

2017

New Castle County, Delaware Comprehensive Annual Financial Report



For The Fiscal Year Ended June 30, 2017



Honesty ❖ Transparency ❖ Efficiency

**NEW CASTLE COUNTY, DELAWARE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**Prepared by the Office of Finance
J. Brian Maxwell, Chief Financial Officer**

**New Castle County, Delaware
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2017
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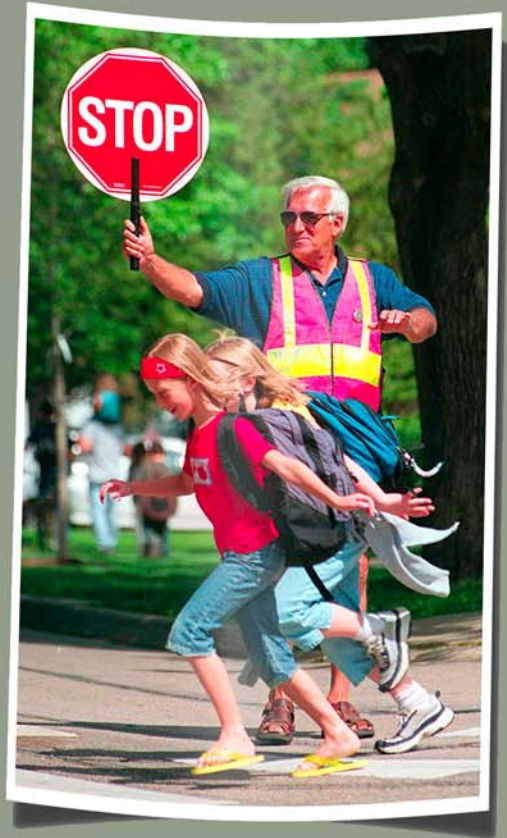
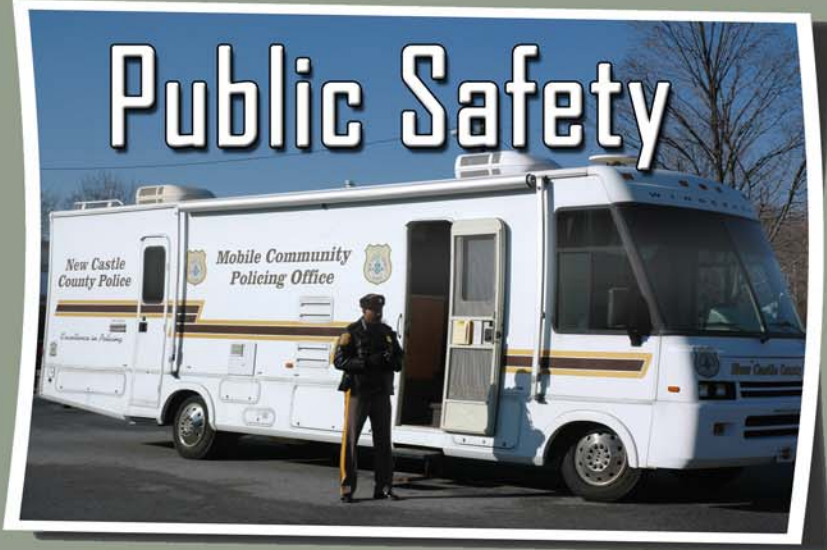
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Public Safety





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nccde.org

OFFICE OF FINANCE

November 03, 2017

**To the Honorable Members of County Council
and Citizens of New Castle County:**

New Castle County Code requires New Castle County to provide information pertaining to the financial affairs of the County. To satisfy this requirement, the County publishes the Comprehensive Annual Financial Report (“CAFR”). The annual report is submitted herewith, and includes, as required by Code, financial statements that have been examined by an independent firm of certified public accountants. The complete set of financial statements is presented in conformity with generally accepted accounting principles (“GAAP”) and audited in accordance with generally accepted auditing standards. Pursuant to that requirement, we hereby issue the Comprehensive Annual Financial Report of New Castle County, Delaware (“County”), for the fiscal year that ended June 30, 2017. This report will provide the public with a clear picture of New Castle County’s financial situation.

This report consists of management’s representations concerning the finances of the County. Consequently, management assumes full responsibility for the completeness and reliability of all information presented in this report. To provide a reasonable basis for making these representations, County management has established a comprehensive internal control framework that is designed to protect the County’s assets from loss, theft or misuse, and to compile sufficient reliable information for the preparation of the financial statements in conformity with GAAP. Because the costs of internal controls should not outweigh their benefits, the County’s comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The County’s financial statements have been audited by CliftonLarsonAllen LLP, a firm of licensed certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the County for the fiscal year ended June 30, 2017 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and the significant estimates made by management; and evaluating the overall financial statement presentation. CliftonLarsonAllen LLP concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the County’s financial statements for the fiscal year ended June 30, 2017 are fairly

presented in conformity with GAAP. An unmodified opinion is the best opinion possible. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the County is part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the County's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. Included in the Single Audit is the schedule of expenditures of federal awards and the auditor's report on the internal control structure and compliance with applicable laws and regulations.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis ("MD&A"). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. New Castle County's MD&A can be found immediately following the report from the independent auditor.

Profile of New Castle County

New Castle County is located in the northern portion of the State of Delaware. New Castle County is the most populous county in Delaware, encompassing 426 square miles with a population density of 1,323 citizens per square mile. The County is bordered on the east for 40 miles by the Delaware River, on the north by Pennsylvania, on the west by Maryland, and on the south by Kent County, Delaware. The City of Wilmington, the county seat, is the largest incorporated city in the State.

The County Government was established on January 3, 1967, replacing the Levy Court Commission with a Council-Executive form of government. The powers and duties of the County Government are set forth in Chapter 11, Title 9 of the Delaware Code. The County Government is composed of a legislative body (the "Council") and an administrative body headed by the County Executive (the "Administration"), which includes five operating departments and four judiciary (row) offices.

The Council, which has all legislative powers, is composed of a President who is elected at-large, and twelve members, each representing one of the County's representative districts. The County Executive, who is elected at-large and is limited to not more than two consecutive four-year terms, is responsible for the entire range of executive, administrative and fiscal duties performed by all County departments, agencies and offices. The County Executive, with the advice and consent of County Council, appoints the general managers of the departments. The County Executive also appoints a Chief Administrative Officer, who assists the County Executive in the supervision of the executive and administrative agencies of the County, and is responsible by Code for the annual Operating Budget, the six-year Capital Program and the annual Capital Budget of the County.

New Castle County provides many governmental services. State Statute or County Code mandates the majority of these services. However, there are some services that are discretionary in nature, but are highly valued by the citizens of the County. Major public services/facilities include police protection, emergency medical services, emergency dispatch, land use, parks, recreation programs, libraries, housing, crossing guards, sewer services, and code enforcement.

A basis for preparing the County's CAFR was the identification of the reporting entity. The County has no component units for which it is financially accountable or for which the nature and significance of the relationship between the County and the component unit is such that exclusion would cause the County's financial statements to be misleading or incomplete.

The annual operating budget serves as the foundation for New Castle County's financial planning and control. County Council must formally adopt the annual operating budget by June 1. Appropriations are legislated at the departmental level by object level of expenditure. The Budget Office is authorized to make certain budgetary transfers within a department, as allowed by the County Code. All other changes must be approved by County Council. The County must adopt an annual operating and capital budget.

Economic Condition

Local economy. New Castle County is the State's primary economic center, representing a majority of the State's taxable base and population, and serves as its leading business, service and industrial center. The County is home to many industry-leading companies in the biotechnology and pharmaceutical fields. The highly publicized merger of Dow Chemical and DuPont has resulted in the newly formed company maintaining a significant economic presence within the County. Other significant industries include a specialty manufacturing company (W. L. Gore and Associates), a large oil refinery in Delaware City (PBF Energy) and two railroad maintenance yards (Amtrak). The recently completed 915,000-square-foot Christiana Fashion Center, a regional shopping center that attracts consumers from neighboring states, has generated several hundred jobs. Enhancing this economic base is a service economy that consists of both traditional services as well as a significant financial services sector that has developed in response to direct State initiatives. Leading financial service companies in this field are Bank of America, JPMorgan Chase & Co., and Capital One, three major credit card issuers with offices in New Castle County. JPMorgan Chase has continued to expand its workforce within the County.

The County's population has grown to an estimated 563,423 in 2017, up from 533,550 in 2008. By the year 2025, it is estimated that the County's population will grow approximately 4.8 percent. Much of that growth is projected to be located in the southern portion of the County, in the fast-growing Middletown and Townsend areas.

Revenues and expenditures. New Castle County's total expenditure in the Governmental funds have increased at a compounded annual growth rate ("CAGR") of 1.8 percent over the past 10 years to \$266.6 million from \$223.8 million in fiscal year 2008. Expenditures reached a high of \$266.6 million in fiscal year 2017 and a low of \$200.8 million in fiscal year 2010.

Public Safety operating costs with a CAGR of 2.5 percent over the past 10 years have shown the largest dollar increase, \$22.8 million, growing to \$105.6 million from \$82.8 million in 2008. The increase in Public Safety has occurred primarily in salaries, wages and benefits due to increases in authorized positions resulting from additional police and emergency services personnel.

Capital outlays were \$39.0 million in fiscal year 2017 versus \$30.4 million in fiscal year 2008. This \$8.6 million increase represents a CAGR of 2.5 percent and the second largest expenditure increase over the past 10 years. Capital spending in fiscal year 2017 consisted of libraries (\$14.9 million); buildings, facilities and purchase of fleet equipment (\$11.5 million);

parks (\$5.6 million); public safety (\$4.7 million); and information systems (\$2.4 million). Debt principal payments have increased \$3.2 million versus fiscal 2008 with a CAGR of 2.9 percent in order to pay for the capital outlays incurred for new and renovated libraries, district and regional parks, the public safety facility, building improvements and information systems technology.

New Castle County's total revenues in the Governmental funds have grown at a CAGR of 1.7 percent over the last 10 years. Taxes, both property and real estate transfer, represent 66.4 percent of fiscal year 2017 Governmental funds revenue. Tax revenues have increased \$33.0 million since fiscal year 2008 with a CAGR of 2.4 percent. Property tax rates have not been increased since fiscal year 2010. The assessment base has grown at a compounded annual growth rate of 0.8 percent over the past 10 years generating additional tax revenue.

Annual transfer tax revenues fell in fiscal years 2008 through 2012 from \$32.0 million to a low of \$15.9 million as housing sales faltered. Strengthened by a recovering housing market and several large commercial real estate sales, transfer tax revenue has increased for the last five fiscal years to \$32.7 million, and is the highest collected since fiscal year 2008. Investment income has been severely impacted by low interest rates. Investment income for 2017 of \$1.3 million is the lowest reported in the last 10 years.

Long-term financial planning. New Castle County has a long history of being fiscally responsible. For the past 16 years, the County's bonds have been rated AAA/Aaa by all three major bond rating agencies. It has been shown time and again that New Castle County has very strong financial management and prudent budgeting practices, which have enabled the County to maintain ample reserves, even during an economic and housing market crisis. The level of these reserves is one measure of the County's financial strength. County Council has legislated a Budget Reserve Account or "rainy day fund" in the General fund. The General fund reserve of \$37,057,852 was created to give added protection against a turbulent economy or any unfunded legislated mandates. Additionally, County Council has legislated the Tax Stabilization Reserve Account (\$28,643,189) which may be appropriated as needed to balance the annual operating budget or cover budgeted capital costs that otherwise would require the issuance of bonds or an increase in the tax rate. The Transfer Tax Proceeds Reserve Account (\$9,661,952) were legislated such that proceeds from the real estate transfer tax received in any fiscal year in excess of those certified shall be designated as cash in lieu of capital bond authorizations that would ordinarily be used to support construction of capital facilities, or land acquisition, economic development programs, or to defease or otherwise reduce the County's indebtedness.

Listed below are the core budgeting priorities that guide us in managing the county finances in a responsible manner:

- Live within our means, reducing spending to levels consistent with revenue.
- Reduce debt spending.
- Govern honestly, transparently and efficiently.
- Collaborate within county government and with other levels of government to improve public services.
- Invest aggressively in our future.

The fiscal year 2018 Capital Budget and six-year Capital Program details the funding for major projects throughout the County that will expand and enhance services to our residents. The 2018 Capital Budget of \$35.3 million includes project costs in sewer infrastructure (\$20.1 million), purchase of fleet equipment (\$4.8 million), upgrades for public safety (\$3.1 million), park improvements (\$2.9 million), building renovations for various County facilities (\$2.4 million), and paramedic emergency medical station construction (\$2.0 million).

Relevant financial policies. New Castle County's continued commitment to balanced budgets, smart growth, sound infrastructure and prudent financial planning is intrinsic to providing a high quality of life for County residents. Many of the County's financial policies are designed to ensure that debt levels do not rise to an amount that would have an unfavorable impact on the County's finances. The total bonded debt limit for the General Fund is set at 3 percent of the total assessed taxable property value. As of June 30, 2017, the total General Fund bonded debt was 31.9 percent of the total debt limit.

Major initiatives. Together, our Fiscal Year 2018 Capital and Operating Budgets invest new dollars in innovative public safety, libraries and critical infrastructure. Highlights include:

- \$160,000 in new funding to support the county's innovative RAVE Panic Button, a safety solution that integrates government facilities, schools, community centers and other organizations seamlessly into the 911 Center, police and school response procedures.
- \$134,000 in new funding to provide annual maintenance support for a Fast Track DNA machine purchased with grant funding. The Rapid DNA Machine serves as a cost-effective solution to test DNA gathered from a crime scene in support of the county police property crime initiative.
- \$120,000 in new funding to support the county police's local DNA database established in July 2016 to improve its response to increases in property crimes through quicker testing of crime scene samples.
- \$4,251,305 in continued funding to support the fire service through grants to fund a portion of their operating costs.
- \$621,675 in new funding for personnel costs, contractual services and facility operations of the new Route 9 Library and Innovation Center. The new library expands on the County's world-class library system.

Enhancements to the New Castle County library system continue across the County. The Route 9 Library and Innovation Center, mentioned above, opened in October 2017. In addition, the Southern Library project has \$3.9 million programmed for Fiscal Year 2020. Once completed, these projects will become not only literary resource centers, but also focal points for our communities. Funded with a combination of County, State and private dollars, our libraries are visible monuments to the success of public-private partnerships and to our commitment to improved literacy.

The safety and well-being of the public is a primary concern and a funding priority for New Castle County Government. Investments made to train and equip public safety personnel result in safer and stronger communities. This commitment continues in Fiscal Year 2018 with funding to replace body armor for paramedics and police and renovations to the Public Safety facility.

The County has also stepped in to assist communities with stormwater management. Bond authorization of \$300,000 has been budgeted in Fiscal Year 2018 to repair failing stormwater management ponds. These funds increase the County's investment in flood mitigation and stormwater management to \$35.3 million since the program's inception.

New Castle County is embracing new technology to improve productivity, efficiency and customer service. The \$10.0 million programmed for technology through Fiscal Year 2023 will allow for an upgrade to the countywide computer network by replacing or upgrading legacy systems.

The County continues to review and update capital projects and procedures. The review is an evaluation of all projects in the Capital Program, including operating budget impacts of new capital projects and integration of the County's comprehensive development planning process and infrastructure investments.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada ("GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to New Castle County for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2016. The Certificate of Achievement is a prestigious national award, recognizing the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, the County publishes an easily readable and efficiently organized comprehensive annual financial report, which conforms to program standards. This report satisfies both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid only for a one year period. New Castle County has received a Certificate of Achievement for the last 36 consecutive years (fiscal years ended 1981-2016). We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the County also received the GFOA's Award for Distinguished Budget Presentation for its 2017 budget document. To qualify for the Distinguished Budget Presentation Award, GFOA judged the County's budget document to be proficient in certain program criteria as an operations guide, as a financial plan, and as a communications medium. This was the 27th consecutive year that the County received this award for its budget document.


The preparation of the Comprehensive Annual Financial Report was made possible by the dedicated service of our Office of Finance staff. Each member who shared in the preparation of this report has our sincere appreciation. Appreciation is also expressed to all additional individuals who assisted in this effort.

In closing, we also would like to express our gratitude to the County Council for its continued support and interest in the financial affairs of our County and to the staff of every office of County government, for working diligently each day in the taxpayers' interest.

Respectfully submitted,



Matthew Meyer
County Executive



J. Brian Maxwell
Chief Financial Officer



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

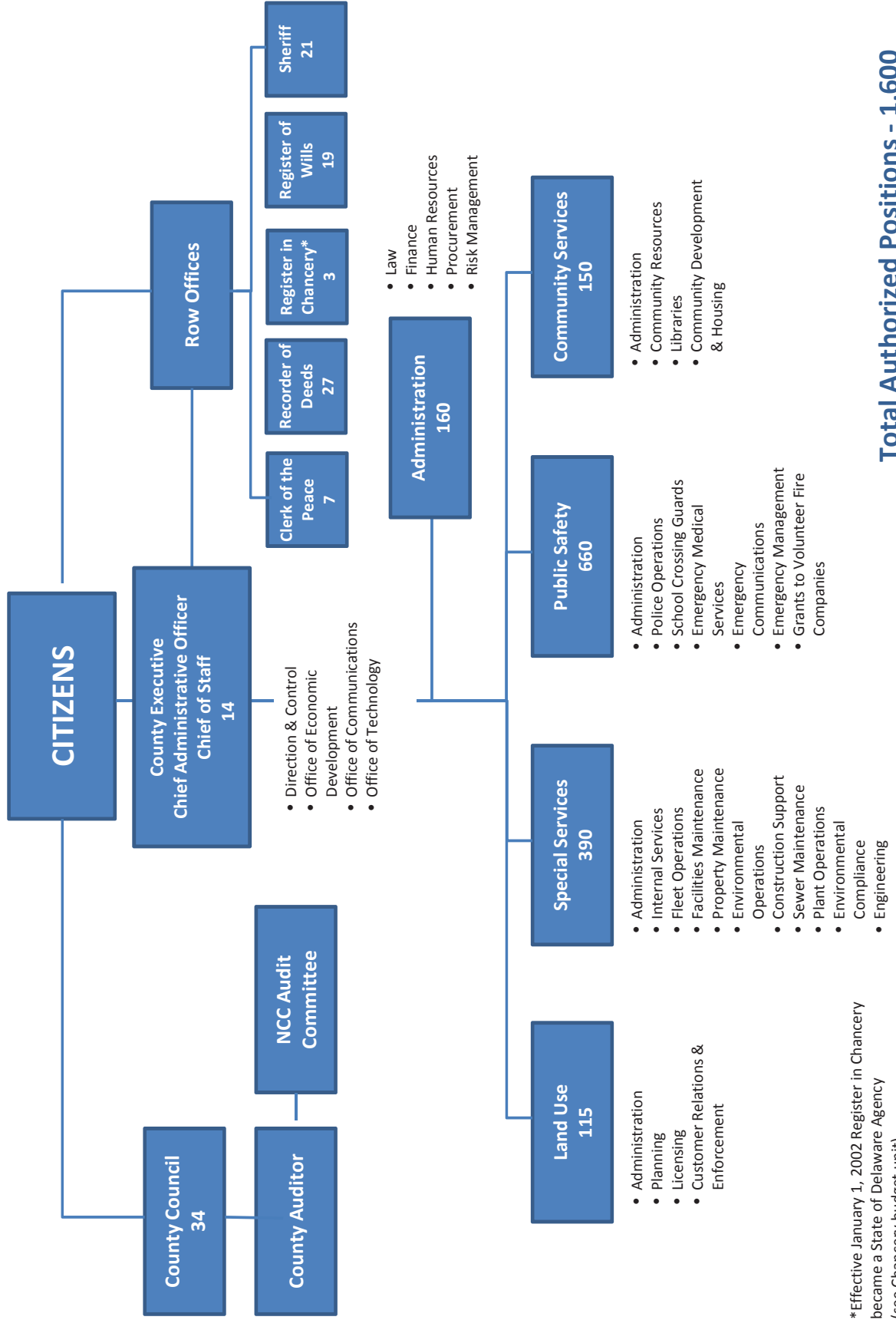
**New Castle County
Delaware**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Executive Director/CEO

New Castle County Organization Chart For Fiscal Year 2017



* Effective January 1, 2002 Register in Chancery became a State of Delaware Agency (see Chancery budget unit)

Total Authorized Positions - 1,600

**NEW CASTLE COUNTY, DELAWARE
LIST OF PRINCIPAL OFFICIALS
JUNE 30, 2017**

EXECUTIVE

County Executive Matthew Meyer

COUNTY COUNCIL

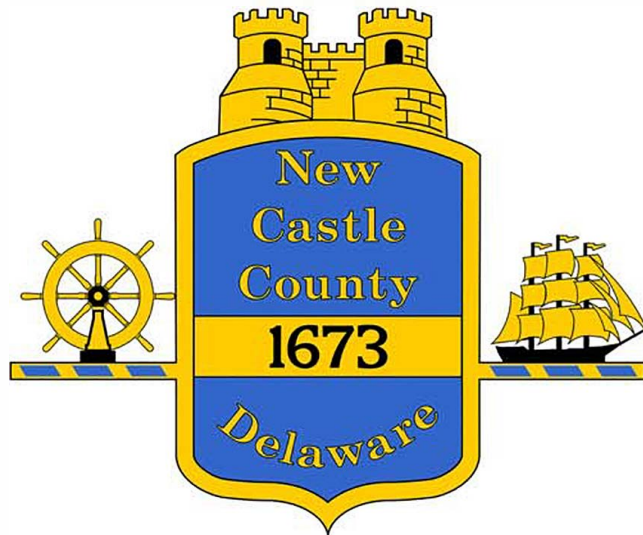
President of Council Karen Hartley-Nagle
First District Kenneth R. Woods
Second District Robert S. Weiner
Third District Janet Kilpatrick
Fourth District Penrose Hollins
Fifth District Lisa Diller
Sixth District William E. Powers
Seventh District George Smiley
Eighth District John J. Cartier
Ninth District Timothy P. Sheldon
Tenth District Jea P. Street
Eleventh District David L. Tackett
Twelfth District J. William Bell

ADMINISTRATIVE

Chief Administrative Officer Kathleen Jennings
Deputy Chief Administrative Officer Rashad Taylor
Chief of Staff Aundrea Almond
Chief Financial Officer J. Brian Maxwell
Chief Human Resources Officer Vanessa Phillips
Director of Public Safety (Acting) Kathleen Jennings
Chief of Police Vaughn Bond, Jr.
Chief of Administrative Services Michael Hojnicki
Community Services General Manager Marcus Henry
County Attorney Carol Dulin
Land Use General Manager Richard Hall
Special Services General Manager (Acting) Tracy Surles

ROW OFFICES

Register of Wills Ciro Poppiti, III
Recorder of Deeds Michael E. Kozikowski, Sr.
Sheriff Samuel D. Pratcher, Jr.
Clerk of the Peace Kenneth W. Boulden, Jr.



Report of Independent Public Accountants

Land Use



INDEPENDENT AUDITORS' REPORT

Members of County Council
New Castle County, Delaware
New Castle, Delaware

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparison for the General Fund (the Fund) of New Castle 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 Fund'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.

Auditors' 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 auditors' 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.

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 the County as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

During the fiscal year ended June 30, 2017, the County adopted GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension*. As a result of implementation, the County disclosed information related to its Net Other Postemployment Benefits Liability in Note 19. Our auditors' opinion was not modified with respect to the restatement.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of the changes in the County's net pension liability and related ratios and schedule of county contributions for the New Castle County, Delaware Employees' Pension Program, and the schedule of the County's proportionate share of the net pension liability/ (asset) and schedule of County contributions for the Delaware Municipal Police/Firefighter Pension Plan, the schedule of funding progress for the pension and other postemployment benefits plan, the schedule of the changes in the County's net other postemployment benefits pension liability and related ratios, the schedule of county contributions for the other postemployment benefits and the Schedule of the Annual money weighted rate of return, as listed in the table of contents, 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 accompanying introductory section, combining and individual fund statements, budgetary comparison schedules, 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, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is also presented for purposes of additional analysis and is not a required part of the basic financial statements.

Members of County Council
New Castle County, Delaware

The accompanying combining and individual fund statements, budgetary comparison schedules, 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 accompanying combining and individual fund statements, budgetary comparison schedules, 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 November 3, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.



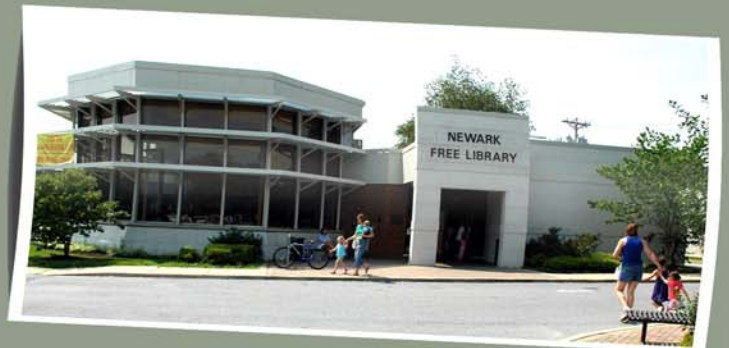
CliftonLarsonAllen LLP

Baltimore, Maryland
November 3, 2017



Management's Discussion and Analysis

Libraries



Management's Discussion and Analysis

The following discussion and analysis of New Castle County's financial statements provides an overview of the financial activities of New Castle County for the fiscal year ended June 30, 2017. Please read it in conjunction with the transmittal letter, located at the front of this report, the basic financial statements, and the accompanying notes to those statements which follow this section.

Financial Highlights for Fiscal Year 2017

- The net position (assets and deferred outflows of resources minus liabilities and deferred inflows of resources) of the County for fiscal year 2017 totaled \$125,611,170. Of this amount, (\$30,174,282) represents governmental net position deficit, and \$155,785,452 represents business-type net position.
- The current year change in net position for governmental activities was a decrease of \$15,488,994 and for the business-type activities a decrease of \$7,212,259.
- The General fund reported an ending fund balance of \$90,332,724, which represents a decrease of \$2,025,915 from fiscal year 2016. The Sewer Facilities fund net position reported an ending balance of \$153,570,482 a decrease of \$7,211,261 of total net position from fiscal year 2016.
- The County's total outstanding bonds payable as of June 30, 2017 was \$487,230,000.

Overview of the Comprehensive Annual Financial Report

The County's financial statements are composed of this Management's Discussion and Analysis (MD&A) and the basic financial statements. This discussion and analysis serves as an introduction to the basic financial statements. The MD&A provides analysis and overview of the County's financial activities. The basic financial statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The report also contains required supplementary information for the County's pension and other postemployment benefit plans. This report also includes other supplementary information as listed in the table of contents, along with the statistical tables and the County's single audit.

Government-wide Financial Statements

The government-wide financial statements are presented in a manner similar to private-sector business financial statements. The statements are prepared using the economic resources measurement focus and the accrual basis of accounting. The government-wide financial statements include two statements: 1) Statement of Net Position; and 2) Statement of Activities. The fiduciary activities, whose resources are not available to finance County programs, are excluded from these statements.

The Statement of Net Position presents the County's total assets/deferred outflows of resources, and liabilities/deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a gauge as to whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information showing the change in the County's net position during the current fiscal year. All revenues and expenses are reported in this statement as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. The focus of this statement is the net cost of providing various activities to the citizens of the County.

Both of these government-wide financial statements have separate sections for the two different types of activities. These two types of activities are:

Governmental activities – The activities reflected in this section are general government, public safety, special services, community services, land use, and judiciary offices. These activities are supported mostly by taxes, charges for services, and operating grants and contributions.

Business-type activities – These activities include a sewer facilities system and an airport. These activities are intended to recover their cost of operation, including depreciation, primarily through user charges.

The government-wide financial statements can be found immediately following this discussion and analysis.

Fund Financial Statements

A fund is an accounting entity with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to, and accounted for, in individual funds based upon the purposes for which they are to be spent, and the means by which spending activities are controlled. The County divides its funds into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds – Most of the basic services provided by the County are financed and accounted for through governmental funds. Governmental fund financial statements focus on current inflows and outflows of spendable resources, as well as the available balances of these resources at the end of the fiscal year. This information is useful in determining the County's financing requirements for the subsequent fiscal period. Governmental funds use the flow of current financial resources measurement focus and the modified accrual basis of accounting.

Because the focus of governmental funds is for the current period, it is useful to compare this information to the data presented in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the County's current financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County has ten individual governmental funds: General, Grants, Light Tax, Crossing Guard, Garstin Trust, Housing Trust, and four Capital Projects funds. Of these, the General and Grants funds are reported as major funds, and are presented in separate columns on the governmental fund balance sheet and on the governmental fund statement of revenues, expenditures, and changes in fund balance. The Light Tax, Crossing Guard, Garstin Trust, Housing Trust, Facilities and Equipment, Park Development, Public Safety, and Miscellaneous Capital Improvement funds are combined into a single, aggregated column on these statements. Individual fund data for these eight nonmajor funds can be found on the combining statements.

Proprietary funds – These funds are used to show activities that operate in a manner similar to private business enterprises. Because these funds charge fees for services provided, they are known as enterprise funds. Like the government-wide financial statements, proprietary fund financial statements use the economic resources measurement focus and the accrual basis of accounting.

Proprietary fund statements provide the same type of information as the government-wide financial statements for business-type activities, only in more detail. The proprietary fund financial statements provide separate information for the Sewer Facilities fund and the New Castle County Airport fund. Of these two funds, only the Sewer Facilities fund is considered a major fund for the County.

Fiduciary funds – These funds are used to account for resources held for the benefit of parties outside of New Castle County. The fiduciary funds are not reflected in the government-wide financial statements, because the assets of these funds are not available to support the activities of the County. The economic resources measurement focus and accrual basis of accounting are used for fiduciary funds, the same that are used for the proprietary funds.

The County has two fiduciary funds, the Pension Trust fund and the Other Post-Employment Benefits Trust fund (OPEB). These funds are used to account for the activities of the defined benefit pension plan and the defined benefit OPEB plan for County employees. The fiduciary activities are reported in a separate statement of fiduciary net position and in a statement of changes in fiduciary net position.

The fund financial statements can be found immediately following the government-wide financial statements.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found following the fund financial statements.

Other Supplementary Information

Additional statements and schedules can be found immediately following the notes to the financial statements. These include the required supplementary information, combining statements for the nonmajor funds, schedules of budget to actual comparisons, the statistical tables, and the single audit schedule.

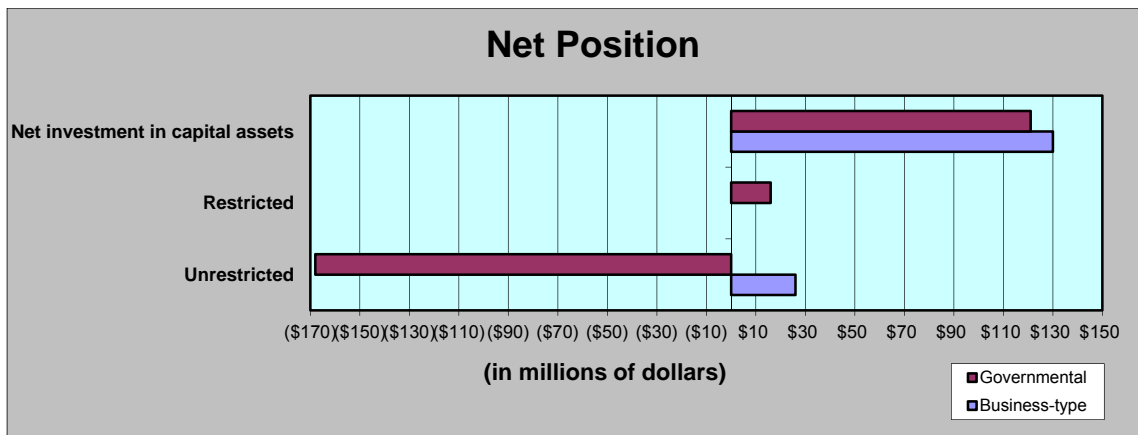
Government-wide Financial Analysis

As noted earlier, net position may, over time, serve as a useful indicator of a government's financial position. In the case of New Castle County, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$125,611,170 for fiscal year 2017, a decrease of \$22,701,253 from fiscal year 2016.

The following table reflects the condensed comparative Statement of Net Position:

	Governmental Activities		Business-type Activities		Total	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Assets:						
Current assets	\$172,302	\$150,050	\$106,220	\$63,626	\$278,522	\$213,676
Other non-current assets	3,000	3,000	-	-	3,000	3,000
Capital assets	<u>307,264</u>	<u>287,754</u>	<u>429,029</u>	<u>416,162</u>	<u>736,293</u>	<u>703,916</u>
Total assets	<u>482,566</u>	<u>440,804</u>	<u>535,249</u>	<u>479,788</u>	<u>1,017,815</u>	<u>920,592</u>
Deferred Outflows:	46,376	52,996	12,271	14,418	58,647	67,414
Liabilities:						
Long-term liabilities	461,253	436,808	365,295	307,505	826,548	744,313

Other liabilities	<u>80,298</u>	<u>69,007</u>	<u>24,534</u>	<u>23,703</u>	<u>104,832</u>	<u>92,710</u>
Total liabilities	<u>541,551</u>	<u>505,815</u>	<u>389,829</u>	<u>331,208</u>	<u>931,380</u>	<u>837,023</u>
Deferred Inflows:	<u>17,565</u>	<u>2,670</u>	<u>1,906</u>	<u>-</u>	<u>19,471</u>	<u>2,670</u>
Net position:						
Net investment in capital assets	121,493	120,590	129,604	149,932	251,097	270,522
Restricted	15,942	11,699	-	-	15,942	11,699
Unrestricted	<u>(167,609)</u>	<u>(146,974)</u>	<u>26,181</u>	<u>13,066</u>	<u>(141,428)</u>	<u>(133,908)</u>
Total net position	<u>(\$30,174)</u>	<u>(\$14,685)</u>	<u>\$155,785</u>	<u>\$162,998</u>	<u>\$125,611</u>	<u>\$148,313</u>



The largest portion of the County's net position totaling \$251,096,591, reflects its investment in capital assets (e.g., land, buildings, and equipment), less any related outstanding debt used to acquire those assets. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. This portion of net position decreased by \$19,424,963 from the prior year, primarily as a result of the net addition of capital assets of \$32,377,658, the increase in related bond debt of (\$91,098,044), the net amortization of the deferred effect of bond refunding of (\$582,665), the net decrease in loans payable of \$164,275, the net increase in capital leases of (\$2,260,434), which were used to acquire a portion of these assets, and the net change in unspent bond proceeds \$41,974,247.

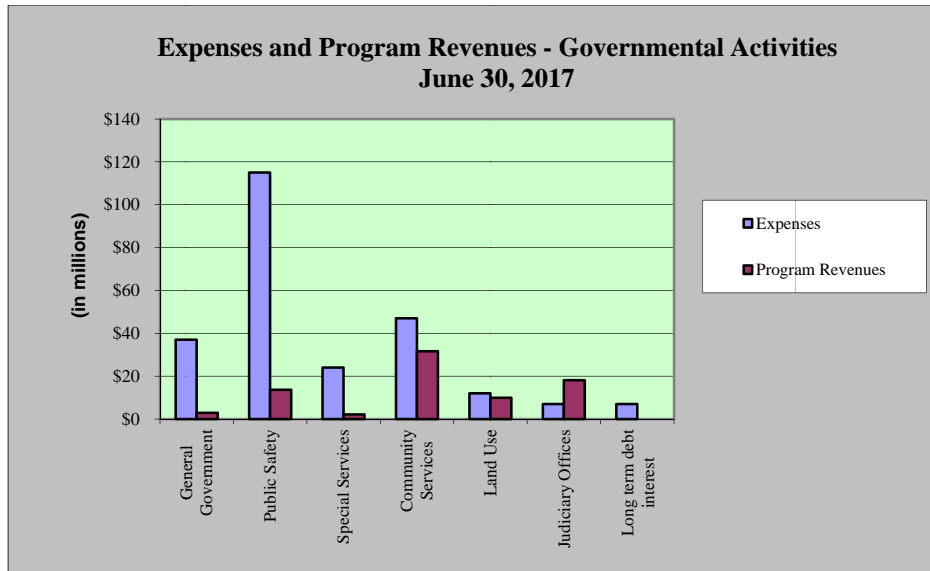
The second portion of net position, restricted net position of \$15,941,586, reported in the governmental activities, represents restricted balances for capital projects and special revenue funds.

The remaining portion of net position, unrestricted net position, is a deficit balance of (\$141,427,007). The governmental activities are reflecting a deficit balance of (\$167,608,611), while the business-type activities have a balance of \$26,181,604. Unrestricted net position decreased (\$20,634,033) in governmental activities from the prior year's unrestricted net position. The decrease is mainly attributable to expenses exceeding revenues by (\$15,488,994) which is explained in detail in the following section on governmental activities. In business-type activities, unrestricted net position increased \$13,115,143 from the prior year's unrestricted net position. The increase is mainly driven by the net effect of the sewer fund portion of the decrease in net investment in capital assets, \$20,327,402, described above, and expenses exceeding revenues

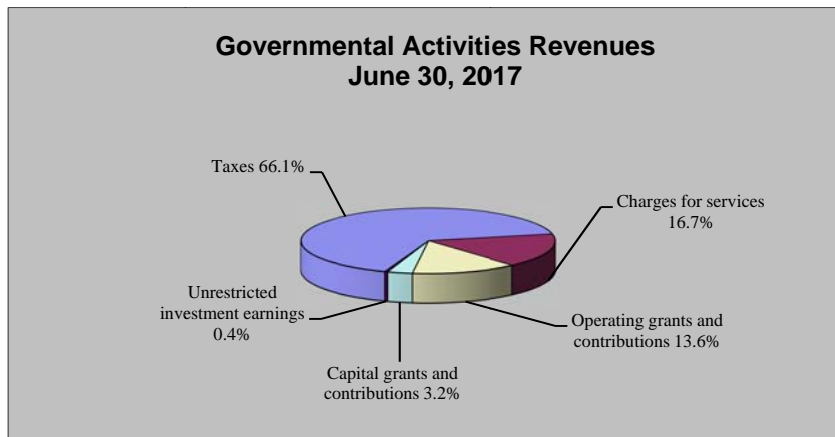
by (\$7,212,259). This loss is explained in detail in the following section on business-type activities.

