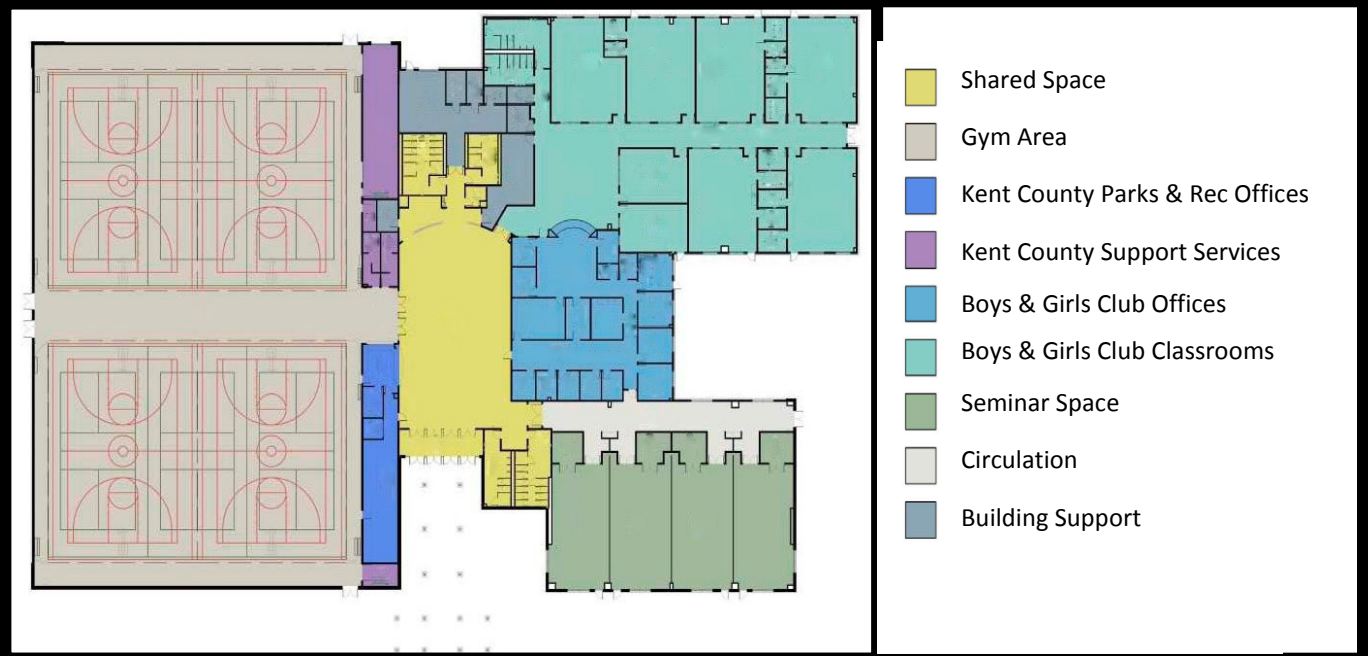


Kent County Levy Court

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2017



LEVY COURT COMMISSIONERS

Hon. P Brooks Banta
President
Hon. Terry Pepper
Vice President

Hon. Allan F. Angel
Hon. Eric L. Buckson
Hon. Bradley S. Eaby
Hon. James E. Hosfelt Jr.

Hon. Glen M. Howell
Hon. George "Jody" Sweeney
Michael J. Petit de Mange
County Administrator



Michael J. Petit de Mange, AICP
County Administrator

Kent County
Administrative Complex
555 Bay Road
Dover, Delaware 19901
(Handicapped Accessible)
(302) 744-2305
FAX: (302) 736-2279

Office of the Administrator

RECREATION: A Quality of Life Imperative

Dear Citizens:

On a sunny warm afternoon in June 2009, Kent County Levy Court acquired 53 Acres of land from the Estate of Harvey C. Kesselring with the primary goal of someday building a Community Recreation Center on this beautiful tract of land adjoining Brecknock County Park. Although this strategic land acquisition was the culmination of years of discussions with the Kesselring Family, the timing of construction of a long awaited Recreation Center remained uncertain.

Then in the Spring of 2012, Levy Court met with the Boys & Girls Clubs of Delaware to learn about a proposed Central Delaware Boys & Girls Club Facility that was being contemplated. During that historic meeting of April 3, 2012, imaginations were inspired by the possibility of a partnership centered on a shared vision for the future of recreation in Central Delaware. Several months of conceptual design and partnership exploration culminated in the signing of a formal agreement between the Boys & Girls Clubs of Delaware and Kent County Levy Court on December 21, 2012.

On Saturday, June 4, 2016, Levy Court officially dedicated and opened the new Kent County Recreation Center. The cover of this report depicts an architectural rendering of the new facility. We believe that our citizens will find great satisfaction and joy in this new Center that will host families and friends in a multitude of healthy and life enriching pursuits for generations to come. I encourage you to visit our Website and explore all that Kent County Parks & Recreation has to offer.

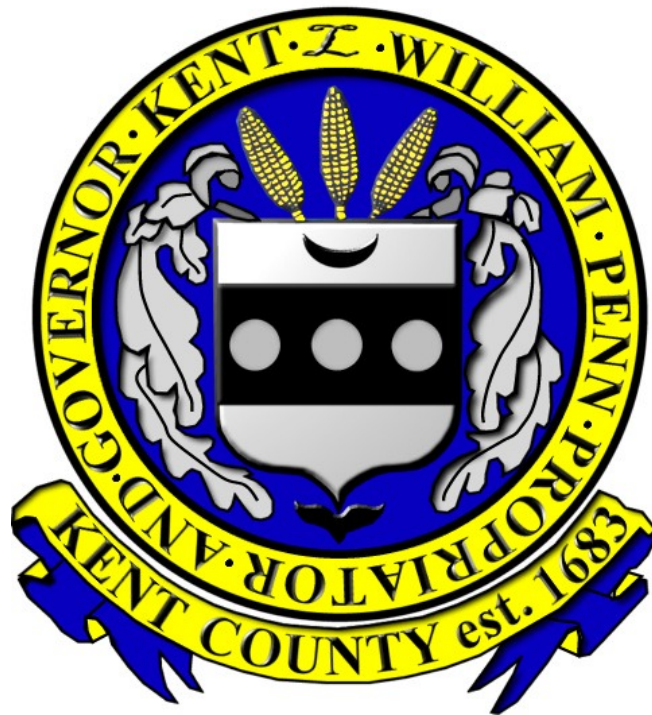
We welcome your feedback as we strive for continual improvement in the delivery of meaningful services for our Citizens. Thank you.

Sincerely,

Michael J. Petit de Mange, AICP
County Administrator

“Serving Kent County With Pride”

Kent County, Delaware
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2017



Prepared by Kent County Department of Finance

Susan L. Durham, Director

Table of Contents

INTRODUCTORY SECTION

Letter of Transmittal2
Organizational Chart.....8
List of Elected Officials.....9
County Administrator and Department Directors11

FINANCIAL SECTION

Independent Auditor’s Report.....13
Management’s Discussion and Analysis16

Basic Financial Statements

Government-wide Financial Statements:

Statement of Net Position26
Statement of Activities.....27

Fund Financial Statements:

Balance Sheet – Governmental Funds28
Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Position29
Statement of Revenues, Expenditures, and Changes in Fund Balances –
Governmental Funds30
Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balances of Governmental Funds to the Statement of
Activities31
Statement of Revenues, Expenditures, and Changes in Fund Balance –
Budget and Actual – General Fund.....32
Statement of Net Position – Proprietary Funds.....34
Statement of Revenues, Expenses, and Changes in Fund Net Position –
Proprietary Funds.....35
Statement of Cash Flows – Proprietary Funds.....36
Statement of Net Position – Fiduciary Funds38
Statement of Changes in Net Position – Fiduciary Funds39

Table of Contents - continued

Notes to the Financial Statements40

Required Supplementary Information

Schedule of Changes in Net Pension Liability, Related Ratios and
Investment Returns74
Pension Funded Status and Funding Progress75
Other Post-Employment Benefits Funded Status and Funding Progress.....77

Supplementary Information

Combining Balance Sheet – Non-Major Governmental Funds78
Combining Statement of Revenues, Expenditures and Changes in Fund
Balances – Non-Major Governmental Funds79
Combining Statement of Net Position – Non-Major Proprietary Funds.....80
Combining Statement of Revenues, Expenses, and Changes in Fund
Net Position – Non-Major Proprietary Funds81
Combining Statement of Cash Flows – Non-Major Proprietary Funds.....82
Combining Statement of Net Position – Fiduciary Funds84
Combining Statement of Changes in Net Position – Fiduciary Funds85

STATISTICAL SECTION

Statistical Section Summary87

Financial Trends:

Net Position by Component89
Changes in Net Position.....90
Fund Balances of Governmental Funds92
Changes in Fund Balances of Governmental Funds93
Tax Revenue by Source – Governmental Funds.....94

Revenue Capacity:

Assessed Value and Estimated Actual Value of Taxable Property95
Property Tax Rates – Direct and Overlapping Governments96
Principal Property Taxpayers.....97
Property Tax Levies and Collections.....98

Table of Contents - continued

Debt Capacity:

Ratios of Outstanding Debt by Type99
Ratios of General Bonded Debt Outstanding.....100
Direct and Overlapping Governmental Activities Debt.....101
Legal Debt Margin Information.....102

Demographic and Economic Information:

Demographic and Economic Statistics103
Employment by Selected Industry (Major Employers)104

Operating Information:

Full-time Equivalent Employees by Function105
Operating Indicators by Function/Program106
Capital Asset Statistics by Function/Program.....109

SINGLE AUDIT

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.....111
Independent Auditor’s Report on Compliance for Each Major Program
and on Internal Control Over Compliance Required by the
Uniform Guidance113
Schedule of Expenditures of Federal Awards.....116
Notes to Schedule of Expenditures of Federal Awards118
Schedule of Findings and Recommendations123

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 8, 2017

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, 2017. 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, 2017. 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 180,610 in the year 2017. 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 four “row” officers elected County-wide. These officers are the Clerk of the Peace, Recorder of Deeds, Register of Wills, and Sheriff. Terms of office are staggered and last four years. Prior to January 2017, an elected Comptroller served as a fifth “row” officer. During fiscal year 2017, the Comptroller’s elected position was eliminated for Kent County. 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 control.

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) agriculture. Kent County's major employers include Dover Air Force Base, State of Delaware and Bayhealth. 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 4.9% (2008) to a decade high of 9.2% (2010) and gradually decreased to a range of 5.3% to 5.9% during the last three fiscal years (2015-2017). This trend reflects the effects of the 2008-2009 recession and mirrors national and state unemployment experiences for the same periods. As of June 2017, Kent County's unemployment rate was 5.7% compared to 4.4% 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 fall to 4.2% to 4.3% in 2017.

Kent County's population has increased in each of the last ten years from 155,487 in 2008 to 180,610 as of June 30, 2017. Population growth was three percent from 2016 to 2017. The median price of a single family home in Kent County was \$200,000 in June 2017, a decrease of 5.2% from June 2016'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 3,624 building permits issued in 2017. 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 \$5.0 million in fiscal year 2017. Real estate transfer tax revenue in 2017 increased \$497,158 over 2016.

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

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. Approximately eighty-five acres of County-owned land located near the Town of Frederica was developed into 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” opened in Spring 2017 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 2017 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 2017 revenue is \$11.3 million compared to \$11.2 million in fiscal year 2016. In fiscal year 2017 the number of deeds recorded increased by 10.9% and mortgages recorded increased by 6.0% over fiscal year 2016.

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 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. The Elected Office of the Comptroller was eliminated in January 2017 and its functions transferred under 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 34.7% from approximately \$2.8 million in fiscal year 2008 to approximately \$1.8 million in fiscal year 2017.

Kent County’s Department of Public Safety 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 sixty-six in fiscal year 2008 grew to a budgeted staff of seventy-nine in fiscal year 2017. This represents a 19.7% increase in staffing. Expenditures for this department increased 44.4% over the same time period from a low just over \$6.3 million in 2008 to a high of just under \$9.2 million in 2017. While services and expenditures have grown, grant funds revenue 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 2008 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.

Kent County’s Department of Public Works added new sewer districts within the County boundaries at a steady rate with twenty five districts online and 12,030 EDU’s billed in 2008 and 32 districts online and 20,476 EDU’s billed in 2017. Budgeted staff increased from sixty five to sixty nine 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. In fiscal year 2017,

the Department of Public Works completed a \$23.5 million dollar expansion project at the Kent County Regional Resource Recovery Facility in Frederica, Delaware which increases the facility's processing capacity from 16 million to 20 million gallons per day.

Kent County completed several 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 2017, \$531,000 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 2017, the County provided matching grant funds in the amount of \$98,286 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 2017 adopted budget is \$13.5 million and this goal has been met. The County has met the retention goal every fiscal year since the policy was adopted.

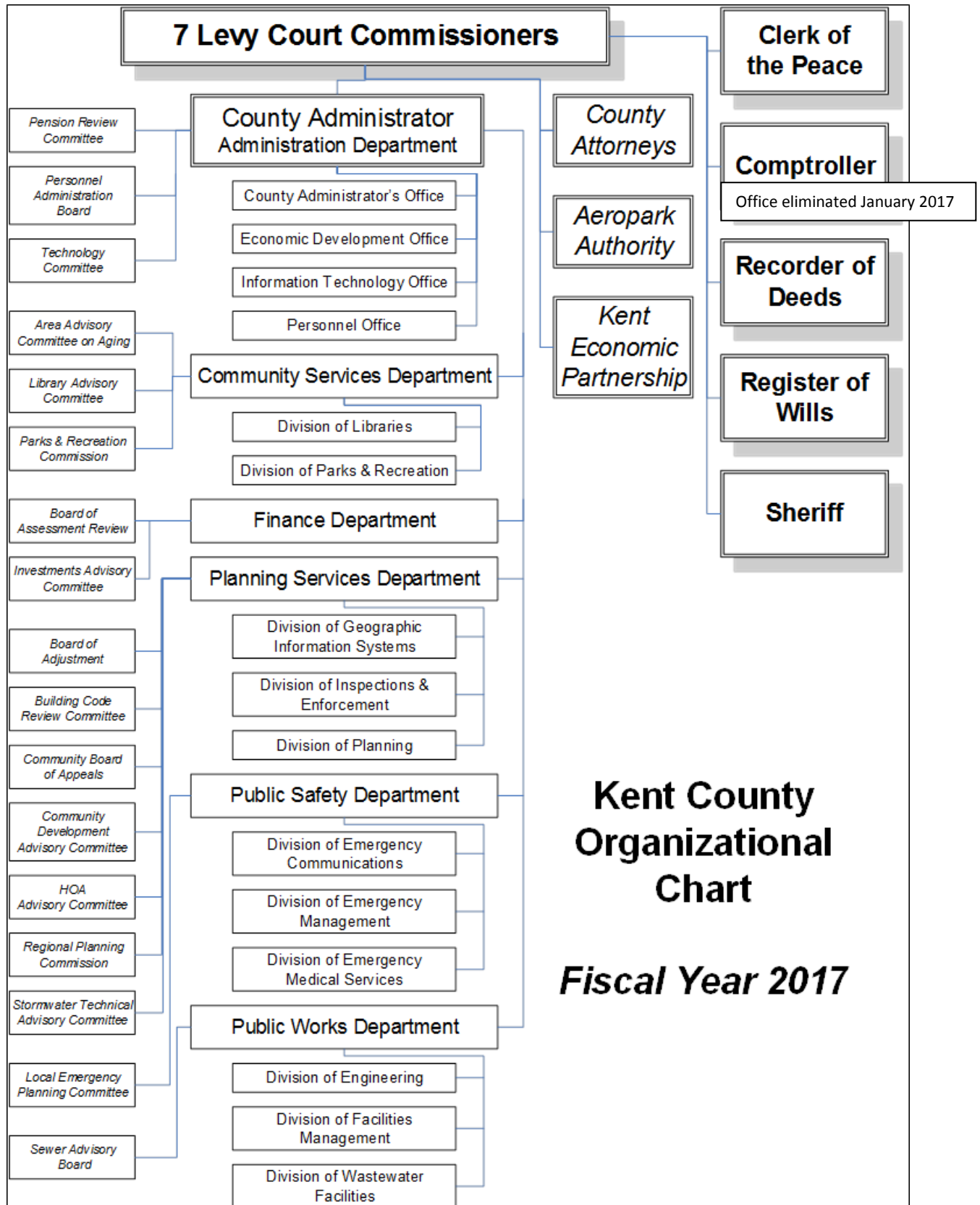
Acknowledgements

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 LEVY COURT COMMISSIONERS

Hon. P. Brooks Banta

President

1st Levy Court District



Hon. James E. Hosfelt Jr.

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

Vice-President

At Large



List of Elected Officials -Kent County Row Officers

Clerk of the Peace	Hon. Brenda A. Wootten
Comptroller	Hon. Georgette Williams (Office eliminated January 2017)
Recorder of Deeds	Hon. Betty Lou McKenna
Register of Wills	Hon. Harold K. Brode
Sheriff	Hon. 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, MBA
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

T 302.478.8940
F 302.468.4001
www.btcpa.com

December 8, 2017

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, 2017, 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, 2017, 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.

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 74; the pension funded status and funding progress on page 75; and other post-employment benefits funded status and funding progress on page 77 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 expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations 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.

Board of Commissioners
Kent County, Delaware

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 8, 2017, 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
BARBACANE, THORNTON & COMPANY LLP

KENT COUNTY, DELAWARE
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED
JUNE 30, 2017

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, 2017. 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 \$202,683,142 (net position), an increase of \$2,661,591 from the previous year.

Fund Level

- As of the close of the fiscal year, the County reported combined ending fund balances in governmental funds of \$51,683,888 an increase of \$2,502,008 from the previous year. Of the current ending fund balances, General Fund reported \$42,742,751 as unassigned, \$129,567 as nonspendable, \$414,356 as restricted, and \$3,398,061 as assigned. In the Capital Projects Fund, \$4,871,240 is reported as restricted and \$2,347 is reported as nonspendable. In the Other Governmental Funds, \$125,566 is reported as restricted.

Long-Term Debt

- At the end of the current fiscal year, the County had total bonded debt outstanding of \$56,007,975 a decrease of \$1,276,821 from the previous year. All of the bonded debt is backed by the full faith and credit of the County government. Governmental activities report \$4,072,517 and business-type activities report \$51,935,458 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 \$4,489,548.
- 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 \$17,290,370 and \$13,045,353 at June 30, 2017 and June 30, 2016 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, 2017, the County has invested \$168,197,432 net of accumulated depreciation, in a broad range of capital assets (see table below). Depreciation charges for Fiscal Year 2017 totaled \$8,726,448.

