



ANNUAL COMPREHENSIVE FINANCIAL REPORT



Sussex County, Delaware
For the Fiscal Year Ended June 30, 2022

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2022



Prepared by the Finance Department

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INTRODUCTORY SECTION

TODD F. LAWSON
COUNTY ADMINISTRATOR

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Sussex County

DELAWARE
sussexcountyde.gov

January 17, 2023

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 Annual Comprehensive Financial Report for the Sussex County Government for the fiscal year ended June 30, 2022. 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, 2022, 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, 2022, 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 247,000 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 administered 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 growing community. Per the 2020 U.S. Census, Sussex County had a population increase of more than 20.4 percent from 2010 to 2020. In a state that had a total increase in population of 92,014 people, Sussex County made up 44 percent of the growth, or 40,233 additional people. Local property taxes are very low, making the county a desirable destination for new residents and retirees. The State of Delaware has never had a general sales tax, inventory tax, or statewide property tax. 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. Sometime 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.

Rather than slowing the economy, the pandemic spurred the local real estate market. Whereas Sussex County was already known to be a retirement location, there was another group of individuals starting to flock to the area. Being located near major cities, where it is now common for people to work remotely, the County saw an uptick in new residents that moved here for solely a better quality of life. As the County welcomes new residents, it recognizes an increase in demand for services. For example, our emergency services departments saw increases in activity this last year. More information on County services is 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 121,000 9-1-1 calls a year.

The County owns and maintains the Delaware Coastal Airport and Business Park where approximately 900 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 three years to allow for the expansion and retention of businesses in Sussex County. Since development, the business park has attracted multiple growing businesses. There are 5 shovel-ready lots left to continue to grow and expand business in Sussex County. In addition to the County's business park located in central Sussex County, a new Western Sussex Business Campus broke ground in 2021 to also attract new companies to the area.

Next to the County's Coastal Business Park is the County's airport, Delaware Coastal Airport. It is a general aviation facility built in the 1940s and once used by the U.S. Navy. The 525-acre airport has undergone more than \$25 million in improvements in recent years to make it a full-service modern facility that accommodates everything from single-engine planes to corporate aircraft.

Also in Sussex County government, 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.

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 83,500 equivalent dwelling units (EDUs), and maintains and operates four treatment facilities. Fiscal year 2022 saw

a 7.4 percent increase from fiscal year 2021's EDUs. This is the largest increase in one year due to the Western Sussex area coming online. The sewer and water districts' operating budget for Fiscal Year 2022 was \$47.5 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 20 on pages 40 and 41) for additional budget information; with budget-to-actual comparisons on pages 80 through 88.

Economic Condition of Sussex County

Local Economy

Sussex County's economy continues to have a strong local economy. The number of building permits has increased 93 percent over the past nine years, with the largest single year increase being in fiscal year 2021. Although fiscal year 2022 had a decrease in the number of permits from the year before, the number of permits is still at record levels. According to the Sussex County Housing Market Data provided by Long and Foster using the Multiple Listing Service (MLS), as of July 2022, housing units sold were down 30 percent and the median sale price rose 14% percent to \$455,000 from last year. Despite higher prices, properties were only staying on the market 24 days, compared to 26 days a year ago.

A strong local economy is also demonstrated by current employment levels. According to the U.S. Bureau of Labor Statistics, Sussex County's unemployment levels continue to decline below pre-pandemic levels to 4.0 percent. The Bureau of Labor Statistics noted that the employment increased 4.8 percent from December 2020 to December 2021 in Sussex. In addition to employment increasing, wages in Sussex County also increased. Wages increased 9.0 percent. This increase was substantially higher than the national average of 5.9 percent. However, Sussex County still ranks low when it comes to average weekly wage. When compared to the other 343 largest counties in the U.S., Sussex ranks 310th.

The three industries with the largest increase in employment over the previous nine years are accommodation and food services, administrative and waste services, and healthcare and social services. Page 106 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 that these three employment sectors are experiencing the largest increases over time. With accommodation and services realizing the largest increase, it is also understandable why the county's average weekly wage continues to be lower than the U.S. average. However, as the health care industry continues to rise year after year in Sussex, Sussex should continue to see an increase in their average weekly wage.

The healthcare and social assistance industry is still the number one employer in Sussex, surpassing the retail trade industry in 2017. It is important to note that only non-farm employment is captured in this statistic through the Delaware Department of Labor. The growing retirement community in Sussex County contributes to the continual rise in healthcare and social services employment. More than one in four Sussex Countians are age 65 or older, which is higher than the

average senior population in Delaware and the U.S. In 2011, the median age was 45.1 years old; eight years later, the median age increased to 50.3.

The healthcare and social assistance industry makes up 15.2 percent of the county's employment; this is down from 15.7 percent in 2013 due to a more diversified employment base. The 15.2 percent does represent 2,400 more employees in the industry than in 2013.

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.

Beebe continues to expand to meet the demand of our residents and visitors. As reported by the Delaware News Journal in August 2022, Beebe has submitted a notice of intent to establish a hybrid freestanding emergency department in the heart of Sussex. They also intend to expand services in Milford, add additional primary care offices, and open a Milton health center in spring of 2023. These expansions are all in addition to the South Coastal Health Campus, a freestanding emergency department that can handle frequent emergency needs, which opened a couple of years ago, and this year's expansion of the Beebe's Specialty Surgical Center; a center designed to support shorter stays with faster recovery times.

Bayhealth opened its new 169-acre, \$314 million facility in February 2019. In addition, Bayhealth has partnered with Nemours duPont Pediatrics in 2020 to bring services to Sussex. Nemours opened primary and senior care services, as well as limited pediatric gastroenterology specialty care. Additional specialty, therapy and imaging services opened in 2021. Currently, Bayhealth is building a new 48,000 square-foot facility called Bayhealth Total Care on Route 9 in between Georgetown, Milton and Lewes.

TidalHealth also looks to expand in Sussex. They are planning to construct a new 150,000 square-foot campus in Millsboro in 2023. The campus is expected to cost \$100 million.

With 23,000 employees combined, the second and third largest sectors are retail trade and accommodations and food services. Both of these sectors are driven by the tourism industry and the no-sales-tax benefit in Sussex County. According to the 2019 Delaware Tourism Office Value Report, \$2.3 billion is generated by visitor spending. In the 2019 Southern Delaware Tourism Visitor Survey Report, the top three visitor activities were dining out, going to the beach, and 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.

Despite a strong tourist economy, the industry did have a challenge accommodating all of the visitors this year with staff shortages. Luckily this year, international students returned to help with some of the shortages. However, as noted earlier, the average house price in Sussex County continues to increase. This increase in housing has made it difficult for workers to find affordable housing options. The County, along with businesses, are working to find solutions for the lack of affordable housing to keep up with the demand of staffing needs. According to Delaware Department of Labor, hospitality and tourism jobs will see the most growth from 2020 to 2030 in

Delaware, so affordable housing solutions will continue to be at the forefront of many leaders of the county.

The fourth largest industry in Sussex County is manufacturing. This sector employs approximately 9,600 people. What has historically been a decrease, this sector's level of employment is now seeing an increase over the last nine years. Sussex County Government is committed to keep this sector thriving. Sussex County partnered with Discover Bank and National Development Council to create a \$16 million loan fund to retain or create jobs. Since 2019, this fund has retained or created 199 manufacturing jobs. In addition, the County spent money on two business parks this fiscal year, one being a partnership with the City of Seaford to create shovel-ready sites to attract new manufacturing companies to the area. The most recent manufacturing company building in the County's business park is Great Outdoor Cottages, a manufacturer of cabin parts. The business has opened its doors in fiscal year 2023.

Although these industry-related employment figures from the Bureau of Labor and Statistics do 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. Since 1996, 18 percent of Sussex County farmland is now preserved in the Delaware Agricultural Lands Preservation Foundation. This year the County again partnered with the State of Delaware to preserve additional farms.

To fuel any economy, 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. Delaware Technical Community College (DTCC), and its 147-acre Owens Campus in Georgetown, offers associate college degrees, diplomas, or certificates in more than 100 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. In the fall of 2021, the college opened a 13,500 square-foot automotive training facility, which houses the first diesel mechanic training program in the area.

If DTCC does not have what a student needs, both Wilmington University and Delaware State University have satellite locations in Georgetown. Delaware State University 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 25 years and provides an opportunity for local students to get a college education through an affordable means.

Wilmington University also provides opportunities to obtain a bachelor's, master's, or doctorate degree in flexible formats to accommodate the county's residents. Both universities provide online options for students.

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.

As we are now in Fiscal Year 2023, building activity continues to be strong. Both dwelling building permits and building inspections are under the record-breaking fiscal years of 2022 and 2021. However, these metrics are still trending above Fiscal Year 2020. In addition, realty transfer tax revenue is still healthy, and collections are well over the budgeted amount. Before Fiscal Year 2021, the highest realty transfer tax collected in one month was \$3.6 million. Collections in August 2022 surpassed \$4.7 million for the month. However, this amount is significantly down from the \$6.5 million collected in August 2021.

Financial Planning

Our local economy benefits from the low taxes and the attractiveness of our resorts. Fiscal year 2022 was another strong financial year for Sussex County. It is our goal to keep the county a place where people want to visit or stay and raise their family. To do this, we must adequately plan for our future.

Although our economy continues to produce numbers above an average year, we do not take this positive environment for granted. As we prepared the fiscal year 2023 budget, we made sure to budget all economically sensitive revenues at levels that are sustainable in an average year. Building related revenues, excluding realty transfer tax, were budgeted at 70 to 80 percent of what was collected in fiscal year 2021. Due to the fiscal restriction and unprecedented amount of collections, realty transfer tax was budgeted only at 60 percent of the previous completed fiscal year.

Keeping revenues in check ensures that we keep our expenses at a sustainable level long-term. Our 10-year trend analysis shows that while revenues for both the General and Enterprise Funds increase an average of 8.7 percent per year, the operating expenses are staying below this number at an average of 5.5 percent per year.

To ensure that the County is on the right fiscal track, each year we develop a long-term financial outlook that forecasts operating expenses and revenue for the next 10 years along with capital expenditures and revenues for the next 5 years. The Fiscal Year 2023 Five-Year Capital Improvement Plan includes \$68.0 million for the expansion and improvement of General Fund services, such as our paramedic system, the Delaware Coastal Airport and Business Park, and informational technology infrastructure. The County understands that the Delaware Coastal Airport and the business park are vital components of Sussex County's economy. Twenty-eight percent (28%), or \$7.8 million, of the fiscal year 2023 capital budget is 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 \$7.8 million, \$2.0 million will be funded through these types of grants.

Along with our Governmental Fund Five-Year Capital Improvement Plan, the County also has a five-year plan for utility infrastructure. The five-year plan budgets \$173.1 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. The largest projects are the treatment and capacity expansions happening at the Inland Bays and South Coastal Regional Wastewater Facilities.

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 witnessing depressed interest rate returns. Because of the interest rate environment, the County adjusts its maturities to take advantage of the best rates possible. Please see Note B on pages 41 through 44 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 2022, the Council approved lowering its assumed rate of return to ensure the County's commitment to a full-funded status with realistic return assumptions. The County continues to fund its pension above the required actuarial contribution to maintain a highly funded status.

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."

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 annual comprehensive financial report for the Fiscal Year ended June 30, 2021. This was the 20th 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 annual comprehensive 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 Annual Comprehensive 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.

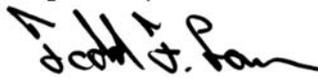
The County also received the Government Finance Officers Association's Distinguished Budget Presentation Award for its Fiscal Year 2022 budget. Obtaining such a prestigious award demonstrates the County's commitment to transparent fiscal management.

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 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." Moody's recently reaffirmed the "Aaa" rating in November 2022.

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 Annual Comprehensive
Financial Report
For the Fiscal Year Ended

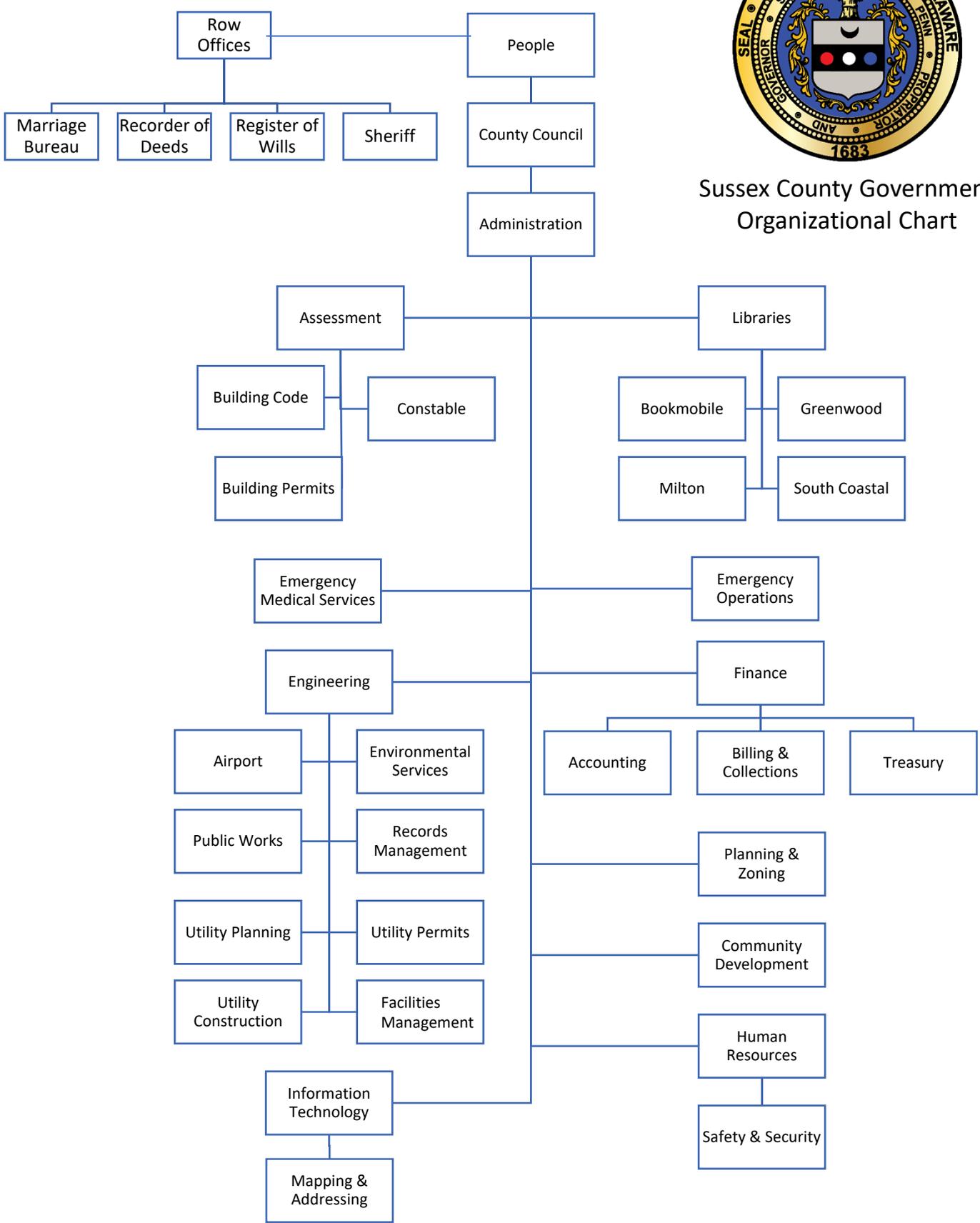
June 30, 2021

Christopher P. Morill

Executive Director/CEO



Sussex County Government
Organizational Chart



SUSSEX COUNTY, DELAWARE

LIST OF ELECTED OFFICIALS

JUNE 30, 2022

<u>COUNCIL</u>	<u>Length of Service</u>	<u>Term Expires</u>
<i>District 1</i>		
Michael H. Vincent (President)	14 years	Jan. 2025
<i>District 2</i>		
Cynthia C. Green	2 years	Jan. 2025
<i>District 3</i>		
Mark G. Schaeffer	2 years	Jan. 2025
<i>District 4</i>		
Douglas B. Hudson (Vice President)	4 years	Jan. 2023
<i>District 5</i>		
John L. Rieley	4 years	Jan. 2023

<i>Clerk of the Peace</i>		
Norman A. Jones	6 years	Jan. 2025
<i>Recorder of Deeds</i>		
Scott Dailey	12 years	Jan. 2023
<i>Register of Wills</i>		
Ellen Magee	2 years	Jan. 2023
<i>Sheriff</i>		
Robert Lee	8 years	Jan. 2023

SUSSEX COUNTY, DELAWARE

COUNTY DEPARTMENT HEADS & OTHER OFFICIALS

JUNE 30, 2022

	<u>Length of Time in Position</u>	<u>Length of Service with the County</u>
<i>County Administrator</i> - Todd F. Lawson	10 years	11 years
<i>County Attorney</i> - J. Everett Moore, Esquire	14 years	14 years
<i>Finance Director / Chief Operations Officer</i> - Gina A. Jennings, MBA, MPA	9 years	16 years
<i>Deputy Finance Director</i> - Kathy L. Roth, CPA	9 years	16 years
<i>County Engineer</i> - Hans Medlarz, P.E.	6 years	6 years
<i>Assessment Division Director</i> - Christopher S. Keeler	8 years	28 years
<i>Community Development Program Director</i> - Brandy B. Nauman	1 year	15 years
<i>Director of Environmental Services</i> - Parker Burdell	6 months	1 year
<i>Director of Information Technology</i> - Dwayne Kilgo	6 years	10 years
<i>Emergency Preparedness Director</i> - Joseph L. Thomas	25 years	36 years
<i>Human Resources Director</i> - Karen Brewington	11 years	11 years
<i>Library Director</i> - Rachel T. Lynch	1 year	16 years
<i>Paramedic Director</i> - Robert W. Murray	2 years	28 years
<i>Planning and Zoning Director</i> - Jamie Whitehouse, AICP	2 years	5 years



FINANCIAL SECTION



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Independent Auditor's Report

The County Council of Sussex County, Delaware
 Georgetown, Delaware

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Sussex County, Delaware (the "County") as of and for the year ended June 30, 2022 and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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, 2022 and the respective changes in financial position, the budgetary comparison for the General Fund and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the County and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.



Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 County's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 18 and the Required Supplementary Information on pages 74 through 79 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.



Supplementary 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 individual fund financial schedules and the Schedule of Expenditures of Federal Awards required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Information

Management is responsible for the other information included in the annual comprehensive financial report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 17, 2023 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

January 17, 2023

SUSSEX COUNTY, DELAWARE

MANAGEMENT'S DISCUSSION & ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2022

This section of the report offers an overview and analysis of the financial activity of Sussex County, Delaware, for the year ended June 30, 2022. 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

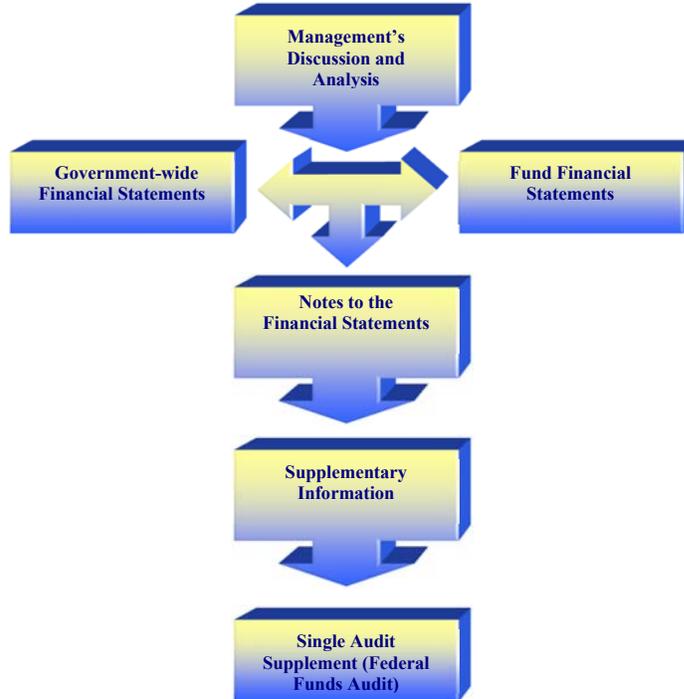
- As of June 30, 2022, total government net position was \$726.4 million. Of this amount, \$83.9 million was unrestricted and may be used for ongoing obligations to citizens and creditors.
- The County's total net position increased by \$46.6 million during the year. The business-type activities net position increased \$19.5 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 \$27.1 million as a result of the strong real estate market.
- The County has no outstanding General Fund bonded debt.
- In fiscal year 2021, S&P Global Rating upgraded the County general obligation bond rating to AAA. Moody Investors Services also reviewed and maintained it's Aaa rating for the County. S&P Global Rating report for the County states, "...the county's diversifying and growing economy and its strong financial management practices that, and among other things, have led to very strong budgeting performance one serval years, including during the current and past recessions." This rating represents a first-time achievement for Sussex County government.

Fund Financial Statements

- As of June 30, 2022, the County's governmental funds reported an ending fund balance of \$188.9 million; this is an increase of \$21.0 million from the preceding year. Approximately \$55.7 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 19 and 20.

Fund Financial Statements

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

- *Governmental Funds* - Governmental funds account for essentially the same functions as governmental activities in the government-wide financial statements. Governmental fund financial statements do focus on near term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information may be useful in evaluating a government's near term financing requirements. Because the focus of governmental funds is for the current period, it is useful to compare this information with similar information presented for governmental activities in the government-wide financial statements. Readers may then better understand the long-term impact of the government's current financing decisions. The Governmental Fund Balance Sheet and Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance include reconciliations to the government-wide financial statements (see pages 22 and 24).

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 26 through 30).
- *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 31 and 32 of this report.

Notes to the Financial Statements

Notes to the financial statements found on pages 33 through 73 of this report, provide additional information that is important for a better understanding of the data provided in the financial statements.

Other Information

Pages 74 through 79 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 92 through 109 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 \$726.4 million as of June 30, 2022. 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: (2021 restated for lease implementation)

SUSSEX COUNTY'S SCHEDULE OF NET POSITION
As of June 30, 2022 and 2021

	Governmental Activities		Business-type Activities		Total Government	
	2022	2021	2022	2021	2022	2021
Current and Other Assets	\$266,849,196	\$235,622,351	\$119,671,238	\$137,106,941	\$ 386,520,434	\$372,729,292
Capital Assets	103,929,053	96,152,982	532,394,498	500,737,430	636,323,551	596,890,412
Total Assets	370,778,249	331,775,333	652,065,736	637,844,371	1,022,843,985	969,619,704
Deferred outflows of resources	15,306,887	2,649,642	5,266,886	813,943	20,573,773	3,463,585
Total assets and deferred outflows of resources	386,085,136	334,424,975	657,332,622	638,658,314	1,043,417,758	973,083,289
Current and Other Liabilities	71,192,346	46,384,688	8,885,733	10,769,930	80,078,079	57,154,618
Long-term Liabilities	20,425,153	7,793,690	209,556,418	203,823,747	229,981,571	211,617,437
Total Liabilities	91,617,499	54,178,378	218,442,151	214,593,677	310,059,650	268,772,055
Deferred inflow of resources	5,906,917	18,766,517	1,082,111	5,800,199	6,989,028	24,566,716
Total liabilities and deferred inflows of resources	97,524,416	72,944,895	219,524,262	220,393,876	317,048,678	293,338,771
Net Position:						
Net Investment in Capital						
Assets	101,525,312	95,551,537	324,432,012	312,780,719	425,957,324	408,332,256
Restricted	129,854,977	103,290,603	86,645,337	85,391,251	216,500,314	188,681,854
Unrestricted	57,180,431	62,637,940	26,731,011	20,092,468	83,911,442	82,730,408
Total Net Position	288,560,720	261,480,080	437,808,360	418,264,438	726,369,080	679,744,518

A large portion of the County's net position (58.7 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 \$300.4 million in net position, \$86.6 million is restricted for construction or capital costs incurred for future sewer district expansion costs. For governmental activities, \$129.9 million represents realty transfer taxes, lodging tax, funds for employee benefits, 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, debt reduction, or assessment costs. Planned uses of realty transfer taxes include buildings and improvements, business park infrastructure, County airport improvements, and reassessment.

