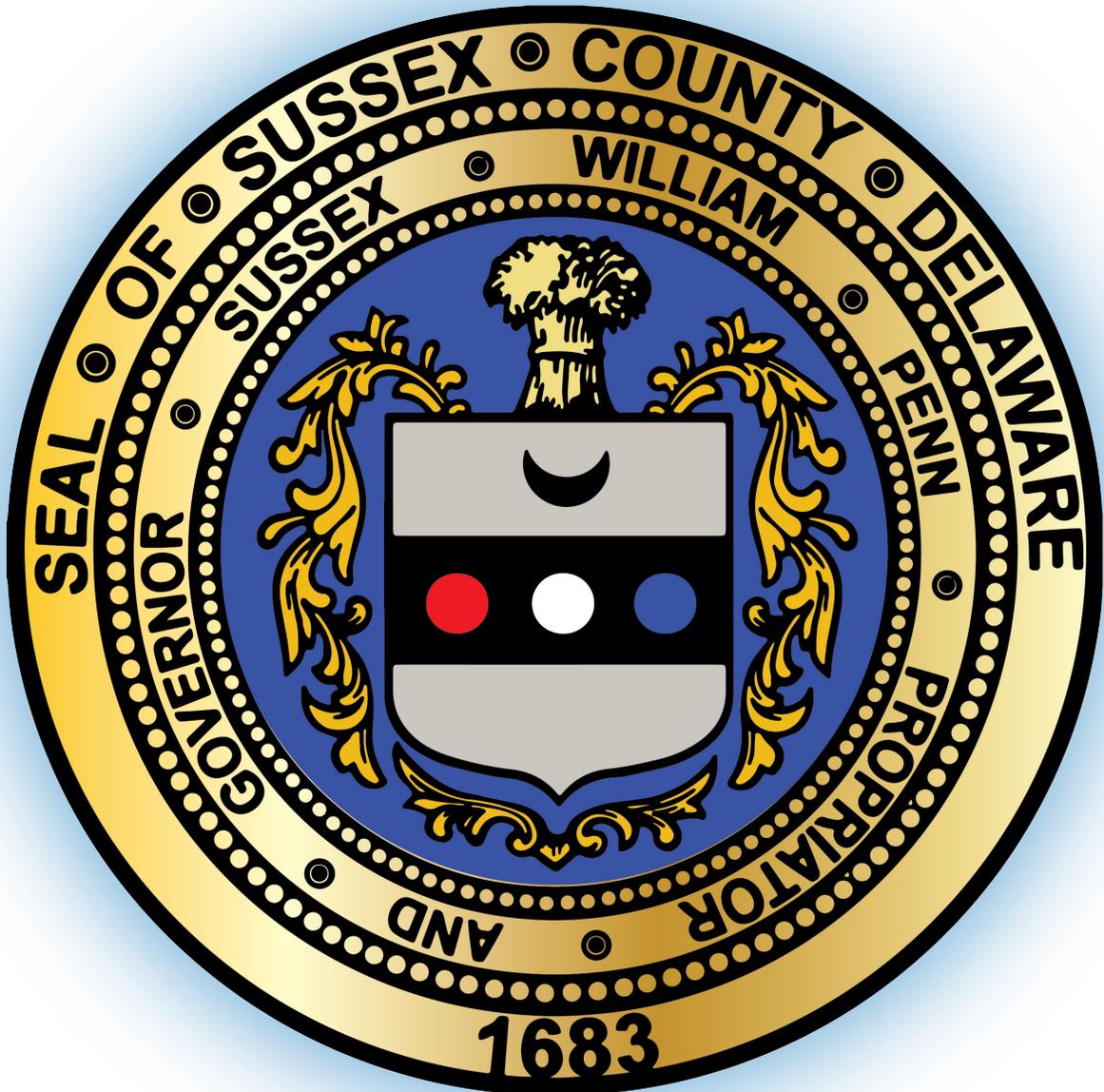


# SUSSEX COUNTY

*Delaware*

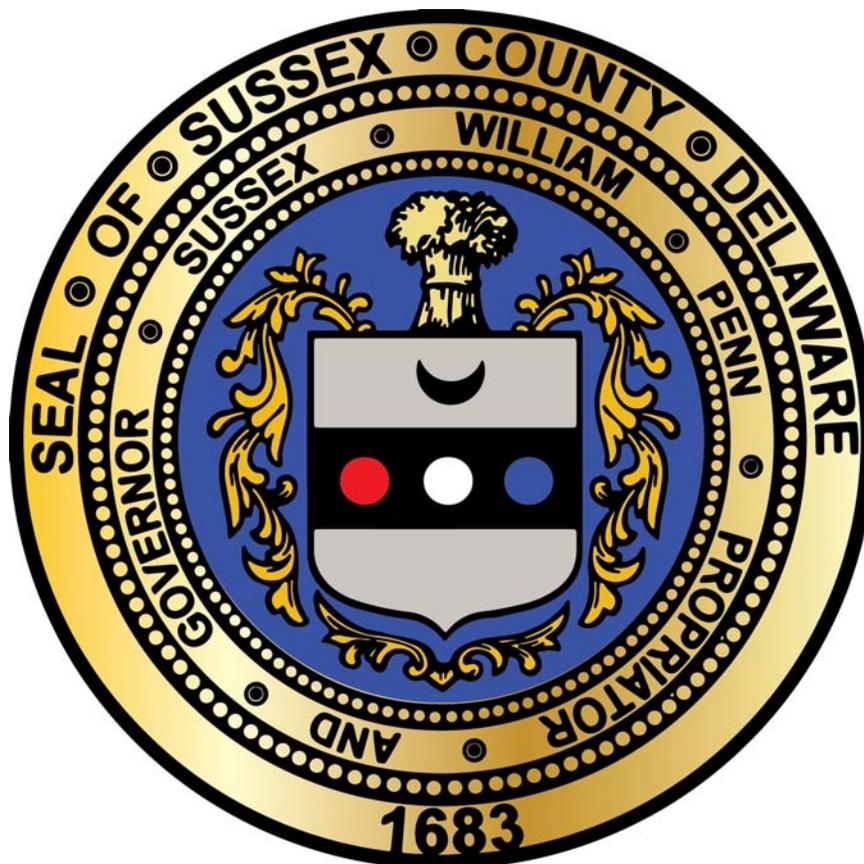


## Comprehensive Annual Financial Report

*For Fiscal Year Ended June 30, 2016*

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2016



Prepared by the Finance Department

**SUSSEX COUNTY, DELAWARE  
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FOR THE YEAR ENDED JUNE 30, 2016**

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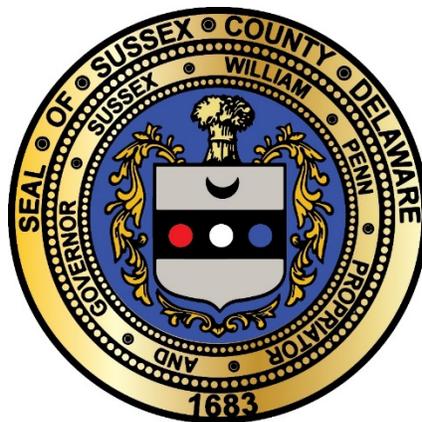
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# INTRODUCTORY SECTION



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

January 24, 2017

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

We are pleased to present to you the Comprehensive Annual Financial Report (CAFR) for the Sussex County government for the fiscal year ended June 30, 2016. 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, 2016, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon their audit, that there was a reasonable basis for rendering an unmodified opinion that the County's financial statements for the year ended June 30, 2016, are fairly presented in conformity with GAAP. The auditor's report is presented as the first component of the financial section of this report.

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



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

### **Profile of Sussex County**

Sussex County is proud of the natural beauty, mix of small towns, rich history, and popular attractions that are found throughout our county. Sussex County is a rural county in transition, a community that, in some ways, represents a microcosm of the United States with developing, more urbanized seaside resorts to the east and industry and agriculture dominating the central and western landscape. Our county is the largest county in Delaware, comprising a total land area of approximately 938 square miles, or 48 percent of the State's total area, with a population estimated to be over 210,000 by the United States Census Bureau. The County is bordered on the east by the Atlantic Ocean, on the north by Kent County, Delaware, and on the south and west by that portion of the State of Maryland, 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 administrated 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 Delaware Population Consortium predicts that the population will increase another 14 percent from 2010 to 2020. 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 music was played. Some time later, a parade was started with both the winning and losing candidates riding together in open carriages and, by the 1970s, the ceremonial act of ‘burying the hatchet’ began, symbolizing the end of the campaign season. The 2016 elections marked the 202<sup>nd</sup> anniversary of this great Sussex tradition.

The County government provides a variety of services, which are mandated by State statute or County Code. Major public services include emergency medical services, mapping and addressing, libraries, and sewer service. The County also owns and maintains the Delaware Coastal Airport near Georgetown. The County provides emergency services including paramedics, emergency preparedness, emergency operations, and local emergency planning and communications. As the primary call center, Sussex County’s Emergency Operations Center receives more than 100,000 9-1-1 calls a year. The Department of Libraries includes three County-managed libraries and a bookmobile. The County has 479 fulltime employees and 227 retirees. In Sussex County, a select group of elected officials preside over certain “row offices,” or constitutional offices; these include the Marriage Bureau, Recorder of Deeds, Register of Wills, and the Sheriff’s Office. The four offices provide services, such as issuing marriage licenses; recording of property deeds, wills, and other legal papers; and performing court-related duties. Each row office is managed by an elected official who is independent of the County Council, but the County government is responsible for each office’s staffing, financial accountability, and annual budgets.

The County provides a variety of grant-in-aid funding to its residents, the largest being 67 percent for public safety agencies, such as local volunteer fire companies and State and local police. The County also assesses, bills, and collects school taxes for eight independent school districts, as well as property taxes for the County government. The County is the primary funding source for 11 local libraries, which are managed by independent library boards.

Sussex County continues to work on the expansion of wastewater services that are vital in meeting our environmental and population needs. The County serves approximately 69,000 equivalent dwelling units (EDUs), and maintains and operates four treatment facilities. Fiscal year 2016 saw a 2 percent increase from fiscal year 2015’s EDUs. The sewer and water districts’ operating budget for fiscal year 2016 is \$37 million. The County has two enterprise funds: Dewey Water District and Unified Sewer District.

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 and 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. The County has seen a steady uptick of economic activity the last few years. Sussex County employment is concentrated on

a diverse assembly of sectors that interact continuously, including agriculture, tourism, healthcare, construction, retail sales, and education.

Agriculture continues to be Sussex County's leading industry, with the primary focus being grain production and poultry processing. Approximately 44 percent of the County's land (270,000 acres) contains over 1,200 farms, where the average farm size is 224 acres. Fifteen percent of Sussex County farmland is preserved in the Delaware Agriculture Lands Preservation Foundation; these active farms help employ 15,000 people in Sussex County.