Kent County's Capital Assets as of June 30, 2017 and 2016
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 8,842,973	\$ 8,302,068	\$ 7,339,024	\$ 7,372,404	\$ 16,181,997	\$ 15,674,472
Construction in Progress	275,111	172,117	9,336,693	38,835,901	9,611,804	39,008,018
Site Improvements	6,683,296	6,946,040	157,090	236,133	6,840,386	7,182,173
Pipeline	-	-	50,922,115	44,071,339	50,922,115	44,071,339
Buildings	23,771,157	24,194,454	16,428,804	17,554,398	40,199,961	41,748,852
Equipment and Furniture	1,610,482	1,634,333	42,830,687	21,175,554	44,441,169	22,809,887
Total Capital Assets	\$ 41,183,019	\$ 41,249,012	\$ 127,014,413	\$ 129,245,729	\$ 168,197,432	\$ 170,494,741

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: Bay Road, Frederica building and land in the amount of \$617,832, Regional Sports Complex land in the amount of \$84,905, Kesselring Recreation Center buildings in the amount of \$67,160, Administrative Complex chiller compressor in the amount of \$59,789, and Public Safety carpet tile in the amount of \$54,230.
- Additions for site improvements to include: Public Safety for concrete apron for garage in the amount of \$15,870, Kesselring Recreation Center site work, entrances, and turf field in the amount of \$114,188, and Bay Road, Frederica water connection in the amount of \$5,993.
- Addition of donated equipment for Public Safety in the amount of \$17,727 for video-routing system, \$16,640 for one gator, and \$9,599 for one trailer.
- Purchase of furniture and equipment to include one emergency response Suburban vehicle for Public Safety for \$61,243, two cardiac monitors for Public Safety for \$11,899, two vehicles for the Sheriff’s office for \$37,094, three vehicles for Inspections & Enforcement for \$54,946, one vehicle and snow plow for Facilities Management for \$29,851, two servers for Information Technology for \$19,600, storage array and enclosure hardware for Information Technology for \$26,878, video-surveillance system for Public Safety for \$50,854, one tractor/loader/backhoe for Parks for \$44,828, one utility vehicle for Parks for \$24,588, one snow plow for Parks for \$5,434, one zero-turn mower for Parks for \$10,967, one scissor lift for Parks for \$15,184, furniture for the Team Room in the Kesselring Recreation Center for \$660, and antenna for Kesselring Recreation Center for \$11,118.
- Addition for software include: Library for Mango language license in the amount of \$15,200.
- Construction in Progress is comprised of the Computer Aided Mass Appraisal system project in the amount of \$270,766, and Hunn Nature Park trails in the amount of \$4,345.

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 Treatment Plant Expansion project in the amount of \$23,563,188.
- Pipeline relocation at Little Heaven totaling \$6,493,662.
- Completion of the North Dover Bypass in the amount of \$1,908,792.
- Completion of the Houston sewer extension in the amount of \$354,248.
- Completion of the Rising Sun forcemain repair totaling \$353,469.
- Purchase and installation of an odor control system at PS3 and PS4 totaling \$154,021.
- Completion of treatment plant paving in the amount of \$100,767.
- Pipeline repair at Fieldstone Village in the amount of \$96,451.
- Purchase of inverters, combiner boxes and safety switches for the solar field totaling \$101,891
- Purchase of check valves and pumps for the solid handling building in the amount of \$35,525.

- Purchase and installation of a variable frequency drive and fuses for PS14 totaling \$65,136.
- Pump repairs at PS1 and PS4 totaling \$38,904.
- Purchase and installation of Homa pumps for PS9 and LS3 with thermal and seal go switches in the amount of \$87,860.
- Purchase of 2 T2 rotary lobe pumps totaling \$55,806.
- Muffin Monster repairs at PS12C in the amount of \$7,890.
- Purchase of a Hydromatic pump for PS24A costing \$13,438.
- Purchase of 2 generators for PS19A and PS23 totaling \$31,817.
- Purchase and installation of a double disc gate valve for PS3 in the amount of \$29,967.
- Repair of wetwell at PS19 totaling \$21,827.
- Replaced manhole at DAFB in the amount of \$13,550.
- Installation of a concrete pad at PS21E in the amount of \$7,211.
- Repair of 2 portable pumps (E20 and E64) in the amount of \$16,621.
- Repair to the blower motor for the aeration basin totaling \$26,475.
- Repair of pump at RPS 2 in the amount of \$11,581.
- Purchase and installation of a Wilo Mixer at the digesters in the amount of \$11,062.
- Replacement of the Plant Filtrate Pit pump totaling \$13,052.
- Installation of stainless steel to the influent channel walls in the amount of \$23,551.
- Purchase of fiberglass weir plates for the clarifiers in the amount of \$13,000.
- Purchase and installation of a bar rake cabinet totaling \$11,603.
- Overhaul of Cyclo Blower #1 costing \$9,923.
- Purchase of a 2017 VanCon Combo Jet/Vacuum Sewer Cleaner in the amount of \$368,711.
- Purchase of a 2016 and 2017 Dodge Ram Promaster vans totaling \$49,830.
- Purchase of a 2017 Ford F350 Pickup in the amount of \$38,525.
- Purchase of a 2017 Chevy 2500 Express Cargo Van in the amount of \$26,175.
- Purchase of an electric valve wrench in the amount of \$8,750.
- Purchase of 2 refrigerated samplers costing \$5,581 each.
- Donated assets include PS32 Village of Nobles Pond, PS34 Southfield and PS34A Breeders Crown totaling \$1,033,311.
- Construction in Progress is comprised of the septage receiving project at Dover Products, upgrades to the Scada system and the US13 Forcemain rehabilitation. Also included in construction in progress is the TMDL compliance project and at the Treatment Plant the aeration basins, spray irrigation, and blower system upgrades. Sewer extensions for Hilltop, Milford Neck, Paris Villa, London Village 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 County. 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, 2017 and 2016

	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Current and Other Assets	\$ 68,563,554	\$ 68,617,427	\$ 60,762,669	\$ 57,902,404	\$ 129,326,223	\$ 126,519,831
Capital Assets	41,183,019	41,249,012	127,014,413	129,245,729	168,197,432	170,494,741
Total Assets	109,746,573	109,866,439	187,777,082	187,148,133	297,523,655	297,014,572
Total Deferred Outflows of Resources	7,151,673	5,722,421	2,081,258	1,671,293	9,232,931	7,393,714
Long-Term Liabilities	22,953,110	20,131,365	54,331,035	54,497,772	77,284,145	74,629,137
Other Liabilities	4,057,187	6,815,234	10,384,715	10,916,388	14,441,902	17,731,622
Total Liabilities	27,010,297	26,946,599	64,715,750	65,414,160	91,726,047	92,360,759
Total Deferred Inflows of Resources	12,217,173	11,997,633	130,224	28,343	12,347,397	12,025,976
Net Position:						
Net Investment in Capital Assets	32,299,538	31,840,271	76,060,519	75,749,481	108,360,057	107,589,752
Restricted	5,411,163	6,221,445	33,217,050	30,453,228	38,628,213	36,674,673
Unrestricted	39,960,075	38,582,912	15,734,797	17,174,214	55,694,872	55,757,126
Total Net Position	\$ 77,670,776	\$ 76,644,628	\$ 125,012,366	\$ 123,376,923	\$ 202,683,142	\$ 200,021,551

The largest components of the County’s current and other assets of \$129,326,223 are cash and investments totaling \$105,090,595 of which \$34,673,146 is reported as restricted assets in the Sewer Fund. Of the total long-term liabilities of \$77,284,145, bonds payable net of deferred charges accounts for \$54,203,117 and note payable accounts for \$4,181,309. Accounts payables totaling \$2,723,016, and unearned revenue totaling \$5,969,234 are the largest components in other liabilities of \$14,441,902. Total deferred inflows of resources are \$12,347,397 which primarily consists of unavailable property tax revenue totaling \$12,217,173.

Kent County's Changes in Net Position

	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
REVENUES						
Program Revenues:						
Charges for Services	\$ 8,923,477	\$ 8,252,741	\$ 21,456,415	\$ 21,387,511	\$ 30,379,892	\$ 29,640,252
Operating Grants and Contributions	3,205,518	2,967,151	-	-	3,205,518	2,967,151
Capital Grants and Contributions	42,602	164,259	4,866,348	11,917,096	4,908,950	12,081,355
General Revenues:						
Property Taxes	11,310,977	11,141,185	-	-	11,310,977	11,141,185
Real Estate Transfer Tax	4,990,351	4,493,193	-	-	4,990,351	4,493,193
Residential Telephone Surcharge	270,015	270,015	-	-	270,015	270,015
Investment Earnings	356,483	189,852	288,692	137,182	645,175	327,034
Other Revenue and Gains (Losses)	606,596	490,278	(176,556)	17,579	430,040	507,857
Interfund Transfers	127,437	-	(127,437)	-	-	-
Total Revenues	29,833,456	27,968,674	26,307,462	33,459,368	56,140,918	61,428,042
EXPENSES						
General Government	3,598,230	3,470,183	-	-	3,598,230	3,470,183
Special Grants/Programs	2,029,897	2,029,654	-	-	2,029,897	2,029,654
Community Services	4,689,550	3,803,046	-	-	4,689,550	3,803,046
Planning Services	5,825,458	5,748,165	-	-	5,825,458	5,748,165
Public Safety	10,162,928	9,073,597	-	-	10,162,928	9,073,597
Row Offices	1,926,973	1,896,476	-	-	1,926,973	1,896,476
Economic Development	358,382	1,555,085	-	-	358,382	1,555,085
Debt Service	215,890	185,646	-	-	215,890	185,646
Sewer	-	-	19,963,041	18,231,919	19,963,041	18,231,919
Street Light	-	-	963,961	934,377	963,961	934,377
Trash	-	-	3,727,545	3,276,419	3,727,545	3,276,419
Landfill	-	-	10,680	9,804	10,680	9,804
Storm Water Maintenance	-	-	6,792	3,201	6,792	3,201
Total Expenses	28,807,308	27,761,852	24,672,019	22,455,720	53,479,327	50,217,572
Increase in Net Position	\$ 1,026,148	\$ 206,822	\$ 1,635,443	\$ 11,003,648	\$ 2,661,591	\$ 11,210,470

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 \$2,661,591 over the course of this fiscal year’s operations. The change in the governmental activities net position increased \$1,026,148. This increase in net position was 396.15% higher than the increase in net position in Fiscal Year 2016. The increase in net position in Fiscal Year 2017 was higher than the increase in net position in Fiscal Year 2016 as a result of the following: Expenditures were 3.77% higher in Fiscal Year 2017 as compared to Fiscal Year 2016. There was a 6.67% increase in Fiscal Year 2017 total revenue as compared to Fiscal Year 2016 total revenue. Real estate transfer tax was up 11.06% from Fiscal Year 2016 and deeds fees were up 6.79% from the prior fiscal year. The sheriff fees increased by 33.24% in Fiscal Year 2017 as compared to Fiscal Year 2016.

The net position of the County’s business-type activities increased by \$1,635,443. This increase in net position was 85.14% lower than the increase in net position in Fiscal Year 2016. The decrease in net position of \$9,368,205 between Fiscal Year 2017 and Fiscal year 2016 was primarily a result of a 21.37% decrease in revenue in Fiscal year 2017 as compared to Fiscal Year 2016 combined with an increase of expenses of 9.87% in Fiscal Year 2017 as compared to Fiscal Year 2016. The decrease in revenue in Fiscal Year 2017 was primarily due to reimbursement of approximately \$58,000 from the State of Delaware for the relocation of a sewer line in Fiscal Year 2017 as compared to the reimbursement of approximately \$6,068,500 from the State of Delaware for the relocation of a sewer line in Fiscal Year 2016.

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 \$46,684,735 of which \$42,742,751 was unassigned, \$129,567 was nonspendable, \$3,398,061 was assigned, and \$414,356 was restricted of which \$297,869 was for library tax, \$85,146 was for grants, \$29,718 was for recreational areas and \$1,623 was for APFO EMS.

Overall revenue increased \$1,985,969 from Fiscal Year 2016 to Fiscal Year 2017. Property tax revenue increased \$115,380 in Fiscal Year 2017 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 \$497,158 which is a continued indicator of growth. Fees for services increased \$878,706 primarily as a result of the increases in Recorder of Deeds Fees and Sheriff's Fees. Grant revenue increased \$328,814 as a result of a decrease in the amount of revenue received from the Library Standards grant and increases in the Local Emergency Preparedness (LEPC) grant and the Paramedic grant. Interest and dividends increased \$156,777. Other revenue increased \$11,142 over Fiscal Year 2016.

General Fund expenditures increased \$1,756,310 (8.06%) in Fiscal Year 2017 when compared to Fiscal Year 2016. Community Services and Public Safety had expenditure increases of \$540,314 and \$845,809 respectively. Community Services expenditures increased mainly due to the opening of a new recreation facility during Fiscal Year 2017. Public Safety expenses mainly increased due to the creation of a Southeast Medic Unit which had a whole year of expenses in Fiscal Year 2017 as compared to a partial year in Fiscal Year 2016.

General Fund – Comparison to Budget. Overall revenue collections were higher than the final budget by 13.64%. Property taxes exceeded the final budget by \$179,774 or 1.62%. Real estate transfer tax came in over the final budget by \$840,351 or 20.25%. Grants came in over the final budget by \$245,824 or 12.68%. Fees for services exceeded the final budget by \$1,900,374 or 27.23%. Interest and dividends were over the final budget by \$203,854 or 177.26%. Other revenue was over the final budget by \$22,346 or 7.77%.

Overall, operating expenditures were under budget by 11.62% primarily due to strict cost controls imposed on County wide spending. Community Services were under the final budget by 13.24%. General Government was 6.58% under the final budget; Special Grants and Programs were 16.48% under the final budget but their balances will be carried over into the next fiscal year; Planning Services were 8.35% under the final budget; Public Safety and Row Offices were 4.90% and 4.55% under final budget respectively.

Kent County's General Fund Budget to Actual Comparison

	<u>Original Budget</u>	<u>Final Budget</u>	<u>2017 Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
REVENUES				
Property Taxes	\$ 11,105,400	\$ 11,105,400	\$ 11,285,174	\$ 179,774
Real Estate Transfer Tax	4,150,000	4,150,000	4,990,351	840,351
Telephone Surcharge	270,000	270,000	270,015	15
Grants	1,806,100	1,938,447	2,184,271	245,824
Fees for Services	6,979,200	6,979,200	8,879,574	1,900,374
Interest and Dividends	115,000	115,000	318,854	203,854
Rental Income	23,200	23,200	23,206	6
Other Revenues	286,000	287,600	309,946	22,346
Total Revenues	<u>24,734,900</u>	<u>24,868,847</u>	<u>28,261,391</u>	<u>3,392,544</u>
EXPENDITURES				
General Government	2,556,000	2,451,621	2,290,248	161,373
Special Grants and Programs	2,013,800	2,430,567	2,029,897	400,670
Community Services	4,090,900	4,374,754	3,795,600	579,154
Planning Services	4,089,300	4,179,854	3,830,990	348,864
Public Safety	9,431,600	9,543,227	9,075,147	468,080
Row Offices	1,858,600	1,858,600	1,774,018	84,582
Contingency	1,000,000	1,053,417	-	1,053,417
Debt Service				
Principal	209,800	507,561	507,516	45
Interest	532,900	235,139	235,138	1
Total Expenditures	<u>25,782,900</u>	<u>26,634,740</u>	<u>23,538,554</u>	<u>3,096,186</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,048,000)</u>	<u>(1,765,893)</u>	<u>4,722,837</u>	<u>6,488,730</u>
OTHER FINANCING USES				
Transfers out	(1,342,300)	(1,417,028)	(1,395,374)	21,654
Total Other Financing Uses	<u>(1,342,300)</u>	<u>(1,417,028)</u>	<u>(1,395,374)</u>	<u>21,654</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>\$ (2,390,300)</u>	<u>\$ (3,182,921)</u>	<u>\$ 3,327,463</u>	<u>\$ 6,510,384</u>

Capital Projects Fund. The revenue for this fund decreased \$113,532 from Fiscal Year 2016 to Fiscal Year 2017. This 59.09% decrease in revenue was a net result of a decrease in grant revenue of \$121,657 in Fiscal Year 2017 over Fiscal Year 2016, an increase in interest income from \$27,379 in Fiscal Year 2016 to \$36,004 in Fiscal Year 2017 and a decrease in other revenue of \$500 from Fiscal Year 2016 to Fiscal Year 2017. Overall the expenditures decreased by \$9,179,593 from Fiscal Year 2016 to Fiscal Year 2017. Some of the largest expenditures during Fiscal Year 2017 were \$617,832 for the Bay Road, Frederica building and land and \$114,188 for the Kesselring Recreation Center site work, entrances, and turf field. Capital outlay was \$9,036,367 in Fiscal Year 2016 as opposed to \$1,077,147 in Fiscal Year 2017, a decrease of \$7,959,220.

Community Development Block Grant. Total revenue for this fund in Fiscal Year 2017 was \$1,240,260 a decrease of \$160,333 from Fiscal Year 2016 primarily due to a decrease in grant funding. The expenditures were \$1,604,006 a decrease of \$133,035 from Fiscal Year 2016.

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 approximately \$25,000. Aeropark expenditures remain steady because there are no major projects moving forward.

Proprietary Funds

Sewer Fund. This fund experienced an operating loss of \$1,931,282 as compared to an operating loss of \$154,427 in Fiscal Year 2016. Operating revenue was \$100,615 lower in Fiscal Year 2017 than in Fiscal Year 2016. User fee revenue was \$191,910 lower in Fiscal Year 2017. This was a net result of growth in district user revenue of \$202,436 and contract user revenue being \$519,126 lower in Fiscal Year 2017 than Fiscal Year 2016, and increases in hauler revenue and leachate revenue of \$122,129 and \$2,895 respectively. The user fee uniform rates remained the same for Fiscal Year 2016 as Fiscal Year 2015. Sewer permits and other revenue were \$91,295 higher in FY 2017 as compared to Fiscal Year 2016. Operating expenses were \$1,676,240 higher in Fiscal Year 2017 than Fiscal Year 2016. This increase in operating expenses is primarily attributed to the net result between an increase of \$721,101 in salaries and benefits, an increase of \$835,409 in depreciation expense, a decrease of \$271,063 in maintenance, parts, and supplies, an increase of \$177,365 in contractual services, an increase of \$61,603 in utilities, and an increase of \$82,736 in miscellaneous expenses.

Trash Fund. The Trash Fund, another major enterprise fund, has the primary function of trash collection. This fund experienced an operating loss of \$228,645 in Fiscal Year 2017 as compared to an operating gain of \$141,849 in Fiscal Year 2016. Revenues increased by \$80,632 from Fiscal Year 2016 to Fiscal Year 2017. During Fiscal Year 2017 there were 14,314 trash customers of which 76.56% had yard waste pickup. Another reason for the increase in revenue in Fiscal Year 2017 is directly related to the growth in the number of customers in the Trash Fund. Expenses increased by \$451,126 from Fiscal Year 2016 to Fiscal Year 2017 primarily due to contractual services increasing \$404,358 in Fiscal Year 2017 over Fiscal Year 2016.

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 \$397 in Fiscal Year 2017. 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 2017, the Storm Water Management Fund had operating revenue of \$67,160 and operating expenses of \$6,792 which resulted in an operating income of \$60,368. The Street Light Fund had an operating gain of \$7,673 in Fiscal Year 2017. Revenues were more in Fiscal Year 2017 than Fiscal Year 2016 as a result an increase in the billing rate and a slight increase in the number of customers. Expenses in Fiscal Year 2017 were \$49,808 higher than Fiscal Year 2016. In Fiscal Year 2017, utility expenses were \$26,648 greater than in Fiscal Year 2016.

Internal Service Fund. The internal service fund - Medical Trust Fund – had an operating loss of \$30,286 in Fiscal Year 2017 as compared to an operating loss of \$343,335 in Fiscal Year 2016. The operating loss is a result of employer contributions increasing \$1,078,630 in Fiscal Year 2017 compared to Fiscal Year 2016 while Medical insurance premiums and claims increased \$832,693 in Fiscal Year 2017 compared to Fiscal Year 2016.

