 from its proportion measured as of June 30, 2015.

Changes in net pension liability for the year ended June 30, 2017, were as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Net Pension Liability (Asset)	\$ (129,171)	\$ 658,028	\$ 205,355	\$ 323,502

For the year ended June 30, 2017, the City recognized pension expense of \$365,195.

CITY OF SEAFORD, DELAWARE

**Notes to the Financial Statements
For the Year Ended June 30, 2017**

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, 2017, 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	\$ 73,095	\$ 80,629
Differences between expected and actual experience	55,234	55,095
Projected and actual plan investment difference	334,577	85,050
Contributions subsequent to measurement date	208,434	-
	<u>\$ 671,340</u>	<u>\$ 220,774</u>

The City's contribution subsequent to the measurement date of \$208,434, reported as deferred outflows of resources, will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized over five years and recognized in pension expense as follows:

Years Ending June 30	
2017	\$ (39,908)
2018	(39,908)
2019	(122,171)
2020	(85,895)
2021	9,158
Thereafter	36,592
Total	<u>\$ (242,132)</u>

CITY OF SEAFORD, DELAWARE

**Notes to the Financial Statements
For the Year Ended June 30, 2017**

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, 2016 measurement date was determined by an actuarial valuation as of June 30, 2015, and update procedures were used to roll forward the total pension liability to June 30, 2016. 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	7.2%
Projected salary increases	2.5% + Merit
Inflation	2.5%

The assumptions used were based on the results of an actuarial experience study conducted in 2011. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates the larger the impact on future financial statements.

Mortality rates were based on the sex distinct RP – 2000 combined mortality table projected to 2015 using scale AA for males or females, as appropriate, for mortality improvement.

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

CITY OF SEAFORD, DELAWARE

**Notes to the Financial Statements
For the Year Ended June 30, 2017**

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%	34.0%
International equity	5.7%	14.7%
Fixed income	2.0%	25.0%
Alternative investments	7.8%	20.9%
Cash and equivalents	0.0%	5.4%

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

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

<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
\$ 1,286,970	\$ 323,502	\$ (461,695)

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, 2017

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 an separate trust for the OPEB Plan and as such is not required to implement GASB 74. For the year ended June 30, 2017, the recognized direct cost was \$30,156 for 31 retirees for life insurance and 11 retirees for health insurance.

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

The City contracted for an actuarial study that determined the Actuarially Required Contribution (ARC). The last actuarial valuation was as of July 1, 2015 with subsequent roll forwards based on unfunded 3.5% discount rate. Although the City hopes in the future to be able to fully fund the ARC, to date no amount has been budgeted for this expenditure.

Annual OPEB Cost and Net OPEB Obligation

The City's OPEB cost is the ARC (annual required contribution), which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the components of the City's annual OPEB cost for the year, adjustment for prior year, the estimated pay as you go cost, and changes in the City's net OPEB obligation.

Annual required contribution	\$	326,460
Adjustment to ARC		(67,700)
Interest on net OPEB		59,873
Annual OPEB cost		<u>318,633</u>
Pay as you go contribution		63,656
Increase in net OPEB obligation		<u>254,977</u>
Net OPEB obligation, beginning of year		<u>1,710,650</u>
Net OPEB Obligation, End of Year	\$	<u><u>1,965,627</u></u>

CITY OF SEAFORD, DELAWARE

Notes to the Financial Statements For the Year Ended June 30, 2017

8. OTHER POST-EMPLOYMENT BENEFITS (continued)

Schedule of Funding Progress

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 and the two preceding years were as follows:

<u>Fiscal Years Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2015	\$ 302,913	21.90%	\$ 1,473,254
6/30/2016	303,559	21.80%	1,710,650
6/30/2017	318,633	19.98%	1,965,627

Based on an actuarial study performed in September 2016 as of July 1, 2015, the most recent actuarial date, the plan was 0% funded. The actuarial accrued liability (AAL) for benefits was rolled forward to July 1, 2016 to \$4,079,254 and the actuarial value of assets was \$0 resulting in an unfunded actuarial accrued liability (UAAL) of \$4,079,254.

Annual accrued liabilities	\$ 4,079,254
Actuarial value of plan assets	-
Unfunded AAL	<u>\$ 4,079,254</u>
Funded ratio as of actuarial value dates	-
Covered payroll	<u>\$ 4,383,049</u>
UAAL as a percentage of covered payroll	<u>93.07%</u>

Actuarial assumptions of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trends. Amounts determined regarding the funding status of the plan and annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information but included in the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Summary of Actuarial Methods and Assumptions

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

CITY OF SEAFORD, DELAWARE

Notes to the Financial Statements For the Year Ended June 30, 2017

8. OTHER POST-EMPLOYMENT BENEFITS (continued)

Summary of Actuarial Methods and Assumptions (continued)

In the September 2016 actuarial valuation as of July 1, 2015, the Entry Age Normal (EAN) cost method was used. Mortality calculations were done using the RP-2014 Fully Generational Combined Mortality table. Salary scale was 4%. Discount rate was 3.5%. The valuation assumed that 70% of active participants retiring at age 65 are to continue coverage into retirement.

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

On August 10, 2010, the City entered into a new power sales contract with DEMEC for the development, engineering, design, and installation of a second generator at DEMEC's existing power generation station in Smyrna, Delaware (Beasley #2 which was fully operational on June 1, 2012), for the generation of up to 67mw of capacity. As in the previous power sales agreement, the City is entitled to purchase 8.4% of all power generated and agrees to pay its share of the annual operating cost of the project including debt financing on a monthly basis. In its issued financial statements for the year ended December 31, 2016, DEMEC's total bonded debt was \$54,488,196.