The remaining \$83.9 million in net position is unrestricted and may be used for ongoing obligations to citizens, customers, and creditors. There was a small increase in unrestricted net position, and this increase was due to the business activities of the County.

The following schedule shows the breakdown of changes in net position for governmental and business-type activities for fiscal years 2022 and 2021.

Sussex County, Delaware						
Changes in Net Position						
For the Years Ended June 30, 2022 and 2021						
	Governmental Activities		Business-type Activities		Total Government	
	2022	2021	2022	2021	2022	2021
Revenues:						
Program revenues:						
Charges for services	\$18,851,898	\$20,223,026	\$30,641,642	\$27,572,853	\$49,493,540	\$47,795,879
Operating grants and contributions	9,936,890	8,591,133	20,414,771	28,690,407	30,351,661	37,281,540
Capital grants and contributions	1,742,413	573,362	13,357,146	12,257,912	15,099,559	12,831,274
General revenues:						
Property taxes	17,632,070	17,087,426	-	-	17,632,070	17,087,426
Fire service taxes	2,386,367	2,663,857	-	-	2,386,367	2,663,857
Realty taxes	63,006,928	57,024,772	-	-	63,006,928	57,024,772
Lodging taxes	955,081	-	-	-	955,081	-
Investment results	(6,296,359)	179,303	(929,764)	108,126	(7,226,123)	287,429
Gain on sale of capital assets	50,329	19,303	101,416	22,140	151,745	41,443
Total revenues	<u>108,265,617</u>	<u>106,362,182</u>	<u>63,585,211</u>	<u>68,651,438</u>	<u>171,850,828</u>	<u>175,013,620</u>
Expenses:						
Primary Government:						
General government	17,721,356	7,520,951	-	-	17,721,356	7,520,951
Planning and zoning	2,936,104	2,580,241	-	-	2,936,104	2,580,241
Paramedics	17,281,301	16,637,782	-	-	17,281,301	16,637,782
Emergency preparedness	5,247,706	4,942,953	-	-	5,247,706	4,942,953
County engineer	1,785,092	1,109,090	-	-	1,785,092	1,109,090
Library	3,306,846	3,280,930	-	-	3,306,846	3,280,930
Economic development and airpark	4,648,729	4,763,057	-	-	4,648,729	4,763,057
Community development	3,168,738	2,418,638	-	-	3,168,738	2,418,638
Grant-in-aid program	22,494,926	21,390,212	-	-	22,494,926	21,390,212
Constitutional offices	2,527,514	2,557,573	-	-	2,527,514	2,557,573
Interest on leases	415	-	-	-	415	-
Business-type activities	-	-	44,107,539	43,439,907	44,107,539	43,439,907
Total expenses	<u>81,118,727</u>	<u>67,201,427</u>	<u>44,107,539</u>	<u>43,439,907</u>	<u>125,226,266</u>	<u>110,641,334</u>
Change in net position before transfers	27,146,890	39,160,755	19,477,672	25,211,531	46,624,562	64,372,286
Transfers	(66,250)	(62,139)	66,250	62,139	-	-
Change in net position	27,080,640	39,098,616	19,543,922	25,273,670	46,624,562	64,372,286
Net position-beginning	<u>261,480,080</u>	<u>222,381,464</u>	<u>418,264,438</u>	<u>392,990,768</u>	<u>679,744,518</u>	<u>615,372,232</u>
Net position-ending	<u>288,560,720</u>	<u>261,480,080</u>	<u>437,808,360</u>	<u>418,264,438</u>	<u>\$726,369,080</u>	<u>\$679,744,518</u>

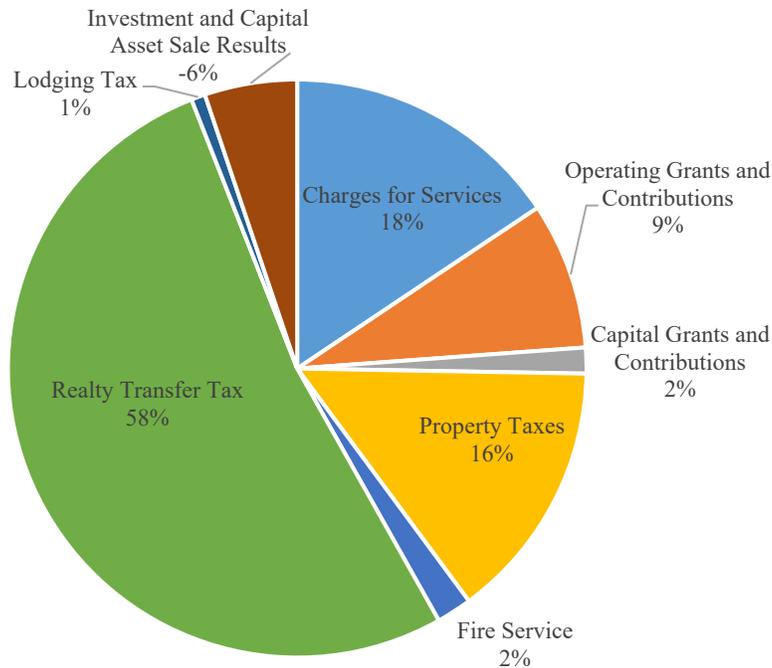
Governmental Activities

Governmental activities increased net position by \$27.1 million during fiscal year 2022. This represents a 10.4 percent increase in net position for the year. Governmental activities include the general fund and capital projects fund.

General revenues total \$77.7 million for fiscal year 2022 for governmental activities. This amount includes \$63.0 million received from realty transfer taxes. This revenue source is \$6.0 million, or 10.5 percent, above fiscal year 2021. Realty transfer tax has increased ten years in a row, which is a sign that the real estate market is still strong in Sussex County.

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

Revenues by Source - Governmental Activities



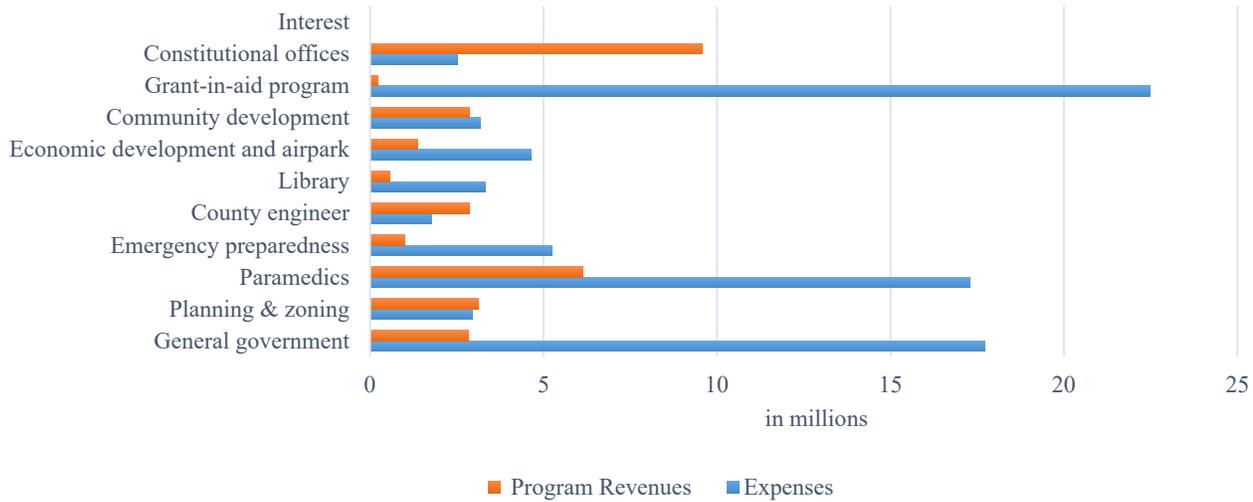
Total Governmental Revenues increased \$1.9 million. The growth was driven by the \$6.0 million increase in realty transfer tax. There was also an increase in property tax and lodging tax of \$600,000 and \$1.0 million, respectively, and \$1.3 million increase in operating grants. All the increases were offset by unrealized investment losses of \$6.3 million.

Governmental charges for services decreased \$1.4 million over the previous year due to the decrease in building related services such as building permits and recording deeds. Even though the County saw a decrease in these revenues, these building related revenues are still higher than any other year before 2021.

The County's operating grants were \$1.3 million more than the previous year, due to additional amounts received by the community development and housing and emergency preparedness departments. Capital grants increased \$1.2 million due to the grant-supported projects being completed by the paramedic department and at the Delaware Coastal Airport.

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

Program Revenues and Expenses Governmental Activities



One of the larger expenses to the County is public safety. The population growth of the County over the last decade has impacted the Paramedic Department and the Sussex County Emergency Operations Center possibly more than any other County services. The Sussex County Emergency Operation Center is the largest dispatch center in Sussex County.

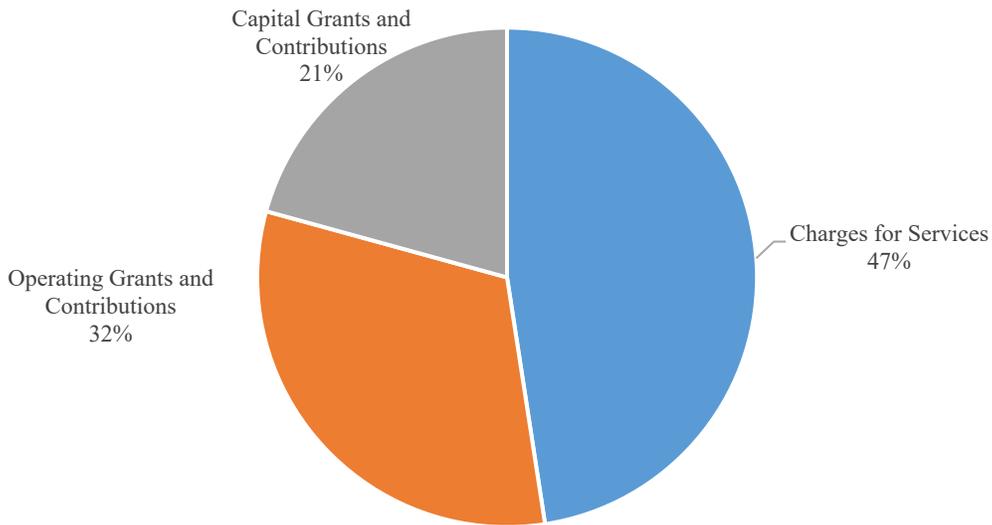
The Paramedic Department is the County’s largest department in terms of expenditures and employees. Our residents and visitors rely on this valuable County service. The paramedics were dispatched 26.7 percent more this year than 10 years ago. The County opened up a new paramedic station in the Seaford-Blades area on U.S. Route 13 corridor during 2021 to better provide services to Western Sussex. In FY 2022, a new administration and training facility for the paramedics began to be constructed. 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 six of our ten medic stations. By the end of fiscal year 2022, there were plans to build another within the next year.

During fiscal year 2022, the County provided \$22.5 million in grant-in-aid to 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 continued to supplement the State Police and local law enforcement with a \$4.3 million contribution. The volunteer fire service and ambulance companies received approximately \$5.2 million in grant funding during fiscal year 2022. To spur economic development, the County also contributed \$1.4 million to the City of Seaford for a Western Sussex Business Park. New in fiscal year 2022 was a \$6.4 million grant to municipalities to assist with any public safety, economic development or infrastructure projects they had in their city or town. The County also supports 11 independent libraries through the grant-in-aid budget with a \$2.8 million contribution.

Business-type Activities

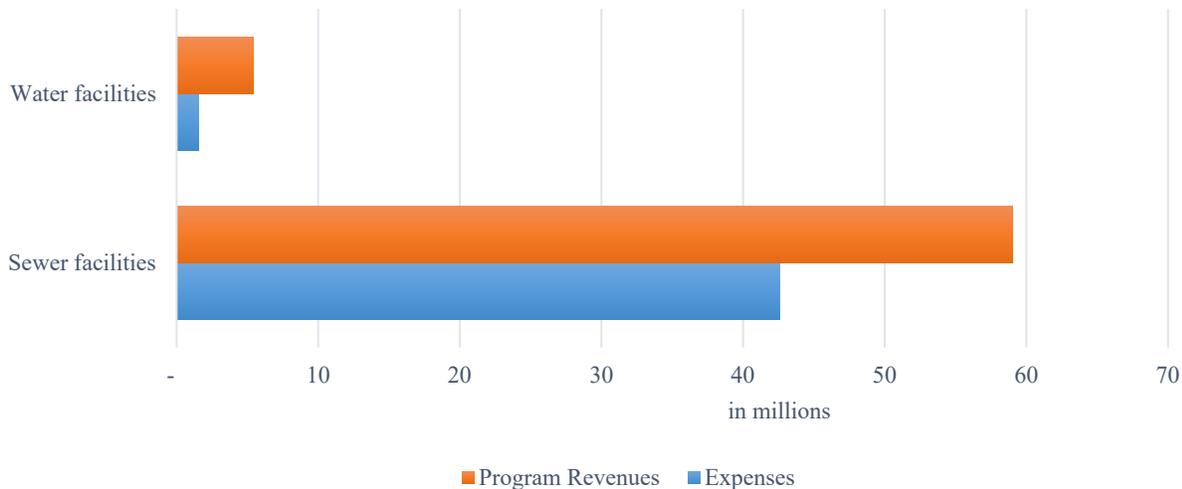
Sussex County’s water and sewer funds had an increase in net position of \$19.5 million during fiscal year 2022. The income before capital contributions and transfers was \$6.1 million. Our sewer district continues to grow, bringing in additional income to help support the growing expense. The number of sewer equivalent dwelling units increased more than 5,700 from fiscal year 2021. Most of the increase was due to the Western Sussex area connecting to the Unified Sewer District. 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 \$14.9 million in connection fees for new growth in the water and sewer districts. Connection fee income decreased from prior year by \$5.0 million.
- Operating grants and contribution program revenue includes both connection fees and assessment charges. Assessment charges are collected to pay debt incurred due to construction.
- Fiscal year 2022 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 2022, fund balances of the County's governmental funds increased \$21.0 million. For the capital projects fund, the fund balance increased \$18.0 million, or 42.5 percent. The increase is due to a \$30.0 million transfer from the general fund.

For the general fund, fiscal year 2022 finished with an increase in fund balance of \$3.0 million after transferring excess realty transfer tax revenue to the capital projects fund. This increase is a result of building related revenues being over the budgeted amount. The County always budgets these revenues conservatively knowing they are sensitive to the economy. However, due to strong real estate market in Sussex County, building permit revenue, private road and inspections fees, and recorder of deeds fees all exceeded these conservative budgeted estimates by over \$5 million collectively. Page 97 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 committed fund balance includes funds already obligated by County Council. Fund balance is restricted for public safety, infrastructure, public works, economic development, and assessment. Assigned fund balance includes funds to be used in next fiscal year's budget.

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 2022, the contribution was \$1.8 million over the actuarially determined contribution. The fund saw a decrease from investment earnings, net of investment expenses,

in the amount of \$12.8 million. The County's Pension Plan is 94.9 percent funded according to the latest actuarial report. As of June 30, 2022, assets held in this account were valued at over \$136.4 million.

As of January 1, 2021, new hires were required to contribute 5.0 percent of their gross salary to the pension plan. Employees hired January 1, 2014, to December 31, 2020, are required to contribute 3 percent of their gross salary to the pension plan. Employees hired before January 1, 2012, have no contribution requirements for the pension plan.

The County has an irrevocable fund for other post-retirement employee benefits, or "OPEB". The OPEB Plan is currently 86.8 percent funded. As of June 30, 2022, assets held in this account were valued at \$55.5 million. For fiscal year 2022, the contribution to this fund was \$2.8 million. This contribution was \$1.3 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 governments.

In fiscal year 2022, there were 314 retirees and beneficiaries in the pension plan. Beneficiary payments for both funds totaled \$8.2 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 \$437.8 million - a \$19.5 million, or 4.7 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, to create no general fund bonded 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 2022. 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 item, as approved by the County Administrator during the year, were for the financial transparency website as the American Rescue Plan funds were being distributed (\$29,000), for replacement the Greenwood Library main digital sign (\$25,000), and an emergency grant to the Good Ole Boy Foundation to help families in need (\$25,000). During fiscal year 2022, a \$12 million budget amendment was approved to increase the original budget due the amount of realty transfer tax being collected. The budget was adjusted to support open space infrastructure and municipality initiatives. The budget increased open space funding in the amount of \$5.6 million. As for the municipality grants, the budget adjustment created a \$6.4 million program where towns and cities were able to receive up to \$500,000 for public safety, economic development, or infrastructure projects.

Budget to Actual - Revenue

In fiscal year 2022, actual general fund revenues and other financing sources were under budgeted revenue by \$27.0 million as noted on page 25 with a detail listing on page 80 and 81. The reason for being under budget was the American Rescue Plan Act Grant. The budget records this as revenue when received. However, the financial statements do not record this as revenue until it has been earned. If you exclude the timing of the American Rescue Plan Act Grant, revenues are over budget by \$18.2 million. The largest revenue source over budget was realty transfer tax; this revenue exceeded the budget by \$26.1 million. Recorder of Deeds revenue exceeded the budget by \$2.7 million. Building permits and zoning fees exceeded revenue by \$1.1 million. All of these revenue sources are a good indicator that the County's real estate market is strong. These overage amounts were offset by the \$9.0 million use of appropriated reserves that were planned to be spent during the year. One funding source that has been impacted by the economy is investment earnings. The financial statements show a loss of \$5.0 million in the general fund. However, these losses are unrealized losses from the County's fixed income portfolio. The plan is to hold all investments to maturity, and therefore, none of these losses will be capitalized losses.

Budget to Actual - Expenditures

Expenditure were under budget by \$30.0 million as noted on page 25 with a detail listing on pages 82 - 87. As mentioned above in the budget to actual revenue section, the large difference has to do with the American Rescue Plan Act Grant. The budget placed the entire expense in fiscal year 2022. However, the County has until 2026 to fully expend the grant funds.

All departments were under budget except Assessment, County Council, Community Development and Housing, and Emergency Preparedness. Assessment was over its budget due to the progress billing of the reassessment project. County Council was over its budget due to an employee retiring and obtaining his/her accumulated leave payout. Community Development was over its budget due to being allocated additional grant funds from through the Cares Act. Emergency Preparedness was over its budget due to being allocated additional grant funds through the Emergency Management Performance Grants. Many of the departments that were under budget had to positions open during the year which drove down salary and health insurance costs.

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Capital Asset and Debt Administration

Capital Assets

As per the following chart, capital assets (net of depreciation) are valued at \$636.3 million as of June 30, 2022. Note F, on pages 49 and 50, includes additional information.

Sussex County’s Capital Assets
As of June 30, 2022 and 2021
(net of depreciation)

	Governmental Activities		Business-type Activities		Total Government	
	2022	2021	2022	2021	2022	2021
Land	\$31,831,679	\$26,715,655	58,692,023	57,072,709	\$90,523,702	\$83,788,364
Construction in Progress	9,334,461	1,775,261	61,403,658	42,510,174	70,738,119	44,285,435
Buildings	33,178,927	34,135,063	38,495,775	39,116,076	71,674,702	73,251,139
Improvements Other Than Buildings	25,942,926	29,350,099	4,949,605	4,950,389	30,892,531	34,300,488
Machinery and Equipment	3,370,499	3,860,426	2,831,343	2,809,328	6,201,842	6,669,754
Infrastructure	210,749	219,744	360,255,594	349,134,701	360,466,343	349,354,445
Right-of-use lease building	59,812	96,734	-	-	59,812	96,734
Right-of-use lease land	-	-	1,760,125	1,842,997	1,760,125	1,842,997
Purchase capacity	-	-	4,006,375	3,301,056	4,006,375	3,301,056
Total	\$103,929,053	\$96,152,982	\$532,394,498	\$500,737,430	\$636,323,551	\$596,890,412

The major governmental capital projects completed in fiscal year 2022, which increased the classification Land, was the purchase of open space property. There were four transactions that totaled \$5.2 million which preserved more than 150 acres. Construction in Progress increased due to the construction of the new administration and training facility for the Paramedic Department.

The major business-type capital project completed in fiscal year 2022 was another phase of the Western Sussex expansion of the County’s sewer system, along with a phase of the Mulberry Knoll area expansion. The following are highlights of the major capital sewer projects underway during fiscal year 2022, 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;
- storm water management at the Inland Bay Regional Wastewater facilities;
- construction of the sewer expansion areas, such as Herring Creek, Mulberry Knoll, Joy Beach, Long Neck Communities, Lockwood, Mallard Creek; and
- design of the Piney Neck Regional Wastewater Facility diversion transmission system.

Long-term Debt

As of June 30, 2022, the County had \$202.2 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. 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, 2022 and 2021

General Bonds

	Governmental Activities		Business-type Activities		Total Government	
	2022	2021	2022	2021	2022	2021
General Obligation Bonds	\$ -	\$ -	\$202,180,188	\$199,992,825	\$202,180,188	\$199,992,825
Total	\$ -	\$ -	\$202,180,188	\$199,992,825	\$202,180,188	\$199,992,825

Additional funds were granted or 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 and water to our County residents. Loan funds are borrowed at a low interest rate for long terms.

In fiscal year 2021, S&P Global Rating upgraded the County general obligation bond rating to AAA. Moody Investors Services also reviewed and maintained it’s Aaa rating for the County. S&P Global Rating report for the County states, “...the County’s diversifying and growing economy, and its strong financial management practices that, and among other things, have led to very strong budgeting performance one serval years, including during the current and past recessions.” This rating represents a first-time achievement for Sussex County government.

Additional debt information is included in Note K on pages 64 through 67 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 future burden to the taxpayers. Our reserves are strong and healthy because of fiscally sound financial policies.

- While the national unemployment rate, as stated by the Delaware Department of Labor, was 3.6 percent in June 2022, Delaware’s unemployment rate was 4.5 percent; Sussex County’s unemployment - at 4.0 percent - was under the other Delaware County averages.
- Fiscal year 2022 again saw a strong housing market. General fund budgeted revenues, excluding the American Rescue Plan Act and use of reserves, surpassed projections by \$27.2 million. County’s property tax assessments saw an increase of 3.3 percent. Although actual revenues for fiscal year 2021 came in much higher than budgeted revenues, the budget committee chose not to

assume that the economy will continue to expand at the same levels for fiscal year 2022. Building related revenues, excluding realty transfer tax, were budgeted at 70 to 80 percent of anticipated collections when creating the fiscal year 2022 budget. Due to the fiscal restriction and unprecedented amount of collections, realty transfer tax was budgeted at 60 percent of the pervious completed fiscal year.

