

COUNTY OF DELAWARE

PENNSYLVANIA

SINGLE AUDIT REPORT

YEAR ENDED DECEMBER 31, 2018

Single Audit or Program-Specific Audit Reporting Package Checklist

PURPOSE: This Checklist is designed merely to ensure that the single audit reporting package contains the essential elements in accordance with OMB Circular A-133 and the new Uniform Guidance for single audit reports for the year ended 12/31/2015 and subsequent years. The Checklist serves as informational purposes only and it is part of the commonwealth's submission process for either the OMB Circular A-133 or the Uniform Guidance.

Subrecipient Name:

Fiscal Year End: Format: MM/DD/YYYY

Address:

Contact Name:

Contact Title:

Contact Number: Format: (XXX)XXX-XXXX

The subrecipient who qualifies to submit a complete **Single Audit Reporting Package** must include the following essential elements:

- Independent Auditor's Report on the financial statements
- Financial statements and notes to the financial statements
- Independent Auditor's Report on the Schedule of Expenditures of Federal Awards (SEFA)
- Schedule of Expenditures of Federal Awards (SEFA)
- A report on compliance & internal control at the financial statement level in accordance with Government Auditing Standards
- A report on compliance & internal control at the federal level in accordance with Uniform Guidance
- Schedule of Findings and Questioned Costs
- Summary Schedule of Prior Audit Findings (if applicable)
- Corrective Action Plan (if applicable)
- Data Collection Form
- Management Letter (if applicable)

The subrecipient who qualifies to submit a complete **Program-Specific Audit Reporting Package** must include the following essential elements:

- Independent Auditor's Report on the federal program's financial statements or the federal program's SEFA
- Financial statements or SEFA of the federal program and notes to the program's financial statements or SEFA
- A report on compliance & internal control related to the federal program
- Schedule of Findings and Questioned Costs
- Summary Schedule of Prior Audit Findings (if applicable)
- Corrective Action Plan (if applicable)
- Data Collection Form
- Management Letter (if applicable)



COUNTY OF DELAWARE

SINGLE AUDIT REPORT

DECEMBER 31, 2018

INDEX

1. County of Delaware, Pennsylvania Financial Statements, Supplementary Information and Single Audit Reports for the year ended December 31, 2018
By: Baker Tilly Virchow Krause, LLP
2. Corrective Action Plan submitted by County of Delaware, Pennsylvania
3. Data Collection Form for Reporting on Audits of States, Local Governments, and Non-Profit Organization
4. Management Letter by: Baker Tilly Virchow Krause, LLP

Section A

Department of Human Services Child Care Information Services
Financial Statement year ended June 30, 2018

Department of Human Services Child Care Information Services
Agreed Upon Procedures Report year ended June 30, 2018

By: Barsz Gowie Amon & Fultz LLC

Section B

Mental Health Program, Intellectual Disabilities Program and
Early Intervention Program Financial Statements and Single Audit
Reports year ended June 30, 2018

Mental Health Program, Intellectual Disabilities Program and Early
Intervention Program Calendar Year Basis Single Audit Reports on
Major Program Compliance and on Internal Control over Compliance
year ended December 31, 2018

Drug and Alcohol Program Financial Statements and Single Audit
Reports year ended June 30, 2018

Drug and Alcohol Program Calendar Year Basis Single Audit Reports
on Major Program Compliance and on Internal Control over Compliance
year ended December 31, 2018

By: Mingis Gutowski & Company, LLP

Section C

Children & Youth Services Program of the Department of Human
Services County of Delaware, Pennsylvania Financial Statements and
Supplementary Information year ended June 30, 2018

By: Christopher Reynolds Inc.

Section D

Homeless Assistance Program Statement of Revenues and Expenditures year ended June 30, 2018

By: Mingis Gutowski & Company, LLP

Section E

Human Services Development Fund Financial Statements year ended June 30, 2018

By: Barsz Gowie Amon & Fultz LLC

Section F

County Office of Services for the Aging (COSA) Financial Statements and Supplementary Information with Independent Auditor's Report and Single Audit Reports year ended June 30, 2018

By: Mingis Gutowski & Company, LLP

Section G

Office of Adult Services, Family Center Grant agreed Upon Procedures year ended June 30, 2018

By: Barsz Gowie Amon & Fultz, LLC

Section H

Medical Assistance Transportation Program Financial Statements and Required Supplementary Information with Independent Auditor's Report and Single Audit Reports contract year ended June 30, 2018

By: Mingis Gutowski & Company, LLP

Section I

Fund 14 Block Grant Program Agreed Upon Procedures year ended June 30, 2018

By: Mingis Gutowski & Company, LLP



SECTION 1

FINANCIAL STATEMENTS, SUPPLEMENTARY INFORMATION AND
SINGLE AUDIT REPORTS FOR THE YEAR ENDED
DECEMBER 31, 2018

BY: BAKER TILLY VIRCHOW KRAUSE, LLP



**County of Delaware,
Pennsylvania**

Financial Statements and
Supplementary Information

Year Ended December 31, 2018



County of Delaware, Pennsylvania

Table of Contents
December 31, 2018

	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	3
Basic Financial Statements	
Government-Wide Financial Statements:	
Statement of Net Position	15
Statement of Activities	16
Fund Financial Statements:	
Balance Sheet - Governmental Funds	17
Reconciliation of the Balance Sheet Governmental Funds to the Statement of Net Position	18
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	19
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	20
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual Comparison - General Fund	21
Statement of Net Position - Proprietary Funds	22
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds	23
Statement of Cash Flows - Proprietary Funds	24
Statement of Fiduciary Net Position - Fiduciary Funds	25
Statement of Changes in Fiduciary Net Position - Fiduciary Funds	26
Notes to Financial Statements	27

County of Delaware, Pennsylvania

Table of Contents
December 31, 2018

	<u>Page</u>
Required Supplementary Information	
Schedule of Changes in Net Other Post-Employment Benefit Liability and Related Ratios	71
Schedule of Changes in the County's Net Pension Liability (Asset) and Related Ratios	72
Schedule of Employer Contributions	73
Schedule of Investment Returns	74
Supplementary Information	
Schedule of Expenditures of Federal Awards	75
Notes to Schedule of Expenditures of Federal Awards	78
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 <i>Government Auditing Standards</i>	79
Independent Auditors' Report on Compliance for Each Major Federal Program and City of Philadelphia Programs and on Internal Control Over Compliance Required by the Uniform Guidance and the City of Philadelphia <i>Subrecipient Audit Guide</i>	82
Schedule of Findings and Questioned Costs	85
Agreed-Upon Procedures	
Independent Accountants' Report on Applying Agreed-Upon Procedures on the Schedule of WIOA Expenditures by Program Identifiers and Cost Categories	89
Statement of WIOA Expenditures by Contract Number and Year	90
Independent Accountants' Report on Applying Agreed-Upon-Procedures on Department of Human Services Supplemental Schedules	91
Child Support Enforcement - Comparison of Single Audit Expenditures with Reported Expenditures	93
Child Support Enforcement - Comparison of Reported Incentives to Incentives on Deposit	94
Child Support Enforcement - Comparison of Single Audit Title IV-D Account with Reported Title IV-D Account	95
Department of Human Services Reconciliation Supplemental Financial Schedule - Exhibit XX	96
Department of Human Services Schedule of Revenues and Expenditures EARN - Exhibit II	97
Department of Human Services Children and youth agency monitoring schedule - Exhibit XXI	98

County of Delaware, Pennsylvania

Table of Contents
December 31, 2018

	<u>Page</u>
City of Philadelphia Schedules	
Housing Opportunities for Persons with AIDS, City of Philadelphia Contract Number 1820021	
Schedule of Source and Status of Funds	99
Schedule of Program Expenditures	100
Reconciliation Schedule	101
Schedule of Program Income	102
Housing Opportunities for Persons with AIDS, City of Philadelphia Contract Number 1920029	
Schedule of Source and Status of Funds	103
Schedule of Program Expenditures	104
Reconciliation Schedule	105
Schedule of Program Income	106



Independent Auditors' Report

To the County Council of
County of Delaware, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activity, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Delaware, Pennsylvania (the "County"), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the aggregate discretely presented component units, comprised of the Delaware County Solid Waste Authority, the Economic Development Oversight Board, the Delaware County Chester Waterfront Industrial Development Authority, and the Redevelopment Authority of the County of Delaware, which represent 100 percent of the assets, net position, and revenues of the discretely presented component units of the County. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Delaware County Solid Waste Authority, the Economic Development Oversight Board, the Redevelopment Authority of the County of Delaware, and the Delaware County Chester Waterfront Industrial Development Authority, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activity, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Delaware, Pennsylvania, as of December 31, 2018, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis ("MD&A") on pages 3 through 14, Schedule of Changes in Net Other Post-Employment Benefit Liability and Related Ratios, Schedule of Changes in the County's Net Pension Liability (Asset) and Related Ratios, Schedule of Employer Contributions, and Schedule of Investment Returns on pages 71 through 74 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The schedule of expenditures of federal awards on pages 75 through 77, as required by Title 2 U.S. Code of Federal Regulation Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the schedules of City of Philadelphia Contract number 1820021 and 1920029, Schedules of Source and Status of Funds, Schedules of Program Expenditures, Reconciliation Schedules and Schedules of Program Income on pages 99 through 106, as required by the City of Philadelphia Subrecipient Audit Guide (collectively, the "other information") are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such other 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 other 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 other information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2019 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 results 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.

Baker Tilly Virchow Krause, LLP

Philadelphia, Pennsylvania

June 25, 2019 except for our report on other information for which the date is September 27, 2019

County of Delaware, Pennsylvania

Management's Discussion and Analysis
(Unaudited)

County of Delaware, Pennsylvania

Management's Discussion and Analysis (Unaudited)

This Management's Discussion and Analysis ("MD&A") is intended to provide a narrative overview and analysis of the financial activities of the County of Delaware for the year ended December 31, 2018, compared to 2017. The County's financial performance is discussed and analyzed within the context of the financial statements and the disclosures that follow. Additional information is provided in the Transmittal Letter preceding this Management Discussion and Analysis, which can be found on pages 3-14 of this report. This discussion focuses on the County's primary government. Component units, unless otherwise noted, are not included in this discussion.

Financial Highlights

During 2018, the County's total net position as shown in the government-wide statements decreased by \$6.5 million. This decrease in net position is primarily attributable to the change in the valuation of the other post employment benefit liability.

Overview of the Financial Statements

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

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

The *statement of net position* presents information on all of the County's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include general government, judicial, corrections, health and welfare, highways, bridges, and streets. The business-type activity of the County is a geriatric center.

County of Delaware, Pennsylvania

Management's Discussion and Analysis (Unaudited)

The government-wide financial statements include not only the County itself (known as the *primary government*), but also a legally separate Solid Waste Authority, legally separate Economic Development Oversight Board, legally separate Redevelopment Authority and legally separate Chester Waterfront Industrial Development Authority, for which the County is financially accountable. Financial information for these *component units* is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 15-16 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with fiscal-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Since the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The County maintains eleven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Capital Projects fund, and the Health and Human Service funds, all of which are considered to be major funds. Data from the other eight governmental funds are combined into a single, aggregated presentation captioned "Other Governmental Funds." Individual fund data for each of these non-major governmental funds is provided in the form of combining statements and schedules elsewhere in this report.

The County adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 17-20 of this report.

Proprietary funds. The County maintains two proprietary funds. Proprietary funds, or enterprise funds, are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses an enterprise fund to account for its Geriatric Center. Internal service funds are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses internal service funds to account for its health, workers' compensation and casualty/liability insurance. Since these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements. The internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining schedules elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 22-24 of this report.

County of Delaware, Pennsylvania

Management's Discussion and Analysis
(Unaudited)

Fiduciary funds. The County maintains two fiduciary funds which consists of the Pension Trust Fund and the Deshong Trust Fund. The Pension Trust Fund is maintained to account for assets held by the County in a trustee capacity for individuals currently or previously employed by the County. The Deshong Trust Fund is maintained to account for the assets held by the County in a trustee capacity obtained through the distribution of the Deshong estate. Fiduciary activities are excluded from the government-wide statements because those resources are not available to finance the County's programs.

The basic fiduciary fund financial statements can be found on pages 25-26 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 27-70 of this report.

Required supplementary information. Certain required supplementary information concerning the County's progress in funding its obligations to provide OPEB benefits to its employees and retirees and their dependents and changes in the County's pension liability, employer contributions and investment return can be found on pages 71-74 of this report.

Other information. The combining statements and schedules referred to earlier in connection with government fund types, proprietary fund types and component units are presented immediately following the notes to the financial statements. Combining and individual fund and component unit statements and schedules can be found on pages 71-106 of this report.

General Fund Budgetary Highlights

The General Fund final expenditure budget for fiscal year 2018 was approximately \$245 million. This was a decrease of approximately \$3 million or 1 percent from the prior year final budget. There were no council amendments to the 2018 General Fund budget. Taking into account total expenditures and operating transfers, the County experienced an overall favorable budgetary variance of approximately \$28 million, primarily as a result of controlling expenditures.

The General Fund budget complied with the financial policies approved by the County Council.

Government-Wide Financial Analysis

The County's net position includes its net investment in capital assets (e.g., land, buildings, and equipment); less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. The County's investment in its capital assets is reported, net of related debt, at \$(39,794,669).

County of Delaware, Pennsylvania

Management's Discussion and Analysis
(Unaudited)

County's Condensed Statement of Net Position

(In Millions)

	Governmental Activities		Business-Type Activity		Total		% Change
	2018	2017	2018	2017	2018	2017	
Current assets	\$ 258	\$ 220	\$ 22	\$ 23	\$ 280	\$ 243	15 %
Long-term assets	380	363	23	10	403	373	8
Total assets	638	583	45	33	683	616	11
Deferred outflows	34	45	6	10	40	55	(27)
Other liabilities	128	150	7	9	135	159	(15)
Long-term liabilities outstanding	740	735	25	26	765	761	1
Total liabilities	868	885	32	35	900	920	(2)
Deferred inflows	68	-	11	-	80	-	-
Net position:							
Net investment in capital assets	(40)	(35)	(2)	(17)	(42)	(52)	19
Restricted	6	5	-	-	6	5	20
Unrestricted	(230)	(227)	9	25	(221)	(202)	(9)
Total net position	\$ (264)	\$ (257)	\$ 7	\$ 8	\$ (257)	\$ (249)	(3) %

County of Delaware, Pennsylvania

Management's Discussion and Analysis
(Unaudited)

County's Condensed Statement of Activities
(In Millions)

	Governmental Activities		Business-Type Activity		Total		% Change
	2018	2017	2018	2017	2018	2017	
Program revenues:							
Charges for services	\$ 31	\$ 31	\$ 67	\$ 70	\$ 98	\$ 101	(3) %
Operating grants and contributions	362	339	-	-	362	339	7
Capital grants and contributions	2	6	-	-	2	6 ¹	(67)
General revenues:							
Property taxes	177	174	-	-	177	174	1
Gaming revenue	8	8	-	-	8	8	-
Other	2	2	1	1	3	3	-
Investment earnings	2	1	-	-	2	1	100
Total revenues	584	561	68	71	652	632	(3)
Program expenses:							
General government	158	184	-	-	158	184	(14)
Judicial	46	47	-	-	46	47	(2)
Corrections	74	73	-	-	74	73	1
Health and Human Services	301	282	-	-	298	282	6
Highways, streets and bridges	3	5	-	-	3	5	(40)
Interest on long-term debt	5	5	-	-	5	5	-
Geriatric Center	-	-	72	79	72	79	(9)
Total expenses	588	596	72	79	660	675	(2)
Net revenue (expense) before transfers	(4)	(35)	(4)	(8)	(8)	(43)	81
Transfers	(3)	(5)	3	5	-	-	-
Change in net position	(7)	(40)	(1)	(3)	(8)	(43)	81
Net position, beginning	(257)	23	8	11	(249)	34	(832)
Effect of adoption of GASB 75	-	(240)	-	-	-	(240)	(100)
Net position, ending	\$ (264)	\$ (257)	\$ 7	\$ 8	\$ (257)	\$ (249)	(3) %

County of Delaware, Pennsylvania

Management's Discussion and Analysis (Unaudited)

Governmental activities. Governmental activities decreased the County's net position by approximately \$6.5 million. Key element of this decrease are a result of the following:

- Operating grants and contributions increased by approximately \$22 million primarily resulting from increases health and human service grants.
- General government expenditures decreased approximately \$25 million primarily as a result of changes in other post employment benefit liability.
- The operating transfer from the General Fund to the Geriatric Center decreased by approximately \$2.4 million.

Business-type activity. Business-type activities decreased the County's net position by approximately \$1 million. Key element of this decrease are a result of the following:

- The Geriatric Center's revenue decreased by approximately \$2.7 million, the result of a decrease in overall bed occupancy primarily Medicaid patients. Bed occupancy decreased due to competition from other long-term care facilities and increased home healthcare availability. In addition, during 2018, 86 beds remained out of service in conjunction with a major multi-year facility renovation project. Preliminary work on the renovation project began in the 4th quarter of 2018.
- The Geriatric Center's non-pension fund related costs decreased by approximately \$5 million in 2018, primarily as a result of decreased employee healthcare costs, workers compensation costs and other operational costs including facilities management, pharmacy and physical and occupational therapy.

Financial Analysis of the Major Funds

General Fund

Revenues of the General Fund totaled \$243,558,950 for the year ended December 31, 2018. The following represents a summary of General Fund revenue, by source, along with changes from 2017:

	2018 Amount	2017 Amount	Increase (Decrease) from 2017	Percentage Increase (Decrease)	
Real estate taxes	\$ 177,034,412	\$ 175,190,152	\$ 1,844,260	1	%
Gaming revenue	7,815,230	7,876,251	(61,021)	(1)	
Licenses and permits	26,083	47,373	(21,290)	(45)	
Investment earnings	1,811,675	747,537	1,064,138	142	
General grants	23,707,796	24,135,982	(428,186)	(2)	
Charges for services, fines, and forfeits	21,655,562	22,385,940	(730,378)	(3)	
Other	11,508,192	10,093,167	1,415,025	14	
Total	\$ 243,558,950	\$ 240,476,402	\$ 3,082,548	1	%

County of Delaware, Pennsylvania

Management's Discussion and Analysis (Unaudited)

Real estate tax revenue was increased in 2018 compared to 2017, primarily as a result of a continued growth and expansion in certain parts of the County, resulting in increases in the tax base.

The increase in investment earnings is primarily the result of more favorable interest rates in 2018.

The decrease in general grants is primarily due to decreases in Title IV-D and Act 148 reimbursable costs experienced in 2018.

The decrease in charges for services, fines, and forfeits is primarily due to lower revenue collections experienced in the offices of Recorder of Deeds, Sheriff, Judicial Support and Bail Bond. Parental support payments related to juvenile placements were also lower due to decreased placement costs in 2018.

General Fund expenditures totaled \$217,202,526, which represents a decrease of \$4,401,219 or 2 percent from 2017. The following represents a summary of General Fund expenditures for the year ended December 31, 2018, by source, along with changes from 2017:

	<u>2018 Amount</u>	<u>2017 Amount</u>	<u>Increase (Decrease) from 2017</u>	<u>Percentage Increase (Decrease)</u>
General government	\$ 24,591,607	\$ 24,554,072	\$ 37,535	0 %
Judicial	46,108,527	46,892,638	(784,111)	(2)
Corrections	71,367,594	70,043,433	1,324,161	2
Transportation	8,161,720	7,816,883	344,837	4
Other	43,596,337	49,492,459	(5,896,122)	(12)
Debt service:				
Principal	16,987,090	16,386,211	600,879	4
Interest	6,389,651	6,418,049	(28,398)	0
Total	<u>\$ 217,202,526</u>	<u>\$ 221,603,745</u>	<u>\$ (4,401,219)</u>	<u>(2) %</u>

Judicial costs decreased in 2018 mainly as a result of lower juvenile placement costs and decreased departmental costs for Court Support & Services and Domestic Relations.

Corrections expenditures increased primarily as a result of increased contracted operational and legal services costs related to the County Prison and departmental cost increases for the offices of the Public Defender and District Attorney.

Transportation costs increased as a result of an increase in the statutory funding requirement to SEPTA for 2018.

Other expenses decreased primarily due to decreases in employee benefit expenses of approximately \$3 million, insurance expenses of approximately \$1 million, and pension fund contribution costs of approximately \$2 million. The pension fund contribution expense decreased in 2018 as a result of more favorable market conditions experienced in 2018. The decrease in employee benefit expense is primarily the result of reductions in healthcare claims costs. The decrease in insurance costs is mainly the result of decreases to the workers compensation liability.

The overall increase in the debt service expenditure amount is due to higher principal payments made in 2018.

County of Delaware, Pennsylvania

Management's Discussion and Analysis (Unaudited)

The following shows the original and final revenue and expenditure budgets for the General Fund (which as noted above required no council amendments):

	<u>Original</u>	<u>Final</u>	<u>Increase (Decrease)</u>
Revenues:			
Real estate taxes	\$ 172,721,000	\$ 172,721,000	\$ -
Gaming revenue	8,100,000	8,100,000	-
Licenses and permits	37,000	37,000	-
General grants	28,687,000	28,687,000	-
Charges for services, fines and forfeits	24,837,000	24,837,000	-
Investment earnings	555,000	555,000	-
Other	9,492,000	9,492,000	-
Total revenues	<u>243,429,000</u>	<u>243,429,000</u>	<u>-</u>
Expenditures:			
General government	28,082,000	28,114,000	32,000
Judicial	57,254,000	57,254,000	-
Corrections	74,484,000	74,484,000	-
Transportation	8,165,000	8,165,000	-
Other	58,128,000	53,839,000	(4,289,000)
Debt service:			-
Principal	20,543,000	16,987,000	(3,556,000)
Interest	7,533,000	6,390,000	(1,143,000)
Total expenditures	<u>\$ 254,189,000</u>	<u>\$ 245,233,000</u>	<u>\$ (8,956,000)</u>

Expenditures

General Government - The general government budget was increased as a result of unanticipated costs related to the office of County Council.

Other - The budget for other expenditures was decreased to fund required subsidies for Fair Acres Geriatric Center and 9-1-1 operations.

Debt Service - The budget for Debt Service was decreased to reflect the allocation of debt service expenditures to Fair Acres Geriatric Center.

Capital Projects Funds

The County's Capital Project Funds account for financial resources expended to acquire or construct property and equipment. For the year ended December 31, 2018, the County expended \$13,753,928 for such projects, which represents an increase of \$3,704,744 from 2017. Capital Projects Fund balances at December 31, 2018 totaled \$43,264,594, of which \$5,475,000 is for an investment pledged by the Delaware County Solid Waste Authority as a Department of Environment Protection Agency bonding requirement.

County of Delaware, Pennsylvania

Management's Discussion and Analysis
(Unaudited)

Health and Human Service Funds

The Health and Human Service Funds' revenues are derived from specific sources and are designated for specific uses. Such funds, primarily Commonwealth of Pennsylvania and federal and state grants, are restricted by law or other formal action to expenditures for specific purposes. The County match of \$6,923,000 in both 2018 and 2017 to the Health and Human Service Funds were reflected as operating transfers from the General Fund to cover the deficiency of revenues over expenditures.

Other Governmental Funds

The Other Governmental Funds revenues are derived from specific sources and are designated for specific uses. Such funds, primarily Commonwealth of Pennsylvania and federal grants, are restricted by law or other formal action to expenditure for specific purposes.

The County maintains seven special revenue funds, which contain activity related to Social Services, Employment and Training, the County's 911 Program, Library Services, Bridge Construction and Repair, Community Development Block Grant Funding and Marcellus Shale Impact Fees. Revenues and expenditures totaled \$48,410,989 and \$50,721,032, respectively, for 2018. These amounts represent a decrease in revenue of 9 percent and a decrease in expenditures of 13 percent from 2017 amounts. The 911 program had a deficiency of revenues over expenditures of \$4,477,977, which is the County subsidy. The following programs had excess (deficiency) revenues over expenditures in 2018 as follows: Library - \$(18,805), Liquid Fuels - \$(147,806), COSA - \$(121,000), CDBG/Rehab program - \$1,911,889 and Other - \$543,656.

Pension Trust Fund

The net position reserved for employee's pension benefits was \$477,656,679. The funding status of the employees' pension trust fund remains sound.

Fund Balances

Management feels that the restrictions, commitments and assignments of its fund balances does not significantly affect the resources available for future use of the County for ongoing operations.

Capital Assets

The County's investment in capital assets for its governmental and business-type activities as of December 31, 2018, amounts to \$183,320,995 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements.

	Governmental Activities	Business-Type Activity	Total
Land	\$ 6,176,214	\$ -	\$ 6,176,214
Construction in progress	4,496,907	-	4,496,907
Land improvements	9,135,646	-	9,135,646
Buildings and improvements	107,321,516	8,307,796	115,629,312
Equipment	26,051,547	2,393,020	28,444,567
Infrastructure	19,438,349	-	19,438,349
Total	<u>\$ 172,620,179</u>	<u>\$ 10,700,816</u>	<u>\$ 183,320,995</u>

Additional information on the County's capital assets can be found in Note 12 on page 49 of this report.

County of Delaware, Pennsylvania

Management's Discussion and Analysis
(Unaudited)

Long-Term Debt

As of December 31, 2018, the County's actual general obligation debt of \$301,024,000 is well below the legal limit of \$1,689,145,030 by \$1,388,121,020. Additional information on the County's long-term debt can be found at Note 16 on page 53 of this report.

The County's bonds continue to have a favorable rating from Moody's Investors Services, Inc. of "Aa1" and Standard and Poor's Rating Group of "AA."

Economic Outlook

2018 was another year of consistent, steady economic growth in Delaware County. The County's unemployment rate of 3.4% remains below the statewide rate of 3.8%. According to the Bureau of Labor Statistics, the number of employees in the County totaled 228,480 as of December 2018. There were 203,618 private sector employees, specifically, with a count of 13,783 private business.

In addition, Moody's Investors Service affirmed the County's Aa1 rating in its 2018 Issuer Comment report, and the County's rating remains at AA with Standard & Poor's Ratings Services. The Moody's report stated, "Delaware County's credit position is excellent," and remarked, "Notable credit factors include a healthy financial position, low debt and pension liabilities, a very substantial tax base and a strong wealth and income profile."

The following new construction and redevelopment projects in the County commenced or were announced in 2018.

- A major redevelopment of the 58 acre Granite Run mall site in Middletown Township continues. An outdated enclosed mall is being transformed into a state of the art walkable town center promenade with restaurants, stores and even a new movie theater with bowling, bar and restaurant.
- Also investing in the County is Equus Capital with the new development of the Shops at Ellis Preserve, which have become a vibrant and stylish addition to the Newtown Square community. Plans for Phase 2 of The Shops at Ellis Preserve are now in the design stage of development.
- MCB Real Estate is redeveloping the Drexeline Shopping Center, a 265,825 square foot property on 18.5 acres at Route 1 and State Road in Upper Darby Township. This town center concept will expand parking, improve traffic flow and enhance the overall economic vitality of the surrounding community. Plans include walking paths and improved access to public transportation. The overall project will be a \$110 to \$120 million investment in the community.
- Crozer Keystone Health System began the expansion project of their Taylor Hospital Emergency Room with a completion target in 2019. Additionally, Main Line Health announced plans to renovate their Birthplace at Riddle Hospital, which includes the nursery, patient rooms and other care areas for families and newborns.
- Major transformative campus construction projects are underway at Villanova, Cabrini and Neumann Universities.
- Amerihealth Caritas, an Independence Blue Cross affiliate that manages Medicaid plans, is relocating corporate headquarters from Tinicum Township to the Ellis Preserve in Newtown Township. They will reside in a custom built 378,000 square foot building. Their current 650,000+ square foot space in Tinicum will be completely refurbished as their national operations center. The company projects that these two actions will result in an additional 1,500 - 2,000 employees.
- Kimberly Clark in Chester has announced a \$150 million conversion of their coal fired plant to natural gas. Not only will this result in a significant reduction in carbon emissions, it will also ensure the future of the largest manufacturing facility in the City of Chester.

County of Delaware, Pennsylvania

Management's Discussion and Analysis
(Unaudited)

The Delaware County Commerce Center continues their contract with the Pennsylvania Department of Community and Economic Development to act as the agent for the statewide "Engage!" program whereby staff meet individually with County-owned businesses to assess their needs and determine if particular government programs are available to assist these companies in growing their businesses. In this fiscal year to date, over 100 businesses have been personally surveyed.

The Commerce Center has created the County Accelerator in partnership with Headroom Inc. and the Service Corps of Retired Executives, an affiliate of the Small Business Association (SBA). Six (6) companies are currently enrolled at the Accelerator committed to growing the entrepreneurial job base of the County.

The Governor of Pennsylvania designated six targeted census tracts within the County as "Opportunity Zones" to encourage private investment. This incentive allows taxpayers with capital gains to invest their gains in equity funds for business development in the Opportunity Zones. In exchange, the taxpayers receive deferred, or potentially even complete forgiveness of, federal taxes due on gains from the investment.

Delaware County remains strong, diverse, vibrant and is well positioned for continued growth.

County of Delaware, Pennsylvania

Management's Discussion and Analysis
(Unaudited)

Requests for Information

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Controller, County of Delaware, 201 West Front Street, Media, Pennsylvania 19063.

