

CITY OF SEAFORD, DELAWARE

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

For the Year Ended June 30, 2020



JUNE 30, 2020

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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, 2020, 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, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The schedules of revenue and expenditures, schedules of debt service, and financial highlights are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information and financial highlights are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of revenue and expenditures, schedules of debt service and financial highlights are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2020 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.

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, 2020. 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 \$735,000, or 2.0 % from fiscal year 2019 to 2020.

The net position of the City’s governmental activities increased by approximately \$907,000, or 3.5 %, for fiscal year 2020. Most of the net position is restricted as to the purposes for which they can be used, or are invested in capital assets (buildings, roads, equipment, and so on).

The net position of the City’s business-type activities decreased approximately \$172,000, 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
	2020	2019	2020	2019	2020	2019	
Current and other assets	\$ 5,885	\$ 3,521	\$ 10,938	\$ 10,004	\$ 16,823	\$ 13,525	24%
Capital assets	13,524	13,442	26,014	26,581	39,538	40,023	-1%
Total assets	19,409	16,963	36,952	36,585	56,361	53,548	5%
Deferred outflows	1,271	926	398	69	1,669	994	68%
Long-term debt	979	170	5,376	5,473	6,355	5,643	13%
Other liabilities	7,595	6,492	6,056	5,139	13,650	11,630	17%
Total liabilities	8,574	6,662	11,431	10,612	20,004	17,273	16%
Deferred inflows	648	676	337	288	985	964	2%
Net position							
Net investment in capital assets	12,545	13,273	20,638	21,107	33,183	34,380	-3%
Restricted	2,205	933	6,254	2,749	8,459	3,682	130%
Unrestricted	(3,293)	(3,656)	(1,310)	1,898	(4,603)	(1,758)	162%
Total net position	\$ 11,458	\$ 10,551	\$ 25,582	\$ 25,754	\$ 37,040	\$ 36,305	2%

Changes in Net Position

The City's total revenues were approximately \$23,621,000. Approximately 78% of the City's revenues come from fees charged for services. Another 2% comes from capital grants and 10% from property taxes. The remaining revenues were from state grants and miscellaneous fees and taxes.

The total cost of all programs and services was approximately \$22,886,000. The City's expenses cover a range of services with about 65% 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, 2019 and 2020.

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

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues						
Program services						
Charges for services	\$ 1,066	\$ 1,051	\$ 17,461	\$ 18,641	\$ 18,527	\$ 19,692
Operating grants	683	479	-	-	683	479
Capital grants	230	258	167	96	397	354
General revenues						
Property taxes	2,408	2,385	-	-	2,408	2,385
Other taxes	779	342	-	-	779	342
Grants	-	18	-	-	-	18
Other	347	125	480	574	827	699
Total revenues	<u>5,513</u>	<u>4,658</u>	<u>18,108</u>	<u>19,311</u>	<u>23,621</u>	<u>23,970</u>
Expenses						
Administration	989	1,020	-	-	989	1,020
Code enforcement	342	336	-	-	342	336
Community pool	28	35	-	-	28	35
Executive	116	101	-	-	116	101
Fire department	326	322	-	-	326	322
Dispatch	450	728	-	-	450	728
Highways and streets	852	922	-	-	852	922
Parks department	638	584	-	-	638	584
Police department	3,733	3,663	-	-	3,733	3,663
Recreation	203	205	-	-	203	205
Economic development	305	310	-	-	305	310
Interest on long-term debt	46	27	-	-	46	27
Electric	-	-	10,940	12,160	10,940	12,160
Sewer	-	-	2,363	2,402	2,363	2,402
Water	-	-	1,256	1,081	1,256	1,081
Golf	-	-	299	290	299	290
Total expenses	<u>8,028</u>	<u>8,253</u>	<u>14,858</u>	<u>15,933</u>	<u>22,886</u>	<u>24,186</u>
Changes before transfers	<u>(2,515)</u>	<u>(3,595)</u>	<u>3,250</u>	<u>3,378</u>	<u>735</u>	<u>(216)</u>
Transfers	<u>3,422</u>	<u>3,822</u>	<u>(3,422)</u>	<u>(3,822)</u>	<u>-</u>	<u>-</u>
Changes in net position	<u>\$ 907</u>	<u>\$ 228</u>	<u>\$ (172)</u>	<u>\$ (443)</u>	<u>\$ 735</u>	<u>\$ (216)</u>

Governmental Activities

Revenues for the City's governmental activities were approximately \$5,513,000.

The property tax rate for 2020 and 2019 was 34¢/\$100 of assessed value each year.

The cost of all governmental activities this year was approximately \$8,028,000. Of this cost, the largest program for the City is the police with a cost of approximately \$3,733,000.

Business-Type Activities

Revenues of the City's business-type activities decreased about 6.2% to approximately \$18,108,000 and expenses decreased 7% to approximately \$14,858,000.

General Fund Activities

For the year ended June 30, 2020, after transfers and loan proceeds, the City had an increase approximately \$1,685,00, 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, 2020, the City had invested approximately \$39,539,000 (net of accumulated depreciation), in a broad range of capital assets, including police equipment, buildings, park facilities, roads, vehicles, electric distribution equipment and lines, and water and sewer lines. This amount represents a net decrease (including additions and deductions) of approximately \$484,000, or about 1.2%, from last year, driven largely by depreciation and disposal of assets.

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

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 2,368	\$ 2,422	\$ 958	\$ 958	\$ 3,326	\$ 3,380
Land improvements	1,381	1,434	-	-	1,381	1,434
Buildings and improvements	6,029	6,265	8,632	9,035	14,661	15,300
Equipment	1,035	884	121	123	1,156	1,007
Infrastructure	2,332	2,296	15,458	15,743	17,790	18,039
Construction in progress	379	140	846	722	1,225	862
Total	<u>\$ 13,524</u>	<u>\$ 13,442</u>	<u>\$ 26,015</u>	<u>\$ 26,581</u>	<u>\$ 39,539</u>	<u>\$ 40,023</u>

Long-term Debt

As of June 30, 2020, the City had \$6,355,000, in bonds and notes outstanding, a increase of 13% 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	
	2020	2019	2020	2019	2020	2019
General obligation bonds	\$ -	\$ -	\$ 4,623	\$ 4,948	\$ 4,623	\$ 4,948
Notes payable	778	170	753	525	1,531	695
Capital leases	201	-	-	-	201	-
Total	<u>\$ 979</u>	<u>\$ 170</u>	<u>\$ 5,376</u>	<u>\$ 5,473</u>	<u>\$ 6,355</u>	<u>\$ 5,643</u>

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

CITY OF SEAFORD, DELAWARE

Statement of Net Position As of June 30, 2020

	Governmental Activities	Business-Type Activities	Total
Assets:			
Current Assets			
Cash and cash equivalents	\$ 2,403,582	\$ 8,007,540	\$ 10,411,122
Accounts receivable, net	1,205,588	2,048,361	3,253,949
Inventories	14,754	854,870	869,624
Prepaid expense	44,193	27,031	71,224
Restricted cash	2,205,877	-	2,205,877
Total current assets	5,873,994	10,937,802	16,811,796
Noncurrent Assets			
Notes receivables	11,002	-	11,002
Net capital assets, net	13,524,297	26,014,299	39,538,596
Total noncurrent assets	13,535,299	26,014,299	39,549,598
Total Assets	19,409,293	36,952,101	56,361,394
Deferred Outflow of Resources:			
Deferred financing outflow - OPEB	307,600	131,829	439,429
Deferred financing outflow - retirement	963,887	266,310	1,230,197
Total deferred outflow of resources	1,271,487	398,139	1,669,626
Liabilities:			
Current liabilities			
Accounts payable	791,116	1,047,717	1,838,833
Accrued interest	-	20,401	20,401
Accrued expense-other	147,211	66,606	213,817
Current portion of long-term debt	230,969	535,304	766,273
Deposits	1,792	836,150	837,942
Deferred grant revenue	29,937	-	29,937
Accrued compensated absences	274,810	110,351	385,161
Total current liabilities	1,475,835	2,616,529	4,092,364
Noncurrent liabilities			
Net OPEB liability	3,266,103	1,423,458	4,689,561
Net pension liability	3,084,026	2,550,849	5,634,875
Bonds and notes payable	748,402	4,840,495	5,588,897
Total non-current liabilities	7,098,531	8,814,802	15,913,333
Total Liabilities	8,574,366	11,431,331	20,005,697
Deferred Inflow of Resources:			
Deferred financing inflow - OPEB	183,811	78,776	262,587
Deferred financing inflow - retirement	464,464	258,020	722,484
Total deferred inflow of resources	648,275	336,796	985,071
Net Position:			
Net investment in capital assets	12,544,926	20,638,500	33,183,426
Restricted	2,205,877	6,254,051	8,459,928
Unrestricted	(3,292,664)	(1,310,438)	(4,603,102)
Total Net Position	\$ 11,458,139	\$ 25,582,113	\$ 37,040,252

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

CITY OF SEAFORD, DELAWARE

Statement of Activities For the Year Ended June 30, 2020

	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	\$ 988,800	\$ 463,630	\$ -	\$ -	\$ (525,170)	\$ -	\$ (525,170)
Code enforcement	341,847	301,656	-	-	(40,191)	-	(40,191)
Community pool	27,629	-	-	-	(27,629)	-	(27,629)
Executive	115,770	-	-	-	(115,770)	-	(115,770)
Fire department	326,044	-	-	-	(326,044)	-	(326,044)
Dispatch	450,071	-	-	-	(450,071)	-	(450,071)
Highways and streets	852,119	-	208,023	200,381	(443,715)	-	(443,715)
Parks department	637,634	-	-	-	(637,634)	-	(637,634)
Police department	3,732,951	251,942	474,490	30,000	(2,976,519)	-	(2,976,519)
Recreation	204,325	42,684	-	-	(161,641)	-	(161,641)
Economic development	304,667	6,045	-	-	(298,622)	-	(298,622)
Interest on long-term debt	46,206	-	-	-	(46,206)	-	(46,206)
Total governmental activities	8,028,063	1,065,957	682,513	230,381	(6,049,212)	-	(6,049,212)
BUSINESS-TYPE ACTIVITIES							
Electric	10,939,898	13,492,482	-	-	-	2,552,584	2,552,584
Sewer	2,363,404	2,661,785	-	117,764	-	416,145	416,145
Water	1,254,446	1,306,685	-	48,756	-	100,995	100,995
Golf	299,344	-	-	-	-	(299,344)	(299,344)
Total business-type activities	14,857,092	17,460,952	-	166,520	-	2,770,380	2,770,380
Total	\$ 22,885,155	\$ 18,526,909	\$ 682,513	\$ 396,901	(6,049,212)	2,770,380	(3,278,832)
GENERAL REVENUES							
Taxes							
Property taxes					2,407,791	-	2,407,791
Transfer taxes					778,763	-	778,763
Grants and contributions not restricted to specific programs					450	-	450
Unrestricted investment earnings					8,930	37,747	46,677
Miscellaneous					26,563	452,060	478,623
Gain/(loss) on sale of fixed asset					312,168	(9,984)	302,184
Transfers - net					3,422,000	(3,422,000)	-
Total general revenues, special items and transfers					6,956,665	(2,942,177)	4,014,488
Changes in net position					907,453	(171,797)	735,656
NET POSITION, BEGINNING OF YEAR					10,550,686	25,753,910	36,304,596
NET POSITION, END OF YEAR					\$ 11,458,139	\$ 25,582,113	\$ 37,040,252