- 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. The outlets attract customers from other counties and states. Having no state sales tax is an additional draw for outlet shoppers. Although the pandemic did not impact Sussex’s economy much, the budget committee is carefully watching how inflation could impact this industry as well as agriculture.
- Realty transfer tax revenue continues to be 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 2023 Budget and Rates

The major goal of the fiscal year 2023 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 2023 budget was put together with long-term planning in mind. As mentioned above, the County has economically sensitive revenues which were budgeted at a percentage of previous years.

As the same with fiscal year 2022, the fiscal year 2023 budget uses a transparent budget platform that clearly defines long-term goals and aligns all initiatives to these goals. There is also a full section on long-term financial planning that shows how the County will sustain operations.

The fiscal year 2023 general fund operating budget decreased \$4.3 million from, the fiscal year 2022 revised budget. The decrease is due to one-time grants and open space commitments in fiscal year 2022. Recurring expenses however did increase in fiscal year 2023. This increase is mostly due to inflation that impacted employment costs, repairs and maintenance contracts, insurance and utilities. There were also increases due to new operational initiatives. These initiatives were an additional trooper through an agreement with the Delaware State Police, paramedic medical equipment replacements, and an increase in public safety support through additional funding for the fire service and new employees for the paramedic and emergency operations departments.

The fiscal year 2023 governmental capital improvements budget had increased \$2.6 million, or 10.2 percent, from the original adopted budget. The capital budget uses \$26.3 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 largest projects include construction of the public safety building, the purchase of land for open space, business park and airport improvements, and a contribution to a parking structure in Georgetown.

The fiscal year 2023 sewer and water operating budget increased by 12.2 percent. The increase is due to inflation and additional operating costs for customers coming online. Inflation has increased employment costs, utilities, maintenance contracts, supplies, and insurance. Because of the large increase in costs, the County raised service charges by 8 to 10 percent depending on the utility. Service charges cover the operation of four wastewater treatment facilities, one water facility and tower, 532 pump stations, and 985 miles of pipe.

The five-year capital improvement plan of \$241.1 million includes \$173.1 million for sewer and water projects and improvements, as well as \$68.0 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. The sewer and water capital projects include \$83.8 million in sewer treatment plant expansions and upgrades and \$89.3 million in new areas connecting to the unified sewer or water district.

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

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 15,372,429	\$ 4,383,003	\$ 19,755,432
Investments	48,498,056	24,974,238	73,472,294
Taxes receivable	1,233,859	-	1,233,859
Lease receivables	3,837,898	321,485	4,159,383
Other receivables	1,873,590	3,415,423	5,289,013
Due from other governmental agencies	1,876,374	8,558,022	10,434,396
Internal balances	9,383,575	(9,383,575)	-
Inventory	6,758	700,200	706,958
Prepaid items	144,832	57,105	201,937
Restricted cash and cash equivalents	62,677,620	12,464,840	75,142,460
Restricted investments	120,415,449	74,180,497	194,595,946
Loans receivable	1,528,756	-	1,528,756
Capital assets:			
Land, improvements, and construction in progress	41,166,140	120,095,681	161,261,821
Other capital assets, net of depreciation / amortization	62,703,101	410,538,692	473,241,793
Right-to-use leased assets, net of amortization	59,812	1,760,125	1,819,937
Total assets	<u>370,778,249</u>	<u>652,065,736</u>	<u>1,022,843,985</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows from other postemployment benefits	3,586,077	1,233,919	4,819,996
Deferred outflows from pension	11,720,810	4,032,967	15,753,777
Total deferred outflows of resources	<u>15,306,887</u>	<u>5,266,886</u>	<u>20,573,773</u>
LIABILITIES			
Accounts payable and other current liabilities	22,032,748	8,009,261	30,042,009
Accrued interest payable	-	873,002	873,002
Employee health claims payable	1,378,622	-	1,378,622
Unearned revenue	45,488,095	3,470	45,491,565
Deposits	2,292,881	-	2,292,881
Long-term liabilities:			
Due within one year	3,919,855	10,203,529	14,123,384
Other due in more than one year	16,505,298	199,352,889	215,858,187
Total liabilities	<u>91,617,499</u>	<u>218,442,151</u>	<u>310,059,650</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows from leases	3,823,775	331,301	4,155,076
Deferred inflows from other postemployment benefits	1,580,379	543,786	2,124,165
Deferred inflows from pension	502,763	172,994	675,757
Deferred inflow on refunding of bonds	-	34,030	34,030
Total deferred inflows of resources	<u>5,906,917</u>	<u>1,082,111</u>	<u>6,989,028</u>
NET POSITION			
Net investment in capital assets	101,525,312	324,432,012	425,957,324
Restricted for:			
Realty transfer tax eligible expenses: Capital, public safety, economic development, assessment	127,125,149	-	127,125,149
Lodging tax eligible expenses: Beach nourishment, waterway dredging, tourism, water quality or flood control	1,005,039	-	1,005,039
Employee and pension benefits	928,529	-	928,529
Construction and capital	-	86,645,337	86,645,337
Grant expenses	796,260	-	796,260
Unrestricted	57,180,431	26,731,011	83,911,442
Total Net Position	<u>\$ 288,560,720</u>	<u>\$ 437,808,360</u>	<u>\$ 726,369,080</u>

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

SUSSEX COUNTY, DELAWARE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

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	\$ 17,721,356	\$ 2,585,669	\$ 227,733	\$ 27,992	\$ (14,879,962)	\$ -	\$ (14,879,962)
Planning and zoning	2,936,104	3,110,241	-	-	174,137	-	174,137
Paramedics	17,281,301	45,635	5,080,845	1,000,000	(11,154,821)	-	(11,154,821)
Emergency preparedness	5,247,706	17,500	978,965	-	(4,251,241)	-	(4,251,241)
County engineer	1,785,092	2,845,768	10,850	-	1,071,526	-	1,071,526
Library	3,306,846	9,822	540,663	22,470	(2,733,891)	-	(2,733,891)
Economic development and airpark	4,648,729	674,061	-	691,951	(3,282,717)	-	(3,282,717)
Community development	3,168,738	-	2,859,610	-	(309,128)	-	(309,128)
Grant-in-aid program	22,494,926	-	238,224	-	(22,256,702)	-	(22,256,702)
Constitutional offices	2,527,514	9,563,202	-	-	7,035,688	-	7,035,688
Interest on leases	415	-	-	-	(415)	-	(415)
Total governmental activities	<u>81,118,727</u>	<u>18,851,898</u>	<u>9,936,890</u>	<u>1,742,413</u>	<u>(50,587,526)</u>	<u>-</u>	<u>(50,587,526)</u>
Business-type activities:							
Sewer facilities	42,566,436	29,233,480	20,419,962	9,355,591	-	16,442,597	16,442,597
Water facilities	1,541,103	1,408,162	(5,191)	4,001,555	-	3,863,423	3,863,423
Total business-type activities	<u>44,107,539</u>	<u>30,641,642</u>	<u>20,414,771</u>	<u>13,357,146</u>	<u>-</u>	<u>20,306,020</u>	<u>20,306,020</u>
Total primary government	<u>\$ 125,226,266</u>	<u>\$ 49,493,540</u>	<u>\$ 30,351,661</u>	<u>\$ 15,099,559</u>	<u>(50,587,526)</u>	<u>20,306,020</u>	<u>(30,281,506)</u>
General revenues:							
Taxes: Property					17,632,070	-	17,632,070
Fire service					2,386,367	-	2,386,367
Realty transfer					63,006,928	-	63,006,928
Lodging					955,081	-	955,081
Net investment results					(6,296,359)	(929,764)	(7,226,123)
Gain on sale of capital assets					50,329	101,416	151,745
Transfers					(66,250)	66,250	-
Total general revenues and transfers					<u>77,668,166</u>	<u>(762,098)</u>	<u>76,906,068</u>
Change in net position					<u>27,080,640</u>	<u>19,543,922</u>	<u>46,624,562</u>
Net position - beginning					<u>261,480,080</u>	<u>418,264,438</u>	<u>679,744,518</u>
Net position - ending					<u>\$ 288,560,720</u>	<u>\$ 437,808,360</u>	<u>\$ 726,369,080</u>

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

SUSSEX COUNTY, DELAWARE
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2022

-21-

	General	Capital Projects	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 15,372,429	\$ -	\$ 15,372,429
Investments	48,498,056	-	48,498,056
Receivables, net of allowance for doubtful accounts:			
Taxes	1,233,859	-	1,233,859
Assessments and connection	1,091,445	-	1,091,445
Accrued interest	200,391	45,003	245,394
Lease receivables	3,837,898	-	3,837,898
Miscellaneous	345,991	-	345,991
Employee advances	190,759	-	190,759
Due from other governmental agencies	1,495,876	380,499	1,876,375
Due from other funds	9,383,575	-	9,383,575
Inventory	6,758	-	6,758
Prepaid items	144,832	-	144,832
Restricted cash and cash equivalents	52,321,367	10,356,253	62,677,620
Restricted investments	68,519,528	51,895,921	120,415,449
Total Assets	<u>202,642,764</u>	<u>62,677,676</u>	<u>265,320,440</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accounts payable and other accrued expenditures	19,762,993	2,269,755	22,032,748
Employee health claims payable	1,378,622	-	1,378,622
Unearned revenue	45,824,594	-	45,824,594
Deposits	2,292,881	-	2,292,881
Total Liabilities	<u>69,259,090</u>	<u>2,269,755</u>	<u>71,528,845</u>
Deferred inflows of resources:			
Deferred inflow - leases	3,823,775	-	3,823,775
Unavailable revenues	1,028,092	20,793	1,048,885
Total deferred inflows of resources	<u>4,851,867</u>	<u>20,793</u>	<u>4,872,660</u>
Fund balances:			
Nonspendable	342,349	-	342,349
Restricted	68,379,675	60,387,128	128,766,803
Committed	1,567,434	-	1,567,434
Assigned	2,563,861	-	2,563,861
Unassigned	55,678,488	-	55,678,488
Total fund balances	<u>128,531,807</u>	<u>60,387,128</u>	<u>188,918,935</u>
Total liabilities deferred inflows of resources, and fund balances	<u>\$ 202,642,764</u>	<u>\$ 62,677,676</u>	<u>\$ 265,320,440</u>

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

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION

JUNE 30, 2022

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

Total fund balances - governmental funds	\$ 188,918,935
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund-level statements.	103,869,241
Right-to-use leased assets used in governmental activities are not financials resources and, therefore, are not reported in the fund-level statements.	59,812
Long-term liabilities are not due and payable in the current period and therefore are not reported in the fund-level statements.	(20,425,153)
Certain tax and grant receivables do not provide current financial resources and therefore are reported as unavailable revenue in the fund-level statements.	1,385,384
Other long-term assets are not available to pay for current period expenditures and, therefore, are not recognized in the fund-level statements.	1,528,756
Consumption of net position by the government that is applicable to a future period.	15,306,887
Acquisition of net position by the government that is applicable to a future period.	(2,083,142)
Net position of governmental activities	<u>\$ 288,560,720</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, 2022**

	<u>General</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
REVENUES			
Taxes	\$ 84,241,990	\$ -	\$ 84,241,990
Intergovernmental	9,466,489	2,069,065	11,535,554
Charges for services	19,197,820	-	19,197,820
Fines and forfeits	97,136	-	97,136
Contributions	-	22,470	22,470
Investment results	(4,967,467)	(1,328,892)	(6,296,359)
Miscellaneous revenue	304,286	-	304,286
Total revenues	<u>108,340,254</u>	<u>762,643</u>	<u>109,102,897</u>
EXPENDITURES			
Current:			
General government	15,899,638	-	15,899,638
Planning & zoning	2,915,491	-	2,915,491
Paramedics	17,137,843	-	17,137,843
Emergency preparedness	4,793,373	-	4,793,373
County engineer	1,844,693	-	1,844,693
Library	2,957,958	-	2,957,958
Economic development and airpark	1,473,759	-	1,473,759
Community development	3,133,471	-	3,133,471
Grant-in-aid	22,629,342	-	22,629,342
Constitutional offices	2,454,320	-	2,454,320
Debt service related to leases			
Interest	415	-	415
Principal retirement	36,785	-	36,785
Capital projects	-	13,304,671	13,304,671
Total expenditures	<u>75,277,088</u>	<u>13,304,671</u>	<u>88,581,759</u>
Excess of (deficiency) of revenues over (under) expenditures	<u>33,063,166</u>	<u>(12,542,028)</u>	<u>20,521,138</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	49,250	30,006,929	30,056,179
Transfers out	(30,122,429)	-	(30,122,429)
Sale of capital assets	15,560	550,000	565,560
Total other financing sources and uses	<u>(30,057,619)</u>	<u>30,556,929</u>	<u>499,310</u>
Net change in fund balances	3,005,547	18,014,901	21,020,448
Fund balances - beginning	125,526,260	42,372,227	167,898,487
Fund balances - ending	<u>\$ 128,531,807</u>	<u>\$ 60,387,128</u>	<u>\$ 188,918,935</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, 2022

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

Net change in fund balances - total governmental funds		\$ 21,020,448
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	\$ 14,172,386	
Depreciation	<u>(5,881,082)</u>	8,291,304
The effect of various miscellaneous transactions involving capital assets (i.e. sales and transfers) is to increase net assets		
		(515,232)
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	\$ 6,928	
Grants	(560,114)	
Property taxes	<u>(261,542)</u>	(814,728)
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	\$ (1,332,474)	
Leases	36,783	
Net pension liability	(665,220)	
Net other postemployment benefit liability	955,129	
Pollution remediation cost	<u>104,630</u>	<u>(901,152)</u>
Change in net position of governmental activities		<u>\$ 27,080,640</u>

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 44,841,000	\$ 56,841,000	\$ 84,241,990	\$ 27,400,990
Intergovernmental	54,186,960	54,402,960	9,466,489	(44,936,471)
Charges for services	13,926,630	13,926,630	19,197,820	5,271,190
Fines and forfeits	60,000	60,000	97,136	37,136
Investment results	1,000,000	1,000,000	(4,967,467)	(5,967,467)
Miscellaneous revenue	195,200	195,200	304,286	109,086
Total Revenues	<u>114,209,790</u>	<u>126,425,790</u>	<u>108,340,254</u>	<u>(18,085,536)</u>
EXPENDITURES				
Current:				
General government	17,448,127	17,448,127	15,899,638	1,548,489
Planning & zoning	3,170,595	3,170,595	2,915,491	255,104
Paramedics	17,357,091	17,357,091	17,163,043	194,048
Emergency preparedness	4,933,790	4,933,790	4,793,373	140,417
County engineer	1,949,560	1,949,560	1,844,693	104,867
Library	3,631,249	3,631,249	2,957,958	673,291
Economic development and airpark	2,173,774	2,173,774	1,473,759	700,015
Community development	2,948,683	2,948,683	3,133,471	(184,788)
Grant-in-aid	66,906,822	73,566,822	22,629,342	50,937,480
Constitutional offices	2,579,590	2,579,590	2,466,320	113,270
Total Expenditures	<u>123,099,281</u>	<u>129,759,281</u>	<u>75,277,088</u>	<u>54,482,193</u>
Excess (deficiency) of revenues over expenditures	<u>(8,889,491)</u>	<u>(3,333,491)</u>	<u>33,063,166</u>	<u>36,396,657</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	48,700	48,700	49,250	550
Transfers out	(115,500)	(5,671,500)	(30,122,429)	(24,450,929)
Sale of capital assets	-	-	15,560	15,560
Appropriated reserves	8,956,291	8,956,291	-	(8,956,291)
Total other financing sources and uses	<u>8,889,491</u>	<u>3,333,491</u>	<u>(30,057,619)</u>	<u>(33,391,110)</u>
Net change in fund balances	-	-	3,005,547	3,005,547
Fund balances - beginning	125,526,260	125,526,260	125,526,260	-
Fund balances - ending	<u>\$ 125,526,260</u>	<u>\$ 125,526,260</u>	<u>\$ 128,531,807</u>	<u>\$ 3,005,547</u>

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

SUSSEX COUNTY, DELAWARE
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2022

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	Business-type Activities - Enterprise Funds		
	Unified Sewer District	Water	Totals
ASSETS			
Current assets:			
Cash and cash equivalents:			
Unrestricted	\$ 3,998,125	\$ 384,878	\$ 4,383,003
Restricted	11,881,045	583,795	12,464,840
Receivables, net of allowance for doubtful accounts:			
Service charges	564,876	36,258	601,134
Assessments and connection	75,405	-	75,405
Interest and penalties	43,481	1,322	44,803
Accrued interest	105,042	1,853	106,895
Lease receivables	57,967	88,741	146,708
Miscellaneous	74,041	-	74,041
Employee advances	102,273	-	102,273
Due from other governmental agencies	102,499	-	102,499
Investments:			
Unrestricted	6,300,545	265,635	6,566,180
Restricted	13,899,556	145,949	14,045,505
Inventory	650,356	49,844	700,200
Prepaid items	57,105	-	57,105
Total current assets	<u>37,912,316</u>	<u>1,558,275</u>	<u>39,470,591</u>
Noncurrent assets:			
Investments:			
Unrestricted	17,297,561	1,110,497	18,408,058
Restricted	59,772,141	362,851	60,134,992
Noncurrent accounts receivables:			
Service charges	1,180,512	47,467	1,227,979
Assessments and connection	473,594	-	473,594
Interest and penalties	433,023	6,653	439,676
Accrued interest	66,068	984	67,052
Lease receivables	123,519	51,258	174,777
Miscellaneous	202,506	65	202,571
Due from other governmental agencies	8,010,632	444,891	8,455,523
Capital assets:			
Land, improvements, and construction in progress	120,038,430	57,251	120,095,681
Other capital assets, net of depreciation	404,104,552	6,434,140	410,538,692
Right-to-use leased assets, net of amortization	1,760,125	-	1,760,125
Total noncurrent assets	<u>613,462,663</u>	<u>8,516,057</u>	<u>621,978,720</u>
Total Assets	<u>651,374,979</u>	<u>10,074,332</u>	<u>661,449,311</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows from other postemployment benefits	1,190,539	43,380	1,233,919
Deferred outflows from pension	3,891,183	141,784	4,032,967
Total Deferred Outflows of Resources	<u>5,081,722</u>	<u>185,164</u>	<u>5,266,886</u>

(continued)

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

SUSSEX COUNTY, DELAWARE
 STATEMENT OF NET POSITION - PROPRIETARY FUNDS - CONTINUED
 JUNE 30, 2022

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	Business-type Activities - Enterprise Funds		
	Unified Sewer District	Water	Totals
LIABILITIES			
Current liabilities:			
Accounts payable and other current liabilities	\$ 7,853,511	\$ 155,750	\$ 8,009,261
Accrued interest payable	873,002	-	873,002
Due to other funds	8,878,495	505,080	9,383,575
Current portion of long-term liabilities	10,185,083	18,446	10,203,529
Unearned revenue	3,470	-	3,470
Total current liabilities	<u>27,793,561</u>	<u>679,276</u>	<u>28,472,837</u>
Noncurrent liabilities:			
Long-term liabilities, less current portion	199,191,688	161,201	199,352,889
Total noncurrent liabilities	<u>199,191,688</u>	<u>161,201</u>	<u>199,352,889</u>
Total Liabilities	<u>226,985,249</u>	<u>840,477</u>	<u>227,825,726</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflow from leases	192,620	138,681	331,301
Deferred inflows from other postemployment benefits	524,669	19,117	543,786
Deferred inflows from pension	166,912	6,082	172,994
Deferred inflows - charge on refunding	34,030	-	34,030
Total Deferred Inflows of Resources	<u>918,231</u>	<u>163,880</u>	<u>1,082,111</u>
NET POSITION			
Net investment in capital assets	318,091,804	6,340,208	324,432,012
Restricted for:			
Expansion and/or replacement of transmission as well as treatment and disposal projects	85,552,742	1,092,595	86,645,337
Unrestricted	24,908,675	1,822,336	26,731,011
Total Net Position	<u>\$ 428,553,221</u>	<u>\$ 9,255,139</u>	<u>\$ 437,808,360</u>

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

**STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN FUND NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2022**

	Business-type Activities - Enterprise Funds		
	Unified Sewer District	Water	Totals
Operating revenues:			
Charges for services	\$ 25,232,298	\$ 1,309,362	\$ 26,541,660
Operational grants	198,106	4,408	202,514
Other operating revenue	4,001,182	98,800	4,099,982
Total operating revenues	<u>29,431,586</u>	<u>1,412,570</u>	<u>30,844,156</u>
Operating expenses:			
Amortization expense	82,872	-	82,872
Contractual services	7,068,792	804,257	7,873,049
Depreciation	15,216,108	159,754	15,375,862
Employee benefits	3,637,654	115,444	3,753,098
Equipment and tools	112,594	10,401	122,995
Maintenance and repairs	1,727,758	97,518	1,825,276
Miscellaneous	68,100	-	68,100
Process chemicals	315,728	-	315,728
Professional fees	272,082	3,347	275,429
Salaries	5,171,224	168,672	5,339,896
Shared costs	3,912,732	163,030	4,075,762
Supplies	1,017,989	17,940	1,035,929
Training and travel	19,947	740	20,687
Total operating expenses	<u>38,623,580</u>	<u>1,541,103</u>	<u>40,164,683</u>
Operating (loss) income	<u>(9,191,994)</u>	<u>(128,533)</u>	<u>(9,320,527)</u>
Nonoperating revenue (expenses):			
Interest and investment results	(4,472,464)	(79,075)	(4,551,539)
Assessment and connection fees	23,812,052	21,980	23,834,032
Gain on sale of capital assets	101,416	-	101,416
Interest expense	(3,942,856)	-	(3,942,856)
Total nonoperating revenues	<u>15,498,148</u>	<u>(57,095)</u>	<u>15,441,053</u>
Income (loss) before contributions and transfers	6,306,154	(185,628)	6,120,526
Capital contributions	9,355,591	239,646	9,595,237
Capital grants	-	3,761,909	3,761,909
Transfers in	115,500	-	115,500
Transfers out	(49,250)	-	(49,250)
Change in net position	<u>15,727,995</u>	<u>3,815,927</u>	<u>19,543,922</u>
Total net position - beginning	<u>412,825,226</u>	<u>5,439,212</u>	<u>418,264,438</u>
Total net position - ending	<u>\$ 428,553,221</u>	<u>\$ 9,255,139</u>	<u>\$ 437,808,360</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, 2022