Complete financial statements for the individual component units can be obtained from their respective administrative offices as follows:

- Delaware County Solid Waste Authority
Rose Tree Park Hunt Club
1521 North Providence Road
Media, Pennsylvania 19063
- Economic Development Oversight Board
100 West 6th Street, Suite 100
Media, Pennsylvania 19063
- Delaware County Chester Waterfront Industrial Development Authority
100 West 6th Street, Suite 100
Media, Pennsylvania 19063
- Redevelopment Authority of the County of Delaware
100 West 6th Street, Suite 100
Media, Pennsylvania 19063

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Basic Financial Statements

County of Delaware, Pennsylvania

Statement of Net Position
December 31, 2018

	Primary Government		Total	Component Units
	Governmental Activities	Business-Type Activity		
Assets				
Cash and cash equivalents	\$ 117,960,840	\$ 7,824,867	\$ 125,805,707	\$ 13,473,852
Receivables (net of allowance for uncollectibles):				
Taxes	7,280,297	-	7,280,297	-
Accounts	3,211,205	21,155,453	24,366,658	3,615,204
Grants	35,591,716	-	35,591,716	-
Notes	2,596,527	-	2,596,527	-
Other	5,952,340	-	5,952,340	1,218,745
Due from component units	7,479,419	-	7,479,419	-
Internal balances	7,944,210	(7,944,210)	-	-
Inventories	-	-	-	142,574
Other assets	8,070,355	2,507	8,072,862	483,543
Investments	-	-	-	10,500
Restricted cash and cash equivalents	61,591,029	1,009,378	62,600,407	2,501,946
Investment in joint venture	183,876,297	-	183,876,297	-
Capital assets (net of accumulated depreciation):				
Land	6,176,214	-	6,176,214	8,873,485
Construction in progress	4,496,907	-	4,496,907	-
Land improvements	9,135,646	-	9,135,646	2,122,122
Buildings and improvements	107,321,516	8,307,796	115,629,312	20,555,498
Equipment	26,051,547	2,393,020	28,444,567	21,036,798
Infrastructure	19,438,349	-	19,438,349	-
Net pension asset	23,812,238	12,266,911	36,079,149	-
Total assets	638,006,652	45,015,722	683,022,374	74,034,267
Deferred Outflows of Resources				
Deferred outflows of resources - other post-employment benefit liability	21,655,837	-	21,655,837	-
Deferred outflows of resources - pension	12,068,708	6,217,213	18,285,921	639,407
Total deferred outflows of resources	33,724,545	6,217,213	39,941,758	639,407
Total assets and deferred outflows of resources	\$ 671,731,197	\$ 51,232,935	\$ 722,964,132	\$ 74,673,674
Liabilities				
Accounts payable and other current liabilities	\$ 42,341,862	\$ 5,340,049	\$ 47,681,911	\$ 4,021,052
Accrued interest payable	1,175,600	-	1,175,600	-
Other liabilities	38,275,335	-	38,275,335	-
Due to primary government	-	-	-	7,479,419
Unearned revenue	45,371,915	2,094,241	47,466,156	75,000
Long-term liabilities:				
Due within one year:				
Bonds and notes payable	17,435,945	3,669,055	21,105,000	518,000
Claims payable	2,914,665	-	2,914,665	-
Due in more than one year:				
Bonds and notes payable	262,547,760	21,736,601	284,284,361	7,372,000
Claims payable	2,538,381	-	2,538,381	-
Net other post-employment benefit liability	454,668,067	-	454,668,067	-
Net pension liability	-	-	-	701,101
Accrued closure costs	-	-	-	18,060,763
Total liabilities	867,269,530	32,839,946	900,109,476	38,227,335
Deferred Inflows of Resources				
Deferred inflows of resources - other post-employment benefit liability	45,976,566	-	45,976,566	-
Deferred inflows of resources - pension	22,348,828	11,513,033	33,861,861	126,962
Total deferred inflows of resources	68,325,394	11,513,033	79,838,427	126,962
Net Position				
Net investment in capital assets	(39,794,669)	(2,437,929)	(42,232,598)	43,673,704
Restricted for:				
Highways and streets	769,628	-	769,628	-
Infrastructure	-	-	-	-
Library	493,311	-	493,311	-
Community development	4,680,925	-	4,680,925	-
Title IV D program	825,841	-	825,841	-
Capital projects	19,487	-	19,487	-
Economic development	-	-	-	441,642
Solid waste	-	-	-	2,000,000
Unrestricted	(230,858,250)	9,317,885	(221,540,365)	(9,795,969)
Total net position	(263,863,727)	6,879,956	(256,983,771)	36,319,377
Total liabilities, deferred inflows of resources, and net position	\$ 671,731,197	\$ 51,232,935	\$ 722,964,132	\$ 74,673,674

See notes to financial statements

County of Delaware, Pennsylvania
Statement of Activities
Year Ended December 31, 2018

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activity	
Functions/Programs							
Primary Government							
Governmental activities:							
General government	\$ 158,826,027	\$ 17,693,475	\$ 46,455,454	\$ 657,530	\$ (94,009,568)	\$ -	\$ (94,009,568)
Judicial	48,108,627	6,454,685	21,662,192	-	(17,991,650)	-	(17,991,650)
Corrections	73,639,694	7,185,008	804,854	-	(65,649,812)	-	(65,649,812)
Health and human services	301,734,417	-	291,877,113	-	(9,857,304)	-	(9,857,304)
Highways, streets and bridges	2,767,966	-	717,685	1,533,222	(517,079)	-	(517,079)
Interest on long-term debt	4,631,483	-	-	-	(4,631,463)	-	(4,631,463)
Total governmental activities	587,708,094	31,333,168	361,527,288	2,190,752	(192,656,876)	-	(192,656,876)
Business-type activity, Gariatic Center	72,633,211	87,464,800	-	-	-	(5,168,411)	(5,168,411)
Total primary government	\$ 660,341,295	\$ 98,797,968	\$ 361,527,288	\$ 2,190,752	(192,656,876)	(5,168,411)	(197,825,287)
Component Units							
Solid Waste Authority	\$ 43,169,827	\$ 37,011,762	\$ 107,107	\$ -	-	-	\$ (6,050,958)
Economic Development	711,501	174,149	658,650	-	-	-	121,298
Waterfront Industrial Development Authority	978,833	-	-	-	-	-	(978,833)
Redevelopment Authority	9,141,762	-	6,901,159	-	-	-	(240,603)
Total component units	\$ 54,001,923	\$ 37,185,911	\$ 9,666,916	\$ -	-	-	(7,149,096)
General Revenues							
Property taxes	-	-	-	-	176,945,069	-	176,945,069
Gaming revenue	-	-	-	-	7,815,230	-	7,815,230
Grants and charges not restricted to specific programs	-	-	-	-	2,011,525	-	2,011,525
Other revenues (expenses)	-	-	-	-	-	1,198,178	(13,591)
Unrestricted investment earnings	-	-	-	-	2,200,022	29,928	2,229,950
Transfers	-	-	-	-	(2,903,233)	2,803,233	-
Total general revenues and transfers	-	-	-	-	186,066,613	4,131,339	190,199,952
Change in net position	-	-	-	-	(6,588,263)	(1,037,072)	(7,625,335)
Net Position, Beginning	-	-	-	-	(257,275,464)	7,917,028	(249,358,436)
Net Position, Ending	-	-	-	-	\$ (263,863,727)	\$ 6,879,956	\$ (256,983,771)

County of Delaware, Pennsylvania

Balance Sheet
 Governmental Funds
 December 31, 2018

	General	Capital Projects	Health & Human Service	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 83,648,942	\$ 121,148	\$ 13,142,851	\$ 15,388,873	\$ 112,301,814
Receivables:					
Taxes	7,438,546	-	-	-	7,438,546
Accounts	3,211,205	-	-	-	3,211,205
Grants	4,615,505	-	21,377,580	9,598,631	35,591,716
Notes	-	-	-	2,596,527	2,596,527
Other	128,410	-	-	-	128,410
Due from component units	2,004,419	5,475,000	-	-	7,479,419
Due from other funds	61,499,015	-	27,266,001	13,423,319	102,188,335
Restricted cash and cash equivalents	2,336,493	50,255,708	4,595,477	4,403,351	61,591,029
Other assets	1,167,321	-	3,290,619	95,614	4,553,554
Total assets	\$ 166,049,856	\$ 55,851,856	\$ 69,672,528	\$ 45,506,315	\$ 337,080,555
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Vouchers and accounts payable	\$ 14,697,113	\$ 2,401,386	\$ 21,837,671	\$ 3,405,682	\$ 42,341,862
Payroll payable	11,437,471	-	-	-	11,437,471
Payable from restricted assets	138,487	-	-	-	138,487
Due to other funds	47,406,134	10,185,866	16,543,307	16,366,037	90,501,344
Unearned revenues	2,180,775	-	25,157,847	18,033,293	45,371,915
Other liabilities	18,251,583	-	6,133,703	1,757,439	26,142,725
Total liabilities	94,111,563	12,587,262	69,672,528	39,562,451	215,933,804
Deferred inflows of resources, Unavailable revenues - taxes	5,982,185	-	-	-	5,982,185
Fund balances:					
Nonspendable:					
Prepaid items	1,167,321	-	-	-	1,167,321
Restricted for:					
Highways and streets	-	-	-	769,628	769,628
Library	-	-	-	493,311	493,311
Community development	-	-	-	4,680,925	4,680,925
Title IV D program	825,841	-	-	-	825,841
Capital projects	-	43,143,890	-	-	43,143,890
Assigned to:					
Capital projects	-	120,704	-	-	120,704
Debt service costs	15,000,000	-	-	-	15,000,000
Employee healthcare costs	15,000,000	-	-	-	15,000,000
Unassigned	33,962,946	-	-	-	33,962,946
Total fund balances	65,956,108	43,264,594	-	5,943,864	115,164,566
Total liabilities, deferred inflows of resources and fund balances	\$ 166,049,856	\$ 55,851,856	\$ 69,672,528	\$ 45,506,315	\$ 337,080,555

County of Delaware, Pennsylvania

Reconciliation of the Balance Sheet Governmental Funds to the Statement of Net Position
December 31, 2018

Amounts reported for governmental activities in the statement of net position
(page 15) are different because:

Total fund balance - total governmental funds (page 17)	\$ 115,164,566
Capital assets, including investment in joint venture, used in governmental activities are not financial resources and, therefore, are not reported in the funds	356,496,476
Property taxes receivable will be collected in the future but are not available to pay for the current period's expenditures and, therefore, are not recognized as revenue on the governmental fund financial statements	5,982,185
Long-term notes receivable will be collected in the future but are not available to pay for the current period's expenditures and, therefore, are not recognized as revenue on the governmental fund financial statements	5,823,930
Establishment of an allowance for doubtful accounts, net of additional penalty and interest receivable on the statement of net position	(158,249)
Accrued interest payable included on the statement of net position	(1,175,600)
Long-term assets and liabilities, are not due and payable in the current period and, therefore, are not reported in the funds	
Bonds and notes payable	(279,983,705)
Net other post-employment benefit liability	(454,668,067)
Net pension asset	23,812,238
Pension and other post-employment benefit liability related deferred outflow of resources and deferred inflow of resources are not due and payable in the current year and, therefore, are not reported in the funds:	
Deferred outflows related to the other post-employment benefit liability	21,655,837
Deferred outflows related to the net pension liability	12,068,708
Deferred inflows related to the other post-employment benefit liability	(45,976,566)
Deferred inflows related to the net pension liability	(22,348,828)
Accrued compensatory time included in other liabilities on the statement of net position	<u>(556,652)</u>
Net position of governmental activities (page 15)	<u>\$ (263,863,727)</u>

County of Delaware, Pennsylvania

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended December 31, 2018

	General	Capital Projects	Health & Human Service	Other Governmental Funds	Total Governmental Funds
Revenues					
Real estate taxes	\$ 177,034,412	\$ -	\$ -	\$ -	\$ 177,034,412
Gaming revenue	7,815,230	-	-	-	7,815,230
Licenses and permits	26,083	-	-	-	26,083
General grants	23,707,796	317,930	-	48,410,989	72,436,715
Charges for services, fines and forfeits	21,655,562	-	-	-	21,655,562
Investment earnings	1,811,675	113,181	-	-	1,924,856
Health and human service grants	-	-	291,877,113	-	291,877,113
Other	11,508,192	-	-	-	11,508,192
Total revenues	243,558,950	431,111	291,877,113	48,410,989	584,278,163
Expenditures					
Current:					
General government	24,591,607	-	-	-	24,591,607
Judicial	46,108,527	-	-	-	46,108,527
Corrections	71,367,594	-	-	-	71,367,594
Transportation	8,161,720	-	-	-	8,161,720
Health and human services	-	-	298,800,114	-	298,800,114
Highways, streets and bridges	-	-	-	2,530,329	2,530,329
Other	43,596,337	-	-	48,190,703	91,787,040
Debt service:					
Principal	16,987,090	-	-	-	16,987,090
Interest	6,389,651	-	-	-	6,389,651
Capital outlay	-	13,753,928	-	-	13,753,928
Total expenditures	217,202,526	13,753,928	298,800,114	50,721,032	580,477,600
Excess (deficiency) of revenues over (under) expenditures	26,356,424	(13,322,817)	(6,923,001)	(2,310,043)	3,800,563
Other Financing Sources (Uses)					
Bond proceeds	-	40,000,000	-	-	40,000,000
Transfers in	540,000	1,807,791	13,846,001	4,598,977	20,792,769
Transfers out	(16,233,002)	-	(6,923,000)	(540,000)	(23,696,002)
Total other financing sources (uses)	(15,693,002)	41,807,791	6,923,001	4,058,977	37,096,767
Net change in fund balances	10,663,422	28,484,974	-	1,748,934	40,897,330
Fund Balance, Beginning	55,292,686	14,779,620	-	4,194,930	74,267,236
Fund Balance, Ending	\$ 65,956,108	\$ 43,264,594	\$ -	\$ 5,943,864	\$ 115,164,566

County of Delaware, Pennsylvania

Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the Statement of Activities
Year Ended December 31, 2018

Amounts reported for governmental activities in the statement of activities
(page 16) are different because:

Net change in fund balances - total governmental funds (page 19)	\$ 40,897,330
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 depreciation exceeded capital outlays in the current period	
Purchase of capital assets	10,541,087
Loss on disposal of capital assets	(1,702,133)
Depreciation expense	<u>(10,311,986)</u>
	(1,473,032)
Governmental funds report the County's budget contribution to SEPTA as expenditures. However, in the statement of activities the cost is capitalized as an investment in a joint venture and recognizes the amortization of the investment over the estimated life	
Net investment in joint venture	(5,071,612)
Revenues related to real estate taxes in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	(733,494)
Collections on long-term receivable due from the City of Chester is reported as revenue in the funds, while the collection reduces long-term receivables in the statement of net position	(165,767)
Pension expense in the statement of activities that do not consume current financial resources are not reported as expenses in the funds and changes in related deferred amounts	(2,013,139)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Reconciling items related to long-term debt activity for the year ended December 31, 2018 are as follows:	
Proceeds from issuance of long-term debt	(40,000,000)
Scheduled principal payments on long-term debt made in 2018	16,987,090
Allocation of debt to business type activity for capital assets	1,931,123
Accretion of bond and note premiums	<u>1,708,532</u>
	(19,373,255)
Accrued interest expense on long-term debt is reported in the statement of activities but does not require the use of current financial resources. Therefore, accrued interest expense is not reported as expenditures in governmental funds. The net change in interest payable is recorded in the statement of activities.	49,656
Other post-employment benefit expense in the statement of activities that do not consume current financial resources are not reported as expenses in the funds	(18,955,978)
Payments related to early retirement expense is reported as expenditures in the funds, while the payment reduces long-term liabilities in the statement of net position	163,529
An allowance for doubtful collections of real estate taxes receivable is reported on the statement of net position, net of additional penalty and interest on delinquent taxes	644,151
Compensatory time is reported in the statement of net position within other liabilities but does not require the use of current financial resources. Therefore, compensatory is not reported as expenditures in governmental funds. The net change in compensatory time liability is recorded in the statement of activities.	<u>(556,652)</u>
Change in net position of governmental activities (page 16)	<u>\$ (6,588,263)</u>

See notes to financial statements

County of Delaware, Pennsylvania

Statement of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual Comparison - General Fund
Year Ended December 31, 2018

	General Fund			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
Revenues				
Real estate taxes	\$ 172,721,000	\$ 172,721,000	\$ 177,034,412	\$ 4,313,412
Gaming revenue	8,100,000	8,100,000	7,815,230	(284,770)
Licenses and permits	37,000	37,000	26,083	(10,917)
General grants	28,687,000	28,687,000	23,707,796	(4,979,204)
Charges for services, fines and forfeits	23,837,000	23,837,000	21,655,562	(2,181,438)
Investment earnings	555,000	555,000	1,811,675	1,256,675
Other	9,492,000	9,492,000	11,508,192	2,016,192
Total revenues	243,429,000	243,429,000	243,558,950	129,950
Expenditures				
Current:				
General government	28,082,000	28,114,000	24,591,607	3,522,393
Judicial	57,254,000	57,254,000	46,108,527	11,145,473
Corrections	74,484,000	74,484,000	71,367,594	3,116,406
Transportation	8,165,000	8,165,000	8,161,720	3,280
Other	58,128,000	53,839,000	43,596,337	10,242,663
Debt service:				
Principal	20,543,000	16,987,000	16,987,090	(90)
Interest	7,533,000	6,390,000	6,389,651	349
Total debt service	28,076,000	23,377,000	23,376,741	259
Total expenditures	254,189,000	245,233,000	217,202,526	28,030,474
Excess of revenues over (under) expenditures	(10,760,000)	(1,804,000)	26,356,424	28,160,424
Other Financing Sources (Uses)				
Transfers in	7,641,000	2,942,000	540,000	(2,402,000)
Transfers out	(14,710,000)	(18,967,000)	(16,233,002)	2,733,998
Total other financing uses, net	(7,069,000)	(16,025,000)	(15,693,002)	331,998
Net change in fund balance	(17,829,000)	(17,829,000)	10,663,422	28,492,422
Fund Balance, Beginning	48,353,260	48,353,260	55,292,686	6,939,426
Fund Balance, Ending	\$ 30,524,260	\$ 30,524,260	\$ 65,956,108	\$ 35,431,848

County of Delaware, Pennsylvania

Statement of Net Position

Proprietary Funds

December 31, 2018

	Business-Type Activity Geriatric Care	Governmental Activities - Internal Service Fund
Assets and Deferred Outflows		
Current assets:		
Cash and cash equivalents	\$ 7,824,867	\$ 5,679,026
Accounts receivable, net	21,155,453	-
Due from other funds	-	647,618
Restricted cash and cash equivalents	1,009,378	-
Prepaid expense and other assets	2,507	3,516,801
Total current assets	<u>29,992,205</u>	<u>9,843,445</u>
Noncurrent assets:		
Capital assets (net of accumulated depreciation):		
Buildings and improvements	8,307,796	-
Equipment	2,393,020	-
Net pension asset	12,266,911	-
Total noncurrent assets:	22,967,727	-
Deferred Outflows of Resources - Pension	<u>6,217,213</u>	<u>-</u>
Total assets and deferred outflow	<u>\$ 59,177,145</u>	<u>\$ 9,843,445</u>
Liabilities		
Current liabilities:		
Vouchers and accounts payable	\$ 5,340,049	\$ -
Unearned revenue	2,094,241	-
Due to other funds	7,944,210	4,390,399
Claims payable	-	2,914,665
General obligation bonds and notes - current	3,669,055	-
Total current liabilities	<u>19,047,555</u>	<u>7,305,064</u>
Noncurrent liabilities:		
General obligation bonds and notes payable	21,736,601	-
Claims payable	-	2,538,381
Total noncurrent liabilities	<u>21,736,601</u>	<u>2,538,381</u>
Total liabilities	<u>40,784,156</u>	<u>9,843,445</u>
Deferred Inflows of Resources - Pension	<u>11,513,033</u>	<u>-</u>
Net Position		
Net investment in capital assets	(2,437,929)	-
Unrestricted	9,317,885	-
Total net position	<u>6,879,956</u>	<u>-</u>
Total liabilities, deferred inflow and net position	<u>\$ 59,177,145</u>	<u>\$ 9,843,445</u>

See notes to financial statements

County of Delaware, Pennsylvania

Statement of Revenues, Expenses, and Changes in Net Position

Proprietary Funds

Year Ended December 31, 2018

	Business-Type Activity Geriatric Care	Governmental Activities - Internal Service Fund
Operating Revenues		
Charges for services	\$ 67,464,800	\$ 49,722,581
Operating Expenses		
Administration	12,292,310	45,853
Operation, maintenance and housekeeping	11,277,253	-
Nursing	20,685,581	-
Dietary	7,226,350	-
Medical and physical therapy	5,534,817	-
Employee benefits	12,949,682	-
Insurance claims	-	49,696,183
Depreciation	1,626,368	-
Total operating expenses	71,592,361	49,742,036
Operating income (loss)	(4,127,561)	(19,455)
Nonoperating Revenues (Expenses)		
Investment earnings	29,928	19,455
Miscellaneous revenues	1,198,178	-
Interest expense	(1,040,850)	-
Total nonoperating revenues, net	187,256	19,455
Transfers In	2,903,233	-
Change in net position	(1,037,072)	-
Net Position, Beginning	7,917,028	-
Net Position, Ending	\$ 6,879,956	\$ -

See notes to financial statements

County of Delaware, Pennsylvania

Statement of Cash Flows

Proprietary Funds

Year Ended December 31, 2018

	Business-Type Activity Geriatric Care	Governmental Activities - Internal Service Fund
Cash Flows from Operating Activities		
Receipts from customers and users	\$ 72,965,397	\$ 53,273,955
Payments to suppliers	(28,386,296)	(51,737,157)
Payments to employees for services	(33,308,886)	-
	<u>11,270,215</u>	<u>1,536,798</u>
Net cash provided by operating activities		
Cash Flows from Capital and Related Financing Activities		
Acquisitions of capital assets	(1,938,628)	-
Proceeds of debt for purchase of capital assets	1,938,628	-
Principal paid on capital debt	(3,563,414)	-
Interest paid on capital debt	(1,422,072)	-
	<u>(4,985,486)</u>	<u>-</u>
Net cash used in capital and related financing activities		
Cash Flows Provided by Investing Activities		
Interest received	29,928	19,455
	<u>29,928</u>	<u>19,455</u>
Net increase in cash and cash equivalents	6,314,657	1,556,253
Cash and Cash Equivalents, Beginning	<u>1,510,210</u>	<u>4,122,773</u>
Cash and Cash Equivalents, Ending	<u>\$ 7,824,867</u>	<u>\$ 5,679,026</u>
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities		
Operating loss	\$ (4,127,561)	\$ (19,455)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	1,626,368	-
Non-operating receipts from customers	1,198,178	-
Transfer in from General Fund	2,903,233	-
Decrease in accounts receivable	3,153,460	-
Decrease (increase) in prepaid expense and other assets	(1,444)	(1,226,710)
Increase in net pension asset and deferred outflows	1,037,072	-
Increase in due to other funds	4,082,806	3,551,374
Decrease in vouchers and accounts payable	(696,138)	-
Increase in unearned revenue	2,094,241	-
Decrease in claims payable	-	(768,411)
	<u>15,397,776</u>	<u>1,556,253</u>
Total adjustments		
Net cash provided by operating activities	<u>\$ 11,270,215</u>	<u>\$ 1,536,798</u>

See notes to financial statements

County of Delaware, Pennsylvania

Statement of Fiduciary Net Position

Fiduciary Funds

December 31, 2018

	Pension Trust Fund	Deshong Private- Purpose Trust Fund
	<u> </u>	<u> </u>
Assets		
Cash and cash equivalents	\$ 30,542,268	\$ 40,514
Interest receivable	1,349,455	-
	<u> </u>	<u> </u>
Investments, at fair value:		
U.S. government securities	49,986,812	-
Corporate bonds	60,069,913	-
Common and preferred stocks and stock funds	289,724,029	-
Guaranteed investment contracts	37,762,707	-
Annuity contracts	3,324,239	-
Asset-backed securities	142,448	-
Municipal bonds	5,047,017	-
	<u> </u>	<u> </u>
Total investments	446,057,165	-
	<u> </u>	<u> </u>
Total assets	477,948,888	40,514
	<u> </u>	<u> </u>
Liabilities		
Accounts payable and other liabilities	289,209	279
	<u> </u>	<u> </u>
Net Position		
Net position restricted for pensions and other	\$ 477,659,679	\$ 40,235
	<u> </u>	<u> </u>

See notes to financial statements

County of Delaware, Pennsylvania

Statement of Changes in Fiduciary Net Position

Fiduciary Funds

Year Ended December 31, 2018

	Pension Trust Fund	Deshong Private- Purpose Trust Fund
Additions		
Contributions:		
Plan members	\$ 10,798,327	\$ -
County	1,527,490	-
Total contributions	<u>12,325,817</u>	<u>-</u>
Investment earnings:		
Interest and dividends	11,207,146	80
Net depreciation in fair value of investments	(46,091,558)	-
Less investment expense	<u>(1,824,817)</u>	<u>-</u>
Net investment loss	<u>(36,709,229)</u>	<u>80</u>
Total additions, net	<u>(24,383,412)</u>	<u>80</u>
Deductions		
Death benefits	1,857,098	-
Refunds of contributions	2,291,936	-
Administrative expenses	-	9,312
Retirement allowance	<u>25,139,869</u>	<u>-</u>
Total deductions	<u>29,288,903</u>	<u>9,312</u>
Net decrease in net position	<u>(53,672,315)</u>	<u>(9,232)</u>
Net Position, Restricted for Pensions and Other, Beginning	<u>531,331,994</u>	<u>49,467</u>
Net Position, Restricted for Pensions and Other, Ending	<u><u>\$ 477,659,679</u></u>	<u><u>\$ 40,235</u></u>

See notes to financial statements

County of Delaware, Pennsylvania

Notes to Financial Statements
December 31, 2018

1. Summary of Significant Accounting Policies

The accounting methods and procedures adopted by the County of Delaware, Pennsylvania (the "County"), conform to accounting principles generally accepted in the United States of America as applied to governmental entities. The following notes to the financial statements are an integral part of the County's financial statements.

Financial Reporting Entity

The County was established under the laws of the Commonwealth of Pennsylvania in 1789 and operates under a Home Rule Charter form of government. As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the County (the primary government) and its component units. The component units, discussed in Note 2, are included in the County's reporting entity as discretely presented component units. Component units are legally separate organizations with which the County has a significant operational or financial relationship.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. The effect of interfund activity has been removed from these statements except for interfund services provided and used, which are not eliminated in the process of consolidation. *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. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. The expenses reported for functional activities include allocated indirect expenses. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items properly not included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the 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.

County of Delaware, Pennsylvania

Notes to Financial Statements
December 31, 2018

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 are recorded only when payment is due.

Property taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and 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 governmental funds:

The General Fund is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Capital Projects Fund is used to account for financial resources received and used for the acquisition, construction, or improvement of capital facilities other than those financed by other funds.

The Health and Human Service Fund accounts for operations and administration of various County health and human service programs. Financing is provided by state and federal grants with an appropriation from the County General Fund.

The County reports two proprietary funds:

The Enterprise Fund is maintained to account for the operations of the County's Geriatric Center, which is intended to be self-supporting. The nature of the County's Enterprise Fund is such that the determination of net income on a periodic basis is an important consideration and, as such, all operating expenses, including depreciation, are recorded.

The Internal Service Fund is maintained to account for the operations of the County's Health, Casualty/Liability and Workers' Compensation Self-Insurance Programs.

County of Delaware, Pennsylvania

Notes to Financial Statements
December 31, 2018

The County's Fiduciary Funds account for the Pension Trust Fund and the Deshong Trust Fund.

The Pension Trust Fund is maintained to account for assets held by the County in a trustee capacity for individuals currently or previously employed by the County. The County's Pension Trust Fund reports using the economic resources measurement focus.

Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

The Deshong Trust Fund is maintained to account for the assets held by the County in a trustee capacity obtained through the distribution of the Deshong estate. The Deshong Trust Fund is a private purpose trust fund since the principal can be expended.

Amounts reported as program revenues include charges to customers or applicants for goods, services, or privileges provided and operating grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to patients for services. Operating expenses for the enterprise fund include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

Budgetary Accounting Control

In accordance with the County's Home Rule Charter and Administrative Code, the County prepares and adopts a budget at least ten days prior to December 31 for the subsequent calendar year. Expenditures cannot legally exceed budgeted appropriations at the fund level. Additionally, management may not revise the total budget amounts by fund level without the approval of County Council. Budgetary transfers and/or additional appropriations from additional revenues received or from unexpended funds appropriated, but not spent in prior years, must be approved by County Council. All appropriations lapse at the end of the year.

Budgets are prepared on a modified accrual basis and are adopted for the General Fund and the Liquid Fuels Nonmajor Special Revenue Fund.

Cash Equivalents

For purposes of the statement of cash flows, the County considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Cash restricted for closure costs are not considered cash equivalents.

County of Delaware, Pennsylvania

Notes to Financial Statements
December 31, 2018

Investments

Investments of the Pension Trust Fund are stated at fair value for both reporting and actuarial purposes. Investment purchases are recorded as of the trade date. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are generally reported at cost, which is not expected to be materially different from fair value. The calculation of realized gains and losses is independent of the calculation of the net change in the fair value of pension plan investments. Realized gains and losses on investments that had been held in more than one reporting period and sold in the current period were included as a change in the fair value reported in the prior period(s) and the current period.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans).

All trade and property tax receivables are shown net of an allowance for uncollectibles. The property tax receivable allowance is calculated based on collection history and was \$158,249 at December 31, 2018.

Interfund Transactions

As a result of its operations, the County affects a variety of transactions between funds to finance operations. Accordingly, to the extent that certain interfund transactions have not been paid or received as of December 31, 2018, appropriate interfund receivables or payables have been established.

Restricted Assets

Restricted assets represent resources deposited in financial institutions for liquidation of specific obligations.

Capital Assets

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value rather than fair value.

General infrastructure assets acquired prior to December 31, 2001 consist of bridges and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital outlay greater than \$5,000 are capitalized and depreciated when placed in service. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

	<u>Estimated Useful Lives</u>
Infrastructure	100 years
Land improvements	20 years
Buildings and improvements	45 years
Equipment	5 - 20 years

County of Delaware, Pennsylvania

Notes to Financial Statements
December 31, 2018

Compensated Absences

County employees are granted vacation and sick leave in varying amounts based on their length of employment. Vacation leave is earned by employees on a monthly basis each year. All vacation leave earned must be used by February 15, following the year earned. Sick leave is earned by employees on a monthly basis and may be accumulated up to a maximum of 180 days. In the event of termination, an employee is compensated for all earned and unused vacation leave. Employees are not compensated for earned and unused sick leave.

Compensatory Time

County employees have the opportunity to accrue compensatory time in lieu of overtime based upon their employment contract. Upon separation of employment from the County, the employee is paid out the balance of compensatory time at the hourly rate of pay as of the date of separation.

Unearned Revenue

Unearned revenues arise when assets are recognized before revenue recognition criteria have been satisfied.

Grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at December 31, 2018, are recorded as unearned revenue on the governmental fund financial statements.

Deferred Outflows/Inflows of Resources

A deferred outflow of resources is a consumption of net assets that is applicable to a future reporting period. Deferred outflows of resources have a positive effect on net position, similar to assets; however, the actual outflow of resources (net decrease in assets or net increase in liabilities) was incurred in a prior period, and the outflow of resources is applicable to a later period.

In the government-wide financial statements, the County reports the unamortized balance of differences in expected and actual expense related to the net other post-employment benefit liability and the net pension liability and the pension contributions made subsequent to the measurement date as deferred outflow of resources.

A deferred inflow of resources is an acquisition of net assets that is applicable to a future reporting period. Deferred inflows of resources have a negative effect on net position, similar to liabilities; however, the actual inflow of resources (net increase in assets or net decrease in liabilities) was incurred in a prior period, and the inflow of resources is applicable to a later period.

Under the modified accrual basis of accounting, governmental funds report unavailable revenues from property taxes, which are deferred and recognized as an inflow of resources in the period that the amounts become available that qualifies for reporting in this category. In the government-wide financial statements, the County reports the differences between expected and actual experience related to the net pension liability.

County of Delaware, Pennsylvania

Notes to Financial Statements
December 31, 2018

Long-Term Obligations

In the government-wide financial statements, long-term obligations are reported as liabilities in the governmental activities statement of net position. Where applicable, bond and note premiums and discounts are deferred and amortized over the life of the bonds and notes using the effective interest method.

In the fund financial statements, governmental fund types recognize bond and note premiums and discounts, as well as bond and note issuance costs as expense, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Balances

Governmental fund balance classifications are hierarchical and are based primarily on the extent to which the County is bound to honor constraints on the specific purposes for which amounts in the funds may be spent. The County's accounting and finance policies are used to interpret the nature and/or requirements of the funds and their corresponding assignment of restricted, committed, assigned, or unassigned.

The County reports the following classifications for governmental fund balances:

Nonspendable Fund Balance - Nonspendable fund balances are amounts that cannot be spent because they are either (a) not in spendable form, such as inventory or prepaid expenses or (b) legally or contractually required to be maintained intact, such as a trust that must be retained in perpetuity. Specifically included in this category are prepaid expenses and long-term receivables.

Restricted Fund Balance - Restricted fund balances are restricted when constraints placed on the use of resources are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation. Specifically included in this category are amounts restricted for highways and streets, library, community development, the Title IV D program and capital projects.

Committed Fund Balance - Committed fund balances are amounts that can only be used for specific purposes as a result of constraints imposed by County Council by passing a resolution. Committed amounts cannot be used for any other purpose unless County Council removes those constraints by taking the same action. There are no fund balances meeting this category definition.

Assigned Fund Balance - Assigned fund balances are amounts that are constrained by the County's intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by County Council or official to which County Council has delegated the authority to assign fund balances. County Council has delegated this authority to the Executive Director of the County as approved by the County fund balance policy. Specifically included in this category are amounts assigned for capital projects, debt service costs, and increases in employee healthcare costs.

County of Delaware, Pennsylvania

Notes to Financial Statements
December 31, 2018

Assigned fund balance includes (a) all remaining amounts that are reported in governmental funds (other than the General Fund) that are not classified as nonspendable, restricted, or committed, and (b) amounts in the General Fund that are intended to be used for specific purpose. Specific amounts that are not restricted or committed in a special revenue or capital projects fund are assigned for purposes in accordance with the nature of their fund type. Assignment within the General Fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the County itself.

Unassigned Fund Balance - Unassigned fund balance is the residual classification for the General Fund. This classification represents General Fund balance that has not been assigned to other funds, and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned, and unassigned.

Net Position

In the government-wide financial statements, net position is classified in the following categories.

Net Investment in Capital Assets - This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt attributable to the acquisition, construction, or improvement of the assets.

Restricted Net Position - This amount is restricted by external creditors, grantors, contributors, laws or regulations or other governments, enabling legislation.

Unrestricted Net Position - This amount is all net position amounts that do not meet the definition of net investment in capital assets or restricted net position.

The County applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

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 at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

County of Delaware, Pennsylvania

Notes to Financial Statements
December 31, 2018

2. Reporting Entity

The County has determined that the Delaware County Solid Waste Authority ("DCSWA"), the Economic Development Oversight Board ("EDOB"), the Redevelopment Authority of the County of Delaware ("RDA") and the Delaware County Chester Waterfront Industrial Development Authority ("IDA") are separate legal entities for which the County has a significant operational or financial relationship and should be included in the County's financial statements as aggregate discretely presented component units.

Discretely Presented Component Units

The Delaware County Solid Waste Authority, an entity legally separate from the County, is governed by a board appointed by County Council and County Council has the ability to impose its will on the DCSWA. Additionally, a member of County Council sits on the board of the DCSWA and the DCSWA is financially dependent on the County. Its purpose is to provide waste disposal almost entirely for citizens of the County.

The Economic Development Oversight Board, an entity legally separate from the County, is governed by a board appointed by County Council. County Council has the ability to impose its will and is financially responsible for the EDOB. Its purpose is to encourage economic development in Delaware County by facilitating the retention of existing business, the formation of new business and the vitality of all business within the County of Delaware.

The Redevelopment Authority of the County of Delaware, an entity legally separate from the County, is governed by a board appointed by County Council. County Council has the ability to impose its will on the RDA. The RDA was created by the County for the delivery of services to County residents, pursuant to the Urban Redevelopment Law, Act of 1945. The RDA acts as the vehicle for condemnation and development within the County.

The Delaware County Chester Waterfront Industrial Development Authority, an entity legally separate from the County, is governed by a board whose voting majority is appointed by County Council. County Council has the ability to impose its will and is financially responsible for the IDA. The IDA is an industrial development authority incorporated in the Commonwealth of Pennsylvania on July 3, 2008. IDA was formed pursuant to the Economic Development Financing Law (73 P.S. Section 371) for the purpose of acquiring, constructing, financing, improving and maintaining industrial and commercial development projects and public facilities in certain geographic regions within the City of Chester.

County of Delaware, Pennsylvania

Notes to Financial Statements
December 31, 2018

Complete financial statements for the individual component units can be obtained from their respective administrative offices as follows:

- Delaware County Solid Waste Authority
Rose Tree Park Hunt Club
1521 North Providence Road
Media, Pennsylvania 19063
- Economic Development Oversight Board
100 West 6th Street, Suite 100
Media, Pennsylvania 19063
- Delaware County Chester Waterfront
Industrial Development Authority
100 West 6th Street, Suite 100
Media, Pennsylvania 19063
- Redevelopment Authority of the County of Delaware
100 West 6th Street, Suite 100
Media, Pennsylvania 19063

County of Delaware, Pennsylvania

Notes to Financial Statements
December 31, 2018

The following presents the condensed financial statements for each of the discretely presented component units.

