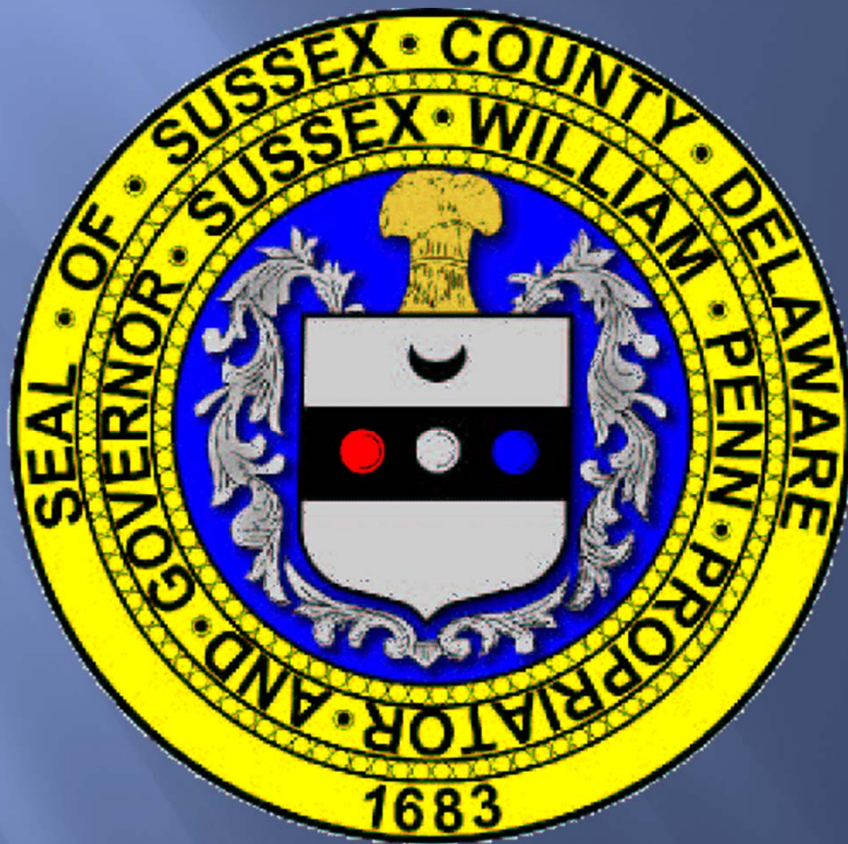


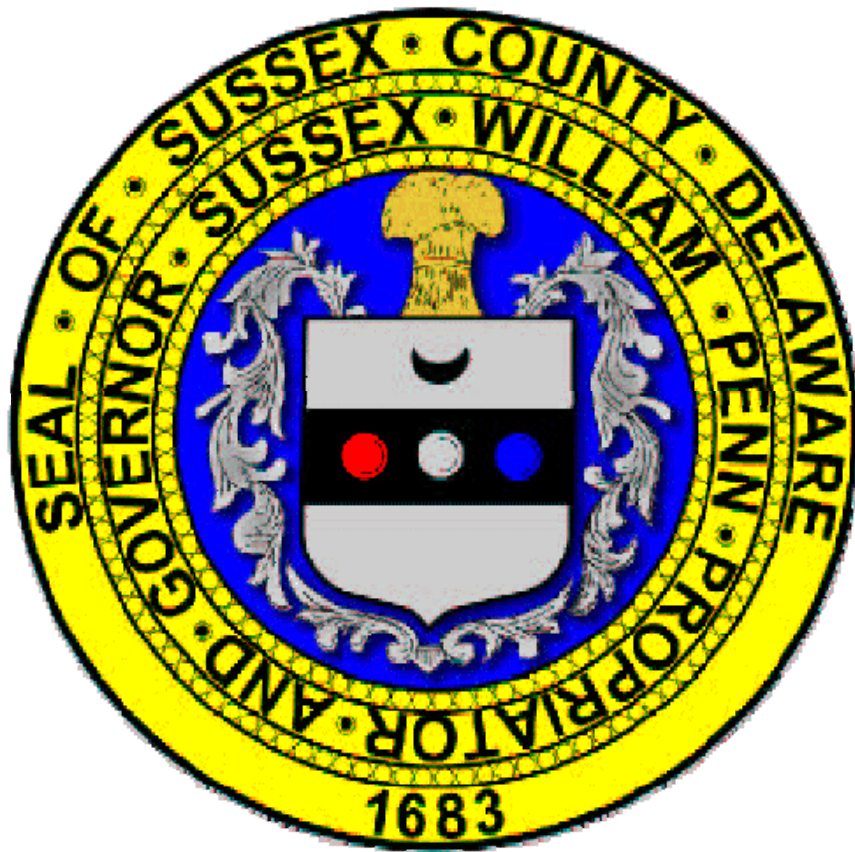
SUSSEX COUNTY, DELAWARE



Comprehensive Annual Financial Report
For Fiscal Year Ended June 30, 2012

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2012



Prepared by the Finance Department
Susan M. Webb, Finance Director

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INTRODUCTORY SECTION



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Sussex County
DELAWARE
sussexcountyde.gov

December 21, 2012

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

We are pleased to present to you the Comprehensive Annual Financial Report (CAFR) for the Sussex County Council for the fiscal year ended June 30, 2012. 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 (County). Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. The County has established a comprehensive internal control framework that is designed to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the presentation of the County's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the County's internal control framework has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The County's financial statements have been audited by BDO USA, LLP, a firm of licensed certified public accountants. A goal of the independent audit was to provide reasonable assurance that the financial statements of the County for the fiscal year ended June 30, 2012, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon their audit, that there was a reasonable basis for rendering an unqualified opinion that the County's financial statements for the year ended June 30, 2012, 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 its natural beauty, mix of small towns, rich history, and popular attractions that are found in our county. Sussex is home to numerous seaside resorts, small towns, industry and agriculture. Our county is the largest county in Delaware, comprising a total land area of approximately 938 square miles, or 48 percent of the State’s total area; with a population of 205,800. 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 a portion of the State of Maryland 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.

The 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 body that includes operating departments and offices, some of which are administrated by officials elected at-large and also known as Row Offices. The County Council, which has legislative powers, consists of five members representing each of the County’s respective districts with staggered terms. Council members are elected to four-year terms. The County Administrator, County Finance Director, and County Engineer are appointed by the County Council. The County Administrator is responsible for the entire range of executive, administrative, and fiscal duties performed by all County departments.

Sussex County, Delaware, is a rural county with beaches along the Delaware Bay and Atlantic Ocean. Sussex County has had a population increase of over 25 percent in the last ten years. The State of Delaware has never had a general sales tax, inventory tax, or State real property tax. Local property taxes are very low, making the county a desirable destination for new residents and retirees. The eastern portion of the county is home to most of Delaware’s beaches and seaside resorts. Sussex’s western side is the center of Delaware’s agriculture industry.

Sussex County is proud of a unique tradition known as Return Day. Return Day originated around 1790 and is set on The Circle in Georgetown, the County seat. Return Day is held two days after Election Day and was started so ‘voters’ could come to Georgetown to hear the ‘returns’, or results, of the elections. During this day, election results were read, food was served, and candidates ‘buried’ the hatchet. Some time later, a parade was started with both the winning and losing candidates riding together in an open carriage. The 2012 elections marked the 200th anniversary of this tradition.

The County Government provides a variety of services, which are mandated by State statute or County Code. Major public services include emergency medical services, land use, mapping and addressing, libraries, and sewer service. The County also owns and maintains the Sussex County Airport in Georgetown, the operation of which is leased to an independent contractor. The airport is combined with the industrial park as is referred to as the Industrial Airpark in the financial statements. The County provides emergency services including paramedics, emergency preparedness, emergency operations, and local emergency planning and communications. The Department of Libraries includes three County-managed libraries and a bookmobile. The County has 516 full time employees and 189 retirees. In Sussex County, elected officials preside over certain “row offices”, or constitutional offices. These include Clerk of the Peace, Recorder of Deeds, Register of Wills, and the Sheriff’s Office. These four offices provide services, such as issuing marriage licenses, recording of legal papers, and performing court-related duties. Each row office is managed by an elected official, but the County government is responsible for their financial accountability and their budgets.

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

Sussex County continues to work on the expansion of wastewater services that are vital in meeting our environmental and population needs. The County serves over 65,000 sewer and water customers, and maintains and operates four treatment facilities. Various sewer projects have been completed in fiscal year 2012 and many are in the construction phase and will be completed in fiscal year 2013. The sewer and water districts’ operating budget for fiscal year 2012 was over \$34 million. The County has three enterprise funds: Dewey Water District, Unified Sewer District, and the West Rehoboth Sewer District. Combined financial information is included for these sewer districts in the financial section.

The annual budget is recommended by the County Administrator and approved by the County Council prior to July 1 of each year, which is the start of the County’s fiscal year. The budget serves as a financial guide for the County. The budget includes a five-year capital project plan, with proposed financing for projects. Please see note “A” (Section 18 on page 36) for

additional budget information. Budget-to-actual comparisons begin on page 60 through page 68, and also includes page 70.

Economic Condition of Sussex County

Local Economy

Sussex County has a diverse and dynamic local economy, one that prospered during the economic boom of the early 2000's. The County has had its share of home foreclosures, but has weathered relatively well despite the national downturn of recent years. Sussex County employment is concentrated on a diverse assembly of sectors that interact continuously. This includes agriculture, tourism, healthcare, construction, retail sales and education. Manufacturing production has increased to meet the needs of the growing infrastructure fields of aircraft and rail nationally. Expansion in the brewery industry, seafood and poultry processing as well as specialty crop and grain production, have provided valuable support to agriculture. Employment in the financial sector shows growth with acquisitions, expansions and new branch openings. The level of healthcare and associated employment opportunities are continually growing along with the number of retirees who put a demand on those health care services.

While the national unemployment rate - as stated by the Delaware Department of Labor was 8.1 percent in August, 2012 and Delaware's unemployment rate was 6.9 percent, Sussex County's unemployment was at 6.0 percent. A major focus of the County has been to create jobs through economic development. Our goal is to create new jobs through responsibly recruiting new business to the County and encouraging job retention and growth of existing businesses. Residential housing permits have increased 7 percent since 2009. Year to date, the County issued more building permits in total with greater value for new home construction when compared to the same timeframe in 2011. More than \$698 million in local real estate has been sold through the first three quarters of 2012 in Sussex County in the single-family market segment alone. Also more than \$180 million has been generated in condominium and/or townhome sales, more than \$12 million in mobile home sales and more than \$68 million in sales of land. All three segments have also shown growth from the same period in 2011. The County makes every effort to take advantage of available programs to assist our local businesses, with the ultimate goal of providing employment opportunities for our residents. The U.S. Housing and Urban Development agency reported 1,225 net jobs created between April of 2011 and 2012.

Agriculture related employment is the greatest in the county and is the leading industry, with the primary focus being grain production and poultry processing. This is evidenced by Sussex County's distinction as the top broiler producing county in the United States. The University of Delaware, College of Agriculture and Natural Resources 2010 study (The Impact of Agriculture on Delaware's Economy) estimated that agriculture employed 15,378 people in Sussex (9,615 directly , 2,771 indirectly, and 2,992 induced) with a total industry output of \$4 billion, including \$711 million in labor income.

According to a 2012 report from the Southern Delaware Tourism Office, tourism increased 16% over 2011. The Delaware Economic Development Office lists tourism as the third largest private employer in the state, generating \$400 million in state and local government taxes/fees in 2010. Sussex County's Atlantic coastline offers sandy beaches, family activities, recreation and shopping. Along a two-mile stretch of Delaware Route 1, between Lewes and Rehoboth Beach, there are more than 130 outlet stores - employing more than 1,500 - offering a variety of products, such as clothing, tools, shoes, books, stereo equipment, gourmet food, and kitchen supplies. The Tanger Outlets have become a year-round attraction for those who are attracted by reasonable prices and tax free shopping in Delaware. Approximately 7 million people visit our County and enjoy our beach attractions.

Efforts are underway to improve the manufacturing sector of our county. Sussex County is the leading broiler producing county in the United States with more than 210 million birds grown annually. Our leading manufacturer is the poultry processing industry, including: Harim/Allen Family Foods, Perdue, and Mountaire. There are more than 10,000 people employed in manufacturing in Sussex County. There are numerous success stories for manufacturing as it has evolved in Sussex County. Since 1995, PATS Aircraft Systems has offered innovative solutions in response to the distinctive needs of the business aviation industry. Other manufacturing examples in the county include the world's largest professional dental products manufacturer, a producer of specialized nylon products, a veterinary health corporation, a clam processor, and an antacid subsidiary.

Of all the sectors, healthcare is the fastest growing with total wages in the first quarter of 2012 being \$116,059,854. Healthcare and associated employment opportunities are continually growing along with the number of retirees whose relocation to the County puts a demand on healthcare in general. The three major healthcare employers in the county are Bayhealth Medical Center in Milford, Beebe Medical Center in Lewes, and the Nanticoke Memorial Hospital in Seaford. Peninsula Regional Medical Center, based in nearby Salisbury, Md., broke ground in October 2012 for a 48,000 square foot healthcare pavilion in Millsboro, expanding that provider's service footprint in Southern Delaware. These hospitals continually expand their services and build partnerships in order to accommodate the needs of an ever-growing and aging population. In July 2012, the "Healthier Sussex County" collaboration was announced by the three existing hospitals.

In order for any business or industry to succeed, a community must have a quality educational system at its foundation. When it comes to higher education, opportunity abounds. The Delaware Technical & Community College (DTCC), and its 146-acre campus in Georgetown, offers Associates' college degree programs in health, business, public service, engineering, and industrial education. The University of Delaware also has a strong presence in Sussex County that includes the DTCC campus, the College of Agriculture & Natural Resources near Georgetown, and the College of Earth, Ocean and Environment in Lewes. Additionally, Delaware State University and Wilmington University offer courses at the DTCC campus in Georgetown providing Bachelors and Masters Degrees. In October 2012, a 30,000 square

foot, \$9 million regional Carpenter's Union Training Center facility opened in Georgetown, providing a training center for those interested in pursuing the trades.

Financial Planning

The economy continues to improve at a modest pace. Our local economy benefits from the attractiveness of our resorts and a strong agricultural base. Although still faced with lower revenue predictions, the County has a strong financial foundation. The County took advantage of a variety of federal stimulus programs in the areas of sewer infrastructure, housing and energy. We are still mindful of a depressed real estate and credit market, and high unemployment. We know improvements in the economy will be slow and we will continue to take this into account when budgeting.

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

During fiscal year 2012, many projects were in the planning, design or construction stages. The fiscal year 2012 Five-Year Capital Improvement Plan includes \$140 million for sewer expansion and upgrades. Funding for these projects include State Revolving Fund loans, State grants, Federal United States Department of Agriculture loans and grants, American Recovery and Reinvestment funds, and County contributions.

Significant Financial Policies

The County recently changed our banking and investment policies due to the changing market. While Certificates of Deposit were our main source of interest income, that market has essentially dried up. Our banking and investment needs are different now as the economic downturn has redefined the opportunities for low risk investing. By pooling our cash we improve our cash position by maximizing interest on idle cash. It is our goal to invest all funds in a manner that provides the highest investment return using authorized instruments while meeting the County's acceptable risk level. Please see Note B, on page 38 for additional information regarding cash and collateralization.

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

regarding investments and funding. The County contracts with pension advisors to assist in providing the best strategy, protection and investment guidelines for our pension.

Sussex County continues to strive for balanced budgets and sound financial planning in providing services for our residents. In the last few years, our focus and challenge has been to balance our budget without using any appropriated reserves. A comprehensive review is done monthly by the Finance and Accounting Departments, which analyzes department expenditures and budget reports. These reviews are discussed in open forum with our County Council on a quarterly basis to keep them informed of the current economic impacts on revenues. Relevant financial topics and future strategies are also discussed with County Council. It is our fund balance policy to maintain an operating reserve within the range of 20 to 25 percent, which is considered, "best practice".

Like so many other State and local governments, we are still facing financial challenges and are under pressure to demonstrate fiscally sound policies and serve the public with fewer revenues. We practice financial conservatism that has served us well in a declining economy and time of economic change.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Sussex County for its comprehensive annual financial report for the fiscal year ended June 30, 2011. This was the tenth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must 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 that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

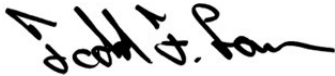
We believe that achieving this award is one example of Sussex County's commitment and dedication to the highest standards of financial management. The preparation of this report on a timely basis is the result of the tremendous efforts of County employees in the Finance and Accounting Departments. We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

During fiscal year 2010, Moody's Investor Service upgraded the County's bond rating from an Aa2 to Aa1. Moody's report on the County says, "This reflects the County's healthy financial position, maintained by prudent fiscal management that resulted in materially greater financial flexibility and stronger reserve levels". In addition to the above, Moody's cited our strengths being: "strong liquidity and fund balance levels, no appropriation nor expected use

of fund balance in fiscal 2010 or 2011, and average socioeconomic indicators with a large tax base that is expected to remain stable”.

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

Respectfully submitted,



Todd F. Lawson

County Administrator



Susan M. Webb

Finance Director

TFL:SMW

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Sussex County
Delaware

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



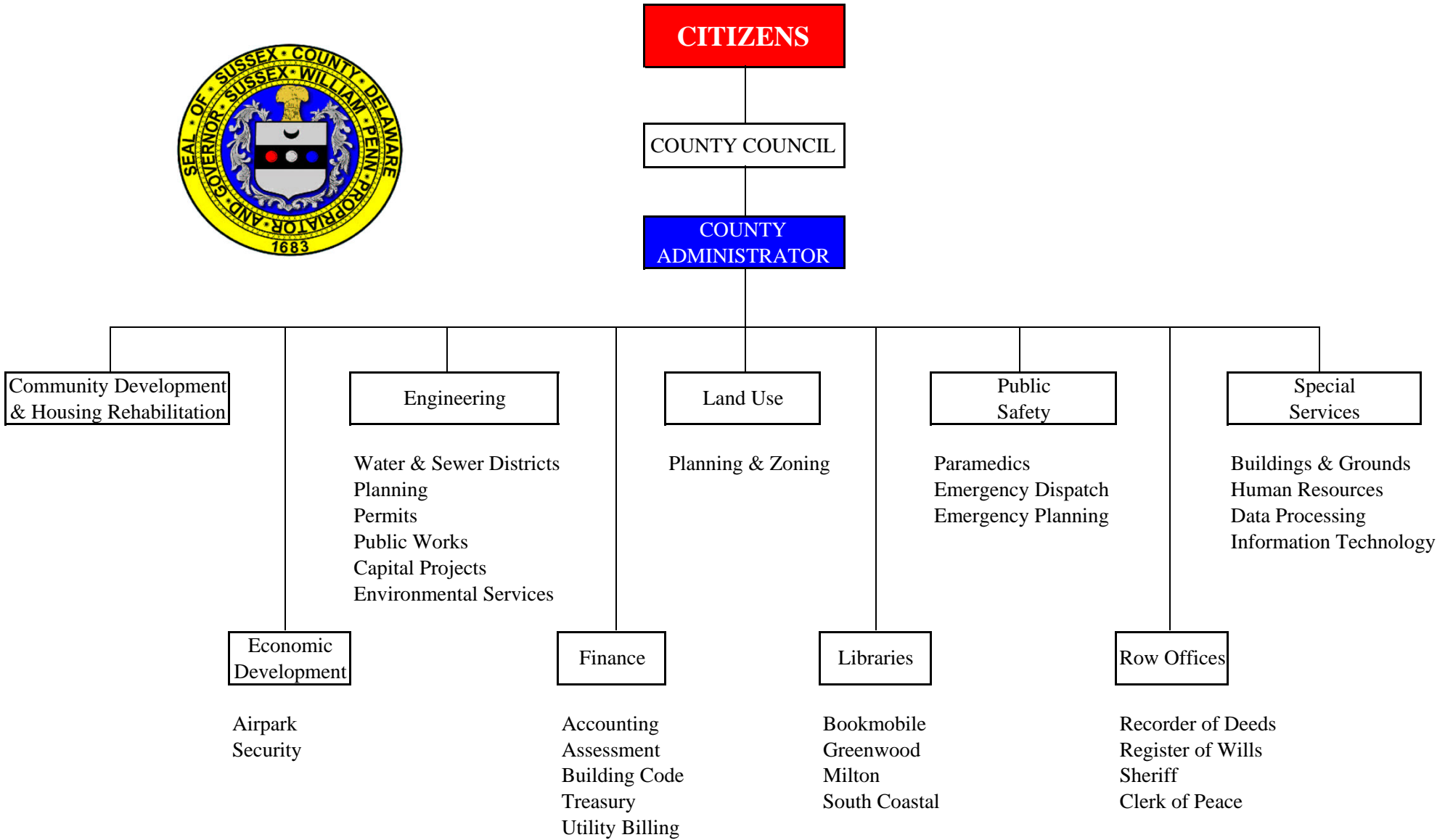
Christopher P. Morrill

President

Jeffrey R. Enev

Executive Director

**SUSSEX COUNTY, DELAWARE
ORGANIZATIONAL CHART
FOR THE FISCAL YEAR 2012**



SUSSEX COUNTY, DELAWARE

LIST OF ELECTED OFFICIALS

JUNE 30, 2012

<u>COUNCIL</u>	<u>Length of Service</u>	<u>Term Expires</u>
<i>District 1</i>		
Michael H. Vincent (President)	3 Years	Jan. 2013
<i>District 2</i>		
Samuel R. Wilson (Vice President)	3 Years	Jan. 2013
<i>District 3</i>		
Joan R. Deaver	3 Years	Jan. 2013
<i>District 4</i>		
George B. Cole	26 Years	Jan. 2015
<i>District 5</i>		
Vance C. Phillips	14 Years	Jan. 2015

<i>Clerk of the Peace</i>		
George Parish	7 Years	Jan. 2013
<i>Recorder of Deeds</i>		
Scott Dailey	2 Year	Jan. 2015
<i>Register of Wills</i>		
Cynthia Green	2 Year	Jan. 2015
<i>Sheriff</i>		
Jeffrey Christopher	2 Year	Jan. 2015

SUSSEX COUNTY, DELAWARE

COUNTY DEPARTMENT HEADS & OTHER OFFICIALS

JUNE 30, 2012

	<u>Length of Time in Position</u>	<u>Length of Service with the County</u>
<i>County Administrator</i> – Todd F. Lawson	6 months	11 months
<i>County Attorney</i> - J. Everett Moore, Esquire	3 years	3 years
<i>Finance Director</i> - Susan M. Webb, CPA (not in public practice)	6 years	19 years
<i>County Engineer</i> - Michael A. Izzo, P.E.	16 years	28 years
<i>Accounting Division Director</i> - Gina A. Jennings, MBA, MPA	6 years	6 years
<i>Assessment Division Director</i> - Eddy J. Parker	22 years	32 years
<i>Community Development Program Director</i> - Brad Whaley	6 months	16 years
<i>Data Processing Director</i> - Bonnie O. Smith	25 years	43 years
<i>Director of Engineering Accounting</i> - Jeffrey James	18 years	33 years
<i>Director of Environmental Services</i> - Heather Sheridan	26 years	36 years
<i>Director of Sussex Airport and Industrial Park Operations</i> - James A. Hickin	6 years	7 years
<i>Economic Development Director</i> - Julia L. Wheatley	4 years	4 years
<i>Emergency Preparedness Director</i> - Joseph L. Thomas	15 years	26 years
<i>Facilities Manager</i> - Douglas J. Stoakley	2 years	18 years
<i>Human Resources Director</i> - Karen Brewington	1 year	1 year
<i>Library Director</i> - Kathy M. Graybeal	1 year	1 year
<i>Paramedic Director</i> - Robert A. Stuart	1 year	20 years
<i>Planning and Zoning Director</i> - Lawrence B. Lank	26 years	42 years
<i>Treasury Division Director</i> - Amanda M. Bennett	6 years	9 years
<i>Utility Billing Division Director</i> - Patricia Faucett	6 years	12 years

FINANCIAL SECTION





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270 Presidential Drive
Wilmington, DE 19807

Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Sussex County, Delaware, (the "County") as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the County as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2012 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules of funding progress and employee contributions on pages 3 through 17 and 56 through 59 be presented to supplement the basic financial statements. Such information, although not 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 American, 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.