General Fund Budgetary Highlights

The County adopted its Fiscal Year 2017 budget on April 26, 2016, 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 \$24,868,847 of revenues; \$26,634,740 of expenditures and \$1,417,028 of other financing uses. The actual results were revenues \$3,392,544 above budget and expenditures \$3,096,186 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 2017 was 5.7% which was 0.4% higher than the unemployment rate in June 2016 which was 5.3%. Per capita income has leveled out.

During Fiscal Year 2017, the County continued to see some growth in the housing market and the interest rates increased slightly. The General Fund costs were held tight. Revenue was \$1,985,969 higher in Fiscal Year 2017 than Fiscal Year 2016 which was a direct result of an increase in realty transfer tax, recorder of deeds fees, and sheriff fees. During Fiscal Year 2017 the County expenditures were \$1,756,310 higher than Fiscal Year 2016 and this was primarily related the addition of paramedic staff and increases in the pension contribution and medical expenses.

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. 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, 2017

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS			
Current Assets			
Cash and Investments	\$ 53,778,027	\$ 16,639,422	\$ 70,417,449
Receivables	13,202,658	8,463,765	21,666,423
Internal Balances	56,382	(56,382)	-
Due from Other Governments	1,372,596	885,226	2,257,822
Inventory	27,617	125,090	152,707
Prepaid Expenses and Other Assets	126,274	32,394	158,668
Non - Current Assets			
Restricted Assets:			
Cash and Investments	-	34,673,146	34,673,146
Receivables	-	8	8
Capital Assets, Net			
Land	8,842,973	7,339,024	16,181,997
Construction in Progress	275,111	9,336,693	9,611,804
Land and Site Improvements	6,683,296	157,090	6,840,386
Pipeline	-	50,922,115	50,922,115
Buildings	23,771,157	16,428,804	40,199,961
Equipment and Furniture	1,610,482	42,830,687	44,441,169
Total Assets	109,746,573	187,777,082	297,523,655
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Items Related to Pension	7,128,931	2,050,345	9,179,276
Deferred Charges on Refunding	22,742	30,913	53,655
Total Deferred Outflows of Resources	7,151,673	2,081,258	9,232,931
LIABILITIES			
Current Liabilities			
Accounts Payable	765,736	1,957,280	2,723,016
Accrued Expenses	312,165	324,232	636,397
Due to Other Governments	1,991,878	5,962	1,997,840
Retainage Payable	-	61,360	61,360
Other Liabilities	14,454	1,369	15,823
Compensated Absences	50,107	17,699	67,806
Bonds Payable, Net	256,125	2,406,061	2,662,186
Note Payable	308,239	-	308,239
Unearned Revenue	358,483	5,610,751	5,969,234
Long Term Liabilities			
Net Pension Liability	13,408,680	3,881,690	17,290,370
Compensated Absences	1,202,571	406,778	1,609,349
Bonds Payable, Net	4,160,550	50,042,568	54,203,118
Note Payable	4,181,309	-	4,181,309
Total Liabilities	27,010,297	64,715,750	91,726,047
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Property Taxes	12,217,173	-	12,217,173
Unavailable Revenue - Other	-	129,284	129,284
Deferred Charges on Refunding	-	940	940
Total Deferred Inflows of Resources	12,217,173	130,224	12,347,397
NET POSITION			
Net Investment in Capital Assets	32,299,538	76,060,519	108,360,057
Restricted for:			
Capital Projects	4,996,807	-	4,996,807
Recreation Areas	29,718	-	29,718
APFO-EMS	1,623	-	1,623
Library Tax	297,869	-	297,869
Rodent Grant	9,861	-	9,861
LEPC Grant	2,570	-	2,570
Library Standards Grant	72,715	-	72,715
Capital Projects - Equipment Replacement	-	317,873	317,873
Capital Projects - Expansion Sewer Facilities	-	32,899,177	32,899,177
Unrestricted	39,960,075	15,734,797	55,694,872
Total Net Position	\$ 77,670,776	\$ 125,012,366	\$ 202,683,142

KENT COUNTY, DELAWARE

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Grants and Contributions		Primary Government		
			Operating	Capital	Governmental Activities	BusinessType Activities	Total
Primary Government:							
Governmental Activities:							
General Government	\$ 3,598,230	\$ 138,060	\$ -	\$ -	\$ (3,460,170)	\$ -	\$ (3,460,170)
Special Grants/Programs	2,029,897	-	-	-	(2,029,897)	-	(2,029,897)
Community Services	4,689,550	398,375	174,980	-	(4,116,195)	-	(4,116,195)
Planning Services	5,825,458	1,483,054	1,131,247	-	(3,211,157)	-	(3,211,157)
Public Safety	10,162,928	158,434	1,899,291	30,102	(8,075,101)	-	(8,075,101)
Row Offices	1,926,973	6,722,664	-	-	4,795,691	-	4,795,691
Economic Development	358,382	22,890	-	12,500	(322,992)	-	(322,992)
Interest on Long-Term Debt	215,890	-	-	-	(215,890)	-	(215,890)
Total Governmental Activities	28,807,308	8,923,477	3,205,518	42,602	(16,635,711)	-	(16,635,711)
Business-Type Activities:							
Sewer	19,963,041	16,916,517	-	4,866,348	-	1,819,824	1,819,824
Street Light	963,961	971,634	-	-	-	7,673	7,673
Trash	3,727,545	3,498,900	-	-	-	(228,645)	(228,645)
Landfill (Note J)	10,680	2,204	-	-	-	(8,476)	(8,476)
Storm Water Maintenance	6,792	67,160	-	-	-	60,368	60,368
Total Business-Type Activities	24,672,019	21,456,415	-	4,866,348	-	1,650,744	1,650,744
Total Primary Government	\$ 53,479,327	\$ 30,379,892	\$ 3,205,518	\$ 4,908,950	(16,635,711)	1,650,744	(14,984,967)
General Revenues:							
Taxes:							
Property Taxes					11,310,977	-	11,310,977
Real Estate Transfer Tax					4,990,351	-	4,990,351
Residential Telephone Surcharge					270,015	-	270,015
Investment Earnings					356,483	288,692	645,175
Other Revenues including Capital Asset Sales Gains/(Losses)					606,596	(176,556)	430,040
Interfund Transfers					127,437	(127,437)	-
					17,661,859	(15,301)	17,646,558
					Changes in Net Position	1,635,443	2,661,591
Net Position At Beginning Of Year					76,644,628	123,376,923	200,021,551
Net Position At End Of Year					\$ 77,670,776	\$ 125,012,366	\$ 202,683,142

KENT COUNTY, DELAWARE

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017

	General Fund	Capital Projects Fund	Community Development Block Grant	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and Investments	\$ 47,331,405	\$ 5,658,442	\$ 372,389	\$ 164,983	\$ 53,527,219
Receivables					
Accounts	93,879	85,070	21,977	-	200,926
Taxes	13,000,087	-	-	-	13,000,087
Due From Other Funds	1,259,186	91,225	-	-	1,350,411
Due from Other Governments	917,249	35,214	418,340	1,792	1,372,595
Inventory	25,270	2,347	-	-	27,617
Prepaid Expenditures and Other Assets	104,297	-	21,977	-	126,274
Total Assets	\$ 62,731,373	\$ 5,872,298	\$ 834,683	\$ 166,775	\$ 69,605,129
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts Payable	\$ 286,009	\$ 441,984	\$ 234	\$ -	\$ 728,227
Accrued Expenses	258,054	-	6,472	-	264,526
Due to Other Funds	496,112	556,727	531,841	29,431	1,614,111
Due to Other Governments	1,969,901	-	21,977	-	1,991,878
Unearned Revenue	65,800	-	274,159	11,778	351,737
Other Liabilities	14,454	-	-	-	14,454
Total Liabilities	3,090,330	998,711	834,683	41,209	4,964,933
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue - Property Taxes	12,956,308	-	-	-	12,956,308
Total Deferred Inflows of Resources	12,956,308	-	-	-	12,956,308
Fund Balances:					
Nonspendable:					
Inventory	25,270	2,347	-	-	27,617
Prepaid Expenditures	104,297	-	21,977	-	126,274
Restricted:					
Capital Projects Funds	-	4,871,240	-	125,566	4,996,806
Recreational Areas	29,718	-	-	-	29,718
APFO-EMS	1,623	-	-	-	1,623
Library Tax	297,869	-	-	-	297,869
Rodent Grant	9,861	-	-	-	9,861
LEPC Grant	2,570	-	-	-	2,570
Library Standards Grant	72,715	-	-	-	72,715
Assigned:					
Encumbrances	403,042	-	-	-	403,042
Operating Needs	1,316,700	-	-	-	1,316,700
Legal Contingency	950,000	-	-	-	950,000
Special Grants and Programs	400,643	-	-	-	400,643
Library	155,000	-	-	-	155,000
Deeds Maintenance Fees	47,393	-	-	-	47,393
Sheriff Auctioneer Fees	60,000	-	-	-	60,000
Local Government Fees	60,000	-	-	-	60,000
Donations	5,283	-	-	-	5,283
Unassigned	42,742,751	-	(21,977)	-	42,720,774
Total Fund Balances	46,684,735	4,873,587	-	125,566	51,683,888
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 62,731,373	\$ 5,872,298	\$ 834,683	\$ 166,775	\$ 69,605,129

KENT COUNTY, DELAWARE

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2017**

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

Total Fund Balances for Governmental Funds		\$ 51,683,888
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.		41,183,019
Other assets that are applicable to a future reporting period and, therefore are reported as deferred outflows of resources		
Deferred Items Related to Pension	\$ 7,128,931	
Deferred Charges on Refunding	<u>22,742</u>	7,151,673
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.		528,281
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>\$ 739,135</u>	739,135
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	\$ (13,408,680)	
Notes Payable	(4,489,548)	
Compensated Absences	(1,252,678)	
Accrued Interest on Long Term Debt	(47,639)	
Bonds Payable, Net of Bond Discounts	<u>(4,416,675)</u>	<u>(23,615,220)</u>
Total Net Position of Governmental Activities		<u><u>\$ 77,670,776</u></u>

KENT COUNTY, DELAWARE

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2017

	General Fund	Capital Projects Fund	Community Development Block Grant	Other Governmental Funds	Total Governmental Funds
REVENUES					
Property Taxes	\$ 11,285,174	\$ -	\$ -	\$ -	\$ 11,285,174
Real Estate Transfer Tax	4,990,351	-	-	-	4,990,351
Residential Telephone Surcharge	270,015	-	-	-	270,015
Grants	2,184,271	42,602	1,002,409	18,838	3,248,120
Fees For Services	8,879,574	-	-	-	8,879,574
Interest and Dividends	318,854	36,004	-	704	355,562
Rental Income	23,206	-	-	-	23,206
Other Revenues	309,946	-	237,851	24,850	572,647
Total Revenues	<u>28,261,391</u>	<u>78,606</u>	<u>1,240,260</u>	<u>44,392</u>	<u>29,624,649</u>
EXPENDITURES					
Current:					
General Government	2,290,248	328,847	-	-	2,619,095
Special Grants and Programs	2,029,897	-	-	-	2,029,897
Community Services	3,795,600	124,345	-	-	3,919,945
Planning Services	3,830,990	75,782	1,604,006	20,798	5,531,576
Public Safety	9,075,147	84,470	-	-	9,159,617
Row Offices	1,774,018	37,747	-	-	1,811,765
Economic Development	-	357,252	-	1,130	358,382
Debt Service:					
Principal	507,516	-	-	-	507,516
Interest and Fiscal Charges	235,138	-	-	-	235,138
Capital Outlay	-	1,077,147	-	-	1,077,147
Total Expenditures	<u>23,538,554</u>	<u>2,085,590</u>	<u>1,604,006</u>	<u>21,928</u>	<u>27,250,078</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>4,722,837</u>	<u>(2,006,984)</u>	<u>(363,746)</u>	<u>22,464</u>	<u>2,374,571</u>
OTHER FINANCING SOURCES (USES)					
Transfers In	-	1,159,065	363,746	-	1,522,811
Transfers Out	(1,395,374)	-	-	-	(1,395,374)
Total Other Financing Sources (Uses)	<u>(1,395,374)</u>	<u>1,159,065</u>	<u>363,746</u>	<u>-</u>	<u>127,437</u>
Net Change in Fund Balances	3,327,463	(847,919)	-	22,464	2,502,008
Fund Balances At Beginning of Year	<u>43,357,272</u>	<u>5,721,506</u>	<u>-</u>	<u>103,102</u>	<u>49,181,880</u>
Fund Balances At End Of Year	<u>\$ 46,684,735</u>	<u>\$ 4,873,587</u>	<u>\$ -</u>	<u>\$ 125,566</u>	<u>\$ 51,683,888</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, 2017**

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

Net Change In Fund Balances - Total Governmental Funds **\$ 2,502,008**

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, 2017.

Capital Outlays	\$ 1,587,271	
Depreciation	<u>(1,653,244)</u>	(65,973)

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. (1,859,213)

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. (20)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. The following are the net changes in these non-current resources.

Property Taxes	<u>\$ 25,803</u>	25,803
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The repayment of principal is an expenditure in the governmental funds, but is a reduction to the liability in the Statement of Net Position.

Principal - Bonds and Notes Payable	\$ 507,516	507,516
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Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. The following are the impact of the net changes in balances.

Compensated Absences	\$ (73,856)	
Accrued interest on long-term debt	<u>1,504</u>	(72,352)

Deferred charges related to bonds is an expenditure in the governmental funds, but are assets and liabilities in the Statement of Net Position and amortized over the life of the bond. Only the current year expenditure per the amortization schedules is recognized as an expense in the Statement of Activities.

Deferred Charges - Bond Premium	\$ 21,288	
Deferred Charges - Loss On Refunding	<u>(3,544)</u>	17,744

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. (29,365)

Change In Net Position of Governmental Activities **\$ 1,026,148**

KENT COUNTY, DELAWARE

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED
JUNE 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Property Taxes	\$ 11,105,400	\$ 11,105,400	\$ 11,285,174	\$ 179,774
Real Estate Transfer Tax	4,150,000	4,150,000	4,990,351	840,351
Residential Telephone Surcharge	270,000	270,000	270,015	15
Grants	1,806,100	1,938,447	2,184,271	245,824
Fees For Services	6,979,200	6,979,200	8,879,574	1,900,374
Interest and Dividends	115,000	115,000	318,854	203,854
Rental Income	23,200	23,200	23,206	6
Other Revenues	286,000	287,600	309,946	22,346
Total Revenues	<u>24,734,900</u>	<u>24,868,847</u>	<u>28,261,391</u>	<u>3,392,544</u>
EXPENDITURES				
Current:				
General Government	2,556,000	2,451,621	2,290,248	161,373
Special Grants and Programs	2,013,800	2,430,567	2,029,897	400,670
Community Services	4,090,900	4,374,754	3,795,600	579,154
Planning Services	4,089,300	4,179,854	3,830,990	348,864
Public Safety	9,431,600	9,543,227	9,075,147	468,080
Row Offices	1,858,600	1,858,600	1,774,018	84,582
Contingency	1,000,000	1,053,417	-	1,053,417
Debt Service:				
Principal	209,800	507,561	507,516	45
Interest	532,900	235,139	235,138	1
Total Expenditures	<u>25,782,900</u>	<u>26,634,740</u>	<u>23,538,554</u>	<u>3,096,186</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,048,000)</u>	<u>(1,765,893)</u>	<u>4,722,837</u>	<u>6,488,730</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(1,342,300)	(1,417,028)	(1,395,374)	21,654
Total Other Financing Sources (Uses)	<u>(1,342,300)</u>	<u>(1,417,028)</u>	<u>(1,395,374)</u>	<u>21,654</u>
Net Change in Fund Balance	<u>\$ (2,390,300)</u>	<u>\$ (3,182,921)</u>	<u>3,327,463</u>	<u>\$ 6,510,384</u>
Fund Balance at Beginning of Year			<u>43,357,272</u>	
Fund Balance at End of Year			<u>\$ 46,684,735</u>	



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KENT COUNTY, DELAWARE

STATEMENT OF NET
POSITION
PROPRIETARY FUNDS
JUNE 30, 2017

	Business-Type Activities - Enterprise Funds				Governmental Activities -
	Sewer Fund	Trash Collection	Other Enterprise Funds	Total	Internal Service Fund
ASSETS					
Current Assets:					
Cash and Investments	\$ 13,391,795	\$ 1,762,366	\$ 1,485,261	\$ 16,639,422	\$ 250,807
Receivables					
Accounts	135,964	-	-	135,964	1,645
Fees and Services	2,746,748	4,479,111	1,101,942	8,327,801	-
Due from Other Funds	590,259	-	84,477	674,736	320,084
Due from Other Governments	885,226	-	-	885,226	-
Inventory	125,090	-	-	125,090	-
Prepaid Expenses and Other Assets	32,394	-	-	32,394	-
Total Current Assets	17,907,476	6,241,477	2,671,680	26,820,633	572,536
Non-Current Assets:					
Restricted Assets:					
Cash and Investments	34,673,146	-	-	34,673,146	-
Receivables					
Accounts	8	-	-	8	-
Capital Assets, Net					
Land	7,336,024	-	3,000	7,339,024	-
Construction in Progress	9,336,693	-	-	9,336,693	-
Land and Site Improvements	157,090	-	-	157,090	-
Pipeline	50,922,115	-	-	50,922,115	-
Buildings	16,428,804	-	-	16,428,804	-
Equipment and Furniture	42,801,858	27,734	1,095	42,830,687	-
Total Non-Current Assets	161,655,738	27,734	4,095	161,687,567	-
Total Assets	179,563,214	6,269,211	2,675,775	188,508,200	572,536
DEFERRED OUTFLOWS OF RESOURCES					
Deferred Items Related to Pension	2,050,345	-	-	2,050,345	-
Deferred Charges on Refunding	30,913	-	-	30,913	-
Total Deferred Outflows of Resources	2,081,258	-	-	2,081,258	-
LIABILITIES					
Current Liabilities					
Accounts Payable	1,165,304	746,730	45,245	1,957,279	37,509
Accrued Expenses	324,232	-	-	324,232	-
Retainage Payable	54,674	6,686	-	61,360	-
Due to Other Funds	674,661	32,884	23,575	731,120	-
Due to Other Governments	5,962	-	-	5,962	-
Other Liabilities	-	-	1,368	1,368	-
Compensated Absences	17,699	-	-	17,699	-
Unearned Revenue	-	4,382,509	1,228,242	5,610,751	6,746
Bonds Payable	2,406,061	-	-	2,406,061	-
Total Current Liabilities	4,648,593	5,168,809	1,298,430	11,115,832	44,255
Non-Current Liabilities:					
Net Pension Liability	3,881,690	-	-	3,881,690	-
Compensated Absences	406,778	-	-	406,778	-
Bonds Payable, Net of Bond Discounts/Premiums	50,042,568	-	-	50,042,568	-
Total Non-Current Liabilities	54,331,036	-	-	54,331,036	-
Total Liabilities	58,979,629	5,168,809	1,298,430	65,446,868	44,255
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue - Other	129,284	-	-	129,284	-
Deferred Charges on Refunding	940	-	-	940	-
Total Deferred Inflows Of Resources	130,224	-	-	130,224	-
NET POSITION					
Net Investment in Capital Assets	76,028,690	27,734	4,095	76,060,519	-
Restricted for:					
Capital Projects - Equipment Replacement	317,873	-	-	317,873	-
Capital Projects - Expansion Sewer Facilities	32,899,177	-	-	32,899,177	-
Unrestricted	13,288,879	1,072,668	1,373,250	15,734,797	528,281
Total Net Position	\$ 122,534,619	\$ 1,100,402	\$ 1,377,345	\$ 125,012,366	\$ 528,281

