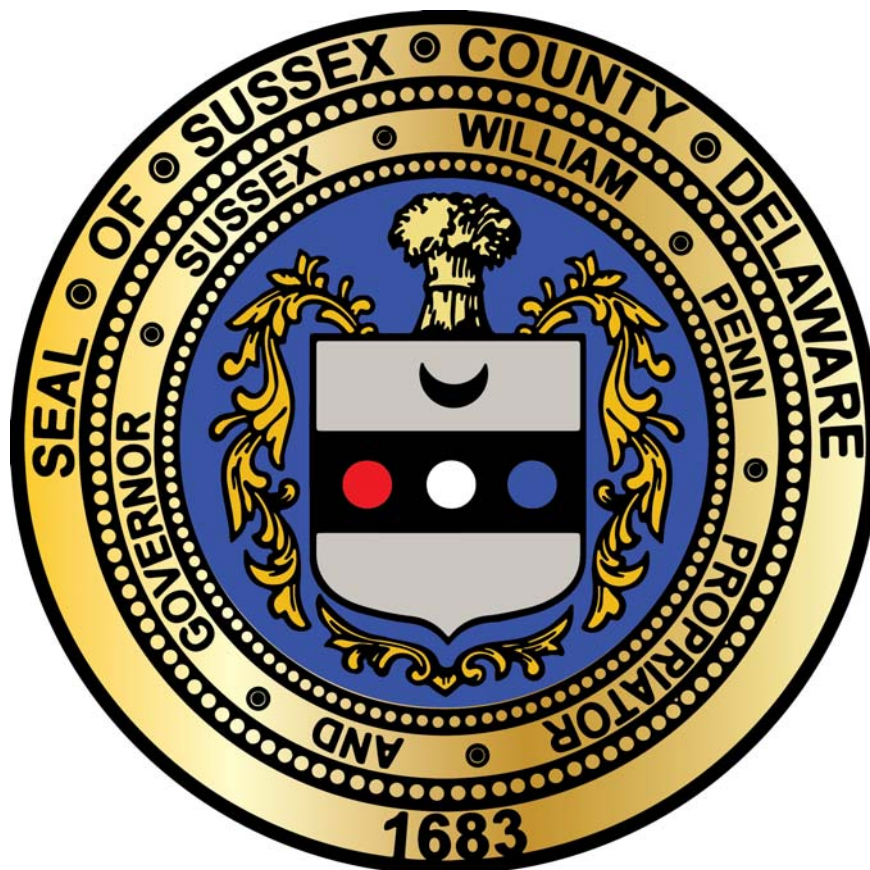




**Comprehensive Annual Financial Report  
For Fiscal Year Ended June 30, 2017**

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2017



Prepared by the Finance Department

**SUSSEX COUNTY, DELAWARE  
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FOR THE YEAR ENDED JUNE 30, 2017**

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# INTRODUCTORY SECTION

TODD F. LAWSON  
COUNTY ADMINISTRATOR  
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**Sussex County**  
DELAWARE  
sussexcountyde.gov

December 18, 2017

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, 2017. 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 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, 2017, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and 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, 2017, 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 220,000 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 lying 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 four-hour drive for more than a quarter of the Country's population.

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 – and County Administration that includes operating departments and offices, some of which are administered by officials elected at-large, 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. Per 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 30 percent from 2010 to 2040. The State of Delaware has never had a general sales tax, inventory tax, or statewide 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 County government provides a variety of services to the residents of southern Delaware, including land use, building permits, emergency services, assessment, tax collection, public sewer, libraries and more. The County owns and maintains the Delaware Coastal Airport and adjoining industrial park where over 900 jobs are provided by businesses. To support these services, the County operates with approximately 500 full-time employees. 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. Libraries in Sussex County circulate over 1.3 million books a year.

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. The 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 66 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 approximately 69,000 equivalent dwelling units (EDUs), and maintains and operates four treatment facilities. Fiscal year 2017 saw a one percent increase from fiscal year 2016’s EDUs. The sewer and water districts’ operating budget for fiscal year 2017 was \$37 million. The County has two enterprise funds: Dewey Water District and the Unified Sewer District.

The annual budget is recommended by the County Administrator and approved by the County Council through a budget ordinance 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. A five-year capital project plan is assembled every year for proposed financing for projects. Please see Note A (Section 18 on page 37 and 38) for additional budget information. Budget-to-actual comparisons begin on page 69 through page 77.

## **Economic Condition of Sussex County**

### *Local Economy*

Sussex County has an expanding local economy. As can be seen with the number of building permits increasing the last 5 years, the County has had a positive uptick of economic activity. According to the 2016 Delaware Annual Economic Report, Sussex County led the state in net job growth, gaining 2,090 jobs, with government accounting for only 10 of them.

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 (270,000 acres) contains over 1,200 farms, where the average farm size is 224 acres. Fifteen percent of Sussex County farmland is preserved in the Delaware Agriculture Lands Preservation Foundation; 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, for more than 70 years, to be the top broiler poultry-producing county in the United States, processing 200 million chickens each year according to Delaware's Economic Development Office.

The agriculture industry is now taking advantage of the County's second-leading industry, tourism. The 2016 Sussex County Profile reported that 18 Sussex County farms offered a tourism or recreational experience.

Agriculture is smart to take advantage of the robust tourism 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 140 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. According to Southern Delaware Tourism, an estimated \$850 million of Delaware's \$2 billion tourism revenue comes from sales in Sussex County. In 2014, it is estimated that visitors spent \$1.7 billion in Sussex County. They also report that the county sees 7 million annual visitors, which help employ over 18,000 workers in Sussex County. This number continues to increase with accommodation and food services positions increasing 350 jobs in 2016 according to the Delaware Annual Economic Report. Once only a summer destination for tourism, Sussex County has become a place to visit throughout the year. The Apple Scapple Festival, Wings & Wheels Festival, Coast Day, Jazz Festival, Slam Dunk at the Beach, Sea-Witch Festival and the Nanticoke Pow-Wow are just a few events that draw visitors to the area year-round.

Another successful industry in Sussex County is manufacturing. According to the 2016 Delaware Economic Report, Sussex County gained 120 jobs with a total of 9,760 employed in the industry, with pay rising 2 percent. Two-thirds of the manufacturing jobs are in food manufacturing. The other manufacturing sectors in Sussex County 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. Our own industrial park is a great example of how this industry is diverse and thriving. There are 28 businesses providing 960 jobs in manufacturing processing, packaging and service/delivery.

The growing retirement community in Sussex County contributes to another rising industry – health care. The U.S. Census, American Community Survey, shows a net migration to the State of Delaware in 2015 of 13,600 people. Most people moving to Delaware are from Pennsylvania and are between the ages of 55 to 64. Mostly due to the increase in population, Health Care and Social Assistance added 670 jobs in Sussex County. As reported by the 2016 Delaware Annual Economic Report, for the first time since tracking data in the County’s Comprehensive Annual Financial Report, the Health Care and Social Assistance industry became the number one type of employer in Sussex, surpassing the Retail Trade industry. It is important to note that only nonfarm employment is captured in the Delaware Department of Labor’s annual report.

The three major healthcare employers in the county are Beebe Healthcare in Lewes, Bay health in Milford, and Nanticoke Health Services in Seaford. Providing an additional choice, Peninsula Regional Health System recently 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 to accommodate the needs of an ever-growing and aging population. Beebe Healthcare celebrated its 100<sup>th</sup> year in 2016 and continue their commitment to serve Sussex County. In 2017, Beebe released details on an \$180 million facilities and services expansion project. In addition, both Nanticoke Health Services and Bayhealth continue to increase their footprint. Nanticoke built a \$7.5 million two-story one-stop shop providing a variety of medical services in Seaford and, in 2019, Bayhealth will open a new \$300 million health campus; this is no doubt the reason why healthcare and social assistance is now ranked first for employment in Sussex County. This trend is expected to continue as the Delaware Department of Labor predicts that one-quarter of new jobs created through 2024 will come from the Health Care and Social Assistance industry.

These industries continue to make Sussex strong. According to the 2016 Delaware Annual Economic Report, the State of Delaware, although relatively flat employment-wise in the last year, saw its seventh consecutive year of job gains. While the State saw 350 additional jobs, Sussex County grew at the fastest pace among the three counties – 2,090 net jobs. While the national unemployment rate, as stated by the Delaware Department of Labor, was 4.4 percent in June 2017 and Delaware’s unemployment rate was 4.7 percent, Sussex County’s unemployment - at 4.3 percent - was under those averages.

As 2018 approaches, the building activity continues to increase over the current year. The last time the County saw the number of building permits issued above 10,000 was in 2006. Based on first quarter 2017 information obtained by the Sussex County Association of REALTORS®, realtors are seeing the highest residential sales volume in 10 years. Single

family home sales grew 22 percent with a 10 percent increase in average sales price compared to the same time in 2016. The average home sold for \$331,863 in the first quarter of 2016 compared to \$300,638 last year.

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

Sussex County also has options when it comes to higher education. The Delaware Technical Community College (DTCC), and its 147-acre campus in Georgetown, offers associate's college degrees, diplomas, or certificates in more than 120 programs. Concentrations are offered 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 Delaware Coastal 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 locations at 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.

The County has demonstrated its commitment to helping the economic environment. In fiscal year 2017, the County Council adopted a Downtown Development District Program that awards private capital investment in commercial business districts and neighborhoods designated by the State of Delaware. In addition, Council purchased a parcel of land to develop a new business park that will have direct access to rail service.

### *Financial Planning*

The economy continued to improve in fiscal year 2017, and fiscal year 2018 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 around 86 percent of anticipated collections for fiscal year 2018. 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 County has committed to contributing an additional \$10 million over its required contribution to its pension funds.

The fiscal year 2018 Five-Year Capital Improvement Plan includes \$13 million for the expansion and improvement of general fund services, such our paramedic system, the emergency operations center, the Delaware Coastal Airport, and a newly purchased business park. The County understands that the Delaware Coastal Airport and now the new business park is a vital component of Sussex County's economy. Fifty-three percent, or \$7 million, of the fiscal year 2018 capital budget is appropriated to improve the airport and industrial park. We will continue to apply for Federal aviation and State funding that pays up to 95 percent of the airport expenses. To spur additional economic activity, the Five-Year Plan also includes funding for fiber. It is our hope that through partnering with providers and the State of Delaware, Sussex businesses and residents will have access to fiber soon. The Five-Year Capital Improvement Plan also includes \$202 million for sewer expansion and upgrades. Funding for these projects include State Revolving Fund loans, State grants, Federal USDA loans and grants, as well as connection and user fees.

### *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 through 40, 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. In fiscal year 2017, the Council approved lowering its assumed rate of return and adopted a formal funding policy to ensure the County's commitment to full-funded status. In fiscal year 2018, the County approved contributing an additional \$10 million above the actuarial required contribution.

Sussex County continues to strive for balanced budgets and sound financial planning in providing services for residents and visitors. 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 provided to the County Council on a quarterly basis to keep the members 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 that is at least 20 to 25 percent of total operating expenditures, 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, 2016. This was the 15<sup>th</sup> consecutive year that the government has achieved this prestigious award. 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.

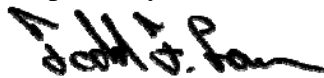
A Certificate of Achievement is valid for a period of one year only. We believe the County's current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

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 department. We would especially like to thank those employees and the County auditors for their dedication to the completion of this report.

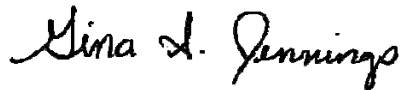
Per Moody's Investor Service, the County's bond rating is an Aa1. Moody's report for the County states, "This reflects the County's healthy financial position, maintained by prudent fiscal management that resulted in materially greater financial flexibility and stronger reserve levels."

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/Chief Operating Officer



Government Finance Officers Association

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

Presented to

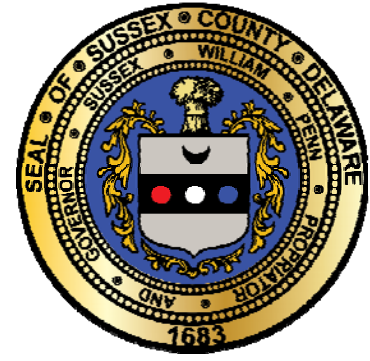
**Sussex County  
Delaware**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

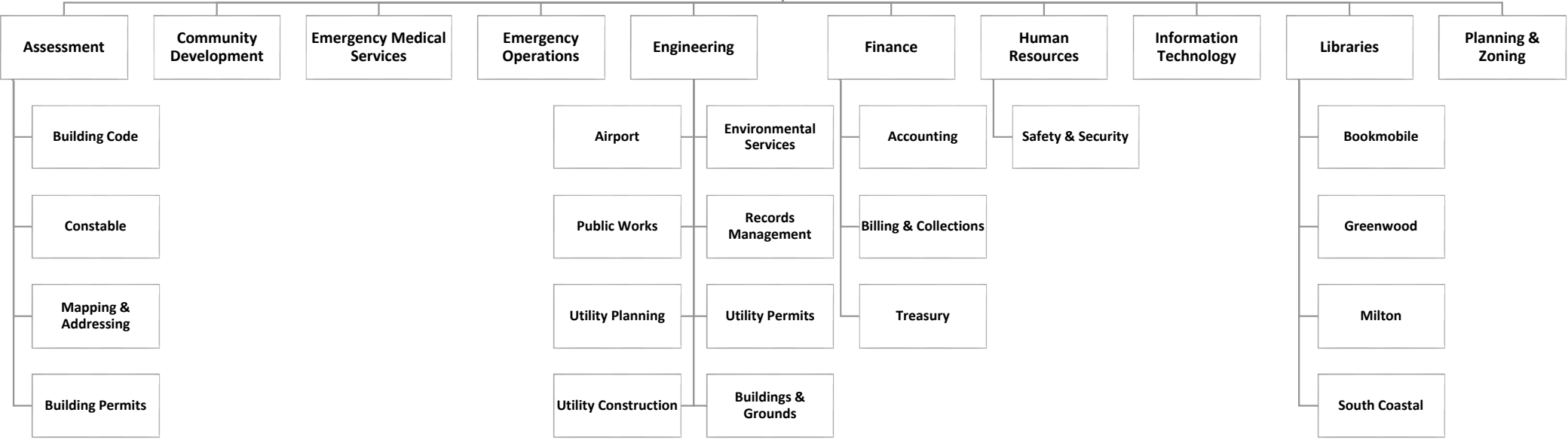
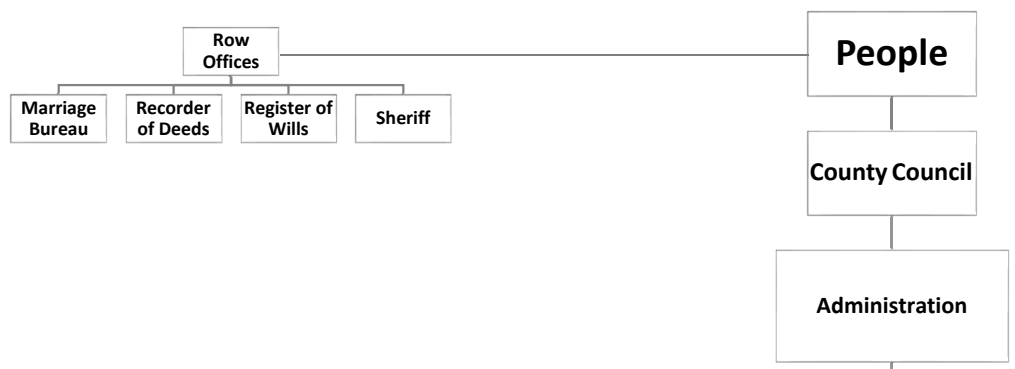
**June 30, 2016**

*Christopher P. Morill*

Executive Director/CEO



Sussex County Government





SUSSEX COUNTY, DELAWARE

*LIST OF ELECTED OFFICIALS*

JUNE 30, 2017

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<u>COUNCIL</u>	<u>Length of Service</u>	<u>Term Expires</u>
<i>District 1</i>		
Michael H. Vincent (President)	9 years	Jan. 2020
<i>District 2</i>		
Samuel R. Wilson	9 years	Jan. 2020
<i>District 3</i>		
Irwin G. Burton, III	6 months	Jan. 2020
<i>District 4</i>		
George B. Cole (Vice President)	31 years	Jan. 2019
<i>District 5</i>		
Robert B. Arlett	3 years	Jan. 2019
-----		
<i>Clerk of the Peace</i>		
Norman A. Jones	6 months	Jan. 2020
<i>Recorder of Deeds</i>		
Scott Dailey	7 years	Jan. 2019
<i>Register of Wills</i>		
Cynthia Green	7 years	Jan. 2019
<i>Sheriff</i>		
Robert Lee	3 years	Jan. 2019

SUSSEX COUNTY, DELAWARE

COUNTY DEPARTMENT HEADS & OTHER OFFICIALS

JUNE 30, 2017

---

	<u>Length of Time in Position</u>	<u>Length of Service with the County</u>
<i>County Administrator</i> - Todd F. Lawson	5 years	6 years
<i>County Attorney</i> - J. Everett Moore, Esquire	9 years	9 years
<i>Finance Director / Chief Operations Officer</i> - Gina A. Jennings, MBA, MPA	4 years	11 years
<i>Deputy Finance Director</i> - Kathy L. Roth, CPA	4 years	11 years
<i>County Engineer</i> - Hans Medlarz, P.E.	1 year	1 year
<i>Assessment Division Director</i> - Christopher S. Keeler	3 years	23 years
<i>Community Development Program Director</i> - Brad Whaley	5 years	21 years
<i>Director of Environmental Services</i> - Heather Sheridan	31 years	41 years
<i>Director of Information Technology</i> - Dwayne Kilgo	8 months	5 years
<i>Director of Sussex Airport and Industrial Park Operations</i> - James A. Hickin	11 years	11 years
<i>Emergency Preparedness Director</i> - Joseph L. Thomas	20 years	31 years
<i>Facilities Manager</i> - Douglas J. Stoakley	7 years	23 years
<i>Human Resources Director</i> - Karen Brewington	6 years	6 years
<i>Library Director</i> - Kathy M. Graybeal	6 years	6 years
<i>Paramedic Director</i> - Robert A. Stuart	6 years	25 years
<i>Planning and Zoning Director</i> - Janelle Cornwell	6 months	2 years



# FINANCIAL SECTION



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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, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements.***

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

#### ***Auditor's Responsibility***

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

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

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

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***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, 2017, 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***

In 2017, the County implemented Governmental Accounting Standards Board (“GASB”) Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* and No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. 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 17 and Required Supplementary Information on pages 63 through 68 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 Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* 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 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 18, 2017 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

BDO USA, LLP

December 18, 2017

**SUSSEX COUNTY, DELAWARE**

**MANAGEMENT'S DISCUSSION & ANALYSIS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

This section of the report offers an overview and analysis of the financial activity of Sussex County, Delaware, for the year ended June 30, 2017. 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**

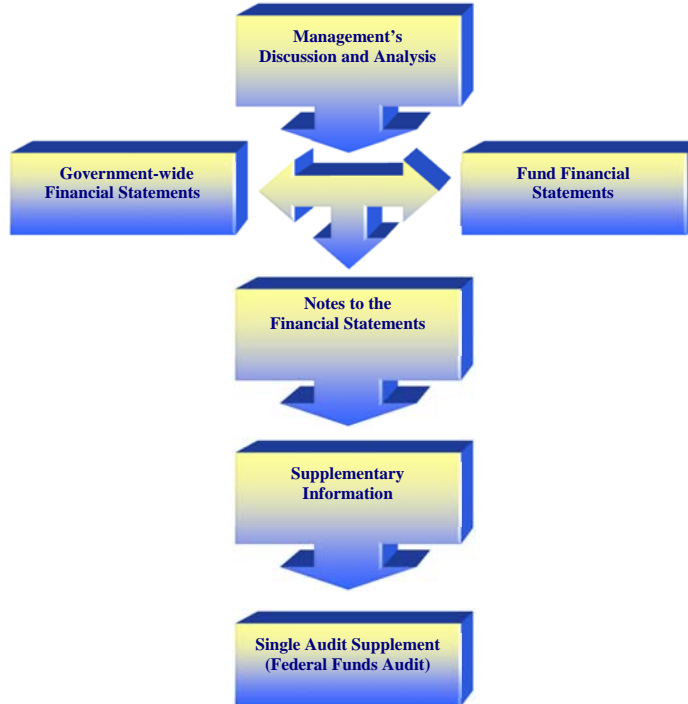
- As of June 30, 2017, total government net position was \$495.1 million. Of this amount, \$51.1 million was unrestricted and may be used for ongoing obligations to citizens and creditors.
- The County's total net position increased by \$20.8 million during the year. The business-type activities net position increased \$9.7 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 governmental activities' portion of the net position increased by \$11.1 million. The increase in the investment in governmental capital assets, net of related debt, was \$4.4 million; governmental restricted funds increased \$6.7 million.
- 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, 2017, the County's governmental funds reported an ending fund balance of \$120.6 million. This is an increase of \$8.5 million from the preceding year. Approximately \$32.5 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 18 and 19.

### Fund Financial Statements

The next financial statements, beginning on page 20 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 20 through 22).

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 24 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 62 of this report provide additional information that is important for a better understanding of the data provided in the financial statements.

