



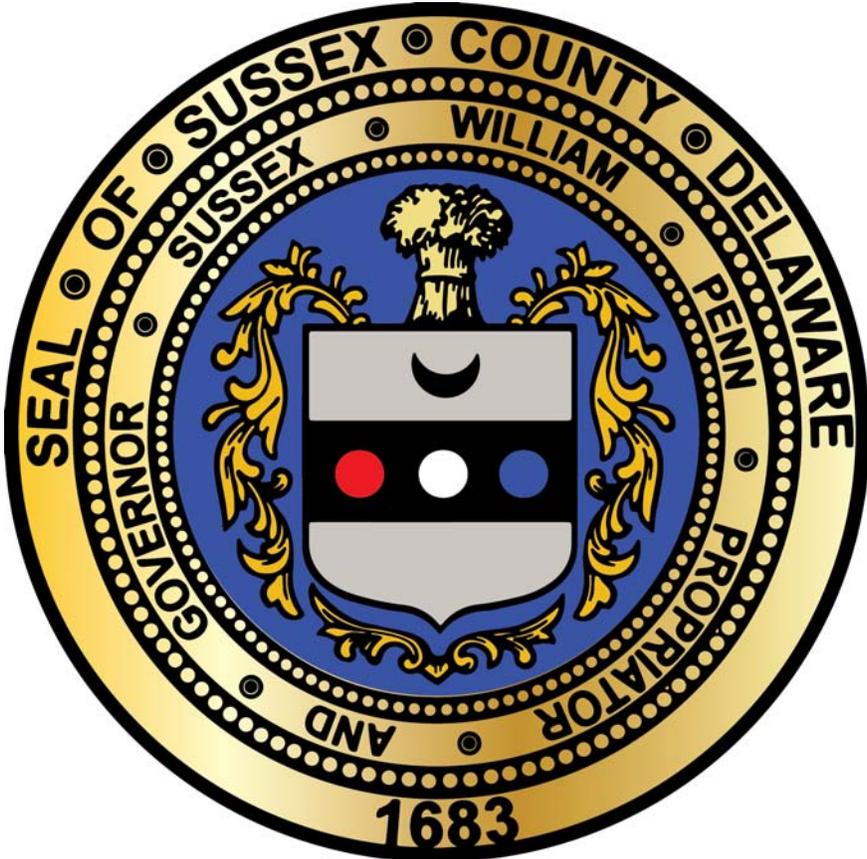
Comprehensive Annual Financial Report

Sussex County, Delaware

For Fiscal Year Ended June 30, 2020

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2020



Prepared by the Finance Department

**SUSSEX COUNTY, DELAWARE
TABLE OF CONTENTS
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>PAGES</u>
INTRODUCTORY SECTION	
Letter of Transmittal	iv - xii
GFOA Certificate of Achievement	xiii
Organizational Chart	xiv
List of Elected Officials	xv
County Department Heads and Other Officials	xvi
FINANCIAL SECTION	
INDEPENDENT AUDITOR’S REPORT	1 - 3
MANAGEMENT’S DISCUSSION & ANALYSIS	4 - 17
BASIC FINANCIAL STATEMENTS	
<u>Government-wide Financial Statements</u>	
Statement of Net Position	18
Statement of Activities	19
<u>Fund Financial Statements</u>	
Balance Sheet - Governmental Funds	20
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	21
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	22
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund	23
Statement of Net Position - Proprietary Funds	24 - 25
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds	26
Statement of Cash Flows - Proprietary Funds	27 - 28
Statement of Fiduciary Net Position - Fiduciary Funds	29
Statement of Changes in Fiduciary Net Position - Fiduciary Funds	30
<u>Notes to Basic Financial Statements</u>	31 - 62
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Changes in the Employer’s Net Pension Liability and Related Ratio’s	63
Schedule of Employer Contributions – Pension Trust	64

**SUSSEX COUNTY, DELAWARE
TABLE OF CONTENTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>PAGES</u>
REQUIRED SUPPLEMENTARY INFORMATION - CONTINUED	
Schedule of Investment Returns – Pension Trust	65
Schedule of Changes in the Employer’s Net Other Post-Employment Benefit Liability and Related Ratios	66
Schedule of Employer Contributions- Other Post-Employment Benefit Trust	67
Schedule of Investment Returns – Other Postemployment Benefit Trust	68
INDIVIDUAL FUND FINANCIAL SCHEDULES	
<u>General Fund</u>	
Schedule of General Fund Revenues and Other Financing Sources - Budget and Actual	69 - 70
Schedule of General Fund Expenditures and Other Financing Uses - Budget and Actual	71 - 76
<u>Capital Projects Fund</u>	
Schedule of Capital Projects Fund Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	77
<u>Fiduciary Fund</u>	
Combining Statements of Fiduciary Net Position – Fiduciary Funds	78
Combining Statements of Changes in Fiduciary Net Position – Fiduciary Funds	79
STATISTICAL SECTION	
Changes in Net Position	81 - 83
Fund Balances, Governmental Funds	84
Changes in Fund Balances, Governmental Funds	85
Schedule of Revenues and Expenditures and Other Financing Sources and Uses – General Fund	86
Assessed Value and Estimated Actual Value of Taxable Property	87
Direct and Overlapping Property Tax Rates	88
Principal Property Taxpayers	89
Property Tax Levies and Collections	90
Ratios of Outstanding Debt by Type	91
Ratios of General Bonded Debt Outstanding and Legal Debt Margin	92
Pledged-Revenue Coverage	93
Demographic and Economic Statistics	94

**SUSSEX COUNTY, DELAWARE
TABLE OF CONTENTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>PAGES</u>
STATISTICAL SECTION - CONTINUED	
Employment by Type of Employer	95
Full-time Equivalent County Government Employees by Function/Program	96
Operating Indicators by Function/Program	97
Capital Asset Statistics by Function/Program	98
SINGLE AUDIT SUPPLEMENT	
Schedule of Expenditures of Federal Awards	99
Notes to Schedule of Expenditures of Federal Awards	100
Independent Auditor's Report on Compliance For Each Major Federal Program and Report on Internal Control Over Compliance	101 - 102
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	103 - 104
Schedule of Findings and Questioned Costs	105 - 106



INTRODUCTORY SECTION



TODD F. LAWSON
COUNTY ADMINISTRATOR

(302) 855-7742 T
(302) 855-7749 F

tlawson@sussexcountyde.gov



Sussex County

DELAWARE
sussexcountyde.gov

December 17, 2020

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, 2020. 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, 2020, 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, 2020, 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 more than 234,000 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 an eight-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 – the County Administration – that includes operating departments and offices, some of which are administrated by independent 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 is a community on the rise, per the 2010 U.S. Census, Sussex County had a population increase of more than 25 percent from 2000 to 2010. As the County waits to hear the results of the 2020 U.S. Census, the County is on target to realize growth of at least 18 percent since 2010. 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 is purported to have originated around 1790 and is set on The Circle in Georgetown. 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. To support these services, the County operates with approximately 510 full-time employees.

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings and restrictions on business operations. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings and restrictions. Although not all County's services are considered essential, most of the County operations have continued as normal during the pandemic. To keep the County's business operations running during the pandemic it has modified its operations, expanded online services, and transitioned some of their staff to a remote workforce. The County's services are described in further detail below.

The emergency services that Sussex County provides include 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 110,000 9-1-1 calls a year.

The County owns and maintains the Delaware Coastal Airport and Business Park where more than 1,000 jobs are provided by businesses. The Delaware Coastal Business Park was purchased in Fiscal Year 2018 and has been going through major improvements in the last year to allow for the expansion and retention of businesses in Sussex County. The business park contains 12 lots; three lots are currently leased with strong interest in three other parcels.

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 for public safety, such as services provided by 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 libraries, including the three County-owned libraries and bookmobile, typically circulate 1 million books a year. However, libraries were closed for part of Fiscal Year 2020, due to the ongoing COVID-19 pandemic, decreasing circulation to around 800,000.

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 77,000 equivalent dwelling units (EDUs), and maintains and operates four treatment facilities. Fiscal year 2020 saw a 3 percent increase from fiscal year 2019's EDUs. The sewer and water districts' operating budget for Fiscal Year 2020 was \$39 million. The County has two enterprise funds: Water and Unified Sewer.

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 pages 37 and 38) for additional budget information; with budget-to-actual comparisons on pages 69 through 77.

Economic Condition of Sussex County

Local Economy

Despite COVID-19, Sussex County continues to have an expanding local economy. The number of building permits has increased 37.9 percent over the past nine years, with a 2.8 percent increase over last fiscal year. According to the 2019 Mid-Atlantic Report from the Bureau of Labor Statistics, Sussex County led the State in net job growth with a rate of 1.9 percent in 2019. The Bureau of Labor Statistics noted that the employment increase in Sussex County was more than the national increase of 1.2 percent and ranked 81st among the 355 U.S. large counties for employment change. The average weekly wage in Sussex County rose 4.8 percent over the year; nationally, the average weekly wage increased 3.5 percent. It is important to note that Sussex County's economy is not immune from the pandemic. Many of the annual reports are prior to the pandemic declaration, and ensuring governmental restrictions, in March 2020, and have not been updated to reflect the current economic environment.

The three industries with the largest employment over the previous nine years are healthcare and social services, accommodation and food services, and administrative and waste services. Page 94 of this report shows the top 10 employer-types in Sussex County and how it compares to nine years ago. Because the county is a great place to visit and is attractive to the retirement population, it comes as no surprise why these three employment sectors are experiencing the largest increases.

The healthcare and social assistance industry is the number one employer in Sussex, surpassing the retail trade industry in 2017. It is important to note that only nonfarm employment is captured in this statistic. The growing retirement community in Sussex County contributes to the continual rise in health care and social services employment. This industry makes up 16.1 percent of the county's employment; this is up from 14.5 percent in 2011. Each year, Sussex County's population continues to grow along with the median age of its population. In 2011, the median age was 45.1 years old; eight years later, the median age increased to 50.6. According to the Delaware Population Health Consortium, more than one-fourth of Sussex County's residents are 65 or older.

The three major healthcare employers in the county continue to expand their services to meet the demand of our aging residents. The providers are Beebe Healthcare in Lewes, Bayhealth in Milford, and TidalHealth Nanticoke, formerly Nanticoke Health Services, in Seaford. In addition, TidalHealth Peninsula Regional has a 48,000 square-foot "one-stop" healthcare center in Millsboro. Bayhealth opened its new 169-acre, \$314 million facility in February 2019. Per the 2020 Sussex County Profile, the hospital brought in hundreds of new jobs to the area. In addition, Bayhealth has partnered with Nemours duPont Pediatrics to expand services in Sussex. In November 2020, Nemours opened a primary and senior care services, as well as limited

pediatric gastroenterology specialty care. Additional specialty, therapy and imaging services will open in 2021. Beebe also continued to expand with their Beebe Healthcare South Coastal Health Campus opening in May 2020 and their cancer center to open in the near future. The cost of the South Coastal project was part of Beebe's \$200 million multi-project plan to expand and enhance its services. Beebe's Rehoboth Health Campus is now being constructed and should begin accepting patients in 2022. It is anticipated that these major healthcare employers will continue to expand in Sussex. The Delaware Department of Labor predicted in 2017 that one-quarter of new jobs created through 2024 will come from the healthcare and social assistance industry.

With adding over 3,000 jobs in the last nine years, the second largest sector growth was in accommodation and food services. Scott Thomas, executive director of Southern Delaware Tourism, stated in a local news interview in April 2020, "Sussex County tourism generated \$2.1 billion in visitor spending; that's 43 percent of all visitor spending in the State of Delaware. It supports nearly 19,000 jobs in the county, attracts new businesses, diversifies our economy, and saves each household over \$1,500 a year in taxes." Although the tourism industry is typically strong in Sussex, it has suffered during COVID-19. Per the Rehoboth Beach-Dewey Beach Chamber of Commerce, hotel capacity was negatively affected. For example, one weekend in May, 271 hotel rooms were booked, whereas in the year previous, 3,041 rooms were filled. Restaurants also saw restrictions during the summer's tourist-season, which included limiting capacity anywhere from 30 to 50 percent. Sussex County government has not seen a direct impact on tourism in its revenues because the County's largest revenue sources are from property taxes and property transfers. However, the County is aware that Southern Delaware Tourism estimates that for every 160 additional visitors, one job is created.

The county has many wonderful features that attract visitors - if it isn't the beaches, it is the tax-free shopping. Along a two-mile stretch of Delaware Route 1, between Lewes and Rehoboth Beach, there are outlet stores offering a variety of products, such as clothing, tools, shoes, books, 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. Tourists continue to be offered new attractions with each visit as new venues open or expand throughout the county. Last year, Delaware Botanic Gardens, designed by famed Dutch garden designer Piet Oudolf, opened to the public. This attraction adds to a list of events or places to enjoy during the "shoulder" season. The Apple-Scrapple Festival, Wings & Wheels Festival, Coast Day, Jazz Festival, Slam Dunk to the Beach, Sea Witch Festival and the Nanticoke PowWow are just a few events, although canceled in 2020, draw visitors to the area year-round.

The third largest industry growth in Sussex County is administrative and waste services. This sector has grown by 2,784 jobs in the last nine years. This sector has seen its ups and downs in recent years. The top four occupations that encompass this sector include janitors and cleaners, packers and packagers, landscaping and groundskeeping workers, and security guards. The growth in housing developments in Sussex is most likely the continual increase in this industry.

Although the employment figures from the Bureau of Labor and Statistics does not include farm employment, Sussex County's number one industry remains the agriculture industry. According to Sussex County's 2019 Profile, agriculture has a direct economic impact of \$3.5 billion, with an additional \$1 billion coming from indirect spending related to poultry. Sussex County agriculture employs about 9,800 direct employees, supplying residents with \$400 million a year in income. Per the U.S. Department of Agriculture's census report, the County has continued not only to be the top broiler poultry producing county in the United States, but also the top lima

bean producing county for more than 70 years. Approximately 45 percent of the County's land (270,000 acres) contains more than 1,200 farms, where the average farm size is 224 acres. Eighteen percent of Sussex County farmland is preserved in the Delaware Agricultural Lands Preservation Foundation. This year, Delaware Agland Preservation Program ranked second in the U.S. for preserving farmland. This year the County partnered with the State of Delaware to preserve an additional 47 farms.

As with most industries, the agriculture industry was adversely affected by the coronavirus in Sussex County. As the leading poultry producer in the country, processors were hit hard by less demand for their product. County farmers saw much of their product not go to market. Major employers, such as Perdue, Mountaire Farms, and Allen Harim in Sussex County were affected by the pandemic too. For example, Allen Harim reported to Delaware Business Times in April that its workforce was reduced by 50 percent.

As operations get back to normal in the county, improvements in the economy are being seen in Sussex County. In October 2020, Sussex County's unemployment rate was 4.6 percent compared to 7.0 percent in September. Sussex County's unemployment is the lowest in the state. The unemployment rate, as stated by the Delaware Department of Labor, was 5.6 percent for the State of Delaware, 5.7 percent for New Castle County and 5.9 percent for Kent County.

To fuel any economy, whether in a pandemic or not, you need a hard-working and educated workforce. To build such a workforce, you need to have a strong education system. 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. There are eight school districts with 26 public elementary, 10 middle, 9 high schools and 3 special education schools.

Sussex County also has options when it comes to higher education. The Delaware Technical Community College (DTCC), and its 147-acre Owens 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. 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. The college also partnered with Sussex County to create an FAA-certified airframe maintenance degree located at the Delaware Coastal Airport, which is filling the growing aviation industry need in Delaware.

If DTCC does not have what a student needs, Delaware State University has a satellite location in Georgetown that offers 52 undergraduate fields of study, as well as 16 graduate programs and 5 doctoral degree programs. Delaware State University has offered courses in Sussex County for more than 20 years.

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 with 100 percent online degree programs.

Sussex County understands that it needs to do its part in fostering economic development. During the pandemic, the County launched a Keep Sussex Strong campaign. The campaign highlighted local businesses, which, with resident support, will "Keep Sussex Strong." In Fiscal Year 2018, the County Council contributed \$750,000 to create a \$4 million economic development loan program. The program is a low-interest revolving loan program for small businesses. Recently, a young business owner used the loan to expand his paving business and grow his staff to 20 employees. In addition to the loan program, the County invested in more economic development tools. One tool is the County's investment in SizeUp digital research software, free of charge to entrepreneurs who want geographically specific market information to help with their decision-making process. The second tool is the approval from the U.S. Department of Commerce to have a Foreign Trade Zone located at the County's Delaware Coastal Business Park. This zone gives companies the ability to reduce costs by obtaining foreign goods duty free.

Despite COVID-19, as 2021 approaches, building activity continue to increase throughout the current year. Dwelling building permits are trending 41 percent over 2020. Building inspections are up 46 percent for the first quarter of fiscal year 2020, and realty transfer tax revenue has seen four consecutive months of record-breaking amounts.

Financial Planning

Our local economy benefits from the attractiveness of our resorts and a strong agricultural base. Even during the pandemic, the financial foundation of the County stayed strong in Fiscal Year 2020, and Fiscal Year 2021 is still seeing prosperity.

Not knowing how the pandemic was going to impact the County financially, caution and sustainability were at the forefront when preparing the Fiscal Year 2021 budget. For the first time in County history, a base budget was adopted with nine supplemental budgets if financial metrics were met. This process was necessary to make sure the County operations did not grow outside its means of revenue. For example, all building related revenues were budgeted at 65 to 75 percent of anticipated collections for Fiscal Year 2021. These percentages were lower than previous years. In addition, the County only budgeted capital projects that were already in progress. The baseline capital projects budget is down by \$11.2 million, or 52.3 percent. It is important to note that the County budgets its capital projects with excess realty transfer tax funds to ensure that the government can continue to invest in infrastructure without financially burdening future generations.

The Fiscal Year 2021 Five-Year Capital Improvement Plan includes \$68.8 million for the expansion and improvement of General Fund services, such as our paramedic system, the Emergency Operations Center, and the Delaware Coastal Airport and Business Park. The County understands that the Delaware Coastal Airport, along with the business park, are vital components of Sussex County's economy. Fifty percent (50%), or \$5.1 million, of the Fiscal Year 2021 capital budget is appropriated to improve the airport and business park. We continue to apply for Federal and State funding that pays up to 95 percent of the airport expenses. For example, of the \$5.1 million, \$950,000 will be funded through these types of grants.

The Five-Year Plan also includes \$750,000 in funding for information technology infrastructure improvements. These funds will be used to help with the County's broadband initiative that began in Fiscal Year 2018.

Along with our Governmental Fund Five-Year Capital Improvement Plan, the County also has a Five-Year Plan for utility infrastructure. Fiscal Year 2021 includes \$250.7 million for sewer and water 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

The County's goal is 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. The County is also seeing another decline in interest rates. Because of the relatively flat interest rate environment, the County adjusts its maturities to take advantage of the best rates possible. Please see Note B, on pages 38 through 41 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 other post-employee benefit trust for its employees, which 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 the types of investments. The County works with an investment advisor to assist in providing the best strategy, protection, and investment guidelines for our pension plan. In Fiscal Year 2019, the Council approved lowering its assumed rate of return to ensure the County's commitment to full-funded status. The County continues to fund its pension above the required actuarial contribution. The County contributed another \$5 million above the actuarially determined contribution in Fiscal Year 2021.

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.

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, 2019. This was the eighteenth 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 making submission to the GFOA to determine its eligibility to receive 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.

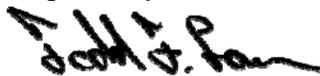
The County also received the Government Finance Officers Association's Distinguished Budget Presentation Award for the first time for its Fiscal Year 2019 budget. Obtaining such a prestigious award demonstrates the County's commitment to transparent fiscal management.

On July 12, 2019, Moody's Investors Service upgraded the County's bond rating to "Aaa." Moody's report for the County states, "The financial position of the county is extremely strong as its management team is conservative in its budgeting estimates for its somewhat economically sensitive and volatile revenue stream. The debt burden of the county is modest as it funds all of its general governmental needs on a pay-go basis. The pension and OPEB liabilities are manageable and the county is making significant efforts to contribute to its trust funds to keep the liability low."

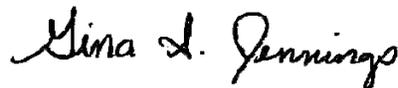
Subsequently, on September 11, 2020, Standard and Poor Global Ratings (S&P) raised the County's bond rating to "AAA." S&P's report states, "the upgrade reflects our view of the county's diversifying and growing economy and its strong financial management practices that, among other things, have led to very strong budgetary performance over several years, including during the current and past recessions."

