

KENT COUNTY, DELAWARE



**BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
Year Ended June 30, 2014**

KENT COUNTY, DELAWARE
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2014

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	4
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position	13
Statement of Activities	14
Fund Financial Statements:	
Balance Sheet – Governmental Funds	15
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	16
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	17
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	18
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	19
Statement of Net Position – Proprietary Funds	20
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds	21
Statement of Cash Flows – Proprietary Funds	22
Statement of Net Position – Fiduciary Funds	24
Statement of Changes in Net Position – Fiduciary Funds	25

KENT COUNTY, DELAWARE
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2014

TABLE OF CONTENTS (Continued)

	<u>Page</u>
Notes to the Financial Statements	
Note A – Summary of Significant Accounting Policies	26
Note B – Stewardship, Compliance, and Accountability	31
Note C – Deposits and Investments	32
Note D – Capital Assets	35
Note E – Interfund Receivables, Payables, and Transfers	37
Note F – Long-Term Debt	38
Note G – Deferred Inflows of Resources	42
Note H – Fund Balances – Governmental Funds	44
Note I – Capital Improvement Commitments	45
Note J – Contingencies and Commitments	46
Note K – Pension And Post Retiree Funds	47
Note L – Other Post-Retirement Benefits	52
Note M – Risk Management	55
Note N – Restricted Net Position – Sewer Fund	55
Note O – Conduit Debt Obligation	56
Note P – Subsequent Events	56
Required Supplementary Information	
Pension Funded Status and Funding Progress and Other Post Employment Benefits Funded Status and Funding Progress	57

KENT COUNTY, DELAWARE
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2014

TABLE OF CONTENTS (Continued)

	<u>Page</u>
Supplemental Information	
Combining Fund Statements:	
Combining Balance Sheet – Non-Major Governmental Funds	59
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Non-Major Governmental Funds	60
Combining Statement of Net Position – Non-Major Proprietary Funds	61
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position – Non-Major Proprietary Funds	62
Combining Statement of Cash Flows – Non-Major Proprietary Funds	63
Combining Statement of Net Position – Fiduciary Funds	64
Combining Statement of Changes in Net Position – Fiduciary Funds	65

INDEPENDENT AUDITOR'S REPORT

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December 19, 2014

Board of Commissioners
Kent County, Delaware
Dover, Delaware

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Kent County, Delaware ("Kent County"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Kent County, Delaware's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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, 2014, and the respective changes in its financial position and cash flows, where applicable thereof, and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 4 through 12, and the pension funded status and funding progress and other post-employment benefits funded status and funding progress on page 57 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers them to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Kent County, Delaware's basic financial statements. The combining non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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 December 19, 2014, on our consideration of Kent County, Delaware'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 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 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 Kent County, Delaware's internal control over financial reporting and compliance.

Barbacane, Thornton & Company LLP
BARBACANE, THORNTON & COMPANY LLP

KENT COUNTY, DELAWARE
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED
JUNE 30, 2014

The Levy Court Commissioners of Kent County, Delaware, 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, 2014. 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 \$188,770,922 (net position), an increase of \$5,882,039 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 \$49,829,539 an increase of \$2,074,566 from the previous year. Of the current ending fund balances, General Fund reported \$40,422,288 as unassigned, \$78,798 as nonspendable, \$404,953 as restricted, \$411,903 as committed, and \$1,518,454 as assigned. In the Capital Projects Fund, \$6,888,510 is reported as restricted and \$39,102 is reported as nonspendable. In the Other Governmental Funds \$65,531 is reported as restricted.

Long-Term Debt

- At the end of the current fiscal year, the County had total bonded debt outstanding of \$47,325,945 a decrease of \$1,761,426 from the previous year. All of the bonded debt is backed by the full faith and credit of the County government. Governmental activities report \$4,903,613 and business-type activities report \$42,422,332 of general obligation bonds.
- The County maintains an Aaa 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, 2014, the County has invested \$138,214,278 net of accumulated depreciation, in a broad range of capital assets (see table below). Depreciation charges for Fiscal Year 2014 totaled \$7,546,247.

Kent County's Capital Assets as of June 30, 2014 and 2013
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 7,312,893	\$ 7,312,893	\$ 7,436,794	\$ 6,121,846	\$ 14,749,687	\$ 13,434,739
Construction in Progress	247,260	832,504	10,302,561	7,619,160	10,549,821	8,451,664
Site Improvements	3,947,420	3,513,834	621,915	901,203	4,569,335	4,415,037
Pipeline	-	-	45,336,800	46,391,670	45,336,800	46,391,670
Buildings	18,613,709	17,975,181	18,468,433	19,332,399	37,082,142	37,307,580
Equipment and Furniture	1,543,123	1,803,241	24,383,370	26,471,845	25,926,493	28,275,086
Total Capital Assets	\$ 31,664,405	\$ 31,437,653	\$ 106,549,873	\$ 106,838,123	\$ 138,214,278	\$ 138,275,776

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

- Addition to Big Oak Park for site improvements for DASEF parking lot paving and lighting in the amount of \$228,494.
- Completion of Public Safety projects at the EMS Headquarters building in the amount of \$1,638,929. This includes replacement of administrative phone system in the amount of \$124,276; upgrade of HVAC system, including a new geothermal component, in the amount of \$927,104; parking lot expansion with fencing, addition of parking area lights and vehicle charging stations in the amount of \$446,028; cable management system upgrades in the amount of \$45,722; and power distribution system upgrades in the amount of \$95,799.
- Addition of \$34,352 for donated equipment for Public Safety. This includes tent shelter system hard wood flooring in the amount of \$9,770, mobile HVAC in the amount of \$8,291, and generator trailer in the amount of \$16,291.
- Purchase of furniture and equipment to include one emergency response vehicle for Public Safety for \$59,500, two cardiac monitors for Public Safety for \$16,340, one zero turn mower for Parks for \$13,877, Web Marriage software for the Clerk of the Peace for \$51,500, OpManager software for Information Technology for \$6,285, two servers for Information Technology for \$12,527, and two network backup appliances for Information Technology for \$32,023.
- Construction in Progress is comprised of the Hunn Roadway Parking project in the amount of \$30,776 and the Kesselring Recreation Center project in the amount of \$216,484.

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

- Purchase of land at Henley Estates in the amount of \$1,311,948.
- Completion of pipeline repair at pump station 4 in the amount of \$508,989.
- Completion of the site improvements for stormwater management at the Treatment Plant totaling \$198,784.
- Completion of the Hunters Run sewer extension in the Dykes Branch District in the amount of \$362,100.
- Purchase and installation of equipment at pump station 3 totaling \$316,083.
- Completion of additional work and the purchase of additional grinder pumps and scada equipment for the Kitts Hummock/Pickering Beach district in the amount of \$70,349.
- Completion of the Hartly Sewer Extension for the Nickerson property totaling \$13,700.
- Rebuilding of pump station 11 electrical cabinet in the amount of \$117,258.
- Submersible pumps were purchased for PS20D, PS22, LS3 and PS17 and a spare pump was also purchased in the amount of \$66,132.
- Pump repairs at pump station 14, pump station 1 and pump station 15 totaling \$36,641.
- Purchase of an auger for pump station 1 totaling \$33,122.
- Muffin Monster repairs at pump station 7 and pump station 29 in the amount of \$17,123.
- Purchase of a magnetic flow meter and submersible mixer for pump station 2 in the amount of \$16,631.
- Start up of the polymer dry feeder/wet delivery system at the treatment plant totaling \$22,966.
- Purchase of a 2014 Dodge Ram cargo van for pretreatment and a 2014 Ford F150 truck for engineering in the amount of \$48,430.
- Purchase of a mini excavator with attachments, a John Deere utility vehicle, and a John Deere zero turn mower for the plant in the amount of \$72,211.
- Installation of Biosolids well point in the amount of \$25,626.
- Purchase and installation of a silo for Biosolids at the Treatment Plant totaling \$14,435.
- Purchase of two fiberglass shelters for the Treatment Plant totaling \$17,750.
- Purchase of a skid mounted jetter and crane rigging equipment totaling \$20,889.
- Purchase of auger for the grit system at the Treatment Plant in the amount of \$14,368.
- Purchase of circuit breaker for the generator for the blower building at the Treatment Plant in the amount of \$8,945.
- Construction in Progress' significant components is comprised of the sewer extension for East Dover Mobile Home Park and the upgrade and addition of sewer lines for the Little Heaven Bypass. Also included in construction in progress are the Murderkill wetland restoration, leachate project and TMDL compliance project and at the Treatment Plant the capacity expansion, spray irrigation and blower system upgrades.

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, internal audit, 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, and trash collection services.

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, 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 government. The County has an agency 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 in a separate Statement of Fiduciary Net Position and Changes in Fiduciary Net Position. 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.

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, 2014 and 2013

	Governmental Activities		Business-type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Current and Other Assets	\$ 68,166,020	\$ 64,920,052	\$ 53,307,846	\$ 50,655,104	\$ 121,473,866	\$ 115,575,156
Capital Assets	31,664,405	31,437,653	106,549,873	106,838,123	138,214,278	138,275,776
Total Assets	99,830,425	96,357,705	159,857,719	157,493,227	259,688,144	253,850,932
Total Deferred Outflows of Resources	-	-	23,137	33,524	23,137	33,524
Long-Term Liabilities	5,753,369	5,897,806	39,226,379	41,619,889	44,979,748	47,517,695
Other Liabilities	4,366,134	3,720,835	9,976,908	8,359,519	14,343,042	12,080,354
Total Liabilities	10,119,503	9,618,641	49,203,287	49,979,408	59,322,790	59,598,049
Total Deferred Inflows of Resources	11,587,892	11,362,692	29,677	34,832	11,617,569	11,397,524
Net Position:						
Net Investment in Capital Assets	26,796,027	26,409,608	64,175,064	62,872,401	90,971,091	89,282,009
Restricted	404,953	346,655	23,950,883	22,219,615	24,355,836	22,566,270
Unrestricted	50,922,050	48,620,109	22,521,945	22,420,495	73,443,995	71,040,604
Total Net Position	\$ 78,123,030	\$ 75,376,372	\$ 110,647,892	\$ 107,512,511	\$ 188,770,922	\$ 182,888,883

The largest components of the County's current and other assets of \$121,473,866 are cash and investments totaling \$98,679,134 of which \$30,796,514 is reported as restricted assets in the Sewer Fund. Of the total long-term liabilities of \$44,979,748, bonds payable net of deferred charges accounts for \$43,587,422, accounts payables totaling \$2,019,574, and due to other governments totaling \$2,796,391 are the largest components in other liabilities of \$14,343,042. Total deferred inflows of resources are \$11,617,569 which primarily consists of unavailable property tax revenue totaling \$11,587,892.

