

KENT COUNTY LEVY COURT, DELAWARE



Comprehensive Annual Financial Report For the Fiscal Year Ended June 30, 2016

CODE PURPLE AWARENESS



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County Administrator

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KENT COUNTY COMMUNITY GARDEN



Kent County, Delaware
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2016



Prepared by Kent County Department of Finance

Susan L. Durham, Director

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INTRODUCTORY SECTION



This section includes the following:

Letter of Transmittal

Organizational Chart

List of Elected Officials

County Administrator and Department Directors



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

December 14, 2016

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

We are pleased to submit the Comprehensive Annual Financial Report of Kent County Levy Court, Delaware for the fiscal year ended June 30, 2016. This report includes annual financial statements as required by Delaware Law, presented in conformity with generally accepted accounting principles (GAAP) in the United States of America and audited 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.

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

Barbacane, Thornton & Company LLP, Certified Public Accountants, have issued unmodified opinions on the Kent County Levy Court's financial statements for the year ended June 30, 2016. The independent auditor's report is located at the front of the financial section of this report.

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

Profile of Kent County

Kent County, established in 1683, is the central of three counties in the State of Delaware. It is bordered on the north by New Castle County, Delaware; on the east by the Delaware Bay; on the south by Sussex County, Delaware; and on the west by the State of Maryland. Total land area is 595 square miles comprising approximately 30 percent of the land area in the State of Delaware. Kent County serves a population estimated to be 175,110 in the year 2016. Kent County is an incorporated political subdivision of the State of Delaware, with certain powers of taxation as conferred by State Legislature.

Kent County has a Commission form of government called the Levy Court. The seven-member Levy Court is composed of six commissioners elected from districts and one commissioner elected at large. Terms of office are staggered and last four years. The Levy Court has legislative powers granted by the State. In addition to the elected Levy Court, there are five "row" officers elected County-wide. These officers are the Clerk of the Peace, Comptroller, Recorder of Deeds, Register of Wills, and Sheriff. Terms of office are staggered and last four years. The County Administrator and five department managers are appointed by, and serve at the pleasure of, the Levy Court. Together these "row" offices and departments administer the offices and services that are the responsibility of the County.

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

Kent County Levy Court adopts an annual appropriated budget pursuant to the Delaware Code, Title 9, §4110 for the fiscal year no later than April 30 preceding the beginning of the fiscal year on July 1. The budget is prepared by fund, function, and department. Department managers have the ability to move monies between budget line items within certain limitations. If a situation occurs that exceeds the limitations, the approval of the County Administrator or the County Commissioners is required.

Economic Conditions of Kent County

Kent County is home of the State's County Seat and Capital City of Dover and is conveniently located in the Middle Atlantic region within an eight-hour drive of thirty percent of the U.S. population. Significant economic sectors to the County are (1) state and local government (2) federal government and military (3) service related industries (4) manufacturing and (5),

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Introductory Section*

agriculture. Kent County's major employers include Dover Air Force Base, State of Delaware, Bayhealth, together providing employment for over 17,000 people. Major manufacturers located within the County's boundaries are Baltimore Aircoil, Dentsply Caulk, Eagle Group, Edgewell Personal Care, HandyTube, Hirsh Industries, ILC Dover, Kraft Heinz, Perdue Farms, Procter & Gamble, and PPG Industries. Institutions of higher education with a significant economic presence in the County are Delaware State University, Delaware Technical Community College, Wesley College, and Wilmington University.

During the past ten years, the County's unemployment rate rose from a low of 3.5% (2007) to a decade high of 9.2% (2010) and gradually decreased to 5.3% as of June 2016. This trend reflects the effects of the 2008-2009 recession and mirrors national and state unemployment experiences for the same periods. As of June 2016, Kent County's unemployment rate was 5.3% compared to 4.9% nationally. The County continues to experience unemployment rates close to the national rates. Based on economic projections by the Federal Reserve, unemployment is expected to continue in the range of 4.6% - 5.0%.

Median household incomes within Kent County are higher than for the state as a whole. According to the year 2015 Census ACS survey, Kent County's median household income was \$66,100, while the state's was \$61,255. The County's population has increased in each of the last ten years from 152,094 in 2007 to 175,110 as of June 30, 2016. Population growth was one percent from 2015 to 2016. The median price of a single family home in Kent County was \$211,000 in June 2016, an increase of 5.5% over June 2015's median price.

Due to its sizable and stable tax base, strong financial operations bolstered by conservative policies and characterized by substantially sized reserves, and low direct debt burden, Kent County was assigned a credit rating of Aa1 by Moody's Investors Service on January 30, 2015 for its \$11.3 million General Obligation Refunding Bonds, Series 2015. This rating means the obligations are judged to be of high quality and are subject to very low credit risk.

Over the past ten years, Kent County has experienced a period of recovery from the effects of the 2008-2009 recessionary period. Renewed development is evidenced by the resurgence in the number of building permits issued. From a low point of 2,952 building permits issued in 2012, the number of permits has steadily increased each year to a total of 3,602 building permits issued in 2016. Real estate sales have rebounded as reflected in increased real estate transfer tax revenue from a low of \$2.6 million in fiscal year 2011 to \$4.5 million in fiscal year 2016. Real estate transfer tax revenue in 2016 increased \$282,777 over 2015.

The County has also made investments in community development, including through alliances with local non-profit organizations. In December 2012, the County and the Boys & Girls Club of Delaware reached an understanding to collaborate on a joint construction project just outside Camden, Delaware. The project resulted in the first Kent County Recreation Center field house joining the Boys & Girls Club's new building with a shared lobby and entrance space and

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opened in June 2016. In addition, in March 2013 the County entered into a \$1.00 per year, sixty-year ground lease agreement with the non-profit organization, Kent County Regional Sports Complex Corporation. The approximately eighty-five acres of County-owned land located near the Town of Frederica is currently under development to construct a state-of-the-art multipurpose sports complex featuring twelve synthetic turf fields, a 1,500 seat stadium, and completely-outfitted field house. The new "DE Turf" is scheduled to open in Spring 2017 and is expected to host athletes and families from surrounding major metropolitan areas bringing an economic boost to the community.

Kent County's economy is improving and is expected to strengthen in the coming years. One indicator of an improving economy is the increase in property tax revenues from fiscal year 2013 through fiscal year 2016 despite a decrease in the property tax rate from thirty one cents per hundred dollars of assessed value in 2011 to thirty cents in 2012. Fiscal year 2016 revenue is \$11.2 million compared to \$11.0 million in fiscal year 2015. In fiscal year 2016 the number of deeds recorded increased by 9.5% and mortgages recorded increased by 8.1% over fiscal year 2015.

The last decade has seen many changes as the County government continued to grow and change to meet the needs of its constituents. In fiscal year 2008, the Department of Administration reincorporated technology-related services within the County as the Division of Information Technology to better accommodate the County's unique needs, replacing previously outsourced services. The expenditures for the Information Technology division are allocated as indirect costs to the departments that serve the public directly (i.e. direct cost centers). Further changes to the composition of departments occurred in 2011. The Elected Office of the Receiver of Taxes and County Treasurer was eliminated and former staff and responsibilities were absorbed into the Department of Finance. In addition, the staff budgeted for the Recorder of Deeds office was reduced from twelve to six members between 2010 and 2011, reflecting the effects of the reduction in work due to the poor economy of the time period. Due to the staff decreases, Row Office expenditures fell 33.8% from approximately \$2.6 million in fiscal year 2007 to approximately \$1.7 million in fiscal year 2016. It should be noted that the Comptroller's Office will be eliminated as of January 2017 and its functions transferred under the Department of Finance.

Kent County's Department of Public Safety and Department of Public Works saw increasing demand for services during the last decade. The Department of Public Safety added a Paramedic expansion unit in the southeast quadrant of Kent County in fiscal year 2016. Over the past ten years the department's budgeted staff of fifty-nine in fiscal year 2007 grew to a budgeted staff of seventy-eight in fiscal year 2016. This represents a 32.2% increase in staffing. Expenditures for this department increased 44% over the same time period from a low just over \$5.8 million in 2007 to a high of just under \$8.4 million in 2016. While services and expenditures have grown, revenue grant funds from the State of Delaware that aide in funding paramedic services have been reduced. This major source of Public Safety related revenue is dependent upon the State's annual budget approval and was decreased from a forty percent contribution in 2007 to a thirty percent contribution in 2010 and subsequent fiscal years, then became subject to a cap on the

dollar amount available to the County in any one fiscal year. The Department of Public Works added new sewer districts within the County boundaries at a steady rate with twenty five districts online and 11,787 EDU's billed in 2007 and 32 districts online and 19,945 EDU's billed in 2016. Budgeted staff increased from sixty one to sixty eight employees for the same period. In fiscal year 2016, the Department of Public Works took on a new responsibility to provide Storm Water Maintenance Districts.

Kent County completed many major capital improvements within the past ten years. Some notable items include construction of the County's first Recreation Center building for \$5.5 million in June 2016, replacement of Public Safety's building HVAC system with a new Geothermal system for \$873,381 in 2013, and purchase of a Library building for \$1.8 million in 2010.

Long-Term Financial Planning and Major Initiatives

Kent County Levy Court Commissioners, the County Administrator and other senior staff participate in long-term strategic planning each year during the County's annual budget preparation. Key topics related to County population growth and current and projected economic conditions, economic development, advanced life support services, community services investments and other capital investments are identified and addressed in the budget process. Planning for capital expenditures is completed in each budget year's cycle to ensure that its facilities, equipment, and infrastructure are well maintained and operating in peak condition. Cost projections are presented in the annual budget for five years into the future. This process gives the County the ability to plan for its capital needs and allocate short- and long-term resources appropriately. As part of this process, the government identifies and quantifies the operational costs associated with its capital projects and budgets resources accordingly.

Effective July 2011, the County added the Office of Economic Development within its Administration Department. The purpose of the office is to provide support services to existing businesses in Kent County that will assist with business retention and expansion efforts while also seeking to attract new businesses that compliment a target list of industries focused on tourism, education, entrepreneurship, health care, manufacturing, and agriculture. Additional responsibilities of the Economic Development office include functioning as staff for the Kent County Aero Park Authority (a seven member Authority that is appointed by the Kent County Levy Court) as they fulfill their mission to develop the Kent County Aero Park and the adjacent Civil Air Terminal.

The County added a new policy in September 2014 as Policy 30-1 Establishment of Community Projects Contribution Fund. At the discretion of Levy Court limited capital financing assistance may be provided to non-County owned capital projects that are determined to be of significant public benefit and importance to the citizens of Kent County. As of the end of fiscal year 2016,

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\$247,347 has been provided to various organizations for projects within the County. Also in September 2014, Levy Court lent its support to the State of Delaware's new code section Title 22, Chapter 19 Downtown Development Districts Act. Through fiscal year 2016, the County provided matching grant funds in the amount of \$37,187 as incentives to help spur private investment in commercial business districts and surrounding neighborhoods to improve the commercial vitality of downtowns.

Kent County Levy Court has adopted a comprehensive set of financial policies. During the past ten year period, one new policy was adopted that is of particular note. Kent County adopted a Fund Balance Policy (County Policy 22-11) in June 2012 to address the designation and use of fund balances. This policy recognizes that certain commitments and assignments of unrestricted fund balances will help ensure that there will be adequate financial resources to protect the County against unanticipated expenditures. Kent County Levy Court designated a retention goal for unassigned fund balance of 50% of the most recently adopted General Fund expenditure budget. In the event that the unassigned fund balance falls below the 50% goal, a plan will be developed to increase the reserve to the established minimum level within three years. The retention goal for unassigned fund balance based on the County's fiscal year 2016 adopted budget is \$12.7 million and this goal has been met. The County has met the retention goal every fiscal year since the policy was adopted.

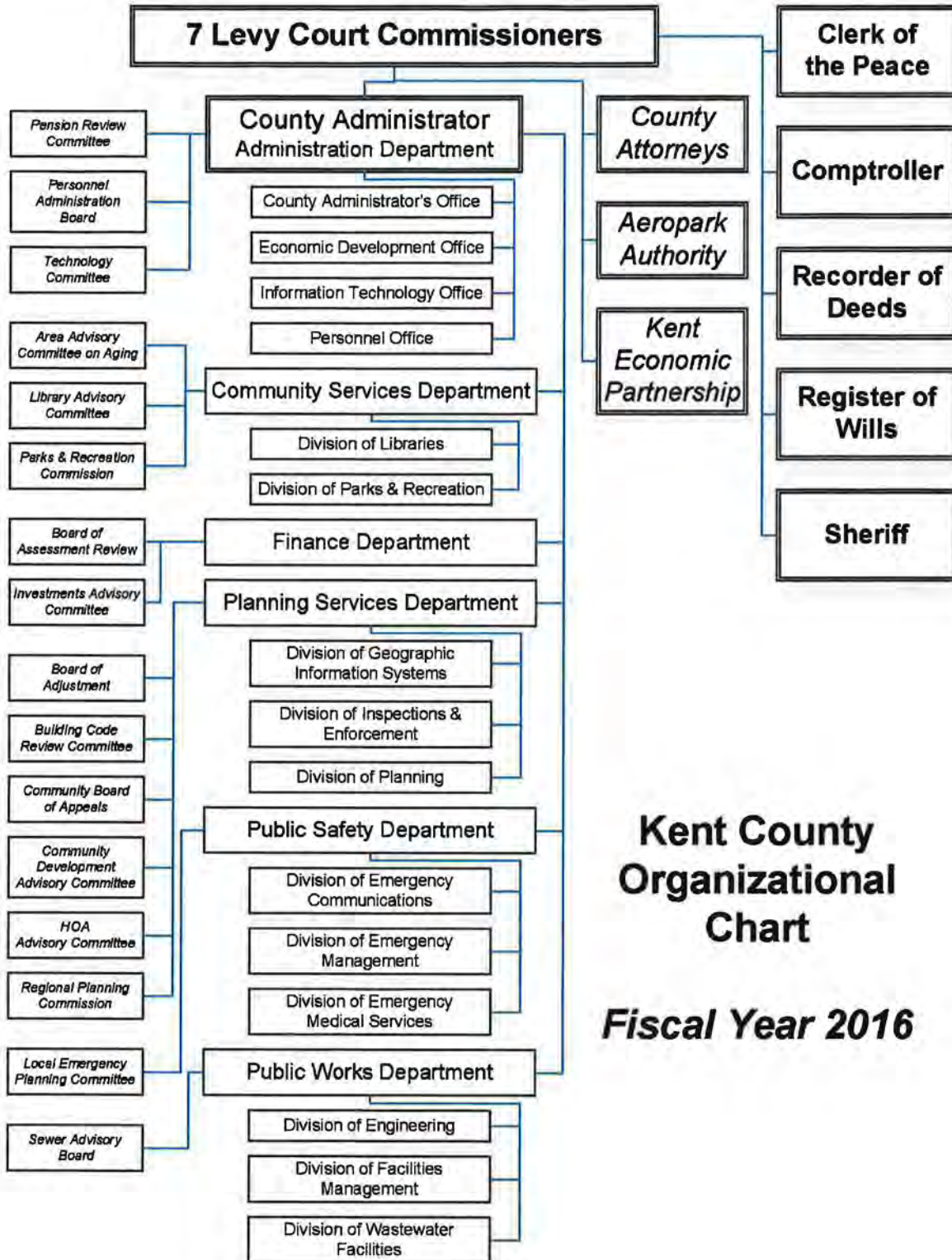
Acknowledgements

The preparation of this report would not have been possible without the skill, effort, and dedication of the entire staff of the Finance and Administration Department. We wish to thank all County departments for their assistance in providing the data necessary to prepare this report. Credit is also due to the Kent County Levy Court President and Commissioners for their unfailing support for maintaining the highest standards of professionalism in the management of the Kent County Levy Court's finances.

Respectfully submitted,


Michael J. Petit de Mange
County Administrator


Susan L. Durham
Finance Director



**Kent County
Organizational
Chart**
Fiscal Year 2016

List of Elected Officials - Kent County Levy Court Commissioners



**Hon. P. Brooks Banta, President
1st Levy Court District**



**Hon. Bradley S. Eaby, Vice Pres.
2nd Levy Court District**



**Hon. Allan F. Angel
3rd Levy Court District**



**Hon. Eric L. Buckson
4th Levy Court District**



**Hon. George "Jody" Sweeney
5th Levy Court District**



**Hon. Glen M. Howell
6th Levy Court District**



Hon. Terry L. Pepper At Large

List of Elected Officials -Kent County Row Officers

Clerk of the Peace

Loretta Wootten

Comptroller

Georgette Williams

Recorder of Deeds

Betty Lou McKenna

Register of Wills

Harold K. Brode

Sheriff

Jason A. Mollohan

**Kent County Administrator and Department Directors Appointed by
Kent County Levy Court**

County Administrator

Michael J. Petit de Mange, AICP

Department Directors

Administration Department

Michael J. Petit de Mange, AICP,
County Administrator

Community Services Department

Jeremy Sheppard

Finance Department

Susan Durham, CPA

Planning Services Department

Sarah E. Keifer, AICP

Public Safety Department

Chief Colin T. Faulkner

Public Works Department

Andrew Jakubowitch, P.E.

FINANCIAL SECTION



This section includes the following:

Independent Auditor's Report

Management's Discussion and Analysis

Basic Financial Statements

Government-wide Financial Statements

Fund Financial Statements

Notes to the Financial Statements

Required Supplementary Information

Supplementary Information

INDEPENDENT AUDITOR'S REPORT

December 14, 2016

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 ("the County"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the County'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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof, and the budgetary comparison schedule for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note A to the financial statements, the County has adopted the requirements of GASB Statement No. 72, "Fair Value Measurement and Application." This statement addresses accounting and financial reporting issues related to fair value measurements. 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 16 - 25; the schedule of changes in net pension liability, related ratios, and investment returns on page 72; the pension funded status and funding progress on page 73; and other post-employment benefits funded status and funding progress on page 74 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The introductory section, combining nonmajor and fiduciary fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of

Board of Commissioners
Kent County, Delaware

expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining nonmajor and fiduciary fund financial statements and the schedule of expenditures of federal awards 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 nonmajor and fiduciary fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2016, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 the County's internal control over financial reporting and compliance.


BARBACANE, THORNTON & COMPANY LLP

KENT COUNTY, DELAWARE
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED
JUNE 30, 2016

The Levy Court Commissioners of Kent County, Delaware, ("the County"), are pleased to present to readers of the financial statements of Kent County this narrative overview and analysis of the financial activities of Kent County for the fiscal year ended June 30, 2016. 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 \$200,021,551 (net position), an increase of \$11,210,470 from the previous year.

Fund Level

- As of the close of the fiscal year, the County reported combined ending fund balances in governmental funds of \$49,181,880 a decrease of \$1,894,215 from the previous year. Of the current ending fund balances, General Fund reported \$37,779,156 as unassigned, \$728,533 as nonspendable, \$405,211 as restricted, and \$4,444,372 as assigned. In the Capital Projects Fund, \$5,713,132 is reported as restricted and \$8,374 is reported as nonspendable. In the Other Governmental Funds, \$103,102 is reported as restricted.

Long-Term Debt

- At the end of the current fiscal year, the County had total bonded debt outstanding of \$57,284,796 an increase of \$3,865,111 from the previous year. All of the bonded debt is backed by the full faith and credit of the County government. Governmental activities report \$4,299,325 and business-type activities report \$52,985,471 of general obligation bonds.
- On November 10, 2015, the County approved a \$5,000,000 loan agreement with WSFS Bank with a 15 year amortization period and a floating interest rate based upon LIBOR plus 1.2%. At the end of the current fiscal year, the County had total note payable of \$4,770,256.
- The County adheres to GASB Statement No. 68, Accounting and Financial Reporting for Pensions which was implemented in Fiscal Year 2015, which generally requires state and local governments whose employees are provided with defined benefit pensions to account for and report the annual pension cost and outstanding pension obligations. The County reported a net pension liability totaling \$13,045,353 and \$9,118,334 at June 30, 2016 and June 30, 2015 respectively.
- The County maintains an Aa1 rating from Moody's Investors Service for general obligation debt.
- Additional information on the County's long-term debt can be found in the notes to the financial statements.

