

KENT COUNTY LEVY COURT



ANNUAL COMPREHENSIVE FINANCIAL REPORT FOR THE FISCAL YEAR ENDING JUNE 30, 2023

LEVY COURT COMMISSIONERS

Hon. Terry L. Pepper, President
Hon. Joanne Masten
Hon. W. Paul Hertz Jr.
Hon. Robert J. Scott

Hon. Allan F. Angel, Vice President
Hon. Jeffrey W. Hall
Hon. George "Jody" Sweeney

County Administrator
Kenneth C. Decker

SERVING KENT COUNTY WITH PRIDE

Kent County, Delaware
Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2023



Prepared by Kent County Department of Finance

Susan L. Durham, Director

Mary Karol, Assistant Director

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INTRODUCTORY SECTION



This section includes the following:

Letter of Transmittal

Organizational Chart

List of Elected Officials

County Administrator and Department Directors

*2023 Comprehensive Annual Financial Report for Kent County Levy Court, Delaware
Introductory Section*



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Kent County
Levy Court

Kent County Administrative Complex
555 Bay Road, Dover, DE 19901

January 23, 2024

To the Honorable Kent County Levy Court President, members of the Kent County Levy Court, and the citizens of Kent County:

We are pleased to submit the Annual Comprehensive Financial Report of Kent County, Delaware, for the Fiscal Year ended June 30, 2023, in accordance with state and local law. These laws require that Kent County issue a report of its financial position and activity annually and that this report be audited by an independent firm of licensed certified public accountants selected by the County Commissioners. Management is responsible for both the accuracy of the data and the completeness and reliability of the information presented in this report.

This report includes annual financial statements as required by Delaware Law, presented in conformity with generally accepted accounting principles (GAAP) in the United States and audited in accordance with auditing standards generally accepted in the United States, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

CliftonLarsonAllen LLP, an independent firm of certified public accountants, has provided an unmodified opinion on the Kent County Levy Court's financial statements for the year ended June 30, 2023. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

Profile of Kent County

Kent County, established in 1683, is the central of three counties in the State of Delaware. It is bordered on the north by New Castle County, Delaware; on the east by the Delaware Bay; on the south by Sussex County, Delaware; and on the west by the State of Maryland. Total land area is 586 square miles comprising approximately 30 percent of the land area in the State of Delaware. Kent County serves a population estimated to be 186,946 in the year 2023. Kent County is an incorporated political subdivision of the State of Delaware, with certain powers of taxation as conferred by State Legislature.

There are 20 incorporated municipalities in Kent County: Bowers, Camden, Cheswold, Dover, Farmington, Felton, Frederica, Harrington, Hartly, Houston, Kenton, Leipsic, Little Creek, Magnolia, Milford, Viola, Woodside, Wyoming, Clayton, and Smyrna. These incorporated municipalities are chartered local governments under Delaware law and are served by elected representatives. While Kent County maintains positive working relationships with its municipal governments, they are separate legal, corporate, and financial entities.

Kent County has a modified Commission form of government called the Levy Court. The Kent County Levy Court is the last county government so named remaining in the United States. The seven-member Levy Court is composed of six commissioners elected from districts and one commissioner elected at large. Terms of office are staggered and last four years. The Levy Court has legislative powers granted by the State. In addition to the elected Levy Court, there are four "row" officers elected County-wide. These officers are the Clerk of the Peace, Recorder of Deeds, Register of Wills, and Sheriff. Terms of office are staggered and last four years. The County Administrator and the Director of Finance are appointed by, and serve at the pleasure of, the Levy Court. Under Delaware law, the County Administrator serves as the Chief Administrative Officer. The County Administrator supervises the Department of Public Safety, the Department of Planning, the Department of Community Services, the Department of Public Works, and the administrative offices of Human Resources, Information Technology, Facilities, Public Information, and General Administration. The Director of Finance manages the Finance Department. The elected Row Officers manage their respective offices.

The County is financially and operationally responsible to meet the statutory requirements of the Delaware Constitution and the Delaware Code. These requirements include building construction permits and inspection, commissioner oversight and general administration, court support services, subpoena service, deed recordation and related legal documents, emergency medical services (advanced life support), public works and engineering services including solid waste collection, sewer service, and street light districts, land management, land use enforcement procedures, library services, marriage licensing, park services, property assessment, property tax collection for County and school districts, and wills registration.

Kent County Levy Court adopts an annual appropriated budget pursuant to the Delaware Code, Title 9, §4110 through a budget ordinance prior to July 1 of each year, which is the beginning of the County's fiscal year. The budget is prepared by fund, function, and department. Department managers have the ability to move monies between budget line items within certain limitations.

If a situation occurs that exceeds the limitations, the approval of the County Administrator or the County Commissioners is required.

Economic Conditions of Kent County

Kent County is home of the State's County Seat and the State's Capital City of Dover and is conveniently located in the Middle Atlantic region within an eight-hour drive of thirty percent of the U.S. population. Significant economic sectors to the County are state and local government, federal government and military, service-related industries, manufacturing, and agriculture. Institutions of higher education with a significant economic presence in the County are Delaware State University, Delaware Technical Community College, and Wilmington University. Kent County's population continues to increase from 169,416 in 2014 to 186,946 in 2023. Population in 2023 was ten percent higher than in 2014. The median age of the population remained fairly level over the last ten years, averaging around 38.0.

Kent County maintains a credit rating of Aa1 from Moody's Investors Service. The issuer rating reflects the County's ability to repay debt and debt-like obligations without consideration of any pledge, security, or structural features.

The unemployment rate in Delaware was 4.2 percent as of the end of the 2023 fiscal year (June 30, 2023). The rate of economic growth was low (between one and two percent) as measured by Gross Domestic Product (GDP). Median household income in Kent County was estimated to be just over \$70,000 in 2023. Perhaps the most significant economic trend was the increase in interest rates. The median 30-year mortgage rate increased from 2.87 percent in Q3 of 2021 to 6.49 percent in Q2 of 2023. This trend continued beyond the end of the fiscal year with 30-year mortgage rates hovering at 7.3 percent as of the date of this letter of transmittal.

Another notable trend is the increase in the price of housing. In February 2017, the median home price in Delaware was just over \$250,000. As of June 30, 2023, the median price had increased to \$366,677. The price increase of over 46% combined with a more than doubling of mortgage rates caused the local real estate market to slow considerably. Due to low inventory levels, prices have remained high, but the number of transactions has dropped significantly. This slowdown has had a marked impact on the Levy Court.

Unlike many local governments, Kent County relies heavily on cyclical revenue sources, notably real estate transfer tax (RETT) and recordation fees. In FY 22, the County collected over \$11 million in transfer taxes. By the FY 24 budget, the estimated revenue had dropped to \$6 million. During the same time period, recordation fees dropped from \$4.3 million to just over \$3 million. An over \$6 million revenue loss in a general fund budget of roughly \$37 million is staggering.

Compounding the budgetary problem, prices have increased dramatically. Since July 2019, inflation as measured by the Consumer Price Index (CPI) has increased prices by nearly 20 percent. This trend cooled during the fiscal year (to about 3.2 percent,) but the broad post-COVID increase in prices has had a dramatic impact on the cost of operations. Further, the CPI likely is not the best indicator for Kent County as a local government because of significant expenditures

on industrial inputs like vehicles, equipment, parts, treatment chemicals, and electrical power. The Producer Price Index (PPI) has increased at a rate roughly double that of the CPI.

While low unemployment is a positive economic indicator, it also reflects an extremely tight job market. Kent County has struggled to fill positions, particularly at the lower end of the wage scale and in highly technical positions. While the County offers excellent benefits, Kent sits between two far more affluent Counties: Sussex and New Castle. The County also competes with a robust private sector job market. While Kent County offers excellent benefits, the demographic composition of job seekers is changing. Early to mid-career jobseekers seem increasingly more motivated by wages than by traditional public sector benefits.

Overall, the national and regional economies have proven extraordinarily resilient. Most forecasts suggest interest rates will remain high while inflation eases. The housing market is difficult to predict. The rate of transactions—upon which the County heavily depends—likely will remain depressed as owners with highly favorable, low-interest mortgages will be reluctant to sell. Kent also faces price pressure as it offers more affordable housing options than neighboring Delaware counties.

In broad terms, the U.S. and Delaware economies performed better than predicted during the fiscal year. With inflation cooling, the Federal Reserve may have achieved its goal of a “soft landing,” however, the domestic economy still faces significant challenges. One is the winding down of the American Rescue Plan Act (ARPA). In response to the COVID pandemic, the United States government engaged in the largest expansion of spending (and debt) since the Second World War. From 2019 to 2023, the national debt increased from \$22.7 trillion to \$33.2 trillion. This unprecedented injection of liquidity buoyed the U.S. economy; however, the federal government continues to face huge budget deficits and dramatically increased costs of debt service.

Further, the domestic economy has relied on consumer spending. During the fiscal year, household savings (that increased during the pandemic) were reduced. Consumer debt increased. Higher prices put pressure on family budgets. A decline in consumer spending would bode ill for the regional economy.

The key takeaway from this section is that while Delaware has enjoyed a positive economic environment in the post-COVID era (despite skyrocketing interest rates and high inflation), Kent County’s budget has been devastated by a collapse in cyclical revenues and by the increase in fixed expenses. A return to a more normal real estate market is unlikely to restore enough revenues to resolve the structural deficit in the County’s budget.

Long-Term Financial Planning and Major Initiatives

Historically, Levy Court Commissioners have had a philosophy of fiscal conservatism. Commissioners have worked hard to ensure core services are provided through lean operations. Kent County residents enjoy low property tax rates and no sales tax. The County property tax rate was at 30 cents per \$100 of tax assessed value until the FY 24 budget cycle. In the FY 24 budget, the property tax rate was increased to 36 cents per \$100 of tax assessed value. Property taxes are the largest single source of revenue for the County government.

Levy Court spending is governed by the budget process which is a year-round effort. The County's Finance Department tracks and reports revenues and expenditures and provides monthly reports. The Department carefully monitors tax receipts and other revenues. From the beginning of the calendar year, the management team works collaboratively with the Commissioners to prepare a sustainable, integrated operating and capital budget. Both before and during the budget process, the Commissioners provide guidance on policy objectives and priorities. The budget building process is open, transparent, iterative and team oriented.

Perhaps the single most important long-term initiative is the reassessment of all real property in Kent County. As a result of a legal case, all three Delaware Counties have been forced to conduct a comprehensive reassessment of properties for tax purposes. Kent County began this work in 2022 in partnership with a private vendor—Tyler Technologies.

Work continued on the reassessment throughout the fiscal year. Tyler is expected to complete its work in February 2024. After the appeal process, the County Commissioners will set a new tax rate to ensure that the increase in assessable tax base does not result in a property tax increase. The requirement to lower the tax rate to offset the increase in assessable tax base has been confusing for some property owners.

Another major initiative is the ongoing migration from legacy financial software and antiquated hardware (AS-400) to a new system (MUNIS). This project began before the fiscal year and is expected to continue until 2025. The migration to a new "backbone" system should increase operational efficiency and expand the opportunity to use advanced financial metrics.

Finally, the County faces the continuing challenge of disbursing American Rescue Plan Act (ARPA) Coronavirus State and Local Fiscal Recovery Funds. A tremendous amount of progress was made during the fiscal year; however, a number of notable nonprofit projects remain. The County plans to use ARPA funds to construct two new EMS Stations: One in Harrington and one in Frederica. Paramedics are currently housed in leased space within the Harrington and Frederica Volunteer Fire Company buildings. Regarding ARPA, while many local governments spent federal COVID relief funds on their own infrastructure projects, the Kent County Levy Court Commissioners chose to distribute those funds largely to local businesses and nonprofits.

While the two new stations will house existing personnel, the County has had a long-term commitment to expanding EMS services. The County finished construction of a West Dover EMS Station during the fiscal year, a \$1.8 million project. Over the past decade, Public Safety has grown

more than any other County department, increasing from 72 staff in FY 14 to 89 in FY 23. Public Safety is the single largest department in the County's general fund with expenditures of nearly \$15 million in FY 23. This is a significant increase over the \$8.3 million level of funding in 2014.

The bulk of Kent County's fixed assets are managed by the Department of Public Works (DPW). The single largest infrastructure the County owns is the Wastewater Treatment Plant (WTP) located near Federica and the regional sewage conveyance system. The WTP is a regional facility serving all of the county through a complex and extensive system of pumping stations and lines. The Wastewater Treatment Plant has a capacity of 20 million gallons per day. Sewage moves to the Plant through approximately 272 miles of gravity lines and 192 miles of forced mains. There are 104 pump stations, 288 grinder pumps, and about 6,600 manholes. DPW has a wide range of capital improvement projects planned, including construction of a septage receiving facility in north county, replacement of biosolid dryers, and upgrades at the WTP.

The two remaining operational departments are Community Services and Planning. Community Services manages the County library in Camden, the Kent County Recreation Center, and 457 acres of parks and playgrounds. This includes 10 miles of trails. Nearly 10,000 residents are library card holders at the County's public library. No major expansions of parks or playgrounds were completed during the fiscal year. County Commissioners have carefully considered several major potential projects related to Community Services. Due to budget constraints, plans like a major addition to the County's Recreation Center have been shelved.

The Planning Department engages in long range planning, code enforcement, building permit issuance, development plan review, Geographic Information Systems (GIS) analysis, and other land use related tasks. Through its Planning Department, the County engages in long-term land use planning through the Kent County Comprehensive Plan. The "Comp Plan" was adopted in 2018 and was reaffirmed by the Commissioners in 2023. The next full update of the Comp Plan is due in 2028.

The 2018 Comp Plan was developed around the theme of sustainable economic growth and job creation. The policies and implementation actions in the Plan are intended to guide development and investment in the County to support economic growth and enhance quality of life for residents.

Through the process of comprehensive planning, the County tried to guide future growth and development, preserve, promote and improve the public health, safety, comfort, good order, appearance, convenience, law enforcement and fire prevention and general welfare; facilitate the adequate and efficient provision of transportation, water, sewage, schools, parks, recreational facilities, housing and other requirements and services; and conserve, develop, utilize and protect natural resources within its jurisdiction. It is important to note, however, that while the Comp Plan tries to shape growth and development, the economy of Kent County is driven largely by market forces beyond the control of County government.

Kent County Levy Court Commissioners, the County Administrator and other senior staff participate in long-term strategic planning each year during the County's annual budget preparation. The primary long-term planning tool currently is the capital improvement plan (CIP). The senior management team recognizes the importance of incorporating a greater degree of budget analytics and performance metrics including but not limited to infrastructure asset management, life-cycle analyses, total cost of ownership (TCO) analyses, outcome-based budgeting, and other measures. The team also understands the significance of quantifying deferred maintenance and making continued progress in reducing unfunded liabilities. This will be discussed in greater detail in the introduction to the Management Discussion and Analysis (MD&A) that follows.

In addition to funding core governmental services, the Levy Court Commissioners have invested in community projects and groups. During the fiscal year, the Commissioners continued to award grants through the "Policy 30" fund. As of the end of fiscal year 2023, \$901,033 has been provided to various organizations for projects within the County. The Commissioners also made investments related to the Downtown Development Districts Act. Through fiscal year 2023, the County provided matching grant funds in the amount of \$606,417 as incentives to help spur private investment in commercial business districts and surrounding neighborhoods to improve the commercial vitality of downtowns.

Acknowledgements

The preparation of the Annual Comprehensive Financial Report (ACFR) would not have been possible without the skill, effort, and dedication of the entire staff of the Finance and Administration Departments. We wish to thank all County departments and Row Offices for their assistance in providing the data necessary. Credit is also due to the Kent County Levy Court President and Commissioners for their unfailing support for maintaining the highest standards of professionalism in the management of the Kent County Levy Court's finances.

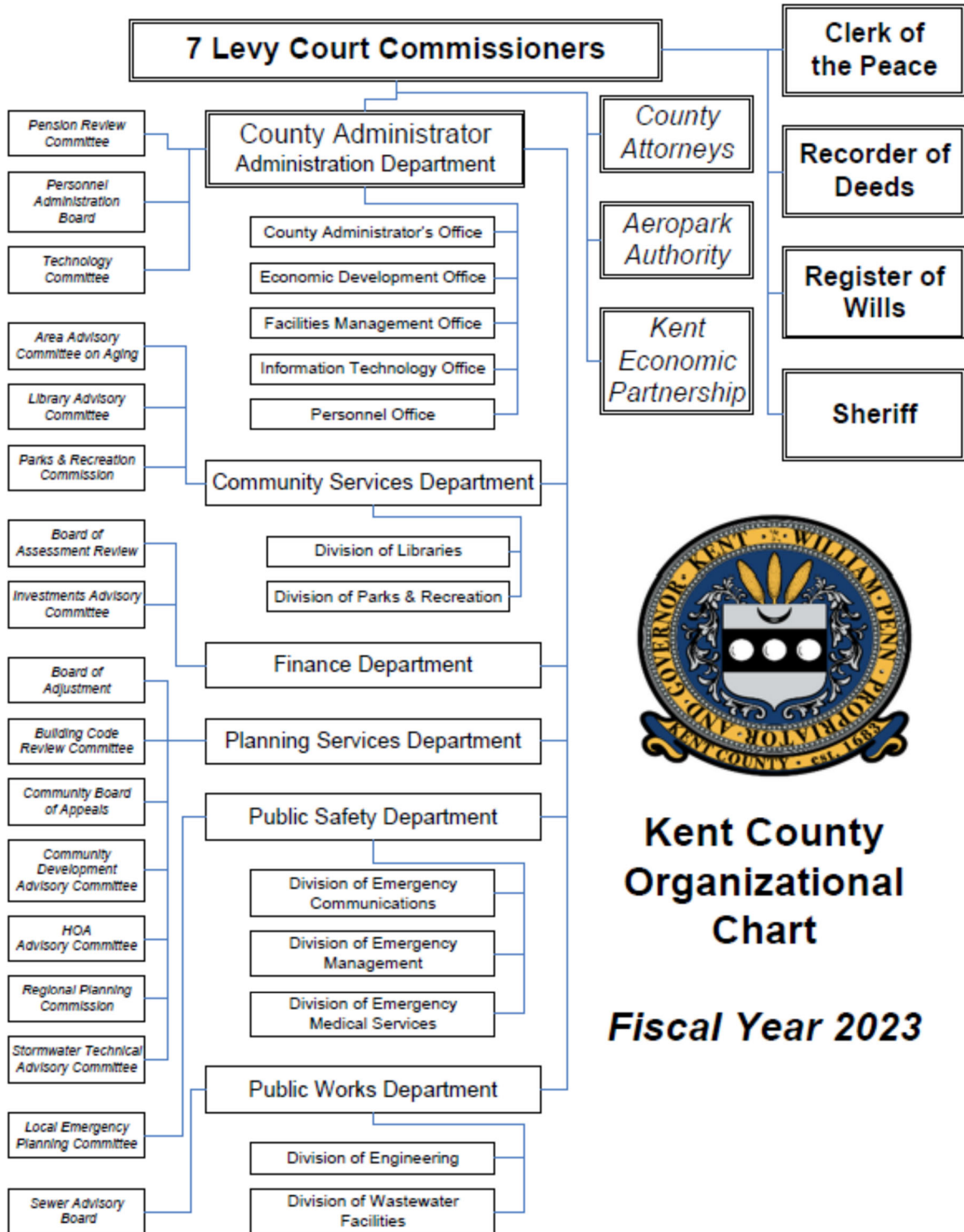
Respectfully submitted,



Kenneth C. Decker
County Administrator



Susan L. Durham
Finance Director

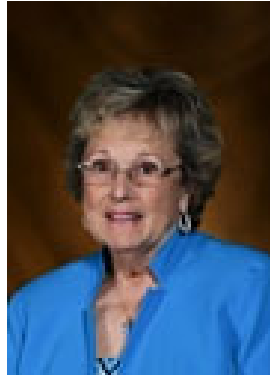


**Kent County
Organizational
Chart
Fiscal Year 2023**

KENT COUNTY LEVY COURT COMMISSIONERS

Hon. Joanne Masten

1st Levy Court District



Hon. Jeffrey W. Hall

2nd Levy Court District



Hon. Allan F. Angel

3rd Levy Court District

Vice President



Hon. Robert J. Scott

4th Levy Court District



**Hon. George “Jody”
Sweeney**

5th Levy Court District



Hon. W. Paul Hertz Jr.

6th Levy Court District



Hon. Terry L. Pepper

President

At Large



List of Elected Officials -Kent County Row Officers

Clerk of the Peace	Hon. Brenda A. Wootten
Recorder of Deeds	Hon. Eugenia Thornton
Register of Wills	Hon. Harold K. Brode
Sheriff	Hon. Norman R. Barlow

Kent County Administrator and Department Directors

County Administrator

Kenneth C. Decker

Department Directors

Administration Department	Kenneth C. Decker County Administrator
Community Services Department	Jeremy Sheppard, MBA
Finance Department	Susan Durham, CPA
Planning Services Department	Sarah E. Keifer, AICP
Public Safety Department	Chief Colin T. Faulkner
Public Works Department	Diana T. Golt, P.E.

FINANCIAL SECTION



This section includes the following:

Independent Auditor's Report

Introduction Management Discussion & Analysis

Management's Discussion and Analysis

Basic Financial Statements

Government-wide Financial Statements

Fund Financial Statements

Notes to the Financial Statements

Required Supplementary Information

Supplementary Information



INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Kent County, Delaware
Dover, Delaware

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Kent County, Delaware (the County), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Kent County, Delaware, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the County and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

Change in Accounting Principle

As discussed in Note A to the financial statements, effective July 1, 2022, the County adopted new accounting guidance for Subscription-Based Information Technology Arrangements (SBITA). The guidance requires governments to recognize a Subscription Based Services asset and corresponding Subscriptions Payable liability for all SBITA with lease terms greater than twelve months. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 County's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the Schedule of Changes in Net Pension Liability, Related Ratios, and Investment Returns, the Schedule of Employer Pension Contributions, the Schedule of Changes in Net OPEB Liability and Related Ratios, and the Schedule of Employer OPEB Contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The combining fund statements and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic 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 basic financial statements. The 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 GAAS. In our opinion, the introductory section, combining fund statements, statistical section and schedule of expenditures of federal is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section, introduction to management's discussion and analysis section, and statistical section but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Board of Commissioners
Kent County, Delaware

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 23, 2024, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Baltimore, Maryland
January 23, 2024



Introduction Management Discussion & Analysis Kent County Levy Court

Dear Reader,

Welcome to the second section of the financial section of the Kent County Levy Court financial statements for Fiscal Year 2023. This section is an introduction to the Management Discussion and Analysis or MD&A. The MD&A “should provide an objective and easily readable analysis of the government’s financial activities based on currently known facts, decisions, or conditions.”¹

In 1999, the Government Accounting Standards Board (GASB) tried to improve annual financial statements for local governments by (among other things) requiring a “Management Discussion and Analysis” or MD&A. For fans of irony, the requirement to create “easily readable analysis” was part of a highly technical accounting mandate.

The MD&A wasn’t a new idea. It was borrowed from the private sector where agencies like the Securities and Exchange Commission (SEC) have required MD&As in reports filed by publicly traded companies since the early 80s. From SEC guidelines on MD&A’s:

“MD&A should be a discussion and analysis of a company’s business as seen through the eyes of those who manage that business. Management has a unique perspective on its business that only it can present. As such, MD&A should not be a recitation of financial statements in narrative form or an otherwise uninformative series of technical responses to MD&A requirements, neither of which provides this important management perspective.”

1. Excerpt from Statement No. 34 of the Governmental Accounting Standards Board (GASB) Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments, June 1999.

The intent of an MD&A is for “management” to explain an organization’s finances in a straightforward way. Unfortunately, most local governments fail to do this. It takes a great deal of effort—even by highly skilled accountants with local government experience—to unpack the dense financial information contained in the Annual Comprehensive Financial Report (ACFR), a document often called “the audit” by non-accountants. The Kent County ACFR is no exception.

One challenge is trying to overcome accounting jargon like “net investment in capital assets” or “unfunded liabilities.” It is impossible to eliminate the accounting terminology and seemingly endless rows of numbers. What the MD&A can do—at least potentially—is to go beyond reciting what the numbers are and explain what some of the most important numbers *mean*.

Another issue is that financial statements are a one-year snapshot. Trying to evaluate a local government’s financial health by reading financial statements is like trying to understand a movie by looking at a single frame of a film. What happened in fiscal year 2023 does not explain Kent County Levy Court’s financial history nor does it offer a window into what will happen over the next five to ten years. What the MD&A can do is to put the one-year “frame” into context, starting by explaining who we are.

What is the Levy Court?

The Levy Court is the County government serving Kent County, Delaware. The name dates to “Dutch period” of 1655 to 1664 where the Levy Court levied taxes. In June 1793, when the Delaware Assembly adopted an act making the Levy Court a body of elected officials. The name is admittedly confusing, but the sitting Commissioners are intensely proud of being the last Levy Court in America.

In the world of local government, municipalities often consider counties less sophisticated “country cousins.” This is an oversimplification because the complexity and scope of county governments vary widely by state. In the Mid Atlantic, Maryland is considered a “strong county” state where County governments provide a broader range of services than most municipalities. Pennsylvania, on the other hand, is considered a “weak county” state. Delaware is somewhere in the middle.

Compared to other county governments, Kent County provides a narrower range of public services. For example, the County does not have a Roads Department. Delaware’s roads are managed by the Delaware Department of Transportation (DelDOT) or municipal governments like the City of Dover. The State handles Corrections. EMS service is divided between advanced life support (ALS)—paramedics in “chase units” provided by the County and basic life support (BLS) transport through ambulances provided by Volunteer Fire Companies.

The Levy Court is unusual in that it operates a regional utility in the form of the sewer system. As described in the Letter of Transmittal, “The single largest infrastructure the County owns is the Wastewater Treatment Plant (WTTP) located near Federica and the regional sewage conveyance system. The WTTP is a regional facility serving all the county through a complex and extensive system of pumping station and lines. The Wastewater Treatment Plant has a capacity of 20 million gallons per day. Sewage moves to the Plant through approximately 272 miles of gravity lines and 192 miles of forced mains. There are 104 pump stations, 288 grinder pumps, and about 6,600 manholes.”

Of core public services provided by the Levy Court, the largest are Public Safety and Sewer. The County also provides services like Planning, Code Enforcement, Parks, Recreation, a public Library, funds “Row Offices” like the Recorder of Deeds, Register of Wills, Sheriff, and Clerk of the Peace, and staffs internal support departments like Human Resources, Information Technology and Facilities Management. The Levy Court funds a wide range of other activities from supporting local Volunteer Fire Companies to awarding grants to community nonprofits to funding economic development initiatives.

Financial basics

Having given a rough sketch of the Levy Court’s operational scope, let’s cover some financial basics. An audit is a comprehensive review of an organization’s finances as reviewed by independent auditors. The County uses a fiscal year that begins on July 1 and ends on June 30. This audit is for fiscal year 2023 (FY 23). That’s the 12-month period that ended June 30, 2023.

As a local government, the County adopts an annual budget for every fiscal year. More precisely, the Levy Court adopts a series of budgets.

Like most local governments (and many nonprofits), Kent County uses “fund accounting.” There is not a single consolidated budget, but a series of funds. The largest is the General Fund. These are the core public services like Planning, Public Safety (911 Dispatch and EMS), Community Services (Parks and the Library), general administration (IT, HR, Facilities, etc.), and the Row Offices. The General Fund is supported by revenues like property taxes, real estate transfer taxes, recordation fees, and a wide range of smaller fees.

Dedicated or “enterprise” funds includes operations like sewer, solid waste, and streetlights. Enterprise funds are supported by user fees. All expenses are charged to the appropriate fund. The enterprise funds also pay for “indirect costs,” essentially services provided by General Fund departments like HR and IT.

Sewer is by far the largest enterprise fund. As noted, this is a regional system serving all Kent County. Sewer is billed to individual properties outside the incorporated municipalities. Billing is done by districts. Municipal governments are “contract users.” The cities and towns bill their residents and pay the County a contract user fee to connect to the regional system.

The Levy Court Commissioners approve budgets for every fiscal year projecting revenues and estimating expenses. By law, the budget must balance, i.e., expenditures cannot exceed revenues. This leads neatly to the most important question a taxpayer can ask about financial statements.

What happened in FY 23?

The FY 23 budgets were informed guesses about what would happen financially during the fiscal year. The FY 23 financial statements are the answer.

Even a question as presumedly straightforward as “Did the County end the year in the black or in the red” can be complicated. In the Sewer Fund there was a net income loss of about \$5.1 million. That clearly is “in the red.” For the General Fund, the FY 23 budget started with a projected drawdown of reserves of \$2,835,000. The actual drawdown was \$1,330,000, but there were additional revenues and lower expenses that added about \$1.1 million. From the management perspective, the conclusion is that the general fund ended up about \$230,000 “in the red.”

The Sewer Fund

Operating under the principle of “bad news first,” let’s unpack what happened in the Sewer Fund. To set the stage, we’ll look at a key financial indicator for sewer, “debt service coverage ratio.” Local governments incur debt by issuing bonds. Just like a mortgage or other loan, governments must repay this debt. These recurrent payments are called debt service.

A debt service coverage ratio of 1.0 means a fund has exactly enough revenues to cover all its annual operating expenses *and* fully pay its debt service. Lenders generally prefer a measure of security in the event revenues drop or costs increase. Some bond and loan agreements require funds to maintain a ratio of 1.2 or higher.

In FY 23, the sewer fund drew down retained earnings (what we call unrestricted reserves or fund balance in the General Fund) to balance the operating budget. That means the debt service coverage ratio was below 1.0. More troubling, the budgeted drawdown of retained earnings in the FY 23 budget was \$1.5 million (amended). Depending on the sewer rate established by the Levy Court for the coming fiscal year (FY 25), the projected drawdown of retained earnings could exceed \$5 million. This

is an extraordinary “burn rate” for an enterprise fund with projected annual revenues of around \$28 million.

One of the driving issues is transient. The Wastewater Treatment Plant is running parallel biosolid drying systems. The MD&A is not the ideal place to explain sewage treatment technology, but it likely comes as no surprise that the bulk of sewage is liquid. The treatment process also generates solids called “sludge.”

Drying and disposing of sludge is an unavoidable and expensive part of running a sewer system. For the County, the biosolids sludge disposal line item has increased from \$6.3 million in the FY 23 budget to \$9.75 million in FY 25 (estimated). Until the upgraded biosolid dryers are constructed (hopefully in about 36 months), the County will be paying to run parallel systems.

The temporary increase in biosolid costs is only part of a larger problem. For decades, the sewer system has suffered from chronic underinvestment. In the past 20 years, the County has replaced or refurbished about two miles of sewer mains. The County owns about 464 miles of gravity and force mains. At that pace, it would take 4,640 years to replace/refurbish all of Kent County’s lines. Even the longest lasting sewer pipe (PVC) has a projected lifespan of about 100 years. Even if every mile of line was made of PVC (and it’s not) and even if those lines lasted twice as long, the County will eventually come to a point where the cost of systemic failures would necessitate extraordinary rate increases.

The problem isn’t just the math. It’s a lack of foundational data and analysis. Ideally, a regional wastewater plant would have a robust asset management plan. That requires staff resources and software to calculate the useful life of all tangible assets, estimate replacement costs, analyze alternatives, and develop a fiscally sustainable schedule of repair, replacement, and refurbishment. Asset management is a critical part of a rate study, a highly technical analysis to determine a rate structure that supports operational and capital needs. It’s also a component of an impact fee analysis. Sewer impact fees are the charges levied on new construction to support expanded sewer infrastructure which requires a long-range master plan and capital improvement plan (CIP).

Put simply, Kent County does not have those staff resources, plans, or analyses. This is not intended as a criticism of the hardworking and dedicated employees who work 365 days a year to keep the regional sewer system running. It is simply an objective observation that a proper fiscal evaluation of the Kent County Sewer Fund requires information that we do not have currently. This is why a rate study, impact fee analysis, and asset management system are critical steps to evaluating the Sewer Fund’s long-term solvency, priorities that should be funded in FY 25.

Anticipating a natural question: If the General Fund is doing better, why not just transfer money from there into the Sewer Fund? Enterprise funds are supposed to be self-sustaining. There are times when a local government can essentially loan money from the General Fund to an enterprise fund (like sewer), but that is a short-term measure, and all the money is expected to be paid back.

The General Fund

Returning to the General Fund, FY 23 ended slightly in the red. Overall, this is positive news given FY 23's ambitious budget and economic conditions that had a negative impact on revenues.

The Levy Court relies on highly cyclical revenue sources like real estate transfer tax and recordation fees. In FY 20, the County collected just under \$6 million in real estate transfer tax. By FY 22, this line item peaked at just over \$11 million. The revenue stream slowed dramatically as the real estate market cooled. In FY 23, transfer taxes were around \$8.9 million. The FY 24 budget projected this revenue to decrease to about \$6 million. Recordation fees are much smaller; however, the shape of the revenue curve is like transfer tax. What this means is that General Fund revenues are down about \$6 million from just these two sources. That is a staggering decline for a \$35.6 million General Fund (FY 23) budget.

Another factor was inflation. As noted in the Letter of Transmittal, FY 23 was part of a high inflation period where prices increased at a much higher rate than in many years.

"Since July 2019, inflation as measured by the Consumer Price Index (CPI) has increased prices by nearly 20 percent. This trend cooled during the financial statement period (to about 3.2 percent,) but the broad post-COVID increase in prices has had a dramatic impact on the cost of operations. Further, the CPI likely is not the best indicator for Kent County as a local government because of significant expenditures on industrial inputs like vehicles, equipment, parts, treatment chemicals, and electrical power. The Producer Price Index (PPI) has increased at a rate roughly double that of the CPI."

A third issue was that the FY 23 budget was ambitious, adding 11 full-time positions (eight in Public Safety) and providing a two percent "step" and a four-percent cost-of-living increase to employees. This is not to suggest the increases were not justified. Like the entire region, Kent County has an extremely tight labor market. Based on a compensation analysis completed in 2023, the pay increases were necessary to remain competitive.

Finally, the FY 23 original budget projected a transfer of \$2.84 million from “fund balance” (essentially the County’s General Fund reserves). Because the revenue shortfall was not transient, the decision to drawdown reserves effectively pushed the problem into the subsequent fiscal year.