Condensed Statement of Net Position December 31, 2018					
	Solid Waste Authority	Economic Development Oversight Board	Waterfront Industrial Development Authority	Redevelopment Authority	Totals
Assets:					
Current assets	\$ 13,700,905	\$ 1,332,350	\$ 63,182	\$ 4,339,427	\$ 19,435,864
Long-term assets	2,010,500	-	-	-	2,010,500
Capital assets, net	30,158,920	-	21,404,784	1,024,199	52,587,903
Total assets	45,870,325	1,332,350	21,467,966	5,363,626	74,034,267
Deferred outflows of resources	639,407	-	-	-	639,407
Total	\$ 46,509,732	\$ 1,332,350	\$ 21,467,966	\$ 5,363,626	\$ 74,673,674
Liabilities:					
Current liabilities	\$ 4,336,218	\$ 95,948	\$ -	\$ 186,305	\$ 4,618,471
Long-term liabilities	26,133,864	-	-	-	26,133,864
Due to primary government	7,475,000	-	-	-	7,475,000
Total liabilities	37,945,082	95,948	-	186,305	38,227,335
Deferred inflows of resources	126,962	-	-	-	126,962
Net position:					
Net investment in capital assets	22,268,920	-	21,404,784	-	43,673,704
Restricted	2,000,000	441,642	-	-	2,441,642
Unrestricted	(15,831,232)	794,760	63,182	5,177,321	(9,795,969)
Total net position	8,437,688	1,236,402	21,467,966	5,177,321	36,319,377
Total	\$ 46,509,732	\$ 1,332,350	\$ 21,467,966	\$ 5,363,626	\$ 74,673,674

County of Delaware, Pennsylvania

Notes to Financial Statements
December 31, 2018

Condensed Statement of Activities For the Year Ended December 31, 2018					
	Solid Waste Authority	Economic Development Oversight Board	Waterfront Industrial Development Authority	Redevelopment Authority	Totals
Program revenues:					
Charges for services	\$ 37,011,762	\$ 174,149	\$ -	\$ -	\$ 37,185,911
Operating grants and contributions	107,107	658,650	-	8,901,159	9,666,916
Total	37,118,869	832,799	-	8,901,159	46,852,827
Expenses:					
Operating expenses	43,169,827	711,501	-	9,141,762	53,040,465
Depreciation and depletion	-	-	978,833	-	978,833
Total	43,169,827	711,501	978,833	9,141,762	54,019,298
Net expense	(6,050,958)	121,298	(978,833)	(240,603)	(7,149,096)
General revenues(expense)	6,652	18,346	1,170	15,125	41,293
Change in net position	(6,044,306)	139,644	(977,633)	(225,478)	(7,107,803)
Net position, beginning	14,481,994	1,096,758	22,445,629	5,402,799	43,427,180
Net position, ending	\$ 8,437,688	\$ 1,236,402	\$ 21,467,966	\$ 5,177,321	\$ 36,319,377

Related Organizations

The following organizations are considered to be related organizations of the County because of their relationship and mutual interest. Although the County appoints a voting majority of the organizations' governing boards in most instances, the County has determined that these organizations are not component units. These related organizations are as follows:

- Delaware County Housing Authority
- Delaware County Housing Development Corporation
- Delaware County Regional Water Quality Control Authority
- Delaware County Industrial Development Authority
- Community Transit of Delaware County, Inc.
- Community Action Agency of Delaware County
- Delaware County Authority
- Delaware Valley Regional Finance Authority ("DVRFA")

County of Delaware, Pennsylvania

Notes to Financial Statements
December 31, 2018

3. Component Units - Summary of Significant Accounting Policies

Solid Waste Authority

Basis of Accounting

The measurement focus is on the flow of economic resources and the accrual basis of accounting, whereby, revenues are recognized when earned and expenses are recorded when incurred. Proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting.

Landfill Site/Depletion

The estimated value of the landfill at acquisition and additional purchases for expanding capacity is being depleted over the projected life of the landfill. Depletion is charged annually against income in a manner consistent with the physical usage of the site based upon the site's estimated capacity. The estimated remaining landfill life is approximately ten years.

Closure and Post Closure Costs

Municipal landfill owners and operators are required to incur costs to provide for protection of the environment both during the period of the landfill operation and during the post closure period. These costs are estimated annually and current cost is adjusted for changes in landfill capacity, operating conditions and increases or decreases in estimated costs. Closure and post closure costs include equipment installed and facilities constructed near or after the date of acceptance of solid waste, cost of the final capping, and the cost of monitoring and maintaining the area during the post closure period. The DCSWA has established an account to accumulate the anticipated cost of closure and post closure based on usage of the landfill. An amount is charged annually to operations to recognize the current cost and resultant liability based on landfill capacity used to date. The estimate of closure and post closure costs were determined taking into account capping, revegetation, maintenance, leachate treatment, water quality monitoring, and gas control. In determining the closure and post closure costs, an inflation rate was utilized at the rate of 4.967 percent, plus administrative fees of 10 percent and a contingency charge of \$1,369,361 that would anticipate covering unexpected changes in technology, inflation, or applicable laws and regulations.

Pursuant to the Municipal Waste Planning, Recycling, and Waste Reduction Act of the Commonwealth of Pennsylvania, Act No. 101 of July 28, 1988, P.L. 556, DCSWA is required to pay to a trust, on a quarterly basis, \$0.25 per ton of weighed waste to be used for remedial measures and emergency actions necessary to prevent or abate adverse effects on the environment subsequent to landfill closure. Any funds remaining in the trust subsequent to the final closure are divided between the host county and host municipality.

The DEP raised the bonding requirement to the amount of \$20,714,788. In 2014, the Authority obtained a surety bond amounting to \$20,390,083 to cover post closure costs. In addition, the Authority has deposited \$2,000,000 in an escrow account, which serves as collateral and is held in an interest bearing account by the Surety Company. This amount is reflected as restricted cash on the statement of net position as of December 31, 2018.

Accrued closure and post closure costs, as reflected on the statement of net position, totaled \$18,060,763 and \$447,944 was charged against income in 2018. The estimated closure and post closure costs total \$22,360,208, comprised of \$4,869,201 of closure costs and \$17,491,007 of post closure costs. At December 31, 2018, there remains \$5,391,367 in closure and post closure costs to be recognized in excess of the Act 101 requirements previously mentioned.

County of Delaware, Pennsylvania

Notes to Financial Statements
December 31, 2018

Inventory

The DCSWA maintains an inventory of purchased goods used in construction and capping activities, which are stated at cost.

Restricted Net Position

Restricted net position of the DCSWA represent funds set aside for use during the post-closure phase of the landfill's life.

Capital Assets

Capital assets are recorded at historical cost. A full fixed asset inventory was conducted in a prior period. Estimates were used as original cost for those items where actual cost records were unavailable. Assets not previously accounted for at that time were shown at their net transferable value with accumulated depreciation charged accordingly. For those assets considered by management to be obsolete, a change in accounting estimate was made to reflect proper depreciation amounts.

Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets, which range from two to thirty-seven years. Assets exclusively related to the landfill are depreciated over the lesser of their estimated useful life or the anticipated life of the landfill.

The DCSWA capitalizes assets in excess of \$2,000.

Covanta Delaware Valley, LP - Revenue and Expense

As of May 15, 2017, the Authority signed an amended and restated service agreement with Covanta Delaware Valley, LP ("Covanta"). The County, through the DCSWA, is obligated to deliver County waste to the Covanta facility, and Covanta is required, in turn, to pay to the DCSWA landfill host community fees for process residue. Further, Covanta pays to the DCSWA disposal fees for non-County waste. Unless otherwise agreed in writing, the DCSWA shall not deliver greater than 370,000 tons of acceptable waste, 37,000 tons in each billing period or 2,500 tons each day. Covanta has no obligation to accept any excess waste of the maximums noted. If Covanta accepts excess waste, then existing additional fees shall apply. For cash management purposes, the two parties have agreed that the party owing the net balance shall pay to the order of the other party the statement balance within 30 days. During 2018, the DCSWA paid to Covanta \$13,932,499, which included insurance costs, for its County waste deliveries. Covanta paid to the DCSWA \$7,602,534 in residue charges.

Concentrations

The DCSWA derived 21 percent of its operating revenue from Covanta.

Waterfront Industrial Development Authority

Property

Capital assets shown on these financial statements have been primarily financed by grants from both the County and the RDA. Depreciation is provided over the assets' useful lives using the straight-line method of depreciation.

County of Delaware, Pennsylvania

Notes to Financial Statements
December 31, 2018

Lease and Development Agreement

The IDA entered into a lease and development with F.C. Pennsylvania Stadium LLC, as tenant of the stadium property to acquire, construct, furnish and equip a new stadium with related improvements and amenities. Further, the tenant will occupy the stadium premises during the terms of the lease as the tenant's exclusive forum and location for playing and exhibition. The IDA retains legal ownership of and legal title to the stadium premises. However, during the term of the agreement, the tenant has legal and beneficial ownership of and legal title to leasehold interest in and to the Stadium facility.

4. Deposits and Investments

The County's investments are included primarily in the Pension Trust Fund and are invested in accordance with the appointed Employee's Retirement Board's (the "Board") investment policy. The policy authorizes the County to invest in a diversified portfolio including domestic and international equities, fixed income securities, and cash and cash equivalents. The policy prohibits investments in letter stock or other unregistered securities, commodities or commodity contracts, short sales, margin transactions, private placements (with the exception of Rule 144A securities), derivatives, options, or futures.

In defining the objectives of the Retirement Fund, the Board has carefully reviewed its current and projected financial obligations as well as the risk and return relationships included in various asset allocation strategies. Based on these considerations, the Fund objectives are:

1. To invest assets of the Retirement Fund in a manner consistent with the fiduciary standards of Act 96, namely: (a) all transactions undertaken must be for the sole interest of Fund participants and their beneficiaries and to provide maximum benefits and defray reasonable expenses in a prudent manner, and (b) assets are to be diversified in order to minimize the impact of large losses in individual investments.
2. To provide for the funding and anticipated withdrawals on a continuing basis.
3. To conserve and enhance the capital value of the Retirement Fund in real terms through asset appreciation and income generation, while maintaining a moderate investment risk profile.
4. To minimize principal fluctuations over the investment cycle (three to five years).
5. To achieve a long-term level of return commensurate with contemporary economic conditions and equal to or exceeding the investment objective set forth in the policy of the Board.

Equity funds invested in common stock, preferred stocks, and publicly traded real estate investment trusts shall be restricted to the high quality, readily marketable securities of corporations that are actively traded on a major exchange.

Not more than 5 percent of the total stock portfolio valued at market may be invested in the common stock of any one corporation. Ownership of the shares of one company shall not exceed 2 percent of those outstanding. Not more than 25 percent of stock valued at market may be held in any one industry category. Other than these constraints, there are no qualitative guidelines suggested as to issues, industry, or individual security diversification.

County of Delaware, Pennsylvania

Notes to Financial Statements
December 31, 2018

In order to maintain an effective money management structure that is style neutral, the large capitalization growth equity portion of the investment portfolio shall not exceed the large capitalization value equity portion of the portfolio by more than a two-to-one ratio. Conversely, value shall not exceed growth by the same ratio. This same relationship should be followed for the portfolio's small capitalization equity money managers as well.

With regards to fixed income investments, all investments shall be high quality, marketable securities with a preponderance of the investments in (1) U.S. Treasury, federal agencies, and U.S. government-guaranteed obligations, and (2) investment grade municipal or corporate issues including convertibles.

Credit Risk

Concentration of credit risk is the risk of loss attributed to magnitude of the County's investment in a single issuer. Fixed income securities of any one issuer shall not exceed 5 percent of the total bond portfolio at time of purchase. This does not apply to issues of the U.S. Treasury or other federal agencies.

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized rating organization. The overall rating of the fixed income assets shall be at least "A," according to either Moody's or Standard & Poor's rating system. In cases where the yield spread adequately compensates for additional risk, Baa or BBB ratings can be purchased up to a maximum of 15 percent of total market value of fixed income securities. If the credit quality of any one issue should drop below Baa or BBB, the investment manager should notify the Board and the investment consultant immediately, detailing their plan of action regarding the security.

Active bond management is encouraged and may require transactions that will temporarily lower the return or change the maturity of the portfolio in anticipation of market changes. Holdings of individual securities should be liquid so as not to incur unnecessary transaction costs.

The following securities and transactions are not authorized and shall not be purchased: letter stock and other unregistered securities, commodities or commodity contracts, short sales, margin transactions, private placements (with exception of Rule 144A securities), derivatives, options of futures for the purpose of portfolio leveraging are also prohibited, issues of or by instrumentalities deemed to be in violation of the Prohibited Transactions Standards of Act 96. Neither real estate equity nor natural resource properties such as oil, gas, or timber may be held except by purchase of publicly traded securities, except for existing real estate holdings. The purchase of collectibles is also prohibited.

All securities shall be held by a custodian appointed by the Board for safekeeping. The custodian shall produce statements at least quarterly listing the name and value of all assets held, and the dates and nature of all transactions. Assets of the Fund held as liquidity of investment reserves shall, at all times, be invested in interest-bearing accounts.

At December 31, 2018, cash and cash equivalents consists of cash on hand of \$18,100, deposits with financial institutions of \$188,428,528 and cash equivalents of \$30,542,268 held in uninsured investment funds. At December 31, 2018, the carrying amount of deposits with financial institutions and the bank balance was \$188,428,528 and \$205,026,535 respectively. The differences were caused primarily by items in transit.

County of Delaware, Pennsylvania

Notes to Financial Statements
December 31, 2018

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk. Commonwealth of Pennsylvania Act 72 of 1971 ("Act 72"), as amended, allows banking institutions to satisfy the collateralization requirement by pooling eligible investments to cover total public funds on deposit in excess of federal insurance. Such pooled collateral is pledged with the financial institutions' trust departments. At December 31, 2018, \$898,046 of the County's bank balance was insured by the Federal Deposit Insurance Corporation ("FDIC"). The remaining balance of \$204,128,489 is fully collateralized by securities pledged and held by the financial institution in accordance with Act 72, as indicated above. At December 31, 2018, the County's bank balance was exposed to custodial credit risk as follows:

Uninsured and collateral held by pledging bank's trust department not in the County's name	<u>\$ 204,128,489</u>
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Custodial credit risk is the risk that in the event of a failure of the counterparty (trustee) to a transaction, the County will not be able to recover the value of its investment. The Board does not have a formal policy for custodial credit risk. As of December 31, 2018, the County's total cash equivalents and investments held with investment fund institutions, excluding its investment in joint venture, of \$446,057,165 were exposed to custodial credit risk, since the investments were uninsured securities held by its custodian, but not in the County's name.

Interest Rate Risk

Interest rate risk is the risk that changes in market rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater sensitivity of its fair value to changes in market interest rates. The Board's investment guidelines have no formal policy that limits investment maturities as a means of managing its exposure to interest rate risk. The Board has adopted a long-term investment horizon such that the chances and duration of investment losses are carefully weighed against the long-term potential for appreciation of assets.

Foreign Currency Risk

Foreign currency risk is the risk that changes in the foreign exchange rates will adversely affect the fair value of an investment. The Board's policy allows 20 percent of the portfolio be invested in developed international markets. On December 31, 2018, the international equity fund represented approximately 17.2 percent of the total portfolio.

County of Delaware, Pennsylvania

Notes to Financial Statements
December 31, 2018

The following is the carrying value (fair value) of deposits and investments at December 31, 2018:

	S&P Rating ⁽¹⁾⁽²⁾	Duration (Range) ⁽¹⁾	Fair Value
Cash and cash equivalents	N/A	N/A	\$ 218,988,896
Investments:			
U.S. government and agencies	AA+	1.29-3.91	1,620,603
	N/A	0-11.32	48,366,209
Corporate bonds	A-	0.31-4.99	13,524,880
	AA-	0.31-4.17	5,759,155
	A	0.39-5.15	8,299,586
	BBB+	0.35-5.04	10,361,704
	A+	0.31-4.14	5,622,549
	BBB	0.29-4.18	9,717,211
	AAA	0.31-3.38	372,559
	AA	0.31-0.87	694,739
	AA+	0.94-5.11	3,995,364
	BBB-	0.53-1.56	1,658,382
	N/A	0	63,784
Stocks	N/A	N/A	289,724,029
Guaranteed investment contracts	N/A	N/A	37,762,707
Annuity	N/A	N/A	3,324,239
Asset-backed securities	AAA	0.60	83,001
	N/A	0.40	59,447
Municipal bonds	A+	1.17-1.75	317,047
	AA	0.55-6.1	3,093,959
	AA-	1.37-3.46	358,159
	AA+	0.42-4.46	689,902
	AAA	0.1-1.71	386,892
	N/A	0.96-1.76	201,058
Total investments in pension trust fund			<u>446,057,165</u>
Total			<u>\$ 665,046,061</u>

(1) N/A - not applicable

County of Delaware, Pennsylvania

Notes to Financial Statements
December 31, 2018

5. Fair Value Measurements

The County's cash and cash equivalents and investments measured at fair value include the following assets from each major fund classification at December 31, 2018:

	Cash and Cash Equivalents	Restricted Cash and Cash Equivalents	Investments	Total
Governmental Activities	\$ 117,980,840	\$ 61,591,029	\$ -	\$ 179,571,869
Business-Type Activity	7,824,867	1,009,378	-	8,834,245
Pension Trust Fund	30,542,268	-	446,057,165	476,599,433
Deshong Private-Purpose Trust Fund	40,514	-	-	40,514
Total cash and cash equivalent and investments	<u>\$ 156,388,489</u>	<u>\$ 62,600,407</u>	<u>\$ 446,057,165</u>	<u>\$ 665,046,061</u>

The County measures its cash and cash equivalents and investments on a recurring basis in accordance with the fair value hierarchy. The investments were measured with the following inputs at December 31, 2018:

	Carrying Value	Fair Value	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Cash and cash equivalents	\$ 218,988,897	\$ 218,988,897	\$ 218,988,897	\$ -	\$ -	\$ 218,988,897
Common stock	289,724,029	289,724,029	289,724,029	-	-	289,724,029
Fixed income	115,246,190	115,246,190	115,246,190	-	-	115,246,190
Annuity contract	3,324,239	-	-	-	3,324,239	3,324,239
Guaranteed investment contracts	37,762,707	-	-	-	37,762,707	37,762,707
Total	<u>\$ 665,046,061</u>	<u>\$ 623,959,116</u>	<u>\$ 623,959,116</u>	<u>\$ -</u>	<u>\$ 41,086,946</u>	<u>\$ 665,046,061</u>

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Inputs to valuation techniques refer to the assumptions that market participants would use in pricing the asset or liability. Inputs may be observable, meaning those that reflect the reporting entity's own belief about the assumptions market participants would use in pricing the asset or liability based upon the best information available in the circumstances. Additionally, the inputs are prioritized based on a three-level hierarchy that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

Level 1 - valuations are based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2 - valuations are based on quoted prices in markets that are not active, or inputs that are observable either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 - valuations are based on prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e. supported by little or no market activity).

County of Delaware, Pennsylvania

Notes to Financial Statements
December 31, 2018

The following is a description of the valuation methodologies used for assets measured at fair value:

Cash and cash equivalents: The carrying amounts approximate fair value because of the short maturity of this financial instrument.

Common stock: Valued at fair value based upon quoted market prices.

Fixed income: Valued at fair value based upon quoted market prices, if available, or estimated using quoted market prices for similar securities.

Annuity contracts: Valued at contract value, which approximates fair value, based on the Prudential Insurance Company of America's ("Prudential") ability to pay the guaranteed amounts in accordance with the terms of the contract. As of December 31, 2018, Prudential's credit ratings were as follows: A+ by A.M. Best Company, AA- by Fitch Ratings, A1 by Moody's Investors Service, and AA- by Standard & Poor's. Management believes the credit ratings of Prudential as of the measurement date uphold the firm's ability to meet obligations set forth in the contracts.

Guaranteed investment contracts: Valued at contract value, which approximates fair value, based on Nationwide Life Insurance Company's ("Nationwide") ability to pay the guaranteed interest rate in accordance with the terms of the contract. As of December 31, 2018, Nationwide's credit ratings were as follows: A+ by A.M. Best Company, A1 by Moody's Investors Service, and A+ by Standard & Poor's. Management believes the credit ratings of Nationwide as of the measurement date uphold the firm's ability to meet obligations set forth in the contracts.

6. Component Units - Deposits, Investments and Fair Value

Solid Waste Authority

On December 31, 2018, the DCSWA held \$8,842,919 in unrestricted cash and cash equivalents.

Custodial credit risk is the risk that in the event of a bank failure, the DCSWA's deposits may not be returned to it. The DCSWA's policy is to place deposits only in FDIC insured institutions. Deposits in excess of the FDIC limit are collateralized pursuant to Commonwealth of Pennsylvania Public Law 72 of 1971, which allows depositories to satisfy collateralization requirements by pooling eligible investments to cover total public funds on deposit in excess of federal insurance.

DCSWA holds a surety bond. The bond requires a cash collateral deposit of \$2,000,000, which is included in restricted cash as of December 31, 2018. Per terms of the surety bond, the collateral deposit is protected from custodial credit risk.

At December 31, 2018, the DCSWA's investments consist solely of certificates of deposit totaling \$10,500, which were all deemed to be Level 1 investments. The certificates of deposits were valued based on the stated value of the certificates plus accrued interest, which was calculated based on stated interest rates and dates of maturity.

County of Delaware, Pennsylvania

Notes to Financial Statements
December 31, 2018

Economic Development Oversight Board

On December 31, 2018, the total carrying amount of EDOB's checking and savings deposits was \$769,053, and the corresponding bank balance was \$771,172.

Custodial credit risk is the risk that in the event of a bank failure, the EDOB's deposits may not be returned to it. The EDOB's policy is to place deposits only in FDIC insured institutions. Deposits in excess of the FDIC limit are collateralized pursuant to Commonwealth of Pennsylvania Public Law 72 of 1971, which allows depositories to satisfy collateralization requirements by pooling eligible investments to cover total public funds on deposit in excess of federal insurance. In the normal course of business, EDOB may have deposits that exceed insured balances.

Chester Waterfront Industrial Development Authority

On December 31, 2018, the IDA held \$63,182 in cash and cash equivalents and a corresponding bank balance of \$63,182.

Custodial credit risk is the risk that in the event of a bank failure, the IDA's deposits may not be returned to it. The IDA does not have a written policy for custodial credit risk. The bank balances are covered by federal depository insurance.

Redevelopment Authority

On December 31, 2018, the total carrying amount of RDA's checking, savings and escrow deposits was \$4,300,644 and the corresponding bank balance was \$4,308,734.

Custodial credit risk is the risk that in the event of a bank failure, the RDA's deposits may not be returned to it. The RDA does not have a policy for custodial credit risk. In the normal course of business, the RDA may have deposits that exceed insured balances.

7. Property Taxes

Real Estate Property Taxes

Real estate property taxes attach as an enforceable lien on property on January 1. Taxes are levied on February 1, payable on the following terms: 2 percent discount February 1 through April 1; face amount April 2 through June 1; and 10 percent penalty after June 2. The County bills and collects its own property taxes. Revenues are recognized in the period in which they become susceptible to accrual, which is when they become both measurable and available. Real estate taxes receivable are recorded net of an allowance for uncollectibles totaling \$158,249 as of December 31, 2018, on the statement of net position.

The County is permitted by law to levy taxes of an unlimited rate of mills on every dollar of assessed value of real property for general governmental services. At December 31, 2018, the millage rate was 5.604 mills on each dollar of assessed valuation, or the sum of \$.5604 on each one hundred dollars of assessed valuation..

County of Delaware, Pennsylvania

Notes to Financial Statements
December 31, 2018

8. Other Receivables

Other receivables of \$5,952,340 in the governmental activities consist of amounts due from the City of Chester of \$5,823,930 (Note 27) and various other receivables of \$128,410.

9. Accounts and Grants Receivable, Net

Business-type activity net accounts receivable of \$21,155,453 consists of amounts due from the Commonwealth of Pennsylvania Department of Human Service Medical Assistance of \$7,473,547; Private Pay Patients of \$13,238,094; Medicare Part A and B of \$1,666,315 and other patient-related receivables of \$252,752. The accounts receivable allowance for uncollectibles is calculated based on historical data and currently known facts and was \$1,475,255 at December 31, 2018.

Governmental activities net accounts receivable of \$3,211,205 consists of amounts due from the Commonwealth of Pennsylvania and Harrah's Chester for gaming revenue of \$1,511,197 and various miscellaneous receivables of \$1,700,008.

Governmental activities net grants receivable of \$35,591,716 consists of amounts due from Federal agencies and the Commonwealth of Pennsylvania.

10. Component Units - Accounts Receivable, Net

The DCSWA manages the County owned transfer stations and is responsible for the receipt and transfer of solid waste materials as provided by commercial or private haulers. Beginning in January 1995, it was determined by agreement between the DCSWA and the County that the fees and permits collected from commercial or private haulers would remain with the DCSWA and represent income. Fees that were due relative to the receipt of solid waste at December 31, 2018 are represented by receivables in the amount of \$2,504,326, net of an allowance for doubtful accounts of \$103,514. Commercial and private haulers that deposit waste at the landfill are charged hauling fees that are reflected in the DCSWA's income. Receivables representing hauler fees at December 31, 2018 totaled \$1,110,878 net of an allowance for doubtful accounts of \$109,525.

County of Delaware, Pennsylvania

Notes to Financial Statements
December 31, 2018

11. Restricted Assets

Assets whose use is limited to a specific purpose have been classified as "restricted" cash and cash equivalents in the statement of net position. As of December 31, 2018, restricted cash and cash equivalents are held for the following:

Primary government:

District Attorney Escrow Funds representing monies confiscated from arrested individuals, which ultimately will be distributed based upon court order. (The aggregate amount has been classified as other restricted assets on the General Fund balance sheet)	\$ 261,693
Marcellus Shale Funds are restricted pursuant to PA Act 13, for replacement or repair of locally owned at-risk deteriorated bridges and the planning acquisition, development rehabilitation and repair of greenways, recreational trails, open space, natural areas, community conservation and beautification projects, community and heritage parks and water resources management	4,403,351
Workers' Compensation Escrow Funds are to be utilized for payment of major workers' compensation claims	2,074,800
Emergency Communications Escrow Funds to be utilized for payment of maintenance agreements related to 911 global positioning system equipment in the capital project fund	1,387
Capital Project Funds to be utilized for various capital improvement projects as defined in the corresponding note agreements	50,236,221
Capital Project Funds to be utilized for Help America Vote Act Program	18,100
Health and Human Service Funds to be utilized for Health Choices reinvestment plans	4,595,477
Residents' Accounts are to be utilized by the residents; Residents Special Aid and Entertainment Escrow Funds are to be utilized for entertainment of the Geriatric Center's residents and are distributed by a resident's council; both are classified as other restricted assets on the proprietary funds statement of net position	<u>1,009,378</u>
Total primary government	<u>62,600,407</u>

Component units:

Delaware County Solid Waste Authority deposited funds with an escrow agent as collateral deposit for surety bond	2,000,000
Delaware County Economic Development Oversight Board maintains restricted cash related to Community Development Block Grant revolving loan fund requirements	498,771
Delaware County Redevelopment Authority deposited funds with an escrow agent	<u>3,175</u>
Total component unit	<u>2,501,946</u>
Total	<u>\$ 65,102,353</u>

County of Delaware, Pennsylvania

Notes to Financial Statements
December 31, 2018

12. Capital Assets

A summary of changes in capital assets follows:

	January 1, 2018	Additions	Reclassifications/ Disposals	December 31, 2018
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 6,176,214	\$ -	\$ -	\$ 6,176,214
Construction in progress	-	4,496,907	-	4,496,907
Total capital assets not being depreciated	6,176,214	4,496,907	-	10,673,121
Capital assets being depreciated:				
Land improvements	22,566,400	9,300	-	22,575,700
Buildings and improvements	235,987,945	354,271	(6,109,367)	230,232,849
Equipment	107,080,543	5,435,975	(243,963)	112,272,555
Infrastructure	24,092,291	244,634	-	24,336,925
Total capital assets being depreciated	389,727,179	6,044,180	(6,353,330)	389,418,029
Less accumulated depreciation for:				
Land improvements	12,581,434	858,620	-	13,440,054
Buildings and improvements	122,522,023	4,800,161	(4,410,851)	122,911,333
Equipment	82,045,786	4,415,568	(240,346)	86,221,008
Infrastructure	4,660,939	237,637	-	4,898,576
Total accumulated depreciation	221,810,182	10,311,986	(4,651,197)	227,470,971
Total capital assets being depreciated, net	167,916,997	(4,267,806)	(1,702,133)	161,947,058
Governmental activities, capital assets, net	\$ 174,093,211	\$ 229,101	\$ (1,702,133)	\$ 172,620,179

County of Delaware, Pennsylvania

Notes to Financial Statements
December 31, 2018

	January 1, 2018	Additions	Reclassifications/ Disposals	December 31, 2018
Business-type activity, Geriatric Center:				
Capital assets being depreciated:				
Buildings and improvements	\$ 53,804,542	\$ 908,216	\$ -	\$ 54,712,758
Equipment	40,285,971	1,030,413	-	41,316,384
Total capital assets being depreciated	94,090,513	1,938,629	-	96,029,142
Less accumulated depreciation for:				
Buildings and improvements	45,809,007	693,780	-	46,502,787
Equipment	37,892,951	932,588	-	38,825,539
Total accumulated depreciation	83,701,958	1,626,368	-	85,328,326
Total capital assets being depreciated, net	10,388,555	312,261	-	10,700,816
Business-type activity, capital assets, net	\$ 10,388,555	\$ 312,261	\$ -	\$ 10,700,816

Depreciation expense was charged to governmental activities as follows:

General government	\$ 6,599,279
Corrections	2,272,090
Public ways and facilities, including depreciation of general infrastructure assets	237,637
Health and human service	200,183
Recreation	955,240
Other	47,557
Total	<u>\$ 10,311,986</u>

The following is a summary of capital assets by source:

December 31, 1983 and prior	\$ 63,888,593
General obligation bonds	276,842,750
General Fund	18,290,830
State grants	18,741,838
Restricted 911 special revenue	22,327,139
Total	<u>\$ 400,091,150</u>

County of Delaware, Pennsylvania

Notes to Financial Statements
December 31, 2018

13. Component Units - Capital Assets

The capital asset activity for the DCSWA for the year ended December 31, 2018 was as follows:

	January 1, 2018	Additions	Reclassifications/ Disposals	December 31, 2018
Capital assets not being depreciated, Land	\$ 7,000,000	\$ -	\$ -	\$ 7,000,000
Capital assets being depreciated or depleted:				
Landfill	51,135,989	-	-	51,135,989
Machinery and equipment	12,270,806	1,460,142	(1,712,004)	12,018,943
Buildings and structures	13,779,638	256,048	-	14,035,686
Pad construction	73,889,207	1,138,461	-	75,027,665
Total capital assets being depreciated	151,075,640	2,854,651	(1,712,004)	152,218,283
Less accumulated depreciation and depletion for:				
Landfill	48,628,309	385,558	-	49,013,867
Machinery and equipment	9,790,262	680,297	(1,689,520)	8,781,039
Buildings and structures	12,048,333	453,243	-	12,501,576
Pad construction	55,409,000	3,353,885	-	58,762,884
Total accumulated depreciation and depletion	125,875,904	4,872,983	(1,689,520)	129,059,367
Total capital assets being depreciated or depleted, net	25,199,736	(2,018,332)	(22,484)	23,158,916
Capital assets, net	\$ 32,199,736	\$ (2,018,332)	(22,484)	\$ 30,158,920

The capital asset activity for the IDA for the year ended December 31, 2018 was as follows:

	January 1, 2018	Additions	Reclassifications/ Disposals	December 31, 2018
Capital assets not being depreciated, Land	\$ 849,286	\$ -	\$ -	\$ 849,286
Capital assets being depreciated, Property	29,365,000	-	-	29,365,000
Less accumulated depreciation for, Property	7,830,669	978,833	-	8,809,502
Total capital assets being depreciated, net	21,534,331	(978,833)	-	20,555,498
Capital assets, net	\$ 22,383,617	\$ (978,833)	\$ -	\$ 21,404,784

County of Delaware, Pennsylvania

Notes to Financial Statements
December 31, 2018

14. Investment in Joint Venture

Southeastern Pennsylvania Transportation Authority ("SEPTA") runs a multi-modal system of vehicles and route services in Delaware County along with other areas such as Chester, Montgomery, Philadelphia and selected areas in New Jersey and Delaware. SEPTA has five participants - Delaware, Chester, Bucks, Montgomery and Philadelphia Counties, each of which appoints two members to the Governing Board. Four members are appointed by the Pennsylvania State House and Senate. The fifteenth member is appointed by the Governor's office. Delaware County has an ongoing financial responsibility as it is obligated for the Transportation Bonds of SEPTA and the continued existence of SEPTA depends on continued funding by the County and the other four participants.

Under state law, the County is required to subsidize SEPTA's operating and capital budget annually. During 2018, the County's operating budget contribution was \$10,135,834, and capital additions were \$2,004,119. As the investment in the joint venture is primarily related to capital purchases with estimable useful lives, typically of 15 to 30 years, the County determined the investment in the joint venture to have an estimated life of 30 years. Current year amortization of the investment was \$7,075,731. Included on the statement of net position is an investment in a joint venture totaling \$183,876,297 at December 31, 2018.