Capital Assets. As of June 30, 2016, the County has invested \$170,494,742 net of accumulated depreciation, in a broad range of capital assets (see table below). Depreciation charges for Fiscal Year 2016 totaled \$7,581,807.

Kent County's Capital Assets as of June 30, 2016 and 2015
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 8,302,068	\$ 7,312,893	\$ 7,372,404	\$ 7,445,122	\$ 15,674,472	\$ 14,758,015
Construction in Progress	172,117	2,549,530	38,835,901	25,881,685	39,008,018	28,431,215
Site Improvements	6,946,040	3,703,558	236,133	342,626	7,182,173	4,046,184
Pipeline	-	-	44,071,339	46,022,478	44,071,339	46,022,478
Buildings	24,194,454	18,056,416	17,554,398	18,423,719	41,748,852	36,480,135
Equipment and Furniture	1,634,333	1,378,075	21,175,554	23,125,188	22,809,887	24,503,263
Total Capital Assets	\$ 41,249,012	\$ 33,000,472	\$ 129,245,729	\$ 121,240,818	\$ 170,494,741	\$ 154,241,290

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

- Purchase of land and buildings to include: Aeropark commercial building and land in the amount of \$857,465, Regional Sports Complex land in the amount of \$764,862, and Kesselring Recreation Center buildings in the amount of \$6,111,688.
- Additions for site improvements to include: Hunn Nature Park for paving parking area and trail development in the amount of \$133,193, Kesselring Recreation Center site work, entrances, and turf field in the amount of \$3,403,157.
- Addition of donated equipment for Public Safety in the amount of \$37,588 for one vehicle, \$16,877 for one gator, and \$10,152 for one trailer.
- Purchase of furniture and equipment to include two emergency response Suburban vehicles for Public Safety for \$123,915, four cardiac monitors for Public Safety for \$31,303, one vehicle for the Sheriff's office for \$17,557, four vehicles for Inspections & Enforcement for \$69,848, one vehicle for Assessment for \$17,938, one backup recovery appliance for Information Technology for \$29,008, network switches hardware for Information Technology for \$169,496, server hardware for Information Technology for \$49,423, software upgrade for Information Technology for \$5,585, one utility vehicle for Parks for \$14,648, and outdoor fitness equipment for Big Oak and Brown's Branch parks for \$11,109.
- Purchase of furniture and equipment for the Kesselring Recreation Center to include: office furniture for \$47,989, one floor scrubber for \$15,000, outdoor bleachers for \$21,877, and technology hardware for \$25,091.
- Construction in Progress is comprised of the Computer Aided Mass Appraisal system project in the amount of \$147,137, and the Emergency Medical Services Headquarters' Surveillance System in the amount of \$24,980.

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

- Completion of the Murderkill wetland restoration in the amount of \$681,037.
- Moved pipeline near Hertrich (Thompsonville Rd.) for DelDot Project in the amount of \$61,559.
- Purchase and installation of a soft start, gate valve and comminutor at PS3 totaling \$42,718.
- Purchase and installation of a Flowserve pump at PS4 in the amount of \$71,204.
- Improvements to State Street air release valves in the amount of \$22,261.
- Purchase of two Dry-Pit submersible pumps for LS3 pumps 1 and 2 totaling \$10,660.
- Pump repair at PS14 totaling \$22,522.
- Purchase and installation of a Wilo Mixer at PS21 in the amount of \$12,723.
- Purchase of pumps for LS5D, LS15B and PS10 in the amount of \$37,750.
- Muffin Monster repairs at PS28A in the amount of \$21,478.
- Purchase of Flyght submersible pump at RPS2 in the amount of \$33,550.
- Repair of pump at RPS 1 in the amount of \$10,155.

- Purchase of a rotary lobe pump and Wilo mixer for the digester totaling \$37,624.
- Upgrade of the concrete pier at the Plant in the amount of \$29,717.
- Installation of a hydraulic shear at the Plant in the amount of \$12,222.
- Upgrade to the grit system at the Plant totaling \$9,478.
- Roof repair of building G at the Plant in the amount of \$10,500.
- Replacement of air conditioning unit at the Blower building at the Plant in the amount of \$6,527.
- Purchase of a 2016 Caterpillar 938M Wheel Loader in the amount of \$181,235.
- Purchase of a 2016 2 Ton dump truck in the amount of \$66,475.
- Purchase of two 2016 Chevy Silverados totaling \$64,157.
- Purchase of a suspended solids meter totaling \$6,461.
- Purchase of a Miller Trailblazer welder totaling \$7,352.
- Purchase of a refrigerated sampler in the amount of \$5,538.
- Purchase of an Autocad license in the amount of \$5,138.
- Construction in Progress' significant components is comprised of the Treatment Plant capacity expansion, septage receiving project at Dover Products, the North Central Bypass and the upgrade and addition of sewer lines for the Little Heaven Bypass. Also included in construction in progress is the TMDL compliance project and at the Treatment Plant the spray irrigation, the ESCO project and blower system upgrades. Sewer extensions for Hilltop, Houston, Paris Villa and Weatherstone are also included in construction in progress.

Overview of the Financial Statements

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

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

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

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

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

- **Governmental Activities** – Most of the County's basic services are reported in this category. Taxes and intergovernmental revenues generally support these services. Services provided include general administration, special grants and programs, community services, planning services, public safety, economic development, and constitutional row offices that provide the following services: recordation of deeds, registration of wills, marriage licenses and ceremonies, 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, storm water management and trash services. The Internal Service fund reports activities that provide service for the County's health insurance fund. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.
- **Fiduciary Funds** – The County acts as a fiduciary to account for resources held for the benefit of parties outside the 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 using accrual accounting. The government-wide statements exclude fiduciary fund activities and balances because these assets are restricted in purpose and do not represent assets available to the County to finance its operations.

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

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

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

Financial Analysis of the Government as a Whole

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

Kent County's Net Position as of June 30, 2016 and 2015

	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Current and Other Assets	\$ 68,617,427	\$ 68,614,025	\$ 57,902,404	\$ 50,339,633	\$ 126,519,831	\$ 118,953,658
Capital Assets	41,249,012	33,000,472	129,245,729	121,240,818	170,494,741	154,241,290
Total Assets	109,866,439	101,614,497	187,148,133	171,580,451	297,014,572	273,194,948
Total Deferred Outflows of Resources	5,722,421	3,847,223	1,671,293	1,133,196	7,393,714	4,980,419
Long-Term Liabilities	20,131,365	12,791,413	54,497,772	49,537,412	74,629,137	62,328,825
Other Liabilities	6,815,234	4,435,337	10,916,388	10,772,091	17,731,622	15,207,428
Total Liabilities	26,946,599	17,226,750	65,414,160	60,309,503	92,360,759	77,536,253
Total Deferred Inflows of Resources	11,997,633	11,797,164	28,343	30,869	12,025,976	11,828,033
Net Position:						
Net Investment in						
Capital Assets	31,840,271	28,120,342	75,749,481	71,807,718	107,589,752	99,928,060
Restricted	6,221,445	9,075,766	30,453,228	26,023,719	36,674,673	35,099,485
Unrestricted	38,582,912	39,241,698	17,174,214	14,541,838	55,757,126	53,783,536
Total Net Position	\$ 76,644,628	\$ 76,437,806	\$ 123,376,923	\$ 112,373,275	\$ 200,021,551	\$ 188,811,081

The largest components of the County's current and other assets of \$126,519,831 are cash and investments totaling \$101,005,863 of which \$31,896,063 is reported as restricted assets in the Sewer Fund. Of the total long-term liabilities of \$74,629,137, bonds payable net of deferred charges accounts for \$55,595,279 and note payable accounts for \$4,466,351. Accounts payables totaling \$4,438,387, and unearned revenue totaling \$5,155,639 are the largest components in other liabilities of \$17,731,622. Total deferred inflows of resources are \$12,025,976 which primarily consists of unavailable property tax revenue totaling \$11,997,633.

Kent County's Changes in Net Position

	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
REVENUES						
Program Revenues:						
Charges for Services	\$ 8,252,741	\$ 7,706,520	\$ 21,387,511	\$ 21,253,466	\$ 29,640,252	\$ 28,959,986
Operating Grants and Contributions	2,967,151	3,349,706	-	21,634	2,967,151	3,371,340
Capital Grants and Contributions	164,259	80,210	11,917,096	3,729,501	12,081,355	3,809,711
General Revenues:						
Property Taxes	11,141,185	10,990,802	-	-	11,141,185	10,990,802
Real Estate Transfer Tax	4,493,193	4,210,416	-	-	4,493,193	4,210,416
Residential Telephone Surcharge	270,015	270,015	-	-	270,015	270,015
Investment Earnings	189,852	125,051	137,182	90,172	327,034	215,223
Other Revenue and Gains (Losses)	490,278	337,259	17,579	244,056	507,857	581,315
Total Revenues	27,968,674	27,069,979	33,459,368	25,338,829	61,428,042	52,408,808
EXPENSES						
General Government	3,470,183	2,751,768	-	-	3,470,183	2,751,768
Special Grants/Programs	2,029,654	2,129,742	-	-	2,029,654	2,129,742
Community Services	3,803,046	3,650,644	-	-	3,803,046	3,650,644
Planning Services	5,748,165	5,532,350	-	-	5,748,165	5,532,350
Public Safety	9,073,597	8,674,656	-	-	9,073,597	8,674,656
Row Offices	1,896,476	1,861,280	-	-	1,896,476	1,861,280
Economic Development	1,555,085	287,819	-	-	1,555,085	287,819
Bond Issue Costs	-	53,254	-	-	-	53,254
Debt Service	185,646	211,113	-	-	185,646	211,113
Sewer	-	-	18,231,919	18,243,107	18,231,919	18,243,107
Street Light	-	-	934,377	907,738	934,377	907,738
Trash	-	-	3,276,419	3,403,712	3,276,419	3,403,712
Landfill	-	-	9,804	10,031	9,804	10,031
Storm Water Maintenance	-	-	3,201	-	3,201	-
Total Expenses	27,761,852	25,152,626	22,455,720	22,564,588	50,217,572	47,717,214
Increase in Net Position	\$ 206,822	\$ 1,917,353	\$ 11,003,648	\$ 2,774,241	\$ 11,210,470	\$ 4,691,594

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 \$11,210,470 over the course of this fiscal year's operations. The change in the governmental activities net position increased \$206,822. This increase in net position was 89.21% lower than the increase in net position in Fiscal Year 2015. The increase in net position in Fiscal Year 2016 was lower than the increase in net position in Fiscal Year 2015 as a result of expenditures being 10.37% higher in Fiscal Year 2016 as compared to Fiscal Year 2015. There was a 3.32% increase in Fiscal Year 2016 total revenue as compared to Fiscal Year 2015 total revenue. Real estate transfer tax was up 6.72% from Fiscal Year 2015 and inspection fees were up 6.00% from the prior fiscal year. The sheriff fees increased by 1.95% in Fiscal Year 2016 as compared to Fiscal Year 2015.

The net position of the County's business-type activities increased by \$11,003,648. This increase in net position was 296.64% higher than the increase in net position in Fiscal Year 2015. The increase in net position of \$8,229,407 between Fiscal Year 2016 and Fiscal year 2015 was primarily a result of a 32.05% increase in revenue in Fiscal year 2016 as compared to Fiscal Year 2015 combined with a decrease of expenses of 0.48% in Fiscal Year 2016 as compared to Fiscal Year 2015. The increase in revenue in Fiscal Year 2016 was primarily due to reimbursement of approximately \$6,068,500 from the State of Delaware for the relocation of a sewer line.

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 \$43,357,272 of which \$37,779,156 was unassigned, \$728,533 was nonspendable, \$4,444,372 was assigned, and \$405,211 was restricted of which \$284,834 was for library tax, \$89,316 was for grants, \$29,516 was for recreational areas and \$1,545 was for APFO EMS.

Overall revenue increased \$922,660 from Fiscal Year 2015 to Fiscal Year 2016. Property tax revenue increased \$162,897 in Fiscal Year 2016 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 \$282,777 which is a continued indicator of growth. Fees for services increased \$400,285 primarily as a result of the increases in Recorder of Deeds Fees and Inspections Fees. Grant revenue increased \$5,618 as a result of a decrease in the amount of revenue received from the Local Emergency Preparedness (LEPC) grant, a decrease in reimbursements from the State of Delaware and increases in the Library Standards grant and the Paramedic grant. Interest and dividends increased \$54,333. Other revenue increased \$14,722 over Fiscal Year 2015.

General Fund expenditures increased \$517,291 (2.43%) in Fiscal Year 2016 when compared to Fiscal Year 2015. Debt service expenditures increased by \$246,396 due to the issuance of a \$5,000,000 note payable during. Planning Services and Public Safety had expenditure increases of \$196,441 and \$195,548 respectively while Special Grants and Programs expenditures decreased by \$100,088. The Special Grants and Programs decrease was mainly the result of a special grant to Law Enforcement Agencies in Fiscal Year 2015. Planning Services expenditures increased mainly in personnel costs due to the reclassification of some positions to higher grades and the 2% cost of living adjustment. Public Safety expenses mainly increased due to the creation of a Southeast Medic Unit which started incurring expenses for the second half of Fiscal Year 2016.

General Fund – Comparison to Budget. Overall revenue collections were higher than the final budget by 3.64%. Property taxes exceeded the final budget by \$244,394 or 2.24%. Real estate transfer tax came in over the final budget by \$993,193 or 28.38%. Grants came in under budget by \$175,226 or 8.63%. Fees for services exceeded the final budget by \$545,768 or 7.32%. Interest and dividends were over the final budget by \$62,077 or 62.08%. Other revenue was under the final budget by \$41,096 or 12.09%.

Overall, operating expenditures were under budget by 12.23% primarily due to strict cost controls imposed on County wide spending. Community Services were under the final budget by 10.77%. General Government was 6.64% under the final budget; Special Grants and Programs were 17.67% under the final budget but their balances will be carried over into the next fiscal year; Planning Services were 8.07% under the final budget; Public Safety and Row Offices were 7.76% and 6.22% under final budget respectively.

Kent County's General Fund Budget to Actual Comparison

	Original Budget	Final Budget	2016 Actual	Variance with Final Budget - Positive (Negative)
REVENUES				
Property Taxes	\$ 10,925,400	\$ 10,925,400	\$ 11,169,794	\$ 244,394
Real Estate Transfer Tax	3,500,000	3,500,000	4,493,193	993,193
Telephone Surcharge	270,000	270,000	270,015	15
Grants	1,982,900	2,030,683	1,855,457	(175,226)
Fees for Services	7,437,600	7,455,100	8,000,868	545,768
Interest and Dividends	100,000	100,000	162,077	62,077
Rental Income	23,200	23,200	25,214	2,014
Other Revenues	337,700	339,900	298,804	(41,096)
Total Revenues	24,576,800	24,644,283	26,275,422	1,631,139
EXPENDITURES				
General Government	2,303,000	2,305,451	2,152,329	153,122
Special Grants and Programs	1,977,200	2,465,323	2,029,654	435,669
Community Services	3,634,800	3,648,301	3,255,286	393,015
Planning Services	4,035,800	4,058,949	3,731,578	327,371
Public Safety	8,872,900	8,921,262	8,229,338	691,924
Row Offices	1,840,600	1,843,479	1,728,821	114,658
Contingency	950,000	919,371	-	919,371
Debt Service				
Principal	224,800	454,547	454,545	2
Interest	353,100	200,693	200,693	-
Total Expenditures	24,192,200	24,817,376	21,782,244	3,035,132
Excess (Deficiency) of Revenues Over (Under) Expenditures	384,600	(173,093)	4,493,178	4,666,271
OTHER FINANCING USES				
Transfers out	(1,116,900)	(3,481,762)	(3,454,710)	27,052
Total Other Financing Uses	(1,116,900)	(3,481,762)	(3,454,710)	27,052
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	\$ (732,300)	\$ (3,654,855)	\$ 1,038,468	\$ 4,693,323

Capital Projects Fund. The revenue for this fund increased \$93,758 from Fiscal Year 2015 to Fiscal Year 2016. This 95.30% increase in revenue was a net result of an increase in grant revenue of \$84,048 in Fiscal Year 2016 over Fiscal Year 2015, an increase in interest income from \$17,155 in Fiscal Year 2015 to \$27,379 in Fiscal Year 2016 and a decrease in other revenue of \$514 from Fiscal Year 2015 to Fiscal Year 2016. Overall the expenditures increased by \$8,444,380 from Fiscal Year 2015 to Fiscal Year 2016. Some of the largest expenditures during Fiscal Year 2016 were \$7,364,528 for the Kesselring Recreation Center and \$2,164,862 for the Kent County Regional Sports Complex. Another major project during Fiscal Year 2016 was the purchase of lot 16 in the Kent County Aeropark from Monster Racing, Inc. Capital outlay was \$2,146,144 in Fiscal Year 2015 as opposed to \$9,036,367 in Fiscal Year 2016, an increase of \$6,890,223.

Community Development Block Grant. Total revenue for this fund in Fiscal Year 2016 was \$1,400,593 a decrease of \$152,960 from Fiscal Year 2015 primarily due to a decrease in grant funding. The expenditures were \$1,737,041 a decrease of \$131,885 from Fiscal Year 2015.

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 by an annual grant award of \$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 \$154,427 as compared to an operating loss of \$170,763 in Fiscal Year 2015. Operating revenue was \$22,655 higher in Fiscal Year 2016 than in Fiscal Year 2015. User fee revenue was \$46,620 higher in Fiscal Year 2016. This was primarily a result of growth in district user revenue of \$159,231, contract user revenue being \$102,936 higher in Fiscal Year 2016 than Fiscal Year 2015, and decreases in hauler revenue and leachate revenue of \$72,486 and \$149,758 respectively. The user fee uniform rates remained the same for Fiscal Year 2016 as Fiscal Year 2015. Sewer permits and other revenue were \$23,965 lower in FY 2016 as compared to Fiscal Year 2015. Operating expenses were \$6,319 higher in Fiscal Year 2016 than Fiscal Year 2015. This increase in operating expenses is primarily attributed to the net result between an increase of \$309,536 in salaries and benefits, a decrease of \$70,971 in depreciation expense, a decrease of \$182,787 in maintenance, parts, and supplies, a decrease of \$75,842 in contractual services and an increase of \$47,185 in utilities.

Trash Fund. The Trash Fund, another major enterprise fund, has the primary function of trash collection. This fund experienced an operating gain of \$141,849 in Fiscal Year 2016 as compared to an operating loss of \$84,063 in Fiscal Year 2015. Revenues increased by \$98,619 from Fiscal Year 2015 to Fiscal Year 2016. During Fiscal Year 2016 there were 13,939 trash customers of which 77.43% had yard waste pickup. Another reason for the increase in revenue in Fiscal Year 2016 is directly related to the growth in the number of customers in the Trash Fund. Expenses decreased by \$127,293 from Fiscal Year 2015 to Fiscal Year 2016 primarily due to contractual services decreasing \$153,851 in Fiscal Year 2016 over Fiscal Year 2015.

Non-Major Enterprise Funds. The non-major enterprise funds consist of the Street Light Fund, Landfill Fund, and Storm Water Management Fund. The Landfill Fund has not actively provided waste material disposal service since the 1970's. Costs associated with the Landfill Fund consist mainly of site monitoring costs and related legal expenses. These expenses went down \$227 in Fiscal Year 2016. The Storm Water Management Fund was created during Fiscal Year 2016 for the purpose of helping to maintain the storm water infrastructure in Kent County and to levy and collect the storm water maintenance tax. During Fiscal Year 2016, the Storm Water Management Fund had operating revenue of \$28,560 and operating expenses of \$3,201 which resulted in an operating income of \$25,359. The Street Light Fund had an operating loss of \$12,551 in Fiscal Year 2016. Revenues were less in Fiscal Year 2016 than Fiscal Year 2015 as a result of a decrease in the electric rate by one of the electric providers which resulted in a decrease in the billing rate. Expenses in Fiscal Year 2016 were \$26,639 higher than Fiscal Year 2015. In Fiscal Year 2016, utility expenses were \$38,228 greater than in Fiscal Year 2015.