KENT COUNTY, DELAWARE

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2017

	Business-Type Activities - Enterprise Funds				Governmental
	Sewer Fund	Trash Collection	Other Enterprise Funds	Total	Activities - Internal Service Fund
OPERATING REVENUES					
Fees for Services	\$ 16,032,249	\$ 3,498,840	\$ 1,038,794	\$ 20,569,883	\$ -
Permits	105,079	-	-	105,079	-
Other Revenue	779,189	60	2,204	781,453	-
Employer Contributions	-	-	-	-	4,704,292
Employee Contributions	-	-	-	-	738,643
Total Operating Revenues	16,916,517	3,498,900	1,040,998	21,456,415	5,442,935
OPERATING EXPENSES					
Salaries and Benefits	6,260,060	129,278	124,677	6,514,015	-
Contractual Services	487,213	3,435,684	3,998	3,926,895	-
Travel	6,178	-	-	6,178	-
Utilities	1,778,011	-	788,441	2,566,452	-
Maintenance, Parts and Supplies	1,483,552	108,371	7,227	1,599,150	-
Vehicle Expense	168,380	3,159	1,029	172,568	-
Operating Insurance and Indirect Costs	1,502,053	49,478	53,871	1,605,402	-
Miscellaneous Expenses	92,798	115	-	92,913	-
Depreciation Expense	7,069,554	1,460	2,190	7,073,204	-
Medical Insurance Premiums	-	-	-	-	4,559,116
Medical Claims	-	-	-	-	888,760
Trustee Fee and Wire Charges	-	-	-	-	25,345
Total Operating Expenses	18,847,799	3,727,545	981,433	23,556,777	5,473,221
Operating Income (Loss)	(1,931,282)	(228,645)	59,565	(2,100,362)	(30,286)
NON-OPERATING REVENUES (EXPENSES)					
Interest and Dividends	266,281	13,396	9,015	288,692	921
Interest and Fiscal Charges	(1,115,242)	-	-	(1,115,242)	-
Loss on Sale of Land and Equipment	(176,556)	-	-	(176,556)	-
Total Non-Operating Revenues (Expenses)	(1,025,517)	13,396	9,015	(1,003,106)	921
Net Income (Loss) before Contributions	(2,956,799)	(215,249)	68,580	(3,103,468)	(29,365)
Capital Contributions:					
Capital Grant	556,544	-	-	556,544	-
Donated Capital Assets	1,033,311	-	-	1,033,311	-
Impact Fees	3,228,364	-	-	3,228,364	-
Developers Aid In Construction	48,129	-	-	48,129	-
Interfund Transfers	(127,437)	-	-	(127,437)	-
Change in Net Position	1,782,112	(215,249)	68,580	1,635,443	(29,365)
Net Position At Beginning Of Year	120,752,507	1,315,651	1,308,765	123,376,923	557,646
Net Position At End Of Year	\$ 122,534,619	\$ 1,100,402	\$ 1,377,345	\$ 125,012,366	\$ 528,281

KENT COUNTY, DELAWARE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Business-Type Activities - Enterprise Funds			Governmental	
	Sewer Fund	Trash Collection	Other Enterprise Funds	Total	Activities - Internal Service Fund
Cash Flows From Operating Activities:					
Receipts from Customers and Users	\$ 17,591,094	\$ 3,503,305	\$ 979,094	\$ 22,073,493	\$ 5,591,040
Payments to Suppliers	(5,178,336)	(3,131,153)	(819,553)	(9,129,042)	(5,496,643)
Payments to Employees	(5,827,045)	(165,399)	-	(5,992,444)	-
Internal Activity - payments to other funds	(988,165)	-	(176,584)	(1,164,749)	(4,070)
Net Cash Provided (Used) by Operating Activities	5,597,548	206,753	(17,043)	5,787,258	90,327
Cash Flows From Non-Capital Financing Activities:					
Transfers from Other Funds	550,000	-	-	550,000	-
Net Cash Provided (Used) by Non-Capital Financing Activities	550,000	-	-	550,000	-
Cash Flows From Capital and Related Financing Activities:					
Proceeds from Capital Grant	920,100	-	-	920,100	-
Proceeds from Bonded Indebtedness	2,258,188	-	-	2,258,188	-
Proceeds from Sale of Equipment and Land	42,853	-	-	42,853	-
Acquisition and Construction of Capital Assets	(5,418,312)	(29,194)	-	(5,447,506)	-
Interest/Fiscal Charges Paid on Bonds	(1,166,119)	-	-	(1,166,119)	-
Retirement of Debt	(2,315,050)	-	-	(2,315,050)	-
Developers Aid In Construction	87,595	-	-	87,595	-
Impact Fees Collected	3,234,326	-	-	3,234,326	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(2,356,419)	(29,194)	-	(2,385,613)	-
Cash Flows From Investing Activities:					
Proceeds From Matured Investments	24,097	-	-	24,097	-
Interest and Dividends	278,021	13,396	9,015	300,432	921
Net Cash Provided By Investing Activities	302,118	13,396	9,015	324,529	921
Net Increase (Decrease) In Cash and Cash Equivalents	4,093,247	190,955	(8,028)	4,276,174	91,248
Cash and Cash Equivalents At Beginning Of Year	43,971,694	1,571,411	1,493,289	47,036,394	159,559
Cash and Cash Equivalents At End Of Year	\$ 48,064,941	\$ 1,762,366	\$ 1,485,261	\$ 51,312,568	\$ 250,807
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position					
Statement of Net Position					
Current Assets: Cash and Investments	\$ 13,391,795	\$ 1,762,366	\$ 1,485,261	\$ 16,639,422	\$ 250,807
Non Current Assets: Cash and Investments	34,673,146	-	-	34,673,146	-
Total Cash and Investments	\$ 48,064,941	\$ 1,762,366	\$ 1,485,261	\$ 51,312,568	\$ 250,807

KENT COUNTY, DELAWARE

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS (Continued)
 FOR THE YEAR ENDED JUNE 30, 2017

	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)	\$ (1,931,282)	\$ (228,645)	\$ 59,565	\$ (2,100,362)	\$ (30,286)
Adjustments to reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Depreciation	7,069,554	1,460	2,190	7,073,204	-
Change in Assets and Liabilities:					
(Increase) Decrease in Accounts Receivable	371,171	(938,969)	(52,226)	(620,024)	37,167
(Increase) Decrease in Due From Other Funds	200,870	-	(60,126)	140,744	104,192
(Increase) Decrease in Prepaid Expenses and Other Assets	121,988	-	-	121,988	-
(Increase) Decrease in Deferred Items Related to Pension	(414,782)	-	-	(414,782)	-
Increase (Decrease) in Accounts Payable	(1,094,999)	410,001	(20,544)	(705,542)	(3,576)
Increase (Decrease) in Retainage Payable	-	6,686	-	6,686	-
Increase (Decrease) in Medical Claims Payable	-	-	-	-	(19,846)
Increase (Decrease) in Accrued Expenses	(122,933)	-	-	(122,933)	-
Increase (Decrease) in Unearned Revenue	-	943,374	50,448	993,822	6,746
Increase (Decrease) in Net Pension Liability	953,008	-	-	953,008	-
Increase (Decrease) in Compensated Absences	17,722	-	-	17,722	-
Increase (Decrease) in Unavailable Revenue	102,536	-	-	102,536	-
Increase (Decrease) in Due To Other Funds	324,695	12,846	3,650	341,191	(4,070)
Net Cash Provided (Used) by Operating Activities	<u>\$ 5,597,548</u>	<u>\$ 206,753</u>	<u>\$ (17,043)</u>	<u>\$ 5,787,258</u>	<u>\$ 90,327</u>
Non-Cash Capital and Related Financing Activities:					
Non Cash Donated Capital Assets	\$ 1,033,311	\$ -	\$ -	\$ 1,033,311	\$ -
Transfer of Capital Assets to Governmental Activities	(677,437)	-	-	(677,437)	-
Capital Assets Acquired Through the Incurrence of Accounts and Retainage Payable	(742,084)	-	-	(742,084)	-
New Loan Receipts from Loan Receivables	(993,151)	-	-	(993,151)	-
Total Non-Cash Capital and Related Financing Activities	<u>\$ (1,379,361)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,379,361)</u>	<u>\$ -</u>

KENT COUNTY, DELAWARE
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2017

	<u>Pension and Post Retiree Funds</u>	<u>Agency Fund</u>
ASSETS		
Restricted Assets:		
Cash and Short Term Investments	\$ -	\$ 1,584,470
Receivables		
Interest	6,010	-
Investments	<u>54,232,303</u>	<u>-</u>
Total Assets	<u>54,238,313</u>	<u>\$ 1,584,470</u>
LIABILITIES		
Accounts Payable	30,312	\$ -
Due to Other Governments	-	790,211
Tax Sale Proceeds Payable	-	124,926
Other Liabilities	<u>-</u>	<u>669,333</u>
Total Liabilities	<u>30,312</u>	<u>\$ 1,584,470</u>
NET POSITION		
Held in Trust for:		
Pension Benefits	38,464,459	
Post Retiree Benefits	<u>15,743,542</u>	
Total Net Position	<u>\$ 54,208,001</u>	

KENT COUNTY, DELAWARE
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Pension And Post Retiree Funds</u>
ADDITIONS	
Employee Contributions	\$ 186,515
Employer Contributions	2,765,056
Interest and Dividends	606,341
Net Appreciation in Fair Value of Investments	<u>4,874,548</u>
Total Additions	<u>8,432,460</u>
 DEDUCTIONS	
Pension Benefits	3,157,579
Administrative Expense	<u>201,934</u>
Total Deductions	<u>3,359,513</u>
Change In Net Position	5,072,947
Net Position - Beginning of Year	<u>49,135,054</u>
Net Position - End of Year	<u><u>\$ 54,208,001</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. 86 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, 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 nonnegotiable certificates of deposit which are reported at amortized cost. In establishing the fair value of investments, the County uses the following hierarchy. The lowest available level of valuation available is used for all investments.

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

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

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Receivables and Payables

Property taxes

The County property tax year runs from June 1 – May 31. Tax rates are set in late April 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, 2017 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, differences between actual and expected experience, and differences between actual and expected investment returns, are required to be amortized over a period of years; the unamortized portions of these changes are reflected as deferred outflows of resources on the entity-wide and proprietary fund statements of net position.

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and therefore will not be recognized as an inflow of resources (revenue) until that time. The County has 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. 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, 2017, 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>105,721,467</u>	<u>108,226,412</u>
Total Deposits	<u>\$ 105,971,467</u>	<u>\$ 108,476,412</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, 2017:

<u>Investments Measured at Fair Value:</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>
Money Market Mutual Funds	\$ 585,170	\$ 585,170	\$ -
Corporate Stocks	<u>38,154,398</u>	<u>38,154,398</u>	<u>-</u>
	<u>38,739,568</u>	<u>38,739,568</u>	<u>-</u>
<u>External Investment Pools Measured at Fair Value:</u>			
DE Local Government Retirement Investment Pool	<u>15,743,542</u>	<u>-</u>	<u>15,743,542</u>
Total Investments Measured at Fair Value	<u>54,483,110</u>	<u>\$ 38,739,568</u>	<u>\$ 15,743,542</u>
<u>Investments Measured at Amortized Cost:</u>			
Certificates of Deposit	<u>404,647</u>		
Total Investments	<u>\$ 54,887,757</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, 2017, some of the County's investments had the following maturity dates:

<u>Investments</u>	<u>Amortized Value</u>	<u>Less Than One Year</u>
Certificates of Deposit	<u>\$ 404,647</u>	<u>\$ 404,647</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, 2017, 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, 2017, the County had \$15,743,542 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	\$ 105,971,467
Investments	54,887,757
Petty Cash Amounts	3,000
Cash on Hand	<u>45,144</u>
Total	<u>\$ 160,907,368</u>
Unrestricted	\$ 70,417,449
Restricted	34,673,146
Fiduciary Funds	<u>55,816,773</u>
Total Cash and Investments	<u>\$ 160,907,368</u>

NOTE D – CAPITAL ASSETS

1. Primary Government-

The capital asset activity for Governmental Activities for the year ended June 30, 2017, was as follows:

	<u>July 1, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2017</u>
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated				
Land	\$ 8,302,068	\$ 540,905	\$ -	\$ 8,842,973
Construction in Progress	172,117	153,848	(50,854)	275,111
Total Capital Assets Not Being Depreciated	<u>8,474,185</u>	<u>694,753</u>	<u>(50,854)</u>	<u>9,118,084</u>
Capital Assets Being Depreciated				
Land and Site Improvements	9,256,944	136,051	-	9,392,995
Buildings	29,940,888	343,011	(757)	30,283,142
Equipment and Furniture	9,398,579	464,310	(100,624)	9,762,265
Total Capital Assets Being Depreciated	<u>48,596,411</u>	<u>943,372</u>	<u>(101,381)</u>	<u>49,438,402</u>
Less Accumulated Depreciation for:				
Site Improvements	2,310,904	398,795	-	2,709,699
Buildings	5,746,434	766,288	(737)	6,511,985
Equipment and Furniture	7,764,246	488,161	(100,624)	8,151,783
Total Accumulated Depreciation	<u>15,821,584</u>	<u>1,653,244</u>	<u>(101,361)</u>	<u>17,373,467</u>
Total Capital Assets Being Depreciated, Net	<u>32,774,827</u>	<u>(709,872)</u>	<u>(20)</u>	<u>32,064,935</u>
Governmental Activities Capital Assets, Net	<u>\$ 41,249,012</u>	<u>\$ (15,119)</u>	<u>\$ (50,874)</u>	<u>\$ 41,183,019</u>

NOTE D – CAPITAL ASSETS - CONTINUED

The capital asset activity for Business-Type Activities for the year ended June 30, 2017, was as follows:

	July 1, 2016	Increases	Decreases	June 30, 2017
Business-Type Activities:				
Capital Assets Not Being Depreciated				
Land	\$ 7,372,404	\$ 162,324	\$ (195,704)	\$ 7,339,024
Construction in Progress	38,835,901	3,141,114	(32,640,322)	9,336,693
Total Capital Assets Not Being Depreciated	<u>46,208,305</u>	<u>3,303,438</u>	<u>(32,836,026)</u>	<u>16,675,717</u>
Capital Assets Being Depreciated				
Land and Site Improvements	5,982,562	-	-	5,982,562
Pipeline	85,873,970	9,018,816	-	94,892,786
Buildings	38,615,530	514,364	(923,810)	38,206,084
Equipment and Furniture	59,770,842	25,542,438	(815,425)	84,497,855
Total Capital Assets Being Depreciated	<u>190,242,904</u>	<u>35,075,618</u>	<u>(1,739,235)</u>	<u>223,579,287</u>
Less Accumulated Depreciation for:				
Site Improvements	5,746,429	79,043	-	5,825,472
Pipeline	41,802,631	2,168,040	-	43,970,671
Buildings	21,061,132	1,088,737	(372,589)	21,777,280
Equipment and Furniture	38,595,288	3,737,384	(665,504)	41,667,168
Total Accumulated Depreciation	<u>107,205,480</u>	<u>7,073,204</u>	<u>(1,038,093)</u>	<u>113,240,591</u>
Total Capital Assets Being Depreciated, Net	<u>83,037,424</u>	<u>28,002,414</u>	<u>(701,142)</u>	<u>110,338,696</u>
Business-Type Activities Capital Assets, Net	<u>\$ 129,245,729</u>	<u>\$ 31,305,852</u>	<u>\$ (33,537,168)</u>	<u>\$ 127,014,413</u>

Depreciation expense was charged to the following activities:

Governmental Activities:

General Government	\$ 531,146
Community Services	666,579
Planning Services	33,335
Public Safety	392,002
Row Offices	30,182
	<u>30,182</u>
	<u>\$ 1,653,244</u>

Business-Type Activities:

Sewer Fund	\$ 7,069,554
Trash Fund	1,460
Landfill Fund	2,190
	<u>2,190</u>
	<u>\$ 7,073,204</u>

NOTE E – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund balances arise primarily from the General Fund’s role as receiver, investor, and disbursing agent of cash. All payments arise from transactions that are short term. The composition of interfund balances as of June 30, 2017, was as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Capital Projects Fund	\$ 734
	CDBG	531,841
	Non-Major Governmental Funds	29,431
	Sewer Fund	662,564
	Trash Collection Fund	16,516
	Non-Major Proprietary Funds	18,100
Capital Projects Fund	General Fund	79,128
	Sewer Fund	12,097
Sewer Fund	General Fund	12,423
	Capital Projects Fund	555,993
	Trash Collection Fund	16,368
	Non-Major Proprietary Funds	5,475
Non-Major Proprietary Fund	General Fund	84,477
Internal Service Fund	General Fund	320,084
Total		<u>\$ 2,345,231</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. Interfund transfers from the Sewer Fund consist of operating transfers due to the transfer of land and buildings from the Sewer Fund to the Capital Projects Fund.

