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

FINANCIAL STATEMENTS
REQUIRED SUPPLEMENTARY INFORMATION
SUPPLEMENTARY INFORMATION
AND
INDEPENDENT AUDITOR'S REPORT

MARCH 31, 2016 AND 2015

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

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MARCH 31, 2016 AND 2015

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To the Board of Commissioners
Municipal Services Commission
(A Component Unit of the City of
New Castle, Delaware)
New Castle, Delaware

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of Municipal Services Commission (a Component Unit of the City of New Castle, Delaware) which comprises the statements of net position as of March 31, 2016 and 2015, and the related statements of changes in net position, revenue and expenses and cash flows for the years then ended and the related notes to the financial statements.

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 audits. We conducted our audits 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.

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 Municipal Services Commission as of March 31, 2016 and 2015, the respective changes in financial position, the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Management adopted the provisions of Governmental Accounting Standards Board Statement No. 68 – Accounting and Financial Reporting for Pensions, which became effective during the year ended March 31, 2016 and required the restatement of net position as discussed in Note 2 to the financial statements. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted 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 the 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 Schedules 1 and 2 related to the 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 this information in accordance with generally accepted auditing standards 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.

HORTY

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Wilmington, Delaware
August 29, 2016

Horty & Horty PA

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

STATEMENTS OF NET POSITION

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	March 31, 2016	March 31, 2015
Current Assets:		
Cash	$ 1,935,146	$ 2,369,716
Investments	1,031,021	1,028,300
Accounts Receivable (Net of Allowance for Doubtful Accounts of $19,329 and $17,741 at March 31, 2016 and 2015, Respectively)	943,095	775,056
Grants Receivable	149,417	
Inventory	583,728	590,106
Dividends Receivable	149	252
Prepayments	69,189	68,371
Other Receivables	1,316	30,988
Total Current Assets	4,713,061	4,862,789
Property, Plant and Equipment:		
Property, Plant and Equipment	21,153,123	20,415,974
Construction in Progress	482,992	503,862
	21,636,115	20,919,836
Less: Accumulated Depreciation	11,107,107	11,448,191
Net Property and Equipment	10,529,008	9,471,645
Other Asset:		
Restricted Cash	671,646	416,511
Total Assets	15,913,715	14,750,945
Deferred Outflows of Resources:		
Pension Related	198,870	
Total Assets and Deferred Outflows of Resources	$ 16,112,585	$ 14,750,945

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

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

	March 31, 2016	March 31, 2015
Current Liabilities:		
Accounts Payable	$ 610,381	$ 688,590
Accrued Expenses	32,117	16,716
Payroll Withholdings Payable	5,641	2,843
Accrued Wages	73,562	32,665
Developer Deposits	7,660	254
Other Liabilities	1,302	1,230
Accrued Compensated Absences	286,051	265,706
Total Current Liabilities	1,016,714	1,008,004
Long-Term Liabilities:		
Escrow Deposits	4,372	4,362
Customer Deposits	667,274	412,149
Net Pension Liability	1,144,056	
Total Liabilities	2,832,416	1,424,515
Deferred Inflows of Resources:		
Pension Related	6,849	
Total Liabilities and Deferred Inflows of Resources	2,839,265	1,424,515
Net Position:		
Contributed Capital:		
Capital Grant	943,000	943,000
Less: Accumulated Amortization	688,390	669,530
Net Capital Grant	254,610	273,470
Private Developer Contributions	2,291,350	2,258,772
Total Contributed Capital	2,545,960	2,532,242
Unrestricted Net Position	10,727,360	10,794,188
Total Net Position	13,273,320	13,326,430
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 16,112,585	$ 14,750,945

Exhibit B

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

STATEMENTS OF CHANGES IN NET POSITION

YEAR ENDED MARCH 31, 2016 AND 2015

	Contributed Capital						
	Capital Grant			Private Developer Contributions	Total Contributed Capital	Unrestricted Net Position	Total Net Position
	Capital Grant	Accumulated Amortization	Net Capital Grant				
Balance - April 1, 2014	$ 943,000	($ 650,670)	$ 292,330	$ 1,854,736	$ 2,147,066	$ 10,868,853	$ 13,015,919
Amortization of Capital Grant		(18,860)	(18,860)		(18,860)	18,860	-0-
Change in Net Position				404,036	404,036	(93,525)	310,511
Balance - March 31, 2015	943,000	(669,530)	273,470	2,258,772	2,532,242	10,794,188	13,326,430
Prior Period Adjustment						(904,858)	(904,858)
Amortization of Capital Grant		(18,860)	(18,860)		(18,860)	18,860	-0-
Change in Net Position				32,578	32,578	819,170	851,748
Balance - March 31, 2016	$ 943,000	($ 688,390)	$ 254,610	$ 2,291,350	$ 2,545,960	$ 10,727,360	$ 13,273,320