New Castle County, Delaware
Changes in Net Position
(amounts expressed in thousands)

	Governmental Activities		Business-type Activities		Total	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Revenues:						
Program revenues:						
Charges for services	\$39,240	\$36,143	\$72,049	\$71,918	\$111,289	\$108,061
Operating grants and Contributions	31,752	30,494	488	1,866	32,240	32,360
Capital grants and Contributions	7,459	4,541	-	-	7,459	4,541
General revenues:						
Real estate taxes	154,984	149,779	-	-	154,984	149,779
Investment earnings- Unrestricted	<u>891</u>	<u>2,363</u>	<u>299</u>	<u>790</u>	<u>1,190</u>	<u>3,153</u>
Total revenues	<u>234,326</u>	<u>223,320</u>	<u>72,836</u>	<u>74,574</u>	<u>307,162</u>	<u>297,894</u>
Expenses:						
General government	36,884	33,516	-	-	36,884	33,516
Public safety	115,072	109,328	-	-	115,072	109,328
Special services	23,836	19,627	-	-	23,836	19,627
Community services	47,408	46,751	-	-	47,408	46,751
Land use	12,382	12,503	-	-	12,382	12,503
Judiciary offices	7,342	7,306	-	-	7,342	7,306
Interest on long-term debt	6,891	6,764	-	-	6,891	6,764
Sewer	-	-	80,047	80,756	80,047	80,756
Airport	-	-	<u>1</u>	<u>2</u>	<u>1</u>	<u>2</u>
Total expenses	<u>249,815</u>	<u>235,795</u>	<u>80,048</u>	<u>80,758</u>	<u>329,863</u>	<u>316,553</u>
Increase (decrease) in net position	(15,489)	(12,475)	(7,212)	(6,184)	(22,701)	(18,659)
Net position – beginning	<u>(14,685)</u>	<u>(2,210)</u>	<u>162,998</u>	169,182	<u>148,313</u>	166,972
Net position – ending	<u>(\$30,174)</u>	<u>(\$14,685)</u>	<u>\$155,785</u>	<u>\$162,998</u>	<u>\$125,612</u>	<u>\$148,313</u>



Governmental activities. Governmental activities decreased the County's net position by (\$15,488,994). Governmental activities are represented by the following funds: General, Grants, Light Tax, Crossing Guard, Garstin Trust, Housing Trust, and Capital Projects. For the fiscal year ended June 30, 2017, revenues from governmental activities totaled \$234,326,430.



Tax revenues totaling \$154,983,995, comprised of property and real estate transfer taxes, represent the largest revenue source (66.1 percent). Tax revenue increased by \$5,205,196 from fiscal year 2016. Property tax revenue accounted for \$1.8 million of the total increase. Collection of the current tax levy remains strong at 98.9 percent, with a 10-year average of 99.7 percent. Real estate transfer taxes yielded \$32.6 million, an increase of \$3.6 million, or 12.8 percent above fiscal year 2016. This was due to the overall improvement in the real estate market combined with an increase in large commercial transactions. Crossing Guard and Light taxes were slightly lower than the prior year at a combined (\$0.2) million lower than fiscal 2016.

Charges for services, which account for \$39,240,450, or 16.7 percent of the governmental activities revenue, increased \$3,097,588 from fiscal year 2016. This program revenue is derived from judiciary fees, \$18,078,432, primarily from real estate recording fees, Sheriff fees from foreclosed properties, and Register of Wills settlements; Land Use permits and fees, \$9,915,769, received primarily from building permits; Community Services revenues, \$3,339,053 for grant

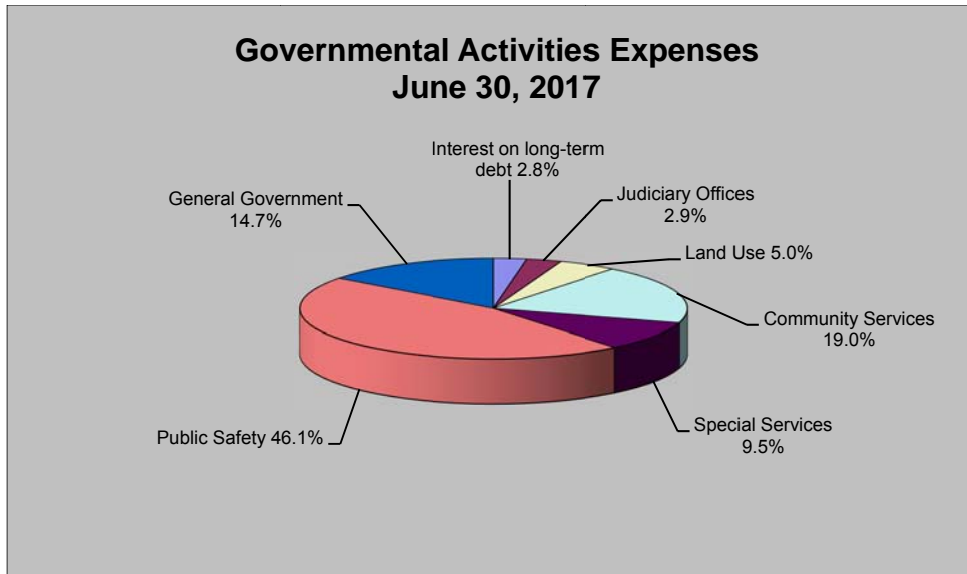
related project income, recreation, and library activities; Public Safety-related services, \$3,913,369 primarily from traffic fines, police contract duty services, and 911 reporting system fees; general government, \$2,659,108; and Special Services, \$1,334,719. Overall, the most significant increase, \$2.4 million, came from revenue generated by the Judiciary offices as a result of higher total commissions earned on Sheriff's sales due to an increase in volume. In addition, revenue generated by Land Use charges increased by \$0.8 million driven by increased activity in new construction driven by a single large commercial project, Christiana Hospital's Women's Wing. Public Safety charges also increased by \$0.8 million mainly due to increased funding from the Department of Justice for the COPS Hiring '15 Grant, which had its first full year of funding in FY 2017, and received \$0.7 million more than the previous year. In addition, the Public Safety Equipment project received \$0.1 million from the Department of Justice for the purchase of specialized equipment such as tasers and AED's.

Operating grants and contributions totaling \$31,751,765 were derived primarily from the U.S. Department of Housing and Urban Development, \$19.7 million. These grants are used to aid low-income families in obtaining decent, safe, sanitary, and affordable rental housing, while also developing and expanding the supply of affordable housing for low-income families. Revenues in the amount of \$6.9 million were received from the State of Delaware for the paramedic reimbursement program and the State pension contribution allocation on behalf of County police. A State grant of \$1.9 million was received for State aid to our libraries, and a combined total of \$0.9 million was received from Federal and State Departments of Homeland Security.

Capital grants and contributions, which account for \$7,459,605, were primarily received from the State of Delaware - Department of State and Department of Natural Resources and Environmental Control. Revenue from the Department of State, \$5.6 million, and the Department of Natural Resources and Environmental Control, \$0.1 million, were mainly used for the Route 9 community library. In addition, \$0.3 million was received from DNREC for improvement of County parks, and \$0.3 million from the Department of State for the Police Range project.

Unrestricted investment income of \$890,615 was earned by the governmental activities and is comprised of investment earnings, \$2.8 million, which is offset by an unrealized loss on investments (\$1.8 million) and loss of sale of investments (\$0.1 million). This amount was \$1,471,983 lower than what was earned in fiscal year 2016. The decrease is primarily driven by low interest rates generating short-term unrealized losses on our investments in bonds and government securities.

For the fiscal year ended June 30, 2017, expenses for governmental activities totaled \$249,815,424. This represents a total increase of \$14,020,513, or 5.9 percent, from fiscal year 2016. Major functions represented by governmental activities include general government, public safety, special services, community services, land use, judiciary, and interest on debt.



Public Safety accounted for \$115,071,823, or 46.1 percent of these expenses, which were used to support police services, emergency medical services, emergency communications, crossing guards, and grants to volunteer fire companies. Public Safety expenses increased \$5,743,931 over fiscal year 2016, primarily due to an increase of \$5.3 million in salaries, wages and benefits. A total of 15 positions were added to police operations during fiscal 2017 and the impact of retroactive and current year salary increases were incurred as a result of the finalization of union contracts in the prior year.

Community Services represents \$47,407,977, or 19.0 percent of these charges, primarily for libraries and recreation programs. This area also covers grant programs aimed at helping low-income families obtain affordable rental housing. Costs for Community Services increased \$657,218 from 2016. The main contributor to this increase was salaries, wages and benefits which increased by \$0.6 million due to the retroactive pay increases combined with current year salary increases resulting from the new union contracts.

General Government represents \$36,883,535, or 14.7 percent of the charges. This area supports services for the general administrative operations of the County. These costs increased \$3,367,634 from the prior fiscal year. The increase represents a contribution of \$1.5 million to DuPont from the Strategic Economic Development Fund (see exhibits 17 and 18) as a retention grant intended to preserve employment opportunities within the County post-merger between Dow Chemical Company and DuPont. Payments to DuPont from the Strategic Economic Development Fund in the amount of \$1.5 million will continue through fiscal 2021 for a total of \$7.5 million approved by county ordinance in 2016. In addition, salaries, wages and benefits increased \$0.9 million due to the retroactive pay increases combined with current year salary increases resulting from the new union contracts.

Special Services, which accounts for \$23,836,189, or 9.5 percent of these expenses, was used to support services for the operation of County parks, facilities, and vehicular fleet. These costs increased by \$4,209,235 from fiscal year 2016. The increase was mainly attributable to an increase in depreciation expense of \$1.4 million combined with a vehicle cross charge credit decrease of \$2.3 million.

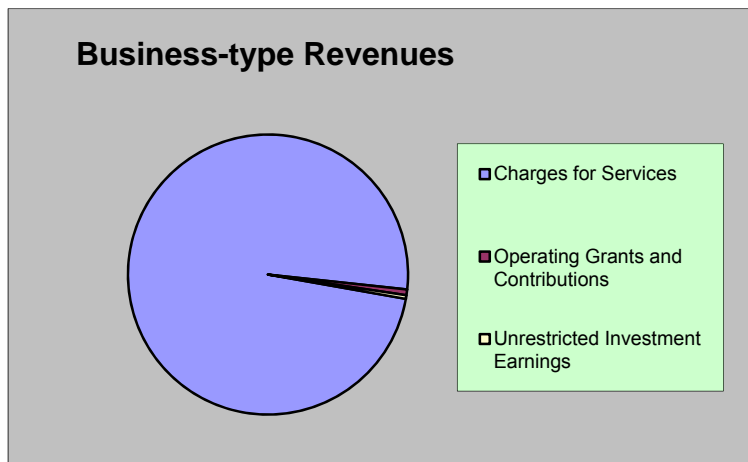
Land Use represents \$12,382,274, or 5.0 percent of these costs, and was responsible for short and long-range comprehensive land use planning. The costs decreased \$121,137 with increases

in salaries, wages and benefits of \$0.3 million being offset by lower expenses in contractual services and materials and supplies.

Judiciary offices, which account for \$7,342,339, or 2.9 percent of the expenses, are composed of the four “row offices.” The Register of Wills performs responsibilities relating to wills; the Recorder of Deeds serves as depository for real estate transaction records; the Sheriff provides services to the State of Delaware Superior Court, Supreme Court, Court of Common Pleas, and Family Court; and the Clerk of the Peace issues marriage licenses. These costs show an increase of \$36,664 from the previous fiscal year.

Interest on long-term debt represents \$6,891,287, or 2.8 percent of the expenses, are used to pay interest on the outstanding general obligation bonds related to governmental activities. These costs reflect an increase of \$126,968 based on the structure of the payment schedule for outstanding general obligation bonds, and the amortization of the deferred effect of bond refunding.

Business-type activities. Business-type activities decreased the County’s net position by (\$7,212,259). Key elements for revenues and expenditures are as follows:



Charges for Services totaling \$72,048,688 is comprised of revenue that is primarily earned through sewer service charges to our customers. Residential customers generate approximately 39% percent of this revenue, with the balance being received from industrial, commercial, and other non-residential user classes. Charges for Services increased \$131,018 from the previous fiscal year.

Operating Grants and Contributions totaling \$488,234, are primarily comprised of the Recovery Zone Economic Development Bond interest reimbursement of \$875,470 offset by other revenues/expenses totaling (\$387,236).

Unrestricted Investment Income of \$298,837 was earned by the business-type activities, comprised of investment earnings equaling \$724,979, offset by an unrealized loss on investments (\$426,142). This amount was \$491,651 lower than what was earned in fiscal year 2016. The decrease is driven by factors discussed in the governmental activities investment income discussion.

Expenses, which total \$80,048,018, decreased \$709,717 from the previous year. Increases in depreciation of \$0.8 million, interest expense \$0.7 million and administrative costs of \$0.3 million were offset by decreases in unfunded other post-employment benefits (\$0.7 million), contractual services (\$0.4 million), equipment costs (\$0.4 million), other expenses representing Fox Point settlement reclassification from General to Sewer Fund in prior year (\$0.5 million), salaries, wages and employee benefits (\$0.2 million), communications and utilities (\$0.1 million) and all other (\$0.2 million).

Governmental Funds Financial Analysis

Governmental funds. The governmental funds are comprised of the General fund, Grants fund, Light Tax fund, Crossing Guard fund, Garstin Trust fund, Housing Trust fund, and the following Capital Projects funds: Facilities and Equipment, Park Development, Public Safety, and Miscellaneous Capital Improvements. For the fiscal year ended June 30, 2017, New Castle County governmental funds reported a combined ending fund balance of \$126,521,593, a increase of \$15,437,825 from fiscal year 2016.

The General Fund is the primary operating fund of New Castle County. At the end of the current fiscal year, the fund balance of the General Fund was \$90,332,724. The fund balance of the County's General Fund decreased (\$2,025,915) during the current fiscal year. This change in fund balance is the net result of expenditures exceeding revenues by (\$339,854), net revenue transfers to other funds of (\$4,202,431), net proceeds from debt issuance and bond premium \$2,229,796, the sale of capital assets of \$306,689, and bond issuance costs of (\$20,115). The General fund made net interfund transfers to the Grants fund (\$768,618) to fund the local match to the Emergency Management Grant, to sponsor a summer camp for youth and a summer youth program. Interfund transfers were also made to the Capital Projects Fund (\$3,433,813) to provide funding for fleet vehicles, technological improvements and public safety equipment. Debt issuance and bond premium proceeds net of issuance costs totaling \$2,209,681 represent the refunding of bonds issued in 2007. The escrow payment offsetting this revenue is included in debt service costs due to this transaction being classified as a current refunding. These additional costs contribute to the excess of expenditures over revenues.

One measure of the County's financial strength is the level of cash reserves. The County has legislated in the General fund a Budget Reserve account or "rainy day" fund, a Tax Stabilization Reserve account, and a Transfer Tax Proceeds account. The Budget Reserve account equal to \$37,057,852 as of June 30, 2017, was created to give added protection against a turbulent economy, or any unfunded legislated mandates. A ten-thirteenths vote from County Council is needed to appropriate these funds for the established conditions, or to change the percentage allocated to this reserve. The Tax Stabilization Reserve account, \$28,643,189 at year end, was legislated so that funds could be appropriated as necessary to balance the annual operating budget, or to cover budgeted capital costs that would otherwise require the issuance of bonds or an increase in the tax rate. The Transfer Tax proceeds account, \$9,661,952 at year end, was legislated to designate funds received beyond what was certified. These proceeds will be used to cover capital bond authorizations, reduce the County's indebtedness, or for economic initiatives. County Council is authorized to establish and appropriate these proceeds as may be necessary.

Other fund balance amounts, totaling \$12,811,722, have been dedicated in the General fund. These amounts are reported as nonspendable and assigned. Nonspendable has been established as notes receivable, \$3,000,000 and prepaid costs, \$836,550; and assigned is established for departmental encumbrances, \$2,800,561; library, \$9,611; and the Strategic Economic Development Fund, \$6,165,000. See Note 18 for additional information on these amounts.

The unassigned fund balance of \$2,158,009 may serve as a useful measure of the County's net resources. This amount represents receivables owed to the County that are not available for spending until cash has been received.

The Grants fund is used to account for certain operating activities of the County. General Government, Public Safety, Community Services, Special Services, and Land Use are financed through this fund with revenue from federal, state, local, and private sources. The largest activity of the Grants fund is to provide aid to low-income families in obtaining decent, safe, sanitary, and affordable rental housing. The Grants fund ending fund balance is \$1,623,457 for fiscal year 2017. The Grants fund balance increased \$113,553 from the previous fiscal year. The increase is attributable to the Section 8 Voucher program operating reserves, unspent Summer Youth programs funds, and the Public Safety Rewards Program. The Public Safety Rewards Program, a NCC grant, was replenished in FY17. These increases are offset by the spend down in the Innovative Development Empowerment Area (IDEA) Home Buyer/Homeowner Rehabilitation Grant. The IDEA Home Buyer/Homeowner grant provides no-interest loans of up to \$5,000 for citizens to pay a down payment or settlement fee when buying a home in areas with high foreclosure or vacancy rates. It also provides up to \$20,000 for home repairs for homeowners who live in these targeted areas, and various other miscellaneous programs.

Other governmental funds consist of the Light Tax fund, the Crossing Guard fund, the Garstin Trust fund, Housing Trust fund, and the Capital Projects funds. These funds are established to provide various services to the residents of New Castle County. The Light Tax fund provides street lighting to residents; the Crossing Guard fund provides crossing guards for the safety of children attending our local schools; the Garstin Trust fund provides care and maintenance of parks; while the Housing Trust fund provides funds to construct, purchase, and maintain permanently affordable housing units. For the fiscal year ending June 30, 2017, the Light Tax fund balance is \$305,948. The fund balance decrease of (\$329,906) from the previous fiscal year is mainly attributable to increased electric use. The Crossing Guard fund balance is \$537,812, remained relatively consistent with the previous fiscal year showing a slight decrease of (\$5,364). The Garstin Trust fund balance is \$3,663,886, which is an increase of \$130,134 from the previous fiscal year due to improved investment performance driven by unrealized investment gains. The Housing Trust fund balance is \$1,240,301, an increase of \$413,396 from the previous year, as a result of increasing collection of revenue from building permits.

The Facilities and Equipment fund accounts for the design, construction, and improvement of County buildings. The ending fund balance is \$14,002,482. The Park Development fund accounts for the acquisition and development of County parkland. This fund balance is \$8,290,321. The Public Safety fund, with an ending fund balance of \$5,004,909 provides continued funding for the Public Safety facility and other public safety projects. The Miscellaneous Capital Improvements fund is used to account for all other construction improvements. This fund balance is \$1,519,753. In total, the four capital projects funds reported a fund balance of \$28,817,465 representing an increase of \$17,141,927 over the previous year. The main driver of the increased fund balance was proceeds from the issuance of bonds to fund capital projects during the fiscal year.

Proprietary funds. The County's proprietary funds provide the same type of information found in the government-wide financial statements. Please refer to the business-type activities section listed previously for discussion of the activity in the proprietary funds.

Business-type activities reported unrestricted net position of \$26,181,604, \$19,813,281 of this balance is comprised of capital recovery fees that are restricted by management for Sewer Fund debt service.

General Fund Budgetary Variances

Revenue budget. Revenue and transfers out budget differences between the original budget and final amended budget for fiscal year 2017 show increases of \$987,032. This increase is reflected in intergovernmental revenue, \$1,746,399; Charges for services, \$50,000; offset by an increase in transfers out (\$809,367). Intergovernmental revenue increased due to appropriations

from the State of Delaware for the pension contribution allocation on behalf of County police and from the High Intensity Drug Trafficking Areas (HIDTA) Program for reimbursement of the purchase of an undercover vehicle. Charges for services increased due to an appropriation to the Recorder of Deeds office to fund technology updates. Transfers out changed for matching funds for the emergency management grant, the Remediation Vacancies, Making Progress (ReVaMP) grant, the Public Safety Rewards program, the summer youth program and summer camp funding.

Appropriation budget. Budgetary expenditure variances between the original and prior year appropriations to the final budget for fiscal year 2017 reflect an increase of \$5,694,845. This change is mainly attributed to increases in Public Safety, \$6.8 million; Executive Office, \$0.7 million; County Council, \$0.2 million; Ethics, \$0.2 million; Special Services, \$0.1 million; offset by decreases in Contingencies (\$1.2 million); Administration (\$0.4 million); Land Use (\$0.4 million); Community Services (\$0.3 million). Public Safety appropriations increased for the pension contribution allocation on behalf of County police to the Pension fund, for employee benefit budget line shortfalls, and for the Local DNA Database Program, offset by matching funds for the emergency management grant. Executive Office increases were to cover salary and employee benefit budget line shortfalls, and donations. County Council increased due to attorney fees and associated legal expenses, an increase in contractual services, and to cover salary and employee benefit line shortfalls. Ethics department appropriations increased due to an increase in contractual services. Special Services, appropriations increased to cover employee benefit budget line shortfalls. Contingency appropriations were transferred to various departments as mentioned above to cover salary and benefit budget line shortfalls, donations, and to provide additional funding for the Summer Youth Employment and ReVaMP grants. Administration, Land Use, and Community Services appropriations all decreased due to transfers to other departments to fund salary and benefit line shortfalls.

Budget to actual – revenue. Variances between actual revenue and budgeted revenue for fiscal year 2017 reflect a net positive variance of \$7,862,677, or 4.3 percent. Taxes were over budget by \$7.0 million, due to increases in the real estate transfer tax proceeds which resulted from increased sales activity in an improving real estate market in the County. Charges for services show a positive variance of \$2.1 million. This is a result of increased Sheriff Commissions on sales. These were low in FY16 because a national law firm that represented many banks in foreclosure issues went bankrupt so fewer properties ended up being moved to Sheriff Sale in that year. In FY17, when the banks were able to find new representation, they were catching up on the backlog, making FY17 commissions higher than usual. Licenses and permits were over budget by \$0.6 million. This is mainly a result of a permit for one large project, the Christiana Hospital's Women's Wing. Intergovernmental revenue shows a \$0.2 million positive variance resulting from an increase in Department of Justice funding. This is due to the COPS Hiring '15 Grant which is housed in the General Fund which received its first full year of funding in FY 17. Offsetting this positive variance, investment income was under budget by \$1.9 million due mainly to an increase in unrealized losses. This was mainly driven by macroeconomic events occurring at the end of calendar year 2016 including a post-Brexit environment, a contentious political climate during and following election season, and the Fed signaling they were planning to raise rates. An increase in treasury yields and the aforementioned events caused consumer/investor confidence to decline and decreased prices/value of existing assets. A shift to more active strategies in the portfolio also increased the duration of the portfolio, slightly increasing the price sensitivity of the portfolio to changes in interest rates. In addition, miscellaneous revenue came in slightly below budget with a variance of \$0.1 million.

Budget to actual – expenditure. Fiscal year 2017 reflected a positive variance between expenditures and final appropriations of \$2,532,624, or 1.3 percent. This positive variance was realized in all departments by managing expenditures while ensuring that service goals were met. Positive variances were reported in the following expenditure object levels: contractual services, \$4.7 million; materials and supplies, \$1.2 million; communications and utilities, \$0.6 million; salary and wages, \$0.3 million; equipment, \$0.2 million; training, \$0.2 million; employee benefits, \$0.1

million; and intragovernmental credits, \$2.1 million. These positive variances are offset by a slight negative variance in fixed charges/pass-thru-grants, \$0.3 million and a variance of \$2.2 million for debt service. Factors contributing to the positive variance realized in contractual services are less than anticipated usage of service contracts, and a decrease in: health and medical fees, landscape services, legal and attorney fees, financial advisors and actuarial fees, software maintenance, janitorial services, and instructor fees, and less need for equipment and vehicular repairs. Although a positive variance is shown in contractual services, some purchases of services have been deferred until the subsequent fiscal year, as evidenced by \$2.0 million in encumbrances against this line item. Materials and supplies variances are favorable due to savings in office supplies, library books, clothing and uniform allowances, agricultural supplies, and medical and safety supplies. Communications and utilities variances were favorable due to savings in postage, telephone and data services, water service, as well as gas heating and electric service from the contract with our service provider. Salaries had a positive variance due to position vacancies. Equipment charges were under budget by delaying purchases. Training reflects a positive variance due to a decrease in seminar fees, trainer fees, conference fees, and community event fees. Employee benefits had a slight positive variance, due to an excess funding of an employee benefits budget line shortfall which was necessary due to increasing healthcare costs. Intragovernmental credits reflect a difference from lower than expected charge backs for pension administration, workers compensation, information systems, and motor vehicle costs. Fixed charges/pass-thru-grants reflect a negative variance due to an increase in donations. Debt service costs were over budget due to a current refunding resulting in principal and interest payments to an escrow agent for payment of refunded debt.

Capital Assets and Long-term Debt Activity

Capital assets. The County's investment in capital assets for its governmental and business-type activities as of June 30, 2017, amounts to \$736,293,369 (net of accumulated depreciation). This investment in capital assets includes land, buildings, building improvements, improvements other than buildings, equipment, infrastructure, and construction in progress.

New Castle County Capital Assets (Net of Depreciation) (amounts expressed in thousands)

	Governmental Activities		Business-type Activities		Total	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Land	\$80,649	\$79,872	\$36,795	\$36,666	\$117,444	\$116,538
Buildings	123,738	111,277	21,016	21,732	144,754	133,009
Building improvements	28,066	26,554	2,851	2,927	30,917	29,481
Improvements other than buildings	25,313	25,722	2,140	1,860	27,453	27,582
Equipment	45,801	41,854	12,822	13,471	58,623	55,325
Infrastructure	33	33	347,288	333,555	347,321	333,588
Construction in progress	3,664	2,442	6,118	5,951	9,782	8,393
Total	<u>\$307,264</u>	<u>\$287,754</u>	<u>\$429,030</u>	<u>\$416,162</u>	<u>\$736,294</u>	<u>\$703,916</u>

The following highlights the amounts expended during the current fiscal year on major capital assets:

- Various capitalized facilities and equipment costs totaled \$11.6 million. These expenditures consisted of \$6.0 million for the purchase of vehicles and special purpose equipment, \$1.9 million for building rehabilitation and paving projects at various County facilities, while the remaining \$3.7 million was used for vehicle leases and other equipment purchases.
- Community Services capital projects totaled \$14.9 million, of which \$14.8 million was used to continue construction of the Route 9 Community Library and \$0.1 million for various other community services projects.
- Park development expenditures during the year amounted to \$5.5 million. These expenditures include \$1.9 million for Glasgow Regional Park including renovations to the Glasgow Regional Park Hermitage, \$0.4 million for ongoing renovations of Carousel Park, \$1.1 million for play area improvements, game court improvements, and Greenway Systems, \$1.0 million for maintenance base renovations, \$0.6 million for the Innovation District Tri-Parks, and \$0.5 million for various other park improvements and developments.
- Public Safety capital projects totaled \$4.7 million, of which \$2.6 million was used for upgrades and renovations of the Public Safety facility, \$0.6 million was used for Public Safety equipment, \$0.5 million was used for upgrades to the computer system, \$0.3 million was used for the Police Range, \$0.2 million was used for Communications Upgrade, \$0.2 million for renovations and upgrades to EMS stations, and \$0.3 million for various other public safety projects.
- Miscellaneous capital improvements totaled \$2.3 million during the year. These improvements included upgrades to information systems.
- In the Sewer Facilities fund, project expenditures amounted to \$28.4 million. The costs incurred were for the Brandywine Hundred North Rehabilitation for \$3.6 million, Brandywine Hundred South Rehabilitation for \$2.9 million, White Clay Sewer Basin Rehabilitation for \$3.8 million, and various other sewer rehabilitation projects for \$8.2 million. Pump station project expenditures accounted for \$2.5 million and fleet equipment expenditures were \$1.4 million. Expenditures for various sewer relief construction and other sewer improvement projects amounted to \$3.1 million. Additional capital expenditures in the Sewer Fund totaled \$2.9 million for treatment plants, vehicle leases, and stormwater projects.

Additional information on the County's capital assets can be found in Note 5 of the Notes to the Financial Statements

Long-term debt. As of June 30, 2017, the County had total bonded debt outstanding of \$487,230,000. Of the total bonded debt, \$179,696,340 is subject to New Castle County's debt limit of \$563,304,024, leaving a legal debt margin of \$383,607,684. Delaware Code limits the amount of outstanding bonds the County can issue to 3 percent of the total assessed valuation of the taxable real estate. The Code excludes enterprise debt from the outstanding debt that is subject to the debt limit. The County's applicable outstanding debt is well below the legal debt limit.

**New Castle County Outstanding Debt
General Obligation Bonds**
(amounts expressed in thousands)

	Governmental Activities		Business-type Activities		Total	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
General Obligation Bonds	<u>\$179,696</u>	<u>\$153,160</u>	<u>\$307,534</u>	<u>\$246,785</u>	<u>\$487,230</u>	<u>\$399,945</u>

The County's bonds were first awarded the AAA rating in February 2001 by Standard and Poor's, and in October 2002, both Moody's Investor Service and Fitch Ratings awarded the Aaa/AAA bond rating. Concentrated efforts have been made to maintain these top ratings for the County's general obligation bonds, and the AAA ratings have since been reaffirmed by all three agencies numerous times. In April 2017, all three agencies reaffirmed the Aaa/AAA ratings for the County's outstanding bonds and rated the County's new Series 2017 bonds Aaa/AAA. The Aaa/AAA assignment is a solid, independent validation of the County's financial strength and stability. These rating agencies believe that the County's financial operation, with healthy reserve levels, will remain strong given prudent management and long-term planning. These high-grade ratings have reduced the cost of raising capital for County projects, resulting in substantial savings for taxpayers. The County continues to seek ways to maintain these top ratings so as to provide the finest quality services at the lowest cost.

Additional information on the County's long-term debt can be found in Note 10 of the Notes to the Financial Statements.

Economic Factors and Fiscal Year 2018 Budgets

The County's unemployment rate as of June 2017 was 5.1 percent, which was higher than the State of Delaware's rate of 5.0 percent, and higher than the national average of 4.4 percent. In the second quarter of 2017, estimated per capita personal income of Delaware residents was \$47,240.

The fiscal year 2018 operating budget is \$284.8 million, which reflects an increase of \$17.5 million, or 6.54 percent over the fiscal year 2017 operating budget. This budget contains no property tax rate increase and no increase in the sewer service rate.

Highlights of the County's operating budget include:

- Funding of \$66.0 million to provide for 400 police officers, civilian employees, and support services to protect our communities.
- Emergency Medical Services funding of \$18.5 million to fund 122 paramedics.
- Emergency Communications Center funding of \$11.2 million for staffing of 93 positions.
- Funding of \$4.3 million for our partnership with 21 local volunteer fire companies which provide our residents fire, ambulance, and rescue services.
- Sewer payment to the City of Wilmington of \$18.2 million for wastewater treatment.
- Library budget of \$14.4 million, which covers operating costs of our 15 department libraries, \$12.0 million and contractual libraries, \$2.4 million.
- Information technology is funded at \$7.8 million to provide well-managed, secure, and accessible technology.
- Recreational, social, and cultural services that are fee-based are provided by offering programs to the public. Budgeted funds for operations of these services are \$4.8 million.
- Funding of \$6.2 million for licensing and enforcement of drainage, building, plumbing, and mechanical codes.

The fiscal year 2018 capital budget and six-year capital program provides funding of \$35.3 million for major projects throughout the County that will expand and enhance services to our residents.

Highlights of the County's 2018 capital budget and program include:

- Continued major sewer rehabilitation projects taking place throughout New Castle County are programmed to receive additional funding of \$19.6 million in fiscal year 2018 to ensure that our infrastructure receives the attention it requires to continue serving the public while protecting our environment.
- Assisting communities with stormwater management to mitigate flood and stormwater management problems will receive funding of \$0.5 million in fiscal year 2018.
- Renovations and upgrades to County facilities, parking lots, fleet, and upgrades to facilities security are budgeted for a total of \$9.1 million in fiscal year 2018.
- Public Safety projects will receive a total of \$5.1 million in fiscal year 2018 for \$2.0 million for EMS Stations, \$2.0 million for Public Safety Building Renovations, \$0.4 million for Public Safety Equipment, and \$0.7 million will be used for various other public safety projects.
- Parks is authorized for \$2.9 million in fiscal year 2018, \$1.8 million for Maintenance Base Renovations, and \$1.1 million will be used for various other park projects.

Contacting New Castle County's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of New Castle County's finances, and to demonstrate the County's accountability for the money it receives. Questions concerning this report, or requests for additional financial information should be directed to J. Brian Maxwell, Chief Financial Officer, New Castle County Government Center, 87 Reads Way, New Castle, Delaware 19720, telephone (302) 395-5170. Visit the County's website at www.nccde.org.

Basic Financial Statements

NEW CASTLE COUNTY, DELAWARE

STATEMENT OF NET POSITION

JUNE 30, 2017

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents (Note 2)	\$ 49,808,441	\$ 6,967,015	\$ 56,775,456
Investments (Note 2)	85,587,292	53,310,889	138,898,181
Receivables (net of allowances):			
Taxes, including interest and penalties (Note 3 and 4)	2,993,436		2,993,436
Accounts	4,695,995		4,695,995
Service charges (Note 4)		7,933,893	7,933,893
Other	514,728	333,407	848,135
Due from other governments (Note 4)	4,605,137	100,000	4,705,137
Due from other agencies (Note 4)	24,467		24,467
Prepaid costs	836,550		836,550
Capital assets held for resale	237,996		237,996
Restricted:			
Cash and cash equivalents (Note 2)	22,997,881	37,574,098	60,571,979
Noncurrent assets:			
Note Receivable (Note 4)	3,000,000		3,000,000
Capital assets, not being depreciated (Note 5)	84,312,388	42,912,983	127,225,371
Capital assets, being depreciated, net (Note 5)	222,951,428	386,116,570	609,067,998
Total Assets	482,565,739	535,248,855	1,017,814,594
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflow from pensions (Note 24)	43,484,262	4,496,929	47,981,191
Deferred effect of bond refunding, net	2,892,035	7,774,378	10,666,413
Total Deferred Outflows of Resources	46,376,297	12,271,307	58,647,604
LIABILITIES			
Current liabilities:			
Vouchers payable and other current liabilities	31,843,366	4,296,830	36,140,196
Retainage payable	787,957	1,309,328	2,097,285
Accrued interest payable	2,529,441	4,170,492	6,699,933
Escrowed amounts	9,505,657	1,410,142	10,915,799
Unearned revenue (Note 9)	4,014,528		4,014,528
General obligation bonds payable plus unamortized bond premium (Note 10)	14,522,904	10,529,239	25,052,143
Loans payable (Notes 10)	-	186,209	186,209
Claims and judgments payable (Notes 10 and 14)	5,041,000	100,000	5,141,000
Capital lease payable (Notes 10 and 22)	4,035,618	1,381,685	5,417,303
Accrued compensated leave (Notes 8 and 10)	7,916,542	1,150,328	9,066,870
Estimated liability for landfill postclosure care (Notes 10 and 13)	101,000	-	101,000
Noncurrent liabilities:			
General obligation bonds payable plus unamortized bond premium (Note 10)	182,265,473	327,664,783	509,930,256
Loans payable (Notes 10)	-	1,900,932	1,900,932
Claims and judgments payable (Notes 10 and 14)	9,888,766	196,752	10,085,518
Capital lease payable (Notes 10 and 22)	8,086,396	3,111,332	11,197,728
Accrued compensated leave (Notes 8 and 10)	17,848,076	1,989,554	19,837,630
Net pension liability (Notes 10 and 24)	149,089,075	19,994,266	169,083,341
Unfunded other post employment benefits obligation (Note 19)	93,469,033	10,437,187	103,906,220
Estimated liability for landfill postclosure care (Notes 10 and 13)	606,000	-	606,000
Total Liabilities	541,550,832	389,829,059	931,379,891
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows from pensions (Note 24)	17,565,486	1,905,651	19,471,137
NET POSITION			
Net investment in capital assets	121,492,743	129,603,848	251,096,591
Restricted:			
Capital projects	8,570,182	-	8,570,182
Special revenue funds (Note 18)	7,371,404	-	7,371,404
Unrestricted (Note 17)			
Capital recovery fees	-	19,813,281	19,813,281
Other unrestricted	(167,608,611)	6,368,323	(161,240,288)
Total Net Position	\$ (30,174,282)	\$ 155,785,452	\$ 125,611,170

The accompanying notes to the financial statements are an integral part of this statement.