Other Information

Pages 63 through 68 include required supplementary information regarding our fiduciary funds. Following these pages are general fund and capital project fund budgetary comparison schedules and general fund revenue and expenditure schedules. The statistical section follows on pages 78 through 96 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 \$495.1 million as of June 30, 2017. 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, 2017 and 2016**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Government</b>	
	<b>2017</b>	<b>2016 as restated</b>	<b>2017</b>	<b>2016 as restated</b>	<b>2017</b>	<b>2016 as restated</b>
<b>Current and Other Assets</b>	\$ 139,025,585	\$130,917,832	\$89,683,654	\$98,237,243	\$228,709,239	\$229,155,075
<b>Capital Assets</b>	83,371,675	78,311,920	389,926,119	378,844,405	473,297,794	457,156,325
<b>Total Assets</b>	<u>222,397,260</u>	<u>209,229,752</u>	<u>479,609,773</u>	<u>477,081,648</u>	<u>702,007,033</u>	<u>686,311,400</u>
<b>Deferred outflows of resources</b>	5,300,737	5,810,718	2,799,719	3,088,600	8,100,456	8,899,318
<b>Total assets and deferred outflows of resources</b>	<u>227,697,997</u>	<u>215,040,470</u>	<u>482,409,492</u>	<u>480,170,248</u>	<u>710,107,489</u>	<u>695,210,718</u>
<b>Current and Other Liabilities</b>	14,264,082	14,528,472	3,228,269	3,515,498	17,492,351	18,043,970
<b>Long-term Liabilities</b>	35,795,564	34,601,037	160,824,983	168,202,249	196,620,547	202,803,286
<b>Total Liabilities</b>	<u>50,059,646</u>	<u>49,129,509</u>	<u>164,053,252</u>	<u>171,717,747</u>	<u>214,112,898</u>	<u>220,847,256</u>
<b>Deferred inflow of resources</b>	650,958	-	199,968	-	850,926	-
<b>Total liabilities and deferred inflows of resources</b>	<u>50,710,604</u>	<u>49,129,509</u>	<u>164,253,220</u>	<u>171,717,747</u>	<u>214,963,824</u>	<u>220,847,256</u>
<b>Net Position:</b>						
<b>Net Investment in Capital</b>						
<b>Assets</b>	82,604,022	78,216,994	239,365,922	220,310,592	321,969,944	298,527,586
<b>Restricted</b>	63,969,632	57,265,576	59,306,086	65,761,276	123,275,718	123,026,852
<b>Unrestricted</b>	30,413,739	30,428,391	19,484,264	22,380,633	49,898,003	52,809,024
<b>Total Net Position</b>	<u>176,987,393</u>	<u>\$165,910,961</u>	<u>318,156,272</u>	<u>\$308,452,501</u>	<u>495,143,665</u>	<u>\$474,363,462</u>

A large portion of the County's net position (65.0 percent) is not available for future use since it represents 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

\$23.4 million during fiscal year 2017. The largest increase in business-type activities was due the improvements at the Inland Bays Regional Wastewater Facility. The largest increase in governmental activities was the land acquisition for the expansion of the industrial airport.

Of the remaining \$173.2 million in net position, \$123.3 million is restricted for construction or capital costs incurred, or future sewer district expansion costs. For governmental activities, \$64.0 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 \$49.9 million in net position is unrestricted and may be used for ongoing obligations to citizens, customers, and creditors. The slight decrease is due to the support of normal operations that cannot be funded by restricted funds.

The following schedule shows the breakdown of changes in net position for governmental and business-type activities for fiscal years 2017 and 2016.

**Sussex County, Delaware  
Changes in Net Position  
For the Years Ended June 30, 2017 and 2016**

	Governmental Activities		Business-type Activities		Total Government	
	2017	2016 as restated	2017	2016 as restated	2017	2016 as restated
Revenues:						
Program revenues:						
Charges for services	\$14,515,921	\$12,831,530	\$22,983,963	\$22,800,592	\$37,499,884	\$35,632,122
Operating grants and contributions	7,626,361	7,308,976	17,714,845	16,306,257	25,341,206	23,615,233
Capital grants and contributions	702,252	2,018,147	5,424,290	7,049,610	6,126,542	9,067,757
General revenues:						
Property taxes	15,264,023	14,715,444	-	-	15,264,023	14,715,444
Fire service taxes	1,647,719	1,421,496	-	-	1,647,719	1,421,496
Realty taxes	27,989,410	24,210,264	-	-	27,989,410	24,210,264
Investment results	259,279	935,665	34,935	509,265	294,214	1,444,930
Gain (loss) on sale of capital assets	468,928	-	1,981	-	470,909	-
Total revenues	68,473,893	63,441,522	46,160,014	46,665,724	114,633,907	110,107,246
Expenses:						
Primary Government:						
General government	14,999,329	30,002,513	-	-	14,999,329	30,002,513
Planning and zoning	1,767,664	1,272,303	-	-	1,767,664	1,272,303
Paramedics	14,444,807	13,489,135	-	-	14,444,807	13,489,135
Emergency preparedness	3,687,552	3,414,864	-	-	3,687,552	3,414,864
County engineer	1,511,146	2,351,221	-	-	1,511,146	2,351,221
Library	2,950,264	2,887,880	-	-	2,950,264	2,887,880
Economic development and airport	3,072,208	2,855,446	-	-	3,072,208	2,855,446
Community development	2,157,621	2,051,580	-	-	2,157,621	2,051,580
Grant-in-aid program	10,362,109	9,915,966	-	-	10,362,109	9,915,966
Constitutional offices	2,433,532	2,335,997	-	-	2,433,532	2,335,997
Business-type activities	-	-	36,467,472	40,299,572	36,467,472	40,299,572
Total expenses	57,386,232	70,576,905	36,467,472	40,299,572	93,853,704	110,876,477
Change in net position before transfers	11,087,661	(7,135,383)	9,692,542	6,366,152	20,780,203	(769,231)
Transfers	(11,229)	(8,222)	11,229	8,222	-	-
Change in net position	11,076,432	(7,143,605)	9,703,771	6,374,374	20,780,203	(769,231)
Net position-beginning restated	165,910,961	173,054,566	308,452,501	302,078,127	474,363,462	475,132,693
Net position-ending	\$176,987,393	\$165,910,961	\$318,156,272	\$308,452,501	\$495,143,665	\$474,363,462

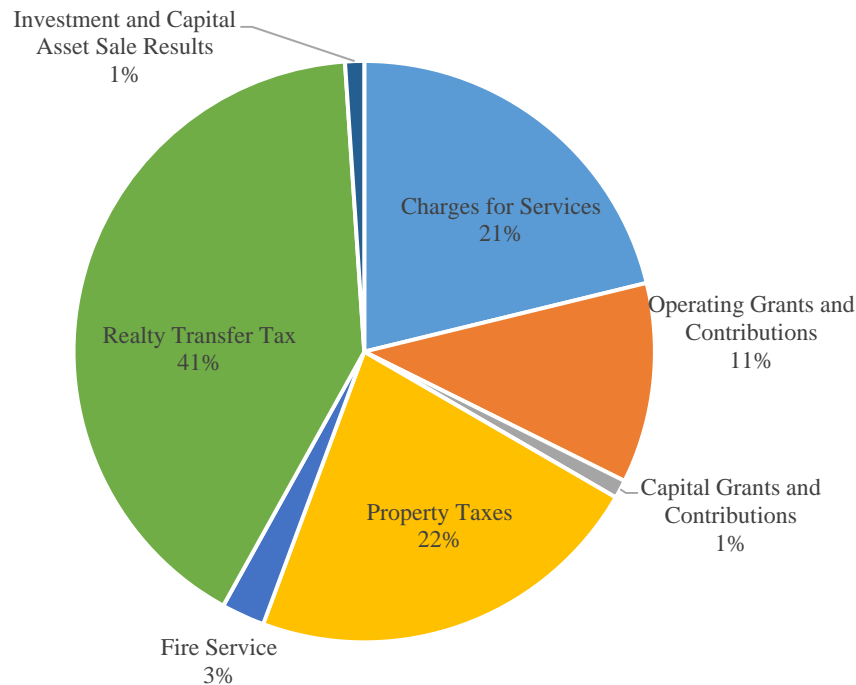
Governmental Activities

Governmental activities increased net position by \$11.1 million during fiscal year 2017. This represents 6.7 percent of the total increase in net position for the year. Governmental activities include the general fund and capital projects fund.

General revenues total \$45.6 million for fiscal year 2017 for governmental activities. This includes \$28.0 million received from realty transfer taxes. This is a \$3.8 million, or 15.6 percent, increase from fiscal year 2016. Realty transfer tax has increased five 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 Activities

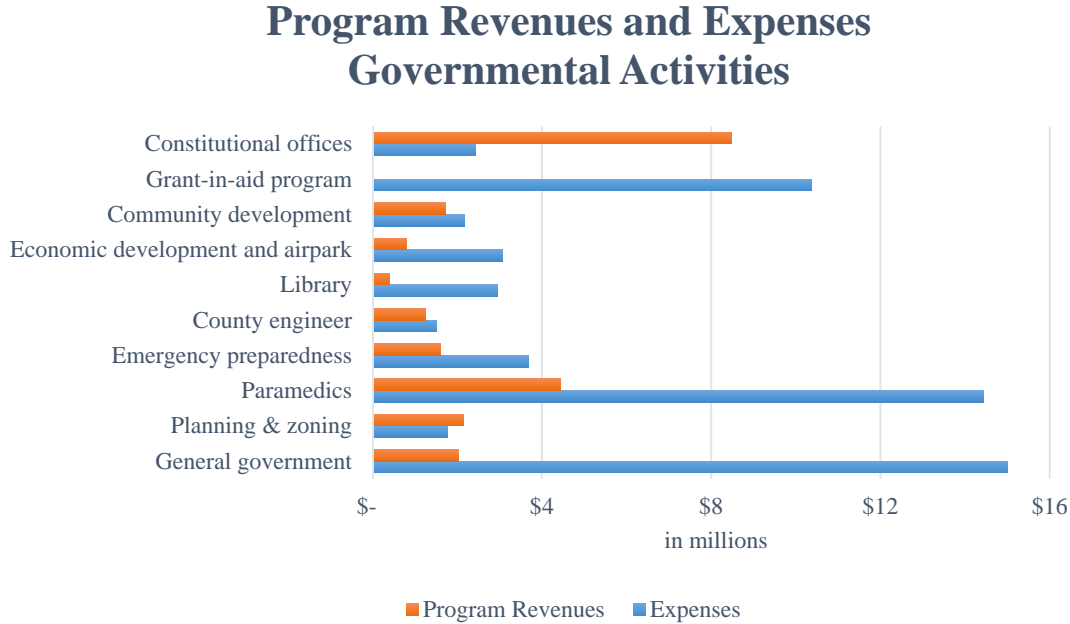


Total Governmental Revenues increased \$5.0 million. \$2.4 million of this increase is due to the increase in charges for services with includes building permits, zoning fees, building inspections fees, and private road review and inspection fees; an indication that the construction industry is strong in the county.

The County operating grants were \$0.3 million more than the previous year, due mainly to additional grants received by the community development department. Capital grants and contributions decreased \$1.3 million from fiscal year 2016, from a decrease in developer contributions for bonus density allowances.

Excluding the restatement of the other postemployment benefits expense in fiscal year 2016, total expenses were up \$4.0 million, or 7.4 percent, from fiscal year 2016. The largest increase was for capital projects including \$2.0 million for a new business park.

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.

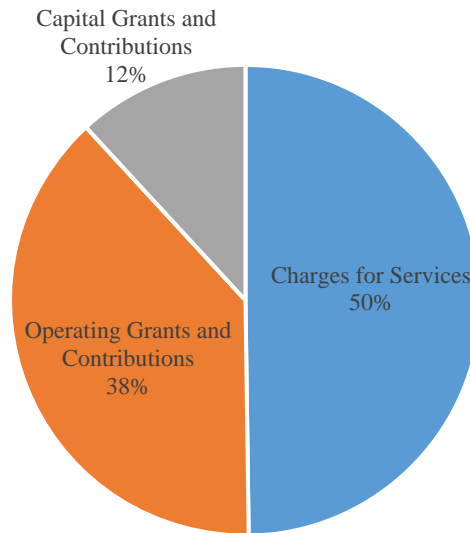
The Paramedic Department is the County’s largest department in terms of expenditures and employees. Our residents and visitors rely on this valuable County service. The paramedics were dispatched 29.1 percent more this year than 10 years ago. The County has had to develop cost-saving procedures without jeopardizing the quality of service being provided by the paramedics. Currently, we lease and own buildings in different strategic locations throughout the county. The County’s goal is to replace all leased with county-owned property for its paramedic stations. As these leases come up for renewal, we are exploring the option to buy rather than rent. To date, we have built five of our eight medic stations. The fifth station was completed in fiscal year 2017.

During fiscal year 2017, the County provided \$10.4 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 \$4.0 million in grant funding during fiscal year 2017. The county also supports 11 independent libraries through the grant-in-aid budget with a \$2.4 million contribution. In addition, in fiscal year 2017, a variety of community grants, in the amount of \$1.2 million, were given to local non-profit organizations, senior centers, food pantries, and housing assistance programs.

Business-type Activities

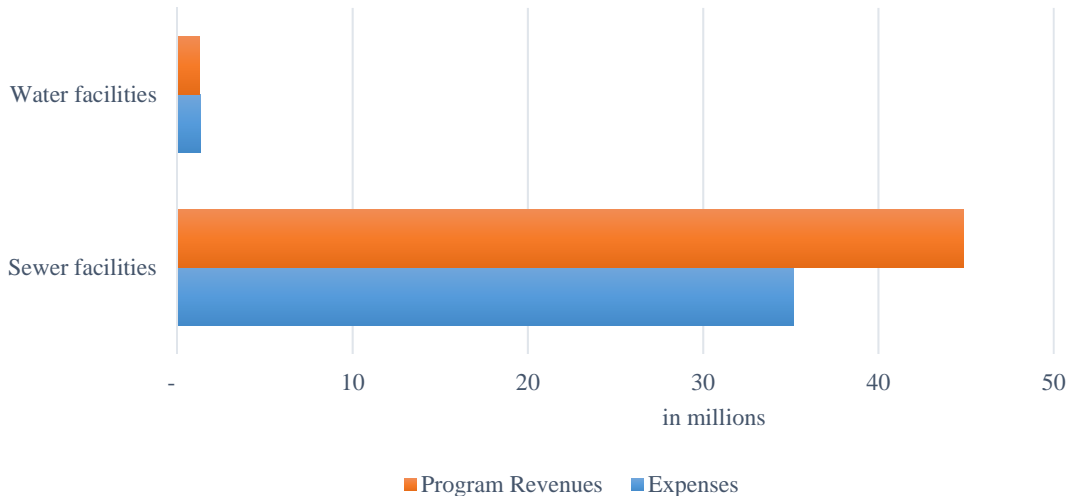
Sussex County’s water and sewer funds had an increase in net position of \$9.7 million during fiscal year 2017. The income before capital contributions and transfers was \$4.3 million. Our sewer district continues to grow, bringing in additional income. The number of sewer equivalent dwelling units increased more than 856 from fiscal year 2016. The pie chart reflects revenues by source for the water and sewer funds.

Revenues by Source - Business-type 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 \$9.2 million in connection fees for new growth in the water and sewer districts; this is a 29.5 percent increase over last year's collection of \$2.1 million. Connection fee income also increases due to the housing market and through continued expansion our sewer district which directly drives this revenue.
- The County completed the policy to consolidate sewer districts into a unified fund with unified service rates for all areas of the Sussex County Unified Sanitary Sewer District.
- Fiscal year 2017 expenses included projects to maintain, rebuild, and renovate our current facilities; this ranges from vehicle replacements, treatment plant improvements, and pump station rebuilds.

### **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 2017, fund balances of the County's governmental funds increased \$8.5 million. This increase is a result of the \$28.0 million collected in realty transfer tax. The County budgeted \$19.0 million that caused revenues to exceed budgeted revenues by \$9.0 million in this single revenue category.

For the general fund, fiscal year 2017 finished with an increase in fund balance of \$5.6 million. Page 84 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. The largest part of the County's fund balance is restricted for public safety, infrastructure, public works, and economic development. Assigned fund balance includes funds to be used next fiscal year, possible future reassessment, and economic development marketing plan.

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 2017, \$3.9 million was contributed to the pension plan. The fund saw a increase from investment earnings, net of investment expenses, in the amount of \$8.8 million. The

County's Pension Plan is 79.1 percent funded according to the latest actuarial report. As of June 30, 2017, assets held in this account were valued at over \$82.8 million.

As January 1, 2014, new employees are required to contribute 3 percent of their gross salary to the pension plan.

The County has an irrevocable fund for other post-retirement employee benefits, or "OPEB". The OPEB Plan is currently 67.6 percent funded. As of June 30, 2017, assets held in this account were valued at \$35.4 million. For fiscal year 2017, the contribution to this fund was \$2.0 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 2017, there were 242 retirees and beneficiaries in the pension plan. Beneficiary payments for both funds totaled \$5.7 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 \$318.2 million - a \$9.7 million, or 3.2 percent, increase over last year. Restricted net position include amounts set aside for construction and future capital costs. Connection fees received are to be used for capital costs.

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

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

### Budget Goals and Initiatives

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

### Revenue and Appropriation Budgets

Total budgeted revenues, expenditures, and other financing uses are equal to the original approved budget, with adjustments for any approved budget transfers, for fiscal year 2017. During the year, the County Administrator and Deputy Finance Director approve budget transfers for expenditures within departments. The County Administrator approves expenses that are paid from a budgeted contingency line item. The approved budget transfers include increases in certain line items for requested expenditures, which were offset by decreases in other departmental line items. Some of the largest expenses from the contingency line items, as approved by the County Administrator during the year, were for vehicles to improve the county fleet (\$334,000), Register of Wills and Assessment scanning project (\$69,000), grant amount



increase for community development and downtown development districts (\$56,000), unforeseen library repairs (\$46,000), administration building office furnishings (\$42,000), and for security (\$20,000).

Budget to Actual - Revenue

The fiscal 2017 budget expenses increased \$1.5 million, or 2.8 percent, over the previous year. The increase is a direct result of the rise in demand for public safety services that the County must react to. Even with the economy improving, 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 2017, actual general fund revenues and other financing sources were over budgeted revenues by \$12.1 million as noted on page 70. The largest revenue source over budget was realty transfer tax; this revenue exceeded that budget by \$9.0 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 were under budget by \$2.5 million as noted on page 76. Many departments finished the fiscal year under their budget projections. The section that exceeded the budget the greatest was the Grant-in-aid, which exceeded the budget by \$491,000 due to an increase in revenue. The fire service tax is collected on building permits and then distributed to the fire companies. Since the fee collected on building permits was over budget, so was the pass-through grant.

**Capital Asset and Debt Administration**

Capital Assets

As per the chart below, capital assets (net of depreciation) are valued at \$473.3 million as of June 30, 2017. Note E, on pages 41 and 42, includes additional information.

Sussex County, Delaware Capital Assets  
As of June 30, 2017 and 2016  
(net of depreciation)

	Governmental Activities		Business-type Activities		Total Government	
	2017	2016	2017	2016	2017	2016
Land	\$ 20,377,816	\$ 18,236,796	\$ 39,741,157	\$ 39,717,575	\$ 60,118,973	\$ 57,954,371
Construction in Progress	2,983,409	941,335	26,074,058	17,020,383	29,057,467	17,961,718
Buildings	32,832,110	31,573,910	28,738,916	29,535,500	61,571,026	61,109,410
Improvements Other Than Buildings	24,263,589	25,346,879	3,346,570	3,607,415	27,610,159	28,954,294
Machinery and Equipment	2,914,751	2,213,000	2,987,560	1,989,981	5,902,311	4,202,981
Infrastructure	-	-	289,037,858	286,973,551	289,037,858	286,973,551
Total	\$ 83,371,675	\$ 78,311,920	\$ 389,926,119	\$ 378,844,405	\$ 473,297,794	\$ 457,156,325

The major governmental capital projects completed in fiscal year 2017 that increased the classifications of Buildings and Improvements Other Than Buildings were the completion of Medic Station 104 and the Emergency Operation Center audio and visual system, respectively. Land increased due to a purchase of property to begin a new business park. Construction in Progress is higher than the end of fiscal year 2016, because the County was nearing completion of the new command unit and a mass appraisal computer system.

The following are highlights of the major capital sewer projects under way during fiscal year 2017, 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 the large Pump Station 210;
- design for the Rehoboth outfall project;
- construction of the sewer expansion areas such as Millville, Goslee Creek, and Angola North.

Long-term Debt

As of June 30, 2017, the County had \$150.1 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, 2017 and 2016**

General Bonds

	Governmental Activities		Business-type Activities		Total Government	
	2017	2016	2017	2016	2017	2016
General Obligation Bonds	\$ -	\$ -	\$ 150,094,796	\$ 152,442,753	\$ 150,094,796	\$ 152,442,753
Total	\$ -	\$ -	\$ 150,094,796	\$ 152,442,573	\$ 150,094,796	\$ 152,442,753

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 J, on pages 53 through 57 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 4.4 percent in June 2017 and Delaware's unemployment rate was 4.7 percent, Sussex County's unemployment - at 4.3 percent - was under those averages.
- The fiscal year 2017's budget was consistent with 2016. Fiscal year 2017 saw increases as the housing market continued to rebound. Budget revenues for fiscal year 2018 are 5.2 percent over fiscal year 2017. County's property tax assessments saw an increase of 3.5 percent. Although actual revenues for fiscal year 2017 came in much higher than budgeted revenues, the budget committee chose not to assume that the economy will continue to expand; therefore, the committee chose to budget around 85 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 2018 Budget and Rates**

The major goal of the fiscal year 2018 budget was to continue to operate without raising taxes, but still provide an excellent level of service to our residents. As with previous budgets, the fiscal year 2018 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 2018 are tracked, there is a sign of continual growth in the economy in Sussex County.