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

Exhibit C

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

STATEMENTS OF REVENUES AND EXPENSES

	Year Ended March 31, 2016	2015
Operating Revenues:		
User Charges	$ 11,071,351	$ 10,900,690
City Service Charges	104,302	105,501
Free Service	54,249	44,623
Miscellaneous	83,183	114,496
Total Operating Revenues	11,313,085	11,165,310
Less: Free Service	7,055	2,317
Net Operating Revenues	11,306,030	11,162,993
Purchase of Power and Water	7,311,736	7,722,255
Operating Expenses	2,118,157	2,094,354
General and Administrative Expenses	918,035	857,427
Operating Income	958,102	488,957
Nonoperating Revenues (Expenses):		
Investment Income	32,456	37,373
Gain (Loss) on Sale of Assets	(26,134)	1,900
Grant Income	595,422	
Grant Expense	(41,612)	
Private Developer Contributions	32,578	404,036
Appropriations to the Mayor and Council of New Castle:		
Ordinary	(537,575)	(500,000)
City Services	(104,302)	(105,501)
Special	(30,613)	(16,141)
Net Decrease in the Fair Value of Investments	(26,574)	(113)
Total Nonoperating Revenues (Expenses) - Net	(106,354)	(178,446)
Change in Net Position	$ 851,748	$ 310,511

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

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

STATEMENTS OF CASH FLOWS

	Year Ended March 31, 2016	2015
Cash Flows From Operating Activities:		
Change in Net Position	$ 851,748	$ 310,511
Adjustments to Reconcile Change in Net Position to Net Cash Provided By Operating Activities:		
Bad Debts	10,679	18,181
Depreciation	637,853	612,963
(Gain) Loss on Sale of Assets	26,134	(1,900)
Net Decrease in the Fair Value of Investments	26,574	113
Private Developer Contributions	(32,578)	(404,036)
Appropriations to the Mayor and Council of New Castle	568,188	516,141
(Increase) Decrease in:		
Accounts Receivable	(178,718)	(100,918)
Grants Receivable	(149,417)	
Inventory	6,378	(15,941)
Dividends Receivable	103	131
Prepayments	(818)	(8,935)
Other Receivables	29,672	3,750
Restricted Cash	(255,135)	(115,883)
Deferred Outflows of Resources	(198,870)	
Increase (Decrease) in:		
Accounts Payable	(78,209)	32,601
Accrued Expenses	15,401	120
Payroll Withholdings Payable	2,798	(2,369)
Accrued Wages	40,897	2,145
Developer Deposits	7,406	(11,333)
Accrued Compensated Absences	20,345	(6,307)
Escrow Deposits	10	9
Customer Deposits	255,125	115,874
Net Pension Liability	239,198	
Other Liabilities	72	1,230
Deferred Inflows of Resources	6,849	
Net Cash Provided By Operating Activities	1,851,685	946,147
Cash Flows From Noncapital Financing Activities:		
Appropriations to the Mayor and Council of New Castle	(568,188)	(516,141)

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

	Year Ended March 31, 2016	2015
Cash Flows From Capital and Related Financing Activities:		
Acquisition and Construction of Property, Plant and Equipment	($ 1,716,142)	($ 650,063)
Construction in Progress - Net	20,870	90,679
Proceeds from Sale of Property, Plant and Equipment	6,500	1,900
Net Cash Used For Capital and Related Financing Activities	(1,688,772)	(557,484)
Cash Flows From Investing Activities:		
Purchase of Investments	(29,295)	(29,941)
Net Change in Cash	(434,570)	(157,419)
Cash:		
Beginning of year	2,369,716	2,527,135
End of year	$ 1,935,146	$ 2,369,716

Supplemental Disclosure of Noncash Noncapital Financing Activities:

During the years ended March 31, 2016 and 2015, the Commission earned revenue from electric and water services in the amount of $104,302 and $105,501, respectively, from the Mayor and Council of New Castle. These amounts were appropriated to the Mayor and Council of New Castle.

Supplemental Disclosure of Noncash Capital and Related Financing Activities:

During the years ended March 31, 2016 and 2015, the Commission received contributions of infrastructure from third parties in the amount of $32,578 and $404,036, respectively.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2016 AND 2015

Note 1 - Nature of Activities

Organized under a charter adopted on March 1, 1921 and amended throughout the years, the Municipal Services Commission (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 Commission's policy is to prepare its financial statements on the accrual basis of accounting; consequently, revenue is recognized when earned and expenses when incurred.