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 individual fund financial schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. Such information the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund financial schedules and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The introductory section and statistical tables are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

BDO USA, LLP

December 21, 2012

SUSSEX COUNTY, DELAWARE

MANAGEMENT'S DISCUSSION & ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

This section of the report offers an overview and analysis of the financial activity of Sussex County, Delaware, for the year ended June 30, 2012. Please consider this Management's Discussion and Analysis (MD & A) along with other additional information included in the letter of transmittal and other sections of the report.

Financial Highlights

Government-wide Financial Statements

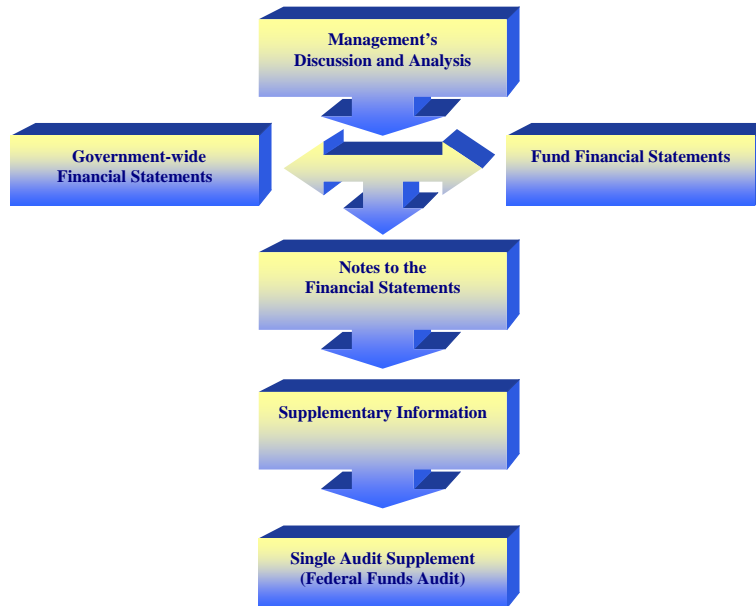
- As of June 30, 2012, assets exceeded liabilities by \$464 million. Of this amount, \$63 million was unrestricted and may be used for ongoing obligations to citizens and creditors.
- The County's total net assets increased by \$20 million during the year. The governmental activities' portion of the increase was \$3 million. The increase in the investment in capital assets, net of related debt was \$14 million, restricted realty transfer tax decreased \$6 million, and the business-type activities increase in net assets was \$18 million. This increase is due to growth-related capital costs from sewer districts being built as well as an increase in the debt that funded those projects. The \$3 million increase in governmental activities' net assets, is a reflection of the small but positive movement in County revenue. Operating budgets have remained basically the same as during the recession but revenues have been starting to increase.
- The County has no outstanding General Fund bonded debt.
- In fiscal year 2010, Moody's Investors Service has raised its rating for Sussex County from Aa2 to Aa1. Moody's report on the County says, "This rating upgrade was due to; the County's substantially improved and healthy financial position, maintained by prudent fiscal management that resulted in materially greater financial flexibility and stronger reserve levels". This reinforces our fiscal policies of conservative balanced budgeting and our commitment to maintaining healthy reserve levels.

Fund Financial Statements

- As of June 30, 2012, the County's governmental funds reported an ending fund balance of \$94 million. This is only a slight decrease from the preceding year. About \$25 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 Assets 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 Assets presents information on all of the County's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the current fiscal year. Changes in net assets 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 Assets and Statement of Activities account separately for governmental activities and business-type activities.

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

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

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

The government-wide financial statements immediately follow this MD & A on pages 18 and 19 of this report.

Fund Financial Statements

The next group of financial statements, beginning on page 20 of this report, is the fund financial statements. A fund is an accounting entity that is used to maintain control over resources that have been segregated for specific activities or objectives. Sussex County, like other state and local governments, uses fund accounting to ensure compliance with finance-related legal requirements. Sussex County's funds are divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

- *Governmental Funds* - Governmental funds account for essentially the same functions as governmental activities in the government-wide financial statements. Governmental fund financial statements do focus on near term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information may be useful in evaluating a government's near term financing requirements. Because the focus of governmental funds is for the current period, it is useful to compare this information with similar information presented for governmental activities in the government-wide financial statements. Readers may then better understand the long-term impact of the government's current financing decisions. The Governmental Fund Balance Sheet and Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance include reconciliations to the government-wide financial statements (see pages 20 through 22).

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

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

- *Proprietary Funds* - Sussex County's proprietary funds are solely enterprise funds, which operate in a manner similar to private business enterprises. Sussex County's proprietary funds include: Unified Sewer District, West Rehoboth Sewer District, and the Dewey Water District (see pages 24 through 27).
- *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 own 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 28 and 29 of this report.

Notes to the Financial Statements

Notes to the financial statements found on pages 30 through 55 of this report, provide additional information that is important for a better understanding of the data provided in the financial statements.

Other Information

Pages 56 through 59 include required supplementary information regarding our fiduciary funds. Following are General fund and Capital Project fund budgetary comparison schedules and General fund revenue and expenditure schedules. The statistical section follows on pages 71 through 89 with additional County information. The Single Audit, a separate federal awards audit, follows the statistical section.

Government-wide Financial Analysis

As previously noted, assets exceed liabilities by \$464 million as of June 30, 2012. Net assets 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 assets:

SUSSEX COUNTY'S SCHEDULE OF NET ASSETS

As of June 30, 2012 and 2011

	Governmental Activities		Business-type Activities		Total Government	
	2012	2011 as restated	2012	2011 as restated	2012	2011 as restated
Current and Other Assets	\$ 125,175,519	\$ 123,997,099	\$ 97,228,414	\$ 96,706,551	\$ 222,403,933	\$ 220,703,650
Capital Assets	65,013,887	64,237,068	376,395,027	368,740,478	441,408,914	432,977,546
Total Assets	<u>\$ 190,189,406</u>	<u>\$ 188,234,167</u>	<u>\$ 473,623,441</u>	<u>\$ 465,447,029</u>	<u>\$ 663,812,847</u>	<u>\$ 653,681,196</u>
Current and Other Liabilities	9,808,820	10,257,340	5,497,942	5,670,393	15,306,762	15,927,733
Long-term Liabilities Outstanding	5,807,404	6,311,378	179,067,589	190,913,086	184,874,993	197,224,464
Total Liabilities	<u>\$ 15,616,224</u>	<u>\$ 16,568,718</u>	<u>\$ 184,565,531</u>	<u>\$ 196,583,479</u>	<u>\$ 200,181,755</u>	<u>\$ 213,152,197</u>
Net Assets:						
Invested in Capital Assets, Net of Related Debt	65,497,373	64,237,068	194,995,829	179,296,736	260,493,202	243,533,804
Restricted	63,990,556	71,431,919	76,634,459	66,569,442	140,625,015	138,001,361
Unrestricted	45,085,253	35,996,462	17,427,622	22,997,372	62,512,875	58,993,834
Total Net Assets	<u>\$ 174,573,182</u>	<u>\$ 171,665,449</u>	<u>\$ 289,057,910</u>	<u>\$ 268,863,550</u>	<u>\$ 463,631,092</u>	<u>\$ 440,528,999</u>

A large portion of the County's net assets (56 percent) are not available for future use since they represent amounts invested in capital assets (e.g., land, buildings, machinery and equipment). This investment is net of any related debt that was used to acquire those assets that is 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. This portion of net assets increased by \$17 million during fiscal year 2012. This increase was due to ARRA or stimulus projects for sewer expansions and continued repayment of bonds.

Of the remaining \$203 million in net assets, \$77 million is restricted for the repayment of the debt service on the bonds issued to finance sewer district costs or for capital costs incurred. For governmental activities, \$64 million represents realty transfer taxes, 911 fees received, and grant funds on-hand, which are restricted for specific purposes. Realty transfer taxes must be used for public safety, economic development, public works, capital projects, infrastructure projects, or debt reduction. Planned uses of realty transfer taxes include buildings and improvements, industrial park infrastructure and County Airport Improvements. Available 911 fees are restricted for emergency dispatch purposes, i.e., software to maintain addressing and mapping.

The remaining \$63 million in net assets, a 6 percent increase from fiscal year 2011, is unrestricted and may be used for ongoing obligations to citizens and creditors.

The following schedule shows the breakdown of changes in net assets for governmental and business-type activities for fiscal years 2012 and 2011.

SUSSEX COUNTY'S CHANGES IN NET ASSETS
For the Years Ended June 30, 2012 and 2011

	Governmental Activities		Business-type Activities		Total Government	
	2012	2011 as restated	2012	2011 as restated	2012	2011 as restated
Revenues:						
Program Revenues:						
Charges for Services	\$ 12,463,387	\$ 10,190,427	\$ 16,825,976	\$ 16,287,171	\$ 29,289,363	\$ 26,477,598
Operating Grants and Contributions	7,150,788	7,115,414	14,191,817	9,962,936	21,342,605	17,078,350
Capital Grants and Contributions	543,802	2,102,681	18,766,753	5,475,117	19,310,555	7,577,798
General Revenues						
Property Taxes	13,528,090	13,843,603	-	-	13,528,090	13,843,603
Capitation Taxes	12,373	259,229	-	-	12,373	259,229
Fire Service Taxes	898,335	821,702	-	-	898,335	821,702
Realty Transfer Taxes	14,282,093	14,310,725	-	-	14,282,093	14,310,725
Investment Income	302,903	212,684	22,884	59,861	325,787	272,545
Total Revenues	\$ 49,181,771	\$ 48,856,465	\$ 49,807,430	\$ 31,785,085	\$ 98,989,201	\$ 80,641,550
Expenses:						
Primary Government:						
General Government	\$ 10,024,224	\$ 9,037,273	\$ -	\$ -	\$ 10,024,224	\$ 9,037,273
Grant-in-aid Programs	6,618,896	6,765,994	-	-	6,618,896	6,765,994
Planning and Zoning	1,202,696	1,251,258	-	-	1,202,696	1,251,258
Paramedic Program	12,173,161	11,515,259	-	-	12,173,161	11,515,259
Emergency Preparedness	3,165,648	2,817,992	-	-	3,165,648	2,817,992
Economic Development and						
Airpark	2,304,295	2,136,706	-	-	2,304,295	2,136,706
County Engineer	1,130,783	1,683,158	-	-	1,130,783	1,683,158
Library	3,787,237	3,657,643	-	-	3,787,237	3,657,643
Community Development and Housing Programs						
Constitutional Offices	2,447,571	2,399,951	-	-	2,447,571	2,399,951
Business-type Activities	2,493,630	2,161,054	-	-	2,493,630	2,161,054
Total Expenses	\$ 45,348,141	\$ 43,426,288	\$ 30,538,967	\$ 28,959,540	\$ 75,887,108	\$ 72,385,828
Increase in Net Assets Before Transfers	\$ 3,833,630	\$ 5,430,177	\$ 19,268,463	\$ 2,825,545	\$ 23,102,093	\$ 8,255,722
Transfers	(925,897)	(754,077)	925,897	754,077	-	-
Increase in Net Assets	\$ 2,907,733	\$ 4,676,100	\$ 20,194,360	\$ 3,579,622	\$ 23,102,093	\$ 8,255,722
Net Assets – Beginning-Restated	171,665,449	166,989,349	268,863,550	265,283,928	440,528,999	432,273,277
Net Assets - Ending	\$ 174,573,182	\$ 171,665,449	\$ 289,057,910	\$ 268,863,550	\$ 463,631,092	\$ 440,528,999

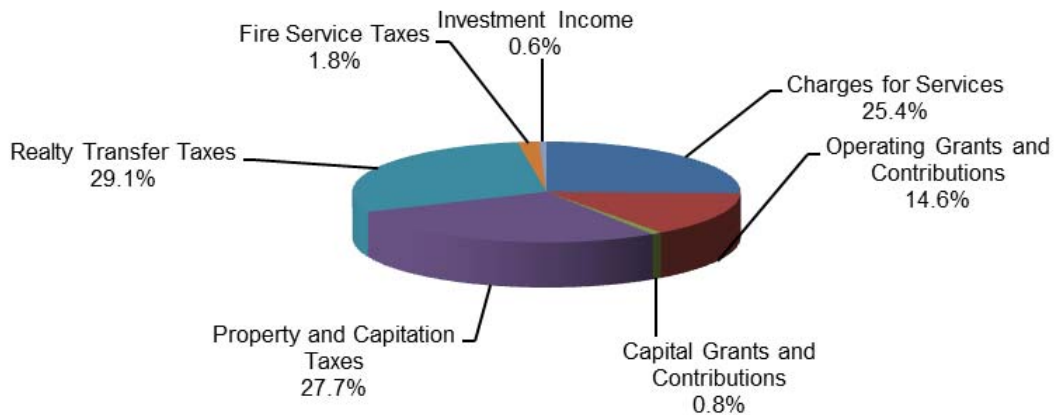
Governmental Activities

Governmental activities increased net assets by \$3 million during fiscal year 2012. This represents 20 percent of the total increase in net assets for the year. Governmental activities include the General fund and Capital Projects fund.

In the changes in net assets schedule, tax revenues total \$29 million for fiscal year 2012 for governmental activities. This includes \$14 million received from realty transfer taxes. This is comparable to the amount received in fiscal year 2011 and fiscal year 2010. This indicates that the recent drop in the real estate market has leveled off and for the last three years we are seeing some stability. Realty transfer tax, once our largest source of revenue, continues at similar levels with our property tax revenue. This is a reflection of the effect of the housing market in Sussex County.

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

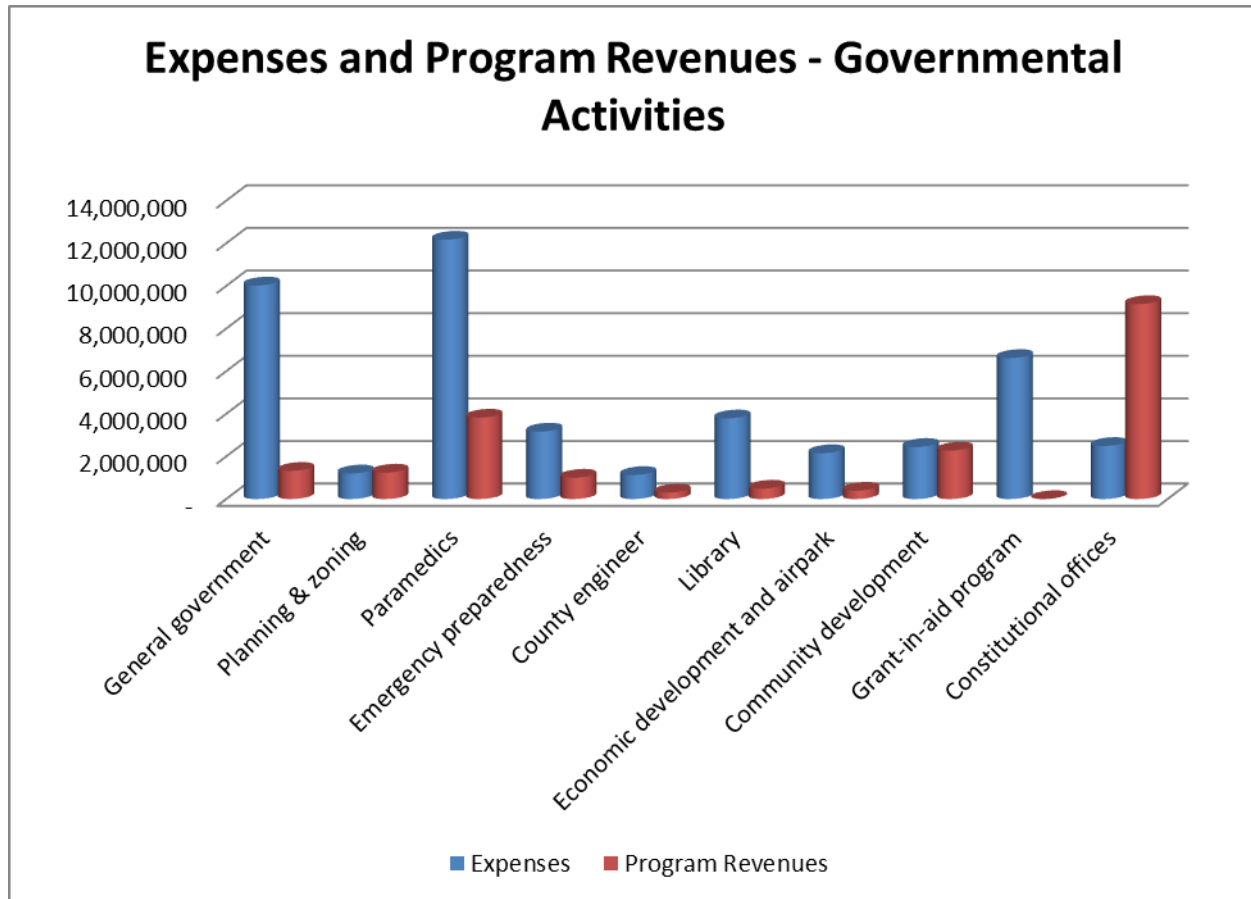
Revenues by Source - Governmental Activities



Charges for services reflect increases in revenue from the Recorder of Deeds, Sheriff’s Department and building permits and zoning fees and overall charges for services saw increases of \$2 million or 22 percent, from the previous year. This is another indication that economy sensitive revenues have leveled off and are starting to improve. For the first time in the last few years interest income is up over last year, by 58 percent. The County has focused on its investment policies with the goal of making modifications to spur investment income.

Most all the governmental activity expenses have increased due to a need to expand the 2012 budget to include expenditures that previously had been delayed for more than three years. Total expenses were up \$2 million, or 4 percent, from fiscal year 2011. Replacement of county assets, new capital projects, personnel costs, and rising utility costs are all attributed to the increase in expenditures for 2012.

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



The population growth of the county over the last few years has impacted the paramedic department possibly more than any other county service. 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 County has had to develop cost-saving procedures without jeopardizing the quality of service being provided by the paramedics. Due to the shortage of qualified paramedics, the County has a partnership with Delaware Technical and Community College to provide a training program. This has proven to be a great success and keeps normal attrition manageable. The new initiative within the paramedic department is to begin the process to purchase property where our stations are located. Currently we lease many buildings in different strategic locations throughout the county, as these leases come up for renewal we are exploring the option to buy rather than rent. To date we have done this with three of our eight medic stations

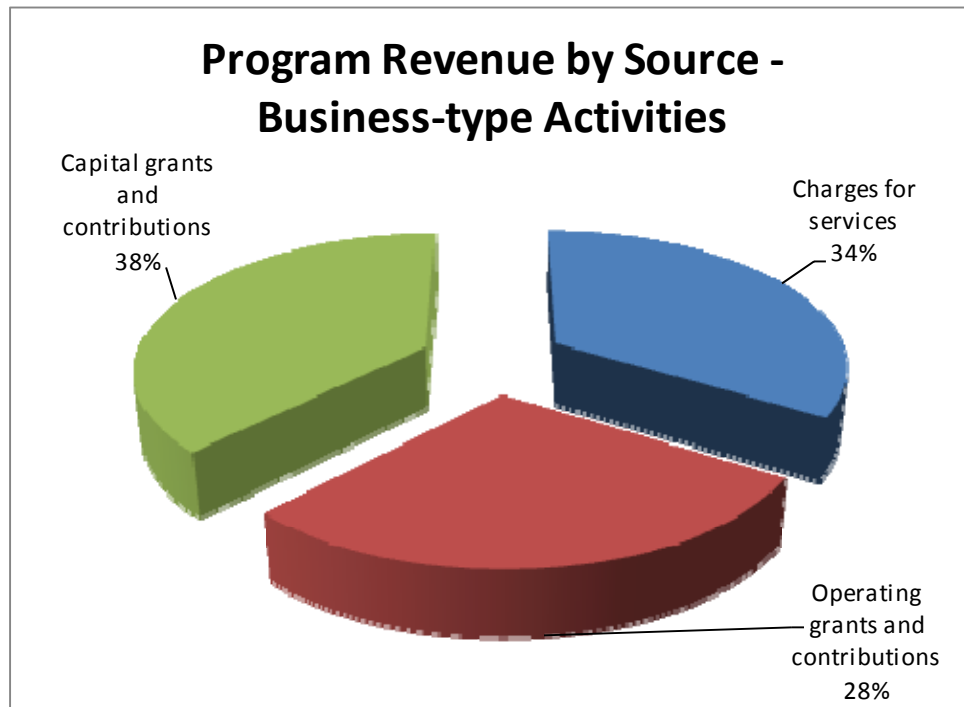
During fiscal year 2012, the County provided \$7 million in grant-in-aid programs, for a variety of local organizations as part of a program to benefit County residents. These grants included local historical societies, senior centers, educational, recreation, arts, housing, and agriculture programs. The County also has grant programs to assist needy taxpayers in meeting their property tax obligation or sewer bills. The County continues to supplement the state police and local law enforcement with a \$2 million contribution. The volunteer fire service received over \$3 million in grant funding during fiscal year

2012. A variety of community grants was given to local non-profit organizations, senior centers, libraries, food pantries, and housing assistance programs.

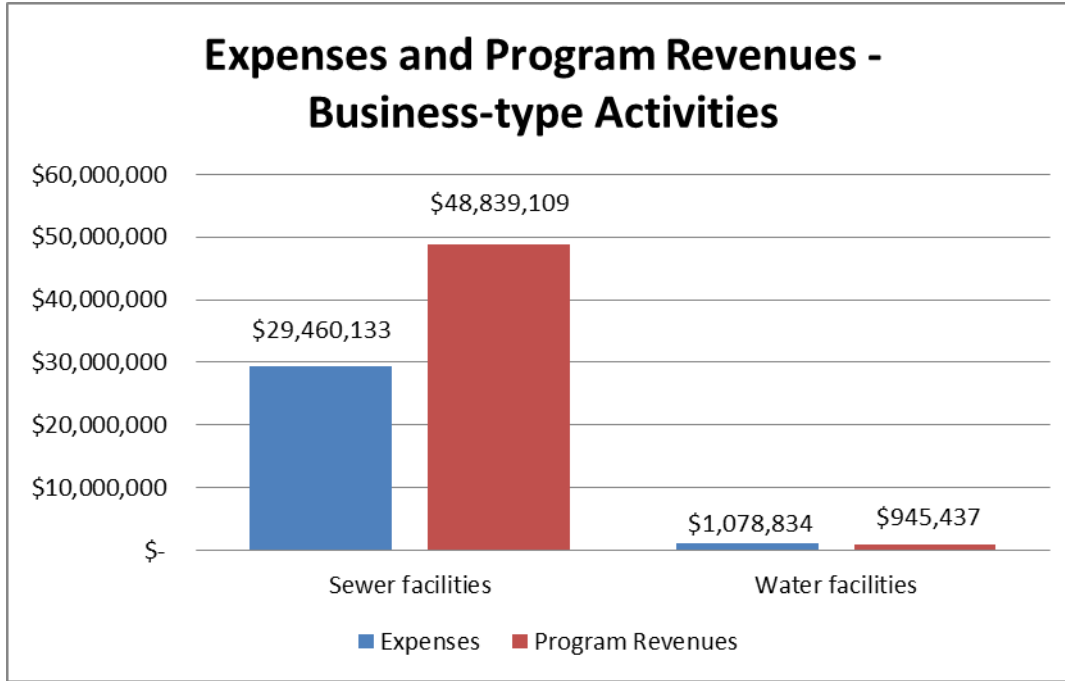
During fiscal year 2012, the County continued expansion projects at the industrial airpark. The County has committed to extending the main airport runway by 500 feet. The ground breaking for this project was in August 2012 and is expected to be completed in the summer of 2013. This project will be FAA funded and is important for future expansion of the aviation-related industry at our airport. More aircraft will be serviced, maintained, and renovated at the airport. This expansion offers additional job opportunities in our County. We are already beginning the process to expand another 500 feet.

