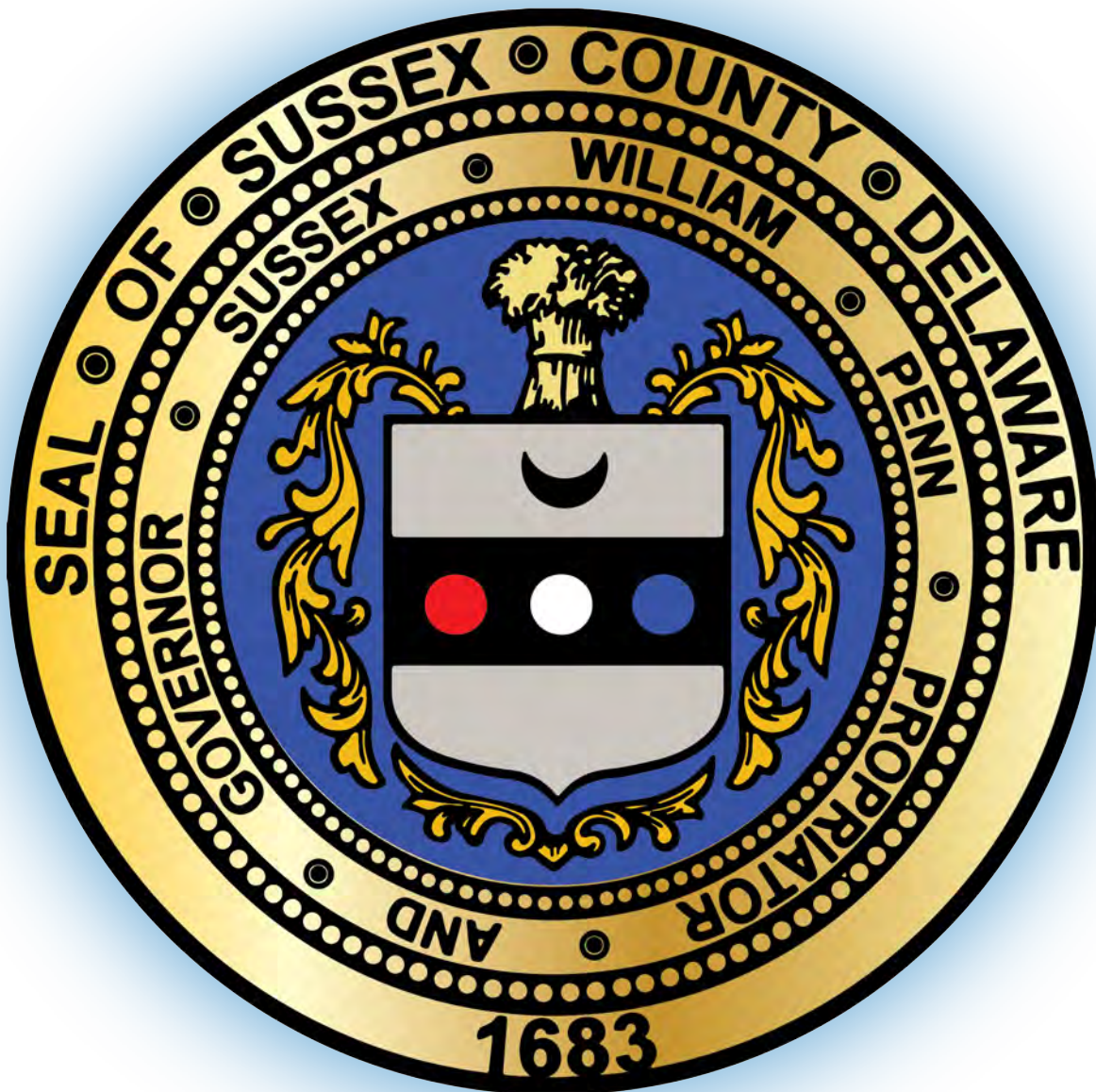


# SUSSEX COUNTY

*Delaware*

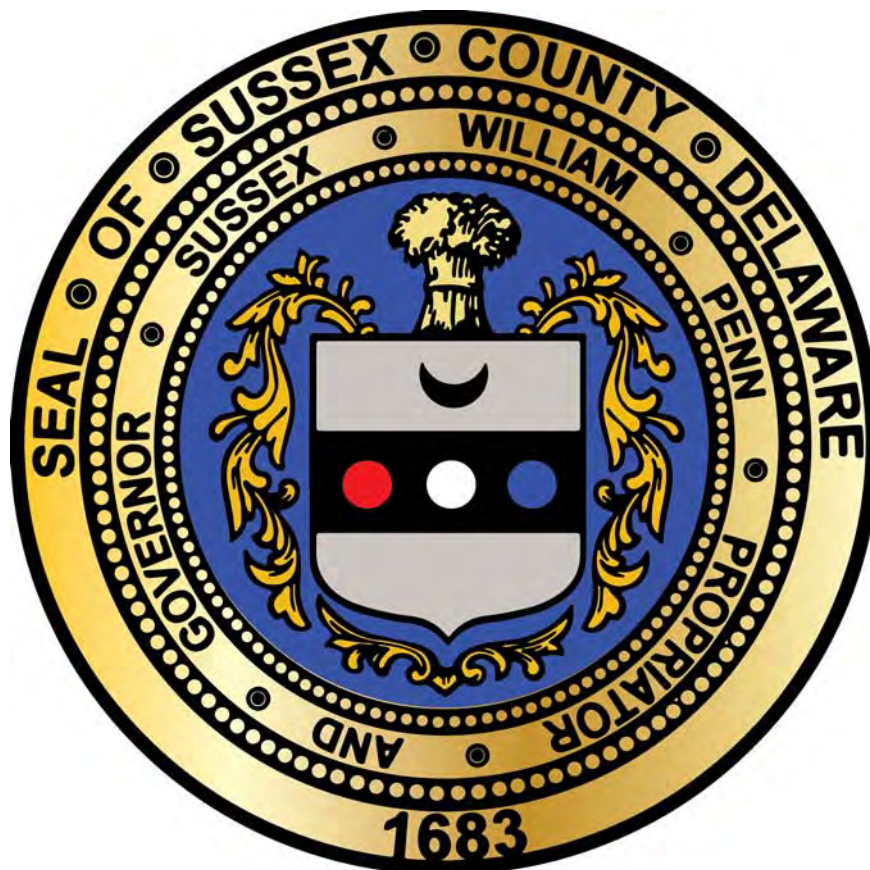


## Comprehensive Annual Financial Report

*For Fiscal Year Ended June 30, 2015*

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2015



Prepared by the Finance Department

**SUSSEX COUNTY, DELAWARE  
TABLE OF CONTENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

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	<b><u>PAGES</u></b>
<b>INTRODUCTORY SECTION</b>	
Letter of Transmittal	iv - x
GFOA Certificate of Achievement	xi
Organizational Chart	xii
List of Elected Officials	xiii
County Department Heads and Other Officials	xiv
<b>FINANCIAL SECTION</b>	
<b>INDEPENDENT AUDITOR’S REPORT</b>	1 - 3
<b>MANAGEMENT’S DISCUSSION &amp; ANALYSIS</b>	4 - 18
<b>BASIC FINANCIAL STATEMENTS</b>	
<b><u>Government-wide Financial Statements</u></b>	
Statement of Net Position	19
Statement of Activities	20
<b><u>Fund Financial Statements</u></b>	
Balance Sheet - Governmental Funds	21
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	23
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund	24
Statement of Net Position - Proprietary Funds	25
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds	26
Statement of Cash Flows - Proprietary Funds	27 - 28
Statement of Fiduciary Net Position - Fiduciary Funds	29
Statement of Changes in Fiduciary Net Position - Fiduciary Funds	30
<b><u>Notes to Basic Financial Statements</u></b>	31 - 57
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Schedule of Changes in the Employer’s Net Pension Liability and Related Ratios	58

**SUSSEX COUNTY, DELAWARE  
TABLE OF CONTENTS - CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2015**

---

	<b><u>PAGES</u></b>
<b>REQUIRED SUPPLEMENTARY INFORMATION - CONTINUED</b>	
Schedule of Employer Contributions – Pension Trust	59
Schedule of Investment Returns – Pension Trust	60
Schedule of Funding Progress and Schedule of Employer Contributions – Post- Retirement Employee Benefit Trust	61
<b>INDIVIDUAL FUND FINANCIAL SCHEDULES</b>	
<b><u>General Fund</u></b>	
Schedule of General Fund Revenues and Other Financing Sources - Budget and Actual	62 - 63
Schedule of General Fund Expenditures and Other Financing Uses - Budget and Actual	64 - 69
<b><u>Capital Projects Fund</u></b>	
Schedule of Capital Projects Fund Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	70
<b>STATISTICAL SECTION</b>	
Net Position by Component	72
Changes in Net Position	73- 74
Fund Balances, Governmental Funds	75
Changes in Fund Balances, Governmental Funds	76
Schedule of Revenues and Expenditures and Other Financing Sources and Uses – General Fund	77
Assessed Value and Estimated Actual Value of Taxable Property	78
Direct and Overlapping Property Tax Rates	79
Principal Property Tax Payers	80
Property Tax Levies and Collections	81
Ratios of Outstanding Debt by Type	82
Direct and Overlapping Governmental Activities Debt	83
Ratios of General Bonded Debt Outstanding and Legal Debt Margin	84
Pledged-Revenue Coverage	85
Demographic and Economic Statistics	86
Employment by Type of Employer	87
Full-time Equivalent County Government Employees by Function/Program	88

**SUSSEX COUNTY, DELAWARE  
TABLE OF CONTENTS - CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2015**

---

	<b><u>PAGES</u></b>
<b>STATISTICAL SECTION - CONTINUED</b>	
Operating Indicators by Function/Program	89
Capital Asset Statistics by Function/Program	90
<b>SINGLE AUDIT SUPPLEMENT</b>	
Schedule of Expenditures of Federal Awards	91-92
Notes to Schedule of Expenditures of Federal Awards	93
Independent Auditor's Report on Compliance For Each Major Federal Program and Report on Internal Control Over Compliance	94 - 95
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	96 - 97
Schedule of Findings and Questioned Costs	98

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# INTRODUCTORY SECTION



TODD F. LAWSON  
COUNTY ADMINISTRATOR



## Sussex County

ADMINISTRATIVE OFFICE BUILDING  
2 THE CIRCLE  
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GEORGETOWN, DELAWARE 19947  
TEL: 302-855-7742  
FAX: 302-855-7749  
tlawson@sussexcountype.gov  
sussexcountype.gov

December 21, 2015

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, 2015. 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, 2015, 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 unmodified opinion that the County's financial statements for the year ended June 30, 2015, 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 estimated to be over 210,000 by the United States Census Bureau. 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 201<sup>st</sup> 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 Delaware Coastal 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 482 fulltime employees and 201 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 71 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 67,000 equivalent dwelling units (EDUs), and maintains and operates four treatment facilities. Fiscal year 2015 saw a 3 percent increase from fiscal year 2014’s EDUs. The sewer and water districts’ operating budget for fiscal year 2016 is \$37 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 18 on page 37) for additional budget information. Budget-to-actual comparisons begin on page 62 through page 70.

## **Economic Condition of Sussex County**

### *Local Economy*

Sussex County has a diverse and dynamic local economy. The County has seen a steady uptick of economic activity the last few years. Sussex County employment is concentrated on a diverse assembly of sectors that interact continuously, including agriculture, tourism, healthcare, construction, retail sales, and education.

Agriculture continues to be Sussex County's leading industry, with the primary focus being grain production and poultry processing. Approximately 45 percent of the County's land (207,000 acres) contains 1,374 farms, where the average farm size is 196 acres. These active farms help employ 15,000 people in Sussex County.

The agriculture industry continues to thrive. The last census, completed in 2012, showed agriculture products increased 9 percent since 2007, which totaled \$921 million. There is no doubt that Sussex County is tops when it comes to agriculture. Not only is the County the top lima bean-producing county, Sussex County continues to be the top broiler poultry-producing county in the United States. To demonstrate how large Sussex County is when it comes to broiler chickens, 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 agriculture industry is now taking advantage of the County's second-leading industry, tourism. The 2015 Sussex County Profile reported that 18 Sussex County farms offered a tourism or recreational experience.

It is understandable why agriculture is getting into the tourism industry in Sussex County. 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, which increased 550 jobs in 2014 according to the Delaware Annual Economic Report. Using the growth in job statistics, this is the largest growing industry in Sussex County. People are attracted to the Atlantic coastline which offers sandy beaches, family activities, recreation, and shopping. 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.

Another successful industry in Sussex County is manufacturing. In 2014, the Delaware Annual Economic Report stated that Sussex County led the State in adding 390 jobs. The major manufacturing sectors include aeronautical, construction, craft brewing/bottling, fabrication and pharmaceutical. Manufacturing companies significantly benefit from their Sussex County location with convenient access to transportation, low business costs, and business-friendly regulations. Recently, Grayling Industries/New ILC Dover took advantage of what Sussex County has to offer by relocating 115 jobs from Mexico. Our own industrial

park is a great example of how this industry is diverse and thriving. There are 21 businesses providing 880 jobs in manufacturing processing, packaging and service/delivery.

As the agriculture, tourism, and manufacturing industries grow, so does the healthcare industry that support these workers of these industries. Along with the growing retirement community, the level of healthcare and associated employment opportunities are continually growing. The three major healthcare employers in the County are Beebe Healthcare in Lewes, Bayhealth in Milford, and Nanticoke Health Services in Seaford. During this fiscal year, Peninsula Regional Health System opened a 48,000 square-foot “one-stop” healthcare center in Millsboro. 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. Beebe Healthcare will celebrate its 100<sup>th</sup> year in 2016. They continue their commitment to serve Sussex County by recently revealing a \$200 million expansion. In addition, Nanticoke Health Services launched a \$5 million capital campaign in July to expand and renovate their emergency department. The Delaware Department of Labor Office of Occupational and Labor Market Information has ranked healthcare and social assistance second for employment in Sussex County. The Delaware Annual Economic Report shows that the healthcare industry added 520 jobs in 2014, falling only second to the tourism industry in job growth.

All of these industries continue to make Sussex strong. While the national unemployment rate, as stated by the Delaware Department of Labor, was 5.0 percent in October 2015 and Delaware’s unemployment rate was 5.1 percent, Sussex County’s unemployment - at 4.4 percent - was under those averages. Delaware’s Annual Economic Report shows Sussex County added 2,680 jobs in 2014.

Strength in Sussex County’s economy can also be seen in building activity from 2014 to 2015. Building permits are comparable to pre-2009 levels. As 2016 approaches, the building activity has continued to increase over the two previous years. The Sussex County Association of REALTORS® report that homes for sale are returning to pre-recession levels. Single family home sales continue to grow from the beginning of 2015, as well as sales compared to the same time in 2014. The average three-bedroom sold for \$262,330 in the first quarter of 2015 compared to \$246,198 last year. There was also a 12 percent reduction in inventory over last year.

In order for the County to continue to succeed, a community must have a quality educational system at its foundation. The County is honored to have 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 among 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 continued to improve in fiscal year 2015, and fiscal year 2016 has been keeping pace. Our local economy benefits from the attractiveness of our resorts and a strong agricultural base. The County got through the economic downturn without taking on taxpayer supported debt or increasing taxes, but we continue to be mindful of how volatile the economy can be. We budget with sustainability in mind; for example, all building related revenues were budgeted at 80 percent of anticipated collections for fiscal year 2016. The County has set up a plan to fund our capital improvements projects with excess realty transfer tax funds to ensure that the government can continue to invest in infrastructure without financially burdening future generations.

The fiscal year 2016 Five-Year Capital Improvement Plan includes \$21 million for the expansion and improvement of general fund services, such our paramedic system, emergency operations and airport, the Delaware Coastal Airport. The County understands that Delaware Coastal Airport is a vital part of Sussex County's economy. Forty percent, or \$4.2 million, of the fiscal year 2016 budget is appropriated to improve the airport. We will continue to apply for Federal aviation and State funding that pays up to 95 percent of these expenses. The Capital Improvement Plan also includes \$109 million for sewer expansion and upgrades. Funding for these projects include State Revolving Fund loans, State grants, Federal USDA loans and grants, 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 and 39, 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. The County's focus, when creating a budget, is 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".

Sussex County strives to demonstrate fiscally sound policies. It is important to serve the public with current revenue sources to ensure sustainability. The County practices financial conservatism that has allowed it to survive in a declining economy and time of economic change without taking on tax-supported debt or cutting services that would have affected 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, 2014. This was the 13<sup>th</sup> 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.

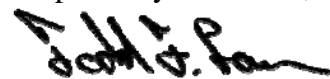
A Certificate of Achievement is valid for a period of one year only. We believe the County's current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

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.

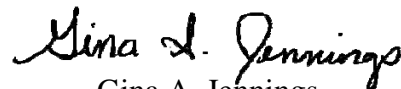
Per Moody's Investor Service, the County's bond rating from an Aa1. Moody's report for the County states, "This reflects the County's healthy financial position, maintained by prudent fiscal management that resulted in materially greater financial flexibility and stronger reserve levels."

