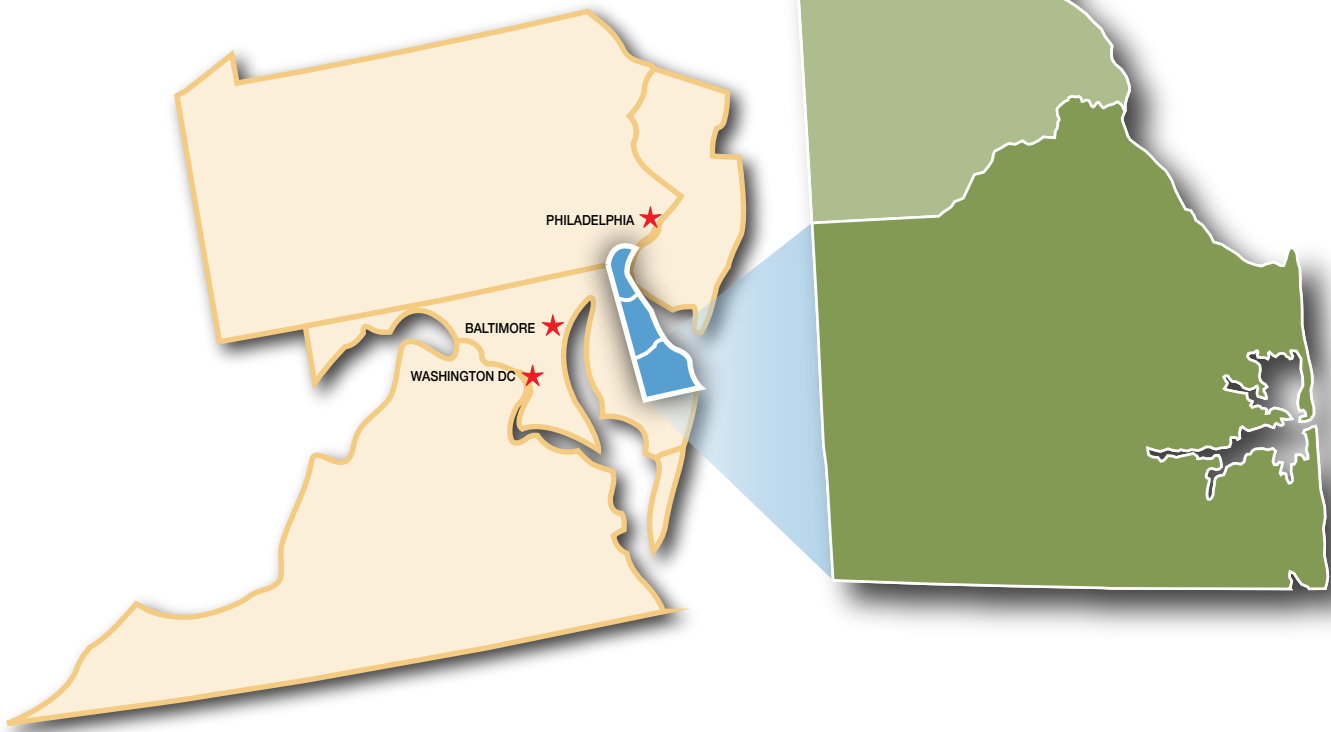


SUSSEX COUNTY

Delaware



Comprehensive Annual Financial Report

For Fiscal Year Ended June 30, 2014

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2014



Prepared by the Finance Department

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INTRODUCTORY SECTION



TODD F. LAWSON
COUNTY ADMINISTRATOR

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Sussex County
DELAWARE
sussexcountyde.gov

December 22, 2014

The Honorable Sussex County Council President, Members of the Sussex County Council, and the Citizens of Sussex County:

We are pleased to present to you the Comprehensive Annual Financial Report (CAFR) for the Sussex County government for the fiscal year ended June 30, 2014. This report includes the annual financial statements as required by Delaware law, presented in conformity with generally accepted accounting principles (GAAP) in the United States of America and audited in accordance with auditing standards generally accepted in the United States of America.

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

The County's financial statements have been audited by BDO USA, LLP a firm of licensed certified public accountants. A goal of the independent audit was to provide reasonable assurance that the financial statements of the County for the fiscal year ended June 30, 2014, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon their audit, that there was a reasonable basis for rendering an unqualified opinion that the County's financial statements for the year ended June 30, 2014, are fairly presented in conformity with GAAP. The auditor's report is presented as the first component of the financial section of this report.



The independent audit of the financial statements of the County was part of a broader, federally mandated “single audit” designed to meet the special needs of federal grantor agencies. The standards governing single audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government’s internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. The single audit section of this report includes these reports and related information. GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management’s Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. Sussex County’s MD&A can be found immediately following the report from the independent auditor.

Profile of Sussex County

Sussex County is proud of the natural beauty, mix of small towns, rich history, and popular attractions that are found throughout our county. Sussex County is a rural county in transition, a community that, in some ways, represents a microcosm of the United States with developing, more urbanized seaside resorts to the east and industry and agriculture dominating the central and western landscape. Our county is the largest county in Delaware, comprising a total land area of approximately 938 square miles, or 48 percent of the State’s total area; with a population of 209,704 according to the Oct. 31, 2014, estimates from the Delaware Population Consortium. The county is bordered on the east by the Atlantic Ocean, on the north by Kent County, Delaware, and on the south and west by that portion of the State of Maryland which lies east of the Chesapeake Bay. The Town of Georgetown, the county seat, is situated in the center of the county. The county is within 200 miles of New York City, Philadelphia, Baltimore, and Washington, D.C., putting Sussex County within a short drive for millions of Americans.

The modern County government was established on July 23, 1970, replacing the Levy Court Commission with a Council-Administrator form of government. The government is composed of a legislative body - the County Council - and an administrative arm - County Administration - that includes operating departments and offices, some of which are administrated by officials elected at-large and also known as Row Officers. The County Council, which has legislative powers, consists of five members who represent geographic districts. Council members are elected to four-year terms, which are staggered. The County Administrator and County Finance Director are appointed by the County Council. The County Administrator is responsible for the entire range of executive, administrative, and fiscal duties performed by all County departments.

Sussex County, Delaware, is a rural county with beaches along the Delaware Bay and Atlantic Ocean. According to the 2010 U.S. Census, Sussex County had a population increase of more than 25 percent from 2000 to 2010. The Delaware Population Consortium predicts that the population will increase another 14 percent from 2010 to 2020. The State of Delaware has never had a general sales tax, inventory tax, or State real property tax. Local property taxes are very low, making the county a desirable destination for new residents and retirees. The eastern portion of the county is home to most of Delaware’s beaches and seaside resorts. Sussex’s central and western areas are the backbone of Delaware’s agriculture industry.

Sussex County is deeply rooted in history and tradition. One of the most unique events, of which the county is tremendously proud, is the biennial event known as Return Day. Return Day originated around 1790 and is set on The Circle in Georgetown, the county seat. Return Day is held two days after Election Day and was started so ‘voters’ could come to Georgetown to hear the ‘returns’, or results, of the elections. During this day, election results were read, food was served, and music was played. Some time later, a parade was started with both the winning and losing candidates riding together in open carriages, and by the 1970s, the ceremonial act of ‘burying the hatchet’ began, symbolizing the end of the campaign season. The 2014 elections marked the 201st anniversary of this great Sussex tradition.

The County government provides a variety of services, which are mandated by State statute or County Code. Major public services include emergency medical services, mapping and addressing, libraries, and sewer service. The County also owns and maintains the Sussex County Airport near Georgetown. The County provides emergency services including paramedics, emergency preparedness, emergency operations, and local emergency planning and communications. As the primary call center, Sussex County’s Emergency Operations Center receives more than 100,000 9-1-1 calls a year. The Department of Libraries includes three County-managed libraries and a bookmobile. The County has 475 fulltime employees and 185 retirees. In Sussex County, a select group of elected officials preside over certain “row offices”, or constitutional offices. These include the Marriage Bureau, Recorder of Deeds, Register of Wills, and the Sheriff’s Office. These four offices provide services, such as issuing marriage licenses, recording of property deeds, wills, and other legal papers, and performing court-related duties. Each row office is managed by an elected official who is independent of the County Council, but the County government is responsible for each office’s staffing, financial accountability and annual budgets.

The County provides a variety of grant-in-aid funding to its residents, the largest being 79 percent for public safety agencies, such as local volunteer fire companies and State and local police. The County also assesses, bills, and collects school taxes for eight independent school districts, as well as property taxes for the County government. The County is the primary funding source for 11 local libraries, which are managed by independent library boards.

Sussex County continues to work on the expansion of wastewater services that are vital in meeting our environmental and population needs. The County serves more than 65,000 equivalent dwelling units (EDUs), and maintains and operates four treatment facilities. Fiscal year 2014 saw a 2 percent increase from fiscal year 2013’s EDUs. The sewer and water districts’ operating budget for fiscal year 2014 was \$34 million. The County has two enterprise funds: Dewey Water District and Unified Sewer District.

The annual budget is recommended by the County Administrator and approved by the County Council prior to July 1 of each year, which is the start of the County’s fiscal year. The budget serves as a financial guide for the County. The budget includes a five-year capital project plan and proposed financing for projects. Please see note “A” (Section 19 on page 37) for additional budget information. Budget-to-actual comparisons begin on page 63 through page 71.

Economic Condition of Sussex County

Local Economy

Sussex County has a diverse and dynamic local economy. The county weathered well despite the national downturn of recent years. We are now seeing signs of revitalization with an uptick of economic activity. Sussex County employment is concentrated on a diverse assembly of sectors that interact continuously, including agriculture, tourism, healthcare, construction, retail sales and education.

Manufacturing production has increased in western Sussex County due to the relocation of Grayling Industries/New ILC Dover. Supported by the State and the County, this relocation has brought more than 115 jobs from Mexico to Sussex County, Delaware. Another manufacturing success is Atlantis Industries in Milton, which made a commitment to keep 36 jobs and add additional 20 more in Sussex for its custom injection molding and toll-making business.

Manufacturing is not the only industry seeing an increase in activity. The level of healthcare and associated employment opportunities are continually growing along with the number of retirees who put a demand on those healthcare services. The three major healthcare employers in the county are Bayhealth in Milford, Beebe Healthcare in Lewes, and Nanticoke Health Services in Seaford. Peninsula Regional Health System, based in nearby Salisbury, Md., broke ground in October 2012 for a 48,000-square-foot healthcare pavilion in Millsboro, expanding that provider's service footprint into southern Delaware. These four healthcare groups, each with their own hospitals and/or satellite facilities in Sussex County, continue to expand their services and build partnerships in order to accommodate the needs of an ever-growing and aging population. Another 47,000-square-foot College Park Medical Pavilion opened in 2013 to provide better healthcare to Georgetown and the surrounding areas. In Seaford, Nanticoke Health Service plans to invest \$18 million in its hospital and new medical facility buildings. They also opened a new Immediate Care facility in Georgetown. The Delaware Department of Labor Office of Occupational and Labor Market Information has ranked healthcare and social assistance second for employment in Sussex County.

While other industries are beginning to thrive, agriculture continues to be Sussex County's leading industry, with the primary focus being grain production and poultry processing. The Delaware Agriculture Statistics and Resource Directory shows the value of agriculture products sold directly to consumers annually is more than \$3.5 million in Delaware. Sussex County is in the top 2 percent of 3,079 counties in the United States for the value of vegetables sold. As another agriculture win, Sussex County continues its distinction as the top broiler producing county in the United States. The chicken industry in Delaware had an annual total economic impact of \$5.2 billion with 90 percent of Delaware chickens grown in Sussex County. The 2014 Sussex County Profile states direct industry employment was 9,200, while another 14,000 jobs related in some way to the chicken industry.

If agriculture represents our county's bread, tourism is certainly its butter. Tourism is Sussex County's second-leading industry. According to Southern Delaware Tourism, an estimated \$850 million of Delaware's \$2 billion tourism revenue comes from sales in Sussex County. Tourism employs 15,000 workers in Sussex County. The Atlantic coastline offers sandy beaches, family activities, recreation and shopping. In 2013, the U.S. Natural Resources

Defense Council gave some of Sussex County's beaches a five-star rating for ocean water quality and ranked Delaware first among the 30 coastal states. If it isn't the beaches, the tax-free shopping also attracts tourism to the area. Along a two-mile stretch of Delaware Route 1, between Lewes and Rehoboth Beach, there are more than 130 outlet stores - employing more than 1,500 - offering a variety of products, such as clothing, tools, shoes, books, stereo equipment, gourmet food, and kitchen supplies. The Tanger Outlets have become a year-round destination for those who are attracted by reasonable prices and tax-free shopping in Delaware.

These industries continue to make Sussex strong. While the national unemployment rate, as stated by the Delaware Department of Labor, was 5.9 percent in September 2014 and Delaware's unemployment rate was 6.5 percent, Sussex County's unemployment - at 5.6 percent - was well under those averages. Delaware's Annual Economic Report shows Sussex County had a 2.3 percent, or 1,570, job growth in 2013. There was an increase in building activity from 2013 to 2014. As 2015 approaches, the building activity has held steady with the increased 2014 levels. The Sussex County Association of REALTORS® report that single family home sales continue to grow from the beginning of 2014, as well as sales compared to the same time in 2012. This increase in home sales is evident by the rise in the County's collection of real estate transfer tax revenue, which rose from \$17.4 million in 2013 to \$20.9 million in 2014.

In order for any business or industry to succeed, a community must have a quality educational system at its foundation. The county is honored to have several public education schools that have earned the National Blue Ribbon distinction for excellence from the U.S. Department of Education. This award recognizes schools that have made significant progress in closing gaps in achievement, especially disadvantaged and minority students.

When it comes to higher education, opportunity abounds in Sussex County. The Delaware Technical Community College (DTCC), and its 147-acre campus in Georgetown, offers associate's college degree programs in health, business, public service, engineering, and industrial education. In order to offer programs that complement the employment environment of Sussex County, DTCC created a paramedic program that helps the County fill positions with qualified medics. They also partnered with Sussex County to create an FAA-certified airframe maintenance degree located at the County's airport, which is filling a need in Delaware and the growing aviation industry.

The University of Delaware also has a strong presence in Sussex County that includes the DTCC campus, the College of Agriculture & Natural Resources near Georgetown, and the College of Earth, Ocean and Environment in Lewes. Other university services include Professional and Continuing Studies programs, Osher Lifelong Learning Institute programs, the Small Business and Technology Center and Cooperative Extension, and the Delaware Sea Grant College Program. Additionally, Delaware State University and Wilmington University offer courses at the DTCC campus in Georgetown providing bachelor's and master's degrees.

Financial Planning

The economy improved in fiscal year 2014. Fiscal year 2015 has been keeping pace. Our local economy benefits from the attractiveness of our resorts and a strong agricultural base. The County weathered the financial storm because of its strong financial foundation. We are

still mindful of how volatile the economy can be. We continue to budget with sustainability in mind; for example, all building related revenues were budgeted at 80 percent for fiscal year 2015. The County set up a plan to fund our capital improvements with excess realty transfer tax funds to ensure that the government does not depend on economically driven revenue sources for operations while establishing a sustainability plan for when the economy will slow in the future.

The County has funded its non-sewer and water assets on a pay-as-you-go basis and has avoided issuing debt to pay for Capital projects. While business activity has slowed, the County has continued to make capital improvements using reserved funds. These improvements include airport and library expansions, as well as building improvements that total more than \$22 million for the next five years. The County plans to fund these projects with Federal Aviation Administration (FAA) grants, State grants, and County funds.

The fiscal year 2014 Five-Year Capital Improvement Plan includes \$124 million for sewer expansion and upgrades. Funding for these projects include State Revolving Fund loans, State grants, Federal USDA loans and grants, American Recovery and Reinvestment funds, and County contributions.

Significant Financial Policies

As interest rates continue to lag, it is the County's goal to invest all funds in a manner that provides the highest investment return using authorized instruments while meeting the County's acceptable risk level. In priority order, the primary objectives in investment activities shall be safety, liquidity, and yield. Please see Note B, on page 38 for additional information regarding cash and collateralization.

Preserving the Pension Trust Fund and the Post-Retirement Employee Benefit Trust Fund is a major objective of Sussex County. The County funds a defined benefit pension plan and a post-retirement Employee Benefit Trust for its employees. They are treated as fiduciary funds in the financial sections. The Pension Trust Fund is held with diversified, but complementary, investment managers. A pension committee, which meets quarterly, oversees the management of both plans and is responsible for making recommendations to the County Council regarding investments and funding. The County contracts with pension advisors to assist in providing the best strategy, protection, and investment guidelines for our pension.

Sussex County continues to strive for balanced budgets and sound financial planning in providing services for our residents. In the last few years, the County's focus and challenge has been to keep expenses within the current sources of revenue. A comprehensive review is done monthly by the Finance Department, which analyzes department expenditures and budget reports. These reviews are discussed in an open forum with the County Council on a quarterly basis to keep the members and the public informed of the current economic effects on revenues. Relevant financial topics and future strategies are also discussed with County Council. It is the County's fund balance policy to maintain an operating reserve within the range of 20 to 25 percent, which is considered "best practice".

Like other State and local governments, Sussex County still faces financial challenges and is under pressure to demonstrate fiscally sound policies and serve the public with current revenue sources. The County practices financial conservatism that has allowed it to serve in a

declining economy and time of economic change without taking on tax-supported debt or cutting services that would affect residents and visitors.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Sussex County for its comprehensive annual financial report for the fiscal year ended June 30, 2013. This was the 12th consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must also satisfy both generally accepted accounting principles and applicable legal requirements.

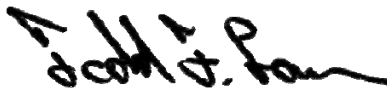
A Certificate of Achievement is valid for a period of one year only. We believe the County's current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

We believe that achieving this award is one example of Sussex County's commitment and dedication to the highest standards of financial management. The preparation of this report on a timely basis is the result of the tremendous efforts of County employees in the Finance and Accounting departments. We would especially like to thank those employees and the County auditors for their dedication to the completion of this report.

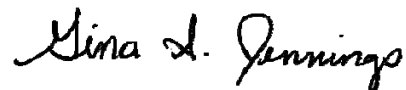
During fiscal year 2010, Moody's Investor Service upgraded the County's bond rating from an Aa2 to Aa1. Moody's report for the County states, "This reflects the County's healthy financial position, maintained by prudent fiscal management that resulted in materially greater financial flexibility and stronger reserve levels". In addition to the above, Moody's cited our strengths being: "strong liquidity and fund balance levels, no appropriation nor expected use of fund balance in fiscal 2010 or 2011, and average socioeconomic indicators with a large tax base that is expected to remain stable".

We would also like to thank the County Council for their support in maintaining the strong financial position of our County by supporting fiscally sound financial policies. Appreciation is also expressed to all additional individuals who assisted in this effort.

Respectfully submitted,



Todd F. Lawson
County Administrator



Gina A. Jennings
Finance Director



Government Finance Officers Association

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

Presented to

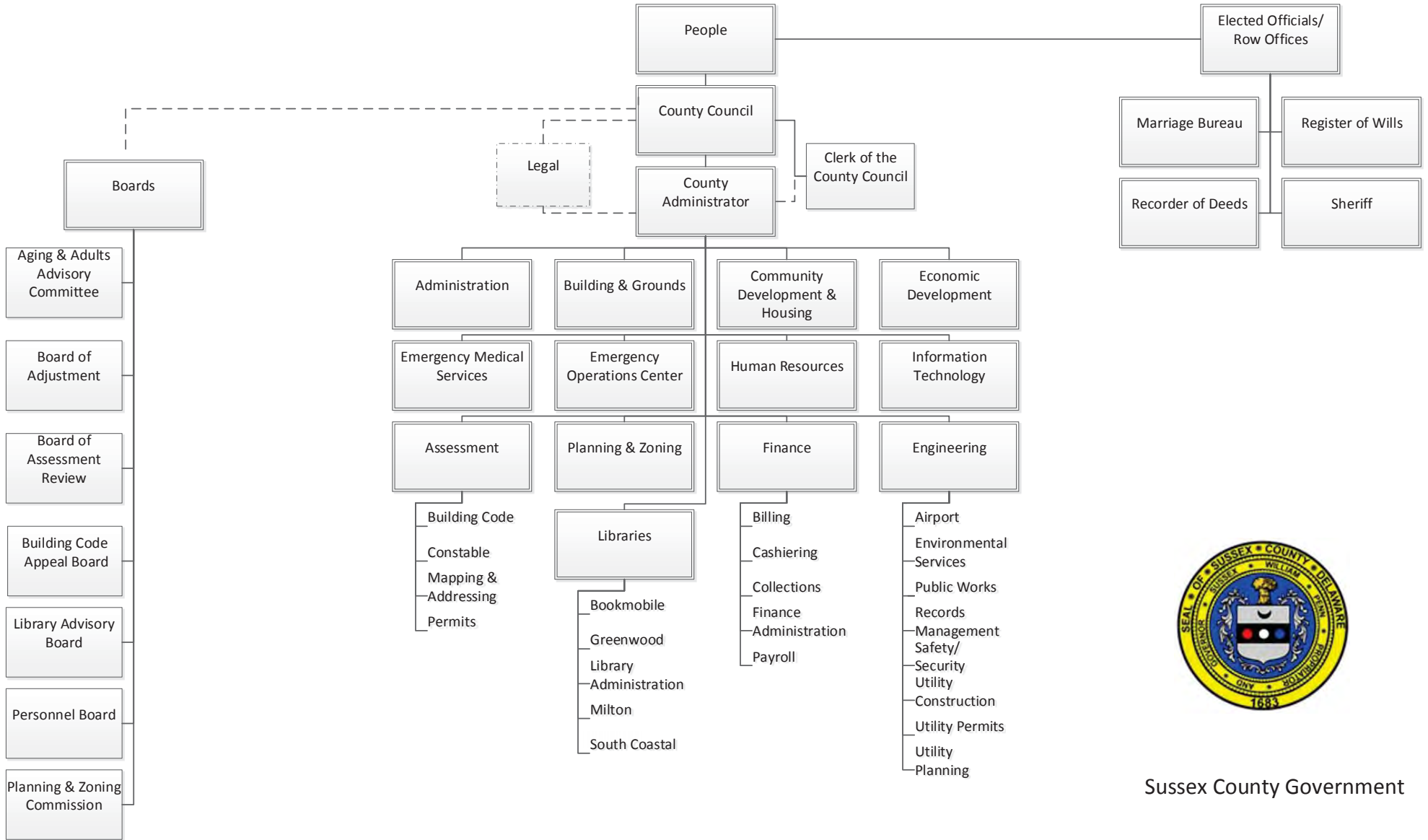
**Sussex County
Delaware**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

SUSSEX COUNTY ORGANIZATIONAL STRUCTURE



Sussex County Government

SUSSEX COUNTY, DELAWARE

LIST OF ELECTED OFFICIALS

JUNE 30, 2014

| <u>COUNCIL</u> | <u>Length of Service</u> | <u>Term Expires</u> |
|-----------------------------------|--------------------------|---------------------|
| <i>District 1</i> | | |
| Michael H. Vincent (President) | 6 years | Jan. 2017 |
| <i>District 2</i> | | |
| Samuel R. Wilson (Vice President) | 6 years | Jan. 2017 |
| <i>District 3</i> | | |
| Joan R. Deaver | 6 years | Jan. 2017 |
| <i>District 4</i> | | |
| George B. Cole | 28 years | Jan. 2015 |
| <i>District 5</i> | | |
| Vance C. Phillips | 16 years | Jan. 2015 |
| ----- | | |
| <i>Clerk of the Peace</i> | | |
| John Brady | 2 years | Jan. 2017 |
| <i>Recorder of Deeds</i> | | |
| Scott Dailey | 4 years | Jan. 2015 |
| <i>Register of Wills</i> | | |
| Cynthia Green | 4 years | Jan. 2015 |
| <i>Sheriff</i> | | |
| Jeffrey Christopher | 4 years | Jan. 2015 |

SUSSEX COUNTY, DELAWARE

COUNTY DEPARTMENT HEADS & OTHER OFFICIALS

JUNE 30, 2014

| | <u>Length of Time in Position</u> | <u>Length of Service with the County</u> |
|---|---------------------------------------|--|
| <i>County Administrator</i> - Todd F. Lawson | 2 years | 3 years |
| <i>County Attorney</i> - J. Everett Moore, Esquire | 6 years | 6 years |
| <i>Finance Director</i> - Gina A. Jennings, MBA, MPA | 1 year | 8 years |
| <i>Deputy Finance Director</i> - Kathy L. Roth, CPA | 1 year | 8 years |
| <i>County Engineer</i> - Michael A. Izzo, P.E. | 18 years | 30 years |
| <i>Assessment Division Director</i> - Christopher S. Keeler | 6 months | 20 years |
| <i>Community Development Program Director</i> -Brad Whaley | 2 year | 18 years |
| <i>Director of Engineering Accounting</i> - Jeffrey James | 20 years | 35 years |
| <i>Director of Environmental Services</i> - Heather Sheridan | 28 years | 38 years |
| <i>Director of Information Technology</i> - Thomas Glenn | 8 years | 12 years |
| <i>Director of Sussex Airport and Industrial Park Operations</i> - James A. Hickin | 8 years | 9 years |
| <i>Emergency Preparedness Director</i> - Joseph L. Thomas | 17 years | 28 years |
| <i>Facilities Manager</i> - Douglas J. Stoakley | 4 years | 20 years |
| <i>Human Resources Director</i> - Karen Brewington | 3 years | 3 years |
| <i>Library Director</i> - Kathy M. Graybeal | 3 years | 3 years |
| <i>Paramedic Director</i> - Robert A. Stuart | 3 years | 22 years |
| <i>Planning and Zoning Director</i> - Lawrence B. Lank | 28 years | 44 years |

FINANCIAL SECTION





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270 Presidential Drive
Wilmington, DE 19807

Independent Auditor's Report

To the County Council of Sussex County, Delaware
Georgetown, Delaware

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Sussex County, Delaware (the County) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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



Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Sussex County, Delaware, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note A.2, in 2014, The County adopted Governmental Accounting Standards Board ("GASB") Statement No. 65, *Items Previously Reported as Assets and Liabilities* and No. 67, *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion on pages 4 through 18 and Required Supplementary Information on pages 58 through 62 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying supplementary information, such as the introductory section, individual fund financial schedules, statistical section, and the Schedule of Expenditures of Federal Awards required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual fund financial schedules and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial



statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund financial schedules and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Governmental Auditing Standards*, we have also issued our report dated December 22, 2014 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

BDO USA, LLP

December 22, 2014

SUSSEX COUNTY, DELAWARE

MANAGEMENT'S DISCUSSION & ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

This section of the report offers an overview and analysis of the financial activity of Sussex County, Delaware, for the year ended June 30, 2014. Please consider this Management's Discussion and Analysis (MD & A) along with the additional information included in the letter of transmittal and other sections of the report.

Financial Highlights

Government-wide Financial Statements

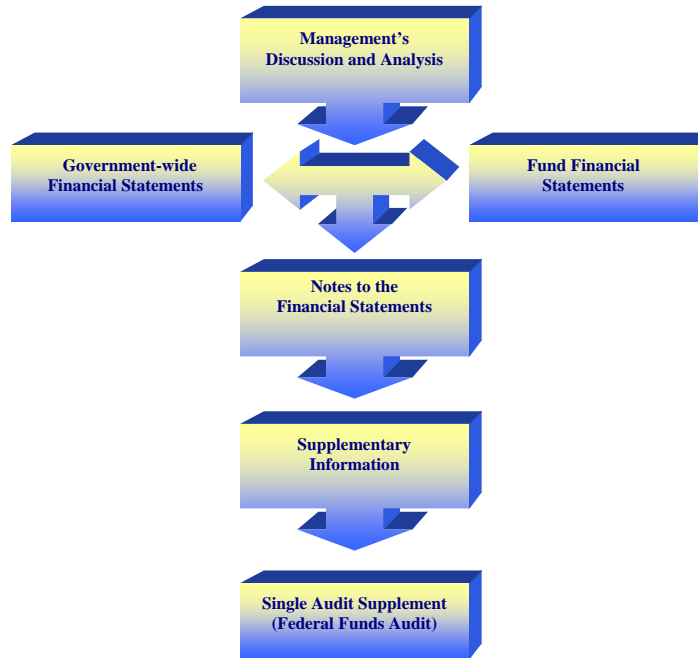
- As of June 30, 2014, assets exceeded liabilities by \$494.7 million. Of this amount, \$130.7 million was unrestricted and may be used for ongoing obligations to citizens and creditors.
- The County's total net position increased by \$18.8 million during the year. The governmental activities' portion of the increase was \$12.7 million. The increase in the investment in governmental capital assets, net of related debt, was \$6.0 million; governmental restricted funds decreased \$11.3 million; and the business-type activities increase in net position was \$5.6 million. This increase is due to growth-related capital costs from sewer districts being built, as well as an increase in the debt that funded those projects. The \$12.7 million increase in governmental activities' net position is a reflection of the growth of the County's assets at the airport and a positive movement in County revenue. Operating expense budgets have remained at consistent levels, but revenues have started to increase.
- The County has no outstanding General Fund bonded debt.
- In fiscal year 2010, Moody's Investors Service has raised its rating for Sussex County from Aa2 to Aa1. Moody's report on the County says, "This rating upgrade was due to; the County's substantially improved and healthy financial position, maintained by prudent fiscal management that resulted in materially greater financial flexibility and stronger reserve levels". This reinforces our fiscal policies of conservative balanced budgeting and our commitment to maintaining healthy reserve levels.

Fund Financial Statements

- As of June 30, 2014, the County's governmental funds reported an ending fund balance of \$96.3 million. This is an increase of \$4.0 million from the preceding year. About \$34.0 million was unassigned or available for use to meet the County's current and future needs.

Overview of the Financial Statements

Management’s Discussion and Analysis introduces the County’s basic financial statements. These basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. Supplementary information, in addition to the basic financial statements, is also included. The Single Audit (Federal Funds) Supplement follows the supplementary information.



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. This government-wide financial reporting includes two statements: the Statement of Net Position and the Statement of Activities. Fiduciary activity is excluded from these statements because its resources are not available to finance other County programs.

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 an indicator of whether the financial position of Sussex County is improving or deteriorating.

The Statement of Activities presents information showing how the County’s net position changed during the current fiscal year. Changes in net position are reported when the underlying event occurs, regardless of the timing of related cash flows. Thus, some revenues and expenses reported in this statement will not impact cash flows until future fiscal periods.

Both the Statement of Net Position and Statement of Activities account separately for governmental activities and business-type activities.

- Governmental activities include General Administration, Finance, Personnel, Building and Grounds, Information Technology, County Constable, Grant-in-Aid Programs, Planning and

Zoning, Paramedic, Emergency Preparedness, Economic Development and Airpark, County Engineering, Library, Community Development and Housing Programs, and Constitutional Offices.

- Business-type activities - This includes Sussex County sewer and water districts, which are funded by user charges, assessment charges and connection fees.

The government-wide financial statements immediately follow this MD & A on pages 19 and 20.

Fund Financial Statements

The next financial statements, beginning on page 21 of this report, are the fund financial statements. A fund is an accounting entity that is used to maintain control over resources that have been segregated for specific activities or objectives. Sussex County, like other state and local governments, uses fund accounting to ensure compliance with finance-related legal requirements. Sussex County's funds are divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

- *Governmental Funds* - Governmental funds account for essentially the same functions as governmental activities in the government-wide financial statements. Governmental fund financial statements do 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. This information may be useful in evaluating a government's near term financing requirements. Because the focus of governmental funds is for the current period, it is useful to compare this information with similar information presented for governmental activities in the government-wide financial statements. Readers may then better understand the long-term impact of the government's current financing decisions. The Governmental Fund Balance Sheet and Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance include reconciliations to the government-wide financial statements (see pages 21 and 23).

Sussex County maintains two individual governmental funds, which include the General and Capital Project funds. These two funds are presented in separate columns on the governmental funds financial statements.