Business-type Activities

Sussex County's water and sewer funds have an increase in net assets of \$20 million during fiscal year 2012. The income before capital contributions and transfers was \$1 million. The most significant reason for this is the addition of three new sewer districts, adding 2,000 new users, which increased our service and assessment revenue. The pie chart reflects revenue by sources.



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



- The County received \$3 million in connection fees for new growth in the water and sewer districts. This is a small increase over last year’s collection of \$2 million. Connection fee income had decreased over the last few years due to the housing market which directly drives this revenue. One of the County’s goals has always been to improve our inland bays by providing affordable central sewer.
- The County continues to improve and expand the policy to consolidate our sewer districts into a unified fund and to move towards uniform sewer rates for all districts.
- Fiscal year 2012 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 2012, fund balances of the County’s governmental funds decreased \$625,000.

For the General fund, fiscal year 2012 finished with an increase in fund balance of \$854,000. Page 69 in the financial section shows a history of Sussex County's revenues and expenses for the General fund since 1978. As shown, we have had some financially strong years, in particular from 1991 through 2006.

In fiscal year 2011, the County put into place Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". Fund balance financial reporting is more detailed and there are increased disclosures to help with understanding the availability of resources. This improves the usefulness and understanding fund balance information. Some of the more significant assignments in fund balance are for economic development, engineering projects, and various grants. Assigned fund balance also includes possible future park program and future reassessment.

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 2012, \$4 million was contributed to the pension plan. The market volatility decreased the Plan's funding level, however the County is 82 percent funded according to the latest actuarial report dated January 1, 2012. As of June 30, 2012, net assets held in this account were valued at over \$53 million.

During fiscal year 2005, the County established an irrevocable fund for post-retirement employee benefits. We are currently 65 percent funded. As of June 30, 2012, net assets held in this account were valued at \$23 million. For fiscal year 2012, the contribution to this fund was \$3 million. Because of this commitment and forethought in prior years, our funding level of this fund is unusually high in comparison with other municipalities.

For both plans the contributions in fiscal year 2012 included an extra \$966,000 created from the fiscal 2011 positive financial position.

Currently, actuary assumptions are being discussed and there may be changes in the future. Actuarial standards applicable to defined benefit plans are currently under review.

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 assets, exclusive of amounts invested in capital costs, total \$195 million. Restricted net assets include amounts for West Rehoboth Sewer revenue bond debt service, as well as amounts set aside for construction costs, connection fee revenue, and assessment revenue. Connection fees received are to be used for capital costs and assessment fees received are used to pay debt service cost.

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

GENERAL FUND BUDGETARY HIGHLIGHTS

Budget Goals and Initiatives

The County prepares its budget with the following goals in mind; to balance the budget, to maintain an acceptable reserve, no General Fund debt, to continue to fund the pension and OPEB plans, and to provide high quality services to the residents of Sussex County. A major budget initiative for Sussex County is to promote economic development. The County strives to promote and develop new and existing businesses and 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 2012. During the year, the County Administrator approved budget transfers for expenditures from department heads. The approved budget transfers include increases in certain line items for requested expenditures, which were offset by decreases in other departmental line items and/or the budget for contingencies. Some of the largest transfers from budgeted contingencies to individual line items, as approved by the County Administrator during the year, were for compensated absences payout (\$92,302), telephone system upgrades (\$45,227), and training expenses (\$40,700).

Budget to Actual - Revenue

The fiscal 2012 budget increased 2 percent from the fiscal 2011 budget. This small increase reflects flat revenues from a depressed construction industry and overall sluggish economy, as well as maintaining spending constraints that have been put in place from prior years. In fiscal 2012, actual general fund revenues and other financing sources were over budgeted revenues by \$1 million as noted on page 61. Both charges for services and realty transfer tax were over their budgeted predictions by \$3 million. The 2012 budget did not include any appropriated reserves to balance the budget.

Budget to Actual - Expenditures

Expenditures and other financing uses were slightly over the budget by \$526,000 as noted on page 68. Most all departments finished the fiscal year under their budget projections. Large expenditure reductions in departments are due to staffing reductions. Two limited early retirement options offered in prior years and attrition are reason for these staffing reductions. In 2011, the County had ended the fiscal year with \$3 million of revenue over expenditures. The Council had decided to use these funds to help the pension and post-retirement benefit funds because of previous year's market losses. During fiscal year 2012 the County contributed an additional \$2 million to the funds.

Capital Asset and Debt Administration

Capital Assets

As per the chart below, capital assets (net of depreciation) are valued at \$441 million as of June 30, 2012. Note E, on pages 39 and 40, includes additional information.

SUSSEX COUNTY'S CAPITAL ASSETS

As of June 30, 2012 and 2011

(net of depreciation)

	Governmental Activities		Business-type Activities		Total Government	
	2012	2011	2012	2011 as restated	2012	2011 as restated
Land	\$ 16,064,312	\$ 16,045,661	\$ 39,539,298	\$ 39,541,817	\$ 55,603,610	\$ 55,587,478
Construction in Progress	3,961,574	2,478,598	22,839,677	24,418,279	26,801,251	26,896,877
Buildings	29,369,776	29,999,565	24,246,210	24,922,776	53,615,986	54,922,341
Improvements Other Than Buildings	13,408,498	13,123,342	4,782,827	5,108,081	18,191,325	18,231,423
Machinery and Equipment	2,209,727	2,589,902	1,535,506	1,839,772	3,745,233	4,429,674
Infrastructure	-	-	283,451,509	272,909,755	283,451,509	275,909,755
Total	\$ 65,013,887	\$ 64,237,068	\$ 376,395,027	\$ 368,740,480	\$ 441,408,914	\$ 432,977,548

The major capital projects work done in fiscal year 2012 was expansion and improvement of our Industrial Airpark, libraries, and our Enterprise Resource Planning computer integration project. The County has spent \$2 million more in fiscal year 2012 over 2011 for capital projects. This demonstrates the County's willingness to move forward with projects that had been previously stalled due to the economy. This is partly an economic development driver and also to resume critical projects.

The following are highlights of the major capital sewer projects underway during fiscal year 2012, which will expand the County's sewer system to serve more residents and protect the environment.

- Major upgrades and renovations to existing infrastructure.
- Angola Neck, Johnson's Corner, and Oak Orchard expansion area went online in 2012. These sewer districts have taken advantage of the federal stimulus funds available, making user rates affordable.
- Construction is in process on a major treatment plant expansion project at the Inland Bays Regional Wastewater Facility. This project is estimated to cost approximately \$15 million for the first phase and will improve and increase treatment capacity. This expansion is needed to serve the new Angola Sewer District and current expansion of the Oak Orchard Sewer District.

Long-term Debt

As of June 30, 2012, the County had \$172 million in outstanding bonds payable. Of this amount, \$18 million was backed by specific sewer district revenues. The remaining \$154 million of debt is

backed by the full faith and credit of the Sussex County Government, although revenues from sewer and water districts are being used to pay the debt service for this debt. This debt was solely used to fund business-type water and sewer activities. There is no general fund bonded debt.

SUSSEX COUNTY'S OUTSTANDING DEBT

As of June 30, 2012 and 2011

General Obligation and Revenue Bonds

	Governmental Activities		Business-type Activities		Total Government	
	2012	2011	2012	2011	2012	2011
General Obligation Bonds	\$ -	\$ -	\$ 154,769,529	\$ 172,030,209	\$ 154,769,529	\$ 172,030,209
Revenue Bonds	-	-	17,658,022	19,304,944	17,658,022	19,304,944
Total	\$ -	\$ -	\$ 172,427,551	\$ 191,335,153	\$ 172,427,551	\$ 191,335,153

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

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

In fiscal year 2012, the County publicly issued \$61 million of General Obligation Refunding bonds, Series 2012 to take advantage of record-low rates. Because of low yields, this was an opportune time to refinance. This refunding is estimated to save approximately \$7 million over the next 23 years for the County sewer districts.

Additional debt information is included in Note I, on pages 46 through 50 of the report.

Economic Factors in Next Year's Budgets and Rates

Economic Factors

The budget committee continues to forecast the effect of the economy on our revenues. The challenge and goal is to maintain and supplement existing County services in the midst of a slowly growing economy. Our reserves are strong and healthy because of fiscally sound financial policies.

- The County experienced a 5.9 percent unemployment rate as of June 2012. This compares to 6.9 percent for the State of Delaware and 8.1 percent for the United States as reported by the Delaware Department of Labor. Even with the national outlook dim, Sussex County is resilient and has not experienced the same level of the housing decline as some parts of the country.

- As a result of the slow economic recovery we appear to be settling into the “new normal” of revenue, staffing and budgeting.
- Agriculture continues as a mainstay in Sussex County. The County continues to lead the nation in poultry production and is a strong vegetable producer.
- Retail sales are a major industry in Sussex County with outlet shopping located on the East Coast corridor. National economic indicators show a 7 percent growth over 2010. These outlets attract customers from other counties and states. Having no sales tax in the state is also a draw for the outlet shoppers.
- To date, realty transfer tax revenue has been stronger than it has been in years. This reflects the attractiveness of the Sussex life style and low cost of living, which brings more tourists and retirees here.

Fiscal Year 2013 Budget and Rates

The major goal of the fiscal year 2013 budget was to continue to operate without raising taxes or increasing fees even though revenues are stagnant. The fiscal year 2013 budget again presented challenges in that revenues remain flat and have increased at only a modest level. As compared to past years, revenues continue to see little to no increases which we believe represents the “new norm” for the County.

The fiscal year 2013 General fund budget only increased by .18 percent. The 2013 budget includes a property tax credit of .035 for all properties that are current on their tax bill. This is a result of fiscal year 2011 finishing in such a positive position. The County property tax rate remained at 44.5 cents for the 23rd straight year. The County is proud that there is not any general fund bonded debt. Conservative budgeting now and in the past has enabled the County to not raise property taxes to supplement revenue sources that have declined.

The fiscal year 2013 capital improvements budget includes the use of \$7 million of appropriated reserves. The fiscal year 2013 capital improvements budget uses funds set aside in previous years for these projects. Our goal is to use available funds for these projects instead of borrowing through bond issues.

The fiscal year 2013 Sewer and Water budget increased by 3 percent. This budget continues the process to establish and move towards a uniform service charge rate for our sewer districts. The budget also includes a minimal service charge rate increase. This increase is to cover rising costs and major maintenance needs that we are incurring as our infrastructure ages. The new budget also includes a modest increase in sewer system connection charges. These charges are designed to recover costs needed for new expansion from new users. They are one-time charges for new sewer customers. The County’s philosophy concerning growth is that new users should pay for their share of sewer infrastructure cost. The sewer assessment fees were reduced in this budget as the County passed the savings on from the debt refunding to its sewer customers. Those customers saw savings anywhere between 2 and 11 percent.

The five-year capital improvement plan of \$165 million includes \$108 million for sewer projects and improvements and \$57 million for other projects such as industrial airpark, industrial park expansion, library building improvements, and property acquisition.

Requests for Information

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

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

BASIC FINANCIAL STATEMENTS

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Cash and cash equivalents	\$ 31,244,014	\$ 40,191,847	\$ 71,435,861
Receivables, net of allowance for doubtful accounts:			
Taxes	1,610,480	-	1,610,480
Service charges	-	1,893,986	1,893,986
Assessments and connection	347,110	1,380,908	1,728,018
Accrued interest	26,765	28,856	55,621
Miscellaneous	109,383	454,096	563,479
Due from other governmental agencies	4,011,117	7,254,824	11,265,941
Due from post-retirement employee benefit trust	162,796	-	162,796
Internal balances	32,786,651	(32,786,651)	-
Inventory	30,117	30,724	60,841
Prepaid items	66,561	-	66,561
Net pension asset	13,535,816	3,383,954	16,919,770
Net other postemployment benefit asset	2,748,776	687,195	3,435,971
Restricted cash and cash equivalents	37,591,280	74,002,615	111,593,895
Loans receivable	904,653	-	904,653
Bond issue cost, net of amortization	-	706,060	706,060
Capital assets:			
Land, improvements, and construction in progress	20,025,886	62,378,975	82,404,861
Other capital assets, net of depreciation	44,988,001	314,016,052	359,004,053
Total assets	<u>190,189,406</u>	<u>473,623,441</u>	<u>663,812,847</u>
LIABILITIES			
Accounts payable and other current liabilities	2,006,305	4,531,651	6,537,956
Accrued interest payable	-	966,291	966,291
Employee health claims payable	1,097,994	-	1,097,994
Unearned revenue	1,277,743	-	1,277,743
Deposits	5,426,778	-	5,426,778
Long-term liabilities:			
Due within one year	2,330,039	9,840,517	12,170,556
Due in more than one year	3,477,365	169,227,072	172,704,437
Total liabilities	<u>15,616,224</u>	<u>184,565,531</u>	<u>200,181,755</u>
NET ASSETS			
Invested in capital assets, net of related debt	65,497,373	194,995,829	260,493,202
Restricted for:			
Realty transfer tax	63,686,009	-	63,686,009
911 reporting	295,007	-	295,007
Grant funds	9,540	-	9,540
Construction and debt service	-	40,360,064	40,360,064
Revenue bond debt service	-	36,274,395	36,274,395
Unrestricted	45,085,253	17,427,622	62,512,875
Total Net Assets	<u>\$ 174,573,182</u>	<u>\$ 289,057,910</u>	<u>\$ 463,631,092</u>

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

SUSSEX COUNTY, DELAWARE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

Function/Programs	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary government:							
Governmental Activities:							
General government	10,024,224	1,202,641	14,034	107,818	(8,699,730)	-	(8,699,730)
Planning & zoning	1,202,696	1,242,834	-	-	40,138	-	40,138
Paramedics	12,173,161	-	3,642,562	178,536	(8,352,063)	-	(8,352,063)
Emergency preparedness	3,165,648	17,500	826,615	159,131	(2,162,402)	-	(2,162,402)
County engineer	1,130,783	277,841	27,553	-	(825,389)	-	(825,389)
Library	3,787,237	28,074	364,748	98,317	(3,296,099)	-	(3,296,099)
Economic development and airpark	2,304,295	545,324	-	-	(1,758,971)	-	(1,758,971)
Community development	2,447,571	-	2,275,276	-	(172,295)	-	(172,295)
Grant-in-aid program	6,618,896	-	-	-	(6,618,896)	-	(6,618,896)
Constitutional offices	2,493,630	9,149,173	-	-	6,655,543	-	6,655,543
Total governmental activities	<u>45,348,141</u>	<u>12,463,387</u>	<u>7,150,788</u>	<u>543,802</u>	<u>(25,190,164)</u>	<u>-</u>	<u>(25,190,164)</u>
Business-type activities:							
Sewer facilities	29,460,133	16,158,500	13,913,856	18,766,753	-	19,378,976	19,378,976
Water facilities	1,078,834	667,476	277,961	-	-	(133,397)	(133,397)
Total business-type activities	<u>30,538,967</u>	<u>16,825,976</u>	<u>14,191,817</u>	<u>18,766,753</u>	<u>-</u>	<u>19,245,579</u>	<u>19,245,579</u>
Total primary government	<u>\$ 75,887,108</u>	<u>\$ 29,289,363</u>	<u>\$ 21,342,605</u>	<u>\$ 19,310,555</u>	<u>(25,190,164)</u>	<u>19,245,579</u>	<u>(5,944,585)</u>
General revenues:							
Taxes: Property & capitation					13,540,463	-	13,540,463
Fire service					898,335	-	898,335
Realty transfer					14,282,093	-	14,282,093
Unrestricted investment earnings					302,903	22,884	325,787
Transfers					(925,897)	925,897	-
Total general revenues and transfers					<u>28,097,897</u>	<u>948,781</u>	<u>29,046,678</u>
Change in net assets					<u>2,907,733</u>	<u>20,194,360</u>	<u>23,102,093</u>
Net assets - beginning, original					171,050,449	271,475,173	442,525,622
Prior period adjustment					615,000	(2,611,623)	(1,996,623)
Net assets - beginning, as restated					<u>171,665,449</u>	<u>268,863,550</u>	<u>440,528,999</u>
Net assets - ending					<u>\$174,573,182</u>	<u>\$289,057,910</u>	<u>\$463,631,092</u>

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

SUSSEX COUNTY, DELAWARE
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2012

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	<u>General</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 31,244,014	\$ -	\$ 31,244,013
Receivables, net of allowance for doubtful accounts:			
Taxes	1,610,480	-	1,610,480
Assessments and connection	347,110	-	347,110
Accrued interest	19,572	7,193	26,765
Miscellaneous	109,383	-	109,383
Due from other governmental agencies	2,657,363	1,353,754	4,011,117
Due from other funds	32,949,581	-	32,949,581
Inventory	30,117	-	30,117
Prepaid items	66,561	-	66,561
Restricted cash and cash equivalents	21,117,277	16,474,003	37,591,280
Total Assets	<u>90,151,458</u>	<u>17,834,950</u>	<u>107,986,407</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and other accrued expenditures	1,522,819	483,486	2,006,305
Due to other funds	-	134	134
Employee health claims payable	1,097,994	-	1,097,994
Deferred revenue:			
Taxes	1,532,026	-	1,532,026
Other	2,413,612	1,275,589	3,689,201
Deposits	5,426,778	-	5,426,778
Total Liabilities	<u>11,993,229</u>	<u>1,759,209</u>	<u>13,752,438</u>
Fund balances:			
Nonspendable	96,678	-	96,678
Restricted	47,914,815	16,075,741	63,990,556
Committed	837,696	-	837,696
Assigned	4,441,378	-	4,441,378
Unassigned	24,867,662	-	24,867,662
Total fund balances	<u>78,158,229</u>	<u>16,075,741</u>	<u>94,233,970</u>
Total liabilities and fund balances	<u>\$ 90,151,458</u>	<u>\$ 17,834,950</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund-level statements.	65,013,887
Long-term liabilities are not due and payable in the current period and therefore are not reported in the fund-level statements.	(1,863,920)
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the fund-level statements.	17,189,245
Net assets of governmental activities	<u>\$174,573,182</u>

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

SUSSEX COUNTY, DELAWARE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

-21-

	<u>General</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
REVENUES			
Taxes	\$ 28,759,847	\$ -	\$ 28,759,847
Intergovernmental	5,499,655	1,362,273	6,861,928
Charges for services	12,821,849	-	12,821,849
Fines and forfeits	28,074	-	28,074
Miscellaneous revenue	524,344	28,729	553,073
Total revenues	<u>47,633,769</u>	<u>1,391,002</u>	<u>49,024,771</u>
EXPENDITURES			
Current:			
General government	11,897,318	-	11,897,318
Planning & zoning	1,190,358	-	1,190,358
Paramedics	12,073,309	-	12,073,309
Emergency preparedness	2,703,131	-	2,703,131
County engineer	1,608,213	-	1,608,213
Library	3,576,348	-	3,576,348
Economic development and airpark	1,156,267	-	1,156,267
Community development	2,544,468	-	2,544,468
Grant-in-aid	6,618,896	-	6,618,896
Constitutional offices	2,485,535	-	2,485,535
Capital projects		2,869,945	2,869,945
Total expenditures	<u>45,853,843</u>	<u>2,869,945</u>	<u>48,723,788</u>
Excess of (deficiency) of revenues over (under) expenditures	<u>1,779,926</u>	<u>(1,478,943)</u>	<u>300,983</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	53,891	-	53,891
Transfers out	<u>(979,788)</u>	-	<u>(979,788)</u>
Total other financing sources and uses	<u>(925,897)</u>	-	<u>(925,897)</u>
Net change in fund balances	854,029	(1,478,943)	(624,914)
Fund balances - beginning	<u>77,304,200</u>	<u>17,554,684</u>	<u>94,858,884</u>
Fund balances - ending	<u>\$ 78,158,229</u>	<u>\$ 16,075,741</u>	<u>\$ 94,233,970</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, 2012**

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

Net change in fund balances - total governmental funds \$ (624,914)

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. This is the amount by which capital outlays exceeded depreciation in the current period. 776,819

Revenue 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	\$ 72,721	
Grants	(85,315)	
Property taxes	<u>(38,956)</u>	(51,550)

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	18,974	
Net pension obligation	1,332,298	
Net other pension postemployment benefit cost	971,106	
Postclosure landfill care cost	741,000	
Pollution remediation cost	<u>(256,000)</u>	<u>2,807,378</u>

Changes in net assets of government activities \$ 2,907,733

SUSSEX COUNTY, DELAWARE
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2012

-23-

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 27,790,007	\$ 27,790,007	\$ 28,759,847	\$ 969,840
Intergovernmental	6,782,384	6,782,384	5,499,655	(1,282,729)
Charges for services	10,683,390	10,683,390	12,821,849	2,138,459
Fines and forfeits	26,000	26,000	28,074	2,074
Miscellaneous revenue	693,210	693,210	524,344	(168,866)
Total Revenues	<u>45,974,991</u>	<u>45,974,991</u>	<u>47,633,769</u>	<u>1,658,778</u>
EXPENDITURES				
Current:				
General government	9,950,706	10,202,547	11,897,318	(1,694,771)
Planning & zoning	1,203,366	1,203,366	1,190,358	13,008
Paramedics	12,201,204	12,201,204	12,073,309	127,895
Emergency preparedness	2,582,186	2,641,771	2,703,131	(61,360)
County engineer	1,597,736	1,607,341	1,608,213	(872)
Library	3,635,786	3,702,505	3,576,348	126,157
Economic development and airpark	1,351,682	1,367,157	1,156,267	210,890
Community development	2,819,624	2,819,624	2,544,468	275,156
Grant-in-aid	6,908,669	6,951,049	6,618,896	332,153
Constitutional offices	2,536,652	2,555,770	2,485,535	70,235
Total Expenditures	<u>44,787,611</u>	<u>45,252,334</u>	<u>45,853,843</u>	<u>(601,509)</u>
Excess of revenue over expenditures	<u>1,187,380</u>	<u>722,657</u>	<u>1,779,926</u>	<u>1,057,269</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	333,000	333,000	53,891	(279,109)
Transfers out	(920,380)	(920,380)	(979,788)	(59,408)
Reserved for contingencies	(600,000)	(135,277)	-	135,277
Total other financing sources and uses	<u>(1,187,380)</u>	<u>(722,657)</u>	<u>(925,897)</u>	<u>(203,240)</u>
Net change in fund balances	-	-	854,029	854,029
Fund balances - beginning	<u>77,304,200</u>	<u>77,304,200</u>	<u>77,304,200</u>	<u>-</u>
Fund balances - ending	<u>\$ 77,304,200</u>	<u>\$ 77,304,200</u>	<u>\$ 78,158,229</u>	<u>\$ 854,029</u>

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

SUSSEX COUNTY, DELAWARE
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
JUNE 30, 2012