Kent County's Changes in Net Position

	Governmental		Business-type		Totals	
	Activities		Activities			
	2014	2013	2014	2013	2014	2013
REVENUES						
Program Revenues:						
Charges for Services	\$ 7,830,066	\$ 7,853,719	\$ 21,240,923	\$ 19,632,681	\$ 29,070,989	\$ 27,486,400
Operating Grants and Contributions	2,903,651	2,653,780	10,450	-	2,914,101	2,653,780
Capital Grants and Contributions	311,482	215,350	2,910,387	4,858,524	3,221,869	5,073,874
General Revenues:						
Property Taxes	10,819,104	10,648,373	-	-	10,819,104	10,648,373
Real Estate Transfer Tax	3,462,321	3,541,753	-	-	3,462,321	3,541,753
Residential Telephone Surcharge	270,014	270,015	-	-	270,014	270,015
Investment Earnings	120,856	135,365	96,152	124,495	217,008	259,860
Other Revenue and Gains (Losses)	341,290	402,129	12,860	177,085	354,150	579,214
Total Revenues	26,058,784	25,720,484	24,270,772	24,792,785	50,329,556	50,513,269
EXPENSES						
General Government	2,304,636	2,567,923	-	-	2,304,636	2,567,923
Special Grants/Programs	1,857,709	1,641,823	-	-	1,857,709	1,641,823
Community Services	3,546,729	3,468,400	-	-	3,546,729	3,468,400
Planning Services	5,321,429	5,234,297	-	-	5,321,429	5,234,297
Public Safety	8,315,276	8,193,571	-	-	8,315,276	8,193,571
Row Offices	1,690,769	1,660,824	-	-	1,690,769	1,660,824
Economic Development	44,180	372,300	-	-	44,180	372,300
Debt Service	231,398	237,506	-	-	231,398	237,506
Sewer	-	-	17,311,372	17,363,894	17,311,372	17,363,894
Street Light	-	-	888,610	851,575	888,610	851,575
Trash	-	-	2,912,322	2,689,799	2,912,322	2,689,799
Landfill	-	-	23,087	32,746	23,087	32,746
Total Expenses	23,312,126	23,376,644	21,135,391	20,938,014	44,447,517	44,314,658
Increase in Net Position	\$ 2,746,658	\$ 2,343,840	\$ 3,135,381	\$ 3,854,771	\$ 5,882,039	\$ 6,198,611

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 an increase of \$5,882,039 over the course of this fiscal year's operations. The change in the governmental activities net position increased \$2,746,658. This increase in net position was 17.19% higher than the increase in net position in Fiscal Year 2013. The increase in net position in Fiscal Year 2014 over Fiscal Year 2013 was a result of expenditures being 0.28% lower in Fiscal Year 2014 as compared to Fiscal Year 2013. Real estate transfer tax was down 2.24% from Fiscal Year 2013 and inspection fees were down 6.16% from the prior fiscal year. The sheriff fees were up 19.90% in Fiscal Year 2014 as compared to Fiscal Year 2013.

The net position of the County's business-type activities increased by \$3,135,381. This increase in net position was 18.66% lower than the increase in net position in Fiscal Year 2013. The decrease in net position of \$719,390 between Fiscal Year 2013 and Fiscal Year 2014 was primarily a result of a increase in Charges for Services of \$1,608,242 and a decrease in Capital Grants and Contributions of \$1,948,137 which exceeded the increase of expenses of \$197,377.

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 \$42,836,396 of which \$40,422,288 was unassigned, \$78,798 was nonspendable, \$411,903 was committed, \$1,518,454 was assigned, and \$404,953 was restricted of which \$255,096 was for library tax, \$125,873 was for grants, \$22,782 was for recreational areas and \$1,202 was for APFO EMS.

Overall revenue increased \$170,675 from Fiscal Year 2013 to Fiscal Year 2014. Property tax revenue increased \$171,526 in Fiscal Year 2014 due to a small amount of growth in the tax assessment rolls and an increase in collection of delinquent taxes. Fees for services increased \$25,268 primarily as a result of the net of an increase in Sheriff Fees related to foreclosures and a decrease in Recorder of Deeds Fees. Grant revenue increased \$40,165 as a result of increases in the amount of revenue received from the Paramedic grant and an increase in Federal Grants. Interest and dividends decreased \$13,128 because of a decrease in interest rates. Real estate transfer taxes decreased \$79,432, and other revenue increased \$26,277 over Fiscal Year 2013.

General Fund expenditures increased \$358,684 (1.77%) in Fiscal Year 2014 when compared to Fiscal Year 2013. There was a slight increase in expenditures with all Departments and Programs except Planning Services. Special Grants and Programs and Row Offices had the largest increases of 13.15% and 2.64% respectively. Row Office's biggest increase was in salaries and benefits. Special Grants and Programs increase was the result of an increase of \$97,147 due to the County's contribution to Round 17 of the Delaware Agricultural Lands Foundation purchase of development rights.

General Fund – Comparison to Budget. Overall revenue collections were higher than the final budget by 5.15%. Property taxes exceeded the final budget by \$235,238 or 2.23%. Real estate transfer tax came in over the final budget by \$162,321 or 4.92%. Grants came in under budget by \$59,070 or 3.20%. Fees for services exceeded the final budget by \$856,617 or 12.73%. Interest and dividends were over the final budget by \$5,872 or 5.87%. Other revenue was under the final budget by \$9,790 or 3.26%.

Overall, operating expenditures were under budget by 10.61% primarily due to strict cost controls imposed on County wide spending. Community Services were under the final budget by 6.42%. General Government was 5.11% under the final budget; Special Grants and Programs were 18.26% under the final budget but their balances will be carried over into the next fiscal year; Planning Services were 7.34% under the final budget; Public Safety and Row Offices were 4.86% and 4.62% under final budget respectively.

Kent County's General Fund Budget to Actual Comparison

	<u>Original Budget</u>	<u>Final Budget</u>	<u>2014 Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
REVENUES				
Property Taxes	\$ 10,551,800	\$ 10,564,800	\$ 10,800,038	\$ 235,238
Real Estate Transfer Tax	3,300,000	3,300,000	3,462,321	162,321
Telephone Surcharge	270,000	270,000	270,014	14
Grants	1,814,900	1,847,466	1,788,396	(59,070)
Fees for Services	6,684,400	6,728,103	7,584,720	856,617
Interest and Dividends	100,000	100,000	105,872	5,872
Rental Income	23,200	23,200	23,186	(14)
Other Revenues	297,000	300,350	290,560	(9,790)
Total Revenues	<u>23,041,300</u>	<u>23,133,919</u>	<u>24,325,107</u>	<u>1,191,188</u>
EXPENDITURES				
General Government	2,097,100	2,114,100	2,006,084	108,016
Special Grants and Programs	1,868,850	2,272,812	1,857,709	415,103
Community Services	3,322,900	3,428,695	3,208,687	220,008
Planning Services	3,876,100	3,945,177	3,655,608	289,569
Public Safety	8,241,400	8,283,912	7,881,713	402,199
Row Offices	1,714,600	1,714,600	1,635,340	79,260
Contingency	1,028,100	936,600	-	936,600
Debt Service				
Principal	161,500	161,500	161,523	(23)
Interest	231,600	231,600	231,584	16
Total Expenditures	<u>22,542,150</u>	<u>23,088,996</u>	<u>20,638,248</u>	<u>2,450,748</u>
Excess of Revenues Over Expenditures	<u>499,150</u>	<u>44,923</u>	<u>3,686,859</u>	<u>3,641,936</u>
OTHER FINANCING USES				
Operating Transfer Out	(897,900)	(983,900)	(867,809)	116,091
Total Other Financing Uses	<u>(897,900)</u>	<u>(983,900)</u>	<u>(867,809)</u>	<u>116,091</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES				
	<u>\$ (398,750)</u>	<u>\$ (938,977)</u>	<u>\$ 2,819,050</u>	<u>\$ 3,758,027</u>

Capital Projects Fund. The revenue for this fund increased \$94,821 from Fiscal Year 2013 to Fiscal Year 2014. This 40.52% increase in revenue was due to the increase in grant revenue of \$96,132 in Fiscal Year 2014 over Fiscal Year 2013, a decrease in interest income from \$16,120 in Fiscal Year 2013 to \$14,785 in Fiscal Year 2014 and an increase in other revenue of \$24 from Fiscal Year 2013 to Fiscal Year 2014. Overall the expenditures increased by \$29,085 from Fiscal Year 2013 to Fiscal Year 2014. Some of the largest expenditures during Fiscal Year 2014 were \$228,275 for DASEF Paving and Lighting, \$206,823 for the Kesselring Recreation Center, and \$351,541 for the Public Safety Building Parking Lot Expansion. Another major project during Fiscal Year 2014 was the HVAC System Upgrade at the Public Safety Building for a total of \$233,518. Capital outlay was \$922,419 in Fiscal Year 2013 as opposed to \$1,282,179 in Fiscal Year 2014, an increase of \$359,760.

Community Development Block Grant. The operating revenue for this fund in Fiscal Year 2014 was \$1,312,207 an increase of \$151,692 from Fiscal Year 2013 primarily due to an increase in grant funding. The expenditures were \$1,618,416 an increase of \$169,704 from Fiscal Year 2013.

Non-Major Governmental Funds. The non-major funds consist of one special revenue fund – Farmer's Home Administration Grant and one capital project fund-Aeropark. Farmer's Home Administration Grant continues to be funded at \$25,000. Aeropark expenditures continue to decline because there are no major projects moving forward.

Proprietary Funds

Sewer Fund. This fund experienced an operating income of \$922,257. Operating revenue was \$1,487,454 higher in Fiscal Year 2014 than in Fiscal Year 2013. User fee revenue was \$1,740,784 higher in Fiscal Year 2014. This was primarily a result of growth in district user revenue of \$238,797 and contract user revenue being \$1,203,455 higher in Fiscal Year 2014 than Fiscal Year 2013. The user fee uniform rates remained the same for Fiscal Year 2014 as Fiscal Year 2013. Sewer permits and other revenue were \$253,330 lower in FY 2014 as compared to Fiscal Year 2013. Operating expenses were \$12,926 higher in Fiscal Year 2014 than Fiscal Year 2013. This increase in operating expenses is primarily attributed to the net result between an increase of \$120,278 in salaries and benefits, an increase of \$131,942 in depreciation expense, a decrease of \$118,936 in maintenance, parts, and supplies, a decrease of \$262,548 in contractual and an increase of \$58,638 in utilities.

Trash Fund. The Trash Fund, another major enterprise fund, has the primary function of trash collection. This fund experienced an operating income of \$234,324 in Fiscal Year 2014. Revenues increased by \$95,276 from Fiscal Year 2013 to Fiscal Year 2014. During Fiscal Year 2014 there were 13,102 trash customers of which 78.89% had yard waste pickup. Another reason for the increase in revenue in Fiscal Year 2014 is directly related to the growth in the number of customers in the Trash Fund. Expenses increased by \$222,523 from Fiscal Year 2013 to Fiscal Year 2014. Contractual expenses increased \$182,966 in Fiscal Year 2014 over Fiscal Year 2013.

Non-Major Enterprise Funds. The non-major enterprise funds consist of the Street Light Fund and Landfill 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 went down \$9,659 in Fiscal Year 2014. The Street Light Fund had operating income of \$25,422 in Fiscal Year 2014. Revenues were greater in Fiscal Year 2014 than Fiscal Year 2013 as a result of an increase in the street light customer base. Expenses in Fiscal Year 2014 were \$37,035 higher than Fiscal Year 2013. In Fiscal Year 2014, utility expenses were \$24,034 greater than in Fiscal Year 2013.

Internal Service Fund. The internal service fund - Medical Trust Fund – had an operating income of \$304,428 in Fiscal Year 2014. Employer Contributions increased \$55,170 in Fiscal Year 2014 compared to Fiscal Year 2013 while Medical Insurance Premiums decreased \$278,598 in Fiscal Year 2014 compared to Fiscal Year 2013.

General Fund Budgetary Highlights

The County adopted its Fiscal Year 2014 budget on April 23, 2013, 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.

General Fund Budgetary Highlights - Continued

The final budget contained \$23,133,919 of revenues; \$23,088,996 of expenditures and \$983,900 of other financing uses. The actual results were revenues \$1,191,188 above budget and expenditures \$2,450,748 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 2014 was 6.9% which was 1.0% lower than the unemployment rate in June 2013 which was 7.9%. Per capita income has leveled out.

During Fiscal Year 2014 the County continued to see some growth in the housing market but the interest rates remained low. The General Fund costs were held tight. Revenue was \$170,675 higher in Fiscal Year 2014 than Fiscal Year 2013 which was a direct result of an increase in Sheriff's fees. During Fiscal Year 2014 the County expenditures were \$358,684 higher than Fiscal Year 2013 and this was primarily related to a salary increase of 2.2%, and a 1% step increase.