The basic financial statements include a budgetary comparison statement for the General fund. A budgetary comparison schedule has been included for the capital projects fund in the supplemental information. Sussex County adopts an annual appropriated budget for its General and Capital Project funds.

- *Proprietary Funds* - Sussex County's proprietary funds are solely enterprise funds, which operate in a manner similar to private business enterprises. Sussex County's proprietary funds include: Unified Sewer District and the Dewey Water District (see pages 25 through 28).
- *Fiduciary Funds* - Sussex County has two fiduciary funds, the Pension Trust fund and the Post-retirement Employee Benefit Trust fund. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. They are not reflected in the government-wide financial statements because the resources of these funds are not available to support the County's programs. The separate accounting used for fiduciary funds is much like that used for proprietary funds. The fiduciary fund financial statements can be found on pages 29 and 30 of this report.

Notes to the Financial Statements

Notes to the financial statements found on pages 31 through 57 of this report provide additional information that is important for a better understanding of the data provided in the financial statements.

Other Information

Pages 58 through 62 include required supplementary information regarding our fiduciary funds. Following are General fund and Capital Project fund budgetary comparison schedules and General fund revenue and expenditure schedules. The statistical section follows on pages 72 through 91 with additional County information. The Single Audit, a separate federal awards audit, follows the statistical section.

Government-wide Financial Analysis

As previously noted, assets exceed liabilities by \$494.7 million as of June 30, 2014. Net position over time may serve as a useful indicator of a government's financial position.

The following table is a summary of the government-wide statement of net position:

SUSSEX COUNTY'S SCHEDULE OF NET POSITION

As of June 30, 2014 and 2013

| | Governmental Activities | | Business-type Activities | | Total Government | |
|--|-------------------------|---------------|--------------------------|----------------|------------------|---------------|
| | 2013 | | 2013 | | 2013 | |
| | 2014 | Restated | 2014 | Restated | 2014 | Restated |
| Current and Other Assets | \$133,057,980 | \$125,568,861 | \$100,264,365 | \$ 97,732,913 | \$233,322,345 | \$223,301,774 |
| Capital Assets | 77,087,475 | 69,300,954 | 370,649,322 | 375,860,198 | 447,736,797 | 445,161,152 |
| Total Assets | 210,145,455 | 194,869,815 | 470,913,687 | 473,593,111 | 681,059,142 | 668,462,926 |
| Deferred outflows of resources | - | - | 1,590,115 | - | 1,590,115 | - |
| Total assets and deferred outflows of resources | 210,145,455 | 194,869,815 | 472,503,802 | 473,593,111 | 682,649,257 | 668,462,926 |
| Current and Other Liabilities | 12,906,870 | 10,344,526 | 2,437,719 | 2,465,430 | 15,344,589 | 12,809,956 |
| Long-term Liabilities | 5,476,657 | 5,475,072 | 167,175,163 | 174,361,438 | 172,651,820 | 179,836,510 |
| Total Liabilities | 18,383,527 | 15,819,598 | 169,612,882 | 176,826,868 | 187,996,409 | 192,646,466 |
| Net Position: | | | | | | |
| Net Investment in Capital | | | | | | |
| Assets | 75,152,173 | 69,132,520 | 204,051,102 | 202,135,522 | 279,203,275 | 271,268,042 |
| Restricted | 45,203,773 | 56,534,084 | 33,313,218 | 43,172,577 | 78,516,991 | 99,706,661 |
| Unrestricted | 71,405,982 | 53,383,613 | 65,526,600 | 51,458,144 | 136,932,582 | 104,841,757 |
| Total Net Position | \$191,761,928 | \$179,050,217 | \$302,890,920 | \$ 296,766,243 | \$494,652,848 | \$475,816,460 |

A large portion of the County's net position (56 percent) are not available for future use since they represent amounts invested in capital (e.g., land, buildings, machinery and equipment). This investment is net of any related debt that was used to acquire those assets still outstanding. It should be noted that the resources needed to repay outstanding debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities. County's net investment in capital assets increased by \$7.9 million during fiscal year 2014. The largest increase in business-type activities was due to the completion of a large pump station. The largest increase in governmental activities was the completion of the Greenwood Library.

Of the remaining \$215.4 million in net position, \$33.3 million is restricted for the repayment of the debt service on the bonds issued to finance sewer district costs or for capital costs incurred. For governmental activities, \$45.2 million represents realty transfer taxes and grant funds on hand, which are restricted for specific purposes. Realty transfer taxes must be used for public safety, economic development, public works, capital projects, infrastructure projects, or debt reduction. Planned uses of realty transfer taxes include buildings and improvements, industrial park infrastructure, and County airport improvements.

The remaining \$136.9 million in net position is unrestricted and may be used for ongoing obligations to citizens, customers, and creditors. The increase is due to the County's Fund Balance policy to use restricted funds before unrestricted funds.

The following schedule shows the breakdown of changes in net position for governmental and business-type activities for fiscal years 2014 and 2013.

Sussex County, Delaware
Changes in Net Position
For the Years Ended June 30, 2014 and 2013

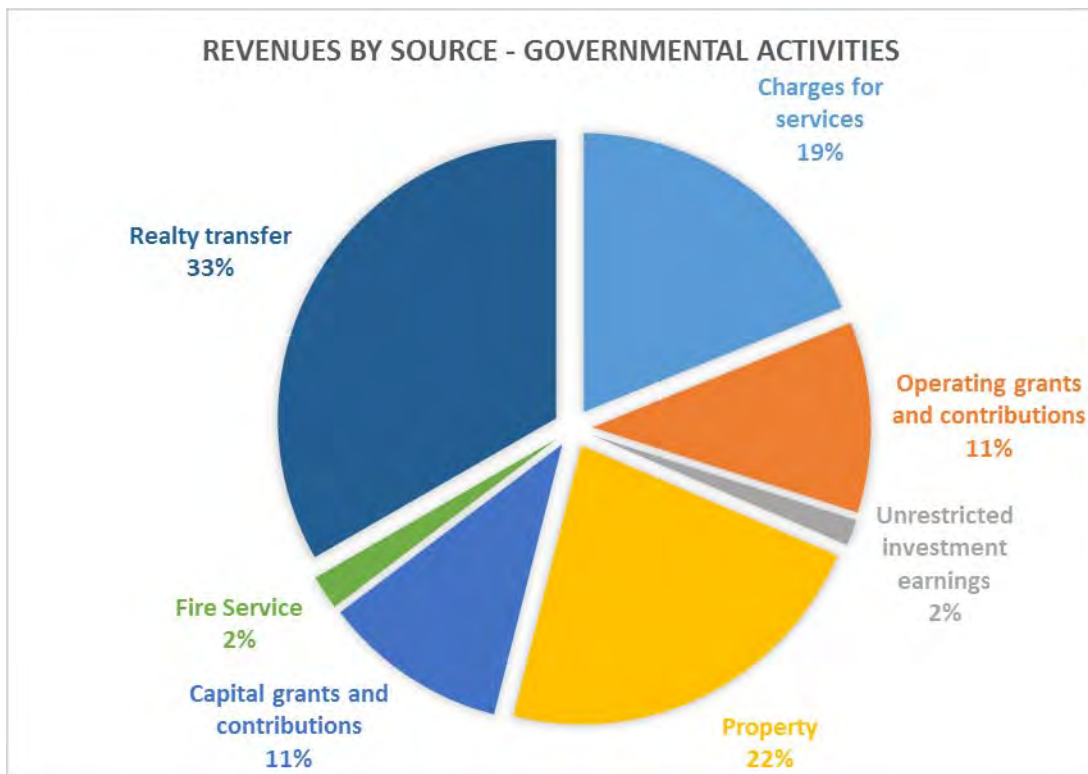
| | Governmental Activities | | Business-type Activities | | Total Government | |
|---|-------------------------|---------------|--------------------------|------------------|------------------|------------------|
| | 2014 | 2013 | 2014 | 2013 as restated | 2014 | 2013 as restated |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$11,845,198 | \$11,592,237 | \$20,140,538 | \$18,037,897 | \$ 31,985,736 | \$ 29,630,134 |
| Operating grants and contributions | 6,945,600 | 6,971,729 | 15,605,163 | 15,752,444 | 22,550,763 | 22,724,173 |
| Capital grants and contributions | 6,751,045 | 2,949,213 | 2,798,600 | 5,712,226 | 9,549,645 | 8,661,439 |
| General revenues: | | | | | | |
| Property Taxes | 14,110,356 | 12,706,792 | - | - | 14,110,356 | 12,706,792 |
| Fire Service Taxes | 1,253,792 | 1,041,506 | - | - | 1,253,792 | 1,041,506 |
| Realty Transfer Taxes | 20,894,160 | 17,422,525 | - | - | 20,894,160 | 17,422,525 |
| Investment Results | 949,002 | (318,529) | 767,657 | (73,715) | 1,716,659 | (392,244) |
| Total revenues | 62,749,153 | 52,365,473 | 39,311,958 | 39,428,852 | 102,061,111 | 91,794,325 |
| Expenses: | | | | | | |
| Primary Government: | | | | | | |
| General Government | 10,823,928 | 9,697,332 | - | - | 10,823,928 | 9,697,332 |
| Planning and Zoning | 1,091,112 | 1,212,351 | - | - | 1,091,112 | 1,212,351 |
| Paramedics | 14,302,991 | 12,895,383 | - | - | 14,302,991 | 12,895,383 |
| Emergency Preparedness | 3,531,682 | 3,360,129 | - | - | 3,531,682 | 3,360,129 |
| County Engineer | 1,721,971 | 1,622,080 | - | - | 1,721,971 | 1,622,080 |
| Library | 4,208,141 | 3,917,395 | - | - | 4,208,141 | 3,917,395 |
| Economic develop and Airpark | 2,145,727 | 2,063,146 | - | - | 2,145,727 | 2,063,146 |
| Community development | 1,878,873 | 1,782,197 | - | - | 1,878,873 | 1,782,197 |
| Grant-in-aid program | 7,863,936 | 8,156,799 | - | - | 7,863,936 | 8,156,799 |
| Constitutional offices | 2,459,691 | 2,429,063 | - | - | 2,459,691 | 2,429,063 |
| Business-Type activities | | | 33,196,671 | 32,473,082 | 33,196,671 | 32,473,082 |
| Total expenses | 50,028,052 | 47,135,875 | 33,196,671 | 32,473,082 | 83,224,723 | 79,608,957 |
| Change in net position before transfers | 12,721,101 | 5,229,598 | 6,115,287 | 6,955,770 | 18,836,388 | 12,185,368 |
| Transfers | (9,390) | (752,563) | 9,390 | 752,563 | - | - |
| Change in net position | 12,711,711 | 4,477,035 | 6,124,677 | 7,708,333 | 18,836,388 | 12,185,368 |
| Net position-beginning as restated | 179,050,217 | 174,573,182 | 296,766,243 | 289,057,910 | 475,816,460 | 463,631,092 |
| Net position-ending | \$191,761,928 | \$179,050,217 | \$302,890,920 | \$296,766,243 | \$494,652,848 | \$475,816,460 |

Governmental Activities

Governmental activities increased net position by \$12.7 million during fiscal year 2014. This represents 67.5 percent of the total increase in net position for the year. Governmental activities include the General fund and Capital Projects fund.

General revenues total \$37.2 million for fiscal year 2014 for governmental activities. This includes \$20.9 million received from realty transfer taxes. This is a \$3.5 million, or 19.9 percent, increase from fiscal year 2013. With two consecutive years of \$3 million increases in realty transfer tax, the real estate market has improved in Sussex County.

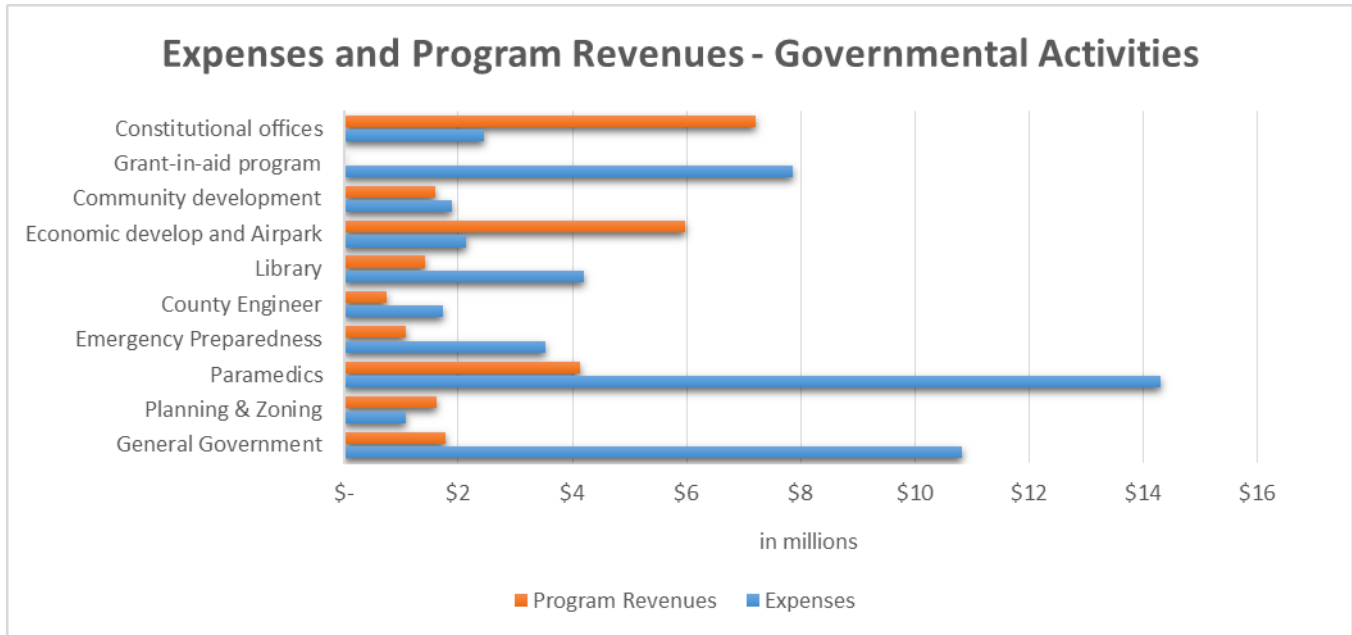
The pie chart below shows the allocation of our governmental revenues.



Charges for services had a \$0.3 million increase due to an increase in building permits, zoning fees, building inspection fees, and private road review and inspection fees; this is another indication that the economy has improved. Charges for services include \$7.2 million for constitutional offices. Constitutional revenue is 60.8 percent of all governmental charges for services.

Total expenses were up \$2.9 million, or 6.1 percent, from fiscal year 2013. The largest increase of \$1.4 million was in the Paramedics.

The following bar chart compares revenues and expenses for each governmental activity.



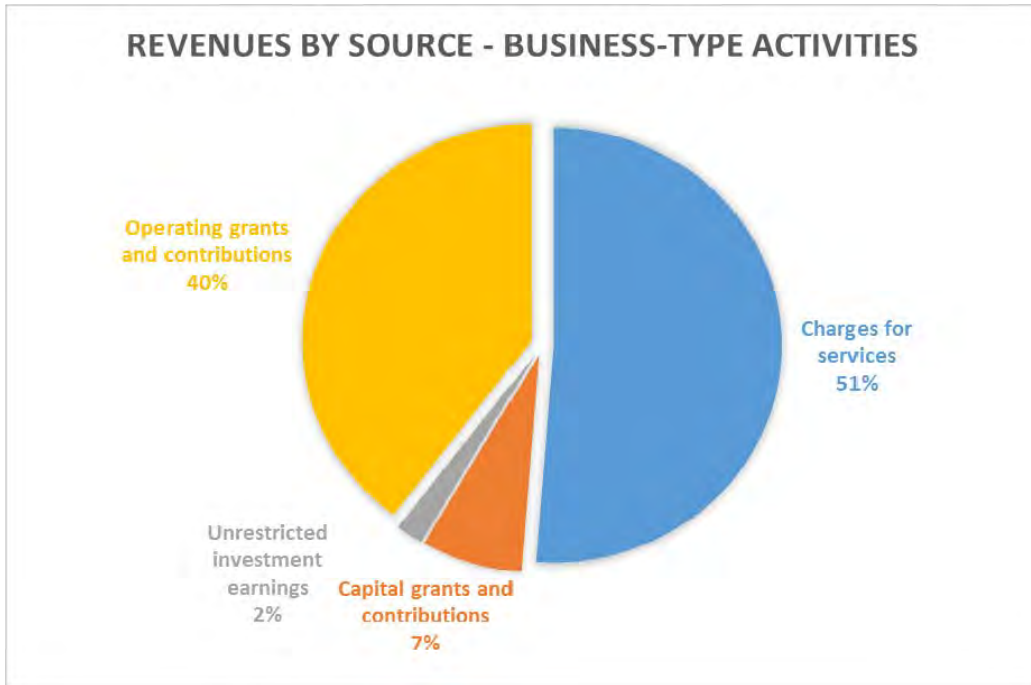
The population growth of the county over the last few years has impacted the Paramedic department and Sussex County Emergency Operations Center possibly more than any other county services. The Sussex County Emergency Operation Center is the largest dispatch center in Sussex County. Due to the increase in both tourism and permanent residents, 9-1-1 calls have increased 29.2 percent over the last 10 years.

The Paramedic department is the County’s largest department in terms of expenditures and employees. Our residents and visitors rely on this valuable county service. The paramedics were dispatched 31.1 percent more this year than 10 years ago. The County has had to develop cost-saving procedures without jeopardizing the quality of service being provided by the paramedics. The County’s goal is to begin the process to purchase property where our paramedic stations are located. Currently, we lease many buildings in different strategic locations throughout the county. As these leases come up for renewal, we are exploring the option to buy rather than rent. To date, we have built three of our eight medic stations. The fourth station will be completed in fiscal year 2015.

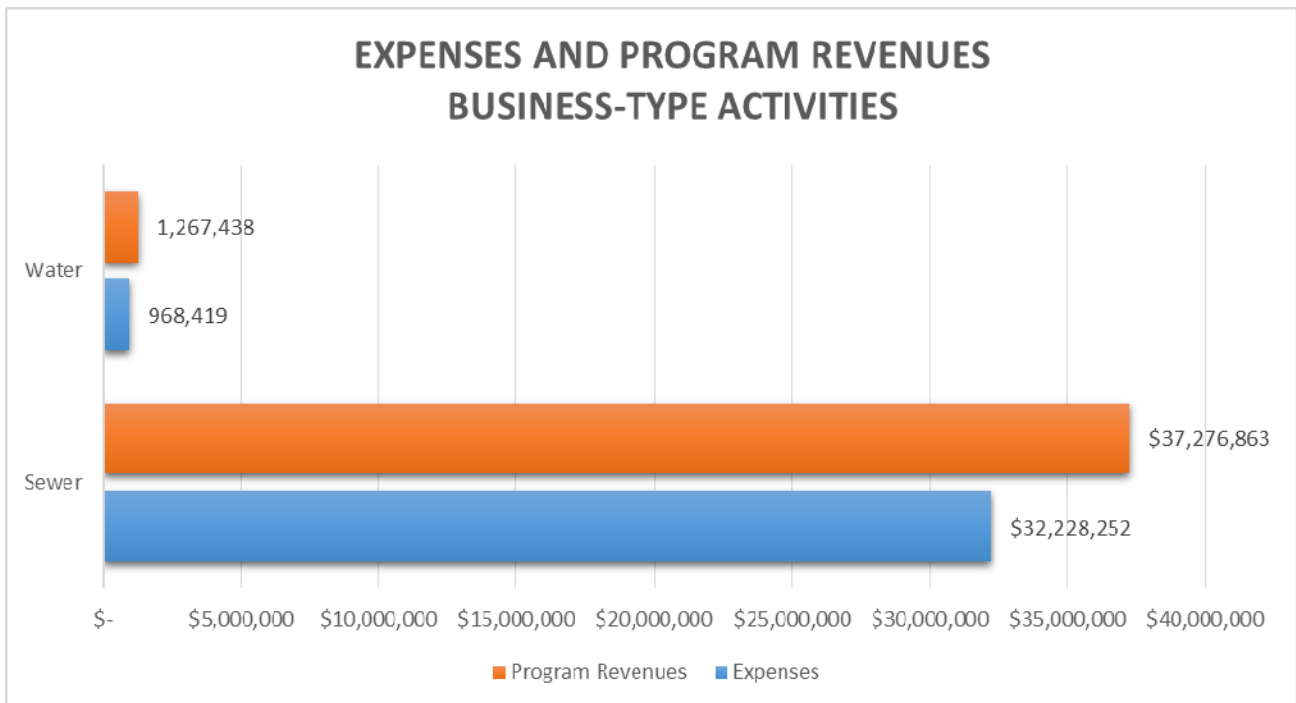
During fiscal year 2014, the County provided \$7.9 million in grant-in-aid programs for a variety of local organizations as part of a program to benefit County residents. These grants included local historical societies, senior centers, educational, recreation, arts, housing, and agriculture programs. The County also has grant programs to assist low-income taxpayers in meeting their property tax obligation or sewer bills. The County continues to supplement the State Police and local law enforcement with a \$2.5 million contribution. The volunteer fire service and ambulance companies received over \$3.7 million in grant funding during fiscal year 2014. A variety of community grants, in the amount of \$1.0 million, were given to local non-profit organizations, senior centers, libraries, food pantries, and housing assistance programs.

Business-type Activities

Sussex County’s water and sewer funds had an increase in net position of \$6.1 million during fiscal year 2014. The income before capital contributions and transfers was \$3.3 million. Our sewer districts continue to grow, bringing in additional income. The number of equivalent dwelling units increased more than 1,200 from fiscal year 2013. The pie chart reflects revenues by source.



The following bar chart shows that program revenues for both sewer and water facilities.



- The County received \$5.6 million in connection fees for new growth in the water and sewer districts; this is a 37.2 percent increase over last year's collection of \$4.1 million. Connection fee income increased more than 30.0 percent during the last two years due to the housing market, which directly drives this revenue; this revenue is 90.0 percent more than it was two years ago. Although the economy is improving, increases in this category as a result of our sewer districts expanding into new areas.
- The County continues to improve and expand the policy to consolidate our sewer districts into a unified fund and to move towards uniform sewer rates for all districts.
- Fiscal year 2014 expenses included projects to maintain, rebuild, and renovate our current facilities; this ranges from vehicle replacements, treatment plant improvements, and pump station rebuilds.
- The largest completed sewer project this year was the completion of Pump Station 30.

Financial Analysis of the County's Funds

As previously noted, Sussex County uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds

Governmental fund accounting provides information on available or spendable resources. This information is useful in assessing the County's financing requirements for operations. Unassigned fund balance may serve as a useful measure of the County's net resources available for current and future needs.

During fiscal year 2014, fund balances of the County's governmental funds increased \$4.0 million. This increase is a result of the \$20.9 million collected in realty transfer tax. The County budgeted \$16.0 million that caused revenues to exceed budgeted expenses by \$4.9 million in this single revenue category.

For the General fund, fiscal year 2014 finished with an increase in fund balance of \$7.0 million. Page 78 in the financial section shows a history of Sussex County's revenues and expenses for the General fund since 1978. As shown, we have had some financially strong years, in particular from 1991 through 2006. The County has not seen revenues exceed expenditures this much since 2006.

Fund balance financial reporting is more detailed and there are increased disclosures to help with understanding the availability of resources, which improves the usefulness and understanding fund balance information. Some of the more significant assignments in fund balance are for economic development, open space, and various grants. Assigned fund balance also includes possible future reassessment, economic development marketing plan, and information technology projects.

During fiscal year 2001, the County defeased all tax supported bonded debt. The County has not incurred any tax supported bonded debt for the General fund since then.

Fiduciary Funds

Sussex County's pension fund is a defined benefit plan. The annual contribution is determined during the budgetary process. During fiscal year 2014, \$3.6 million was contributed to the pension plan. The fund saw an increase from investment earnings, net of investment expenses, in the amount of \$10.3 million. The County's Pension plan is 87.7 percent funded according to the latest actuarial report dated January 1, 2014. As of June 30, 2014, investments held in this account were valued at over \$70.9 million.

In fiscal year 2014, an experience study was performed to make sure the County's actuarial assumptions accurately reflected past performance. As a result, the actuarial assumptions were adjusted. See Note F on pages 43 and 44 for these assumptions. Also different this year, new employees are required to contribute 3 percent of their gross salary to the pension plan.

During fiscal year 2005, the County established an irrevocable fund for other post-retirement employee benefits, or "OPEB". The OPEB Plan is currently 78.2 percent funded. As of June 30, 2014, investments held in this account were valued at \$30.3 million. For fiscal year 2014, the contribution to this fund was \$2.4 million. Due to the County's commitment and forethought in prior years, our funding level of this fund is unusually high in comparison with other municipalities.

As of January 1, 2014, there were 201 retirees and beneficiaries in the pension plan. Beneficiary payments for both funds totaled \$4.8 million.

Proprietary Funds

The County's proprietary funds provide the same type of information as in the government-wide financial statements for business-type activities. Net position totaled \$302.9 million - a \$6.1 million, or 2 percent, increase over last year. Restricted net position include amounts set aside for construction and future capital costs. Connection fees received are to be used for capital costs.

Please refer to the government-wide financial statement information regarding business-type activities for additional discussion regarding proprietary funds.

GENERAL FUND BUDGETARY HIGHLIGHTS

Budget Goals and Initiatives

The County prepares its budget with the following goals in mind: to balance the budget, to maintain an acceptable reserve, no General Fund debt, to continue to fund the pension and OPEB plans, and to provide high quality services to the residents of Sussex County. The County continues to strive to promote and develop new and existing businesses, as well as expand and diversify the employment base. We encourage coordination efforts with other private and governmental agencies to proactively attempt to obtain additional and improved employment opportunities for Sussex County. A goal has been to diversify the county's economy to ensure business activity during economic down cycles.

Revenue and Appropriation Budgets

Total budgeted revenues, expenditures, and other financing uses are equal to the original approved budget, with adjustments for any approved budget transfers, for fiscal year 2014. During the year, the County Administrator approves budget transfers for expenditures from department heads. The approved budget transfers include increases in certain line items for requested expenditures, which were offset by decreases in other departmental line items and/or the budget for contingencies. Some of the largest transfers from budgeted contingencies to individual line items, as approved by the County Administrator during the year, were for investment expenses (\$110,000), information technology improvements (\$52,310), and grant expenses that the County later received funds for (\$37,000).

Budget to Actual - Revenue

The fiscal 2014 budget increased 8 percent over the previous year. The largest increase was from budgeting an anticipated prior year surplus to be used only when the fiscal year 2013 audit deemed it to available. More than half of \$1.8 million anticipated surplus was used to increase the County's contribution to its pension funds. With uncertainty of the economy, it is important that the County keeps expenses low while providing a consistent level of service. When the economy shows improvement, the County funds future obligations, such as the pension or the capital fund. In fiscal 2014, actual General fund revenues and other financing sources were over budgeted revenues by \$7.0 million as noted on page 63. The State paramedic grant was \$1.0 million over budget due to the timing of the third quarter grant. The County was required to show five quarters of grant revenue. The largest revenue source over budget was realty transfer tax; this revenue exceeded budgeted predictions by \$4.9 million.

Budget to Actual - Expenditures

Expenditures and other financing uses were slightly under budget by \$85,000 as noted on page 70. Many departments finished the fiscal year under their budget projections. The section that exceeded the budget the greatest was the grant-in-aid program; which exceeded the budget by \$385,000 due to the increase in revenue funds. The fire service tax is collected on building permits and then distributed to the fire companies. Since the fee on building permits was over budget, so was the pass-through grant.

Capital Asset and Debt Administration

Capital Assets

As per the chart below, capital assets (net of depreciation) are valued at \$445.2 million as of June 30, 2014. Note E, on pages 40 and 41, includes additional information.

Sussex County, Delaware Capital Assets
As of June 30, 2014 and 2013
(net of depreciation)

| | Governmental Activities | | Business-type Activities | | Total Government | |
|-----------------------------------|-------------------------|----------------------|--------------------------|-----------------------|-----------------------|-----------------------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Land | \$ 17,174,285 | \$ 16,181,049 | \$ 39,594,004 | \$ 39,548,048 | \$ 56,768,289 | \$ 55,729,097 |
| Construction in Progress | 9,968,409 | 7,686,024 | 4,557,371 | 11,789,499 | 14,525,780 | 19,475,523 |
| Buildings | 32,544,545 | 29,504,009 | 31,122,657 | 31,416,883 | 63,667,202 | 60,920,892 |
| Improvements Other Than Buildings | 15,398,663 | 14,128,409 | 4,190,561 | 4,513,750 | 19,589,224 | 18,642,159 |
| Machinery and Equipment | 2,001,573 | 1,801,463 | 2,558,630 | 2,157,775 | 4,560,203 | 3,959,238 |
| Infrastructure | - | - | 288,626,099 | 286,434,243 | 288,626,099 | 286,434,243 |
| Total | \$ 77,087,475 | \$ 69,300,954 | \$ 370,649,322 | \$ 375,860,198 | \$ 447,736,797 | \$ 445,161,152 |

The major governmental capital projects work completed in fiscal year 2014 was for expansion and improvement at the Industrial Airpark. Of the \$10.0 million in construction in progress, \$9.7 million is construction at the airpark. The County has spent \$2.3 million more in fiscal year 2014 over 2013 for capital improvement projects.

The following are highlights of the major capital sewer projects underway during fiscal year 2014, which will expand the County’s sewer system to serve more residents and protect the environment:

- major upgrades and renovations to existing infrastructure such as pump stations;
- construction and completion of a large pump station and force main for the South Coastal Regional Wastewater Facility;
- construction continues on a major treatment plant expansion project at the Inland Bays Regional Wastewater Facility;
- expansion of the Angola Sewer District began.

Long-term Debt

As of June 30, 2014, the County had \$159.5 million in outstanding bonds payable. This debt is backed by the full faith and credit of the Sussex County Government, although revenues from sewer and water districts are being used to pay the debt service for this debt. This debt was solely used to fund business-type water and sewer activities. There is no General fund bonded debt.

SUSSEX COUNTY'S OUTSTANDING DEBT

As of June 30, 2014 and 2013

General Bonds

| | Governmental Activities | | Business-type Activities | | Total Government | |
|--------------------------|-------------------------|------|--------------------------|----------------|------------------|----------------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| General Obligation Bonds | \$ - | \$ - | \$ 159,460,288 | \$ 167,405,688 | \$ 159,460,288 | \$ 167,405,688 |
| Total | \$ - | \$ - | \$ 159,460,288 | \$ 167,405,688 | \$ 159,460,288 | \$ 167,405,688 |

During the year, funds were granted and borrowed from the State of Delaware Revolving Fund Loan Program and the United States Department of Agriculture for sewer construction. The funding from these two agencies provides affordable sewer to our County residents. These funds are borrowed at a low interest rate for long terms.

In fiscal year 2010, Standard & Poor’s affirmed the County’s AA bond rating. They reported that the County has a “modest, but diverse, local economy, a tax base still experiencing growth, continued strong financial performance, and low debt levels due to self-supporting utilities and a capital improvement plan not expected to increase debt pressures.” Standard & Poor’s also stated, “the stable outlook reflects the stability of Sussex County’s local economy and financial performance”. In addition, the outlook reflects Standard & Poor’s expectations that the County will continue to maintain its strong fund balance position and manageable debt burden as it continues to address its capital needs.

In fiscal year 2012, the County publicly issued \$61 million of General Obligation Refunding Bonds, Series 2012 to take advantage of record low rates; because of low yields, this was an opportune time to refinance. This refunding is estimated to save approximately \$7 million through 2049 for the County sewer districts.

Additional debt information is included in Note I, on pages 48 through 53 of the report.

Economic Factors in Next Year's Budgets and Rates

Economic Factors

The budget committee continues to forecast the effect of the economy on our revenues. The challenge and goal is to maintain operations without depending on an improved economy. The committee wants to make sure that our government is sustainable without adding burden to the taxpayers. Our reserves are strong and healthy because of fiscally sound financial policies.