NEW CASTLE COUNTY, DELAWARE
STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2017

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary government:							
Governmental activities:							
General government	\$ 36,883,535	\$ 2,659,108	\$ -	\$ 328,736	\$ (33,895,691)		\$ (33,895,691)
Public safety	115,071,823	3,913,369	9,192,266	480,531	(101,485,657)		(101,485,657)
Special services	23,836,189	1,334,719	-	858,868	(21,642,602)		(21,642,602)
Community services	47,407,977	3,339,053	22,531,042	5,791,470	(15,746,412)		(15,746,412)
Land use	12,382,274	9,915,769	28,457		(2,438,048)		(2,438,048)
Judiciary offices	7,342,339	18,078,432	-		10,736,093		10,736,093
Interest on long-term debt	6,891,287	-	-		(6,891,287)		(6,891,287)
Total governmental activities (See note 1)	249,815,424	39,240,450	31,751,765	7,459,605	(171,363,604)		(171,363,604)
Business-type activities:							
Sewer facilities	80,047,020	72,048,688	488,234	-	-	\$ (7,510,098)	(7,510,098)
New Castle County airport	998	-	-	-	-	(998)	(998)
Total business-type activities	80,048,018	72,048,688	488,234	-	-	(7,511,096)	(7,511,096)
Total primary government	\$ 329,863,442	\$ 111,289,138	\$ 32,239,999	\$ 7,459,605	(171,363,604)	(7,511,096)	(178,874,700)
General revenues:							
Real estate taxes					154,983,995	-	154,983,995
Unrestricted investment earnings					890,615	298,837	1,189,452
Total general revenues					155,874,610	298,837	156,173,447
Change in net position					(15,488,994)	(7,212,259)	(22,701,253)
Net position:							
Beginning of year					(14,685,288)	162,997,711	148,312,423
End of year					\$ (30,174,282)	\$ 155,785,452	\$ 125,611,170

The accompanying notes to the financial statements are an integral part of this statement.

NEW CASTLE COUNTY, DELAWARE

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2017

	General	Grants	Other Governmental Funds	Total Governmental Funds
ASSETS:				
Cash and cash equivalents (Note 2)	\$ 45,459,332	\$ 3,032,712	\$ 1,316,397	\$ 49,808,441
Investments (Note 2)	81,995,936	-	3,591,356	85,587,292
Receivables (net of allowances):				
Taxes, including interest and penalties (Note 3 and 4)	2,793,148	-	200,288	2,993,436
Accounts (Note 4)	4,695,995	-	-	4,695,995
Other (Note 4)	232,865	280,125	1,738	514,728
Due from other funds (Note 7)	-	-	32,768,625	32,768,625
Due from other governments (Note 4)	-	2,694,927	1,910,210	4,605,137
Due from other agencies (Note 4)	-	24,467	-	24,467
Cash - restricted	22,948,273	49,608	-	22,997,881
Capital assets held for resale	-	237,996	-	237,996
Prepaid costs	836,550	-	-	836,550
Note receivable (Note 4)	3,000,000	-	-	3,000,000
Total assets	\$ 161,962,099	\$ 6,319,835	\$ 39,788,614	\$ 208,070,548
LIABILITIES:				
Vouchers payable and accrued expenditures	\$ 19,169,980	\$ 632,242	\$ 4,360,811	\$ 24,163,033
Retainage payable	-	-	787,957	787,957
Due to other funds (Note 7)	32,768,625	-	-	32,768,625
Other liabilities	7,680,333	-	-	7,680,333
Escrowed amounts	9,456,049	49,608	-	9,505,657
Unearned revenues (Note 9)	-	4,014,528	-	4,014,528
Total liabilities	69,074,987	4,696,378	5,148,768	78,920,133
DEFERRED INFLOWS OF RESOURCES:				
Unavailable revenue-property taxes (Note 9)	2,554,388	-	74,434	2,628,822
FUND BALANCES:				
Nonspendable:				
Note receivable	3,000,000	-	-	3,000,000
Prepaid costs	836,550	-	-	836,550
Restricted for:				
Light tax	-	-	305,948	305,948
Crossing guard	-	-	537,812	537,812
Garstin trust	-	-	3,663,886	3,663,886
Housing trust	-	-	1,240,301	1,240,301
Grants	-	1,623,457	-	1,623,457
Capital projects	-	-	28,817,465	28,817,465
Committed to:				
Budget reserve	37,057,852	-	-	37,057,852
Tax stabilization reserve	28,643,189	-	-	28,643,189
Transfer tax proceeds	9,661,952	-	-	9,661,952
Assigned to:				
Other departmental purposes	2,800,561	-	-	2,800,561
Library	9,611	-	-	9,611
Strategic Economic Development fund	6,165,000	-	-	6,165,000
Unassigned	2,158,009	-	-	2,158,009
Total fund balances	90,332,724	1,623,457	34,565,412	126,521,593
Total liabilities, deferred inflows of resources, and fund balances	\$ 161,962,099	\$ 6,319,835	\$ 39,788,614	\$ 208,070,548

The accompanying notes to the financial statements are an integral part of this statement.

NEW CASTLE COUNTY, DELAWARE

RECONCILIATION OF THE GOVERNMENTAL FUNDS FUND BALANCE TO THE
STATEMENT OF NET POSITION

GOVERNMENTAL FUNDS

June 30, 2017

Total fund balances for governmental funds (Exhibit 3)		\$ 126,521,593
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. These assets consist of:		
Land and construction in progress	\$ 84,312,388	
Other capital assets net of \$225,195,991 accumulated depreciation	<u>222,951,428</u>	
Total capital assets, net		307,263,816
Deferred outflows of resources are recognized in the statement of net position, but are not reported in governmental funds:		
Deferred effect of bond refunding	\$ 2,892,035	
Pension contributions after the measurement date	3,679,422	
Difference between expected and actual retirement plan experience	1,903,907	
Change in actuarial assumptions	5,383,224	
Difference between projected and actual investment earnings	32,425,052	
Change in proportionate share	<u>92,657</u>	
		46,376,297
Deferred inflows of resources are recognized in the statement of net position, but are not reported in governmental funds:		
Change in actuarial assumptions	\$ (2,587,073)	
Difference between expected and actual retirement plan experience	(2,288,000)	
Difference between projected and actual investment earnings	<u>(12,690,413)</u>	
		(17,565,486)
Certain revenues reported in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.		
		2,628,822
Long-term liabilities and bonds payable are not due and payable in the current period and therefore are not reported in the funds. The balances of these liabilities are as follows:		
Claims and judgments payable	\$ (14,929,766)	
Accrued interest payable	(2,529,441)	
Accrued compensated leave	(25,764,618)	
Estimated liability for landfill postclosure care	(707,000)	
Capital lease payable	(12,122,014)	
Unamortized bond premium	(17,092,037)	
Net pension asset	-	
Net pension liability	(149,089,075)	
Unfunded other post employment obligation	(93,469,033)	
General obligation bonds payable	<u>(179,696,340)</u>	
		(495,399,324)
Total net position of governmental activities		\$ (30,174,282)

The accompanying notes to the financial statements are an integral part of this statement.

NEW CASTLE COUNTY, DELAWARE

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2017

	General	Grants	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 145,965,783	\$ -	\$ 9,038,310	\$ 155,004,093
Charges for services	24,157,408	2,646,705	-	26,804,113
Licenses and permits	7,403,571	-	413,396	7,816,967
Intergovernmental	9,250,196	24,371,473	6,510,303	40,131,972
Investment income (loss)	2,649,713	42,958	177,604	2,870,275
Net appreciation (depreciation) in fair value of investments	(1,759,098)	-	234,638	(1,524,460)
Rentals	725,556	-	-	725,556
Contributions from private sources	-	-	10,000	10,000
Miscellaneous	1,465,606	-	275,061	1,740,667
Total revenues	189,858,735	27,061,136	16,659,312	233,579,183
Expenditures:				
Current:				
General government	19,465,270	-	6,755,988	26,221,258
Public safety	100,186,226	2,790,705	2,617,592	105,594,523
Special services	13,357,889	-	282,108	13,639,997
Community services	19,279,991	24,720,954	-	44,000,945
Land use	11,359,470	204,542	-	11,564,012
Judiciary offices	6,835,977	-	-	6,835,977
Capital outlays	-	-	39,048,980	39,048,980
Debt service:				
Principal	13,103,210	-	-	13,103,210
Interest and other charges	6,610,556	-	-	6,610,556
Total expenditures	190,198,589	27,716,201	48,704,668	266,619,458
Excess (deficiency) of revenues over expenditures	(339,854)	(655,065)	(32,045,356)	(33,040,275)
Other Financing Sources (Uses):				
Transfers in	37,936	806,554	3,433,813	4,278,303
Transfers out	(4,240,367)	(37,936)	-	(4,278,303)
Debt issuance	2,040,000	-	37,600,000	39,640,000
Bond premium proceeds	189,796	-	2,730,317	2,920,113
Bond issuance costs	(20,115)	-	(320,653)	(340,768)
Capital leases	-	-	5,952,066	5,952,066
Sale of capital assets	306,689	-	-	306,689
Total other financing sources (uses)	(1,686,061)	768,618	49,395,543	48,478,100
Net change in fund balances	(2,025,915)	113,553	17,350,187	15,437,825
Fund Balances:				
Beginning of year	92,358,639	1,509,904	17,215,225	111,083,768
End of year	\$ 90,332,724	\$ 1,623,457	\$ 34,565,412	\$ 126,521,593

The accompanying notes to the financial statements are an integral part of this statement.

NEW CASTLE 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 (Exhibit 2) are different because:

Net change in fund balances-total governmental funds (Exhibit 4)	\$ 15,437,825
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 net capital outlays (\$36,163,872) exceeded depreciation (\$16,504,084) in the current period.	19,659,788
The net effect of various miscellaneous transactions involving capital asset disposals (capital assets, (\$4,962,491), and accumulated depreciation, (\$4,813,165), is to decrease net position.	(149,326)
Revenues from property taxes, (\$20,099) in the statement of activities that do not provide current financial resources, are not reported as revenues in the funds.	(20,099)
The issuance of long-term debt (Debt issuance (\$39,640,000), Bond premium proceeds (\$2,920,113), and Capital lease proceeds (\$5,952,066), provided current financial resources to governmental funds, while the repayment to the long-term debt consumed current financial resources of governmental funds. This transaction has no effect on net position.	(48,512,179)
Governmental funds report debt service and capital lease principal payments as expenditures. However, these amounts are not recorded in the statement of activities, because bond principal payments (\$13,103,210) and capital lease payments (\$3,662,520) are a reduction of their related liability.	16,765,730
Decreases in operating expenses due to the decrease in pension expense for the amortization of deferred outflows and inflows of resources related to the net pension liability.	(24,989,994)
Governmental funds report pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employer contributions is reported as pension expense.	3,679,422
The change in expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. The net change in these expenses are as follows:	
Accrued compensated leave	(1,920,735)
Claims and judgments payable	285,764
Net pension liability	12,650,372
Net pension asset	(1,724,155)
Unfunded other post employment obligation	(7,391,685)
Accrued interest payable	(76,192)
Amortization of bond premium	1,005,009
Deferred effect of bond refunding, net	(204,539)
Estimated liability for landfill postclosure care	16,000
	<u>2,639,839</u>
Change in net position of governmental activities (Exhibit 2)	\$ (15,488,994)

The accompanying notes to the financial statements are an integral part of this statement.

NEW CASTLE COUNTY, DELAWARE

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 138,992,000	\$ 138,992,000	\$ 145,965,783	\$ 6,973,783
Charges for services	22,013,506	22,063,506	24,157,408	2,093,902
Licenses and permits	6,756,952	6,756,952	7,403,571	646,619
Intergovernmental	7,300,959	9,047,358	9,250,196	202,838
Investment income	2,800,580	2,800,580	2,649,713	(150,867)
Net depreciation in fair value of investments	-	-	(1,759,098)	(1,759,098)
Rentals	745,662	745,662	725,556	(20,106)
Miscellaneous	1,590,000	1,590,000	1,465,606	(124,394)
Total revenues	180,199,659	181,996,058	189,858,735	7,862,677
Expenditures:				
Current:				
General Government:				
Council:				
Salaries and wages	1,954,090	1,982,171	1,981,510	661
Fringe benefits	1,049,405	1,156,237	1,149,709	6,528
Training/civic affairs	67,562	70,339	51,730	18,609
Communications/utilities	22,869	18,129	11,606	6,523
Materials/supplies	84,321	48,327	25,428	22,899
Contractual services	407,943	445,747	291,947	153,800
Fixed charges/pass-thru-grants	136,100	162,923	156,192	6,731
Equipment	1,941	5,456	4,529	927
General and administrative credits	(9,362)	(9,362)	(9,362)	-
Total council	3,714,869	3,879,967	3,663,289	216,678
Executive:				
Salaries and wages	1,311,625	1,545,937	1,545,815	122
Fringe benefits	714,967	879,705	879,682	23
Training/civic affairs	39,404	35,304	19,706	15,598
Communications/utilities	17,100	18,100	15,709	2,391
Materials/supplies	24,897	34,487	11,856	22,631
Contractual services	219,872	239,997	204,254	35,743
Fixed charges/pass-thru-grants	155,287	481,589	413,751	67,838
Equipment	1,000	31,100	29,307	1,793
Contingencies	110,000	-	-	-
General and administrative credits	(97,953)	(97,953)	(97,953)	-
Total executive	2,496,199	3,168,266	3,022,127	146,139
Administration:				
Salaries and wages	10,878,297	10,299,897	10,287,688	12,209
Fringe benefits	5,837,539	5,994,342	5,901,383	92,959
Training/civic affairs	143,239	116,739	65,666	51,073
Communications/utilities	862,399	849,249	682,634	166,615
Materials/supplies	219,933	224,133	115,029	109,104
Contractual services	8,242,177	7,182,877	5,849,174	1,333,703
Fixed charges/pass-thru-grants	4,774,639	5,779,639	6,670,439	(890,800)
Equipment	275,187	368,337	321,373	46,964
Intragovernmental credits	(14,384,181)	(14,384,181)	(13,617,035)	(767,146)
General and administrative credits	(3,834,086)	(3,834,086)	(3,834,086)	-
Total administration	13,015,143	12,596,946	12,442,265	154,681

The accompanying notes to the financial statements are an integral part of this statement.

NEW CASTLE COUNTY, DELAWARE

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2017
(CONTINUED)

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
General Government:				
(Continued):				
Ethics Commission:				
Salaries and wages	\$ 34,000	\$ 34,000	\$ 29,941	\$ 4,059
Fringe benefits	3,400	3,400	2,994	406
Training/civic affairs	12,450	12,450	5,217	7,233
Communications/utilities	3,200	3,200	1,815	1,385
Materials/supplies	2,677	2,677	893	1,784
Contractual services	242,003	417,003	296,729	120,274
Equipment	500	500	-	500
Total ethics commission	298,230	473,230	337,589	135,641
Contingency:				
Contingencies	1,229,605	303	-	303
Total general government	20,754,046	20,118,712	19,465,270	653,442
Public Safety:				
Salaries and wages	49,732,276	51,245,624	51,229,333	16,291
Fringe benefits	26,949,510	32,216,885	32,216,426	459
Training/civic affairs	143,452	176,307	142,171	34,136
Communications/utilities	750,353	752,639	649,811	102,828
Materials/supplies	1,226,967	1,211,200	963,207	247,993
Contractual services	10,968,546	10,931,012	9,653,906	1,277,106
Equipment	353,757	382,444	290,498	91,946
Fixed charges/pass-thru-grants	5,255,830	5,255,830	5,255,770	60
Contingencies	(6,980)	-	-	-
General and administrative credits	(214,896)	(214,896)	(214,896)	-
Total public safety	95,158,815	101,957,045	100,186,226	1,770,819
Special Services:				
Salaries and wages	10,315,838	10,140,838	10,031,113	109,725
Fringe benefits	5,535,803	5,873,899	5,871,701	2,198
Training/civic affairs	32,742	32,742	25,509	7,233
Communications/utilities	1,255,027	1,281,527	1,109,438	172,089
Materials/supplies	3,072,731	3,008,731	2,460,327	548,404
Contractual services	5,333,887	5,362,274	4,627,657	734,617
Fixed charges/pass-thru-grants	1,225,326	1,226,939	776,762	450,177
Equipment	450,157	457,657	435,069	22,588
Intragovernmental credits	(9,841,283)	(9,841,283)	(8,473,246)	(1,368,037)
General and administrative credits	(3,506,441)	(3,506,441)	(3,506,441)	-
Total special services	13,873,787	14,036,883	13,357,889	678,994
Community Services:				
Salaries and wages	8,816,129	8,340,378	8,307,374	33,004
Fringe benefits	3,832,145	3,997,994	3,997,012	982
Training/civic affairs	9,060	22,560	14,906	7,654
Communications/utilities	904,478	869,478	708,698	160,780
Materials/supplies	1,188,448	1,201,967	1,068,875	133,092
Contractual services	2,809,618	2,808,069	2,495,982	312,087
Fixed charges/pass-thru-grants	2,826,194	2,850,830	2,843,794	7,036
Equipment	18,538	37,368	25,350	12,018
Intragovernmental credits	(182,000)	(182,000)	(182,000)	-
Total community services	20,222,610	19,946,644	19,279,991	666,653

The accompanying notes to the financial statements are an integral part of this statement.

NEW CASTLE COUNTY, DELAWARE

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2017
(CONTINUED)

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Land Use:				
Salaries and wages	\$ 6,738,825	\$ 6,313,825	\$ 6,251,605	\$ 62,220
Fringe benefits	3,652,284	3,675,888	3,671,845	4,043
Training/civic affairs	45,205	45,205	28,207	16,998
Communications/utilities	112,317	108,477	91,375	17,102
Materials/supplies	111,277	98,040	45,218	52,822
Contractual services	2,481,265	2,478,429	1,806,672	671,757
Fixed charges/pass-thru-grants	31,500	31,500	31,500	-
Equipment	5,800	25,713	23,222	2,491
General and administrative credits	(590,174)	(590,174)	(590,174)	-
Total land use	12,588,299	12,186,903	11,359,470	827,433
Judiciary Offices:				
Prothonotary:				
Salaries and wages	-	12,837	12,836	1
Fringe benefits	45,000	43,026	43,026	-
Total prothonotary	45,000	55,863	55,862	1
Register in Chancery:				
Salaries and wages	166,180	169,180	169,087	93
Fringe benefits	90,568	99,727	99,727	-
Total register in chancery	256,748	268,907	268,814	93
Register of Wills:				
Salaries and wages	943,399	943,399	911,443	31,956
Fringe benefits	508,815	533,758	533,667	91
Training/civic affairs	32,002	31,502	30,754	748
Communications/utilities	9,835	10,235	10,357	(122)
Materials/supplies	15,391	12,841	8,127	4,714
Contractual services	94,208	93,708	84,619	9,089
Equipment	800	3,950	1,368	2,582
Total register of wills	1,604,450	1,629,393	1,580,335	49,058
Recorder of Deeds:				
Salaries and wages	1,271,114	1,184,358	1,169,780	14,578
Fringe benefits	681,634	682,716	681,753	963
Training/civic affairs	46,525	46,525	43,823	2,702
Communications/utilities	28,969	28,969	25,680	3,289
Materials/supplies	15,111	15,111	7,489	7,622
Contractual services	237,995	237,995	223,391	14,604
Fixed charges/pass-thru-grants	15,000	15,000	15,000	-
Equipment	8,000	8,000	229	7,771
Total recorder of deeds	2,304,348	2,218,674	2,167,145	51,529

The accompanying notes to the financial statements are an integral part of this statement.

NEW CASTLE COUNTY, DELAWARE

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2017
(CONTINUED)

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Judiciary Offices:				
(Continued):				
Sheriff:				
Salaries and wages	\$ 1,091,402	\$ 1,108,623	\$ 1,108,433	\$ 190
Fringe benefits	591,349	653,752	653,752	-
Training/civic affairs	29,452	23,803	21,969	1,834
Communications/utilities	16,550	20,050	18,758	1,292
Materials/supplies	20,260	18,060	10,752	7,308
Contractual services	245,932	233,498	211,633	21,865
Fixed charges/pass-thru-grants	-	-	-	-
Equipment	5,000	500	328	172
Total sheriff	1,999,945	2,058,286	2,025,625	32,661
Clerk of the Peace:				
Salaries and wages	415,719	420,719	420,398	321
Fringe benefits	226,567	247,950	247,950	-
Training/civic affairs	16,845	13,858	11,344	2,514
Communications/utilities	2,825	2,825	2,321	504
Materials/supplies	2,250	4,037	3,621	416
Contractual services	60,028	60,428	52,562	7,866
Equipment	-	-	-	-
Total clerk of the peace	724,234	749,817	738,196	11,621
Total judiciary offices	6,934,725	6,980,940	6,835,977	144,963
Debt Service:				
Principal	10,937,585	10,937,585	13,103,210	(2,165,625)
Interest and other charges	6,566,501	6,566,501	6,610,556	(44,055)
Total debt service	17,504,086	17,504,086	19,713,766	(2,209,680)
Total expenditures	187,036,368	192,731,213	190,198,589	2,532,624
Excess of revenues over expenditures	(6,836,709)	(10,735,155)	(339,854)	10,395,301
Other Financing Sources (Uses):				
Transfers in	-	-	37,936	37,936
Transfers out	(3,431,000)	(4,240,367)	(4,240,367)	-
Issuance of refunding bonds	-	-	2,209,681	2,209,681
Sale of capital assets	280,040	280,040	306,689	26,649
Total other financing sources (uses)	(3,150,960)	(3,960,327)	(1,686,061)	2,274,266
Net change in fund balance	(9,987,669)	(14,695,482)	(2,025,915)	12,669,567
Fund Balance:				
Beginning of year	85,067,520	72,592,278	92,358,639	19,766,361
End of year	<u>\$ 75,079,851</u>	<u>\$ 57,896,796</u>	<u>\$ 90,332,724</u>	<u>\$ 32,435,928</u>

The accompanying notes to the financial statements are an integral part of this statement.

NEW CASTLE COUNTY, DELAWARE

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

June 30, 2017

	Business-type Activities - Enterprise Funds		
	Sewer Facilities	Nonmajor Fund New Castle County Airport	Total
ASSETS			
Current Assets:			
Cash and cash equivalents (Note 2)	\$ 6,910,957	\$ 56,058	\$ 6,967,015
Investments (Note 2)	53,310,889	-	53,310,889
Receivables (net of allowances):			
Service charges (Note 4)	7,933,893	-	7,933,893
Other (Note 4)	333,407	-	333,407
Due from other governments (Note 4)	100,000	-	100,000
Restricted cash and cash equivalents (Note 2)	37,574,098	-	37,574,098
Prepaid items	-	-	-
Total current assets	106,163,244	56,058	106,219,302
Capital Assets: (Note 5)			
Land	34,636,341	2,158,912	36,795,253
Buildings	33,181,493	4,820,100	38,001,593
Building improvements	3,486,541	-	3,486,541
Equipment	39,152,782	1,000	39,153,782
Improvements other than buildings	3,876,611	43,682,500	47,559,111
Infrastructure	538,202,762	-	538,202,762
Construction in progress	6,117,730	-	6,117,730
Less accumulated depreciation	(231,783,619)	(48,503,600)	(280,287,219)
Total capital assets, net	426,870,641	2,158,912	429,029,553
Total noncurrent assets	426,870,641	2,158,912	429,029,553
Total assets	533,033,885	2,214,970	535,248,855
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflow from pensions (Note 24)	4,496,929	-	4,496,929
Deferred effect of bond refunding, net (Note 10)	7,774,378	-	7,774,378
Total deferred outflows of resources	12,271,307	-	12,271,307
LIABILITIES			
Current Liabilities:			
Vouchers payable and accrued expenses	4,296,830	-	4,296,830
Retainage payable	1,309,328	-	1,309,328
Accrued interest payable	4,170,492	-	4,170,492
Escrowed amounts	1,410,142	-	1,410,142
General obligation bonds - current (Note 10)	10,529,239	-	10,529,239
Loans payable - current (Note 10)	186,209	-	186,209
Lease payable - current (Notes 10 and 22)	1,381,685	-	1,381,685
Claims and judgment costs - current (Notes 10 and 14)	100,000	-	100,000
Accrued compensated leave (Notes 8 and 10)	1,150,328	-	1,150,328
Total current liabilities	24,534,253	-	24,534,253
Noncurrent Liabilities:			
Net Pension liability (Note 24)	19,994,266	-	19,994,266
Unfunded other post-employment benefit obligation	10,437,187	-	10,437,187
General obligation bonds payable (net of current portion) (Note 10)	327,664,783	-	327,664,783
Loans payable (Note 10)	1,900,932	-	1,900,932
Lease payable (Notes 10 and 22)	3,111,332	-	3,111,332
Claims and judgment costs (Notes 10 and 14)	196,752	-	196,752
Accrued compensated leave (Notes 8 and 10)	1,989,554	-	1,989,554
Total noncurrent liabilities	365,294,806	-	365,294,806
Total liabilities	389,829,059	-	389,829,059
DEFERRED INFLOWS OF RESOURCES			
Deferred inflow from pensions (Note 24)	1,905,651	-	1,905,651
NET POSITION			
Net investment in capital assets	127,444,936	2,158,912	129,603,848
Unrestricted (Note 17)			
Capital recovery fees	19,813,281	-	19,813,281
Other unrestricted	6,312,265	56,058	6,368,323
Total net position	\$ 153,570,482	\$ 2,214,970	\$ 155,785,452

The accompanying notes to the financial statements are an integral part of this statement.

NEW CASTLE COUNTY, DELAWARE

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION

PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2017

	Business-type Activities Enterprise Funds		Total
	Sewer Facilities	Nonmajor Fund New Castle County Airport	
Operating Revenues:			
Charges for services	\$ 72,048,688	\$ -	\$ 72,048,688
Total operating revenues	72,048,688	-	72,048,688
Operating Expenses:			
Salaries and wages	11,224,387	-	11,224,387
Employee benefits	6,811,290	-	6,811,290
Training and civic affairs	4,959	-	4,959
Communications and utilities	20,319,765	-	20,319,765
Materials and supplies	1,022,246	-	1,022,246
Contractual services	6,655,305	-	6,655,305
Equipment	792,528	-	792,528
Depreciation	14,001,034	998	14,002,032
Pension expense	1,433,752	-	1,433,752
Unfunded other post-employment benefit costs	167,823	-	167,823
Administrative and fixed charges	6,997,187	-	6,997,187
Land and structure	1,850	-	1,850
Total operating expenses	69,432,126	998	69,433,124
Operating income/(loss)	2,616,562	(998)	2,615,564
Non-operating Revenues (Expenses):			
Investment income	724,979	-	724,979
Net depreciation in fair value of investments	(426,142)	-	(426,142)
RZEDB interest reimbursement	875,470	-	875,470
Interest expense	(11,819,169)	-	(11,819,169)
Lease interest expense	(85,354)	-	(85,354)
Other revenues/expenses	(463,275)	-	(463,275)
Gain on sale of assets	76,039	-	76,039
Bond premium amortization	1,289,629	-	1,289,629
Total non-operating revenues (expenses)	(9,827,823)	-	(9,827,823)
Change in net position	(7,211,261)	(998)	(7,212,259)
Net Position:			
Beginning of year	160,781,743	2,215,968	162,997,711
End of year	\$ 153,570,482	\$ 2,214,970	\$ 155,785,452

The accompanying notes to the financial statements are an integral part of this statement.

NEW CASTLE COUNTY, DELAWARE

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2017

	Business-type Activities - Enterprise Funds		
	Sewer Facilities	Nonmajor Fund New Castle County Airport	Totals
Cash Flows From Operating Activities:			
Cash received from customers	\$ 71,291,870	\$ -	\$ 71,291,870
Cash payments to employees for services	(17,972,940)	-	(17,972,940)
Cash payments to suppliers for goods and services	(35,677,202)	-	(35,677,202)
Customer deposits received	816,193	-	816,193
Customer deposits returned	(626,554)	-	(626,554)
Other revenues	83,145	-	83,145
Net cash provided by operating activities	17,914,512	-	17,914,512
Cash Flows From Capital and Related Financing Activities:			
RZEDB interest reimbursement	875,470	-	875,470
Debt issuance	71,120,000	-	71,120,000
Bond premium proceeds	3,187,569	-	3,187,569
Bond issuance costs	(608,642)	-	(608,642)
Principal paid on bond debt	(10,371,791)	-	(10,371,791)
Interest paid on bond debt	(11,094,256)	-	(11,094,256)
Principal paid on loan payable	(164,275)	-	(164,275)
Interest paid on loan payable	(44,052)	-	(44,052)
Principal paid on lease payable	(1,038,333)	-	(1,038,333)
Interest paid on lease payable	(85,354)	-	(85,354)
Payments to acquire, construct, or improve capital assets	(28,116,220)	-	(28,116,220)
Capital transfers	(88,267)	-	(88,267)
Net cash used by capital and related financing activities	23,571,849	-	23,571,849
Cash Flows From Investing Activities:			
Income received on investments	665,946	-	665,946
Proceeds from sales of investments	187,758,131	-	187,758,131
Purchases of investments	(203,192,943)	-	(203,192,943)
Net cash provided by investing activities	(14,768,866)	-	(14,768,866)
Net increase in cash and cash equivalents	26,717,495	-	26,717,495
Cash and cash equivalents at beginning of year	17,767,560	56,058	17,823,618
Cash and cash equivalents at end of year	\$ 44,485,055	\$ 56,058	\$ 44,541,113
Reconciliation of Operating Income/(Loss) to Net Cash Provided By Operating Activities:			
Operating income/(loss)	\$ 2,616,562	\$ (998)	\$ 2,615,564
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:			
Depreciation expense	14,001,034	998	14,002,032
Other revenues	83,145	-	83,145
Effect of changes in operating assets and liabilities:			
Increase in receivables	(734,412)	-	(734,412)
Increase in prepaid items	3,786	-	3,786
Decrease in vouchers payable and accrued expenses	1,754,758	-	1,754,758
Decrease in escrowed amounts	189,639	-	189,639
Total reconciling adjustments	15,297,950	998	15,298,948
Net cash provided by operating activities	\$ 17,914,512	\$ -	\$ 17,914,512
Noncash Investing, Capital, and Financing Activities:			
Decrease in fair value of investments	\$ (426,142)	\$ -	\$ (426,142)
Increase in assets related to lease payable	\$ 1,009,221	\$ -	\$ 1,009,221

The accompanying notes to the financial statements are an integral part of this statement.

NEW CASTLE COUNTY, DELAWARE
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

June 30, 2017

ASSETS	Pension Trust Fund	Other Postemployment Benefits Trust Fund
Cash and cash equivalents (Note 2)	\$ 24,529,132	\$ -
Investments: (Note 2)		
Common and preferred stock	56,493,761	-
Municipal obligations	-	-
Obligations of U.S. governments and agencies	-	-
Corporate obligations	8,320,747	-
Collateralized mortgage obligation	2,556,261	-
Mutual funds	69,180,658	39,363,210
Asset backed securities	1,184,105	-
Real estate equity funds	9,346,200	-
Collective Trusts	236,290,603	-
Private equity	17,188,971	-
Receivables (net of allowances):		
Other (Note 4)	1,335,379	1,000,000
Total assets	426,425,817	40,363,210
LIABILITIES		
Vouchers payable and accrued expenses	698,572	10,600
Total liabilities	698,572	10,600
NET POSITION		
Net position held in trust for pension benefits	\$ 425,727,245	
Net position held in trust for other postemployment benefits		\$ 40,352,610

The accompanying notes to the financial statements are an integral part of this statement.

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

	Pension Trust Fund	Other Postemployment Benefits Trust Fund
Additions:		
Contributions:		
Plan members	\$ 2,679,140	\$ -
New Castle County	15,491,040	9,956,954
State of Delaware	1,768,307	-
Other contributions	2,909	-
Total contributions	19,941,396	9,956,954
Investment income:		
Net increase in fair value of investments	34,095,389	3,522,548
Interest, dividends, and other income, including realized gains/losses	14,310,489	892,336
Total investment income	48,405,878	4,414,884
Less investment expense	2,401,784	40,458
Net investment income	46,004,094	4,374,426
Total additions	65,945,490	14,331,380
Deductions:		
Benefit payments	39,290,787	8,956,954
Refunds of contributions	232,840	-
Administrative expenses	682,369	16,475
Other expenses, net	33,285	-
Total deductions	40,239,281	8,973,429
Net increase in net position	25,706,209	5,357,951
Net position held in trust for pension benefits/ other postemployment benefits:		
Beginning of year	400,021,036	34,994,659
End of year	<u>\$ 425,727,245</u>	<u>\$ 40,352,610</u>

The accompanying notes to the financial statements are an integral part of this statement.

Notes to the Financial Statements

NEW CASTLE COUNTY, DELAWARE
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

- (1) Summary of Significant Accounting Policies
- (2) Deposits and Investments
- (3) Property Taxes
- (4) Receivables
- (5) Capital Assets
- (6) Construction Commitments
- (7) Interfund Receivables, Payables and Transfers
- (8) Compensated Leave
- (9) Unavailable / Unearned Revenue
- (10) Long-term Debt
- (11) Debt Margin and Bonds Authorized but Unissued
- (12) Prior Year Defeasance of Debt
- (13) Landfill Postclosure Care Costs
- (14) Risk Management
- (15) Contingencies
- (16) Conduit Debt
- (17) Unrestricted Net Position
- (18) Fund Balance
- (19) Other Postemployment Benefits
- (20) On-Behalf Payments
- (21) Operating Lease
- (22) Capital Leases
- (23) Deferred Compensation Plan
- (24) Defined Benefit Pension Plans

NEW CASTLE COUNTY, DELAWARE
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017
(Continued)

(1) Summary of Significant Accounting Policies:

A. Financial Reporting Entity:

New Castle County Government was established on January 3, 1967, replacing the Levy Court Commission with a Council-Executive form of government. The powers and duties of the County Government are set forth in Chapter 11, Title 9 of the Delaware Code. The County Government is composed of (i) a legislative body (the "Council"), and (ii) an administrative body headed by the County Executive, (the "Administration"), which includes five operating departments and four judiciary (row) offices.

New Castle County, Delaware (the County) provides many governmental services. The majority of these services are mandated by statute or code; however, there are some services that are discretionary in nature and highly desired by the citizens of the County. Major public services/facilities include police protection, paramedic services, parks, recreation programs, libraries, sewer services and code enforcement.

The County's financial reporting entity is required to consist of all organizations for which the County is financially accountable or for which there is a significant relationship. The County has no component units in its financial reporting entity.

B. Government-wide and Fund Financial Statements:

The accounting policies of New Castle County conform to generally accepted accounting principles generally accepted in the United States of America applicable to governments, including the presentation of the government-wide financial statements and the fund financial statements. Both of these are explained below.

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the County. For the most part, interfund activities have been removed from these statements. 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 are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: charges to customers who purchase, use, or directly benefit from goods, services or privileges provided by a given function and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among the program revenues are reported as general revenues. The County does not allocate general government (indirect) expenses to other functions.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds; however, the fiduciary funds 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.

NEW CASTLE COUNTY, DELAWARE
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

(Continued)

(1) Summary of Significant Accounting Policies (Continued):

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation:

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, charges for services, permits, licenses, and investment income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the County.

The County reports the following major funds:

General Fund – This fund is the County’s primary operating fund. It accounts for the general operating activities of the County, except for those required to be accounted for in another fund. General government, police, special services, community services, land use, judiciary offices, and general governmental debt service are financed through this fund with receipts from general property taxes, licenses and permits, investment income, rentals, charges for current services, intergovernmental and other revenue.

Grants Fund – This fund accounts for certain operating activities of the County. It accounts for the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes. Police, special services, community services, general government, and land use are financed through this fund with revenue from federal, state, local and private sources.

Proprietary funds are used when it is intended to recover the cost of operation, including depreciation, primarily through user charges. The County reports the following major proprietary fund:

Sewer Facilities Fund – This fund is used to account for the operation and construction of sewage and stormwater collection systems and is financed primarily with revenue from user sewer service charges.

Additionally, the County reports the following governmental, proprietary, and fiduciary fund types:

Governmental

Light Tax Fund – This fund is used to account for lighting costs financed with revenues from users within the light districts.

Crossing Guard Fund – This fund is used to account for school crossing guard costs financed with revenues from users within the school districts.

NEW CASTLE COUNTY, DELAWARE
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

(Continued)

(1) Summary of Significant Accounting Policies (Continued):

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued):

Garstin Trust Fund – This fund is used to account for the costs of providing for the care, maintenance, and upkeep of county parks and related facilities financed with proceeds from an endowment.

Housing Trust Fund – This fund is used to account for the construction, purchase, and maintenance of permanently affordable housing units.

Capital Projects Funds – These funds are used to account for and report financial resources provided by bond proceeds, intergovernmental grants and private contributions that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets (other than those financed by proprietary funds). The Capital Projects Funds consist of the following funds:

- **Facilities and Equipment** - Used to account for design, construction and improvements of County buildings.
- **Park Development** – This fund is used to account for the acquisition and development of County parkland.
- **Public Safety** - Used to account for improvements at the police building and facilities.
- **Miscellaneous Capital Improvements** - Used to account for all other construction improvements.

Proprietary

New Castle County Airport Fund – This proprietary fund is used to account for the County's ownership of an airport facility and related industrial park.

Fiduciary

Pension Trust Fund – This fiduciary fund is used to account for the assets of the pension fund which are held in a trustee capacity for the employees of New Castle County. The Pension Program, which is part of the County's legal entity, is a single employer defined benefit pension plan that provides benefits to eligible county employees.

Other Post Employment Benefits Trust Fund – This fiduciary fund is used to account for the assets of the other post employment benefits (OPEB) trust fund which are held in a trustee capacity for the employees of New Castle County. The OPEB Program, which is part of the County's legal entity, is a single employer defined benefit OPEB plan that provides benefits to eligible county employees.

D. Interfund Eliminations:

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the governmental activities and the business-type activities. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

E. Program Revenues:

Amounts reported as program revenues include: charges to customers for goods, services or privileges provided, operating grants and contributions, and capital grants and contributions. General revenues include all taxes.

NEW CASTLE COUNTY, DELAWARE
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

(Continued)

(1) Summary of Significant Accounting Policies (Continued):

F. Flow Assumption for Restricted Resources:

Net position is restricted when constraints placed on it are either externally imposed or are imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as restricted net position. When both restricted and unrestricted (committed, assigned, or unassigned) resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed. When expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, the committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts.