When adopting the General Fund budget for Fiscal Year 2015, the County continued to keep a tight hold on the expenditures. There was a 1.5% cost of living allocation (COLA) budgeted for all employees and a 1% step increase for employees with a satisfactory evaluation. With the continued success of the County's strict purchasing policy and minimization of growth in staffing the County was able to maintain the tax rate of \$.30 for Fiscal Year 2015.

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@co.kent.de.us. The Assistant Director of Finance can be contacted via email at mary.karol@co.kent.de.us. Kent County's website address is www.co.kent.de.us.

KENT COUNTY, DELAWARE

STATEMENT OF NET POSITION
JUNE 30, 2014

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets			
Cash and Investments	\$ 53,254,642	\$ 14,627,978	\$ 67,882,620
Receivables	12,491,239	7,179,883	19,671,122
Internal Balances	501,848	(501,848)	-
Due from Other Governments	743,735	662,157	1,405,892
Inventory	72,054	98,715	170,769
Prepaid Expenses and Other Assets	45,846	34,287	80,133
Non Current Assets			
Restricted Assets:			
Cash and Investments	-	30,796,514	30,796,514
Receivables	-	104,268	104,268
Capital Assets, Net			
Land	7,312,893	7,436,794	14,749,687
Construction in Progress	247,260	10,302,561	10,549,821
Land and Site Improvements	3,947,420	621,915	4,569,335
Pipeline	-	45,336,800	45,336,800
Buildings	18,613,709	18,468,433	37,082,142
Equipment and Furniture	1,543,123	24,383,370	25,926,493
Other Assets	1,056,656	305,892	1,362,548
Total Assets	99,830,425	159,857,719	259,688,144
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Charges on Refunding	-	23,137	23,137
Total Deferred Outflows of Resources	-	23,137	23,137
LIABILITIES			
Current Liabilities			
Accounts Payable	456,891	1,562,683	2,019,574
Accrued Expenses	660,272	427,000	1,087,272
Due to Other Governments	2,796,391	-	2,796,391
Retainage Payable	2,630	122,754	125,384
Other Liabilities	14,454	-	14,454
Compensated Absences	43,744	14,269	58,013
Bonds Payable, Net of Bond Discounts	164,876	3,514,026	3,678,902
Unearned Revenue	226,876	4,336,176	4,563,052
Long Term Liabilities			
Compensated Absences	1,049,867	342,459	1,392,326
Bonds Payable, Net of Bond Discounts	4,703,502	38,883,920	43,587,422
Total Liabilities	10,119,503	49,203,287	59,322,790
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Property Taxes	11,587,892	-	11,587,892
Unavailable Revenue - Other	-	29,677	29,677
Total Deferred Inflows of Resources	11,587,892	29,677	11,617,569
NET POSITION			
Net Investment in Capital Assets	26,796,027	64,175,064	90,971,091
Restricted for:			
Recreation Areas	22,782	-	22,782
APFO-EMS	1,202	-	1,202
Library Tax	255,096	-	255,096
Rodent Grant	17,829	-	17,829
LEPC Grant	39,238	-	39,238
Library Standards Grant	68,806	-	68,806
Capital Projects - Equipment Replacement	-	330,077	330,077
Capital Projects - Expansion Sewer Facilities	-	23,620,806	23,620,806
Unrestricted	50,922,050	22,521,945	73,443,995
Total Net Position	\$ 78,123,030	\$ 110,647,892	\$ 188,770,922

KENT COUNTY, DELAWARE

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Grants and Contributions		Primary Government		Total
			Operating	Capital	Governmental Activities	Business Type Activities	
Primary Government:							
Governmental Activities:							
General Government	\$ 2,304,636	\$ 196,628	\$ -	\$ -	\$ (2,108,008)	\$ -	\$ (2,108,008)
Special Grants/Programs	1,857,709	-	-	-	(1,857,709)	-	(1,857,709)
Community Services	3,546,729	348,512	175,582	241,331	(2,781,304)	-	(2,781,304)
Planning Services	5,321,429	1,632,163	1,142,849	-	(2,546,417)	-	(2,546,417)
Public Safety	8,315,276	136,013	1,585,220	27,651	(6,566,392)	-	(6,566,392)
Row Offices	1,690,769	5,516,750	-	42,500	3,868,481	-	3,868,481
Economic Development	44,180	-	-	-	(44,180)	-	(44,180)
Amortization	1,856	-	-	-	(1,856)	-	(1,856)
Interest on Long-Term Debt	229,542	-	-	-	(229,542)	-	(229,542)
Total Governmental Activities	23,312,126	7,830,066	2,903,651	311,482	(12,266,927)	-	(12,266,927)
Business-Type Activities:							
Sewer	17,311,372	17,170,963	10,450	2,910,387	-	2,780,428	2,780,428
Street Light	888,610	914,032	-	-	-	25,422	25,422
Trash	2,912,322	3,146,646	-	-	-	234,324	234,324
Landfill (Note J)	23,087	9,282	-	-	-	(13,805)	(13,805)
Total Business-Type Activities	21,135,391	21,240,923	10,450	2,910,387	-	3,026,369	3,026,369
Total Primary Government	\$ 44,447,517	\$ 29,070,989	\$ 2,914,101	\$ 3,221,869	(12,266,927)	3,026,369	(9,240,558)
General Revenues:							
Taxes:							
Property Taxes					10,819,104	-	10,819,104
Real Estate Transfer Tax					3,462,321	-	3,462,321
Residential Telephone Surcharge					270,014	-	270,014
Investment Earnings					120,856	96,152	217,008
Other Revenues including Capital Asset Sales Gains					341,290	12,860	354,150
					<u>15,013,585</u>	<u>109,012</u>	<u>15,122,597</u>
					2,746,658	3,135,381	5,882,039
Net Position At Beginning Of Year					<u>75,376,372</u>	<u>107,512,511</u>	<u>182,888,883</u>
Net Position At End Of Year					<u>\$ 78,123,030</u>	<u>\$ 110,647,892</u>	<u>\$ 188,770,922</u>

KENT COUNTY, DELAWARE

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	General Fund	Capital Projects Fund	Community Development Block Grant	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and Investments	\$ 45,501,646	\$ 6,972,300	\$ 497,145	\$ 85,663	\$ 53,056,754
Receivables					
Accounts	83,704	-	-	-	83,704
Taxes	12,405,434	-	-	-	12,405,434
Due From Other Funds	1,019,119	13,774	-	-	1,032,893
Due from Other Governments	414,606	7,783	312,696	8,650	743,735
Inventory	32,952	39,102	-	-	72,054
Prepaid Expenditures and Other Assets	45,846	-	-	-	45,846
Total Assets	\$ 59,503,307	\$ 7,032,959	\$ 809,841	\$ 94,313	\$ 67,440,420
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts Payable	\$ 209,374	\$ 102,716	\$ 91,088	\$ -	\$ 403,178
Accrued Expenses	573,073	-	11,444	-	584,517
Due to Other Funds	727,690	1	486,094	28,782	1,242,567
Due to Other Governments	2,796,391	-	-	-	2,796,391
Construction Retainage Payable	-	2,630	-	-	2,630
Unearned Revenue	-	-	221,215	-	221,215
Other Liabilities	14,454	-	-	-	14,454
Total Liabilities	4,320,982	105,347	809,841	28,782	5,264,952
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue - Property Taxes	12,345,929	-	-	-	12,345,929
Total Deferred Inflows of Resources	12,345,929	-	-	-	12,345,929
Fund Balances:					
Nonspendable:					
Inventory	32,952	39,102	-	-	72,054
Prepaid Expenditures	45,846	-	-	-	45,846
Restricted:					
Capital Projects Funds	-	6,888,510	-	65,531	6,954,041
Recreational Areas	22,782	-	-	-	22,782
APFO-EMS	1,202	-	-	-	1,202
Library Tax	255,096	-	-	-	255,096
Rodent Grant	17,829	-	-	-	17,829
LEPC Grant	39,238	-	-	-	39,238
Library Standards Grant	68,806	-	-	-	68,806
Committed:					
Encumbrances	411,903	-	-	-	411,903
Assigned:					
Operating Needs	337,900	-	-	-	337,900
Legal Contingency	950,000	-	-	-	950,000
Library	45,000	-	-	-	45,000
Deeds Maintenance Fees	60,000	-	-	-	60,000
Sheriff Auctioneer Fees	60,000	-	-	-	60,000
Local Government Fees	60,000	-	-	-	60,000
Donations	5,554	-	-	-	5,554
Unassigned	40,422,288	-	-	-	40,422,288
Total Fund Balances	42,836,396	6,927,612	-	65,531	49,829,539
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 59,503,307	\$ 7,032,959	\$ 809,841	\$ 94,313	\$ 67,440,420

KENT COUNTY, DELAWARE

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2014**

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

Total Fund Balances for Governmental Funds		\$ 49,829,539
Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Capital assets net of accumulated depreciation as detailed in the footnotes are included in the Statement of Net Position.		31,664,405
Accumulated difference between actual pension contributions expensed in governmental funds and the actuarially determined annual pension costs.		1,056,656
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.		852,138
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, therefore, are reported as deferred inflow of revenues in the governmental funds.		
Property Taxes	<u>\$ 758,036</u>	758,036
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.		
Compensated Absences	\$ (1,093,611)	
Accrued Interest on Long Term Debt	(75,755)	
Bonds Payable, Net of Bond Discounts	<u>(4,868,378)</u>	<u>(6,037,744)</u>
Total Net Position of Governmental Activities		<u><u>\$ 78,123,030</u></u>

KENT COUNTY, DELAWARE

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	General Fund	Capital Projects Fund	Community Development Block Grant	Other Governmental Funds	Total Governmental Funds
REVENUES					
Property Taxes	\$ 10,800,038	\$ -	\$ -	\$ -	\$ 10,800,038
Real Estate Transfer Tax	3,462,321	-	-	-	3,462,321
Residential Telephone Surcharge	270,014	-	-	-	270,014
Grants	1,788,396	311,482	1,090,185	25,070	3,215,133
Fees For Services	7,584,720	-	-	-	7,584,720
Investment Income	105,872	14,785	-	123	120,780
Rental Income	23,186	-	-	-	23,186
Other Revenues	290,560	2,544	222,022	18,377	533,503
Total Revenues	<u>24,325,107</u>	<u>328,811</u>	<u>1,312,207</u>	<u>43,570</u>	<u>26,009,695</u>
EXPENDITURES					
Current:					
General Government	2,006,084	140,852	-	-	2,146,936
Special Grants and Programs	1,857,709	-	-	-	1,857,709
Community Services	3,208,687	10,793	-	-	3,219,480
Planning Services	3,655,608	6,600	1,618,416	25,070	5,305,694
Public Safety	7,881,713	117,291	-	-	7,999,004
Row Offices	1,635,340	51,500	-	-	1,686,840
Economic Development	-	44,166	-	14	44,180
Debt Service:					
Principal	161,523	-	-	-	161,523
Interest and Fiscal Charges	231,584	-	-	-	231,584
Capital Outlay	-	1,282,179	-	-	1,282,179
Total Expenditures	<u>20,638,248</u>	<u>1,653,381</u>	<u>1,618,416</u>	<u>25,084</u>	<u>23,935,129</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>3,686,859</u>	<u>(1,324,570)</u>	<u>(306,209)</u>	<u>18,486</u>	<u>2,074,566</u>
OTHER FINANCING SOURCES (USES)					
Transfers In	-	561,600	306,209	-	867,809
Transfers Out	(867,809)	-	-	-	(867,809)
Total Other Financing Sources (Uses)	<u>(867,809)</u>	<u>561,600</u>	<u>306,209</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	2,819,050	(762,970)	-	18,486	2,074,566
Fund Balances At Beginning of Year	40,017,346	7,690,582	-	47,045	47,754,973
Fund Balances At End Of Year	<u>\$ 42,836,396</u>	<u>\$ 6,927,612</u>	<u>\$ -</u>	<u>\$ 65,531</u>	<u>\$ 49,829,539</u>

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, 2014**

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

Net Change In Fund Balances - Total Governmental Funds **\$ 2,074,566**

Governmental funds report capital outlays as expenditures. However in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the year ended June 30, 2014.