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

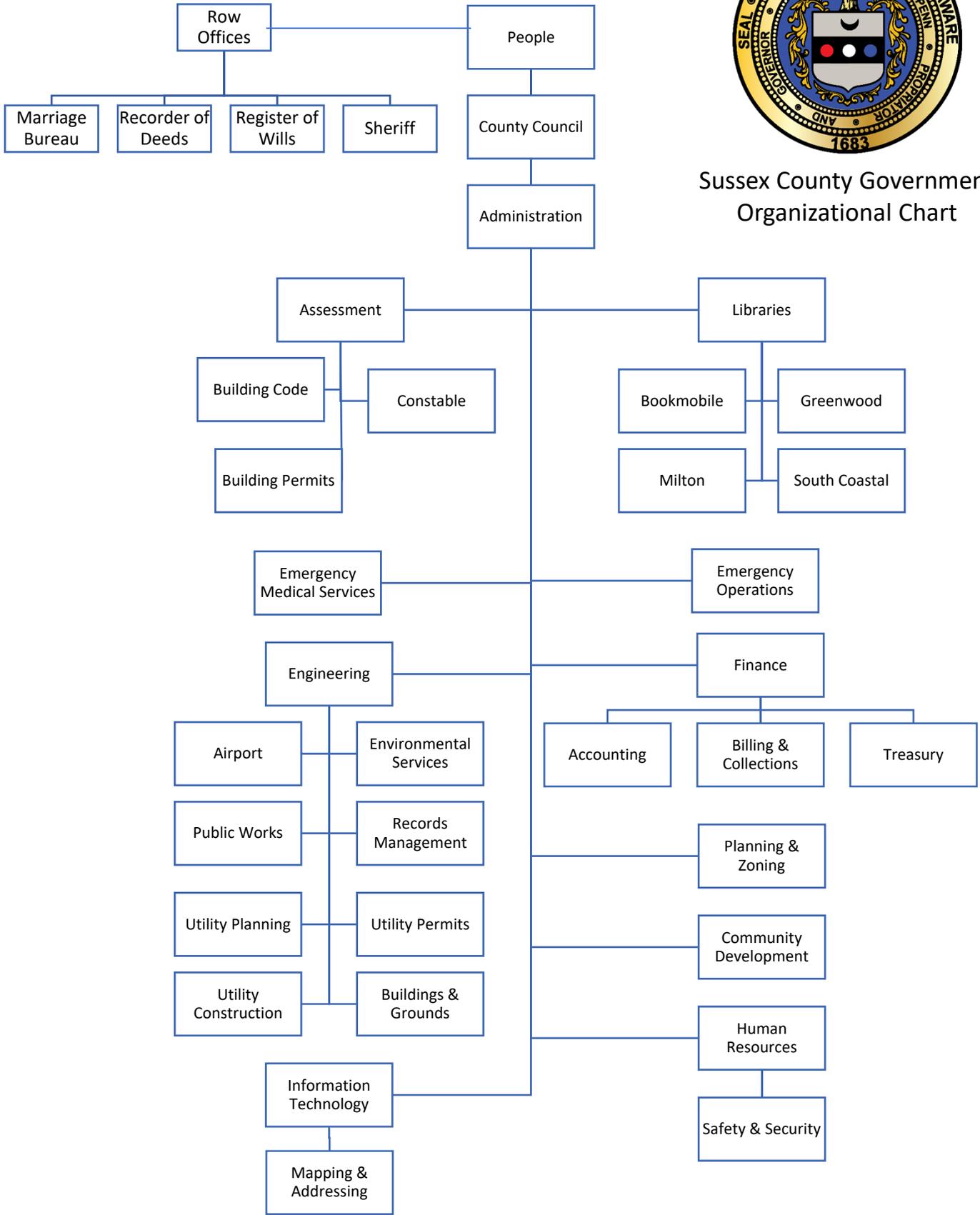
June 30, 2019

Christopher P. Morill

Executive Director/CEO



Sussex County Government
Organizational Chart



SUSSEX COUNTY, DELAWARE

LIST OF ELECTED OFFICIALS

JUNE 30, 2020

<u>COUNCIL</u>	<u>Length of Service</u>	<u>Term Expires</u>
<i>District 1</i>		
Michael H. Vincent (President)	12 years	Jan. 2021
<i>District 2</i>		
Samuel R. Wilson, Jr.	12 years	Jan. 2021
<i>District 3</i>		
Irwin G. Burton, III (Vice President)	4 years	Jan. 2021
<i>District 4</i>		
Douglas B. Hudson	2 years	Jan. 2023
<i>District 5</i>		
John L. Rieley	2 years	Jan. 2023

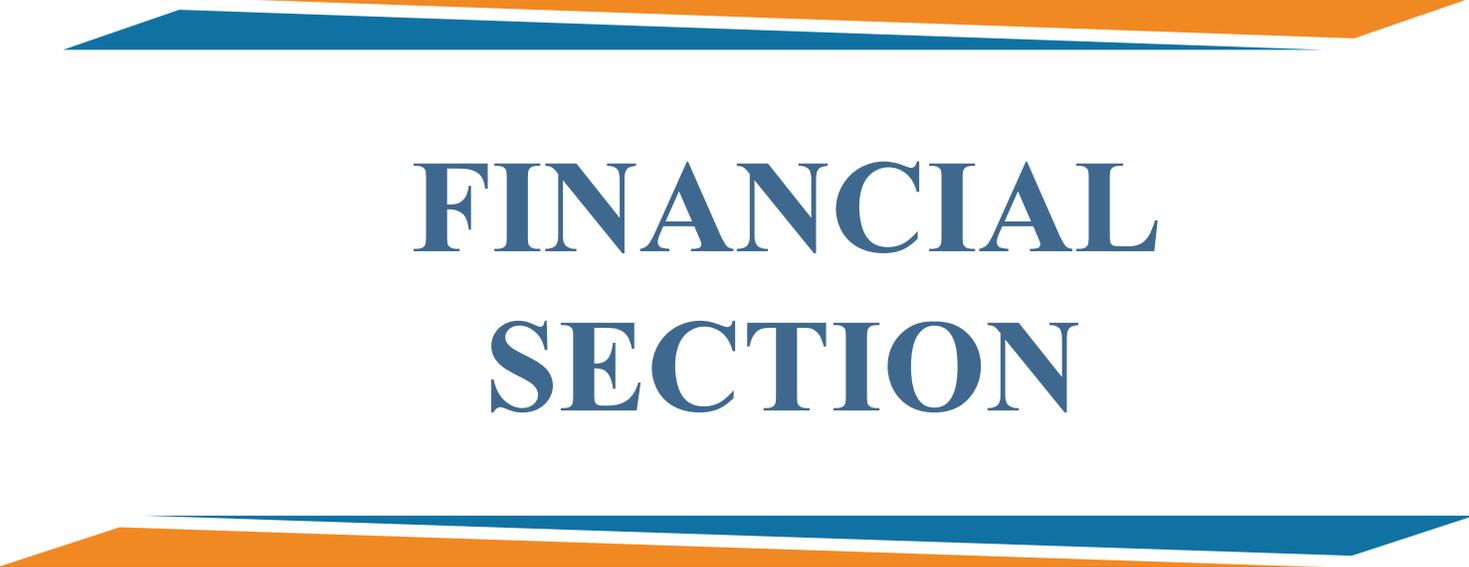
<i>Clerk of the Peace</i>		
Norman A. Jones	4 years	Jan. 2021
<i>Recorder of Deeds</i>		
Scott Dailey	10 years	Jan. 2023
<i>Register of Wills</i>		
Cynthia Green	10 years	Jan. 2023
<i>Sheriff</i>		
Robert Lee	6 years	Jan. 2023

SUSSEX COUNTY, DELAWARE

COUNTY DEPARTMENT HEADS & OTHER OFFICIALS

JUNE 30, 2020

	<u>Length of Time in Position</u>	<u>Length of Service with the County</u>
<i>County Administrator</i> - Todd F. Lawson	8 years	9 years
<i>County Attorney</i> - J. Everett Moore, Esquire	12 years	12 years
<i>Finance Director / Chief Operations Officer</i> - Gina A. Jennings, MBA, MPA	7 years	14 years
<i>Deputy Finance Director</i> - Kathy L. Roth, CPA	7 years	14 years
<i>County Engineer</i> - Hans Medlarz, P.E.	4 years	4 years
<i>Assessment Division Director</i> - Christopher S. Keeler	6 years	26 years
<i>Community Development Program Director</i> - Brad Whaley	8 years	24 years
<i>Director of Environmental Services</i> - Edwin Tennefoss	3 years	3 years
<i>Director of Information Technology</i> - Dwayne Kilgo	4 years	8 years
<i>Emergency Preparedness Director</i> - Joseph L. Thomas	23 years	34 years
<i>Human Resources Director</i> - Karen Brewington	9 years	9 years
<i>Library Director</i> - Kathy M. Graybeal	9 years	9 years
<i>Paramedic Director</i> - Robert A. Stuart	9 years	28 years
<i>Planning and Zoning Director</i> – Jamie Whitehouse, AICP	6 months	3 years



FINANCIAL SECTION



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, 2020, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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



Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County, as of June 30, 2020, 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.

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 was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 *Government Auditing Standards*, we have also issued our report dated December 17, 2020 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

Wilmington, Delaware
December 17, 2020

SUSSEX COUNTY, DELAWARE

MANAGEMENT'S DISCUSSION & ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

This section of the report offers an overview and analysis of the financial activity of Sussex County, Delaware, for the year ended June 30, 2020. 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

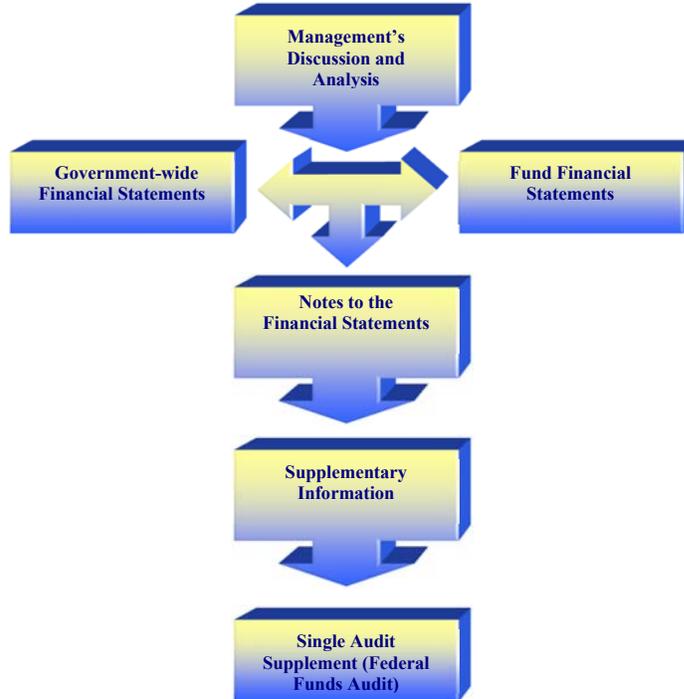
- As of June 30, 2020, total government net position was \$615.4 million. Of this amount, \$51.2 million was unrestricted and may be used for ongoing obligations to citizens and creditors.
- The County's total net position increased by \$44.4 million during the year. The business-type activities net position increased \$26.6 million. This increase is due to growth-related capital costs from sewer expansions being built. The governmental activities' portion of the net position increased by \$17.8 million. The increase in the investment in governmental capital assets, net of related debt, was \$5.7 million; governmental restricted funds increased \$15.5 million.
- The County has no outstanding General Fund bonded debt.
- In fiscal year 2020, Moody's Investors Service upgraded the County's bond rating from "Aa1" to "Aaa. Moody's report for the County states, "The financial position of the county is extremely strong as its management team is conservative in its budgeting estimates for its somewhat economically sensitive and volatile revenue stream. The debt burden of the county is modest as it funds all of its general governmental needs on a pay-go basis. The pension and OPEB liabilities are manageable and the county is making significant efforts to contribute to its trust funds to keep the liability low."

Fund Financial Statements

- As of June 30, 2020, the County's governmental funds reported an ending fund balance of \$137.9 million. This is an increase of \$9.3 million from the preceding year. Approximately \$37.8 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, deferred outflows, liabilities and deferred inflows, with the difference between the assets and deferred outflows and the liabilities and deferred inflows is 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, Facilities Management, 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 and 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 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 fiduciary funds combining statements follow the general fund and capital project fund budgetary comparison schedules. The statistical section follows on pages 80 through 98 with additional County information. The Single Audit, a separate federal awards audit, follows the statistical section.

Government-wide Financial Analysis

As previously noted, assets and deferred outflows exceed liabilities and deferred inflows by \$615.4 million as of June 30, 2020. 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, 2020 and 2019

	Governmental Activities		Business-type Activities		Total Government	
	2020	2019	2020	2019	2020	2019
Current and Other Assets	\$157,340,695	\$149,354,954	\$ 91,323,759	\$99,651,809	\$248,664,454	\$249,006,763
Capital Assets	93,542,553	89,187,577	463,468,019	422,034,990	557,010,572	511,222,567
Total Assets	250,883,248	238,542,531	554,791,778	521,686,799	805,675,026	760,229,330
Deferred outflows of resources	6,461,616	2,377,913	2,792,770	1,659,487	9,254,386	4,037,400
Total assets and deferred outflows of resources	257,344,864	240,920,444	557,584,548	523,346,286	814,929,412	764,266,730
Current and Other Liabilities	16,168,191	17,602,572	9,127,127	5,067,986	25,295,318	22,670,558
Long-term Liabilities	15,868,451	15,919,841	154,567,589	151,027,755	170,436,040	166,947,596
Total Liabilities	32,036,642	33,522,413	163,694,716	156,095,741	195,731,358	189,618,154
Deferred inflow of resources	2,926,758	2,833,079	899,064	870,293	3,825,822	3,703,372
Total liabilities and deferred inflows of resources	34,963,400	36,355,492	164,593,780	156,966,034	199,557,180	193,321,526
Net Position:						
Net Investment in Capital						
Assets	93,018,347	87,307,216	306,996,877	273,869,317	400,015,224	361,176,533
Restricted	88,955,557	73,462,380	75,238,638	76,579,752	164,194,195	150,042,132
Unrestricted	40,407,560	43,795,356	10,755,253	15,931,183	51,162,813	59,726,539
Total Net Position	\$222,381,464	\$204,564,952	\$392,990,768	\$366,380,252	\$615,372,232	\$570,945,204

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.

Of the remaining \$215.4 million in net position, \$75.2 million is restricted for construction or capital costs incurred or future sewer district expansion costs. For governmental activities, \$89.0 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 and business park infrastructure, and County airport improvements.

The remaining \$51.2 million in net position is unrestricted and may be used for ongoing obligations to citizens, customers, and creditors. The decrease in unrestricted net position is due to the County paying down its unfunded liability and investing in County-owned infrastructure.

The following schedule shows the breakdown of changes in net position for governmental and business-type activities for fiscal years 2020 and 2019.

Sussex County, Delaware
Changes in Net Position
For the Years Ended June 30, 2020 and 2019

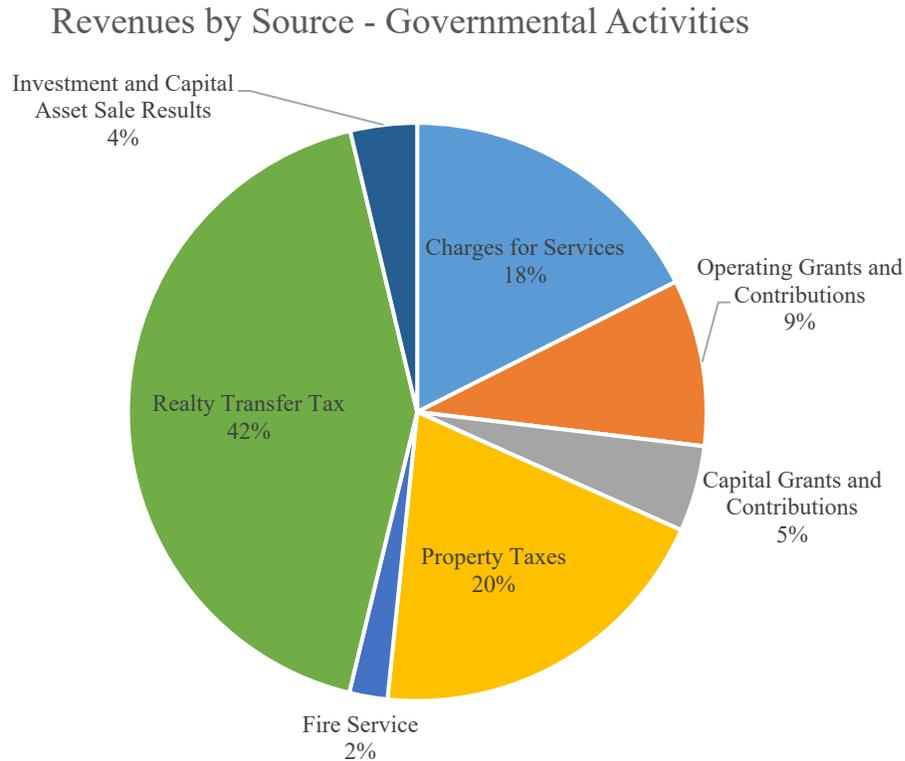
	Governmental Activities		Business-type Activities		Total Government	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	\$14,674,171	\$15,065,609	\$26,259,120	\$25,619,359	\$40,933,291	\$40,684,968
Operating grants and contributions	7,785,453	7,541,334	24,821,790	26,261,126	32,607,243	33,802,460
Capital grants and contributions	4,018,377	2,050,546	13,616,195	14,244,228	17,634,572	16,294,774
General revenues:						
Property taxes	16,644,442	16,129,403	-	-	16,644,442	16,129,403
Fire service taxes	1,789,174	2,070,724	-	-	1,789,174	2,070,724
Realty taxes	35,477,592	33,501,282	-	-	35,477,592	33,501,282
Lodging taxes	49,958	-	-	-	49,958	-
Investment results	3,113,675	3,816,187	396,483	521,362	3,510,158	4,337,549
Gain on sale of capital assets	3,777	59,218	110,900	(7,008)	114,677	52,210
Total revenues	83,556,619	80,234,303	65,204,488	66,639,067	148,761,107	146,873,370
Expenses:						
Primary Government:						
General government	16,147,716	16,555,625	-	-	16,147,716	16,555,625
Planning and zoning	1,557,365	1,638,747	-	-	1,557,365	1,638,747
Paramedics	16,506,738	16,209,069	-	-	16,506,738	16,209,069
Emergency preparedness	4,309,246	3,869,706	-	-	4,309,246	3,869,706
County engineer	1,279,617	1,037,068	-	-	1,279,617	1,037,068
Library	3,314,143	3,206,010	-	-	3,314,143	3,206,010
Economic development and airpark	4,074,827	3,501,515	-	-	4,074,827	3,501,515
Community development	1,957,643	1,939,275	-	-	1,957,643	1,939,275
Grant-in-aid program	14,118,069	13,736,171	-	-	14,118,069	13,736,171
Constitutional offices	2,460,778	2,414,528	-	-	2,460,778	2,414,528
Business-type activities	-	-	38,607,937	34,883,609	38,607,937	34,883,609
Total expenses	65,726,142	64,107,714	38,607,937	34,883,609	104,334,079	98,991,323
Change in net position before transfers	17,830,477	16,126,589	26,596,551	31,755,458	44,427,028	47,882,047
Transfers	(13,965)	(13,951)	13,965	13,951	-	-
Change in net position	17,816,512	16,112,638	26,610,516	31,769,409	44,427,028	47,882,047
Net position-beginning	204,564,952	188,452,314	366,380,252	334,610,843	570,945,204	523,063,157
Net position-ending	\$222,381,464	\$204,564,952	\$392,990,768	\$366,380,252	\$615,372,232	\$570,945,204

Governmental Activities

Governmental activities increased net position by \$17.8 million during fiscal year 2020. This represents an 8.7 percent increase in net position for the year. Governmental activities include the general fund and capital projects fund.

General revenues total \$57.1 million for fiscal year 2020 for governmental activities. This includes \$35.5 million received from realty transfer taxes. This is a \$2.0 million, or 5.9 percent, increase from fiscal year 2019. Realty transfer tax has increased eight years in a row, which is a sign that the real estate market is strong in Sussex County.

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



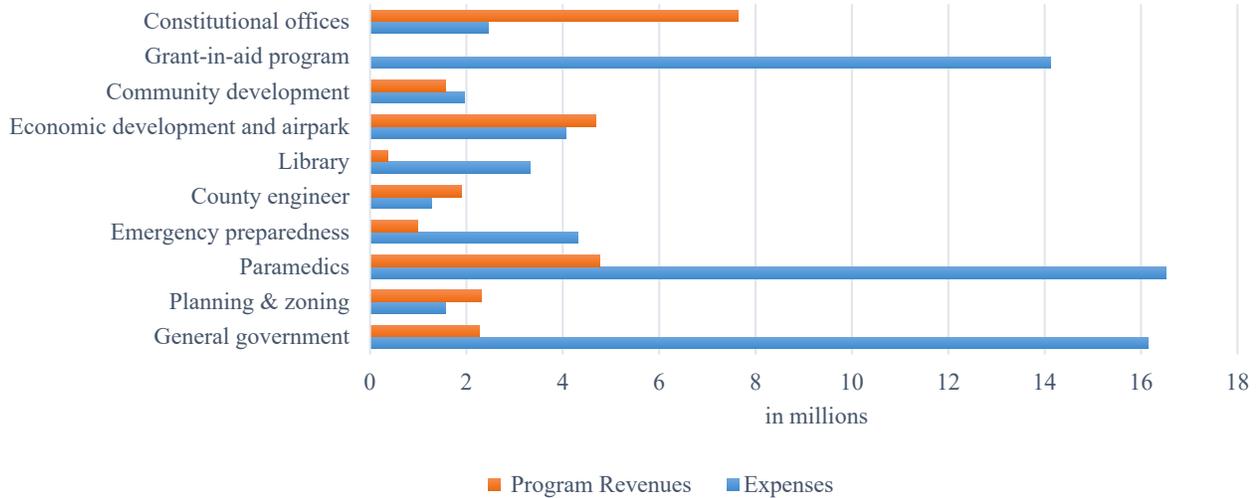
Total Governmental Revenues increased \$3.4 million. The growth was driven by the \$2.0 million increase in realty transfer tax, \$2.0 million increase in capital grants with an offset of a \$0.7 million decrease in investment results.

Governmental charges for services slightly decreased \$0.4 million. The decrease was due to a \$0.4 million decrease in building inspection fees driven by commercial projects in fiscal year 2019. The constitutional offices increased \$0.3 million; the increase is from recorder of deeds fees.

The County’s operating grants were \$0.2 million more than the previous year, due to additional amounts received by the paramedic and emergency preparedness departments. Capital grants increase \$2.0 million due to the type and size of grant-supported projects at the airport being completed this fiscal year as compared to the previous year.

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

Program Revenues and Expenses Governmental Activities



The largest expense to the County is public safety. 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 and during the year took over dispatching services for the City of Seaford.

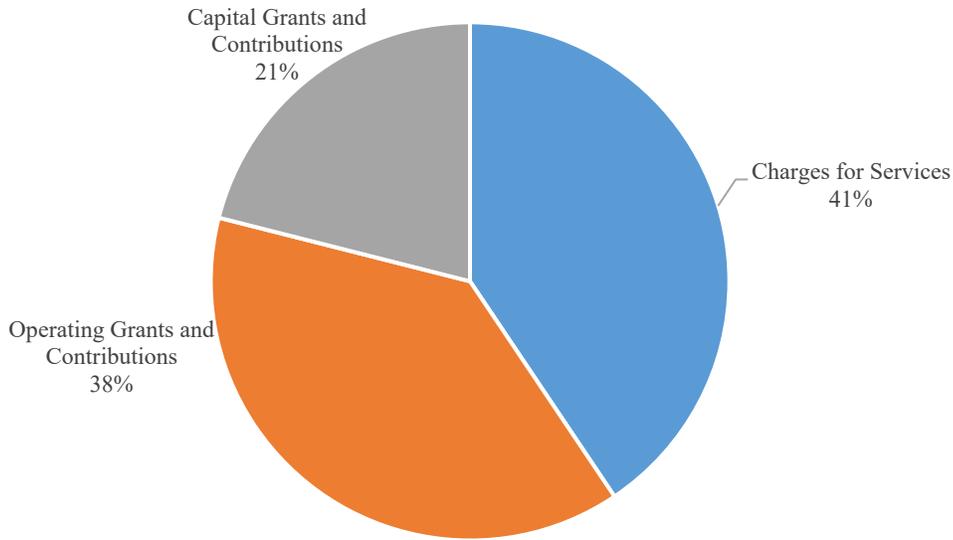
The Paramedic Department is the County’s largest department in terms of expenditures and employees. Our residents and visitors rely on this valuable County service. The paramedics were dispatched 24.2 percent more this year than 10 years ago. The County opened up a new paramedic station in Milton during 2020 to help with the demand in the area. Currently, we lease and own buildings in different strategic locations throughout the county. The County’s goal is to replace all leased locations 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 ten medic stations. The land was bought for our seventh station in fiscal year 2020 and construction of the sixth building was started in fiscal year 2019.

During fiscal year 2020, the County provided \$14.1 million in grant-in-aid programs for a variety of local organizations as part of a program to benefit County residents. These grants included fire and ambulance companies, 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 \$4.0 million contribution. The volunteer fire service and ambulance companies received approximately \$4.7 million in grant funding during fiscal year 2020. The County also supports 11 independent libraries through the grant-in-aid budget with a \$2.6 million contribution. In addition, in fiscal year 2020, a variety of community grants, in the amount of \$2.4 million, were given to local non-profit organizations, senior centers, food pantries, and housing assistance programs.