If we pull these threads together, FY 23 represented a year where cyclical revenues were failing, costs were increasing, the Levy Court was expanding services, and drawing down reserves for both the General and Sewer Funds. As one might reasonably expect, that made the FY 24 budget very challenging.

One of the differences between a movie and single frame of film is motion. The numbers in the financial statements are mostly static. There are year-to-year numbers, but no real distillation of where Kent County is headed financially. Harkening back to GASB 34, part of the requirement of the MD&A (and overall ACFR) is to “Determine whether the government's overall financial position improved or deteriorated.” That is a straightforward question that financial statements rarely answer, at least not with any degree of directness.

Our answer is that the General Fund’s finances deteriorated slightly. The larger concern is the decline in revenues is continuing for the foreseeable future. Inflation has slowed, but prices continue to increase. After the Levy Court Commissioners courageously increased property taxes from 30 cents/\$100 of assessed value to 36 cents/\$100 of assessed value and increased fees, balancing the budget still required the projected drawdown of over \$2 million in reserves.

Why does drawing down reserves matter? It is “one-time money.” A solid management rule of thumb is to avoid using one-time money to fund ongoing operating expenses. This is true for people, businesses, or governments. For example, imagine a person inherits \$10,000. Instead of paying off debts or investing the money, they decide to move into an apartment that costs \$500/month more to rent and use the inheritance to cover the increased cost. After 20 months, the inheritance will be gone, a situation that potentially creates a \$500/month “hole” in their household budget.

Canaries in the Coal Mine

In the early 20th century, coal miners would bring birds (often canaries) into mines. The small birds were far more sensitive to poisonous gases like carbon monoxide so their distress would warn miners about dangerous air. Local government managers have financial “canaries.” One is drawing down reserves to pay for operating expenses.

There are situations where dipping into a fund balance can be a solid strategy. Local governments often use “rain day funds” to weather an economic setback. Using reserves to make a one-time capital purchase can be a prudent fiscal decision. Relying on reserves to fill the gap in an operating budget over consecutive years, however, is a red flag.

To explain the other “canary” requires some background. Local government is primarily a people business. Overall, personnel costs account for about 74 percent of the Levy Court’s budget. Kent County offers competitive wages and outstanding benefits. In fact, the ratio of benefits-to-wages is quite high (between 41 and 42 percent).

While this introduction has discussed the incredible size of the Sewer Funds assets, the most *critical* infrastructure in Kent County is its employees. While financial statements focus on financial data, the strength of an organization cannot be reduced to a balance sheet. The Levy Court is fortunate to have an extraordinarily dedicated and talented workforce.

In response to the Great Recession of 2007 to 2009, Kent County dramatically reduced spending including investment in areas like professional development and training. Much like drawing down reserves to pay ongoing operating costs, cutting training to balance the budget trades a short-term benefit for a steeper long-term cost.

A useful managerial rule of thumb is that an organization’s investment in training should be about three percent of wages. Given Kent County’s FY 23 payroll, this would be a training budget of about \$585,000 per year. The Levy Court spent less than \$50,000, and that almost entirely on mandatory training required for employees to maintain job-required credentials.

Closing

“We believe that what elected officials and taxpayers want to know is: (1) if governments have lived within their legally adopted budgets, no matter what accounting method was used, (2) whether there are any funds available at year end to apply towards future year budgets, and (3), if there is a deficit, how is it being addressed! Currently, this information is buried in fund statements somewhere deep within the voluminous financial statements or larger-yet CAFR (ACFR).”²

It is not often that accountants use exclamation points so the quote from two New York Finance Directors is worth breaking out, “...if there is a deficit, how is it being addressed!”

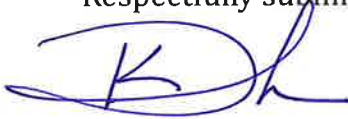
2 - September 30, 2011, letter to Governmental Accounting Standards Board from John A. Savash II, CPA, and Michele C. Yen, CPA, Co-Chairs, NYS GFOA Accounting, Auditing and Financial Reporting Committee

The past five years have been an extraordinary time in U.S. history. Events like the COVID-19 pandemic, the federal response, an unusual housing market, and a remarkably resilient domestic economy have created a wide range of challenges and opportunities.

While there are genuine causes for concern in this financial statement, there also are measurable strengths. The County enjoys very strong reserve positions in the General and Sewer Funds. The Levy Court has a long history of financial responsibility and prudent management. The leadership team is strong, and the Levy Court Commissioners are committed to fiscal sustainability and good governance. The employees are as qualified and competent as those in any local government in the Mid Atlantic.

As evidenced by the FY 23 audit, the challenge the County faces is to develop and implement a plan to address the over reliance on cyclical revenues, eliminate structural deficits in the General and Sewer Funds, and increase investment in the both physical and human infrastructure. Under the sage leadership of the Levy Court Commissioners, the hard work of the employees, and the support of the community, we feel that is an achievable goal.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read 'K Decker', is written over the text 'Respectfully submitted,'.

Ken Decker
County Administrator

KENT COUNTY, DELAWARE
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED
JUNE 30, 2023

The Levy Court Commissioners of Kent County, Delaware, ("the County"), are pleased to present to readers of the financial statements of Kent County this narrative overview and analysis of the financial activities of Kent County for the fiscal year ended June 30, 2023. We encourage readers to consider the information presented here in conjunction with additional information furnished in the financial statements and notes to the financial statements.

Financial Highlights

Government-Wide

- The assets and deferred outflows of resources of the County exceeded its liabilities and deferred inflows of resources by \$223,781,712 (net position), a decrease of \$1,252,223 from the previous year.

Fund Level

- As of the close of the fiscal year, the County reported combined ending fund balances in governmental funds of \$71,525,117 an increase of \$349,548 from the previous year. Of the current ending fund balances, General Fund reported \$49,521,724 as unassigned, \$692,476 as nonspendable, \$3,616,105 as restricted, and \$4,046,887 as assigned. In the Capital Projects Fund, \$12,249,444 is reported as assigned and \$766,783 is reported as nonspendable. In the Other Governmental Funds, \$631,698 is reported as restricted.

Long-Term Liabilities

- At the end of the current fiscal year, the County had total bonded debt outstanding of \$55,123,686, an increase of \$888,022 from the previous year. All of the bonded debt is backed by the full faith and credit of the County government. Governmental activities report \$2,922,075 and business-type activities report \$4,357,072 of general obligation bonds and \$47,844,539 in bonds from direct borrowings.
- On November 10, 2015, the County approved a \$5,000,000 loan agreement with WSFS Bank with a 15-year amortization period and a floating interest rate based upon LIBOR plus 1.2%. At the end of the current fiscal year, the County had total note payable of \$2,902,272.
- The County has leases subject to GASB Statement No. 87, Leases. This standard requires the recognition of a lease liability for certain leases. At the end of the current fiscal year, the County had total lease liability of \$634,129. This includes \$548,375 for Governmental activities and \$85,754 for Business type activities.
- The County has subscription-based information technology arrangements (SBITAs) subject to GASB Statement No. 96. This standard requires the recognition of subscription liability for certain SBITAs. At the end of the current fiscal year, the County had a total subscription liability of \$279,074 for Governmental activities.
- The County adheres to GASB Statement No. 68, Accounting and Financial Reporting for Pensions which was implemented in Fiscal Year 2015, which generally requires state and local governments whose employees are provided with defined benefit pensions to account for and report the annual pension cost and outstanding pension liability. The County reported a net pension liability totaling \$33,241,301 and \$18,584,747 at June 30, 2023 and June 30, 2022 respectively.
- The County adheres to GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits other than Pensions which was implemented in Fiscal Year 2018, which generally requires state and local governments whose employees are provided with defined benefit OPEB plans to account for and report the annual OPEB cost and outstanding OPEB liability. The County reported a net OPEB liability totaling \$22,370,070 and \$22,224,528 at June 30, 2023 and June 30, 2022 respectively.
- The County maintains an Aa1 rating from Moody's Investors Service for general obligation debt.
- Additional information on the County's long-term debt can be found in the notes to the financial statements.

Capital Assets. As of June 30, 2023, the County has invested \$151,210,752 net of accumulated depreciation and amortization, in a broad range of capital assets (see table below). Depreciation and amortization charges for Fiscal Year 2023 totaled \$10,515,283.

Kent County's Capital Assets as of June 30, 2023 and 2022
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Land	\$ 9,230,248	\$ 9,253,595	\$ 7,481,622	\$ 7,481,622	\$ 16,711,870	\$ 16,735,217
Construction in Progress	766,756	120,264	21,573,864	14,880,318	22,340,620	15,000,582
Site Improvements	4,916,971	5,105,077	3,745	8,962	4,920,716	5,114,039
Pipeline	-	-	47,242,542	50,025,116	47,242,542	50,025,116
Buildings	20,419,599	21,186,693	12,908,297	14,002,826	33,327,896	35,189,519
Equipment and Furniture	2,447,825	2,335,994	23,326,280	25,546,080	25,774,105	27,882,074
Right To Use Leased Equip	533,501	783,076	86,791	9,077	620,292	792,153
Subscription Based Information Technology Arrangements	272,711	-	-	-	272,711	-
Total Capital Assets	\$ 38,587,611	\$ 38,784,699	\$ 112,623,141	\$ 111,954,001	\$ 151,210,752	\$ 150,738,700

Major capital asset events which continued through the current fiscal year including current year expenditures for governmental activities included the following:

- Purchase of land, buildings, and site improvements to include building renovations in the amount of \$33,315 and site improvements in the amount of \$42,373 for Public Safety and site improvements at Brown’s Branch Park in the amount of \$164,181 for an underground irrigation system for sports fields.
- Purchase of furniture and equipment to include: two vehicles in the amount of \$52,012 for Assessment; one vehicle in the amount of \$24,469 for Inspections and Enforcement; four emergency response vehicles and conversions for \$319,284 for Emergency Medical Services; two vehicles for \$76,660 for Parks; one trailer for \$5,000 for Facilities Management; surveillance systems for \$19,850 at Big Oak Park and for \$20,280 at Brown’s Branch Park; public address system for \$36,171 for the turf field at Kesselring Recreation Center; videoconferencing audio visual upgrades at the Administrative Complex for \$41,447; a plotter scanner for \$16,080 for Recorder of Deeds; a zero-turn mower for \$33,206 and a tractor for \$28,744 for Parks; an outdoor cinema system for \$24,845 for the Library, a Lucas device for \$14,899 for Emergency Medical Services, and three treadmills for \$17,655 for the Administrative Complex building.
- Addition of donated equipment for Emergency Communications in the amount of \$63,517 for five portable and six mobile radios; Emergency Management in the amount of \$61,411 for one truck; and for Emergency Medical Services nine portable radios in the amount of \$54,000.
- Construction in Progress is comprised of the Information Technology Enterprise Solution in the amount of \$638,183 and Information Technology ESRI hardware and software in the amount of \$97,437; Kesselring wetland bridge in the amount of \$17,741, and Administrative Complex maintenance building in the amount of \$13,141, and Emergency Communications consoles in the amount of \$254.
- Addition of subscription-based information technology arrangements for Recorder of Deeds for \$235,147 and Information Technology for \$150,405.

Major capital asset events which continued through the current fiscal year including current year expenses for business-type activities included the following:

- Completion of the Bar Rake upgrades at the plant in the amount of \$406,417.
- New pump installed at RPS #2 at the treatment plant in the amount of \$60,698.
- Roof replacements at PS1 and PS22 costing a total of \$25,823.
- New pumps were purchased for PS5, PS45, PS25, LS5, LS9, PS31, PS26 and PS29 in the amount of \$124,317.
- Manhole repair in Fieldstone Village cost \$95,511.
- Repair of Bowers Forcemain cost \$75,481.
- Replacement of a pump and two impellers at PS18 in the amount of \$15,203
- Purchase of a VFD and impeller for PS4 in the amount of \$15,055.
- Repair of pumps at PS4 and PS15 costing \$38,128.

- Muffin Monster at PS33A was refurbished costing \$14,745.
- Grinder controller was installed at PS41 costing \$5,129.
- Sludge Pump assemblies was purchased for Biosolids in the amount of \$28,880.
- Well Pump with shaft and bases was installed in the amount of \$20,782.
- Pump for the blower was purchased in the amount of \$19,000.
- Purchase of a Water Booster pump for Biosolids cost \$13,357.
- Overhaul of the digester blower cost \$14,147.
- Purchase of a Gear Drive for the pugmill was purchased in the amount of \$8,004.
- Purchase of a 2023 GVMT-325 Prowler Spreader cost \$463,250.
- Purchase of a 2023 John Deere Compact Track Loader cost \$96,888.
- Purchase of a 2023 Volvo EC60 Compact Excavator cost \$73,671.
- Purchase of (2) 2023 Chevy Silverados, 2022 Chevy Express Van, 2022 Ford Transit Van and 2023 Chevy Equinox in the amount of \$258,171.
- Purchase of a lateral push camera for maintenance cost \$13,985.

Construction in Progress' is comprised of the septage receiving project at Dover Products, PS13 upgrade and the Puncheon Run extension. Also included in construction in progress is the TMDL compliance project and at the Treatment Plant the blower system upgrade, generators, basin actuator valve, biosolids capacity expansion and the wastewater master plan. Sewer extensions for Paris Villa and London Village and Whispering Pines are also included in construction in progress

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Kent County's basic financial statements. The County's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of Kent County's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the County's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference between the assets plus deferred outflows of resources and liabilities plus deferred inflows of resources reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

- **Governmental Activities** – Most of the County's basic services are reported in this category. Taxes and intergovernmental revenues generally support these services. Services provided include general administration, special grants and programs, community services, planning services, public safety, economic development, and constitutional row offices that provide the following services: recordation of deeds, registration of wills, marriage licenses and ceremonies, and sheriff sales.
- **Business-Type Activities** – The County charges fees to customers to help cover all or most of the cost of certain services it provides. The County provides sewer, street light, trash collection services and stormwater maintenance.

Fund Financial Statements. The fund financial statements provide detailed information about the major individual funds. A fund is a fiscal and accounting entity with a self-balancing set of accounts that the County uses to keep track of specific sources of funding and spending for a particular purpose. In addition to the major funds, statements for non-major funds can

be found as supplementary statements following the financial statement notes. All of the funds of the County can be divided into three categories: governmental, proprietary, and fiduciary.

- **Governmental Funds** – Most of the County's basic services are reported in the governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for future spending. The governmental fund financial statements provide a detailed short-term view of the County's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, reconciliations are provided to reconcile between the Governmental Funds Balance Sheet and the Statement of Net Position and between the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances and the Statement of Activities. These funds are reported using modified accrual accounting, which primarily measures cash and other financial assets usable in the short-term. Governmental funds include the General Fund, Special Revenue and Capital Project funds.
- **Proprietary Funds** – When the County charges for the services it provides, these services are generally reported in proprietary funds. Proprietary funds (enterprise and internal service) utilize accrual accounting, the same method used by private-sector businesses. Enterprise funds report activities that provide supplies and services to the general public – sewer, street light, storm water management and trash services. The Internal Service fund reports activities that provide service for the County's health insurance fund. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.
- **Fiduciary Funds** – The County acts as a fiduciary to account for resources held for the benefit of parties outside the County. The County has a custodial fund to collect and remit property taxes to various government agencies and pension funds comprised of the pension benefit fund and the OPEB (other post employment benefits) fund. These funds are reported using accrual accounting. The government-wide statements exclude fiduciary fund activities and balances because these assets are restricted in purpose and do not represent assets available to the County to finance its operations.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information. The RSI presents information detailing the changes in the net pension and OPEB liabilities, ratios related to the net pension and OPEB liabilities, investment returns, and the contributions made to and the funding status of the County's pension and OPEB plans.

Other Information. Other information includes combining financial statements for non-major governmental funds, non-major proprietary funds, and fiduciary funds. These funds are added together, by fund type, and presented in single columns in the basic financial statements but unlike major funds are not reported individually on the governmental fund financial statements and on the proprietary fund financial statements.

Financial Analysis of the Government as a Whole

Net Position. A year-to-year comparison of net position is as follows:

Kent County's Net Position as of June 30, 2023 and 2022

	Governmental Activities		Business-type Activities		Totals	
	2023	2022	2023	2022	2023	2022
Current and Other Assets	\$ 118,123,954	\$ 127,666,718	\$ 98,875,175	\$ 94,047,388	\$ 216,999,129	\$ 221,714,106
Capital Assets	38,587,611	38,784,699	112,623,141	111,954,001	151,210,752	150,738,700
Total Assets	156,711,565	166,451,417	211,498,316	206,001,389	368,209,881	372,452,806
Total Deferred Outflows of Resources	17,397,462	15,047,910	5,100,530	4,465,752	22,497,992	19,513,662
Long-Term Liabilities	50,095,453	39,154,163	62,685,455	58,247,553	112,780,908	97,401,716
Other Liabilities	29,264,444	41,352,220	5,943,341	5,382,772	35,207,785	46,734,992
Total Liabilities	79,359,897	80,506,383	68,628,796	63,630,325	147,988,693	144,136,708
Total Deferred Inflows of Resources	17,914,321	20,347,159	1,023,147	2,448,666	18,937,468	22,795,825
Net Position:						
Net Investment in Capital Assets	31,945,235	31,683,667	59,898,621	60,616,787	91,843,856	92,300,454
Restricted	16,497,247	17,734,069	59,465,254	53,143,508	75,962,501	70,877,577
Unrestricted	28,392,327	31,228,049	27,583,028	30,627,855	55,975,355	61,855,904
Total Net Position	\$ 76,834,809	\$ 80,645,785	\$ 146,946,903	\$ 144,388,150	\$ 223,781,712	\$ 225,033,935

The largest components of the County’s current and other assets of \$216,999,129 are cash and investments totaling \$189,186,284 of which \$65,208,236 is reported as restricted assets in the Sewer Fund and \$1,400,000 is reported as restricted in the General Fund. Of the total long-term liabilities of \$112,780,908, bonds payable net of deferred charges accounts for \$52,239,417, net pension liability accounts for \$33,241,301, net OPEB liability accounts for \$22,370,070, note payable accounts for \$2,566,797, compensated absences accounts for \$1,893,545, leases payable accounts for \$302,328 and subscriptions payable for \$167,450. Due to Other Governments totaling \$3,643,029 and unearned revenue totaling \$21,571,042 are the largest components in other liabilities of \$35,207,785. Total deferred inflows of resources are \$18,937,468 which primarily consists of unavailable property tax revenue totaling \$15,853,827.

Kent County's Changes in Net Position

	Governmental Activities		Business-type Activities		Totals	
	2023	2022	2023	2022	2023	2022
REVENUES						
Program Revenues:						
Charges for Services	\$ 8,722,805	\$ 9,955,613	\$ 26,722,078	\$ 26,797,137	\$ 35,444,883	\$ 36,752,750
Operating Grants and Contributions	5,031,596	5,176,686	52,639	20,295	5,084,235	5,196,981
Capital Grants and Contributions	248,844	492,008	7,235,119	6,567,740	7,483,963	7,059,748
General Revenues:						
Property Taxes	12,686,012	12,491,603	-	-	12,686,012	12,491,603
Real Estate Transfer Tax	8,903,210	11,035,462	-	-	8,903,210	11,035,462
Grant Revenue	9,084,105	3,337,114	-	-	9,084,105	3,337,114
Residential Telephone Surcharge	247,514	270,015	-	-	247,514	270,015
Investment Earnings	2,845,223	292,141	2,942,775	313,109	5,787,998	605,250
Other Revenue and Gains (Losses)	874,406	816,689	90,308	4,160	964,714	820,849
Total Revenues	48,643,715	43,867,331	37,042,919	33,702,441	85,686,634	77,569,772
EXPENSES						
General Government	8,021,493	5,474,699	-	-	8,021,493	5,474,699
Special Grants/Programs	11,259,370	5,681,333	-	-	11,259,370	5,681,333
Community Services	6,736,061	4,860,058	-	-	6,736,061	4,860,058
Planning Services	7,604,503	6,212,727	-	-	7,604,503	6,212,727
Public Safety	14,958,806	13,551,322	-	-	14,958,806	13,551,322
Row Offices	2,906,752	2,614,912	-	-	2,906,752	2,614,912
Economic Development	699,511	366,981	-	-	699,511	366,981
Debt Service	268,195	162,898	-	-	268,195	162,898
Sewer	-	-	27,904,005	23,955,381	27,904,005	23,955,381
Street Light	-	-	1,152,924	1,083,750	1,152,924	1,083,750
Trash	-	-	5,409,305	5,197,292	5,409,305	5,197,292
Landfill	-	-	9,424	9,326	9,424	9,326
Storm Water Maintenance	-	-	8,508	36,345	8,508	36,345
Total Expenses	52,454,691	38,924,930	34,484,166	30,282,094	86,938,857	69,207,024
Increase (Decrease) in Net Position	\$ (3,810,976)	\$ 4,942,401	\$ 2,558,753	\$ 3,420,347	\$ (1,252,223)	\$ 8,362,748

Changes in Net Position. A year-to-year comparison of changes in net position is as follows:

The County’s combined change in net position was a decrease of \$1,252,223 over the course of this fiscal year’s operations. Net position for governmental activities decreased by \$3,810,976 in FY2023 as compared to an increase of \$4,942,401 in FY 2022. Revenue was approximately \$4,776,384 higher in FY2023 than in FY2022 primarily because of an increase in grant revenue. Expenses were approximately \$13,529,761 higher in FY2023 primarily because of \$5.6 million increase in Special Grants/Programs related to ARPA, \$2.5 million increase in General Government, and \$1.4 million increase in Public Safety, \$1.88 million in Community Services which included \$1.1 million disbursement of residual library tax and \$1.39 million in Planning Services.

The net position of the County’s business-type activities increased by \$2,558,753. This increase in net position was 25.23% lower than the increase in net position in Fiscal Year 2022. The decrease in net position of \$861,594 between Fiscal Year 2023 and Fiscal year 2022 was primarily a result of a decrease in charges for services of \$75,059 in Fiscal Year 2023 as compared to Fiscal Year 2022 combined with an increase of expenses of \$4,202,072 in Fiscal Year 2023 as compared to Fiscal Year 2022.

Financial Analysis of the County’s Funds

Governmental Funds

General Fund – Comparison to Prior Year. The General Fund is the chief operating fund of the County. At the end of the current fiscal year, General Fund reported fund balance of \$57,877,192 of which \$49,521,724 was unassigned, \$692,476 was nonspendable, \$4,046,887 was assigned, and \$3,616,105 was restricted of which \$1,358,861 was for library tax, \$33,364 was for grants, \$749,370 was for restricted technology fees, \$49,483 was for recreational areas, \$22,081 was for APFO EMS, and \$1,400,000 for conduit debt service.

Overall revenue decreased \$1,986,195 from Fiscal Year 2022 to Fiscal Year 2023. Property tax revenue increased \$194,409 in Fiscal Year 2023 due to a small amount of growth in the tax assessment rolls. Real estate transfer taxes decreased \$2,132,252 which is due to a decline in the housing market. Fees for services decreased \$1,232,809 primarily because of approximate decreases in Sheriff 4% Sale Fees of \$59,700 and Register of Wills fees of \$134,760. There was an approximate decrease in Recorder of Deeds fees of \$902,400 and in I&E fees of \$415,900. Grant revenue decreased \$233,450, primarily because of a decrease in the amount of revenue received from a one-time pass-through grant of \$234,000 in FY 2022. Interest and dividends increased approximately \$2.1 million due to the significant increase in interest rates. Other revenue decreased approximately \$225,100 when compared to Fiscal Year 2022.

General Fund expenditures increased \$2,425,526 (8.27%) in Fiscal Year 2023 when compared to Fiscal Year 2022. Community Services and Planning Services had expenditure increases of \$1,456,975 and \$554,431 respectively. Community Services expenses mainly increased due to increases in personnel costs, legal and contractual costs, maintenance expenses and reciprocal borrowing. Planning Services expenses mainly increased due to an increase in legal and contractual costs.

General Fund – Comparison to Budget. Overall revenue collections were higher than the final budget by 6.91%. Real estate transfer tax came in over the final budget by \$903,210 or 11.29%. Fees for services were lower than the final budget by \$546,995 or 6.22%. Interest and dividends were over the final budget by \$2,154,527 or 1,196.96%. Other revenue was under the final budget by \$49,337 or 23.05%.

Overall, operating expenditures were under the final budget by 10.73% primarily due to strict cost controls imposed on county wide spending. The functions that were most under their final budget were General Government by 14.01% and Special Grants and Programs which was 25.64% under the final budget but their balances will be carried over into the next fiscal year.

Kent County's General Fund Budget to Actual Comparison

	<u>Original Budget</u>	<u>Final Budget</u>	<u>2023 Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
REVENUES				
Property Taxes	\$ 12,846,400	\$ 12,846,400	\$ 12,808,236	\$ (38,164)
Real Estate Transfer Tax	8,000,000	8,000,000	8,903,210	903,210
Telephone Surcharge	270,000	270,000	247,514	(22,486)
Grants	2,766,100	4,254,783	4,245,003	(9,780)
Fees for Services	8,761,200	8,790,571	8,243,576	(546,995)
Interest and Dividends	180,000	180,000	2,334,527	2,154,527
Rental Income	24,200	24,200	23,862	(338)
Other Revenues	214,000	214,000	164,663	(49,337)
Total Revenues	<u>33,061,900</u>	<u>34,579,954</u>	<u>36,970,591</u>	<u>2,390,637</u>
EXPENDITURES				
General Government	3,109,500	3,427,588	2,947,277	480,311
Special Grants and Programs	2,445,400	3,178,650	2,363,731	814,919
Community Services	4,866,800	6,177,712	5,463,605	714,107
Planning Services	5,288,200	5,673,035	5,382,665	290,370
Public Safety	12,988,400	13,171,252	12,131,244	1,040,008
Row Offices	2,623,100	2,690,646	2,450,213	240,433
Contingency	1,000,000	565,193	-	565,193
Debt Service				
Principal	529,600	414,959	721,963	(307,004)
Interest	146,100	260,741	284,336	(23,595)
Total Expenditures	<u>32,997,100</u>	<u>35,559,776</u>	<u>31,745,034</u>	<u>3,814,742</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>64,800</u>	<u>(979,822)</u>	<u>5,225,557</u>	<u>6,205,379</u>
OTHER FINANCING SOURCES AND (USES)				
Transfers out	-	30,000	30,000	-
Transfers out	(2,900,100)	(4,240,411)	(4,153,233)	87,178
Total Other Financing (Uses)	<u>(2,900,100)</u>	<u>(4,210,411)</u>	<u>(4,123,233)</u>	<u>87,178</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>\$ (2,835,300)</u>	<u>\$ (5,190,233)</u>	<u>\$ 1,102,324</u>	<u>\$ 6,292,557</u>

Capital Projects Fund. The operating revenue for this fund increased \$92,096 from Fiscal Year 2022 to Fiscal Year 2023. This 15.33% increase in revenue was a result of an increase in interest income of \$393,182, a decrease in grant revenue of \$267,406 and a decrease in other revenue of \$33,680. Overall, the expenditures increased by \$1,250,410 from Fiscal Year 2022 to Fiscal Year 2023. The largest expenditure during Fiscal Year 2023 was \$2,304,432 for the Real Property Assessment project. Capital outlay was \$1,171,968 in Fiscal Year 2022 as opposed to \$962,662 in Fiscal Year 2023, a decrease of \$209,306.

Community Development Block Grant. Total revenue for this fund in Fiscal Year 2023 was \$844,676 an increase of \$150,437 from Fiscal Year 2022 primarily due to increases in grant funding from drawdowns for reimbursement. The expenditures were \$1,552,939, an increase of \$402,198 from Fiscal Year 2022.

American Rescue Plan Act Fund. In Fiscal Year 2021, the County created a new American Rescue Plan Act Fund for Federal funds intended to combat the COVID-19 pandemic, including public health and economic impacts. During FY21 the County received \$17,557,780 in ARPA SLFRF funds but did not spend anything. In FY22 the County received their 2nd and final tranche of \$17,557,780 for a total of \$35,115,560. During FY2022 \$3,312,873 of the funds were expensed for programs eligible under the State and Local Fiscal Recovery Funds (SLFRF) program guidance. During Fiscal Year 2023, \$10,767,847 of the funds were expensed. During FY23, the County received \$50,000 from the Local Assistance and Tribal Consistency Fund (LATCF). None of the LATCF funds were expended in FY23.

Non-Major Governmental Funds. The non-major funds consist of one almost defunct special revenue fund – Farmer's Home Administration Grant and one capital project fund - Aeropark. Farmer's Home Administration Grant has not received any funding since 2019. Aeropark revenue increased slightly because there was a sale of land.

Proprietary Funds

Sewer Fund. This fund experienced an operating loss of \$7,045,769 in Fiscal Year 2023 as compared to an operating loss of \$2,669,495 in Fiscal Year 2022. Operating revenue was \$409,584 less in Fiscal Year 2023 than in Fiscal Year 2022. District user fee revenue was \$475,100 higher in Fiscal Year 2023 than Fiscal Year 2022. This was primarily a result of growth in district users. Contract user revenue was down \$297,906 and this was a result of less flows billed in Fiscal Year 2023 than Fiscal Year 2022. The user fee uniform rates for Fiscal Year 2023 remained the same as Fiscal Year 2022. Sewer permits, operating grants, and other revenue were \$65,516 more in Fiscal Year 2023 as compared to Fiscal Year 2022. Operating expenses were \$3,966,690 higher in Fiscal Year 2023 than Fiscal Year 2022. This increase in operating expenses is primarily attributed to an increase of \$1,469,670 in salaries and benefits, and an increase of \$1,575,734 in contractual services.

Trash Fund. The Trash Fund, another major enterprise fund, has the primary function of trash collection. This fund experienced an operating gain of \$272,295 in Fiscal Year 2023 as compared to an operating gain of \$140,100 in Fiscal Year 2022. Revenues increased by \$344,208 from Fiscal Year 2022 to Fiscal Year 2023. During Fiscal Year 2023 there were approximately 17,246 trash customers of which 72.56% had yard waste pickup. The increase in revenue in Fiscal Year 2023 is directly related to the growth in the number of customers in the Trash Fund. Expenses increased by \$212,013 from Fiscal Year 2022 to Fiscal Year 2023 primarily due to contractual services (trash pick up costs) increasing \$229,041 in Fiscal Year 2023 over Fiscal Year 2022.

Non-Major Enterprise Funds. The non-major enterprise funds consist of the Street Light Fund, Landfill Fund, and Storm Water Management Fund. The Landfill Fund has not actively provided waste material disposal service since the 1970's. Costs associated with the Landfill Fund consist mainly of site monitoring costs and related legal expenses. These expenses increased \$98 in Fiscal Year 2023. The Storm Water Management Fund was created during Fiscal Year 2016 for the purpose of helping to maintain the storm water infrastructure in Kent County and to levy and collect the storm water maintenance tax. During Fiscal Year 2023, the Storm Water Management Fund had operating revenue of \$113,573 and operating expenses of \$8,508 which resulted in an operating income of \$105,065. The Street Light Fund had an operating loss of \$58,398 in Fiscal Year 2023. Revenues were less in Fiscal Year 2023 than Fiscal Year 2022 as a result of a slight decrease in the user fee rates. Expenses in Fiscal Year 2023 were \$69,174 higher than Fiscal Year 2022. In Fiscal Year 2023, utility expenses were \$60,942 more than in Fiscal Year 2022.

Internal Service Fund. The internal service fund - Medical Trust Fund – had an operating loss of \$22,393 in Fiscal Year 2023 as compared to an operating loss of \$20,746 in Fiscal Year 2022. The operating loss is more in Fiscal Year 2023 as a result of employer contributions increasing \$304,862 in Fiscal Year 2023 compared to Fiscal Year 2022 while medical insurance premiums and claims increased \$322,436 in Fiscal Year 2023 compared to Fiscal Year 2022.

General Fund Budgetary Highlights

The County adopted its Fiscal Year 2023 budget on April 26, 2022 and amended it to meet operational needs during the year. The County's practice is to a) amend budgeted revenue only for grants and special programs or new revenue streams and b) amend budgeted expenditures primarily to approve new spending authority.

The final budget contained \$34,579,954 of revenues; \$35,559,776 of expenditures, and \$4,210,411 of other financing uses. The actual results were revenues \$2,390,637 above budget and expenditures \$3,814,742 below budget.

Economic Factors and Next Year's Budget Rates

The significant economic sectors to the County are (1) state and local government, (2) federal government and military, (3) service-related industries, (4) manufacturing and (5) agriculture. The prominent role of government and the military is related to the location of the State Capital and a major military base within the borders of the County. Economic projections utilized as a basis for the County's Master Development Plan show a continuation of the trend toward governmental, manufacturing, and service activities. Kent County's unemployment rate in June 2023 was 5.3% which was 0.7% lower than the unemployment rate in June 2022 which was 6.0%.

During Fiscal Year 2023, the County continued to see some growth in the housing market but it was slower than FY2022. Interest rates increased significantly and the revenues related to housing started to decrease by the end of FY2023. The General Fund costs were held tight. Revenue was \$1,986,195 lower in Fiscal Year 2023 than Fiscal Year 2022 which was a result of decreases in real estate transfer tax revenue, Recorder of Deeds fees revenue and Inspection fee revenue. During Fiscal Year 2023 the County expenditures were \$2,425,526 higher than Fiscal Year 2022 and this was primarily related to the increase in community services expenses and planning services expenses.

When adopting the General Fund budget for Fiscal Year 2024, the County continued to keep a tight hold on the expenditures. There was a 3% cost of living allocation (COLA) and a 2% step increase for employees with a satisfactory evaluation. Due to inflation and current economic climates the Levy Court increased the tax rate \$.36 for Fiscal Year 2024.

Requests for Information

The financial report is designed to provide a general overview of Kent County Levy Court's finances to the citizens of Kent County, Delaware, and other users of such data. Requests for additional copies of this report, questions concerning any of the information in this report, and requests for additional financial information should be addressed to Susan Durham, Director of Finance, or Mary Karol, Assistant Director of Finance at 555 Bay Road, Dover, DE 19901. The Director of Finance can also be contacted via email at susan.durham@kentcountyde.gov. The Assistant Director of Finance can be contacted via email at mary.karol@kentcountyde.gov. Kent County's website address is www.kentcountyde.gov.