The agriculture industry continues to thrive. The last census, completed in 2012, showed agriculture products increased 9 percent since 2007, which totaled \$921 million. There is no doubt that Sussex County is tops when it comes to agriculture. Not only is the County the top lima bean-producing county, Sussex County continues to be the top broiler poultry-producing county in the United States, processing 200 million chickens each year according to Delaware's Economic Development Office.

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

Agriculture is smart to take advantage of the robust tourism industry in Sussex County. According to Southern Delaware Tourism, an estimated \$850 million of Delaware's \$2 billion tourism revenue comes from sales in Sussex County. Tourism employs over 15,000 workers in Sussex County. This number continues to increase with accommodation and food services positions increasing 720 jobs in 2015 according to the Delaware Annual Economic Report. In 2014, it is estimated that visitors spent \$1.7 billion in Sussex County. People are attracted to the Atlantic coastline, which offers sandy beaches, family activities, recreation, and shopping. The U.S. Natural Resources Defense Council gave some of Sussex County's beaches a five-star rating for ocean water quality and ranked Delaware first among the 30 coastal states. If it isn't the beaches, the tax-free shopping also attracts tourism to the area. Along a two-mile stretch of Delaware Route 1, between Lewes and Rehoboth Beach, there are more than 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 destination for those who are attracted by reasonable prices and tax-free shopping in Delaware.

Another successful industry in Sussex County is manufacturing. Although Sussex County lost 70 jobs, there were still 9,690 employed in the industry where the average pay grew 5 percent. Two-thirds of the manufacturing jobs are in food manufacturing. The other manufacturing sectors in Sussex County include aeronautical, construction, craft brewing/bottling, fabrication and pharmaceutical. Manufacturing companies significantly benefit from their Sussex County location with convenient access to transportation, low business costs, and business-friendly regulations. Our own industrial park is a great example of how this industry is diverse and thriving. There are 21 businesses providing 895 jobs in manufacturing processing, packaging and service/delivery.

The growing retirement community in Sussex County contributes to another rising industry – health care. The three major healthcare employers in the County are Beebe Healthcare in Lewes, Bayhealth in Milford, and Nanticoke Health Services in Seaford. Last year, Peninsula

Regional Health System opened a 48,000 square-foot “one-stop” healthcare center in Millsboro. These four healthcare groups, each with their own hospitals and/or satellite facilities in Sussex County, continue to expand their services and build partnerships in order to accommodate the needs of an ever-growing and aging population. Beebe Healthcare is celebrating its 100<sup>th</sup> year in 2016 and continue their commitment to serve Sussex County by working on a \$200 million expansion. In addition, both Nanticoke Health Services and Bayhealth continue to increase their footprint. Nanticoke built a \$7.5 million two-story one-stop shop providing a variety of medical services in Seaford and Bayhealth broke ground on a 165-acre property this year for a new health campus; this is no doubt the reason why the Delaware Department of Labor Office of Occupational and Labor Market Information has ranked healthcare and social assistance second for employment in Sussex County. The Delaware Annual Economic Report shows that the healthcare industry added 410 jobs in 2015, falling only second to the tourism industry in job growth.

All of these industries continue to make Sussex strong. According to 2015 Delaware Annual Economic Report, the State of Delaware saw its sixth consecutive year of job gains, where Sussex County grew at the fastest pace among the three counties – 2,890 net jobs and a 4.1 percent growth rate. While the national unemployment rate, as stated by the Delaware Department of Labor, was 4.9 percent in October 2016 and Delaware’s unemployment rate was 4.2 percent, Sussex County’s unemployment - at 4.1 percent - was under those averages.

Strength in Sussex County’s economy can also be seen in building activity from 2015 to 2016. Building permits have not been this high since 2007. As 2017 approaches, the building activity has continued to increase over the current year. Based on information obtained by the Sussex County Association of REALTORS®, homes for sale are returning to pre-recession levels. Single family home sales continue to grow from the beginning of 2016, as well as sales compared to the same time in 2015. The average home sold for \$271,740 in this year compared to \$252,250 last year. There was also a reduction in inventory over last year.

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

Sussex County also has options when it comes to higher education. The Delaware Technical Community College (DTCC), and its 147-acre campus in Georgetown, offers associate’s college degrees, diplomas, or certificates in 120 programs. Concentrations are offered in health, business, public service, engineering, and industrial education. In order to offer programs that complement the employment environment of Sussex County, DTCC created a paramedic program that helps the County fill positions with qualified medics. They also partnered with Sussex County to create an FAA-certified airframe maintenance degree located at the Delaware Coastal Airport, which is filling a need in Delaware and the growing aviation industry.

The University of Delaware also has a strong presence in Sussex County that includes locations at the DTCC campus, the College of Agriculture & Natural Resources near Georgetown, and the College of Earth, Ocean and Environment in Lewes. Other university services include Professional and Continuing Studies programs, Osher Lifelong Learning

Institute programs, the Small Business and Technology Center and Cooperative Extension, and the Delaware Sea Grant College Program. Additionally, Delaware State University and Wilmington University offer courses at the DTCC campus in Georgetown providing bachelor's and master's degrees.

### Financial Planning

The economy continued to improve in fiscal year 2016, and fiscal year 2017 has been keeping pace. Our local economy benefits from the attractiveness of our resorts and a strong agricultural base. The County got through the economic downturn without taking on taxpayer supported debt or increasing taxes, but we continue to be mindful of how volatile the economy can be. We budget with sustainability in mind; for example, all building related revenues were budgeted at 80 to 85 percent of anticipated collections for fiscal year 2017. The County has set up a plan to fund our capital improvements projects with excess realty transfer tax funds to ensure that the government can continue to invest in infrastructure without financially burdening future generations.

The fiscal year 2017 Five-Year Capital Improvement Plan includes \$11 million for the expansion and improvement of general fund services, such our paramedic system, emergency operations, and the Delaware Coastal Airport. The County understands that the Delaware Coastal Airport is a vital part of Sussex County's economy. Thirty-six percent, or \$4 million, of the fiscal year 2017 capital budget is appropriated to improve the airport. We will continue to apply for Federal aviation and State funding that pays up to 95 percent of these expenses. Budgeting \$3 million, the next largest capital expense is to improve our public safety infrastructure. The Five-Year Capital Improvement Plan also includes \$126 million for sewer expansion and upgrades. Funding for these projects include State Revolving Fund loans, State grants, Federal USDA loans and grants, and County contributions.

### Significant Financial Policies

As interest rates continue to lag, it is the County's goal to invest all funds in a manner that provides the highest investment return using authorized instruments while meeting the County's acceptable risk level. In priority order, the primary objectives in investment activities shall be safety, liquidity, and yield. Please see Note B, on page 38 through 40, for additional information regarding cash and collateralization.

Preserving the Pension Trust Fund and the Post-Retirement Employee Benefit Trust Fund is a major objective of Sussex County. The County funds a defined benefit pension plan and a post-retirement Employee Benefit Trust for its employees; they are treated as fiduciary funds in the financial sections. The Pension Trust Fund is held with diversified, but complementary, investment managers. A pension committee, which meets quarterly, oversees the management of both plans and is responsible for making recommendations to the County Council regarding investments and funding. The County contracts with pension advisors to assist in providing the best strategy, protection, and investment guidelines for our pension.

Sussex County continues to strive for balanced budgets and sound financial planning in providing services for our residents. The County's focus, when creating a budget, is to keep expenses within the current sources of revenue. A comprehensive review is done monthly by the Finance Department, which analyzes department expenditures and budget reports. These reviews are discussed in an open forum with the County Council on a quarterly basis to keep

the members 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 the County's fund balance policy to maintain an operating reserve that is at least 20 to 25 percent of total operating expenditures, which is considered "best practice".

Sussex County strives to demonstrate fiscally sound policies. It is important to serve the public with current revenue sources to ensure sustainability. The County practices financial conservatism that has allowed it to survive in a declining economy and time of economic change without taking on tax-supported debt or cutting services that would have affected residents and visitors.

### **Awards and Acknowledgements**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Sussex County for its comprehensive annual financial report for the fiscal year ended June 30, 2015. This was the 14<sup>th</sup> 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 also satisfy both generally accepted accounting principles and applicable legal requirements.

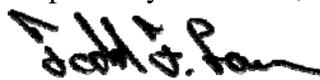
A Certificate of Achievement is valid for a period of one year only. We believe the County's current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

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

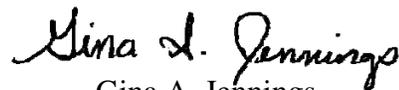
Per Moody's Investor Service, the County's bond rating is an Aa1. Moody's report for the County states, "This reflects the County's healthy financial position, maintained by prudent fiscal management that resulted in materially greater financial flexibility and stronger reserve levels."

