

**KENT COUNTY, DELAWARE**



**BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
Year Ended June 30, 2015**

**KENT COUNTY, DELAWARE**

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AND SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2015**

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## INDEPENDENT AUDITOR'S REPORT

December 11, 2015

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, 2015, 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. 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.

Board of Commissioners  
Kent County, Delaware

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, 2015, 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.

Emphasis of Matter

As discussed in Notes A and O to the financial statements, the County has adopted the requirements of GASB Statement No. 68, "Accounting and Financial Reporting for Pensions," and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68." These statements modify the accounting for the County's pension. Our opinion is not modified with respect to this matter.

Other Matters

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 12; the schedule of changes in net pension liability, related ratios, and investment returns on page 59; the pension funded status and funding progress on page 60; and other post-employment benefits funded status and funding progress on page 61 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 and fiduciary fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Board of Commissioners  
Kent County, Delaware

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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2015, 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, 2015**

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, 2015. 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 \$188,811,081 (net position), an increase of \$4,691,594 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 \$51,076,095 an increase of \$1,246,556 from the previous year. Of the current ending fund balances, General Fund reported \$39,436,838 as unassigned, \$164,537 as nonspendable, \$324,878 as restricted, \$466,377 as committed, and \$1,926,174 as assigned. In the Capital Projects Fund, \$8,669,886 is reported as restricted and \$6,403 is reported as nonspendable. In the Other Governmental Funds, \$81,002 is reported as restricted.

**Long-Term Debt**

- At the end of the current fiscal year, the County had total bonded debt outstanding of \$53,419,685 an increase of \$6,093,740 from the previous year. All of the bonded debt is backed by the full faith and credit of the County government. Governmental activities report \$4,524,126 and business-type activities report \$48,895,559 of general obligation bonds.
- The County implemented GASB Statement No. 68, Accounting and Financial Reporting for Pensions, which generally requires state and local governments whose employees are provided with defined benefit pensions to account for and report the annual pension cost and outstanding pension obligations. The County reported a net pension liability totaling \$9,118,334 and \$4,621,362 at June 30, 2015 and June 30, 2014 respectively.
- 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, 2015, the County has invested \$154,241,290 net of accumulated depreciation, in a broad range of capital assets (see table below). Depreciation charges for Fiscal Year 2015 totaled \$7,493,202.

**Kent County's Capital Assets as of June 30, 2015 and 2014**  
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 7,312,893	\$ 7,312,893	\$ 7,445,122	\$ 7,436,794	\$ 14,758,015	\$ 14,749,687
Construction in Progress	2,549,530	247,260	25,881,685	10,302,561	28,431,215	10,549,821
Site Improvements	3,703,558	3,947,420	342,626	621,915	4,046,184	4,569,335
Pipeline	-	-	46,022,478	45,336,800	46,022,478	45,336,800
Buildings	18,056,416	18,613,709	18,423,719	18,468,433	36,480,135	37,082,142
Equipment and Furniture	1,378,075	1,543,123	23,125,188	24,383,370	24,503,263	25,926,493
<b>Total Capital Assets</b>	<b>\$ 33,000,472</b>	<b>\$ 31,664,405</b>	<b>\$ 121,240,818</b>	<b>\$ 106,549,873</b>	<b>\$ 154,241,290</b>	<b>\$ 138,214,278</b>



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

- Addition to Brown's Branch Park for site improvements for paving crosswalks to parking area and walkways in the amount of \$13,360.
- Addition of donated equipment for Public Safety in the amount of \$32,075 for one vehicle.
- Purchase of furniture and equipment to include one emergency response Suburban vehicle for Public Safety for \$60,511, one emergency response sedan vehicle for \$28,703, two cardiac monitors for Public Safety for \$17,362, one vehicle for the Sheriff's office for \$17,087, one batwing mower for Parks for \$16,588, one scanner for Recorder of Deeds for \$5,395, two phone system servers for Information Technology for \$10,471, one building automation server for Facilities Management for \$10,838, and an upgrade to a digital system on the mobile command unit for Public Safety for \$7,302.
- Construction in Progress is comprised of the Hunn Roadway Parking project in the amount of \$33,815, Kesselring Recreation Center project in the amount of \$2,346,230, Computer Aided Mass Appraisal system project in the amount of \$152, Server Hardware Software: Network Switches in the amount of \$169,058, and Disaster Recovery: Virtualization of Servers project in the amount of \$276.

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

- Completion of DSWA pipeline in the amount of \$1,543,274.
- Completion of the East Dover sewer extension in the amount of \$1,263,027.
- Completion of Hilltop Phase I sewer extension in the Rising Sun district in the amount of \$919,666.
- Purchase and installation of two new pumps and check valve at PS1 totaling \$113,902.
- Purchase and installation of Scada system for the City of Harrington totaling \$99,850.
- Purchase and installation of a Pug Mill Mixer in the amount of \$63,931.
- Set up of a Water Room for Biosolids at the treatment plant totaling \$35,483.
- Purchase of two portable 6" Godwin pumps totaling \$85,770.
- Pump repairs at PS8, PS6, PS19, PS29 and PS24B totaling \$72,883.
- Purchase of a Powergate Plus inverter with combiner box and an Ebara Vortex submersible pump with chain for operation in the amount of \$58,561.
- Repairs to the Wilo Mixer and Grinder Pump at PS17 in the amount of \$39,960.
- Repairs to the ceiling and roof and overhead door replacement at PS 7 totaling \$25,078.
- Purchase of 5 grinder pumps, 3 variable frequency drives and Scada equipment in the amount of \$28,738.
- Muffin Monster repairs at PS3 in the amount of \$14,523.
- Improvements to walls and floor at Holly Hills pump station totaling \$10,812.
- Replacement of well at PS4 in the amount of \$10,044.
- Repair of pump at PS45 in the amount of \$6,257.
- Purchase of a variable frequency drive for PS7 in the amount of \$5,558.
- Purchase of land in Stonegate, Tidbury district in the amount of \$25,000.
- Purchase of a Prowler Dry Spreader for operations in the amount of \$247,895.
- Purchase of a 2015 Kenworth T880 dump truck for maintenance in the amount of \$164,243.
- Purchase of a 2015 Mack Road Tractor for maintenance in the amount of \$130,560.
- Purchase of a 2015 Ford F350 Flat Bed Truck, two 2015 Ford F350 Utility Work Trucks with cranes, a 2015 Ford F150 truck with extended cab for maintenance and a 2015 Ford F150 truck with extended cab for engineering totaling \$195,717.
- Purchase of a hydraulic shear and a Kubota tractor with bucket and finish mower in the amount of \$73,366.
- Purchase of a portable camera system for maintenance totaling \$12,435.
- Purchase of a Geo 7x Hand Held Trimble totaling \$7,445.
- Construction in Progress' significant components is comprised of the Treatment Plant capacity expansion and the upgrade and addition of sewer lines for the Little Heaven Bypass. Also included in construction in progress is the Murderkill wetland restoration, TMDL compliance project and at the Treatment Plant the 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 Combining Statement of Net Position – Fiduciary Funds and Combining Statement of Changes In Net Position – Fiduciary Funds. These funds are reported using accrual accounting. The government-wide statements exclude fiduciary fund activities and balances because these assets are restricted in purpose and do not represent assets available to the County to finance its operations.

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

**Required Supplementary Information.** The RSI presents information detailing the contributions made to and the funding status of the County's pension and OPEB plans.

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

**Financial Analysis of the Government as a Whole**

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

**Kent County's Net Position as of June 30, 2015 and 2014**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Totals</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Current and Other Assets	\$ 68,614,025	\$ 67,109,364	\$ 50,339,633	\$ 53,001,954	\$ 118,953,658	\$ 120,111,318
Capital Assets	33,000,472	31,664,405	121,240,818	106,549,873	154,241,290	138,214,278
<b>Total Assets</b>	<b>101,614,497</b>	<b>98,773,769</b>	<b>171,580,451</b>	<b>159,551,827</b>	<b>273,194,948</b>	<b>258,325,596</b>
Total Deferred Outflows of Resources	3,847,223	1,037,945	1,133,196	217,667	4,980,419	1,255,612
Long-Term Liabilities	12,791,413	9,337,235	49,537,412	40,263,875	62,328,825	49,601,110
Other Liabilities	4,435,337	4,366,134	10,772,091	9,976,908	15,207,428	14,343,042
<b>Total Liabilities</b>	<b>17,226,750</b>	<b>13,703,369</b>	<b>60,309,503</b>	<b>50,240,783</b>	<b>77,536,253</b>	<b>63,944,152</b>
Total Deferred Inflows of Resources	11,797,164	11,587,892	30,869	29,677	11,828,033	11,617,569
Net Position:						
Net Investment in Capital Assets	28,120,342	26,796,027	71,807,718	64,175,064	99,928,060	90,971,091
Restricted	9,075,766	404,953	26,023,719	23,950,883	35,099,485	24,355,836
Unrestricted	39,241,698	47,319,473	14,541,838	21,473,087	53,783,536	68,792,560
<b>Total Net Position</b>	<b>\$ 76,437,806</b>	<b>\$ 74,520,453</b>	<b>\$ 112,373,275</b>	<b>\$ 109,599,034</b>	<b>\$ 188,811,081</b>	<b>\$ 184,119,487</b>

The largest components of the County's current and other assets of \$118,953,658 are cash and investments totaling \$91,223,350 of which \$28,919,148 is reported as restricted assets in the Sewer Fund. Of the total long-term liabilities of \$62,328,825, bonds payable net of deferred charges accounts for \$51,815,622. Accounts payables totaling \$4,244,686, and unearned revenue totaling \$4,698,670 are the largest components in other liabilities of \$15,207,428. Total deferred inflows of resources are \$11,828,033 which primarily consists of unavailable property tax revenue totaling \$11,797,164.

**Kent County's Changes in Net Position**

	<b>Governmental</b>		<b>Business-type</b>		<b>Totals</b>	
	<b>Activities</b>		<b>Activities</b>			
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
<b>REVENUES</b>						
Program Revenues:						
Charges for Services	\$ 7,706,520	\$ 7,830,066	\$ 21,253,466	\$ 21,240,923	\$ 28,959,986	\$ 29,070,989
Operating Grants and Contributions	3,349,706	2,903,651	21,634	10,450	3,371,340	2,914,101
Capital Grants and Contributions	80,210	311,482	3,729,501	2,910,387	3,809,711	3,221,869
General Revenues:						
Property Taxes	10,990,802	10,819,104	-	-	10,990,802	10,819,104
Real Estate Transfer Tax	4,210,416	3,462,321	-	-	4,210,416	3,462,321
Residential Telephone Surcharge	270,015	270,014	-	-	270,015	270,014
Investment Earnings	125,051	120,856	90,172	96,152	215,223	217,008
Other Revenue and Gains (Losses)	337,259	341,290	244,056	12,860	581,315	354,150
<b>Total Revenues</b>	<b>27,069,979</b>	<b>26,058,784</b>	<b>25,338,829</b>	<b>24,270,772</b>	<b>52,408,808</b>	<b>50,329,556</b>
<b>EXPENSES</b>						
General Government	2,751,768	2,304,636	-	-	2,751,768	2,304,636
Special Grants/Programs	2,129,742	1,857,709	-	-	2,129,742	1,857,709
Community Services	3,650,644	3,546,729	-	-	3,650,644	3,546,729
Planning Services	5,532,350	5,321,429	-	-	5,532,350	5,321,429
Public Safety	8,674,656	8,315,276	-	-	8,674,656	8,315,276
Row Offices	1,861,280	1,690,769	-	-	1,861,280	1,690,769
Economic Development	287,819	44,180	-	-	287,819	44,180
Bond Issue Costs	53,254	-	-	-	53,254	-
Debt Service	211,113	231,398	-	-	211,113	231,398
Sewer	-	-	18,243,107	17,311,372	18,243,107	17,311,372
Street Light	-	-	907,738	888,610	907,738	888,610
Trash	-	-	3,403,712	2,912,322	3,403,712	2,912,322
Landfill	-	-	10,031	23,087	10,031	23,087
<b>Total Expenses</b>	<b>25,152,626</b>	<b>23,312,126</b>	<b>22,564,588</b>	<b>21,135,391</b>	<b>47,717,214</b>	<b>44,447,517</b>
<b>Increase in Net Position</b>	<b>\$ 1,917,353</b>	<b>\$ 2,746,658</b>	<b>\$ 2,774,241</b>	<b>\$ 3,135,381</b>	<b>\$ 4,691,594</b>	<b>\$ 5,882,039</b>

**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 \$4,691,594 over the course of this fiscal year's operations. The change in the governmental activities net position increased \$1,917,353. This increase in net position was 30.19% lower than the increase in net position in Fiscal Year 2014. The increase in net position in Fiscal Year 2015 was lower than the increase in net position in Fiscal Year 2014 as a result of expenditures being 7.9% higher in Fiscal Year 2015 as compared to Fiscal Year 2014. There was a 3.88% increase in Fiscal Year 2015 total revenue as compared to Fiscal Year 2014 total revenue. Real estate transfer tax was up 21.61% from Fiscal Year 2014 and inspection fees were up 4.71% from the prior fiscal year. The sheriff fees were down 7.15% in Fiscal Year 2015 as compared to Fiscal Year 2014.

The net position of the County's business-type activities increased by \$2,774,241. This increase in net position was 11.52% lower than the increase in net position in Fiscal Year 2014. The decrease in net position of \$361,140 between Fiscal Year 2014 and Fiscal Year 2015 was primarily a result of a 6.76% increase of expenses totaling \$1,429,197 in Fiscal Year 2015 as compared to Fiscal Year 2014 which exceeded the 4.40% increase in revenue in Fiscal Year 2015 as compared to Fiscal Year 2014.

### **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 \$42,318,804 of which \$39,436,838 was unassigned, \$164,537 was nonspendable, \$466,377 was committed, \$1,926,174 was assigned, and \$324,878 was restricted of which \$178,255 was for library tax, \$115,896 was for grants, \$29,458 was for recreational areas and \$1,269 was for APFO EMS.

