MUNICIPAL SERVICES COMMISSION
(A COMPONENT UNIT OF THE CITY OF NEW CASTLE)
NEW CASTLE, DELAWARE

BASIC FINANCIAL STATEMENTS
REQUIRED SUPPLEMENTARY INFORMATION
SUPPLEMENTARY INFORMATION

MARCH 31, 2017 AND 2016

MUNICIPAL SERVICES COMMISSION
(A COMPONENT UNIT OF THE CITY OF NEW CASTLE)
NEW CASTLE, DELAWARE

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INDEPENDENT AUDITOR'S REPORT

July 27, 2017

Board of Commissioners
Municipal Services Commission
New Castle, Delaware

Report on the Financial Statements

We have audited the accompanying financial statements of the Municipal Services Commission ("the Commission"), a component unit of the City of New Castle, Delaware, as of and for the year ended March 31, 2017, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

BARBACANE
THORNTON
& COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

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 financial position of the Municipal Services Commission as of March 31, 2017, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the Commission has adopted the requirements of GASB Statement No. 72, "Fair Value Measurement and Application." This statement improves the disclosures related to the Commission's investments. Our opinion is not modified with respect to this matter.

Report on Prior Period Financial Statements and Supplementary Information

The financial statements and supplementary information of the Commission as of March 31, 2016 were audited by other auditors whose report dated August 29, 2016 expressed an unmodified opinion on those financial statements.

Other Matters

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the schedule of net pension liability, related ratios, and investment returns; schedule of employer contributions; and notes to the schedule of employer contributions 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

Board of Commissioners
Municipal Services Commission

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 Commission's basic financial statements. The combining schedules of revenues and expenses by department, the combining schedules of operating expenses by department, and the combining schedules of general and administrative expenses by department are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining schedules of revenues and expenses by department, combining schedules of operating expenses by department, and combining schedules of general and administrative expenses by department 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 combining schedules of revenues and expenses by department, combining schedules of operating expenses by department, and combining schedules of general and administrative expenses by department are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Barbacane, Thornton & Company LLP

BARBACANE, THORNTON & COMPANY LLP

MUNICIPAL SERVICES COMMISSION
(A Component Unit of the City of New Castle)
STATEMENTS OF NET POSITION
MARCH 31, 2017 AND 2016

	2017	2016
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 2,491,132	$ 1,935,146
Investments	1,073,100	1,031,021
Accounts receivable, net	412,638	943,095
Grants receivable	-	149,417
Dividends receivable	162	149
Other receivables	2,833	1,316
Inventory	553,153	583,728
Prepaid expenses	81,832	69,189
Total Current Assets	4,614,850	4,713,061
Restricted Assets:		
Cash and cash equivalents - restricted	834,075	671,646
Noncurrent Assets:		
Land	45,386	45,386
Construction-in-progress	146,806	482,992
Property, plant and equipment	22,117,702	21,107,737
Less: Accumulated depreciation	(11,573,716)	(11,107,107)
Total Noncurrent Assets	10,736,178	10,529,008
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows - pension	81,365	198,870
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 16,266,468	$ 16,112,585
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
LIABILITIES		
Current Liabilities:		
Accounts payable	$ 590,367	$ 610,381
Accrued expenses	20,162	32,117
Payroll withholdings payable	2,283	5,641
Accrued wages	27,823	73,562
Developer deposits	857	7,660
Other liabilities	1,446	1,302
Total Current Liabilities	642,938	730,663
Noncurrent Liabilities:		
Escrow deposits	4,386	4,372
Customer deposits	829,690	667,274
Accrued compensated absences	315,965	286,051
Net pension liability	890,698	1,144,056
Total Noncurrent Liabilities	2,040,739	2,101,753
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows - pension	136,336	6,849
NET POSITION		
Net investment in capital assets	10,736,178	10,529,008
Unrestricted	2,710,277	2,744,312
TOTAL NET POSITION	13,446,455	13,273,320
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	$ 16,266,468	$ 16,112,585

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

MUNICIPAL SERVICES COMMISSION
(A Component Unit of the City of New Castle)
STATEMENTS OF CHANGES IN NET POSITION
FOR THE YEARS ENDED MARCH 31, 2017 AND 2016

	Net Investment in Capital Assets							
	Capital Grant							
	Capital Grant	Accumulated Amortization	Net Capital Grant	Private Developer Contributions	Net Investment in Capital Assets	Total Investment in Capital Assets	Unrestricted Net Position	Total Net Position
Balance - March 31, 2015	$ 943,000	$ (669,530)	$ 273,470	$ 2,258,772	$ 6,939,403	$ 9,471,645	$ 3,854,785	$ 13,326,430
Prior period adjustment	-	-	-	-	-	-	(904,858)	(904,858)
Amortization of capital grant	-	(18,860)	(18,860)	-	-	(18,860)	18,860	-
Change in Net Position	-	-	-	32,578	1,043,645	1,076,223	(224,475)	851,748
Balance - March 31, 2016	943,000	(688,390)	254,610	2,291,350	7,983,048	10,529,008	2,744,312	13,273,320
Amortization of capital grant	-	(18,860)	(18,860)	-	-	(18,860)	18,860	-
Change in Net Position	-	-	-	32,380	193,650	226,030	(52,895)	173,135
Balance - March 31, 2017	$ 943,000	$ (707,250)	$ 235,750	$ 2,323,730	$ 8,176,698	$ 10,736,178	$ 2,710,277	$ 13,446,455

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

MUNICIPAL SERVICES COMMISSION
(A Component Unit of the City of New Castle)
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED MARCH 31, 2017 AND 2016

	2017	2016
OPERATING REVENUES:		
User charges	$ 11,089,210	$ 11,071,351
City service charges	60,881	104,302
Free service	54,733	54,249
Miscellaneous	112,003	83,183
TOTAL OPERATING REVENUES	11,316,827	11,313,085
LESS: Free service	(9,277)	(7,055)
NET OPERATING REVENUES	11,307,550	11,306,030
PURCHASE OF POWER AND WATER	7,321,928	7,311,736
OPERATING EXPENSES	2,341,336	2,118,157
GENERAL AND ADMINISTRATIVE EXPENSES	865,468	918,035
OPERATING INCOME	778,818	958,102
NONOPERATING REVENUES (EXPENSES):		
Investment income	33,337	32,456
Gain (loss) on sale of assets	8,550	(26,134)
Grant income	55,470	595,422
Grant expense	(11,878)	(41,612)
Appropriations to the Mayor and Council of New Castle:		
Ordinary	(664,281)	(537,575)
City services	(41,621)	(104,302)
Special	(30,063)	(30,613)
Unrealized gain (loss)	12,423	(26,574)
TOTAL NONOPERATING EXPENSES	(638,063)	(138,932)
CAPITAL CONTRIBUTIONS		
Private developer contributions	32,380	32,578
CHANGE IN NET POSITION	173,135	851,748
NET POSITION, BEGINNING OF YEAR	13,273,320	12,421,572
NET POSITION, END OF YEAR	$ 13,446,455	$ 13,273,320