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KENT COUNTY, DELAWARE

STATEMENT OF NET POSITION
JUNE 30, 2023

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets			
Cash and Investments	\$ 97,432,396	\$ 25,145,652	\$ 122,578,048
Receivables	16,627,744	4,442,965	21,070,709
Internal Balances	648,572	(648,572)	-
Due from Other Governments	555,983	4,540,915	5,096,898
Inventory	47,733	164,871	212,604
Prepaid Expenses and Other Assets	1,411,526	21,108	1,432,634
Non - Current Assets			
Restricted Assets:			
Cash and Investments	1,400,000	65,208,236	66,608,236
Capital Assets, Net			
Land	9,230,248	7,481,622	16,711,870
Construction in Progress	766,756	21,573,864	22,340,620
Land and Site Improvements	4,916,971	3,745	4,920,716
Pipeline	-	47,242,542	47,242,542
Buildings	20,419,599	12,908,297	33,327,896
Equipment and Furniture	2,447,825	23,326,280	25,774,105
Right To Use Leased Equipment	533,501	86,791	620,292
Subscription Based IT Assets	272,711	-	272,711
Total Assets	156,711,565	211,498,316	368,209,881
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Items Related to Pension	11,135,169	3,210,115	14,345,284
Deferred Items Related to OPEB	6,252,873	1,877,611	8,130,484
Deferred Charges on Refunding	9,420	12,804	22,224
Total Deferred Outflows of Resources	17,397,462	5,100,530	22,497,992
LIABILITIES			
Current Liabilities			
Accounts Payable	859,586	2,115,740	2,975,326
Accrued Expenses	839,774	366,225	1,205,999
Due to Other Governments	3,643,029	-	3,643,029
Retainage Payable	-	561,034	561,034
Other Liabilities	1,502,981	-	1,502,981
Compensated Absences	64,288	20,917	85,205
Bonds Payable, Net	226,018	2,658,251	2,884,269
Note Payable	335,475	-	335,475
Leases Payable	252,604	79,197	331,801
Subscriptions Payable	111,624	-	111,624
Unearned Revenue	21,429,065	141,977	21,571,042
Long Term Liabilities			
Net Pension Liability	25,778,627	7,462,674	33,241,301
Net OPEB Liability	17,162,057	5,208,013	22,370,070
Compensated Absences	1,428,694	464,851	1,893,545
Bonds Payable, Net	2,696,057	49,543,360	52,239,417
Note Payable	2,566,797	-	2,566,797
Leases Payable	295,771	6,557	302,328
Subscriptions Payable	167,450	-	167,450
Total Liabilities	79,359,897	68,628,796	147,988,693
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Property Taxes	15,837,329	16,498	15,853,827
Deferred Items Related to Leases	-	378,693	378,693
Deferred Items Related to Pension	604,642	175,038	779,680
Deferred Items Related to OPEB	1,472,350	452,918	1,925,268
Total Deferred Inflows of Resources	17,914,321	1,023,147	18,937,468
NET POSITION			
Net Investment in Capital Assets	31,945,235	59,898,621	91,843,856
Restricted for:			
Capital Projects	12,881,142	-	12,881,142
Conduit Debt Service	1,400,000	-	1,400,000
Recreation Areas	49,483	-	49,483
APFO-EMS	22,081	-	22,081
Library Tax	1,358,861	-	1,358,861
LEPC Grant	2,946	-	2,946
Technology Fee-Deeds	299,748	-	299,748
Technology Fee-General Fund	449,622	-	449,622
Library Standards Grant	33,364	-	33,364
Capital Projects - Equipment Replacement	-	344,113	344,113
Capital Projects - Expansion Sewer Facilities	-	59,121,141	59,121,141
Unrestricted	28,392,327	27,583,028	55,975,355
Total Net Position	\$ 76,834,809	\$ 146,946,903	\$ 223,781,712

KENT COUNTY, DELAWARE

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Grants and Contributions		Primary Government		
			Operating	Capital	Governmental Activities	BusinessType Activities	Total
Primary Government:							
Governmental Activities:							
General Government	\$ 8,021,493	\$ 306,763	\$ 376,303	\$ -	\$ (7,338,427)	\$ -	\$ (7,338,427)
Special Grants/Programs	11,259,370	-	8,895,639	-	(2,363,731)	-	(2,363,731)
Community Services	6,736,061	404,073	491,771	225,349	(5,614,868)	-	(5,614,868)
Planning Services	7,604,503	1,574,562	786,593	-	(5,243,348)	-	(5,243,348)
Public Safety	14,958,806	89,866	3,565,395	23,495	(11,280,050)	-	(11,280,050)
Row Offices	2,906,752	5,944,457	-	-	3,037,705	-	3,037,705
Economic Development	699,511	403,084	-	-	(296,427)	-	(296,427)
Interest on Long-Term Debt	268,195	-	-	-	(268,195)	-	(268,195)
Total Governmental Activities	52,454,691	8,722,805	14,115,701	248,844	(29,367,341)	-	(29,367,341)
Business-Type Activities:							
Sewer	27,904,005	19,829,728	52,639	7,235,119	-	(786,519)	(786,519)
Street Light	1,152,924	1,094,526	-	-	-	(58,398)	(58,398)
Trash	5,409,305	5,681,600	-	-	-	272,295	272,295
Landfill (Note K)	9,424	2,651	-	-	-	(6,773)	(6,773)
Storm Water Maintenance	8,508	113,573	-	-	-	105,065	105,065
Total Business-Type Activities	34,484,166	26,722,078	52,639	7,235,119	-	(474,330)	(474,330)
Total Primary Government	\$ 86,938,857	\$ 35,444,883	\$ 14,168,340	\$ 7,483,963	(29,367,341)	(474,330)	(29,841,671)
General Revenues:							
Taxes:							
Property Taxes					12,686,012	-	12,686,012
Real Estate Transfer Tax					8,903,210	-	8,903,210
Residential Telephone Surcharge					247,514	-	247,514
Investment Earnings					2,845,223	2,942,775	5,787,998
Other Revenues including Capital Asset Sales Gains/(Losses)					874,406	90,308	964,714
					<u>25,556,365</u>	<u>3,033,083</u>	<u>28,589,448</u>
					Changes in Net Position	2,558,753	(1,252,223)
Net Position At Beginning Of Year					<u>80,645,785</u>	<u>144,388,150</u>	<u>225,033,935</u>
Net Position At End Of Year					<u>\$ 76,834,809</u>	<u>\$ 146,946,903</u>	<u>\$ 223,781,712</u>

KENT COUNTY, DELAWARE

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2023

	General Fund	American Recovery Plan Act Fund	Capital Projects Fund	Community Development Block Grant	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and Investments	\$ 61,171,222	\$ 22,548,827	\$ 12,207,669	\$ 441,042	\$ 632,200	\$ 97,000,960
Receivables						
Accounts	26,682	-	-	-	-	26,682
Taxes	16,577,210	-	-	-	-	16,577,210
Due From Other Funds	1,720,283	-	604,864	-	-	2,325,147
Due from Other Governments	97,675	-	-	458,308	-	555,983
Inventory	30,950	-	16,783	-	-	47,733
Prepaid Expenditures and Other Assets	661,526	-	750,000	-	-	1,411,526
Total Assets	\$ 80,285,548	\$ 22,548,827	\$ 13,579,316	\$ 899,350	\$ 632,200	\$ 117,945,241
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities:						
Accounts Payable	\$ 426,154	\$ 77,912	\$ 340,087	\$ 9,710	\$ -	\$ 853,863
Accrued Expenses	612,350	-	-	7,319	-	619,669
Due to Other Funds	582,568	484,758	2	608,745	502	1,676,575
Due to Other Governments	3,643,029	-	-	-	-	3,643,029
Unearned Revenue	225	21,084,841	223,000	273,576	-	21,581,642
Other Liabilities	601,665	901,316	-	-	-	1,502,981
Total Liabilities	5,865,991	22,548,827	563,089	899,350	502	29,877,759
DEFERRED INFLOWS OF RESOURCES						
Unavailable Revenue - Property Taxes	16,542,365	-	-	-	-	16,542,365
Total Deferred Inflows of Resources	16,542,365	-	-	-	-	16,542,365
Fund Balances:						
Nonspendable:						
Inventory	30,950	-	16,783	-	-	47,733
Prepaid Expenditures	661,526	-	750,000	-	-	1,411,526
Restricted:						
Capital Projects Funds	-	-	-	-	631,698	631,698
Conduit Debt Service	1,400,000	-	-	-	-	1,400,000
Recreational Areas	49,483	-	-	-	-	49,483
APFO-EMS	22,081	-	-	-	-	22,081
Library Tax	1,358,861	-	-	-	-	1,358,861
LEPC Grant	2,946	-	-	-	-	2,946
Technology Fee - Deeds Office	299,748	-	-	-	-	299,748
Technology Fee - General Fund	449,622	-	-	-	-	449,622
Library Standards Grant	33,364	-	-	-	-	33,364
Assigned:						
Capital Projects Funds	-	-	12,249,444	-	-	12,249,444
Encumbrances	800,989	-	-	-	-	800,989
Operating Needs	2,048,900	-	-	-	-	2,048,900
Legal Contingency	600,200	-	-	-	-	600,200
Library	410,574	-	-	-	-	410,574
Deeds Maintenance Fees	60,000	-	-	-	-	60,000
Sheriff Auctioneer Fees	60,000	-	-	-	-	60,000
Local Government Fees	60,000	-	-	-	-	60,000
Donations	6,224	-	-	-	-	6,224
Unassigned	49,521,724	-	-	-	-	49,521,724
Total Fund Balances	57,877,192	-	13,016,227	-	631,698	71,525,117
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 80,285,548	\$ 22,548,827	\$ 13,579,316	\$ 899,350	\$ 632,200	\$ 117,945,241

KENT COUNTY, DELAWARE

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2023**

The Total Net Position reported for governmental activities in the Statement of Net Position is different because:

Total Fund Balances for Governmental Funds		\$ 71,525,117
Capital Assets used in governmental activities are not financial resources and, therefore are not reported in the funds. Capital assets net of accumulated depreciation and amortization as detailed in the footnotes are included in the Statement of Net Position. outlays exceeded depreciation or amortization in the year ended June 30, 2023.		38,587,611
Other items that are applicable to a future reporting period and, therefore are reported as deferred outflows of resources or deferred inflows or resources.		
Deferred Outflows:		
Deferred Items Related to Pension	\$ 11,135,169	
Deferred Items Related to OPEB	6,252,873	
Deferred Charges on Refunding	9,420	
Deferred Inflows:		
Deferred Items Related to Pension	(604,642)	
Deferred Items Related to OPEB	<u>(1,472,350)</u>	15,320,470
Internal service fund is used by management to manage health insurance costs including benefits provided by the County and dependent care paid for by the employees and retirees. The benefits provided by the County are allocated monthly to the individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the Statement of Net Position. The increase is equal to the internal service fund net position.		1,594,066
Some of the County's taxes and other revenues will be collected after year-end, but are not available soon enough to pay the current year's expenditures and other items that are attributable to a future period, therefore, are reported as deferred inflow of revenues in the governmental funds.		
Property Taxes	\$ 705,036	
Grants	<u>223,000</u>	928,036
Long-term liabilities applicable to the governmental activities are not due and payable in the current year and, accordingly are not reported as fund liabilities.		
Net Pension Liability	\$ (25,778,627)	
Net OPEB Liability	(17,162,057)	
Notes Payable	(2,902,272)	
Compensated Absences	(1,492,982)	
Accrued Interest on Long Term Debt	(35,029)	
Leases Payable	(548,375)	
SBITA Payable	(279,074)	
Bonds Payable, Net of Bond Discounts	<u>(2,922,075)</u>	<u>(51,120,491)</u>
Total Net Position of Governmental Activities		<u>\$ 76,834,809</u>

KENT COUNTY, DELAWARE

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	General Fund	American Recovery Plan Act Fund	Capital Projects Fund	Community Development Block Grant	Other Governmental Funds	Total Governmental Funds
REVENUES						
Property Taxes	\$ 12,808,236	\$ -	\$ -	\$ -	\$ -	\$ 12,808,236
Real Estate Transfer Tax	8,903,210	-	-	-	-	8,903,210
Residential Telephone Surcharge	247,514	-	-	-	-	247,514
Grants	4,245,003	8,895,639	248,843	786,593	-	14,176,078
Fees For Services	8,243,576	-	-	-	-	8,243,576
Interest and Dividends	2,334,527	-	444,086	-	18,054	2,796,667
Rental Income	23,862	-	-	-	-	23,862
Other Revenues	164,663	-	-	58,083	402,966	625,712
Total Revenues	36,970,591	8,895,639	692,929	844,676	421,020	47,824,855
EXPENDITURES						
Current:						
General Government	2,947,277	-	2,594,544	-	-	5,541,821
Special Grants and Programs	2,363,731	8,895,639	-	-	-	11,259,370
Community Services	5,463,605	-	297,389	-	-	5,760,994
Planning Services	5,382,665	-	29,466	1,552,939	-	6,965,070
Public Safety	12,131,244	-	618,589	-	-	12,749,833
Row Offices	2,450,213	-	16,080	-	-	2,466,293
Economic Development	-	-	695,092	-	4,419	699,511
Debt Service:						
Principal	721,964	-	47,801	-	-	769,765
Interest and Fiscal Charges	284,335	-	6,583	-	-	290,918
Capital Outlay	-	-	962,662	-	-	962,662
Total Expenditures	31,745,034	8,895,639	5,268,206	1,552,939	4,419	47,466,237
Excess (Deficiency) of Revenues Over (Under) Expenditures	5,225,557	-	(4,575,277)	(708,263)	416,601	358,618
OTHER FINANCING SOURCES (USES)						
Transfers In	30,000	-	3,435,900	708,263	-	4,174,163
Transfers Out	(4,153,233)	-	(30,000)	-	-	(4,183,233)
Total Other Financing Sources (Uses)	(4,123,233)	-	3,405,900	708,263	-	(9,070)
Net Change in Fund Balances	1,102,324	-	(1,169,377)	-	416,601	349,548
Fund Balances At Beginning of Year	56,774,868	-	14,185,604	-	215,097	71,175,569
Fund Balances At End Of Year	\$ 57,877,192	\$ -	\$ 13,016,227	\$ -	\$ 631,698	\$ 71,525,117

KENT COUNTY, DELAWARE

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

Amounts reported for governmental activities in the Statement of Activities are different because:

Net Change In Fund Balances - Total Governmental Funds		\$ 349,548
<p>Governmental funds report capital outlays as expenditures. However in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation or amortization expense. This is the amount by which capital outlays exceeded depreciation or amortization in the year ended June 30, 2023.</p>		
Capital Outlays	\$ 2,181,445	
Depreciation and Amortization	<u>(2,364,173)</u>	(182,728)
Changes in deferred inflows/outflows related to pensions and changes in the net pension liability are reported as pension expense in the statement of activities.		(2,335,302)
Changes in deferred inflows/outflows related to OPEB and changes in the net OPEB liability are reported as OPEB expense in the statement of activities.		(2,222,200)
In the Statement of Activities, only the gain or loss on the sale of capital assets is reported, whereas in governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the capital asset less accumulated depreciation.		(14,360)
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. The following are the net changes in these non-current resources.</p>		
Interest Income	\$ (333)	
Property Taxes	(18,738)	
Grant Revenue	<u>188,467</u>	169,396
<p>The repayment of principal is an expenditure in the governmental funds, but is a reduction to the liability in the Statement of Net Position.</p>		
Principal - Bonds and Notes Payable	\$ 414,875	
Lease Financing	354,890	
Proceeds From Debt Financing	<u>(385,552)</u>	384,213
<p>Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. The following are the impact of the net changes in balances.</p>		
Compensated Absences	\$ (17,950)	
Accrued interest on long-term debt	<u>3,018</u>	(14,932)
<p>Deferred charges related to bonds is an expenditure in the governmental funds, but are assets and liabilities in the Statement of Net Position and amortized over the life of the bond. Only the current year expenditure per the amortization schedules is recognized as an expense in the Statement of Activities.</p>		
Deferred Charges - Bond Premium	\$ 21,288	
Deferred Charges - Loss On Refunding	<u>(1,583)</u>	19,705
<p>Internal service funds are used by management to charge the costs of certain activities, such as insurance to individual funds. The change in net position of the Internal Service Fund is reported with governmental activities.</p>		
		<u>35,684</u>
Change In Net Position of Governmental Activities		<u>\$ (3,810,976)</u>

KENT COUNTY, DELAWARE

**STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED
JUNE 30, 2023**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property Taxes	\$ 12,846,400	\$ 12,846,400	\$ 12,808,236	\$ (38,164)
Real Estate Transfer Tax	8,000,000	8,000,000	8,903,210	903,210
Residential Telephone Surcharge	270,000	270,000	247,514	(22,486)
Grants	2,766,100	4,254,783	4,245,003	(9,780)
Fees For Services	8,761,200	8,790,571	8,243,576	(546,995)
Interest and Dividends	180,000	180,000	2,334,527	2,154,527
Rental Income	24,200	24,200	23,862	(338)
Other Revenues	214,000	214,000	164,663	(49,337)
Total Revenues	<u>33,061,900</u>	<u>34,579,954</u>	<u>36,970,591</u>	<u>2,390,637</u>
EXPENDITURES				
Current:				
General Government	3,109,500	3,427,588	2,947,277	480,311
Special Grants and Programs	2,445,400	3,178,650	2,363,731	814,919
Community Services	4,866,800	6,177,712	5,463,605	714,107
Planning Services	5,288,200	5,673,035	5,382,665	290,370
Public Safety	12,988,400	13,171,252	12,131,244	1,040,008
Row Offices	2,623,100	2,690,646	2,450,213	240,433
Contingency	1,000,000	565,193	-	565,193
Debt Service:				
Principal	-	414,959	721,963	(307,004)
Interest	146,100	260,741	284,336	(23,595)
Total Expenditures	<u>32,467,500</u>	<u>35,559,776</u>	<u>31,745,034</u>	<u>3,814,742</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>594,400</u>	<u>(979,822)</u>	<u>5,225,557</u>	<u>6,205,379</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	-	30,000	30,000	-
Transfers out	(2,900,100)	(4,240,411)	(4,153,233)	87,178
Total Other Financing Sources (Uses)	<u>(2,900,100)</u>	<u>(4,210,411)</u>	<u>(4,123,233)</u>	<u>87,178</u>
Net Change in Fund Balance	<u>\$ (2,305,700)</u>	<u>\$ (5,190,233)</u>	1,102,324	<u>\$ 6,292,557</u>
Fund Balance at Beginning of Year			<u>56,774,868</u>	
Fund Balance at End of Year			<u>\$ 57,877,192</u>	



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KENT COUNTY, DELAWARE

STATEMENT OF NET
POSITION
PROPRIETARY FUNDS
JUNE 30, 2023

	Business-Type Activities - Enterprise Funds				Governmental
	Sewer Fund	Trash Collection	Other Enterprise Funds	Total	Activities - Internal Service Fund
ASSETS					
Current Assets:					
Cash and Investments	\$ 20,615,875	\$ 2,386,501	\$ 2,143,276	\$ 25,145,652	\$ 1,831,436
Receivables					
Accounts and Leases	455,322	-	-	455,322	23,852
Interest	699	-	-	699	-
Fees and Services	3,260,289	593,857	132,798	3,986,944	-
Due from Other Funds	194,584	-	-	194,584	-
Due from Other Governments	4,540,915	-	-	4,540,915	-
Inventory	164,871	-	-	164,871	-
Prepaid Expenses and Other Assets	21,108	-	-	21,108	-
Total Current Assets	29,253,663	2,980,358	2,276,074	34,510,095	1,855,288
Non-Current Assets:					
Restricted Assets:					
Cash and Investments	65,208,236	-	-	65,208,236	-
Capital Assets, Net					
Land	7,478,622	-	3,000	7,481,622	-
Construction in Progress	21,573,864	-	-	21,573,864	-
Land and Site Improvements	3,745	-	-	3,745	-
Pipeline	-	-	-	-	-
Buildings	12,908,297	-	-	12,908,297	-
Equipment	23,326,280	-	-	23,326,280	-
Right-To-Use Leased Equipment	86,791	-	-	86,791	-
Total Non-Current Assets	130,585,835	-	3,000	130,588,835	-
Total Assets	159,839,498	2,980,358	2,279,074	165,098,930	1,855,288
DEFERRED OUTFLOWS OF RESOURCES					
Deferred Items Related to Pension	3,210,115	-	-	3,210,115	-
Deferred Items Related to OPEB	1,877,611	-	-	1,877,611	-
Deferred Charges on Refunding	12,804	-	-	12,804	-
Total Deferred Outflows of Resources	5,100,530	-	-	5,100,530	-
LIABILITIES					
Current Liabilities					
Accounts Payable	1,645,430	402,913	67,397	2,115,740	190,799
Accrued Expenses	366,225	-	-	366,225	-
Retainage Payable	449,959	111,075	-	561,034	-
Due to Other Funds	791,835	21,745	29,576	843,156	-
Due to Other Governments	-	-	-	-	-
Leases Payable	79,197	-	-	79,197	-
Subscriptions Payable	-	-	-	-	-
Compensated Absences	20,917	-	-	20,917	-
Unearned Revenue	-	-	141,977	141,977	70,423
Bonds Payable	2,658,251	-	-	2,658,251	-
Total Current Liabilities	6,011,814	535,733	238,950	6,786,497	261,222
Non-Current Liabilities:					
Net Pension Liability	7,462,674	-	-	7,462,674	-
Net OPEB Liability	5,208,013	-	-	5,208,013	-
Leases Payable	6,557	-	-	6,557	-
Compensated Absences	464,851	-	-	464,851	-
Bonds Payable, Net	49,543,360	-	-	49,543,360	-
Total Non-Current Liabilities	62,685,455	-	-	62,685,455	-
Total Liabilities	68,697,269	535,733	238,950	69,471,952	261,222
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue - Other	16,498	-	-	16,498	-
Deferred Items Related to Pension	175,038	-	-	175,038	-
Deferred Items Related to OPEB	452,918	-	-	452,918	-
Deferred Items Related to Leases	378,693	-	-	378,693	-
Total Deferred Inflows Of Resources	1,023,147	-	-	1,023,147	-
NET POSITION					
Net Investment in Capital Assets	59,895,621	-	3,000	59,898,621	-
Restricted for:					
Capital Projects - Equipment Replacement	344,113	-	-	344,113	-
Capital Projects - Expansion Sewer Facilities	59,121,141	-	-	59,121,141	-
Unrestricted	23,101,279	2,444,625	2,037,124	27,583,028	1,594,066
Total Net Position	\$ 142,462,154	\$ 2,444,625	\$ 2,040,124	\$ 146,946,903	\$ 1,594,066

KENT COUNTY, DELAWARE

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2023

	Business-Type Activities - Enterprise Funds				Governmental
	Sewer Fund	Trash Collection	Other Enterprise Funds	Total	Activities - Internal Service Fund
OPERATING REVENUES					
Fees for Services	\$ 18,875,327	\$ 5,681,475	\$ 1,208,099	\$ 25,764,901	\$ -
Permits	220,270	-	-	220,270	-
Operating Grants	52,639	-	-	52,639	-
Other Revenue	734,131	125	2,651	736,907	61,155
Employer Contributions	-	-	-	-	7,055,285
Employee Contributions	-	-	-	-	884,248
Total Operating Revenues	19,882,367	5,681,600	1,210,750	26,774,717	8,000,688
OPERATING EXPENSES					
Salaries and Benefits	9,367,969	162,760	155,103	9,685,832	-
Contractual Services	1,735,549	5,076,606	4,544	6,816,699	-
Travel	7,513	-	-	7,513	-
Utilities	2,402,931	146	939,802	3,342,879	-
Maintenance, Parts and Supplies	2,681,339	109,935	11,182	2,802,456	-
Vehicle Expense	209,079	6,451	2,150	217,680	-
Operating Insurance and Indirect Costs	2,323,538	53,407	58,075	2,435,020	-
Miscellaneous Expenses	184	-	-	184	-
Depreciation and Amortization Expense	8,151,110	-	-	8,151,110	-
Medical Insurance Premiums	-	-	-	-	6,986,157
Medical Claims	-	-	-	-	1,015,031
Trustee Fee and Wire Charges	-	-	-	-	21,893
Total Operating Expenses	26,879,212	5,409,305	1,170,856	33,459,373	8,023,081
Operating Income (Loss)	(6,996,845)	272,295	39,894	(6,684,656)	(22,393)
NON-OPERATING REVENUES (EXPENSES)					
Interest and Dividends	2,744,787	124,069	73,919	2,942,775	49,007
Interest and Fiscal Charges	(1,024,793)	-	-	(1,024,793)	-
Gain on Sale of Land and Equipment	90,308	-	-	90,308	-
Total Non-Operating Revenues (Expenses)	1,810,302	124,069	73,919	2,008,290	49,007
Net Income (Loss) before Contributions	(5,186,543)	396,364	113,813	(4,676,366)	26,614
Capital Contributions:					
Capital Grant	2,617,149	-	-	2,617,149	-
Impact Fees	4,437,209	-	-	4,437,209	-
Developers Aid In Construction	180,761	-	-	180,761	-
Total Capital Contributions	7,235,119	-	-	7,235,119	-
OTHER FINANCING SOURCES					
Transfers In (Out)	-	-	-	-	9,070
Change in Net Position	2,048,576	396,364	113,813	2,558,753	35,684
Net Position At Beginning Of Year	140,413,578	2,048,261	1,926,311	144,388,150	1,558,382
Net Position At End Of Year	\$ 142,462,154	\$ 2,444,625	\$ 2,040,124	\$ 146,946,903	\$ 1,594,066

KENT COUNTY, DELAWARE

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	Business-Type Activities - Enterprise Funds			Total	Governmental
	Sewer Fund	Trash Collection	Other Enterprise Funds		Activities - Internal Service Fund
Cash Flows From Operating Activities:					
Receipts from Customers and Users	\$ 18,507,502	\$ 5,648,757	\$ 1,191,609	\$ 25,347,868	\$ 7,982,774
Payments to Suppliers	(6,556,148)	(5,377,687)	(952,945)	(12,886,780)	(7,985,805)
Payments to Employees	(6,573,038)	-	-	(6,573,038)	-
Internal Activity - payments to other funds	(2,490,556)	(226,149)	(232,462)	(2,949,167)	-
Net Cash Provided (Used) by Operating Activities	2,887,760	44,921	6,202	2,938,883	(3,031)
Cash Flows From Non-Capital Financing Activities:					
Transfers from Other Funds	-	-	-	-	9,070
Net Cash Provided (Used) by Non-Capital Financing Activities	-	-	-	-	9,070
Cash Flows From Capital and Related Financing Activities:					
Proceeds from Capital Grant	2,599,655	-	-	2,599,655	-
Proceeds from Bonded Indebtedness	2,780,206	-	-	2,780,206	-
Proceeds from Sale of Equipment and Land	104,201	-	-	104,201	-
Acquisition and Construction of Capital Assets	(8,657,101)	-	-	(8,657,101)	-
Interest/Fiscal Charges Paid on Bonds	(1,053,002)	-	-	(1,053,002)	-
Retirement of Debt	(2,558,494)	-	-	(2,558,494)	-
Developers Aid In Construction	180,761	-	-	180,761	-
Impact Fees Collected	4,437,209	-	-	4,437,209	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(2,166,565)	-	-	(2,166,565)	-
Cash Flows From Investing Activities:					
Interest and Dividends	2,744,787	124,069	73,919	2,942,775	49,007
Net Cash Provided By Investing Activities	2,744,787	124,069	73,919	2,942,775	49,007
Net Increase (Decrease) In Cash and Cash Equivalents	3,465,982	168,990	80,121	3,715,093	55,046
Cash and Cash Equivalents At Beginning Of Year	82,358,129	2,217,511	2,063,155	86,638,795	1,776,390
Cash and Cash Equivalents At End Of Year	\$ 85,824,111	\$ 2,386,501	\$ 2,143,276	\$ 90,353,888	\$ 1,831,436
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position					
Statement of Net Position					
Current Assets: Cash and Investments	\$ 20,615,875	\$ 2,386,501	\$ 2,143,276	\$ 25,145,652	\$ 1,831,436
Non Current Assets: Cash and Investments	65,208,236	-	-	65,208,236	-
Total Cash and Investments	<u>\$ 85,824,111</u>	<u>\$ 2,386,501</u>	<u>\$ 2,143,276</u>	<u>\$ 90,353,888</u>	<u>\$ 1,831,436</u>

KENT COUNTY, DELAWARE

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS (Continued)
 FOR THE YEAR ENDED JUNE 30, 2023

	Business-Type Activities - Enterprise Funds				Governmental
	Sewer Fund	Trash Collection	Other Enterprise Funds	Total	Activities - Internal Service Fund
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities					
Operating Income (Loss)	\$ (6,996,845)	\$ 272,295	\$ 39,894	\$ (6,684,656)	\$ (22,393)
Adjustments to reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Depreciation	8,151,110	-	-	8,151,110	-
Change in Assets and Liabilities:					
(Increase) Decrease in Accounts Receivable	219,992	(32,843)	(16,490)	170,659	(15,980)
(Increase) Decrease in Due From Other Funds	(169,338)	-	-	(169,338)	-
(Increase) Decrease in Prepaid Expenses and Other Assets	17,811	-	-	17,811	-
(Increase) Decrease In Deferred Outflow Items Related to Pension/OPEB	(636,930)	-	-	(636,930)	-
Increase (Decrease) in Accounts Payable	385,960	(65,275)	4,733	325,418	(112)
Increase (Decrease) in Retainage Payable	-	(119,274)	-	(119,274)	-
Increase (Decrease) in Lease Payable	76,676	-	-	76,676	-
Increase (Decrease) in Medical Claims Payable	-	-	-	-	37,388
Increase (Decrease) in Accrued Expenses	33,139	-	-	33,139	-
Increase (Decrease) in Deferred Liability	-	-	-	-	(1,934)
Increase (Decrease) in Unearned Revenue	-	-	(2,651)	(2,651)	-
Increase (Decrease) in Net Pension Liability	3,290,396	-	-	3,290,396	-
Increase (Decrease) in Net OPEB Liability	34,335	-	-	34,335	-
Increase (Decrease) in Compensated Absences	73,991	-	-	73,991	-
Increase (Decrease) in Unavailable Revenue	(1,464)	-	-	(1,464)	-
Increase(Decrease) In Deferred Inflow Items Related to Pension/OPEB	(1,424,055)	-	-	(1,424,055)	-
Increase (Decrease) in Due To Other Funds	(167,018)	(9,982)	(19,284)	(196,284)	-
Net Cash Provided (Used) by Operating Activities	<u>\$ 2,887,760</u>	<u>\$ 44,921</u>	<u>\$ 6,202</u>	<u>\$ 2,938,883</u>	<u>\$ (3,031)</u>

KENT COUNTY, DELAWARE

**STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2023**

	Pension and Post Retiree Funds	Custodial Funds
ASSETS		
Restricted Assets:		
Cash and Short Term Investments	\$ -	\$ 818,406
Receivables		
Member Contributions	165,975	-
Interest	12,963	-
Investments	79,243,872	-
	-	-
Total Assets	79,422,810	818,406
LIABILITIES		
Accounts Payable	31,460	-
Due to Other Governments	-	231,205
Tax Sale Proceeds Payable	-	124,926
Other Liabilities	-	462,275
	-	-
Total Liabilities	31,460	818,406
NET POSITION		
Held in Trust for:		
Pension Benefits	50,010,421	-
Post Retiree Benefits	29,380,929	-
	-	-
Total Net Position	\$ 79,391,350	\$ -
	-	-

KENT COUNTY, DELAWARE

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2023**

	Pension And Post Retiree Funds	Custodial Funds
ADDITIONS		
Employee Contributions	\$ 434,643	\$ -
Employer Contributions	6,378,217	-
Interest and Dividends	631,480	-
Net Appreciation in Fair Value of Investments	(9,262,106)	-
Tax Collections for Other Governments	-	84,315,992
	-	
Total Additions	(1,817,766)	84,315,992
DEDUCTIONS		
Pension Benefits	3,813,425	-
Refund of Member Contributions	62,032	-
OPEB Benefits	1,815,002	-
Administrative Expense	433,389	-
Payment of Taxes to Other Governments	-	84,315,992
	-	
Total Deductions	6,123,848	84,315,992
Change In Net Position	(7,941,614)	-
Net Position - Beginning of Year	87,332,964	-
Net Position - End of Year	\$ 79,391,350	\$ -

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the County conform in all material respects to accounting principles generally accepted in the United States of America (GAAP) as applicable to governments. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification). The following summarizes the County's significant accounting policies.

1. Financial Reporting Entity

Kent County Levy Court, the governing body of Kent County, Delaware, consists of seven elected commissioners and operates under the laws of the State of Delaware. The following significant services are provided by the County: community services, planning services, public safety, tax collections, sewer operations, street lights, trash collection, storm water management, economic development, general administrative services and constitutional row offices which provide services that include issuing marriage licenses, recordation of deeds and wills, and sheriff sales. As required by accounting principles generally accepted in the United States of America, these financial statements present the County and its component units, entities for which the County is considered financially accountable. Blended component units, although legally separate entities, are in substance, part of the County's operations and so data from these units are combined with data from the County, the primary government.

The Kent County Aeropark Development Authority's (the Authority), a blended component unit, was formed to develop, promote and administer the Kent County Aeropark. The board of directors consists of seven members who are appointed by the Kent County Levy Court Commissioners. The activity for the authority is included in the Aeropark Fund. Separate financial statements of the blended component units are not prepared.

The County's officials are responsible for appointing the members of the board of other organizations, but the County's accountability for these organizations do not extend beyond making the appointments. The Kent Economic Partnership is a related organization that is excluded from the reporting entity.

2. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all the non-fiduciary activities of the County. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the last are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental and proprietary funds are aggregated and reported as non-major funds.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**Government-Wide, Proprietary, and Fiduciary Fund Financial Statements**

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide, proprietary and fiduciary fund statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items (non-exchange transactions) are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Government Fund Financial Statements

The government fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the period they become both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met. For governmental fund types, the County considers all revenues to be available if they are collected within 60 days after fiscal year-end. Revenues considered susceptible to accrual include property taxes, interest and dividends and grants associated with the current fiscal year. All other revenue items are considered measurable and available only when cash is received by the County.

Expenditures are recorded when the related fund liability is incurred (upon receipt of goods or services), except for principal and interest on general long-term debt and compensated absences, which are recognized as expenditures to the extent they have matured. General capital assets acquisitions are reported as expenditures in governmental funds. Long-term debt and acquisitions under leases are reported as other financing sources.

The County reports the following major governmental funds:

The **General Fund** is the primary operating fund of the County. It accounts for all financial resources of the County except those resources required to be accounted for in another fund. The general tax revenues of the County, as well as other resources received and not designated for a specified purpose, are accounted for in the General Fund.

The **American Rescue Plan Act Fund** accounts for Federal funds intended to combat the COVID-19 pandemic, including public health and economic impacts. President Biden signed the American Rescue Plan Act of 2021 on March 11, 2021, which established the Coronavirus State and Local Fiscal Recovery Funds. These Fiscal Recovery Funds provided Kent County with resources to respond to the COVID-19 public health emergency and its economic impacts.

The **Capital Projects Fund** is used to account for financial resources to be used for the acquisition and construction, including construction period debt service, of major capital facilities or projects (other than those financed by Proprietary Funds).

The **Community Development Block Grant** program provides annual grants to finance housing rehabilitation, community facilities and public works improvements, which serve low to moderate-income persons in Kent County. These are federal funds allocated through the Delaware State Housing Authority.

The County reports the following major enterprise funds:

The **Sewer Fund** accounts for the sewage and wastewater service operations and is intended to be self-supporting through user charges. The Sewer Fund operates and maintains sewage collection and treatment systems.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The **Trash Collection Fund** accounts for the collection of garbage within garbage collection districts in Kent County as authorized by the State, under Title 9, Chapter 47, of the Delaware Code. The fund is intended to be self-supporting through user charges. Garbage collection fee rates are uniform for all districts and are based on the contractual cost of collection and a small administrative fee.

The County also reports the following funds:

The **Internal Service Fund** (proprietary type) is used to account for the financing of health and dental insurance provided by the County to other funds of the County on a cost-reimbursement basis. In addition, employee contributions to the health insurance plan and related expenses are accounted for within this fund.

The **Pension And Post Retiree Benefits Funds** (fiduciary type) account for the activities of the Kent County Levy Court Pension Trust and OPEB (other post-employment benefits) Trust which accumulates resources for pension benefit payments and other post-employment benefits to qualified Kent County Levy Court employees and their beneficiaries. The financial information presented for Kent County Employee Retirement Program is as of and for the year ended December 31, 2022, the Plan's fiscal year end.

The **Custodial Fund** accounts for assets held by the County in a custodial capacity.

With limited exceptions, the effects of interfund activity have been eliminated from the government-wide financial statements. Exceptions include charges by one government function to another where services have been provided. Elimination of these charges would distort the direct costs and program revenues reported for the various functions.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. The sewer fund recognizes as operating revenues the portion of connection fees related to the cost to connect customers to the system. Operating expenses for enterprise and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

Adoption of New Accounting Standards

In May 2020, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 96, Subscription-Based Information Technology Arrangements (SBITAs). This standard defines a SBITA and establishes that a SBITA results in a right-to-use subscription asset-an intangible asset-and a corresponding subscription liability; provides capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA, and requires note disclosures regarding a SBITA. Under this standard, a government generally should recognize a right-to-use subscription asset-an intangible asset-and a corresponding subscription liability.

The County adopted the requirements of the guidance effective July 1, 2022, and has applied the provisions of this standard to the beginning of the period of adoption.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. Assets, Liabilities and Net Position or Equity**Cash and Cash Equivalents, Deposits, and Investments**

The County's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Separate bank deposits are maintained for each fund. The County also maintains an investment pool available for use by all funds. Deposits and investments are stated at fair value. Income earned by the investment pool is allocated to each fund in proportion to its contribution to the pool. Collateral for deposits in excess of FDIC Insurance is held at WSFS (Wilmington Savings Fund Society).

The County is authorized by statute to invest in: 1) Certificates of Deposits from financial institutions which are insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation, or, to the extent not insured, collateralized by U.S. government securities; 2) U.S. government securities; 3) Obligations issued or guaranteed by any agency controlled by or acting as an instrumentality of the United States of America; 4) Fully collateralized repurchase agreements; 5) U.S. Government securities mutual funds. These funds must invest exclusively in a portfolio of securities issued or guaranteed by the U.S. Government, its agencies or instrumentalities and repurchase agreements with any member bank of the Federal Reserve System or primary dealer in U.S. Government Securities; 6) Investment portfolios in the State of Delaware Investment Pool.

During the fiscal year the County invested with WSFS Bank, Wilmington Trust, Artisans' Bank and the DE Local Government OPEB Investment Trust. These institutions invest funds in U.S. Government Securities, obligations issued or guaranteed by agencies controlled by or acting as an instrumentality of the United States, and Repurchase Agreements.

The County was invested in the Delaware Local Government OPEB Investment Trust, an investment vehicle established for local government entities in Delaware to pool funds to maximize returns and reduce costs. Assets of the trust are managed by the Delaware Public Employees' Benefit Systems and its Board of Directors. There are no limitations or restrictions on withdrawals from the pool. The fair value of the County's position in the external investment pool is valued at the proportionate share of the pool's underlying assets. The Trust is not rated and investments of the trust are limited to those allowed by State statutes.

The Pension and Post Retiree Fund is authorized by statute to invest in U.S. Treasury Bonds and Notes, corporate obligations, core real estate commingled investments and common stocks.

Investments are reported at fair value, except for nonnegotiable certificates of deposit which are reported at amortized cost. In establishing the fair value of investments, the County uses the following hierarchy. The lowest available level of valuation available 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.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**Receivables and Payables****Property taxes**

The County property tax year runs from June 1 – May 31. Tax rates are set in late April or May during the adoption of the annual budget. Taxes are due and payable by September 30. After the due date, interest is charged on the delinquent portion at one and one half percent per month. Property taxes on real estate become an enforceable lien on the property as of October 1 if unpaid.

The County bills and collects its own property taxes, and revenues are recognized in the government funds in the period in which they become susceptible to accrual, that is, when they become measurable and available. Outstanding tax levies are offset on the government fund balance sheet by deferred inflows of resources. Annual, interim and delinquent real estate taxes as yet uncollected are included as deferred revenue. The amounts expected to be collected within the first 60 days after the fiscal year ended June 30, 2023 are recorded as revenue. Delinquent taxes are considered fully collectible; and, therefore, no allowance for uncollectible taxes is provided.

Sewer charges, street light charges, storm water management, and trash collection charges are recorded when earned but are included with the property tax billing.

Due to/from Other Funds which are recorded in the fund financial statements is the year-end outstanding balance of a variety of transactions among funds to finance operations, service debt and otherwise meet obligations as they become due.

Internal Balances are the residual balances outstanding between governmental activities and business-type activities as reported in the government-wide statements.

Inventories and Prepaid Items

All inventories are valued at cost using the first-in, first-out (FIFO) method. Inventories of the Enterprise Fund consist of expendable supplies held for consumption, which are recorded as expenditures or expenses when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

Restricted Assets

Assets obtained from impact fees and sewer district equipment replacement (SDER) fees are classified as restricted assets on the statement of net position because they are maintained in separate cash and investment accounts and their use is limited by ordinance. Impact fees and related investment income are restricted for projects that will increase the capacity of the sewer facilities. SDER fee was discontinued after the June 15, 2005 quarterly billing. SDER is restricted for the purpose of replacing sewer equipment when it becomes worn or ineffective.

Capital Assets

Capital assets including property, plant, and equipment are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The County has defined capital assets as assets with a minimum cost of \$5,000 and an estimated useful life in excess of one year. Capital assets may be purchased or constructed and are recorded at cost or estimated historical cost. Donated capital assets are recorded at acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Capital assets of the County are depreciated using the straight-line method over the estimated useful lives of the related assets. The County records three months', six months', nine months', or twelve months' depreciation depending on acquisition date in the year the asset is acquired. The County generally uses the following estimated useful lives unless an asset's life has been adjusted based on actual experience:

<u>Asset Class</u>	<u>Years</u>
Land and Site Improvements	10 - 25
Pipeline	25 - 50
Buildings	20 - 50
Building Improvements	20
Carpeting	10
Vehicles, Equipment	4 - 10
Computer Software, Hardware	3 - 5
Emergency Equipment	10 - 20
Right to Use Equipment	3 - 5
Subscription based information technology arrangements	2 - 5

Right to use leased assets of the County are amortized using the straight-line method over the shorter of the lease term or the useful lives of the related assets. Subscription-based information technology arrangements are amortized using the straight-line method over the shorter of the subscription term or the useful life of the underlying IT assets.

Deferred Outflows/Inflows 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 (expense/expenditure) until then. The County currently has three items that qualify for reporting in this category – the deferred charge on refunding reported and the deferred items related to pension (Note L) and OPEB (Note M) both of which are reported in the government-wide statement of net position, business-type activities and the statement of net position proprietary funds. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred over the shorter of the life of the refunded or refunding debt. Pension contributions made subsequent to the measurement date, and therefore not reflected in the net pension liability under full accrual basis reporting, are reported as a deferred outflow of resources on the entity-wide and proprietary fund statements of net position. Certain changes to the net pension liability and net OPEB liability, including changes in assumptions, differences between actual and expected experience, and differences between actual and expected investment returns, are required to be amortized over a period of years; the unamortized portions of these changes are reflected as deferred outflows of resources on the entity-wide and proprietary fund statements of net position.

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and therefore will not be recognized as an inflow of resources (revenue) until that time. The County has items that qualify for reporting in this category and they are unavailable revenue – property tax, deferred items related to leases, deferred items related to pension and OPEB, and deferred items related to deferred gain on refunding. In the governmental fund financial statements and government-wide financial statements, deferred inflows of resources primarily include property taxes. In the governmental activities in the government-wide statements there are also deferred inflows of resources for deferred items related to pension and OPEB. In the enterprise funds (street light fund and trash fund) at both the fund level and government-wide financial statements, deferred inflows of resources consist of transmission debt refinance prepaid by Kitts Hummock for South Central transmission line, deferred items related to OPEB and unclaimed tax sale proceeds. In the enterprise funds (sewer fund) at both the fund level and government-wide financial statements, deferred inflows of resources consist of farm, hunting, and tower space leases. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**Compensated Absences**

Compensated absences are those earned but unused absences for which employees will be paid, such as vacation and sick leave. Employees are granted vacation and sick leave in varying amounts. It is the County's policy to permit employees to accumulate up to six months of earned but unused sick leave and up to 30 days of vacation leave for hourly employees and 60 days for exempt employees. The County pays 50 percent of accumulated sick leave up to 45 days to those employees retiring. The accumulated sick leave liability is based on the amount that is expected to be paid out upon retirement.

For governmental activities, changes in vested or accumulated vacation leave and eligible sick leave are reported as expenditure in the statement of activities. Vested or accumulated vacation leave that is expected to be liquidated within one year is reported as a current liability in the government-wide financial statements. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources within one year are reported in the government-wide financial statements as a long-term liability.

In the proprietary funds, vested or accumulated vacation leave and sick leave of those employees eligible to retire are recorded as an expense and liability of those funds as the benefits accrue to employees.

Long-Term Liabilities

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable government activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable premiums and discounts.

In the fund financial statements, governmental fund types recognize bond premiums, discounts, and bond issuance costs during the current financial period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Leases-Lessee

The County is a lessee for noncancellable leases of equipment. The County recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the Statement of Net Position. The County recognizes lease liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a lease, the County initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the County determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments. The County uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the County generally uses its estimated incremental borrowing rate as the discount rate for leases. The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the County is reasonably certain to exercise.

Leases-Lessor

The County is a lessor for noncancellable leases of real estate and equipment. The County recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

At the commencement of a lease, the County initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term. Key estimates and assumptions are the same as lessee transaction.

The County monitors change in circumstances that would require a remeasurement of its lease and will remeasure the lease asset, receivable, deferred inflows of resources and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Subscription-Based Information Technology Arrangements (SBITAs)

The County has entered into subscription-based information technology arrangements (SBITAs) for the right to use other parties' information technology software, alone or in combination with tangible capital assets, as specified in contracts for a period of time. The County recognizes a subscription liability and an intangible right-to-use subscription asset in the Statement of Net Position. The County recognizes subscription liabilities with an initial, individual value of \$25,000 or more.

At the commencement of a SBITA, the County initially measures the subscription liability at the present value of subscription payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made. The subscription asset is initially measured as the initial amount of the subscription liability, adjusted for subscription payments made at or before the subscription commencement date, plus certain initial direct costs. Subsequently, the subscription asset is amortized on a straight-line basis over the lesser of the subscription term or useful life.

Key estimates and judgments related to subscriptions include how the County determines (1) the discount rate it uses to discount the expected subscription payments to present value, (2) subscription term, and (3) subscription payments. The County uses the interest rate charged by the vendor as the discount rate. When the interest rate charged by the vendor is not provided, the County generally uses the federal bank loan prime borrowing rate as the discount rate for subscriptions. The subscription term includes the noncancellable period of the subscription. Subscription payments included in the measurement of the subscription liability are composed of fixed payments and purchase option price that the County is reasonably certain to exercise.

Net Position and Fund Balances

The difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources is "Net Position" on the government-wide, proprietary, and fiduciary fund statements and as "Fund Balance" on governmental fund statements. Net Position is classified as "Net Investment in Capital Assets," legally "Restricted" for a specific purpose or "Unrestricted".

Fund balances of the governmental funds are classified, if applicable, as follows:

Nonspendable – amounts that cannot be spent because they are in nonspendable form (e.g., inventory), or legally or contractually required to be maintained intact (e.g., inventory, prepaid expenses, endowments).

Restricted – amounts that can be spent only for specific purposes and are limited by the Delaware Code, state or federal laws, or externally imposed conditions by grantors or creditors - (e.g., grants or donations and constraints imposed through a debt covenant).

Committed – amounts that can be used only for specific purposes determined by Levy Court ordinance, resolution, or policy (e.g. future anticipated costs). These constraints can be removed or changed by equal levels of action. Action or constraint resources should occur prior to fiscal year end.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Assigned – amounts that are intended for a particular purpose such as future benefits funding or segregation of an amount intended to be used at some time in the future. These decisions can be made by the Levy Court, County Administrator, or Finance Director.

Unassigned – amounts available for consumption or not restricted in any manner.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the County considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned or unassigned fund balances are available, the County considers amounts to have been spent first out of committed funds, then assigned funds and, finally, unassigned funds, as needed, unless the County has provided otherwise in its commitment or assignment actions.

The County is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. The County’s minimum fund balance policy requires that the unassigned fund balance equal or exceed fifty percent of the most recently adopted general fund expenditures budget.

NOTE B – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**1. Budgetary Accounting and Control**

The County follows these procedures in establishing the budgetary data reflected in the basic financial statements:

- a. Formal budgetary integration is employed as a management control device during the year for the Governmental Fund Types. These budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
- b. As of November 1 of each year, County department and division heads are required to submit to the County Administrator preliminary operating budgets for the fiscal year commencing the following July 1. The operating budgets submitted include proposed expenditures and the means of financing them as well as narrative justification for increases in operating expenditures. Mission statements and goals and objectives are also submitted.
- c. The submitted budgets are then subjected to a detailed review by the budget review committee which consists of the County Administrator, the Finance Director, and the Budget Supervisor. This review process, which continues through January, includes meetings with the department and division heads making comparisons with prior years’ spending patterns and forecasting future needs.
- d. On March 1 the County Administrator submits a budget to the Levy Court Commissioners entitled “The County Administrator’s Proposed Budget.”
- e. Throughout the month of March there are several public committee meetings for discussion of the proposed budget. As required by County Ordinance, the proposed budget is made available for public inspection for at least 14 days prior to the date of adoption. Simultaneous with the budget adoption, the tax rates for the next fiscal year are adopted.
- f. After the legal adoption of the budget, all supplemental budget appropriations are presented at the bi-weekly Commissioners’ meetings for approval. The County’s legal level of budgetary control is at the departmental level. Management may only make budget amendments within their respective departments in accordance with the County’s budget amendment policies. All amendments above the departmental level, i.e., interdepartmental and functional, require the formal approval of the County Administrator and/or the County Commissioners. The original budget adopted for the fiscal year ended June 30, 2023, and the budget as revised for budget amendments during the year, are presented as part of the budget versus actual schedules presented in these financial statements.

NOTE C – DEPOSITS AND INVESTMENTS

- g. Appropriations lapse at fiscal year end for all funds except the capital projects funds and special revenue funds with extended contract years. The County legally adopts project-length budgets for its capital projects funds, wherein appropriations automatically carry forward to the next fiscal year and are not subject to annual cancellation and reappropriation.

The County maintains separate bank accounts for each fund. There is an investment pool available for use by all funds. Each fund type’s portion of the investment pool and their individual bank accounts are displayed on the combined balance sheet under the caption “Cash and Investments.” Restricted cash and investments represent deposits and investments that are held by the County subject to specific grant or loan imposed restrictions or their use is limited by ordinance. The pension funds cash and investments are held separately.

The summary below identifies the investment type of the deposits and investments of the County.

<u>Deposits</u>	<u>Carrying Value</u>	<u>Bank Balance</u>
Insured Deposits	\$ 250,000	\$ 250,000
Uninsured Deposits - Collateral held by pledging financial institution or by its trust department or agent but not in the County's name	<u>186,145,357</u>	<u>189,679,797</u>
Total Deposits	<u>\$ 186,395,357</u>	<u>\$ 189,929,797</u>

The County categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The County had the following recurring fair value measurements:

<u>Investments Measured at Fair Value:</u>	<u>Fair Value</u>	<u>Level 1</u>
Corporate Stocks	\$ 9,725,758	\$ 9,725,758
<u>Investments Measured at Amortized Cost:</u>		
Certificates of Deposit	205,053	
Money Market Mutual Funds	<u>3,939,481</u>	
Total Investments Measured at Amortized Cost	<u>4,144,534</u>	
<u>Investments Measured at Net Asset Value (NAV):</u>		
Collective Trusts	<u>68,816,139</u>	
Total Investments	<u>\$ 82,686,431</u>	

The valuation method for investments measured at the net asset value (NAV) per share (or its equivalent) is presented on the following table:

	<u>Balance</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Collective Trusts	\$ <u>68,816,139</u>	\$ <u>-</u>	Daily or Monthly	20-30 days

Collective Trusts consists of seven trusts that focus on real estate, fixed income, or equity. The objectives of these funds are to:

- Invest in diversified real estate consisting primarily of high quality, well-leased real estate properties
- Outperform various benchmarks such as the MSCI World Index ex-U.S. or S&P 500.

NOTE C – DEPOSITS AND INVESTMENTS- CONTINUED

These investments are valued at the net asset value (NAV) of units of the collective trust. The NAV, as provided by the trustee or investment manager, is used as a practical expedient to estimate fair value. The NAV is based on the fair value of the underlying investments held by the fund less its liabilities.

Credit Risk

All money market funds have a Moody’s rating of Aaa. A bank sponsored collateral pool for governmental entities is 102% collateralized with U.S. Treasury and federal agency securities.

Custodial Credit Risk - Deposits – Custodial credit risk is the risk that in the event of a failure of a depository financial institution, the County may be unable to recover deposits or recover collateral deposits that are in the possession of an outside party. All County deposits are required by law to be federally insured through the Federal Deposit Insurance Corporation (FDIC) or, to the extent not insured, collateralized by direct obligations of the United States of America as well as qualified securities pledged by the institution holding the assets. By law, financial institutions must collateralize all public deposits.

The face value of the pooled collateral must equal at least 100 percent of the public funds deposited. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

Custodial Credit Risk – Investments – Custodial credit risk for investments exists when in the event of the failure of the counterparty, the County will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The County does not have a formal policy for custodial credit risk.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The County limits its interest rate risk by structuring the investment portfolio so that the securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity. It is the County’s policy to hold investments until maturity unless there is an economic reason to do otherwise. U.S. Treasury and U.S. Treasury – Stripped Investments are held by the Sewer Fund. Certificates of Deposit are held by the Landfill Fund. As of June 30, 2023, some of the County’s investments had the following maturity dates:

<u>Investments</u>	<u>Amortized Value</u>	<u>Less Than One Year</u>
Certificates of Deposit	<u>\$ 205,053</u>	<u>\$ 205,053</u>
Total Investments	<u>\$ 205,053</u>	<u>\$ 205,053</u>

Concentration of Credit Risk

In addition to the above disclosures, as of June 30, 2023, the pension plan did not have 5% or more of plan net position invested in any one issuer. The pension plan investments consist of U.S. Agencies, mutual fund investments, and corporate bonds of which only the corporate bonds are included in the concentration of credit risk disclosure.

As of June 30, 2023, the County had \$29,380,929 invested with the Delaware Local Government OPEB Investment Trust. The Trust is an external investment pool operated by the Delaware Public Employees’ Benefit System and participation in the pool is voluntary. The financial statements and further information on the investment pool can be obtained from the State Board of Pensions McArdle Building, 860 Silver Lake Blvd., Dover, Delaware 19904.

NOTE C – DEPOSITS AND INVESTMENTS- CONTINUED

The following provides a reconciliation between the amounts disclosed in the above footnote and the amounts presented in the Statement of Net Position.

Deposits	\$ 186,395,354
Investments	82,686,431
Petty Cash Amounts	2,750
Cash on Hand	<u>164,027</u>
Total	<u>\$ 269,248,562</u>
Unrestricted	\$ 122,578,048
Restricted	66,608,236
Fiduciary Funds	<u>80,062,278</u>
Total Cash and Investments	<u>\$ 269,248,562</u>

NOTE D – CAPITAL ASSETS

1. Primary Government-

The capital asset activity for Governmental Activities for the year ended June 30, 2023, was as follows:

	July 1, 2022	Increases	Decreases	June 30, 2023
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated				
Land	\$ 9,253,595	\$ -	\$ (23,347)	\$ 9,230,248
Construction in Progress	120,264	686,622	(40,130)	766,756
Total Capital Assets Not Being Depreciated	<u>9,373,859</u>	<u>686,622</u>	<u>(63,477)</u>	<u>9,997,004</u>
Capital Assets Being Depreciated / Amortized				
Land and Site Improvements	9,819,497	206,554	-	10,026,051
Buildings	31,598,143	33,315	-	31,631,458
Equipment and Furniture	10,554,074	909,533	(720,693)	10,742,914
Total Capital Assets Being Depreciated / Amortized	<u>51,971,714</u>	<u>1,149,402</u>	<u>(720,693)</u>	<u>52,400,423</u>
Less Accumulated Depreciation / Amortization for:				
Site Improvements	4,714,420	394,660	-	5,109,080
Buildings	10,411,450	800,409	-	11,211,859
Equipment and Furniture	8,218,080	806,688	(729,679)	8,295,089
Total Accumulated Depreciation / Amortization	<u>23,343,950</u>	<u>2,001,757</u>	<u>(729,679)</u>	<u>24,616,028</u>
Total Capital Assets Being Depreciated / Amortized, Net	<u>28,627,764</u>	<u>(852,355)</u>	<u>8,986</u>	<u>27,784,395</u>
Right-to-use Equipment				
Right-to-use Equipment	1,247,877	-	-	1,247,877
Less Accumulated Amortization for:				
Right-to-use Equipment	464,801	249,575	-	714,376
Total Right-to-use Equipment, Net	<u>783,076</u>	<u>(249,575)</u>	<u>-</u>	<u>533,501</u>
Subscription Based Information Technology Arrangement Assets				
Subscription Based Information Technology Arrangements	-	385,552	-	385,552
Less Accumulated Amortization for:				
Subscription Based Information Technology Arrangements	-	112,841	-	112,841
Total Subscription Based Information Technology Arrangements, Net	<u>-</u>	<u>272,711</u>	<u>-</u>	<u>272,711</u>
Governmental Activities Capital Assets, Net	<u>38,784,699</u>	<u>(142,597)</u>	<u>(54,491)</u>	<u>38,587,611</u>

NOTE D – CAPITAL ASSETS - CONTINUED

The capital asset activity for Business-Type Activities for the year ended June 30, 2023, was as follows:

	July 1, 2022	Increases	Decreases	June 30, 2023
Business-Type Activities:				
Capital Assets Not Being Depreciated				
Land	\$ 7,481,622	\$ -	\$ -	\$ 7,481,622
Construction in Progress	14,880,318	7,217,234	(523,688)	21,573,864
Total Capital Assets Not Being Depreciated	<u>22,361,940</u>	<u>7,217,234</u>	<u>(523,688)</u>	<u>29,055,486</u>
Capital Assets Being Depreciated / Amortized				
Land and Site Improvements	5,982,562	-	-	5,982,562
Pipeline	107,067,619	75,481	-	107,143,100
Buildings	41,830,953	142,116	-	41,973,069
Equipment and Furniture	88,199,441	1,669,044	(197,600)	89,670,885
Total Capital Assets Being Depreciated / Amortized	<u>243,080,575</u>	<u>1,886,641</u>	<u>(197,600)</u>	<u>244,769,616</u>
Less Accumulated Depreciation / Amortization for:				
Site Improvements	5,973,600	5,217	-	5,978,817
Pipeline	57,042,503	2,858,055	-	59,900,558
Buildings	27,828,127	1,236,645	-	29,064,772
Equipment and Furniture	62,653,361	3,874,951	(183,707)	66,344,605
Total Accumulated Depreciation / Amortization	<u>153,497,591</u>	<u>7,974,868</u>	<u>(183,707)</u>	<u>161,288,752</u>
Total Capital Assets Being Depreciated / Amortized, Net	<u>89,582,984</u>	<u>(6,088,227)</u>	<u>(13,893)</u>	<u>83,480,864</u>
Right-to-use Equipment				
Right-to-use Equipment	17,407	253,956	(5,307)	266,056
Less Accumulated Amortization for:				
Right-to-use Equipment	<u>8,330</u>	<u>176,242</u>	<u>(5,307)</u>	<u>179,265</u>
Total Right-to-use Equipment, Net	<u>9,077</u>	<u>77,714</u>	<u>-</u>	<u>86,791</u>
Business-Type Activities Capital Assets, Net	<u>\$ 111,954,001</u>	<u>\$ 1,206,721</u>	<u>\$ (537,581)</u>	<u>\$ 112,623,141</u>

NOTE D – CAPITAL ASSETS - CONTINUED

Amortization / Depreciation expense was charged to the following activities:

Governmental Activities:		Business-Type Activities:	
General Government	\$ 700,284	Sewer Fund	\$ 8,151,110
Community Services	674,708	Trash Fund	-
Planning Services	37,885		
Public Safety	858,380		
Row Offices	92,916		
	<u>\$ 2,364,173</u>		<u>\$ 8,151,110</u>

NOTE E – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund balances arise primarily from the General Fund’s role as receiver, investor, and disbursing agent of cash. All payments arise from transactions that are short term. The composition of interfund balances as of June 30, 2023, was as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	American Rescue Plan Fund	\$ 287,442
	Capital Projects Fund	2
	CDBG	608,745
	Non-Major Governmental Funds	502
	Sewer Fund	791,467
	Trash Collection Fund	10,919
	Non-Major Proprietary Funds	21,205
Capital Projects Fund	General Fund	581,002
	American Rescue Plan Fund	23,495
	Sewer Fund	367
Sewer Fund	General Fund	1,566
	American Rescue Plan Fund	173,821
	Trash Collection Fund	10,826
	Non-Major Proprietary Funds	<u>8,371</u>
	Total	<u>\$ 2,519,730</u>

Interfund transfers from the General Fund consist of operating transfers to fund projects in the Capital Projects Fund, to fund the County’s share of grant-funded, special revenue programs, and to fund medical expenses in the Internal Service Fund.

<u>Transfers Out</u>	<u>Transfers In</u>				<u>Total</u>
	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Community Development Block Grant</u>	<u>Internal Service Fund</u>	
General Fund	\$ -	\$ 3,435,900	\$ 708,263	\$ 9,070	\$ 4,153,233
Capital Projects Fund	30,000	-	-	-	30,000
Total Interfund Transfers	<u>\$ 30,000</u>	<u>\$ 3,435,900</u>	<u>\$ 708,263</u>	<u>\$ 9,070</u>	<u>\$ 4,183,233</u>

NOTE F – LOANS RECEIVABLE**Loans Receivable**

The County established the Grow Kent County Delaware Fund, part of the Grow America Fund, Inc. (GAF), to provide loans to promote economic development in Kent County. This small business lending program is intended to help recruit businesses and expand existing businesses. The County deposited \$750,000 with GAF along with \$250,000 of grant funds provided by Discover Bank through the Delaware Community Foundation. The total lending ability will be up to \$4,000,000 because of the SBA 75% loan guarantee. Deposits not yet used for loans with GAF are restricted for small business lending. The County's loan balance was \$0.00 at June 30, 2023, with interest at 1% per annum.

NOTE G – LEASES RECEIVABLE AND PAYABLE**Leases Receivable**

The County, acting as lessor, leases buildings, farmland, and tower space under long-term, non-cancelable lease agreements. The leases expire at various dates through 2030 and provide for renewal options ranging from three months to six years. During the year ended June 30, 2023, the County recognized \$91,556 and \$10,970 in lease revenue and interest revenue, respectively, pursuant to these contracts.

Total future minimum lease payments to be received under lease agreements are as follows:

	<u>Business-Type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 94,289	\$ 8,856	\$ 103,145
2025	97,360	6,677	104,037
2026	79,627	4,938	84,565
2027	36,930	2,856	39,786
2028	22,669	2,081	24,750
2029-2033	58,608	3,267	61,875
Total minimum lease payments	<u>\$ 389,483</u>	<u>\$ 28,675</u>	<u>\$ 418,158</u>

There are no future minimum lease payments to be received for governmental activities.

Leases Payable

The County leases equipment for various terms under long-term, non-cancelable lease agreements. The leases expire at various dates through 2027 and do not provide for renewal options.

Total future minimum lease payments under lease agreements are as follows:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2024	\$ 252,604	\$ 8,671	\$ 79,197	\$ 875	\$ 341,347
2025	251,222	3,616	3,056	144	258,038
2026	44,549	137	2,242	52	46,980
2027	-	-	1,259	13	1,272
Total minimum lease payments	<u>\$ 548,375</u>	<u>\$ 12,424</u>	<u>\$ 85,754</u>	<u>\$ 1,084</u>	<u>\$ 647,637</u>

NOTE G – LEASES RECEIVABLE AND PAYABLE - CONTINUED

Right to use assets acquired through outstanding leases are shown below, by underlying asset class.

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Equipment	\$ 1,247,877	\$ 266,056
Less: accumulated amortization	<u>(714,376)</u>	<u>(179,265)</u>
	<u>\$ 533,501</u>	<u>\$ 86,791</u>

NOTE H – SUBSCRIPTION BASED INFORMATION TECHNOLOGY ARRANGEMENTS

The County has entered into subscription-based information technology arrangements (SBITAs) for Microsoft licenses and land records management software. The SBITA arrangements expire at various dates through 2025 and provide for renewal options.

The future subscription payments under SBITA arrangements are as follows:

	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 111,624	\$ 11,340	\$ 122,964
2025	117,019	5,945	122,964
2026	<u>50,431</u>	<u>1,004</u>	<u>51,435</u>
Total minimum lease payments	<u>\$ 279,074</u>	<u>\$ 18,289</u>	<u>\$ 297,363</u>

NOTE I – SHORT-TERM DEBT

The County has no short-term borrowing, no open lines of credit, and no unused lines of credit.

NOTE J – LONG-TERM DEBT

1. Changes in Long-Term Liabilities

The fund responsible for incurring the long-term liability pays the obligation. The primary governmental user is the General Fund and the primary Business-Type user is the Sewer Fund.

	<u>Balance</u> <u>July 1, 2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2023</u>	<u>Due Within</u> <u>One Year</u>
Governmental Activities:					
General Obligation Bonds Payable	\$ 2,904,351	\$ -	\$ (198,708)	\$ 2,705,643	\$ 204,730
Plus: Net Bond Premiums	<u>237,720</u>	<u>-</u>	<u>(21,288)</u>	<u>216,432</u>	<u>21,288</u>
Total General Obligation		-			
Bonds Payable	3,142,071		(219,996)	2,922,075	226,018
Net Pension Liability	14,412,469	11,366,158	-	25,778,627	-
Net OPEB Liability	17,050,850	111,207	-	17,162,057	-
Notes from direct borrowings	3,118,439	-	(216,167)	2,902,272	335,475
Leases Payable	796,787	-	(248,412)	548,375	252,604
Subscriptions Payable	-	385,552	(106,478)	279,074	111,624
Compensated Absences	<u>1,475,032</u>	<u>137,353</u>	<u>(119,403)</u>	<u>1,492,982</u>	<u>64,288</u>
Governmental Activity Long-Term Liabilities	<u>\$ 39,995,648</u>	<u>\$ 12,000,270</u>	<u>\$ (910,456)</u>	<u>\$ 51,085,462</u>	<u>\$ 990,009</u>
Business-Type Activities:					
General Obligation Bonds Payable	\$ 4,330,648	\$ -	\$ (296,292)	\$ 4,034,356	\$ 305,270
Plus: Net Bond Premiums	<u>354,458</u>	<u>-</u>	<u>(31,742)</u>	<u>322,716</u>	<u>31,742</u>
Total General Obligation		-			
Bonds Payable	4,685,106	-	(328,034)	4,357,072	337,012
Bonds from direct borrowings	46,408,487	3,698,254	(2,262,202)	47,844,539	2,321,239
Net Pension Liability	4,172,278	3,290,396	-	7,462,674	-
Net OPEB Liability	5,173,678	34,335	-	5,208,013	-
Leases Payable	9,078	246,456	(169,780)	85,754	79,197
Compensated Absences	<u>411,777</u>	<u>95,143</u>	<u>(21,152)</u>	<u>485,768</u>	<u>20,917</u>
Business-Type Activity Long-Term Liabilities	<u>\$ 60,860,404</u>	<u>\$ 7,364,584</u>	<u>\$ (2,781,168)</u>	<u>\$ 65,443,820</u>	<u>\$ 2,758,365</u>

NOTE J – LONG-TERM DEBT – CONTINUED**2. General Obligation Bonds**

Kent County issues general obligation bonds to provide funds for the acquisition and construction of major capital assets. General obligation bonds have been issued for both governmental and business-type activities; they are direct obligations and pledge the full faith and credit of the government. These bonds are generally issued as 20 to 40 year serial bonds with varying amounts of principal due each year. There are certain limitations and restrictions contained in the various bond indentures including call provisions. The County is in compliance with the limitations and restrictions.