The Commission follows the pronouncements of the Governmental Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which requires the Commission to follow the pronouncements of the GASB in its accounting and financial reporting.

Cash

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.

The Commission has restricted cash at March 31, 2016 and 2015 of $671,646 and $416,511, respectively. The use of these funds is restricted for the refund of security deposits collected from customers.

Note 2 - Summary of Significant Accounting Policies (Continued)

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.

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 is $637,853 and $612,963 for the years ended March 31, 2016 and 2015, respectively.

Note 2 - Summary of Significant Accounting Policies (Continued)

Impairment of Long-Lived Assets

The Commission evaluates impairment of its long-lived assets other than goodwill, 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, 2016 and 2015.

Liability for 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 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.

Note 2 - Summary of Significant Accounting Policies (Continued)

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, 2016 and 2015 is $254,610 and $273,470, 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, 2016 and 2015, the Commission received contributed infrastructure of $32,578 and $404,036, respectively. The Commission depreciates these assets over their 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

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant items subject to such estimates and assumptions included the estimation of net realization of accounts receivable, long-lived asset impairment and depreciation and amortization.

Note 2 - Summary of Significant Accounting Policies (Continued)

Fair Value of Financial Instruments

Unless otherwise indicated, the fair values of all reported assets and liabilities which represent financial instruments (none of which are held for trading purposes) approximate the carrying values of such amounts.

Recent Accounting Pronouncements

In June 2012, GASB issued Statement No. 68, *Financial Reporting for Pension Plans-an amendment of GASB Statement No. 27* (GASB No. 68). GASB No. 68 changes how governments calculate and report the costs and obligations associated with pensions and improve the decision-usefulness of reported pension information and increase the transparency, consistency, and comparability of pension information. The provisions of this Statement are effective for periods beginning after June 15, 2014, therefore, the Commission implemented this Statement in fiscal year ending March 31, 2016. The financial statements for fiscal year ended March 31, 2015 could not be restated as the information required to do so was not readily available. See Note 7 for additional information.

In 2014, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68.* The requirements of this Statement will eliminate the source of a potential significant understatement of restated beginning net position and expense in the first year of implementation of Statement 68 in the accrual-basis financial statements of employers and non-employer contributing entities. This benefit will be achieved without the imposition of significant additional costs. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014, therefore, the Commission implemented this Statement in fiscal year ending March 31, 2016, along with GASB 68 as discussed above.

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. This standard clarifies the definition of fair value for financial reporting, establishes a framework for measuring fair value and requires additional disclosures about the use of fair value measurements. This statement is effective for fiscal years beginning after June 15, 2015. At this time, management is evaluating the implications of this statement and its impact, if any, on the financial statements has not yet been determined.

Note 3 - Accounts Receivable

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

	March 31, 2016	March 31, 2015
Electric Receivables	$743,527	$682,343
Water Receivables	101,329	93,273
Customer Deposit Receivables	117,568	17,181
	962,424	792,797
Less: Allowance for Doubtful Accounts	19,329	17,741
Total	$943,095	$775,056

Note 4 - Inventory

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

	March 31, 2016	March 31, 2015
Electric Inventory	$456,103	$468,531
Water Inventory	127,625	121,575
Total	$583,728	$590,106

Note 5 - Investments

At March 31, 2016 and 2015, the Commission's investments consist of five mutual funds. Investments are presented in the financial statements at fair value. Realized gains and losses on the disposition of investments are determined by comparing the net proceeds to the carrying value of the disposed investments, which is determined using the specific identification or average cost methods.

Note 5 - Investments (Continued)

The following is a summary of the cost and fair value of the Commission's investments:

	March 31, 2016		March 31, 2015	
	Cost	Fair Value	Cost	Fair Value
Mutual Funds	$1,078,319	$1,031,021	$1,049,024	$1,028,300

During the years ended March 31, 2016 and 2015, the Commission recognized an unrealized loss on investments of $26,574 and $113, respectively.

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.