Business-type Activities

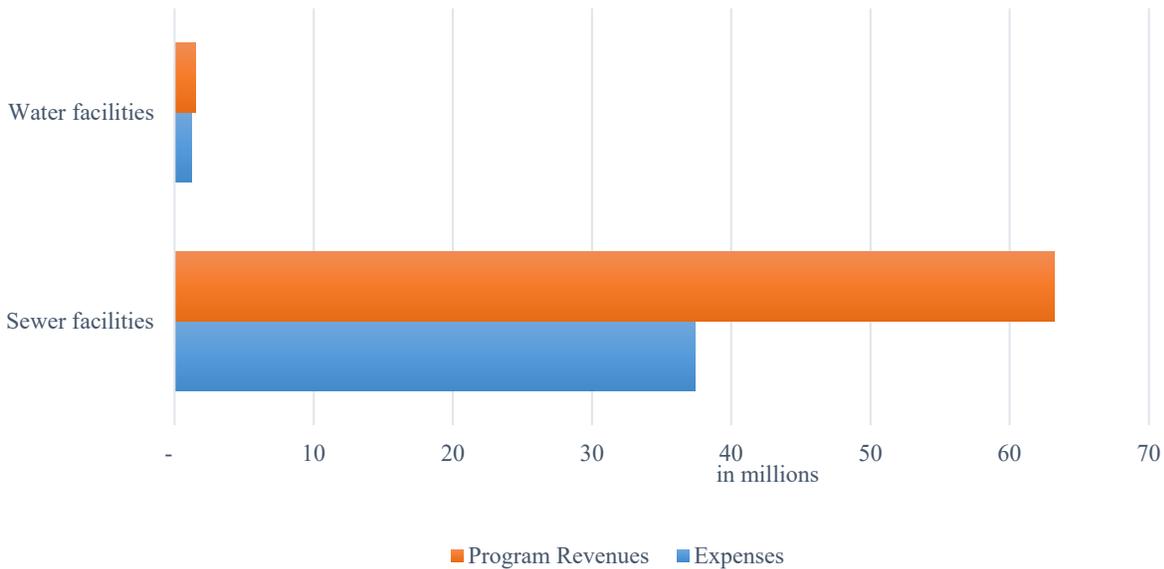
Sussex County’s water and sewer funds had an increase in net position of \$26.6 million during fiscal year 2020. The income before capital contributions and transfers was \$12.9 million. Our sewer district continues to grow, bringing in additional income. The number of sewer equivalent dwelling units increased more than 2,235 from fiscal year 2019. 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 \$12.9 million in connection fees for new growth in the water and sewer districts. Connection fee income decreased from prior year by \$2.0 million but was \$2.7 more than fiscal year ending 2019.
- Operating grants and contribution program revenue includes both connection fee and assessment charges. Assessment charges are collected to pay debt incurred due to construction.
- Fiscal year 2020 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 2020, fund balances of the County's governmental funds increased \$9.3 million. The increase is due to building related revenues ending the year over budget and departments reducing spending when COVID-19 became a known factor, as requested by administration's due to uncertain effect on the financial impact of the virus to the County's revenue sources.

For the general fund, fiscal year 2020 finished with an increase in fund balance of \$2.6 million. Page 86 in the financial section shows a history of Sussex County's revenues and expenses for the general fund since 1978.

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 open space.

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 2020, \$9.8 million was contributed to the pension plan. This contribution was \$6.8 million over the actuarially determined contribution. The fund saw an increase from investment earnings, net of investment expenses, in the amount of \$3.8 million. The County's Pension Plan is 98.9 percent funded according to the latest actuarial report. As of June 30, 2020, assets held in this account were valued at over \$120.5 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 82.4 percent funded. As of June 30, 2020, assets held in this account were valued at \$47.8 million. For fiscal year 2020, the contribution to this fund was \$2.8 million. This contribution was \$1.0 million over the actuarially determined contribution. Due to the County’s commitment, our funding level of this fund is unusually high in comparison with other municipalities.

In fiscal year 2020, there were 285 retirees and beneficiaries in the pension plan. Beneficiary payments for both funds totaled \$7.7 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 \$393.0 million - a \$26.6 million, or 7.3 percent, increase over last year. Restricted net position includes 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 2020. 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 funding COVID-19 related expenses (\$540,000), emergency repairs at the South Coastal and Greenwood libraries (\$225,000), and an affordable housing analysis (\$49,000).

Budget to Actual - Revenue

In fiscal 2020, actual general fund revenues and other financing sources were over budgeted revenues by \$16.8 million as noted on page 23 with a detail listing on page 69 and 70. The largest revenue source over budget was realty transfer tax; this revenue exceeded the budget by \$13.0 million. Recorder of Deeds revenue exceeded the budget by \$1.4 million. Both revenue sources are a good indicator that the County’s real estate market is strong. Investment earnings exceeded the budget by \$1.7 million. These overage amounts were offset by the \$19.0 million use of appropriated reserves that were planned to be spent, on one-time expenses.

Budget to Actual - Expenditures

Expenditures were under budget by \$4.9 million as noted on page 23 with a detail listing on pages 71-76. The majority of the departments were under budget because of the COVID-19 pandemic. The administration asked the departments to limit their expenses due to the uncertainty of the financial results of the pandemic. Overtime pay and associated benefits also decreased during the pandemic. For example, the County’s paramedic department, the County’s largest department, had a large drop in calls and employee time off; both resulting in a limited amount of overtime pay. Emergency operations center departments exceed their budget by \$0.2 million. The overage was a result of the County taking over the 9-1-1 calls from the City of Seaford’s dispatch center and adding eight additional staff members. Building code department actual exceed the budget by \$0.1 million. This result was caused by the County implementing a better streamline inspection process and transferring staff member from the planning and zoning department. All the other departments finished the year under their budget projections.

Capital Asset and Debt Administration

Capital Assets

As per the chart below, capital assets (net of depreciation) are valued at \$511.2 million as of June 30, 2020. Note E, on pages 42 and 43, includes additional information.

Sussex County’s Capital Assets
As of June 30, 2020 and 2019
(net of depreciation)

	Governmental Activities		Business-type Activities		Total Government	
	2020	2019	2020	2019	2020	2019
Land	\$22,355,125	\$20,967,016	\$55,855,854	\$47,407,143	\$78,210,979	\$68,374,159
Construction in Progress	7,537,611	4,474,414	38,281,002	9,680,333	45,818,613	14,154,747
Buildings	32,945,801	33,825,336	26,558,944	27,267,914	59,504,745	61,093,250
Improvements Other Than Buildings	26,248,944	24,912,605	2,956,751	3,069,725	29,205,695	27,982,330
Machinery and Equipment	4,455,072	5,008,206	3,397,574	3,235,227	7,852,646	8,243,433
Infrastructure	-	-	333,959,648	329,189,390	333,959,648	329,189,390
Purchase capacity	-	-	2,458,246	2,185,258	2,458,246	2,185,258
Total	\$93,542,553	\$89,187,577	\$463,468,019	\$422,034,990	\$557,010,572	\$511,222,567

The major governmental capital project completed in fiscal year 2020, which increased the classification of Improvements Other Than Buildings was due to the completion of improvements at the Delaware Coastal Business Park, Taxiway A lighting upgrades and the purchase of the fiber ring in Georgetown. Construction in Progress increased over 2019 due to construction in the business park, airport taxiway, and the Seaford paramedic station.

The following are highlights of the major capital sewer projects underway during fiscal year 2020, which will expand the County’s sewer system to serve more residents and protect the environment:

- expansion at the South Coastal Regional Wastewater facility to increase the average daily flow from 6.0 million gallons to 10.0 million gallons per day;
- construction of a high-pressure effluent water loop at the Inland Bays sewer treatment facility;
- construction of the sewer expansion areas, such as Herring Creek, Joy Beach, Mallard Creek, and Western Sussex.

Long-term Debt

As of June 30, 2020, the County had \$150.0 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, 2019 and 2020

General Bonds

	Governmental Activities		Business-type Activities		Total Government	
	2020	2019	2020	2019	2020	2019
General Obligation Bonds	\$ -	\$ -	\$150,074,075	\$146,559,060	\$150,074,075	\$146,559,060
Total	\$ -	\$ -	\$150,074,075	\$146,559,060	\$150,074,075	\$146,559,060

During the year, funds were granted and borrowed from the State of Delaware Revolving Fund Loan Program and U.S. Department of Agriculture - Water and Waste Disposal Systems for Rural Communities Program for sewer construction projects. 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 2020, Moody’s Investors Services upgraded the County general obligation bond rating to Aaa. (Standard & Poor’s affirmed the County’s AA bond rating in fiscal year 2010). Moody’s report for the County states, “The financial position of the county is extremely strong as its management team is conservative in its budgeting estimates for its somewhat economically sensitive and volatile revenue stream. The debt burden of the county is modest as it funds all of its general governmental needs on a pay-go basis. The pension and OPEB liabilities are manageable and the county is making significant efforts to contribute to its trust funds to keep the liability low.”

Additional debt information is included in Note J, on pages 53 through 58 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.

- In July, County received an upgraded general obligation bond rating from Aa1 to Aaa by Standard & Poor's Investors Service. This rating represents a first-time achievement for Sussex County government.
- While the national unemployment rate, as stated by the Delaware Department of Labor, was 11.2 percent in June 2020, Delaware's unemployment rate was 12.7 percent; Sussex County's unemployment - at 11.5 percent - was under the other Delaware County averages.
- Fiscal year 2020 again saw increases in the housing market. General fund budgeted revenues, excluding transfers and use of reserves, increased \$1.4 million. County's property tax assessments saw an increase of 2.6 percent. Although actual revenues for fiscal year 2020 came in much higher than budgeted revenues, the budget committee chose not to assume that the economy will continue to expand in fiscal year 2021; therefore, the committee chose to budget around 75-80 percent of expected building-related revenues, a decreased assumption from fiscal year 2020 due to COVID-19.
- Agriculture continues to be Sussex County's leading economic driver, with the primary focus being grain production and poultry processing.
- Tourism is a major industry in Sussex County with outlet shopping located on the East Coast corridor. According to Southern Delaware Tourism, Sussex County tourism has now reached over \$2.0 billion in annual gross income to the county and employs 16 percent of all jobs in the community. Southern Delaware Tourism estimates that for every 160 more visitors a new job is created. And for every 230 visitors, their economic impact pays for a public-school student for the year. The outlets attract customers from other counties and states. Having no state sales tax is an additional draw for outlet shoppers. The COVID-19 pandemic has impacted the industry with travel restrictions and reduce capacity.
- However the County's income has not been negatively impacted by COVID-19, realty transfer tax revenue is higher than any previous year and reflects the attractiveness of the Sussex lifestyle and low cost of living, which brings more retirees and a remote workforce to the county.

Fiscal Year 2021 Budget and Rates

The major goal of the fiscal year 2021 budget was to continue to operate within the County's means and still provide an excellent level of service to our residents. As with previous budgets, the fiscal year 2021 budget was put together with long-term planning in mind. The budget committee implemented a different budget process for 2021. The new budget included a base budget and with eight \$1 million supplemental

amounts. Each supplemental funding amount would be authorized once a benchmark of \$1 million over the base budget is obtained. As revenues for fiscal year 2021 are very positive in the first quarter all eight supplemental amounts have been authorized.

The fiscal year 2021 general fund base budget shows a decrease of \$15.5 million in expenses from fiscal year 2020. The decrease is due to no additional pension contribution and no additional transfer to the capital fund. Recurring expenses are relatively flat from fiscal year 2020.

The fiscal year 2021 capital improvements budget includes \$9.2 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 baseline capital budget only included projects started in previous years. The largest percentage of projects are at the County Airport and Business park.

The fiscal year 2021 sewer and water operating budget increased by 4.0 percent. The increase is due to utility and administrative costs that rise as users increase. The fees cover four wastewater treatment facilities, one water facility and tower, over 524 pump stations, and 961 miles of pipe.

The five-year capital improvement plan of \$319.5 million includes \$250.7 million for sewer and water projects and improvements, as well as \$68.8 million for other governmental fund projects, such as improving the Delaware Coastal Airport and Coastal Business Park, expanding our paramedic infrastructure, and information technology 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. 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

SUSSEX COUNTY, DELAWARE
STATEMENT OF NET POSITION
JUNE 30, 2020

-18-

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 8,206,647	\$ 7,205,726	\$ 15,412,373
Investments	39,715,189	22,978,952	62,694,141
Taxes receivable	1,734,859	-	1,734,859
Other receivables	2,346,458	4,145,163	6,491,621
Due from other governmental agencies	1,240,752	1,752,134	2,992,886
Internal balances	14,548,925	(14,548,925)	-
Inventory	26,877	821,255	848,132
Prepaid items	60,251	-	60,251
Restricted cash and cash equivalents	27,794,428	10,969,337	38,763,765
Restricted investments	60,583,049	58,000,117	118,583,166
Loans receivable	1,083,260	-	1,083,260
Capital assets:			
Land, improvements, and construction in progress	29,892,736	94,136,856	124,029,592
Other capital assets, net of depreciation / amortization	63,649,817	369,331,163	432,980,980
Total assets	<u>250,883,248</u>	<u>554,791,778</u>	<u>805,675,026</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows from other postemployment benefits	2,410,103	740,359	3,150,462
Deferred outflows from pension	4,051,513	1,244,583	5,296,096
Deferred charge on refunding of bonds	-	807,828	807,828
Total deferred outflows of resources	<u>6,461,616</u>	<u>2,792,770</u>	<u>9,254,386</u>
LIABILITIES			
Accounts payable and other current liabilities	12,113,379	8,335,325	20,448,704
Accrued interest payable	-	732,706	732,706
Employee health claims payable	1,338,424	-	1,338,424
Unearned revenue	258,400	59,096	317,496
Deposits	2,457,988	-	2,457,988
Long-term liabilities:			
Due within one year	3,987,971	8,764,262	12,752,233
Other due in more than one year	11,880,480	145,803,327	157,683,807
Total liabilities	<u>32,036,642</u>	<u>163,694,716</u>	<u>195,731,358</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows from other postemployment benefits	2,028,354	623,084	2,651,438
Deferred inflows from pension	898,404	275,980	1,174,384
Total deferred inflows of resources	<u>2,926,758</u>	<u>899,064</u>	<u>3,825,822</u>
NET POSITION			
Net investment in capital assets	93,018,347	306,996,877	400,015,224
Restricted for:			
Capital, public safety and economic development	88,799,708	-	88,799,708
Beach nourishment, waterway dredging, tourism, water quality and flood control	49,958	-	49,958
Grant expenses	105,891	-	105,891
Construction and capital	-	75,238,638	75,238,638
Unrestricted	40,407,560	10,755,253	51,162,813
Total Net Position	<u>\$ 222,381,464</u>	<u>\$ 392,990,768</u>	<u>\$ 615,372,232</u>

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

SUSSEX COUNTY, DELAWARE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

Function/Programs	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary government:							
Governmental Activities:							
General government	\$ 16,147,716	\$ 2,077,385	\$ 182,518	\$ -	\$ (13,887,813)	\$ -	\$ (13,887,813)
Planning and zoning	1,557,365	2,310,409	-	-	753,044	-	753,044
Paramedics	16,506,738	61,265	4,712,833	-	(11,732,640)	-	(11,732,640)
Emergency preparedness	4,309,246	20,800	969,429	-	(3,319,017)	-	(3,319,017)
County engineer	1,279,617	1,892,140	-	-	612,523	-	612,523
Library	3,314,143	15,744	360,626	-	(2,937,773)	-	(2,937,773)
Economic development and airpark	4,074,827	650,852	5,039	4,018,377	599,441	-	599,441
Community development	1,957,643	-	1,555,008	-	(402,635)	-	(402,635)
Grant-in-aid program	14,118,069	-	-	-	(14,118,069)	-	(14,118,069)
Constitutional offices	2,460,778	7,645,576	-	-	5,184,798	-	5,184,798
Total governmental activities	<u>65,726,142</u>	<u>14,674,171</u>	<u>7,785,453</u>	<u>4,018,377</u>	<u>(39,248,141)</u>	<u>-</u>	<u>(39,248,141)</u>
Business-type activities:							
Sewer facilities	37,418,065	24,984,618	24,787,862	13,453,904	-	25,808,319	25,808,319
Water facilities	1,189,872	1,274,502	33,928	162,291	-	280,849	280,849
Total business-type activities	<u>38,607,937</u>	<u>26,259,120</u>	<u>24,821,790</u>	<u>13,616,195</u>	<u>-</u>	<u>26,089,168</u>	<u>26,089,168</u>
Total primary government	<u>\$ 104,334,079</u>	<u>\$ 40,933,291</u>	<u>\$ 32,607,243</u>	<u>\$ 17,634,572</u>	<u>(39,248,141)</u>	<u>26,089,168</u>	<u>(13,158,973)</u>
General revenues:							
Taxes: Property					16,644,442	-	16,644,442
Fire service					1,789,174	-	1,789,174
Realty transfer					35,477,592	-	35,477,592
Lodging					49,958	-	49,958
Net investment earnings					3,113,675	396,483	3,510,158
Gain on sale of capital assets					3,777	110,900	114,677
Transfers					(13,965)	13,965	-
Total general revenues and transfers					<u>57,064,653</u>	<u>521,348</u>	<u>57,586,001</u>
Change in net position					<u>17,816,512</u>	<u>26,610,516</u>	<u>44,427,028</u>
Net position - beginning					<u>204,564,952</u>	<u>366,380,252</u>	<u>570,945,204</u>
Net position - ending					<u>\$ 222,381,464</u>	<u>\$ 392,990,768</u>	<u>\$ 615,372,232</u>

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

SUSSEX COUNTY, DELAWARE
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2020

	General	Capital Projects	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 8,206,647	\$ -	\$ 8,206,647
Investments	39,715,189	-	39,715,189
Receivables, net of allowance for doubtful accounts:			
Taxes	1,734,859	-	1,734,859
Assessments and connection	1,373,232	-	1,373,232
Accrued interest	359,182	60,792	419,974
Miscellaneous	325,215	-	325,215
Employee advances	228,037	-	228,037
Due from other governmental agencies	938,335	302,417	1,240,752
Due from other funds	14,549,864	-	14,549,864
Inventory	26,877	-	26,877
Prepaid items	60,251	-	60,251
Restricted cash and cash equivalents	21,846,814	5,947,614	27,794,428
Restricted investments	40,951,595	19,631,454	60,583,049
Total Assets	<u>130,316,097</u>	<u>25,942,277</u>	<u>156,258,374</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accounts payable and other accrued expenditures	11,718,248	395,131	12,113,379
Employee health claims payable	1,338,424	-	1,338,424
Due to other funds	-	939	939
Unearned revenue	127,675	-	127,675
Deposits	2,457,988	-	2,457,988
Total Liabilities	<u>15,642,335</u>	<u>396,070</u>	<u>16,038,405</u>
Deferred inflows of resources:			
Unavailable revenues	2,015,606	299,029	2,314,635
Total deferred inflows of resources	<u>2,015,606</u>	<u>299,029</u>	<u>2,314,635</u>
Fund balances:			
Nonspendable	316,316	-	316,316
Restricted	64,131,190	23,769,732	87,900,922
Committed	1,867,007	1,477,446	3,344,453
Assigned	8,516,719	-	8,516,719
Unassigned	37,826,924	-	37,826,924
Total fund balances	<u>112,658,156</u>	<u>25,247,178</u>	<u>137,905,334</u>
Total liabilities deferred inflows of resources, and fund balances	<u>\$ 130,316,097</u>	<u>\$ 25,942,277</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.	93,542,553
Long-term liabilities are not due and payable in the current period and therefore are not reported in the fund-level statements.	(15,868,451)
Certain tax and grant receivables do not provide current financial resources and therefore are reported as unavailable revenue in the fund-level statements.	2,183,910
Other long-term assets are not available to pay for current period expenditures and, therefore, are not recognized in the fund-level statements.	1,083,260
Consumption of net position by the government that is applicable to a future period.	6,461,616
Acquisition of net position by the government that is applicable to a future period.	(2,926,758)
Net position of governmental activities	<u>\$ 222,381,464</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, 2020**

	<u>General</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
REVENUES			
Taxes	\$ 54,100,265	\$ -	\$ 54,100,265
Intergovernmental	6,994,956	3,877,932	10,872,888
Charges for services	15,093,396	-	15,093,396
Fines and forfeits	42,889	-	42,889
Investment earnings	2,726,474	387,201	3,113,675
Miscellaneous revenue	205,623	-	205,623
Total revenues	<u>79,163,603</u>	<u>4,265,133</u>	<u>83,428,736</u>
EXPENDITURES			
Current:			
General government	19,201,796	24,992	19,226,788
Planning & zoning	1,519,867	-	1,519,867
Paramedics	16,365,912	-	16,365,912
Emergency preparedness	3,963,013	-	3,963,013
County engineer	1,339,204	-	1,339,204
Library	2,961,749	-	2,961,749
Economic development and airpark	1,632,394	-	1,632,394
Community development	1,918,981	-	1,918,981
Grant-in-aid	15,161,605	-	15,161,605
Constitutional offices	2,459,071	-	2,459,071
Capital projects	-	7,567,272	7,567,272
Total expenditures	<u>66,523,592</u>	<u>7,592,264</u>	<u>74,115,856</u>
Excess of (deficiency) of revenues over (under) expenditures	<u>12,640,011</u>	<u>(3,327,131)</u>	<u>9,312,880</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	71,535	10,000,000	10,071,535
Transfers out	(10,085,500)	-	(10,085,500)
Sale of capital assets	15,534	-	15,534
Total other financing sources and uses	<u>(9,998,431)</u>	<u>10,000,000</u>	<u>1,569</u>
Net change in fund balances	2,641,580	6,672,869	9,314,449
Fund balances - beginning	110,016,576	18,574,309	128,590,885
Fund balances - ending	<u>\$ 112,658,156</u>	<u>\$ 25,247,178</u>	<u>\$ 137,905,334</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, 2020

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

Net change in fund balances - total governmental funds		\$ 9,314,449	
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	\$ 9,536,255		
Depreciation	<u>(5,169,522)</u>	4,366,733	
The effect of various miscellaneous transactions involving capital assets (i.e. sales and transfers) is to increase net assets			
			(11,757)
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	\$ (68,869)		
Grants	277,207		
Property taxes	<u>(139,100)</u>	69,238	
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	\$ (351,775)		
Grant cost	36,438		
Net pension liability	3,675,830		
Net other postemployment benefit liability	612,726		
Pollution remediation cost	<u>104,630</u>	<u>4,077,849</u>	
Change in net position of governmental activities			<u>\$ 17,816,512</u>