The fiscal year 2018 general fund budget shows a \$13.8 million increase in expenses from fiscal year 2017; this increase has to do with a one-time transfer to pay down the County's unfunded pension liability and additional grant funding. The increase in grant funding is a direct result of the County's commitment to public safety. The County is adding two additional paramedics to Medic Station 110 and is contributing an additional \$0.7 million to continue the additional police coverage by Delaware State Police.

The fiscal year 2018 capital improvements budget includes a \$8.6 million of appropriated reserves. 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 2018 sewer and water budget decreased by 3.6 percent. The decrease is mostly due to debt being paid off from the previous fiscal year. The fees cover four wastewater treatment facilities, one water facility and tower, over 488 pump stations, and over 894 miles of pipe.

The five-year capital improvement plan of \$232.6 million includes \$202.4 million for sewer projects and improvements, as well as \$30.2 million for other governmental fund projects, such as improving the Delaware Coastal Airport and new Coastal Business Park, expanding our paramedic infrastructure, completing a new mobile command unit, and installing fiber optics infrastructure.

### **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/Chief Operations Officer  
Sussex County Council  
2 The Circle  
P.O. Box 589  
Georgetown, DE 19947  
Telephone: (302) 855-7741

# **BASIC FINANCIAL STATEMENTS**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 22,415,849	\$ 2,512,927	\$ 24,928,776
Investments	31,769,360	32,286,201	64,055,561
Taxes receivable	1,614,503	-	1,614,503
Other receivables	3,259,688	5,020,567	8,280,255
Due from other governmental agencies	3,921,009	121,774	4,042,783
Due from other postemployment benefit	22,078	-	22,078
Internal balances	10,035,521	(10,035,521)	-
Inventory	31,024	471,620	502,644
Prepaid items	28,937	-	28,937
Restricted cash and cash equivalents	21,623,942	16,578,924	38,202,866
Restricted investments	43,203,715	42,727,162	85,930,877
Loans receivable	1,099,959	-	1,099,959
Capital assets:			
Land, improvements, and construction in progress	23,361,225	65,815,215	89,176,440
Other capital assets, net of depreciation	60,010,450	324,110,904	384,121,354
Total assets	<u>222,397,260</u>	<u>479,609,773</u>	<u>702,007,033</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows from other postemployment benefits	515,891	158,477	674,368
Deferred outflows from pension	4,784,846	1,469,854	6,254,700
Deferred charge on refunding of bonds	-	1,171,388	1,171,388
Total deferred outflows of resources	<u>5,300,737</u>	<u>2,799,719</u>	<u>8,100,456</u>
<b>LIABILITIES</b>			
Accounts payable and other current liabilities	3,912,411	2,506,488	6,418,899
Accrued interest payable	-	721,781	721,781
Employee health claims payable	1,049,242	-	1,049,242
Unearned revenue	343,684	-	343,684
Deposits	8,958,745	-	8,958,745
Net pension liability	16,750,512	5,145,582	21,896,094
Net other postemployment benefits liability	12,971,547	3,984,724	16,956,271
Long-term liabilities:			
Due within one year	2,956,245	7,501,504	10,457,749
Other due in more than one year	3,117,260	144,193,173	147,310,433
Total liabilities	<u>50,059,646</u>	<u>164,053,252</u>	<u>214,112,898</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows from other postemployment benefits	650,958	199,968	850,926
Total deferred inflows of resources	<u>650,958</u>	<u>199,968</u>	<u>850,926</u>
<b>NET POSITION</b>			
Net investment in capital assets	82,604,022	239,365,922	321,969,944
Restricted for:			
Capital, public safety and economic development	59,278,550	-	59,278,550
Grant expenses	4,691,082	-	4,691,082
Construction and capital	-	59,306,086	59,306,086
Unrestricted	30,413,739	19,484,264	49,898,003
Total Net Position	<u>\$ 176,987,393</u>	<u>\$ 318,156,272</u>	<u>\$ 495,143,665</u>

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

SUSSEX COUNTY, DELAWARE  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2017

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	\$ 14,999,329	\$ 2,011,190	\$ 18,096	\$ -	\$ (12,970,043)	\$ -	\$ (12,970,043)
Planning and zoning	1,767,664	2,134,990	-	-	367,326	-	367,326
Paramedics	14,444,807	27,115	4,403,300	11,740	(10,002,652)	-	(10,002,652)
Emergency preparedness	3,687,552	20,800	885,686	690,512	(2,090,554)	-	(2,090,554)
County engineer	1,511,146	1,238,518	-	-	(272,628)	-	(272,628)
Library	2,950,264	32,622	376,510	-	(2,541,132)	-	(2,541,132)
Economic development and airpark	3,072,208	581,284	226,441	-	(2,264,483)	-	(2,264,483)
Community development	2,157,621	-	1,716,328	-	(441,293)	-	(441,293)
Grant-in-aid program	10,362,109	-	-	-	(10,362,109)	-	(10,362,109)
Constitutional offices	2,433,532	8,469,402	-	-	6,035,870	-	6,035,870
Total governmental activities	<u>57,386,232</u>	<u>14,515,921</u>	<u>7,626,361</u>	<u>702,252</u>	<u>(34,541,698)</u>	<u>-</u>	<u>(34,541,698)</u>
Business-type activities:							
Sewer facilities	35,167,846	21,749,464	17,673,878	5,424,290	-	9,679,786	9,679,786
Water facilities	1,299,626	1,234,499	40,967	-	-	(24,160)	(24,160)
Total business-type activities	<u>36,467,472</u>	<u>22,983,963</u>	<u>17,714,845</u>	<u>5,424,290</u>	<u>-</u>	<u>9,655,626</u>	<u>9,655,626</u>
Total primary government	<u>\$ 93,853,704</u>	<u>\$ 37,499,884</u>	<u>\$ 25,341,206</u>	<u>\$ 6,126,542</u>	<u>(34,541,698)</u>	<u>9,655,626</u>	<u>(24,886,072)</u>
General revenues:							
Taxes: Property & capitation					15,264,023	-	15,264,023
Fire service					1,647,719	-	1,647,719
Realty transfer					27,989,410	-	27,989,410
Unrestricted investment results					259,279	34,935	294,214
Gain on sale of capital assets					468,928	1,981	470,909
Transfers					(11,229)	11,229	-
Total general revenues and transfers					<u>45,618,130</u>	<u>48,145</u>	<u>45,666,275</u>
Change in net position					<u>11,076,432</u>	<u>9,703,771</u>	<u>20,780,203</u>
Net position - beginning as restated (Note T)					<u>165,910,961</u>	<u>308,452,501</u>	<u>474,363,462</u>
Net position - ending					<u>\$ 176,987,393</u>	<u>\$ 318,156,272</u>	<u>\$ 495,143,665</u>

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

SUSSEX COUNTY, DELAWARE  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2017

-20-

	General	Capital Projects	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 22,415,848	\$ -	\$ 22,415,848
Investments	31,769,360	-	31,769,360
Receivables, net of allowance for doubtful accounts:			
Taxes	1,614,503	-	1,614,503
Assessments and connection	1,909,862	-	1,909,862
Accrued interest	163,633	27,242	190,875
Miscellaneous	873,701	-	873,701
Employee advances	285,250	-	285,250
Due from other governmental agencies	3,239,796	681,213	3,921,009
Due from other funds	10,058,461	-	10,058,461
Inventory	31,024	-	31,024
Prepaid items	28,937	-	28,937
Restricted cash and cash equivalents	13,938,002	7,685,940	21,623,942
Restricted investments	31,923,366	11,280,350	43,203,716
Total Assets	<u>118,251,743</u>	<u>19,674,745</u>	<u>137,926,488</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
Liabilities:			
Accounts payable and other accrued expenditures	3,159,495	752,916	3,912,411
Employee health claims payable	1,049,242	-	1,049,242
Due to other funds	-	862	862
Unearned revenue	343,684	-	343,684
Deposits	8,958,745	-	8,958,745
Total Liabilities	<u>13,511,166</u>	<u>753,778</u>	<u>14,264,944</u>
Deferred inflows of resources:			
Unavailable revenues	3,039,522	53,010	3,092,532
Total deferred inflows of resources	<u>3,039,522</u>	<u>53,010</u>	<u>3,092,532</u>
Fund balances:			
Nonspendable	345,211	-	345,211
Restricted	51,308,089	17,447,074	68,755,163
Committed	1,282,810	1,420,883	2,703,693
Assigned	16,286,439	-	16,286,439
Unassigned	32,478,506	-	32,478,506
Total fund balances	<u>101,701,055</u>	<u>18,867,957</u>	<u>120,569,012</u>
Total liabilities deferred inflows of resources, and fund balances	<u>\$ 118,251,743</u>	<u>\$ 19,674,745</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.	83,371,675
Long-term liabilities are not due and payable in the current period and therefore are not reported in the fund-level statements.	(35,795,564)
Certain tax and grant revenue do not provide current financial resources and therefore are reported as unavailable revenue in the fund-level statements.	3,092,532
Other long-term assets are not available to pay for current period expenditures and, therefore, are not recognized in the fund-level statements.	1,099,959
Consumption of net position by the government that is applicable to a future period.	5,300,737
Acquisition of net position by the government that is applicable to a future period.	(650,958)
Net position of governmental activities	<u>\$ 176,987,393</u>

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



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

	<u>General</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Taxes	\$ 44,753,872	\$ -	\$ 44,753,872
Intergovernmental	6,828,993	983,586	7,812,579
Charges for services	14,818,108	-	14,818,108
Fines and forfeits	42,383	-	42,383
Investment earnings	218,753	40,526	259,279
Miscellaneous revenue	276,601	-	276,601
Total revenues	<u>66,938,710</u>	<u>1,024,112</u>	<u>67,962,822</u>
<b>EXPENDITURES</b>			
Current:			
General government	12,134,947	-	12,134,947
Planning & zoning	1,815,372	-	1,815,372
Paramedics	14,309,979	-	14,309,979
Emergency preparedness	3,247,659	-	3,247,659
County engineer	1,796,532	-	1,796,532
Library	2,695,104	-	2,695,104
Economic development and airpark	1,437,225	-	1,437,225
Community development	2,126,251	-	2,126,251
Grant-in-aid	10,362,109	-	10,362,109
Constitutional offices	2,452,591	-	2,452,591
Capital projects	-	7,765,080	7,765,080
Total expenditures	<u>52,377,769</u>	<u>7,765,080</u>	<u>60,142,849</u>
Excess of (deficiency) of revenues over (under) expenditures	<u>14,560,941</u>	<u>(6,740,968)</u>	<u>7,819,973</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	74,271	8,960,342	9,034,613
Transfers out	(9,045,842)	-	(9,045,842)
Proceeds from sale of capital assets	43,334	640,724	684,058
Total other financing sources and uses	<u>(8,928,237)</u>	<u>9,601,066</u>	<u>672,829</u>
Net change in fund balances	5,632,704	2,860,098	8,492,802
Fund balances - beginning	96,068,351	16,007,859	112,076,210
Fund balances - ending	<u>\$ 101,701,055</u>	<u>\$ 18,867,957</u>	<u>\$ 120,569,012</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, 2017**

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

Net change in fund balances - total governmental funds \$ 8,492,802

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	\$ 8,898,000	
Depreciation	<u>(3,623,110)</u>	5,274,890

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. (215,135)

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	\$ (62,968)	
Grants	(204,977)	
Property taxes	<u>147,280</u>	(120,665)

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	\$ (44,614)	
Net pension liability	(2,154,374)	
Net other postemployment benefit liability	(114,052)	
Pollution remediation cost	<u>(42,420)</u>	<u>(2,355,460)</u>

Change in net position of government activities \$ 11,076,432

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 35,032,668	\$ 35,032,668	\$ 44,753,872	\$ 9,721,204
Intergovernmental	6,928,162	6,928,162	6,828,993	(99,169)
Charges for services	11,089,130	11,089,130	14,818,108	3,728,978
Fines and forfeits	23,000	23,000	42,383	19,383
Investment earnings	350,000	350,000	218,753	(131,247)
Miscellaneous revenue	248,420	248,420	276,601	28,181
Total Revenues	<u>53,671,380</u>	<u>53,671,380</u>	<u>66,938,710</u>	<u>13,267,330</u>
<b>EXPENDITURES</b>				
Current:				
General government	12,492,818	12,861,543	12,134,947	726,596
Planning & zoning	1,688,274	1,752,570	1,815,372	(62,802)
Paramedics	14,786,984	14,786,984	14,309,979	477,005
Emergency preparedness	3,261,931	3,280,670	3,247,659	33,011
County engineer	2,030,887	1,969,742	1,796,532	173,210
Library	2,799,694	2,846,192	2,695,104	151,088
Economic development and airpark	1,639,756	1,666,017	1,437,225	228,792
Community development	2,248,069	2,265,228	2,126,251	138,977
Grant-in-aid	9,832,254	9,871,324	10,362,109	(490,785)
Constitutional offices	2,505,213	2,595,050	2,452,591	142,459
Total Expenditures	<u>53,285,880</u>	<u>53,895,320</u>	<u>52,377,769</u>	<u>1,517,551</u>
Excess (deficiency) of revenue over expenditures	<u>385,500</u>	<u>(223,940)</u>	<u>14,560,941</u>	<u>14,784,881</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	300,000	300,000	74,271	(225,729)
Transfers out	(85,500)	(85,500)	(9,045,842)	(8,960,342)
Reserved for contingencies	(1,600,000)	(990,560)	-	990,560
Proceeds from sale of capital assets	-	-	43,334	43,334
Appropriated reserves	1,000,000	1,000,000	-	(1,000,000)
Total other financing sources and uses	<u>(385,500)</u>	<u>223,940</u>	<u>(8,928,237)</u>	<u>(9,152,177)</u>
Net change in fund balances	-	-	5,632,704	5,632,704
Fund balances - beginning	96,068,351	96,068,351	96,068,351	-
Fund balances - ending	<u>\$ 96,068,351</u>	<u>\$ 96,068,351</u>	<u>\$ 101,701,055</u>	<u>\$ 5,632,704</u>

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

SUSSEX COUNTY, DELAWARE  
 STATEMENT OF NET POSITION - PROPRIETARY FUNDS  
 JUNE 30, 2017

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Unified Sewer</b>		
	<b>District</b>	<b>Dewey Water</b>	<b>Totals</b>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents:			
Unrestricted	\$ 1,496,755	\$ 1,016,172	\$ 2,512,927
Restricted	16,339,835	239,089	16,578,924
Receivables, net of allowance for doubtful accounts:			
Service charges	529,815	40,606	570,421
Assessments and connection	127,586	-	127,586
Interest and penalties	244,228	5,182	249,410
Miscellaneous	981,546	5,361	986,907
Employee advances	149,566	-	149,566
Due from other governmental agencies	121,774	-	121,774
Investments:			
Unrestricted	7,650,929	386,663	8,037,592
Restricted	19,402,346	301,109	19,703,455
Inventory	418,964	52,656	471,620
Total current assets	<u>47,463,344</u>	<u>2,046,838</u>	<u>49,510,182</u>
Noncurrent assets:			
Investments:			
Unrestricted	23,904,431	344,178	24,248,609
Restricted	22,800,160	223,547	23,023,707
Noncurrent accounts receivables:			
Service charges	1,357,894	30,215	1,388,109
Assessments and connection	874,035	839	874,874
Interest and penalties	667,973	5,721	673,694
Capital assets:			
Land, improvements, and construction in progress	65,778,449	36,766	65,815,215
Other capital assets, net of depreciation	322,904,380	1,206,524	324,110,904
Total noncurrent assets	<u>438,287,322</u>	<u>1,847,790</u>	<u>440,135,112</u>
Total Assets	<u>485,750,666</u>	<u>3,894,628</u>	<u>489,645,294</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows from other postemployment benefits	154,431	4,046	158,477
Deferred outflows from pension	1,432,326	37,528	1,469,854
Deferred charge on refunding of bonds	1,171,388	-	1,171,388
Total Deferred Outflows of Resources	<u>2,758,145</u>	<u>41,574</u>	<u>2,799,719</u>

(continued)

SUSSEX COUNTY, DELAWARE  
 STATEMENT OF NET POSITION - PROPRIETARY FUNDS - CONTINUED  
 JUNE 30, 2017

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Unified Sewer</b>		
	<b>District</b>	<b>Dewey Water</b>	<b>Totals</b>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and other current liabilities	\$ 2,385,807	\$ 120,681	\$ 2,506,488
Accrued interest payable	721,781	-	721,781
Due to other funds	10,035,521	-	10,035,521
Current portion of long-term liabilities	7,482,212	19,292	7,501,504
Total current liabilities	<u>20,625,321</u>	<u>139,973</u>	<u>20,765,294</u>
Noncurrent liabilities:			
Net pension liability	5,014,206	131,376	5,145,582
Net other postemployment benefit liability	3,882,986	101,738	3,984,724
Long-term liabilities, less current portion	144,167,036	26,137	144,193,173
Total noncurrent liabilities	<u>153,064,228</u>	<u>259,251</u>	<u>153,323,479</u>
Total Liabilities	<u>173,689,549</u>	<u>399,224</u>	<u>174,088,773</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows from other postemployment benefits	194,862	5,106	199,968
Total Deferred Inflows of Resources	<u>194,862</u>	<u>5,106</u>	<u>199,968</u>
<b>NET POSITION</b>			
Net investment in capital assets	238,122,632	1,243,290	239,365,922
Restricted for construction and capital assets	58,542,341	763,745	59,306,086
Unrestricted	17,959,427	1,524,837	19,484,264
Total Net Position	<u>\$ 314,624,400</u>	<u>\$ 3,531,872</u>	<u>\$ 318,156,272</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, 2017**

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Unified Sewer District</b>	<b>Dewey Water</b>	<b>Totals</b>
Operating revenues:			
Charges for services	\$ 19,785,733	\$ 1,135,723	\$ 20,921,456
Other operating revenue	1,963,731	98,776	2,062,507
Total operating revenues	<u>21,749,464</u>	<u>1,234,499</u>	<u>22,983,963</u>
Operating expenses:			
Contractual services	3,173,176	614,719	3,787,895
Depreciation	12,784,972	102,922	12,887,894
Employee benefits	4,562,872	150,262	4,713,134
Equipment and tools	335,343	32,773	368,116
Maintenance and repairs	1,262,565	119,814	1,382,379
Process chemicals	405,778	-	405,778
Professional fees	820,446	2,592	823,038
Salaries	5,234,138	154,800	5,388,938
Shared costs	2,052,411	109,079	2,161,490
Supplies	410,069	12,340	422,409
Training and travel	37,651	325	37,976
Total operating expenses	<u>31,079,421</u>	<u>1,299,626</u>	<u>32,379,047</u>
Operating (loss) income	<u>(9,329,957)</u>	<u>(65,127)</u>	<u>(9,395,084)</u>
Nonoperating revenue (expenses):			
Interest and investment results	145,936	4,170	150,106
Assessment and connection fees	17,540,222	37,597	17,577,819
Miscellaneous	21,855	-	21,855
Interest expense	(4,088,425)	-	(4,088,425)
Total nonoperating revenues	<u>13,619,588</u>	<u>41,767</u>	<u>13,661,355</u>
Income (loss) before contributions and transfers	4,289,631	(23,360)	4,266,271
Capital contributions	5,424,290	-	5,424,290
Gain on sale of capital assets	931	1,050	1,981
Transfers in	85,500	-	85,500
Transfers out	(74,271)	-	(74,271)
Change in net position	<u>9,726,081</u>	<u>(22,310)</u>	<u>9,703,771</u>
Total net position - beginning as restated (Note T)	<u>304,898,319</u>	<u>3,554,182</u>	<u>308,452,501</u>
Total net position - ending	<u>\$ 314,624,400</u>	<u>\$ 3,531,872</u>	<u>\$ 318,156,272</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, 2017

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<b>Business-type Activities - Enterprise Funds</b>			
	<u>Unified Sewer District</u>	<u>Dewey Water</u>	<u>Totals</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash receipts from customers	\$ 21,349,517	\$ 1,241,765	\$ 22,591,282
Other payments	136,004	5,095	141,099
Other receipts	84,778	-	84,778
Payments to employees	(9,277,863)	(290,999)	(9,568,862)
Payments to suppliers	(8,286,542)	(905,667)	(9,192,209)
Net cash flows from operating activities	<u>4,005,894</u>	<u>50,194</u>	<u>4,056,088</u>
<b>CASH FLOWS FROM NONCAPITAL</b>			
Operating grants received	21,853	-	21,853
Net cash flows from noncapital financing activities	<u>21,853</u>	<u>-</u>	<u>21,853</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition and construction of capital assets	(23,939,231)	(101,570)	(24,040,801)
Assessment and connection fees	17,624,867	38,588	17,663,455
Bond proceeds	447,625	-	447,625
Proceeds from sale of assets	70,162	1,147	71,309
Capital contributions	5,424,290	-	5,424,290
Interest paid	(4,366,629)	-	(4,366,629)
Retirement of bonds and related costs	(7,837,234)	-	(7,837,234)
Transfers from other funds for capital activities	(74,271)	-	(74,271)
Transfers to other funds for capital activities	1,699,092	-	1,699,092
Net cash flows for capital and related financing activities	<u>(10,951,329)</u>	<u>(61,835)</u>	<u>(11,013,164)</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Interest income and investment results	303,664	12,322	315,986
Net sales / (purchases) of investments	(2,833,875)	39,027	(2,794,848)
Net cash flows from investing activities	<u>(2,530,211)</u>	<u>51,349</u>	<u>(2,478,862)</u>
Net increase (decrease) in cash and cash equivalents	<u>(9,453,793)</u>	<u>39,708</u>	<u>(9,414,085)</u>
Cash and cash equivalents - beginning	<u>27,290,383</u>	<u>1,215,553</u>	<u>28,505,936</u>
Cash and cash equivalents - ending	<u>\$ 17,836,590</u>	<u>\$ 1,255,261</u>	<u>\$ 19,091,851</u>