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	Business-type Activities - Enterprise Funds		
	Unified Sewer District	Water	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers	\$ 29,601,913	\$ 1,395,317	\$ 30,997,230
Other receipts	1,006,930	4,408	1,011,338
Other payments	(2,546,348)	-	(2,546,348)
Payments to employees	(9,264,747)	(296,218)	(9,560,965)
Payments to suppliers	(17,147,231)	(1,455,424)	(18,602,655)
Net cash flows from operating activities	<u>1,650,517</u>	<u>(351,917)</u>	<u>1,298,600</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(34,018,798)	(3,742,493)	(37,761,291)
Assessment and connection fees	23,992,557	22,173	24,014,730
Bond proceeds	11,356,407	-	11,356,407
Proceeds from sale of assets	132,248	-	132,248
Capital grants	-	4,934,767	4,934,767
Interest paid	(3,919,985)	-	(3,919,985)
Retirement of bonds and related costs	(9,283,802)	-	(9,283,802)
Transfers from other funds for capital activities	115,500	-	115,500
Transfers to other funds for capital activities	(453,538)	(881,124)	(1,334,662)
Net cash flows for capital and related financing activities	<u>(12,079,411)</u>	<u>333,323</u>	<u>(11,746,088)</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Interest income and investment results	629,869	10,249	640,118
Net sale / (purchases) of investments	14,423,759	(55,422)	14,368,337
Net cash flows from investing activities	<u>15,053,628</u>	<u>(45,173)</u>	<u>15,008,455</u>
Net increase (decrease) in cash and cash equivalents	<u>4,624,734</u>	<u>(63,767)</u>	<u>4,560,967</u>
Cash and cash equivalents - beginning	11,254,436	1,032,440	12,286,876
Cash and cash equivalents - ending	<u>\$ 15,879,170</u>	<u>\$ 968,673</u>	<u>\$ 16,847,843</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, 2022

	Business-type Activities - Enterprise Funds		
	Unified Sewer District	Water	Totals
Reconciliation of operating (loss) income to net cash provided by operating activities:			
Operating (loss) income	\$ (9,191,994)	\$ (128,533)	\$ (9,320,527)
Adjustments to reconcile operating (loss) income to net cash provided by operating			
Depreciation / Amortization	15,298,980	159,754	15,458,734
Increase (decrease) in accounts payable - other	922,123	(112,828)	809,295
Decrease in accounts payable - suppliers	(2,466,284)	(354,134)	(2,820,418)
Decrease in compensated absences	(314,780)	(4,769)	(319,549)
Increase (decrease) in customer receivables	(2,127,873)	83,024	(2,044,849)
Increase (decrease) in inventory	(363,332)	12,903	(350,429)
Increase in other operating receivables	34,766	-	34,766
Decrease in salaries and benefits payable	(141,089)	(7,334)	(148,423)
Net cash provided by operating activities	<u>\$ 1,650,517</u>	<u>\$ (351,917)</u>	<u>\$ 1,298,600</u>
 Schedule of non-cash capital and related financing activities:			
Contributions of capital assets	\$ 9,355,591	\$ -	\$ 9,355,591

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

SUSSEX COUNTY, DELAWARE
 STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
 JUNE 30, 2022

	Pension and OPEB Trusts Total
ASSETS	
Cash and cash equivalents	\$ 888,200
Investments:	
U.S. Treasuries	12,983,575
Government Agencies	495,242
Corporate obligations	35,433,597
Core Real Estate	14,276,332
Infrastructure	9,925,355
Mutual funds and pooled investments	117,453,728
Total Investments	<u>190,567,829</u>
Accrued interest	<u>421,934</u>
Total assets	<u>191,877,963</u>
LIABILITIES	
Accounts payable	<u>146,454</u>
Total liabilities	<u>146,454</u>
NET POSITION	
Restricted for:	
Pension	136,274,753
Postemployment benefits other than pensions (OPEB)	<u>55,456,756</u>
Total net position	<u><u>\$ 191,731,509</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, 2022

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	Pension and OPEB Trusts Total
	<u> </u>
ADDITIONS	
Employer contributions	\$ 6,542,758
Employee contributions	324,090
Investment earnings:	
Net appreciation of investments	(25,558,319)
Interest and dividends	7,830,639
Total investment earnings	<u>(17,727,680)</u>
Less investment costs	<u>(267,808)</u>
Net investment earnings	<u>(17,995,488)</u>
Total additions	<u>(11,128,640)</u>
DEDUCTIONS	
Beneficiary payments	8,202,686
Professional fees	271,891
Total deductions	<u>8,474,577</u>
Net increase in plan net position	<u>(19,603,217)</u>
Net position restricted for pension and OPEB benefits - beginning	<u>211,334,726</u>
Net position restricted for pension and OPEB benefits - ending	<u><u>\$ 191,731,509</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. 93.

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 2022 were for land for open space program, public safety building construction and airport and business park expansion and improvements. As of June 30, 2022, the major projects being planned over the next five years include \$22.4 million for airport and business park improvements and expansion, \$32.3 million for property acquisition and improvements, and \$12.9 million for public safety buildings.

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. GASB 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, lodging tax, realty transfer tax, developer cash bonds, 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 fair value of certain investments that do not have readily determinable fair values can be presented at net asset value (NAV) as a practical expedient to the hierarchy above. 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. Lease Receivable

For fiscal year ending June 30, 2022, the financial statement includes the adoption of GASB Statement 87, Leases. The County's lease receivable is measured at the present value of lease payments expected to be received during the lease term. Under the lease agreement, the County may receive variable lease payments that are dependent upon the lessee's revenue. The variable payments are recorded as an inflow of resources in the period the payment is received.

The County is a lessor of buildings, parcels of land, and tower space. The County recognizes a lease receivable and a deferred inflow of resources in the government-wide and the governmental fund financial statements.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

8. Lease Receivable - continued

At the commencement of the lease, the County initially measures the lease receivable at the present value of the payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of the lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term. There are no agreements as a lessee or lessor that include sale-leaseback or lease-leaseback transactions.

9. 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.

10. 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 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.

The County has recorded right-of-use lease assets as a result of GASB 87. The right-of-use assets are initially measured at an amount equal to the initial measurement of the related lease liability. The right-of-use assets are amortized on a straight-line basis over the terms of the related leases.

11. Lease Liabilities

The County leases various building and parcels of land. The County recognizes a lease liability and an intangible right-of-use lease asset in the government-wide financial statements. The County recognizes lease liabilities with an initial, individual value of \$5,000 or more.

At the commence of the lease, the County initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of the lease payments made. The lease asset is initially measured at the initial amount of the lease liability, adjusted before or made at the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over the term of the lease.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

11. Lease Liabilities - continued

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

The County implemented GASB 87 in the current fiscal year. In doing so, the County recorded a beginning balance lease liabilities on the Statement of Net Position under government activities of \$96,734 and \$1,842,997 in the business-type activities. The liabilities were measured at a discount rate, discount rate is based on the publicly available data points from across the municipal bond market to generate a consensus view of municipal bond yields and spreads on a quarterly basis. The County did not incur expenses related to its leasing activities related to residual value guarantees, lease termination penalties or losses due to impairment.

12. Deferred Outflows/Inflows of Resources

Deferred Outflows of Resources, reported after Total Assets, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County has two items that qualify for reporting in this category. The first is deferred outflows from pensions as described in Note G. The second is deferred outflows from other postemployment benefits as described in Note H. 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 assets that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until then. The County has four items that qualify for reporting in this category. The first deferred inflow from other postemployment benefits is described in Note H. The second deferred inflow from pension is described in Note G. The third is the deferred charge on refunding reported in the government-wide statement of net position. A deferred net 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 fourth is the deferred inflow from lease as described in Note D.

13. 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.

14. 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.

15. 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

16. 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.
- 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

17. 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.

18. 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.

19. 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.

20. 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

20. 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, 2022. Unexpended appropriations in the operating budget lapse at year end.

21. 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.

22. 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 \$1,528,756 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	\$ 1,528,756
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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. On June 30, 2022, the carrying amount of the County's deposits was \$94,163,837 and the bank balance was \$95,786,092. 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 purchase commercial paper in only the highest credit rating categories. 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;
6. Commercial paper rated in the highest rating category by Rating Services.

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:

7. Local government investment pools administered by the State of Delaware.
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;
11. Core Real Estate; and
12. Private infrastructure.

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, 2022, are as follows:

NOTE B - CASH AND INVESTMENTS - FOR ALL ACTIVIES AND FUNDS - CONTINUED

	June 30, 2022	Level 1	Level 2	Level 3
General Government				
Investments by fair value level				
U.S. Treasury securities	\$ 7,681,204	\$ 7,681,204	\$ -	\$ -
U.S. Government agencies securities	240,485,781	-	240,485,781	-
Total	<u>248,166,985</u>	<u>7,681,204</u>	<u>240,485,781</u>	<u>-</u>
Investments at amortized cost:				
Certificates of deposits	19,901,255			
Total investment General Government	<u>268,068,240</u>			
Pension and Other Post-Retirement Employee Benefit Trust				
Investments at fair value level				
U.S. Treasury securities	12,983,575	12,983,575	-	-
U.S. Government agencies securities	495,242	-	495,242	-
Corporate obligations	35,433,597	-	35,433,597	-
Mutual Funds	110,411,373	110,411,373	-	-
Total	<u>159,323,787</u>	<u>123,394,948</u>	<u>35,928,839</u>	<u>-</u>
Investments measured at the net asset value (NAV)				
Infrastructure	9,925,355			
Global pooled equities	7,042,355			
Core Real Estate	14,276,332			
Total	<u>31,244,042</u>			
Total Pension and Other Post-Retirement Employee Benefit Trust investments	190,567,829			
Total Investments	<u>\$458,636,069</u>	<u>\$131,076,152</u>	<u>\$276,414,620</u>	<u>\$ -</u>

The fair value of investments by contractual maturity as of June 30, 2022 is shown below.

Investment Type	Total	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	11-15
U.S. Treasuries	\$ 20,664,779	\$ 2,181,021	\$ 13,589,831	\$ 4,893,927	\$ -
Government Agencies	240,981,023	31,201,122	209,779,901	-	-
Corporate obligations	35,433,597	23,678,013	7,818,674	3,936,910	-
Certificates of deposits	19,901,255	19,901,255	-	-	-
Mutual funds	110,411,373	110,411,373	-	-	-
Infrastructure	9,925,355	9,925,355	-	-	-
Global pooled equities	7,042,355	7,042,355	-	-	-
Core Real Estate	14,276,332	14,276,332	-	-	-
Total Investments	<u>\$458,636,069</u>	<u>\$218,616,826</u>	<u>\$231,188,406</u>	<u>\$8,830,837</u>	<u>\$ -</u>

Detail for investments at NAV are as follows: pooled equities represent two collective investment trusts, global and non-U.S., designed to track components of the MSCI ACWI for the global approach and MSCI ACWI ex U.S. for the non-U.S. approach. 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 and infrastructure represent the County's ownership interest in a limited partnerships investing in commercial real estate and infrastructure, respectively, throughout the U.S. NAV is determined by partnership management based on value of 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	\$1,622,255
Carrying amount of deposits	94,163,837
Carrying amount of investments	458,636,069
Total	<u>\$ 554,422,161</u>

NOTE B - CASH AND INVESTMENTS - FOR ALL ACTIVIES AND FUNDS - CONTINUED

Primary Government	
Unrestricted	
Cash and cash equivalents	\$ 19,755,432
Investments	73,472,294
Restricted	
Cash and cash equivalents	75,142,460
Investments	194,595,946
Total primary government	<u>362,966,132</u>
Fiduciary funds (not included in government-wide statement)	
Cash and cash equivalents	888,200
Investments	190,567,829
Total fiduciary funds	<u>191,456,029</u>
Total	<u>\$554,422,161</u>

NOTE C - ACCOUNTS RECEIVABLE

The allowance for uncollectible receivables at June 30, 2022 is \$18,476 for service, \$5,545 for assessment and \$4,894 for interest and penalties. The County does not have an allowance for uncollectible property taxes because all are considered collectible.

NOTE D - LEASE RECEIVABLE

As of July 1, 2021, the County implemented GASB Statement 87, Leases. The total initial receivable was recorded in the amount of \$4,149,980. As of June 30, 2022, the value of the total lease receivable is \$4,159,383. The value of the deferred inflow of resources as of June 30, 2022, was \$4,155,076. The County recognized lease revenue of \$557,160. during the fiscal year.

The County's general fund activities have various operating leases with local businesses to rent property, mainly located in the County's industrial airpark. Business – type activities have operating leases to rent farmland and tower space. These leases range in terms of one year to forty-five years. The lease receivables that qualified GASB 87 leases are measured at the present value of the future minimum rent payments expected to be received during the lease term at a discount rate based on the incremental borrowing rate based on lease elements. Lease revenue that does not qualify under GASB 87, is treated as a current financial resource.

Governmental - Activities:

The County leases land and buildings at the Delaware Coastal Airport and Industrial Park. These leases include Federal Aviation Administration requirements, due to their proximity to the airport. The lease receivables were \$3,743,068 as of June 30, 2022, for these leases. The deferred inflow of resources as of June 30, 2022, was \$3,727,883. In fiscal year 2022, the County recognized lease revenue of \$362,956 and \$65,724 of interest revenue under the leases. In addition, the County recognized \$5,238 in variable lease revenue during the year, which is not included in the measurement of the lease receivable. See chart below for more information.

The County also leases undeveloped land and tower space. A cellular communication company leases tower space located on the on a tower in a permanent easement at the Gumboro Fire Station. The lease receivable for these agreements were \$94,830 as of June 30, 2022. The deferred inflow of resources as of June 30, 2022, was \$95,892. In fiscal year 2022, the County recognized lease revenue of \$43,597, and \$886 in interest revenue under the leases. See chart below for more information.

SUSSEX COUNTY, DELAWARE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

Location	Type - Use	Current Lease Term End Date	Lease Receivable June 30, 2022	Annual Fixed Payments	Lease Interest Rate	Deferred Inflow June 30, 2022	Lease Revenue	Interest Revenue
Business Park #12B & 13A	Building	4/26/2052	\$ 290,728	\$ 10,274	3.049%	\$ 299,191	\$ 1,812	\$ 1,576
Business Park #30A	Land	6/30/2051	101,176	5,000	2.583%	102,637	3,539	2,606
Business Park Area 3	Land	6/30/2049	211,245	10,700	2.384%	211,497	7,833	5,118
Business Park Lot 10	Building	12/31/2025	412,757	120,000	0.980%	412,514	117,861	4,392
Business Park Lot 24	Land	12/31/2024	60,947	30,846	0.814%	65,301	26,120	619
Delaware Coastal Airport	Building - Restaurant	3/27/2027	74,551	17,000	1.138%	74,918	15,772	930
Delaware Coastal Airport	Building - Terminal & Office	7/31/2046	102,849	5,580	2.323%	101,972	4,234	2,416
Delaware Coastal Airport Lot A-B	Land	3/31/2052	228,691	2,804	2.718%	228,536	1,920	1,540
Delaware Coastal Airport Lot C1	Land	7/31/2046	110,591	6,000	2.320%	109,647	4,553	2,598
Delaware Coastal Airport Lot C8	Building- Hangar	11/30/2038	138,491	9,912	2.011%	137,414	8,370	2,842
Delaware Coastal Airport Lot 28	Land	1/31/2037	128,994	10,164	1.942%	128,016	8,778	2,566
Delaware Coastal Airport Lot 4	Land	1/31/2037	125,187	9,864	1.942%	124,237	8,519	2,490
Delaware Coastal Airport Lot 5	Land	1/31/2037	129,756	10,224	1.942%	128,772	8,830	2,581
Delaware Coastal Airport Lot D	Building - Hangar	12/31/2037	131,614	9,840	1.942%	130,619	8,427	2,613
Delaware Coastal Airport Lot A3-2	Building - Hangar	9/30/2049	266,672	9,772	2.384%	260,988	9,578	6,390
Delaware Coastal Airport Lot A-2	Building - Hangar	9/30/2025	66,870	20,256	0.680%	66,260	20,388	515
Industrial Park Lot 11	Land	9/30/2062	25,118	988	2.425%	25,319	629	612
Industrial Park Lot 12A	Land	12/31/2037	47,184	2,650	2.010%	46,348	2,990	968
Industrial Park Lot 13B	Land	10/31/2033	38,317	3,000	1.664%	37,809	3,336	647
Industrial Park Lot 15 & 16	Land	12/31/2025	17,010	4,950	0.980%	16,970	4,849	184
Industrial Park Lot 1-7	Land	12/31/2026	23,819	6,125	1.138%	24,361	5,413	304
Industrial Park Lot 17 & 18	Land	9/30/2049	423,576	7,008	2.384%	412,881	15,152	10,096

NOTE D - LEASE RECEIVABLE - CONTINUED

Governmental - Lease Receivables - continued

Location	Type - Use	Current Lease Term End Date	Lease Receivable June 30, 2022	Annual Fixed Payments	Lease Interest Rate	Deferred Inflow June 30, 2022	Lease Revenue	Interest Revenue
Industrial Park Lot 19 & 20	Land	11/30/2024	18,336	7,400	0.648%	18,128	7,501	136
Industrial Park Lot 19 A	Building	8/31/2022	2,215	13,296	0.308%	2,212	13,274	26
Industrial Park Lot 19 B	Land	3/14/2023	-	2,500	0.435%	1,031	1,461	8
Industrial Park Lot 20B	Land	9/30/2031	21,280	2,460	1.525%	21,342	2,307	332
Industrial Park Lot 21	Land	12/31/2034	41,207	3,617	1.803%	41,134	3,291	767
Industrial Park Lot 23	Land	10/31/2034	41,396	3,100	1.733%	40,922	3,318	732
Industrial Park Lot 25	Land	11/14/2041	250,804	15,912	2.220%	248,671	12,836	5,657
Industrial Park Lot 26	Land	4/6/2032	176,275	10,590	1.594%	167,462	17,146	2,904
Industrial Park Lot 27	Land	5/31/2024	16,917	17,027	0.648%	22,175	11,569	209
Industrial Park Lot 30	Land	4/9/2036	18,495	1,514	1.872%	18,597	1,350	350
Georgetown Highway	Land - Farming	8/28/2024	21,509	10,000	0.648%	21,434	9,918	168
Land	Land - Farming	12/31/2022	-	7,323	0.435%	2,435	4,870	17
Gumboro	Tower Space	12/31/2024	73,321	28,171	0.814%	72,023	28,809	701
Totals			<u>\$ 3,837,898</u>			<u>\$ 3,823,775</u>	<u>\$406,553</u>	<u>\$66,610</u>

NOTE D - LEASE RECEIVABLE - CONTINUED

Business-type Activities:

The County leases land, used for treated sewer product disposal, to farmers to produce agriculture products not for human consumption or to others for hunting rights. Under various leases the tenants make annual payments. The lease receivables were \$181,486 as of June 30, 2022. The deferred inflow of resources as on June 30, 2022, was \$192,620. The County recognized lease revenue of \$54,734 during the fiscal year. \$1,236 of interest revenue was recognized.

The water fund has three leases with cellular communication companies that lease space located on the on the Dewey water tower. The lease receivable was \$139,999, as of June 30, 2022. The deferred inflow of resources as of June 30, 2022, was \$138,681. In fiscal year 2022, the County recognized lease revenue of \$ 95,869, and \$1,048 in interest revenue under the leases. See chart below for more information.

Business-type - Lease Receivables

Location	Type - Use	Current Lease Term End Date	Lease Receivable June 30, 2022	Annual Fixed Payments	Lease Interest Rate	Deferred Inflow June 30, 2022	Lease Revenue	Interest Revenue
South Coastal Area	Land - Farming	12/31/2022	\$ -	\$ 600	0.4350%	\$ 199	\$ 399	\$ 1
Inland Bays Area	Land - Farming	12/31/2024	42,234	21,375	0.8140%	45,220	18,088	301
South Coastal Area	Land - Farming	12/31/2026	17,516	4,500	1.0980%	19,441	2,544	31
Inland Bays Area	Land - Farming	12/31/2030	27,492	3,677	1.5250%	27,642	3,252	275
Piney Neck Area	Land - Farming	12/31/2022	-	6,660	0.4350%	2,215	4,429	16
Western Sussex Area	Land - Farming	12/31/2025	86,367	29,355	0.9800%	89,533	25,581	608
South Coastal Area	Land - Hunting	12/31/2031	7,877	937	1.5101%	8,370	441	4
Dewey Water Tower	Tower Space	3/31/2024	63,374	34,921	0.6480%	62,242	35,567	485
Dewey Water Tower	Tower Space	3/31/2024	54,768	31,482	0.6480%	54,621	31,212	418
Dewey Water Tower	Tower Space	3/31/2023	21,857	29,196	0.4350%	21,818	29,090	145
Total			<u>\$ 321,485</u>			<u>\$ 331,301</u>	<u>\$150,603</u>	<u>\$2,284</u>

NOTE D - LEASE RECEIVABLE - CONTINUED

The minimum future lease payments expected to maturity as of June 30, 2022, for each of the next five years and thereafter in the aggregate are:

Governmental Activities:

<u>Fiscal Year</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total Payments</u>
2023	\$431,907	\$72,807	\$504,714
2024	356,442	70,661	427,103
2025	304,637	66,141	370,778
2026	150,011	62,082	212,093
2027	130,621	59,323	189,944
2028 – 2032	658,415	256,292	914,707
2033 – 2037	647,393	185,280	832,673
2038 – 2042	474,418	119,212	593,630
2043 – 2047	429,626	64,150	493,776
2048 – 2052	245,747	14,717	260,464
2053 – 2057	4,081	859	4,940
2058 – 2062	4,600	340	4,940

Business-type Activities:

<u>Fiscal Year</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total Payments</u>
2023	\$146,708	\$ 2,484	\$149,192
2024	109,742	1,499	111,241
2025	37,674	795	38,469
2026	8,717	397	9,114
2027	4,330	284	4,614
2028 - 2032	14,314	465	14,779

NOTE E - 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 \$58,363 at June 30, 2022. 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 \$3,750,000 with GAF along with matching grant funds of \$11,250,000 million. Deposits not yet used for loans with GAF are restricted for small business lending. The County's loan balance was \$760,861 at June 30, 2022, 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, 2022 total \$709,532.

Governmental loans receivable total \$1,528,756 at June 30, 2022, which are not reflected on the governmental funds balance sheet.