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

MUNICIPAL SERVICES COMMISSION
(A Component Unit of the City of New Castle)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	$ 11,946,661	$ 11,383,010
Payments to suppliers for goods and services	(7,998,815)	(8,012,274)
Payments to employees for services	(1,905,061)	(1,633,081)
NET CASH PROVIDED BY OPERATING ACTIVITIES	2,042,785	1,737,655
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Appropriations to the Mayor and Council of New Castle	(694,344)	(568,188)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital improvements	(835,253)	(1,763,059)
Proceeds from sale of equipment	8,550	6,500
Capital grants	193,009	404,393
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(633,694)	(1,352,166)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(29,656)	(29,295)
Investment income	33,324	32,559
NET CASH PROVIDED BY INVESTING ACTIVITIES	3,668	3,264
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	718,415	(179,435)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,606,792	2,786,227
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 3,325,207	$ 2,606,792
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	$ 778,818	$ 958,102
Adjustments:		
Depreciation	664,298	637,853
Bad debt	-	10,679
Free service	(45,456)	(47,194)
(Increase) decrease in:		
Accounts receivable	530,457	(168,039)
Other receivables	(1,517)	29,672
Inventory	30,575	6,378
Prepaid expenses	(12,643)	(818)
Deferred outflows - pension	117,505	(198,870)
Increase (decrease) in:		
Accounts payable	(20,014)	(78,209)
Accrued expenses	(11,955)	15,401
Payroll withholdings payable	(3,358)	2,798
Accrued wages	(45,739)	40,897
Developer deposits	(6,803)	7,406
Other liabilities	144	72
Accrued compensated absences	29,914	20,345
Escrow deposits	14	10
Customer deposits	162,416	255,125
Net pension liability	(253,358)	239,198
Deferred inflows - pension	129,487	6,849
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 2,042,785	$ 1,737,655
CASH AND CASH EQUIVALENTS:		
Cash and cash equivalents	$ 2,491,132	$ 1,935,146
Restricted cash	834,075	671,646
TOTAL CASH AND CASH EQUIVALENTS	$ 3,325,207	$ 2,606,792
NONCASH NONCAPITAL FINANCING ACTIVITIES:		
Appropriation to the Mayor and Council of New Castle	$ 41,621	$ 104,302
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:		
Contributions of infrastructure	$ 32,380	$ 32,578

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

NOTE 1 NATURE OF ACTIVITIES

Organized under a charter adopted on March 1, 1921 and amended throughout the years, the Municipal Services Commission of the City of New Castle, Delaware, operates under a Board of Commissioners and provides water and electric as authorized by its charter. Although the Commission is legally separate from the City of New Castle, it is a component unit of the City.

The Municipal Services Commission is governed by a three-member board, appointed one each by the City Council of the City of New Castle, the Mayor of the City of New Castle, and the Trustees of New Castle Common.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Municipal Services Commission ("the Commission") are accounted for on the accrual basis of accounting. With this measurement focus, all assets and deferred outflows of resources, and all liabilities and deferred inflows of resources are included in the statement of net position.

The components of net position are as follows:

- **Net investment in capital assets** – This component of net position consists of capital assets, net of accumulated depreciation.

- **Restricted** – This category presents external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

- **Unrestricted** – This component of net position consists of net position that does not meet the definition of "restricted" or "net investment in capital assets."

When both restricted and unrestricted resources are available for use, it is the Commission's policy to use restricted resources first and then unrestricted recourses as they are needed.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Commission considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Restricted Cash

The Commission has restricted cash at March 31, 2017 and 2016 of $834,076 and $671,646, respectively. The use of these funds is restricted for the refund of security deposits collected from customers.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Investments

The Commission's investments consist of mutual funds. Investments are recorded at fair value. In establishing the fair value of investments, the Commission uses the following hierarchy. The lowest available level of valuation is used for all investments.

Level 1 – Valuations based on quoted market prices in active markets for identical assets or liabilities that the entity has the ability to access.

Level 2 – Valuations based on quoted prices of similar products in active markets or identical products in markets that are not active or for which all significant inputs are observable, directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

Accounts Receivable

The Commission carries its accounts receivable at gross realizable value less an allowance for doubtful accounts. On a periodic basis, the Commission evaluates its electric accounts receivable and establishes an allowance for doubtful accounts, when deemed necessary, based on its analysis of the aged receivables. The Commission does not provide an allowance for doubtful accounts on its water accounts receivable because of its ability to file a lien on the property. The Commission may eventually write off a doubtful account as uncollectible when collection efforts fail over a period of time.

Inventory

Inventory consists of materials, parts, and supplies used by the Commission to provide water and electric to its customers. Inventory is carried at the lower of cost or market, with cost being determined on the first-in, first-out (FIFO) basis.

Property, Plant, and Equipment

Property, plant, and equipment is valued at historical cost or estimated historical cost if actual historical cost is not available.

The Commission follows the practice of capitalizing costs for property, plant, and equipment in excess of $2,500; the fair value of donated property and equipment is similarly capitalized.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Depreciation of all exhaustible property, plant, and equipment is charged as an expense against operations. Depreciation has been provided for using the straight-line method over the estimated useful lives of the assets, which range from three to one hundred years. Depreciation expense was $664,298 and $637,853 for the years ended March 31, 2017 and 2016, respectively.

Impairment of Long-lived Assets

The Commission evaluates impairment of its long-lived assets as required by authoritative guidance. The carrying value of long-lived assets held-and-used is evaluated when events or changes in circumstances indicate the carrying value may not be recoverable. The carrying value of a long-lived asset is considered impaired when the total projected undiscounted cash flows from such asset is separately identifiable and is less than the carrying value. In that event, a loss is recognized based on the amount by which the carrying value exceeds the fair value of the long-lived asset. Fair value is determined primarily using the projected cash flows from the asset discounted at a rate commensurate with the risk involved. No impairment loss was recognized during the years ended March 31, 2017 and 2016.

Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenses/expenditures) until then. The Commission has one item that qualifies for reporting in this category. Certain changes to the net pension liability are required to be amortized over a period of years; the unamortized portions of these changes are reflected as deferred outflows of resources in the statement of net position.