	Business-type Activities - Enterprise Funds			
	Unified Sewer District	West Rehoboth Sewer	Dewey Water	Totals Current Year
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 33,644,646	\$ 5,653,034	\$ 894,167	\$ 40,191,847
Receivables, net of allowance for doubtful accounts:				
Service charges	892,069	369,776	64,178	1,326,023
Assessments and connection	247,651	491,734	1,906	741,291
Accrued interest	24,525	3,748	583	28,856
Miscellaneous	256,175	195,990	1,931	454,096
Due from other governmental agencies	7,254,824	-	-	7,254,824
Inventory	24,783	-	5,941	30,724
Total current assets	<u>42,344,673</u>	<u>6,714,282</u>	<u>968,706</u>	<u>50,027,661</u>
Noncurrent assets:				
Restricted assets:				
Cash and cash equivalents	36,526,494	36,800,515	675,606	74,002,615
Bond issue cost, net of amortization	338,212	367,848	-	706,060
Net pension asset	2,795,285	480,748	107,921	3,383,954
Net other postemployment benefit asset	567,651	97,628	21,916	687,195
Noncurrent accounts receivables:				
Service charges	335,885	226,786	5,292	567,963
Assessments and connection	171,345	467,443	829	639,617
Capital assets:				
Land, improvements, and construction in progress	58,114,489	4,213,358	51,128	62,378,975
Other capital assets, net of depreciation	232,728,325	79,838,763	1,448,964	314,016,052
Total noncurrent assets	<u>331,577,686</u>	<u>122,493,089</u>	<u>2,311,656</u>	<u>456,382,431</u>
Total assets	<u>373,922,359</u>	<u>129,207,371</u>	<u>3,280,362</u>	<u>506,410,092</u>
LIABILITIES				
Current liabilities:				
Accounts payable and other current liabilities	4,306,638	120,747	104,266	4,531,651
Accrued interest payable	583,322	382,969	-	966,291
Due to other funds	32,610,839	175,812	-	32,786,651
Current portion of long-term liabilities	6,789,437	3,029,519	21,561	9,840,517
Total current liabilities	<u>44,290,236</u>	<u>3,709,047</u>	<u>125,827</u>	<u>48,125,110</u>
Noncurrent liabilities				
Long-term liabilities, less current portion	118,057,802	51,145,190	24,080	169,227,072
Total Liabilities	<u>162,348,038</u>	<u>54,854,237</u>	<u>149,907</u>	<u>217,352,182</u>
NET ASSETS				
Invested in capital assets, net of related debt	163,415,014	30,080,723	1,500,092	194,995,829
Restricted for:				
Construction and debt service	36,541,074	3,143,384	675,606	40,360,064
Revenue bond debt service	-	36,274,395	-	36,274,395
Unrestricted	11,618,233	4,854,632	954,757	17,427,622
Total net assets	<u>\$211,574,321</u>	<u>\$ 74,353,134</u>	<u>\$ 3,130,455</u>	<u>\$289,057,910</u>

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

**STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

	Business-type Activities - Enterprise Funds			
	Unified Sewer District	West		Totals
		Rehoboth Sewer	Dewey Water	
Operating revenues:				
Charges for services	\$ 10,926,200	\$ 4,444,640	\$ 673,017	\$ 16,043,857
Other operating revenue	742,294	83,658	5,222	\$ 831,174
Total operating revenues	<u>11,668,494</u>	<u>4,528,298</u>	<u>678,239</u>	<u>16,875,031</u>
Operating expenses:				
Amortization	36,082	47,874	-	83,956
Contractual services	2,141,205	434,967	521,787	3,097,959
Depreciation	8,351,414	2,615,228	104,996	11,071,638
Employee benefits	2,229,257	571,356	96,354	2,896,967
Equipment and tools	447,980	151,288	19,630	618,898
Maintenance and repairs	301,337	113,636	55,742	470,715
Miscellaneous	25,859	(6,415)	72	19,516
Process chemicals	227,251	29,610	-	256,861
Professional fees	90,813	25,513	549	116,875
Salaries	3,956,080	840,193	196,724	4,992,997
Shared costs	203,215	414,813	56,829	674,857
Supplies	603,671	146,787	26,051	776,509
Training and travel	9,492	100	100	9,692
Total operating expenses	<u>18,623,656</u>	<u>5,384,950</u>	<u>1,078,834</u>	<u>25,087,440</u>
Operating loss	<u>(6,955,162)</u>	<u>(856,652)</u>	<u>(400,595)</u>	<u>(8,212,409)</u>
Nonoperating revenue (expenses):				
Investment earnings	91,784	22,175	1,961	115,920
Assessment and connection fees	8,962,721	5,422,497	276,169	14,661,387
Disposal of assets	(559,353)	(104,989)	(78,126)	(742,468)
Miscellaneous	63,443	-	67,364	130,807
Interest expense	(3,384,240)	(2,067,287)	-	(5,451,527)
Total nonoperating revenues (expenses)	<u>5,174,355</u>	<u>3,272,396</u>	<u>267,368</u>	<u>8,714,119</u>
Income (loss) before contributions and transfers	(1,780,807)	2,415,744	(133,227)	501,710
Capital contributions	18,292,290	474,463	-	18,766,753
Transfers in	824,916	239,662	5,332	1,069,910
Transfers out	(53,891)	(90,122)	-	(144,013)
Change in net assets	<u>17,282,508</u>	<u>3,039,747</u>	<u>(127,895)</u>	<u>20,194,360</u>
Total net assets - beginning, restated	<u>194,291,813</u>	<u>71,313,387</u>	<u>3,258,350</u>	<u>268,863,550</u>
Total net assets - ending	<u>\$211,574,321</u>	<u>\$ 74,353,134</u>	<u>\$ 3,130,455</u>	<u>\$289,057,910</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, 2012

	Business-type Activities - Enterprise Funds			
	Unified Sewer District	West		Totals
		Rehoboth Sewer	Dewey Water	
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash from interfund	\$ 411,964	\$ 124	\$ -	\$ 412,088
Cash receipts from customers	11,527,563	4,492,291	676,069	16,695,923
Other payments	182,452	(3,946)	(1,536)	176,970
Other receipts	(4,123,242)	-	-	(4,123,242)
Payments to employees	(6,588,198)	(1,479,132)	(319,506)	(8,386,836)
Payments to suppliers	(4,987,728)	(1,286,735)	(686,634)	(6,961,097)
Net cash flows from operating activities	<u>(3,577,189)</u>	<u>1,722,602</u>	<u>(331,607)</u>	<u>(2,186,194)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Advances to other funds	-	(214,804)	-	(214,804)
Miscellaneous income received	66,697	-	67,364	134,061
Operating grants received	(3,254)	-	9,420	6,166
Net cash flows from noncapital financing activities	<u>63,443</u>	<u>(214,804)</u>	<u>76,784</u>	<u>(74,577)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(18,496,582)	(951,059)	(21,014)	(19,468,655)
Assessment and connection fees	8,958,097	5,353,323	276,672	14,588,092
Bond proceeds	34,617,136	31,370,813	-	65,987,949
Capital contributions	18,292,290	474,463	-	18,766,753
Interest paid	(3,160,583)	(1,771,207)	-	(4,931,790)
Payments for bonds and related costs	-	(191,412)	-	(191,412)
Retirement of bonds and related costs	(44,325,018)	(33,502,987)	-	(77,828,005)
Transfers from other funds for capital activities	12,284,688	239,662	5,332	12,529,682
Transfers to other funds for capital activities	(53,891)	(90,122)	-	(144,013)
Net cash flows from capital and related	<u>8,116,137</u>	<u>931,474</u>	<u>260,990</u>	<u>9,308,601</u>
CASH FLOW FROM INVESTING ACTIVITIES				
Interest income	18,527	21,876	1,997	42,400
Net increase in cash and cash equivalents	<u>4,620,918</u>	<u>2,461,148</u>	<u>8,164</u>	<u>7,090,230</u>
Cash and cash equivalents - beginning	<u>65,550,222</u>	<u>39,992,401</u>	<u>1,561,609</u>	<u>107,104,232</u>
Cash and cash equivalents - ending	<u>\$ 70,171,140</u>	<u>\$ 42,453,549</u>	<u>\$ 1,569,773</u>	<u>\$ 114,194,462</u>

(continued)

SUSSEX COUNTY, DELAWARE
 STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS - CONTINUED
 FOR YEAR ENDED JUNE 30, 2012

	Business-type Activities - Enterprise Funds			
	Unified Sewer District	West Rehoboth Sewer	Dewey Water	Totals
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating loss	\$ (6,955,162)	\$ (856,652)	\$ (400,595)	\$ (8,212,409)
Adjustments to reconcile operating income to net income to net cash provided (used) by operating activities:				
Depreciation and amortization	8,387,496	2,663,102	104,996	11,155,594
Increase (decrease) in accounts payable - other	182,451	(10,362)	(1,536)	170,553
Increase (decrease) in accounts payable - suppliers	(933,729)	19,986	(6,237)	(919,980)
Increase (decrease) in compensated absences	(37,095)	203,311	-	166,216
(Increase) in customer receivables	(140,932)	(36,007)	(2,169)	(179,108)
Decrease in interfund receipts	411,964	124	-	412,088
Decrease in inventory	56,824	9,993	362	67,179
(Increase) in other operating receivables	(4,123,242)	-	-	(4,123,242)
(Increase) in payments to employees	(462,605)	(76,626)	(36,621)	(575,852)
Increase (decrease) in salaries and benefits payable	96,841	(194,267)	10,193	(87,233)
Net cash provided (used) by operating activities	<u>\$ (3,517,189)</u>	<u>\$ 1,722,602</u>	<u>\$ (331,607)</u>	<u>\$ (2,126,194)</u>
Noncash Investing, capital, and financing activities:				
Debt forgiveness through capital grants	\$ 7,055,640	\$ -	\$ -	\$ 7,055,640

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

SUSSEX COUNTY, DELAWARE
STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS
JUNE 30, 2012

-28-

	Pension and Other Employee Benefit Trusts
ASSETS	
Cash and cash equivalents	\$ 1,697,428
Investment	
U.S. Treasuries	9,807,985
Government Agencies	3,470,179
Corporate obligations	1,471,403
Delaware Local Government Retirement Investment Pool	34,289,962
Common stocks and convertibles	8,443,494
Mutual funds	<u>17,329,302</u>
Total Investments	76,509,753
Accrued interest	<u>100,733</u>
Total Assets	<u><u>76,610,486</u></u>
LIABILITIES	
Due to general fund	<u>162,796</u>
NET ASSETS	
Held in trust for pension benefits and other purposes	<u><u>\$ 76,447,690</u></u>

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

SUSSEX COUNTY, DELAWARE
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

-29-

	Pension and Other Employee Benefit Trusts
ADDITIONS	
Employer contributions	\$ 6,330,704
Investment earnings:	
Net appreciation (depreciation) of investments	(1,679,353)
Interest and dividends	2,322,425
Total investment earnings	<u>643,072</u>
Less investment expenses	<u>179,951</u>
Net investment earnings	<u>463,121</u>
Total additions	<u>6,793,825</u>
DEDUCTIONS	
Beneficiary payments	<u>4,444,397</u>
Net increase in plan net assets	<u>2,349,428</u>
Net assets held in trust for pension and other employee benefits - beginning	<u>74,098,262</u>
Net assets held in trust for pension and other employee benefits - ending	<u><u>\$ 76,447,690</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). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the County has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the County has chosen not to do so. The more significant accounting policies established in GAAP and used by the County are discussed below.

1. Reporting Entity

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

2. Basic Financial Statements - Government-wide Statements

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

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

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

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

NOTE A -SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

reimbursement, reducing the corresponding expenses in the General Fund.

This government-wide focus is more on the sustainability of the County as an entity and the change in the County's net assets 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 assets, 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 2012 were for industrial airpark expansion and improvements. As of June 30, 2012, the major projects being planned over the next five years include \$47 million for industrial airpark improvements and expansion, \$3 million for property acquisition, \$3 million for library improvements and \$4 million for various building improvements.

Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, 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, Dewey Water Fund and West Rehoboth Sewer Fund. Activities of the enterprise funds include administration, operations and maintenance of the water and sewer system, and 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 for providing services. Operating expenses include the cost of services, administrative expenses and depreciation

NOTE A -SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3. Basic Financial Statements - Fund Financial Statements - Continued

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 assets and changes in net assets, reported using accounting principles similar to proprietary funds. The Pension Trust Fund is used to account for the assets of the Sussex County Employee Pension Plan, which is part of the County's legal entity. It is a single employer defined benefit pension plan that provides benefits to eligible County employees. A standalone report is not issued for the Plan. The Post-retirement Employee Benefit Trust Fund is used to account for the assets of the Sussex County Post-retirement Employee Benefit Plan, which is part of the County's legal entity. A stand-alone report is not issued for the Plan.

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

Major and Nonmajor Funds

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

4. Measurement Focus and Basis of Accounting

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

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

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

NOTE A -SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

5. Cash and Cash Equivalents

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

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

6. Investments

The enterprise fund investments that have a remaining maturity at time of purchase of one year or less are reported at amortized cost. All other investments are stated at fair value. Fair values are determined by quoted market prices, where available. Restricted investments represent amounts held by the County for sewer fund construction and debt service, and for revenue bond required reserves. Information is not available concerning the indirect use of derivatives through the mutual funds and investment pools.

7. Accounts Receivable

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

8. Inventory

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

9. Capital Assets

Capital assets purchased or acquired with an original cost of \$ 5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received.

Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

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

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

10. Bond Premiums, Discounts and Issuance Costs

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

NOTE A -SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

11. Deposits and Deferred Revenue

Deposits represent monies held by the County to be remitted to others. Deferred revenue represents monies held by the County to be recognized as revenue in future periods.

12. Interest Capitalization

Interest costs incurred by a proprietary fund for the acquisition and/or construction of capital assets are subject to capitalization. The interest capitalization period begins when the following conditions are present:

- a. Expenditures for the capital asset have been made.
- b. Activities that are necessary to get the capital asset ready for its intended use are in progress.
- c. Interest cost is being incurred.

The amount of interest cost to be capitalized is based on the weighted-average amount of accumulated expenditures for the period multiplied by the proprietary fund's interest rate for the obligation incurred specifically to finance the construction of the capital asset. During fiscal 2012, proprietary fund interest expense is net of \$381,269 of capitalized interest.

13. Compensated Absences

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

14. Equity Classifications

Government-wide and Proprietary Fund Net Assets

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

- a. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets - Consists of net assets 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 assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Governmental Fund Balances

In the governmental fund financial statements, fund balances are classified as follows:

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

NOTE A -SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

14. Equity Classifications - Continued

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

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

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

15. Revenues

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

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

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

16. Expenditures

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

17. Interfund Activity

Interfund activity is reported as either loans, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. 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.

NOTE A -SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

18. Budgets and Budgetary Accounting

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

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

The budgets for the County’s general fund and capital projects fund have been prepared on a basis materially consistent with GAAP. Final budgeted amounts are as amended through June 30, 2012. Unexpended appropriations in the operating budget lapse at year end.

19. Use of Estimates

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

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

The governmental fund balance sheet includes reconciliation between fund balances - total governmental funds and net assets of governmental activities as reported in the government-wide statement of net assets. The details of the difference “Other long-term assets are not available to pay for current period expenditures and therefore, are deferred in the fund level statements”. The detail of the \$17,189,245 is as follows:

Loan receivable	\$ 904,653
Net pension asset	13,535,816
Net postemployment benefit asset	<u>2,748,776</u>
	<u>\$ 17,189,245</u>

NOTE B - CASH AND INVESTMENTS

All deposits are in various financial institutions and are carried at cost. Transactions are made directly with the banks; services of brokers or securities dealers are not used. At June 30, 2012, the carrying amount of the County's deposits was \$148,806,753 and the bank balance was \$150,810,335. 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 and requires the collateral to be maintained at a third party.

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

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

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. The County has no formal policy to address the concentration of credit risk attributed to a single issuer. More than 5% of the County's investments are in the following issuers (other than those issued or guaranteed by the U.S. government, investments in mutual funds and external investment pools): Wilmington Trust repurchase agreements (32.4%).

The County's investment policy authorizes the following investments:

1. Bonds or other obligations of which the faith and credit of the United States of America are pledged;
2. Obligations of federal governmental agencies issued pursuant to Acts of Congress;
3. Repurchase agreements that are secured by any bond or other obligation for the payment of which the faith and credit of the United States are pledged;
4. Certificates of deposit and other evidences of deposit of financial institutions;
5. Money market mutual funds regulated by the Securities and Exchange Commission and whose portfolios consist of dollar-denominated securities; and
6. Local government investment pools administered by the State of Delaware. Additional information can be found in Note F sections for Pension Trust Assets and Post-retirement Employee Benefit Trust Assets.

NOTE B - CASH AND INVESTMENTS - CONTINUED

The County had the following investments at June 30, 2012:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	More than 10
U.S. Treasuries	\$ 9,807,985	\$ 205,861	\$ 6,055,746	\$ 3,546,378	\$ -
Government Agencies	3,470,179	-	2,873,547	596,632	-
Corporate obligations	1,471,403	177,454	831,748	462,201	-
Repurchase agreement	35,914,659	35,914,659	-	-	-
Delaware Local Government Retirement Investment Pool	34,289,962	34,289,962	-	-	-
Common stock	8,443,494	-	-	-	-
Mutual funds	17,329,302	-	-	-	-
Total Investments	<u>\$110,726,984</u>	<u>\$ 70,587,936</u>	<u>\$ 9,761,041</u>	<u>\$ 4,605,211</u>	<u>\$ -</u>

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

Cash on hand	\$ 5,773
Carrying amount of deposits	148,806,753
Carrying amount of investments	110,726,984
Total	<u>\$ 259,539,509</u>
Cash and cash equivalents	\$ 71,435,861
Cash and cash equivalents - restricted	111,593,895
Fiduciary funds cash and investments (not included in government-wide statement)	76,509,753
Total	<u>\$ 259,539,509</u>

NOTE C - ACCOUNTS RECEIVABLE

The allowance for uncollectible receivables at June 30, 2012 is \$19,131 for service and \$13,949 for assessment. The County does not have an allowance for uncollectible property taxes because all are considered collectible.

NOTE D - LOANS RECEIVABLE

Under the County's Local Government Economic Development Stimulus Loan Program, loans are provided for certain public projects and for economic development and job growth purposes. The balances outstanding total \$268,484 at June 30, 2012. One loan bears no interest, matures on April 2026, and is secured with the full faith and credit of the borrowing municipality. The other loan bears interest at 2% per annum, matures on March 2019, and is secured with partner guarantees and a second mortgage on the property.

The 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, 2012 total \$636,169.

Loans receivable total \$904,653 at June 30, 2021, which are not reflected on the governmental funds balance sheet.

NOTE E – CAPTIAL ASSETS

Capital asset activity for the year ended June 30, 2012, was as follows:

	Balance at June 30, 2011	Increases	Decreases	Balance at June 30, 2012
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 16,045,661	\$ 18,651	\$ -	\$ 16,064,312
Construction in progress	2,478,598	2,723,366	1,240,390	3,961,574
Total capital assets, not being depreciated	<u>18,524,259</u>	<u>2,742,017</u>	<u>1,240,390</u>	<u>20,025,886</u>
Other capital assets:				
Buildings	35,353,634	88,629	3,042	35,439,221
Improvements	21,035,073	1,166,464	1,250	22,200,287
Machinery and equipment	15,825,230	862,618	1,309,122	15,378,726
Total other capital assets	<u>72,213,937</u>	<u>2,117,711</u>	<u>1,313,414</u>	<u>73,018,234</u>
Less accumulated depreciation for:				
Buildings	5,354,069	715,751	375	6,069,445
Improvements	7,911,731	880,058	-	8,791,789
Machinery and equipment	13,235,328	1,220,585	1,286,914	13,168,999
Total accumulated depreciation	<u>26,501,128</u>	<u>2,816,394</u>	<u>1,287,289</u>	<u>28,030,233</u>
Other capital assets, net	<u>45,712,809</u>	<u>(698,683)</u>	<u>26,125</u>	<u>44,988,001</u>
Governmental Activities Capital Assets, Net	<u>\$ 64,237,068</u>	<u>\$ 2,043,334</u>	<u>\$ 1,266,515</u>	<u>\$ 65,013,887</u>
Business-type Activities:				
Capital assets not being depreciated:				
Land	\$ 39,541,817	\$ -	\$ 2,519	\$ 39,539,298
Construction in progress	24,418,279	21,989,819	23,568,421	22,839,677
Total capital assets, not being depreciated	<u>63,960,096</u>	<u>21,989,819</u>	<u>23,570,940</u>	<u>62,378,975</u>
Other capital assets:				
Buildings	33,689,013	30,111	30,575	33,688,549
Improvements	10,500,284	-	90,120	10,410,164
Machinery and equipment	9,612,929	508,528	1,100,455	9,021,002
Infrastructure	397,242,370	20,508,618	2,081,300	397,669,688
Total other capital assets	<u>433,044,596</u>	<u>21,047,257</u>	<u>3,302,450</u>	<u>450,789,403</u>
Less accumulated depreciation for:				
Building	8,766,237	705,545	29,443	9,442,339
Improvements	5,392,203	316,652	81,518	5,627,337
Machinery and equipment	7,773,157	810,229	1,097,890	7,485,496
Infrastructure	106,332,615	9,239,212	1,353,648	114,218,179
Total accumulated depreciation	<u>128,264,212</u>	<u>11,071,638</u>	<u>2,562,499</u>	<u>136,773,351</u>
Other capital assets, net	<u>304,780,384</u>	<u>9,975,619</u>	<u>739,951</u>	<u>314,016,052</u>
Business-type Activities Capital Assets, Net	<u>\$368,740,480</u>	<u>\$ 31,965,438</u>	<u>\$ 24,331,391</u>	<u>\$ 376,395,027</u>

NOTE E – CAPTIAL ASSETS - CONTINUED

Depreciation expense was charged to functions as follows:

Governmental activities:

General government	\$ 430,198
Planning and zoning	8,651
Paramedic program	593,969
Emergency preparedness	513,041
Economic development and airpark	1,008,781
County engineer	7,570
Community development and housing programs	790
Library	210,889
Constitutional offices	42,505
Total governmental activities depreciation expense	<u><u>\$ 2,816,394</u></u>

Business –type activities

Water	\$ 104,996
Sewer	11,026,082
Total business-type activities depreciation expense	<u><u>\$ 11,131,078</u></u>

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

Basis of Accounting

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

Pension Plan Description and Provisions

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. Employees are not required to contribute to the plan. 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 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 and No. 1485, 7/1/01. Also covered are elected officials, Justices of the Peace, and Constables for time worked prior to March 31, 1965. Cost-of-living adjustments (COLA) are provided at the discretion of the County Council. The County has authority to establish and amend benefit provisions of the plan.

To be eligible for retirement benefits, a covered employee who shall have service with Sussex County in continuous employment for at least eight years shall be considered eligible for retirement benefits within the meaning of this Ordinance, except as otherwise provided. The age for normal retirement is 62 with eight years of service, 60 for early retirement with 15 years of service, or after 30 years of service regardless of age, for most employees. Effective June 6, 2000, the number of years of service for normal retirement is 25 for paramedic and emergency communication specialists. For the year ended June 30, 2012, total payroll was \$20,848,572. Covered payroll refers to all compensation by the County to active employees covered by the plan.

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

Current membership in the plan (as of January 1, 2012) is as follows:

<u>Vest Actives</u>	<u>Nonvested Actives</u>	<u>Total Actives</u>	<u>Retirees and Beneficiaries</u>	<u>Terminated Vested</u>	<u>Covered Payroll</u>
263	220	483	169	74	\$ 19,609,001

Pension Funding Policy and Actuarial Method and Assumptions

The County’s annual contribution to the pension trust is determined through the budgetary process and with reference to actuarial determined contributions. Plan members are not required to contribute. Contributions made were 14% of covered payroll. The contribution is designed to accumulate sufficient assets to pay benefits when due. The actuarial valuation of the plan as of January 1, 2012 was determined using the projected unit credit actuarial cost method. This measure is independent of the funding method used to determine contributions to the system. The actuarial assumptions used include:

- A rate of return on the investment of present and future assets of 8% per year compounded annually;
- Salary increases of 5% per year compounded annually;
- 2% annual increase after retirement for cost of living increases;
- Inflation of 4% per year underlying the salary scale and interest rates; and
- Five-year phase-in of asset gains and losses to value assets.