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.

CITY OF SEAFORD, DELAWARE

Notes to the Financial Statements For the Year Ended June 30, 2017

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

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

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

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

10. RISK MANAGEMENT

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

The City participates in a "minimum premium plan" for its employee healthcare insurance. Under this plan, the City, who uses a third party administrator to process and pay claims, is responsible for paying all claims up to agreed-upon aggregate level with an insurance program responsible for the excess. The City has obtained a stop loss insurance policy of \$70,000 per participant to limit its healthcare costs. The City has been provided by the third party administrator an estimated accrual for claims incurred, but not reported in the amount of \$87,708, as of June 30, 2017.

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, 2017, the City is not aware of any repayment requests.

CITY OF SEAFORD, DELAWARE

Notes to the Financial Statements For the Year Ended June 30, 2017

11. COMMITMENTS AND CONTINGENT LIABILITIES (continued)

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, 2017, the agreement is an operating lease in which both parties will share revenue and expenses on an agreed-upon basis. For the second and third years, if both parties agree to a changeover to a management fee arrangement, the City will compensate the Adkins Management Company an annual fee of \$711,976.

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

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SEAFORD, DELAWARE

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Taxes	\$ 2,393,022	\$ 2,393,022	\$ 2,336,910	\$ (56,112)
Transfer taxes	230,000	230,000	694,330	464,330
Intergovernmental revenues	453,371	453,371	832,225	378,854
Fines and forfeitures	130,000	130,000	82,568	(47,432)
Licenses, permits and fees	348,166	348,166	442,714	94,548
Interest and late charges	41,863	41,863	44,448	2,585
Community pool and recreation	26,200	26,200	48,666	22,466
Charges for services	245,000	245,000	253,077	8,077
Miscellaneous	21,500	21,500	46,746	25,246
Total revenues	<u>3,889,122</u>	<u>3,889,122</u>	<u>4,781,684</u>	<u>892,562</u>
Expenditures				
Administration	808,970	808,970	718,784	(90,186)
Code enforcement	362,997	362,997	315,417	(47,580)
Community pool	31,784	31,784	40,457	8,673
Executive	96,214	96,214	92,624	(3,590)
Fire department	269,126	269,126	198,149	(70,977)
Dispatch	604,180	604,180	503,414	(100,766)
Highways and streets	473,867	473,867	554,154	80,287
Parks department	479,993	479,993	401,083	(78,910)
Police department	3,136,945	3,136,945	2,835,775	(301,170)
Recreation	213,567	213,567	188,474	(25,093)
Economic development	193,262	193,262	182,403	(10,859)
Debt Service	329,557	329,557	315,648	(13,909)
Capital Outlay	470,327	470,327	736,505	266,178
Total Expenditures	<u>7,470,789</u>	<u>7,470,789</u>	<u>7,082,887</u>	<u>(387,902)</u>
Deficiency of revenues under expenditures	<u>(3,581,667)</u>	<u>(3,581,667)</u>	<u>(2,301,203)</u>	<u>1,280,464</u>
Other Financing Sources				
Operating transfers, net	4,001,510	4,001,510	2,325,000	(1,676,510)
Gain on disposal of fixed assets	-	-	26,470	-
Total other financing sources	<u>4,001,510</u>	<u>4,001,510</u>	<u>2,351,470</u>	<u>(1,676,510)</u>
Net change in fund balance	<u>\$ 419,843</u>	<u>\$ 419,843</u>	<u>\$ 50,267</u>	<u>\$ (369,576)</u>

CITY OF SEAFORD, DELAWARE

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

For the Year Ended June 30, 2017

Actual Valuation Date	Actuarial Value of Assets	Actual Accrued Liability	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/2008	\$ -	\$ 2,981,653	\$ 2,891,653	0%	\$ 3,509,836	82.4%
7/1/2009	-	3,080,312	3,080,312	0%	3,754,694	82.0%
7/1/2010	-	2,831,838	2,831,838	0%	4,098,023	69.1%
7/1/2011	-	3,024,658	3,024,658	0%	4,215,534	71.8%
7/1/2012	-	3,130,601	3,130,601	0%	4,347,594	72.0%
7/1/2013	-	3,130,601	3,130,601	0%	4,215,534	74.3%
7/1/2014	-	3,565,108	3,565,108	0%	4,345,743	82.0%
7/1/2015	-	3,852,746	3,852,746	0%	4,440,890	86.8%
7/1/2017	-	4,079,254	4,079,254	0%	4,383,049	93.1%