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

CITY OF SEAFORD, DELAWARE

Balance Sheet – Governmental Funds As of June 30, 2020

		General Fund
Assets:		
Cash and cash equivalents	\$	2,403,582
Accounts receivable (net of allowance for uncollectibles)		1,205,588
Inventories		14,754
Prepaid expenses		44,193
Notes receivable		11,002
Restricted cash		2,205,877
Total Assets	\$	<u>5,884,996</u>
Liabilities:		
Accounts payable	\$	791,116
Accrued expenses		422,021
Unearned revenue		29,937
Deposits		1,792
Total Liabilities		<u>1,244,866</u>
Deferred Inflows of Resources:		
Unavailable revenue		<u>185,558</u>
Fund Balances:		
Nonspendable		69,949
Restricted		2,205,877
Assigned		540,299
Unassigned		1,638,447
Total fund balances		<u>4,454,572</u>
Total Liabilities, Deferred Inflows and Fund Balances	\$	<u>5,884,996</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, 2020

Total fund balances, governmental funds	\$ 4,454,572
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are therefore not reported in the fund financial statements, but are reported in the governmental activities of the Statement of Net Position.	13,524,297
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.	185,558
Certain deferred inflows and outflows related to net pension expenses as reported in the governmental activities statement, but not in the financial statement.	623,212
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>(7,329,500)</u>
Net position of governmental activities in the Statement of Net Position	<u>\$ 11,458,139</u>

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

CITY OF SEAFORD, DELAWARE

Statement of Revenue, Expenditures, and Change in Fund Balance – Governmental Funds For the Year Ended June 30, 2020

	<u>General Fund</u>
Revenues	
Taxes	\$ 2,511,426
Transfer taxes	778,763
Intergovernmental revenues	912,894
Fines and forfeitures	65,062
Licenses, permits and fees	589,817
Interest and late charges	37,707
Community pool and recreation	32,281
Charges for services	347,200
Miscellaneous	29,905
Total revenues	<u>5,305,055</u>
Expenditures	
Administration	1,028,447
Code enforcement	334,389
Community pool	28,326
Executive	116,845
Fire department	207,758
Dispatch	428,183
Highways and streets	625,785
Parks department	513,157
Police department	3,513,618
Recreation	195,460
Economic development	282,841
Debt service	127,880
Capital outlay	903,287
Total Expenditures	<u>8,305,976</u>
Deficiency of revenues under expenditures	<u>(3,000,921)</u>
Other Financing Sources	
Gain on sale of fixed asset	372,397
Operating transfers out	(4,200,000)
Operating transfers in	7,622,000
Proceeds from capital leases	201,448
Proceeds from loan	690,000
Total Other Financing Sources	<u>4,685,845</u>
Net change in fund balance	1,684,924
Fund Balance, Beginning of Year	<u>2,769,648</u>
Fund Balance, End of Year	<u>\$ 4,454,572</u>

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

CITY OF SEAFORD, DELAWARE

Reconciliation of the Statement of Revenue, Expenditures, and Change in Fund Balance – Governmental Funds to the Statement of Activities For the Year Ended June 30, 2020

Net change in fund balances, governmental funds	\$ 1,684,924
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 \$1,009,831 was less than depreciation expense \$867,589 in the current period.	142,242
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.	(60,229)
In the Statement of Activities, the net OPEB liability and the net pension liabilities is measured by the amount accrued during the year. In the governmental funds, however, expenditures for the OPEB and pensions are measured by the amount of financial resources used (essentially, the amounts actually paid or expected to be paid within one year).	53,996
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.	(103,706)
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.	(809,774)
Change in net position of governmental activities	<u>\$ 907,453</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, 2020

	Electric Fund	Sewer Fund	Water Fund	Golf Fund	Total
Assets:					
Current Assets					
Cash and cash equivalents	\$ 2,287,550	\$ 3,796,278	\$ 1,763,640	\$ 160,072	\$ 8,007,540
Accounts receivable (net of allowance for uncollectibles)	1,438,658	285,050	324,653	-	2,048,361
Inventory	671,300	31,142	104,574	47,854	854,870
Prepaid expenses	11,191	11,322	3,880	638	27,031
Total current assets	4,408,699	4,123,792	2,196,747	208,564	10,937,802
Noncurrent assets					
Capital Assets					
Land, buildings, and improvements	4,182,552	18,702,504	1,474,254	867,893	25,227,203
Machinery and equipment	775,869	975,857	768,517	186,389	2,706,632
Transmission mains and extensions	8,649,336	13,651,206	10,653,504	-	32,954,046
Transportation	982,421	14,095	339,410	-	1,335,926
Construction in progress	27,475	461,933	357,560	-	846,968
Less accumulated depreciation	(11,031,035)	(19,436,719)	(6,397,225)	(191,497)	(37,056,476)
Total noncurrent assets	3,586,618	14,368,876	7,196,020	862,785	26,014,299
Total assets	7,995,317	18,492,668	9,392,767	1,071,349	36,952,101
Deferred Outflows of Resources:					
Deferred financing outflow - OPEB	74,703	30,760	26,366	-	131,829
Deferred financing outflow - retirement	149,134	63,914	53,262	-	266,310
	223,837	94,674	79,628	-	398,139
Liabilities:					
Current Liabilities					
Accounts payable	773,752	30,000	235,137	8,828	1,047,717
Accrued interest	55	15,796	4,550	-	20,401
Accrued expense - other	41,042	15,435	10,129	-	66,606
Current portion of long-term debt	62,121	310,467	162,716	-	535,304
Deposits	775,233	11,372	42,034	7,511	836,150
Accrued compensated absences	63,104	23,040	24,207	-	110,351
Total current liabilities	1,715,307	406,110	478,773	16,339	2,616,529
Noncurrent liabilities					
Net OPEB liability	802,853	337,144	283,461	-	1,423,458
Net pension liability	1,428,475	612,204	510,170	-	2,550,849
Bonds, notes and capital leases payable	138,508	3,690,797	1,011,190	-	4,840,495
Total non-current liabilities	2,369,836	4,640,145	1,804,821	-	8,814,802
Total Liabilities	4,085,143	5,046,255	2,283,594	16,339	11,431,331
Deferred Inflow of Resources:					
Deferred financing inflow - OPEB	44,640	18,381	15,755	-	78,776
Deferred financing inflow - retirement	144,492	61,926	51,602	-	258,020
Total deferred inflow of resources	189,132	80,307	67,357	-	336,796
Net Position:					
Net investment in capital assets	3,385,989	10,367,612	6,022,114	862,785	20,638,500
Restricted	1,722,082	3,582,774	949,195	-	6,254,051
Unrestricted	(1,163,192)	(489,606)	150,135	192,225	(1,310,438)
Total Net Position	\$ 3,944,879	\$ 13,460,780	\$ 7,121,444	\$ 1,055,010	\$ 25,582,113

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, 2020

	Electric Fund	Sewer Fund	Water Fund	Golf Fund	Total
Operating Revenues					
Charges for services	\$ 13,492,482	\$ 2,600,585	\$ 1,265,210	\$ -	\$ 17,358,277
Tap fees	-	61,200	41,475	-	102,675
Miscellaneous	112,544	103,653	204,129	31,734	452,060
Total operating revenues	13,605,026	2,765,438	1,510,814	31,734	17,913,012
Operating Expenses					
Purchased power	8,622,214	-	-	-	8,622,214
Payroll and other costs	1,113,199	656,889	435,741	-	2,205,829
Utilities	31,308	125,906	69,473	-	226,687
Repairs and maintenance	93,159	107,005	136,014	36,578	372,756
Insurance	327,060	250,249	147,148	16,982	741,439
Contracts	-	-	-	151,705	151,705
Other supplies and expenses	430,359	181,551	150,337	66,557	828,804
Depreciation and amortization	306,533	936,198	287,421	27,522	1,557,674
Total operating expenses	10,923,832	2,257,798	1,226,134	299,344	14,707,108
Operating income (loss)	2,681,194	507,640	284,680	(267,610)	3,205,904
Nonoperating Revenues (Expenses)					
Interest revenue	10,917	18,011	8,819	-	37,747
Interest expense	(16,066)	(105,606)	(28,312)	-	(149,984)
Gain (Loss) on disposal of fixed asset	-	-	(9,984)	-	(9,984)
Transfers in (out)	(2,650,000)	(800,000)	(200,000)	228,000	(3,422,000)
Capital contribution	-	117,764	48,756	-	166,520
Net nonoperating revenues (expenses)	(2,655,149)	(769,831)	(180,721)	228,000	(3,377,701)
Changes in net position	26,045	(262,191)	103,959	(39,610)	(171,797)
Net Position, Beginning of Year	3,918,834	13,722,971	7,017,485	1,094,620	25,753,910
Net Position, End of Year	\$ 3,944,879	\$ 13,460,780	\$ 7,121,444	\$ 1,055,010	\$ 25,582,113