NOTE F - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2022, was as follows:

	Balance at June 30, 2021	Increases	Decreases	Balance at June 30, 2022
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$26,715,655	\$5,412,679	\$ 296,655	\$31,831,679
Construction in progress	1,775,261	13,246,810	5,687,610	9,334,461
Total capital assets, not being depreciated	<u>28,490,916</u>	<u>18,659,489</u>	<u>5,984,265</u>	<u>41,166,140</u>
Other capital assets:				
Buildings	47,630,024	-	950	47,629,074
Improvements	55,900,324	315,352	308,947	55,906,729
Machinery and equipment	20,008,311	885,155	1,126,259	19,767,207
Infrastructure	225,038	-	-	225,038
Right-of-use lease building	96,734	-	-	96,734
Total other capital assets	<u>123,860,431</u>	<u>1,200,507</u>	<u>1,436,156</u>	<u>123,624,782</u>
Less accumulated amortization and depreciation for:				
Buildings	13,494,961	955,623	437	14,450,147
Improvements	26,550,225	3,534,460	120,882	29,963,803
Machinery and equipment	16,147,885	1,345,082	1,096,259	16,396,708
Infrastructure	5,294	8,995	-	14,289
Right-of-use lease buildings	-	36,922	-	36,922
Total accumulated amortization and depreciation	<u>56,198,365</u>	<u>5,881,082</u>	<u>1,217,578</u>	<u>60,861,869</u>

NOTE F - CAPITAL ASSETS - CONTINUED

	<u>Balance at June 30, 2021</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at June 30, 2022</u>
Other capital assets, net	67,662,066	(4,680,575)	218,578	62,762,913
Governmental Activities				
Capital Assets, Net	<u>\$96,152,982</u>	<u>\$13,978,914</u>	<u>\$6,202,843</u>	<u>103,929,053</u>
Business-type Activities:				
Capital assets not being depreciated:				
Land	\$57,072,709	\$1,625,436	\$ 6,122	\$58,692,023
Construction in progress	42,510,174	33,975,562	15,082,078	61,403,658
Total capital assets, not being depreciated	<u>99,582,883</u>	<u>35,600,998</u>	<u>15,088,200</u>	<u>120,095,681</u>
Other capital assets:				
Buildings	55,916,299	452,335	-	56,368,634
Improvements	12,904,172	418,166	7,082	13,315,256
Machinery and equipment	16,562,937	1,165,520	154,018	17,574,439
Infrastructure	559,331,123	23,715,377	72,565	582,973,935
Purchased capacity	3,505,808	852,686	-	4,358,494
Right-of-use lease land	1,842,997	-	-	1,842,997
Total other capital assets	<u>650,063,336</u>	<u>26,604,084</u>	<u>233,665</u>	<u>676,433,755</u>
Less accumulated depreciation and amortization for:				
Building	16,800,223	1,072,636	-	17,872,859
Improvements	7,953,783	418,950	7,082	8,365,651
Machinery and equipment	13,753,609	1,142,425	152,938	14,743,096
Infrastructure	210,196,422	12,594,484	72,565	222,718,341
Purchased capacity	204,752	147,367	-	352,119
Right-of-use lease land	-	82,872	-	82,872
Total accumulated depreciation and amortization	<u>248,908,789</u>	<u>15,458,734</u>	<u>232,585</u>	<u>264,134,938</u>
Other capital assets, net	<u>401,154,547</u>	<u>11,145,350</u>	<u>1,080</u>	<u>412,298,817</u>
Business-type Activities Capital Assets, Net	<u>\$500,737,430</u>	<u>\$46,746,348</u>	<u>\$15,089,280</u>	<u>\$532,394,498</u>

Included in the above are five right-of-use assets. The assets are right-of-use assets for leased buildings and land. The right-of-use lease assets are amortized on a straight-line basis over the terms of the related leases. These assets were added in fiscal year 2022 due to the implementation GASB 87.

NOTE F - CAPITAL ASSETS - CONTINUED

Depreciation and amortization expense were charged to function as follows:

Governmental activities:	
General government	\$ 1,022,879
Planning and zoning	20,614
Paramedic program	597,256
Emergency preparedness	564,707
Economic development and airpark	3,210,290
County engineer	43,254
Library	348,888
Constitutional offices	73,194
Total governmental activities depreciation and amortization expense	<u>\$ 5,881,082</u>
Business-type activities:	
Water	\$ 159,754
Sewer	15,298,980
Total business-type activities depreciation and amortization expense	<u>\$15,458,734</u>

Construction in progress was \$70.7 million with additional contractually committed costs to complete the projects in process of approximately \$45.5 million as of June 30, 2022.

NOTE G - 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.

NOTE G PENSION TRUST - CONTINUED

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 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, 2022) is as follows:

Total Actives	Retirees and Beneficiaries	Terminated Vested	Covered Payroll
519	314	105	\$30,753,827

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, active members hired on or after January 1, 2020 contributed at a rate of 5.0% of annual pay in excess of \$6,000. County's contribution rate was 12.28% of covered payroll for fiscal year ending June 30, 2022.

Financial Statements

As of June 30, 2022, the Sussex County Employee Pension Plan's statement of fiduciary net position was as follows:

ASSETS

Cash and cash equivalents	\$ 694,319
Investments:	
U.S. Treasuries	8,801,954
Government Agencies	426,731
Corporate obligations	25,295,968
Core Real Estate	10,189,517
Infrastructure Investment	7,125,896
Mutual funds and pooled investments	83,546,810
Total Investments	<u>135,386,876</u>
Accrued Interest	297,633
Total Assets	<u><u>136,378,828</u></u>

NOTE G - PENSION TRUST - CONTINUED

Financial Statements - continued

LIABILITES

Accounts payable	104,075
Total Liabilities	<u>104,075</u>

FIDUCIARY NET POSITION

Restricted for pensions	<u>\$136,274,753</u>
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For the fiscal year ending June 30, 2022, the Sussex County Employee Pension Plan's statement of changes in fiduciary net position was as follows:

ADDITIONS

Employer contributions	\$ 3,776,535
Employee contributions	324,090
Investment earnings:	
Net decrease in fair value of investments	(17,817,272)
Interest and Dividends	5,201,521
Total investment results	<u>(12,615,751)</u>
Less investment costs	(189,219)
Net investment loss	<u>(12,804,970)</u>
Total additions	<u>(8,704,345)</u>

DEDUCTIONS

Beneficiary payments	5,670,848
Professional fees	190,179
Total deductions	<u>5,861,027</u>
Net decrease in fiduciary net position	(14,565,372)
Fiduciary net position - beginning	150,840,125
Fiduciary net position - ending	<u>\$136,274,753</u>

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

On June 30, 2022, the County reported \$7.4 million net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of the date. The County's net pension asset 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 on June 30, 2022, were as follows:

Total Pension Liability	\$ 143,638,831
Plan Fiduciary Net Pension	<u>(136,274,753)</u>
County's Net Pension Liability	<u>\$ 7,364,078</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	<u>94.87%</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, 2022.

NOTE G - PENSION TRUST - CONTINUED

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

	Changes in the Net Pension Liability / (Asset)		
		Increase (Decrease)	
	Total Pension Liability	Fiduciary Plan Net Position	Net Pension Liability / (Asset)
Balance at 6/30/2021	\$127,820,118	\$150,840,125	\$(23,020,007)
Changes recognized for the fiscal year:			
Service Cost	2,889,714	-	2,889,714
Interest	8,954,565	-	8,954,565
Differences between expected and actual experience	5,325,009	-	5,325,009
Change in assumptions	4,320,273	-	4,320,273
Contributions - employer	-	3,776,535	(3,776,535)
Contributions - members	-	324,090	(324,090)
Net investment results	-	(12,804,970)	12,804,970
Benefit payments	(5,670,848)	(5,670,848)	-
Administrative expense	-	(190,179)	190,179
Net change	15,818,713	(14,565,372)	30,384,085
Balance recognized at 6/30/2022	\$143,638,831	\$136,274,753	\$ 7,364,078

There were no changes in benefits during the year. There was an assumption change to decrease the investment return assumption from 7.00% to 6.75% which increased the TPL by approximately \$4.32 million.

During the measurement year, the NPL increased by \$30.38 million in total. The service cost and interest cost increased the NPL by \$11.84 million and investment losses and administrative expenses offset by member contributions and employer contributions increased the NPL by approximately \$8.89 million. Additionally, there were actuarial experience losses during the year of \$5.33 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 / (Asset) to Changes in Discount Rates		
	1%	Discount	1%
	Decrease 5.75%	Rate 6.75%	Increase 7.75%
Total Pension Liability	\$163,187,917	\$143,638,831	\$127,515,526
Plan Fiduciary Net Position	136,274,753	136,274,753	136,274,753
Net Pension Liability / (Asset)	\$ 26,913,164	\$ 7,364,078	\$ (8,759,227)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	83.5%	94.9%	106.9%

A one percent decrease in the discount rate increases the TPL by 13.6% and increases the NPL by 265.5%. A one percent increase in the discount rate decreases the TPL by 11.2% and decreases the NPL by 218.9%.

For the year ended June 30, 2022, the County recognized \$4,434,349 of pension expense and reported deferred inflows and outflows of resources from pensions from the following sources:

NOTE G - PENSION TRUST - CONTINUED

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 5,026,503	\$ 265,161
Changes in assumptions	3,600,227	410,596
Difference between projected and actual earnings on pension plan investments	<u>7,127,047</u>	<u>-</u>
Total	<u>\$15,753,777</u>	<u>\$ 675,757</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:		
	2023	\$ 2,713,122
	2024	2,529,208
	2025	1,982,099
	2026	6,246,049
	2027	1,607,542
Thereafter		-

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of July 1, 2022, using the Entry Age Normal cost method and the following actuarial assumptions based on the census data as of July 1, 2022 and the measurement date of June 30, 2022.

- 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
30+	.0

NOTE G - 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: 6.75% 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, 2022 are summarized in the following table:

NOTE G - PENSION TRUST - CONTINUED

Actuarial Assumptions - continued

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Expected Real Rate of Return</u>
Domestic Equity	48%	5.6%
International Equity	15%	6.0%
Core Real Estate	5%	5.3%
Infrastructure	5%	5.5%
Fixed Income	26%	1.0%
Cash	1%	0.3%

The discount rate used to measure the total pension liability was 6.75 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, 2022, was (9.4%) 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, private infrastructure, 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.

In January of 2021, the Pension investment policy was revised to have a goal of 63 percent investments in equity, 26 percent in fixed income investments, 5 percent in private real estate, and 5 percent in private infrastructure. Historically, the County has met or exceeded asset class benchmarks. The following represents the asset allocation policy as of June 30, 2022.

<u>Asset Class</u>	<u>Target Allocation Total</u>
Domestic Equity	48%
International Equity	15%
Core Real Estate	5%
Fixed Income	26%
Cash	1%
Infrastructure	5%
Total	100%

The 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 on June 30, 2022:

Clarion Lion Properties Fund – 7%
 IIF Hedged LP – 5%

NOTE H - OTHER POST-RETIREMENT EMPLOYEE BENEFIT TRUSTS

Basis of Accounting

The other post-retirement employee benefit (OPEB) trusts use the accrual basis of accounting. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plans. Administrative costs are financed through investment earnings.

Post-retirement Employee Benefit Plan Description and Provisions

The County established and administers a single-employer post-retirement employee benefit plan for its employees. During fiscal year 2005, the County established the "Sussex County Employment Benefit Plan" by Ordinance No. 1783. The plan is reported in the other employee benefit trust in the County's financial statements. The County does not have a separate GAAP-basis pension plan audit performed. A pension committee oversees the investments of the Sussex County Employee Benefit 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 post-retirement employee benefit. 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 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, 2022) is as follows:

<u>Total Actives</u>	<u>Retirees and Beneficiaries</u>	<u>Terminated Vested</u>
486	245	0

Post-retirement Employee Benefit Plan Funding Policy

In fiscal year 2017, the County adopted a funding policy that was amended in fiscal year 2022. As per the policy, the County will contribute at least the Actuarially Determined Contribution (ADC), as calculated by the Plan's actuary. Plan members are not required to contribute. Contributions made of \$2.8 million were 9.60% of covered payroll. The contribution is designed to accumulate sufficient assets to pay benefits when due.

NOTE H - OTHER POST-RETIREMENT EMPLOYEE BENEFIT TRUSTS - CONTINUED

Financial Statements

As of June 30, 2022, the Sussex County Employee Benefit Plan's statement of fiduciary net position was as follows:

ASSETS

Cash and cash equivalents	\$ 193,881
Investments:	
U.S. Treasuries	4,181,621
Government Agencies	68,511
Corporate obligations	10,137,629
Core Real Estate	4,086,815
Infrastructure	2,799,459
Mutual funds and pooled investments	33,906,918
Total Investments	<u>55,180,953</u>
Accrued Interest	<u>124,301</u>
Total Assets	<u><u>55,499,135</u></u>

LIABILITIES

Accounts payable	<u>42,379</u>
Total Liabilities	<u><u>42,379</u></u>

FIDUCIARY NET POSITION

Restricted for post-retirement employee benefits	<u><u>\$ 55,456,756</u></u>
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For the fiscal year ended June 30, 2022, the Sussex County Employee Benefit Plan's statement of fiduciary net position was as follows:

ADDITIONS

Employer contributions	\$ 2,766,223
Investment earnings:	
Net depreciation of investments	(7,741,047)
Interest and Dividends	2,629,118
Total investment loss	<u>(5,111,929)</u>
Less investment costs	<u>(78,589)</u>
Net investment loss	<u>(5,190,518)</u>
Total additions	<u><u>(2,424,295)</u></u>

DEDUCTIONS

Beneficiary payments	2,531,838
Professional fees	81,712
Total deductions	<u><u>2,613,550</u></u>
Net decrease in fiduciary net position	(5,037,845)
Fiduciary net position - beginning	<u>60,494,601</u>
Fiduciary net position - ending	<u><u>\$55,456,756</u></u>

Actuarial Assumptions

The discount rate used to measure the Total OPEB Liability (TOL) as of June 30, 2021, was 7.0%, the long-term rate of return as of June 30, 2021. The discount rate used to measure the Total OPEB Liability (TOL) as of June 30, 2022, was 6.75%, the long-term rate of return as of June 30, 2022.

NOTE H - OTHER POST EMPLOYMENT EMPLOYEE BENEFIT TRUSTS - CONTINUED

Actuarial Assumptions – continued

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, 2022 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Expected Real Rate of Return</u>
Domestic Equity	48%	5.6%
International Equity	15%	6.0%
Core Real Estate	5%	5.3%
Infrastructure	5%	5.5%
Fixed Income	26%	1.0%
Cash	1%	0.3%

The money-weighted rate of return of the OPEB plan for the year ended June 30, 2022, was (9.4%) 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 30-year closed, as of July 1, 2018, level percent of pay.

Based on these assumptions, the Plan’s Fiduciary Net Position was projected to be available to make all projected future benefit payments for current members following the procedures described in paragraphs 48-50 of GASB 74. Consequently, the single equivalent rate used to determine the Total OPEB Liability as of June 30, 2022, is 6.75%, the long-term expected rate-of-return as defined by GASB 74 as of that date.

The following summarizes the key methods and other assumptions used to determine the contribution rates for fiscal year 2022.

Valuation date: July 1, 2021

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, as of July 1, 2018, level percentage of payroll

Salary Increases: 3.50%

Discount Rate: 7.00%

Ultimate Rate of Per Person Cost Trends: 4.04%

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, 2022.

NOTE H - OTHER POST-RETIREMENT EMPLOYEE TRUSTS - CONTINUED

OPEB Liability - continued

	Changes in the Net OPEB Liability		
		Increase (Decrease)	
	Total OPEB Liability	Fiduciary Plan Net Position	Net OPEB Liability
Balance at 6/30/2021	\$60,922,728	\$60,494,601	\$ 428,127
Changes recognized for the fiscal year:			
Service Cost	1,252,760	-	1,252,760
Interest	4,265,169	-	4,265,169
Differences between expected and actual experience	531,288	-	531,288
Changes of assumptions	(530,330)	-	(530,330)
Contributions – employer	-	2,766,223	(2,766,223)
Net investment results	-	(5,190,518)	5,190,518
Benefit payments	(2,531,838)	(2,531,838)	-
Administrative expense	-	(81,712)	81,712
Net change	2,987,049	(5,037,845)	8,024,894
Balance recognized at 6/30/2022	\$63,909,777	\$55,456,756	\$8,453,021

During the measurement year, the NOL increased by \$8.0 million. The service cost and interest cost increased the NOL by \$5.5 million while contributions plus investment losses net of administrative expenses increased the NOL by \$2.5 million.

There were no changes in benefits during the year. There was a change in the claim costs assumption, discount rate and trends during the measurement year, which decreased the TOL by approximately \$0.5 million. The difference between the expected and actual experience increased the TOL by approximately \$0.5 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.

	Sensitivity of Net OPEB Liability to Changes in Discount Rate		
	1% Decrease	Discount Rate	1% Increase
	5.75%	6.75%	7.75%
Total OPEB Liability	\$ 73,326,499	\$ 63,909,777	\$ 56,243,687
Plan Fiduciary Net Position	55,456,756	55,456,756	55,456,756
Net OPEB Liability	\$ 17,869,743	\$ 8,453,021	\$ 786,931
Plan Fiduciary Net Position as a Percentage of the TOL	75.6%	86.8%	98.6%

A one percent decrease in the discount rate increases the TOL by 14.7% and increases the NOL by 111.4%. A one percent increase in the discount rate decreases the TOL by 12.0% and decreases the NOL by 90.7%.

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

NOTE H - OTHER POST-RETIREMENT EMPLOYMENT BENEFITS TRUSTS - CONTINUED

OPEB Liability – continued

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

	1% Decrease	Healthcare Trend	1% Increase
Total OPEB Liability	\$ 55,615,026	\$ 63,909,777	\$ 74,301,891
Plan Fiduciary Net Position	55,456,756	55,456,756	55,456,756
Net OPEB Liability	<u>\$ 158,270</u>	<u>\$ 8,453,021</u>	<u>\$ 18,845,135</u>
Plan Fiduciary Net Position as a Percentage of the TOL	<u>99.7%</u>	<u>86.8%</u>	<u>74.6%</u>

A one percent decrease in the healthcare trends decreases the TOL by 13.0% and decreases the NOL by 98.1%. A one percent increase in the healthcare trends increases the TOL 16.3% and increases the NOL by 122.9%.

Deferred Inflows and Outflows of Resources Related to OPEB

The County implemented GASB 75 as of June 30, 2017. June 30, 2022 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 \$531,288. \$75,898 of the loss was recognized in the current year and a similar amount will be recognized in each of the next six years, resulting in a deferred outflow of resources as of June 30, 2022, of \$455,390. There were no plan changes. There were changes in assumptions during the year resulting in an assumption gain of \$530,330. \$75,761 of that gain was recognized in the current year and an identical amount will be recognized in each year of the next six years, resulting in a deferred inflow of resources as of June 30, 2022, of \$454,569.

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 \$9,430,393. \$1,886,079 of that loss was recognized in the current year and a similar amount will be recognized in each of the next four years, resulting in a deferred outflow of resources as of June 30, 2022, of \$7,544,314.

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

Schedule of Deferred Inflows and Outflows of Resources as of June 30, 2022 Measurement Date

	Deferred Outflows of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	\$ 2,035,413	\$ 152,688
Changes in assumptions	-	1,971,477
Net difference between projected and actual earnings on OPEB plan investments	<u>2,784,583</u>	<u>-</u>
Total	<u>\$ 4,819,996</u>	<u>\$ 2,124,165</u>

NOTE H - OTHER POST RETIREMENT EMPLOYEE BENEFIT TRUSTS - CONTINUED

Deferred Inflows and Outflows of Resources Related to OPEB - continued

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

Year End June 30:

2023	\$ 321,303
2024	282,050
2025	(17,615)
2026	2,067,583
2027	42,374
Thereafter	136

The annual OPEB expense for the fiscal year ending June 30, 2022 is \$1,675,727, which is 5.82% 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.

In January of 2021, the OPEB investment policy was revised to have a goal of 63 percent investments in equity, 26 percent in fixed income investments, 5 percent in private real estate, and 5 percent in private infrastructure. The following represents the asset allocation policy as of June 30, 2022.

<u>Asset Class</u>	<u>Target Allocation Total</u>
Domestic Equity	48%
International Equity	15%
Core Real Estate	5%
Fixed Income	26%
Cash	1%
Infrastructure	5%
Total	100%

The 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 OPEB benefits on June 30, 2022

Clarion Lion Properties Fund - 7%
 IIF Hedged LP - 5%

NOTE I - 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 J - 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 4.562% on June 30, 2022. The County had \$10,000,000 of unused line of credit to be drawn upon as needed. No balance was outstanding on June 30, 2022.

NOTE K - LONG -TERM LIABILITIES

Description of Bonds Payable

At June 30, 2022, bonds payable consisted of the following individual issues:

	<u>Business-type</u>
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.	\$ 1,430,202
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.	148,801
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.	1,053,405
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.	543,438
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.	512,821
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.	199,022
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.	323,354
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.	3,054,168
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.	5,222,272
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.	2,903,226

NOTE K - LONG-TERM LIABILITIES - CONTINUED

<u>Description of Bonds Payable - continued</u>	<u>Business-type</u>
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.	\$ 60,770
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.	9,445,496
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.	1,965,121
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.	1,414,747
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.	228,728
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.	4,507,071
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.	4,116,056
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.	5,152,308
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.	262,844
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.	74,489
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.	5,053,627

NOTE K - LONG-TERM LIABILITIES - CONTINUED

<u>Description of Bonds Payable - continued</u>	<u>Business-type</u>
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.	1,696,135
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.	860,953
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.	4,869,600
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.	5,441,703
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.	2,140,913
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.	2,065,139
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.	1,041,636
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.	52,721
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.	689,003
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.	207,017
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 completion 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.	16,359,816
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.	8,418,167
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 completion 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.	221,614

NOTE K - 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 completion 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.	1,270,738
2020A wastewater general obligation bonds, (Treatment Plant Projects and funds for refunding) due in semi-annual installments, interest ranging from 1% to 5%, final payment due March 15, 2050. Total bonds authorized are \$44,220,000.	40,865,000
2020B wastewater general obligation refunding bonds (refunding) due in semi-annual installments, interest ranging from .217% to 2.421%, final payment due March 15, 2053. Total bonds authorized are \$51,745,000	48,840,000
2021 R-1 water pollution control general obligation bonds (Land Conservation/Water Quality Project), due in semi-annual installments, interest at 0%, final payment due October 1, 2047. Total bonds authorized are \$5,370,531.	5,167,870
2021 R-2 water pollution control general obligation bonds (Land Conservation/Water Quality Project), due in semi-annual installments, interest at 0%, final payment due October 1, 2042. Total bonds authorized are \$374,253	374,253
2021 wastewater general obligation bonds (Herring Creek), due in quarterly installments, interest at 1.375%, final payment due June 17, 2061. Total bonds authorized are \$4,287,000	4,205,947
2022 wastewater general obligation bonds (Herring Creek), due in quarterly installments, interest at 1.5%, final payment due June 23, 2062. Total bonds authorized are \$5,600,000	5,214,521
Subtotal	197,674,712
Unamortized bond premium	4,505,476
TOTAL BOND PAYABLE	\$202,180,188

Contract Commitments

The County has obligated itself under contracts for various projects. At June 30, 2022, the obligated unrecorded amount was approximately \$52.0 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, 2022 totaled \$40.9 million. The bonds are to finance various sewer and water construction and improvement projects.

NOTE K – LONG TERM LIABILITES – CONTINUED

Long-term Liability Activity

Long-term liability activity for the year ended June 30, 2022, was as follows:

	<u>June 30, 2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2022</u>	<u>Due Within One Year</u>
Governmental Activities:					
Lease liabilities **	\$ 96,734	\$ -	\$36,785	\$ 59,949	\$ 36,924
Net pension liability	-	5,478,874	-	5,478,874	-
Net other postemployment benefits liability	327,517	5,961,532	-	6,289,049	-
Compensated absences	7,160,179	5,180,470	3,847,998	8,492,651	3,778,301
Estimated liability for pollution remediation	209,260	-	104,630	104,630	104,630
Total Governmental Activities	<u>\$ 7,793,690</u>	<u>\$16,620,876</u>	<u>\$3,989,413</u>	<u>\$20,425,153</u>	<u>\$ 3,919,855</u>
Business-Type Activities:					
General obligation bonds	\$195,324,990	\$11,356,407	\$ 9,006,685	\$197,674,712	\$ 9,199,675
Unamortized bond premium	4,667,835	-	162,359	4,505,476	162,360
Total bonds payable	199,992,825	11,356,407	9,169,044	202,180,188	9,362,035
Lease liabilities **	1,842,997	-	83,707	1,759,290	66,056
Net pension liability	-	1,885,204	-	1,885,204	-
Net other postemployment benefits liability	100,610	2,063,362	-	2,163,972	-
Compensated absences	1,887,315	513,409	832,960	1,567,764	775,438
Total Business-type Activities	<u>\$203,823,747</u>	<u>\$15,818,382</u>	<u>\$10,085,711</u>	<u>\$209,556,418</u>	<u>\$10,203,529</u>

**The County implemented GASB 87 in the current year, and in doing so recorded the beginning balance of the lease liabilities as of June 30, 2021. The amounts recorded for the Governmental Activities was \$96,734 and \$1,842,997 for the Business-Type Activities.