Capital Outlays	\$ 1,508,582	
Depreciation	<u>(1,257,116)</u>	251,466

The decrease in net pension asset resulting from contributions less than the annual pension cost is not a financial use at the governmental fund level and therefore is not reported in the governmental funds. (18,649)

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.

Property Taxes	<u>\$ 19,067</u>	19,067
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The repayment of principal is an expenditure in the governmental funds, but is a reduction to the liability in the Statement of Net Position.

Principal - Bonds Payable	<u>\$ 161,523</u>	161,523
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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.

Compensated Absences	\$ (21,290)	
Accrued interest on long-term debt	<u>2,042</u>	(19,248)

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.

Deferred Charges - Bond Discount	<u>\$ (1,856)</u>	(1,856)
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Internal service funds are used by management to charge the costs of certain activities, such as insurance to individual funds. The net income of the Internal Service Fund is reported with governmental activities. 304,504

Change In Net Position of Governmental Activities **\$ 2,746,658**

KENT COUNTY, DELAWARE

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED
JUNE 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property Taxes	\$ 10,551,800	\$ 10,564,800	\$ 10,800,038	\$ 235,238
Real Estate Transfer Tax	3,300,000	3,300,000	3,462,321	162,321
Residential Telephone Surcharge	270,000	270,000	270,014	14
Grants	1,814,900	1,847,466	1,788,396	(59,070)
Fees For Services	6,684,400	6,728,103	7,584,720	856,617
Interest and Dividends	100,000	100,000	105,872	5,872
Rental Income	23,200	23,200	23,186	(14)
Other Revenues	297,000	300,350	290,560	(9,790)
Total Revenues	<u>23,041,300</u>	<u>23,133,919</u>	<u>24,325,107</u>	<u>1,191,188</u>
EXPENDITURES				
Current:				
General Government	2,097,100	2,114,100	2,006,084	108,016
Special Grants and Programs	1,868,850	2,272,812	1,857,709	415,103
Community Services	3,322,900	3,428,695	3,208,687	220,008
Planning Services	3,876,100	3,945,177	3,655,608	289,569
Public Safety	8,241,400	8,283,912	7,881,713	402,199
Row Offices	1,714,600	1,714,600	1,635,340	79,260
Contingency	1,028,100	936,600	-	936,600
Debt Service:				
Principal	161,500	161,500	161,523	(23)
Interest	231,600	231,600	231,584	16
Total Expenditures	<u>22,542,150</u>	<u>23,088,996</u>	<u>20,638,248</u>	<u>2,450,748</u>
Excess of Revenues Over Expenditures	<u>499,150</u>	<u>44,923</u>	<u>3,686,859</u>	<u>3,641,936</u>
OTHER FINANCING USES				
Transfers out	(897,900)	(983,900)	(867,809)	116,091
Total Other Financing Uses	<u>(897,900)</u>	<u>(983,900)</u>	<u>(867,809)</u>	<u>116,091</u>
Net Change in Fund Balance	<u>\$ (398,750)</u>	<u>\$ (938,977)</u>	<u>2,819,050</u>	<u>\$ 3,758,027</u>
Fund Balance at Beginning of Year			<u>40,017,346</u>	
Fund Balance at End of Year			<u>\$ 42,836,396</u>	

KENT COUNTY, DELAWARE

STATEMENT OF NET
POSITION
PROPRIETARY FUNDS
JUNE 30, 2014

	Business-Type Activities - Enterprise Funds			Total	Governmental
	Sewer Fund	Trash Collection	Other Enterprise Funds		Activities - Internal Service Fund
ASSETS					
Current Assets:					
Cash and Investments	\$ 11,786,801	\$ 1,409,404	\$ 1,431,773	\$ 14,627,978	\$ 197,888
Receivables					
Accounts	328,084	-	-	328,084	2,101
Fees and Services	2,539,510	3,346,801	965,488	6,851,799	-
Due from Other Funds	22,442	-	-	22,442	711,522
Due from Other Governments	662,157	-	-	662,157	-
Inventory	98,715	-	-	98,715	-
Prepaid Expenses and Other Assets	34,287	-	-	34,287	-
Total Current Assets	15,471,996	4,756,205	2,397,261	22,625,462	911,511
Non-Current Assets:					
Restricted Assets:					
Cash and Investments	30,796,514	-	-	30,796,514	-
Receivables					
Accounts	8	-	-	8	-
Interest	104,260	-	-	104,260	-
Capital Assets, Net					
Land	7,433,794	-	3,000	7,436,794	-
Construction in Progress	10,302,561	-	-	10,302,561	-
Land and Site Improvements	621,915	-	-	621,915	-
Pipeline	45,336,800	-	-	45,336,800	-
Buildings	18,468,433	-	-	18,468,433	-
Equipment and Furniture	24,375,707	-	7,663	24,383,370	-
Other Assets	305,892	-	-	305,892	-
Total Non-Current Assets	137,745,884	-	10,663	137,756,547	-
Total Assets	153,217,880	4,756,205	2,407,924	160,382,009	911,511
DEFERRED OUTFLOWS OF RESOURCES					
Deferred Charges on Refunding	23,137	-	-	23,137	-
Total Deferred Outflows of Resources	23,137	-	-	23,137	-
LIABILITIES					
Current Liabilities					
Accounts Payable	1,267,048	242,648	52,987	1,562,683	53,712
Accrued Expenses	427,000	-	-	427,000	-
Retainage Payable	122,754	-	-	122,754	-
Due to Other Funds	487,970	17,929	18,391	524,290	-
Compensated Absences	14,269	-	-	14,269	-
Unearned Revenue	-	3,249,248	1,086,928	4,336,176	5,661
Bonds Payable, Net of Bond Discounts	3,514,026	-	-	3,514,026	-
Total Current Liabilities	5,833,067	3,509,825	1,158,306	10,501,198	59,373
Non-Current Liabilities:					
Compensated Absences	342,459	-	-	342,459	-
Bonds Payable, Net of Bond Discounts	38,883,920	-	-	38,883,920	-
Total Non-Current Liabilities	39,226,379	-	-	39,226,379	-
Total Liabilities	45,059,446	3,509,825	1,158,306	49,727,577	59,373
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue - Other	29,677	-	-	29,677	-
Total Deferred Inflows Of Resources	29,677	-	-	29,677	-
NET POSITION					
Net Investment in Capital Assets	64,164,401	-	10,663	64,175,064	-
Restricted for:					
Capital Projects - Equipment Replacement	330,077	-	-	330,077	-
Capital Projects - Expansion Sewer Facilities	23,620,806	-	-	23,620,806	-
Unrestricted	20,036,610	1,246,380	1,238,955	22,521,945	852,138
Total Net Position	\$ 108,151,894	\$ 1,246,380	\$ 1,249,618	\$ 110,647,892	\$ 852,138

KENT COUNTY, DELAWARE

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2014

	Business-Type Activities - Enterprise Funds			Total	Governmental
	Sewer Fund	Trash Collection	Other Enterprise Funds		Activities - Internal Service Fund
OPERATING REVENUES					
Fees for Services	\$ 16,297,431	\$ 3,146,046	\$ 914,032	\$ 20,357,509	\$ -
Permits	101,164	-	-	101,164	-
Operating Grants	10,450	-	-	10,450	-
Other Revenue	772,368	600	9,282	782,250	-
Employer Contributions	-	-	-	-	3,515,942
Employee Contributions	-	-	-	-	463,593
Total Operating Revenues	17,181,413	3,146,646	923,314	21,251,373	3,979,535
OPERATING EXPENSES					
Salaries and Benefits	4,933,473	108,634	113,023	5,155,130	-
Contractual Services	141,244	2,666,702	16,594	2,824,540	-
Travel	20,017	-	-	20,017	-
Utilities	1,636,506	-	720,595	2,357,101	-
Maintenance, Parts and Supplies	1,655,546	85,023	5,665	1,746,234	-
Vehicle Expense	200,708	3,850	1,283	205,841	-
Operating Insurance and Indirect Costs	1,371,774	47,901	52,347	1,472,022	-
Miscellaneous Expenses	12,947	212	-	13,159	-
Depreciation Expense	6,286,941	-	2,190	6,289,131	-
Medical Insurance Premiums	-	-	-	-	3,463,776
Medical Claims	-	-	-	-	184,816
Trustee Fee and Wire Charges	-	-	-	-	26,515
Total Operating Expenses	16,259,156	2,912,322	911,697	20,083,175	3,675,107
Operating Income	922,257	234,324	11,617	1,168,198	304,428
NON-OPERATING REVENUES (EXPENSES)					
Interest and Dividends	89,101	4,185	2,866	96,152	76
Interest and Fiscal Charges	(1,052,216)	-	-	(1,052,216)	-
Gain on Sale of Equipment	12,860	-	-	12,860	-
Total Non-Operating Revenues (Expenses)	(950,255)	4,185	2,866	(943,204)	76
Net Income (Loss) before Contributions	(27,998)	238,509	14,483	224,994	304,504
Capital Contributions:					
Capital Grant	447,163	-	-	447,163	-
Impact Fees	2,457,115	-	-	2,457,115	-
Developers Aid In Construction	6,109	-	-	6,109	-
Change in Net Position	2,882,389	238,509	14,483	3,135,381	304,504
Net Position At Beginning Of Year	105,269,505	1,007,871	1,235,135	107,512,511	547,634
Net Position At End Of Year	\$ 108,151,894	\$ 1,246,380	\$ 1,249,618	\$ 110,647,892	\$ 852,138

KENT COUNTY, DELAWARE

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2014

	Business-Type Activities - Enterprise Funds			Total	Governmental
	Sewer Fund	Trash Collection	Other Enterprise Funds		Internal Service Fund
Cash Flows From Operating Activities:					
Receipts from Customers and Users	\$ 17,529,407	\$ 3,139,102	\$ 918,124	\$ 21,586,633	\$ 3,275,467
Payments to Suppliers	(3,260,739)	(2,713,934)	(730,959)	(6,705,632)	(3,629,060)
Payments to Employees	(4,894,798)	(170,730)	-	(5,065,528)	-
Internal Activity - payments to other funds	(1,017,943)	-	(202,093)	(1,220,036)	-
Net Cash Provided (Used) by Operating Activities	8,355,927	254,438	(14,928)	8,595,437	(353,593)
Cash Flows From Capital and Related Financing Activities:					
Proceeds from Capital Grant	954,082	-	-	954,082	-
Proceeds from Bonded Indebtedness	1,064,764	-	-	1,064,764	-
Proceeds from Sale of Equipment	12,860	-	-	12,860	-
Acquisition and Construction of Capital Assets	(6,030,603)	-	(3,000)	(6,033,603)	-
Interest/Fiscal Charges Paid on Bonds	(1,061,488)	-	-	(1,061,488)	-
Retirement of Debt	(3,013,662)	-	-	(3,013,662)	-
Developers Aid In Construction	6,109	-	-	6,109	-
Impact Fees Collected	2,457,115	-	-	2,457,115	-
Net Cash Used by Capital and Related Financing Activities	(5,610,823)	-	(3,000)	(5,613,823)	-
Cash Flows From Investing Activities:					
Proceeds From Matured Investments	30,756	-	-	30,756	-
Interest and Dividends	161,312	4,185	2,866	168,363	76
Net Cash Provided By Investing Activities	192,068	4,185	2,866	199,119	76
Net Increase (Decrease) In Cash and Cash Equivalents	2,937,172	258,623	(15,062)	3,180,733	(353,517)
Cash and Cash Equivalents At Beginning Of Year	39,434,687	1,150,780	1,446,835	42,032,302	551,405
Cash and Cash Equivalents At End Of Year	\$ 42,371,859	\$ 1,409,403	\$ 1,431,773	\$ 45,213,035	\$ 197,888
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position					
Statement of Net Position					
Current Assets: Cash and Investments	\$ 11,786,801	\$ 1,409,403	\$ 1,431,773	\$ 14,627,977	\$ 197,888
Non Current Assets: Cash and Investments	30,796,514	-	-	30,796,514	-
Total Cash and Investments	42,583,315	1,409,403	1,431,773	45,424,491	197,888
Less: Long-term Investments	(211,456)	-	-	(211,456)	-
Cash and Cash Equivalents	\$ 42,371,859	\$ 1,409,403	\$ 1,431,773	\$ 45,213,035	\$ 197,888