G. Operating and Nonoperating Revenues:

Proprietary funds distinguish operating revenues and expenses from nonoperating items. The sewer facilities fund, which is our major enterprise fund, accounts for the majority of our operating revenues and expenses. The principal operating revenues of the sewer fund are charges to customers for providing sewer services. Operating expenses for the enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All other revenues and expenses not meeting the above criteria are reported as nonoperating revenues and expenses.

H. Deposits and Investments:

Cash resources of the individual funds, excluding the Pension Trust fund and the OPEB Trust fund and certain endowment and grant funds, are combined to form a pool of cash and investments to maximize investment earnings.

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

As a depositor, New Castle County generally requires full and continuous collateralization of average monthly ledger balances that are greater than the amount insured by the FDIC. Securities pledged as collateral must have a market value equal to or greater than 102% of the ledger balances in the accounts marked to market monthly, consisting of one or more of the following:

- U.S. Government securities
- U.S. Government agency or instrumentality securities
- State of Delaware securities.

As an investor, New Castle County may invest in a wide range of securities including:

- Securities issued by the U.S. Government and its Agencies or Instrumentalities, TIPS, certificates of deposit, cash and cash equivalents, time deposits, repurchase agreements, money market funds, and commercial paper.
- Corporate bonds, asset-backed securities, mortgage-backed securities issued by a U.S. Government agency or instrumentality, Yankee bonds, Eurodollar bonds, and sovereign debt.

Pooled investment vehicles such as mutual funds may be utilized. The Pension Trust fund and OPEB Trust fund have separate investment policies. Please see Note 2 for more information on those policies.

I. Inventories:

Inventories are recorded as expenses/expenditures when acquired and are not considered material.

NEW CASTLE COUNTY, DELAWARE
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017
(Continued)

(1) Summary of Significant Accounting Policies (Continued):

J. Advance Deposits and Prepaid Costs:

Metered postage and health care costs are recorded as prepaid items in both government-wide and fund financial statements. These items are recorded as expenses/expenditures when consumed.

K. Housing Loans:

The County issues loans under the Community Development Block Grant (CDBG) and Home Investment (HOME) programs, and various County and private revolving funds, and records these loans as expenditures in the year the loans are made to participants. These loans are typically deferred for periods of 20 to 30 years or are not required to be paid back until the participating homeowner sells, transfers title to the rehabilitated property, or discontinues residence in the dwelling, at which time the full amount of the deferred loan is due. The County maintains detailed records of these loans and records loan principal and interest payments as program revenues in the year such payments are received. These loan balances are not included on the statement of net position or balance sheet of these financial statements due to their extended maturity dates and uncertainty of repayment and therefore have an allowance for the full amount. Loan balances outstanding as of June 30, 2017 were \$19,108,803.

L. Restricted Assets:

Restricted cash and cash equivalents in the governmental activities consist of Section 8 escrow funds required by the Department of Housing & Urban Development to be deposited into a separate depository account for the Family Self-Sufficiency (FSS) program. Upon the participants' successful completion of the program, the funds are paid to the FSS participants. Row Office funds represent deposits that are due to other agencies for collections of transfer taxes and sheriff fees. Restricted cash and cash equivalents in both the governmental and business-type activities include unspent bond proceeds limited by applicable bond covenants to specific capital projects.

M. Capital Assets:

Capital assets, which include land, buildings, building improvements, equipment, improvements other than buildings, and infrastructure assets, are recorded in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the County as assets with a value of \$5,000 or more and a useful life in excess of one year. This capitalization threshold is applied to individual capital assets rather than to groups/sets of capital assets (e.g. chairs, desks, etc.). Such assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated.

Maintenance, repairs, and minor equipment are charged to operations when incurred. Expenses that materially change capacities or extend useful lives are capitalized. Upon sale or retirement of land, buildings, and equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is included in the results of operations.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense subject to capitalization incurred by the County during the current fiscal year was immaterial.

NEW CASTLE COUNTY, DELAWARE
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

(Continued)

(1) Summary of Significant Accounting Policies (Continued):

M. Capital Assets (Continued):

Buildings, building improvements, equipment, improvements other than buildings, and infrastructure are depreciated by using the straight-line method over the estimated useful lives as follows:

<u>Assets</u>	<u>Years</u>
Buildings	45
Building Improvements	45
Equipment	5 - 20
Improvements other than buildings	20
Sewer System	45

N. Long-term Obligations:

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

O. Deferred Inflows/Outflows of Resources:

Deferred Inflows of Resources, reported after Total Liabilities, is defined by GASB as an acquisition of net position that applies to future periods. The revenue is recognized in the applicable future period(s). The County has two items that are required to be reported in this category: (1) The deferred inflow from pension, and (2) unavailable revenue, which arises only under a modified accrual basis of accounting, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenditure) until the future period. The County has several items that are required to be reported in this category: (1) differences between expected and actual retirement plan experience, changes in actuarial assumptions, and differences between projected and actual investment earnings (2) changes in employer proportionate share of the net pension assets that are being amortized over future periods and (3) pension contributions made subsequent to the measurement date related to pensions. (4) The deferred effect of bond defeasance reported in the government-wide statement of net position, which results when the carrying value of a defeased bond is greater than or less than its reacquisition price. The difference is deferred and amortized over the remaining life of the old bond or the life of the new bond, whichever is shorter.

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about fiduciary net position of the County & Municipal Police and Firefighters' Pension Plan (the Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NEW CASTLE COUNTY, DELAWARE
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017
(Continued)

(1) Summary of Significant Accounting Policies (Continued):

P. Budgetary Information:

The County follows these procedures in developing its budget:

1. Prior to April 1, the County Executive submits to the County Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to review the proposed budget and obtain taxpayer comments.
3. Prior to June 1, the annual appropriated budget is enacted through legislation. Appropriations are legislated at the departmental level by object of expenditure. Appropriation control is maintained through the accounting system. Accordingly, no expenditures over appropriations are incurred.

The Budget Office is authorized to make certain budgetary transfers within a department, as allowed by the County Code. All other changes must be approved by the County Council.

Formal budgetary integration and project controls are employed as a management control device for governmental funds. The County legally adopts an annual budget for the General Fund, Light Tax Fund, and Crossing Guard Fund. Where grant budgets are adopted, these are on a grant basis and generally overlap fiscal years. The Capital Projects Funds budgets are for more than one fiscal year and, in many cases, encompass a five-year period. Comparisons of budget to actual for a fiscal year do not present a meaningful comparison for these funds and are therefore not presented. As an alternative, inception to date budget and actual schedules are presented for the grants and capital projects funds.

Budgets for the governmental funds are adopted on a basis materially consistent with generally accepted accounting principles (GAAP). The final budgeted amounts are presented as amended through June 30, 2017. Supplemental appropriations to the original budget of \$5,769,845 were necessary and legislated during the year. Unexpended appropriations in the operating budget lapse at year-end, while encumbered amounts are reappropriated in the subsequent year.

Q. Encumbrances:

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration and project control in all governmental funds. Amounts encumbered for a specific purpose for which amounts have not been previously restricted, committed, or assigned, are classified as assigned, and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent fiscal year.

While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to county regulations.

R. Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of

NEW CASTLE COUNTY, DELAWARE
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017
(Continued)

(1) Summary of Significant Accounting Policies (Continued):

R. Use of Estimates (Continued):

the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

S. GASB Statements:

The County has implemented GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this statement is to improve the usefulness of information about postemployment benefits other than pension (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This statement replaces Statements No. 43 and No. 57.

The GASB has also issued Statement No. 75, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which is also effective for fiscal years beginning after June 15, 2016. The objective of this statement is to improve accounting and financial reporting by state and local governments employers for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This statement replaces Statements No. 45 and No. 57. These statements will require the County to disclose and record the liability for the OPEB plan. In the most recent actuarial calculation, the net OPEB liability was \$166,667,868.

The County has implemented GASB Statement No. 77, *Tax Abatement Disclosures*. This statement establishes financial reporting standards for tax abatement agreements entered into by state and local governments. The implementation of GASB Statement No. 77 did not have a material impact on the County's financial statements.

The GASB has also issued Statement No. 80 entitled Blending Requirements for Certain Component Units; Statement No. 81, entitled Irrevocable Split- Interest Agreements, Statement No. 82 entitled Pension Issues, Statement No. 83, entitled Certain Asset Retirement Obligations, Statement No. 84, entitled Fiduciary Activities, Statement No. 85, entitled Omnibus, Statement No. 86, entitled Certain Debt Extinguishment Issues and Statement No. 87, entitled Leases. The County has not yet completed the process of evaluating the impact of these pronouncements on its financial statements.

(2) Deposits and Investments:

Deposits:

Custodial credit risk: For deposits, custodial credit risk is the risk that in the event of the failure of a depository financial institution, a government might be unable to recover its deposits or related collateral securities. The carrying amount of the cash deposits and cash on hand at June 30, 2017 was \$45,131,083 in the various funds. The bank balances were \$47,792,743. In addition, \$790,869 in bank money market accounts were classified as deposits for purposes of custodial credit risk disclosure. Of the \$48,583,612 in total deposits, \$3,375 was subject to custodial risk because it was uninsured and not collateralized. The investment policies for the County and the Fiduciary funds do not address custodial credit risk for deposits.

NEW CASTLE COUNTY, DELAWARE
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017
(Continued)

(2) Deposits and Investments (Continued):

Investments:

The following is a schedule which details the County's and OPEB Trust fund's investments. The County has reviewed the credit ratings assigned by two of the major credit rating agencies (when two ratings are provided by the custodian) for each security as of June 30, 2017. The lower of the two ratings was used in this table.

Investment Type	Fair Value	Weighted Average Modified Duration (Years)	Credit Rating	Rating Agency
US Government Obligations	<u>\$41,539,600</u>	4.29	Aaa	Moody's
US Government Agencies and Instrumentalities	11,797,989	0.46	AA+	S&P
US Government Agencies and Instrumentalities	<u>3,518,071</u>		NR	
Subtotal - US Gov Agencies and Instrumentalities	<u>15,316,060</u>			
Corporate Obligations	197,144		Aaa	Moody's
Corporate Obligations	407,172		Aa1	Moody's
Corporate Obligations	268,036		Aa2	Moody's
Corporate Obligations	704,607		Aa3	Moody's
Corporate Obligations	835,593		AA-	S&P
Corporate Obligations	2,602,703		A1	Moody's
Corporate Obligations	150,440		A+	S&P
Corporate Obligations	4,144,549		A2	Moody's
Corporate Obligations	2,315,305		A	S&P
Corporate Obligations	7,208,782		A3	Moody's
Corporate Obligations	2,456,837		A-	S&P
Corporate Obligations	11,332,733		Baa1	Moody's
Corporate Obligations	4,781,795		BBB+	S&P
Corporate Obligations	9,027,883		Baa2	Moody's
Corporate Obligations	1,140,238		BBB	S&P
Corporate Obligations	4,304,974		Baa3	Moody's
Corporate Obligations	282,308		BBB-	S&P
Corporate Obligations	<u>960,721</u>		NR	
Subtotal - Corporate Obligations	<u>53,121,820</u>	3.01		

NEW CASTLE COUNTY, DELAWARE
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017
(Continued)

(2) Deposits and Investments (Continued):

Investments (Continued):

Investment Type	Fair Value	Weighted Average Modified Duration (Years)	Credit Rating	Rating Agency
Asset Backed Securities	2,089,726		Aaa	Moody's
Asset Backed Securities	330,497		AA-	S&P
Asset Backed Securities	60,259		Baa2	Moody's
Asset Backed Securities	<u>21,927,965</u>		NR	
Subtotal - Asset Backed Securities	<u>24,408,447</u>	1.74		
Municipal Obligations	77,777		Aa1	Moody's
Municipal Obligations	390,707		A1	Moody's
Municipal Obligations	167,598		A3	Moody's
Municipal Obligations	179,789		Baa1	Moody's
Municipal Obligations	<u>105,027</u>		NR	
Subtotal - Municipal Obligations	<u>920,898</u>	1.72		
Subtotal Debt Securities	<u>135,306,825</u>			
Portfolio weighted modified duration		2.88		
Mutual Funds	42,954,566	N/A	N/A	
Total Investments at Fair Value	<u>178,261,391</u>	N/A	N/A	
US Government Agencies and Instrumentalities (included in cash deposits)	37,813,024	N/A	N/A	
US Treasury Bills (included in cash deposits)	4,976,052	N/A	N/A	
Money Market Mutual Funds (included in cash equivalents)	3,967,724	N/A	N/A	
Money Market Funds (included in cash equivalents)	790,869	N/A	N/A	
Commercial Paper (included in cash equivalents)	25,952,467	N/A	N/A	
Certificates of deposit	753,316			
Total	<u>\$252,514,843</u>			

NEW CASTLE COUNTY, DELAWARE
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017
(Continued)

(2) Deposits and Investments (Continued):

Investments (Continued):

Investment Type	Fair Value	Investment Maturities (In Years)				Interest Rate
		Less than 1	1 – 5	6 – 10	10 +	
U.S. Government Obligations	\$41,539,600	\$ -	\$30,420,320	\$11,119,280	\$ -	0.13-4.00%
U.S. Gov. Agencies and Instrumentalities	15,316,060	3,500,548	8,993,283	-	2,822,229	0.88-4.83%
Corporate Obligations	53,121,820	7,685,368	37,120,014	7,843,069	473,369	1.00-9.36%
Municipal Obligations	920,898	179,789	741,109	-	-	1.83-5.03%
Asset Backed Securities	<u>24,408,447</u>	<u>211,287</u>	<u>9,428,090</u>	<u>2,028,337</u>	<u>12,740,733</u>	1.30-10.50%
Total	<u>\$135,306,825</u>	<u>\$11,576,992</u>	<u>\$86,702,816</u>	<u>\$20,990,686</u>	<u>\$16,036,331</u>	

The following is a schedule which details the Pension Trust fund's investments.

Investment Type	Fair Value	Credit Rating	Rating Agency
Corporate Obligations	167,590	AA-	S&P
Corporate Obligations	213,956	A2	Moody's
Corporate Obligations	227,271	A	S&P
Corporate Obligations	410,754	A3	Moody's
Corporate Obligations	434,498	A-	S&P
Corporate Obligations	2,015,473	Baa1	Moody's
Corporate Obligations	184,762	BBB+	S&P
Corporate Obligations	2,060,329	Baa2	Moody's
Corporate Obligations	731,171	Baa3	Moody's
Corporate Obligations	93,005	BBB-	S&P
Corporate Obligations	774,230	Ba1	Moody's
Corporate Obligations	<u>1,007,708</u>	NR	
Subtotal - Corporate Obligations	<u>8,320,747</u>		
Collateralized Mortgage Obligations	1,933,743	Aaa	Moody's
Collateralized Mortgage Obligations	622,517	AAA	S&P
Collateralized Mortgage Obligations	<u>1</u>	NR	
Subtotal - Collateralized Mortgage Obligations	<u>2,556,261</u>		
Other Asset Backed Securities	941,449	Aaa	Moody's
Other Asset Backed Securities	<u>242,656</u>	NR	
Subtotal - Other Asset Backed Securities	<u>1,184,105</u>		
Subtotal Debt Securities	<u>12,061,113</u>		

NEW CASTLE COUNTY, DELAWARE
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017
(Continued)

(2) Deposits and Investments (Continued):

Investments (Continued):

Investment Type	Fair Value
Common and Preferred Stock	56,493,761
Mutual Funds	69,180,658
Real Estate Equity Funds	<u>9,346,200</u>
Subtotal Equity Securities	135,020,619
Collective Trusts	236,290,603
Private Equity	<u>17,188,971</u>
Total Investments at Fair Value	<u>400,561,306</u>
Short-Term Investment Trusts (included in cash equivalents)	<u>22,492,032</u>
Total	<u>\$423,053,338</u>

Investment Type	Fair Value	Investment Maturities (In Years)				Interest Rate
		Less than 1	1 – 5	6 – 10	10 +	
Corporate Obligations	\$8,320,747	\$152,423	\$3,035,049	\$2,723,998	\$2,409,277	1.72-5.18%
Collateralized Mortgage Obligations	2,556,261	-	-	-	2,556,261	0.00-2.90%
Asset Backed Securities	<u>1,184,105</u>	<u>-</u>	<u>557,462</u>	<u>286,435</u>	<u>340,208</u>	1.74-4.04%
Total	<u>\$12,061,113</u>	<u>\$152,423</u>	<u>\$3,592,511</u>	<u>\$3,010,433</u>	<u>\$5,305,746</u>	

NEW CASTLE COUNTY, DELAWARE
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017
(Continued)

(2) Deposits and Investments (Continued):

Investments (Continued):

New Castle County: Authority and responsibility for managing the County investment program is granted to the Chief Financial Officer via the County Executive, and is derived from Delaware Code, Title 9, Chapter 13.

Pension fund: New Castle County Code, chapter 26 authorizes the Board of Trustees of the New Castle County Employees' Pension Program to manage the investment of the plan's assets.

OPEB fund: New Castle County Code, chapter 26 authorizes the Board of Trustees of the Other Post-Employment Benefits (OPEB) Trust fund, which is separate and distinct from the pension fund, to invest funds in accordance with the investment policy the Board has adopted.

Interest rate risk: The County manages its exposure to interest rate risk by managing, in a conservative fashion, the duration and/or maturities of investments. For short-term investments, maturities will be less than one year. For short-intermediate term investments, maturities will generally be less than five years and duration will generally be under two and a half years. While investment guidelines for longer-term portfolios do not directly address interest rate risk, there are limits on credit risk and concentration risk that limit overall risk in those portfolios.

The Pension Trust fund's investment policy states that investment managers who use derivatives in a portfolio must monitor changing risk exposures to ensure that they comply with duration and other risk exposure limits specified in the manager's guidelines on an ongoing basis. While the OPEB Trust fund's investment policy does not specifically address interest rate risk, there are limits on credit risk and concentration risk that limit overall risk in the portfolio.

Credit risk: Allowable investments which the County may purchase for short-term and short/intermediate-term separately managed accounts and portfolios that invest in individual securities include: (1) U.S. Government obligations, U.S. Government Agency and Instrumentality obligations (including mortgage-backed securities); (2) certificates of deposit and time deposits – amounts above the limit guaranteed by the FDIC must be either (a) issued by U.S. banks whose long-term unsecured indebtedness is rated "A" or higher by two of the following: Moody's, Standard and Poor's or Fitch; or (b) collateralized 102% with securities issued by the U.S. Government, its Agencies or Instrumentalities; (3) commercial paper rated A-1, P-1 or higher by two of the following: Moody's, Standard and Poor's or Fitch; (4) repurchase agreements collateralized 102% with securities issued by the U.S. Government, its Agencies or Instrumentalities; (5) money market funds regulated by the Securities and Exchange Commission and whose portfolios consist only of dollar-denominated securities; (6) corporate bonds – investment grade dollar-denominated issues of corporations with a major presence in the U.S., with an average weighted credit quality of "A+/A1" or higher as rated by two of the following: Moody's, Standard and Poor's or Fitch. Allowable investments also may include investment grade debt obligations of business entities that are organized under definitions other than U. S. corporations.

For longer-term portfolios, allowable securities include: U.S. Government obligations, U.S. Government Agency and Instrumentality obligations (including mortgage-backed securities); asset-backed securities; "Yankee bonds" publicly issued in the United States by foreign banks and corporations; corporate debt securities; Eurodollar bonds; and sovereign debt. Cash and cash equivalents are also allowed, up to 50% of the portfolio. The overall portfolio must have a minimum average credit rating of A as rated by Standard & Poor's, Moody's or Fitch. Securities must be rated BBB/Baa to be purchased. Pooled investment vehicles such as mutual funds or exchange traded funds may be utilized.

Per the Pension Trust fund's investment policy, allowable investments include: 1) equities (developed, global and emerging markets), including common and preferred stocks of companies domiciled both

NEW CASTLE COUNTY, DELAWARE
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017
(Continued)

(2) Deposits and Investments (Continued):

Investments: Credit risk (Continued):

within the U.S. and outside the U.S. that trade on U.S. or foreign exchanges and over the counter, 2) fixed income (developed, global and emerging markets), including U.S. Government and Federal Agency obligations, non-U.S. government/entities, corporate bonds, debentures, commercial paper, certificates of deposit, Yankee bonds, mortgage-backed securities and other domestically issued fixed income instruments deemed prudent by the investment managers, as well as high yield and multi-sector management 3) mutual funds and other types of commingled vehicles under 1) and 2) and 4) other assets, professionally managed commingled funds investing predominantly in real assets, real estate, hedge funds, private equity and opportunistic debt, and other types of risk parity/global asset allocation strategies that may include some of the vehicles listed above.

The OPEB Trust fund's investment policy states that the minimum average credit quality of fixed income investments shall be investment grade (Standard & Poor's BBB; Moody's Baa) or higher upon purchase, and no more than 5% of the portfolio may be invested in securities with ratings below investment grade. Pooled investments such as mutual funds may be utilized.

Concentration of credit risk: Per the Pension Trust fund's investment policy, the following general asset allocation guidelines have been established:

	Target Allocation	Minimum Allocation	Maximum Allocation
Large Cap Passive U.S. Equities	8.0%	6.0%	18.0%
Large Cap U.S. Growth Equities	4.5%	0.0%	10.0%
Large Cap U.S. Value Equities	4.5%	0.0%	10.0%
Small Cap U.S. Growth Equities	3.0%	0.0%	5.0%
Small Cap U.S. Value Equities	3.0%	0.0%	5.0%
Non U.S. Equities	15.0%	10.0%	20.0%
Dedicated Emerging Market Equities	2.0%	0.0%	5.0%
Hedge Funds	5.0%	0.0%	10.0%
Private Equity	5.0%	0.0%	10.0%
Real Estate	5.0%	0.0%	10.0%
Total "Equity Like"	55.0%	20.0%	80.0%
Core Bonds	7.0%	5.0%	12.0%
Multi-Sector Fixed Income	13.0%	5.0%	25.0%
Absolute Return Fixed Income	6.0%	0.0%	11.0%
Emerging Market Debt	5.0%	0.0%	10.0%
Opportunistic Debt	3.0%	0.0%	10.0%
Cash	1.0%	0.0%	5.0%
Total "Fixed Income Like"	35.0%	20.0%	80.0%
Global Tactical Asset Allocation/Risk Parity	10.0%	0.0%	15.0%

NEW CASTLE COUNTY, DELAWARE
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017
(Continued)

(2) Deposits and Investments (Continued):

Investments: Concentration of credit risk (Continued):

Other policy constraints on managers of the pension fund on the aforementioned investment types include a) for equities, to be diversified in industry and number, b) for domestic fixed income, to invest no more than 10% in any one issuer, except for obligations of the U.S. government, c) for global fixed income, to invest no more than 30% of the portfolio market value of any single government or non-U.S. types of alternative investments (including hedge funds, private equity/opportunistic debt, real estate and real assets), they are made via commingled vehicles and the pension plan recognizes that the portfolios cannot be customized or altered for one investor. Accordingly, the pension plan adopts the investment guidelines of the commingled vehicles so long as they keep in the spirit and intent of the guidelines contained in the Pension Trust fund's investment policy.

For short-term and short/intermediate-term separately managed accounts and portfolios that invest in individual securities, not more than 5% of a portfolio may be invested in any one issue of commercial paper. The total of CD investments above the limit guaranteed by the FDIC may not exceed 25% of the portfolio. Corporate bonds must be diversified by issuer and industry at the time of purchase. Corporate bonds are limited to a maximum of 40% of short-term portfolios, and 50% of short/intermediate-term portfolios. For longer-term portfolios, there are different maximum limits on each type of security as a percentage of the portfolio. Excluding securities issued or guaranteed by the US government or its agencies, securities of a single issuer shall not exceed 3% of the market value of the overall portfolio.

The OPEB Trust fund's investment policy states that: a) with the exception of fixed income investments explicitly guaranteed by the U.S. government, no single investment security shall represent more than 5% of total Plan assets, and b) with the exception of passively managed investment vehicles seeking to match the returns on a broadly diversified market index, no single investment pool or mutual fund shall comprise more than 20% of total Plan assets. There were no concentrations of credit risk issues.

Fair Value Measurement of Investments

New Castle County categorizes its fair value investments within the fair value hierarchy established by generally accepted accounting principles, as follows:

- Level 1 – Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets;
- Level 2 – Valuations based on quoted prices for similar assets or liabilities in active markets or identical assets or liabilities in less active markets, such as dealer or broker markets;
- Level 3 – Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models and similar techniques not based on market, exchange, dealer or broker-traded transactions.

NEW CASTLE COUNTY, DELAWARE
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017
(Continued)

(2) Deposits and Investments (Continued):

Fair Value Measurement of Investments (Continued)

New Castle County has the following recurring fair value measurements as of June 30, 2017:

Investments and Derivative Instruments Measured at Fair Value

	Fair Value Measurements Using			
	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>	<u>Balance as of June 30, 2017</u>
Investments by fair value level				
Debt Securities				
U.S. Treasury obligations	\$ -	\$41,539,600	\$ -	\$41,539,600
U.S. Government Agencies	-	15,316,060	-	15,316,060
Corporate Bonds	-	53,121,820	-	53,121,820
Asset Backed Securities	-	24,408,447	-	24,408,447
Municipal Obligations	-	920,898	-	920,898
Total Debt Securities	<u>-</u>	<u>135,306,825</u>	<u>-</u>	<u>135,306,825</u>
Fixed Income Mutual Funds	12,562,405	-	-	12,562,405
Equity Mutual Funds	30,392,161	-	-	30,392,161
Total investments in equity securities and mutual funds	<u>42,954,566</u>	<u>-</u>	<u>-</u>	<u>42,954,566</u>
Total investments, at fair value	<u>\$ 42,954,566</u>	<u>\$ 135,306,825</u>	<u>\$ -</u>	<u>\$ 178,261,391</u>

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. There were no investments measured with Level 3 inputs.

NEW CASTLE COUNTY, DELAWARE
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017
(Continued)

(2) Deposits and Investments (Continued):

Fair Value Measurement of Investments (Continued)

The Pension Trust has the following recurring fair value measurements as of June 30, 2017:

Investments and Derivative Instruments Measured at Fair Value

	Fair Value Measurements Using			<u>Balance as of June 30, 2017</u>
	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>	
Investments by fair value level				
Debt Securities				
Corporate Bonds	\$ -	\$8,320,747	\$ -	\$8,320,747
Asset Backed Securities	-	1,184,105	-	1,184,105
Collateralized Mortgage Oblig.	-	<u>2,556,261</u>	-	<u>2,556,261</u>
Total Debt Securities	-	<u>12,061,113</u>	-	<u>12,061,113</u>
Equity Securities				
Energy	3,271,533	-	-	3,271,533
Consumer discretionary	5,092,931	-	-	5,092,931
Health care	6,969,090	-	-	6,969,090
Materials	1,935,249	-	-	1,935,249
Consumer staples	2,637,922	-	-	2,637,922
Information Technology	10,262,216	-	-	10,262,216
Industrials	7,900,086	-	-	7,900,086
Telecommunications	643,513	-	-	643,513
Real Estate	3,509,406	-	-	3,509,406
Utilities	1,688,094	-	-	1,688,094
Financials	12,583,721	-	-	12,583,721
Real Estate Equity funds	9,088,074	258,126	-	9,346,200
Mutual Funds				
Equity mutual funds	51,082,144	-	-	51,082,144
Fixed income mutual funds	<u>18,098,514</u>	-	-	<u>18,098,514</u>
Total investments in equity securities and mutual funds	<u>134,762,493</u>	<u>258,126</u>	-	<u>135,020,619</u>
 Total investments by fair value level	 <u>134,762,493</u>	 <u>12,319,239</u>	 -	 <u>147,081,732</u>

NEW CASTLE COUNTY, DELAWARE
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017
(Continued)

(2) Deposits and Investments (Continued):

Fair Value Measurement of Investments (Continued)

Investments and Derivative Instruments Measured at Fair Value (Continued)

Investments measured at the net asset value (NAV)

Investments in private equity funds	-	-	-	\$17,188,971
Collective Trusts - Hedge funds	-	-	-	9,846,276
Collective Trusts - Real Estate funds	-	-	-	14,940,278
Collective Trusts - Equities	-	-	-	124,097,528
Collective Trusts - Fixed Income	-	-	-	87,406,521
Total investments measured at the NAV	<u>-</u>	<u>-</u>	<u>-</u>	<u>253,479,574</u>
Total investments	<u>\$ 134,762,493</u>	<u>\$ 12,319,239</u>	<u>\$ -</u>	<u>\$400,561,306</u>

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. There were no investments measured with Level 3 inputs.

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

2017

<u>Investment</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Private equity investments	\$17,188,971	\$6,010,792	N/A	N/A
Collective Trusts - Hedge funds	9,846,276	-	Quarterly	90-95 days
Collective Trusts - Real Estate funds	14,940,278	-	Quarterly	45 days
Collective Trusts - Equities	124,097,528	-	Daily	0-2 days
Collective Trusts - Fixed Income	<u>87,406,521</u>	<u>-</u>	Daily	0 days
Total	<u>\$253,479,574</u>	<u>\$ 6,010,792</u>		

NEW CASTLE COUNTY, DELAWARE
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

(Continued)

(2) Deposits and Investments (Continued):

Fair Value Measurement of Investments (Continued)

Investments in private equity funds consists of investments in six funds. The objectives of the Funds are to seek total return by managing a broad opportunity set of asset classes including, but not limited to, global equities, global bonds, commodities, currencies and cash. These investments are valued at the net asset value (NAV) of outstanding units. The NAV, as provided by the trustee, is used as a practical expedient to estimate fair value. The NAV is based on the fair value of the underlying investments held by the fund less its liabilities.

Collective Trusts-Hedge Funds consists of investments in two investment trusts. The objectives of the Funds are to seek total return by managing a broad opportunity set of asset classes including, but not limited to, global equities, global bonds, commodities, currencies and cash. These investments are valued at the net asset value (NAV) of units of the collective trust. The NAV, as provided by the trustee, is used as a practical expedient to estimate fair value. The NAV is based on the fair value of the underlying investments held by the fund less its liabilities.

Collective Trusts-Real Estate funds consists of an investment in one trust, the objective of the fund is to identify estate projects with stabilized occupancies, that produce a relatively high level of current income combined with moderate appreciation potential. These investments are valued at the net asset value (NAV) of units of the collective trust. The NAV, as provided by the trustee, is used as a practical expedient to estimate fair value. The NAV is based on the fair value of the underlying investments held by the fund less its liabilities.

Collective Trusts-Equity Funds consists of investments in three investment trusts. The Fund's investment objective is to seek long-term capital appreciation through equity securities of companies located in emerging market countries. These investments are valued at the net asset value (NAV) of units of the collective trust. The NAV, as provided by the trustee, is used as a practical expedient to estimate fair value. The NAV is based on the fair value of the underlying investments held by the fund less its liabilities.

Collective Trusts-Fixed Income Fund consists of an investment in two trusts, the objective of the fund is to outperform the Barclays Capital U.S. Government/Credit Index and the Barclays US Aggregate Total Return Index. These investments are valued at the net asset value (NAV) of units of the collective trusts. The NAV, as provided by the trustee, is used as a practical expedient to estimate fair value. The NAV is based on the fair value of the underlying investments held by the fund less its liabilities.

(3) Property Taxes:

Property taxes attach as an enforceable lien on property when levied. Unpaid property taxes may subject a property to sheriff's sale as the final instrument to satisfy past due balances. Taxes are levied on July 1 and are payable on or before September 30. Taxes paid after the payable date are assessed a six percent penalty for nonpayment and one percent penalty per month thereafter. The County bills and collects its own property taxes. County property tax revenues are recognized in the fiscal year levied. Tax receivables, as reported in the fund financial statements, consist of property tax receivable of \$3,325,396, and penalties and interest receivable of \$1,811,180 and are reduced by an allowance for uncollectible accounts of \$2,343,428 for 2017 which is determined by a review of account status and location.

Assessed values are established by the County at 100 percent of 1983 market value based upon the county-wide reassessment completed in 1985. Real property in the County for the FY 2017 initial levy was assessed at \$18.8 billion.

NEW CASTLE COUNTY, DELAWARE
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017
(Continued)

(4) Receivables:

Receivables as of June 30, 2017 for the County's individual major funds, nonmajor funds, and fiduciary funds in the aggregate, net of applicable allowances for uncollectible accounts are as follows:

<u>Receivables:</u>	<u>General</u>	<u>Grants</u>	<u>Sewer</u>	<u>Nonmajor/ Fiduciary *</u>	<u>Total</u>
Taxes	\$2,793,148	\$ -	\$ -	\$200,288	\$2,993,436
Service charges	-	-	7,933,893	-	7,933,893
Accounts	4,695,995	-	-	-	4,695,995
Other	232,865	280,125	333,407	2,337,117	3,183,514
Due from other governments	-	2,694,927	100,000	1,910,210	4,705,137
Due from other agencies	-	24,467	-	-	24,467
Note	<u>3,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,000,000</u>
Net Total Receivables	<u>\$10,722,008</u>	<u>\$2,999,519</u>	<u>\$8,367,300</u>	<u>\$4,447,615</u>	<u>\$26,536,442</u>

* Included in the Nonmajor/Fiduciary column are receivables for Light Tax fund, Crossing Guard fund, Garstin Trust fund, Facilities and Equipment Capital Projects fund, Park Development Capital Projects fund, Public Safety Capital Projects fund, Pension Trust fund, and the OPEB Trust fund.

Residential sewer service charges are levied on January 1st and non-residential sewer service charges are billed quarterly and shall be due and payable as of January 1st, April 1st, July 1st and October 1st. Sewer service charges paid after the payable date are assessed a six percent penalty for nonpayment and a one percent penalty per month thereafter. The County bills and collects its own sewer service charges. Sewer service revenues are recognized in the fiscal year levied. These receivables consist of sewer service receivable of \$6,891,455 and penalties and interest receivable of \$1,329,013 and are reduced by an allowance for uncollectible accounts of \$286,575 for 2017 which is determined by a review of account status.

The note receivable consists of a promissory note dated November 25, 2015, due from Delaware Board of Trade Holdings, Inc., a Delaware corporation, in the amount of \$3,000,000. The principal amount and all accrued and unpaid interest are due and payable on the earlier of November 25, 2020 or the borrower's receipt of any equity or debt financing that results in the borrower's receipt of aggregate gross proceeds of at least \$15,000,000. The principal balance will accrue interest at a rate of 6% per annum and will be payable on each consecutive anniversary date of the note. Future principal and interest payments are scheduled as follows:

<u>Due Date</u>	<u>Interest</u>	<u>Principal</u>
11-25-2017	\$180,000	-
11-25-2018	\$180,000	-
11-25-2019	\$180,000	-
11-25-2020	\$180,000	\$3,000,000

NEW CASTLE COUNTY, DELAWARE
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017
(Continued)

(4) Receivables (Continued):

The proceeds of the loan shall be used by Delaware Board of Trade Holdings, Inc. for general corporate purposes. The note is secured by a security interest granted to New Castle County in a licensing agreement held by the borrower.

(5) Capital Assets:

Capital asset activity for the year ended June 30, 2017 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$79,871,698	\$776,919	\$ -	\$80,648,617
Construction in progress	<u>2,441,669</u>	<u>3,822,145</u>	<u>(2,600,043)</u>	<u>3,663,771</u>
Total capital assets, not being depreciated	<u>82,313,367</u>	<u>4,599,064</u>	<u>(2,600,043)</u>	<u>84,312,388</u>
Capital assets, being depreciated:				
Buildings	167,769,141	16,468,871	-	184,238,012
Building improvements	32,906,991	2,304,693	-	35,211,684
Other improvements	82,087,284	2,676,180	-	84,763,464
Equipment	136,143,142	12,715,107	(4,962,491)	143,895,758
Infrastructure	<u>38,501</u>	<u>-</u>	<u>-</u>	<u>38,501</u>
Total capital assets, being depreciated	<u>418,945,059</u>	<u>34,164,851</u>	<u>(4,962,491)</u>	<u>448,147,419</u>
Less accumulated depreciation for:				
Buildings	(56,492,323)	(4,007,570)	-	(60,499,893)
Building improvements	(6,352,974)	(792,249)	-	(7,145,223)
Other improvements	(56,365,647)	(3,084,970)	-	(59,450,617)
Equipment	(94,288,995)	(8,618,439)	4,813,165	(98,094,269)
Infrastructure	<u>(5,133)</u>	<u>(856)</u>	<u>-</u>	<u>(5,989)</u>
Total accumulated depreciation	<u>(213,505,072)</u>	<u>(16,504,084)</u>	<u>4,813,165</u>	<u>(225,195,991)</u>
Total capital assets, being depreciated, net	<u>205,439,987</u>	<u>17,660,767</u>	<u>(149,326)</u>	<u>222,951,428</u>
Governmental activities capital assets, net	<u>\$287,753,354</u>	<u>\$22,259,831</u>	<u>\$(2,749,369)</u>	<u>\$307,263,816</u>

NEW CASTLE COUNTY, DELAWARE
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017
(Continued)

(5) Capital Assets (Continued):

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$36,666,059	\$129,194	\$ -	\$36,795,253
Construction in progress	<u>5,951,342</u>	<u>10,780,617</u>	<u>(10,614,229)</u>	<u>6,117,730</u>
Total capital assets, not being depreciated	<u>42,617,401</u>	<u>10,909,811</u>	<u>(10,614,229)</u>	<u>42,912,983</u>
Capital assets, being depreciated:				
Buildings	37,984,811	16,782	-	38,001,593
Building improvements	3,483,418	3,123	-	3,486,541
Other improvements	47,130,719	428,392	-	47,559,111
Equipment	38,275,537	1,865,064	(986,819)	39,153,782
Infrastructure	<u>513,942,477</u>	<u>24,260,285</u>	<u>-</u>	<u>538,202,762</u>
Total capital assets, being depreciated	<u>640,816,962</u>	<u>26,573,646</u>	<u>(986,819)</u>	<u>666,403,789</u>
Less accumulated depreciation for:				
Buildings	(16,252,792)	(733,134)	-	(16,985,926)
Building improvements	(556,649)	(78,475)	-	(635,124)
Other improvements	(45,270,463)	(148,834)	-	(45,419,297)
Equipment	(24,804,852)	(2,513,802)	986,819	(26,331,835)
Infrastructure	<u>(180,387,250)</u>	<u>(10,527,787)</u>	<u>-</u>	<u>(190,915,037)</u>
Total accumulated depreciation	<u>(267,272,006)</u>	<u>(14,002,032)</u>	<u>986,819</u>	<u>(280,287,219)</u>
Total capital assets, being depreciated, net	<u>373,544,956</u>	<u>12,571,614</u>	<u>-</u>	<u>386,116,570</u>
Business-type activities capital assets, net	<u>\$416,162,357</u>	<u>\$23,481,425</u>	<u>\$(10,614,229)</u>	<u>\$429,029,553</u>

NEW CASTLE COUNTY, DELAWARE
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

(Continued)

(5) Capital Assets (Continued):

Depreciation expense was charged to functions/programs of the County as follows:

Governmental activities:

General Government	\$ 1,624,950
Special Services	9,343,137
Public Safety	3,192,186
Community Services	2,330,023
Land Use	976
Judiciary Offices	<u>12,812</u>
Total depreciation expense – governmental activities	<u>\$16,504,084</u>

Business-type activities:

Sewer Facilities	\$14,001,034
New Castle County Airport	<u>998</u>
Total depreciation expense – business-type activities	<u>\$14,002,032</u>

(6) Construction Commitments:

The County has active construction projects as of June 30, 2017. The projects include building and facility renovations, park development, public safety, sewer, and stormwater construction. At year end the County's commitments with contractors are as follows:

Project	Expended Through June 30, 2017	Remaining Commitment
Building and facilities	\$1,127,842	\$8,336,182
Park development	2,505,274	762,909
Public safety	<u>30,655</u>	<u>-</u>
Subtotal	3,663,771	9,099,091
Sewer/stormwater construction	<u>6,117,730</u>	<u>13,522,803</u>
Total	<u>\$9,781,501</u>	<u>\$22,621,894</u>

The building and facilities portion of the commitment is financed primarily by general obligation bonds, along with general fund, impact fees, state and private funding. The park development portion of the commitment is financed by general obligation bonds, impact fees and state funding. Public safety is being financed by general obligation bonds and impact fees. The sewer and stormwater construction portion of the commitment is financed by general obligation bonds, sewer rate stabilization reserve resources, capital recovery fees, federal and state funding.