Note 6 - Property, Plant and Equipment and Accumulated Depreciation

A summary of property, plant and equipment and accumulated depreciation during the year ended March 31, 2016 is as follows:

	Property, Plant and Equipment			
	April 1, 2015	Additions and Transfers	Deletions and Transfers	March 31, 2016
Nondepreciable Asset:				
Land	$ 45,386			$ 45,386
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
	20,370,588	1,793,767	1,056,618	21,107,737
Total	$20,415,974	$1,793,767	$1,056,618	$21,153,123

	Accumulated Depreciation			
	April 1, 2015	Additions and Transfers	Deletions and Transfers	March 31, 2016
Depreciable Assets:				
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	$11,448,191	$637,853	$978,937	$11,107,107

Note 6 - Property, Plant and Equipment and Accumulated Depreciation (Continued)

A summary of property, plant and equipment and accumulated depreciation during the year ended March 31, 2015 is as follows:

	Property, Plant and Equipment			
	April 1, 2014	Additions and Transfers	Deletions and Transfers	March 31, 2015
Nondepreciable Asset:				
Land	$ 45,386			$ 45,386
Depreciable Assets:				
Building Structures	834,079	$ 7,012		841,091
Water Department	8,062,396	797,500		8,859,896
Electric Department	8,520,511	156,935		8,677,446
Common Assets	1,903,475	92,652	$3,972	1,992,155
	19,320,461	1,054,099	3,972	20,370,588
Total	$19,365,847	$1,054,099	$3,972	$20,415,974

	Accumulated Depreciation			
	April 1, 2014	Additions and Transfers	Deletions and Transfers	March 31, 2015
Depreciable Assets:				
Building Structures	$ 570,553	$ 11,745		$ 582,298
Water Department	3,129,078	271,187		3,400,265
Electric Department	5,706,378	239,929		5,946,307
Common Assets	1,433,191	90,102	$3,972	1,519,321
Total	$10,839,200	$612,963	$3,972	$11,448,191

Note 7 - Pension Plan

The Commission has a defined benefit pension plan (Plan) which covers all of its employees. 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, 2016 and 2015, the dollar amount of current payroll used in the determination of the minimal contribution utilized estimated 2016 and 2015 calendar year payroll of $1,327,494 and $1,180,252, respectively. Total payroll for the years ended March 31, 2016 and 2015 is $1,345,296 and $1,303,408, respectively.

All full-time Commission employees 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% vested. The Commission amended the Normal Retirement Benefit effective July 1, 2000. Non-union participants hired prior to July 1, 2000 are 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% of final average compensation (average of 60 months) multiplied by continuous years of service with a maximum monthly benefit of $3,200 through March 31, 2016. As of April 1, 2016, the maximum monthly benefit was increased to $3,600.

B. 1.67% of final average compensation multiplied by years of service taken to the nearest twelfth of a year but not more than 75% 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% 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.

Note 7 - Pension Plan (Continued)

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

At March 31, 2016, the Plan reported a net pension liability of $1,144,056. The net pension liability was measured as of March 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of April 1, 2016. For the year ended March 31, 2016, the Plan recognized pension expense in the amount of $247,177.

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 funds are contributed to the Plan, the amount is invested in accordance with the policy adopted by the Commissioners. Generally speaking, the investment policy provides the fiduciaries who are responsible for plan investments with guidelines or general instructions 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.

Note 7 - Pension Plan (Continued)

Contribution and Investment Disclosures (Continued)

The long-term expected rate of return on plan investments is 7.00%. 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.

Asset Class	Target Allocation	Expected Real Rate of Return
Domestic Equity	51%	5.75%
International Equity	11%	5.85%
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% to 2.5% 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, 2016, 5% or more of Plan assets were held in the following individual funds:

Vanguard Mid-Cap Index	13.1%
DWS Equity 500 Index	10.1%
Pioneer Strategic Income	9.9%
John Hancock Strategic Income	9.9%
Metro West Intermediate Bond	9.9%
Oppenheimer Developing Markets	5.1%
American Funds AMCAP	5.0%
American Funds American Mutual	5.0%
Vanguard Value Index	5.0%

Note 7 - Pension Plan (Continued)

Discount Rate and Liability Disclosures

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

Minimum annual funding requirements are calculated in accordance with the aggregate cost funding method. Required annual funding is an amount intended to increase Plan funding to 100% 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.

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 use to determine the total pension liability.

The most recent actuarial valuation of the Plan is as of April 1, 2016. The Commission's current Normal Cost rate (value of benefits being earned in the current fiscal year) under the Entry Age Normal funding method was determined to be 8.06% of annual covered payroll.

As of April 1, 2016, the Plan covered a total of 37 participants including 19 active plan members, 13 retirees and beneficiaries receiving benefits from the plan, and 5 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, 2016 as well as the impact of a 1% increase or decrease in discount rate.