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

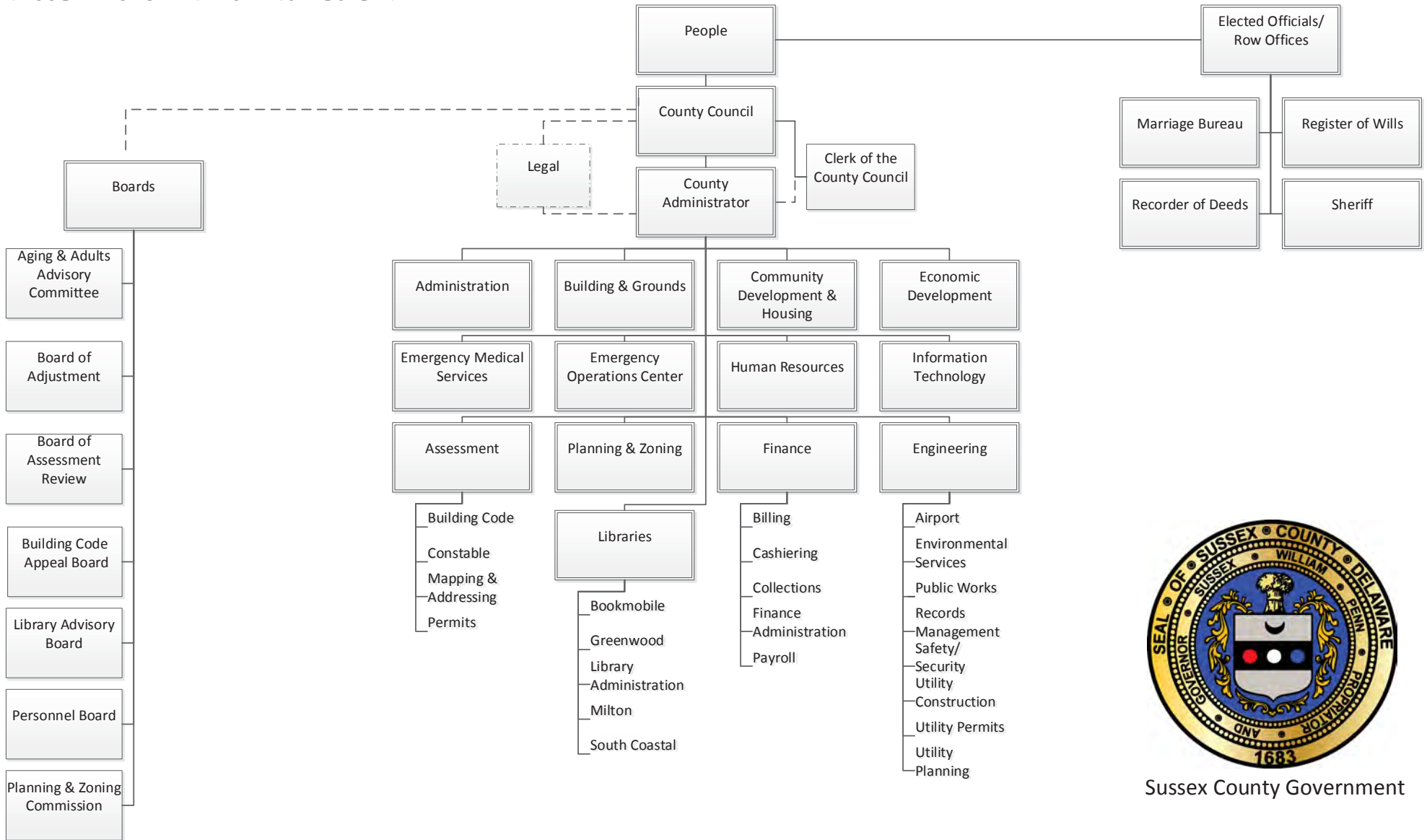
**Sussex County  
Delaware**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2014**

Executive Director/CEO

# SUSSEX COUNTY ORGANIZATIONAL STRUCTURE



Sussex County Government

SUSSEX COUNTY, DELAWARE

*LIST OF ELECTED OFFICIALS*

JUNE 30, 2015

---

<u>COUNCIL</u>	<u>Length of Service</u>	<u>Term Expires</u>
<i>District 1</i>		
Michael H. Vincent (President)	7 years	Jan. 2017
<i>District 2</i>		
Samuel R. Wilson (Vice President)	7 years	Jan. 2017
<i>District 3</i>		
Joan R. Deaver	7 years	Jan. 2017
<i>District 4</i>		
George B. Cole	29 years	Jan. 2019
<i>District 5</i>		
Robert B. Arlett	6 months	Jan. 2019
-----		
<i>Clerk of the Peace</i>		
John Brady	3 years	Jan. 2017
<i>Recorder of Deeds</i>		
Scott Dailey	5 years	Jan. 2019
<i>Register of Wills</i>		
Cynthia Green	5 years	Jan. 2019
<i>Sheriff</i>		
Robert Lee	6 months	Jan. 2019



SUSSEX COUNTY, DELAWARE

COUNTY DEPARTMENT HEADS & OTHER OFFICIALS

JUNE 30, 2015

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	<u>Length of Time in Position</u>	<u>Length of Service with the County</u>
<i>County Administrator</i> - Todd F. Lawson	3 years	4 years
<i>County Attorney</i> - J. Everett Moore, Esquire	7 years	7 years
<i>Finance Director</i> - Gina A. Jennings, MBA, MPA	2 years	9 years
<i>Deputy Finance Director</i> - Kathy L. Roth, CPA	2 years	9 years
<i>County Engineer</i> - Michael A. Izzo, P.E.	19 years	31 years
<i>Assessment Division Director</i> - Christopher S. Keeler	1 year	21 years
<i>Community Development Program Director</i> -Brad Whaley	3 year	19 years
<i>Director of Engineering Accounting</i> - Jeffrey James	21 years	36 years
<i>Director of Environmental Services</i> - Heather Sheridan	29 years	39 years
<i>Director of Information Technology</i> - Thomas Glenn	9 years	13 years
<i>Director of Sussex Airport and Industrial Park Operations</i> - James A. Hickin	9 years	10 years
<i>Emergency Preparedness Director</i> - Joseph L. Thomas	18 years	29 years
<i>Facilities Manager</i> - Douglas J. Stoakley	5 years	21 years
<i>Human Resources Director</i> - Karen Brewington	4 years	4 years
<i>Library Director</i> - Kathy M. Graybeal	4 years	4 years
<i>Paramedic Director</i> - Robert A. Stuart	4 years	23 years
<i>Planning and Zoning Director</i> - Lawrence B. Lank	29 years	45 years

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# FINANCIAL SECTION





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www.bdo.com

4250 Lancaster Pike, Suite 120  
Wilmington, DE 19805

## Independent Auditor's Report

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, 2015, 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, 2015, 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 S, in 2015, the County implemented Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions*. As a result, the July 1, 2014 beginning net position has been restated for the retrospective application for this new accounting guidance. 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 61 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 21, 2015 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 21, 2015

## SUSSEX COUNTY, DELAWARE

### MANAGEMENT'S DISCUSSION & ANALYSIS

#### FOR THE FISCAL YEAR ENDED JUNE 30, 2015

This section of the report offers an overview and analysis of the financial activity of Sussex County, Delaware, for the year ended June 30, 2015. 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

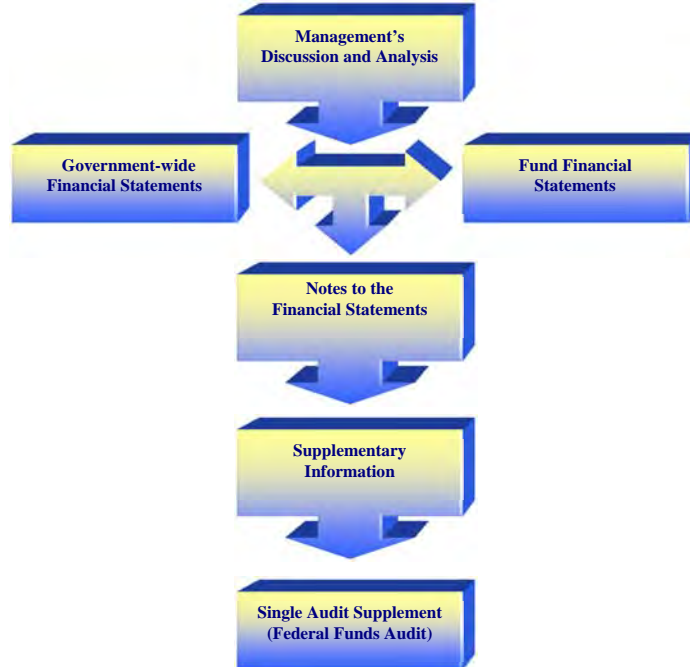
- As of June 30, 2015, total government net position was \$475.1 million. Of this amount, \$101.8 million was unrestricted and may be used for ongoing obligations to citizens and creditors.
- The County's total net position increased by \$10.9 million during the year. The governmental activities' portion of the increase was \$5.2 million. The increase in the investment in governmental capital assets, net of related debt, was \$2.8 million; governmental restricted funds increased \$0.2 million; and increase in net position for the business-type activities was \$5.7 million. This increase is due to growth-related capital costs from sewer districts being built, as well as a decrease in the debt that funded those projects. The \$5.2 million increase in governmental activities' net position is a reflection of the growth of positive movement in County revenue. Operating expense budgets have remained at consistent levels, but revenues have increased. The County experienced these increases despite the recording of \$14.0 million of net pension liability as required by the implementation of GASB 68 in 2015.
- 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 states, "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. The County continues to sustain this rating.

##### Fund Financial Statements

- As of June 30, 2015, the County's governmental funds reported an ending fund balance of \$100.4 million. This is an increase of \$4.0 million from the preceding year. Approximately \$36.3 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, Human Resources, 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 include 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 through 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 projects 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 61 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 90 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 \$475.1 million as of June 30, 2015. 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, 2015 and 2014**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Government</b>	
	<b>2014</b>		<b>2014</b>		<b>2014</b>	
	<b>2015</b>	<b>Restated – Note S</b>	<b>2015</b>	<b>Restated – Note S</b>	<b>2015</b>	<b>Restated – Note S</b>
<b>Current and Other Assets</b>	\$121,928,065	\$118,011,882	\$100,513,871	\$ 96,502,840	\$222,441,936	\$214,514,722
<b>Capital Assets</b>	78,411,276	77,087,475	370,924,606	370,649,322	449,335,882	447,736,797
<b>Total Assets</b>	200,339,341	195,099,357	471,438,477	467,152,162	671,777,818	662,251,519
<b>Deferred outflows of resources</b>	1,921,029	-	2,036,982	1,590,115	3,958,011	1,590,115
<b>Total assets and deferred outflows of resources</b>	202,260,370	195,099,357	473,475,459	468,742,277	675,735,829	663,841,634
<b>Current and Other Liabilities</b>	23,681,087	12,906,870	6,124,688	2,437,719	29,805,775	15,344,589
<b>Long-term Liabilities</b>	5,524,717	14,369,213	165,272,644	169,906,863	170,797,361	184,276,076
<b>Total Liabilities</b>	29,205,804	27,276,083	171,397,332	172,344,582	200,603,136	199,620,665
<b>Net Position:</b>						
<b>Net Investment in Capital Assets</b>						
<b>Assets</b>	77,934,592	75,152,173	207,515,115	204,051,102	285,449,707	279,203,275
<b>Restricted</b>	45,429,078	45,203,773	43,858,934	33,313,218	89,288,012	78,516,991
<b>Unrestricted</b>	49,690,896	47,467,328	50,704,078	59,033,375	100,394,974	106,500,703
<b>Total Net Position</b>	\$173,054,566	\$167,823,274	\$302,078,127	\$ 296,397,695	\$475,132,693	\$464,220,969

A large portion of the County's net position (60.0 percent) is not available for future use since it 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. The County's net investment in capital assets increased by \$6.2 million during fiscal year 2015. The largest increase in business-type activities was due the completion of Pump Station 207. The largest increase in governmental activities was the completion of the expansion of Runway 4-22.

Of the remaining \$189.7 million in net position, \$43.9 million is restricted for construction or capital costs incurred, or future sewer district expansion costs. For governmental activities, \$45.4 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 \$100.4 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 2015 and 2014.

Sussex County, Delaware  
Changes in Net Position  
For the Years Ended June 30, 2015 and 2014

	Governmental Activities		Business-type Activities		Total Government	
	2015	2014 as restated	2015	2014 as restated	2015	2014 as restated
Revenues:						
Program revenues:						
Charges for services	\$11,330,741	\$11,845,198	\$21,472,609	\$20,140,538	\$32,803,350	\$31,985,736
Operating grants and contributions	6,444,501	6,945,600	14,749,008	15,605,163	21,193,509	22,550,763
Capital grants and contributions	1,217,668	6,751,045	3,245,590	2,798,600	4,463,258	9,549,645
General revenues:						
Property taxes	14,339,081	14,110,356	-	-	14,339,081	14,110,356
Fire service taxes	1,280,085	1,253,792	-	-	1,280,085	1,253,792
Realty taxes	22,212,933	20,894,160	-	-	22,212,933	20,894,160
Investment results	820,263	949,002	548,555	767,657	1,368,818	1,716,659
Total revenues	57,645,272	62,749,153	40,015,762	39,311,958	97,661,034	102,061,111
Expenses:						
Primary Government:						
General government	11,612,339	34,762,582	-	-	11,612,339	34,762,582
Planning and zoning	1,208,811	1,091,112	-	-	1,208,811	1,091,112
Paramedics	13,895,165	14,302,991	-	-	13,895,165	14,302,991
Emergency preparedness	3,317,424	3,531,682	-	-	3,317,424	3,531,682
County engineer	2,004,463	1,721,971	-	-	2,004,463	1,721,971
Library	4,194,436	4,208,141	-	-	4,194,436	4,208,141
Economic development and airpark	2,348,642	2,145,727	-	-	2,348,642	2,145,727
Community development	1,772,497	1,878,873	-	-	1,772,497	1,878,873
Grant-in-aid program	9,931,773	7,863,936	-	-	9,931,773	7,863,936
Constitutional offices	2,419,518	2,459,691	-	-	2,419,518	2,459,691
Business-type activities			34,044,242	39,689,896	34,044,242	39,689,896
Total expenses	52,705,068	73,966,706	34,044,242	39,689,896	86,749,310	113,656,602
Change in net position before transfers	4,940,204	(11,217,553)	5,971,520	(377,938)	10,911,724	(11,595,491)
Transfers	291,088	(9,390)	(291,088)	9,390	-	-
Change in net position	5,231,292	(11,226,943)	5,680,432	(368,548)	10,911,724	(11,595,491)
Net position-beginning as restated	167,823,274	179,050,217	296,397,695	296,766,243	464,220,969	475,816,460
Net position-ending	\$173,054,566	\$167,823,274	\$302,078,127	\$296,397,695	\$475,132,693	\$464,220,969

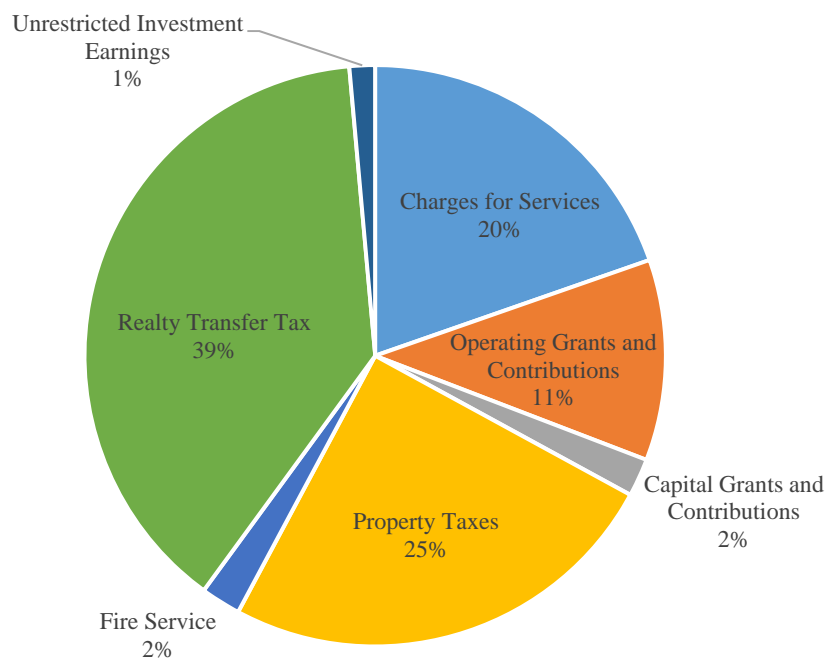
Governmental Activities

Governmental activities increased net position by \$5.2 million during fiscal year 2015. This represents 3.1 percent of the total increase in net position for the year. Governmental activities include the general fund and capital projects fund.

General revenues total \$38.7 million for fiscal year 2015 for governmental activities. This includes \$22.2 million received from realty transfer taxes. This is a \$1.3 million, or 6.3 percent, increase from fiscal year 2014. Realty transfer tax has increased three years in a row, which is a sign that the real estate market keeps improving in Sussex County.

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

Revenues by Source - Governmental

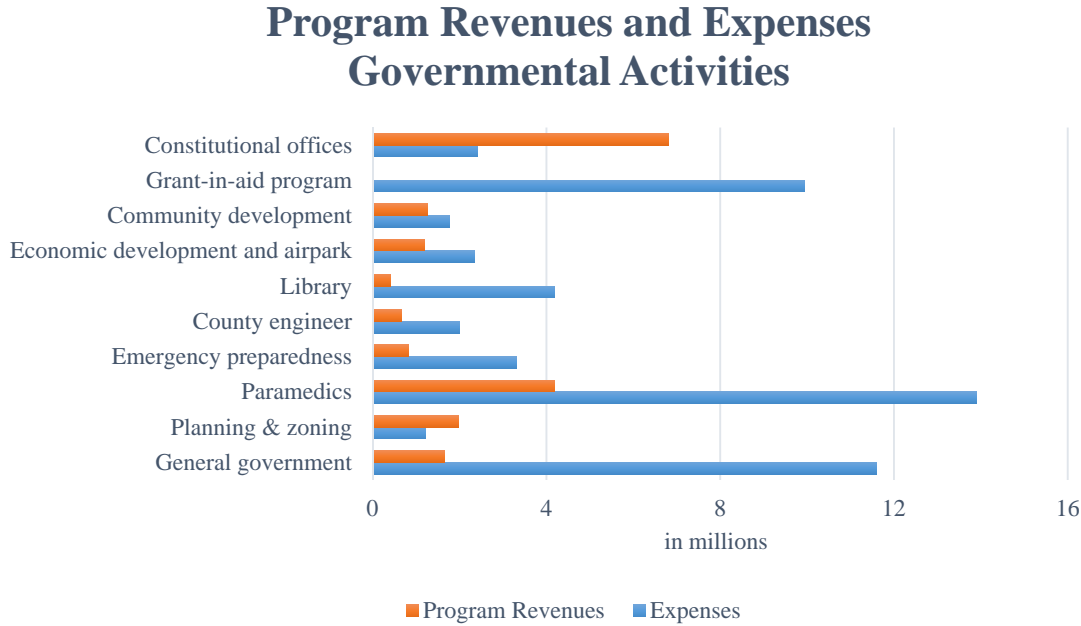


Total Governmental Revenues decreased \$5.1 million. Although economy-driven revenues kept pace with fiscal year 2014, our capital grants were \$5.5 million less than the previous year. In fiscal year 2014, the County received \$4.9 million in capital grants for the Delaware Coastal Airport. Charges for services decreased \$0.5 million. Constitutional revenues, specifically the Sheriff revenues, drove the decrease in charges for services. Constitutional revenue is 60.1 percent of all governmental charges for services. The Sheriff's Department decrease was due to the economy improving with less properties going to Sheriff sale.