Encumbrance Commitments by Fund:

General Fund	\$2,800,561
Grants Fund	2,783,049
Sewer Facilities Fund	24,599,087
Nonmajor Funds	<u>12,408,996</u>
Total Encumbrances	<u>\$42,591,693</u>

NEW CASTLE COUNTY, DELAWARE
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

(Continued)

(7) Interfund Receivables, Payables and Transfers:

The compositions of interfund balances as of June 30, 2017, are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Special Revenue Funds:		
Light Tax Fund	General Fund	\$654,063
Crossing Guard Fund	General Fund	<u>538,944</u>
		1,193,007
Capital Projects Funds:		
Facilities and Equipment	General Fund	16,223,035
Misc. Capital Improvements	General Fund	1,555,604
Park Development	General Fund	8,742,483
Public Safety	General Fund	<u>5,054,496</u>
		31,575,618
Total		<u>\$32,768,625</u>

During the course of normal operations, the County has numerous short term transactions between funds. The amounts due to the Light Tax fund, Crossing Guard fund, and the Capital Projects funds from the General fund represent the cash that is swept daily and invested with the General fund proceeds.

The compositions of interfund transfers during the fiscal year ended June 30, 2017, are as follows:

<u>Transfers In Fund</u>	<u>Transfers Out Fund</u>	<u>Amount</u>
Grants Fund	General Fund	\$806,554
General Fund	Grants Fund	37,936
Capital Projects Fund		
Misc. Capital Improvements	General Fund	631,000
Facilities and Equipment	General Fund	<u>2,802,813</u>
		3,433,813
Total		<u>\$4,278,303</u>

During the fiscal year, several inter-fund transactions occurred between funds. The General fund contributed proceeds to the Grants fund for its share of the match for the current year emergency management grant, as well as to sponsor a summer camp for youth in New Castle County and a summer youth employment program, and to provide forgivable down payment and settlement assistance loans to qualified home buyers for purchase of homes in targeted areas. The Grants fund returned unused match funds to the General fund for Emergency Management grants from prior fiscal years. The Capital Projects fund received proceeds from the General fund to fund capital costs for projects pertaining to information services and for the purchase of fleet equipment and public safety equipment.

NEW CASTLE COUNTY, DELAWARE
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017
(Continued)

(8) Compensated Leave:

The County accrues a liability for vacation, sick, and other compensated leave as the leave is earned by the employees to the extent it is probable that the County will compensate the employees for the leave through paid time off or some other means, such as cash payments at termination or retirement.

County employees earn vacation leave depending on their length of service. Vacation leave, depending on years of service, accumulates on a monthly basis and is fully vested when earned. Accumulated vacation leave cannot exceed 30 days or 50 days, depending on union affiliation, at the end of any calendar year. All unused vacation leave is paid upon leaving County service. County employees earn one day of sick leave for each completed month of service. Accumulation of sick leave is unlimited. All employees have vested rights for payment of accumulated unused sick leave. This severance payment is for a maximum of 20 days for voluntary termination and a maximum of 100 days for retirement, layoffs and death. For employees hired on or before June 30, 1977, payment is based on one day paid for each day accrued. For employees hired on or after July 1, 1977, payment is based on one day paid for each two days accrued. All vacation leave, sick leave, and other compensated leave is accrued in the government-wide and proprietary fund financial statements.

At June 30, 2017, total accumulated vacation leave for governmental fund types was \$15,890,199, (including accrued FICA and Medicare), total vested sick leave was \$8,248,209 (including accrued FICA and Medicare), and other total compensated leave was \$1,626,210 (including accrued FICA and Medicare). These amounts total to \$25,764,618 and are reported in the government-wide financial statements. At June 30, 2017, accumulated vacation, sick, and other compensated leave for Proprietary Funds in the amount of \$3,139,882 have been included in accrued expenses. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

(9) Unavailable / Unearned Revenue:

Governmental funds report unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. As of June 30, 2017, the various components of unavailable or unearned revenue reported in the governmental funds were as follows:

General Fund:		
Property tax receivables-gross	\$2,793,148	
Less: estimated 60 day collection 7/17 - 8/17	<u>(238,760)</u>	
Total General Fund – Unavailable		<u>\$2,554,388</u>
Crossing Guard Fund:		
Property tax receivables-gross	82,350	
Less: estimated 60 day collection 7/17 - 8/17	<u>(7,916)</u>	
Total Crossing Guard Fund – Unavailable		<u>74,434</u>
Grants Fund:		
Unearned grant revenue	3,768,120	
Capital assets held for resale	237,996	
Police duty fund	<u>8,412</u>	
Total Grants Fund – Unearned		<u>4,014,528</u>
Total		<u>\$6,643,350</u>

Governmental funds report unavailable revenue of \$2,628,822, whereas the governmental activities report no unavailable revenue as a result of the full accrual reporting of property tax receivable to revenue.

NEW CASTLE COUNTY, DELAWARE
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017
(Continued)

(10) Long-term Debt:

General Obligation Bonds:

The County issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities.

All bonds outstanding as of June 30, 2017, are general obligation debt supported by the full faith and credit of the County and are summarized as follows:

<u>Purpose</u>	<u>Original Issue</u>	<u>Maturities</u>	<u>Interest Rates</u>	<u>Outstanding Amount</u>
Governmental Activities	\$269,344,557	2037	2.00 – 5.00%	\$179,696,340
Business-type Activities:				
Sewer Facilities	<u>430,275,443</u>	2047	2.00 – 5.00%	<u>307,533,660</u>
TOTAL	<u>\$699,620,000</u>			<u>\$487,230,000</u>

Annual debt service requirements to maturity for general obligation bonds were as follows:

<u>Fiscal Year</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2018	\$13,334,762	\$7,362,732	\$9,055,239	\$12,934,168
2019	14,031,578	6,962,823	9,638,421	12,889,945
2020	12,360,000	6,354,102	9,775,000	12,427,851
2021	11,855,000	5,737,048	9,695,000	11,910,851
2022	12,435,000	5,144,205	10,165,000	11,428,076
2023-2027	65,705,000	16,911,100	53,710,000	49,920,878
2028-2032	30,835,000	6,048,596	52,695,000	38,116,802
2033-2037	19,140,000	1,844,181	60,300,000	26,943,806
2038-2042	-	-	61,215,000	12,790,880
2043-2047	-	-	<u>31,285,000</u>	<u>3,337,150</u>
	<u>\$179,696,340</u>	<u>\$56,364,787</u>	<u>\$307,533,660</u>	<u>\$192,700,407</u>

On May 17, 2017 the County issued \$110,760,000 (par amount) of General Obligation Bonds Series 2017. The General Obligation Bonds Series 2017 have a true interest cost (TIC) of 3.16%. The details of the issue are as follows:

\$5,440,000 (par amount) was used to refund \$5,775,000 of bonded indebtedness with coupon interest rates ranging between 4.00 and 4.25%. A total of \$5,894,181, comprised of \$5,440,000 par value and \$454,181 premium, was used to purchase U.S. Government securities which were deposited in an irrevocable trust with an escrow agent to refund bonds issued in 2007, plus interest that will accrue until the date the bonds are refunded. The excess of the escrowed amount over the par value of the refunded debt, net of transaction fees, is recorded as a deferred effect of refunding, and will be amortized over the remaining life of the refunded bonds. As a result, the refunded bonds are considered to be defeased and the liability for those bonds has been removed from the appropriate funds.

NEW CASTLE COUNTY, DELAWARE
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017
(Continued)

(10) Long-term Debt (Continued):

General Obligation Bonds (Continued):

The refunding resulted in \$275,047 in net present value savings. The remaining proceeds of \$105,320,000 (par amount) will be used to fund various capital projects authorized by County Council: \$37,600,000 in the Capital Projects funds and \$67,720,000 in the Sewer Facilities fund. The coupon interest rates on the Series 2017 bonds range from 3.125% to 5.00% with a true interest cost (TIC) of 3.16% as a result of bonds being issued at a premium. The last maturity date of the governmental bonds is April 1, 2037 and of the business-type bonds is April 1, 2047.

State of Delaware State Revolving Fund (SRF) Loans:

The purpose of these loans is to finance all or a portion of construction costs associated with the County's approved wastewater projects, consisting of sewer repair, septic elimination, and stormwater management ponds rehabilitation projects. During the year no amount was drawn on the SRF.

<u>Purpose</u>	<u>Original Issue</u>	<u>Maturities</u>	<u>Interest Rates</u>	<u>Outstanding Amount</u>
Business-type Activities:				
Sewer Facilities	<u>\$2,871,233</u>	2031	2.00%	<u>\$2,087,141</u>

Annual debt service requirements to maturity for SRF loans are as follows:

<u>Fiscal Year</u>	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2018	\$186,209	\$40,816
2019	189,952	37,074
2020	193,770	33,255
2021	171,318	29,361
2022	148,153	26,181
2023-2027	697,938	86,340
2028-2031	499,801	22,752
	<u>\$2,087,141</u>	<u>\$275,779</u>

NEW CASTLE COUNTY, DELAWARE
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017
(Continued)

(10) Long-term Debt (Continued):

Changes in Long-term Liabilities:

Long-term liability activity for the year ended June 30, 2017, was as follows:

<u>Liability</u>	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2017</u>	<u>Due Within One Year</u>
Governmental activities:					
Bonds	\$153,159,549	\$39,640,000	\$13,103,209	\$179,696,340	\$13,334,762
Unamortized bond premium	15,176,933	2,920,113	1,005,009	17,092,037	1,188,142
Compensated leave	23,843,883	9,682,050	7,761,315	25,764,618	7,916,542
Estimated liability for landfill postclosure care costs	723,000	-	16,000	707,000	101,000
Capital lease payable	9,832,469	5,952,066	3,662,521	12,122,014	4,035,618
Net pension liability	161,739,447	5,301,474	17,951,846	149,089,075	-
Unfunded OPEB obligation costs	86,077,348	7,391,685	-	93,469,033	-
Claims and judgment costs	<u>15,215,530</u>	<u>5,190,172</u>	<u>5,475,936</u>	<u>14,929,766</u>	<u>5,041,000</u>
Governmental activity Long-term liabilities	<u>\$465,768,159</u>	<u>\$76,077,560</u>	<u>\$48,975,836</u>	<u>\$492,869,883</u>	<u>\$31,617,064</u>
Business-type activities:					
Bonds	\$246,785,451	\$71,120,000	\$10,371,791	\$307,533,660	\$9,055,239
Unamortized bond premium	28,762,422	3,187,569	1,289,629	30,660,362	1,474,000
Loans payable	2,251,416	-	164,275	2,087,141	186,209
Capital lease payable	4,522,128	1,009,221	1,038,332	4,493,017	1,381,685
Net pension liability	22,234,777	-	2,240,511	19,994,266	-
Unfunded OPEB obligation costs	10,269,364	167,823	-	10,437,187	-
Compensated leave	2,942,267	1,325,387	1,127,772	3,139,882	1,150,328
Claims and judgment Costs	<u>396,752</u>	<u>-</u>	<u>100,000</u>	<u>296,752</u>	<u>100,000</u>
Business-type activity Long-term liabilities	<u>\$318,164,577</u>	<u>\$76,810,000</u>	<u>\$16,332,310</u>	<u>\$378,642,267</u>	<u>\$13,347,461</u>

For the governmental activities, compensated leave, estimated liability for landfill postclosure care costs, claims and judgments, and unfunded pension and OPEB costs are liquidated by the General Fund.

(11) Debt Margin and Bonds Authorized but Unissued:

Bonds authorized but unissued at June 30, 2017 totaled \$103,747,892. The County's legal debt margin for general obligation debt at year end was \$383,607,684. Delaware Code allows for the exclusion of Enterprise debt from the legal debt margin.

(12) Prior Year Defeasance of Debt:

In prior years, the County defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, assets in the trust account and the liability for the defeased bonds are not included in the County's financial statements. On June 30, 2017, \$127.7 million of bonds outstanding are considered defeased.

NEW CASTLE COUNTY, DELAWARE
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017
(Continued)

(13) Landfill Postclosure Care Costs:

State and federal laws and regulations require that New Castle County perform certain maintenance and monitoring functions at the Army Creek Landfill (ACL) for thirty years after closure. This landfill has not collected waste at this site since 1968. The ACL closure was completed and accepted by the United States Environmental Protection Agency on November 18, 1993. The County is currently performing the required maintenance and monitoring functions. The estimated cost to comply with postclosure regulations is \$707,000. However, the actual cost may be higher due to inflation, changes in technology, or changes in landfill laws and regulations. The annual operating costs for maintenance and monitoring the landfill site will continue to be funded by the County and recorded as a long-term liability in the governmental activities in the Statement of Net Position.

(14) Risk Management:

The County is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the County is self-insured and also carries commercial insurance. The County currently reports all of its risk management activities in the General and Sewer Funds. The County recognizes expenditures/expenses in the General and Sewer Funds. Claims expenditures/expenses and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported and claims and adjustment expenses. Claim liabilities are based upon actuarial calculations which consider the effects of inflation, recent claim settlement trends including frequency and amount of pay-outs, other economic and social factors, specific incremental claim adjustment expenses, and salvage and subrogation. There were no changes in insurance coverage from the prior fiscal year that enhanced the County's protection. There were no settlements exceeding insurance coverage for the past three fiscal years. Changes in the liability during the past two years are as follows:

	<u>Governmental</u>		<u>Business-type</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Unpaid claims, beginning balance	\$15,215,530	\$15,545,551	\$396,752	\$ -
Incurred claims	5,190,172	5,653,983	-	496,752
Claim payments and adjustments	<u>(5,475,936)</u>	<u>(5,984,004)</u>	<u>(100,000)</u>	<u>(100,000)</u>
Unpaid claims, ending balance	<u>\$14,929,766</u>	<u>\$15,215,530</u>	<u>\$296,752</u>	<u>\$396,752</u>

Included in the business-type incurred claims is the remaining \$296,752 payable to the State of Delaware Department of Natural Resources and Environmental Control (DNREC) in connection with contamination at Fox Point Park. The County entered into a Consent Decree with DNREC whereby it agreed to pay \$496,752 over five years to DNREC for natural resource damage. The first payment of \$100,000 was made in FY 2016. The County did not admit any findings of fact, conclusions of law, determinations or any allegations contained in the Consent Decree, nor did the County admit liability for any purpose or admit any issues of law or fact or any responsibility for the alleged release or threat of release of any hazardous substances into the environment. The \$496,752 was included in governmental incurred claims in FY 2015. This amount was reclassified to the business-type claims in FY 2016. As a result, the 2016 incurred claims amount in the governmental funds was reduced by \$496,752. The net impact of this reclassification to FY 2016 incurred claims for the County is zero.

NEW CASTLE COUNTY, DELAWARE
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017
(Continued)

(15) Contingencies:

The Federal and State governments participate in funding certain County capital projects and operating grants, and the County has recorded receivables in the Capital Projects and Operating Grants Funds for the portion of the costs incurred on projects and grants to be funded from these sources. The costs charged to the funding agency are subject to audit and approval by the agency and, in the event of disallowance, must be funded by the County. Management does not believe that any material amounts of such costs will be disallowed by the funding agency.

The County is a defendant in various litigation matters wherein plaintiffs have claimed substantial damages. Some of the matters are in the discovery stage; others are in various forms of summary judgment disposition. The issue of damages for these matters has not been passed upon. The possible liability, if any, on the part of the County in these actions is not currently determinable.

The County is involved in a number of other actions related to tax billings, assessment valuations, property damages and other matters. In the opinion of the County Attorney, the ultimate resolution of these actions will not have any material effect on the County's financial position.

(16) Conduit Debt:

Conduit debt obligations refer to certain limited-obligation revenue bonds or similar debt instruments issued by the County for the purpose of providing capital financing for a third party that is not part of the County's reporting Entity. The County has issued mortgage revenue bonds to provide funds to acquire mortgages on single-family residences in New Castle County and authorized the issuance of revenue bonds and recovery zone facility bonds to provide funds for various commercial, industrial and agricultural development projects. In the opinion of bond counsel, the bonds are not subject to the debt limit imposed by the Delaware Code, but are payable solely from proceeds of the bonds, mortgage loan repayments and certain other special funds created under the indenture pursuant to which the bonds were issued. The County does not have an obligation to pay the bonds other than from such sources; therefore, such amounts have not been included in the financial statements. As of June 30, 2017, there was an aggregate principal amount outstanding of \$151,260,000.

(17) Unrestricted Net Position:

Governmental Activities

The County's committed net position represents resources that are subject to legislated restrictions on how they may be used. For governmental activities, reserves have been established for the following purposes: Budget Reserve account of \$37,057,852 was legislated to set aside resources to cover unanticipated deficits or revenue reductions and other externally imposed regulations; Tax Stabilization Reserve account of \$28,643,189 was legislated so that funds could be appropriated as necessary to balance the annual operating budget, or to cover budgeted capital costs that would otherwise require the issuance of bonds or an increase in the tax rate; Transfer Tax of \$9,661,952 was legislated to designate funds received beyond what was certified to cover capital bond authorizations, reduce the County's indebtedness, or for economic initiatives; Strategic Economic Development Fund of \$6,165,000 was legislated to designate funds for the purposes of promoting continued economic development of businesses within New Castle County. County Council is authorized to establish these reserves and appropriate these reserves as may be necessary.

NEW CASTLE COUNTY, DELAWARE
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017
(Continued)

(17) Unrestricted Net Position (Continued):

Business-type Activities / Sewer Facilities Fund

Business-type activities reported unrestricted net position of \$26,181,604, \$19,813,281 of this balance is comprised of capital recovery fees that are restricted by management for Sewer Fund debt service.

(18) Fund Balance:

Fund balances are classified as follows:

- **Nonspendable** - Amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.
- **Restricted** – the portion of the net position of a governmental fund that represents resources subject to externally enforceable constraints.
- **Committed** – Amounts that can be used only for specific purposes determined by a formal action by County Council ordinance.
- **Assigned** – Amounts that are constrained by the government's intent to be used for a specific purpose and these decisions can be made by management.
- **Unassigned** – All amounts not included in other spendable classifications.

Fund balance amounts have been designated as nonspendable, restricted, committed, and assigned in the Governmental Funds for specific purposes as follows:

- **Nonspendable:**
 - **Note receivable** (\$3,000,000): This balance represents a third party loan. The principal amount and all accrued and unpaid interest are due and payable on the earlier of November 25, 2020 or the borrower's receipt of any equity or debt financing that results in the borrower's receipt of aggregate gross proceeds of at least \$15,000,000.
 - **Prepaid costs** (\$836,550): Prepaid costs are reserved to cover charges that will be incurred within the next ninety days.
- **Restricted:**
 - **Light tax** (\$305,948): This balance is restricted for lighting costs financed with revenues from users within the light districts.
 - **Crossing guard** (\$537,812): This balance is restricted for school crossing guard costs financed with revenues from users within the school districts.
 - **Garstin trust** (\$3,663,886): This balance is restricted for the care, maintenance, and upkeep of parks in New Castle County.
 - **Housing trust** (\$1,240,301): This balance is restricted for costs to construct, purchase, and maintain permanently affordable housing units.
 - **Grants** (\$1,623,457): This balance is restricted for use in accordance with the purpose of grant agreements.
 - **Capital projects** (\$28,817,465): This balance is restricted for acquisition or construction of capital facilities or equipment other than those financed by proprietary funds.

NEW CASTLE COUNTY, DELAWARE
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017
(Continued)

(18) Fund Balance (Continued):

- **Committed:**
 - **Budget reserve** (\$37,057,852): The budget reserve was legislated to set aside resources of twenty percent of the General Fund's Fiscal Year 2017 estimated revenue to cover unanticipated deficits or revenue reductions caused by a turbulent economy and/or unfunded legislated mandates. A ten-thirteenths vote from County Council through an Ordinance is needed to appropriate these funds for the established conditions or to change the percentage allocated to this fund.
 - **Tax stabilization reserve** (\$28,643,189): This reserve account was legislated so that funds could be appropriated as necessary to balance the annual operating budget or to cover budgeted capital costs that would otherwise require the issuance of bonds or an increase in the tax rate. County Council is authorized through an Ordinance to establish these reserves and appropriate these reserves as may be necessary.
 - **Transfer tax** (\$9,661,952): This balance was legislated to designate funds received beyond what was certified to cover capital bond authorizations, reduce the County's indebtedness, or for economic initiatives. County Council is authorized through an Ordinance to establish and appropriate these proceeds as may be necessary.
- **Assigned:**
 - **Departmental purposes** (\$2,800,561): The Chief Financial Officer, through the Key Financial Policies, assigns funds to be set aside to cover orders placed for goods and services that were committed prior to June 30, 2017. County Council appropriated fund balance for these encumbrances. The separation of these funds by function is detailed below:
 - **General Government** - \$1,167,836
 - **Special Services** - \$665,457
 - **Community Services** - \$270,766
 - **Land Use** - \$556,686
 - **Public Safety** - \$122,259
 - **Judiciary Offices** - \$17,557
 - **Library** (\$9,611): County Council is authorized to appropriate this fund balance.
 - **Strategic Economic Development fund** (\$6,165,000): County Council is authorized to appropriate this fund balance.

(19) Other Postemployment Benefits:

Plan Description:

The New Castle County, Delaware Other Post Employment Benefits (OPEB) Trust Fund is a single-employer defined benefit OPEB plan (the plan) administered by the OPEB Board of Trustees. Section 26.03.911 of the New Castle County Code assigns the authority to adopt and amend the trust agreement to the OPEB Board of Trustees. The OPEB Board of Trustees shall be separate and distinct from the Employees' Retirement System Board of Trustees established by Section 2.05.505 of the New Castle County Code. The plan is considered part of the County's financial reporting entity and is included in the County's financial statements as a trust fund. A separate report for the OPEB trust fund is not prepared.

Membership consisted of the following at June 30, 2016, the date of the latest actuarial valuation:

Medical/ Drug		Life	
Actives	1,315	Actives	1,315
Retirees	735	Retirees	735
Spouses/Beneficiaries	<u>237</u>	Spouses/Beneficiaries	<u>-</u>
Total	<u>2,287</u>	Total	<u>2,050</u>

NEW CASTLE COUNTY, DELAWARE
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017
(Continued)

(19) Other Postemployment Benefits (Continued):

Benefits Provided:

The plan provides healthcare, prescription drug, and life insurance benefits to eligible retirees and their spouses and dependents.

Funding Policy and Contributions:

The Trust is funded through deposits of County operating appropriations and other contributions made by the County as an employer, earnings from investments, refunds, reimbursements, or any other appropriate source. The County's cost of providing retiree medical coverage and life insurance is paid out of the OPEB fund, in addition to any fees and expenses authorized by the Board. For fiscal year 2017, the County contributed \$9,956,954 to the plan to prefund benefits and fund current benefits.

The County's policy is to contribute the pay-as-you-go cost plus an additional \$1,000,000 to the OPEB trust each year.

Investment Policy

The OPEB Plan's policy in regard to the allocation of invested assets is established and may be amended by the Board of Trustees of the New Castle County OPEB Board. It is the policy of the Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The following was the Board's adopted asset allocation policy as of June 30, 2017:

Asset Class	Target Allocation
Domestic Equity	42%
International Equity	28%
Fixed Income – Investment Grade	30%
Fixed Income – Below-Investment Grade	0%
Cash	0%
Total	100%

Rate of Return

For the year ended June 30, 2017, the annual money-weighted rate of return on OPEB plan investments, net of investment expense, was 12.6%. The money weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

NEW CASTLE COUNTY, DELAWARE
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017
(Continued)

(19) Other Postemployment Benefits (Continued):

Annual OPEB Cost and Net OPEB Obligation:

The County's annual Other Post Employment Benefit (OPEB) cost is 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 the year, the amount actually contributed to the plan, and changes in the County's net OPEB obligation:

Annual required contribution	\$18,338,946
Interest on net OPEB obligation	5,780,803
Adjustment to annual required contribution	<u>(6,603,287)</u>
Annual OPEB cost (expense)	17,516,462
Contributions made	<u>9,956,954</u>
Increase in net OPEB obligation	7,559,508
Net OPEB obligation-beginning of year	<u>96,346,712</u>
Net OPEB obligation-end of year	<u>\$103,906,220</u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017, 2016, and 2015, were as follows:

Trend Information:

Fiscal year ended	Annual OPEB Cost	% of Annual OPEB Cost contributed	Net OPEB Obligation
06/30/2017	17,516,462	56.8%	\$103,906,220
06/30/2016	17,582,179	56.2%	96,346,712
06/30/2015	22,562,637	41.5%	88,648,529

Funded Status:

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule below presents information about the actuarial value of plan assets and the actuarial accrued liabilities for benefits.

NEW CASTLE COUNTY, DELAWARE
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017
(Continued)

(19) Other Postemployment Benefits (Continued):

Annual OPEB Cost and Net OPEB Obligation (Continued):

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (Asset) (UAAL)	Ratio of Assets to AAL	Covered Payroll	UAAL as a % of Covered Payroll
06/30/2016	\$34,994,659	\$229,499,442	\$194,504,783	15.25%	\$81,635,862	238.3%

Actuarial Methods and Assumptions:

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of the valuation. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2016 actuarial valuation, the Entry Age actuarial cost method was used. The actuarial assumptions include a 6.0% investment rate of return, a 3.0% inflation rate, and annual medical and prescription inflation trends varying from 6.75% to 4.75%. The UAAL is being amortized as a level percentage of projected payroll on an open basis. At June 30, 2016, the amortization method used was Level Dollar and the amortization period was an open period of 30 years.

Net OPEB Liability:

The County implemented GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension* during fiscal year 2017, the required disclosures are below:

The components of the net OPEB liability of the County as of June 30, 2017, were as follows:

Total OPEB Liability	\$207,020,478
Plan Fiduciary Net Position	<u>40,352,610</u>
County's Net OPEB Liability	<u>\$166,667,868</u>

Actuarial Methods and Assumptions:

The total OPEB liability was determined by an actuarial valuation as of June 30, 2016, adjusted for the one-year time difference, using the Entry Age actuarial cost method. The actuarial assumptions include a 7.0% investment rate of return, net of expenses and including inflation, and annual medical and prescription inflation trends varying from 6.75% to 4.75%.

Mortality rates were based on the RP-2000 Combined Healthy Mortality Table for Males and Females, as appropriate, with adjustments for mortality improvements based on Scale BB (projected to 2011). Mortality rates for Disabled members were based on 100% and 120% of the 1974-1978 Social Security experience study for Police and Non-police, respectively.

NEW CASTLE COUNTY, DELAWARE
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017
(Continued)

(19) Other Postemployment Benefits (Continued):

Net OPEB Liability (Continued):

Long-Term Expected Rate of Return:

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimates of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each 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. This is then modified through a Monte-Carlo simulation process, by which a (downward) risk adjustment is applied to the baseline expected return.

Asset Class	Long-Term Expected Real Return - Portfolio	Weight
Domestic Equity	5.75%	40%
International Equity	6.25%	30%
Fixed Income – U.S.	2.75%	30%
Total Weighted Average Real Return	5.00%	100%
Plus inflation	2.75%	
Total return without Adjustment	7.75%	
Risk adjustment	-0.75%	
Total Expected Return	7.00%	

Discount Rate

The discount rate used to measure the total OPEB liability is 6.93%. The County's funding expectations/policy is to contribute approximately \$1,000,000 per year to their OPEB trust, in addition to amounts to cover annual benefits for retirees.

Based on this information, we project that benefits will be paid from the trust until 2071 when the trust assets will be depleted. This is done on a closed group basis.

Therefore, the expected trust return of 7.00% (until 2071) is blended with the 20 year Aa bond rate of 3.56% (after 2071). The blended rate is 6.93%.

NEW CASTLE COUNTY, DELAWARE
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017
(Continued)

(19) Other Postemployment Benefits (Continued):

Net OPEB Liability (Continued):

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

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Discount rate	5.93%	6.93%	7.93%
Total OPEB Liability	\$233,180,506	\$207,020,478	\$185,357,792
Plan Net Position	<u>\$40,352,610</u>	<u>\$40,352,610</u>	<u>\$40,352,610</u>
Net OPEB Liability	<u>\$192,827,896</u>	<u>\$166,667,868</u>	<u>\$145,005,182</u>
Ratio of Plan Net Position to Total OPEB Liability	17%	19%	22%

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates

The following presents the net OPEB liability of the plans, calculated using the healthcare trend rate of from 6.75% to an ultimate rate of 4.75%, as well as what each plan's net OPEB liability would be if it were calculated using trend rates for each year that are 1.00% lower or 1.00% higher than the current rates:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Ultimate Trend	3.75%	4.75%	5.75%
Total OPEB Liability	\$178,793,949	\$207,020,478	\$241,570,605
Plan Net Position	<u>\$40,352,610</u>	<u>\$40,352,610</u>	<u>\$40,352,610</u>
Net OPEB Liability	<u>\$138,441,339</u>	<u>\$166,667,868</u>	<u>\$201,217,995</u>
Ratio of Plan Net Position to Total OPEB Liability	23%	19%	17%

NEW CASTLE COUNTY, DELAWARE
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

(Continued)

(19) Other Postemployment Benefits (Continued):

Net OPEB Liability (Continued):

The County's change in Total OPEB Liability, Plan Fiduciary Net Position, and Net OPEB Liability for the year ended June 30, 2017, were as follows:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a) – (b)
Balances at 6/30/16	\$198,022,513	\$34,994,659	\$163,027,854
Changes for the year:			
Service cost	4,243,074	-	4,243,074
Interest	13,711,845	-	13,711,845
Contributions – employer	-	9,956,954	(9,956,954)
Contributions – employee	-	-	-
Net investment income	-	4,374,426	(4,374,426)
Benefit payments	(8,956,954)	(8,956,954)	-
Administrative expense	-	(16,475)	16,475
Net changes	8,997,965	5,357,951	3,640,014
Balances at 6/30/17	\$207,020,478	\$40,352,610	\$166,667,868

(20) On-Behalf Payments:

The County receives a pension contribution from the State of Delaware for New Castle County Police and Prothonotary employees to the Employees' Retirement System. This on-behalf payment is recorded in the General Fund as intergovernmental revenue and expenditure paid to the Pension Trust Fund. This amount for FY 2017 was \$1,768,307.

(21) Operating Lease:

On July 1, 1995, the Delaware River and Bay Authority (DRBA) assumed responsibility for the New Castle County Airport under the terms of a 30 year lease. The DRBA has reimbursed the County for all debt service payments attributable to the Airport fulfilling its required lease payments. This arrangement is structured to reduce operating losses at the airport while advancing overall economic development and job creation within the County.

(22) Capital Leases:

The County has entered into numerous lease agreements for the financing of new police and emergency service vehicles and equipment and new sewer service vehicles and equipment. Payments are due in monthly installments with interest rates varying from 1.41% to 2.05% per annum. The County has also entered into a lease agreement for the financing of energy efficient HVAC building equipment. Payments are due in quarterly installments with an interest rate of 3.79%. These capital leases have been recorded at the present value of their future minimum lease payments as of the inception date.

NEW CASTLE COUNTY, DELAWARE
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017
(Continued)

(22) Capital Leases (Continued):

The capital assets acquired through capital leases are as follows:

	Governmental Activities	Business-type Activities
Equipment and building equipment	\$31,692,006	\$6,969,054
Less: Accumulated depreciation	<u>14,790,413</u>	<u>1,787,627</u>
	<u>\$16,901,593</u>	<u>\$5,181,427</u>

The Governmental Activities minimum lease payment amounted to \$3,921,477 in fiscal year 2017. The Business-type Activities minimum lease payment amounted to \$1,388,252 in fiscal year 2017. The future lease payments under the capital leases at June 30, 2017 are as follows:

Fiscal Year	Governmental Activities	Business-type Activities
2018	\$4,248,840	\$1,448,721
2019	3,608,070	1,433,703
2020	2,378,447	1,192,423
2021	1,528,149	493,619
2022	595,287	60,469
2023	<u>279,431</u>	<u>-</u>
Total minimum lease payments	12,638,224	4,628,935
Less: amount representing interest	<u>516,210</u>	<u>135,918</u>
Present value of minimum lease payments	<u>12,122,014</u>	<u>4,493,017</u>

(23) Deferred Compensation Plan:

The County offers its employees a deferred compensation plan created in accordance with Internal Revenue Code (IRC) Section 457. The plan, available to all County employees, permits them to defer a portion of their salary until future years.

As required by IRC Section 457 (g), the County's Deferred Compensation Plan (DCP) Trust Agreement provides that all assets and income of the DCP are held in the DCP Trust for the exclusive benefit of participants and their beneficiaries. Therefore, these assets are not the property of the County and will not be subject to the claims of the County's general creditors.

All costs and expenses of administering the plan are borne by the participants.

NEW CASTLE COUNTY, DELAWARE
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017
(Continued)

(24) Defined Benefit Pension Plans:

New Castle County, Delaware Employees' Pension Program

Plan Description and Provisions:

New Castle County maintains a single-employer, defined benefit pension plan that covers substantially all full-time County employees (except for police employees who are covered by the Delaware Municipal Police/Firefighter Pension Plan) as well as part-time school crossing guards. Benefits are administered under the County's Pension Program (Program) by a quasi-independent agency, which issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained from the Human Resources division of the Department of Administration.

The Program consists of five separate pension plans with members' benefits varying according to the plan in which they participate. Membership in a particular plan generally is based upon the date of employment. The Program's five pension plans are: the County Employees' Pension Plan (Plan); the Employees' Retirement System (the System); the Alternate Pension Plan (the Closed Plan); the County 2011 Plan (Hybrid Plan); and, the School Crossing Guards' Pension Plan (Crossing Guards' Plan). Upon organization of the Program, all of the assets of the County's previously separate pension plans were pooled and made available to satisfy the obligations to members under any of the plans. Consequently, the plans are not considered to be separate for actuarial, funding, or financial reporting purposes.

Benefits Provided:

The Program provides retirement, disability, and death benefits to Program members and beneficiaries. Retirement benefits for members of the System include automatic post-retirement benefit increases. Those benefits are established under the provisions of the County Code and may be amended by action of the County Council.

County employees covered by the Plan and hired before December 15, 2006, become eligible for benefits upon 15 years of credited service and attainment of age 60, 10 years of credited service and attainment of age 62, 5 years of credited service and attainment of age 65, or 30 years of credited service. Employees hired after December 15, 2006, become eligible upon 15 years of credited service and age 60, 10 years of credited service and age 62, or 30 years of credited service. The amount of the monthly service or disability pension payable to a Plan member equals 1/60 of his or her final average compensation multiplied by the number of years of his or her credited service, taken to the nearest 1/12 of a year, provided that:

- A. Beginning no earlier than age 62, the service pension payable shall in no case exceed 1% of final average compensation plus 0.5% of final average compensation in excess of 30% of covered compensation plus 0.5% of final average pay in excess of covered compensation, the sum of which is multiplied by years of service not in excess of 30 and:
- B. The disability pension, when combined with the disability or old age insurance benefit for which he or she is eligible under the federal Social Security Act, without taking into account any increases in such benefit after payments commence, shall not exceed 75% of final average compensation.