	Net Pension Liability as of March 31, 2016
1% increase in discount rate (8.00%)	$ 792,085
Current discount rate (7.00%)	$1,144,056
1% decrease in discount rate (6.00%)	$1,567,992

Note 7 - Pension Plan (Continued)

Deferred Amounts and Plan Change Disclosures

As of March 31, 2016, the Commission reported deferred outflows of resources and deferred inflows of resources related to the Plan from the following sources:

	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:

Fiscal Year End	Expense Recognition
2017	$ 47,656
2018	47,656
2019	47,656
2020	47,656
2021	94
After 2021	1,303
Total	$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.

Note 7 - Pension Plan (Continued)

Deferred Amounts and Plan Change Disclosures (Continued)

Part (a) maximum monthly benefits were increased from $1,800 to $2,000 on 4/1/2008, $2,400 on 4/1/2010, $3,200 on 4/1/2013 and $3,600 on 4/1/2016.

An unreduced early retirement benefit with 30 or more years of service was added to the Plan on 4/1/2013. As a result, an assumed retirement age of 60 with 30 or more years of service was added to the valuation of 4/1/2013.

Note 8 - Appropriations to the Mayor and Council of New Castle

Ordinary - During the years ended March 31, 2016 and 2015, the Commission appropriated $537,575 and $500,000, 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 $104,302 and $105,501 for the years ended March 31, 2016 and 2015, respectively. Of this amount, $21,711 and $21,228 represented water usage and $82,591 and $84,273 represented electric usage for the years ended March 31, 2016 and 2015, respectively.

Special - During the years ended March 31, 2016 and 2015, the Commission also approved special appropriations totaling $30,613 and $16,141, respectively, to the Mayor and Council of New Castle.

Note 9 - Commitments

Leases - On April 7, 2003, the Commission, the Trustees of New Castle Common (Trustees) and the Mayor and Council of New Castle entered into a ten-year lease for various buildings in New Castle, Delaware. The Commission's portion of the lease only relates to the building located at 100 Municipal Boulevard, New Castle, Delaware.

Note 9 - Commitments (Continued)

The Commission's annual rental payments were payable to the Trustees of New Castle Common and were $50,000 per year for the period April 1, 2003 through March 31, 2013. The first payment was delayed due to a delay in receipt of the certificate of occupancy, therefore, payments began March 1, 2004 and ended February 28, 2014. The building and other leasehold improvements on the land located at 100 Municipal Boulevard were owned by the Trustees until the termination date of this lease. On February 12, 2014 the Trustees signed a bill of sale and conveyed the building to the Mayor and Council of New Castle for no additional costs. At March 31, 2016, there is no requirement by the Commission to remit rental payments with respect to the building and other leasehold improvements. In August 2016 the Commission entered into a thirty-year lease for the building. The Commission's annual rental payments are $1 per year, and the Commission may extend the lease by up to three successive ten-year increments.

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.

Under the agreement, DEMEC is authorized to act as 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% of their initial pro rata share.

Note 9 - Commitments (Continued)

In January 2008 the Commissioners unanimously voted to build a second substation on the south westerly 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 2015 in the amount of $4,216,387. 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 2019 to December 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 ending March 31, 2016 and 2015, 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 9 - Commitments (Continued)

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

Year Ending March 31,	
2017	$ 634,642
2018	634,642
2019	634,642
2020	634,642
2021	634,642
Thereafter	903,672
Total	$4,076,882

During the years ended March 31, 2016 and 2015, the expense related to the purchase of power under the full power purchase agreement with DEMEC is $6,653,093 and $6,876,654, respectively. The amount payable as of March 31, 2016 and 2015 is $549,817 and $609,890, 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, 2016 and 2015.

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

Note 10 - 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 11 - Concentrations

Uninsured Balances in Cash – Custodial credit risk is the risk that, in the event of a bank failure, the Commission's deposits may not be returned to it. The Commission does not have a deposit policy for managing custodial credit risk. As of March 31, 2016 and 2015, the Commission's cash deposits with financial institutions had a bank balance of $2,622,604 and $2,792,766, respectively. Of the bank balances, $250,000 and $500,000, respectively, were covered by Federal Depository Insurance. As of March 31, 2016 and 2015, $2,372,604 and $2,292,766 of the Commission's bank balances were exposed to custodial credit risk as follows:

	March 31, 2016	March 31, 2015
Uninsured and Uncollateralized		$ 161,709
Uninsured and Collateralized with Securities Held by the Pledging Bank's Trust Department or Agent but not in the Commission's Name	$2,372,604	2,131,057
Total	$2,372,604	$2,292,766

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 39% and 36% of the Commission's workforce for the years ended March 31, 2016 and 2015, respectively. An additional three employees joined the collective bargaining agreement as of April 1, 2016 and the % covered by the agreement is 52% as of April 1, 2016. The current agreement is set to expire on March 31, 2019.