Excluding the restatement of the pension expense in fiscal year 2014, total expenses were up \$2.7 million, or 5.4 percent, from fiscal year 2014. The largest increase was \$2.1 million for the Grant-in-aid program. The County anticipated additional revenue in fiscal year 2014 that was budgeted to be spent in fiscal year 2015 once it was verified with the audit. These additional funds were used as one-time grants to human

service agencies, local law enforcement agencies, town economic development initiatives, independent libraries, and fire companies.

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 the 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 19.7 percent over the last 10 years.

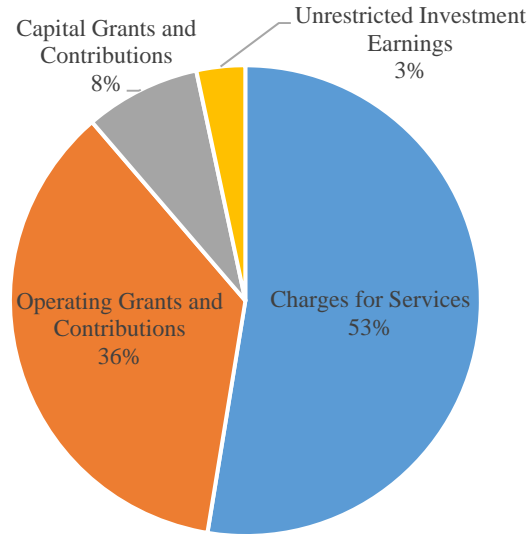
The Paramedic Department is the County’s largest department in terms of expenditures and employees. Our residents and visitors rely on this valuable County service. The paramedics were dispatched 33.2 percent more this year than 10 years ago. The County has had to develop cost-saving procedures without jeopardizing the quality of service being provided by the paramedics. The County’s goal is to 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 four of our eight medic stations. The fifth station will begin to be built in fiscal year 2016.

During fiscal year 2015, the County provided \$9.9 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 \$2.8 million contribution. The volunteer fire service and ambulance companies received over \$4.2 million in grant funding during fiscal year 2015. A variety of community grants, in the amount of \$2.9 million, were given to local non-profit organizations, senior centers, libraries, food pantries, and housing assistance programs.

Business-type Activities

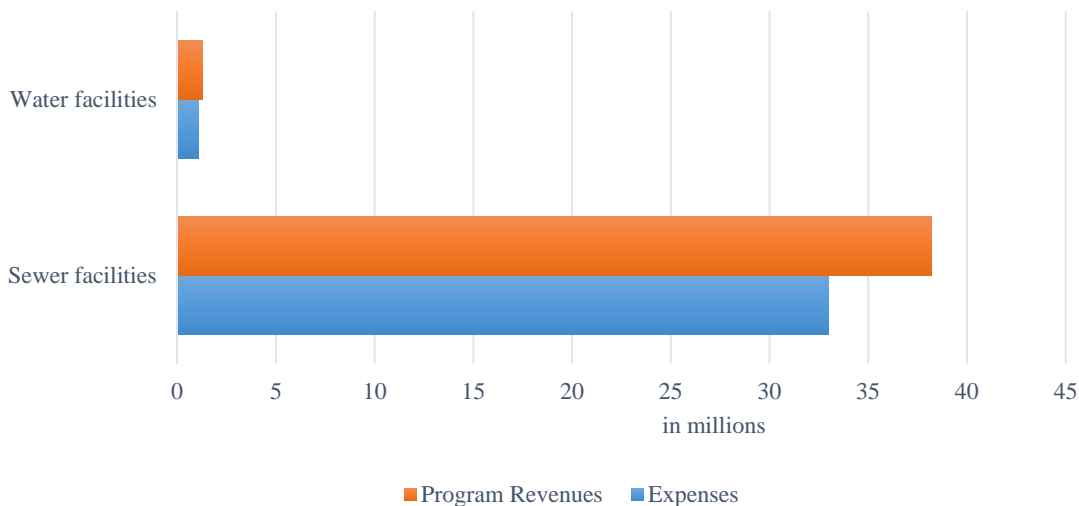
Sussex County’s water and sewer funds had an increase in net position of \$5.7 million during fiscal year 2015. The income before capital contributions and transfers was \$5.4 million. Our sewer districts continue to grow, bringing in additional income. The number of equivalent dwelling units increased more than 1,675 from fiscal year 2014. The pie chart reflects revenues by source.

Revenues by Source - Governmental Activities



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

**Program Revenues and Expenses  
Business-type Activities**



- The County received \$5.5 million in connection fees for new growth in the water and sewer districts; this is a 1.9 percent decrease over last year's collection of \$5.6 million. Although there was a small decrease this year, connection fee income has increased more than 34.6 percent since fiscal year 2013 due to the housing market. Although the economy is improving, an increase in this category is a direct 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 2015 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 207 in the amount of \$4.7 million.

### **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 2015, fund balances of the County's governmental funds increased \$4.0 million. This increase is a result of the \$22.2 million collected in realty transfer tax. The County budgeted \$16.0 million that caused revenues to exceed budgeted revenues by \$6.2 million in this single revenue category.

For the general fund, fiscal year 2015 finished with a decrease in fund balance of \$0.4 million. Page 77 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.

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 of 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 2015, \$5.8 million was contributed to the pension plan. The fund saw an increase from investment earnings, net of investment expenses, in the amount of \$4.1 million. The County's Pension Plan is 84.2 percent funded according to the latest actuarial report. As of June 30, 2015, assets held in this account were valued at over \$74.2 million.

In fiscal year 2015, 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 44 and 45 for these assumptions. As January 1, 2013, 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 73.5 percent funded. As of June 30, 2015, assets held in this account were valued at \$31.4 million. For fiscal year 2015, the contribution to this fund was \$2.2 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.

In fiscal year 2015, there were 215 retirees and beneficiaries in the pension plan. Beneficiary payments for both funds totaled \$5.4 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 \$302.1 million - a \$5.7 million, or 1.9 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 2015. 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 library grants (\$550,000), additional pension contribution (\$523,000), fire company grants (\$520,000), and insurance cost increases (\$312,000).

### **Budget to Actual - Revenue**

The fiscal 2015 budget increased 3.6 percent over the previous year. The increase was due to the anticipated surplus from fiscal year 2014 and an increase to the pension contribution. 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 2015, actual general fund revenues and other financing sources were over budgeted revenues by \$4.9 million as noted on page 63. The largest revenue source over budget was realty transfer tax; this revenue exceeded what was budgeted in the general fund by \$6.2 million. All of this additional revenue was transferred to the capital improvement fund to cover large projects.

### **Budget to Actual - Expenditures**

Before other financing uses, expenditures uses were under budget by \$794,964 as noted on page 69. Many departments finished the fiscal year under their budget projections. The section that exceeded the budget the greatest was the Engineering Department, which exceeded the budget by \$97,363 due to not being able to allocate as many expenses to the sewer funds as anticipated. The overage in the Finance Department is also from the allocation of sewer expense.



**Capital Asset and Debt Administration**

Capital Assets

As per the chart below, capital assets (net of depreciation) are valued at \$449.3 million as of June 30, 2015. Note E, on pages 40 and 41, includes additional information.

Sussex County, Delaware Capital Assets  
As of June 30, 2015 and 2014  
(net of depreciation)

	Governmental Activities		Business-type Activities		Total Government	
	2015	2014	2015	2014	2015	2014
Land	\$ 18,236,796	\$ 17,174,285	\$ 39,678,240	\$39,594,004	\$ 57,915,036	\$ 56,768,289
Construction in Progress	685,883	9,968,409	6,562,524	4,557,371	7,248,407	14,525,780
Buildings	32,379,558	32,544,545	30,332,112	31,122,657	62,711,670	63,667,202
Improvements Other Than Buildings	25,224,407	15,398,663	3,893,579	4,190,561	29,117,986	19,589,224
Machinery and Equipment	1,884,632	2,001,573	2,048,496	2,558,630	3,933,128	4,560,203
Infrastructure	-	-	288,409,655	288,626,099	288,409,655	288,626,099
Total	<u>\$ 78,411,276</u>	<u>\$ 77,087,475</u>	<u>\$ 370,924,606</u>	<u>\$ 370,649,322</u>	<u>\$ 449,335,882</u>	<u>\$ 447,736,797</u>

The major governmental capital projects completed in fiscal year 2015 was the expansion of Runway 4-22. Both the decrease in Construction in Progress and the increase in Improvements Other Than Buildings was a result of the runway expansion. The County has spent \$1.3 million more in fiscal year 2015 over 2014 for governmental capital assets.

The following are highlights of the major capital sewer projects under way during fiscal year 2015, 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 for the West Rehoboth Sewer District;
- construction continues on a major treatment plant expansion project at the Inland Bays Regional Wastewater Facility;
- expansion of the Millville Sewer District began.

Long-term Debt

As of June 30, 2015, the County had \$158 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, 2015 and 2014**

General Bonds

	Governmental Activities		Business-type Activities		Total Government	
	2015	2014	2015	2014	2015	2014
General Obligation Bonds	\$ -	\$ -	\$ 157,980,947	\$ 159,460,288	\$ 157,980,947	\$ 159,460,288
Total	\$ -	\$ -	\$ 157,980,947	\$ 159,460,288	\$ 157,980,947	\$ 159,460,288

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. The County has maintained this bond rating since 2010.

Additional debt information is included in Note I, on pages 49 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 goal is to maintain operations without depending on a robust economy that brings in additional revenues. 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 5.0 percent in October 2015 and Delaware’s unemployment rate was 5.1 percent, Sussex County’s unemployment - at 4.4 percent - was under those averages.

- The fiscal year 2015's budget was consistent with 2014. Fiscal year 2015 saw increases as the housing market continued to rebound. Budget revenues for fiscal year 2016 are 2.9 percent over fiscal year 2015. County's property tax assessments saw a larger increase of 3.3 percent. Although actual revenues for fiscal year 2015 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 leads the nation in broiler poultry and lima bean production.
- 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 lifestyle and low cost of living, which brings more tourists and retirees here.

### Fiscal Year 2016 Budget and Rates

The major goal of the fiscal year 2016 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 2016 budget was put together with sustainability in mind. The budget committee remains cautiously optimistic by not creating a budget that relies on volatile revenue sources. As revenues for fiscal year 2016 are tracked, there is a sign of slow growth in the economy in Sussex County.

The fiscal year 2016 general fund budget shows a \$1.5 million increase in expenses from fiscal year 2015; this has to do with additional grant funding. The contract to provide additional State Troops increased by \$90,000. There was also an increase in funding for the 11 independent libraries. Throughout the fiscal year 2016 budget, there is an increase in health insurance costs. The County did a request for proposal in fiscal year 2015 and is optimistic that savings will be realized in fiscal year 2016.

The fiscal year 2016 capital improvements budget includes a \$3.0 million transfer of realty transfer tax revenue. These previous collected revenues help the County continue investing in its infrastructure. The County has a practice of setting funds aside for large capital 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 for another year.

The fiscal year 2016 sewer and water budget increased by 7.6 percent. This budget continues the process to establish and move towards a uniform service charge and connection fee 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 fees cover four wastewater treatment facilities, one water facility and tower, over 487 pump stations, and over 865 miles of pipe.

The five-year capital improvement plan of \$129.2 million includes \$108.6 million for sewer projects and improvements, as well as \$20.6 million for other projects, such as improving the Delaware Coastal Airport, expanding our paramedic infrastructure, building and purchasing a new mobile command unit, and renovating the County's Administration Building.

**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](http://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, 2015

-19-

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash, cash equivalents, and investments	\$ 46,916,638	\$ 60,875,488	\$ 107,792,126
Receivables, net of allowance for doubtful accounts:			
Taxes	1,545,197	-	1,545,197
Service charges	-	2,459,092	2,459,092
Assessments and connection	593,795	1,611,838	2,205,633
Accrued interest	94,558	111,270	205,828
Miscellaneous	249,191	47,318	296,509
Employee advances	348,386	178,775	527,161
Due from other governmental agencies	2,674,890	333,171	3,008,061
Internal balances	8,894,774	(8,894,774)	-
Inventory	24,026	227,763	251,789
Prepaid items	80,336	-	80,336
Net other postemployment benefit asset	4,060,182	1,247,245	5,307,427
Restricted cash, cash equivalents, and investments	55,218,773	42,316,685	97,535,458
Loans receivable	1,227,319	-	1,227,319
Capital assets:			
Land, improvements, and construction in progress	18,922,679	46,240,764	65,163,443
Other capital assets, net of depreciation	59,488,597	324,683,842	384,172,439
Total assets	<u>200,339,341</u>	<u>471,438,477</u>	<u>671,777,818</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows from pension	1,921,029	590,120	2,511,149
Deferred gain on refunding of bonds	-	1,446,862	1,446,862
Total deferred outflows of resources	<u>1,921,029</u>	<u>2,036,982</u>	<u>3,958,011</u>
<b>LIABILITIES</b>			
Accounts payable and other current liabilities	4,140,821	2,003,168	6,143,989
Accrued interest payable	-	788,942	788,942
Employee health claims payable	868,280	-	868,280
Unearned revenue	454,139	50,981	505,120
Deposits	7,535,200	-	7,535,200
Net pension liability	10,682,647	3,281,597	13,964,244
Long-term liabilities:			
Due within one year	2,193,045	8,702,893	10,895,938
Other due in more than one year	3,331,672	156,569,751	159,901,423
Total liabilities	<u>29,205,804</u>	<u>171,397,332</u>	<u>200,603,136</u>
<b>NET POSITION</b>			
Net investment in capital assets	77,934,592	207,515,115	285,449,707
Restricted for:			
Capital, public safety and economic development	45,138,996	-	45,138,996
Grant expenses	290,082	-	290,082
Construction and capital	-	43,858,934	43,858,934
Unrestricted	49,690,896	50,704,078	100,394,974
Total Net Position	<u>\$ 173,054,566</u>	<u>\$ 302,078,127</u>	<u>\$ 475,132,693</u>

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

SUSSEX COUNTY, DELAWARE  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2015

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	
<b>Primary government:</b>							
Governmental Activities:							
General government	11,612,339	1,638,637	14,346	43	(9,959,313)	-	(9,959,313)
Planning & zoning	1,208,811	1,672,188	-	300,000	763,377	-	763,377
Paramedics	13,895,165	12,803	3,991,553	191,234	(9,699,575)	-	(9,699,575)
Emergency preparedness	3,317,424	17,500	808,968	-	(2,490,956)	-	(2,490,956)
County engineer	2,004,463	660,738	-	-	(1,343,725)	-	(1,343,725)
Library	4,194,436	38,404	366,778	8,389	(3,780,865)	-	(3,780,865)
Economic development and airpark	2,348,642	477,689	7,136	718,002	(1,145,815)	-	(1,145,815)
Community development	1,772,497	-	1,255,720	-	(516,777)	-	(516,777)
Grant-in-aid program	9,931,773	-	-	-	(9,931,773)	-	(9,931,773)
Constitutional offices	2,419,518	6,812,782	-	-	4,393,264	-	4,393,264
Total governmental activities	<u>52,705,068</u>	<u>11,330,741</u>	<u>6,444,501</u>	<u>1,217,668</u>	<u>(33,712,158)</u>	<u>-</u>	<u>(33,712,158)</u>
Business-type activities:							
Sewer facilities	32,982,881	20,248,738	14,720,499	3,245,133	-	5,231,489	5,231,489
Water facilities	1,061,361	1,223,871	28,509	457	-	191,476	191,476
Total business-type activities	<u>34,044,242</u>	<u>21,472,609</u>	<u>14,749,008</u>	<u>3,245,590</u>	<u>-</u>	<u>5,422,965</u>	<u>5,422,965</u>
Total primary government	<u>\$ 86,749,310</u>	<u>\$ 32,803,350</u>	<u>\$ 21,193,509</u>	<u>\$ 4,463,258</u>	<u>(33,712,158)</u>	<u>5,422,965</u>	<u>(28,289,193)</u>
General revenues:							
Taxes: Property & capitation					14,339,081	-	14,339,081
Fire service					1,280,085	-	1,280,085
Realty transfer					22,212,933	-	22,212,933
Unrestricted investment results					820,263	548,555	1,368,818
Transfers					291,088	(291,088)	-
Total general revenues and transfers					<u>38,943,450</u>	<u>257,467</u>	<u>39,200,917</u>
Change in net position					5,231,292	5,680,432	10,911,724
Net position - beginning as restated (Note S)					167,823,274	296,397,695	464,220,969
Net position - ending					<u>\$173,054,566</u>	<u>\$ 302,078,127</u>	<u>\$ 475,132,693</u>

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

SUSSEX COUNTY, DELAWARE  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2015

-21-

	<u>General</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash, cash equivalents, and investments	\$ 46,916,638	\$ -	\$ 46,916,638
Receivables, net of allowance for doubtful accounts:			
Taxes	1,545,197	-	1,545,197
Assessments and connection	593,795	-	593,795
Accrued interest	88,474	6,084	94,558
Miscellaneous	249,191	-	249,191
Employee advances	348,386	-	348,386
Due from other governmental agencies	1,676,712	998,178	2,674,890
Due from other funds	8,894,774	-	8,894,774
Inventory	24,026	-	24,026
Prepaid items	80,336	-	80,336
Restricted cash, cash equivalents, and investments	42,103,215	13,115,558	55,218,773
Total Assets	<u>102,520,744</u>	<u>14,119,820</u>	<u>116,640,564</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
Liabilities:			
Accounts payable and other accrued expenditures	3,657,944	482,877	4,140,821
Employee health claims payable	868,280	-	868,280
Unearned revenue	454,139	-	454,139
Deposits	7,535,200	-	7,535,200
Total Liabilities	<u>12,515,563</u>	<u>482,877</u>	<u>12,998,440</u>
Deferred inflows of resources:			
Unavailable revenues	2,830,610	454,809	3,285,419
Total deferred inflows of resources	<u>2,830,610</u>	<u>454,809</u>	<u>3,285,419</u>
Fund balances:			
Nonspendable	452,748	-	452,748
Restricted	42,832,105	13,182,134	56,014,239
Committed	798,817	-	798,817
Assigned	7,168,799	-	7,168,799
Unassigned	35,922,102	-	35,922,102
Total fund balances	<u>87,174,571</u>	<u>13,182,134</u>	<u>100,356,705</u>
Total liabilities deferred inflows of resources, and fund balances	<u>\$ 102,520,744</u>	<u>\$ 14,119,820</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.	78,411,276
Long-term liabilities are not due and payable in the current period and therefore are not reported in the fund-level statements.	(16,207,364)
Certain tax and grant revenue do not provide current financial resources and therefore are reported as unavailable revenue in the fund-level statements.	3,285,419
Other long-term assets are not available to pay for current period expenditures and, therefore, are recognized in the fund-level statements.	5,287,501
Consumption of net position by the government that is applicable to a future period	1,921,029
Net position of governmental activities	<u>\$173,054,566</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, 2015**

-22-

	<u>General</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Taxes	\$ 37,942,825	\$ -	\$ 37,942,825
Intergovernmental	5,721,942	1,411,861	7,133,803
Charges for services	11,658,482	-	11,658,482
Fines and forfeits	26,545	-	26,545
Investment earnings	820,263	-	820,263
Miscellaneous revenue	293,005	351,042	644,047
Total revenues	<u>56,463,062</u>	<u>1,762,903</u>	<u>58,225,965</u>
<b>EXPENDITURES</b>			
Current:			
General government	11,836,055	-	11,836,055
Planning & zoning	1,206,406	-	1,206,406
Paramedics	13,642,338	-	13,642,338
Emergency preparedness	3,043,865	-	3,043,865
County engineer	2,076,929	-	2,076,929
Library	3,926,313	-	3,926,313
Economic development and airpark	1,149,845	-	1,149,845
Community development	1,738,379	-	1,738,379
Grant-in-aid	9,931,773	-	9,931,773
Constitutional offices	2,392,219	-	2,392,219
Capital projects	-	3,563,636	3,563,636
Total expenditures	<u>50,944,122</u>	<u>3,563,636</u>	<u>54,507,758</u>
Excess of (deficiency) of revenues over (under) expenditures	<u>5,518,940</u>	<u>(1,800,733)</u>	<u>3,718,207</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	376,588	6,212,933	6,589,521
Transfers out	(6,298,433)	-	(6,298,433)
Total other financing sources and uses	<u>(5,921,845)</u>	<u>6,212,933</u>	<u>291,088</u>
Net change in fund balances	<u>(402,905)</u>	<u>4,412,200</u>	<u>4,009,295</u>
Fund balances - beginning	87,577,476	8,769,934	96,347,410
Fund balances - ending	<u>\$ 87,174,571</u>	<u>\$ 13,182,134</u>	<u>\$100,356,705</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, 2015**

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

Net change in fund balances - total governmental funds \$ 4,009,295

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:

Capital outlays	\$ 4,067,328	
Depreciation	<u>(2,737,584)</u>	1,329,744

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. (5,941)

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:

Economic development and neighborhood stabilization loans	\$ (140,315)	
Grants	(370,767)	
Property taxes	<u>(110,726)</u>	(621,808)

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.