The 2015 Series General Obligation Bonds, outstanding balance of \$6,739,999, is shared between the County's governmental and business-type activities. The full faith and credit of the County is pledged to the punctual payment of the principal and interest on these bonds. In the event the County fails to make timely payments of the principal or interest on the 2015 Bonds, the registered owners of the 2015 Bonds, on which default in payment default has occurred may sue the County for breach of contract.

The outstanding bonds from direct borrowings in the amount of \$47,844,539 are related to business-type activities. The bonds are backed by the County's full faith and credit. Events of default include (a) failure to pay any payment of principal, interest, and/or any administrative fee when due and (b) the borrower's failure to perform or observe any of the other covenant, agreements or conditions of the agreement. Upon default, the lender may declare the entire principal amount and interest immediately due and payable.

The County has always paid principal and interest on its bonds in a timely manner.

3. Notes Payable

On June 23, 2015, the Levy Court Commissioners adopted Ordinance 15-08 which authorized the issuance of up to \$5,000,000 of general obligation bonds for the funding of the Kent County Recreation Center. On November 10, 2015, the County approved a \$5,000,000 loan agreement with WSFS Bank with a 15 year amortization period and a floating interest rate based upon LIBOR plus 1.2%.

The outstanding note from direct borrowing related to governmental activities of \$2,902,272 contains events of default, including failure to make any payment when due and failure to comply with or to perform any other term, obligation, covenant, or condition contained in the note or any other agreement between the lender and the borrower. In the event of default, the lender may declare the entire unpaid principal balance under the note and all accrued unpaid interest immediately due.

The County's loan agreement with WSFS provides for a financial covenant. The County must maintain a Debt Service Coverage Ratio of not less than 1.5 as measured on its annual audited financial statements. For the year ended June 30, 2023, the County met the financial covenant.

The County has always paid principal and interest on its note in a timely manner.

NOTE J – LONG-TERM DEBT – CONTINUED

The following is a summary of general obligation bonds and direct borrowings outstanding at June 30, 2023:

<u>Date of Issue/ Maturity</u>	<u>Amount of Original Issue</u>	<u>Description</u>	<u>Interest Rates</u>	<u>Balance Outstanding June 30, 2023</u>
General Obligation Bonds Payable				
2015 September 2033	11,270,000	2015 Series General Obligation Bonds Sewer Fund-60.22%/General Fund-39.78%, Due in Annual Installments with Interest Due Semi-Annually	2.00%-4.00%	6,739,999
Plus:		Unamortized bond premium on 2015 bond issues		539,148
Subtotal General Obligation Bonds Payable				7,279,147
Bonds from direct borrowings				
1984 July 2024	273,700	1984 Farmers Home Administration Bond, Sewer Fund-Bowers District, Due in Annual Installments with Interest Due Semi-Annually	5.00%	22,354
1994 August 2034	132,700	1994 Farmers Home Administration Bond, Sewer Fund-Little Creek District, Due in Annual Installments with Interest Due Semi-Annually	4.50%	62,753
2004 April 2044	720,900	2004 USDA Rural Utilities Service Bond, Sewer Fund-Northeast Sewer District, Due in Quarterly Installments with Interest Due Quarterly	4.375%	523,190
2005 February 2049	3,545,202	Series 2005 21st Century Fund General Obligation Bond, Sewer Fund-Hartly Principal and Interest Due in Semi-Annual Installments Beginning February 2012 Cash Draws will be made periodically through December 2011.	1.20%	2,621,640
2009 April 2049	254,000	Series 2009A-RUS United States Dept. of Agriculture General Obligation Bond, Sewer Fund-Bakers Choice Principal and Interest Due in Quarterly Installments Beginning July 2009	4.125%	206,584
2009 April 2049	121,000	Series 2009B-RUS United States Dept. of Agriculture General Obligation Bond, Sewer Fund-Bakers Choice Principal and Interest Due in Quarterly Installments Beginning July 2009	4.25%	98,893
2010 September 2030	14,905,418	Series 2010-ARRA/SRF, Delaware Water Pollution Control Revolving Fund General Fund Obligation Note, Sewer Fund- Renewable Energy Project, Principal and Interest Due in Semi-Annual Installments Beginning March 2011	2.00%	6,712,052

NOTE J – LONG-TERM DEBT – CONTINUED

Date of Issue/ Maturity	Amount of Original Issue	Description	Interest Rates	Balance Outstanding June 30, 2023
Bonds from direct borrowings, continued				
2010 March 2050	1,000,000	Series 2010-RUS United States Dept. of Agriculture General Obligation Bond, Sewer Fund-Brookdale Heights and Hideaway Acres, Principal and Interest Due in Quarterly Installments Beginning June 2010	4.00%	822,366
2010 November 2050	3,900,000	Series 2010-RUS United States Dept. of Agriculture General Obligation Bond, Sewer Fund-Southern ByPass, Principal and Interest Due in Quarterly Installments Beginning November 2011	2.25%	2,130,590
2010 November 2050	2,289,935	Series 2010A-RUS United States Dept. of Agriculture General Obligation Bond, Sewer Fund-Kitts Hummock, Principal and Interest Due in Quarterly Installments Beginning November 2011	3.75%	1,938,898
2010 November 2050	110,065	Series 2010B-RUS United States Dept. of Agriculture General Obligation Bond, Sewer Fund-Kitts Hummock, Principal and Interest Due Quarterly	2.25%	87,938
2010 December 2050	5,000,000	Series 2010A-RUS United States Dept. of Agriculture General Obligation Bond, Sewer Fund-WTP Expansion & Nutrient Rmvl Principal and Interest Due in Quarterly Installments Beginning March 2013	2.25%	3,716,293
2010 December 2050	6,442,000	Series 2010A-RUS United States Dept. of Agriculture General Obligation Bond, Sewer Fund-WTP Expansion & Nutrient Rmvl Principal and Interest Due in Quarterly Installments Beginning March 2013	2.25%	4,744,467
2010 December 2032	6,918,700	Series 2010-ARRA/SRF, Delaware Water Pollution Control Revolving Fund General Fund Obligation Note, Sewer Fund-WWTP Expansion & Nutrient Removal Principal and Interest Due in Semi-Annual Installments Beginning September 2011	3.61%	3,458,631
2012 August 2023	633,000	2012 Series, Delaware Water Pollution Control Revolving Fund General Obligation Note, Sewer Fund-Murderkill Wetland/Nutrient Reduction Principal and Interest Due In Semi-Annual Installments	2.00%	37,988

NOTE J – LONG-TERM DEBT – CONTINUED

<u>Date of Issue/ Maturity</u>	<u>Amount of Original Issue</u>	<u>Description</u>	<u>Interest Rates</u>	<u>Balance Outstanding June 30, 2023</u>
Bonds from direct borrowings, continued				
2012 August 2030	1,200,000	2012 Series, Delaware Water Pollution Control Revolving Fund General Obligation Note, Sewer Fund-Spring Creek Land Conservation Principal Due In Semi-Annual Installments	0.00%	500,000
2013 August 2033	1,423,107	2013 Series, Delaware Water Pollution Control Revolving Fund General Obligation Note, Sewer Fund-East Dover Wastewater Construction Principal Due In Semi Annual Installments	2.00%	284,916
2013 October 2034	946,000	2013 Series, Delaware Water Pollution Control Revolving Fund General Obligation Note, Sewer Fund-Hilltop Mobile Home Wastewater Collection Principal Due In Semi-Annual Installments	1.00%	88,213
2016 January 2056	2,838,000	Series 2016A-RUS United States Dept. of Agriculture General Obligation Bond, Sewer Fund-WTP Expansion & Nutrient Rmvl Principal and Interest Due in Quarterly Installments Beginning April 2017	1.875%	2,509,467
2016 January 2056	5,000,000	Series 2016A-RUS United States Dept. of Agriculture General Obligation Bond, Sewer Fund-WTP Expansion & Nutrient Rmvl Principal and Interest Due in Quarterly Installments Beginning April 2017	1.875%	4,220,098
2017 October 1, 2057	453,000	Series 2018A-RUS United State Dept. of Agriculture General Obligation Bond, Sewer Fund- Milford Neck Sanitary Sewer Principal and Interest Due in Quarterly Installments Beginning July 2018	2.125%	415,018
2018 April 25, 2058	215,000	Series 2018B-RUS United State Dept. of Agriculture General Obligation Bond, Sewer Fund- Milford Neck Sanitary Sewer Principal and Interest Due in Quarterly Installments Beginning July 2018	1.375%	194,059
2018 April 25, 2058	94,000	Series 2018C-RUS United State Dept. of Agriculture General Obligation Bond, Sewer Fund- Hilltop Sanitary Sewer Principal and Interest Due in Quarterly Installments Beginning March 2019	2.125%	86,922
2019 June 2041	2,423,100	2019 Series, Delaware Water Pollution Control Revolving Fund General Obligation Note, Sewer Fund-US Route 13 Forcemain Rehabilitation Principal Due In Semi Annual Installments	2.601%	2,064,659

NOTE J – LONG-TERM DEBT – CONTINUED

Date of Issue/ Maturity	Amount of Original Issue	Description	Interest Rates	Balance Outstanding June 30, 2023
Bonds from direct borrowings, continued				
2020 December 2060	3,582,000	Series 2020A-RUS United State Dept. of Agriculture General Obligation Bond, Sewer Fund- US13 Forcemain Rehab Principal and Interest Due in Quarterly Installments Beginning March 2021	3.125%	3,423,530
2020 December 2060	1,420,000	Series 2020B-RUS United State Dept. of Agriculture General Obligation Bond, Sewer Fund- US13 Forcemain Rehab Principal and Interest Due in Quarterly Installments Beginning March 2021	2.750%	1,357,174
2019 December 2041	1,023,000	2019 Series, Delaware Water Pollution Control Revolving Fund General Obligation Note, Sewer Fund- Air Blower Optimization Project Principal Due In Semi-Annual Installments	2.00%	731,786
2022 April 2062	198,000	Series 2022A-RUS United State Dept. of Agriculture General Obligation Bond, Sewer Fund- Paris Villa & London Village Sanitary Sewer Expansion project Principal and Interest Due in Quarterly Installments Beginning July 2022	1.500%	194,350
2021 January 2043	1,640,000	2021 Series, Delaware Water Pollution Control Revolving Fund General Obligation Note, Sewer Fund- Plant Wide Power Backup Project Principal Due In Semi Annual Installments	2.00%	1,215,418
2023 March 2063	3,000,000	Series 2023A-RUS United State Dept. of Agriculture General Obligation Bond, Sewer Fund- Aeration Upgrade and Plant Wide Generator Principal and Interest Due in Quarterly Installments Beginning June 2023	1.75%	2,558,344
2022	17,000,000	2022 Series, Delaware Water Pollution Control Revolving Fund General Obligation Note, Sewer Fund- Biosolids Capacity Expansion Principal Due In Semi Annual Installments	2.00%	815,948
Subtotal Bonds from direct borrowings				47,844,539
Notes from direct borrowings				
2015 September 2030	5,000,000	Series 2015, WSFS Loan Principal and Interest Due in Quarterly Installments Beginning December 2015	Variable	2,902,272
Subtotal Bonds and Notes from direct borrowings				50,746,811
Total Long-Term Debt				\$ 58,025,958

NOTE J – LONG-TERM DEBT – CONTINUED

The annual debt service requirements to maturity for principal and interest for bonds and note payable as of June 30, 2023, are as follows:

Year Ending June 30	Governmental Activities			
	General Obligation Bonds		Notes from Direct Borrowings	
	Principal	Interest	Principal	Interest
2024	204,730	98,958	335,475	34,405
2025	214,766	90,568	340,352	29,529
2026	216,773	81,937	345,205	24,675
2027	226,808	73,349	350,128	19,753
2028	234,837	64,693	355,082	14,799
2029-2033	1,312,679	182,225	1,176,030	14,712
2034-2038	295,050	5,532	-	-
Total	2,705,643	<u>\$ 597,262</u>	2,902,272	<u>\$ 137,873</u>
Less:				
Funds Not Drawn	-		-	
Total	<u>\$ 2,705,643</u>		<u>\$ 2,902,272</u>	
Year Ending June 30	Business-Type Activities			
	General Obligation Bonds		Notes from Direct Borrowings	
	Principal	Interest	Principal	Interest
2024	305,270	147,555	2,321,239	907,654
2025	320,234	135,045	2,392,612	925,179
2026	323,227	122,175	2,779,507	1,048,231
2027	338,192	109,370	3,182,398	1,163,160
2028	350,163	96,463	3,242,034	1,103,525
2029-2033	1,957,321	271,713	14,353,122	4,596,248
2034-2038	439,949	8,249	11,121,350	3,352,656
2039-2043	-	-	11,506,331	2,128,020
2044-2048	-	-	8,225,747	1,000,089
2049-2053	-	-	3,071,634	428,475
2054-2058	-	-	1,952,356	186,928
2059-2063	-	-	937,393	42,544
2064	-	-	100,320	1,082
Total	4,034,356	<u>\$ 890,570</u>	65,186,043	<u>\$ 16,883,791</u>
Less:				
Funds Not Drawn	-		(17,341,504)	
Total	<u>\$ 4,034,356</u>		<u>\$ 47,844,539</u>	

NOTE K – DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources consist of revenues that have not met all requirements of revenue recognition. In the governmental fund financial statements and in governmental activities in the government-wide financial statements, deferred inflows of resources primarily include property taxes that are levied to finance the subsequent fiscal year, deferred items related to leases, and deferred items related to pension and OPEB. In the enterprise funds (street light fund and trash fund), deferred inflows of resources consists of Kitts Hummock transmission debt refinance prepayment for South Central debt service, deferred items related to leases, and deferred items related to pension and OPEB.

The difference between the deferred inflows of resources balance in the governmental fund financial statements and in governmental activities in the government-wide financial statements is a result of the governmental fund financial statements being reported on a modified accrual basis and the government-wide financial statements being reported on a full accrual basis.

Deferred inflows of resources as of year-end arising from the County’s major governmental funds are as follows:

	<u>Governmental Fund Financial Statements</u>	<u>Government- Wide Statements</u>
	<u>General</u>	<u>Governmental Activities</u>
Property Taxes	\$ 16,062,709	15,416,908
Library Taxes	463,890	404,680
Suburban Park Taxes	15,765	15,741
Deferred Items Related to Pension	-	604,642
Deferred Items Related to OPEB	-	1,472,350
Total Deferred Inflows Of Resources	<u>\$ 16,542,365</u>	<u>\$ 17,914,321</u>

Deferred inflows of resources as of year-end arising from the County’s major and non-major enterprise funds are as follows:

	<u>Enterprise Fund Financial Statements</u>	<u>Government- Wide Statements</u>
	<u>Sewer</u>	<u>Business-Type Activities</u>
Transmission Debt Refinance	\$ 16,498	\$ 16,498
Deferred Items Related to Leases	378,693	378,693
Deferred Items Related to Pension	175,038	175,038
Deferred Items Related to OPEB	452,918	452,918
Total Deferred Inflows Of Resources	<u>\$ 1,023,147</u>	<u>\$ 1,023,147</u>

NOTE L – FUND BALANCES – GOVERNMENTAL FUNDS

GASB Statement No.54, *Fund Balance Reporting and Governmental Fund Type Definitions*, establishes fund balance categories that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Detailed information on fund balances of governmental funds is as follows:

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable:				
Inventory	\$ 30,950	\$ 16,783	\$ -	\$ 47,733
Prepaid Expenditures	661,526	750,000	-	1,411,526
Total Nonspendable	692,476	766,783	-	1,459,259
Restricted:				
Capital Projects	-	-	631,698	631,698
Conduit Debt Service	1,400,000	-	-	1,400,000
Recreational	49,483	-	-	49,483
APFO-EMS	22,081	-	-	22,081
Library Tax	1,358,861	-	-	1,358,861
LEPC Grant	2,946	-	-	2,946
Technology Fee-Deeds	299,748	-	-	299,748
Technology Fee-General Fund	449,622	-	-	449,622
Library Standards Grant	33,364	-	-	33,364
Total Restricted	3,616,105	-	631,698	4,247,803
Assigned:				
Capital Projects	-	12,249,444	-	12,249,444
Encumbrances	800,989	-	-	800,989
Operating Needs	2,048,900	-	-	2,048,900
Legal Contingency	600,200	-	-	600,200
Library	410,574	-	-	410,574
Recorder of Deeds Maintenance Fees	60,000	-	-	60,000
Sheriff Auctioneer Fees	60,000	-	-	60,000
Local Government Fees	60,000	-	-	60,000
Donations	6,224	-	-	6,224
Total Assigned	4,046,887	12,249,444	-	16,296,331
Unassigned	49,521,724	-	-	49,521,724
Total Fund Balances	\$ 57,877,192	\$ 13,016,227	\$ 631,698	\$ 71,525,117

NOTE M – CAPITAL IMPROVEMENT COMMITMENTS

The following is a summary of the significant capital improvement commitments of the County as of June 30, 2023:

Governmental Activities

Capital Project Fund:

Project Name	Estimated Project Cost	Remaining Contract Commitments To Date	Costs Incurred To Date
IT Appraisal Software (CAMA)	\$ 528,390	\$ 84,838	\$ 443,551
Kesselring Wetland Bridge	77,600	71,350	6,250
IT ERP (Enterprise Solution)	738,840	313,745	425,095
IT ERP (Enterprise Solution)	1,113,094	903,716	209,379
IT ESRI Parcel Fabric	46,248	46,248	-
Less Capitalized/Expensed in Prior Years	-	-	(443,552)
	<u>\$ 2,504,172</u>	<u>\$ 1,419,897</u>	<u>\$ 640,723</u>

In the Capital Projects Fund, Kent County has incurred costs in the amount of \$126,032 that were not under a formal construction commitment as of June 30, 2023.

Enterprise Funds

Sewer Fund:

Project Name	Estimated Project Cost	Remaining Contract Commitments To Date	Costs Incurred To Date
Aeration Optimization Upgrade & Plant-Wide Generator Project	5,830,196	\$ - 237,047	5,593,149
Paris Villa/London Village	4,862,552	1,880,791	2,981,761
Biosolids Capacity Expansion	4,247,403	3,061,213	1,186,190
Puncheon Run Extension	350,400	51,653	298,747
Wastewater Facilities Master Plan	192,500	24,617	167,883
Filter Building Air Piping Mvmnt/Ext Reviev	10,000	10,000	-
General Labor and Equipment Contract	3,383,040	929,675	2,453,365
Less Capitalized/Expensed in Prior Years	-	-	(2,136,558)
	<u>\$ 18,876,091</u>	<u>\$ 6,194,996</u>	<u>\$ 10,544,537</u>

In the Sewer Fund, Kent County has incurred costs in the amount of \$11,029,327 that were not under a formal construction commitment as of June 30, 2023.

NOTE N – CONTINGENCIES AND COMMITMENTS**Contingencies**

In August 1990, the Environmental Protection Agency (EPA) placed the Houston Landfill site, which was operated by the County in the 1970s for the disposal of residential and commercial solid waste, on EPA's National Priorities List (NPL) pursuant to section 105 of the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, 42 U.S.C. § 9605. (The Houston Landfill has not actively provided waste material disposal service since the 1970's). The County appealed the listing of the site by the EPA on technical grounds. Despite the pendency of the appeal, the County along with six other potentially responsible parties (PRPs) entered into an administrative consent order with EPA in September 1991 to conduct a Remedial Investigation and Feasibility Study (RI/FS) for the purpose of examining the extent of contamination, if any, from the site. The other PRPs were Reichhold Chemicals, PPG Industries, DuPont, Eastern Waste Industries, Playtex and the United States Air Force.

In May 1992, the U.S. Court of Appeals for the District of Columbia Circuit ruled that EPA had acted in an arbitrary and capricious manner in placing the Houston Landfill on the NPL. As a result, EPA advised the County in August 1992 that it did not intend to repropose the site to the NPL and released the County and the other PRPs from their obligations under the consent order.

In May 1993, the Delaware Department of Natural Resources and Environmental Control (DNREC) indicated its intent to address the site under the Delaware Hazardous Substance Cleanup Act (HSCA). The County and nine other PRPs (which now include Johnson Controls, General Metalcraft and the Delaware Department of Transportation) negotiated a judicial consent decree with DNREC requiring the PRPs to conduct a more limited RI/FS under HSCA. The RI/FS consent decree was executed in June 1994 and entered by the Superior Court in September 1994. The RI/FS has been completed and was submitted to DNREC in September 1996.

The RI/FS recommended continued monitoring of the site, the establishment of groundwater management zones, and deed restrictions but no active remediation. In June 1997, DNREC approved the RI/FS and issued a "Proposed Plan of Remedial Action for the Houston Landfill Site" which is consistent with the recommendations in RI/FS. A final plan consistent with the proposed plan was issued by DNREC on February 27, 1998. On April 28, 1998, the County and the other Respondents to the RI/FS Consent Decree filed a termination petition with DNREC requesting DNREC's concurrence that all requirements under the Consent Decree have been satisfied. DNREC's legal counsel has stated that the RI/FS Consent Decree should be dismissed and replaced with another Consent Decree that addresses monitoring and maintenance for the Houston Landfill site. On November 28, 1998, the Respondents submitted a draft monitoring and maintenance plan for the site to DNREC which was approved by DNREC on July 9, 1999. The Respondents conducted additional monitoring during 2009.

On May 25, 2012, DNREC approved the Operation & Maintenance Plan. In December of 2012, the Respondents reached a consensus with DNREC and among themselves regarding the 30 year implementation period of the Operation & Maintenance Plan. Subsequently all parties entered into a Memorandum of Understanding dated March 7, 2013 under which the County would assume the maintenance and monitoring responsibilities under said plan for the remaining years. In exchange for this commitment, the County received a lump sum payment of \$180,000 from the other Respondents. Unless one of the re-opener clauses under the Memorandum is exercised by DNREC, this payment will be sufficient to cover the long term maintenance and monitoring costs.

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The County cannot determine the amount, if any, of claims that may be disallowed by the grantors, although the County expects such amounts, if any, to be immaterial.

NOTE O – KENT COUNTY EMPLOYEE RETIREMENT PROGRAM

1. Plan Description

All full-time employees are eligible for coverage under the Kent County Employee Retirement Program, a single-employer defined benefit pension plan established by ordinance of the Kent County Levy Court in accordance with state statutes.

An actuarial valuation of the pension plan prepared by Milliman, as of January 1, 2023, was based on the following membership data:

Active Employees	295
Retired, Disabled, & Beneficiaries	277
Deferred Vested	90
 TOTAL	 662

The plan provides pension benefits and death and disability benefits. Normal retirement is age 62; early retirement is after 30 years of service, or age 55 with 20 years of service, or age 60 with 15 years of service. Benefits vest after five years of service. For employees hired after June 29, 2010, benefits vest after eight years of service. For disability, the vested benefit is payable under the same years of service requirements as normal and early retirement with the period of disability being included in years of service. The death benefit is 50 percent of the deceased employee's vested accrued benefit at date of death payable when the deceased would first have been eligible to retire. The benefit is 2 percent of average compensation for each year of service (average compensation is compensation averaged over the three consecutive years of service which produces the highest average). For employees hired after December 21, 2010, the benefit is 1.85 percent of average compensation for each year of service.

Effective July 2009, employees are required to contribute one percent (1%) of their base salary to the plan, and employees hired after December 21, 2010 are required to contribute 3 percent (3%) of their base salary above \$6,000 to the plan. Employees hired after January 1, 2020 are required to contribute 5 percent (5%) of their base salary above \$6,000 to the plan. Employees may make voluntary contributions of up to 10 percent of their annual salary.

The County's annual contribution to the pension plan is determined by an annual actuarial valuation. The contribution recommended in the actuarial valuation is budgeted for the next fiscal year following the date of the actuarial valuation.

The Kent County Employee Retirement Program does not issue a separate stand-alone set of financial statements. The fiscal year end for the fiduciary component unit is December 31, 2022.

2. Summary of Significant Accounting Policies and Plan Asset Matters

The Kent County Pension Fund financial statements are prepared on the accrual basis of accounting. Employer contributions are recognized when due and when the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Investments in securities are presented at fair value. Fair value was determined from quotations for investments traded in active securities markets.

The Pension Trust held five investment funds representing 5 percent (5%) or more of the net position available for pension benefits as of December 31, 2022.

There are no investments in, loans to, or leases with parties related to the pension plan.

NOTE O – KENT COUNTY EMPLOYEE RETIREMENT PROGRAM - CONTINUED

3. **Contributions Required and Contributions Made**

Historically, the County utilized a funding policy that accounted for current benefit accruals and amortized any unfunded liability under the Projected Unit Credit (“PUC”) actuarial cost method over a 30 year period. However, the County has elected to adopt a new funding policy which utilizes the Entry Age Normal (“EAN”) actuarial cost method as a level percentage of payroll for current benefit accruals, and amortizes any unfunded liability over a 20 year period. In addition and consistent with GASB Nos. 67 and 68, the unfunded liability is determined using the market value of asset which is a change from the actuarial value of assets used under the prior funding policy. This update was made to better align the funding policy with accounting and financial reporting under GASB 67/68.

The County’s contribution rate for the fiscal year ended June 30, 2023 was based upon the actuarial valuation as a percent of payroll. Total recommended contribution to the pension plan in fiscal year 2023 was \$3,970,654 of which \$359,000 was the employee contribution and \$3,611,654 was the employer contribution. This contribution was based on the January 1, 2022 actuarial valuation by Milliman.

Separate pension and post retirement benefits funds financial statements are presented below as required by GASB Statement No. 34.

KENT COUNTY, DELAWARE

STATEMENT OF FIDUCIARY NET POSITION
PENSION/OPEB TRUST FUNDS

	<u>12/31/22</u> <u>Pension Fund</u>	<u>6/30/23</u> <u>Post Retiree</u> <u>Benefits Fund</u>
ASSETS		
Restricted Assets:		
Receivables		
Member Contributions	\$ 165,975	\$ -
Interest	12,963	-
Investments	<u>49,862,943</u>	<u>29,380,929</u>
Total Assets	<u>50,041,881</u>	<u>29,380,929</u>
LIABILITIES		
Accounts Payable	<u>31,460</u>	<u>-</u>
Total Liabilities	<u>31,460</u>	<u>-</u>
NET POSITION		
Held in Trust for:		
Pension Benefits	50,010,421	-
Post Retiree Benefits	<u>-</u>	<u>29,380,929</u>
Total Net Position	<u>\$ 50,010,421</u>	<u>\$ 29,380,929</u>

NOTE O – KENT COUNTY EMPLOYEE RETIREMENT PROGRAM – CONTINUED

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PENSION/OPEB TRUST FUNDS

	12/31/22 Pension Fund	6/30/23 Post Retiree Benefits Fund
ADDITIONS		
Employee Contributions	\$ 434,643	\$ -
Employer Contributions	3,857,126	2,521,091
Interest and Dividends	210,094	421,386
Net Appreciation (Depreciation) in Fair Value of Investments	(10,258,715)	996,609
	-	-
Total Additions	(5,756,852)	3,939,086
DEDUCTIONS		
Pension Benefits	3,813,425	-
Refund of Member Contributions	62,032	-
OPEB Benefits	-	1,815,002
Administrative Expense	376,763	56,626
Total Deductions	4,252,220	1,871,628
Change In Net Position	(10,009,072)	2,067,458
Net Position - Beginning of Year	60,019,493	27,313,471
Net Position - End of Year	\$ 50,010,421	\$ 29,380,929

NOTE O – KENT COUNTY EMPLOYEE RETIREMENT PROGRAM - CONTINUED

4. Pension Asset Allocation

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The asset and target allocation as of June 30, 2023 and best estimates of arithmetic real rates of return for each major asset classes are summarized in the following table:

Asset Class	Asset Allocation	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap Composite	31.00%	30.00%	9.10%
SMID Cap Composite	10.60%	10.00%	9.90%
International Equity Composite	8.90%	10.00%	9.60%
Emerging Markets Equity Composite	2.00%	2.50%	11.10%
Total Fixed Income Composite	30.90%	28.50%	4.50%
Real Estate Composite	4.30%	4.00%	6.00%
Global Tactical Asset Allocation	9.30%	10.00%	6.70%
Opportunistic	3.00%	5.00%	10.00%
	100.00%	100.00%	

The pension plan's policy in regards to the allocation of invested plan assets is established and may be amended by the County. Plan assets are managed with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension.

The above was the County's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2023.

5. Discount Rate

The discount rate used to measure the total pension liability is 6.75%. The projection of cash flows used to determine the discount rate assumes that plan member contributions will be made at the current contribution rate, and that County contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based upon those assumptions, the pension plan's fiduciary net position is projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments is applied as the discount rate to all periods of projected benefit payments to determine the total pension liability.

6. Net Pension Liability

The County's net pension liability is measured as of December 31, 2022, and the total pension liability used to calculate the net pension liability is determined by the actuarial valuation as of January 1, 2023. The net pension liability is \$33,241,301 measured as the difference between the total pension liability of \$83,251,722 and the fiduciary net position of \$50,010,421.

Plan fiduciary net position as a percentage of the total pension liability was 60.07%.

NOTE O – KENT COUNTY EMPLOYEE RETIREMENT PROGRAM – CONTINUED

The County's total pension liability used to calculate the net pension liability is determined by the actuarial valuation. The changes in the net pension liability are as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balances at beginning of year	\$ 78,604,240	\$ 60,019,493	\$ 18,584,747
Changes for the year:			
Service cost	1,477,162	-	1,477,162
Interest	5,667,874	-	5,667,874
Effect of economic/demographic gains or losses	1,960,311	-	1,960,311
Effect of assumptions changes or inputs*	(582,408)	-	(582,408)
Contributions-employer	-	3,857,126	(3,857,126)
Contributions-employee	-	434,643	(434,643)
Net investment income	-	(10,313,765)	10,313,765
Benefit payments, including refunds of employee contributions	(3,875,457)	(3,875,457)	-
Administrative expenses	-	(111,619)	111,619
Net Changes	4,647,482	(10,009,072)	14,656,554
Balances at end of year	\$ 83,251,722	\$ 50,010,421	\$ 33,241,301

*The change in assumptions is the change in actuarial funding method from the Projected Unit Credit Method to the Individual Entry Age Normal Method, level as a percentage of pay.

7. Sensitivity of the Net pension Liability to changes in Discount Rate

The following represents the Plan's net pension liability of the County, calculated using the discount rate of 6.75%, as well as what the County's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Current Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
Net Pension Liability	\$ 43,408,535	\$ 33,241,301	\$ 24,711,148

8. Money-Weighted Rate of Return

The money-weighted rate of return considers the changing amounts actually invested during a period and weights the amount of pension plan investments by the proportion of time they are available to earn a return during that period. This rate of return is then calculated by solving, through an iterative process, for the rate that equates the sum of the weighted external cash flows into and out of the plan's investments to the ending fair value of pension plan investments. For the 2023 year, the annual money-weighted rate of return on the investments, net of investment expense, is 7.62%.

The schedule of changes in the pension liability schedule of County contributions, and a schedule of investment returns are presented as required supplementary information, ("RSI") following the notes to the financial statements.

NOTE O – KENT COUNTY EMPLOYEE RETIREMENT PROGRAM – CONTINUED

9. Pension Expense and Deferred Outflows/Inflows of Resources Related to Pension

For the year ended June 30, 2023, the County recognized pension expense of \$3,011,350. At June 30, 2023, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 3,522,852	\$ 138,814
Change of assumptions	70,898	640,866
Net Difference between projected and actual earnings on pension plan investments	7,123,490	-
Contributions subsequent to the measurement date- January 1, 2023 - June 30, 2023	<u>3,628,044</u>	<u>-</u>
	<u>\$ 14,345,284</u>	<u>\$ 779,680</u>

An amount of \$3,628,044 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date (January 1, 2023) will be recognized as a reduction of the net pension liability in the year ended June 30, 2024.

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

Year ending June 30:

2024	\$ 1,684,963
2025	2,656,682
2026	2,583,725
2027	<u>3,012,190</u>
	<u>\$ 9,937,560</u>

NOTE O – KENT COUNTY EMPLOYEE RETIREMENT PROGRAM – CONTINUED

10. Actuarial Methods and Significant Assumptions

The information presented in schedules above was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

ACTUARIAL METHODS AND SIGNIFICANT ASSUMPTIONS PENSION

Valuation Date:	January 1, 2023
Actuarial Cost Method:	Entry Age Normal
Amortization Method:	20-year closed amortization of Unfunded Accrued Liability (Fresh start at 1/1/2017)
Remaining amortization period:	20 years
Asset valuation method:	Actuarial value equals market value less unrecognized gains/losses over a 5-year period. Gains/losses are based on market value of assets.
<u>Actuarial assumptions:</u>	
Investment rate of return:	6.75%, net of investment expenses
Discount rate:	6.75%
Projected salary increases:	Age-graded scale ranging from 7.50% to 3.50% per annum
Cost of living adjustments:	None
Mortality Tables For Healthy & Disabled:	SOA PRI-2012 Mortality Tables, amount weighted for general employees for males and females with separate rates for employees, healthy annuitants, and survivors. All mortality rates are projected on a generational basis using the mortality improvements scale MP-2021.

The actuarial assumptions used in the January 1, 2023 valuation were based on the results of an actuarial experience study for the period January 1, 2022 through December 31, 2022.