- While the national unemployment rate, as stated by the Delaware Department of Labor, was 5.9 percent in September 2014, and Delaware's unemployment rate was 6.5 percent, Sussex County's unemployment - at 5.6 percent - was well under those averages.
- The fiscal year 2014's budget was consistent with 2013. Fiscal year 2014 saw increases as the housing market rebounded. Budget revenues for fiscal year 2015 are 2.2 percent over fiscal year 2014. Although actual revenues for fiscal year 2014 came in much higher than budgeted revenues, the budget committee chose to keep revenues fairly even by budgeting 20 percent of expected building-related revenues.
- Agriculture continues as a mainstay in Sussex County. The County continues to lead the nation in poultry production and is a strong vegetable producer.
- Tourism is a major industry in Sussex County with outlet shopping located on the East Coast corridor. According to Southern Delaware Tourism, an estimated \$850 million in tourism revenue comes from sales in Sussex County. These outlets attract customers from other counties and states. Having no state sales tax is an additional draw for outlet shoppers.
- To date, realty transfer tax revenue is higher than last fiscal year and reflects the attractiveness of the Sussex life style and low cost of living, which brings more tourists and retirees here.

Fiscal Year 2015 Budget and Rates

The major goal of the fiscal year 2015 budget was to continue to operate without raising taxes or increasing fees, but still able to provide an excellent level of service to our residents. The fiscal year 2015 budget was put together with sustainability in mind and asking the question, what can we do now to help us sustain an operational government in the future if the economy does not continue to improve? The budget committee remains cautiously optimistic. As revenues for fiscal year 2015 are tracked, there is a sign of leveling off rather than a continual increase in the economy in Sussex.

The fiscal year 2015 General fund budget shows a \$1.8 million increase in expenses from fiscal year 2014; this has to do with the anticipated revenues over expenses that were anticipated for fiscal year 2014. For a second year in a row, the County budgeted an anticipated surplus. For the first time, the County is budgeting a transfer of realty transfer funds collected over \$16 million to be deposited into the Capital Improvements fund to help with future projects. The fiscal year 2015 Capital Improvements budget includes the use of \$1.8 million of appropriated reserves. These are funds set aside in previous years for these projects. Our goal is to use available funds for these projects instead of borrowing through bond issues. As a result of this practice, the County can be proud that there is no General fund bonded debt. Conservative budgeting, both now and in the past, has enabled the County to not raise property taxes in 25 years.

The fiscal year 2015 Sewer and Water budget increased by 2.4 percent. This budget continues the process to establish and move towards a uniform service charge rate for our sewer districts. The budget also includes a minimal service charge rate increase to help cover rising costs and major maintenance needs that we are incurring as our infrastructure ages. The new budget also includes a new unified approach to connection fees, a one-time charge for new sewer customers. A cost study was completed this year to ensure that new users would pay their share of sewer infrastructure costs.

The five-year capital improvement plan of \$146.7 million includes \$124.5 million for sewer projects and improvements, as well as \$22.2 million for other projects such as industrial airpark, industrial park expansion, library building improvements, and property acquisition.

Requests for Information

This financial report is designed to provide an overview of Sussex County's finances and provide a meaningful picture of our County. This report is available on the County's website at www.sussexcountyde.gov. Any questions concerning this report, or requests for additional information, should be addressed to:

Mrs. Gina A. Jennings
Finance Director
Sussex County Council
2 The Circle
P.O. Box 589
Georgetown, DE 19947
Telephone: (302) 855-7741

BASIC FINANCIAL STATEMENTS

SUSSEX COUNTY, DELAWARE
STATEMENT OF NET POSITION
JUNE 30, 2014

-19-

| | Primary Government | | |
|--|------------------------------------|-------------------------------------|-----------------------|
| | Governmental Activities | Business-type Activities | Total |
| ASSETS | | | |
| Cash, cash equivalents, and investments | \$ 41,789,552 | \$ 65,946,420 | \$ 107,735,972 |
| Receivables, net of allowance for doubtful accounts: | | | |
| Taxes | 1,649,127 | - | 1,649,127 |
| Service charges | - | 2,310,229 | 2,310,229 |
| Assessments and connection | 827,774 | 1,492,061 | 2,319,835 |
| Accrued interest | 86,154 | 116,343 | 202,497 |
| Miscellaneous | 302,481 | 253,240 | 555,721 |
| Employee advances | 380,108 | 187,673 | 567,781 |
| Due from other governmental agencies | 4,939,851 | 3,276,542 | 8,216,393 |
| Internal balances | 19,079,354 | (19,079,354) | - |
| Inventory | 31,417 | 115,686 | 147,103 |
| Prepaid items | 75,123 | - | 75,123 |
| Net pension asset | 15,046,098 | 3,761,525 | 18,807,623 |
| Net other postemployment benefit asset | 3,623,058 | 905,765 | 4,528,823 |
| Restricted cash, cash equivalents, and investments | 43,860,249 | 40,978,235 | 84,838,484 |
| Loans receivable | 1,367,634 | - | 1,367,634 |
| Capital assets: | | | |
| Land, improvements, and construction in progress | 27,142,694 | 44,151,375 | 71,294,069 |
| Other capital assets, net of depreciation | 49,944,781 | 326,497,947 | 376,442,728 |
| Total assets | <u>210,145,455</u> | <u>470,913,687</u> | <u>681,059,142</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred gain on refunding of bonds | - | 1,590,115 | 1,590,115 |
| LIABILITIES | | | |
| Accounts payable and other current liabilities | 5,216,412 | 1,644,201 | 6,860,613 |
| Accrued interest payable | - | 793,517 | 793,517 |
| Due to post-retirement employee benefit trust | 48,408 | - | 48,408 |
| Employee health claims payable | 830,731 | - | 830,731 |
| Unearned revenue | 253,311 | - | 253,311 |
| Deposits | 6,558,008 | - | 6,558,008 |
| Long-term liabilities: | | | |
| Due within one year | 2,171,869 | 8,612,613 | 10,784,482 |
| Due in more than one year | 3,304,788 | 158,562,551 | 161,867,339 |
| Total liabilities | <u>18,383,527</u> | <u>169,612,882</u> | <u>187,996,409</u> |
| NET POSITION | | | |
| Net investment in capital assets | 75,152,173 | 204,051,102 | 279,203,275 |
| Restricted for: | | | |
| Capital, public safety and economic development | 45,202,820 | - | 45,202,820 |
| Grant expenses | 953 | - | 953 |
| Construction and capital | - | 33,313,218 | 33,313,218 |
| Unrestricted | 71,405,982 | 65,526,600 | 136,932,582 |
| Total Net Position | <u>\$ 191,761,928</u> | <u>\$ 302,890,920</u> | <u>\$ 494,652,848</u> |

The accompanying notes are an integral part of these financial statements.

SUSSEX COUNTY, DELAWARE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

| Function/Programs | Expenses | Program Revenues | | | Net Revenue (Expense) and Changes in Net Position | | |
|---|----------------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|-----------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | Total |
| | | | | | Governmental Activities | Business-type Activities | |
| Primary government: | | | | | | | |
| Governmental Activities: | | | | | | | |
| General government | 10,823,928 | 1,758,562 | 15,619 | 28 | (9,049,719) | - | (9,049,719) |
| Planning & zoning | 1,091,112 | 1,628,932 | - | - | 537,820 | - | 537,820 |
| Paramedics | 14,302,991 | | 4,122,747 | 2,004 | (10,178,240) | - | (10,178,240) |
| Emergency preparedness | 3,531,682 | 17,500 | 856,885 | 208,759 | (2,448,538) | - | (2,448,538) |
| County engineer | 1,721,971 | 744,238 | - | - | (977,733) | - | (977,733) |
| Library | 4,208,141 | 35,359 | 346,030 | 1,037,099 | (2,789,653) | - | (2,789,653) |
| Economic development and airpark | 2,145,727 | 455,017 | 12,876 | 5,503,155 | 3,825,321 | - | 3,825,321 |
| Community development | 1,878,873 | - | 1,591,443 | - | (287,430) | - | (287,430) |
| Grant-in-aid program | 7,863,936 | - | - | - | (7,863,936) | - | (7,863,936) |
| Constitutional offices | 2,459,691 | 7,205,590 | - | - | 4,745,899 | - | 4,745,899 |
| Total governmental activities | <u>50,028,052</u> | <u>11,845,198</u> | <u>6,945,600</u> | <u>6,751,045</u> | <u>(24,486,209)</u> | <u>-</u> | <u>(24,486,209)</u> |
| Business-type activities: | | | | | | | |
| Sewer facilities | 32,228,252 | 18,900,486 | 15,577,777 | 2,798,600 | - | 5,048,611 | 5,048,611 |
| Water facilities | 968,419 | 1,240,052 | 27,386 | - | - | 299,019 | 299,019 |
| Total business-type activities | <u>33,196,671</u> | <u>20,140,538</u> | <u>15,605,163</u> | <u>2,798,600</u> | <u>-</u> | <u>5,347,630</u> | <u>5,347,630</u> |
| Total primary government | <u>\$ 83,224,723</u> | <u>\$ 31,985,736</u> | <u>\$ 22,550,763</u> | <u>\$ 9,549,645</u> | <u>(24,486,209)</u> | <u>5,347,630</u> | <u>(19,138,579)</u> |
| General revenues: | | | | | | | |
| Taxes: Property & capitation | | | | | 14,110,356 | - | 14,110,356 |
| Fire service | | | | | 1,253,792 | - | 1,253,792 |
| Realty transfer | | | | | 20,894,160 | - | 20,894,160 |
| Unrestricted investment results | | | | | 949,002 | 767,657 | 1,716,659 |
| Transfers | | | | | (9,390) | 9,390 | - |
| Total general revenues and transfers | | | | | <u>37,197,920</u> | <u>777,047</u> | <u>37,974,967</u> |
| Change in net position | | | | | 12,711,711 | 6,124,677 | 18,836,388 |
| Net position - beginning as restated (Note S) | | | | | 179,050,217 | 296,766,243 | 475,816,460 |
| Net position - ending | | | | | <u>\$ 191,761,928</u> | <u>\$ 302,890,920</u> | <u>\$ 494,652,848</u> |

The accompanying notes are an integral part of these financial statements.

SUSSEX COUNTY, DELAWARE
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2014

| | <u>General</u> | <u>Capital Projects</u> | <u>Total Governmental Funds</u> |
|--|-----------------------|-----------------------------|---|
| ASSETS | | | |
| Cash, cash equivalents, and investments | \$ 41,789,552 | \$ - | \$ 41,789,552 |
| Receivables, net of allowance for doubtful accounts: | | | |
| Taxes | 1,649,127 | - | 1,649,127 |
| Assessments and connection | 827,774 | - | 827,774 |
| Accrued interest | 76,514 | 9,640 | 86,154 |
| Miscellaneous | 300,441 | 2,040 | 302,481 |
| Employee advances | 380,108 | - | 380,108 |
| Due from other governmental agencies | 2,693,097 | 2,246,754 | 4,939,851 |
| Due from other funds | 19,079,354 | - | 19,079,354 |
| Inventory | 31,417 | - | 31,417 |
| Prepaid items | 75,123 | - | 75,123 |
| Restricted cash, cash equivalents, and investments | 34,501,308 | 9,358,941 | 43,860,249 |
| Total Assets | <u>101,403,815</u> | <u>11,617,375</u> | <u>113,021,190</u> |
| LIABILITIES AND FUND BALANCES | | | |
| Liabilities: | | | |
| Accounts payable and other accrued expenditures | 3,318,017 | 1,898,395 | 5,216,412 |
| Employee health claims payable | 830,731 | - | 830,731 |
| Due to other funds | 48,408 | - | 48,408 |
| Unearned revenue: | | | |
| Taxes | 1,563,799 | - | 1,563,799 |
| Other | 1,507,376 | 949,046 | 2,456,422 |
| Deposits | 6,558,008 | - | 6,558,008 |
| Total Liabilities | <u>13,826,339</u> | <u>2,847,441</u> | <u>16,673,780</u> |
| Fund balances: | | | |
| Nonspendable | 106,540 | - | 106,540 |
| Restricted | 45,203,773 | 8,769,934 | 53,973,707 |
| Committed | 778,755 | - | 778,755 |
| Assigned | 7,258,754 | - | 7,258,754 |
| Unassigned | 34,229,654 | - | 34,229,654 |
| Total fund balances | <u>87,577,476</u> | <u>8,769,934</u> | <u>96,347,410</u> |
| Total liabilities and fund balances | <u>\$ 101,403,815</u> | <u>\$ 11,617,375</u> | |

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

| | |
|---|-----------------------|
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund-level statements. | 77,087,475 |
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the fund-level statements. | (5,476,657) |
| Certain tax and grant revenue do not provide current financial resources and therefore are reported as unearned revenue in the fund-level statements. | 3,766,910 |
| Other long-term assets are not available to pay for current period expenditures and, therefore, are recognized in the fund-level statements. | 20,036,790 |
| Net position of governmental activities | <u>\$ 191,761,928</u> |

The accompanying notes are an integral part of these financial statements.

SUSSEX COUNTY, DELAWARE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

| | <u>General</u> | <u>Capital Projects</u> | <u>Total Governmental Funds</u> |
|--|----------------------|-----------------------------|---|
| REVENUES | | | |
| Taxes | \$ 36,190,956 | \$ - | \$ 36,190,956 |
| Intergovernmental | 7,489,899 | 6,185,154 | 13,675,053 |
| Charges for services | 12,131,800 | - | 12,131,800 |
| Fines and forfeits | 21,727 | - | 21,727 |
| Investment earnings | 949,002 | 117,491 | 1,066,493 |
| Miscellaneous revenue | 239,262 | 75,150 | 314,412 |
| Total revenues | <u>57,022,646</u> | <u>6,377,795</u> | <u>63,400,441</u> |
| EXPENDITURES | | | |
| Current: | | | |
| General government | 11,458,396 | - | 11,458,396 |
| Planning & zoning | 1,173,316 | - | 1,173,316 |
| Paramedics | 13,989,270 | - | 13,989,270 |
| Emergency preparedness | 3,351,005 | - | 3,351,005 |
| County engineer | 1,968,808 | - | 1,968,808 |
| Library | 3,934,424 | - | 3,934,424 |
| Economic development and airpark | 1,199,384 | - | 1,199,384 |
| Community development | 1,847,707 | - | 1,847,707 |
| Grant-in-aid | 7,863,936 | - | 7,863,936 |
| Constitutional offices | 2,427,662 | - | 2,427,662 |
| Capital projects | | 10,155,503 | 10,155,503 |
| Total expenditures | <u>49,213,908</u> | <u>10,155,503</u> | <u>59,369,411</u> |
| Excess of (deficiency) of revenues over (under) expenditures | <u>7,808,738</u> | <u>(3,777,708)</u> | <u>4,031,030</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | 76,110 | 752,603 | 828,713 |
| Transfers out | (838,103) | - | (838,103) |
| Total other financing sources and uses | <u>(761,993)</u> | <u>752,603</u> | <u>(9,390)</u> |
| Net change in fund balances | 7,046,745 | (3,025,105) | 4,021,640 |
| Fund balances - beginning | 80,530,731 | 11,795,039 | 92,325,770 |
| Fund balances - ending | <u>\$ 87,577,476</u> | <u>\$ 8,769,934</u> | <u>\$ 96,347,410</u> |

The accompanying notes are an integral part of these financial statements.

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2014

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

| | | |
|---|--------------------|----------------------|
| Net change in fund balances - total governmental funds | | \$ 4,021,640 |
| <p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The net change is as follows:</p> | | |
| Capital outlays | \$ 10,411,748 | |
| Depreciation | <u>(2,527,622)</u> | 7,884,126 |
| <p>In the statement of activities, only the loss on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the capital assets sold.</p> | | |
| | | (97,605) |
| <p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in funds. The net change is as follows:</p> | | |
| Economic development and neighborhood stabilization loans | \$ (77,442) | |
| Grants | (592,964) | |
| Property taxes | <u>67,352</u> | (603,054) |
| <p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p> | | |
| Compensated absences | (39,585) | |
| Net pension obligation | 889,412 | |
| Net other pension postemployment benefit cost | 618,777 | |
| Postclosure landfill care cost | 19,000 | |
| Pollution remediation cost | <u>19,000</u> | <u>1,506,604</u> |
| Change in net position of government activities | | <u>\$ 12,711,711</u> |

SUSSEX COUNTY, DELAWARE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget |
|--|-------------------------|----------------------|---------------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Taxes | \$ 30,672,781 | \$ 30,672,781 | \$ 36,190,956 | \$ 5,518,175 |
| Intergovernmental | 6,386,223 | 6,386,223 | 7,489,899 | 1,103,676 |
| Charges for services | 10,145,502 | 10,145,502 | 12,131,800 | 1,986,298 |
| Fines and forfeits | 24,000 | 24,000 | 21,727 | (2,273) |
| Investment earnings | 170,000 | 170,000 | 949,002 | 779,002 |
| Miscellaneous revenue | 160,110 | 160,110 | 239,262 | 79,152 |
| Total Revenues | <u>47,558,616</u> | <u>47,558,616</u> | <u>57,022,646</u> | <u>9,464,030</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 11,076,776 | 11,508,581 | 11,458,396 | 50,185 |
| Planning & zoning | 1,267,923 | 1,183,368 | 1,173,316 | 10,052 |
| Paramedics | 13,137,115 | 13,959,785 | 13,989,270 | (29,485) |
| Emergency preparedness | 3,039,000 | 3,445,663 | 3,351,005 | 94,658 |
| County engineer | 1,913,764 | 1,827,189 | 1,968,808 | (141,619) |
| Library | 3,884,600 | 3,999,144 | 3,934,424 | 64,720 |
| Economic development and airpark | 1,084,843 | 1,224,641 | 1,199,384 | 25,257 |
| Community development | 2,100,243 | 2,114,019 | 1,847,707 | 266,312 |
| Grant-in-aid | 7,329,615 | 7,479,007 | 7,863,936 | (384,929) |
| Constitutional offices | 2,402,969 | 2,557,348 | 2,427,662 | 129,686 |
| Total Expenditures | <u>47,236,848</u> | <u>49,298,745</u> | <u>49,213,908</u> | <u>84,837</u> |
| Excess of revenue over expenditures | <u>321,768</u> | <u>(1,740,129)</u> | <u>7,808,738</u> | <u>9,548,867</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 300,000 | 300,000 | 76,110 | (223,890) |
| Transfers out | (500,000) | (838,103) | (838,103) | - |
| Appropriated reserves | 2,278,232 | 2,278,232 | - | (2,278,232) |
| Reserved for contingencies | (2,400,000) | - | - | - |
| Total other financing sources and uses | <u>(321,768)</u> | <u>1,740,129</u> | <u>(761,993)</u> | <u>(2,502,122)</u> |
| Net change in fund balances | - | - | 7,046,745 | 7,046,745 |
| Fund balances - beginning | 80,530,731 | 80,530,731 | 80,530,731 | - |
| Fund balances - ending | <u>\$ 80,530,731</u> | <u>\$ 80,530,731</u> | <u>\$ 87,577,476</u> | <u>\$ 7,046,745</u> |

The accompanying notes are an integral part of these financial statements.

SUSSEX COUNTY, DELAWARE
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2014

| | Business-type Activities - Enterprise Funds | | |
|--|--|------------------------|-----------------------|
| | Unified Sewer District | Dewey Water | Totals |
| ASSETS | | | |
| Current assets: | | | |
| Cash, cash equivalents, and investments: | | | |
| Unrestricted | \$ 32,842,740 | \$ 967,343 | \$ 33,810,083 |
| Receivables, net of allowance for doubtful accounts: | | | |
| Service charges | 1,734,021 | 70,261 | 1,804,282 |
| Assessments and connection | 1,052,683 | 2,400 | 1,055,083 |
| Accrued interest | 114,718 | 1,625 | 116,343 |
| Miscellaneous | 251,215 | 2,025 | 253,240 |
| Employee advances | 187,673 | - | 187,673 |
| Due from other governmental agencies | 3,276,542 | - | 3,276,542 |
| Inventory | 110,262 | 5,424 | 115,686 |
| Total current assets | <u>\$ 39,569,854</u> | <u>\$ 1,049,078</u> | <u>\$ 40,618,932</u> |
| Noncurrent assets: | | | |
| Cash, cash equivalents, and investments: | | | |
| Unrestricted | 31,749,122 | 387,215 | 32,136,337 |
| Restricted | 40,279,913 | 698,322 | 40,978,235 |
| Net pension asset | 3,664,169 | 97,356 | 3,761,525 |
| Net other postemployment benefit asset | 882,322 | 23,443 | 905,765 |
| Noncurrent accounts receivables: | | | |
| Service charges | 504,222 | 1,725 | 505,947 |
| Assessments and connection | 436,978 | - | 436,978 |
| Capital assets: | | | |
| Land, improvements, and construction in progress | 44,115,657 | 35,718 | 44,151,375 |
| Other capital assets, net of depreciation | 325,177,651 | 1,320,296 | 326,497,947 |
| Total noncurrent assets | <u>446,810,034</u> | <u>2,564,075</u> | <u>449,374,109</u> |
| Total Assets | <u>486,379,888</u> | <u>3,613,153</u> | <u>489,993,041</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred gain on refunding of bonds | 1,590,115 | - | 1,590,115 |
| Total Deferred Outflows of Resources | <u>1,590,115</u> | <u>-</u> | <u>1,590,115</u> |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accounts payable and other current liabilities | 1,574,791 | 69,410 | 1,644,201 |
| Accrued interest payable | 793,517 | - | 793,517 |
| Due to other funds | 19,079,354 | - | 19,079,354 |
| Current portion of long-term liabilities | 8,596,064 | 16,549 | 8,612,613 |
| Total current liabilities | <u>30,043,726</u> | <u>85,959</u> | <u>30,129,685</u> |
| Noncurrent liabilities: | | | |
| Long-term liabilities, less current portion | 158,540,448 | 22,103 | 158,562,551 |
| Total Liabilities | <u>188,584,174</u> | <u>108,062</u> | <u>188,692,236</u> |
| NET POSITION | | | |
| Net investment in capital assets | 202,695,302 | 1,355,800 | 204,051,102 |
| Restricted for construction and capital assets | 32,773,025 | 540,193 | 33,313,218 |
| Unrestricted | 63,917,502 | 1,609,098 | 65,526,600 |
| Total Net Position | <u>\$ 299,385,829</u> | <u>\$ 3,505,091</u> | <u>\$ 302,890,920</u> |

The accompanying notes are an integral part of these financial statements.

**STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN FUND NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014**

| | Business-type Activities - Enterprise Funds | | |
|---|--|---------------------|-----------------------|
| | Unified Sewer District | Dewey Water | Totals |
| Operating revenues: | | | |
| Charges for services | \$ 17,799,990 | \$ 1,153,323 | \$ 18,953,313 |
| Other operating revenue | 1,100,496 | 86,729 | 1,187,225 |
| Total operating revenues | <u>18,900,486</u> | <u>1,240,052</u> | <u>20,140,538</u> |
| Operating expenses: | | | |
| Contractual services | 2,906,509 | 523,463 | 3,429,972 |
| Depreciation | 11,611,536 | 98,423 | 11,709,959 |
| Employee benefits | 3,590,716 | 17,134 | 3,607,850 |
| Equipment and tools | 593,968 | 4,501 | 598,469 |
| Maintenance and repairs | 797,330 | 59,289 | 856,619 |
| Miscellaneous | 37,500 | - | 37,500 |
| Process chemicals | 268,323 | - | 268,323 |
| Professional fees | 509,148 | 2,390 | 511,538 |
| Salaries | 5,064,265 | 146,704 | 5,210,969 |
| Shared costs | 1,711,654 | 95,907 | 1,807,561 |
| Supplies | 479,837 | 20,389 | 500,226 |
| Training and travel | 22,078 | 219 | 22,297 |
| Total operating expenses | <u>27,592,864</u> | <u>968,419</u> | <u>28,561,283</u> |
| Operating (loss) income | <u>(8,692,378)</u> | <u>271,633</u> | <u>(8,420,745)</u> |
| Nonoperating revenue (expenses): | | | |
| Investment results | 1,385,159 | 16,542 | 1,401,701 |
| Assessment and connection fees | 14,956,976 | 12,757 | 14,969,733 |
| Disposal of assets | (8,240) | - | (8,240) |
| Miscellaneous | 1,386 | - | 1,386 |
| Interest expense | (4,635,388) | - | (4,635,388) |
| Total nonoperating revenues (expenses) | <u>11,699,893</u> | <u>29,299</u> | <u>11,729,192</u> |
| Income (loss) before contributions and transfers | 3,007,515 | 300,932 | 3,308,447 |
| Capital contributions | 2,806,840 | - | 2,806,840 |
| Transfers in | 85,500 | - | 85,500 |
| Transfers out | (76,110) | - | (76,110) |
| Change in net position | <u>5,823,745</u> | <u>300,932</u> | <u>6,124,677</u> |
| Total net position - beginning as restated (Note S) | <u>293,562,084</u> | <u>3,204,159</u> | <u>296,766,243</u> |
| Total net position - ending | <u>\$ 299,385,829</u> | <u>\$ 3,505,091</u> | <u>\$ 302,890,920</u> |

The accompanying notes are an integral part of these financial statements.

SUSSEX COUNTY, DELAWARE
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR YEAR ENDED JUNE 30, 2014

| | Business-type Activities - Enterprise Funds | | |
|---|--|---------------------|-----------------------|
| | Unified Sewer District | Dewey Water | Totals |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash receipts from customers | \$ 19,563,227 | \$ 1,249,088 | \$ 20,812,315 |
| Other payments | (186,707) | (8,194) | (194,901) |
| Other receipts | (23,374) | - | (23,374) |
| Payments to employees | (8,988,763) | (191,881) | (9,180,644) |
| Payments to suppliers | (7,190,334) | (722,794) | (7,913,128) |
| Net cash flows from operating activities | <u>3,174,049</u> | <u>326,219</u> | <u>3,500,268</u> |
| CASH FLOWS FROM NONCAPITAL | | | |
| Operating grants received | 1,386 | - | 1,386 |
| Net cash flows from noncapital financing activities | <u>1,386</u> | <u>-</u> | <u>1,386</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Acquisition and construction of capital assets | (6,480,073) | (27,294) | (6,507,367) |
| Assessment and connection fees | 14,980,544 | 11,447 | 14,991,991 |
| Bond proceeds | 577,245 | - | 577,245 |
| Capital contributions | 2,806,840 | - | 2,806,840 |
| Interest paid | (4,951,451) | - | (4,951,451) |
| Retirement of bonds and related costs | (8,522,645) | - | (8,522,645) |
| Transfers from other funds for capital activities | (3,449,323) | - | (3,449,323) |
| Net cash flows from capital and related | <u>(5,038,863)</u> | <u>(15,847)</u> | <u>(5,054,710)</u> |
| CASH FLOW FROM INVESTING ACTIVITIES | | | |
| Interest income | 443,276 | 7,476 | 450,752 |
| Net purchase of investments | (2,045,563) | (31,822) | (2,077,385) |
| Net cash flows from investing activities | <u>(1,602,287)</u> | <u>(24,346)</u> | <u>(1,626,633)</u> |
| Net (decrease) increase in cash and cash equivalents | <u>(3,465,715)</u> | <u>286,026</u> | <u>(3,179,689)</u> |
| Cash and cash equivalents - beginning | <u>49,887,727</u> | <u>964,182</u> | <u>50,851,909</u> |
| Cash and cash equivalents - ending | <u>46,422,012</u> | <u>1,250,208</u> | <u>47,672,220</u> |
| Investments | <u>58,449,763</u> | <u>802,672</u> | <u>59,252,435</u> |
| Total cash, cash equivalents and investments | <u>\$ 104,871,775</u> | <u>\$ 2,052,880</u> | <u>\$ 106,924,655</u> |

(continued)

SUSSEX COUNTY, DELAWARE
 STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS - CONTINUED
 FOR YEAR ENDED JUNE 30, 2014

| | <u>Business-type Activities - Enterprise Funds</u> | | |
|--|--|--------------------|---------------------|
| | <u>Unified Sewer District</u> | <u>Dewey Water</u> | <u>Totals</u> |
| Reconciliation of operating (loss) income to net cash provided by operating activities: | | | |
| Operating (loss) income | \$ (8,692,378) | \$ 271,633 | \$ (8,420,745) |
| Adjustments to reconcile operating (loss) income to net cash provided by operating | | | |
| Depreciation and amortization | 11,611,536 | 98,423 | 11,709,959 |
| Decrease in accounts payable - other | (186,707) | (8,194) | (194,901) |
| Increase (decrease) in accounts payable - suppliers | 177,354 | (14,389) | 162,965 |
| Increase (decrease) in compensated absences | (43,420) | 11,003 | (32,417) |
| Decrease in customer receivables | 662,742 | 9,036 | 671,778 |
| Increase in inventory | (41,342) | (2,247) | (43,589) |
| Increase in other operating receivables | (23,374) | - | (23,374) |
| Increase in payments to employees | (324,891) | (43,054) | (367,945) |
| Increase in salaries and benefits payable | 34,529 | 4,008 | 38,537 |
| Net cash provided (used) by operating activities | <u>\$ 3,174,049</u> | <u>\$ 326,219</u> | <u>\$ 3,500,268</u> |

The accompanying notes are an integral part of these financial statements.

SUSSEX COUNTY, DELAWARE
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2014

-29-

| | Pension and Other Employee Benefit Trusts |
|--|--|
| ASSETS | |
| Cash and cash equivalents | \$ 1,929,763 |
| Investments: | |
| U.S. Treasuries | 10,004,096 |
| Government Agencies | 3,789,820 |
| Corporate obligations | 2,885,015 |
| Delaware Local Government Retirement Investment Pool | 44,534,700 |
| Common stocks and convertibles | 13,057,450 |
| Mutual funds | 24,923,784 |
| Total Investments | 99,194,865 |
| Accrued interest | 96,502 |
| Due from general fund | 48,408 |
| Total Assets | 101,269,538 |
| LIABILITIES | |
| Accounts payable | 36,880 |
| NET POSITION | |
| Held in trust for pension benefits and other employee benefits | <u><u>\$ 101,232,658</u></u> |

The accompanying notes are an integral part of these financial statements.

SUSSEX COUNTY, DELAWARE
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2014

-30-

| | Pension and Other Employee Benefit Trusts |
|--|--|
| ADDITIONS | |
| Employer contributions | \$ 6,020,764 |
| Employee contributions | 1,239 |
| Investment earnings: | |
| Net appreciation of investments | 4,989,043 |
| Interest and dividends | 9,388,785 |
| Total investment earnings | <u>14,377,828</u> |
| Less investment expenses | 247,206 |
| Net investment earnings | <u>14,130,622</u> |
| Total additions | <u>20,152,625</u> |
| DEDUCTIONS | |
| Beneficiary payments | 4,794,511 |
| Professional fees | 202,888 |
| Net increase in plan net position | <u>15,155,226</u> |
| Net position held in trust for pension and other employee benefits - beginning | <u>86,077,432</u> |
| Net position held in trust for pension and other employee benefits - ending | <u><u>\$ 101,232,658</u></u> |

The accompanying notes are an integral part of these financial statements.

NOTE A -SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Sussex County, Delaware (the County) was founded in 1683. Local government is provided by a five member elected County Council. The County principally provides general administrative services, emergency preparedness services, airport services, paramedics, Constitutional Row Offices, zoning, libraries, housing and economic development programs, and sewer and water services.

The County's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America applicable to State and Local governments (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The County has adopted all applicable GASB statements through No. 67 and No. 70. The adoption of Statement No. 65 in 2014 resulted in limiting the classification of assets or liabilities referred as "deferred" and properly classifying them as deferred outflows of resources or deferred inflows of resources. The more significant accounting policies established in GAAP and used by the County are discussed below.