Complete financial statements for SEPTA can be obtained from the administrative offices of SEPTA or at septa.org/strategic-plan/reports.html.

15. Long-Term Liabilities

Primary Government

The following is a summary of changes in noncurrent liabilities of the County excluding other post-employment benefit (Note 22) and pension (Note 23) liabilities for the year ended December 31, 2018:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Governmental activities:					
Liability for general obligation debt	\$ 260,610,450	\$ 40,000,000	\$ (20,626,745)	\$ 279,983,705	\$ 17,435,945
Liability for claims payable	6,221,458	49,742,036	(50,510,448)	5,453,046	2,914,665
Liability for early retirement incentive	163,529	-	(163,529)	-	-
Governmental activity, Long-term liabilities	<u>\$ 266,995,437</u>	<u>\$ 89,742,036</u>	<u>\$ 71,300,772</u>	<u>\$ 285,436,751</u>	<u>\$ 20,350,610</u>
Business-type activity, Liability for general obligation debt	<u>\$ 27,411,666</u>	<u>\$ 1,931,123</u>	<u>\$ (3,937,134)</u>	<u>\$ 25,405,656</u>	<u>\$ 3,669,055</u>

The long-term liabilities are generally liquidated by the fund to which they relate. The significant funds to which they relate are the General, Health and Human Services, and Geriatric Care Fund.

County of Delaware, Pennsylvania

Notes to Financial Statements
December 31, 2018

Component Unit

The following is a summary of changes in noncurrent liabilities of the DCSWA for the year ended December 31, 2018:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Liability for revenue notes payable	\$ 8,391,000	\$ -	\$ (501,000)	\$ 7,890,000	\$ 518,000
Liability for accrued closure costs	17,612,819	447,944		18,060,763	-
Long-term liabilities	<u>\$ 26,003,819</u>	<u>\$ 447,944</u>	<u>\$ (501,000)</u>	<u>\$ 25,950,763</u>	<u>\$ 518,000</u>

16. General Obligation Debt

The following are summaries of changes in general obligation debt, by type, for the year ended December 31, 2018:

	Governmental Activities	Business-Type Activity	Total
Outstanding at beginning of the year	\$ 260,610,450	\$ 27,411,666	\$ 288,022,116
Issuance of debt	40,000,000	-	40,000,000
Allocation of debt for capital assets	(1,931,123)	1,931,123	-
Accretion of bond premiums	(1,708,532)	(381,223)	(2,089,755)
Retirements and repayments	(16,987,090)	(3,555,910)	20,543,000
Outstanding at end of year	<u>\$ 279,983,705</u>	<u>\$ 25,405,656</u>	<u>\$ 305,389,361</u>

Total balance includes the premiums of \$4,365,361. Actual debt outstanding was \$301,024,000 at December 31, 2018.

The outstanding balance at December 31, 2018 related to governmental activities of \$279,983,705 includes \$6,739,051 of debt used to fund the capital assets of SEPTA. The following summarizes general obligation debt, by type, outstanding at December 31, 2018:

	Governmental Activities	Business-Type Activity	Total
Serial bonds and notes	<u>\$ 273,244,654</u>	<u>\$ 25,405,656</u>	<u>\$ 298,650,310</u>

County of Delaware, Pennsylvania

Notes to Financial Statements
December 31, 2018

A summary of general obligation debt outstanding at December 31, 2018 is as follows:

Year of Issue/ Final Maturity	Amount of Original Issue	Purpose	Outstanding at December 31, 2018	Current Portion
1997/2022	\$ 50,000,000	Fund SEPTA projects, building and park improvements, construction of a prison, and various other County projects	\$ 12,432,000	\$ 4,746,000
2002/2022	61,524,000	Refinance the 1999 notes used to fund SEPTA projects and various other County projects	12,220,000	-
2005/2019	10,000,000	Fund voting machine project and various other County projects	343,000	343,000
2007/2027	26,720,000	Refinance the 2004 Note and to refinance a portion of the 2002 Note	14,310,000	40,000
2009/2039	28,595,000	Provide funds in the form of a grant to the Delaware County Chester Waterfront Industrial Development Authority, which will be used to acquire, construct, and equip a new soccer stadium in the City of Chester, Delaware County	23,125,000	700,000
2009/2019	54,750,000	Refund the 1999 General Obligation Note to reduce total debt service	7,395,000	7,395,000
2010/2028	45,180,000	Refund the 2008 General Obligation Note and for various other capital projects at the County	45,145,000	5,000
2012/2032	20,000,000	Fund SEPTA projects, construction and renovations of County buildings and various other County projects	19,994,000	1,000
2013/2033	25,000,000	Fund SEPTA projects, construction and renovations of County buildings and various other County projects	24,995,000	1,000
2014/2025	45,166,000	Partially refund the 1997 and 2002 notes payable to level debt service payments	45,158,000	2,000
2015/2035	25,000,000	Fund SEPTA projects, construction and renovations of County buildings and various other County projects	24,997,000	1,000
2016/2021	49,420,000	Refund the 2005 bond to reduce total debt service	30,910,000	7,870,000
2018/2038	40,000,000	Fund construction and renovations of County buildings, equipment, SEPTA, and open space projects	40,000,000	1,000
		Total	<u>\$ 301,024,000</u>	<u>\$ 21,105,000</u>

Interest rates on the above obligations are fixed and variable. Fixed interest rates range 1.39 percent to 5.00 percent. Variable interest rates are limited to a maximum potential variable rate of 15 percent.

There are a number of limitations and restrictions contained in the various bond indentures.

County of Delaware, Pennsylvania

Notes to Financial Statements
December 31, 2018

Amounts due from governmental funds are expected to be repaid from the General Fund. A summary of principal and interest maturities on general obligation serial bonds and notes outstanding at December 31, 2018 is presented below:

	<u>Principal Maturity</u>	<u>Interest Maturity ⁽¹⁾</u>	<u>Total Principal and Interest Maturities</u>
Years:			
2019	\$ 21,105,000	\$ 8,291,480	\$ 29,396,480
2020	21,520,000	7,648,197	29,168,197
2021	22,146,000	7,032,848	29,178,848
2022	24,366,000	6,223,130	30,589,130
2023	24,991,000	5,677,839	30,668,839
2024-2028	100,795,000	20,538,169	121,333,169
2029-2033	54,194,000	10,705,625	64,899,625
2034-2038	30,217,000	3,430,198	33,647,198
2039	1,690,000	86,613	1,776,613
Total	<u>\$ 301,024,000</u>	<u>\$ 69,334,099</u>	<u>\$ 370,358,099</u>

⁽¹⁾ Includes interest at year-end rates for variable rate notes. Interest on the variable rate notes is paid and adjusted monthly based on certain factors. Actual interest expense on all long-term debt totaled \$7,762,067 for the year ended December 31, 2018.

Delaware Valley Regional Finance Authority ("DVRFA") was formed for the purpose of establishing a pooled loan program for the benefit of local governmental units in the Delaware Valley region. The County has entered into general obligation notes with DVRFA of which \$ 239,594,000 is outstanding at December 31, 2018.

DVRFA has entered into interest rate swap agreements with third party financial institution counterparties related to the bonds DVRFA issued, the proceeds of which fund the pooled loan program. If the swap agreements were terminated, DVRFA would receive or be obligated to pay the market value of the swap agreements at the termination date. If DVRFA were obligated to make a payment and sufficient funds were not available, each borrower would be assessed its allocable share of the termination payment. Borrowers are not entitled to any payments DVRFA would receive from a counterparty as a result of a termination. A related interest rate swap agreement may be terminated under the following circumstances: 1) DVRFA and the counterparty mutually consent to the termination, 2) the borrower defaults on its loan, or 3) DVRFA or the counterparty default or their financial conditions deteriorate to make a default imminent. DVRFA would seek to replace the terminated underlying swap agreement with a new agreement with similar terms and conditions upon termination.

DVRFA enters into interest rate swap agreements to provide fixed interest rates to borrowers. The agreement would normally only be terminated if the borrower requested it, including prepayment of the outstanding note, or if the borrower defaulted on its loan. The borrower would be responsible for any termination payment. The borrower is not entitled to receive any payments DVRFA would receive from the counterparty as a result of a termination.

County of Delaware, Pennsylvania

Notes to Financial Statements
December 31, 2018

As of December 31, 2018, the market value of interest rate swap agreements related to outstanding general obligation notes outstanding are as follows:

General Obligation Note Year of Issue	Balance Outstanding	Market Value of Related Allocable Interest Rate Swap	Market Value of Related Fixed Rate Loan Swap
1997	\$ 12,432,000	\$ 1,499,143	\$ 229,656
2002	12,220,000	1,473,578	268,143
2005	343,000	41,361	(110)
2007	14,310,000	1,725,606	(8,880)
2010	45,145,000	5,443,920	442,551
2012	19,994,000	2,411,025	53,160
2013	24,995,000	3,014,083	-
2014	45,158,000	5,445,488	643,732
2015	24,997,000	3,014,324	467,344
2018	40,000,000	4,823,498	(2,434,327)

17. Component Unit - Notes Payable

Revenue Notes Payable

On March 25, 2009, the DCSWA authorized the issuance of Guaranteed Revenue Notes, 2009 Series (the "Notes") totaling \$7,200,000. The 2009 Notes were used for certain capital projects consisting of a) the construction of leachate collection and treatment facilities, b) the acquisition of vehicles and equipment, c) the construction of and improvements to the Rolling Hills Landfill, d) the rehabilitation of wells, and e) the payment of the costs of issuance of the 2009 Notes. The 2009 Notes were issued over a two year period.

On March 25, 2009, the DVRFA issued on behalf of the DCSWA, Guaranteed Revenue Notes, 2009 A Series (the "2009 A Notes") in the amount of \$2,400,000, 2009 B Series (the "2009 B Notes") in the amount of \$2,400,000, and 2009 C Series (the "2009 C Notes") in the amount of \$2,400,000.

Principal is payable annually on March 25 and interest is payable monthly at a rate of 3.38 percent for Series A, 3.23 percent for Series B and 3.39 percent for Series C as per the Notice of Fixed Rate Conversion.

On March 26, 2012, the DCSWA authorized the issuance of Guaranteed Revenue Notes, 2012 Series (the "2012 Notes") totaling \$4,000,000. The 2012 Notes were used for certain capital projects consisting of a) the construction of leachate collection and treatment facilities, b) the acquisition of vehicles and equipment, c) the construction of and improvements to the Rollings Hills Landfill, d) the rehabilitation of wells, and e) the payment of the costs of issuance of the Notes.

On March 26, 2012, the DVRFA issued on behalf of the DCSWA, Guaranteed Revenue Notes, 2012 A Series (the "2012 A Notes") in the amount of \$4,000,000. Principal is payable annually on June 25 beginning June 25, 2013. Interest is payable monthly at a rate of 2.485 percent as per the Notice of Fixed Rate Conversion.

County of Delaware, Pennsylvania

Notes to Financial Statements
December 31, 2018

The County has guaranteed the 2009 and 2012 loan agreements listed above between the DCSWA (component unit) and DVRFA in accordance with the laws of Commonwealth of Pennsylvania. In the event that the DCSWA is unable to make payment, the County will be required to make payment. The guarantees are for the term and amount of the debt disclosed below. There are no arrangements for recovery of payments.

The aggregate annual principal and interest payments for each of the following years ending December 31 are as follows:

	<u>Principal</u>	<u>Interest</u>
Years ending:		
2019	\$ 518,000	\$ 229,176
2020	534,000	213,154
2021	551,000	196,632
2022	568,000	179,586
2023	585,000	161,991
2024-2032	<u>5,134,000</u>	<u>616,203</u>
Total	<u>\$ 7,890,000</u>	<u>\$ 1,596,742</u>

For the year ended December 31, 2018, interest expense amounted to \$242,475.

18. Other Liabilities

Other liabilities represent accrued expense and other obligations with third parties payable expected to be settled and paid within one year. On the statement of net position, governmental activities other liabilities of \$38,275,335 consists of \$11,994,123 of accrued payroll expenses, \$7,839,638 of accrued expense payable to vendors, \$7,205,780 of internal governmental transfer balance payable on behalf of Fair Acres, \$5,560,478 of refundable deposits held by the Sherriff's Office, Office of Judicial Support, and Recorder of Deeds, \$2,077,314 of delinquent tax settlements payable, \$1,073,208 of fund to be refunded or escheated, and \$2,524,794 of Sherriff's sale proceeds payable to creditors.

19. Interfund Receivables and Payables

Interfund receivable and payable balances as of December 31, 2018 are as follows:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 61,499,015	\$ 47,406,134
Capital Projects Fund	-	10,185,866
Health and Human Service Fund	27,266,001	16,543,307
Other Governmental Funds	13,423,319	16,366,037
Proprietary Fund	-	7,944,210
Internal Service Funds	<u>647,618</u>	<u>4,390,399</u>
Total	<u>\$ 102,835,953</u>	<u>\$ 102,835,953</u>

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, and (2) transactions are recorded in the accounting system and payments between the funds are made.

County of Delaware, Pennsylvania

Notes to Financial Statements
December 31, 2018

20. Amounts Due To/From Component Units

The following is a summary of amounts due to/from component unit (the "DCSWA") at December 31, 2017, activity for 2018, and amounts due at December 31, 2018:

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
Balance, December 31, 2017	\$ 2,007,387	\$ 5,475,000	\$ 7,482,387
Additions	-	-	-
Repayments	(2,968)	-	(2,968)
Balance, December 31, 2018	<u>\$ 2,004,419</u>	<u>\$ 5,475,000</u>	<u>\$ 7,479,419</u>

The County has made advances to the DCSWA from time to time for operations and or capital purchases and improvements. The amount due from the DCSWA to the County's Capital Project fund of \$5,475,000 reflects a pledged investment, which is not expected to be liquidated within the current operating cycle.

21. Interfund Transfers

Interfund transfers for the year ended December 31, 2018 are as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 540,000	\$ 16,233,002
Capital Projects	1,807,791	-
Health and Human Service Fund	13,846,001	6,923,000
Proprietary Fund	2,903,233	-
Other Governmental Funds	4,598,977	540,000
Total	<u>\$ 23,696,002</u>	<u>\$ 23,696,002</u>

Transfers from the General Fund to the Health and Human Service Fund and the other governmental funds are unrestricted revenue collected in the General Fund used for the County's match for various grant agreements. Transfers from the General Fund to the enterprise fund are unrestricted revenues collected in the General Fund used to subsidize operating shortfalls in the proprietary fund. Transfers from the Health and Human Services Funds represent the transfer of funds from the human services administrative fund, which handles centralized costs that are allocated, to the other health and human services funds.

County of Delaware, Pennsylvania

Notes to Financial Statements
December 31, 2018

22. Other Post-Employment Benefits

Plan Description

The Delaware County Health Plan is single-employer plan administered by the County. The Plan is a welfare plan designed to provide hospital, medical-surgical, major medical and prescription benefits to eligible employees and their dependents.

The County pays premiums for medical insurance on behalf of eligible retirees and their dependents. Eligible retirees are defined as individuals who retire with a normal or early pension and who has attained the age of sixty or who has twenty years of service. An eligible employee may also be an individual who has been employed by the County for five years of service and before reaching superannuation retirement age, is disabled while in service and is unable to continue as a County employee. A dependent is defined as a lawful spouse and unmarried children under twenty-seven years of age. Dependent children may be included up through age twenty-six.

The Plan is unfunded and no financial report is prepared. The County expressly reserves the right, in its sole discretion, at any time and from time to time to amend or terminate the existence, amount or nature of a benefit; alter or postpone the conditions for or method of payment of a benefit; amend or rescind a provision of the Plan; merge the Plan with another plan; and terminate the Plan in its entirety. The Plan is authorized and under the control, maintenance and operation of the County.

Plan Membership

At December 31, 2018, the Plan membership consisted of the following:

Inactive members or beneficiaries currently receiving benefits	1,453
Inactive employees entitled to but not yet receiving benefits	-
Active members	<u>2,654</u>
Total membership	<u><u>4,107</u></u>

Funding Policy

Plan members do not contribute to the plan; the County pays 100 percent of the cost of coverage for retired covered employees. The required contribution is based on pay-as-you-go financing requirements. County Council has the authority to amend the Plan including changing the obligations of the plan members and the County to contribute to the Plan.

County of Delaware, Pennsylvania

Notes to Financial Statements
December 31, 2018

Net OPEB Liability of the County

The County net OPEB liability was measured as of December 31, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by and actuarial valuation as of that date.

Total other post-employment benefit liability	\$ 454,668,067
Plan fiduciary net position	<u>-</u>
Net other post-employment benefit liability	<u>\$ 454,668,067</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.0%

The calculations are based on the types of benefits provided under the terms of the Plan at the time of the valuation. The projection of benefits for financial reporting purposes does not incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future.

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of December 31, 2018 utilizing the entry age actuarial cost method. The following actuarial assumptions, applied to all periods included in the measurement, were used in determination of the total OPEB liability:

Inflation - 2.50 percent

Salary increase rate - 3.50 percent per annum

Healthcare cost trend rates - the following healthcare cost trend assumptions were applied in 2018 and will reduce by 0.5 percent each year until the ultimate trend rate indicated is reached:

<u>Expense Type</u>	<u>2018 Rate</u>	<u>Ultimate Rate</u>
Pre-Medicare medical and Rx Benefits	7.0%	4.5%
Medicare benefits	6.0%	4.5%
Stop loss fees	7.0%	4.5%
Administrative fees	4.5%	4.5%

Per capita health claim cost - the expected annual per capita claim costs were \$11,000 for age 60 and \$4,300 for age 70

Plan participation percentage - 100 percent of all employees and their dependents will participate in the Plan

Mortality rates - RP-2014 generational table scaled using MP-17 and applied on a gender-specific basis

Discount Rate

The discount rate used to measure the total OPEB liability was 4.09 percent. The investments expected to be used to finance the payments of benefits would be plan assets for funded plans, assets of the employer for pay-as-you-go plans, or a proportionate combination of the two for plans that are being partially funded.

County of Delaware, Pennsylvania

Notes to Financial Statements
December 31, 2018

Changes in the Net OPEB Liability

	<u>Total OPEB Liability</u>
Balance at January 1, 2018	\$ 485,369,968
Service cost	18,690,090
Interest	17,101,669
Changes of assumptions or other inputs	(52,656,643)
Benefit payments	<u>(13,837,017)</u>
Balance at December 31, 2018	<u>\$ 454,668,067</u>

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-percentage point lower or 1-percentage-point higher than the current discount rate:

	<u>1% Decrease 3.09%</u>	<u>Current Discount Rate 4.09%</u>	<u>1% Increase 5.09%</u>
2018 Net OPEB liability	<u>\$ 379,891,000</u>	<u>\$ 454,668,000</u>	<u>\$ 550,739,000</u>

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

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 healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease (5.5% decreasing to 3.5)</u>	<u>Healthcare Cost Trend Rates (6.5% decreasing to 4.5)</u>	<u>1% Increase (7.5% decreasing to 5.5)</u>
2018 Net OPEB liability	<u>\$ 381,205,000</u>	<u>\$ 454,668,000</u>	<u>\$ 551,000,000</u>

County of Delaware, Pennsylvania

Notes to Financial Statements
December 31, 2018

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2018, the County recognized OPEB expense of \$32,792,995.

Gains and losses related to the difference between assumptions and actual experience are amortized over a period of 7.9 years starting on January 1, 2017. At December 31, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Changes in assumptions	<u>\$ 21,655,837</u>	<u>\$ (45,976,566)</u>

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

Years ending December 31:	
2019	\$ (2,998,765)
2020	(2,998,765)
2021	(2,998,765)
2022	(2,998,765)
2023	(2,998,765)
Thereafter	<u>(9,326,904)</u>
Total	<u>\$ (24,320,729)</u>

23. Employees' Retirement Plan

Plan Description and Administration

The Delaware County Employees' Pension Plan (the "Plan") is a single-employer defined benefit pension plan that covers all full-time employees of the County. The plan is included in the accompanying financial statements of the County as a pension trust fund and does not issue a separate plan financial statement.

The plan is governed by the Delaware County Employees' Retirement System Trust, Amended and Restated Effective January 1, 2011 plan document. The retirement trust is administered in good-faith compliance with the applicable provisions of the Internal Revenue Code and consistent with Commonwealth of Pennsylvania's Act 96 of 1971, as amended, commonly referred to as the County Pension Law. The plan is managed by the Delaware County Retirement Board, which consists of five members - three elected County Council members, the County Controller and the County Treasurer.

County of Delaware, Pennsylvania

Notes to Financial Statements
December 31, 2018

At January 1, 2017, the measurement date, members of the plan was as follows:

Inactive plan members currently receiving benefits	1,575
Inactive plan members entitled to benefits but not yet receiving them	163
Current employees	<u>2,966</u>
Total membership	<u><u>4,704</u></u>
Number of participating employers	<u><u>1</u></u>

Benefits Provided

The Plan provides retirement, disability, and death benefits. Retirement benefits for plan members are calculated as a percent of the member's highest three-year average salary times the number's years of service depending on class basis. Plan members with 20 years of service are eligible to retire at age 55. Plan members that have attained age 60 are eligible to retire. All plan members are eligible for disability benefits after five years of service if disabled while in service and unable to continue as a County employee. Disability retirement benefits are equal to 25 percent of the highest average salary at time of retirement. Death benefits for a member who dies with 10 years of service prior to retirement is the total present value of member's retirement paid in a lump sum. A plan member who leaves County service with less than five years of service may withdraw his or her contributions, plus any accumulated interest. On an ad hoc basis, cost-of-living adjustments to each member's retirement allowance shall be reviewed at least once in every three years subsequent to the member's retirement date. The adjustment, should the County elect to give one, is a percentage of the change in the Consumer Price Index. Benefits are determined by the plan document, which is in accordance with the Commonwealth of Pennsylvania's Act 96 of 1971, as amended, commonly referred to as the County Pension Law.

Funding Policy and Contributions

Employees are required to contribute a portion of their salaries (7 percent of earnings) to the Plan and employees can elect to contribute up to 17 percent of their salaries. Per Act 96 of 1971, contribution requirements of the plan members and the County may be amended by the General Assembly of the Commonwealth of Pennsylvania. Interest is credited each year in an amount allowed by the County Retirement Board to each member's account. Administrative costs of the Plan are financed through investment earnings.

The Plan's funding policy provides for periodic employer contributions at actuarially determined rates. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. Level percentages of payroll employer contribution rates are determined using the entry age normal actuarial cost funding method.

For 2018, the annual contribution by the County was \$1,527,490 based on the January 1, 2017 actuarial valuation using the entry age normal cost method. The actuarial assumptions included (a) 7.5 percent investment rate of return (net of administrative expenses) compounded annually, (b) projected salary increases of 3.5 percent per year, and (c) cost-of-living adjustments provided at the discretion of the Delaware County Employees' Retirement Board. Both (a) and (b) included an inflation component of 3.0 percent. The actuarial value of assets is calculated using the greater of the market value of assets as of the valuation date or the actuarial value of assets as of the prior valuation date, plus contributions and other deposits (except investment income) minus benefit payments, administrative expenses, or other payments, plus credited interest at 1 percent less than the Plan's assumed rate to the valuation date. The actuarial value of assets will be limited to a maximum of 120 percent and a minimum of 80 percent of the market value of assets as of the valuation date.

County of Delaware, Pennsylvania

Notes to Financial Statements
December 31, 2018

Deposits and Investments

The Plan allows funds to be invested pursuing a 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 asset allocation policy for the 2017 measurement period.

<u>Asset Class</u>	<u>Target</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	40-50 %	5.4-6.4 %
International equity	15-25	5.5-6.5
Fixed income	25-35	1.3-3.3
Real estate	0-10	4.5-5.5
Cash and cash equivalents	0-10	0.0-1.0

The long-term expected rate of return on pension plan investments was determined using a building-block method, which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan 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 weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation for the 2017 measurement period are summarized in the above table.

There was a significant change in the net plan fiduciary net position during 2018 due to market performance of plan investments.

Rate of Return

For the year ended December 31, 2017, the annual money-weighted rate of return on pension plan investments, net of Pension Fund investment expense, was 15.27 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension (Asset) Liability

The components of the net pension asset of the Plan as of December 31, 2017 were as follows:

Total pension liability	\$ 495,252,845
Plan fiduciary net position	<u>531,331,994</u>
Plan net pension asset	<u>\$ (36,079,149)</u>
Plan fiduciary net position as a percentage of total pension liability	<u>107.28%</u>

County of Delaware, Pennsylvania

Notes to Financial Statements
December 31, 2018

Changes in the Net Pension (Asset) Liability

The changes in the County's net pension (asset) liability during the year ended December 31, 2017 are as follows:

	Increases (Decreases)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability(Asset) (a) - (b)
Balances at January 1, 2017	\$ 477,926,499	\$ 472,059,676	\$ 5,866,823
Changes for the year:			
Service cost	15,286,753	-	15,286,753
Interest cost	35,056,767	-	35,056,767
Difference between expected and actual experience	(8,234,316)	-	(8,234,316)
Contributions - employer	-	4,762,155	4,762,155
Contributions - plan member	-	10,584,568	10,584,568
Net investment income	-	68,708,453	68,708,453
Benefit payments, including refunds	(24,782,858)	(24,782,858)	-
Net changes	<u>17,326,346</u>	<u>59,272,318</u>	<u>(41,945,972)</u>
Balances at December 31, 2017	<u>\$ 495,252,845</u>	<u>\$ 531,331,994</u>	<u>\$ (36,079,149)</u>

The schedule of changes in the employer's net pension liability and related ratios, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information related to the funded status of the Plan.

Actuarial Assumptions

The total pension liability above was determined by an actuarial valuation performed as of December 31, 2017 using the following actuarial methods and assumptions:

Actuarial valuation date	January 1, 2017 rolled- forward to December 31
Actuarial cost method	Entry-age normal
Actuarial assumptions:	
Projected salary increases	3.5%
Inflation	3.0%
Interest rate	7.5%
Cost-of-living adjustments	0.0%
Asset valuation method	Fair-Market Value

Mortality rates were based on the RP-2013 Annuitant and Non-Annuitant Mortality Tables for Males and Females with no projected improvement. The actuarial assumptions used in the valuation for the 2016 measurement period were based on past experience under the plan and reasonable future expectations, which represent the actuary's best estimate of anticipated experience under the plan.

County of Delaware, Pennsylvania

Notes to Financial Statements
December 31, 2018

Discount Rate

The discount rate used to measure the total pension liability for the Plan was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that County contributions will be made at rates equal to actuarially determined contribution rates. Based on those assumptions, the Pension Fund'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 rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Discount Rate Sensitivity

The following is a sensitivity analysis of the net pension asset to changes in the discount rate. The table below presents the pension (asset) liability of the Plan calculated using the discount rate of 7.5 percent as well as what the net pension liability would be if it were to be calculated using a discount rate that is 1 percentage point lower (6.5 percent) or 1 percentage point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate	1% Increase (8.5%)
Net pension liability (asset)	\$ 10,618,227	\$ (36,079,149)	\$ (78,423,646)

Pension Expense and Deferred Outflows of Resources

For the year ended December 31, 2018, the County recognized pension expense of \$29,288,903. At December 31, 2018, the County reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	\$ 26,543	\$ -
Net difference between projected and actual earning	16,731,888	(26,921,148)
Changes in assumptions	-	(6,940,713)
Contributions made subsequent to measurement date	1,527,490	-
Total	<u>\$ 18,285,921</u>	<u>\$ (33,861,861)</u>

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 December 31:	
2018	\$ (124,233)
2019	(124,234)
2020	(7,963,447)
2021	(8,281,564)
2022	<u>(609,951)</u>
Total	<u>\$ (17,103,429)</u>

County of Delaware, Pennsylvania

Notes to Financial Statements
December 31, 2018

24. Self-Insurance Program

Effective January 1, 1987, the County elected to self-insure potential obligations applicable to workers' compensation, casualty/liability and health insurance. By doing so, the County is exposed to certain risks of losses associated with these types of transactions. These programs are contractually administered by private agencies. Three separate internal service funds were established to account for all transactions associated with self-insurance.

The County purchased reinsurance coverage to limit its liability per incident to a maximum of:

	<u>1988 to 1992</u>	<u>1993 to 1999</u>	<u>2000 to 2001</u>
Workers' compensation	\$ 300,000	\$ 300,000	\$ 250,000
Casualty/liability (excluding vehicles)	-	100,000	100,000
Health benefits	75,000	75,000	75,000
Vehicles	100,000	100,000	100,000
	<u>2002 to 2006</u>	<u>2007 to 2013</u>	<u>2014 to 2018</u>
Workers' compensation	\$ 325,000	\$ 500,000	\$ 650,000
Casualty/liability (excluding vehicles)	250,000	250,000	250,000
Health benefits	90,000	200,000	210,000*
Vehicles	100,000	100,000	100,000

* includes a \$365,000 corridor deductible

The County's reinsurance policy has provided sufficient coverage to the County such that no settlements within the past three years have exceeded the reinsurance coverage. The cost of providing this coverage is charged directly to the County fund, which benefits from the coverage. Such charges are reflected as operating revenues into the self-insurance funds. Costs of the self-insurance program charged to the current year expenses were \$49,787,889, which includes insurance claims of \$49,742,036 and administrative costs of \$45,853. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered. Additional administrative costs of the self-insurance funds are paid by the General Fund and totaled \$353,629 for the fiscal year.

County of Delaware, Pennsylvania

Notes to Financial Statements
December 31, 2018

An analysis of the claims activity is presented as follows:

	2018			
	Balance at Beginning of Year	Current Year Claims and Changes in Estimate	Actual Claim Payments	Balance at End of Year
Self-Insured Health Insurance Fund	\$ 4,476,450	\$ 42,311,276	\$ 43,873,061	\$ 2,914,665
Self-Insured Workers' Compensation Fund	1,313,393	1,165,824	447,391	2,031,826
Self-Insured Casualty/Liability Fund	431,615	6,264,936	6,189,996	506,555
Total	<u>\$ 6,221,458</u>	<u>\$ 49,742,036</u>	<u>\$ 50,510,448</u>	<u>\$ 5,453,046</u>
	2017			
	Balance at Beginning of Year	Current Year Claims and Changes in Estimate	Actual Claim Payments	Balance at End of Year
Self-Insured Health Insurance Fund	\$ 5,575,015	\$ 47,307,029	\$ 48,405,594	\$ 4,476,450
Self-Insured Workers' Compensation Fund	313,392	2,605,186	1,605,185	1,313,393
Self-Insured Casualty/Liability Fund	411,615	5,979,825	5,959,825	431,615
Total	<u>\$ 6,300,022</u>	<u>\$ 55,892,040</u>	<u>\$ 55,970,604</u>	<u>\$ 6,221,458</u>

25. Other Revenues

Other revenues of \$11,508,192 in the governmental funds consist of funds received related to gaming proceeds for economic development of \$1,610,876; interest revenue from the City of Chester of \$440,933; rental income of \$653,481; funds received from the state equalization board of \$607,850; fringe benefits recovered of \$6,098,087; revenues related to Act 164 Rideshare fees of \$1,074,387; and various other revenues of \$1,022,578.

26. Unearned Revenues

Unearned revenues are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met. On the statement of net position, governmental activities unearned revenue of \$45,371,915 consists of the General Fund of \$2,180,775 representing grants and other fees, Health and Human Service of \$25,157,847 and Other Governmental Funds of \$18,033,293 representing grants received which were not earned at December 31, 2018.

County of Delaware, Pennsylvania

Notes to Financial Statements
December 31, 2018

27. Grant to the Delaware County Chester Waterfront Industrial Development Authority

The IDA was formed for the purpose of acquiring, constructing, financing, improving and maintaining industrial and commercial development projects within the City of Chester and is a discretely presented component unit of the County (Note 2). On February 15, 2009, the County and the IDA executed a grant agreement, which states that the County will grant funds in an amount up to \$30,000,000 for eligible costs as defined for the construction of a stadium project. The County financed the grant through the issuance of its General Obligation Bonds, Series of 2009 ("2009 Bonds") (Note 16). Upon issuance of the 2009 Bonds the proceeds were placed in a Trust, as eligible costs are expended by the IDA funds are released from the Trust on a reimbursement basis.

On February 15, 2009, the County and the City of Chester (the "City") executed a contribution agreement whereby the City unconditionally agreed to pay the County \$13,445,635 through May 31, 2039 in semi-annual payments to fund a portion of the capital grant to the IDA. The 2017 amount due to the County of \$440,958 was paid by the City in January 2018. The present value of this asset amounting to approximately \$5,823,930 has been recorded in other receivables on the government-wide statement of net position at December 31, 2018 (Note 8).

28. Commitments and Contingencies

Commitments

The County leases office space under a number of operating leases with expiration dates through 2031.

Future minimum lease payments for each of the five years subsequent to December 31, 2018 under the various leases are as follows:

Years ending December 31:	
2019	\$ 3,474,782
2020	3,361,485
2021	1,817,242
*2022	1,422,345
2023	957,860
2024-2028	2,594,723
2029-2031	<u>395,497</u>
Total	<u>\$ 14,023,934</u>

Total rental expense for these leases during 2018 was \$2,595,222.

Contingencies

The use of grant monies received is subject to compliance audits by the disbursing governmental agency. The County believes it is in compliance with all significant grant requirements.