CITY OF SEAFORD, DELAWARE

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability				
Service Cost	\$ 147,185	\$ 173,495	\$ 200,070	\$ 214,075
Interest	940,901	910,611	867,976	854,346
Differences between expected and actual experience	259,854	(16,862)	-	-
Changes of assumptions	(126,664)	-	-	-
Benefit payments	(579,617)	(636,820)	(865,589)	(633,632)
Net change in total pension liability	<u>641,659</u>	<u>430,424</u>	<u>202,457</u>	<u>434,789</u>
Total pension liability-beginning	<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>\$ 14,225,730</u>	<u>\$ 13,584,071</u>	<u>\$ 13,153,647</u>	<u>\$ 12,951,190</u>
Plan fiduciary net pension				
Contributions-city	\$ 505,651	\$ 573,638	\$ 656,520	\$ 661,932
Contributions-member	122,873	70,822	26,332	28,000
Net investment income	854,607	204,078	157,277	1,049,347
Other	-	-	276,742	-
Benefit payments, including refunds of employee contributions	(579,617)	(636,820)	(865,589)	(568,414)
Administrative expense	(96,905)	(106,541)	(117,450)	(97,803)
Net change in plan fiduciary net position	<u>806,609</u>	<u>105,177</u>	<u>133,832</u>	<u>1,073,062</u>
Plan fiduciary net position-beginning	<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>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>\$ 5,282,410</u>	<u>\$ 5,447,360</u>	<u>\$ 5,122,113</u>	<u>\$ 5,053,488</u>
Plan fiduciary net position as a percentage of the total pension liability	62.87%	59.90%	60.04%	60.98%
Covered-employee payroll	\$ 2,860,613	\$ 2,833,872	\$ 2,727,062	\$ 2,650,963
Net pension liability as a percentage of covered-employee payroll	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 DEFINED BENEFIT PENSION PLAN
For the Years Ended June 30**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Actuarially determined contribution	\$ 506,038	\$ 614,147	\$ 656,520	\$ 656,822	\$ 672,310	\$ 659,989	\$ 621,877	\$ 575,109	\$ 210,015	\$ 188,057
Contributions in relation to the actuarially determined contribution	<u>505,651</u>	<u>625,036</u>	<u>656,520</u>	<u>661,932</u>	<u>672,310</u>	<u>626,989</u>	<u>621,877</u>	<u>575,109</u>	<u>210,015</u>	<u>188,057</u>
Contribution deficiency (excess)	\$ 387	\$ (10,889)	\$ -	\$ (5,110)	\$ -	\$ 33,000	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 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	\$ 2,334,914
Contributions as a percentage of covered- employee payroll	17.68%	22.06%	24.07%	24.97%	24.99%	22.73%	23.09%	21.58%	8.43%	8.05%

Notes to Schedule

Methods and assumptions used to determine contribution rates:

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

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

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

CITY OF SEAFORD, DELAWARE

**SCHEDULE OF INVESTMENT RETURNS - SINGLE EMPLOYER DEFINED BENEFIT
PENSION PLAN
For the Years Ended June 30**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expense	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>2017</u>	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability	2.0352%	2.4509%	2.3715%
City's proportionate share of the net pension liability (asset)	\$ 323,502	\$ (129,171)	\$ (256,525)
City's covered employee payroll	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	11.31%	-8.04%	-16.56%
Plan fiduciary net position as a percentage of the total pension liability	94.70%	101.97%	151.20%

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

CITY OF SEAFORD, DELAWARE

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 208,434	\$ 222,572	\$ 229,526
Contribution in relation to the contractually required contribution	<u>208,434</u>	<u>222,572</u>	<u>229,526</u>
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered employee payroll	\$ 2,860,613	\$ 1,607,018	\$ 1,549,414
Contribution as a percentage of covered employee payroll	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, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
Revenues		
Taxes	\$ 2,336,910	\$ 2,346,786
Transfer taxes	694,330	236,878
Intergovernmental revenues	832,225	438,888
Fines and forfeitures	82,568	82,284
Licenses, permits and fees	442,714	555,941
Interest and late charges	44,448	40,404
Community pool and recreation	48,666	42,319
Charges for services	253,077	249,529
Miscellaneous	46,746	93,158
Total revenues	<u>4,781,684</u>	<u>4,086,187</u>
Expenditures		
Administration	718,784	782,165
Code enforcement	315,417	381,913
Community pool	40,457	30,280
Executive	92,624	148,088
Fire department	198,149	199,388
Dispatch	503,414	596,038
Highways and streets	554,154	481,958
Parks department	401,083	478,485
Police department	2,835,775	3,102,398
Recreation	188,474	196,403
Economic development	182,403	101,056
Debt Service	315,648	295,226
Capital Outlay	736,505	712,933
Total Expenditures	<u>7,082,887</u>	<u>7,506,331</u>
Deficiency of revenues under expenditures	<u>(2,301,203)</u>	<u>(3,420,144)</u>
Other Financing Sources		
Proceeds from loan borrowing	-	102,825
Operating transfers, net	2,325,000	3,215,000
Gain on disposal of fixed assets	26,470	-
Total other financing sources	<u>2,351,470</u>	<u>3,317,825</u>
Net change in fund balance	<u>\$ 50,267</u>	<u>\$ (102,319)</u>

CITY OF SEAFORD, DELAWARE**SCHEDULES OF REVENUES AND EXPENSES - ELECTRIC FUND****For the Years Ended June 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
Operating Revenues		
Charges for services	\$ 15,300,557	\$ 15,243,775
Miscellaneous	132,250	152,512
Total operating revenues	<u>15,432,807</u>	<u>15,396,287</u>
Operating Expenses		
Purchased power	9,780,301	10,013,860
Payroll and other costs	1,117,101	1,256,509
Utilities	35,959	33,574
Repairs and maintenance	64,494	68,306
Insurance	245,067	331,799
Other supplies and expenses	487,498	394,017
Depreciation and amortization	278,321	354,576
Total operating expenses	<u>12,008,741</u>	<u>12,452,641</u>
Operating income (loss)	3,424,066	2,943,646
Nonoperating Revenues (Expenses)		
Interest revenue	1,309	1,038
Interest expense	(5,343)	(4,508)
Loss on disposal of fixed asset	(50,247)	-
Transfers in (out)	(2,600,000)	(3,150,000)
Net nonoperating revenues (expenses)	<u>(2,654,281)</u>	<u>(3,153,470)</u>
Change in net position	<u>\$ 769,785</u>	<u>\$ (209,824)</u>