Significant Customer – Approximately 10% of the Commission's net operating revenues are from one customer for the years ended March 31, 2016 and 2015. Approximately 32% and 26% of the Commission's trade accounts receivable were due from that customer at March 31, 2016 and 2015, respectively.

Note 12 - 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, 2016 and 2015.

Note 13 - Deferred Compensation Plan

The Commission offers its employees a deferred compensation plan (Plan) in accordance with Internal Revenue Code (IRC) Section 457. The Plan is administered by the National Association of Counties (NACO), with Public Employees Benefit Services Corporation (PEBSCo.) acting as its agent in fulfilling certain 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 14 - 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). As a result, the Commission installed a temporary filtration system in the Fall of 2014. The Commission has purchased a permanent filtration system which was completed in November 2015. The Commission budgeted approximately $1.2 million in expenditures in connection with the above.

Note 14 - Capital Project (Continued)

The Commission incurred approximately $726,000 and $306,000 of expenditures during the years ended March 31, 2016 and 2015, respectively, for a total of $1,032,000. Of these amounts, approximately $70,000 and $242,000 were charged to expense and are included in the accompanying Statements of Revenues and Expenses for the years ended March 31, 2016 and 2015, respectively. 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. As of March 31, 2016, the Commission has substantially completed the project with the remaining expenditures related to fencing, grading, paving and SCADA.

The Commission applied for an emergency grant from United States Department of Agriculture in the amount of $500,000 to defray a portion of the expenditures. On August 4, 2015, the Commission received approval for the grant. $452,917 was recorded as grant income and is included in the accompanying Statements of Revenues and Expenses for the year ending March 31, 2016. Of this amount, $57,424 is receivable as of March 31, 2016 and is included in the accompanying Statements of Net Position.

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 15 - Reclassification

Certain amounts in the 2015 financial statements have been reclassified to conform with the 2016 presentation.

Note 16 - Subsequent Event

On July 11, 2016 the Governor of Delaware signed House Bill 344 which altered the Charter of the Municipal Services Commission to allow the Commission to own real estate, provided a formula to calculate the amount of appropriation paid to the City of New Castle in the amount of 6% of User Charges, increased the amount paid to the Commissioners and clarified the exclusivity of the rights and responsibilities of the Commission.

REQUIRED SUPPLEMENTARY INFORMATION

Schedule 1

Mayor and Council of New Castle, Delaware

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

Schedule of Net Pension Liability and Related Ratios

Fiscal Year End	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Beginning of Year Total Pension Liability	$ 3,602,487									
Normal Cost	89,074									
Interest	242,239									
Experience (gain) or loss	(7,211)									
Assumption Changes	9,078									
Plan Benefit Changes	54,088									
Benefit Payments	(246,747)									
Net Change in Liability	140,521									
End of Year Total Pension Liability	$ 3,743,008	$ 3,602,487	$ 3,442,760	$ 3,303,848	$ 2,705,810	$ 2,493,113	$ 2,195,680	$ 2,047,128	$ 1,829,903	$ 1,640,784
Beginning of Year Fiduciary Position	$ 2,697,629	2,567,923	2,308,675	1,973,224	1,938,564	1,657,740	1,306,346	1,879,542	1,734,243	
Employer Contributions	200,000	210,053	215,784	177,554	154,457	147,397	157,856	70,320	98,865	
Employee Contributions	0									
Expected Investment Return	185,880									
Additional Investment Return	(237,810)	155,598	266,856	359,885	978	219,414	271,992	(567,252)	98,610	
Benefit Payments	(246,747)	(235,945)	(223,392)	(201,988)	(120,775)	(85,987)	(78,454)	(76,264)	(52,176)	
Administrative Expenses	0									
Other Changes	0									
Net Changes	(98,677)	129,706	259,248	335,451	34,660	280,824	351,394	(573,196)	145,299	
End of Year Fiduciary Position	$ 2,598,952	$ 2,697,629	$ 2,567,923	$ 2,308,675	$ 1,973,224	$ 1,938,564	$ 1,657,740	$ 1,306,346	$ 1,879,542	$ 1,734,243
End of Year Net Pension Liability	1,144,056	904,858	874,837	995,173	732,586	554,549	537,940	740,782	(49,639)	(93,459)
End of Year Funding Percentage	69.43%	74.88%	74.59%	69.88%	72.93%	77.76%	75.50%	63.81%	102.71%	105.70%
Covered Payroll	1,303,130	1,140,106	1,307,399	1,260,942	1,272,957	1,244,468	1,173,679	1,116,936	989,142	869,275
Net Pension Liability divided by Payroll	87.79%	79.37%	66.91%	78.92%	57.55%	44.56%	45.83%	66.32%	-5.02%	-10.75%
Rate of Return on Assets, net of investment expenses	-1.94%	6.09%	11.58%	18.35%	0.05%	13.00%	20.21%	-30.23%	5.61%	

*Liability results shown are from the pension valuations dated 1/1/2008 through 1/1/2012 and 4/1/2013 through 4/1/2016.