Internal Service Fund. The internal service fund - Medical Trust Fund – had an operating loss of \$343,335 in Fiscal Year 2016 as compared to an operating income of \$48,758 in Fiscal Year 2015. The operating loss is a result of employer contributions increasing \$9,169 in Fiscal Year 2016 compared to Fiscal Year 2015 while Medical insurance premiums and claims increased \$591,094 in Fiscal Year 2016 compared to Fiscal Year 2015.

General Fund Budgetary Highlights

The County adopted its Fiscal Year 2016 budget on April 28, 2015, and amended it to meet operational needs during the year. The County's practice is to a) amend budgeted revenue only for grants and special programs or new revenue streams and b) amend budgeted expenditures primarily to approve new spending authority.

The final budget contained \$24,644,283 of revenues; \$24,817,376 of expenditures and \$3,481,762 of other financing uses. The actual results were revenues \$1,631,139 above budget and expenditures \$3,035,132 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 2016 was 5.3% which was 0.5% lower than the unemployment rate in June 2015 which was 5.8%. Per capita income has leveled out.

During Fiscal Year 2016 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 \$922,660 higher in Fiscal Year 2016 than Fiscal Year 2015 which was a direct result of an increase in realty transfer tax, recorder of deeds fees, and inspections fees. During Fiscal Year 2016 the County expenditures were \$517,291 higher than Fiscal Year 2015 and this was primarily related to a salary increase of 2% and the addition of paramedic staff.

When adopting the General Fund budget for Fiscal Year 2017, the County continued to keep a tight hold on the expenditures. There was a 1% cost of living allocation (COLA) budgeted for all employees and no step increase for employees with a satisfactory evaluation. The budget also included a monthly increase from \$30 to \$60 for individual healthcare coverage for County employees and non-Medicare eligible retirees with health coverage. 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 2017.

Requests for Information

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

KENT COUNTY, DELAWARE

STATEMENT OF NET POSITION
JUNE 30, 2016

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets			
Cash and Investments	\$ 53,969,469	\$ 15,140,331	\$ 69,109,800
Receivables	13,402,003	7,883,207	21,285,210
Internal Balances	(425,553)	425,553	-
Due from Other Governments	925,628	2,241,933	3,167,561
Inventory	47,449	102,671	150,120
Prepaid Expenses and Other Assets	698,431	176,801	875,232
Non - Current Assets			
Restricted Assets:			
Cash and Investments	-	31,896,063	31,896,063
Receivables	-	35,845	35,845
Capital Assets, Net			
Land	8,302,068	7,372,404	15,674,472
Construction in Progress	172,117	38,835,901	39,008,018
Land and Site Improvements	6,946,040	236,133	7,182,173
Pipeline	-	44,071,339	44,071,339
Buildings	24,194,454	17,554,398	41,748,852
Equipment and Furniture	1,634,333	21,175,554	22,809,887
Total Assets	109,866,439	187,148,133	297,014,572
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Items Related to Pension	5,696,135	1,635,563	7,331,698
Deferred Charges on Refunding	26,286	35,730	62,016
Total Deferred Outflows of Resources	5,722,421	1,671,293	7,393,714
LIABILITIES			
Current Liabilities			
Accounts Payable	1,775,565	2,862,822	4,438,387
Accrued Expenses	799,480	470,462	1,269,942
Due to Other Governments	2,091,924	-	2,091,924
Retainage Payable	312,363	796,758	1,109,121
Other Liabilities	698,036	1,369	699,405
Compensated Absences	47,153	16,270	63,423
Bonds Payable, Net	248,097	2,351,779	2,599,876
Note Payable	303,905	-	303,905
Unearned Revenue	538,711	4,616,928	5,155,639
Long Term Liabilities			
Net Pension Liability	10,116,671	2,928,682	13,045,353
Compensated Absences	1,131,669	390,485	1,522,154
Bonds Payable, Net	4,416,674	51,178,605	55,595,279
Note Payable	4,466,351	-	4,466,351
Total Liabilities	26,946,599	65,414,160	92,360,759
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Property Taxes	11,997,633	-	11,997,633
Unavailable Revenue - Other	-	26,748	26,748
Deferred Charges on Refunding	-	1,595	1,595
Total Deferred Inflows of Resources	11,997,633	28,343	12,025,976
NET POSITION			
Net Investment in Capital Assets	31,840,271	75,749,480	107,589,751
Restricted for:			
Capital Projects	5,816,234	-	5,816,234
Recreation Areas	29,516	-	29,516
APFO-EMS	1,545	-	1,545
Library Tax	284,834	-	284,834
Rodent Grant	5,414	-	5,414
LEPC Grant	2,984	-	2,984
Library Standards Grant	80,918	-	80,918
Capital Projects - Equipment Replacement	-	331,758	331,758
Capital Projects - Expansion Sewer Facilities	-	30,121,470	30,121,470
Unrestricted	38,582,912	17,174,215	55,757,127
Total Net Position	\$ 76,644,628	\$ 123,376,923	\$ 200,021,551

KENT COUNTY, DELAWARE

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

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	BusinessType Activities	
Primary Government:							
Governmental Activities:							
General Government	\$ 3,470,183	\$ 152,376	\$ -	\$ -	\$ (3,317,807)	\$ -	\$ (3,317,807)
Special Grants/Programs	2,029,654	-	-	-	(2,029,654)	-	(2,029,654)
Community Services	3,803,046	336,659	180,124	-	(3,286,263)	-	(3,286,263)
Planning Services	5,748,165	1,919,683	1,121,694	-	(2,706,788)	-	(2,706,788)
Public Safety	9,073,597	147,129	1,865,333	50,515	(7,210,620)	-	(7,210,620)
Row Offices	1,896,476	5,674,004	-	-	3,777,528	-	3,777,528
Economic Development	1,555,085	22,890	-	113,744	(1,418,451)	-	(1,418,451)
Interest on Long-Term Debt	185,646	-	-	-	(185,646)	-	(185,646)
Total Governmental Activities	27,761,852	8,252,741	2,967,151	164,259	(16,377,701)	-	(16,377,701)
Business-Type Activities:							
Sewer	18,231,919	17,017,132	-	11,917,096	-	10,702,309	10,702,309
Street Light	934,377	921,826	-	-	-	(12,551)	(12,551)
Trash	3,276,419	3,418,268	-	-	-	141,849	141,849
Landfill (Note J)	9,804	1,725	-	-	-	(8,079)	(8,079)
Storm Water Maintenance	3,201	28,560	-	-	-	25,359	25,359
Total Business-Type Activities	22,455,720	21,387,511	-	11,917,096	-	10,848,887	10,848,887
Total Primary Government	\$ 50,217,572	\$ 29,640,252	\$ 2,967,151	\$ 12,081,355	(16,377,701)	10,848,887	(5,528,814)
General Revenues:							
Taxes:							
Property Taxes					11,141,185	-	11,141,185
Real Estate Transfer Tax					4,493,193	-	4,493,193
Residential Telephone Surcharge					270,015	-	270,015
Investment Earnings					189,852	137,182	327,034
Other Revenues including Capital Asset Sales Gains					490,278	17,579	507,857
Total General Revenues					16,584,523	154,761	16,739,284
Changes in Net Position					206,822	11,003,648	11,210,470
Net Position At Beginning Of Year					76,437,806	112,373,275	188,811,081
Net Position At End Of Year					\$ 76,644,628	\$ 123,376,923	\$ 200,021,551

KENT COUNTY, DELAWARE

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

	General Fund	Capital Projects Fund	Community Development Block Grant	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and Investments	\$ 46,289,868	\$ 6,918,145	\$ 464,420	\$ 137,477	\$ 53,809,910
Receivables					
Accounts	97,107	480,875	-	-	577,982
Taxes	12,785,209	-	-	-	12,785,209
Due From Other Funds	815,295	776,312	-	-	1,591,607
Due from Other Governments	467,589	29,539	420,545	7,955	925,628
Inventory	39,075	8,374	-	-	47,449
Prepaid Expenditures and Other Assets	689,458	-	8,973	-	698,431
Total Assets	\$ 61,183,601	\$ 8,213,245	\$ 893,938	\$ 145,432	\$ 70,436,216
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts Payable	\$ 287,591	\$ 1,413,931	\$ 13,112	\$ -	\$ 1,714,634
Accrued Expenses	735,906	-	14,431	-	750,337
Due to Other Funds	1,236,821	765,445	404,547	30,553	2,437,366
Due to Other Governments	2,091,924	-	-	-	2,091,924
Construction Retainage Payable	-	312,363	-	-	312,363
Unearned Revenue	65,086	-	461,848	11,777	538,711
Other Liabilities	698,036	-	-	-	698,036
Total Liabilities	5,115,364	2,491,739	893,938	42,330	8,543,371
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue - Property Taxes	12,710,965	-	-	-	12,710,965
Total Deferred Inflows of Resources	12,710,965	-	-	-	12,710,965
Fund Balances:					
Nonspendable:					
Inventory	39,075	8,374	-	-	47,449
Prepaid Expenditures	689,458	-	-	-	689,458
Restricted:					
Capital Projects Funds	-	5,713,132	-	103,102	5,816,234
Recreational Areas	29,516	-	-	-	29,516
APFO-EMS	1,545	-	-	-	1,545
Library Tax	284,834	-	-	-	284,834
Rodent Grant	5,414	-	-	-	5,414
LEPC Grant	2,984	-	-	-	2,984
Library Standards Grant	80,918	-	-	-	80,918
Assigned:					
Encumbrances	383,506	-	-	-	383,506
Operating Needs	2,390,300	-	-	-	2,390,300
Legal Contingency	950,000	-	-	-	950,000
Special Grants and Programs	435,669	-	-	-	435,669
Library	105,000	-	-	-	105,000
Deeds Maintenance Fees	54,607	-	-	-	54,607
Sheriff Auctioneer Fees	60,000	-	-	-	60,000
Local Government Fees	60,000	-	-	-	60,000
Donations	5,290	-	-	-	5,290
Unassigned	37,779,156	-	-	-	37,779,156
Total Fund Balances	43,357,272	5,721,506	-	103,102	49,181,880
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 61,183,601	\$ 8,213,245	\$ 893,938	\$ 145,432	\$ 70,436,216

KENT COUNTY, DELAWARE

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2016

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

Total Fund Balances for Governmental Funds		\$ 49,181,880
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.		41,249,012
Other assets that are applicable to a future reporting period and, therefore are reported as deferred outflows of resources		
Deferred Items Related to Pension	\$ 5,696,135	
Deferred Charges on Refunding	<u>26,286</u>	5,722,421
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.		557,646
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>\$ 713,332</u>	713,332
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	\$ (10,116,671)	
Notes Payable	(4,770,256)	
Compensated Absences	(1,178,822)	
Accrued Interest on Long Term Debt	(49,143)	
Bonds Payable, Net of Bond Discounts	<u>(4,664,771)</u>	<u>(20,779,663)</u>
Total Net Position of Governmental Activities		<u>\$ 76,644,628</u>

KENT COUNTY, DELAWARE

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	General Fund	Capital Projects Fund	Community Development Block Grant	Other Governmental Funds	Total Governmental Funds
REVENUES					
Property Taxes	\$ 11,169,794	\$ -	\$ -	\$ -	\$ 11,169,794
Real Estate Transfer Tax	4,493,193	-	-	-	4,493,193
Residential Telephone Surcharge	270,015	-	-	-	270,015
Grants	1,855,457	164,259	1,088,164	23,530	3,131,410
Fees For Services	8,000,868	-	-	-	8,000,868
Interest and Dividends	162,077	27,379	-	312	189,768
Rental Income	25,214	-	-	-	25,214
Other Revenues	298,804	500	312,429	22,890	634,623
Total Revenues	<u>26,275,422</u>	<u>192,138</u>	<u>1,400,593</u>	<u>46,732</u>	<u>27,914,885</u>
EXPENDITURES					
Current:					
General Government	2,152,329	297,405	-	-	2,449,734
Special Grants and Programs	2,029,654	-	-	-	2,029,654
Community Services	3,255,286	109,492	-	-	3,364,778
Planning Services	3,731,578	81,994	1,737,041	23,530	5,574,143
Public Safety	8,229,338	168,385	-	-	8,397,723
Row Offices	1,728,821	17,557	-	-	1,746,378
Economic Development	-	1,553,983	-	1,102	1,555,085
Debt Service:					
Principal	454,545	-	-	-	454,545
Interest and Fiscal Charges	200,693	-	-	-	200,693
Capital Outlay	-	9,036,367	-	-	9,036,367
Total Expenditures	<u>21,782,244</u>	<u>11,265,183</u>	<u>1,737,041</u>	<u>24,632</u>	<u>34,809,100</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>4,493,178</u>	<u>(11,073,045)</u>	<u>(336,448)</u>	<u>22,100</u>	<u>(6,894,215)</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from Loan	-	5,000,000	-	-	5,000,000
Transfers In	-	3,118,262	336,448	-	3,454,710
Transfers Out	(3,454,710)	-	-	-	(3,454,710)
Total Other Financing Sources (Uses)	<u>(3,454,710)</u>	<u>8,118,262</u>	<u>336,448</u>	<u>-</u>	<u>5,000,000</u>
Net Change in Fund Balances	1,038,468	(2,954,783)	-	22,100	(1,894,215)
Fund Balances At Beginning of Year	<u>42,318,804</u>	<u>8,676,289</u>	<u>-</u>	<u>81,002</u>	<u>51,076,095</u>
Fund Balances At End Of Year	<u>\$ 43,357,272</u>	<u>\$ 5,721,506</u>	<u>\$ -</u>	<u>\$ 103,102</u>	<u>\$ 49,181,880</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, 2016**

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

Net Change In Fund Balances - Total Governmental Funds		\$ (1,894,215)
<p>Governmental funds report capital outlays as expenditures. However in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the year ended June 30, 2016.</p>		
Capital Outlays	\$ 9,607,357	
Depreciation	<u>(1,345,474)</u>	8,261,883
<p>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.</p>		
		(1,165,761)
<p>In the Statement of Activities, only the gain or loss on the sale of capital assets is reported, whereas in governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the capital asset less accumulated depreciation.</p>		
		(13,343)
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. The following are the net changes in these non-current resources.</p>		
Property Taxes	<u>\$ (28,609)</u>	(28,609)
<p>The repayment of principal is an expenditure in the governmental funds, but is a reduction to the liability in the Statement of Net Position.</p>		
Principal - Bonds and Notes Payable	\$ 454,545	
Proceeds from Loan Issuance	<u>(5,000,000)</u>	(4,545,455)
<p>Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. The following are the impact of the net changes in balances.</p>		
Compensated Absences	\$ (79,474)	
Accrued interest on long-term debt	<u>(1,797)</u>	(81,271)
<p>Deferred charges related to bonds is an expenditure in the governmental funds, but are assets and liabilities in the Statement of Net Position and amortized over the life of the bond. Only the current year expenditure per the amortization schedules is recognized as an expense in the Statement of Activities.</p>		
Deferred Charges - Bond Premium	\$ 21,288	
Deferred Charges - Loss On Refunding	<u>(4,444)</u>	16,844
<p>Internal service funds are used by management to charge the costs of certain activities, such as insurance to individual funds. The change in net position of the Internal Service Fund is reported with governmental activities.</p>		
		<u>(343,251)</u>
Change In Net Position of Governmental Activities		<u>\$ 206,822</u>

KENT COUNTY, DELAWARE

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED
JUNE 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Property Taxes	\$ 10,925,400	\$ 10,925,400	\$ 11,169,794	\$ 244,394
Real Estate Transfer Tax	3,500,000	3,500,000	4,493,193	993,193
Residential Telephone Surcharge	270,000	270,000	270,015	15
Grants	1,982,900	2,030,683	1,855,457	(175,226)
Fees For Services	7,437,600	7,455,100	8,000,868	545,768
Interest and Dividends	100,000	100,000	162,077	62,077
Rental Income	23,200	23,200	25,214	2,014
Other Revenues	337,700	339,900	298,804	(41,096)
Total Revenues	24,576,800	24,644,283	26,275,422	1,631,139
EXPENDITURES				
Current:				
General Government	2,303,000	2,305,451	2,152,329	153,122
Special Grants and Programs	1,977,200	2,465,323	2,029,654	435,669
Community Services	3,634,800	3,648,301	3,255,286	393,015
Planning Services	4,035,800	4,058,949	3,731,578	327,371
Public Safety	8,872,900	8,921,262	8,229,338	691,924
Row Offices	1,840,600	1,843,479	1,728,821	114,658
Contingency	950,000	919,371	-	919,371
Debt Service:				
Principal	224,800	454,547	454,545	2
Interest	353,100	200,693	200,693	-
Total Expenditures	24,192,200	24,817,376	21,782,244	3,035,132
Excess (Deficiency) of Revenues Over (Under) Expenditures	384,600	(173,093)	4,493,178	4,666,271
OTHER FINANCING SOURCES (USES)				
Transfers out	(1,116,900)	(3,481,762)	(3,454,710)	27,052
Total Other Financing Sources (Uses)	(1,116,900)	(3,481,762)	(3,454,710)	27,052
Net Change in Fund Balance	\$ (732,300)	\$ (3,654,855)	1,038,468	\$ 4,693,323
Fund Balance at Beginning of Year			42,318,804	
Fund Balance at End of Year			\$ 43,357,272	



KENT COUNTY, DELAWARE

STATEMENT OF NET
POSITION
PROPRIETARY FUNDS
JUNE 30, 2016

	Business-Type Activities - Enterprise Funds				Governmental Activities -
	Sewer Fund	Trash Collection	Other Enterprise Funds	Total	Internal Service Fund
ASSETS					
Current Assets:					
Cash and Investments	\$ 12,075,631	\$ 1,571,411	\$ 1,493,289	\$ 15,140,331	\$ 159,559
Receivables					
Accounts	204,792	-	-	204,792	38,812
Fees and Services	3,088,557	3,540,142	1,049,716	7,678,415	-
Due from Other Funds	791,129	-	24,351	815,480	424,276
Due from Other Governments	2,241,933	-	-	2,241,933	-
Inventory	102,671	-	-	102,671	-
Prepaid Expenses and Other Assets	176,801	-	-	176,801	-
Total Current Assets	18,681,514	5,111,553	2,567,356	26,360,423	622,647
Non-Current Assets:					
Restricted Assets:					
Cash and Investments	31,896,063	-	-	31,896,063	-
Receivables					
Accounts	8	-	-	8	-
Interest	35,837	-	-	35,837	-
Capital Assets, Net					
Land	7,369,404	-	3,000	7,372,404	-
Construction in Progress	38,835,901	-	-	38,835,901	-
Land and Site Improvements	236,133	-	-	236,133	-
Pipeline	44,071,339	-	-	44,071,339	-
Buildings	17,554,398	-	-	17,554,398	-
Equipment and Furniture	21,172,270	-	3,284	21,175,554	-
Total Non-Current Assets	161,171,353	-	6,284	161,177,637	-
Total Assets	179,852,867	5,111,553	2,573,640	187,538,060	622,647
DEFERRED OUTFLOWS OF RESOURCES					
Deferred Items Related to Pension	1,635,563	-	-	1,635,563	-
Deferred Charges on Refunding	35,730	-	-	35,730	-
Total Deferred Outflows of Resources	1,671,293	-	-	1,671,293	-
LIABILITIES					
Current Liabilities					
Accounts Payable	2,260,303	336,729	65,790	2,662,822	60,931
Accrued Expenses	470,462	-	-	470,462	-
Retainage Payable	796,758	-	-	796,758	-
Due to Other Funds	349,966	20,038	19,923	389,927	4,070
Other Liabilities	-	-	1,369	1,369	-
Compensated Absences	16,270	-	-	16,270	-
Unearned Revenue	-	3,439,135	1,177,793	4,616,928	-
Bonds Payable	2,351,779	-	-	2,351,779	-
Total Current Liabilities	6,245,538	3,795,902	1,264,875	11,306,315	65,001
Non-Current Liabilities:					
Net Pension Liability	2,928,682	-	-	2,928,682	-
Compensated Absences	390,485	-	-	390,485	-
Bonds Payable, Net of Bond Discounts/Premiums	51,178,605	-	-	51,178,605	-
Total Non-Current Liabilities	54,497,772	-	-	54,497,772	-
Total Liabilities	60,743,310	3,795,902	1,264,875	65,804,087	65,001
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue - Other	26,748	-	-	26,748	-
Deferred Charges on Refunding	1,595	-	-	1,595	-
Total Deferred Inflows Of Resources	28,343	-	-	28,343	-
NET POSITION					
Net Investment in Capital Assets	75,718,043	-	6,284	75,724,327	-
Restricted for:					
Capital Projects - Equipment Replacement	331,758	-	-	331,758	-
Capital Projects - Expansion Sewer Facilities	30,121,470	-	-	30,121,470	-
Unrestricted	14,581,236	1,315,651	1,302,481	17,199,368	557,646
Total Net Position	\$ 120,752,507	\$ 1,315,651	\$ 1,308,765	\$ 123,376,923	\$ 557,646

