



SUSSEX COUNTY

Delaware



Comprehensive Annual Financial Report

For Fiscal Year Ended June 30, 2013

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2013



Prepared by the Finance Department

SUSSEX COUNTY, DELAWARE
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INTRODUCTORY SECTION



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COUNTY ADMINISTRATOR

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Sussex County

DELAWARE
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December 20, 2013

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

We are pleased to present to you the Comprehensive Annual Financial Report (CAFR) for the Sussex County government for the fiscal year ended June 30, 2013. This report includes the annual financial statements as required by Delaware law, presented in conformity with generally accepted accounting principles (GAAP) in the United States of America and audited in accordance with auditing standards generally accepted in the United States of America.

This report consists of management's representations concerning the finances of Sussex County, Delaware (the County). Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. The County has established a comprehensive internal control framework that is designed to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the presentation of the County's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the County's internal control framework has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The County's financial statements have been audited by BDO USA, LLP a firm of licensed certified public accountants. A goal of the independent audit was to provide reasonable assurance that the financial statements of the County for the fiscal year ended June 30, 2013, 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, 2013, are fairly presented in conformity with GAAP. The auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the County was part of a broader, federally mandated "single audit" designed to meet the special needs of federal grantor agencies. The standards governing single audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal



controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. The single audit section of this report includes these reports and related information. GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. Sussex County's MD&A can be found immediately following the report from the independent auditor.

Profile of Sussex County

Sussex County is proud of the natural beauty, mix of small towns, rich history, and popular attractions that are found throughout our county. Sussex County is a rural county in transition, a community that, in some ways, represents a microcosm of the United States with developing, more urbanized seaside resorts to the east and industry and agriculture dominating the central and western landscape. Our county is the largest county in Delaware, comprising a total land area of approximately 938 square miles, or 48 percent of the State's total area; with a population of 203,390, according to estimates from the Delaware Population Consortium. The county is bordered on the east by the Atlantic Ocean, on the north by Kent County, Delaware, and on the south and west by that portion of the State of Maryland which lies east of the Chesapeake Bay. The Town of Georgetown, the county seat, is situated in the center of the county. The county is within 200 miles of New York City, Philadelphia, Baltimore, and Washington, D.C., putting Sussex County within a short drive for millions of Americans.

The modern County government was established on July 23, 1970, replacing the Levy Court Commission with a Council-Administrator form of government. The government is composed of a legislative body - the County Council - and an administrative arm -- County Administration -- that includes operating departments and offices, some of which are administered by officials elected at-large and also known as Row Officers. The County Council, which has legislative powers, consists of five members who represent geographic districts. Council members are elected to four-year terms, which are staggered. The County Administrator and County Finance Director are appointed by the County Council. The County Administrator is responsible for the entire range of executive, administrative, and fiscal duties performed by all County departments.

Sussex County, Delaware, is a rural county with beaches along the Delaware Bay and Atlantic Ocean. According to the 2010 U.S. Census, Sussex County had a population increase of more than 25 percent from 2000 to 2010. The State of Delaware has never had a general sales tax, inventory tax, or State real property tax. Local property taxes are very low, making the county a desirable destination for new residents and retirees. The eastern portion of the county is home to most of Delaware's beaches and seaside resorts. Sussex's central and western areas are the backbone of Delaware's agriculture industry.

Sussex County is deeply rooted in history and tradition. One of the most unique events, of which the county is tremendously proud, is the biennial event known as Return Day. Return Day originated around 1790 and is set on The Circle in Georgetown, the county seat. Return Day is held two days after Election Day and was started so 'voters' could come to Georgetown to hear the 'returns', or results, of the elections. During this day, election results were read, food was served, and candidates 'buried' the hatchet. Sometime later, a parade was started with both the winning and losing candidates riding together in open carriages. The 2012 elections marked the 200th anniversary of this tradition, which is listed as a unique Delaware tradition in the U.S. Library of Congress' Local Legacies Project.

The County government provides a variety of services, which are mandated by State statute or County Code. Major public services include emergency medical services, mapping and addressing, libraries, and sewer service. The County also owns and maintains the Sussex County Airport near 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 483 full time employees and 196 retirees. In Sussex County, a select group of elected officials preside over certain “row offices”, or constitutional offices. These include Marriage Bureau, Recorder of Deeds, Register of Wills, and the Sheriff’s Office. These four offices provide services, such as issuing marriage licenses, recording of legal papers, and performing court-related duties. Each row office is managed by an elected official, independent of the County Council, but the County government is responsible for their staffing, financial accountability and annual budgets.

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

Sussex County continues to work on the expansion of wastewater services that are vital in meeting our environmental and population needs. The County serves more than 65,000 equivalent dwelling units (EDUs), and maintains and operates four treatment facilities. Various sewer projects have been completed in fiscal year 2013. Fiscal Year 2014 saw a 32 percent decrease from Fiscal Year 2013’s activity. The sewer and water districts’ operating budget for fiscal year 2013 was \$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 37) for additional budget information. Budget-to-actual comparisons begin on page 62 through page 70.

Economic Condition of Sussex County

Local Economy

Sussex County has a diverse and dynamic local economy, one that prospered during the economic boom of the early 2000s. However, the county has had its share of home foreclosures, yet has still 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. 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 7.3 percent in August 2013 and Delaware's unemployment rate was 6.9 percent, Sussex County's unemployment was well under those averages at 5.8 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. The number of building permits has continued to increase since 2010. 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 2013. The Sussex County Association of Realtors sent out a survey to 1,300 real estate professionals to gauge real estate transactions. In October, 56 percent of the respondents answered that their activity was "significantly higher" or "somewhat higher" over the previous year. This increase in home sales is evident by the rise in the County's collection of real estate transfer tax revenue, from \$14.3 million in 2012 to \$17.4 million in 2013.

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 \$3.78 billion, including \$711 million in labor income. Delaware ranks first nationally in the value of agriculture products sold per farm at \$425,387 and value of agriculture production produced per acre of land in farms at \$2,123.

The State's "Grow Local. Buy Local. Eat Local" campaign is helping the more than 15,000 people employed by agriculture. According to the Delaware Department of Agriculture, the number of seasonal farmers markets increased for the second year in a row. There is now a mobile app to find on-farm and farmers' markets anywhere in the state.

If agriculture represents that county's bread, tourism is certainly its butter. Tourism is Sussex County's second-leading industry. According to Southern Delaware Tourism, an estimated \$850 million of Delaware's \$2 billion tourism revenue comes from sales in Sussex County. Tourism employs 15,000 workers in Sussex County. The Atlantic coastline offers sandy beaches, family activities, recreation and shopping. In 2012, the U.S Natural Resources Defense Council gave some of Sussex County's beaches a five-star rating for ocean water quality and ranked Delaware first among the 30 coastal states.

A 2012 report prepared by Delaware Sea Grant quantified the economic contributions of coastal activities on the Delaware economy. The report states that 59,000 additional full-time equivalent jobs are supported by coast-related activity. These activities bring \$711 million of additional local, state, and federal taxes.

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.

Of all the sectors, healthcare and social assistance is one the fastest growing and is 15.7% of total county employment; this is a 36% increase in ten years. The increase correlates with the increase number of retirees who relocation to the county putting a demand on healthcare industry. The

State of Delaware's Annual Economic Report showed that healthcare added 204 jobs to bring the total to 10,555. The three major healthcare employers in the county are Bayhealth Medical Center in Milford, Beebe Healthcare in Lewes, and 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 order for any business or industry to succeed, a community must have a quality educational system at its foundation. The County is honored to have several public education schools that have earned the National Blue Ribbon distinction for excellence from the U.S. Department of Education. This award recognizes schools that have made significant progress in closing gaps in achievement, especially disadvantaged and minority students.

When it comes to higher education, opportunity abounds. The Delaware Technical & Community College (DTCC), and its 147-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.

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. The County was able to weather the financial storm because of its strong financial foundation. We are still mindful of a soft 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 that total more than \$34 million for the next five years. The County plans to fund these projects with Federal Aviation Administration (FAA) grants, State grants, and County funds.

The fiscal year 2014 Five-Year Capital Improvement Plan includes \$124 million for sewer expansion and upgrades. Funding for these projects include State Revolving Fund loans, State grants, Federal USDA loans and grants, developer contributions and County contributions.

Significant Financial Policies

As interest rates continue to lag, 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. The primary objectives, in priority order, in investment activities shall be safety, liquidity, and yield. 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 keep our expenses within the current sources of revenue. A comprehensive review is done monthly by the Finance Department, which analyzes department expenditures and budget reports. These reviews are discussed in open forum with our County Council on a quarterly basis to keep them and the public informed of the current economic effects on revenues. Relevant financial topics and future strategies are also discussed with County Council. It is 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 allowed us to serve in a declining economy and time of economic change without taking on tax-supported debt or cutting services that would affect our residents and visitors.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Sussex County for its comprehensive annual financial report for the fiscal year ended June 30, 2012. This was the 11th 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 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.

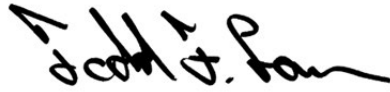
We believe that achieving this award is one example of Sussex County’s commitment and dedication to the highest standards of financial management. The preparation of this report on a timely basis is the result of the tremendous efforts of County employees in the Finance and Accounting Departments. We 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,

Handwritten signature of Todd F. Lawson in black ink.

Todd F. Lawson
County Administrator

Handwritten signature of Gina A. Jennings in black ink.

Gina A. Jennings
Finance Director



Government Finance Officers Association

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

Presented to

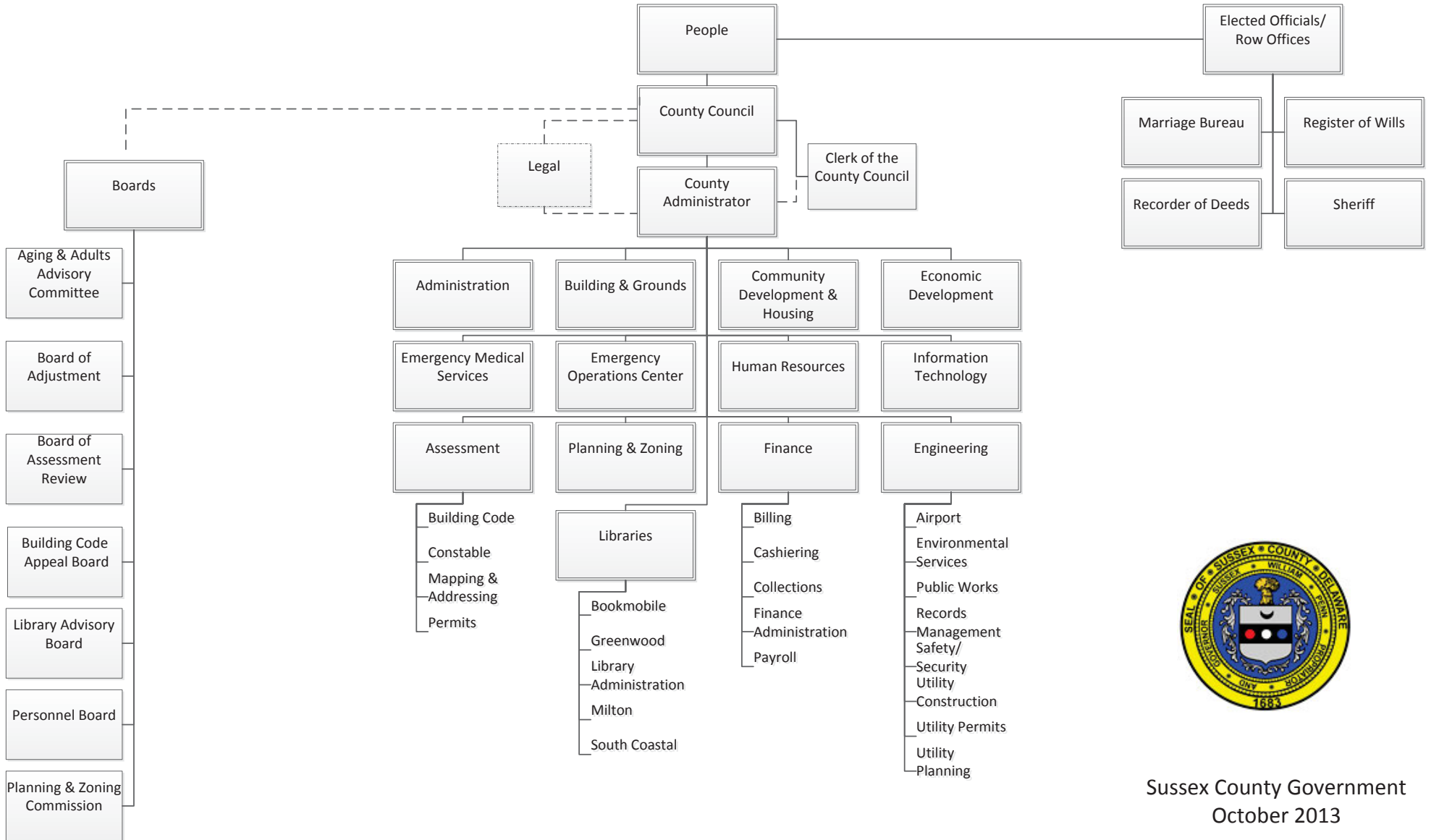
**Sussex County
Delaware**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO

SUSSEX COUNTY ORGANIZATIONAL STRUCTURE



Sussex County Government
October 2013

SUSSEX COUNTY, DELAWARE

LIST OF ELECTED OFFICIALS

JUNE 30, 2013

<u>COUNCIL</u>	<u>Length of Service</u>	<u>Term Expires</u>
<i>District 1</i>		
Michael H. Vincent (President)	4 years	Jan. 2017
<i>District 2</i>		
Samuel R. Wilson (Vice President)	4 years	Jan. 2017
<i>District 3</i>		
Joan R. Deaver	4 years	Jan. 2017
<i>District 4</i>		
George B. Cole	27 years	Jan. 2015
<i>District 5</i>		
Vance C. Phillips	15 years	Jan. 2015

<i>Clerk of the Peace</i>		
John Brady	6 months	Jan. 2017
<i>Recorder of Deeds</i>		
Scott Dailey	3 years	Jan. 2015
<i>Register of Wills</i>		
Cynthia Green	3 years	Jan. 2015
<i>Sheriff</i>		
Jeffrey Christopher	3 years	Jan. 2015

SUSSEX COUNTY, DELAWARE

COUNTY DEPARTMENT HEADS & OTHER OFFICIALS

JUNE 30, 2013

	<u>Length of Time in Position</u>	<u>Length of Service with the County</u>
<i>County Administrator</i> – Todd F. Lawson	1 year	2 years
<i>County Attorney</i> - J. Everett Moore, Esquire	4 years	4 years
<i>Finance Director</i> - Gina A. Jennings, MBA, MPA	2 months	7 years
<i>Deputy Finance Director</i> - Kathy L. Roth, CPA	2 months	7 years
<i>County Engineer</i> - Michael A. Izzo, P.E.	17 years	29 years
<i>Assessment Division Director</i> - Eddy J. Parker	23 years	33 years
<i>Community Development Program Director</i> - Brad Whaley	1 year	17 years
<i>Data Processing Director</i> - Bonnie O. Smith	26 years	44 years
<i>Director of Engineering Accounting</i> - Jeffrey James	19 years	34 years
<i>Director of Environmental Services</i> - Heather Sheridan	27 years	37 years
<i>Director of Information Technology</i> – Thomas Glenn	7 years	11 years
<i>Director of Sussex Airport and Industrial Park Operations</i> - James A. Hickin	7 years	8 years
<i>Economic Development Director</i> - Julia L. Wheatley	5 years	5 years
<i>Emergency Preparedness Director</i> - Joseph L. Thomas	16 years	27 years
<i>Facilities Manager</i> - Douglas J. Stoakley	3 years	19 years
<i>Human Resources Director</i> - Karen Brewington	2 years	2 years
<i>Library Director</i> - Kathy M. Graybeal	2 years	2 years
<i>Paramedic Director</i> - Robert A. Stuart	2 years	21 years
<i>Planning and Zoning Director</i> - Lawrence B. Lank	27 years	43 years



FINANCIAL SECTION





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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Sussex County, Delaware (the County), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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



Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Sussex County, Delaware, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules of funding progress and employer contributions on pages 4 through 18 and 58 through 61 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying supplementary information, such as the introductory section, individual fund financial schedules, statistical section, and Schedule of Expenditures of Federal Awards, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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



The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Governmental Auditing Standards*, we have also issued our report dated December 20, 2013 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

BDO USA, LLP

December 20, 2013

SUSSEX COUNTY, DELAWARE

MANAGEMENT'S DISCUSSION & ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

This section of the report offers an overview and analysis of the financial activity of Sussex County, Delaware, for the year ended June 30, 2013. 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

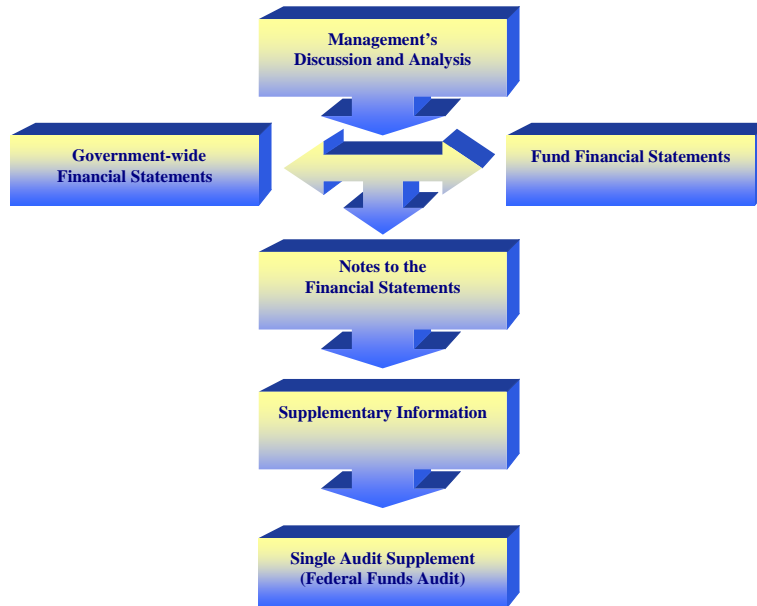
- As of June 30, 2013, assets exceeded liabilities by \$476.3 million. Of this amount, \$99.4 million was unrestricted and may be used for ongoing obligations to citizens and creditors.
- The County's total net position increased by \$12.7 million during the year. The governmental activities' portion of the increase was \$4.5 million. The increase in the investment in governmental capital assets, net of related debt was \$3.6 million, restricted realty transfer tax decreased \$7.2 million, and the business-type activities increase in net position was \$8.2 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 \$4.5 million increase in governmental activities' net position is a reflection of the positive movement in County revenue. Operating expense budgets have remained at consistent levels but revenues have started 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, 2013, the County's governmental funds reported an ending fund balance of \$92.3 million. This decrease is from the preceding year due to \$6.4 million of capital projects being completed. About \$30.6 million was unassigned or available for use to meet the County's current and future needs.