<u>Transfers Out</u>	<u>Transfers In</u>		<u>Total</u>
	<u>Capital Projects Fund</u>	<u>Community Development Block Grant</u>	
General Fund	\$ 1,031,628	\$ 363,746	\$ 1,395,374
Sewer Fund	127,437	-	127,437
Total Interfund Transfers	<u>\$ 1,159,065</u>	<u>\$ 363,746</u>	<u>\$ 1,522,811</u>

NOTE F – LONG-TERM DEBT

1. Changes in Long-Term Liabilities

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017	Due Within One Year
Governmental Activities:					
Bonds Payable	\$ 4,299,325	\$ -	\$ (226,808)	\$ 4,072,517	\$ 234,837
Plus: Net Bond Premiums	365,446	-	(21,288)	344,158	21,288
Total Bonds Payable	4,664,771	-	(248,096)	4,416,675	256,125
Net Pension Liability	10,116,671	3,292,009	-	13,408,680	-
Note Payable	4,770,256	-	(280,708)	4,489,548	308,239
Compensated Absences	1,178,822	73,856	-	1,252,678	50,107
Governmental Activity Long-Term Liabilities	<u>\$ 20,730,520</u>	<u>\$ 3,365,865</u>	<u>\$ (528,804)</u>	<u>\$ 23,567,581</u>	<u>\$ 614,471</u>
Business-Type Activities:					
Bonds Payable	\$ 52,985,471	\$ 1,265,037	\$ (2,315,050)	\$ 51,935,458	\$ 2,374,319
Plus: Net Bond Premiums	544,913	-	(31,742)	513,171	31,742
Total Bonds Payable	53,530,384	1,265,037	(2,346,792)	52,448,629	2,406,061
Net Pension Liability	2,928,682	953,008	-	3,881,690	-
Compensated Absences	406,755	17,722	-	424,477	17,699
Business-Type Activity Long-Term Liabilities	<u>\$ 56,865,821</u>	<u>\$ 2,235,767</u>	<u>\$ (2,346,792)</u>	<u>\$ 56,754,796</u>	<u>\$ 2,423,760</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, 2017, 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, 2017:

<u>Date of Issue/ Maturity</u>	<u>Amount of Original Issue</u>	<u>Description</u>	<u>Interest Rates</u>	<u>Balance Outstanding June 30, 2017</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%	\$ 83,115
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%	98,112
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%	85,500
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%	131,151
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%	132,912
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%	137,384
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%	603,949
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%	3,119,330

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, 2017</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%	230,265
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%	109,980
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%	11,405,173
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%	914,481
2010 November 2050	3,900,000	Series 2010-RUS United States Dept. of Agriculture General Obligation Bond, Sewer Fund-Southern ByPass, Principal and Interest Due in Quarterly Installments Beginning November 2011	2.25%	2,718,861
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%	2,156,128
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%	101,000
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%	4,346,519

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, 2017</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%	5,561,965
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%	5,480,069
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%	900,000
2013 August 2033	1,423,107	2013 Series, Delaware Water Pollution Control Revolving Fund General Obligation Note, Sewer Fund-East Dover Wastewater Construction Principal Due In Semi Annual Installments	2.00%	415,956
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%	128,514
2015 September 2033	11,270,000	2015 Series General Obligation Bonds Sewer Fund-60.22%/General Fund-39.78%, Due in Annual Installments with Interest Due Semi-Annually	2.00%-4.00%	10,145,000
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%	2,825,408

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, 2017</u>
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%	3,287,798
2017 October 1, 2057	453,000	Series 2014-RUS United State Dept. of Agriculture General Obligation Bond, Sewer Fund- Milford Neck Sanitary Sewer Principal and Interest Due in Quarterly Installments Beginning January 2018	2.125%	453,000
	Subtotal Bonds			<u>56,007,975</u>
2015 September 2030	5,000,000	Series 2015, WSFS Loan Principal and Interest Due in Quarterly Installments Beginning December 2015	Variable	4,489,548
Plus:	Unamortized bond premium on 2015 bond issues			<u>857,329</u>
	Total Long-Term Debt			<u><u>\$ 61,354,852</u></u>

NOTE F – LONG-TERM DEBT – CONTINUED

The annual debt service requirements to maturity for principal and interest for bonds and note payable as of June 30, 2017, are as follows:

Year Ending June 30	General Obligation Bonds			
	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2018	\$ 543,076	\$ 202,990	\$ 2,374,319	\$ 1,151,885
2019	551,486	192,664	2,323,257	1,113,789
2020	561,822	181,093	2,369,125	1,066,081
2021	578,528	168,903	2,425,596	1,016,343
2022	518,885	157,573	2,357,545	967,527
2023-2027	2,763,794	599,230	11,866,690	4,086,018
2028-2032	2,466,413	259,942	11,431,628	2,782,461
2033-2037	578,061	21,903	5,635,015	1,778,179
2038-2042	-	-	4,682,753	1,202,776
2043-2047	-	-	4,684,046	664,478
2048-2052	-	-	2,374,362	217,368
2053-2057	-	-	1,085,172	43,375
2058	-	-	7,877	62
Total	8,562,065	\$ 1,784,298	53,617,385	\$ 16,090,342
Less:				
Funds Not Drawn	-		(1,681,927)	
Total	\$ 8,562,065		\$ 51,935,458	

NOTE G – DEFERRED INFLOWS OF RESOURCES – UNAVAILABLE REVENUE

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

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

NOTE G – DEFERRED INFLOWS OF RESOURCES – UNAVAILABLE REVENUE – CONTINUED

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

	<u>Governmental Fund Financial Statements</u>	<u>Government- Wide Statements</u>
	<u>General</u>	<u>Governmental Activities</u>
Property Taxes	\$ 12,109,673	\$ 11,431,057
Library Taxes	830,827	770,364
Suburban Park Taxes	15,808	15,752
Total Deferred Inflows Of Resources	<u>\$ 12,956,308</u>	<u>\$ 12,217,173</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>
Trnsmsn Debt Refinance	\$ 24,894	\$ 24,894
Impact Fees	104,000	104,000
Unclaimed Tax Sale Proceeds	390	390
Deferred Charges on Refunding	940	940
Total Deferred Inflows Of Resources	<u>\$ 130,224</u>	<u>\$ 130,224</u>

NOTE H – FUND BALANCES – GOVERNMENTAL FUNDS

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

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable:				
Inventory	\$ 25,270	\$ 2,347	\$ -	\$ 27,617
Prepaid Expenses	104,297	-	21,977	126,274
Total Nonspendable	129,567	2,347	21,977	153,891
Restricted:				
Capital Projects	-	4,871,240	125,566	4,996,806
Recreational	29,718	-	-	29,718
APFO-EMS	1,623	-	-	1,623
Library Tax	297,869	-	-	297,869
Rodent Grant	9,861	-	-	9,861
LEPC Grant	2,570	-	-	2,570
Library Standards Grant	72,715	-	-	72,715
Total Restricted	414,356	4,871,240	125,566	5,411,162
Assigned:				
Encumbrances	403,042	-	-	403,042
Operating Needs	1,316,700	-	-	1,316,700
Legal Contingency	950,000	-	-	950,000
Special Grants and Programs	400,643	-	-	400,643
Library	155,000	-	-	155,000
Recorder of Deeds Maintenance Fees	47,393	-	-	47,393
Sheriff Auctioneer Fees	60,000	-	-	60,000
Local Government Fees	60,000	-	-	60,000
Donations	5,283	-	-	5,283
Total Assigned	3,398,061	-	-	3,398,061
Unassigned	42,742,751	-	(21,977)	42,720,774
Total Fund Balances	\$ 46,684,735	\$ 4,873,587	\$ 125,566	\$ 51,683,888

NOTE I – CAPITAL IMPROVEMENT COMMITMENTS

The following is a summary of the significant capital improvement commitments of the County as of June 30, 2017:

Governmental Activities

The Capital Projects Fund has incurred costs in the amount of \$275,111 that were not under a formal construction commitment as of June 30, 2017.

Enterprise Funds

Sewer Fund:

Project Name	Estimated Project Cost	Remaining Contract Commitments To Date	Costs Incurred To Date
Spray Irrigation	\$ 400,900	\$ 36,883	\$ 364,017
Diffuser Evaluation	45,000	14,074	30,926
Blower System Upgrade	350,000	57,094	292,906
TMDL	430,000	281,438	148,562
Weatherstone	89,650	8,401	81,249
NE Front St, Milford	46,101	31,721	14,380
London Village	47,307	11,584	35,723
Paris Villa	49,666	4,141	45,525
North Milford Neck	1,473,401	1,032,223	441,178
Dover Products	198,660	53,392	145,268
US 13 Forcemain Rehabilitation	27,298	22,148	5,150
General Labor and Equipment Contract	6,781,773	429,374	6,352,399
	\$ 9,939,756	\$ 1,982,473	\$ 7,957,283

In the Sewer Fund, Kent County has incurred costs in the amount of \$1,379,410 that were not under a formal construction commitment as of June 30, 2017.

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, 2017, was based on the following membership data:

Active Employees	288
Retired	175
Survivors	27
Disabled	2
Deferred Vested	<u>100</u>
 TOTAL	 <u><u>592</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 2017 was \$2,166,460 of which \$186,515 was the employee contribution and \$1,979,945 was the employer contribution. This contribution was based on the January 1, 2016 actuarial valuation by Nyhart.

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, 2017

	<u>Pension Fund</u>	<u>Post Retiree Benefits Fund</u>
ASSETS		
Restricted Assets:		
Receivables		
Interest	\$ 6,010	\$ -
Investments	38,488,761	15,743,542
Total Assets	<u>38,494,771</u>	<u>15,743,542</u>
LIABILITIES		
Accounts Payable	30,312	-
Total Liabilities	<u>30,312</u>	<u>-</u>
NET POSITION		
Held in Trust for:		
Pension Benefits	38,464,459	-
Post Retiree Benefits	-	15,743,542
Total Net Position	<u>\$ 38,464,459</u>	<u>\$ 15,743,542</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, 2017

	<u>Pension Fund</u>	<u>Post Retiree Benefits Fund</u>
ADDITIONS		
Employee Contributions	\$ 186,515	\$ -
Employer Contributions	1,979,945	785,111
Interest and Dividends	181,146	425,195
Net Appreciation (Depreciation) in Fair Value of Investments	<u>3,797,373</u>	<u>1,077,175</u>
Total Additions	<u>6,144,979</u>	<u>2,287,481</u>
DEDUCTIONS		
Pension Benefits	2,399,015	758,564
Administrative Expense	<u>194,727</u>	<u>7,207</u>
Total Deductions	<u>2,593,742</u>	<u>765,771</u>
Change In Net Position	3,551,237	1,521,710
Net Position - Beginning of Year	<u>34,913,222</u>	<u>14,221,832</u>
Net Position - End of Year	<u>\$ 38,464,459</u>	<u>\$ 15,743,542</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, 2017, 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	46.34%	45.00%	8.50%
International Equity Composite	10.25%	10.00%	9.70%
Bond Composite	33.78%	35.00%	4.10%
Global Tactical Asset Allocation	9.63%	10.00%	7.10%
	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, 2017.

5. Discount Rate

The discount rate used to measure the total pension liability is 7.75%. The projection of cash flows used to determine the discount rate assumes that plan member contributions will be made at the current contribution rate, and that County contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based upon those assumptions, the pension plan's fiduciary net position is projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments is applied as the discount rate to all periods of projected benefit payments to determine the total pension liability.

6. Net Pension Liability

The County's net pension liability is measured, and the total pension liability used to calculate the net pension liability is determined by the actuarial valuation as of January 1, 2017. The net pension liability is \$17,290,370, measured as the difference between the total pension liability of \$52,233,204 and the fiduciary net position of \$34,942,834.

NOTE K – PENSION AND POST RETIREE FUNDS – CONTINUED

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

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balances at beginning of year	\$ 46,186,132	\$ 33,140,779	\$ 13,045,353
Changes for the year:			
Service cost	937,737	-	937,737
Interest	3,677,882	-	3,677,882
Differences between expected and actual experience	(15,793)	-	(15,793)
Change in assumptions*	3,747,942	-	3,747,942
Contributions-employer	-	1,634,883	(1,634,883)
Contributions-employee	-	187,079	(187,079)
Net investment income	-	2,314,335	(2,314,335)
Benefit payments, including refunds of employee contributions	(2,300,696)	(2,300,696)	-
Administrative expenses	-	(33,546)	33,546
Net Changes	6,047,072	1,802,055	4,245,017
Balances at end of year	\$ 52,233,204	\$ 34,942,834	\$ 17,290,370

*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 7.75%, as well as what the County's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease in Discount Rate (6.75%)	Current Discount Rate (7.75%)	1% Increase in Discount Rate (8.75%)
Net Pension Liability	\$ 23,780,036	\$ 17,290,370	\$ 11,859,969

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 2017 year, the annual money-weighted rate of return on the investments, net of investment expense, is 11.43%.

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, 2017, the County recognized pension expense of \$2,397,439. At June 30, 2017, 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	\$	145,697
Change of assumptions		5,228,969
Net Difference between projected and actual earnings on pension plan investments		1,824,665
Contributions subsequent to the measurement date- January 2, 2017 - June 30, 2017		1,979,945
	<u>\$</u>	<u>9,179,276</u>

An amount of \$1,979,945 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date (January 1, 2017) will be recognized as a reduction of the net pension liability in the year ended June 30, 2018.

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

Year ending June 30:

2018	\$	2,526,039
2019		2,273,459
2020		1,590,112
2021		809,721
	<u>\$</u>	<u>7,199,331</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, 2017
Actuarial Cost Method:	Entry Age Cost Method- Percent of Pay
Amortization Method:	20-year closed amortization of Unfunded Accrued Liability (Fresh start at 1/1/2017)
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:	7.75%, net of investment expenses
Discount rate:	7.75%
Projected salary increases:	Age-graded scale ranging from 5.50% to 3.00% per annum
Cost of living adjustments:	0.00%
Mortality Tables:	
Healthy:	RP-2014 Total Mortality Table with fully generational improvements projected from 2006 based on assumptions from the Social Security Administration's 2016 Trustee's Report
Disabled:	RP-2014 Disabled Mortality Table with fully generational improvements projected from 2006 based on assumptions from the Social Security Administration's 2016 Trustee's Report

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, 117 retirees meet these eligibility requirements, of which 75 retirees and 19 spouses/dependents receive health insurance benefits and 22 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 2017, expenditures of \$823,458 were recognized for post-retirement health care of which \$758,564 was paid out of the OPEB fund. The \$64,894 balance of retiree benefits was paid from the operating budgets of General Fund in the amount of \$50,377 and Sewer Fund in the amount of \$14,517.

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 2017, 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 2017 was as follows:

	For Fiscal Year	Amount
Annual OPEB Cost	2015	\$ 616,016
	2016	785,111
	2017	785,111
Annual Required Contribution (ARC)	2015	616,016
	2016	785,111
	2017	785,111
Actual Contribution	2015	616,016
	2016	785,111
	2017	785,111
Percentage of Annual OPEB Cost Contributed	2015	100.00%
	2016	100.00%
	2017	100.00%
NOO (Net OPEB Obligation) (Asset)	2015	-
	2016	-
	2017	-

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, 2017, the balance of this reserve totaled \$317,873.
- 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, 2017, the balance of this reserve totaled \$32,899,177 of which \$24,984,118 is for the main system capital improvement and \$7,915,059 is for district capital improvement.

Equipment Replacement Reserve	\$ 317,873
Expansion Reserve	<u>32,899,177</u>
Total Restricted Net Position	<u>\$ 33,217,050</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, 2017, the balances of the outstanding bonds were as follows:

<u>Bond</u>	<u>Issue Amount</u>	<u>Balance Outstanding June 30, 2017</u>
1984 Single Family Residential Mortgage	\$ 25,395,575	\$ 2,449,162
1997 Wesley College	3,500,000	228,361
1999 Wesley College	1,250,000	235,949
1999 Dover ALF, LLC "Heritage"	7,500,000	5,240,000
2001 Wesley College	2,500,000	52,142
2005 Wesley College	2,900,000	733,347
2008A, 2008B Providence Creek Academy Charter School	13,150,000	6,370,000
2011 Charter School, Inc.	3,930,000	3,480,000
2016 Kent County Regional Sports Complex	20,760,000	20,760,000
Total	<u>\$ 80,885,575</u>	<u>\$ 39,548,961</u>

NOTE P – TAX ABATEMENTS

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

For the fiscal year ended June 30, 2017, the County abated property taxes totaling \$5,716. The tax abatement agreements are as follows:

- A 10 percent property tax abatement to a hotel for an addition. The abatement amounted to \$3,423.
- A 20 percent property tax abatement for an addition to a casino. The abatement amounted to \$1,916.
- A 40 percent property tax abatement to a convenience store for land and a building. The abatement amounted to \$377.

NOTE Q – SUBSEQUENT EVENTS

On August 15, 2017, the Levy Court Commissioners approved Change Order #4 to the General Labor and Equipment Contract in the amount of \$426,638 and adding a one year contract extension.

On November 7, 2017, the Levy Court Commissioners approved Change Order #5 to the General Labor and Equipment Contract in the amount of \$487,884.

The County has evaluated all subsequent events through December 8, 2017, the date the financial statements were available to be issued.

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

	January 1, 2017	January 1, 2016	January 1, 2015
Total Pension Liability			
Service cost	\$ 937,737	\$ 827,074	\$ 1,033,726
Interest on total pension liability	3,677,882	3,398,722	2,852,131
Differences between expected and actual experience	(15,793)	(31,129)	485,747
Changes of assumptions*	3,747,942	1,426,791	3,771,993
Benefit payments, including refunds of member contributions	(2,300,696)	(2,184,547)	(2,052,529)
Net change in total pension liability	6,047,072	3,436,911	6,091,068
Total pension liability, beginning	46,186,132	42,749,221	36,658,153
Total pension liability, ending (a)	52,233,204	46,186,132	42,749,221
Fiduciary Net Position			
Employer contributions	1,634,883	1,416,774	1,314,726
Member contributions	187,079	156,272	163,928
Net investment income	2,314,335	158,235	2,358,943
Benefit payments, including refunds of member contributions	(2,300,696)	(2,184,547)	(2,052,529)
Administrative expenses	(33,546)	(36,842)	(190,972)
Net change in plan fiduciary net position	1,802,055	(490,108)	1,594,096
Fiduciary net position, beginning	33,140,779	33,630,887	32,036,791
Fiduciary net position, ending (b)	\$ 34,942,834	\$ 33,140,779	\$ 33,630,887
Net pension liability, ending = (a) - (b)	\$ 17,290,370	\$ 13,045,353	\$ 9,118,334
Fiduciary net position as a % of total pension liability	66.90%	71.75%	78.67%
Covered payroll	14,428,663	14,111,982	13,578,928
Net pension liability as a % of covered payroll	119.83%	92.44%	67.15%
Annual money weighted rate of return, net of investment expense	11.43%	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
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	1,514,391	1,634,883	(120,492)	13,578,928	12.04%
2017	1,983,504	1,983,504	-	14,111,982	14.06%

ACTUARIAL METHODS AND SIGNIFICANT ASSUMPTIONS

Valuation Date:	January 1, 2017
Actuarial Cost Method:	Entry Age Cost Method- Percent of Pay
Amortization Method:	20-year closed amortization of Unfunded Accrued Liability (Fresh start at 1/1/2017)
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:	7.75%, net of investment expenses
Discount rate:	7.75%
Projected salary increases:	Age-graded scale ranging from 5.50% to 3.00% per annum
Cost of living adjustments:	0.00%
Mortality Tables:	
Healthy:	RP-2014 Total Mortality Table with fully generational improvements projected from 2006 based on assumptions from the Social Security Administration's 2016 Trustee's Report
Disabled:	RP-2014 Disabled Mortality Table with fully generational improvements projected from 2006 based on assumptions from the Social Security Administration's 2016 Trustee's Report

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. The next OPEB valuation for GASB 75 will be dated June 30, 2017.