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

SUSSEX COUNTY, DELAWARE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 40,276,000	\$ 40,276,000	\$ 54,100,265	\$ 13,824,265
Intergovernmental	6,974,000	6,974,000	6,994,956	20,956
Charges for services	13,858,130	13,858,130	15,093,396	1,235,266
Fines and forfeits	40,000	40,000	42,889	2,889
Investment earnings	1,000,000	1,000,000	2,726,474	1,726,474
Miscellaneous revenue	217,369	217,369	205,623	(11,746)
Total Revenues	<u>62,365,499</u>	<u>62,365,499</u>	<u>79,163,603</u>	<u>16,798,104</u>
EXPENDITURES				
Current:				
General government	21,141,564	21,141,564	19,201,796	1,939,768
Planning & zoning	1,844,352	1,844,352	1,519,867	324,485
Paramedics	16,999,575	16,999,575	16,365,912	633,663
Emergency preparedness	3,826,803	3,826,803	3,963,013	(136,210)
County engineer	1,686,849	1,686,849	1,339,204	347,645
Library	3,326,361	3,326,361	2,961,749	364,612
Economic development and airpark	1,878,107	1,878,107	1,632,394	245,713
Community development	2,430,560	2,430,560	1,918,981	511,579
Grant-in-aid	15,705,515	15,705,515	15,161,605	543,910
Constitutional offices	2,535,313	2,535,313	2,459,071	76,242
Total Expenditures	<u>71,374,999</u>	<u>71,374,999</u>	<u>66,523,592</u>	<u>4,851,407</u>
Excess (deficiency) of revenues over expenditures	<u>(9,009,500)</u>	<u>(9,009,500)</u>	<u>12,640,011</u>	<u>21,649,511</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	70,000	70,000	71,535	1,535
Transfers out	(10,085,500)	(10,085,500)	(10,085,500)	-
Sale of capital assets	-	-	15,534	15,534
Appropriated reserves	19,025,000	19,025,000	-	(19,025,000)
Total other financing sources and uses	<u>9,009,500</u>	<u>9,009,500</u>	<u>(9,998,431)</u>	<u>(19,007,931)</u>
Net change in fund balances	-	-	2,641,580	2,641,580
Fund balances - beginning	110,016,576	110,016,576	110,016,576	-
Fund balances - ending	<u>\$ 110,016,576</u>	<u>\$ 110,016,576</u>	<u>\$ 112,658,156</u>	<u>\$ 2,641,580</u>

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

SUSSEX COUNTY, DELAWARE
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2020

	Business-type Activities - Enterprise Funds		
	Unified Sewer District	Water	Totals
ASSETS			
Current assets:			
Cash and cash equivalents:			
Unrestricted	\$ 6,583,371	\$ 622,355	\$ 7,205,726
Restricted	10,627,376	341,961	10,969,337
Receivables, net of allowance for doubtful accounts:			
Service charges	321,423	37,088	358,511
Assessments and connection	83,467	-	83,467
Interest and penalties	34,321	1,125	35,446
Accrued interest	282,801	6,917	289,718
Miscellaneous	44,470	-	44,470
Employee advances	118,566	-	118,566
Due from other governmental agencies	4,858	55,506	60,364
Investments:			
Unrestricted	8,303,397	374,939	8,678,336
Restricted	16,897,579	197,168	17,094,747
Inventory	756,760	64,495	821,255
Total current assets	<u>44,058,389</u>	<u>1,701,554</u>	<u>45,759,943</u>
Noncurrent assets:			
Investments:			
Unrestricted	13,357,730	942,886	14,300,616
Restricted	40,597,285	308,085	40,905,370
Noncurrent accounts receivables:			
Service charges	1,589,242	56,769	1,646,011
Assessments and connection	761,982	194	762,176
Interest and penalties	707,084	11,089	718,173
Accrued interest	48,025	666	48,691
Miscellaneous	38,734	1,200	39,934
Due from other governmental agencies	1,632,185	59,585	1,691,770
Capital assets:			
Land, improvements, and construction in progress	93,911,802	225,054	94,136,856
Other capital assets, net of depreciation	368,201,104	1,130,059	369,331,163
Total noncurrent assets	<u>520,845,173</u>	<u>2,735,587</u>	<u>523,580,760</u>
Total Assets	<u>564,903,562</u>	<u>4,437,141</u>	<u>569,340,703</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows from other postemployment benefits	721,456	18,903	740,359
Deferred outflows from pension	1,212,806	31,777	1,244,583
Deferred charge on refunding of bonds	807,828	-	807,828
Total Deferred Outflows of Resources	<u>2,742,090</u>	<u>50,680</u>	<u>2,792,770</u>

(continued)

SUSSEX COUNTY, DELAWARE
STATEMENT OF NET POSITION - PROPRIETARY FUNDS - CONTINUED
JUNE 30, 2020

-25-

	Business-type Activities - Enterprise Funds		
	Unified Sewer District	Water	Totals
LIABILITIES			
Current liabilities:			
Accounts payable and other current liabilities	\$ 8,222,971	\$ 112,354	\$ 8,335,325
Accrued interest payable	732,706	-	732,706
Due to other funds	14,406,970	141,955	14,548,925
Current portion of long-term liabilities	8,745,014	19,248	8,764,262
Unearned revenue	53,838	5,258	59,096
Total current liabilities	<u>32,161,499</u>	<u>278,815</u>	<u>32,440,314</u>
Noncurrent liabilities:			
Long-term liabilities, less current portion	145,716,306	87,021	145,803,327
Total noncurrent liabilities	<u>145,716,306</u>	<u>87,021</u>	<u>145,803,327</u>
Total Liabilities	<u>177,877,805</u>	<u>365,836</u>	<u>178,243,641</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows from other postemployment benefits	607,175	15,909	623,084
Deferred inflows from pension	268,934	7,046	275,980
Total Deferred Inflows of Resources	<u>876,109</u>	<u>22,955</u>	<u>899,064</u>
NET POSITION			
Net investment in capital assets	305,647,769	1,349,108	306,996,877
Restricted for construction and capital assets	74,391,424	847,214	75,238,638
Unrestricted	8,852,545	1,902,708	10,755,253
Total Net Position	<u>\$ 388,891,738</u>	<u>\$ 4,099,030</u>	<u>\$ 392,990,768</u>

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

SUSSEX COUNTY, DELAWARE
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN FUND NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	Business-type Activities - Enterprise Funds		
	Unified Sewer District	Water	Totals
Operating revenues:			
Charges for services	\$ 22,211,705	\$ 1,166,067	\$ 23,377,772
Other operating revenue	2,772,913	108,435	2,881,348
Total operating revenues	<u>24,984,618</u>	<u>1,274,502</u>	<u>26,259,120</u>
Operating expenses:			
Contractual services	4,894,308	549,818	5,444,126
Depreciation	13,671,598	141,887	13,813,485
Employee benefits	3,357,355	107,364	3,464,719
Equipment and tools	93,667	10,259	103,926
Maintenance and repairs	1,369,176	68,057	1,437,233
Process chemicals	373,077	-	373,077
Professional fees	209,558	7,851	217,409
Salaries	6,346,795	165,935	6,512,730
Shared costs	2,368,034	124,633	2,492,667
Supplies	602,651	13,988	616,639
Training and travel	15,736	80	15,816
Total operating expenses	<u>33,301,955</u>	<u>1,189,872</u>	<u>34,491,827</u>
Operating (loss) income	<u>(8,317,337)</u>	<u>84,630</u>	<u>(8,232,707)</u>
Nonoperating revenue (expenses):			
Interest and investment results	2,328,544	53,331	2,381,875
Assessment and connection fees	22,834,088	2,310	22,836,398
Interest expense	(4,116,110)	-	(4,116,110)
Total nonoperating revenues	<u>21,046,522</u>	<u>55,641</u>	<u>21,102,163</u>
Income (loss) before contributions and transfers	12,729,185	140,271	12,869,456
Capital contributions	13,453,904	-	13,453,904
Capital grants	-	162,291	162,291
Gain on sale of capital assets	107,841	3,059	110,900
Transfers in	85,500	-	85,500
Transfers out	(71,535)	-	(71,535)
Change in net position	<u>26,304,895</u>	<u>305,621</u>	<u>26,610,516</u>
Total net position - beginning	<u>362,586,843</u>	<u>3,793,409</u>	<u>366,380,252</u>
Total net position - ending	<u>\$ 388,891,738</u>	<u>\$ 4,099,030</u>	<u>\$ 392,990,768</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, 2020

-27-

	Business-type Activities - Enterprise Funds		
	Unified Sewer District	Water	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers	\$ 24,532,400	\$ 1,278,763	\$ 25,811,163
Payments to employees	(10,756,204)	(309,649)	(11,065,853)
Payments to suppliers	(6,061,938)	(883,820)	(6,945,758)
Net cash flows from operating activities	<u>7,714,258</u>	<u>85,294</u>	<u>7,799,552</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(43,691,244)	(191,024)	(43,882,268)
Assessment and connection fees	22,857,977	2,310	22,860,287
Bond proceeds	12,634,947	-	12,634,947
Proceeds from sale of assets	107,841	3,059	110,900
Capital grants	2,089,650	47,200	2,136,850
Interest paid	(4,270,928)	-	(4,270,928)
Retirement of bonds and related costs	(8,784,164)	-	(8,784,164)
Bond related costs	-	-	-
Transfers from other funds for capital activities	85,500	-	85,500
Transfers to other funds for capital activities	6,340,545	117,114	6,457,659
Net cash flows for capital and related financing activities	<u>(12,629,876)</u>	<u>(21,341)</u>	<u>(12,651,217)</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Interest income and investment results	2,162,262	48,353	2,210,615
Net sales / (purchases) of investments	3,435,852	76,559	3,512,411
Net cash flows from investing activities	<u>5,598,114</u>	<u>124,912</u>	<u>5,723,026</u>
Net increase (decrease) in cash and cash equivalents	<u>682,496</u>	<u>188,865</u>	<u>871,361</u>
Cash and cash equivalents - beginning	<u>16,528,251</u>	<u>775,451</u>	<u>17,303,702</u>
Cash and cash equivalents - ending	<u>\$ 17,210,747</u>	<u>\$ 964,316</u>	<u>\$ 18,175,063</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, 2020

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Unified Sewer District</u>	<u>Water</u>	<u>Totals</u>
Reconciliation of operating (loss) income to net cash provided by operating activities:			
Operating (loss) income	\$ (8,317,337)	\$ 84,630	\$ (8,232,707)
Adjustments to reconcile operating (loss) income to net cash provided by operating			
Depreciation	13,671,598	141,887	13,813,485
Increase (decrease) in accounts payable - other	28,438	-	28,438
Increase in accounts payable - suppliers	3,972,151	(118,965)	3,853,186
Increase in compensated absences	119,247	(2,721)	116,526
Decrease in customer receivables	(255,145)	4,261	(250,884)
Increase (decrease) in inventory	(107,882)	9,831	(98,051)
Decrease in other operating receivables	(225,521)	-	(225,521)
Decrease in salaries and benefits payable	(1,171,301)	(33,629)	(1,204,930)
Net cash provided by operating activities	<u>\$ 7,714,248</u>	<u>\$ 85,294</u>	<u>\$ 7,799,542</u>

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

SUSSEX COUNTY, DELAWARE
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2020

-29-

	Pension and OPEB Trusts Total
	<u> </u>
ASSETS	
Cash and cash equivalents	\$ 2,353,919
Investments:	
U.S. Treasuries	14,735,918
Government Agencies	1,419,584
Corporate obligations	14,955,194
Core Real Estate	8,364,751
Mutual funds and pooled investments	<u>126,205,927</u>
Total Investments	<u>165,681,374</u>
Accounts receivable	77,544
Accrued interest	<u>192,560</u>
Total assets	<u>168,305,397</u>
LIABILITIES	
Accounts payable	72,326
Due to general fund	<u>11,873</u>
Total liabilities	<u>84,199</u>
NET POSITION	
Restricted for:	
Pension	120,459,235
Postemployment benefits other than pensions	<u>47,761,963</u>
Total net position	<u><u>\$ 168,221,198</u></u>

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

SUSSEX COUNTY, DELAWARE
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2020

-30-

	Pension and OPEB Trusts Total
	<u> </u>
ADDITIONS	
Employer contributions	\$ 12,614,759
Employee contributions	211,354
Investment earnings:	
Net appreciation of investments	(15,746,231)
Interest and dividends	21,469,525
Total investment earnings	<u>5,723,294</u>
Less investment expenses	<u>(210,622)</u>
Net investment earnings	<u>5,512,672</u>
Total additions	<u>18,338,785</u>
DEDUCTIONS	
Beneficiary payments	7,708,805
Professional fees	198,276
Net increase in plan net position	<u>10,431,704</u>
Net position restricted for pension and OPEB benefits - beginning	<u>157,789,494</u>
Net position restricted for pension and OPEB benefits - ending	<u><u>\$ 168,221,198</u></u>

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The County's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America applicable to State and Local governments (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The County has adopted all applicable GASB statements through No. 89 excluding GASB statement 87. FY 20 with no material impact.

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 2020 were for airport and business park expansion and improvements. As of June 30, 2020, the major projects being planned over the next five years include \$25.8 million for airport and business park improvements and expansion, \$25.7 million for property acquisition, \$16.1 million for public safety buildings, and \$0.8 million information technology infrastructure.

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 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 and amortization 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. 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 either of these Plans.

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 or

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

9. Capital Assets - Continued

amortization on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	10 - 50 years
Improvements	5 - 50 years
Equipment & machinery	5 - 20 years
Infrastructure	10 - 50 years
Purchased capacity	25 years

The County's governmental activities capital assets consists mainly of buildings, parking lots, airport aprons, airport runways, and land. The County's proprietary activities capital assets consists mainly of buildings, land, pump stations, water tower, sewer and water processing plants and equipment and purchased capacity which reserves area in the treatment plant for the County's sewer users.

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 deferred inflow from pension is described in Note F.

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 which approximates the effective interest rate 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, 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 a 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 requests 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.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

18. Budgets and Budgetary Accounting - continued

Appropriations are legislated at the departmental level. 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, 2020. 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 \$1,083,260 difference "Other long-term assets are not available to pay for current period expenditures and therefore, are not recognized in the fund level statements" is as follows:

Loan receivable	\$	1,083,260
-----------------	----	-----------

NOTE B - CASH AND INVESTMENTS – FOR ALL ACTIVITIES AND FUNDS

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, 2020, the carrying amount of the County's deposits was \$55,289,813 and the bank balance was \$53,463,675. 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 or Federal Home Loans Bank line of credits. Collateral must be maintained at a third party.

NOTE B - CASH AND INVESTMENTS – FOR ALL ACTIVITIES AND FUNDS 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.

The County's investment policy for the primary government accounts 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.

The County's investment policy for the Pension and Other Post-Retirement Employee Benefit Trusts authorizes the preceding investments as well as the following investments:

6. Local government investment pools administered by the State of Delaware.
7. Commercial paper rated in the highest rating category by Rating Services;
8. Obligations of state or local government issuers that are rated at the time of acquisition by the Trustee or a Depository in one the two highest rating categories by the Rating Services;
9. Banker's acceptances with a maximum term of one year and a rating of "Prime-1" or "A3" or better by Moody's Investors Services and "A-1" or "A" or better by Standard & Poor's Corporation;
10. Global investment pools; and
11. Core Real Estate

The County categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. U.S. Treasury and mutual funds are valued using prices quoted in active markets. Government agency and corporate debt securities are valued using matrix pricing techniques maintained by various pricing vendors that value securities based on the securities' relationship to benchmark quoted prices. There has been no change in the valuation technique. The aggregate fair value by input level, for the County investment's as of June 30, 2020 are as follows:

NOTE B - CASH AND INVESTMENTS – FOR ALL ACTIVITIES AND FUNDS CONTINUED

	June 30, 2020	Level 1	Level 2	Level 3
General Government				
Investments by fair value level				
U.S. Treasury securities	\$ 5,052,881	\$ 5,052,881	\$ -	\$ -
U.S. Government agencies securities	149,997,291	-	149,997,291	-
Total	<u>155,050,172</u>	<u>5,052,881</u>	<u>149,997,291</u>	<u>-</u>
Investments at amortized cost:				
Certificates of deposits	26,227,135			
Total investment General Government	<u>181,277,307</u>			
Pension and Other Post-Retirement Employee Benefit Trust				
Investments at fair value level				
U.S. Treasury securities	14,735,918	14,735,918	-	-
U.S. Government agencies securities	1,419,584	-	1,419,584	-
Corporate obligations	14,955,194	-	14,955,194	-
Mutual Funds	112,766,100	112,766,100	-	-
Total	<u>143,876,796</u>	<u>127,502,018</u>	<u>16,374,778</u>	<u>-</u>
Investments measured at the net asset value (NAV)				
Global pooled equities	13,439,827			
Core Real Estate	8,364,751			
Total	<u>21,804,578</u>			
Total Pension and Other Post- Retirement Employee Benefit Trust investments	165,681,374			
Total Investments	<u>\$346,958,681</u>	<u>\$132,554,899</u>	<u>\$166,372,069</u>	<u>\$ -</u>

The fair value of investments by contractual maturity as of June 30, 2020 is shown below.

Investment Type	Total	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	11-15
U.S. Treasuries	\$ 19,788,799	\$ 1,128,580	\$ 13,327,566	\$ 5,332,653	\$ -
Government Agencies	151,416,875	10,597,145	140,819,730	-	-
Corporate obligations	14,955,194	1,819,443	7,646,047	5,419,652	70,052
Certificates of deposits	26,227,135	25,949,103	278,032	-	-
Mutual funds	112,766,100	97,637,919	5,733,951	9,394,230	-
Global pooled equities	13,439,827	13,439,827	-	-	-
Core Real Estate	8,364,751	8,364,751	-	-	-
Total Investments	<u>\$346,958,681</u>	<u>\$158,936,768</u>	<u>\$167,805,326</u>	<u>\$20,146,535</u>	<u>\$70,052</u>

Detail for investments at NAV are as follows: Global pooled equities represent two collective investment trusts designed to track components of the MSCI ACWI. Redemptions can be made at daily NAV as calculated by the trustees based on underlying holdings and have no notice or frequency restrictions. Core real estate represents the County's ownership interest in a limited partnership investing in commercial real estate throughout the US. NAV is determined by partnership management based on value of real estate holdings as of the last day of the most recent quarter and may be illiquid. Investors may elect withdrawals, upon a 90-day written notice, to have some or all of their interest redeemed at NAV. Requests are accommodated each calendar quarter as liquid assets permit. The County has no unfunded commitments with these investments.

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

Cash on hand	\$ 1,240,244
Carrying amount of deposits	55,289,813
Carrying amount of investments	346,958,681
Total	<u>\$ 403,488,738</u>

NOTE B - CASH AND INVESTMENTS – FOR ALL ACTIVITIES AND FUNDS CONTINUED

Primary Government	
Unrestricted	
Cash and cash equivalents	\$ 15,412,373
Investments	62,694,141
Restricted	
Cash and cash equivalents	38,763,765
Investments	118,583,166
Total primary government	<u>235,453,445</u>
Fiduciary funds (not included in government-wide statement)	
Cash and cash equivalents	2,353,919
Investments	165,681,374
Total fiduciary funds	<u>168,035,293</u>
Total	<u>\$ 403,488,738</u>

NOTE C - ACCOUNTS RECEIVABLE

The allowance for uncollectible receivables at June 30, 2020 is \$20,248 for service, \$8,541 for assessment and \$7,612 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 \$123,381 at June 30, 2020. 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 Excite Sussex County Fund, part of the Grow America Fund, Inc. (GAF) has partnered with local funding institutions to provide economic development and job growth in Sussex County. The County has deposited \$750,000 with GAF along with matching grant funds of \$2.3 million. Deposits not yet used for loans with GAF are restricted for small business lending. The County's loan balance was \$181,917 at June 30, 2020, with interest at 1% per annum.

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, 2020 total \$777,962.

Governmental loans receivable total \$1,083,260 at June 30, 2020, which are not reflected on the governmental funds balance sheet

NOTE E - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020, was as follows:

	Balance at June 30, 2019	Increases	Decreases	Balance at June 30, 2020
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 20,967,016	\$ 1,388,109	\$ -	\$ 22,355,125
Construction in progress	4,474,414	7,567,273	4,504,076	7,537,611
Total capital assets, not Being depreciated	<u>25,441,430</u>	<u>8,955,382</u>	<u>4,504,076</u>	<u>29,892,736</u>
Other capital assets:				
Buildings	45,493,243	42,172	14,936	45,520,479
Improvements	45,159,701	4,131,604	-	49,291,305
Machinery and equipment	19,547,920	914,352	774,454	19,687,818
Total other capital assets	<u>110,200,864</u>	<u>5,088,128</u>	<u>789,390</u>	<u>114,499,602</u>
Less accumulated depreciation for:				
Buildings	11,667,907	913,501	6,730	12,574,678
Improvements	20,247,096	2,795,265	-	23,042,361
Machinery and equipment	14,539,714	1,460,756	767,724	15,232,746
Total accumulated depreciation	<u>46,454,717</u>	<u>5,169,522</u>	<u>774,454</u>	<u>50,849,785</u>
	<u>63,746,147</u>	<u>(81,394)</u>	<u>14,936</u>	<u>63,649,817</u>
Governmental Activities Capital Assets, Net	<u>\$ 89,187,577</u>	<u>\$ 8,873,988</u>	<u>\$ 4,519,012</u>	<u>\$93,542,553</u>
Business-type Activities:				
Capital assets not being depreciated:				
Land	\$ 47,407,143	\$ 8,448,711	\$ -	\$ 55,855,854
Construction in progress	9,680,333	39,374,694	10,774,025	38,281,002
Total capital assets, not being depreciated	<u>57,087,476</u>	<u>47,823,405</u>	<u>10,774,025</u>	<u>94,136,856</u>
Other capital assets:				
Buildings	42,398,135	90,235		42,488,370
Improvements	10,595,302	71,703		10,667,005
Machinery and equipment	15,379,808	1,326,944	582,296	16,124,456
Infrastructure	515,878,698	16,343,321		532,222,019
Purchased capacity	2,194,657	362,031	-	2,556,688
Total other capital assets	<u>586,446,600</u>	<u>18,194,234</u>	<u>582,296</u>	<u>604,058,538</u>
Less accumulated depreciation and amortization for:				
Building	15,130,221	799,205	-	15,929,426
Improvements	7,525,577	184,677	-	7,710,254
Machinery and equipment	12,144,581	1,167,497	585,196	12,726,882
Infrastructure	186,689,308	11,573,063	-	198,262,371
Purchased capacity	9,399	89,043	-	98,442
Total accumulated depreciation and amortization	<u>221,499,086</u>	<u>13,813,485</u>	<u>585,196</u>	<u>234,727,375</u>
Other capital assets, net	<u>364,947,514</u>	<u>4,380,749</u>	<u>(2,900)</u>	<u>369,331,163</u>
Business-type Activities Capital Assets, Net	<u>\$422,034,990</u>	<u>\$52,204,154</u>	<u>\$10,771,125</u>	<u>\$463,468,019</u>

NOTE E – CAPITAL ASSETS – CONTINUED

Depreciation and amortization expense were charged to functions as follows:

Governmental activities:

General government	\$ 1,109,823
Planning and zoning	37,498
Paramedic program	525,828
Emergency preparedness	560,965
Economic development and airpark	2,471,217
County engineer	45,043
Community development	1,994
Library	352,394
Constitutional offices	64,760

Total governmental activities depreciation expense

\$ 5,169,522

Business-type activities:

Water	\$ 141,887
Sewer	13,671,598

Total business-type activities depreciation and amortization expense

\$ 13,813,485

Construction in progress was \$45.8 million with additional contractually committed costs to complete the projects in process of approximately \$77.4 million as of June 30, 2020.

NOTE F - PENSION TRUST

Basis of Accounting

The pension trust uses 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 investments 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 investment 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 one 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

NOTE F PENSION TRUST – CONTINUED

Benefits Provided – Continued

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. Covered payroll is the payroll on which contributions to the pension plan are based.

Current membership in the plan (as of June 30, 2020) is as follows:

Total Actives	Retirees and Beneficiaries	Terminated Vested	Covered Payroll
506	285	104	\$25,943,699

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 date contributed at a rate of 3.0% of annual pay in excess of \$6,000, and the County’s contribution rate was 37.69% of covered payroll.