Overall revenue increased \$1,027,655 from Fiscal Year 2014 to Fiscal Year 2015. Property tax revenue increased \$206,859 in Fiscal Year 2015 due to a small amount of growth in the tax assessment rolls and an increase in collection of delinquent taxes. Real estate transfer taxes increased \$748,095 which is a strong indicator of growth. Fees for services increased \$15,863 primarily as a result of the net of a decrease in Sheriff Fees related to foreclosures and an increase in Recorder of Deeds Fees. Grant revenue increased \$61,443 as a result of increases in the amount of revenue received from the Paramedic grant and an increase in the Library Standards grant. Interest and dividends increased \$1,872 because steady interest rates. Other revenue decreased \$6,478 over Fiscal Year 2014.

General Fund expenditures increased \$626,705 (3.04%) in Fiscal Year 2015 when compared to Fiscal Year 2014. There was a slight increase in expenditures with all Departments with Special Grants and Programs and Row Offices having the largest increases of 14.64% and 7.18% respectively. Row Office's biggest increase was in contractual/legal services. Special Grants and Programs increase was the result of an increase of \$349,748 due to the County's increased contribution to the volunteer fire companies.

**General Fund – Comparison to Budget.** Overall revenue collections were higher than the final budget by 7.89%. Property taxes exceeded the final budget by \$258,497 or 2.40%. Real estate transfer tax came in over the final budget by \$710,416 or 20.3%. Grants came in under budget by \$76,462 or 3.97%. Fees for services exceeded the final budget by \$996,443 or 15.09%. Interest and dividends were over the final budget by \$7,744 or 7.74%. Other revenue was under the final budget by \$42,668 or 13.06%.

Overall, operating expenditures were under budget by 11.10% primarily due to strict cost controls imposed on County wide spending. Community Services were under the final budget by 8.31%. General Government was 5.98% under the final budget; Special Grants and Programs were 18.93% under the final budget but their balances will be carried over into the next fiscal year; Planning Services were 12.12% under the final budget; Public Safety and Row Offices were 3.28% and 6.89% under final budget respectively.

Kent County's General Fund Budget to Actual Comparison

	<u>Original Budget</u>	<u>Final Budget</u>	<u>2015 Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>REVENUES</b>				
Property Taxes	\$ 10,748,400	\$ 10,748,400	\$ 11,006,897	\$ 258,497
Real Estate Transfer Tax	3,500,000	3,500,000	4,210,416	710,416
Telephone Surcharge	270,000	270,000	270,015	15
Grants	1,839,800	1,926,301	1,849,839	(76,462)
Fees for Services	6,563,600	6,604,140	7,600,583	996,443
Interest and Dividends	100,000	100,000	107,744	7,744
Rental Income	23,200	23,200	23,186	(14)
Other Revenues	325,600	326,750	284,082	(42,668)
<b>Total Revenues</b>	<u>23,370,600</u>	<u>23,498,791</u>	<u>25,352,762</u>	<u>1,853,971</u>
<b>EXPENDITURES</b>				
General Government	2,215,300	2,221,194	2,088,417	132,777
Special Grants and Programs	1,960,600	2,627,085	2,129,742	497,343
Community Services	3,308,200	3,558,788	3,262,982	295,806
Planning Services	4,015,600	4,022,737	3,535,137	487,600
Public Safety	8,126,400	8,306,318	8,033,790	272,528
Row Offices	1,835,800	1,882,446	1,752,789	129,657
Contingency	950,000	835,850	-	835,850
Debt Service				
Bond Issue Costs	-	55,000	53,254	1,746
Principal	166,700	166,800	166,729	71
Interest	225,200	245,200	242,113	3,087
<b>Total Expenditures</b>	<u>22,803,800</u>	<u>23,921,418</u>	<u>21,264,953</u>	<u>2,656,465</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>566,800</u>	<u>(422,627)</u>	<u>4,087,809</u>	<u>4,510,436</u>
<b>OTHER FINANCING USES</b>				
Proceeds for Bond Issuance	-	-	4,524,126	4,524,126
Bond Premium	-	-	393,830	393,830
Payments to Refunding Agent	-	-	(4,736,884)	(4,736,884)
Transfers out	(904,700)	(4,810,400)	(4,786,473)	23,927
<b>Total Other Financing Uses</b>	<u>(904,700)</u>	<u>(4,810,400)</u>	<u>(4,605,401)</u>	<u>204,999</u>
<b>EXCESS (DECREASE) OF REVENUES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>				
	<u>\$ (337,900)</u>	<u>\$ (5,233,027)</u>	<u>\$ (517,592)</u>	<u>\$ 4,715,435</u>

**Capital Projects Fund.** The revenue for this fund decreased \$230,431 from Fiscal Year 2014 to Fiscal Year 2015. This 70.08% decrease in revenue was a net result of a decrease in grant revenue of \$231,271 in Fiscal Year 2015 over Fiscal Year 2014, an increase in interest income from \$14,785 in Fiscal Year 2014 to \$17,155 in Fiscal Year 2015 and a decrease in other revenue of \$1,530 from Fiscal Year 2014 to Fiscal Year 2015. Overall the expenditures increased by \$1,167,422 from Fiscal Year 2014 to Fiscal Year 2015. Some of the largest expenditures during Fiscal Year 2015 were \$2,129,745 for the Kesselring Recreation Center and \$169,058 for the IT Server, Hardware, Software Replacement. Another major project during Fiscal Year 2015 was the grant to the Delaware Aerospace Education Foundation for \$247,347. Capital outlay was \$1,282,179 in Fiscal Year 2014 as opposed to \$2,146,144 in Fiscal Year 2015, an increase of \$863,965.

**Community Development Block Grant.** Total revenue for this fund in Fiscal Year 2015 was \$1,553,553 an increase of \$241,346 from Fiscal Year 2014 primarily due to an increase in grant funding. The expenditures were \$1,868,926 an increase of \$250,510 from Fiscal Year 2014.

**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 loss of \$170,763 as compared to an operating gain of \$922,257 in Fiscal Year 2014. Operating revenue was \$186,936 lower in Fiscal Year 2015 than in Fiscal Year 2014. User fee revenue was \$119,892 lower in Fiscal Year 2015. This was primarily a result of growth in district user revenue of \$215,099 and contract user revenue being \$304,346 lower in Fiscal Year 2015 than Fiscal Year 2014. The user fee uniform rates remained the same for Fiscal Year 2015 as Fiscal Year 2014. Sewer permits and other revenue were \$67,044 lower in FY 2015 as compared to Fiscal Year 2014. Operating expenses were \$906,084 higher in Fiscal Year 2015 than Fiscal Year 2014. This increase in operating expenses is primarily attributed to the net result between an increase of \$295,950 in salaries and benefits, an increase of \$18,175 in depreciation expense, an increase of \$281,856 in maintenance, parts, and supplies, an increase of \$244,446 in contractual and an increase of \$32,717 in utilities.

**Trash Fund.** The Trash Fund, another major enterprise fund, has the primary function of trash collection. This fund experienced an operating loss of \$84,063 in Fiscal Year 2015 as compared to an operating gain of \$234,324 in Fiscal Year 2014. Revenues increased by \$173,003 from Fiscal Year 2014 to Fiscal Year 2015. During Fiscal Year 2015 there were 13,566 trash customers of which 78.03% had yard waste pickup. Another reason for the increase in revenue in Fiscal Year 2015 is directly related to the growth in the number of customers in the Trash Fund. Expenses increased by \$491,390 from Fiscal Year 2014 to Fiscal Year 2015 primarily due to contractual expenses increasing \$518,475 in Fiscal Year 2015 over Fiscal Year 2014.

**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 \$13,056 in Fiscal Year 2015. The Street Light Fund had operating income of \$51,690 in Fiscal Year 2015. Revenues were greater in Fiscal Year 2015 than Fiscal Year 2014 as a result of an increase in the street light customer base. Expenses in Fiscal Year 2015 were \$19,128 higher than Fiscal Year 2014. In Fiscal Year 2015, utility expenses were \$2,970 greater than in Fiscal Year 2014.

**Internal Service Fund.** The internal service fund - Medical Trust Fund – had an operating income of \$48,758 in Fiscal Year 2015 as compared to \$304,428 in Fiscal Year 2014. The decrease in operating income is a result of employer contributions increasing \$100,551 in Fiscal Year 2015 compared to Fiscal Year 2014 while Medical insurance premiums and claims increased \$375,497 in Fiscal Year 2015 compared to Fiscal Year 2014.

### **General Fund Budgetary Highlights**

The County adopted its Fiscal Year 2015 budget on April 29, 2014, 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 \$23,498,791 of revenues; \$23,921,418 of expenditures and \$4,810,400 of other financing uses. The actual results were revenues \$1,853,971 above budget and expenditures \$2,656,465 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 2015 was 5.8% which was 1.1% lower than the unemployment rate in June 2014 which was 6.9%. Per capita income has leveled out.

During Fiscal Year 2015 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 \$1,027,655 higher in Fiscal Year 2015 than Fiscal Year 2014 which was a direct result of an increase in realty transfer tax, recorder of deeds fees, and inspections fees. During Fiscal Year 2015 the County expenditures were \$626,705 higher than Fiscal Year 2014 and this was primarily related to a salary increase of 1.5%, and a 1% step increase.

When adopting the General Fund budget for Fiscal Year 2016, 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 2016.

**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](mailto:susan.durham@co.kent.de.us). The Assistant Director of Finance can be contacted via email at [mary.karol@co.kent.de.us](mailto:mary.karol@co.kent.de.us). Kent County's website address is [www.co.kent.de.us](http://www.co.kent.de.us).



KENT COUNTY, DELAWARE

STATEMENT OF NET POSITION  
JUNE 30, 2015

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Investments	\$ 53,940,590	\$ 8,363,612	\$ 62,304,202
Receivables	13,081,482	7,626,097	20,707,579
Internal Balances	807,567	(807,567)	-
Due from Other Governments	613,446	6,026,943	6,640,389
Inventory	41,222	105,394	146,616
Prepaid Expenses and Other Assets	129,718	35,322	165,040
<b>Non Current Assets</b>			
Restricted Assets:			
Cash and Investments	-	28,919,148	28,919,148
Receivables	-	70,684	70,684
Capital Assets, Net			
Land	7,312,893	7,445,122	14,758,015
Construction in Progress	2,549,530	25,881,685	28,431,215
Land and Site Improvements	3,703,558	342,626	4,046,184
Pipeline	-	46,022,478	46,022,478
Buildings	18,056,416	18,423,719	36,480,135
Equipment and Furniture	1,378,075	23,125,188	24,503,263
<b>Total Assets</b>	<b>101,614,497</b>	<b>171,580,451</b>	<b>273,194,948</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Items Related to Pension	3,816,493	1,091,425	4,907,918
Deferred Charges on Refunding	30,730	41,771	72,501
<b>Total Deferred Outflows of Resources</b>	<b>3,847,223</b>	<b>1,133,196</b>	<b>4,980,419</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts Payable	1,178,925	3,065,761	4,244,686
Accrued Expenses	692,293	398,185	1,090,478
Due to Other Governments	1,928,976	-	1,928,976
Retainage Payable	65,164	539,428	604,592
Other Liabilities	14,454	-	14,454
Compensated Absences	43,974	14,146	58,120
Bonds Payable, Net	246,089	2,321,363	2,567,452
Unearned Revenue	265,462	4,433,208	4,698,670
<b>Long Term Liabilities</b>			
Net Pension Liability	7,071,268	2,047,066	9,118,334
Compensated Absences	1,055,374	339,495	1,394,869
Bonds Payable, Net	4,664,771	47,150,851	51,815,622
<b>Total Liabilities</b>	<b>17,226,750</b>	<b>60,309,503</b>	<b>77,536,253</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable Revenue - Property Taxes	11,797,164	-	11,797,164
Unavailable Revenue - Other	-	28,212	28,212
Deferred Charges on Refunding	-	2,657	2,657
<b>Total Deferred Inflows of Resources</b>	<b>11,797,164</b>	<b>30,869</b>	<b>11,828,033</b>
<b>NET POSITION</b>			
Net Investment in Capital Assets	28,120,342	71,807,718	99,928,060
Restricted for:			
Capital Projects	8,750,888	-	8,750,888
Recreation Areas	29,458	-	29,458
APFO-EMS	1,269	-	1,269
Library Tax	178,255	-	178,255
Rodent Grant	16,341	-	16,341
LEPC Grant	26,421	-	26,421
Library Standards Grant	73,134	-	73,134
Capital Projects - Equipment Replacement	-	330,738	330,738
Capital Projects - Expansion Sewer Facilities	-	25,692,981	25,692,981
Unrestricted	39,241,698	14,541,838	53,783,536
<b>Total Net Position</b>	<b>\$ 76,437,806</b>	<b>\$ 112,373,275</b>	<b>\$ 188,811,081</b>

KENT COUNTY, DELAWARE

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2015

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	
<b>Primary Government:</b>							
<b>Governmental Activities:</b>							
General Government	\$ 2,751,768	\$ 196,071	\$ -	\$ -	\$ (2,555,697)	\$ -	\$ (2,555,697)
Special Grants/Programs	2,129,742	-	-	-	(2,129,742)	-	(2,129,742)
Community Services	3,650,644	346,469	183,540	2,580	(3,118,055)	-	(3,118,055)
Planning Services	5,532,350	1,536,031	1,509,867	-	(2,486,452)	-	(2,486,452)
Public Safety	8,674,656	178,588	1,656,299	40,216	(6,799,553)	-	(6,799,553)
Row Offices	1,861,280	5,449,361	-	-	3,588,081	-	3,588,081
Economic Development	287,819	-	-	37,414	(250,405)	-	(250,405)
Bond Issue Costs	53,254	-	-	-	(53,254)	-	(53,254)
Interest on Long-Term Debt	211,113	-	-	-	(211,113)	-	(211,113)
<b>Total Governmental Activities</b>	<b>25,152,626</b>	<b>7,706,520</b>	<b>3,349,706</b>	<b>80,210</b>	<b>(14,016,190)</b>	<b>-</b>	<b>(14,016,190)</b>
<b>Business-Type Activities:</b>							
Sewer	18,243,107	16,988,415	6,062	3,729,501	-	2,480,871	2,480,871
Street Light	907,738	943,856	15,572	-	-	51,690	51,690
Trash	3,403,712	3,310,649	-	-	-	(84,063)	(84,063)
Landfill (Note J)	10,031	1,546	-	-	-	(8,485)	(8,485)
<b>Total Business-Type Activities</b>	<b>22,564,588</b>	<b>21,253,466</b>	<b>21,634</b>	<b>3,729,501</b>	<b>-</b>	<b>2,440,013</b>	<b>2,440,013</b>
<b>Total Primary Government</b>	<b>\$ 47,717,214</b>	<b>\$ 28,959,986</b>	<b>\$ 3,371,340</b>	<b>\$ 3,809,711</b>	<b>(14,016,190)</b>	<b>2,440,013</b>	<b>(11,576,177)</b>
<b>General Revenues:</b>							
Taxes:							
Property Taxes					10,990,802	-	10,990,802
Real Estate Transfer Tax					4,210,416	-	4,210,416
Residential Telephone Surcharge					270,015	-	270,015
Investment Earnings					125,051	90,172	215,223
Other Revenues including Capital Asset Sales Gains					337,259	244,056	581,315
<b>Total General Revenues</b>					<b>15,933,543</b>	<b>334,228</b>	<b>16,267,771</b>
<b>Changes in Net Position</b>					<b>1,917,353</b>	<b>2,774,241</b>	<b>4,691,594</b>
<b>Net Position At Beginning Of Year - Restated</b>					<b>74,520,453</b>	<b>109,599,034</b>	<b>184,119,487</b>
<b>Net Position At End Of Year</b>					<b>\$ 76,437,806</b>	<b>\$ 112,373,275</b>	<b>\$ 188,811,081</b>