KENT COUNTY, DELAWARE

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2016

	Business-Type Activities - Enterprise Funds			Total	Governmental
	Sewer Fund	Trash Collection	Other Enterprise Funds		Internal Service Fund
OPERATING REVENUES					
Fees for Services	\$ 16,224,159	\$ 3,418,268	\$ 950,386	\$ 20,592,813	\$ -
Permits	102,145	-	-	102,145	-
Other Revenue	690,828	-	1,725	692,553	74,035
Employer Contributions	-	-	-	-	3,625,662
Employee Contributions	-	-	-	-	597,990
Total Operating Revenues	17,017,132	3,418,268	952,111	21,387,511	4,297,687
OPERATING EXPENSES					
Salaries and Benefits	5,538,959	116,668	120,895	5,776,522	-
Contractual Services	309,848	3,031,326	3,216	3,344,390	-
Travel	13,859	-	-	13,859	-
Utilities	1,716,408	-	761,793	2,478,201	-
Maintenance, Parts and Supplies	1,754,615	75,083	3,274	1,832,972	-
Vehicle Expense	140,743	2,413	804	143,960	-
Operating Insurance and Indirect Costs	1,452,920	50,814	55,210	1,558,944	-
Miscellaneous Expenses	10,062	115	-	10,177	-
Depreciation Expense	6,234,145	-	2,190	6,236,335	-
Medical Insurance Premiums	-	-	-	-	3,721,302
Medical Claims	-	-	-	-	893,881
Trustee Fee and Wire Charges	-	-	-	-	25,839
Total Operating Expenses	17,171,559	3,276,419	947,382	21,395,360	4,641,022
Operating Income (Loss)	(154,427)	141,849	4,729	(7,849)	(343,335)
NON-OPERATING REVENUES (EXPENSES)					
Interest and Dividends	122,512	7,237	7,433	137,182	84
Interest and Fiscal Charges	(1,060,360)	-	-	(1,060,360)	-
Gain on Sale of Land and Equipment	17,579	-	-	17,579	-
Total Non-Operating Revenues (Expenses)	(920,269)	7,237	7,433	(905,599)	84
Net Income (Loss) before Contributions	(1,074,696)	149,086	12,162	(913,448)	(343,251)
Capital Contributions:					
Capital Grant	6,816,900	-	-	6,816,900	-
Donated Capital Assets	513,643	-	-	513,643	-
Impact Fees	4,584,180	-	-	4,584,180	-
Developers Aid In Construction	2,373	-	-	2,373	-
Change in Net Position	10,842,400	149,086	12,162	11,003,648	(343,251)
Net Position At Beginning Of Year	109,910,107	1,166,565	1,296,603	112,373,275	900,897
Net Position At End Of Year	\$ 120,752,507	\$ 1,315,651	\$ 1,308,765	\$ 123,376,923	\$ 557,646

KENT COUNTY, DELAWARE

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2016

	Business-Type Activities - Enterprise Funds			Governmental
	Sewer Fund	Trash Collection	Other Enterprise Funds	Internal Service Fund
			Total	
Cash Flows From Operating Activities:				
Receipts from Customers and Users	\$ 16,171,965	\$ 3,423,139	\$ 958,575	\$ 20,553,679
Payments to Suppliers	(4,482,014)	(2,998,014)	(747,359)	(8,227,387)
Payments to Employees	(5,449,740)	(178,945)	-	(5,628,685)
Internal Activity - payments to other funds	(1,695,270)	-	(189,392)	(1,884,662)
Net Cash Provided (Used) by Operating Activities	4,544,941	246,180	21,824	4,812,945
Cash Flows From Capital and Related Financing Activities:				
Proceeds from Capital Grant	5,283,692	-	-	5,283,692
Proceeds from Bonded Indebtedness	11,674,579	-	-	11,674,579
Proceeds from Sale of Equipment and Land	(17,579)	-	-	(17,579)
Acquisition and Construction of Capital Assets	(12,616,687)	-	-	(12,616,687)
Interest/Fiscal Charges Paid on Bonds	(1,050,952)	-	-	(1,050,952)
Retirement of Debt	(3,020,979)	-	-	(3,020,979)
Developers Aid In Construction	2,373	-	-	2,373
Impact Fees Collected	4,584,180	-	-	4,584,180
Net Cash Provided by Capital and Related Financing Activities	4,838,627	-	-	4,838,627
Cash Flows From Investing Activities:				
Proceeds From Matured Investments	25,989	-	-	25,989
Interest and Dividends	201,797	7,237	7,433	216,467
Net Cash Provided By Investing Activities	227,786	7,237	7,433	242,456
Net Increase (Decrease) In Cash and Cash Equivalents	9,611,354	253,417	29,257	9,894,028
Cash and Cash Equivalents At Beginning Of Year	34,360,340	1,317,994	1,464,032	37,142,366
Cash and Cash Equivalents At End Of Year	\$ 43,971,694	\$ 1,571,411	\$ 1,493,289	\$ 47,036,394
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position				
Statement of Net Position				
Current Assets: Cash and Investments	\$ 12,075,631	\$ 1,571,411	\$ 1,493,289	\$ 15,140,331
Non Current Assets: Cash and Investments	31,896,063	-	-	31,896,063
Total Cash and Investments	\$ 43,971,694	\$ 1,571,411	\$ 1,493,289	\$ 47,036,394

KENT COUNTY, DELAWARE

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS (Continued)
 FOR THE YEAR ENDED JUNE 30, 2016

	Business-Type Activities - Enterprise Funds				Governmental
	Sewer Fund	Trash Collection	Other Enterprise Funds	Total	Activities - Internal Service Fund
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities					
Operating Income (Loss)	\$ (154,427)	\$ 141,849	\$ 4,729	\$ (7,849)	\$ (343,335)
Adjustments to reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Depreciation	6,234,145	-	2,190	6,236,335	-
Change in Assets and Liabilities:					
(Increase) Decrease in Accounts Receivable	(93,504)	(78,870)	(84,736)	(257,110)	4,608
(Increase) Decrease in Due From Other Funds	(756,261)	-	(8,779)	(765,040)	(424,276)
(Increase) Decrease in Operating Grants Receivable	6,062	-	-	6,062	-
(Increase) Decrease in Prepaid Expenses and Other Assets	(138,756)	-	-	(138,756)	-
(Increase) Decrease in Deferred Items Related to Pension	(544,138)	-	-	(544,138)	-
Increase (Decrease) in Accounts Payable	(534,906)	111,437	20,530	(402,939)	2,422
Increase (Decrease) in Medical Claims Payable	-	-	-	-	11,943
Increase (Decrease) in Accrued Expenses	36,105	-	-	36,105	-
Increase (Decrease) in Other Liabilities	-	-	1,369	1,369	-
Increase (Decrease) in Unearned Revenue	-	83,741	99,979	183,720	(6,617)
Increase (Decrease) in Net Pension Liability	881,616	-	-	881,616	-
Increase (Decrease) in Compensated Absences	53,114	-	-	53,114	-
Increase (Decrease) in Unavailable Revenue	(1,464)	-	-	(1,464)	-
Increase (Decrease) in Due To Other Funds	(442,645)	(11,977)	(13,458)	(468,080)	-
Net Cash Provided (Used) by Operating Activities	\$ 4,544,941	\$ 246,180	\$ 21,824	\$ 4,812,945	\$ (755,255)
Non-Cash Capital and Related Financing Activities:					
Non Cash Donated Capital Assets	\$ 513,643	\$ -	\$ -	\$ 513,643	\$ -
Capital Assets Acquired Through the Incurrence of Accounts and Retainage Payable	1,875,778	-	-	1,875,778	-
New Loan Receipts from Loan Receivables	(4,563,688)	-	-	(4,563,688)	-
Total Non-Cash Capital and Related Financing Activities	\$ (2,174,267)	\$ -	\$ -	\$ (2,174,267)	\$ -

KENT COUNTY, DELAWARE
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2016

	<u>Pension and Post Retiree Funds</u>	<u>Agency Fund</u>
ASSETS		
Restricted Assets:		
Cash and Short Term Investments	\$ -	\$ 1,731,959
Receivables		
Interest	6,774	-
Investments	<u>49,155,156</u>	<u>-</u>
Total Assets	<u>49,161,930</u>	<u>\$ 1,731,959</u>
LIABILITIES		
Accounts Payable	26,876	\$ -
Due to Other Governments	-	901,257
Tax Sale Proceeds Payable	-	124,926
Other Liabilities	<u>-</u>	<u>705,776</u>
Total Liabilities	<u>26,876</u>	<u>\$ 1,731,959</u>
NET POSITION		
Held in Trust for:		
Pension Benefits	34,913,222	
Post Retiree Benefits	<u>14,221,832</u>	
Total Net Position	<u>\$ 49,135,054</u>	

KENT COUNTY, DELAWARE
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Pension And Post Retiree Funds</u>
ADDITIONS	
Employee Contributions	\$ 167,049
Employer Contributions	2,440,024
Interest and Dividends	491,370
Net Appreciation in Fair Value of Investments	<u>494,314</u>
Total Additions	<u>3,592,757</u>
 DEDUCTIONS	
Pension Benefits	2,860,481
Administrative Expense	<u>160,469</u>
Total Deductions	<u>3,020,950</u>
Change In Net Position	571,807
Net Position - Beginning of Year	<u>48,563,247</u>
Net Position - End of Year	<u><u>\$ 49,135,054</u></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. 76 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, storm water management, economic development, general administrative services and constitutional row offices which provide services that include issuing marriage licenses, recordation of deeds and wills, 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 is held at WSFS (Wilmington Savings Fund Society).

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

During the fiscal year the County invested with WSFS Bank, 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.

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

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

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

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

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

The County property tax year runs from June 1 – May 31. Tax rates are set in late April 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, 2016 are recorded as revenue. Delinquent taxes are considered fully collectible; and, therefore, no allowance for uncollectible taxes is provided.

Sewer charges, street light charges, storm water management, and trash collection charges are recorded when 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 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:

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

<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

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.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**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.

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.

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

NOTE B – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

1. Budgetary Accounting and Control

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

- a. Formal budgetary integration is employed as a management control device during the year for the Governmental Fund Types. These budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
- b. As of November 1 of each year, County department and division heads are required to submit to the County Administrator preliminary operating budgets for the fiscal year commencing the following July 1. The operating budgets submitted include proposed expenditures and the means of financing them as well as narrative justification for increases 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.
- 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, 2016, 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	\$ 250,000	\$ 250,000
Uninsured Deposits - Collateral held by pledging financial institution or by its trust department or agent but not in the County's name	<u>101,853,477</u>	<u>104,161,225</u>
Total Deposits	<u>\$ 102,103,477</u>	<u>\$ 104,411,225</u>

The County categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The County had the following recurring fair value measurements as of June 30, 2016:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>
Money Market Mutual Funds	\$ 472,776	\$ 472,776	\$ -
Certificates of Deposit	404,826	-	404,826
U.S. Treasuries	69,961	69,961	-
Corporate Stocks	34,620,107	34,620,107	-
DE Local Government Retirement Investment Pool	<u>14,221,831</u>	<u>-</u>	<u>14,221,831</u>
Total Investments	<u>\$ 49,789,501</u>	<u>\$ 35,162,844</u>	<u>\$ 14,626,657</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, 2016, some of the County's investments had the following maturity dates:

<u>Investments</u>	<u>Fair Value</u>	<u>Less Than One Year</u>	<u>1-5 Years</u>
U.S. Treasuries	\$ 69,961	\$ 69,961	\$ -
Certificates of Deposit	404,826	302,674	102,152
Total Investments	<u>\$ 474,787</u>	<u>\$ 372,635</u>	<u>\$ 102,152</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, 2016, 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, 2016, the County had \$14,221,831 from its Retiree Benefits Fund invested with the Delaware Local Government Retirement Investment Pool (DERIP). 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	\$ 102,073,343
Investments	49,789,501
Petty Cash Amounts	2,800
Cash on Hand	<u>27,334</u>
Total	<u>\$ 151,892,978</u>
Unrestricted	\$ 69,109,800
Restricted	31,896,063
Fiduciary Funds	<u>50,887,115</u>
Total Cash and Investments	<u>\$ 151,892,978</u>

NOTE D – CAPITAL ASSETS

1. Primary Government-

The capital asset activity for Governmental Activities for the year ended June 30, 2016, was as follows:

	<u>July 1, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2016</u>
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated				
Land	\$ 7,312,893	\$ 989,175	\$ -	\$ 8,302,068
Construction in Progress	2,549,530	7,584,812	(9,962,225)	172,117
Total Capital Assets Not Being Depreciated	<u>9,862,423</u>	<u>8,573,987</u>	<u>(9,962,225)</u>	<u>8,474,185</u>
Capital Assets Being Depreciated				
Land and Site Improvements	5,720,594	3,536,350	-	9,256,944
Buildings	23,196,048	6,744,840	-	29,940,888
Equipment and Furniture	8,807,331	714,405	(123,157)	9,398,579
Total Capital Assets Being Depreciated	<u>37,723,973</u>	<u>10,995,595</u>	<u>(123,157)</u>	<u>48,596,411</u>
Less Accumulated Depreciation for:				
Site Improvements	2,017,036	293,868	-	2,310,904
Buildings	5,139,632	606,802	-	5,746,434
Equipment and Furniture	7,429,256	444,804	(109,814)	7,764,246
Total Accumulated Depreciation	<u>14,585,924</u>	<u>1,345,474</u>	<u>(109,814)</u>	<u>15,821,584</u>
Total Capital Assets Being Depreciated, Net	<u>23,138,049</u>	<u>9,650,121</u>	<u>(13,343)</u>	<u>32,774,827</u>
Governmental Activities Capital Assets, Net	<u>\$ 33,000,472</u>	<u>\$ 18,224,108</u>	<u>\$ (9,975,568)</u>	<u>\$ 41,249,012</u>

NOTE D – CAPITAL ASSETS - CONTINUED

The capital asset activity for Business-Type Activities for the year ended June 30, 2016, was as follows:

	July 1, 2015	Increases	Decreases	June 30, 2016
Business-Type Activities:				
Capital Assets Not Being Depreciated				
Land	\$ 7,445,122	\$ 692,144	\$ (764,862)	\$ 7,372,404
Construction in Progress	25,881,685	13,894,646	(940,430)	38,835,901
Total Capital Assets Not Being Depreciated	<u>33,326,807</u>	<u>14,586,790</u>	<u>(1,705,292)</u>	<u>46,208,305</u>
Capital Assets Being Depreciated				
Land and Site Improvements	5,943,368	39,194	-	5,982,562
Pipeline	85,790,150	83,820	-	85,873,970
Buildings	38,362,354	253,176	-	38,615,530
Equipment and Furniture	58,880,470	983,558	(93,186)	59,770,842
Total Capital Assets Being Depreciated	<u>188,976,342</u>	<u>1,359,748</u>	<u>(93,186)</u>	<u>190,242,904</u>
Less Accumulated Depreciation for:				
Site Improvements	5,600,742	145,687	-	5,746,429
Pipeline	39,767,672	2,034,959	-	41,802,631
Buildings	19,938,635	1,122,497	-	21,061,132
Equipment and Furniture	35,755,282	2,933,192	(93,186)	38,595,288
Total Accumulated Depreciation	<u>101,062,331</u>	<u>6,236,335</u>	<u>(93,186)</u>	<u>107,205,480</u>
Total Capital Assets Being Depreciated, Net	<u>87,914,011</u>	<u>(4,876,587)</u>	<u>-</u>	<u>83,037,424</u>
Business-Type Activities Capital Assets, Net	<u>\$ 121,240,818</u>	<u>\$ 9,710,203</u>	<u>\$ (1,705,292)</u>	<u>\$ 129,245,729</u>

Depreciation expense was charged to the following activities:

Governmental Activities:

General Government	\$ 512,426
Community Services	373,026
Planning Services	20,366
Public Safety	386,934
Row Offices	52,722
	<u>\$ 1,345,474</u>

Business-Type Activities:

Sewer Fund	\$ 6,234,145
Landfill	2,190
	<u>\$ 6,236,335</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, 2016, was as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Capital Projects Fund	\$ 583
	CDBG	404,547
	Non-Major Governmental Funds	30,553
	Sewer Fund	349,966
	Trash Collection Fund	11,357
	Non-Major Proprietary Funds	14,219
	Internal Service Fund	4,070
Capital Projects Fund	General Fund	776,312
Sewer Fund	General Fund	11,882
	Capital Projects Fund	764,862
	Trash Collection Fund	8,681
	Non-Major Proprietary Funds	5,704
Non-Major Proprietary Fund	General Fund	24,351
	Internal Service Fund	424,276
Total		<u>\$ 2,831,363</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	\$ 3,118,262	\$ 336,448	\$ 3,454,710
Total Interfund Transfers	<u>\$ 3,118,262</u>	<u>\$ 336,448</u>	<u>\$ 3,454,710</u>

NOTE F – LONG-TERM DEBT

1. Changes in Long-Term Liabilities

	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016	Due Within One Year
Governmental Activities:					
Bonds Payable	\$ 4,524,126	\$ -	\$ (224,801)	\$ 4,299,325	\$ 226,809
Plus: Net Bond Premiums	386,734	-	(21,288)	365,446	21,288
Total Bonds Payable	4,910,860	-	(246,089)	4,664,771	248,097
Net Pension Liability	7,071,268	3,045,403	-	10,116,671	-
Note Payable	-	5,000,000	(229,744)	4,770,256	303,905
Compensated Absences	1,099,348	79,474	-	1,178,822	47,153
Governmental Activity Long-Term Liability	<u>\$ 13,081,476</u>	<u>\$ 8,124,877</u>	<u>\$ (475,833)</u>	<u>\$ 20,730,520</u>	<u>\$ 599,155</u>
Business-Type Activities:					
Bonds Payable	\$ 48,895,559	\$ 7,110,891	\$ (3,020,979)	\$ 52,985,471	\$ 2,320,037
Plus: Net Bond Premiums	576,655	-	(31,742)	544,913	31,742
Total Bonds Payable	49,472,214	7,110,891	(3,052,721)	53,530,384	2,351,779
Net Pension Liability	2,047,066	881,616	-	2,928,682	-
Compensated Absences	353,641	53,114	-	406,755	16,270
Business-Type Activity Long-Term Liabilities	<u>\$ 51,872,921</u>	<u>\$ 8,045,621</u>	<u>\$ (3,052,721)</u>	<u>\$ 56,865,821</u>	<u>\$ 2,368,049</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.

3. Notes Payable

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

4. Financial Covenant

The County's loan agreement provides for a financial covenant. The County must maintain a Debt Service Coverage Ratio of not less than 1.5 as measured on its annual audited financial statements. For the year ended June 30, 2016, the County met the financial covenant.