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

At June 30, 2020, the County reported a liability of \$1,384,706 for the net pension liability. The net pension liability was measured as of June 30, 2020, and the total liability used to calculate the net pension liability was determined by an actuarial valuation as of the 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, 2020, were as follows:

Total Pension Liability	\$121,843,941
Plan Fiduciary Net Pension	(120,459,235)
County’s Net Pension Liability	<u>\$ 1,384,706</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	<u>98.9%</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, 2020.

NOTE F - PENSION TRUST - CONTINUED

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

	Changes in the Net Pension Liability		
	Total Pension Liability	Increase (Decrease)	
	Fiduciary Plan Net Position	Net Pension Liability	
Balance at 6/30/2019	\$114,897,950	\$111,650,661	\$ 3,247,289
Changes recognized for the fiscal year:			
Service Cost	2,714,022	-	2,714,022
Interest	8,066,691	-	8,066,691
Differences between expected and actual experience	994,019	-	994,019
Change in assumptions	-	-	-
Contributions - employer	-	9,779,296	(9,779,296)
Contributions - members	-	211,354	(211,354)
Net investment income	-	3,784,895	(3,784,895)
Benefit payments	(4,828,741)	(4,828,741)	-
Administrative expense	-	(138,230)	138,230
Net change	6,945,991	8,808,574	(1,862,583)
Balance recognized at 6/30/2020	\$121,843,941	\$120,459,235	\$ 1,384,706

During the measurement year, the NPL decreased by \$1.86 million in total. The service cost and interest cost increased the NPL by \$10.78 million. Employer and member contributions and investment gains net of administrative expenses decreased the NPL by \$13.63 million. Additionally, there were actuarial experience gains during the year of \$0.99 million.

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 6.00%	Discount Rate 7.00%	1% Increase 8.00%
Total Pension Liability	\$138,125,746	\$121,843,941	\$108,379,307
Plan Fiduciary Net Position	120,459,235	120,459,235	120,459,235
Net Pension Liability	\$ 17,666,511	\$ 1,384,706	\$(12,079,928)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.2%	98.9%	111.1%

A one percent decrease in the discount rate increases the TPL by 13.4% and increases the NPL by 1175.8%. A one percent increase in the discount rate decreases the TPL by 11.1% and decreases the NPL by 972.4%.

For the year ended June 30, 2020, recognized \$4,974,289 of pension expense and reported deferred inflows and outflows of resources from pensions from the following sources:

NOTE F - PENSION TRUST - CONTINUED

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 1,513,083	\$ 353,190
Changes in assumptions	1,083,715	821,194
Difference between projected and actual earnings on pension plan investments	2,699,298	-
Total	<u>\$ 5,296,096</u>	<u>\$ 1,174,384</u>

The impact of experience gains or losses and assumption changes on the TPL are recognized in expense over the average expected remaining service life of all active and inactive members of the Plan, or six years as of the measurement date. The impact of investment gains or losses is recognized over a period of five years.

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

Year End June 30:	
2021	\$ 940,791
2022	1,405,786
2023	896,690
2024	712,776
2025	165,669
Thereafter	-

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of July 1, 2020, using the Entry Age Normal cost method and the following actuarial assumptions based on the census data as of July 1, 2020 and the measurement date of June 30, 2020.

- Mortality rates; RP-2014 Total Mortality Table projected generationally using Scale MP-2018
- Termination Rates;

<u>Service</u>	<u>Termination Rates (%)</u>
0	10.0
1	9.0
2	8.0
3	7.0
4	12.0
5-9	3.0
10	10.0
11-14	5.0
15-24	1.0
25-29	.5

NOTE F - PENSION TRUST – CONTINUED

Actuarial Assumptions - Continued

- Retirement Rates;
 The following retirement rates have been used for Non-elected and Elected Officials

Age	< 30 Years of Service (%)	30+ Years of Service (%)
<55	0	15
56-59	0	8
60	20	8
61	20	40
62	20	30
63	25	30
64	10	10
65	25	50
66-67	10	10
68	15	10
69	15	100
70+	100	100

- The following rates have been used for paramedics and dispatchers

Age	< 25 Years of Service (%)	25-29 Years of Service (%)	30+ Years of Service (%)
<55	0	30	100
56-59	0	50	100
60-64	50	50	100
65+	100	100	100

- Net investment return; 7.0% per year, net of investment expenses
- Retirement age for inactive vested participants; age 62
- Percent married; 65% of the population is assumed to be married
- Age of spouse; Females (or males) are three years younger (or older) than their spouses
- Salary increases are based on the following

Service Years	Salary Increase (%)
0-4	5.00
5-9	4.50
10-24	4.00
25+	3.50

- Cost-of-living; adjustment 1.0% 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, 2020 are summarized in the following table:

NOTE F - PENSION TRUST – CONTINUED

Pension Trust Assets - Continued

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Expected Real Rate of Return</u>
Domestic Equity	49%	7.1%
International Equity	16%	8.5%
Core Real Estate	5%	4.4%
Fixed Income	29%	1.8%
Cash	1%	0.7%

The discount rate used to measure the total pension liability was 7.00 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.

The money-weighted rate of return of the pension plan for the year ended June 30, 2020 was 3.14% and expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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, mutual funds, corporate obligations, municipal obligations, various common stocks, Core Real Estate 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. Additional information can be found in Note B - Cash and Investments.

The Pension investment policy is a goal of 65 percent investments in equity, 30 percent in fixed income investments, and 5 percent in private real estate. Historically, the County has met or exceeded asset class benchmarks. The following represents the asset allocation policy as of June 30, 2020.

<u>Asset Class</u>	<u>Target Allocation Total</u>
Domestic Equity	49%
International Equity	16%
Core Real Estate	5%
Fixed Income	29%
Cash	1%
Total	100%

There are no significant 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 pension benefits at June 30, 2020.

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.

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

Post-retirement Employee Benefit Plan Description and Provisions

The County established and administers a single-employer post-retirement employee benefit plan for its employees. During fiscal year 2005, the County established the “Sussex County Employment Benefit Plan” by Ordinance No. 1783. The plan is reported in the 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, 2020) is as follows:

Total Actives	Retirees and Beneficiaries	Terminated Vested
480	218	0

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 (ADC), as calculated by the Plan’s actuary. Plan members are not required to contribute. Contributions made of \$2,835,463 were 11.48% 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, 2019 was 7.0%, the long-term rate of return as of June 30, 2019. The discount rate used to measure Total OPEB Liability (TOL) as of June 30, 2020 was 7.00%, the long-term rate of return as of June 30, 2020.

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, 2020 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Expected Real Rate of Return</u>
Domestic Equity	49%	7.1%
International Equity	16%	8.5%
Core Real Estate	5%	4.4%
Fixed Income	29%	1.8%
Cash	1%	0.7%

The money-weighted rate of return of the OPEB plan for the year ended June 30, 2020 was 3.61% and expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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 a closed 30-year level percent of pay.

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

Actuarial Assumptions - Continued

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 following the procedures described in paragraphs 48-50 of GASB 74. Consequently, the single equivalent rate used to determine the TOL as of June 30, 2020 is 7.00%, the long-term expected rate-of-return as defined by GASB 74 as of that date.

The following summarizes the key methods and assumptions used to determine the ADC for FYE 2020.

Valuation date; July 1, 2019

Timing; Actuarially determined contributions are calculated based on the actuarial valuation at the beginning of the fiscal year.

Actuarial Cost Method; Entry Age Normal Cost Method

Asset Valuation Method; Market Value

Amortization Method; 30 Year Closed Amortization, level percentage of payroll

Salary Increases; 3.50%

Discount Rate; 7.00%

Ultimate Rate of Per Person Cost Trends; 4.00%

Rate of Mortality; RP 2014 Standard Table, projected Fully Generational using scale MP-2018

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, 2020.

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability	Fiduciary Plan Net Position	Net OPEB Liability
Balance at 6/30/2019	\$54,869,840	\$46,138,833	\$8,731,007
Changes recognized for the fiscal year:			
Service Cost	1,177,365	-	1,177,365
Interest	3,824,207	-	3,824,207
Differences between expected and actual experience	2,351,755	-	2,351,755
Changes of assumptions	(1,377,792)	-	(1,377,792)
Contributions – employer	-	2,835,463	(2,835,463)
Net investment income	-	1,727,777	(1,727,777)
Benefit payments	(2,880,064)	(2,880,064)	-
Administrative expense	-	(60,046)	60,046
Net change	3,095,471	1,623,130	1,472,341
Balance recognized at 6/30/2020	\$57,965,311	\$47,761,963	\$10,203,348

During the measurement year, the NOL decreased by \$1.5 million. The service cost and interest cost increased the NOL by \$5.0 million while contributions plus investment gains net of administrative expenses decreased the NOL by \$4.5 million.

There were no changes in benefits during the year. There was a change to the claim costs assumption, demographic assumptions and discount rate during the measurement year, which decreased the TOL by \$1.4 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 following table shows the sensitivity of the NOL to the discount rate.

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

OPEB Liability – continued

Sensitivity of Net OPEB Liability to Changes in Discount Rate

	1% Decrease 6.00%	Discount Rate 7.00%	1% Increase 8.00%
Total OPEB Liability	\$ 66,464,524	\$ 57,965,311	\$ 51,032,759
Plan Fiduciary Net Position	47,761,963	47,761,963	47,761,963
Net OPEB Liability	\$ 18,702,561	\$ 10,203,348	\$ 3,270,796
Plan Fiduciary Net Position as a Percentage of the TOL	71.9%	82.4%	93.6%

A one percent decrease in the discount rate increases the TOL by 15% and increase in the NOL by 83%. A one percent increase in the discount rate decreases the TOL by 12% and decreases the NOL by 68%.

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.

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

	1% Decrease	Healthcare Trend	1% Increase
Total OPEB Liability	\$ 50,443,998	\$ 57,965,311	\$ 67,370,942
Plan Fiduciary Net Position	47,761,963	47,761,963	47,761,963
Net OPEB Liability	\$ 2,682,035	\$ 10,203,348	\$ 19,608,979
Plan Fiduciary Net Position as a Percentage of the TOL	94.7%	82.4%	70.9%

A one percent decrease in the healthcare trends decreases the TOL by 13% and decrease the NOL by 74%. A one percent increase in the healthcare trends increases the TOL 16% and increases the NOL by 92%.

Deferred Inflows and Outflows of Resources Related to OPEB

The County implemented GASB 75 as of June 30, 2017. June 30, 2020 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 seven years.

During the year, there was an experience loss of \$2,351,755. \$335,965 of the loss was recognized in the current year and an identical amount will be recognized in each of the next six years, resulting in a deferred outflow of resources as of June 30, 2020 of \$2,015,790. There were no plan changes. There was an assumption gain due to the revised claim curves and trends of \$1,377,792. \$196,827 of that gain was recognized in the current year and an identical amount will be recognized in each of the next six years, resulting in a deferred inflow of resources of June 30, 2020 of \$1,180,965.

The impact of investment gains or losses is recognized over a period of five years. During the measurement year, there was an investment loss of \$1,498,341. \$299,668 of that loss was recognized in the current year and an identical amount will be recognized in each of the next four years, resulting in a deferred outflow of resources as of June 30, 2020 of \$1,198,673.

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

Deferred Inflows and Outflows of Resources Related to OPEB - Continued

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.

	Deferred Outflows of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	\$ 2,057,442	\$ 254,480
Changes in assumptions	-	2,396,964
Difference between projected and actual earnings on OPEB plan investments	1,093,020	-
Total	\$ 3,150,462	\$ 2,651,444

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

Year End June 30:	
2021	\$ (25,779)
2022	186,952
2023	192,294
2024	153,041
2025	(146,625)
Thereafter	139,135

The annual OPEB expense for the fiscal year ending June 30, 2020 is \$2,034,511, which is 8.24% of covered 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.

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, Core Real Estate and U.S. Treasuries through the custodian, Wilmington Trust Company. Corporate obligations are all rated A or higher, while mutual funds are unrated. Additional information can be found in Note B sections for Cash and Investments.

The Pension Committee's policy is a goal of 65 percent investments in equity, 30 percent in fixed income investments, and 5 percent in private real estate. The following represents the asset allocation policy as of June 30, 2020.

<u>Asset Class</u>	<u>Target Allocation Total</u>
Domestic Equity	49%
International Equity	16%
Core Real Estate	5%
Fixed Income	29%
Cash	1%
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, 2020.

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 3.25% at June 30, 2020. The County had \$10,000,000 of unused line of credit to be drawn upon as needed. No balance was outstanding at June 30, 2020.

NOTE J - LONG -TERM LIABILITIES

Description of Bonds Payable

At June 30, 2020, 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.	\$ 289,292
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.	584,209
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.	3,287,945
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.	342,084
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.	1,415,497
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.	841,447
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.	564,103
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.	390,278
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.	460,233

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.	4,103,992
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.	5,720,494
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.	3,208,936
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.	63,078
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.	10,267,610
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.	2,344,461
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.	1,680,007
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.	274,229
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.	6,533,776
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.	4,728,293
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.	4,318,083
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.	5,380,731

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.	447,605
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.	1,886,179
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.	1,537,788
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.	958,305
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.	3,564,520
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.	990,009
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.	275,421
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.	21,980,000
2012B wastewater general obligation bonds (refunding), due in semi-annual installments, interest ranging from 2% to 5%, final payment due March 15, 2049.	16,170,000
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.	3,590,014
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.	77,937
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.	5,279,791
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.	1,767,855

NOTE J - LONG-TERM LIABILITIES - CONTINUED

<u>Description of Bonds Payable - Continued</u>	<u>Business-type</u>
2014 wastewater general obligation bond (Angola Neck), due in quarterly installments, interest at 2.375%, final payment due September 26, 2054. Total bonds authorized are \$987,000.	895,714
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.	5,066,156
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.	5,788,525
2018 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.	2,231,683
2018 wastewater general obligation bonds (Fenwick Island Expansion), due in semi-annual installments, interest at 2.00%, final payment due July 1, 2048. Total bonds authorized are \$2,834,689.	2,184,045
2018 wastewater general obligation bonds (Millville), due in quarterly installments, interest at 1.75%, final payment due November 11, 2058. Total bonds authorized are \$1,200,000.	1,087,854
2018 wastewater general obligation bonds (Millville), due in quarterly installments, interest at 2.00%, final payment due November 11, 2058. Total bonds authorized are \$138,000.	60,463
2018 wastewater general obligation bonds (Concord Road), due in quarterly installments, interest at 2.375%, final payment due February 2, 2059. Total bonds authorized are \$729,000.	712,222
2018 wastewater general obligation bonds (Concord Road), due in quarterly installments, interest at 2.125%, final payment due February 2, 2058. Total bonds authorized are \$230,000.	214,647
2019 wastewater general obligation bonds (Western Sussex), due in semi-annual installments, interest at 2.529%, final payment due September 1, 2050. Total bonds authorized are \$16,634,748, upon completed of project up to \$3,200,000 of the outstanding principal balance will be forgiven by the agency, with \$13,434,748 is expected to be the remaining balance.	3,737,689
2019 wastewater general obligation bonds (Inland Bays), due in quarterly installments, interest at 1.75%, final payment due October 24, 2059. Total bonds authorized are \$8,808,000.	8,731,680
2019B wastewater general obligation bonds (Joy Beach), due in semi-annual installments, interest at 2.057%, final payment due September 1, 2051. Total bonds authorized are \$5,691,821, upon completed of project up to \$3,396,000 of the outstanding principal balance will be forgiven by the agency, with \$2,295,821 is expected to be the remaining balance.	2,428

J - LONG-TERM LIABILITIES - CONTINUED

<u>Description of Bonds Payable - Continued</u>	<u>Business-type</u>
2019C wastewater general obligation bonds (Mulberry Knoll), due in semi-annual installments, interest at 2.057%, final payment due September 1, 2051. Total bonds authorized are \$3,135,379, upon completed of project up to \$1,941,000 of the outstanding principal balance will be forgiven by the agency, with \$1,194,379 is expected to be the remaining balance.	2,419
Subtotal	<u>146,039,727</u>
Unamortized bond premium	<u>4,034,348</u>
TOTAL BOND PAYABLE	<u>\$150,074,075</u>

Contract Commitments

The County has obligated itself under contracts for various projects. At June 30, 2020, the obligated unrecorded amount was approximately \$78.0 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, 2020 totaled \$47.5 million. The bonds are to finance various sewer and water construction and improvement projects.

Long-term Liability Activity

Long-term liability activity for the year ended June 30, 2020, was as follows:

	<u>June 30, 2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2020</u>	<u>Due Within One Year</u>
Governmental Activities:					
Net pension liability	\$ 2,484,176	\$ -	\$ 1,424,876	\$ 1,059,300	\$ -
Net other postemployment benefits liability	6,679,220	1,126,341	-	7,805,561	-
Compensated absences	6,337,925	3,187,915	2,836,140	6,689,700	2,824,041
Estimated liability for pollution remediation	418,520	-	104,630	313,890	104,630
Total Governmental Activities	<u>\$ 15,919,841</u>	<u>\$4,314,256</u>	<u>\$4,365,646</u>	<u>\$15,868,451</u>	<u>\$2,928,671</u>
Business-Type Activities:					
General obligation bonds	\$142,188,944	\$12,634,947	\$ 8,784,164	\$146,039,727	\$7,769,994
Unamortized bond premium	4,370,116	-	335,768	4,034,348	278,120
Total bonds payable	146,559,060	12,634,947	9,119,932	150,074,075	8,048,114
Net pension liability	763,113	-	437,707	325,406	-
Net other postemployment benefits liability	2,051,787	346,000	-	2,397,787	-
Compensated absences	1,653,795	895,414	778,888	1,770,321	716,148
Total Business-type Activities	<u>\$151,027,755</u>	<u>\$13,876,361</u>	<u>\$10,336,527</u>	<u>\$ 154,567,589</u>	<u>\$ 8,764,262</u>

NOTE J - LONG-TERM LIABILITES – CONTINUED

Debt Maturity

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.

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

Year ending June 30,	Business-type Activities - General Obligation		
	Principal	Interest	Total
2021	\$ 7,769,994	\$ 4,070,337	\$ 11,840,331
2022	6,175,456	3,895,013	10,070,469
2023	6,315,885	3,748,237	10,064,122
2024	5,938,857	3,597,116	9,535,973
2025	5,439,252	3,457,387	8,896,639
2026 – 2030	26,391,770	15,150,369	41,542,139
2031 – 2035	26,342,168	11,272,967	37,615,135
2036 – 2040	22,254,683	7,532,211	29,786,894
2041 – 2045	18,370,395	4,264,256	22,634,651
2046 – 2050	14,363,667	1,824,041	16,187,708
2051 – 2055	5,156,825	358,271	5,515,096
2056 – 2060	1,520,775	62,012	1,582,787
TOTAL	\$ 146,039,727	\$ 59,232,217	\$ 205,271,944

Legal Debt Margin

Sussex County is subject to a debt limit that is 12% of the assessed value of the taxable property. At June 30, 2020, the amount was \$440.9 million. As of June 30, 2020, the total outstanding debt applicable to the limit was \$150.1 million, which is 34.0% of the total debt limit.

NOTE K - INTERFUND BALANCES

Interfund balances at June 30, 2020 consisted of the following:

Receivable Fund	Payable Fund	Amount
General fund	Unified sewer fund	\$ 14,406,970
General fund	Capital projects fund	939
General fund	Water fund	141,955

At June 30, 2020, interfund balances represented interim financing for sewer projects, which are to be repaid when the County draws the permanent funding. Realty transfer tax financed \$14,548,925 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:

NOTE L - FUND BALANCES - GOVERNMENTAL FUNDS - CONTINUED

	<u>General</u>	<u>Capital Projects</u>	<u>Total</u>
Nonspendable			
Inventory	\$ 26,877	\$ -	\$ 26,877
Prepaid items	61,402	-	61,402
Employee advances	228,037	-	228,037
Total nonspendable	<u>316,316</u>	<u>-</u>	<u>316,316</u>
Restricted			
Grant expenditures	568,083	-	568,083
Infrastructure, public safety, economic development items, capital	63,563,107	23,769,732	87,332,839
Total restricted	<u>64,131,190</u>	<u>23,769,732</u>	<u>87,900,922</u>
Committed			
Open space land program	717,229	1,477,446	2,194,675
Farmland preservation	1,140,000	-	1,140,000
Landfill monitoring	9,778	-	9,778
Total committed	<u>1,867,007</u>	<u>1,477,446</u>	<u>3,344,453</u>
Assigned			
Grant-in-aid for County tax subsidy program	39,745	-	39,745
Open space park program	1,000,000	-	1,000,000
Encumbrances	246,974	-	246,974
Reassessment	5,030,000	-	5,030,000
Reserves budgeted for next year	2,200,000	-	2,200,000
Total assigned	<u>8,516,719</u>	<u>-</u>	<u>8,516,719</u>
Unassigned	<u>37,826,924</u>	<u>-</u>	<u>37,826,924</u>
Total Fund Balances – Governmental Funds	<u>\$ 112,658,156</u>	<u>\$ 25,247,178</u>	<u>\$ 137,905,334</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 has long-term operating leases to 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 \$7,534,499 and accumulated depreciation of \$2,151,818, improvements with a cost basis of \$658,924 and accumulated depreciation of \$170,174, equipment with a cost of \$36,345 and accumulated depreciation of \$14,538, and land with a cost basis of \$14,504,175 were being leased as of June 30, 2020.

The minimum future rental revenue under leases as of June 30, 2020 for each of the next five years and thereafter in the aggregate are:

<u>Year ending June 30,</u>	<u>General Fund Amount</u>	<u>Enterprise Fund Amount</u>
2021	\$ 364,962	\$ 202,608
2022	285,451	198,760
2023	225,619	152,079
2024	213,770	76,449
2025	158,962	14,364
Thereafter	<u>2,394,985</u>	<u>20,220</u>
Minimum Lease Payments Receivable	<u>\$ 3,643,749</u>	<u>\$ 664,480</u>

NOTE N - INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2020, consisted of the following:

Transfer to:	Transfer from		
	General Fund	Unified Sewer	Total
General fund	\$ -	\$ 71,535	\$ 71,535
Unified sewer fund	85,500	-	85,500
Capital improvements fund	10,000,00	-	10,000,000
	\$ 10,085,500	\$ 71,535	\$10,157,035

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 2020, 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 \$10,584,290 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.

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, 2020 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 2019 and 2020 were as follows:

	Beginning of Year Balance	Current-Year Claims and Changes in Estimates	Claim Payments	End of Year Balance
2018-2019	\$ 1,235,903	\$ 8,747,119	\$ (8,493,030)	\$ 1,489,992
2019-2020	1,489,992	9,026,064	(9,177,632)	1,338,424

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 an agreement for services with the City of Rehoboth to provide wastewater treatment for the Dewey Beach, Henlopen Acres and West Rehoboth sanitary sewer system. The contract was executed on August 8, 2017 and is in effect for twenty-five years with an option to renew for additional twenty-five years. This agreement covers County's payments for purchase capacity rights and the County's share of the operating costs. The County has entered in to loan agreements with the City of Rehoboth to help fund improvements to the City owned treatment plant. The one loan is estimated to be \$3.5 million of 10 years at zero percent. The second loan is for \$3.3 million at two percent for 10 years. The County has a wastewater treatment agreement with the City of Rehoboth in which the County currently has 42% of the treatment plant capacity. The County's annual treatment cost are based on the capacity percentage; therefore, it was for the best interest of both parties to enter into agreement. The balance outstanding total is \$1,389,837 as of June 30, 2020. The County has a contract with the City of Rehoboth for the purpose of purchasing water for the Dewey Beach water customers. The contract is in effect from January 1, 2020 to December 31, 2021.