Overview of the Financial Statements

Management’s Discussion and Analysis introduces the County’s basic financial statements. These basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. Supplementary information, in addition to the basic financial statements, is also included. The Single Audit (Federal Funds) Supplement follows the supplementary information.



Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the County’s finances, in a manner similar to a private sector business. This government-wide financial reporting includes two statements: the Statement of Net Position and the Statement of Activities. Fiduciary activity is excluded from these statements because its resources are not available to finance other County programs.

The Statement of Net Position presents information on all of the County’s assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as an indicator of whether the financial position of Sussex County is improving or deteriorating.

The Statement of Activities presents information showing how the County’s net position changed during the current fiscal year. Changes in net position are reported when the underlying event occurs, regardless of the timing of related cash flows. Thus, some revenues and expenses reported in this statement will not impact cash flows until future fiscal periods.

Both the Statement of Net Position and Statement of Activities account separately for governmental activities and business-type activities.

- Governmental activities include General Administration, Finance, 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 19 and 20 of this report.

Fund Financial Statements

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

- *Governmental Funds* - Governmental funds account for essentially the same functions as governmental activities in the government-wide financial statements. Governmental fund financial statements do focus on near term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information may be useful in evaluating a government's near term financing requirements. Because the focus of governmental funds is for the current period, it is useful to compare this information with similar information presented for governmental activities in the government-wide financial statements. Readers may then better understand the long-term impact of the government's current financing decisions. The Governmental Fund Balance Sheet and Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance include reconciliations to the government-wide financial statements (see pages 21 through 23).

Sussex County maintains two individual governmental funds. 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 and the Dewey Water District (see pages 25 through 28).
- *Fiduciary Funds* - Sussex County has two fiduciary funds, the Pension Trust fund and the Post-retirement Employee Benefit Trust fund. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. They are not reflected in the government-wide financial statements because the resources of these funds are not available to support the County's 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 29 and 30 of this report.

Notes to the Financial Statements

Notes to the financial statements found on pages 31 through 57 of this report, provide additional information that is important for a better understanding of the data provided in the financial statements.

Other Information

Pages 58 through 61 include required supplementary information regarding our fiduciary funds. Following are General fund and Capital Project fund budgetary comparison schedules and General fund revenue and expenditure schedules. The statistical section follows on pages 72 through 91 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 \$476.3 million as of June 30, 2013. Net position over time may serve as a useful indicator of a government's financial position.

The following Table is a summary of the government-wide statement of net position:

**SUSSEX COUNTY'S SCHEDULE OF NET POSITION
As of June 30, 2013 and 2012**

	Governmental Activities		Business-type Activities		Total Government	
	2013	2012	2013	2012	2013	2012
Current and Other Assets	\$ 125,568,861	\$ 125,175,519	\$ 97,732,913	\$ 97,228,414	\$ 223,301,774	\$ 222,403,933
Capital Assets	69,300,954	65,013,887	375,860,198	376,395,027	445,161,152	441,408,914
Total Assets	<u>\$ 194,869,815</u>	<u>\$ 190,189,406</u>	<u>\$ 473,593,111</u>	<u>\$ 473,623,441</u>	<u>\$ 668,462,926</u>	<u>\$ 663,812,847</u>
Current and Other Liabilities	10,344,526	9,808,820	2,465,430	5,497,942	12,809,956	15,306,762
Long-term Liabilities						
Outstanding	5,475,072	5,807,404	173,845,517	179,067,589	179,320,589	184,874,993
Total Liabilities	<u>\$ 15,819,598</u>	<u>\$ 15,616,224</u>	<u>\$ 176,310,947</u>	<u>\$ 184,565,531</u>	<u>\$ 192,130,545</u>	<u>\$ 200,181,755</u>
Net Position:						
Investment in Capital Assets	69,132,520	65,497,373	202,651,443	194,995,829	271,783,963	260,493,202
Restricted	56,534,084	63,990,556	43,172,577	76,634,459	99,706,661	140,625,015
Unrestricted	53,383,613	45,085,253	51,458,144	17,427,622	104,841,757	62,512,875
Total Net Position	<u>\$ 179,050,217</u>	<u>\$ 174,573,182</u>	<u>\$ 297,282,164</u>	<u>\$ 289,057,910</u>	<u>\$ 476,332,381</u>	<u>\$ 463,631,092</u>

A large portion of the County's net position (58 percent) are not available for future use since they represent amounts invested in capital (e.g., land, buildings, machinery and equipment). This investment is net of any related debt that was used to acquire those assets 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. County's net investment in capital assets increased by \$16.8 million during fiscal year 2013. The largest increase is in business-type activities due to the completion of ARRA or stimulus projects for sewer expansions.

Of the remaining \$199.1 million in net position, \$99.7 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, \$56.5 million represents realty transfer taxes and grant funds on-hand, which are restricted for specific purposes. Realty transfer taxes must be used for public safety, economic development, public works, capital projects, infrastructure projects, or debt reduction. Planned uses of realty transfer taxes include buildings and improvements, industrial park infrastructure and County Airport Improvements.

The remaining \$99.4 million in net position is unrestricted and may be used for ongoing obligations to citizens, customers, and creditors. The increase is due to the pay-off of revenue bonds in the West Rehoboth Sewer District. The pay-off removes the restriction on these funds. The funds still can only be used for the sewer district’s customers but they no longer have to be set aside to pay the revenue debt.

The following schedule shows the breakdown of changes in net position for governmental and business-type activities for fiscal years 2013 and 2012.

SUSSEX COUNTY'S CHANGES IN NET POSITION
For the Years Ended June 30, 2013 and 2012

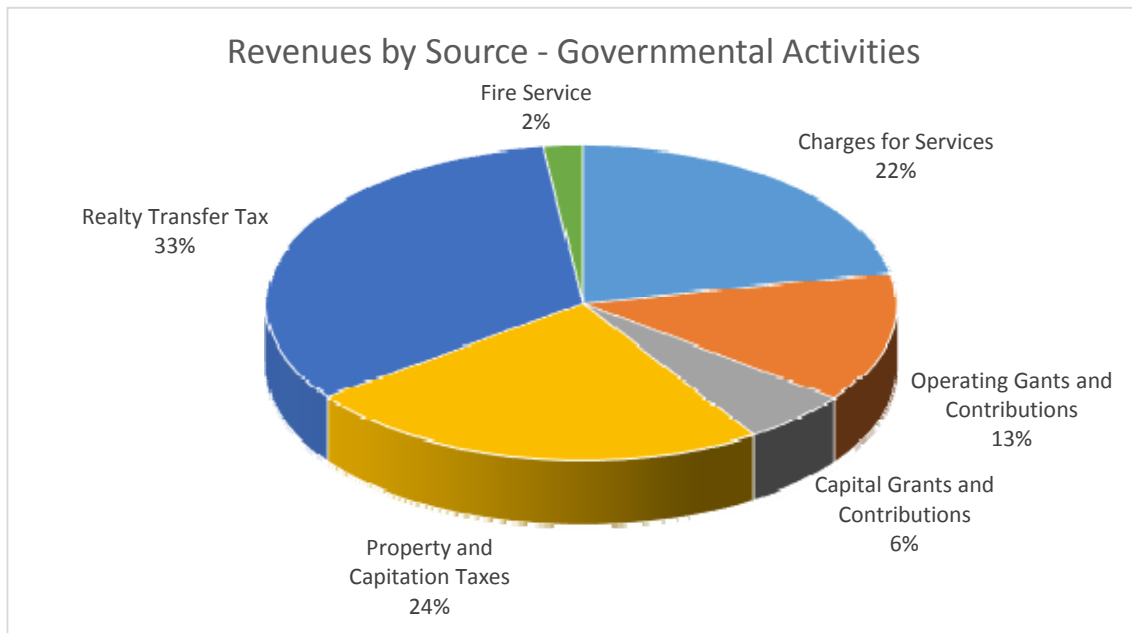
	Governmental Activities		Business-type Activities		Total Government	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program Revenues:						
Charges for Services	\$ 11,592,237	\$ 12,463,387	\$ 18,037,897	\$ 16,825,976	\$ 29,630,134	\$ 29,289,363
Operating Grants and Contributions	6,971,729	7,150,788	15,752,444	14,191,817	22,724,173	21,342,605
Capital Grants and Contributions	2,949,213	543,802	5,712,226	18,766,753	8,661,439	19,310,555
General Revenues						
Property & Capitation Taxes	12,706,792	13,540,463	-	-	12,706,792	13,540,463
Fire Service Taxes	1,041,506	898,335	-	-	1,041,506	898,335
Realty Transfer Taxes	17,422,525	14,282,093	-	-	17,422,525	14,282,093
Investment Results	(318,529)	302,903	(73,715)	22,884	(392,244)	325,787
Total Revenues	\$ 52,365,473	\$ 49,181,771	\$ 39,428,852	\$ 49,807,430	\$ 91,794,325	\$ 98,989,201
Expenses:						
Primary Government:						
General Government	\$ 9,697,332	\$ 10,024,224	\$ -	\$ -	\$ 9,697,332	\$ 10,024,224
Grant-in-aid Programs	8,156,799	6,618,896	-	-	8,156,799	6,618,896
Planning and Zoning	1,212,351	1,202,696	-	-	1,212,351	1,202,696
Paramedic Program	12,895,383	12,173,161	-	-	12,895,383	12,173,161
Emergency Preparedness	3,360,129	3,165,648	-	-	3,360,129	3,165,648
Economic Development and Airpark	2,063,146	2,304,295	-	-	2,063,146	2,304,295
County Engineer	1,622,080	1,130,783	-	-	1,622,080	1,130,783
Library	3,917,395	3,787,237	-	-	3,917,395	3,787,237
Community Development and Housing Programs	1,782,197	2,447,571	-	-	1,782,197	2,447,571
Constitutional Offices	2,429,063	2,493,630	-	-	2,429,063	2,493,630
Business-type Activities	-	-	31,957,161	30,538,967	31,957,161	30,538,967
Total Expenses	\$ 47,135,875	\$ 45,348,141	\$ 31,957,161	\$ 30,538,967	\$ 79,093,036	\$ 75,887,108
Increase in Net Position Before Transfers						
Transfers	\$ 5,229,598	\$ 3,833,630	\$ 7,471,691	\$ 19,268,463	\$ 12,701,289	\$ 23,102,093
Transfers	(752,563)	(925,897)	752,563	925,897	-	-
Increase in Net Position	\$ 4,477,035	\$ 2,907,733	\$ 8,224,254	\$ 20,194,360	\$ 12,701,289	\$ 23,102,093
Net Position – Beginning	174,573,182	171,665,449	289,057,910	268,863,550	463,631,092	440,528,999
Net Position - Ending	\$ 179,050,217	\$ 174,573,182	\$ 297,282,164	\$ 289,057,910	\$ 476,332,381	\$ 463,631,092

Governmental Activities

Governmental activities increased net position by \$4.5 million during fiscal year 2013. This represents 2.6 percent of the total increase in net position for the year. Governmental activities include the General fund and Capital Projects fund.

General revenues total \$30.1 million for fiscal year 2013 for governmental activities. This includes \$17.4 million received from realty transfer taxes. This is a \$3.1 million, or 22.0 percent, increase from fiscal year 2012. This indicates that the real estate market is starting to shows signs of improvement. Realty transfer tax is once again our largest source of revenue. This is a reflection of the effect of the housing market in Sussex County.

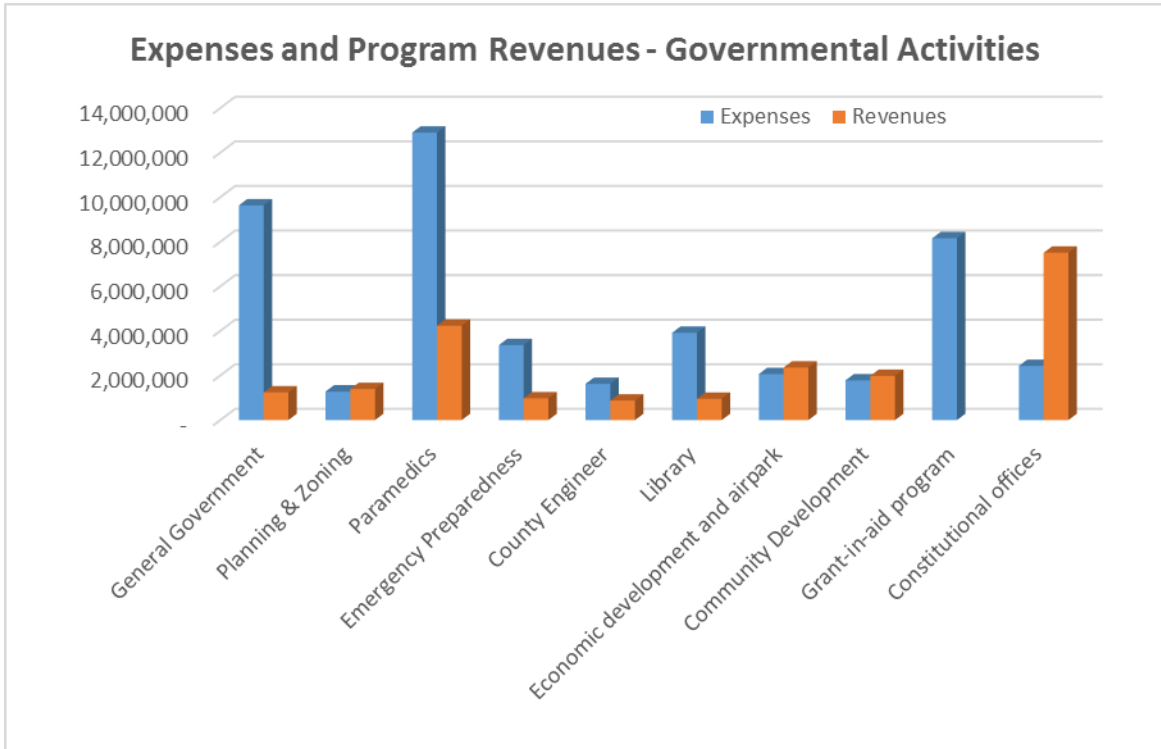
The pie chart below shows the allocation of our governmental revenues.



Charges for services include \$7.5 million for Constitutional offices. This revenue is 64.8 percent of all governmental charges for services. There was a \$1.6 million decrease due to the decline in sheriff sales and foreclosures. This is another indication that economy is starting to improve. Interest income is showing a loss this year. This is due to unrealized losses in long-term investments. Before this year, the County did not invest in long-term investments with maturities greater than one year. Excluding unrealized losses, the County earned \$0.5 million in investment interest compared to \$0.3 million in 2012.

Total expenses were up \$1.8 million, or 3.9 percent, from fiscal year 2012. The largest increase of \$1.5 million was in the Grant-in-aid program. Due to revenues exceeding expenses in 2012, County Council voted to use these funds in fiscal year 2013. These grant funds went to the county's 11 independent libraries, the community development emergency housing repair program, and the Delaware State Police for 4 additional Troopers.

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



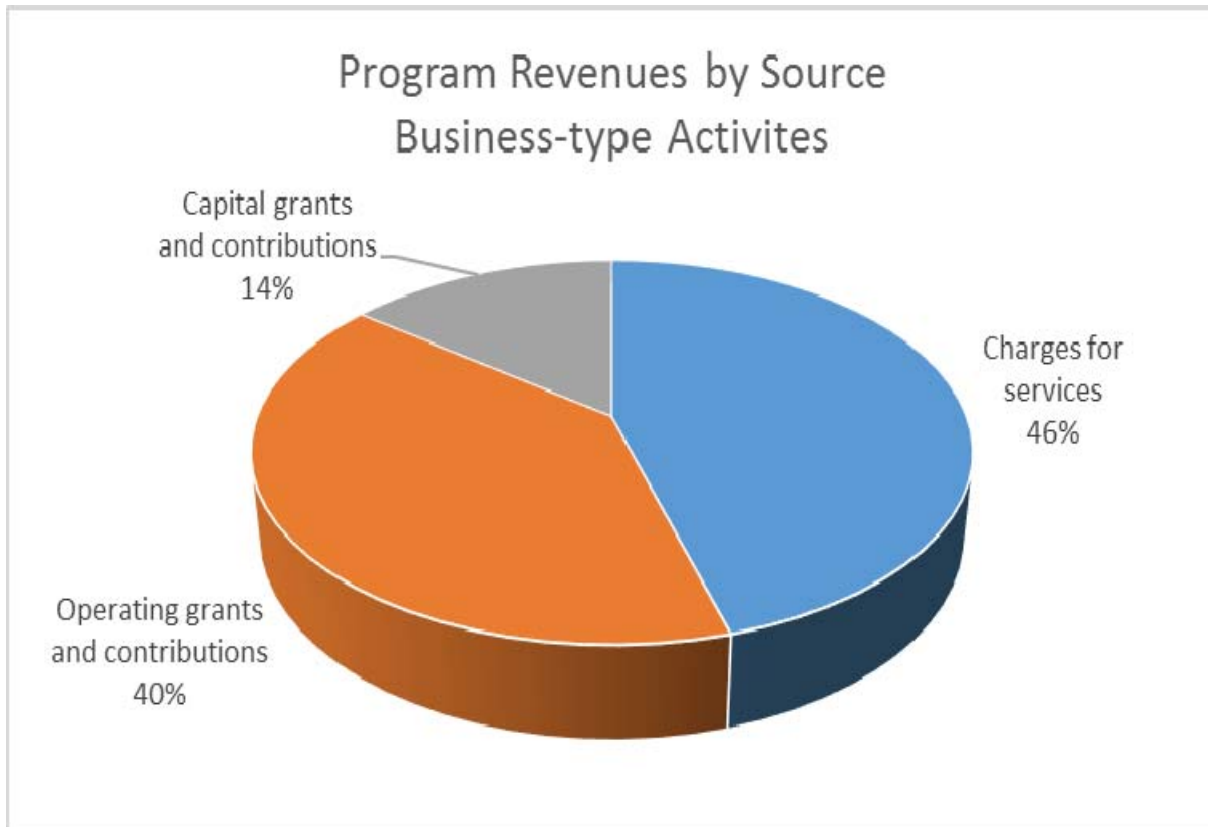
The population growth of the county over the last few years has impacted the paramedic department possibly more than any other county service. The paramedic department is the County's largest department in terms of expenditures and employees. Our residents and visitors rely on this valuable County service. 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 County's goal is to begin the process to purchase property where our paramedic stations are located. Currently we lease many buildings in different strategic locations throughout the county, as these leases come up for renewal we are exploring the option to buy rather than rent. To date we have done this with four of our eight medic stations

During fiscal year 2013, the County provided \$8.2 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 \$2.5 million contribution. The volunteer fire service received over \$3.4 million in grant funding during fiscal year 2013. A variety of community grants was given to local non-profit organizations, senior centers, libraries, food pantries, and housing assistance programs.