1. Reporting Entity

The accompanying financial statements include various agencies, departments, and offices that are legally controlled by or dependent on the County Council (the primary government). As defined by GAAP, the County's financial reporting entity is required to consist of all organizations for which the County is financially accountable or for which there is a significant relationship. The County has no component units in its reporting entity. The following do not meet the established criteria for inclusion in the reporting entity and, therefore, are excluded from this report: the towns, school districts, and independent libraries within Sussex County.

2. Basic Financial Statements - Government-wide Statements

The County's basic financial statements include both government-wide (reporting the County as a whole) and fund financial statements (reporting the County's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The County's governmental activities consist of: general government, grant-in-aid programs, planning and zoning, paramedic program, emergency preparedness, economic development and airport, county engineer, library, community development and housing programs, and constitutional offices. The County's water and sewer services are classified as business-type activities.

In the government-wide Statement of Net Position, both the governmental and business-type activities columns are presented on a combined basis by column.

The government-wide Statement of Activities reports both the gross and net cost of each of the County's functions and business-type activities. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. Direct expenses are those that are clearly identifiable with a specific function.

The net costs (by function or business-type activity) are normally covered by general revenue (property taxes, intergovernmental revenues, interest income, etc.). The County does not allocate indirect costs. An administrative service fee is charged by the General Fund to the other funds to recover the direct costs of General Fund services provided (finance, personnel, engineering, data processing, etc.). The reimbursement from funds is budgeted as another financing source. For GAAP purposes, the charge is eliminated like a

NOTE A -SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2. Basic Financial Statements - Government-wide Statements - Continued

reimbursement, reducing the corresponding expenses in the General Fund.

This government-wide focus is more on the sustainability of the County as an entity and the change in the County's net position resulting from the current year's activities.

3. Basic Financial Statements - Fund Financial Statements

The financial transactions of the County are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its position, liabilities, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements. The following fund types are used by the County:

Governmental Funds

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the County:

General fund is the general operating fund of the County. It is used to account for all financial resources except those required to be accounted for in another fund.

Capital projects fund is maintained to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by business-type/proprietary funds). These funds are provided by intergovernmental grants, investment income, and operating transfers from the General Fund. Some projects may take longer than one year to complete. Major capital projects expenditures in fiscal year 2014 were for industrial airpark expansion and improvements. As of June 30, 2014, the major projects being planned over the next five years include \$16 million for industrial airpark improvements and expansion, \$1 million for property acquisition, \$1 million for paramedic station building, \$1 million of mobile command unit and \$2 million for various building improvements.

Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. Proprietary funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) establishes fees and charges based on a pricing policy designed to recover similar costs. The following is a description of the proprietary funds of the County:

Enterprise funds are used to account for the provision of water and sewer services to customers in the County's Water and Sewer Districts. For presentation purposes, all funds are major and include the Unified Sewer Fund and Dewey Water Fund. Activities of the enterprise funds include administration, operations and maintenance of the water and sewer system, billing, and collection activities.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues are charges to customers

NOTE A -SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3. Basic Financial Statements - Fund Financial Statements - Continued

for providing services. Operating expenses include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting the above criteria are reported as non-operating revenues and expenses.

Fiduciary Funds

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support County programs. The reporting focus is on net position and changes in net position, reported using accounting principles similar to proprietary funds. The Pension Trust Fund is used to account for the assets of the Sussex County Employee Pension Plan, which is part of the County's legal entity. It is a single employer defined benefit pension plan that provides benefits to eligible County employees. A stand-alone report is not issued for the Plan. The Post-retirement Employee Benefit Trust Fund is used to account for the assets of the Sussex County Post-retirement Employee Benefit Plan, which is part of the County's legal entity. A stand-alone report is not issued for the Plan.

The County's fiduciary funds are presented in the fiduciary funds financial statements. Combining financial statements for the fiduciary funds are presented in Note F to the financial statements. Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

Major and Nonmajor Funds

The funds of the financial reporting entity are further classified as major or nonmajor. The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. GASBS No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The County does not have a nonmajor fund.

4. Measurement Focus and Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Government-wide financial statements measure and report all assets (both financial and capital), liabilities, revenues, expenses, gains and losses using the economic resources measurement focus and the accrual basis of accounting, as do the proprietary and fiduciary fund statements. Revenues are recognized when earned and expenses are recognized when incurred.

All governmental funds are accounted for using a current financial resources measurement focus and are reported on the modified accrual basis of accounting. Revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period that, for the County's purposes, is considered to be within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

NOTE A -SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

5. Cash and Cash Equivalents

The County has defined cash and cash equivalents to include cash on hand, demand deposits and all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased.

Restricted cash mainly consists of amounts held by the County for the proceeds from grant programs, Constitutional Row Offices, 911 emergency reporting, realty transfer tax, fire service fee, and various sewer system reserves and construction funds.

6. Investments

The investments that have a remaining maturity at time of purchase of one year or less are reported at amortized cost. All other investments are stated at fair value. Fair values are determined by quoted market prices, where available. Restricted investments represent amounts held by the County for sewer fund construction and debt service, and for revenue bond required reserves.

7. Accounts Receivable

Accounts receivable are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

8. Inventory

Inventories are valued at cost using first-in, first-out (FIFO) or market and represent supplies owned by the County. The costs of these inventories are recorded as expenditures when consumed.

9. Capital Assets

Capital assets purchased or acquired with an original cost of \$ 5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

| | |
|----------------|---------------|
| Buildings | 10 – 50 years |
| Improvements | 5 – 50 years |
| Equipment | 5 – 20 years |
| Infrastructure | 10 – 50 years |

The County's governmental activities capital assets consists mainly of parking lots, airport aprons and airport runways.

10. Deferred Outflows/Inflows of Resources

In addition to assets, the statements of net position report a separate section for deferred outflows of resources, which represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide

NOTE A -SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

10. Deferred Outflows/Inflows of Resources – Continued

statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

11. Bond Premiums and Discounts

Bond premiums and discounts for proprietary funds are amortized over the term of the bonds, which range from one to forty years, using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

12. Deposits and Unearned Revenue

Deposits represent monies held by the County to be remitted to others, while unearned revenue represents amounts to be recognized by the County as revenue in future periods.

13. Compensated Absences

Employees are granted vacation and sick leave in varying amounts. In the event of termination or retirement, an employee is reimbursed for accumulated vacation days up to two times their yearly vacation and, for sick days, up to a maximum of 90 days. The proprietary funds of the County accrue accumulated unpaid vacation and sick leave when earned (or estimated to be earned) by the employee. Compensated absences for governmental funds are a reconciling item between the fund and government-wide presentations.

14. Equity Classifications

Government-wide and Proprietary Fund Net Position

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, retainage, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position - Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position - All other net position that do not meet the definition of “restricted” or “Net investment in capital assets.”

Governmental Fund Balances

As defined in the Fund Balance Policy adopted by County Council on June 21, 2011, in the governmental fund financial statements, fund balances are classified as follows:

- a. Nonspendable - Amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.
- b. Restricted - Amounts that can be spent only for specific purposes because of the Delaware Code, state or federal laws, or externally imposed conditions by grantors or creditors.
- c. Committed - Amounts that can be used only for specific purposes determined by a formal action by Sussex County Council ordinance.

NOTE A -SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

14. Equity Classifications - Continued

- d. Assigned - Amounts that are constrained by the government's intent to be used for a specific purpose and these decisions can be made by the County Administrator, Finance Director or Budget Committee.
- e. Unassigned -All amounts not included in other spendable classifications.

When an expense is incurred for business-type activities for which either restricted or unrestricted resources can be used, the County makes a decision on a transaction-by-transaction basis. For governmental funds, the County's policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications - committed and then assigned fund balances before using unassigned fund balances.

Authority is given to the County Administrator, Finance Director and Budget Committee to assign funds for specific purposes. The assigned funds are for specific programs or projects that were approved in prior budgets that were not spent in the current fiscal year, specific requests made by Council or for a specific need as identified by the County Administrator. A list of the assigned funds will be maintained by the Finance Director. Approval from both the Finance Director and the County Administrator must be given to set aside funds as Assigned Fund Balance. This authority was granted in the Fund Balance Policy approved by County Council on June 21, 2011.

The County has a goal of 20 - 25% of the most recent approved budget for general fund expenditures for general fund unrestricted funds. In the event the balance drops below the established minimum level, the Finance Director may develop a plan to replenish the fund balance to the established minimum level within three years.

15. Revenues

Those revenues susceptible to accrual are property taxes, special assessments, interest revenue and charges for services, intergovernmental, and miscellaneous. All other revenue items are considered to be measurable and available only when cash is received by the County. Subsidies and grants to proprietary funds, which finance either capital or current operations, are reported as non-operating revenue based on GAAP. In applying GAAP to grant revenues, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met are reported as advances by the provider and unearned revenue by the recipient.

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

The County's property tax year runs from July 1 to June 30. Property taxes are recorded and attached as an enforceable lien on property on July 1, the date levied. Taxes are payable under the following terms: July 1 through September 30, face amount; after September 30, a 1.5% penalty per month is charged on the unpaid balance due. Property taxes are recognized as revenue in the budget year (beginning July 1 after the levy date) for which they are levied.

16. Expenditures

Expenditures are recognized when the related fund liability is incurred. Inventory costs are reported in the period when inventory items are used, rather than in the period purchased.

NOTE A -SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

17. Interfund Activity

Interfund activity is reported as either loans, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon combination. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

18. Budgets and Budgetary Accounting

Prior to March 1, the Budget Committee distributes budget request forms to each department and agency. The budget must identify the specific level of service provision and describe how priorities have been established and incorporated into the budget. These budgets are prepared by April 1. The Budget Committee then develops an annual operating budget, using these department budgets to evaluate the priority and costs of various services. The recommended annual operating budget is then presented to Council by the County Administrator. This submission includes proposed operating budget ordinances setting forth the proposed departmental appropriations and various tax rates to balance the budget. The Council reviews the budget both internally and through public hearings. Subsequently, the budget is adopted through legislation in Council prior to July 1. The operating budget ordinance and related revenue ordinances are officially adopted when approved by the County Council. The County legally adopts an annual budget for the general fund and the capital projects fund.

Appropriations are legislated at the departmental level by object of expenditure. Although the County Code requires budget amendments to be adopted using the same procedures as its original adoption, the Council has authorized the County Administrator to make budgetary transfers within each fund. The aggregate amount of the budget cannot be changed without a public hearing. All unused and unencumbered annual appropriations lapse at fiscal year-end.

The budgets for the County's general fund and capital projects fund have been prepared on a basis materially consistent with GAAP. Final budgeted amounts are as amended through June 30, 2014. Unexpended appropriations in the operating budget lapse at year end.

19. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and deferred outflows or resources disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from these estimates.

20. Explanation of Reconciling Item on the Governmental Fund Balance Sheet

The governmental fund balance sheet includes reconciliation between fund balances - total governmental funds and net position of governmental activities as reported in the government-wide statement of net position. The details of the \$20,036,790 difference "Other long-term assets are not available to pay for current period expenditures and therefore, are unearned in the fund level statements" is as follows:

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

20. Explanation of Reconciling Item on the Governmental Fund Balance Sheet - Continued

| | | |
|----------------------------------|----|-------------------|
| Loan receivable | \$ | 1,367,634 |
| Net pension asset | | 15,046,098 |
| Net postemployment benefit asset | | 3,623,058 |
| | \$ | <u>20,036,790</u> |

NOTE B - CASH AND INVESTMENTS

All deposits are in various financial institutions and are carried at cost. Transactions are made directly with the banks; services of brokers or securities dealers are not used. At June 30, 2014, the carrying amount of the County's deposits was \$92,181,665 and the bank balance was \$93,676,999. None of the County's deposits were uninsured or uncollateralized at year end.

Custodial Credit Risk - Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the County will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. In regards to investments, custodial credit risk is in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The County's investment policy requires collateralization by each financial institution with direct obligations of the U.S. government agency securities, Federal Home Loans Bank line of credits. Collateral must be maintained at a third party.

Interest Rate Risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the County's investment. The County's primary objective of its investment activities is the safety of principal in order to mitigate interest rate risk. The County's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Investments in U.S. government securities earn interest at a stated fixed rate and are normally held until maturity when the full principal and interest is paid to the County.

Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The County's investment policy stresses safety of principal as investments are made with judgment and care. U.S. government securities are not considered to have credit risk and, therefore, their credit risk is not disclosed. Investments issued by Federal Home Loan Bank and Federal Home Loan Mortgage Corporation have an AAA credit rating at year end. The County does not have any other investments that are credit quality rated.

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. The County has no formal policy to address the concentration of credit risk attributed to a single issuer. More than 5% of the County's investments are in the following issuers (other than those issued or guaranteed by the U.S. government, investments in mutual funds and external investment pools): Wilmington Trust repurchase agreements.

The County's investment policy authorizes the following investments:

1. Bonds or other obligations of which the faith and credit of the United States of America are pledged;
2. Obligations of federal governmental agencies issued pursuant to Acts of Congress;
3. Repurchase agreements that are secured by any bond or other obligation for the payment of which the faith and credit of the United States are pledged;
4. Certificates of deposit and other evidences of deposit of financial institutions;

NOTE B – CASH AND INVESTMENTS - CONTINUED

5. Money market mutual funds regulated by the Securities and Exchange Commission and whose portfolios consist of dollar-denominated securities; and
6. Local government investment pools administered by the State of Delaware. Additional information can be found in Note F sections for Pension Trust Assets and Post-retirement Employee Benefit Trust Assets.

The County had the following investments at June 30, 2014:

| Investment Type | Fair Value | Investment Maturities (in Years) | | |
|----------------------------|----------------------|----------------------------------|----------------------|---------------------|
| | | Less than 1 | 1-5 | 6-10 |
| U.S. Treasuries | \$ 10,004,096 | \$ 820,834 | \$ 6,272,425 | \$ 2,910,837 |
| Government Agencies | 106,107,974 | 5,017,024 | 97,850,395 | 3,240,555 |
| Corporate obligations | 2,885,015 | - | 2,095,133 | 789,882 |
| Delaware Local Government | | | | |
| Retirement Investment Pool | 44,534,700 | 44,534,700 | - | - |
| Common stock | 13,057,450 | - | - | - |
| Mutual funds | 24,923,784 | - | - | - |
| Total Investments | <u>\$201,513,019</u> | <u>\$50,372,558</u> | <u>\$106,217,953</u> | <u>\$ 6,941,274</u> |

Reconciliation of cash and investments to the Government-wide Statement of Net Position:

| | |
|---|-----------------------|
| Cash on hand | \$ 4,400 |
| Carrying amount of deposits | 92,181,665 |
| Carrying amount of investments | 201,513,019 |
| Total | <u>\$ 293,699,084</u> |
| Primary Government | |
| Unrestricted | |
| Cash and cash equivalents | \$ 44,047,536 |
| Investments | 63,688,436 |
| Restricted | |
| Cash and cash equivalents | 46,208,766 |
| Investments | 38,629,718 |
| Total primary government | <u>192,574,456</u> |
| Fiduciary funds (not included in government-wide statement) | |
| Cash and cash equivalents | 1,929,763 |
| Investments | 99,194,865 |
| Total fiduciary funds | <u>101,124,628</u> |
| Total | <u>\$ 293,699,084</u> |

NOTE C - ACCOUNTS RECEIVABLE

The allowance for uncollectible receivables at June 30, 2014 is \$23,336 for service and \$15,071 for assessment. The County does not have an allowance for uncollectible property taxes because all are considered collectible.

NOTE D - LOANS RECEIVABLE

Under the County's Local Government Economic Development Stimulus Loan Program, loans are provided for certain public projects and for economic development and job growth purposes. The balances outstanding total \$388,578 at June 30, 2014. One loan bears no interest, matures on April 2026, and is secured with the full faith and credit of the borrowing municipality. The other loan bears interest at 2% per annum, matures on March 2019, and is secured with partner guarantees and a second mortgage on the property. The final loan bears interest at 1% per annum and matures February 2016.

NOTE D - LOANS RECEIVABLE - CONTINUED

The County's Neighborhood Stabilization Program, in partnership with local nonprofits, provides zero percent interest loans for a term of thirty years for the purpose of providing affordable financing for moderate to low income families. The loans are secured by liens on the real property. The balances outstanding at June 30, 2014 total \$979,056.

Loans receivable total \$1,367,634 at June 30, 2014, which are not reflected on the governmental funds balance sheet.

NOTE E – CAPTIAL ASSETS

Capital asset activity for the year ended June 30, 2014, was as follows:

| | Balance at June 30, 2013 | Increases | Decreases | Balance at June 30, 2014 |
|--|-----------------------------|---------------------|---------------------|-----------------------------|
| Governmental Activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 16,181,049 | \$ 993,236 | \$ - | \$ 17,174,285 |
| Construction in progress | 7,686,024 | 9,995,005 | 7,712,620 | 9,968,409 |
| Total capital assets, not being depreciated | <u>23,867,073</u> | <u>10,988,241</u> | <u>7,712,620</u> | <u>27,142,694</u> |
| Other capital assets: | | | | |
| Buildings | 36,294,170 | 3,826,215 | 63,400 | 40,056,985 |
| Improvements | 23,879,731 | 2,355,907 | 56,790 | 26,178,848 |
| Machinery and equipment | 15,701,771 | 954,005 | 388,022 | 16,267,754 |
| Total other capital assets | <u>75,875,672</u> | <u>7,136,127</u> | <u>508,212</u> | <u>82,503,587</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | 6,790,161 | 742,661 | 20,382 | 7,512,440 |
| Improvements | 9,751,322 | 1,044,618 | 15,755 | 10,780,185 |
| Machinery and equipment | 13,900,308 | 740,343 | 374,470 | 14,266,181 |
| Total accumulated depreciation | <u>30,441,791</u> | <u>2,527,622</u> | <u>410,607</u> | <u>32,558,806</u> |
| Other capital assets, net | <u>45,433,881</u> | <u>4,608,505</u> | <u>97,605</u> | <u>49,944,781</u> |
| Governmental Activities Capital Assets, Net | <u>\$ 69,300,954</u> | <u>\$15,596,746</u> | <u>\$ 7,810,225</u> | <u>\$ 77,087,475</u> |
| Business-type Activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 39,548,048 | \$ 45,956 | \$ - | \$ 39,594,004 |
| Construction in progress | 11,789,499 | 2,403,093 | 9,635,221 | 4,557,371 |
| Total capital assets, not being depreciated | <u>51,337,547</u> | <u>2,449,049</u> | <u>9,635,221</u> | <u>44,151,375</u> |
| Other capital assets: | | | | |
| Buildings | 41,704,653 | 550,635 | - | 42,255,288 |
| Improvements | 10,483,673 | 22,260 | - | 10,505,933 |
| Machinery and equipment | 9,904,681 | 1,133,653 | 15,000 | 11,023,334 |
| Infrastructure | 410,135,993 | 11,986,991 | 78,620 | 422,044,364 |
| Total other capital assets | <u>472,229,000</u> | <u>13,693,539</u> | <u>93,620</u> | <u>485,828,919</u> |

NOTE E – CAPITAL ASSETS – CONTINUED

| | Balance at June 30, 2013 | Increases | Decreases | Balance at June 30, 2014 |
|------------------------------------|-----------------------------|-------------|-------------|-----------------------------|
| Less accumulated depreciation for: | | | | |
| Building | 10,287,770 | 844,861 | - | 11,132,631 |
| Improvements | 5,969,923 | 345,449 | - | 6,315,372 |
| Machinery and equipment | 7,746,906 | 732,048 | 14,250 | 8,464,704 |
| Infrastructure | 123,701,750 | 9,787,601 | 71,086 | 133,418,265 |
| Total accumulated depreciation | 147,706,349 | 11,709,959 | 85,336 | 159,330,972 |
| Other capital assets, net | 324,522,651 | 1,983,580 | 8,284 | 326,497,947 |
| Business-type Activities | | | | |
| Capital Assets, Net | \$375,860,198 | \$4,432,629 | \$9,643,505 | \$370,649,322 |

Depreciation expense was charged to functions as follows:

Governmental activities:

| | |
|---|------------------|
| General government | \$ 355,531 |
| Planning and zoning | 6,101 |
| Paramedic program | 502,118 |
| Emergency preparedness | 295,826 |
| Economic development and airpark | 1,105,731 |
| County engineer | 6,143 |
| Community development and housing programs | 790 |
| Library | 223,350 |
| Constitutional offices | 32,032 |
| Total governmental activities depreciation expense | <u>2,527,622</u> |

Business-type activities

| | |
|--|----------------------|
| Water | 98,423 |
| Sewer | 11,611,536 |
| Total business-type activities depreciation expense | <u>\$ 11,709,959</u> |

Construction in progress was \$14.5 million with additional contractually committed costs to complete the projects in process of approximately \$7.3 million as of June 30, 2014.

NOTE F – PENSION AND OTHER POST-RETIREMENT EMPLOYEE BENEFIT TRUSTS

Basis of Accounting

The pension and other post-retirement employee benefit (OPEB) trusts use the accrual basis of accounting. Employer contributions 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 plans. Administrative costs are financed through investment earnings.

Pension Plan Description and Administration

The County established and administers a single-employer defined benefit pension plan for its employees. The Plan provides for retirement, disability and death benefits to plan members and their beneficiaries. The pension plan is reported in the pension trust fiduciary fund in the County's financial statements. The County does not have

NOTE F – PENSION AND OTHER POST-RETIREMENT EMPLOYEE BENEFIT TRUSTS - CONTINUED

Pension Plan Description and Administration - Continued

a separate GAAP-basis pension plan audit performed. A pension committee oversees the management of the Sussex County Employee Pension Plan. The pension committee consists of seven members. Whoever is serving in the position of the County Finance Director, County Administrator and County Human Resources Director are always members of the Committee. The following members are appointed by the Sussex County Council for a term of four (4) years: two Sussex County community members, a current Sussex County employee and a retired Sussex County employee, who currently receives a County pension. The pension committee meets quarterly and is responsible for making recommendations to County Council regarding investments and funding. The County contracts with pension advisors to assist in providing the best strategy, protection and investment guidelines for its pension.

Benefits Provided

A covered employee is an employee who receives a regular salary or wages wholly, or in part, directly, or indirectly, from Sussex County provided, however, that an employee shall not be considered in covered employment if they are a part-time or seasonal employee who is not regularly employed for more than 120 working days in any on calendar year, per Ordinance No. 19, 6/10/75; No. 52, 12/16/80; No. 73, 9/22/81; No. 190, 7/24/84; No. 281, 7/23/85; No. 318, 11/12/85; No. 359, 3/25/86; No. 1375, 6/6/00; No. 1485, 7/1/01 and No. 2346, 4/29/14. Also covered are elected officials, Justices of the Peace, and Constables for time worked prior to March 31, 1965. Cost-of-living adjustments (COLA) are provided at the discretion of the County Council. The County has authority to establish and amend benefit provisions of the plan. To be eligible for retirement benefits, a covered employee who shall have service with Sussex County in continuous employment for at least eight years shall be considered eligible for retirement benefits within the meaning of this Ordinance, except as otherwise provided. The age for normal retirement is 62 with eight years of service, 60 for early retirement with 15 years of service, or after 30 years of service regardless of age, for most employees. Effective June 6, 2000, the number of years of service for normal retirement is 25 for paramedic and emergency communication specialists. For the year ended June 30, 2014, total payroll was \$24,463,021. Covered payroll refers to all compensation by the County to active employees covered by the plan.

Current membership in the plan (as of January 1, 2014) is as follows:

| <u>Vest Actives</u> | <u>Nonvested Actives</u> | <u>Total Actives</u> | <u>Retirees and Beneficiaries</u> | <u>Terminated Vested</u> | <u>Covered Payroll</u> |
|---------------------|--------------------------|----------------------|-----------------------------------|--------------------------|------------------------|
| 297 | 183 | 480 | 201 | 82 | \$ 20,427,138 |

Contributions and Funding Policy

The County’s annual contribution to the pension trust is determined through the budgetary process and with reference to actuarial determined contributions. The County established contribution rates based on an actuarially determined rate recommended by an independent actuary. 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. The contribution is designed to accumulated sufficient assets to pay benefits when due. The County is required to contribute the difference between the actuarially determined rate and the contribution rate of plan members. Active members hired prior to January 1, 2014 do not contribute, active members hired on or after that date contribute at a rate of 3.0% of annual pay in excess of \$6,000, and the County’s average contribution rate was 13.50% of annual payroll.

Actuarial calculations reflect a long-term perspective and actuarial method and assumptions include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. A thirty-year open level percentage method is used to amortize the Annual Required Contribution and an adjustment to the Annual Required Contribution.

NOTE F – PENSION AND OTHER POST-RETIREMENT EMPLOYEE BENEFIT TRUSTS - CONTINUED

Contributions and Funding Policy - Continued

The County’s annual pension cost and net pension obligation (asset) for the current year were as follows:

| | |
|---|------------------------------|
| Annual required contributions | \$ 2,868,624 |
| Interest on net pension obligation | (1,415,669) |
| Adjustment to annual required contribution | 1,022,291 |
| Annual Pension Cost | <u>2,475,246</u> |
| Contributions made | <u>3,587,012</u> |
| Increase in Net Pension Asset | (1,111,766) |
| Net Pension Obligation (Asset), Beginning of Year | <u>(17,695,857)</u> |
| Net Pension Obligation (Asset), End of Year | <u><u>\$(18,807,623)</u></u> |

Trend information is as follows:

| <u>Year Ended June 30,</u> | <u>Annual Pension Cost (APC)</u> | <u>Percentage of APC Contributed</u> | <u>Net Pension Obligation (Asset)</u> |
|----------------------------|--------------------------------------|--|---|
| 2012 | \$ 2,003,559 | 183.1% | \$ (16,919,770) |
| 2013 | 2,422,225 | 132.0 | (17,695,857) |
| 2014 | 2,475,246 | 144.9 | (18,807,623) |

As of January 1, 2014, the most recent actuarial valuation date, the plan was 89.1% funded. The actuarial accrued liability for benefits was \$72.3 million, and the actuarial value of assets was \$64.4 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$8.2 million. The covered payroll (annual payroll of employees covered by the plan) was \$20.4 million, and the ratio of the UAAL to covered payroll was 40.3%.

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Net Pension Liability

The components of the net pension liability of the County at June 30, 2014, were as follows:

| | |
|---|---------------------|
| Total Pension Liability | \$ 79,015,904 |
| Plan Fiduciary Net Pension | <u>(70,886,608)</u> |
| County’s Net Pension Liability | <u>\$ 8,129,296</u> |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 89.71% |

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2014, using the Entry Age actuarial cost method and the following actuarial assumptions (based on the results of an experience study for the period January 1, 2008 – January 1, 2013), applied to all periods included in the measurement:

- A rate of return on the investment of present and future assets of 7.5% per year compounded annually;

NOTE F – PENSION AND OTHER POST-RETIREMENT EMPLOYEE BENEFIT TRUSTS - CONTINUED

Actuarial Assumptions - Continued

- Salary increases are based on the following table compounded annually;

| <u>Age</u> | <u>Rate</u> |
|------------|-------------|
| 20 -24 | .045 |
| 25-29 | .055 |
| 30-34 | .050 |
| 35-39 | .045 |
| 40-59 | .035 |
| 60+ | .030 |

- 1.4% annual increase after retirement for cost of living increases;
- Inflation of 2.5% per year underlying the salary scale and interest rates; and
- Five-year phase-in of asset gains and losses to value assets.
- Mortality rates based on the RP-2000, with adjustments for mortality improvements based on Scale AA

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan 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 by 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 as of June 30, 2014 are summarized in the following table:

| | |
|----------------------------|------|
| Domestic Equity | 4.8% |
| International Equity | 5.1% |
| Domestic Fixed Income | 2.0% |
| International Fixed Income | 1.6% |
| Real Estate and Other | 4.9% |
| Cash | 1.2% |

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and that County contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. To better match current historical investment returns, the discount rates was lowered to 7.5% from 8.0% in the previous year.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the County, calculated using the discount rate of 7.50 percent, as well as what the County’s net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.50 percent) or 1-percentage point higher (8.50 percent) than the current rate:

| | 1% Decrease (6.50%) | Current Rate (7.50%) | 1% Increase (8.50%) |
|--------------------------------|------------------------|-------------------------|------------------------|
| Total Pension Liability | \$ 90,145,968 | \$79,015,904 | \$ 69,826,057 |
| Plan Fiduciary Net Position | (70,886,608) | (70,886,608) | (70,886,608) |
| County’s Net Pension Liability | \$ 19,259,360 | \$ 8,129,296 | \$ (1,060,551) |

NOTE F – PENSION AND OTHER POST-RETIREMENT EMPLOYEE BENEFIT TRUSTS – CONTINUED

Pension Trust Assets

As authorized by Sussex County Council, the pension trust funds are invested in U.S. Treasury Notes, U.S. Government Agency Notes and Bonds, Sussex County Second Lien Revenue Bonds, the Delaware Local Government Retirement Investment Pool (DELRIP), Fidelity Investments mutual funds, corporate obligations, municipal obligations, various common stocks and certificates of deposit. Wilmington Trust Company is the trustee of the Plan and has custody of the corporate obligations, municipal obligations and various common stocks. DELRIP was established to allow local governments the option to pool their pension assets with the Delaware Public Employees’ Retirement System (DPERS). DELRIP is in the custody of the Delaware Board of Pension Trustees and is subject to oversight of the DPERS’ Investment Committee and not of the Securities and Exchange Commission (SEC). The DELRIP investments are stated at fair value, which is the same as the value of the DPERS’ Master Trust shares. Further details of the DELRIP investments are disclosed in the DPERS 43rd Comprehensive Annual Financial Report, which may be obtained by calling 1-800-722-7300.

The Pension Committee’s policy is a goal of 60 percent investments in equity and 40 percent in fixed income investments. Historically, the county has met or exceeded asset class benchmarks. The following represents the asset allocation policy as of June 30, 2014.

| <u>Asset Class</u> | <u>Target Allocation Total</u> |
|----------------------------|--------------------------------|
| Domestic Equity | 40% - 50% |
| International Equity | 10% - 15% |
| Domestic Fixed Income | 20% - 25% |
| International Fixed Income | 0% - 5% |
| Real Estate and Other | 5% - 15% |
| Cash | 5% - 10% |
| Total | 100% |

Investment at fair value (other than those issued or guaranteed by the U.S. government and mutual funds) in excess of 5% of the Plan’s net position held in trust for pension benefits at June 30, 2014 consist of:

| | <u>Fair Value</u> |
|---|-------------------|
| Delaware Local Retirement Investment Pool | \$ 44,534,700 |

Post-retirement Employee Benefit Plan Description and Provisions

The County established and administers a single-employer post-retirement employee benefit plan for its employees. During fiscal year 2005, the County established the “Sussex County Employment Benefit Plan” by Ordinance No. 1783. The plan is reported in the pension and other employee benefit trusts in the County’s financial statements. Benefits include preventive care, prescription drug care, facility charges, professional services and office visits. The County has the authority to establish and amend benefit provisions of the plan. For employees who begin employment with the County prior to July 1, 2001, the County policy is to provide post-retirement healthcare benefits immediately after they leave County employment if they receive a pension at that time. Retirees hired subsequent to June 30, 2001, with 15 to 24 years of service, are eligible for coverage upon receipt of a County pension, with the County paying 50% of the premium. Retirees hired subsequent to June 30, 2001, with at least 25 years of service, receive full post-retirement healthcare benefits when they receive their pension. Employees, who began work prior to July 1, 2001, may elect the coverage available as if hired after June 30, 2001.