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, 2020

	Electric Fund	Sewer Fund	Water Fund	Golf Fund	Total
Cash Flows from Operating Activities					
Receipts from customers	\$ 13,572,450	\$ 2,842,235	\$ 1,123,846	\$ -	\$ 17,538,531
Other receipts	112,544	103,653	204,129	31,734	452,060
Payments to suppliers	(9,615,630)	(857,620)	(358,934)	(263,677)	(11,095,861)
Payments to employees	(803,158)	(445,546)	(273,689)	-	(1,522,393)
Net cash from operating activities	<u>3,266,206</u>	<u>1,642,722</u>	<u>695,352</u>	<u>(231,943)</u>	<u>5,372,337</u>
Cash Flows from Noncapital Financing Activities					
Operating transfers in (out)	(2,650,000)	(800,000)	(200,000)	228,000	(3,422,000)
Contributions	-	117,764	48,756	-	166,520
Net cash from noncapital financing activities	<u>(2,650,000)</u>	<u>(682,236)</u>	<u>(151,244)</u>	<u>228,000</u>	<u>(3,255,480)</u>
Cash Flows from Capital and Related Financing Activities					
Payments for capital acquisitions	(222,730)	(204,216)	(730,595)	-	(1,157,541)
Proceeds from new loan	-	-	340,000	-	340,000
Principal paid on long-term debt	(73,098)	(302,229)	(62,192)	-	(437,519)
Interest paid on long-term debt	<u>(16,066)</u>	<u>(32,891)</u>	<u>(28,312)</u>	<u>-</u>	<u>(77,269)</u>
Net cash provided from capital and related financing activities	<u>(311,894)</u>	<u>(539,336)</u>	<u>(481,099)</u>	<u>-</u>	<u>(1,332,329)</u>
Cash Flows from Investing Activities					
Interest income	<u>10,917</u>	<u>18,011</u>	<u>8,819</u>	<u>-</u>	<u>37,747</u>
Net increase in cash	315,229	439,161	71,828	(3,943)	822,275
Cash and Cash Equivalents, Beginning of Year	<u>1,972,321</u>	<u>3,357,117</u>	<u>1,691,812</u>	<u>164,015</u>	<u>7,185,265</u>
Cash and Cash Equivalents, End of Year	<u>\$ 2,287,550</u>	<u>\$ 3,796,278</u>	<u>\$ 1,763,640</u>	<u>\$ 160,072</u>	<u>\$ 8,007,540</u>
Reconciliation of Operating Income (loss) to Net Cash Flows from Operating Activities					
Operating income (loss)	\$ 2,681,194	\$ 507,640	\$ 284,680	\$ (267,610)	\$ 3,205,904
Adjustments to reconcile operating income (loss) to net cash provided by operating activities					
Depreciation and amortization	306,533	936,198	287,421	27,522	1,557,674
Deferred financing outflows - retirement	(184,820)	(78,608)	(65,857)	-	(329,285)
Deferred financing inflows - retirement and OPEB	18,822	17,376	12,908	-	49,106
(Increase) decrease in assets					
Accounts receivable	79,968	180,450	(182,839)	-	77,579
Prepaid expenses	(112,250)	(1,270)	(148)	9,420	(104,248)
Inventory	(262)	(587)	(200)	(79)	(1,128)
(Increase) decrease in liabilities					
Accounts payable	25,490	(130,140)	196,538	(1,196)	90,692
Accrued interest	(32)	(1,243)	(223)	-	(1,498)
Accrued expenses- other	11,768	4,890	2,688	-	19,346
Accrued expenses- OPEB	58,025	26,853	24,622	-	109,500
Deposits	141,522	1,563	1,020	-	144,105
Accrued compensated absences	11,354	6,488	4,816	-	22,658
Net pension liability	228,894	173,112	129,926	-	531,932
Net cash provided (used) by operating activities	<u>\$ 3,266,206</u>	<u>\$ 1,642,722</u>	<u>\$ 695,352</u>	<u>\$ (231,943)</u>	<u>\$ 5,372,337</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, 2020

ASSETS

Cash and cash equivalents	\$ 584,102
Mutual funds:	
Fixed income	
Taxable	2,623,332
Closed-end	636,255
Total fixed income	3,259,587
Equities	
Closed-end equity	5,446,394
International closed-end	2,595,523
Total equity	8,041,917
Total mutual fund	11,301,504
Interest receivable	9
TOTAL ASSETS	11,885,615
NET POSITION RESTRICTED FOR PENSION BENEFITS	<u>\$ 11,885,615</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, 2020

ADDITIONS

Contributions:

Employer	\$	502,421
Plan members - required contribution		139,442
Plan members - voluntary contribution		66,324
Other		732,172
Total contributions		<u>1,440,359</u>

Investment income:

Net increase in fair value of investments		130,304
Interest and dividends		271,418
Total investment income		<u>401,722</u>

Total additions		<u>1,842,081</u>
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DEDUCTIONS

Benefits		794,296
Administrative		725,433
Total deductions		<u>1,519,729</u>

Changes in net position		322,352
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Net Position, Beginning of Year		<u>11,563,263</u>
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Net Position, End of Year	\$	<u>11,885,615</u>
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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, 2020

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, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation (continued)

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

- Net investment in capital assets
- Restricted
- Unrestricted

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

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

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

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

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

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

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

CITY OF SEAFORD, DELAWARE

Notes to the Financial Statements For the Year Ended June 30, 2020

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, 2020

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 \$540,299 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, 2020, 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, 2020

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, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New Pronouncements

As of the year ended June 30, 2020, GASB has issued Statement No. 84 *Fiduciary Activities*; Statement No. 87, *Leases*; Statement No. 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*; Statement No. 91, *Conduit Debt Obligations*; Statement No. 92, *Omnibus 2020*; Statement No. 93, *Replacement of Interbank Offered Rates*; Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*; Statement No. 96, *Subscription-Based Information Technology Arrangements*, and Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—a amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. During the year ended June 30, 2020, GASB has also issued GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which provides temporary relief to governments in light of the COVID-19 pandemic, by postponing the effective dates of certain pronouncements. These statements may or will have a material effect on the City's financial statements once implemented. The City has not yet completed the process of evaluating the impact of these pronouncements on its financial statements and plans to adopt them, as applicable, by their effective date.

2. CASH - OTHER THAN PENSION PLAN

As of June 30, 2020, the carrying amount of the City's cash deposits was \$12,616,995, and the bank balance was \$12,708,585. Of the bank balance, \$500,000 was covered by federal depository insurance, \$11,707,789, was collateralized by a tri-party collateral agreement with the Bank of New York Mellon, and M&T Bank with \$2,907,789 in securities but not in the City's name and a \$8,800,000 letter of credit. The total uncollateralized bank balance was \$408,206.

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.

CITY OF SEAFORD, DELAWARE

Notes to the Financial Statements For the Year Ended June 30, 2020

3. INVESTMENTS - PENSION PLAN (continued)

Investments are recorded at fair value based on current share price as of June 30, 2020, and consisted of the following:

Mutual Funds		
Fixed Income		
Taxable	\$	2,623,332
Closed-end		636,255
Equity		
Close-end equity		5,446,394
International closed-end		2,595,523
Total Market Value	\$	<u>11,301,504</u>

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The City has the following recurring fair value measurements as of June 30, 2020:

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.

Investments By Fair Value Level	6/30/2020	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	\$ 2,623,332	\$ 2,623,332	\$ -	\$ -
Closed-end	636,255	636,255	-	-
Equity				
Close-end equity	5,446,394	5,446,394	-	-
International closed-end	2,595,523	2,595,523	-	-
Total Investments	<u>\$ 11,301,504</u>	<u>\$ 11,301,504</u>	<u>\$ -</u>	<u>\$ -</u>

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.

CITY OF SEAFORD, DELAWARE

Notes to the Financial Statements For the Year Ended June 30, 2020

3. INVESTMENTS - PENSION PLAN (continued)

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

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

4. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2020 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental Activities:</u>				
Capital assets, not being depreciated				
Land	\$ 2,422,264	\$ -	\$ (54,157)	\$ 2,368,107
Construction in progress	140,394	347,905	(109,344)	378,955
Total capital assets, not being depreciated	<u>2,562,658</u>	<u>347,905</u>	<u>(163,501)</u>	<u>2,747,062</u>
Capital assets, being depreciated				
Land improvements	3,667,683	34,900	-	3,702,583
Infrastructure	9,809,546	224,799	-	10,034,345
Buildings and improvements	9,975,600	79,908	-	10,055,508
Machinery and equipment	3,389,186	190,215	(7,505)	3,571,896
Transportation equipment	1,483,761	241,448	(17,850)	1,707,359
Total capital assets, being depreciated	<u>28,325,775</u>	<u>771,270</u>	<u>(25,355)</u>	<u>29,071,690</u>
Less accumulated depreciation for:				
Land improvements	2,233,429	88,294	-	2,321,723
Infrastructure	7,513,632	188,942	-	7,702,574
Buildings and improvements	3,710,413	315,608	-	4,026,021
Machinery and equipment	2,790,929	142,491	(5,981)	2,927,439
Transportation equipment	1,197,746	132,254	(13,302)	1,316,698
Total accumulated depreciation	<u>17,446,149</u>	<u>867,589</u>	<u>(19,283)</u>	<u>18,294,455</u>
Capital Assets, net	<u>\$ 13,442,284</u>	<u>\$ 251,586</u>	<u>\$ (169,573)</u>	<u>\$ 13,524,297</u>

CITY OF SEAFORD, DELAWARE

Notes to the Financial Statements For the Year Ended June 30, 2020

4. CAPITAL ASSETS (continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Electric:</u>				
<i>Capital assets, not being depreciated</i>				
Land	\$ 342,659	\$ -	\$ -	\$ 342,659
Construction in progress	13,141	14,334	-	27,475
Total capital assets, not being depreciated	<u>355,800</u>	<u>14,334</u>	<u>-</u>	<u>370,134</u>
<i>Capital assets, being depreciated</i>				
Buildings and improvements	3,801,214	38,679	-	3,839,893
Machinery and equipment	716,870	58,999	-	775,869
Distribution system	8,568,738	80,598	-	8,649,336
Transportation equipment	970,258	30,119	(17,955)	982,422
Total capital assets, being depreciated	<u>14,057,079</u>	<u>208,395</u>	<u>(17,955)</u>	<u>14,247,519</u>
Less accumulated depreciation for:				
Buildings and improvements	3,599,882	15,997	-	3,615,879
Machinery and equipment	413,071	22,717	-	435,788
Distribution system	6,021,702	205,510	-	6,227,212
Transportation equipment	707,802	62,309	(17,955)	752,156
Total accumulated depreciation	<u>10,742,457</u>	<u>306,533</u>	<u>(17,955)</u>	<u>11,031,035</u>
Electric activities, capital assets, net	<u>\$ 3,670,422</u>	<u>\$ (83,804)</u>	<u>\$ -</u>	<u>\$ 3,586,618</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Sewer:</u>				
<i>Capital assets, not being depreciated</i>				
Construction in progress	\$ 583,726	\$ 34,441	\$ (156,233)	\$ 461,934
Total capital assets, not being depreciated	<u>583,726</u>	<u>34,441</u>	<u>(156,233)</u>	<u>461,934</u>
<i>Capital assets, being depreciated</i>				
Buildings and improvements	18,702,505	-	-	18,702,505
Machinery and equipment	962,314	13,542	-	975,856
Transmissions	13,494,972	156,233	-	13,651,205
Transportation equipment	14,095	-	-	14,095
Total capital assets, being depreciated	<u>33,173,886</u>	<u>169,775</u>	<u>-</u>	<u>33,343,661</u>
Less accumulated depreciation for:				
Buildings and improvements	10,415,084	394,409	-	10,809,493
Machinery and equipment	1,180,524	39,051	-	1,219,575
Transmissions	6,847,011	500,661	-	7,347,672
Transportation equipment	57,902	2,077	-	59,979
Total accumulated depreciation	<u>18,500,521</u>	<u>936,198</u>	<u>-</u>	<u>19,436,719</u>
Sewer activities, capital assets, net	<u>\$ 15,257,091</u>	<u>\$ (731,982)</u>	<u>\$ (156,233)</u>	<u>\$ 14,368,876</u>