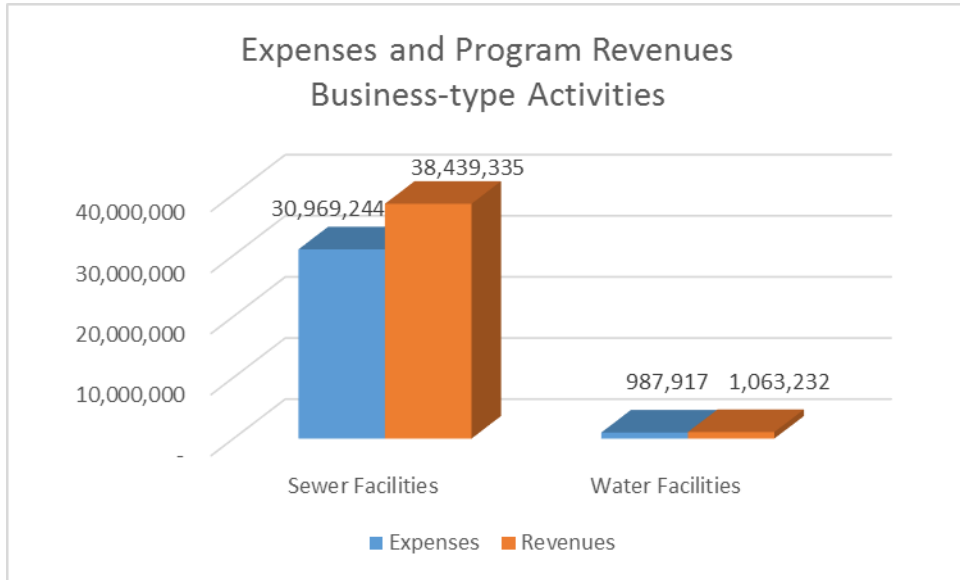
During fiscal year 2013, the County continued expansion projects at the industrial airpark. The County has extended the main airport runway by 500 feet for a total of 5,500 feet. The project was completed the September 2013. There are plans to add another 500 feet. This project will be FAA funded and 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.

Business-type Activities

Sussex County’s water and sewer funds have an increase in net position of \$8.2 million during fiscal year 2013. The income before capital contributions and transfers was \$1.8 million. Our sewer districts continue to grow bringing in additional income. The number of equivalent dwelling units increased more than 2,000 from fiscal year 2012. The pie chart reflects revenue by sources.



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



- The County received \$4.1 million in connection fees for new growth in the water and sewer districts. This is a 39.0 percent increase over last year’s collection of \$2.9 million. Connection fee income had decreased over the last few years due to the housing market which directly drives this revenue. However as the economy improves, this revenue will increase just like other building related revenue.
- 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 2013 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 2013, fund balances of the County's governmental funds decreased \$1.9 million. This decrease is a result of the \$6.4 million in capital projects which result in governmental assets on the government-wide financial statements.

For the General fund, fiscal year 2013 finished with an increase in fund balance of \$2.4 million. Page 78 in the financial section shows a history of Sussex County's revenues and expenses for the General fund since 1978. As shown, we have had some financially strong years, in particular from 1991 through 2006.

Fund balance financial reporting is more detailed and there are increased disclosures to help with understanding the availability of resources. This improves the usefulness and understanding fund balance information. Some of the more significant assignments in fund balance are for economic development, open space, and various grants. Assigned fund balance also includes possible future reassessment and information technology improvements.

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 2013, \$3.2 million was contributed to the pension plan. The fund saw an increase from investment earnings, net investment expenses, in the amount of \$6.3 million. The County's Pension plan is 81.7 percent funded according to the latest actuarial report dated January 1, 2013. As of June 30, 2013, investments held in this account were valued at over \$60.1 million.

During fiscal year 2005, the County established an irrevocable fund for other post-retirement employee benefits or "OPEB". We are currently 70.6 percent funded. As of June 30, 2013, investments held in this account were valued at \$26.0 million. For fiscal year 2013, the contribution to this fund was \$2.1 million. Because of this commitment and forethought in prior years, our funding level of this fund is unusually high in comparison with other municipalities.

As of January 1, 2013, there were 180 retirees and beneficiaries in the pension plan. Beneficiary payments totaled \$4.4 million. Currently, plan members are not required to contribute.

An experience study has been performed on the actuarial assumptions. Recommendations will be made to adjust the assumptions effective January 1, 2014.

Proprietary Funds

The County's proprietary funds provide the same type of information as in the government-wide financial statements for business-type activities. Net position total \$297.3 million. Restricted net position include amounts set aside for construction and future capital costs. Connection fees received are to be used for capital costs.

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

GENERAL FUND BUDGETARY HIGHLIGHTS

Budget Goals and Initiatives

The County prepares its budget with the following goals in mind; to balance the budget, to maintain an acceptable reserve, no General Fund debt, to continue to fund the pension and OPEB plans, and to provide high quality services to the residents of Sussex County. The County continues to strive to promote and develop new and existing businesses 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 2013. 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 community development grant (\$150,000), information technology improvements (\$78,154), and grant expenses that the County later received funds for (\$99,639).

Budget to Actual - Revenue

The fiscal 2013 budget saw no increase from the fiscal 2012 budget. With uncertainty of the economy, it is important that the County keeps expenses low while providing a consistent level of service. In fiscal 2013, actual general fund revenues and other financing sources were over budgeted revenues by \$2.7 million as noted on page 62. Charges for services was over \$90,000. The largest revenue source over budget was realty transfer tax. This revenue exceeded budgeted predictions by \$4.2 million, due to a one-time tax refund appropriated reserves was used to balance the budget.

Budget to Actual - Expenditures

Expenditures and other financing uses were slightly over the budget by \$290,000 as noted on page 69. Many departments finished the fiscal year under their budget projections. The section that exceeded the budget the greatest was the grant-in-aid program. The program exceeded the budget by \$669,000. This was due to the use of funds from fiscal year 2012. In 2012, the County had ended the fiscal year with \$854,000 of revenue over expenditures. The County Council voted to use these funds to support the 11 independent libraries, the community development emergency housing fund, and the State Police to fund an additional four Troopers.

Capital Asset and Debt Administration

Capital Assets

As per the chart below, capital assets (net of depreciation) are valued at \$445.2 million as of June 30, 2013. Note E, on pages 40 and 41, includes additional information.

SUSSEX COUNTY'S CAPITAL ASSETS

As of June 30, 2013 and 2012

(net of depreciation)

	Governmental Activities		Business-type Activities		Total Government	
	2013	2012	2013	2012	2013	2012
Land	\$ 16,181,049	\$ 16,064,312	\$ 39,548,048	\$ 39,539,298	\$ 55,729,097	\$ 55,603,610
Construction in Progress	7,686,024	3,961,574	11,789,499	22,839,677	19,475,523	26,801,251
Buildings	29,504,009	29,369,776	31,416,883	24,246,210	60,920,892	53,615,986
Improvements Other Than Buildings	14,128,409	13,408,498	4,513,750	4,782,827	18,642,159	18,191,325
Machinery and Equipment	1,801,463	2,209,727	2,157,775	1,535,506	3,959,238	3,745,233
Infrastructure	-	-	286,434,243	283,451,509	286,434,243	283,451,509
Total	\$ 69,300,954	\$ 65,013,887	\$ 375,860,198	\$ 376,395,027	\$ 445,161,152	\$ 441,408,914

The major governmental capital projects work done in fiscal year 2013 was expansion and improvement of our Industrial Airpark, expansion and renovation to our libraries, renovation of the Administration building, a new paramedic building, and the continued implementation of the Enterprise Resource Planning computer integration project. The County has spent \$3.5 million more in fiscal year 2013 over 2012 for capital projects. This demonstrates the County’s willingness to move forward with projects that had been previously stalled due to the economy.

The following are highlights of the major capital sewer projects underway during fiscal year 2013, which will expand the County’s sewer system to serve more residents and protect the environment.

- Major upgrades and renovations to existing infrastructure.
- Construction of a large pump station and force main for the South Coastal Regional Wastewater Facility.
- 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, 2013, the County had \$167.4 million in outstanding bonds payable. This debt is backed by the full faith and credit of the Sussex County Government, although revenues from sewer and water districts are being used to pay the debt service for this debt. This debt was solely used to fund business-type water and sewer activities. There is no general fund bonded debt.

SUSSEX COUNTY'S OUTSTANDING DEBT

As of June 30, 2013 and 2012

General Obligation and Revenue Bonds

	Governmental Activities		Business-type Activities		Total Government	
	2013	2012	2013	2012	2013	2012
General Obligation Bonds	\$ -	\$ -	\$ 167,405,688	\$ 154,769,529	\$ 167,405,688	\$ 154,769,529
Revenue Bonds	-	-	-	17,658,022	-	17,658,022
Total	\$ -	\$ -	\$ 167,405,688	\$ 172,427,551	\$ 167,405,688	\$ 172,427,551

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 22 years for the County sewer districts.

Additional debt information is included in Note I, on pages 48 through 53 of the report.

Economic Factors in Next Year's Budgets and Rates

Economic Factors

The budget committee continues to forecast the effect of the economy on our revenues. The 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 5.8 percent unemployment rate as of August 2013. This compares to 6.9 percent for the State of Delaware and 7.3 percent for the United States as reported by the Delaware Department of Labor. Sussex County has continued to be financially strong during tough economic times.
- As a result of the slow economic recovery, we appear to be settling into the “new normal” of revenue, staffing and budgeting. Fiscal year 2013’s budget was consistent with 2012’s. Fiscal year 2014 began to see slight increases as the housing market begins to rebound. Fiscal year 2014’s budget revenues are expected to be 3 percent over fiscal year 2013.
- Agriculture continues as a mainstay in Sussex County. The County continues to lead the nation in poultry production and is a strong vegetable producer.
- Tourism is a major industry in Sussex County with outlet shopping located on the East Coast corridor. According to Southern Delaware Tourism, an estimated \$850 million in tourism revenue comes from sales in Sussex County. These outlets attract customers from other counties and states. Having no 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 2014 Budget and Rates

The major goal of the fiscal year 2014 budget was to continue to operate without raising taxes or increasing fees but to provide a level of service acceptable to our residents. The fiscal year 2014 budget again presents a challenge of that revenues are expected to slowly recover and have increased at a modest level of 3 percent for the General fund. However, revenues from the housing sector have increased 10 percent, which shows some positive movement for the local economy.

The fiscal year 2014 General fund budget shows a \$3.7 million increase in expense from fiscal year 2013. This has to do with the anticipated revenues over expenses that were anticipated for fiscal year 2013. For the first time, the County budgeted anticipated surplus. Also, for the first time since 2008, the County is budgeting a transfer of \$500,000 to the Capital Improvements fund to help with future projects. The fiscal year 2014 capital improvements budget includes the use of \$5.3 million of appropriated reserves. These are 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. Because of this practice, the County can be proud that there is no 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 2014 Sewer and Water budget increased by 3.8 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, for a second year in a row, were reduced in this budget as the County passed the savings on from the debt refunding to its sewer customers.

The five-year capital improvement plan of \$158.5 million includes \$124.1 million for sewer projects and improvements and \$34.4 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. Gina A. Jennings
Finance Director
Sussex County Council
2 The Circle
P.O. Box 589
Georgetown, DE 19947
Telephone: (302) 855-7741

SUSSEX COUNTY, DELAWARE
STATEMENT OF NET POSITION
JUNE 30, 2013

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	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Cash, cash equivalents, and investments	\$ 36,228,755	\$ 64,526,776	\$ 100,755,531
Receivables, net of allowance for doubtful accounts:			
Taxes	1,569,583	-	1,569,583
Service charges	-	2,247,446	2,247,446
Assessments and connection	388,279	1,525,756	1,914,035
Accrued interest	80,127	112,411	192,538
Miscellaneous	311,433	318,453	629,886
Employee advances	401,286	196,207	597,493
Due from other governmental agencies	3,221,339	3,292,526	6,513,865
Due from post-retirement employee benefit trust	33,876	-	33,876
Internal balances	22,538,068	(22,538,068)	-
Inventory	34,016	72,097	106,113
Prepaid items	71,995	-	71,995
Net pension asset	14,156,686	3,539,171	17,695,857
Net other postemployment benefit asset	3,004,281	751,640	3,755,921
Restricted cash, cash equivalents, and investments	42,084,061	43,172,577	85,256,638
Loans receivable	1,445,076	-	1,445,076
Bond issue cost, net of amortization	-	515,921	515,921
Capital assets:			
Land, improvements, and construction in progress	23,867,073	51,337,547	75,204,620
Other capital assets, net of depreciation	45,433,881	324,522,651	369,956,532
Total assets	<u>194,869,815</u>	<u>473,593,111</u>	<u>668,462,926</u>
LIABILITIES			
Accounts payable and other current liabilities	2,887,910	1,637,600	4,525,510
Accrued interest payable	-	827,830	827,830
Employee health claims payable	741,979	-	741,979
Unearned revenue	309,848	-	309,848
Deposits	6,404,789	-	6,404,789
Long-term liabilities:			
Due within one year	2,270,685	9,354,724	11,625,409
Due in more than one year	3,204,387	164,490,793	167,695,180
Total liabilities	<u>15,819,598</u>	<u>176,310,947</u>	<u>192,130,545</u>
NET POSITION			
Net investment in capital assets	69,132,520	202,651,443	271,783,963
Restricted for:			
Realty transfer tax	56,528,224	-	56,528,224
Grant funds	5,860	-	5,860
Construction and capital	-	43,172,577	43,172,577
Unrestricted	53,383,613	51,458,144	104,841,757
Total Net Position	<u>\$ 179,050,217</u>	<u>\$ 297,282,164</u>	<u>\$ 476,332,381</u>

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

SUSSEX COUNTY, DELAWARE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

Function/Programs	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary government:							
Governmental Activities:							
General government	9,697,332	1,208,807	19,128	9,894	(8,459,503)	-	(8,459,503)
Planning & zoning	1,212,351	1,392,906	-	-	180,555	-	180,555
Paramedics	12,895,383	-	3,692,730	540,971	(8,661,682)	-	(8,661,682)
Emergency preparedness	3,360,129	17,500	870,193	85,467	(2,386,969)	-	(2,386,969)
County engineer	1,622,080	875,302	-	-	(746,778)	-	(746,778)
Library	3,917,395	35,607	411,356	508,268	(2,962,164)	-	(2,962,164)
Economic development and airpark	2,063,146	553,044	-	1,804,613	294,511	-	294,511
Community development	1,782,197	-	1,978,322	-	196,125	-	196,125
Grant-in-aid program	8,156,799	-	-	-	(8,156,799)	-	(8,156,799)
Constitutional offices	2,429,063	7,509,071	-	-	5,080,008	-	5,080,008
Total governmental activities	<u>47,135,875</u>	<u>11,592,237</u>	<u>6,971,729</u>	<u>2,949,213</u>	<u>(25,622,696)</u>	<u>-</u>	<u>(25,622,696)</u>
Business-type activities:							
Sewer facilities	30,969,244	17,229,651	15,497,907	5,711,777	-	7,470,091	7,470,091
Water facilities	987,917	808,246	254,537	449	-	75,315	75,315
Total business-type activities	<u>31,957,161</u>	<u>18,037,897</u>	<u>15,752,444</u>	<u>5,712,226</u>	<u>-</u>	<u>7,545,406</u>	<u>7,545,406</u>
Total primary government	<u>\$ 79,093,036</u>	<u>\$ 29,630,134</u>	<u>\$ 22,724,173</u>	<u>\$ 8,661,439</u>	<u>(25,622,696)</u>	<u>7,545,406</u>	<u>(18,077,290)</u>
General revenues:							
Taxes: Property & capitation					12,706,792	-	12,706,792
Fire service					1,041,506	-	1,041,506
Realty transfer					17,422,525	-	17,422,525
Unrestricted investment results					(318,529)	(73,715)	(392,244)
Transfers					(752,563)	752,563	-
Total general revenues and transfers					<u>30,099,731</u>	<u>678,848</u>	<u>30,778,579</u>
Change in net position					4,477,035	8,224,254	12,701,289
Net position - beginning					174,573,182	289,057,910	463,631,092
Net position - ending					<u>\$ 179,050,217</u>	<u>\$ 297,282,164</u>	<u>\$ 476,332,381</u>

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

SUSSEX COUNTY, DELAWARE
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2013

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	<u>General</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash, cash equivalents, and investments	\$ 36,228,755	\$ -	\$ 36,228,755
Receivables, net of allowance for doubtful accounts:			
Taxes	1,569,583	-	1,569,583
Assessments and connection	388,279	-	388,279
Accrued interest	67,452	12,675	80,127
Miscellaneous	311,433	-	311,433
Employee advances	401,286	-	401,286
Due from other governmental agencies	2,360,555	860,784	3,221,339
Due from other funds	22,571,946	-	22,571,946
Inventory	34,016	-	34,016
Prepaid items	71,995	-	71,995
Restricted cash, cash equivalents, and investments	29,807,979	12,276,082	42,084,061
Total Assets	<u>93,813,279</u>	<u>13,149,541</u>	<u>106,962,820</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and other accrued expenditures	1,991,590	896,320	2,887,910
Employee health claims payable	741,979	-	741,979
Deferred revenue:			
Taxes	1,496,182	-	1,496,182
Other	2,648,007	458,182	3,106,189
Deposits	6,404,790	-	6,404,790
Total Liabilities	<u>13,282,548</u>	<u>1,354,502</u>	<u>14,637,050</u>
Fund balances:			
Nonspendable	106,411	-	106,411
Restricted	44,739,045	11,795,039	56,534,084
Committed	1,038,577	-	1,038,577
Assigned	4,044,652	-	4,044,652
Unassigned	30,602,046	-	30,602,046
Total fund balances	<u>80,530,731</u>	<u>11,795,039</u>	<u>92,325,770</u>
Total liabilities and fund balances	<u>\$ 93,813,279</u>	<u>\$ 13,149,541</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund-level statements.	69,300,954
Long-term liabilities are not due and payable in the current period and therefore are not reported in the fund-level statements.	(1,182,550)
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the fund-level statements.	<u>18,606,043</u>
Net position of governmental activities	<u>\$ 179,050,217</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, 2013