The County entered into 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 June 2021 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 \$313,890 of which \$104,630 is due within one year. The County has estimated future obligations based on professional consultant estimates and historical expenses of similar projects; however, there is the potential for change in estimates due to price increase or reductions, technology, or applicable laws and regulations.

The estimated pollution remediation liability relates to the anticipated cost of continued implementation of the Groundwater Management Zone (GMZ), sampling of residential wells, maintenance of the vegetation cap, removal of any debris, grading of low laying areas and continued sampling of groundwater wells at the County's closed landfill site in Laurel. The Delaware Department of Natural Resources & Environmental Control (DNREC) has accepted the County's responsibility to continue to maintain the closed landfill. An investigation of the site is completed every five years. The County estimates that it will be obligated to perform pollution remediation obligation through the next evaluation period. At the next evaluation period, the County will reassess whether any additional liability will be required.

NOTE R - CONTINGENCIES

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

NOTE R – CONTINGENCIES - CONTINUED

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, 2020 equaling \$118,807,000. 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.

The COVID-19 pandemic outbreak in the United States has caused business disruption through mandated and voluntary closings and restrictions on business operations. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings and restrictions. Although not all of the County's services are considered essential, a majority of the County operations have continued as normal during the pandemic. To keep the County's business operations running during the pandemic it has modified its operations, expanded online services, and transitioned some of their staff to a remote workforce. So far, the County has been able to cover any additional cost from COVID-19 to date with CARES Act grant funds and contingency funding. The County has not experienced any declines in their major revenue sources. The real estate-based revenue, the County's largest revenue source, is trending above both the projected 2021 budget amounts and 2020 actual amounts. The County is not anticipating any major negative impact on the financial position of the County; the ultimate financial impact and duration cannot be estimated at this time.

NOTE S - SUBSEQUENT EVENTS

Subsequent to June 30, 2020, the County authorized the issuance of \$105.7 million of General Obligation Bonds to fund of which \$38.2 million is for new debt for projects at Inland Bays, South Coastal and Piney Neck Treatment plants, \$5.7 million to acquire land for conservation and \$57.7 million the remaining debt is being used to refund prior debt.

The County approved the award of contracts totaling \$9.8 million for the construction and improvement of various sewer, business park and airport improvement projects.

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.

REQUIRED SUPPLEMENTARY INFORMATION

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

	Fiscal Year Ending						
	2014	2015	2016	2017	2018	2019	2020
Total Pension Liability							
Service Cost	\$ 1,773,965	\$ 1,876,088	\$ 1,817,625	\$ 1,885,125	\$ 2,142,142	\$ 2,271,361	\$ 2,714,022
Interest Cost	5,768,860	6,211,311	6,698,077	7,078,272	7,593,994	8,037,883	8,066,691
Change in Benefit Terms	-	-	-	1,259,679	-	-	-
Differences Between Expected and Actual Experiences	(2,185,380)	805,130	1,134,350	651,103	551,937	(529,784)	994,019
Change in Assumptions	-	-	-	3,251,143	-	(1,231,792)	-
Benefit Payments, Including Refunds of Member Contributions	(2,971,418)	(3,196,734)	(3,473,063)	(3,853,298)	(4,179,270)	(4,414,193)	(4,828,741)
Net Change in Total Pension Liability	2,386,027	5,695,795	6,176,989	10,272,024	6,108,803	4,133,475	6,945,991
Total Pension Liability (Beginning)	80,124,837	82,510,864	88,206,659	94,383,648	104,655,672	110,764,475	114,897,950
Total Pension Liability (Ending)	\$ 82,510,864	\$ 88,206,659	\$ 94,383,648	\$104,655,672	\$110,764,475	\$114,897,950	\$ 121,843,941
Plan Fiduciary Net Position							
Contributions - Employer	\$ 3,587,012	\$ 3,588,403	\$ 3,597,265	\$ 3,835,851	\$ 9,274,076	\$ 14,462,910	\$ 9,779,296
Contributions - Member	1,239	16,197	48,721	86,279	134,150	172,315	211,354
Net Investment Income	10,344,007	3,028,832	(345,584)	8,829,624	6,888,854	6,771,191	3,784,895
Benefit Payments, Including Refunds of Member Contributions	(2,972,657)	(3,196,734)	(3,473,063)	(3,853,298)	(4,179,270)	(4,414,193)	(4,828,741)
Administrative Expenses	(138,063)	(80,891)	(107,035)	(101,597)	(108,527)	(110,423)	(138,230)
Net Change in Plan Fiduciary Net Position	10,821,538	3,355,807	(279,696)	8,796,859	12,009,283	16,881,800	8,808,574
Plan Fiduciary Net Position (Beginning)	60,065,070	70,886,608	74,242,415	73,962,719	82,759,578	94,768,861	111,650,661
Plan Fiduciary Net Position (Ending)	70,886,608	74,242,415	73,962,719	82,759,578	94,768,861	111,650,661	120,459,235
County's Net Pension Liability (Ending)	\$ 11,624,256	\$ 13,964,244	\$ 20,420,929	\$ 21,896,094	\$ 15,995,614	\$ 3,247,289	\$ 1,384,706
Net Position as a % of Pension Liability	85.91%	84.17%	78.36%	79.08%	85.56%	97.17%	98.86%
Covered Payroll	\$ 20,427,138	\$ 21,081,346	\$ 21,671,478	\$ 22,642,273	\$ 23,910,625	\$ 25,270,591	\$ 25,943,699
Net Pension Liability as a % of Payroll	56.91%	66.24%	94.23%	96.70%	66.90%	12.85%	5.34%

Benefit and assumption changes: In 2017, the maximum service for paramedics, dispatchers and non-elected officials hired after July 1, 2000 increased 5 years. Investment return assumption decreased from 7.50% to 7.25% in 2018 and from 7.25% to 7.00% in 2019, for additional assumption changes see page 46 - Note F.

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	2018	2019	2020
Actuarially Determined Contribution	\$ 2,868,624	\$ 2,757,068	\$ 3,057,193	\$ 3,391,726	\$ 4,111,811	\$ 3,794,161	\$ 2,960,567
Less: Contributions made in Relation to the Actuarially Determined Contribution	3,587,012	3,588,403	3,597,265	3,835,851	9,274,076	14,462,910	9,779,296
Contribution Deficiency (excess)	<u>\$ (718,388)</u>	<u>\$ (831,335)</u>	<u>\$ (540,072)</u>	<u>\$ (444,125)</u>	<u>\$ (5,162,265)</u>	<u>\$ (10,668,749)</u>	<u>\$ (6,818,729)</u>
Covered Payroll	\$ 20,427,138	\$ 21,081,346	\$ 21,671,478	\$ 22,642,273	\$ 23,910,625	\$ 25,270,591	\$ 25,943,699
Contributions as a % of Covered Payroll	17.56%	17.02%	16.60%	16.94%	38.79%	57.23%	37.69%

Notes to Schedule:

Valuation Date July 1, 2019
 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 7.00%
 Inflation 2.50%
 Salary Increases From 3.5% - 5.5% based on service
 Mortality RP-2014 Total Mortality Table projected generationally using Scale MP-2018

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

	Fiscal Year Ending						
	2014	2015	2016	2017	2018	2019	2020
Annual Money-Weighted Rate of Return, Net of Investment Expense	17.56%	4.26%	-0.47%	10.67%	7.51%	6.10%	3.14%

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

SUSSEX COUNTY, DELAWARE
 SCHEDULE OF CHANGE IN THE EMPLOYER'S NET OTHER POSTEMPLOYMENT BENEFIT
 LIABILITY AND RELATED RATIOS

	Fiscal Year Ending 2017	Fiscal Year Ending 2018	Fiscal Year Ending 2019	Fiscal Year Ending 2020
Total Other Postemployment Benefit Liability				
Service Cost	\$ 810,080	\$ 909,398	\$ 925,928	\$ 1,177,365
Interest	3,656,274	3,787,370	3,829,471	3,824,207
Differences between expected and actual experience	112,594	66,645	(356,272)	2,351,755
Changes of assumptions	786,564	(1,835,557)	(96,289)	(1,377,792)
Benefit payments	(1,828,522)	(2,126,749)	(2,609,065)	(2,880,064)
Net Change in Total Other Postemployment Benefit Liability	3,536,990	801,107	1,693,773	3,095,471
Total Other Postemployment Benefit Liability - Beginning	48,837,970	52,374,960	53,176,067	54,869,840
Total Other Postemployment Benefit Liability - Ending	<u>\$ 52,374,960</u>	<u>\$ 53,176,067</u>	<u>\$ 54,869,840</u>	<u>\$ 57,965,311</u>
Plan Fiduciary Net Position				
Contributions - employer	\$ 1,991,965	\$ 7,172,834	\$ 2,687,134	\$ 2,835,463
Contributions - members	-	-	-	-
Net investment income	3,456,691	2,772,210	2,935,078	1,727,777
Benefit payments	(1,828,522)	(2,126,749)	(2,609,065)	(2,880,064)
Administrative expense	(55,676)	(58,180)	(53,118)	(60,046)
Net Change in Plan Fiduciary Net Position	3,564,458	7,760,115	2,960,029	1,623,130
Plan Fiduciary Net Position - Beginning	31,854,231	35,418,689	43,178,804	46,138,833
Plan Fiduciary Net Position - Ending	<u>\$ 35,418,689</u>	<u>\$ 43,178,804</u>	<u>\$ 46,138,833</u>	<u>\$ 47,761,963</u>
Sponsor's Net Other Postemployment Benefit Liability	<u>\$ 16,956,271</u>	<u>\$ 9,997,263</u>	<u>\$ 8,731,007</u>	<u>\$ 10,203,348</u>
Plan Fiduciary Net Position as a percentage of the Total Other Postemployment Benefit Liability	67.63%	81.20%	84.09%	82.40%
Covered Payroll	\$ 22,608,597	\$ 23,067,300	\$ 24,181,316	\$ 24,696,338
Net Other Postemployment Benefit Liability as a percentage of Covered Payroll	75.00%	43.34%	36.11%	41.32%

Benefit and assumption changes: In 2017, The maximum service for paramedics, dispatchers and non-elected officials hired after July 1, 2000 increased 5 years. 2018 Investment return assumption decreased from 7.50% to 7.25%. 2019 investment return assumption decreased from 7.25% to 7.00%.

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

SUSSEX COUNTY, DELAWARE
 SCHEDULE OF EMPLOYER CONTRIBUTIONS - OTHER POST-EMPLOYMENT BENEFIT TRUST

	Fiscal Year Ending 2017	Fiscal Year Ending 2018	Fiscal Year Ending 2019	Fiscal Year Ending 2020
Actuarially Determined Contribution (ADC)	\$ 1,870,754	\$ 1,944,316	\$ 1,564,364	\$ 1,808,053
Less: Contributions made in relation to the Actuarially Determined Contributions	1,991,965	7,172,834	2,687,134	2,835,463
Contribution Deficiency (excess)	\$ (121,211)	\$ (5,228,518)	\$ (1,122,770)	\$ (1,027,410)
Covered Payroll (Pay)	\$ 22,608,597	\$ 23,067,300	\$ 24,181,316	\$ 24,696,338
Actual Contributions as % of Pay	8.81%	31.10%	11.11%	11.48%

The notes below summarize the key methods and assumptions used to determine the ADC for FYE 2019.

Notes to Schedule:

Valuation Date	July 1, 2019
Timing	Actuarially determined contributions are calculated based on the actuarial valuation at the beginning of the fiscal year.

Key Methods and Assumptions Used to Determined Contribution Rates

Actuarial Cost Method	Entry Age Normal Cost Method
Asset Valuation Method	Market Value
Amortization Method	30 year closed amortization, level percentage of payroll as of July 1, 2018
Discount Rate	7.00%
Salary Increases	3.5%
Mortality	RP 2014 Standard Table, projected Fully Generational using scale MP-2018

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

SUSSEX COUNTY, DELAWARE
SCHEDULE OF INVESTMENT RETURNS - OTHER POST-EMPLOYMENT BENEFIT TRUST

	Fiscal Year Ending 2017	Fiscal Year Ending 2018	Fiscal Year Ending 2019	Fiscal Year Ending 2020
Annual Money-Weighted Rate of Return Net of Investment Expense	9.89%	6.59%	6.44%	3.61%

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

INDIVIDUAL FUND FINANCIAL SCHEDULES

GENERAL FUND

SUSSEX COUNTY, DELAWARE
 SCHEDULE OF GENERAL FUND REVENUES AND OTHER FINANCING SOURCES - BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2020

	Final Budget Amounts	Actual Amounts	Variance with Final Budget
Taxes			
Real property - County	\$ 14,442,600	\$ 14,885,545	\$ 442,945
Real property - library	1,693,400	1,727,311	33,911
Realty transfer	22,500,000	35,477,592	12,977,592
Fire service	1,500,000	1,789,174	289,174
Lodging tax	-	49,958	49,958
Penalties and interest	140,000	170,685	30,685
Total taxes	<u>40,276,000</u>	<u>54,100,265</u>	<u>13,824,265</u>
Intergovernmental			
Federal grants:			
Emergency preparedness	200,000	343,832	143,832
Miscellaneous	-	15,257	15,257
Housing and urban development	1,880,000	1,516,438	(363,562)
Project income	-	37,611	37,611
Federal payments in lieu of taxes	5,400	6,622	1,222
State grants:			
Library	340,000	333,799	(6,201)
Paramedics	4,478,600	4,670,529	191,929
Local emergency plan commission	70,000	70,868	868
Total intergovernmental	<u>6,974,000</u>	<u>6,994,956</u>	<u>20,956</u>
Charges for services			
Mobile home placement fees	130,000	129,371	(629)
Building inspection fees	1,640,000	1,770,613	130,613
Miscellaneous general government fees	66,000	118,924	52,924
Building permits and zoning fees	2,100,000	2,275,541	175,541
911 System fees	559,630	606,273	46,643
Private road and sewer review and inspection fees	1,615,000	1,876,485	261,485
Airpark and economic development fees	626,500	670,613	44,113
Marriage Bureau	160,000	150,978	(9,022)
Prothonotary	-	41	41
Recorder of Deeds	3,811,000	5,233,378	1,422,378
Register of Wills	1,150,000	1,250,378	100,378
Sheriff	2,000,000	1,010,801	(989,199)
Total charges for services	<u>13,858,130</u>	<u>15,093,396</u>	<u>1,235,266</u>
Fines and forfeits	<u>40,000</u>	<u>42,889</u>	<u>2,889</u>
Miscellaneous revenue			
Investment earnings	1,000,000	2,726,474	1,726,474
Miscellaneous revenues	217,369	205,623	(11,746)
Total miscellaneous revenues	<u>1,217,369</u>	<u>2,932,097</u>	<u>1,714,728</u>

(continued)

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

FOR THE YEAR ENDED JUNE 30, 2019

	Final Budget Amounts	Actual Amounts	Variance with Final Budget
Other financing sources			
Reimbursements from other funds	\$ 70,000	\$ 71,535	\$ 1,535
Sale of capital assets	-	15,534	15,534
Appropriated reserves	19,025,000	-	(19,025,000)
Total other financing sources	<u>19,095,000</u>	<u>87,069</u>	<u>(19,007,931)</u>
	-		
Total revenues and other funding sources	<u>\$ 81,460,499</u>	<u>\$ 79,250,672</u>	<u>\$ (2,209,827)</u>

SUSSEX COUNTY, DELAWARE
 SCHEDULE OF GENERAL FUND EXPENDITURES AND OTHER FINANCING USES -
 BUDGET AND ACTUAL - CONTINUED
 FOR THE YEAR ENDED JUNE 30, 2019

-71-

	<u>Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
General government			
County Council			
Salaries and wages	\$ 255,902	\$ 255,902	\$ -
Fringe benefits	202,608	200,807	1,801
Contractual services	182,814	144,115	38,699
Material and supplies	16,851	13,909	2,942
Other expenditures	15,500	8,821	6,679
Travel and training	29,625	15,747	13,878
Total County Council	<u>703,300</u>	<u>639,301</u>	<u>63,999</u>
Administration			
Salaries and wages	318,015	318,015	-
Fringe benefits	163,111	161,845	1,266
Contractual services	39,098	39,098	-
Material and supplies	6,732	6,732	-
Other expenditures	4,207	4,207	-
Travel and training	2,878	2,878	-
Machinery and equipment	8,427	8,427	-
Contingency	1,567,346	887,758	679,588
Total administration	<u>2,109,814</u>	<u>1,428,960</u>	<u>680,854</u>
Legal	<u>500,000</u>	<u>395,402</u>	<u>104,598</u>
Finance			
Salaries and wages	903,043	903,043	-
Fringe benefits	641,079	631,804	9,275
Contractual services	497,015	512,413	(15,398)
Material and supplies	22,855	14,749	8,106
Travel and training	9,455	2,344	7,111
Machinery and equipment	372	-	372
Total finance	<u>2,073,819</u>	<u>2,064,353</u>	<u>9,466</u>
Assessment			
Salaries and wages	948,562	911,638	36,924
Fringe benefits	745,809	716,778	29,031
Contractual services	205,530	199,628	5,902
Material and supplies	36,737	25,839	10,898
Travel and training	8,000	2,492	5,508
Machinery and equipment	24,000	-	24,000
Total assessment	<u>1,968,638</u>	<u>1,856,375</u>	<u>112,263</u>

(continued)

SUSSEX COUNTY, DELAWARE
 SCHEDULE OF GENERAL FUND EXPENDITURES AND OTHER FINANCING USES -
 BUDGET AND ACTUAL - CONTINUED
 FOR THE YEAR ENDED JUNE 30, 2019

	<u>Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
General Government - Continued			
Building code			
Salaries and wages	\$ 521,986	\$ 637,139	\$ (115,153)
Fringe benefits	457,571	457,571	-
Contractual services	22,862	22,862	-
Material and supplies	20,085	20,085	-
Travel and training	3,269	3,269	-
Total building code	<u>1,025,773</u>	<u>1,140,926</u>	<u>(115,153)</u>
Mapping & addressing			
Salaries and wages	425,241	390,433	34,808
Fringe benefits	308,677	293,915	14,762
Contractual services	140,227	101,436	38,791
Material and supplies	7,200	4,511	2,689
Travel and training	21,525	10,185	11,340
Equipment	5,500	5,500	-
Total mapping and addressing	<u>908,370</u>	<u>805,980</u>	<u>102,390</u>
Human resources and general employment			
Salaries and wages	403,243	379,545	23,698
Fringe benefits	396,096	292,965	103,131
Contractual services	132,462	102,980	29,482
Material and supplies	12,577	5,146	7,431
Other expenditures	13,280	5,389	7,891
Travel and training	30,960	10,566	20,394
Pension contribution - additional	5,000,000	5,000,000	-
Total human resources	<u>5,988,618</u>	<u>5,796,591</u>	<u>192,027</u>
Records management			
Salaries and wages	147,061	147,061	-
Fringe benefits	103,636	102,793	843
Contractual services	1,390	1,047	343
Material and supplies	449	342	107
Travel and training	-	-	-
Machinery and equipment	25,100	25,079	21
Total records management	<u>277,636</u>	<u>276,322</u>	<u>1,314</u>

SUSSEX COUNTY, DELAWARE
 SCHEDULE OF GENERAL FUND EXPENDITURES AND OTHER FINANCING USES -
 BUDGET AND ACTUAL - CONTINUED
 FOR THE YEAR ENDED JUNE 30, 2019

	<u>Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
General government - continued			
Facilities Management			
Salaries and wages	\$ 818,710	\$ 668,475	\$ 150,235
Fringe benefits	617,454	605,339	12,115
Contractual services	544,710	332,008	212,702
Material and supplies	183,001	126,041	56,960
Other expenditures	354	354	-
Travel and training	26,406	2,904	23,502
Equipment	107,378	32,528	74,850
Total building and grounds	<u>2,298,013</u>	<u>1,767,649</u>	<u>530,364</u>
Information technology			
Salaries and wages	672,341	663,609	8,732
Fringe benefits	468,691	459,018	9,673
Contractual services	674,887	510,463	164,424
Material and supplies	168,227	149,817	18,410
Travel and training	5,441	5,191	250
Equipment	130,917	130,917	-
Total information technology	<u>2,120,504</u>	<u>1,919,015</u>	<u>201,489</u>
Constables			
Salaries and wages	141,934	130,832	11,102
Fringe benefits	141,441	137,028	4,413
Contractual services	781,217	778,986	2,231
Material and supplies	11,347	5,559	5,788
Other expenditures	65,000	36,116	28,884
Travel and training	1,060	324	736
Equipment	25,080	22,077	3,003
Total constables	<u>1,167,079</u>	<u>1,110,922</u>	<u>56,157</u>
Total general government	<u>21,141,564</u>	<u>19,201,796</u>	<u>1,939,768</u>
Planning and zoning			
Salaries and wages	738,265	627,113	111,152
Fringe benefits	542,028	464,561	77,467
Contractual services	499,159	388,766	110,393
Material and supplies	50,989	36,507	14,482
Travel and training	13,911	2,920	10,991
Total planning and zoning	<u>1,844,352</u>	<u>1,519,867</u>	<u>324,485</u>

(continued)

SUSSEX COUNTY, DELAWARE
 SCHEDULE OF GENERAL FUND EXPENDITURES AND OTHER FINANCING USES -
 BUDGET AND ACTUAL - CONTINUED
 FOR THE YEAR ENDED JUNE 30, 2019

	Final Budget Amounts	Actual Amounts	Variance with Final Budget
Paramedics			
Salaries and wages	\$ 9,174,820	\$ 9,174,820	\$ -
Fringe benefits	5,373,239	5,003,069	370,170
Contractual services	1,093,459	928,380	165,079
Material and supplies	782,697	726,166	56,531
Other expenditures	8,625	1,478	7,147
Travel and training	87,466	69,722	17,743
Equipment	479,269	462,276	16,993
Total paramedics	<u>16,999,575</u>	<u>16,365,912</u>	<u>633,663</u>
Emergency preparedness			
Administration			
Salaries and Wages	184,936	184,936	-
Fringe benefits	100,109	99,500	609
Contractual services	235,184	200,235	34,949
Material and supplies	25,542	24,473	1,069
Other expenditures	50,144	50,144	-
Travel and training	6,000	63	5,937
Machinery and equipment	-	34,947	(34,947)
Total administration	<u>601,915</u>	<u>594,298</u>	<u>7,617</u>
Emergency operations center			
Salaries and wages	1,447,527	1,519,280	(71,753)
Fringe benefits	897,913	981,160	(83,247)
Contractual services	185,781	187,947	(2,166)
Material and supplies	22,302	22,302	-
Other expenditures	6,345	6,345	-
Travel and training	19,802	19,802	-
Machinery and equipment	138,425	146,975	(8,550)
Total emergency operation center	<u>2,718,095</u>	<u>2,883,811</u>	<u>(165,716)</u>
Communication systems			
Salaries and wages	182,524	182,524	-
Fringe benefits	122,644	121,731	913
Contractual services	23,729	23,729	-
Material and supplies	76,843	56,429	20,414
Travel and training	-	-	-
Machinery and equipment	15,710	15,710	-
Total communication systems	<u>421,450</u>	<u>400,123</u>	<u>21,327</u>
Local emergency planning community program			
Salaries and wages	47,588	47,588	-
Fringe benefits	35,724	35,420	304
Contractual services	1,151	1,151	-
Material and supplies	622	622	-
Travel and training	258	-	258
Total local planning community program	<u>85,343</u>	<u>84,781</u>	<u>562</u>
Total emergency preparedness	<u>3,826,803</u>	<u>3,963,013</u>	<u>(136,210)</u>