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

Annual Pension Cost and Net Pension Obligation

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

Annual required contributions	\$ 2,342,663
Interest on net pension obligation	(1,220,351)
Adjustment to annual required contribution	881,248
Annual Pension Cost	<u>2,003,560</u>
Contributions made	3,668,932
Increase in Net Pension Asset	<u>(1,665,372)</u>
Net Pension Obligation (Asset), Beginning of Year	<u>(15,254,398)</u>
Net Pension Obligation (Asset), End of Year	<u><u>\$(16,919,770)</u></u>

Trend information is as follows:

<u>Year Ended June 30,</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (Asset)</u>
2010	\$ 1,731,070	158.2%	\$ (14,724,697)
2011	1,841,821	128.7	(15,254,398)
2012	2,003,559	183.1	(16,919,770)

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

Pension Funded Status and Funding Progress

As of January 1, 2012, the most recent actuarial valuation date, the plan was 82.3% funded. The actuarial accrued liability for benefits was \$67.2 million, and the actuarial value of assets was \$55.3 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$11.9 million. The covered payroll (annual payroll of active employees covered by the plan) was \$19.6 million, and the ratio of the UAAL to the covered payroll was 60.5%.

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

The pension plan was funded with contributions as follows:

<u>Fiscal Year</u>	<u>Amount</u>	<u>Fiscal Year</u>	<u>Amount</u>
1976	75,000	1997	1,157,975
1982	50,000	1998	896,732
1983	150,000	1999	881,820
1984	80,995	2000	1,946,139
1985	100,000	2001	1,440,572
1986	234,000	2002	1,544,934
1987	419,532	2003	2,034,321
1988	484,224	2004	2,670,566
1989	182,262	2005	3,338,208
1990	342,739	2006	4,590,808
1991	355,582	2007	3,273,371
1992	463,552	2008	3,840,278
1993	890,882	2009	2,332,889
1994	950,736	2010	2,738,014
1995	1,040,285	2011	2,370,522
1996	1,175,078	2012	3,668,932

Pension Trust Assets

As authorized by Sussex County Council, the pension trust funds are invested in U.S. Treasury Notes, U.S. Government Agency Notes and Bonds, Sussex County Second Lien Revenue Bonds, the Delaware Local Government Retirement Investment Pool (DEL RIP), Fidelity Investments mutual funds, corporate obligations, municipal obligations, various common stocks and certificates of deposit. Wilmington Trust Company is the trustee of the Plan and has custody of the corporate obligations, municipal obligations and various common stocks. DEL RIP was established to allow local governments the option to pool their pension assets with the Delaware Public Employees' Retirement System (DPERS). DEL RIP is in the custody of the Delaware Board of Pension Trustees and is subject to oversight of the DPERS' Investment Committee and not of the Securities and Exchange Commission (SEC). The DEL RIP investments are stated at fair value, which is the same as the value of the DPERS' Master Trust shares. Further details of the DEL RIP investments are disclosed in the DPERS 41st Comprehensive Annual Financial Report, which may be obtained by calling 1-800-722-7300.

Investments at fair value (other than those issued or guaranteed by the U.S. government) in excess of 5% of the Plan's net assets held in trust for pension benefits at June 30, 2012 consist of:

	<u>Fair Value</u>
Delaware Local Retirement Investment Pool	\$ 34,289,962

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

Post-retirement Employee Benefit Plan Description and Provisions

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

Current membership in the plan (as of January 1, 2012) is as follows:

Total Actives	Retirees and Beneficiaries	Terminated Vested
463	159	0

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

The County’s annual contribution to the post-retirement employee benefit plan is determined through the budgetary process and with reference to actuarial determined contributions. Plan members are not required to contribute. Contributions made of \$2,661,772 were 12.3% of covered payroll. The contribution is designed to accumulate sufficient assets to pay benefits when due. The actuarial valuation of the plan as of January 1, 2012 was determined using the projected unit credit actuarial cost method. This measure is independent of the funding method used to determine contributions to the system. The actuarial assumptions include:

- An investment return of 8% compounded annually;
- Projected salary increases of 5% per year compounded annually;
- Participation assumptions vary from zero to 100%, depending on age, date of hire and years of service; and
- A health care cost trend rate of 9% initially, declining to 5% ultimately.

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

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

Annual OPEB Cost and Net OPEB Obligation

The County’s annual other post-retirement employee benefit (OPEB) cost and net OPEB obligation (asset) for the current year were as follows:

Annual required contributions	\$ 1,488,338
Interest on net OPEB obligation	(177,070)
Adjustment to annual required contribution	127,899
Annual OPEB Cost	<u>1,439,167</u>
Contributions made	<u>2,661,772</u>
Increase in Net OPEB Asset	(1,222,605)
Net OPEB Obligation (Asset), Beginning of Year	<u>(2,213,366)</u>
Net OPEB Obligation (Asset), End of Year	<u><u>\$ (3,435,971)</u></u>

Trend information is as follows:

Year Ended June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
2010	\$ 2,883,303	95.3%	\$ (2,088,309)
2011	1,231,626	110.1	(2,213,366)
2012	1,439,167	185.0	(3,435,971)

Post-retirement Employee Benefit Plan Funded Status and Funding Progress

As of January 1, 2012, the most recent actuarial valuation date, the plan was 65.13% funded. The actuarial accrued liability for benefits was \$36.0 million, and the actuarial value of assets was \$23.5 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$12.5 million. The covered payroll (annual payroll of active employees covered by the plan) was \$21.7 million, and the ratio of the UAAL to the covered payroll was 58.00%.

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

The post-retirement employee benefit plan was funded with contributions as follows:

Fiscal Year	Amount	Fiscal Year	Amount
2007	\$ 5,837,419	2010	\$ 2,747,989
2008	5,784,797	2011	1,356,683
2009	4,674,927	2012	2,661,772

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

Post-retirement Employee Benefit Trust Assets

As authorized by Sussex County Council, the Post-retirement Employee Benefit funds are invested in various mutual funds through the custodian, Wilmington Trust Company.

**COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 JUNE 30, 2012**

	<u>Pension Trust</u>	<u>Post- retirement Employee Benefit Trust</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 1,249,050	\$ 448,378	\$ 1,697,428
Investments:			
U.S. Treasuries	4,607,535	5,200,450	9,807,985
Government Agencies	101,349	3,368,830	3,470,179
Corporate Obligations	1,250,117	221,286	1,471,403
Delaware Local Government			
Retirement Investment Pool	34,289,962	-	34,289,962
Common stocks and convertibles	8,443,494	-	8,443,494
Mutual funds	3,341,555	13,987,747	17,329,302
Accrued interest	59,559	41,174	100,733
Total Assets	<u>53,342,621</u>	<u>23,267,865</u>	<u>76,610,486</u>
Liabilities			
Due to general fund	-	162,796	162,796
Net Assets Held In Trust For Pension And Other Employee Benefits	<u>\$ 53,342,621</u>	<u>\$ 23,105,069</u>	<u>\$ 76,447,690</u>
Additions			
Employer contributions	\$ 3,668,932	\$ 2,661,772	\$ 6,330,704
Investments:			
Net appreciation (depreciation) of investments	(885,421)	(793,932)	(1,679,353)
Interest and dividends	1,878,747	443,678	2,322,425
	993,326	(350,254)	643,072
Less investment expenses	179,951	-	179,951
Net investment earnings	813,375	(350,254)	463,121
Total Additions	4,482,307	2,311,518	6,793,825
Deductions			
Beneficiary payments	2,669,381	1,775,016	4,444,397
Net Increase in Plan Net Assets	1,812,926	536,502	2,349,428
Net Assets Held In Trust for Pension and Other Employee Benefits - Beginning	<u>51,529,693</u>	<u>22,568,569</u>	<u>74,098,262</u>
Net Assets Held In Trust for Pension and Other Employee Benefits - Ending	<u>\$ 53,342,619</u>	<u>\$ 23,105,071</u>	<u>\$ 76,447,690</u>

NOTE G – DEFERRED COMPENSATION PLAN

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

NOTE H – SHORT-TERM DEBT

Short-term financing is obtained from banks to provide interim financing for the Enterprise Funds. Interest on the line of credit is variable; the interest was 1.95% at June 30, 2012. The County had \$10,000,000 of unused line of credit to be drawn upon as needed. No balance was outstanding at June 30, 2012.

NOTE I – LONG –TERM LIABILITIES

Description of Bonds Payable

At June 30, 2012, bonds payable consisted of the following individual issues:

	<u>Business-type</u>
1994 SRF Subordinate Obligations (West Rehoboth Phase I and II), interest at 1.5%, final payment due December 2016. Repayment over 21 years beginning December 1995 from gross revenues of the West Rehoboth Expansion of the Dewey Beach Sanitary Sewer District but on a subordinate basis for the first 13 years to operations and management expenses, 1994 Series Bonds (\$19 million), Rural Development Administration loan, other project borrowings and SRF loans. Repayment the last 7 years based on equal installments. The subordinate obligations require various construction, operating and depreciation accounts.	\$ 4,018,022
1996 wastewater general obligation bonds (Ocean Way Estates), due in quarterly installments of \$6,256 principal and interest, interest at 4.5%, final payment due October 17, 2036.	369,569
1997 wastewater general obligation bonds (West Rehoboth), due in various installments through June 15, 2021, interest at 1.5%. Total bonds authorized are \$12,000,000.	4,957,554
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.	10,187,761
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.	1,059,952
2002 wastewater general obligation bonds (Miller Creek), due in semi-annual installments, interest at 1.5%, final payment due December 31, 2027. Total bonds authorized are \$3,300,000.	2,760,338
2002 wastewater general obligation bonds (Bayview Estates and Sea Country Estates), due in semi-annual installments, interest at 1.5%, final payment due December 31, 2025. Total bonds authorized are \$2,636,000.	1,948,282

NOTE I – LONG –TERM LIABILITIES - CONTINUED

Description of Bonds Payable - Continued

	<u>Business-type</u>
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.	769,231
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.	1,083,530
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.	968,613
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.	8,003,126
2005 wastewater revenue refunding bonds (West Rehoboth 1995 refunding), due in semi-annual installments through June 15, 2025, interest ranging from 3.75% to 4.5%. The bonds are secured by and payable solely from the gross revenues of the West Rehoboth expansion sewer system. The revenue bonds require various project, construction, operating and depreciation accounts.	13,640,000
2006 wastewater general obligation bonds (Millville), due in semi-annual installments, interest at 1.5%, final payment due October 30, 2040. Total bonds authorized are \$8,000,000.	7,570,936
2006 wastewater general obligation bonds (South Ocean View), due in semi-annual installments, interest at 1.5%, final payment due June 30, 2040. Total bonds authorized are \$4,800,000.	4,344,370
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.	70,497
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 will be forgiven at the project completion date.	13,321,012
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 will be forgiven at the project completion date.	3,753,364
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 will be forgiven at the project completion date.	2,641,503
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 will be forgiven at the project completion date.	439,158

NOTE I – LONG –TERM LIABILITIES - CONTINUED

Description of Bonds Payable - Continued

	<u>Business-type</u>
2010 wastewater general obligation bonds (SCRWF), due in quarterly installments, interest at 4%, final payment due March 19, 2050. Total bonds authorized are \$7,500,000.	7,320,803
2010 wastewater general obligation bonds (SCRWF), due in quarterly installments, interest at 3%, final payment due December 3, 2050. Total bonds authorized are \$6,169,000.	594,162
2010A wastewater general obligation bonds (Inland Bays), due in quarterly installments, interest at 2.25%, final payment due December 3, 2050. Total bonds authorized are \$5,475,000.	5,475,000
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.	5,000,000
2011 wastewater general obligation bonds (Prince Georges Acres), due in quarterly installments, interest at 4.25%, final payment due June 2, 2051. Total bonds authorized are \$500,000.	495,113
2011 wastewater general obligation bonds (Piney Neck), due in quarterly installments, interest at 4.125%, final payment due June 2, 2051. Total bonds authorized are \$2,113,000.	2,091,733
2011A wastewater general obligation bonds (Miller Creek), due in quarterly installments, interest at 4.25%, final payment due March 28, 2051. Total bonds authorized are \$1,725,000.	1,703,550
2011B wastewater general obligation bonds (Miller Creek), due in quarterly installments, interest at 4.25%, final payment due March 28, 2051. Total bonds authorized are \$1,075,000.	1,061,629
2011 wastewater general obligation bonds (Millville), due in quarterly installments, interest at 3.75%, final payment due November 28, 2051. Total bonds authorized are \$4,000,000.	3,977,887
2011 wastewater general obligation bonds (Fenwick Island), due in quarterly installments, interest at 3.75%, final payment due November 28, 2051. Total bonds authorized are \$1,111,000.	1,104,856
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.	321,000
2012A wastewater general obligation bonds (West Rehoboth refunding), due in semi-annual installments, interest ranging from 2% to 5%, final payment due March 15, 2041.	28,510,000
2012B wastewater general obligation bonds (refunding), due in semi-annual installments, interest ranging from 2% to 5%, final payment due March 15, 2049.	32,865,000
Subtotal	172,427,551
Unamortized bond premium	7,144,550
Unamortized bond discount	(14,994)
Deferred amount on refunding, net of amortization	(1,920,609)
TOTAL BONDS PAYABLE	\$ 177,636,498

NOTE I – LONG –TERM LIABILITIES - CONTINUED

Deferred amount on refunding is the difference between the reacquisition price and the net carrying amount of the refunded debt, net of amortization. This difference is reported in the accompanying financial statements as a deduction from bonds payable. Amortization of deferred amount on refunding charged to interest expense totaled \$177,861 for fiscal year 2012.

Contract Commitments

The County has obligated itself under contracts for various projects. At June 30, 2012, the obligated unrecorded amount was approximately \$18,969,181. 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, 2012 totaled \$19,171,735. The bonds are to finance various sewer district construction and improvement projects.

Long-term Liability Activity

Long-term liability activity for the year ended June 30, 2012, was as follows:

	<u>June 30, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2012</u>	<u>Due Within One Year</u>
Governmental Activities:					
Compensated absences	\$ 5,275,378	\$ 2,279,065	\$ 2,298,039	\$ 5,256,404	\$ 2,298,039
Estimated liability for landfill postclosure care	1,036,000	-	741,000	295,000	-
Estimated liability for pollution remediation	-	256,000	-	256,000	32,000
Total Governmental Activities	\$ 6,311,378	\$ 2,535,065	\$ 3,039,039	\$ 5,807,404	\$ 2,330,039
Business-Type Activities:					
General obligation bonds	\$172,030,209	\$74,595,864	\$91,856,548	\$154,769,529	\$ 7,474,075
Revenue bond debt	19,304,944	-	1,646,922	17,658,022	1,689,775
Unamortized bond premium	522,725	7,390,957	769,132	7,144,550	-
Unamortized bond discount	(16,145)	-	(1,155)	(14,994)	-
Deferred amount of refunding, net of amortization	(2,393,980)	(2,008,959)	(2,482,330)	(1,920,609)	-
Total bonds payable	189,447,753	79,977,862	91,789,117	177,636,498	9,163,850
Compensated absences	1,345,886	713,805	628,600	1,431,091	676,667
Total Business-type Activities	\$190,793,639	\$ 80,691,667	\$ 92,417,717	\$179,067,589	\$ 9,840,517

NOTE I – LONG –TERM LIABILITIES - CONTINUED

Long-term Liability Activity - Continued

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

Debt Maturity

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

<u>Year ending June 30,</u>	<u>Business-type Activities - General Obligation</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 7,474,075	\$ 4,504,152	\$ 11,980,858
2014	7,379,078	4,226,757	11,603,204
2015	6,811,663	4,064,192	10,875,855
2016	6,763,145	3,897,460	10,660,605
2017	6,950,922	3,710,557	10,661,479
2018 – 2022	31,705,823	15,981,152	47,686,975
2023 – 2027	23,327,421	12,498,372	35,825,793
2028 – 2032	19,921,841	9,488,358	29,410,199
2033 – 2037	17,738,533	6,267,146	24,005,679
2038 – 2042	14,123,545	4,427,820	18,551,365
2043 – 2047	7,957,867	3,940,206	11,898,073
2048 – 2052	4,615,616	446,805	5,062,421
TOTAL	\$ 154,769,529	\$ 73,452,977	\$ 228,222,506

<u>Year ending June 30,</u>	<u>Business-type Activities – Revenue Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 1,689,775	\$ 628,384	\$ 2,318,159
2014	1,732,822	584,588	2,317,410
2015	1,781,064	539,470	2,320,534
2016	1,829,505	490,629	2,320,134
2017	1,414,856	436,738	1,851,594
2018 – 2022	5,385,000	1,546,531	6,931,531
2023 – 2025	3,825,000	344,182	4,169,182
TOTAL	\$ 17,658,022	\$ 4,570,522	\$ 22,228,544

Refunding

In February 2012 the County issued \$61,375,000 of bonds (2012 Series A and B) to refund various issues of debt previously outstanding. The refunding was undertaken to reduce the total future debt service payments. The transaction resulted in an economic gain of \$6,413,181 and a reduction of \$7,390,957 in future debt service payments.

NOTE J – INTERFUND BALANCES

Interfund balances at June 30, 2012 consisted of the following:

Receivable Fund	Payable Fund	Total Amount	Long-term Amount
General Fund	Capital projects fund	\$ 134	\$ -
	West Rehoboth sewer fund	175,812	-
	Unified sewer fund	32,610,839	25,059,263
	Fiduciary fund	162,796	-
Total		<u>\$ 32,949,581</u>	<u>\$ 25,059,263</u>

Balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. At June 30, 2012, interfund balances largely represented interim financing for sewer projects, which are to be repaid when the County draws the permanent funding. Realty transfer tax financed \$32,610,839 of the interfund balances. The long-term portion indicated above is not scheduled to be collected in the subsequent year.

NOTE K - FUND BALANCES - GOVERNMENTAL FUNDS

The County adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in fiscal year 2011. GASBS No. 54 establishes fund balance categories that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Detailed information on fund balances of governmental funds is as follows:

	General	Capital Projects	Total
Nonspendable			
Inventory	\$ 30,117	\$ -	\$ 30,117
Prepaid items	66,561	-	66,561
Total nonspendable	<u>96,678</u>	<u>-</u>	<u>96,678</u>
Restricted			
Realty transfer tax	47,610,268	16,075,741	63,686,009
911 emergency reporting	295,007	-	295,007
Rodent grant	9,540	-	9,540
Total restricted	<u>47,914,815</u>	<u>16,075,741</u>	<u>63,990,556</u>
Committed			
Open space land program	815,388	-	815,388
Encumbrances	22,308	-	22,308
Total committed	<u>837,696</u>	<u>-</u>	<u>837,696</u>
Assigned			
History book funds	2,500	-	2,500
Grant-in-aid for County tax subsidy program	40,215	-	40,215
Grant-in-aid discretionary grants	118,446	-	118,446
Economic development marketing program	1,000,000	-	1,000,000
Open space park program	1,000,000	-	1,000,000
Legal Contingency	1,000,000	-	1,000,000
Planning and zoning land use plan ordinance	16,324	-	16,324
Reassessment	530,000	-	530,000
Data processing projects	373,726	-	373,726
Recorder of Deeds maintenance fees	360,167	-	360,167
Total assigned	<u>4,441,378</u>	<u>-</u>	<u>4,441,378</u>
Unassigned	<u>24,867,660</u>	<u>-</u>	<u>24,867,660</u>
Total Fund Balances – Governmental Funds	<u>\$ 78,158,227</u>	<u>\$ 16,075,741</u>	<u>\$ 94,233,968</u>

NOTE L – RENT REVENUES

The County has entered into several long-term operating leases with local businesses to rent property, mainly located in the County’s Industrial Airpark. These leases range in terms of one year to forty-five years and several of them are noncancelable. Buildings with a cost basis of \$ 6,599,631 and accumulated depreciation of \$1,009,782, equipment with a cost basis of \$55,058 and accumulated depreciation of \$55,058, and improvements of \$69,207 and accumulated depreciation of \$21,633 were being leased as of June 30, 2012.

The minimum future rental revenue under leases as of June 30, 2012 for each of the next five years and in the aggregate are:

Year ending June 30,	Amount
2013	\$ 601,307
2014	508,608
2015	422,600
2016	396,040
2017	397,368
Thereafter	3,148,435
Minimum Lease Payments Receivable	<u>\$ 5,474,358</u>

NOTE M - INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2012, consisted of the following:

Transfer to:	Transfer from			Total
	General Fund	Unified Sewer	West Rehoboth Sewer	
General fund	\$ -	\$ 53,891	\$ -	\$ 53,891
Unified sewer fund	734,794	-	90,122	824,916
West Rehoboth sewer fund	239,662	-	-	239,662
Dewey water fund	5,332	-	-	5,332
	<u>\$ 979,788</u>	<u>\$ 53,891</u>	<u>\$ 90,122</u>	<u>\$ 1,123,801</u>

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

NOTE N -RISK MANAGEMENT

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

The County is exposed to the risk of loss related to employee medical expenses. During fiscal year 2012, the County maintained a self-insured plan for employee medical expenses in which expenses per employee were covered annually up to \$250,000. Individual excess expenses are covered under a commercial policy. In addition, the County has a maximum aggregate limit of \$9,190,875 for the County’s portion of medical expense liability, which is covered under a commercial policy. The County reports the risk management activity in the General Fund. The County recognizes expenditures/expenses in the General Fund, Water Fund and Sewer Funds. The employee health plan is administered by an outside agency.

Employee Health Plan

Contributions from the County and employee withholdings are deposited into a reserve fund to pay eligible claims. Estimated risks and losses are based upon historical costs, financial analyses, and estimated effects of plan changes. The claims liability reported at June 30, 2012 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 2012 and 2011 were as follows:

	Beginning of Year Balance	Current-Year Claims and Changes in Estimates	Claim Payments	End of Year Balance
2010-2011	\$ 1,102,539	\$ 7,884,592	\$ (8,373,684)	\$ 613,447
2011-2012	613,447	9,244,420	(8,759,873)	1,097,994

NOTE O – PROPRIETARY FUNDS CONTRACTS

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

NOTE P - LANDFILL POSTCLOSURE CARE COST AND POLLUTION REMEDIATION OBLIGATION

State and federal laws and regulations required the County to place a final cover on its six landfill sites when it stopped accepting waste and to perform certain maintenance and monitoring functions at these sites. The estimated liability for landfill post closure care of \$295,000 at June 30, 2012 represented the cumulative amount reported to date based on the use of 100% of the estimated capacity of the landfill. This amount is based on what it would cost to perform all post closure care in 2012. Actual cost may be higher because of inflation changes in technology or changes in regulations.

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

The County has pollution remediation obligations of \$256,000 of which \$32,000 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 on a the County's closed landfill site in Laurel. The Delaware Department of Natural Resources & Environmental Control (DNREC) has accepted the County's responsibility to continue to maintain the closed landfill. An investigation of the site is completed every five years. The County estimates that it will be obligated to perform pollution remediation obligation through the next evaluation period. Any time beyond these eight years, the County cannot reasonably estimate its liability.

State and federal laws and regulations required the County to place a final cover on its six landfill sites when it stopped accepting waste and to perform certain maintenance and monitoring functions at these sites. The County recognizes this responsibility and has put funds aside that cover the cost of the pollution remediation liability.

NOTE Q -CONTINGENCIES

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

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, 2012 equaling \$169,772,000. In the opinion of bond counsel, the bonds are not subject to the debt limit imposed on the County by the Delaware Code, and are payable solely from payments made by the borrowing entities. Accordingly, these bonds are not reflected in the accompanying financial statements.

NOTE R - SUBSEQUENT EVENTS

Major Contracts

Subsequent to June 30, 2012, the County received \$4 million in loan draws for the construction of sewer systems. The County also approved the award of contracts totaling \$3 million for the construction and renovation of the Greenwood Library.