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

Respectfully submitted,



Todd F. Lawson  
County Administrator



Gina A. Jennings  
Finance Director



Government Finance Officers Association

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

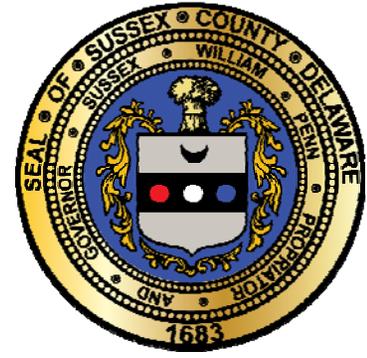
Presented to

**Sussex County  
Delaware**

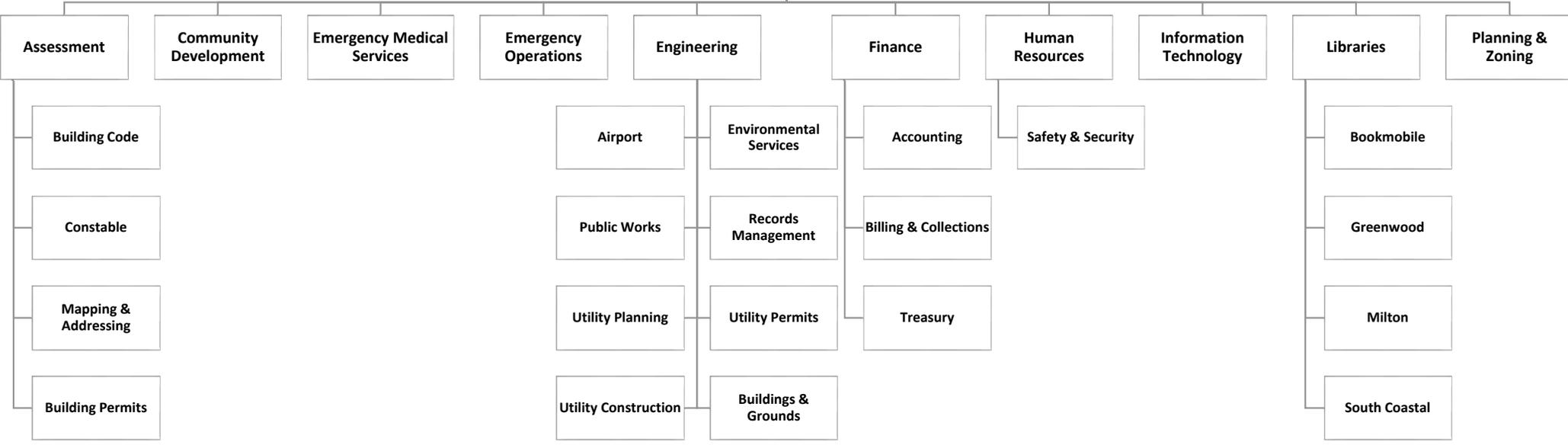
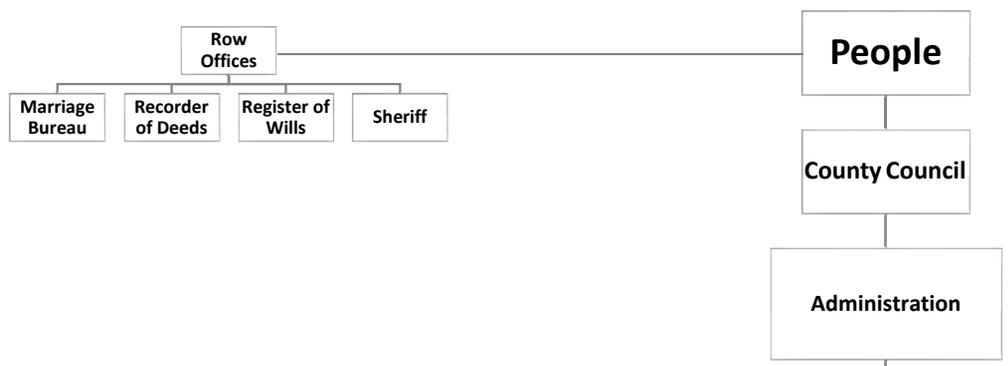
For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2015**

Executive Director/CEO



Sussex County Government



SUSSEX COUNTY, DELAWARE

*LIST OF ELECTED OFFICIALS*

JUNE 30, 2016

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<u>COUNCIL</u>	<u>Length of Service</u>	<u>Term Expires</u>
<i>District 1</i>		
Michael H. Vincent (President)	8 years	Jan. 2017
<i>District 2</i>		
Samuel R. Wilson (Vice President)	8 years	Jan. 2017
<i>District 3</i>		
Joan R. Deaver	8 years	Jan. 2017
<i>District 4</i>		
George B. Cole	30 years	Jan. 2019
<i>District 5</i>		
Robert B. Arlett	2 years	Jan. 2019
-----		
<i>Clerk of the Peace</i>		
John Brady	4 years	Jan. 2017
<i>Recorder of Deeds</i>		
Scott Dailey	6 years	Jan. 2019
<i>Register of Wills</i>		
Cynthia Green	6 years	Jan. 2019
<i>Sheriff</i>		
Robert Lee	2 years	Jan. 2019

SUSSEX COUNTY, DELAWARE

COUNTY DEPARTMENT HEADS & OTHER OFFICIALS

JUNE 30, 2016

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	<u>Length of Time in Position</u>	<u>Length of Service with the County</u>
<i>County Administrator</i> - Todd F. Lawson	4 years	5 years
<i>County Attorney</i> - J. Everett Moore, Esquire	8 years	8 years
<i>Finance Director / Chief Operations Officer</i> - Gina A. Jennings, MBA, MPA	3 years	10 years
<i>Deputy Finance Director</i> - Kathy L. Roth, CPA	3 years	10 years
<i>County Engineer</i> – Hans Medlarz, P.E.	6 months	6 months
<i>Assessment Division Director</i> - Christopher S. Keeler	2 year	22 years
<i>Community Development Program Director</i> -Brad Whaley	4 year	20 years
<i>Director of Environmental Services</i> - Heather Sheridan	30 years	40 years
<i>Director of Information Technology</i> - Thomas Glenn	10 years	14 years
<i>Director of Sussex Airport and Industrial Park Operations</i> - James A. Hickin	10 years	10 years
<i>Emergency Preparedness Director</i> - Joseph L. Thomas	19 years	30 years
<i>Facilities Manager</i> - Douglas J. Stoakley	6 years	22 years
<i>Human Resources Director</i> - Karen Brewington	5 years	5 years
<i>Library Director</i> - Kathy M. Graybeal	5 years	5 years
<i>Paramedic Director</i> - Robert A. Stuart	5 years	24 years
<i>Planning and Zoning Director</i> - Lawrence B. Lank	30 years	46 years

# FINANCIAL SECTION





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Wilmington, DE 19805

## **Independent Auditor's Report**

The County Council of Sussex County, Delaware  
Georgetown, Delaware

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Sussex County, Delaware (the "County") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

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

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

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

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

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

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

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Sussex County, Delaware, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Emphasis of Matter*

In 2016, the County implemented Governmental Accounting Standards Board ("GASB") Statement No. 72, *Fair Value Measurement and Application*. Our opinion is not modified with respect to this matter.

### *Other Matters*

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion on pages 4 through 18 and Required Supplementary Information on pages 59 through 62 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying supplementary information, such as the introductory section, individual fund financial schedules, statistical section, and the Schedule of Expenditures of Federal Awards required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements.



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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Governmental Auditing Standards*, we have also issued our report dated January 24, 2017 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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

January 24, 2017

## SUSSEX COUNTY, DELAWARE

### MANAGEMENT'S DISCUSSION & ANALYSIS

#### FOR THE FISCAL YEAR ENDED JUNE 30, 2016

This section of the report offers an overview and analysis of the financial activity of Sussex County, Delaware, for the year ended June 30, 2016. Please consider this Management's Discussion and Analysis (MD & A) along with the additional information included in the letter of transmittal and other sections of the report.

#### Financial Highlights

##### Government-wide Financial Statements

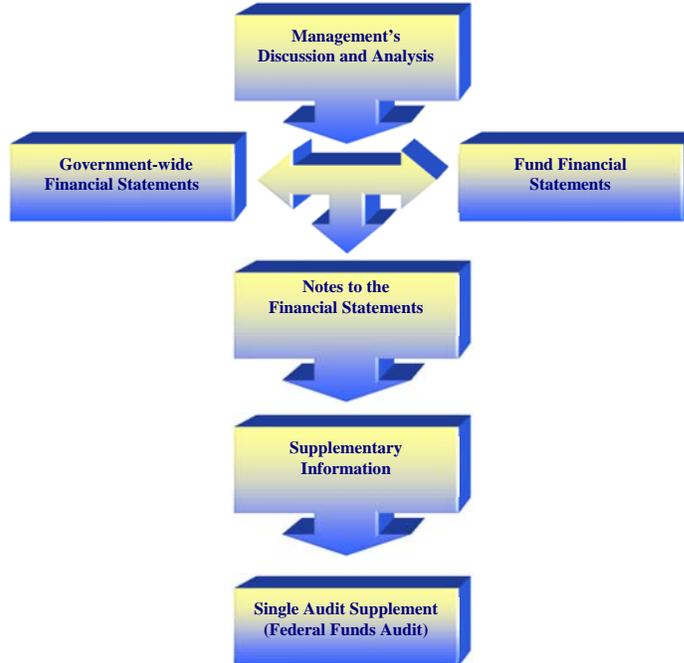
- As of June 30, 2016, total government net position was \$496.8 million. Of this amount, \$75.2 million was unrestricted and may be used for ongoing obligations to citizens and creditors.
- The County's total net position increased by \$21.7 million during the year. The governmental activities' portion of the increase was \$10.0 million. The increase in the investment in governmental capital assets, net of related debt, was \$.3 million; governmental restricted funds increased \$11.8 million; and increase in net position for the business-type activities was \$11.7 million. This increase is due to growth-related capital costs from sewer districts being built, as well as a decrease in the debt that funded those projects. The \$10.0 million increase in governmental activities' net position is a reflection of the growth of positive movement in County revenue. Operating expense budgets have remained at consistent levels, but revenues have increased. The County experienced these increases despite the recording of \$6.5 million of net pension liability as required by the implementation of GASB 68 in 2015.
- The County has no outstanding General Fund bonded debt.
- In fiscal year 2010, Moody's Investors Service has raised its rating for Sussex County from Aa2 to Aa1. Moody's report on the County states, "This rating upgrade was due to the County's substantially improved and healthy financial position, maintained by prudent fiscal management that resulted in materially greater financial flexibility and stronger reserve levels". This reinforces our fiscal policies of conservative balanced budgeting and our commitment to maintaining healthy reserve levels. The County continues to sustain this rating.

##### Fund Financial Statements

- As of June 30, 2016, the County's governmental funds reported an ending fund balance of \$112.1 million. This is an increase of \$11.7 million from the preceding year. Approximately \$40.6 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, Human Resources, Building and Grounds, Information Technology, County Constable, Grant-in-Aid Programs, Planning and Zoning, Paramedic, Emergency Preparedness, Economic Development and Airpark, County

Engineering, Library, Community Development and Housing Programs, and Constitutional Offices.

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

The government-wide financial statements immediately follow this MD & A on pages 19 and 20.

### Fund Financial Statements

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

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

Sussex County maintains two individual governmental funds, which include the general and capital project funds. These two funds are presented in separate columns on the governmental funds financial statements.

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

- *Proprietary Funds* - Sussex County's proprietary funds are solely enterprise funds, which operate in a manner similar to private business enterprises. Sussex County's proprietary funds include: Unified Sewer District and the Dewey Water District (see pages 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 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 58 of this report provide additional information that is important for a better understanding of the data provided in the financial statements.