NOTE F –LONG-TERM DEBT – CONTINUED

The following is a summary of general obligation bonds outstanding at June 30, 2016:

<u>Date of Issue/ Maturity</u>	<u>Amount of Original Issue</u>	<u>Description</u>	<u>Interest Rates</u>	<u>Balance Outstanding June 30, 2016</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%	\$ 99,412
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%	108,697
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%	88,732
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%	386,744
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%	158,917
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%	169,249
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%	615,476
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%	3,198,860

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, 2016</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%	233,674
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%	111,570
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%	12,134,311
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%	927,807
2010 November 2050	3,900,000	Series 2010-RUS United States Dept. of Agriculture General Obligation Bond, Sewer Fund-Southern By Pass, Principal and Interest Due in Quarterly Installments Beginning November 2011	2.25%	2,809,435
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%	2,187,834
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%	103,011
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%	4,443,552

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, 2016</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%	5,687,832
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%	5,805,368
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%	436,405
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%	966,667
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%	422,207
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%	135,000
2015 September 2033	11,270,000	2015 Series General Obligation Bonds Sewer Fund-59.857%/General Fund-40.143%, Due in Annual Installments with Interest Due Semi-Annually	2.00%-4.00%	10,710,000
2016 January 2056	5,000,000	Series 2016A-RUS United States Dept. of Agriculture General Obligation Bond, Sewer Fund-WTP Expansion & Nutrient Rmvl Principal and Interest Due in Quarterly Installments Beginning April 2017	1.875%	2,506,036

NOTE F – LONG-TERM DEBT – CONTINUED

Date of Issue/ Maturity	Amount of Original Issue	Description	Interest Rates	Balance Outstanding June 30, 2016
2016 January 2056	2,838,000	Series 2016A-RUS United States Dept. of Agriculture General Obligation Bond, Sewer Fund-WTP Expansion & Nutrient Rmvl Principal and Interest Due in Quarterly Installments Beginning April 2017	1.875%	2,838,000
	Subtotal Bonds			<u>57,284,796</u>
2015 September 2030	5,000,000	Series 2015, WSFS Loan Principal and Interest Due in Quarterly Installments Beginning December 2015	Variable	4,770,256
Plus:	Unamortized bond premium on 2015 bond issues			<u>910,359</u>
	Total Long-Term Debt			<u>\$ 62,965,411</u>

The annual debt service requirements to maturity for principal and interest for bonds and note payable as of June 30, 2016, are as follows:

Year Ending June 30	General Obligation Bonds and Note Payable			
	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2017	\$ 527,252	\$ 215,402	\$ 2,320,037	\$ 1,099,542
2018	543,076	202,990	2,399,548	1,147,146
2019	551,486	192,664	2,302,969	1,100,218
2020	561,822	181,093	2,347,867	1,053,481
2021	578,528	168,903	2,403,292	1,004,789
2022-2026	2,705,743	663,702	11,743,072	4,292,697
2027-2031	2,752,647	326,279	12,164,989	3,003,332
2032-2036	849,027	48,661	6,306,003	1,893,381
2037-2041	-	-	4,670,191	1,284,101
2042-2046	-	-	4,551,978	750,559
2047-2051	-	-	2,993,273	268,024
2052-2056	-	-	1,276,218	60,213
Total	9,069,581	<u>\$ 1,999,694</u>	55,479,436	<u>\$ 16,957,486</u>
Less:				
Funds Not Drawn	-		<u>(2,493,965)</u>	
Total	<u>\$ 9,069,581</u>		<u>\$ 52,985,471</u>	

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.

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	\$ 11,885,625	\$ 11,230,757
Library Taxes	809,612	751,171
Suburban Park Taxes	<u>15,728</u>	<u>15,705</u>
Total Deferred Inflows Of Resources	<u>\$ 12,710,965</u>	<u>\$ 11,997,633</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>Government- Wide Statements</u>
	<u>Sewer</u>	<u>Business-Type Activities</u>
Tmsmsn Debt Refinance	\$ 26,358	\$ 26,358
Unclaimed Tax Sale Proceeds	390	390
Deferred Charges on Refunding	<u>1,595</u>	<u>1,595</u>
Total Deferred Inflows Of Resources	<u>\$ 28,343</u>	<u>\$ 28,343</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
Nonspendable:				
Inventory	\$ 39,075	\$ 8,374	\$ -	\$ 47,449
Prepaid Expenses	689,458	-	-	689,458
Total Nonspendable	728,533	8,374	-	736,907
Restricted:				
Capital Projects	-	5,713,132	103,102	5,816,234
Recreational	29,516	-	-	29,516
APFO-EMS	1,545	-	-	1,545
Library Tax	284,834	-	-	284,834
Rodent Grant	5,414	-	-	5,414
LEPC Grant	2,984	-	-	2,984
Library Standards Grant	80,918	-	-	80,918
Total Restricted	405,211	5,713,132	103,102	6,221,445
Assigned:				
Encumbrances	383,506	-	-	383,506
Operating Needs	2,390,300	-	-	2,390,300
Legal Contingency	950,000	-	-	950,000
Special Grants and Programs	435,669	-	-	435,669
Library	105,000	-	-	105,000
Recorder of Deeds Maintenance Fees	54,607	-	-	54,607
Sheriff Auctioneer Fees	60,000	-	-	60,000
Local Government Fees	60,000	-	-	60,000
Donations	5,290	-	-	5,290
Total Assigned	4,444,372	-	-	4,444,372
Unassigned	37,779,156	-	-	37,779,156
Total Fund Balances	\$ 43,357,272	\$ 5,721,506	\$ 103,102	\$ 49,181,880

NOTE I – CAPITAL IMPROVEMENT COMMITMENTS

The following is a summary of the significant capital improvement commitments of the County as of June 30, 2016:

Governmental Activities

The Capital Projects Fund has incurred costs in the amount of \$172,117 that were not under a formal construction commitment as of June 30, 2016.

Enterprise Funds**Sewer Fund:**

Project Name	Estimated Project Cost	Remaining Contract Commitments To Date	Costs Incurred To Date
Little Heaven Bypass	\$ 592,366	\$ 21,372	\$ 570,994
Spray Irrigation	400,900	59,604	341,296
Treatment Plant Expansion Upgrade	17,304,753	88,296	17,216,457
Diffuser Evaluation	45,000	14,074	30,926
Blower System Upgrade	350,000	60,109	289,891
ESECO Project	275,000	11,733	263,267
TMDL	430,000	373,060	56,940
Weatherstone	93,140	79,181	13,959
NE Front St, Milford	46,101	36,859	9,242
London Village	47,307	12,077	35,230
Paris Villa	49,666	9,944	39,722
General Labor and Equipment Contract	5,215,135	63,917	5,151,218
	<u>\$ 24,849,368</u>	<u>\$ 830,226</u>	<u>\$ 24,019,142</u>

In the Sewer Fund, Kent County has incurred costs in the amount of \$14,816,759 that were not under a formal construction commitment as of June 30, 2016.

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 Nyhart, as of January 1, 2016, was based on the following membership data:

Active Employees	284
Retired	170
Survivors	21
Disabled	2
Deferred Vested	<u>109</u>
TOTAL	<u><u>586</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 2016 was \$1,821,962 of which \$167,049 was the employee contribution and \$1,654,913 was the employer contribution. This contribution was based on the January 1, 2015 actuarial valuation by Grant Thornton LLP.

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

KENT COUNTY, DELAWARE		
STATEMENT OF FIDUCIARY NET POSITION		
PENSION TRUST FUNDS		
June 30, 2016		
	<u>Pension Fund</u>	<u>Post Retiree Benefits Fund</u>
ASSETS		
Restricted Assets:		
Receivables		
Interest	\$ 6,774	\$ -
Investments	<u>34,933,324</u>	<u>14,221,832</u>
Total Assets	<u>34,940,098</u>	<u>14,221,832</u>
LIABILITIES		
Accounts Payable	<u>26,876</u>	<u>-</u>
Total Liabilities	<u>26,876</u>	<u>-</u>
NET POSITION		
Held in Trust for:		
Pension Benefits	34,913,222	-
Post Retiree Benefits	<u>-</u>	<u>14,221,832</u>
Total Net Position	<u>\$ 34,913,222</u>	<u>\$ 14,221,832</u>

NOTE K – PENSION AND POST RETIREE FUNDS – CONTINUED

KENT COUNTY, DELAWARE

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PENSION TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Pension Fund</u>	<u>Post Retiree Benefits Fund</u>
ADDITIONS		
Employee Contributions	\$ 167,049	\$ -
Employer Contributions	1,654,913	785,111
Interest and Dividends	179,843	311,527
Net Appreciation (Depreciation) in Fair Value of Investments	<u>614,567</u>	<u>(120,253)</u>
Total Additions	<u>2,616,372</u>	<u>976,385</u>
DEDUCTIONS		
Pension Benefits	2,246,277	614,204
Administrative Expense	<u>155,970</u>	<u>4,499</u>
Total Deductions	<u>2,402,247</u>	<u>618,703</u>
Change In Net Position	214,125	357,682
Net Position - Beginning of Year	<u>34,699,097</u>	<u>13,864,150</u>
Net Position - End of Year	<u>\$ 34,913,222</u>	<u>\$ 14,221,832</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, 2016, and best estimates of arithmetic real rates of return for each major asset classes are summarized in the following table:

Asset Class	Asset Allocation	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity Composite	50.72%	45.00%	8.80%
International Equity Composite	8.48%	10.00%	9.50%
Bond Composite	30.29%	35.00%	3.80%
Global Tactical Asset Allocation	10.51%	10.00%	5.80%
	100.00%	100.00%	

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

The above was the County's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2016.

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, 2016. The net pension liability is \$13,045,353, measured as the difference between the total pension liability of \$46,186,132 and the fiduciary net position of \$33,140,779.

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 (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at beginning of year	\$ 42,749,221	\$ 33,630,887	\$ 9,118,334
Changes for the year:			
Service cost	827,074	-	827,074
Interest	3,398,722	-	3,398,722
Differences between expected and actual experience	(31,129)	-	(31,129)
Change in assumptions*	1,426,791	-	1,426,791
Contributions-employer	-	1,416,774	(1,416,774)
Contributions-employee	-	156,272	(156,272)
Net investment income	-	158,235	(158,235)
Benefit payments, including refunds of employee contributions	(2,184,547)	(2,184,547)	-
Administrative expenses	-	(36,842)	36,842
Net Changes	3,436,911	(490,108)	3,927,019
Balances at end of year	\$ 46,186,132	\$ 33,140,779	\$ 13,045,353

*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	\$ 18,587,689	\$ 13,045,353	\$ 8,096,839

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 2016 year, the annual money-weighted rate of return on the investments, net of investment expense, is 2.18%.

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, 2016, the County recognized pension expense of \$1,503,239. At June 30, 2016, 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	\$	255,018
Change of assumptions		3,315,124
Net Difference between projected and actual earnings on pension plan investments		2,106,643
Contributions subsequent to the measurement date- January 2, 2016 - June 30, 2016		1,654,913
	<u>\$</u>	<u>7,331,698</u>

An amount of \$1,654,913 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date (January 1, 2016) will be recognized as a reduction of the net pension liability in the year ended June 30, 2017.

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

Year ended June 30:		
2017	\$	1,716,323
2018		1,716,323
2019		1,463,743
2020		780,396
	<u>\$</u>	<u>5,676,785</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, 2016
Actuarial Cost Method:	Entry Age Normal as a level percentage of pay method
Amortization Method:	20 year closed amortization on Unfunded Accrued Liability
Remaining Amortization Period:	20 Years
Asset Valuation Method:	Gains or losses on the Market Value of Assets are recognized over five years, subject to a 20% corridor around the Market Value of Assets
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 Mortality Table projected to 2016 with Scale AA

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

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

Currently, 112 retirees meet these eligibility requirements, of which 96 retirees and 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 2016, expenditures of \$678,060 were recognized for post-retirement health care of which \$614,204 was paid out of the OPEB fund. The \$63,856 balance of retiree benefits was paid from the operating budgets of General Fund in the amount of \$49,967 and Sewer Fund in the amount of \$13,889.

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 2016, 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 2016 was as follows:

	For Fiscal Year	Amount
Annual OPEB Cost	2014	\$ 616,016
	2015	616,016
	2016	785,111
Annual Required Contribution (ARC)	2014	616,016
	2015	616,016
	2016	785,111
Actual Contribution	2014	616,016
	2015	616,016
	2016	785,111
Percentage of Annual OPEB Cost Contributed	2014	100.00%
	2015	100.00%
	2016	100.00%
NOO (Net OPEB Obligation) (Asset)	2014	-
	2015	-
	2016	-

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 Highmark Delaware to provide health insurance for the County’s active employees and retirees. Effective July 1, 2015, employees and non-Medicare eligible retirees enrolling in health insurance coverage paid \$30 per month for individual coverage. The County contributed 60% of the remaining cost after the individual coverage amount is determined 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, 2016, the balance of this reserve totaled \$331,758
- 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, 2016, the balance of this reserve totaled \$30,121,470 of which \$22,851,880 is for the main system capital improvement and \$7,269,590 is for district capital improvement.

Equipment Replacement Reserve	\$ 331,758
Expansion Reserve	<u>30,121,470</u>
Total Restricted Net Position	<u>\$ 30,453,228</u>

NOTE O – CONDUIT DEBT OBLIGATION

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

On June 30, 2016, the balances of the outstanding bonds were as follows:

<u>Bond</u>	<u>Issue Amount</u>	<u>Balance Outstanding June 30, 2016</u>
1984 Single Family Residential Mortgage	\$ 25,395,575	\$ 2,449,162
1997 Wesley College	3,500,000	519,273
1999 Wesley College	1,250,000	322,044
1999 Dover ALF, LLC "Heritage"	7,500,000	5,470,000
2001 Wesley College	2,500,000	52,142
2005 Wesley College	2,900,000	958,067
2008A, 2008B Providence Creek Academy Charter School	13,150,000	6,500,000
2011 Charter School, Inc.	3,930,000	3,560,000
2016 Kent County Regional Sports Complex	20,760,000	20,760,000
Total	\$ 80,885,575	\$ 40,590,688

NOTE P – SUBSEQUENT EVENTS

On July 12, 2016, the Levy Court Commissioners voted to change the Retiree Benefits (OPEB) program fiscal/plan year to July 1- June 30 effective with the next biennial valuation (July 1, 2016), and incorporate actuarial assumptions based upon the RP2000 Combined Healthy Mortality Table with mortality improvement projected to 2016 with Scale AA, the proposed health care cost trends, and the Entry Age Normal Level percentage of salary cost method.

On November 15, 2016, the Levy Court Commissioners adopted Ordinance 16-13 which authorized the issuance of up to \$94,000 of general obligation bonds in connection with the expansion of the Hilltop Mobile Home Wastewater Construction Project.

The County has evaluated all subsequent events through December 14, 2016, 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, 2016**

	January 1, 2016	January 1, 2015
Total Pension Liability		
Service cost	\$ 827,074	\$ 1,033,726
Interest on total pension liability	3,398,722	2,852,131
Changes of benefit terms	-	-
Differences between expected and actual experience	(31,129)	485,747
Changes of assumptions*	1,426,791	3,771,993
Benefit payments, including refunds of member contributions	(2,184,547)	(2,052,529)
Net change in total pension liability	3,436,911	6,091,068
Total pension liability, beginning	42,749,221	36,658,153
Total pension liability, ending (a)	46,186,132	42,749,221
Fiduciary Net Position		
Employer contributions	1,416,774	1,314,726
Member contributions	156,272	163,928
Net investment income	158,235	2,358,943
Benefit payments, including refunds of member contributions	(2,184,547)	(2,052,529)
Administrative expenses	(36,842)	(190,972)
Other	-	-
Net change in plan fiduciary net position	(490,108)	1,594,096
Fiduciary net position, beginning	33,630,887	32,036,791
Fiduciary net position, ending (b)	\$ 33,140,779	\$ 33,630,887
Net pension liability, ending = (a) - (b)	\$ 13,045,353	\$ 9,118,334
Fiduciary net position as a % of total pension liability	71.75%	78.67%
Covered payroll	14,111,982	13,578,928
Net pension liability as a % of covered payroll	92.44%	67.15%
Annual money weighted rate of return, net of investment expense	2.18%	2.36%

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

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

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
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%
2016	1,635,542	1,654,913	(19,371)	13,578,928	12.19%

ACTUARIAL METHODS AND SIGNIFICANT ASSUMPTIONS

Valuation Date	January 1, 2016
Actuarial Cost Method	Entry Age Cost Method- Percent of Pay
Amortization Method	20-year closed amortization of Unfunded Accrued Liability
Remaining amortization period	20 years
Asset valuation method	Gains or losses on the Market Value of Assets are recognized over five years, subject to a 20% corridor around the Market Value of Assets
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 Mortality Table projected to 2016 with Scale AA

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.

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]
1/1/2011	\$ 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, 2016

	Special Revenue Fund	Capital Project Fund	Total Non-Major Governmental Funds
	Farmer's Home Administration Grant	Aeropark Fund	
ASSETS			
Cash and Investments	\$ 22,295	\$ 115,182	\$ 137,477
Due from Other Governments	7,955	-	7,955
Total Assets	<u>\$ 30,250</u>	<u>\$ 115,182</u>	<u>\$ 145,432</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Due to Other Funds	\$ 30,250	\$ 303	\$ 30,553
Unearned Revenue	-	11,777	11,777
Total Liabilities	<u>30,250</u>	<u>12,080</u>	<u>42,330</u>
Fund Balances:			
Restricted:			
Capital Projects	-	103,102	103,102
Total Fund Balances	<u>-</u>	<u>103,102</u>	<u>103,102</u>
Total Liabilities and Fund Balances	<u>\$ 30,250</u>	<u>\$ 115,182</u>	<u>\$ 145,432</u>

KENT COUNTY, DELAWARE

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Special Revenue Fund	Capital Project Fund	Total Non-Major Governmental Funds
	Farmer's Home Administration Grant	Aeropark Fund	
REVENUES			
Grants	\$ 23,530	\$ -	\$ 23,530
Investment Income	-	312	312
Other Revenues	-	22,890	22,890
Total Revenues	<u>23,530</u>	<u>23,202</u>	<u>46,732</u>
EXPENDITURES			
Current:			
Planning Services	23,530	-	23,530
Economic Development	-	1,102	1,102
Total Expenditures	<u>23,530</u>	<u>1,102</u>	<u>24,632</u>
Excess of Revenues Over Expenditures	<u>-</u>	<u>22,100</u>	<u>22,100</u>
Net Change in Fund Balances	-	22,100	22,100
Fund Balances at Beginning of Year	<u>-</u>	<u>81,002</u>	<u>81,002</u>
Fund Balances at End of Year	<u>\$ -</u>	<u>\$ 103,102</u>	<u>\$ 103,102</u>

KENT COUNTY, DELAWARE
COMBINING STATEMENT OF NET POSITION
NON-MAJOR PROPRIETARY FUNDS
JUNE 30, 2016

	<u>Street Light</u>	<u>Landfill</u>	<u>Storm Water Management</u>	<u>Total</u>
ASSETS				
Current Assets:				
Cash and Investments	\$ 768,969	\$ 724,320	\$ -	\$ 1,493,289
Receivables				
Fees and Services	992,303	-	57,413	1,049,716
Due From Other Funds	-	-	24,351	24,351
Total Current Assets	<u>1,761,272</u>	<u>724,320</u>	<u>81,764</u>	<u>2,567,356</u>
Non-Current Assets:				
Capital Assets, Net				
Land	3,000	-	-	3,000
Equipment and Furniture	-	3,284	-	3,284
Total Non-Current Assets	<u>3,000</u>	<u>3,284</u>	<u>-</u>	<u>6,284</u>
Total Assets	<u>1,764,272</u>	<u>727,604</u>	<u>81,764</u>	<u>2,573,640</u>
LIABILITIES				
Current Liabilities				
Accounts Payable	65,790	-	-	65,790
Due to Other Funds	17,510	1,252	1,161	19,923
Other Liabilities	1,369	-	-	1,369
Unearned Revenue	955,101	167,448	55,244	1,177,793
Total Liabilities	<u>1,039,770</u>	<u>168,700</u>	<u>56,405</u>	<u>1,264,875</u>
NET POSITION				
Investment in Capital Assets	3,000	3,284	-	6,284
Unrestricted	721,502	555,620	25,359	1,302,481
Total Net Position	<u>\$ 724,502</u>	<u>\$ 558,904</u>	<u>\$ 25,359</u>	<u>\$ 1,308,765</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, 2016