KENT COUNTY, DELAWARE

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS (Continued)
 FOR THE YEAR ENDED JUNE 30, 2014

	Business-Type Activities - Enterprise Funds			Total	Governmental
	Sewer Fund	Trash Collection	Other Enterprise Funds		Activities - Internal Service Fund
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities					
Operating Income	\$ 922,257	\$ 234,324	\$ 11,617	\$ 1,168,198	\$ 304,428
Adjustments to reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Depreciation	6,286,941	-	2,190	6,289,131	-
Change in Assets and Liabilities:					
(Increase) Decrease in Accounts Receivable	319,448	(175,012)	(16,464)	127,972	(1,043)
(Increase) Decrease in Due From Other Funds	44,151	-	-	44,151	(703,553)
(Increase) in Operating Grants Receivable	(10,450)	-	-	(10,450)	-
(Increase) in Prepaid Expenses and Other Assets	(7,035)	-	-	(7,035)	-
Increase (Decrease) in Accounts Payable	603,074	42,334	13,338	658,746	(1,582)
Increase in Accrued Expenses	7,624	-	-	7,624	47,629
Increase in Unearned Revenue	-	-	-	-	528
Increase in Compensated Absences	31,051	-	-	31,051	-
Increase (Decrease) in Unavailable Revenue	(5,155)	167,468	11,274	173,587	-
Increase (Decrease) in Due To Other Funds	164,021	(14,676)	(36,883)	112,462	-
Net Cash Provided (Used) by Operating Activities	\$ 8,355,927	\$ 254,438	\$ (14,928)	\$ 8,595,437	\$ (353,593)

KENT COUNTY, DELAWARE
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2014

	<u>Pension and Post Retiree Funds</u>	<u>Agency Fund</u>
ASSETS		
Restricted Assets:		
Cash and Short Term Investments	\$ -	\$ 1,980,873
Receivables		
Interest	8,557	-
Investments	<u>47,698,774</u>	<u>-</u>
Total Assets	<u>47,707,331</u>	<u>\$ 1,980,873</u>
LIABILITIES		
Accounts Payable	31,385	\$ 1,636
Due to Other Governments	-	811,406
Tax Sale Proceeds Payable	-	124,926
Deferred Liabilities	<u>-</u>	<u>1,042,905</u>
Total Liabilities	<u>31,385</u>	<u>\$ 1,980,873</u>
NET POSITION		
Held in Trust for:		
Pension Benefits	34,146,161	
Post Retiree Benefits	<u>13,529,785</u>	
Total Net Position	<u>\$ 47,675,946</u>	

KENT COUNTY, DELAWARE

STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Pension And Post Retiree Funds</u>
ADDITIONS	
Employee Contributions	\$ 146,178
Employer Contributions	1,948,492
Interest and Dividends	438,425
Net Appreciation in Fair Value of Investments	<u>6,970,898</u>
Total Additions	<u>9,503,993</u>
DEDUCTIONS	
Pension Benefits	2,579,166
Administrative Expense	<u>180,332</u>
Total Deductions	<u>2,759,498</u>
Change In Net Position	6,744,495
Net Position - Beginning of Year	<u>40,931,451</u>
Net Position - End of Year	<u>\$ 47,675,946</u>

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the County conform in all material respects to generally accepted accounting principles (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 County has adopted all GASB Statements through No. 67 as required. 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, economic development, general administrative services and constitutional row offices which provide services that include issuing marriage licenses, recordation of deeds and wills, internal audit, and sheriff sales. The County does not have any component units.

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 of 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.

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. Agency funds report only assets and liabilities as they do not have a measurement focus, but do use the accrual basis of accounting.

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. For governmental fund types, the County considers all revenues to be available if they are

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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 capital 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 **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.

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 Funds** (fiduciary type) account for the activities of the Kent County Levy Court Pension Plan and OPEB (other post-employment benefits) Plan which accumulates resources for pension benefit payments and other post-employment benefits to qualified Kent County Levy Court employees and their beneficiaries.

The **Agency Fund** accounts for assets held by the County in a custodial capacity (assets equal liabilities) and does not present results of operations or have a measurement focus.

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.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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.

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 investments 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 are held at M&T Bank and 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, Janney Montgomery Scott, CNB (Felton Bank), TD Bank, Artisans' Bank and DE Local Government OPEB Pool. 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 Pension And Post Retiree Fund is authorized by statute to invest in U.S. Treasury Bonds and Notes, corporate obligations and common stocks.

Receivables and Payables

Property taxes

The County property tax year runs from June 1 – May 31. Tax rates are set in late April 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, 2014 are recorded as revenue. Delinquent taxes are considered fully collectible; and, therefore, no allowance for uncollectible taxes is provided.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Sewer charges, street light charges, and trash collection charges are recorded when billed.

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 capacity of the sewer facilities. SDER, sewer district equipment replacement, 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 estimated fair 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.

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**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 only one item that qualifies for reporting in this category – the deferred charge on refunding 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.

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 two items that qualify for reporting in this category and they are unavailable revenue – property tax and unavailable revenue other. In the governmental fund financial statements and government-wide financial statements, deferred inflows of resources primarily include property taxes. Deferred items also consist of reimbursement-type grants where costs have not been incurred. In the enterprise funds (street light fund and trash fund), deferred inflows of resources consists of transmission debt refinance and unclaimed tax sale proceeds. There are two sources of unavailable revenues: property taxes and miscellaneous other and they are reported on the government-wide statement of net position, governmental funds balance sheet, and the statement of net position proprietary funds. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

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 an 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.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**Net Position and Fund Balances**

The difference between assets and liabilities 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.

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.

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 of 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.

NOTE B – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY - CONTINUED

- 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, with adoption required by April 30. 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, 2014, 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.
- 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.

NOTE C – DEPOSITS AND INVESTMENTS

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 represents 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.

NOTE C – DEPOSITS AND INVESTMENTS - CONTINUED

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	\$ 583,227	\$ 606,648
Uninsured Deposits - Collateral held by pledging financial institution or by its trust department or agent but not in the County's name	<u>99,179,736</u>	<u>100,016,490</u>
Total Deposits	<u>\$ 99,762,963</u>	<u>\$ 100,623,138</u>

<u>Investments</u>	<u>Market Value</u>
Money Market Mutual Funds	\$ 593,900
Certificates of Deposit	400,299
U.S. Agencies	11,555,342
U.S. Treasuries	142,832
U.S. Treasuries - Stripped	68,625
Corporate Stocks	22,217,635
DE Local Government Retirement Investment Pool	<u>13,529,942</u>
Total Investments	<u>\$ 48,508,575</u>

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.

NOTE C – DEPOSITS AND INVESTMENTS - CONTINUED

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, 2014, the Proprietary Funds had the following investments and maturities stated at fair value.

<u>Investments</u>	<u>Fair Value</u>	<u>Less Than One Year</u>	<u>1-5 Years</u>
U.S. Treasuries	\$ 142,832	\$ -	\$ 142,832
U.S. Treasuries Stripped	68,625	68,625	-
Certificates of Deposit	400,299	300,299	100,000
Total Investments	<u>\$ 611,756</u>	<u>\$ 368,924</u>	<u>\$ 242,832</u>

U.S. Agencies (government and other) investments are held by the pension plan in a commingled fund. The investment breakdown and maturities are not available.

Concentration of Credit Risk

In addition to the above disclosures, as of June 30, 2014, 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, 2014, the County had \$13,529,942 from its Retiree Benefits Fund invested with the Delaware Local Government Retirement Investment Pool (DERIP), see Note K. DERIP 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.

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

Deposits	\$ 99,762,963
Investments	48,508,575
Petty Cash Amounts	2,800
Cash on Hand	<u>84,443</u>
Total	<u>\$ 148,358,781</u>
Unrestricted	\$ 67,882,620
Restricted	30,796,514
Fiduciary Funds	<u>49,679,647</u>
Total Cash and Investments	<u>\$ 148,358,781</u>

NOTE D – CAPITAL ASSETS

1. Primary Government

The capital asset activity for Governmental Activities for the year ended June 30, 2014, was as follows:

	<u>July 1, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2014</u>
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated				
Land	\$ 7,312,893	\$ -	\$ -	\$ 7,312,893
Construction in Progress	832,504	1,140,658	(1,725,902)	247,260
Total Capital Assets Not Being Depreciated	<u>8,145,397</u>	<u>1,140,658</u>	<u>(1,725,902)</u>	<u>7,560,153</u>
Capital Assets Being Depreciated				
Site Improvements	5,032,713	674,521	-	5,707,234
Buildings	22,018,526	1,192,901	(15,379)	23,196,048
Equipment and Furniture	8,744,908	226,404	(324,476)	8,646,836
Total Capital Assets Being Depreciated	<u>35,796,147</u>	<u>2,093,826</u>	<u>(339,855)</u>	<u>37,550,118</u>
Less Accumulated Depreciation for:				
Site Improvements	1,518,879	240,935	-	1,759,814
Buildings	4,043,345	550,402	(11,408)	4,582,339
Equipment and Furniture	6,941,667	465,779	(303,733)	7,103,713
Total Accumulated Depreciation	<u>12,503,891</u>	<u>1,257,116</u>	<u>(315,141)</u>	<u>13,445,866</u>
Total Capital Assets Being Depreciated, Net	<u>23,292,256</u>	<u>836,710</u>	<u>(24,714)</u>	<u>24,104,252</u>
Governmental Activities Capital Assets, Net	<u>\$ 31,437,653</u>	<u>\$ 1,977,368</u>	<u>\$ (1,750,616)</u>	<u>\$ 31,664,405</u>

NOTE D – CAPITAL ASSETS - CONTINUED

The capital asset activity for Business-Type Activities for the year ended June 30, 2014, was as follows:

	July 1, 2013	Increases	Decreases	June 30, 2014
Business-Type Activities:				
Capital Assets Not Being Depreciated				
Land	\$ 6,121,846	\$ 1,314,948	\$ -	\$ 7,436,794
Construction in Progress	7,619,160	3,127,509	(444,108)	10,302,561
Total Capital Assets Not Being Depreciated	<u>13,741,006</u>	<u>4,442,457</u>	<u>(444,108)</u>	<u>17,739,355</u>
Capital Assets Being Depreciated				
Site Improvements	5,943,368	-	-	5,943,368
Pipeline	82,223,554	882,080	-	83,105,634
Buildings	37,019,896	256,596	-	37,276,492
Equipment and Furniture	56,709,215	863,856	(59,054)	57,514,017
Total Capital Assets Being Depreciated	<u>181,896,033</u>	<u>2,002,532</u>	<u>(59,054)</u>	<u>183,839,511</u>
Less Accumulated Depreciation for:				
Site Improvements	5,042,165	279,288	-	5,321,453
Pipeline	35,831,884	1,936,950	-	37,768,834
Buildings	17,687,497	1,120,562	-	18,808,059
Equipment and Furniture	30,237,370	2,952,331	(59,054)	33,130,647
Total Accumulated Depreciation	<u>88,798,916</u>	<u>6,289,131</u>	<u>(59,054)</u>	<u>95,028,993</u>
Total Capital Assets Being Depreciated, Net	<u>93,097,117</u>	<u>(4,286,599)</u>	<u>-</u>	<u>88,810,518</u>
Business-Type Activities Capital Assets, Net	<u>\$ 106,838,123</u>	<u>\$ 155,858</u>	<u>\$ (444,108)</u>	<u>\$ 106,549,873</u>