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

NOTE K - LONG-TERM LIABILITES - CONTINUED

Debt Maturity

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

Year ending June 30,	Business-type Activities - General Obligation		
	Principal	Interest	Total
2023	\$ 9,199,675	\$ 3,856,979	\$ 13,056,654
2024	8,772,510	3,809,934	12,582,444
2025	8,299,409	3,642,814	11,942,223
2026	8,313,515	3,359,039	11,672,554
2027	8,374,972	3,197,416	11,572,388
2028 – 2032	40,653,356	13,526,513	54,179,869
2033 – 2037	39,474,582	9,557,720	49,032,302
2038 – 2042	34,653,174	6,260,251	40,913,425
2043 – 2047	20,223,888	3,650,759	23,874,647
2048 – 2052	13,779,069	1,639,296	15,418,365
2053 – 2057	4,358,833	295,985	4,654,818
2058 – 2062	1,571,729	37,742	1,609,471
TOTAL	\$ 197,674,712	\$ 52,834,448	\$ 250,509,160

Leases Obligation Maturity

The future minimum lease obligations and the net present value of these minimum payments as of June 30, 2022, were as follows:

Year ending June 30,	Governmental Activities - Lease Obligation		
	Principal	Interest	Total
2023	\$ 36,924	\$ 276	\$ 37,200
2024	23,025	75	23,100
TOTAL	\$ 59,949	\$ 351	\$ 60,300

Year ending June 30,	Business-type Activities - Lease Obligation		
	Principal	Interest	Total
2023	\$ 66,056	\$ 40,037	\$ 106,093
2024	67,711	38,537	106,248
2025	69,406	37,000	106,406
2026	71,144	35,425	106,569
2027	72,924	33,810	106,734
2028 – 2032	391,075	143,390	534,465
2033 – 2037	439,636	96,784	536,420
2038 – 2042	486,086	44,145	530,231
2043 – 2045	95,252	2,174	97,426
TOTAL	\$ 1,759,290	\$ 471,302	\$ 2,230,592

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, 2022, the amount was \$468.3 million. As of June 30, 2022, the total outstanding debt applicable to the limit was \$202.2 million, which is 43.2% of the total debt limit.

NOTE L - INTERFUND BALANCES

Interfund balances at June 30, 2022 consisted of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Unified sewer fund	\$ 8,878,495
General fund	Water fund	505,080

On June 30, 2022, interfund balances represented interim financing for sewer projects, which are to be repaid when the County draws the permanent funding. Realty transfer tax financed \$8,974,413 of the interfund balances.

NOTE M - FUND BALANCES - GOVERNMENTAL FUNDS

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

	<u>General</u>	<u>Capital Projects</u>	<u>Total</u>
Nonspendable			
Inventory	\$ 6,758	\$ -	\$ 6,758
Prepaid items	144,832	-	144,832
Employee advances	190,759	-	190,759
Total nonspendable	<u>342,349</u>	<u>-</u>	<u>342,349</u>
Restricted			
Employee health expense	928,529	-	928,529
Any lodging tax eligible expense: beach nourishment, waterway dredging, tourism, water quality or flood control	1,005,039	-	1,005,039
Any realty transfer tax eligible expense: infrastructure, public safety, economic development items, assessment, or capital	66,379,242	60,387,128	126,766,370
Road projects	66,865	-	66,865
Total restricted	<u>68,379,675</u>	<u>60,387,128</u>	<u>128,766,803</u>
Committed			
Open space land program	417,000	-	417,000
Engineer projects	66,812	-	66,812
Road projects	1,083,622	-	1,083,622
Total committed	<u>1,567,434</u>	<u>-</u>	<u>1,567,434</u>
Assigned			
Grant-in-aid for County tax subsidy program	39,744	-	39,744
Encumbrances	524,117	-	524,117
Legal: planning and zoning	500,000	-	500,000
Reserves budgeted for next year	1,500,000	-	1,500,000
Total assigned	<u>2,563,861</u>	<u>-</u>	<u>2,563,861</u>
Unassigned	<u>55,678,488</u>	<u>-</u>	<u>55,678,488</u>
Total Fund Balances – Governmental Funds	<u>\$ 128,531,807</u>	<u>\$ 60,387,128</u>	<u>\$ 188,918,935</u>

NOTE N - INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2022, consisted of the following:

Transfer to:	Transfer from		
	General Fund	Unified Sewer	Total
General fund	\$ -	\$ 49,250	\$ 49,250
Unified sewer fund	115,500	-	115,500
Capital improvements fund	30,006,929	-	30,006,929
	<u>\$ 30,122,429</u>	<u>\$ 49,250</u>	<u>\$30,171,679</u>

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

NOTE O - RISK MANAGEMENT

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

The County is exposed to the risk of loss related to employee medical expenses. During fiscal year 2022, the County maintained a self-insured plan for employee medical expenses in which expenses per employee were covered annually up to \$295,000. Individual excess expenses are covered under a commercial policy. In addition, the County has a maximum aggregate limit of \$10,634,993 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, 2022 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 2021 and 2022 were as follows:

	Beginning of Year Balance	Current-Year Claims and Changes in Estimates	Claim Payments	End of Year Balance
2020-2021	\$ 1,338,424	\$ 8,629,856	\$ (8,638,675)	\$ 1,329,605
2021-2022	1,329,605	8,859,243	(8,810,226)	\$ 1,378,622

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 twenty-year contract, effective May 29, 2018, with the City of Seaford for the purpose of discharging wastewater for the Western Sussex and Blades area sewer system. The County has a contract with the Town of Millsboro for discharging wastewater for the Woodlands of Millsboro area 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, West Rehoboth sanitary sewer areas and future points of connection. 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 into 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 third loan is for \$0.87 million at 2.0 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 \$6.4 million as of June 30, 2022. The County has an exchange agreement to process bulk water with Artesian Wastewater Management, LLC, effective September 19, 2019 and is in effect for twenty-five years. The agreement allows for annual wastewater flow exchange amounts up to 500,000 gallons without any actions. Any flows over the 500,000 will be reimbursed to the providing provider. 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, 2021 to December 31, 2025. The County has a contract with Artesian Water Company to supply water to the Ellendale area effective February 07, 2019, and in effect for ten years. The County and the Town of Georgetown have an interconnection agreement to provide potable water to each other from time to time at the Coastal Business Parks and Airport areas.

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 2022 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 S - 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 \$104,630 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 T - 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.

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, 2022 equaling \$70.7 million. 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 County has no commitments on these debts.

NOTE U - SUBSEQUENT EVENTS

Subsequent to June 30, 2022, the County authorized the issuance of \$1.9 million of General Obligation Bonds to fund for the Herring Creek sewer project, \$21.7 million of General Obligation Bonds to fund the Slaughter Beach sewer project, and \$1.8 million of General Obligation Bonds to fund the Countryside Hamlet sewer project.

The County approved the award of contracts totaling \$5.7 million for the construction and improvement of various sewer projects and public safety 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

SUSSEX COUNTY, DELAWARE
SCHEDULE OF CHANGES IN THE EMPLOYER'S NET PENSION LIABILITY / (ASSET) AND RELATED RATIOS

	2014	2015	2016	2017	Fiscal Year Ending				
					2018	2019	2020	2021	2022
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	\$ 2,824,325	\$ 2,889,714
Interest Cost	5,768,860	6,211,311	6,698,077	7,078,272	7,593,994	8,037,883	8,066,691	8,545,756	8,954,565
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	(132,847)	5,325,009
Change in Assumptions	-	-	-	3,251,143	-	(1,231,792)	-	-	4,320,273
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)	(5,261,057)	(5,670,848)
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	5,976,177	15,818,713
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	121,843,941	127,820,118
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	\$ 127,820,118	\$ 143,638,831
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	\$ 4,997,516	\$ 3,776,535
Contributions - Member	1,239	16,197	48,721	86,279	134,150	172,315	211,354	251,807	324,090
Net Investment Income	10,344,007	3,028,832	(345,584)	8,829,624	6,888,854	6,771,191	3,784,895	30,573,598	(12,804,970)
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)	(5,261,057)	(5,670,848)
Administrative Expenses	(138,063)	(80,891)	(107,035)	(101,597)	(108,527)	(110,423)	(138,230)	(180,974)	(190,179)
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	30,380,890	(14,565,372)
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	120,459,235	150,840,125
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	150,840,125	136,274,753
County's Net Pension Liability / (Asset) (Ending)	\$ 11,624,256	\$ 13,964,244	\$ 20,420,929	\$ 21,896,094	\$ 15,995,614	\$ 3,247,289	\$ 1,384,706	\$ (23,020,007)	\$ 7,364,078
Net Position as a % of Pension Liability	85.91%	84.17%	78.36%	79.08%	85.56%	97.17%	98.86%	118.01%	94.87%
Covered Payroll	\$ 20,427,138	\$ 21,081,346	\$ 21,671,478	\$ 22,642,273	\$ 23,910,625	\$ 25,270,591	\$ 25,943,699	\$ 26,440,763	\$ 30,753,827
Net Pension Liability as a % of Payroll	56.91%	66.24%	94.23%	96.70%	66.90%	12.85%	5.34%	-87.07%	23.95%

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, from 7.25% to 7.00% in 2019, and from 7.00% to 6.75% in 2022. For additional assumptions made, see page 55 - Note G.

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	2021	2022
Actuarially Determined Contribution	\$ 2,868,624	\$ 2,757,068	\$ 3,057,193	\$ 3,391,726	\$ 4,111,811	\$ 3,794,161	\$ 2,960,567	\$ 2,720,386	\$ 1,947,448
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	4,997,516	3,776,535
Contribution Deficiency (excess)	\$ (718,388)	\$ (831,335)	\$ (540,072)	\$ (444,125)	\$ (5,162,265)	\$ (10,668,749)	\$ (6,818,729)	\$ (2,277,130)	\$ (1,829,087)
Covered Payroll	\$ 20,427,138	\$ 21,081,346	\$ 21,671,478	\$ 22,642,273	\$ 23,910,625	\$ 25,270,591	\$ 25,943,699	\$ 26,440,763	\$ 30,753,827
Contributions as a % of Covered Payroll	17.56%	17.02%	16.60%	16.94%	38.79%	57.23%	37.69%	18.90%	12.28%

Notes to Schedule:

Valuation Date July 1, 2021
 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% - 5.0% 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	2021	2022
Annual Money-Weighted Rate of Return, Net of Investment Expense	17.56%	4.26%	-0.47%	10.67%	7.51%	6.10%	3.14%	20.27%	-9.39%

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	2018	2019	2020	2021	2022
Total Other Postemployment Benefit Liability						
Service Cost	\$ 810,080	\$ 909,398	\$ 925,928	\$ 1,177,365	\$ 1,215,719	\$ 1,252,760
Interest	3,656,274	3,787,370	3,829,471	3,824,207	4,052,973	4,265,169
Differences between expected and actual experience	112,594	66,645	(356,272)	2,351,755	295,641	531,288
Changes of assumptions	786,564	(1,835,557)	(96,289)	(1,377,792)	-	(530,330)
Benefit payments	(1,828,522)	(2,126,749)	(2,609,065)	(2,880,064)	(2,606,916)	(2,531,838)
Net Change in Total Other Postemployment Benefit Liability	3,536,990	801,107	1,693,773	3,095,471	2,957,417	2,987,049
Total Other Postemployment Benefit Liability - Beginning	48,837,970	52,374,960	53,176,067	54,869,840	57,965,311	60,922,728
Total Other Postemployment Benefit Liability - Ending	\$ 52,374,960	\$ 53,176,067	\$ 54,869,840	\$ 57,965,311	\$ 60,922,728	\$ 63,909,777
Plan Fiduciary Net Position						
Contributions - employer	\$ 1,991,965	\$ 7,172,834	\$ 2,687,134	\$ 2,835,463	\$ 3,063,250	\$ 2,766,223
Contributions - members	-	-	-	-	-	-
Net investment income (loss)	3,456,691	2,772,210	2,935,078	1,727,777	12,353,584	(5,190,518)
Benefit payments	(1,828,522)	(2,126,749)	(2,609,065)	(2,880,064)	(2,606,916)	(2,531,838)
Administrative expense	(55,676)	(58,180)	(53,118)	(60,046)	(77,280)	(81,712)
Net Change in Plan Fiduciary Net Position	3,564,458	7,760,115	2,960,029	1,623,130	12,732,638	(5,037,845)
Plan Fiduciary Net Position - Beginning	31,854,231	35,418,689	43,178,804	46,138,833	47,761,963	60,494,601
Plan Fiduciary Net Position - Ending	\$ 35,418,689	\$ 43,178,804	\$ 46,138,833	\$ 47,761,963	\$ 60,494,601	\$ 55,456,756
Net OPEB liability - Ending	\$ 16,956,271	\$ 9,997,263	\$ 8,731,007	\$ 10,203,348	\$ 428,127	\$ 8,453,021
Plan fiduciary net position as a percentage of the total OPEB liability	67.63%	81.20%	84.09%	82.40%	99.30%	86.77%
Covered Payroll	\$ 22,608,597	\$ 23,067,300	\$ 24,181,316	\$ 24,696,338	\$ 25,039,079	\$ 28,802,366
Net OPEB liability as a percentage of covered payroll	75.00%	43.34%	36.11%	41.32%	1.71%	29.35%

Assumption changes: Investment return assumption decreased from 7.50% to 7.25% in 2018, from 7.25% to 7.00% in 2019, and from 7.00% to 6.75% in 2022.

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	2018	2019	2020	2021	2022
Actuarially Determined Contribution (ADC)	1,870,754	\$ 1,944,316	\$ 1,564,364	\$ 1,808,053	\$ 1,951,745	\$ 1,444,950
Less: Contributions made in Relation to the ADC	199,196	7,172,834	2,687,134	2,835,463	3,063,250	2,766,223
Contribution Deficiency (excess)	\$ (121,211)	\$ (5,228,518)	\$ (1,122,770)	\$ (1,027,410)	\$ (1,111,505)	\$ (1,321,273)
Covered Payroll	\$ 22,608,597	\$ 23,067,300	\$ 24,181,316	\$ 24,696,338	\$ 25,039,079	\$ 28,802,366
Contributions as a % of Covered Payroll	8.81%	31.10%	11.11%	11.48%	12.23%	9.60%

The notes below summarize the key methods and assumptions used to determine the ADC for FYE 2021.

Notes to Schedule:

Valuation Date July 1, 2021
 Timing Actuarially determined contributions are calculated based on the actuarial valuation at the beginning of the fiscal year.

Key Methods and Assumptions Used to Determine Contribution Rates

Actuarial Cost Method Entry Age Normal Cost Method
 Asset Valuation Method Market Value
 Amortization Method 30 year 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	2018	2019	2020	2021	2022
Annual Money-Weighted Rate of Return, Net of Investment Expense	9.89%	6.59%	6.44%	3.61%	20.41%	-9.36%

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, 2022

-80-

	Final Budget Amounts	Actual Amounts	Variance with Final with Final Budget
Taxes			
Real property - County	\$ 15,342,000	\$ 15,799,854	\$ 457,854
Real property - library	1,799,000	1,851,312	52,312
Realty transfer	36,900,000	63,006,928	26,106,928
Fire service	1,700,000	2,386,367	686,367
Lodging tax	1,000,000	955,080	(44,920)
Penalties and interest	100,000	242,449	142,449
Total taxes	<u>56,841,000</u>	<u>84,241,990</u>	<u>27,400,990</u>
Intergovernmental			
Federal grants:			
Emergency preparedness	256,250	306,409	50,159
Airport	-	-	-
Housing and urban development	2,603,000	2,937,076	334,076
Engineering	-	10,850	10,850
Library	90,000	106,844	16,844
Project income	-	32,669	32,669
Paramedics	-	84,957	84,957
Public Assistance	45,495,460	256,130	(45,239,330)
Federal payments in lieu of taxes	6,000	6,136	136
State grants:			
Library	330,000	395,332	65,332
Paramedics	5,100,000	5,087,502	(12,498)
Emergency preparedness	-	1,924	1,924
Local emergency plan commission	72,000	74,660	2,660
Economic development	150,000	-	(150,000)
Miscellaneous	300,250	166,000	(134,250)
Total intergovernmental	<u>54,402,960</u>	<u>9,466,489</u>	<u>(44,936,471)</u>
Charges for services			
Mobile home placement fees	130,000	221,659	91,659
Building inspection fees	2,500,000	2,143,931	(356,069)
Miscellaneous general government fees	56,000	90,568	34,568
Building permits and zoning fees	1,960,000	3,022,927	1,062,927
911 System fees	559,630	559,637	7
Private road and sewer review and inspection fees	1,500,000	2,829,617	1,329,617
Airpark and economic development fees	676,000	766,281	90,281
Marriage Bureau	160,000	214,172	54,172
Prothonotary	-	53	53
Recorder of Deeds	4,185,000	6,919,766	2,734,766
Register of Wills	1,200,000	1,577,898	377,898
Sheriff	1,000,000	851,311	(148,689)
Total charges for services	<u>13,926,630</u>	<u>19,197,820</u>	<u>5,271,190</u>
Fines and forfeits	<u>60,000</u>	<u>97,136</u>	<u>37,136</u>

(continued)

SUSSEX COUNTY, DELAWARE
 SCHEDULE OF GENERAL FUND REVENUES AND OTHER FINANCING SOURCES - BUDGET AND ACTUAL
 CONTINUED
 FOR THE YEAR ENDED JUNE 30, 2021

	<u>Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Miscellaneous revenue			
Investment earnings	\$ 1,000,000	\$ (4,967,466)	\$ (5,967,466)
Miscellaneous revenues	195,200	304,286	109,086
Total miscellaneous revenues	<u>1,195,200</u>	<u>(4,663,180)</u>	<u>(5,858,380)</u>
Other financing sources			
Reimbursements from other funds	48,700	49,250	550
Sale of capital assets	-	15,560	15,560
Appropriated reserves	8,956,291	-	(8,956,291)
Total other financing sources	<u>9,004,991</u>	<u>64,810</u>	<u>(8,940,181)</u>
Total revenues and other funding sources	<u>\$ 135,430,781</u>	<u>\$ 108,405,065</u>	<u>\$ (27,025,716)</u>

SUSSEX COUNTY, DELAWARE
 SCHEDULE OF GENERAL FUND EXPENDITURES AND OTHER FINANCING USES -
 BUDGET AND ACTUAL - CONTINUED
 FOR THE YEAR ENDED JUNE 30, 2022

	<u>Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
General government			
County Council			
Salaries and wages	\$ 304,960	\$ 315,724	\$ (10,764)
Fringe benefits	184,126	184,126	-
Contractual services	181,187	181,187	-
Material and supplies	13,959	13,959	-
Other expenditures	4,067	4,067	-
Travel and training	19,411	19,411	-
Total county council	<u>707,710</u>	<u>718,474</u>	<u>(10,764)</u>
Administration			
Salaries and wages	331,122	331,122	-
Fringe benefits	143,711	136,793	6,918
Contractual services	36,294	28,490	7,804
Material and supplies	15,736	10,399	5,337
Other expenditures	4,900	3,335	1,565
Travel and training	5,500	2,338	3,162
Contingency	600,000	203,673	396,327
Total administration	<u>1,137,263</u>	<u>716,150</u>	<u>421,113</u>
Legal	<u>550,000</u>	<u>240,530</u>	<u>309,470</u>
Finance			
Salaries and wages	1,006,227	1,011,907	(5,680)
Fringe benefits	600,203	603,041	(2,838)
Contractual services	586,617	575,817	10,800
Material and supplies	15,391	10,979	4,412
Travel and training	8,813	4,075	4,738
Machinery and equipment	2,750	-	2,750
Total finance	<u>2,220,001</u>	<u>2,205,819</u>	<u>14,182</u>
Assessment			
Salaries and wages	939,011	949,698	(10,687)
Fringe benefits	676,381	675,208	1,173
Contractual services	2,806,863	3,036,516	(229,653)
Material and supplies	31,867	31,867	-
Machinery and equipment	56,344	56,344	-
Total assessment	<u>4,510,466</u>	<u>4,749,633</u>	<u>(239,167)</u>

SUSSEX COUNTY, DELAWARE
 SCHEDULE OF GENERAL FUND EXPENDITURES AND OTHER FINANCING USES -
 BUDGET AND ACTUAL - CONTINUED
 FOR THE YEAR ENDED JUNE 30, 2022

	<u>Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
General Government - Continued			
Building code			
Salaries and wages	\$ 772,634	\$ 744,579	\$ 28,055
Fringe benefits	522,027	501,845	20,182
Contractual services	29,324	28,718	606
Material and supplies	59,364	44,797	14,567
Travel and training	2,217	2,217	-
Machinery and equipment	100,968	100,968	-
Total building code	<u>1,486,534</u>	<u>1,423,124</u>	<u>63,410</u>
Mapping & addressing			
Salaries and wages	477,940	372,078	105,862
Fringe benefits	302,844	249,568	53,276
Contractual services	123,768	107,926	15,842
Material and supplies	7,700	4,193	3,507
Travel and training	16,000	13,336	2,664
Total mapping and addressing	<u>928,252</u>	<u>747,101</u>	<u>181,151</u>
Human resources and general employment			
Salaries and wages	530,509	513,609	16,900
Fringe benefits	187,127	186,643	484
Contractual services	121,683	107,183	14,500
Material and supplies	8,591	5,869	2,722
Other expenditures	5,081	5,022	59
Travel and training	41,440	9,732	31,708
Total human resources	<u>894,431</u>	<u>828,058</u>	<u>66,373</u>
Records management			
Salaries and wages	154,453	140,454	13,999
Fringe benefits	96,877	94,756	2,121
Contractual services	2,190	2,001	189
Material and supplies	3,650	1,408	2,242
Total records management	<u>257,170</u>	<u>238,619</u>	<u>18,551</u>

SUSSEX COUNTY, DELAWARE
 SCHEDULE OF GENERAL FUND EXPENDITURES AND OTHER FINANCING USES -
 BUDGET AND ACTUAL - CONTINUED
 FOR THE YEAR ENDED JUNE 30, 2022