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	<u>General</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
REVENUES			
Taxes	\$ 31,206,399	\$ -	\$ 31,206,399
Intergovernmental	6,085,980	2,133,507	8,219,487
Charges for services	11,782,244	-	11,782,244
Fines and forfeits	23,179	-	23,179
Miscellaneous revenue and investment results	(97,481)	(5,326)	(102,807)
Total revenues	<u>49,000,321</u>	<u>2,128,181</u>	<u>51,128,502</u>
EXPENDITURES			
Current:			
General government	10,325,453	-	10,325,453
Planning & zoning	1,239,222	-	1,239,222
Paramedics	12,426,866	-	12,426,866
Emergency preparedness	2,944,307	-	2,944,307
County engineer	1,608,136	-	1,608,136
Library	3,747,165	-	3,747,165
Economic development and airpark	1,198,076	-	1,198,076
Community development	1,749,543	-	1,749,543
Grant-in-aid	8,156,799	-	8,156,799
Constitutional offices	2,479,689	-	2,479,689
Capital projects		6,408,883	6,408,883
Total expenditures	<u>45,875,256</u>	<u>6,408,883</u>	<u>52,284,139</u>
Excess of (deficiency) of revenues over (under) expenditures	<u>3,125,065</u>	<u>(4,280,702)</u>	<u>(1,155,637)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	53,966	-	53,966
Transfers out	(806,529)	-	(806,529)
Total other financing sources and uses	<u>(752,563)</u>	<u>-</u>	<u>(752,563)</u>
Net change in fund balances	2,372,502	(4,280,702)	(1,908,200)
Fund balances - beginning	78,158,229	16,075,741	94,233,970
Fund balances - ending	<u>\$ 80,530,731</u>	<u>\$ 11,795,039</u>	<u>\$ 92,325,770</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, 2013**

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

Net change in fund balances - total governmental funds			\$ (1,908,200)
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.			4,287,067
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	\$	540,423	
Grants		384,612	
Property taxes		<u>(35,574)</u>	889,461
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		12,332	
Net pension obligation		620,870	
Net other pension postemployment benefit cost		255,505	
Postclosure landfill care cost		227,000	
Pollution remediation cost		<u>93,000</u>	<u>1,208,707</u>
Changes in net position of government activities			<u>\$ 4,477,035</u>

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

SUSSEX COUNTY, DELAWARE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2013

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	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 26,620,717	\$ 26,620,717	\$ 31,206,399	\$ 4,585,682
Intergovernmental	5,831,330	5,831,330	6,085,980	254,650
Charges for services	11,691,850	11,691,850	11,782,244	90,394
Fines and forfeits	26,000	26,000	23,179	(2,821)
Miscellaneous revenue	477,096	477,096	(97,481)	(574,577)
Total Revenues	<u>44,646,993</u>	<u>44,646,993</u>	<u>49,000,321</u>	<u>4,353,328</u>
EXPENDITURES				
Current:				
General government	10,080,452	10,307,127	10,325,453	(18,326)
Planning & zoning	1,283,991	1,279,991	1,239,222	40,769
Paramedics	12,356,323	12,356,323	12,426,866	(70,543)
Emergency preparedness	2,800,347	2,925,986	2,944,307	(18,321)
County engineer	1,725,604	1,710,104	1,608,136	101,968
Library	3,775,064	3,834,830	3,747,165	87,665
Economic development and airpark	1,372,830	1,350,830	1,198,076	152,754
Community development	1,711,011	1,711,011	1,749,543	(38,532)
Grant-in-aid	7,337,923	7,487,923	8,156,799	(668,876)
Constitutional offices	2,613,014	2,691,167	2,479,689	211,478
Total Expenditures	<u>45,056,559</u>	<u>45,655,292</u>	<u>45,875,256</u>	<u>(219,964)</u>
Excess of revenue over expenditures	<u>(409,566)</u>	<u>(1,008,299)</u>	<u>3,125,065</u>	<u>4,133,364</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	333,000	333,000	53,966	(279,034)
Transfers out	(735,500)	(735,500)	(806,529)	(71,029)
Appropriated reserves	1,412,066	1,412,066	-	(1,412,066)
Reserved for contingencies	(600,000)	(1,267)	-	1,267
Total other financing sources and uses	<u>409,566</u>	<u>1,008,299</u>	<u>(752,563)</u>	<u>(1,760,862)</u>
Net change in fund balances	-	-	2,372,502	2,372,502
Fund balances - beginning	78,158,229	78,158,229	78,158,229	-
Fund balances - ending	<u>\$ 78,158,229</u>	<u>\$ 78,158,229</u>	<u>\$ 80,530,731</u>	<u>\$ 2,372,502</u>

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

SUSSEX COUNTY, DELAWARE
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2013

	Business-type Activities - Enterprise Funds		
	Unified Sewer District	Dewey Water	Totals Current Year
ASSETS			
Current assets:			
Cash, cash equivalents, and investments	\$ 26,754,568	\$ 584,692	\$ 27,339,260
Receivables, net of allowance for doubtful accounts:			
Service charges	1,619,169	76,909	1,696,078
Assessments and connection	893,815	1,948	895,763
Accrued interest	110,844	1,567	112,411
Miscellaneous	317,316	1,137	318,453
Employee advances	196,207	-	196,207
Due from other governmental agencies	3,292,526	-	3,292,526
Inventory	68,920	3,177	72,097
Total current assets	<u>\$ 33,253,365</u>	<u>669,430</u>	<u>33,922,795</u>
Noncurrent assets:			
Unrestricted assets:			
Cash, cash equivalents, and investments	36,725,658	461,858	37,187,516
Restricted assets:			
Cash, cash equivalents, and investments	42,493,105	679,472	43,172,577
Bond issue cost, net of amortization	515,921	-	515,921
Net pension asset	3,475,038	64,133	3,539,171
Net other postemployment benefit asset	738,028	13,612	751,640
Noncurrent accounts receivables:			
Service charges	547,463	3,905	551,368
Assessments and connection	628,898	1,095	629,993
Capital assets:			
Land, improvements, and construction in progress	51,271,849	65,698	51,337,547
Other capital assets, net of depreciation	323,162,060	1,360,591	324,522,651
Total noncurrent assets	<u>459,558,020</u>	<u>2,650,364</u>	<u>462,208,384</u>
Total assets	<u>492,811,385</u>	<u>3,319,794</u>	<u>496,131,179</u>
LIABILITIES			
Current liabilities:			
Accounts payable and other current liabilities	1,549,615	87,985	1,637,600
Accrued interest payable	827,830	-	827,830
Due to other funds	22,538,068	-	22,538,068
Current portion of long-term liabilities	9,339,870	14,854	9,354,724
Total current liabilities	<u>34,255,383</u>	<u>102,839</u>	<u>34,358,222</u>
Noncurrent liabilities			
Long-term liabilities, less current portion	164,477,997	12,796	164,490,793
Total Liabilities	<u>198,733,380</u>	<u>115,635</u>	<u>198,849,015</u>
NET POSITION			
Net investment in capital assets	201,225,157	1,426,286	202,651,443
Restricted for:			
Construction and capital	42,493,105	679,472	43,172,577
Unrestricted	50,359,743	1,098,401	51,458,144
Total net position	<u>\$ 294,078,005</u>	<u>\$ 3,204,159</u>	<u>\$ 297,282,164</u>

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

**STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN FUND NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

	Business-type Activities - Enterprise Funds		
	Unified Sewer District	Dewey Water	Totals
Operating revenues:			
Charges for services	\$ 16,230,211	\$ 727,523	\$ 16,957,734
Other operating revenue	999,440	80,723	1,080,163
Total operating revenues	<u>17,229,651</u>	<u>808,246</u>	<u>18,037,897</u>
Operating expenses:			
Amortization	215,255	-	215,255
Contractual services	2,980,756	522,296	3,503,052
Depreciation	11,275,815	97,738	11,373,553
Employee benefits	3,434,135	118,681	3,552,816
Equipment and tools	489,762	18,917	508,679
Maintenance and repairs	599,762	56,731	656,493
Process chemicals	292,531	-	292,531
Professional fees	106,032	2,376	108,408
Salaries	5,266,311	82,919	5,349,230
Shared costs	838,219	70,720	908,939
Supplies	492,335	17,359	509,694
Training and travel	11,835	180	12,015
Total operating expenses	<u>26,002,748</u>	<u>987,917</u>	<u>26,990,665</u>
Operating loss	<u>(8,773,097)</u>	<u>(179,671)</u>	<u>(8,952,768)</u>
Nonoperating revenue (expenses):			
Investment results	(503,880)	(12,489)	(516,369)
Assessment and connection fees	15,876,692	264,277	16,140,969
Disposal of assets	51,201	449	51,650
Miscellaneous	52,990	1,138	54,128
Interest expense	(4,966,496)	-	(4,966,496)
Total nonoperating revenues (expenses)	<u>10,510,507</u>	<u>253,375</u>	<u>10,763,882</u>
Income (loss) before contributions and transfers	1,737,411	73,704	1,811,115
Capital contributions	5,660,576	-	5,660,576
Transfers in	806,529	-	806,529
Transfers out	(53,966)	-	(53,966)
Change in net position	<u>8,150,550</u>	<u>73,704</u>	<u>8,224,254</u>
Total net position - beginning	<u>285,927,455</u>	<u>3,130,455</u>	<u>289,057,910</u>
Total net position - ending	<u>\$ 294,078,005</u>	<u>\$ 3,204,159</u>	<u>\$ 297,282,164</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, 2013

	Business-type Activities - Enterprise Funds		
	Unified Sewer District	Dewey Water	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers	\$ 21,625,793	\$ 798,522	\$ 22,424,315
Other payments	29,436	(146)	29,290
Other receipts	(2,320)	-	(2,320)
Payments to employees	(8,380,324)	(163,798)	(8,544,122)
Payments to suppliers	(8,968,479)	(705,651)	(9,674,130)
Net cash flows from operating activities	<u>4,304,106</u>	<u>(71,073)</u>	<u>4,233,033</u>
CASH FLOWS FROM NONCAPITAL			
Advances to other funds	(175,811)	-	(175,811)
Operating grants received	52,990	1,138	54,128
Net cash flows from noncapital financing activities	<u>(122,821)</u>	<u>1,138</u>	<u>(121,683)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of capital assets	(11,070,187)	(23,932)	(11,094,119)
Assessment and connection fees	14,353,607	263,140	14,616,747
Bond proceeds	20,235,839	-	20,235,839
Capital contributions	5,660,576	-	5,660,576
Gain or loss on asset disposal	51,201	449	51,650
Interest paid	(5,104,957)	-	(5,104,957)
Retirement of bonds and related costs	(25,552,659)	-	(25,552,659)
Transfers from other funds for capital activities	(9,320,210)	-	(9,320,210)
Net cash flows from capital and related	<u>(10,746,790)</u>	<u>239,657</u>	<u>(10,507,133)</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Interest income	59,407	3,751	63,158
Purchase/Sale of investments	(145,260)	(17,224)	(162,484)
Net cash flows from investing activities	<u>(85,853)</u>	<u>(13,473)</u>	<u>(99,326)</u>
Net increase in cash and cash equivalents	<u>(6,651,358)</u>	<u>156,249</u>	<u>(6,495,109)</u>
Cash and cash equivalents - beginning	<u>112,624,689</u>	<u>1,569,773</u>	<u>114,194,462</u>
Cash and cash equivalents - ending	<u>\$ 105,973,331</u>	<u>\$ 1,726,022</u>	<u>\$ 107,699,353</u>

(continued)

SUSSEX COUNTY, DELAWARE
 STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS - CONTINUED
 FOR YEAR ENDED JUNE 30, 2013

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Unified Sewer District</u>	<u>Dewey Water</u>	<u>Totals</u>
Reconciliation of operating loss to net cash provided by operating activities:			
Operating loss	\$ (8,773,097)	\$ (179,671)	\$ (8,952,768)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:			
Depreciation and amortization	11,491,070	97,738	11,588,808
Increase (decrease) in accounts payable - other	29,436	(146)	29,290
Decrease in accounts payable - suppliers	(3,113,112)	(19,837)	(3,132,949)
Increase (decrease) in compensated absences	582,177	(17,991)	564,186
(Increase) decrease in customer receivables	4,396,143	(9,724)	4,386,419
(Increase) decrease in inventory	(44,137)	2,764	(41,373)
Increase in other operating receivables	(2,320)	-	(2,320)
(Increase) decrease in payments to employees	(467,961)	52,092	(415,869)
Increase in salaries and benefits payable	205,907	3,702	209,609
Net cash provided (used) by operating activities	<u>\$ 4,304,106</u>	<u>\$ (71,073)</u>	<u>\$ 4,233,033</u>

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

SUSSEX COUNTY, DELAWARE
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2013

-29-

	Pension and Other Employee Benefit Trusts
ASSETS	
Cash and cash equivalents	\$ 1,694,782
Investment	
U.S. Treasuries	9,958,754
Government Agencies	3,839,705
Corporate obligations	2,098,179
Delaware Local Government Retirement Investment Pool	38,000,916
Common stocks and convertibles	10,003,151
Mutual funds	20,412,725
Total Investments	84,313,430
Accrued interest	103,096
Total Assets	86,111,308
LIABILITIES	
Due to general fund	33,876
NET POSITION	
Held in trust for pension benefits and other employee benefit payments	<u>\$ 86,077,432</u>

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

SUSSEX COUNTY, DELAWARE
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2013

	Pension and Other Employee Benefit Trusts
ADDITIONS	
Employer contributions	\$ 5,305,120
Investment earnings:	
Net appreciation (depreciation) of investments	4,456,011
Interest and dividends	4,627,124
Total investment earnings	<u>9,083,135</u>
Less investment expenses	315,807
Net investment earnings	<u>8,767,328</u>
Total additions	<u>14,072,448</u>
DEDUCTIONS	
Beneficiary payments	<u>4,442,706</u>
Net increase in plan net position	9,629,742
Net position held in trust for pension and other employee benefits - beginning	<u>76,447,690</u>
Net position held in trust for pension and other employee benefits - ending	<u><u>\$ 86,077,432</u></u>

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

NOTE A -SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The County's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America applicable to State and Local governments (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The County has adopted all applicable GASB statements through No. 64. The adoption of Statement No. 63 in 2013 resulted in a change in the presentation of the Statement of Net Assets to what is now referred to as the Statement of Net Position and the term "net assets" is changed to "net position" throughout the financial statements. 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 Position, 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 position resulting from the current year's activities.

3. Basic Financial Statements - Fund Financial Statements

The financial transactions of the County are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its position, liabilities, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements. The following fund types are used by the County:

Governmental Funds

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the County:

General fund is the general operating fund of the County. It is used to account for all financial resources except those required to be accounted for in another fund.

Capital projects fund is maintained to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by business-type/proprietary funds). These funds are provided by intergovernmental grants, investment income, and operating transfers from the General Fund. Some projects may take longer than one year to complete. Major capital projects expenditures in fiscal year 2013 were for industrial airpark expansion and improvements. As of June 30, 2013, 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 position, financial position and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. Proprietary funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) establishes fees and charges based on a pricing policy designed to recover similar costs. The following is a description of the proprietary funds of the County:

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

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

NOTE A -SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3. Basic Financial Statements - Fund Financial Statements - Continued

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

Fiduciary Funds

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

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 2013, proprietary fund interest expense is net of \$25,591 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 Position

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

- a. Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position - Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position - All other net position that do not meet the definition of "restricted" or "Net investment in capital assets."

Governmental Fund Balances

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

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

NOTE A -SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

14. Equity Classifications - Continued

- d. Assigned - Amounts that are constrained by the government's intent to be used for a specific purpose and these decisions can be made by the County 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.

Authority is given to the County Administrator, Finance Director and Budget Committee to assign funds for specific purposes. The assigned funds are for specific programs or projects that were approved in prior budgets that were not spent in the current fiscal year, specific requests made by Council or for a specific need as identified by the County Administrator. A list of the assigned funds will be maintained by the Finance Director. Approval from both the Finance Director and the County Administrator must be given to set aside funds as Assigned Fund Balance.

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.

NOTE A -SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

17. Interfund Activity

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

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, 2013. 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 position of governmental activities as reported in the government-wide statement of net position. The details of the \$18,606,043 difference "Other long-term assets are not available to pay for current period expenditures and therefore, are deferred in the fund level statements" is as follows:

NOTE A -SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

Loan receivable	\$	1,445,076
Net pension asset		14,156,686
Net postemployment benefit asset		<u>3,004,281</u>
	\$	<u>18,606,043</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, 2013, the carrying amount of the County's deposits was \$90,588,449 and the bank balance was \$134,501,028. 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.

The County's investment policy authorizes the following investments:

1. Bonds or other obligations of which the faith and credit of the United States of America are pledged;
2. Obligations of federal governmental agencies issued pursuant to Acts of Congress;
3. Repurchase agreements that are secured by any bond or other obligation for the payment of which the faith and credit of the United States are pledged;
4. Certificates of deposit and other evidences of deposit of financial institutions;

NOTE B – CASH AND INVESTMENTS – CONTINUED

5. Money market mutual funds regulated by the Securities and Exchange Commission and whose portfolios consist of dollar-denominated securities; and
6. Local government investment pools administered by the State of Delaware. Additional information can be found in Note F sections for Pension Trust Assets and Post-retirement Employee Benefit Trust Assets.