Other Information

Pages 59 through 62 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 \$476.8 million as of June 30, 2016. 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, 2016 and 2015**

	Governmental Activities		Business-type Activities		Total Government	
	2016	2015	2016	2015	2016	2015
<b>Current and Other Assets</b>	\$135,089,603	\$121,928,065	\$99,518,767	\$ 100,513,871	\$234,608,370	\$222,441,936
<b>Capital Assets</b>	78,311,920	78,411,276	378,844,405	370,924,606	457,156,325	449,335,882
<b>Total Assets</b>	213,401,523	200,339,341	478,363,172	471,438,477	691,764,695	671,777,818
<b>Deferred outflows of resources</b>	5,810,718	1,921,029	3,088,600	2,036,982	8,899,318	3,958,011
<b>Total assets and deferred outflows of resources</b>	219,212,241	202,260,370	481,451,772	473,475,459	700,664,013	675,735,829
<b>Current and Other Liabilities</b>	30,150,483	23,681,087	8,314,413	6,124,688	38,464,896	29,805,775
<b>Long-term Liabilities</b>	5,986,472	5,524,717	159,412,152	165,272,644	165,398,624	170,797,361
<b>Total Liabilities</b>	36,136,955	29,205,804	167,726,565	171,397,332	203,863,520	200,603,136
<b>Net Position:</b>						
<b>Net Investment in Capital</b>						
<b>Assets</b>	78,216,994	77,934,592	220,310,592	207,515,115	298,527,586	285,449,707
<b>Restricted</b>	57,265,576	45,429,078	65,761,276	43,858,934	123,026,852	89,288,012
<b>Unrestricted</b>	47,592,716	49,690,896	27,653,339	50,704,078	75,246,055	100,394,974
<b>Total Net Position</b>	\$183,075,286	\$173,054,566	\$313,725,207	\$ 302,078,127	\$496,800,493	\$475,132,693

A large portion of the County's net position (60.0 percent) is not available for future use since it represents amounts invested in capital (e.g., land, buildings, machinery and equipment). This investment is net of any related debt that was used to acquire those assets still outstanding. It should be noted that the resources needed to repay outstanding debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities. The County's net investment in capital assets increased by \$13.1 million during fiscal year 2016. The largest increase in business-type activities was due the construction of Pump Station 210. The largest increase in governmental activities was the airport pavement and electrical upgrades at the airport.

Of the remaining \$198.3 million in net position, \$65.8 million is restricted for construction or capital costs incurred, or future sewer district expansion costs. For governmental activities, \$57.3 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 \$75.2 million in net position is unrestricted and may be used for ongoing obligations to citizens, customers, and creditors. The increase is due to the County's Fund Balance Policy to use restricted funds before unrestricted funds.

The following schedule shows the breakdown of changes in net position for governmental and business-type activities for fiscal years 2016 and 2015.

Sussex County, Delaware  
Changes in Net Position  
For the Years Ended June 30, 2016 and 2015

	Governmental Activities		Business-type Activities		Total Government	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$12,831,530	\$11,330,741	\$22,800,592	\$21,472,609	\$35,632,122	\$32,803,350
Operating grants and contributions	7,308,976	6,444,501	16,306,257	14,749,008	23,615,233	21,193,509
Capital grants and contributions	2,018,147	1,217,668	7,049,610	3,245,590	9,067,757	4,463,258
General revenues:						
Property taxes	14,715,444	14,339,081	-	-	14,715,444	14,339,081
Fire service taxes	1,421,496	1,280,085	-	-	1,421,496	1,280,085
Realty taxes	24,210,264	22,212,933	-	-	24,210,264	22,212,933
Investment results	935,665	820,263	509,265	548,555	1,444,930	1,368,818
Total revenues	63,441,522	57,645,272	46,665,724	40,015,762	110,107,246	97,661,034
Expenses:						
Primary Government:						
General government	12,838,188	11,612,339	-	-	12,838,188	11,612,339
Planning and zoning	1,272,303	1,208,811	-	-	1,272,303	1,208,811
Paramedics	13,489,135	13,895,165	-	-	13,489,135	13,895,165
Emergency preparedness	3,414,864	3,317,424	-	-	3,414,864	3,317,424
County engineer	2,351,221	2,004,463	-	-	2,351,221	2,004,463
Library	2,887,880	4,194,436	-	-	2,887,880	4,194,436
Economic development and airpark	2,855,446	2,348,642	-	-	2,855,446	2,348,642
Community development	2,051,580	1,772,497	-	-	2,051,580	1,772,497
Grant-in-aid program	9,915,966	9,931,773	-	-	9,915,966	9,931,773
Constitutional offices	2,335,997	2,419,518	-	-	2,335,997	2,419,518
Business-type activities			35,026,866	34,044,242	35,026,866	34,044,242
Total expenses	53,412,580	52,705,068	35,026,866	34,044,242	88,439,446	86,749,310
Change in net position before transfers	10,028,942	4,940,204	11,638,858	5,971,520	21,667,800	10,911,724
Transfers	(8,222)	291,088	8,222	(291,088)	-	-
Change in net position	10,020,720	5,231,292	11,647,080	5,680,432	21,667,800	10,911,724
Net position-beginning	173,054,566	167,823,274	302,078,127	296,397,695	475,132,693	464,220,969
Net position-ending	\$183,075,286	\$173,054,566	\$313,725,207	\$302,078,127	\$496,800,493	\$475,132,693

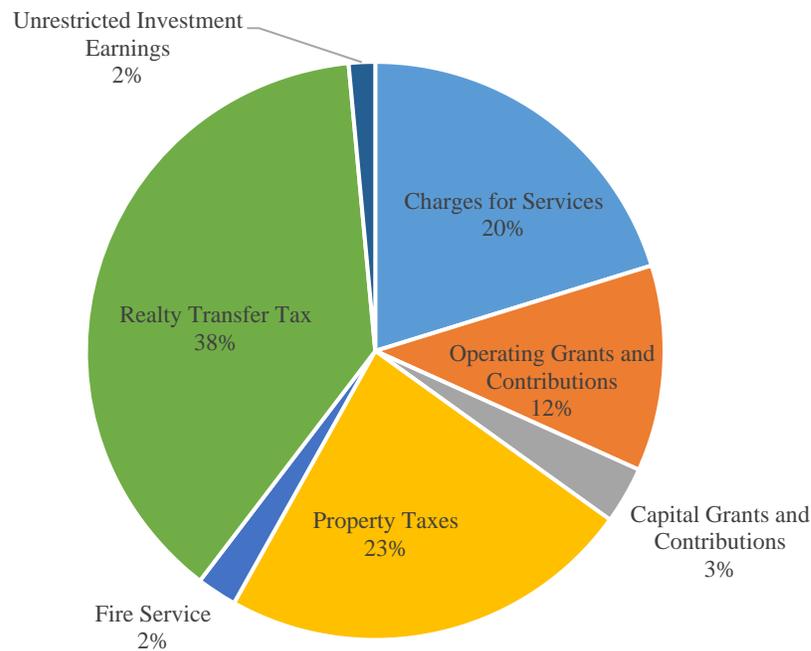
Governmental Activities

Governmental activities increased net position by \$10.0 million during fiscal year 2016. This represents 5.8 percent of the total increase in net position for the year. Governmental activities include the general fund and capital projects fund.

General revenues total \$41.3 million for fiscal year 2016 for governmental activities. This includes \$24.2 million received from realty transfer taxes. This is a \$2.0 million, or 9.0 percent, increase from fiscal year 2015. Realty transfer tax has increased four years in a row, which is a sign that the real estate market keeps improving in Sussex County.

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

Revenues by Source - Governmental Activities

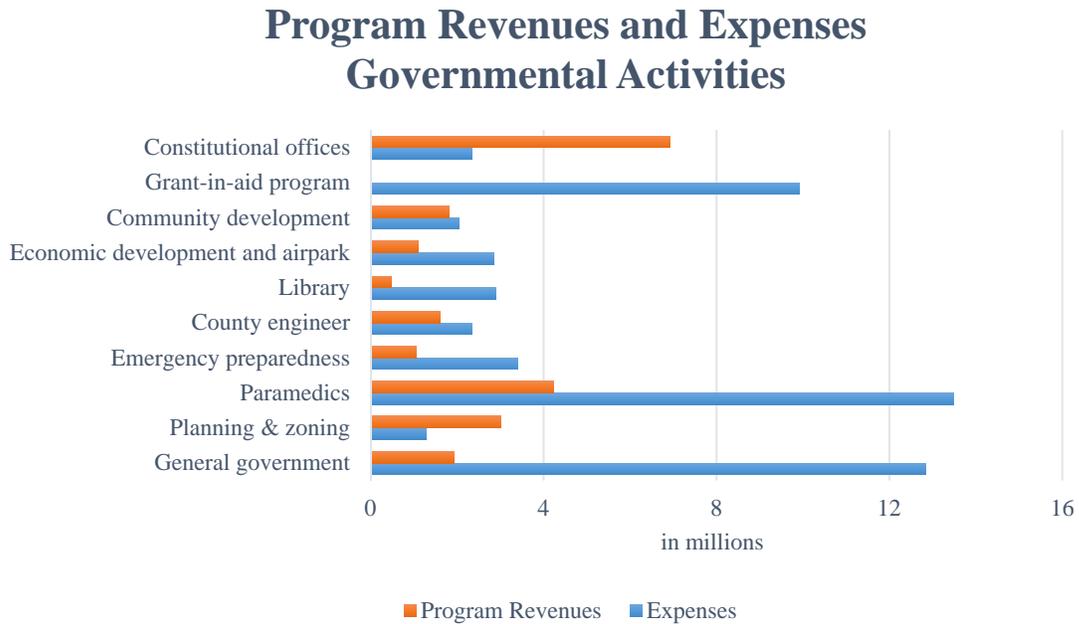


Total Governmental Revenues increased \$5.5 million. \$1.5 million of this increase is due to the increase in charges for services with includes building permits, zoning fees, building inspections fees, and private road review and inspection fees; an indication that the construction industry is strong in the county.

The County operating grants were \$.9 million more than the previous year, due mainly to additional grants received by the community development department. Capital grants and contributions increased \$.8 million from fiscal year 2015, from an increase in developer contributions for bonus density allowances.

Total expenses were up \$.7 million, or 1.3 percent, from fiscal year 2015. The largest increase was for pension expense.

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



The population growth of the County over the last few years has impacted the Paramedic Department and the Sussex County Emergency Operations Center possibly more than any other County services. The Sussex County Emergency Operation Center is the largest dispatch center in Sussex County. Due to the increase in both tourism and permanent residents, 9-1-1 calls have increased 9.4 percent over the last 10 years.

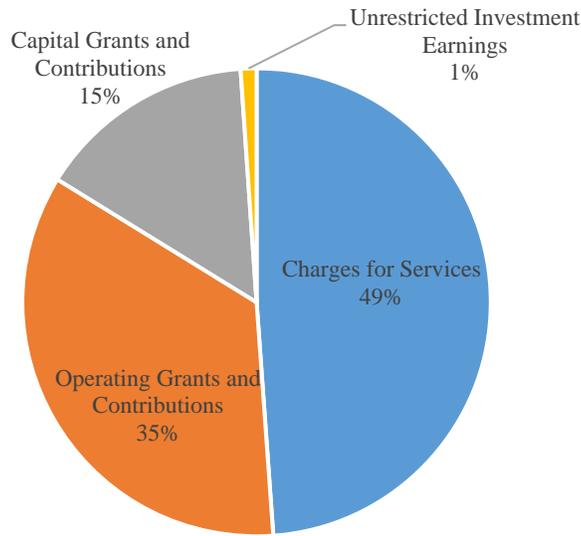
The Paramedic Department is the County’s largest department in terms of expenditures and employees. Our residents and visitors rely on this valuable County service. The paramedics were dispatched 32.0 percent more this year than 10 years ago. The County has had to develop cost-saving procedures without jeopardizing the quality of service being provided by the paramedics. Currently, we lease and own buildings in different strategic locations throughout the county. The County’s goal is to replace all leased with county-owned property for its paramedic stations. As these leases come up for renewal, we are exploring the option to buy rather than rent. To date, we have built four of our eight medic stations. The fifth station will begin to be built in fiscal year 2016.