Depreciation expense was charged to the following activities:

Governmental Activities:

General Government	\$ 465,861
Community Services	318,173
Planning Services	10,989
Public Safety	401,453
Row Offices	60,640
	<u>60,640</u>
	<u>\$ 1,257,116</u>

Business-Type Activities:

Sewer Fund	\$ 6,286,941
Landfill	2,190
	<u>2,190</u>
	<u>\$ 6,289,131</u>

NOTE E – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund balances arise primarily from the General Fund’s role as receiver, investor, and disbursing officer of cash. All payments arise from transactions that are short term. The composition of interfund balances as of June 30, 2014, was as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Capital Projects Fund	\$ 1
	CDBG	486,094
	Non-Major Governmental Funds	28,782
	Sewer Fund	481,506
	Trash Collection Fund	9,969
	Non-Major Proprietary Funds	12,767
Capital Projects Fund	General Fund	7,310
	Sewer Fund	6,464
Sewer Fund	General Fund	8,858
	Trash Collection Fund	7,960
	Non-Major Proprietary Funds	5,624
Internal Service Fund	General Fund	<u>711,522</u>
Total		<u>\$ 1,766,857</u>

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

<u>Transfers Out</u>	<u>Transfers In</u>		<u>Total</u>
	<u>Capital Projects Fund</u>	<u>Community Development Block Grant</u>	
General Fund	<u>\$ 561,600</u>	<u>\$ 306,209</u>	<u>\$ 867,809</u>
Total Interfund Transfers	<u>\$ 561,600</u>	<u>\$ 306,209</u>	<u>\$ 867,809</u>

NOTE F – LONG-TERM DEBT

1. Changes in Long-Term Liabilities

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2014</u>	<u>Due Within</u> <u>One Year</u>
Governmental Activities:					
Bonds Payable	\$ 5,065,136	\$ -	\$ (161,523)	\$ 4,903,613	\$ 166,730
Less: Net Bond Discounts	(37,091)	-	1,856	(35,235)	(1,854)
Total Bonds Payable	<u>5,028,045</u>	<u>-</u>	<u>(159,667)</u>	<u>4,868,378</u>	<u>164,876</u>
Compensated Absences	1,072,321	21,290	-	1,093,611	43,744
Governmental Activity Long-Term Liability	<u>\$ 6,100,366</u>	<u>\$ 21,290</u>	<u>\$ (159,667)</u>	<u>\$ 5,961,989</u>	<u>\$ 208,620</u>
Business-Type Activities:					
Bonds Payable	\$ 44,022,235	\$ 1,413,759	\$ (3,013,662)	\$ 42,422,332	\$ 3,515,423
Less: Net Bond Discounts	(22,989)	-	(1,397)	(24,386)	(1,397)
Total Bonds Payable	<u>43,999,246</u>	<u>1,413,759</u>	<u>(3,015,059)</u>	<u>42,397,946</u>	<u>3,514,026</u>
Compensated Absences	325,677	31,051	-	356,728	14,269
Business-Type Activity Long-Term Liabilities	<u>\$ 44,324,923</u>	<u>\$ 1,444,810</u>	<u>\$ (3,015,059)</u>	<u>\$ 42,754,674</u>	<u>\$ 3,528,295</u>

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.

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 30 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.

NOTE F –LONG-TERM DEBT – CONTINUED

The following is a summary of general obligation bonds outstanding at June 30, 2014:

<u>Date of Issue/ Maturity</u>	<u>Amount of Original Issue</u>	<u>Description</u>	<u>Interest Rates</u>	<u>Balance Outstanding June 30, 2014</u>
1981 August 2021	\$ 362,900	1981 Farmers Home Administration Bond, Sewer Fund-Dykes Branch District, Due in Annual Installments with Interest Due Semi-Annually	5.00%	\$ 129,698
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%	128,395
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%	94,778
1996 September 2017	3,914,918	1996 Series, Delaware Water Pollution Control Revolving Fund General Obligation Note, Sewer Fund, Principal and Interest Due in Semi-Annual Installments	3.49%	872,148
2000 September 2021 March 2022	475,000	2000 Series, Delaware Water Pollution Control Revolving Fund General Obligation Note, Sewer Fund-Kenton \$375,000/NESSD \$100,000, Principal and Interest Due In Semi Annual Installments	1.50%	209,774
2001 June 2021	392,400	2001 Series, Delaware Water Pollution Control Revolving Fund General Obligation Note, Sewer Fund-Bowers, Principal and Interest Due in Semi-Annual Installments Beginning December 2006	3.00%	230,200
2003 September 2033	14,000,000	2003 Series General Obligation Bonds Sewer Fund-57.14%/General Fund-42.86%, Due in Annual Installments with Interest Due Semi-Annually	1.75%-4.85%	11,210,000
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%	637,077
2004 September 2020	4,225,000	2004 Series, General Obligation Bonds, Sewer Fund-95.5%/General Fund-4.5%, Due in Annual Installments with Interest Due Semi-Annually	3.50%-4.35%	1,435,001

NOTE F – 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, 2014</u>
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%	3,355,094
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%	240,097
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%	114,547
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%	13,549,771
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%	952,917
2010 November 2050	3,900,000	Series 2010-RUS United States Dept. of Agriculture General Obligation Bond, Sewer Fund-Southern By Pass, Principal and Interest Due in Quarterly Installments Beginning November 2011	2.25%	2,093,660
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%	2,247,455
2010 November 2050	110,065	Series 2010B-RUS United States Dept. of Agriculture General Obligation Bond, Sewer Fund-Kitts Hummock, Principal and Interest Due in Quarterly Installments Beginning November 2011	2.25%	107,251

NOTE F – 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, 2014</u>
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%	774,859
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%	46,698
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%	6,446,314
2012 August 2022	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%	47,773
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%	1,100,000
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%	1,228,931
2013 October 2034	725,000	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%	73,507
	Subtotal			<u>47,325,945</u>
Less:	Unamortized bond discount on 2003 bond issues; and unamortized bond premiums on 2004 bond issues.			<u>(59,621)</u>
	Total Long-Term Debt			<u>\$ 47,266,324</u>

NOTE F – LONG-TERM DEBT – CONTINUED

The annual debt service requirements to maturity for principal and interest for bonds payable as of June 30, 2014, are as follows:

Year Ending June 30	General Obligation Bonds			
	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2015	\$ 166,729	\$ 225,208	\$ 3,515,423	\$ 1,269,408
2016	175,762	218,366	2,288,353	1,218,258
2017	180,048	211,135	2,333,555	1,161,834
2018	190,001	203,468	2,289,767	1,106,327
2019	196,891	195,259	2,182,705	1,054,715
2020-2024	1,068,987	836,475	11,003,758	4,518,848
2025-2029	1,287,943	558,393	11,209,880	3,274,432
2030-2034	1,637,252	206,208	8,287,082	1,989,238
2035-2039	-	-	3,477,150	1,253,617
2040-2044	-	-	3,921,289	802,709
2045-2049	-	-	4,109,292	305,797
2050-2051	-	-	272,156	6,770
Total	4,903,613	\$ 2,654,512	54,890,410	\$ 17,961,953
Less:				
Funds Not Drawn	-		(12,468,080)	
Total	\$ 4,903,613		\$ 42,422,332	

NOTE G – DEFERRED INFLOWS OF RESOURCES – UNAVAILABLE REVENUE

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 also consist of reimbursement-type grants where costs have not been incurred. In the enterprise funds (street light fund and trash fund), deferred inflows of resources consists of transmission debt refinance and unclaimed tax sale proceeds.

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.

NOTE G – DEFERRED INFLOWS OF RESOURCES - CONTINUED

Deferred Inflows of Resources as of year-end arising from the County’s major and non-major governmental funds is as follows:

	<u>Governmental Fund Financial Statements</u>	<u>Government- Wide Statements</u>
	<u>General</u>	<u>Governmental Activities</u>
Property Taxes	\$ 11,551,399	\$ 10,851,610
Library Taxes	778,769	720,603
Suburban Park Taxes	<u>15,761</u>	<u>15,679</u>
Total Deferred Inflows Of Resources	<u>\$ 12,345,929</u>	<u>\$ 11,587,892</u>

Deferred Inflows of Resources as of year-end arising from the County’s major and non-major enterprise funds is as follows:

	<u>Enterprise Fund Financial Statements</u>	<u>Wide Statements</u>
	<u>Sewer</u>	<u>Business-Type Activities</u>
Trnsmssn Debt Refinance	\$ 29,287	\$ 29,287
Unclaimed Tax Sale Proceeds	<u>390</u>	<u>390</u>
Total Deferred Inflows Of Resources	<u>\$ 29,677</u>	<u>\$ 29,677</u>

NOTE H – 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>
Nons pendable:				
Inventory	\$ 32,952	\$ 39,102	\$ -	\$ 72,054
Prepaid Expenses	45,846	-	-	45,846
Total Nons pendable	<u>78,798</u>	<u>39,102</u>	<u>-</u>	<u>117,900</u>
Restricted:				
Capital Projects	-	6,888,510	65,531	6,954,041
Recreational	22,782	-	-	22,782
APFO-EMS	1,202	-	-	1,202
Library Tax	255,096	-	-	255,096
Rodent Grant	17,829	-	-	17,829
LEPC Grant	39,238	-	-	39,238
Library Standards Grant	68,806	-	-	68,806
Total Restricted	<u>404,953</u>	<u>6,888,510</u>	<u>65,531</u>	<u>7,358,994</u>
Committed:				
Encumbrances	411,903	-	-	411,903
Total Committed	<u>411,903</u>	<u>-</u>	<u>-</u>	<u>411,903</u>
Assigned:				
Operating Needs	337,900	-	-	337,900
Legal Contingency	950,000	-	-	950,000
Library	45,000	-	-	45,000
Recorder of Deeds Maintenance Fees	60,000	-	-	60,000
Sheriff Auctioneer Fees	60,000	-	-	60,000
Local Government Fees	60,000	-	-	60,000
Donations	5,554	-	-	5,554
Total Assigned	<u>1,518,454</u>	<u>-</u>	<u>-</u>	<u>1,518,454</u>
Unassigned	<u>40,422,288</u>	<u>-</u>	<u>-</u>	<u>40,422,288</u>
Total Fund Balances	<u>\$ 42,836,396</u>	<u>\$ 6,927,612</u>	<u>\$ 65,531</u>	<u>\$ 49,829,539</u>

NOTE I – CAPITAL IMPROVEMENT COMMITMENTS

The following is a summary of the significant capital improvement commitments of the County as of June 30, 2014:

Governmental Funds

Capital Project Fund:

<u>Project Name</u>	<u>Estimated Project Cost</u>	<u>Remaining Contract Commitments To Date</u>	<u>Costs Incurred To Date</u>
Recreation Center/Kesselring	\$ 286,021	\$ 212,852	\$ 73,169
IT Microsoft Upgrades	4,500	4,500	-
	<u>\$ 290,521</u>	<u>\$ 217,352</u>	<u>\$ 73,169</u>

The Capital Projects Fund has incurred costs in the amount of \$174,091 that were not under a formal construction commitment as of June 30, 2014.