CITY OF SEAFORD, DELAWARE

Notes to the Financial Statements For the Year Ended June 30, 2020

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	125,450	232,110	-	357,560
Total capital assets, not being depreciated	134,200	232,110	-	366,310
<i>Capital assets, being depreciated</i>				
Buildings and improvements	1,465,504	-	-	1,465,504
Machinery and equipment	738,556	29,961	-	768,517
Transmissions	10,199,740	468,523	(14,759)	10,653,504
Transportation equipment	339,410	-	-	339,410
Total capital assets, being depreciated	12,743,210	498,484	(14,759)	13,226,935
Less accumulated depreciation for:				
Buildings and improvements	1,099,585	19,952	-	1,119,537
Machinery and equipment	804,204	31,970	(4,776)	831,398
Transmissions	3,914,201	222,947	-	4,137,148
Transportation equipment	296,590	12,552	-	309,142
Total accumulated depreciation	6,114,580	287,421	(4,776)	6,397,225
Water activities, capital assets, net	\$ 6,762,830	\$ 443,173	\$ (9,983)	\$ 7,196,020
	<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	606,363	-	-	606,363
<i>Capital assets, being depreciated</i>				
Buildings and improvements	261,531	-	-	261,531
Machinery and equipment	186,389	-	-	186,389
Total capital assets, being depreciated	447,920	-	-	447,920
Less accumulated depreciation for:				
Buildings and improvements	80,837	11,622	-	92,459
Machinery and equipment	83,138	15,901	-	99,039
Total accumulated depreciation	163,975	27,523	-	191,498
Golf activities, capital assets, net	\$ 890,308	\$ (27,523)	\$ -	\$ 862,785
Business-type activities, capital assets, net	\$ 26,580,651	\$ (400,136)	\$ (166,216)	\$ 26,014,299

CITY OF SEAFORD, DELAWARE

Notes to the Financial Statements For the Year Ended June 30, 2020

4. CAPITAL ASSETS (continued)

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

Administration	\$	80,865
Code enforcement		6,773
Community pool		568
Executive		2,294
Fire department		125,334
Dispatch		17,367
Highways and streets		230,544
Parks department		124,558
Police department		243,181
Recreation		12,450
Information technology		2,582
Economic development		21,073
Total	\$	867,589

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	\$	2,650,000
Sewer to General		800,000
Water to General		200,000
General to Golf		228,000

6. LONG-TERM DEBT

Changes in long-term obligations for the year ended June 30, 2020 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	\$ 169,597	\$ 690,000	\$ (81,674)	\$ 777,923	\$ 176,907
Capital leases	-	201,448	-	201,448	54,062
Total Governmental Activities	<u>\$ 169,597</u>	<u>\$ 891,448</u>	<u>\$ (81,674)</u>	<u>\$ 979,371</u>	<u>\$ 230,969</u>

CITY OF SEAFORD, DELAWARE

Notes to the Financial Statements For the Year Ended June 30, 2020

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	\$ 4,052,331	\$ -	\$ (262,890)	\$ 3,789,441	\$ 269,901
Notes payable	251,162	-	(39,340)	211,822	40,566
	<u>4,303,493</u>	<u>-</u>	<u>(302,230)</u>	<u>4,001,263</u>	<u>310,467</u>
Water					
General obligation bonds	896,098	-	(62,192)	833,906	64,223
Notes payable	-	340,000	-	340,000	98,493
	<u>896,098</u>	<u>340,000</u>	<u>(62,192)</u>	<u>1,173,906</u>	<u>162,716</u>
Electric					
Notes payable	273,728	-	(73,098)	200,630	62,121
Total Business-type Activities	<u>\$ 5,473,319</u>	<u>\$ 340,000</u>	<u>\$ (437,520)</u>	<u>\$ 5,375,799</u>	<u>\$ 535,304</u>
Total Governmental and Business-type Activities	<u>\$ 5,642,916</u>	<u>\$ 1,231,448</u>	<u>\$ (437,520)</u>	<u>\$ 6,355,170</u>	<u>\$ 766,273</u>

Governmental Activities

Notes payable consist of the following:

Note payable, Bank of Delmarva. Payable in monthly installments of principal and interest of \$1,856 Interest rate is 3.15%. Matures in May, 2021.	\$ 19,845
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.	68,078
Note payable to Community Bank, DE secured by buildings. Effective June 24, 2020 payable in monthly installments of \$6,577 at 2.69% interest. Matures in June, 2030.	690,000
	<u>\$ 777,923</u>

CITY OF SEAFORD, DELAWARE

Notes to the Financial Statements For the Year Ended June 30, 2020

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>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.	\$ -	\$ 951,778	\$ -	\$ 951,778
\$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.	-	-	833,906	833,906
\$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.	-	1,803,983	-	1,803,983
\$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.	-	1,033,680	-	1,033,680

CITY OF SEAFORD, DELAWARE

Notes to the Financial Statements For the Year Ended June 30, 2020

6. LONG-TERM DEBT (continued)

	<u>Electric</u>	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
Note payable, M&T Bank. Payable in monthly installments of principal and interest of \$3,766.95. Interest rate is 3.689%. Matures in April, 2024.	\$ 161,355	\$ -	\$ -	\$ 161,355
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.	-	211,822	-	211,822
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.	39,275	-	-	39,275
Note payable, Community Bank Delaware. Payable in monthly installments of principal and interest of \$5,956.21. Interest rate is 1.95%. Matures in June, 2025.		-	340,000	340,000
Total	<u>\$ 200,630</u>	<u>\$ 211,822</u>	<u>\$ 340,000</u>	<u>\$ 752,452</u>

Debt Service Requirements

Debt service requirements on long-term debt as of June 30, 2020 were as follows:

	<u>Governmental Activities</u>	
	<u>Notes</u>	
<u>Years Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 176,907	\$ 32,841
2022	129,300	21,551
2023	131,051	19,800
2024	118,015	16,027
2025	80,636	10,125
2026 - 2030	343,462	21,294
	<u>\$ 979,371</u>	<u>\$ 121,638</u>

CITY OF SEAFORD, DELAWARE

Notes to the Financial Statements For the Year Ended June 30, 2020

6. LONG-TERM DEBT (continued)

Debt Service Requirements (continued)

Years Ending June 30	Business-Type Activities			
	General Obligation Bonds		Notes	
	Principal	Interest	Principal	Interest
2021	\$ 334,124	\$ 116,931	\$ 201,179	\$ 20,691
2022	343,443	106,095	167,608	11,425
2023	353,047	97,660	154,723	7,018
2024	362,948	84,811	151,474	2,843
2025	373,153	74,439	77,468	639
2026-2030	1,902,197	260,658	-	-
2031-2035	813,911	51,862	-	-
Thereafter	140,524	3,531	-	-
	<u>\$ 4,623,347</u>	<u>\$ 795,987</u>	<u>\$ 752,452</u>	<u>\$ 42,616</u>

Golf Course and Country Club

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

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

The remaining property of the golf course of \$776,000 is included in the proprietary golf fund and the remaining debt has zero balance due.

7. RETIREMENT AND PENSION PLANS

City of Seaford Pension Plan and Trusts

Plan Description and Provisions

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

The General Plan

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

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

CITY OF SEAFORD, DELAWARE

Notes to the Financial Statements For the Year Ended June 30, 2020

7. RETIREMENT AND PENSION PLANS (continued)

The General Plan (continued)

Employee contributions for the general employees are both voluntary and effective July 1, 2014 and require a mandatory participant contribution of 1% increasing 1% a year to 5% ending on July 1, 2018. Contributions by the City are recommended by the employee benefit plan consultants and actuaries who do a review and actuarial valuation of the plan annually.

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

Investments

The investment policy is established by the Retirement Plan Committee. The policy of the Committee is to pursue an investment strategy that reduces risk through the prudent diversifications of assets. With the exception of cash, the Committee requires a diversification of investments in mutual funds only, which are reported at fair value which is quoted market price. The following is the asset allocation as of June 30, 2020:

<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, 2020, net of pension plan investment expense was 7%. 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, 2020

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, 2020, the City recognized pension expense of \$466,942. As of June 30, 2020, 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	\$ -	\$ 516,038
Asset experience loss	289,368	-
Assumption change	243,252	-
	<u>\$ 532,620</u>	<u>\$ 516,038</u>

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

<u>Years Ending June 30</u>	<u>Net Deferred Inflows of Resources</u>
2021	\$ (88,775)
2022	19,397
2023	48,738
2024	10,358
2025	3,781
2026	23,083
Total	<u>\$ 16,582</u>

CITY OF SEAFORD, DELAWARE

Notes to the Financial Statements For the Year Ended June 30, 2020

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, 2020, were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Net Pension Liability	\$ 4,526,719	\$ 2,167,537	\$ 1,592,559	\$ 5,101,697

The components of the net pension liability of the City as of June 30, 2020 were as follows:

Total pension liability	\$ 15,379,051
Plan fiduciary net position	11,885,615
Less employee voluntary accounts	<u>1,608,261</u>
Adjusted plan fiduciary net position	<u>10,277,354</u>
Net pension liability	<u>\$ 5,101,697</u>
Plan fiduciary net position adjusted as a percentage of the total pension liability	<u>66.83%</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, 2020 on a roll forward of the liabilities from the June 30, 2019 valuation. Significant actuarial assumptions used in determining the pension benefit obligation include the Pub-2010 Amount Weighted General 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, 2020

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, 2020 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:

	<u>1% Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
Net Pension Liability	\$ 7,129,289	\$ 5,101,697	\$ 3,401,710

CITY OF SEAFORD, DELAWARE

Notes to the Financial Statements For the Year Ended June 30, 2020

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, 2019:

Active eligible	40
Terminated with vested rights	17
Retired	57
Total number of participants	<u>114</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, 2018. 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, 2020

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, 2020

7. RETIREMENT AND PENSION PLANS (continued)

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

Plan Benefits (continued)

Contributions

Employer

Determined by Board of Pension Trustees, employer contributions were 16.6% and 16.8% of earnings for the fiscal year 2020 and 2019, 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, 2020, the City reported a liability of \$533,178 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018, and update procedures were used to roll forward the total pension liability to June 30, 2019. The City's proportion of the net pension liability was based on the percentage of actual employee contributions. As of June 30, 2019, the City's proportion was 1.8563 percent, which was a decrease of 0.08 from its proportion measured as of June 30, 2018.

Changes in net pension liability for the year ended June 30, 2020, were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Net Pension Liability	\$ 445,931	\$ 360,958	\$ 273,711	\$ 533,178

For the year ended June 30, 2020, the City recognized pension expense of \$352,429.