CITY OF SEAFORD, DELAWARE

SCHEDULES OF REVENUES AND EXPENSES - SEWER FUND

For the Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Operating Revenues		
Charges for services	\$ 2,521,865	\$ 2,528,876
Tap fees	6,450	11,850
Miscellaneous	(151,693)	3,160
Total operating revenues	<u>2,376,622</u>	<u>2,543,886</u>
Operating Expenses		
Payroll and other costs	494,446	544,499
Utilities	163,275	208,247
Repairs and maintenance	96,953	67,644
Insurance	212,293	254,005
Other supplies and expenses	141,441	178,264
Depreciation and amortization	874,770	897,413
Total operating expenses	<u>1,983,178</u>	<u>2,150,072</u>
Operating income (loss)	393,444	393,814
Nonoperating Revenues (Expenses)		
Grant revenue	460,988	18,154
Interest revenue	2,135	2,089
Interest expense	(142,024)	(177,331)
Loss on disposal of fixed asset	-	(83)
Transfers in (out)	-	(400,000)
Capital contribution	13,938	97,796
Net nonoperating revenues (expenses)	<u>335,037</u>	<u>(459,375)</u>
Change in net position	<u>\$ 728,481</u>	<u>\$ (65,561)</u>

CITY OF SEAFORD, DELAWARE

**SCHEDULES OF REVENUES AND EXPENSES - WATER FUND
For the Years Ended June 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
Operating Revenues		
Charges for services	\$ 1,158,753	\$ 1,122,275
Tap fees	7,600	10,155
Miscellaneous	2,708	3,830
Total operating revenues	<u>1,169,061</u>	<u>1,136,260</u>
Operating Expenses		
Payroll and other costs	313,927	368,868
Utilities	74,462	74,729
Repairs and maintenance	175,304	95,218
Insurance	92,804	115,237
Other supplies and expenses	111,703	106,378
Depreciation and amortization	323,520	363,611
Total operating expenses	<u>1,091,720</u>	<u>1,124,041</u>
Operating income (loss)	77,341	12,219
Nonoperating Revenues (Expenses)		
Interest revenue	1,351	1,248
Interest expense	(33,950)	(36,037)
Transfers in (out)	(150,000)	(175,000)
Capital contribution	12,666	37,818
Net nonoperating revenues (expenses)	<u>(169,933)</u>	<u>(171,971)</u>
Change in net position	<u>\$ (92,592)</u>	<u>\$ (159,752)</u>

CITY OF SEAFORD, DELAWARE

SCHEDULES OF REVENUES AND EXPENSES - GOLF FUND

For the Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Operating Revenues		
Charges for services	\$ -	\$ -
Sales	-	-
Miscellaneous	-	-
Total operating revenues	<u>-</u>	<u>-</u>
Operating Expenses		
Repairs and maintenance	22,674	22,673
Insurance	15,947	15,913
Contracts	151,704	139,062
Other supplies and expenses	64,413	67,683
Depreciation and amortization	27,452	15,988
Total operating expenses	<u>282,190</u>	<u>261,319</u>
Operating income (loss)	(282,190)	(261,319)
Nonoperating Revenues (Expenses)		
Interest expense	(3,435)	(6,758)
Transfers in (out)	425,000	510,000
Net nonoperating revenues (expenses)	<u>421,565</u>	<u>503,242</u>
Change in net position	<u>\$ 139,375</u>	<u>\$ 241,923</u>

CITY OF SEAFORD, DELAWARE

SCHEDULES OF DEBT SERVICE - ENTERPRISE FUNDS

As of June 30, 2017

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</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	-	-	-	259,455
\$2,579,004 SRF Loan Series 2011	123,376	125,855	128,385	-	-	-	377,616
\$2,729,408 SRF Series Bonds	60,225	62,192	64,224	-	-	-	186,641
Total principal payments	<u>266,710</u>	<u>274,488</u>	<u>282,514</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>823,712</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	-	-	-	120,940
\$2,579,004 SRF Loan Series 2011	40,450	37,971	35,440	-	-	-	113,861
\$2,729,408 SRF Series Bonds	30,501	28,534	26,503	-	-	-	85,538
Total interest payments due	<u>114,640</u>	<u>106,863</u>	<u>98,836</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>320,339</u>
Total debt service requirements— general obligation bonds	<u>381,350</u>	<u>381,351</u>	<u>381,350</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,144,051</u>
NOTES PAYABLE							
<u>Principal Payments Due</u>							
Farmers Home Administration	27,461	-	-	-	-	-	27,461
M&T Bank - Golf Course	-	-	-	-	-	-	-
Fulton Bank - Sewer Extension	38,315	39,476	40,566	-	-	-	118,357
Bank of Delmarva - Truck	42,793	6,459	-	-	-	-	49,252
Bank of Delmarva - Electric Line Truck	20,388	20,975	21,755	22,199	17,067	-	102,384
Total principal payments	<u>128,957</u>	<u>66,910</u>	<u>62,321</u>	<u>22,199.0</u>	<u>17,067.0</u>	<u>-</u>	<u>195,070</u>
<u>Interest Payments Due</u>							
Farmers Home Administration	1,029	-	-	-	-	-	1,029
M&T Bank - Golf Course	-	-	-	-	-	-	-
Fulton Bank - Sewer Extension	8,113	6,952	5,862	-	-	-	20,927
Bank of Delmarva - Truck	674	17	-	-	-	-	691
Bank of Delmarva - Electric Line Truck	2,638	2,052	1,452	827	203	-	7,172
Total interest payments due	<u>12,454</u>	<u>9,021</u>	<u>7,314</u>	<u>827</u>	<u>203</u>	<u>-</u>	<u>29,819</u>
Total debt service requirements— notes payable	<u>141,411</u>	<u>75,931</u>	<u>69,635</u>	<u>23,026</u>	<u>17,270</u>	<u>-</u>	<u>224,889</u>
Total debt service requirements	<u>\$ 522,761</u>	<u>\$ 457,282</u>	<u>\$ 450,985</u>	<u>\$ 23,026</u>	<u>\$ 17,270</u>	<u>\$ -</u>	<u>\$ 1,368,940</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, 2017, 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 4, 2017.