During fiscal year 2016, the County provided \$9.9 million in grant-in-aid programs for a variety of local organizations as part of a program to benefit County residents. These grants included local historical societies, senior centers, educational, recreation, arts, housing, and agriculture programs. The County also has grant programs to assist low-income taxpayers in meeting their property tax obligation or sewer bills. The County continues to supplement the State Police and local law enforcement with a \$2.7 million contribution. The volunteer fire service and ambulance companies received over \$3.8 million in grant funding during fiscal year 2016. A variety of community grants, in the amount of \$3.4 million, were given to local non-profit organizations, senior centers, libraries, food pantries, and housing assistance programs.

Business-type Activities

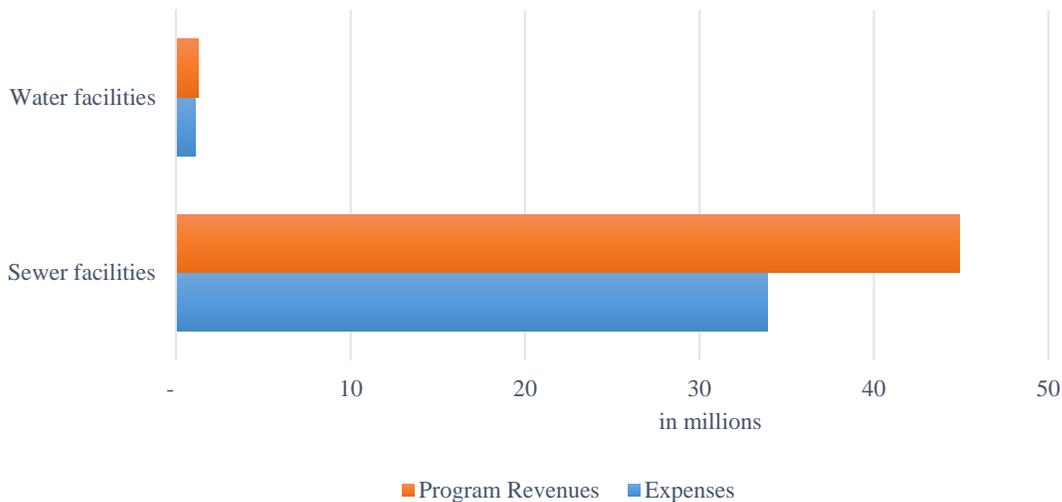
Sussex County’s water and sewer funds had an increase in net position of \$11.6 million during fiscal year 2016. The income before capital contributions and transfers was \$4.6 million. Our sewer district continues to grow, bringing in additional income. The number of equivalent dwelling units increased more than 1,571 from fiscal year 2015. The pie chart reflects revenues by source.

Revenues by Source - Business-type Activities



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

**Program Revenues and Expenses  
Business-type Activities**



- The County received \$7.1 million in connection fees for new growth in the water and sewer districts; this is a 28.8 percent increase over last year's collection of \$5.5 million. Connection fee income also increases due to the housing market and through continued expansion our sewer district which directly drives this revenue.
- The County 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 2016 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 2016, fund balances of the County's governmental funds increased \$11.7 million. This increase is a result of the \$24.2 million collected in realty transfer tax. The County budgeted \$16.7 million that caused revenues to exceed budgeted revenues by \$7.5 million in this single revenue category.

For the general fund, fiscal year 2016 finished with an increase in fund balance of \$8.9 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, which improves the usefulness and understanding of 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, economic development marketing plan, and information technology projects.

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 2016, \$3.6 million was contributed to the pension plan. The fund saw a decrease from investment earnings, net of investment expenses, in the amount of \$.3 million. The County's Pension Plan is 78.4 percent funded according to the latest actuarial report. As of June 30, 2016, assets held in this account were valued at over \$74.0 million.

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

During fiscal year 2005, the County established an irrevocable fund for other post-retirement employee benefits, or "OPEB". The OPEB Plan is currently 65.2 percent funded. As of June 30, 2016, assets held in this account were valued at \$31.9 million. For fiscal year 2016, the contribution to this fund was \$1.9 million. Due to the County's commitment and forethought in prior years, our funding level of this fund is unusually high in comparison with other municipalities.

In fiscal year 2016, there were 227 retirees and beneficiaries in the pension plan. Beneficiary payments for both funds totaled \$5.4 million.

Proprietary Funds

The County's proprietary funds provide the same type of information as in the government-wide financial statements for business-type activities. Net position totaled \$313.7 million - a \$11.6 million, or 3.8 percent, increase over last year. Restricted net position include amounts set aside for construction and future capital costs. Connection fees received are to be used for capital costs.

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

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

### **Budget Goals and Initiatives**

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

### **Revenue and Appropriation Budgets**

Total budgeted revenues, expenditures, and other financing uses are equal to the original approved budget, with adjustments for any approved budget transfers, for fiscal year 2016. During the year, the County Administrator approves 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 grants (\$300,000), administration building office furnishings (\$85,000), Register of Wills back scanning project (\$25,000), and a hazard mitigation plan (\$38,000).

### **Budget to Actual - Revenue**

The fiscal 2016 budget increased 2.9 percent over the previous year. The increase was due to the anticipated surplus from fiscal year 2015, which was budgeted to be transferred to capital fund. Even with the economy improving, it is important that the County keeps expenses low while providing a consistent level of service. When the economy shows improvement, the County funds future obligations, such as the pension or the capital fund. In fiscal 2016, actual general fund revenues and other financing sources were over budgeted revenues by \$8.0 million as noted on page 64. The largest revenue source over budget was realty transfer tax; this revenue exceeded that budget by \$7.5 million. All of this additional revenue was transferred to the capital improvement fund to cover large projects.

### **Budget to Actual - Expenditures**

Before other financing uses, expenditures uses were under budget by \$858,877 as noted on page 70. Many departments finished the fiscal year under their budget projections. The section that exceeded the budget the greatest was the Grant-in-aid, which exceeded the budget by \$403,772 due to an increase in revenue. The fire service tax is collected on building permits and then distributed to the fire companies. Since the fee collected on building permits was over budget, so was the pass-through grant.

**Capital Asset and Debt Administration**

Capital Assets

As per the chart below, capital assets (net of depreciation) are valued at \$457.2 million as of June 30, 2016. Note E, on pages 41 and 42, includes additional information.

Sussex County, Delaware Capital Assets  
As of June 30, 2016 and 2015  
(net of depreciation)

	Governmental Activities		Business-type Activities		Total Government	
	2016	2015	2016	2015	2016	2015
Land	\$18,236,796	\$ 18,236,796	\$39,717,575	\$ 39,678,240	\$57,954,371	\$ 57,915,036
Construction in Progress	941,335	685,883	17,020,383	6,562,524	17,961,718	7,248,407
Buildings	31,573,910	32,379,558	29,535,500	30,332,112	61,109,410	62,711,670
Improvements Other Than Buildings	25,346,879	25,224,407	3,607,415	3,893,579	28,954,294	29,117,986
Machinery and Equipment	2,213,000	1,884,632	1,989,981	2,048,496	4,202,981	3,933,128
Infrastructure	-	-	286,973,551	288,409,655	286,973,551	288,409,655
Total	<u>\$ 78,311,920</u>	<u>\$ 78,411,276</u>	<u>\$378,844,405</u>	<u>\$ 370,924,606</u>	<u>\$457,156,325</u>	<u>\$ 449,335,882</u>

The major governmental capital projects completed in fiscal year 2016 were the pavement and electrical upgrades at the airport, which both decreased Construction in Progress and increased Improvements Other Than Buildings.

The following are highlights of the major capital sewer projects under way during fiscal year 2016, which will expand the County’s sewer system to serve more residents and protect the environment:

- major upgrades and renovations to existing infrastructure such as pump stations;
- construction continues on a major treatment plant expansion project at the Inland Bays Regional Wastewater Facility;
- construction of the expansion of the Millville Sewer District.

Long-term Debt

As of June 30, 2016, the County had \$152 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, 2016 and 2015**

General Bonds

	Governmental Activities		Business-type Activities		Total Government	
	2016	2015	2016	2015	2016	2015
General Obligation Bonds	\$ -	\$ -	\$ 152,442,753	\$ 157,980,947	\$ 152,442,753	\$ 157,980,947
Total	\$ -	\$ -	\$ 152,442,573	\$ 157,980,947	\$ 152,442,573	\$ 157,980,947

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

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

Additional debt information is included in Note I, on pages 50 through 54 of the report.

**Economic Factors in Next Year's Budgets and Rates**

Economic Factors

The budget committee continues to forecast the effect of the economy on our revenues. The goal is to maintain operations without depending on a robust economy that brings in additional revenues. The committee wants to make sure that our government is sustainable without adding burden to the taxpayers. Our reserves are strong and healthy because of fiscally sound financial policies.

- While the national unemployment rate, as stated by the Delaware Department of Labor, was 4.9 percent in October 2016 and Delaware’s unemployment rate was 4.2 percent, Sussex County’s unemployment - at 4.1 percent - was under those averages.

- The fiscal year 2016's budget was consistent with 2015. Fiscal year 2016 saw increases as the housing market continued to rebound. Budget revenues for fiscal year 2017 are 2.8 percent over fiscal year 2016. County's property tax assessments saw a larger increase of 3.3 percent. Although actual revenues for fiscal year 2016 came in much higher than budgeted revenues, the budget committee chose to keep revenues fairly even by budgeting 80 to 85 percent of expected building-related revenues.
- Agriculture continues as a mainstay in Sussex County. The County leads the nation in broiler poultry and lima bean production.
- Tourism is a major industry in Sussex County with outlet shopping located on the East Coast corridor. According to Southern Delaware Tourism, an estimated \$850 million in tourism revenue comes from sales in Sussex County. These outlets attract customers from other counties and states. Having no state sales tax is an additional draw for outlet shoppers.
- To date, realty transfer tax revenue is higher than last fiscal year and reflects the attractiveness of the Sussex lifestyle and low cost of living, which brings more tourists and retirees here.