The County had the following investments at June 30, 2013:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	More than 10
U.S. Treasuries	\$ 9,958,753	\$ 994,006	\$ 5,359,712	\$ 3,605,035	\$ -
Government Agencies	100,953,756	252,260	83,138,057	17,563,439	-
Corporate obligations	2,098,179	-	1,649,536	448,643	-
Delaware Local Government Retirement Investment Pool	38,000,916	38,000,916	-	-	-
Common stock	10,003,151	-	-	-	-
Mutual funds	20,412,725	-	-	-	-
Total Investments	<u>\$181,427,480</u>	<u>\$ 39,247,182</u>	<u>\$ 90,147,305</u>	<u>\$ 21,617,117</u>	<u>\$ -</u>

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

Cash on hand	\$ 4,450
Carrying amount of deposits	90,588,451
Carrying amount of investments	181,427,480
Total	<u>\$ 272,020,381</u>
Primary Government	
Unrestricted	
Cash and cash equivalents	\$ 41,221,245
Investments	59,534,286
Restricted	
Cash and cash equivalents	47,676,874
Investments	37,579,764
Total primary government	<u>186,012,169</u>
Fiduciary funds (not included in government-wide statement)	
Cash and cash equivalents	1,694,782
Investments	84,313,430
Total fiduciary funds	<u>86,008,212</u>
Total	<u>\$ 272,020,381</u>

NOTE C - ACCOUNTS RECEIVABLE

The allowance for uncollectible receivables at June 30, 2013 is \$22,701 for service and \$15,412 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 \$436,676 at June 30, 2013. 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 final loan bears a 1% per annum and matures February 2016.

NOTE D- LOANS RECEIVABLE – CONTINUED

The County’s Neighborhood Stabilization Program, in partnership with local nonprofits, provides zero percent interest loans for a term of thirty years for the purpose of providing affordable financing for moderate to low income families. The loans are secured by liens on the real property. The balances outstanding at June 30, 2013 total \$1,008,400.

Loans receivable total \$1,445,076 at June 30, 2013, which are not reflected on the governmental funds balance sheet.

NOTE E – CAPTIAL ASSETS

Capital asset activity for the year ended June 30, 2013, was as follows:

	Balance at June 30, 2012	Increases	Decreases	Balance at June 30, 2013
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 16,064,312	\$ 116,737	\$ -	\$ 16,181,049
Construction in progress	3,961,574	6,309,751	2,585,301	7,686,024
Total capital assets, not being depreciated	20,025,886	6,426,488	2,585,301	23,867,073
Other capital assets:				
Buildings	35,439,221	854,949	-	36,294,170
Improvements	22,200,287	1,679,444	-	23,879,731
Machinery and equipment	15,378,726	545,732	222,687	15,701,771
Total other capital assets	73,018,234	3,080,125	222,687	75,875,672
Less accumulated depreciation for:				
Buildings	6,069,445	720,716	-	6,790,161
Improvements	8,791,789	959,533	-	9,751,322
Machinery and equipment	13,168,999	953,996	222,687	13,900,308
Total accumulated depreciation	28,030,233	2,634,245	222,687	30,441,791
Other capital assets, net	44,988,001	445,880	-	45,433,881
Governmental Activities Capital Assets, Net	\$ 65,013,887	\$ 6,872,368	2,585,301	\$ 69,300,954
Business-type Activities:				
Capital assets not being depreciated:				
Land	\$ 39,539,298	\$ 8,750	\$ -	\$ 39,548,048
Construction in progress	22,839,677	7,108,660	18,158,838	11,789,499
Total capital assets, not being depreciated	62,378,975	7,117,410	18,158,838	51,337,547
Other capital assets:				
Buildings	33,688,549	8,016,104	-	41,704,653
Improvements	10,410,164	73,509	-	10,483,673
Machinery and equipment	9,021,002	1,324,234	440,555	9,904,681
Infrastructure	397,669,688	12,721,670	255,365	410,135,993
Total other capital assets	450,789,403	22,135,517	695,920	472,229,000

NOTE E – CAPITAL ASSETS – CONTINUED

	Balance at June 30, 2012	Increases	Decreases	Balance at June 30, 2013
Less accumulated depreciation for:				
Building	9,442,339	845,431	-	10,287,770
Improvements	5,627,337	342,586	-	5,969,923
Machinery and equipment	7,485,496	701,965	440,555	7,746,906
Infrastructure	114,218,179	9,483,571	-	123,701,750
Total accumulated depreciation	136,773,351	11,373,553	440,555	147,706,349
Other capital assets, net	314,016,052	10,761,964	255,365	324,522,651
Business-type Activities				
Capital Assets, Net	<u>\$376,395,027</u>	<u>\$17,879,374</u>	<u>\$18,414,203</u>	<u>\$375,860,198</u>

Depreciation expense was charged to functions as follows:

Governmental activities:

General government	\$ 314,833
Planning and zoning	2,198
Paramedic program	557,700
Emergency preparedness	450,751
Economic development and airpark	1,047,873
County engineer	13,944
Community development and housing programs	790
Library	218,626
Constitutional offices	27,530
Total governmental activities depreciation expense	<u>2,634,245</u>

Business-type activities

Water	97,738
Sewer	11,275,815
Total business-type activities depreciation expense	<u>\$ 11,373,553</u>

Construction in progress was \$13.4 million with additional contractually committed costs to complete the projects in process of approximately \$9 million as of June 30, 2013.

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

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

Pension Plan Description and Provisions - Continued

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, 2013, total payroll was \$21,940,824. Covered payroll refers to all compensation by the County to active employees covered by the plan.

Current membership in the plan (as of January 1, 2013) 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>
276	205	481	180	67	\$ 20,168,544

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, 2013 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.

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

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	\$ 2,798,351
Interest on net pension obligation	(1,353,582)
Adjustment to annual required contribution	977,456
Annual Pension Cost	<u>2,422,225</u>
Contributions made	<u>3,198,312</u>
Increase in Net Pension Asset	(776,087)
Net Pension Obligation (Asset), Beginning of Year	<u>(16,919,770)</u>
Net Pension Obligation (Asset), End of Year	<u><u>\$(17,695,857)</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>
2011	\$ 1,841,821	128.7%	\$ (15,254,398)
2012	2,003,559	183.1	(16,919,770)
2013	2,422,225	132.0	(17,695,857)

Pension Funded Status and Funding Progress

As of January 1, 2013, the most recent actuarial valuation date, the plan was 81.7% funded. The actuarial accrued liability for benefits was \$70.6 million, and the actuarial value of assets was \$57.7 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$12.9 million. The covered payroll (annual payroll of active employees covered by the plan) was \$20.2 million, and the ratio of the UAAL to the covered payroll was 63.9%.

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	1998	896,732
1982	50,000	1999	881,820
1983	150,000	2000	1,946,139
1984	80,995	2001	1,440,572
1985	100,000	2002	1,544,934
1986	234,000	2003	2,034,321
1987	419,532	2004	2,670,566
1988	484,224	2005	3,338,208
1989	182,262	2006	4,590,808
1990	342,739	2007	3,273,371
1991	355,582	2008	3,840,278
1992	463,552	2009	2,332,889
1993	890,882	2010	2,738,014
1994	950,736	2011	2,370,522
1995	1,040,285	2012	3,668,932
1996	1,175,078	2013	3,198,312
1997	1,157,975		

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

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 42nd 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 and mutual funds) in excess of 5% of the Plan’s net position held in trust for pension benefits at June 30, 2013 consist of:

	<u>Fair Value</u>
Delaware Local Retirement Investment Pool	\$ 38,000,916

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, 2013) is as follows:

<u>Total Actives</u>	<u>Retirees and Beneficiaries</u>	<u>Terminated Vested</u>
472	161	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 \$2,106,808 were 10.4% 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, 2013 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:

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

- An investment return of 8% compounded annually;
- Participation assumptions vary from zero to 100%, depending on age, date of hire and years of service;
- A health care cost trend rate of 8.5% initially, declining to 5% ultimately; and
- Inflation of 4% per year.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation. Actuarial calculations reflect a long-term perspective and actuarial methods and assumptions include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term 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.

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	\$ 1,863,189
Interest on net OPEB obligation	(274,878)
Adjustment to annual required contribution	198,546
Annual OPEB Cost	<u>1,786,857</u>
Contributions made	<u>2,106,808</u>
Increase in Net OPEB Asset	(319,951)
Net OPEB Obligation (Asset), Beginning of Year	<u>(3,435,970)</u>
Net OPEB Obligation (Asset), End of Year	<u><u>\$ (3,755,921)</u></u>

Trend information is as follows:

Year Ended June 30,	Annual OPEB Cost (AOC)	Percentage of AOC Contributed	Net OPEB Obligation (Asset)
2011	\$ 1,231,626	110.1%	\$ (2,213,366)
2012	1,439,167	185.0	(3,435,970)
2013	1,786,857	117.9	(3,755,921)

Post-retirement Employee Benefit Plan Funded Status and Funding Progress

As of January 1, 2013, the most recent actuarial valuation date, the plan was 70.60% funded. The actuarial accrued liability for benefits was \$37.2 million, and the actuarial value of assets was \$26.3 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$10.9 million. The covered payroll (annual payroll of active employees covered by the plan) was \$20.2 million, and the ratio of the UAAL to the covered payroll was 54.27%.

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.

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

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

<u>Fiscal Year</u>	<u>Amount</u>	<u>Fiscal Year</u>	<u>Amount</u>
2007	\$ 5,837,419	2011	\$ 1,356,683
2008	5,784,797	2012	2,661,772
2009	4,674,927	2013	2,106,808
2010	2,747,989		

Post-retirement Employee Benefit Trust Assets

As authorized by Sussex County Council, the Post-retirement Employee Benefit funds are invested in various mutual funds, corporate obligations, government agency obligations and U.S. Treasuries through the custodian, Wilmington Trust Company.

There are no investments at fair value (other than those issued or guaranteed by the U.S. government and mutual funds) in excess of 5% of the Plan's net position held in trust for post-retirement employee pension benefits at June 30, 2013.

**COMBINING STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
 JUNE 30, 2013**

	<u>Pension Trust</u>	<u>Post-retirement Employee Benefit Trust</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 600,341	\$ 1,094,441	\$ 1,694,782
Investments:			
U.S. Treasuries	4,730,005	5,228,749	9,958,754
Government Agencies	900,931	2,938,774	3,839,705
Corporate Obligations	1,108,906	989,273	2,098,179
Delaware Local Government Retirement Investment Pool	38,000,916	-	38,000,916
Common stocks and convertibles	10,003,151	-	10,003,151
Mutual funds	4,707,611	15,705,114	20,412,725
Accrued interest	58,492	44,604	103,096
	<u>60,110,353</u>	<u>26,000,955</u>	<u>86,111,308</u>
Liabilities			
Due to general fund	<u>45,283</u>	<u>(11,407)</u>	<u>33,876</u>
Net Position Held In Trust For Pension And Other Employee Benefits	<u>60,065,070</u>	<u>26,012,362</u>	<u>86,077,432</u>

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

COMBINING STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION - CONTINUED

JUNE 30, 2013

	Pension Trust	Post-retirement Employee Benefit Trust	Total
Additions			
Employer contributions	3,198,312	2,106,808	5,305,120
Investments:			
Net appreciation (depreciation) of investments	2,391,504	2,064,507	4,456,011
Interest and dividends	4,185,855	441,269	4,627,124
	<u>6,577,359</u>	<u>2,505,776</u>	<u>9,083,135</u>
Less investment expenses	233,284	82,523	315,807
Net investment earnings	<u>6,344,075</u>	<u>2,423,253</u>	<u>8,767,328</u>
Total Additions	<u>9,542,387</u>	<u>4,530,061</u>	<u>14,072,448</u>
Deductions			
Beneficiary payments	<u>2,819,936</u>	<u>1,622,770</u>	<u>4,442,706</u>
Net Increase in Plan Net Position	<u>6,722,451</u>	<u>2,907,291</u>	<u>9,629,742</u>
Net Position Held In Trust for Pension and Other Employee Benefits - Beginning			
	<u>53,342,619</u>	<u>23,105,071</u>	<u>76,447,690</u>
Net Position Held In Trust for Pension and Other Employee Benefits - Ending			
	<u>\$ 60,065,070</u>	<u>\$ 26,012,362</u>	<u>\$ 86,077,432</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, 2013. The County had \$10,000,000 of unused line of credit to be drawn upon as needed. No balance was outstanding at June 30, 2013.

NOTE I – LONG – TERM LIABILITIES

Description of Bonds Payable

At June 30, 2013, bonds payable consisted of the following individual issues:

	<u>Business-type</u>
1994 SRF Obligations (West Rehoboth Phase I and II), interest at 1.5%, final payment due December 2016. Repayment over 21 years beginning December 1995. Repayment the last 7 years based on equal installments. The subordinate obligations require various construction, operating and depreciation accounts.	\$ 3,148,247
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.	361,034
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.	4,438,945
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.	9,369,715
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.	974,841
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.	2,600,893
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.	1,817,055
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.	743,590
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.	1,002,788

NOTE I – LONG –TERM LIABILITIES - CONTINUED

Description of Bonds Payable – Continued

	<u>Business- type</u>
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.	908,340
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.	7,540,842
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.	7,351,546
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.	4,209,752
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.	69,708
2008 wastewater general obligation bonds (Angola Neck), due in semi-annual installments, interest at 1.5%, final payment due May 21, 2042. Total bonds authorized are \$15,000,000, of which \$ 1,500,000 was forgiven at the project completion date.	12,958,999
2009 wastewater general obligation bonds (Johnson’s Corner), due in semi-annual installments, interest at 1.5%, final payment due June 30, 2031. Total bonds authorized are \$6,000,000, of which \$ 1,248,033 was forgiven at the project completion date.	3,586,324
2009 wastewater general obligation bonds (Oak Orchard), due in semi-annual installments, interest at 2%, final payment due December 15, 2031. Total bonds authorized are \$5,641,503, of which \$ 3,000,000 was forgiven at the project completion date.	2,529,519
2010 wastewater general obligation bonds (Inland Bays), due in semi-annual installments, interest at 2%, final payment due November 1, 2031. Total bonds authorized are \$1,756,227, of which \$1,307,607 was forgiven at the project completion date.	419,949
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.	7,235,572

NOTE I – LONG –TERM LIABILITIES - CONTINUED

Description of Bonds Payable – Continued

	<u>Business-type</u>
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.	5,428,873
2010B wastewater general obligation bonds (Inland Bays), due in quarterly installments, interest at 2.25%, final payment due December 3, 2050. Total bonds authorized are \$5,000,000.	4,957,875
2010 wastewater general obligation recovery zone economic development bonds (SCRWF), due in quarterly installments, interest at 3%, final payment due December 3, 2050. Total bonds authorized are \$6,169,000.	5,508,516
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.	490,015
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.	2,069,574
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.	1,685,763
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.	1,050,542
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.	3,932,831
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.	1,092,338
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.	315,692
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.	27,785,000

NOTE I – LONG –TERM LIABILITIES - CONTINUED

Description of Bonds Payable – Continued

	<u>Business-type</u>
2012B wastewater general obligation bonds (refunding), due in semi-annual installments, interest ranging from 2% to 5%, final payment due March 15, 2049.	29,775,000
2012 wastewater general obligation bonds (Millville), due in quarterly installments, interest at 3.5%, final payment due September 27, 2052. Total bonds authorized are \$4,000,000.	3,964,722
2012 wastewater general obligation bonds (Woodlands of Millsboro), due in quarterly installments, interest at 2.125%, final payment due September 14, 2052. Total bonds authorized are \$90,000.	88,914
2013 wastewater general obligation bonds (Angola Neck), due in quarterly installments, interest at 2.125%, final payment due April 25, 2053. Total bonds authorized are \$6,000,000.	6,000,000
2013 wastewater general obligation bonds (Johnson Corner), due in quarterly installments, interest at 2.5%, final payment due February 28, 2053. Total bonds authorized are \$2,000,000.	1,992,374
Subtotal	<u>167,405,688</u>
Unamortized bond premium	6,660,990
Deferred amount on refunding, net of amortization	<u>(1,747,000)</u>
TOTAL BONDS PAYABLE	<u><u>\$172,319,678</u></u>

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 \$136,477 for fiscal year 2013.

Contract Commitments

The County has obligated itself under contracts for various projects. At June 30, 2013, the obligated unrecorded amount was approximately \$10,828,984. 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, 2013 totaled \$11,751,000. The bonds are to finance various sewer district construction and improvement projects.

NOTE I – LONG – TERM LIABILITIES - CONTINUED

Long-term Liability Activity

Long-term liability activity for the year ended June 30, 2013, was as follows:

	June 30, 2012	Additions	Reductions	June 30, 2013	Due Within One Year
Governmental Activities:					
Compensated absences	\$ 5,256,404	\$ 1,907,917	\$ 1,920,249	\$ 5,244,072	\$ 2,236,685
Estimated liability for landfill postclosure care	295,000	-	227,000	68,000	-
Estimated liability for pollution remediation	256,000	-	93,000	163,000	34,000
Total Governmental Activities	\$ 5,807,404	\$ 1,907,917	\$ 2,240,249	\$ 5,475,072	\$ 2,270,685
Business-Type Activities:					
General obligation bonds	\$154,769,529	\$20,235,839	\$ 7,599,680	\$167,405,688	\$ 8,535,020
Revenue bond debt Unamortized bond premium	17,658,022	-	17,658,022	-	-
Unamortized bond discount	7,144,550	-	483,560	6,660,990	-
Deferred amount of refunding, net of amortization	(14,994)	-	(14,994)	-	-
Total bonds payable	(1,920,609)	-	(173,609)	(1,747,000)	-
Compensated absences	177,636,498	20,235,839	25,552,659	172,319,678	8,535,020
	1,431,091	637,716	542,968	1,525,839	819,704
Total Business-type Activities	\$179,067,589	\$ 20,873,555	\$ 26,095,627	\$173,845,517	\$ 9,354,724

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:

Year ending June 30,	Business-type Activities - General Obligation		
	Principal	Interest	Total
2014	\$ 8,535,020	\$ 4,736,711	\$ 13,271,731
2015	7,991,065	4,553,316	12,544,381
2016	7,963,791	4,365,340	12,329,131
2017	7,709,945	4,153,320	11,863,265
2018	6,692,448	3,968,012	10,660,460

NOTE I – LONG-TERM LIABILITIES - CONTINUED

Debt Maturity – Continued

Year ending June 30,	Business-type Activities - General Obligation - Continued		
	Principal	Interest	Total
2019 – 2023	32,279,955	17,206,880	49,486,835
2024 – 2028	24,041,137	13,685,661	37,726,798
2029 – 2033	21,940,399	10,354,895	32,295,294
2034 – 2038	19,392,767	6,837,470	26,230,237
2039 – 2043	15,914,273	5,640,218	21,554,491
2044 – 2048	9,591,775	3,281,695	12,873,470
2049 – 2053	5,353,113	323,192	5,676,305
TOTAL	\$ 167,405,688	\$ 79,106,710	\$ 246,512,398

NOTE J – INTERFUND BALANCES

Interfund balances at June 30, 2013 consisted of the following:

Receivable Fund	Payable Fund	Total Amount	Long-term Amount
General Fund	Unified sewer fund	\$ 22,538,070	\$ 9,016,426
	Fiduciary fund	33,876	-
Total		\$ 22,571,946	\$ 9,016,426

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, 2013, 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 \$22,538,070 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

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	\$ 34,016	\$ -	\$ 34,016
Prepaid items	72,395	-	72,395
Total nonspendable	106,411	-	106,411
Restricted			
Realty transfer tax	44,733,185	11,795,039	56,528,224
Rodent control grant	5,860	-	5,860
Total restricted	44,739,045	11,795,039	56,534,084

NOTE K -FUND BALANCES - GOVERNMENTAL FUNDS – CONTINUED

	<u>General</u>	<u>Capital Projects</u>	<u>Total</u>
Committed			
Open space land program	815,388	-	815,388
Encumbrances	223,189	-	223,189
Total committed	<u>1,038,577</u>	<u>-</u>	<u>1,038,577</u>
Assigned			
Grant-in-aid for County tax subsidy program	40,215	-	40,215
Grant-in-aid discretionary grants	84,387	-	84,387
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
Information Technology	373,726	-	373,726
Total assigned	<u>4,044,652</u>	<u>-</u>	<u>4,044,652</u>
Unassigned	<u>30,602,046</u>	<u>-</u>	<u>30,602,046</u>
Total Fund Balances – Governmental Funds	<u>\$ 80,530,731</u>	<u>\$ 11,795,039</u>	<u>\$ 92,325,770</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 \$ 6,602,014 and accumulated depreciation of \$1,083,100, equipment with a cost basis of \$55,058 and accumulated depreciation of \$55,058, and improvements of \$107,045 and accumulated depreciation of \$25,409 were being leased as of June 30, 2013.