The County is involved in various litigation matters arising in the normal course of business which are still pending. The ultimate outcome of these cases or the County's exposure to liability, if any, cannot be determined at this time. Consequently, no provision has been made in these financial statements for this uncertainty. It is the opinion of management that the amount of potential claims not covered by insurance resulting from claims against the County would not materially affect the financial position of the County at December 31, 2018.

County of Delaware, Pennsylvania

Notes to Financial Statements
December 31, 2018

29. New Accounting Pronouncements

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. The County is required to adopt Statement No. 83 effective for the period beginning after June 15, 2018 (the County's financial statements for the year ending December 31, 2019).

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The County is required to adopt Statement No. 84 effective for the period beginning after December 15, 2018 (the County's financial statements for the year ending December 31, 2019).

In June 2017, the GASB issued Statement No. 87, *Leases*. The County is required to adopt Statement No. 87 effective for the period beginning after December 15, 2019 (the County's financial statements for the year ending December 31, 2020).

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The County is required to adopt Statement No. 88 effective for the period beginning after June 15, 2018 (the County's financial statements for the year ending December 31, 2019).

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The County is required to adopt Statement No. 89 effective for reporting periods beginning after December 15, 2019 (the County's financial statements for the year ending December 31, 2020).

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*. The County is required to adopt Statement No. 90 effective for reporting period beginning after December 15, 2018 (the County's financial statements for the year ending December 31, 2019).

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The County is required to adopt Statement No. 91 effective for reporting periods beginning after December 15, 2020 (the County's financial statements for the year ending December 31, 2021).

County management is in the process of analyzing these pending changes in accounting principles and the impact they will have on the financial reporting process.

Required Supplementary Information

County of Delaware, Pennsylvania

Required Supplementary Information

Schedule of Changes in Net Other Post-Employment Benefit Liability and Related Ratios

December 31, 2018

(Unaudited)

	<u>2017</u>	<u>2018</u>
Total OPEB Liability		
Service cost	\$ 18,068,533	\$ 18,690,090
Interest cost	14,518,005	17,101,669
Changes of assumptions or other inputs	29,018,463	(52,656,643)
Benefit payments	<u>13,198,969</u>	<u>(13,837,017)</u>
Net change in total OPEB liability	74,803,970	(30,701,901)
Total OPEB Liability, Beginning	<u>410,565,998</u>	<u>485,369,968</u>
Total OPEB Liability, Ending	<u>\$ 485,369,968</u>	<u>\$ 454,668,067</u>
Covered-Employee Payroll (Estimated)	\$ 167,229,090	\$ 173,082,000
County's Net Pension Liability as a Percentage of Covered-Employee Payroll	290.24%	262.69%

Notes to Schedule:

The County implemented GASB Statements No. 75 in fiscal year 2017. Information prior to fiscal year 2017 is not available.

The County does not accumulate assets in a trust to pay related benefits under the other post-employment benefit plan.

In 2018, the actuarial valuation was updated for a change in assumed discount rate related to net OPEB liability and deferred inflows of approximately \$52.7 million

County of Delaware, Pennsylvania

Required Supplementary Information
 Schedule of Changes in the County's Net Pension Liability (Asset) and Related Ratios
 December 31, 2018
 (Unaudited)

	2014	2015	2016	2017
Total Pension Liability				
Service cost	\$ 4,767,962	\$ 4,584,055	\$ 15,542,585	\$ 15,286,753
Interest	31,874,452	33,074,553	33,824,984	35,056,767
Difference between expected and actual experience	4,147,176	8,944,917	(363,424)	(8,234,316)
Changes in assumptions	-	-	(17,616,575)	-
Benefit payments, including refunds of member contributions	(25,266,392)	(23,917,898)	(24,299,440)	(24,782,858)
Net change in total pension liability	15,523,198	22,685,627	7,088,130	17,326,346
Total Pension Liability, Beginning	<u>432,629,544</u>	<u>448,152,742</u>	<u>470,838,369</u>	<u>477,926,499</u>
Total Pension Liability, Ending (a)	<u>\$ 448,152,742</u>	<u>\$ 470,838,369</u>	<u>\$ 477,926,499</u>	<u>\$ 495,252,845</u>
Plan Fiduciary Net Position				
Employer contributions	\$ 4,159,063	\$ 3,987,098	\$ 5,160,038	\$ 4,762,155
Employee contributions	10,929,265	10,301,611	10,747,880	10,584,568
Net investment income (loss)	25,701,117	(4,799,203)	31,600,871	68,708,453
Benefit payments, including refunds of member contributions	(25,266,392)	(23,917,898)	(24,299,440)	(24,782,858)
Administration	(48,804)	(48,803)	(48,803)	-
Net change in plan fiduciary net position	15,474,249	(14,477,195)	23,160,546	59,272,318
Plan Fiduciary Net Position, Beginning	<u>447,902,076</u>	<u>463,376,325</u>	<u>448,899,130</u>	<u>472,059,676</u>
Plan Fiduciary Net Position, Ending (b)	<u>\$ 463,376,325</u>	<u>\$ 448,899,130</u>	<u>\$ 472,059,676</u>	<u>\$ 531,331,994</u>
Plan net pension (asset) liability, ending (a) - (b)	<u>\$ (15,223,583)</u>	<u>\$ 21,939,239</u>	<u>\$ 5,866,823</u>	<u>\$ (36,079,149)</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension (Asset) Liability	103.40%	95.34%	98.77%	107.28%
Covered- Payroll	\$ 134,056,126	\$ 130,961,008	\$ 135,127,843	\$ 132,195,406
County's Net Pension (Asset) Liability as a Percentage of Covered- Payroll	(11.36)%	16.75%	4.34%	-27.29%

Notes to Schedule:

The County implemented GASB Statement No. 67 in fiscal year 2014. Information prior to fiscal year 2014 is not available.

In 2016, the actuarial valuation was updated for the impact of member contributions and the member's reserve which resulted in a change in the assumptions related to the pension liability and deferred outflows of approximately \$17.6 million.

The County used the 2017 Actuarial Valuation to determine the net pension liability as of December 31, 2018 as allowed under GASB 67.

County of Delaware

Required Supplementary Information
 Schedule of Employer Contributions
 Last Ten Fiscal Years
 (Unaudited)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Actuarially Determined Contribution	\$ 7,487,851	\$ 6,756,099	\$ 5,944,506	\$ 7,142,276	\$ 7,146,641	\$ 4,159,063	\$ 3,987,098	\$ 5,160,038	\$ 4,762,155	\$ 1,527,490
Contributions in Relation to the Actuarially Determined Contribution	7,487,851	6,756,099	5,944,506	7,142,276	7,146,641	4,159,063	3,987,098	5,160,038	4,762,155	1,527,490
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 120,383,000	\$ 132,733,000	\$ 128,948,000	\$ 126,634,000	\$ 131,612,000	\$ 134,056,000	\$ 130,961,008	\$ 135,127,843	\$ 132,195,406	\$ 132,195,408
Contributions as a Percentage of Covered Payroll	6.22%	5.09%	4.61%	5.64%	5.43%	3.10%	3.04%	3.82%	3.60%	1.16%

Notes to Schedule:

Valuation date: January 1, 2017

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age
Amortization method	Level dollar
Remaining amortization period	15 years
Asset valuation method	The method that is prescribed by Pennsylvania State Law, Act 44
Inflation	3.0%
Salary increases	3.5% average, including inflation
Investment rate of return	7.5%, net of pension plan investment expense, including inflation
Retirement age	Age 60 or 55 with 20 years of service
Mortality	2013 RP Annuitant and Non-Annuitant Mortality Tables for males and females with no projected improvement

County of Delaware

Required Supplementary Information
Schedule of Investment Returns
December 31, 2018
(Unaudited)

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Annual Money-Weighted Rate of Return, Net of Investment Expense	6.50%	(0.65)%	7.90%	15.27%

Notes to Schedule:

The County implemented GASB Statement No. 67 in fiscal year 2014. Information prior to fiscal year 2014 is not available.

Supplementary Information

County of Delaware, Pennsylvania

Schedule of Expenditures of Federal Awards
December 31, 2018

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through ID	Total Federal Expenditures	Passed-Through to Subrecipients Expenditures
U.S. Department of Agriculture				
Pass-through Pennsylvania Department of Education:				
Child nutrition cluster,				
School breakfast program	10.553	n/a	\$ 13,878	\$ -
National School lunch program	10.555	n/a	20,913	-
Total child nutrition cluster			34,791	-
Pass-through Pennsylvania Department of Human Services:				
SNAP cluster,				
State matching grants for supplemental nutrition assistance program	10.561	n/a	121,021	-
Pass-through Pennsylvania Department of Agriculture:				
Food distribution cluster,				
Emergency food assistance program	10.568	n/a	43,550	33,321
Emergency food distribution program	10.569	n/a	288,893	288,893
Total food distribution cluster			332,443	322,214
Total U.S. Department of Agriculture			488,255	322,214
U.S. Department of Commerce				
Direct program:				
Coastal zone management administration awards	11.419	n/a	10,355	-
U.S. Department of Education				
Direct program:				
Rehabilitation services vocational rehabilitation grants to states	84.126	n/a	2,952	-
Pass-through Pennsylvania Department of Human Services:				
Special education grants for infants & families with disabilities	84.181	n/a	770,293	770,293
Total U.S. Department of Education			773,245	770,293
U.S. Department of Housing and Urban Development				
Direct program:				
CDBG - Entitlement grants cluster,				
Community development block grants/entitlement grants	14.218	n/a	3,212,726	2,441,817
Emergency solutions grant	14.231	n/a	274,510	242,543
Supportive housing program	14.235	n/a	179,358	145,600
HOME investment partnerships program	14.239	n/a	1,211,715	1,104,942
Continuum of care program	14.267	n/a	1,098,585	997,547
Pass-through Pennsylvania Department of Human Services:				
Shelter plus care program	14.238	n/a	136,649	136,649
Pass-through City of Philadelphia Division of Housing and Community Development:				
Housing Opportunities for Persons with AIDS				
Contract # 1820021	14.241	n/a	289,106	46,684
Contract # 1920029	14.241	n/a	278,371	34,408
Total U.S. Department of Housing and Urban Development			6,681,020	5,150,190
U.S. Department of Health and Human Services				
Pass-through Pennsylvania Department of Aging:				
Special programs for the aging Title VII, Chapter 3 - programs for prevention of elder abuse, neglect and exploitation	93.041	4100072809	6,360	-
Special programs for the aging Title VII, Chapter 2 - long-term care ombudsman services for older individuals	93.042	4100072809	15,900	-
Special programs for the aging Title III, Part D - disease prevention and health promotion services	93.043	4100072809	29,587	-
National family caregiver support, Title III, Part E	93.052	4100072809	173,110	-
Medical enrollment assistance program	93.071	4100072809	16,438	-
State health insurance assistance program	93.324	4100072809	50,952	-
Pass-through Pennsylvania Department of Community and Economic Development:				
Low Income Home Energy Assistance	93.568	C000061656	34,915	-

County of Delaware, Pennsylvania

Schedule of Expenditures of Federal Awards

December 31, 2018

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through ID	Total Federal Expenditures	Passed-Through to Subrecipients Expenditures
Pass-through Pennsylvania Department of Human Services:				
Guardianship assistance	93.090	G17213	\$ 103,801	\$ -
Projects for assistance in transition from homelessness	93.150	70154	83,109	83,109
Promoting safe and stable families	93.556	G17697	129,824	110,388
Child support enforcement	93.563	4100070482	7,531,112	-
Community-based child abuse prevention grants	93.590	n/a	1,751	1,653
CCDF cluster,				
Childcare and development block grant	93.575	n/a	13,486,782	-
Childcare mandatory and matching funds of the childcare and development fund	93.596	n/a	5,825,576	-
Total CCDF cluster			<u>19,312,358</u>	<u>-</u>
Stephanie Tubbs Jones Child Welfare Services Program	93.645	1701PACWSS	220,851	220,851
Foster care - Title IV-E	93.658	G17336	5,921,866	1,733,888
Adoption assistance	93.659	G17339	1,909,470	-
Social services block grant	93.667	1801PASOSR	3,730,940	1,209,921
Chafee foster care independence program	93.674	G17420	90,877	36,496
Block grants for community mental health services	93.958	70167	532,284	532,284
Pass-through Pennsylvania Department of Drug and Alcohol Programs:				
Block grants for prevention and treatment of substance abuse	93.959	4100053190	1,511,163	1,511,163
Substance abuse and mental health services	93.243	4100053190	314,445	254,956
Pass-through Pennsylvania Department of Health:				
National bioterrorism hospital preparedness program	93.869	78382 and 81064	11,330	-
Hospital preparedness program and public health emergency preparedness aligned Cooperative Agreements	93.074	4100078490	49,139	-
Preventive health and health services block grant	93.758	n/a	12,500	-
TANF cluster,				
Pass-through Pennsylvania Department of Human Services:				
Temporary assistance for needy families	93.558	G17370	5,236,152	1,516,202
Pass-through the Pennsylvania Department of Labor and Industry:				
Temporary assistance for needy families	93.558	n/a	2,422,497	-
Total TANF cluster			<u>7,658,649</u>	<u>1,516,202</u>
Medicaid cluster,				
Pass-through Pennsylvania Department of Aging:				
Medical assistance program (Medicaid)	93.778	4100078250	568,709	-
Pass-through Pennsylvania Department of Human Services:				
Medical assistance program (Medicaid)	93.778	n/a	3,609,214	2,772,843
Pass-through Pennsylvania Department of Drug and Alcohol Programs:				
Medical assistance program (Medicaid)	93.778	n/a	1,342,920	1,320,171
Total Medicaid cluster			<u>5,520,843</u>	<u>4,093,014</u>
Aging cluster,				
Pass-through Pennsylvania Department of Aging:				
Special programs for the aging Title III, Part B - grants for supportive services and senior centers	93.044	4100072809	617,273	-
Special programs for the aging Title III, Part C - nutrition services	93.045	4100072809	405,095	-
Nutrition services incentive program	93.053	4100072809	122,320	-
Total Aging cluster			<u>1,144,688</u>	<u>-</u>
Total U.S. Department of Health and Human Services			<u>56,118,262</u>	<u>11,303,925</u>
U.S. Department of Justice				
Direct program:				
Missing children's assistance	16.543	n/a	489,671	123,130
Edward Bryne Memorial Justice Assistance Grant Program	16.738	n/a	150,981	-
Pass-through Pennsylvania Commission on Crime and Delinquency:				
Justice Reinvestment Initiative	16.827	27008	112,608	-
Crime Victims Assistance				
Contract # 27386	16.575	27386	113,012	-
Contract # 26672	16.575	26672	143,932	-
Contract # 26194	16.575	26194	2,570	-
Edward Bryne Memorial Justice Assistance Grant Program	16.738	JG -UX-27806	19,233	-
Total U.S. Department of Justice			<u>1,032,007</u>	<u>123,130</u>

See notes to schedule of expenditures of federal awards

County of Delaware, Pennsylvania

Schedule of Expenditures of Federal Awards
December 31, 2018

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through ID	Total Federal Expenditures	Passed-Through to Subrecipients Expenditures
U.S. Department of Labor				
Direct program:				
Employment service cluster:				
Employment service/wagner-peyser funded activities	17.207	n/a	\$ 118,962	\$ -
Trade adjustment assistance	17.245	n/a	20,792	-
Pass-through the Pennsylvania Department of Labor and Industry:				
WIA/WIOA cluster,				
Workforce Investment Act Adult Program	17.258	n/a	1,057,341	-
Workforce Investment Act Youth Activities	17.259	n/a	858,825	-
Workforce Investment Act dislocated worker formula grant	17.278	n/a	758,221	-
Total WIA/WIOA cluster			<u>2,674,387</u>	<u>-</u>
Total U.S. Department of Labor			<u>2,814,141</u>	<u>-</u>
U.S. Department of Energy				
Pass-through the Pennsylvania Department of Community and Economic Development Weatherization assistance for low income persons	81.042	n/a	58,529	-
Corporation for National and Community Service				
Direct program:				
Foster grandparent/senior companion cluster, Foster grand parents program	94.011	n/a	280,858	-
U.S. Department of Transportation				
Direct program:				
Highway safety cluster, State and community highway safety	20.600	n/a	69,874	-
Pass-through Pennsylvania Department of Transportation:				
Highway planning and construction cluster, Highway planning and construction	20.205	n/a	802,563	-
Pass-through Delaware Valley Regional Planning Commission				
Metropolitan transportation planning	20.505	n/a	113,032	-
Total U.S. Department of Transportation			<u>985,469</u>	<u>-</u>
U.S. Department of Homeland Security				
Pass-through Pennsylvania Emergency Management Agency:				
Emergency Management Performance Grants	97.042	n/a	57,350	-
Homeland security grant program	97.067	n/a	1,084,069	-
Total U.S. Department of Homeland Security			<u>1,141,419</u>	<u>-</u>
Executive Office of the President				
Direct program:				
High Intensity Drug Trafficking Areas Program	95.001	n/a	12,281	-
Total Expenditures of Federal Awards			<u>\$ 70,395,841</u>	<u>\$ 17,669,752</u>

* - Programs denoted as major programs by other auditors

County of Delaware, Pennsylvania

Notes to Schedule of Expenditures of Federal Awards
December 31, 2018

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal award activity of the County of Delaware, Pennsylvania (the "County") under programs of the federal government for the year ended December 31, 2018. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Because the Schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position, changes in net assets or cash flows of the County.

2. Basis of Accounting

Expenditures reported in the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

3. Relationship to Basic Financial Statements

The accompanying schedule of expenditures of federal awards presents the activity of all federal awards programs of the County, as defined in Note 1 to the County's financial statements. Expenditures of federal awards are reported in the County's financial statements as follows:

General Fund	\$ 9,202,032
Special Revenue Funds:	
Special grants	8,168,103
Mental health	1,043,441
Intellectual disabilities	1,268,706
Drug abuse	3,145,779
Early intervention	800,288
Adult services	2,298,978
MATP	2,706,708
Child care	9,101,906
Day care	25,674,348
COSA	2,286,602
CDBG/Rehab	4,698,951
	<u>\$ 70,395,841</u>

4. Indirect Cost

The County has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.



**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***

To the County Council of
County of Delaware, Pennsylvania

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 activity, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Delaware, Pennsylvania (the "County") as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated June 25, 2019. Our report includes a reference to other auditors who audited the financial statements of the discretely presented component units, Delaware County Solid Waste Authority, Economic Development Oversight Board, the Redevelopment Authority of the County of Delaware and the Delaware County Chester Waterfront Industrial Development Authority as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting and compliance and other matters that are reported on separately by those auditors. The financial statements of Delaware County Solid Waste Authority, the Redevelopment Authority of the County of Delaware and the Delaware County Chester Waterfront Industrial Development Authority were not audited in accordance with *Government Auditing Standards*.

The County's financial statements include the operations of certain departments which received federal awards and Pennsylvania Department of Human Services awards. However our audit, described above, did not include the programs of certain departments because other auditors were engaged to perform these audits in accordance with Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Such programs are as follows:

<u>Department</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
Early Intervention Fund	84.181	\$ 770,293
Child and Youth Services	93.558	732,204
	93.645	220,851
	93.658	5,489,167
	93.659	1,909,470
	93.667	519,839
	93.778	22,749
Mental Health/Intellectual Disabilities, Early Intervention, Drug and Alcohol and Medical Assistance Transportation Programs	14.238	134,161
	93.243	314,445
	93.667	690,082
	93.778	4,864,420
	93.958	532,284
	93.959	1,511,163

<u>Department</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
County Office of Services for the Aging	93.042	\$ 15,900
	93.043	29,587
	93.044	617,273
	93.052	173,110
	93.053	122,320
	93.071	16,438
	93.778	568,709
	94.011	280,858
Child Care Information Services	10.561	121,021
	93.558	3,719,950
	93.575	13,486,782
	93.596	5,825,576
	93.667	2,521,019
Total		<u>\$ 45,209,671</u>

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2018-001, that we consider to be a significant deficiency.

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*.

The County's Response to Findings

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

Purpose of this Report

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

Baker Tilly Veitchau Krause, LLP

Philadelphia, Pennsylvania
June 25, 2019



**Independent Auditors' Report on Compliance
for Each Major Federal Program and City of Philadelphia
Programs and on Internal Control Over Compliance Required
by the Uniform Guidance and the City of Philadelphia
*Subrecipient Audit Guide***

To the County Council of
County of Delaware, Pennsylvania

Report on Compliance for Each Major Federal Program and City of Philadelphia Programs

We have audited the County of Delaware, Pennsylvania's ("County") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the City of Philadelphia *Subrecipient Audit Guide* that could have a direct and material effect on each of the County's major federal and City of Philadelphia programs for the year ended December 31, 2018. 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 the federal statutes, regulations, and the terms and conditions of its federal and City of Philadelphia awards applicable to its federal and City of Philadelphia programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs and City of Philadelphia 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; 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"); and, the City of Philadelphia *Subrecipient Audit Guide*. Those standards, the Uniform Guidance, and the audit requirements of and the City of Philadelphia *Subrecipient Audit Guide*, 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 or City of Philadelphia 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 and City of Philadelphia program. However, our audit does not provide a legal determination of the County's compliance.

The County's financial statements include the operations of certain departments which received federal awards. However our audit, described above, did not include the programs of certain departments because other auditors were engaged to perform these audits in accordance with the Uniform Guidance. Such programs are as follows:

<u>Department</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
Early Intervention Fund	84.181	\$ 770,293
Child and Youth Services	93.558	732,204
	93.645	220,851
	93.658	5,489,167
	93.659	1,909,470
	93.667	519,839
	93.778	22,749
Mental Health/Intellectual Disabilities, Early Intervention, Drug and Alcohol and Medical Assistance Transportation Programs	14.238	134,161
	93.243	314,445
	93.667	690,082
	93.778	4,864,420
	93.958	532,284
	93.959	1,511,163
County Office of Services for the Aging	93.042	15,900
	93.043	29,587
	93.044	617,273
	93.052	173,110
	93.053	122,320
	93.071	16,438
	93.778	568,709
	94.011	280,858
Child Care Information Services	10.561	121,021
	93.558	3,719,950
	93.575	13,486,782
	93.596	5,825,576
	93.667	2,521,019
Total		<u>\$ 45,209,671</u>

Opinion on Each of the Other Major Federal and City of Philadelphia Programs

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 other major federal programs and City of Philadelphia programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended December 31, 2018.

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 items 2018-002 and 2018-003. Our opinion on each major federal program is not modified with respect to these matters.

County's Response to Findings

The County's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. 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 and City of Philadelphia 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 City of Philadelphia program and to test and report on internal control over compliance in accordance with the Uniform Guidance and the City of Philadelphia *Subrecipient Audit Guide*, 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, or City of Philadelphia program, on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program or City of Philadelphia 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 or City of Philadelphia 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 have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2018-002 and 2018-003, that we consider to be significant deficiencies.

County's Response to Findings

The County's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. 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.

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 and the City of Philadelphia *Subrecipient Audit Guide*. Accordingly, this report is not suitable for any other purpose.

Baker Tilly Virchow Krause, LLP

Philadelphia, Pennsylvania
September 27, 2019

County of Delaware, Pennsylvania

Schedule of Findings and Questioned Costs
Year Ended December 31, 2018

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	<u> </u> yes	<u> X </u> no
Significant deficiency(ies) identified?	<u> X </u> yes	<u> </u> none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

Material weakness(es) identified?	<u> </u> yes	<u> X </u> no
Significant deficiency(ies) identified?	<u> X </u> yes	<u> </u> none reported

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

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

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
17.258/17.259/17.278	WIOA Cluster
14.218	Community Development Block Grants/Entitlement Grants
93.558	Temporary Assistance for Needy Families State Programs

Dollar threshold used to distinguish between Type A and Type B programs: \$2,111,875

Auditee qualified as low-risk auditee? yes X no

County of Delaware, Pennsylvania

Schedule of Findings and Questioned Costs
Year Ended December 31, 2018

Section II - Financial Statement Findings

Finding 2018-001

Criteria: A system of internal control should be in place that provides reasonable assurance that management or employees may prevent, detect, or correct misstatements and/or errors on a timely basis.

Condition: The bank reconciliations for several cash accounts were prepared and reviewed by the same individual leading to a lack of segregation of duties for the period September through December 2018. The Deputy Treasurer is responsible for preparing the bank reconciliations while the Treasurer is responsible for reviewing; however, the Treasurer retired during this time frame. Since the Deputy Treasurer has signing rights on each account and has cash receipt duties, internal control is most effective when the person reviewing the bank reconciliations also is not responsible for entries in the receipts and disbursements records.

Effect: Due to the lack of internal controls, it is less likely that errors or misstatements would be discovered internally in a timely basis.

Cause: Due to the retirement of key individuals without a complete succession plan, the County Treasurer's Department did not have an adequate number of employees needed to implement a properly designed system of controls over cash reconciliation, receipts, and disbursements.

Recommendation: We recommend that the party responsible for reviewing bank reconciliations be separate from the individuals with account signing privileges, individuals who prepare the bank reconciliations, and individuals with cash receipts duties.

Views of responsible officials: See the County's corrective action plan.

Section III - Federal Award Findings and Questioned Costs

Finding 2018-002

Federal Agency: U.S. Department of Labor

Pass-through Agency: Pennsylvania Department of Labor and Industry

Federal Program: WIOA Cluster - 17.258/17.259/17.278

Compliance Requirement: C. Cash Management/ R. Reporting

Criteria: A system of internal control should be in place to provide a structure for appropriate assignment of responsibility for supervisory and review of cash management and reporting activities.

Condition: There is a lack of controls over monitoring of cash management and reporting activities including the supervisory and review of cash drawdowns, requests for reimbursement, and external reporting.

Effect: The lack of internal review by an individual other than the preparer may result in adjustments not being identified in a timely manner.

Cause: The Office of Workforce Development of the County worked closely with the Pennsylvania Department of Labor and Industry to resolve historical issues within the program. Due to the close working relationship with the state, the Office of Workforce Development of the County came to rely upon the Pennsylvania Department of Labor and Industry as the review function of the internal control environment.

County of Delaware, Pennsylvania

Schedule of Findings and Questioned Costs
Year Ended December 31, 2018

Questioned Costs: None noted

Recommendation: We recommend that a policy be put in place requiring a level of review by an individual other than the preparer prior to the submission of cash drawdowns, requests for reimbursement, and/or external reporting.

Views of responsible officials: See the County's corrective action plan.

Finding 2018-003

Federal Agency: U.S. Department of Labor

Pass-through Agency: Pennsylvania Department of Labor and Industry

Federal Program: TANF Cluster- 93.558

Compliance Requirement: C. Cash Management/ R. Reporting

Criteria: A system of internal control should be in place to provide a structure for appropriate assignment of responsibility for supervisory and review of cash management and reporting activities.

Condition: There is a lack of controls over monitoring of cash management and reporting activities including the supervisory and review of cash drawdowns, requests for reimbursement, and external reporting.

Effect: The lack of internal review by an individual other than the preparer may result in adjustments not being identified in a timely manner.

Cause: The Office of Workforce Development of the County worked closely with the Pennsylvania Department of Labor and Industry to resolve historical issues within the program. Due to the close working relationship with the state, the Office of Workforce Development of the County came to rely upon the Pennsylvania Department of Labor and Industry as the review function of the internal control environment.

Questioned Costs: None noted

Recommendation: We recommend that a policy be put in place requiring a level of review by an individual other than the preparer prior to the submission of cash drawdowns, requests for reimbursement, and/or external reporting.

Views of responsible officials: See the County's corrective action plan.

Section IV - Summary Schedule of Prior Audit Findings

Finding 2017-001

Federal Agency: U.S. Department of Labor

Pass-through Agency: Pennsylvania Department of Labor and Industry

Federal Program: WIOA Cluster - 17.258/17.259/17.278

Compliance Requirement: B. Allowable Costs/Cost Principles/C. Cash Management/L. Reporting

Repeat of prior year finding 2016-001

County of Delaware, Pennsylvania

Schedule of Findings and Questioned Costs
Year Ended December 31, 2018

Criteria: The entity's financial management system must be sufficient to permit the preparation of reports required by general and program-specific terms and conditions; and the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the Federal statutes, regulations, and the terms and conditions of the Federal award. The entity must maintain records that identify adequately the source and application of funds for federally-funded activities. These records must contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income and interest and be supported by source documentation. [Title 2 Subtitle A Chapter II §200.302]

Condition: Records were not maintained that reconciled the general ledger accounting system detail to the reports filed with the Pennsylvania Department of Labor and Industry for reimbursement of costs incurred. Revenues recognized on the grants were not reconciled to the reports filed with the Pennsylvania Department of Labor and the related cash receipts on a timely basis.

Resolution: The Office of Workforce Development of the County worked closely with the Pennsylvania Department of Labor and Industry to resolve issues regarding reporting of the program's expenditures from the underlying financial records in the Financial Service Reports (FSR). The Pennsylvania Department of Labor and Industry recognized the issues over reported as resolved in August 2017. No findings of a similar nature were identified in the 2018 audit.

Finding 2017-002

Federal Agency: U.S. Department of Labor

Pass-through Agency: Pennsylvania Department of Labor and Industry

Federal Program: WIOA Cluster - 17.258/17.259/17.278

Compliance Requirement: B. Allowable Costs/Cost Principles

Repeat of prior year finding 2016-002

Criteria: Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated. These records must support the distribution of the employee's salary or wages among specific activities or cost objectives. Budget estimates alone do not qualify as support for charges to Federal awards, but may be used for interim accounting purposes, provided that the system for establishing the estimates produces reasonable approximations of the activity actually performed and the entity's system of internal controls includes processes to review after-the-fact interim charges made to a Federal awards based on budget estimates. All necessary adjustment must be made such that the final amount charged to the Federal award is accurate, allowable, and properly allocated. [Title 2 Subtitle A Chapter II §200.430(i)]

Condition: The County's internal controls over the WIOA program payroll charges includes a manual allocation of salaries and payroll between programs based on time incurred when reconciling financial records to reimbursement reports.

Resolution: The Office of Workforce Development of the County worked closely with the Pennsylvania Department of Labor and Industry to resolve issues regarding reporting of the program's expenditures from the underlying financial records in the Financial Service Reports (FSR). The Pennsylvania Department of Labor and Industry recognized the issues over reported as resolved in August 2017. No findings of a similar nature were identified in the 2018 audit.



**Independent Accountants' Report on
Applying Agreed-Upon Procedures on the
Schedule of WIOA Expenditures by
Program Identifiers and Cost Categories**

To the County Council of
County of Delaware, Pennsylvania and the
Pennsylvania Department of Labor and Industry:

We have performed the procedures enumerated below, which were agreed to by County Council and the Pennsylvania Department of Labor and Industry on the accompanying financial schedules of the County of Delaware, Pennsylvania (the "County") for the year ended December 31, 2018, solely to assist you in evaluating the County's compliance with the requirements of the Pennsylvania Department of Labor and Industry. The County's management is responsible for the exhibits required by the Pennsylvania Department of Labor and Industry. The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures enumerated below, either for the purpose for which this report has been requested or for any other purpose.

Procedures and findings are as follows:

We mathematically checked the clerical accuracy of the County's summarization of amounts reported on the monthly Financial Status Report ("FSR") submitted to the Pennsylvania Department of Labor and Industry during the fiscal year ended December 31, 2018 and the report of the summarized, fiscal year totals on the respective formats as presented in the WIOA Policies and Procedures Manual. This procedure was performed for the WIOA expenditures by program identifier and year included on page 90 administered by the County which were funded in whole, or in part, by the Pennsylvania Department of Labor and Industry. No findings were identified.