NOTE P - OTHER POST-RETIREMENT BENEFITS

1. Plan Description

In addition to the pension benefits described in Note O, the County provides post-employment health care benefits to former employees retiring from active service. The plan is a single employer defined benefit plan. This is all employees who retire from the County after 30 years of service or after attaining age 55 with at least 20 years of service, age 60 with at least 15 years of service, or age 62 with at least 5 years of service unless hired after June 29, 2010 which would need at least 8 years of service. Eligible retirees reaching Medicare age receive a County-paid Medicare supplement including prescription coverage.

Currently, 164 retirees meet these eligibility requirements, of which 143 retirees and 27 spouses/dependents receive health insurance benefits and 21 retirees waived benefits. The County has a premium based health insurance plan which provides up to 100 percent coverage of validated claims (depending on the plan chosen) for medical, dental, and hospitalization costs incurred by pre-Medicare retirees. Expenditures for post-retirement health care benefits are based on monthly premiums charged by the medical insurance provider and estimated annual coverage for the County’s self-insured dental plan. In fiscal year 2009, the County began payment of the post-retirement health care from the Other Post-Employment Benefits (OPEB) Fund. During fiscal year 2023, expenditures of \$1,896,335 were recognized for post-retirement health care of which \$1,815,002 was paid out of the OPEB fund. The \$81,333 balance of retiree benefits was paid from the operating budgets of General Fund in the amount of \$63,296 and Sewer Fund in the amount of \$18,037.

The OPEB plan does not issue a separate stand-alone set of financial statements.

2. Funding Policy

The County has implemented GASB No 74 and 75 starting with the 2018 fiscal year. Beginning with 2011 the cost method used to determine the funded status of the Plan and the annual contribution requirements was the Projected Unit Credit Actuarial Cost Method. However, the County has elected to adopt a new funding policy which utilizes the Entry Age Normal (“EAN”) actuarial cost method as a level percentage of payroll for current benefit accruals, and amortizes any unfunded liability over a 30 year period. In addition and consistent with GASB Nos. 74 and 75, the unfunded liability is determined using the market value of assets which is a change from the actuarial value of assets used under the prior funding policy. Entry Age Normal actuarial cost method is consistent with the method used for the Pension Plan of Kent County.

3. Investment Policy

The OPEB Plan funds are invested with the Delaware Local Government OPEB Investment Trust. The Trust is an external investment pool operated by the Delaware Public Employees Benefit System.

<u>Asset Class</u>	<u>10-year Average Allocation</u>
Domestic Equity	33.0%
International Equity	13.3%
Fixed Income	25.9%
Cash and Short-Term	5.7%
Alternative Investments	22.1%
	<u>100.0%</u>

4. Rate of Return

For the year ended June 30, 2023, the annual money-weighted rate of return on OPEB plan investments, net of investment expense was 0.50%. The money weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

NOTE P - OTHER POST-RETIREMENT BENEFITS - CONTINUED

5. Net OPEB Liability

The County's net OPEB liability is measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB liability is determined by the actuarial valuation as of June 30, 2023. The net OPEB liability is \$22,370,071 measured as the difference between the total OPEB liability of \$51,751,000 and the fiduciary net position of \$29,380,929.

Plan fiduciary net position as a percentage of the total OPEB liability was 56.77%.

Actuarial assumptions.

The total OPEB liability in the June 30, 2023 valuation was determined using the following actuarial methods and assumptions, applied to all periods included in the measurement, unless otherwise specified:

Measurement Date:	For fiscal year ending June 30, 2023, a June 30, 2023 measurement date was used.
Valuation Date:	June 30, 2023 with no adjustments to get to the June 30, 2023 measurement date. Liabilities as of July 1, 2022 are based on an actuarial valuation date of June 30, 2021 projected to July 1, 2022 on a "no loss/no gain" basis.
Actuarial Cost Method:	Entry Age Normal Level % of Salary
Amortization Method:	Level dollar, open
Remaining amortization period:	26 years
Asset valuation method:	Market value of assets
Investment rate of return:	7.00%, net of investment expenses, including inflation
Projected salary increases:	Salary rates of increase vary by service based on a study of actual experience for the plan from January 1, 2017 - December 31, 2021.
Inflation Rate:	2.3% per year
Retirement age	In the 2023 actuarial valuation, expected retirement ages were unadjusted.
Healthcare trend rates:	Based on Society of Actuaries Getzen Model with adjustments for administrative expenses, aging factors, and healthcare reform provisions.
Mortality Tables:	SOA Pri-2012 Mortality Tables, adjusted to base year 2012, headcount weighted for males and females with separate rates for employees, healthy annuitants and disabled annuitants. All mortality rates are projected on a generational basis using the mortality improvements scale MP-2021. As a generational table, it reflects mortality improvements both before and after the measurement date. The mortality tables were updated from RP-2014 to Pri-2012 from the prior GASB Measurement.

NOTE P - OTHER POST-RETIREMENT BENEFITS – CONTINUED

Discount rate

The discount rate used to measure the total OPEB liability was 7.00% in this year’s evaluation. The projection of cash flows used to determine the discount rate assumed that the County contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

6. Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a) - (b)
Balances at beginning of year	\$ 49,538,000	\$ 27,313,471	\$ 22,224,529
Changes for the year:			
Service cost	1,403,122	-	1,403,122
Interest	3,491,243	-	3,491,243
Differences between expected and actual experience	(570,213)	-	(570,213)
Change in assumptions*	58,000	-	58,000
Contributions-employer	-	2,875,241	(2,875,241)
Net investment income	-	1,365,263	(1,365,263)
Change of benefit terms	-	-	-
Benefit payments	(2,169,152)	(2,169,152)	-
Administrative expenses	-	(3,894)	3,894
Net Changes	2,213,000	2,067,458	145,542
Balances at end of year	\$ 51,751,000	\$ 29,380,929	\$ 22,370,071

Sensitivity of the net OPEB liability to changes in the discount rate

The following presents the net OPEB liability (NOL) of the County, as well as what the County’s net OPEB liability would be if it were calculated using a discount rate that is 1.00% lower or 1.00% higher than the current rate:

	1% Decrease in Discount Rate (6.00%)	Current Discount Rate (7.00%)	1% Increase in Discount Rate (8.00%)
Net OPEB Liability	\$ 29,032,071	\$ 22,370,071	\$ 16,838,071

A one percent decrease in the discount rate increases the NOL by 30%. A one percent increase in the discount rate decreases NOL by 25%.

NOTE P - OTHER POST-RETIREMENT BENEFITS – CONTINUED*Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates*

The following presents the net OPEB liability of the County, calculated using the healthcare cost trend rate, as well as what the County's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1.00% lower or 1.00% higher than the current healthcare cost trend rates:

	1% Decrease in Trend Rate	Current Trend Rate	1% Increase in Trend Rate
Net OPEB Liability	\$ 16,270,071	\$ 22,370,071	\$ 29,820,071

A one percent decrease in the discount rate decreases the NOL by 27%. A one percent increase in the discount rate increases NOL by 33%.

For the year ended June 30, 2023 the County recognized OPEB expense of \$2,908,290. At June 30, 2023, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 1,156,948	\$ 1,925,268
Change of assumptions	5,362,548	-
Net Difference between projected and actual earnings on pension plan investments	1,610,989	-
	<u>\$ 8,130,485</u>	<u>\$ 1,925,268</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending June 30:

2024	\$ 2,240,922
2025	1,271,263
2026	2,444,688
2027	326,482
2028	(78,138)
	<u>\$ 6,205,217</u>

NOTE Q – DEFERRED COMPENSATION PLAN**Kent County Employee Flexible Spending Account Program**

During 1996, the County adopted the Kent County Employee Flexible Spending Account Program (FSA Program). The FSA program allows employees to accumulate assets on a pre-tax basis to pay for medical, dental and child or elder daycare expenses. The FSA Program is open to all employees whose regular work schedule is for at least thirty-five hours per week. ASIFlex is the independent administrator of the FSA program and the County pays an administrative fee of four dollars per month per employee enrolled in the plan. Employees can contribute a maximum of \$2,850 per plan year for medical and dental expenses and a maximum of \$5,000 per plan year for child or elder daycare expenses. Contributions are made from biweekly payroll reductions. Employee contributions for the year ended June 30, 2023 were \$58,172.

NOTE Q – DEFERRED COMPENSATION PLAN - CONTINUED

Kent County Employees Deferred Compensation 457(b) Account

The County maintains an Internal Revenue Code (IRC) Section 457 plan (457 Plan), a defined contribution plan, for all permanent employees. Section 457 requires that the assets and income of the plans be held in trust for the exclusive benefit of participants and their beneficiaries. Eligible employees may elect to contribute, up to the maximum annual contribution per law into the 457 Plan. The County does not make any contributions to the Plan and the International City Management Association- Retirement Corporation (ICMA-RC) is the independent administrator and holds the plan assets. Employee contributions for the year ended June 30, 2023 were \$435,317.

NOTE R - RISK MANAGEMENT

1. Health Insurance

The County contracted with Aetna thru Delaware Valley Health Trust (DVHT) to provide health insurance for the County’s active employees and retirees through June 30, 2023. Effective July 1, 2019, employees and non-Medicare eligible retirees enrolling in health insurance coverage paid 7% of the monthly premium for individual coverage. Medicare eligible retirees paid \$0.

The County is self-insured for dental care benefits. The dental care benefits employees receive are \$2,000 per calendar year for eligible dental services. Employees must pay the established nominal premium for dental benefits or opt out of dental coverage. Family coverage is offered to each active employee and retiree. The participants of family coverage are responsible for 100% of the additional premium cost. The payments of dental-related claims are processed through a third-party administrator. Liabilities for unpaid claims are estimated using the actual cost of claims within sixty days after fiscal year-end.

Health care benefits and dental benefits are provided through the Medical Trust Internal Service Fund. Interfund charges with the County are recorded as revenue in the Medical Trust Fund and as an expenditure/expense to the benefiting department.

Changes in employee dental and health claims liability amounts in fiscal year 2023 were as follows:

	Internal Service Fund	
	FY2023	FY2022
Unpaid claims, July 1	\$ 147,688	\$ 154,928
Incurred claims, including incurred but not reported claims/reduction in estimated liabilities	1,014,901	954,004
Claim payments	(977,513)	(961,244)
Unpaid claims, June 30	\$ 185,076	\$ 147,688

2. Other Insurance

Kent County is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. In the past three fiscal years, the County has had no settlements exceeding the insurance coverage.

NOTE S - RESTRICTED NET POSITION - SEWER FUND

Sewer Fund restricted net position is comprised of the following:

- a) Prior to FY06 there was an annual charge per EDU (equivalent dwelling unit) to the residents of Sanitary Sewer Districts for the purpose of replacing sewer equipment when it becomes worn or ineffective. At June 30, 2023, the balance of this reserve totaled \$344,113.
- b) Impact fees collected from customers and interest earned. By ordinance, impact fees and related investment income are restricted for projects that will increase capacity of the sewer facilities. At June 30, 2023, the balance of this reserve totaled \$59,121,141 of which \$44,244,291 is for the main system capital improvement and \$14,876,850 is for district capital improvement.

Equipment Replacement Reserve	\$ 344,113
Expansion Reserve	<u>59,121,141</u>
Total Restricted Net Position	<u>\$ 59,465,254</u>

NOTE T – CONDUIT DEBT OBLIGATION

Kent County has participated in the issuance of several private activity revenue bonds for the purpose of capital financing to unrelated third parties. Kent County has no obligation for such debt beyond the resources provided by related loan agreements on whose behalf the bonds were issued. In each case Kent County has assigned the loan agreements to the bondholders, and has not included the bonds or the loans receivable in its financial statements.

On June 30, 2023, the balances of the outstanding bonds were as follows:

<u>Bond</u>	<u>Issue Amount</u>	<u>Balance Outstanding June 30, 2023</u>
1999 Dover ALF, LLC "Heritage"	\$ 7,500,000	\$ 3,425,000
2008A, 2008B Providence Creek Academy Charter School	13,150,000	10,385,902
2016 Kent County Regional Sports Complex	20,760,000	19,960,000
2018A DSU Student Housing and Dining Facility	70,160,000	69,930,000
2018B DSU Student Housing and Dining Facility	525,000	-
2021A Charter School Refunding	2,750,000	2,750,000
2021B Charter School Refunding	195,000	30,000
American Legion Ambulance Station 64 Series 2021	<u>1,184,702</u>	<u>1,067,878</u>
Total	<u>\$ 116,224,702</u>	<u>\$ 107,548,780</u>

NOTE U – TAX ABATEMENTS

The Levy Court of Kent County enters into abatement of Kent County real estate taxes for certain qualifying industries and businesses. The authority to establish the Tax Abatement Program is granted to the Levy Court of Kent County by Article VIII, Section 1 of the Constitution of the State of Delaware. The County Real Estate Tax Abatement Program is applicable only to real estate taxes imposed by Kent County. The purpose of the abatements is to provide incentives for qualifying industries and businesses to expand or locate in Kent County, thereby creating new employment opportunities for the citizens of Kent County and ultimately strengthening the County’s tax base.

For the fiscal year ended June 30, 2023, the County abated property taxes totaling \$28,442. The tax abatement agreements are as follows:

- A 70 percent property tax abatement to manufacturing company for land and buildings. The abatement amounted to \$6,026.
- A 90 percent property tax abatement to manufacturing company for land and buildings. The abatement amounted to \$22,416.

NOTE V – SUBSEQUENT EVENTS

On October 31, 2023, the Levy Court Commissioners awarded a contract in the amount of \$14,391,744 for a belt dryer system, subject to DNREC concurrence, for the Biosolids Capacity Expansion Project. Funding shall be \$13,078,539 in Delaware State Revolving Fund loan and \$1,313,205 in Main System Capital Improvement Fees.

The County has evaluated all subsequent events through January 23, 2024, the date the financial statements were available to be issued.

SCHEDULE OF CHANGES IN NET PENSION LIABILITY, RELATED RATIOS AND INVESTMENT RETURNS

	Measurement Date								
	January 1, 2023	January 1, 2022	January 1, 2021	January 1, 2020	January 1, 2019	January 1, 2018	January 1, 2017	January 1, 2016	January 1, 2015
Total Pension Liability									
Service cost	\$ 1,477,162	\$ 1,388,658	\$ 1,273,075	\$ 1,253,123	\$ 1,085,268	\$ 1,022,745	\$ 937,737	\$ 827,074	\$ 1,033,726
Interest on total pension liability	5,667,874	5,169,912	4,996,561	4,784,313	4,215,078	4,030,916	3,677,882	3,398,722	2,852,131
Differences between expected and actual experience	1,960,311	3,766,573	(347,032)	281,579	559,396	251,213	(15,793)	(31,129)	485,747
Changes of assumptions*	(582,408)	135,352	(337,804)	(310,030)	6,659,996	1,456,423	3,747,942	1,426,791	3,771,993
Benefit payments, including refunds of member contributions	(3,875,457)	(3,492,352)	(3,187,435)	(3,015,302)	(2,780,919)	(2,488,271)	(2,300,696)	(2,184,547)	(2,052,529)
Net change in total pension liability	4,647,482	6,968,143	2,397,365	2,993,683	9,738,819	4,273,026	6,047,072	3,436,911	6,091,068
Total pension liability, beginning	78,604,240	71,636,097	69,238,732	66,245,049	56,506,230	52,233,204	46,186,132	42,749,221	36,658,153
Total pension liability, ending (a)	83,251,722	78,604,240	71,636,097	69,238,732	66,245,049	56,506,230	52,233,204	46,186,132	42,749,221
Fiduciary Net Position									
Employer contributions	3,857,126	3,857,126	3,208,055	2,816,641	2,556,190	1,979,945	1,634,883	1,416,774	1,314,726
Member contributions	434,643	268,668	200,045	207,941	186,970	186,515	187,079	156,272	163,928
Net investment income	(10,313,765)	8,125,455	5,951,935	7,565,324	(2,512,711)	5,830,044	2,314,335	158,235	2,358,943
Benefit payments, including refunds of member contributions	(3,875,457)	(3,492,352)	(3,187,435)	(3,015,302)	(2,780,919)	(2,488,271)	(2,300,696)	(2,184,547)	(2,052,529)
Administrative expenses	(111,619)	(77,787)	(80,404)	(100,373)	(74,571)	(54,070)	(33,546)	(36,842)	(190,972)
Net change in plan fiduciary net position	(10,009,072)	8,681,110	6,092,196	7,474,231	(2,625,041)	5,454,163	1,802,055	(490,108)	1,594,096
Fiduciary net position, beginning	60,019,493	51,338,383	45,246,187	37,771,956	40,396,997	34,942,834	33,140,779	33,630,887	32,036,791
Fiduciary net position, ending (b)	\$ 50,010,421	\$ 60,019,493	\$ 51,338,383	\$ 45,246,187	\$ 37,771,956	\$ 40,396,997	\$ 34,942,834	\$ 33,140,779	\$ 33,630,887
Net pension liability, ending = (a) - (b)	\$ 33,241,301	\$ 18,584,747	\$ 20,297,714	\$ 23,992,545	\$ 28,473,093	\$ 16,109,233	\$ 17,290,370	\$ 13,045,353	\$ 9,118,334
Fiduciary net position as a % of total pension liability	60.07%	76.36%	71.67%	65.35%	57.02%	71.49%	66.90%	71.75%	78.67%
Covered payroll	17,207,539	16,352,842	15,186,067	15,203,896	14,837,958	14,633,137	14,428,663	14,111,982	13,578,928
Net pension liability as a % of covered payroll	193.18%	113.65%	133.66%	157.81%	191.89%	110.09%	119.83%	92.44%	67.15%
Annual money weighted rate of return, net of investment expense	7.62%	6.84%	6.35%	3.64%	7.05%	8.29%	11.43%	2.18%	2.36%

SCHEDULE OF CHANGES IN NET PENSION LIABILITY, RELATED RATIOS AND INVESTMENT RETURNS- CONTINUED:

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

*The "Change of assumptions" item represents the change in actuarial funding method from the projected unit credit method to the individual entry age normal method, level as a percentage of pay.

Schedule of Employer Pension Contributions

The following required supplementary information is provided with regard to the pension funding progress. The County has annual valuations of the pension fund. The schedule presents the last ten completed valuations covering ten years.

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS**

Fiscal Year Ended June 30,	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll as of the Actuarial Valuation Year	Contribution as a Percentage of Covered Payroll
2014	1,265,985	1,332,476	(66,491)	N/A	N/A
2015	1,409,118	1,416,774	(7,656)	13,578,928	10.43%
2016	1,514,391	1,634,883	(120,492)	14,111,982	11.59%
2017	1,983,504	1,979,945	3,559	14,428,663	13.72%
2018	2,544,116	2,556,190	(12,074)	14,633,127	17.47%
2019	2,811,213	2,816,641	(5,428)	14,837,958	18.98%
2020	3,175,598	3,208,055	(32,457)	15,203,896	21.10%
2021	3,879,542	3,889,022	(9,480)	15,186,067	25.61%
2022	3,717,980	3,857,126	(139,146)	16,352,842	23.59%
2023	3,611,654	3,628,044	(16,390)	17,207,539	21.08%

ACTUARIAL METHODS AND SIGNIFICANT ASSUMPTIONS PENSION

Valuation Date:	January 1, 2023
Actuarial Cost Method:	Entry Age Normal
Amortization Method:	20-year closed amortization of Unfunded Accrued Liability (Fresh start at 1/1/2017)
Remaining amortization period:	20 years
Asset valuation method:	Actuarial value equals market value less unrecognized gains/losses over a 5-year period. Gains/losses are based on market value of assets.
<u>Actuarial assumptions:</u>	
Investment rate of return:	6.75%, net of investment expenses
Discount rate:	6.75%
Projected salary increases:	Age-graded scale ranging from 7.50% to 3.50% per annum
Cost of living adjustments:	None
Mortality Tables For Healthy & Disabled:	SOA PRI-2012 Mortality Tables, amount weighted for general employees for males and females with separate rates for employees, healthy annuitants, and survivors. All mortality rates are projected on a generational basis using the mortality improvements scale MP-2021.

SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS

	Measurement Date June 30, 2023	Measurement Date June 30, 2022	Measurement Date June 30, 2021	Measurement Date June 30, 2020	Measurement Date June 30, 2019	Measurement Date June 30, 2018
Total OPEB Liability						
Service cost	\$ 1,403,122	\$ 1,261,106	\$ 2,086,439	\$ 1,099,110	\$ 978,528	\$ 692,587
Interest on total OPEB liability	3,491,243	3,287,969	2,668,103	2,770,645	2,306,663	1,752,033
Changes of benefit terms	-	-	-	-	474,250	-
Differences between expected and actual experience	(570,213)	269,868	(532,140)	(3,556,895)	636,633	5,566,019
Changes of assumptions	58,000	1,629,000	5,847,668	1,007,110	2,952,416	877,054
Benefit payments, including refunds of member contributions	(2,169,152)	(1,965,886)	(1,470,514)	(1,387,734)	(1,181,271)	(873,799)
Net change in total OPEB liability	2,213,000	4,482,057	8,599,556	(67,764)	6,167,219	8,013,894
Total OPEB liability, beginning	49,538,000	45,055,943	36,456,387	36,524,151	30,356,932	22,343,038
Total OPEB liability, ending (a)	51,751,000	49,538,000	45,055,943	36,456,387	36,524,151	30,356,932
Fiduciary Net Position						
Employer contributions	2,875,241	3,052,963	2,735,837	2,154,449	1,366,633	1,366,633
Net investment income	1,365,263	(4,026,521)	8,105,044	1,885,124	836,738	1,099,278
Benefit payments	(2,169,152)	(1,965,886)	(1,470,514)	(1,387,734)	(1,181,271)	(873,799)
Administrative expenses	(3,894)	(7,788)	(59,493)	(46,879)	(12,837)	(5,571)
Net change in plan fiduciary net position	2,067,458	(2,947,232)	9,310,874	2,604,960	1,009,263	1,586,541
Fiduciary net position, beginning	27,313,471	30,260,703	20,949,829	18,344,869	17,335,606	15,749,065
Fiduciary net position, ending (b)	\$ 29,380,929	\$ 27,313,471	\$ 30,260,703	\$ 20,949,829	\$ 18,344,869	\$ 17,335,606
Net OPEB liability, ending = (a) - (b)	\$ 22,370,071	\$ 22,224,529	\$ 14,795,240	\$ 15,506,558	\$ 18,179,282	\$ 13,021,326
Fiduciary net position as a % of total OPEB liability	56.77%	55.14%	67.16%	57.47%	50.23%	57.11%
Covered payroll	17,207,539	16,352,842	15,833,800	15,627,852	15,374,840	15,106,839
Net OPEB liability as a % of covered payroll	130.00%	135.91%	93.44%	99.22%	118.24%	86.19%
Annual money weighted rate of return, net of investment expense	0.50%	-8.54%	6.50%	5.83%	4.80%	6.96%

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

Schedule of Employer OPEB Contributions

The following required supplementary information is provided with regard to the OPEB funding progress. The County has biennial valuations of the OPEB fund. The schedule presents the last ten completed valuations covering ten years.

Fiscal Year Ended June 30,	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll as of the Actuarial Valuation Year	Contribution as a Percentage of Covered Payroll
2014	616,016	616,016	-	13,186,023	4.67%
2015	616,016	616,016	-	13,470,257	4.57%
2016	785,111	785,111	-	13,470,257	5.83%
2017	785,111	785,111	-	14,595,980	5.38%
2018	1,318,229	1,366,633	(48,404)	15,106,839	9.05%
2019	1,318,229	1,366,633	(48,404)	15,374,840	8.89%
2020	2,154,449	2,154,449	-	15,627,852	13.79%
2021	2,735,837	2,735,837	-	15,833,800	17.28%
2022	2,514,908	3,052,963	(538,055)	16,352,842	18.67%
2023	2,521,091	2,875,241	(354,150)	17,207,539	16.71%

Notes to Schedule

Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are required.

METHODS AND ASSUMPTIONS TO DETERMINE CONTRIBUTION RATES FOR OPEB

Measurement Date:	For fiscal year ending June 30, 2023, a June 30, 2023 measurement date was used.
Valuation Date:	June 30, 2023 with no adjustments to get to the June 30, 2023 measurement date. Liabilities as of July 1, 2022 are based on an actuarial valuation date of June 30, 2021 projected to July 1, 2022 on a "no loss/no gain" basis.
Actuarial Cost Method:	Entry Age Normal Level % of Salary
Amortization Method:	Level dollar, open
Remaining amortization period:	26 years
Asset valuation method:	Market value of assets
Investment rate of return:	7.00%, net of investment expenses, including inflation
Projected salary increases:	Salary rates of increase vary by service based on a study of actual experience for the plan from January 1, 2017 - December 31, 2021.
Inflation Rate:	2.3% per year
Retirement age	In the 2023 actuarial valuation, expected retirement ages were unadjusted.
Healthcare trend rates:	Based on Society of Actuaries Getzen Model with adjustments for administrative expenses, aging factors, and healthcare reform provisions.
Mortality Tables:	SOA Pri-2012 Mortality Tables, adjusted to base year 2012, headcount weighted for males and females with separate rates for employees, healthy annuitants and disabled annuitants. All mortality rates are projected on a generational basis using the mortality improvements scale MP-2021. As a generational table, it reflects mortality improvements both before and after the measurement date. The mortality tables were updated from RP-2014 to Pri-2012 from the prior GASB Measurement.



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KENT COUNTY, DELAWARE

COMBINING BALANCE SHEET
NON-MAJOR
GOVERNMENTAL FUNDS
JUNE 30, 2023

	Special Revenue Fund	Capital Project Fund	Total Non-Major Governmental Funds
	Farmer's Home Administration Grant	Aeropark Fund	
ASSETS			
Cash and Investments	\$ 100	\$ 632,100	\$ 632,200
Total Assets	<u>\$ 100</u>	<u>\$ 632,100</u>	<u>\$ 632,200</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Due to Other Funds	\$ 100	\$ 402	\$ 502
Total Liabilities	<u>100</u>	<u>402</u>	<u>502</u>
Fund Balances:			
Restricted:			
Capital Projects	-	631,698	631,698
Total Fund Balances	<u>-</u>	<u>631,698</u>	<u>631,698</u>
Total Liabilities and Fund Balances	<u>\$ 100</u>	<u>\$ 632,100</u>	<u>\$ 632,200</u>

KENT COUNTY, DELAWARE

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	Special Revenue Fund	Capital Project Fund	
	Farmer's Home Administration Grant	Aeropark Fund	Total Non-Major Governmental Funds
REVENUES			
Fees for Services	\$ -	\$ -	\$ -
Investment Income	-	18,054	18,054
Other Revenues	-	402,966	402,966
Total Revenues	<u>-</u>	<u>421,020</u>	<u>421,020</u>
EXPENDITURES			
Current:			
Economic Development	-	4,419	4,419
Total Expenditures	<u>-</u>	<u>4,419</u>	<u>4,419</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>416,601</u>	<u>416,601</u>
Net Change in Fund Balances	-	416,601	416,601
Fund Balances at Beginning of Year	<u>-</u>	<u>215,097</u>	<u>215,097</u>
Fund Balances at End of Year	<u>\$ -</u>	<u>\$ 631,698</u>	<u>\$ 631,698</u>

KENT COUNTY, DELAWARE
COMBINING STATEMENT OF NET POSITION
NON-MAJOR PROPRIETARY FUNDS
JUNE 30, 2023

	<u>Street Light</u>	<u>Landfill</u>	<u>Storm Water Management</u>	<u>Total</u>
ASSETS				
Current Assets:				
Cash and Investments	\$ 899,316	\$ 700,885	\$ 543,075	\$ 2,143,276
Receivables				
Fees and Services	131,664	-	1,134	132,798
Total Current Assets	<u>1,030,980</u>	<u>700,885</u>	<u>544,209</u>	<u>2,276,074</u>
Non-Current Assets:				
Capital Assets, Net				
Land	3,000	-	-	3,000
Total Non-Current Assets	<u>3,000</u>	<u>-</u>	<u>-</u>	<u>3,000</u>
Total Assets	<u>1,033,980</u>	<u>700,885</u>	<u>544,209</u>	<u>2,279,074</u>
LIABILITIES				
Current Liabilities				
Accounts Payable	67,397	-	-	67,397
Due to Other Funds	20,412	1,043	8,121	29,576
Unearned Revenue	-	141,977	-	141,977
Total Liabilities	<u>87,809</u>	<u>143,020</u>	<u>8,121</u>	<u>238,950</u>
NET POSITION				
Investment in Capital Assets	3,000	-	-	3,000
Unrestricted	943,171	557,865	536,088	2,037,124
Total Net Position	<u>\$ 946,171</u>	<u>\$ 557,865</u>	<u>\$ 536,088</u>	<u>\$ 2,040,124</u>

KENT COUNTY, DELAWARE

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
 NON-MAJOR PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2023

	<u>Street Light</u>	<u>Landfill</u>	<u>Storm Water Management</u>	<u>Total</u>
OPERATING REVENUES				
Fees for Services	\$ 1,094,526	\$ -	\$ 113,573	\$ 1,208,099
Other Revenue	-	2,651	-	2,651
Total Operating Revenues	<u>1,094,526</u>	<u>2,651</u>	<u>113,573</u>	<u>1,210,750</u>
OPERATING EXPENSES				
Salaries and Benefits	155,103	-	-	155,103
Contractual Services	126	4,418	-	4,544
Utilities	939,802	-	-	939,802
Maintenance, Parts and Supplies	2,674	-	8,508	11,182
Vehicle Expense	2,150	-	-	2,150
Operating Insurance and Indirect Costs	53,069	5,006	-	58,075
Total Operating Expenses	<u>1,152,924</u>	<u>9,424</u>	<u>8,508</u>	<u>1,170,856</u>
Operating Income (Loss)	<u>(58,398)</u>	<u>(6,773)</u>	<u>105,065</u>	<u>39,894</u>
NON-OPERATING REVENUES				
Interest and Dividends	40,954	16,300	16,665	73,919
Total Non-Operating Revenues	<u>40,954</u>	<u>16,300</u>	<u>16,665</u>	<u>73,919</u>
Net Income (Loss)	<u>(17,444)</u>	<u>9,527</u>	<u>121,730</u>	<u>113,813</u>
Net Position at Beginning of Year	<u>963,615</u>	<u>548,338</u>	<u>414,358</u>	<u>1,926,311</u>
Net Position at End of Year	<u>\$ 946,171</u>	<u>\$ 557,865</u>	<u>\$ 536,088</u>	<u>\$ 2,040,124</u>

KENT COUNTY, DELAWARE

COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Street Light</u>	<u>Landfill</u>	<u>Storm Water Management</u>	<u>Total</u>
Cash Flows From Operating Activities:				
Receipts from Customers and Users	\$ 1,078,362	\$ -	\$ 113,247	\$ 1,191,609
Payments to Suppliers	(932,319)	(4,418)	(16,208)	(952,945)
Internal Activity - Payment to Other Funds	(227,182)	(5,199)	(81)	(232,462)
Net Cash Provided (Used) by Operating Activities	<u>(81,139)</u>	<u>(9,617)</u>	<u>96,958</u>	<u>6,202</u>
Cash Flows From Investing Activities:				
Interest and Dividends	40,954	16,300	16,665	73,919
Net Cash Provided By Investing Activities	<u>40,954</u>	<u>16,300</u>	<u>16,665</u>	<u>73,919</u>
Net Increase (Decrease) In Cash and Cash Equivalents	(40,185)	6,683	113,623	80,121
Cash and Cash Equivalents at Beginning of Year	<u>939,501</u>	<u>694,202</u>	<u>429,452</u>	<u>2,063,155</u>
Cash and Cash Equivalents at End of Year	<u>\$ 899,316</u>	<u>\$ 700,885</u>	<u>\$ 543,075</u>	<u>\$ 2,143,276</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating Income (Loss)	\$ (58,398)	\$ (6,773)	\$ 105,065	\$ 39,894
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Change in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	(16,164)	-	(326)	(16,490)
Increase (Decrease) in Accounts Payable	12,433	-	(7,700)	4,733
(Decrease) in Other Liability	-	-	-	-
Increase (Decrease) in Unearned Revenue	-	(2,651)	-	(2,651)
Increase in Due To Other Funds	(19,010)	(193)	(81)	(19,284)
Net Cash Provided (Used) by Operating Activities	<u>\$ (81,139)</u>	<u>\$ (9,617)</u>	<u>\$ 96,958</u>	<u>\$ 6,202</u>

KENT COUNTY, DELAWARE

COMBINING STATEMENT OF NET POSITION
PENSION AND POST RETIREE BENEFITS FUNDS

	<u>12/31/2022</u> <u>Pension Fund</u>	<u>6/30/2023</u> <u>Post Retiree</u> <u>Benefits Fund</u>	<u>Total</u>
ASSETS			
Restricted Assets:			
Receivables			
Member Contributions	\$ 165,975	\$ -	\$ 165,975
Interest	12,963	-	12,963
Investments	<u>49,862,943</u>	<u>29,380,929</u>	<u>79,243,872</u>
Total Assets	<u>50,041,881</u>	<u>29,380,929</u>	<u>79,422,810</u>
LIABILITIES			
Accounts Payable	<u>31,460</u>	<u>-</u>	<u>31,460</u>
Total Liabilities	<u>31,460</u>	<u>-</u>	<u>31,460</u>
NET POSITION			
Held in Trust for:			
Pension Benefits	50,010,421	-	50,010,421
Post Retiree Benefits	<u>-</u>	<u>29,380,929</u>	<u>29,380,929</u>
Total Net Position	<u>\$ 50,010,421</u>	<u>\$ 29,380,929</u>	<u>\$ 79,391,350</u>

KENT COUNTY, DELAWARE

**COMBINING STATEMENT OF CHANGES IN NET POSITION
PENSION AND POST RETIREE BENEFITS FUNDS**

	12/31/2022 Pension Fund	6/30/2023 Post Retiree Benefits Fund	Total
ADDITIONS			
Employee Contributions	\$ 434,643	\$ -	\$ 434,643
Employer Contributions	3,857,126	2,521,091	6,378,217
Interest and Dividends	210,094	421,386	631,480
Net Appreciation (Depreciation) in Fair Value of Investments	(10,258,715)	996,609	(9,262,106)
Total Additions	(5,756,852)	3,939,086	(1,817,766)
DEDUCTIONS			
Pension Benefits	3,813,425	-	3,813,425
Refund of Member Contributions	62,032	-	62,032
OPEB Benefits	-	1,815,002	1,815,002
Administrative Expense	376,763	56,626	433,389
Total Deductions	4,252,220	1,871,628	6,123,848
Change In Net Position	(10,009,072)	2,067,458	(7,941,614)
Net Position - Beginning of Year	60,019,493	27,313,471	87,332,964
Net Position - End of Year	\$ 50,010,421	\$ 29,380,929	\$ 79,391,350

STATISTICAL SECTION



This section includes the following:

Financial Trends

Revenue Capacity

Debt Capacity

Demographic and Economic Information

Operating Information

STATISTICAL SECTION

This part of Kent County, Delaware’s annual comprehensive financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the County’s overall financial health.