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, 2017

	Special Revenue Fund	Capital Project Fund	Total Non-Major Governmental Funds
	Farmer's Home Administration Grant	Aeropark Fund	
ASSETS			
Cash and Investments	\$ 27,360	\$ 137,623	\$ 164,983
Due from Other Governments	1,792	-	1,792
Total Assets	<u>\$ 29,152</u>	<u>\$ 137,623</u>	<u>\$ 166,775</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Due to Other Funds	\$ 29,152	\$ 279	\$ 29,431
Unearned Revenue	-	11,778	11,778
Total Liabilities	<u>29,152</u>	<u>12,057</u>	<u>41,209</u>
Fund Balances:			
Restricted:			
Capital Projects	-	125,566	125,566
Total Fund Balances	<u>-</u>	<u>125,566</u>	<u>125,566</u>
Total Liabilities and Fund Balances	<u>\$ 29,152</u>	<u>\$ 137,623</u>	<u>\$ 166,775</u>

KENT COUNTY, DELAWARE

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Special Revenue Fund</u>	<u>Capital Project Fund</u>	<u>Total Non-Major Governmental Funds</u>
	<u>Farmer's Home Administration Grant</u>	<u>Aeropark Fund</u>	
REVENUES			
Grants	\$ 18,838	\$ -	\$ 18,838
Investment Income	-	704	704
Other Revenues	1,960	22,890	24,850
Total Revenues	<u>20,798</u>	<u>23,594</u>	<u>44,392</u>
EXPENDITURES			
Current:			
Planning Services	20,798	-	20,798
Economic Development	-	1,130	1,130
Total Expenditures	<u>20,798</u>	<u>1,130</u>	<u>21,928</u>
Excess of Revenues Over Expenditures	<u>-</u>	<u>22,464</u>	<u>22,464</u>
Net Change in Fund Balances	-	22,464	22,464
Fund Balances at Beginning of Year	<u>-</u>	<u>103,102</u>	<u>103,102</u>
Fund Balances at End of Year	<u>\$ -</u>	<u>\$ 125,566</u>	<u>\$ 125,566</u>

KENT COUNTY, DELAWARE

COMBINING STATEMENT OF NET POSITION
NON-MAJOR PROPRIETARY FUNDS
JUNE 30, 2017

	<u>Street Light</u>	<u>Landfill</u>	<u>Storm Water Management</u>	<u>Total</u>
ASSETS				
Current Assets:				
Cash and Investments	\$ 766,139	\$ 719,122	\$ -	\$ 1,485,261
Receivables				
Fees and Services	1,042,050	-	59,892	1,101,942
Due From Other Funds	-	-	84,477	84,477
Total Current Assets	<u>1,808,189</u>	<u>719,122</u>	<u>144,369</u>	<u>2,671,680</u>
Non-Current Assets:				
Capital Assets, Net				
Land	3,000	-	-	3,000
Equipment and Furniture	-	1,095	-	1,095
Total Non-Current Assets	<u>3,000</u>	<u>1,095</u>	<u>-</u>	<u>4,095</u>
Total Assets	<u>1,811,189</u>	<u>720,217</u>	<u>144,369</u>	<u>2,675,775</u>
LIABILITIES				
Current Liabilities				
Accounts Payable	44,095	-	1,150	45,245
Due to Other Funds	20,157	1,392	2,026	23,575
Other Liabilities	1,368	-	-	1,368
Unearned Revenue	1,007,531	165,245	55,466	1,228,242
Total Liabilities	<u>1,073,151</u>	<u>166,637</u>	<u>58,642</u>	<u>1,298,430</u>
NET POSITION				
Investment in Capital Assets	3,000	1,095	-	4,095
Unrestricted	735,038	552,485	85,727	1,373,250
Total Net Position	<u>\$ 738,038</u>	<u>\$ 553,580</u>	<u>\$ 85,727</u>	<u>\$ 1,377,345</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, 2017

	<u>Street Light</u>	<u>Landfill</u>	<u>Storm Water Management</u>	<u>Total</u>
OPERATING REVENUES				
Fees for Services	\$ 971,634	\$ -	\$ 67,160	\$ 1,038,794
Other Revenue	-	2,204	-	2,204
Total Operating Revenues	<u>971,634</u>	<u>2,204</u>	<u>67,160</u>	<u>1,040,998</u>
OPERATING EXPENSES				
Salaries and Benefits	124,677	-	-	124,677
Contractual Services	242	3,756	-	3,998
Utilities	788,441	-	-	788,441
Maintenance, Parts and Supplies	435	-	6,792	7,227
Vehicle Expense	1,029	-	-	1,029
Operating Insurance and Indirect Costs	49,137	4,734	-	53,871
Depreciation Expense	-	2,190	-	2,190
Total Operating Expenses	<u>963,961</u>	<u>10,680</u>	<u>6,792</u>	<u>981,433</u>
Operating Income (Loss)	<u>7,673</u>	<u>(8,476)</u>	<u>60,368</u>	<u>59,565</u>
NON-OPERATING REVENUES				
Interest and Dividends	5,863	3,152	-	9,015
Total Non-Operating Revenues	<u>5,863</u>	<u>3,152</u>	<u>-</u>	<u>9,015</u>
Net Income (Loss)	13,536	(5,324)	60,368	68,580
Net Position at Beginning of Year	<u>724,502</u>	<u>558,904</u>	<u>25,359</u>	<u>1,308,765</u>
Net Position at End of Year	<u>\$ 738,038</u>	<u>\$ 553,580</u>	<u>\$ 85,727</u>	<u>\$ 1,377,345</u>

KENT COUNTY, DELAWARE

COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	<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	\$ 974,317	\$ -	\$ 4,777	\$ 979,094
Payments to Suppliers	(810,155)	(3,756)	(5,642)	(819,553)
Internal Activity - Payment to Other Funds	(172,855)	(4,594)	865	(176,584)
Net Cash Provided (Used) by Operating Activities	<u>(8,693)</u>	<u>(8,350)</u>	<u>-</u>	<u>(17,043)</u>
Cash Flows From Investing Activities:				
Interest and Dividends	5,863	3,152	-	9,015
Net Cash Provided By Investing Activities	<u>5,863</u>	<u>3,152</u>	<u>-</u>	<u>9,015</u>
Net Increase (Decrease) In Cash and Cash Equivalents	(2,830)	(5,198)	-	(8,028)
Cash and Cash Equivalents at Beginning of Year	768,969	724,320	-	1,493,289
Cash and Cash Equivalents at End of Year	<u>\$ 766,139</u>	<u>\$ 719,122</u>	<u>\$ -</u>	<u>\$ 1,485,261</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating Income (Loss)	\$ 7,673	\$ (8,476)	\$ 60,368	\$ 59,565
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	(49,747)	-	(2,479)	(52,226)
(Increase) Decrease in Due From Other Funds	-	-	(60,126)	(60,126)
Increase in Accounts Payable	(21,694)	-	1,150	(20,544)
Increase (Decrease) in Other Liability	-	-	-	-
Increase (Decrease) in Unearned Revenue	52,430	(2,204)	222	50,448
(Decrease) in Due To Other Funds	2,645	140	865	3,650
Net Cash Provided (Used) by Operating Activities	<u>\$ (8,693)</u>	<u>\$ (8,350)</u>	<u>\$ -</u>	<u>\$ (17,043)</u>



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KENT COUNTY, DELAWARE

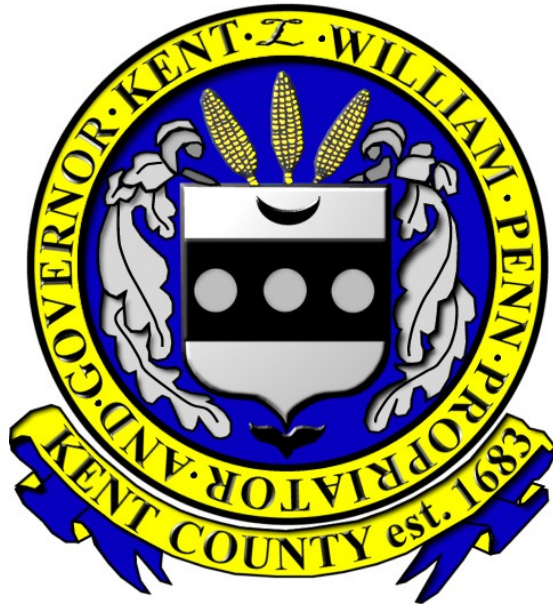
COMBINING STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2017

	<u>Pension Fund</u>	<u>Post Retiree Benefits Fund</u>	<u>Total</u>
ASSETS			
Restricted Assets:			
Receivables			
Interest	\$ 6,010	\$ -	\$ 6,010
Investments	<u>38,488,761</u>	<u>15,743,542</u>	<u>54,232,303</u>
Total Assets	<u>38,494,771</u>	<u>15,743,542</u>	<u>54,238,313</u>
LIABILITIES			
Accounts Payable	<u>30,312</u>	<u>-</u>	<u>30,312</u>
Total Liabilities	<u>30,312</u>	<u>-</u>	<u>30,312</u>
NET POSITION			
Held in Trust for:			
Pension Benefits	38,464,459	-	38,464,459
Post Retiree Benefits	<u>-</u>	<u>15,743,542</u>	<u>15,743,542</u>
Total Net Position	<u>\$ 38,464,459</u>	<u>\$ 15,743,542</u>	<u>\$ 54,208,001</u>

KENT COUNTY, DELAWARE

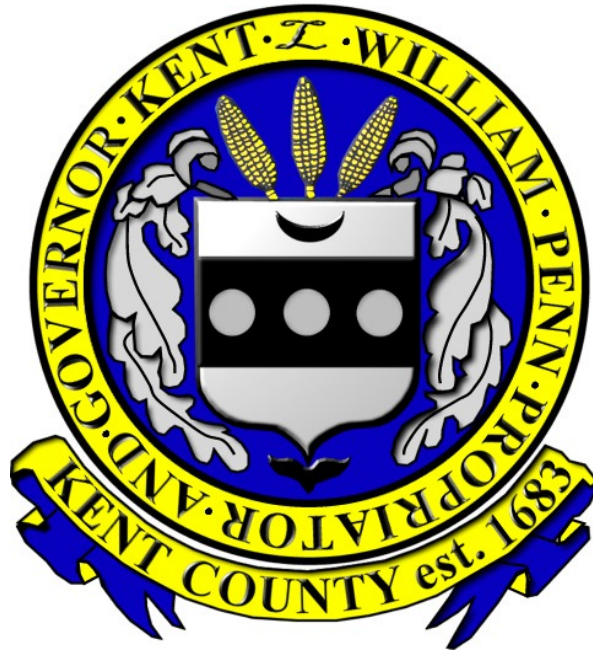
**COMBINING STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

	Pension Fund	Post Retiree Benefits Fund	Total
ADDITIONS			
Employee Contributions	\$ 186,515	\$ -	\$ 186,515
Employer Contributions	1,979,945	785,111	2,765,056
Interest and Dividends	181,146	425,195	606,341
Net Appreciation (Depreciation) in Fair Value of Investments	3,797,373	1,077,175	4,874,548
Total Additions	6,144,979	2,287,481	8,432,460
DEDUCTIONS			
Pension Benefits	2,399,015	758,564	3,157,579
Administrative Expense	194,727	7,207	201,934
Total Deductions	2,593,742	765,771	3,359,513
Change In Net Position	3,551,237	1,521,710	5,072,947
Net Position - Beginning of Year	34,913,222	14,221,832	49,135,054
Net Position - End of Year	\$ 38,464,459	\$ 15,743,542	\$ 54,208,001



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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.

2017 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									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Governmental activities										
Net investment in capital assets	\$32,299,538	\$31,840,271	\$28,120,342	\$26,796,027	\$26,409,608	\$26,191,732	\$27,059,292	\$28,024,547	\$24,988,682	\$25,651,356
Restricted	5,411,163	6,221,445	9,075,766	404,953	23,671	23,086	22,877	22,634	22,600	22,487
Unrestricted	39,960,075	38,582,912	39,241,698	50,922,050	48,943,093	46,885,192	44,408,109	39,876,779	41,806,609	42,752,648
Total governmental activities net position	<u>77,670,776</u>	<u>76,644,628</u>	<u>76,437,806</u>	<u>78,123,030</u>	<u>75,376,372</u>	<u>73,100,010</u>	<u>71,490,278</u>	<u>67,923,960</u>	<u>66,817,891</u>	<u>68,426,491</u>
Business-type activities										
Net investment in capital assets	76,060,519	75,749,480	71,807,718	64,175,064	62,872,401	63,138,398	64,425,631	68,925,330	65,974,904	62,965,602
Restricted	33,217,050	30,453,228	26,023,719	23,950,883	22,219,615	20,271,140	18,752,358	16,944,660	16,884,115	17,578,582
Unrestricted	15,734,797	17,174,215	14,541,838	22,521,945	22,420,495	20,391,290	17,729,882	8,800,775	4,600,775	1,486,833
Total business-type activities net position	<u>125,012,366</u>	<u>123,376,923</u>	<u>112,373,275</u>	<u>110,647,892</u>	<u>107,512,511</u>	<u>103,800,828</u>	<u>100,907,871</u>	<u>94,670,765</u>	<u>87,459,794</u>	<u>82,031,017</u>
Primary government										
Net investment in capital assets	108,360,057	107,589,751	99,928,060	90,971,091	89,282,009	89,330,130	91,484,923	96,949,877	90,963,586	88,616,958
Restricted	38,628,213	36,674,673	35,099,485	24,355,836	22,243,286	20,294,226	18,775,235	16,967,294	16,906,715	17,601,069
Unrestricted	55,694,872	55,757,127	53,783,536	73,443,995	71,363,588	67,276,482	62,137,991	48,677,554	46,407,384	44,239,481
Total primary government activities net position	<u>\$202,683,142</u>	<u>\$200,021,551</u>	<u>\$188,811,081</u>	<u>\$188,770,922</u>	<u>\$182,888,883</u>	<u>\$176,900,838</u>	<u>\$172,398,149</u>	<u>\$162,594,725</u>	<u>\$154,277,685</u>	<u>\$150,457,508</u>

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

Table 2

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Expenses										
Governmental activities:										
General government	\$3,598,230	\$3,470,183	\$2,751,768	\$2,304,636	\$2,567,923	\$2,686,660	\$1,840,974	\$1,903,496	\$2,157,269	\$2,406,031
Special grants/programs	2,029,897	2,029,654	2,129,742	1,857,709	1,641,823	1,502,929	1,692,586	1,927,973	1,786,920	1,413,741
Community services	4,689,550	3,803,046	3,650,644	3,546,729	3,468,400	3,431,036	3,368,496	3,564,687	3,850,937	4,631,404
Planning services	5,825,458	5,748,165	5,532,350	5,321,429	5,234,297	5,862,709	6,208,631	6,822,174	5,663,677	5,593,137
Public safety	10,162,928	9,073,597	8,674,656	8,315,276	8,193,571	7,768,023	7,453,153	7,526,098	7,162,412	6,752,894
Row offices	1,926,973	1,896,476	1,861,280	1,690,769	1,660,824	1,754,050	2,439,171	2,546,828	2,890,004	2,777,424
Economic development	358,382	1,555,085	287,819	44,180	372,300	751,348	38,589	107,009	42,672	284,274
Amortization	-	-	53,254	1,856	1,854	5,068	5,068	5,068	(5,068)	(5,068)
Interest on long-term debt	215,890	185,646	211,113	229,542	235,652	241,405	246,579	251,220	265,402	268,839
Total governmental activities expenses	28,807,308	27,761,852	25,152,626	23,312,126	23,376,644	24,003,228	23,293,247	24,654,553	23,814,225	24,122,676
Business-type activities:										
Sewer	19,963,041	18,231,919	18,243,107	17,311,372	17,363,894	16,714,840	14,989,176	14,622,459	14,542,919	14,617,538
Street light	963,961	934,377	907,738	888,610	851,575	776,190	776,486	705,241	665,831	615,085
Trash	3,727,545	3,276,419	3,403,712	2,912,322	2,689,799	2,546,791	3,085,820	2,459,084	2,375,365	2,990,527
Landfill	10,680	9,804	10,031	23,087	32,746	33,205	39,052	39,483	35,402	28,245
Storm water maintenance	6,792	3,201	-	-	-	-	-	-	-	-
Total business-type activities expenses	24,672,019	22,455,720	22,564,588	21,135,391	20,938,014	20,071,026	18,890,534	17,826,267	17,619,517	18,251,395
Total primary government expenses	53,479,327	50,217,572	47,717,214	44,447,517	44,314,658	44,074,254	42,183,781	42,480,820	41,433,742	42,374,071
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$138,060	\$152,376	\$196,071	\$196,628	\$187,643	\$254,311	\$108,312	\$97,626	\$8,969	\$6,176
Community services	398,375	336,659	346,469	348,512	377,566	361,137	349,117	433,878	393,005	426,067
Planning services	1,483,054	1,919,683	1,536,031	1,632,163	1,765,755	1,506,644	1,376,389	1,469,030	1,512,253	2,081,134
Public safety	158,434	147,129	178,588	136,013	144,150	93,183	95,535	104,685	91,218	90,171
Row offices	6,722,664	5,674,004	5,449,361	5,516,750	5,378,605	6,160,251	5,828,393	4,323,923	4,480,285	4,523,305
Economic development	22,890	22,890	-	-	-	-	18,377	48,798	15,898	15,897
Operating grants and contributions	3,205,518	2,967,151	3,349,706	2,903,651	2,653,780	3,144,797	3,508,723	4,193,344	3,106,337	2,728,881
Capital grants and contributions	42,602	164,259	80,210	311,482	215,350	38,050	32,992	977,603	464,811	265,039
Total governmental activities program revenues	12,171,597	11,384,151	11,136,436	11,045,199	10,722,849	11,558,373	11,317,838	11,648,887	10,072,776	10,136,670

(continued on next page)

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

Table 2 continued

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Program Revenues										
Business-type activities:										
Charges for services:										
Sewer	16,916,517	17,017,132	16,988,415	17,170,963	15,693,959	14,956,540	14,110,335	15,677,597	13,409,064	13,584,138
Street light	971,634	921,826	943,856	914,032	887,352	839,036	793,836	763,401	740,835	683,463
Trash	3,498,900	3,418,268	3,319,649	3,146,646	3,051,370	2,981,336	2,650,636	2,574,517	2,514,303	2,427,482
Landfill	2,204	1,725	1,546	9,282	-	-	-	-	-	-
Storm water maintenance	67,160	28,560	-	-	-	-	-	-	-	-
Operating grants and contributions	-	-	21,634	10,450	-	-	-	122,495	-	11,532
Capital grants and contributions	4,866,348	11,917,096	3,729,501	2,910,387	4,858,524	4,154,892	7,164,748	5,799,309	6,198,709	5,950,893
Total business-type activities program revenues	26,322,763	33,304,607	25,004,601	24,161,760	24,491,205	22,931,804	24,719,555	24,937,319	22,862,911	22,657,508
Total primary government program revenues	38,494,360	44,688,758	36,141,037	35,206,959	35,214,054	34,490,177	36,037,393	36,586,206	32,935,687	32,794,178
Net (Expense) Revenue										
Governmental activities	(16,635,711)	(16,377,701)	(14,016,190)	(12,266,927)	(12,653,795)	(12,444,855)	(11,975,409)	(13,005,666)	(13,741,449)	(13,986,006)
Business-type activities	1,650,744	10,848,887	2,440,013	3,026,369	3,553,191	2,860,778	5,829,021	7,111,052	5,243,394	4,406,113
Total primary government net (expense) revenue	(\$14,984,967)	(\$5,528,814)	(\$11,576,177)	(\$9,240,558)	(\$9,100,604)	(\$9,584,077)	(\$6,146,388)	(\$5,894,614)	(\$8,498,055)	(\$9,579,893)
General Revenue and Other Changes in Net Position										
Governmental activities:										
Property taxes	11,310,977	11,141,185	10,990,802	10,819,104	10,648,373	10,477,267	10,704,349	10,588,984	8,422,296	8,097,375
Real estate transfer tax	4,990,351	4,493,193	4,210,416	3,462,321	3,541,753	3,021,612	2,605,293	2,788,504	3,069,250	5,979,675
Residential telephone surcharge	270,015	270,015	270,015	270,014	270,015	270,015	326,606	257,270	266,717	240,303
Investment earnings	356,483	189,852	125,051	120,856	135,365	98,332	137,384	196,105	320,577	1,611,305
Other revenues including capital asset sales gains/losses	606,596	490,278	337,259	341,290	402,129	383,653	471,596	280,872	204,511	315,564
Interfund Transfers	127,437	-	-	-	-	-	-	-	-	-
Total governmental activities	17,661,859	16,584,523	15,933,543	15,013,585	14,997,635	14,250,879	14,245,228	14,111,735	12,283,351	16,244,222
Business-type activities:										
Investment earnings	288,692	137,182	90,172	96,152	124,495	32,179	61,950	85,834	185,570	888,622
Other revenues including capital asset sales gains/losses	(176,556)	17,579	244,056	12,860	177,085	-	(11,064)	14,085	(187)	5,367
Interfund Transfers	(127,437)	-	-	-	-	-	-	-	-	-
Total business-type activities	(15,301)	154,761	334,228	109,012	301,580	32,179	50,886	99,919	185,383	893,989
Total primary government	\$17,646,558	\$16,739,284	\$16,267,771	\$15,122,597	\$15,299,215	\$14,283,058	\$14,296,114	\$14,211,654	\$12,468,734	\$17,138,211
Change in Net Position										
Governmental activities	1,026,148	206,822	1,917,353	2,746,658	2,343,840	1,806,024	2,269,819	1,106,069	(1,458,098)	2,258,216
Business-type activities	1,635,443	11,003,648	2,774,241	3,135,381	3,854,771	2,892,957	5,879,907	7,210,971	5,428,777	5,300,102
Total primary government	\$2,661,591	\$11,210,470	\$4,691,594	\$5,882,039	\$6,198,611	\$4,698,981	\$8,149,726	\$8,317,040	\$3,970,679	\$7,558,318