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.



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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 4, 2017
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

As of June 30, 2017

Information selected from audited financial statements

	2017		2016
	Budget	Actual	Total
Revenues			
Taxes	\$ 2,393,022	\$ 2,336,910	\$ 2,346,786
Transfer taxes	230,000	694,330	236,878
Intergovernmental revenues	453,371	832,225	438,888
Fines and forfeitures	130,000	82,568	82,284
Licenses, permits and fees	348,166	442,714	555,941
Interest and late charges	41,863	44,448	40,404
Community pool and recreation	26,200	48,666	42,319
Charges for services	245,000	253,077	249,529
Miscellaneous	21,500	46,746	93,158
Total Revenues	<u>3,889,122</u>	<u>4,781,684</u>	<u>4,086,187</u>
Expenditures			
Administration	808,970	718,784	782,165
Code enforcement	362,997	315,417	381,913
Community pool	31,784	40,457	30,280
Executive	96,214	92,624	148,088
Fire department	269,126	198,149	199,388
Dispatch	604,180	503,414	596,038
Highways and streets	473,867	554,154	481,958
Parks department	479,993	401,083	478,485
Police department	3,136,945	2,835,775	3,102,398
Recreation	213,567	188,474	196,403
Economic development	193,262	182,403	101,056
Debt service	329,557	315,648	295,226
Capital outlay	470,327	736,505	712,933
Total Expenditures	<u>7,470,789</u>	<u>7,082,887</u>	<u>7,506,331</u>
Deficiency of revenues under expenditures		<u>(2,301,203)</u>	<u>(3,420,144)</u>
Other Financing Sources			
Operating transfers (net)		2,325,000	3,215,000
Proceeds from loan borrowing		-	102,825
Gain on disposal of fixed assets		26,470	-
Total other financing sources		<u>2,351,470</u>	<u>3,317,825</u>
Net change in fund balance		50,267	(102,319)
Fund Balance, Beginning of Year		<u>1,866,789</u>	<u>1,969,108</u>
Fund Balance, End of Year		<u>\$ 1,917,056</u>	<u>\$ 1,866,789</u>