<u>Contents</u>	<u>Table No.</u>
Financial Trends These schedules contain trend information to help the reader understand how the County’s financial performance and well-being have changed over time.	1 - 5
Revenue Capacity These schedules contain information to help the reader assess the County’s most significant local revenue source, property tax.	6 - 9
Debt Capacity These schedules present information to help the reader assess the affordability of the County’s current level of outstanding debt and the County’s ability to issue additional debt in the future.	10 - 13
Demographic and Economic Information These schedules offer demographic and economic indicators to help the Reader understand the environment within which the County’s financial activities take place.	14 - 15
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the County’s financial report relates to the services the County provides and the activities it performs.	16 - 18

Sources: Unless otherwise noted, the information in these schedules is derived from the annual financial reports for the relevant year.

2023 Annual Comprehensive Financial Report for Kent County, Delaware
Statistical Section

KENT COUNTY, DELAWARE
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(accrual basis of accounting)

Table 1

	Fiscal Year										
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Governmental activities											
Net investment in capital assets	\$31,945,235	\$31,683,667	\$31,329,672	\$30,964,594	\$31,140,703	\$31,337,025	\$32,299,538	\$31,840,271	\$28,120,342	\$26,796,027	\$26,409,608
Restricted	16,497,247	17,734,069	18,840,031	10,687,675	9,613,779	6,348,541	5,411,163	6,221,445	9,075,766	404,953	23,671
Unrestricted	28,392,327	31,228,049	25,534,170	29,451,520	32,394,196	37,620,072	39,960,075	38,582,912	39,241,698	50,922,050	48,943,093
Total governmental activities net position	76,834,809	80,645,785	75,703,873	71,103,789	73,148,678	75,305,638	77,670,776	76,644,628	76,437,806	78,123,030	75,376,372
Business-type activities											
Net investment in capital assets	59,898,621	60,607,709	64,412,503	67,874,220	71,419,362	73,083,701	76,060,519	75,749,480	71,807,718	64,175,064	62,872,401
Restricted	59,465,254	53,143,508	47,958,369	41,696,425	38,107,757	32,270,031	33,217,050	30,453,228	26,023,719	23,950,883	22,219,615
Unrestricted	27,583,028	30,636,933	28,596,938	25,434,370	22,627,818	21,287,666	15,734,797	17,174,215	14,541,838	22,521,945	22,420,495
Total business-type activities net position	146,946,903	144,388,150	140,967,810	135,005,015	132,154,937	126,641,398	125,012,366	123,376,923	112,373,275	110,647,892	107,512,511
Primary government											
Net investment in capital assets	91,843,856	92,291,376	95,742,175	98,838,814	102,560,065	104,420,726	108,360,057	107,589,751	99,928,060	90,971,091	89,282,009
Restricted	75,962,501	70,877,577	66,798,400	52,384,100	47,721,536	38,618,572	38,628,213	36,674,673	35,099,485	24,355,836	22,243,286
Unrestricted	55,975,355	61,864,982	54,131,108	54,885,890	55,022,014	58,907,738	55,694,872	55,757,127	53,783,536	73,443,995	71,363,588
Total primary government activities net position	\$223,781,712	\$225,033,935	\$216,671,683	\$206,108,804	\$205,303,615	\$201,947,036	\$202,683,142	\$200,021,551	\$188,811,081	\$188,770,922	\$182,888,883

2023 Annual Comprehensive Financial Report for Kent County, Delaware
Statistical Section

KENT COUNTY, DELAWARE
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(accrual basis of accounting)

Table 2

	Fiscal Year									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Expenses										
Governmental activities:										
General government	\$8,021,493	\$5,474,699	\$4,471,686	\$4,142,457	\$4,726,073	\$2,942,129	\$3,598,230	\$3,470,183	\$2,751,768	\$2,304,636
Special grants/programs	11,259,370	5,681,333	2,443,752	2,004,667	1,842,569	1,906,961	2,029,897	2,029,654	2,129,742	1,857,709
Community services	6,736,061	4,860,058	4,189,281	5,400,087	4,990,912	4,614,095	4,689,550	3,803,046	3,650,644	3,546,729
Planning services	7,604,503	6,212,727	5,554,650	5,974,260	6,140,000	5,996,208	5,825,458	5,748,165	5,532,350	5,321,429
Public safety	14,958,806	13,551,322	12,042,763	12,359,504	12,444,819	10,967,163	10,162,928	9,073,597	8,674,656	8,315,276
Row offices	2,906,752	2,614,912	2,389,456	2,445,956	2,376,442	2,107,468	1,926,973	1,896,476	1,861,280	1,690,769
Economic development	699,511	366,981	264,467	232,777	176,890	156,026	358,382	1,555,085	287,819	44,180
Amortization	-	-	-	-	-	-	-	-	53,254	1,856
Interest on long-term debt	268,195	162,898	164,262	219,092	263,219	240,105	215,890	185,646	211,113	229,542
Total governmental activities expenses	<u>52,454,691</u>	<u>38,924,930</u>	<u>31,520,317</u>	<u>32,778,800</u>	<u>32,960,924</u>	<u>28,930,155</u>	<u>28,807,308</u>	<u>27,761,852</u>	<u>25,152,626</u>	<u>23,312,126</u>
Business-type activities:										
Sewer	27,904,005	23,955,381	23,220,780	22,798,301	23,132,702	22,257,349	19,963,041	18,231,919	18,243,107	17,311,372
Street light	1,152,924	1,083,750	1,072,349	1,034,513	1,002,685	1,003,452	963,961	934,377	907,738	888,610
Trash	5,409,305	5,197,292	4,951,779	4,715,066	4,444,288	4,265,251	3,727,545	3,276,419	3,403,712	2,912,322
Landfill	9,424	9,326	9,324	9,139	22,799	9,673	10,680	9,804	10,031	23,087
Storm water maintenance	8,508	36,345	35,902	31,423	9,256	5,978	6,792	3,201	-	-
Total business-type activities expenses	<u>34,484,166</u>	<u>30,282,094</u>	<u>29,290,134</u>	<u>28,588,442</u>	<u>28,611,730</u>	<u>27,541,703</u>	<u>24,672,019</u>	<u>22,455,720</u>	<u>22,564,588</u>	<u>21,135,391</u>
Total primary government expenses	<u>86,938,857</u>	<u>69,207,024</u>	<u>60,810,451</u>	<u>61,367,242</u>	<u>61,572,654</u>	<u>56,471,858</u>	<u>53,479,327</u>	<u>50,217,572</u>	<u>47,717,214</u>	<u>44,447,517</u>

(continued on next page)

KENT COUNTY, DELAWARE
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(accrual basis of accounting)

Table 2 continued

	Fiscal Year									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$306,763	\$386,030	\$350,294	\$264,070	\$238,908	\$255,705	\$138,060	\$152,376	\$196,071	\$196,628
Community services	404,073	344,117	143,450	268,411	485,335	613,588	398,375	336,659	346,469	348,512
Planning services	1,574,562	1,935,521	2,053,414	1,867,719	1,707,254	1,731,555	1,483,054	1,919,683	1,536,031	1,632,163
Public safety	89,866	109,333	57,729	54,961	135,295	152,775	158,434	147,129	178,588	136,013
Row offices	5,944,457	7,180,612	6,679,599	5,640,187	5,717,364	6,284,633	6,722,664	5,674,004	5,449,361	5,516,750
Economic development	403,084	0	23,555	22,890	22,890	22,890	22,890	22,890	-	-
Operating grants and contributions	14,115,701	5,176,686	3,381,200	3,084,699	3,214,924	2,282,169	3,205,518	2,967,151	3,349,706	2,903,651
Capital grants and contributions	248,844	492,008	93,480	55,344	50,000	17,625	42,602	164,259	80,210	311,482
Total governmental activities program revenues	<u>23,087,350</u>	<u>15,624,307</u>	<u>12,782,721</u>	<u>11,258,281</u>	<u>11,571,970</u>	<u>11,360,940</u>	<u>12,171,597</u>	<u>11,384,151</u>	<u>11,136,436</u>	<u>11,045,199</u>
Business-type activities:										
Charges for services:										
Sewer	19,829,728	20,222,732	21,886,841	18,993,013	20,595,634	18,497,652	16,916,517	17,017,132	16,988,415	17,170,963
Street light	1,094,526	1,118,229	1,178,675	1,014,167	1,029,690	1,028,958	971,634	921,826	943,856	914,032
Trash	5,681,600	5,337,392	4,897,577	4,727,763	4,571,453	4,450,854	3,498,900	3,418,268	3,319,649	3,146,646
Landfill	2,651	2,628	2,634	2,293	10,757	2,304	2,204	1,725	1,546	9,282
Storm water maintenance	113,573	116,156	99,042	109,920	60,886	54,908	67,160	28,560	-	-
Operating grants and contributions	52,639	20,295	120,735	21,035	4,296	-	-	-	21,634	10,450
Capital grants and contributions	7,235,119	6,567,740	6,504,806	5,751,035	6,661,459	5,525,059	4,866,348	11,917,096	3,729,501	2,910,387
Total business-type activities program revenues	<u>34,009,836</u>	<u>33,385,172</u>	<u>34,690,310</u>	<u>30,619,226</u>	<u>32,934,175</u>	<u>29,559,735</u>	<u>26,322,763</u>	<u>33,304,607</u>	<u>25,004,601</u>	<u>24,161,760</u>
Total primary government program revenues	<u>57,097,186</u>	<u>49,009,479</u>	<u>47,473,031</u>	<u>41,877,507</u>	<u>44,506,145</u>	<u>40,920,675</u>	<u>38,494,360</u>	<u>44,688,758</u>	<u>36,141,037</u>	<u>35,206,959</u>
Net (Expense) Revenue										
Governmental activities	(29,367,341)	(23,300,623)	(18,737,596)	(21,520,519)	(21,388,954)	(17,569,215)	(16,635,711)	(16,377,701)	(14,016,190)	(12,266,927)
Business-type activities	(474,330)	3,103,078	5,400,176	2,030,784	4,322,445	2,018,032	1,650,744	10,848,887	2,440,013	3,026,369
Total primary government net (expense) revenue	<u>(\$29,841,671)</u>	<u>(\$20,197,545)</u>	<u>(\$13,337,420)</u>	<u>(\$19,489,735)</u>	<u>(\$17,066,509)</u>	<u>(\$15,551,183)</u>	<u>(\$14,984,967)</u>	<u>(\$5,528,814)</u>	<u>(\$11,576,177)</u>	<u>(\$9,240,558)</u>

(continued on next page)

2023 Annual Comprehensive Financial Report for Kent County, Delaware
Statistical Section

KENT COUNTY, DELAWARE
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(accrual basis of accounting)

Table 2 continued

	Fiscal Year									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
General Revenue and Other Changes in Net Position										
Governmental activities:										
Property taxes	12,686,012	12,491,603	12,191,693	12,065,530	11,774,010	11,533,734	11,310,977	11,141,185	10,990,802	10,819,104
Real estate transfer tax	8,903,210	11,035,462	8,725,475	5,870,702	5,405,493	5,472,284	4,990,351	4,493,193	4,210,416	3,462,321
Grant Revenue	-	3,337,114	56,494	-	-	-	-	-	-	-
Residential telephone surcharge	247,514	270,015	270,015	270,015	270,015	270,015	270,015	270,015	270,015	270,014
Investment earnings	2,845,223	292,141	162,520	935,269	1,362,419	793,735	356,483	189,852	125,051	120,856
Other revenues including capital asset sales gains/losses	874,406	816,689	531,483	368,588	420,057	606,896	606,596	490,278	337,259	341,290
Interfund Transfers	-	-	-	-	-	-	127,437	-	-	-
Total governmental activities	<u>25,556,365</u>	<u>28,243,024</u>	<u>21,937,680</u>	<u>19,510,104</u>	<u>19,231,994</u>	<u>18,676,664</u>	<u>17,661,859</u>	<u>16,584,523</u>	<u>15,933,543</u>	<u>15,013,585</u>
Business-type activities:										
Investment earnings	2,942,775	313,109	162,213	814,419	1,185,717	644,171	288,692	137,182	90,172	96,152
Other revenues including capital asset sales gains/losses	90,308	4,160	2,382	4,875	5,377	7,544	(176,556)	17,579	244,056	12,860
Interfund Transfers	-	-	-	-	-	-	(127,437)	-	-	-
Total business-type activities	<u>3,033,083</u>	<u>317,269</u>	<u>164,595</u>	<u>819,294</u>	<u>1,191,094</u>	<u>651,715</u>	<u>(15,301)</u>	<u>154,761</u>	<u>334,228</u>	<u>109,012</u>
Total primary government	<u>\$28,589,448</u>	<u>\$28,560,293</u>	<u>\$22,102,275</u>	<u>\$20,329,398</u>	<u>\$20,423,088</u>	<u>\$19,328,379</u>	<u>\$17,646,558</u>	<u>\$16,739,284</u>	<u>\$16,267,771</u>	<u>\$15,122,597</u>
Change in Net Position										
Governmental activities	<u>(3,810,976)</u>	<u>4,942,401</u>	<u>3,200,084</u>	<u>(2,010,415)</u>	<u>(2,156,960)</u>	<u>1,107,449</u>	<u>1,026,148</u>	<u>206,822</u>	<u>1,917,353</u>	<u>2,746,658</u>
Business-type activities	<u>2,558,753</u>	<u>3,420,347</u>	<u>5,564,771</u>	<u>2,850,078</u>	<u>5,513,539</u>	<u>2,669,747</u>	<u>1,635,443</u>	<u>11,003,648</u>	<u>2,774,241</u>	<u>3,135,381</u>
Total primary government	<u>(\$1,252,223)</u>	<u>\$8,362,748</u>	<u>\$8,764,855</u>	<u>\$839,663</u>	<u>\$3,356,579</u>	<u>\$3,777,196</u>	<u>\$2,661,591</u>	<u>\$11,210,470</u>	<u>\$4,691,594</u>	<u>\$5,882,039</u>

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KENT COUNTY, DELAWARE
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

Table 3

	Fiscal Year									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
General Fund										
Nonspendable	\$692,476	\$176,592	\$204,079	\$940,657	\$743,197	\$710,455	\$129,567	\$728,533	\$164,537	\$78,798
Restricted	3,616,105	4,094,502	3,360,449	1,088,020	1,207,865	834,869	414,356	405,211	324,878	404,953
Committed	-	-	-	-	-	-	-	-	466,377	411,903
Assigned	4,046,887	4,800,544	5,304,422	3,898,069	3,786,532	3,910,386	3,398,061	4,444,372	1,926,174	1,518,454
Unassigned	49,521,724	47,703,230	41,052,797	44,773,546	44,497,430	44,192,539	42,742,751	37,779,156	39,436,838	40,422,288
Total general fund	57,877,192	56,774,868	49,921,747	50,700,292	50,235,024	49,648,249	46,684,735	43,357,272	42,318,804	42,836,396
All Other Governmental Funds										
Nonspendable	\$766,783	\$761,134	\$9,030	\$17,707	\$5,050	\$77,319	\$24,324	\$8,374	\$6,403	\$39,102
Restricted	631,698	215,097	15,479,582	9,599,655	8,405,914	5,513,672	4,996,806	5,816,234	8,750,888	6,954,041
Assigned	12,249,444	13,424,470	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	(69,709)	(21,977)	-	-	-
Total all other governmental funds	\$13,647,925	\$14,400,701	\$15,488,612	\$9,617,362	\$8,410,964	\$5,521,282	\$4,999,153	\$5,824,608	\$8,757,291	\$6,993,143

KENT COUNTY, DELAWARE
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

Table 4

	Fiscal Year									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Revenues										
Property taxes	\$12,808,236	\$12,480,729	\$12,236,739	\$12,026,162	\$11,822,660	\$11,505,642	\$11,285,174	\$11,169,794	\$11,006,897	\$10,800,038
Real estate transfer tax	8,903,210	11,035,462	8,725,475	5,870,702	5,405,493	5,472,284	4,990,351	4,493,193	4,210,416	3,462,321
Residential telephone surcharge	247,514	270,015	270,015	270,015	270,015	270,015	270,015	270,015	270,015	270,014
Grant	14,176,078	8,988,370	3,514,078	3,140,042	3,264,924	2,299,793	3,248,120	3,131,410	3,429,917	3,215,133
Fees for services	8,243,576	9,869,978	9,183,339	8,046,402	8,058,925	9,059,311	8,879,574	8,000,868	7,600,583	7,584,720
Investment income	2,796,667	290,069	162,355	920,361	1,339,816	785,556	355,562	189,768	125,050	120,780
Rental income	23,862	90,458	52,671	23,936	23,186	23,186	23,206	25,214	23,186	23,186
Other revenues	625,712	540,401	439,051	344,473	633,874	585,059	572,647	634,623	382,934	533,503
Total revenues	47,824,855	43,565,482	34,583,723	30,642,093	30,818,893	30,000,846	29,624,649	27,914,885	27,048,998	26,009,695
Expenditures										
General government	5,541,821	4,502,076	2,943,171	3,117,304	2,557,583	2,508,994	2,619,095	2,449,734	2,298,729	2,146,936
Special grants and programs	11,259,370	5,681,333	2,443,752	2,004,667	1,842,569	1,906,961	2,029,897	2,029,654	2,129,742	1,857,709
Community services	5,760,994	4,049,226	3,425,501	4,353,838	3,987,795	3,722,941	3,919,945	3,364,778	3,286,031	3,219,480
Planning services	6,965,070	6,078,259	5,412,436	5,383,758	5,344,007	5,687,054	5,531,576	5,574,143	5,429,838	5,305,694
Public safety	12,749,833	12,767,748	11,793,814	10,795,000	10,239,819	9,828,269	9,159,617	8,397,723	8,167,844	7,999,004
Row offices	2,466,293	2,507,357	2,312,338	2,094,338	2,056,736	1,879,958	1,811,765	1,746,378	1,775,271	1,686,840
Economic development	699,511	368,984	264,467	232,777	176,890	156,026	358,382	1,555,085	287,819	44,180
Debt service:										
Bond Issue Costs	-	-	-	-	-	-	-	-	53,254	-
Principal	769,765	513,414	765,876	502,399	459,876	486,119	507,516	454,545	166,729	161,523
Interest and fiscal charges	290,918	163,044	186,074	240,516	284,273	259,947	235,138	200,693	242,113	231,584
Capital outlay	962,662	1,171,968	1,698,243	245,830	392,888	78,934	1,077,147	9,036,367	2,146,144	1,282,179
Total expenditures	47,466,237	37,803,409	31,245,672	28,970,427	27,342,436	26,515,203	27,250,078	34,809,100	25,983,514	23,935,129
Excess of revenues over (under) expenditures	358,618	5,762,073	3,338,051	1,671,666	3,476,457	3,485,643	2,374,571	(6,894,215)	1,065,484	2,074,566
Other Financing Sources (Uses)										
Transfers in	4,174,163	2,850,431	7,943,197	2,734,857	4,175,351	1,314,214	1,522,811	3,454,710	4,786,473	867,809
Proceeds from Loan	-	-	-	-	-	-	-	5,000,000	-	-
Proceeds from Bond Issuance	-	-	-	-	-	-	-	-	4,524,126	-
Bond Premium	-	-	-	-	-	-	-	-	393,830	-
Payments to Refunding Agent	-	-	-	-	-	-	-	-	(4,736,884)	-
Capital lease issuance	-	-	1,168,744	-	-	-	-	-	-	-
Transfers out	(4,183,233)	(2,847,294)	(8,757,287)	(2,734,857)	(4,175,351)	(1,314,214)	(1,395,374)	(3,454,710)	(4,786,473)	(867,809)
Total other financing sources (uses)	(9,070)	3,137	354,654	-	-	-	127,437	5,000,000	181,072	-
Net change in fund balances	\$349,548	\$5,765,210	\$3,692,705	\$1,671,666	\$3,476,457	\$3,485,643	\$2,502,008	(\$1,894,215)	\$1,246,556	\$2,074,566
Debt service as a percentage of noncapital expenditures	2.28%	1.85%	3.22%	2.59%	2.76%	2.82%	2.84%	2.54%	1.94%	1.74%

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KENT COUNTY, DELAWARE
TAX REVENUE BY SOURCE - GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

Table 5

Fiscal Year	Property Tax	Real Estate Transfer Tax (1)	Total
2023	\$ 12,808,236	\$ 8,903,210	\$ 21,711,446
2022	12,480,729	11,035,462	23,516,191
2021	12,236,739	8,725,475	20,962,214
2020	12,026,162	5,870,702	17,896,864
2019	11,822,660	5,405,493	17,228,153
2018	11,285,174	4,990,351	16,275,525
2017	11,285,174	4,990,351	16,275,525
2016	11,169,794	4,493,193	15,662,987
2015	11,006,897	4,210,416	15,217,313
2014	10,800,038	3,462,321	14,262,359

Note:

(1) Real estate transfer tax is 1.5% of selling price of real estate sold

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KENT COUNTY, DELAWARE
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS

Table 6

Fiscal Year	Total Assessed Value (1)	Less: Tax-Exempt Property (1)	Total Taxable Assessed Value	Total Direct Tax Rate (2)	Estimated Actual Taxable Value (3)
2023	\$ 4,485,357,800	\$ 525,962,611	\$ 3,959,395,189	\$ 0.30	N/A
2022	4,392,457,100	508,818,760	3,883,638,340	0.30	N/A
2021	4,310,743,100	516,171,796	3,794,571,304	0.30	N/A
2020	4,246,451,000	508,329,936	3,738,121,064	0.30	N/A
2019	4,106,040,700	452,298,414	3,653,742,286	0.30	N/A
2018	3,669,155,500	89,494,550	3,579,660,950	0.30	N/A
2017	3,605,299,600	83,266,434	3,522,033,166	0.30	N/A
2016	3,544,204,100	76,560,568	3,467,643,532	0.30	N/A
2015	3,491,974,200	75,597,936	3,416,376,264	0.30	N/A
2014	3,437,231,100	74,558,083	3,362,673,017	0.30	N/A

Source: Assessment Division and Tax Office, Kent County Levy Court, Delaware

Notes:

- (1) Beginning in fiscal year 2019 and moving forward, the County implemented a new computer aided mass appraisal system. As part of this process, recording and reporting features were updated to track all tax-exempt property, including exemptions for property owned by governmental, religious, educational or charitable agencies. Prior to fiscal year 2019, Tax-Exempt Property primarily included exempt properties related to the County's elderly and disability programs. Fiscal year 2019 and subsequent years include the value of tax exempt properties added to the new system. Fiscal year 2018 and prior fiscal years Total Assessed Value and Tax-Exempt Property value continue to be shown under the previous recording and reporting system. The Total Taxable Assessed Value is not affected in any of the fiscal years.
- (2) Total direct tax rate represents basic County tax rate per \$100
- (3) Property in the County is not reassessed annually, therefore the estimated actual value is not available
- (4) All taxable parcels in Kent County are valued as of the date of the last reassessment, which is June 1, 1987. The taxable assessment is obtained by multiplying the 1987 market value by sixty percent (0.60).

KENT COUNTY, DELAWARE
PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS

Table 7

	Fiscal Year									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Direct										
County tax	\$0.3000	\$0.3000	\$0.3000	\$0.3000	\$0.3000	\$0.3000	\$0.3000	\$0.3000	\$0.3000	\$0.3000
Library tax (1)	0.0330	0.0330	0.0330	0.0330	0.0330	0.0330	0.0330	0.0330	0.0330	0.0330
Total Direct	\$0.3330	\$0.3330	\$0.3330	\$0.3330	\$0.3330	\$0.3330	\$0.3330	\$0.3330	\$0.3330	\$0.3330
School Districts										
Caesar Rodney	\$1.8950	\$1.8750	\$1.8350	\$1.7450	\$1.6650	\$1.6050	\$1.5650	\$1.2350	\$1.2350	\$1.2450
Capital	2.3891	2.2841	2.1897	2.0482	1.8307	1.7942	1.8065	1.8115	1.8215	1.8500
Lake Forest	1.6122	1.4964	1.5833	1.5887	1.5667	1.6531	1.4745	1.4498	1.4257	1.3163
Milford	1.6615	1.6995	1.7164	1.7308	1.7390	1.7636	1.9077	1.2626	1.2308	1.2692
Polytech	0.1569	0.1571	0.1578	0.1548	0.1541	0.1522	0.1484	0.1415	0.1372	0.1372
Smyrna	2.0766	2.0258	1.7118	1.7358	1.7373	1.7317	1.7674	1.7835	1.6433	1.4161
Woodbridge	1.6800	1.6800	1.6800	1.6800	1.4400	1.3310	1.3310	1.3310	1.3340	1.3610
Incorporated Areas										
Bowers Beach	\$0.6000	\$0.6000	\$0.6000	\$0.6000	\$0.6000	\$0.6000	\$0.6000	\$0.6000	\$0.6000	\$0.6000
Camden	1.4200	1.4200	1.4200	1.4200	1.4200	1.4200	1.4200	1.4200	1.4200	1.4200
Cheswold	0.6000	0.6000	0.6000	0.6000	0.6000	0.6000	0.6000	0.6000	0.6000	0.6000
Clayton	1.1500	1.1500	0.9750	0.8250	0.7500	0.7500	0.7500	0.6500	0.6500	0.6500
Dover	0.4150	0.4150	0.4050	0.4400	0.4050	0.4050	0.4050	0.4050	0.3378	0.3378
Farmington	0.5500	0.7500	0.7500	0.7500	0.7500	0.7500	0.7500	0.7500	0.7500	0.7500
Felton	1.2600	1.1600	1.0600	0.9100	0.9100	0.9100	0.9100	0.9100	0.9100	0.9100
Frederica	1.5000	1.2500	1.2500	1.2500	1.2500	1.2500	1.2500	1.2500	1.0000	1.0000
Harrington	1.0600	1.0600	1.0600	1.0600	1.0600	1.0600	1.0600	1.0600	1.0600	0.7100
Hartly	0.7500	0.7500	0.7500	0.7500	0.7500	0.7500	0.5000	0.2000	0.2000	0.2000
Houston	0.1500	0.1500	0.1500	0.1500	0.1500	0.1500	0.1500	0.1500	0.1500	0.1200
Kenton	0.1200	0.1200	0.1200	0.1200	0.1200	0.1200	0.1200	0.1200	0.1200	0.1200
Leipsic	0.4226	0.4226	0.4225	0.4225	0.4225	0.4225	0.4225	0.4225	0.4225	0.4225
Little Creek	0.3500	0.3500	0.3500	0.3500	0.3500	0.3500	0.3500	0.3500	0.3500	0.3500
Magnolia	0.4000	0.4000	0.4000	0.4000	0.4000	0.4000	0.4000	0.4000	0.4000	0.4000
Milford	0.49275	0.49275	0.4828	0.4600	0.4600	0.4600	0.4600	0.4600	0.4600	0.4600
Smyrna	0.4700	0.4400	0.4400	0.4400	0.4200	0.4000	0.4000	0.4000	0.3600	0.3100
Viola	0.2000	0.2000	0.2000	0.2000	0.2000	0.2000	0.2000	0.2000	0.2000	0.2000
Woodside	0.4000	0.4000	0.4000	0.4000	0.4000	0.4000	0.2000	0.2000	0.2000	0.2000
Wyoming	1.1000	1.1000	1.1000	1.1000	1.1000	1.1000	1.1000	1.1000	1.1000	1.1000

Sources: Finance Department, Kent County Levy Court, Delaware; Delaware Economic Development Office (fiscal years 2017 and prior); Incorporated Towns and Cities; Delaware Prosperity Partnership (fiscal year 2019 and subsequent)

Notes:

(1) The County library tax is charged to all areas of the County with the exception of Milford school district and the incorporated areas of Smyrna, Dover, and Harrington

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**KENT COUNTY, DELAWARE
 PRINCIPAL PROPERTY TAXPAYERS
 CURRENT YEAR AND NINE YEARS AGO**

Table 8

	2023			2014		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Valuation	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Valuation
GLP Capital L.P.	\$45,427,100	1	1.15%			
Chesapeake Utilities	43,065,800	2	1.09%	29,368,600	2	0.89%
Delmarva Power & Light	41,570,100	3	1.05%	27,140,000	3	0.82%
Diamond State Telephone	19,409,600	4	0.49%	21,168,600	4	0.64%
Wal-Mart Stores	19,131,200	5	0.48%	19,131,200	5	0.58%
Dover Mall	18,486,400	6	0.47%	16,925,900	7	0.51%
Wal-Mart Real Estate Business	17,571,600	7	0.44%	17,568,800	6	0.53%
Dover International Speedway, Inc.	16,694,000	8	0.42%	16,327,500	8	0.49%
General Foods	14,061,800	9	0.36%	14,006,400	9	0.42%
Rudolph/Stephen Von Croy/Von Croy Family Trust	13,590,900	10	0.34%			
Dover Downs				40,786,600	1	1.23%
Gaming Entertainment Del.				12,240,200	10	0.37%
	\$249,008,500		6.29%	\$214,663,800		6.48%

Source: Assessment Division, Kent County Levy Court, Delaware

2022 Annual Comprehensive Financial Report for Kent County, Delaware
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**KENT COUNTY, DELAWARE
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS**

Table 9

Fiscal Year	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount Collected	Percentage of Levy		Amount Collected	Percentage of Levy
2023	12,691,873	12,501,698	98.50%		12,501,698	98.50%
2022	12,496,382	12,299,098	98.42%	128,601	12,427,699	99.45%
2021	12,218,325	11,993,603	98.16%	174,597	12,168,200	99.59%
2020	12,046,806	11,830,621	98.21%	177,129	12,007,750	99.68%
2019	11,800,807	11,572,555	98.07%	193,824	11,766,379	99.71%
2018	11,537,363	11,285,928	97.82%	220,359	11,506,287	99.73%
2017	11,336,334	11,094,059	97.86%	212,756	11,306,815	99.74%
2016	11,156,441	10,903,302	97.73%	224,982	11,128,284	99.75%
2015	10,993,270	10,729,902	97.60%	237,657	10,967,559	99.77%
2014	10,823,058	10,521,723	97.22%	276,479	10,798,202	99.77%

Source: Finance Department, Kent County Levy Court, Delaware

2023 Annual Comprehensive Financial Report for Kent County, Delaware
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KENT COUNTY, DELAWARE
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

Table 10

Fiscal Year	Governmental Activities				Business-type Activities		Total Primary Government	Percentage of Personal Income (2)	Population (3)	Debt per Capita
	General Obligation Bonds (1)	Note Payable	Lease Payable	Subscriptions Payable (4)	General Obligation Bonds (1)	Lease Payable				
2023	\$ 2,922,075	\$ 2,902,272	548,375	\$ 279,074	\$ 52,201,611	85,754	\$ 58,939,161	0.62%	186,946	315
2022	3,142,069	3,118,438	796,787	-	51,093,593	9,078	58,159,965	0.63%	184,149	316
2021	3,356,046	3,439,166	980,363	-	50,733,784	-	58,509,359	0.70%	179,124	327
2020	3,634,250	3,759,715	-	-	52,430,084	-	59,824,049	0.77%	180,786	331
2019	3,900,411	4,017,241	-	-	47,914,062	-	55,831,714	0.74%	178,550	313
2018	4,160,550	4,238,266	-	-	50,220,821	-	58,619,637	0.82%	176,824	332
2017	4,416,675	4,489,548	-	-	52,448,629	-	61,354,852	0.91%	174,827	351
2016	4,664,771	4,770,256	-	-	53,530,384	-	62,965,411	0.95%	173,533	363
2015	4,910,860	-	-	-	49,472,214	-	54,383,074	0.83%	171,987	316
2014	4,868,378	-	-	-	42,397,946	-	47,266,324	0.76%	169,416	279

Source: Finance Department, Kent County Levy Court, Delaware
Population Source: U.S. Census Bureau (census.gov)

Notes:

- (1) Includes unamortized bond premiums and bond discounts
- (2) Personal income is presented in the demographic and economic information
- (3) U.S. Census Bureau (census.gov)
- (4) Subscription Based Information Technology Arrangements (SBITAs)

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**KENT COUNTY, DELAWARE
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS**

Table 11

Fiscal Year	Taxable Assessed Value	General Obligation Bonds (1)	Percentage of General Obligation Bonds to Taxable Assessed Value	Population (2)	Per Capita
2023	3,959,395,189	55,123,686	1.38%	186,946	295
2022	3,883,638,340	54,235,662	1.40%	184,149	295
2021	3,794,571,304	54,089,830	1.43%	179,124	302
2020	3,738,121,064	56,064,334	1.50%	180,786	310
2019	3,653,742,286	51,814,473	1.42%	178,550	290
2018	3,579,660,950	54,381,371	1.52%	176,824	308
2017	3,522,033,166	56,865,304	1.61%	174,827	325
2016	3,467,643,532	58,195,155	1.68%	173,533	335
2015	3,416,376,264	54,383,074	1.59%	171,987	316
2014	3,362,673,017	47,266,324	1.41%	169,416	279

Sources: Assessment Division and Finance Department, Kent County Levy Court
U.S. Census Bureau

Notes:

(1) Includes unamortized bond premiums and bond discounts

(2) U.S. Census Bureau (census.gov)

KENT COUNTY, DELAWARE
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF JUNE 30, 2023

Table 12

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Amount Applicable to Kent County Levy Court
School Districts:			
Caesar Rodney	\$18,281,310	100.0%	\$18,281,310
Capital	72,702,986	100.0%	72,702,986
Lake Forest	2,641,605	100.0%	2,641,605
Milford	19,168,986	61.4%	11,769,757
Polytech	7,136,055	100.0%	7,136,055
Smyrna	17,163,733	86.4%	14,829,465
Woodbridge	7,596,515	21.8%	1,656,040
Total School Districts			129,017,218
Incorporated Areas:			
Camden	2,365,000	100.0%	\$2,365,000
Dover	5,614,421	100.0%	5,614,421
Smyrna	6,528,852	86.4%	5,640,928
Total Incorporated Areas:			13,620,349
Subtotal, overlapping debt			\$142,637,567
Kent County Levy Court direct debt	6,651,796	100.0%	6,651,796
Total direct and overlapping debt			\$149,289,363

Sources: Finance Department, Kent County Levy Court, Delaware, State of Delaware Office of the State Treasurer,
 Town, City, and District Financial Reports

Notes:

- (1) This report includes general obligation debt. It does not include revenue bonds or short-term debt.
- (2) Overlapping governments are those that coincide, at least in part, with geographic boundaries of the County. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the property taxpayers of Kent County Levy Court, Delaware. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire burden borne by the property taxpayers should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

2023 Annual Comprehensive Financial Report for Kent County, Delaware
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**KENT COUNTY, DELAWARE
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS**

Table 13

	Fiscal Year									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Taxable assessed value	<u>\$ 3,959,395,189</u>	<u>\$ 3,883,638,340</u>	<u>\$ 3,794,571,304</u>	<u>\$ 3,738,121,064</u>	<u>\$ 3,653,742,286</u>	<u>\$3,579,660,950</u>	<u>\$3,522,033,166</u>	<u>\$3,467,643,532</u>	<u>\$3,416,376,264</u>	<u>\$3,362,673,017</u>
Debt limit (12% of taxable assessed value)	\$475,127,423	\$466,036,601	\$455,348,556	\$448,574,528	\$438,449,074	\$429,559,314	\$422,643,980	\$416,117,224	\$409,965,152	\$403,520,762
Amount of debt subject to the debt limit	<u>55,123,686</u>	<u>54,235,662</u>	<u>54,089,830</u>	<u>56,064,334</u>	<u>51,814,473</u>	<u>54,381,371</u>	<u>56,865,304</u>	<u>58,195,155</u>	<u>54,383,074</u>	<u>47,266,324</u>
Legal debt margin	<u>\$420,003,737</u>	<u>\$411,800,939</u>	<u>\$401,258,726</u>	<u>\$392,510,194</u>	<u>\$386,634,601</u>	<u>\$375,177,943</u>	<u>\$365,778,676</u>	<u>\$357,922,069</u>	<u>\$355,582,078</u>	<u>\$356,254,438</u>
Percentage of legal debt margin available	88.40%	88.36%	88.12%	87.50%	88.18%	87.34%	86.55%	86.01%	86.73%	88.29%
Percentage of legal debt margin exhausted	11.60%	11.64%	11.88%	12.50%	11.82%	12.66%	13.45%	13.99%	13.27%	11.71%

Sources: Assessment Division and Finance Department, Kent County Levy Court, Delaware and State of Delaware Code

Notes:

(1) Per Title 9, Delaware Code, Section 4111(e), the outstanding general obligation bonded indebtedness of Kent County secured by the full faith and credit of the County may not exceed 12 percent of the assessed valuation of all real property subject to taxation within the County. The outstanding bonded indebtedness of the County not secured by the County's full faith and credit is without limitation as to amount.