(continued)

SUSSEX COUNTY, DELAWARE
 SCHEDULE OF GENERAL FUND EXPENDITURES AND OTHER FINANCING USES -
 BUDGET AND ACTUAL - CONTINUED
 FOR THE YEAR ENDED JUNE 30, 2019

	<u>Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
County engineer			
Administration			
Salaries and wages	\$ 440,785	\$ 418,078	\$ 22,707
Fringe benefits	243,823	242,044	1,779
Contractual services	206,757	128,268	78,489
Material and supplies	11,100	4,922	6,178
Other expenditures	12,450	12,450	-
Travel and training	3,600	25	3,575
Improvements	40,000	12,788	27,212
Total administration	<u>958,515</u>	<u>818,575</u>	<u>139,940</u>
Public works			
Salaries and wages	428,494	287,311	141,183
Fringe benefits	274,234	215,813	58,421
Contractual services	14,306	9,545	4,761
Material and supplies	11,300	7,960	3,340
Total public works	<u>728,334</u>	<u>520,629</u>	<u>207,705</u>
Total county engineer	<u>1,686,849</u>	<u>1,339,204</u>	<u>347,645</u>
Library			
Library administration	744,852	723,699	21,153
Library facilities	2,581,509	2,238,050	343,459
Total library	<u>3,326,361</u>	<u>2,961,749</u>	<u>364,612</u>
Economic development and airpark			
Economic development			
Salaries and wages	85,421	85,421	-
Fringe benefits	49,166	48,860	306
Contractual services	212,384	104,951	107,433
Material and supplies	18,500	1,356	17,144
Equipment	19,000	9,238	9,762
Total economic development	<u>384,471</u>	<u>249,826</u>	<u>134,645</u>
Security			
Salaries and wages	174,809	168,985	5,824
Fringe benefits	113,155	107,126	6,029
Contractual services	181,065	153,882	27,183
Material and supplies	10,327	7,766	2,561
Other expenditures	14,550	8,217	6,333
Equipment and improvements	20,255	20,255	-
Total security	<u>514,161</u>	<u>466,231</u>	<u>47,930</u>

(continued)

SUSSEX COUNTY, DELAWARE
 SCHEDULE OF GENERAL FUND EXPENDITURES AND OTHER FINANCING USES -
 BUDGET AND ACTUAL - CONTINUED
 FOR THE YEAR ENDED JUNE 30, 2019

	<u>Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Economic development and airpark - continued			
Airpark			
Salaries and wages	\$ 212,610	\$ 212,610	\$ -
Fringe benefits	108,317	107,635	682
Contractual services	454,843	447,389	7,454
Material and supplies	65,339	52,001	13,338
Other expenditures	77,071	77,071	-
Travel and training	2,675	97	2,578
Equipment and improvements	58,620	19,534	39,086
Total airpark	<u>979,475</u>	<u>916,337</u>	<u>63,138</u>
Total economic development and airpark	<u>1,878,107</u>	<u>1,632,394</u>	<u>245,713</u>
Community development			
Salaries and wages	304,891	304,891	-
Fringe benefits	215,968	214,381	1,587
Contractual services	1,893,219	1,395,939	497,280
Material and supplies	6,500	3,185	3,315
Travel and training	8,400	205	8,195
Equipment	1,582	380	1,202
Total community development	<u>2,430,560</u>	<u>1,918,981</u>	<u>511,579</u>
Grant-in-aid			
Fire and ambulance grants	4,416,600	4,694,202	(277,602)
Public safety grants	4,023,501	4,003,177	20,324
Environmental grants	1,499,350	1,442,350	57,000
Public assistance grant	3,136,064	2,392,621	743,443
Library grants	2,630,000	2,629,255	745
Total grant-in-aid	<u>15,705,515</u>	<u>15,161,605</u>	<u>543,910</u>
Constitutional offices			
Marriage Bureau	229,962	209,927	20,035
Recorder of Deeds	995,943	959,565	36,378
Register of Wills	639,068	629,889	9,179
Sheriff	670,340	659,690	10,650
Total constitutional offices	<u>2,535,313</u>	<u>2,459,071</u>	<u>76,242</u>
Total expenditures	<u>71,374,999</u>	<u>66,523,592</u>	<u>4,851,407</u>
Other financing uses			
Transfers out	10,085,500	10,085,500	-
Total other financing uses	<u>10,085,500</u>	<u>10,085,500</u>	<u>-</u>
Total expenditures and other financing uses	<u>81,460,499</u>	<u>76,609,092</u>	<u>4,851,407</u>

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, 2020

	<u>Final Budget Amounts</u>	<u>Actual Amount</u>	<u>Variance with Final Budget</u>
REVENUES			
Intergovernmental	\$ 4,370,000	\$ 3,877,932	\$ (492,068)
Investment earnings	20,000	387,201	367,201
Miscellaneous revenues	-	-	-
Total revenues	<u>4,390,000</u>	<u>4,265,133</u>	<u>\$ (124,867)</u>
EXPENDITURES			
General government	24,992	24,992	-
Capital projects	<u>21,325,008</u>	<u>7,567,272</u>	<u>13,757,736</u>
Total expenditures	<u>21,350,000</u>	<u>7,592,264</u>	<u>13,757,736</u>
Excess of revenues over (under) expenditures	<u>(16,960,000)</u>	<u>(3,327,131)</u>	<u>13,632,869</u>
OTHER FINANCING SOURCES			
Appropriated reserves	6,960,000	-	(6,960,000)
Transfers in	<u>10,000,000</u>	<u>10,000,000</u>	<u>-</u>
Total other financing sources	<u>16,960,000</u>	<u>10,000,000</u>	<u>(6,960,000)</u>
Net change in fund balances	-	6,672,869	6,672,869
Fund balances - beginning	<u>18,574,309</u>	<u>18,574,309</u>	<u>-</u>
Fund balances - ending	<u>\$ 18,574,309</u>	<u>\$ 25,247,178</u>	<u>\$ 6,672,869</u>

FIDUCIARY FUND

COMBINING STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Pension Trust</u>	<u>Post- retirement Employee Benefit Trust</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 1,702,634	\$ 651,285	\$ 2,353,919
Investments:			
U.S. Treasuries	9,318,893	5,417,025	14,735,918
Government Agencies	711,905	707,679	1,419,584
Corporate obligations	8,753,446	6,201,748	14,955,194
Core Real Estate	5,904,530	2,460,221	8,364,751
Mutual funds and pooled investments	93,949,863	32,256,064	126,205,927
Total Investments	<u>118,638,637</u>	<u>47,042,737</u>	<u>165,681,374</u>
Accounts receivable	54,737	22,807	77,544
Accrued interest	<u>114,534</u>	<u>78,026</u>	<u>192,560</u>
Total Assets	<u>120,510,542</u>	<u>47,794,855</u>	<u>168,305,397</u>
LIABILITIES			
Accounts payable	51,307	21,019	72,326
Due to general fund	<u>-</u>	<u>11,873</u>	<u>11,873</u>
Total Liabilities	<u>51,307</u>	<u>32,892</u>	<u>84,199</u>
NET POSITION			
Net position restricted for pension and OPEB benefits	<u>\$ 120,459,235</u>	<u>\$ 47,761,963</u>	<u>\$ 168,221,198</u>

**COMBINING STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2020**

	Pension Trust	Post- retirement Employee Benefit Trust	Total
ADDITIONS			
Employer contributions	\$ 9,779,296	\$ 2,835,463	\$ 12,614,759
Employee contributions	211,354	-	211,354
Investment earnings:			
Net appreciation of investments	(9,284,555)	(6,461,676)	(15,746,231)
Interest and dividends	13,229,603	8,239,922	21,469,525
Total investment earnings	3,945,048	1,778,246	5,723,294
Less investment expenses	(160,153)	(50,469)	(210,622)
Net investment earnings	3,784,895	1,727,777	5,512,672
Total additions	13,775,545	4,563,240	18,338,785
DEDUCTIONS			
Beneficiary payments	4,828,741	2,880,064	7,708,805
Professional fees	138,230	60,046	198,276
Net increase in plan net position	8,808,574	1,623,130	10,431,704
Net position restricted for pension and OPEB benefits - beginning	111,650,661	46,138,833	157,789,494
Net position restricted for pension and OPEB benefits - ending	\$ 120,459,235	\$ 47,761,963	\$ 168,221,198



STATISTICAL SECTION



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

<u>Contents</u>	<u>Pages</u>
<p>Financial Trends <i>These schedules contain trend information to help the reader understand how the County's financial performance and well-being have changed over time.</i></p>	81 - 86
<p>Revenue Capacity <i>These schedules contain information to help the reader assess the factors affecting the County's ability to generate its property taxes.</i></p>	87 - 90
<p>Debt Capacity <i>These schedules present information to help the reader assess the affordability of the County's current levels of outstanding debt and the County's ability to issue additional debt in the future.</i></p>	91 - 93
<p>Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the County's financial activities take place and to help make comparisons over time with other governments.</i></p>	94 - 95
<p>Operating Information <i>These schedules contain information about the County's operations and resources to help the reader understand how the County's financial information relates to the services the County provides and the activities it performs.</i></p>	96 - 98

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									
	2011 as restated	2012	2013 as restated	2014 as restated	2015	2016 as restated	2017	2018	2019	2020
Governmental activities										
Net investment in capital assets	\$ 64,237,068	\$ 65,497,373	\$ 69,132,520	\$ 75,152,173	\$ 77,934,592	\$ 78,216,994	\$ 82,604,022	\$ 84,144,082	\$ 87,307,216	\$ 93,018,347
Restricted	71,431,919	63,990,556	56,534,084	45,203,773	45,429,078	57,265,576	63,969,632	72,319,111	73,462,380	88,955,557
Unrestricted	35,996,462	45,085,253	53,383,613	47,467,328	49,690,896	30,428,391	30,413,739	31,989,121	43,795,356	40,407,560
Total governmental activities net position	<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>	<u>\$ 188,452,314</u>	<u>\$ 204,564,952</u>	<u>\$ 222,381,464</u>
Business-type activities										
Net investment in capital assets	\$ 179,296,736	\$ 194,995,829	\$ 202,135,522	\$ 204,051,102	\$ 207,515,115	\$ 220,310,592	\$ 239,365,922	\$ 242,907,425	\$ 273,869,317	\$ 306,996,877
Restricted	66,569,442	76,634,459	43,172,577	33,313,218	43,858,934	65,761,276	59,306,086	64,748,595	76,579,751	75,238,638
Unrestricted	22,997,372	17,427,622	51,458,144	59,033,375	50,704,078	22,380,633	19,484,264	26,954,823	15,931,184	10,755,253
Total business-type activities net position	<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>	<u>\$ 334,610,843</u>	<u>\$ 366,380,252</u>	<u>\$ 392,990,768</u>
Primary government										
Net investment in capital assets	\$ 243,533,804	\$ 260,493,202	\$ 271,268,042	\$ 279,203,275	\$ 285,449,707	\$ 298,527,586	\$ 321,969,944	\$ 327,051,507	\$ 361,176,533	\$ 400,015,224
Restricted	138,001,361	140,625,015	99,706,661	78,516,991	89,288,012	123,026,852	123,275,718	137,067,706	150,042,131	164,194,195
Unrestricted	58,993,834	62,512,875	104,841,757	106,500,703	100,394,974	52,809,024	49,898,003	58,943,944	59,726,540	51,162,813
Total primary government net position	<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>	<u>\$ 523,063,157</u>	<u>\$ 570,945,204</u>	<u>\$ 615,372,232</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									
	2011 as restated	2012	2013 as restated	2014 as restated	2015	2016 as restated	2017	2018	2018	2020
Expenses										
Governmental activities:										
General government	\$ 9,037,273	\$ 10,024,224	\$ 9,697,332	\$ 34,762,582	\$ 11,612,339	\$ 30,002,513	\$ 14,999,329	\$ 16,510,060	\$ 16,510,060	\$ 16,147,716
Grant-in-aid programs	6,765,994	6,618,896	8,156,799	7,863,936	9,931,773	9,915,966	10,362,109	11,270,949	11,270,949	14,118,069
Planning and zoning	1,251,258	1,202,696	1,212,351	1,091,112	1,208,811	1,272,303	1,767,664	1,716,521	1,716,521	1,557,365
Paramedic program	11,515,259	12,173,161	12,895,383	14,302,991	13,895,165	13,489,135	14,444,807	14,923,379	14,923,379	16,506,738
Emergency preparedness	2,817,992	3,165,648	3,360,129	3,531,682	3,317,424	3,414,864	3,687,552	3,757,532	3,757,532	4,309,246
Economic development and Airpark	2,136,706	2,304,295	2,063,146	2,145,727	2,348,642	2,855,446	3,072,208	3,263,235	3,263,235	4,074,827
County engineer	1,683,158	1,130,783	1,622,080	1,721,971	2,004,463	2,351,221	1,511,146	1,639,722	1,639,722	1,279,617
Library	3,657,643	3,787,237	3,917,395	4,208,141	4,194,436	2,887,880	2,950,264	3,076,799	3,076,799	3,314,143
Community development and housing programs	2,399,951	2,447,571	1,782,197	1,878,873	1,772,497	2,051,580	2,157,621	1,759,425	1,759,425	1,957,643
Constitutional offices	2,161,054	2,493,630	2,429,063	2,459,691	2,419,518	2,335,997	2,433,532	2,386,080	2,386,080	2,460,778
Interest on long-term debt	-	-	-	-	-	-	-	-	-	-
Total governmental activities expenses	43,426,288	45,348,141	47,135,875	73,966,706	52,705,068	70,576,905	57,386,232	60,303,702	60,303,702	65,726,142
Business-type activities:										
Sewer facilities	27,942,561	29,460,133	31,485,165	38,554,376	32,982,881	39,048,235	35,167,846	33,519,513	33,519,513	37,418,065
Water facilities	1,016,979	1,078,834	987,917	1,135,520	1,061,361	1,251,337	1,299,626	1,162,200	1,162,200	1,189,872
Total business-type activities expenses	28,959,540	30,538,967	32,473,082	39,689,896	34,044,242	40,299,572	36,467,472	34,681,713	34,681,713	38,607,937
Total primary government expenses	\$ 72,385,828	\$ 75,887,108	\$ 79,608,957	\$ 113,656,602	\$ 86,749,310	\$ 110,876,477	\$ 93,853,704	\$ 94,985,415	\$ 94,985,415	\$ 104,334,079
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 1,295,912	\$ 1,238,309	\$ 1,202,641	\$ 1,208,807	\$ 1,758,562	\$ 1,638,637	\$ 1,832,205	\$ 1,979,163	\$ 1,979,163	\$ 2,077,385
Planning and zoning	1,130,043	1,148,591	1,242,834	1,392,906	1,628,932	1,672,188	1,895,358	2,226,305	2,226,305	2,310,409
Paramedics	-	-	-	-	-	12,803	19,225	29,355	29,355	61,265
Emergency preparedness	16,230	15,960	17,500	17,500	17,500	17,500	17,500	20,800	20,800	20,800
Economic development and public works	530,310	671,314	545,324	875,302	455,017	477,689	483,227	530,078	530,078	650,852
County engineer	324,623	281,451	277,841	35,607	744,238	660,738	1,610,081	1,935,572	1,935,572	1,892,140
Library	19,585	25,991	28,074	553,044	35,359	38,404	39,077	31,538	31,538	15,744
Constitutional offices	7,039,506	6,808,811	9,149,173	7,509,071	7,205,590	6,812,782	6,934,857	7,571,546	7,571,546	7,645,576
Operating grants and contributions	8,494,730	7,115,414	7,150,788	6,971,729	6,945,600	6,444,501	7,308,976	5,931,357	5,931,357	7,785,453
Capital grants and contributions	1,499,146	2,102,681	543,802	2,949,213	6,751,045	1,217,668	2,018,147	425,636	425,636	4,018,377
Total governmental activities program revenues	20,350,085	19,408,522	20,157,977	21,513,179	25,541,843	18,992,910	22,158,653	20,681,350	20,681,350	26,478,001

(continued)

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

	Fiscal Year									
	2011 as restated	2012	2013 as restated	2014 as restated	2015	2016 as restated	2017	2018	2019	2020
Business-type activities:										
Charges for services:										
Sewer facilities	\$ 15,536,386	\$ 16,158,500	\$ 17,229,651	\$ 18,900,486	\$ 20,248,738	\$ 21,550,662	\$ 21,749,464	\$ 23,665,580	\$ 24,357,943	\$ 24,984,618
Water facilities	750,785	667,476	808,246	1,240,052	1,223,871	1,249,930	1,234,499	1,238,663	1,261,416	1,274,502
Operating grants and contributions	9,962,936	14,191,817	15,752,444	15,605,163	14,749,008	16,306,257	17,714,845	19,480,380	26,261,126	24,821,790
Capital grants and contributions	5,475,117	18,766,753	5,712,226	2,798,600	3,245,590	7,049,610	5,424,290	6,388,880	14,244,228	13,616,195
Total business-type activities program revenues	31,725,224	49,784,546	39,502,567	38,544,301	39,467,207	46,156,459	46,123,098	50,773,503	66,124,713	64,697,105
Total primary government program revenues	\$ 51,133,746	\$ 69,942,523	\$ 61,015,746	\$ 64,086,144	\$ 58,460,117	\$ 68,315,112	\$ 46,123,098	\$ 71,454,853	\$ 90,782,202	\$ 91,175,106
Net (Expense)/Revenue										
Governmental activities	\$ (20,089,947)	\$ (25,190,164)	\$ (25,622,696)	\$ (27,163,225)	\$ (51,583,995)	\$ (35,227,579)	\$ -	\$ (39,622,352)	\$ (39,450,225)	\$ (39,248,141)
Business-type activities	3,683,815	19,245,579	7,029,485	4,500,059	(832,365)	9,688,987	46,123,098	16,091,790	31,241,104	26,089,168
Total primary government net (expense)/revenue	\$ (16,406,132)	\$ (5,944,585)	\$ (18,593,211)	\$ (22,663,166)	\$ (52,416,360)	\$ (25,538,592)	\$ 46,123,098	\$ (23,530,562)	\$ (8,209,121)	\$ (13,158,973)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Property taxes	\$ 13,843,603	\$ 13,540,463	\$ 12,706,792	\$ 14,110,356	\$ 14,339,081	\$ 14,715,444	\$ 15,264,023	\$ 15,709,654	\$ 16,129,403	\$ 16,644,442
Capitation taxes	259,229	0	-	-	-	-	-	-	-	-
Fire service taxes	821,702	898,335	1,041,506	1,253,792	1,280,085	1,421,496	1,647,719	1,694,992	2,070,724	1,789,174
Realty transfer taxes	14,310,725	14,282,093	17,422,525	20,894,160	22,212,933	24,210,264	27,989,410	32,299,796	33,501,282	35,477,592
Lodging taxes										49,958
Unrestricted investment earnings	212,684	302,903	(318,529)	949,002	820,263	935,665	259,279	1,190,083	3,816,187	3,113,675
Gain (loss) on sale of capital assets	-	-	-	-	-	-	468,928	204,544	59,218	3,777
Transfers	(754,077)	(925,897)	(752,563)	(9,390)	291,088	(8,222)	(11,229)	(11,796)	(13,951)	(13,965)
Total governmental activities	28,693,866	28,097,897	30,099,731	37,197,920	38,943,450	41,274,647	45,618,130	51,087,273	55,562,863	57,064,653
Business-type activities:										
Unrestricted investment earnings	59,861	22,884	(73,715)	767,657	548,555	509,265	34,935	324,440	521,362	396,483
Gain (loss) on sale of capital assets	-	-	-	-	-	-	1,981	26,545	(7,008)	110,900
Transfers	754,077	925,897	752,563	9,390	(291,088)	8,222	11,229	11,796	13,951	13,965
Total business-type activities	813,938	948,781	678,848	777,047	257,467	517,487	48,145	362,781	528,305	521,348
Total primary government program revenues	\$ 29,507,804	\$ 29,046,678	\$ 30,778,579	\$ 37,974,967	\$ 39,200,917	\$ 41,792,134	\$ 45,666,275	\$ 51,450,054	\$ 56,091,168	\$ 57,586,001
Change in Net Position										
Governmental activities	\$ 8,603,919	\$ 2,907,733	\$ 4,477,035	\$ 10,034,695	\$ (12,640,545)	\$ 6,047,068	\$ 45,618,130	\$ 11,464,921	\$ 16,112,638	\$ 17,816,512
Business-type activities	4,497,753	20,194,360	7,708,333	5,277,106	(574,898)	10,206,474	46,171,243	16,454,571	31,769,409	26,610,516
Total primary government	\$ 13,101,672	\$ 23,102,093	\$ 12,185,368	\$ 15,311,801	\$ (13,215,443)	\$ 16,253,542	\$ 91,789,373	\$ 27,919,492	\$ 47,882,047	\$ 44,427,028

- Notes:**
1. The governmental activities fund balance for fiscal year ending 2011 increased by \$615,000 due to a prior period adjustment.
 2. The business-type activities net position balance for fiscal year ending 2011 decreased by \$2,611,623 due to a prior period adjustment.
 3. The business-type activities net position balance for fiscal year ending 2013 decreased by \$515,921 due to a prior period adjustment for implementation of GASB 65.
 4. The business-type activities net position balance for fiscal year ending 2014 decreased by \$6,493,225 and governmental activities decreased by \$23,938,654 due to a prior period adjustment for implementation of GASB 68.

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

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Fund										
Nonspendable	\$ 140,442	\$ 96,678	\$ 106,411	\$ 106,540	\$ 452,748	\$ 359,120	\$ 345,211	\$ 315,913	\$ 352,961	\$ 316,316
Restricted	53,084,094	47,914,815	44,739,045	45,203,773	42,832,105	49,092,198	51,308,089	52,560,032	57,923,703	64,131,190
Committed	598,598	837,696	1,308,577	778,755	798,817	1,079,713	1,282,810	838,424	1,811,458	1,867,007
Assigned	6,641,109	4,441,378	4,044,652	7,258,754	7,168,799	4,960,008	16,286,439	17,237,808	20,899,412	8,516,719
Unassigned	16,839,957	24,867,662	30,602,046	34,229,654	35,922,102	40,577,312	32,478,506	34,518,709	29,029,042	37,826,924
Total general fund	<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>	<u>\$ 105,470,886</u>	<u>\$ 110,016,576</u>	<u>\$ 112,658,156</u>
All Other Governmental Funds										
Restricted	\$ 17,565,595	\$ 16,075,741	\$ 11,795,039	\$ 8,769,934	\$ 13,182,134	\$ 14,587,607	\$ 17,447,074	\$ 17,575,194	\$ 17,119,804	\$ 23,769,732
Committed	-	-	-	-	-	1,420,252	1,420,883	1,425,270	1,454,505	1,477,446
Unassigned	(10,911)	-	-	-	-	-	-	-	-	-
Total all other governmental funds	<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>	<u>\$ 19,000,464</u>	<u>\$ 18,574,309</u>	<u>\$ 25,247,178</u>

Note: GASB 54 was implemented in 2011.