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Certain changes to the net pension liability are required to be amortized over a period of years; the unamortized portions of these changes are reflected as deferred inflows of resources in the statement of net position.

Compensated Absences

A ceiling of 280 hours has been established regarding the maximum number of hours of vacation that may be accumulated by each employee. Sick leave may be accumulated up to 2,080 hours by each employee. The Commission follows a policy which indicates all accumulated hours of sick leave are forfeited upon the resignation or termination of each employee. Any employee entering retirement, however, will be paid for all accumulated hours

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

of sick leave up to a maximum of 720 hours. Accumulated hours of vacation are paid regardless of whether the employee resigns, is terminated, or retires. The Commission accrues a liability for compensated absences which meet the following criteria:

- The Commission's obligation relating to employees' rights to receive compensation for future absences is attributable to employees' services already rendered.
- The obligation relates to rights that vest or accumulate.
- Payment of the compensation amount is probable.
- The amount can be reasonably estimated.

Contributed Capital

The Commission received a $943,000 grant in 1978 from the Economic Development Administration for the improvement of the Commission's water distribution system. The contributed capital portion of the constructed water tower is being amortized using the straight-line method over 50 years. The unamortized portion of the water tower for the years ended March 31, 2017 and 2016 is $235,750 and $254,610, respectively.

Private Developer Contributions

From time to time, the Commission receives contributions of infrastructure from third parties. The Commission takes possession of the infrastructure received. These contributions are recorded at fair value at the date of contribution. If the fair value of the contributed asset is not known, then the Commission will estimate the fair value. For the years ended March 31, 2017 and 2016, the Commission received contributed infrastructure of $32,380 and $32,578, respectively. The Commission depreciates these assets over their estimated useful life.

Revenue Recognition

The Commission recognizes revenue from its customers when billed. Charges for electric and water services are billed monthly. All charges are based on actual usage of electric and water determined from meter readings.

Use of Estimates in the Preparation of Financial Statements

Preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Implementation of GASB Statement

During the year ended March 31, 2017, the Commission implemented GASB Statement No. 72, "Fair Value Measurement and Application." This statement addresses accounting and financial reporting issues related to fair value investments.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement provides guidance for determining a fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The new disclosures required by GASB Statement No. 72 are included in Note 3 to the financial statements.

NOTE 3 DEPOSITS AND INVESTMENTS

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the Commission's deposits may not be returned. The Commission does not have a policy for custodial credit risk on deposits. At March 31, 2017 and 2016, the carrying amount of the Commission's deposits was $3,325,207 and $2,606,792, respectively, and the bank balance was $3,477,127 and $2,627,096, respectively. Of the bank balance, $250,000 and $250,000 was covered by federal depository insurance at March 31, 2017 and 2016, respectively. The remaining balances of $3,227,127 and $2,377,096 at March 31, 2017 and 2016, respectively, were uninsured and subject to custodial credit risk.

Investments

As of March 31, 2017 and 2016, the Commission had the following investments:

	March 31, 2017		March 31, 2016	
Investment Type	Fair Value	Level 1	Fair Value	Level 1
U.S. Agency Bond Fund	$ 98,593	$ 98,593	$ 102,668	$ 102,668
Corporate Bond Fund	313,642	313,642	308,524	308,524
Total Return Bond Fund	274,701	274,701	266,330	266,330
Senior Floating Rate Bond Fund	110,350	110,350	101,030	101,030
Strategic Income Bond Fund	275,814	275,814	252,469	252,469
TOTAL	$ 1,073,100	$ 1,073,100	$ 1,031,021	$ 1,031,021

During the years ended March 31, 2017 and 2016, the Commission recognized an unrealized gain (loss) on investments of $12,423 and ($26,574), respectively.

NOTE 3 DEPOSITS AND INVESTMENTS (cont'd)

Custodial Credit Risk

Custodial credit risk for an investment is the risk that in the event of the failure of the counterparty, the Commission will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Commission does not have an investment policy for managing custodial credit risk. The Commission's investment in mutual funds is exempt from risk categorization because the Commission does not own any identifiable securities but is a shareholder of a percentage of the mutual funds. There are no amounts held in uninsured and unregistered investments for which the securities are held by the counterparty, or by its safekeeping department or agent.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Commission does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of Credit Risk

The Commission has no investment policy that would limit the amount it may invest in any one issuer.

NOTE 4 ACCOUNTS RECEIVABLE

The Commission's policy is to maintain an allowance for doubtful accounts equal to 2.6 percent of the outstanding electric receivables at the end of the year. The net trade receivable consists of the following:

	March 31,	
	2017	2016
Electric receivables	$ 342,764	$ 743,527
Water receivables	73,988	101,329
Customer deposit receivable	4,798	117,568
	421,550	962,424
Less: Allowance for doubtful accounts	8,912	19,329
Total Accounts Receivable	$ 412,638	$ 943,095

NOTE 5 INVENTORY

The Commission's inventory consists of the following two major categories:

	March 31, 2017	March 31, 2016
Electric inventory	$ 448,252	$ 456,103
Water inventory	104,901	127,625
Total Inventory	$ 553,153	$ 583,728

NOTE 6 PROPERTY, PLANT, AND EQUIPMENT

A summary of property, plant, and equipment and accumulated depreciation for the years ended March 31, 2017 and 2016 is as follows:

	April 1, 2016	Additions	Deletions	March 31, 2017
Nondepreciable Assets:				
Land	$ 45,386	$ -	$ -	$ 45,386
Construction-in-progress	482,992	431,428	767,614	146,806
Total Nondepreciable Assets	528,378	431,428	767,614	192,192
Depreciable Assets:				
Building structures	521,771	6,126	-	527,897
Water department	10,098,141	494,214	-	10,592,355
Electric department	8,724,688	310,546	-	9,035,234
Common assets	1,763,137	396,768	197,689	1,962,216
Total Depreciable Assets	21,107,737	1,207,654	197,689	22,117,702
Less Accumulated Depreciation:				
Building structures	259,829	14,072	-	273,901
Water department	3,574,376	298,575	-	3,872,951
Electric department	5,988,603	234,560	-	6,223,163
Common assets	1,284,299	117,091	197,689	1,203,701
Total Accumulated Depreciation	11,107,107	664,298	197,689	11,573,716
Total Property, Plant, and Equipment, Net	$ 10,529,008	$ 974,784	$ 767,614	$ 10,736,178

NOTE 6 PROPERTY, PLANT, AND EQUIPMENT (cont'd)