2023 Annual Comprehensive Financial Report for Kent County, Delaware
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KENT COUNTY, DELAWARE
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS

Table 14

Fiscal Year	Population (1)	Median Age (2)	Per Capita Income (3)	Personal Income (4)	Public School Enrollment (5)	Unemployment Rate (6)
2023	186,946	37.7	51,188	9,569,391,848	32,653	5.3%
2022	184,149	38.8	50,432	9,287,002,368	32,128	6.0%
2021	179,124	41.4	46,600	8,347,178,400	31,553	7.8%
2020	180,786	37.9	43,097	7,791,334,242	32,267	14.0%
2019	178,550	37.9	42,023	7,503,206,650	31,721	4.2%
2018	176,824	37.8	40,304	7,126,714,496	31,372	4.7%
2017	174,827	37.6	38,498	6,730,489,846	30,858	5.7%
2016	173,533	37.1	38,178	6,625,142,874	30,485	5.3%
2015	171,987	37.3	38,114	6,555,112,518	30,527	5.9%
2014	169,416	36.8	36,882	6,248,400,912	30,254	7.1%

Sources:

(1) U.S. Census Bureau (census.gov)

(2) U.S. Census Bureau (census.gov)

Per census.gov 2021 median age is based on experimental estimates for State of Delaware

(3) U.S. Department of Commerce, Bureau of Economic Analysis BEA.gov

(4) Estimated based on population multiplied by per capita income

(5) Delaware Department of Education

(6) State of Delaware, labor.delaware.gov

2023 Annual Comprehensive Financial Report for Kent County, Delaware
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KENT COUNTY, DELAWARE

EMPLOYMENT BY SELECTED INDUSTRY (MAJOR EMPLOYERS)

CURRENT YEAR AND NINE YEARS AGO

Table 15

Industry Description	2023 1st Quarter			2014 1st Quarter		
	Number of Employees	Rank	Percentage of Total County Employment	Number of Employees	Rank	Percentage of Total County Employment
Accommodation and food services	5,952	4	8.6%	5,194	4	8.2%
Administrative and waste services	3,756	6	5.4%	1,948	7	3.1%
Construction	2,571	7	3.7%	2,385	6	3.8%
Finance and insurance	1,843	9	2.7%	1,132	10	1.8%
Government	19,219	1	27.8%	18,805	1	29.8%
Health care and social assistance	10,250	2	14.8%	8,599	3	13.6%
Manufacturing	4,946	5	7.1%	4,623	5	7.3%
Other services, except public administration	1,580	10	2.3%	1,653	9	2.6%
Professional and technical services	2,318	8	3.3%	1,818	8	2.9%
Retail trade	9,085	3	13.1%	9,085	2	14.4%
	<u>61,520</u>		<u>88.9%</u>	<u>55,242</u>		<u>87.5%</u>
Total, All Industries	69,235			63,185		

Source: Delaware Dept. of Labor and BLS, Quarterly Census of Employment and Wages

Note: The names of top employers is confidential and may not be disclosed to the public pursuant to 20 CFR (Code of Federal Regulations) Part 603. Therefore, information about employment by industry is provided.

KENT COUNTY, DELAWARE
FULL-TIME EQUIVALENT EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS

Table 16

Function	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Administration	47	47	45	45	43	31	31	31	30	30
General Administration	14	14	13	13	13	13	13	13	13	13
Economic Development	-	-	1	1	1	2	2	2	2	2
Personnel	4	4	4	4	4	4	4	4	4	4
Information Technology	15	15	13	13	13	12	12	12	11	11
Facilities Management (1)	14	14	14	14	12	-	-	-	-	-
Finance	32	30	30	30	30	30	30	29	29	29
Administration	3	3	3	3	3	3	3	3	3	3
Accounting	13	12	12	12	11	11	11	10	10	10
Assessment	11	11	11	11	11	11	11	11	11	11
Tax Section	5	4	4	4	5	5	5	5	5	5
Community Services	23	23	22	22	22	22	22	22	20	20
Administration	3	3	3	2	2	2	2	2	2	2
Library	6	6	6	7	7	7	7	6	6	6
Parks	8	8	7	7	7	8	8	8	8	8
Recreation (2)	6	6	6	6	6	5	5	6	4	4
Planning Services	33	32	34	34	34	36	36	36	37	38
Administration	3	3	3	3	2	2	2	2	2	2
Geographic Information Systems	3	3	4	4	4	5	5	5	5	5
Inspections & Enforcement (3)	16	16	17	17	17	15	15	15	15	16
Zoning Inspections & Enforcement (3)	-	-	-	-	-	1	1	1	1	1
Planning	6	6	6	6	7	8	8	8	9	9
Grants	5	4	4	4	4	4	4	4	4	4
Manufactured Housing (3)	-	-	-	-	-	1	1	1	1	1
Public Safety	89	79	79	79	79	79	79	78	72	72
Administration	2	2	2	2	2	2	2	2	2	2
Emergency Communications	29	25	25	25	25	25	25	24	24	24
Emergency Management	2	2	2	2	2	2	2	2	2	2
Emergency Medical Services	56	50	50	50	50	50	50	50	44	44
Facilities Management (1)	-	-	-	-	-	12	12	12	10	10
Row Offices	23	23	22	22	22	22	24	25	25	25
Clerk of the Peace	3	3	3	3	3	3	3	3	3	3
Comptroller (4)	-	-	-	-	-	-	2	3	3	3
Recorder of Deeds	6	6	6	6	6	6	6	6	6	6
Register of Wills	6	6	5	5	5	5	5	5	5	5
Sheriff	8	8	8	8	8	8	8	8	8	8
Public Works	73	72	71	71	71	70	69	68	68	68
Engineering	15	15	15	15	15	15	14	13	13	13
Environmental Programs	3	3	3	3	3	3	3	3	3	3
KCWTF-Operations	20	19	19	19	19	19	19	19	19	19
KCWTF-Maintenance	25	25	25	25	25	25	25	25	25	25
KCWTF-Treatment Plant	10	10	9	9	9	8	8	8	8	8
Total	320	306	303	303	301	302	303	301	291	292

Source: Kent County Levy Court Budgets

Notes:

- (1) Effective July 2018 the former Facilities Management Division in the Department of Public Works was reassigned to the Department of Administration
- (2) Effective July 2019 Recreation Center positions are reported under Recreation
- (3) Effective July 2018 Zoning I&E and Manufactured Housing were merged into Inspections & Enforcement
- (4) Effective January 2017 the elected Office of the Comptroller was eliminated; its functions absorbed by the Finance Department

KENT COUNTY, DELAWARE
OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

Table 17

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Function/Program										
Community Services										
Library										
Population of service area	61,207	42,647	42,175	41,924	59,532	38,018	40,970	40,970	40,523	40,097
Number of public workstations	40	40	27	29	29	29	29	29	25	19
Number of public internet sessions	5,764	4,601	1,088	8,920	12,152	13,858	14,427	15,306	13,895	15,153
WiFi usage, number of public sign-ins/use	9,339	9,516	5,375	5,658	*	20,401	8,497	6,921	7,200	4,422
Annual circulation of materials	108,513	96,996	47,939	90,324	133,794	129,695	131,524	173,670	156,175	153,518
eBook circulation	24,312	22,608	20,621	19,590	14,636	13,156	11,125	10,529	11,265	7,293
Size of collection	47,587	46,900	50,473	40,319	53,091	50,640	36,986	39,934	41,971	40,945
Annual visitors to library (1)	50,559	61,874	20,496	61,230	91,845	148,958	153,418	143,564	135,115	105,403
Annual number of programs	294	517	532	344	325	329	377	332	377	358
Annual program attendance	6,681	5,259	9,679	6,271	9,575	9,025	16,423	12,036	13,171	12,852
Number of cardholders/borrowers	9,998	9,480	9,634	4,983	11,275	13,807	12,928	13,995	13,328	12,899
Total weekly hours	63	63	44	63	63	63	63	63	63	63
Recreation (2)										
Population of service area	18,560	18,560	17,713	17,608	17,608	17,207	17,207	17,207	17,019	16,840
Annual circulation of materials	5,980	3,343	560	1,969	2,001	4,376	6,910	10,052	15,617	12,091
eBook circulation	123	121	122	*	212	85	166	282	351	193
Size of collection	305	1,054	1,350	623	1,015	998	981	1,450	1,686	2,041
Annual visitors to bookmobile / mobile library (2)	3,250	2,300	253	285	428	1,824	4,532	5,450	8,449	7,386
Annual number of programs	11	12	5	22	17	12	17	18	10	13
Annual program attendance	2,385	1,858	930	2,840	2,837	1,616	1,662	1,805	1,094	1,668
Number of borrowers	284	138	135	107	248	426	481	484	484	492
Total weekly hours	32	30	32	20	20	25	25	35	35	35
Parks and Recreation (3)										
Programs:										
Adult	66	48	7	84	93	107	133	131	147	158
Fitness	38	33	4	100	109	114	120	96	92	107
Leagues	75	73	37	65	67	63	51	15	10	21
Recreation Center Drop In (4)	1,152	1,092	284	996	1,405	1,149	1,503	n/a	n/a	n/a
Camps	6	11	0	23	40	48	53	51	51	44

KENT COUNTY, DELAWARE
OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

Table 17 continued

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Function/Program										
Community Services - continued										
Parks and Recreation										
Programs:										
Tot	19	16	1	95	104	99	108	98	108	137
Youth	22	33	1	90	124	150	119	129	160	184
Trips	0	0	0	21	28	24	27	36	40	40
Special events	3	2	1	10	10	10	8	12	8	11
Tournaments	4	1	0	9	6	2	1	1	1	1
Rental permits-Parks/Recreation Center (4)	24 / 15	26 / 17	10 / 4	19 / 24	23 / 55	19 / 33	17 / 19	19	17	19
Planning Services										
Administrative applications:										
Minor subdivision	45	47	48	33	30	26	35	39	36	36
Minor lot line adjustment	31	31	27	28	13	19	25	28	32	28
Lot consolidation	11	20	11	11	11	15	6	11	10	11
Recreation (2)	10	11	19	9	9	7	13	13	9	6
Home occupation	15	18	15	15	13	17	12	20	12	19
Accessory dwelling	18	14	12	7	7	5	8	10	7	12
Elder Cottage Housing Opportunity (ECHO)	0	0	0	0	0	1	1	3	2	1
Regional Planning Commission applications:										
Conditional use without site plan	9	5	8	6	10	9	4	5	7	4
Conditional use with site plan	6	16	4	11	11	8	8	3	8	8
Site plan	5	5	1	2	4	4	9	5	4	4
Subdivision	1	2	1	1	1	1	1	2	1	3
Subdivision waiver	22	16	7	9	8	13	21	17	14	24
Rezoning	0	0	1	1	1	0	1	2	0	2
Rezoning & comprehensive plan amendment	13	9	5	5	14	8	11	5	6	4
Transfer development rights	0	0	0	0	0	0	0	0	0	0
Agricultural preservation	3	3	3	1	1	0	0	1	3	1
Board of Adjustment applications	44	47	49	41	46	39	47	62	29	34
Building Permits Issued	2,474	2,736	3,854	3,779	3,447	3,589	3,624	3,602	3,290	3,138

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KENT COUNTY, DELAWARE
OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

Table 17 continued

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Function/Program										
Public Safety (5)										
9-1-1 calls	*	95,692	99,438	91,939	93,367	90,982	87,921	92,734	93,809	88,687
DSP non-emergency calls (6)	*	101,506	97,628	95,675	94,485	95,700	84,326	91,191	93,828	95,768
Fire & EMS non-emergency calls	*	54,676	58,365	52,804	54,218	51,199	49,510	51,566	55,548	56,497
DNREC calls (6)	-	-	-	-	-	-	11,144	11,489	10,762	11,505
EMS dispatches	*	37,964	35,632	31,445	31,564	30,695	29,518	29,138	27,964	24,949
Fire dispatches	*	8,529	7,659	6,823	7,084	6,724	6,344	6,489	6,298	5,898
Public Works										
Sewer customers number of bills mailed 6/15	17,281	16,654	16,030	15,510	15,051	14,605	14,208	13,690	13,508	13,012
Sewer EDU's billed, without lot fees 6/15	24,456.1	23,637.1	22,792.0	22,176.3	21,591.2	20,950.1	20,476.2	19,945.0	19,529.2	18,924.0
Sewer flows processed:										
Total gallons (in millions)	4,170	4,554	5,506	4,510	5,714	4,788	4,388	4,543	4,711	4,429
Contract users portion of total gallons (in millions)	3,262	3,289	4,038	3,310	4,277	3,667	3,399	3,510	3,669	3,734
Number of sewer districts	35	34	34	34	34	34	32	32	32	31
Recreation (2)	143	142	141	140	139	138	136	133	133	132
Number of households served for street lights	15,810	15,696	15,326	14,849	14,490	14,321	13,874	13,477	13,207	12,883
Number of trash collection districts	150	147	145	144	141	140	140	138	138	136
Number of households served for trash collection	17,246	16,734	16,184	15,652	15,180	14,671	14,285	13,889	13,535	13,087
Row Offices										
Clerk of the Peace										
Marriage licenses, resident	917	926	990	835	971	1,061	1,105	1,007	1,017	1,061
Marriage licenses, non-resident	55	48	60	33	49	50	63	56	54	50
Certified copy	505	670	735	397	352	312	306	288	281	324
Ceremonies performed	353	356	536	413	439	453	498	423	467	520
Recorder of Deeds										
Deeds recorded	5,637	6,852	6,623	5,473	5,433	5,635	5,457	4,921	4,496	4,255
Mortgages recorded	6,450	10,264	11,694	7,552	5,687	5,941	6,076	5,733	5,303	5,130
Miscellaneous documents recorded	10,238	14,609	15,406	11,450	10,043	10,246	11,025	10,714	9,962	10,897

KENT COUNTY, DELAWARE
OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

Table 17 continued

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Function/Program										
Row Offices - continued										
Register of Wills										
Estates opened	687	635	597	471	516	539	516	440	489	469
Estates closed	577	578	467	438	505	440	438	442	495	526
Sheriff (7)										
Service trips for court documents	14,171	17,550	-	-	12,542	15,329	15,901	14,683	17,736	21,321
Sheriff foreclosure sales	202	230	-	-	484	596	873	699	689	801
Personal property sales	42	24	-	-	25	25	25	31	35	40
Sheriff monition sales	133	108	-	-	92	223	111	239	199	171

Source: Kent County Departments

Notes:

- (1) Annual visitors to library count in fiscal year 2019 may understate the actual number of visitors due to misalignment of people-counting equipment
 - (2) Bookmobile / Mobile Library annual visitors decreased in fiscal years 2016 - 2019 because the bookmobile was frequently off the road for repairs and maintenance
 In fiscal year 2019 the old bookmobile was decommissioned and a new mobile library was purchased and put in service
 - (3) Parks and Recreation operations ceased in March 2020 due to the Covid-19 pandemic. Limited operations began September 1, 2020 and full operations resumed June 1, 2021
 - (4) Fiscal year 2017 is first full year the new Kent County Recreation Center was in operation
 - (5) Public Safety data is on a calendar year basis
 - (6) Public Safety Department's DNREC calls are included in the DSP non-emergency calls category starting in calendar year 2018
 - (7) Sheriff elected not to provide information for fiscal year 2021 and 2020
- * Information unavailable

2023 Annual Comprehensive Financial Report for Kent County, Delaware
Statistical Section

KENT COUNTY, DELAWARE
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

Table 18

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Function/Program										
General Government										
Number of general government buildings	1	1	1	1	1	1	1	1	1	1
Economic Development										
Buildings	2	2	2	2	2	2	2	1	-	-
Acres of land	111	117	117	117	117	117	117	111	19	19
Community Services										
Number of parks	7	7	7	7	7	7	7	7	7	7
Acres of park land	503	503	503	503	503	503	503	503	503	503
Number of suburban parks	3	3	3	3	3	3	3	3	3	3
Number of recreation centers	1	1	1	1	1	1	1	1	-	-
Number of County-owned library buildings	1	1	1	1	1	1	1	1	1	1
Number of County-owned bookmobiles and mobile libraries (1)	1	1	2	2	2	1	1	1	1	1
Public Safety										
Number of public safety buildings (2)	3	3	3	3	3	2	2	2	2	2
Public Works										
Number of treatment plants	1	1	1	1	1	1	1	1	1	1
Number of pumping and lift stations	108	108	107	107	101	101	101	97	97	93
Miles of force-main piping	181	181	177	177	177	177	177	171	171	162
Miles of gravity piping	263	257	253	253	243	237	237	230	230	228
Acres of farm property (3)	707	707	707	707	707	713	871	877	966	966

Source: Kent County Department of Public Works, Kent County Finance Department

Notes:

- (1) In fiscal year 2019 the County purchased a new mobile library vehicle to replace the old bookmobile. The old bookmobile was not in service as of June 30, 2021 and was sold in fiscal year 2022.
- (2) In fiscal year 2019 the County purchased a building located west of the City of Dover. Renovation of the building was completed and placed in service as a paramedic station in fiscal year 2022.
- (3) Fiscal years 2023-2018 acres of farm property are tillable acres. Fiscal years 2017 and prior include some untillable acres.

SINGLE AUDIT



This section includes the following:

Independent Auditor's Reports

Schedule of Expenditures of Federal Awards

Notes to Schedule of Expenditures of Federal Awards

Schedule of Findings and Recommendations



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Commissioners
Kent County, Delaware
Dover, Delaware

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Kent County, Delaware (the County), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated January 23, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

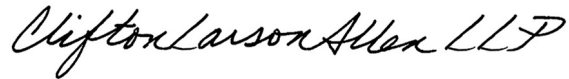
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Baltimore, Maryland
January 23, 2024



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM, AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

Board of Commissioners
Kent County, Delaware
Dover, Delaware

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Kent County, Delaware's (the County) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended June 30, 2023. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the County and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the County's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the County's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the County's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the County's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the County's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the County's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2023-001 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the County's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



CliftonLarsonAllen LLP

Baltimore, Maryland
January 23, 2024

**KENT COUNTY, DELAWARE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023**

FEDERAL GRANTOR/PASS-THROUGH GRANTOR OR CLUSTER TITLE	SOURCE CODE	FEDERAL ASSISTANCE LISTING NUMBER	PASS- THROUGH GRANTOR'S NUMBER	EXPENDITURES	PASS- THROUGH TO SUBRECIPIENT
<u>US Department of Agriculture</u>					
Water and Waste Disposal Systems for Rural Communities:					
Paris Villa & London Village Sanitary Sewer Expansion - Grant	D	10.760	41	\$ 943,205	\$ -
Paris Villa & London Village Sanitary Sewer Expansion - Grant	D	10.760	43	230,124	-
Subtotal #10.760				1,173,329	-
Total US Department of Agriculture				1,173,329	-
<u>US Department of Housing and Urban Development</u>					
Passed through the State of Delaware, Division of Community Affairs, Division of Housing and Community Development					
Community Development Block Grants/State's Program:					
Combined CDBG Grant	I	14.228	01-19	261,850	-
Combined CDBG Grant	I	14.228	01-20	185,294	-
Combined CDBG Grant	I	14.228	01-21	224,062	-
Combined CDBG Grant Program Income	I	14.228	N/A	48,484	-
Neighborhood Stabilization Program (NSP) Grant Program Income	I	14.228	N/A	9,444	-
Subtotal #14.228				729,134	-
HOME Investment Partnerships Program:					
Home Program	I	14.239	HM-01-18	115,386	-
Subtotal #14.239				115,386	-
NSP Grant / Recovery Act Funded Program Income					
Total US Department of Housing & Urban Development				156	-
				844,676	-
<u>US Department of Interior</u>					
Wildlife Refuge Direct Revenue Sharing FY 2022					
Total US Department of Interior	D	15.659	N/A	49,718	-
				49,718	-
<u>US Department of Transportation</u>					
Passed through the State of Delaware, Department of Safety and Homeland Security / Delaware Emergency Management Agency					
Interagency Hazardous Materials Public Sector Training and Planning Grants	I	20.703	N/A	3,419	-
Total US Department of Transportation				3,419	-
<u>US Department of the Treasury</u>					
Covid19: Coronavirus State and Local Fiscal Recovery Funds (American Rescue Plan Act)	D	21.027	N/A	10,767,847	5,759
Total US Department of the Treasury				10,767,847	5,759

**KENT COUNTY, DELAWARE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023**

FEDERAL GRANTOR/PASS-THROUGH GRANTOR OR CLUSTER TITLE	SOURCE CODE	FEDERAL ASSISTANCE LISTING NUMBER	PASS- THROUGH GRANTOR'S NUMBER	EXPENDITURES	PASS- THROUGH TO SUBRECIPIENT
<u>The Institute of Museum and Library Services</u>					
<u>Passed through the State of Delaware, Division of Libraries</u>					
Grants to States	I	45.310	N/A	21,534	-
Total Institute of Museum and Library Services				<u>21,534</u>	<u>-</u>
<u>National Endowment for the Humanities</u>					
<u>Passed through Delaware Humanities</u>					
Grants to States	I	45.310	N/A	1,305	-
Total National Endowment for the Humanities				<u>1,305</u>	<u>-</u>
<u>US Environmental Protection Agency</u>					
<u>Passed through the State of Delaware, Department of Natural Resources and Environmental Control, Division of Water Resources</u>					
<u>Clean Water State Revolving Funds Cluster:</u>					
Delaware Water Pollution Control Revolving Fund Loan - Air blower	I	66.458	12000101	175,985	-
Delaware Water Pollution Control Revolving Fund Loan - Plant-wide power backup	I	66.458	12000108	130,147	-
Delaware Water Pollution Control Revolving Fund Loan - Biosolids capacity expansion	I	66.458	12000117	679,930	-
Total US Environmental Protection Agency				<u>986,062</u>	<u>-</u>
<u>US Department of Homeland Security</u>					
<u>Covid19, Disaster Grants, Public Assistance FEMA 4526DR</u>					
	D	97.036	728459	4,892	-
<u>Passed through the State of Delaware, Department of Safety and Homeland Security / Delaware Emergency Management Agency</u>					
<u>Disaster Grants, Public Assistance, Tropical Storm Isaias FEMA 4526-DR-DE</u>					
	I	97.036	182238	232	-
<u>Covid19, Disaster Grants, Public Assistance FEMA 4526-DR-DE</u>					
	I	97.036	705603	4,535	-
Subtotal #97.036				<u>9,659</u>	<u>-</u>
<u>Emergency Management Performance Grant: FY21</u>					
	I	97.042	EMPG-21-001	69,607	-
<u>Emergency Management Performance Grant: FY22</u>					
	I	97.042	EMPG-22-001	98,640	-
Subtotal #97.042				<u>168,247</u>	<u>-</u>
<u>Homeland Security Grant Program:</u>					
<u>Advanced Law Enforcement Rapid Response Training</u>					
	I	97.067	N/A	2,969	-
<u>Homeland Security Grant Program (equipment and supplies)</u>					
	I	97.067	N/A	175,285	-
Subtotal #97.067				<u>178,254</u>	<u>-</u>
Total US Department of Homeland Security				<u>356,160</u>	<u>-</u>
 TOTAL EXPENDITURES OF FEDERAL AWARDS				\$ 14,204,050	\$ 5,759

Source Code:

D = Direct Federal Funding

I = Indirect Federal Funding

KENT COUNTY, DELAWARE
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2023

NOTE 1 BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes Federal grant activity of Kent County, Delaware (the County) and is presented on the modified accrual basis of accounting. Matching funds are excluded from the schedule and the Program Income generated from Federal Grants is classified as Federal Expenditures when spent. The information on this schedule is presented in accordance with Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance for all awards. Under these principles, certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3 LOANS OUTSTANDING

During fiscal year 2020, the County was awarded \$1,023,000 in loan proceeds from the Delaware Department of Natural Resources and Environmental Control, Delaware Water Pollution Control Revolving Fund, for the Air Blower Optimization project under the Capitalization Grants for Clean Water State Revolving Funds Program (ALN #66.458). This loan is not fully drawn down, and expenditures related to it in the amount of \$175,985 are reflected in the schedule of expenditures of federal awards. The loan balance at June 30, 2023 was \$731,786 (\$609,797 or 83.33 percent federal funds and \$121,989 or 16.67 percent state funds).

During fiscal year 2021, the County was awarded \$1,640,000 in loan proceeds from the Delaware Department of Natural Resources and Environmental Control, Delaware Water Pollution Control Revolving Fund, for the Plant-Wide Power Backup project under the Capitalization Grants for Clean Water State Revolving Funds Program (ALN #66.458). This loan is not fully drawn down, and expenditures related to it in the amount of \$130,147 are reflected in the schedule of expenditures of federal awards. The loan balance at June 30, 2023 was \$1,215,417 (\$1,012,807 or 83.33 percent federal funds and \$202,610 or 16.67 percent state funds).

During fiscal year 2023, the County was awarded \$17,000,000 in loan proceeds from the Delaware Department of Natural Resources and Environmental Control, Delaware Water Pollution Control Revolving Fund, for the Biosolids Capacity Expansion project under the Capitalization Grants for Clean Water State Revolving Funds Program (ALN #66.458). This loan is not fully drawn down, and expenditures related to it in the amount of \$679,930 are reflected in the schedule of expenditures of federal awards. The loan balance at June 30, 2023 was \$815,948 (\$679,930 or 83.33 percent federal funds and \$136,018 or 16.67 percent state funds).

KENT COUNTY, DELAWARE
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2023

NOTE 4 INDIRECT COSTS

The County did not elect to use the 10% De Minimis cost rate for indirect costs. For the year ended June 30, 2023, there were no indirect costs included in the schedule of expenditures of federal awards.

NOTE 5 NONCASH AWARDS

The amount of equipment and supplies reported on the schedule is the value of the item based on the agencies acquisition price.

**KENT COUNTY, DELAWARE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2023**

Section I – Summary of Independent Auditors’ Results

Financial Statements

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? _____ yes _____X_____ no
 - Significant deficiency(ies) identified? _____ yes _____X_____ none reported
3. Noncompliance material to basic financial statements noted? _____ yes _____X_____ no

Federal Awards

1. Internal control over major federal programs:
- Material weakness(es) identified? _____ yes _____X_____ no
 - Significant deficiency(ies) identified? _____X_____ yes _____ none reported
2. Type of auditors’ report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ yes _____X_____ no

Identification of Major Federal Programs

<u>Assistance Listing Number(s)</u>	<u>Name of Federal Program or Cluster</u>
21.027	COVID-19 Coronavirus State and Local Fiscal Recovery Funds
66.458	Clean Water State Revolving Fund

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualify as low-risk auditee? No

**KENT COUNTY, DELAWARE
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2023**

Section II – Financial Statement Findings

There were no audit findings required to be reported in relation to the financial statements for the year ended June 30, 2023.

**KENT COUNTY, DELAWARE
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2023**

Section III – Findings and Questioned Costs – Major Federal Programs

Reference Number: 2023-001
Prior Year Finding: Yes
Federal Agency: U.S. Department of the Treasury & U.S. Environmental Protection Agency
Federal Program: Coronavirus State and Local Fiscal Recovery Funds (American Rescue Plan Act) & Clean Water State Revolving Funds
Assistance Listing Number: 21.027 & 66.458
Compliance Requirement: Suspension and Debarment
Type of Finding: Significant Deficiency in Internal Control Over Compliance

Criteria or specific requirement:

Compliance: 2 CFR 200.213 Suspension and Debarment restricts awards, subawards, and contracts with certain parties that are debarred, suspended, or otherwise excluded from or ineligible for participation in Federal assistance programs or activities.

2 CFR 180.300 states that an entity may determine suspension and debarment status by:

- (a) Checking SAM (System for Award Management) Exclusions; or
- (b) Collecting a certification from that person; or
- (c) Adding a clause or condition to the covered transaction with that person (7) Distribution of work to individuals and firms or economic considerations.

Control: Per 2 CFR Section 200.303(a), a non-Federal entity must: Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should comply with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Condition:

The County could not provide supporting documentation that suspension and debarment status was determined prior to award.

Context:

The suspension and debarment status for three out of eight vendors was not documented related to the Coronavirus State and Local Fiscal Recovery Funds program. The suspension and debarment status for four out of five vendors was not documented related to the Clean Water State Revolving Funds program.

Questioned costs:

There are no questioned costs related to this finding as the vendors were not federally suspended or debarred.

**KENT COUNTY, DELAWARE
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2023**

Cause:

The County did not establish effective internal controls over suspension and debarment transactions.

Effect:

The County is not in compliance with federal suspension and debarment regulations.

Recommendation:

The County should ensure they maintain audit documentation to support their review of suspension and debarment status.

Views of responsible officials:

The County does check Sam.gov for suspension and debarment transactions. Documentation was retained, but was lost due to a network intrusion. We will remain diligent in documenting our reviews.

Kent



County

Department of Finance

Susan Durham - Director of Finance
Mary Karol - Assistant Director

555 Bay Road
Dover, DE 19901
302-744-2386
Fax: 302-736-2270

**KENT COUNTY, DELAWARE
CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 2023**

Kent County, Delaware respectfully submits the following corrective action plan for the year ended June 30, 2023.

Audit period: July 1, 2022 – June 30, 2023

The findings from the schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS—FEDERAL AWARD PROGRAMS AUDITS

DEPARTMENT OF THE TREASURY & ENVIRONMENTAL PROTECTION AGENCY

2023-001 U.S. Department of the Treasury & U.S. Environmental Protection Agency – Assistance Listing No. 21.027 & 66.458

Recommendation: The County should ensure they maintain supporting documentation to support their review of suspension and debarment status.

Action taken in response to finding: The County does check Sam.gov for suspension and debarment transactions. Documentation was retained but was lost due to a network intrusion. We will remain diligent in documenting our reviews.

Name of the contact person(s) responsible for corrective action: Susan Durham, Finance Director
Planned completion date for corrective action plan: February 2024.

Kent



County

Department of Finance

Susan Durham - Director of Finance
Mary Karol - Assistant Director

Kent County
Administrative Complex
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**KENT COUNTY, DELAWARE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2023**

Kent County respectfully submits the following summary schedule of prior audit findings for the year ended June 30, 2022.

Audit period: July 1, 2021 – June 30, 2022

The findings from the prior audit's schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the prior year.

FINDINGS—FINANCIAL STATEMENT AUDIT

2022 – 001 Financial Close and Reporting

Condition: The financial statements of Kent County, Delaware had reported the statement of fiduciary net position and the statement of changes in fiduciary net position for the Kent County Retirement Pension Program (the Program) for the incorrect fiscal year (July 1 to June 30). The correct fiscal year for the program is January 1 to December 31.

Status: Corrected.

FINDINGS— FEDERAL AWARD PROGRAMS AUDITS

2022 – 002 Suspension and Debarment

Condition: The County could not provide supporting documentation that suspension and debarment status was determined prior to award.

Status: See current year finding 2023-001.

Reason for finding's recurrence: The County experienced a network intrusion subsequent to year end. As a result, certain suspension and debarment documentation was lost.

Corrective Action: We will remain diligent in documenting our reviews.

“Serving Kent County With Pride”