CITY OF SEAFORD, DELAWARE

FINANCIAL HIGHLIGHTS – GENERAL FUND

For the Years Ended June 30, 2017 and 2016

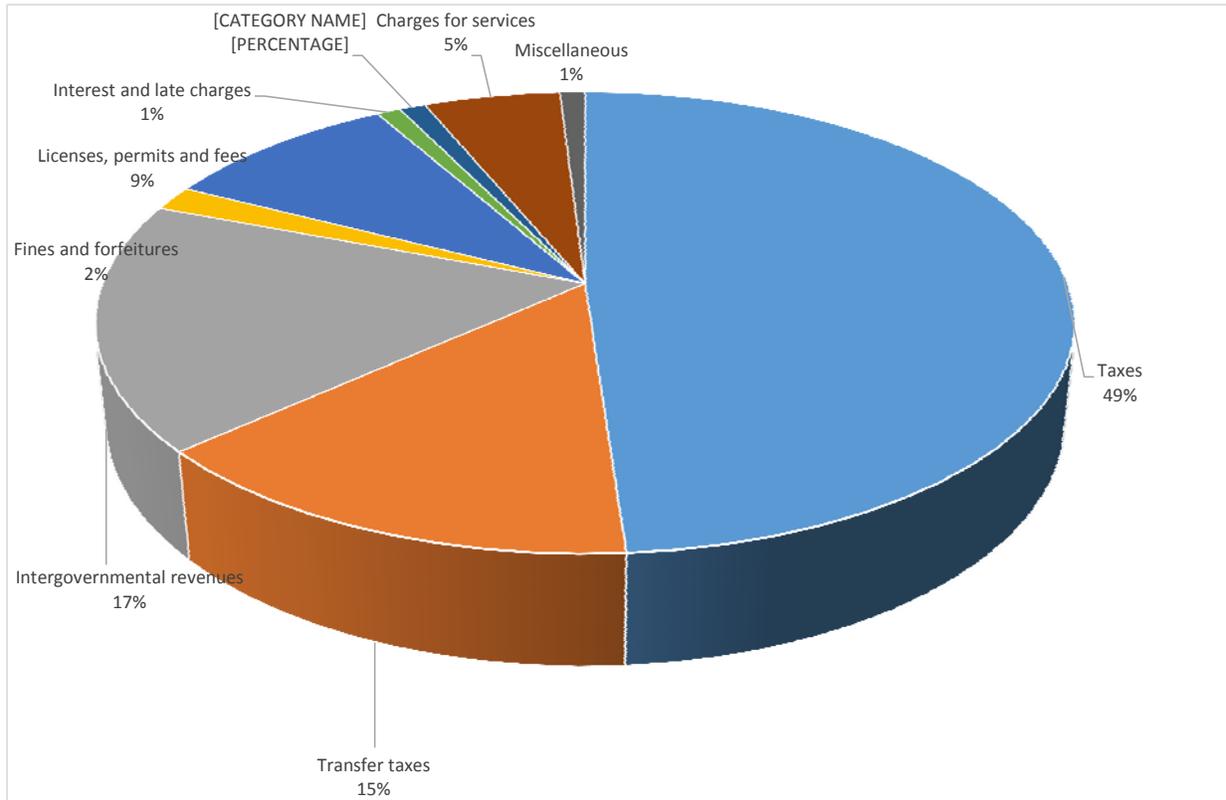
	<u>2017</u>	<u>2016</u>
Operating Revenues		
Charges for services	\$ 18,981,175	\$ 18,894,926
Tap fees	14,050	22,005
Miscellaneous	32,950	159,502
Total operating revenues	<u>19,028,175</u>	<u>19,076,433</u>
Operating Expenses		
Purchased power	9,780,301	10,013,860
Payroll and other costs	1,925,474	2,169,876
Utilities	273,696	316,550
Repairs and maintenance	359,425	253,841
Insurance	566,111	716,954
Contracts	151,704	139,062
Other supplies and expenses	805,055	746,342
Depreciation and amortization	1,504,063	1,631,588
Total operating expenses	<u>15,365,829</u>	<u>15,988,073</u>
Operating income	3,662,346	3,088,360
Nonoperating Revenues (Expenses)		
Grant income	460,988	18,154
Interest revenue	4,795	4,375
Interest expense	(184,752)	(224,634)
Loss on disposal of fixed asset	(99,932)	(83)
Transfers in (out)	(2,325,000)	(3,215,000)
Capital contribution	26,604	135,614
Net nonoperating revenues (expenses)	<u>(2,117,297)</u>	<u>(3,281,574)</u>
Change in net position	1,545,049	(193,214)
Net Position, Beginning of Year	23,906,173	24,099,387
Net Position, End of Year	<u>\$ 25,451,222</u>	<u>\$ 23,906,173</u>

CITY OF SEAFORD, DELAWARE

FINANCIAL HIGHLIGHTS – GENERAL FUND

For the Years Ended June 30, 2017 and 2016

City of Seaford, Delaware Sources of Revenue - General Fund For the Year Ended June 30, 2017



	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%

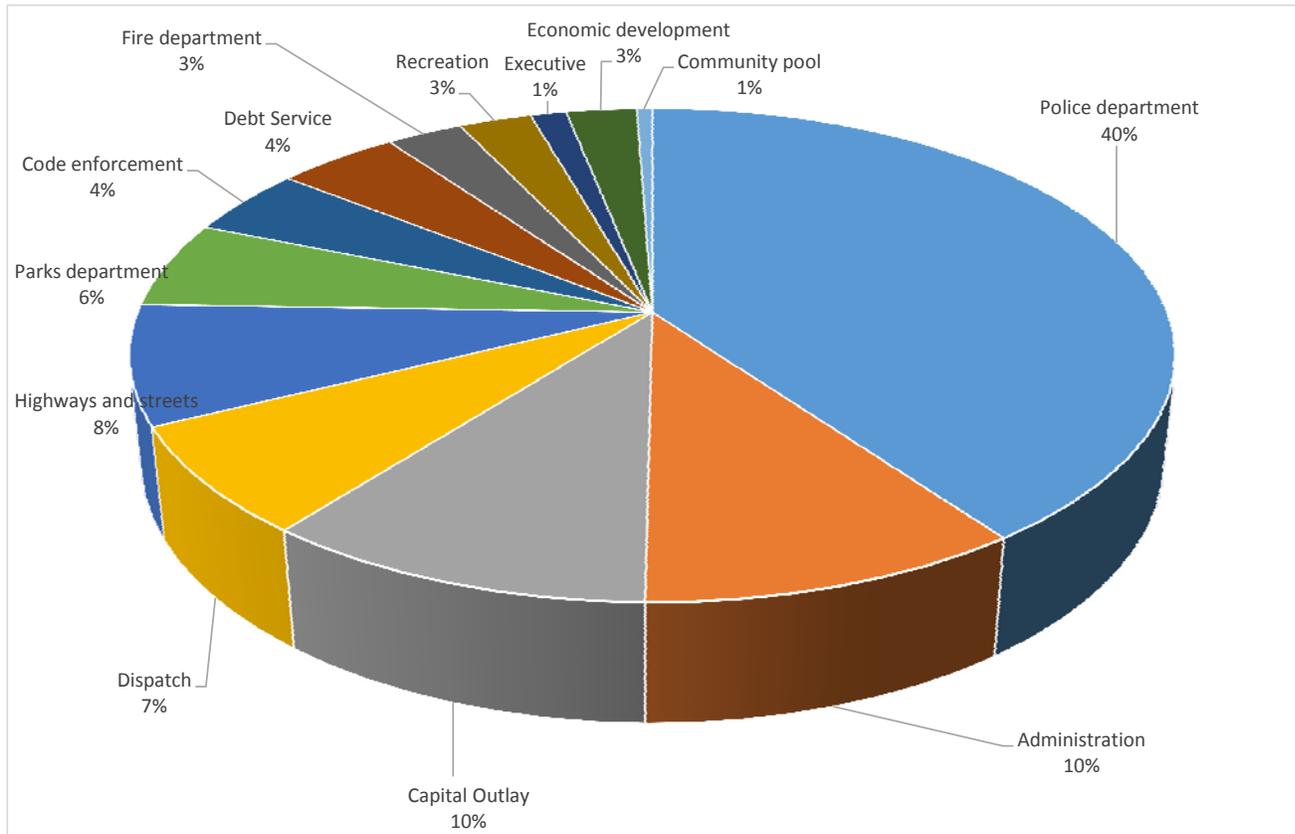
	2016	
	\$	%
Taxes	2,346,786	57.43%
Transfer taxes	236,878	5.80%
Intergovernmental revenues	438,888	10.74%
Fines and forfeitures	82,284	2.01%
Licenses, permits and fees	555,941	13.61%
Interest and late charges	40,404	0.99%
Community pool and recreation	42,319	1.04%
Charges for services	249,529	6.11%
Miscellaneous	93,158	2.28%
	4,086,187	100.00%