(continued)

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

SUSSEX COUNTY, DELAWARE  
 STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS - CONTINUED  
 FOR YEAR ENDED JUNE 30, 2017

	<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	\$ (9,329,957)	\$ (65,127)	\$ (9,395,084)
Adjustments to reconcile operating (loss) income to net cash provided by operating activities:			
Depreciation	12,784,972	102,922	12,887,894
Increase in accounts payable - other	136,004	4,760	140,764
Increase (decrease) in accounts payable - suppliers	(227,635)	32,444	(195,191)
Increase in compensated absences	39,992	2,408	42,400
Increase (decrease) in customer receivables	(515,492)	7,266	(508,226)
Increase (decrease) in inventory	438,531	(46,469)	392,062
Increase in other operating receivables	200,323	-	200,323
Increase in payments to employees advance	25,608	-	25,608
Increase in salaries and benefits payable	453,548	11,990	465,538
Net cash provided by operating activities	<u>\$ 4,005,894</u>	<u>\$ 50,194</u>	<u>\$ 4,056,088</u>

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



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

	<u>Pension Trust</u>	<u>Post- retirement Employee Benefit Trust</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 214,253	\$ 436,589	\$ 650,842
Investments:			
U.S. Treasuries	4,978,954	4,708,967	9,687,921
Government Agencies	721,369	1,044,559	1,765,928
Corporate obligations	4,602,291	5,431,507	10,033,798
Delaware Local Government Retirement Investment Pool	40,994,080	-	40,994,080
Common stocks and convertibles	16,980,139	-	16,980,139
Mutual funds	14,210,583	23,758,749	37,969,332
Total Investments	82,487,416	34,943,782	117,431,198
Accounts receivable	1,670	-	1,670
Accrued interest	78,226	70,550	148,776
<b>Total Assets</b>	<u>82,781,565</u>	<u>35,450,921</u>	<u>118,232,486</u>
<b>LIABILITIES</b>			
Accounts payable	21,987	10,154	32,141
Due to general fund	-	22,078	22,078
<b>Total Liabilities</b>	21,987	32,232	54,219
<b>NET POSITION</b>			
Net position restricted for pension and OPEB benefits	<u>\$ 82,759,578</u>	<u>\$ 35,418,689</u>	<u>\$ 118,178,267</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, 2017**

	<u>Pension Trust</u>	<u>Post- retirement Employee Benefit Trust</u>	<u>Total</u>
<b>ADDITIONS</b>			
Employer contributions	\$ 3,835,851	\$ 1,991,965	\$ 5,827,816
Employee contributions	86,279	-	86,279
Investment earnings:			
Net appreciation of investments	4,607,156	2,663,058	7,270,214
Interest and dividends	4,421,084	823,964	5,245,048
Total investment earnings	<u>9,028,240</u>	<u>3,487,022</u>	<u>12,515,262</u>
Less investment expenses	<u>(198,616)</u>	<u>(30,331)</u>	<u>(228,947)</u>
Net investment earnings	<u>8,829,624</u>	<u>3,456,691</u>	<u>12,286,315</u>
Total additions	<u>12,751,754</u>	<u>5,448,656</u>	<u>18,200,410</u>
<b>DEDUCTIONS</b>			
Beneficiary payments	3,853,298	1,828,522	5,681,820
Professional fees	<u>101,597</u>	<u>55,676</u>	<u>157,273</u>
Net increase in plan net position	<u>8,796,859</u>	<u>3,564,458</u>	<u>12,361,317</u>
Net position restricted for pension and OPEB benefits - beginning	<u>73,962,719</u>	<u>31,854,231</u>	<u>105,816,950</u>
Net position restricted for pension and OPEB benefits - ending	<u>\$ 82,759,578</u>	<u>\$ 35,418,689</u>	<u>\$ 118,178,267</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. 82, including making an election to early implement GASB 75.

### 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, information technology, etc.). The reimbursement from funds is budgeted as another financing source. For GAAP purposes, the charge is eliminated like a reimbursement, reducing the corresponding expenses in the General Fund.

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

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

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 2017 were for industrial airpark expansion and improvements. As of June 30, 2017, the major projects being planned over the next five years include \$18.4 million for industrial airpark improvements and expansion, \$2.9 million for property acquisition, \$1.9 million for paramedic station building, \$.4 million for mobile command unit, \$1.9 million for various building improvements and \$5.1 million information technology improvements.

**Proprietary Funds**

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

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

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

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**3. Basic Financial Statements - Fund Financial Statements - Continued**

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

**Fiduciary Funds**

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

The County's fiduciary funds are presented in the fiduciary funds financial statements. 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 are reported in accordance with the authoritative guidance on fair value measurements and disclosures, the County discloses the fair value of its investments in a hierarchy that ranks the inputs to valuation techniques used to measure the fair value. The hierarchy gives the highest ranking to valuations based upon unadjusted quoted prices in active markets for identical assets and liabilities (Level 1 measurements) and the lowest ranking to valuations based upon unobservable inputs that are significant to the valuation (Level 3 measurements). The guidance establishes three levels of the fair value hierarchy as follows:

Level 1 - Quoted prices in active markets for identical assets.

Level 2 - Inputs other than quoted prices that are observable for the assets, including quoted prices for similar investments based on interest rates, credit risk, and like factors.

Level 3 - Unobservable inputs for the assets.

Investments are assigned a level based upon the observability of the inputs which are significant to the overall valuation. The inputs and methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

**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 and Prepaid Items**

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.

Significant payments made to vendors for services that will benefit periods beyond June 30 are recorded as prepaid items using the consumption method, by recording an asset for prepaid amount and reflecting the expenditure in the year in which the services are 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 acquisition 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

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**9. Capital Assets - Continued**

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, airport runways, and land.

**10. Deferred Outflows/Inflows of Resources**

Deferred Outflows of Resources, reported after Total Assets, 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 three items that qualify for reporting in this category. The first is the deferred charge on refunding reported in the government-wide 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. The third is deferred outflows from other postemployment benefits as described in Note G. These items will be recognized as part of pension and OPEB expense in future periods.

Deferred Inflows of Resources, reported after Total Liabilities, which represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until then. The County has two items that qualify for reporting in this category. The first deferred inflow from other postemployment benefits is described in Note G. The second, represents resources received prior to the period for which they are to be used and are reported only on the governmental funds balance sheet. These are unavailable revenues for property tax and grants. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**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.

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**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.
- 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.

The General Fund should be the only fund that reports a positive unassigned fund balance.

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.



**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**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.

**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 begins accepting budget request electronically from 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 early April. 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.

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**18. Budgets and Budgetary Accounting - continued**

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 through a budget contingency line item. 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, 2017. 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 \$1,099,959 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:

Loan receivable	\$ 1,099,959
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**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, 2017, the carrying amount of the County’s deposits was \$63,538,549 and the bank balance was \$58,903,917. 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.

**NOTE B - CASH AND INVESTMENTS - CONTINUED**

**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;
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.

The County categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The aggregate fair value by input level, for the County investment’s as of June 30, 2017 are as follows:

Investments by fair value level	<u>June 30, 2017</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
General Government				
U.S. Treasury securities	\$2,988,060	\$2,988,060	\$ -	\$ -
U.S. Government agencies securities	115,389,687	-	115,389,687	-
Total	<u>118,377,747</u>	<u>2,988,060</u>	<u>115,389,687</u>	<u>-</u>
Investments at amortized cost:				
Certificates of deposits	31,608,691			
Total investment General Government	<u>149,986,438</u>			

**NOTE B - CASH AND INVESTMENTS - CONTINUED**

Investment by fair value level – continued	June 30, 2017	Level 1	Level 2	Level 3
Pension and Other Post-Retirement Employee Benefit Trust				
U.S. Treasury securities	9,687,921	9,687,921	-	-
U.S. Government agencies securities	1,765,928	-	1,765,928	-
Corporate obligations	10,033,798	-	10,033,798	-
Common stock	16,980,139	16,980,139	-	-
Delaware Local Government Retirement Investment Pool	40,994,080	-	-	40,994,080
Mutual Funds	37,969,332	37,969,332	-	-
Total Pension and Other Post- Retirement Employee Benefit Trust investments	117,431,198	64,637,392	11,799,726	40,994,080
Total Investments	\$267,417,636	\$67,625,452	\$127,189,413	\$40,994,080

The fair value of investments by contractual maturity as of June 30, 2017 is shown below.

Investment Type	Total	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	11-15
U.S. Treasuries	\$ 12,675,981	\$ 1,768,151	\$ 6,868,996	\$ 4,038,834	\$ -
Government Agencies	117,155,615	44,635,969	72,519,646	-	-
Corporate obligations	10,033,798	901,206	5,363,359	3,689,907	79,326
Delaware Local Government Retirement Investment Pool	40,994,080	40,994,080	-	-	-
Common stock	16,980,139	-	-	-	-
Certificates of deposits	31,608,691	29,589,003	2,019,688	-	-
Mutual funds	37,969,332	-	-	-	-
Total Investments	\$267,417,636	\$117,888,409	\$86,771,689	\$7,728,741	\$79,326

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

Cash on hand	\$ 243,934
Carrying amount of deposits	63,538,550
Carrying amount of investments	267,417,636
Total	<u>\$ 331,200,120</u>
Primary Government	
Unrestricted	
Cash and cash equivalents	\$ 24,928,776
Investments	64,055,561
Restricted	
Cash and cash equivalents	38,202,866
Investments	85,930,877
Total primary government	<u>213,118,080</u>
Fiduciary funds (not included in government-wide statement)	
Cash and cash equivalents	650,842
Investments	117,431,198
Total fiduciary funds	<u>118,082,040</u>
Total	<u>\$ 331,200,120</u>

**NOTE C - ACCOUNTS RECEIVABLE**

The allowance for uncollectible receivables at June 30, 2017 is \$19,783 for service, \$10,126 for assessment and \$7,358 for interest and penalties. The County does not have an allowance for uncollectible property taxes because all are considered collectible.

**NOTE D - LOANS RECEIVABLE**

Under the County’s Economic Development Stimulus Loan Program, loans are provided for certain projects for economic development and job growth purposes. The balances outstanding total \$219,378 at June 30, 2017. 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 2023, and is secured with partner guarantees and a second mortgage on the property.

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, 2017 total \$880,581.

Loans receivable total \$1,099,959 at June 30, 2017, which are not reflected on the governmental funds balance sheet.

**NOTE E - CAPITAL ASSETS**

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

	Balance at June 30, 2016	Increases	Decreases	Balance at June 30, 2017
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 18,236,796	\$ 2,343,558	\$ 202,538	\$ 20,377,816
Construction in progress	941,335	7,675,287	5,633,213	2,983,409
Total capital assets, not being depreciated	<u>19,178,131</u>	<u>10,018,845</u>	<u>5,835,751</u>	<u>23,361,225</u>
Other capital assets:				
Buildings	40,692,662	2,080,746	-	42,773,408
Improvements	39,153,320	856,837	10,964	39,999,193
Machinery and equipment	15,060,852	1,574,785	627,295	16,008,342
Total other capital assets	<u>94,906,834</u>	<u>4,512,368</u>	<u>638,259</u>	<u>98,780,943</u>
Less accumulated depreciation for:				
Buildings	9,118,752	822,546	-	9,941,298
Improvements	13,806,441	1,936,116	6,953	15,735,604
Machinery and equipment	12,847,852	864,448	618,709	13,093,591
Total accumulated depreciation	<u>35,773,045</u>	<u>3,623,110</u>	<u>625,662</u>	<u>38,770,493</u>
Other capital assets, net	<u>59,133,789</u>	<u>889,258</u>	<u>12,597</u>	<u>60,010,450</u>
<b>Governmental Activities Capital Assets, Net</b>	<u>\$ 78,311,920</u>	<u>\$10,908,103</u>	<u>\$ 5,848,348</u>	<u>\$ 83,371,675</u>

**NOTE E - CAPITAL ASSETS – CONTINUED**

	Balance at June 30, 2016	Increases	Decreases	Balance at June 30, 2017
<b>Business-type Activities:</b>				
Capital assets not being depreciated:				
Land	\$39,717,575	\$ 23,582	\$ -	\$ 39,741,157
Construction in progress	17,020,383	13,849,035	4,795,360	26,074,058
Total capital assets, not being depreciated	<u>56,737,958</u>	<u>13,872,617</u>	<u>4,795,360</u>	<u>65,815,215</u>
Other capital assets:				
Buildings	42,261,355	-	-	42,261,355
Improvements	10,505,933	17,699	-	10,523,632
Machinery and equipment	11,896,948	1,933,145	613,212	13,216,881
Infrastructure	441,039,398	13,012,700	173,510	453,878,588
Total other capital assets	<u>505,703,634</u>	<u>14,963,544</u>	<u>786,722</u>	<u>519,880,456</u>
Less accumulated depreciation for:				
Building	12,725,855	796,584	-	13,522,439
Improvements	6,898,518	278,544	-	7,177,062
Machinery and equipment	9,906,967	934,395	612,041	10,229,321
Infrastructure	154,065,847	10,878,371	103,488	164,840,730
Total accumulated depreciation	<u>183,597,187</u>	<u>12,887,894</u>	<u>715,529</u>	<u>195,769,552</u>
Other capital assets, net	<u>322,106,447</u>	<u>2,075,650</u>	<u>71,193</u>	<u>324,110,904</u>
<b>Business-type Activities Capital Assets, Net</b>	<u>\$378,844,405</u>	<u>\$15,948,267</u>	<u>\$4,866,553</u>	<u>\$389,926,119</u>

Depreciation expense was charged to functions as follows:

<b>Governmental activities:</b>	
General government	\$ 757,742
Planning and zoning	26,196
Paramedic program	397,412
Emergency preparedness	402,301
Economic development and airpark	1,713,990
County engineer	16,460
Library	277,605
Constitutional offices	31,404
<b>Total governmental activities depreciation expense</b>	<u>3,623,110</u>
<b>Business-type activities</b>	
Water	102,922
Sewer	12,784,972
<b>Total business-type activities depreciation expense</b>	<u>\$ 12,887,894</u>

Construction in progress was \$29.1 million with additional contractually committed costs to complete the projects in process of approximately \$8.2 million as of June 30, 2017.

**NOTE F - PENSION TRUST**

Basis of Accounting

The pension trust 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 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. 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, 2017, total payroll was \$26,178,490. Covered payroll is the payroll on which contributions to the pension plan are based.

Current membership in the plan (as of June 30, 2017) is as follows:

Total Actives	Retirees and Beneficiaries	Terminated Vested	Covered Payroll
474	242	94	\$ 22,642,273

Contributions and Funding Policy

In Fiscal year 2017, the County adopted a formal funding policy. Per the policy, the County will contribute no less than the actuarially determined contribution (ADC) as determined by as calculated by the Plan’s actuary. The ADC is calculated as the normal cost determined under the Entry Age Normal Actuarial Cost method net of anticipated member contributions, plus the amortization of the unfunded liability over a closed 20 year period, plus administrative expenses. 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. Active members hired prior to January 1, 2014 do not contribute; active members hired on or after that

**NOTE F - PENSION TRUST -CONTINUED**

Contributions and Funding Policy – Continued

date contributed at a rate of 3.0% of annual pay in excess of \$6,000, and the County’s contribution rate was 16.94% of covered payroll.

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

At June 30, 2017, the County reported a liability of \$21,896,094 for the net pension liability. The net pension liability was measured as of June 30, 2017, and the total liability used to calculate the net pension liability was 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, 2017, were as follows:

Total Pension Liability	\$ 104,655,672
Plan Fiduciary Net Pension	(82,759,578)
County’s Net Pension Liability	<u>\$ 21,896,094</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	<u>79.1%</u>

The table below shows the changes in the Total Pension Liability (TPL), the Plan Fiduciary Net Position (i.e., fair value of Plan assets) (FNP), and the Net Pension Liability (NPL) during the Measurement Year ending on June 30, 2017.

	<b>Changes in the Net Pension Liability</b>		
	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability</b>	<b>Fiduciary Plan Net Position</b>	<b>Net Pension Liability</b>
Balance at 6/30/2016	<u>\$94,383,648</u>	<u>\$73,962,719</u>	<u>\$20,420,929</u>
Changes recognized for the fiscal year:			
Service Cost	1,885,125	-	1,885,125
Interest	7,078,272	-	7,078,272
Changes in benefits	1,259,679	-	1,259,679
Differences between expected and actual experience	651,103	-	651,103
Changes of assumptions	3,251,143	-	3,251,143
Contributions - employer	-	3,835,851	(3,835,851)
Contributions - members	-	86,279	(86,279)
Net investment income	-	8,829,624	(8,829,624)
Benefit payments	(3,853,298)	(3,853,298)	-
Administrative expense	-	(101,597)	101,597
Net change	<u>10,272,024</u>	<u>8,796,859</u>	<u>1,475,165</u>
Balance recognized at 6/30/2017	<u>\$104,655,672</u>	<u>\$82,759,578</u>	<u>\$21,896,094</u>

During the measurement year, the NPL increased by \$1.48 million in total. The service cost and interest cost increased the NPL by \$8.96 million, assumption changes and plan amendments increased the NPL by \$4.51 million, and member contributions and investment gains offset by administrative expenses decreased the NPL by \$12.65 million. Additionally, there were actuarial experience losses during the year of \$0.65 million.



**NOTE F - PENSION TRUST -CONTINUED**

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

The following plan changes increased the TPL by \$1.26 million during the year.

- Assumed hours worked per week for paramedics and dispatchers increased from 40 hours to 42 hours, which increased salaries by 5% retrospectively.
- Maximum service for paramedics and dispatchers hired after July 1, 2000 and who retire after December 31, 2016 increased from 25 years to 30 years.
  - Note that the retirement rates for dispatchers and paramedics were lowered for those under age 60 between 25 and 29 years of service.
- Maximum service for non-elected and elected officials hired after July 1, 2000 and who retire after December 31, 2016 increased from 30 years to 35 years.

The following assumption change increased the TPL by \$3.25 million during the year.

- The investment return assumption decreased from 7.50% to 7.25%.

Changes in the discount rate affect the measurement of the TPL. Lower discount rates produce a higher TPL and higher discount rates produce a lower TPL. Because the discount rate does not affect the measurement of assets, the percentage change in the NPL can be very significant for a relatively small change in the discount rate. The table below shows the sensitivity of the NPL to the discount rate.

**Sensitivity of Net Pension Liability to Changes in Discount Rates**

	1% Decrease 6.25%	Discount Rate 7.25%	1% Increase 8.25%
Total Pension Liability	\$119,772,516	\$104,655,672	\$ 92,302,542
Plan Fiduciary Net Position	82,759,578	82,759,578	82,759,578
Net Pension Liability	\$ 37,012,938	\$ 21,896,094	\$ 9,542,964
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.1%	79.1%	89.7%

A one percent decrease in the discount rate increases the TPL by 14.4% and increases the NPL by 69.0%. A one percent increase in the discount rate decreases the TPL by 11.8% and decreases the NPL by 56.4%.

For the year ended June 30, 2017, recognized \$6,652,026 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	\$ 1,702,721
Changes in assumptions	2,709,286
Difference between projected and actual earnings on pension plan investments	1,842,693
Total	\$ 6,254,700

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

Year End June 30:	
2018	\$1,959,629
2019	1,959,627
2020	1,499,689
2021	185,379
2022 and after	650,376

**NOTE F - PENSION TRUST - CONTINUED**

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of July 1, 2017, using the Entry Age Normal cost method and the following actuarial assumptions based on the census data as of July 1, 2017 and the measurement date of June 30, 2017.

- Mortality rates; RP-2014 Total Mortality Table projected generationally using Scale MP-2014
- Termination Rates;

<u>Age</u>	<u>Male Termination Rate</u>	<u>Female Termination Rate</u>
20	.116	.087
25	.092	.069
30	.072	.054
35	.056	.042
40	.044	.033
45	.036	.027
50	.024	.018
55	.026	.015
60	.096	.000

In addition, a set of factors has been applied to the above rates to reflect the increased likelihood of turnover during the first five years of employment. These factors are 2.0, 1.2, and 1.0 for years 0-2, 3-4, and 5, respectively, for males and 4.0, 2.4, 1.0, and 2.0 for years 0, 1, 2-4, and 5, respectively for females.

- Retirement Rates;  
 The following retirement rates have been used for all participants except dispatchers and Paramedics.

<u>Age</u>	<u>&lt; 30 Years of Service</u>	<u>30+ Years of Service</u>
55	.00	.15
56-59	.00	.08
60	.20	.08
61	.20	.40
62	.20	.30
63	.25	.30
64	.10	.10
65	.25	.50
66-67	.10	.10
68	.15	.10
69	.15	1.00
70	1.00	1.00

- Net investment return; 7.25% per year, net of investment expenses
- Retirement age for inactive vested participants; age 62
- Percent married; 70% of the male population and 55% of the female population is assumed to be married
- Age of spouse; Females (or males) are three years younger (or older) than their spouses

**NOTE F - PENSION TRUST -CONTINUED**

Actuarial Assumptions-Continued

- Salary increases are based on the following

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

- Cost-of-living adjustment 1.4% per year
- Inflation rate 2.5% per year
- Plan administrative expenses are paid from the fund. An amount is added to the actuarially determined contribution equal to the prior year’s administrative expense increased by the assumed inflation rate.