KENT COUNTY, DELAWARE

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2015

	General Fund	Capital Projects Fund	Community Development Block Grant	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and Investments	\$ 43,039,442	\$ 9,400,499	\$ 468,309	\$ 117,610	\$ 53,025,860
Receivables					
Accounts	124,826	330,575	-	-	455,401
Taxes	12,582,661	-	-	-	12,582,661
Due From Other Funds	1,241,988	6,793	-	-	1,248,781
Due from Other Governments	438,379	37,978	127,664	9,425	613,446
Inventory	34,819	6,403	-	-	41,222
Prepaid Expenditures and Other Assets	129,718	-	-	-	129,718
<b>Total Assets</b>	<b>\$ 57,591,833</b>	<b>\$ 9,782,248</b>	<b>\$ 595,973</b>	<b>\$ 127,035</b>	<b>\$ 68,097,089</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts Payable	\$ 258,851	\$ 869,955	\$ 3,553	\$ -	\$ 1,132,359
Accrued Expenses	632,708	-	12,239	-	644,947
Due to Other Funds	26,466	811	375,611	34,256	437,144
Due to Other Governments	1,758,947	170,029	-	-	1,928,976
Construction Retainage Payable	-	65,164	-	-	65,164
Unearned Revenue	42,498	-	204,570	11,777	258,845
Other Liabilities	14,454	-	-	-	14,454
<b>Total Liabilities</b>	<b>2,733,924</b>	<b>1,105,959</b>	<b>595,973</b>	<b>46,033</b>	<b>4,481,889</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable Revenue - Property Taxes	12,539,105	-	-	-	12,539,105
<b>Total Deferred Inflows of Resources</b>	<b>12,539,105</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12,539,105</b>
<b>Fund Balances:</b>					
<b>Nonspendable:</b>					
Inventory	34,819	6,403	-	-	41,222
Prepaid Expenditures	129,718	-	-	-	129,718
<b>Restricted:</b>					
Capital Projects Funds	-	8,669,886	-	81,002	8,750,888
Recreational Areas	29,458	-	-	-	29,458
APFO-EMS	1,269	-	-	-	1,269
Library Tax	178,255	-	-	-	178,255
Rodent Grant	16,341	-	-	-	16,341
LEPC Grant	26,421	-	-	-	26,421
Library Standards Grant	73,134	-	-	-	73,134
<b>Committed:</b>					
Encumbrances	466,377	-	-	-	466,377
<b>Assigned:</b>					
Operating Needs	732,300	-	-	-	732,300
Legal Contingency	950,000	-	-	-	950,000
Library	85,000	-	-	-	85,000
Deeds Maintenance Fees	32,924	-	-	-	32,924
Sheriff Auctioneer Fees	60,000	-	-	-	60,000
Local Government Fees	60,000	-	-	-	60,000
Donations	5,950	-	-	-	5,950
Unassigned	39,436,838	-	-	-	39,436,838
<b>Total Fund Balances</b>	<b>42,318,804</b>	<b>8,676,289</b>	<b>-</b>	<b>81,002</b>	<b>51,076,095</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 57,591,833</b>	<b>\$ 9,782,248</b>	<b>\$ 595,973</b>	<b>\$ 127,035</b>	<b>\$ 68,097,089</b>

**KENT COUNTY, DELAWARE**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2015**

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

<b>Total Fund Balances for Governmental Funds</b>		<b>\$ 51,076,095</b>
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.		33,000,472
Other assets that are applicable to a future reporting period and, therefore are reported as deferred outflows of resources		
Deferred Items Related to Pension	\$ 3,816,493	
Deferred Charges on Refunding	<u>30,730</u>	3,847,223
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.		900,897
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>\$ 741,941</u>	741,941
Long-term liabilities applicable to the governmental activities are not due and payable in the current year and, accordingly are not reported as fund liabilities.		
Net Pension Liability	\$ (7,071,268)	
Compensated Absences	(1,099,348)	
Accrued Interest on Long Term Debt	(47,346)	
Bonds Payable, Net of Bond Discounts	<u>(4,910,860)</u>	<u>(13,128,822)</u>
<b>Total Net Position of Governmental Activities</b>		<b><u>\$ 76,437,806</u></b>

KENT COUNTY, DELAWARE

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2015

	General Fund	Capital Projects Fund	Community Development Block Grant	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Property Taxes	\$ 11,006,897	\$ -	\$ -	\$ -	\$ 11,006,897
Real Estate Transfer Tax	4,210,416	-	-	-	4,210,416
Residential Telephone Surcharge	270,015	-	-	-	270,015
Grants	1,849,839	80,211	1,474,092	25,775	3,429,917
Fees For Services	7,600,583	-	-	-	7,600,583
Investment Income	107,744	17,155	-	151	125,050
Rental Income	23,186	-	-	-	23,186
Other Revenues	284,082	1,014	79,461	18,377	382,934
<b>Total Revenues</b>	<u>25,352,762</u>	<u>98,380</u>	<u>1,553,553</u>	<u>44,303</u>	<u>27,048,998</u>
<b>EXPENDITURES</b>					
Current:					
General Government	2,088,417	210,312	-	-	2,298,729
Special Grants and Programs	2,129,742	-	-	-	2,129,742
Community Services	3,262,982	23,049	-	-	3,286,031
Planning Services	3,535,137	-	1,868,926	25,775	5,429,838
Public Safety	8,033,790	134,054	-	-	8,167,844
Row Offices	1,752,789	22,482	-	-	1,775,271
Economic Development	-	284,762	-	3,057	287,819
Debt Service:					
Bond Issue Costs	53,254	-	-	-	53,254
Principal	166,729	-	-	-	166,729
Interest and Fiscal Charges	242,113	-	-	-	242,113
Capital Outlay	-	2,146,144	-	-	2,146,144
<b>Total Expenditures</b>	<u>21,264,953</u>	<u>2,820,803</u>	<u>1,868,926</u>	<u>28,832</u>	<u>25,983,514</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>4,087,809</u>	<u>(2,722,423)</u>	<u>(315,373)</u>	<u>15,471</u>	<u>1,065,484</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	-	4,471,100	315,373	-	4,786,473
Proceeds from Bond Issuance	4,524,126	-	-	-	4,524,126
Bond Premium	393,830	-	-	-	393,830
Payments to Refunding Agent	(4,736,884)	-	-	-	(4,736,884)
Transfers Out	(4,786,473)	-	-	-	(4,786,473)
<b>Total Other Financing Sources (Uses)</b>	<u>(4,605,401)</u>	<u>4,471,100</u>	<u>315,373</u>	<u>-</u>	<u>181,072</u>
<b>Net Change in Fund Balances</b>	(517,592)	1,748,677	-	15,471	1,246,556
<b>Fund Balances At Beginning of Year</b>	<u>42,836,396</u>	<u>6,927,612</u>	<u>-</u>	<u>65,531</u>	<u>49,829,539</u>
<b>Fund Balances At End Of Year</b>	<u>\$ 42,318,804</u>	<u>\$ 8,676,289</u>	<u>\$ -</u>	<u>\$ 81,002</u>	<u>\$ 51,076,095</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, 2015

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

**Net Change In Fund Balances - Total Governmental Funds** \$ 1,246,556

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, 2015.

Capital Outlays	\$ 2,521,963	
Depreciation	<u>(1,185,896)</u>	1,336,067

Changes in deferred inflows/outflows related to pensions and changes in the net pension liability are reported as pension expense in the statement of activities. (708,854)

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	\$ (16,095)	(16,095)
----------------	-------------	----------

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	\$ 166,729	
Payment to Refunding Agent	4,736,884	
Proceeds from Debt Refinancing	<u>(4,524,126)</u>	379,487

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	\$ (5,737)	
Accrued interest on long-term debt	<u>28,409</u>	22,672

Governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Bond Premium	\$ (393,830)	
Deferred Charges on Refunding	<u>33,380</u>	(360,450)

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 Premium	\$ 7,096	
Deferred Charges - Bond Discount	(35,235)	
Deferred Charges - Loss On Refunding	<u>(2,650)</u>	(30,789)

Internal service funds are used by management to charge the costs of certain activities, such as insurance to individual funds. The change in net position of the Internal Service Fund is reported with governmental activities.

48,759

**Change In Net Position of Governmental Activities** \$ 1,917,353

**KENT COUNTY, DELAWARE**

**STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED  
JUNE 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Property Taxes	\$ 10,748,400	\$ 10,748,400	\$ 11,006,897	\$ 258,497
Real Estate Transfer Tax	3,500,000	3,500,000	4,210,416	710,416
Residential Telephone Surcharge	270,000	270,000	270,015	15
Grants	1,839,800	1,926,301	1,849,839	(76,462)
Fees For Services	6,563,600	6,604,140	7,600,583	996,443
Interest and Dividends	100,000	100,000	107,744	7,744
Rental Income	23,200	23,200	23,186	(14)
Other Revenues	325,600	326,750	284,082	(42,668)
<b>Total Revenues</b>	<u>23,370,600</u>	<u>23,498,791</u>	<u>25,352,762</u>	<u>1,853,971</u>
<b>EXPENDITURES</b>				
Current:				
General Government	2,215,300	2,221,194	2,088,417	132,777
Special Grants and Programs	1,960,600	2,627,085	2,129,742	497,343
Community Services	3,308,200	3,558,788	3,262,982	295,806
Planning Services	4,015,600	4,022,737	3,535,137	487,600
Public Safety	8,126,400	8,306,318	8,033,790	272,528
Row Offices	1,835,800	1,882,446	1,752,789	129,657
Contingency	950,000	835,850	-	835,850
Debt Service:				
Bond Issue Costs	-	55,000	53,254	1,746
Principal	166,700	166,800	166,729	71
Interest	225,200	245,200	242,113	3,087
<b>Total Expenditures</b>	<u>22,803,800</u>	<u>23,921,418</u>	<u>21,264,953</u>	<u>2,656,465</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>566,800</u>	<u>(422,627)</u>	<u>4,087,809</u>	<u>4,510,436</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds for Bond Issuance	-	-	4,524,126	4,524,126
Bond Premium	-	-	393,830	393,830
Payments to Refunding Agent	-	-	(4,736,884)	(4,736,884)
Transfers out	(904,700)	(4,810,400)	(4,786,473)	23,927
<b>Total Other Financing Sources (Uses)</b>	<u>(904,700)</u>	<u>(4,810,400)</u>	<u>(4,605,401)</u>	<u>204,999</u>
<b>Net Change in Fund Balance</b>	<u>\$ (337,900)</u>	<u>\$ (5,233,027)</u>	<u>(517,592)</u>	<u>\$ 4,715,435</u>
<b>Fund Balance at Beginning of Year</b>			<u>42,836,396</u>	
<b>Fund Balance at End of Year</b>			<u>\$ 42,318,804</u>	