	<u>Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
General government - continued			
Facilities Management			
Salaries and wages	\$ 866,163	\$ 784,418	\$ 81,745
Fringe benefits	606,415	544,053	62,362
Contractual services	595,393	479,089	116,304
Material and supplies	196,695	152,720	43,975
Other expenditures	49,597	17,448	32,149
Travel and training	22,000	632	21,368
Equipment & improvements	53,700	33,406	20,294
Total facilities management	<u>2,389,963</u>	<u>2,011,766</u>	<u>378,197</u>
Information technology			
Salaries and wages	732,741	699,637	33,104
Fringe benefits	434,447	416,414	18,033
Contractual services	915,774	696,649	219,125
Material and supplies	143,010	114,226	28,784
Travel and training	11,847	11,597	250
Equipment	128,518	81,841	46,677
Total information technology	<u>2,366,337</u>	<u>2,020,364</u>	<u>345,973</u>
Total General Government	<u>17,448,127</u>	<u>15,899,638</u>	<u>1,548,489</u>
Planning and zoning			
Salaries and wages	703,051	611,420	91,631
Fringe benefits	421,498	374,083	47,415
Contractual services	603,800	535,560	68,240
Material and supplies	19,400	11,657	7,743
Travel and training	12,500	9,119	3,381
Total planning and zoning	<u>1,760,249</u>	<u>1,541,839</u>	<u>218,410</u>
Constables			
Salaries and wages	271,589	254,568	17,021
Fringe benefits	188,315	181,008	7,307
Contractual services	872,261	868,975	3,286
Material and supplies	27,181	25,011	2,170
Other expenditures	50,000	44,090	5,910
Travel and training	1,000	-	1,000
Total constables	<u>1,410,346</u>	<u>1,373,652</u>	<u>36,694</u>
Total Planning and Zoning	<u>3,170,595</u>	<u>2,915,491</u>	<u>255,104</u>

(continued)

SUSSEX COUNTY, DELAWARE
 SCHEDULE OF GENERAL FUND EXPENDITURES AND OTHER FINANCING USES -
 BUDGET AND ACTUAL - CONTINUED
 FOR THE YEAR ENDED JUNE 30, 2022

	Final Budget Amounts	Actual Amounts	Variance with Final Budget
Paramedics			
Salaries and wages	\$ 9,737,923	\$ 9,740,024	\$ (2,101)
Fringe benefits	4,942,166	4,869,934	72,232
Contractual services	1,105,665	1,096,679	8,986
Material and supplies	880,312	833,047	47,265
Other expenditures	13,950	12,104	1,846
Travel and training	97,040	96,373	667
Equipment	580,035	514,523	65,512
Interest	-	359	(359)
Total paramedics	<u>17,357,091</u>	<u>17,163,043</u>	<u>194,048</u>
Emergency preparedness			
Administration			
Salaries and Wages	201,225	201,225	-
Fringe benefits	81,765	81,765	-
Contractual services	381,221	330,352	50,869
Material and supplies	29,180	33,699	(4,519)
Other expenditures	5,000	1,169	3,831
Travel and training	5,000	1,916	3,084
Machinery and equipment		110,374	(110,374)
Total administration	<u>703,391</u>	<u>760,500</u>	<u>(57,109)</u>
Emergency operations center			
Salaries and wages	2,136,773	2,091,764	45,009
Fringe benefits	1,266,686	1,201,775	64,911
Contractual services	194,200	194,200	-
Material and supplies	15,695	10,237	5,458
Other expenditures	6,000	351	5,649
Travel and training	35,480	25,813	9,667
Machinery and equipment	60,000	-	60,000
Total emergency operation center	<u>3,714,834</u>	<u>3,524,140</u>	<u>190,694</u>
Communication systems			
Salaries and wages	196,020	195,312	708
Fringe benefits	109,208	108,199	1,009
Contractual services	40,730	38,046	2,684
Material and supplies	82,790	81,964	826
Total communication systems	<u>428,748</u>	<u>423,521</u>	<u>5,227</u>
Local emergency planning community program			
Salaries and wages	50,805	50,512	293
Fringe benefits	33,132	32,748	384
Contractual services	1,608	1,580	28
Material and supplies	1,272	372	900
Total local planning community program	<u>86,817</u>	<u>85,212</u>	<u>1,605</u>
Total Emergency Preparedness	<u>4,933,790</u>	<u>4,793,373</u>	<u>140,417</u>

(continued)

SUSSEX COUNTY, DELAWARE
 SCHEDULE OF GENERAL FUND EXPENDITURES AND OTHER FINANCING USES -
 BUDGET AND ACTUAL - CONTINUED
 FOR THE YEAR ENDED JUNE 30, 2022

	<u>Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
County engineer			
Administration			
Salaries and wages	\$ 1,055,160	\$ 1,016,993	\$ 38,167
Fringe benefits	639,640	610,401	29,239
Contractual services	36,634	36,646	(12)
Material and supplies	45,630	45,630	-
Other expenditures	136,450	116,383	20,067
Travel and training	1,046	52	994
Improvements	35,000	18,588	16,412
Total county engineer	<u>1,949,560</u>	<u>1,844,693</u>	<u>104,867</u>
Library			
Library administration	767,803	712,008	55,795
Library facilities	2,863,446	2,245,950	617,496
Total library	<u>3,631,249</u>	<u>2,957,958</u>	<u>673,291</u>
Economic development and airpark			
Economic development			
Salaries and wages	93,164	93,164	-
Fringe benefits	44,797	44,797	-
Contractual services	186,517	97,466	89,051
Material and supplies	32,100	1,704	30,396
Other expenditures	300,000	-	300,000
Travel and training	24,850	6,622	18,228
Total economic development	<u>681,428</u>	<u>243,753</u>	<u>437,675</u>
Security			
Salaries and wages	170,632	170,632	-
Fringe benefits	85,518	85,518	-
Contractual services	201,013	187,452	13,561
Material and supplies	15,593	4,887	10,706
Travel and training	5,505	5,456	49
Total security	<u>478,261</u>	<u>453,945</u>	<u>24,316</u>

SUSSEX COUNTY, DELAWARE
 SCHEDULE OF GENERAL FUND EXPENDITURES AND OTHER FINANCING USES -
 BUDGET AND ACTUAL - CONTINUED
 FOR THE YEAR ENDED JUNE 30, 2022

	<u>Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Economic development and airpark - continued			
Airpark			
Salaries and wages	\$ 161,953	\$ 160,471	\$ 1,482
Fringe benefits	84,982	83,628	1,354
Contractual services	511,617	357,485	154,132
Material and supplies	84,060	50,951	33,109
Other expenditures	111,500	107,926	3,574
Travel and training	9,973	-	9,973
Equipment and improvements	50,000	15,600	34,400
Total airpark	<u>1,014,085</u>	<u>776,061</u>	<u>238,024</u>
Total economic development and airpark	<u>2,173,774</u>	<u>1,473,759</u>	<u>700,015</u>
Community development			-
Salaries and wages	313,832	304,822	9,010
Fringe benefits	198,311	194,771	3,540
Contractual services	2,422,109	2,625,611	(203,502)
Material and supplies	8,381	7,552	829
Other expenditures	5,000	139	4,861
Travel and training	1,050	576	474
Total community development	<u>2,948,683</u>	<u>3,133,471</u>	<u>(184,788)</u>
Grant-in-aid			
Fire and ambulance grants	4,606,350	5,176,565	(570,215)
Public safety grants	4,374,957	4,277,492	97,465
Environmental grants	3,177,249	907,837	2,269,412
Public assistance grant	1,688,915	1,164,307	524,608
Economic assistance grant	56,983,751	8,275,883	48,707,868
Library grants	2,735,600	2,827,258	(91,658)
Total grant-in-aid	<u>73,566,822</u>	<u>22,629,342</u>	<u>50,937,480</u>
Constitutional offices			
Marriage Bureau	230,891	201,847	29,044
Recorder of Deeds	1,034,519	968,097	66,422
Register of Wills	657,124	640,849	16,275
Sheriff	657,056	655,527	1,529
Total constitutional offices	<u>2,579,590</u>	<u>2,466,320</u>	<u>113,270</u>
Total expenditures	<u>129,759,281</u>	<u>75,277,088</u>	<u>54,482,193</u>
Other financing uses			
Transfers out	5,671,500	30,122,429	(24,450,929)
Total other financing uses	<u>5,671,500</u>	<u>30,122,429</u>	<u>(24,450,929)</u>
Total expenditures and other financing uses	<u>135,430,781</u>	<u>105,399,517</u>	<u>30,031,264</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, 2022

	<u>Final Budget Amounts</u>	<u>Actual Amount</u>	<u>Variance with Final Budget</u>
REVENUES			
Intergovernmental	\$ 2,490,000	\$ 2,069,065	\$ (420,935)
Contributions	-	22,470	22,470
Investment earnings	37,500	(1,328,892)	(1,366,392)
Total revenues	<u>2,527,500</u>	<u>762,643</u>	<u>\$ (1,764,857)</u>
EXPENDITURES			
General government	-	49,537	(49,537)
Capital projects			
Administrative	12,406,000	5,570,033	6,835,967
Information technology	3,000,000	743,039	2,256,961
Airport/Business Park	8,750,000	2,002,920	6,747,080
Engineering	450,000	1,775	448,225
Public safety	6,700,000	4,937,367	1,762,633
Total expenditures	<u>31,306,000</u>	<u>13,304,671</u>	<u>18,001,329</u>
Excess of revenues over (under) expenditures	<u>(28,778,500)</u>	<u>(12,542,028)</u>	<u>16,236,472</u>
OTHER FINANCING SOURCES			
Appropriated reserves	23,222,500	-	(23,222,500)
Sale of capital assets	-	550,000	550,000
Transfers in	5,556,000	30,006,929	24,450,929
Total other financing sources	<u>28,778,500</u>	<u>30,556,929</u>	<u>1,778,429</u>
Net change in fund balances	-	18,014,901	18,014,901
Fund balances - beginning	<u>42,372,227</u>	<u>42,372,227</u>	<u>-</u>
Fund balances - ending	<u>\$ 42,372,227</u>	<u>\$ 60,387,128</u>	<u>\$ 18,014,901</u>

FIDUCIARY FUND

COMBINING STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	<u>Pension Trust</u>	<u>Post- retirement Employee Benefit Trust</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 694,319	\$ 193,881	\$ 888,200
Investments:			
U.S. Treasuries	8,801,954	4,181,621	12,983,575
Government Agencies	426,731	68,511	495,242
Corporate obligations	25,295,968	10,137,629	35,433,597
Core Real Estate	10,189,517	4,086,815	14,276,332
Infrastructure	7,125,896	2,799,459	9,925,355
Mutual funds and pooled investments	83,546,810	33,906,918	117,453,728
Total Investments	<u>135,386,876</u>	<u>55,180,953</u>	<u>190,567,829</u>
Accrued interest	<u>297,633</u>	<u>124,301</u>	<u>421,934</u>
Total Assets	<u>136,378,828</u>	<u>55,499,135</u>	<u>191,877,963</u>
LIABILITIES			
Accounts payable	<u>104,075</u>	<u>42,379</u>	<u>146,454</u>
Total Liabilities	<u>104,075</u>	<u>42,379</u>	<u>146,454</u>
NET POSITION			
Net position restricted for pension and OPEB benefits	<u>\$ 136,274,753</u>	<u>\$ 55,456,756</u>	<u>\$ 191,731,509</u>

COMBINING STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	<u>Pension Trust</u>	<u>Post- retirement Employee Benefit Trust</u>	<u>Total</u>
ADDITIONS			
Employer contributions	\$ 3,776,535	\$ 2,766,223	\$ 6,542,758
Employee contributions	324,090	-	324,090
Investment earnings:			
Net appreciation (depreciation) of investments	(17,817,272)	(7,741,047)	(25,558,319)
Interest and dividends	5,201,521	2,629,118	7,830,639
Total investment earnings	<u>(12,615,751)</u>	<u>(5,111,929)</u>	<u>(17,727,680)</u>
Less investment costs	<u>(189,219)</u>	<u>(78,589)</u>	<u>(267,808)</u>
Net investment earnings	<u>(12,804,970)</u>	<u>(5,190,518)</u>	<u>(17,995,488)</u>
Total additions	<u>(8,704,345)</u>	<u>(2,424,295)</u>	<u>(11,128,640)</u>
DEDUCTIONS			
Beneficiary payments	5,670,848	2,531,838	8,202,686
Professional fees	190,179	81,712	271,891
Total deductions	<u>5,861,027</u>	<u>2,613,550</u>	<u>8,474,577</u>
Net decrease in plan net position	<u>(14,565,372)</u>	<u>(5,037,845)</u>	<u>(19,603,217)</u>
Net position restricted for pension and OPEB benefits - beginning	<u>150,840,125</u>	<u>60,494,601</u>	<u>211,334,726</u>
Net position restricted for pension and OPEB benefits - ending	<u>\$ 136,274,753</u>	<u>\$ 55,456,756</u>	<u>\$ 191,731,509</u>



STATISTICAL SECTION

This part of Sussex County's annual comprehensive 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>	92 - 98
<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>	99 - 101
<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>	102 - 104
<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>	105 - 106
<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>	107 - 109

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

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

	Fiscal Year									
	2013 as restated	2014 as restated	2015	2016 as restated	2017	2018	2019	2020	2021	2022
Governmental activities										
Net investment in capital assets	\$ 69,132,520	\$ 75,152,173	\$ 77,934,592	\$ 78,216,994	\$ 82,604,022	\$ 84,144,082	\$ 87,307,216	\$ 93,018,347	\$ 95,551,537	\$ 101,525,312
Restricted	56,534,084	45,203,773	45,429,078	57,265,576	63,969,632	72,319,111	73,462,380	88,955,557	103,290,603	129,854,977
Unrestricted	53,383,613	47,467,328	49,690,896	30,428,391	30,413,739	31,989,121	43,795,356	40,407,560	62,637,940	57,180,431
Total governmental activities net position	<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>	<u>\$ 261,480,080</u>	<u>\$ 288,560,720</u>
Business-type activities										
Net investment in capital assets	\$ 202,135,522	\$ 204,051,102	\$ 207,515,115	\$ 220,310,592	\$ 239,365,922	\$ 242,907,425	\$ 273,869,317	\$ 306,996,877	\$ 312,780,719	\$ 324,432,012
Restricted	43,172,577	33,313,218	43,858,934	65,761,276	59,306,086	64,748,595	76,579,751	75,238,638	85,391,251	86,645,337
Unrestricted	51,458,144	59,033,375	50,704,078	22,380,633	19,484,264	26,954,823	15,931,184	10,755,253	20,092,468	26,731,011
Total business-type activities net position	<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>	<u>\$ 418,264,438</u>	<u>\$ 437,808,360</u>
Primary government										
Net investment in capital assets	\$ 271,268,042	\$ 279,203,275	\$ 285,449,707	\$ 298,527,586	\$ 321,969,944	\$ 327,051,507	\$ 361,176,533	\$ 400,015,224	\$ 408,332,256	\$ 425,957,324
Restricted	99,706,661	78,516,991	89,288,012	123,026,852	123,275,718	137,067,706	150,042,131	164,194,195	188,681,854	216,500,314
Unrestricted	104,841,757	106,500,703	100,394,974	52,809,024	49,898,003	58,943,944	59,726,540	51,162,813	82,730,408	83,911,442
Total primary government net position	<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>	<u>\$ 679,744,518</u>	<u>\$ 726,369,080</u>

- Note: 1. 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.
2. 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.
3. 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									
	2013 as restated	2014 as restated	2015	2016 as restated	2017	2018	2019	2020	2021	2022
Expenses										
Governmental activities:										
General government	\$ 9,697,332	\$ 34,762,582	\$ 11,612,339	\$ 30,002,513	\$ 14,999,329	\$ 16,510,060	\$ 16,555,625	\$ 16,147,716	\$ 7,520,951	\$ 17,721,356
Grant-in-aid programs	8,156,799	7,863,936	9,931,773	9,915,966	10,362,109	11,270,949	13,736,171	14,118,069	21,390,212	22,494,926
Planning and zoning	1,212,351	1,091,112	1,208,811	1,272,303	1,767,664	1,716,521	1,638,747	1,557,365	2,580,241	2,936,104
Paramedic program	12,895,383	14,302,991	13,895,165	13,489,135	14,444,807	14,923,379	16,209,069	16,506,738	16,637,782	17,281,301
Emergency preparedness	3,360,129	3,531,682	3,317,424	3,414,864	3,687,552	3,757,532	3,869,706	4,309,246	4,942,953	5,247,706
Economic development and Airpark	2,063,146	2,145,727	2,348,642	2,855,446	3,072,208	3,263,235	3,501,515	4,074,827	4,763,057	4,648,729
County engineer	1,622,080	1,721,971	2,004,463	2,351,221	1,511,146	1,639,722	1,037,068	1,279,617	1,109,090	1,785,092
Library	3,917,395	4,208,141	4,194,436	2,887,880	2,950,264	3,076,799	3,206,010	3,314,143	3,280,930	3,306,846
Community development and housing programs	1,782,197	1,878,873	1,772,497	2,051,580	2,157,621	1,759,425	1,939,275	1,957,643	2,418,638	3,168,738
Constitutional offices	2,429,063	2,459,691	2,419,518	2,335,997	2,433,532	2,386,080	2,414,528	2,460,778	2,557,573	2,527,514
Interest on long-term debt	-	-	-	-	-	-	-	-	-	415
Total governmental activities expenses	47,135,875	73,966,706	52,705,068	70,576,905	57,386,232	60,303,702	64,107,714	65,726,142	67,201,427	81,118,727
Business-type activities:										
Sewer facilities	31,485,165	38,554,376	32,982,881	39,048,235	35,167,846	33,519,513	33,671,550	37,418,065	42,024,610	42,566,436
Water facilities	987,917	1,135,520	1,061,361	1,251,337	1,299,626	1,162,200	1,212,059	1,189,872	1,415,297	1,541,103
Total business-type activities expenses	32,473,082	39,689,896	34,044,242	40,299,572	36,467,472	34,681,713	34,883,609	38,607,937	43,439,907	44,107,539
Total primary government expenses	\$ 79,608,957	\$ 113,656,602	\$ 86,749,310	\$ 110,876,477	\$ 93,853,704	\$ 94,985,415	\$ 98,991,323	\$ 104,334,079	\$ 110,641,334	\$ 125,226,266
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 1,208,807	\$ 1,758,562	\$ 1,638,637	\$ 1,832,205	\$ 2,011,190	\$ 1,979,163	\$ 2,575,246	\$ 2,077,385	\$ 2,840,815	\$ 2,585,669
Planning and zoning	1,392,906	1,628,932	1,672,188	1,895,358	2,134,990	2,226,305	2,694,274	2,310,409	3,372,843	3,110,241
Paramedics	-	-	12,803	19,225	27,115	29,355	33,180	61,265	60,090	45,635
Emergency preparedness	17,500	17,500	17,500	17,500	20,800	20,800	20,800	20,800	20,800	17,500
Economic development and public works	875,302	455,017	477,689	483,227	581,284	530,078	592,964	650,852	623,646	674,061
County engineer	35,607	744,238	660,738	1,610,081	1,238,518	1,935,572	1,725,883	1,892,140	2,809,175	2,845,768
Library	553,044	35,359	38,404	39,077	32,622	31,538	28,110	15,744	566	9,822
Constitutional offices	7,509,071	7,205,590	6,812,782	6,934,857	8,469,402	7,571,546	7,395,152	7,645,576	10,495,091	9,563,202
Operating grants and contributions	6,971,729	6,945,600	6,444,501	7,308,976	7,626,361	5,931,357	7,541,334	7,785,453	8,591,133	9,936,890
Capital grants and contributions	2,949,213	6,751,045	1,217,668	2,018,147	702,252	425,636	2,050,546	4,018,377	573,362	1,742,413
Total governmental activities program revenues	21,513,179	25,541,843	18,992,910	22,158,653	22,844,534	20,681,350	24,657,489	26,478,001	29,387,521	30,531,201

(continued)

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

	Fiscal Year									
	2013 as restated	2014 as restated	2015	2016 as restated	2017	2018	2019	2020	2021	2022
Business-type activities:										
Charges for services:										
Sewer facilities	\$ 17,229,651	\$ 18,900,486	\$ 20,248,738	\$ 21,550,662	\$ 21,749,464	\$ 23,665,580	\$ 24,357,943	\$ 24,984,618	\$ 26,241,664	\$ 29,233,480
Water facilities	808,246	1,240,052	1,223,871	1,249,930	1,234,499	1,238,663	1,261,416	1,274,502	1,331,189	1,408,162
Operating grants and contributions	15,752,444	15,605,163	14,749,008	16,306,257	17,714,845	19,480,380	26,261,126	24,821,790	28,690,407	20,414,771
Capital grants and contributions	5,712,226	2,798,600	3,245,590	7,049,610	5,424,290	6,388,880	14,244,228	13,616,195	12,257,912	13,357,146
Total business-type activities program revenues	39,502,567	38,544,301	39,467,207	46,156,459	46,123,098	50,773,503	66,124,713	64,697,105	68,521,172	64,413,559
Total primary government program revenues	\$ 21,513,179	\$ 25,541,843	\$ 18,992,910	\$ 22,158,653	\$ 22,844,534	\$ 20,681,350	\$ 24,657,489	\$ 26,478,001	\$ 29,387,521	\$ 94,944,760
Net (Expense)/Revenue										
Governmental activities	\$ (25,622,696)	\$ (48,424,863)	\$ (33,712,158)	\$ (48,418,252)	\$ (34,541,698)	\$ (39,622,352)	\$ (39,450,225)	\$ (39,248,141)	\$ (37,813,906)	\$ (50,587,526)
Business-type activities	7,029,485	(1,145,595)	5,422,965	5,856,887	9,655,626	16,091,790	31,241,104	26,089,168	25,081,265	20,306,020
Total primary government net (expense)/revenue	\$ (18,593,211)	\$ (49,570,458)	\$ (28,289,193)	\$ (42,561,365)	\$ (24,886,072)	\$ (23,530,562)	\$ (8,209,121)	\$ (13,158,973)	\$ (12,732,641)	\$ (30,281,506)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Property taxes	\$ 12,706,792	\$ 14,110,356	\$ 14,339,081	\$ 14,715,444	\$ 15,264,023	\$ 15,709,654	\$ 16,129,403	\$ 16,644,442	\$ 17,087,426	\$ 17,632,070
Fire service taxes	1,041,506	1,253,792	1,280,085	1,421,496	1,647,719	1,694,992	2,070,724	1,789,174	2,663,857	2,386,367
Realty transfer taxes	17,422,525	20,894,160	22,212,933	24,210,264	27,989,410	32,299,796	33,501,282	35,477,592	57,024,772	63,006,928
Lodging taxes	-	-	-	-	-	-	-	49,958	-	955,081
Unrestricted investment results	(318,529)	949,002	820,263	935,665	259,279	1,190,083	3,816,187	3,113,675	179,303	(6,296,359)
Gain (loss) on sale of capital assets	-	-	-	-	468,928	204,544	59,218	3,777	19,303	50,329
Transfers	(752,563)	(9,390)	291,088	(8,222)	(11,229)	(11,796)	(13,951)	(13,965)	(62,139)	(66,250)
Total governmental activities	30,099,731	37,197,920	38,943,450	41,274,647	45,618,130	51,087,273	55,562,863	57,064,653	76,912,522	77,668,166
Business-type activities:										
Unrestricted investment results	(73,715)	767,657	548,555	509,265	34,935	324,440	521,362	396,483	108,126	(929,764)
Gain (loss) on sale of capital assets	-	-	-	-	1,981	26,545	(7,008)	110,900	22,140	101,416
Transfers	752,563	9,390	(291,088)	8,222	11,229	11,796	13,951	13,965	62,139	66,250
Total business-type activities	678,848	777,047	257,467	517,487	48,145	362,781	528,305	521,348	192,405	(762,098)
Total primary government program revenues	\$ 30,778,579	\$ 37,974,967	\$ 39,200,917	\$ 41,792,134	\$ 45,666,275	\$ 51,450,054	\$ 56,091,168	\$ 57,586,001	\$ 77,104,927	\$ 76,906,068
Change in Net Position										
Governmental activities	\$ 4,477,035	\$ (11,226,943)	\$ 5,231,292	\$ (7,143,605)	\$ 11,076,432	\$ 11,464,921	\$ 16,112,638	\$ 17,816,512	\$ 39,098,616	\$ 27,080,640
Business-type activities	7,708,333	(368,548)	5,680,432	6,374,374	9,703,771	16,454,571	31,769,409	26,610,516	25,273,670	19,543,922
Total primary government	\$ 12,185,368	\$ (11,595,491)	\$ 10,911,724	\$ (769,231)	\$ 20,780,203	\$ 27,919,492	\$ 47,882,047	\$ 44,427,028	\$ 64,372,286	\$ 46,624,562