Compensated absences	(120,160)	
Net pension liability	130,938	
Net other pension postemployment benefit cost	437,124	
Postclosure landfill care cost	49,000	
Pollution remediation cost	<u>23,100</u>	<u>520,002</u>

Change in net position of government activities \$ 5,231,292

SUSSEX COUNTY, DELAWARE  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Taxes	\$ 31,032,086	\$ 31,032,086	\$ 37,942,825	\$ 6,910,739
Intergovernmental	6,357,800	6,357,800	5,721,942	(635,858)
Charges for services	10,650,620	10,650,620	11,658,482	1,007,862
Fines and forfeits	22,000	22,000	26,545	4,545
Investment earnings	400,000	400,000	820,263	420,263
Miscellaneous revenue	182,080	182,080	293,005	110,925
Total Revenues	<u>48,644,586</u>	<u>48,644,586</u>	<u>56,463,062</u>	<u>7,818,476</u>
<b>EXPENDITURES</b>				
Current:				
General government	11,472,395	12,098,237	11,836,055	262,182
Planning & zoning	1,255,298	1,271,518	1,206,406	65,112
Paramedics	13,315,497	13,645,786	13,642,338	3,448
Emergency preparedness	2,922,413	3,057,288	3,043,865	13,423
County engineer	1,914,717	1,979,566	2,076,929	(97,363)
Library	3,990,785	4,051,684	3,926,313	125,371
Economic development and airpark	1,206,315	1,194,682	1,149,845	44,837
Community development	2,041,920	2,048,761	1,738,379	310,382
Grant-in-aid	7,600,361	9,931,828	9,931,773	55
Constitutional offices	2,539,385	2,459,736	2,392,219	67,517
Total Expenditures	<u>48,259,086</u>	<u>51,739,086</u>	<u>50,944,122</u>	<u>794,964</u>
Excess of revenue over expenditures	<u>385,500</u>	<u>(3,094,500)</u>	<u>5,518,940</u>	<u>8,613,440</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	300,000	300,000	376,588	76,588
Transfers out	(85,500)	(85,500)	(6,298,433)	(6,212,933)
Appropriated reserves	3,000,000	3,000,000	-	(3,000,000)
Reserved for contingencies	(3,600,000)	(120,000)	-	120,000
Total other financing sources and uses	<u>(385,500)</u>	<u>3,094,500</u>	<u>(5,921,845)</u>	<u>(9,016,345)</u>
Net change in fund balances	-	-	(402,905)	(402,905)
Fund balances - beginning	<u>87,577,476</u>	<u>87,577,476</u>	<u>87,577,476</u>	-
Fund balances - ending	<u>\$ 87,577,476</u>	<u>\$ 87,577,476</u>	<u>\$ 87,174,571</u>	<u>\$ (402,905)</u>

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

SUSSEX COUNTY, DELAWARE  
STATEMENT OF NET POSITION - PROPRIETARY FUNDS  
JUNE 30, 2015

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Unified Sewer District</b>	<b>Dewey Water</b>	<b>Totals</b>
<b>ASSETS</b>			
Current assets:			
Cash, cash equivalents, and investments:			
Unrestricted	\$ 33,352,041	\$1,237,127	\$ 34,589,168
Restricted	20,122,079	329,359	\$ 20,451,438
Receivables, net of allowance for doubtful accounts:			
Service charges	1,875,427	68,201	1,943,628
Assessments and connection	1,001,713	968	1,002,681
Accrued interest	109,619	1,651	111,270
Miscellaneous	45,572	1,746	47,318
Employee advances	178,775	-	178,775
Due from other governmental agencies	333,171	-	333,171
Inventory	226,175	1,588	227,763
Total current assets	<u>\$ 57,244,572</u>	<u>\$1,640,640</u>	<u>\$ 58,885,212</u>
Noncurrent assets:			
Cash, cash equivalents, and investments:			
Unrestricted	25,948,890	337,430	26,286,320
Restricted	21,483,714	381,533	21,865,247
Net other postemployment benefit asset	1,215,401	31,844	1,247,245
Noncurrent accounts receivables:			
Service charges	513,406	2,058	515,464
Assessments and connection	609,157	-	609,157
Capital assets:			
Land, improvements, and construction in progress	46,205,046	35,718	46,240,764
Other capital assets, net of depreciation	323,377,156	1,306,686	324,683,842
Total noncurrent assets	<u>419,352,770</u>	<u>2,095,269</u>	<u>421,448,039</u>
Total Assets	<u>476,597,342</u>	<u>3,735,909</u>	<u>480,333,251</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows from pension	575,053	15,067	590,120
Deferred gain on refunding of bonds	1,446,862	-	1,446,862
Total Deferred Outflows of Resources	<u>2,021,915</u>	<u>15,067</u>	<u>2,036,982</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and other current liabilities	1,904,972	98,196	2,003,168
Accrued interest payable	788,942	-	788,942
Unearned revenue	50,981	-	50,981
Due to other funds	8,894,774	-	8,894,774
Current portion of long-term liabilities	8,685,916	16,977	8,702,893
Total current liabilities	<u>20,325,585</u>	<u>115,173</u>	<u>20,440,758</u>
Noncurrent liabilities:			
Net pension liability	3,197,812	83,785	3,281,597
Long-term liabilities, less current portion	156,548,553	21,198	156,569,751
Total noncurrent liabilities	<u>159,746,365</u>	<u>104,983</u>	<u>159,851,348</u>
Total Liabilities	<u>180,071,950</u>	<u>220,156</u>	<u>180,292,106</u>
<b>NET POSITION</b>			
Net investment in capital assets	206,172,711	1,342,404	207,515,115
Restricted for construction and capital assets	43,148,042	710,892	43,858,934
Unrestricted	49,226,554	1,477,524	50,704,078
Total Net Position	<u>\$ 298,547,307</u>	<u>\$3,530,820</u>	<u>\$ 302,078,127</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, 2015

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Unified Sewer District</b>	<b>Dewey Water</b>	<b>Totals</b>
Operating revenues:			
Charges for services	\$ 18,733,162	\$ 1,126,050	\$ 19,859,212
Other operating revenue	1,515,576	97,821	1,613,397
Total operating revenues	<u>20,248,738</u>	<u>1,223,871</u>	<u>21,472,609</u>
Operating expenses:			
Contractual services	2,810,959	570,237	3,381,196
Depreciation	12,095,674	97,097	12,192,771
Employee benefits	3,791,446	49,008	3,840,454
Equipment and tools	665,810	15,249	681,059
Maintenance and repairs	906,380	74,362	980,742
Miscellaneous	-	-	-
Process chemicals	332,202	-	332,202
Professional fees	396,101	1,634	397,735
Salaries	4,952,479	134,664	5,087,143
Shared costs	1,905,716	105,152	2,010,868
Supplies	459,211	13,958	473,169
Training and travel	13,712	-	13,712
Total operating expenses	<u>28,329,690</u>	<u>1,061,361</u>	<u>29,391,051</u>
Operating (loss) income	<u>(8,080,952)</u>	<u>162,510</u>	<u>(7,918,442)</u>
Nonoperating revenue (expenses):			
Investment results	975,357	11,296	986,653
Assessment and connection fees	14,155,391	18,567	14,173,958
Disposal of assets	4,872	457	5,329
Miscellaneous	136,952	-	136,952
Interest expense	(4,653,191)	-	(4,653,191)
Total nonoperating revenues (expenses)	<u>10,619,381</u>	<u>30,320</u>	<u>10,649,701</u>
Income (loss) before contributions and transfers	2,538,429	192,830	2,731,259
Capital contributions	3,240,261	-	3,240,261
Transfers in	85,500	-	85,500
Transfers out	(376,588)	-	(376,588)
Change in net position	<u>5,487,602</u>	<u>192,830</u>	<u>5,680,432</u>
Total net position - beginning as restated (Note S)	<u>293,059,705</u>	<u>3,337,990</u>	<u>296,397,695</u>
Total net position - ending	<u>\$ 298,547,307</u>	<u>\$ 3,530,820</u>	<u>\$ 302,078,127</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, 2015

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Unified Sewer District</b>	<b>Dewey Water</b>	<b>Totals</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash receipts from customers	\$ 23,681,927	\$ 1,225,878	\$ 24,907,805
Other payments	72,496	-	72,496
Other receipts	2,216	-	2,216
Payments to employees	(9,077,253)	(195,997)	(9,273,250)
Payments to suppliers	(7,345,322)	(745,550)	(8,090,872)
Net cash flows from operating activities	<u>7,334,064</u>	<u>284,331</u>	<u>7,618,395</u>
<b>CASH FLOWS FROM NONCAPITAL</b>			
Operating grants received	136,952	-	136,952
Net cash flows from noncapital financing activities	<u>136,952</u>	<u>-</u>	<u>136,952</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition and construction of capital assets	(12,384,569)	(83,486)	(12,468,055)
Assessment and connection fees	14,025,359	19,996	14,045,355
Bond proceeds	6,569,000	-	6,569,000
Proceeds from sale of assets	4,872	458	5,330
Capital contributions	3,240,261	-	3,240,261
Interest paid	(4,919,281)	-	(4,919,281)
Retirement of bonds and related costs	(8,048,341)	-	(8,048,341)
Transfers from other funds for capital activities	(10,475,668)	-	(10,475,668)
Net cash flows from capital and related	<u>(11,988,367)</u>	<u>(63,032)</u>	<u>(12,051,399)</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Interest income	259,773	2,592	262,365
Net sales / (purchases) of investments	11,076,629	141,028	11,217,657
Net cash flows from investing activities	<u>11,336,402</u>	<u>143,620</u>	<u>11,480,022</u>
Net increase in cash and cash equivalents	<u>6,819,051</u>	<u>364,919</u>	<u>7,183,970</u>
Cash and cash equivalents - beginning	<u>46,422,012</u>	<u>1,250,208</u>	<u>47,672,220</u>
Cash and cash equivalents - ending	<u>53,241,063</u>	<u>1,615,127</u>	<u>54,856,190</u>
Investments	<u>47,665,661</u>	<u>670,322</u>	<u>48,335,983</u>
Total cash, cash equivalents and investments	<u>\$ 100,906,724</u>	<u>\$ 2,285,449</u>	<u>\$ 103,192,173</u>

(continued)

SUSSEX COUNTY, DELAWARE  
 STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS -CONTINUED  
 FOR YEAR ENDED JUNE 30, 2015

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Unified Sewer District</u>	<u>Dewey Water</u>	<u>Totals</u>
<b>Reconciliation of operating (loss) income to net cash provided by operating activities:</b>			
Operating (loss) income	\$ (8,080,952)	\$ 162,510	\$ (7,918,442)
Adjustments to reconcile operating (loss) income to net cash provided by operating			
Depreciation and amortization	12,095,674	97,097	12,192,771
Increases in accounts payable - other	21,517	619	22,136
Increases in accounts payable - suppliers	260,682	31,205	291,887
Decrease in compensated absences	(17,934)	(476)	(18,410)
Decrease in customer receivables	3,484,171	2,007	3,486,178
Increase (decrease) in inventory	(115,914)	3,837	(112,077)
Increase in other operating receivables	2,216	-	2,216
Increase (decrease) in payments to employees	8,898	(3,039)	5,859
Decrease in salaries and benefits payable	(324,294)	(9,429)	(333,723)
Net cash provided by operating activities	<u>\$ 7,334,064</u>	<u>\$ 284,331</u>	<u>\$ 7,618,395</u>

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

SUSSEX COUNTY, DELAWARE  
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS  
JUNE 30, 2015

-29-

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	<b>Pension and Other Employee Benefit Trusts</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 1,743,384
Investments:	
U.S. Treasuries	11,588,856
Government Agencies	3,189,204
Corporate obligations	2,935,389
Delaware Local Government Retirement Investment Pool	46,158,675
Common stocks and convertibles	13,752,559
Mutual funds	<u>26,175,506</u>
Total Investments	103,800,189
Accrued interest	<u>101,734</u>
<b>Total Assets</b>	<u>105,645,307</u>
<b>LIABILITIES</b>	
Accounts payable	<u>12,425</u>
<b>NET POSITION</b>	
Held in trust for pension benefits and other employee benefits	<u><u>\$ 105,632,882</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, 2015

-30-

	<b>Pension and Other Employee Benefit Trusts</b>
<b>ADDITIONS</b>	
Employer contributions	\$ 5,782,935
Employee contributions	16,197
Investment earnings:	
Net depreciation of investments	(2,602,096)
Interest and dividends	6,940,673
Total investment earnings	<u>4,338,577</u>
Less investment expenses	246,771
Net investment earnings	<u>4,091,806</u>
Total additions	<u>9,890,938</u>
<b>DEDUCTIONS</b>	
Beneficiary payments	5,356,089
Professional fees	134,625
Net increase in plan net position	<u>4,400,224</u>
Net position held in trust for pension and other employee benefits - beginning	<u>101,232,658</u>
Net position held in trust for pension and other employee benefits - ending	<u><u>\$ 105,632,882</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. 71.

### 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 2015 were for industrial airpark expansion and improvements. As of June 30, 2015, the major projects being planned over the next five years include \$12 million for industrial airpark improvements and expansion, \$2 million for property acquisition, \$2 million for paramedic station building, \$1 million for mobile command unit, \$2 million for various building improvements and \$1 million for assisted mass appraisal system.

**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 & machinery	5 – 20 years
Infrastructure	10 – 50 years

The County's governmental activities capital assets consists mainly of buildings, 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 has two items that qualify for reporting in this category. The first 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. The second is deferred outflows from pensions as described in Note F. These items will be recognized as part of pension expense in future periods. The general fund and capital project fund balance sheets contain deferred inflows of resources, which represents an acquisition of fund balance that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. These are primarily unavailable revenues for property tax and grants.

**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, 2015. 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 \$5,287,501 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:



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NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

Loan receivable	\$	1,227,319
Net postemployment benefit asset		4,060,182
	\$	<u>5,287,501</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, 2015, the carrying amount of the County's deposits was \$81,955,803 and the bank balance was \$83,532,266. 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, 2015:

Investment Type	Fair Value	Investment Maturities (in Years)		
		Less than 1	1-5	6-10
U.S. Treasuries	\$ 11,588,857	\$ 1,035,203	\$ 6,803,158	\$ 3,750,496
Government Agencies	95,287,223	705,153	93,135,380	1,446,690
Corporate obligations	2,935,388	-	2,305,365	630,023
Delaware Local Government				
Retirement Investment Pool	46,158,675	46,158,675	-	-
Common stock	13,752,559	-	-	-
Mutual funds	26,175,506	-	-	-
Total Investments	<u>\$195,898,208</u>	<u>\$47,899,031</u>	<u>\$102,243,903</u>	<u>\$ 5,827,209</u>

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

Cash on hand	\$ 3,578
Carrying amount of deposits	114,969,371
Carrying amount of investments	195,898,208
Total	<u>\$ 310,871,157</u>
Primary Government	
Unrestricted	
Cash and cash equivalents	\$ 54,084,198
Investments	53,707,928
Restricted	
Cash and cash equivalents	59,145,367
Investments	38,390,091
Total primary government	<u>205,327,584</u>
Fiduciary funds (not included in government-wide statement)	
Cash and cash equivalents	1,743,384
Investments	103,800,189
Total fiduciary funds	<u>105,543,573</u>
Total	<u>\$ 310,871,157</u>

**NOTE C - ACCOUNTS RECEIVABLE**

The allowance for uncollectible receivables at June 30, 2015 is \$25,806 for service and \$15,314 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 \$282,380 at June 30, 2015. 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 1% per annum, matures on February 2016, and is secured with partner guarantees and a second mortgage on the property.

**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, 2015 total \$944,939.

Loans receivable total \$1,227,319 at June 30, 2015, which are not reflected on the governmental funds balance sheet.