We inquired of management regarding any adjustment to reported revenues or expenditures which were not reflected on reports submitted to the Pennsylvania Department of Labor and Industry. No adjustments to the revenues or expenditures had been made as of the issuance of the agreed-upon procedures report.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively on the exhibits required by the Pennsylvania Department of Labor and Industry. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of County Council, Pennsylvania Department of Labor and Industry, management and others within the County of Delaware, Pennsylvania and is not intended to be, and should not be, used by anyone other than these specified parties

Baker Tilly Virchow Krause, LLP

Philadelphia, Pennsylvania
September 27, 2019

County of Delaware, Pennsylvania

Statement of WIOA Expenditures by Contract Number and Year
December 31, 2018

Title	CFDA Number	Contract Number	Agreement Period	Authorized Budget	Cumulative Expenditures	(Over) Under
WIOA Adult Program	17.258	035153001	7/1/15-6/30/18	\$ 83,295	\$ 83,295	\$ -
	17.258	035153011	10/1/15-6/30/18	893,171	893,171	-
WIOA Dislocated Worker Program	17.278	035154001	7/1/15-6/30/18	127,992	127,992	-
	17.278	035154011	10/1/15-6/30/18	705,424	705,424	-
	17.278	035154152	10/1/15-6/30/18	79,478	52,769	26,709
	17.278	035154052	7/1/15-6/30/18	25,000	25,000	-
	17.278	035154155	10/1/15-6/30/18	20,106	20,106	-
WIOA Youth Program	17.259	035153301	4/1/15-6/30/18	1,028,993	1,028,993	-
TANF Youth Program	93.558	035153361	4/1/15-6/30/19	460,186	460,186	-
	93.558	035153362	4/1/15-6/30/19	202,988	202,988	-
	93.558	035153364	4/1/15-6/30/19	9,944	9,944	-
Grand Totals			\$ 3,636,577	\$ 3,609,868	\$ 26,709	
WIOA Adult Program	17.258	035163001	7/1/16-6/30/19	\$ 106,221	\$ 106,221	\$ -
	17.258	035163011	10/1/16-6/30/19	728,217	728,217	-
	17.258	035163132	10/1/16-6/30/19	60,000	60,000	-
WIOA Dislocated Worker Program	17.278	035164001	7/1/16-6/30/19	129,772	129,772	-
	17.278	035164011	10/1/16-6/30/19	668,287	668,287	-
	17.278	035164151	10/1/16-6/30/19	90,334	63,533	26,801
	17.278	035164134	10/1/16-6/30/19	198,067	56,332	141,735
WIOA Youth Program	17.259	035163301	4/1/16-6/30/19	913,854	913,854	-
TANF Youth Program	93.558	035163361	7/1/16-6/30/19	507,804	507,804	-
	93.558	035163362	7/1/16-6/30/19	259,257	259,257	-
	93.558	035164133	10/1/16-6/30/19	5,559	5,559	-
Grand Totals			\$ 3,667,372	\$ 3,498,836	\$ 168,536	
WIOA Adult Program	17.258	035173001	7/1/17-6/30/20	\$ 108,648	\$ 10,865	\$ 97,783
	17.258	035173011	10/1/17-6/30/20	749,185	553,607	195,578
WIOA Dislocated Worker Program	17.278	035174001	7/1/17-6/30/20	129,524	129,524	-
	17.278	035174011	10/1/17-6/30/20	693,594	247,389	446,205
	17.278	035174151	10/1/17-6/30/20	36,396	-	36,396
	17.278	035174053	7/1/17-6/30/20	5,697	-	5,697
WIOA Youth Program	17.259	035173301	4/1/17-6/30/20	1,015,156	323,088	692,068
TANF Youth Program	93.558	035173361	7/1/17-6/30/19	832,923	754,409	78,514
Grand Totals			\$ 3,571,123	\$ 2,018,882	\$ 1,552,241	



**Independent Accountants' Report
on Applying Agreed-Upon Procedures
on Department of Human Services
Supplemental Schedules**

To the County Council of
County of Delaware, Pennsylvania and Commonwealth of Pennsylvania
Department of Human Services:

We have performed the procedures enumerated below, which were agreed to by the Commonwealth of Pennsylvania, Department of Human Services ("DHS") and management of the Domestic Relations Section of the County of Delaware, Pennsylvania on the DHS financial schedules and exhibits required by the DHS *Single Audit Supplement* as of and for the year ended December 31, 2018. The County's management is responsible for the financial schedules and exhibits required by the DHS *Single Audit Supplement*. The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures enumerated below, either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

- a) We have agreed by comparison of the amounts and classifications that the supplemental financial schedules listed below, which summarize amounts reported to DHS for fiscal year ended December 31, 2018, have been accurately compiled and reflect the audited books and records of Domestic Relations Section of the County of Delaware, Pennsylvania. We have also agreed by comparison to the example schedules that these schedules are presented, at a minimum, at the level of detail and in the format required by the DHS *Single Audit Supplement* pertaining to this period.

Program Name	Page Number	Exhibit Number	Referenced Schedule/Exhibit
Child Support Enforcement	93	A-1(a)	Comparison of Single Audit Expenditures with Reported Expenditures
Child Support Enforcement	94	A-1(c)	Comparison of Reported Incentives to Incentives on Deposit
Child Support Enforcement	95	A-1(d)	Comparison of Single Audit Title IV-D Account with Reported Title IV-D Account

- b) We have inquired of management regarding adjustments to reported revenues or expenditures, which were not reflected on the reports submitted to DHS for the period in question.
- c) The processes detailed in paragraphs (a) and (b) above disclosed the following:

The employee fringe benefit rate is subject to adjustment based on internal review and assessment of actual employee benefit costs in comparison to the estimated benefit rates applied to the program. This may result in a change in the amount of fringe benefits charged for the period ended December 31, 2018. This assessment has not been completed as of the issuance of the agreed-upon procedures report.

d) With regard to the Reconciliation Supplemental Financial Schedule (Exhibit XX on Page 96) (the "Reconciliation Schedule"), we have performed the following procedures:

1. We have agreed by comparison of amounts and classifications the expenditure amounts listed on the Reconciliation Schedule under the "Federal Expenditures per the SEFA" (column C), which summarizes DHS federal expenditure amounts as of December 31, 2018, have been accurately compiled and reflect the audited books, records and SEFA of the County.
2. We have agreed by comparison of amounts and classifications the program receipt amounts listed on the Reconciliation Schedule under the "Federal Awards Received per the audit confirmation reply from Pennsylvania" (column d), which summarizes DHS federal receipt amounts as of December 31, 2018, have been accurately compiled and reflect the audited books, records and SEFA of the County.
3. We have recalculated the dollar amount and percentage differences between the Federal Expenditures per the SEFA (column C) and the Federal Awards Received per the audit confirmation reply from Pennsylvania (column D) on the Reconciliation Schedule.
4. We have agreed by comparison to the audited books and records that the dollar amount differences (column E) between the expenditures (column C) and receipts (column D) on the Reconciliation Schedule accurately reflect the audited books and records of the County.
5. We have agreed by comparison to the audited books and records that the explanation of differences (column G) between the expenditures (column C) and receipts (column D) on the Reconciliation Schedule accurately reflect the audited books and records of the County.

e) With regard to the County Children and Youth Agency Provider Monitoring Schedule (Exhibit XXI on pg 98) (the "CCYA Schedule"), we have performed the following procedures:

1. We have reconciled the list of providers under "Provider Name" column A to the providers who were paid for In-Home Purchased Services during the year according to the County's general ledgers and Act 148 reporting. We did not identify any providers who were paid during the year, but were not included on the CCYA Schedule.
2. We have agreed the response in column B to the appropriate provider contract. We identified one provider who did not have a contract on file.
3. We have agreed the information in columns C through I to the County's Children and Youth Agency monitoring records for In-Home Purchased Service Providers.

The procedures detailed in paragraphs a), b) c), d), and e) above disclosed no adjustments or findings for the period reported upon.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively on the financial schedules and exhibits required by the DHS *Single Audit Supplement*. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of County Council, Domestic Relations Section of the County of Delaware and Commonwealth of Pennsylvania, Department of Human Services, management and others within the County of Delaware, Pennsylvania and is not intended to be, and should not be, used by anyone other than these specified parties.

Baker Tilly Virchow Krause, LLP

Philadelphia, Pennsylvania
September 27, 2019

County of Delaware, Pennsylvania

Child Support Enforcement
 Comparison of Single Audit Expenditures with Reported Expenditures
 For the Year Ended December 31, 2018
 Exhibit A-1 (a)

	Single Audit Expenditures					Reported Expenditures					Single Audit Over/Under Reported				
	A.Total	B. Unallowable	C. Incentive		Amt. Paid	A. Total	B. Unallowable	C. Incentive		Amt. Paid	A. Total	B. Unallowable	C. Incentive		Amt. Paid
			Paid Costs	Net (A-B-C)				Paid Costs	Net (A-B-C)				Paid Costs	Net (A-B-C)	
Quarter Ending 3/31/2019															
1 Salary & Overhead	\$ 3,001,711	\$ 83,202	\$ -	\$ 2,918,509	\$ 1,926,216	\$ 3,001,711	\$ 83,202	\$ -	\$ 2,918,509	\$ 1,926,216	\$ -	\$ -	\$ -	\$ -	\$ -
2 Fees & Costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3 Interest & Prog Income	12,098	360	-	11,738	7,747	12,098	360	-	11,738	7,747	-	-	-	-	-
4 Blood Testing Fees	679	-	-	679	448	679	-	-	679	448	-	-	-	-	-
5 Blood Testing Costs	1,611	-	-	1,611	1,063	1,611	-	-	1,611	1,063	-	-	-	-	-
6 ADP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Total (1-2-3-4+5+6)	\$ 2,990,545	\$ 82,842	\$ -	\$ 2,907,703	\$ 1,919,084	\$ 2,990,545	\$ 82,842	\$ -	\$ 2,907,703	\$ 1,919,084	\$ -	\$ -	\$ -	\$ -	\$ -
Quarter Ending 6/30/2018															
1 Salary & Overhead	\$ 2,553,477	\$ 70,295	\$ -	\$ 2,483,182	\$ 1,638,900	\$ 2,553,477	\$ 70,295	\$ -	\$ 2,483,182	\$ 1,638,900	\$ -	\$ -	\$ -	\$ -	\$ -
2 Fees & Costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3 Interest & Prog Income	11,236	331	-	10,905	7,197	11,236	331	-	10,905	7,197	-	-	-	-	-
4 Blood Testing Fees	724	-	-	724	478	724	-	-	724	478	-	-	-	-	-
5 Blood Testing Costs	2,767	-	-	2,767	1,826	2,767	-	-	2,767	1,826	-	-	-	-	-
6 ADP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Total (1-2-3-4+5+6)	\$ 2,544,284	\$ 69,964	\$ -	\$ 2,474,320	\$ 1,633,051	\$ 2,544,284	\$ 69,964	\$ -	\$ 2,474,320	\$ 1,633,051	\$ -	\$ -	\$ -	\$ -	\$ -
Quarter Ending 9/30/2018															
1 Salary & Overhead	\$ 2,942,035	\$ 81,255	\$ -	\$ 2,860,780	\$ 1,888,115	\$ 2,942,035	\$ 81,255	\$ -	\$ 2,860,780	\$ 1,888,115	\$ -	\$ -	\$ -	\$ -	\$ -
2 Fees & Costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3 Interest & Prog Income	11,904	356	-	11,548	7,622	11,904	356	-	11,548	7,622	-	-	-	-	-
4 Blood Testing Fees	464	-	-	464	306	464	-	-	464	306	-	-	-	-	-
5 Blood Testing Costs	3,468	-	-	3,468	2,289	3,468	-	-	3,468	2,289	-	-	-	-	-
6 ADP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Total (1-2-3-4+5+6)	\$ 2,933,135	\$ 80,899	\$ -	\$ 2,852,236	\$ 1,882,476	\$ 2,933,135	\$ 80,899	\$ -	\$ 2,852,236	\$ 1,882,476	\$ -	\$ -	\$ -	\$ -	\$ -
Quarter Ending 12/31/2018															
1 Salary & Overhead	\$ 2,513,445	\$ 69,703	\$ 950,000	\$ 1,493,742	\$ 985,870	\$ 2,513,445	\$ 69,703	\$ 950,000	\$ 1,493,742	\$ 985,870	\$ -	\$ -	\$ -	\$ -	\$ -
2 Fees & Costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3 Interest & Prog Income	10,741	327	-	10,414	6,873	10,741	327	-	10,414	6,873	-	-	-	-	-
4 Blood Testing Fees	1,007	-	-	1,007	665	1,007	-	-	1,007	665	-	-	-	-	-
5 Blood Testing Costs	2,899	-	-	2,899	1,913	2,899	-	-	2,899	1,913	-	-	-	-	-
6 ADP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Total (1-2-3-4+5+6)	\$ 2,504,596	\$ 69,376	\$ 950,000	\$ 1,485,220	\$ 980,245	\$ 2,504,596	\$ 69,376	\$ 950,000	\$ 1,485,220	\$ 980,245	\$ -	\$ -	\$ -	\$ -	\$ -

County of Delaware, Pennsylvania

Child Support Enforcement

Comparison of Reported Incentives to Incentives on Deposit

For the Year Ended December 31, 2018

Exhibit A-1(c)

Month	MSE Incentive Paid Cost Worksheet Ending Incentive Balance	Audited Title IV-D Account Incentive Balance **	Type of Account Structure
January 1	\$ 57,080	\$ 52,835	
March 31	242,622	57,501	(X) Separate Bank Account
June 30	427,467	57,683	() Restricted Fund - General Ledger
September 30	610,144	57,880	() Other: _____
December 31	80,475	58,092	

** The Audited Title IV-D Account includes three restricted bank accounts. These accounts collectively contain the IV-D reimbursements, incentive payments, and interest earned. The balance reflected on the MSE incentive paid costs worksheets only include the balance of incentive payments as of that date. At each monthly reporting date the IV-D bank statement had at least the amount of reported incentive funds.

County of Delaware, Pennsylvania

Child Support Enforcement

Comparison of Single Audit Title IV-D Account with Reported Title IV-D Account

For the Year Ended December 31, 2018

Exhibit A-1(d)

	Single Audit TITLE IV-D Account	Reported TITLE IV-D Account	Single Audit Over/(Under) Reported
Balance at January 1, 2018	\$ 1,240,149	\$ 1,240,149	\$ -
Receipts:			
Reimbursements	7,478,810	7,478,810	-
Incentives	749,426	749,426	-
Title XIX incentives	223,983	223,983	-
Interest	71,738	71,738	-
Program income	22,367	22,367	-
Genetic testing costs	3,016	3,016	-
Maintenance of effort (MOE)	-	-	-
Other	13,456	13,456	-
Total Receipts	<u>8,562,796</u>	<u>8,562,796</u>	<u>-</u>
Intra-fund Transfers - In	<u>-</u>	<u>-</u>	<u>-</u>
Funds Available	<u>9,802,945</u>	<u>9,802,945</u>	<u>-</u>
Disbursements:			
Transfers to General Fund	7,027,302	7,027,302	-
Vendor Payments	-	-	-
Bank Charges	-	-	-
Other	-	-	-
Total Disbursements	<u>7,027,302</u>	<u>7,027,302</u>	<u>-</u>
Intra-fund Transfers - Out	<u>-</u>	<u>-</u>	<u>-</u>
Balance at December 31, 2018	<u>\$ 2,775,643</u>	<u>\$ 2,775,643</u>	<u>\$ -</u>

The Title IV-D account consists of four checking accounts.

County of Delaware, Pennsylvania

Reconciliation Supplemental Financial Schedule - Exhibit XX
Year Ended December 31, 2018

(A)	(B)	(C)	(D)	(E)	(F)	(G)
Grantor/Program Title	Federal CFDA Number	Federal Expenditures per the SEFA	Federal Awards Received per the Audit Confirmation Reply from Pennsylvania	Difference (C) - (D)	% Difference (E / D)	Detailed Explanation of Differences
State matching grants for supplemental nutrition assistance program	10.561	\$ 121,021	\$ 124,818	\$ (3,797)	(3%)	The difference relates to timing of cash receipts compared with cash disbursements and relates to payments received in the early part of the year which were for prior year expenditures and end of year expenditures where receipts were not received by the end of the year.
Special education grants for infants & families with disabilities	84.181	1,044,803	770,293	274,510	36%	The difference relates to timing of cash receipts compared with cash disbursements and relates to payments received in the early part of the year which were for prior year expenditures and end of year expenditures where receipts were not received by the end of the year.
Guardianship assistance	93.090	103,801	130,887	(27,086)	(21%)	The difference relates to timing of cash receipts compared with cash disbursements and relates to payments received in the early part of the year which were for prior year expenditures and end of year expenditures where receipts were not received by the end of the year.
Projects for assistance in transition from homelessness	93.150	83,109	131,919	(48,810)	(37%)	The difference relates to timing of cash receipts compared with cash disbursements and relates to payments received in the early part of the year which were for prior year expenditures and end of year expenditures where receipts were not received by the end of the year.
Promoting safe and stable families	93.556	129,824	114,668	15,156	13%	The difference relates to timing of cash receipts compared with cash disbursements and relates to payments received in the early part of the year which were for prior year expenditures and end of year expenditures where receipts were not received by the end of the year.
Child support enforcement	93.563	7,531,852	7,614,411	(82,559)	(1%)	The difference relates to timing of cash receipts compared with cash disbursements and relates to payments received in the early part of the year which were for prior year expenditures and end of year expenditures where receipts were not received by the end of the year.
Childcare and development block grant	93.575	13,486,782	13,220,237	266,545	2%	The difference relates to timing of cash receipts compared with cash disbursements and relates to payments received in the early part of the year which were for prior year expenditures and end of year expenditures where receipts were not received by the end of the year.
Childcare mandatory and matching funds of the childcare and development fund	93.596	5,825,576	8,439,269	(2,613,693)	(31%)	The difference relates to timing of cash receipts compared with cash disbursements and relates to payments received in advance in the early part of the year, not yet fully expended by the end of the year.
Stephanie Tubbs Jones Child Welfare Services Program	93.645	220,851	220,851	-	0%	The difference relates to timing of cash receipts compared with cash disbursements and relates to payments received in the early part of the year which were for prior year expenditures and end of year expenditures where receipts were not received by the end of the year.
Foster care - Title IV-E	93.658	5,921,866	5,016,738	905,128	18%	The difference relates to timing of cash receipts compared with cash disbursements and relates to payments received in the early part of the year which were for prior year expenditures and end of year expenditures where receipts were not received by the end of the year.
Adoption assistance	93.659	1,909,470	2,426,508	(517,038)	(21%)	The difference relates to timing of cash receipts compared with cash disbursements and relates to payments received in the early part of the year which were for prior year expenditures and end of year expenditures where receipts were not received by the end of the year.
Social services block grant	93.667	3,730,940	3,768,393	(37,453)	(1%)	The difference relates to timing of cash receipts compared with cash disbursements and relates to payments received in the early part of the year which were for prior year expenditures and end of year expenditures where receipts were not received by the end of the year.
Chafee foster care independence program	93.674	90,877	103,874	(12,997)	(13%)	The difference relates to timing of cash receipts compared with cash disbursements and relates to payments received in the early part of the year which were for prior year expenditures and end of year expenditures where receipts were not received by the end of the year.
Block grants for community mental health services	93.958	532,284	696,278	(163,994)	(24%)	The difference relates to timing of cash receipts compared with cash disbursements and relates to payments received in the early part of the year which were for prior year expenditures and end of year expenditures where receipts were not received by the end of the year.
Temporary assistance for needy families	93.558	7,658,649	8,780,475	(878,174)	(13%)	The difference relates to timing of cash receipts compared with cash disbursements and relates to payments received in the early part of the year which were for prior year expenditures and end of year expenditures where receipts were not received by the end of the year.
Medical assistance program (Medicaid)	93.778	3,609,214	3,690,552	(81,338)	-2%	The difference relates to timing of cash receipts compared with cash disbursements and relates to payments received in the early part of the year which were for prior year expenditures and end of year expenditures where receipts were not received by the end of the year.
		<u>\$ 52,000,919</u>	<u>\$ 53,250,171</u>	<u>\$ (1,249,252)</u>	<u>-2%</u>	

County of Delaware, Pennsylvania

Schedule of Revenues and Expenditures EARN - Exhibit II
 Office of Workforce Development EARN 17-18 4100077677
 Year Ended June 30, 2018 (Final)

	<u>Budgeted Amount</u>	<u>Cumulative YTD Actual Expenses</u>	<u>Balance of Budgeted Amount</u>
Administration Costs			
A. Personnel			
Staff Salaries	\$ 69,622	\$ 24,595	\$ 45,027
Staff Fringe Benefits	30,041	5,299	24,742
Total salaries/fringe benefits	99,663	29,894	69,769
B. Equipment and Supplies	3,213	239	2,974
C. Operating expenses	42,585	7,990	34,595
Total administration costs	145,461	38,123	107,338
Program Costs (Direct Training)			
A. Personnel			
Staff Salaries	-	-	-
Staff Fringe Benefits	-	-	-
Total personnel	-	-	-
B. Equipment and Supplies	-	-	-
C. Operating expenses	-	-	-
D. Other Program Expenses	-	-	-
Subcontractor expense	800,039	797,887	2,152
Total program costs	800,039	797,887	2,152
Total contract amount	\$ 945,500	\$ 836,010	\$ 109,490

County of Delaware, Pennsylvania

Children and youth agency monitoring schedule- Exhibit XXI
 Period Ended June 30, 2018

(A) Provider Name	(B) Does Provider Contract Include Cpsi Requirements	(C) Most Recent Monitoring Date	(D) Monitored During the Current Year (yes/no)	If Column D is Yes.			(H) Date Follow-up Was Done On Prior Year Monitoring	(I) Has Provider Implemented the Cap
				(E) List Any Exceptions Noted During Current Year Monitoring	(F) If Applicable, Was Cap Submitted	(G) Is Cap Acceptable, To Ccya		
A SECOND CHANCE	Yes	5/10/2018	Yes	n/a	n/a	n/a	n/a	n/a
Accent Interpreting LLC	Yes	n/a	No	n/a	n/a	n/a	n/a	n/a
Alere Testing Laboratory	Yes	n/a	No	n/a	n/a	n/a	n/a	n/a
American Monitoring	Yes	n/a	No	n/a	n/a	n/a	n/a	n/a
American Bio Medical Corporation	Yes	n/a	No	n/a	n/a	n/a	n/a	n/a
Andrea L. Katin & Associates	Yes	n/a	No	n/a	n/a	n/a	n/a	n/a
Anne Ackermann	Yes	n/a	No	n/a	n/a	n/a	n/a	n/a
Be Proud Foundation	Yes	n/a	No	n/a	n/a	n/a	n/a	n/a
CASA/Youth advocates, inc.	Yes	n/a	No	n/a	n/a	n/a	n/a	n/a
Catherine Surbeck Ph D.	Yes	n/a	No	n/a	n/a	n/a	n/a	n/a
Center for Arson Research	Yes	n/a	No	n/a	n/a	n/a	n/a	n/a
Celia Spearing	Yes	n/a	No	n/a	n/a	n/a	n/a	n/a
Certified Polygraph Testing	Yes	n/a	No	n/a	n/a	n/a	n/a	n/a
Child Guidance Research Center	Yes	n/a	No	n/a	n/a	n/a	n/a	n/a
Children's choice, Inc	Yes	n/a	No	n/a	n/a	n/a	n/a	n/a
Community Specialists Corporation dba the academy	yes	n/a	No	n/a	n/a	n/a	n/a	n/a
Cornell Abraxas group, inc. Youth & Family Services	Yes	n/a	No	n/a	n/a	n/a	n/a	n/a
Daikon Child family & community	Yes	n/a	No	n/a	n/a	n/a	n/a	n/a
Deaf Hearing Communication	Yes	n/a	No	n/a	n/a	n/a	n/a	n/a
Dr. Stephen Mechanick	Yes	n/a	No	n/a	n/a	n/a	n/a	n/a
Elwyn, Inc	Yes	3/1/2018	Yes	n/a	n/a	n/a	n/a	n/a
Family Support Line	Yes	n/a	No	n/a	n/a	n/a	n/a	n/a
George Junior Republic in Pennsylvania	Yes	n/a	No	n/a	n/a	n/a	n/a	n/a
Glen Mills School	Yes	n/a	No	n/a	n/a	n/a	n/a	n/a
Holcomb Assoc.	Yes	n/a	No	n/a	n/a	n/a	n/a	n/a
Ira Kedson, Ph D.	Yes	n/a	No	n/a	n/a	n/a	n/a	n/a
Jane Iannuzzelli	Yes	n/a	No	n/a	n/a	n/a	n/a	n/a
Jane Mackay	Yes	n/a	No	n/a	n/a	n/a	n/a	n/a
June Elcock Messam, M.D. dba Media Pediatrics	Yes	n/a	No	n/a	n/a	n/a	n/a	n/a
JusticeWorks YouthCare	Yes	n/a	No	n/a	n/a	n/a	n/a	n/a
Karen Dybner-Madero, Psy D.	Yes	n/a	No	n/a	n/a	n/a	n/a	n/a
Kathleen M. Carroll	Yes	n/a	No	n/a	n/a	n/a	n/a	n/a
Kids Connection	Yes	n/a	No	n/a	n/a	n/a	n/a	n/a
Language Services Associates	Yes	n/a	No	n/a	n/a	n/a	n/a	n/a
Lorraine Harris	Yes	n/a	No	n/a	n/a	n/a	n/a	n/a
Pathways	Yes	n/a	No	n/a	n/a	n/a	n/a	n/a
Preventative aftercare, inc	Yes	n/a	No	n/a	n/a	n/a	n/a	n/a
RTM, Lic dba The Academy	Yes	n/a	No	n/a	n/a	n/a	n/a	n/a
Step by Step learning center	Yes	n/a	No	n/a	n/a	n/a	n/a	n/a
Summers Day, Inc.	Yes	n/a	No	n/a	n/a	n/a	n/a	n/a
Terri Erbacher	Yes	n/a	No	n/a	n/a	n/a	n/a	n/a
The Center for Resolutions	Yes	n/a	No	n/a	n/a	n/a	n/a	n/a
Tiny hands and little feet day care, llc	Yes	n/a	No	n/a	n/a	n/a	n/a	n/a
Ugo Marmugi	No	n/a	No	n/a	n/a	n/a	n/a	n/a
United youth community service, Llc	Yes	n/a	No	n/a	n/a	n/a	n/a	n/a
Woods services, inc	Yes	n/a	No	n/a	n/a	n/a	n/a	n/a

County of Delaware, Pennsylvania

Housing Opportunities for Persons with Aids, City of Philadelphia
 Contract Number (1820021)
 Schedule of Source and Status of Funds
 For the Period from January 1, 2018 to December 31, 2018

	CDBG Funds	Program Income	Other City Funds	Non- City Funds	Total
Total Contract (Final authorized budget)	\$ 666,750				\$ 666,750
Less:					
Funds drawn down, prior year *	299,844				299,844
Funds drawn down, current year *	289,106				289,106
Total funds drawn	588,950				588,950
Funds available for draw	\$ 77,800	None	None	None	\$ 77,800
Total funds drawn	\$ 588,950				\$ 588,950
Add,					
Program income		-			-
Total funds received	588,950	-			588,950
Less:					
Program income expended		-			-
Funds applied, prior year *	299,844				299,844
Funds applied, current year *	289,106				289,106
Total funds applied	588,950	-			588,950
Total funds due from funding source	None	None	None	None	None
Total funds available for disposition	\$ 77,800	None	None	None	\$ 77,800

* For purposes of this schedule, current year represents the period from January 1, 2018 to December 31, 2018

County of Delaware, Pennsylvania

Housing Opportunities for Persons with Aids, City of Philadelphia

Contract Number (1820021)

Schedule of Program Expenditures

For the Period January 1, 2018 to December 31, 2018

	<u>Budget</u>	<u>Expenditures Prior to 1/1/18</u>	<u>Expenditures 1/1/18 to 12/31/2018</u>	<u>Expenditures Cumulative to 12/31/18</u>
Expenditures				
Direct personnel	\$ 88,113	\$ 44,132	\$ 40,818	\$ 84,950
Direct fringe benefits	36,391	15,475	14,788	30,263
Professional services	-	-	-	-
Travel	2,950	548	1,558	2,106
Occupancy	8,739	1,461	4,920	6,381
Consumable supplies	8,857	2,370	2,622	4,992
Other costs	511,250	230,071	221,600	451,671
Indirect costs	10,450	5,787	2,800	8,587
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 666,750</u>	<u>\$ 299,844</u>	<u>\$ 289,106</u>	<u>\$ 588,950</u>

County of Delaware, Pennsylvania

Housing Opportunities for Persons with Aids, City of Philadelphia
 Contract Number (1820021)
 Reconciliation Schedule
 For the Period January 1, 2018 to December 31, 2018

	Amount Per Books and Records	Amount Per Subrecipient Invoice	Difference
Contract Amount	\$ 666,750	\$ 666,750	\$ -
Program Costs			
Prior Year *	299,844	299,844	-
Current Year *	<u>289,106</u>	<u>289,106</u>	<u>-</u>
Cumulative	<u>\$ 588,950</u>	<u>\$ 588,950</u>	<u>\$ -</u>
Funds Drawn Down			
Prior Year *	\$ 299,844	\$ 299,844	\$ -
Current Year *	<u>289,106</u>	<u>289,106</u>	<u>-</u>
Cumulative	<u>\$ 588,950</u>	<u>\$ 588,950</u>	<u>\$ -</u>

* For purposes of this schedule, current year represents the period of January 1, 2018 from December 31, 2018

County of Delaware, Pennsylvania

Housing Opportunities for Persons with Aids, City of Philadelphia

Contract Number (1820021)

Schedule of Program Income

For the Period from January 1, 2018 to December 31, 2018

	<u>Sales Proceeds</u>	<u>Other (Specify)</u>
Program Income		
Cumulative to 12/31/17	\$ -	\$ -
Less,		
Program income expended in prior years	\$ -	\$ -
Beginning Balance January 1, 2018	\$ -	\$ -
Add,		
Program income received in current year	\$ -	\$ -
Less,	\$ -	\$ -
Program income expended in current year		
Ending Balance as of December 31, 2018	\$ -	\$ -

County of Delaware, Pennsylvania

Housing Opportunities for Persons with Aids, City of Philadelphia
 Contract Number (1920029)
 Schedule of Source and Status of Funds
 For the Period from January 1, 2018 to December 31, 2018

	CDBG Funds	Program Income	Other City Funds	Non- City Funds	Total
Total Contract (Final authorized budget)	\$ 651,250	\$ -			\$ 651,250
Less:					
Funds drawn down, prior year *	-				-
Funds drawn down, current year *	<u>278,371</u>				<u>278,371</u>
Total funds drawn	<u>278,371</u>				<u>278,371</u>
Funds available for draw	<u>\$ 372,879</u>	None	None	None	<u>\$ 372,879</u>
Total funds drawn	\$ 278,371				\$ 278,371
Add,					
Program income		-			-
Total funds received	<u>278,371</u>	<u>-</u>			<u>278,371</u>
Less:					
Program income expended		-			-
Funds applied, prior year *	-				-
Funds applied, current year *	<u>278,371</u>				<u>278,371</u>
Total funds applied	<u>278,371</u>	<u>-</u>			<u>278,371</u>
Total funds due from funding source	<u>None</u>	<u>None</u>	<u>None</u>	<u>None</u>	<u>None</u>
Total funds available for disposition	<u>\$ 372,879</u>	<u>None</u>	<u>None</u>	<u>None</u>	<u>\$ 372,879</u>

* For purposes of this schedule, current year represents the period from January 1, 2018 to December 31, 2018

County of Delaware, Pennsylvania

Housing Opportunities for Persons with Aids, City of Philadelphia

Contract Number (1920029)

Schedule of Program Expenditures

For the Period January 1, 2018 to December 31, 2018

	<u>Budget</u>	<u>Expenditures Prior to 1/1/18</u>	<u>Expenditures 1/1/18 to 12/31/2018</u>	<u>Expenditures Cumulative to 12/31/18</u>
Expenditures				
Direct personnel	\$ 81,685	\$ -	\$ 39,620	\$ 39,620
Direct fringe benefits	28,822	-	14,129	14,129
Professional services	-	-	-	-
Travel	1,350	-	430	430
Occupancy	16,078	-	1,644	1,644
Consumable supplies	3,475	-	336	336
Other costs	511,250	-	217,476	217,476
Indirect costs	8,590	-	4,736	4,736
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 651,250</u>	<u>\$ -</u>	<u>\$ 278,371</u>	<u>\$ 278,371</u>

County of Delaware, Pennsylvania

Housing Opportunities for Persons with Aids, City of Philadelphia

Contract Number (1920029)

Reconciliation Schedule

For the Period January 1, 2018 to December 31, 2018

	<u>Amount Per Books and Records</u>	<u>Amount Per Subrecipient Invoice</u>	<u>Difference</u>
Contract Amount	\$ 651,250	\$ 651,250	\$ -
Program Costs			
Prior Year *	-	-	-
Current Year *	<u>278,371</u>	<u>278,371</u>	<u>-</u>
Cumulative	<u>\$ 278,371</u>	<u>\$ 278,371</u>	<u>\$ -</u>
Funds Drawn Down			
Prior Year *	\$ -	\$ -	\$ -
Current Year *	<u>278,371</u>	<u>278,371</u>	<u>-</u>
Cumulative	<u>\$ 278,371</u>	<u>\$ 278,371</u>	<u>\$ -</u>

* For purposes of this schedule, current year represents the period of January 1, 2018 from December 31, 2018

County of Delaware, Pennsylvania

Housing Opportunities for Persons with Aids, City of Philadelphia

Contract Number (1920029)

Schedule of Program Income

For the Period from January 1, 2018 to December 31, 2018

	<u>Sales Proceeds</u>	<u>Other (Specify)</u>
Program Income		
Cumulative to 12/31/17	\$ -	\$ -
Less,		
Program income expended in prior years	\$ -	\$ -
Beginning Balance January 1, 2018	\$ -	\$ -
Add,		
Program income received in current year	\$ -	\$ -
Less,	\$ -	\$ -
Program income expended in current year		
Ending Balance as of December 31, 2018	\$ -	\$ -

SECTION 2

CORRECTIVE ACTION PLAN

SUBMITTED BY:
COUNTY OF DELAWARE, PENNSYLVANIA



CONTROLLER OF DELAWARE COUNTY
GOVERNMENT CENTER BUILDING
201 W. FRONT STREET
MEDIA, PENNSYLVANIA 19063

Joanne Phillips, Esq.
CONTROLLER

PHONE 610-891-4441
FAX NUMBER 610-566-3256

Robert W. Scott, Esq.
SOLICITOR

Jeffrey J. Powers, C.P.A.
FIRST DEPUTY CONTROLLER

Rick Megaro, C.P.P.
DEPUTY CONTROLLER

CORRECTIVE ACTION PLAN

The County of Delaware, Pennsylvania respectfully submits the following corrective action plan for the year ended December 31, 2018.

Name and address of independent public accounting firm:

Baker Tilly Virchow Krause, LLP
1650 Market Street, Suite 4500
Philadelphia, Pennsylvania 19102

Audit period: December 31, 2018

The finding from the December 31, 2018 schedule of findings and questioned cost are discussed below.