Enterprise Funds

Sewer Fund:

<u>Project Name</u>	<u>Estimated Project Cost</u>	<u>Remaining Contract Commitments To Date</u>	<u>Costs Incurred To Date</u>
TMDL	\$ 102,675	\$ 3,183	\$ 99,492
East Dover Project	1,140,148	56,763	1,083,385
Hilltop Project	20,318	3,391	16,927
Little Heaven Bypass	347,629	22,760	324,869
Leachate Project	1,378,780	566,449	812,331
Treatment Plant Expansion Upgrade	5,200,780	4,318,921	881,859
General Labor & Equipment Contract	1,508,425	54,762	1,453,663
	<u>\$ 9,698,755</u>	<u>\$ 5,026,229</u>	<u>\$ 4,672,526</u>

In the Sewer Fund, Kent County has incurred costs in the amount of \$5,603,035 that were not under a formal construction commitment as of June 30, 2014.

NOTE J – 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.

The County is no longer a defendant in various lawsuits. On August 7, 2013, the Stipulation and Order of Dismissal was filed by the Attorney General's Office and the associated Docket sheet clocked in as "Fully Paid and Satisfied". The Order was effective immediately without signature by the presiding Judge effectively ending the legal action and any associated material adverse effect on the financial condition of the government.

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 K – PENSION AND POST RETIREE FUNDS**1. Plan Description**

All full-time employees are eligible for coverage under the Kent County pension plan, a single-employer defined benefit pension plan established by ordinance of the Kent County Levy Court in accordance with state statutes. The County's financial report reflecting the pension plan financial activity may be obtained at the County's Administrative Offices during regular business hours.

An actuarial valuation of the pension plan prepared by Grant Thornton LLP, as of January 1, 2014, was based on the following membership data:

Active Employees	282
Retired	158
Survivors	19
Disabled	1
Deferred Vested	<u>102</u>
TOTAL	<u><u>562</u></u>

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; or, at least three years of service and age plus service equals at least 50. 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 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.

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.

No investment in any one organization represents 5 percent or more of the net position available for pension benefits.

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

NOTE K – PENSION AND POST RETIREE FUNDS - CONTINUED

3. Contributions Required and Contributions Made

Periodic employer contributions to the pension plan are determined on an actuarial basis using the frozen entry age actuarial cost method. Normal cost is funded on a current basis. The unfunded actuarial accrued liability is funded over a 30-year period. Periodic contributions for both normal cost and the amortization of the unfunded actuarial accrued liability are based on the recommendations of the actuarial firm Grant Thornton LLP. The funding strategy for normal cost and the unfunded actuarial accrued liability should provide sufficient resources to pay employee pension benefits on a timely basis.

Total contribution to the pension plan in fiscal year 2014 was \$1,478,654 of which \$146,178 was the employee contribution and \$1,332,476 was the employer contribution. This contribution was based on the January 1, 2014 actuarial valuation by Grant Thornton LLP.

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

KENT COUNTY, DELAWARE

STATEMENT OF FIDUCIARY NET POSITION
PENSION TRUST FUNDS
June 30, 2014

	<u>Pension Fund</u>	<u>Post Retiree Benefits Fund</u>
ASSETS		
Restricted Assets:		
Receivables		
Interest	\$ 8,557	\$ -
Investments	34,168,989	13,529,785
	<u>34,177,546</u>	<u>13,529,785</u>
Total Assets		
LIABILITIES		
Accounts Payable	31,385	-
Total Liabilities	<u>-</u>	<u>-</u>
NET POSITION		
Held in Trust for:		
Pension Benefits	34,146,161	-
Post Retiree Benefits	-	13,529,785
	<u>-</u>	<u>13,529,785</u>
Total Net Position	<u>\$ 34,146,161</u>	<u>\$ 13,529,785</u>

NOTE K – PENSION AND POST RETIREE FUNDS – CONTINUED

KENT COUNTY, DELAWARE

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PENSION TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Pension Fund</u>	<u>Post Retiree Benefits Fund</u>
ADDITIONS		
Employee Contributions	\$ 146,178	\$ -
Employer Contributions	1,332,476	616,016
Interest and Dividends	198,616	239,809
Net Appreciation in Fair Value of Investments	<u>5,408,656</u>	<u>1,562,242</u>
Total Additions	<u>7,085,926</u>	<u>2,418,067</u>
DEDUCTIONS		
Pension Benefits	2,003,931	575,235
Administrative Expense	<u>177,861</u>	<u>2,471</u>
Total Deductions	<u>2,181,792</u>	<u>577,706</u>
Change In Net Assets	4,904,134	1,840,361
Net Position - Beginning of Year	<u>29,242,027</u>	<u>11,689,424</u>
Net Position - End of Year	<u>\$ 34,146,161</u>	<u>\$ 13,529,785</u>

NOTE K – PENSION AND RETIREE FUNDS - CONTINUED

Annual Pension Cost and Net Pension Obligation

The County's annual pension cost and net pension obligation as of January 1, 2013, the date of the actuarial valuation used for fiscal year 2014 annual contribution, is as follows.

Annual required contribution (ARC)	\$	1,418,125
Interest on net pension asset		(111,344)
Adjustment to annual required contribution		<u>201,125</u>
Annual pension cost		1,507,906
Contribution made		<u>1,478,654</u>
Decrease in net pension asset		29,252
Net pension asset at beginning of year		<u>(1,391,800)</u>
Net pension asset at end of year	\$	<u><u>(1,362,548)</u></u>

Employer annual pension costs (APC), actual contributions and the net pension obligation (asset) (NPO) are as follows. The NPO (asset) is the cumulative difference between the annual required contribution (ARC) and the contributions actually made.

	<u>For Fiscal Year</u>	<u>Amount</u>
Annual Pension Cost (APC)	2012	\$ 1,621,333
	2013	1,571,157
	2014	1,507,906
Annual Required Contribution (ARC)	2012	1,527,494
	2013	1,478,654
	2014	1,418,125
Actual Contribution	2012	1,527,494
	2013	1,478,654
	2014	1,478,654
Percentage of APC Contributed	2012	94.21%
	2013	94.11%
	2014	98.06%
NPO (Asset)	2012	(1,484,303)
	2013	(1,391,800)
	2014	(1,362,548)

NOTE K – PENSION AND POST RETIREE FUNDS – CONTINUED

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Frozen Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a) / c]
1/1/2014	\$ 29,724,579	\$ 36,658,153	\$ 6,933,574	81.1%	\$ 13,470,257	51.47%

The Schedule of Funding Progress, presented as Required Supplemental Information (RSI) following the notes to the financial statements, presents multiyear information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial liability for benefits.

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended June 30,	Annual Required Contribution	Amount Contributed	Percent Contributed
2009	\$ 1,221,003	\$ 1,530,881	125.38%
2010	2,133,498	2,133,498	100.00%
2011	1,539,554	1,554,217	100.95%
2012	1,527,494	1,527,494	100.00%
2013	1,478,654	1,478,654	100.00%
2014	1,418,125	1,478,654	104.27%

NOTE K – PENSION AND POST RETIREE FUNDS – CONTINUED

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:

Valuation Date:	January 1, 2014
Actuarial Cost Method:	Projected Unit Credit Actuarial Cost Method
Asset Valuation Method:	An actuarial value of assets is used. On each valuation date, the expected assets are determined by increasing the previous actuarial value of assets and the net receipts and disbursements at the valuation interest rate. This expected value is used but is limited to within 10% of the market value.
Form of Payment:	Life Annuity
Investment Rate of Return:	8% compounded annually
Projected Salary Increases:	3.5% per annum
Mortality Table:	RP-2000 Combined Healthy Table
Amortization Method:	Level Dollar Method, Closed
Amortization Period:	30 Years

NOTE L - OTHER POST-RETIREMENT BENEFITS**1. Plan Description**

In addition to the pension benefits described in Note K, the County provides post-employment health care benefits to former employees retiring from active service. 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, 112 retirees meet these eligibility requirements, of which 96 retirees and 15 spouses receive health insurance benefits and 16 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 2014, expenditures of \$637,417 were recognized for post-retirement health care of which \$575,235 was paid out of the OPEB fund. The \$62,182 balance of retiree benefits was paid from the operating budgets of General Fund in the amount of \$48,982 and Sewer Fund in the amount of \$13,200.

NOTE L - OTHER POST-RETIREMENT BENEFITS- CONTINUED

2. Funding Policy

The County has implemented GASB No 43 and 45 starting with the 2009 fiscal year. Beginning with 2011 the cost method used to determine the funded status of the Plan and the annual contribution requirements is the Projected Unit Credit Actuarial Cost Method. Projected Unit Credit is consistent with the method used for the Pension Plan of Kent County. This is an individual type cost method that directly defines an actuarial accrued liability and normal cost. It is consistent with the method mandated for financial disclosure of private sector obligations for other post-employment benefits. The unfunded liability is determined as the difference between the actuarial accrued liability determined under the cost method and the market value of assets. This amount is amortized and added to the normal cost to determine the recommended contribution.

3. Annual OPEB Cost and Net OPEB Obligation

The County’s annual other post employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the County’s annual OPEB cost for fiscal year 2014, the amount actually contributed to the plan, and changes in the County’s net OPEB obligation (NOO):

Annual required contribution (ARC)	\$ 616,016
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
	<hr/>
Annual OPEB cost (expense)	616,016
Contribution made	616,016
	<hr/>
Increase in net OPEB obligation	-
Net OPEB obligation at beginning of year	-
	<hr/>
Net OPEB obligation at end of year	\$ -
	<hr/> <hr/>

NOTE L - OTHER POST-RETIREMENT BENEFITS – CONTINUED

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 was as follows:

	For Fiscal Year	Amount
Annual OPEB Cost	2012	\$ 661,025
	2013	661,025
	2014	616,016
Annual Required Contribution (ARC)	2012	661,025
	2013	661,025
	2014	616,016
Actual Contribution	2012	661,025
	2013	661,025
	2014	616,016
Percentage of Annual OPEB Cost Contributed	2012	100.00%
	2013	100.00%
	2014	100.00%
NOO (Net OPEB Obligation) (Asset)	2012	-
	2013	-
	2014	-

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Frozen Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a) / c]
1/1/2013	\$ 11,028,790	\$ 11,529,437	\$ 500,647	95.7%	\$ 13,186,023	3.80%

The Schedule of Funding Progress, presented as required Supplemental Information (RSI) following the notes to the financial statements, presents multiyear information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial liability for benefits.

NOTE M - RISK MANAGEMENT

1. Health Insurance

The County contracts with Blue Cross Blue Shield of Delaware to provide health insurance for the County’s active employees and retirees. During fiscal year 2014, the County provided 100% of the monthly premiums for employee health benefit costs and contributed 60% or \$175 (whichever is greater) monthly toward dependent health care.

The County is self-insured for dental care benefits. The dental care benefits employees receive are \$1,000 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.

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 N - 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, 2014, the balance of this reserve totaled \$330,077
- 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, 2014, the balance of this reserve totaled \$23,620,806 of which \$17,848,159 is for the main system capital improvement and \$5,772,647 is for district capital improvement.