### Fiscal Year 2017 Budget and Rates

The major goal of the fiscal year 2017 budget was to continue to operate without raising taxes or increasing fees, but still provide an excellent level of service to our residents. The fiscal year 2017 budget was put together with sustainability in mind. The budget committee remains cautiously optimistic by not creating a budget that relies on volatile revenue sources. As revenues for fiscal year 2017 are tracked, there is a sign of slow growth in the economy in Sussex County.

The fiscal year 2017 general fund budget shows a \$1.5 million increase in expenses from fiscal year 2016; this has to do with additional grant funding. The contract to provide additional State Troops increased by \$116,000. There was also an increase in funding for housing assistance grant of \$50,000.

The fiscal year 2017 capital improvements budget includes a \$5.4 million of appropriated reserves. These previous collected revenues help the County continue investing in its infrastructure. The County has a practice of setting funds aside for large capital projects. Our goal is to use available funds for these projects instead of borrowing through bond issues. As a result of this practice, the County can be proud that there is no general fund bonded debt. Conservative budgeting, both now and in the past, has enabled the County to not raise property taxes for another year.

The fiscal year 2017 sewer and water budget increased by .1 percent. This budget finalizes the the process to establish a uniform service charge and connection fee for our sewer districts. The fees cover four wastewater treatment facilities, one water facility and tower, over 468 pump stations, and over 885 miles of pipe.

The five-year capital improvement plan of \$149.3 million includes \$126.0 million for sewer projects and improvements, as well as \$23.3 million for other projects, such as improving the Delaware Coastal Airport, expanding our paramedic infrastructure, building and purchasing a new mobile command unit, and renovating the County's Administration Building.

**Requests for Information**

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

Mrs. Gina A. Jennings  
Finance Director/Chief Operations Officer  
Sussex County Council  
2 The Circle  
P.O. Box 589  
Georgetown, DE 19947  
Telephone: (302) 855-7741

## **BASIC FINANCIAL STATEMENTS**

SUSSEX COUNTY, DELAWARE  
STATEMENT OF NET POSITION  
JUNE 30, 2016

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	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 23,752,728	\$ 13,151,231	\$ 36,903,959
Investments	27,748,893	21,993,198	49,742,091
Taxes receivable	1,475,480	-	1,475,480
Other receivables	2,554,604	4,506,901	7,061,505
Due from other governmental agencies	2,221,938	355,800	2,577,738
Internal balances	8,400,524	(8,400,524)	-
Inventory	15,932	863,682	879,614
Prepaid items	24,668	-	24,668
Net other postemployment benefit asset	4,171,771	1,281,524	5,453,295
Restricted cash and cash equivalents	18,980,320	15,354,705	34,335,025
Restricted investments	44,579,817	50,412,250	94,992,067
Loans receivable	1,162,928	-	1,162,928
Capital assets:			-
Land, improvements, and construction in progress	19,178,131	56,737,958	75,916,089
Other capital assets, net of depreciation	59,133,789	322,106,447	381,240,236
Total assets	<u>213,401,523</u>	<u>478,363,172</u>	<u>691,764,695</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows from pension	5,810,718	1,784,992	7,595,710
Deferred charge on refunding of bonds	-	1,303,608	1,303,608
Total deferred outflows of resources	<u>5,810,718</u>	<u>3,088,600</u>	<u>8,899,318</u>
<b>LIABILITIES</b>			
Accounts payable and other current liabilities	4,836,709	2,753,558	7,590,267
Accrued interest payable	-	761,937	761,937
Employee health claims payable	1,058,197	-	1,058,197
Unearned revenue	295,044	-	295,044
Deposits	8,338,522	-	8,338,522
Net pension liability	15,622,011	4,798,918	20,420,929
Long-term liabilities:			
Due within one year	2,624,278	8,467,841	11,092,119
Other due in more than one year	3,362,194	150,944,311	154,306,505
Total liabilities	<u>36,136,955</u>	<u>167,726,565</u>	<u>203,863,520</u>
<b>NET POSITION</b>			
Net investment in capital assets	78,216,994	220,310,592	298,527,586
Restricted for:			
Capital, public safety and economic development	54,655,810	-	54,655,810
Grant expenses	2,609,766	-	2,609,766
Construction and capital	-	65,761,276	65,761,276
Unrestricted	47,592,716	27,653,339	75,246,055
Total Net Position	<u>\$ 183,075,286</u>	<u>\$ 313,725,207</u>	<u>\$ 496,800,493</u>

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

SUSSEX COUNTY, DELAWARE  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2016

Function/Programs	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
<b>Primary government:</b>							
Governmental Activities:							
General government	\$ 12,838,188	\$ 1,832,205	\$ 14,011	\$ 78,606	\$ (10,913,366)	\$ -	\$ (10,913,366)
Planning and zoning	1,272,303	1,895,358	-	1,120,000	1,743,055	-	1,743,055
Paramedics	13,489,135	19,225	4,213,651	-	(9,256,259)	-	(9,256,259)
Emergency preparedness	3,414,864	17,500	878,155	159,573	(2,359,636)	-	(2,359,636)
County engineer	2,351,221	1,610,081	-	-	(741,140)	-	(741,140)
Library	2,887,880	39,077	369,069	68,786	(2,410,948)	-	(2,410,948)
Economic development and airpark	2,855,446	483,227	25,374	591,182	(1,755,663)	-	(1,755,663)
Community development	2,051,580	-	1,808,716	-	(242,864)	-	(242,864)
Grant-in-aid program	9,915,966	-	-	-	(9,915,966)	-	(9,915,966)
Constitutional offices	2,335,997	6,934,857	-	-	4,598,860	-	4,598,860
Total governmental activities	<u>53,412,580</u>	<u>12,831,530</u>	<u>7,308,976</u>	<u>2,018,147</u>	<u>(31,253,927)</u>	<u>-</u>	<u>(31,253,927)</u>
Business-type activities:							
Sewer facilities	33,910,153	21,550,662	16,283,535	7,048,791	-	10,972,835	10,972,835
Water facilities	1,116,713	1,249,930	22,722	819	-	156,758	156,758
Total business-type activities	<u>35,026,866</u>	<u>22,800,592</u>	<u>16,306,257</u>	<u>7,049,610</u>	<u>-</u>	<u>11,129,593</u>	<u>11,129,593</u>
Total primary government	<u>\$ 88,439,446</u>	<u>\$ 35,632,122</u>	<u>\$ 23,615,233</u>	<u>\$ 9,067,757</u>	<u>(31,253,927)</u>	<u>11,129,593</u>	<u>(20,124,334)</u>
General revenues:							
Taxes: Property & capitation					14,715,444	-	14,715,444
Fire service					1,421,496	-	1,421,496
Realty transfer					24,210,264	-	24,210,264
Unrestricted investment results					935,665	509,265	1,444,930
Transfers					(8,222)	8,222	-
Total general revenues and transfers					<u>41,274,647</u>	<u>517,487</u>	<u>41,792,134</u>
Change in net position					10,020,720	11,647,080	21,667,800
Net position - beginning					173,054,566	302,078,127	475,132,693
Net position - ending					<u>\$ 183,075,286</u>	<u>\$ 313,725,207</u>	<u>\$ 496,800,493</u>

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

SUSSEX COUNTY, DELAWARE  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2016

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	<u>General</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 23,752,728	\$ -	\$ 23,752,728
Investments	27,748,893	-	27,748,893
Receivables, net of allowance for doubtful accounts:			
Taxes	1,475,480	-	1,475,480
Assessments and connection	1,487,687	-	1,487,687
Accrued interest	157,478	22,746	180,224
Miscellaneous	568,173	-	568,173
Employee advances	318,520	-	318,520
Due from other governmental agencies	1,751,928	470,010	2,221,938
Due from other funds	8,422,772	-	8,422,772
Inventory	15,932	-	15,932
Prepaid items	24,668	-	24,668
Restricted cash and cash equivalents	13,785,244	5,195,076	18,980,320
Restricted investments	33,537,016	11,042,801	44,579,817
Total Assets	<u>113,046,519</u>	<u>16,730,633</u>	<u>129,777,152</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
Liabilities:			
Accounts payable and other accrued expenditures	4,470,900	365,809	4,836,709
Employee health claims payable	1,058,197	-	1,058,197
Due to other funds	21,405	843	22,248
Unearned revenue	295,044	-	295,044
Deposits	8,338,522	-	8,338,522
Total Liabilities	<u>14,184,068</u>	<u>366,652</u>	<u>14,550,720</u>
Deferred inflows of resources:			
Unavailable revenues	2,794,100	356,122	3,150,222
Total deferred inflows of resources	<u>2,794,100</u>	<u>356,122</u>	<u>3,150,222</u>
Fund balances:			
Nonspendable	359,120	-	359,120
Restricted	49,092,198	14,587,607	63,679,805
Committed	1,079,713	1,420,252	2,499,965
Assigned	4,960,008	-	4,960,008
Unassigned	40,577,312	-	40,577,312
Total fund balances	<u>96,068,351</u>	<u>16,007,859</u>	<u>112,076,210</u>
Total liabilities deferred inflows of resources, and fund balances	<u>\$ 113,046,519</u>	<u>\$ 16,730,633</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.	78,311,920
Long-term liabilities are not due and payable in the current period and therefore are not reported in the fund-level statements.	(21,608,483)
Certain tax and grant revenue do not provide current financial resources and therefore are reported as unavailable revenue in the fund-level statements.	3,150,222
Other long-term assets are not available to pay for current period expenditures and, therefore, are recognized in the fund-level statements.	5,334,699
Consumption of net position by the government that is applicable to a future period	5,810,718
Net position of governmental activities	<u>\$ 183,075,286</u>

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

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>General</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Taxes	\$ 40,439,840	\$ -	\$ 40,439,840
Intergovernmental	6,677,888	1,012,789	7,690,677
Charges for services	13,029,358	-	13,029,358
Fines and forfeits	34,573	-	34,573
Investment earnings	935,665	87,890	1,023,555
Miscellaneous revenue	289,490	1,120,000	1,409,490
Total revenues	<u>61,406,814</u>	<u>2,220,679</u>	<u>63,627,493</u>
<b>EXPENDITURES</b>			
Current:			
General government	11,620,306	-	11,620,306
Planning & zoning	1,267,717	-	1,267,717
Paramedics	13,418,373	-	13,418,373
Emergency preparedness	3,111,494	-	3,111,494
County engineer	1,969,268	-	1,969,268
Library	2,640,264	-	2,640,264
Economic development and airpark	1,235,456	-	1,235,456
Community development	2,018,592	-	2,018,592
Grant-in-aid	9,915,966	-	9,915,966
Constitutional offices	2,307,376	-	2,307,376
Capital projects	-	2,394,954	2,394,954
Total expenditures	<u>49,504,812</u>	<u>2,394,954</u>	<u>51,899,766</u>
Excess of (deficiency) of revenues over (under) expenditures	<u>11,902,002</u>	<u>(174,275)</u>	<u>11,727,727</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	77,278	3,000,000	3,077,278
Transfers out	(3,085,500)	-	(3,085,500)
Total other financing sources and uses	<u>(3,008,222)</u>	<u>3,000,000</u>	<u>(8,222)</u>
Net change in fund balances	8,893,780	2,825,725	11,719,505
Fund balances - beginning	87,174,571	13,182,134	100,356,705
Fund balances - ending	<u>\$ 96,068,351</u>	<u>\$ 16,007,859</u>	<u>\$ 112,076,210</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, 2016**