NEW CASTLE COUNTY, DELAWARE
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017
(Continued)

(24) Defined Benefit Pension Plans (Continued):

New Castle County, Delaware Employees' Pension Program (Continued)

Benefits Provided (Continued):

For participants who are age 55 prior to January 1, 1997, benefits shall not be less than 75% of final average compensation less the age 62 Social Security benefit; the result to be multiplied by a ratio not to exceed 1, the numerator of which is the participant's years of credited service and the denominator of which is 30 years. Benefits are proportionately less for members with less than 30 years of credited service.

County nonpolice employees covered by the System and hired before December 15, 2006, become eligible for benefits at age 60, 55, or 50, provided they have completed at least 5, 15, or 25 years of service, respectively, or at any age upon attaining 30 years of credited service. Nonpolice employees hired after December 15, 2006, become eligible for benefits at age 60, 55, or 50, provided they have completed at least 10, 15, or 25 years of service, respectively, or at any age upon attaining 30 years of credited service. Police members become eligible to retire after 20 years if they complete a minimum of 15 years of service during the 20-year period or at age 50 with at least 10 years of service and have not obtained a refund. Police are subject to mandatory retirement at age 55. Normal monthly retirement benefits for nonpolice System members are calculated based upon a monthly average of the member's highest base salary or wage, excluding overtime and shift premium compensation, for 36 months (12 months for police members with at least 15 years of credited service), whether or not consecutive, multiplied by a specific percentage that ranges from 1.7% to 2.5% and multiplied by years of service. Police pensions are calculated at 2.5% of final average salary for each year of police service. Benefits are limited to 80% of the average salary calculated above. Service retirement benefits for nonpolice employees are automatically increased January 1st each year by 2% of the initial benefit beginning the earlier of five years of retirement or attaining age 60 and one year of retirement. Service retirement benefits for police members are automatically increased each year beginning after three years of retirement or age 60 and 1 year of retirement by a 3% cost of living adjustment compounded annually.

Under the Closed Plan, County members are eligible for benefits upon completion of 20 years of credited service or at age 60 and completion of 15 years of credited service. Normal monthly retirement benefit is calculated based upon a monthly average of a member's highest wage, excluding overtime and shift premium compensation, for 60 consecutive months, multiplied by 2.5% and further multiplied by the total years of service. Benefits range from a minimum of \$200 per month to a maximum of \$300 per month.

Under the Guard Plan, members hired before December 15, 2006, become eligible for benefits upon 15 years of credited service and attainment of age 60, 10 years of credited service and attainment of age 62, 5 years of credited service and attainment of age 65, or 30 years of credited service. Employees hired after December 15, 2006, become eligible upon 15 years of credited service and age 60, 10 years of credited service and age 62, or 30 years of credited service. The annual service retirement benefit is equal to \$10 per month for each year of credited service.

Under the Hybrid Plan, members hired after November 1, 2011, become eligible for benefits upon 10 years of credited service and attainment of age 65, or if they are an Emergency Responder with 10 years of credited service and attainment of age 60, or upon 30 years of credited service, regardless of age. The amount of monthly service retirement benefit is equal to 1% of his or her final average salary multiplied by the number of years and partial years of credited service, taken to the nearest month.

The Program also provides death and disability benefits.

NEW CASTLE COUNTY, DELAWARE
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017
(Continued)

(24) Defined Benefit Pension Plans (Continued):

New Castle County, Delaware Employees' Pension Program (Continued)

Contribution Requirements:

The requirements for County and employee contributions are established under County Code and may be amended by action of the County Council. The requirements for State contributions are established under State Statute. The required contribution rates of active Program members are as follows:

Plan	3% of annual compensation in excess of \$5,980 plus 2% of annual compensation in excess of the social security taxable wage base
System	7.0% (police members) and 5% (non-police members) of base salary or wages
Closed Plan	No contribution required
Crossing Guards' Plan	\$10 per bi-weekly pay period
County 2011 Plan	3% of base salary

State contributions to the Program are for police members of the System and are based on a ratable share of the State's tax on insurance premiums. The share provided to the County is based on the relative number of police employees covered by the County Program compared to the total number of state, county, and municipal police employees in the State covered by pension plans that are eligible to participate in the distribution of the tax.

The County is required by County Code to contribute to the Program based on an actuarial valuation. The current rate is 23.68% of annual covered payroll.

Actuarial Assumptions:

The actuarial valuations are used to determine the contributions to be made by the County in the fiscal year starting six months after the valuation date. For example, the January 1, 2016, valuation is used to establish the contribution level for the year ended June 30, 2017.

The total pension liability was determined as of June 30, 2017 using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.25% investment rate of return and (b) projected salary increases of 4.0% (6.0% for General employees with less than 10 years of service). The assumptions include post-retirement benefit increases for members of the System and a 3.0% inflation rate assumption. The annual required contribution for the year was determined on a percentage of payroll basis.

Mortality rates were based on the RP-2000 Combined Healthy Mortality Table for Males and Females, as appropriate, with adjustments for mortality improvements based on Scale BB (projected to 2011). An alternate table was used for the valuation of disabled members.

A full experience study was conducted in 2013 and several assumptions were updated. The next study is scheduled for 2018.

NEW CASTLE COUNTY, DELAWARE
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017
(Continued)

(24) Defined Benefit Pension Plans (Continued):

New Castle County, Delaware Employees' Pension Program (Continued)

Actuarial Assumptions (Continued):

There were no changes in actuarial assumptions since the prior year, except for the change in the discount rate from 7.22% to 7.25%, based on an updated return assumption.

Long-Term Expected Rate of Return:

The long-term expected rate of return on pension program investments was determined using a building-block method in which best-estimates of expected future real rates of return (expected returns, net of pension program investment expense and inflation) are developed for each 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. This is then modified through a Monte-Carlo simulation process, by which a (downward) risk adjustment is applied to the baseline expected return.

Best estimates of arithmetic real rates of return for each major asset class included in the pension program's target asset allocation as of June 30, 2017, and the final investment return assumption, are summarized in the following table:

Asset Class	Long-Term Expected Real Return - Portfolio	Weight
Domestic Equity	5.75%	23%
International Equity	6.25%	17%
Fixed Income – U.S.	2.75%	31%
Global Asset Allocation	5.00%	10%
Opportunistic Debt	2.70%	3%
Real Estate	4.45%	5%
Private Equity	7.80%	5%
Hedge Funds	3.80%	5%
Cash Equivalents	0.85%	1%
Total Weighted Average Real Return	4.63%	100%
Plus inflation	3.00%	
Total return without Adjustment	7.63%	
Risk adjustment	-0.38%	
Total Expected Return	7.25%	

NEW CASTLE COUNTY, DELAWARE
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017
(Continued)

(24) Defined Benefit Pension Plans (Continued):

New Castle County, Delaware Employees' Pension Program (Continued)

Discount Rate

The discount rate used to measure total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed 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 on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

Therefore, the long-term expected rates of return on pension plan investments was applied to all periods of projected benefit payments to determine total pension liability.

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

The following presents the net pension liability of the County, calculated using the discount rate of 7.25%, as well as what the County's net pension liability would be if it were calculated using a discount rate that is 1.00% lower or 1.00% higher than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Discount rate	<u>6.25%</u>	<u>7.25%</u>	<u>8.25%</u>
Total Pension Liability	\$652,751,285	\$589,509,112	\$532,209,982
Plan Net Position	<u>\$425,727,245</u>	<u>\$425,727,245</u>	<u>\$425,727,245</u>
Net Pension Liability	<u>\$227,024,040</u>	<u>\$163,781,867</u>	<u>\$106,482,737</u>
Ratio of Plan Net Position to Total Pension Liability	65.2%	72.2%	80.0%

NEW CASTLE COUNTY, DELAWARE
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017
(Continued)

(24) Defined Benefit Pension Plans (Continued):

New Castle County, Delaware Employees' Pension Program (Continued)

Net Pension Liability and Deferred Outflows/Inflows of Resources:

The County's change in Total Pension Liability, Plan Fiduciary Net Position, and Net Pension Liability for the year ended June 30, 2017, were as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) – (b)
Balances at 6/30/16	\$583,995,260	\$400,021,036	\$183,974,224
Changes for the year:			
Service cost	7,700,742	-	7,700,742
Interest	41,203,676	-	41,203,676
Differences between expected and actual experience	(2,077,314)	-	(2,077,314)
Changes in assumptions	(1,789,625)	-	(1,789,625)
Contributions – employer	-	17,259,347	(17,259,347)
Contributions – employee	-	2,679,140	(2,679,140)
Net investment income	-	46,007,003	(46,007,003)
Benefit payments, including refunds of employee contributions	(39,523,627)	(39,523,627)	-
Administrative expense	-	(715,654)	715,654
Net changes	5,513,852	25,706,209	(20,192,357)
Balances at 6/30/17	\$589,509,112	\$425,727,245	\$163,781,867

As of June 30, 2017, \$19,994,266 of the net pension liability is reported as a liability in the business-type activities in the government-wide statement of net position and in the proprietary fund type in the fund financial statement of net position. The remaining \$143,787,601 of the net pension liability is reported as a liability related to the governmental funds and is only recorded in the governmental activities in the government-wide statement of net position.

The County recognized \$29,134,776 in Pension expense for fiscal year 2017 and as of June 30, 2017, reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual	\$1,132,674	(\$1,557,985)
Changes in actuarial assumptions	6,112,539	(1,342,219)
Net difference between projected and actual earnings on plan investments	30,575,770	(14,274,262)
Total	\$37,820,983	(\$17,174,466)

NEW CASTLE COUNTY, DELAWARE
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017
(Continued)

(24) Defined Benefit Pension Plans (Continued):

New Castle County, Delaware Employees' Pension Program (Continued)

Net Pension Liability and Deferred Outflows/Inflows of Resources (Continued):

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

Year ended June 30	Amount
2018	\$10,358,019
2019	10,358,022
2020	3,499,040
2021	(3,568,564)
Total	\$20,646,517

The amounts above represent experience through June 30, 2017. The amounts for future years will be combined with these as experience emerges.

Delaware Public Employees' Retirement System (DPERS) County and Municipal Police and Firefighters' Pension Plan

Plan Description:

The County contributes to a governmental cost-sharing multiple-employer defined benefit pension plan administered by the Delaware Public Employees' Retirement System (DPERS). The plan, which is the DPERS County and Municipal Police and Firefighters' Pension Plan, covers County police employees hired on or after February 1, 1993. Benefit provisions of the plan are established under the provisions of State law and may be amended by an act of the State legislature. The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The Delaware Public Employees' Retirement System issues a publicly available financial report that includes financial statements for the plan. That report may be obtained by writing to the System at P.O. Box 1401, Dover, Delaware, 19903-1401.

Benefits Provided:

Service benefits provided by this plan are as follows: 2.5% of final average monthly compensation multiplied by years of credited service up to 20 years, plus 3.5% of final average monthly compensation multiplied by years of service in excess of 20 years. For this plan, final average monthly compensation is the monthly average of the highest three consecutive years of compensation. Retirement eligibility is age 62 with 5 years of service, age plus credited service (but not less than 10 years) equals 75, or 20 years of credited service.

NEW CASTLE COUNTY, DELAWARE
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

(Continued)

(24) Defined Benefit Pension Plans (Continued):

DPERS County and Municipal Police and Firefighters' Pension Plan (Continued)

Contributions:

The contribution policy is set by State law and requires contributions by active members and by participating employers. Plan members are required to contribute 7% of base compensation. The contributions required of participating employers are based on an actuarial valuation and are expressed as a percentage of annual covered payroll during the period for which the amount is determined. The County was required to contribute at the following rates for the fiscal years ending June 30, 2017, 2016, and 2015: 13.77%, 13.85%, and 14.18%. The County's contributions to the plan for the same fiscal years were \$3,679,422, \$3,365,308, and \$3,293,491, respectively. Those amounts are equal to the required contribution for each year.

Actuarial assumptions:

The investment rate of return/discount rate was assumed to be 7.2%, with projected salary increases at 2.5% plus a merit increase, and no cost-of-living adjustments were included. Inflation is included at 2.5%. The total pension liabilities are measured based on assumptions pertaining to the interest rates, inflation rates, and employee demographic behavior in future years. The assumptions used were based on the results of an actuarial experience study conducted in 2016.

Mortality rates were based on the RP-2014 Mortality Tables with gender adjustments for healthy annuitants and disabled retirees and an adjusted version on MP-2015 mortality improvement scale on a fully generational basis.

Projected benefit payments do not include the effects of projected ad hoc cost-of-living adjustments (ad hoc COLAs) as they are not substantively automatic. The primary considerations relevant to making this determination include the historical pattern of granting the changes and the consistency in the amount of the changes.

The County's proportionate share of the net pension asset/(liability) is equal to the collective net pension asset/(liability) multiplied by our proportionate share percentage for fiscal year ending June 30, 2016 in the Schedule of Employer Allocations in the DPERS County and Municipal Police and Firefighters' Pension Plan report. The proportionate share percentage is 33.4%, an increase of 0.7% from the year ending June 30, 2015.

The difference between expected and actual experience and the change in assumptions with regard to economic and demographic factors, and the change in employer proportionate share are amortized over the average of the expected remaining service life of active and inactive members which is 10 years.

The difference between the actual earnings on plan investments compared to the plan's expected rate of return of 7.2% is amortized over a closed period of 5 years.

NEW CASTLE COUNTY, DELAWARE
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017
(Continued)

(24) Defined Benefit Pension Plans (Continued):

DPERS County and Municipal Police and Firefighters' Pension Plan (Continued)

Long-Term Expected Rate of Return

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 investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by an asset allocation percentage, which is based on the nature and mix of current and expected plan investments, and by adding expected inflation.

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	34.0%	5.70%
International equity	14.7%	5.70%
Fixed income	25.0%	2.00%
Alternative investments	20.9%	7.80%
Cash and equivalents	<u>5.4%</u>	0.00%
Total	<u>100%</u>	

Sensitivity of the Net Pension Asset/(Liability) to Changes in the Discount Rate

	<u>1% Decrease (6.2%)</u>	<u>Current Discount Rate (7.2%)</u>	<u>1% Increase (8.2%)</u>
Total DPERS County and Municipal Police and Firefighters' Pension Plan Net Pension Asset/(Liability)	\$63,237,000	\$15,895,709	(\$22,686,000)
County's Proportionate Share	21,090,556	5,301,474	(7,566,146)

Pension plan fiduciary net position: Detailed information about the DPERS County and Municipal Police and Firefighters' Pension Plan's fiduciary net position is available in the separately issued financial report.

Net Pension Liability and Deferred Outflows/Inflows of Resources:

The County recognized a \$57,322 Pension expense credit for fiscal year 2017 and, as of June 30, 2017, reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NEW CASTLE COUNTY, DELAWARE
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017
(Continued)

(24) Defined Benefit Pension Plans (Continued):

DPERS County and Municipal Police and Firefighters' Pension Plan (Continued)

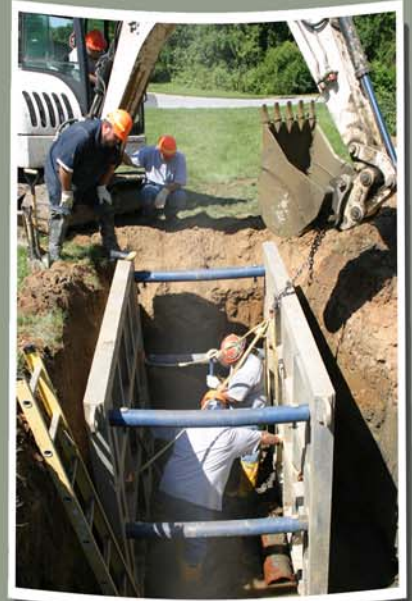
Net Pension Liability and Deferred Outflows/Inflows of Resources (Continued):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to measurement date	\$3,679,422	---
Proportionate share increase	92,657	---
Experience (gain) or loss	905,165	(902,887)
Changes of assumptions	---	(1,393,784)
Net difference between projected and actual earnings on plan investments	5,482,964	---
Total	\$10,160,208	(\$2,296,671)

\$3,679,422 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction in net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2018	\$974,916
2019	974,916
2020	974,916
2021	974,916
2022	974,916
2023-2027	(608,384)
2028	(82,081)
Total	\$4,184,115

Special Services



Required Supplementary Information

NEW CASTLE COUNTY, DELAWARE
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2017

NEW CASTLE COUNTY, DELAWARE EMPLOYEES'
PENSION PROGRAM

Schedule of Changes in Net Pension Liability*

<u>Total Pension Liability</u>	<u>Fiscal Year</u> <u>2017</u>	<u>Fiscal Year</u> <u>2016</u>	<u>Fiscal Year</u> <u>2015</u>	<u>Fiscal Year</u> <u>2014</u>
Service Cost	\$7,700,742	\$7,847,444	\$7,733,029	\$7,803,030
Interest	41,203,676	40,893,316	40,243,005	43,328,727
Changes in benefit terms	-	-	-	-
Difference between expected and actual experience	(2,077,314)	1,314,713	1,188,291	-
Changes in assumptions	(1,789,625)	11,647,493	721,980	-
Benefit payments, including refunds	<u>(39,523,627)</u>	<u>(37,813,325)</u>	<u>(36,345,952)</u>	<u>(34,213,002)</u>
Net Change in Total Pension Liability	\$5,513,852	\$23,889,641	\$13,540,353	\$16,918,755
Total Pension Liability – Beginning of Year	<u>583,995,260</u>	<u>560,105,619</u>	<u>546,565,266</u>	<u>529,646,511</u>
Total Pension Liability – End of Year	<u>589,509,112</u>	<u>583,995,260</u>	<u>560,105,619</u>	<u>546,565,266</u>
<u>Plan Fiduciary Net Position</u>				
Contributions - employer	\$17,259,347	\$17,035,119	\$18,025,370	\$13,672,749
Contributions - member	2,679,140	2,846,267	2,779,085	2,845,513
Net investment income (loss)	46,007,003	(8,908,085)	15,220,117	48,084,200
Benefit payments, including refunds	(39,523,627)	(37,813,327)	(36,345,952)	(34,213,002)
Administrative expenses	(682,369)	(660,453)	(581,179)	(642,018)
Other expenses	<u>(33,285)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fiduciary Net Position	\$25,706,209	(\$27,500,479)	(\$902,559)	\$29,747,442
Plan Fiduciary Net Position - Beginning of Year	<u>400,021,036</u>	<u>427,521,515</u>	<u>428,424,074</u>	<u>398,676,632</u>
Plan Fiduciary Net Position - End of Year	<u>425,727,245</u>	<u>400,021,036</u>	<u>427,521,515</u>	<u>428,424,074</u>
Net Pension Liability – Beginning of Year	<u>\$183,974,224</u>	<u>\$132,584,104</u>	<u>\$118,141,192</u>	<u>\$130,969,879</u>
Net Pension Liability – End of Year	<u>\$163,781,867</u>	<u>\$183,974,224</u>	<u>\$132,584,104</u>	<u>\$118,141,192</u>
Plan Fiduciary Net Position as a percentage of Total Pension Liability	72.2%	68.5%	76.3%	78.4%

**NEW CASTLE COUNTY, DELAWARE
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2017**

**NEW CASTLE COUNTY, DELAWARE EMPLOYEES'
 PENSION PROGRAM**

Schedule of Changes in Net Pension Liability* (continued)

	<u>Fiscal Year</u> <u>2017</u>	<u>Fiscal Year</u> <u>2016</u>	<u>Fiscal Year</u> <u>2015</u>	<u>Fiscal Year</u> <u>2014</u>
Covered Employee Payroll	\$61,704,013	\$61,711,130	\$62,272,733	\$62,346,860
Net Pension Liability as a percentage of Covered Payroll	265.4%	298.1%	212.9%	189.5%

*A full 10-year trend is unavailable at this time, so per GASB 67 standards, this schedule covers the time period in which data was available for the Pension plan.

NEW CASTLE COUNTY, DELAWARE EMPLOYEES' PENSION PROGRAM
(A Pension Trust Fund of New Castle County, Delaware)
Required Supplementary Information
June 30, 2017

SCHEDULE OF COUNTY CONTRIBUTIONS

Last 10 Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Actuarially determined contribution	\$15,491,040	\$15,341,397	\$15,381,365	\$13,201,521	\$11,373,584	\$11,842,677	\$11,111,476	\$10,043,000	\$7,837,038	\$8,408,524
Contributions in relation to the actuarially determined contribution	15,491,040	15,341,397	14,248,413	12,070,614	11,592,772	10,719,798	9,091,687	8,592,908	7,837,038	8,408,524
Contribution deficiency/(excess)	\$ -	\$ -	\$ 1,132,952	\$ 1,130,907	\$ (219,188)	\$ 1,122,879	\$ 2,019,789	\$ 1,450,092	\$ -	\$ -
Covered-employee payroll	61,704,013	61,711,130	62,272,733	62,346,860	62,292,327	64,113,546	63,246,700	65,760,966	70,413,688	72,524,285
Contributions as a percentage of covered-employee payroll	25.11%	24.86%	22.88%	19.36%	18.61%	16.72%	14.37%	13.07%	11.13%	11.59%

Note: Actuarial contributions are determined as a percentage of payroll. This rate is applied to actual payroll to determine the employer contribution. The County amounts are also net of funds received from the State of Delaware. There have also been two separate time periods in which the actuarial contribution rate was phased in over a period of several years. This occurred in 2010 through 2012, as well as 2014 through 2015. The County and Retirement Board's current policy is to contribute the full actuarial cost each year going forward.

NEW CASTLE COUNTY, DELAWARE
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2017

DPERS County and Municipal Police and Firefighters' Pension Plan*

	<u>2017</u>	<u>2016</u>
County's proportionate share of the net pension asset/(liability)	33%	33%
County's proportionate share of the net pension asset/(liability)	(\$5,301,474)	\$1,724,155
County's covered employee payroll	26,451,763	24,292,287
County's proportionate share of the net pension asset/(liability) as a percentage of its covered employee payroll	20.0%	7.1%
Plan fiduciary net position as a percentage of the total pension asset/(liability)	94.7%	102.0%

**This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.*

NEW CASTLE COUNTY, DELAWARE

DPERS County and Municipal Police and Firefighters' Pension Plan
Required Supplementary Information
June 30, 2017

SCHEDULE OF COUNTY CONTRIBUTIONS

Last 10 Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Required contribution	\$ 3,642,408	\$ 3,364,482	\$ 3,290,327	\$ 3,268,300	\$ 2,931,021	\$ 2,692,809	\$ 2,361,542	\$ 2,199,695	\$ 2,162,466	\$ 1,971,350
Contributions in relation to the required contribution	3,679,422	3,365,308	3,293,491	3,270,358	2,928,485	2,692,809	2,361,542	2,199,695	2,162,466	1,971,350
Contribution deficiency/(excess)	\$ (37,014)	\$ (826)	\$ (3,164)	\$ (2,058)	\$ 2,536	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	26,451,763	24,292,287	23,203,998	21,058,636	19,871,328	18,532,755	16,989,513	16,057,935	15,647,352	14,495,234
Contributions as a percentage of covered-employee payroll	13.91%	13.85%	14.19%	15.53%	14.74%	14.53%	13.90%	13.70%	13.82%	13.60%

**NEW CASTLE COUNTY, DELAWARE
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2017**

**NEW CASTLE COUNTY, DELAWARE
OTHER POST EMPLOYMENT BENEFITS PLAN
SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (Asset) (UAAL)	Ratio of Assets to AAL	Covered Payroll	UAAL as a % of Covered Payroll
06/30/2016	\$34,994,659	\$229,499,442	\$194,504,783	15.25%	\$81,635,862	238.3%
07/01/2014	31,718,214	285,057,067	253,338,853	11.13%	77,163,338	328.3%
07/01/2012	22,174,100	316,484,073	294,309,973	7.01%	77,614,261	379.2%
07/01/2010	10,713,166	277,570,952	266,857,786	3.86%	76,283,473	349.8%

**NEW CASTLE COUNTY, DELAWARE
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2017**

**NEW CASTLE COUNTY, DELAWARE
OTHER POST EMPLOYMENT BENEFITS PLAN**

Schedule of Changes in Net OPEB Liability*

<u>Total OPEB Liability</u>	<u>Fiscal Year</u> <u>2017</u>
Service Cost	\$4,243,074
Interest	13,711,845
Changes in benefit terms	-
Difference between expected and actual experience	-
Changes in assumptions	-
Benefit payments, including refunds	<u>(8,956,954)</u>
Net Change in Total OPEB Liability	<u>\$8,997,965</u>
Total OPEB Liability – Beginning of Year	<u>198,022,513</u>
Total OPEB Liability – End of Year	<u>207,020,478</u>
<u>Plan Fiduciary Net Position</u>	
Contributions - employer	\$9,956,954
Contributions - member	-
Net investment income (loss)	4,374,426
Benefit payments	(8,956,954)
Administrative expenses	<u>(16,475)</u>
Net Change in Fiduciary Net Position	<u>\$5,357,951</u>
Plan Fiduciary Net Position - Beginning of Year	<u>34,994,659</u>
Plan Fiduciary Net Position - End of Year	<u>40,352,610</u>
Net OPEB Liability – Beginning of Year	<u>\$163,027,854</u>
Net OPEB Liability – End of Year	<u>\$166,667,868</u>
Plan Fiduciary Net Position as a percentage of Total OPEB Liability	19.5%
Covered Employee Payroll	\$88,155,776
Net OPEB Liability as a percentage of Covered Payroll	189.1%

*A full 10-year trend is unavailable at this time, so per GASB 74 standards, this schedule covers the time period in which data was available for the OPEB plan.

NEW CASTLE COUNTY, DELAWARE
OTHER POST EMPLOYMENT BENEFITS TRUST FUND
(AN OPEB Trust Fund of New Castle County, Delaware)
Required Supplementary Information
June 30, 2017

SCHEDULE OF COUNTY CONTRIBUTIONS

Last 9 Fiscal Years*

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Actuarially determined contribution	\$18,338,946	\$17,582,179	\$22,562,637	\$24,179,501	\$24,585,445	\$22,958,228	\$23,204,027	\$21,537,492	\$21,865,134
Contributions in relation to the actuarially determined contribution	9,956,954	9,883,996	9,361,876	9,363,060	11,451,980	11,387,500	15,251,694	11,634,414	11,265,004
Contribution deficiency/(excess)	\$ 8,381,992	\$ 7,698,183	\$13,200,761	\$14,816,441	\$13,133,465	\$11,570,728	\$7,952,333	\$9,903,078	\$10,600,130
Covered-employee payroll	88,155,776	86,003,417	85,476,731	83,405,496	82,163,655	82,646,301	80,236,213	81,818,901	86,061,040
Contributions as a percentage of covered-employee payroll	11.29%	11.49%	10.95%	11.23%	13.94%	13.78%	19.01%	14.22%	13.09%

*Note: A full 10-year trend is unavailable at this time, so per GASB 74 standards, this schedule covers the time period in which data was available for the OPEB plan.

**NEW CASTLE COUNTY, DELAWARE
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2017**

**NEW CASTLE COUNTY, DELAWARE
OTHER POST EMPLOYMENT BENEFITS PLAN**

**Annual money-weighted rates of return (net of investment
expense)***

<u>Fiscal Year</u>	<u>Return</u>
2017	12.6%

*A full 10-year trend is unavailable at this time, so per GASB 74 standards, this schedule covers the time period in which data was available for the OPEB plan.

Notes to Required Supplementary Information

Valuation date: The total OPEB liability was determined by an actuarial valuation as of July 1, 2016.

Methods or assumptions used to determine contribution rates:

Actuarial cost method: Entry Age

Amortization method: Level Dollar

Amortization period: 30 years

Investment Return: 7.00%, net of investment expense and including inflation

Healthcare Trend: 6.75% initially, grading down to 4.75% ultimate

Mortality rates:

(Healthy)

Males: RP2000 Combined projected to 2011 with scale BB set forward 1 year.

Females: RP2000 Combined projected to 2011 with scale BB

(Disabled)

Police: 100% of the rates based on the 1974-1978 Social Security experience study

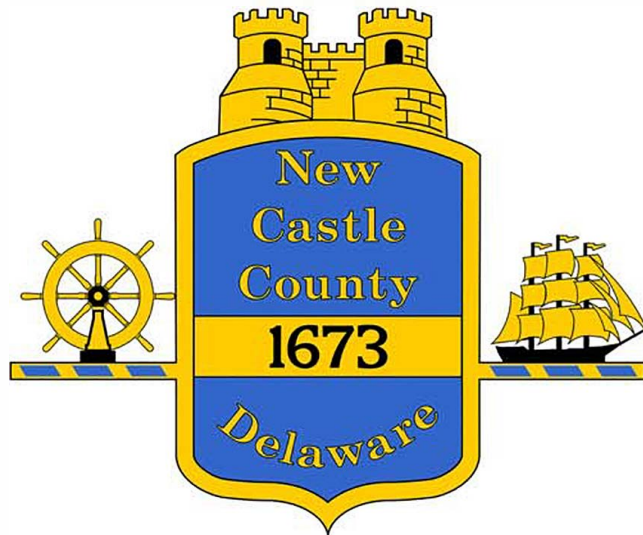
Non-Police: 120% of the rates based on the 1974-1978 Social Security experience study

NEW CASTLE COUNTY, DELAWARE
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2017

Notes to Required Supplementary Information (continued)

Changes of actuarial assumptions: There were no changes in actuarial assumptions since the prior year.

Changes of benefit terms: There were no changes in benefit terms.



Combining and Individual Fund Financial Statements and Schedules

Parks & Recreation



Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

- **Light Tax Fund** – Used to account for lighting costs financed with revenues from users within the light districts.
- **Crossing Guard Fund** - Used to account for school crossing guard costs financed with revenues from users within the school districts.
- **Garstin Trust Fund** – Used to account for the costs of providing for the care, maintenance, and upkeep of county parks and related facilities financed with proceeds from an endowment.
- **Housing Trust Fund** – Used to account for costs to construct, purchase, and maintain permanently affordable housing units.

Capital Projects Funds

Capital Projects Funds are used to account for financial resources provided by bond proceeds, intergovernmental grants, and private contributions used for the acquisition or construction of capital facilities and for equipment purchases other than those financed by proprietary funds.

- **Facilities and Equipment** – Used to account for design, construction, and improvements of County buildings and for equipment purchases.
- **Park Development** – Used to account for the acquisition and development of County parkland.
- **Public Safety** – Used to account for improvements at the police building and facilities and for equipment purchases.
- **Miscellaneous Capital Improvements** – Used to account for all other construction improvements and equipment purchases.

**NEW CASTLE COUNTY, DELAWARE
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS**

June 30, 2017

	Special Revenue					Capital Projects					Total Nonmajor Governmental Funds
	Light Tax	Crossing Guard	Garstin Trust	Housing Trust	Special Revenue Funds	Facilities and Equipment	Park Development	Public Safety	Miscellaneous Capital Improvements	Total Capital Projects Funds	
ASSETS:											
Cash and cash equivalents	\$ -	\$ -	\$ 76,096	\$ 1,240,301	\$ 1,316,397	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,316,397
Investments	-	-	3,591,356	-	3,591,356	-	-	-	-	-	3,591,356
Receivables (net of allowances):											
Taxes, including interest and penalties	117,938	82,350	-	-	200,288	-	-	-	-	-	200,288
Other	-	-	1,738	-	1,738	-	-	-	-	-	1,738
Due from other funds	654,063	538,944	-	-	1,193,007	16,223,035	8,742,483	5,054,496	1,555,604	31,575,618	32,768,625
Due from other governments	-	-	-	-	-	1,887,427	15,672	7,111	-	1,910,210	1,910,210
Prepaid costs	-	-	-	-	-	-	-	-	-	-	-
Total assets	\$ 772,001	\$ 621,294	\$ 3,669,190	\$ 1,240,301	\$ 6,302,786	\$ 18,110,462	\$ 8,758,155	\$ 5,061,607	\$ 1,555,604	\$ 33,485,828	\$ 39,788,614
LIABILITIES:											
Vouchers payable and accrued expenditures	\$ 466,053	\$ 9,048	\$ 5,304	\$ -	\$ 480,405	\$ 3,438,677	\$ 359,500	\$ 46,378	\$ 35,851	\$ 3,880,406	\$ 4,360,811
Retainage payable	-	-	-	-	-	669,303	108,334	10,320	-	787,957	787,957
Due to other funds	-	-	-	-	-	-	-	-	-	-	-
Total liabilities	466,053	9,048	5,304	-	480,405	4,107,980	467,834	56,698	35,851	4,668,363	5,148,768
DEFERRED INFLOWS OF RESOURCES:											
Unavailable revenue-property taxes	-	74,434	-	-	74,434	-	-	-	-	-	74,434
FUND BALANCES:											
Restricted for:											
Light tax	305,948	-	-	-	305,948	-	-	-	-	-	305,948
Crossing guard	-	537,812	-	-	537,812	-	-	-	-	-	537,812
Garstin trust	-	-	3,663,886	-	3,663,886	-	-	-	-	-	3,663,886
Housing trust	-	-	-	1,240,301	1,240,301	-	-	-	-	-	1,240,301
Capital projects	-	-	-	-	-	14,002,482	8,290,321	5,004,909	1,519,753	28,817,465	28,817,465
Unassigned (Note 18)	-	-	-	-	-	-	-	-	-	-	-
Total fund balances	305,948	537,812	3,663,886	1,240,301	5,747,947	14,002,482	8,290,321	5,004,909	1,519,753	28,817,465	34,565,412
Total liabilities, deferred inflows of resources, and fund balances	\$ 772,001	\$ 621,294	\$ 3,669,190	\$ 1,240,301	\$ 6,302,786	\$ 18,110,462	\$ 8,758,155	\$ 5,061,607	\$ 1,555,604	\$ 33,485,828	\$ 39,788,614

**NEW CASTLE COUNTY, DELAWARE
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES**

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2017

	Special Revenue					Capital Projects					Total Nonmajor Governmental Funds
	Light Tax	Crossing Guard	Garstin Trust	Housing Trust	Special Revenue Funds	Facilities and Equipment	Park Development	Public Safety	Miscellaneous Capital Improvements	Total Capital Projects Funds	
Revenues:											
Taxes	\$ 5,502,960	\$ 3,535,350	\$ -	\$ -	\$ 9,038,310	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,038,310
Licenses and permits	-	-	-	413,396	413,396	-	-	-	-	-	413,396
Intergovernmental	-	-	-	-	-	5,716,438	320,513	473,352	-	6,510,303	6,510,303
Investment income	-	-	177,604	-	177,604	-	-	-	-	-	177,604
Net appreciation in fair value of investments	-	-	234,638	-	234,638	-	-	-	-	-	234,638
Contributions from private sources	-	-	-	-	-	10,000	-	-	-	10,000	10,000
Miscellaneous Revenue	-	-	-	-	-	20,463	2,600	45,716	206,282	275,061	275,061
Total revenues	5,502,960	3,535,350	412,242	413,396	9,863,948	5,746,901	323,113	519,068	206,282	6,795,364	16,659,312
Expenditures:											
Current:											
General government	5,832,866	923,122	-	-	6,755,988	-	-	-	-	-	6,755,988
Public safety	-	2,617,592	-	-	2,617,592	-	-	-	-	-	2,617,592
Special services	-	-	282,108	-	282,108	-	-	-	-	-	282,108
Capital outlays	-	-	-	-	-	26,475,764	5,533,651	4,673,639	2,365,926	39,048,980	39,048,980
Total expenditures	5,832,866	3,540,714	282,108	-	9,655,688	26,475,764	5,533,651	4,673,639	2,365,926	39,048,980	48,704,668
Excess (deficiency) of revenues over expenditures	(329,906)	(5,364)	130,134	413,396	208,260	(20,728,863)	(5,210,538)	(4,154,571)	(2,159,644)	(32,253,616)	(32,045,356)
Other Financing Sources:											
Capital leases	-	-	-	-	-	5,952,066	-	-	-	5,952,066	5,952,066
Debt issuance	-	-	-	-	-	17,266,263	10,364,000	7,633,000	2,336,737	37,600,000	37,600,000
Bond premium	-	-	-	-	-	-	-	2,409,664	-	2,409,664	2,409,664
Transfers in	-	-	-	-	-	2,802,813	-	-	631,000	3,433,813	3,433,813
Total other financing sources	-	-	-	-	-	26,021,142	10,364,000	10,042,664	2,967,737	49,395,543	49,395,543
Net change in fund balances	(329,906)	(5,364)	130,134	413,396	208,260	5,292,279	5,153,462	5,888,093	808,093	17,141,927	17,350,187
Fund Balances:											
Beginning of year	635,854	543,176	3,533,752	826,905	5,539,687	8,710,203	3,136,859	(883,184)	711,660	11,675,538	17,215,225
End of year	\$ 305,948	\$ 537,812	\$ 3,663,886	\$ 1,240,301	\$ 5,747,947	\$ 14,002,482	\$ 8,290,321	\$ 5,004,909	\$ 1,519,753	\$ 28,817,465	\$ 34,565,412

NEW CASTLE COUNTY, DELAWARE

LIGHT TAX FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 5,405,520	\$ 5,405,520	\$ 5,502,960	\$ 97,440
Expenditures:				
General government	5,789,961	5,864,961	5,832,866	32,095
Excess (deficiency) of revenues over expenditures	(384,441)	(459,441)	(329,906)	129,535
Fund Balance:				
Beginning of year	635,854	635,854	635,854	-
End of year	\$ 251,413	\$ 176,413	\$ 305,948	\$ 129,535

NEW CASTLE COUNTY, DELAWARE

GRANTS FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL

FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2017 (1)

	Actual			Grant Budget
	Prior Years	Current Year	Total to Date	
Revenues:				
Intergovernmental	\$ 414,423,340	\$ 24,371,473	\$ 438,794,813	\$ 454,880,319
Charges for services	49,830,616	2,646,705	52,477,321	52,841,129
Investment income	1,486,717	42,958	1,529,675	1,536,709
Total revenues	465,740,673	27,061,136	492,801,809	509,258,157
Expenditures:				
General government	5,286,232	-	5,286,232	5,290,912
Public safety	62,813,139	2,790,705	65,603,844	67,710,190
Special services	1,028,804	-	1,028,804	1,028,804
Community services	418,995,453	24,720,954	443,716,407	459,652,653
Land use	4,774,776	204,542	4,979,318	5,424,869
Total expenditures	492,898,404	27,716,201	520,614,605	539,107,428
Deficiency of revenues over expenditures	(27,157,731)	(655,065)	(27,812,796)	(29,849,271)
Other Financing Sources:				
Net transfers in	28,667,635	768,618	29,436,253	29,849,271
Net change in fund balance	\$ 1,509,904	113,553	\$ 1,623,457	\$ -
Fund Balance:				
Beginning of year		1,509,904		
End of year		\$ 1,623,457		

(1) Encompassing current grant file information.