	Street Light	Landfill	Storm Water Management	Total
OPERATING REVENUES				
Fees for Services	\$ 921,826	\$ -	\$ 28,560	\$ 950,386
Other Revenue	-	1,725	-	1,725
Total Operating Revenues	921,826	1,725	28,560	952,111
OPERATING EXPENSES				
Salaries and Benefits	120,895	-	-	120,895
Contractual Services	341	2,875	-	3,216
Utilities	761,793	-	-	761,793
Maintenance, Parts and Supplies	73	-	3,201	3,274
Vehicle Expense	804	-	-	804
Operating Insurance and Indirect Costs	50,471	4,739	-	55,210
Depreciation Expense	-	2,190	-	2,190
Total Operating Expenses	934,377	9,804	3,201	947,382
Operating Income (Loss)	(12,551)	(8,079)	25,359	4,729
NON-OPERATING REVENUES				
Interest and Dividends	3,106	4,327	-	7,433
Total Non-Operating Revenues	3,106	4,327	-	7,433
Net Income (Loss)	(9,445)	(3,752)	25,359	12,162
Net Position at Beginning of Year	733,947	562,656	-	1,296,603
Net Position at End of Year	\$ 724,502	\$ 558,904	\$ 25,359	\$ 1,308,765

KENT COUNTY, DELAWARE

COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Street Light</u>	<u>Landfill</u>	<u>Storm Water Management</u>	<u>Total</u>
Cash Flows From Operating Activities:				
Receipts from Customers and Users	\$ 956,535	\$ -	\$ 2,040	\$ 958,575
Payments to Suppliers	(741,283)	(2,875)	(3,201)	(747,359)
Internal Activity - Payment to Other Funds	(185,112)	(5,441)	1,161	(189,392)
Net Cash Provided (Used) by Operating Activities	<u>30,140</u>	<u>(8,316)</u>	<u>-</u>	<u>21,824</u>
Cash Flows From Investing Activities:				
Interest and Dividends	3,106	4,327	-	7,433
Net Cash Provided By Investing Activities	<u>3,106</u>	<u>4,327</u>	<u>-</u>	<u>7,433</u>
Net Increase (Decrease) in Cash and Cash Equivalents	33,246	(3,989)	-	29,257
Cash and Cash Equivalents at Beginning of Year	<u>735,723</u>	<u>728,309</u>	<u>-</u>	<u>1,464,032</u>
Cash and Cash Equivalents at End of Year	<u>\$ 768,969</u>	<u>\$ 724,320</u>	<u>\$ -</u>	<u>\$ 1,493,289</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating Income (Loss)	\$ (12,551)	\$ (8,079)	\$ 25,359	\$ 4,729
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	(27,323)	-	(57,413)	(84,736)
(Increase) Decrease in Due From Other Funds	15,572	-	(24,351)	(8,779)
Increase in Accounts Payable	20,530	-	-	20,530
Increase (Decrease) in Other Liability	1,369	-	-	1,369
Increase (Decrease) in Unearned Revenue	46,460	(1,725)	55,244	99,979
(Decrease) in Due To Other Funds	(13,917)	(702)	1,161	(13,458)
Net Cash Provided (Used) by Operating Activities	<u>\$ 30,140</u>	<u>\$ (8,316)</u>	<u>\$ -</u>	<u>\$ 21,824</u>



KENT COUNTY, DELAWARE

COMBINING STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2016

	<u>Pension Fund</u>	<u>Post Retiree Benefits Fund</u>	<u>Total</u>
ASSETS			
Restricted Assets:			
Receivables			
Interest	\$ 6,774	\$ -	\$ 6,774
Investments	<u>34,933,324</u>	<u>14,221,832</u>	<u>49,155,156</u>
Total Assets	<u>34,940,098</u>	<u>14,221,832</u>	<u>49,161,930</u>
LIABILITIES			
Accounts Payable	<u>26,876</u>	<u>-</u>	<u>26,876</u>
Total Liabilities	<u>26,876</u>	<u>-</u>	<u>26,876</u>
NET POSITION			
Held in Trust for:			
Pension Benefits	34,913,222	-	34,913,222
Post Retiree Benefits	<u>-</u>	<u>14,221,832</u>	<u>14,221,832</u>
Total Net Position	<u>\$ 34,913,222</u>	<u>\$ 14,221,832</u>	<u>\$ 49,135,054</u>

KENT COUNTY, DELAWARE

COMBINING STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Pension Fund</u>	<u>Post Retiree Benefits Fund</u>	<u>Total</u>
ADDITIONS			
Employee Contributions	\$ 167,049	\$ -	\$ 167,049
Employer Contributions	1,654,913	785,111	2,440,024
Interest and Dividends	179,843	311,527	491,370
Net Appreciation (Depreciation) in Fair Value of Investments	614,567	(120,253)	494,314
Total Additions	<u>2,616,372</u>	<u>976,385</u>	<u>3,592,757</u>
DEDUCTIONS			
Pension Benefits	2,246,277	614,204	2,860,481
Administrative Expense	155,970	4,499	160,469
Total Deductions	<u>2,402,247</u>	<u>618,703</u>	<u>3,020,950</u>
Change In Net Position	214,125	357,682	571,807
Net Position - Beginning of Year	<u>34,699,097</u>	<u>13,864,150</u>	<u>48,563,247</u>
Net Position - End of Year	<u>\$ 34,913,222</u>	<u>\$ 14,221,832</u>	<u>\$ 49,135,054</u>



STATISTICAL SECTION



This section includes the following:

Financial Trends

Revenue Capacity

Debt Capacity

Demographic and Economic Information

Operating Information

STATISTICAL SECTION

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

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

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

2016 Comprehensive Annual Financial Report for Kent County, Delaware
Statistical Section

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

Table 1

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental activities										
Net investment in capital assets	\$25,807,406	\$25,651,356	\$24,988,682	\$28,024,547	\$27,059,292	\$26,191,732	\$26,409,608	\$26,796,027	\$28,120,342	\$31,840,271
Restricted	21,849	22,487	22,600	22,634	22,877	23,086	23,671	404,953	9,075,766	6,221,445
Unrestricted	40,335,720	42,752,648	41,806,609	39,876,779	44,408,109	46,885,192	48,943,093	50,922,050	39,241,698	38,582,912
Total governmental activities net position	<u>66,164,975</u>	<u>68,426,491</u>	<u>66,817,891</u>	<u>67,923,960</u>	<u>71,490,278</u>	<u>73,100,010</u>	<u>75,376,372</u>	<u>78,123,030</u>	<u>76,437,806</u>	<u>76,644,628</u>
Business-type activities										
Net investment in capital assets	53,609,938	62,965,602	65,974,904	68,925,330	64,425,631	63,138,398	62,872,401	64,175,064	71,807,718	75,749,480
Restricted	18,309,937	17,578,582	16,884,115	16,944,660	18,752,358	20,271,140	22,219,615	23,950,883	26,023,719	30,453,228
Unrestricted	4,811,040	1,486,833	4,600,775	8,800,775	17,729,882	20,391,290	22,420,495	22,521,945	14,541,838	17,174,215
Total business-type activities net position	<u>76,730,915</u>	<u>82,031,017</u>	<u>87,459,794</u>	<u>94,670,765</u>	<u>100,907,871</u>	<u>103,800,828</u>	<u>107,512,511</u>	<u>110,647,892</u>	<u>112,373,275</u>	<u>123,376,923</u>
Primary government										
Net investment in capital assets	79,417,344	88,616,958	90,963,586	96,949,877	91,484,923	89,330,130	89,282,009	90,971,091	99,928,060	107,589,751
Restricted	18,331,786	17,601,069	16,906,715	16,967,294	18,775,235	20,294,226	22,243,286	24,355,836	35,099,485	36,674,673
Unrestricted	45,146,760	44,239,481	46,407,384	48,677,554	62,137,991	67,276,482	71,363,588	73,443,995	53,783,536	55,757,127
Total primary government activities net position	<u>\$142,895,890</u>	<u>\$150,457,508</u>	<u>\$154,277,685</u>	<u>\$162,594,725</u>	<u>\$172,398,149</u>	<u>\$176,900,838</u>	<u>\$182,888,883</u>	<u>\$188,770,922</u>	<u>\$188,811,081</u>	<u>\$200,021,551</u>

2016 Comprehensive Annual Financial Report for Kent County, Delaware
Statistical Section

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

Table 2

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses										
Governmental activities:										
General government	\$2,779,648	\$2,406,031	\$2,157,269	\$1,903,496	\$1,840,974	\$2,686,660	\$2,567,923	\$2,304,636	\$2,751,768	\$3,470,183
Information technology	64,573	-	-	-	-	-	-	-	-	-
Special grants/programs	-	1,413,741	1,786,920	1,927,973	1,692,586	1,502,929	1,641,823	1,857,709	2,129,742	2,029,654
Community services	3,640,975	4,631,404	3,850,937	3,564,687	3,368,496	3,431,036	3,468,400	3,546,729	3,650,644	3,803,046
Planning services	5,690,857	5,593,137	5,663,677	6,822,174	6,208,631	5,862,709	5,234,297	5,321,429	5,532,350	5,748,165
Public safety	6,118,388	6,752,894	7,162,412	7,526,098	7,453,153	7,768,023	8,193,571	8,315,276	8,674,656	9,073,597
Row offices	2,675,668	2,777,424	2,890,004	2,546,828	2,439,171	1,754,050	1,660,824	1,690,769	1,861,280	1,896,476
Economic development	112,897	284,274	42,672	107,009	38,589	751,348	372,300	44,180	287,819	1,555,085
Amortization	(5,068)	(5,068)	(5,068)	5,068	5,068	5,068	1,854	1,856	53,254	-
Interest on long-term debt	271,611	268,839	265,402	251,220	246,579	241,405	235,652	229,542	211,113	185,646
Total governmental activities expenses	21,349,549	24,122,676	23,814,225	24,654,553	23,293,247	24,003,228	23,376,644	23,312,126	25,152,626	27,761,852
Business-type activities:										
Sewer	13,364,927	14,617,538	14,542,919	14,622,459	14,989,176	16,714,840	17,363,894	17,311,372	18,243,107	18,231,919
Street light	549,016	615,085	665,831	705,241	776,486	776,190	851,575	888,610	907,738	934,377
Trash	1,993,975	2,990,527	2,375,365	2,459,084	3,085,820	2,546,791	2,689,799	2,912,322	3,403,712	3,276,419
Landfill	7,303	28,245	35,402	39,483	39,052	33,205	32,746	23,087	10,031	9,804
Storm water maintenance	-	-	-	-	-	-	-	-	-	3,201
Total business-type activities expenses	15,915,221	18,251,395	17,619,517	17,826,267	18,890,534	20,071,026	20,938,014	21,135,391	22,564,588	22,455,720
Total primary government expenses	37,264,770	42,374,071	41,433,742	42,480,820	42,183,781	44,074,254	44,314,658	44,447,517	47,717,214	50,217,572
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$22,133	\$6,176	\$8,969	\$97,626	\$108,312	\$254,311	\$187,643	\$196,628	\$196,071	\$152,376
Information technology	5,357	-	-	-	-	-	-	-	-	-
Community services	392,743	426,067	393,005	433,878	349,117	361,137	377,566	348,512	346,469	336,659
Planning services	2,283,565	2,081,134	1,512,253	1,469,030	1,376,389	1,506,644	1,765,755	1,632,163	1,536,031	1,919,683
Public safety	72,886	90,171	91,218	104,685	95,535	93,183	144,150	136,013	178,588	147,129
Row offices	4,886,453	4,523,305	4,480,285	4,323,923	5,828,393	6,160,251	5,378,605	5,516,750	5,449,361	5,674,004
Economic development	15,897	15,897	15,898	48,798	18,377	-	-	-	-	22,890
Operating grants and contributions	2,804,678	2,728,881	3,106,337	4,193,344	3,508,723	3,144,797	2,653,780	2,903,651	3,349,706	2,967,151
Capital grants and contributions	397,090	265,039	464,811	977,603	32,992	38,050	215,350	311,482	80,210	164,259
Total governmental activities program revenues	10,880,802	10,136,670	10,072,776	11,648,887	11,317,838	11,558,373	10,722,849	11,045,199	11,136,436	11,384,151

(continued on next page)

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

Table 2 continued

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Program Revenues										
Business-type activities:										
Charges for services:										
Sewer	13,272,328	13,584,138	13,409,064	15,677,597	14,110,335	14,956,540	15,693,959	17,170,963	16,988,415	17,017,132
Street light	574,049	683,463	740,835	763,401	793,836	839,036	887,352	914,032	943,856	921,826
Trash	2,018,422	2,427,482	2,514,303	2,574,517	2,650,636	2,981,336	3,051,370	3,146,646	3,319,649	3,418,268
Landfill	-	-	-	-	-	-	-	9,282	1,546	1,725
Storm water maintenance	-	-	-	-	-	-	-	-	-	28,560
Operating grants and contributions	31,240	11,532	-	122,495	-	-	-	10,450	21,634	-
Capital grants and contributions	4,491,511	5,950,893	6,198,709	5,799,309	7,164,748	4,154,892	4,858,524	2,910,387	3,729,501	11,917,096
Total business-type activities program revenues	20,387,550	22,657,508	22,862,911	24,937,319	24,719,555	22,931,804	24,491,205	24,161,760	25,004,601	33,304,607
Total primary government program revenues	31,268,352	32,794,178	32,935,687	36,586,206	36,037,393	34,490,177	35,214,054	35,206,959	36,141,037	44,688,758
Net (Expense) Revenue										
Governmental activities	(10,468,747)	(13,986,006)	(13,741,449)	(13,005,666)	(11,975,409)	(12,444,855)	(12,653,795)	(12,266,927)	(14,016,190)	(16,377,701)
Business-type activities	4,472,329	4,406,113	5,243,394	7,111,052	5,829,021	2,860,778	3,553,191	3,026,369	2,440,013	10,848,887
Total primary government net (expense) revenue	(\$5,996,418)	(\$9,579,893)	(\$8,498,055)	(\$5,894,614)	(\$6,146,388)	(\$9,584,077)	(\$9,100,604)	(\$9,240,558)	(\$11,576,177)	(\$5,528,814)
General Revenue and Other Changes in Net Position										
Governmental activities:										
Property taxes	7,723,105	8,097,375	8,422,296	10,588,984	10,704,349	10,477,267	10,648,373	10,819,104	10,990,802	11,141,185
Real estate transfer tax	7,943,877	5,979,675	3,069,250	2,788,504	2,605,293	3,021,612	3,541,753	3,462,321	4,210,416	4,493,193
Residential telephone surcharge	260,125	240,303	266,717	257,270	326,606	270,015	270,015	270,014	270,015	270,015
Investment earnings	2,149,403	1,611,305	320,577	196,105	137,384	98,332	135,365	120,856	125,051	189,852
Other financing sources (uses)	(6,992,826)	-	-	-	-	-	-	-	-	-
Other revenues including capital asset sales gains/losses	964,416	315,564	204,511	280,872	471,596	383,653	402,129	341,290	337,259	490,278
Total governmental activities	12,048,100	16,244,222	12,283,351	14,111,735	14,245,228	14,250,879	14,997,635	15,013,585	15,933,543	16,584,523
Business-type activities:										
Investment earnings	1,622,765	888,622	185,570	85,834	61,950	32,179	124,495	96,152	90,172	137,182
Other revenues including capital asset sales gains/losses	(78,957)	5,367	(187)	14,085	(11,064)	-	177,085	12,860	244,056	17,579
Total business-type activities	1,543,808	893,989	185,383	99,919	50,886	32,179	301,580	109,012	334,228	154,761
Total primary government	\$13,591,908	\$17,138,211	\$12,468,734	\$14,211,654	\$14,296,114	\$14,283,058	\$15,299,215	\$15,122,597	\$16,267,771	\$16,739,284
Change in Net Position										
Governmental activities	1,579,353	2,258,216	(1,458,098)	1,106,069	2,269,819	1,806,024	2,343,840	2,746,658	1,917,353	206,822
Business-type activities	6,016,137	5,300,102	5,428,777	7,210,971	5,879,907	2,892,957	3,854,771	3,135,381	2,774,241	11,003,648
Total primary government	\$7,595,490	\$7,558,318	\$3,970,679	\$8,317,040	\$8,149,726	\$4,698,981	\$6,198,611	\$5,882,039	\$4,691,594	\$11,210,470

2016 Comprehensive Annual Financial Report for Kent County, Delaware
Statistical Section

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

Table 3

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Fund										
Reserved	\$21,849	\$22,487	\$22,600	\$22,634	-	-	-	-	-	-
Unreserved	-	-	-	-	-	-	-	-	-	-
Undesignated	28,796,501	29,619,090	29,639,959	31,162,323	-	-	-	-	-	-
Total general fund	28,818,350	29,641,577	29,662,559	31,184,957	-	-	-	-	-	-
All Other Governmental Funds										
Unreserved	11,378,691	13,225,098	12,034,863	8,445,165	-	-	-	-	-	-
Total all other governmental funds	\$11,378,691	\$13,225,098	\$12,034,863	\$8,445,165	-	-	-	-	-	-
General Fund										
Nonspendable	-	-	-	-	\$82,143	\$153,412	\$95,869	\$78,798	\$164,537	\$728,533
Restricted	-	-	-	-	22,877	279,923	346,655	404,953	324,878	405,211
Committed	-	-	-	-	-	161,640	334,640	411,903	466,377	-
Assigned	-	-	-	-	454,000	1,776,404	1,575,954	1,518,454	1,926,174	4,444,372
Unassigned	-	-	-	-	33,259,590	35,048,646	37,664,228	40,422,288	39,436,838	37,779,156
Total general fund	-	-	-	-	33,818,610	37,420,025	40,017,346	42,836,396	42,318,804	43,357,272
All Other Governmental Funds										
Nonspendable	-	-	-	-	-	-	\$6,589	\$39,102	\$6,403	\$8,374
Restricted	-	-	-	-	9,111,856	8,120,447	7,731,038	6,954,041	8,750,888	5,816,234
Total all other governmental funds	-	-	-	-	\$9,111,856	\$8,120,447	\$7,737,627	\$6,993,143	\$8,757,291	\$5,824,608

Note: GASB 54 was implemented in 2011, the previous years' data for new categories is not available