Current membership in the plan (as of January 1, 2014) is as follows:

| <u>Total Actives</u> | <u>Retirees and Beneficiaries</u> | <u>Terminated Vested</u> |
|----------------------|-----------------------------------|--------------------------|
| 478 | 157 | 0 |

NOTE F – PENSION AND OTHER POST-RETIREMENT EMPLOYEE BENEFIT TRUSTS - CONTINUED

Post-retirement Employee Benefit Plan Funding Policy and Actuarial Method and Assumptions

The County’s annual contribution to the post-retirement employee benefit plan is determined through the budgetary process and with reference to actuarial determined contributions. Plan members are not required to contribute. Contributions made of \$2,433,752 were 11.9% of covered payroll. The contribution is designed to accumulate sufficient assets to pay benefits when due. The actuarial valuation of the plan as of January 1, 2014 was determined using the projected unit credit actuarial cost method. This measure is independent of the funding method used to determine contributions to the system. The actuarial assumptions include:

- An investment return of 7.5% compounded annually;
- Participation assumptions vary from zero to 100%, depending on age, date of hire and years of service;
- A health care cost trend rate of 8% initially, declining to 5% ultimately; and
- Inflation of 2.5% per year.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation. Actuarial calculations reflect a long-term perspective and actuarial methods and assumptions include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term prospective of the calculations. A thirty-year open level percentage method is used to amortize the Annual Required Contribution and an adjustment to the Annual Required Contribution.

Annual OPEB Cost and Net OPEB Obligation

The County’s annual OPEB cost and net OPEB obligation (asset) for the current year were as follows:

| | |
|--|------------------------------|
| Annual required contributions | \$ 1,744,289 |
| Interest on net OPEB obligation | (300,474) |
| Adjustment to annual required contribution | 217,035 |
| Annual OPEB Cost | <u>1,660,850</u> |
| Contributions made | <u>2,433,752</u> |
| Increase in Net OPEB Asset | (772,902) |
| Net OPEB Obligation (Asset), Beginning of Year | <u>(3,755,921)</u> |
| Net OPEB Obligation (Asset), End of Year | <u><u>\$ (4,528,823)</u></u> |

Trend information is as follows:

| Year Ended June 30, | Annual OPEB Cost (AOC) | Percentage of AOC Contributed | Net OPEB Obligation (Asset) |
|---------------------|---------------------------|----------------------------------|--------------------------------|
| 2012 | \$ 1,439,167 | 185.0% | \$ (3,435,970) |
| 2013 | 1,786,857 | 117.9 | (3,755,921) |
| 2014 | 1,660,850 | 146.5 | (4,528,823) |

Post-retirement Employee Benefit Plan Funded Status and Funding Progress

As of January 1, 2014, the most recent actuarial valuation date, the plan was 78.2% funded. The actuarial accrued liability for benefits was \$38.5 million, and the actuarial value of assets was \$30.1 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$8.4 million. The covered payroll (annual payroll of employees covered by the plan) was \$20.3 million, and the ratio of the UAAL to the covered payroll was 41.1%.

NOTE F – PENSION AND OTHER POST-RETIREMENT EMPLOYEE BENEFIT TRUSTS - CONTINUED

Post-retirement Employee Benefit Plan Funded Status and Funding Progress - Continued

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Post-retirement Employee Benefit Trust Assets

As authorized by Sussex County Council, the Post-retirement Employee Benefit funds are invested in various mutual funds, corporate obligations, government agency obligations and U.S. Treasuries through the custodian, Wilmington Trust Company.

There are no investments at fair value (other than those issued or guaranteed by the U.S. government and mutual funds) in excess of 5% of the Plan's net position held in trust for post-retirement employee pension benefits at June 30, 2014.

COMBINING STATEMENTS OF FIDUCIARY NET POSITION

JUNE 30, 2014

| | <u>Pension Trust</u> | <u>Post-retirement Employee Benefit Trust</u> | <u>Total</u> |
|---|----------------------|---|-----------------------|
| Assets | | | |
| Cash and cash equivalents | \$ 916,349 | \$ 1,013,414 | \$ 1,929,763 |
| Investments: | | | |
| U.S. Treasuries | 4,549,767 | 5,454,329 | 10,004,096 |
| Government Agencies | 1,081,385 | 2,708,435 | 3,789,820 |
| Corporate Obligations | 1,363,293 | 1,521,722 | 2,885,015 |
| Delaware Local Government Retirement Investment Pool | 44,534,700 | - | 44,534,700 |
| Common stocks and convertibles | 13,057,450 | - | 13,057,450 |
| Mutual funds | 5,347,732 | 19,576,052 | 24,923,784 |
| Accrued interest | 53,662 | 42,840 | 96,502 |
| Due from general fund | - | 48,408 | 48,408 |
| | <u>70,904,338</u> | <u>30,365,200</u> | <u>101,269,538</u> |
| Liabilities | | | |
| Accounts payable | 17,730 | 19,150 | 36,880 |
| Net Position Held In Trust For Pension And Other Employee Benefits | <u>\$ 70,886,608</u> | <u>\$ 30,346,050</u> | <u>\$ 101,232,658</u> |

COMBINING STATEMENT OF CHANGE IN FIDUCIARY NET POSITION

YEAR ENDED JUNE 30, 2014

| | <u>Pension Trust</u> | <u>Post-retirement Employee Benefit Trust</u> | <u>Total</u> |
|------------------------|----------------------|---|--------------|
| Additions | | | |
| Employer contributions | \$ 3,587,012 | \$ 2,433,752 | \$ 6,020,764 |
| Employee contributions | 1,239 | - | 1,239 |

NOTE F – PENSION AND OTHER POST-RETIREMENT EMPLOYEE BENEFIT TRUSTS – CONTINUED

COMBINING STATEMENT OF CHANGE IN FIDUCIARY NET POSITION – CONTINUED

| | <u>Pension Trust</u> | <u>Post-retirement Employee Benefit Trust</u> | <u>Total</u> |
|---|----------------------|---|----------------------|
| Investments: | | | |
| Net appreciation of investments | 4,868,420 | 120,623 | 4,989,043 |
| Interest and dividends | 5,660,090 | 3,728,695 | 9,388,785 |
| | <u>10,528,510</u> | <u>3,849,318</u> | <u>14,377,828</u> |
| Less investment expenses | 184,503 | 62,703 | 247,206 |
| Net investment earnings | 10,344,007 | 3,786,615 | 14,130,622 |
| Total Additions | <u>13,932,258</u> | <u>6,220,367</u> | <u>20,152,625</u> |
| Deductions | | | |
| Beneficiary payments | 2,972,657 | 1,821,854 | 4,794,511 |
| Professional fees | 138,063 | 64,825 | 202,888 |
| Net Increase in Plan Net Position | <u>10,821,538</u> | <u>4,333,688</u> | <u>15,155,226</u> |
| Net Position Held In Trust for Pension and Other Employee Benefits - Beginning | <u>60,065,070</u> | <u>26,012,362</u> | <u>86,077,432</u> |
| Net Position Held In Trust for Pension and Other Employee Benefits - Ending | <u>\$ 70,886,608</u> | <u>\$ 30,346,050</u> | <u>\$101,232,658</u> |

NOTE G – DEFERRED COMPENSATION PLAN

The County offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all County employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional and participants elect how their salary deferrals are invested. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. The County is not matching employee contributions. Under custodial agreements, the custodians hold all assets and income in trust for the exclusive benefit of participants and their beneficiaries.

NOTE H – SHORT-TERM DEBT

Short-term financing is obtained from banks to provide interim financing for the Enterprise Funds. Interest on the line of credit is variable; the interest was 2.75% at June 30, 2014. The County had \$10,000,000 of unused line of credit to be drawn upon as needed. No balance was outstanding at June 30, 2014.

NOTE I – LONG –TERM LIABILITIES

Description of Bonds Payable

At June 30, 2014, bonds payable consisted of the following individual issues:

| | <u>Business-type</u> |
|---|----------------------|
| 1994 SRF Obligations (West Rehoboth Phase I and II), interest at 1.5%, final payment due December 2016. Repayment over 21 years beginning December 1995. Repayment the last 7 years based on equal installments. The subordinate obligations require various construction, operating and depreciation accounts. | \$ 2,265,425 |

NOTE I – LONG – TERM LIABILITIES

| <u>Description of Bonds Payable – Continued</u> | <u>Business-type</u> |
|---|----------------------|
| 1996 wastewater general obligation bonds (Ocean Way Estates), due in quarterly installments of \$6,256 principal and interest, interest at 4.5%, final payment due October 17, 2036. | 352,108 |
| 1997 wastewater general obligation bonds (West Rehoboth), due in various installments through June 15, 2021, interest at 1.5%. Total bonds authorized are \$12,000,000. | 3,912,557 |
| 2000 wastewater general obligation bonds (Ocean View, Holts Landing, Cedar Neck, North Millville and SCRWF), due in semi-annual installments, interest at 1.5%, final payment due December 31, 2023. | 8,539,353 |
| 2000 wastewater general obligation bonds (Ellendale), due in semi-annual installments, interest at 1.5%, final payment due December 15, 2023. Total bonds authorized are \$1,726,000. | 888,449 |
| 2002 wastewater general obligation bonds (Miller Creek), due in semi-annual installments, interest at 1.5%, final payment due December 31, 2027. Total bonds authorized are \$3,300,000. | 2,439,048 |
| 2002 wastewater general obligation bonds (Bayview Estates and Sea Country Estates), due in semi-annual installments, interest at 1.5%, final payment due December 31, 2025. Total bonds authorized are \$2,636,000. | 1,683,852 |
| 2002 wastewater general obligation bonds (Ellendale), due in semi-annual installments, no stated interest rate, final payment due June 13, 2042. Total bonds authorized are \$1,000,000. | 717,949 |
| 2003 wastewater general obligation bonds (Oak Orchard), due in semi-annual installments, interest at 2%, final payment due December 31, 2024. Total bonds authorized are \$1,500,000. | 920,423 |
| 2003 wastewater general obligation bonds (Oak Orchard), due in semi-annual installments, interest at 1.5%, final payment due December 31, 2026. Total bonds authorized are \$1,203,000. | 847,158 |
| 2004 wastewater general obligation bonds (Inland Bays), due in semi-annual installments, interest at 1.5%, final payment due December 31, 2027. Total bonds authorized are \$16,000,000. | 7,071,599 |
| 2006 wastewater general obligation bonds (Millville), due in semi-annual installments, interest at 1.5%, final payment due October 30, 2040. Total bonds authorized are \$8,000,000. | 7,128,854 |
| 2006 wastewater general obligation bonds (South Ocean View), due in semi-annual installments, interest at 1.5%, final payment due June 30, 2040. Total bonds authorized are \$4,800,000. | 4,073,108 |
| 2008 wastewater general obligation bonds (Dagsboro-Frankford), due in quarterly installments, interest at 4.5%, final payment due December 12, 2048. Total bonds authorized are \$73,000. | 68,883 |

NOTE I – LONG –TERM LIABILITIES - CONTINUED

| <u>Description of Bonds Payable – Continued</u> | <u>Business-type</u> |
|---|----------------------|
| 2008 wastewater general obligation bonds (Angola Neck), due in semi-annual installments, interest at 1.5%, final payment due May 21, 2042. Total bonds authorized are \$15,000,000, of which \$ 1,500,000 was forgiven at the project completion date. | 12,591,536 |
| 2009 wastewater general obligation bonds (Johnson’s Corner), due in semi-annual installments, interest at 1.5%, final payment due June 30, 2031. Total bonds authorized are \$6,000,000, of which \$ 1,248,033 was forgiven at the project completion date. | 3,416,769 |
| 2009 wastewater general obligation bonds (Oak Orchard), due in semi-annual installments, interest at 2%, final payment due December 15, 2031. Total bonds authorized are \$5,641,503, of which \$ 3,000,000 was forgiven at the project completion date. | 2,415,284 |
| 2010 wastewater general obligation bonds (Inland Bays), due in semi-annual installments, interest at 2%, final payment due November 1, 2031. Total bonds authorized are \$1,756,227, of which \$1,307,607 was forgiven at the project completion date. | 400,354 |
| 2010 wastewater general obligation bonds (SCRWF), due in quarterly installments, interest at 4%, final payment due March 19, 2050. Total bonds authorized are \$7,500,000. | 7,146,880 |
| 2010A wastewater general obligation bonds (Inland Bays), due in quarterly installments, interest at 2.25%, final payment due December 3, 2050. Total bonds authorized are \$5,475,000. | 5,335,399 |
| 2010B wastewater general obligation bonds (Inland Bays), due in quarterly installments, interest at 2.25%, final payment due December 3, 2050. Total bonds authorized are \$5,000,000. | 4,872,512 |
| 2010 wastewater general obligation recovery zone economic development bonds (SCRWF), due in quarterly installments, interest at 3%, final payment due December 3, 2050. Total bonds authorized are \$6,169,000. | 5,989,508 |
| 2011 wastewater general obligation bonds (Prince Georges Acres), due in quarterly installments, interest at 4.25%, final payment due June 2, 2051. Total bonds authorized are \$500,000. | 484,697 |
| 2011 wastewater general obligation bonds (Piney Neck), due in quarterly installments, interest at 4.125%, final payment due June 2, 2051. Total bonds authorized are \$2,113,000. | 2,046,488 |
| 2011A wastewater general obligation bonds (Miller Creek), due in quarterly installments, interest at 4.25%, final payment due March 28, 2051. Total bonds authorized are \$1,725,000. | 1,667,208 |
| 2011B wastewater general obligation bonds (Miller Creek), due in quarterly installments, interest at 4.25%, final payment due March 28, 2051. Total bonds authorized are \$1,075,000. | 1,038,976 |

NOTE I – LONG –TERM LIABILITIES - CONTINUED

Description of Bonds Payable – Continued

| | <u>Business-type</u> |
|--|------------------------------------|
| 2011 wastewater general obligation bonds (Millville), due in quarterly installments, interest at 3.75%, final payment due November 28, 2051. Total bonds authorized are \$4,000,000. | 3,886,062 |
| 2011 wastewater general obligation bonds (Fenwick Island), due in quarterly installments, interest at 3.75%, final payment due November 28, 2051. Total bonds authorized are \$1,111,000. | 1,079,344 |
| 2012 wastewater general obligation bonds (Golf Village), due in quarterly installments, interest at 2%, final payment due June 27, 2052. Total bonds authorized are \$321,000. | 310,278 |
| 2012A wastewater general obligation bonds (West Rehoboth refunding), due in semi-annual installments, interest ranging from 2% to 5%, final payment due March 15, 2041. | 27,045,000 |
| 2012B wastewater general obligation bonds (refunding), due in semi-annual installments, interest ranging from 2% to 5%, final payment due March 15, 2049. | 26,955,000 |
| 2012 wastewater general obligation bonds (Millville), due in quarterly installments, interest at 3.5%, final payment due September 27, 2052. Total bonds authorized are \$4,000,000. | 3,916,623 |
| 2012 wastewater general obligation bonds (Woodlands of Millsboro), due in quarterly installments, interest at 2.125%, final payment due September 14, 2052. Total bonds authorized are \$90,000. | 87,443 |
| 2013 wastewater general obligation bonds (Angola Neck), due in quarterly installments, interest at 2.125%, final payment due April 25, 2053. Total bonds authorized are \$6,000,000. | 5,903,536 |
| 2013 wastewater general obligation bonds (Johnson Corner), due in quarterly installments, interest at 2.5%, final payment due February 28, 2053. Total bonds authorized are \$2,000,000. | 1,962,625 |
| Subtotal | <u>159,460,288</u> |
| Unamortized bond premium | <u>6,221,454</u> |
| TOTAL BONDS PAYABLE | <u><u>\$165,681,742</u></u> |

Contract Commitments

The County has obligated itself under contracts for various projects. At June 30, 2014, the obligated unrecorded amount was approximately \$9,245,478. The County's payment of these contracts will be contingent upon the contractors' satisfactory performance.

Bonds Authorized but Unissued

Bonds authorized but unissued at June 30, 2014 totaled \$6,569,000. The bonds are to finance various sewer district construction and improvement projects.

NOTE I – LONG – TERM LIABILITIES - CONTINUED

Long-term Liability Activity

Long-term liability activity for the year ended June 30, 2014, was as follows:

| | <u>June 30, 2013</u> | <u>Additions</u> | <u>Reductions</u> | <u>June 30, 2014</u> | <u>Due Within One Year</u> |
|--|-----------------------------|----------------------------|----------------------------|-----------------------------|--------------------------------|
| Governmental Activities: | | | | | |
| Compensated absences | \$ 5,244,072 | \$ 2,496,808 | \$ 2,457,223 | \$ 5,283,657 | \$ 2,142,769 |
| Estimated liability for landfill postclosure care | 68,000 | - | 19,000 | 49,000 | - |
| Estimated liability for pollution remediation | 163,000 | - | 19,000 | 144,000 | 29,100 |
| Total Governmental Activities | <u>\$ 5,475,072</u> | <u>\$ 2,496,808</u> | <u>\$ 2,495,223</u> | <u>\$ 5,476,657</u> | <u>\$ 2,171,869</u> |
| Business-Type Activities: | | | | | |
| General obligation bonds | \$167,405,688 | \$ 577,245 | \$ 8,522,645 | \$159,460,288 | \$ 7,973,176 |
| Unamortized bond premium | 6,660,990 | - | 439,536 | 6,221,454 | - |
| Total bonds payable | 174,066,678 | 577,245 | 8,962,181 | 165,681,742 | 7,973,176 |
| Compensated absences | 1,525,839 | 510,551 | 542,968 | 1,493,422 | 639,437 |
| Total Business-type Activities | <u>\$175,592,517</u> | <u>\$ 1,087,796</u> | <u>\$ 9,505,149</u> | <u>\$167,175,164</u> | <u>\$ 8,612,613</u> |

For the governmental activities, compensated absences, estimated liability for landfill postclosure care and pollution remediation are primarily liquidated by the General Fund.

Debt Maturity

The annual aggregate maturities for each bond type are as follows:

| <u>Year ending June 30,</u> | <u>Business-type Activities - General Obligation</u> | | |
|-----------------------------|--|-----------------|---------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
| 2015 | \$ 7,973,176 | \$ 4,571,205 | \$ 12,544,381 |
| 2016 | 7,945,360 | 4,383,771 | 12,329,131 |
| 2017 | 7,690,955 | 4,172,310 | 11,863,265 |
| 2018 | 6,672,882 | 3,987,579 | 10,660,461 |
| 2019 | 6,836,240 | 3,812,396 | 10,648,636 |

NOTE I – LONG-TERM LIABILITES – CONTINUED

Debt Maturity – Continued

| Year ending June 30, | Business-type Activities - General Obligation - Continued | | |
|----------------------|---|----------------------|-----------------------|
| | Principal | Interest | Total |
| 2020 – 2024 | 30,564,533 | 16,513,431 | 47,077,964 |
| 2025 – 2029 | 22,900,340 | 13,176,314 | 36,076,654 |
| 2030 – 2034 | 22,090,928 | 9,793,171 | 31,884,099 |
| 2035 – 2039 | 18,283,112 | 6,378,536 | 24,661,648 |
| 2040 – 2044 | 14,592,872 | 6,081,604 | 20,674,476 |
| 2045 – 2049 | 10,251,525 | 2,209,447 | 12,460,972 |
| 2050 – 2054 | 3,658,365 | 156,915 | 3,815,280 |
| TOTAL | \$ 159,460,288 | \$ 75,236,679 | \$ 234,696,967 |

NOTE J – INTERFUND BALANCES

Interfund balances at June 30, 2014 consisted of the following:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|------------------------|---------------------|----------------------|
| General fund | Unified sewer fund | \$ 19,079,354 |
| Fiduciary fund | | 48,408 |
| Total | | \$ 19,127,762 |

Balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. At June 30, 2014, interfund balances largely represented interim financing for sewer projects, which are to be repaid when the County draws the permanent funding. Realty transfer tax financed \$19,079,354 of the interfund balances.

NOTE K -FUND BALANCES - GOVERNMENTAL FUNDS

GASBS No. 54 establishes fund balance categories that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Detailed information on fund balances of governmental funds is as follows:

| | <u>General</u> | <u>Capital Projects</u> | <u>Total</u> |
|--|-------------------|-------------------------|-------------------|
| Nonspendable | | | |
| Inventory | \$ 31,417 | \$ - | \$ 31,417 |
| Prepaid items | 75,123 | - | 75,123 |
| Total nonspendable | 106,540 | - | 106,540 |
| Restricted | | | |
| Infrastructure, public safety, economic development items, capital | 45,202,820 | 8,769,934 | 53,972,754 |
| Rodent control grant | 953 | - | 953 |
| Total restricted | 45,203,773 | 8,769,934 | 53,973,707 |

NOTE K -FUND BALANCES - GOVERNMENTAL FUNDS – CONTINUED

| | <u>General</u> | <u>Capital Projects</u> | <u>Total</u> |
|---|----------------------|-----------------------------|----------------------|
| Committed | | | |
| Open space land program | 772,687 | - | 772,687 |
| Groundwater monitoring | 6,068 | - | 6,068 |
| Total committed | <u>778,755</u> | <u>-</u> | <u>778,755</u> |
| Assigned | | | |
| Grant-in-aid for County tax subsidy program | 40,029 | - | 40,029 |
| Grant-in-aid discretionary grants | 73,466 | - | 73,466 |
| Economic development marketing program | 1,000,000 | - | 1,000,000 |
| Open space park program | 1,000,000 | - | 1,000,000 |
| Legal Contingency | 1,000,000 | - | 1,000,000 |
| Planning and zoning land use plan ordinance | 16,324 | - | 16,324 |
| Reassessment | 530,000 | - | 530,000 |
| Reserves budgeted for next year | 3,225,209 | - | 3,000,000 |
| Information Technology | 373,726 | - | 373,726 |
| Total assigned | <u>7,258,754</u> | <u>-</u> | <u>7,258,754</u> |
| Unassigned | <u>34,229,654</u> | <u>-</u> | <u>34,229,654</u> |
| Total Fund Balances – Governmental Funds | <u>\$ 87,577,476</u> | <u>\$ 8,769,934</u> | <u>\$ 96,347,410</u> |

NOTE L – RENT REVENUES

The County has entered into several long-term operating leases with local businesses to rent property, mainly located in the County’s Industrial Airpark. These leases range in terms of one year to forty-five years and several of them are noncancelable. Buildings with a cost basis of \$6,884,902 and accumulated depreciation of \$1,285,176, equipment with a cost basis of \$55,058 and accumulated depreciation of \$55,058, and improvements of \$107,045 and accumulated depreciation of \$32,653 were being leased as of June 30, 2014.

The minimum future rental revenue under leases as of June 30, 2014 for each of the next five years and thereafter in the aggregate are:

| <u>Year ending June 30,</u> | <u>Amount</u> |
|-----------------------------------|---------------------|
| 2015 | \$ 469,278 |
| 2016 | 392,828 |
| 2017 | 369,713 |
| 2018 | 545,730 |
| 2019 | 274,038 |
| Thereafter | <u>1,953,923</u> |
| Minimum Lease Payments Receivable | <u>\$ 4,005,510</u> |

NOTE M - INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2014, consisted of the following:

| Transfer to: | Transfer from | | |
|---------------------------|-------------------|------------------|-------------------|
| | General Fund | Unified Sewer | Total |
| General fund | \$ - | \$ 76,110 | \$ 76,110 |
| Unified sewer fund | 85,500 | - | 85,500 |
| Capital improvements fund | 752,603 | - | 752,603 |
| | <u>\$ 838,103</u> | <u>\$ 76,110</u> | <u>\$ 914,213</u> |

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and to (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE N -RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; omissions; injuries to employees; and natural disasters for which the County carries commercial insurance. There have been no significant reductions in coverage from the prior year end. Settlements have not exceeded coverage in the past three years.

The County is exposed to the risk of loss related to employee medical expenses. During fiscal year 2014, the County maintained a self-insured plan for employee medical expenses in which expenses per employee were covered annually up to \$285,000. Individual excess expenses are covered under a commercial policy. In addition, the County has a maximum aggregate limit of \$9,100,230 for the County's portion of medical expense liability, which is covered under a commercial policy. The County reports the risk management activity in the General Fund. The County recognizes expenditures/expenses in the General Fund, Water Fund and Sewer Funds. The employee health plan is administered by an outside agency.

Employee Health Plan

Contributions from the County and employee withholdings are deposited into a reserve fund to pay eligible claims. Estimated risks and losses are based upon historical costs, financial analyses, and estimated effects of plan changes. The claims liability reported at June 30, 2014 is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. These liabilities include an amount for claims that have been incurred but not reported. Costs related to these claims are normally paid within the following year and are therefore reported as a current liability.

Changes in the employee health claims liability amounts in fiscal year 2014 and 2013 were as follows:

| | Beginning of Year Balance | Current-Year Claims and Changes in Estimates | Claim Payments | End of Year Balance |
|-----------|------------------------------|--|-------------------|------------------------|
| 2012-2013 | \$ 1,097,994 | \$ 8,604,829 | \$ (8,960,844) | \$ 741,979 |
| 2013-2014 | 741,979 | 6,149,054 | (6,060,302) | 830,731 |

NOTE O – PROPRIETARY FUNDS CONTRACTS

The County has a contract with the Town of Georgetown for the Town to provide wastewater treatment and disposal for the County's Ellendale Sewer Treatment System. The contract was executed on May 25, 2000 and is in effect for a period of 40 years unless both parties mutually agree to terminate the contract. The County has a ten-year contract, effective November 1, 2010, with the City of Seaford for the purpose of discharging wastewater. The County has a contract with the Town of Millsboro for discharging wastewater for the Woodlands of Millsboro sewer system. The contract will remain in effect until terminated by mutual agreement of both parties. The County has a contract with the City of Rehoboth for the purpose of purchasing water for the Dewey Beach Water District. The contract was in effect at January 1, 2011 and will terminate on December 31, 2015.

NOTE P - LANDFILL POSTCLOSURE CARE COST AND POLLUTION REMEDIATION OBLIGATION

State and federal laws and regulations required the County to perform certain maintenance and monitoring functions to its six landfill sites even after it stopping accepting waste at these sites. The estimated liability for landfill postclosure care of \$49,000 at June 30, 2014 represented the cumulative amount reported to date based on the use of 100% of the estimated capacity of the landfill. This amount is based on what it would cost to perform all postclosure care in 2014. Actual cost may be higher because of inflation, changes in technology, or changes in regulations.

The annual operating costs for maintenance and monitoring the landfill sites will continue to be funded by the County and recorded as a long-term liability in the governmental activities on the Statement of Net Position.

The County has pollution remediation obligations of \$144,000 of which \$29,100 is due within one year. The County has estimated future obligations based on professional consultant estimates and historical expenses of similar projects; however, there is the potential for change in estimates due to price increase or reductions, technology, or applicable laws and regulations.

The estimated pollution remediation liability relates to the anticipated cost of continued implementation of the Groundwater Management Zone (GMZ), sampling of residential wells, maintenance of the vegetation cap, removal of any debris, grading of low laying areas and continued sampling of groundwater wells at the County's closed landfill site in Laurel. The Delaware Department of Natural Resources & Environmental Control (DNREC) has accepted the County's responsibility to continue to maintain the closed landfill. An investigation of the site is completed every five years. The County estimates that it will be obligated to perform pollution remediation obligation through the next evaluation period. Any time beyond these seven years, the County cannot reasonably estimate its liability.

NOTE Q -CONTINGENCIES

The County is currently involved in a number of lawsuits involving construction projects, zoning ordinances, and other civil lawsuits. The amount of any contingent liability related to these suits either cannot be reasonably estimated or the outcome is remote.

The County has authorized the issuance of revenue bonds to provide funds for various commercial, industrial and agricultural development projects various issues are outstanding at June 30, 2014 equaling \$165,657,000. In the opinion of bond counsel, the bonds are not subject to the debt limit imposed on the County by the Delaware Code, and are payable solely from payments made by the borrowing entities. Accordingly, these bonds are not reflected in the accompanying financial statements.

NOTE R - SUBSEQUENT EVENTS

Major Contracts

Subsequent to June 30, 2014, the County approved the award of contracts totaling \$6.2 million for the construction and improvement of various sewer projects.

Pension and Other Employee Benefit Trusts

The County invests in various investment securities for its pension and other employee benefit trusts. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Therefore, the value, liquidity, and related income of the securities are sensitive to changes in economic conditions, delinquencies or defaults, or both, and may be adversely affected by shifts in the market's perception of the users and changes in interest rates. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the County's account balances and the amounts reported in the statement of net position held in trust for pension and other employee benefits.

NOTE S – IMPLEMENTATION OF NEW PRONOUNCEMENTS

In 2014, the County implemented Governmental Accounting Standards Board (GASB) Statement No. 65, Items Previously Reported as Assets and Liabilities. One of the effects of Statement No. 65 was to change the reporting of amounts deferred on refunding of bonds. In prior years, these amounts were reflected in the financial statements as part of noncurrent liabilities. GASB Statement No. 65 requires these amounts to be presented as deferred outflows of resources in the statement of net position. Also in prior years, cost of the bond issuance were amortized over the term of the bonds. GASB Statement No. 65 eliminated those amortizations by requiring the costs of bond issuance to be recorded as an expense in the fiscal year during which the bonds were issued. This change resulted in a restatement of Net Position as reported at June 30, 2013.

The adjustment is reflected in the proprietary fund financial statements as follows:

| | <u>Business-type Activities – Enterprise Funds</u> | | |
|---|--|---------------------|----------------------|
| | <u>Unified Sewer District</u> | <u>Dewey Water</u> | <u>Totals</u> |
| Net Position as reported at June 30, 2013 | \$294,078,005 | \$ 3,204,159 | \$297,282,164 |
| Adjustment for bond issue costs | (515,921) | - | (515,921) |
| Net Position, as restated | <u>\$293,562,084</u> | <u>\$ 3,204,159</u> | <u>\$296,766,243</u> |

The adjustment is reflected in the Government-wide statements as follows:

| | <u>Governmental Activities</u> | <u>Business-type Activities</u> | <u>Totals</u> |
|---|------------------------------------|-------------------------------------|----------------------|
| Net Position as reported at June 30, 2013 | \$179,050,217 | \$297,282,164 | \$476,332,381 |
| Adjustment for bond issue costs | - | (515,921) | (515,921) |
| Net Position, as restated | <u>\$179,050,217</u> | <u>\$296,766,243</u> | <u>\$475,816,460</u> |

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN THE EMPLOYER'S NET PENSION LIABILITY AND RELATED RATIOS

| | Fiscal Year Ending 2014 |
|---|----------------------------|
| Total Pension Liability | |
| Service Cost | \$ 1,773,965 |
| Interest Cost | 5,768,860 |
| Changes of Benefit Terms | - |
| Differences Between Expected and Actual Experiences | (2,185,380) |
| Changes of Assumptions | - |
| Benefit Payments, Including Refunds of Member Contributions | (2,971,418) |
| Net Change in Total Pension Liability | <u>2,386,027</u> |
| Total Pension Liability (Beginning) | <u>76,629,877</u> |
| Total Pension Liability (Ending) | <u><u>79,015,904</u></u> |
| Plan Fiduciary Net Position | |
| Contributions - Employer | 3,587,012 |
| Contributions - Member | 1,239 |
| Net Investment Income | 10,344,007 |
| Benefit Payments, Including Refunds of Member Contributions | (2,972,657) |
| Administrative Expenses | - |
| Other | (138,063) |
| Net Change in Plan Fiduciary Net Position | <u>10,821,538</u> |
| Plan Fiduciary Net Position (Beginning) | <u>60,065,070</u> |
| Plan Fiduciary Net Position (Ending) | <u>70,886,608</u> |
| County's Net Pension Liability (Ending) | 8,129,296 |
| Net Position as a % Pension Liability | 89.7% |
| Covered-Employee Payroll | 20,427,138 |
| Net Pension Liability as a % of Payroll | 39.8% |

The County implemented GASB 67 in 2014. Comparable information prior to that year is not available.