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

Net change in fund balances - total governmental funds \$ 11,719,505

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The net change is as follows:

Capital outlays	\$ 3,301,657	
Depreciation	<u>(3,370,859)</u>	(69,202)

In the statement of activities, only the loss on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the capital assets sold. (30,156)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in funds. The net change is as follows:

Economic development and neighborhood stabilization loans	\$ (64,391)	
Grants	(42,559)	
Property taxes	<u>(92,636)</u>	(199,586)

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	\$ (85,805)	
Net pension liability	(1,049,675)	
Net other pension postemployment benefit cost	111,589	
Pollution remediation cost	<u>(375,950)</u>	<u>(1,399,841)</u>

Change in net position of government activities \$ 10,020,720

SUSSEX COUNTY, DELAWARE  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2016**

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	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Taxes	\$ 32,205,587	\$ 32,205,587	\$ 40,439,840	\$ 8,234,253
Intergovernmental	6,367,962	6,367,962	6,677,888	309,926
Charges for services	10,849,430	10,849,430	13,029,358	2,179,928
Fines and forfeits	23,000	23,000	34,573	11,573
Investment earnings	450,000	450,000	935,665	485,665
Miscellaneous revenue	253,210	253,210	289,490	36,280
Total Revenues	<u>50,149,189</u>	<u>50,149,189</u>	<u>61,406,814</u>	<u>11,257,625</u>
<b>EXPENDITURES</b>				
Current:				
General government	11,896,115	12,033,344	11,620,306	413,038
Planning & zoning	1,355,276	1,355,276	1,267,717	87,559
Paramedics	13,625,093	13,627,582	13,418,373	209,209
Emergency preparedness	3,043,087	3,129,287	3,111,494	17,793
County engineer	1,899,132	1,899,132	1,969,268	(70,136)
Library	2,674,704	2,704,415	2,640,264	64,151
Economic development and airpark	1,399,625	1,348,911	1,235,456	113,455
Community development	1,999,746	2,344,833	2,018,592	326,241
Grant-in-aid	9,487,194	9,512,194	9,915,966	(403,772)
Constitutional offices	2,383,717	2,408,715	2,307,376	101,339
Total Expenditures	<u>49,763,689</u>	<u>50,363,689</u>	<u>49,504,812</u>	<u>858,877</u>
Excess of revenue over expenditures	<u>385,500</u>	<u>(214,500)</u>	<u>11,902,002</u>	<u>12,116,502</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	300,000	300,000	77,278	(222,722)
Transfers out	(85,500)	(3,085,500)	(3,085,500)	-
Appropriated reserves	3,000,000	3,000,000	-	(3,000,000)
Reserved for contingencies	(3,600,000)	-	-	-
Total other financing sources and uses	<u>(385,500)</u>	<u>214,500</u>	<u>(3,008,222)</u>	<u>(3,222,722)</u>
Net change in fund balances	-	-	8,893,780	8,893,780
Fund balances - beginning	<u>87,174,571</u>	<u>87,174,571</u>	<u>87,174,571</u>	<u>-</u>
Fund balances - ending	<u>\$ 87,174,571</u>	<u>\$ 87,174,571</u>	<u>\$ 96,068,351</u>	<u>\$ 8,893,780</u>

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

SUSSEX COUNTY, DELAWARE  
STATEMENT OF NET POSITION - PROPRIETARY FUNDS  
JUNE 30, 2016

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Unified Sewer</b>		
	<b>District</b>	<b>Dewey Water</b>	<b>Totals</b>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents:			
Unrestricted	\$ 12,118,597	\$ 1,032,634	\$ 13,151,231
Restricted	15,171,786	182,919	15,354,705
Receivables, net of allowance for doubtful accounts:			
Service charges	531,758	41,817	573,575
Assessments and connection	170,625	-	170,625
Interest and penalties	236,602	3,364	239,966
Miscellaneous	154,527	4,792	159,319
Employee advances	175,174	-	175,174
Due from other funds	21,405	-	21,405
Due from other governmental agencies	355,800	-	355,800
Investments:			
Unrestricted	6,899,682	467,114	7,366,796
Restricted	18,592,826	-	18,592,826
Inventory	857,495	6,187	863,682
Total current assets	<u>55,286,277</u>	<u>1,738,827</u>	<u>57,025,104</u>
Noncurrent assets:			
Investments:			
Unrestricted	14,333,840	292,562	14,626,402
Restricted	31,276,244	543,180	31,819,424
Net other postemployment benefit asset	1,248,804	32,720	1,281,524
Noncurrent accounts receivables:			
Service charges	1,472,174	36,840	1,509,014
Assessments and connection	932,898	839	933,737
Interest and penalties	738,133	7,358	745,491
Capital assets:			
Land, improvements, and construction in progress	56,702,240	35,718	56,737,958
Other capital assets, net of depreciation	320,897,422	1,209,025	322,106,447
Total noncurrent assets	<u>427,601,755</u>	<u>2,158,242</u>	<u>429,759,997</u>
Total Assets	<u>482,888,032</u>	<u>3,897,069</u>	<u>486,785,101</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows from pension	1,739,418	45,574	1,784,992
Deferred charge on refunding of bonds	1,303,608	-	1,303,608
Total Deferred Outflows of Resources	<u>3,043,026</u>	<u>45,574</u>	<u>3,088,600</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and other current liabilities	2,665,266	88,292	2,753,558
Accrued interest payable	761,937	-	761,937
Due to other funds	8,421,929	-	8,421,929
Current portion of long-term liabilities	8,450,414	17,427	8,467,841
Total current liabilities	<u>20,299,546</u>	<u>105,719</u>	<u>20,405,265</u>
Noncurrent liabilities:			
Net pension liability	4,676,392	122,526	4,798,918
Long-term liabilities, less current portion	150,918,719	25,592	150,944,311
Total noncurrent liabilities	<u>155,595,111</u>	<u>148,118</u>	<u>155,743,229</u>
Total Liabilities	<u>175,894,657</u>	<u>253,837</u>	<u>176,148,494</u>
<b>NET POSITION</b>			
Net investment in capital assets	219,065,849	1,244,743	220,310,592
Restricted for construction and capital assets	65,035,176	726,100	65,761,276
Unrestricted	25,935,376	1,717,963	27,653,339
Total Net Position	<u>\$ 310,036,401</u>	<u>\$ 3,688,806</u>	<u>\$ 313,725,207</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, 2016**

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Unified Sewer District</b>	<b>Dewey Water</b>	<b>Totals</b>
Operating revenues:			
Charges for services	\$ 19,619,470	\$ 1,134,251	\$ 20,753,721
Other operating revenue	1,931,192	115,679	2,046,871
Total operating revenues	<u>21,550,662</u>	<u>1,249,930</u>	<u>22,800,592</u>
Operating expenses:			
Contractual services	3,129,950	598,529	3,728,479
Depreciation	12,208,245	97,435	12,305,680
Employee benefits	4,131,025	104,041	4,235,066
Equipment and tools	373,365	5,680	379,045
Maintenance and repairs	1,053,114	67,611	1,120,725
Process chemicals	314,778	-	314,778
Professional fees	535,383	2,131	537,514
Salaries	5,228,960	123,341	5,352,301
Shared costs	2,000,640	108,070	2,108,710
Supplies	440,143	8,357	448,500
Training and travel	53,814	1,518	55,332
Total operating expenses	<u>29,469,417</u>	<u>1,116,713</u>	<u>30,586,130</u>
Operating (loss) income	<u>(7,918,755)</u>	<u>133,217</u>	<u>(7,785,538)</u>
Nonoperating revenue (expenses):			
Interest and investment results	944,343	13,196	957,539
Assessment and connection fees	15,834,225	10,754	15,844,979
Disposal of assets	20,244	819	21,063
Miscellaneous	13,003	-	13,003
Interest expense	(4,440,735)	-	(4,440,735)
Total nonoperating revenues (expenses)	<u>12,371,080</u>	<u>24,769</u>	<u>12,395,849</u>
Income before contributions and transfers	4,452,325	157,986	4,610,311
Capital contributions	7,028,547	-	7,028,547
Transfers in	85,500	-	85,500
Transfers out	(77,278)	-	(77,278)
Change in net position	11,489,094	157,986	11,647,080
Total net position - beginning	<u>298,547,307</u>	<u>3,530,820</u>	<u>302,078,127</u>
Total net position - ending	<u>\$ 310,036,401</u>	<u>\$ 3,688,806</u>	<u>\$ 313,725,207</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, 2016**

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Unified Sewer District</b>	<b>Dewey Water</b>	<b>Totals</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash receipts from customers	\$ 20,389,271	\$ 1,236,428	\$ 21,625,699
Other payments	25,042	-	25,042
Other receipts	16,383	-	16,383
Payments to employees	(9,001,765)	(212,924)	(9,214,689)
Payments to suppliers	(7,844,419)	(808,655)	(8,653,074)
Net cash flows from operating activities	<u>3,584,512</u>	<u>214,849</u>	<u>3,799,361</u>
<b>CASH FLOWS FROM NONCAPITAL</b>			
Operating grants received	13,003	-	13,003
Net cash flows from noncapital financing activities	<u>13,003</u>	<u>-</u>	<u>13,003</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition and construction of capital assets	(20,256,079)	-	(20,256,079)
Assessment and connection fees	18,154,800	12,940	18,167,740
Bond proceeds	2,508,732	-	2,508,732
Proceeds from sale of assets	50,616	1,043	51,659
Capital contributions	7,028,547	-	7,028,547
Interest paid	(4,729,250)	-	(4,729,250)
Retirement of bonds and related costs	(8,046,925)	-	(8,046,925)
Transfers from other funds for capital activities	(464,623)	-	(464,623)
Net cash flows from capital and related	<u>(5,754,182)</u>	<u>13,983</u>	<u>(5,740,199)</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Interest income and investment results	(446,989)	1,107	(445,882)
Net sales / (purchases) of investments	<u>(23,347,024)</u>	<u>(629,513)</u>	<u>(23,976,537)</u>
Net cash flows from investing activities	<u>(23,794,013)</u>	<u>(628,406)</u>	<u>(24,422,419)</u>
Net decrease in cash and cash equivalents	<u>(25,950,680)</u>	<u>(399,574)</u>	<u>(26,350,254)</u>
Cash and cash equivalents - beginning	53,241,063	1,615,127	54,856,190
Cash and cash equivalents - ending	<u>\$ 27,290,383</u>	<u>\$ 1,215,553</u>	<u>\$ 28,505,936</u>