Finding 2018 – 001: Financial Statement Findings/Treasury Department

Recommendation:

We recommend that the party responsible for reviewing bank reconciliations be separate from the individuals with account signing privileges, individuals who prepare the bank reconciliations and individuals with cash receipts duties.

Action Taken:

The County Treasurer's Department has implemented internal controls to assure that responsibility for bank account reconciliations shall be separate from individuals who have account signing privileges. Additional staff has been added to provide an adequate number of employees to implement the internal controls.

Finding 2018 – 002: Cash Management/Reimbursement Reporting
WIOA Cluster-17.258/17.259/17.278

Recommendation:

We recommend that a policy be put in place requiring a level of review by an individual other than the preparer prior to the submission of cash drawdowns, requests for reimbursement, and/or external reporting.

Action Taken:

The Workforce Development Board office has reviewed the process and shall implement controls to provide a secondary review by the Director, or his designee, to assure there is a secondary review by an individual other than the preparer of cash drawdowns, requests for reimbursement, and for external reporting.

**Finding 2018 – 003: Cash Management/Reimbursement Reporting
TANF Cluster – 93.558**

Recommendation:

We recommend that a policy be put in place requiring a level of review by an individual other than the preparer prior to the submission of cash drawdowns, requests for reimbursement, and/or external reporting.

Action Taken:

The Workforce Development Board office has reviewed the process and shall implement controls to provide a secondary review by the Director, or his designee, to assure there is a secondary review by an individual other than the preparer of cash drawdowns, requests for reimbursement, and for external reporting.

If there are any questions regarding this plan please call me at 610-891-5333 or email me at phillipsj@co.delaware.pa.us.

Very truly yours,


Joanne Phillips
Controller

CC: Charlene Mangano, Treasurer
John Daly, Director, Workforce Development
Andrea Caladie, Baker Tilly
Jeffrey Powers, First Deputy Controller

SECTION 3

DATA COLLECTION FORMS FOR REPORTING
ON AUDITS OF STATES, LOCAL GOVERNMENTS, AND
NON -PROFIT ORGANIZATION

SUBMITTED BY:
COUNTY OF DELAWARE, PENNSYLVANIA

**Data Collection Form for Reporting on
Audits of States, Local Governments, Indian Tribes, Institutions of Higher Education and Nonprofit
For Fiscal Periods Beginning on or after December 26, 2014**

PART I: GENERAL INFORMATION

REPORTID: 811363 VERSION:1

1. Fiscal Period End Date 12/31/2018	2. Type of Uniform Guidance Audit Single Audit
3. Audit Period Covered Annual	If Audit Period Other, then number of months:
4. Auditee Identification Numbers a. Auditee Employer Identification Number (EIN) 23-6003046 b. Are multiple EINS covered in this report? No	d. Auditee Data Universal Numbering System (DUNS) Number e. Are multiple DUNS covered in this report? No
5. Auditee Information a. Auditee name COUNTY OF DELAWARE b. Auditee address (Number and street) 201 WEST FRONT STREET Auditee City MEDIA Auditee State PA Auditee ZIP Code 19063	6. Primary Auditor Information a. Audit Firm/Organization Name BAKER TILLY VIRCHOW KRAUSE, LLP b. Audit Firm/Organization EIN 39-0859910 c. Audit Firm/Organization address (Number and street) 16050 MARKET STREET, SUITE 4500 Audit Firm/Organization City PHILADELPHIA Audit Firm/Organization State PA Audit Firm/Organization ZIP Code 19103 d. Primary Auditor Contact Name ANDREA CALADIE Primary Auditor Contact Title PARTNER e. Primary Auditor Contact Telephone (570)820-0174 f. Primary Auditor Contact E-mail ANDREA.CALADIE@BAKERTILLY.COM
c. Auditee Contact Name JOANNE PHILLIPS Auditee Contact Title CONTROLLER d. Auditee Contact Telephone (610)891-4441 e. Auditee Contact E-mail PHILLIPSJ@CO.DELAWARE.PA.US	7. Was a secondary auditor used? Yes

Part II: FEDERAL AWARDS

Part III: INFORMATION

1. FEDERAL AWARDS EXPENDED DURING FISCAL YEAR																		
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)	(p)	(q)		
Row Number (Auto-Generated)	Federal Awarding Agency Prefix ¹	CFDA Number	Additional Award Identification ³	Name of Federal Award	Amount Expended (\$)	Cluster Name	Federal Program Total ⁴	Cluster Total ⁵	Loan/Loan Guarantee	If column (i) is "Y", the End of the Audit Period Outstanding Loan Balance ⁶	Direct Award	If column (k) is "N", list Name of Pass-through Entity	If column (k) is "N", list identifying number assigned by the Pass-through Entity, if assigned ⁷	Federal Award Passed Through to Subrecipients	If column (n) is "Y", Provide Amount Passed Through	Major Program	If column (a) is "Y", type of audit report on Major Program ⁸	Number of Audit Findings
1	10	553		SCHOOL BREAKFAST PROGRAM	\$13,878	CHILD NUTRITION CLUSTER	\$13,878	\$34,791	N		N	PENNSYLVANIA DEPARTMENT OF EDUCATION	N/A	N				0
2	10	555		NATIONAL SCHOOL LUNCH PROGRAM	\$20,913	CHILD NUTRITION CLUSTER	\$20,913	\$34,793	N		N	PENNSYLVANIA DEPARTMENT OF EDUCATION	N/A	N				0
3	10	561		STATE ADMINISTRATIVE MATCHING GRANTS FOR THE SUPPLEMENTAL NUTRITION	\$121,021	SNAP CLUSTER	\$121,021	\$121,021	N		N	PENNSYLVANIA DEPARTMENT OF HUMAN SERVICES	N/A	N				0
4	10	568		EMERGENCY FOOD ASSISTANCE PROGRAM (ADMINISTRATIVE COSTS)	\$43,550	FOOD DISTRIBUTION CLUSTER	\$43,550	\$332,443	N		N	PENNSYLVANIA DEPARTMENT OF AGRICULTURE	N/A	Y	\$33,921			0
5	10	569		EMERGENCY FOOD ASSISTANCE PROGRAM (FOOD COMMODITIES)	\$288,893	FOOD DISTRIBUTION CLUSTER	\$288,893	\$332,443	N		N	PENNSYLVANIA DEPARTMENT OF AGRICULTURE	N/A	Y	\$288,893			0

16	14	241	1920029	HOUSING OPPORTUNITIES FOR PERSONS WITH AIDS	\$278,371	N/A	\$567,477											CITY OF PHILADELPHIA DIVISION OF HOUSING AND COMMUNITY DEVELOPMENT		N/A	Y	\$34,408	N		0
17	93	041		SPECIAL PROGRAMS FOR THE AGING_TITLE VII, CHAPTER 3_PROGRAMS FOR	\$6,360	N/A	\$6,360											PENNSYLVANIA DEPARTMENT OF AGING	41000728	09	N		N		0
18	93	042		SPECIAL PROGRAMS FOR THE AGING_TITLE VII, CHAPTER 2_LONG TERM CARE	\$15,900	N/A	\$15,900											PENNSYLVANIA DEPARTMENT OF AGING	41000728	09	N		N		0
19	93	043		SPECIAL PROGRAMS FOR THE AGING_TITLE III, PART D_DISEASE PREVENTION AND	\$29,587	N/A	\$29,587											PENNSYLVANIA DEPARTMENT OF AGING	41000728	09	N		N		0
20	93	052		NATIONAL FAMILY CAREGIVER SUPPORT_TITLE III, PART E	\$173,110	N/A	\$173,110											PENNSYLVANIA DEPARTMENT OF AGING	41000728	09	N		N		0
21	93	071		MEDICARE ENROLLMENT ASSISTANCE PROGRAM	\$16,438	N/A	\$16,438											PENNSYLVANIA DEPARTMENT OF AGING	41000728	09	N		N		0
22	93	324		STATE HEALTH INSURANCE ASSISTANCE PROGRAM	\$50,952	N/A	\$50,952											PENNSYLVANIA DEPARTMENT OF AGING	41000728	09	N		N		0
23	93	568		LOW-INCOME HOME ENERGY ASSISTANCE	\$34,915	N/A	\$34,915											PENNSYLVANIA DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT	C0000616	56	N		N		0
24	93	090		GUARDIANSHIP ASSISTANCE	\$103,801	N/A	\$103,801											PENNSYLVANIA DEPARTMENT OF HUMAN SERVICES	G17213		N		N		0

25	93	150	PROJECTS FOR ASSISTANCE IN TRANSITION FROM HOMELESSNESS (PATH)	\$83,109	N/A	\$83,109	N	N	PENNSYL VANIA DEPARTM ENT OF HUMAN SERVICES	70154	Y	\$83,109	N	0
26	93	556	PROMOTING SAFE AND STABLE FAMILIES	\$129,924	N/A	\$129,924	N	N	PENNSYL VANIA DEPARTM ENT OF HUMAN SERVICES	617697	Y	\$110,888	N	0
27	93	563	CHILD SUPPORT ENFORCEMENT	\$7,531,112	N/A	\$7,531,112	N	N	PENNSYL VANIA DEPARTM ENT OF HUMAN SERVICES	41000704	N	0	N	0
28	93	575	CHILD CARE AND MANDATORY AND MATCHING FUNDS OF THE CHILD CARE AND DEVELOPMENT FUND	\$13,486,782	CCDF CLUSTER	\$13,486,782	N	N	PENNSYL VANIA DEPARTM ENT OF HUMAN SERVICES	N/A	N	0	N	0
29	93	596	STEPHANIE TUBBS JONES CHILD WELFARE SERVICES PROGRAM	\$5,825,576	CCDF CLUSTER	\$5,825,576	N	N	PENNSYL VANIA DEPARTM ENT OF HUMAN SERVICES	N/A	N	0	N	0
30	93	645	FOSTER CARE TITLE IV-E	\$220,851	N/A	\$220,851	N	N	PENNSYL VANIA DEPARTM ENT OF HUMAN SERVICES	1701PAC WSS	Y	\$220,851	N	0
31	93	658	ADDITION ASSISTANCE	\$5,921,866	N/A	\$5,921,866	N	N	PENNSYL VANIA DEPARTM ENT OF HUMAN SERVICES	617396	Y	\$1,739,888	N	0
32	93	659	SOCIAL SERVICES BLOCK GRANT	\$1,909,470	N/A	\$1,909,470	N	N	PENNSYL VANIA DEPARTM ENT OF HUMAN SERVICES	617399	N	0	N	0
33	93	667	CHAFEE FOSTER CARE INDEPENDENCE PROGRAM	\$3,730,940	N/A	\$3,730,940	N	N	PENNSYL VANIA DEPARTM ENT OF HUMAN SERVICES	1801PAS OSR	Y	\$1,209,921	N	0
34	93	674		\$90,877	N/A	\$90,877	N	N	PENNSYL VANIA DEPARTM ENT OF HUMAN SERVICES	617420	Y	\$36,496	N	0

35	93	958	BLOCK GRANTS FOR COMMUNITY MENTAL HEALTH SERVICES	\$532,284	N/A	\$532,284			N	N	PENNSYLVANIA DEPARTMENT OF HUMAN SERVICES	70167	Y	\$532,284	N		0
36	93	959	BLOCK GRANTS FOR PREVENTION AND TREATMENT OF SUBSTANCE ABUSE	\$1,511,163	N/A	\$1,511,163			N	N	PENNSYLVANIA DEPARTMENT OF DRUG AND ALCOHOL PROGRAMS	4100053190	Y	\$1,511,163	N		0
37	93	243	SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES, PROJECTS OF REGIONAL AND NATIONAL SIGNIFICANCE	\$314,445	N/A	\$314,445			N	N	PENNSYLVANIA DEPARTMENT OF DRUG AND ALCOHOL PROGRAMS	4100053190	Y	\$254,956	N		0
38	93	889	NATIONAL BIOTERRORISM HOSPITAL PREPAREDNESS PROGRAM	\$11,330	N/A	\$11,330			N	N	PENNSYLVANIA DEPARTMENT OF HEALTH	78382 AND 81064	N		N		0
39	93	074	HOSPITAL PREPAREDNESS PROGRAM (HPP) AND PUBLIC HEALTH EMERGENCY	\$49,139	N/A	\$49,139			N	N	PENNSYLVANIA DEPARTMENT OF HEALTH	4100078490	N		N		0
40	93	758	PREVENTIVE HEALTH AND HEALTH SERVICES BLOCK GRANT FUNDED SOLELY WITH	\$12,500	N/A	\$12,500			N	N	PENNSYLVANIA DEPARTMENT OF HEALTH	N/A	N		N		0
41	93	558	TEMPORARY ASSISTANCE FOR NEEDY FAMILIES	\$5,236,152	TANF CLUSTER	\$7,658,649	\$7,658,649		N	N	PENNSYLVANIA DEPARTMENT OF HUMAN SERVICES	G17970	Y	\$1,516,202	Y	U	1
42	93	558	TEMPORARY ASSISTANCE FOR NEEDY FAMILIES	\$2,422,497	TANF CLUSTER	\$7,658,649	\$7,658,649		N	N	THE PENNSYLVANIA DEPARTMENT OF LABOR AND INDUSTRY	N/A	N		Y	U	0
43	93	778	MEDICAL ASSISTANCE PROGRAM	\$568,709	MEDICAL CLUSTER	\$5,520,843	\$5,520,843		N	N	PENNSYLVANIA DEPARTMENT OF AGING	4100078250	N		N		0

44	93	778	MEDICAL ASSISTANCE PROGRAM	\$9,609,214	MEDICAL ASSISTANCE CLUSTER	\$9,520,843	\$5,520,843	\$5,520,843	N	N	N/A	Y	\$2,772,843	N	0
45	93	778	MEDICAL ASSISTANCE PROGRAM	\$1,342,920	MEDICAL ASSISTANCE CLUSTER	\$5,520,843	\$5,520,843	\$5,520,843	N	N	N/A	Y	\$1,320,171	N	0
46	93	044	SPECIAL PROGRAMS FOR THE AGING TITLE III, PART B GRANTS FOR SUPPORTIVE	\$617,273	AGING CLUSTER	\$617,273	\$1,144,688	\$1,144,688	N	N	41000728	09		N	0
47	93	045	SPECIAL PROGRAMS FOR THE AGING TITLE III, PART C NUTRITION SERVICES	\$405,095	AGING CLUSTER	\$405,095	\$1,144,688	\$1,144,688	N	N	41000728	09		N	0
48	93	053	NUTRITION SERVICES INCENTIVE PROGRAM	\$122,320	AGING CLUSTER	\$122,320	\$1,144,688	\$1,144,688	N	N	41000728	09		N	0
49	16	543	MISSING CHILDREN'S ASSISTANCE	\$489,671	N/A	\$489,671			N	Y			\$123,130	N	0
50	16	788	EDWARD BYRNE MEMORIAL JUSTICE ASSISTANCE GRANT PROGRAM	\$150,981	N/A	\$179,214			N	Y				N	0
51	16	827	JUSTICE REINVESTMENT INITIATIVE	\$112,608	N/A	\$112,608			N	N	27008			N	0
52	16	575	CRIME VICTIM ASSISTANCE	\$113,012	N/A	\$259,514			N	N	27986			N	0

53	16	575	26672	CRIME VICTIM ASSISTANCE	\$143,932	N/A	\$259,514		N		PENNSYLVANIA COMMISSION ON CRIME AND DELINQUENCY	26672	N		N		0
54	17	207		EMPLOYMENT SERVICE/WAGNER-PEYSER FUNDED ACTIVITIES	\$118,962	N/A	\$118,962		N	Y			N		N		0
55	17	245		TRADE ADJUSTMENT ASSISTANCE	\$20,792	N/A	\$20,792		N	Y			N		N		0
56	17	258		WIA ADULT PROGRAM	\$1,057,341	WIOA CLUSTER	\$1,057,341	\$2,674,387	N	N	THE PENNSYLVANIA DEPARTMENT OF LABOR AND INDUSTRY	N/A	N		Y	U	1
57	17	259		WIA YOUTH ACTIVITIES	\$858,825	WIOA CLUSTER	\$858,825	\$2,674,387	N	N	THE PENNSYLVANIA DEPARTMENT OF LABOR AND INDUSTRY	N/A	N		Y	U	1
58	17	278		WIA DISLOCATED WORKER-FORMULA GRANTS	\$758,221	WIOA CLUSTER	\$758,221	\$2,674,387	N	N	THE PENNSYLVANIA DEPARTMENT OF LABOR AND INDUSTRY	N/A	N		Y	U	1
59	81	042		WEATHERIZATION ASSISTANCE FOR LOW-INCOME PERSONS	\$58,529	N/A	\$58,529		N	N	THE PENNSYLVANIA DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT	N/A	N		N		0

60	94	011	FOSTER GRANDPARENT PROGRAM	\$280,858	FOSTER GRANDPARENT/SENIOR COMPANION CLUSTER	\$280,858	\$280,858	N	Y		N		N		0
61	20	600	STATE AND COMMUNITY HIGHWAY SAFETY	\$69,874	HIGHWAY SAFETY CLUSTER	\$69,874	\$69,874	N	Y		N		N		0
62	20	205	HIGHWAY PLANNING AND CONSTRUCTION	\$802,563	HIGHWAY PLANNING AND CONSTRUCTION CLUSTER	\$802,563	\$802,563	N	N	PENNSYLVANIA DEPARTMENT OF TRANSPORTATION	N/A	N		N	0
63	20	505	METROPOLITAN TRANSPORTATION PLANNING AND STATE AND NON-METROPOLITAN PLANNING AND RESEARCH	\$113,032	N/A	\$113,032		N	N	DELAWARE VALLEY REGIONAL PLANNING COMMISSION	N/A	N		N	0
64	97	042	EMERGENCY MANAGEMENT PERFORMANCE GRANTS	\$57,350	N/A	\$57,350		N	N	PENNSYLVANIA EMERGENCY MANAGEMENT AGENCY	N/A	N		N	0
65	97	067	HOMELAND SECURITY GRANT PROGRAM	\$1,084,069	N/A	\$1,084,069		N	N	PENNSYLVANIA EMERGENCY MANAGEMENT AGENCY	N/A	N		N	0
66	95	001	HIGH INTENSITY DRUG TRAFFICKING AREAS PROGRAM	\$12,281	N/A	\$12,281		N	Y			N		N	0
67	93	590	COMMUNITY-BASED CHILD ABUSE PREVENTION GRANTS	\$1,751	N/A	\$1,751		N	N	PENNSYLVANIA DEPARTMENT OF HUMAN SERVICES	N/A	Y	\$1,653	N	0
68	16	738	EDWARD BYRNE MEMORIAL JUSTICE ASSISTANCE GRANT PROGRAM	\$19,233	N/A	\$170,214		N	N	PENNSYLVANIA COMMISSION ON CRIME AND DELINQUENCY	JG-UX-27906	N		N	0

69	16	575	26194	CRIME VICTIM ASSISTANCE	\$2,570	N/A	\$259,514		N		N	PENNSYLVANIA COMMISSION ON CRIME AND DELINQUENCY	26194	N		N	0
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Total Federal Awards Expended \$70,395,841

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Part III: INFORMATION FROM THE SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued

2. FINANCIAL STATEMENTS

a. Financial Statement Information

i. What were the results of the auditor's determination of whether the financial statements of the auditee were prepared in accordance with generally accepted accounting principles (GAAP)?
Select any combination:

Unmodified Opinion

ii. What was the special purpose framework? (Select only one)

N/A

iii. Was the special purpose framework used a basis of accounting required by state law?

N/A

iv. What was the auditor's opinion on the special purpose framework? (Select any combination)

N/A

b. Is a "going concern" emphasis-of-matter paragraph included in the auditor's report?

No

c. Is a significant deficiency in internal control disclosed? Yes No

Yes

d. Is a material weakness in internal control disclosed? Yes No

No

e. Is a material noncompliance disclosed? Yes No

No

3. FEDERAL PROGRAMS

a. Does the auditor's report include a statement that the auditee's financial statements include departments, agencies, or other organizational units expending \$750,000 or more in Federal awards that have separate Uniform Guidance audits which are not included in this audit? (AICPA Audit Guide)

Yes No

Yes

b. What is the dollar threshold used to distinguish Type A and Type B programs? (Uniform Guidance § 200.518(b)(1)) \$ 2,109,349

c. Did the auditee qualify as a low-risk auditee? (Uniform Guidance § 200.520) Yes No

No

d. Indicate which Federal Agency(ies) have prior audit findings shown in the Summary Schedule of Prior Audit Findings related to direct funding. Mark (X) all that apply or None.

If an agency has been selected (see the full list of agencies in Appendix I of the instructions), it will appear in a list in this section. For example, if 39, General Services Administration, 99, Miscellaneous, 68, National Gallery of Art, and 07, Office of National Drug Control Policy are selected, the list will appear in this section as "39, 99, 68, 07".

17 - DEPARTMENT OF LABOR

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Part III: INFORMATION FROM THE SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued

4. FEDERAL AWARD AUDIT FINDINGS

Schedule of Findings and Questioned Costs														
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)		
Row Number from Part II, Item 1	Federal Awarding Agency Prefix	CFDA Three Digit Extension	Additional Award Identification (Optional)	Name of Federal program	Audit Finding Reference Number (YYYY-###)	Type(s) of Compliance Requirement(s) ¹	Compliance Audit Findings ²	Internal Control Audit Findings ²	Material Weakness	Significant Deficiency	Other Audit Findings ²	Questioned Costs	Repeat Audit Finding from Prior Year (Y/N)	If column (m) is "Y", provide Prior Year Audit Finding Reference Numbers
41	93	558		TEMPORARY ASSISTANCE FOR NEEDY FAMILIES	2018-003	CL	(Y/N)	(Y/N)	N	Y	N	N	N	
56	17	258		WIA ADULT PROGRAM	2018-002	CL	(Y/N)	(Y/N)	N	Y	N	N	N	
57	17	259		WIA YOUTH ACTIVITIES	2018-002	CL	(Y/N)	(Y/N)	N	Y	N	N	N	

58	17	278	WIA DISLOCATED WORKER FORMULA GRANTS	2018-002	CL	N	N	N	Y	N	N	N	
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¹ Enter the letter(s) of all type(s) of compliance requirement(s) that apply to audit findings (i.e., noncompliance, significant deficiency (including material weaknesses), questioned costs, fraud, and other items reported under 2 CFR 200.516(a)) reported for each Federal program.

- | | | |
|------------------------------------|---|---------------------------------|
| A. Activities allowed or unallowed | F. Equipment and real property management | K. Reserved |
| B. Allowable costs/cost principles | G. Matching, level of effort, earmarking | L. Reporting |
| C. Cash management | H. Period of performance (or availability) of Feder | M. Subrecipient monitoring |
| D. Reserved | I. Procurement and suspension and debarment | N. Special tests and provisions |
| E. Eligibility | J. Program income | P. Other |

² There are 9 valid combinations of "Compliance Audit Findings," "Internal Control Audit Findings," and "Other Audit Findings" for each Federal program with audit findings. (See chart in instructions - Item 4k)

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Part IV: CERTIFICATIONS

1. Auditee Certification Statement

2. Auditor Statement

This is to certify that, to the best of my knowledge and belief the following is true and correct. The auditee has:

The data elements and information included in this form are limited to those prescribed by the Uniform Guidance. The information in Part II of this form is the responsibility of the auditee and is based on information included in the reporting package required by the Uniform Guidance. The information included in Part III of this form, except for Part III Item 2(a)(iii), Item 3(d), and Items 4(a) – (d) (when there are audit findings), was transferred by the auditor from the auditor's report(s) for the period described in Part I, Items 1 and 3, and is not a substitute for such reports.

ensured that the Form SF-SAC and reporting package does not include protected personally identifiable information (Protected PII) (2 CFR 200.79 and 2 CFR 200.82), or if it does, the Federal Audit Clearinghouse is authorized to publicly post all information contained in this Form SF-SAC and the audit report;

The auditor has not performed any auditing procedures since the date of the auditor's report(s) or any additional auditing procedures in connection with the completion of this form. A copy of the reporting package required by the Uniform Guidance, which includes the complete auditor's report(s), is required to be made available by the FAC on the FAC web site. It is also available in its entirety from the auditee at the address identified in Part I of this form and on the FAC web site.

ensured that the Form SF-SAC and reporting package does not include business identifiable information (BII) as defined below*, or if it does, the Federal Audit Clearinghouse is authorized to publicly post all information contained in this Form SF-SAC and the audit report;

complied with the requirements of 2 CFR Part 200 Subpart F specific to the auditee;

prepared the data in this form in accordance with 2 CFR Part 200 and the accompanying instructions to this form;

included all information required to be reported in this form in its entirety and such information is accurate and complete;

engaged an auditor to perform an audit in accordance with 2 CFR Part 200.500 for the period described in Part I, Items 1 and 3;

ensured the auditor has completed such audit and issued the signed audit report required by 200.515 which states that the audit has conducted in accordance with the audit requirements of the Uniform Guidance; and

authorized the FAC to make the Form SF-SAC and reporting package publicly available on a Web site

*BII consists of information defined in the Freedom of Information Act (FOIA) as "trade secrets and commercial or financial information obtained from a person [that is] privileged or confidential." (5 U.S.C.552(b)(4)). This information is exempt from automatic release under the (b)(4) FOIA exemption. "Commercial" is not confined to records that reveal "basic commercial operations" but includes any records or information in which the submitter has a commercial interest, and can include information submitted by a nonprofit entity.

Auditee Certification	Auditor Signature
9/30/2019	<i>(Date of Electronic Signature)</i>
Name of certifying official	ELECTRONICALLY CERTIFIED: 9/30/2019
JOANNE PHILLIPS	
Title of certifying official	
CONTROLLER	

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FORM SF-SAC

REPORTID: 811363 VERSION:1

PART J, Item 4c. AUDITEE EIN CONTINUATION SHEET

(FROM PART J, ITEM 4b)

List the multiple Employer Identification Numbers (EINs) covered in this report.

DRAFT

FORM SF-SAC

REPORT ID REPORTID: 811363 VERSION:1

PART I, Item 4f. AUDITEE DUNS CONTINUATION SHEET

(FROM PART I, ITEM 4e)

List the multiple DUNS covered in this report.

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Part I, Item 8, SECONDARY AUDITORS' CONTACT INFORMATION

Auditor Firm name (a)	Auditor EIN (b)	Auditor address (Number and street) (c)	City (d)	State (e)	ZIP (f)	Contact Name (g)	Title (h)	Auditor contact telephone (i)	Auditor contact FAX (j)	Auditor contact E-mail (k)
BARZ GOWIE AMON & FULT	232213282	50 SOUTH PROVIDENCE RD	MEDIA	PA	19063	PETER BARSZ	PARTNER	6105611120		PRBARSZ@MABCPAS.COM
CHRISTOPHER REYNOLDS	232810171	158 SAXER AVE	SPRINGFIELD	PA	19064	CHRISTOPHER REYNOLDS	SOLE PROPRIETOR	6100543119		CRREF@ACL.COM
MINGIS GUTOWSKI & COMI	141942832	100 GRANITE DRIVE, SUITE 100	MEDIA	PA	19063	RAYMOND GUTOWSKI	PARTNER	6105445100		RJG@MGCCPA.COM



SECTION 4

MANAGEMENT LETTER

SUBMITTED BY:
BAKER TILLY VIRCHOW KRAUSE, LLP



Joanne Phillips, Esq.
County Controller
County of Delaware, Pennsylvania

In planning and performing our audit of the basic financial statements of the County of Delaware (the "County") as of and for the fiscal year ended December 31, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered the County's internal control over financial reporting (internal control) as a basis for designing our auditing procedures 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.

However, during our audit we became aware of matters that we believe are opportunities for strengthening internal controls and operating efficiency. Our comments and suggestions concerning these matters, which reflect our desire to be of continuing assistance to management, are summarized below.

Bank Reconciliations

During our audit procedures we noted that bank reconciliations were not being completed until several months later due to delays in cash receipts processing by the Treasury department. This can prevent the timely review of information and potential correction of errors. Additionally, as noted in the prior year, combining several bank accounts into one general ledger account can make reconciling cash a time consuming process that could lead to errors. To simplify and expedite the process, we recommend a separate general ledger accounts for each cash account and that reconciliations be performed within one month of period end.

Timely preparation of complete and accurate bank reconciliations is a key to maintaining adequate control over both cash receipts and disbursements. During much of the year, the general fund operating cash bank account reconciliations appeared to be generally incomplete. An unreconciled difference that appears immaterial can obscure significant but offsetting items (such as bank errors or improperly recorded transactions) that would be a cause for investigation if the items were apparent. We recommend that the general fund bank reconciliations be reviewed for accuracy and completeness on a timely basis by the First Deputy Controller. The review should include tests of mechanical accuracy and tracing of items on the reconciliation to the relevant source documents. The composition of unreconciled differences should be determined and followed up on, and any journal entries deemed necessary as a result be recorded.

Although we were advised that all bank reconciliations are approved by a responsible employee, no indication of such review was evident on the reconciliations selected for review. We recommend that the reconciliations be signed as an indication of approval. Doing so would take little additional time and might even prevent time from being wasted by inadvertent review of reconciliations that had already been reviewed. We also recommend that the reconciliations be signed and dated by employees preparing them. As a prompt to the preparer and reviewer/approver to sign the reconciliation, preprinted reconciliation forms could include a signature block with space for the signatures, or a stamp with a signature block could be applied to the reconciliations.

Capital Asset Accounts

The SAP system is designed for capital asset expenditures to be recorded to certain accounts within the general ledger. Since these expenditures are not capitalized on the fund perspective financial statements there is an offsetting entry generated by the system which is to net the capital asset balance to zero. We noted for several funds, the balances did not net to zero. While the net differences were not material to the overall financial statements, the accounts should be adjusted.

Accounting for Capital Assets

During our audit, we noted that the County did not have formal procedures in place to determine capital assets associated with projects on going and not yet placed in service. The County in practice capitalizes each component of a project to a separate asset number as the purchase is made, instead of accumulating the components of the project in construction in progress and capitalizing the full value of the project when it is placed in service. We recommend that the County establish procedures for identifying projects not yet placed in service, accumulating the costs to a single project, and capitalizing the full value of the project when it is placed in service.

During our audit, we noted that the County did not have formal procedures in place to determine the impairment of long-lived assets. The County did not identify, communicate, and document sufficient financial information that could affect the impairment of assets. While no material amounts were involved this year, the Company may have material amounts to consider in the future. Therefore, we recommend that the Company establish procedures for evaluating impairment of long-lived assets on a regular basis.

Eliminate Unnecessary General Ledger Accounts

During our audit, we noticed that there were a number of general ledger accounts that had not been used in more than a year, had small balances, or were similar to other larger, more active accounts. In some cases, the transactions or events for which the accounts were established no longer exist or were discontinued, or have low volume. Retaining unnecessary accounts in the general ledger and chart of accounts, especially accounts that are similar to others, can lead to confusion and inaccuracy in posting transactions or creating journal entries. We recommend that the general ledger chart of accounts be periodically reviewed, that unused accounts be eliminated, and that small balances in seldom-used accounts be merged into similar larger, more active ones.

239999 Balancing Accounts and Fund-less Accounts

The County general ledger ("SAP") allows journal entries to be posted across funds. When a cross fund entry is posted, SAP auto-generates a balancing offset account, ending in 239999, within each fund to ensure that the fund remains balanced. The 239999 accounts should not have activity recorded against them outside of the fixed asset module. The 239999 accounts for each fund should be monitored for activity on at least a quarterly basis, and any imbalanced entries identified should be corrected in a timely manner.

Additionally, SAP allows journal entries to be posted to accounts without an associated fund. The fund-less accounts should be monitored for activity on at least a quarterly basis, and any activity identified should be corrected in a timely manner.

Warrants Payable Activity

As a function of the accounts payable process, the County utilizes warrant's payable accounts to charge funds for expenditures paid on behalf of the fund by the General Fund. The activity in the warrants payable accounts should net to \$0 on an annual basis. During our audit, we noticed that the activity in some of the warrant's payable accounts was not properly netting to zero. We recommend that management review the activity in the warrants payable accounts on at least a quarterly basis, and adjust for voids via manual journal entry in a timely manner.

Review of Retirement and Death Benefit Calculations

During our audit, we noted that the calculation prepared to determine employee benefits at retirement, death, or general option pay out are not reviewed by an individual other than the preparer. Though we did not identify any errors in the calculations reviewed, we would recommend that the calculations be reviewed and approved by someone other than the preparer prior to processing.

Improve Storage Safety of Employee Retirement Records

To prevent the loss of employee retirement records, the County should adopt a policy of storing basic source documents in fireproof locations. Such a policy should be adhered to by all offices because the reconstruction of these records would be costly and time consuming.

Reconciliation of Tax Receivable and Deferral

During our audit, we noted that the supporting detail of tax accounts receivable and deferral had not been reconciled to the general ledger since July 2018. This occurred due to the Deputy Controller's medical leave of absence. We recommend that a reconciliation of the detail to the tax accounts receivable and deferral be made at the end of each month and that any reconciling adjustments be investigated and recorded in a timely manner. The reconciliation should then be reviewed and approved by someone other than the preparer.

Reconciliation of CDBG Fund Loan Receivables

During our audit, we noted that Loan Funds were not being reconciled to the general ledger for funds 79, 80, and 83. We recommend that a reconciliation of the general ledger to the loan transaction reports maintained by the Office of Housing and Community Development be completed on an at least quarterly basis. The reconciliation should be reviewed and approved by someone other than preparer.