The minimum future rental revenue under leases as of June 30, 2013 for each of the next five years and thereafter in the aggregate are:

<u>Year ending June 30,</u>	<u>Amount</u>
2014	\$ 411,209
2015	342,873
2016	316,313
2017	308,345
2018	300,444
Thereafter	<u>2,457,817</u>
Minimum Lease Payments Receivable	<u>\$ 4,137,001</u>

NOTE M - INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2013, consisted of the following:

Transfer to:	Transfer from		Total
	General Fund	Unified Sewer	
General fund	\$ -	\$ 53,966	\$ 53,966
Unified sewer fund	806,529	-	806,529
	<u>\$ 806,529</u>	<u>\$ 53,966</u>	<u>\$ 860,495</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 2013, 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 \$9,198,342 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, 2013 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 2013 and 2012 were as follows:

	Beginning of Year Balance	Current-Year Claims and Changes in Estimates	Claim Payments	End of Year Balance
2011-2012	\$ 613,447	\$ 9,244,420	\$ (8,759,873)	\$ 1,097,994
2012-2013	1,097,994	8,604,829	(8,960,844)	741,979

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 perform certain maintenance and monitoring functions to its six landfill sites even after it stopping accepting waste at these sites. The estimated liability for landfill post closure care of \$68,000 at June 30, 2013 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 2013. 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 Position.

The County has pollution remediation obligations of \$163,000 of which \$34,000 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 at the County's closed landfill site in Laurel. The Delaware Department of Natural Resources & Environmental Control (DNREC) has accepted the County's responsibility to continue to maintain the closed landfill. An investigation of the site is completed every five years. The County estimates that it will be obligated to perform pollution remediation obligation through the next evaluation period. Any time beyond these seven years, the County cannot reasonably estimate its liability.

NOTE Q -CONTINGENCIES

The County is currently involved in a number of lawsuits involving construction projects, zoning ordinances, and other civil lawsuits. The amount of any contingent liability related to these suits either cannot be 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, 2013 equaling \$165,657,000. 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, 2013, the County accepted \$4 million Federal Aviation Administration grant for the construction of the extension of Runway 4-22 Phase IV and rehabilitate of Runway 4-22. The County also approved the award of contract for \$2 million for the construction for the Delaware Department of Transportation Route Twenty-Six sewer project.

Pension and Other Employee Benefit Trusts

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

REQUIRED SUPPLEMENTARY INFORMATION

SUSSEX COUNTY, DELAWARE
 SCHEDULE OF FUNDING PROGRESS - PENSION TRUST
 FOR THE YEAR ENDED JUNE 30, 2013

<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>
01/01/2008	\$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
01/01/2013	57,674,569	70,565,693	12,891,124	81.7	20,168,544	63.9

SUSSEX COUNTY, DELAWARE
 SCHEDULE OF FUNDING PROGRESS - POST-RETIREMENT BENEFIT TRUST
 FOR THE YEAR ENDED JUNE 30, 2013

<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>
01/01/2008	\$ 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
01/01/2013	26,289,375	37,234,965	10,945,590	70.6	20,168,544	54.3

SUSSEX COUNTY, DELAWARE
SCHEDULE OF EMPLOYER CONTRIBUTIONS - PENSION TRUST
FOR THE YEAR ENDED JUNE 30, 2013

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2008	\$ 1,813,939	211.7 %
2009	1,866,222	168.8
2010	2,036,037	134.5
2011	2,169,173	109.3
2012	2,342,663	156.6
2013	2,798,351	114.3

**SCHEDULE OF EMPLOYER CONTRIBUTIONS - POST-RETIREMENT EMPLOYEE BENEFIT TRUST
FOR THE YEAR ENDED JUNE 30, 2013**

<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
2013	1,863,189	131.1

INDIVIDUAL FUND FINANCIAL SCHEDULES

**SCHEDULE OF GENERAL FUND REVENUES AND OTHER FINANCING SOURCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013**

	Final Budget Amounts	Actual Amounts	Variance with Final Budget
Taxes			
Real property and capitation - County	\$ 11,005,591	\$ 11,151,058	\$ 145,467
Real property - library	1,415,126	1,424,065	8,939
Realty transfer	13,200,000	17,422,526	4,222,526
Fire service	850,000	1,041,506	191,506
Penalties and interest	150,000	167,244	17,244
Total taxes	<u>26,620,717</u>	<u>31,206,399</u>	<u>4,585,682</u>
Intergovernmental			
Federal grants:			
Emergency preparedness	170,740	164,875	(5,865)
Miscellaneous	-	23,817	23,817
Housing and urban development	1,526,800	1,314,726	(212,074)
Project income	-	149,383	149,383
Federal payments in lieu of taxes	5,600	5,393	(207)
State grants:			
Library	341,885	340,938	(947)
Paramedics	3,706,897	4,005,099	298,202
Local emergency plan commission	69,408	69,963	555
Department of Health	10,000	11,786	1,786
Total intergovernmental	<u>5,831,330</u>	<u>6,085,980</u>	<u>254,650</u>
Charges for services			
Mobile home placement fees	73,700	81,540	7,840
Building inspection fees	800,000	961,999	161,999
Dog licensing	90,000	75,808	(14,192)
Miscellaneous general government fees	24,500	42,239	17,739
Building permits and zoning fees	1,200,000	1,392,906	192,906
911 System fees	559,630	559,637	7
Private road review and inspection fees	180,000	538,601	358,601
Sewer and water review and inspection fees	15,000	16,700	1,700
Airpark and economic development fees	586,020	584,832	(1,188)
Miscellaneous department fees	18,000	18,910	910
Marriage Bureau	130,000	123,622	(6,378)
Prothonotary	2,000	10,744	8,744
Recorder of Deeds	3,048,000	3,898,991	850,991
Register of Wills	965,000	1,004,104	39,104
Sheriff	4,000,000	2,471,611	(1,528,389)
Total charges for services	<u>11,691,850</u>	<u>11,782,244</u>	<u>90,394</u>
Fines and forfeits	<u>26,000</u>	<u>23,179</u>	<u>(2,821)</u>
Miscellaneous revenue			
Investment results	307,986	(318,528)	(626,514)
Miscellaneous revenues	169,110	221,047	51,937
Total miscellaneous revenues	<u>477,096</u>	<u>(97,481)</u>	<u>(574,577)</u>

(continued)

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

FOR THE YEAR ENDED JUNE 30, 2013

	Final Budget Amounts	Actual Amounts	Variance with Final Budget
Other financing sources			
Reimbursements from other funds	\$ 333,000	\$ 53,966	\$ (279,034)
Appropriated reserves	\$ 1,412,066	\$ -	(1,412,066)
Total other financing sources	<u>1,745,066</u>	<u>53,966</u>	<u>(1,691,100)</u>
Total revenues and other funding sources	<u>\$ 46,392,059</u>	<u>\$ 49,054,287</u>	<u>\$ 2,662,228</u>

**SCHEDULE OF GENERAL FUND EXPENDITURES AND OTHER FINANCING USES -
BUDGET AND ACTUAL - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2013**

	Final Budget Amounts	Actual Amounts	Variance with Final Budget
General government			
County Council			
Salaries and wages	\$ 209,195	\$ 209,194	\$ 1
Fringe benefits	150,577	154,290	(3,713)
Contractual services	57,533	70,008	(12,475)
Material and supplies	18,760	18,549	211
Other expenditures	13,088	13,088	-
Travel and training	25,242	25,241	1
Total County Council	<u>474,395</u>	<u>490,370</u>	<u>(15,975)</u>
Administration			
Salaries and wages	245,741	241,807	3,934
Fringe benefits	191,613	194,282	(2,669)
Contractual services	6,824	7,269	(445)
Material and supplies	13,438	13,435	3
Other expenditures	4,380	4,380	-
Travel and training	5,544	5,543	1
Total administration	<u>467,540</u>	<u>466,716</u>	<u>824</u>
Legal	<u>329,000</u>	<u>421,602</u>	<u>(92,602)</u>
Finance			
Salaries and wages	363,606	382,306	(18,700)
Fringe benefits	216,360	222,131	(5,771)
Contractual services	224,780	214,190	10,590
Material and supplies	5,906	5,904	2
Travel and training	4,378	3,884	494
Total finance	<u>815,030</u>	<u>828,415</u>	<u>(13,385)</u>
Accounting			
Salaries and wages	181,200	181,199	1
Fringe benefits	245,189	246,824	(1,635)
Contractual services	88,328	92,596	(4,268)
Material and supplies	4,685	5,303	(618)
Travel and training	2,405	2,105	300
Total accounting	<u>521,807</u>	<u>528,027</u>	<u>(6,220)</u>
Assessment			
Salaries and wages	687,234	687,234	-
Fringe benefits	567,925	581,707	(13,782)
Contractual services	31,929	23,214	8,715
Material and supplies	29,788	24,837	4,951
Travel and training	1,204	838	366
Total assessment	<u>1,318,080</u>	<u>1,317,830</u>	<u>250</u>

(continued)

SUSSEX COUNTY, DELAWARE
 SCHEDULE OF GENERAL FUND EXPENDITURES AND OTHER FINANCING USES -
 BUDGET AND ACTUAL - CONTINUED
 FOR THE YEAR ENDED JUNE 30, 2013

-65-

	<u>Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
General Government - Continued			
Building code			
Salaries and wages	\$ 286,132	\$ 286,222	\$ (90)
Fringe benefits	204,586	209,512	(4,926)
Contractual services	12,336	9,461	2,875
Material and supplies	24,785	18,053	6,732
Travel and training	1,700	899	801
Total building code	<u>529,539</u>	<u>524,147</u>	<u>5,392</u>
Mapping & addressing			
Salaries and wages	303,413	298,118	5,295
Fringe benefits	211,493	204,339	7,154
Contractual services	147,275	125,166	22,109
Material and supplies	28,844	28,781	63
Travel and training	2,817	2,770	47
Equipment	6,453	6,432	21
Total mapping and addressing	<u>700,295</u>	<u>665,606</u>	<u>34,689</u>
Treasury			
Salaries and wages	267,418	252,155	15,263
Fringe benefits	179,990	178,309	1,681
Contractual services	216,466	276,167	(59,701)
Material and supplies	5,989	5,873	116
Total treasury	<u>669,863</u>	<u>712,504</u>	<u>(42,641)</u>
Human resources and general employment			
Salaries and wages	223,159	214,325	8,834
Fringe benefits	356,403	284,342	72,061
Contractual services	102,766	69,332	33,434
Material and supplies	17,150	16,247	903
Other expenditures	23,125	10,910	12,215
Travel and training	27,830	26,688	1,142
Equipment	36,580	35,740	840
Total human resources	<u>787,013</u>	<u>657,584</u>	<u>129,429</u>
Records management			
Salaries and wages	66,986	61,693	5,293
Fringe benefits	31,780	31,610	170
Material and supplies	12,655	12,200	455
Total records management	<u>111,421</u>	<u>105,503</u>	<u>5,918</u>

(continued)

**SCHEDULE OF GENERAL FUND EXPENDITURES AND OTHER FINANCING USES -
BUDGET AND ACTUAL - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2013**

	Final Budget Amounts	Actual Amounts	Variance with Final Budget
General government - continued			
Buildings and grounds			
Salaries and wages	\$ 411,415	\$ 452,780	\$ (41,365)
Fringe benefits	278,901	321,462	(42,561)
Contractual services	314,859	311,008	3,851
Material and supplies	113,980	112,875	1,105
Travel and training	168	168	-
Equipment	46,582	46,582	-
Total building and grounds	<u>1,165,905</u>	<u>1,244,875</u>	<u>(78,970)</u>
Data processing			
Salaries and wages	148,852	184,396	(35,544)
Fringe benefits	134,739	140,994	(6,255)
Contractual services	22,726	21,559	1,167
Material and supplies	9,301	8,589	712
Travel and training	-	163	(163)
Total data processing	<u>315,618</u>	<u>355,701</u>	<u>(40,083)</u>
Information technology			
Salaries and wages	209,000	198,939	10,061
Fringe benefits	323,737	293,191	30,546
Contractual services	443,072	405,187	37,885
Material and supplies	48,860	47,259	1,601
Travel and training	16,105	14,070	2,035
Equipment	58,441	54,839	3,602
Total information technology	<u>1,099,215</u>	<u>1,013,485</u>	<u>85,730</u>
Constables			
Salaries and wages	135,853	130,229	5,624
Fringe benefits	100,309	98,436	1,873
Contractual services	20,368	19,814	554
Material and supplies	6,931	6,930	1
Other expenditures	10,000	9,621	379
Total constables	<u>273,461</u>	<u>265,030</u>	<u>8,431</u>
Dog control			
Salaries and wages	29,612	29,064	548
Fringe benefits	23,490	23,737	(247)
Contractual services	673,082	673,518	(436)
Material and supplies	2,761	1,739	1,022
Total dog control	<u>728,945</u>	<u>728,058</u>	<u>887</u>
Total general government	<u>10,307,127</u>	<u>10,325,453</u>	<u>(18,326)</u>

(continued)

**SCHEDULE OF GENERAL FUND EXPENDITURES AND OTHER FINANCING USES -
BUDGET AND ACTUAL - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2013**

	Final Budget Amounts	Actual Amounts	Variance with Final Budget
Planning and zoning			
Salaries and wages	\$ 542,755	\$ 516,356	\$ 26,399
Fringe benefits	360,595	348,887	11,708
Contractual services	326,299	323,816	2,483
Material and supplies	18,389	18,354	35
Travel and training	2,885	2,739	146
Equipment	29,068	29,070	(2)
Total planning and zoning	<u>1,279,991</u>	<u>1,239,222</u>	<u>40,769</u>
Paramedics			
Salaries and wages	6,777,358	6,777,093	265
Fringe benefits	3,997,545	4,006,392	(8,847)
Contractual services	722,316	691,062	31,254
Material and supplies	649,892	631,580	18,312
Other expenditures	15,000	9,550	5,450
Travel and training	44,414	29,901	14,513
Equipment	149,798	281,288	(131,490)
Total paramedics	<u>12,356,323</u>	<u>12,426,866</u>	<u>(70,543)</u>
Emergency preparedness			
Administration			
Salaries and Wages	143,028	142,121	907
Fringe benefits	84,717	80,478	4,239
Contractual services	188,221	179,064	9,157
Material and supplies	59,506	68,846	(9,340)
Other expenditures	7,090	6,329	761
Travel and training	3,095	2,547	548
Equipment	28,193	18,374	9,819
Total administration	<u>513,850</u>	<u>497,759</u>	<u>16,091</u>
Emergency operations center			
Salaries and wages	1,061,125	1,096,578	(35,453)
Fringe benefits	660,116	674,227	(14,111)
Contractual services	153,061	153,144	(83)
Material and supplies	25,576	24,310	1,266
Travel and training	29,889	24,271	5,618
Total emergency operation center	<u>1,929,767</u>	<u>1,972,530</u>	<u>(42,763)</u>
Communication systems			
Salaries and wages	169,131	164,854	4,277
Fringe benefits	95,222	93,345	1,877
Contractual services	45,997	44,816	1,181
Material and supplies	96,884	96,154	730
Total communication systems	<u>407,234</u>	<u>399,169</u>	<u>8,065</u>

(continued)

SUSSEX COUNTY, DELAWARE
 SCHEDULE OF GENERAL FUND EXPENDITURES AND OTHER FINANCING USES -
 BUDGET AND ACTUAL - CONTINUED
 FOR THE YEAR ENDED JUNE 30, 2013

-68-

	<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	\$ 42,702	\$ 41,940	\$ 762
Fringe benefits	27,380	28,040	(660)
Contractual services	800	752	48
Material and supplies	75	59	16
Travel and training	4,178	4,058	120
Total local planning community program	<u>75,135</u>	<u>74,849</u>	<u>286</u>
Total emergency preparedness	<u>2,925,986</u>	<u>2,944,307</u>	<u>(18,321)</u>
County engineer			
Administration			
Salaries and wages	468,598	496,851	(28,253)
Fringe benefits	433,271	409,732	23,539
Contractual services	52,645	15,144	37,501
Material and supplies	13,886	8,976	4,910
Other expenditures	148,924	126,653	22,271
Travel and training	2,379	1,698	681
Equipment	23,276	8,617	14,659
Total administration	<u>1,142,979</u>	<u>1,067,671</u>	<u>75,308</u>
Public works			
Salaries and wages	325,326	313,314	12,012
Fringe benefits	198,508	187,435	11,073
Professional services	27,574	25,341	2,233
Material and supplies	15,500	14,375	1,125
Travel and training	217	-	217
Total public works	<u>567,125</u>	<u>540,465</u>	<u>26,660</u>
Total county engineer	<u>1,710,104</u>	<u>1,608,136</u>	<u>101,968</u>
Library			
Library administration	581,641	582,544	(903)
Library facilities	1,838,063	1,749,495	88,568
Local libraries	1,415,126	1,415,126	-
Total library	<u>3,834,830</u>	<u>3,747,165</u>	<u>87,665</u>
Economic development and airpark			
Economic development			
Salaries and wages	53,334	52,491	843
Fringe benefits	32,665	33,324	(659)
Contractual services	1,293	1,232	61
Material and supplies	6,339	3,855	2,484
Other expenditures	4,000	2,153	1,847
Travel and training	741	741	-
Total economic development	<u>98,372</u>	<u>93,796</u>	<u>4,576</u>