	April 1, 2015	Additions	Deletions	March 31, 2016
Nondepreciable Assets:				
Land	$ 45,386	$ -	$ -	$ 45,386
Construction-in-progress	503,862	-	20,870	482,992
Total Nondepreciable Assets	549,248	-	20,870	528,378
Depreciable Assets:				
Building structures	841,091	22,008	341,328	521,771
Water department	8,859,896	1,414,309	176,064	10,098,141
Electric department	8,677,446	246,784	199,542	8,724,688
Common assets	1,992,155	110,666	339,684	1,763,137
Total Depreciable Assets	20,370,588	1,793,767	1,056,158	21,107,737
Less Accumulated Depreciation:				
Building structures	582,298	13,323	335,792	259,829
Water department	3,400,265	332,883	158,772	3,574,376
Electric department	5,946,307	196,791	154,495	5,988,603
Common assets	1,519,321	94,856	329,878	1,284,299
Total Accumulated Depreciation	11,448,191	637,853	978,937	11,107,107
Total Property, Plant, and Equipment, Net	$ 9,471,645	$ 974,784	$ 767,614	$ 10,529,008

Depreciation expense for the years ended March 31, 2017 and 2016 was $664,298 and $637,853, respectively.

NOTE 7 DEFINED BENEFIT PENSION PLAN

Plan Description and Provisions

The Commission has a defined benefit pension plan ("the Plan") which covers all of its employees hired before April 1, 2016. The Plan is administered by independent administrators, and the Commission's account is funded entirely through a contribution by the Commission. For the years ended March 31, 2017 and 2016, the dollar amount of current payroll used in the determination of the minimal contribution utilized the calendar year payroll of $1,349,234 and $1,327,494, respectively. Total payroll for the years ended March 31, 2017 and 2016 is $1,419,346 and $1,345,296, respectively.

All full-time Commission employees hired before April 1, 2016 are eligible to participate in the Plan upon employment. Benefits do not vest until the completion of five years of service, at which time the employee is 100 percent vested. The Commission amended the Normal Retirement Benefit effective July 1, 2000. Non-union participants hired prior to July 1, 2000 are

NOTE 7 DEFINED BENEFIT PENSION PLAN (cont'd)

entitled to the benefit computation resulting in the greater benefit calculated under Option A or B. Non-union participants hired after July 1, 2000 are entitled to the benefit computed under Option B. For union employees, benefits are calculated under Option A only. The full-time Commission employees who retire at or after age 65 with five years of credited service are entitled to benefits calculated under the applicable formula as follows:

A. 2.0 percent of final average compensation (average of 60 months) multiplied by continuous years of service with a maximum monthly benefit of $3,200. As of April 1, 2016, in no event will the monthly benefit under this paragraph (a) exceed $3,600.

B. 1.67 percent of final average compensation multiplied by years of service taken to the nearest twelfth of a year but not more than 75 percent of final average compensation minus Social Security benefits payable at age 62, the result multiplied by years of service (maximum 30) divided by 30.

The Plan has an early retirement provision for Option A, age 55 and 10 years of service and for Option B, age 55 and 15 years of service with a reduction in the retirement benefit. As of April 1, 2013, a participant age 55 with 30 years of service will have an early retirement provision with no reduction in the retirement benefit.

Upon the death of an active member who is eligible for retirement, or of an active or terminated vested member, the surviving spouse is entitled to 50 percent of the benefit the member was receiving or would have been receiving had he retired at the date of death. The benefits are computed as life annuities.

As of April 1, 2016, any newly hired employee will not be eligible to participate in the Pension Plan. All employees currently participating in the Plan will continue to be eligible to accrue additional pension benefits and vesting service. Any current, eligible participant, who terminates employment with the employer after April 1, 2016 and is subsequently rehired, will not be eligible to reenter the Plan.

Pension Assets, Liabilities, Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

As of March 31, 2017 and 2016, the Plan reported a net pension liability of $890,698 and $1,144,056, respectively. The net pension liability was measured as of March 31, 2017 and 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of March 31, 2017 and 2016. For the years ended March 31, 2017 and 2016, the Plan recognized pension expense in the amount of $206,370 and $247,177, respectively.

NOTE 7 DEFINED BENEFIT PENSION PLAN (cont'd)

Net Pension Liability

The components of the net pension liability of the Commission at March 31, 2017 and 2016 were as follows:

	2017	2016
Total pension liability	$ 3,692,932	$ 3,743,008
Plan fiduciary net position	2,802,234	2,598,952
Township's net pension liability	$ 890,698	$ 1,144,056
Plan fiduciary net position as a percentage of the total pension liability	75.88%	69.43%

The Commissions' changes in total pension liability, plan fiduciary net position, and net pension liability for the years ended March 31, 2017 and 2016 were as follows:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at March 31, 2015	$ 3,602,487	$ 2,697,629	$ 904,858
Changes for the year:			
Service cost	89,074	-	89,074
Interest	242,239	-	243,239
Experience gain	(7,211)	-	(7,211)
Changes in assumptions	9,078	-	9,078
Changes in benefit provisions	54,088	-	54,088
Benefit payments	(246,747)	(246,747)	-
Employer contributions	-	200,000	(200,000)
Net investment loss	-	(51,930)	51,930
Net Changes	140,521	(98,677)	239,198
Balance at March 31, 2016	$ 3,743,008	$ 2,598,952	$ 1,144,056

NOTE 7 DEFINED BENEFIT PENSION PLAN (cont'd)

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at March 31, 2016	$ 3,743,008	$ 2,598,952	$ 1,144,056
Changes for the year:			
Service cost	112,447	-	112,447
Interest	251,912	-	251,912
Experience gain	(137,115)	-	(137,115)
Changes in assumptions	9,432	-	9,432
Benefit payments	(286,752)	(286,752)	-
Employer contributions	-	212,736	(212,736)
Net investment income	-	277,298	(277,298)
Net Changes	(50,076)	203,282	(253,358)
Balance at March 31, 2017	$ 3,692,932	$ 2,802,234	$ 890,698

Contribution and Investment Disclosures

Minimum annual funding requirements for the Plan are determined under the aggregate cost funding method. This method determines annual cost by fully funding the Plan's present value of future benefits over the average future working lifetime of active Plan participants as a level percentage of expected future salaries. The Commissions' funding policy is to contribute an amount at least equal to the Plan's minimum funding requirement. Additional contributions may be made at the discretion of the Commission.

Once money is contributed to the Plan, the money is invested in accordance with the policy adopted by the Commission's Board. Generally speaking, the investment policy provides the fiduciaries who are responsible for plan investments with guidelines or general instruction concerning various types or categories of investment management decisions.