**NOTE E - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2015, was as follows:

	Balance at June 30, 2014	Increases	Decreases	Balance at June 30, 2015
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 17,174,285	\$1,062,511	\$ -	\$ 18,236,796
Construction in progress	9,968,409	3,410,895	12,693,421	685,883
Total capital assets, not being depreciated	<u>27,142,694</u>	<u>4,473,406</u>	<u>12,693,421</u>	<u>18,922,679</u>
Other capital assets:				
Buildings	40,056,985	624,677	-	40,681,662
Improvements	26,178,848	11,058,223	-	37,237,071
Machinery and equipment	16,267,754	604,442	2,155,768	14,716,428
Total other capital assets	<u>82,503,587</u>	<u>12,287,342</u>	<u>2,155,768</u>	<u>92,635,161</u>
Less accumulated depreciation for:				
Buildings	7,512,440	789,664	-	8,302,104
Improvements	10,780,185	1,232,479	-	12,012,664
Machinery and equipment	14,266,181	715,441	2,149,826	12,831,796
Total accumulated depreciation	<u>32,558,806</u>	<u>2,737,584</u>	<u>2,149,826</u>	<u>33,146,564</u>
Other capital assets, net	<u>49,944,781</u>	<u>9,549,758</u>	<u>5,942</u>	<u>59,488,597</u>
<b>Governmental Activities Capital Assets, Net</b>	<u><u>\$ 77,087,475</u></u>	<u><u>\$14,023,164</u></u>	<u><u>\$ 12,699,363</u></u>	<u><u>\$ 78,411,276</u></u>
<b>Business-type Activities:</b>				
Capital assets not being depreciated:				
Land	\$39,594,004	\$ 84,236	\$ -	\$ 39,678,240
Construction in progress	4,557,371	8,513,110	6,507,957	6,562,524
Total capital assets, not being depreciated	<u>44,151,375</u>	<u>8,597,346</u>	<u>6,507,957</u>	<u>46,240,764</u>
Other capital assets:				
Buildings	42,255,288	6,067	-	42,261,355
Improvements	10,505,933	-	-	10,505,933
Machinery and equipment	11,023,334	309,520	44,423	11,288,431
Infrastructure	422,044,364	10,063,079	-	432,107,443
Total other capital assets	<u>485,828,919</u>	<u>10,378,666</u>	<u>44,423</u>	<u>496,163,162</u>

**NOTE E - CAPITAL ASSETS – CONTINUED**

	Balance at June 30, 2014	Increases	Decreases	Balance at June 30, 2015
Less accumulated depreciation for:				
Building	11,132,631	796,612	-	11,929,243
Improvements	6,315,372	296,982	-	6,612,354
Machinery and equipment	8,464,704	819,654	44,423	9,239,935
Infrastructure	133,418,265	10,279,523	-	143,697,788
Total accumulated depreciation	159,330,972	12,192,771	44,423	171,479,320
Other capital assets, net	326,497,947	(1,814,105)	-	324,683,842
<b>Business-type Activities</b>				
<b>Capital Assets, Net</b>	<u>\$370,649,322</u>	<u>\$6,783,241</u>	<u>\$6,507,957</u>	<u>\$370,924,606</u>

Depreciation expense was charged to functions as follows:

**Governmental activities:**

General government	\$ 552,020
Planning and zoning	7,905
Paramedic program	385,529
Emergency preparedness	363,476
Economic development and airpark	1,132,929
County engineer	5,103
Library	263,323
Constitutional offices	27,299
<b>Total governmental activities depreciation expense</b>	<u>2,737,584</u>

**Business-type activities**

Water	97,097
Sewer	12,095,674
<b>Total business-type activities depreciation expense</b>	<u>\$ 12,192,771</u>

Construction in progress was \$7.1 million with additional contractually committed costs to complete the projects in process of approximately \$3.8 million as of June 30, 2015.

**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, 2015, total payroll was \$24,591,147. Covered payroll refers to all compensation by the County to active employees covered by the plan.

Current membership in the plan (as of June 30, 2015) is as follows:

Total Actives	Retirees and Beneficiaries	Terminated Vested	Covered Payroll
476	215	80	\$ 21,081,346

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, 2015 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 17.10% of annual payroll.

Pension Liability, Pension Expense and Deferred Outflows of Resources Related to Pensions

At June 30, 2015, the County reported a liability of \$13,964,244 for the net pension liability. The net pension liability was measured as of June 30, 2015, and the total liability used to calculate the net pension liability was

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

Pension Liability, Pension Expense and Deferred Outflows of Resources Related to Pensions - Continued

determined by an actuarial valuation as of that date. The County's net pension liability was based on a projection of the County's long-term contributions to the pension plan.

The components of the net pension liability of the County at June 30, 2015, were as follows:

Total Pension Liability	\$ 88,206,659
Plan Fiduciary Net Pension	(74,242,415)
County's Net Pension Liability	<u>\$ 13,964,244</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	<u>84.17%</u>

**Changes in the Net Pension Liability**

	Increase (Decrease)		
	Total Pension Liability	Fiduciary Plan Net Position	Net Pension Liability
Balance recognized at 7/1/2014 (based on 6/30/14 measurement date)	\$82,510,864	\$70,886,608	\$11,624,256
Changes recognized for the fiscal year:			
Service Cost	1,876,088	-	1,876,088
Interest on the total pension liability	6,211,311	-	6,211,311
Differences between expected and actual experience	805,130	-	805,130
Contributions from the employer	-	3,588,403	(3,588,403)
Contribution from the employee	-	16,197	(16,197)
Net investment income	-	3,028,832	(3,028,832)
Benefit payments	(3,196,734)	(3,196,734)	-
Administrative expense	-	(80,891)	80,891
Net change	<u>5,695,795</u>	<u>3,355,807</u>	<u>2,339,988</u>
Balance recognized at 6/30/15 (based on 6/30/2015 measurement date)	<u>\$88,206,659</u>	<u>\$74,242,415</u>	<u>\$13,964,244</u>

For the year ended June 30, 2015, recognized \$3,650,065 of pension expense and reported deferred outflows of resources from pensions from the following sources:

	Deferred Outflows of Resources
Difference between expected and actual experience	\$ 671,387
Difference between projected and actual earnings on pension plan investments	1,839,762
Total	<u>\$ 2,511,149</u>

The below lists the amortization bases included in the deferred outflows as of June 30, 2015.

Date Established	Type of Base	Period		Balance		Annual Expense
		Original	Remaining	Original	Remaining	
7/1/2014	Liability (Gain)/Loss	6.02	5.02	\$805,130	\$671,387	\$133,743
7/1/2014	Asset (Gain)/Loss	5	4	2,299,703	1,839,762	459,941
	Total Charges				<u>\$2,511,149</u>	<u>\$593,684</u>

**NOTE F - PENSION AND OTHER POST-RETIREMENT EMPLOYEE BENEFIT TRUSTS - CONTINUED**  
Pension Liability, Pension Expense and Deferred Outflows of Resources Related to Pensions – Continued

Amounts recognized in the deferred outflows of resources from pension will be recognized in the pension expense as follows:

Year End June 30:	
2016	\$593,684
2017	593,684
2018	593,684
2019	593,682
2020	133,743
2021 and after	2,672

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2015, using the Entry Age Normal cost method and the following actuarial assumptions based on the census data as of January 1, 2014 and July 1, 2015 and the measurement date of June 30, 2015 and measurement period July 1, 2014 to June 30, 2015.

- A rate of return on the investment of present and future assets of 7.5% per year compounded annually;
- 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;
- Five-year phase-in of asset gains and losses to value assets; and
- Mortality changed from RP-2000 Mortality to RP 2014 with full generational projections at scale MP-2014

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, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Expected Real Rate of Return</u>
Domestic Equity	40% - 50%	4.4%
International Equity	10% - 15%	4.7%
Domestic Fixed Income	20% - 25%	1.6%
International Fixed Income	0% - 5%	0.9%
Real Estate and Other	5% - 15%	3.7%
Cash	5% - 10%	0.7%
Total	100%	

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

Actuarial Assumptions - Continued

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.

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	\$101,727,014	\$ 88,206,659	\$ 77,940,351
Plan Fiduciary Net Position	( 74,242,415)	( 74,242,415)	( 74,242,415)
County's Net Pension Liability	\$ 26,484,599	\$ 13,964,244	\$ 3,697,936

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 (DEL RIP), 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. DEL RIP was established to allow local governments the option to pool their pension assets with the Delaware Public Employees' Retirement System (DPERS). DEL RIP 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 DEL RIP investments are stated at fair value, which is the same as the value of the DPERS' Master Trust shares. Further details of the DEL RIP 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, 2015.

<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, 2015 consist of:

Delaware Local Retirement Investment Pool	<u>Fair Value</u> \$ 46,158,675
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**NOTE F - PENSION AND OTHER POST-RETIREMENT EMPLOYEE BENEFIT TRUSTS - CONTINUED**

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, 2015) is as follows:

Total Actives	Retirees and Beneficiaries	Terminated Vested
478	157	0

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 \$2,194,532 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, 2015 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	\$ 1,507,556
Interest on net OPEB obligation	(339,662)
Adjustment to annual required contribution	248,033
Annual OPEB Cost	<u>1,415,927</u>
Contributions made	2,194,532
Increase in Net OPEB Asset	<u>(778,605)</u>
Net OPEB Obligation (Asset), Beginning of Year	(4,528,823)
Net OPEB Obligation (Asset), End of Year	<u>\$ (5,307,428)</u>

**NOTE F - PENSION AND OTHER POST-RETIREMENT EMPLOYEE BENEFIT TRUSTS - CONTINUED**  
Annual OPEB Cost and Net OPEB Obligation - Continued

Trend information is as follows:

<u>Year Ended June 30,</u>	<u>Annual OPEB Cost (AOC)</u>	<u>Percentage of AOC Contributed</u>	<u>Net OPEB Obligation (Asset)</u>
2013	\$ 1,786,857	117.9%	\$ (3,755,921)
2014	1,660,850	146.5	(4,528,823)
2015	1,415,926	155.0	(5,307,428)

Post-retirement Employee Benefit Plan Funded Status and Funding Progress

As of January 1, 2015, the most recent actuarial valuation date, the plan was 73.5% funded. The actuarial accrued liability for benefits was \$41.2 million, and the actuarial value of assets was \$30.3 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$10.9 million. The covered payroll (annual payroll of employees covered by the plan) was \$21.1 million, and the ratio of the UAAL to the covered payroll was 48.8%.

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, 2015.

**COMBINING STATEMENTS OF FIDUCIARY NET POSITION**  
**JUNE 30, 2015**

	<u>Pension Trust</u>	<u>Post-retirement Employee Benefit Trust</u>	<u>Total</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 855,785	\$ 887,599	\$ 1,743,384
Investments:			
U.S. Treasuries	4,970,379	6,618,477	11,588,856
Government Agencies	1,115,533	2,073,671	3,189,204
Corporate Obligations	1,345,404	1,589,985	2,935,389
Delaware Local Government Retirement Investment Pool	46,158,675	-	46,158,675
Common stocks and convertibles	13,752,559	-	13,752,559
Mutual funds	6,001,563	20,173,943	26,175,506
Accrued interest	54,942	46,792	101,734
	<u>74,254,840</u>	<u>31,390,467</u>	<u>105,645,307</u>

**NOTE F - PENSION AND OTHER POST-RETIREMENT EMPLOYEE BENEFIT TRUSTS – CONTINUED**  
Post-retirement Employee Benefit Trust Assets - Continued

**COMBINING STATEMENTS OF FIDUCIARY NET POSITION - CONTINUED**  
**JUNE 30, 2015**

	<b>Pension Trust</b>	<b>Post-retirement Employee Benefit Trust</b>	<b>Total</b>
Accounts payable	12,425	-	12,425
<b>Net Position Held In Trust For Pension And Other Employee Benefits</b>	<b>\$ 74,242,415</b>	<b>\$ 31,390,467</b>	<b>\$ 105,632,882</b>

**COMBINING STATEMENT OF CHANGE IN FIDUCIARY NET POSITION**  
**YEAR ENDED JUNE 30, 2015**

	<b>Pension Trust</b>	<b>Post-retirement Employee Benefit Trust</b>	<b>Total</b>
<b>Additions</b>			
Employer contributions	\$ 3,588,403	\$ 2,194,532	\$ 5,782,935
Employee contributions	16,197	-	16,197
Investments:			
Net depreciation of investments	(2,081,212)	( 520,884)	(2,602,096)
Interest and dividends	5,335,037	1,605,636	6,940,673
	3,253,825	1,084,752	4,338,577
Less investment expenses	224,993	21,778	246,771
Net investment earnings	3,028,832	1,062,974	4,091,806
<b>Total Additions</b>	<b>6,633,432</b>	<b>3,257,506</b>	<b>9,890,938</b>
<b>Deductions</b>			
Beneficiary payments	3,196,734	2,159,355	5,356,089
Professional fees	80,891	53,734	134,625
<b>Net Increase in Plan Net Position</b>	<b>3,355,807</b>	<b>1,044,417</b>	<b>4,400,224</b>
<b>Net Position Held In Trust for Pension and Other Employee Benefits - Beginning</b>	<b>70,886,608</b>	<b>30,346,050</b>	<b>101,232,658</b>
<b>Net Position Held In Trust for Pension and Other Employee Benefits - Ending</b>	<b>\$ 74,242,415</b>	<b>\$ 31,390,467</b>	<b>\$105,632,882</b>

**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, 2015. The County had \$10,000,000 of unused line of credit to be drawn upon as needed. No balance was outstanding at June 30, 2015.

**NOTE I - LONG –TERM LIABILITIES**

Description of Bonds Payable

At June 30, 2015, 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.	\$ 1,369,361
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.	342,774
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.	3,378,273
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.	7,696,488
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.	800,756
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.	2,274,765
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.	1,548,644
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.	692,308
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.	836,402
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.	785,056
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.	6,595,290
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.	6,902,809

**NOTE I – LONG-TERM LIABILITIES - CONTINUED**

<u>Description of Bonds Payable – Continued</u>	<u>Business-type</u>
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.	\$ 3,934,406
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.	68,021
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.	12,218,540
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.	3,244,661
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.	2,298,753
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.	380,365
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.	7,054,588
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.	5,239,804
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.	4,785,212
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.	5,895,473
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.	479,150
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.	2,022,434

**NOTE I - LONG - TERM LIABILITIES - CONTINUED**

Description of Bonds Payable – Continued

	<u>Business-type</u>
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.	\$ 1,647,852
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.	1,026,911
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.	3,836,587
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.	1,065,599
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.	304,754
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.	26,285,000
2012B wastewater general obligation bonds (refundng), due in semi-annual installments, interest ranging from 2% to 5%, final payment due March 15, 2049.	24,785,000
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.	3,866,818
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.	85,942
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.	5,805,006
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.	1,932,267
2014 wastewater general obligation bond (Angola Neck), due in quarterly installments, interest at 2.375%, final payment due September 26, 2054. Total bonds authorized are \$987,000.	975,808
2014 wastewater general obligation bonds (Oak Orchard), due in quarterly installments, interest at 2.375%, final payment due July 24, 2054. Total bonds authorized are \$5,582,000.	<u>5,519,070</u>

**NOTE I - LONG - TERM LIABILITIES - CONTINUED**

Description of Bonds Payable – Continued

Subtotal	<u>Business-type</u> \$ 157,980,947
Unamortized bond premium	5,816,686
<b>TOTAL BOND PAYALBE</b>	<u>\$163,797,633</u>

Contract Commitments

The County has obligated itself under contracts for various projects. At June 30, 2015, the obligated unrecorded amount was approximately \$4.9 million. 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, 2015 totaled \$6,697,774. The bonds are to finance various sewer district construction and improvement projects.

Long-term Liability Activity

Long-term liability activity for the year ended June 30, 2015, was as follows:

	<u>June 30, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2015</u>	<u>Due Within One Year</u>
<b>Governmental Activities:</b>					
Compensated absences	\$ 5,283,657	\$ 2,266,326	\$ 2,146,166	\$ 5,403,817	\$ 2,169,945
Estimated liability for landfill postclosure care	49,000	-	49,000	-	-
Estimated liability for pollution remediation	144,000	-	23,100	120,900	23,100
<b>Total Governmental Activities</b>	<u>\$ 5,476,657</u>	<u>\$ 2,266,326</u>	<u>\$ 2,218,266</u>	<u>\$ 5,524,717</u>	<u>\$ 2,193,045</u>
<b>Business-Type Activities:</b>					
General obligation bonds	\$159,460,288	\$ 6,569,000	\$ 8,048,341	\$157,980,947	\$ 8,046,926
Unamortized bond premium	6,221,454	-	404,768	5,816,686	-
Total bonds payable	165,681,742	6,569,000	8,453,109	163,797,633	8,046,926
Compensated absences	1,493,422	654,250	672,661	1,475,011	655,967
<b>Total Business-type Activities</b>	<u>\$167,175,164</u>	<u>\$ 7,223,250</u>	<u>\$ 9,125,770</u>	<u>\$165,272,644</u>	<u>\$ 8,702,893</u>

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

**NOTE I - LONG-TERM LIABILITIES - CONTINUED**

Debt Maturity

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

Year ending June 30,	Business-type Activities - General Obligation		
	Principal	Interest	Total
2016	\$ 8,046,926	\$ 4,536,720	\$ 12,583,646
2017	7,794,955	4,322,816	12,117,771
2018	6,779,375	4,135,966	10,915,341
2019	6,945,286	3,958,230	10,903,516
2020	7,127,873	3,770,793	10,898,666
2021 – 2025	28,861,676	16,447,331	45,309,007
2026 – 2030	23,206,978	13,128,517	36,335,495
2031 – 2035	22,831,127	9,583,377	32,414,504
2036 – 2040	18,396,881	6,208,488	24,605,369
2041 – 2045	15,369,117	6,288,689	21,657,806
2046 – 2050	9,562,122	1,667,956	11,230,078
2051 – 2055	3,058,631	121,336	3,179,967
<b>TOTAL</b>	<b>\$ 157,980,947</b>	<b>\$ 74,170,219</b>	<b>\$ 232,151,166</b>

**NOTE J – INTERFUND BALANCES**

Interfund balances at June 30, 2015 consisted of the following:

Receivable Fund	Payable Fund	Amount
General fund	Unified sewer fund	\$ 8,894,774
<b>Total</b>		<b>\$ 8,894,774</b>

At June 30, 2015, interfund balances represented interim financing for sewer projects, which are to be repaid when the County draws the permanent funding. Realty transfer tax financed \$8,894,774 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:

	General	Capital Projects	Total
<b>Nonspendable</b>			
Inventory	\$ 24,026	\$ -	\$ 24,026
Prepaid items	80,336	-	80,336
<b>Total nonspendable</b>	<b>104,362</b>	<b>-</b>	<b>104,362</b>
<b>Restricted</b>			
Infrastructure, public safety, economic development items, capital	42,829,978	13,182,134	56,012,112
Rodent control grant	2,127	-	2,127
<b>Total restricted</b>	<b>42,832,105</b>	<b>13,182,134</b>	<b>56,014,239</b>



**NOTE K - FUND BALANCES - GOVERNMENTAL FUNDS - CONTINUED**

	<u>General</u>	<u>Capital Projects</u>	<u>Total</u>
<b>Committed</b>			
Open space land program	772,687	-	772,687
Groundwater monitoring	26,130	-	26,130
<b>Total committed</b>	<u>798,817</u>	<u>-</u>	<u>798,817</u>
<b>Assigned</b>			
Grant-in-aid for County tax subsidy program	39,958	-	39,958
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	3,208,792	-	3,208,792
Information technology	373,725	-	373,725
<b>Total assigned</b>	<u>7,168,799</u>	<u>-</u>	<u>7,168,799</u>
<b>Unassigned</b>	<u>36,270,488</u>	<u>-</u>	<u>36,270,488</u>
<b>Total Fund Balances – Governmental Funds</b>	<u>\$ 87,174,571</u>	<u>\$ 13,182,134</u>	<u>\$ 100,356,705</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 \$1,422,874, equipment with a cost basis of \$28,088 and accumulated depreciation of \$21,038, and improvements of \$107,045 and accumulated depreciation of \$39,897 were being leased as of June 30, 2015.