CITY OF SEAFORD, DELAWARE

Notes to the Financial Statements For the Year Ended June 30, 2020

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, 2020, 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	\$ -	\$ 12,974
Differences between expected and actual experience	221,718	-
Changes of assumptions	71,168	-
Projected and actual plan investment earnings difference	-	50,459
Contributions subsequent to measurement date	206,091	-
	<u>\$ 498,977</u>	<u>\$ 63,433</u>

The City's contribution subsequent to the measurement date of \$206,091, reported as deferred outflows of resources, will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized over six years and recognized in pension expense as follows:

Years Ending June 30	
2020	\$ (56,584)
2021	12,234
2022	(19,266)
2023	(50,967)
2024	(27,656)
Thereafter	(87,214)
Total	<u>\$ (229,453)</u>

CITY OF SEAFORD, DELAWARE

Notes to the Financial Statements For the Year Ended June 30, 2020

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, 2019 measurement date was determined by an actuarial valuation as of June 30, 2018, and update procedures were used to roll forward the total pension liability to June 30, 2019. These actuarial valuations used the following actuarial assumptions:

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

Investment rate of return	7.0%
Projected salary increases	2.5% + Merit

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

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

CITY OF SEAFORD, DELAWARE

Notes to the Financial Statements For the Year Ended June 30, 2020

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%	29.5%
International equity	5.7%	13.5%
Fixed income	2.0%	27.1%
Alternative investments	7.8%	22.4%

Discount rate: The discount rate for all plans used to measure the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at rates determined by the Board of Pension Trustees, actuarially determined. Based on those assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investment was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate: The following presents the collective net pension liability (assets) of the Plan, calculated using the discount rate of 7.0%, as well as what the Plan's net pension liability (assets) would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate:

<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
\$ 1,751,475	\$ 533,178	\$ (460,567)

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, 2020

8. OTHER POST-EMPLOYMENT BENEFITS

As directed and approved by the Mayor and Council, the City currently provides additional post-employment benefits for health and life insurance for retired employees at age 65 who have retired under the above-mentioned pension plans. The current benefit for those who elect is 50% of the cost of the supplemental health insurance premium and 100% of the cost of the life insurance premium. The benefit is funded on a pay-as-you-go plan. Currently, the City has not set up a separate trust for the OPEB Plan. The City has the following participation in the OPEB plan as of June 30, 2020:

Active eligible	84
Retired	31
Total number of participants	<u>115</u>

Summary of Actuarial Methods and Assumptions

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

Significant valuations methods and assumptions are as follows:

Valuation date	July 1, 2019
Actuarial cost method	Entry age normal
Actuarial assumptions:	
Discount rate	2.79%
Salary increases	4.00%
Healthcare cost trend	7.5% decreasing to 4.5%
Mortality	General Employees - PubG-2010 Headcount Weighted General mortality table with the Buck modified MP 2019 improvement scale Police - General Employees - PubG-2010 Headcount Weighted Safety mortality table with the Buck modified MP 2019 improvement scale

Discount rate:

The discount rate used to measure the total OPEB liability was 2.66%. Since there is no trust currently in place, there are no assets to considered when determining the discount rate associated with the OPEB plan. As a result, a long term expected investment rate of return was not applied to all periods of project benefit payments to determine the total OPEB liability.

CITY OF SEAFORD, DELAWARE

Notes to the Financial Statements For the Year Ended June 30, 2020

8. OTHER POST-EMPLOYMENT BENEFITS (continued)

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

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Net OPEB Liability	\$ 5,774,107	\$ 4,689,561	\$ 3,859,114

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
Net OPEB Liability	\$ 4,243,289	\$ 4,689,561	\$ 5,298,310

As of June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 262,587
Changes in assumptions or other inputs	439,429	-
	<u>\$ 439,429</u>	<u>\$ 262,587</u>

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

<u>Years Ending June 30</u>	
2021	\$ 23,902
2022	23,902
2023	23,902
2024	23,902
2025	23,902
Thereafter	57,332
Total	<u><u>\$ 176,842</u></u>

CITY OF SEAFORD, DELAWARE

Notes to the Financial Statements For the Year Ended June 30, 2020

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, 2018, DEMEC's total bonded debt was \$50,737,647.

In March 2012, the City approved a supplement to the full requirement service contract with DEMEC. DEMEC became a member of American Municipal Power, Inc. (AMP) and purchased the right to approximately 13.69% of the electric capacity available from the AMP Fremont Energy Center (AFEC). The supplement includes provisions relating to the AFEC Power Sales Contract with DEMEC which requires members (Seaford) in addition to receiving and paying for power from AFEC through DEMEC to also share in the operating costs of the project including debt financing. The City's portion of DEMEC's AFEC share is 9.7%.

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

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

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

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

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

CITY OF SEAFORD, DELAWARE

Notes to the Financial Statements For the Year Ended June 30, 2020

10. RISK MANAGEMENT

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

The City participates in a "minimum premium plan" for its employee healthcare insurance. Under this plan, the City, who uses a third-party administrator to process and pay claims, is responsible for paying all claims up to agreed-upon aggregate level with an insurance program responsible for the excess. The City has obtained a stop loss insurance policy of \$70,000 per participant to limit its healthcare costs. The City has been provided by the third-party administrator an estimated accrual for claims incurred, but not reported in the amount of \$50,279 of June 30, 2020.

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, 2020, the City is not aware of any repayment requests.

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

For the year ended June 30, 2020, the agreement is an operating lease in which both parties will share revenue and expenses on an agreed-upon basis. For the second and third years, if both parties agree to a changeover to a management fee arrangement, the City will compensate the Adkins Management Company an annual fee of \$711,976.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SEAFORD, DELAWARE

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND For the Year Ended June 30, 2020

	Budgeted Amounts		Actual	Variance with Final
	Original	Final	Amounts	Budget
Revenues				
Taxes	\$ 2,394,522	\$ 2,394,522	\$ 2,511,426	\$ 116,904
Transfer taxes	230,000	230,000	778,763	548,763
Intergovernmental revenues	666,466	666,466	912,894	246,428
Fines and forfeitures	98,000	98,000	65,062	(32,938)
Licenses, permits and fees	493,258	493,258	589,817	96,559
Interest and late charges	41,416	41,416	37,707	(3,709)
Community pool and recreation	50,500	50,500	32,281	(18,219)
Charges for services	253,450	253,450	347,200	93,750
Miscellaneous	19,040	19,040	29,905	10,865
Total revenues	<u>4,246,652</u>	<u>4,246,652</u>	<u>5,305,055</u>	<u>1,058,403</u>
Expenditures				
Administration	1,170,153	1,170,153	1,028,447	(141,706)
Code enforcement	398,147	398,147	334,389	(63,758)
Community pool	35,877	35,877	28,326	(7,551)
Executive	108,198	108,198	116,845	8,647
Fire department	309,501	309,501	207,758	(101,743)
Dispatch	651,609	651,609	428,183	(223,426)
Highways and streets	521,580	521,580	625,785	104,205
Parks department	568,832	568,832	513,157	(55,675)
Police department	3,406,810	3,406,810	3,513,618	106,808
Recreation	210,370	210,370	195,460	(14,910)
Economic development	309,077	309,077	282,841	(26,236)
Debt Service	138,813	138,813	127,880	(10,933)
Capital Outlay	1,283,866	1,283,866	903,287	(380,579)
Total Expenditures	<u>9,112,833</u>	<u>9,112,833</u>	<u>8,305,976</u>	<u>(806,857)</u>
Deficiency of revenues under expenditures	<u>(4,866,181)</u>	<u>(4,866,181)</u>	<u>(3,000,921)</u>	<u>1,865,260</u>
Other Financing Sources				
Operating transfers, net	4,103,008	4,103,008	7,622,000	3,518,992
Transfer from reserve	-	-	(4,200,000)	(4,200,000)
Gain on disposal of fixed assets	-	-	372,397	372,397
Total other financing sources	<u>4,103,008</u>	<u>4,103,008</u>	<u>3,794,397</u>	<u>(681,008)</u>
Net change in fund balance	<u>\$ (763,173)</u>	<u>\$ (763,173)</u>	<u>\$ 793,476</u>	<u>\$ 1,556,649</u>

CITY OF SEAFORD, DELAWARE

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

For the Year Ended June 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability			
Service Cost	\$ 161,943	\$ 145,544	\$ 132,318
Interest	126,510	124,272	121,028
Differences between expected and actual experience	(218,399)	(40,737)	(50,397)
Changes of assumptions	265,704	154,825	115,800
Benefit payments	<u>(37,047)</u>	<u>(35,158)</u>	<u>(21,908)</u>
Net change in total pension liability	298,711	348,746	296,841
Total OPEB liability-beginning	<u>4,390,850</u>	<u>4,042,104</u>	<u>3,745,263</u>
Total OPEB liability-ending	<u>\$ 4,689,561</u>	<u>\$ 4,390,850</u>	<u>\$ 4,042,104</u>
 Covered-employee payroll	 \$ 2,832,101	 \$ 2,807,634	 \$ 2,860,613
Net OPEB liability as a percentage of covered-employee payroll	165.59%	156.39%	141.30%

Notes to Schedule

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

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

CITY OF SEAFORD, DELAWARE

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

For the Years Ended June 30

	2020	2019	2018	2017	2016	2015	2014
Total pension liability							
Service Cost	\$ 275,144	\$ 266,902	\$ 109,341	\$ 147,185	\$ 173,495	\$ 200,070	\$ 214,075
Interest	1,016,385	983,697	981,669	940,901	910,611	867,976	854,346
Differences between expected and actual experience	(248,862)	(98,966)	(493,600)	259,854	(16,862)	-	-
Changes of assumptions	410,425	(36,145)	(76,707)	(126,664)	-	-	-
Benefit payments	<u>(637,374)</u>	<u>(676,123)</u>	<u>(622,465)</u>	<u>(579,617)</u>	<u>(636,820)</u>	<u>(865,589)</u>	<u>(633,632)</u>
Net change in total pension liability	815,718	439,365	(101,762)	641,659	430,424	202,457	434,789
Total pension liability-beginning	<u>14,563,333</u>	<u>14,123,968</u>	<u>14,225,730</u>	<u>13,584,071</u>	<u>13,153,647</u>	<u>12,951,190</u>	<u>12,516,401</u>
Total pension liability-ending (a)	<u>15,379,051</u>	<u>14,563,333</u>	<u>14,123,968</u>	<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	502,420	504,922	497,557	505,651	573,638	656,520	661,932
Contributions-member	139,442	135,994	140,251	122,873	70,822	26,332	28,000
Net investment income	261,552	571,060	761,228	854,607	204,078	157,277	1,049,347
Other	-	-	-	-	-	276,742	-
Benefit payments, including refunds of employee contributions	(637,374)	(676,123)	(622,465)	(579,617)	(636,820)	(865,589)	(568,414)
Administrative expense	<u>(25,300)</u>	<u>(113,440)</u>	<u>(105,690)</u>	<u>(96,905)</u>	<u>(106,541)</u>	<u>(117,450)</u>	<u>(97,803)</u>
Net change in plan fiduciary net position	240,740	422,413	670,881	806,609	105,177	133,832	1,073,062
Plan fiduciary net position-beginning	<u>10,036,614</u>	<u>9,614,201</u>	<u>8,943,320</u>	<u>8,136,711</u>	<u>8,031,534</u>	<u>7,897,702</u>	<u>6,824,640</u>
Plan fiduciary net position-ending (b)	<u>10,277,354</u>	<u>10,036,614</u>	<u>9,614,201</u>	<u>8,943,320</u>	<u>8,136,711</u>	<u>8,031,534</u>	<u>7,897,702</u>
Plan's net pension liability- ending (a)-(b)	<u>\$ 5,101,697</u>	<u>\$ 4,526,719</u>	<u>\$ 4,509,767</u>	<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	66 83%	68 92%	68 07%	62 87%	59 90%	60 04%	60 98%
Covered-employee payroll	\$ 2,660,801	\$ 2,807,634	\$ 2,859,315	\$ 2,860,613	\$ 2,833,872	\$ 2,727,062	\$ 2,650,963
Net pension liability as a percentage of covered-employee payroll	191 74%	161 23%	157 72%	184 66%	192 22%	187 83%	190 62%