Cross-Training of Personnel

During our audit procedures, we noted instances where changes in staffing or individuals being unavailable, due to extended leaves of absence or retirement, led to delays in recording of transactions or reconciliation of balances. We recommend the County cross-train personnel in accounting functions, grant management functions, and other key positions. Cross-training personnel will ensure that at least two employees understand the processes and controls associated with a job position. In addition, the personnel can assist with training a replacement if the responsible individual is unavailable.

Succession Planning

The County pension allows retirement at age 55 if the employee has reached 20 years of service or upon reaching the age of 60. As of December 31, 2018, the County has 537 active employees that are over the age of 60 and an additional 373 employees that are over 55 but under 60. We recommend that the County assess key department heads that are likely to retire within the next 3-5 years and have those department heads document their key responsibilities and activities, help determine what qualities and knowledge is needed to meet their job responsibilities. Ideally, the potential department head replacement would be able to train under the retiring department head for 6 to 12 months prior to taking on the responsibilities to allow for continued efficiency at the County and minimize potential issues.

This communication is intended solely for the information and use of management and others within the County, and is not intended to be and should not be used by anyone other than these specified parties.

Baker Tilly Virchow Krause, LLP

Philadelphia, Pennsylvania
June 25, 2018

To Management and County Council Members
County of Delaware, Pennsylvania

In planning and performing our audit of the financial statements of County of Delaware (the "County") as of and for the year ended December 31, 2018, in accordance with auditing standards generally accepted in the United States of America, We considered the County's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be a significant deficiency.

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. We did not identified any deficiencies in the County's internal control to be material weaknesses.

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. We consider the following deficiency in the County's internal control to be a significant deficiency:

Segregation of Duties- Treasury Department

The bank reconciliations for several cash accounts were prepared and reviewed by the same individual leading to a lack of segregation of duties for the period September through December 2018. The Deputy Treasurer is responsible for preparing the bank reconciliations while the Treasurer is responsible for reviewing however the Treasurer retired during this time frame. Since the Deputy Treasurer has signing rights on each account and has cash receipt duties, internal control is most effective when the person reviewing the bank reconciliations also is not responsible for entries in the receipts and disbursements records.

This communication is intended solely for the information and use of management and County Council Members, and is not intended to be, and should not be, used by anyone other than these specified parties.

Baker Tilly Virchow Krause, LLP

Philadelphia, Pennsylvania
June 25, 2018

SECTION A

DEPARTMENT OF HUMAN SERVICES CHILD CARE INFORMATION SERVICES

FINANCIAL STATEMENT YEAR ENDED JUNE 30, 2018

AGREED UPON PROCEDURES REPORT YEAR ENDED JUNE 30, 2018

SUBMITTED BY:
BARSZ GOWIE AMON & FULTZ, LLC

County of Delaware
Department of Human Services
Child Care Information Services
June 30, 2018

Index

	<u>Page</u>
Independent Auditor's Report	1-2
Financial Statements	
Balance Sheet	3
Statement of Revenues, Expenditures and Changes in Fund Balance	4
Notes to Financial Statements	5-6

Index

	<u>Page</u>
Schedule of Expenditures of Federal and State Awards	7
Notes to Schedule of Expenditures of Federal and State Awards	8
Single Audit Reports	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	9-10
Independent Auditor's Report on Compliance for a Federal Program and on Internal Control over Compliance	11-12
Schedule of Findings and Questioned Costs	13



Independent Auditor's Report

County Council
County of Delaware

Report on the Financial Statements

We have audited the accompanying financial statements of the County of Delaware, Department of Human Services, Child Care Information Services (the "Agency"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Agency's financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Fax: 610.388.9332

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the County of Delaware, Department of Human Services, Child Care Information Services, as of June 30, 2018, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that comprise the County of Delaware, Department of Human Services, Child Care Information Services' as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates 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 schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated August 20, 2019 on our consideration of County of Delaware, Department of Human Services, Child Care Information Services internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

Barsz Gowie Amon & Fultz LLC

Media, Pennsylvania
August 20, 2019

County of Delaware
Department of Human Services
Child Care Information Services
Balance Sheet
June 30, 2018

Assets

Current Assets

Due from County of Delaware

\$ -

Total Assets

\$ -

Liabilities and Fund Balance

Current Liabilities

Accounts payable, due to PA Department
of Human Services

\$ -

Fund Balance

Fund balance

-

Total Liabilities and Fund Balance

\$ -

See accompanying notes to financial statements.

County of Delaware
Department of Human Services
Child Care Information Services
Statement of Revenues, Expenditures and Changes in Fund Balance
Year Ended June 30, 2018

	<u>Budget</u>	<u>Actual</u>
<u>Revenues</u>		
Pennsylvania Department of Human Services	\$ 47,555,068	\$ 46,042,955
Plus: Amounts due from PA Department of Human Services	-	194,695
Grant Revenues	47,555,068	46,237,650
Interest income	-	45,038
Miscellaneous revenue	-	24,454
Total Revenues	47,555,068	46,307,142
<u>Expenditures</u>		
Purchased sub-contractors services	44,548,919	43,504,663
Salaries and benefits	2,381,067	1,945,488
Audit	23,038	21,500
Administrative services	386,481	637,418
Communications	44,999	42,609
Information technology	1,998	565
Staff training	15,001	2,729
Equipment rentals	-	14,600
Indirect costs	45,000	40,741
Maintenance	-	495
Occupancy	93,565	90,245
Supplies	5,800	3,176
Travel	5,001	2,913
Uncollected overpayments	4,199	-
Total Expenditures	47,555,068	46,307,142
<u>Excess Revenues Over Expenditures</u>	\$ -	-
<u>Fund Balance - Beginning</u>		-
<u>Fund Balance - Ending</u>		\$ -

See accompanying notes to financial statements.

County of Delaware
Department of Human Services
Child Care Information Services
Notes to Financial Statements
Year Ended June 30, 2018

Note 1 Nature of the Organization

The County of Delaware, Department of Human Services, Child Care Information Services (the "Agency"), funds providers of day care services through subcontracts with day care service providers throughout the County of Delaware ("County") under a Child Care Information Services ("CCIS") contract with the Commonwealth of Pennsylvania Department of Human Services ("DHS"). The fiscal contract is renewable annually on June 30th through June 30, 2020 under a new program title Early Learning Resource Center ("ELRC") with annual renewals each year for subsequent three years following.

DHS provides the subsidy directly to the County of Delaware (the "County") on behalf of the Agency. The County in turn meets all obligations on behalf of the Agency.

Note 2 Summary of Significant Accounting Policies

Basis of Accounting

The accounts of the Agency are included in the books and records of the County. The financial statements are prepared on the accrual basis of accounting. Consequently, revenue and the related assets are recorded when earned, and expenses and related liabilities are recorded when incurred.

Revenues

Contract revenue consists primarily of funds earned for costs incurred and services provided under the terms of the CCIS contract agreement with DHS.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the Agency's management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

County of Delaware
Department of Human Services
Child Care Information Services
Notes to Financial Statements
Year Ended June 30, 2018

Note 3 Due to/from PA Department of Human Services

Due to/from the PA Department of Human Services is based on the difference between funds received from DHS and actual expenditures incurred or services rendered under the terms of the CCIS contract agreement. The receivable or obligation resulting from this difference belongs to or is the responsibility of the County. A budget for the CCIS contract agreement is prepared annually and revised throughout the year. Funding received by the Agency is based on the approved budget and subsequent approved revisions. The Agency submitted a revised budget subsequent to year end which included a receivable due from DHS for excess funds incurred of \$194,695 which was subsequently received in August 2018 and reflected as received as of June 30, 2018 in these financial statements.

Note 4 Cost Allocation Plan-Indirect Costs

The County has an approved cost allocation plan under the CCIS contract agreement for indirect costs. Since the County operates on a calendar year, the indirect costs charged by the Agency are based on the County's 2017 calendar year cost plan.

Note 5 Concentration of Risk

The Agency receives substantially all of its revenue from the federal and state funded Pennsylvania Department of Human Services CCIS program passed through from the County of Delaware. A change in funding priorities or discontinuation of these revenues, which is dependent upon the federal and state programs, would have a material adverse impact on the financial condition of the Agency.

Note 6 Subsequent Events

The Agency has evaluated subsequent events through August 20, 2019, the date which the financial statements were available to be issued.

County of Delaware
Department of Human Services
Child Care Information Services
Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2018

<u>Federal Grantor/Pass-Through</u> <u>Program Title</u>	<u>CFDA/Grant Number</u>	<u>Expenditures</u>
United States Department of Health and Human Services		
Passed through Pennsylvania Department of Human Services		
Temporary Assistance for Needy Families	93.558	\$ 3,426,635
CCDF Cluster	93.575/93.596	23,434,675
Social Services Block Grant	93.667	2,178,488
State Admin Matching Grants for Food Stamp Program	10.561	<u>111,240</u>
Total Federal Awards		<u>29,151,038</u>
 <u>State Funding Sources</u>		
Commonwealth of Pennsylvania		
Passed through Pennsylvania Department of Human Services		
Low Income (Fund A)	DC17-215327	9,244,698
Former TANF (Fund C)	DC17-215327	4,335,700
Temporary Assistance for Needy Families	DC17-215327	<u>3,311,519</u>
Total State Funding		<u>16,891,917</u>
Total Federal Awards and State Funding		<u>\$ 46,042,955</u>

See Independent Auditor's Report and
Notes to Schedule of Expenditures of Federal and State Awards.

County of Delaware
Department of Human Services
Child Care Information Services
Notes to Schedule of Expenditures of
Federal and State Awards
Year Ended June 30, 2018

Note 1 Basis of Presentation

The accompanying Schedule of Expenditures of Federal and State Awards includes the federal and state grant activity of the County of Delaware, Department of Human Services, Child Care Information Services and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance, Audits of States, Local Governments, and Non-Profit Organizations.



Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

County Council
County of 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 County of Delaware, Department of Human Services, Child Care Information Services (the "Agency"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated August 20, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency'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 the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency'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.

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Compliance and Other Matters

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

Purpose of this Report

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

Baroz Gowie Amon & Fultz LLC

Media, Pennsylvania
August 20, 2019

**Independent Auditor's Report on Compliance for a Federal Program
and on Internal Control over Compliance**

County Council
County of Delaware

Report on Compliance for Each Major Federal Program

We have audited the County of Delaware, Department of Human Services, Child Care Information Services Program's (the "Agency") compliance with the types of compliance requirements described in the *OMB Compliance Supplement and Pennsylvania Department of Human Services Single Audit Supplement* that could have a direct and material effect on the Agency's federal program for the year ended June 30, 2018.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Agency'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) and *Pennsylvania Department of Human Services Single Audit Supplement*. 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 Agency'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 Agency's compliance.

Opinion on Each Major Federal Program

In our opinion, the Agency, 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, 2018.

Report on Internal Control over Compliance

Management of the Agency 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 Agency'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 and Pennsylvania Department of Human Services Single Audit Supplement, 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 Agency's internal control over compliance.

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

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

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

Barz Gowie Amon & Fultz LLC

Media, Pennsylvania
August 20, 2019

County of Delaware
Department of Human Services
Child Care Information Services
Schedule of Findings and Question Costs
Year Ended June 30, 2018

Section 1 -Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified Opinion

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified Yes None Reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

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

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified Yes None Reported

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516a Yes No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund
93.667	Social Services Block Grant
93.558	Temporary Assistance for Needy Families
93.575	Child Care and Development Block Grant
10.561	State Admin Matching Grants for Food Stamp Program

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

Auditee qualifies as low-risk auditee: Yes No

Section II - Financial Statement Findings

No matters were reported

Section III – Federal Awards Findings and Questioned Costs

No matters were reported

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AUG 26 2019

CONTROLLERS OFFICE

County of Delaware
Department of Human Services
Child Care Information Services

June 30, 2018

Index

	<u>Page</u>
Independent Accountant's Report on Applying Agreed-Upon Procedures	1-2
Supplemental Information	
CCIS Recap Worksheet for Fiscal Year 2017-2018	3



Independent Accountant's Report on Applying
Agreed-Upon Procedures

The County Council
County of Delaware

We have performed the procedures enumerated below, which were agreed to by the Commonwealth of Pennsylvania, Department of Human Services ("DHS") and the County of Delaware Department of Human Services, Child Care Information Services, solely to assist you with respect to the supplemental information required by this agreement. This supplemental information is the responsibility of the County of Delaware Department of Human Services, Child Care Information Services' management. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and findings are as follows:

- a. We have verified by comparison of the amounts and classifications to ensure that the schedule listed below, which summarize amounts reported to DHS for fiscal year ended June 30, 2018, have been accurately compiled and reflect the audited books and records of the County of Delaware Department of Human Services, Child Care Information Services. We have also verified by comparison to the sample schedules that these schedules are presented, at a minimum, at the level of detail and in the format required by the DHS Single Audit Supplement pertaining to this period.

CCIS Recap Worksheet for Fiscal Year 2017-2018

- b. We have inquired of management regarding adjustments to reported revenues or expenditures, which were not reflected on the reports submitted to DHS for the period in question. Any adjustments made were reflected on the reports submitted to DHS.
- c. Based in procedures noted above in steps a. and b. we did not note any adjustments or findings affecting the schedules.

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We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the accompanying supplemental information. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Commonwealth of Pennsylvania, Department of Human Services and the County of Delaware Department of Human Services, Child Care Information Services and is not intended to be and should not be used by anyone other than these specified parties.

Baroz Gowie Amon & Fultz LLC

Media, Pennsylvania
August 20, 2019

CCIS RECAP WORKSHEET FOR FY 2017-2018

CONTRACTOR: DELAWARE
 FEDERAL ID NUMBER: 23-6003046
 CONTRACT NUMBER: DC 17-215327

COUNTY(-IES): Delaware
 PREPARED BY: Jackie Hartney
 PHONE NUMBER: 610-713-2246

	LOW INCOME		FORMER TANF		LI & FY TOTAL
	ADMIN/FSS	SERVICE	ADMIN/FSS	SERVICE	
REVENUE					
DPW Funds	\$1,599,651.79	\$28,034,677.73	\$581,356.39	\$11,351,743.92	\$41,567,429.83
Interest		\$44,635.40			\$44,635.40
Audit Adjustments					\$0.00
Other (eg. Penalties)					\$0.00
Client Repayments		\$24,454.45			\$24,454.45
					\$0.00
					\$0.00
					\$0.00
					\$0.00
TOTAL REVENUE	\$1,599,651.79	\$28,103,767.58	\$581,356.39	\$11,351,743.92	\$41,636,519.68
EXPENDITURES					
Final Report Totals	\$1,791,228.89	\$28,005,629.94	\$708,843.36	\$11,387,372.10	\$41,893,074.29
Carry Forward Amount					\$0.00
Benefit Rate Reduction Issued by County Office					\$0.00
After June FFS Due Date	(\$39,613.02)				(\$39,613.02)
					\$0.00
Audit Costs Estimate -Adj					\$0.00
Final Recrd after FFS was due	(\$1,538.00)				(\$1,538.00)
					\$0.00
TOTAL EXPENDITURES	\$1,750,077.87	\$28,005,629.94	\$708,843.36	\$11,387,372.10	\$41,851,923.27
SUBTOTAL-LI/FT	(\$150,426.08)	\$98,137.64	(\$127,486.97)	(\$35,628.18)	(\$215,403.59)

SUMMARY FY 2017-18

REVENUE	
Service	\$43,557,121.58
FSS	\$2,552,887.04
SUBTOTAL	\$46,110,008.62
EXPENDITURES	
Service	\$43,493,300.43
FSS	\$2,811,403.43
SUBTOTAL	\$46,304,703.86
TOTAL DUE DPW	(\$194,695.24)

* If TOTAL DUE DHS is positive, issue check to Department of Human Services in the amount listed. Include the check with the Recap Packet - to be received by OCDEL no later than 5:00 pm, Friday, September 14, 2018.

		TANF TRAINING	TANF WORKING	TANF STATE MOE	FOOD STAMPS	GENERAL ASSIST/WS 2	TANF TOTAL
		REVENUE					
TANF/FS/GA SERVICE	DPW Funds	\$1,799,857.98	\$1,133,176.83	\$941,400.27	\$217,479.53	\$9,695.47	\$4,101,610.08
	Interest						\$0.00
							\$0.00
							\$0.00
							\$0.00
							\$0.00
							\$0.00
TOTAL SERVICE	\$1,799,857.98	\$1,133,176.83	\$941,400.27	\$217,479.53	\$9,695.47	\$4,101,610.08	
TANF/FS FSS	DPW Funds	\$176,669.63	\$109,158.36	\$81,050.39	\$5,000.28		\$371,878.66
	Audit Adjustments						\$0.00
	Other (eg. Penalties)						\$0.00
	TOTAL FSS	\$176,669.63	\$109,158.36	\$81,050.39	\$5,000.28	\$0.00	\$371,878.66
TOTAL REVENUE		\$1,976,527.61	\$1,242,335.19	\$1,022,450.66	\$222,479.81	\$9,695.47	\$4,473,488.94
EXPENDITURES							
TANF/FS/GA SERVICE	Final Report Totals	\$1,813,393.13	\$1,134,298.42	\$932,877.47	\$212,454.36	\$7,275.01	\$4,100,298.39
	Carry Forward Amount						\$0.00
							\$0.00
							\$0.00
							\$0.00
							\$0.00
							\$0.00
TOTAL SERVICE	\$1,813,393.13	\$1,134,298.42	\$932,877.47	\$212,454.36	\$7,275.01	\$4,100,298.39	
TANF/FS FSS	Final Report Totals	\$167,454.99	\$103,464.82	\$76,822.92	\$4,739.47		\$352,482.20
	Carry Forward Amount						\$0.00
							\$0.00
							\$0.00
							\$0.00
							\$0.00
							\$0.00
TOTAL FSS	\$167,454.99	\$103,464.82	\$76,822.92	\$4,739.47	\$0.00	\$0.00	\$352,482.20
TOTAL EXPENDITURES		\$1,980,848.12	\$1,237,763.24	\$1,009,700.39	\$217,193.83	\$7,275.01	\$4,452,780.59
SUBTOTAL-TANF/FS/GA/WS2		(\$4,320.51)	\$4,571.95	\$12,750.27	\$5,285.98	\$2,420.46	\$20,708.35

CERTIFICATION:

SIGNATURE: Jackie Hartney
 NAME: JACKIE HARTNEY
 (please print)

DATE: 8-30-18
 TITLE: FISCAL OFFICER II

COMMENTS:

SECTION B

MENTAL HEALTH PROGRAM, INTELLECTUAL DISABILITIES PROGRAM
AND EARLY INTERVENTION PROGRAM

FINANCIAL STATEMENTS AND SINGLE AUDIT REPORTS YEAR ENDED JUNE 30, 2018 AND 2017

CALENDAR YEAR BASIS SINGLE AUDIT REPORTS ON MAJOR PROGRAM COMPLIANCE
AND ON INTERNAL CONTROL OVER COMPLIANCE YEAR ENDED DECEMBER 31, 2018

SUBMITTED BY:
MINGIS, GUTOWSKI & COMPANY, LLP

DRUG AND ALCOHOL PROGRAM

FINANCIAL STATEMENTS AND SINGLE AUDIT REPORTS YEAR ENDED JUNE 30, 2018

CALENDAR YEAR BASIS SINGLE AUDIT REPORTS ON MAJOR PROGRAM COMPLIANCE
AND ON INTERNAL CONTROL OVER COMPLIANCE YEAR ENDED DECEMBER 31, 2018

SUBMITTED BY:
MINGIS, GUTOWSKI & COMPANY, LLP

**COUNTY OF DELAWARE, PENNSYLVANIA
MENTAL HEALTH PROGRAM, INTELLECTUAL DEVELOPMENTAL
DISABILITIES PROGRAM, AND EARLY INTERVENTION PROGRAM
FINANCIAL STATEMENTS AND SINGLE AUDIT REPORTS
YEARS ENDED JUNE 30, 2018 AND 2017**

**MINGIS, GUTOWSKI & COMPANY, LLP
Certified Public Accountants
Media, Pennsylvania 19063**

County of Delaware, Pennsylvania
Mental Health Program, Intellectual Developmental Disabilities Program,
and Early Intervention Program
Table of Contents

	Page
Independent Auditor's Report	1
Financial Statements	
Balance Sheets	
Mental Health Program - June 30, 2018 and 2017	4
Intellectual Developmental Disabilities Program - June 30, 2018 and 2017	5
Early Intervention Program - June 30, 2018 and 2017	6
Statements of Revenue and Expenditures	
Mental Health Program – Years ended June 30, 2018 and 2017	7
Intellectual Developmental Disabilities Program – Years ended June 30, 2018 and 2017	8
Early Intervention Program – Years ended June 30, 2018 and 2017	9
Notes to Financial Statements	10
Supplementary Information	
Reconciliation of Revenue and Expenditures to Program Reported Revenue and Expenditures Mental Health Program, Intellectual Developmental Disabilities Program, and Early Intervention Program Year ended June 30, 2018	16
Schedules of Expenditures of Federal Awards and Pennsylvania Department of Human Services Awards	
Mental Health Program	17
Intellectual Developmental Disabilities Program	18
Early Intervention Program	19
Notes to Schedules of Federal and Pennsylvania Department of Human Services Awards	20

County of Delaware, Pennsylvania
Mental Health Program, Intellectual Developmental Disabilities Program,
and Early Intervention Program
Table of Contents

	Page
Single Audit Reports	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	21
Independent Auditor's Report on Compliance for Each Major Program and on Internal control over Compliance Required by the Uniform Guidance	23
Mental Health Program	
Summary Schedule of Prior Audit Findings	26
Schedule of Findings and Questioned Costs	27
Intellectual Developmental Disabilities Program	
Summary Schedule of Prior Audit Findings	29
Schedule of Findings and Questioned Costs	30
Early Intervention Program	
Summary Schedule of Prior Audit Findings	32
Schedule of Findings and Questioned Costs	33
Pennsylvania Department of Human Services Schedules and Exhibits	
Independent Certified Public Accountant's Report on Applying Agreed-Upon Procedures	35
PA DHS Exhibit V(a) EI	37
PA DHS Exhibit V(b) EI	38
Independent Accountant's Report on Applying Agreed-Upon Procedures Required by the Pennsylvania Department of Human Services	39

MINGIS, GUTOWSKI & COMPANY, LLP

Certified Public Accountants 300 West State Street, Suite 206 • Media, PA 19063

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INDEPENDENT AUDITOR' S REPORT

County Council
County of Delaware, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the County of Delaware, Pennsylvania Mental Health Program, Intellectual Developmental Disabilities Program, and Early Intervention Program (collectively, "the Programs"), as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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 County of Delaware, Pennsylvania Mental Health Program, Intellectual Developmental Disabilities Program, and Early Intervention Program as of June 30, 2018 and 2017 and the results of their operations for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 1, the financial statements are intended to present the financial position and results of operations of only the County of Delaware, Pennsylvania's Mental Health Program, Intellectual Developmental Disabilities Program, and Early Intervention Program. They do not purport to, and do not, present fairly the financial position of the County of Delaware as of June 30, 2018 and 2017 and the results of its operations for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Other Information

Our audits were conducted for the purpose of forming opinions on the Programs' basic financial statements. The accompanying supplementary information identified in the Table of Contents is presented for purposes of additional analysis and is not a required

part of the basic financial statements of the Programs. In addition, the accompanying schedules of expenditures of Federal and Pennsylvania Department of Human Services awards are also presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the Pennsylvania Department of Human Services *Single Audit Supplement*, and are also not a required part of the basic financial statements of the Programs. 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements of the Programs as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 29, 2019, on our consideration of the Programs' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Programs' internal control over financial reporting and compliance.

Mingis, Gutowski & Company, LLP

July 29, 2019
Media, Pennsylvania

**COUNTY OF DELAWARE, PENNSYLVANIA
 MENTAL HEALTH PROGRAM
 BALANCE SHEETS
 JUNE 30, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
<u>ASSETS</u>		
Receivable from Delaware County General Fund	<u>\$ 9,277,427</u>	<u>\$ 7,753,036</u>
	<u>\$ 9,277,427</u>	<u>\$ 7,753,036</u>
<u>LIABILITIES</u>		
Accounts payable, principally to contracted service providers	<u>\$ 9,277,427</u>	<u>\$ 7,753,036</u>
	<u>\$ 9,277,427</u>	<u>\$ 7,753,036</u>

See accompanying notes to financial statements

**COUNTY OF DELAWARE, PENNSYLVANIA
INTELLECTUAL DEVELOPMENTAL DISABILITIES PROGRAM
BALANCE SHEETS
JUNE 30, 2018 AND 2017**

<u>ASSETS</u>	<u>2018</u>	<u>2017</u>
Receivable from Delaware County General Fund	\$ <u>3,677,433</u>	\$ <u>4,053,629</u>
TOTAL ASSETS	\$ <u>3,677,433</u>	\$ <u>4,053,629</u>
 <u>LIABILITIES AND FUND BALANCE</u>		
Liabilities:		
Accounts payable, principally to contracted service providers	\$ <u>1,555,170</u>	\$ <u>1,931,366</u>
TOTAL LIABILITIES	1,555,170	1,931,366
Fund Balance:		
Restricted Fund Balance	<u>2,122,263</u>	<u>2,122,263</u>
TOTAL LIABILITIES AND FUND BALANCE	\$ <u>3,677,433</u>	\$ <u>4,053,629</u>

See accompanying notes to financial statements

**COUNTY OF DELAWARE, PENNSYLVANIA
EARLY INTERVENTION PROGRAM
BALANCE SHEETS
JUNE 30, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
<u>ASSETS</u>		
Receivable from Delaware County General Fund	\$ <u>734,233</u>	\$ <u>520,278</u>
	\$ <u>734,233</u>	\$ <u>520,278</u>
<u>LIABILITIES</u>		
Accounts payable, principally to contracted service providers	\$ <u>734,233</u>	\$ <u>520,278</u>
	\$ <u>734,233</u>	\$ <u>520,278</u>

See accompanying notes to financial statements

**COUNTY OF DELAWARE, PENNSYLVANIA
MENTAL HEALTH PROGRAM
STATEMENTS OF REVENUE AND EXPENDITURES
YEARS ENDED JUNE 30, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
REVENUE:		
State allocated PA DHS funding	\$ 30,691,241	\$ 30,530,153
Federal funding passed through PA DHS	915,479	988,759
Other Federal funding	134,161	147,795
County funding, including required matching funds	899,307	842,432
Provider revenue	7,376,529	7,436,924
Delaware County HealthChoices Program Cost of Care and Reinvestment transfer	2,328,920	2,529,151
Interest income	869	621
Miscellaneous income	<u>172,323</u>	<u>269,512</u>
Total revenue	<u>42,518,829</u>	<u>42,745,347</u>
EXPENDITURES:		
Wages and salaries	679,489	620,762
Employee benefits	311,472	320,130
Miscellaneous personnel expenses	70,205	203,556
Occupancy	104,932	126,531
Communications	29,163	37,935
Administrative supplies	10,192	9,728
Transportation	19,793	21,235
Miscellaneous operating expenses	8,162	96,307
Purchase of fixed assets	5,709	24,697
County indirect costs	102,106	111,050
Program cost of purchased provider services	<u>41,177,606</u>	<u>41,173,416</u>
Total expenditures	<u>42,518,829</u>	<u>42,745,347</u>
 Excess of revenue over expenditures	 <u>\$ -</u>	 <u>\$ -</u>

See accompanying notes to financial statements

**COUNTY OF DELAWARE, PENNSYLVANIA
INTELLECTUAL DEVELOPMENTAL DISABILITIES PROGRAM
STATEMENTS OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCE
YEARS ENDED JUNE 30, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
REVENUE:		
State allocated PA DHS funding	\$ 9,741,407	\$ 9,076,330
Federal funding passed through PA DHS	1,241,589	1,243,164
Supports coordination – State	4,792,813	4,502,826
Supports coordination – Federal	-	-
Case Management TSM Federal Admin	26,376	26,367
Provider revenue	40,418	49,726
Interest income	48	72
Miscellaneous income	<u>2,538</u>	<u>28</u>
Total revenue	<u>15,845,189</u>	<u>14,898,513</u>
EXPENDITURES:		
Wages and salaries	1,070,470	1,155,742
Employee benefits	557,526	585,614
Miscellaneous personnel expenses	232,183	242,274
Occupancy	59,230	64,798
Communications	18,247	21,076
Administrative supplies	7,939	9,088
Transportation	13,639	14,784
Miscellaneous operating expenses	4,540	1,294
Purchase of fixed assets	8,311	86,353
County indirect costs	53,809	63,525
Program cost of purchased provider services	<u>13,819,295</u>	<u>12,653,965</u>
Total expenditures	<u>15,845,189</u>	<u>14,898,513</u>
Excess of revenue over expenditures	-	-
Beginning Restricted Fund Balance	<u>2,122,263</u>	<u>2,122,263</u>
Ending Restricted Fund Balance	<u>\$ 2,122,263</u>	<u>\$ 2,122,263</u>

See accompanying notes to financial statements

**COUNTY OF DELAWARE, PENNSYLVANIA
EARLY INTERVENTION PROGRAM
STATEMENTS OF REVENUE AND EXPENDITURES
YEARS ENDED JUNE 30, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
REVENUE:		
State allocated PA DHS funding	\$ 4,493,515	\$ 4,315,903
Federal funding passed through PA DHS	800,288	1,101,398
County funding, including required matching funds	581,538	595,257
Case management	416,076	477,105
Miscellaneous	10,456	-
Interest income	<u>43</u>	<u>31</u>
Total revenue	<u>6,301,916</u>	<u>6,489,694</u>
EXPENDITURES:		
Wages and salaries	1,239,606	1,183,018
Employee benefits	599,835	610,091
Miscellaneous personnel expenses	122,501	193,433
Occupancy	87,546	79,690
Communications	39,565	30,438
Administrative supplies	32,043	27,409
Transportation	33,112	35,865
Miscellaneous operating expenses	33,776	48,574
Repair and maintenance – fixed assets	239	197
County indirect costs	46,967	62,882
Program cost of purchased provider services	<u>4,066,726</u>	<u>4,218,097</u>
Total expenditures	<u>6,301,916</u>	<u>6,489,694</u>
Excess of revenue over expenditures	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to financial statements

**COUNTY OF DELAWARE, PENNSYLVANIA
MENTAL HEALTH PROGRAM, INTELLECTUAL DEVELOPMENTAL
DISABILITIES PROGRAM, AND EARLY INTERVENTION PROGRAM
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018 AND 2017**

**NOTE 1 ORGANIZATION SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES**

Organization

The County of Delaware, Pennsylvania Mental Health Program, Intellectual Developmental Disabilities Program, and Early Intervention Program (Programs) are Special Revenue Funds serving as agencies for the County of Delaware, Pennsylvania (County) in planning, coordinating and administering a comprehensive range of state mandated service programs for the benefit of eligible adults and children who are residents of Delaware County. The Programs conduct a wide range of community-based services for mental illness, emotional disorders and Intellectual Developmental Disabilities, and support and services to families who have children with developmental delays. They are administered by the Office of Behavioral Health and the Office of Intellectual Developmental Disabilities under the umbrella of the County's Department of Human Services. The Programs are funded principally by an annual funding allocation from the Pennsylvania Department of Human Services (PA DHS) and are therefore subject to the regulations and directives prescribed by PA DHS. The state funding allocation is customarily received by the Programs in quarterly installments.

General

The financial statements presented herein are intended to present the financial position and results of operations of the Programs only and are not intended to present fairly the financial position, results of operations, or changes in financial position of Delaware County or its Department of Human Services in conformity with accounting principles generally accepted in the United States of America. The accompanying financial statements of the Programs, whose fiscal years end on June 30, have been prepared using the accrual basis of accounting.

**COUNTY OF DELAWARE, PENNSYLVANIA
 MENTAL HEALTH PROGRAM, INTELLECTUAL DEVELOPMENTAL
 DISABILITIES PROGRAM, AND EARLY INTERVENTION PROGRAM
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED JUNE 30, 2018 AND 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND
 PROCEDURES (CONTINUED)**

Property and Equipment

In accordance with PA DHS regulations, Program funds may not be used for the acquisition cost of land or buildings. Mortgaged real estate may be charged to the Programs by providers at the lesser of fair rental value or the actual cost of debt principal and interest.

Title to fixed assets that are acquired with program funds remains with the County. Upon termination or cancellation of a provider contract within a prescribed period, the County may retain the fixed assets for County use, transfer them to another provider, or sell them and utilize the proceeds in the program.

The Programs charge the acquisition cost of fixed assets to expense. Under generally accepted accounting principles, these costs would normally be capitalized and depreciated over their useful lives. The insignificant dollar amounts of these expenditures were as follows:

	<u>2018</u>	<u>2017</u>
Mental Health	\$5,709	\$24,697
Intellectual Developmental Disabilities	\$8,311	\$86,353
Early Intervention	\$ 54	\$ -

Revenue

The principal source of revenue received by the Programs is from the Pennsylvania Department of Human Services and includes the pass-through of Federal funds. Revenue from this source is considered earned as approved expenditures are incurred. The Programs also receive revenue support from the Delaware County General Fund, including required matching funds, to fund the program activity. County funds are considered earned in the period for which such funds are requested from the County. Annually, any Program shortfall is funded by the County. Income earned by providers in supplying services to the Programs is recorded as income by the Programs pursuant to contract arrangements with the providers. The Programs also receive certain funding from other sources, including other County Human Services programs.