SCHEDULE OF FUNDING PROGRESS AND SCHEDULE OF EMPLOYER CONTRIBUTIONS -

PENSION TRUST

FOR THE YEAR ENDED JUNE 30, 2014

| <u>Actuarial Valuation Date</u> | <u>Actuarial Value of Assets</u> | <u>Actuarial Accrued Liability - Projected Unit Credit</u> | <u>Unfunded Actuarial Accrued Liability</u> | <u>Funded Ratio</u> | <u>Covered Payroll</u> | <u>Unfunded Actuarial Accrued Liability as a % of Covered Payroll</u> |
|---|--|--|---|---------------------|----------------------------|---|
| 01/01/2009 | \$47,896,455 | \$ 50,146,775 | \$ 2,250,320 | 95.5 % | 20,322,690 | 11.1 % |
| 01/01/2010 | 50,212,221 | 54,751,314 | 4,539,093 | 91.7 | 19,672,456 | 23.1 |
| 01/01/2011 | 52,668,248 | 59,381,025 | 6,712,777 | 88.7 | 19,207,909 | 34.9 |
| 01/01/2012 | 55,299,940 | 67,169,062 | 11,869,122 | 82.3 | 19,609,001 | 60.5 |
| 01/01/2013 | 57,674,569 | 70,565,693 | 12,891,124 | 81.7 | 20,168,544 | 63.9 |
| 01/01/2014 | 68,147,606 | 77,721,668 | 9,574,062 | 87.7 | 20,427,138 | 46.9 |

| <u>Year Ended June 30</u> | <u>Annual Required Contribution</u> | <u>Percentage Contributed</u> |
|---------------------------|-------------------------------------|-------------------------------|
| 2009 | \$ 1,866,222 | 168.8% |
| 2010 | 2,036,037 | 134.5% |
| 2011 | 2,169,173 | 109.3% |
| 2012 | 2,342,663 | 156.6% |
| 2013 | 2,798,351 | 114.3% |
| 2014 | 2,868,624 | 114.9% |

SUSSEX COUNTY, DELAWARE
 SCHEDULE OF COUNTY CONTRIBUTIONS - PENSION TRUST

| | Fiscal Year Ending 2014 |
|---|----------------------------|
| Actuarially Determined Contribution | \$ 2,868,624 |
| Contributions made in Relation to the Actuarially Determined Contribution | 3,587,012 |
| Contribution Deficiency (excess) | (718,388) |
| Covered-Employee Payroll | 20,427,138 |
| Contributions as a % of Payroll | 17.56% |

Note to Schedule:

Valuation Date Actuarially determined contribution rates are calculated as of January 1, 1 year and 6 months prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

| | |
|-------------------------------|--|
| Actuarial Cost Method | Entry Age |
| Amortization Method | Level dollar, open |
| Remaining Amortization Period | 30 years |
| Asset Valuation Method | 5-year smoothed market |
| General Inflation | 2.50% |
| Salary Increase | Varies by age, average, including inflation |
| Investment Rate of Return | 7.50% net of pension plan investment expense, including inflation. |
| Retirement Age | Varies by age and service |

Mortality rates were based on the RP-2000 Healthy Annuitant/Non Annuitant Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The County implemented GASB 67 2014. Comparable information prior to that year is not available.

| | Fiscal Year Ending 2014 |
|---|----------------------------|
| Annual Money-Weighted Rate of Return, Net of Investment Expense | 17.4% |

The County implemented GASB 67 in 2014. Comparable information prior to that year is not available.

**SCHEDULE OF FUNDING PROGRESS AND SCHEDULE OF EMPLOYER CONTRIBUTIONS -
POST-RETIREMENT EMPLOYEE BENEFIT TRUST
FOR THE YEAR ENDED JUNE 30, 2014**

| <u>Actuarial Valuation Date</u> | <u>Actuarial Value of Assets</u> | <u>Actuarial Accrued Liability - Projected Unit Credit</u> | <u>Unfunded Actuarial Accrued Liability</u> | <u>Funded Ratio</u> | <u>Covered Payroll</u> | <u>Unfunded Actuarial Accrued Liability as a % of Covered Payroll</u> |
|---|--|--|---|---------------------|----------------------------|---|
| 01/01/2009 | \$15,274,216 | \$ 41,635,802 | \$26,361,586 | 36.7 % | 20,322,690 | 129.7 % |
| 01/01/2010 | 22,028,993 | 31,027,028 | 8,998,035 | 71.0 | 19,672,456 | 45.7 |
| 01/01/2011 | 23,984,121 | 32,997,258 | 9,013,137 | 72.7 | 19,207,909 | 46.9 |
| 01/01/2012 | 23,502,151 | 36,087,572 | 12,585,421 | 65.1 | 21,698,701 | 58.0 |
| 01/01/2013 | 26,289,375 | 37,234,965 | 10,945,590 | 70.6 | 20,168,544 | 54.3 |
| 01/01/2014 | 30,120,575 | 38,498,966 | 8,378,391 | 78.2 | 20,383,465 | 41.1 |

| <u>Year Ended June 30</u> | <u>Annual Required Contribution</u> | <u>Percentage Contributed</u> |
|---------------------------|-------------------------------------|-------------------------------|
| 2009 | \$ 2,408,669 | 194.1% |
| 2010 | 2,932,734 | 93.7% |
| 2011 | 1,278,049 | 106.2% |
| 2012 | 1,488,338 | 178.8% |
| 2013 | 1,863,189 | 131.1% |
| 2014 | 1,744,289 | 146.5% |

INDIVIDUAL FUND FINANCIAL SCHEDULES

GENERAL FUND

SUSSEX COUNTY, DELAWARE
 SCHEDULE OF GENERAL FUND REVENUES AND OTHER FINANCING SOURCES - BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2014

| | Final Budget Amounts | Actual Amounts | Variance with Final Budget |
|---|-------------------------------------|---------------------------|---|
| Taxes | | | |
| Real property and capitation - County | \$ 12,237,907 | \$ 12,437,223 | \$ 199,316 |
| Real property - library | 1,434,874 | 1,442,173 | 7,299 |
| Realty transfer | 16,000,000 | 20,894,160 | 4,894,160 |
| Fire service | 900,000 | 1,253,791 | 353,791 |
| Penalties and interest | 100,000 | 163,609 | 63,609 |
| Total taxes | <u>30,672,781</u> | <u>36,190,956</u> | <u>5,518,175</u> |
| Intergovernmental | | | |
| Federal grants: | | | |
| Emergency preparedness | 160,000 | 334,563 | 174,563 |
| Miscellaneous | 3,250 | 30,859 | 27,609 |
| Housing and urban development | 1,856,300 | 1,650,722 | (205,578) |
| Project income | - | 125,888 | 125,888 |
| Federal payments in lieu of taxes | 5,600 | 5,619 | 19 |
| State grants: | | | |
| Library | 340,938 | 330,431 | (10,507) |
| Paramedics | 3,941,135 | 4,935,688 | 994,553 |
| Local emergency plan commission | 69,000 | 66,129 | (2,871) |
| Department of Health | 10,000 | 10,000 | - |
| Total intergovernmental | <u>6,386,223</u> | <u>7,489,899</u> | <u>1,103,676</u> |
| Charges for services | | | |
| Mobile home placement fees | 74,000 | 92,486 | 18,486 |
| Building inspection fees | 856,000 | 1,259,860 | 403,860 |
| Dog licensing | 72,000 | 82,140 | 10,140 |
| Miscellaneous general government fees | 18,000 | 11,063 | (6,937) |
| Building permits and zoning fees | 1,315,000 | 1,628,932 | 313,932 |
| 911 System fees | 559,630 | 559,636 | 6 |
| Private road and sewer review and inspection fees | 254,400 | 712,275 | 457,875 |
| Airpark and economic development fees | 476,472 | 503,115 | 26,643 |
| Miscellaneous department fees | 23,000 | 76,703 | 53,703 |
| Marriage Bureau | 115,000 | 209,836 | 94,836 |
| Prothonotary | 2,000 | 9,002 | 7,002 |
| Recorder of Deeds | 3,370,000 | 3,213,636 | (156,364) |
| Register of Wills | 1,000,000 | 841,855 | (158,145) |
| Sheriff | 2,010,000 | 2,931,261 | 921,261 |
| Total charges for services | <u>10,145,502</u> | <u>12,131,800</u> | <u>1,986,298</u> |
| Fines and forfeits | <u>24,000</u> | <u>21,727</u> | <u>(2,273)</u> |
| Miscellaneous revenue | | | |
| Investment earnings | 170,000 | 949,002 | 779,002 |
| Miscellaneous revenues | 160,110 | 239,262 | 79,152 |
| Total miscellaneous revenues | <u>330,110</u> | <u>1,188,264</u> | <u>858,154</u> |

(continued)

SCHEDULE OF GENERAL FUND REVENUES AND OTHER FINANCING SOURCES - BUDGET AND ACTUAL
CONTINUED

FOR THE YEAR ENDED JUNE 30, 2014

| | Final Budget Amounts | Actual Amounts | Variance with Final Budget |
|--|-------------------------------------|---------------------------|---|
| Other financing sources | | | |
| Reimbursements from other funds | \$ 300,000 | \$ 76,110 | \$ (223,890) |
| Appropriated reserves | 2,278,232 | - | (2,278,232) |
| Total other financing sources | <u>2,578,232</u> | <u>76,110</u> | <u>(2,502,122)</u> |
| | | | |
| Total revenues and other funding sources | <u>\$ 50,136,848</u> | <u>\$ 57,098,756</u> | <u>\$ 6,961,908</u> |

**SCHEDULE OF GENERAL FUND EXPENDITURES AND OTHER FINANCING USES -
BUDGET AND ACTUAL - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2014**

| | Final Budget Amounts | Actual Amounts | Variance with Final Budget |
|-------------------------|-------------------------------------|---------------------------|---|
| General government | | | |
| County Council | | | |
| Salaries and wages | \$ 229,717 | \$ 229,716 | \$ 1 |
| Fringe benefits | 184,412 | 187,770 | (3,358) |
| Contractual services | 147,831 | 147,828 | 3 |
| Material and supplies | 18,020 | 18,016 | 4 |
| Other expenditures | 12,072 | 12,072 | - |
| Travel and training | 24,541 | 24,541 | - |
| Total County Council | <u>616,593</u> | <u>619,943</u> | <u>(3,350)</u> |
| Administration | | | |
| Salaries and wages | 388,231 | 388,219 | 12 |
| Fringe benefits | 109,598 | 107,067 | 2,531 |
| Contractual services | 9,394 | 8,474 | 920 |
| Material and supplies | 14,258 | 11,263 | 2,995 |
| Other expenditures | 1,970 | 600 | 1,370 |
| Travel and training | 7,238 | 4,233 | 3,005 |
| Total administration | <u>530,689</u> | <u>519,856</u> | <u>10,833</u> |
| Legal | <u>415,000</u> | <u>458,593</u> | <u>(43,593)</u> |
| Finance | | | |
| Salaries and wages | 900,060 | 900,060 | - |
| Fringe benefits | 533,858 | 547,933 | (14,075) |
| Contractual services | 549,787 | 542,809 | 6,978 |
| Material and supplies | 60,766 | 42,390 | 18,376 |
| Travel and training | 6,000 | 1,347 | 4,653 |
| Machinery and equipment | 9,177 | 32,699 | (23,522) |
| Total finance | <u>2,059,648</u> | <u>2,067,238</u> | <u>(7,590)</u> |
| Assessment | | | |
| Salaries and wages | 827,813 | 827,780 | 33 |
| Fringe benefits | 588,930 | 599,382 | (10,452) |
| Contractual services | 27,087 | 23,700 | 3,387 |
| Material and supplies | 45,405 | 38,388 | 7,017 |
| Travel and training | 2,700 | 1,127 | 1,573 |
| Machinery and equipment | 14,163 | 13,947 | 216 |
| Total assessment | <u>1,506,098</u> | <u>1,504,324</u> | <u>1,774</u> |

(continued)

**SCHEDULE OF GENERAL FUND EXPENDITURES AND OTHER FINANCING USES -
BUDGET AND ACTUAL - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2014**

| | Final Budget Amounts | Actual Amounts | Variance with Final Budget |
|--|-------------------------------------|---------------------------|---|
| General Government - Continued | | | |
| Building code | | | |
| Salaries and wages | \$ 340,399 | \$ 340,358 | \$ 41 |
| Fringe benefits | 250,489 | 254,339 | (3,850) |
| Contractual services | 10,039 | 9,481 | 558 |
| Material and supplies | 22,476 | 19,099 | 3,377 |
| Travel and training | 10,520 | 10,282 | 238 |
| Machinery and equipment | 14,265 | 13,947 | 318 |
| Total building code | <u>648,188</u> | <u>647,506</u> | <u>682</u> |
| Mapping & addressing | | | |
| Salaries and wages | 321,277 | 321,272 | 5 |
| Fringe benefits | 231,854 | 234,289 | (2,435) |
| Contractual services | 130,595 | 129,525 | 1,070 |
| Material and supplies | 27,878 | 25,624 | 2,254 |
| Equipment | 9,000 | 6,749 | 2,251 |
| Total mapping and addressing | <u>720,604</u> | <u>717,459</u> | <u>3,145</u> |
| Human resources and general employment | | | |
| Salaries and wages | 382,833 | 381,608 | 1,225 |
| Fringe benefits | 480,171 | 487,306 | (7,135) |
| Contractual services | 89,262 | 89,413 | (151) |
| Material and supplies | 21,512 | 17,768 | 3,744 |
| Other expenditures | 50,377 | 60,454 | (10,077) |
| Travel and training | 8,878 | 7,062 | 1,816 |
| Total human resources | <u>1,033,033</u> | <u>1,043,611</u> | <u>(10,578)</u> |
| Records management | | | |
| Salaries and wages | 94,283 | 94,265 | 18 |
| Fringe benefits | 53,868 | 39,658 | 14,210 |
| Contractual services | 6,056 | 4,832 | 1,224 |
| Material and supplies | 3,987 | 3,835 | 152 |
| Travel and training | 1,329 | 38 | 1,291 |
| Total records management | <u>159,523</u> | <u>142,628</u> | <u>16,895</u> |

(continued)

**SCHEDULE OF GENERAL FUND EXPENDITURES AND OTHER FINANCING USES -
BUDGET AND ACTUAL - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2014**

| | Final Budget Amounts | Actual Amounts | Variance with Final Budget |
|--------------------------------|-------------------------------------|---------------------------|---|
| General government - continued | | | |
| Buildings and grounds | | | |
| Salaries and wages | \$ 492,067 | \$ 470,961 | \$ 21,106 |
| Fringe benefits | 359,859 | 360,232 | (373) |
| Contractual services | 324,923 | 319,709 | 5,214 |
| Material and supplies | 124,037 | 114,841 | 9,196 |
| Travel and training | 1,300 | 269 | 1,031 |
| Equipment | 19,783 | 19,209 | 574 |
| Total building and grounds | <u>1,321,969</u> | <u>1,285,221</u> | <u>36,748</u> |
| Information technology | | | |
| Salaries and wages | 576,176 | 554,077 | 22,099 |
| Fringe benefits | 344,486 | 344,754 | (268) |
| Contractual services | 501,553 | 488,617 | 12,936 |
| Material and supplies | 37,670 | 41,969 | (4,299) |
| Travel and training | 26,150 | 19,375 | 6,775 |
| Equipment | 32,300 | 29,445 | 2,855 |
| Total information technology | <u>1,518,335</u> | <u>1,478,237</u> | <u>40,098</u> |
| Constables | | | |
| Salaries and wages | 111,600 | 108,424 | 3,176 |
| Fringe benefits | 97,341 | 96,166 | 1,175 |
| Contractual services | 21,617 | 20,774 | 843 |
| Material and supplies | 7,409 | 7,325 | 84 |
| Other expenditures | 1,374 | 1,374 | - |
| Total constables | <u>239,341</u> | <u>234,063</u> | <u>5,278</u> |
| Dog control | | | |
| Salaries and wages | 29,137 | 29,113 | 24 |
| Fringe benefits | 27,508 | 27,920 | (412) |
| Contractual services | 679,567 | 679,456 | 111 |
| Material and supplies | 3,348 | 3,228 | 120 |
| Total dog control | <u>739,560</u> | <u>739,717</u> | <u>(157)</u> |
| Total general government | <u>11,508,581</u> | <u>11,458,396</u> | <u>50,185</u> |
| Planning and zoning | | | |
| Salaries and wages | 495,242 | 494,149 | 1,093 |
| Fringe benefits | 395,844 | 391,879 | 3,965 |
| Contractual services | 272,797 | 269,550 | 3,247 |
| Material and supplies | 18,380 | 16,633 | 1,747 |
| Travel and training | 1,105 | 1,105 | - |
| Total planning and zoning | <u>1,183,368</u> | <u>1,173,316</u> | <u>10,052</u> |

(continued)

**SCHEDULE OF GENERAL FUND EXPENDITURES AND OTHER FINANCING USES -
BUDGET AND ACTUAL - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2014**

| | Final Budget Amounts | Actual Amounts | Variance with Final Budget |
|--|-------------------------------------|---------------------------|---|
| Paramedics | | | |
| Salaries and wages | \$ 7,491,177 | \$ 7,481,529 | \$ 9,648 |
| Fringe benefits | 4,804,994 | 4,845,800 | (40,806) |
| Contractual services | 693,698 | 693,568 | 130 |
| Material and supplies | 637,098 | 637,040 | 58 |
| Other expenditures | 5,441 | 5,441 | - |
| Travel and training | 47,610 | 46,125 | 1,485 |
| Equipment | 279,767 | 279,767 | - |
| Total paramedics | <u>13,959,785</u> | <u>13,989,270</u> | <u>(29,485)</u> |
| Emergency preparedness | | | |
| Administration | | | |
| Salaries and Wages | 155,264 | 155,225 | 39 |
| Fringe benefits | 93,316 | 94,504 | (1,188) |
| Contractual services | 211,808 | 181,620 | 30,188 |
| Material and supplies | 78,920 | 114,384 | (35,464) |
| Other expenditures | 3,900 | 3,863 | 37 |
| Travel and training | 1,250 | 743 | 507 |
| Total administration | <u>544,458</u> | <u>550,339</u> | <u>(5,881)</u> |
| Emergency operations center | | | |
| Salaries and wages | 1,307,355 | 1,307,305 | 50 |
| Fringe benefits | 733,946 | 744,665 | (10,719) |
| Contractual services | 148,837 | 121,248 | 27,589 |
| Material and supplies | 19,393 | 11,097 | 8,296 |
| Other expenditures | 51,865 | 43,404 | 8,461 |
| Travel and training | 34,450 | 12,318 | 22,132 |
| Machinery and equipment | 14,210 | 14,210 | - |
| Total emergency operation center | <u>2,310,056</u> | <u>2,254,247</u> | <u>55,809</u> |
| Communication systems | | | |
| Salaries and wages | 196,754 | 191,555 | 5,199 |
| Fringe benefits | 115,047 | 108,996 | 6,051 |
| Contractual services | 38,724 | 28,531 | 10,193 |
| Material and supplies | 68,914 | 52,210 | 16,704 |
| Travel and training | 20 | 17 | 3 |
| Machinery and equipment | 85,239 | 84,135 | 1,104 |
| Total communication systems | <u>504,698</u> | <u>465,444</u> | <u>39,254</u> |
| Local emergency planning community program | | | |
| Salaries and wages | 45,856 | 45,186 | 670 |
| Fringe benefits | 37,338 | 32,890 | 4,448 |
| Contractual services | 1,067 | 1,067 | - |
| Material and supplies | 16 | 16 | - |
| Travel and training | 2,174 | 1,816 | 358 |
| Total local planning community program | <u>86,451</u> | <u>80,975</u> | <u>5,476</u> |
| Total emergency preparedness | <u>3,445,663</u> | <u>3,351,005</u> | <u>94,658</u> |

(continued)

SUSSEX COUNTY, DELAWARE
 SCHEDULE OF GENERAL FUND EXPENDITURES AND OTHER FINANCING USES -
 BUDGET AND ACTUAL - CONTINUED
 FOR THE YEAR ENDED JUNE 30, 2014

-69-

| | <u>Final Budget Amounts</u> | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> |
|----------------------------------|-------------------------------------|---------------------------|---|
| County engineer | | | |
| Administration | | | |
| Salaries and wages | \$ 487,676 | \$ 587,126 | \$ (99,450) |
| Fringe benefits | 364,877 | 471,284 | (106,407) |
| Contractual services | 50,171 | 49,063 | 1,108 |
| Material and supplies | 29,053 | 23,264 | 5,789 |
| Other expenditures | 197,018 | 180,363 | 16,655 |
| Travel and training | 4,020 | 1,394 | 2,626 |
| Equipment | 26,000 | - | 26,000 |
| Total administration | <u>1,158,815</u> | <u>1,312,494</u> | <u>(153,679)</u> |
| Public works | | | |
| Salaries and wages | 389,301 | 384,857 | 4,444 |
| Fringe benefits | 233,305 | 235,891 | (2,586) |
| Contractual services | 28,575 | 19,715 | 8,860 |
| Material and supplies | 16,918 | 15,851 | 1,067 |
| Travel and training | 275 | - | 275 |
| Total public works | <u>668,374</u> | <u>656,314</u> | <u>12,060</u> |
| Total county engineer | <u>1,827,189</u> | <u>1,968,808</u> | <u>(141,619)</u> |
| Library | | | |
| Library administration | 625,267 | 593,683 | 31,584 |
| Library facilities | 1,939,003 | 1,905,867 | 33,136 |
| Local libraries | 1,434,874 | 1,434,874 | - |
| Total library | <u>3,999,144</u> | <u>3,934,424</u> | <u>64,720</u> |
| Economic development and airpark | | | |
| Economic development | | | |
| Salaries and wages | 47,484 | 47,484 | - |
| Fringe benefits | 29,217 | 29,652 | (435) |
| Contractual services | 498 | 498 | - |
| Material and supplies | 1,744 | 1,739 | 5 |
| Travel and training | 85 | 85 | - |
| Total economic development | <u>79,028</u> | <u>79,458</u> | <u>(430)</u> |
| Security | | | |
| Salaries and wages | 278,896 | 272,914 | 5,982 |
| Fringe benefits | 179,352 | 180,878 | (1,526) |
| Contractual services | 2,506 | 2,370 | 136 |
| Material and supplies | 15,623 | 14,814 | 809 |
| Travel and training | 6,787 | 6,777 | 10 |
| Equipment and improvements | 5,075 | 5,075 | - |
| Total security | <u>488,239</u> | <u>482,828</u> | <u>5,411</u> |

(continued)

SUSSEX COUNTY, DELAWARE
 SCHEDULE OF GENERAL FUND EXPENDITURES AND OTHER FINANCING USES -
 BUDGET AND ACTUAL - CONTINUED
 FOR THE YEAR ENDED JUNE 30, 2014

-70-

| | <u>Final Budget Amounts</u> | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> |
|--|-------------------------------------|---------------------------|---|
| Economic development and airpark - continued | | | |
| Airpark | | | |
| Salaries and wages | \$ 228,382 | \$ 227,919 | \$ 463 |
| Fringe benefits | 80,716 | 82,779 | (2,063) |
| Contractual services | 263,912 | 217,437 | 46,475 |
| Material and supplies | 27,312 | 27,079 | 233 |
| Other expenditures | 52,379 | 62,737 | (10,358) |
| Travel and training | 2,573 | 2,535 | 38 |
| Equipment and improvements | 2,100 | 16,612 | (14,512) |
| Total airpark | <u>657,374</u> | <u>637,098</u> | <u>20,276</u> |
| Total economic development and airpark | <u>1,224,641</u> | <u>1,199,384</u> | <u>25,257</u> |
| Community development | | | |
| Salaries and wages | 221,100 | 221,100 | - |
| Fringe benefits | 162,677 | 165,412 | (2,735) |
| Contractual services | 1,708,110 | 1,447,723 | 260,387 |
| Material and supplies | 2,632 | 2,205 | 427 |
| Other expenditures | 7,500 | 2,504 | 4,996 |
| Travel and training | 12,000 | 8,763 | 3,237 |
| Total community development | <u>2,114,019</u> | <u>1,847,707</u> | <u>266,312</u> |
| Grant-in-aid | | | |
| Fire and ambulance grants | 3,297,196 | 3,650,653 | (353,457) |
| Public safety grants | 2,463,387 | 2,462,479 | 908 |
| Environmental grants | 194,606 | 194,606 | - |
| Public assistance grant | 947,166 | 961,061 | (13,895) |
| Library grants | 576,652 | 595,137 | (18,485) |
| Total grant-in-aid | <u>7,479,007</u> | <u>7,863,936</u> | <u>(384,929)</u> |
| Constitutional offices | | | |
| Marriage Bureau | 191,592 | 190,271 | 1,321 |
| Recorder of Deeds | 1,159,142 | 1,075,259 | 83,883 |
| Register of Wills | 535,591 | 520,921 | 14,670 |
| Sheriff | 671,023 | 641,211 | 29,812 |
| Total constitutional offices | <u>2,557,348</u> | <u>2,427,662</u> | <u>129,686</u> |
| Total expenditures | <u>49,298,745</u> | <u>49,213,908</u> | <u>84,837</u> |
| Other financing uses | | | |
| Transfers out | 838,103 | 838,103 | - |
| Total other financing uses | <u>838,103</u> | <u>838,103</u> | <u>-</u> |
| Total expenditures and other financing uses | <u>\$ 50,136,848</u> | <u>\$ 50,052,011</u> | <u>\$ 84,837</u> |

(continued)

CAPITAL PROJECTS FUND

**SCHEDULE OF CAPITAL PROJECTS FUND REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014**

| | Budgeted Amounts | | Actual Amount | Variance with Final Budget |
|--|-------------------------|----------------------|--------------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Intergovernmental | \$ 4,079,250 | \$ 4,079,250 | \$ 6,185,154 | \$ 2,105,904 |
| Miscellaneous revenue | 14,000 | 14,000 | 192,641 | 178,641 |
| Total revenues | <u>4,093,250</u> | <u>4,093,250</u> | <u>6,377,795</u> | <u>2,284,545</u> |
| EXPENDITURES | | | | |
| Capital projects | <u>9,873,020</u> | <u>9,873,020</u> | <u>10,155,503</u> | <u>(282,483)</u> |
| Total expenditures | <u>9,873,020</u> | <u>9,873,020</u> | <u>10,155,503</u> | <u>(282,483)</u> |
| Excess of revenue over (under) Expenditures | <u>(5,779,770)</u> | <u>(5,779,770)</u> | <u>(3,777,708)</u> | <u>2,002,062</u> |
| OTHER FINANCING SOURCES | | | | |
| Appropriated reserves | 5,279,770 | 5,279,770 | - | (5,279,770) |
| Transfers in | <u>500,000</u> | <u>500,000</u> | <u>752,603</u> | <u>252,603</u> |
| Total other financing sources | <u>5,779,770</u> | <u>5,779,770</u> | <u>752,603</u> | <u>(5,027,167)</u> |
| Net change in fund balances | - | - | (3,025,105) | (3,025,105) |
| Fund balances - beginning | <u>11,795,039</u> | <u>11,795,039</u> | <u>11,795,039</u> | <u>-</u> |
| Fund balances - ending | <u>\$ 11,795,039</u> | <u>\$ 11,795,039</u> | <u>\$ 8,769,934</u> | <u>\$ (3,025,105)</u> |



STATISTICAL SECTION



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

| <u>Contents</u> | <u>Pages</u> |
|---|---------------------|
| <p>Financial Trends <i>These schedules contain trend information to help the reader understand how the County's financial performance and well-being have changed over time.</i></p> | 73 - 78 |
| <p>Revenue Capacity <i>These schedules contain information to help the reader assess the factors affecting the County's ability to generate its property taxes.</i></p> | 79 - 82 |
| <p>Debt Capacity <i>These schedules present information to help the reader assess the affordability of the County's current levels of outstanding debt and the County's ability to issue additional debt in the future.</i></p> | 83 - 86 |
| <p>Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the County's financial activities take place and to help make comparisons over time with other governments.</i></p> | 87 - 88 |
| <p>Operating Information <i>These schedules contain information about the County's operations and resources to help the reader understand how the County's financial information relates to the services the County provides and the activities it performs.</i></p> | 89 - 91 |

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

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

| | Fiscal Year | | | | | | | | | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 as restated | 2012 | 2013 as restated | 2014 |
| Governmental activities | | | | | | | | | | |
| Net investment in capital assets | \$ 27,029,978 | \$ 34,140,268 | \$ 43,377,418 | \$ 52,193,513 | \$ 63,679,024 | \$ 65,292,609 | \$ 64,237,068 | \$ 65,497,373 | \$ 69,132,520 | \$ 75,152,173 |
| Restricted | 47,805,783 | 65,642,834 | 72,996,872 | 69,968,855 | 57,250,045 | 60,450,610 | 71,431,919 | 63,990,556 | 56,534,084 | 45,203,773 |
| Unrestricted | 39,791,889 | 37,870,448 | 35,105,979 | 35,242,364 | 44,548,346 | 41,246,130 | 35,996,462 | 45,085,253 | 53,383,613 | 71,405,982 |
| Total governmental activities net position | <u>\$ 114,627,650</u> | <u>\$ 137,653,550</u> | <u>\$ 151,480,269</u> | <u>\$ 157,404,732</u> | <u>\$ 165,477,415</u> | <u>\$ 166,989,349</u> | <u>\$ 171,665,449</u> | <u>\$ 174,573,182</u> | <u>\$ 179,050,217</u> | <u>\$ 191,761,928</u> |
| Business-type activities | | | | | | | | | | |
| Net investment in capital assets | \$ 93,526,220 | \$ 111,947,402 | \$ 150,185,092 | \$ 166,434,682 | \$ 172,029,870 | \$ 176,649,726 | \$ 179,296,736 | \$ 194,995,829 | \$ 202,135,522 | \$ 210,272,555 |
| Restricted | 45,585,060 | 60,903,962 | 81,095,890 | 78,027,750 | 73,884,414 | 68,805,127 | 66,569,442 | 76,634,459 | 43,172,577 | 33,313,218 |
| Unrestricted | 18,923,370 | 22,596,611 | (5,622,038) | 5,367,852 | 13,801,100 | 19,829,075 | 22,997,372 | 17,427,622 | 51,458,144 | 59,305,147 |
| Total business-type activities net position | <u>\$ 158,034,650</u> | <u>\$ 195,447,975</u> | <u>\$ 225,658,944</u> | <u>\$ 249,830,284</u> | <u>\$ 259,715,384</u> | <u>\$ 265,283,928</u> | <u>\$ 268,863,550</u> | <u>\$ 289,057,910</u> | <u>\$ 296,766,243</u> | <u>\$ 302,890,920</u> |
| Primary government | | | | | | | | | | |
| Net investment in capital assets | \$ 120,556,198 | \$ 146,087,670 | \$ 193,562,510 | \$ 218,628,195 | \$ 235,708,894 | \$ 241,942,335 | \$ 243,533,804 | \$ 260,493,202 | \$ 271,268,042 | \$ 285,424,728 |
| Restricted | 93,390,843 | 126,546,796 | 154,092,762 | 147,996,605 | 131,134,459 | 129,255,737 | 138,001,361 | 140,625,015 | 99,706,661 | 78,516,991 |
| Unrestricted | 58,715,259 | 60,467,059 | 29,483,941 | 40,610,216 | 58,349,446 | 61,075,205 | 58,993,834 | 62,512,875 | 104,841,757 | 130,711,129 |
| Total primary government net position | <u>\$ 272,662,300</u> | <u>\$ 333,101,525</u> | <u>\$ 377,139,213</u> | <u>\$ 407,235,016</u> | <u>\$ 425,192,799</u> | <u>\$ 432,273,277</u> | <u>\$ 440,528,999</u> | <u>\$ 463,631,092</u> | <u>\$ 475,816,460</u> | <u>\$ 494,652,848</u> |

- Note: 1. The governmental activities net position balance for fiscal year ending 2011 increased by \$615,000 due to a prior period adjustment.
2. The business-type activities net position balance for fiscal year ending 2011 decreased by \$2,611,623 due to a prior period adjustment.
3. The business-type activities net position balance for fiscal year ending 2013 decreased by \$515,921 due to a prior period adjustment for implementation of GASB 65.