NEW CASTLE COUNTY, DELAWARE

CAPITAL PROJECTS FUNDS

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL

FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2017 (1)

	Actual			Project Authorization
	Prior Years	Current Year	Total to Date	
Revenues:				
Intergovernmental	\$ 24,665,301	\$ 6,510,303	\$ 31,175,604	\$ 32,996,975
Other	\$ 11,008,409	\$ 285,061	\$ 11,293,470	\$ 11,730,293
Total revenues	\$ 35,673,710	\$ 6,795,364	\$ 42,469,074	\$ 44,727,268
Expenditures:				
General government	\$ 29,678,991	\$ 2,365,925	\$ 32,044,916	\$ 37,705,628
Public safety	\$ 64,735,135	\$ 4,673,639	\$ 69,408,774	\$ 77,249,774
Special services	\$ 105,207,692	\$ 17,093,596	\$ 122,301,288	\$ 166,531,047
Community services	\$ 33,911,783	\$ 14,915,820	\$ 48,827,603	\$ 61,098,599
Total expenditures	\$ 233,533,601	\$ 39,048,980	\$ 272,582,581	\$ 342,585,048
Deficiency of revenues over expenditures	\$ (197,859,891)	\$ (32,253,616)	\$ (230,113,507)	\$ (297,857,780)
Other Financing Sources/(Uses):				
Debt issuance	\$ 166,929,256	\$ 37,600,000	\$ 204,529,256	\$ 269,111,346
Bond premium	\$ 7,113,347	\$ 2,409,664	\$ 9,523,011	\$ 789,582
Capital lease proceeds	\$ 11,684,496	\$ 5,952,066	\$ 17,636,562	\$ -
Transfers in	\$ 23,808,330	\$ 3,433,813	\$ 27,242,143	\$ 27,956,852
Total other financing sources	\$ 209,535,429	\$ 49,395,543	\$ 258,930,972	\$ 297,857,780
Net change in fund balances	\$ 11,675,538	17,141,927	\$ 28,817,465	-
Fund Balances:				
Beginning of year		11,675,538		
End of year		\$ 28,817,465		

(1) Encompassing current project file information.

NEW CASTLE COUNTY, DELAWARE

CROSSING GUARD FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 3,477,652	\$ 3,477,652	\$ 3,535,350	\$ 57,698
Expenditures:				
General government	923,122	923,122	923,122	-
Public safety	2,813,682	2,813,682	2,617,592	196,090
Total expenditures	3,736,804	3,736,804	3,540,714	196,090
Net change in fund balance	(259,152)	(259,152)	(5,364)	253,788
Fund Balance:				
Beginning of year	543,176	543,176	543,176	-
End of year	\$ 284,024	\$ 284,024	\$ 537,812	\$ 253,788

NEW CASTLE COUNTY, DELAWARE

BALANCE SHEET BY SUBFUND

GENERAL FUND

June 30, 2017

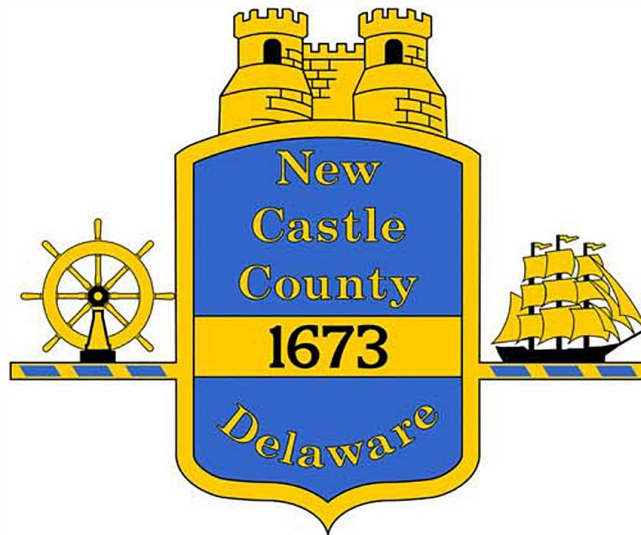
	General Fund				
	General	Suburban Community Sinking	Jean W. Sinclair Trust	Strategic Economic Development	Total General Fund
ASSETS:					
Cash and cash equivalents	\$ 39,284,721	\$ -	\$ 9,611	\$ 6,165,000	\$ 45,459,332
Investments	81,995,936	-	-	-	81,995,936
Receivables (net of allowances):					
Taxes, including interest and penalties	2,793,148	-	-	-	2,793,148
Accounts	4,695,995	-	-	-	4,695,995
Other	232,865	-	-	-	232,865
Cash - restricted	22,948,273	-	-	-	22,948,273
Prepaid costs	836,550	-	-	-	836,550
Note receivable	3,000,000	-	-	-	3,000,000
Total assets	\$ 155,787,488	\$ -	\$ 9,611	\$ 6,165,000	\$ 161,962,099
LIABILITIES:					
Vouchers payable and accrued expenditures	19,169,980	-	-	-	19,169,980
Due to other funds	32,768,625	-	-	-	32,768,625
Other liabilities	7,680,333	-	-	-	7,680,333
Escrowed amounts	9,456,049	-	-	-	9,456,049
Total liabilities	69,074,987	-	-	-	69,074,987
DEFERRED INFLOWS OF RESOURCES:					
Unavailable revenue-property taxes	2,554,388	-	-	-	2,554,388
FUND BALANCES:					
Nonspendable:					
Notes receivable	3,000,000	-	-	-	3,000,000
Prepaid costs	836,550	-	-	-	836,550
Committed to:					
Budget reserve	37,057,852	-	-	-	37,057,852
Tax stabilization reserve	28,643,189	-	-	-	28,643,189
Transfer tax proceeds	9,661,952	-	-	-	9,661,952
Assigned to:					
Other departmental purposes	2,800,561	-	-	-	2,800,561
Library	-	-	9,611	-	9,611
Strategic Economic Development fund	-	-	-	6,165,000	6,165,000
Unassigned	2,158,009	-	-	-	2,158,009
Total fund balances	84,158,113	-	9,611	6,165,000	90,332,724
Total liabilities, deferred inflows of resources, and fund balances	\$ 155,787,488	\$ -	\$ 9,611	\$ 6,165,000	\$ 161,962,099

NEW CASTLE COUNTY, DELAWARE
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES BY SUBFUND

GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2017

	General Fund				
	General	Suburban Community Sinking	Jean W. Sinclair Trust	Strategic Economic Development	Total General Fund
Revenues:					
Taxes	\$ 145,965,783	\$ -	\$ -	\$ -	\$ 145,965,783
Charges for services	24,157,408				24,157,408
Licenses and permits	7,403,571	-	-	-	7,403,571
Intergovernmental	9,250,196				9,250,196
Investment income (loss)	2,484,668	-	45	165,000	2,649,713
Net appreciation (depreciation) in fair value of investments	(1,759,098)	-	-	-	(1,759,098)
Rentals	725,556				725,556
Miscellaneous	1,525,756	(60,150)	-	-	1,465,606
Total revenues	189,753,840	(60,150)	45	165,000	189,858,735
Expenditures:					
Current:					
General government	17,965,270	-	-	1,500,000	19,465,270
Public safety	100,186,226	-	-	-	100,186,226
Special services	13,357,889	-	-	-	13,357,889
Community services	19,279,991	-	-	-	19,279,991
Land use	11,359,470	-	-	-	11,359,470
Judiciary offices	6,835,977	-	-	-	6,835,977
Debt service:					
Principal	13,102,585	-	-	-	13,102,585
Interest and other charges	6,611,181	-	-	-	6,611,181
Total expenditures	188,698,589	-	-	1,500,000	190,198,589
Excess (deficiency) of revenues over expenditures	1,055,251	(60,150)	45	(1,335,000)	(339,854)
Other Financing Sources:					
Transfers in	37,936	-	-	-	37,936
Transfers out	(4,222,497)	(17,870)	-	-	(4,240,367)
Debt issuance	2,040,000	-	-	-	2,040,000
Bond premium proceeds	169,681	-	-	-	169,681
Sale of capital assets	306,689	-	-	-	306,689
Total other financing sources	(1,668,191)	(17,870)	-	-	(1,686,061)
Net change in fund balances	(612,940)	(78,020)	45	(1,335,000)	(2,025,915)
Fund Balances:					
Beginning of year	84,771,053	78,020	9,566	7,500,000	92,358,639
End of year	\$ 84,158,113	\$ -	\$ 9,611	\$ 6,165,000	\$ 90,332,724



STATISTICAL SECTION

This part of the New Castle County'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.

Contents

Exhibit

Financial Trends

B-1 to B-5

These schedules contain trend information to help the reader understand how the County's financial performance and well-being have changed over time.

Revenue Capacity

C-1 to C-4

These schedules contain information to help the reader assess the County's most significant local revenue source, the property tax.

Debt Capacity

D-1 to D-4

These schedules present information to help the reader assess the affordability of the County's current levels of outstanding debt and the County's ability to issue additional debt in the future.

Demographic and Economic Information

E-1 to E-2

These schedules offer demographic and economic indicators to help the reader understand the environment within which the County's financial activities take place.

Operating Information

F-1 to F-3

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.

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

NEW CASTLE COUNTY, DELAWARE

NET POSITION BY COMPONENT

LAST TEN FISCAL YEARS

(accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014 (1)	2015 (2)	2016	2017
Governmental activities										
Net investment in capital assets	\$ 47,846	\$ 41,467	\$ 48,050	\$ 51,445	\$ 69,064	\$ 80,388	\$ 96,158	\$ 110,575	\$ 120,590	\$ 121,493
Restricted	-	-	-	-	-	-	20,185	15,214	11,699	15,942
Unrestricted	70,985	71,414	66,449	63,964	45,769	34,171	(9,262)	(127,999)	(146,974)	(167,609)
Total governmental activities net position	\$ 118,831	\$ 112,881	\$ 114,499	\$ 115,409	\$ 114,833	\$ 114,559	\$ 107,081	\$ (2,210)	\$ (14,685)	\$ (30,174)
Business-type activities										
Net investment in capital assets	\$ 180,629	\$ 130,190	\$ 154,015	\$ 117,662	\$ 150,506	\$ 125,891	\$ 153,387	\$ 148,646	\$ 149,931	\$ 129,604
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	9,549	67,665	41,537	76,333	37,617	50,821	14,384	20,536	13,066	26,181
Total business-type activities net position	\$ 190,178	\$ 197,855	\$ 195,552	\$ 193,995	\$ 188,123	\$ 176,712	\$ 167,771	\$ 169,182	\$ 162,997	\$ 155,785
Primary government										
Net investment in capital assets	\$ 228,475	\$ 171,657	\$ 202,065	\$ 169,107	\$ 219,570	\$ 206,279	\$ 249,545	\$ 259,221	\$ 270,521	\$ 251,097
Restricted	-	-	-	-	-	-	20,185	15,214	11,699	15,942
Unrestricted	80,534	139,079	107,986	140,297	83,386	84,992	5,122	(107,463)	(133,908)	(141,428)
Total primary government net position	\$ 309,009	\$ 310,736	\$ 310,051	\$ 309,404	\$ 302,956	\$ 291,271	\$ 274,852	\$ 166,972	\$ 148,312	\$ 125,611

(1) In 2014 a portion of unrestricted net position was reclassified as restricted to reflect capital projects and special revenue funds restricted balances.

(2) Governmental activities and business-type activities net position as of June 30, 2014 are restated due to changes in accounting for pensions required by GASB 68; business-type activities net position as of June 30, 2014 is also restated due to treatment of capital recovery fees.

NEW CASTLE COUNTY, DELAWARE

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS

(accrual basis of accounting)
(amounts expressed in thousands)

	2008	2009	2010	2011	2012	2013	2014	2015 (1)	2016	2017
Expenses										
Governmental activities:										
General government	\$ 38,210	\$ 24,137	\$ 29,347	\$ 29,305	\$ 31,977	\$ 33,218	\$ 38,368	\$ 35,655	\$ 33,516	\$ 36,884
Public safety	85,756	84,549	84,186	86,635	87,890	92,696	95,797	104,391	109,328	115,072
Special services	21,019	17,523	16,042	16,202	17,296	17,588	18,400	17,913	19,627	23,836
Community services	41,013	42,422	48,565	47,112	47,878	45,477	45,170	43,074	46,751	47,408
Land use	12,323	11,912	11,824	12,060	12,610	10,763	11,057	10,905	12,503	12,382
Judiciary offices	6,272	6,352	6,028	6,204	6,459	6,804	6,680	6,863	7,306	7,342
Interest on long-term debt	7,717	8,599	8,996	8,545	8,671	6,734	6,180	5,964	6,764	6,891
Total governmental activities expenses	212,310	195,494	204,988	206,063	212,781	213,280	221,652	224,565	235,795	249,815
Business-type activities:										
Sewer facilities	63,706	65,914	67,769	71,555	74,085	77,277	79,257	76,061	80,756	80,047
New Castle County airport	101	97	89	88	88	88	88	52	2	1
Total business-type activities expenses	63,807	66,011	67,858	71,643	74,173	77,365	79,345	76,113	80,758	80,048
Total primary government expenses	\$ 276,117	\$ 261,505	\$ 272,846	\$ 277,706	\$ 286,954	\$ 290,645	\$ 300,997	\$ 300,678	\$ 316,553	\$ 329,863
Program Revenues										
Governmental activities:										
Charges for services:										
Land use	\$ 7,387	\$ 6,398	\$ 8,764	\$ 7,524	\$ 7,714	\$ 8,017	\$ 7,978	\$ 8,355	\$ 9,133	\$ 9,916
Judiciary offices	14,693	14,800	15,026	16,579	17,438	15,213	15,175	15,010	15,669	18,078
Other activities	11,262	8,631	7,699	9,932	11,180	8,295	10,801	11,169	11,341	11,245
Operating grants and contributions	29,380	31,049	37,256	35,966	33,243	35,397	31,966	32,868	30,494	31,752
Capital grants and contributions	4,320	5,117	421	2,011	5,779	7,663	3,413	1,677	4,541	7,460
Total governmental activities program revenues	67,042	65,995	69,166	72,012	75,354	74,585	69,333	69,079	71,178	78,451
Business-type activities:										
Charges for services-Sewer	57,077	56,182	60,938	63,245	64,483	63,156	67,046	68,675	71,918	72,049
Operating grants and contributions	1,231	1,272	1,211	1,948	2,627	2,586	2,643	1,763	1,866	488
Capital grants and contributions	3,257	14,562	672	2,741	-	-	-	-	-	-
Total business-type activities program revenues	61,565	72,016	62,821	67,934	67,110	65,742	69,689	70,438	73,784	72,537
Total primary government program revenues	\$ 128,607	\$ 138,011	\$ 131,987	\$ 139,946	\$ 142,464	\$ 140,327	\$ 139,022	\$ 139,517	\$ 144,962	\$ 150,988
Net (Expense) Revenue										
Governmental activities	\$ (145,268)	\$ (129,499)	\$ (135,822)	\$ (134,051)	\$ (137,427)	\$ (138,695)	\$ (152,319)	\$ (155,486)	\$ (164,617)	\$ (171,364)
Business-type activities	(2,242)	6,005	(5,037)	(3,709)	(7,063)	(11,623)	(9,656)	(5,675)	(6,974)	(7,511)
Total primary government net expenses	\$ (147,510)	\$ (123,494)	\$ (140,859)	\$ (137,760)	\$ (144,490)	\$ (150,318)	\$ (161,975)	\$ (161,161)	\$ (171,591)	\$ (178,875)

NEW CASTLE COUNTY, DELAWARE

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS
(accrual basis of accounting)
(amounts expressed in thousands)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Revenues and Other Changes in Net Position										
Governmental activities:										
Real estate taxes	\$ 122,315	\$ 109,622	\$ 132,295	\$ 131,788	\$ 132,680	\$ 137,408	\$ 143,289	\$ 146,418	\$ 149,779	\$ 154,984
Unrestricted investment earnings	7,550	4,497	5,144	3,173	4,146	991	1,871	1,477	2,363	891
Loss on sale of assets	(2,035)	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	25	23	(319)	-	-	-
Extraordinary item	(9,430)	9,430	-	-	-	-	-	-	-	-
Total governmental activities	118,400	123,549	137,439	134,961	136,851	138,422	144,841	147,895	152,142	155,875
Business-type activities:										
Unrestricted investment earnings	2,239	1,671	2,735	2,152	1,217	234	396	203	790	299
Loss on sale of assets	(18)	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	(25)	(23)	319	-	-	-
Total business-type activities	2,221	1,671	2,735	2,152	1,192	211	715	203	790	299
Total primary government	\$ 120,621	\$ 125,220	\$ 140,174	\$ 137,113	\$ 138,043	\$ 138,633	\$ 145,556	\$ 148,098	\$ 152,932	\$ 156,174
Change in Net Position										
Government activities	\$ (26,868)	\$ (5,950)	\$ 1,617	\$ 910	\$ (576)	\$ (273)	\$ (7,478)	\$ (7,591)	\$ (12,475)	\$ (15,489)
Business-type activities	(21)	7,676	(2,302)	(1,557)	(5,871)	(11,412)	(8,941)	(5,472)	(6,184)	(7,212)
Total primary government	\$ (26,889)	\$ 1,726	\$ (685)	\$ (647)	\$ (6,447)	\$ (11,685)	\$ (16,419)	\$ (13,063)	\$ (18,659)	\$ (22,701)

Notes:

(1) Governmental activities and business-type activities net position as of June 30, 2014 are restated due to changes in accounting for pensions required by GASB 68; business-type activities net position as of June 30, 2014 is also restated due to treatment of capital recovery fees.

NEW CASTLE COUNTY, DELAWARE
FUND BALANCES OF GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
General fund										
Reserved	\$ 85,416,998	\$ 70,712,789	\$ 70,790,648	\$ 70,790,648 (1)						
Unreserved	27,532,287	18,057,919	25,413,624							
Total general fund	<u>\$ 112,949,285</u>	<u>\$ 88,770,708</u>	<u>\$ 96,204,272</u>							
All other governmental funds										
Reserved	\$ 21,950,880	\$ 10,546,714	\$ 26,692,296	(1)						
Unreserved, reported in:										
Special revenue funds	(1,083,700)	(1,285,052)	(2,972,878)							
Capital projects funds	(8,032,159)	15,477,108	(304,697)							
Total all other governmental funds	<u>\$ 12,835,021</u>	<u>\$ 24,738,770</u>	<u>\$ 23,414,721</u>							
General fund										
Fund balances:										
Nonspendable	\$ 352,244	\$ 147,523	\$ 140,788	\$ 109,714	\$ 147,523	\$ 109,714	\$ 140,788	\$ 430,348	\$ 859,815	\$ 3,836,550
Committed	76,681,716	88,303,483	91,525,479	91,456,225	88,303,483	91,456,225	91,525,479	86,885,580	78,141,417	75,362,993
Assigned	2,320,931	2,565,778	2,512,342	3,283,016	2,565,778	3,283,016	2,512,342	1,883,240	9,590,112	8,975,172
Unassigned	17,986,238	7,887,876	4,227,713	3,898,334	7,887,876	3,898,334	4,227,713	4,056,261	3,767,295	2,158,009
Total general fund	<u>\$ 97,341,129</u>	<u>\$ 98,904,660</u>	<u>\$ 98,406,322</u>	<u>\$ 98,747,289</u>	<u>\$ 98,904,660</u>	<u>\$ 98,747,289</u>	<u>\$ 98,406,322</u>	<u>\$ 93,255,429</u>	<u>\$ 92,358,639</u>	<u>\$ 90,332,724</u>
All other governmental funds										
Fund balances:										
Nonspendable	\$ 1,280,867	\$ 1,255,074	\$ -	\$ 622	\$ 1,255,074	\$ 622	\$ -	\$ -	\$ -	\$ -
Restricted	27,651,625	20,206,088	20,107,655	25,959,297	20,206,088	25,959,297	20,107,655	34,138,751	19,608,313	36,188,869
Unassigned	(136,673)	121,144	(1,538,612)	-	121,144	-	(1,538,612)	-	(883,184)	-
Total all other governmental funds	<u>\$ 28,795,819</u>	<u>\$ 21,582,306</u>	<u>\$ 18,569,043</u>	<u>\$ 25,959,919</u>	<u>\$ 21,582,306</u>	<u>\$ 25,959,919</u>	<u>\$ 18,569,043</u>	<u>\$ 34,138,751</u>	<u>\$ 18,725,129</u>	<u>\$ 36,188,869</u>

Note:
(1) In Fiscal Year 2011, GASB 54, "Fund Balance Reporting and Governmental Fund Type Definitions" was implemented.

NEW CASTLE COUNTY, DELAWARE

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

(modified accrual basis of accounting)
(amounts expressed in thousands)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues										
Taxes (1)	\$ 122,048	\$ 109,313	\$ 132,251	\$ 131,403	\$ 132,429	\$ 137,342	\$ 142,952	\$ 146,374	\$ 149,741	\$ 155,004
Charges for services	23,669	22,735	23,599	26,880	28,195	23,081	24,142	23,024	25,622	26,804
Licenses and permits	5,899	4,591	5,839	4,914	5,900	6,277	6,142	6,791	6,674	7,817
Intergovernmental	34,068	35,581	37,758	37,936	38,936	40,635	34,944	34,863	34,885	40,132
Investment income	7,714	3,710	5,632	3,845	4,070	1,374	2,442	1,570	2,365	1,346
Rentals	1,137	1,152	764	971	863	776	753	744	732	725
Contributions from private sources	925	1,916	(32)	(13)	645	2,553	630	298	778	10
Miscellaneous	947	555	489	338	649	524	1,799	2,546	1,503	1,741
Total revenues	196,407	179,553	206,300	206,274	211,687	212,562	213,804	216,210	222,300	233,579
Expenditures										
General government	21,089	20,503	18,049	19,192	19,941	21,796	23,525	23,379	23,649	26,221
Public safety	82,785	81,600	79,471	82,775	83,257	87,003	91,588	100,229	100,370	105,594
Special services	14,182	13,410	11,593	11,485	14,493	13,448	14,419	13,714	11,504	13,640
Community services	39,903	41,377	46,947	45,544	46,219	43,428	43,009	41,608	43,380	44,001
Land use	12,378	12,033	11,637	11,942	12,387	10,294	10,793	10,765	11,438	11,564
Judiciary offices	6,311	6,420	5,949	6,137	6,318	6,476	6,486	6,539	6,641	6,836
Capital outlays	30,364	16,525	5,970	13,712	14,376	15,006	15,881	20,847	26,930	39,049
Debt service	9,857	11,766	12,106	14,183	13,590	15,346	13,088	13,824	10,242	13,103
Principal	6,969	8,847	9,034	8,505	8,361	7,686	7,186	6,628	7,390	6,611
Interest	223,838	212,481	200,756	213,475	218,942	220,483	225,975	237,533	241,544	266,619
Total expenditures	(27,431)	(32,928)	5,544	(7,201)	(7,255)	(7,921)	(12,171)	(21,323)	(19,244)	(33,040)
Other Financing Sources (Uses):										
Transfers in	5,137	5,075	4,966	3,564	993	835	3,212	5,339	6,170	4,278
Transfers out	(5,137)	(5,075)	(4,966)	(3,564)	(968)	(813)	(3,531)	(5,339)	(6,170)	(4,278)
Debt issuance	50,000	19,185	-	10,000	-	11,260	-	20,670	-	37,600
Bond premium (net of issuance costs)	791	591	-	299	-	739	-	4,345	-	2,409
Issuance of refunding bonds	5,233	13,462	-	17,781	-	58,296	-	53,021	-	2,210
Payment to refunded bond escrow agent (2)	(5,233)	(13,462)	-	(17,781)	-	(58,296)	-	(53,021)	-	-
Capital leases	6,839	772	528	3,364	1,255	-	4,643	6,301	2,807	5,952
Sale of capital assets	113	105	37	56	325	120	115	426	127	307
Total other financing sources (uses)	57,743	20,653	565	13,719	1,605	12,141	4,439	31,742	2,934	48,478
Net change in fund balances	\$ 30,312	\$ (12,275)	\$ 6,109	\$ 6,518	\$ (5,650)	\$ 4,220	\$ (7,732)	\$ 10,419	\$ (16,310)	\$ 15,438
Debt service as a percentage of noncapital expenditures	8.5%	10.4%	10.8%	11.3%	10.8%	11.3%	9.7%	9.5%	8.1%	8.6%
Bonded debt service as a percentage of total general governmental expenditures (3)	7.5%	9.7%	10.5%	10.6%	10.0%	10.4%	9.0%	8.6%	7.3%	7.4%

Notes:
(1) See Exhibit B-5 for tax revenues by source.
(2) Included in Debt Service expense in 2017 due to a current refunding
(3) Excludes debt service of Enterprise Funds.

NEW CASTLE COUNTY, DELAWARE

REAL ESTATE TAX REVENUE BY SOURCE - GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS
 (modified accrual basis of accounting)

<u>Fiscal Year</u>	<u>Property Tax (1)</u>		<u>Transfer Tax</u>	<u>Crossing Guards (1)</u>	<u>Light Tax(1)</u>	<u>Total</u>
2008	83,700,589	(2)	32,036,698	3,387,723	2,923,003	122,048,013
2009	85,143,439		16,838,687	3,339,958	3,991,070	109,313,154
2010	107,346,890	(3)	17,919,471	2,956,020	4,028,656	132,251,037
2011	107,181,578		16,486,257	2,809,264	4,926,052	131,403,151
2012	107,709,124		15,881,887	3,582,292	5,255,689	132,428,992
2013	109,038,614		19,666,166	3,672,563	4,964,647	137,341,990
2014	109,403,854		25,300,207	3,515,390	4,732,119	142,951,570
2015	110,973,803		25,791,522	3,940,242	5,668,131	146,373,698
2016	111,473,621		29,044,675	3,760,878	5,461,444	149,740,618
2017	113,314,065		32,651,718	3,535,350	5,502,960	155,004,093

1) Includes penalties and interest.

2) Property tax increase of 17.5%.

3) Property tax increase of 25%.

NEW CASTLE COUNTY, DELAWARE
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

LAST TEN FISCAL YEARS

(in thousands of dollars)

Fiscal Year	Residential Property (3)	Commercial Property	Less: Tax Exempt Property (4)	Total Taxable Assessed Value (1)	Total Direct Tax Rate (2)	Estimated Actual Value
2008	11,552,830	9,981,652	4,090,032	17,444,450	0.5614	*
2009	11,755,207	10,047,567	4,149,364	17,653,410	0.5614	*
2010	11,855,551	10,155,093	4,160,208	17,850,436	0.7018	*
2011	11,937,004	10,243,675	4,184,976	17,995,703	0.7018	*
2012	12,017,659	10,288,998	4,263,165	18,043,492	0.7006	*
2013	12,084,980	10,350,300	4,351,439	18,083,841	0.7006	*
2014	12,202,534	10,242,202	4,256,838	18,187,898	0.7006	*
2015	12,306,710	10,266,437	4,215,135	18,358,012	0.7006	*
2016	12,407,486	10,377,421	4,227,683	18,557,224	0.7006	*
2017	12,588,485	10,427,187	4,238,871	18,776,801	0.7006	*

Source: New Castle County-Department of Land Use-Annual Certification

Note: (1) The County last conducted a County-wide reassessment of all real property on July 1, 1985.
Real property is assessed at 100% of the 1983 market value.

(2) Represents basic County tax rate to all unincorporated areas. See Exhibit C-2 for incorporated rates.

(3) Residential property amounts are shown net of senior and disability exemptions.

(4) These amounts represent general exemptions only. They do not include senior and disability exemptions, which are already accounted for in the Residential Property column (see Note 3 immediately above).

*Property in the County is not reassessed annually, therefore the estimated actual value is not available.

NEW CASTLE COUNTY, DELAWARE

PROPERTY TAX RATES - DIRECT AND ALL OVERLAPPING GOVERNMENTS

(PER \$100 OF ASSESSED VALUE)

LAST TEN FISCAL YEARS

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Direct Rates:										
Unincorporated area:										
New Castle County										
General operating budget	\$ 0.1949	\$ 0.1949	\$ 0.2436	\$ 0.2436	\$ 0.2436	\$ 0.2436	\$ 0.2436	\$ 0.2436	\$ 0.2436	\$ 0.2436
Local service function budget	0.3665	0.3665	0.4582	0.4582	0.4570	0.4570	0.4570	0.4570	0.4570	0.4570
Total Direct Rate (1)	<u>\$ 0.5614</u>	<u>\$ 0.5614</u>	<u>\$ 0.7018</u>	<u>\$ 0.7018</u>	<u>\$ 0.7006</u>	<u>\$ 0.7006</u>	<u>\$ 0.7006</u>	<u>\$ 0.7006</u>	<u>\$ 0.7006</u>	<u>\$ 0.7006</u>
Incorporated areas: (6)										
Arden	0.4657	0.4657	0.5821	0.5821	0.5821	0.5821	0.5821	0.5821	0.5821	0.5821
Bellefonte	0.3158	0.3158	0.3948	0.3948	0.6966	0.6966	0.6966	0.6966	0.6966	0.6966
Newark	0.1949	0.1949	0.2436	0.2436	0.2436	0.2436	0.2436	0.2436	0.2436	0.2436
Elsmere	0.2554	0.2554	0.3193	0.3193	0.3193	0.3193	0.3193	0.3193	0.3193	0.3193
Newport	0.2270	0.2270	0.2838	0.2838	0.2838	0.2838	0.2838	0.2838	0.2838	0.2838
New Castle	0.2023	0.2023	0.2529	0.2529	0.2529	0.2529	0.2529	0.2529	0.2529	0.2529
Delaware City	0.2023	0.2023	0.2529	0.2529	0.2529	0.2529	0.2529	0.2529	0.2529	0.2529
Middletown	0.2023	0.2023	0.2529	0.2529	0.2529	0.2529	0.2529	0.2529	0.2529	0.2529
Odessa	0.2912	0.2912	0.3640	0.3640	0.3640	0.3640	0.3640	0.3640	0.3640	0.3640
Townsend	0.3158	0.3158	0.3826	0.3826	0.3616	0.3616	0.3616	0.3616	0.3616	0.3616
Wilmington	0.1949	0.1949	0.2436	0.2436	0.2436	0.2436	0.2436	0.2436	0.2436	0.2436
Ardentown	0.4657	0.4657	0.5821	0.5821	0.5821	0.5821	0.5821	0.5821	0.5821	0.5821
Smyrna	0.5614	0.5614	0.7018	0.7018	0.7006	0.7006	0.7006	0.7006	0.7006	0.7006
Ardencroft	0.4657	0.4657	0.5821	0.5821	0.5821	0.5821	0.5821	0.5821	0.5821	0.5821
Clayton	0.5614	0.5614	0.7018	0.7018	0.7006	0.7006	0.7006	0.7006	0.7006	0.7006
Overlapping Rates:										
School Districts:										
Appoquinimink District	1.5097	1.5097	1.4720	1.4527	1.4527	1.4527	1.7527	1.7647	1.7707	1.8473
Brandywine District	1.6925	1.7785	1.8215	1.8165	1.8385	1.8385	2.1785	2.1835	2.1835	2.4435
Christina District	1.6560	1.5170	1.5170	1.6620	1.7770	1.7770	1.9970	2.0900	2.0900	2.3800
Colonial District	1.3900	1.4250	1.4120	1.3960	1.3660	1.3660	1.7060	1.7360	1.7360	1.7360
Red Clay District	1.4830	1.6240	1.6740	1.6870	1.6620	1.6620	1.7410	1.7710	1.9840	2.1740
New Castle County Vo-Tech	0.1400	0.1400	0.1370	0.1370	0.1410	0.1410	0.1500	0.1533	0.1550	0.1583
Smyrna District	1.0780	1.1803	1.0026	0.9970	1.0119	1.0119	1.1267	1.3077	1.4191	1.4065
Polytech (4)	0.1143	0.1218	0.1218	0.1026	0.1111	0.1111	0.1128	0.1128	0.1163	0.1220
Municipalities (3):										
Wilmington	1.3969	1.3969	1.6064	1.7670	1.7670	1.7670	1.7670	1.8550	1.8550	1.8550
Newark	0.5333	0.5558	0.5558	0.6458	0.6458	0.6458	0.6961	0.7065	0.7737	0.7737
Elsmere (5)	0.8750	0.8750	0.8750	0.8750	0.8750	0.8750	0.8750	0.8750	0.8750	0.8750
Newport	0.9315	0.9315	0.9315	0.9315	0.9315	0.9315	0.9315	1.0712	1.0712	1.0712
New Castle	1.1500	1.1500	1.1500	1.2000	1.2000	1.2000	1.2000	1.2000	1.2000	1.2000
Delaware City	1.0900	1.0900	1.0900	1.0900	1.0900	1.0900	1.0900	1.0900	1.0900	1.0900
Middletown	0.3000	0.3000	0.3000	0.3000	0.3000	0.3000	0.3000	0.3000	0.3000	0.3000
Townsend	0.2600	0.2600	0.2600	0.2600	0.2600	0.2600	0.2600	0.2600	0.2600	0.2600
Odessa (2)	0.2000	0.2000	0.2000	0.2000	0.2500	0.2500	0.2500	0.2500	0.2500	0.2500
Bellefonte	0.4500	0.4500	0.4500	0.5000	0.5000	0.4500	0.4500	0.5500	0.5500	0.5500

Notes: (1) Represents basic County tax rate applicable to all unincorporated areas.

(2) Residential rates.

(3) Exclusive of basic County tax rate.

(4) Applies to properties in the Smyrna School District.

(5) Residential rates. Commercial rate is \$1.20 per \$100 of assessed value. In addition, Elsmere charges a flat rate of \$434.34 per residential or commercial unit.

(6) All incorporated areas include the general operating budget rate as shown under the unincorporated area of New Castle County for each respective year.

NEW CASTLE COUNTY, DELAWARE

PRINCIPAL PROPERTY TAXPAYERS

June 30, 2017

(amounts expressed in thousands)

Taxpayer	2017			2008		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Delmarva Power & Light Co.	\$ 352,082	1	1.87%	\$322,955	1	1.85%
Verizon Delaware LLC (1)	279,310	2	1.49	182,967	3	1.05
E. I. DuPont de Nemours & Co.	237,564	3	1.27	287,485	2	1.65
Bank of America National Assoc.	124,096	4	0.66	-	-	-
AWCI Inc.	91,212	5	0.49	94,630	6	0.54
Astrazeneca Pharmaceuticals LP	80,469	6	0.43	177,029	4	1.02
Delaware City Refining Company, LLC	64,319	7	0.34	-	-	-
Christiana Mall LLC	57,756	8	0.31	-	-	-
The Chemours Company FC LLC	56,576	9	0.30	-	-	-
Manufacturers & Traders Trust Co.	56,569	10	0.30	-	-	-
Bracebridge Corporation	-	-	-	163,615	5	0.94
Hercules Inc.	-	-	-	80,975	7	0.46
Chrysler Corp.	-	-	-	63,300	8	0.36
Barley Mill, LLC	-	-	-	58,588	9	0.34
Premcor Refining Group Inc.	-	-	-	58,292	10	0.33
	<u>\$ 1,399,953</u>		<u>7.46%</u>	<u>\$1,489,836</u>		<u>8.54%</u>

(1) In FY 2008, some property owned by Verizon was titled in the name of Diamond State Telephone Co.

Source: New Castle County Assessment Division

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

Fiscal Year	Total Tax Levy for Fiscal Year (1)	Collected within the Fiscal Year of Levy		Collections in in Subsequent Years	Total Collections to Date	
		Amount	Percent of Levy		Amount (2)	Percent of Levy
2008	\$ 83,882,695	\$ 83,125,417	99.1%	\$ 747,752	\$ 83,873,169	100.0%
2009	84,990,335	84,093,340	98.9	877,785	84,971,125	100.0
2010	107,069,351	106,037,311	99.0	932,059	106,969,370	99.9
2011	107,101,270	106,020,251	99.0	819,843	106,840,094	99.8
2012	107,894,937	106,513,521	98.7	1,265,092	107,778,613	99.9
2013	108,355,824	107,273,166	99.0	874,661	108,147,827	99.8
2014	109,413,344	108,189,703	98.9	891,246	109,080,949	99.7
2015	110,635,797	109,510,528	99.0	441,088	109,951,616	99.4
2016	111,777,226	110,570,085	98.9	583,092	111,153,177	99.4
2017	113,011,393	111,770,567	98.9	-	111,770,567	98.9

Notes: (1) Represents initial annual levy plus quarterly additions.

(2) Represents property tax collections in the General Fund only; excludes the crossing guard tax and tax penalties/interest.