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, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Expected Real Rate of Return</u>
Domestic Equity	48% - 58%	6.8%
International Equity	7% - 17%	8.3%
Domestic Fixed Income	30% - 36%	1.1%
Real Estate and Other	0% - 7%	3.7%
Cash	0% - 5%	0.5%

The discount rate used to measure the total pension liability was 7.25 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.

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), mutual funds, corporate obligations, municipal obligations, various common stocks and certificates of deposit. Wilmington Trust Company is the trustee of the Plan and has custody of the corporate obligations, municipal obligations and various common stocks. DELRIP was established to allow local governments the option to pool their pension assets with the Delaware Public Employees’ Retirement System (DPERS). DELRIP is in the custody of the Delaware Board of Pension Trustees and is subject to oversight of the DPERS’ Investment Committee and not of the Securities and Exchange Commission (SEC). The DELRIP investments are stated at fair value, which is the same as the value of the DPERS’ Master Trust shares. Further details of the DELRIP investments are disclosed in the DPERS 46<sup>th</sup>

**NOTE F - PENSION TRUST -CONTINUED**

Pension Trust Assets – Continued

Comprehensive Annual Financial Report, which may be obtained by calling 1-800-722-7300.

The Pension Committee’s policy is a goal of 65 percent investments in equity and 35 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, 2017.

<u>Asset Class</u>	<u>Target Allocation Total</u>
Domestic Equity	48% - 58%
International Equity	7% - 17%
Domestic Fixed Income	30% - 36%
Real Estate and Other	0% - 7%
Cash	0% - 5%
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, 2017 consist of:

	<u>Fair Value</u>
Delaware Local Retirement Investment Pool	\$ 40,994,080

**NOTE G - OTHER POST-RETIREMENT EMPLOYEE BENEFIT TRUSTS**

Basis of Accounting

The 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.

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 other employee benefit trust 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 July 1, 2017) is as follows:

<u>Total Actives</u>	<u>Retirees and Beneficiaries</u>	<u>Terminated Vested</u>
478	195	0

**NOTE G - OTHER POST-RETIREMENT EMPLOYEE BENEFIT TRUSTS - CONTINUED**

Post-retirement Employee Benefit Plan Funding Policy

In fiscal year 2017, the County adopted a funding policy. As per the policy, the County will contribute the greater of 9.5% of pay or the actuarially determined contribution, as calculated by the Plan’s actuary. Plan members are not required to contribute. Contributions made of \$1,991,965 were 8.8% of covered payroll. The contribution is designed to accumulate sufficient assets to pay benefits when due.

Actuarial Assumptions

The discount rate used to measure the Total OPEB Liability (TOL) as of June 30, 2016 was 7.5%, the long term rate of return as of June 30, 2016. The discount rate used to measure the TOL as of June 30, 2017 was 7.25%, the long term rate of return as of June 30, 2017.

The long-term expected rate of return on OPEB 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 OPEB 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 OPEB plan’s target asset allocation as of June 30, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Expected Real Rate of Return</u>
Domestic Equity	46% - 56%	6.8%
International Equity	9% - 19%	8.3%
Domestic Fixed Income	29% - 39%	1.1%
Cash	0% - 5%	0.5%

The total employer contribution rate is the sum of the normal cost rate plus an amortization of the Plan’s unfunded actuarial liability (UAL) plus a provision for expenses. The normal cost rate is determined under the entry age actuarial cost method while the UAL rate is that necessary to pay down the UAL over an open 30-year level percent of pay.

Based on these assumptions, the Plan’s Fiduciary Net Position was projected to be available to make all projected future benefit payments for current members. Consequently, the single equivalent rate used to determine the TOL as of June 30, 2017 is 7.25%, the same as the long-term expected rate-of-return.

The Total OPEB Liability was determined by an actuarial valuation as of June 30, 2017 using the following actuarial assumptions:

Salary Increases	3.50%
Discount Rate	7.25%
Investment Rate of Return	7.25%
Ultimate Rate of Per Person Cost Trends	4.00%
Rate of Mortality are based on RP 2014 Standard Table, projected Fully Generational using scale MP-2014	

**NOTE G - OTHER POST-RETIREMENT EMPLOYEE BENEFIT TRUSTS – CONTINUED**

OPEB Liability

The table below shows the changes in the TOL, the Plan fiduciary net position (i.e., fair value of Plan assets) (FNP), and the net OPEB liability (NOL) during the measurement period ending on June 30, 2017.

	<b>Changes in the Net OPEB Liability</b>		
	<b>Total OPEB Liability</b>	<b>Fiduciary Plan Net Position</b>	<b>Net OPEB Liability</b>
Balance at 6/30/2016	\$48,837,970	\$31,854,230	\$16,983,740
Changes recognized for the fiscal year:			
Service Cost	810,080	-	810,080
Interest	3,656,274	-	3,656,274
Differences between expected and actual experience	112,594	-	112,594
Changes of assumptions	786,564	-	786,564
Contributions – employer	-	1,991,965	(1,991,965)
Contributions – members	-	-	-
Net investment income	-	3,456,692	(3,456,692)
Benefit payments	(1,828,522)	(1,828,522)	-
Administrative expense	-	(55,676)	55,676
Net change	3,536,990	3,564,459	(27,469)
<b>Balance recognized at 6/30/2017</b>	<b>\$52,374,960</b>	<b>\$35,418,689</b>	<b>\$16,956,271</b>

During the measurement year, the NOL decreased by \$27,000. The service cost and interest cost increased the NOL by \$4.5 million while contributions plus investment gains offset the administrative expenses decreased the NOL by \$5.4 million.

There were no changes in benefits during the year. There was a change to the discount rate assumption and retirement rate assumption during the measurement year, which increased the TOL by \$0.8 million.

Changes in the discount rate affect the measurement of the TOL. Lower discount rates produce a higher TOL and higher discount rates produce a lower TOL. The table below shows the sensitivity of the NOL to the discount rate.

	<b>Sensitivity of Net OPEB Liability to Changes in Discount Rate</b>		
	1% Decrease 6.25%	Discount Rate 7.25%	1% Increase 8.25%
Total OPEB Liability	\$ 61,468,397	\$ 52,374,960	\$ 45,301,858
Plan Fiduciary Net Position	35,418,689	35,418,689	35,418,689
Net OPEB Liability	\$ 26,049,708	\$ 16,956,271	\$ 9,883,169
Plan Fiduciary Net Position as a Percentage of the TOL	57.6%	67.6%	78.2%

A one percent decrease in the discount rate increases the TOL by 17.4% and increase in the NOL by 53.6%. A one percent increase in the discount rate decreases the TOL by 13.5% and decreases the NOL by 41.7%.

Changes in the healthcare trends affect the measurement of the TOL. Lower healthcare trends produce a lower TOL and higher healthcare trends produce a higher TOL. The below shows the sensitivity of the NOL to the healthcare trends.

**NOTE G - OTHER POST-RETIREMENT EMPLOYEE BENEFIT TRUSTS – CONTINUED**

OPEB Liability

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

	1% Decrease	Healthcare Trend	1% Increase
Total OPEB Liability	\$ 45,403,401	\$ 52,374,960	\$ 61,206,719
Plan Fiduciary Net Position	35,418,689	35,418,689	35,418,689
Net OPEB Liability	<u>\$ 9,984,712</u>	<u>\$ 16,956,271</u>	<u>\$ 25,788,030</u>
Plan Fiduciary Net Position as a Percentage of the TOL	<u>78.0%</u>	<u>67.6%</u>	<u>57.9%</u>

A one percent decrease in the healthcare trends decreases the TOL by 13.3% and decrease the NOL by 41.1%. A one percent increase in the healthcare trends increases the TOL 16.9% and increases the NOL by 52.1%.

Deferred Inflows and Outflows of Resources Related to OPEB

The County has elected to implement GASB 75 early. June 30, 2017 is the measurement date used for the disclosures.

The impact of experience gains or losses and assumption changes on the TOL are recognized in expense over the average expected remaining service life of all active and inactive members of the Plan. As of the measurement date, the recognition period was four years.

During the year, there was an experience loss of \$112,594. \$28,149 of the loss was recognized in the current year and an identical amount will be recognized in each of the next three years, resulting in a deferred outflow of resources as of June 30, 2017 of \$84,445. There were no plan changes. There was an assumption loss due to the lower discount rate of \$786,564. \$196,641 of the loss was recognized in the current year and an identical amount will be recognized in each the next three years, resulting in a deferred outflow of resources as of June 30, 2017 of \$589,923.

The impact of investment gains or losses in recognized over a period of five years. During the measurement year, there was an investment gain of \$1,063,657. \$212,731 of that gain was recognized in the current year and an identical amount will be recognized in each of the next four years, resulting in a deferred inflow of resources as of June 30, 2017 of \$850,926.

The table below summarizes the current balances of deferred outflows and deferred inflows of resources related to the Plan along with the net recognition over the next five years and the total recognition thereafter, if any.

**Schedule of Deferred Inflows and Outflows of Resources as of June 30, 2017 Measurement Date**

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflow of Resources</b>
Difference between expected and actual experience	\$ 84,445	\$ -
Changes in assumptions	589,923	-
Difference between projected and actual earnings on OPEB plan investments	-	850,926
<b>Total</b>	<b>\$ 674,368</b>	<b>\$ 850,926</b>

Amounts reported in the deferred outflows and deferred inflow of resources will be recognized in the OPEB expense as follows:

**NOTE G - OTHER POST-RETIREMENT EMPLOYEE BENEFIT TRUSTS – CONTINUED**

Deferred Inflows and Outflows of Resources Related to OPEB - Continued

Year End June 30:	
2018	\$ 12,059
2019	12,059
2020	12,057
2021	(212,733)
2022 and after	0

The annual OPEB expense for the fiscal year ending June 30, 2017 is \$2,141,054, which is 9.47% of payroll. The annual OPEB expense is calculated as the change in NOL minus the change in deferred outflows plus the change in deferred inflows plus employer contributions during the year.

The schedule of changes in the NOL and schedule of employer contributions, presented as RSI following the notes to the financial statements, presents trend information required by GASB Statement No. 74 for OPEB Plan reporting (replacing GASB 43), and GASB Statement No. 75 (replacing GASB 45) including results of OPEB valuations for Fiscal Year 2017, for which comparable prior information is not available.

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.

The Pension Committee’s policy is a goal of 65 percent investments in equity and 35 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, 2017.

<u>Asset Class</u>	<u>Target Allocation Total</u>
Domestic Equity	46% - 56%
International Equity	9% - 19%
Domestic Fixed Income	29% - 39.0%
Cash	0.0% - 10.0%
Total	100%

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, 2017.

**NOTE H - 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 I - 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, 2017. The County had \$10,000,000 of unused line of credit to be drawn upon as needed. No balance was outstanding at June 30, 2017.

**NOTE J - LONG -TERM LIABILITIES**

Description of Bonds Payable

At June 30, 2017, bonds payable consisted of the following individual issues:

	<u>Business-type</u>
1996 wastewater general obligation bonds (Ocean Way Estates), due in quarterly installments of \$6,256 principal and interest, interest at 4.5%, final payment due October 17, 2036.	\$ 322,805
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.	2,285,543
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.	5,972,497
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.	621,389
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.	1,938,742
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.	1,272,090
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.	641,026
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.	663,261
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.	658,032

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

<u>Description of Bonds Payable – Continued</u>	<u>Business-type</u>
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.	5,621,051
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.	6,440,456
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.	3,650,706
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.	66,175
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.	11,455,615
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.	2,892,632
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.	2,058,616
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.	339,173
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.	6,858,609
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.	5,042,058
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.	4,604,624
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.	5,698,757

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

<u>Description of Bonds Payable – Continued</u>	<u>Business-type</u>
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.	467,325
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.	1,971,261
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.	1,606,596
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.	1,001,195
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.	3,733,811
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.	1,037,044
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.	293,371
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.	24,665,000
2012B wastewater general obligation bonds (refunding), due in semi-annual installments, interest ranging from 2% to 5%, final payment due March 15, 2049.	20,655,000
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.	3,761,847
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.	82,841
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.	5,601,577
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.	1,868,950

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

<u>Description of Bonds Payable – Continued</u>	<u>Business-type</u>
2015 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.	944,864
2015 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.	5,344,092
2015 wastewater general obligation bonds (Angola North), due in semi-annual installments, interest at 2.00%, final payment due May 1, 2046. Total bonds authorized are \$6,697,774.	552,357
2016 wastewater general obligation bonds (Millville), due in quarterly installments, interest at 1.75%, final payment due May 25, 2056. Total bonds authorized are \$2,404,000.	<u>2,362,156</u>
Subtotal	145,053,144
Unamortized bond premium	<u>5,041,652</u>
<b>TOTAL BOND PAYALBE</b>	<u><u>\$150,094,796</u></u>

Contract Commitments

The County has obligated itself under contracts for various projects. At June 30, 2017, the obligated unrecorded amount was approximately \$15.9 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, 2017 totaled \$14,531,099. The bonds are to finance various sewer construction and improvement projects.

Long-term Liability Activity

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

	<u>June 30, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2017</u>	<u>Due Within One Year</u>
<b>Governmental Activities:</b>					
Net pension liability	\$15,622,011	\$ 1,128,501	\$ -	\$16,750,512	\$ -
Net other postemployment benefits liability	12,992,561	-	21,014	12,971,547	-
Compensated absences	5,489,622	2,887,447	2,842,834	5,534,235	2,848,391
Estimated liability for pollution remediation	<u>496,850</u>	<u>42,420</u>	<u>-</u>	<u>539,270</u>	<u>107,854</u>
<b>Total Governmental Activities</b>	<u>\$ 34,601,044</u>	<u>\$ 4,058,368</u>	<u>\$ 2,863,848</u>	<u>\$ 35,795,564</u>	<u>\$ 2,956,245</u>

**NOTE J - LONG-TERM LIABILITES – CONTINUED**

Long-term Liability Activity-Continued

<b>Business-Type Activities:</b>	<u>June 30, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2017</u>	<u>Due Within One Year</u>
General obligation bonds	\$152,442,753	\$ 447,625	\$ 7,837,234	\$145,053,144	\$ 6,822,080
Unamortized bond premium	5,411,919	-	370,267	5,041,652	-
Total bonds payable	157,854,672	447,625	8,207,501	150,094,796	6,822,080
Net pension liability	4,798,918	346,664	-	5,145,582	-
Net other postemployment benefits liability	3,991,179	-	6,455	3,984,724	-
Compensated absences	1,557,480	760,584	718,183	1,599,881	679,424
<b>Total Business-type Activities</b>	<b>\$168,202,249</b>	<b>\$ 1,554,873</b>	<b>\$ 8,932,139</b>	<b>\$160,824,983</b>	<b>\$ 7,501,504</b>

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

Debt Maturity

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

<u>Year ending June 30,</u>	<u>Business-type Activities - General Obligation</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 6,822,080	\$ 4,188,064	\$ 11,010,144
2019	7,002,960	4,009,505	11,012,465
2020	7,186,599	3,821,016	11,007,615
2021	7,386,974	3,633,942	11,020,916
2022	5,666,156	3,467,087	9,133,243
2023 – 2027	26,019,650	15,317,699	41,337,349
2028 – 2032	22,978,480	11,943,275	34,921,755
2033 – 2037	21,211,308	8,305,927	29,517,235
2038 – 2042	18,071,872	5,991,049	24,062,921
2043 – 2047	12,450,044	4,959,585	17,409,629
2048 – 2052	9,072,691	863,539	9,936,230
2053 – 2057	1,184,330	32,315	1,216,645
<b>TOTAL</b>	<b>\$ 145,053,144</b>	<b>\$ 66,533,003</b>	<b>\$ 211,586,147</b>

**NOTE K – INTERFUND BALANCES**

Interfund balances at June 30, 2017 consisted of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Unified sewer fund	\$ 10,035,521
General fund	OPEB fund	22,078
General fund	Capital Improvements fund	862

At June 30, 2017, interfund balances represented interim financing for sewer projects, which are to be repaid when the County draws the permanent funding. Realty transfer tax financed \$10,035,521 of the interfund balances.

**NOTE L - 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:

	<b>General</b>	<b>Capital Projects</b>	<b>Total</b>
<b>Nonspendable</b>			
Inventory	\$ 31,024	\$ -	\$ 31,024
Prepaid items	28,937	-	28,937
Employee advances	285,250	-	285,250
<b>Total nonspendable</b>	<u>345,211</u>	<u>-</u>	<u>345,211</u>
<b>Restricted</b>			
Infrastructure, public safety, economic development items, capital	51,308,089	17,447,074	68,755,163
<b>Total restricted</b>	<u>51,308,089</u>	<u>17,447,074</u>	<u>68,755,163</u>
<b>Committed</b>			
Open space land program	815,388	1,420,883	2,236,271
Groundwater & landfill monitoring	144,446	-	144,446
Comprehensive Land-use plan	249,634	-	249,634
Park design plan	2,238	-	2,238
Fencing projects	51,392	-	51,392
Library repairs	19,712	-	19,712
<b>Total committed</b>	<u>1,282,810</u>	<u>1,420,883</u>	<u>2,703,693</u>
<b>Assigned</b>			
Grant-in-aid for County tax subsidy program	39,888	-	39,888
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	12,326,502	-	12,326,502
Economic development marketing program	1,000,000	-	1,000,000
Information technology	373,725	-	373,725
<b>Total assigned</b>	<u>16,286,439</u>	<u>-</u>	<u>16,286,439</u>
<b>Unassigned</b>	<u>32,478,506</u>	<u>-</u>	<u>32,478,506</u>
<b>Total Fund Balances – Governmental Funds</b>	<u>\$ 101,701,055</u>	<u>\$ 18,867,957</u>	<u>\$ 120,569,012</u>

**NOTE M - 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. Enterprise fund long-term operating leases rent farm land and tower space. These leases range in terms of one year to forty-five years and several of them are noncancelable. Buildings with a cost basis of \$7,518,019 and accumulated depreciation of \$1,699,747, and improvements with a cost basis of \$148,924 and accumulated depreciation of \$54,734, land with a cost basis of \$2,414,258. were being leased as of June 30, 2017.

The minimum future rental revenue under leases as of June 30, 2017 for each of the next five years and thereafter in the aggregate are:

Year ending June 30,	General Fund Amount	Enterprise Fund Amount
2018	\$ 371,988	\$ 206,835
2019	371,488	198,509
2020	338,383	111,678
2021	255,889	35,387
2022	181,509	34,697
Thereafter	1,584,520	21,907
Minimum Lease Payments Receivable	\$ 3,103,777	\$ 609,013

**NOTE N - INTERFUND TRANSFERS**

Interfund transfers for the year ended June 30, 2017, consisted of the following:

Transfer to:	Transfer from		
	General Fund	Unified Sewer	Total
General fund	\$ -	\$ 74,271	\$ 74,271
Unified sewer fund	85,500	-	85,500
Capital improvements fund	8,960,342	-	8,960,342
	<u>\$ 9,045,842</u>	<u>\$ 74,271</u>	<u>\$ 9,120,113</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 O - 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 2017, 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 \$9,506,011 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 Fund. The employee health plan is administered by an outside agency.

**NOTE O - RISK MANAGEMENT - CONTINUED**

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, 2017 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 2016 and 2017 were as follows:

	Beginning of Year Balance	Current-Year Claims and Changes in Estimates	Claim Payments	End of Year Balance
2015-2016	\$ 868,280	\$ 6,688,174	\$ (6,498,257)	\$ 1,058,197
2016-2017	1,058,197	7,561,568	(7,570,523)	1,049,242

**NOTE P - 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 terminated on December 31, 2016. A new contract has been negotiated with the City of Rehoboth and is in effect from January 1, 2018 to December 31, 2020.

The County entered in to a Collective Bargaining Agreement in December 2016, with Delaware Public Employees, Council 81, AGSCME AFL-CIO and its Affiliated Local Union 1926, the contract extends through until June 2019, and shall continue in effect from year to year thereafter unless amended, modified or terminated in accordance to the contract. The agreement covers full and regular part-time employees in Environmental Service Department except – managerial, guards and supervisor staff.

**NOTE Q - 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 \$539,270 of which \$107,854 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



**NOTE Q - LANDFILL POLLUTION REMEDIATION OBLIGATION - COTINUED**

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 R - 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, 2017 equaling \$142,542,000. 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 S - SUBSEQUENT EVENTS**

Major Contracts

Subsequent to June 30, 2017, the County approved the award of contracts totaling \$17.3 million for the construction and improvement of various sewer, airport, 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 T – IMPLEMENTATION OF NEW PRONOUNCEMENTS**

In 2017, the County implemented Governmental Accounting Standards Board (GASB) Statement No. 74 & 75, which requires local government employer to recognize a net OPEB liability to be measured as the portion of the actuarial present value of projected benefit payments that is attributed to pas periods of employee service (total OPEB liability), net of the OPEB plan's fiduciary net position. Statement No. 75, requires recognition of deferred inflows and outflow of resources for changes in actuarial gains and losses, changes in actuarial assumptions, OPEB investment return over/under assumption and contributions made after the measurement date. In prior years these amounts were not reflected in the financial statements. GASB Statement No. 74 eliminated the net other postemployment benefit asset which was previously reported on the financial statements. These changes resulted in a restatement of the Net Position as reported at June 30, 2016.