KENT COUNTY, DELAWARE

STATEMENT OF NET  
POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2015

	Business-Type Activities - Enterprise Funds				Governmental
	Sewer Fund	Trash Collection	Other Enterprise Funds	Total	Internal Service Fund
<b>ASSETS</b>					
<b>Current Assets:</b>					
Cash and Investments	\$ 5,581,586	\$ 1,317,994	\$ 1,464,032	\$ 8,363,612	\$ 914,730
Receivables					
Accounts	191,628	-	-	191,628	43,420
Fees and Services	3,008,217	3,461,272	964,980	7,434,469	-
Due from Other Funds	34,868	-	15,572	50,440	-
Due from Other Governments	6,026,943	-	-	6,026,943	-
Inventory	105,394	-	-	105,394	-
Prepaid Expenses and Other Assets	35,322	-	-	35,322	-
<b>Total Current Assets</b>	<b>14,983,958</b>	<b>4,779,266</b>	<b>2,444,584</b>	<b>22,207,808</b>	<b>958,150</b>
<b>Non-Current Assets:</b>					
Restricted Assets:					
Cash and Investments	28,919,148	-	-	28,919,148	-
Receivables					
Accounts	7	-	-	7	-
Interest	70,677	-	-	70,677	-
Capital Assets, Net					
Land	7,442,122	-	3,000	7,445,122	-
Construction in Progress	25,881,685	-	-	25,881,685	-
Land and Site Improvements	342,626	-	-	342,626	-
Pipeline	16,022,478	-	-	16,022,478	-
Buildings	18,423,719	-	-	18,423,719	-
Equipment and Furniture	23,119,714	-	5,474	23,125,188	-
<b>Total Non-Current Assets</b>	<b>150,222,176</b>	<b>-</b>	<b>8,474</b>	<b>150,230,650</b>	<b>-</b>
<b>Total Assets</b>	<b>165,206,134</b>	<b>4,779,266</b>	<b>2,453,058</b>	<b>172,438,458</b>	<b>958,150</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred Items Related to Pension	1,091,425	-	-	1,091,425	-
Deferred Charges on Refunding	41,771	-	-	41,771	-
<b>Total Deferred Outflows of Resources</b>	<b>1,133,196</b>	<b>-</b>	<b>-</b>	<b>1,133,196</b>	<b>-</b>
<b>LIABILITIES</b>					
<b>Current Liabilities</b>					
Accounts Payable	2,795,209	225,292	45,260	3,065,761	46,566
Accrued Expenses	398,185	-	-	398,185	-
Retainage Payable	539,428	-	-	539,428	-
Due to Other Funds	792,611	32,015	33,381	858,007	4,070
Compensated Absences	14,146	-	-	14,146	-
Unearned Revenue	-	3,355,394	1,077,814	4,433,208	6,617
Bonds Payable, Net of Bond Discounts/Premiums	2,321,363	-	-	2,321,363	-
<b>Total Current Liabilities</b>	<b>6,860,942</b>	<b>3,612,701</b>	<b>1,156,455</b>	<b>11,630,098</b>	<b>57,253</b>
<b>Non-Current Liabilities:</b>					
Net Pension Liability	2,047,066	-	-	2,047,066	-
Compensated Absences	339,495	-	-	339,495	-
Bonds Payable, Net of Bond Discounts/Premiums	47,150,851	-	-	47,150,851	-
<b>Total Non-Current Liabilities</b>	<b>49,537,412</b>	<b>-</b>	<b>-</b>	<b>49,537,412</b>	<b>-</b>
<b>Total Liabilities</b>	<b>56,398,354</b>	<b>3,612,701</b>	<b>1,156,455</b>	<b>61,167,510</b>	<b>57,253</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred Charges on Refunding	2,657	-	-	2,657	-
Unavailable Revenue - Other	28,212	-	-	28,212	-
<b>Total Deferred Inflows Of Resources</b>	<b>30,869</b>	<b>-</b>	<b>-</b>	<b>30,869</b>	<b>-</b>
<b>NET POSITION</b>					
Net Investment in Capital Assets	71,799,244	-	8,474	71,807,718	-
Restricted for:					
Capital Projects - Equipment Replacement	330,738	-	-	330,738	-
Capital Projects - Expansion Sewer Facilities	25,692,981	-	-	25,692,981	-
Unrestricted	12,087,144	1,166,565	1,288,129	14,541,838	900,897
<b>Total Net Position</b>	<b>\$ 109,910,107</b>	<b>\$ 1,166,565</b>	<b>\$ 1,296,603</b>	<b>\$ 112,373,275</b>	<b>\$ 900,897</b>



KENT COUNTY, DELAWARE

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2015

	Business-Type Activities - Enterprise Funds				Governmental
	Sewer Fund	Trash Collection	Other Enterprise Funds	Total	Activities - Internal Service Fund
<b>OPERATING REVENUES</b>					
Fees for Services	\$ 16,177,539	\$ 3,319,649	\$ 943,856	\$ 20,441,044	\$ -
Permits	108,498	-	-	108,498	-
Operating Grants	6,062	-	15,572	21,634	-
Other Revenue	702,378	-	1,546	703,924	-
Employer Contributions	-	-	-	-	3,616,493
Employee Contributions	-	-	-	-	485,375
<b>Total Operating Revenues</b>	<b>16,994,477</b>	<b>3,319,649</b>	<b>960,974</b>	<b>21,275,100</b>	<b>4,101,868</b>
<b>OPERATING EXPENSES</b>					
Salaries and Benefits	5,229,423	110,086	115,994	5,455,503	-
Contractual Services	385,690	3,185,177	12,676	3,583,543	-
Travel	7,129	-	-	7,129	-
Utilities	1,669,223	-	723,565	2,392,788	-
Maintenance, Parts and Supplies	1,937,402	52,396	6,408	1,996,206	-
Vehicle Expense	174,799	5,159	1,867	181,825	-
Operating Insurance and Indirect Costs	1,424,531	50,750	55,069	1,530,350	-
Miscellaneous Expenses	31,927	144	-	32,071	-
Depreciation Expense	6,305,116	-	2,190	6,307,306	-
Medical Insurance Premiums	-	-	-	-	3,228,617
Medical Claims	-	-	-	-	795,472
Trustee Fee and Wire Charges	-	-	-	-	29,021
<b>Total Operating Expenses</b>	<b>17,165,240</b>	<b>3,403,712</b>	<b>917,769</b>	<b>21,486,721</b>	<b>4,053,110</b>
<b>Operating Income (Loss)</b>	<b>(170,763)</b>	<b>(84,063)</b>	<b>43,205</b>	<b>(211,621)</b>	<b>48,758</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>					
Interest and Dividends	82,144	4,248	3,780	90,172	1
Interest and Fiscal Charges	(1,077,867)	-	-	(1,077,867)	-
Gain on Sale of Land and Equipment	244,056	-	-	244,056	-
<b>Total Non-Operating Revenues (Expenses)</b>	<b>(751,667)</b>	<b>4,248</b>	<b>3,780</b>	<b>(743,639)</b>	<b>1</b>
<b>Net Income (Loss) before Contributions</b>	<b>(922,430)</b>	<b>(79,815)</b>	<b>46,985</b>	<b>(955,260)</b>	<b>48,759</b>
Capital Contributions:					
Capital Grant	1,121,543	-	-	1,121,543	-
Donated Capital Assets	207,159	-	-	207,159	-
Impact Fees	2,429,929	-	-	2,429,929	-
Developers Aid In Construction Refunded	(29,130)	-	-	(29,130)	-
<b>Change in Net Position</b>	<b>2,807,071</b>	<b>(79,815)</b>	<b>46,985</b>	<b>2,774,241</b>	<b>48,759</b>
<b>Net Position At Beginning Of Year - Restated</b>	<b>107,103,036</b>	<b>1,246,380</b>	<b>1,249,618</b>	<b>109,599,034</b>	<b>852,138</b>
<b>Net Position At End Of Year</b>	<b>\$ 109,910,107</b>	<b>\$ 1,166,565</b>	<b>\$ 1,296,603</b>	<b>\$ 112,373,275</b>	<b>\$ 900,897</b>

KENT COUNTY, DELAWARE

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2015

	Business-Type Activities - Enterprise Funds			Total	Governmental
	Sewer Fund	Trash Collection	Other Enterprise Funds		Activities - Internal Service Fund
<b>Cash Flows From Operating Activities:</b>					
Receipts from Customers and Users	\$ 16,570,506	\$ 3,311,325	\$ 936,795	\$ 20,818,626	\$ 4,773,027
Payments to Suppliers	(2,573,209)	(3,260,682)	(752,737)	(6,586,628)	(4,060,256)
Payments to Employees	(5,000,258)	(146,300)	-	(5,146,558)	-
Internal Activity - payments to other funds	(926,512)	-	(155,579)	(1,082,091)	4,070
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>8,070,527</b>	<b>(95,657)</b>	<b>28,479</b>	<b>8,003,349</b>	<b>716,841</b>
<b>Cash Flows From Capital and Related Financing Activities:</b>					
Proceeds from Capital Grant	145,607	-	-	145,607	-
Proceeds from Bonded Indebtedness	12,629,393	-	-	12,629,393	-
Proceeds from Sale of Equipment and Land	244,501	-	-	244,501	-
Acquisition and Construction of Capital Assets	(20,093,519)	-	-	(20,093,519)	-
Interest/Fiscal Charges Paid on Bonds	(1,128,431)	-	-	(1,128,431)	-
Retirement of Debt	(10,549,403)	-	-	(10,549,403)	-
Developers Aid In Construction	53,089	-	-	53,089	-
Impact Fees Collected	2,429,929	-	-	2,429,929	-
<b>Net Cash Used by Capital and Related Financing Activities</b>	<b>(16,268,834)</b>	<b>-</b>	<b>-</b>	<b>(16,268,834)</b>	<b>-</b>
<b>Cash Flows From Investing Activities:</b>					
Proceeds From Matured Investments	28,518	-	-	28,518	-
Interest and Dividends	158,270	4,248	3,780	166,298	1
<b>Net Cash Provided By Investing Activities</b>	<b>186,788</b>	<b>4,248</b>	<b>3,780</b>	<b>194,816</b>	<b>1</b>
<b>Net Increase (Decrease) In Cash and Cash Equivalents</b>	<b>(8,011,519)</b>	<b>(91,409)</b>	<b>32,259</b>	<b>(8,070,669)</b>	<b>716,842</b>
<b>Cash and Cash Equivalents At Beginning Of Year</b>	<b>42,371,859</b>	<b>1,409,403</b>	<b>1,431,773</b>	<b>45,213,035</b>	<b>197,888</b>
<b>Cash and Cash Equivalents At End Of Year</b>	<b>\$ 34,360,340</b>	<b>\$ 1,317,994</b>	<b>\$ 1,464,032</b>	<b>\$ 37,142,366</b>	<b>\$ 914,730</b>
<b>Reconciliation of Cash and Cash Equivalents to the Statement of Net Position</b>					
Statement of Net Position					
Current Assets: Cash and Investments	\$ 5,581,586	\$ 1,317,994	\$ 1,464,032	\$ 8,363,612	\$ 914,730
Non Current Assets: Cash and Investments	28,919,148	-	-	28,919,148	-
Total Cash and Investments	34,500,734	1,317,994	1,464,032	37,282,760	914,730
Less: Long-term Investments	(140,394)	-	-	(140,394)	-
Cash and Cash Equivalents	\$ 34,360,340	\$ 1,317,994	\$ 1,464,032	\$ 37,142,366	\$ 914,730

KENT COUNTY, DELAWARE

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS (Continued)  
 FOR THE YEAR ENDED JUNE 30, 2015

	Business-Type Activities - Enterprise Funds				Governmental
	Sewer Fund	Trash Collection	Other Enterprise Funds	Total	Activities - Internal Service Fund
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>					
Operating Income (Loss)	\$ (170,763)	\$ (84,063)	\$ 43,205	\$ (211,621)	\$ 48,758
Adjustments to reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Depreciation	6,305,116	-	2,190	6,307,306	-
Change in Assets and Liabilities:					
(Increase) Decrease in Accounts Receivable	(414,468)	(114,470)	508	(528,430)	(41,319)
(Increase) Decrease in Due From Other Funds	(12,426)	-	(15,572)	(27,998)	711,522
(Increase) Decrease in Operating Grants Receivable	4,388	-	-	4,388	-
(Increase) Decrease in Prepaid Expenses and Other Assets	298,178	-	-	298,178	-
(Increase) Decrease in Deferred Items Related to Pension	(796,895)	-	-	(796,895)	-
Increase (Decrease) in Accounts Payable	1,528,161	(17,356)	(7,727)	1,503,078	3,992
Increase (Decrease) in Medical Claims Payable	-	-	-	-	-
Increase (Decrease) in Accrued Expenses	19,577	-	-	19,577	(11,138)
Increase (Decrease) in Unearned Revenue	-	-	-	-	956
Increase (Decrease) in Net Pension Liability	1,009,570	-	-	1,009,570	-
Increase (Decrease) in Compensated Absences	(3,087)	-	-	(3,087)	-
Increase (Decrease) in Unavailable Revenue	(1,465)	106,146	(9,115)	95,566	-
Increase (Decrease) in Due To Other Funds	304,641	14,086	14,990	333,717	4,070
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ 8,070,527</b>	<b>\$ (95,657)</b>	<b>\$ 28,479</b>	<b>\$ 8,003,349</b>	<b>\$ 716,841</b>

**KENT COUNTY, DELAWARE**

**STATEMENT OF NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2015**

	<u>Pension and Post Retiree Funds</u>	<u>Agency Fund</u>
<b>ASSETS</b>		
Restricted Assets:		
Cash and Short Term Investments	\$ -	\$ 1,813,008
Receivables		
Accounts	153,234	-
Interest	8,537	-
Investments	48,684,761	-
	<u>48,846,532</u>	<u>1,813,008</u>
<b>Total Assets</b>	<u>48,846,532</u>	<u>\$ 1,813,008</u>
<b>LIABILITIES</b>		
Accounts Payable	283,285	\$ -
Due to Other Governments	-	1,053,215
Tax Sale Proceeds Payable	-	124,926
Deferred Liabilities	-	634,867
	<u>283,285</u>	<u>1,813,008</u>
<b>Total Liabilities</b>	<u>283,285</u>	<u>\$ 1,813,008</u>
<b>NET POSITION</b>		
Held in Trust for:		
Pension Benefits	34,699,097	
Post Retiree Benefits	13,864,150	
	<u>48,563,247</u>	
<b>Total Net Position</b>	<u>\$ 48,563,247</u>	

KENT COUNTY, DELAWARE

STATEMENT OF CHANGES IN NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Pension And Post Retiree Funds</u>
<b>ADDITIONS</b>	
Employee Contributions	\$ 156,272
Employer Contributions	2,032,790
Interest and Dividends	452,354
Net Appreciation in Fair Value of Investments	<u>1,155,756</u>
<b>Total Additions</b>	<u>3,797,172</u>
<b>DEDUCTIONS</b>	
Pension Benefits	2,735,831
Administrative Expense	<u>174,040</u>
<b>Total Deductions</b>	<u>2,909,871</u>
<b>Change In Net Position</b>	887,301
<b>Net Position - Beginning of Year</b>	<u>47,675,946</u>
<b>Net Position - End of Year</b>	<u>\$ 48,563,247</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. 71 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 Benefits 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, Wilmington Trust, 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, 2015 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 two items that qualify for reporting in this category – the deferred charge on refunding reported and the deferred items related to pension (Note K) both of which are reported in the government-wide statement of net position, business-type activities and the statement of net position proprietary funds. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred over the shorter of the life of the refunded or refunding debt. Pension contributions made subsequent to the measurement date, and therefore not reflected in the net pension liability under full accrual basis reporting, are reported as a deferred outflow of resources on the entity-wide and proprietary fund statements of net position. Certain changes to the net pension liability, including changes in assumptions and differences between actual and expected investment returns, are required to be amortized over a period of years; the unamortized portions of these changes are reflected as deferred outflows of resources on the entity-wide and proprietary fund statements of net position.