The minimum future rental revenue under leases as of June 30, 2015 for each of the next five years and thereafter in the aggregate are:

<u>Year ending June 30,</u>	<u>Amount</u>
2016	\$ 386,937
2017	363,386
2018	357,837
2019	316,668
2020	305,828
Thereafter	<u>1,840,692</u>
<b>Minimum Lease Payments Receivable</b>	<u>\$ 3,571,348</u>

**NOTE M - INTERFUND TRANSFERS**

Interfund transfers for the year ended June 30, 2015, consisted of the following:

Transfer to:	Transfer from		
	General Fund	Unified Sewer	Total
General fund	\$ -	\$ 376,588	\$ 376,588
Unified sewer fund	85,500	-	85,500
Capital improvements fund	6,212,933	-	6,212,933
	<u>\$ 6,298,433</u>	<u>\$ 376,588</u>	<u>\$ 6,675,021</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 2015, 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 \$9,756,633 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, 2015 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 2015 and 2014 were as follows:

	Beginning of Year Balance	Current-Year Claims and Changes in Estimates	Claim Payments	End of Year Balance
2013-2014	\$ 741,979	\$ 6,149,054	\$ (6,060,302)	\$ 830,731
2014-2015	830,731	6,409,941	(6,372,392)	868,280

**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 POLLUTION REMEDIATION OBLIGATION**

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 \$120,900 of which \$23,100 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 six 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, 2015 equaling \$165,657,000. In the opinion of bond counsel, these conduit 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, 2015, the County approved the award of contracts totaling \$12 million for the construction and improvement of various sewer and community improvement 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 2015, the County implemented GASB Statement No. 68 and 71, which requires local government employer to recognize a net pension liability to be measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service (total pension liability), less the amount of the pension's fiduciary net position. Statement 68 requires recognition of deferred outflow or inflow of resources for changes in the expected to actual net pension liability and the expected to actual pension asset amortization of those changes. In prior years these amounts were not reflected in the financial statements. GASB Statement No. 68 eliminated the net pension obligation (asset) which was previously reported on the financial statements. These changes resulted in a restatement of the Net Position as reported at June 30, 2014.

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

	Business-type Activities – Enterprise Funds		
	Unified Sewer District	Dewey Water	Totals
Net Position as reported at June 30, 2014	\$299,385,829	\$ 3,505,091	\$302,890,920
Adjustment for net pension asset	(3,664,169)	(97,356)	(3,761,525)
Adjustment for net pension liability	(2,661,955)	(69,745)	(2,731,700)
Net Position, as restated	<u>\$293,059,705</u>	<u>\$ 3,337,990</u>	<u>\$296,397,695</u>

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

	Governmental Activities	Business-type Activities	Totals
Net Position as reported at June 30, 2014	\$191,761,928	\$302,890,920	\$494,652,848
Adjustment for net pension asset	(15,046,098)	(3,761,525)	(18,807,623)
Adjustment for net pension liability	(8,892,556)	(2,731,700)	(11,624,256)
Net Position, as restated	<u>\$167,823,274</u>	<u>\$296,397,695</u>	<u>\$464,220,969</u>

**REQUIRED SUPPLEMENTARY INFORMATION**

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

	Fiscal Year Ending	
	2014	2015
<b>Total Pension Liability</b>		
Service Cost	\$ 1,773,965	\$ 1,876,088
Interest Cost	5,768,860	6,211,311
Changes of Benefit Terms	-	-
Differences Between Expected and Actual Experiences	(2,185,380)	805,130
Changes of Assumptions	-	-
Benefit Payments, Including Refunds of Member Contributions	(2,971,418)	(3,196,734)
<b>Net Change in Total Pension Liability</b>	<u>2,386,027</u>	<u>5,695,795</u>
<b>Total Pension Liability (Beginning)</b>	<u>80,124,837</u>	<u>82,510,864</u>
<b>Total Pension Liability (Ending)</b>	<u>\$ 82,510,864</u>	<u>\$ 88,206,659</u>
<b>Plan Fiduciary Net Position</b>		
Contributions - Employer	\$ 3,587,012	\$ 3,588,403
Contributions - Member	1,239	16,197
Net Investment Income	10,344,007	3,028,832
Benefit Payments, Including Refunds of Member Contributions	(2,972,657)	(3,196,734)
Administrative Expenses	-	-
Other	(138,063)	(80,891)
<b>Net Change in Plan Fiduciary Net Position</b>	<u>10,821,538</u>	<u>3,355,807</u>
<b>Plan Fiduciary Net Position (Beginning)</b>	<u>60,065,070</u>	<u>70,886,608</u>
<b>Plan Fiduciary Net Position (Ending)</b>	<u>70,886,608</u>	<u>74,242,415</u>
<b>County's Net Pension Liability (Ending)</b>	\$ 11,624,256	\$ 13,964,244
<b>Net Position as a % of Pension Liability</b>	85.91%	84.17%
<b>Covered-Employee Payroll</b>	\$ 20,427,138	\$ 21,081,346
<b>Net Pension Liability as a % of Payroll</b>	56.91%	66.24%

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

Changes in assumptions. In 2015, amounts reported as changes of assumptions resulted primarily from adjustments to assumed life expectancies as a result of adopting the RP-2014 Mortality with fully generational projects at Scale Mp-2014 for purpose of developing mortality rates. As such, the County's Net Pension Liability (ending) was restate using the RP-2014 Mortality tables.

SUSSEX COUNTY, DELAWARE  
 SCHEDULE OF EMPLOYER CONTRIBUTIONS - PENSION TRUST

	Fiscal Year Ending	
	2014	2015
Actuarially Determined Contribution	\$ 2,868,624	\$ 2,757,068
Contributions made in Relation to the Actuarially Determined Contribution	3,587,012	3,604,600
Contribution Deficiency (excess)	\$ (718,388)	\$ (847,532)
Covered-Employee Payroll	\$ 20,427,138	\$ 21,081,346
Contributions as a % of Payroll	17.56%	17.10%

Notes 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 Normal cost method
Amortization Method	Level dollar, open
Remaining Amortization Period	20 years
Asset Valuation Method	5-year smoothed market
General Inflation	2.50%
Salary Increase	Valuation year pay is the pay rate as of the Actuarial Valuation date. Such pay is assumed to increase each year as follows:

Age	Rate
20 - 24	0.045
25 - 29	0.055
30 - 34	0.050
35 - 39	0.045
40 - 59	0.350
60 +	0.030

Investment Rate of Return 7.50% net of pension plan investment expense, including inflation.

Retirement Age Varies by age and service

Mortality Changed from RP-2000 Mortality to RP-2014 Mortality with fully generational projections at Scale MP-2014.

The new assumption was effective for GASB 68 accounting at 7/1/2014. For funding, this is a change at 7/1/2015.

SUSSEX COUNTY, DELAWARE  
SCHEDULE OF INVESTMENT RETURNS - PENSION TRUST

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	Fiscal Year Ending	
	2014	2015
Annual Money-Weighted Rate of Return, Net of Investment Expense	17.56%	4.26%

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, 2015**

<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>
01/01/2010	\$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
01/01/2015	30,290,649	41,215,121	10,924,472	73.5	21,081,346	51.8

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2010	\$ 2,932,734.00	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%
2015	1,507,556	155.00%

**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, 2015

	<b>Final Budget Amounts</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
<b>Taxes</b>			
Real property and capitation - County	\$ 12,452,070	\$ 12,803,816	\$ 351,746
Real property - library	1,460,016	1,485,298	25,282
Realty transfer	16,000,000	22,212,933	6,212,933
Fire service	1,000,000	1,280,085	280,085
Penalties and interest	120,000	160,693	40,693
Total taxes	<u>31,032,086</u>	<u>37,942,825</u>	<u>6,910,739</u>
<b>Intergovernmental</b>			
Federal grants:			
Emergency preparedness	160,000	36,900	(123,100)
Miscellaneous	6,200	5,873	(327)
Housing and urban development	1,775,000	1,313,676	(461,324)
Project income	-	31,650	31,650
Federal payments in lieu of taxes	5,000	5,520	520
State grants:			
Library	340,000	342,103	2,103
Paramedics	3,994,650	3,907,872	(86,778)
Local emergency plan commission	66,950	67,327	377
Miscellaneous	-	2,196	2,196
Department of Health	10,000	8,825	(1,175)
Total intergovernmental	<u>6,357,800</u>	<u>5,721,942</u>	<u>(635,858)</u>
<b>Charges for services</b>			
Mobile home placement fees	74,000	107,719	33,719
Building inspection fees	1,040,000	1,190,557	150,557
Dog licensing	74,000	80,105	6,105
Miscellaneous general government fees	38,170	38,465	295
Building permits and zoning fees	1,325,000	1,670,103	345,103
911 System fees	559,630	559,636	6
Private road and sewer review and inspection fees	377,000	647,330	270,330
Airpark and economic development fees	472,820	472,689	(131)
Miscellaneous department fees	86,000	79,096	(6,904)
Marriage Bureau	134,000	140,657	6,657
Prothonotary	-	80	80
Recorder of Deeds	3,370,000	3,289,229	(80,771)
Register of Wills	950,000	1,072,997	122,997
Sheriff	2,150,000	2,309,819	159,819
Total charges for services	<u>10,650,620</u>	<u>11,658,482</u>	<u>1,007,862</u>
Fines and forfeits	<u>22,000</u>	<u>26,545</u>	<u>4,545</u>
<b>Miscellaneous revenue</b>			
Investment earnings	400,000	820,263	420,263
Miscellaneous revenues	182,080	293,005	110,925
Total miscellaneous revenues	<u>582,080</u>	<u>1,113,268</u>	<u>531,188</u>

(continued)

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

FOR THE YEAR ENDED JUNE 30, 2015

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	<b>Final Budget Amounts</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
Other financing sources			
Reimbursements from other funds	\$ 300,000	\$ 376,588	\$ 76,588
Appropriated reserves	3,000,000	-	(3,000,000)
Total other financing sources	<u>3,300,000</u>	<u>376,588</u>	<u>(2,923,412)</u>
Total revenues and other funding sources	<u>\$ 51,944,586</u>	<u>\$ 56,839,650</u>	<u>\$ 4,895,064</u>

**SCHEDULE OF GENERAL FUND EXPENDITURES AND OTHER FINANCING USES -  
BUDGET AND ACTUAL - CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2015**

	<b>Final Budget Amounts</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
General government			
County Council			
Salaries and wages	\$ 223,121	\$ 223,121	\$ -
Fringe benefits	193,330	193,984	(654)
Contractual services	164,494	164,454	40
Material and supplies	17,251	17,128	123
Other expenditures	21,903	10,903	11,000
Travel and training	24,550	24,547	3
Total County Council	<u>644,649</u>	<u>634,137</u>	<u>10,512</u>
Administration			
Salaries and wages	239,025	244,162	(5,137)
Fringe benefits	212,672	208,642	4,030
Contractual services	10,265	8,817	1,448
Material and supplies	17,871	17,015	856
Other expenditures	12,587	11,208	1,379
Travel and training	7,100	5,436	1,664
Machinery and equipment	46,860	42,767	4,093
Total administration	<u>546,380</u>	<u>538,047</u>	<u>8,333</u>
Legal	<u>601,098</u>	<u>601,098</u>	<u>-</u>
Finance			
Salaries and wages	794,000	794,000	-
Fringe benefits	590,486	593,601	(3,115)
Contractual services	466,324	522,271	(55,947)
Material and supplies	28,223	32,974	(4,751)
Travel and training	3,102	5,629	(2,527)
Total finance	<u>1,882,135</u>	<u>1,948,475</u>	<u>(66,340)</u>
Assessment			
Salaries and wages	763,834	763,834	-
Fringe benefits	721,339	723,686	(2,347)
Contractual services	27,536	27,517	19
Material and supplies	32,641	32,629	12
Other expenditures	37,000	24,975	12,025
Travel and training	3,301	3,301	-
Total assessment	<u>1,585,651</u>	<u>1,575,942</u>	<u>9,709</u>

(continued)

**SCHEDULE OF GENERAL FUND EXPENDITURES AND OTHER FINANCING USES -  
BUDGET AND ACTUAL - CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2015**

	<b>Final Budget Amounts</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
General Government - Continued			
Building code			
Salaries and wages	\$ 383,694	\$ 383,694	\$ -
Fringe benefits	313,423	312,112	1,311
Contractual services	15,565	13,816	1,749
Material and supplies	32,550	21,097	11,453
Travel and training	14,407	8,335	6,072
Machinery and equipment	17,260	17,087	173
Total building code	<u>776,899</u>	<u>756,141</u>	<u>20,758</u>
Mapping & addressing			
Salaries and wages	317,221	317,221	-
Fringe benefits	244,947	245,173	(226)
Contractual services	131,746	130,704	1,042
Material and supplies	25,826	8,938	16,888
Other expenditures	4,747	4,747	-
Equipment	8,915	5,034	3,881
Total mapping and addressing	<u>733,402</u>	<u>711,817</u>	<u>21,585</u>
Human resources and general employment			
Salaries and wages	284,901	274,901	10,000
Fringe benefits	422,613	370,971	51,642
Contractual services	89,138	84,967	4,171
Material and supplies	11,065	9,334	1,731
Other expenditures	14,586	13,291	1,295
Travel and training	27,983	20,665	7,318
Machinery and equipment	8,942	8,941	1
Total human resources	<u>859,228</u>	<u>783,070</u>	<u>76,158</u>
Records management			
Salaries and wages	108,315	99,203	9,112
Fringe benefits	62,015	48,933	13,082
Contractual services	4,730	1,958	2,772
Material and supplies	5,100	3,297	1,803
Travel and training	2,770	1,224	1,546
Total records management	<u>182,930</u>	<u>154,615</u>	<u>28,315</u>

(continued)

SUSSEX COUNTY, DELAWARE  
 SCHEDULE OF GENERAL FUND EXPENDITURES AND OTHER FINANCING USES -  
 BUDGET AND ACTUAL - CONTINUED  
 FOR THE YEAR ENDED JUNE 30, 2015

-66-

	<u>Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
General government - continued			
Buildings and grounds			
Salaries and wages	\$ 479,092	\$ 479,092	\$ -
Fringe benefits	418,558	419,878	(1,320)
Contractual services	387,958	353,175	34,783
Material and supplies	154,602	128,760	25,842
Other expenditures	645	445	200
Travel and training	1,150	141	1,009
Equipment	337,370	306,424	30,946
Total building and grounds	<u>1,779,375</u>	<u>1,687,915</u>	<u>91,460</u>
Information technology			
Salaries and wages	413,664	398,300	15,364
Fringe benefits	314,982	312,868	2,114
Contractual services	558,397	549,365	9,032
Material and supplies	106,852	102,402	4,450
Travel and training	27,700	24,981	2,719
Equipment	58,464	58,464	-
Total information technology	<u>1,480,059</u>	<u>1,446,380</u>	<u>33,679</u>
Constables			
Salaries and wages	119,596	119,596	-
Fringe benefits	89,456	89,143	313
Contractual services	19,843	15,154	4,689
Material and supplies	8,110	6,196	1,914
Other expenditures	43,228	22,683	20,545
Travel and training	1,275	1,275	-
Total constables	<u>281,508</u>	<u>254,047</u>	<u>27,461</u>
Dog control			
Salaries and wages	28,821	28,821	-
Fringe benefits	29,101	29,210	(109)
Contractual services	686,364	686,104	260
Material and supplies	637	236	401
Total dog control	<u>744,923</u>	<u>744,371</u>	<u>552</u>
Total general government	<u>12,098,237</u>	<u>11,836,055</u>	<u>262,182</u>
Planning and zoning			
Salaries and wages	539,182	498,068	41,114
Fringe benefits	404,091	395,405	8,686
Contractual services	287,940	283,449	4,491
Material and supplies	35,864	28,455	7,409
Travel and training	4,441	1,029	3,412
Total planning and zoning	<u>1,271,518</u>	<u>1,206,406</u>	<u>65,112</u>

(continued)



**SCHEDULE OF GENERAL FUND EXPENDITURES AND OTHER FINANCING USES -  
BUDGET AND ACTUAL - CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2015**

	<b>Final Budget Amounts</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
Paramedics			
Salaries and wages	\$ 7,138,163	\$ 7,138,163	\$ -
Fringe benefits	4,795,001	4,801,550	(6,549)
Contractual services	780,140	768,390	11,750
Material and supplies	697,070	693,248	3,822
Other expenditures	6,716	5,734	982
Travel and training	47,348	46,343	1,005
Equipment	181,348	188,910	(7,562)
Total paramedics	<u>13,645,786</u>	<u>13,642,338</u>	<u>3,448</u>
Emergency preparedness			
Administration			
Salaries and Wages	162,399	162,399	-
Fringe benefits	108,658	108,987	(329)
Contractual services	193,601	195,771	(2,170)
Material and supplies	41,914	37,240	4,674
Other expenditures	1,450	1,450	-
Travel and training	101	101	-
Machinery and equipment	26,878	21,297	5,581
Total administration	<u>535,001</u>	<u>527,245</u>	<u>7,756</u>
Emergency operations center			
Salaries and wages	1,079,914	1,079,914	-
Fringe benefits	746,233	748,563	(2,330)
Contractual services	182,986	165,607	17,379
Material and supplies	16,787	16,725	62
Other expenditures	16,757	16,757	-
Travel and training	14,593	14,593	-
Machinery and equipment	-	17,317	(17,317)
Total emergency operation center	<u>2,057,270</u>	<u>2,059,476</u>	<u>(2,206)</u>
Communication systems			
Salaries and wages	149,442	149,442	-
Fringe benefits	104,609	104,685	(76)
Contractual services	26,210	25,771	439
Material and supplies	75,398	72,962	2,436
Travel and training	1,000	-	1,000
Machinery and equipment	31,364	29,130	2,234
Total communication systems	<u>388,023</u>	<u>381,990</u>	<u>6,033</u>
Local emergency planning community program			
Salaries and wages	41,604	41,604	-
Fringe benefits	31,690	31,234	456
Contractual services	1,200	772	428
Material and supplies	500	18	482
Travel and training	2,000	1,526	474
Total local planning community program	<u>76,994</u>	<u>75,154</u>	<u>1,840</u>
Total emergency preparedness	<u>3,057,288</u>	<u>3,043,865</u>	<u>13,423</u>