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

Table 3

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General Fund										
Reserved	-	-	-	-	-	-	-	\$22,634	\$22,600	\$22,487
Unreserved	-	-	-	-	-	-	-	-	-	-
Undesignated	-	-	-	-	-	-	-	31,162,323	29,639,959	29,619,090
Total general fund	-	-	-	-	-	-	-	31,184,957	29,662,559	29,641,577
All Other Governmental Funds										
Unreserved	-	-	-	-	-	-	-	8,445,165	12,034,863	13,225,098
Total all other governmental funds	-	-	-	-	-	-	-	\$8,445,165	\$12,034,863	\$13,225,098
General Fund										
Nonspendable	\$129,567	\$728,533	\$164,537	\$78,798	\$95,869	\$153,412	\$82,143	-	-	-
Restricted	414,356	405,211	324,878	404,953	346,655	279,923	22,877	-	-	-
Committed	-	-	466,377	411,903	334,640	161,640	-	-	-	-
Assigned	3,398,061	4,444,372	1,926,174	1,518,454	1,575,954	1,776,404	454,000	-	-	-
Unassigned	42,742,751	37,779,156	39,436,838	40,422,288	37,664,228	35,048,646	33,259,590	-	-	-
Total general fund	46,684,735	43,357,272	42,318,804	42,836,396	40,017,346	37,420,025	33,818,610	-	-	-
All Other Governmental Funds										
Nonspendable	\$24,324	\$8,374	\$6,403	\$39,102	\$6,589	-	-	-	-	-
Restricted	4,996,806	5,816,234	8,750,888	6,954,041	7,731,038	8,120,447	9,111,856	-	-	-
Unassigned	(21,977)	-	-	-	-	-	-	-	-	-
Total all other governmental funds	\$4,999,153	\$5,824,608	\$8,757,291	\$6,993,143	\$7,737,627	\$8,120,447	\$9,111,856	-	-	-

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									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Revenues										
Property taxes	\$11,285,174	\$11,169,794	\$11,006,897	\$10,800,038	\$10,628,512	\$10,437,042	\$10,636,178	\$10,446,328	\$8,363,266	\$8,053,549
Real estate transfer tax	4,990,351	4,493,193	4,210,416	3,462,321	3,541,753	3,021,612	2,605,293	2,788,504	3,069,250	5,979,675
Residential telephone surcharge	270,015	270,015	270,015	270,014	270,015	270,015	326,606	257,270	266,717	240,303
Grant	3,248,120	3,131,410	3,429,917	3,215,133	2,869,129	3,182,848	3,541,715	5,170,947	3,571,148	3,083,437
Fees for services	8,879,574	8,000,868	7,600,583	7,584,720	7,559,452	8,121,584	7,657,438	6,246,784	6,465,036	7,006,177
Investment income	355,562	189,768	125,050	120,780	135,209	98,244	137,332	196,023	315,258	1,583,824
Rental income	23,206	25,214	23,186	23,186	23,186	23,186	23,186	23,186	23,186	23,186
Other revenues	572,647	634,623	382,934	533,503	558,597	518,120	509,595	430,080	199,814	257,204
Total revenues	29,624,649	27,914,885	27,048,998	26,009,695	25,585,853	25,672,651	25,437,343	25,559,122	22,273,675	26,227,355
Expenditures										
General government	2,619,095	2,449,734	2,298,729	2,146,936	2,006,474	2,161,774	1,254,207	1,225,242	1,478,311	1,663,908
Special grants and programs	2,029,897	2,029,654	2,129,742	1,857,709	1,641,823	1,502,929	1,692,586	1,927,973	1,786,920	1,413,741
Community services	3,919,945	3,364,778	3,286,031	3,219,480	3,139,070	3,123,137	3,002,012	3,277,193	3,680,715	4,416,325
Planning services	5,531,576	5,574,143	5,429,838	5,305,694	5,265,108	5,856,408	6,194,664	6,758,693	5,617,129	5,534,692
Public safety	9,159,617	8,397,723	8,167,844	7,999,004	8,003,221	7,415,340	7,063,764	7,071,108	6,870,332	6,344,913
Row offices	1,811,765	1,746,378	1,775,271	1,686,840	1,626,109	1,783,031	2,453,329	2,508,274	2,952,400	2,775,101
Economic development	358,382	1,555,085	287,819	44,180	372,300	751,348	38,589	107,009	42,672	284,274
Debt service:										
Bond Issue Costs	-	-	53,254	-	-	-	-	-	-	-
Principal	507,516	454,545	166,729	161,523	157,236	150,347	145,140	140,854	138,250	133,504
Interest and fiscal charges	235,138	200,693	242,113	231,584	237,592	243,149	248,151	252,595	256,444	259,649
Capital outlay	1,077,147	9,036,367	2,146,144	1,282,179	922,419	75,182	44,557	4,357,481	619,755	731,614
Total expenditures	27,250,078	34,809,100	25,983,514	23,935,129	23,371,352	23,062,645	22,136,999	27,626,422	23,442,928	23,557,721
Excess of revenues over (under) expenditures	2,374,571	(6,894,215)	1,065,484	2,074,566	2,214,501	2,610,006	3,300,344	(2,067,300)	(1,169,253)	2,669,634
Other Financing Sources (Uses)										
Transfers in	1,522,811	3,454,710	4,786,473	867,809	1,277,547	521,671	1,695,003	706,731	1,567,215	2,897,244
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	(1,395,374)	(3,454,710)	(4,786,473)	(867,809)	(1,277,547)	(521,671)	(1,695,003)	(706,731)	(1,567,215)	(2,897,244)
Total other financing sources (uses)	127,437	5,000,000	181,072	-	-	-	-	-	-	-
Net change in fund balances	\$2,502,008	(\$1,894,215)	\$1,246,556	\$2,074,566	\$2,214,501	\$2,610,006	\$3,300,344	(\$2,067,300)	(\$1,169,253)	\$2,669,634
Debt service as a percentage of noncapital expenditures	2.84%	2.54%	1.94%	1.74%	1.76%	1.71%	1.78%	1.69%	1.73%	1.72%

2017 Comprehensive Annual Financial Report for Kent County, Delaware
 Statistical Section

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
2017	\$ 11,285,174	\$ 4,990,351	\$ 16,275,525
2016	11,169,794	4,493,193	15,662,987
2015	11,006,897	4,210,416	15,217,313
2014	10,800,038	3,462,321	14,262,359
2013	10,628,512	3,541,753	14,170,265
2012	10,437,042	3,021,612	13,458,654
2011	10,636,178	2,605,293	13,241,471
2010	10,446,328	2,788,504	13,234,832
2009	8,363,266	3,069,250	11,432,516
2008	8,053,549	5,979,675	14,033,224

2017 Comprehensive Annual Financial Report for Kent County, Delaware
Statistical Section

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)
2017	\$ 3,605,299,600	\$ 83,266,434	\$ 3,522,033,166	0.30	N/A
2016	3,544,204,100	76,560,568	3,467,643,532	0.30	N/A
2015	3,491,974,200	75,597,936	3,416,376,264	0.30	N/A
2014	3,437,231,100	74,558,083	3,362,673,017	0.30	N/A
2013	3,377,856,800	65,688,100	3,312,168,700	0.30	N/A
2012	3,328,644,200	65,825,600	3,262,818,600	0.30	N/A
2011	3,260,424,500	73,702,700	3,186,721,800	0.31	N/A
2010	3,247,024,800	70,311,000	3,176,713,800	0.31	N/A
2009	3,131,607,800	53,219,800	3,078,388,000	0.25	N/A
2008	3,027,225,600	51,500,000	2,975,725,600	0.25	N/A

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 year 2008 is 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									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Direct										
County tax	\$0.3000	\$0.3000	\$0.3000	\$0.3000	\$0.3000	\$0.3000	\$0.3100	\$0.3100	\$0.2500	\$0.2500
Library tax (1)	0.0330	0.0330	0.0330	0.0330	0.0330	0.0330	0.0370	0.0370	0.0370	0.0370
Total Direct	\$0.3330	\$0.3330	\$0.3330	\$0.3330	\$0.3330	\$0.3330	\$0.3470	\$0.3470	\$0.2870	\$0.2870
School Districts										
Caesar Rodney	\$1.5650	\$1.2350	\$1.2350	\$1.2450	\$1.2450	\$1.2200	\$1.1650	\$1.1250	\$1.1250	\$1.1250
Capital	1.8065	1.8115	1.8215	1.8500	1.9090	1.8320	1.7685	1.5435	1.4800	1.5340
Lake Forest	1.4745	1.4498	1.4257	1.3163	1.1569	1.1097	1.1112	1.1600	1.1898	1.2263
Milford	1.9077	1.2626	1.2308	1.2692	1.2165	1.2846	1.3088	1.2422	1.1661	1.1147
Polytech	0.1484	0.1415	0.1372	0.1372	0.1372	0.1351	0.1304	0.1219	0.1219	0.1160
Smyrna	1.7674	1.7835	1.6433	1.4161	1.3240	1.2716	1.2529	1.2600	1.1967	1.1090
Woodbridge	1.3310	1.3310	1.3340	1.3610	1.3720	1.2840	1.2090	1.2130	1.1090	1.0980
Incorporated Areas										
Bowers Beach	\$0.6000	\$0.6000	\$0.6000	\$0.6000	\$0.6000	\$0.6000	\$0.6000	\$0.3000	\$0.3000	\$0.3000
Camden	1.4200	1.4200	1.4200	1.4200	1.4200	1.4200	1.2000	1.2000	0.9000	0.7000
Cheswold	0.6000	0.6000	0.6000	0.6000	0.6000	0.6000	0.6000	0.6000	0.6000	0.6000
Clayton	0.7500	0.6500	0.6500	0.6500	0.6500	0.6500	0.6500	0.6500	0.6500	0.6500
Dover	0.4050	0.4050	0.3378	0.3378	0.3378	0.3378	0.3378	0.3300	0.3300	0.3300
Farmington	0.7500	0.7500	0.7500	0.7500	0.7500	0.7500	0.5500	0.5500	0.5500	0.5500
Felton	0.9100	0.9100	0.9100	0.9100	0.9100	0.8100	0.7100	0.6100	0.6100	0.6100
Frederica	1.2500	1.2500	1.0000	1.0000	1.0000	0.7500	0.6500	0.6500	0.5200	0.5200
Harrington	1.0600	1.0600	1.0600	0.7100	0.7100	0.7100	0.7100	0.7100	0.7100	0.7100
Hartly	0.0200	0.0200	0.0200	0.0200	0.0200	0.0200	0.0200	0.0200	0.0200	0.0200
Houston	0.1500	0.1500	0.1500	0.1200	0.1200	0.1200	0.1200	0.1200	0.1200	0.1200
Kenton	0.1200	0.1200	0.1200	0.1200	0.1200	0.1200	0.1200	0.1200	0.1200	0.1200
Leipsic	0.4225	0.4225	0.4225	0.4225	0.4225	0.4225	0.4225	0.6500	0.6500	0.6500
Little Creek	0.3500	0.3500	0.3500	0.3500	0.3500	0.3500	0.3500	0.3500	0.3500	0.3500
Magnolia	0.4000	0.4000	0.4000	0.4000	0.4000	0.4000	0.4000	0.4000	0.4000	0.4000
Milford	0.4600	0.4600	0.4600	0.4600	0.4600	0.4600	0.4600	0.4600	0.4600	0.4600
Smyrna	0.4000	0.3600	0.3600	0.3100	0.2900	0.2526	0.2526	0.2526	0.2526	0.1726
Viola	0.2000	0.2000	0.2000	0.2000	0.2000	0.2000	0.2000	0.2000	0.2000	0.2000
Woodside	0.2000	0.2000	0.2000	0.2000	0.2000	0.2000	0.2000	0.2500	0.2000	0.2500
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

2017 Comprehensive Annual Financial Report for Kent County, Delaware
 Statistical Section

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

Table 8

	2017			2008		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Valuation	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Valuation
Dover Downs	\$45,167,100	1	1.28%	\$30,484,200	2	1.02%
Chesapeake Utilities	35,952,900	2	1.02%	33,942,500	1	1.14%
Delmarva Power & Light	32,098,300	3	0.91%	16,062,800	7	0.54%
Diamond State Telephone	19,604,300	4	0.56%	25,922,000	3	0.87%
Wal-Mart Stores	19,131,200	5	0.54%	21,332,300	5	0.72%
Dover Mall	18,671,900	6	0.53%	21,748,600	4	0.73%
Wal-Mart Real Estate Business	17,568,800	7	0.50%	16,868,600	6	0.57%
Dover International Speedway, Inc.	16,444,900	8	0.47%	12,312,400	9	0.41%
General Foods	14,017,300	9	0.40%	13,975,200	8	0.47%
Gaming Entertainment Del	12,240,200	10	0.35%			0.00%
Rudolph/Stephen Von Croy/Von Croy Family Trust				11,460,000	10	0.39%
	\$230,896,900		6.56%	\$204,108,600		6.86%

Source: Assessment Division, Kent County Levy Court, Delaware

2017 Comprehensive Annual Financial Report for Kent County, Delaware
 Statistical Section

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
2017	\$ 11,336,334	\$ 11,094,059	97.86%	\$ -	\$ 11,094,059	97.86%
2016	11,156,441	10,903,302	97.73%	153,440	11,056,742	99.11%
2015	10,993,270	10,729,902	97.60%	195,222	10,925,124	99.38%
2014	10,823,058	10,521,723	97.22%	245,782	10,767,505	99.49%
2013	10,651,409	10,335,366	97.03%	269,802	10,605,168	99.57%
2012	10,479,907	10,144,374	96.80%	297,898	10,442,272	99.64%
2011	10,705,791	10,357,446	96.75%	313,577	10,671,023	99.68%
2010	10,591,765	10,248,753	96.76%	311,807	10,560,560	99.71%
2009	8,423,529	8,185,405	97.17%	216,504	8,401,909	99.74%
2008	8,094,994	7,916,725	97.80%	159,488	8,076,213	99.77%

Source: Finance Department, Kent County Levy Court, Delaware

2017 Comprehensive Annual Financial Report for Kent County, Delaware
Statistical Section

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	3,362,673,017				
2017	\$ 4,416,675	\$ 4,489,548	\$ 52,448,629	\$ 61,354,852	*	180,610	\$ 340
2016	4,664,771	4,770,256	53,530,384	62,965,411	0.94%	175,110	360
2015	4,910,860	-	49,472,214	54,383,074	0.82%	173,529	313
2014	4,868,378	-	42,397,946	47,266,324	0.75%	171,762	275
2013	5,028,045	-	43,999,246	49,027,291	0.79%	169,381	289
2012	5,183,427	-	44,204,816	49,388,243	0.81%	167,608	295
2011	5,331,920	-	45,125,231	50,457,151	0.87%	165,237	305
2010	5,475,206	-	21,246,636	26,721,842	0.46%	162,978	164
2009	5,614,206	-	15,644,445	21,258,651	0.39%	157,740	135
2008	5,750,603	-	15,710,820	21,461,423	0.42%	155,487	138

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

2017 Comprehensive Annual Financial Report for Kent County, Delaware
Statistical Section

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
2017	\$3,522,033,166	\$56,865,304	1.61%	180,610	\$315
2016	3,467,643,532	58,195,155	1.68%	175,110	332
2015	3,416,376,264	54,383,074	1.59%	173,529	313
2014	3,362,673,017	47,266,324	1.41%	171,762	275
2013	3,312,168,700	49,027,291	1.48%	169,381	289
2012	3,262,818,600	49,388,243	1.51%	167,608	295
2011	3,186,721,800	50,457,151	1.58%	165,237	305
2010	3,176,713,800	26,721,842	0.84%	162,978	164
2009	3,078,388,000	21,258,651	0.69%	157,740	135
2008	2,975,725,600	21,461,423	0.72%	155,487	138

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, 2017

Table 12

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Amount Applicable to Kent County Levy Court
School Districts:			
Caesar Rodney	\$13,234,460	100.0%	\$13,234,460
Capital	55,616,655	100.0%	55,616,655
Lake Forest	5,289,640	100.0%	5,289,640
Milford	10,876,160	64.2%	6,982,495
Polytech	11,296,935	100.0%	11,296,935
Smyrna	21,393,784	85.1%	18,206,110
Woodbridge	13,457,525	22.5%	3,027,943
Total School Districts			113,654,238
Incorporated Areas:			
Camden	2,683,720	100.0%	\$2,683,720
Dover	6,782,401	100.0%	6,782,401
Smyrna	23,843,438	85.1%	20,290,766
Total Incorporated Areas:			29,756,887
Subtotal, overlapping debt			\$143,411,125
Kent County Levy Court direct debt	8,906,223	100.0%	8,906,223
Total direct and overlapping debt			\$152,317,348

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									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Taxable assessed value	\$3,522,033,166	\$3,467,643,532	\$3,416,376,264	\$3,362,673,017	\$3,312,168,700	\$3,262,818,600	\$3,186,721,800	\$3,176,713,800	\$3,078,388,000	\$2,975,725,600
Debt limit (12% of taxable assessed value)	\$422,643,980	\$416,117,224	\$409,965,152	\$403,520,762	\$397,460,244	\$391,538,232	\$382,406,616	\$381,205,656	\$369,406,560	\$357,087,072
Amount of debt subject to the debt limit	56,865,304	58,195,155	54,383,074	47,266,324	49,027,291	49,388,243	50,457,151	26,721,842	21,258,651	21,461,423
Legal debt margin	\$365,778,676	\$357,922,069	\$355,582,078	\$356,254,438	\$348,432,953	\$342,149,989	\$331,949,465	\$354,483,814	\$348,147,909	\$335,625,649
Percentage of legal debt margin available	86.55%	86.01%	86.73%	88.29%	87.66%	87.39%	86.81%	92.99%	94.25%	93.99%
Percentage of legal debt margin exhausted	13.45%	13.99%	13.27%	11.71%	12.34%	12.61%	13.19%	7.01%	5.75%	6.01%

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)
2017	180,610	37.6	*	*	30,858	5.7%
2016	175,110	37.1	38,178	6,685,349,580	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%