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and therefore will not be recognized as an inflow of resources (revenue) until that time. The County has three items that qualify for reporting in this category and they are unavailable revenue – property tax, unavailable revenue other, and deferred items related to deferred gain on refunding. In the governmental fund financial statements and government-wide financial statements, deferred inflows of resources primarily include property taxes. In the enterprise funds (street light fund and trash fund), deferred inflows of resources consists of transmission debt refinance prepaid by Kitts Hummock for South Central transmission line and unclaimed tax sale proceeds. 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 deferred outflows of resources and liabilities and deferred inflows of resources is “Net Position” on the government-wide, proprietary, and fiduciary fund statements and as “Fund Balance” on governmental fund statements. Net Position is classified as “Net Investment in Capital Assets,” legally “Restricted” for a specific purpose or “Unrestricted”.

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

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

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

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

*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, 2015, 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>90,959,524</u>	<u>93,500,142</u>
Total Deposits	<u>\$ 91,542,751</u>	<u>\$ 94,106,790</u>

<u>Investments</u>	<u>Market Value</u>
Money Market Mutual Funds	\$ 419,534
Certificates of Deposit	401,501
U.S. Treasuries	140,395
Corporate Stocks	34,409,090
DE Local Government Retirement Investment Pool	<u>13,864,150</u>
Total Investments	<u>\$ 49,234,670</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, 2015, 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	\$ 140,395	\$ 69,276	\$ 71,119
Certificates of Deposit	401,501	401,501	-
Total Investments	<u>\$ 541,896</u>	<u>\$ 470,777</u>	<u>\$ 71,119</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, 2015, 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, 2015, the County had \$13,864,150 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	\$ 91,542,751
Investments	49,234,670
Petty Cash Amounts	2,800
Cash on Hand	<u>940,898</u>
Total	<u>\$ 141,721,119</u>
Unrestricted	\$ 62,304,202
Restricted	28,919,148
Fiduciary Funds	<u>50,497,769</u>
Total Cash and Investments	<u>\$ 141,721,119</u>

## NOTE D – CAPITAL ASSETS

1. Primary Government

The capital asset activity for Governmental Activities for the year ended June 30, 2015, was as follows:

	<u>July 1, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2015</u>
<b><u>Governmental Activities:</u></b>				
Capital Assets Not Being Depreciated				
Land	\$ 7,312,893	\$ -	\$ -	\$ 7,312,893
Construction in Progress	247,260	2,302,270	-	2,549,530
Total Capital Assets Not Being Depreciated	<u>7,560,153</u>	<u>2,302,270</u>	<u>-</u>	<u>9,862,423</u>
Capital Assets Being Depreciated				
Land and Site Improvements	5,707,234	13,360	-	5,720,594
Buildings	23,196,048	-	-	23,196,048
Equipment and Furniture	8,646,836	206,333	(45,838)	8,807,331
Total Capital Assets Being Depreciated	<u>37,550,118</u>	<u>219,693</u>	<u>(45,838)</u>	<u>37,723,973</u>
Less Accumulated Depreciation for:				
Site Improvements	1,759,814	257,222	-	2,017,036
Buildings	4,582,339	557,293	-	5,139,632
Equipment and Furniture	7,103,713	371,381	(45,838)	7,429,256
Total Accumulated Depreciation	<u>13,445,866</u>	<u>1,185,896</u>	<u>(45,838)</u>	<u>14,585,924</u>
Total Capital Assets Being Depreciated, Net	<u>24,104,252</u>	<u>(966,203)</u>	<u>-</u>	<u>23,138,049</u>
Governmental Activities Capital Assets, Net	<u>\$ 31,664,405</u>	<u>\$ 1,336,067</u>	<u>\$ -</u>	<u>\$ 33,000,472</u>

## NOTE D – CAPITAL ASSETS - CONTINUED

The capital asset activity for Business-Type Activities for the year ended June 30, 2015, was as follows:

	July 1, 2014	Increases	Decreases	June 30, 2015
<b>Business-Type Activities:</b>				
Capital Assets Not Being Depreciated				
Land	\$ 7,436,794	\$ 56,590	\$ (48,262)	\$ 7,445,122
Construction in Progress	10,302,561	19,797,637	(4,218,513)	25,881,685
Total Capital Assets Not Being Depreciated	<u>17,739,355</u>	<u>19,854,227</u>	<u>(4,266,775)</u>	<u>33,326,807</u>
Capital Assets Being Depreciated				
Land and Site Improvements	5,943,368	-	-	5,943,368
Pipeline	83,105,634	2,684,516	-	85,790,150
Buildings	37,276,492	1,085,862	-	38,362,354
Equipment and Furniture	57,514,017	1,658,876	(292,423)	58,880,470
Total Capital Assets Being Depreciated	<u>183,839,511</u>	<u>5,429,254</u>	<u>(292,423)</u>	<u>188,976,342</u>
Less Accumulated Depreciation for:				
Site Improvements	5,321,453	279,289	-	5,600,742
Pipeline	37,768,834	1,998,838	-	39,767,672
Buildings	18,808,059	1,130,576	-	19,938,635
Equipment and Furniture	33,130,647	2,898,603	(273,968)	35,755,282
Total Accumulated Depreciation	<u>95,028,993</u>	<u>6,307,306</u>	<u>(273,968)</u>	<u>101,062,331</u>
Total Capital Assets Being Depreciated, Net	<u>88,810,518</u>	<u>(878,052)</u>	<u>(18,455)</u>	<u>87,914,011</u>
Business-Type Activities Capital Assets, Net	<u>\$ 106,549,873</u>	<u>\$ 18,976,175</u>	<u>\$ (4,285,230)</u>	<u>\$ 121,240,818</u>

Depreciation expense was charged to the following activities:

<b>Governmental Activities:</b>		<b>Business-Type Activities:</b>	
General Government	\$ 455,077	Sewer Fund	\$ 6,305,116
Community Services	303,769	Landfill	<u>2,190</u>
Planning Services	10,989		
Public Safety	361,383		<u>\$ 6,307,306</u>
Row Offices	<u>54,678</u>		
	<u>\$ 1,185,896</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, 2015, was as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Capital Projects Fund	\$ 811
	CDBG	375,611
	Non-Major Governmental Funds	34,256
	Sewer Fund	775,546
	Trash Collection Fund	23,980
	Non-Major Proprietary Funds	27,714
	Internal Service Fund	4,070
Capital Projects Fund	General Fund	5,300
	Sewer Fund	1,493
Sewer Fund	General Fund	21,166
	Trash Collection Fund	8,035
	Non-Major Proprietary Funds	5,667
Non-Major Proprietary Fund	Sewer Fund	<u>15,572</u>
Total		<u>\$ 1,299,221</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	\$ 4,471,100	\$ 315,373	\$ 4,786,473
Total Interfund Transfers	<u>\$ 4,471,100</u>	<u>\$ 315,373</u>	<u>\$ 4,786,473</u>

## NOTE F – LONG-TERM DEBT

1. Changes in Long-Term Liabilities

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2015</u>	<u>Due Within</u> <u>One Year</u>
<b>Governmental Activities:</b>					
Bonds Payable	\$ 4,903,613	\$ 4,524,126	\$ (4,903,613)	\$ 4,524,126	\$ 224,801
Less: Net Bond Discounts	(35,235)	-	35,235	-	-
Plus: Net Bond Premiums	-	393,830	(7,096)	386,734	21,288
Total Bonds Payable	4,868,378	4,917,956	(4,875,474)	4,910,860	246,089
Net Pension Liability	3,583,866	3,487,402	-	7,071,268	-
Compensated Absences	1,093,611	5,737	-	1,099,348	43,974
Governmental Activity Long-Term Liability	<u>\$ 9,545,855</u>	<u>\$ 8,411,095</u>	<u>\$ (4,875,474)</u>	<u>\$ 13,081,476</u>	<u>\$ 290,063</u>
<b>Business-Type Activities:</b>					
Bonds Payable	\$ 42,422,332	\$ 18,023,530	\$ (11,550,303)	\$ 48,895,559	\$ 2,289,621
Less: Net Bond Discounts	(24,386)	-	24,386	-	-
Plus: Net Bond Premiums	-	587,236	(10,581)	576,655	31,742
Total Bonds Payable	42,397,946	18,610,766	(11,536,498)	49,472,214	2,321,363
Net Pension Liability	1,037,496	1,009,570	-	2,047,066	-
Compensated Absences	356,728	-	(3,087)	353,641	14,146
Business-Type Activity Long-Term Liabilities	<u>\$ 43,792,170</u>	<u>\$ 19,620,336</u>	<u>\$ (11,539,585)</u>	<u>\$ 51,872,921</u>	<u>\$ 2,335,509</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.

On February 25, 2015, the County issued \$11,270,000 of General Obligation Bonds Series 2015 with a true interest cost of 2.66%. The purpose of these bonds was to refund \$11,800,000 of bonded indebtedness from the General Obligation Bonds Series 2003, 2004A, and 2004B which had an average coupon of 4.79%. This resulted in a decrease in principal of \$530,000. The refunded bonds were split between the governmental activity and the business-type activity at 40.143% and 59.857% respectively. The refunding resulted in \$2,478,460 annual savings between the old debt service and the new debt service and an economic gain of \$417,024.

## NOTE F –LONG-TERM DEBT – CONTINUED

The following is a summary of general obligation bonds outstanding at June 30, 2015:

<u>Date of Issue/ Maturity</u>	<u>Amount of Original Issue</u>	<u>Description</u>	<u>Interest Rates</u>	<u>Balance Outstanding June 30, 2015</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%	\$ 114,912
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%	118,804
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%	91,823
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%	633,644
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%	184,536
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%	200,178
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%	626,512
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%	3,277,444

## 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, 2015</u>
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%	236,947
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%	113,094
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%	12,849,083
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%	940,612
2010 November 2050	3,900,000	Series 2010-RUS United States Dept. of Agriculture General Obligation Bond, Sewer Fund-Southern ByPass, Principal and Interest Due in Quarterly Installments Beginning November 2011	2.25%	2,898,000
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%	2,218,029
2010 November 2050	110,065	Series 2010B-RUS United States Dept. of Agriculture General Obligation Bond, Sewer Fund-Kitts Hummock, Principal and Interest Due Quarterly	2.25%	105,328
2010 December 2050	5,000,000	Series 2010A-RUS United States Dept. of Agriculture General Obligation Bond, Sewer Fund-WTP Expansion & Nutrient Rmvl Principal and Interest Due in Quarterly Installments Beginning March 2013	2.25%	3,011,933

## 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, 2015</u>
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%	5,823,581
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%	6,127,439
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%	214,221
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%	1,033,333
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%	446,765
2013 October 2034	946,000	2013 Series, Delaware Water Pollution Control Revolving Fund General Obligation Note, Sewer Fund-Hilltop Mobile Home Wastewater Collection Principal Due In Semi-Annual Installments	1.00%	883,467
2015 September 2033	11,270,000	2015 Series General Obligation Bonds Sewer Fund-60.22%/General Fund-39.78%, Due in Annual Installments with Interest Due Semi-Annually	2.00%-4.00%	11,270,000
	Subtotal			<u>53,419,685</u>
Plus:	Unamortized bond premium on 2015 bond issues			<u>963,389</u>
	<b>Total Long-Term Debt</b>			<b><u>\$ 54,383,074</u></b>

## NOTE F – LONG-TERM DEBT – CONTINUED

The annual debt service requirements to maturity for principal and interest for bonds payable as of June 30, 2015, are as follows:

Year Ending June 30	General Obligation Bonds			
	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2016	\$ 224,801	\$ 153,027	\$ 2,289,621	\$ 1,100,489
2017	226,808	145,965	2,342,607	1,051,685
2018	234,837	141,349	2,283,664	1,003,730
2019	238,851	135,418	2,177,462	959,026
2020	244,873	128,162	2,220,216	914,431
2021-2025	1,067,806	531,078	11,043,086	3,884,863
2026-2030	1,172,178	322,269	11,570,634	2,690,461
2031-2035	1,113,971	85,467	6,600,112	1,565,188
2036-2040	-	-	3,700,510	986,548
2041-2045	-	-	3,371,381	549,167
2046-2050	-	-	2,454,055	146,061
2051	-	-	57,193	798
Total	4,524,126	\$ 1,642,734	50,110,541	\$ 14,852,447
Less:				
Funds Not Drawn	-		(1,214,982)	
Total	\$ 4,524,126		\$ 48,895,559	

## 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. In the enterprise funds (street light fund and trash fund), deferred inflows of resources consists of Kitts Hummock transmission debt refinance prepayment for South Central debt service 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 – UNAVAILABLE REVENUE - 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	\$ 11,727,243	\$ 11,044,902
Library Taxes	796,047	736,553
Suburban Park Taxes	<u>15,815</u>	<u>15,709</u>
Total Deferred Inflows Of Resources	<u>\$ 12,539,105</u>	<u>\$ 11,797,164</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>
Trnsmsn Debt Refinance	\$ 27,822	\$ 27,822
Unclaimed Tax Sale Proceeds	390	390
Deferred Charges on Refunding	<u>2,657</u>	<u>2,657</u>
Total Deferred Inflows Of Resources	<u>\$ 30,869</u>	<u>\$ 30,869</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:

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>Nonspendable:</b>				
Inventory	\$ 34,819	\$ 6,403	\$ -	\$ 41,222
Prepaid Expenses	129,718	-	-	129,718
<b>Total Nonspendable</b>	<b>164,537</b>	<b>6,403</b>	<b>-</b>	<b>170,940</b>
<b>Restricted:</b>				
Capital Projects	-	8,669,886	81,002	8,750,888
Recreational	29,458	-	-	29,458
APFO-EMS	1,269	-	-	1,269
Library Tax	178,255	-	-	178,255
Rodent Grant	16,341	-	-	16,341
LEPC Grant	26,421	-	-	26,421
Library Standards Grant	73,134	-	-	73,134
<b>Total Restricted</b>	<b>324,878</b>	<b>8,669,886</b>	<b>81,002</b>	<b>9,075,766</b>
<b>Committed:</b>				
Encumbrances	466,377	-	-	466,377
<b>Total Committed</b>	<b>466,377</b>	<b>-</b>	<b>-</b>	<b>466,377</b>
<b>Assigned:</b>				
Operating Needs	732,300	-	-	732,300
Legal Contingency	950,000	-	-	950,000
Library	85,000	-	-	85,000
Recorder of Deeds Maintenance Fees	32,924	-	-	32,924
Sheriff Auctioneer Fees	60,000	-	-	60,000
Local Government Fees	60,000	-	-	60,000
Donations	5,950	-	-	5,950
<b>Total Assigned</b>	<b>1,926,174</b>	<b>-</b>	<b>-</b>	<b>1,926,174</b>
<b>Unassigned</b>	<b>39,436,838</b>	<b>-</b>	<b>-</b>	<b>39,436,838</b>
<b>Total Fund Balances</b>	<b>\$ 42,318,804</b>	<b>\$ 8,676,289</b>	<b>\$ 81,002</b>	<b>\$ 51,076,095</b>



## NOTE I – CAPITAL IMPROVEMENT COMMITMENTS

The following is a summary of the significant capital improvement commitments of the County as of June 30, 2015:

## Governmental Activities

## Capital Project Fund:

Project Name	Estimated Project Cost	Remaining Contract Commitments To Date	Costs Incurred To Date
Recreation Center/Kesselring	\$ 9,140,794	\$ 6,907,920	\$ 2,232,874
	\$ 9,140,794	\$ 6,907,920	\$ 2,232,874

The Capital Projects Fund has incurred costs in the amount of \$316,656 that were not under a formal construction commitment as of June 30, 2015.