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

Table 4

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues										
Property taxes	\$7,724,010	\$8,053,549	\$8,363,266	\$10,446,328	\$10,636,178	\$10,487,042	\$10,628,512	\$10,800,038	\$11,006,897	\$11,169,794
Real estate transfer tax	7,943,877	5,979,675	3,069,250	2,788,504	2,605,293	3,021,612	3,541,753	3,462,321	4,210,416	4,493,193
Residential telephone surcharge	260,125	240,303	266,717	257,270	326,606	270,015	270,015	270,014	270,015	270,015
Grant	3,195,336	3,083,437	3,571,148	5,170,947	3,541,715	3,182,848	2,869,129	3,215,133	3,429,917	3,131,410
Fees for services	7,533,537	7,006,177	6,465,036	6,246,784	7,657,438	8,121,584	7,559,452	7,584,720	7,600,583	8,000,868
Investment income	2,110,835	1,583,824	315,258	196,023	137,332	98,244	135,209	120,780	125,050	189,768
Rental income	23,186	23,186	23,186	23,186	23,186	23,186	23,186	23,186	23,186	25,214
Other revenues	259,094	257,204	199,814	430,080	509,595	518,120	558,597	533,503	382,934	634,623
Total revenues	29,050,000	26,227,355	22,273,675	25,559,122	25,437,343	25,672,651	25,585,853	26,009,695	27,048,998	27,914,885
Expenditures										
General government	2,877,073	1,663,908	1,478,311	1,225,242	1,254,207	2,161,774	2,006,474	2,146,936	2,298,729	2,449,734
Information technology	90,134	-	-	-	-	-	-	-	-	-
Special grants and programs	-	1,413,741	1,786,920	1,927,973	1,692,586	1,502,929	1,641,823	1,857,709	2,129,742	2,029,654
Community services	3,506,634	4,416,325	3,680,715	3,277,193	3,002,012	3,123,137	3,139,070	3,219,480	3,286,031	3,364,778
Planning services	5,648,921	5,534,692	5,617,129	6,758,693	6,194,664	5,856,408	5,265,108	5,305,694	5,429,838	5,574,143
Public safety	5,831,696	6,344,913	6,870,332	7,071,108	7,063,764	7,415,340	8,003,221	7,999,004	8,167,844	8,397,723
Row offices	2,638,025	2,775,101	2,952,400	2,508,274	2,453,329	1,783,031	1,626,109	1,686,840	1,775,271	1,746,378
Economic development	112,897	284,274	42,672	107,009	38,589	751,348	372,300	44,180	287,819	1,555,085
Debt service:										
Bond issue Costs	-	-	-	-	-	-	-	-	53,254	-
Principal	133,797	133,504	138,250	140,854	145,140	150,347	157,236	161,523	166,729	454,545
Interest and fiscal charges	262,262	259,649	256,444	252,595	248,151	243,149	237,592	231,584	242,113	200,693
Capital outlay	1,200,121	731,614	619,755	4,357,481	44,557	75,182	922,419	1,282,179	2,146,144	9,036,367
Total expenditures	22,301,560	23,557,721	23,442,928	27,626,422	22,136,999	23,062,645	23,371,352	23,935,129	25,983,514	34,809,100
Excess of revenues over (under) expenditures	6,748,440	2,669,634	(1,169,253)	(2,067,300)	3,300,344	2,610,006	2,214,501	2,074,566	1,065,484	(6,894,215)
Other Financing Sources (Uses)										
Transfers in	8,082,949	2,897,244	1,567,215	706,731	1,695,003	521,671	1,277,547	867,809	4,786,473	3,454,710
Proceeds from Loan	-	-	-	-	-	-	-	-	-	5,000,000
Proceeds from Bond Issuance	-	-	-	-	-	-	-	-	4,524,126	-
Bond Premium	-	-	-	-	-	-	-	-	393,830	-
Payments to Refunding Agent	-	-	-	-	-	-	-	-	(4,736,884)	-
Transfers out	(15,075,775)	(2,897,244)	(1,567,215)	(706,731)	(1,695,003)	(521,671)	(1,277,547)	(867,809)	(4,786,473)	(3,454,710)
Total other financing sources (uses)	(6,992,826)	-	-	-	-	-	-	-	181,072	5,000,000
Net change in fund balances	(\$244,386)	\$2,669,634	(\$1,169,253)	(\$2,067,300)	\$3,300,344	\$2,610,006	\$2,214,501	\$2,074,566	\$1,246,556	(\$1,894,215)
Debt service as a percentage of noncapital expenditures	1.88%	1.72%	1.73%	1.69%	1.78%	1.71%	1.76%	1.74%	1.94%	2.54%

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

Table 5

Fiscal Year	Property Tax	Real Estate Transfer Tax	Total
2007	\$ 7,724,010	\$ 7,943,877	\$ 15,667,887
2008	8,053,549	5,979,675	14,033,224
2009	8,363,266	3,069,250	11,432,516
2010	10,446,328	2,788,504	13,234,832
2011	10,636,178	2,605,293	13,241,471
2012	10,437,042	3,021,612	13,458,654
2013	10,628,512	3,541,753	14,170,265
2014	10,800,038	3,462,321	14,262,359
2015	11,006,897	4,210,416	15,217,313
2016	11,169,794	4,493,193	15,662,987

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

Table 6

Fiscal Year	Total Assessed Value	Less: Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate (1)	Estimated Actual Taxable Value (2)
2016	\$ 3,544,204,100	\$ 76,560,568	\$ 3,467,643,532	\$ 0.30	*
2015	3,491,974,200	75,597,936	3,416,376,264	0.30	*
2014	3,437,231,100	74,558,083	3,362,673,017	0.30	*
2013	3,377,856,800	65,688,100	3,312,168,700	0.30	*
2012	3,328,644,200	65,825,600	3,262,818,600	0.30	*
2011	3,260,424,500	73,702,700	3,186,721,800	0.31	*
2010	3,247,024,800	70,311,000	3,176,713,800	0.31	*
2009	3,131,607,800	53,219,800	3,078,388,000	0.25	*
2008	3,027,225,600	51,500,000	2,975,725,600	0.25	*
2007	2,889,866,100	49,140,000	2,840,726,100	0.25	*

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

Notes:

- (1) Total direct tax rate represents basic County tax rate per \$100
- (2) Property in the County is not reassessed annually, therefore the estimated actual value is not available
- (3) Fiscal years 2007 and 2008 are estimated
- (4) All taxable parcels in Kent County are valued as of the date of the last reassessment, which is June 1, 1987. The taxable assessment is obtained by multiplying the 1987 market value by sixty percent (0.60).

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

Table 7

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Direct										
County tax	\$0.2500	\$0.2500	\$0.2500	\$0.3100	\$0.3100	\$0.3000	\$0.3000	\$0.3000	\$0.3000	\$0.3000
Library tax (1)	0.0370	0.0370	0.0370	0.0370	0.0370	0.0330	0.0330	0.0330	0.0330	0.0330
Total Direct	\$0.2870	\$0.2870	\$0.2870	\$0.3470	\$0.3470	\$0.3330	\$0.3330	\$0.3330	\$0.3330	\$0.3330
School Districts										
Caesar Rodney	\$1.0750	\$1.1250	\$1.1250	\$1.1250	\$1.1650	\$1.2200	\$1.2450	\$1.2450	\$1.2350	\$1.2350
Capital	1.4590	1.5340	1.4800	1.5435	1.7685	1.8320	1.9090	1.8500	1.8215	1.8115
Lake Forest	1.1663	1.2263	1.1898	1.1600	1.1112	1.1097	1.1569	1.3163	1.4257	1.4498
Milford	1.1000	1.1147	1.1661	1.2422	1.3088	1.2846	1.2165	1.2692	1.2308	1.2626
Polytech	0.1180	0.1160	0.1219	0.1219	0.1304	0.1351	0.1372	0.1372	0.1372	0.1415
Smyrna	1.1350	1.1090	1.1967	1.2600	1.2529	1.2716	1.3240	1.4161	1.6433	1.7835
Woodbridge	1.0990	1.0980	1.1090	1.2130	1.2090	1.2840	1.3720	1.3610	1.3340	1.3310
Incorporated Areas										
Bowers Beach	\$0.3000	\$0.3000	\$0.3000	\$0.3000	\$0.6000	\$0.6000	\$0.6000	\$0.6000	\$0.6000	\$0.6000
Camden	0.7000	0.7000	0.9000	1.2000	1.2000	1.4200	1.4200	1.4200	1.4200	1.4200
Cheswold	0.6000	0.6000	0.6000	0.6000	0.6000	0.6000	0.6000	0.6000	0.6000	0.6000
Clayton	0.6500	0.6500	0.6500	0.6500	0.6500	0.6500	0.6500	0.6500	0.6500	0.6500
Dover	0.3300	0.3300	0.3300	0.3300	0.3378	0.3378	0.3378	0.3378	0.3378	0.4050
Farmington	0.5500	0.5500	0.5500	0.5500	0.5500	0.7500	0.7500	0.7500	0.7500	0.7500
Felton	0.8247	0.6100	0.6100	0.6100	0.7100	0.8100	0.9100	0.9100	0.9100	0.9100
Frederica	0.5200	0.5200	0.5200	0.6500	0.6500	0.7500	1.0000	1.0000	1.0000	1.2500
Harrington	0.7100	0.7100	0.7100	0.7100	0.7100	0.7100	0.7100	0.7100	1.0600	1.0600
Hartly	0.0200	0.0200	0.0200	0.0200	0.0200	0.0200	0.0200	0.0200	0.0200	0.0200
Houston	0.1200	0.1200	0.1200	0.1200	0.1200	0.1200	0.1200	0.1200	0.1500	0.1500
Kenton	0.1200	0.1200	0.1200	0.1200	0.1200	0.1200	0.1200	0.1200	0.1200	0.1200
Leipsic	0.6500	0.6500	0.6500	0.6500	0.4225	0.4225	0.4225	0.4225	0.4225	0.4225
Little Creek	0.2500	0.3500	0.3500	0.3500	0.3500	0.3500	0.3500	0.3500	0.3500	0.3500
Magnolia	0.4000	0.4000	0.4000	0.4000	0.4000	0.4000	0.4000	0.4000	0.4000	0.4000
Milford	0.4100	0.4600	0.4600	0.4600	0.4600	0.4600	0.4600	0.4600	0.4600	0.4600
Smyrna	0.1726	0.1726	0.2526	0.2526	0.2526	0.2526	0.2900	0.3100	0.3600	0.3600
Viola	0.2000	0.2000	0.2000	0.2000	0.2000	0.2000	0.2000	0.2000	0.2000	0.2000
Woodside	0.2500	0.2500	0.2000	0.2500	0.2000	0.2000	0.2000	0.2000	0.2000	0.2000
Wyoming	1.1000	1.1000	1.1000	1.1000	1.1000	1.1000	1.1000	1.1000	1.1000	1.1000

Sources: Finance Department, Kent County Levy Court, Delaware; Delaware Economic Development Office

Notes:

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

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

Table 8

	2016			2007		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Valuation	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Valuation
Dover Downs	\$43,706,900	1	1.26%	\$30,484,200	1	1.07%
Chesapeake Utilities	35,236,800	2	1.02%	30,204,300	2	1.06%
Delmarva Power & Light	25,687,100	3	0.74%	15,017,100	7	0.53%
Diamond State Telephone	19,540,900	4	0.56%	25,624,500	3	0.90%
Wal-Mart Stores	19,131,200	5	0.55%	21,332,300	5	0.75%
Dover Mall	18,654,200	6	0.54%	21,748,600	4	0.77%
Wal-Mart Real Estate Business	17,568,800	7	0.51%	16,868,600	6	0.59%
Dover International Speedway, Inc.	16,438,200	8	0.47%	12,312,400	9	0.43%
General Foods	14,017,300	9	0.40%	13,975,200	8	0.49%
Gaming Entertainment Del	12,240,200	10	0.35%	-	-	-
Rudolph/Stephen Von Croy/Von Croy Family Trust	-	-	-	11,460,000	10	0.40%
	\$222,221,600		6.41%	\$199,027,200		7.01%

Source: Assessment Division, Kent County Levy Court, Delaware

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KENT COUNTY, DELAWARE
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

Table 9

Fiscal Year	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount Collected	Percentage of Levy		Amount Collected	Percentage of Levy
2016	\$ 11,156,441	\$ 10,903,302	97.73%	\$ -	\$ 10,903,302	97.73%
2015	10,993,270	10,729,902	97.60%	157,172	10,887,074	99.03%
2014	10,823,058	10,521,723	97.22%	224,146	10,745,869	99.29%
2013	10,651,409	10,335,366	97.03%	261,041	10,596,407	99.48%
2012	10,479,907	10,144,374	96.80%	292,399	10,436,773	99.59%
2011	10,705,791	10,357,446	96.75%	310,253	10,667,699	99.64%
2010	10,591,765	10,248,753	96.76%	309,394	10,558,147	99.68%
2009	8,423,529	8,185,405	97.17%	214,993	8,400,398	99.73%
2008	8,094,994	7,916,725	97.80%	158,466	8,075,191	99.76%
2007	7,722,004	7,547,212	97.74%	157,569	7,704,781	99.78%

Source: Finance Department, Kent County Levy Court, Delaware

2016 Comprehensive Annual Financial Report for Kent County, Delaware
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KENT COUNTY, DELAWARE
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

Table 10

Fiscal Year	Governmental Activities		Business-type Activities	Total Primary Government	Percentage of Personal Income (2)	Population	Debt per Capita
	General Obligation Bonds (1)	Note Payable	General Obligation Bonds (1)				
2007	\$ 5,882,253	\$ -	\$ 16,761,640	\$ 22,643,893	0.47%	152,094	\$ 149
2008	5,750,603	-	15,710,820	21,461,423	0.42%	155,487	138
2009	5,614,206	-	15,644,445	21,258,651	0.39%	157,740	135
2010	5,475,206	-	21,246,636	26,721,842	0.46%	162,978	164
2011	5,331,920	-	45,125,231	50,457,151	0.87%	165,237	305
2012	5,183,427	-	44,204,816	49,388,243	0.81%	167,608	295
2013	5,028,045	-	43,999,246	49,027,291	0.79%	169,381	289
2014	4,868,378	-	42,397,946	47,266,324	0.75%	171,762	275
2015	4,910,860	-	49,472,214	54,383,074	0.82%	173,529	313
2016	4,664,771	4,770,256	53,530,384	62,965,411	*	175,110	360

Source: Finance Department, Kent County Levy Court, Delaware

Population Source: Delaware Population Consortium Annual Population Projections

Notes:

(1) Includes unamortized bond premiums and bond discounts

(2) Personal income is presented in the demographic and economic information

*Information not available

2016 Comprehensive Annual Financial Report for Kent County, Delaware
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KENT COUNTY, DELAWARE
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS

Table 11

Fiscal Year	Taxable Assessed Value	General Obligation Bonds (1)	Percentage of General Obligation Bonds to Taxable Assessed Value	Population	Per Capita
2007	\$2,840,726,100	\$22,643,893	0.80%	152,094	\$149
2008	2,975,725,600	21,461,423	0.72%	155,487	138
2009	3,078,388,000	21,258,651	0.69%	157,740	135
2010	3,176,713,800	26,721,842	0.84%	162,978	164
2011	3,186,721,800	50,457,151	1.58%	165,237	305
2012	3,262,818,600	49,388,243	1.51%	167,608	295
2013	3,312,168,700	49,027,291	1.48%	169,381	289
2014	3,362,673,017	47,266,324	1.41%	171,762	275
2015	3,416,376,264	54,383,074	1.59%	173,529	313
2016	3,467,643,532	58,195,155	1.68%	175,110	332

Sources: Assessment Division and Finance Department, Kent County Levy Court, Delaware
Population Source: Delaware Population Consortium Annual Population Projections

Notes:

(1) Includes unamortized bond premiums and bond discounts

KENT COUNTY, DELAWARE
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF JUNE 30, 2016

Table 12

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Amount Applicable to Kent County Levy Court</u>
School Districts:			
Caesar Rodney	\$11,986,665	100.0%	\$11,986,665
Capital	60,379,555	100.0%	60,379,555
Lake Forest	5,617,025	100.0%	5,617,025
Milford	11,937,365	64.2%	7,663,788
Polytech	10,420,665	100.0%	10,420,665
Smyrna	23,247,932	85.1%	19,783,990
Woodbridge	14,434,360	22.5%	3,247,731
Total School Districts			<u>119,099,419</u>
Incorporated Areas:			
Camden	2,727,062	100.0%	\$2,727,062
Dover	6,782,401	100.0%	6,782,401
Milford	77,597	64.2%	49,817
Smyrna	15,445,583	85.1%	13,144,191
Total Incorporated Areas:			<u>22,703,471</u>
Subtotal, overlapping debt			\$141,802,890
Kent County Levy Court direct debt	9,435,027	100.0%	<u>9,435,027</u>
Total direct and overlapping debt			<u><u>\$151,237,917</u></u>

Sources: Finance Department, Kent County Levy Court, Delaware and State of Delaware Office of the State Treasurer, Town of Camden, City of Dover, City of Milford

Notes:

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

**KENT COUNTY, DELAWARE
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS**

Table 13

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Taxable assessed value	\$2,840,726,100	\$2,975,725,600	\$3,078,388,000	\$3,176,713,800	\$3,186,721,800	\$3,262,818,600	\$3,312,168,700	\$3,362,673,017	\$3,416,376,264	\$3,467,643,532
Debt limit (12% of taxable assessed value)	340,887,132	357,087,072	369,406,560	381,205,656	382,406,616	391,538,232	397,460,244	403,520,762	409,965,152	416,117,224
Amount of debt subject to the debt limit	22,643,893	21,461,423	21,258,651	26,721,842	50,457,151	49,388,243	49,027,291	47,266,324	54,383,074	58,195,155
Legal debt margin	318,243,239	335,625,649	348,147,909	354,483,814	331,949,465	342,149,989	348,432,953	356,254,438	355,582,078	357,922,069
Percentage of legal debt margin available	93.36%	93.99%	94.25%	92.99%	86.81%	87.39%	87.66%	88.29%	86.73%	86.01%
Percentage of legal debt margin exhausted	6.64%	6.01%	5.75%	7.01%	13.19%	12.61%	12.34%	11.71%	13.27%	13.99%

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

Notes:

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

KENT COUNTY, DELAWARE
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS

Table 14

Fiscal Year	Population (1)	Median Age (2)	Per Capita Income (3)	Personal Income (4)	Public School Enrollment (5)	Unemployment Rate (6)
2016	175,110	37.1	*	*	30,485	5.3%
2015	173,529	37.3	38,114	6,613,884,306	30,527	5.9%
2014	171,762	36.8	36,882	6,334,926,084	30,254	7.1%
2013	169,381	37.8	36,701	6,216,452,081	29,989	8.0%
2012	167,608	36.7	36,173	6,062,884,184	29,915	8.4%
2011	165,237	36.1	34,941	5,773,546,017	29,903	8.7%
2010	162,978	36.0	35,431	5,774,473,518	29,278	9.2%
2009	157,740	35.7	34,686	5,471,369,640	28,873	8.7%
2008	155,487	35.5	33,207	5,163,256,809	28,505	4.9%
2007	152,094	35.1	32,010	4,868,528,940	28,025	3.5%

Sources:

- (1) Delaware Population Consortium Annual Population Projections
- (2) U.S. Census Bureau (factfinder.census.gov)
- (3) U.S. Department of Commerce, Bureau of Economic Analysis BEA.gov
- (4) Estimated based on population multiplied by per capita income
- (5) Delaware Department of Education
- (6) State of Delaware, www.delawareworks.com/oolmi

* Figures not available

2016 Comprehensive Annual Financial Report for Kent County, Delaware
Statistical Section

KENT COUNTY, DELAWARE
EMPLOYMENT BY SELECTED INDUSTRY (MAJOR EMPLOYERS)
CURRENT YEAR AND NINE YEARS AGO

Table 15

Industry Description	2016 1st Quarter			2007 1st Quarter		
	Number of Employees	Rank	Percentage of Total County Employment	Number of Employees	Rank	Percentage of Total County Employment
Government	18,735	1	28.9%	17,972	1	29.0%
Health care and social assistance	9,614	2	14.8%	7,264	3	11.7%
Retail trade	9,282	3	14.3%	9,946	2	16.1%
Accommodation and food services	5,355	4	8.2%	4,446	4	7.2%
Manufacturing	4,770	5	7.3%	3,606	5	5.8%
Construction	2,428	6	3.7%	3,503	6	5.7%
Professional and technical services	1,984	7	3.1%	1,702	10	2.8%
Administrative and waste services	1,920	8	3.0%	1,705	9	2.8%
Other services, except public administration	1,609	9	2.5%	1,756	7	2.8%
Finance and insurance	1,203	10	1.9%	1,723	8	2.8%
	56,900		87.6%	53,623		86.7%
Total, All Industries	64,928			61,875		