(continued)

SUSSEX COUNTY, DELAWARE  
 SCHEDULE OF GENERAL FUND EXPENDITURES AND OTHER FINANCING USES -  
 BUDGET AND ACTUAL - CONTINUED  
 FOR THE YEAR ENDED JUNE 30, 2015

-68-

	<u>Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
County engineer			
Administration			
Salaries and wages	\$ 617,682	\$ 767,795	\$ (150,113)
Fringe benefits	505,309	506,676	(1,367)
Contractual services	21,195	14,816	6,379
Material and supplies	10,873	9,907	966
Other expenditures	160,668	145,446	15,222
Travel and training	2,104	2,086	18
Improvements	30,000	-	30,000
Total administration	<u>1,347,831</u>	<u>1,446,726</u>	<u>(98,895)</u>
Public works			
Salaries and wages	349,762	349,762	-
Fringe benefits	251,543	252,297	(754)
Contractual services	10,666	10,431	235
Material and supplies	12,940	12,246	694
Travel and training	275	-	275
Equipment	6,549	5,467	1,082
Total public works	<u>631,735</u>	<u>630,203</u>	<u>1,532</u>
Total county engineer	<u>1,979,566</u>	<u>2,076,929</u>	<u>(97,363)</u>
Library			
Library administration	701,407	674,529	26,878
Library facilities	1,890,260	1,791,767	98,493
Local libraries	1,460,017	1,460,017	-
Total library	<u>4,051,684</u>	<u>3,926,313</u>	<u>125,371</u>
Economic development and airpark			
Economic development			
Salaries and wages	58,037	54,705	3,332
Fringe benefits	36,495	32,059	4,436
Contractual services	1,320	1,155	165
Material and supplies	10,450	9,883	567
Other expenditures	4,080	-	4,080
Travel and training	3,570	2,707	863
Total economic development	<u>113,952</u>	<u>100,509</u>	<u>13,443</u>
Security			
Salaries and wages	236,532	236,532	-
Fringe benefits	168,918	169,303	(385)
Contractual services	9,507	8,471	1,036
Material and supplies	22,505	19,945	2,560
Travel and training	1,150	622	528
Total security	<u>438,612</u>	<u>434,873</u>	<u>3,739</u>

(continued)

SUSSEX COUNTY, DELAWARE  
 SCHEDULE OF GENERAL FUND EXPENDITURES AND OTHER FINANCING USES -  
 BUDGET AND ACTUAL - CONTINUED  
 FOR THE YEAR ENDED JUNE 30, 2015

-69-

	<u>Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Economic development and airpark - continued			
Airpark			
Salaries and wages	\$ 142,690	\$ 142,646	\$ 44
Fringe benefits	77,675	77,738	(63)
Contractual services	273,240	251,835	21,405
Material and supplies	22,975	28,894	(5,919)
Other expenditures	97,770	89,355	8,415
Travel and training	2,675	1,904	771
Equipment and improvements	25,093	22,091	3,002
Total airpark	<u>642,118</u>	<u>614,463</u>	<u>27,655</u>
Total economic development and airpark	<u>1,194,682</u>	<u>1,149,845</u>	<u>44,837</u>
Community development			
Salaries and wages	238,332	236,408	1,924
Fringe benefits	174,596	173,899	697
Contractual services	1,620,196	1,313,032	307,164
Material and supplies	2,297	2,287	10
Other expenditures	3,517	3,273	244
Travel and training	9,823	9,480	343
Total community development	<u>2,048,761</u>	<u>1,738,379</u>	<u>310,382</u>
Grant-in-aid			
Fire and ambulance grants	4,225,375	4,225,375	-
Public safety grants	2,835,956	2,835,956	-
Environmental grants	214,244	214,244	-
Public assistance grant	1,495,883	1,495,828	55
Library grants	1,160,370	1,160,370	-
Total grant-in-aid	<u>9,931,828</u>	<u>9,931,773</u>	<u>55</u>
Constitutional offices			
Marriage Bureau	193,054	193,068	(14)
Recorder of Deeds	1,082,032	1,063,173	18,859
Register of Wills	557,453	540,709	16,744
Sheriff	627,197	595,269	31,928
Total constitutional offices	<u>2,459,736</u>	<u>2,392,219</u>	<u>67,517</u>
Total expenditures	<u>51,739,086</u>	<u>50,944,122</u>	<u>794,964</u>
Other financing uses			
Reserved for contingencies	120,000	-	120,000
Transfers out	85,500	6,298,433	(6,212,933)
Total other financing uses	<u>205,500</u>	<u>6,298,433</u>	<u>(6,092,933)</u>
Total expenditures and other financing uses	<u>\$ 51,944,586</u>	<u>\$ 57,242,555</u>	<u>\$ (5,297,969)</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, 2015**

	<b>Budgeted Amounts</b>		<b>Actual Amount</b>	<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Intergovernmental	\$ 1,312,500	\$ 1,312,500	\$ 1,411,861	\$ 99,361
Realty Transfer Tax	4,000,000	4,000,000	-	\$ (4,000,000)
Miscellaneous revenue	20,000	20,000	351,042	331,042
Total revenues	<u>5,332,500</u>	<u>5,332,500</u>	<u>1,762,903</u>	<u>(3,569,597)</u>
<b>EXPENDITURES</b>				
Capital projects	7,095,985	7,095,985	3,563,636	3,532,349
Total expenditures	<u>7,095,985</u>	<u>7,095,985</u>	<u>3,563,636</u>	<u>3,532,349</u>
Excess of revenue over (under) Expenditures	<u>(1,763,485)</u>	<u>(1,763,485)</u>	<u>(1,800,733)</u>	<u>(37,248)</u>
<b>OTHER FINANCING SOURCES</b>				
Appropriated reserves	1,763,485	1,763,485	-	(1,763,485)
Transfers in	-	-	6,212,933	6,212,933
Total other financing sources	<u>1,763,485</u>	<u>1,763,485</u>	<u>6,212,933</u>	<u>4,449,448</u>
Net change in fund balances	-	-	4,412,200	4,412,200
Fund balances - beginning	<u>8,769,934</u>	<u>8,769,934</u>	<u>8,769,934</u>	<u>-</u>
Fund balances - ending	<u>\$ 8,769,934</u>	<u>\$ 8,769,934</u>	<u>\$ 13,182,134</u>	<u>\$ 4,412,200</u>

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# 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.*

<b><u>Contents</u></b>	<b><u>Pages</u></b>
<p><b>Financial Trends</b>  <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>	72 - 77
<p><b>Revenue Capacity</b>  <i>These schedules contain information to help the reader assess the factors affecting the County's ability to generate its property taxes.</i></p>	78 - 81
<p><b>Debt Capacity</b>  <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>	82 - 85
<p><b>Demographic and Economic Information</b>  <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>	86 - 87
<p><b>Operating Information</b>  <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>	88 - 90

**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									
	2006	2007	2008	2009	2010	2011 as restated	2012	2013 as restated	2014 as restated	2015
Governmental activities										
Net investment in capital assets	\$ 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	\$ 77,934,592
Restricted	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	45,429,078
Unrestricted	37,870,448	35,105,979	35,242,364	44,548,346	41,246,130	35,996,462	45,085,253	53,383,613	47,467,328	49,690,896
Total governmental activities net position	<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>\$ 167,823,274</u>	<u>\$ 173,054,566</u>
Business-type activities										
Net investment in capital assets	\$ 111,947,402	\$ 150,185,092	\$ 166,434,682	\$ 172,029,870	\$ 176,649,726	\$ 179,296,736	\$ 194,995,829	\$ 202,135,522	\$ 204,051,102	\$ 207,515,115
Restricted	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	43,858,934
Unrestricted	22,596,611	(5,622,038)	5,367,852	13,801,100	19,829,075	22,997,372	17,427,622	51,458,144	59,033,375	50,704,078
Total business-type activities net position	<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>\$ 296,397,695</u>	<u>\$ 302,078,127</u>
Primary government										
Net investment in capital assets	\$ 146,087,670	\$ 193,562,510	\$ 218,628,195	\$ 235,708,894	\$ 241,942,335	\$ 243,533,804	\$ 260,493,202	\$ 271,268,042	\$ 279,203,275	\$ 285,449,707
Restricted	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	89,288,012
Unrestricted	60,467,059	29,483,941	40,610,216	58,349,446	61,075,205	58,993,834	62,512,875	104,841,757	106,500,703	100,394,974
Total primary government net position	<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>\$ 464,220,969</u>	<u>\$ 475,132,693</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.  
4. The business-type activities net position balance for fiscal year ending 2014 decreased by \$6,493,225 and governmental activities decreased by \$23,938,654 due to a prior period adjustment for implementation of GASB 68.



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

	Fiscal Year									
	2006	2007	2008	2009	2010	2011 as restated	2012	2013 as restated	2014 as restated	2015
<b>Expenses</b>										
Governmental activities:										
General government	\$ 11,293,426	\$ 13,627,710	\$ 13,494,301	\$ 9,578,284	\$ 9,640,728	\$ 9,037,273	\$ 10,024,224	\$ 9,697,332	\$ 34,762,582	\$ 11,612,339
Grant-in-aid programs	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	9,931,773
Planning and zoning	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	1,208,811
Paramedic program	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	13,895,165
Emergency preparedness	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	3,317,424
Economic development and Airpark	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	2,348,642
County engineer	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	2,004,463
Library	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	4,194,436
Community development and housing programs	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	1,772,497
Constitutional offices	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	2,419,518
Interest on long-term debt	-	3,285	-	-	-	-	-	-	-	-
Total governmental activities expenses	<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>73,966,706</u>	<u>52,705,068</u>
Business-type activities:										
Sewer facilities	23,011,584	25,102,767	26,132,596	27,079,247	28,355,108	27,942,561	29,460,133	31,485,165	38,554,376	32,982,881
Water facilities	812,592	852,902	856,120	962,162	928,222	1,016,979	1,078,834	987,917	1,135,520	1,061,361
Total business-type activities expenses	<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>39,689,896</u>	<u>34,044,242</u>
Total primary government expenses	<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>\$113,656,602</u>	<u>\$ 86,749,310</u>
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
General government	\$ 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	\$ 1,638,637
Planning and zoning	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	1,672,188
Paramedics	-	-	-	-	-	-	-	-	-	12,803
Emergency preparedness	27,485	24,145	17,065	17,655	16,230	15,960	17,500	17,500	17,500	17,500
Economic development and public works	590,635	558,097	550,558	541,885	530,310	671,314	545,324	875,302	455,017	477,689
County engineer	2,681,308	1,206,998	599,865	3,223,485	324,623	281,451	277,841	35,607	744,238	660,738
Library	25,320	26,422	25,911	26,716	19,585	25,991	28,074	553,044	35,359	38,404
Constitutional offices	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	6,812,782
Operating grants and contributions	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	6,444,501
Capital grants and contributions	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	1,217,668
Total governmental activities program revenues	<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>	<u>18,992,910</u>

(continued)

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

	Fiscal Year									
	2006	2007	2008	2009	2010	2011 as restated	2012	2013 as restated	2014 as restated	2015
Business-type activities:										
Charges for services:										
Sewer facilities	\$ 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	\$ 20,248,738
Water facilities	591,991	635,186	695,038	689,335	740,686	750,785	667,476	808,246	1,240,052	1,223,871
Operating grants and contributions	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	14,749,008
Capital grants and contributions	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	3,245,590
Total business-type activities program revenues	54,137,891	52,659,943	47,987,167	36,301,340	34,008,375	31,725,224	49,784,546	39,502,567	38,544,301	39,467,207
Total primary government program revenues	\$ 74,357,162	\$ 75,707,198	\$ 72,630,968	\$ 57,651,679	\$ 55,969,766	\$ 57,135,774	\$ 70,134,631	\$ 58,911,089	\$ 64,086,144	\$ 58,460,117
<b>Net (Expense)/Revenue</b>										
Governmental activities	\$(14,316,271)	\$(29,567,462)	\$(30,217,084)	\$(20,089,947)	\$(30,217,084)	\$(20,089,947)	\$(25,190,164)	\$(25,622,696)	\$(48,424,863)	\$(33,712,158)
Business-type activities	34,713,877	26,704,274	20,998,451	10,345,671	7,019,659	3,683,815	19,245,579	7,029,485	(1,145,595)	5,422,965
Total primary government net (expense)/revenue	\$ 20,397,606	\$ (2,863,188)	\$ (9,218,633)	\$ (9,744,276)	\$(23,197,425)	\$(16,406,132)	\$ (5,944,585)	\$(18,593,211)	\$(49,570,458)	\$(28,289,193)
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
Property taxes	\$ 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	\$ 14,339,081
Capitation taxes	241,699	240,030	247,041	252,741	253,785	259,229	-	-	-	-
Fire service taxes	2,093,729	1,535,864	1,106,321	758,837	791,472	821,702	898,335	1,041,506	1,253,792	1,280,085
Realty transfer taxes	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	22,212,933
Unrestricted investment earnings	4,216,741	5,829,443	4,379,147	2,157,202	824,259	212,684	302,903	(318,529)	949,002	820,263
Transfers	(6,297,450)	(2,790,587)	(2,543,355)	(1,390,702)	(765,668)	(754,077)	(925,897)	(752,563)	(9,390)	291,088
Total governmental activities	46,216,588	43,394,181	36,141,547	28,162,630	27,285,913	28,693,866	28,097,897	30,099,731	37,197,920	38,943,450
Business-type activities:										
Unrestricted investment earnings	802,160	716,108	629,534	234,467	77,831	59,861	22,884	(73,715)	767,657	548,555
Transfers	6,297,450	2,790,587	2,543,355	1,390,702	765,668	754,077	925,897	752,563	9,390	(291,088)
Total business-type activities	7,099,610	3,506,695	3,172,889	1,625,169	843,499	813,938	948,781	678,848	777,047	257,467
Total primary government program revenues	\$ 53,316,198	\$ 46,900,876	\$ 39,314,436	\$ 29,787,799	\$ 28,129,412	\$ 29,507,804	\$ 29,046,678	\$ 30,778,579	\$ 37,974,967	\$ 39,200,917
<b>Change in Net Position</b>										
Governmental activities	\$ 31,900,317	\$ 13,826,719	\$ 5,924,463	\$ 8,072,683	\$(2,931,171)	\$ 8,603,919	\$ 2,907,733	\$ 4,477,035	\$(11,226,943)	\$ 5,231,292
Business-type activities	41,813,487	30,210,969	24,171,340	11,970,840	7,863,158	4,497,753	20,194,360	7,708,333	(368,548)	5,680,432
Total primary government	\$ 73,713,804	\$ 44,037,688	\$ 30,095,803	\$ 20,043,523	\$ 4,931,987	\$ 13,101,672	\$ 23,102,093	\$ 12,185,368	\$(11,595,491)	\$ 10,911,724

- Notes:**
1. Airport expenses and charges for services for years 2006 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.
  5. The business-type activities net position balance for fiscal year ending 2014 decreased by \$6,493,225 and governmental activities decreased by \$23,938,654 due to a prior period adjustment for implementation of GASB 68.