## Enterprise Funds

Project Name	Estimated Project Cost	Remaining Contract Commitments To Date	Costs Incurred To Date
Little Heaven Bypass	\$ 3,319,077	\$ 1,744,141	\$ 1,574,936
Leachate Project	150,000	7,459	142,541
Treatment Plant Expansion Upgrade	20,327,838	7,213,700	13,114,138
Murderkill Project	528,893	365,890	163,003
North Milford Project	15,974	3,852	12,122
Blower System Upgrade	395,000	115,868	279,132
ESECO Project	250,000	129,025	120,975
General Labor & Equipment Contract	3,846,135	2,101,173	1,744,962
	\$ 28,832,917	\$ 11,681,108	\$ 17,151,809

In the Sewer Fund, Kent County has incurred costs in the amount of \$8,729,876 that were not under a formal construction commitment as of June 30, 2015.

**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.

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, 2015, was based on the following membership data:

Active Employees	280
Retired	162
Survivors	21
Disabled	2
Deferred Vested	<u>108</u>
TOTAL	<u><u>573</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

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

Total contribution to the pension plan in fiscal year 2015 was \$1,573,046 of which \$156,272 was the employee contribution and \$1,416,774 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.

<b>KENT COUNTY, DELAWARE</b>		
<b>STATEMENT OF FIDUCIARY NET POSITION</b>		
<b>PENSION TRUST FUNDS</b>		
<b>June 30, 2015</b>		
	<b>Pension Fund</b>	<b>Post Retiree Benefits Fund</b>
<b>ASSETS</b>		
Restricted Assets:		
Receivables		
Accounts	\$ 153,234	\$ -
Interest	8,537	-
Investments	34,820,611	13,864,150
<b>Total Assets</b>	34,982,382	13,864,150
<b>LIABILITIES</b>		
Accounts Payable	283,285	-
<b>Total Liabilities</b>	283,285	-
<b>NET POSITION</b>		
Held in Trust for:		
Pension Benefits	34,699,097	-
Post Retiree Benefits	-	13,864,150
<b>Total Net Position</b>	\$ 34,699,097	\$ 13,864,150

## 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, 2015

	<u>Pension Fund</u>	<u>Post Retiree Benefits Fund</u>
<b>ADDITIONS</b>		
Employee Contributions	\$ 156,272	\$ -
Employer Contributions	1,416,774	616,016
Interest and Dividends	169,078	283,276
Net Appreciation in Fair Value of Investments	<u>1,087,579</u>	<u>68,177</u>
<b>Total Additions</b>	<u>2,829,703</u>	<u>967,469</u>
<b>DEDUCTIONS</b>		
Pension Benefits	2,107,138	628,693
Administrative Expense	<u>169,629</u>	<u>4,411</u>
<b>Total Deductions</b>	<u>2,276,767</u>	<u>633,104</u>
<b>Change In Net Assets</b>	552,936	334,365
<b>Net Position - Beginning of Year</b>	<u>34,146,161</u>	<u>13,529,785</u>
<b>Net Position - End of Year</b>	<u>\$ 34,699,097</u>	<u>\$ 13,864,150</u>

**NOTE K – PENSION AND POST RETIREE FUNDS - CONTINUED****4. Pension Asset Allocation**

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The asset and target allocation as of June 30, 2015, and best estimates of arithmetic real rates of return for each major asset classes are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity Composite	50.25%	45.00%	9.00%
International Equity Composite	9.21%	10.00%	9.70%
Bond Composite	30.56%	35.00%	3.90%
Global Tactical Asset Allocation	9.98%	10.00%	5.90%
	<u>100.00%</u>	<u>100.00%</u>	

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

The above was the Levy Court's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2015.

**5. Discount Rate**

The discount rate used to measure the total pension liability is 8.00%. The projection of cash flows used to determine the discount rate assumes that plan member contributions will be made at the current contribution rate, and that County contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based upon those assumptions, the pension plan's fiduciary net position is projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments is applied as the discount rate to all periods of projected benefit payments to determine the total pension liability.

**6. Net Pension Liability**

The County's net pension liability is measured, and the total pension liability used to calculate the net pension liability is determined by the actuarial valuation as of January 1, 2015. The net pension liability is \$9,118,334, measured as the difference between the total pension liability of \$42,749,221 and the fiduciary net position of \$33,630,887.

NOTE K – PENSION AND POST RETIREE FUNDS – CONTINUED

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

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
<b>Balances at beginning of year</b>	\$ 36,658,153	\$ 32,036,791	\$ 4,621,362
<b>Changes for the year:</b>			
Service cost	1,033,726	-	1,033,726
Interest	2,852,131	-	2,852,131
Differences between expected and actual experience	485,747	-	485,747
Change in assumptions*	3,771,993	-	3,771,993
Contributions-employer	-	1,314,726	(1,314,726)
Contributions-employee	-	163,928	(163,928)
Net investment income	-	2,358,943	(2,358,943)
Benefit payments, including refunds of employee contributions	(2,052,529)	(2,052,529)	-
Administrative expenses	-	(190,972)	190,972
Net Changes	6,091,068	1,594,096	4,496,972
<b>Balances at end of year</b>	<b>\$ 42,749,221</b>	<b>\$ 33,630,887</b>	<b>\$ 9,118,334</b>

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

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

The following represents the Plan’s net pension liability of the County, calculated using the discount rate of 8.00%, as well as what the County’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00%) or 1-percentage-point higher (9.00%) than the current rate:

	1% Decrease in Discount Rate (7.00%)	Current Discount Rate (8.00%)	1% Increase in Discount Rate (9.00%)
Net Pension Liability	\$ 14,181,759	\$ 9,118,334	\$ 4,830,739

NOTE K – PENSION AND POST RETIREE FUNDS – CONTINUED

8. Money-Weighted Rate of Return

The money-weighted rate of return considers the changing amounts actually invested during a period and weights the amount of pension plan investments by the proportion of time they are available to earn a return during that period. This rate of return is then calculated by solving, through an iterative process, for the rate that equates the sum of the weighted external cash flows into and out of the plan’s investments to the ending fair value of pension plan investments. For the 2014 year, the annual money-weighted rate of return on the investments, net of investment expense, is 6.80%.

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

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

For the year ended June 30, 2015, the County recognized pension expense of \$921,529. At June 30, 2015, the County reported deferred outflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	
Difference between expected and actual experience	\$	382,831
Change of assumptions		2,972,842
Net Difference between projected and actual earnings on pension plan investments		135,468
Contributions subsequent to the measurement date- FY 2015 contributions		<u>1,416,774</u>
	<u>\$</u>	<u>4,907,918</u>

An amount of \$1,416,774 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date (January 1, 2015) will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

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

Year ended June 30:

2016	\$	935,931
2017		935,931
2018		935,931
2019		<u>683,351</u>
	<u>\$</u>	<u>3,491,144</u>



## NOTE K – PENSION AND POST RETIREE FUNDS – CONTINUED

10. Actuarial Methods and Significant Assumptions

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

Valuation Date:	January 1, 2015
Actuarial Cost Method:	Entry Age Normal as a level percentage of pay method
Amortization Method:	Level Dollar
Remaining Amortization Period:	20 Years
Asset Valuation Method:	Current market value
Actuarial Assumptions:	
Investment Rate of Return:	8.00%
Discount Rate:	8.00%
Projected salary increases	3.50%
Cost of living adjustments	0.00%
Mortality Table:	RP-2000 Combined Health Mortality Table

## 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, 114 retirees meet these eligibility requirements, of which 79 retirees and 19 spouses/dependents 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 2015, expenditures of \$691,917 were recognized for post-retirement health care of which \$628,693 was paid out of the OPEB fund. The \$63,224 balance of retiree benefits was paid from the operating budgets of General Fund in the amount of \$50,041 and Sewer Fund in the amount of \$13,183.

**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 2015, the amount actually contributed to the plan, and changes in the County's net OPEB obligation (NOO):

Annual required contribution (ARC)	\$ 785,111
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
	<hr/>
Annual OPEB cost (expense)	785,111
Contribution made	785,111
	<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 2015 was as follows:

	For Fiscal Year	Amount
Annual OPEB Cost	2013	\$ 661,025
	2014	616,016
	2015	785,111
Annual Required Contribution (ARC)	2013	661,025
	2014	616,016
	2015	785,111
Actual Contribution	2013	661,025
	2014	616,016
	2015	785,111
Percentage of Annual OPEB Cost Contributed	2013	100.00%
	2014	100.00%
	2015	100.00%
NOO (Net OPEB Obligation) (Asset)	2013	-
	2014	-
	2015	-

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]
1/1/2015	\$ 13,642,314	\$ 14,832,203	\$ 1,189,889	92.0%	\$ 13,470,257	8.83%

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 2015, 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 \$1,500 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, 2015, the balance of this reserve totaled \$330,738
- 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, 2015, the balance of this reserve totaled \$25,692,981 of which \$19,304,608 is for the main system capital improvement and \$6,388,373 is for district capital improvement.

Equipment Replacement Reserve	\$ 330,738
Expansion Reserve	<u>25,692,981</u>
<b>Total Reserved Net Position</b>	<b><u>\$ 26,023,719</u></b>

**NOTE O – RESTATEMENT OF BEGINNING OF YEAR NET POSITION**

The County has decreased its July 1, 2014 net position for its governmental activities by \$3,602,577 and business-type activities and sewer fund net position by \$1,048,858 due to the effects of implementing GASB Statement No. 68, "Accounting and Financial Reporting for Pensions," and GASB No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68". The County recorded a beginning deferred outflow for pension contributions of \$1,037,945 and a beginning net pension liability of \$3,583,866 and removed the net pension asset balance of \$1,056,656 determined in accordance with Statement 27, as amended, for the governmental activities. The County also recorded a beginning deferred outflow for pension contributions of \$294,530 and a beginning net pension liability of \$1,037,496 and removed the net pension asset balance of \$305,892 determined in accordance with Statement 27, as amended, for the business-type activities and sewer fund.

**NOTE P – 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, 2015, the balances of the outstanding bonds were as follows:

<u>Bond</u>	<u>Issue Amount</u>	<u>Balance Outstanding June 30, 2015</u>
1984 Single Family Residential Mortgage	\$ 25,395,575	\$ 2,449,162
1997 Wesley College	3,500,000	795,400
1999 Wesley College	1,250,000	406,764
1999 Dover ALF, LLC "Heritage"	7,500,000	5,470,000
2001 Wesley College	2,500,000	256,618
2005 Wesley College	2,900,000	1,173,617
2008A, 2008B Providence Creek Academy Charter School	13,150,000	6,625,000
2011 Charter School, Inc.	3,930,000	3,640,000
<b>Total</b>	<b>\$ 60,125,575</b>	<b>\$ 20,816,561</b>

**NOTE Q – SUBSEQUENT EVENTS**

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

On November 24, 2015, the Levy Court Commissioners adopted Ordinance 15-12 which authorized the issuance of up to \$21,000,000 of Kent County Revenue Bonds for the benefit of the Kent County Regional Sports Complex Corporation to finance a regional sports complex in Frederica, Delaware.

The County has evaluated all subsequent events through December 11, 2015, the date the financial statements were available to be issued.