Pension and Other Employee Benefit Trusts

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

NOTE S – PRIOR PERIOD ADJUSTMENTS

In the financial statements for the year ended June 30, 2011, property tax penalties receivable was incorrectly stated. The error has been corrected in both the fund-level and government-wide financial statements and has had the following effect on the beginning net assets:

	Governmental Activities
Net assets – beginning, original	\$ 171,050,449
Adjustment for property tax penalties revenue	615,000
Net assets – beginning, as restated	<u>\$ 171,665,449</u>

In the financial statements for the year ending June 30, 2011, assets and connection fee revenues were overstated. The error has been corrected in both the fund-level and the government-wide financial statements and has had the following effect on the beginning net assets:

	Business-type Activities
Net assets – beginning, original	\$ 271,475,173
Adjustment for connection fee revenue	(2,611,623)
Net assets – beginning, as restated	<u>\$ 268,863,550</u>

REQUIRED SUPPLEMENTARY INFORMATION

SUSSEX COUNTY, DELAWARE
 SCHEDULE OF FUNDING PROGRESS - PENSION TRUST
 FOR THE YEAR ENDED JUNE 30, 2012

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability - Projected Unit Credit</u>	<u>Unfunded Actuarial Accrued Liability</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>Unfunded Actuarial Accrued Liability as a % of Covered Payroll</u>
01/01/2007	\$38,896,411	\$ 41,677,145	\$ 2,780,734	93.3 %	\$18,712,910	14.9 %
01/01/2008	45,144,691	46,183,103	1,038,412	97.8	20,222,895	5.1
01/01/2009	47,896,455	50,146,775	2,250,320	95.5	20,322,690	11.1
01/01/2010	50,212,221	54,751,314	4,539,093	91.7	19,672,456	23.1
01/01/2011	52,668,248	59,381,025	6,712,777	88.7	19,207,909	34.9
01/01/2012	55,299,940	67,169,062	11,869,122	82.3	19,609,001	60.5

SUSSEX COUNTY, DELAWARE
 SCHEDULE OF FUNDING PROGRESS - POST-RETIREMENT BENEFIT TRUST
 FOR THE YEAR ENDED JUNE 30, 2012

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability - Projected Unit Credit</u>	<u>Unfunded Actuarial Accrued Liability</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>Unfunded Actuarial Accrued Liability as a % of Covered Payroll</u>
01/01/2007	\$ 9,937,149	\$ 45,867,316	\$35,930,167	0.2 %	\$ 18,712,910	192.0 %
01/01/2008	15,373,920	40,170,716	24,796,796	38.3	20,222,895	122.6
01/01/2009	15,274,216	41,635,802	26,361,586	36.7	20,322,690	129.7
01/01/2010	22,028,993	31,027,028	8,998,035	71.0	19,672,456	45.7
01/01/2011	23,984,121	32,997,258	9,013,137	72.7	19,207,909	46.9
01/01/2012	23,502,151	36,087,572	12,585,421	65.1	21,698,701	58.0

SUSSEX COUNTY, DELAWARE
SCHEDULE OF EMPLOYER CONTRIBUTIONS - PENSION TRUST
FOR THE YEAR ENDED JUNE 30, 2012

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2007	\$ 1,518,921	202.1 %
2008	1,813,939	206.0
2009	1,866,222	168.8
2010	2,036,037	134.5
2011	2,169,173	109.2
2012	2,342,663	156.6

SUSSEX COUNTY, DELAWARE
SCHEDULE OF EMPLOYER CONTRIBUTIONS - POST-RETIREMENT BENEFIT TRUST
FOR THE YEAR ENDED JUNE 30, 2012

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2008	\$ 3,561,234	162.4 %
2009	2,408,669	194.1
2010	2,932,734	93.7
2011	1,278,049	106.2
2012	1,488,338	178.8

Note: GASB 45 was implemented in 2007, therefore annual contributions were not required and are not available for prior years.

INDIVIDUAL FUND FINANCIAL SCHEDULES

SUSSEX COUNTY, DELAWARE
 SCHEDULE OF GENERAL FUND REVENUES AND OTHER FINANCING SOURCES - BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2012

	Final Budget Amounts	Actual Amounts	Variance with Final Budget
Taxes			
Real property and capitation - County	\$ 11,908,335	\$ 11,999,186	\$ 90,851
Real property - library	1,391,672	1,405,368	13,696
Realty transfer	13,570,000	14,282,093	712,093
Fire service	780,000	898,335	118,335
Penalties and interest	140,000	174,865	34,865
Total taxes	<u>27,790,007</u>	<u>28,759,847</u>	<u>969,840</u>
Intergovernmental			
Federal grants:			
Emergency preparedness	145,125	163,234	18,109
Emergency management		145,793	145,793
Housing and urban development	2,357,000	2,221,428	(135,572)
Project income	200,000	17,562	(182,438)
Federal payments in lieu of taxes	6,300	5,823	(477)
State grants:			
Library	335,398	317,546	(17,852)
Paramedics	3,660,361	2,513,808	(1,146,553)
Local emergency plan commission	68,200	68,624	424
Sewer study		37,623	37,623
Department of Health	10,000	8,214	(1,786)
Total intergovernmental	<u>6,782,384</u>	<u>5,499,655</u>	<u>(1,282,729)</u>
Charges for services			
Mobile home placement fees	100,000	73,002	(26,998)
Building inspection fees	830,000	802,452	(27,548)
Dog licensing	110,000	109,821	(179)
Miscellaneous general government fees	52,100	38,482	(13,618)
Building permits and zoning fees	1,100,000	1,242,834	142,834
911 System fees	559,630	559,637	7
Private road review and inspection fees	211,800	226,654	14,854
Sewer and water review and inspection fees	74,000	35,049	(38,951)
Airpark operation fees	550,710	545,324	(5,386)
Miscellaneous department fees	41,150	39,418	(1,732)
Marriage Bureau	109,000	132,885	23,885
Prothonotary	2,000	3,960	1,960
Recorder of Deeds	3,243,000	3,282,226	39,226
Register of Wills	900,000	1,044,081	144,081
Sheriff	2,800,000	4,686,024	1,886,024
Total charges for services	<u>10,683,390</u>	<u>12,821,849</u>	<u>2,138,459</u>
Fines and forfeits	<u>26,000</u>	<u>28,074</u>	<u>2,074</u>
Miscellaneous revenue			
Investment income	550,000	280,508	(269,492)
Miscellaneous revenues	143,210	243,836	100,626
Total miscellaneous revenues	<u>693,210</u>	<u>524,344</u>	<u>(168,866)</u>

(continued)

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

FOR THE YEAR ENDED JUNE 30, 2012

	Final Budget Amounts	Actual Amounts	Variance with Final Budget
Other financing sources			
Reimbursements from other funds	\$ 333,000	\$ 53,891	\$ (279,109)
Total other financing sources	<u>333,000</u>	<u>53,891</u>	<u>(279,109)</u>
Total revenues and other funding sources	<u>\$ 46,307,991</u>	<u>\$ 47,687,660</u>	<u>\$ 1,379,667</u>

**SCHEDULE OF GENERAL FUND EXPENDITURES AND OTHER FINANCING USES -
BUDGET AND ACTUAL - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2012**

	Final Budget Amounts	Actual Amounts	Variance with Final Budget
General government			
County Council			
Salaries and wages	\$ 221,574	\$ 214,988	\$ 6,586
Fringe benefits	172,071	162,506	9,565
Contractual services	54,907	45,809	9,098
Material and supplies	24,035	21,689	2,346
Other expenditures	64,121	58,676	5,445
Travel and training	28,142	20,016	8,126
Total County Council	<u>564,850</u>	<u>523,684</u>	<u>41,166</u>
Administration			
Salaries and wages	338,485	344,951	(6,466)
Fringe benefits	167,385	174,508	(7,123)
Contractual services	13,612	13,353	259
Material and supplies	12,717	12,661	56
Other expenditures	911	911	-
Travel and training	5,564	5,368	196
Total administration	<u>538,674</u>	<u>551,752</u>	<u>(13,078)</u>
Legal	<u>272,500</u>	<u>329,398</u>	<u>(56,898)</u>
Finance			
Salaries and wages	331,199	331,822	(623)
Fringe benefits	184,186	192,506	(8,320)
Contractual services	191,243	168,056	23,187
Material and supplies	4,544	4,272	272
Other expenditures	600	600	-
Travel and training	4,746	4,540	206
Total finance	<u>716,518</u>	<u>701,796</u>	<u>14,722</u>
Accounting			
Salaries and wages	222,625	219,086	3,539
Fringe benefits	236,318	237,781	(1,463)
Professional services	84,325	81,714	2,611
Contractual services	23,413	22,551	862
Material and supplies	8,004	7,391	613
Travel and training	1,588	1,286	302
Total accounting	<u>576,273</u>	<u>569,809</u>	<u>6,464</u>
Assessment			
Salaries and wages	665,229	617,267	47,962
Fringe benefits	587,857	561,048	26,809
Professional services	2,000	2,000	-
Contractual services	26,045	23,355	2,690
Material and supplies	29,777	25,710	4,067
Travel and training	1,255	101	1,154
Equipment	4,505	3,910	595
Total assessment	<u>1,316,668</u>	<u>1,233,391</u>	<u>83,277</u>

(continued)

**SCHEDULE OF GENERAL FUND EXPENDITURES AND OTHER FINANCING USES -
BUDGET AND ACTUAL - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2012**

	Final Budget Amounts	Actual Amounts	Variance with Final Budget
General Government - Continued			
Building code			
Salaries and wages	\$ 309,144	\$ 285,102	\$ 24,042
Fringe benefits	230,335	215,788	14,547
Professional services	1,000	800	200
Contractual services	15,580	10,820	4,760
Material and supplies	25,200	17,837	7,363
Travel and training	5,243	941	4,302
Total building code	<u>586,502</u>	<u>531,288</u>	<u>55,214</u>
Mapping & addressing			
Salaries and wages	283,572	275,731	7,841
Fringe benefits	203,022	195,281	7,741
Professional services	83,640	83,632	8
Contractual services	38,277	37,593	684
Material and supplies	8,201	8,153	48
Travel and training	15,646	15,434	212
Equipment	42,700	42,000	700
Total mapping and addressing	<u>675,058</u>	<u>657,824</u>	<u>17,234</u>
Treasury			
Salaries and wages	275,095	280,123	(5,028)
Fringe benefits	191,986	202,543	(10,557)
Professional services	49,548	49,473	75
Contractual services	92,586	92,474	112
Material and supplies	3,992	3,991	1
Total treasury	<u>613,207</u>	<u>628,604</u>	<u>(15,397)</u>
Human resources			
Salaries and wages	186,205	166,650	19,555
Fringe benefits	156,531	148,833	7,698
Professional services	77,449	77,449	-
Contractual services	5,268	4,260	1,008
Material and supplies	86,234	81,283	4,951
Travel and training	23,152	19,166	3,986
General employment cost	128,264	2,149,506	(2,021,242)
Total human resources	<u>663,103</u>	<u>2,647,147</u>	<u>(1,984,044)</u>
Records management			
Salaries and wages	48,956	34,087	14,869
Fringe benefits	29,468	27,905	1,563
Contractual services	7,499	3,927	3,572
Material and supplies	4,343	2,379	1,964
Travel and training	1,500	-	1,500
Equipment	7,040	7,040	-
Total records management	<u>98,806</u>	<u>75,338</u>	<u>23,468</u>

(continued)

SUSSEX COUNTY, DELAWARE
 SCHEDULE OF GENERAL FUND EXPENDITURES AND OTHER FINANCING USES -
 BUDGET AND ACTUAL - CONTINUED
 FOR THE YEAR ENDED JUNE 30, 2012

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	Final Budget Amounts	Actual Amounts	Variance with Final Budget
General government - continued			
Buildings and grounds			
Salaries and wages	\$ 417,883	\$ 419,532	\$ (1,649)
Fringe benefits	295,806	303,977	(8,171)
Utilities	211,000	166,957	44,043
Contractual services	124,189	119,177	5,012
Material and supplies	138,630	126,326	12,304
Other expenditures	2,052	2,052	-
Travel and training	200	132	68
Equipment	65,684	65,646	38
Total building and grounds	<u>1,255,444</u>	<u>1,203,799</u>	<u>51,645</u>
Data processing			
Salaries and wages	189,556	199,272	(9,716)
Fringe benefits	148,888	150,027	(1,139)
Contractual services	24,512	23,713	799
Material and supplies	14,098	12,680	1,418
Travel and training	501	-	501
Total data processing	<u>377,555</u>	<u>385,692</u>	<u>(8,137)</u>
Information technology			
Salaries and wages	266,868	269,880	(3,012)
Fringe benefits	283,582	269,463	14,119
Professional services	33,452	33,452	-
Contractual services	240,246	220,995	19,251
Material and supplies	37,542	30,115	7,427
Travel and training	12,736	12,671	65
Equipment	53,138	21,737	31,401
Total information technology	<u>927,564</u>	<u>858,313</u>	<u>69,251</u>
Constables			
Salaries and wages	135,913	132,826	3,087
Fringe benefits	101,013	101,040	(27)
Contractual services	16,950	14,626	2,324
Material and supplies	7,731	7,699	32
Other expenditures	6,610	6,275	335
Total constables	<u>268,217</u>	<u>262,466</u>	<u>5,751</u>
Dog control			
Salaries and wages	45,397	35,860	9,537
Fringe benefits	28,511	27,260	1,251
Contractual services	675,200	671,724	3,476
Material and supplies	2,500	2,173	327
Total dog control	<u>751,608</u>	<u>737,017</u>	<u>14,591</u>
Total general government	<u>10,202,547</u>	<u>11,897,318</u>	<u>(1,694,771)</u>

(continued)

**SCHEDULE OF GENERAL FUND EXPENDITURES AND OTHER FINANCING USES -
BUDGET AND ACTUAL - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2012**

	Final Budget Amounts	Actual Amounts	Variance with Final Budget
Planning and zoning			
Salaries and wages	\$ 538,500	\$ 491,884	\$ 46,616
Fringe benefits	356,766	334,897	21,869
Professional services	215,500	288,655	(73,155)
Contractual services	65,550	49,881	15,669
Material and supplies	23,300	24,170	(870)
Travel and training	3,750	871	2,879
Total planning and zoning	<u>1,203,366</u>	<u>1,190,358</u>	<u>13,008</u>
Paramedics			
Salaries and wages	6,441,623	6,484,756	(43,133)
Fringe benefits	3,927,762	3,796,379	131,383
Professional services	85,185	81,327	3,858
Utilities	61,320	44,356	16,964
Contractual services	536,233	505,627	30,606
Material and supplies	573,131	538,907	34,224
Other expenditures	5,000	2,025	2,975
Travel and training	67,550	43,072	24,478
Equipment	503,400	576,860	(73,460)
Total paramedics	<u>12,201,204</u>	<u>12,073,309</u>	<u>127,895</u>
Emergency preparedness			
Administration			
Salaries and Wages	100,365	101,383	(1,018)
Fringe benefits	56,394	59,167	(2,773)
Contractual services	194,188	193,919	269
Material and supplies	16,307	16,307	-
Other expenditures	15,990	15,990	-
Travel and training	1,380	1,380	-
Equipment	35,305	35,305	-
Total administration	<u>419,929</u>	<u>423,451</u>	<u>(3,522)</u>
Emergency operations center			
Salaries and wages	1,025,856	1,046,976	(21,120)
Fringe benefits	586,901	618,786	(31,885)
Contractual services	122,219	122,095	124
Material and supplies	44,924	44,924	-
Other expenditures	369	369	-
Travel and training	17,267	17,267	-
Total emergency operation center	<u>1,797,536</u>	<u>1,850,417</u>	<u>(52,881)</u>
Communication systems			
Salaries and wages	161,670	161,590	80
Fringe benefits	90,237	94,397	(4,160)
Contractual services	38,452	37,962	490
Material and supplies	47,026	47,026	-
Equipment	15,380	15,380	-
Total communication systems	<u>352,765</u>	<u>356,355</u>	<u>(3,590)</u>

(continued)

SUSSEX COUNTY, DELAWARE
 SCHEDULE OF GENERAL FUND EXPENDITURES AND OTHER FINANCING USES -
 BUDGET AND ACTUAL - CONTINUED
 FOR THE YEAR ENDED JUNE 30, 2012

-66-

	<u>Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Emergency preparedness - continued			
Local emergency planning community program			
Salaries and wages	\$ 39,607	\$ 40,351	\$ (744)
Fringe benefits	25,634	26,592	(958)
Contractual services	1,042	942	100
Material and supplies	323	88	235
Travel and training	4,935	4,935	-
Total local planning community program	<u>71,541</u>	<u>72,908</u>	<u>(1,367)</u>
Total emergency preparedness	<u>2,641,771</u>	<u>2,703,131</u>	<u>(61,360)</u>
County engineer			
Administration			
Salaries and wages	422,188	465,789	(43,601)
Fringe benefits	377,883	366,377	11,506
Professional services	44,887	32,269	12,618
Contractual services	3,536	3,267	269
Material and supplies	13,626	12,130	1,496
Other expenditures	140,000	119,451	20,549
Travel and training	1,836	1,836	-
Equipment	6,000	6,000	-
Total administration	<u>1,009,956</u>	<u>1,007,119</u>	<u>2,837</u>
Public works			
Salaries and wages	310,492	304,971	5,521
Fringe benefits	193,390	203,239	(9,849)
Professional services	28,331	28,331	-
Contractual services	11,130	10,511	619
Material and supplies	11,586	11,586	-
Other expenditures	42,456	42,456	-
Travel and training	-	-	-
Total public works	<u>597,385</u>	<u>601,094</u>	<u>(3,709)</u>
Total county engineer	<u>1,607,341</u>	<u>1,608,213</u>	<u>(872)</u>
Library			
Library administration	530,528	520,414	10,114
Library facilities	1,780,305	1,664,262	116,043
Local libraries	1,391,672	1,391,672	-
Total library	<u>3,702,505</u>	<u>3,576,348</u>	<u>126,157</u>
Economic development and airpark			
Economic development			-
Salaries and wages	52,257	52,468	(211)
Fringe benefits	30,356	30,024	332
Contractual services	31,775	6,622	25,153
Material and supplies	5,650	5,187	463
Other expenditures	2,000	500	1,500
Travel and training	1,200	389	811
Total economic development	<u>123,238</u>	<u>95,190</u>	<u>28,048</u>

(continued)

**SCHEDULE OF GENERAL FUND EXPENDITURES AND OTHER FINANCING USES -
BUDGET AND ACTUAL - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2012**

	Final Budget Amounts	Actual Amounts	Variance with Final Budget
Economic development and airpark - continued			
Security			
Salaries and wages	\$ 274,368	\$ 260,186	\$ 14,182
Fringe benefits	204,222	162,944	41,278
Contractual services	3,435	1,091	2,344
Material and supplies	13,150	11,102	2,048
Travel and training	1,700	1,490	210
Equipment and improvements	24,750	-	24,750
Total security	<u>521,625</u>	<u>436,813</u>	<u>84,812</u>
Airpark			-
Salaries and wages	202,113	187,086	15,027
Fringe benefits	144,027	134,548	9,479
Professional services	3,000	2,995	5
Utilities	65,000	56,318	8,682
Contractual services	174,795	116,864	57,931
Material and supplies	22,050	15,722	6,328
Other expenditures	108,900	96,365	12,535
Travel and training	2,409	2,390	19
Equipment	-	11,976	(11,976)
Total airpark	<u>722,294</u>	<u>624,264</u>	<u>98,030</u>
Total economic development and airpark	<u>1,367,157</u>	<u>1,156,267</u>	<u>210,890</u>
Community development			
Salaries and wages	265,824	275,457	(9,633)
Fringe benefits	169,308	168,140	1,168
Professional services	18,257	6,794	11,463
Contractual services	2,349,196	2,079,956	269,240
Material and supplies	5,374	4,861	513
Travel and training	11,664	9,260	2,404
Total community development	<u>2,819,624</u>	<u>2,544,468</u>	<u>275,156</u>
Grant-in-aid			
Fire and ambulance grants	3,276,350	3,243,862	32,488
Public safety grants	2,204,191	1,992,766	211,425
Environmental grants	246,042	184,244	61,798
Public assistance grant	590,815	591,363	(548)
Library grants	633,651	606,661	26,990
Total grant-in-aid	<u>6,951,049</u>	<u>6,618,896</u>	<u>332,153</u>
Constitutional offices			
Marriage Bureau	154,358	150,394	3,964
Recorder of Deeds	1,080,958	1,032,488	48,470
Register of Wills	471,796	445,366	26,430
Sheriff	848,658	857,287	(8,629)
Total constitutional offices	<u>2,555,770</u>	<u>2,485,535</u>	<u>70,235</u>
Total expenditures	<u>45,252,334</u>	<u>45,853,843</u>	<u>(601,509)</u>

(continued)

**SCHEDULE OF GENERAL FUND EXPENDITURES AND OTHER FINANCING USES -
BUDGET AND ACTUAL - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2012**

	Final Budget Amounts	Actual Amounts	Variance with Final Budget
Other financing uses			
Transfers out	\$ 920,380	\$ 979,788	\$ (59,408)
Reserved for contingencies	135,277	-	135,277
Total other financing uses	<u>1,055,657</u>	<u>979,788</u>	<u>75,869</u>
Total expenditures and other financing uses	<u>\$ 46,307,991</u>	<u>\$ 46,833,631</u>	<u>\$ (525,640)</u>

**SCHEDULE OF REVENUE AND EXPENDITURES AND OTHER FINANCING SOURCES AND USES
FOR THE THIRTY-FIVE YEARS THROUGH JUNE 30, 2012**

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

CAPITAL PROJECTS FUND

**SCHEDULE OF CAPITAL PROJECTS FUND REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amount</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 3,483,200	\$ 3,483,200	\$ 1,362,273	\$ (2,120,927)
Miscellaneous revenue	25,000	25,000	28,729	3,729
Total revenues	<u>3,508,200</u>	<u>3,508,200</u>	<u>1,391,002</u>	<u>(2,117,198)</u>
EXPENDITURES				
Capital projects	<u>8,675,000</u>	<u>8,675,000</u>	<u>2,869,945</u>	<u>5,805,055</u>
Total expenditures	<u>8,675,000</u>	<u>8,675,000</u>	<u>2,869,945</u>	<u>5,805,055</u>
Excess of revenue over (under) Expenditures	<u>(5,166,800)</u>	<u>(5,166,800)</u>	<u>(1,478,943)</u>	<u>3,687,857</u>
OTHER FINANCING SOURCES				
Transfers in	<u>5,166,800</u>	<u>5,166,800</u>	<u>-</u>	<u>(5,166,800)</u>
Total other financing sources	<u>5,166,800</u>	<u>5,166,800</u>	<u>-</u>	<u>(5,166,800)</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>(1,478,943)</u>	<u>(1,478,943)</u>
Fund balances - beginning	<u>17,554,684</u>	<u>17,554,684</u>	<u>17,554,684</u>	<u>-</u>
Fund balances - ending	<u>\$ 17,554,684</u>	<u>\$ 17,554,684</u>	<u>\$ 16,075,741</u>	<u>\$ (1,478,943)</u>



STATISTICAL SECTION



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

<u>Contents</u>	<u>Pages</u>
<p>Financial Trends <i>These schedules contain trend information to help the reader understand how the County's financial performance and well-being have changed over time.</i></p>	72 - 76
<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>	77 - 80
<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>	81 - 84
<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>	85 - 86
<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>	87 - 89

Sources: *Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The County implemented GASB Statement Number 34 in 2003; schedules presenting government-wide information include information beginning in that year.*

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011 as restated	2012
Governmental activities										
Invested in capital assets, net of related debt	\$ 20,520,112	\$ 21,778,122	\$ 27,029,978	\$ 34,140,268	\$ 43,377,418	\$ 52,193,513	\$ 63,679,024	\$ 65,292,609	\$ 64,237,068	\$ 65,497,373
Restricted	15,914,734	26,751,718	47,805,783	65,642,834	72,996,872	69,968,855	57,250,045	60,450,610	71,431,919	63,990,556
Unrestricted	34,836,034	45,108,733	39,791,889	37,870,448	35,105,979	35,242,364	44,548,346	41,246,130	35,996,462	45,085,253
Total governmental activities net assets	<u>\$ 71,270,880</u>	<u>\$ 93,638,573</u>	<u>\$ 114,627,650</u>	<u>\$ 137,653,550</u>	<u>\$ 151,480,269</u>	<u>\$ 157,404,732</u>	<u>\$ 165,477,415</u>	<u>\$ 166,989,349</u>	<u>\$ 171,665,449</u>	<u>\$ 174,573,182</u>
Business-type activities										
Invested in capital assets, net of related debt	\$ 60,012,101	\$ 79,179,482	\$ 93,526,220	\$ 111,947,402	\$ 150,185,092	\$ 166,434,682	\$ 172,029,870	\$ 176,649,726	\$ 179,296,736	\$ 194,995,829
Restricted	34,600,947	35,967,259	45,585,060	60,903,962	81,095,890	78,027,750	73,884,414	68,805,127	66,569,442	76,634,459
Unrestricted	2,670,928	8,115,999	18,923,370	22,596,611	(5,622,038)	5,367,852	13,801,100	19,829,075	22,997,372	17,427,622
Total business-type activities net assets	<u>\$ 97,283,976</u>	<u>\$ 123,262,740</u>	<u>\$ 158,034,650</u>	<u>\$ 195,447,975</u>	<u>\$ 225,658,944</u>	<u>\$ 249,830,284</u>	<u>\$ 259,715,384</u>	<u>\$ 265,283,928</u>	<u>\$ 268,863,550</u>	<u>\$ 289,057,910</u>
Primary government										
Invested in capital assets, net of related debt	\$ 80,532,213	\$ 100,957,604	\$ 120,556,198	\$ 146,087,670	\$ 193,562,510	\$ 218,628,195	\$ 235,708,894	\$ 241,942,335	\$ 243,533,804	\$ 260,493,202
Restricted	50,515,681	62,718,977	93,390,843	126,546,796	154,092,762	147,996,605	131,134,459	129,255,737	138,001,361	140,625,015
Unrestricted	37,506,962	53,224,732	58,715,259	60,467,059	29,483,941	40,610,216	58,349,446	61,075,205	58,993,834	62,512,875
Total primary government net assets	<u>\$ 168,554,856</u>	<u>\$ 216,901,313</u>	<u>\$ 272,662,300</u>	<u>\$ 333,101,525</u>	<u>\$ 377,139,213</u>	<u>\$ 407,235,016</u>	<u>\$ 425,192,799</u>	<u>\$ 432,273,277</u>	<u>\$ 440,528,999</u>	<u>\$ 463,631,092</u>

Note: 1. The governmental activities net assets balance for fiscal year ending 2011 increased by \$615,000 due to a prior period adjustment (see Note S)
2. The business-type activities net assets balance for fiscal year ending 2011 decreased by \$2,611,623 due to a prior period adjustment (see Note S).