(continued)

SUSSEX COUNTY, DELAWARE
 SCHEDULE OF GENERAL FUND EXPENDITURES AND OTHER FINANCING USES -
 BUDGET AND ACTUAL - CONTINUED
 FOR THE YEAR ENDED JUNE 30, 2013

-69-

	<u>Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Economic development and airpark - continued			
Security			
Salaries and wages	\$ 285,090	\$ 280,846	\$ 4,244
Fringe benefits	175,930	178,809	(2,879)
Contractual services	1,600	1,429	171
Material and supplies	17,100	14,962	2,138
Travel and training	3,500	1,649	1,851
Equipment and improvements	23,000	-	23,000
Total security	<u>506,220</u>	<u>477,695</u>	<u>28,525</u>
Airpark			-
Salaries and wages	226,742	222,379	4,363
Fringe benefits	157,656	119,957	37,699
Contractual services	202,794	167,392	35,402
Material and supplies	18,711	17,958	753
Other expenditures	138,060	96,898	41,162
Travel and training	2,275	2,001	274
Total airpark	<u>746,238</u>	<u>626,585</u>	<u>119,653</u>
Total economic development and airpark	<u>1,350,830</u>	<u>1,198,076</u>	<u>152,754</u>
Community development			
Salaries and wages	211,440	211,440	-
Fringe benefits	138,586	141,933	(3,347)
Contractual services	1,348,167	1,384,580	(36,413)
Material and supplies	2,459	1,709	750
Travel and training	10,359	9,881	478
Total community development	<u>1,711,011</u>	<u>1,749,543</u>	<u>(38,532)</u>
Grant-in-aid			
Fire and ambulance grants	3,255,340	3,439,829	(184,489)
Public safety grants	2,276,200	2,516,073	(239,873)
Environmental grants	532,422	185,181	347,241
Public assistance grant	847,610	1,081,527	(233,917)
Library grants	576,351	934,189	(357,838)
Total grant-in-aid	<u>7,487,923</u>	<u>8,156,799</u>	<u>(668,876)</u>
Constitutional offices			
Marriage Bureau	175,890	237,639	(61,749)
Recorder of Deeds	1,105,940	1,027,753	78,187
Register of Wills	496,817	457,665	39,152
Sheriff	912,520	756,632	155,888
Total constitutional offices	<u>2,691,167</u>	<u>2,479,689</u>	<u>211,478</u>
Total expenditures	<u>45,655,292</u>	<u>45,875,256</u>	<u>(219,964)</u>

(continued)

**SCHEDULE OF GENERAL FUND EXPENDITURES AND OTHER FINANCING USES -
BUDGET AND ACTUAL - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2013**

	Final Budget Amounts	Actual Amounts	Variance with Final Budget
Other financing uses			
Transfers out	\$ 735,500	\$ 806,529	\$ (71,029)
Reserved for contingencies	1,267	-	1,267
Total other financing uses	<u>736,767</u>	<u>806,529</u>	<u>(69,762)</u>
Total expenditures and other financing uses	<u>\$ 46,392,059</u>	<u>\$ 46,681,785</u>	<u>\$ (289,726)</u>

CAPITAL PROJECTS FUND

**SCHEDULE OF CAPITAL PROJECTS FUND REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amount</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 6,555,608	\$ 6,555,608	\$ 2,133,507	\$ (4,422,101)
Miscellaneous revenue	25,000	25,000	(5,326)	(30,326)
Total revenues	<u>6,580,608</u>	<u>6,580,608</u>	<u>2,128,181</u>	<u>(4,452,427)</u>
EXPENDITURES				
Capital projects	<u>13,247,485</u>	<u>13,247,485</u>	<u>6,408,883</u>	<u>6,838,602</u>
Total expenditures	<u>13,247,485</u>	<u>13,247,485</u>	<u>6,408,883</u>	<u>6,838,602</u>
Excess of revenue over (under) Expenditures	<u>(6,666,877)</u>	<u>(6,666,877)</u>	<u>(4,280,702)</u>	<u>2,386,175</u>
OTHER FINANCING SOURCES				
Appropriated reserves	<u>6,666,877</u>	<u>6,666,877</u>	<u>-</u>	<u>(6,666,877)</u>
Total other financing sources	<u>6,666,877</u>	<u>6,666,877</u>	<u>-</u>	<u>(6,666,877)</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>(4,280,702)</u>	<u>(4,280,702)</u>
Fund balances - beginning	<u>16,075,741</u>	<u>16,075,741</u>	<u>16,075,741</u>	<u>-</u>
Fund balances - ending	<u>\$ 16,075,741</u>	<u>\$ 16,075,741</u>	<u>\$ 11,795,039</u>	<u>\$ (4,280,702)</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>	73 - 78
<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>	79 - 82
<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>	83 - 86
<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>	87 - 88
<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>	89 - 91

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 POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011 as restated	2012	2013
Governmental activities										
Net investment in capital assets	\$ 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	\$ 69,132,520
Restricted	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	56,534,084
Unrestricted	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	53,383,613
Total governmental activities net position	<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>	<u>\$ 179,050,217</u>
Business-type activities										
Net investment in capital assets	\$ 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	\$ 202,651,443
Restricted	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	43,172,577
Unrestricted	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	51,458,144
Total business-type activities net position	<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>	<u>\$ 297,282,164</u>
Primary government										
Net investment in capital assets	\$ 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	\$ 271,783,963
Restricted	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	99,706,661
Unrestricted	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	104,841,757
Total primary government net position	<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>	<u>\$ 476,332,381</u>

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

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011 as restated	2012	2013
Expenses										
Governmental activities:										
General government	\$ 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	\$ 9,697,332
Grant-in-aid programs	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	1,212,351
Planning and zoning	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	12,895,383
Paramedic program	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	3,360,129
Emergency preparedness	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	1,622,080
Economic development and Airpark	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	3,917,395
County engineer	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	2,063,146
Library	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	1,782,197
Community development and housing programs	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	8,156,799
Constitutional offices	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	2,429,063
Interest on long-term debt	-	-	-	3,285	-	-	-	-	-	-
Total governmental activities expenses	<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>	<u>47,135,875</u>
Business-type activities:										
Sewer facilities	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	30,969,244
Water facilities	747,923	770,503	812,592	852,902	856,120	962,162	928,222	1,016,979	1,078,834	987,917
Total business-type activities expenses	<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>	<u>31,957,161</u>
Total primary government expenses	<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>	<u>\$ 79,093,036</u>
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 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	\$ 1,208,807
Planning and zoning	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	1,392,906
Emergency preparedness	29,543	26,545	27,485	24,145	17,065	17,655	16,230	15,960	17,500	17,500
Economic development and public works	223,293	244,526	590,635	558,097	550,558	541,885	530,310	671,314	545,324	875,302
County engineer	1,549,445	2,080,536	2,681,308	1,206,998	599,865	3,223,485	324,623	281,451	277,841	35,607
Library	33,664	20,249	25,320	26,422	25,911	26,716	19,585	25,991	28,074	553,044
Constitutional offices	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	7,509,071
Operating grants and contributions	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	6,971,729
Capital grants and contributions	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	2,949,213
Total governmental activities program revenues	<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>	<u>21,513,179</u>

(continued)

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011 as restated	2012	2013
Business-type activities:										
Charges for services:										
Sewer facilities	\$ 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	\$ 17,229,651
Water facilities	583,897	583,889	591,991	635,186	695,038	689,335	740,686	750,785	667,476	808,246
Operating grants and contributions	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	15,752,444
Capital grants and contributions	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	5,712,226
Total business-type activities program revenues	42,279,429	47,049,428	54,137,891	52,659,943	47,987,167	36,301,340	34,008,375	31,725,224	49,784,546	39,502,567
Total primary government program revenues	<u>\$ 60,953,170</u>	<u>\$ 67,268,699</u>	<u>\$ 77,185,146</u>	<u>\$ 77,303,744</u>	<u>\$ 69,337,506</u>	<u>\$ 58,262,731</u>	<u>\$ 59,418,925</u>	<u>\$ 52,075,309</u>	<u>\$ 69,193,068</u>	<u>\$ 59,476,581</u>
Net (Expense)/Revenue										
Governmental activities	\$ (12,626,734)	\$ (14,316,271)	\$ (17,728,961)	\$ (29,567,462)	\$ (30,217,084)	\$ (20,089,947)	\$ (20,089,947)	\$ (25,773,979)	\$ (25,190,164)	\$ (25,622,696)
Business-type activities	22,243,326	27,625,414	32,039,840	26,704,274	20,998,451	9,312,624	5,966,966	2,441,894	19,245,579	7,545,406
Total primary government net (expense)/revenue	<u>\$ 9,616,592</u>	<u>\$ 13,309,143</u>	<u>\$ 14,310,879</u>	<u>\$ (2,863,188)</u>	<u>\$ (9,218,633)</u>	<u>\$ (10,777,323)</u>	<u>\$ (14,122,981)</u>	<u>\$ (23,332,085)</u>	<u>\$ (5,944,585)</u>	<u>\$ (18,077,290)</u>
General Revenues and Other Changes in Net Position										
Governmental activities:										
Property taxes	\$ 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	\$ 12,706,792
Capitation taxes	237,282	224,294	241,699	240,030	247,041	252,741	253,785	259,229	-	-
Fire service taxes	1,510,691	1,785,613	2,093,729	1,535,864	1,106,321	758,837	791,472	821,702	898,335	1,041,506
Realty transfer taxes	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	17,422,525
Unrestricted investment earnings	892,938	1,747,718	4,216,741	5,829,443	4,379,147	2,157,202	824,259	212,684	302,903	(318,529)
Transfers	(2,925,040)	(9,530,548)	(6,297,450)	(2,790,587)	(2,543,355)	(1,390,702)	(765,668)	(754,077)	(925,897)	(752,563)
Total governmental activities	36,683,964	38,718,038	46,216,588	43,394,181	36,141,547	28,162,630	27,285,913	28,693,866	28,097,897	30,099,731
Business-type activities:										
Unrestricted investment earnings	198,309	289,985	802,160	716,108	629,534	234,467	77,831	59,861	22,884	(73,715)
Transfers	2,925,040	9,530,548	6,297,450	2,790,587	2,543,355	1,390,702	765,668	754,077	925,897	752,563
Total business-type activities	3,123,349	9,820,533	7,099,610	3,506,695	3,172,889	1,625,169	843,499	813,938	948,781	678,848
Total primary government program revenues	<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>	<u>\$ 30,778,579</u>
Change in Net Position										
Governmental activities	\$ 24,057,230	\$ 24,401,767	\$ 28,487,627	\$ 13,826,719	\$ 5,924,463	\$ 8,072,683	\$ 7,195,966	\$ 2,919,887	\$ 2,907,733	\$ 4,477,035
Business-type activities	25,366,675	37,445,947	39,139,450	30,210,969	24,171,340	10,937,793	6,810,465	3,255,832	20,194,360	8,224,254
Total primary government	<u>\$ 49,423,905</u>	<u>\$ 61,847,714</u>	<u>\$ 67,627,077</u>	<u>\$ 44,037,688</u>	<u>\$ 30,095,803</u>	<u>\$ 19,010,476</u>	<u>\$ 14,006,431</u>	<u>\$ 6,175,719</u>	<u>\$ 23,102,093</u>	<u>\$ 12,701,289</u>

- Notes:** 1. Airport expenses and charges for services for years 2004 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 position 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									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Fund										
Reserved	\$ 36,610,789	\$ 41,702,138	\$ 56,560,314	\$ 64,675,385	\$ 67,436,807	\$ 61,679,946	\$ 61,988,419	\$ -	\$ -	\$ -
Unreserved										
Designated	11,585,639	14,509,355	11,257,954	3,859,850	2,706,165	2,078,768	2,413,855	-	-	-
Undesignated	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	106,411
Restricted	-	-	-	-	-	-	-	53,084,094	47,914,815	44,739,045
Committed	-	-	-	-	-	-	-	598,598	837,696	1,308,577
Assigned	-	-	-	-	-	-	-	6,641,109	4,441,378	4,044,652
Unassigned	-	-	-	-	-	-	-	16,839,957	24,867,662	30,602,046
Total general fund	<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>	<u>\$ 80,800,731</u>
All Other Governmental Funds										
Reserved	\$ 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	4,541,774	5,341,810	-	-	-	-	-	-	-	-
Undesignated	56,264	-	-	53,901	(711,332)	(416,723)	(265,565)	-	-	-
Restricted	-	-	-	-	-	-	-	17,565,595	16,075,741	11,795,039
Unassigned	-	-	-	-	-	-	-	(10,911)	-	-
Total all other governmental funds	<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>	<u>\$ 11,795,039</u>

Note: GASB 54 was implemented in 2011, the previous seven 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									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues										
Taxes	\$ 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	\$ 31,206,399
Intergovernmental	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	8,219,487
Charges for services	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	11,782,244
Fines and forfeits	19,103	22,197	29,195	25,607	24,593	23,971	20,225	26,170	28,074	23,179
Miscellaneous	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	(102,807)
Total revenues	59,757,200	71,028,190	76,766,964	67,821,128	60,502,890	52,456,160	48,036,456	47,304,463	49,024,771	51,128,502
Expenditures										
General government	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	10,325,453
Grant-in-aid programs	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	8,156,799
Planning and zoning	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	1,239,222
Paramedic program	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	12,426,866
Emergency preparedness	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	2,944,307
Economic development and airpark	643,762	768,054	925,222	986,140	922,685	913,528	908,510	1,200,621	1,156,267	1,198,076
County engineer	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	1,608,136
Library	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	3,747,165
Community development and housing programs	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	1,749,543
Constitutional offices	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	2,479,689
Capital projects	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	6,408,883
Total expenditures	36,581,368	46,047,517	56,548,331	61,182,691	62,414,564	59,944,144	48,874,463	43,063,568	48,723,788	52,284,139
Excess of revenues over (under) expenditures	23,175,832	24,980,673	20,218,633	6,638,437	(1,911,674)	(7,487,984)	(838,007)	4,240,895	300,983	(1,155,637)
Other Financing Sources (Uses)										
Reimbursements from funds for services	-	-	-	-	-	-	-	-	-	-
Issuance of debt	43,550	94,054	44,339	110,546	68,947	5,442	-	-	-	-
Transfers in	10,527,512	7,338,247	8,921,148	13,914,628	4,301,295	166,082	54,213	55,151	53,891	53,966
Transfers out	(13,452,552)	(16,868,795)	(15,218,598)	(16,705,215)	(6,844,650)	(1,556,784)	(819,881)	(809,228)	(979,788)	(806,529)
Total other financing sources (uses)	(2,881,490)	(9,436,494)	(6,253,111)	(2,680,041)	(2,474,408)	(1,385,260)	(765,668)	(754,077)	(925,897)	(752,563)
Residual equity transfers	-	-	-	-	-	-	-	-	-	-
Net change in fund balances	\$ 20,294,342	\$ 15,544,179	\$ 13,965,522	\$ 3,958,396	\$ (4,386,082)	\$ (8,873,244)	\$ (1,603,675)	\$ 3,486,818	\$ (624,914)	\$ (1,908,200)
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 2004 through 2009 are included in economic development and airpark line, due to this department being combined with the industrial park in fiscal year ending June 30, 2010.