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY, RELATED RATIOS AND INVESTMENT RETURNS  
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>2015</u>
<b>TOTAL Pension Liability</b>	
Service Cost	\$ 1,033,726
Interest on total pension liability	2,852,131
Differences between expected and actual experience	485,747
Changes of assumptions*	3,771,993
Benefit payments, including refunds of member contributions	(2,052,529)
	<hr/>
Net change in total pension liability	6,091,068
Total pension liability, beginning	36,658,153
Total pension liability, ending (a)	<hr/> <u>42,749,221</u>
<b>Fiduciary Net Position</b>	
Employer contributions	1,314,726
Member contributions	163,928
Net Investment income	2,358,943
Benefit payments, including refunds of member contributions	(2,052,529)
Administrative expenses	(190,972)
	<hr/>
Net change in plan fiduciary net position	1,594,096
Fiduciary net position, beginning	32,036,791
Fiduciary net position, ending (b)	<hr/> <u>\$ 33,630,887</u>
Net pension liability, ending = (a) - (b)	<hr/> <u>\$ 9,118,334</u>
Fiduciary net position as a % of total pension liability	78.67%
Covered payroll	13,578,928
Net pension liability as a % of covered payroll	67.15%
Annual money weighted rate of return, net of investment expense	6.80%

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

## 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 ten completed valuations covering ten years.

### REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fiscal Year Ended June 30,	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll as of the Actuarial Valuation Year	Contribution as a Percentage of Covered Payroll
2006	\$ 831,025	\$ 831,025	-	\$ 9,204,506	9.03%
2007	831,025	831,025	-	9,204,506	9.03%
2008	1,221,003	1,221,003	-	10,529,866	11.60%
2009	1,221,003	1,530,881	(309,878)	10,529,866	14.54%
2010	2,017,159	2,017,159	-	12,645,748	15.95%
2011	1,419,590	1,434,253	(14,663)	12,031,063	11.92%
2012	1,391,962	1,391,962	-	12,081,149	11.52%
2013	1,334,642	1,334,642	-	12,687,170	10.52%
2014	1,265,985	1,332,476	(66,491)	13,186,023	10.11%
2015	1,409,118	1,416,774	(7,656)	13,470,257	10.52%

### ACTUARIAL METHODS AND SIGNIFICANT ASSUMPTIONS

Valuation Date	January 1, 2015
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level dollar of projected payroll
Remaining amortization period	20 years
Asset valuation method	Current Market Value
Actuarial assumptions:	
Investment rate of return	8.00%
Discount rate	8.00%
Projected salary increases	3.50%
Cost of living adjustments	0.00%
Mortality	RP-2000 Combined health mortality table



### 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, 2013 and 2015 covering four 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%
1/1/2015	13,642,314	14,832,203	1,189,889	92.0%	13,470,257	8.83%



KENT COUNTY, DELAWARE

COMBINING BALANCE SHEET  
NON-MAJOR  
GOVERNMENTAL FUNDS  
JUNE 30, 2015

	Special Revenue Fund	Capital Project Fund	Total Non-Major Governmental Funds
	Farmer's Home Administration Grant	Aeropark Fund	
<b>ASSETS</b>			
Cash and Investments	\$ 24,357	\$ 93,253	\$ 117,610
Due from Other Governments	9,425	-	9,425
<b>Total Assets</b>	<u>\$ 33,782</u>	<u>\$ 93,253</u>	<u>\$ 127,035</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Due to Other Funds	\$ 33,782	\$ 474	\$ 34,256
Unearned Revenue	-	11,777	11,777
<b>Total Liabilities</b>	<u>33,782</u>	<u>12,251</u>	<u>46,033</u>
<b>Fund Balances:</b>			
Restricted:			
Capital Projects	-	81,002	81,002
<b>Total Fund Balances</b>	<u>-</u>	<u>81,002</u>	<u>81,002</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 33,782</u>	<u>\$ 93,253</u>	<u>\$ 127,035</u>

**KENT COUNTY, DELAWARE**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NON-MAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Special Revenue Fund</u>	<u>Capital Project Fund</u>	<u>Total Non-Major Governmental Funds</u>
	<u>Farmer's Home Administration Grant</u>	<u>Aeropark Fund</u>	
<b>REVENUES</b>			
Grants	\$ 25,775	\$ -	\$ 25,775
Investment Income	-	151	151
Other Revenues	-	18,377	18,377
<b>Total Revenues</b>	<u>25,775</u>	<u>18,528</u>	<u>44,303</u>
<b>EXPENDITURES</b>			
Current:			
Planning Services	25,775	-	25,775
Economic Development	-	3,057	3,057
<b>Total Expenditures</b>	<u>25,775</u>	<u>3,057</u>	<u>28,832</u>
<b>Excess of Revenues Over Expenditures</b>	<u>-</u>	<u>15,471</u>	<u>15,471</u>
<b>Net Change in Fund Balances</b>	-	15,471	15,471
<b>Fund Balances at Beginning of Year</b>	<u>-</u>	<u>65,531</u>	<u>65,531</u>
<b>Fund Balances at End of Year</b>	<u>\$ -</u>	<u>\$ 81,002</u>	<u>\$ 81,002</u>

KENT COUNTY, DELAWARE

COMBINING STATEMENT OF NET POSITION  
NON-MAJOR PROPRIETARY FUNDS  
JUNE 30, 2015

	<u>Street Light</u>	<u>Landfill</u>	<u>Total</u>
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash and Investments	\$ 735,723	\$ 728,309	\$ 1,464,032
Receivables			
Fees and Services	964,980	-	964,980
Due From Other Funds	15,572	-	15,572
<b>Total Current Assets</b>	<u>1,716,275</u>	<u>728,309</u>	<u>2,444,584</u>
<b>Non-Current Assets:</b>			
Capital Assets, Net			
Land	3,000	-	3,000
Equipment and Furniture	-	5,474	5,474
<b>Total Non-Current Assets</b>	<u>3,000</u>	<u>5,474</u>	<u>8,474</u>
<b>Total Assets</b>	<u>1,719,275</u>	<u>733,783</u>	<u>2,453,058</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts Payable	45,260	-	45,260
Due to Other Funds	31,427	1,954	33,381
Unearned Revenue	908,641	169,173	1,077,814
<b>Total Liabilities</b>	<u>985,328</u>	<u>171,127</u>	<u>1,156,455</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	3,000	5,474	8,474
Unrestricted	730,947	557,182	1,288,129
<b>Total Net Position</b>	<u>\$ 733,947</u>	<u>\$ 562,656</u>	<u>\$ 1,296,603</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, 2015

	<u>Street Light</u>	<u>Landfill</u>	<u>Total</u>
<b>OPERATING REVENUES</b>			
Fees for Services	\$ 943,856	\$ -	\$ 943,856
Operating Grants	15,572	-	15,572
Other Revenue	-	1,546	1,546
	<u>959,428</u>	<u>1,546</u>	<u>960,974</u>
<b>OPERATING EXPENSES</b>			
Salaries and Benefits	115,500	494	115,994
Contractual Services	10,100	2,576	12,676
Utilities	723,565	-	723,565
Maintenance, Parts and Supplies	6,406	2	6,408
Vehicle Expense	1,867	-	1,867
Operating Insurance and Indirect Costs	50,300	4,769	55,069
Depreciation Expense	-	2,190	2,190
	<u>907,738</u>	<u>10,031</u>	<u>917,769</u>
<b>Operating Income (Loss)</b>	<u>51,690</u>	<u>(8,485)</u>	<u>43,205</u>
<b>NON-OPERATING REVENUES</b>			
Interest and Dividends	<u>1,913</u>	<u>1,867</u>	<u>3,780</u>
<b>Total Non-Operating Revenues</b>	<u>1,913</u>	<u>1,867</u>	<u>3,780</u>
<b>Net Income (Loss)</b>	53,603	(6,618)	46,985
<b>Net Position at Beginning of Year</b>	<u>680,344</u>	<u>569,274</u>	<u>1,249,618</u>
<b>Net Position at End of Year</b>	<u>\$ 733,947</u>	<u>\$ 562,656</u>	<u>\$ 1,296,603</u>

KENT COUNTY, DELAWARE

COMBINING STATEMENT OF CASH FLOWS  
NON-MAJOR PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Street Light</u>	<u>Landfill</u>	<u>Total</u>
<b>Cash Flows From Operating Activities:</b>			
Receipts from Customers and Users	\$ 936,795	\$ -	\$ 936,795
Payments to Suppliers	(749,008)	(3,729)	(752,737)
Internal Activity - Payment to Other Funds	(151,573)	(4,006)	(155,579)
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>36,214</u>	<u>(7,735)</u>	<u>28,479</u>
<b>Cash Flows From Investing Activities:</b>			
Interest and Dividends	1,913	1,867	3,780
<b>Net Cash Provided By Investing Activities</b>	<u>1,913</u>	<u>1,867</u>	<u>3,780</u>
<b>Net Increase (Decrease) In Cash and Cash Equivalents</b>	38,127	(5,868)	32,259
<b>Cash and Cash Equivalents at Beginning of Year</b>	<u>697,596</u>	<u>734,177</u>	<u>1,431,773</u>
<b>Cash and Cash Equivalents at End of Year</b>	<u>\$ 735,723</u>	<u>\$ 728,309</u>	<u>\$ 1,464,032</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>			
Operating Income (Loss)	\$ 51,690	\$ (8,485)	\$ 43,205
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	508	-	508
(Increase) Decrease in Due From Other Funds	(15,572)	-	(15,572)
Increase in Accounts Payable	(7,070)	(657)	(7,727)
Increase (Decrease) in Deferred Revenue	(7,569)	(1,546)	(9,115)
(Decrease) in Due To Other Funds	14,227	763	14,990
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ 36,214</u>	<u>\$ (7,735)</u>	<u>\$ 28,479</u>

KENT COUNTY, DELAWARE

COMBINING STATEMENT OF NET POSITION  
 FIDUCIARY FUNDS  
 JUNE 30, 2015

	<u>Pension Fund</u>	<u>Post Retiree Benefits Fund</u>	<u>Total</u>
<b>ASSETS</b>			
Restricted Assets:			
Receivables			
Accounts	\$ 153,234	\$ -	153,234
Interest	8,537	-	8,537
Investments	<u>34,820,611</u>	<u>13,864,150</u>	<u>48,684,761</u>
<b>Total Assets</b>	<u>34,982,382</u>	<u>13,864,150</u>	<u>48,846,532</u>
<b>LIABILITIES</b>			
Accounts Payable	<u>283,285</u>	<u>-</u>	<u>283,285</u>
<b>Total Liabilities</b>	<u>283,285</u>	<u>-</u>	<u>283,285</u>
<b>NET POSITION</b>			
Held in Trust for:			
Pension Benefits	34,699,097	-	34,699,097
Post Retiree Benefits	<u>-</u>	<u>13,864,150</u>	<u>13,864,150</u>
<b>Total Net Position</b>	<u>\$ 34,699,097</u>	<u>\$ 13,864,150</u>	<u>\$ 48,563,247</u>



**KENT COUNTY, DELAWARE**

**COMBINING STATEMENT OF CHANGES IN NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2015**

	<b>Pension Fund</b>	<b>Post Retiree Benefits Fund</b>	<b>Total</b>
<b>ADDITIONS</b>			
Employee Contributions	\$ 156,272	\$ -	\$ 156,272
Employer Contributions	1,416,774	616,016	2,032,790
Interest and Dividends	169,078	283,276	452,354
Net Appreciation in Fair Value of Investments	1,087,579	68,177	1,155,756
<b>Total Additions</b>	<b>2,829,703</b>	<b>967,469</b>	<b>3,797,172</b>
<b>DEDUCTIONS</b>			
Pension Benefits	2,107,138	628,693	2,735,831
Administrative Expense	169,629	4,411	174,040
<b>Total Deductions</b>	<b>2,276,767</b>	<b>633,104</b>	<b>2,909,871</b>
<b>Change In Net Position</b>	<b>552,936</b>	<b>334,365</b>	<b>887,301</b>
<b>Net Position - Beginning of Year</b>	<b>34,146,161</b>	<b>13,529,785</b>	<b>47,675,946</b>
<b>Net Position - End of Year</b>	<b>\$ 34,699,097</b>	<b>\$ 13,864,150</b>	<b>\$ 48,563,247</b>



**KENT COUNTY, DELAWARE**



**SINGLE AUDIT**

**Year Ended June 30, 2015**

**KENT COUNTY, DELAWARE**  
**SINGLE AUDIT**  
**JUNE 30, 2015**

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

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December 11, 2015

Board of Commissioners  
Kent County, Delaware  
Dover, Delaware

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Kent County, Delaware, as of and for the year ended June 30, 2015, and have issued our report thereon dated December 11, 2015.

Internal Control Over Financial Reporting

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

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

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

Board of Commissioners  
Kent County, Delaware

Compliance and Other Matters

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

Purpose of this Report

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

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

INDEPENDENT AUDITOR'S  
REPORT ON COMPLIANCE FOR EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY  
OMB CIRCULAR A-133

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December 11, 2015

Board of Commissioners  
Kent County, Delaware  
Dover, Delaware

Report on Compliance for Each Major Federal Program

We have audited Kent County, Delaware's compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the Kent County, Delaware's major federal programs for the year ended June 30, 2015. Kent County, Delaware's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and recommendations.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Kent County, Delaware's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Kent County, Delaware's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Kent County, Delaware's compliance.

Board of Commissioners  
Kent County, Delaware

#### Opinion on Each Major Federal Program

In our opinion, Kent County, Delaware, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

#### Report on Internal Control Over Compliance

Management of Kent County, Delaware, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Kent County, Delaware's internal control over compliance with the types of requirements that could have a direct and material effect on each of its major federal programs to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each of its major federal programs and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Kent County, Delaware's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

#### Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Kent County, Delaware as of and for the year ended June 30, 2015, and have issued our report thereon dated December 11, 2015, which contained unmodified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements as a whole. The accompanying schedule of



Board of Commissioners  
Kent County, Delaware

expenditures of federal awards is presented for the purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations," and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Barbacane, Thornton & Company LLP*

BARBACANE, THORNTON & COMPANY LLP

**KENT COUNTY, DELAWARE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2015**

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM OR CLUSTER TITLE	SOURCE CODE	FEDERAL CFDA NUMBER	PASS- THROUGH GRANTOR'S NUMBER	GRANT PERIOD	EXPENDITURES
<b>U.S. Department of Agriculture</b>					
Passed through Sussex County, Delaware					
Rural Housing Preservation Grant:					
Grant HPG - 01-13	I	10.433	N/A	10/01/13 - 10/31/14	16,350
Grant HPG - 01-14	I	10.433	N/A	10/01/14 - 10/31/15	9,425
Total CFDA #10.433					25,775
Water and Waste Disposal Systems for Rural Communities:					
Kitts Hummock - Grant	D	10.760*	00-27	N/A	120,643
Southern Bypass - Loan	D	10.760*	28	N/A	749,117
Wastewater Treatment Plant Upgrades - Loan	D	10.760*	28, 31, 32	N/A	9,333,398
Total CFDA #10.760					10,203,158
<b>Total U.S. Department of Agriculture</b>					
<b>U.S. Department of Housing and Urban Development</b>					
Passed through the State of Delaware, Division of Community Affairs, Division of Housing and Community Development					
Community Development Block Grants/State's Program:					
Combined CDBG Grant	I	14.228	01-13	07/01/13 - 06/30/14	271,201
Combined CDBG Grant	I	14.228	01-14	07/01/14 - 06/30/15	584,823
Combined CDBG Grant Program Income	I	14.228	N/A	N/A	9,132
Neighborhood Stabilization Program (NSP) Grant	I	14.228	01-08	03/23/09 - 12/31/15	94,695
Neighborhood Stabilization Program (NSP) Grant Program Income	I	14.228	N/A	N/A	44,018
Total CFDA #14.228					1,003,869
HOME Investment Partnerships Program:					
Home Program	I	14.239*	HM-01-13	07/01/13 - 09/30/14	327,709
Home Program	I	14.239*	HM-01-14	07/01/14 - 09/30/15	195,664
Total CFDA #14.239					523,373
NSP Grant / Recovery Act Funded Program Income	I	14.256	N/A	N/A	6,311
Total CFDA #14.256					6,311
<b>Total U.S. Department of Housing and Urban Development</b>					
<b>U.S. Department of the Interior</b>					
Wildlife Refuge Direct Revenue Sharing					
FY 2013	D	15.659	N/A	07/01/13 - 06/30/15	52,853
FY 2014	D	15.659	N/A	07/01/14 - 06/30/15	49,469
Total CFDA #15.659					102,322
<b>Total U.S. Department of Interior</b>					
<b>Total U.S. Department of Agriculture</b>					
<b>Total U.S. Department of Housing and Urban Development</b>					
<b>Total U.S. Department of the Interior</b>					
					<b>10,228,933</b>
					<b>1,533,553</b>
					<b>102,322</b>