**Asset reconciliations are for calendar years prior to 2013. The reconcillation shown for year-end 2013 covers the period 1/1/2012 through 3/31/2013. Fiscal year results are shown after 2013.

Municipal Services Commission

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

Schedule of Employer Contributions

Fiscal Year Ended	Annual Required Contribution	Employer Contribution	Contribution Deficiency/(Excess)	Covered Payroll	Contributions as a % of Payroll
03/31/2008	$ 72,803	$ 98,865	($26,062.00)	$ 989,142	10.00%
03/31/2009	70,320	70,320	0.00	1,116,936	6.30%
03/31/2010	157,856	157,856	0.00	1,173,679	13.45%
03/31/2011	147,397	147,397	0.00	1,244,468	11.84%
03/31/2012	154,457	154,457	0.00	1,272,957	12.13%
03/31/2013	152,340	177,554	(25,214.00)	1,260,942	14.08%
03/31/2014	203,177	215,784	(12,607.00)	1,307,399	16.50%
03/31/2015	210,053	210,053	0.00	1,140,106	18.42%
03/31/2016	175,827	200,000	(24,173.00)	1,303,130	15.35%

Notes: Annual required contributions shown above are based on fully funding the present value of future benefits over the period determined by the present value of future salaries divided by estimated current payroll (17.81 years as of the April 1, 2015 valuation).

Covered payroll shown is for the calendar year ending before the fiscal year end.

Prior to the fiscal year ending March 31, 2014, valuations were completed on a calendar year basis. Results shown for prior fiscal years are based on the valuation reports and have not been adjusted.

Additional contributions shown in fiscal 2013 and 2014 are a result of valuations changing from a calendar year to a fiscal year basis.

SUPPLEMENTARY INFORMATION

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

COMBINING SCHEDULES OF REVENUES AND EXPENSES BY DEPARTMENT

YEAR ENDED MARCH 31, 2016 AND 2015

	Water Department		Electric Department		Total	
	2016	2015	2016	2015	2016	2015
Operating Revenues:						
User Charges	$ 1,666,770	$ 1,598,183	$ 9,404,581	$ 9,302,507	$ 11,071,351	$ 10,900,690
City Service Charges	21,711	21,228	82,591	84,273	104,302	105,501
Free Service	2,138	2,515	52,111	42,108	54,249	44,623
Miscellaneous	16,899	74,239	66,284	40,257	83,183	114,496
Total Operating Revenues	1,707,518	1,696,165	9,605,567	9,469,145	11,313,085	11,165,310
Less: Free Service	1,827	2,205	5,228	112	7,055	2,317
Net Operating Revenues	1,705,691	1,693,960	9,600,339	9,469,033	11,306,030	11,162,993
Purchase of Power and Water	24,001	210,957	7,287,735	7,511,298	7,311,736	7,722,255
Operating Expenses	1,094,344	1,066,389	1,023,813	1,027,965	2,118,157	2,094,354
General and Administrative Expenses	337,573	297,179	580,462	560,248	918,035	857,427
Operating Income	249,773	119,435	708,329	369,522	958,102	488,957
Nonoperating Revenues (Expenses):						
Investment Income	4,915	4,154	27,541	33,219	32,456	37,373
Gain (Loss) on Sale of Assets	(15,334)	855	(10,800)	1,045	(26,134)	1,900
Grant Income	518,429		76,993		595,422	
Grant Expense	(41,612)				(41,612)	
Private Developer Contributions	10,125	404,036	22,453		32,578	404,036
Appropriations to the Mayor and Council of New Castle:						
Ordinary	(80,700)	(64,167)	(456,875)	(435,833)	(537,575)	(500,000)
City Services	(21,711)	(21,228)	(82,591)	(84,273)	(104,302)	(105,501)
Special	(10,495)	(2,341)	(20,118)	(13,800)	(30,613)	(16,141)
Net Decrease in the Fair Value of Investments	(3,986)	(11)	(22,588)	(102)	(26,574)	(113)
Total Nonoperating Revenues (Expenses) - Net	359,631	321,298	(465,985)	(499,744)	(106,354)	(178,446)
Change in Net Position	$ 609,404	$ 440,733	$ 242,344	($ 130,222)	$ 851,748	$ 310,511