CITY OF SEAFORD, DELAWARE

FINANCIAL HIGHLIGHTS – GENERAL FUND

For the Years Ended June 30, 2017 and 2016

City of Seaford, Delaware Functional Expenses - General Fund For the Year Ended June 30, 2017



	2017	
	\$	%
Police department	2,835,775	40.04%
Administration	718,784	10.15%
Capital Outlay	736,505	10.40%
Dispatch	503,414	7.11%
Highways and streets	554,154	7.82%
Parks department	401,083	5.66%
Code enforcement	315,417	4.45%
Debt Service	315,648	4.46%
Fire department	198,149	2.80%
Recreation	188,474	2.66%
Executive	92,624	1.31%
Economic development	182,403	2.58%
Community pool	40,457	0.57%
	7,082,887	100.00%

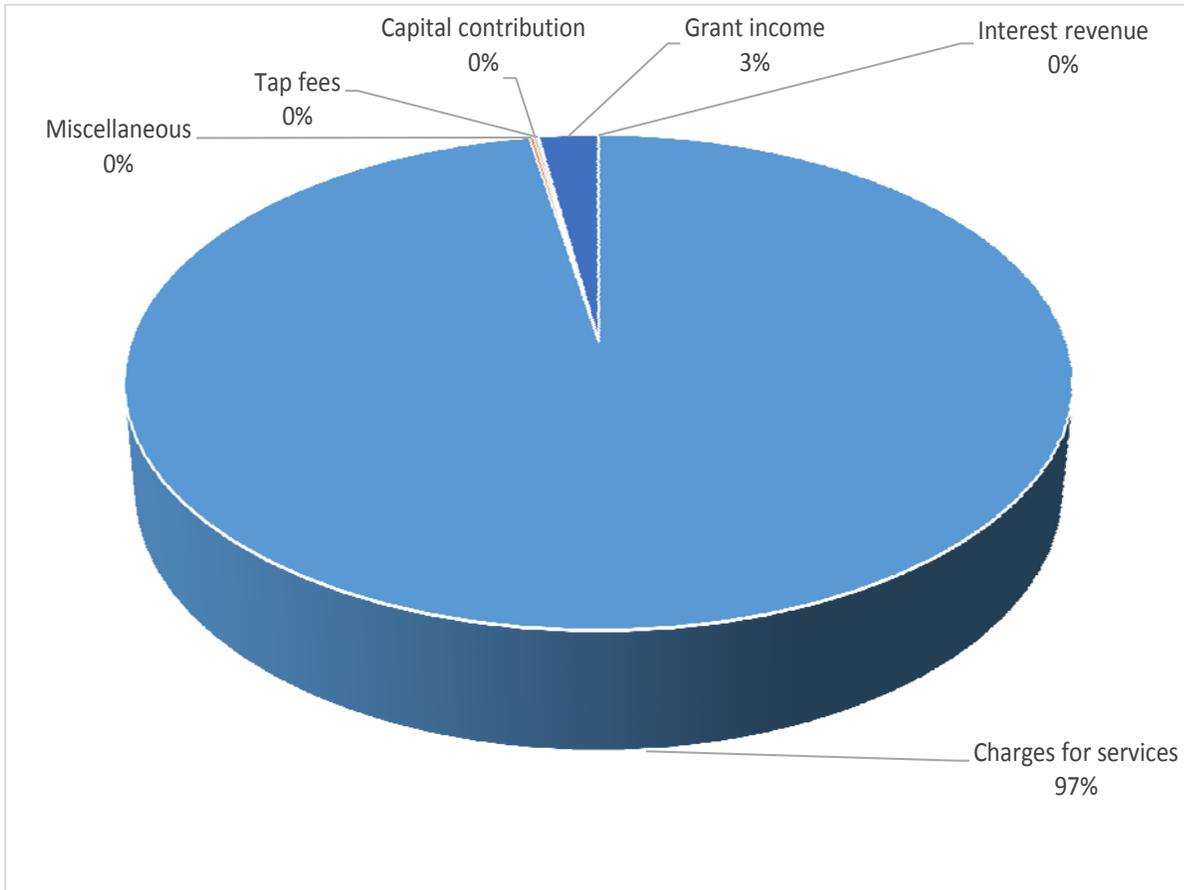
	2016	
	\$	%
Police department	3,102,398	41.33%
Administration	782,165	10.42%
Capital Outlay	712,933	9.50%
Dispatch	596,038	7.94%
Highways and streets	481,958	6.42%
Parks department	478,485	6.37%
Code enforcement	381,913	5.09%
Debt Service	295,226	3.93%
Fire department	199,388	2.66%
Recreation	196,403	2.62%
Executive	148,088	1.97%
Economic development	101,056	1.35%
Community pool	30,280	0.40%
	7,506,331	100.00%