**KENT COUNTY, DELAWARE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2015**

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM OR CLUSTER TITLE	SOURCE CODE	FEDERAL CFDA NUMBER	PASS- THROUGH GRANTOR'S NUMBER	GRANT PERIOD	EXPENDITURES
<b>U.S. Department of Transportation</b>					
Passed through the State of Delaware, Department of Safety and Homeland Security / DE Emergency Management Agency	I	20.703	N/A	10/01/13 - 09/30/14	1,600
Hazardous Materials Emergency Preparedness Training and Planning Grants HMEP 2014					1,600
Total CFDA #20.703					1,600
<b>Total U.S. Department of Transportation</b>					
<b>U.S. Environmental Protection Agency</b>					
Passed through the State of Delaware, Department of Natural Resources and Environmental Control, Division of Water Resources	I	66.458	12000058	N/A	161,807
Capitalization Grants for Clean Water State Revolving Funds:	I	66.458	12000057	N/A	138,701
Delaware Water Pollution Control Revolving Fund Loan - East Dover	I	66.458	12000064	N/A	674,940
Delaware Water Pollution Control Revolving Fund Loan - Murderkill					975,448
Delaware Water Pollution Control Revolving Fund Loan - Hilltop					975,448
Total CFDA #66.458					975,448
<b>Total U.S. Environmental Protection Agency</b>					
<b>U.S. Department of Homeland Security</b>					
Passed through the State of Delaware, Department of Safety and Homeland Security / DE Emergency Management Agency	I	97.039	FEMA-4037-DR-DE	01/09/13 - 01/31/16	22,050
Hazard Mitigation Grant Program					22,050
Total CFDA #97.039					108,536
Emergency Management Performance Grant: FY14	I	97.042	EMPG-14-001	10/01/13 - 12/31/15	108,536
Total CFDA #97.042					108,536
<b>Homeland Security Grant Program: International School of Tactical Medicine</b>					
Masimo RAD57 Units	I	97.067	FY14-007	09/01/14 - 11/30/16	567
Smart911 System Back Up	I	97.067	DHS03494	09/01/13 - 11/30/15	34,500
International Association of Emergency Managers	I	97.067	FY13-015	09/01/13 - 11/30/15	2,829
Total CFDA #97.067					37,896
<b>Total U.S. Department of Homeland Security</b>					
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>					
					<b>\$ 13,010,338</b>

Source Code:

D = Direct Federal Funding

I = Indirect Federal Funding

\* Denotes Major Program Tested

KENT COUNTY, DELAWARE  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2015

**NOTE 1 BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes all the federal grant activity of the County and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**NOTE 2 FISCAL PERIOD AUDITED**

Single audit testing procedures were performed for program transactions occurring during the fiscal year ended June 30, 2015.

**NOTE 3 LOAN BALANCES INVOLVING FEDERAL FUNDS**

During fiscal year 1994, the County received \$132,700 in loan proceeds from the U.S. Department of Agriculture, Farmers' Home Administration ("FmHA"), for construction of the Little Creek Sanitary Sewer District Project under the FmHA's Water and Waste Disposal System for Rural Communities Program (CFDA #10.760). This loan is fully drawn down, and no expenditures related to it are reflected in the schedule of expenditures of federal awards. The loan balance at June 30, 2015 was \$91,823.

During fiscal year 1996, the County was awarded \$3,914,918 in loan proceeds from the Delaware Department of Natural Resources and Environmental Control, Delaware Water Pollution Control Revolving Fund, for construction of the Northern Conveyance System Upgrade under the Capitalization Grants for Clean Water State Revolving Funds Program (CFDA #66.458). This loan is fully drawn down, and no expenditures related to it are reflected in the schedule of expenditures of federal awards. The loan balance at June 30, 2015 was \$633,644 (83.33 percent federal funds; 16.67 percent state funds).

During fiscal year 2001, the County was awarded \$392,400 in loan proceeds (with capitalized interest costs of \$48,346) from the Delaware Department of Natural Resources and Environmental Control, Delaware Water Pollution Control Revolving Fund, for construction of the Bowers Sanitary Sewer District Project under the Capitalization Grants for Clean Water State Revolving Funds Program (CFDA #66.458). This loan is fully drawn down, and no expenditures related to it are reflected in the schedule of expenditures of federal awards. The loan balance at June 30, 2015 was \$200,178 (83.33 percent federal funds; 16.67 percent state funds).

KENT COUNTY, DELAWARE  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2015

**NOTE 3      LOAN BALANCES INVOLVING FEDERAL FUNDS (cont'd)**

During fiscal year 2001, the County was awarded \$375,000 in loan proceeds from the Delaware Department of Natural Resources and Environmental Control, Delaware Water Pollution Control Revolving Fund, for construction of the Kenton Sanitary Sewer District Project under the Capitalization Grants for Clean Water State Revolving Funds Program (CFDA #66.458). This loan is fully drawn down, and no expenditures related to it are reflected in the schedule of expenditures of federal awards. The loan balance at June 30, 2015 was \$144,168 (83.33 percent federal funds; 16.67 percent state funds).

During fiscal year 2001, the County was awarded \$100,000 in loan proceeds from the Delaware Department of Natural Resources and Environmental Control, Delaware Water Pollution Control Revolving Fund, for construction of the Northeast Sanitary Sewer District Project under the Capitalization Grants for Clean Water State Revolving Funds Program (CFDA #66.458). This loan is fully drawn down, and no expenditures related to it are reflected in the schedule of expenditures of federal awards. The loan balance at June 30, 2015 was \$40,368.

During fiscal year 2004, the County was awarded \$720,900 in loan proceeds from the U.S. Department of Agriculture, Farmers' Home Administration, for construction of the Northeast Sanitary Sewer District Project under the FmHA's Water and Waste Disposal Systems for Rural Communities Program (CFDA #10.760). This loan is fully drawn down, and no expenditures related to it are reflected in the schedule of expenditures of federal awards. The loan balance at June 30, 2015 was \$626,512.

During fiscal years 2006 and 2008, the County was awarded \$254,000 and \$121,000 in loan proceeds, respectively, from the U.S. Department of Agriculture, for an extension of sewer to the Baker's Choice Community under the Rural Utilities Service's Water and Waste Disposal Systems for Rural Communities Program (CFDA #10.760). This loan is fully drawn down, and no expenditures related to it are reflected in the schedule of expenditures of federal awards. The loan balance at June 30, 2015 was \$350,041.

During fiscal year 2010, the County was awarded \$15,527,296 in loan proceeds (reduced to \$14,905,418 through loan forgiveness of \$621,878) from the Delaware Department of Natural Resources and Environmental Control, Delaware Water Pollution Control Revolving Fund, for construction of the Renewable Energy Park and UV Disinfection Water Projects under the Capitalization Grants for Clean Water State Revolving Funds Program (CFDA #66.458). A portion of this loan, \$1,259,538, is funded through the American Recovery and Reinvestment Act of 2009. This loan is fully drawn down, and no expenditures related to it are reflected in the schedule of expenditures of federal awards. The loan balance at June 30, 2015 was \$12,849,083 (83.33 percent federal funds; 16.67 percent state funds).

KENT COUNTY, DELAWARE  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2015

**NOTE 3      LOAN BALANCES INVOLVING FEDERAL FUNDS (cont'd)**

During fiscal year 2010, the County was awarded \$2,289,935 in loan proceeds from the U.S. Department of Agriculture, Farmers' Home Administration, for construction of Kitts Hummock under the FmHA's Water and Waste Disposal System for Rural Communities Program (CFDA #10.760). This loan is fully drawn down, and no expenditures related to it are reflected in the schedule of expenditures of federal awards. The loan balance at June 30, 2015 was \$2,218,029.

During fiscal year 2010, the County was awarded \$110,065 in loan proceeds from the U.S. Department of Agriculture, Farmers' Home Administration, for construction of Kitts Hummock under the FmHA's Water and Waste Disposal System for Rural Communities Program (CFDA #10.760). This loan is fully drawn down, and no expenditures related to it are reflected in the schedule of expenditures of federal awards. The loan balance at June 30, 2015 was \$105,328.

During fiscal year 2010, the County was awarded \$1,000,000 in loan proceeds from the U.S. Department of Agriculture, Farmers' Home Administration, for construction of Brookdale Heights under the FmHA's Water and Waste Disposal System for Rural Communities Program (CFDA #10.760). This loan is fully drawn down, and no expenditures related to it are reflected in the schedule of expenditures of federal awards. The loan balance at June 30, 2015 was \$940,612.

During fiscal year 2010, the County was awarded \$3,900,000 in loan proceeds from the U.S. Department of Agriculture, Farmers' Home Administration, for construction of the Southern Milford Bypass under the FmHA's Water and Waste Disposal System for Rural Communities Program (CFDA #10.760). This loan is not fully drawn down, and expenditures in the amount of \$1,646,728 are reflected in the schedule of expenditures of federal awards. The loan balance at June 30, 2015 was \$2,898,000

During fiscal year 2011, the County was awarded \$5,000,000 in loan proceeds from the U.S. Department of Agriculture, Farmers' Home Administration, for the Wastewater Treatment Plant upgrades under the FmHA's Water and Waste Disposal System for Rural Communities Program (CFDA #10.760). This loan is not fully drawn down, and expenditures in the amount of \$2,417,352 are reflected in the schedule of expenditures of federal awards. The loan balance at June 30, 2015 was \$3,011,933.

During fiscal year 2011, the County was awarded \$6,442,000 in loan proceeds from the U.S. Department of Agriculture, Farmers' Home Administration, for the Wastewater Treatment Plant upgrades under the FmHA's Water and Waste Disposal System for Rural Communities Program (CFDA #10.760). This loan is not fully drawn down, and expenditures in the amount of \$6,018,435 are reflected in the schedule of expenditures of federal awards. The loan balance at June 30, 2015 was \$5,823,581.

KENT COUNTY, DELAWARE  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2015

**NOTE 3      LOAN BALANCES INVOLVING FEDERAL FUNDS (cont'd)**

During fiscal year 2013, the County was awarded \$1,200,000 in loan proceeds from the Delaware Department of Natural Resources and Environmental Control, Delaware Water Pollution Control Revolving Fund, for a land conservation project under the Capitalization Grants for Clean Water State Revolving Funds Program (CFDA #66.458). This loan is fully drawn down, and no expenditures related to it are reflected in the schedule of expenditures of federal awards. The loan balance at June 30, 2015 was \$1,033,333 (83.33 percent federal funds; 16.67 percent state funds).

During fiscal year 2013, the County was awarded \$633,000 in loan proceeds from the Delaware Department of Natural Resources and Environmental Control, Delaware Water Pollution Control Revolving Fund, for the Murderkill wetland restoration project under the Capitalization Grants for Clean Water State Revolving Funds Program (CFDA #66.458). This loan is not fully drawn down, and expenditures in the amount of \$138,701 are reflected in the schedule of expenditures of federal awards. The loan balance at June 30, 2015 was \$214,221 (83.33 percent federal funds; 16.67 percent state funds).

During fiscal year 2013, the County was awarded \$1,423,107 in loan proceeds from the Delaware Department of Natural Resources and Environmental Control, Delaware Water Pollution Control Revolving Fund, for the East Dover sewer project under the Capitalization Grants for Clean Water State Revolving Funds Program (CFDA #66.458). This loan is not fully drawn down, and expenditures in the amount of \$161,807 are reflected in the schedule of expenditures of federal awards. The loan balance at June 30, 2015 was \$446,765 (83.33 percent federal funds; 16.67 percent state funds).

During fiscal year 2014, the County was awarded \$725,000 in loan proceeds from the Delaware Department of Natural Resources and Environmental Control, Delaware Water Pollution Control Revolving Fund, for the Hilltop Mobile Home sewer project under the Capitalization Grants for Clean Water State Revolving Funds Program (CFDA #66.458). This loan is not fully drawn down, and expenditures in the amount of \$674,940 are reflected in the schedule of expenditures of federal awards. The loan balance at June 30, 2015 was \$883,467 (83.33 percent federal funds; 16.67 percent state funds).

KENT COUNTY, DELAWARE  
 SCHEDULE OF FINDINGS AND RECOMMENDATIONS  
 YEAR ENDED JUNE 30, 2015

**PART A - SUMMARY OF AUDITOR'S RESULTS**

*Financial Statements*

Type of auditor's report issued [*unmodified, qualified, adverse, or disclaimer*]:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ Yes   X   No
- Significant deficiency(ies) identified? \_\_\_\_\_ Yes   X   None reported
- Noncompliance material to financial statements noted? \_\_\_\_\_ Yes   X   No

*Federal Awards*

Internal control over major programs:

- Material weakness(es) identified? \_\_\_\_\_ Yes   X   No
- Significant deficiency(ies) identified? \_\_\_\_\_ Yes   X   None reported

Type of auditor's report issued on compliance for major programs [*unmodified, qualified, adverse, or disclaimer*]:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? \_\_\_\_\_ Yes   X   No

Identification of major program:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>10.760</u>	<u>Water and Waste Disposal Systems for Rural Communities</u>
<u>14.239</u>	<u>Home Investment Partnerships Program</u>

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee?   X   Yes \_\_\_\_\_ No



KENT COUNTY, DELAWARE  
SCHEDULE OF FINDINGS AND RECOMMENDATIONS (cont'd)  
YEAR ENDED JUNE 30, 2015

**PART B - FINDINGS RELATED TO FINANCIAL STATEMENTS**

STATUS OF PRIOR YEAR FINDINGS

None.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None.

**PART C - FINDINGS RELATED TO FEDERAL AWARDS**

STATUS OF PRIOR YEAR FINDINGS

None.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None.