Equipment Replacement Reserve	\$ 330,077
Expansion Reserve	<u>23,620,806</u>
 Total Reserved Net Position	 <u>\$ 23,950,883</u>

NOTE O – 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, 2014, the balances of the outstanding bonds were as follows:

<u>Bond</u>	<u>Issue Amount</u>	<u>Balance Outstanding June 30, 2014</u>
1984 Single Family Residential Mortgage	\$ 25,395,575	\$ 2,449,162
1997 Wesley College	3,500,000	1,057,493
1999 Wesley College	1,250,000	481,330
1999 Dover ALF, LLC "Heritage"	7,500,000	5,885,000
1999 Modern Maturity Center	500,000	11,886
2001 Wesley College	2,500,000	454,718
2004A DSU Student Housing, LLC	18,420,000	15,120,000
2004B,2004C DSU Student Housing, LLC	36,300,000	31,670,000
2005 Wesley College	2,900,000	1,380,371
2008A, 2008B Providence Creek Academy Charter School	13,150,000	6,740,000
2011 Charter School, Inc.	3,930,000	3,715,000
Total	<u>\$ 115,345,575</u>	<u>\$ 68,964,960</u>

NOTE P – SUBSEQUENT EVENTS

On June 24, 2014, the Levy Court Commissioners adopted Ordinance 14-10 which authorized the issuance of up to \$453,000 of general obligation bonds for the construction and equipage of certain facilities for the Kent County Sewage Disposal District 1.

On July 22, 2014, the Levy Court Commissioners adopted Ordinance 14-13 which authorized the issuance of up to an additional \$7,838,000 of general obligation bonds for the Wastewater Treatment Plant Capacity Expansion and Nutrient Removal Project. This increased the not to exceed amount for this project from \$11,442,000 to \$19,280,000.

Also on July 22, 2014, the Levy Court Commissioners adopted Ordinance 14-14 which authorized the issuance of up to \$632,000 of general obligation bonds for the Kent County Paris Villa Sanitary Sewer Services and a RUS grant amount not to exceed \$1,894,000 for a total amount of up to \$2,526,000.

On November 10, 2014, the Levy Court Commissioners adopted Ordinance 14-18 which authorized the issuance of up to \$12,500,000 of general obligation bonds for the purpose of refunding a portion of the County's existing debt.

The County has evaluated all subsequent events through December 19, 2014, the date the financial statements were available to be issued.

Pension Funded Status and Funding Progress

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 three completed valuations covering three years.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Frozen Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a) / c]
1/1/2012	\$ 26,576,144	\$ 32,426,481	\$ 5,850,337	82.0%	\$ 12,687,170	46.11%
1/1/2013	28,139,969	34,348,336	6,208,367	81.9%	13,186,023	47.08%
1/1/2014	29,724,579	36,658,153	6,933,574	81.1%	13,470,257	51.47%

Other Post Employment Benefits Funded Status and Funding Progress

The following required supplementary information is provided with regard to the OPEB funding progress. The County has a valuation of the other post employment benefits performed every two years. Since fiscal year 2009 was the first year for implementation of GASB 43 and 45, the schedule presents the valuation completed in fiscal years 2009, 2011, and 2013 covering three valuations.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Frozen Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a) / c]
1/1/2009	\$ 7,047,685	\$ 9,831,188	\$ 1,492,166	71.7%	\$ 12,645,748	11.80%
1/1/2011	9,705,468	11,197,634	1,492,166	86.7%	12,081,049	12.35%
1/1/2013	11,028,790	11,529,437	500,647	95.7%	13,186,023	3.80%



KENT COUNTY, DELAWARE

COMBINING BALANCE SHEET
NON-MAJOR
GOVERNMENTAL FUNDS
JUNE 30, 2014

	Special Revenue Fund	Capital Project Fund	Total Non-Major Governmental Funds
	Farmer's Home Administration Grant	Aeropark Fund	
ASSETS			
Cash and Investments	\$ 20,132	\$ 65,531	\$ 85,663
Due from Other Governments	8,650	-	8,650
Total Assets	<u>\$ 28,782</u>	<u>\$ 65,531</u>	<u>\$ 94,313</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Due to Other Funds	\$ 28,782	-	\$ 28,782
Total Liabilities	<u>28,782</u>	<u>-</u>	<u>28,782</u>
Fund Balances:			
Restricted:			
Capital Projects	-	65,531	65,531
Total Fund Balances	<u>-</u>	<u>65,531</u>	<u>65,531</u>
Total Liabilities and Fund Balances	<u>\$ 28,782</u>	<u>\$ 65,531</u>	<u>\$ 94,313</u>

KENT COUNTY, DELAWARE

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014**

	Special Revenue Fund	Capital Project Fund	
	Farmer's Home Administration Grant	Aeropark Fund	Total Non-Major Governmental Funds
REVENUES			
Grants	\$ 25,070	\$ -	\$ 25,070
Investment Income	-	123	123
Other Revenues	-	18,377	18,377
Total Revenues	25,070	18,500	43,570
EXPENDITURES			
Current:			
Planning Services	25,070	-	25,070
Economic Development	-	14	14
Total Expenditures	25,070	14	25,084
Excess of Revenues Over Expenditures	-	18,486	18,486
Net Change in Fund Balances	-	18,486	18,486
Fund Balances at Beginning of Year	-	47,045	47,045
Fund Balances at End of Year	\$ -	\$ 65,531	\$ 65,531

KENT COUNTY, DELAWARE

COMBINING STATEMENT OF NET POSITION
NON-MAJOR PROPRIETARY FUNDS
JUNE 30, 2014

	<u>Street Light</u>	<u>Landfill</u>	<u>Total</u>
ASSETS			
Current Assets:			
Cash and Investments	\$ 697,596	\$ 734,177	\$ 1,431,773
Receivables			
Fees and Services	965,488	-	965,488
	<u>1,663,084</u>	<u>734,177</u>	<u>2,397,261</u>
Total Current Assets			
Non-Current Assets:			
Capital Assets, Net			
Land	3,000	-	3,000
Equipment and Furniture	-	7,663	7,663
	<u>3,000</u>	<u>7,663</u>	<u>10,663</u>
Total Non-Current Assets			
Total Assets	<u>1,666,084</u>	<u>741,840</u>	<u>2,407,924</u>
LIABILITIES			
Current Liabilities			
Accounts Payable	52,330	657	52,987
Due to Other Funds	17,200	1,191	18,391
Unearned Revenue	916,210	170,718	1,086,928
	<u>985,740</u>	<u>172,566</u>	<u>1,158,306</u>
Total Liabilities			
NET POSITION			
Net Investment in Capital Assets	3,000	7,663	10,663
Unrestricted	677,344	561,611	1,238,955
	<u>680,344</u>	<u>569,274</u>	<u>1,249,618</u>
Total Net Position	<u>\$ 680,344</u>	<u>\$ 569,274</u>	<u>\$ 1,249,618</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, 2014

	Street Light	Landfill	Total
OPERATING REVENUES			
Fees for Services	\$ 914,032	\$ -	\$ 914,032
Other Revenue	-	9,282	9,282
Total Operating Revenues	914,032	9,282	923,314
OPERATING EXPENSES			
Salaries and Benefits	113,023	-	113,023
Contractual Services	467	16,127	16,594
Utilities	720,595	-	720,595
Maintenance, Parts and Supplies	5,662	3	5,665
Vehicle Expense	1,283	-	1,283
Operating Insurance and Indirect Costs	47,580	4,767	52,347
Depreciation Expense	-	2,190	2,190
Total Operating Expenses	888,610	23,087	911,697
Operating Income (Loss)	25,422	(13,805)	11,617
NON-OPERATING REVENUES			
Interest and Dividends	1,858	1,008	2,866
Total Non-Operating Revenues	1,858	1,008	2,866
Net Income (Loss)	27,280	(12,797)	14,483
Net Position at Beginning of Year	653,064	582,071	1,235,135
Net Position at End of Year	\$ 680,344	\$ 569,274	\$ 1,249,618

KENT COUNTY, DELAWARE

COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Street Light	Landfill	Total
Cash Flows From Operating Activities:			
Receipts from Customers and Users	\$ 918,124	\$ -	\$ 918,124
Payments to Suppliers	(715,427)	(15,532)	(730,959)
Internal Activity - Payment to Other Funds	(197,263)	(4,830)	(202,093)
Net Cash Provided (Used) by Operating Activities	<u>5,434</u>	<u>(20,362)</u>	<u>(14,928)</u>
Cash Flows From Capital and Related Financing Activities:			
Acquisition and Construction of Capital Assets	(3,000)	-	(3,000)
Net Cash (Used) by Capital and Related Financing Activities	<u>(3,000)</u>	<u>-</u>	<u>(3,000)</u>
Cash Flows From Investing Activities:			
Interest and Dividends	1,858	1,008	2,866
Net Cash Provided By Investing Activities	<u>1,858</u>	<u>1,008</u>	<u>2,866</u>
Net Increase (Decrease) In Cash and Cash Equivalents	4,292	(19,354)	(15,062)
Cash and Cash Equivalents at Beginning of Year	<u>693,304</u>	<u>753,531</u>	<u>1,446,835</u>
Cash and Cash Equivalents at End of Year	<u>\$ 697,596</u>	<u>\$ 734,177</u>	<u>\$ 1,431,773</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating Income (Loss)	\$ 25,422	\$ (13,805)	\$ 11,617
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation	-	2,190	2,190
Change in Assets and Liabilities:			
(Increase) in Accounts Receivable	(16,464)	-	(16,464)
Increase in Accounts Payable	12,740	598	13,338
Increase (Decrease) in Deferred Revenue	20,556	(9,282)	11,274
(Decrease) in Due To Other Funds	(36,820)	(63)	(36,883)
Net Cash Provided (Used) by Operating Activities	<u>\$ 5,434</u>	<u>\$ (20,362)</u>	<u>\$ (14,928)</u>

KENT COUNTY, DELAWARE

COMBINING STATEMENT OF NET POSITION
 FIDUCIARY FUNDS
 JUNE 30, 2014

	<u>Pension Fund</u>	<u>Post Retiree Benefits Fund</u>	<u>Total</u>
ASSETS			
Restricted Assets:			
Receivables			
Interest	\$ 8,557	\$ -	\$ 8,557
Investments	<u>34,168,989</u>	<u>13,529,785</u>	<u>47,698,774</u>
Total Assets	<u>34,177,546</u>	<u>13,529,785</u>	<u>47,707,331</u>
LIABILITIES			
Accounts Payable	<u>31,385</u>	<u>-</u>	<u>31,385</u>
Total Liabilities	<u>31,385</u>	<u>-</u>	<u>31,385</u>
NET POSITION			
Held in Trust for:			
Pension Benefits	34,146,161	-	34,146,161
Post Retiree Benefits	<u>-</u>	<u>13,529,785</u>	<u>13,529,785</u>
Total Net Position	<u>\$ 34,146,161</u>	<u>\$ 13,529,785</u>	<u>\$ 47,675,946</u>

KENT COUNTY, DELAWARE

**COMBINING STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Pension Fund</u>	<u>Post Retiree Benefits Fund</u>	<u>Total</u>
ADDITIONS			
Employee Contributions	\$ 146,178	\$ -	\$ 146,178
Employer Contributions	1,332,476	616,016	1,948,492
Interest and Dividends	198,616	239,809	438,425
Net Appreciation in Fair Value of Investments	<u>5,408,656</u>	<u>1,562,242</u>	<u>6,970,898</u>
Total Additions	<u>7,085,926</u>	<u>2,418,067</u>	<u>9,503,993</u>
DEDUCTIONS			
Pension Benefits	2,003,931	575,235	2,579,166
Administrative Expense	<u>177,861</u>	<u>2,471</u>	<u>180,332</u>
Total Deductions	<u>2,181,792</u>	<u>577,706</u>	<u>2,759,498</u>
Change In Net Position	4,904,134	1,840,361	6,744,495
Net Position - Beginning of Year	<u>29,242,027</u>	<u>11,689,424</u>	<u>40,931,451</u>
Net Position - End of Year	<u>\$ 34,146,161</u>	<u>\$ 13,529,785</u>	<u>\$ 47,675,946</u>