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011 as restated	2012
Expenses										
Governmental activities:										
General government	\$ 8,416,614	\$ 9,622,999	\$ 11,592,273	\$ 11,293,426	\$ 13,627,710	\$ 13,494,301	\$ 9,578,284	\$ 9,640,728	\$ 9,037,273	\$ 10,024,224
Grant-in-aid programs	4,120,039	6,892,065	7,293,058	10,255,326	9,014,248	9,282,188	8,134,600	6,625,144	6,765,994	1,202,696
Planning and zoning	917,317	1,012,053	1,045,230	1,208,841	1,430,741	1,512,879	1,289,323	1,246,923	1,251,258	12,173,161
Paramedic program	5,914,818	6,840,784	8,467,637	9,963,348	11,626,354	12,802,503	12,079,831	12,524,387	11,515,259	3,165,648
Emergency preparedness	1,726,567	1,889,708	1,984,888	2,263,691	2,213,396	2,764,937	2,661,089	2,844,581	2,817,992	1,130,783
Economic development and Airpark	798,783	960,439	1,130,050	1,229,101	1,814,525	1,552,349	1,511,687	1,878,717	2,136,706	3,787,237
County engineer	3,375,078	1,113,087	2,025,846	3,332,568	2,994,201	2,713,328	2,407,043	1,850,683	1,683,158	2,304,295
Library	2,780,506	2,729,492	3,140,156	3,354,026	3,747,511	3,924,788	3,880,816	3,888,755	3,657,643	2,447,571
Community development and housing programs	1,522,300	1,488,969	1,829,012	2,561,943	1,959,365	1,501,117	1,508,755	3,308,765	2,399,951	6,618,896
Constitutional offices	1,728,453	1,985,946	2,268,066	2,372,219	2,486,465	2,630,085	2,449,069	2,315,381	2,161,054	2,493,630
Interest on long-term debt	-	-	-	-	3,285	-	-	-	-	-
Total governmental activities expenses	<u>31,300,475</u>	<u>34,535,542</u>	<u>40,776,216</u>	<u>47,834,489</u>	<u>50,917,801</u>	<u>52,178,475</u>	<u>45,500,497</u>	<u>46,124,064</u>	<u>43,426,288</u>	<u>45,348,141</u>
Business-type activities:										
Sewer facilities	19,264,562	18,676,091	21,327,548	23,011,584	25,102,767	26,132,596	27,079,247	28,355,108	27,942,561	29,460,133
Water facilities	771,541	747,923	770,503	812,592	852,902	856,120	962,162	928,222	1,016,979	1,078,834
Total business-type activities expenses	<u>20,036,103</u>	<u>19,424,014</u>	<u>22,098,051</u>	<u>23,824,176</u>	<u>25,955,669</u>	<u>26,988,716</u>	<u>28,041,409</u>	<u>29,283,330</u>	<u>28,959,540</u>	<u>30,538,967</u>
Total primary government expenses	<u>\$ 51,336,578</u>	<u>\$ 53,959,556</u>	<u>\$ 62,874,267</u>	<u>\$ 71,658,665</u>	<u>\$ 76,873,470</u>	<u>\$ 79,167,191</u>	<u>\$ 73,541,906</u>	<u>\$ 75,407,394</u>	<u>\$ 72,385,828</u>	<u>\$ 75,887,108</u>
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 2,222,981	\$ 2,199,845	\$ 2,580,027	\$ 3,007,205	\$ 2,189,982	\$ 1,549,000	\$ 1,307,616	\$ 1,295,912	\$ 1,238,309	\$ 1,202,641
Planning and zoning	1,761,250	2,024,755	2,343,693	2,782,428	2,079,324	1,599,688	1,098,577	1,130,043	1,148,591	1,242,834
Emergency preparedness	25,652	29,543	26,545	27,485	24,145	17,065	17,655	16,230	15,960	17,500
Economic development and public works	253,307	223,293	244,526	590,635	558,097	550,558	541,885	530,310	671,314	545,324
County engineer	713,849	1,549,445	2,080,536	2,681,308	1,206,998	599,865	3,223,485	324,623	281,451	277,841
Library	15,214	33,664	20,249	25,320	26,422	25,911	26,716	19,585	25,991	28,074
Constitutional offices	6,517,134	7,049,799	6,684,859	6,852,532	6,171,154	6,356,764	6,940,930	7,039,506	6,808,811	9,149,173
Operating grants and contributions	6,562,723	6,790,770	6,065,343	7,510,097	7,599,645	6,787,014	7,526,184	8,494,730	7,115,414	7,150,788
Capital grants and contributions	601,631	318,157	3,001,477	1,166,791	1,494,572	4,475,526	4,727,502	1,499,146	2,102,681	543,802
Total governmental activities program revenues	<u>18,673,741</u>	<u>20,219,271</u>	<u>23,047,255</u>	<u>24,643,801</u>	<u>21,350,339</u>	<u>21,961,391</u>	<u>25,410,550</u>	<u>20,350,085</u>	<u>19,408,522</u>	<u>20,157,977</u>

(continued)

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011 as restated	2012
Business-type activities:										
Charges for services:										
Sewer facilities	\$ 9,456,583	\$ 10,548,270	\$ 12,072,903	\$ 13,591,594	\$ 13,357,511	\$ 13,750,827	\$ 14,458,789	\$ 14,530,668	\$ 15,536,386	\$ 16,158,500
Water facilities	568,271	583,897	583,889	591,991	635,186	695,038	689,335	740,686	750,785	667,476
Operating grants and contributions	14,535,829	16,033,341	18,806,360	22,841,920	21,060,417	21,288,672	15,926,530	14,449,833	9,962,936	14,191,817
Capital grants and contributions	7,015,899	15,113,921	15,586,276	17,112,386	17,606,829	12,252,630	5,226,686	4,287,188	5,475,117	18,766,753
Total business-type activities program revenues	<u>31,576,582</u>	<u>42,279,429</u>	<u>47,049,428</u>	<u>54,137,891</u>	<u>52,659,943</u>	<u>47,987,167</u>	<u>36,301,340</u>	<u>34,008,375</u>	<u>31,725,224</u>	<u>49,784,546</u>
Total primary government program revenues	<u>\$ 50,250,323</u>	<u>\$ 62,498,700</u>	<u>\$ 70,096,683</u>	<u>\$ 78,781,692</u>	<u>\$ 74,010,282</u>	<u>\$ 69,948,558</u>	<u>\$ 61,711,890</u>	<u>\$ 54,358,460</u>	<u>\$ 51,133,746</u>	<u>\$ 69,758,560</u>
Net (Expense)/Revenue										
Governmental activities	\$ (12,626,734)	\$ (14,316,271)	\$ (17,728,961)	\$ (23,190,688)	\$ (29,567,462)	\$ (30,217,084)	\$ (20,089,947)	\$ (25,773,979)	\$ (24,017,766)	\$ (25,190,164)
Business-type activities	11,540,479	22,855,415	24,951,377	30,313,715	26,704,274	20,998,451	8,259,931	4,725,045	2,765,684	19,245,579
Total primary government net (expense)/revenue	<u>\$ (1,086,255)</u>	<u>\$ 8,539,144</u>	<u>\$ 7,222,416</u>	<u>\$ 7,123,027</u>	<u>\$ (2,863,188)</u>	<u>\$ (9,218,633)</u>	<u>\$ (11,830,016)</u>	<u>\$ (21,048,934)</u>	<u>\$ (21,252,082)</u>	<u>\$ (5,944,585)</u>
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Property taxes	\$ 9,114,721	\$ 9,568,521	\$ 8,161,118	\$ 10,692,069	\$ 11,521,348	\$ 12,315,444	\$ 12,763,282	\$ 13,040,252	\$ 13,843,603	\$ 13,540,463
Capitation taxes	221,690	237,282	224,294	241,699	240,030	247,041	252,741	253,785	259,229	-
Fire service taxes	1,285,885	1,510,691	1,785,613	2,093,729	1,535,864	1,106,321	758,837	791,472	821,702	898,335
Realty transfer taxes	17,917,521	27,399,572	36,329,843	35,269,800	27,058,083	20,636,949	13,621,270	13,141,813	14,310,725	14,282,093
Unrestricted investment earnings	890,505	892,938	1,747,718	4,216,741	5,829,443	4,379,147	2,157,202	824,259	212,684	302,903
Transfers	(2,153,000)	(2,925,040)	(9,530,548)	(6,297,450)	(2,790,587)	(2,543,355)	(1,390,702)	(765,668)	(754,077)	(925,897)
Total governmental activities	<u>27,277,322</u>	<u>36,683,964</u>	<u>38,718,038</u>	<u>46,216,588</u>	<u>43,394,181</u>	<u>36,141,547</u>	<u>28,162,630</u>	<u>27,285,913</u>	<u>28,693,866</u>	<u>28,097,897</u>
Business-type activities:										
Unrestricted investment earnings	190,215	198,309	289,985	802,160	716,108	629,534	234,467	77,831	59,861	22,884
Transfers	2,153,000	2,925,040	9,530,548	6,297,450	2,790,587	2,543,355	1,390,702	765,668	754,077	925,897
Total business-type activities	<u>2,343,215</u>	<u>3,123,349</u>	<u>9,820,533</u>	<u>7,099,610</u>	<u>3,506,695</u>	<u>3,172,889</u>	<u>1,625,169</u>	<u>843,499</u>	<u>813,938</u>	<u>948,781</u>
Total primary government program revenues	<u>\$ 29,620,537</u>	<u>\$ 39,807,313</u>	<u>\$ 48,538,571</u>	<u>\$ 53,316,198</u>	<u>\$ 46,900,876</u>	<u>\$ 39,314,436</u>	<u>\$ 29,787,799</u>	<u>\$ 28,129,412</u>	<u>\$ 29,507,804</u>	<u>\$ 29,046,678</u>
Change in Net Assets										
Governmental activities	\$ 14,650,588	\$ 22,367,693	\$ 20,989,077	\$ 23,025,900	\$ 13,826,719	\$ 5,924,463	\$ 8,072,683	\$ 1,511,934	\$ 4,676,100	\$ 2,907,733
Business-type activities	13,883,694	25,978,764	34,771,910	37,413,325	30,210,969	24,171,340	9,885,100	5,568,544	3,579,622	20,194,360
Total primary government	<u>\$ 28,534,282</u>	<u>\$ 48,346,457</u>	<u>\$ 55,760,987</u>	<u>\$ 60,439,225</u>	<u>\$ 44,037,688</u>	<u>\$ 30,095,803</u>	<u>\$ 17,957,783</u>	<u>\$ 7,080,478</u>	<u>\$ 8,255,722</u>	<u>\$ 23,102,093</u>

- Notes:**
1. Airport expenses and charges for services for years 2003 through 2009 are included in economic development and airpark line, due to this department being combined with the industrial park in fiscal year ending June 30, 2010.
 2. The governmental activities fund balance for fiscal year ending 2011 increased by \$615,000 due to a prior period adjustment (see Note S)
 3. The business-type activities net assets balance for fiscal year ending 2011 decreased by \$2,611,623 due to a prior period adjustment (see Note S)

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Fund										
Reserved	\$ 23,135,130	\$ 36,610,789	\$ 41,702,138	\$ 56,560,314	\$ 64,675,385	\$ 67,436,807	\$ 61,679,946	\$ 61,988,419	\$ -	\$ -
Unreserved										
Designated	14,023,982	11,585,639	14,509,355	11,257,954	3,859,850	2,706,165	2,078,768	2,413,855	-	-
Undesignated	9,784,231	10,169,005	13,957,648	13,254,683	9,885,684	4,955,974	9,445,728	9,420,145	-	-
Nonspendable	-	-	-	-	-	-	-	-	140,442	96,678
Restricted	-	-	-	-	-	-	-	-	53,084,094	47,914,815
Committed	-	-	-	-	-	-	-	-	598,598	837,696
Assigned	-	-	-	-	-	-	-	-	6,641,109	4,441,378
Unassigned	-	-	-	-	-	-	-	-	16,839,957	24,867,662
Total general fund	<u>\$ 46,943,343</u>	<u>\$ 58,365,433</u>	<u>\$ 70,169,141</u>	<u>\$ 81,072,951</u>	<u>\$ 78,420,919</u>	<u>\$ 75,098,946</u>	<u>\$ 73,204,442</u>	<u>\$ 73,822,419</u>	<u>\$ 77,304,200</u>	<u>\$ 78,158,229</u>
All Other Governmental Funds										
Reserved	\$ 2,427,669	\$ 9,803,499	\$ 12,800,198	\$ 21,203,720	\$ 27,760,247	\$ 27,461,371	\$ 20,188,022	\$ 17,815,212	\$ -	\$ -
Unreserved - Capital Projects										
Designated	2,454,184	4,541,774	5,341,810	-	-	-	-	-	-	-
Undesignated	647,432	56,264	-	-	53,901	(711,332)	(416,723)	(265,565)	-	-
Restricted	-	-	-	-	-	-	-	-	17,565,595	16,075,741
Unassigned	-	-	-	-	-	-	-	-	(10,911)	-
Total all other governmental funds	<u>\$ 5,529,285</u>	<u>\$ 14,401,537</u>	<u>\$ 18,142,008</u>	<u>\$ 21,203,720</u>	<u>\$ 27,814,148</u>	<u>\$ 26,750,039</u>	<u>\$ 19,771,299</u>	<u>\$ 17,549,647</u>	<u>\$ 17,554,684</u>	<u>\$ 16,075,741</u>

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

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues										
Taxes	\$28,528,761	\$38,720,829	\$46,489,369	\$48,235,257	\$40,296,411	\$34,242,130	\$27,291,166	\$27,147,412	\$28,563,428	\$28,759,847
Intergovernmental	6,466,985	6,241,501	7,572,581	6,906,650	8,341,011	9,715,239	11,177,316	8,933,970	7,543,959	6,861,928
Charges for services	11,847,057	13,556,533	14,309,619	16,295,120	12,310,437	10,719,989	10,325,117	10,386,570	10,318,704	12,821,849
Fines and forfeits	15,826	19,103	22,197	29,195	25,607	24,593	23,971	20,225	26,170	28,074
Miscellaneous	1,219,214	1,219,234	2,634,424	5,300,742	6,847,662	5,800,939	3,638,590	1,548,279	852,202	553,073
Total revenues	<u>48,077,843</u>	<u>59,757,200</u>	<u>71,028,190</u>	<u>76,766,964</u>	<u>67,821,128</u>	<u>60,502,890</u>	<u>52,456,160</u>	<u>48,036,456</u>	<u>47,304,463</u>	<u>49,024,771</u>
Expenditures										
General government	9,454,480	10,071,924	11,162,849	13,653,314	13,944,902	14,587,416	12,109,120	10,356,155	9,471,349	11,897,318
Grant-in-aid programs	4,120,039	6,892,065	7,293,058	10,255,326	9,414,248	9,282,188	8,284,600	6,625,144	6,765,994	6,618,896
Planning and zoning	956,181	991,821	1,034,333	1,194,608	1,460,495	1,524,715	1,279,394	1,233,292	1,239,740	1,190,358
Paramedic program	6,153,005	6,884,569	8,603,643	10,196,835	11,961,544	13,213,202	12,520,985	12,272,121	11,274,004	12,073,309
Emergency preparedness	1,472,323	1,728,428	1,758,753	2,053,559	2,188,091	2,585,285	2,305,965	2,467,390	2,425,889	2,703,131
Economic development and airpark	726,229	643,762	768,054	925,222	986,140	922,685	913,528	908,510	1,200,621	1,156,267
County engineer	1,515,500	1,177,838	2,237,346	3,010,396	2,952,789	2,704,747	2,391,805	1,874,153	1,689,824	1,608,213
Library	2,750,499	2,725,758	3,102,598	3,267,209	3,681,719	3,871,076	3,709,309	3,725,242	3,483,833	3,576,348
Community development and housing programs	1,563,005	1,488,969	1,831,004	2,563,573	1,965,771	1,501,809	1,509,447	3,308,909	2,394,101	2,544,468
Constitutional offices	1,730,535	1,994,038	2,307,731	2,387,371	2,500,483	2,685,563	2,442,663	2,315,419	2,137,974	2,485,535
Capital projects	409,419	1,982,196	5,948,148	7,040,918	10,126,509	9,535,878	12,477,328	3,788,128	980,239	2,869,945
Total expenditures	<u>30,851,215</u>	<u>36,581,368</u>	<u>46,047,517</u>	<u>56,548,331</u>	<u>61,182,691</u>	<u>62,414,564</u>	<u>59,944,144</u>	<u>48,874,463</u>	<u>43,063,568</u>	<u>48,723,788</u>
Excess of revenues over (under) expenditures	<u>17,226,628</u>	<u>23,175,832</u>	<u>24,980,673</u>	<u>20,218,633</u>	<u>6,638,437</u>	<u>(1,911,674)</u>	<u>(7,487,984)</u>	<u>(838,007)</u>	<u>4,240,895</u>	<u>300,983</u>
Other Financing Sources (Uses)										
Reimbursements from funds for services	-	-	-	-	-	-	-	-	-	-
Issuance of debt	280,606	43,550	94,054	44,339	110,546	68,947	5,442	-	-	-
Transfers in	2,661,873	10,527,512	7,338,247	8,921,148	13,914,628	4,301,295	166,082	54,213	55,151	53,891
Transfers out	(4,814,873)	(13,452,552)	(16,868,795)	(15,218,598)	(16,705,215)	(6,844,650)	(1,556,784)	(819,881)	(809,228)	(979,788)
Total other financing sources (uses)	<u>(1,872,394)</u>	<u>(2,881,490)</u>	<u>(9,436,494)</u>	<u>(6,253,111)</u>	<u>(2,680,041)</u>	<u>(2,474,408)</u>	<u>(1,385,260)</u>	<u>(765,668)</u>	<u>(754,077)</u>	<u>(925,897)</u>
Residual equity transfers	-	-	-	-	-	-	-	-	-	-
Net change in fund balances	<u>\$15,354,234</u>	<u>\$20,294,342</u>	<u>\$15,544,179</u>	<u>\$13,965,522</u>	<u>\$3,958,396</u>	<u>\$(4,386,082)</u>	<u>\$(8,873,244)</u>	<u>\$(1,603,675)</u>	<u>\$3,486,818</u>	<u>\$(624,914)</u>
Debt service as a percentage of noncapital expenditures	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Note: Airport expenses and charges for services for years 2003 through 2009 are included in economic development and airpark line, due to this department being combined with the industrial park in fiscal year ending June 30, 2010.

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

Fiscal Year	Residential Property	Business Property	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
2003	\$1,480,149,764	\$ 333,231,570	\$104,807,150	\$ 99,705,208	\$ 182,243,422	\$ 205,965,614	\$1,994,171,500	\$0.445	\$ 19,744,272,277	10.1%
2004	1,564,853,342	346,300,218	105,925,330	102,131,908	184,584,322	208,371,893	2,095,423,227	0.445	26,192,790,338	8.0%
2005	1,668,856,812	349,668,986	109,717,513	107,313,408	189,749,972	215,012,079	2,210,294,612	0.445	31,575,637,314	7.0%
2006	1,788,672,680	358,027,255	111,038,978	112,213,158	191,692,422	216,246,316	2,345,398,177	0.445	36,083,048,877	6.5%
2007	1,942,430,139	367,785,080	113,725,678	111,714,076	202,949,661	218,117,769	2,520,486,865	0.445	39,630,296,619	6.4%
2008	2,101,384,126	406,044,024	115,469,649	113,419,034	200,009,962	222,961,073	2,713,365,722	0.445	39,424,140,899	6.9%
2009	2,197,966,019	418,057,225	116,526,199	113,690,921	208,199,836	230,109,902	2,824,330,298	0.445	36,537,261,294	7.7%
2010	2,250,982,140	433,413,708	117,458,414	113,085,347	216,129,487	238,465,723	2,892,603,373	0.445	34,791,957,818	8.3%
2011	2,298,908,548	422,542,584	117,910,978	112,535,610	218,265,711	239,297,617	2,930,865,814	0.445	34,159,275,221	8.6%
2012	2,359,822,403	426,432,740	116,547,528	113,228,365	222,019,046	241,807,940	2,996,242,142	0.445	33,402,922,430	9.0%

Notes:

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

Sources: Sussex County Assessment Division and University of Delaware.