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

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Fund										
Reserved	\$ 56,560,314	\$ 64,675,385	\$ 67,436,807	\$ 61,679,946	\$ 61,988,419	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved										
Designated	11,257,954	3,859,850	2,706,165	2,078,768	2,413,855	-	-	-	-	-
Undesignated	13,254,683	9,885,684	4,955,974	9,445,728	9,420,145	-	-	-	-	-
Nonspendable	-	-	-	-	-	140,442	96,678	106,411	106,540	452,748
Restricted	-	-	-	-	-	53,084,094	47,914,815	44,739,045	45,203,773	42,832,105
Committed	-	-	-	-	-	598,598	837,696	1,308,577	778,755	798,817
Assigned	-	-	-	-	-	6,641,109	4,441,378	4,044,652	7,258,754	7,168,799
Unassigned	-	-	-	-	-	16,839,957	24,867,662	30,602,046	34,229,654	35,922,102
Total general fund	<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>	<u>\$ 87,174,571</u>
All Other Governmental Funds										
Reserved	\$ 21,203,720	\$ 27,760,247	\$ 27,461,371	\$ 20,188,022	\$ 17,815,212	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved - Capital Projects										
Designated	-	-	-	-	-	-	-	-	-	-
Undesignated	-	53,901	(711,332)	(416,723)	(265,565)	-	-	-	-	-
Restricted	-	-	-	-	-	17,565,595	16,075,741	11,795,039	8,769,934	13,182,134
Unassigned	-	-	-	-	-	(10,911)	-	-	-	-
Total all other governmental funds	<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>	<u>\$ 13,182,134</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									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Revenues</b>										
Taxes	\$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	\$37,942,825
Intergovernmental	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	7,133,803
Charges for services	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	11,658,482
Fines and forfeits	29,195	25,607	24,593	23,971	20,225	26,170	28,074	23,179	21,727	26,545
Miscellaneous	5,300,742	6,847,662	5,800,939	3,638,590	1,548,279	852,202	553,073	(102,807)	1,380,905	1,464,310
Total revenues	<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>	<u>58,225,965</u>
<b>Expenditures</b>										
General government	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	11,836,055
Grant-in-aid programs	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	9,931,773
Planning and zoning	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	1,206,406
Paramedic program	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	13,642,338
Emergency preparedness	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	3,043,865
Economic development and airpark	925,222	986,140	922,685	913,528	908,510	1,200,621	1,156,267	1,198,076	1,199,384	1,149,845
County engineer	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	2,076,929
Library	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	3,926,313
Community development and housing programs	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	1,738,379
Constitutional offices	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	2,392,219
Capital projects	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	3,563,636
Total expenditures	<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>	<u>54,507,758</u>
Excess of revenues over (under) expenditures	<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>	<u>3,718,207</u>
<b>Other Financing Sources (Uses)</b>										
Issuance of debt	44,339	110,546	68,947	5,442	-	-	-	-	-	-
Transfers in	8,921,148	13,914,628	4,301,295	166,082	54,213	55,151	53,891	53,966	828,713	6,589,521
Transfers out	(15,218,598)	(16,705,215)	(6,844,650)	(1,556,784)	(819,881)	(809,228)	(979,788)	(806,529)	(838,103)	(6,298,433)
Total other financing sources (uses)	<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>	<u>291,088</u>
Net change in fund balances	<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>	<u>\$ 4,009,295</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 2006 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-EIGHT YEARS THROUGH JUNE 30, 2015**

<b>Year Ended</b>	<b>Total Revenues and Other Financing Sources</b>	<b>Total Expenditures and Other Financing Uses</b>	<b>Revenues Over (Under) Expenditures</b>
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
June 30, 2015	56,839,650	57,242,555	(402,905)

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

<b>Fiscal Year</b>	<b>Residential Property</b>	<b>Business</b>	<b>Agriculture Property</b>	<b>Trailer</b>	<b>Other</b>	<b>Less: Tax - Exempt Property</b>	<b>Total Taxable Assessed Value</b>	<b>Total Direct Tax Rate</b>	<b>Estimated Actual Taxable Value</b>	<b>Taxable Assessed Value as a Percentage of Actual Taxable Value</b>
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%
2015	2,503,649,158	428,637,368	118,375,983	111,485,805	226,254,961	242,988,200	3,145,415,075	0.445	37,135,951,299	8.5%

**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									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>County Direct</b>										
County Tax	\$ 0.4017	\$ 0.3983	\$ 0.3983	\$ 0.3983	\$ 0.3983	\$ 0.3983	\$ 0.3983	\$ 0.3983	\$ 0.3983	\$ 0.3983
Library	0.0433	0.0467	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
<b>School Districts</b>										
Cape Henlopen	2.9980	2.9980	2.8770	2.6660	2.5670	2.5670	2.5670	2.9770	2.9770	3.0710
Delmar	3.2000	3.1500	3.1500	3.1400	3.1200	3.1200	3.3100	3.7574	3.8094	3.6394
Indian River	2.4470	2.5450	2.4750	2.5550	2.5700	2.5700	2.6250	2.6230	2.7430	2.6930
Laurel	2.3900	2.3900	2.3900	2.4900	2.4900	2.4900	2.9810	3.6050	3.5890	3.6960
Milford	3.3978	3.5468	3.5803	3.5101	3.6986	3.6986	3.6304	3.4659	3.5870	3.4783
Seaford	3.2300	3.2300	3.2300	3.2300	3.2900	3.2900	3.3200	3.3200	3.3600	3.2000
Woodbridge	3.3280	3.2950	3.2950	3.2850	3.2810	3.2810	3.4820	3.7240	3.6900	3.6170
Vo-Tech	0.2269	0.2363	0.2480	0.2676	0.2666	0.2666	0.2737	0.2811	0.2599	0.2728
<b>Town Rates (2)</b>										
Bethany Beach	0.0800	0.1600	0.1600	0.1650	0.1650	0.1650	0.1700	0.1700	0.1750	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	0.7000	0.7000	0.7000
Bridgeville	1.7300	1.7300	1.7300	1.7300	2.0000	2.0000	2.0000	2.0000	2.4000	2.4000
Dagsboro	0.3800	0.3800	0.3800	0.3800	0.3800	0.3800	0.3800	0.5600	0.5600	0.5600
Delmar	1.3100	1.3100	0.4000	0.5000	0.5000	0.5000	0.5000	0.5200	0.5200	0.5400
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	1.5000	1.5000	1.5000
Fenwick Island	1.9200	1.9200	1.9200	1.9200	1.9200	1.9200	1.9200	1.9200	1.9200	1.9200
Frankford	1.7500	1.9500	2.0500	2.2000	2.5000	2.5000	2.5000	2.5000	2.5000	2.5000
Georgetown	2.5300	2.5300	2.5300	2.5300	2.9300	3.1400	3.1400	3.1400	3.1700	3.1700
Greenwood	1.2000	1.4000	1.7000	1.7000	1.8000	1.8000	1.8000	1.8000	1.8000	1.8000
Henlopen Acres	1.8800	1.8800	1.8800	2.1700	2.1700	2.1700	2.6200	2.6200	2.6200	2.6200
Laurel	1.9100	1.9100	1.9100	1.9100	2.0800	2.0800	2.2000	2.2900	2.2900	2.0800
Lewes	0.3900	0.3900	0.3900	0.4900	0.4900	0.5700	0.5700	0.5700	0.5700	0.5700
Milford	0.4100	0.4100	0.4600	0.4600	0.4600	0.4600	0.4600	0.4600	0.4600	0.4600
Millsboro	0.5100	0.5100	0.5100	0.5100	0.5600	0.5600	0.5600	0.5600	0.5600	0.5600
Millville	0.2000	0.2000	0.5000	0.5000	0.5000	0.5000	0.5000	0.5000	0.5000	0.5000
Milton	0.4100	0.4100	0.4100	0.4100	0.1800	0.1800	0.2160	0.2160	0.2160	0.2400
Ocean View	0.5000	0.0981	0.0981	0.1059	0.1144	0.1230	0.1588	0.1588	0.1620	0.1652
Rehoboth Beach	1.5500	1.5500	1.5500	1.5500	1.5500	1.7800	1.7800	1.7800	0.4000	0.4000
Seaford	0.5700	0.5700	0.2650	0.2800	0.2900	0.2900	0.3000	0.3100	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	0.7500	0.7500	0.7500	0.7500	0.7500	0.7500
South Bethany	0.6500	0.6500	0.6500	1.3000	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.

**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 2015			Fiscal Year 2006		
	Taxable Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Taxable Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Verizon	\$ 38,474,375	1	1.22%	\$ 35,344,775	1	1.51%
Delmarva Power & Light Co.	28,636,168	2	0.91	20,640,356	2	0.88
Indian River Power LLC	12,786,471	3	0.41	12,765,771	3	0.54
Eastern Shore Natural Gas Co.	9,196,647	4	0.29	3,231,922	8	0.14
E. I. duPont de Nemours Company	6,827,200	5	0.22	9,261,400	4	0.39
Chesapeake Utilities Corporation	5,874,337	6	0.19	3,371,666	7	0.14
Delaware Electric Cooperative, Inc.	5,423,136	7	0.17	4,573,843	5	0.20
Allen Harim Farms LLC	4,803,150	8	0.15	-	-	-
Mountaire Farms of Delaware, Inc.	4,154,800	9	0.13	4,354,200	6	0.19
BRE DDR BR Peninsula Delaware,	3,939,150	10	0.13	-	-	-
M & T Bank	-	-	-	3,135,800	9	0.13
Pinnacle Foods	-	-	-	2,798,600	10	0.12
	<u>\$120,115,434</u>		<u>3.82%</u>	<u>\$ 99,478,333</u>		<u>4.24%</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)	Adjustments	Total Adjusted Tax Levy	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
				Current Tax Collections	Percent of Levy		Amount	Percentage of Adjusted Levy
2006	\$ 10,686,666	\$ 175,555	\$ 10,862,221	\$ 10,584,949	97.4%	\$ 254,289	\$ 10,839,238	99.8%
2007	11,468,314	217,171	11,685,485	11,403,418	97.6	254,142	11,657,560	99.8
2008	12,329,504	140,690	12,470,194	12,206,827	97.9	230,071	12,436,898	99.7
2009	12,827,188	85,976	12,913,164	12,580,435	97.4	291,453	12,871,888	99.7
2010	13,134,779	56,957	13,191,736	12,842,730	97.4	297,449	13,140,179	99.6
2011	13,307,922	62,530	13,370,452	13,034,973	97.5	272,250	13,307,223	99.5
2012	13,333,291	64,275	13,397,566	13,129,170	98.0	197,140	13,326,310	99.5
2013	12,522,798	63,224	12,586,022	12,314,220	97.8	177,512	12,314,220	97.8
2014	13,751,888	24,327	13,776,215	13,505,584	98.0	140,772	13,646,356	99.1
2015	13,998,509	145,938	14,144,447	13,737,879	98.1	-	13,737,879	97.1

**Notes:**

1. Total tax levy includes initial annual levy plus quarterly supplemental additions.
2. 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**

<b>Fiscal Year</b>	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total Primary Government</b>	<b>Percentage of Personal Income</b>	<b>Per Capita</b>
	<b>Capital Leases</b>	<b>General Obligation Bonds</b>	<b>Sewer Revenue Bonds</b>				
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	*	*	
2015	-	157,980,947	-	157,980,947	*	*	

**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, 2015**

- 83 -

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
<b>School Districts:</b>			
Cape Henlopen	\$ 25,963,060	100%	\$ 25,963,060
Delmar	1,270,405	100%	1,270,405
Howard T Ennis, Sr.	518,875	100%	518,875
Indian River	27,387,565	100%	27,387,565
Laurel	26,207,570	100%	26,207,570
Milford	12,998,570	59%	7,669,156
Seaford	12,038,965	100%	12,038,965
Sussex Tech	10,321,810	100%	10,321,810
Woodbridge	15,411,195	99%	15,257,083
<b>Total School Districts</b>			<u>126,634,489</u>
<b>Municipalities:</b>			
Delmar	391,954	100%	391,954
Dewey Beach	316,973	100%	316,973
Lewes	7,215,000	100%	7,215,000
Milford	92,261	59%	54,434
Rehoboth Beach	1,583,836	100%	1,583,836
<b>Total Municipalities</b>			<u>9,562,197</u>
<b>Subtotal, overlapping debt</b>			136,196,686
<b>County direct debt</b>			<u>-</u>
<b>Total direct and overlapping debt</b>			<u><u>\$ 136,196,686</u></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.

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

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General obligation bonds	\$ 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	\$ 157,980,947
Percentage of estimated actual property value	0.37%	0.34%	0.35%	0.35%	0.41%	0.50%	0.47%	0.50%	0.46%	0.46%
Per capita	\$ 727	\$ 722	\$ 719	\$ 717	\$ 729	\$ 848	\$ 787	\$ 834	*	*
Total net debt applicable to debt limit	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	157,980,947
Legal debt limit	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	391,015,950
Legal debt margin	\$ 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	\$ 233,035,003
Total net debt applicable to the limit as a percentage of debt limit	43.14%	43.90%	39.93%	39.62%	40.80%	47.33%	43.85%	46.47%	42.25%	40.40%

**Legal debt margin calculation for fiscal year 2015**

Assessed value	\$ 3,258,466,249
Debt limit (12% of assessed value)	391,015,950
Total net debt applicable to limit	<u>157,980,947</u>
Legal debt margin	<u>\$ 233,035,003</u>

**Notes:**

1. The statutory limitation for debt is 12% of the assessed value of taxable property as of June 30, 2015.
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	
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
2015	-	-	-	-	-	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**

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<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>
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	7,968,480	38,560	45.9	25,649	6.5%
2014	210,849	*	*	*	25,564	5.4%
2015	*	*	*	*	26,397	4.4%

**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**

- 87 -

<u>Type of Employer</u>	<u>2015</u>			<u>2006</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	11,245	1	16.5%	10,418	2	15.5%
Health care and social assistance	10,669	2	15.7	8,117	3	12.0
Manufacturing	9,648	3	14.2	12,125	1	18.0
Government	8,400	4	12.4	7,305	5	10.8
Accommodation and food services	8,240	5	12.1	6,787	4	10.1
Construction	4,031	6	5.9	6,280	6	9.3
Administrative and waste services	3,069	7	4.5	2,524	8	3.7
Other services, except public administration	2,263	8	3.3	2,265	9	3.4
Professional and technical services	1,855	9	2.7	-	10	0.0
Finance and insurance	1,649	10	2.4	2,744		4.1
Real Estate, Rental and Leasing	0		0.0	1,814	7	2.7
	<u>61,069</u>		<u>89.7%</u>	<u>60,379</u>		<u>89.6%</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>	<u>Full-time Equivalent Employees as of June 30</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>	<u>2015</u>
General government										
General administration	10	11	11	11	11	11	11	11	10	10
Finance	89	90	86	81	72	70	71	67	68	74
Human Resources	6	6	6	6	6	6	6	6	6	6
Buildings and grounds	25	33	26	21	17	19	21	20	19	19
Information Technology	13	12	14	12	14	15	15	14	12	14
County constable	4	3	4	4	5	5	5	4	3	5
Planning and zoning	15	16	15	14	13	12	12	11	11	10
Paramedic program	108	110	109	112	106	105	104	108	110	110
Emergency preparedness	29	28	28	27	28	28	27	29	27	30
Economic development and public works	14	13	12	12	12	11	10	10	8	8
County engineer	132	132	139	141	138	140	137	137	137	136
Library	30	41	33	31	27	27	26	28	27	26
Community development and housing programs	6	7	6	6	6	6	5	5	5	5
Constitutional offices	33	37	36	34	35	34	33	33	32	29
<b>Total</b>	<b>514</b>	<b>539</b>	<b>525</b>	<b>512</b>	<b>490</b>	<b>489</b>	<b>483</b>	<b>483</b>	<b>475</b>	<b>482</b>

**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>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>	<u>2015</u>
<b>Planning and Zoning</b>										
Permits issued	11,299	9,896	8,436	6,553	6,302	6,658	6,959	7,172	7,693	8,288
<b>Public Safety</b>										
Paramedic incidents dispatched	11,955	12,701	13,759	13,500	13,697	14,077	14,260	15,018	15,219	15,929
911 calls	94,858	99,659	104,623	97,230	103,107	105,776	108,301	105,137	110,139	113,549
<b>Sewer and Water Services</b>										
Sewer customers, EDU's billed	50,809	53,439	56,200	57,673	59,154	60,167	62,431	64,456	65,735	67,410
Water customers, EDU's billed	3,543	3,553	3,574	3,600	3,611	3,613	3,631	3,688	3,676	3,699
<b>Libraries</b>										
Circulation	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	1,347,386
<b>Industrial Airpark</b>										
Number of businesses	20	20	18	18	18	17	17	19	20	21
Number of jobs provided by business	860	944	1,048	989	842	961	881	870	875	880
Number of landings (1)	17,508	19,259	20,222	20,000	20,000	17,500	18,000	17,900	18,000	17,500

**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**

<b><u>Function/Program</u></b>	<b>Fiscal Year</b>									
	<b><u>2006</u></b>	<b><u>2007</u></b>	<b><u>2008</u></b>	<b><u>2009</u></b>	<b><u>2010</u></b>	<b><u>2011</u></b>	<b><u>2012</u></b>	<b><u>2013</u></b>	<b><u>2014</u></b>	<b><u>2015</u></b>
<b>Public Safety</b>										
Paramedic stations	7	8	8	9	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	28	32	36	40	40	40	40	44	44	44
<b>Sewer and Water Services</b>										
Miles of underground sanitary sewer pipe	655	682	747	770	778	811	846	856	856	865
Number of feet of ocean outfall sewer pipe	6,500	6,500	6,500	6,500	6,500	6,500	6,500	6,500	6,670	6,670
Pump stations	370	384	397	418	428	437	440	449	461	487
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
<b>Libraries</b>										
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
<b>Airport</b>										
Paved runway footage	7,330	7,330	7,330	7,330	8,109	8,109	8,109	8,109	8,609	8,609
Number of hangars	27	28	30	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.

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# SINGLE AUDIT SUPPLEMENT



SUSSEX COUNTY, DELAWARE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2015

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Direct Programs:			
Rural Housing Preservation Grants	10.433	HPG 12-13 HPG 13-14	63,419
Water and Waste Disposal Systems for Rural Communities	10.760		<u>323,507</u>
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>			<u>386,926</u>
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			
Passed through State - Delaware State Housing Authority:			
Community Development Block Grants/ State's Program	14.228	CD 03-13 CD 03-14	987,471
Neighborhood Stabilization Program (NSP 1)		NSP 03-08	<u>69,048</u>
Total Community Development Block Grants/ State's Program			1,056,519
ARRA - Neighborhood Stabilization Program (NSP 2)	14.256	NSP 03-09	37,724
Home Investment Partnerships Program	14.239	HM 03-13 HM 03-14	<u>280,455</u>
<b>TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			<u>1,374,698</u>
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>			
Direct Program:			
Airport Improvement Program	20.106	3-10-0007-027-11 3-10-0007-028-12 3-10-0007-029-13 3-10-0007-030-14	<u>995,859</u>
<b>TOTAL U.S. DEPARTMENT OF TRANSPORTATION</b>			<u>995,859</u>
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>			
Passed through State - Delaware Emergency Management Agency			
Emergency Management Performance Grants	97.042	EMPG-14-003 EMPG-15-003	200,224
Hazard Mitigation Grant Program	97.039	FEMA-DR-4090-DE-009 FEMA-DR-4090-DE-010 FEMA-DR-4090-DE-012 FEMA-DR-4090-DE-014	1,540
Homeland Security Grant Program	97.067	2013	<u>5,111</u>
<b>TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY</b>			<u>206,875</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

(continued)

SUSSEX COUNTY, DELAWARE  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED  
 FOR THE YEAR ENDED JUNE 30, 2015

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF ENVIRONMENTAL PROTECTION AGENCY</b>			
Pass through State - Delaware Department of Natural Resources & Environmental Control:			
Capitalization Grants for State Revolving Funds	66.458		59,637
<b>TOTAL U.S. DEPARTMENT OF ENVIRONMENTAL PROTECTION AGENCY</b>			<b>59,637</b>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$3,023,995</b>

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 basis 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 Organization*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**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, 2015.

Program Title	Federal CFDA Number	Loan Amount
Water and Waste Disposal Systems for Rural Communities	10.760	\$ 273,440
Community Development Block Grants/ State's Program	66.458	59,637

**NOTE C - LOANS OUTSTANDING**

Neighborhood Stabilization Program (NSP 1)

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, 2015 is \$944,938 of which \$34,118 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 the Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

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

### **Report on Compliance for the 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 the County's major federal program for the year ended June 30, 2015. The County's major federal program is 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 the County's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 the major federal program. However, our audit does not provide a legal determination of the County's compliance.

#### ***Opinion on the Major Federal Program***

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2015.



## 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 the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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 21, 2015





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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, 2015, 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 21, 2015.

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

BDO USA, LLP

December 21, 2015

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:  
CFDA/Contract Number

Name of Federal Program or Cluster

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.

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