Notes: 1. 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.
2. 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									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
General Fund										
Nonspendable	\$ 106,411	\$ 106,540	\$ 452,748	\$ 359,120	\$ 345,211	\$ 315,913	\$ 352,961	\$ 316,316	\$ 267,909	\$ 342,349
Restricted	44,739,045	45,203,773	42,832,105	49,092,198	51,308,089	52,560,032	57,923,703	64,131,190	74,207,956	68,379,675
Committed	1,308,577	778,755	798,817	1,079,713	1,282,810	838,424	1,811,458	1,867,007	10,439,101	1,567,434
Assigned	4,044,652	7,258,754	7,168,799	4,960,008	16,286,439	17,237,808	20,899,412	8,516,719	2,079,742	2,563,861
Unassigned	30,602,046	34,229,654	35,922,102	40,577,312	32,478,506	34,518,709	29,029,042	37,826,924	38,531,552	55,678,488
Total general fund	<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>	<u>\$ 125,526,260</u>	<u>\$ 128,531,807</u>
All Other Governmental Funds										
Restricted	\$ 11,795,039	\$ 8,769,934	\$ 13,182,134	\$ 14,587,607	\$ 17,447,074	\$ 17,575,194	\$ 17,119,804	\$ 23,769,732	\$ 42,372,227	\$ 60,387,128
Committed	-	-	-	1,420,252	1,420,883	1,425,270	1,454,505	1,477,446	-	-
Unassigned	-	-	-	-	-	-	-	-	-	-
Total all other governmental funds	<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>	<u>\$ 42,372,227</u>	<u>\$ 60,387,128</u>

**SCHEDULE OF REVENUE AND EXPENDITURES AND OTHER FINANCING SOURCES AND USES
FOR THE FORTY-FOUR YEARS THROUGH JUNE 30 2022**

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
June 30, 2021	105,979,141	93,111,037	12,868,104
June 30, 2022	108,405,064	105,399,517	3,005,547

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
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	245,224,677	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%
2021	3,075,348,220	465,405,625	131,116,673	115,172,414	238,467,250	246,308,593	3,779,201,589	0.445	53,228,191,394	7.1%
2022	3,189,261,920	474,433,025	132,329,723	115,834,214	237,996,850	246,960,985	3,902,894,747	0.445	62,949,915,274	6.2%

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 1974 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									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
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	2.9770	2.9770	3.0710	3.0430	3.2130	3.4900	3.6774	3.9921	3.9876	3.9734
Delmar	3.7574	3.8094	3.6394	4.3669	4.1417	4.2217	4.2217	4.2017	4.2367	4.4048
Indian River	2.6230	2.7430	2.6930	2.6890	2.5780	3.0970	3.0670	3.0350	3.0541	3.2061
Laurel	3.6050	3.5890	3.6960	4.2050	4.9890	4.7120	4.8890	4.4170	4.4030	4.2498
Milford	3.4659	3.5870	3.4783	3.5682	5.3913	4.9841	4.9145	4.8913	4.8506	4.8028
Seaford	3.3200	3.3600	3.2000	3.3600	3.3600	3.5797	3.8134	3.9340	4.5955	4.1567
Woodbridge	3.7240	3.6900	3.6170	3.6090	3.6090	3.6090	3.9020	4.5560	4.5560	4.5560
Vo-Tech	0.2811	0.2599	0.2728	0.3289	0.3365	0.2704	0.2691	0.2646	0.2879	0.2907
Town Rates (2)										
Bethany Beach	0.1700	0.1750	0.1750	0.1850	0.1850	0.1850	0.1900	0.1900	0.1900	0.1950
Bethel	0.4000	0.4000	0.4000	0.4000	0.4000	0.4000	0.4000	0.4000	0.4000	0.4000
Blades	0.7000	0.7000	0.7000	0.7000	0.7000	0.7000	0.7000	0.7000	0.7000	0.7000
Bridgeville	2.0000	2.4000	2.4000	2.4000	2.4000	2.4000	2.5200	2.6400	2.7600	2.8800
Dagsboro	0.5600	0.5600	0.5600	0.5600	0.5600	0.5600	0.0560	0.0560	0.0560	0.5600
Delmar	0.5200	0.5200	0.5400	0.5400	0.5400	0.6000	0.6200	0.6300	0.6200	0.6600
Dewey Beach	0.4000	0.4000	0.4000	0.4000	0.4000	0.4000	0.4000	0.4000	0.4000	0.3000
Ellendale	1.5000	1.5000	1.5000	1.8000	1.8000	1.8000	1.8000	2.0000	1.9800	2.0000
Fenwick Island	1.9200	1.9200	1.9200	1.9200	1.9200	1.9200	1.7402	1.7402	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	3.1700	3.1700	3.1700	3.1700	3.1700	3.1700	3.1700	3.1700	3.4900
Greenwood	1.8000	1.8000	1.8000	1.8000	1.8000	1.8000	1.8000	1.8000	1.8000	2.0000
Henlopen Acres	2.6200	2.6200	2.6200	2.6200	2.6200	2.6200	2.6200	2.6200	2.9400	2.9400
Laurel	2.2900	2.2900	2.0800	2.5300	2.7300	2.8700	3.0100	3.0100	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	0.4828	0.4928
Millsboro	0.5600	0.5600	0.5600	0.3300	0.3300	0.3300	0.3300	0.3400	0.3600	0.3800
Millville	0.5000	0.5000	0.5000	0.5000	0.5000	0.5000	0.5000	0.5000	0.5000	0.5000
Milton	0.2160	0.2160	0.2400	0.2400	0.2400	0.2400	0.2400	0.2400	0.2520	0.2950
Ocean View	0.1588	0.1620	0.1652	0.1652	0.1652	2.6700	2.4780	2.4780	2.6780	2.3780
Rehoboth Beach	1.7800	0.4000	0.4000	0.4000	0.4000	0.4000	0.0600	0.0600	0.0600	0.0600
Seaford	0.3100	0.3100	0.3100	0.3100	0.3100	0.3100	0.3400	0.3400	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:

- The above rates are per \$100 of assessed value.
- 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 2022			Fiscal Year 2013		
	Taxable Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Taxable Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Delmarva Power & Light Co.	\$ 46,511,691	1	1.19%	\$ 23,335,305	2	0.77%
Verizon	22,757,375	2	0.58	46,311,375	1	1.52
Indian River Power LLC	12,786,471	3	0.33	12,786,471	3	0.42
Eastern Shore Natural Gas Co.	7,419,100	4	0.19	5,284,895	5	0.17
Chesapeake Utilities Corporation	7,526,050	5	0.19	3,925,127	8	0.13
Invista Sarl	6,827,200	6	0.17	-	-	-
Delaware Electric Cooperative, Inc.	6,410,850	8	0.16	5,111,765	6	0.17
Harim Millsboro LLC	6,334,400	7	0.16	-	-	-
Mountaire Farms of Delaware, Inc.	5,091,600	9	0.13	-	-	-
Sussex Sports Amenities LLC	3,207,800	10	0.08	4,547,400	7	0.15
E.I. duPont de Nemours Company	-	-	-	8,385,865	4	0.28
Millsboro Town Center LLC	-	-	-	3,670,900	9	0.12
Allen's Hatchery, Inc.	-	-	-	3,547,200	10	0.12
	<u>\$ 124,872,537</u>		<u>3.20%</u>	<u>\$ 116,906,303</u>		<u>3.85%</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
2013	12,522,798	63,224	12,586,022	12,314,220	97.8	255,594	12,569,814	99.9%
2014	13,751,888	24,327	13,776,215	13,505,584	98.0	251,675	13,757,259	99.9%
2015	13,998,509	145,938	14,144,447	13,737,879	97.1	384,350	14,122,229	99.8%
2016	14,500,715	140,265	14,640,980	14,435,552	98.6	178,207	14,613,759	99.8%
2017	14,964,667	113,242	15,077,909	14,746,056	97.8	288,699	15,034,755	99.7%
2018	15,415,956	133,061	15,549,017	15,181,549	97.6	324,020	15,505,569	99.7%
2019	15,844,664	141,327	15,985,991	15,690,084	98.1	241,564	15,931,648	99.7%
2020	16,351,308	138,684	16,489,992	16,248,038	98.5	170,610	16,418,648	99.6%
2021	16,817,465	152,508	16,969,973	16,593,411	97.8	278,676	16,872,087	99.4%
2022	17,367,881	143,826	17,511,707	17,320,974	98.9	-	17,320,974	98.9%

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			
2013	-	172,319,678	-	172,319,678	2.16	834
2014	-	165,681,742	-	165,681,742	1.81	786
2015	-	163,797,633	-	163,797,633	1.64	760
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	1.20	626
2020	-	150,074,075	-	150,074,075	1.14%	632
2021	-	199,992,825	-	199,992,825	*	808
2022	-	202,180,188	-	202,180,188	*	*

Note: 1. The personal income and population data information is presented on the demographic and economic statistics schedule.
2. General bonded debt of both governmental and business-type activities, net of original issuance discounts and premiums.

* 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 2022									
											Assessed value	\$ 3,902,894,747								
											Debt limit (12% of assessed value)	468,347,370								
											Total net debt applicable to limit	<u>202,180,188</u>								
											Legal debt margin	<u>\$ 266,167,182</u>								
											Fiscal Year									
											2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
General obligation bonds		<u>\$ 167,405,688</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>	<u>\$ 195,324,990</u>	<u>\$ 202,180,188</u>									
Percentage of estimated actual property value		0.50%	0.46%	0.46%	0.45%	0.42%	0.41%	0.41%	0.42%	0.37%	0.32%									
Per capita	\$	834	\$ 786	\$ 760	\$ 717	\$ 666	\$ 639	\$ 626	\$ 632	\$ 808	*									
Total net debt applicable to debt limit		172,319,678	165,681,742	163,797,633	157,854,672	150,094,796	146,569,694	146,559,060	150,074,075	199,992,825	202,180,188									
Legal debt limit		<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>	<u>453,504,191</u>	<u>468,347,370</u>									
Legal debt margin		<u>\$ 198,510,942</u>	<u>\$ 211,768,071</u>	<u>\$ 227,218,317</u>	<u>\$ 245,711,838</u>	<u>\$ 265,615,975</u>	<u>\$ 269,141,077</u>	<u>\$ 280,738,470</u>	<u>\$ 290,859,593</u>	<u>\$ 253,511,366</u>	<u>\$ 266,167,182</u>									
Total net debt applicable to the limit as a percentage of debt limit		46.47%	43.90%	41.89%	39.11%	36.11%	35.26%	34.30%	34.04%	44.10%	43.17%									

Notes:

1. The statutory limitation for debt is 12% of the assessed value of taxable property as of June 30, 2022.
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	
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	-	-	-	-	-	-
2021	-	-	-	-	-	-
2022	-	-	-	-	-	-

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.

**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>
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	12,199,649	52,085	50.6	31,691	3.2%
2020	237,378	13,133,235	54,352	50.3	32,504	11.5%
2021	247,527	*	*	*	33,055	4.4%
2022	*	*	*	*	34,085	4.0%

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 later years "Student Enrollment Over Time By School". Note the 2019 and later years 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**

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<u>Type of Employer</u>	<u>2022</u>			<u>2013</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	12,430	1	15.2%	10,015	2	15.7%
Retail trade	12,212	2	14.9	10,569	1	16.6
Accommodation and food services	10,963	3	11.7	7,634	5	14.2
Manufacturing	9,564	4	13.4	9,061	3	12.0
Government	8,943	5	10.9	8,024	4	12.6
Construction	5,797	6	7.1	3,607	6	5.7
Administrative and waste services	5,831	7	7.1	2,696	7	4.2
Other services, except public administration	2,703	8	3.3	2,238	8	3.5
Professional and technical services	2,670	9	3.3	1,668	10	2.6
Finance and insurance	2,034	10	2.5	1,616	9	2.5
Total	<u>73,147</u>		<u>89.4%</u>	<u>57,128</u>		<u>89.6%</u>
Total Employees in Sussex County	<u>81,823</u>		<u>100.0%</u>	<u>63,784</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

<u>Function/Program</u>	Full-time Equivalent Employees as of June 30									
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
General government										
General administration	11	10	10	9	10	10	10	10	11	11
Finance (1)	60	59	63	66	67	68	72	76	75	72
Human Resources	6	6	6	6	6	6	6	6	6	6
Facilities Management	20	19	19	18	19	17	18	18	17	17
Information Technology (1)	21	21	23	23	27	27	30	28	28	29
Planning and zoning	15	14	15	16	16	18	19	14	17	17
Paramedic program	108	110	110	106	102	109	111	114	109	112
Emergency preparedness	29	27	30	29	30	29	33	37	41	43
Economic development	3	2	3	3	3	3	3	2	3	3
County engineer	144	143	143	138	131	138	133	139	137	138
Library	28	27	26	28	27	28	29	31	30	28
Community development and housing programs	5	5	5	5	6	6	6	6	5	6
Constitutional offices	33	32	29	32	30	31	33	31	32	30
Total	483	475	482	479	474	490	503	512	511	512

Source: Sussex County Accounting Division.

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

Function/Program	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Planning and Zoning										
Permits issued (1)	7,172	7,693	8,288	9,663	10,236	10,378	10,429	10,719	14,501	13,802
Public Safety										
Paramedic incidents dispatched	15,018	15,219	15,929	16,717	17,757	18,151	18,126	17,481	17,255	19,025
911 calls (2)	105,137	110,139	113,549	109,009	103,108	101,554	103,303	110,700	119,946	121,037
Sewer and Water Services										
Sewer customers, EDU's billed	64,456	65,735	67,410	68,965	69,821	72,398	74,534	76,769	78,002	83,761
Water customers, EDU's billed	3,688	3,676	3,699	3,715	3,700	3,702	3,713	3,722	3,755	3,727
Libraries										
Circulation (3)	1,387,038	1,361,586	1,347,386	1,371,859	1,320,860	1,356,585	1,148,849	816,116	547,730	877,106
Industrial Airpark										
Number of businesses	19	20	21	21	20	28	28	28	27	30
Number of jobs provided by business	870	875	880	895	960	960	960	1,012	916	909
Number of landings (4)	17,900	18,000	17,500	17,500	19,000	19,000	17,500	17,650	17,251	17,714

Note:

1. Beginning in FY 2021, permits were being issued by unit rather than one per building of a multi-unit complex.
2. FY 2021 was a full year of accepting calls from the incorporated Seaford area and utilizing.
3. The decrease in calls in FY 2020 and FY 2021 were due to the libraries not being open for a full year.
4. The number of landings is an estimated by the FAA.

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>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Public Safety										
Paramedic stations	9	9	9	9	9	9	9	10	10	10
Volunteer fire and ambulance companies	24	24	24	24	24	24	24	24	24	24
Additional state police officers funded by County (1)	44	44	44	44	44	22	22	22	22	22
Sewer and Water Services										
Miles of underground sanitary sewer pipe	856	856	865	885	894	915	940	961	970	985
Number of feet of ocean outfall sewer pipe	6,500	6,670	6,670	6,670	6,670	6,670	6,670	6,670	6,670	7,094
Pump stations	449	461	463	468	488	493	518	524	526	532
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	8,609	8,609	8,609	8,609	8,609	8,609	8,609	8,609	8,609
Number of hangars	30	30	30	30	30	34	39	39	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, 2022

Federal Agency	Assistance Listing Number	Federal Program Name	Pass-through Grantor	Other Identification Number	Expenditures			Pass through to Subrecipient
					From Direct Awards	From Pass Through Awards	Total	
U.S. DEPARTMENT OF AGRICULTURE								
	10.760	Water and Waste Disposal Systems for Rural Communities		92-10,92-15,92-21,92-22,92-23,92-25	\$ 3,527,112	\$ -	\$ 3,527,112	\$ -
TOTAL U.S. DEPARTMENT OF AGRICULTURE					<u>3,527,112</u>	<u>-</u>	<u>3,527,112</u>	<u>-</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT								
	14.228	Community Development Block Grants/ State's Program	Delaware State Housing Authority	CD 03-20, CD 03-21	-	2,127,832	2,127,832	-
		Community Development Block Grants Coronavirus Aid Relief, and Economic Security Act	Delaware State Housing Authority	CDBG-CV1 03-20	-	44,979	44,979	-
		Neighborhood Stabilization Program (NSP 1)	Delaware State Housing Authority	NSP 03-08	-	35,547	35,547	-
		Total Community Development Block Grants/ State's Program			-	2,208,358	2,208,358	-
	14.239	Home Investment Partnerships Program	Delaware State Housing Authority	HM 03-19, HM 03-20, HM 03-21	-	562,696	562,696	-
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT					<u>-</u>	<u>2,771,054</u>	<u>2,771,054</u>	<u>-</u>
U.S. DEPARTMENT OF TRANSPORTATION								
	20.106	Airport Improvement Program		3-10-0007-034-2018, 3-10-0007-035-2019, 3-10-0007-036-2020, 3-10-0007-038-2021, 3-10-0007-039-2021	647,987	-	647,987	-
		Airport Improvement Program - Coronavirus Aid, Relief, and Economic Security Act		3-10-0007-37-2020	42,470	-	42,470	-
		Total Airport Improvement Program			690,457	-	690,457	-
TOTAL U.S. DEPARTMENT OF TRANSPORTATION					<u>690,457</u>	<u>-</u>	<u>690,457</u>	<u>-</u>
U.S. DEPARTMENT OF TREASURY								
	21.019	Coronavirus Relief Fund	State of Delaware - Office of Management and Budget		-	168	168	-
	21.027	Coronavirus State and Local Fiscal Recovery Funds		SLFRP4442	692,063	-	692,063	-
TOTAL U.S. DEPARTMENT OF TREASURY					<u>692,063</u>	<u>168</u>	<u>692,231</u>	<u>-</u>
INSTITUTE OF MUSEUM AND LIBRARY SERVICES								
	45.310	Library Services and Technology Act - Cares Act State Grants	State of Delaware - Division of Libraries	LS-246525-OLS		7,999	7,999	
		Library Services and Technology Act - American Rescue Plan Act	State of Delaware - Division of Libraries	LS-250200-OLS		60,925	60,925	
		Library Services and Technology Act - State Grants	State of Delaware - Division of Libraries	LS-00-19-0008-19		6,000	6,000	
TOTAL INSTITUTE OF MUSEUM AND LIBRARY SERVICES					<u>-</u>	<u>74,924</u>	<u>74,924</u>	<u>-</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, 12000112, 12000111, 12000113	-	5,892,114	5,892,114	-
TOTAL U.S. DEPARTMENT OF ENVIRONMENTAL PROTECTION AGENCY					<u>-</u>	<u>5,892,114</u>	<u>5,892,114</u>	<u>-</u>
U.S. DEPARTMENT OF EDUCATION								
Office of Elementary and Secondary Education								
	84.287	Twenty-First Century Community Learning Centers	Delaware Department of Education	009901791105-951700	-	1,907	1,907	-
TOTAL U.S. DEPARTMENT OF EDUCATION					<u>-</u>	<u>1,907</u>	<u>1,907</u>	<u>-</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES								
Centers for Disease Control and Prevention								
	93.323	Epidemiology and Laboratory capacity for Infectious Diseases	Delaware Department of Libraries \ Division of Public Health	NU50CK000497	-	30,000	30,000	-
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES					<u>-</u>	<u>30,000</u>	<u>30,000</u>	<u>-</u>
U.S. DEPARTMENT OF HOMELAND SECURITY								
Federal Emergency Management Agency								
	97.042	Emergency Management Performance Grants	Delaware Emergency Management Agency	EMPG- 17-003, 18-003, 19-003,20-003, 21-003, 22-003	-	232,165	232,165	-
	97.036	Disaster Grants - Public Assistances (Presidentially Declared Disaster)	Delaware Emergency Management Agency	4526-DR-DE	-	5,327	5,327	-
	97.039	Flood Mitigation Assistance Grant Program	Delaware Emergency Management Agency	EMP-2019-FM-E001	-	10,850	10,850	-
	97.047	Building Resilient Infrastructure and Communities	Delaware Emergency Management Agency	PDMC-PJ-03DE-1491-1	-	56,250	56,250	-
	97.067	Homeland Security Grant Program	Delaware Emergency Management Agency	EMW-2019-SS-00058	-	44,267	44,267	-
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY					<u>-</u>	<u>348,859</u>	<u>348,859</u>	<u>-</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS					<u>\$ 4,909,632</u>	<u>\$ 9,119,026</u>	<u>\$ 14,028,658</u>	<u>\$ -</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICEIS

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 - 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 C - 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, 2022.

Program Title	Federal Assistance Listing Number	Loan Amount
Water and Waste Disposal Systems for Rural Communities	10.760	\$ 3,527,112
Capitalization Grants for State Revolving Funds	66.458	5,892,114

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 Assistance Listing Number 14.228. The total amount outstanding at June 30, 2022 is \$709,532 of which \$35,267 is included in the current fiscal year's federal expenditure balance for that



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

The County Council of Sussex County, Delaware
Georgetown, Delaware

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Sussex County's (The County) compliance with the types of compliance requirements identified as subject to audit 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, 2022. 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.

In our opinion, the County complied, in all material respects, with the 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, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the County and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the County's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the County's federal programs.



Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the County's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the County's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the County's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the County's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the County's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditor’s Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

January 17, 2023



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

The County Council of Sussex County, Delaware
 Georgetown, Delaware

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Sussex County, Delaware (the “County”), which comprise the statement of financial position as of June 30, 2022, 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 January 17, 2023.

Report on 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 or significant deficiencies may exist that were not identified.

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

BDO USA, LLP

January 17, 2023

Sussex County, Delaware

Schedule of Findings and Questioned Costs Year Ended June 30, 2022

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 no
- Significant deficiency(ies) identified? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes 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 no

Identification of major federal programs:

Assistance Listing Number(s)

Name of Federal Program or Cluster

21.027
14.228

CSLFRF- Coronavirus State and Local Fiscal Recovery Funds
CDBG- Community Development Block Grant

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee?

yes no

Schedule of Findings and Questioned Costs
Year Ended June 30, 2022

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