**SCHEDULE OF REVENUE AND EXPENDITURES AND OTHER FINANCING SOURCES AND USES
FOR THE THIRTY-SIX YEARS THROUGH JUNE 30, 2013**

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

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

Fiscal Year	Residential Property	Business	Agriculture Property	Trailer	Other	Less: Tax - Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Taxable Assessed Value as a Percentage of Actual Taxable Value
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%
2013	2,406,619,888	422,465,283	117,246,528	113,008,160	226,056,896	244,977,619	3,040,419,136	0.445	33,411,199,291	9.1%

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**

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	Year Taxes Are Payable									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
County Direct										
County Tax	\$ 0.4017	\$ 0.4017	\$ 0.4017	\$ 0.3983	\$ 0.3983	\$ 0.3983	\$ 0.3983	\$ 0.3983	\$ 0.3983	\$ 0.3983
Library	0.0433	0.0433	0.0433	0.0467	0.0467	0.0467	0.0467	0.0467	0.0467	0.0467
Total direct rate	0.4450	0.4450	0.4450	0.4450	0.4450	0.4450	0.4450	0.4450	0.4450	0.4450
School Districts										
Cape Henlopen	2.1610	2.2360	2.9980	2.9980	2.8770	2.6660	2.5670	2.5670	2.5670	2.9770
Delmar	3.2100	3.2000	3.2000	3.1500	3.1500	3.1400	3.1200	3.1200	3.3100	3.7574
Indian River (3)	2.2130	2.2400	2.4470	2.5450	2.4750	2.5550	2.5700	2.5700	2.6250	2.6230
Laurel	2.3900	2.3900	2.3900	2.3900	2.3900	2.4900	2.4900	2.4900	2.9810	3.6050
Milford	2.7930	3.2897	3.3978	3.5468	3.5803	3.5101	3.6986	3.6986	3.6304	3.4659
Seaford	2.5800	2.5800	3.2300	3.2300	3.2300	3.2300	3.2900	3.2900	3.3200	3.3200
Woodbridge	2.9990	2.9990	3.3280	3.2950	3.2950	3.2850	3.2810	3.2810	3.4820	3.7240
Vo-Tech	0.2293	0.2293	0.2269	0.2363	0.2480	0.2676	0.2666	0.2666	0.2737	0.2811
Town Rates (2)										
Bethany Beach	0.0800	0.0800	0.0800	0.1600	0.1600	0.1650	0.1650	0.1650	0.1700	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	0.7000
Bridgeville	1.8300	1.8300	1.7300	1.7300	1.7300	1.7300	2.0000	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	0.5600
Delmar	1.3100	1.3100	1.3100	1.3100	0.4000	0.5000	0.5000	0.5000	0.5000	0.5200
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	1.5000
Fenwick Island	1.6000	1.6000	1.9200	1.9200	1.9200	1.9200	1.9200	1.9200	1.9200	1.9200
Frankford	1.7500	1.7500	1.7500	1.9500	2.0500	2.2000	2.5000	2.5000	2.5000	2.5000
Georgetown	2.1500	2.4500	2.5300	2.5300	2.5300	2.5300	2.9300	3.1400	3.1400	3.1400
Greenwood	0.6000	1.0000	1.2000	1.4000	1.7000	1.7000	1.8000	1.8000	1.8000	1.8000
Henlopen Acres	1.4500	1.8800	1.8800	1.8800	1.8800	2.1700	2.1700	2.1700	2.6200	2.6200
Laurel	1.9100	1.9100	1.9100	1.9100	1.9100	1.9100	2.0800	2.0800	2.2000	2.2900
Lewes	0.2600	0.3900	0.3900	0.3900	0.3900	0.4900	0.4900	0.5700	0.5700	0.5700
Milford	0.4100	0.4100	0.4100	0.4100	0.4600	0.4600	0.4600	0.4600	0.4600	0.4600
Millsboro	0.4600	0.4600	0.5100	0.5100	0.5100	0.5100	0.5600	0.5600	0.5600	0.5600
Millville	0.2000	0.2000	0.2000	0.2000	0.5000	0.5000	0.5000	0.5000	0.5000	0.5000
Milton	0.4100	0.4100	0.4100	0.4100	0.4100	0.4100	0.1800	0.1800	0.2160	0.2160
Ocean View	0.5000	0.5000	0.5000	0.0981	0.0981	0.1059	0.1144	0.1230	0.1588	0.1588
Rehoboth Beach	1.4000	1.4000	1.5500	1.5500	1.5500	1.5500	1.7800	1.7800	1.7800	1.7800
Seaford	0.5200	0.5200	0.5700	0.5700	0.2650	0.2800	0.2900	0.2900	0.3000	0.3100
Selbyville	1.8500	1.8500	1.8500	1.8500	1.8500	1.8500	1.8500	1.8500	1.8500	1.8500
Slaughter Beach	0.5000	0.5000	0.5000	0.5000	0.5000	0.5000	0.7500	0.7500	0.7500	0.7500
South Bethany	0.6500	0.6500	0.6500	0.6500	0.6500	1.3000	1.3000	1.3000	1.3000	1.3000

Notes:

1. The above rates are per \$ 100 of assessed value.
2. The town rate shown for Bethany Beach, Blades, Dagsboro, Delmar, Lewes, Milford, Millsboro, Milton, Ocean View, Rehoboth Beach, and Seaford are based on assessments established by the individual towns. The other town rates are based on County assessments.
3. The Indian River School District charged \$ 2.027, and \$ 2.289 for non-residential properties in fiscal years 2004 through 2005 respectively.

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

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

Taxpayer	Fiscal Year 2013			Fiscal Year 2004		
	Taxable Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Taxable Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Verizon	\$ 46,311,375	1	1.52%	\$ 35,638,175	1	1.70%
Delmarva Power & Light Co. (2)	23,335,305	2	0.77	19,734,824	2	0.94
Indian River Power LLC	12,786,471	3	0.42	12,737,071	3	0.61
E. I. duPont de Nemours Company	8,385,865	4	0.28	9,484,250	4	0.45
Eastern Shore Natural Gas Co.	5,284,895	5	0.17	3,147,733	8	0.15
Delaware Electric Cooperative,	5,111,765	6	0.17	4,311,801	6	0.21
Sussex Sports Amenities LLC	4,547,400	7	0.15	-	-	-
Chesapeake Utilities Corporation	3,925,127	8	0.13	3,230,327	7	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,	-	-	-	4,351,900	5	0.21
M & T Bank	-	-	-	3,135,800	9	0.15
Pinnacle Foods Corporation	-	-	-	2,798,600	10	0.13
	<u>\$116,906,303</u>		<u>3.85%</u>	<u>\$ 98,570,481</u>		<u>4.70%</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)	Adjustments	Total Adjusted Tax Levy	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
				Current Tax Collections	Percent of Levy		Amount	Percentage of Adjusted Levy
2004	\$ 9,578,379	\$ 140,252	\$ 9,718,631	\$ 9,393,462	96.7%	\$ 300,695	\$ 9,694,157	99.7%
2005	8,161,305	120,699	8,282,004	8,014,809	96.8	237,843	8,252,652	99.6
2006	10,686,666	175,555	10,862,221	10,584,949	97.4	241,902	10,826,851	99.7
2007	11,468,314	217,171	11,685,485	11,403,418	97.6	239,053	11,642,471	99.6
2008	12,329,504	140,690	12,470,194	12,206,827	97.9	211,312	12,418,139	99.6
2009	12,827,188	85,976	12,913,164	12,580,435	97.4	264,682	12,845,117	99.5
2010	13,134,779	56,957	13,191,736	12,842,730	97.4	256,929	13,099,659	99.3
2011	13,307,922	62,530	13,370,452	13,034,973	97.5	221,305	13,256,278	99.1
2012	13,333,291	64,275	13,397,566	13,129,170	98.0	122,305	13,251,475	99.0
2013	12,522,798	63,224	12,586,022	12,314,220	97.8	-	12,314,220	97.8

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.
3. The property tax levy for fiscal year 2013 is shown net of \$1,007,067 credit applied to eligible taxpayers based on .0035% of property assessment value.

Source: Sussex County Treasury Division.

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

<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>				
2004	\$ 267,259	\$117,543,523	\$29,353,972		\$ 147,164,754	2.99%	\$ 856
2005	259,744	119,088,672	28,072,022		147,420,438	2.79	838
2006	181,346	131,143,301	26,926,565		158,251,212	2.80	878
2007	165,271	132,717,532	25,473,714		158,356,517	2.64	862
2008	136,587	135,651,951	23,983,931		159,772,469	2.49	847
2009	72,862	137,744,448	22,453,203		160,270,513	2.41	835
2010	17,987	143,660,628	20,892,734		164,571,349	2.41	835
2011	-	170,158,954	19,284,788		189,443,742	2.70	944
2012	-	159,993,470	17,643,028		177,636,498	*	873
2013	-	172,319,678	-		172,319,678	*	*

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

* Figures not available

SUSSEX COUNTY, DELAWARE
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
JUNE 30, 2013

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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	\$ 29,074,710	100%	\$ 29,074,710
Delmar	1,755,345	100%	1,755,345
Howard T Ennis, Sr.	667,125	100%	667,125
Indian River	28,587,914	100%	28,587,914
Laurel	12,120,495	100%	12,120,495
Milford	15,120,980	59%	8,921,378
Seaford	11,131,175	100%	11,131,175
Sussex Tech	9,487,815	100%	9,487,815
Woodbridge	11,276,300	99%	11,163,537
Total School Districts			<u>112,909,494</u>
Municipalities:			
Milford	152,139	59%	89,762
Rehoboth Beach	2,892,915	100%	2,892,915
Seaford	150,955	100%	150,955
Total Municipalities			<u>3,133,632</u>
Subtotal, overlapping debt			116,043,126
County direct debt			-
Total direct and overlapping debt			<u>\$ 116,043,126</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									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General obligation bonds	\$ 117,543,523	\$ 119,088,672	\$ 131,143,301	\$ 132,717,532	\$ 135,651,951	\$ 137,744,448	\$ 143,660,628	\$ 170,158,954	\$ 159,993,470	\$ 172,319,678
Percentage of estimated actual property value	0.46%	0.38%	0.37%	0.34%	0.35%	0.35%	0.41%	0.50%	0.47%	0.50%
Per capita	\$ 684	\$ 677	\$ 727	\$ 722	\$ 719	\$ 717	\$ 729	\$ 848	\$ 787	*
Total net debt applicable to debt limit	117,543,523	119,088,672	131,143,301	132,717,532	135,651,951	137,744,448	143,660,628	170,158,954	159,993,470	172,319,678
Legal debt limit	266,391,788	283,050,019	303,961,496	302,316,074	339,750,295	347,637,021	352,113,820	359,533,606	364,850,297	370,830,620
Legal debt margin	\$ 148,848,265	\$ 163,961,347	\$ 172,818,195	\$ 169,598,542	\$ 204,098,344	\$ 209,892,573	\$ 208,453,192	\$ 189,374,652	\$ 204,856,827	\$ 198,510,942
Total net debt applicable to the limit as a percentage of debt limit	44.12%	42.07%	43.14%	43.90%	39.93%	39.62%	40.80%	47.33%	43.85%	46.47%

Legal debt margin calculation for fiscal year 2013

Assessed value	\$ 3,090,255,167
Debt limit (12% of assessed value)	370,830,620
Total net debt applicable to limit	<u>172,319,678</u>
Legal debt margin	<u>\$ 198,510,942</u>

Notes:

1. The statutory limitation for debt is 12% of the assessed value of taxable property as of June 30, 2013.
2. The personal income and population data information is presented on the demographic and economic statistics schedule.
3. Sussex County does not have any governmental activity general bonded debt.

Source: Sussex County Assessment Division.

* Figures not available

**SUSSEX COUNTY, DELAWARE
 PLEDGED-REVENUE COVERAGE
 LAST TEN FISCAL YEARS**

Fiscal Year	Sewer Revenue Bonds					Coverage
	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service		
				Principal	Interest	
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
2013	10,044,481	2,645,099	7,399,382	1,689,775	628,384	3.19

Notes:

1. Operating expenses do not include depreciation or interest expense, as per the bond indenture.
2. Utility service charges do not include capitalization fees, or capital contributions.
3. Debt service requirement reflects minimum amounts due for revenue bonds. It does not include any debt service amounts for additional bonds which are paid from district funds and are general obligation bonds. It does not include accrued interest. It does not include interest capitalized prior to the initial date of operations, December 29, 1995.
4. The coverage requirement per Bond resolutions is 1.25.
5. In April 1994, the County issued \$ 19,000,000 in revenue bonds which were advance refunded in December 1995 by revenue bonds totaling \$ 20,825,000. In 2006 the County refinanced the December 1995 issue for the Series 2005 revenue bond issue for \$ 18,500,000.
6. In April 1994, the County issued \$ 13,000,000 and \$ 4,000,000 in revenue bonds to the State of Delaware program. Debt service for these SRF bonds is based on level debt service payments.
7. The West Rehoboth system was under construction during fiscal year 1993, 1994 and 1995 and was placed in service on December 29, 1995. Receipt of revenues began during fiscal year 1996. Debt service paid prior to then was paid from capital funding. Interest was capitalized until fiscal year 1996.
8. In April 2013, Series 2005 revenue bonds were paid off and Subordinated Obligations have been released due to obligation pay off.
9. The following revenue bond issues are included here as part of the debt service requirements:

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

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

<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>
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	7,009,239	34,988	45.1	24,205	7.2%
2012	203,390	*	*	*	24,560	5.9%
2013	*	*	*	*	25,649	6.5%

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>2013</u>			<u>2004</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	10,553	1	16.6%	10,057	2	16.3%
Health care and social assistance	9,988	2	15.7	7,361	3	11.9
Manufacturing	9,072	3	14.2	11,386	1	18.4
Government	8,024	4	12.6	6,449	4	10.4
Accommodation and food services	7,592	5	11.9	6,407	5	10.4
Construction	3,604	6	5.7	5,250	6	8.5
Administrative and waste services	2,684	7	4.2	1,922	9	3.1
Other services, except public administration	2,240	8	3.5	2,170	8	3.5
Professional and technical services	1,652	9	2.6	-	-	-
Finance and insurance	1,604	10	2.5	2,835	7	4.6
Transportation and warehousing	-	-	-	1,489	10	2.4
	<u>57,013</u>		<u>89.5%</u>	<u>55,326</u>		<u>89.5%</u>

Notes:

1. Data reported is for first quarter of the respective year.
2. Top employer information is deemed confidential pursuant to 20 Code of Federal regulations Part 603.

Source: Delaware Department of Labor Office of Occupational & Labor Market Information.

SUSSEX COUNTY, DELAWARE
FULL-TIME EQUIVALENT COUNTY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

<u>Function/Program</u>	<u>Full-time Equivalent Employees as of June 30</u>									
	<u>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>	<u>2013</u>
General government										
General administration	8	8	10	11	11	11	11	11	11	11
Finance	85	86	89	90	86	81	72	70	71	67
Personnel	5	5	6	6	6	6	6	6	6	6
Buildings and grounds	27	28	25	33	26	21	17	19	21	20
Data processing	13	13	13	12	14	12	14	15	15	14
County constable	4	4	4	3	4	4	5	5	5	4
Planning and zoning	14	14	15	16	15	14	13	12	12	11
Paramedic program	90	94	108	110	109	112	106	105	104	108
Emergency preparedness	28	27	29	28	28	27	28	28	27	29
Economic development and public works	11	15	14	13	12	12	12	11	10	10
County engineer	115	120	132	132	139	141	138	140	137	137
Library	35	32	30	41	33	31	27	27	26	28
Community development and housing programs	6	6	6	7	6	6	6	6	5	5
Constitutional offices	36	33	33	37	36	34	35	34	33	33
Total	<u>477</u>	<u>485</u>	<u>514</u>	<u>539</u>	<u>525</u>	<u>512</u>	<u>490</u>	<u>489</u>	<u>483</u>	<u>483</u>

Source: Sussex County Accounting Department.

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

Function/Program	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Planning and Zoning										
Permits issued	10,811	11,075	11,299	9,896	8,436	6,553	6,302	6,658	6,959	7,172
Public Safety										
Paramedic incidents dispatched	11,018	11,612	11,955	12,701	13,759	13,500	13,697	14,077	14,260	15,018
911 calls	89,446	85,243	94,858	99,659	104,623	97,230	103,107	105,776	108,301	105,137
Sewer and Water Services										
Sewer customers, EDU's billed	44,240	47,524	50,809	53,439	56,200	57,673	59,154	60,167	62,431	64,456
Water customers, EDU's billed	3,548	3,530	3,543	3,553	3,574	3,600	3,611	3,613	3,631	3,688
Libraries										
Circulation	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	1,387,038
Industrial Airpark										
Number of businesses	18	20	20	20	18	18	18	17	17	19
Number of jobs provided by business	681	752	860	944	1,048	989	842	961	881	870
Number of landings (1)	16,306	18,625	17,508	19,259	20,222	20,000	20,000	17,500	18,000	17,900

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>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>	<u>2013</u>
Public Safety										
Paramedic stations	7	7	7	8	8	9	9	9	9	9
Volunteer fire and ambulance companies	24	24	24	24	24	24	24	24	24	24
Additional state police officers funded by County	20	24	28	32	36	40	40	40	40	44
Sewer and Water Services										
Miles of underground sanitary sewer pipe	554	595	655	682	747	770	778	811	846	856
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	256	357	370	384	397	418	428	437	440	449
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	7,330	7,330	7,330	7,330	7,330	8,109	8,109	8,109	8,109
Number of hangars	20	24	27	28	30	30	30	30	30	30
Number of runways	2	2	2	2	2	2	2	2	2	2

Source: Individual Sussex County Departments.



SINGLE AUDIT SUPPLEMENT



**SUSSEX COUNTY, DELAWARE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

<u>Federal Grantor/Pass-through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. DEPARTMENT OF AGRICULTURE			
Direct Programs:			
Rural Housing Preservation Grants	10.433	HPG 11-12 HPG 12-13	\$ 29,846
Water and Waste Disposal Systems for Rural Communities	10.760		1,903,457
ARRA - Water and Waste Disposal Systems for Rural Communities	10.781		<u>4,152,650</u>
Subtotal Water and Waste Disposal Systems for Rural Communities Cluster			<u>6,056,107</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>6,085,953</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 03-11 CD 03-12	1,018,912
Neighborhood Stabilization Program (NSP 1)		NSP 03-08	<u>18,532</u>
Total Community Development Block Grants/ State's Program			1,037,444
ARRA - Neighborhood Stabilization Program (NSP 2)	14.256	NSP 03-09	143,238
Home Investment Partnerships Program	14.239	HM 03-11 HM 03-12	<u>234,661</u>
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			<u>1,415,343</u>
U.S. DEPARTMENT OF TRANSPORTATION			
Direct Program:			
Airport Improvement Program	20.106	3-10-0007-026-11 3-10-0007-027-11 3-10-0007-028-12	1,794,785
Passed through State - Delaware Emergency Management Agency: Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	SCHMEP FY2012	<u>2,469</u>
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			<u>1,797,254</u>

(continued)

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, 2013

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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-4090-EM-DE	94,297
Emergency Management Performance Grants	97.042	EMPG-12-003 EMPG-13-003	165,926
Citizen Corp	97.067	2010	10,258
Homeland Security Grant Program	97.067	2008 2009 2010 2011	<u>390,379</u>

TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY 660,860

TOTAL EXPENDITURES OF FEDERAL AWARDS \$9,959,410

See accompanying notes to Schedule of Expenditures of Federal Awards.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual and the modified accrual 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 for the year ended June 30, 2013.

Program Title	Federal CFDA Number	Loan Amount
Water and Waste Disposal Systems for Rural Communities	10.760	\$ 220,705
ARRA - Water and Waste Disposal for Rural Communities	10.781	3,934,584

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, 2013 is \$ 1,009,434 of which \$ 46,392 is included in the current fiscal year's federal expenditure balance for that program.

NOTE D - NON-CASH ASSISTANCE

The County is the recipient of federal financial assistance programs that do not result in cash receipts or disbursements. \$168,151 of noncash received by the County are included in the SEFA under CFDA #97.067.



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Independent Auditor's Report on Compliance For Each Major Federal Program and Report on Internal Control Over Compliance

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

Report on Compliance for Each Major Federal Program

We have audited Sussex County's (the County) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended June 30, 2013. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.



Report on Internal Control Over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

BDO USA, LLP

December 20, 2013



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

The County Council of Sussex County, Delaware
Georgetown, Delaware

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Sussex County, Delaware (the County), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated December 20, 2013.

Internal Control Over Financial Reporting

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

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

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



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's basic financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of basic financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

BDO USA, LLP

December 20, 2013

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

Federal Awards Section

Internal control over major programs:

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

Type of auditor's report issued on compliance for major programs: Unmodified

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

Identification of major programs:

<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
97.067	Homeland Security Grant Program
14.228	Community Development Block Grants/ State's Program
20.106	Airport Improvement Grant

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

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

Section II – Financial Statement Findings

None.

Section III - Federal Award Findings and Questioned Costs

None.

Prior Year Findings:

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