Notes to Schedule

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

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

CITY OF SEAFORD, DELAWARE

SCHEDULE OF CITY CONTRIBUTIONS – SINGLE EMPLOYER PLAN For the Years Ended June 30

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Actuarially determined contribution	\$ 462,675	\$ 455,580	\$ 484,922	\$ 506,038	\$ 614,147	\$ 656,520	\$ 656,822	\$ 672,310	\$ 659,989	\$ 621,877
Contributions in relation to the actuarially determined contribution	502,420	504,922	497,557	505,651	625,036	656,520	661,932	672,310	626,989	621,877
Contribution deficiency (excess)	\$ (39,745)	\$ (49,342)	\$ (12,635)	\$ 387	\$ (10,889)	\$ -	\$ (5,110)	\$ -	\$ 33,000	\$ -
Covered-employee payroll	\$ 2,660,801	\$ 2,807,634	\$ 2,859,315	\$ 2,860,613	\$ 2,833,872	\$ 2,727,062	\$ 2,650,963	\$ 2,690,002	\$ 2,757,943	\$ 2,693,121
Contributions as a percentage of covered- employee payroll	18.88%	17.98%	17.40%	17.68%	22.06%	24.07%	24.97%	24.99%	22.73%	23.09%

Notes to Schedule

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal - Level Percentage of Pay
Amortization method	Level dollar, open
Remaining amortization period	30 years
Asset valuation method	Market value
Inflation	N/A
Salary increases	4% per annum
Investment rate of return	7%, net of pension plan investment expense
Retirement age	An age-related assumption is used for participants not yet receiving payment Participants are assumed to retire between age 55 and age 67
Mortality	The RP-2014 Mortality Table

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

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

In June 2013, the Plan was amended effective July 1, 2013 requiring a Mandatory Participant Contribution of 1% increasing 1% a year to 5% as of July 1, 2017 and thereafter. The Mandatory Participant Contribution will be pursuant to the Internal Revenue Code Section 414(h)(2) and therefore, although withheld from Employee Compensation, will be treated as a City contribution for federal income tax purposes.

The amendment also adjusted the voluntary contributions effective July 1, 2013 to at least 1% a year to 5% July 1, 2017 and added a new section to the Plan related to the refunds of Mandatory Participation Contribution refunds.

CITY OF SEAFORD, DELAWARE

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expense	7.00%	7.00%	6.79%	10.66%	-0.33%	0.42%	14.14%

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

CITY OF SEAFORD, DELAWARE

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability	1 8563%	1 9363%	1 8423%	2 0352%	2 4509%	2 3715%
City's proportionate share of the net pension liability (asset)	\$ 533,178	\$ 445,931	\$ 185,726	\$ 323,502	\$ (129,171)	\$ (256,525)
City's covered employee payroll	2,660,801	2,807,634	2,859,315	2,860,613	1,607,018	1,549,414
City's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	20 04%	15 88%	6 50%	11 31%	-8 04%	-16 56%
Plan fiduciary net position as a percentage of the total pension liability	87 69%	94 10%	97 00%	94 70%	94 70%	151 20%

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

CITY OF SEAFORD, DELAWARE

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 206,091	\$ 194,255	\$ 197,713	\$ 208,434	\$ 222,572	\$ 229,526
Contribution in relation to the contractually required contribution	<u>206,091</u>	<u>194,255</u>	<u>197,713</u>	<u>208,434</u>	<u>222,572</u>	<u>229,526</u>
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered employee payroll	\$ 2,660,801	\$ 2,807,634	\$ 2,859,315	\$ 2,860,613	\$ 1,607,018	\$ 1,549,414
Contribution as a percentage of covered employee payroll	7.75%	6.92%	6.91%	7.29%	13.85%	14.81%

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

SUPPLEMENTARY INFORMATION

CITY OF SEAFORD, DELAWARE

SCHEDULES OF REVENUES AND EXPENDITURES - GENERAL FUND For the Years Ended June 30, 2020 and 2019

	2020	2019
Revenues		
Taxes	\$ 2,511,426	\$ 2,385,354
Transfer taxes	778,763	341,591
Intergovernmental revenues	912,894	737,843
Fines and forfeitures	65,062	80,290
Licenses, permits and fees	589,817	625,129
Interest and late charges	37,707	51,731
Community pool and recreation	32,281	54,257
Charges for services	347,200	258,428
Miscellaneous	29,905	329,009
Total revenues	<u>5,305,055</u>	<u>4,863,632</u>
Expenditures		
Administration	1,028,447	1,040,926
Code enforcement	334,389	317,254
Community pool	28,326	35,339
Executive	116,845	101,931
Fire department	207,758	202,234
Dispatch	428,183	686,342
Highways and streets	625,785	696,114
Parks department	513,157	446,098
Police department	3,513,618	3,404,787
Recreation	195,460	191,736
Economic development	282,841	306,100
Debt Service	127,880	229,111
Capital Outlay	903,287	695,921
Total Expenditures	<u>8,305,976</u>	<u>8,353,893</u>
Deficiency of revenues under expenditures	<u>(3,000,921)</u>	<u>(3,490,261)</u>
Other Financing Sources		
Operating transfers, net	3,422,000	3,821,613
Proceeds from loan	690,000	-
Proceeds from capital leases	201,448	-
Gain on disposal of fixed assets	372,397	-
Total other financing sources	<u>4,685,845</u>	<u>3,821,613</u>

CITY OF SEAFORD, DELAWARE**SCHEDULES OF REVENUES AND EXPENSES - ELECTRIC FUND
For the Years Ended June 30, 2020 and 2019**

	2020	2019
Operating Revenues		
Charges for services	\$ 13,492,482	\$ 14,558,303
Miscellaneous	112,544	123,564
Total operating revenues	<u>13,605,026</u>	<u>14,681,867</u>
Operating Expenses		
Purchased power	8,622,214	10,106,261
Payroll and other costs	1,113,199	1,003,759
Utilities	31,308	35,500
Repairs and maintenance	93,159	59,168
Insurance	327,060	323,572
Other supplies and expenses	430,359	328,875
Depreciation and amortization	306,533	292,004
Total operating expenses	<u>10,923,832</u>	<u>12,149,139</u>
Operating income	2,681,194	2,532,728
Nonoperating Revenues (Expenses)		
Interest revenue	10,917	4,414
Interest expense	(16,066)	(11,011)
Loss on disposal of fixed asset	-	206
Transfers out	(2,650,000)	(3,200,000)
Net nonoperating revenues (expenses)	<u>(2,655,149)</u>	<u>(3,206,391)</u>
Change in net position	<u>\$ 26,045</u>	<u>\$ (673,663)</u>

CITY OF SEAFORD, DELAWARE**SCHEDULES OF REVENUES AND EXPENSES - SEWER FUND
For the Years Ended June 30, 2020 and 2019**

	2020	2019
Operating Revenues		
Charges for services	\$ 2,600,585	\$ 2,921,964
Tap fees	61,200	7,650
Miscellaneous	103,653	364,382
Total operating revenues	<u>2,765,438</u>	<u>3,293,996</u>
Operating Expenses		
Payroll and other costs	656,889	513,743
Utilities	125,906	128,577
Repairs and maintenance	107,005	106,253
Insurance	250,249	246,868
Other supplies and expenses	181,551	354,401
Depreciation and amortization	936,198	937,265
Total operating expenses	<u>2,257,798</u>	<u>2,287,107</u>
Operating income	507,640	1,006,889
Nonoperating Revenues (Expenses)		
Interest revenue	18,011	6,371
Interest expense	(105,606)	(114,498)
Transfers out	(800,000)	(800,000)
Capital contribution	117,764	67,398
Net nonoperating revenues (expenses)	<u>(769,831)</u>	<u>(840,729)</u>
Change in net position	<u>\$ (262,191)</u>	<u>\$ 166,160</u>

CITY OF SEAFORD, DELAWARE**SCHEDULES OF REVENUES AND EXPENSES - WATER FUND
For the Years Ended June 30, 2020 and 2019**

	2020	2019
Operating Revenues		
Charges for services	\$ 1,265,210	\$ 1,145,161
Tap fees	41,475	7,900
Miscellaneous	204,129	64,691
Total operating revenues	<u>1,510,814</u>	<u>1,217,752</u>
Operating Expenses		
Payroll and other costs	435,741	336,559
Utilities	69,473	73,475
Repairs and maintenance	136,014	95,524
Insurance	147,148	117,151
Other supplies and expenses	150,337	143,864
Depreciation and amortization	287,421	284,359
Total operating expenses	<u>1,226,134</u>	<u>1,050,932</u>
Operating income	284,680	166,820
Nonoperating Revenues (Expenses)		
Interest revenue	8,819	3,680
Interest expense	(28,312)	(30,180)
Loss on disposal of fixed asset	(9,984)	(5,339)
Transfers out	(200,000)	(200,000)
Capital contribution	48,756	28,542
Net nonoperating revenues (expenses)	<u>(180,721)</u>	<u>(203,297)</u>
Change in net position	<u>\$ 103,959</u>	<u>\$ (36,477)</u>

CITY OF SEAFORD, DELAWARE**SCHEDULES OF REVENUES AND EXPENSES - GOLF FUND****For the Years Ended June 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
Operating Revenues		
Charges for services	\$ -	\$ -
Sales	-	-
Miscellaneous	31,734	12,558
Total operating revenues	<u>31,734</u>	<u>12,558</u>
Operating Expenses		
Repairs and maintenance	36,578	21,176
Insurance	16,982	15,812
Contracts	151,705	151,704
Other supplies and expenses	66,557	74,129
Depreciation and amortization	27,522	27,522
Total operating expenses	<u>299,344</u>	<u>290,343</u>
Operating loss	(267,610)	(277,785)
Nonoperating Revenues (Expenses)		
Interest expense	-	-
Transfers in	228,000	378,387
Net nonoperating revenues (expenses)	<u>228,000</u>	<u>378,387</u>
Change in net position	<u>\$ (39,610)</u>	<u>\$ 100,602</u>