The Commission has defined acceptable allocation ranges and performance benchmarks by asset class within the investment policy. The portfolio should be invested with the care, skill, and diligence of a prudent man within the prescribed allocation ranges in order to limit potential underperformance and minimize the likelihood of low or negative returns. The investment objectives are long-term and designed to maximize return without undue exposure to risk.

The long-term expected rate of return on plan investments is 7.00 percent. This rate is supported using a building-block method in which expected real rates of return (i.e. expected return net of inflation and investment expenses) are developed for each major asset class. These rates are combined by weighting the expected real rates by the target asset allocation and adding expected inflation. The target allocation and current estimates of the real rates of return for each major asset class are summarized below.

NOTE 7 DEFINED BENEFIT PENSION PLAN (cont'd)

Target Asset Class	Allocation	Expected Real Rate of Return
Domestic equity	51%	5.75%
International equity	11%	6.00%
Fixed income	35%	3.50%
Real estate	3%	5.50%
Cash	0%	2.00%

Over the long-term, inflation is expected to add 2.0 percent to 2.5 percent in portfolio return.

All Plan investments are regularly traded and valued daily. Investments are reported based on the fair market value as of the measurement date.

As of March 31, 2017 and 2016, five percent or more of Plan assets were held in the following individual funds:

Investment Fund	March 31, 2017	March 31, 2016
Vanguard Mid-Cap Index	13.0%	13.1%
Metro West Intermediate Bond	10.0%	9.9%
DWS Equity 500 Index	10.0%	10.1%
John Hancock Strategic Income	8.0%	9.9%
Pioneer Strategic Income	7.0%	9.9%
Oppenheimer Developing Markets	5.1%	5.1%
Vanguard Growth Index	5.0%	-
Vanguard Inflation Protection	5.0%	-
Vanguard Total Bond Market	5.0%	-
American Funds AMCAP	5.0%	5.0%
American Funds American Mutual	-	5.0%
Vanguard Value Index	-	5.0%

Discount Rate and Liability Disclosures

The discount rate used to measure the total pension liability is 7.00 percent.

Minimum annual funding requirements are calculated in accordance with the aggregate funding method. Required annual funding is an amount intended to increase Plan funding to 100 percent of total expected future benefit liability over active participants average working lifetime. Annual funding can be no less than the amount required to make retiree benefit payments in the current year.

NOTE 7 DEFINED BENEFIT PENSION PLAN (cont'd)

Based on the level of expected annual funding, the Plan's fiduciary net position is projected to be available to make all projected future benefit payments to current active and inactive Plan members. Therefore, the long-term expected rate of return on pension investments is used to determine the total pension liability.

Normal funding method was determined to be 8.31 percent of annual covered payroll.

The most recent actuarial valuation of the Plan is as of April 1, 2017. The Commission's current normal cost rate (value of benefits being earned in the current fiscal year) is under the entry age.

As of April 1, 2017, the Plan covered a total of 35 participants including 17 active plan members, 13 retirees and beneficiaries receiving benefits from the Plan, and five terminated members who are entitled to future benefits.

The total pension liability of the Plan is sensitive to changes in the liability discount rate. An increase in the discount rate would reduce total pension liability (and vice versa) as well as the Plan's net pension liability. The chart below shows the Plan's estimated net pension liability as of March 31, 2017 and 2016, as well as the impact of a one percent increase or decrease in discount rate.

Net Pension Liability	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
As of March 31, 2017	$ 1,320,778	$ 890,698	$ 534,946
As of March 31, 2016	1,567,992	1,144,056	792,085

Deferred Amounts and Plan Change Disclosures

As of March 31, 2017, the Commission reported deferred outflows and inflows of resources related to the Plan as summarized below. These deferred items will be recognized in future pension expense and are detailed in the schedule of deferred gains and losses.

	Deferred Outflows	Deferred Inflows
Liability experience	$ -	$ 136,336
Assumption changes	17,098	-
Investment experience	64,267	-
Total	$ 81,365	$ 136,336

NOTE 7 DEFINED BENEFIT PENSION PLAN (cont'd)

As of March 31, 2016, the Commission reported deferred outflows and inflows of resources related to the Plan as summarized below. These deferred items will be recognized in future pension expense and detailed in the schedule of deferred gains and losses.

	Deferred Outflows	Deferred Inflows
Liability experience	$ -	$ 6,849
Assumption changes	8,622	-
Investment experience	190,248	-
Total	$ 198,870	$ 6,849

The amounts shown above will be recognized in pension expense as follows:

Year Ended March 31,	March 31, 2017	March 31, 2016
2017	$ -	$ 47,656
2018	21,285	47,656
2019	21,285	47,656
2020	21,285	47,656
2021	(26,276)	94
2022	(6,672)	94
After 2022	(85,878)	1,209
Total	$ (54,971)	$ 192,021

During the period of plan history shown in this report, the following changes in valuation assumptions and/or benefit terms have occurred:

Assumed mortality was updated from the Male UP-94 Table projected to 2001 to the sex-distinct IRS Static Tables as of January 1, 2011 and updated to the most recent table each year thereafter.

Part (a) maximum monthly benefits were increased from $1,800 to $2,000 on April 1, 2008, $2,400 on April 1, 2010, $3,200 on April 1, 2013, and $3,600 on April 1, 2016.

An unreduced early retirement benefit with 30 or more years of service was added to the Plan on April 1, 2013. As a result, an assumed retirement age of 60 with 30 or more years of service was added to the valuation of April 1, 2013.

NOTE 7 DEFINED BENEFIT PENSION PLAN (cont'd)

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is available in a separately issued report.

NOTE 8 DEFINED CONTRIBUTION PLAN

All employees hired after April 1, 2016 will be eligible to participate in a Defined Contribution Plan after completion of one full year of service. The Commission established a Defined Contribution Plan in accordance with Internal Revenue Code ("IRC") Section 401(a) on April 1, 2017. The Plan is administered by Nationwide Retirement Solutions, Inc. The Commission contributes four percent of each eligible employee's base wages, excluding overtime and stand by pay. The Commission will also match employee contributions to the Commission's Deferred Compensation Plan ("457 Plan") up to three percent of the employee's base wages, excluding overtime and stand by pay, for a maximum employer contribution of seven percent. The employee will be fully vested in the employer contributions.

NOTE 9 APPROPRIATIONS TO THE MAYOR AND COUNCIL OF NEW CASTLE

Ordinary – During the years ended March 31, 2017 and 2016, the Commission appropriated $664,281 and $537,575, respectively, to the Mayor and Council of New Castle.