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

	Year Taxes Are Payable									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
County Direct										
County Tax	\$ 0.4017	\$ 0.4017	\$ 0.4017	\$ 0.4017	\$ 0.3983	\$ 0.3983	\$ 0.3983	\$ 0.3983	\$ 0.3983	\$ 0.3983
Library	0.0433	0.0433	0.0433	0.0433	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	2.0990	2.1610	2.2360	2.9980	2.9980	2.8770	2.6660	2.5670	2.5670	2.5670
Delmar	3.2200	3.2100	3.2000	3.2000	3.1500	3.1500	3.1400	3.1200	3.1200	3.3100
Indian River (3)	1.9460	2.2130	2.2400	2.4470	2.5450	2.4750	2.5550	2.5700	2.5700	2.6250
Laurel	2.3900	2.3900	2.3900	2.3900	2.3900	2.3900	2.4900	2.4900	2.4900	2.9810
Milford	2.6210	2.7930	3.2897	3.3978	3.5468	3.5803	3.5101	3.6986	3.6986	3.6304
Seaford	2.4800	2.5800	2.5800	3.2300	3.2300	3.2300	3.2300	3.2900	3.2900	3.3200
Woodbridge	2.9030	2.9990	2.9990	3.3280	3.2950	3.2950	3.2850	3.2810	3.2810	3.4820
Vo-Tech	0.2293	0.2293	0.2293	0.2269	0.2363	0.2480	0.2676	0.2666	0.2666	0.2737
Town Rates (2)										
Bethany Beach	0.0800	0.0800	0.0800	0.0800	0.1600	0.1600	0.1650	0.1650	0.1650	0.1700
Bethel	0.4000	0.4000	0.4000	0.4000	0.4000	0.4000	0.4000	0.4000	0.4000	0.4000
Blades	1.4000	1.4000	1.4000	1.4000	1.4000	1.4000	1.4000	1.4000	1.4000	1.4000
Bridgeville	1.8300	1.8300	1.8300	1.7300	1.7300	1.7300	1.7300	2.0000	2.0000	2.0000
Dagsboro	0.3800	0.3800	0.3800	0.3800	0.3800	0.3800	0.3800	0.3800	0.3800	0.3800
Delmar	1.1000	1.3100	1.3100	1.3100	1.3100	0.4000	0.5000	0.5000	0.5000	0.5000
Dewey Beach	0.4000	0.4000	0.4000	0.4000	0.4000	0.4000	0.4000	0.4000	0.4000	0.4000
Ellendale	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
Fenwick Island	1.4500	1.6000	1.6000	1.9200	1.9200	1.9200	1.9200	1.9200	1.9200	1.9200
Frankford	1.7500	1.7500	1.7500	1.7500	1.9500	2.0500	2.2000	2.5000	2.5000	2.5000
Georgetown	2.1500	2.1500	2.4500	2.5300	2.5300	2.5300	2.5300	2.9300	3.1400	3.1400
Greenwood	0.6000	0.6000	1.0000	1.2000	1.4000	1.7000	1.7000	1.8000	1.8000	1.8000
Henlopen Acres	1.4500	1.4500	1.8800	1.8800	1.8800	1.8800	2.1700	2.1700	2.1700	2.6200
Laurel	1.9100	1.9100	1.9100	1.9100	1.9100	1.9100	1.9100	2.0800	2.0800	2.2000
Lewes	0.2600	0.2600	0.3900	0.3900	0.3900	0.3900	0.4900	0.4900	0.5700	0.5700
Milford	0.4100	0.4100	0.4100	0.4100	0.4100	0.4600	0.4600	0.4600	0.4600	0.4600
Millsboro	0.4600	0.4600	0.4600	0.5100	0.5100	0.5100	0.5100	0.5600	0.5600	0.5600
Millville	0.2000	0.2000	0.2000	0.2000	0.2000	0.5000	0.5000	0.5000	0.5000	0.5000
Milton	0.4100	0.4100	0.4100	0.4100	0.4100	0.4100	0.4100	0.1800	0.1800	0.2160
Ocean View	0.5000	0.5000	0.5000	0.5000	0.0981	0.0981	0.1059	0.1144	0.1230	0.1588
Rehoboth Beach	1.4000	1.4000	1.4000	1.5500	1.5500	1.5500	1.5500	1.5500	1.7800	1.7800
Seaford	0.4800	0.5200	0.5200	0.5700	0.5700	0.2650	0.2800	0.2900	0.2900	0.3000
Selbyville	1.8500	1.8500	1.8500	1.8500	1.8500	1.8500	1.8500	1.8500	1.8500	1.8500
Slaughter Beach	0.5000	0.5000	0.5000	0.5000	0.5000	0.5000	0.5000	0.7500	0.7500	0.7500
South Bethany	0.6500	0.6500	0.6500	0.6500	0.6500	0.6500	1.3000	1.3000	1.3000	1.3000

Notes:

1. The above rates are per \$ 100 of assessed value.
2. The town rate shown for Bethany Beach, Blades, Dagsboro, Delmar, Lewes, Milford, Millsboro, Milton, Ocean View, Rehoboth Beach, and Seaford are based on assessments established by the individual towns. The other town rates are based on County assessments.
3. The Indian River School District charged \$ 2.115, \$ 2.027, and \$ 2.289 for non-residential properties in fiscal years 2003 through 2005 respectively.

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

* Figures not available

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

Taxpayer	Fiscal Year 2012			Fiscal Year 2003		
	Taxable Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Taxable Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Verizon	\$ 46,311,375	1	1.55%	\$ 35,639,325	1	1.79%
Delmarva Power & Light Co. (2)	23,335,305	2	0.78	19,734,824	2	0.99
Indian River Power LLC	12,786,471	3	0.43	12,737,071	3	0.64
Eastern Shore Natural Gas Co.	8,569,313	4	0.29	3,147,731	9	0.16
E. I. duPont de Nemours Company	8,385,865	5	0.28	9,484,250	4	0.48
Chesapeake Utilities Corporation	5,262,233	6	0.18	3,230,324	8	0.16
Delaware Electric Cooperative,	5,111,765	7	0.17	4,308,748	6	0.22
Sussex Sports Amenities LLC	4,547,400	8	0.15	-	-	-
Millsboro Town Center LLC	3,670,900	9	0.12	-	-	-
Allen's Hatchery, Inc.	3,547,200	10	0.12	-	-	-
Mountaire Farms of Delaware,	-	-	-	4,355,000	5	0.22
M & T Bank	-	-	-	3,135,800	10	0.16
Carl M. Freeman Associates Inc.	-	-	-	3,327,600	7	0.17
	<u>\$121,527,827</u>		<u>4.20%</u>	<u>\$ 99,100,673</u>		<u>4.99%</u>

Note: Taxpayer's name changed in Fiscal Year 2005 from Conectiv Power Delivery to Delmarva Power & Light, Co.

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

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

Fiscal Year	Taxes Levied for Fiscal Year (Original Levy)		Total Adjusted Tax Levy	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
	Adjustments	Current Tax Collections		Percent of Levy	Amount		Percentage of Adjusted Levy	
2003	\$ 9,113,367	\$ 106,521	\$ 9,219,888	\$ 8,904,011	96.6%	\$ 291,364	\$ 9,195,375	99.7%
2004	9,578,379	140,252	9,718,631	9,393,462	96.7	295,944	9,689,406	99.7
2005	8,161,305	120,699	8,282,004	8,014,809	96.8	232,117	8,246,926	99.6
2006	10,686,666	175,555	10,862,221	10,584,949	97.4	234,304	10,819,253	99.6
2007	11,468,314	217,171	11,685,485	11,403,418	97.6	227,724	11,631,142	99.5
2008	12,329,504	140,690	12,470,194	12,206,827	97.9	195,919	12,402,746	99.5
2009	12,827,188	85,976	12,913,164	12,580,435	97.4	241,819	12,822,254	99.3
2010	13,134,779	56,957	13,191,736	12,842,730	97.4	222,984	13,065,714	99.0
2011	13,307,922	62,530	13,370,452	13,034,973	97.5	167,053	13,034,973	98.8
2012	13,333,291	64,275	13,397,566	13,129,170	98.0	-	13,129,170	98.0

Notes:

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

Source: Sussex County Treasury Division.

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

<u>Fiscal Year</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	<u>Percentage of Personal Income</u>	<u>Per Capita</u>
	<u>Capital Leases</u>	<u>General Obligation Bonds</u>	<u>Sewer Revenue Bonds</u>				
2003	\$ 324,574	\$100,088,975	\$30,609,794		\$ 131,023,343	2.89%	\$ 780
2004	267,259	119,930,460	29,359,095		149,556,814	3.04	870
2005	259,744	121,162,608	28,076,986		149,499,338	2.83	850
2006	181,346	133,549,727	26,953,295		160,684,368	2.84	891
2007	165,271	134,977,468	25,497,849		160,640,588	2.68	874
2008	136,587	137,819,192	24,005,471		161,961,250	2.52	859
2009	72,862	139,857,414	22,475,982		162,406,258	2.44	846
2010	17,987	145,652,932	20,914,202		166,585,121	2.44	845
2011	-	172,030,209	19,304,944		191,335,153	*	953
2012	-	154,769,529	17,658,022		172,427,551	*	838

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

* Figures not available

SUSSEX COUNTY, DELAWARE
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
JUNE 30, 2012

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<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
School Districts:			
Cape Henlopen	\$ 31,305,278	100%	\$ 31,305,278
Delmar	1,997,815	100%	1,997,815
Howard T Ennis, Sr.	741,250	100%	741,250
Indian River	31,657,789	100%	31,657,789
Laurel	3,464,100	100%	3,464,100
Milford	16,260,725	59%	9,593,828
Seaford	6,234,310	100%	6,234,310
Sussex Tech	7,094,774	100%	7,094,774
Woodbridge	5,932,914	99%	5,873,585
Total School Districts			<u>97,962,729</u>
Municipalities:			
Rehoboth Beach	3,514,409	100%	3,514,409
Seaford	162,794	100%	162,794
Total Municipalities			<u>3,677,203</u>
Subtotal, overlapping debt			101,639,932
County direct debt			<u>-</u>
Total direct and overlapping debt			<u>\$ 101,639,932</u>

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

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

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General obligation bonds	\$ 100,088,975	\$ 119,930,460	\$ 121,162,608	\$ 133,549,727	\$ 134,977,468	\$ 137,819,192	\$ 139,857,414	\$ 145,652,932	\$ 172,030,209	\$ 154,769,529
Percentage of estimated actual property value	0.51%	0.46%	0.38%	0.37%	0.34%	0.35%	0.36%	0.42%	0.50%	0.45%
Per capita	\$ 596	\$ 698	\$ 689	\$ 741	\$ 734	\$ 731	\$ 728	\$ 739	\$ 857	\$ 752
Total net debt applicable to debt limit	100,088,975	119,930,460	121,162,608	133,549,727	134,977,468	137,819,192	139,857,414	145,652,932	172,030,209	154,769,529
Legal debt limit	252,815,042	266,391,788	283,050,019	303,961,496	302,316,074	339,750,295	347,637,021	352,113,820	359,533,606	359,533,606
Legal debt margin	\$ 152,726,067	\$ 146,461,328	\$ 161,887,411	\$ 170,411,769	\$ 167,338,606	\$ 201,931,103	\$ 207,779,607	\$ 206,460,888	\$ 187,503,397	\$ 204,764,077
Total net debt applicable to the limit as a percentage of debt limit	39.59%	45.02%	42.81%	43.94%	44.65%	40.56%	40.23%	41.37%	47.85%	43.05%

Legal debt margin calculation for fiscal year 2012

Assessed value	\$ 3,040,419,142
Debt limit (12% of assessed value)	364,850,297
Total net debt applicable to limit	<u>154,769,529</u>
Legal debt margin	<u>\$ 210,080,768</u>

Notes:

1. The statutory limitation for debt is 12% of the assessed value of taxable property as of June 30, 2012.
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.

**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	
2003	\$ 11,006,550	\$ 1,694,092	\$ 9,312,458	\$ 1,219,457	\$ 1,242,289	3.78
2004	10,861,191	1,805,308	9,055,883	1,250,698	1,209,897	3.68
2005	10,799,139	1,985,003	8,814,136	1,282,109	1,175,703	3.59
2006	13,550,763	2,140,366	11,410,397	1,293,972	991,553	4.99
2007	11,272,131	2,804,306	8,467,825	1,455,446	860,325	3.66
2008	11,999,456	2,743,615	9,255,841	1,492,378	825,293	3.99
2009	10,416,204	2,899,406	7,516,798	1,529,488	789,210	3.24
2010	9,406,784	3,068,983	6,337,801	1,561,781	752,067	2.74
2011	9,372,308	2,858,014	6,514,294	1,609,258	712,214	2.81
2012	9,972,970	2,769,722	7,203,248	1,646,921	670,863	3.11

Notes:

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

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

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

<u>Year</u>	<u>Population (1)</u>	<u>Total Personal Income (2)</u>	<u>Per Capita Personal Income (2)</u>	<u>Median Age (3)</u>	<u>Public School Enrollment (4)</u>	<u>Unemployment Rate (5)</u>
2003	167,904	4,533,723	\$ 26,832	*	25,055	2.7%
2004	171,923	4,927,085	28,609	42.4	24,210	3.3%
2005	175,818	5,278,405	29,959	42.4	24,278	3.2%
2006	180,275	5,650,513	31,385	41.8	24,531	3.1%
2007	183,798	6,001,783	32,647	42.1	24,818	3.0%
2008	188,597	6,425,940	33,881	41.9	25,104	4.1%
2009	192,019	6,637,087	34,434	44.4	25,307	7.8%
2010	197,145	6,830,250	34,512	45.4	25,704	7.9%
2011	200,771	*	*	*	24,205	7.2%
2012	205,800	*	*	*	24,560	5.9%

Note: Total personal income is in thousands of dollars.

Sources:

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

* Figures not available

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

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<u>Type of Employer</u>	<u>2012</u>			<u>2003</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>
Retail trade	10,510	1	16.6%	10,112	1	17.2%
Manufacturing	10,221	2	16.1	10,903	2	18.6
Health care and social assistance	9,829	3	15.5	6,962	3	11.8
Government	8,007	4	12.6	5,939	4	10.1
Accommodation and food services	7,191	5	11.3	5,838	5	9.9
Construction	3,396	6	5.3	4,560	6	7.8
Administrative and waste services	2,337	7	3.7	1,739	9	3.0
Other services, except public administration	2,199	8	3.5	2,175	8	3.7
Finance and insurance	1,782	9	2.8	2,628	7	4.5
Professional and technical services	1,576	10	2.5	-	-	-
Transportation and warehousing	-	-	-	1,357	10	2.3
	<u>57,048</u>		<u>89.9%</u>	<u>52,213</u>		<u>88.9%</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>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
General government										
General administration	8	8	8	10	11	11	11	11	11	11
Finance	80	85	86	89	90	86	81	72	70	71
Personnel	5	5	5	6	6	6	6	6	6	6
Buildings and grounds	26	27	28	25	33	26	21	17	19	21
Data processing	10	13	13	13	12	14	12	14	15	15
County constable	3	4	4	4	3	4	4	5	5	5
Planning and zoning	14	14	14	15	16	15	14	13	12	12
Paramedic program	79	90	94	108	110	109	112	106	105	104
Emergency preparedness	27	28	27	29	28	28	27	28	28	27
Economic development and public works	10	11	15	14	13	12	12	12	11	10
County engineer	112	115	120	132	132	139	141	138	140	137
Library	28	35	32	30	41	33	31	27	27	26
Community development and housing programs	6	6	6	6	7	6	6	6	6	5
Constitutional offices	33	36	33	33	37	36	34	35	34	33
Total	441	477	485	514	539	525	512	490	489	483

Source: Sussex County Accounting Department.

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

Function/Program	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Planning and Zoning										
Permits issued	9,741	10,811	11,075	11,299	9,896	8,436	6,553	6,302	6,658	6,959
Public Safety										
Paramedic incidents dispatched	10,421	11,018	11,612	11,955	12,701	13,759	13,500	13,697	14,077	14,260
911 calls	91,511	89,446	85,243	94,858	99,659	104,623	97,230	103,107	105,776	108,301
Sewer and Water Services										
Sewer customers, EDU's billed	41,431	44,240	47,524	50,809	53,439	56,200	57,673	59,154	60,167	62,431
Water customers, EDU's billed	3,530	3,548	3,530	3,543	3,553	3,574	3,600	3,611	3,613	3,631
Libraries										
Circulation	1,062,779	1,197,367	1,182,767	1,137,880	1,170,327	1,221,697	1,299,830	1,234,407	1,147,886	1,406,166
Industrial Airpark										
Number of businesses	18	18	20	20	20	18	18	18	17	17
Number of jobs provided by business	650	681	752	860	944	1,048	989	842	961	881
Number of landings (1)	15,106	16,306	18,625	17,508	19,259	20,222	20,000	20,000	17,500	18,000

Note: The number of landings is an estimate provided by Sussex County Airport Department.

Source: Individual Sussex County Departments.

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

<u>Function/Program</u>	Fiscal Year									
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Public Safety										
Paramedic stations	7	7	7	7	8	8	9	9	9	9
Volunteer fire and ambulance companies	24	24	24	24	24	24	24	24	24	24
Additional state police officers funded by County	16	20	24	28	32	36	40	40	40	40
Sewer and Water Services										
Miles of underground sanitary sewer pipe	517	554	595	655	682	747	770	778	811	846
Number of feet of ocean outfall sewer pipe	6,500	6,500	6,500	6,500	6,500	6,500	6,500	6,500	6,500	6,500
Pump stations	261	256	357	370	384	397	418	428	437	440
Lagoon treatment facilities with land application	3	3	3	3	3	3	3	3	3	3
Tertiary treatment facility with ocean discharge	1	1	1	1	1	1	1	1	1	1
Libraries										
Directly administered	3	3	3	3	3	3	3	3	3	3
Number of County funded, with independent board	11	11	11	11	11	11	11	11	11	11
Bookmobiles	1	1	1	1	1	1	1	1	1	1
Airport										
Paved runway footage	7,300	7,300	7,330	7,330	7,330	7,330	7,330	8,109	8,109	8,109
Number of hangars	20	20	24	27	28	30	30	30	30	30
Number of runways	2	2	2	2	2	2	2	2	2	2

Source: Individual Sussex County Departments.

SINGLE AUDIT SUPPLEMENT



SUSSEX COUNTY, DELAWARE
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2012

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Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Direct Programs:			
Rural Housing Preservation Grants	10.433	HPG 10-11 HPG 11-12	\$ 26,450
Water and Waste Disposal Systems for Rural Communities*	10.760		11,376,597
ARRA - Water and Waste Disposal Systems for Rural Communities *	10.781		<u>7,041,368</u>
Subtotal Water and Waste Disposal Systems for Rural Communities Cluster			<u>18,417,965</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>18,444,415</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Passed through State - Delaware State Housing Authority:			
Community Development Block Grants/ State's Program	14.228	CD 03-10 CD 03-11 NSP 03-08	1,038,896 <u>25,189</u>
Neighborhood Stabilization Program (NSP 1)			
Total Community Development Block Grants/ State's Program			1,064,084
ARRA - Neighborhood Stabilization Program (NSP 2)*	14.256	NSP 03-09	863,936
Home Investment Partnerships Program	14.239	HM 03-10 HM 03-11	<u>203,288</u>
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			<u>2,131,308</u>
U.S. DEPARTMENT OF TRANSPORTATION			
Direct Program:			
Airport Improvement Program	20.106	3-10-0007-024-10 3-10-0007-025-10 3-10-0007-026-11 3-10-0007-027-11 3-10-0007-028-12	900,407
Passed through State - Delaware Emergency Management Agency:			
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	SCHMEP FY2011 SCHMEP FY2012	<u>6,842</u>
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			<u>907,249</u>
U.S. ENVIRONMENTAL PROTECTION AGENCY			
Passed through State - Department of Natural Resources and Environmental Control:			
ARRA- Capitalization Grants for Clean Water State Revolving Funds*	66.458	12100003 12000031 12000035 12000036 12000038	<u>8,897,730</u>
TOTAL U.S. ENVIRONMENTAL PROTECTION AGENCY			<u>8,897,730</u>

(continued)

*Denotes major program

See accompanying notes to Schedule of Expenditures of Federal Awards.

SUSSEX COUNTY, DELAWARE
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED
 FOR THE YEAR ENDED JUNE 30, 2012

U.S DEPARTMENT OF ENERGY

Direct Program:

ARRA - Energy Efficiency and Conservation Block Grant Program*	81.128	DE-SC00011263	207,872
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TOTAL U.S. DEPARTMENT OF ENERGY			207,872
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U.S. DEPARTMENT OF HOMELAND SECURITY

Passed through State - Delaware Emergency Management Agency:

Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-3336-EM-DE	60,671
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Emergency Management Performance Grants	97.042	EMPG-11-003 EMPG-12-003	181,796
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Homeland Security Grant Program	97.067	2008 2009 2010	207,982
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TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			450,449
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TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 31,039,023
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*Denotes major program

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

Basis of Accounting

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

NOTE B - LOANS

The County had the following federal expenditures that have been or will be funded by loans from the U.S. Department of Agriculture and the U.S. Environmental Protection Agency for the year ended June 30, 2012. Amounts listed under Capitalization Grants for Clean Water State Revolving Funds do not include \$5,807,607 of current year principal forgiveness.

Program Title	Federal CFDA Number	Loan Amount
Water and Waste Disposal Systems for Rural Communities	10.760	\$ 7,450,038
ARRA - Water and Waste Disposal for Rural Communities	10.781	4,002,929
ARRA - Capitalization Grants for Clean Water State Revolving Funds	66.458	3,090,123

NOTE C - LOANS OUTSTANDING

The County administers low-income housing loan programs under the Community Development Block Grants/Entitlement Grants for CFDA No. 14.228. The total amount outstanding at June 30, 2012 is \$ 636,172 of which \$ 119,079 is included in the current fiscal year's federal expenditure balance for that program.



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Independent Auditors' Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133

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

Compliance

We have audited Sussex County's (the "County") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Example Entity's major federal programs for the year ended June 30, 2012. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County's compliance with those requirements.

In our opinion, Sussex 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, 2012.

Internal Control Over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the



purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

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

This report is intended solely for the information and use of management, County Council, others within the County, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

BDO USA, LLP

December 21, 2012



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Independent Auditors' 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 the governmental activities, the business-type activities, and each major fund of Sussex County, Delaware (the "County"), as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements and have issued our report thereon dated December 21, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Sussex County's internal control over financial reporting as a basis for designing our auditing procedures 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 Sussex County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as item 2012-1, that we consider to be a significant deficiency in internal control over financial reporting. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain



provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Sussex County in a separate letter dated December, 21 2012.

Sussex County's response to the finding indentified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the County's response and, accordingly we express no opinion on it.

This report is intended solely for the information and use of management, County Council, others within the County, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

BDO USA, LLP

December 21, 2012

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

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

Federal Awards Section

Internal control over major programs:

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

Type of auditors' report issued on compliance for major programs: Unqualified

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

Identification of major programs:

<u>CFDA/Contract Number</u>	<u>Name of Federal Program or Cluster</u>
10.760 & 10.781	Waste & Waste Disposal System for Rural Communities Cluster
66.458	Capitalization Grants for Clean Water State Revolving Funds
81.128	Energy Efficiency Conservation Block Grant Program
14.256	Neighborhood Stabilization Program (NSP2)

Dollar threshold used to distinguish between Type A and Type B programs: \$365,590

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

SECTION II – Financial Statement Findings

2012-01 – Business-Type Revenue Recognition

Finding and Recommendation:

Auditor proposed adjustments were made to correct the balance of connection fee revenue (initially over-reported) during the course of the audit. The nature of the underlying transactions are those outside the County's normal course of operations and as such, were initially recorded without applying guidance directly from generally accepted accounting principles.

We recommend that management review its policies and procedures related to recognition of revenue for non-standard transactions to ensure all revenues are recognized in the proper period and correctly accounted for. If necessary, any unusual or one-time transactions should immediately be investigated, researched and recorded appropriately.

Views of Responsible Officials and Planned Corrective Actions:

Management intends to implement formal policies and procedures to investigate, research, and appropriately record any unusual or one-time transaction. Accordingly, once management decides on the action to be taken concerning an unusual transaction we will also get the opinion of our auditors.

Section III - Federal Award Findings and Questioned Costs

There were no findings and questioned costs for Federal awards (as defined in section .510(a) of the Circular) that are required to be reported.

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