CITY OF SEAFORD, DELAWARE

SCHEDULES OF DEBT SERVICE - ENTERPRISE FUNDS

As of June 30, 2020

	2021	2022	2023	2024	2025	Thereafter	Total
GENERAL OBLIGATION BONDS							
<u>Principal Payments Due</u>							
\$1,620,000 SRF Series Bonds	\$ 89,905	\$ 93,509	\$ 97,257	\$ 101,156	\$ 105,211	\$ 464,740	\$ 951,778
\$2,579,004 SRF Loan Series 2011	128,385	130,966	133,598	136,283	139,033	1,135,718	1,803,983
\$2,729,408 SRF Series Bonds	64,224	66,321	68,487	70,724	73,034	491,116	833,906
\$1,158,300 Solar Array	51,610	52,647	54,706	54,785	55,886	764,046	1,033,680
Total principal payments	334,124	343,443	354,048	362,948	373,164	2,855,620	4,623,347
<u>Interest Payments Due</u>							
\$1,620,000 General Obligation Bonds	36,893	33,289	29,541	25,642	23,635	42,453	191,453
\$2,579,004 SRF Loan Series 2011	35,441	32,860	30,228	27,543	26,180	92,967	245,219
\$2,729,408 SRF Series Bonds	26,502	24,405	22,239	20,002	19,856	52,955	165,959
Solar Array	20,417	19,379	18,321	19,823	16,141	99,275	193,356
Total interest payments due	119,253	109,933	100,329	93,010	85,812	287,650	795,987
Total debt service requirements— general obligation bonds	453,377	453,376	454,377	455,958	458,976	3,143,270	5,419,334
NOTES PAYABLE							
<u>Principal Payments Due</u>							
Fulton Bank - Sewer Extension	40,566	41,813	43,099	44,418	41,920	-	211,816
Bank of Delmarva - Electric Line Truck	22,199	17,076	-	-	-	-	39,275
M&T Bank Lease	39,922	41,419	42,973	37,047	-	-	161,361
Community Bank Delaware- Water Tower	98,492	67,308	68,651	70,016	35,533	-	340,000
Total principal payments	201,179	167,616	154,723	151,481	77,453	0	752,452
<u>Interest Payments Due</u>							
Fulton Bank - Sewer Extension	5,862	4,615	3,330	2,009	639	-	16,455
Bank of Delmarva - Electric Line Truck	827	203	-	-	-	-	1,030
M&T Bank Lease/Purchase	5,282	3,784	2,230	629	-	-	11,925
Community Bank Delaware- Water Tower	8,719	2,823	1,459	205	-	-	13,206
Total interest payments due	20,690	11,425	7,019	2,843	639	0	42,616
Total debt service requirements— notes payable	221,869	179,041	161,742	154,324	78,092	-	795,068
Total debt service requirements	\$ 675,246	\$ 632,417	\$ 616,119	\$ 610,282	\$ 537,068	\$ 3,143,270	\$ 6,214,402



**REPORT ON INTERNAL CONTROLS 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, 2020, 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 8, 2020.

Internal Controls 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 controls. Accordingly, we do not express an opinion on the effectiveness of the City's internal controls.

A *deficiency in internal controls* 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 controls, 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 controls that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal controls 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 controls 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 controls over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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 controls and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal controls 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 controls and compliance. Accordingly, this communication is not suitable for any other purpose.

December 8, 2020
Owings Mills, Maryland

SB & Company, LLC

CITY OF SEAFORD, DELAWARE

FINANCIAL HIGHLIGHTS – GENERAL FUND For the Years Ended June 30, 2020 and 2019

Information selected from audited financial statements

	2020		2019
	Budget	Actual	Total
Revenues			
Taxes	\$ 2,394,522	\$ 2,511,426	\$ 2,385,354
Transfer taxes	230,000	778,763	341,591
Intergovernmental revenues	666,466	912,894	737,843
Fines and forfeitures	98,000	65,062	80,290
Licenses, permits and fees	493,258	589,817	625,129
Interest and late charges	41,416	37,707	51,731
Community pool and recreation	50,500	32,281	54,257
Charges for services	253,450	347,200	258,428
Loan proceeds	763,173	-	-
Miscellaneous	19,040	29,905	329,009
Total Revenues	<u>5,009,825</u>	<u>5,305,055</u>	<u>4,863,632</u>
Expenditures			
Administration	1,170,153	1,028,447	1,040,926
Code enforcement	398,147	334,389	317,254
Community pool	35,877	28,326	35,339
Executive	108,198	116,845	101,931
Fire department	309,501	207,758	202,234
Dispatch	651,609	428,183	686,342
Highways and streets	521,580	625,785	696,114
Parks department	568,832	513,157	446,098
Police department	3,406,810	3,513,618	3,404,787
Recreation	210,370	195,460	191,736
Economic development	309,077	282,841	306,100
Debt service	138,813	127,880	229,111
Capital outlay	1,283,866	903,287	695,921
Total Expenditures	<u>\$ 9,112,833</u>	<u>8,305,976</u>	<u>8,353,893</u>
Deficiency of revenues under expenditures		(3,000,921)	(3,490,261)
Other Financing Sources			
Operating transfers (net)		3,422,000	3,821,613
Proceeds from loan		690,000	-
Proceeds from capital leases		201,448	-
Gain on disposal of fixed assets		372,397	-
Total other financing sources		<u>4,685,845</u>	<u>3,821,613</u>
Net change in fund balance		1,684,924	331,352
Fund Balance, Beginning of Year		<u>2,769,648</u>	<u>2,438,296</u>
Fund Balance, End of Year		<u>\$ 4,454,572</u>	<u>\$ 2,769,648</u>

CITY OF SEAFORD, DELAWARE

FINANCIAL HIGHLIGHTS – ENTERPRISE FUND

For the Years Ended June 30, 2020 and 2019

Information selected from audited financial statements

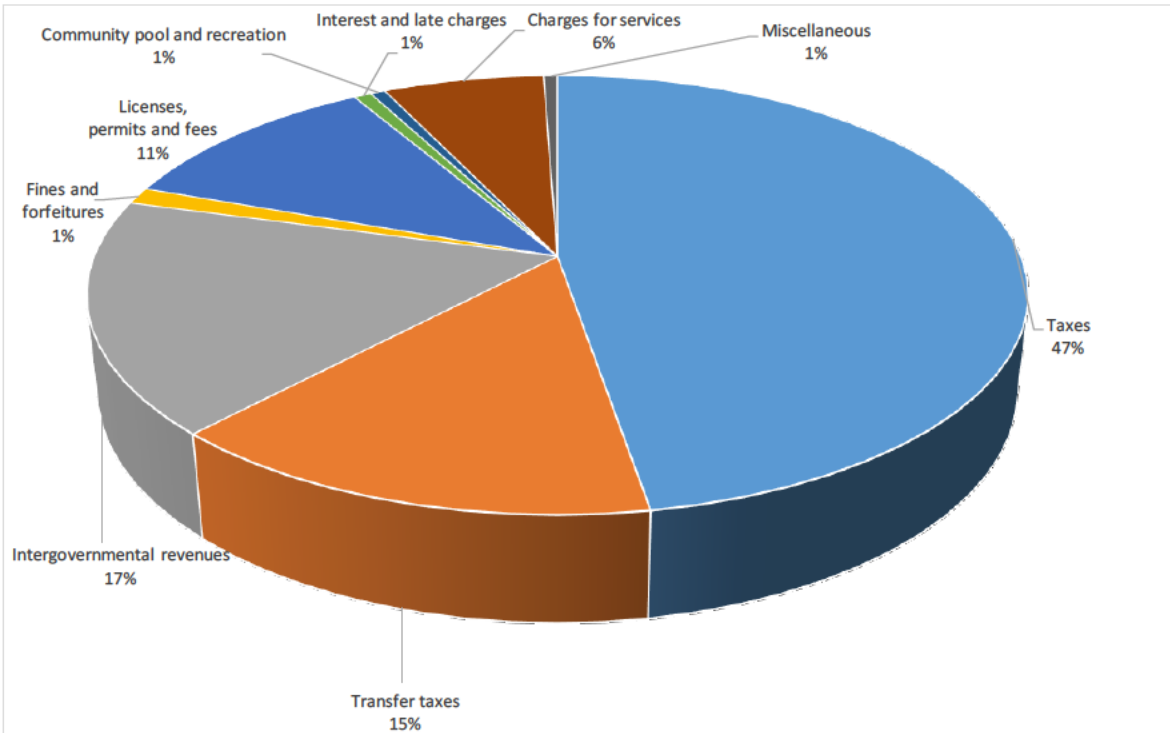
	<u>2020</u>	<u>2019</u>
Operating Revenues		
Charges for services	\$ 17,358,277	\$ 18,625,428
Tap fees	102,675	15,550
Miscellaneous	452,060	565,195
Total operating revenues	<u>17,913,012</u>	<u>19,206,173</u>
Operating Expenses		
Purchased power	8,622,214	10,106,261
Payroll and other costs	2,205,829	1,854,061
Utilities	226,687	237,552
Repairs and maintenance	372,756	282,121
Insurance	741,439	703,403
Contracts	151,705	151,704
Other supplies and expenses	828,804	901,269
Depreciation and amortization	1,557,674	1,541,150
Total operating expenses	<u>14,707,108</u>	<u>15,777,521</u>
Operating income	3,205,904	3,428,652
Nonoperating Revenues (Expenses)		
Interest revenue	37,747	14,465
Interest expense	(149,984)	(155,689)
Loss on disposal of fixed asset	(9,984)	(5,133)
Transfers in (out)	(3,422,000)	(3,821,613)
Capital contribution	166,520	95,940
Net nonoperating revenues (expenses)	<u>(3,377,701)</u>	<u>(3,872,030)</u>
Change in net position	(171,797)	(443,378)
Net Position, Beginning of Year	<u>25,753,910</u>	<u>26,197,288</u>
Net Position, End of Year	<u>\$ 25,582,113</u>	<u>\$ 25,753,910</u>

CITY OF SEAFORD, DELAWARE

FINANCIAL HIGHLIGHTS – GENERAL FUND

For the Years Ended June 30, 2020 and 2019

City of Seaford, Delaware
Sources of Revenue - General Fund
For the Year Ended June 30, 2020