City Services – The Commission reflects the cost of city electric and water usage as a City Services appropriation on its financial statements. The City Services appropriation totaled $41,621 and $104,302 for the years ended March 31, 2017 and 2016, respectively. Of this amount, $22,483 and $21,711 represented water usage, and $19,138 and $82,591 represented electric usage for the years ended March 31, 2017 and 2016, respectively.

Special – During the years ended March 31, 2017 and 2016, the Commission also approved special appropriations totaling $30,063 and $30,613, respectively, to the Mayor and Council of New Castle.

NOTE 10 COMMITMENTS

The Commission routinely contracts with third parties related to additions or repairs to the Commission's infrastructure.

Other Commitments – The Commission has entered into an agreement with the Delaware Municipal Electric Corporation, Inc. ("DEMEC") to act as its agent for the purchase of electric capacity and energy. This agreement was effective January 1, 2000 through December 31, 2003 and is automatically extended for succeeding periods of one year, except that it may be terminated at any time during any of the succeeding periods upon 60 days written notice by either party.

NOTE 10 COMMITMENTS (cont'd)

Under the agreement, DEMEC is authorized to act as an agent for the Commission in all matters relating to the acquisition and delivery of its wholesale power supply. DEMEC may enter into power supply management agreements with other entities for the purpose of efficiently managing energy cost risk.

The Commission has a separate power sales contract with DEMEC to purchase capacity from an electric power plant owned by DEMEC. On May 1, 2011, the Commission entered into another power sales contract with DEMEC to purchase additional capacity from a new electric power plant that DEMEC will build and own. The Commission is contractually bound to pay debt service and other costs through the contracts. The Commission's share, in the projects, corresponds to its share of load, which is the amount of debt service for which they are responsible. The power sales contracts run as long as there are bonds outstanding on the projects. If the Commission or any other participant defaults on their payment obligation, the remaining participants must pay their respective pro rata share of the defaulted amounts, not to exceed 125 percent of their initial pro rata share.

In January 2008, the Commissioners unanimously voted to build a second substation on the southwesterly side of the city to meet current and future electric demands. The Commissioners amended their full power purchase agreement with DEMEC to allow DEMEC to build the substation and sell to the Commission transformation services from the new substation. The Commission is required to purchase these services until the bonds DEMEC issued to finance the project are retired. The bonds, which were issued in December 2008, were in the amount of $7 million, they had a term of ten years and at the end of the bond term, there was a balloon payment of $2,728,825 of principal and interest which could be refinanced or paid. On November 23, 2015, the Commission, through DEMEC, approved Resolution 2015-1, which authorized the refunding of the 2008 Bond through the issuance of a refunding bond and entry into a new loan agreement with PNC Bank. On December 4, 2015, DEMEC and PNC Bank executed an Electric Revenue Refunding Bond, Series of 2015 in the amount of $4,216,387.27. The proceeds were utilized to refund the 2008 Bond, pay the prepayment fee associated with the 2008 Bond, and pay the costs of issuance. The refunding transaction allowed the Commission to achieve a lower interest rate as well as an extension of the final maturity of the obligation from June 1, 2019 to December 4, 2022. Upon retirement of the bonds, the substation will be turned over to the Municipal Services Commission of the City of New Castle. During the fiscal years ended March 31, 2017 and 2016, the Commission has incurred $634,644 and $634,644, respectively, in operational costs related to the substation which is recorded in purchase of power and water on the statements of revenues and expenses. The monthly payment is currently $52,887 and will remain this amount through December 2022 with a final balloon payment of $537,154 due December 2022. Construction on the substation, named the Dobbinsville Substation, began in the spring of 2010 and was completed and placed in service on February 8, 2011. The Commission completed modifications on the Wilmington Road substation in early 2014, which was also financed through the bond issuance.

NOTE 10 COMMITMENTS (cont'd)

Future minimum payments under the amended full power purchase agreement as it relates to the new substation are as follows:

Year Ending March 31,	Payment
2018	$ 634,642
2019	634,642
2020	634,642
2021	634,642
2022	634,642
Thereafter	269,030
	$ 3,442,240

During the years ended March 31, 2017 and 2016, the expense related to the purchase of power under the full power purchase agreement with DEMEC is $6,662,856 and $6,653,093, respectively. The amount payable as of March 31, 2017 and 2016 is $566,014 and $549,817, respectively. At times the Commission may be required to provide advances to DEMEC to cover cash collateral calls as a result of forward power purchase positions. There were no such advances for the years ended March 31, 2017 and 2016.

Assessment of additional amounts payable by the Commission to DEMEC may be required by virtue of the Commission's various agreements with DEMEC.

NOTE 11 REGULATORY ISSUES

This note relates to transmission which is regulated by the Federal Energy Regulatory Commission ("FERC").

Delmarva provides transmission services to the Commission through an interconnection agreement which controls the tap of Delmarva's 138,000-volt transmission line by the Commission. When/if Delmarva wants to change its tariff or the interconnection agreement, Delmarva must get approval from FERC. DEMEC represents the Commission's interest when changes are presented to FERC.

NOTE 12 CONCENTRATIONS

Labor Force – A portion of the Commission's labor force is comprised of union employees, who are employed under the terms of a collectively bargained compensation agreement which lasts for three years. The collective bargaining agreement covers approximately 52 percent and 39 percent of the Commission's workforce for the years ended March 31, 2017 and 2016, respectively. The current agreement is set to expire on March 31, 2019.

NOTE 12 CONCENTRATIONS (cont'd)

Significant Customer – Approximately 10 percent of the Commission's net operating revenues are from one customer for the years ended March 31, 2017 and 2016.

NOTE 13 ENVIRONMENTAL ISSUES

The Commission is subject to laws and regulations relating to the protection of the environment. The Commission's policy is to accrue environmental and cleanup-related costs of a non-capital nature when it is both probable that a liability has been incurred and when the amount can be reasonably estimated. Although it is not possible to quantify with any degree of certainty the potential financial impact of the Commission's continuing compliance efforts, management believes any future remediation or other compliance-related costs will not have a material adverse effect on the financial condition or reported results or operations of the Commission. Based on the Commission's analysis of its current operations, it believes there are no pending environmental issues as of March 31, 2017 and 2016.

NOTE 14 DEFERRED COMPENSATION PLAN

The Commission offers its employees a deferred compensation plan ("the Plan") in accordance with Internal Revenue Code ("IRC") Section 457. The Plan is administered by the National Association of Counties ("NACO"), with the Public Employees Benefit Services Corporation ("PEBSCo.") acting as its agent in fulfilling certain of the administrative and marketing requirements. The Plan, available to all employees of the Commission, permits them to defer a portion of their salary until future years. The deferred compensation, including related income, is not available to employees until termination, retirement, death, or unforeseeable emergency. In accordance with the provisions of IRC Section 457, the Commission does not own the amounts deferred by employees, including the related income on those amounts.