CITY OF SEAFORD, DELAWARE

FINANCIAL HIGHLIGHTS – PROPRIETARY FUND

As of June 30, 2017 and 2016

**City of Seaford, Delaware
Sources of Revenue - Proprietary Fund
For the Year Ended June 30, 2017**



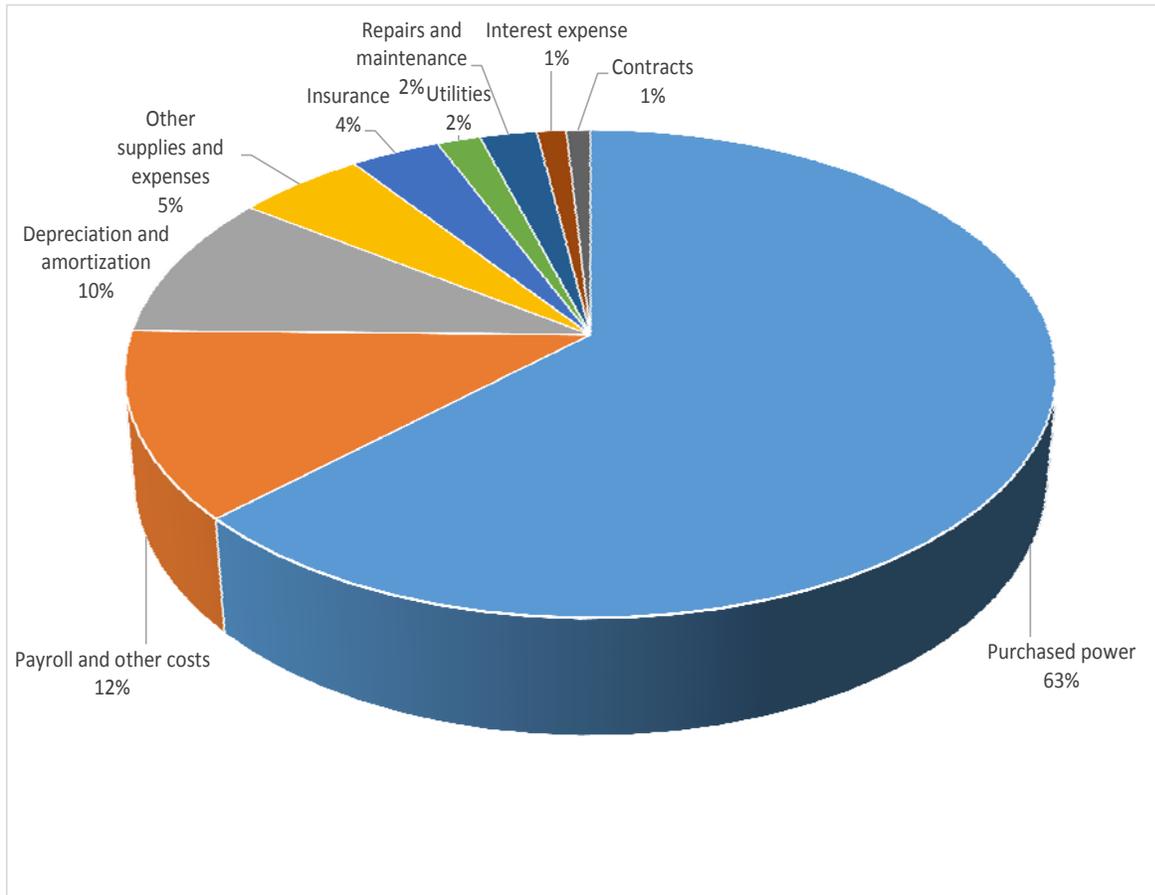
	2017		2016	
	\$	%	\$	%
Charges for services	18,981,175	97.24%	18,894,926	98.23%
Miscellaneous	32,950	0.17%	159,502	0.83%
Capital contribution	26,604	0.14%	135,614	0.71%
Tap fees	14,050	0.07%	22,005	0.11%
Grant income	460,988	2.36%	18,154	0.09%
Interest revenue	4,795	0.02%	4,375	0.02%
	19,520,562	100.00%	19,234,576	100.00%

CITY OF SEAFORD, DELAWARE

FINANCIAL HIGHLIGHTS – PROPRIETARY FUND

For the Years Ended June 30, 2017 and 2016

**City of Seaford, Delaware
Functional Expenses - Proprietary Fund
For the Year Ended June 30, 2017**



	2017		2016	
	\$	%	\$	%
Purchased power	9,780,301	62.89%	10,013,860	61.77%
Payroll and other costs	1,925,474	12.38%	2,169,576	13.38%
Depreciation and amortization	1,504,063	9.67%	1,631,588	10.06%
Other supplies and expenses	805,055	5.18%	746,342	4.60%
Insurance	566,111	3.64%	716,954	4.42%
Utilities	273,696	1.76%	316,550	1.95%
Repairs and maintenance	359,425	2.31%	253,841	1.57%
Interest expense	184,752	1.19%	224,634	1.39%
Contracts	151,704	0.98%	139,062	0.86%
	15,550,581	100.00%	16,212,407	100.00%