**NOTE T – IMPLEMENTATION OF NEW PRONOUNCEMENTS - CONTINUED**

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, 2016	\$310,036,401	\$ 3,688,806	\$313,725,207
Adjustment for net other postemployment benefits asset	(1,248,804)	(32,720)	(1,281,524)
Adjustment for net other postemployment benefits liability	(3,889,278)	(101,904)	(3,991,182)
Net Position, as restated	<u>\$304,898,319</u>	<u>\$ 3,554,182</u>	<u>\$308,452,501</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, 2016	\$183,075,286	\$313,725,207	\$496,800,493
Adjustment for net other postemployment benefits asset	(4,171,771)	(1,281,524)	(5,453,295)
Adjustment for net other postemployment benefits liability	(12,992,554)	(3,991,182)	(16,983,736)
Net Position, as restated	<u>\$165,910,961</u>	<u>\$308,452,501</u>	<u>\$474,363,462</u>

**REQUIRED SUPPLEMENTARY  
INFORMATION**

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

	Fiscal Year Ending			
	2014	2015	2016	2017
<b>Total Pension Liability</b>				
Service Cost	\$ 1,773,965	\$ 1,876,088	\$ 1,817,625	\$ 1,885,125
Interest Cost	5,768,860	6,211,311	6,698,077	7,078,272
Change in Benefit Terms	-	-	-	1,259,679
Differences Between Expected and Actual Experiences	(2,185,380)	805,130	1,134,350	651,103
Change in Assumptions	-	-	-	3,251,143
Benefit Payments, Including Refunds of Member Contributions	(2,971,418)	(3,196,734)	(3,473,063)	(3,853,298)
<b>Net Change in Total Pension Liability</b>	<u>2,386,027</u>	<u>5,695,795</u>	<u>6,176,989</u>	<u>10,272,024</u>
<b>Total Pension Liability (Beginning)</b>	<u>80,124,837</u>	<u>82,510,864</u>	<u>88,206,659</u>	<u>94,383,648</u>
<b>Total Pension Liability (Ending)</b>	<u>\$ 82,510,864</u>	<u>\$ 88,206,659</u>	<u>\$ 94,383,648</u>	<u>\$ 104,655,672</u>
<b>Plan Fiduciary Net Position</b>				
Contributions - Employer	\$ 3,587,012	\$ 3,588,403	\$ 3,597,265	\$ 3,835,851
Contributions - Member	1,239	16,197	48,721	86,279
Net Investment Income	10,344,007	3,028,832	(345,584)	8,829,624
Benefit Payments, Including Refunds of Member Contributions	(2,972,657)	(3,196,734)	(3,473,063)	(3,853,298)
Administrative Expenses	(138,063)	(80,891)	(107,035)	(101,597)
<b>Net Change in Plan Fiduciary Net Position</b>	<u>10,821,538</u>	<u>3,355,807</u>	<u>(279,696)</u>	<u>8,796,859</u>
<b>Plan Fiduciary Net Position (Beginning)</b>	<u>60,065,070</u>	<u>70,886,608</u>	<u>74,242,415</u>	<u>73,962,719</u>
<b>Plan Fiduciary Net Position (Ending)</b>	<u>70,886,608</u>	<u>74,242,415</u>	<u>73,962,719</u>	<u>82,759,578</u>
<b>County's Net Pension Liability (Ending)</b>	\$ 11,624,256	\$ 13,964,244	\$ 20,420,929	\$ 21,896,094
<b>Net Position as a % of Pension Liability</b>	85.91%	84.17%	78.36%	79.08%
<b>Covered-Employee Payroll</b>	\$ 20,427,138	\$ 21,081,346	\$ 21,671,478	\$ 22,642,273
<b>Net Pension Liability as a % of Payroll</b>	56.91%	66.24%	94.23%	96.70%

The County implemented GASB 67 and GASB 68 in 2014. Comparable information prior to that year is not available.

SUSSEX COUNTY, DELAWARE  
 SCHEDULE OF EMPLOYER CONTRIBUTIONS - PENSION TRUST

	Fiscal Year Ending			
	2014	2015	2016	2017
Actuarially Determined Contribution	\$ 2,868,624	\$ 2,757,068	\$ 3,057,193	\$ 3,391,726
Contributions made in Relation to the Actuarially Determined Contribution	3,587,012	3,588,403	3,597,265	3,835,851
Contribution Deficiency (excess)	\$ (718,388)	\$ (831,335)	\$ (540,072)	\$ (444,125)
Covered Payroll	\$ 20,427,138	\$ 21,081,346	\$ 21,671,478	\$ 22,642,273
Contributions as a % of Covered Payroll	17.56%	17.02%	16.60%	16.94%

Notes to Schedule:

Valuation Date July 1, 2016  
 Timing: Actuarially determined contributions are calculated based on the actuarial valuation at the beginning of the fiscal year.

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method Entry Age Normal Cost Method  
 Amortization Method Closed 20-year level dollar amortization of unfunded liability as of July 1, 2015  
 Asset Valuation Method 5-year smoothed market  
 Discount Rate 7.25%  
 Inflation 2.50%  
 Salary Increases From 3.0% - 5.5% based on age  
 Mortality RP-2014 Total Mortality Table projected generationally using Scale

The County implemented GASB 67 and GASB 68 in 2014. Comparable information prior to that year is not available.

SUSSEX COUNTY, DELAWARE  
SCHEDULE OF INVESTMENT RETURNS - PENSION TRUST

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	Fiscal Year Ending			
	2014	2015	2016	2017
Annual Money-Weighted Rate of Return, Net of Investment Expense	17.56%	4.26%	-0.47%	10.67%

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

**SCHEDULE OF CHANGE IN THE EMPLOYER'S NET OTHER POSTEMPLOYMENT BENEFIT  
LIABILITY AND RELATED RATIOS**

	Fiscal Year Ending 2017
<b>Total Other Postemployment Benefit Liability</b>	
Service Cost	\$ 810,080
Interest	3,656,274
Changes in benefits	-
Differences between expected and actual	112,594
Changes of assumptions	786,564
Benefit payments	(1,828,522)
Net Change in Total Other Postemployment Benefit Liability	3,536,990
Total Other Postemployment Benefit Liability - Beginning	48,837,970
Total Other Postemployment Benefit Liability - Ending	<u>\$ 52,374,960</u>
<b>Plan Fiduciary Net Position</b>	
Contributions - employer	\$ 1,991,965
Contributions - members	-
Net investment income	3,456,691
Benefit payments	(1,828,522)
Administrative expense	(55,676)
Net Change in Plan Fiduciary Net Position	3,564,458
Plan Fiduciary Net Position - Beginning	31,854,231
Plan Fiduciary Net Position - Ending	<u>\$ 35,418,689</u>
Sponsor's Net Other Postemployment Benefit Liability	<u>\$ 16,956,271</u>
Plan Fiduciary Net Position as a percentage of the Total Other Postemployment Benefit Liability	67.63%
Covered Employee Payroll	\$ 22,608,597
Sponsor's Net Other Postemployment Benefit Liability as a percentage of Covered Employee Payroll	75.00%

SCHEDULE OF EMPLOYER CONTRIBUTIONS - OTHER POST-EMPLOYMENT BENEFIT TRUST

	Fiscal Year Ending 2017
Actuarially Determined Contribution (ADC)	\$ 1,870,754
Contributions in relation to the Actuarially Determined Contributions	\$ 1,991,965
Contribution Deficiency (excess)	<u>\$ (121,211)</u>
Covered Employee Payroll	<u>\$ 22,608,597</u>
Contributions as a percentage of Covered Employee Payroll	8.81%

The notes below summarize the key methods and assumptions used to determine the ADC for FYE 2017.

Notes to Schedule:

Valuation Date	July 1, 2016
Timing	Actuarially determined contributions are calculated based on the actuarial valuation at the beginning of the fiscal year.

Key Methods and Assumptions Used to Determine Contribution Rates

Actuarial Cost Method	Entry Age Normal Cost Method
Asset Valuation Method	Market Value
Amortization Method	30 year open amortization, level percentage of payroll
Discount Rate	7.25%
Salary Increases	3.5%
Mortality	RP 2014 Standard Table, projected Fully Generational using scale MP-2014

The County implemented GASB 74 and 75 in 2017. Comparable information prior to that year is not available.



SCHEDULE OF INVESTMENT RETURNS - OTHER POST-EMPLOYMENT BENEFIT TRUST

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	Fiscal Year Ending 2017
Annual Money-Weighted Rate of Return, Net of Investment Expense	9.89%

The County implemented GASB 74 in 2017. Comparable information prior to that year is not available.

**INDIVIDUAL FUND  
FINANCIAL STATEMENTS**

# **GENERAL FUND**

SUSSEX COUNTY, DELAWARE  
 SCHEDULE OF GENERAL FUND REVENUES AND OTHER FINANCING SOURCES - BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2017

	<b>Final Budget Amounts</b>	<b>Actual Amounts</b>	<b>Variance with Final with Final</b>
<b>Taxes</b>			
Real property and capitation - County	\$ 13,248,055	\$ 13,407,532	\$ 159,477
Real property - library	1,544,613	1,572,177	27,564
Realty transfer	19,000,000	27,989,410	8,989,410
Fire service	1,100,000	1,647,719	547,719
Penalties and interest	140,000	137,034	(2,966)
Total taxes	<u>35,032,668</u>	<u>44,753,872</u>	<u>9,721,204</u>
<b>Intergovernmental</b>			
Federal grants:			
Aviation administration	270,000	202,994	(67,006)
Emergency preparedness	180,000	177,854	(2,146)
Miscellaneous	-	35,907	35,907
Housing and urban development	1,932,962	1,398,147	(534,815)
Project income	-	108,892	108,892
Federal payments in lieu of taxes	5,000	6,077	1,077
State grants:			
Aeronautics administration	15,000	-	(15,000)
Library	350,000	350,776	776
Miscellaneous	-	775	775
Paramedics	4,092,700	4,466,468	373,768
Local emergency plan commission	72,500	69,084	(3,416)
Department of Health	10,000	12,019	2,019
Total intergovernmental	<u>6,928,162</u>	<u>6,828,993</u>	<u>(99,169)</u>
<b>Charges for services</b>			
Mobile home placement fees	98,000	136,167	38,167
Building inspection fees	1,028,000	1,665,827	637,827
Miscellaneous general government fees	68,500	162,934	94,434
Building permits and zoning fees	1,447,000	2,112,772	665,772
911 System fees	559,630	559,637	7
Private road and sewer review and inspection fees	899,000	1,223,434	324,434
Airpark and economic development fees	476,000	487,934	11,934
Marriage Bureau	140,000	144,865	4,865
Prothonotary	-	67	67
Recorder of Deeds	3,373,000	4,065,679	692,679
Register of Wills	1,000,000	1,086,250	86,250
Sheriff	2,000,000	3,172,542	1,172,542
Total charges for services	<u>11,089,130</u>	<u>14,818,108</u>	<u>3,728,978</u>
Fines and forfeits	<u>23,000</u>	<u>42,383</u>	<u>19,383</u>
<b>Miscellaneous revenue</b>			
Investment earnings	350,000	218,753	(131,247)
Miscellaneous revenues	248,420	276,601	28,181
Total miscellaneous revenues	<u>598,420</u>	<u>495,354</u>	<u>(103,066)</u>

(continued)

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

FOR THE YEAR ENDED JUNE 30, 2017

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	<b>Final Budget Amounts</b>	<b>Actual Amounts</b>	<b>Variance with Final with Final</b>
Other financing sources			
Reimbursements from other funds	\$ 300,000	\$ 74,271	\$ (225,729)
Proceeds from sale of capital assets	-	43,334	43,334
Appropriated reserves	1,000,000	-	(1,000,000)
Total other financing sources	<u>1,300,000</u>	<u>117,605</u>	<u>(1,182,395)</u>
Total revenues and other funding sources	<u>\$ 54,971,380</u>	<u>\$ 67,056,315</u>	<u>\$ 12,084,935</u>

SUSSEX COUNTY, DELAWARE  
 SCHEDULE OF GENERAL FUND EXPENDITURES AND OTHER FINANCING USES -  
 BUDGET AND ACTUAL - CONTINUED  
 FOR THE YEAR ENDED JUNE 30, 2017

	<b>Final Budget Amounts</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
General government			
County Council			
Salaries and wages	\$ 237,039	\$ 237,039	\$ -
Fringe benefits	165,911	165,770	141
Contractual services	161,520	171,077	(9,557)
Material and supplies	18,432	18,432	-
Other expenditures	16,672	16,672	-
Travel and training	27,347	27,347	-
Total County Council	<u>626,921</u>	<u>636,337</u>	<u>(9,416)</u>
Administration			
Salaries and wages	386,787	373,849	12,938
Fringe benefits	-	-	-
Contractual services	31,031	29,473	1,558
Material and supplies	14,617	11,122	3,495
Other expenditures	3,570	1,333	2,237
Travel and training	4,729	4,469	260
Total administration	<u>440,734</u>	<u>420,246</u>	<u>20,488</u>
Legal	<u>600,000</u>	<u>422,269</u>	<u>177,731</u>
Finance			
Salaries and wages	811,657	800,095	11,562
Fringe benefits	546,160	544,624	1,536
Contractual services	503,202	481,316	21,886
Material and supplies	38,493	22,513	15,980
Travel and training	11,798	6,623	5,175
Machinery and equipment	15,762	5,762	10,000
Total finance	<u>1,927,072</u>	<u>1,860,933</u>	<u>66,139</u>
Assessment			
Salaries and wages	880,584	877,958	2,626
Fringe benefits	681,925	676,092	5,833
Contractual services	108,769	75,538	33,231
Material and supplies	29,490	23,961	5,529
Other expenditures	680	-	680
Travel and training	3,738	2,013	1,725
Machinery and equipment	22,078	22,078	-
Total assessment	<u>1,727,264</u>	<u>1,677,640</u>	<u>49,624</u>

SUSSEX COUNTY, DELAWARE  
 SCHEDULE OF GENERAL FUND EXPENDITURES AND OTHER FINANCING USES -  
 BUDGET AND ACTUAL - CONTINUED  
 FOR THE YEAR ENDED JUNE 30, 2017

	<b>Final Budget Amounts</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
General Government - Continued			
Building code			
Salaries and wages	\$ 445,691	\$ 437,004	\$ 8,687
Fringe benefits	327,383	322,935	4,448
Contractual services	16,252	14,926	1,326
Material and supplies	18,558	15,672	2,886
Travel and training	1,443	466	977
Machinery and equipment	44,156	44,156	-
Total building code	<u>853,483</u>	<u>835,159</u>	<u>18,324</u>
Mapping & addressing			
Salaries and wages	386,501	373,652	12,849
Fringe benefits	279,137	262,660	16,477
Contractual services	154,545	139,038	15,507
Material and supplies	21,988	19,203	2,785
Other expenditures	4,840	4,840	-
Travel and training	9,525	9,029	496
Total mapping and addressing	<u>856,536</u>	<u>808,422</u>	<u>48,114</u>
Human resources and general employment			
Salaries and wages	475,320	369,695	105,625
Fringe benefits	343,280	272,421	70,859
Contractual services	79,296	58,272	21,024
Material and supplies	10,475	6,345	4,130
Other expenditures	20,080	12,794	7,286
Travel and training	45,765	27,483	18,282
Total human resources	<u>974,216</u>	<u>747,010</u>	<u>227,206</u>
Records management			
Salaries and wages	115,545	115,545	-
Fringe benefits	66,456	66,404	52
Contractual services	3,002	2,269	733
Material and supplies	5,521	3,199	2,322
Travel and training	2,100	-	2,100
Total records management	<u>192,624</u>	<u>187,417</u>	<u>5,207</u>

SUSSEX COUNTY, DELAWARE  
 SCHEDULE OF GENERAL FUND EXPENDITURES AND OTHER FINANCING USES -  
 BUDGET AND ACTUAL - CONTINUED  
 FOR THE YEAR ENDED JUNE 30, 2017

-73-

	<b>Final Budget Amounts</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
General government - continued			
Buildings and grounds			
Salaries and wages	\$ 589,744	\$ 589,744	\$ -
Fringe benefits	451,591	449,138	2,453
Contractual services	414,691	406,984	7,707
Material and supplies	162,159	154,956	7,203
Other expenditures	39	-	39
Travel and training	4,112	4,003	109
Equipment	141,567	68,370	73,197
Total building and grounds	<u>1,763,903</u>	<u>1,673,195</u>	<u>90,708</u>
Information technology			
Salaries and wages	506,513	529,959	(23,446)
Fringe benefits	337,539	337,176	363
Contractual services	489,201	489,201	-
Material and supplies	117,599	116,109	1,490
Travel and training	25,996	25,818	178
Equipment	157,119	158,249	(1,130)
Total information technology	<u>1,633,967</u>	<u>1,656,512</u>	<u>(22,545)</u>
Constables			
Salaries and wages	163,140	138,735	24,405
Fringe benefits	121,376	108,636	12,740
Contractual services	703,830	702,229	1,601
Material and supplies	9,307	8,487	820
Other expenditures	40,000	25,002	14,998
Travel and training	701	248	453
Total constables	<u>1,038,354</u>	<u>983,337</u>	<u>55,017</u>
Total general government	<u>12,635,074</u>	<u>11,908,477</u>	<u>726,597</u>
Planning and zoning			
Salaries and wages	620,570	620,570	-
Fringe benefits	374,041	373,775	266
Contractual services	605,708	668,776	(63,068)
Material and supplies	30,570	30,570	-
Travel and training	5,560	5,560	-
Machinery and equipment	51,825	51,825	-
Total planning and zoning	<u>1,688,274</u>	<u>1,751,076</u>	<u>(62,802)</u>

(continued)



**SCHEDULE OF GENERAL FUND EXPENDITURES AND OTHER FINANCING USES -  
BUDGET AND ACTUAL - CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2017**

	<b>Final Budget Amounts</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
Paramedics			
Salaries and wages	\$ 7,909,095	\$ 7,749,605	\$ 159,490
Fringe benefits	4,709,750	4,463,580	246,170
Contractual services	884,156	847,316	36,840
Material and supplies	744,241	717,979	26,262
Other expenditures	6,175	5,428	747
Travel and training	72,259	70,617	1,642
Equipment	461,308	455,455	5,853
Total paramedics	<u>14,786,984</u>	<u>14,309,980</u>	<u>477,004</u>
Emergency preparedness			
Administration			
Salaries and Wages	201,474	201,474	-
Fringe benefits	104,544	104,467	77
Contractual services	262,411	275,389	(12,978)
Material and supplies	39,442	35,017	4,425
Other expenditures	3,500	1,424	2,076
Travel and training	10,512	1,374	9,138
Total administration	<u>621,883</u>	<u>619,145</u>	<u>2,738</u>
Emergency operations center			
Salaries and wages	1,207,217	1,207,217	-
Fringe benefits	766,211	765,591	620
Contractual services	197,714	196,147	1,567
Material and supplies	11,758	8,778	2,980
Other expenditures	1,131	1,131	-
Travel and training	14,759	13,890	869
Total emergency operation center	<u>2,198,790</u>	<u>2,192,754</u>	<u>6,036</u>
Communication systems			
Salaries and wages	156,012	154,990	1,022
Fringe benefits	100,678	85,470	15,208
Contractual services	17,473	17,404	69
Material and supplies	45,783	37,760	8,023
Machinery and equipment	39,543	39,543	-
Total communication systems	<u>359,489</u>	<u>335,167</u>	<u>24,322</u>
Local emergency planning community program			
Salaries and wages	43,849	43,849	-
Fringe benefits	31,554	31,527	27
Contractual services	725	725	-
Material and supplies	1,847	1,847	-
Travel and training	3,794	3,906	(112)
Total local planning community program	<u>81,769</u>	<u>81,854</u>	<u>(85)</u>
Total emergency preparedness	<u>3,261,931</u>	<u>3,228,920</u>	<u>33,011</u>

(continued)

**SCHEDULE OF GENERAL FUND EXPENDITURES AND OTHER FINANCING USES -  
BUDGET AND ACTUAL - CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2017**

	<b>Final Budget Amounts</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
County engineer			
Administration			
Salaries and wages	\$ 496,650	\$ 468,814	\$ 27,836
Fringe benefits	307,332	295,774	11,558
Contractual services	50,344	47,061	3,283
Material and supplies	20,296	9,317	10,979
Other expenditures	170,463	133,973	36,490
Travel and training	5,730	2,415	3,315
Improvements	122,130	-	122,130
Total administration	<u>1,172,945</u>	<u>957,354</u>	<u>215,591</u>
Public works			
Salaries and wages	419,690	462,270	(42,580)
Fringe benefits	272,205	272,006	199
Contractual services	12,820	12,820	-
Material and supplies	10,881	10,881	-
Travel and training	90	90	-
Total public works	<u>715,686</u>	<u>758,067</u>	<u>(42,381)</u>
Total county engineer	<u>1,888,631</u>	<u>1,715,421</u>	<u>173,210</u>
Library			
Library administration	698,576	656,114	42,462
Library facilities	2,101,118	1,992,492	108,626
Total library	<u>2,799,694</u>	<u>2,648,606</u>	<u>151,088</u>
Economic development and airpark			
Economic development			
Salaries and wages	86,855	29,043	57,812
Fringe benefits	45,190	27,905	17,285
Contractual services	12,650	959	11,691
Material and supplies	10,860	7,322	3,538
Other expenditures	40,700	4,865	35,835
Travel and training	11,800	361	11,439
Equipment	5,015	5,015	-
Total economic development	<u>213,070</u>	<u>75,470</u>	<u>137,600</u>
Security			
Salaries and wages	255,102	255,102	-
Fringe benefits	146,343	146,286	57
Contractual services	32,361	32,361	-
Material and supplies	22,075	22,075	-
Travel and training	1,601	1,601	-
Total security	<u>457,482</u>	<u>457,425</u>	<u>57</u>