NOTE 15 CAPITAL PROJECT

In August 2014, the Commission was ordered to shut down its wells by the Delaware Division of Public Health Office of Drinking Water because two unregulated contaminants were found by the Commission to be above provisionary guidelines established by the Environmental Protection Agency ("EPA"). The Commission had budgeted approximately $1.2 million in expenditures in connection with the above. During the year ended March 31, 2015, the Commission incurred approximately $306,000 of the expenditures. These charges were for the purchase of water from a third party while the wells were shut down, rental of the temporary filtration system, and other expenses. During the year ended March 31, 2016, the Commission incurred approximately $453,000 of expenditures. Approximately $47,000 of the remaining expenditures were incurred in the year ended March 31, 2017.

NOTE 15 CAPITAL PROJECT (cont'd)

The Commission was approved for an emergency grant from the United States Department of Agriculture in the amount of $500,000 to defray a portion of the expenditures. The full $500,000 of the emergency grant funding approved has been received by the Commission.

The EPA is conducting an investigation to determine the source of the contamination. The investigation is not complete and; therefore, the outcome is not yet known. Management anticipates that the outcome will not have a significant negative effect on the Commission's financial position or results of operations.

NOTE 16 RECLASSIFICATION

Certain amounts in the 2016 financial statements have been reclassified to conform with the 2017 presentation.

NOTE 17 PRIOR PERIOD RESTATEMENT

During the year ended March 31, 2016, the Commission implemented GASB Statement No. 68, "Accounting and Financial Reporting for Pensions," and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68." GASB Statement No. 68 replaces the requirements of GASB Statement No. 27, with the objective of improving the accounting and financial reporting of state and local governments for pensions. It requires that state and local governments recognize and record the actuarially determined net pension liability in the entity's financial statements.

GASB Statement No. 71 amends GASB Statement No. 68 and addresses an issue regarding application of the transition provisions in the year of implementation. It requires that in the year of implementation, the state or local government recognize a beginning deferred outflow of contributions for its pension contributions made after the date of measurement.

During the year ended March 31, 2016, the Commission restated its March 31, 2015 net position to record the net pension liability at March 31, 2015 in accordance with the requirements of GASB Statements No. 68 and No. 71. The net result of this change is a decrease in net position of $904,858.

NOTE 18 SUBSEQUENT EVENTS

The Commission has evaluated all subsequent events through July 27, 2017, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

MUNICIPAL SERVICES COMMISSION
(A Component Unit of the City of New Castle)
SCHEDULE OF NET PENSION LIABILITY, RELATED RATIOS, AND INVESTMENT RETURNS

REQUIRED SUPPLEMENTARY INFORMATION

	2017	2016
TOTAL PENSION LIABILITY		
Service cost	$ 112,447	$ 89,074
Interest on total pension liability	251,912	242,239
Experience (gain) or loss	(137,115)	(7,211)
Effect of assumption changes or inputs	9,432	9,078
Plan benefit changes	-	54,088
Benefit payments	(286,752)	(246,747)
Net change in total pension liability	(50,076)	140,521
Total pension liability, beginning	3,743,008	3,602,487
Total pension liability, ending (a)	$ 3,692,932	$ 3,743,008
FIDUCIARY NET POSITION		
Employer contributions	$ 212,736	$ 200,000
Investment income (loss) net of investment expenses	277,298	(51,930)
Benefit payments	(286,752)	(246,747)
Net change in fiduciary net position	203,282	(98,677)
Fiduciary net position, beginning	2,598,952	2,697,629
Fiduciary net position, ending (b)	$ 2,802,234	$ 2,598,952
Net pension liability [(a) - (b)]	$ 890,698	$ 1,144,056
Plan fiduciary net position as a percentage of the total pension liability	75.88%	69.43%
Covered payroll	$ 1,366,918	$ 1,303,130
Net pension liability as a percentage of covered payroll	65.16%	87.79%
Annual money-weighted return, net of investment expenses	10.82%	-1.93%

MUNICIPAL SERVICES COMMISSION
(A Component Unit of the City of New Castle)
SCHEDULE OF EMPLOYER CONTRIBUTIONS

REQUIRED SUPPLEMENTARY INFORMATION

Fiscal Year Ended March 31,	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a Percentage of Covered Payroll
2008	$ 72,803	$ 98,865	$ (26,062)	$ 989,142	10.00%
2009	70,320	70,320	-	1,116,936	6.30%
2010	157,856	157,856	-	1,173,679	13.45%
2011	147,397	147,397	-	1,244,468	11.84%
2012	154,457	154,457	-	1,272,957	12.13%
2013	152,340	177,554	(25,214)	1,260,942	14.08%
2014	203,177	215,784	(12,607)	1,307,399	16.50%
2015	210,053	210,053	-	1,140,106	18.42%
2016	175,827	200,000	(24,173)	1,303,130	15.35%
2017	212,736	212,736	-	1,366,918	15.56%

Notes to Schedule of Employer Contributions

Valuation date	April 1, 2017
Actuarial cost method	Aggregate Funding Method
Amortization method	Level Dollar Amortization
Remaining amortization period	11 years
Amortization period	Closed
Asset valuation method	Market value of assets as of the valuation date including receivable contributions, as applicable.
Actuarial assumptions:	
Investment rate of return	7.00%
Discount rate	7.00%
Projected salary increases	Based on years of service
Cost of living adjustments	N/A
Mortality	Mortality rates are assumed in accordance with the sex distinct IRS 2017 Static Mortality Table for Annuitants and Non-annuitants.