NEW CASTLE COUNTY, DELAWARE

RATIOS OF OUTSTANDING DEBT BY TYPE

LAST TEN FISCAL YEARS

(dollar amounts expressed in thousands, except per capita amount)

Fiscal Year	Governmental Activities		Business-Type Activities				Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	Capital Leases	General Obligation Bonds	Capital Leases	Loans Payable				
2008	\$ 204,983	\$ 8,519	\$ 84,822	\$ -	-	\$ 298,324	1.23%	\$ 559.13	
2009	211,798	6,921	147,772	-	-	366,491	1.56	688.79	
2010	199,692	5,596	143,183	-	-	348,471	1.45	647.51	
2011	194,817	7,417	194,403	-	2,246	398,883	1.59	737.10	
2012	181,227	6,722	187,833	-	2,362	378,144	1.41	691.23	
2013	175,029	5,204	227,651	-	2,332	410,216	*	745.18	
2014	165,389 (2)	8,284	224,088 (2)	462	2,195	400,418	*	724.54	
2015	179,566 (2)	10,972	282,944 (2)	2,859	2,054	478,395	*	861.32	
2016	168,336 (2)	9,832	275,548 (2)	4,522	2,251	460,489	*	823.64	
2017	196,788 (2)	12,122	338,194 (2)	4,493	2,087	553,684	*	982.71	

Note: Details regarding the county's outstanding debt can be found in the notes to the financial statements.

(1) See Exhibit E-1 for personal income and population data.

(2) Includes unamortized bond premium. See Note 10 for details.

* Not available

NEW CASTLE COUNTY, DELAWARE
RATIO OF GENERAL BONDED DEBT
TO ASSESSED VALUE AND GENERAL BONDED DEBT PER CAPITA
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Population (1)</u>	<u>Taxable Assessed Value (000 Omitted)</u>	<u>General Obligation Bonded Debt (000 Omitted)</u>	<u>Percentage of Long-Term Bonded Debt to Assessed Value</u>	<u>Long-Term Bonded Debt Per Capita</u>
2008	533,550	\$ 17,444,450	\$ 289,805	1.7%	\$ 543.16
2009	532,083	17,653,410	359,570	2.0	675.78
2010	538,170	17,850,436	342,875	1.9	637.11
2011	541,153	17,995,703	389,220	2.2	719.24
2012	547,059	18,043,492	369,060	2.0	674.63
2013	550,495	18,083,841	402,680	2.2	731.49
2014	553,340	18,187,898	389,477 (2)	2.1	703.87
2015	556,786	18,358,012	462,510 (2)	2.5	830.68
2016	560,147	18,557,224	443,884 (2)	2.4	792.44
2017	563,423 *	18,776,801	534,982 (2)	2.8	949.52

* Estimated

(1) Source: Delaware Population Consortium - 10/27/2016

(2) Includes unamortized bond premium.

NEW CASTLE COUNTY, DELAWARE
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
AS OF JUNE 30, 2017

<u>Jurisdiction</u>	<u>Total Debt Outstanding</u>	<u>Percentage Applicable to New Castle County</u>	<u>Amount Applicable to New Castle County</u>
New Castle County	\$208,910,391 (2)	100%	\$208,910,391
School Districts:			
Appoquinimink	37,582,158	100	37,582,158
Brandywine	46,994,078	100	46,994,078
Christina	30,167,263	100	30,167,263
Colonial	30,650,420	100	30,650,420
Red Clay	76,868,770	100	76,868,770
New Castle VoTech	40,511,796	100	40,511,796
Smyrna (1)	21,393,784	29	6,204,197
Total Districts	284,168,269		268,978,682
Municipalities:			
Middletown	33,454,878	100	33,454,878
Newark	720,000	100	720,000
Wilmington	108,183,445	100	108,183,445
Total Municipalities	142,358,323		142,358,323
Total Overlapping Debt	426,526,592		411,337,005
Total Direct and Overlapping Debt	\$635,436,983		\$620,247,396

Note: (1) The percentage of overlapping debt is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the school districts's taxable assessment that is within the County's boundaries and dividing it by the County's total taxable assessed value. Approximately 71% of the Smyrna School District's total property assessment lies outside the boundaries of New Castle County.

(2) Includes capital leases and unamortized bond premium. See Note 10.

Sources: New Castle County Office of Finance, Statewide School Districts' Debt Service Accounts, and Municipalities' Departments of Finance.

NEW CASTLE COUNTY, DELAWARE
COMPUTATION OF LEGAL DEBT MARGIN
LAST TEN FISCAL YEARS

(amounts expressed in thousands)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Total assessed taxable value at July 1	\$ 17,444,450	\$ 17,653,410	\$ 17,850,436	\$ 17,995,703	\$ 18,043,492	\$ 18,083,841	\$ 18,187,898	\$ 18,358,012	\$ 18,557,224	\$ 18,776,801
Debt limit - 3% of total assessed value	523,333	529,602	535,513	539,871	541,305	542,515	545,637	550,740	556,717	563,304
Amount of debt applicable to debt limit: (2)	289,805	359,570	342,875	389,220	369,060	402,680	380,795	416,310	399,945	487,230
Less:										
Deductions allowed by Delaware Code (1):										
Sewer facilities	84,822	147,772	143,183	194,403	187,833	227,651	218,854	252,909	246,785	307,534
Airport facilities	-	-	-	-	-	-	-	-	-	-
Total deductions	84,822	147,772	143,183	194,403	187,833	227,651	218,854	252,909	246,785	307,534
Total amount of debt applicable to debt limit	204,983	211,798	199,692	194,817	181,227	175,029	161,941	163,401	153,160	179,696
Legal debt margin	\$ 318,350	\$ 317,804	\$ 335,821	\$ 345,054	\$ 360,078	\$ 367,486	\$ 383,696	\$ 387,339	\$ 403,557	\$ 383,608
Total net debt applicable to the limit as a percentage of debt limit	39.17%	39.99%	37.29%	36.09%	33.48%	32.26%	29.68%	29.67%	27.51%	31.90%

Note: (1) In accordance with Title 9, Delaware Code Sec. 1163(a)(7), the aggregate principal of all outstanding bonds of New Castle County may not be in excess of 3% of the total assessed valuation of the taxable real estate. The "outstanding bonds" are not to include any bonds, notes, etc. issued for the purpose of financing certain Special Assessment and Enterprise Fund projects and facilities, or issued in anticipation of tax or other revenues, or which are secured by a pledge of obligations of or guaranteed by the U. S. Government or any agency or instrumentality thereof or which do not pledge the full faith and credit of the County. Debt secured by pledged funds is not included in the above schedule because it is considered defeased in-substance.

(2) Amounts for legal debt margin exclude premium for consistency.

NEW CASTLE COUNTY, DELAWARE

DEMOGRAPHIC STATISTICS

LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Population (1)</u>	<u>Personal Income (2) (000 Omitted)</u>	<u>Per Capita Income (2)</u>	<u>School Enrollment (3)</u>	<u>Unemployment Rate (4)</u>
2008	533,550	24,239,475	45,396	73,305	4.8
2009	532,083	24,164,934	45,008	73,858	8.6
2010	538,170	24,216,776	44,937	75,287	8.8
2011	541,153	26,164,489	48,243	76,135	8.8
2012	547,059	25,854,909	47,335	76,571	7.1
2013	550,495	25,779,767	46,912	77,466	7.8
2014	553,340	26,839,193	48,503	78,008	6.6
2015	556,786	28,779,961	51,690	78,656	5.2
2016	560,147	*	*	78,925	4.8
2017	**563,423	*	*	*	4.7

Sources: (1) Delaware Population Consortium - 10/27/2016

(2) Bureau of Economic Analysis, BEA.gov.

(3) Delaware Department of Education.

(4) State of Delaware Department of Labor, oolmi.

* Figures not available.

** Estimated

NEW CASTLE COUNTY, DELAWARE
PRINCIPAL EMPLOYERS (1)
CURRENT YEAR AND TEN YEARS AGO

<u>Industry Description</u>	<u>2017</u>			<u>2008</u>		
	<u>Employment</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>	<u>Employment</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>
Health care and social assistance	68,534	1	15.5%	54,730	1	13.1%
Retail Trade	55,492	2	12.6	54,265	2	12.9
Finance and insurance	41,940	3	9.5	38,484	3	9.2
Accommodation and food services	37,619	4	8.5	31,487	4	7.5
State government	29,960	5	6.8	28,879	6	6.9
Administration and waste services	28,618	6	6.5	22,752	10	5.4
Local government	27,346	7	6.2	25,865	7	6.2
Manufacturing	25,916	8	5.9	31,011	5	7.4
Professional & technical services	25,657	9	5.8	25,649	8	6.1
Construction	21,514	10	4.9	23,433	9	5.6
Transportation and warehousing	14,181	11	3.2	10,297	14	2.5
Total	<u>376,777</u>		<u>85.2%</u>	<u>346,852</u>		<u>82.7%</u>

(1) The United States Department of Labor, Employment & Training Administration has informed the Delaware Department of Labor that pursuant to 20 CFR (Code of Federal Regulations) Part 603, this information (the names of Delaware's top employers) is confidential and may not be disclosed to the public. Therefore, information about employment by industry is provided.

NEW CASTLE COUNTY, DELAWARE

FULL-TIME COUNTY EMPLOYEE POSITIONS BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

Function/Program	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Government:										
County Council										
Legislation	33	33	33	33	32	32	32	33	32	32
Audit	1	1	1	1	1	1	1	1	2	2
	<u>34</u>	<u>34</u>	<u>34</u>	<u>34</u>	<u>33</u>	<u>33</u>	<u>33</u>	<u>34</u>	<u>34</u>	<u>34</u>
County Executive										
Direction and Control	13	13	12	10	11	12	13	12	12	11
Office of Redevelopment	1	1	1	2	2	2	1	1	1	1
Office of Communications	-	-	-	-	-	-	-	-	-	2
	<u>14</u>	<u>14</u>	<u>13</u>	<u>12</u>	<u>13</u>	<u>14</u>	<u>14</u>	<u>13</u>	<u>13</u>	<u>14</u>
Dept of Administration										
Law	25	23	23	23	22	22	22	23	23	18
Administrative Services	45	46	45	45	43	43	43	42	42	41
Finance	59	59	57	54	54	75 (A)	75	77	77	77
Human Resources	18	18	18	18	18	18	19	19	19	24
	<u>147</u>	<u>146</u>	<u>143</u>	<u>140</u>	<u>137</u>	<u>158</u>	<u>159</u>	<u>161</u>	<u>161</u>	<u>160</u>
Total General Government	<u>195</u>	<u>194</u>	<u>190</u>	<u>186</u>	<u>183</u>	<u>205</u>	<u>206</u>	<u>208</u>	<u>208</u>	<u>208</u>
Public Safety:										
Administration	11	10	9	9	9	9	9	9	8	8
Police Operations	395	395	395	398	399	400	400	405	417	432
Crossing Guards	3	3	3	3	3	3	3	3	3	3
Emergency Services	199	199	199	200	200	209	209	216	217	217
	<u>608</u>	<u>607</u>	<u>606</u>	<u>610</u>	<u>611</u>	<u>621</u>	<u>621</u>	<u>633</u>	<u>645</u>	<u>660</u>
Special Services:										
Non-Sewer related:										
Administration	21.5	21.5	22.5	21.5	20.5	19.5	18.5	18.5	18.5	18.5
Internal Services	8	8	7	7	6	6	6	6	6	6
Fleet Operations	35	34	34	34	34	34	32	32	32	31
Facilities Maintenance	46	44	44	44	44	35	35	36	36	36
Property Maintenance	76	77	77	73	67	67	67	66	66	67
Engineering	38	37	37	37	33	36	36	36	35	35
	<u>224.5</u>	<u>221.5</u>	<u>221.5</u>	<u>216.5</u>	<u>204.5</u>	<u>197.5</u>	<u>194.5</u>	<u>194.5</u>	<u>193.5</u>	<u>193.5</u>
Sewer:										
Environmental Operations	14.5	13.5	13.5	13.5	12.5	10.5	10.5	10.5	10.5	10.5
Construction Support	70	70	66	66	66	64	64	63	63	63
Sewer Maintenance	54	54	54	54	53	53	53	53	53	53
Plant Operations	57	56	56	56	53	53	53	53	53	53
Environmental Compliance	15	16	16	16	16	17	17	17	17	17
	<u>210.5</u>	<u>209.5</u>	<u>205.5</u>	<u>205.5</u>	<u>200.5</u>	<u>197.5</u>	<u>197.5</u>	<u>196.5</u>	<u>196.5</u>	<u>196.5</u>
Total Special Services	<u>435</u>	<u>431</u>	<u>427</u>	<u>422</u>	<u>405</u>	<u>395</u>	<u>392</u>	<u>391</u>	<u>390</u>	<u>390</u>

NEW CASTLE COUNTY, DELAWARE

FULL-TIME COUNTY EMPLOYEE POSITIONS BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

Function/Program	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Community Services:										
Administration	18	16	14	15	14	14	16.5	16	16	15
Community Resources	21	21	20	19	17	16	16.5	17	17	19
Community Development/Housing	33	32	35	36	36	34	33	33	33	32
Libraries	82	84	84	85	84	83	83	83	82	84
Total Community Services	154	155	155	155	151	147	149	149	148	150
Land Use										
Administration	9	10	9	9	9	9	9	10	10	10
Assessment	22	23	22	22	21	(A)	-	-	-	-
Planning	20	20	15	15	16	17	17	18	18	17
Licensing	60	67	61	61	61	61	61	59	59	58
Community Governing	-	-	-	-	-	-	-	-	-	-
Customer Service and Enforcement	36	33	31	31	31	31	31	31	31	30
Total Land Use	147	153	138	138	138	118	118	118	118	115
Judiciary Offices:										
Register in Chancery (B)	3	3	3	3	3	3	3	3	3	3
Register of Wills	18	18	18	18	19	19	19	19	19	19
Recorder of Deeds	28	28	28	28	28	27	27	27	27	27
Sheriff	21	21	21	21	20	20	20	21	21	21
Clerk of the Peace	6	6	6	6	6	7	7	7	7	7
Total Judiciary Offices	76	76	76	76	76	76	76	77	77	77
Total Full-Time Employees	1,615	1,614	1,590	1,587	1,564	1,562	1,562	1,576	1,586	1,600

Source: New Castle County Budget Office

Notes:

(A) Transferred from the Department of Land Use into Office of Finance.

(B) Effective 1/1/2002 became a State of Delaware Agency.

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

Function	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017-Est.
County Council										
Avg. constituency represented per district	46,000	46,000	46,000	46,000	46,000	46,000	46,500	46,500	46,500	46,500
Resolutions/ordinances adopted	349	291	291	291	322	322	390	368	337	339
Administration										
Purchasing										
Purchase orders processed	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Number of RFP's issued	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Information Systems										
Number of customer service calls	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Finance										
% of current property tax levy collected	99.1	98.9	99.0	99.0	98.9	99.0	99.0	99.0	98.9	99.0
% of vendor invoices processed within thirty days	85.0	69.3	78.1	84.5	84.5	87.6	87.6	86.0	84.4	85.0
Human Resources										
Applications received	3,123	1,565	6,241	4,270	3,322	3,751	4,911	3,847	4,003	3,800
New retirees	72	82	97	80	60	95	61	89	73	85
Special Services										
Fleet Operations										
Average miles per motor vehicle	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Average cost per mile per vehicle	0.52	0.75	0.67	0.67	0.75	0.70	0.48	0.83	0.37	0.33
Engineering										
CJP budget (millions) / # of projects	\$8.2 / 26	\$37.1 / 34	\$(1.4) / 19	\$73.5 / 42	\$46.3 / 40	\$17.0 / 35	\$35.6 / 40	\$58.4 / 48	\$59.7 / 59	\$55.5 / 68
Property Maintenance										
Acres maintained	6,579	6,579	5,832	5,832	5,832	5,832	5,893	5,894 #	5,923	5,923
Parks maintained	258	258	243	258	258	258	243	248	245	248
Acres per County maintenance employee	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Wastewater										
Miles of sewer line maintained	1,900	1,800	1,800	1,800	1,800	1,800	1,744	1,744	1,744	1,764
Pump stations in operation	159	165	165	172	172	170	174	176	176	175
Number of residential sewer service accounts	112,522	113,357	113,877	114,761	115,506	116,361	116,888	117,597	118,653	119,582
Community Services										
Administration										
Number of medical transportation trips	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Number of meals served per year	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Number of seniors served	91,211	88,623	81,015	77,513	35,705	18,398	15,759	22,596	27,316	27,598
Activity center visits	43,000	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Total participants in Com Resources programs	439,126	526,049	617,930	637,401	713,818	242,601	288,334	308,729	322,829	326,067
Libraries										
Average number of items checked out per week	123,077	127,459	121,440	85,810	75,292	76,829	77,666	76,405	73,109	72,378
Visits annually	2,833,363	2,826,382	2,652,558	2,558,637	2,284,917	2,071,536	2,203,838	2,358,123	2,354,342	2,377,885
Community Development & Housing										
Number of units rehabbed (CDBG)/repair	148	91	105	106	94	103	99	84	56	63
1st time homebuyers assisted by down payments	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

Sources: New Castle County Comprehensive Annual Budget Summary - Departmental submissions.

NEW CASTLE COUNTY, DELAWARE

OPERATING INDICATORS BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

Function	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017-Est.
Land Use										
Administration										
Land Use web customers	114,298	263,377	448,190	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Number of walk-in customers	n/a	n/a	n/a	n/a	n/a	n/a	n/a	24,630	23,646	23,000
Number of customer phone calls	n/a	n/a	n/a	n/a	n/a	n/a	n/a	39,277	21,162	21,000
Planning										
No Board of Adjustment applications processed	271	204	233	157	183	169	151	165	161	170
Land Use plans submitted and reviewed	215	135	117	121	122	139	120	127	143	140
Redevelopment plans received	11	7	3	5	1	2	n/a	n/a	n/a	n/a
Assessment										
Real property parcels	204,772	204,716	205,072	206,266	207,200	207,400	208,000	208,400	209,400	210,100
Exemption applications processed	2,946	2,137	1,930	1,467	1,881	2,140	1,563	1,346	1,355	1,433
Licensing										
Number of permits issued	12,556	11,569	13,384	13,721	15,120	15,295	14,405	16,237	16,529	16,500
Certificates of Occupancy issued	4,758	3,530	3,489	3,345	3,526	3,780	n/a	n/a	n/a	n/a
Inspections performed	43,290	39,252	50,518	42,669	42,000	48,150	51,517	51,517	59,700	57,000
Customer Service and Enforcement										
Calls received by Customer Service	34,343	36,170	35,102	32,865	28,721	27,899	30,156	33,101	33,101	33,000
Code Enforcement cases assigned	9,898	9,907	9,296	8,616	8,233	8,868	8,276	9,706	9,706	9,500
Percent of resolved cases-Code Enforcement	88	60	56	30	n/a	n/a	n/a	n/a	n/a	n/a
Public Safety										
Emergency Communications										
Calls for service **	127,444	124,442	137,205	136,605	129,596	131,469	134,402	250,114	267,407	265,233
Emergency Services										
Annual paramedic responses	35,438	28,345	34,805	35,905	35,335	40,770	38,132	41,548	34,018	35,038
# of people trained/recertified in CPR by EMS division	1,432	738	738	893	893	1,135	880	1,268	969	800
School Crossing Guards										
Number of schools serviced	95	95	97	93	82	78	76	83	83	82
Number of stations guarded	283	283	291	287	278	276	268	230	230	229
Register of Wills										
Files opened	2,632	2,537	2,431	2,468	2,646	2,516	2,542	2,707	2,646	2,575
Estates probated	1,494	1,456	1,429	1,203	1,436	1,351	1,402	1,517	1,473	1,450
Recorder of Deeds										
Deeds recorded and indexed	13,818	10,553	11,240	10,080	11,400	12,133	11,881	12,636	13,565	14,000
Mortgages recorded and indexed	32,344	24,055	21,385	20,396	19,984	24,506	17,057	17,096	17,764	19,000
Sheriff										
Prisoner commitments	1,404	1,381	1,328	521*	14*	14*	25*	1	11	5
Service trips for court documents	25,000	25,000	28,135	62,638	55,967	49,137	54,558	49,670	49,523	52,828
Clerk of the Peace										
Marriage licenses issued	2,609	2,629	2,567	2,442	2,432	2,731	3,432	2,791	2,825	2,885
Marriage ceremonies performed	740	727	748	650	760	842	1,108	846	1,035	2,000

Sources: New Castle County Comprehensive Annual Budget Summary - Departmental submissions.

* Effective November 2010, prisoner transfer responsibility was transferred to Capitol Police.

** Effective FY 2015, calls for service include County Police, Paramedic Services, and Volunteer Fire Companies

NEW CASTLE COUNTY, DELAWARE
CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS

Function	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Public Safety:										
Police										
Number of Stations/Substations	7	7	4	4	4	4	4	4	4	6
Emergency Services										
Number of Paramedic Stations/Substations	9	9	9	9	9	9	9	9	9	9
Special Services:										
Parks										
Regional park acreage	4,108	4,108	3,130	3,133	3,133	3,133	3,199	3,200	3,225	3,225
Local/District park acreage	2,471	2,471	2,489	2,699	2,699	2,699	2,694	2,694	2,698	2,698
Parks	258	258	243	258	258	258	243	248	245	248
Golf courses	2	2	2	1	1	1	1	1	1	1
Riding Stables	1	1	1	1	1	1	1	1	1	1
Softball/baseball fields	96	92	92	92	92	92	92	92	92	92
Football fields	6	5	4	3	3	3	3	3	3	3
Basketball courts	117	117	115	100	100	100	100	100	100	100
Tennis courts	70	70	70	70	70	70	70	70	70	70
Soccer Fields	38	38	38	38	38	38	38	38	38	38
Big Toy Play Equipment Units	152	152	125	131	131	131	131	131	131	131
Museums	1	1	1	1	1	1	1	1	1	1
Fleet										
Fleet vehicles & equipment	1,746	1,684	1,700	1,783	1,743	1,729	1,729	1,729	1,806	1,786
Sewer Facilities										
Sanitary sewer (miles)	1,900	1,800	1,800	1,800	1,800	1,800	1,744	1,744	1,744	1,764
Pump stations	159	165	165	172	172	170	174	176	176	175
Treatment Plants	3	4	4	4	4	4	4	4	4	4
Community Services:										
Libraries:										
Number of libraries directly administered	9	10	10	10	10	10	9	9	9	10
Circulation (millions)	6.3	6.4	6.9	4.4	3.9**	3.9**	4.0**	4.0**	4.0**	3.7**
Airport										
Airport	1	1	1	1	1	1	1	1	1	1

Sources: Various government departments.

** Reflects the County's conversion to the State of Delaware system.

New Castle County
Schedule of Expenditures of Federal Awards
Fiscal Year Ended June 30, 2017

Federal Agency: Pass-through Entity: Program or Cluster Title	Federal Catalog Number	Pass-Through Entity Identifying Number	Total Federal Expenditures	Total Subgrantee Expenditures
<u>U.S. Department of Agriculture:</u>				
Agricultural Marketing Service				
Farmers' Market and Local Food Promotion Program	10.168		52,935	-
Total U.S. Department of Agriculture			52,935	-
<u>U.S. Department of Housing & Urban Development:</u>				
Office of Community Planning and Development				
Emergency Solutions Grant Program	14.231		167,190	155,585
HOME Investment Partnerships Program	14.239		967,555	713,029
Pass-Through Program From:				
<i>Delaware State Housing Authority (1)</i>				
Neighborhood Stabilization Program ARRA	14.256	NSP 02-09	9,925	-
CDBG - Entitlement Grants Cluster				
Community Development Block Grant/Entitlement Grants	14.218		2,593,252	446,365
Pass-Through Program From:				
<i>Delaware State Housing Authority (1)</i>				
Community Development Block Grants/Entitlement Grants	14.218	NSP 05-08	429,317	-
Total CDBG - Entitlement Grants Cluster			3,022,570	446,365
CDBG - State-Administered CDBG Cluster				
Pass-Through Program From:				
<i>Delaware State Housing Authority (1)</i>				
Community Development Block Grants/State	14.228	NSP 02-11	452,533	-
Total CDBG - State-Administered CDBG Cluster			452,533	-
Office of Public and Indian Housing				
Housing Choice Voucher Cluster				
Section 8 Housing Choice Vouchers (3)	14.871		16,596,064	929,072
Total Housing Choice Voucher Cluster			16,596,064	929,072
Total U.S. Department of Housing & Urban Development			21,215,836	2,244,051
<u>U.S. Department of Interior:</u>				
National Park Service				
Pass-Through Program From:				
<i>Department of State (1)</i>				
Historic Preservation Fund Grants-In-Aid	15.904	10-15-131203-01,10-16-141266-01	17,848	-
Total U.S. Department of Interior			17,848	-
<u>U.S. Department of Justice:</u>				
Office for Violence Against Women				
Pass-Through Programs From:				
<i>Criminal Justice Council (1)</i>				
Violence Against Women Formula Grants-ARRA	16.588	VW12-217	1,506	-
Office of Justice Programs				
Bureau of Justice Assistance				
<i>JAG Cluster</i>				
Edward Byrne Memorial Justice Assistance Grant Program	16.738		445,415	-
Pass-Through Programs From:				
<i>Criminal Justice Council (1)</i>				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2014-NF-Passtru1406,2014-DB-PASSTHR-1633	30,706	-
Total JAG Program Cluster			476,121	-
Body-Worn Camera Policy and Implementation Program	16.835		118,546	-

The accompanying notes to the schedule of expenditures of federal awards are an integral part of the schedule.

New Castle County
Schedule of Expenditures of Federal Awards
Fiscal Year Ended June 30, 2017

Federal Agency: Pass-through Entity: Program or Cluster Title	Federal Catalog Number	Pass-Through Entity Identifying Number	Total Federal Expenditures	Total Subgrantee Expenditures
U.S. Department of Justice (Continued):				
Office of Community Oriented Policing Services				
Public Safety Partnership and Community Policing Grants	16.710		875,629	-
Criminal Division				
Equitable Sharing Program	16.922	Asset Forfeiture	28,980	-
Total U.S. Department of Justice			1,500,782	-
U.S. Department of Transportation:				
National Highway Traffic Safety Administration				
Pass-Through Programs From:				
<i>Department of Transportation (1)</i>				
Alcohol Open Container Requirements	20.607	Various	10,710	-
Highway Safety Cluster				
National Highway Traffic Safety Administration				
Pass-Through Programs From:				
<i>Department of Transportation (1)</i>				
State and Community Highway Safety	20.600	Various	52,675	-
National Priority Safety Programs	20.616	BBAF,BBAF-1,BAAG-1	5,466	-
Total Highway Safety Cluster			58,141	-
Total U.S. Department of Transportation			68,850	-
National Endowment for the Arts:				
Pass-Through Programs From:				
<i>Department of State (1)</i>				
Promotion of the Arts Partnership Agreements	45.025	2017.7739	270	-
Total National Endowment for the Arts			270	-
Department of Health and Human Services:				
Office of the Secretary				
Pass-Through Programs From:				
<i>Nemours Foundation</i>				
Mobilization for Health: National Prevention Partnership Awards	93.311	DP14-1417,IU58DP005721_1	40,402	-
Total Department of Health and Human Services			40,402	-
Executive Office of the President:				
Office of National Drug Control Policy				
High Intensity Drug Trafficking Areas Program	95.001		17,488	-
Total Executive Office of the President			17,488	-

The accompanying notes to the schedule of expenditures of federal awards are an integral part of the schedule.

New Castle County
Schedule of Expenditures of Federal Awards
Fiscal Year Ended June 30, 2017

Federal Agency: Pass-through Entity: Program or Cluster Title	Federal Catalog Number	Pass-Through Entity Identifying Number	Total Federal Expenditures	Total Subgrantee Expenditures
<u>Department of Homeland Security:</u>				
Pass-Through Programs From:				
<i>Department of Safety and Homeland Security (1)</i>				
Hazard Mitigation Grant	97.039	FEMA-DR-4090-DE-004	25,573	-
Emergency Management Performance Grants	97.042	EMPG-13-002 thru EMPG-16-002	361,057	-
State Domestic Preparedness Equipment Support Program	97.004	CCP 06-01	(49)	-
Homeland Security Grant Program (2)	97.067	MOU	85,297	-
State Homeland Security Program (2)	97.073	MOU	48,248	-
Total Department of Homeland Security			520,126	-
TOTAL FEDERAL AWARDS			23,434,537	2,244,051

(1) Pass-Through the State of Delaware.
(2) Donated Federal Equipment (1) \$120,772.80
(3) Housing Choice Vouchers Subgrantee - Ports-In

The accompanying notes to the schedule of expenditures of federal awards are an integral part of the schedule.

NEW CASTLE COUNTY
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of New Castle County, Delaware and is presented on the modified accrual basis of accounting. Matching funds are excluded from the schedule and Program Income generated from Federal Grants is classified as Federal Expenditures when spent. The information on this schedule is presented in accordance with the requirements of OMB circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and the OMB Uniform Grant 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. Loans Outstanding

New Castle County, Delaware administers low-income housing loan programs under the Community Development Block Grant and Home Investment Partnership Program. The County had the following loan balances outstanding at June 30, 2017:

Program Title	Federal CFDA Number	Amount Outstanding
Community Development Block Grants/Entitlement Grants	14.218	\$ 10,421,174
HOME Investment Partnerships Program	14.239	6,175,699
		<u>\$ 16,596,873</u>

Note 3. Indirect Costs

The County did not elect to use the De Minimis cost rate for indirect costs.

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

Members of County Council
New Castle County, Delaware
New Castle, 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, the aggregate remaining fund information, and the budgetary comparison for the General Fund of New Castle 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 November 3, 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.

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



CliftonLarsonAllen LLP

Baltimore, Maryland
November 3, 2017.

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

Members of County Council
New Castle County, Delaware
New Castle, Delaware

Report on Compliance for Each Major Federal Program

We have audited New Castle County, Delaware's (the County) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended June 30, 2017. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2017-001. Our opinion on each major federal program is not modified with respect to these matters.

The County's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs and corrective action plan. The County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

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

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

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2017-001 that we consider to be a significant deficiency.

The County's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs and corrective action plan. The County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Members of County Council
New Castle County, Delaware

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Baltimore, Maryland
November 3, 2017

NEW CASTLE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017

Section I—Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ 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 that are not considered to be material weaknesses? X yes _____ no

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ yes X no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.871	Section 8 Housing Choice Vouchers
16.710	Public Safety Partnership and Community Policing Grants

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

Auditee qualified as low-risk auditee? X yes _____ no

NEW CASTLE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017

Section II—Financial Statement Findings

Our audit did not disclose any matters required to be reported in accordance with Government Auditing Standards.

NEW CASTLE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017

Section III—Federal Award Findings and Questioned Costs

Finding Reference: 2017-001

Federal Agency:	U.S. Department of Housing and Urban Development
Federal Program Title and CFDA Number:	14.871 Section 8 Housing Choice Vouchers
Compliance Requirement:	Eligibility
Type of Finding:	Significant Deficiency in Internal Control, Noncompliance
Award Period:	7/1/16-6/30/17

Condition: Income information was omitted from the benefit calculation for one participant.

Criteria or specific requirement:

Federal regulations (24 CFR §982.516) require entities to annually obtain and document in the tenant file third party verification of: (1) reported family annual income; (2) the value of assets; (3) expenses related to deductions from annual income; and (4) other factors that affect the determination of adjusted income or income-based rent. Also, federal regulations (24 CFR part 5 subpart F (24 CFR § 5.601 et seq.) (24 CFR § 982.201, 982.515, and 982.516) require that entities determine income eligibility and calculate the tenant's rent payment using the documentation from third-party verification.

Context: We selected a sample of 40 participants in the program for testing and identified one participant for which income information was omitted from the benefit calculation.

Effect: The County may have paid an inaccurate amount of benefits to the participant.

Cause: The County inadvertently omitted information from the participant file and benefit calculation, which was not identified during internal review procedures.

Recommendation: We recommend that management strengthen their review procedures over eligibility determinations.

Views of responsible officials: See corrective action plan.



87 READS WAY
NEW CASTLE, DE 19720
(302) 395-5684
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OFFICE OF FINANCE

NEW CASTLE COUNTY
SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2017

New Castle County, Delaware respectfully submits the following summary schedule of prior audit findings for the year ended June 30, 2017.

Audit period: June 30, 2017

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

2016-001

Federal Agency: U.S. Department of Housing and Urban Development
Federal Program Title and CFDA Number: 14.218 Community Development Block Grant
14.239 Home Investment Partnership program

Condition: Grant awards/contracts issued by the County to subrecipients did not include information regarding the program CFDA number.

Status: Corrected. The required grant information has been included in the Grant Awards.



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OFFICE OF FINANCE

**NEW CASTLE COUNTY
CORRECTIVE ACTION PLAN
Year Ended June 30, 2017**

2017 - 001

Federal Agency: U.S. Department of Housing and Urban Development
Federal Program Title and CFDA Number: 14.871 Section 8 Housing Choice Vouchers

Recommendation:

We recommend that management strengthen their review procedures over eligibility determinations

Action taken in response to finding:

Response: All Housing Specialists will attend the Nan McKay Housing Choice Voucher Specialist training and certification course when offered in the immediate area (Philadelphia or Baltimore). This week long training provides the knowledge the staff require to do their job with a focus on eligibility, rent calculation, and occupancy. Dates have not been established for the 2018 calendar year.

The Program will also continue to follow the existing quality control policy (see attached) with the following three types of quality control:

1. The Housing Program Assistant will 100% of the time, complete a comprehensive checklist of all documents required at each annual recertification.
2. The Program Analyst will 100% of the time, prior to releasing payment, assure all files contain 3rd party verification of income and deductions and are calculated properly.
3. The Program Analyst will select at random and review 20% of all files for compliance with HUD regulations.

Name(s) of the contact person(s) responsible for corrective action: Carrie Casey, Community Services Manager, (302) 395-5616; ccasey@nccde.org.

Planned completion date for corrective action plan:

Training will be scheduled as soon as the 2018 schedule is published by Nan McKay. The Program will continue to apply the methods described under the attached quality control policy.

**NEW CASTLE COUNTY
CORRECTIVE ACTION PLAN
Year Ended June 30, 2017
(Continued)**

Department of Community Services Division of Community Development And Housing	November 9, 2017
Standard Operating Procedure	
Approved: Quality Control of Section 8 files	

Objective: Assure compliance with the Code of Federal Regulations, HUD handbooks, notices and New Castle County Administrative Plan and all HUD requirements

Statement: 100% of all Section 8 client files are reviewed for income/ rent reasonable prior to payment and 20% of those files are reviewed for content that meets HUD requirements/regulations.

Procedure:

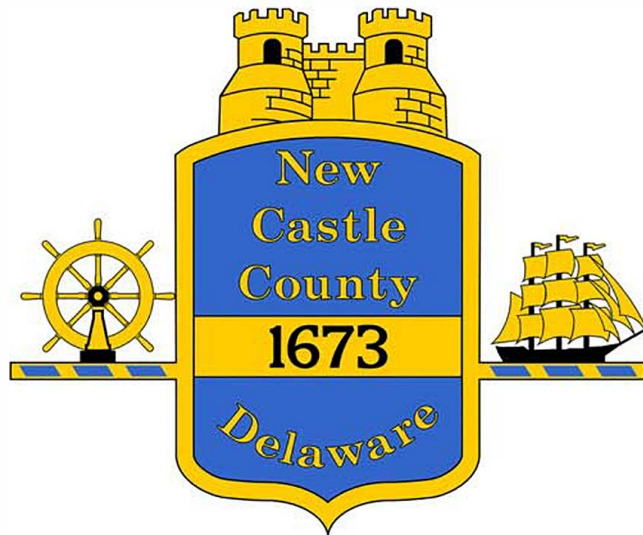
Initial review by the Housing Program Assistant will 100% of the time: complete the QC checklist to assure all HUD required documents are present in the file. They will place their initials next to each item to certify and date the form. (Attachment A).

Secondary review by Program Analyst, prior to releasing payment, will 100% of the time:

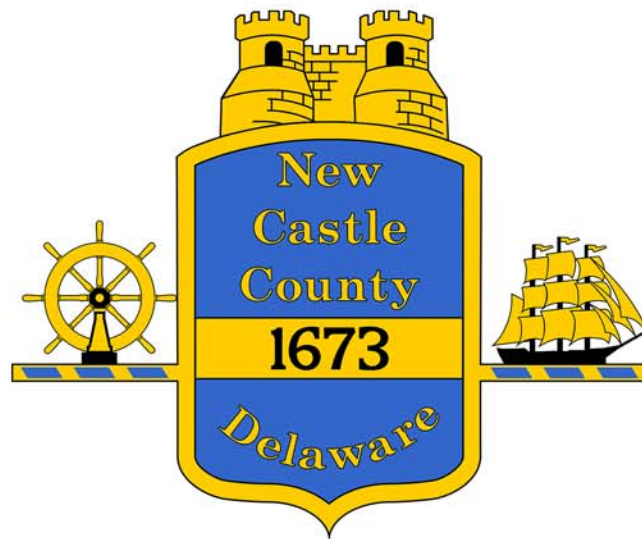
1. Assure file contains HUD approved 3rd party verification of income is calculated properly and entered onto the 50058.
2. Assure file contains HUD approved 3rd party verification of deductions are calculated properly and entered onto the 50058
3. Assure Rent Reasonable is in the file as required for all new moves and rent increases along with proper rent comparables
4. Assure utilities are properly calculated for the proper size units.
5. Assure EIV printouts are in all files, interims and recertification.

Final review by Program Analyst will review 20% of all files approved for payment and will:

1. Follow the standard Quality Control worksheet. checklist (Attachment B)
2. Assure all proper HUD forms are signed and dated as listed on the check list
3. Verify payments in VH are correct as compared to the file.
4. All errors are returned to the housing assistant for correction.
5. All errors are documented on month end case review.



NEW CASTLE COUNTY, DELAWARE



2017 Comprehensive Annual Financial Report