(continued)

SUSSEX COUNTY, DELAWARE  
 SCHEDULE OF GENERAL FUND EXPENDITURES AND OTHER FINANCING USES -  
 BUDGET AND ACTUAL - CONTINUED  
 FOR THE YEAR ENDED JUNE 30, 2017

	<b>Final Budget Amounts</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
Economic development and airpark - continued			
Airpark			
Salaries and wages	\$ 185,712	\$ 185,712	\$ -
Fringe benefits	82,684	82,588	96
Contractual services	539,961	495,578	44,383
Material and supplies	26,288	19,573	6,715
Other expenditures	79,574	34,966	44,608
Travel and training	5,675	5,137	538
Equipment and improvements	49,310	54,516	(5,206)
Total airpark	<u>969,204</u>	<u>878,070</u>	<u>91,134</u>
Total economic development and airpark	<u>1,639,756</u>	<u>1,410,965</u>	<u>228,791</u>
Community development			
Salaries and wages	281,397	281,397	-
Fringe benefits	196,629	196,472	157
Contractual services	1,746,705	1,607,885	138,820
Material and supplies	2,037	2,037	-
Other expenditures	11,962	11,962	-
Travel and training	9,339	9,339	-
Total community development	<u>2,248,069</u>	<u>2,109,092</u>	<u>138,977</u>
Grant-in-aid			
Fire and ambulance grants	3,509,350	4,017,531	(508,181)
Public safety grants	2,772,925	2,761,623	11,302
Environmental grants	274,244	274,244	-
Public assistance grant	922,735	864,357	58,378
Library grants	2,353,000	2,405,283	(52,283)
Total grant-in-aid	<u>9,832,254</u>	<u>10,323,038</u>	<u>(490,784)</u>
Constitutional offices			
Marriage Bureau	194,247	197,390	(3,143)
Recorder of Deeds	1,101,969	1,060,114	41,855
Register of Wills	586,150	509,816	76,334
Sheriff	622,847	595,434	27,413
Total constitutional offices	<u>2,505,213</u>	<u>2,362,754</u>	<u>142,459</u>
Contingency expenditures	<u>1,600,000</u>	<u>609,440</u>	<u>990,560</u>
Total expenditures	<u>54,885,880</u>	<u>52,377,769</u>	<u>2,508,111</u>
Other financing uses			
Transfers out	85,500	9,045,842	(8,960,342)
Total other financing uses	<u>85,500</u>	<u>9,045,842</u>	<u>(8,960,342)</u>
Total expenditures and other financing uses	<u>\$ 54,971,380</u>	<u>\$ 61,423,611</u>	<u>\$ (6,452,231)</u>

Note:

The County budgetary basis of accounting used for budget versus actual reporting differs for GAAP. For the purpose of recording contingency expenditures, expenditures are charge to the contingency line item, as opposed to the department expenditures for GAAP. The total recognition of expenditures for the year end June 30, 2017, remains unchanged.

# **CAPITAL PROJECTS FUND**

SUSSEX COUNTY, DELAWARE  
 SCHEDULE OF CAPITAL PROJECTS FUND REVENUES, EXPENDITURES AND CHANGES IN FUND  
 BALANCES - BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2017

	<u>Final Budget Amounts</u>	<u>Actual Amount</u>	<u>Variance with Final Budget</u>
<b>REVENUES</b>			
Intergovernmental	\$ 1,800,000	\$ 983,586	\$ (816,414)
Investment earnings	20,000	40,526	20,526
Total revenues	<u>1,820,000</u>	<u>1,024,112</u>	<u>(795,888)</u>
<b>EXPENDITURES</b>			
Capital projects	<u>11,258,100</u>	<u>7,765,080</u>	<u>3,493,020</u>
Total expenditures	<u>11,258,100</u>	<u>7,765,080</u>	<u>3,493,020</u>
Excess of revenue over (under) Expenditures	<u>(9,438,100)</u>	<u>(6,740,968)</u>	<u>2,697,132</u>
<b>OTHER FINANCING SOURCES</b>			
Appropriated reserves	5,438,100	-	(5,438,100)
Proceeds from sale of capital assets	-	640,724	640,724
Transfers in	<u>4,000,000</u>	<u>8,960,342</u>	<u>4,960,342</u>
Total other financing sources	<u>9,438,100</u>	<u>9,601,066</u>	<u>162,966</u>
Net change in fund balances	-	2,860,098	2,860,098
Fund balances - beginning	<u>16,007,859</u>	<u>16,007,859</u>	-
Fund balances - ending	<u>\$ 16,007,859</u>	<u>\$ 18,867,957</u>	<u>\$ 2,860,098</u>



# STATISTICAL SECTION

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

<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>	79 - 84
<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>	85 - 88
<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>	89 - 91
<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>	92 - 93
<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>	94 - 96

**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									
	2008	2009	2010	2011 as stated	2012	2013 as restated	2014 as restated	2015	2016 as restated	2017
<b>Governmental activities</b>										
Net investment in capital assets	\$ 52,193,513	\$ 63,679,024	\$ 65,292,609	\$ 64,237,068	\$ 65,497,373	\$ 69,132,520	\$ 75,152,173	\$ 77,934,592	\$ 78,216,994	\$ 82,604,022
Restricted	69,968,855	57,250,045	60,450,610	71,431,919	63,990,556	56,534,084	45,203,773	45,429,078	57,265,576	63,969,632
Unrestricted	35,242,364	44,548,346	41,246,130	35,996,462	45,085,253	53,383,613	47,467,328	49,690,896	30,428,391	30,413,739
Total governmental activities net position	<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>	<u>\$ 165,910,961</u>	<u>\$ 176,987,393</u>
<b>Business-type activities</b>										
Net investment in capital assets	\$ 166,434,682	\$ 172,029,870	\$ 176,649,726	\$ 179,296,736	\$ 194,995,829	\$ 202,135,522	\$ 204,051,102	\$ 207,515,115	\$ 220,310,592	\$ 239,365,922
Restricted	78,027,750	73,884,414	68,805,127	66,569,442	76,634,459	43,172,577	33,313,218	43,858,934	65,761,276	59,306,086
Unrestricted	5,367,852	13,801,100	19,829,075	22,997,372	17,427,622	51,458,144	59,033,375	50,704,078	22,380,633	19,484,264
Total business-type activities net position	<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>	<u>\$ 308,452,501</u>	<u>\$ 318,156,272</u>
<b>Primary government</b>										
Net investment in capital assets	\$ 218,628,195	\$ 235,708,894	\$ 241,942,335	\$ 243,533,804	\$ 260,493,202	\$ 271,268,042	\$ 279,203,275	\$ 285,449,707	\$ 298,527,586	\$ 321,969,944
Restricted	147,996,605	131,134,459	129,255,737	138,001,361	140,625,015	99,706,661	78,516,991	89,288,012	123,026,852	123,275,718
Unrestricted	40,610,216	58,349,446	61,075,205	58,993,834	62,512,875	104,841,757	106,500,703	100,394,974	52,809,024	49,898,003
Total primary government net position	<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>	<u>\$ 474,363,462</u>	<u>\$ 495,143,665</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.
5. The business-type activities net position balance for fiscal year ending 2016 decreased by \$5,272,706 and governmental activities decreased by \$17,164,325 due to a prior period adjustment for implementation of GASB 74.



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

	Fiscal Year									
	2008	2009	2010	2011 as restated	2012	2013 as restated	2014 as restated	2015	2016 as restated	2017
<b>Expenses</b>										
Governmental activities:										
General government	\$ 13,494,301	\$ 9,578,284	\$ 9,640,728	\$ 9,037,273	\$ 10,024,224	\$ 9,697,332	\$ 34,762,582	\$ 11,612,339	\$ 30,002,513	\$ 14,999,329
Grant-in-aid programs	9,282,188	8,134,600	6,625,144	6,765,994	6,618,896	8,156,799	7,863,936	9,931,773	9,915,966	10,362,109
Planning and zoning	1,512,879	1,289,323	1,246,923	1,251,258	1,202,696	1,212,351	1,091,112	1,208,811	1,272,303	1,767,664
Paramedic program	12,802,503	12,079,831	12,524,387	11,515,259	12,173,161	12,895,383	14,302,991	13,895,165	13,489,135	14,444,807
Emergency preparedness	2,764,937	2,661,089	2,844,581	2,817,992	3,165,648	3,360,129	3,531,682	3,317,424	3,414,864	3,687,552
Economic development and Airpark	1,552,349	1,511,687	1,878,717	2,136,706	2,304,295	2,063,146	2,145,727	2,348,642	2,855,446	3,072,208
County engineer	2,713,328	2,407,043	1,850,683	1,683,158	1,130,783	1,622,080	1,721,971	2,004,463	2,351,221	1,511,146
Library	3,924,788	3,880,816	3,888,755	3,657,643	3,787,237	3,917,395	4,208,141	4,194,436	2,887,880	2,950,264
Community development and housing programs	1,501,117	1,508,755	3,308,765	2,399,951	2,447,571	1,782,197	1,878,873	1,772,497	2,051,580	2,157,621
Constitutional offices	2,630,085	2,449,069	2,315,381	2,161,054	2,493,630	2,429,063	2,459,691	2,419,518	2,335,997	2,433,532
Interest on long-term debt	-	-	-	-	-	-	-	-	-	-
Total governmental activities expenses	52,178,475	45,500,497	46,124,064	43,426,288	45,348,141	47,135,875	73,966,706	52,705,068	70,576,905	57,386,232
Business-type activities:										
Sewer facilities	26,132,596	27,079,247	28,355,108	27,942,561	29,460,133	31,485,165	38,554,376	32,982,881	39,048,235	35,167,846
Water facilities	856,120	962,162	928,222	1,016,979	1,078,834	987,917	1,135,520	1,061,361	1,251,337	1,299,626
Total business-type activities expenses	26,988,716	28,041,409	29,283,330	28,959,540	30,538,967	32,473,082	39,689,896	34,044,242	40,299,572	36,467,472
Total primary government expenses	\$ 79,167,191	\$ 73,541,906	\$ 75,407,394	\$ 72,385,828	\$ 75,887,108	\$ 79,608,957	\$ 113,656,602	\$ 86,749,310	\$ 110,876,477	\$ 93,853,704
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
General government	\$ 1,549,000	\$ 1,307,616	\$ 1,295,912	\$ 1,238,309	\$ 1,202,641	\$ 1,208,807	\$ 1,758,562	\$ 1,638,637	\$ 1,832,205	\$ 2,011,190
Planning and zoning	1,599,688	1,098,577	1,130,043	1,148,591	1,242,834	1,392,906	1,628,932	1,672,188	1,895,358	2,134,990
Paramedics	-	-	-	-	-	-	-	12,803	19,225	27,115
Emergency preparedness	17,065	17,655	16,230	15,960	17,500	17,500	17,500	17,500	17,500	20,800
Economic development and public works	550,558	541,885	530,310	671,314	545,324	875,302	455,017	477,689	483,227	581,284
County engineer	599,865	3,223,485	324,623	281,451	277,841	35,607	744,238	660,738	1,610,081	1,238,518
Library	25,911	26,716	19,585	25,991	28,074	553,044	35,359	38,404	39,077	32,622
Constitutional offices	6,356,764	6,940,930	7,039,506	6,808,811	9,149,173	7,509,071	7,205,590	6,812,782	6,934,857	8,469,402
Operating grants and contributions	6,787,014	7,526,184	8,494,730	7,115,414	7,150,788	6,971,729	6,945,600	6,444,501	7,308,976	7,626,361
Capital grants and contributions	4,475,526	4,727,502	1,499,146	2,102,681	543,802	2,949,213	6,751,045	1,217,668	2,018,147	702,252
Total governmental activities program revenues	21,961,391	25,410,550	20,350,085	19,408,522	20,157,977	21,513,179	25,541,843	18,992,910	22,158,653	22,844,534

(continued)

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

	Fiscal Year									
	2008	2009	2010	2011 restated	as 2012	2013 as restated	2014 as restated	2015	2016 as restated	2017
<b>Business-type activities:</b>										
<b>Charges for services:</b>										
Sewer facilities	\$ 13,750,827	\$ 14,458,789	\$ 14,530,668	\$ 15,536,386	\$ 16,158,500	\$ 17,229,651	\$ 18,900,486	\$ 20,248,738	\$ 21,550,662	\$ 21,749,464
Water facilities	695,038	689,335	740,686	750,785	667,476	808,246	1,240,052	1,223,871	1,249,930	1,234,499
Operating grants and contributions	21,288,672	15,926,530	14,449,833	9,962,936	14,191,817	15,752,444	15,605,163	14,749,008	16,306,257	17,714,845
Capital grants and contributions	12,252,630	5,226,686	4,287,188	5,475,117	18,766,753	5,712,226	2,798,600	3,245,590	7,049,610	5,424,290
Total business-type activities program revenues	47,987,167	36,301,340	34,008,375	31,725,224	49,784,546	39,502,567	38,544,301	39,467,207	46,156,459	46,123,098
Total primary government program revenues	\$ 69,948,558	\$ 61,711,890	\$ 54,358,460	\$ 51,133,746	\$ 69,942,523	\$ 61,015,746	\$ 64,086,144	\$ 58,460,117	\$ 68,315,112	\$ 68,967,632
<b>Net (Expense)/Revenue</b>										
Governmental activities	\$ (30,217,084)	\$ (20,089,947)	\$ (30,217,084)	\$ (20,089,947)	\$ (25,190,164)	\$ (25,622,696)	\$ (27,163,225)	\$ (33,712,158)	\$ (48,418,252)	\$ (34,541,698)
Business-type activities	20,998,451	10,345,671	7,019,659	3,683,815	19,245,579	7,029,485	4,500,059	5,422,965	5,856,887	9,655,626
Total primary government net (expense)/revenue	\$ (9,218,633)	\$ (9,744,276)	\$ (23,197,425)	\$ (16,406,132)	\$ (5,944,585)	\$ (18,593,211)	\$ (22,663,166)	\$ (28,289,193)	\$ (42,561,365)	\$ (24,886,072)
<b>General Revenues and Other Changes in Net Position</b>										
<b>Governmental activities:</b>										
Property taxes	\$ 12,315,444	\$ 12,763,282	\$ 13,040,252	\$ 13,843,603	\$ 13,540,463	\$ 12,706,792	\$ 14,110,356	\$ 14,339,081	\$ 14,715,444	\$ 15,264,023
Capitation taxes	247,041	252,741	253,785	259,229	-	-	-	-	-	-
Fire service taxes	1,106,321	758,837	791,472	821,702	898,335	1,041,506	1,253,792	1,280,085	1,421,496	1,647,719
Realty transfer taxes	20,636,949	13,621,270	13,141,813	14,310,725	14,282,093	17,422,525	20,894,160	22,212,933	24,210,264	27,989,410
Unrestricted investment earnings	4,379,147	2,157,202	824,259	212,684	302,903	(318,529)	949,002	820,263	935,665	259,279
Gain (loss) on sale of capital assets	-	-	-	-	-	-	-	-	-	468,928
Transfers	(2,543,355)	(1,390,702)	(765,668)	(754,077)	(925,897)	(752,563)	(9,390)	291,088	(8,222)	(11,229)
Total governmental activities	36,141,547	28,162,630	27,285,913	28,693,866	28,097,897	30,099,731	37,197,920	38,943,450	41,274,647	45,618,130
<b>Business-type activities:</b>										
Unrestricted investment earnings	629,534	234,467	77,831	59,861	22,884	(73,715)	767,657	548,555	509,265	34,935
Gain (loss) on sale of capital assets	-	-	-	-	-	-	-	-	-	1,981
Transfers	2,543,355	1,390,702	765,668	754,077	925,897	752,563	9,390	(291,088)	8,222	11,229
Total business-type activities	3,172,889	1,625,169	843,499	813,938	948,781	678,848	777,047	257,467	517,487	48,145
Total primary government program revenues	\$ 39,314,436	\$ 29,787,799	\$ 28,129,412	\$ 29,507,804	\$ 29,046,678	\$ 30,778,579	\$ 37,974,967	\$ 39,200,917	\$ 41,792,134	\$ 45,666,275
<b>Change in Net Position</b>										
Governmental activities	\$ 5,924,463	\$ 8,072,683	\$ (2,931,171)	\$ 8,603,919	\$ 2,907,733	\$ 4,477,035	\$ 10,034,695	\$ 5,231,292	\$ (7,143,605)	\$ 11,076,432
Business-type activities	24,171,340	11,970,840	7,863,158	4,497,753	20,194,360	7,708,333	5,277,106	5,680,432	6,374,374	9,703,771
Total primary government	\$ 30,095,803	\$ 20,043,523	\$ 4,931,987	\$ 13,101,672	\$ 23,102,093	\$ 12,185,368	\$ 15,311,801	\$ 10,911,724	\$ (769,231)	\$ 20,780,203

- Notes:** 1. Airport expenses and charges for services for years 2007 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									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Fund										
Reserved	\$ 67,436,807	\$ 61,679,946	\$ 61,988,419	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved										
Designated	2,706,165	2,078,768	2,413,855	-	-	-	-	-	-	-
Undesignated	4,955,974	9,445,728	9,420,145	-	-	-	-	-	-	-
Nonspendable	-	-	-	140,442	96,678	106,411	106,540	452,748	359,120	345,211
Restricted	-	-	-	53,084,094	47,914,815	44,739,045	45,203,773	42,832,105	49,092,198	51,308,089
Committed	-	-	-	598,598	837,696	1,308,577	778,755	798,817	1,079,713	1,282,810
Assigned	-	-	-	6,641,109	4,441,378	4,044,652	7,258,754	7,168,799	4,960,008	16,286,439
Unassigned	-	-	-	16,839,957	24,867,662	30,602,046	34,229,654	35,922,102	40,577,312	32,478,506
Total general fund	<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>	<u>\$ 96,068,351</u>	<u>\$ 101,701,055</u>
All Other Governmental Funds										
Reserved	\$ 27,461,371	\$ 20,188,022	\$ 17,815,212	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved - Capital Projects										
Designated	-	-	-	-	-	-	-	-	-	-
Undesignated	(711,332)	(416,723)	(265,565)	-	-	-	-	-	-	-
Restricted	-	-	-	17,565,595	16,075,741	11,795,039	8,769,934	13,182,134	14,587,607	17,447,074
Committed	-	-	-	-	-	-	-	-	1,420,252	1,420,883
Unassigned	-	-	-	(10,911)	-	-	-	-	-	-
Total all other governmental funds	<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>	<u>\$ 16,007,859</u>	<u>\$ 18,867,957</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									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Revenues</b>										
Taxes	\$ 34,242,130	\$ 27,291,166	\$ 27,147,412	\$ 28,563,428	\$ 28,759,847	\$ 31,206,399	\$ 36,190,956	\$ 37,942,825	\$ 40,439,840	\$ 44,753,872
Intergovernmental	9,715,239	11,177,316	8,933,970	7,543,959	6,861,928	8,219,487	13,675,053	7,133,803	7,690,677	7,812,579
Charges for services	10,719,989	10,325,117	10,386,570	10,318,704	12,821,849	11,782,244	12,131,800	11,658,482	13,029,358	14,818,108
Fines and forfeits	24,593	23,971	20,225	26,170	28,074	23,179	21,727	26,545	34,573	42,383
Miscellaneous	5,800,939	3,638,590	1,548,279	852,202	553,073	(102,807)	1,380,905	1,464,310	2,433,045	535,880
Total revenues	<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>	<u>63,627,493</u>	<u>67,962,822</u>
<b>Expenditures</b>										
General government	14,587,416	12,109,120	10,356,155	9,471,349	11,897,318	10,325,453	11,458,396	11,836,055	11,620,306	12,134,947
Grant-in-aid programs	9,282,188	8,284,600	6,625,144	6,765,994	6,618,896	8,156,799	7,863,936	9,931,773	9,915,966	10,362,109
Planning and zoning	1,524,715	1,279,394	1,233,292	1,239,740	1,190,358	1,239,222	1,173,316	1,206,406	1,267,717	1,815,372
Paramedic program	13,213,202	12,520,985	12,272,121	11,274,004	12,073,309	12,426,866	13,989,270	13,642,338	13,418,373	14,309,979
Emergency preparedness	2,585,285	2,305,965	2,467,390	2,425,889	2,703,131	2,944,307	3,351,005	3,043,865	3,111,494	3,247,659
Economic development and airpark	922,685	913,528	908,510	1,200,621	1,156,267	1,198,076	1,199,384	1,149,845	1,235,456	1,437,225
County engineer	2,704,747	2,391,805	1,874,153	1,689,824	1,608,213	1,608,136	1,968,808	2,076,929	1,969,268	1,796,532
Library	3,871,076	3,709,309	3,725,242	3,483,833	3,576,348	3,747,165	3,934,424	3,926,313	2,640,264	2,695,104
Community development and housing programs	1,501,809	1,509,447	3,308,909	2,394,101	2,544,468	1,749,543	1,847,707	1,738,379	2,018,592	2,126,251
Constitutional offices	2,685,563	2,442,663	2,315,419	2,137,974	2,485,535	2,479,689	2,427,662	2,392,219	2,307,376	2,452,591
Capital projects	9,535,878	12,477,328	3,788,128	980,239	2,869,945	6,408,883	10,155,503	3,563,636	2,394,954	7,765,080
Total expenditures	<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>	<u>51,899,766</u>	<u>60,142,849</u>
Excess of revenues over (under) expenditures	<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>	<u>11,727,727</u>	<u>7,819,973</u>
<b>Other Financing Sources (Uses)</b>										
Issuance of debt	68,947	5,442	-	-	-	-	-	-	-	-
Proceeds from sale of capital assets	-	-	-	-	-	-	-	-	-	684,058
Transfers in	4,301,295	166,082	54,213	55,151	53,891	53,966	828,713	6,589,521	3,077,278	9,034,613
Transfers out	(6,844,650)	(1,556,784)	(819,881)	(809,228)	(979,788)	(806,529)	(838,103)	(6,298,433)	(3,085,500)	(9,045,842)
Total other financing sources (uses)	<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>	<u>(8,222)</u>	<u>672,829</u>
 Net change in fund balances	<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>	<u>\$ 11,719,505</u>	<u>\$ 8,492,802</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 2007 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, 2016**