SUPPLEMENTARY INFORMATION

MUNICIPAL SERVICES COMMISSION
(A Component Unit of the City of New Castle)
COMBINING SCHEDULES OF REVENUES AND EXPENSES BY DEPARTMENT
FOR THE YEARS ENDED MARCH 31, 2017 AND 2016

	Water Department		Electric Department		Total	
	2017	2016	2017	2016	2017	2016
OPERATING REVENUES:						
User charges	$ 1,587,561	$ 1,666,770	$ 9,501,649	$ 9,404,581	$11,089,210	$11,071,351
City service charges	22,483	21,711	38,398	82,591	60,881	104,302
Free service	3,488	2,138	51,245	52,111	54,733	54,249
Miscellaneous	29,229	16,899	82,774	66,284	112,003	83,183
TOTAL OPERATING REVENUES	1,642,761	1,707,518	9,674,066	9,605,567	11,316,827	11,313,085
LESS: Free service	(2,902)	(1,827)	(6,375)	(5,228)	(9,277)	(7,055)
NET OPERATING REVENUES	1,639,859	1,705,691	9,667,691	9,600,339	11,307,550	11,306,030
PURCHASE OF POWER AND WATER	24,428	24,000	7,297,500	7,287,736	7,321,928	7,311,736
OPERATING EXPENSES	1,204,593	1,094,344	1,136,743	1,023,813	2,341,336	2,118,157
GENERAL AND ADMINISTRATIVE EXPENSES	330,007	337,573	535,461	580,462	865,468	918,035
OPERATING INCOME	80,831	249,774	697,987	708,328	778,818	958,102
NONOPERATING REVENUES (EXPENSES):						
Investment income	4,970	4,915	28,367	27,541	33,337	32,456
Gain/(Loss) on sale of assets	-	(15,334)	8,550	(10,800)	8,550	(26,134)
Grant income	55,470	518,429	-	76,993	55,470	595,422
Grant expense	(11,878)	(41,612)	-	-	(11,878)	(41,612)
Private developer contributions	16,458	10,125	15,922	22,453	32,380	32,578
Appropriations to the Mayor and Council of New Castle:						
Ordinary	(100,006)	(80,700)	(564,275)	(456,875)	(664,281)	(537,575)
City services	(22,483)	(21,711)	(19,138)	(82,591)	(41,621)	(104,302)
Special	(12,772)	(10,495)	(17,291)	(20,118)	(30,063)	(30,613)
Unrealized Gains/(Losses)	1,863	(3,986)	10,560	(22,588)	12,423	(26,574)
TOTAL NONOPERATING REVENUES (EXPENSES)	(68,378)	359,631	(537,305)	(465,985)	(605,683)	(106,354)
CHANGE IN NET POSITION	$ 12,453	$ 609,405	$ 160,682	$ 242,343	$ 173,135	$ 851,748

MUNICIPAL SERVICES COMMISSION
(A Component Unit of the City of New Castle)
COMBINING SCHEDULES OF OPERATING EXPENSES BY DEPARTMENT
FOR THE YEARS ENDED MARCH 31, 2017 AND 2016

	Water Department		Electric Department		Total	
	2017	2016	2017	2016	2017	2016
OPERATING EXPENSES:						
Clothing allowance	$ 3,749	$ 4,241	$ 9,611	$ 8,968	$ 13,360	$ 13,209
Computer expense	12,431	12,550	17,548	15,781	29,979	28,331
Depreciation:						
Plant and equipment	336,158	328,473	233,986	233,034	570,144	561,507
Trucks and autos	16,069	15,309	58,076	38,175	74,145	53,484
Employee benefits	99,668	86,998	90,309	82,063	189,977	169,061
Engineering fees	1,166	-	800	-	1,966	-
Equipment rental	337	48,654	412	785	749	49,439
Insurance	55,458	50,222	47,786	43,009	103,244	93,231
Payroll taxes	30,464	24,442	32,548	29,197	63,012	53,639
Pension expense	64,181	76,876	77,863	93,263	142,044	170,139
Plant materials and supplies	11,669	5,136	18,139	5,793	29,808	10,929
Repairs and maintenance:						
Buildings and grounds	6,237	6,488	2,597	2,296	8,834	8,784
Hydrants, mains, and valves	6,255	3,183	-	-	6,255	3,183
Lines and poles	-	-	5,576	4,676	5,576	4,676
Meters and services	23,359	2,676	6,789	2,642	30,148	5,318
Pumping stations	28,693	18,338	-	-	28,693	18,338
Storm damage	-	-	-	138	-	138
Street lights	-	-	2,758	3,565	2,758	3,565
Substations	-	-	2,754	1,121	2,754	1,121
Salaries and wages	421,698	334,211	447,992	389,850	869,690	724,061
Safety expense	2,949	669	3,480	5,163	6,429	5,832
Sampling and testing	15,277	13,749	11,300	4,597	26,577	18,346
Security	-	-	3,602	2,492	3,602	2,492
Seminars/Training	4,799	1,675	2,291	3,977	7,090	5,652
Supplies	11,288	11,603	17,985	12,948	29,273	24,551
Truck expense	18,683	15,383	29,037	26,077	47,720	41,460
Utilities	34,005	33,468	13,504	14,203	47,509	47,671
TOTAL OPERATING EXPENSES	$ 1,204,593	$ 1,094,344	$ 1,136,743	$ 1,023,813	$ 2,341,336	$ 2,118,157

MUNICIPAL SERVICES COMMISSION
(A Component Unit of the City of New Castle)
COMBINING SCHEDULES OF GENERAL AND ADMINISTRATIVE EXPENSES BY DEPARTMENT
FOR THE YEARS ENDED MARCH 31, 2017 AND 2016

	Water Department		Electric Department		Total	
	2017	2016	2017	2016	2017	2016
GENERAL AND ADMINISTRATIVE EXPENSES:						
Administrative	$ 15,000	$ 14,438	$ 18,523	$ 17,615	$ 33,523	$ 32,053
Bad debts	-	-	-	10,679	-	10,679
Depreciation - furniture and fixtures	9,022	10,288	10,987	12,574	20,009	22,862
Dues and subscriptions	3,247	3,025	1,414	1,803	4,661	4,828
Employee benefits	30,567	34,283	51,185	65,282	81,752	99,565
Fees and permits	258	258	193	193	451	451
Insurance	15,567	15,265	17,750	17,484	33,317	32,749
Office salaries	156,498	140,320	274,307	271,252	430,805	411,572
Office supplies	19,369	17,369	26,286	23,686	45,655	41,055
Payroll taxes	14,847	14,763	23,059	24,460	37,906	39,223
Pension expense	15,024	17,991	49,302	59,047	64,326	77,038
Professional fees	26,452	42,950	32,447	43,242	58,899	86,192
Rent	-	-	485	801	485	801
Repairs and maintenance - equipment	5,522	7,264	6,749	8,879	12,271	16,143
Security system	1,707	1,641	2,087	1,781	3,794	3,422
Telephone	10,945	11,693	13,377	14,292	24,322	25,985
Training - administrative	4,478	4,266	5,473	5,225	9,951	9,491
Utilities and other expenses	1,504	1,759	1,837	2,167	3,341	3,926
TOTAL GENERAL AND ADMINISTRATIVE EXPENSES	$ 330,007	$ 337,573	$ 535,461	$ 580,462	$ 865,468	$ 918,035