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

COMBINING SCHEDULES OF OPERATING EXPENSES BY DEPARTMENT

YEAR ENDED MARCH 31, 2016 AND 2015

	Water Department		Electric Department		Total	
	2016	2015	2016	2015	2016	2015
Clothing Allowance	$ 4,241	$ 3,642	$ 8,968	$ 7,086	$ 13,209	$ 10,728
Computer Expense	12,550	11,422	15,781	14,695	28,331	26,117
Depreciation:						
Plant and Equipment	328,473	304,133	233,034	233,737	561,507	537,870
Trucks and Autos	15,309	15,056	38,175	37,488	53,484	52,544
Employee Benefits	86,998	82,560	82,063	71,419	169,061	153,979
Equipment Rental	48,654	45,408	785	317	49,439	45,725
Insurance	50,222	52,565	43,009	38,961	93,231	91,526
Payroll Taxes	24,442	26,838	29,197	32,864	53,639	59,702
Pension Expense	76,876	65,326	93,263	79,253	170,139	144,579
Plant Materials and Supplies	5,136	1,278	5,793	2,538	10,929	3,816
Professional Fees				1,281		1,281
Repairs and Maintenance:						
Buildings and Grounds	6,488	5,100	2,296	1,484	8,784	6,584
Hydrants, Mains and Valves	3,183	4,889			3,183	4,889
Lines and Poles			4,676	6,112	4,676	6,112
Meters and Services	2,676	8,050	2,642	4,991	5,318	13,041
Pumping Stations	18,338	12,781			18,338	12,781
Storm Damage			138		138	
Street Lights			3,565	1,139	3,565	1,139
Substations			1,121	5,834	1,121	5,834
Salaries and Wages	334,211	348,564	389,850	412,261	724,061	760,825
Safety Expense	669	558	5,163	3,127	5,832	3,685
Sampling and Testing	13,749	11,188	4,597	4,532	18,346	15,720
Security			2,492	1,742	2,492	1,742
Seminars/Training	1,675	4,653	3,977	5,254	5,652	9,907
Supplies	11,603	17,203	12,948	17,910	24,551	35,113
Truck Expense	15,383	16,151	26,077	24,947	41,460	41,098
Utilities	33,468	29,024	14,203	18,993	47,671	48,017
Total Operating Expenses	$ 1,094,344	$ 1,066,389	$ 1,023,813	$ 1,027,965	$ 2,118,157	$ 2,094,354

Schedule 5

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

COMBINING SCHEDULES OF GENERAL AND ADMINISTRATIVE EXPENSES BY DEPARTMENT

YEAR ENDED MARCH 31, 2016 AND 2015

	Water Department		Electric Department		Total	
	2016	2015	2016	2015	2016	2015
Administrative	$ 14,438	$ 10,171	$ 17,615	$ 13,076	$ 32,053	$ 23,247
Bad Debts		3,038	10,679	15,143	10,679	18,181
Depreciation - Furniture and Fixtures	10,288	10,147	12,574	12,402	22,862	22,549
Dues and Subscriptions	3,025	2,843	1,803	1,856	4,828	4,699
Employee Benefits	34,283	28,684	65,282	64,706	99,565	93,390
Fees and Permits	258	557	193	314	451	871
Insurance	15,265	11,034	17,484	11,872	32,749	22,906
Office Salaries	140,320	122,967	271,252	264,060	411,572	387,027
Office Supplies	17,369	17,715	23,686	23,625	41,055	41,340
Payroll Taxes	14,763	12,457	24,460	24,659	39,223	37,116
Pension Expense	17,991	15,292	59,047	50,182	77,038	65,474
Professional Fees	42,950	35,809	43,242	45,998	86,192	81,807
Rent			801	802	801	802
Repairs and Maintenance - Equipment	7,264	10,097	8,879	10,988	16,143	21,085
Security System	1,641	1,573	1,781	2,148	3,422	3,721
Telephone	11,693	11,665	14,292	14,624	25,985	26,289
Training - Administrative	4,266	3,021	5,225	3,660	9,491	6,681
Utilities & Other Expenses	1,759	109	2,167	133	3,926	242
Total General and Administrative Expenses	$ 337,573	$ 297,179	$ 580,462	$ 560,248	$ 918,035	$ 857,427