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

| | Fiscal Year | | | | | | | | | |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 as restated | 2012 | 2013 as restated | 2014 |
| Expenses | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| General government | \$ 11,592,273 | \$ 11,293,426 | \$ 13,627,710 | \$ 13,494,301 | \$ 9,578,284 | \$ 9,640,728 | \$ 9,037,273 | \$ 10,024,224 | \$ 9,697,332 | \$ 10,823,928 |
| Grant-in-aid programs | 7,293,058 | 10,255,326 | 9,014,248 | 9,282,188 | 8,134,600 | 6,625,144 | 6,765,994 | 6,618,896 | 8,156,799 | 7,863,936 |
| Planning and zoning | 1,045,230 | 1,208,841 | 1,430,741 | 1,512,879 | 1,289,323 | 1,246,923 | 1,251,258 | 1,202,696 | 1,212,351 | 1,091,112 |
| Paramedic program | 8,467,637 | 9,963,348 | 11,626,354 | 12,802,503 | 12,079,831 | 12,524,387 | 11,515,259 | 12,173,161 | 12,895,383 | 14,302,991 |
| Emergency preparedness | 1,984,888 | 2,263,691 | 2,213,396 | 2,764,937 | 2,661,089 | 2,844,581 | 2,817,992 | 3,165,648 | 3,360,129 | 3,531,682 |
| Economic development and Airpark | 1,130,050 | 1,229,101 | 1,814,525 | 1,552,349 | 1,511,687 | 1,878,717 | 2,136,706 | 2,304,295 | 2,063,146 | 2,145,727 |
| County engineer | 2,025,846 | 3,332,568 | 2,994,201 | 2,713,328 | 2,407,043 | 1,850,683 | 1,683,158 | 1,130,783 | 1,622,080 | 1,721,971 |
| Library | 3,140,156 | 3,354,026 | 3,747,511 | 3,924,788 | 3,880,816 | 3,888,755 | 3,657,643 | 3,787,237 | 3,917,395 | 4,208,141 |
| Community development and housing programs | 1,829,012 | 2,561,943 | 1,959,365 | 1,501,117 | 1,508,755 | 3,308,765 | 2,399,951 | 2,447,571 | 1,782,197 | 1,878,873 |
| Constitutional offices | 2,268,066 | 2,372,219 | 2,486,465 | 2,630,085 | 2,449,069 | 2,315,381 | 2,161,054 | 2,493,630 | 2,429,063 | 2,459,691 |
| Interest on long-term debt | - | - | 3,285 | - | - | - | - | - | - | - |
| Total governmental activities expenses | <u>40,776,216</u> | <u>47,834,489</u> | <u>50,917,801</u> | <u>52,178,475</u> | <u>45,500,497</u> | <u>46,124,064</u> | <u>43,426,288</u> | <u>45,348,141</u> | <u>47,135,875</u> | <u>50,028,052</u> |
| Business-type activities: | | | | | | | | | | |
| Sewer facilities | 21,327,548 | 23,011,584 | 25,102,767 | 26,132,596 | 27,079,247 | 28,355,108 | 27,942,561 | 29,460,133 | 31,485,165 | 32,228,252 |
| Water facilities | 770,503 | 812,592 | 852,902 | 856,120 | 962,162 | 928,222 | 1,016,979 | 1,078,834 | 987,917 | 968,419 |
| Total business-type activities expenses | <u>22,098,051</u> | <u>23,824,176</u> | <u>25,955,669</u> | <u>26,988,716</u> | <u>28,041,409</u> | <u>29,283,330</u> | <u>28,959,540</u> | <u>30,538,967</u> | <u>32,473,082</u> | <u>33,196,671</u> |
| Total primary government expenses | <u>\$ 62,874,267</u> | <u>\$ 71,658,665</u> | <u>\$ 76,873,470</u> | <u>\$ 79,167,191</u> | <u>\$ 73,541,906</u> | <u>\$ 75,407,394</u> | <u>\$ 72,385,828</u> | <u>\$ 75,887,108</u> | <u>\$ 79,608,957</u> | <u>\$ 83,224,723</u> |
| Program Revenues | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| General government | \$ 2,580,027 | \$ 3,007,205 | \$ 2,189,982 | \$ 1,549,000 | \$ 1,307,616 | \$ 1,295,912 | \$ 1,238,309 | \$ 1,202,641 | \$ 1,208,807 | \$ 1,758,562 |
| Planning and zoning | 2,343,693 | 2,782,428 | 2,079,324 | 1,599,688 | 1,098,577 | 1,130,043 | 1,148,591 | 1,242,834 | 1,392,906 | 1,628,932 |
| Emergency preparedness | 26,545 | 27,485 | 24,145 | 17,065 | 17,655 | 16,230 | 15,960 | 17,500 | 17,500 | 17,500 |
| Economic development and public works | 244,526 | 590,635 | 558,097 | 550,558 | 541,885 | 530,310 | 671,314 | 545,324 | 875,302 | 455,017 |
| County engineer | 2,080,536 | 2,681,308 | 1,206,998 | 599,865 | 3,223,485 | 324,623 | 281,451 | 277,841 | 35,607 | 744,238 |
| Library | 20,249 | 25,320 | 26,422 | 25,911 | 26,716 | 19,585 | 25,991 | 28,074 | 553,044 | 35,359 |
| Constitutional offices | 6,684,859 | 6,852,532 | 6,171,154 | 6,356,764 | 6,940,930 | 7,039,506 | 6,808,811 | 9,149,173 | 7,509,071 | 7,205,590 |
| Operating grants and contributions | 6,065,343 | 7,510,097 | 7,599,645 | 6,787,014 | 7,526,184 | 8,494,730 | 7,115,414 | 7,150,788 | 6,971,729 | 6,945,600 |
| Capital grants and contributions | 3,001,477 | 1,166,791 | 1,494,572 | 4,475,526 | 4,727,502 | 1,499,146 | 2,102,681 | 543,802 | 2,949,213 | 6,751,045 |
| Total governmental activities program revenues | <u>23,047,255</u> | <u>24,643,801</u> | <u>21,350,339</u> | <u>21,961,391</u> | <u>25,410,550</u> | <u>20,350,085</u> | <u>19,408,522</u> | <u>20,157,977</u> | <u>21,513,179</u> | <u>25,541,843</u> |

(continued)

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

| | Fiscal Year | | | | | | | | | |
|---|----------------------|----------------------|-----------------------|-----------------------|-----------------------|------------------------|------------------------|-----------------------|------------------------|------------------------|
| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 as restated | 2012 | 2013 as restated | 2014 |
| Business-type activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| Sewer facilities | \$ 12,072,903 | \$ 13,591,594 | \$ 13,357,511 | \$ 13,750,827 | \$ 14,458,789 | \$ 14,530,668 | \$ 15,536,386 | \$ 16,158,500 | \$ 17,229,651 | \$ 18,900,486 |
| Water facilities | 583,889 | 591,991 | 635,186 | 695,038 | 689,335 | 740,686 | 750,785 | 667,476 | 808,246 | 1,240,052 |
| Operating grants and contributions | 18,806,360 | 22,841,920 | 21,060,417 | 21,288,672 | 15,926,530 | 14,449,833 | 9,962,936 | 14,191,817 | 15,752,444 | 15,605,163 |
| Capital grants and contributions | 15,586,276 | 17,112,386 | 17,606,829 | 12,252,630 | 5,226,686 | 4,287,188 | 5,475,117 | 18,766,753 | 5,712,226 | 2,798,600 |
| Total business-type activities program revenues | <u>47,049,428</u> | <u>54,137,891</u> | <u>52,659,943</u> | <u>47,987,167</u> | <u>36,301,340</u> | <u>34,008,375</u> | <u>31,725,224</u> | <u>49,784,546</u> | <u>39,502,567</u> | <u>38,544,301</u> |
| Total primary government program revenues | <u>\$ 65,723,169</u> | <u>\$ 74,357,162</u> | <u>\$ 75,707,198</u> | <u>\$ 72,630,968</u> | <u>\$ 57,651,679</u> | <u>\$ 55,969,766</u> | <u>\$ 57,135,774</u> | <u>\$ 70,134,631</u> | <u>\$ 58,911,089</u> | <u>\$ 64,086,144</u> |
| Net (Expense)/Revenue | | | | | | | | | | |
| Governmental activities | \$ (12,626,734) | \$ (14,316,271) | \$ (29,567,462) | \$ (30,217,084) | \$ (20,089,947) | \$ (30,217,084) | \$ (20,089,947) | \$ (25,190,164) | \$ (25,622,696) | \$ (24,486,209) |
| Business-type activities | 27,013,325 | 34,713,877 | 26,704,274 | 20,998,451 | 10,345,671 | 7,019,659 | 3,683,815 | 19,245,579 | 7,029,485 | 5,347,630 |
| Total primary government net (expense)/revenue | <u>\$ 14,386,591</u> | <u>\$ 20,397,606</u> | <u>\$ (2,863,188)</u> | <u>\$ (9,218,633)</u> | <u>\$ (9,744,276)</u> | <u>\$ (23,197,425)</u> | <u>\$ (16,406,132)</u> | <u>\$ (5,944,585)</u> | <u>\$ (18,593,211)</u> | <u>\$ (19,138,579)</u> |
| General Revenues and Other Changes in Net Position | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Property taxes | \$ 8,161,118 | \$ 10,692,069 | \$ 11,521,348 | \$ 12,315,444 | \$ 12,763,282 | \$ 13,040,252 | \$ 13,843,603 | \$ 13,540,463 | \$ 12,706,792 | \$ 14,110,356 |
| Capitation taxes | 224,294 | 241,699 | 240,030 | 247,041 | 252,741 | 253,785 | 259,229 | - | - | - |
| Fire service taxes | 1,785,613 | 2,093,729 | 1,535,864 | 1,106,321 | 758,837 | 791,472 | 821,702 | 898,335 | 1,041,506 | 1,253,792 |
| Realty transfer taxes | 36,329,843 | 35,269,800 | 27,058,083 | 20,636,949 | 13,621,270 | 13,141,813 | 14,310,725 | 14,282,093 | 17,422,525 | 20,894,160 |
| Unrestricted investment earnings | 1,747,718 | 4,216,741 | 5,829,443 | 4,379,147 | 2,157,202 | 824,259 | 212,684 | 302,903 | (318,529) | 949,002 |
| Transfers | (9,530,548) | (6,297,450) | (2,790,587) | (2,543,355) | (1,390,702) | (765,668) | (754,077) | (925,897) | (752,563) | (9,390) |
| Total governmental activities | <u>38,718,038</u> | <u>46,216,588</u> | <u>43,394,181</u> | <u>36,141,547</u> | <u>28,162,630</u> | <u>27,285,913</u> | <u>28,693,866</u> | <u>28,097,897</u> | <u>30,099,731</u> | <u>37,197,920</u> |
| Business-type activities: | | | | | | | | | | |
| Unrestricted investment earnings | 289,985 | 802,160 | 716,108 | 629,534 | 234,467 | 77,831 | 59,861 | 22,884 | (73,715) | 767,657 |
| Transfers | 9,530,548 | 6,297,450 | 2,790,587 | 2,543,355 | 1,390,702 | 765,668 | 754,077 | 925,897 | 752,563 | 9,390 |
| Total business-type activities | <u>9,820,533</u> | <u>7,099,610</u> | <u>3,506,695</u> | <u>3,172,889</u> | <u>1,625,169</u> | <u>843,499</u> | <u>813,938</u> | <u>948,781</u> | <u>678,848</u> | <u>777,047</u> |
| Total primary government program revenues | <u>\$ 48,538,571</u> | <u>\$ 53,316,198</u> | <u>\$ 46,900,876</u> | <u>\$ 39,314,436</u> | <u>\$ 29,787,799</u> | <u>\$ 28,129,412</u> | <u>\$ 29,507,804</u> | <u>\$ 29,046,678</u> | <u>\$ 30,778,579</u> | <u>\$ 37,974,967</u> |
| Change in Net Position | | | | | | | | | | |
| Governmental activities | \$ 26,091,304 | \$ 31,900,317 | \$ 13,826,719 | \$ 5,924,463 | \$ 8,072,683 | \$ (2,931,171) | \$ 8,603,919 | \$ 2,907,733 | \$ 4,477,035 | \$ 12,711,711 |
| Business-type activities | 36,833,858 | 41,813,487 | 30,210,969 | 24,171,340 | 11,970,840 | 7,863,158 | 4,497,753 | 20,194,360 | 7,708,333 | 6,124,677 |
| Total primary government | <u>\$ 62,925,162</u> | <u>\$ 73,713,804</u> | <u>\$ 44,037,688</u> | <u>\$ 30,095,803</u> | <u>\$ 20,043,523</u> | <u>\$ 4,931,987</u> | <u>\$ 13,101,672</u> | <u>\$ 23,102,093</u> | <u>\$ 12,185,368</u> | <u>\$ 18,836,388</u> |

- Notes:** 1. Airport expenses and charges for services for years 2005 through 2009 are included in economic development and airpark line, due to this department being combined with the industrial park in fiscal year ending June 30, 2010.
2. The governmental activities fund balance for fiscal year ending 2011 increased by \$615,000 due to a prior period adjustment
3. The business-type activities net position balance for fiscal year ending 2011 decreased by \$2,611,623 due to a prior period adjustment
4. The business-type activities net position balance for fiscal year ending 2013 decreased by \$515,921 due to a prior period adjustment for implementation of GASB 65

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

| | Fiscal Year | | | | | | | | | |
|------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
| General Fund | | | | | | | | | | |
| Reserved | \$ 41,702,138 | \$ 56,560,314 | \$ 64,675,385 | \$ 67,436,807 | \$ 61,679,946 | \$ 61,988,419 | \$ - | \$ - | \$ - | \$ - |
| Unreserved | | | | | | | | | | |
| Designated | 14,509,355 | 11,257,954 | 3,859,850 | 2,706,165 | 2,078,768 | 2,413,855 | - | - | - | - |
| Undesignated | 13,957,648 | 13,254,683 | 9,885,684 | 4,955,974 | 9,445,728 | 9,420,145 | - | - | - | - |
| Nonspendable | - | - | - | - | - | - | 140,442 | 96,678 | 106,411 | 106,540 |
| Restricted | - | - | - | - | - | - | 53,084,094 | 47,914,815 | 44,739,045 | 45,203,773 |
| Committed | - | - | - | - | - | - | 598,598 | 837,696 | 1,308,577 | 778,755 |
| Assigned | - | - | - | - | - | - | 6,641,109 | 4,441,378 | 4,044,652 | 7,258,754 |
| Unassigned | - | - | - | - | - | - | 16,839,957 | 24,867,662 | 30,602,046 | 34,229,654 |
| Total general fund | <u>\$ 70,169,141</u> | <u>\$ 81,072,951</u> | <u>\$ 78,420,919</u> | <u>\$ 75,098,946</u> | <u>\$ 73,204,442</u> | <u>\$ 73,822,419</u> | <u>\$ 77,304,200</u> | <u>\$ 78,158,229</u> | <u>\$ 80,800,731</u> | <u>\$ 87,577,476</u> |
| All Other Governmental Funds | | | | | | | | | | |
| Reserved | \$ 12,800,198 | \$ 21,203,720 | \$ 27,760,247 | \$ 27,461,371 | \$ 20,188,022 | \$ 17,815,212 | \$ - | \$ - | \$ - | \$ - |
| Unreserved - Capital Projects | | | | | | | | | | |
| Designated | 5,341,810 | - | - | - | - | - | - | - | - | - |
| Undesignated | - | - | 53,901 | (711,332) | (416,723) | (265,565) | - | - | - | - |
| Restricted | - | - | - | - | - | - | 17,565,595 | 16,075,741 | 11,795,039 | 8,769,934 |
| Unassigned | - | - | - | - | - | - | (10,911) | - | - | - |
| Total all other governmental funds | <u>\$ 18,142,008</u> | <u>\$ 21,203,720</u> | <u>\$ 27,814,148</u> | <u>\$ 26,750,039</u> | <u>\$ 19,771,299</u> | <u>\$ 17,549,647</u> | <u>\$ 17,554,684</u> | <u>\$ 16,075,741</u> | <u>\$ 11,795,039</u> | <u>\$ 8,769,934</u> |

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

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

| | Fiscal Year | | | | | | | | | |
|--|---------------------|---------------------|--------------------|----------------------|----------------------|----------------------|--------------------|--------------------|----------------------|--------------------|
| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
| Revenues | | | | | | | | | | |
| Taxes | \$46,489,369 | \$48,235,257 | \$40,296,411 | \$34,242,130 | \$27,291,166 | \$27,147,412 | \$28,563,428 | \$28,759,847 | \$31,206,399 | \$36,190,956 |
| Intergovernmental | 7,572,581 | 6,906,650 | 8,341,011 | 9,715,239 | 11,177,316 | 8,933,970 | 7,543,959 | 6,861,928 | 8,219,487 | 13,675,053 |
| Charges for services | 14,309,619 | 16,295,120 | 12,310,437 | 10,719,989 | 10,325,117 | 10,386,570 | 10,318,704 | 12,821,849 | 11,782,244 | 12,131,800 |
| Fines and forfeits | 22,197 | 29,195 | 25,607 | 24,593 | 23,971 | 20,225 | 26,170 | 28,074 | 23,179 | 21,727 |
| Miscellaneous | 2,634,424 | 5,300,742 | 6,847,662 | 5,800,939 | 3,638,590 | 1,548,279 | 852,202 | 553,073 | (102,807) | 1,380,905 |
| Total revenues | <u>71,028,190</u> | <u>76,766,964</u> | <u>67,821,128</u> | <u>60,502,890</u> | <u>52,456,160</u> | <u>48,036,456</u> | <u>47,304,463</u> | <u>49,024,771</u> | <u>51,128,502</u> | <u>63,400,441</u> |
| Expenditures | | | | | | | | | | |
| General government | 11,162,849 | 13,653,314 | 13,944,902 | 14,587,416 | 12,109,120 | 10,356,155 | 9,471,349 | 11,897,318 | 10,325,453 | 11,458,396 |
| Grant-in-aid programs | 7,293,058 | 10,255,326 | 9,414,248 | 9,282,188 | 8,284,600 | 6,625,144 | 6,765,994 | 6,618,896 | 8,156,799 | 7,863,936 |
| Planning and zoning | 1,034,333 | 1,194,608 | 1,460,495 | 1,524,715 | 1,279,394 | 1,233,292 | 1,239,740 | 1,190,358 | 1,239,222 | 1,173,316 |
| Paramedic program | 8,603,643 | 10,196,835 | 11,961,544 | 13,213,202 | 12,520,985 | 12,272,121 | 11,274,004 | 12,073,309 | 12,426,866 | 13,989,270 |
| Emergency preparedness | 1,758,753 | 2,053,559 | 2,188,091 | 2,585,285 | 2,305,965 | 2,467,390 | 2,425,889 | 2,703,131 | 2,944,307 | 3,351,005 |
| Economic development and airpark | 768,054 | 925,222 | 986,140 | 922,685 | 913,528 | 908,510 | 1,200,621 | 1,156,267 | 1,198,076 | 1,199,384 |
| County engineer | 2,237,346 | 3,010,396 | 2,952,789 | 2,704,747 | 2,391,805 | 1,874,153 | 1,689,824 | 1,608,213 | 1,608,136 | 1,968,808 |
| Library | 3,102,598 | 3,267,209 | 3,681,719 | 3,871,076 | 3,709,309 | 3,725,242 | 3,483,833 | 3,576,348 | 3,747,165 | 3,934,424 |
| Community development and housing programs | 1,831,004 | 2,563,573 | 1,965,771 | 1,501,809 | 1,509,447 | 3,308,909 | 2,394,101 | 2,544,468 | 1,749,543 | 1,847,707 |
| Constitutional offices | 2,307,731 | 2,387,371 | 2,500,483 | 2,685,563 | 2,442,663 | 2,315,419 | 2,137,974 | 2,485,535 | 2,479,689 | 2,427,662 |
| Capital projects | 5,948,148 | 7,040,918 | 10,126,509 | 9,535,878 | 12,477,328 | 3,788,128 | 980,239 | 2,869,945 | 6,408,883 | 10,155,503 |
| Total expenditures | <u>46,047,517</u> | <u>56,548,331</u> | <u>61,182,691</u> | <u>62,414,564</u> | <u>59,944,144</u> | <u>48,874,463</u> | <u>43,063,568</u> | <u>48,723,788</u> | <u>52,284,139</u> | <u>59,369,411</u> |
| Excess of revenues over (under) expenditures | <u>24,980,673</u> | <u>20,218,633</u> | <u>6,638,437</u> | <u>(1,911,674)</u> | <u>(7,487,984)</u> | <u>(838,007)</u> | <u>4,240,895</u> | <u>300,983</u> | <u>(1,155,637)</u> | <u>4,031,030</u> |
| Other Financing Sources (Uses) | | | | | | | | | | |
| Issuance of debt | 94,054 | 44,339 | 110,546 | 68,947 | 5,442 | - | - | - | - | - |
| Transfers in | 7,338,247 | 8,921,148 | 13,914,628 | 4,301,295 | 166,082 | 54,213 | 55,151 | 53,891 | 53,966 | 828,713 |
| Transfers out | (16,868,795) | (15,218,598) | (16,705,215) | (6,844,650) | (1,556,784) | (819,881) | (809,228) | (979,788) | (806,529) | (838,103) |
| Total other financing sources (uses) | <u>(9,436,494)</u> | <u>(6,253,111)</u> | <u>(2,680,041)</u> | <u>(2,474,408)</u> | <u>(1,385,260)</u> | <u>(765,668)</u> | <u>(754,077)</u> | <u>(925,897)</u> | <u>(752,563)</u> | <u>(9,390)</u> |
| Net change in fund balances | <u>\$15,544,179</u> | <u>\$13,965,522</u> | <u>\$3,958,396</u> | <u>\$(4,386,082)</u> | <u>\$(8,873,244)</u> | <u>\$(1,603,675)</u> | <u>\$3,486,818</u> | <u>\$(624,914)</u> | <u>\$(1,908,200)</u> | <u>\$4,021,640</u> |
| Debt service as a percentage of noncapital expenditures | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |

Note: Airport expenses and charges for services for years 2005 through 2009 are included in economic development and airpark line, due to this department being combined with the industrial park in fiscal year ending June 30, 2010.

**SCHEDULE OF REVENUE AND EXPENDITURES AND OTHER FINANCING SOURCES AND USES
FOR THE THIRTY-SEVEN YEARS THROUGH JUNE 30, 2014**

| Year Ended | Total Revenues and Other Financing Sources | Total Expenditures and Other Financing Uses | Revenues Over (Under) Expenditures |
|-------------------|---|--|---|
| June 30, 1978 | \$ 3,017,587 | \$ 2,944,327 | \$ 73,260 |
| June 30, 1979 | 3,211,534 | 3,327,193 | (115,659) |
| June 30, 1980 | 3,412,108 | 4,030,506 | (618,398) |
| June 30, 1981 | 4,132,559 | 4,514,093 | (381,534) |
| June 30, 1982 | 5,396,279 | 5,353,716 | 42,563 |
| June 30, 1983 | 5,960,285 | 5,575,652 | 384,633 |
| June 30, 1984 | 7,368,435 | 6,505,440 | 862,995 |
| June 30, 1985 | 7,195,223 | 7,062,005 | 133,218 |
| June 30, 1986 | 8,092,891 | 7,332,618 | 760,273 |
| June 30, 1987 | 8,083,881 | 8,223,857 | (139,976) |
| June 30, 1988 | 8,747,945 | 8,038,906 | 709,039 |
| June 30, 1989 | 8,785,091 | 8,498,335 | 286,756 |
| June 30, 1990 | 9,450,906 | 9,813,082 | (362,176) |
| June 30, 1991 | 11,194,437 | 10,849,623 | 344,814 |
| June 30, 1992 | 13,638,160 | 12,496,815 | 1,141,345 |
| June 30, 1993 | 15,702,048 | 14,788,446 | 913,602 |
| June 30, 1994 | 17,400,655 | 15,609,340 | 1,791,315 |
| June 30, 1995 | 18,691,048 | 16,649,804 | 2,041,244 |
| June 30, 1996 | 19,839,629 | 18,335,025 | 1,504,604 |
| June 30, 1997 | 20,657,168 | 18,887,201 | 1,769,967 |
| June 30, 1998 | 22,748,561 | 19,577,032 | 3,171,529 |
| June 30, 1999 | 27,986,124 | 21,058,512 | 6,927,612 |
| June 30, 2000 | 31,943,432 | 27,905,314 | 4,038,118 |
| June 30, 2001 | 33,372,782 | 30,856,476 | 2,516,306 |
| June 30, 2002 | 40,317,598 | 34,062,609 | 6,254,989 |
| June 30, 2003 | 47,788,332 | 35,256,669 | 12,531,663 |
| June 30, 2004 | 59,473,814 | 48,051,724 | 11,422,090 |
| June 30, 2005 | 68,771,872 | 56,968,164 | 11,803,708 |
| June 30, 2006 | 75,629,821 | 64,726,011 | 10,903,810 |
| June 30, 2007 | 65,109,365 | 67,761,397 | (2,652,032) |
| June 30, 2008 | 56,401,363 | 59,723,336 | (3,321,973) |
| June 30, 2009 | 47,129,096 | 49,023,600 | (1,894,504) |
| June 30, 2010 | 46,524,193 | 45,906,216 | 617,977 |
| June 30, 2011 | 46,374,338 | 42,892,557 | 3,481,781 |
| June 30, 2012 | 47,687,660 | 46,833,631 | 854,029 |
| June 30, 2013 | 49,054,287 | 46,681,785 | 2,372,502 |
| June 30, 2014 | 57,098,756 | 50,052,011 | 7,046,745 |

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

| Fiscal Year | Residential Property | Business | Agriculture Property | Trailer | Other | Less: Tax - Exempt Property | Total Taxable Assessed Value | Total Direct Tax Rate | Estimated Actual Taxable Value | Taxable Assessed Value as a Percentage of Actual Taxable Value |
|--------------------|-----------------------------|-----------------|-----------------------------|----------------|----------------|------------------------------------|-------------------------------------|------------------------------|---------------------------------------|---|
| 2005 | \$1,668,856,812 | \$ 349,668,986 | \$109,717,513 | \$ 107,313,408 | \$ 189,749,972 | \$215,012,079 | \$2,210,294,612 | \$0.445 | \$ 31,575,637,314 | 7.0% |
| 2006 | 1,788,672,680 | 358,027,255 | 111,038,978 | 112,213,158 | 191,692,422 | 216,246,316 | 2,345,398,177 | 0.445 | 36,083,048,877 | 6.5% |
| 2007 | 1,942,430,139 | 367,785,080 | 113,725,678 | 111,714,076 | 202,949,661 | 218,117,769 | 2,520,486,865 | 0.445 | 39,630,296,619 | 6.4% |
| 2008 | 2,101,384,126 | 406,044,024 | 115,469,649 | 113,419,034 | 200,009,962 | 222,961,073 | 2,713,365,722 | 0.445 | 39,424,140,899 | 6.9% |
| 2009 | 2,197,966,019 | 418,057,225 | 116,526,199 | 113,690,921 | 208,199,836 | 230,109,902 | 2,824,330,298 | 0.445 | 36,537,261,294 | 7.7% |
| 2010 | 2,250,982,140 | 433,413,708 | 117,458,414 | 113,085,347 | 216,129,487 | 238,465,723 | 2,892,603,373 | 0.445 | 34,791,957,818 | 8.3% |
| 2011 | 2,298,908,548 | 422,542,584 | 117,910,978 | 112,535,610 | 218,265,711 | 239,297,617 | 2,930,865,814 | 0.445 | 34,159,275,221 | 8.6% |
| 2012 | 2,359,822,403 | 426,432,740 | 116,547,528 | 113,228,365 | 222,019,046 | 241,807,940 | 2,996,242,142 | 0.445 | 33,402,922,430 | 9.0% |
| 2013 | 2,406,619,888 | 422,465,283 | 117,246,528 | 113,008,160 | 226,056,896 | 244,977,619 | 3,040,419,136 | 0.445 | 33,411,199,291 | 9.1% |
| 2014 | 2,450,287,060 | 427,920,126 | 117,594,308 | 112,225,430 | 224,673,246 | 225,892,895 | 3,106,807,275 | 0.445 | 34,907,946,910 | 8.9% |

Notes:

1. Assessed values reflect the values utilized for initial property tax billings for each fiscal year, which are based on the June 30 assessments.
2. Real property is appraised based on 1973 market values.
3. The assessed value is 50% of the appraised value.
4. Assessed value ratio estimates were developed by the University of Delaware.
5. Assessed values are based on taxable assessments.

Sources: Sussex County Assessment Division and University of Delaware.