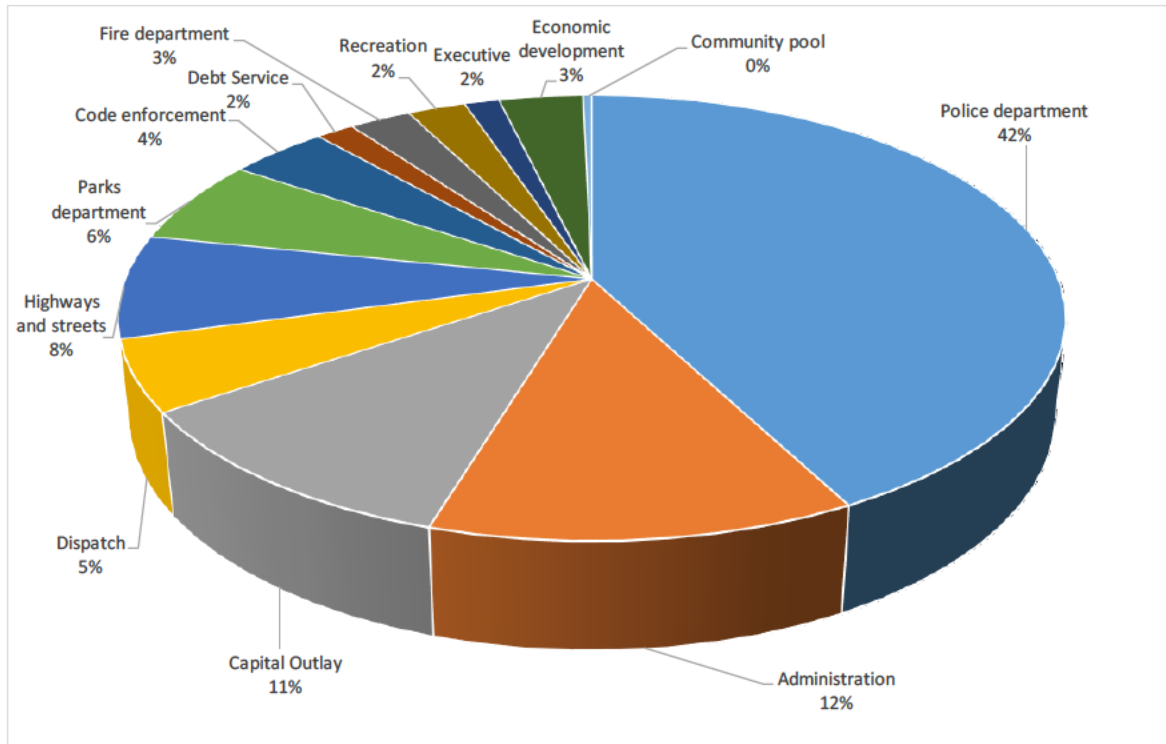
	2020		2019	
	\$	%	\$	%
Taxes	2,511,426	47.34%	2,385,354	49.04%
Transfer taxes	778,763	14.68%	341,591	7.02%
Intergovernmental revenues	912,894	17.21%	737,843	15.17%
Fines and forfeitures	65,062	1.23%	80,290	1.65%
Licenses, permits and fees	589,817	11.12%	625,129	12.85%
Interest and late charges	37,707	0.71%	51,731	1.06%
Community pool and recreation	32,281	0.61%	54,257	1.12%
Charges for services	347,200	6.54%	258,428	5.31%
Miscellaneous	29,905	0.56%	329,009	6.76%
	5,305,055	100.00%	4,863,632	100.00%

CITY OF SEAFORD, DELAWARE

FINANCIAL HIGHLIGHTS – GENERAL FUND

For the Years Ended June 30, 2020 and 2019

City of Seaford, Delaware
Functional Expenses - General Fund
For the Year Ended June 30, 2020



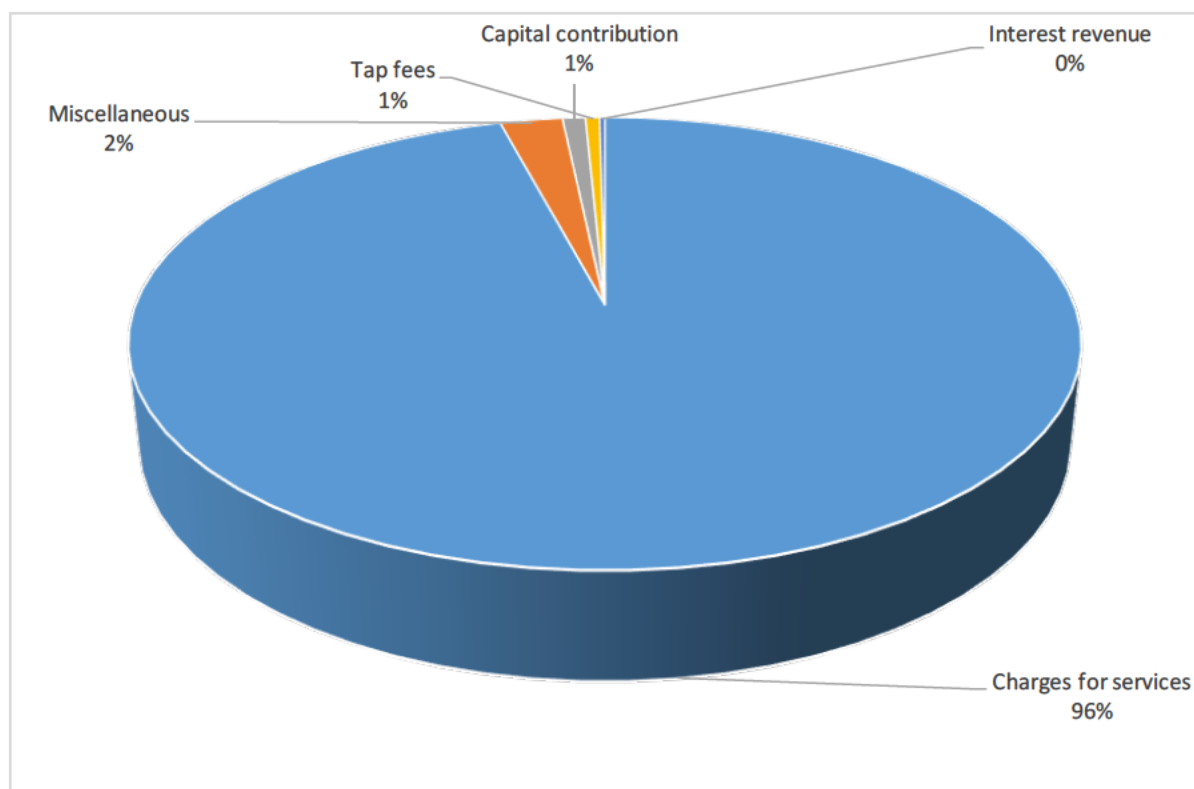
	2020		2019	
	\$	%	\$	%
Police department	3,513,618	42.30%	3,404,787	40.76%
Administration	1,028,447	12.38%	1,040,926	12.46%
Capital Outlay	903,287	10.88%	695,921	8.33%
Dispatch	428,183	5.16%	686,342	8.22%
Highways and streets	625,785	7.53%	696,114	8.33%
Parks department	513,157	6.18%	446,098	5.34%
Code enforcement	334,389	4.03%	317,254	3.80%
Debt Service	127,880	1.54%	229,111	2.74%
Fire department	207,758	2.50%	202,234	2.42%
Recreation	195,460	2.35%	191,736	2.30%
Executive	116,845	1.41%	101,931	1.22%
Economic development	282,841	3.41%	306,100	3.66%
Community pool	28,326	0.34%	35,339	0.42%
	8,305,976	100.00%	8,353,893	100.00%

CITY OF SEAFORD, DELAWARE

FINANCIAL HIGHLIGHTS – PROPRIETARY FUND

For the Years Ended June 30, 2020 and 2019

City of Seaford, Delaware Sources of Revenue - Proprietary Fund For the Year Ended June 30, 2020



Charges for services
Miscellaneous
Capital contribution
Tap fees
Interest revenue

2020		
	\$	%
Charges for services	17,358,277	95.81%
Miscellaneous	452,060	2.50%
Capital contribution	166,520	0.92%
Tap fees	102,675	0.57%
Interest revenue	37,747	0.21%
	18,117,279	100.00%

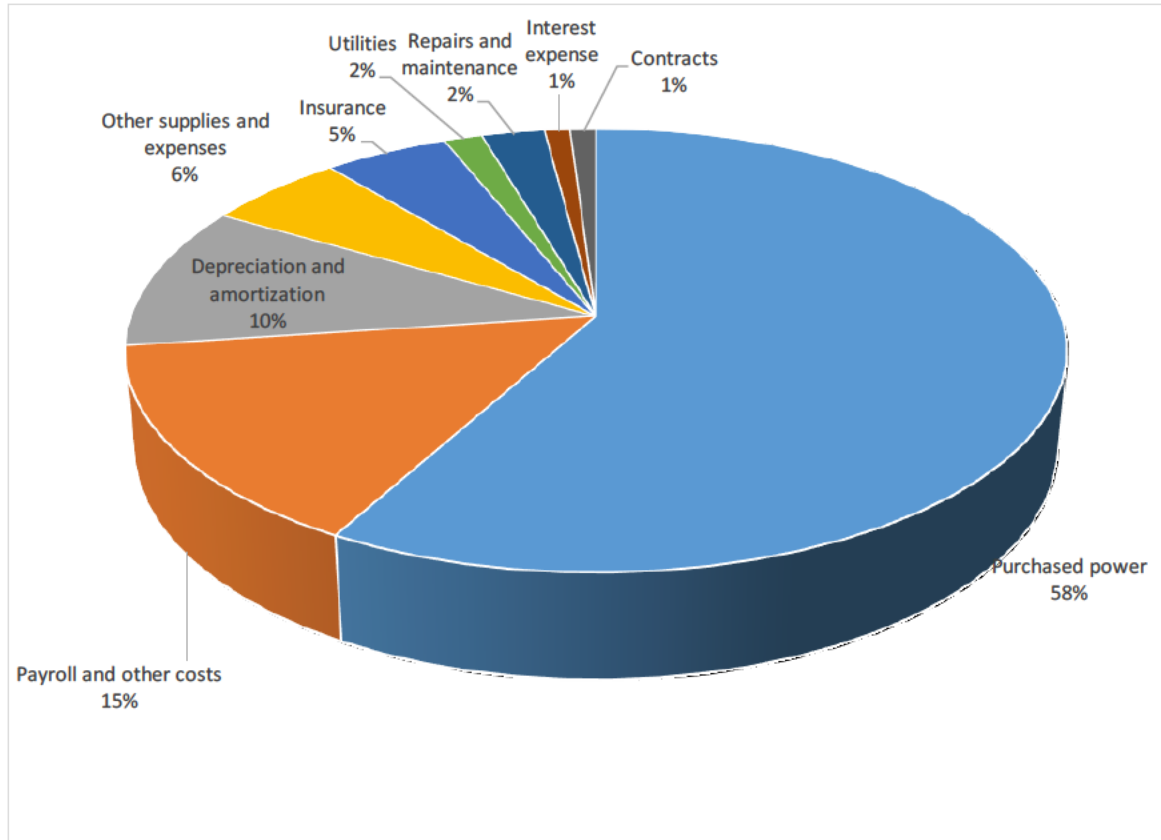
2019		
	\$	%
Charges for services	18,625,428	96.42%
Miscellaneous	565,195	2.93%
Capital contribution	95,940	0.50%
Tap fees	15,550	0.08%
Interest revenue	14,465	0.07%
	19,316,578	100.00%

CITY OF SEAFORD, DELAWARE

FINANCIAL HIGHLIGHTS – PROPRIETARY FUND

For the Years Ended June 30, 2020 and 2019

City of Seaford, Delaware
Functional Expenses - Proprietary Fund
For the Year Ended June 30, 2020



	2020		2019	
	\$	%	\$	%
Purchased power	8,622,214	58.03%	10,106,261	63.43%
Payroll and other costs	2,205,829	14.85%	1,854,061	11.64%
Depreciation and amortization	1,557,674	10.48%	1,541,150	9.67%
Other supplies and expenses	828,804	5.58%	901,269	5.66%
Insurance	741,439	4.99%	703,403	4.41%
Utilities	226,687	1.53%	237,552	1.49%
Repairs and maintenance	372,756	2.51%	282,121	1.77%
Interest expense	149,984	1.01%	155,689	0.98%
Contracts	151,705	1.02%	151,704	0.95%
	14,857,092	100.00%	15,933,210	100.00%