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

**EMPLOYMENT BY SELECTED INDUSTRY (MAJOR EMPLOYERS)
 CURRENT YEAR AND NINE YEARS AGO**

Table 15

Industry Description	2017 1st Quarter			2008 1st Quarter		
	Number of Employees	Rank	Percentage of Total County Employment	Number of Employees	Rank	Percentage of Total County Employment
Government	18,725	1	28.4%	18,304	1	29.2%
Health care and social assistance	9,551	2	14.5%	7,684	3	12.3%
Retail trade	9,392	3	14.3%	9,884	2	15.8%
Accommodation and food services	5,477	4	8.3%	4,759	4	7.6%
Manufacturing	5,045	5	7.7%	3,533	5	5.6%
Construction	2,492	6	3.8%	3,040	6	4.8%
Administrative and waste services	2,327	7	3.5%	2,350	7	3.7%
Professional and technical services	2,038	8	3.1%	1,580	9	2.5%
Other services, except public administration	1,509	9	2.3%	1,959	8	3.1%
Finance and insurance	1,186	10	1.8%	1,548	10	2.5%
	<u>57,742</u>		87.6%	<u>54,641</u>		87.1%
Total, All Industries	65,888			62,719		

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	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Administration	31	31	30	30	30	28	28	29	32	31
General Administration	13	13	13	13	13	13	13	14	15	15
Economic Development (1)	2	2	2	2	2	-	-	-	-	-
Personnel	4	4	4	4	4	4	4	4	5	4
Information Technology	12	12	11	11	11	11	11	11	12	12
Finance	19	18	18	18	18	18	13	13	15	15
Administration	3	3	3	3	3	3	3	3	4	4
Accounting	11	10	10	10	10	10	10	10	11	11
Tax Section (2)	5	5	5	5	5	5	-	-	-	-
Board of Assessment	11	11	11	11	14	14	16	17	16	16
Assessment	11	11	11	11	11	11	13	14	13	13
Board of Assessment (3)	-	-	-	-	3	3	3	3	3	3
Community Services	22	22	20	20	20	20	21	25	26	26
Administration	2	2	2	2	2	2	2	2	2	2
Library	7	6	6	6	6	6	6	7	8	8
Parks	8	8	8	8	8	8	9	10	10	10
Recreation	3	4	4	4	4	4	4	6	6	6
Recreation Center	2	2	-	-	-	-	-	-	-	-
Planning Services	36	36	37	38	38	39	39	42	50	50
Administration	2	2	2	2	2	2	2	2	2	2
Geographic Information Systems	5	5	5	5	5	6	6	6	6	6
Inspections & Enforcement	15	15	15	16	16	16	16	18	21	21
Zoning Inspections & Enforcement	1	1	1	1	1	1	1	0	2	2
Planning	8	8	9	9	9	9	9	11	12	12
Grants	4	4	4	4	4	4	4	4	5	5
Manufactured Housing	1	1	1	1	1	1	1	1	2	2
Public Safety	79	78	72	72	71	71	68	69	70	66
Administration	2	2	2	2	1	1	1	1	1	1
Emergency Communications	25	24	24	24	24	24	22	20	20	20
Emergency Management	2	2	2	2	1	1	1	2	2	2
Emergency Medical Services	50	50	44	44	45	45	44	46	47	43
Facilities Management	12	12	10	10	10	10	10	11	12	12
Row Offices	24	25	25	25	25	25	32	38	39	38
Clerk of the Peace	3	3	3	3	3	3	3	3	3	3
Comptroller (4)	2	3	3	3	3	3	3	3	3	3
Receiver of Taxes (2)	-	-	-	-	-	-	7	7	7	7
Recorder of Deeds	6	6	6	6	6	6	6	12	13	13
Register of Wills	5	5	5	5	5	5	5	5	5	4
Sheriff	8	8	8	8	8	8	8	8	8	8
Public Works	69	68	68	68	67	67	64	61	65	65
Engineering	14	13	13	13	13	13	13	12	18	19
Environmental Programs (5)	3	3	3	3	3	3	3	3	-	-
KCWTF-Operations	19	19	19	19	19	19	19	21	20	21
KCWTF-Maintenance	25	25	25	25	25	25	23	19	21	20
KCWTF-Treatment Plant	8	8	8	8	7	7	6	6	6	5
Total	303	301	291	292	293	292	291	305	325	319

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 June 2011 the elected Office of Receiver of Taxes was eliminated; its functions absorbed by the Finance Department
- (3) Effective January 2013 the salaried Board of Assessment was replaced with an appointed board
- (4) Effective January 2017 the elected Office of the Comptroller was eliminated; its functions absorbed by the Finance Department
- (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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Function/Program										
Community Services										
Library										
Population of service area	40,970	40,970	40,523	40,097	39,719	38,891	38,891	35,879	32,956	32,132
Number of public workstations	29	29	25	19	19	19	19	14	10	10
Number of public internet sessions	14,427	15,306	13,895	15,153	20,486	21,379	20,648	*	24,527	*
WiFi usage, number of public sign-ins/use	8,497	6,921	7,200	4,422	*	*	*	none	none	none
Annual circulation of materials	131,524	173,670	156,175	153,518	193,199	190,613	174,490	137,546	124,389	100,569
eBook circulation	11,125	10,529	11,265	7,293	4,403	none	none	none	none	none
Size of collection	36,986	39,934	41,971	40,945	41,190	46,747	45,680	39,096	*	*
Annual visitors to library	153,418	143,564	135,115	105,403	129,918	118,182	146,750	82,725	88,162	74,950
Annual number of programs	377	332	377	358	298	282	302	309	253	347
Annual program attendance	16,423	12,036	13,171	12,852	8,232	10,855	13,077	10,261	5,633	4,701
Number of cardholders/borrowers	12,928	13,995	13,328	12,899	10,878	9,975	9,568	6,987	*	*
Total weekly hours	63	63	63	63	71	71	73	73	72	*
Bookmobile										
Population of service area	17,207	17,207	17,019	16,840	16,682	16,334	16,334	19,176	19,176	19,176
Annual circulation of materials	6,910	10,052	15,617	12,091	14,690	19,334	14,535	13,921	16,881	13,890
eBook circulation	166	282	351	193	156	none	none	none	none	none
Size of collection	981	1,450	1,686	2,041	2,278	3,372	3,296	2,600	*	*
Annual visitors to bookmobile (1)	4,532	5,450	8,449	7,386	11,204	16,001	19,880	10,449	9,269	7,810
Annual number of programs	17	18	10	13	17	5	3	0	11	7
Annual program attendance	1,662	1,805	1,094	1,668	2,327	655	47	0	135	82
Number of borrowers	481	484	484	492	502	588	697	534	*	*
Total weekly hours	25	35	35	35	35	35	35	35	31	*
Parks and Recreation										
Programs:										
Adult	133	131	147	158	136	105	*	*	*	*
Fitness	120	96	92	107	131	134	*	*	*	*
Leagues	51	15	10	21	17	14	*	*	*	*
Punch cards (2)	702	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Camps	53	51	51	44	47	21	*	*	*	*
Tot	108	98	108	137	173	151	*	*	*	*
Youth	119	129	160	184	188	172	*	*	*	*
Trips	27	36	40	40	49	34	*	*	*	*
Special events	8	12	8	11	13	12	*	*	*	*
Tournaments	1	1	1	1	2	3	*	*	*	*
Rental permits - Parks / Recreation Center (2)	17 / 19	19	17	19	12	8	*	*	*	*

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

Table 17 continued

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Function/Program										
Planning Services										
Administrative applications:										
Minor subdivision	35	39	36	36	52	45	34	46	49	68
Minor lot line adjustment	25	28	32	28	23	28	20	22	24	38
Lot consolidation	6	11	10	11	18	8	9	6	8	10
Administrative variance	13	13	9	6	5	16	7	7	9	11
Home occupation	12	20	12	19	15	24	21	22	27	25
Accessory dwelling	8	10	7	12	5	10	8	4	*	*
Elder Cottage Housing Opportunity (ECHO)	1	3	2	1	2	0	5	3	4	5
Regional Planning Commission applications:										
Conditional use without site plan	4	5	7	4	5	10	8	9	6	16
Conditional use with site plan	8	3	8	8	9	3	8	6	16	20
Site plan	9	5	4	4	5	3	5	3	9	9
Subdivision	1	2	1	3	4	0	4	7	5	3
Subdivision waiver	21	17	14	24	17	20	18	14	9	12
Rezoning	1	2	0	2	3	1	0	1	2	0
Rezoning and comprehensive plan amendment	11	5	6	4	4	10	6	2	10	18
Transfer development rights	0	0	0	0	0	0	0	1	0	0
Agricultural preservation	0	1	3	1	1	1	2	1	1	2
Board of Adjustment applications	47	62	29	34	30	40	59	33	54	59
Building Permits Issued	3,624	3,602	3,290	3,138	3,266	2,952	3,025	3,134	3,448	4,461
Public Safety (3)										
9-1-1 calls	*	92,734	93,809	88,687	87,409	94,247	97,247	92,146	90,798	107,228
DSP non-emergency calls	*	91,191	93,828	95,768	92,861	95,330	95,304	101,938	107,649	112,449
Fire & EMS non-emergency calls	*	51,566	55,548	56,497	59,708	63,421	65,176	72,071	74,820	87,059
DNREC calls	*	11,489	10,762	11,505	11,976	12,524	12,945	14,074	15,974	18,248
EMS dispatches	*	29,138	27,964	24,949	23,141	23,583	22,164	21,771	21,230	20,346
Fire dispatches	*	6,489	6,298	5,898	5,770	5,897	6,273	6,124	5,754	6,120

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

Table 17 continued

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Function/Program										
Row Offices										
Clerk of the Peace										
Marriage licenses, resident	1,105	1,007	1,017	1,061	975	1,051	*	*	*	1,055
Marriage licenses, non-resident	63	56	54	50	48	58	*	*	*	
Certified copy	306	288	281	324	269	286	*	*	*	227
Ceremony fee	498	423	467	520	476	278	*	*	*	487
Recorder of Deeds										
Deeds recorded	5,457	4,921	4,496	4,255	4,210	4,125	3,678	3,707	3,704	4,863
Mortgages recorded	6,076	5,733	5,303	5,130	7,014	5,590	5,444	5,953	7,213	10,302
Miscellaneous documents recorded	11,025	10,714	9,962	10,897	13,529	11,418	10,337	11,312	13,697	15,591
Register of Wills										
Estates opened	516	440	489	469	*	*	*	*	*	*
Estates closed	438	442	495	526	*	*	*	*	*	*
Sheriff										
Service trips for court documents	15,901	14,683	17,736	21,321	15,929	14,917	14,413	15,273	*	*
Sheriff foreclosure sales	873	699	689	801	620	1,094	1,139	848	*	*
Personal property sales	25	31	35	40	35	40	55	23	*	*
Sheriff monition sales	111	239	199	171	190	215	132	61	*	*
Public Works										
Sewer customers number of bills mailed 6/15	14,208	13,690	13,508	13,012	12,500	12,010	11,355	10,822	10,415	9,929
Sewer EDU's billed, without lot fees 6/15	20,476.2	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
Sewer flows processed:										
Total gallons (in millions)	4,388	4,543	4,711	4,429	4,216	4,273	4,023	5,055	4,097	4,088
Contract users portion of total gallons (in millions)	3,399	3,510	3,669	3,734	3,286	3,296	3,078	3,850	3,226	3,324
Number of sewer districts	32	32	32	31	29	29	28	27	27	25
Number of street light districts	136	133	133	132	131	127	126	122	117	111
Number of households served for street lights	13,874	13,477	13,207	12,883	12,524	12,189	12,075	11,530	10,843	9,640
Number of trash collection districts	140	138	138	136	136	134	132	128	128	122
Number of households served for trash collection	14,285	13,889	13,535	13,087	12,697	12,297	12,014	11,567	11,257	11,017

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) FY17 is first full year the new Kent County Recreation Center was in operation
- (3) Public Safety data is on a calendar year basis

* Information unavailable

2017 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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Function/Program										
General Government:										
Number of general government buildings	1	1	1	1	1	1	1	1	1	1
Economic Development:										
Buildings	2	1	-	-	-	-	-	-	-	-
Acres of land	117	111	19	19	19	19	19	19	19	19
Community Services										
Number of parks	7	7	7	7	7	7	7	7	6	6
Acres of park land	503	503	503	503	503	503	503	503	449	449
Number of suburban parks	3	3	3	3	3	3	3	3	3	3
Number of recreation centers	1	1	-	-	-	-	-	-	-	-
Number of County-owned library buildings (1)	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	101	97	97	93	92	92	88	88	88	71
Miles of force-main piping	177	171	171	162	157	167	139	133	131	126
Miles of gravity piping	237	230	230	228	225	222	220	210	195	184
Acres of farm property (for bio-solid application)	871	877	966	966	968	968	968	976	976	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

December 8, 2017

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, 2017, 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 8, 2017.

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

INDEPENDENT AUDITOR'S
REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTRC
OVER COMPLIANCE REQUIRED BY
THE UNIFORM GUIDANCE

December 8, 2017

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 the County's major federal program for the year ended June 30, 2017. The County's major federal program is 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 the County's major federal program 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.

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 its major federal program for the year ended June 30, 2017.

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 its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its 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
BARBACANE, THORNTON & COMPANY LLP



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**KENT COUNTY LEVY COURT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017**

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 - 01-15	I	10.433	N/A	11/24/15-11/24/16	\$ 17,045	\$ -	\$ -
Grant HPG - 01-16	I	10.433	N/A	10/01/16-10/01/17	1,793	-	-
Housing Preservation Grant Program Income	I	10.433	N/A		1,960	-	-
Subtotal #10.433					<u>20,798</u>	<u>-</u>	<u>-</u>
Water and Waste Disposal Systems for Rural Communities:							
Wastewater Treatment Plant Upgrades - Loan	D	10.760	39	N/A	3,287,798	-	3,287,798
Milford Neck Septic Elimination - Loan	D	10.760	92-37	N/A	453,000	-	453,000
Milford Neck Septic Elimination - Grant	D	10.760	00-38	N/A	356,902	-	-
Subtotal #10.760					<u>4,097,700</u>	<u>-</u>	<u>3,740,798</u>
Total U.S. Department of Agriculture					<u>4,118,498</u>	<u>-</u>	<u>3,740,798</u>
<u>U.S. Department of Housing and Urban Development</u>							
Passed through the Delaware State Housing Authority							
Community Development Block Grants/State's Program:							
Combined CDBG Grant	I	14.228	01-15	7/1/15-6/30/16	200,706	-	-
Combined CDBG Grant	I	14.228	01-15	7/1/16-6/30/17	486,142	-	-
Combined CDBG Grant Program Income	I	14.228	N/A	N/A	20,162	-	-
Neighborhood Stabilization Program (NSP) Grant Program Income	I	14.228	N/A	N/A	11,046	-	-
Subtotal #14.228					<u>718,056</u>	<u>-</u>	<u>-</u>
HOME Investment Partnerships Program:							
Home Program	I	14.239	HM-01-15	07/01/15-09/30/16	33,628	-	-
Home Program	I	14.239	HM-01-16	07/01/16-09/30/17	258,802	-	-
Subtotal #14.239					<u>292,430</u>	<u>-</u>	<u>-</u>
NSP Grant / Recovery Act Funded Program Income	I	14.256	N/A	N/A	176,643	-	-
Total U.S. Department of Housing and Urban Development					<u>1,187,129</u>	<u>-</u>	<u>-</u>
<u>U.S. Department of Transportation</u>							
Passed through the State of Delaware, Department of Safety and Homeland Security / DE Emergency Management Agency							
Hazardous Materials Emergency Preparedness Training and Planning Grants							
HMEP 2016	I	20.703	N/A	10/1/15-9/30/16	2,400	-	-
HMEP 2017	I	20.703	N/A	10/1/16-9/30/17	2,000	-	-
Subtotal #20.703					<u>4,400</u>	<u>-</u>	<u>-</u>
Total U.S. Department of Transportation					<u>4,400</u>	<u>-</u>	<u>-</u>

Continued on next page.

**KENT COUNTY LEVY COURT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017**

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 Homeland Security</u>							
<u>Passed through the State of Delaware, Department of Safety and Homeland Security / DE Emergency Management Agency</u>							
Emergency Management Performance Grant: FY16	I	97.042	EMPG-16-001	10/1/15-12/31/17	124,125	-	-
Homeland Security Grant Program:							
Dover Air Force Base Exercise	I	97.067	N/A	09/01/14-11/30/16	900	-	-
Advanced Law Enforcement Rapid Response Training	I	97.067	N/A	09/01/14-11/30/16	1,492	-	-
Smart 911 License	I	97.067	N/A	09/01/14-11/30/16	24,000	-	-
Microsoft License	I	97.067	N/A	9/1/14-11/30/16	243	-	-
Body Armor	I	97.067	N/A	09/01/14-11/30/16	990	-	-
Subtotal #97.067					<u>27,625</u>	-	-
Total U.S. Department of Homeland Security					<u>151,750</u>	-	-
TOTAL EXPENDITURES OF FEDERAL AWARDS					\$ 5,461,777	\$ -	\$ 3,740,798

Source Code:

D = Direct Federal Funding
I = Indirect Federal Funding

KENT COUNTY, DELAWARE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2017

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, 2017.

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, 2017 was \$85,500.

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, 2017 was \$131,151 (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, 2017 was \$137,384 (83.33 percent federal funds; 16.67 percent state funds).

KENT COUNTY, DELAWARE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2017

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, 2017 was \$104,504 (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, 2017 was \$28,408 (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, 2017 was \$603,949.

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, 2017 was \$340,245.

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, 2017 was \$11,405,173 (83.33 percent federal funds; 16.67 percent state funds).

KENT COUNTY, DELAWARE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2017

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, 2017 was \$2,156,128.

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, 2017 was \$101,000.

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, 2017 was \$914,481.

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, 2017 was \$2,718,861.

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 no expenditures related to it are reflected in the schedule of expenditures of federal awards. The loan balance at June 30, 2017 was \$4,346,519.

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, 2017 was \$5,561,965.

KENT COUNTY, DELAWARE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2017

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 no expenditures related to it are reflected in the schedule of expenditures of federal awards. The loan balance at June 30, 2017 was \$2,825,408.

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, 2017 was \$900,000 (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 no expenditures related to it are reflected in the schedule of expenditures of federal awards. The loan balance at June 30, 2017 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, 2017 was \$415,956 (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, 2017 was \$128,514 (83.33 percent federal funds; 16.67 percent state funds).

KENT COUNTY, DELAWARE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2017

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 \$812,037 are reflected in the schedule of expenditures of federal awards. The loan balance at June 30, 2017 was \$3,287,798.

During fiscal year 2017, the County was awarded \$668,000 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 \$453,000 are reflected in the schedule of expenditures of federal awards. The loan balance at June 30, 2017 was \$453,000.

NOTE 4 INDIRECT COST RATE

The County has not elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance. For the year ended June 30, 2017, there were no indirect costs included in the schedule of expenditures of federal awards.

KENT COUNTY, DELAWARE
 SCHEDULE OF FINDINGS AND RECOMMENDATIONS
 YEAR ENDED JUNE 30, 2017

PART A - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Unmodified

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

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

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?

_____ Yes X No

Identification of major program:

CFDA Number

10.760

Name of Federal Program or Cluster
Water and Waste Disposal Systems for Rural Communities

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

\$750,000

Auditee qualified as low-risk auditee?

 X Yes _____ No

KENT COUNTY, DELAWARE
SCHEDULE OF FINDINGS AND RECOMMENDATIONS (cont'd)
YEAR ENDED JUNE 30, 2017

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.



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