<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)
June 30, 2016	61,484,092	52,590,312	8,893,780
June 30, 2017	67,056,315	61,423,611	5,632,704

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

Fiscal Year	Residential Property	Business	Agriculture Property	Trailer	Other	Less: Tax - Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Taxable Assessed Value as a Percentage of Actual Taxable Value
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%
2016	2,595,976,739	434,363,150	118,590,557	109,527,555	227,376,546	227,246,866	3,258,587,681	0.445	39,545,966,996	8.2%
2017	2,688,186,234	442,811,028	121,596,448	110,460,539	228,894,171	228,894,171	3,363,054,249	0.445	41,315,162,764	8.1%

**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.
- \* Figures not available.

**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									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>County Direct</b>										
County Tax	\$ 0.3983	\$ 0.3983	\$ 0.3983	\$ 0.3983	\$ 0.3983	\$ 0.3983	\$ 0.3983	\$ 0.3983	\$ 0.3983	\$ 0.3983
Library	0.0467	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	2.8770	2.6660	2.5670	2.5670	2.5670	2.9770	2.9770	3.0710	3.0430	3.2130
Delmar	3.1500	3.1400	3.1200	3.1200	3.3100	3.7574	3.8094	3.6394	4.3669	4.1417
Indian River	2.4750	2.5550	2.5700	2.5700	2.6250	2.6230	2.7430	2.6930	2.6890	2.5780
Laurel	2.3900	2.4900	2.4900	2.4900	2.9810	3.6050	3.5890	3.6960	4.2050	4.9890
Milford	3.5803	3.5101	3.6986	3.6986	3.6304	3.4659	3.5870	3.4783	3.5682	5.3913
Seaford	3.2300	3.2300	3.2900	3.2900	3.3200	3.3200	3.3600	3.2000	3.3600	3.3600
Woodbridge	3.2950	3.2850	3.2810	3.2810	3.4820	3.7240	3.6900	3.6170	3.6090	3.6090
Vo-Tech	0.2480	0.2676	0.2666	0.2666	0.2737	0.2811	0.2599	0.2728	0.3289	0.3365
<b>Town Rates (2)</b>										
Bethany Beach	0.1600	0.1650	0.1650	0.1650	0.1700	0.1700	0.1750	0.1750	0.1850	0.1850
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	0.7000	0.7000	0.7000	0.7000	0.7000
Bridgeville	1.7300	1.7300	2.0000	2.0000	2.0000	2.0000	2.4000	2.4000	2.4000	2.4000
Dagsboro	0.3800	0.3800	0.3800	0.3800	0.3800	0.5600	0.5600	0.5600	0.5600	0.5600
Delmar	0.4000	0.5000	0.5000	0.5000	0.5000	0.5200	0.5200	0.5400	0.5400	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	1.5000	1.5000	1.5000	1.8000	1.8000
Fenwick Island	1.9200	1.9200	1.9200	1.9200	1.9200	1.9200	1.9200	1.9200	1.9200	1.9200
Frankford	2.0500	2.2000	2.5000	2.5000	2.5000	2.5000	2.5000	2.5000	2.5000	2.5000
Georgetown	2.5300	2.5300	2.9300	3.1400	3.1400	3.1400	3.1700	3.1700	3.1700	3.1700
Greenwood	1.7000	1.7000	1.8000	1.8000	1.8000	1.8000	1.8000	1.8000	1.8000	1.8000
Henlopen Acres	1.8800	2.1700	2.1700	2.1700	2.6200	2.6200	2.6200	2.6200	2.6200	2.6200
Laurel	1.9100	1.9100	2.0800	2.0800	2.2000	2.2900	2.2900	2.0800	2.5300	2.7300
Lewes	0.3900	0.4900	0.4900	0.5700	0.5700	0.5700	0.5700	0.5700	0.5700	0.5700
Milford	0.4600	0.4600	0.4600	0.4600	0.4600	0.4600	0.4600	0.4600	0.4600	0.4600
Millsboro	0.5100	0.5100	0.5600	0.5600	0.5600	0.5600	0.5600	0.5600	0.3300	0.3300
Millville	0.5000	0.5000	0.5000	0.5000	0.5000	0.5000	0.5000	0.5000	0.5000	0.5000
Milton	0.4100	0.4100	0.1800	0.1800	0.2160	0.2160	0.2160	0.2400	0.2400	0.2400
Ocean View	0.0981	0.1059	0.1144	0.1230	0.1588	0.1588	0.1620	0.1652	0.1652	0.1652
Rehoboth Beach	1.5500	1.5500	1.5500	1.7800	1.7800	1.7800	0.4000	0.4000	0.4000	0.4000
Seaford	0.2650	0.2800	0.2900	0.2900	0.3000	0.3100	0.3100	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	0.7500	0.7500	0.7500	0.7500	0.7500	0.7500	0.7500	0.7500
South Bethany	0.6500	1.3000	1.3000	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 and various Sussex County Towns' offices.

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

Taxpayer	Fiscal Year 2017			Fiscal Year 2008		
	Taxable Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Taxable Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Delmarva Power & Light Co.	\$ 37,225,191	1	1.11%	\$ 21,938,783	1	.81%
Verizon	34,969,975	2	1.04	52,133,895	2	1.92
Indian River Power LLC	12,786,471	3	0.38	12,786,471	3	0.47
Eastern Shore Natural Gas Co.	9,077,984	4	0.27	4,269,450	8	0.16
Chesapeake Utilities Corporation	7,221,443	5	0.21	4,536,567	6	0.17
Invista Sarl	6,827,200	6	0.20	-	-	-
Delaware Electric Cooperative, Inc.	5,618,506	7	0.17	4,816,525	5	0.18
Allen Harim Farms LLC	3,890,200	8	0.12	-	-	-
G&I VII Peninsula, LLC	3,793,950	9	0.11	-	-	-
Allfirst Bank	3,131,300	10	0.09	-	-	-
E.I. duPont de Nemours Company	-	-	-	9,261,400	4	0.34
Mountaire Farms of Delaware, Inc.	-	-	-	5,354,200	7	0.16
Sussex Sports Amenities LLC	-	-	-	3,906,500	9	0.14
M & T Bank	-	-	-	3,135,800	10	0.12
	<u>\$ 124,542,220</u>		<u>3.70%</u>	<u>\$ 122,139,591</u>		<u>4.50%</u>

**Sources:** Sussex County Government Finance 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
2008	\$ 12,329,504	\$ 140,690	\$ 12,470,194	\$ 12,206,827	97.9%	\$ 240,371	\$ 12,447,198	99.8%
2009	12,827,188	85,976	12,913,164	12,580,435	97.4	305,224	12,885,659	99.8
2010	13,134,779	56,957	13,191,736	12,842,730	97.4	314,660	13,157,390	99.7
2011	13,307,922	62,530	13,370,452	13,034,973	97.5	295,947	13,330,920	99.7
2012	13,333,291	64,275	13,397,566	13,129,170	98.0	224,760	13,353,930	99.7
2013	12,522,798	63,224	12,586,022	12,314,220	97.8	217,893	12,532,113	99.6
2014	13,751,888	24,327	13,776,215	13,505,584	98.0	207,895	13,713,479	99.5
2015	13,998,509	145,938	14,144,447	13,737,879	97.1	316,895	14,054,774	99.4
2016	14,500,715	140,265	14,640,980	14,435,552	98.6	74,779	14,510,331	99.1
2017	14,964,667	113,242	15,077,909	14,746,056	97.8	-	14,746,056	97.8

**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 Finance Department

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

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<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>			
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	2.16	834
2014	-	159,460,288	-	159,460,288	1.81	756
2015	-	157,980,947	-	157,980,947	1.64	753
2016	-	157,854,672	-	157,854,672	*	717
2017	-	150,094,796	-	150,094,796	*	*

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

\* Figures not available

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

<b>Legal debt margin calculation for fiscal year 2017</b>	
Assessed value	\$ 3,463,370,155
Debt limit (12% of assessed value)	415,604,419
Total net debt applicable to limit	<u>150,094,796</u>
Legal debt margin	<u>\$ 265,509,623</u>

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General obligation bonds	<u>\$ 135,651,951</u>	<u>\$ 137,744,448</u>	<u>\$ 143,660,628</u>	<u>\$ 170,158,954</u>	<u>\$ 159,993,470</u>	<u>\$ 172,319,678</u>	<u>\$ 159,460,288</u>	<u>\$ 157,980,947</u>	<u>\$ 152,442,753</u>	<u>\$ 145,053,144</u>
Percentage of estimated actual property value	0.35%	0.35%	0.41%	0.50%	0.47%	0.50%	0.46%	0.46%	0.45%	0.42%
Per capita	\$ 719	\$ 717	\$ 729	\$ 848	\$ 787	\$ 834	\$ 756	\$ 733	\$ 692	*
Total net debt applicable to debt limit	135,651,951	137,744,448	143,660,628	170,158,954	159,993,470	172,319,678	159,460,288	157,980,947	152,442,753	150,094,796
Legal debt limit	<u>339,750,295</u>	<u>347,637,021</u>	<u>352,113,820</u>	<u>359,533,606</u>	<u>364,850,297</u>	<u>370,830,620</u>	<u>377,449,813</u>	<u>391,015,950</u>	<u>403,566,510</u>	<u>415,604,419</u>
Legal debt margin	<u>\$ 204,098,344</u>	<u>\$ 209,892,573</u>	<u>\$ 208,453,192</u>	<u>\$ 189,374,652</u>	<u>\$ 204,856,827</u>	<u>\$ 198,510,942</u>	<u>\$ 217,989,525</u>	<u>\$ 233,035,003</u>	<u>\$ 251,123,757</u>	<u>\$ 265,509,623</u>
Total net debt applicable to the limit as a percentage of debt limit	39.93%	39.62%	40.80%	47.33%	43.85%	46.47%	42.25%	40.40%	37.77%	36.11%

**Notes:**

1. The statutory limitation for debt is 12% of the assessed value of taxable property as of June 30, 2017.
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		
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	
2016	-	-	-	-	-	0.00	
2016	-	-	-	-	-	0.00	
2017	-	-	-	-	-	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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<b>Year</b>	<b>Population (1)</b>	<b>Total Personal Income (2)</b>	<b>Per Capita Personal Income (2)</b>	<b>Median Age (3)</b>	<b>Public School Enrollment (4)</b>	<b>Unemployment Rate (5)</b>
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	8,800,249	41,737	46.5	25,564	5.4%
2015	215,622	9,652,773	44,767	47.0	26,397	4.4%
2016	220,251	*	*	*	26,886	4.0%
2017	*	*	*	*	27,464	4.3%

**Note:** Total personal income is in thousands of dollars.

**Sources:**

1. U.S. Bureau of the Census.
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**

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<u>Type of Employer</u>	<u>2017</u>			<u>2008</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>
Health care and social assistance	11,677	1	15.9%	8,231	3	12.3%
Retail trade	11,637	2	15.8	10,554	2	15.8
Manufacturing	9,859	3	13.4	13,204	1	19.8
Accommodation and food services	9,398	4	12.8	6,984	5	10.4
Government	8,718	5	11.9	7,707	4	11.5
Construction	4,622	6	6.3	5,045	6	7.5
Administrative and waste services	4,202	7	5.7	2,385	7	3.6
Other services, except public administration	2,463	8	3.3	2,194	8	3.3
Professional and technical services	1,839	9	2.5	-	-	-
Finance and insurance	1,735	10	2.4	1,781	9	2.7
Real Estate, Rental and Leasing	-	-	-	1,667	10	2.5
	<u>66,150</u>		<u>90.0%</u>	<u>59,752</u>		<u>89.4%</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>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
General government										
General administration	11	11	11	11	11	11	10	10	9	10
Finance	86	81	72	70	71	67	68	74	77	79
Human Resources	6	6	6	6	6	6	6	6	6	6
Buildings and grounds	26	21	17	19	21	20	19	19	18	19
Information Technology	14	12	14	15	15	14	12	14	14	17
County constable	4	4	5	5	5	4	3	5	4	4
Planning and zoning	15	14	13	12	12	11	11	10	12	12
Paramedic program	109	112	106	105	104	108	110	110	106	102
Emergency preparedness	28	27	28	28	27	29	27	30	29	30
Economic development and public works	12	12	12	11	10	10	8	8	9	10
County engineer	139	141	138	140	137	137	137	136	130	122
Library	33	31	27	27	26	28	27	26	28	27
Community development and housing programs	6	6	6	6	5	5	5	5	5	6
Constitutional offices	36	34	35	34	33	33	32	29	32	30
Total	<u>525</u>	<u>512</u>	<u>490</u>	<u>489</u>	<u>483</u>	<u>483</u>	<u>475</u>	<u>482</u>	<u>479</u>	<u>474</u>

Source: Sussex County Accounting Division.

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

<b>Function/Program</b>	<b>Fiscal Year</b>									
	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
<b>Planning and Zoning</b>										
Permits issued	8,436	6,553	6,302	6,658	6,959	7,172	7,693	8,288	9,663	10,236
<b>Public Safety</b>										
Paramedic incidents dispatched	13,759	13,500	13,697	14,077	14,260	15,018	15,219	15,929	16,717	17,757
911 calls	104,623	97,230	103,107	105,776	108,301	105,137	110,139	113,549	109,009	103,108
<b>Sewer and Water Services</b>										
Sewer customers, EDU's billed	56,200	57,673	59,154	60,167	62,431	64,456	65,735	67,410	68,965	69,821
Water customers, EDU's billed	3,574	3,600	3,611	3,613	3,631	3,688	3,676	3,699	3,715	3,700
<b>Libraries</b>										
Circulation	1,221,697	1,299,830	1,234,407	1,147,886	1,406,166	1,387,038	1,361,586	1,347,386	1,371,859	1,320,860
<b>Industrial Airpark</b>										
Number of businesses	18	18	18	17	17	19	20	21	21	20
Number of jobs provided by business	1,048	989	842	961	881	870	875	880	895	960
Number of landings (1)	20,222	20,000	20,000	17,500	18,000	17,900	18,000	17,500	17,500	19,000

**Note:**

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

**Source:** Individual Sussex County Departments.



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

<u>Function/Program</u>	<u>Fiscal Year</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>	<u>2016</u>	<u>2017</u>
<b>Public Safety</b>										
Paramedic stations	8	9	9	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	36	40	40	40	40	44	44	44	44	44
<b>Sewer and Water Services</b>										
Miles of underground sanitary sewer pipe	747	770	778	811	846	856	856	865	885	894
Number of feet of ocean outfall sewer pipe	6,500	6,500	6,500	6,500	6,500	6,500	6,670	6,670	6,670	6,670
Pump stations	397	418	428	437	440	449	461	463	468	488
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	8,109	8,109	8,109	8,109	8,609	8,609	8,609	8,609
Number of hangars	30	30	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.



# SINGLE AUDIT SUPPLEMENT

SUSSEX COUNTY, DELAWARE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2017

Federal Agency	CFDA Number	Federal Program Name	Pass-through Grantor	Other Identification Number	Expenditures		
					From Direct Awards	From Pass Through Awards	Total
<b>U.S. DEPARTMENT OF AGRICULTURE</b>							
	10.433	Rural Housing Preservation Grants		N/A	\$ 4,000	\$ -	\$ 4,000
	10.760	Water and Waste Disposal Systems for Rural Communities		05,09,10,54	586,872	-	586,872
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>					<u>590,872</u>	<u>-</u>	<u>590,872</u>
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>							
	14.228	Community Development Block Grants/ State's Program	Delaware State Housing Authority	CD 03-15, CD 03-16	-	979,444	979,444
		Neighborhood Stabilization Program (NSP 1)	Delaware State Housing Authority	NSP 03-08	-	85,709	85,709
		Total Community Development Block Grants/ State's Program			<u>-</u>	<u>1,065,153</u>	<u>1,065,153</u>
	14.239	Home Investment Partnerships Program	Delaware State Housing Authority	HM 03-15, HM 03-16	-	632,761	632,761
	14.256	ARRA - Neighborhood Stabilization Program (NSP 2)	Delaware State Housing Authority	NSP 03-09	-	47,663	47,663
<b>TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>					<u>-</u>	<u>1,745,577</u>	<u>1,745,577</u>
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>							
	20.106	Airport Improvement Program		032-16	223,299	-	223,299
	20.703	Interagency Hazardous Material Public Sector Training and Planning Grants	Delaware Emergency Management Agency	SAI000003000	-	6,985	6,985
<b>TOTAL U.S. DEPARTMENT OF TRANSPORTATION</b>					<u>223,299</u>	<u>6,985</u>	<u>230,284</u>
<b>U.S. DEPARTMENT OF ENVIRONMENTAL PROTECTION AGENCY</b>							
	66.458	Capitalization Grants for State Revolving Funds	Delaware Department of Natural Resources and Environment Control	12000066, 12000080	-	465,663	465,663
<b>TOTAL U.S. DEPARTMENT OF ENVIRONMENTAL PROTECTION AGENCY</b>					<u>-</u>	<u>465,663</u>	<u>465,663</u>
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>							
	97.036	Public Assistance Grant	Delaware Emergency Management Agency	PA-03-DE-4265-PW-00012	-	17,561	17,561
	97.039	Hazard Mitigation Grant Program	Delaware Emergency Management Agency	FEMA-DR-4090-DE-012, 014, 021	-	21,189	21,189
	97.042	Emergency Management Performance Grants	Delaware Emergency Management Agency	EMPG-14-003, 15-003, 16-003, 17-003	-	862,339	862,339
	97.067	Homeland Security Grant Program (equipment and supplies)	Delaware Emergency Management Agency	2014, 2015	-	200,704	200,704
<b>TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY</b>					<u>-</u>	<u>1,101,793</u>	<u>1,101,793</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>					<u>\$ 814,171</u>	<u>\$ 3,320,018</u>	<u>\$ 4,134,190</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Reporting Entity

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

Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual and the modified accrual basis of accounting, which are described in Note A of the notes to basic financial statements. Expenditures are recognized following the cost principles contained in the Uniform Guidance\*, where certain types of expenditures are not allowed or are limited as to reimbursement. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

\*Such expenditures are recognized following, as applicable, the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowed or are limited as to reimbursement.

**NOTE B - NONCASH AWARDS**

The amount of equipment and supplies reported on the schedule is the value of the item based on the agencies acquisition price.

**NOTE C - INDIRECT COST RATE**

The County did not elect to use the 10 percent de minimis indirect cost rate as covered in 2 CFR 200.414.

**NOTE D - 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, 2017.

Program Title	Federal CFDA	
	Number	Loan Amount
Water and Waste Disposal Systems for Rural Communities	10.760	\$ 586,872
Capitalization Grants for State Revolving Funds	66.458	200,704
Community Development Block Grants/ State's Program	14.228	31,369

**NOTE E - 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, 2017 is \$880,581 of which \$31,369 is included in the current fiscal year's federal expenditure balance for that program.

**NOTE F - SUBRECIPIENTS AWARDS**

The County does not provide any funds from federal programs to any subrecipients, therefore there are no subrecipients amounts reported on the face of the Schedule of expenditures of federal awards.



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## **Independent Auditor's Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance Required by the Uniform Guidance**

The County Council of Sussex County, Delaware  
Georgetown, Delaware

### **Report on Compliance for Each Major Federal Program**

We have audited Sussex County's (the "County") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of The County's major federal programs for the year ended June 30, 2017. The County's major federal 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

#### ***Auditor's Responsibility***

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

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

#### ***Opinion on Each Major Federal Program***

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

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## Report on Internal Control Over Compliance

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

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

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

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

BDO USA, LLP

December 18, 2017



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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, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated December 18, 2017.

### **Internal Control Over Financial Reporting**

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

BDO USA, LLP

December 18, 2017



**Schedule of Findings and Questioned Costs  
Year Ended June, 30, 2017**

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**Section I - Summary of Auditor's Results**

*Financial Statements*

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP Unmodified

Internal control over financial reporting:

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

*Federal Awards*

Internal control over major federal 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 federal programs: Unmodified

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

Identification of major federal programs: <u>CFDA Number(s)/[Grant/Contract Number]</u> 97.042	<u>Name of Federal Program or Cluster</u> Emergency Management Performance Grants
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Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee?   X   yes    \_\_\_\_\_ no

**Schedule of Findings and Questioned Costs - Continued**

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**Section II - Financial Statement Findings**

No matters required to be reported.

**Section III - Federal Award Findings and Questioned Costs**

No matters required to be reported.