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

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

KENT COUNTY, DELAWARE

FULL-TIME EQUIVALENT EMPLOYEES BY FUNCTION

LAST TEN FISCAL YEARS

Table 16

Function	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Administration	31	30	30	30	28	28	29	32	31	20
General Administration	13	13	13	13	13	13	14	15	15	16
Economic Development (1)	2	2	2	2						
Personnel	4	4	4	4	4	4	4	5	4	4
Information Technology (2)	12	11	11	11	11	11	11	12	12	
Finance	18	18	18	18	18	13	13	15	15	15
Administration	3	3	3	3	3	3	3	4	4	4
Accounting	10	10	10	10	10	10	10	11	11	11
Tax Section (3)	5	5	5	5	5					
Board of Assessment	11	11	11	14	14	16	17	16	16	16
Assessment	11	11	11	11	11	13	14	13	13	13
Board of Assessment (4)				3	3	3	3	3	3	3
Community Services	22	20	20	20	20	21	25	26	26	25
Administration	2	2	2	2	2	2	2	2	2	2
Library	6	6	6	6	6	6	7	8	8	8
Parks	8	8	8	8	8	9	10	10	10	9
Recreation	4	4	4	4	4	4	6	6	6	6
Recreation Center	2									
Planning Services	36	37	38	38	39	39	42	50	50	50
Administration	2	2	2	2	2	2	2	2	2	2
Geographic Information Systems	5	5	5	5	6	6	6	6	6	6
Inspections & Enforcement	15	15	16	16	16	16	18	21	21	21
Zoning Inspections & Enforcement	1	1	1	1	1	1	0	2	2	2
Planning	8	9	9	9	9	9	11	12	12	12
Grants	4	4	4	4	4	4	4	5	5	5
Manufactured Housing	1	1	1	1	1	1	1	2	2	2
Public Safety	78	72	72	71	71	68	69	70	66	59
Administration	2	2	2	1	1	1	1	1	1	1
Emergency Communications	24	24	24	24	24	22	20	20	20	18
Emergency Management	2	2	2	1	1	1	2	2	2	2
Emergency Medical Services	50	44	44	45	45	44	46	47	43	38
Facilities Management	12	10	10	10	10	10	11	12	12	12
Row Offices	25	25	25	25	25	32	38	39	38	38
Clerk of the Peace	3	3	3	3	3	3	3	3	3	3
Comptroller	3	3	3	3	3	3	3	3	3	3
Receiver of Taxes (3)						7	7	7	7	7
Recorder of Deeds	6	6	6	6	6	6	12	13	13	13
Register of Wills	5	5	5	5	5	5	5	5	4	4
Sheriff	8	8	8	8	8	8	8	8	8	8
Public Works	68	68	68	67	67	64	61	65	65	61
Engineering	13	13	13	13	13	13	12	18	19	19
Environmental Programs (6)	3	3	3	3	3	3	3			
KCWTF-Operations	19	19	19	19	19	19	21	20	21	17
KCWTF-Maintenance	25	25	25	25	25	23	19	21	20	20
KCWTF-Treatment Plant	8	8	8	7	7	6	6	6	5	5
Total	301	291	292	293	292	291	305	325	319	296

Source: Kent County Levy Court Budgets

Notes:

- (1) Effective July 2011 the Office of Economic Development was added to the Department of Administration
- (2) Effective October 2007 Information Technology services were incorporated into the County's organizational structure
- (3) Effective June 2011 the elected Office of Receiver of Taxes was eliminated; its functions absorbed by the Finance Department
- (4) Effective January 2013 the salaried Board of Assessment was replaced with an appointed board
- (5) Prior to FY2010 the number of Environmental Programs employees was included in the Engineering line item

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

Table 17

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Function/Program										
Community Services										
Library										
Population of service area	40,970	40,523	40,097	39,719	38,891	38,891	35,879	32,956	32,132	*
Number of public workstations	29	25	19	19	19	19	14	10	10	10
Number of public internet sessions	15,306	13,895	15,153	20,486	21,379	20,648	*	24,527	*	*
WiFi usage, number of public sign-ins/use	6,921	7,200	4,422	*	*	*	none	none	none	none
Annual circulation of materials	173,670	156,175	153,518	193,199	190,613	174,490	137,546	124,389	100,569	76,915
eBook circulation	10,529	11,265	7,293	4,403	none	none	none	none	none	none
Size of collection	39,934	41,971	40,945	41,190	46,747	45,680	39,096	*	*	*
Annual visitors to library	143,564	135,115	105,403	129,918	118,182	146,750	82,725	88,162	74,950	57,674
Annual number of programs	332	377	358	298	282	302	309	253	347	161
Annual program attendance	12,036	13,171	12,852	8,232	10,855	13,077	10,261	5,633	4,701	3,132
Number of cardholders/borrowers	13,995	13,328	12,899	10,878	9,975	9,568	6,987	*	*	*
Total weekly hours	63	63	63	71	71	73	73	72	*	*
Bookmobile										
Population of service area	17,207	17,019	16,840	16,682	16,334	16,334	19,176	19,176	19,176	19,176
Annual circulation of materials	10,052	15,617	12,091	14,690	19,334	14,535	13,921	16,881	13,890	10,199
eBook circulation	282	351	193	156	none	none	none	none	none	none
Size of collection	1,450	1,686	2,041	2,278	3,372	3,296	2,600	*	*	*
Annual visitors to bookmobile (1)	5,450	8,449	7,386	11,204	16,001	19,880	10,449	9,269	7,810	*
Annual number of programs	18	10	13	17	5	3	0	11	7	0
Annual program attendance	1,805	1,094	1,668	2,327	655	47	0	135	82	0
Number of borrowers	484	484	492	502	588	697	534	*	*	*
Total weekly hours	35	35	35	35	35	35	35	31	*	*
Parks and Recreation										
Programs:										
Adult	131	147	158	136	105	*	*	*	*	*
Leagues	15	10	21	17	14	*	*	*	*	*
Camps	51	51	44	47	21	*	*	*	*	*
Fitness	96	92	107	131	134	*	*	*	*	*
Tot	98	108	137	173	151	*	*	*	*	*
Youth	129	160	184	188	172	*	*	*	*	*
Trips	36	40	40	49	34	*	*	*	*	*
Special events	12	8	11	13	12	*	*	*	*	*
Tournaments	1	1	1	2	3	*	*	*	*	*
Rental permits	19	17	19	12	8	*	*	*	*	*

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

Table 17 continued

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Function/Program										
Planning Services										
Administrative applications:										
Minor subdivision	39	36	36	52	45	34	46	49	68	99
Minor lot line adjustment	28	32	28	23	28	20	22	24	38	60
Lot consolidation	11	10	11	18	8	9	6	8	10	8
Administrative variance	13	9	6	5	16	7	7	9	11	18
Home occupation	20	12	19	15	24	21	22	27	25	33
Accessory dwelling	10	7	12	5	10	8	4	*	*	*
Elder Cottage Housing Opportunity (ECHO)	3	2	1	2	0	5	3	4	5	2
Regional Planning Commission applications:										
Conditional use without site plan	5	7	4	5	10	8	9	6	16	14
Conditional use with site plan	3	8	8	9	3	8	6	16	20	27
Site plan	5	4	4	5	3	5	3	9	9	5
Subdivision	2	1	3	4	0	4	7	5	3	25
Subdivision waiver	17	14	24	17	20	18	14	9	12	10
Rezoning	2	0	2	3	1	0	1	2	0	0
Rezoning and comprehensive plan amendment	5	6	4	4	10	6	2	10	18	23
Transfer development rights	0	0	0	0	0	0	1	0	0	4
Agricultural preservation	1	3	1	1	1	2	1	1	2	0
Board of Adjustment applications	62	29	34	30	40	59	33	54	59	53
Building Permits Issued	3,602	3,290	3,138	3,266	2,952	3,025	3,134	3,448	4,461	5,079
Public Safety (2)										
9-1-1 calls	*	93,809	88,687	87,409	94,247	97,247	92,146	90,798	107,228	108,102
DSP non-emergency calls	*	93,828	95,768	92,861	95,330	95,304	101,938	107,649	112,449	112,900
Fire & EMS non-emergency calls	*	55,548	56,497	59,708	63,421	65,176	72,071	74,820	87,059	106,066
DNREC calls	*	10,762	11,505	11,976	12,524	12,945	14,074	15,974	18,248	20,312
EMS dispatches	*	27,964	24,949	23,141	23,583	22,164	21,771	21,230	20,346	19,694
Fire dispatches	*	6,298	5,898	5,770	5,897	6,273	6,124	5,754	6,120	6,005

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

Table 17 continued

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Function/Program										
Row Offices										
Clerk of the Peace										
Marriage licenses, resident	1,007	1,017	1,061	975	1,051	*	*	*	1,055	1,078
Marriage licenses, non-resident	56	54	50	48	58	*	*	*		
Certified copy	288	281	324	269	286	*	*	*	227	224
Ceremony fee	423	467	520	476	278	*	*	*	487	401
Recorder of Deeds										
Deeds recorded	4,921	4,496	4,255	4,210	4,125	3,678	3,707	3,704	4,863	6,029
Mortgages recorded	5,733	5,303	5,130	7,014	5,590	5,444	5,953	7,213	10,302	13,176
Miscellaneous documents recorded	10,714	9,962	10,897	13,529	11,418	10,337	11,312	13,697	15,591	17,481
Register of Wills										
Estates opened	440	489	469	*	*	*	*	*	*	*
Estates closed	442	495	526	*	*	*	*	*	*	*
Sheriff										
Service trips for court documents	13,753	15,043	21,242	18,072	15,001	15,292	14,958	6,903	*	*
Public Works										
Sewer customers number of bills mailed 6/15/xx	13,690	13,508	13,012	12,500	12,010	11,355	10,822	10,415	9,929	9,488
Sewer EDU's billed, without lot fees 6/15/xx	19,945.0	19,529.2	18,924.0	18,536.8	18,061.7	17,049.2	16,503.7	15,942.0	12,030.4	11,786.7
Sewer flows processed:										
Total gallons (in millions)	4,543	4,711	4,429	4,216	4,273	4,023	5,055	4,097	4,088	4,483
Contract users portion of total gallons (in millions)	3,510	3,669	3,734	3,286	3,296	3,078	3,850	3,226	3,324	3,672
Number of sewer districts	32	32	31	29	29	28	27	27	25	25
Number of street light districts	133	133	132	131	127	126	122	117	111	105
Number of households served for street lights	13,477	13,207	12,883	12,524	12,189	12,075	11,530	10,843	9,640	9,640
Number of trash collection districts	138	138	136	136	134	132	128	128	122	113
Number of households served for trash collection	13,889	13,535	13,087	12,697	12,297	12,014	11,567	11,257	11,017	10,458

Source: Kent County Departments

Notes:

- (1) Bookmobile annual visitors decreased in fiscal year 2016 because the bookmobile was off the road for approximately three months for repairs and maintenance
- (2) Public Safety data is on a calendar year basis

* Information unavailable

2016 Comprehensive Annual Financial Report for Kent County, Delaware
 Statistical Section

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

Table 18

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Function/Program										
General Government:										
Number of general government buildings	1	1	1	1	1	1	1	1	1	1
Economic Development:										
Buildings	1									
Acres of land	111	19	19	19	19	19	19	19	19	19
Community Services										
Number of parks	7	7	7	7	7	7	7	6	6	6
Acres of park land	503	503	503	503	503	503	503	449	449	449
Number of suburban parks	3	3	3	3	3	3	3	3	3	3
Number of recreation centers	1									
Number of County-owned library buildings (1)	1	1	1	1	1	1	1			
Number of County-owned bookmobiles	1	1	1	1	1	1	1	1	1	1
Public Safety										
Number of public safety buildings	2	2	2	2	2	2	2	2	2	2
Public Works										
Number of treatment plants	1	1	1	1	1	1	1	1	1	1
Number of pumping and lift stations	97	97	93	92	92	88	88	88	71	71
Miles of force-main piping	171	171	162	157	167	139	133	131	126	126
Miles of gravity piping	230	230	228	225	222	220	210	195	184	163
Acres of farm property (for bio-solid application)	877	966	966	968	968	968	976	976	841	841

Source: Kent County Finance Department

Notes:

(1) Prior to fiscal year 2010, the County-run library was located in a rented space

SINGLE AUDIT



This section includes the following:

Independent Auditor's Reports

Schedule of Expenditures of Federal Awards

Notes to Schedule of Expenditures of Federal Awards

Schedule of Findings and Recommendations

INDEPENDENT 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 14, 2016

Board of Commissioners
Kent County, Delaware
Dover, Delaware

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Kent County, Delaware ("the County"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated December 14, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting ("internal control") 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 the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses 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 the County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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
THE UNIFORM GUIDANCE

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December 14, 2016

Board of Commissioners
Kent County, Delaware
Dover, Delaware

Report on Compliance for Each Major Federal Program

We have audited Kent County, Delaware's ("the County") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended June 30, 2016. The County'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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County'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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance 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 the County'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 the County's compliance.

BARBACANE
THORNTON
& COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

Board of Commissioners
Kent County, Delaware

Opinion on Each Major Federal Program

In our opinion, the County 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, 2016.

Report on Internal Control Over Compliance

Management of the County 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 the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County'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.

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


BARBACANE, THORNTON & COMPANY LLP



**KENT COUNTY LEVY COURT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016**

FEDERAL GRANTOR/PASS-THROUGH GRANTOR OR CLUSTER TITLE	SOURCE CODE	FEDERAL CFDA NUMBER	PASS- THROUGH GRANTOR'S NUMBER	GRANT PERIOD	EXPENDITURES	PASSED THROUGH TO SUB- RECIPIENT	LOAN BALANCE
<u>U.S. Department of Agriculture</u>							
Passed through Sussex County, Delaware							
Rural Housing Preservation Grant:							
Grant HPG - 01-14	I	10.433	N/A	10/01/14-10/31/15	\$ 15,575	\$ -	\$ -
Grant HPG - 01-15	I	10.433	N/A	11/24/15-11/24/16	7,955	-	-
Subtotal #10.433					<u>23,530</u>	<u>-</u>	<u>-</u>
Water and Waste Disposal Systems for Rural Communities:							
Wastewater Treatment Plant Upgrades - Loan	D	10.760	31	N/A	1,544,671	-	4,443,552
Wastewater Treatment Plant Upgrades - Loan	D	10.760	36	N/A	2,838,000	-	2,838,000
Wastewater Treatment Plant Upgrades - Loan	D	10.760	39	N/A	2,506,036	-	2,506,036
Subtotal #10.760					<u>6,888,707</u>	<u>-</u>	<u>9,787,588</u>
Total US Department of Agriculture					<u>6,912,237</u>	<u>-</u>	<u>9,787,588</u>
<u>U.S. Department of Housing and Urban Development</u>							
Passed through the State of Delaware, Division of Community Affairs, Division of Housing and Community Development							
Community Development Block Grants/State's Program:							
Combined CDBG Grant	I	14.228	01-14	07/01/14-06/30/15	159,678	-	-
Combined CDBG Grant	I	14.228	01-15	7/01/15-06/30/16	637,240	-	-
Combined CDBG Grant Program Income	I	14.228	N/A	N/A	7,124	-	-
Neighborhood Stabilization Program (NSP) Grant	I	14.228	01-08	03/23/09-12/31/16	6,169	-	-
Neighborhood Stabilization Program (NSP) Grant Program Income	I	14.228	N/A	N/A	281,459	-	-
Subtotal #14.228					<u>1,091,670</u>	<u>-</u>	<u>-</u>
HOME Investment Partnerships Program:							
Home Program	I	14.239	HM-01-14	07/01/14-09/30/15	4,336	-	-
Home Program	I	14.239	HM-01-15	07/01/15-09/30/16	266,372	-	-
Subtotal #14.239					<u>270,708</u>	<u>-</u>	<u>-</u>
NSP Grant / Recovery Act Funded Program Income	I	14.256	N/A	N/A	3,847	-	-
Total U.S. Department of Housing and Urban Development					<u>1,366,225</u>	<u>-</u>	<u>-</u>
<u>U.S. Department of Interior</u>							
Wildlife Refuge Direct Revenue Sharing:							
FY15	D	15.659	N/A	07/01/15-06/30/16	52,012	-	-
Total U.S. Department of Interior					<u>52,012</u>	<u>-</u>	<u>-</u>

**KENT COUNTY LEVY COURT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016**

FEDERAL GRANTOR/PASS-THROUGH GRANTOR OR CLUSTER TITLE	SOURCE CODE	FEDERAL CFDA NUMBER	PASS- THROUGH GRANTOR'S NUMBER	GRANT PERIOD	EXPENDITURES	PASSED THROUGH TO SUB- RECIPIENT	LOAN BALANCE
<u>U.S. Department of Transportation</u>							
Passed through the State of Delaware, Department of Safety and Homeland Security / DE Emergency Management Agency							
<u>Hazardous Materials Emergency Preparedness Training and Planning Grants</u>							
HMEP 2015	I	20.703	N/A	10/1/14-09/30/15	800	-	-
HMEP 2016	I	20.703	N/A	10/1/15-09/30/16	4,768	-	-
Subtotal #20.703					5,568	-	-
Total U.S. Department of Transportation					5,568	-	-
<u>U.S. Environmental Protection Agency</u>							
Passed through the State of Delaware, Department of Natural Resources and Environmental Control, Division of Water Resources							
<u>Capitalization Grants for Clean Water State Revolving Funds:</u>							
Delaware Water Pollution Control Revolving Fund Loan - Murderkill	I	66.458	12000057	N/A	185,146	-	363,656
Total U.S. Environmental Protection Agency					185,146	-	363,656
<u>U.S. Department of Homeland Security</u>							
Passed through the State of Delaware, Department of Safety and Homeland Security / DE Emergency Management Agency							
Hazard Mitigation Grant Program	I	97.039	FEMA-4037-DR-DE	01/09/13-01/31/16	1,504	-	-
Emergency Management Performance Grant: FY15	I	97.042	EMPG-15-001	10/1/14-12/31/16	114,298	-	-
<u>Homeland Security Grant Program:</u>							
Tactical Combat Casualty Care	I	97.067	N/A	09/01/14-11/30/16	8,878	-	-
International School of Tactical Medicine A&B	I	97.067	N/A	09/01/14-11/30/16	6,600	-	-
Counter Narcotics and Terrorism Operational Medical Support	I	97.067	N/A	09/01/14-11/30/16	3,050	-	-
International School of Tactical Medicine	I	97.067	N/A	09/01/14-11/30/16	12,839	-	-
Subtotal #97.067					31,367	-	-
Total U.S. Department of Homeland Security					147,169	-	-
TOTAL EXPENDITURES OF FEDERAL AWARDS					\$ 8,668,357	\$ -	\$ 10,151,244

Source Code:

D = Direct Federal Funding
I = Indirect Federal Funding

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 the Uniform Guidance. 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, 2016.

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, 2016 was \$88,732.

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, 2016 was \$386,744 (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, 2016 was \$169,249 (83.33 percent federal funds; 16.67 percent state funds).

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, 2016 was \$124,484 (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, 2016 was \$34,433 (83.33 percent federal funds; 16.67 percent state funds).

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, 2016 was \$615,476.

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, 2016 was \$345,244.

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, 2016 was \$12,134,311 (83.33 percent federal funds; 16.67 percent state funds).

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, 2016 was \$2,187,834.

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, 2016 was \$103,011.

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, 2016 was \$927,807.

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 no expenditures related to it are reflected in the schedule of expenditures of federal awards. The loan balance at June 30, 2016 was \$2,809,435.

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 fully drawn down, and expenditures in the amount of \$1,544,671 are reflected in the schedule of expenditures of federal awards. The loan balance at June 30, 2016 was \$4,443,552.

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 no expenditures related to it are reflected in the schedule of expenditures of federal awards. The loan balance at June 30, 2016 was \$5,687,832.

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

During fiscal year 2013, the County was awarded \$2,838,000 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 fully drawn down, and expenditures related to it in the amount of \$2,838,000 are reflected in the schedule of expenditures of federal awards. The loan balance at June 30, 2016 was \$2,838,000.

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, 2016 was \$966,667 (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 \$185,146 are reflected in the schedule of expenditures of federal awards. The loan balance at June 30, 2016 was \$436,405 (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 no expenditures related to it are reflected in the schedule of expenditures of federal awards. The loan balance at June 30, 2016 was \$422,207 (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 no expenditures related to it are reflected in the schedule of expenditures of federal awards. The loan balance at June 30, 2016 was \$135,000 (83.33 percent federal funds; 16.67 percent state funds).

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

During fiscal year 2014, 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 related to it in the amount of \$2,506,036 are reflected in the schedule of expenditures of federal awards. The loan balance at June 30, 2016 was \$2,506,036.

NOTE 4 INDIRECT COST RATE

The County has not elected to use the 10 percent de minimis indirect cost rate allowed under Uniform Guidance. For the year ended June 30, 2016, there were no indirect costs included in the schedule of expenditures of federal awards.

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 No
- Significant deficiency(ies) identified? Yes None reported
- Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes 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 the Uniform Guidance?

Yes No

Identification of major program:

CFDA Numbers

10.760

14.228

Name of Federal Program or Cluster

Water and Waste Disposal Systems for Rural Communities

Community Development Block Grant

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

Yes No

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.