**SCHEDULE OF REVENUE AND EXPENDITURES AND OTHER FINANCING SOURCES AND USES
FOR THE FORTY-TWO YEARS THROUGH JUNE 30, 2020**

Year Ended	Total Revenues and Other Financing Sources	Total Expenditures and Other Financing Uses	Revenues Over (Under) Expenditures
June 30, 1978	\$ 3,017,587	\$ 2,944,327	\$ 73,260
June 30, 1979	3,211,534	3,327,193	(115,659)
June 30, 1980	3,412,108	4,030,506	(618,398)
June 30, 1981	4,132,559	4,514,093	(381,534)
June 30, 1982	5,396,279	5,353,716	42,563
June 30, 1983	5,960,285	5,575,652	384,633
June 30, 1984	7,368,435	6,505,440	862,995
June 30, 1985	7,195,223	7,062,005	133,218
June 30, 1986	8,092,891	7,332,618	760,273
June 30, 1987	8,083,881	8,223,857	(139,976)
June 30, 1988	8,747,945	8,038,906	709,039
June 30, 1989	8,785,091	8,498,335	286,756
June 30, 1990	9,450,906	9,813,082	(362,176)
June 30, 1991	11,194,437	10,849,623	344,814
June 30, 1992	13,638,160	12,496,815	1,141,345
June 30, 1993	15,702,048	14,788,446	913,602
June 30, 1994	17,400,655	15,609,340	1,791,315
June 30, 1995	18,691,048	16,649,804	2,041,244
June 30, 1996	19,839,629	18,335,025	1,504,604
June 30, 1997	20,657,168	18,887,201	1,769,967
June 30, 1998	22,748,561	19,577,032	3,171,529
June 30, 1999	27,986,124	21,058,512	6,927,612
June 30, 2000	31,943,432	27,905,314	4,038,118
June 30, 2001	33,372,782	30,856,476	2,516,306
June 30, 2002	40,317,598	34,062,609	6,254,989
June 30, 2003	47,788,332	35,256,669	12,531,663
June 30, 2004	59,473,814	48,051,724	11,422,090
June 30, 2005	68,771,872	56,968,164	11,803,708
June 30, 2006	75,629,821	64,726,011	10,903,810
June 30, 2007	65,109,365	67,761,397	(2,652,032)
June 30, 2008	56,401,363	59,723,336	(3,321,973)
June 30, 2009	47,129,096	49,023,600	(1,894,504)
June 30, 2010	46,524,193	45,906,216	617,977
June 30, 2011	46,374,338	42,892,557	3,481,781
June 30, 2012	47,687,660	46,833,631	854,029
June 30, 2013	49,054,287	46,681,785	2,372,502
June 30, 2014	57,098,756	50,052,011	7,046,745
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
June 30, 2018	71,717,857	67,948,026	3,769,831
June 30, 2019	78,393,696	73,848,006	4,545,690
June 30, 2020	79,250,672	76,609,092	2,641,580

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
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%
2018	2,788,621,448	449,468,483	124,513,173	114,278,764	232,611,021	245,224,678	3,464,268,212	0.445	44,527,869,049	7.8%
2019	2,878,558,172	451,761,425	127,125,723	114,381,064	233,303,521	244,317,159	3,560,812,746	0.445	45,768,801,356	7.8%
2020	2,981,509,795	458,379,350	129,695,123	114,937,264	242,893,502	252,967,804	3,674,447,230	0.445	49,654,692,297	7.4%

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									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
County Direct										
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
School Districts										
Cape Henlopen	2.5670	2.5670	2.9770	2.9770	3.0710	3.0430	3.2130	3.4900	3.6774	3.9921
Delmar	3.1200	3.3100	3.7574	3.8094	3.6394	4.3669	4.1417	4.2217	4.2217	4.2017
Indian River	2.5700	2.6250	2.6230	2.7430	2.6930	2.6890	2.5780	3.0970	3.0670	3.0350
Laurel	2.4900	2.9810	3.6050	3.5890	3.6960	4.2050	4.9890	4.7120	4.8890	4.4170
Milford	3.6986	3.6304	3.4659	3.5870	3.4783	3.5682	5.3913	4.9841	4.9145	4.8913
Seaford	3.2900	3.3200	3.3200	3.3600	3.2000	3.3600	3.3600	3.5797	3.8134	3.9340
Woodbridge	3.2810	3.4820	3.7240	3.6900	3.6170	3.6090	3.6090	3.6090	3.9020	4.5560
Vo-Tech	0.2666	0.2737	0.2811	0.2599	0.2728	0.3289	0.3365	0.2704	0.2691	0.2646
Town Rates (2)										
Bethany Beach	0.1650	0.1700	0.1700	0.1750	0.1750	0.1850	0.1850	0.1850	0.1900	0.1900
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	0.7000	0.7000	0.7000	0.7000	0.7000	0.7000	0.7000	0.7000
Bridgeville	2.0000	2.0000	2.0000	2.4000	2.4000	2.4000	2.4000	2.4000	2.5200	2.6400
Dagsboro	0.3800	0.3800	0.5600	0.5600	0.5600	0.5600	0.5600	0.5600	0.0560	0.0560
Delmar	0.5000	0.5000	0.5200	0.5200	0.5400	0.5400	0.5400	0.6000	0.6200	0.6300
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	1.5000	1.5000	1.5000	1.8000	1.8000	1.8000	1.8000	2.0000
Fenwick Island	1.9200	1.9200	1.9200	1.9200	1.9200	1.9200	1.9200	1.9200	1.7402	1.7402
Frankford	2.5000	2.5000	2.5000	2.5000	2.5000	2.5000	2.5000	2.5000	2.5000	2.5000
Georgetown	3.1400	3.1400	3.1400	3.1700	3.1700	3.1700	3.1700	3.1700	3.1700	3.1700
Greenwood	1.8000	1.8000	1.8000	1.8000	1.8000	1.8000	1.8000	1.8000	1.8000	1.8000
Henlopen Acres	2.1700	2.6200	2.6200	2.6200	2.6200	2.6200	2.6200	2.6200	2.6200	2.6200
Laurel	2.0800	2.2000	2.2900	2.2900	2.0800	2.5300	2.7300	2.8700	3.0100	3.0100
Lewes	0.5700	0.5700	0.5700	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	0.5600	0.5600	0.5600	0.5600	0.5600	0.3300	0.3300	0.3300	0.3300	0.3400
Millville	0.5000	0.5000	0.5000	0.5000	0.5000	0.5000	0.5000	0.5000	0.5000	0.5000
Milton	0.1800	0.2160	0.2160	0.2160	0.2400	0.2400	0.2400	0.2400	0.2400	0.2400
Ocean View	0.1230	0.1588	0.1588	0.1620	0.1652	0.1652	0.1652	2.6700	2.4780	2.4780
Rehoboth Beach	1.7800	1.7800	1.7800	0.4000	0.4000	0.4000	0.4000	0.4000	0.0600	0.0600
Seaford	0.2900	0.3000	0.3100	0.3100	0.3100	0.3100	0.3100	0.3100	0.3400	0.3400
Selbyville	1.8500	1.8500	1.8500	1.8500	1.8500	1.8500	1.8500	1.8500	1.8500	1.8500
Slaughter Beach	0.7500	0.7500	0.7500	0.7500	0.7500	0.7500	0.7500	0.7500	0.7500	0.7500
South Bethany	1.3000	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, Rehoboth Beach, and Seaford are based on assessments established by the individual towns. The other town rates are based on County assessments. Town of Ocean View rate shown are based on assessments established by the town from 2009 ~ 2017, 2018 rate shown is based on County assessments.

Sources: The Sussex County Department of Finance and various Sussex County Towns' offices.

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

Taxpayer	Fiscal Year 2020			Fiscal Year 2011		
	Taxable Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Taxable Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Delmarva Power & Light Co.	\$ 38,769,102	1	1.06%	\$ 23,147,252	2	.79%
Verizon	23,871,575	2	0.65	44,762,975	1	1.53
Indian River Power LLC	12,786,471	3	0.35	12,786,471	3	0.44
Eastern Shore Natural Gas Co.	10,154,171	4	0.28	9,018,712	4	0.31
Chesapeake Utilities Corporation	7,655,285	5	0.21	5,215,745	6	0.18
Invista Sarl	6,827,200	6	0.19	-	-	-
Allen Harim Farms LLC	6,496,050	7	0.18	-	-	-
Delaware Electric Cooperative, Inc.	6,128,200	8	0.17	5,050,799	7	0.17
Mountaire Farms of Delaware, Inc.	4,950,100	9	0.13	4,363,650	8	0.15
G&I VII Peninsula, LLC	3,793,950	10	0.10	-	-	-
E.I. duPont de Nemours Company	-	-	-	8,385,865	5	0.29
Sussex Sports Amenities LLC	-	-	-	4,321,450	9	0.15
Millsboro Town Center LLC	-	-	-	3,679,250	10	0.13
	<u>\$ 121,432,104</u>		<u>3.32%</u>	<u>\$ 120,732,169</u>		<u>4.14%</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		Total Adjusted Tax Levy	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
	(Original Levy)	Adjustments		Current Tax Collections	Percent of Levy		Amount	Percentage of Adjusted Levy
2011	\$ 13,307,922	\$ 62,530	\$ 13,370,452	\$ 13,034,973	97.5	\$ 316,936	\$ 13,351,909	99.9%
2012	13,333,291	64,275	13,397,566	13,129,170	98.0	246,930	13,376,100	99.8%
2013	12,522,798	63,224	12,586,022	12,314,220	97.8	245,777	12,559,997	99.8%
2014	13,751,888	24,327	13,776,215	13,505,584	98.0	239,018	13,744,602	99.8%
2015	13,998,509	145,938	14,144,447	13,737,879	97.1	367,788	14,105,667	99.7%
2016	14,500,715	140,265	14,640,980	14,435,552	98.6	154,681	14,590,233	99.7%
2017	14,964,667	113,242	15,077,909	14,746,056	97.8	253,256	14,999,312	99.5%
2018	15,415,956	133,061	15,549,017	15,181,549	97.6	265,522	15,447,071	99.3%
2019	15,844,664	141,327	15,985,991	15,690,084	98.1	138,392	15,828,476	99.0%
2020	16,351,308	138,684	16,489,992	16,248,038	98.5	-	16,248,038	98.5%

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

Fiscal Year	Governmental Activities	Business-Type Activities		Total Primary Government	Percentage of Personal Income	Per Capita
	Capital Leases	General Obligation Bonds	Sewer Revenue Bonds			
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	1.52	717
2017	-	150,094,796	-	150,094,796	1.41	666
2018	-	146,569,694	-	146,569,694	1.27	639
2019	-	146,559,060	-	146,559,060	*	*
2020	-	150,074,075	-	150,074,075	*	*

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

											Legal debt margin calculation for fiscal year 2020									
											Assessed value	\$ 3,674,447,230								
											Debt limit (12% of assessed value)	440,933,668								
											Total net debt applicable to limit	<u>150,074,075</u>								
											Legal debt margin	<u>\$ 290,859,593</u>								
											Fiscal Year									
											<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
General obligation bonds	\$	<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>	\$	<u>141,863,810</u>	\$	<u>142,188,944</u>	\$	<u>146,039,727</u>
Percentage of estimated actual property value		0.50%		0.47%		0.50%		0.46%		0.46%		0.45%		0.42%		0.41%		0.41%		0.42%
Per capita	\$	848	\$	787	\$	834	\$	756	\$	733	\$	692	\$	666	\$	639	\$	626		*
Total net debt applicable to debt limit		170,158,954		159,993,470		172,319,678		159,460,288		157,980,947		152,442,753		150,094,796		146,569,694		146,559,060		150,074,075
Legal debt limit		<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>415,710,771</u>		<u>415,710,771</u>		<u>427,297,530</u>		<u>440,933,668</u>
Legal debt margin	\$	<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>265,615,975</u>	\$	<u>269,141,077</u>	\$	<u>280,738,470</u>	\$	<u>290,859,593</u>
Total net debt applicable to the limit as a percentage of debt limit		47.33%		43.85%		46.47%		42.25%		40.40%		37.77%		36.11%		35.26%		34.30%		34.04%

Notes:

1. The statutory limitation for debt is 12% of the assessed value of taxable property as of June 30, 2020.
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		
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	-	-	-	-	-	-	
2015	-	-	-	-	-	-	
2016	-	-	-	-	-	-	
2016	-	-	-	-	-	-	
2017	-	-	-	-	-	-	
2018	-	-	-	-	-	-	
2019	-	-	-	-	-	-	
2020	-	-	-	-	-	-	

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:

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

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

<u>Year</u>	<u>Population (1)</u>	<u>Total Personal Income (2)</u>	<u>Per Capita Personal Income (2)</u>	<u>Median Age (3)</u>	<u>Public School Enrollment (4)</u>	<u>Unemployment Rate (5)</u>
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	10,418,453	47,303	47.6	26,886	4.0%
2017	225,322	10,663,080	47,324	48.3	27,464	4.3%
2018	229,286	11,540,734	50,333	50.6	27,788	3.7%
2019	234,225	*	*	50.6	31,691	3.2%
2020	*	*	*	*	32,504	11.5%

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, FYE 2011 ~ 2018 DOE Profile Publication. 2019 the State of Delaware discontinued the Profile Publication. FYE 2019 and 2020 "Student Enrollment Over Time By School". Note the 2019 and 2020 Milford School district enrollment numbers at 100%, even though the school district is split between two Counties.
5. U.S. Bureau of Labor Statistics

* Figures not available

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

- 95 -

<u>Type of Employer</u>	<u>2020</u>			<u>2011</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	12,827	1	16.1%	9,216	3	14.5%
Retail trade	11,828	2	14.9	10,662	1	16.8
Manufacturing	10,482	3	13.1	10,601	2	16.7
Accommodation and food services	10,452	7	13.1	7,075	5	11.2
Government	9,033	5	11.3	7,888	4	12.4
Construction	5,366	6	6.5	3,687	6	5.8
Administrative and waste services	5,132	7	6.4	2,348	7	3.7
Other services, except public administration	2,655	8	3.3	2,041	8	3.2
Professional and technical services	2,094	9	2.6	1,532	10	2.4
Transportation and warehousing	1,847	10	2.3	-	-	-
Finance and insurance	-	-	-	1,929	9	3.0
Total	<u>71,716</u>		<u>89.9%</u>	<u>56,979</u>		<u>89.7%</u>
Total Employees in Sussex County	<u>79,802</u>		<u>100.0%</u>	<u>63,427</u>		<u>100.0%</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

Function/Program	Full-time Equivalent Employees as of June 30									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General government										
General administration	11	11	11	10	10	9	10	10	10	10
Finance	70	71	67	68	74	77	79	81	87	88
Human Resources	6	6	6	6	6	6	6	6	6	6
Buildings and grounds	19	21	20	19	19	18	19	17	18	18
Information Technology	15	15	14	12	14	14	17	16	17	17
County constable	5	5	4	3	5	4	4	4	4	5
Planning and zoning	12	12	11	11	10	12	12	14	15	9
Paramedic program	105	104	108	110	110	106	102	109	111	114
Emergency preparedness	28	27	29	27	30	29	30	29	33	37
Economic development and public works	11	10	10	8	8	9	10	10	8	4
County engineer	140	137	137	137	136	130	122	129	126	136
Library	27	26	28	27	26	28	27	28	29	31
Community development and housing programs	6	5	5	5	5	5	6	6	6	6
Constitutional offices	34	33	33	32	29	32	30	31	33	31
Total	489	483	483	475	482	479	474	490	503	512

Source: Sussex County Accounting Division.

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

Function/Program	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Planning and Zoning										
Permits issued	6,658	6,959	7,172	7,693	8,288	9,663	10,236	10,378	10,429	10,719
Public Safety										
Paramedic incidents dispatched	14,077	14,260	15,018	15,219	15,929	16,717	17,757	18,151	18,126	17,481
911 calls	105,776	108,301	105,137	110,139	113,549	109,009	103,108	101,554	103,303	110,700
Sewer and Water Services										
Sewer customers, EDU's billed	60,167	62,431	64,456	65,735	67,410	68,965	69,821	72,398	74,534	76,769
Water customers, EDU's billed	3,613	3,631	3,688	3,676	3,699	3,715	3,700	3,702	3,713	3,722
Libraries										
Circulation	1,147,886	1,406,166	1,387,038	1,361,586	1,347,386	1,371,859	1,320,860	1,356,585	1,148,849	816,116
Industrial Airpark										
Number of businesses	17	17	19	20	21	21	20	28	28	28
Number of jobs provided by business	961	881	870	875	880	895	960	960	960	1,012
Number of landings (1)	17,500	18,000	17,900	18,000	17,500	17,500	19,000	19,000	17,500	17,650

Note:

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

Source: Individual Sussex County Departments.

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

<u>Function/Program</u>	Fiscal Year									
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Public Safety										
Paramedic stations	9	9	9	9	9	9	9	9	9	10
Volunteer fire and ambulance companies	24	24	24	24	24	24	24	24	24	24
Additional state police officers funded by County (1)	40	40	44	44	44	44	44	22	22	22
Sewer and Water Services										
Miles of underground sanitary sewer pipe	811	846	856	856	865	885	894	915	940	961
Number of feet of ocean outfall sewer pipe	6,500	6,500	6,500	6,670	6,670	6,670	6,670	6,670	6,670	6,670
Pump stations	437	440	449	461	463	468	488	493	518	524
Lagoon treatment facilities with land application	3	3	3	3	3	3	3	3	3	3
Tertiary treatment facility with ocean discharge	1	1	1	1	1	1	1	1	1	1
Libraries										
Directly administered	3	3	3	3	3	3	3	3	3	3
Number of County funded, with independent board	11	11	11	11	11	11	11	11	11	11
Bookmobiles	1	1	1	1	1	1	1	1	1	1
Airport										
Paved runway footage	8,109	8,109	8,109	8,609	8,609	8,609	8,609	8,609	8,609	8,609
Number of hangars	30	30	30	30	30	30	30	34	39	39
Number of runways	2	2	2	2	2	2	2	2	2	2

Note:

1. The Memorandum of Understanding with Delaware State Police was modified where the County funded 50 percent of 44 officers to 100 percent of 22 officers

Source: Individual Sussex County Departments.



SINGLE AUDIT SUPPLEMENT



SUSSEX COUNTY, DELAWARE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020

Federal Agency	CFDA Number	Federal Program Name	Pass-through Grantor	Other Identification Number	Expenditures		
					From Direct Awards	From Pass Through Awards	Total
U.S. DEPARTMENT OF AGRICULTURE							
	10.760	Water and Waste Disposal Systems for Rural Communities		10,19,21,23	\$ 10,899,026	\$ -	\$ 10,899,026
TOTAL U.S. DEPARTMENT OF AGRICULTURE					<u>10,899,026</u>	<u>-</u>	<u>10,899,026</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT							
	14.228	Community Development Block Grants/ State's Program	Delaware State Housing Authority	CD 03-18, CD 03-19	-	1,123,213	1,123,213
		Neighborhood Stabilization Program (NSP 1)	Delaware State Housing Authority	NSP 03-08	-	36,929	36,929
		Total Community Development Block Grants/ State's Program			<u>-</u>	<u>1,160,142</u>	<u>1,160,142</u>
	14.239	Home Investment Partnerships Program	Delaware State Housing Authority	HM 03-18, HM 03-19	-	431,015	431,015
	14.256	ARRA - Neighborhood Stabilization Program (NSP 2)	Delaware State Housing Authority	NSP 03-09	-	520	520
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT					<u>-</u>	<u>1,591,677</u>	<u>1,591,677</u>
U.S. DEPARTMENT OF JUSTICE							
	16.034	Coronavirus Emergency Supplemental Funding Program		2020-VD-BX-0478	58,008	-	58,008
TOTAL U.S. DEPARTMENT OF JUSTICE					<u>58,008</u>	<u>-</u>	<u>58,008</u>
U.S. DEPARTMENT OF TREASURY							
	21.019	Coronavirus Relief Fund	State of Delaware - Office of Management and Budget		-	174,646	174,646
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES					<u>-</u>	<u>174,646</u>	<u>174,646</u>
U.S. DEPARTMENT OF TRANSPORTATION							
	20.106	Airport Improvement Program		31-10-0007-034-2018, 31-10-0007-035-2019	3,877,932	-	3,877,932
TOTAL U.S. DEPARTMENT OF TRANSPORTATION					<u>3,877,932</u>	<u>-</u>	<u>3,877,932</u>
U.S. DEPARTMENT OF ENVIRONMENTAL PROTECTION AGENCY							
Clean Water State Revolving Fund Cluster							
	66.458	Capitalization Grants for State Revolving Funds	Delaware Department of Natural Resources and Environment Control	12000094, 12000098, 12000099	-	8,640,768	8,640,768
TOTAL U.S. DEPARTMENT OF ENVIRONMENTAL PROTECTION AGENCY					<u>-</u>	<u>8,640,768</u>	<u>8,640,768</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES							
	93.243	First Responders-Comprehensive Addiction and Recovery Act	Delaware Health and Social Services	DHSS/DPH/EMSPS/OEMS ID 103989187	-	4,549	4,549
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES					<u>-</u>	<u>4,549</u>	<u>4,549</u>
U.S. DEPARTMENT OF HOMELAND SECURITY							
	97.042	Emergency Management Performance Grants	Delaware Emergency Management Agency	EMPG- 19-003, 20-003	-	243,634	243,634
	97.067	Homeland Security Grant Program (training and supplies)	Delaware Emergency Management Agency	EMW-2018-SS-0050, EMW-2017-SS-0045	-	26,902	26,902
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY					<u>-</u>	<u>270,536</u>	<u>270,536</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS					<u>\$ 14,834,966</u>	<u>\$ 10,682,176</u>	<u>\$ 25,517,142</u>

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, 2020.

Program Title	Federal CFDA Number	Loan Amount
Water and Waste Disposal Systems for Rural Communities	10.760	\$ 10,899,026
Capitalization Grants for State Revolving Funds	66.458	8,640,768
Community Development Block Grants/ State's Program	14.228	36,669

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, 2020 is \$777,962 of which \$36,669 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.



Tel: 302-656-5500
Fax: 302-656-8024
www.bdo.com

4250 Lancaster Pike, Suite 120
Wilmington, DE 19805

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, 2020. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with 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, 2020.



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

Wilmington, Delaware
December 17, 2020



Tel: 302-656-5500
 Fax: 302-656-8024
 www.bdo.com

4250 Lancaster Pike, Suite 120
 Wilmington, DE 19805

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 Sussex County, Delaware (the "County"), which comprise the statement of financial position as of June 30, 2020, and the related statements of business-type and governmental activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 17, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

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

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

Compliance and Other Matters

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

express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

BDO USA, LLP

Wilmington, Delaware
December 17, 2020

Sussex County, Delaware

Schedule of Findings and Questioned Costs Year Ended June 30, 2020

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</u>	<u>Name of Federal Program or Cluster</u>
10.760	Water and Waste Disposal Systems For Rural Communities

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

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

Sussex County, Delaware

Schedule of Findings and Questioned Costs Year Ended June 30, 2020

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