**SUSSEX COUNTY, DELAWARE
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN YEARS**

| | Year Taxes Are Payable | | | | | | | | | |
|-------------------------|------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
| County Direct | | | | | | | | | | |
| County Tax | \$ 0.4017 | \$ 0.4017 | \$ 0.3983 | \$ 0.3983 | \$ 0.3983 | \$ 0.3983 | \$ 0.3983 | \$ 0.3983 | \$ 0.3983 | \$ 0.3983 |
| Library | 0.0433 | 0.0433 | 0.0467 | 0.0467 | 0.0467 | 0.0467 | 0.0467 | 0.0467 | 0.0467 | 0.0467 |
| Total direct rate | 0.4450 | 0.4450 | 0.4450 | 0.4450 | 0.4450 | 0.4450 | 0.4450 | 0.4450 | 0.4450 | 0.4450 |
| School Districts | | | | | | | | | | |
| Cape Henlopen | 2.2360 | 2.9980 | 2.9980 | 2.8770 | 2.6660 | 2.5670 | 2.5670 | 2.5670 | 2.9770 | 2.9770 |
| Delmar | 3.2000 | 3.2000 | 3.1500 | 3.1500 | 3.1400 | 3.1200 | 3.1200 | 3.3100 | 3.7574 | 3.8094 |
| Indian River (3) | 2.2400 | 2.4470 | 2.5450 | 2.4750 | 2.5550 | 2.5700 | 2.5700 | 2.6250 | 2.6230 | 2.7430 |
| Laurel | 2.3900 | 2.3900 | 2.3900 | 2.3900 | 2.4900 | 2.4900 | 2.4900 | 2.9810 | 3.6050 | 3.5890 |
| Milford | 3.2897 | 3.3978 | 3.5468 | 3.5803 | 3.5101 | 3.6986 | 3.6986 | 3.6304 | 3.4659 | 3.5870 |
| Seaford | 2.5800 | 3.2300 | 3.2300 | 3.2300 | 3.2300 | 3.2900 | 3.2900 | 3.3200 | 3.3200 | 3.3600 |
| Woodbridge | 2.9990 | 3.3280 | 3.2950 | 3.2950 | 3.2850 | 3.2810 | 3.2810 | 3.4820 | 3.7240 | 3.6900 |
| Vo-Tech | 0.2293 | 0.2269 | 0.2363 | 0.2480 | 0.2676 | 0.2666 | 0.2666 | 0.2737 | 0.2811 | 0.2599 |
| Town Rates (2) | | | | | | | | | | |
| Bethany Beach | 0.0800 | 0.0800 | 0.1600 | 0.1600 | 0.1650 | 0.1650 | 0.1650 | 0.1700 | 0.1700 | 0.1750 |
| Bethel | 0.4000 | 0.4000 | 0.4000 | 0.4000 | 0.4000 | 0.4000 | 0.4000 | 0.4000 | 0.4000 | 0.4000 |
| Blades | 1.4000 | 1.4000 | 1.4000 | 1.4000 | 1.4000 | 1.4000 | 1.4000 | 1.4000 | 0.7000 | 0.7000 |
| Bridgeville | 1.8300 | 1.7300 | 1.7300 | 1.7300 | 1.7300 | 2.0000 | 2.0000 | 2.0000 | 2.0000 | 2.4000 |
| Dagsboro | 0.3800 | 0.3800 | 0.3800 | 0.3800 | 0.3800 | 0.3800 | 0.3800 | 0.3800 | 0.5600 | 0.5600 |
| Delmar | 1.3100 | 1.3100 | 1.3100 | 0.4000 | 0.5000 | 0.5000 | 0.5000 | 0.5000 | 0.5200 | 0.5200 |
| Dewey Beach | 0.4000 | 0.4000 | 0.4000 | 0.4000 | 0.4000 | 0.4000 | 0.4000 | 0.4000 | 0.4000 | 0.4000 |
| Ellendale | 1.0000 | 1.0000 | 1.0000 | 1.0000 | 1.0000 | 1.0000 | 1.0000 | 1.0000 | 1.5000 | 1.5000 |
| Fenwick Island | 1.6000 | 1.9200 | 1.9200 | 1.9200 | 1.9200 | 1.9200 | 1.9200 | 1.9200 | 1.9200 | 1.9200 |
| Frankford | 1.7500 | 1.7500 | 1.9500 | 2.0500 | 2.2000 | 2.5000 | 2.5000 | 2.5000 | 2.5000 | 2.5000 |
| Georgetown | 2.4500 | 2.5300 | 2.5300 | 2.5300 | 2.5300 | 2.9300 | 3.1400 | 3.1400 | 3.1400 | 3.1700 |
| Greenwood | 1.0000 | 1.2000 | 1.4000 | 1.7000 | 1.7000 | 1.8000 | 1.8000 | 1.8000 | 1.8000 | 1.8000 |
| Henlopen Acres | 1.8800 | 1.8800 | 1.8800 | 1.8800 | 2.1700 | 2.1700 | 2.1700 | 2.6200 | 2.6200 | 2.6200 |
| Laurel | 1.9100 | 1.9100 | 1.9100 | 1.9100 | 1.9100 | 2.0800 | 2.0800 | 2.2000 | 2.2900 | 2.2900 |
| Lewes | 0.3900 | 0.3900 | 0.3900 | 0.3900 | 0.4900 | 0.4900 | 0.5700 | 0.5700 | 0.5700 | 0.5700 |
| Milford | 0.4100 | 0.4100 | 0.4100 | 0.4600 | 0.4600 | 0.4600 | 0.4600 | 0.4600 | 0.4600 | 0.4600 |
| Millsboro | 0.4600 | 0.5100 | 0.5100 | 0.5100 | 0.5100 | 0.5600 | 0.5600 | 0.5600 | 0.5600 | 0.5600 |
| Millville | 0.2000 | 0.2000 | 0.2000 | 0.5000 | 0.5000 | 0.5000 | 0.5000 | 0.5000 | 0.5000 | 0.5000 |
| Milton | 0.4100 | 0.4100 | 0.4100 | 0.4100 | 0.4100 | 0.1800 | 0.1800 | 0.2160 | 0.2160 | 0.2160 |
| Ocean View | 0.5000 | 0.5000 | 0.0981 | 0.0981 | 0.1059 | 0.1144 | 0.1230 | 0.1588 | 0.1588 | 0.1620 |
| Rehoboth Beach | 1.4000 | 1.5500 | 1.5500 | 1.5500 | 1.5500 | 1.5500 | 1.7800 | 1.7800 | 1.7800 | 0.0400 |
| Seaford | 0.5200 | 0.5700 | 0.5700 | 0.2650 | 0.2800 | 0.2900 | 0.2900 | 0.3000 | 0.3100 | 0.3100 |
| Selbyville | 1.8500 | 1.8500 | 1.8500 | 1.8500 | 1.8500 | 1.8500 | 1.8500 | 1.8500 | 1.8500 | 1.8500 |
| Slaughter Beach | 0.5000 | 0.5000 | 0.5000 | 0.5000 | 0.5000 | 0.7500 | 0.7500 | 0.7500 | 0.7500 | 0.7500 |
| South Bethany | 0.6500 | 0.6500 | 0.6500 | 0.6500 | 1.3000 | 1.3000 | 1.3000 | 1.3000 | 1.3000 | 1.3000 |

Notes:

1. The above rates are per \$100 of assessed value.
2. The town rate shown for Bethany Beach, Blades, Dagsboro, Delmar, Lewes, Milford, Millsboro, Milton, Ocean View, Rehoboth Beach, and Seaford are based on assessments established by the individual towns. The other town rates are based on County assessments.
3. The Indian River School District charged \$2.289 for non-residential properties in fiscal year 2005

Sources: The Sussex County Department of Finance, Treasury Division, University of Delaware and various Sussex County Towns' offices.

**SUSSEX COUNTY, DELAWARE
 PRINCIPAL PROPERTY TAX PAYERS
 CURRENT YEAR AND NINE YEARS AGO**

| Taxpayer | Fiscal Year 2014 | | | Fiscal Year 2005 | | |
|----------------------------------|-----------------------------------|-------------|---|-----------------------------------|-------------|---|
| | Taxable Assessed Valuation | Rank | Percentage of Total Assessed Valuation | Taxable Assessed Valuation | Rank | Percentage of Total Assessed Valuation |
| Verizon | \$ 40,016,875 | 1 | 1.29% | \$ 35,639,325 | 1 | 1.61% |
| Delmarva Power & Light Co. | 29,548,954 | 2 | 0.96 | 20,262,571 | 2 | 0.92 |
| Indian River Power LLC | 12,786,471 | 3 | 0.41 | 12,737,071 | 3 | 0.58 |
| Eastern Shore Natural Gas Co. | 9,254,400 | 4 | 0.30 | 3,208,577 | 9 | 0.15 |
| E. I. duPont de Nemours Company | 6,827,200 | 5 | 0.22 | 9,261,400 | 4 | 0.42 |
| Chesapeake Utilities Corporation | 5,767,165 | 6 | 0.19 | 3,240,411 | 8 | 0.15 |
| Delaware Electric Cooperative, | 5,344,578 | 7 | 0.17 | 4,393,881 | 5 | 0.20 |
| Mountaire Farms of Delaware, | 4,012,150 | 8 | 0.13 | 4,351,900 | 6 | 0.20 |
| Millsboro Town Center LLC | 3,794,800 | 9 | 0.12 | - | - | - |
| Allen Harim Farms LLC | 3,545,850 | 10 | 0.11 | - | - | - |
| Carl M. Freeman Associates, Inc. | - | - | - | 3,309,350 | 7 | 0.15 |
| M & T Bank | - | - | - | 3,135,800 | 10 | 0.14 |
| | <u>\$120,898,443</u> | | <u>3.90%</u> | <u>\$ 99,540,286</u> | | <u>4.52%</u> |

Sources: Sussex County Government Data Processing and Assessment Departments, Georgetown, Delaware.

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

| Fiscal Year | Taxes Levied for Fiscal Year (Original Levy) | | Total Adjusted Tax Levy | Collected within the Fiscal Year of the Levy | | Collections in Subsequent Years | Total Collections to Date | |
|-------------|--|------------|-------------------------|--|-----------------|---------------------------------|---------------------------|-----------------------------|
| | Adjustments | | | Current Tax Collections | Percent of Levy | | Amount | Percentage of Adjusted Levy |
| 2005 | \$ 8,161,305 | \$ 120,699 | \$ 8,282,004 | \$ 8,014,809 | 96.8% | \$ 242,879 | \$ 8,257,688 | 99.6% |
| 2006 | 10,686,666 | 175,555 | 10,862,221 | 10,584,949 | 97.4 | 247,308 | 10,832,257 | 99.7 |
| 2007 | 11,468,314 | 217,171 | 11,685,485 | 11,403,418 | 97.6 | 246,134 | 11,649,552 | 99.6 |
| 2008 | 12,329,504 | 140,690 | 12,470,194 | 12,206,827 | 97.9 | 250,397 | 12,457,224 | 99.6 |
| 2009 | 12,827,188 | 85,976 | 12,913,164 | 12,580,435 | 97.4 | 279,016 | 12,859,451 | 99.5 |
| 2010 | 13,134,779 | 56,957 | 13,191,736 | 12,842,730 | 97.4 | 277,163 | 13,119,893 | 99.3 |
| 2011 | 13,307,922 | 62,530 | 13,370,452 | 13,034,973 | 97.5 | 248,703 | 13,283,676 | 99.1 |
| 2012 | 13,333,291 | 64,275 | 13,397,566 | 13,129,170 | 98.0 | 162,151 | 13,291,321 | 99.0 |
| 2013 | 12,522,798 | 63,224 | 12,586,022 | 12,314,220 | 97.8 | 117,915 | 12,314,220 | 97.8 |
| 2014 | 13,751,888 | 24,327 | 13,776,215 | 13,505,584 | 98.0 | - | 13,505,584 | 98.0 |

Notes:

1. Total tax levy includes initial annual levy plus quarterly supplemental additions.
2. The property tax levy for fiscal year 2005 is shown net of \$ 1,922,507 credit applied to eligible taxpayers under the 25% property tax credit program.
3. The property tax levy for fiscal year 2013 is shown net of \$1,007,067 credit applied to eligible taxpayers based on .0035% of property assessment value.

Source: Sussex County Treasury Division.

SUSSEX COUNTY, DELAWARE
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

| Fiscal Year | Governmental Activities | | Business-Type Activities | | Total Primary Government | Percentage of Personal Income | Per Capita |
|--------------------|--------------------------------|---------------------------------|---------------------------------|--|---------------------------------|--------------------------------------|-------------------|
| | Capital Leases | General Obligation Bonds | Sewer Revenue Bonds | | | | |
| 2005 | \$ 259,744 | \$119,088,672 | \$28,072,022 | | \$ 147,420,438 | 2.79% | \$ 838 |
| 2006 | 181,346 | 131,143,301 | 26,926,565 | | 158,251,212 | 2.80 | 878 |
| 2007 | 165,271 | 132,717,532 | 25,473,714 | | 158,356,517 | 2.64 | 862 |
| 2008 | 136,587 | 135,651,951 | 23,983,931 | | 159,772,469 | 2.49 | 847 |
| 2009 | 72,862 | 137,744,448 | 22,453,203 | | 160,270,513 | 2.41 | 835 |
| 2010 | 17,987 | 143,660,628 | 20,892,734 | | 164,571,349 | 2.41 | 835 |
| 2011 | - | 170,158,954 | 19,284,788 | | 189,443,742 | 2.70 | 944 |
| 2012 | - | 159,993,470 | 17,643,028 | | 177,636,498 | 2.32 | 873 |
| 2013 | - | 172,319,678 | - | | 172,319,678 | * | 834 |
| 2014 | - | 159,460,288 | - | | 159,460,288 | * | * |

Note: The personal income and population data information is presented on the demographic and economic

* Figures not available

SUSSEX COUNTY, DELAWARE
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
JUNE 30, 2014

| <u>Governmental Unit</u> | <u>Debt Outstanding</u> | <u>Estimated Percentage Applicable</u> | <u>Estimated Share of Direct and Overlapping Debt</u> |
|--|-------------------------|--|---|
| School Districts: | | | |
| Cape Henlopen | \$ 26,844,142 | 100% | \$ 26,844,142 |
| Delmar | 1,512,875 | 100% | 1,512,875 |
| Howard T Ennis, Sr. | 593,000 | 100% | 593,000 |
| Indian River | 27,512,440 | 100% | 27,512,440 |
| Laurel | 22,580,910 | 100% | 22,580,910 |
| Milford | 14,059,775 | 59% | 8,295,267 |
| Seaford | 13,020,525 | 100% | 13,020,525 |
| Sussex Tech | 11,103,305 | 100% | 11,103,305 |
| Woodbridge | 16,388,030 | 99% | 16,224,150 |
| Total School Districts | | | <u>127,686,614</u> |
| Municipalities: | | | |
| Milford | 109,980 | 59% | 64,888 |
| Rehoboth Beach | * | 100% | * |
| Seaford | 1,698,149 | 100% | 1,698,149 |
| Total Municipalities | | | <u>1,763,037</u> |
| Subtotal, overlapping debt | | | 129,449,651 |
| County direct debt | | | - |
| Total direct and overlapping debt | | | <u>\$ 129,449,651</u> |

Notes: 1. This report includes general obligation debt. It does not include revenue bonds or short-term debt.
2. Sussex County does not have any governmental activity general bonded debt.

Sources: Sussex County Department of Finance, Delaware State Treasurer's Office, and Sussex County Towns.

* Data not available from the City of Rehoboth

SUSSEX COUNTY, DELAWARE
RATIOS OF GENERAL BONDED DEBT OUTSTANDING AND LEGAL DEBT MARGIN
LAST TEN FISCAL YEARS

| | Fiscal Year | | | | | | | | | |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
| General obligation bonds | \$ 119,088,672 | \$ 131,143,301 | \$ 132,717,532 | \$ 135,651,951 | \$ 137,744,448 | \$ 143,660,628 | \$ 170,158,954 | \$ 159,993,470 | \$ 172,319,678 | \$ 159,460,288 |
| Percentage of estimated actual property value | 0.38% | 0.37% | 0.34% | 0.35% | 0.35% | 0.41% | 0.50% | 0.47% | 0.50% | 0.47% |
| Per capita | \$ 677 | \$ 727 | \$ 722 | \$ 719 | \$ 717 | \$ 729 | \$ 848 | \$ 787 | \$ 834 | * |
| Total net debt applicable to debt limit | 119,088,672 | 131,143,301 | 132,717,532 | 135,651,951 | 137,744,448 | 143,660,628 | 170,158,954 | 159,993,470 | 172,319,678 | 159,460,288 |
| Legal debt limit | 283,050,019 | 303,961,496 | 302,316,074 | 339,750,295 | 347,637,021 | 352,113,820 | 359,533,606 | 364,850,297 | 370,830,620 | 377,449,813 |
| Legal debt margin | \$ 163,961,347 | \$ 172,818,195 | \$ 169,598,542 | \$ 204,098,344 | \$ 209,892,573 | \$ 208,453,192 | \$ 189,374,652 | \$ 204,856,827 | \$ 198,510,942 | \$ 217,989,525 |
| Total net debt applicable to the limit as a percentage of debt limit | 42.07% | 43.14% | 43.90% | 39.93% | 39.62% | 40.80% | 47.33% | 43.85% | 46.47% | 42.25% |

Legal debt margin calculation for fiscal year 2014

| | |
|------------------------------------|------------------|
| Assessed value | \$ 3,145,415,109 |
| Debt limit (12% of assessed value) | 377,449,813 |
| Total net debt applicable to limit | 159,460,288 |
| Legal debt margin | \$ 217,989,525 |

- Notes:**
1. The statutory limitation for debt is 12% of the assessed value of taxable property as of June 30, 2014.
 2. The personal income and population data information is presented on the demographic and economic statistics schedule.
 3. Sussex County does not have any governmental activity general bonded debt.

Source: Sussex County Assessment Division.
* Figures not available

**SUSSEX COUNTY, DELAWARE
 PLEDGED-REVENUE COVERAGE
 LAST TEN FISCAL YEARS**

| Fiscal Year | Sewer Revenue Bonds | | | | | Coverage |
|----------------|-------------------------------|--------------------------------|-----------------------------|--------------|--------------|----------|
| | Utility Service Charges | Less: Operating Expenses | Net Available Revenue | Debt Service | | |
| | | | | Principal | Interest | |
| 2005 | \$ 10,799,139 | \$ 1,985,003 | \$ 8,814,136 | \$ 1,282,109 | \$ 1,175,703 | 3.59 |
| 2006 | 13,550,763 | 2,140,366 | 11,410,397 | 1,293,972 | 991,553 | 4.99 |
| 2007 | 11,272,131 | 2,804,306 | 8,467,825 | 1,455,446 | 860,325 | 3.66 |
| 2008 | 11,999,456 | 2,743,615 | 9,255,841 | 1,492,378 | 825,293 | 3.99 |
| 2009 | 10,416,204 | 2,899,406 | 7,516,798 | 1,529,488 | 789,210 | 3.24 |
| 2010 | 9,406,784 | 3,068,983 | 6,337,801 | 1,561,781 | 752,067 | 2.74 |
| 2011 | 9,372,308 | 2,858,014 | 6,514,294 | 1,609,258 | 712,214 | 2.81 |
| 2012 | 9,972,970 | 2,769,722 | 7,203,248 | 1,646,921 | 670,863 | 3.11 |
| 2013 | 10,044,481 | 2,645,099 | 7,399,382 | 1,689,775 | 628,384 | 3.19 |
| 2014 | - | - | - | - | - | 0.00 |

Notes:

1. Operating expenses do not include depreciation or interest expense, as per the bond indenture.
2. Utility service charges do not include capitalization fees, or capital contributions.
3. Debt service requirement reflects minimum amounts due for revenue bonds. It does not include any debt service amounts for additional bonds which are paid from district funds and are general obligation bonds. It does not include accrued interest. It does not include interest capitalized prior to the initial date of operations, December 29, 1995.
4. The coverage requirement per Bond resolutions is 1.25.
5. In April 1994, the County issued \$ 19,000,000 in revenue bonds which were advance refunded in December 1995 by revenue bonds totaling \$ 20,825,000. In 2006 the County refinanced the December 1995 issue for the Series 2005 revenue bond issue for \$ 18,500,000.
6. In April 1994, the County issued \$ 13,000,000 and \$ 4,000,000 in revenue bonds to the State of Delaware program. Debt service for these SRF bonds is based on level debt service payments.
7. The West Rehoboth system was under construction during fiscal year 1993, 1994 and 1995 and was placed in service on December 29, 1995. Receipt of revenues began during fiscal year 1996. Debt service paid prior to then was paid from capital funding. Interest was capitalized until fiscal year 1996.
8. In April 2013, Series 2005 revenue bonds were paid off and Subordinated Obligations have been released due to obligation pay off.
9. The following revenue bond issues are included here as part of the debt service requirements:

| | <u>Issuance Amount</u> |
|--|------------------------|
| a. Series 2005 revenue bonds | \$ 18,500,000 |
| b. Subordinated Obligations 1994 SRF-A | 13,000,000 |
| c. Subordinated Obligations 1994 SRF-B | 4,000,000 |

**SUSSEX COUNTY, DELAWARE
 DEMOGRAPHIC AND ECONOMIC STATISTICS
 LAST TEN FISCAL YEARS**

| <u>Year</u> | <u>Population (1)</u> | <u>Total Personal Income (2)</u> | <u>Per Capita Personal Income (2)</u> | <u>Median Age (3)</u> | <u>Public School Enrollment (4)</u> | <u>Unemployment Rate (5)</u> |
|-------------|-----------------------|----------------------------------|---------------------------------------|-----------------------|-------------------------------------|------------------------------|
| 2005 | 175,818 | \$ 5,278,405 | \$ 29,959 | 42.4 | 24,278 | 3.2% |
| 2006 | 180,275 | 5,650,513 | 31,385 | 41.8 | 24,531 | 3.1% |
| 2007 | 183,798 | 6,001,783 | 32,647 | 42.1 | 24,818 | 3.0% |
| 2008 | 188,597 | 6,425,940 | 33,881 | 41.9 | 25,104 | 4.1% |
| 2009 | 192,019 | 6,637,087 | 34,434 | 44.4 | 25,307 | 7.8% |
| 2010 | 197,145 | 6,830,250 | 34,512 | 45.4 | 25,704 | 7.9% |
| 2011 | 200,771 | 7,009,239 | 34,988 | 45.1 | 24,205 | 7.2% |
| 2012 | 203,390 | 7,660,479 | 37,664 | 45.4 | 24,560 | 5.9% |
| 2013 | 206,649 | * | * | * | 25,649 | 6.5% |
| 2014 | * | * | * | * | 27,750 | 5.4% |

Note: Total personal income is in thousands of dollars.

Sources:

1. U.S. Bureau of the Census and Delaware Population Consortium.
2. U.S. Department of Commerce, Bureau of Economic Analysis.
3. U.S. Bureau of the Census, American Community Survey.
4. Delaware Department of Education.
5. Office of Occupational & Labor Market Information.

* Figures not available

**SUSSEX COUNTY, DELAWARE
EMPLOYMENT BY TYPE OF EMPLOYER
CURRENT YEAR AND NINE YEARS AGO**

| <u>Type of Employer</u> | <u>2014</u> | | | <u>2005</u> | | |
|--|------------------|-------------|--|------------------|-------------|--|
| | <u>Employees</u> | <u>Rank</u> | <u>Percentage of Total County Employment</u> | <u>Employees</u> | <u>Rank</u> | <u>Percentage of Total County Employment</u> |
| Retail trade | 11,023 | 1 | 16.5% | 10,497 | 2 | 16.0% |
| Health care and social assistance | 10,224 | 2 | 15.3 | 7,649 | 3 | 11.7 |
| Manufacturing | 9,536 | 3 | 14.3 | 11,836 | 1 | 18.1 |
| Government | 8,279 | 4 | 12.4 | 6,742 | 5 | 10.3 |
| Accommodation and food services | 8,315 | 5 | 12.4 | 6,772 | 4 | 10.3 |
| Construction | 3,980 | 6 | 6.0 | 6,084 | 6 | 9.3 |
| Administrative and waste services | 3,104 | 7 | 4.6 | 2,290 | 8 | 3.5 |
| Other services, except public administration | 2,162 | 8 | 3.2 | 2,194 | 9 | 3.4 |
| Professional and technical services | 1,814 | 9 | 2.7 | 1,659 | 10 | 2.5 |
| Finance and insurance | 1,607 | 10 | 2.4 | 2,724 | 7 | 4.2 |
| | <u>60,044</u> | | <u>89.8%</u> | <u>58,447</u> | | <u>89.3%</u> |

Notes:

1. Data reported is for first quarter of the respective year.
2. Top employer information is deemed confidential pursuant to 20 Code of Federal regulations Part 603.

Source: Delaware Department of Labor Office of Occupational & Labor Market Information.

SUSSEX COUNTY, DELAWARE
FULL-TIME EQUIVALENT COUNTY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

| <u>Function/Program</u> | Full-time Equivalent Employees as of June 30 | | | | | | | | | |
|--|---|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> |
| General government | | | | | | | | | | |
| General administration | 8 | 10 | 11 | 11 | 11 | 11 | 11 | 11 | 11 | 10 |
| Finance | 86 | 89 | 90 | 86 | 81 | 72 | 70 | 71 | 67 | 68 |
| Human Resources | 5 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 |
| Buildings and grounds | 28 | 25 | 33 | 26 | 21 | 17 | 19 | 21 | 20 | 19 |
| Information Technology | 13 | 13 | 12 | 14 | 12 | 14 | 15 | 15 | 14 | 12 |
| County constable | 4 | 4 | 3 | 4 | 4 | 5 | 5 | 5 | 4 | 3 |
| Planning and zoning | 14 | 15 | 16 | 15 | 14 | 13 | 12 | 12 | 11 | 11 |
| Paramedic program | 94 | 108 | 110 | 109 | 112 | 106 | 105 | 104 | 108 | 110 |
| Emergency preparedness | 27 | 29 | 28 | 28 | 27 | 28 | 28 | 27 | 29 | 27 |
| Economic development and public works | 15 | 14 | 13 | 12 | 12 | 12 | 11 | 10 | 10 | 8 |
| County engineer | 120 | 132 | 132 | 139 | 141 | 138 | 140 | 137 | 137 | 137 |
| Library | 32 | 30 | 41 | 33 | 31 | 27 | 27 | 26 | 28 | 27 |
| Community development and housing programs | 6 | 6 | 7 | 6 | 6 | 6 | 6 | 5 | 5 | 5 |
| Constitutional offices | 33 | 33 | 37 | 36 | 34 | 35 | 34 | 33 | 33 | 32 |
| Total | 485 | 514 | 539 | 525 | 512 | 490 | 489 | 483 | 483 | 475 |

Source: Sussex County Accounting Department.

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

| <u>Function/Program</u> | <u>Fiscal Year</u> | | | | | | | | | |
|-------------------------------------|--------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> |
| Planning and Zoning | | | | | | | | | | |
| Permits issued | 11,075 | 11,299 | 9,896 | 8,436 | 6,553 | 6,302 | 6,658 | 6,959 | 7,172 | 7,693 |
| Public Safety | | | | | | | | | | |
| Paramedic incidents dispatched | 11,612 | 11,955 | 12,701 | 13,759 | 13,500 | 13,697 | 14,077 | 14,260 | 15,018 | 15,219 |
| 911 calls | 85,243 | 94,858 | 99,659 | 104,623 | 97,230 | 103,107 | 105,776 | 108,301 | 105,137 | 110,139 |
| Sewer and Water Services | | | | | | | | | | |
| Sewer customers, EDU's billed | 47,524 | 50,809 | 53,439 | 56,200 | 57,673 | 59,154 | 60,167 | 62,431 | 64,456 | 65,735 |
| Water customers, EDU's billed | 3,530 | 3,543 | 3,553 | 3,574 | 3,600 | 3,611 | 3,613 | 3,631 | 3,688 | 3,676 |
| Libraries | | | | | | | | | | |
| Circulation | 1,182,767 | 1,137,880 | 1,170,327 | 1,221,697 | 1,299,830 | 1,234,407 | 1,147,886 | 1,406,166 | 1,387,038 | 1,361,586 |
| Industrial Airpark | | | | | | | | | | |
| Number of businesses | 20 | 20 | 20 | 18 | 18 | 18 | 17 | 17 | 19 | 20 |
| Number of jobs provided by business | 752 | 860 | 944 | 1,048 | 989 | 842 | 961 | 881 | 870 | 875 |
| Number of landings (1) | 18,625 | 17,508 | 19,259 | 20,222 | 20,000 | 20,000 | 17,500 | 18,000 | 17,900 | 18,000 |

Note:

1. The number of landings is an estimated provided by Sussex County Airport Department.

Source: Individual Sussex County Departments.

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

| <u>Function/Program</u> | Fiscal Year | | | | | | | | | |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> |
| Public Safety | | | | | | | | | | |
| Paramedic stations | 7 | 7 | 8 | 8 | 9 | 9 | 9 | 9 | 9 | 9 |
| Volunteer fire and ambulance companies | 24 | 24 | 24 | 24 | 24 | 24 | 24 | 24 | 24 | 24 |
| Additional state police officers funded by County | 24 | 28 | 32 | 36 | 40 | 40 | 40 | 40 | 44 | 44 |
| Sewer and Water Services | | | | | | | | | | |
| Miles of underground sanitary sewer pipe | 595 | 655 | 682 | 747 | 770 | 778 | 811 | 846 | 856 | 856 |
| Number of feet of ocean outfall sewer pipe | 6,500 | 6,500 | 6,500 | 6,500 | 6,500 | 6,500 | 6,500 | 6,500 | 6,500 | 6,670 |
| Pump stations | 357 | 370 | 384 | 397 | 418 | 428 | 437 | 440 | 449 | 461 |
| Lagoon treatment facilities with land application | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Tertiary treatment facility with ocean discharge | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Libraries | | | | | | | | | | |
| Directly administered | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Number of County funded, with independent board | 11 | 11 | 11 | 11 | 11 | 11 | 11 | 11 | 11 | 11 |
| Bookmobiles | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Airport | | | | | | | | | | |
| Paved runway footage | 7,330 | 7,330 | 7,330 | 7,330 | 7,330 | 8,109 | 8,109 | 8,109 | 8,109 | 8,609 |
| Number of hangars | 24 | 27 | 28 | 30 | 30 | 30 | 30 | 30 | 30 | 30 |
| Number of runways | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |

Source: Individual Sussex County Departments.



SINGLE AUDIT SUPPLEMENT



**SUSSEX COUNTY, DELAWARE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014**

| <u>Federal Grantor/Pass-through Grantor/ Program Title</u> | <u>Federal CFDA Number</u> | <u>Pass-Through Entity Identifying Number</u> | <u>Federal Expenditures</u> |
|---|------------------------------------|---|---------------------------------|
| U.S. DEPARTMENT OF AGRICULTURE | | | |
| Direct Programs: | | | |
| Rural Housing Preservation Grants | 10.433 | HPG 12-13 | \$ 11,950 |
| Water and Waste Disposal Systems for Rural Communities | 10.760 | | 212,089 |
| ARRA - Water and Waste Disposal Systems for Rural Communities | 10.781 | | <u>69,715</u> |
| TOTAL U.S. DEPARTMENT OF AGRICULTURE | | | <u>293,754</u> |
| U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT | | | |
| Passed through State - Delaware State Housing Authority: | | | |
| Community Development Block Grants/ State's Program | 14.228 | CD 03-12 | 146,604 |
| | | CD 03-13 | 814,471 |
| Neighborhood Stabilization Program (NSP 1) | | NSP 03-08 | <u>138,611</u> |
| Total Community Development Block Grants/ State's Program | | | 1,099,686 |
| ARRA - Neighborhood Stabilization Program (NSP 2) | 14.256 | NSP 03-09 | 14,090 |
| Home Investment Partnerships Program | 14.239 | HM 03-13 | <u>444,961</u> |
| TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT | | | <u>1,558,737</u> |
| U.S. DEPARTMENT OF TRANSPORTATION | | | |
| Direct Program: | | | |
| Airport Improvement Program | 20.106 | 3-10-0007-026-11 | |
| | | 3-10-0007-027-11 | |
| | | 3-10-0007-028-12 | |
| | | 3-10-0007-029-13 | <u>4,868,965</u> |
| TOTAL U.S. DEPARTMENT OF TRANSPORTATION | | | <u>4,868,965</u> |
| U.S. DEPARTMENT OF HOMELAND SECURITY | | | |
| Passed through State - Delaware Emergency Management Agency: | | | |
| Emergency Management Performance Grants | 97.042 | EMPG-14-003 | 186,565 |
| Homeland Security Grant Program | 97.067 | 2011 | <u>86,900</u> |
| TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY | | | <u>273,465</u> |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | | <u><u>\$6,994,921</u></u> |

See accompanying notes to Schedule of Expenditures of Federal Awards.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all Federal financial assistance programs of Sussex County, Delaware (the County). The County's reporting entity is defined in Note A of the notes to basic financial statements. Federal awards that are passed through other governmental agencies are included on the schedule. Matching funds are excluded from the schedule and program income generated from federal grants is classified as federal expenditures when spent.

Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual and the modified accrual bases of accounting, which are described in Note A of the notes to basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial

NOTE B - LOANS

The County had the following federal expenditures that have been or will be funded by loans from the U.S. Department of Agriculture and the U.S. Environmental Protection Agency for the year ended June 30, 2014.

| <u>Program Title</u> | <u>Federal CFDA Number</u> | <u>Loan Amount</u> |
|--|--------------------------------|--------------------|
| Water and Waste Disposal Systems for Rural Communities | 10.760 | \$ 212,089 |

NOTE C - LOANS OUTSTANDING

The County administers low-income housing loan programs under the Community Development Block Grants/Entitlement Grants for CFDA No. 14.228. The total amount outstanding at June 30, 2014 is \$ 979,056 of which \$ 30,378 is included in the current fiscal year's federal expenditure balance for that program.



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Independent Auditor's Report on Compliance For Each Major Federal Program and Report on Internal Control Over Compliance

To the County Council of Sussex County, Delaware
Georgetown, Delaware

Report on Compliance for Each Major Federal Program

We have audited Sussex County's (the "County") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended June 30, 2014. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.



Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

BDO USA, LLP

December 22, 2014



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

The County Council of Sussex County, Delaware
 Georgetown, Delaware

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Sussex County, Delaware (the "County"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated December 22, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the basic 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 opinion on the basic 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 were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's basic financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an



objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the 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 County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BDO USA, LLP

December 22, 2014

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified _____ yes X none reported
- Noncompliance material to financial statements noted? _____ yes X no

Federal Awards Section

Internal control over major programs:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified _____ yes X none reported

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

Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, section .510(a)? _____ yes X no

Identification of major programs:

| <u>CFDA/Contract Number</u> | <u>Name of Federal Program or Cluster</u> |
|-----------------------------|---|
| 14.239 | Home Investment Partnership Program |
| 20.106 | Airport Improvement Grant |

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

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

Section II – Financial Statement Findings

None.

Section III - Federal Award Findings and Questioned Costs

None.

Prior Year Findings:

There were no prior year Federal award findings or questioned costs required to be reported in accordance with OMB Circular A-133.