(continued)

SUSSEX COUNTY, DELAWARE  
 STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS -CONTINUED  
 FOR YEAR ENDED JUNE 30, 2016

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Unified Sewer</u>		
	<u>District</u>	<u>Dewey Water</u>	<u>Totals</u>
<b>Reconciliation of operating (loss) income to net cash provided by operating activities:</b>			
Operating (loss) income	\$ (7,918,755)	\$ 133,217	\$ (7,785,538)
Adjustments to reconcile operating (loss) income to net cash provided by operating activities:			
Depreciation	12,208,245	97,435	12,305,680
Increase in accounts payable - other	76,024	127	76,151
Increase (decrease) in accounts payable - suppliers	688,090	(12,160)	675,930
Increase in compensated absences	77,625	4,844	82,469
Increase in customer receivables	(1,148,372)	(13,502)	(1,161,874)
Increase in inventory	(631,320)	(4,600)	(635,920)
Increase in other operating receivables	(47,618)	-	(47,618)
Increase in payments to employees advance	3,601	-	3,601
Increase in salaries and benefits payable	276,992	9,488	286,480
Net cash provided by operating activities	<u>\$ 3,584,512</u>	<u>\$ 214,849</u>	<u>\$ 3,799,361</u>

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

SUSSEX COUNTY, DELAWARE  
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS  
JUNE 30, 2016

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	<b>Pension and Other Employee Benefit Trusts</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 561,038
Investments:	
U.S. Treasuries	9,431,923
Government Agencies	2,722,995
Corporate obligations	7,527,582
Delaware Local Government Retirement Investment Pool	45,448,666
Common stocks and convertibles	14,135,010
Mutual funds	<u>25,980,886</u>
Total Investments	105,247,062
Accrued interest	<u>124,318</u>
<b>Total Assets</b>	<u>105,932,418</u>
<b>LIABILITIES</b>	
Accounts payable	41,668
Due to general fund	<u>73,800</u>
<b>Total Liabilities</b>	<u>115,468</u>
<b>NET POSITION</b>	
Net position restricted for pensions	<u>\$ 105,816,950</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, 2016

	<b>Pension and Other Employee Benefit Trusts</b>
<b>ADDITIONS</b>	
Employer contributions	\$ 5,493,003
Employee contributions	48,721
Investment earnings:	
Net depreciation of investments	(1,927,829)
Interest and dividends	2,361,351
Total investment earnings	<u>433,522</u>
Less investment expenses	<u>(231,620)</u>
Net investment earnings	<u>201,902</u>
Total additions	<u>5,743,626</u>
<b>DEDUCTIONS</b>	
Beneficiary payments	5,394,810
Professional fees	<u>164,748</u>
Net increase in plan net position	184,068
Net position restricted for pensions - beginning	<u>105,632,882</u>
Net position restricted for pensions - ending	<u><u>\$ 105,816,950</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).

### 1. Reporting Entity

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

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

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

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

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

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

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

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

This government-wide focus is more on the sustainability of the County as an entity and the change in the County's net position resulting from the current year's activities.

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

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

**Governmental Funds**

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

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

**Capital projects fund** is maintained to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by business-type/proprietary funds). These funds are provided by intergovernmental grants, investment income, and operating transfers from the General Fund. Some projects may take longer than one year to complete. Major capital projects expenditures in fiscal year 2016 were for industrial airpark expansion and improvements. As of June 30, 2016, the major projects being planned over the next five years include \$14.3 million for industrial airpark improvements and expansion, \$1.2 million for property acquisition, \$2.0 million for paramedic station building, \$1.4 million for mobile command unit, \$2.0 million for various building improvements and \$2.5 million information technology improvements.

**Proprietary Funds**

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

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

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

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

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

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

**Fiduciary Funds**

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

The County's fiduciary funds are presented in the fiduciary funds financial statements. 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, Constitutional Row Offices, 911 emergency reporting, realty transfer tax, fire service fee, and various sewer system reserves and construction funds.

**6. Investments**

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

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

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

Level 3 – Unobservable inputs for the assets.

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

**7. Accounts Receivable**

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

**8. Inventory and Prepaid Items**

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

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

**9. Capital Assets**

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at 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

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

**9. Capital Assets - Continued**

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

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

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

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

In addition to assets, the statements of net position report a separate section for deferred outflows of resources, which represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County has two items that qualify for reporting in this category. The first is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second is deferred outflows from pensions as described in Note F. These items will be recognized as part of pension expense in future periods. The general fund and capital project fund balance sheets contain deferred inflows of resources, which represents an acquisition of fund balance that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. These are primarily unavailable revenues for property tax and grants.

**11. Bond Premiums and Discounts**

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

**12. Deposits and Unearned Revenue**

Deposits represent monies held by the County to be remitted to others, while unearned revenue represents amounts to be recognized by the County as revenue in future periods.

**13. Compensated Absences**

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

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

**14. Equity Classifications**

*Government-wide and Proprietary Fund Net Position*

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

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

*Governmental Fund Balances*

As defined in the Fund Balance Policy adopted by County Council on June 21, 2011, in the governmental fund financial statements, fund balances are classified as follows:

- a. Nonspendable - Amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.
- b. Restricted - Amounts that can be spent only for specific purposes because of the Delaware Code, state or federal laws, or externally imposed conditions by grantors or creditors.
- c. Committed - Amounts that can be used only for specific purposes determined by a formal action by Sussex County Council ordinance.
- d. Assigned - Amounts that are constrained by the government’s intent to be used for a specific purpose and these decisions can be made by the County Administrator, Finance Director or Budget Committee.
- e. Unassigned - All amounts not included in other spendable classifications.

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

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

Authority is given to the County Administrator, Finance Director and Budget Committee to assign funds for specific purposes. The assigned funds are for specific programs or projects that were approved in prior budgets that were not spent in the current fiscal year, specific requests made by Council or for a specific need as identified by the County Administrator. A list of the assigned funds will be maintained by the Finance Director. Approval from both the Finance Director and the County Administrator must be given to set aside funds as Assigned Fund Balance. This authority was granted in the Fund Balance Policy approved by County Council on June 21, 2011.

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

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

**15. Revenues**

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

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

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

**16. Expenditures**

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

**17. Interfund Activity**

Interfund activity is reported as either loans, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon combination. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

**18. Budgets and Budgetary Accounting**

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

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

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

Appropriations are legislated at the departmental level by object of expenditure. Although the County Code requires budget amendments to be adopted using the same procedures as its original adoption, the Council has authorized the County Administrator to make budgetary transfers within each fund. 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, 2016. Unexpended appropriations in the operating budget lapse at year end.

**19. Use of Estimates**

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

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

The governmental fund balance sheet includes reconciliation between fund balances - total governmental funds and net position of governmental activities as reported in the government-wide statement of net position. The details of the \$5,334,699 difference "Other long-term assets are not available to pay for current period expenditures and therefore, are unearned in the fund level statements" is as follows:

Loan receivable	\$ 1,162,928
Net postemployment benefit asset	4,171,771
	<u>\$ 5,334,699</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, 2016, the carrying amount of the County's deposits was \$71,796,379 and the bank balance was \$61,259,734. None of the County's deposits were uninsured or uncollateralized at year end.

**Custodial Credit Risk** - Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the County will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. In regards to investments, custodial credit risk is in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The County's investment policy requires collateralization by each financial institution with direct obligations of the U.S. government agency securities, Federal Home Loans Bank line of credits. Collateral must be maintained at a third party.

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

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

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

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

The County's investment policy authorizes the following investments:

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

The County categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The aggregate fair value by input level, for the County investment's as of June 30, 2016 are as follows:

Investments by fair value level	<u>June 30, 2016</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
General Government				
U.S. Government agencies securities	\$114,765,520	\$ -	\$114,765,520	\$ -
Total	<u>114,765,520</u>	<u>-</u>	<u>114,765,520</u>	<u>-</u>
Investments at amortized cost:				
Certificates of deposits	29,968,638			
Total investment General Government	<u>144,734,158</u>			

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

Investment by fair value level – continued	June 30, 2016	Level 1	Level 2	Level 3
Pension and Other Post-Retirement Employee Benefit Trust				
U.S. Treasury securities	9,431,923	9,431,923	-	-
U.S. Government agencies securities	2,722,995	-	2,722,995	-
Corporate obligations	7,527,582	-	7,527,582	-
Common stock	14,135,010	14,135,010	-	-
Delaware Local Government Retirement Investment Pool	45,448,666	-	-	45,448,666
Mutual Funds	25,980,886	25,980,886	-	-
Total Pension and Other Post- Retirement Employee Benefit Trust investments	105,247,062	49,547,819	10,250,577	45,448,666
Total Investments	\$249,981,220	\$49,547,819	\$125,016,097	\$45,448,666

The fair value of investments by contractual maturity as of June 30, 2016 is shown below.

Investment Type	Total	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	11-15
U.S. Treasuries	\$ 9,431,923	\$ 776,770	\$ 5,251,297	\$ 3,403,856	\$ -
Government Agencies	117,488,515	23,597,844	86,487,385	7,403,286	-
Corporate obligations	7,527,582	316,950	3,784,580	3,335,374	90,678
Delaware Local Government Retirement Investment Pool	45,448,666	45,448,666	-	-	-
Common stock	14,135,010	-	-	-	-
Certificates of deposits	29,968,638	28,982,142	986,496	-	-
Mutual funds	25,980,886	-	-	-	-
Total Investments	\$249,981,220	\$99,122,372	\$96,509,758	\$14,142,516	\$90,678

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

Cash on hand	\$ 3,643
Carrying amount of deposits	71,796,379
Carrying amount of investments	249,981,220
Total	<u>\$ 321,781,242</u>
Primary Government	
Unrestricted	
Cash and cash equivalents	\$ 36,903,959
Investments	49,742,091
Restricted	
Cash and cash equivalents	34,335,025
Investments	94,992,067
Total primary government	<u>215,973,142</u>
Fiduciary funds (not included in government-wide statement)	
Cash and cash equivalents	561,038
Investments	105,247,062
Total fiduciary funds	<u>105,808,100</u>
Total	<u>\$ 321,781,242</u>

**NOTE C - ACCOUNTS RECEIVABLE**

The allowance for uncollectible receivables at June 30, 2016 is \$21,036 for service, \$11,155 for assessment and \$7,978 for interest and penalties. The County does not have an allowance for uncollectible property taxes because all are considered collectible.

**NOTE D - LOANS RECEIVABLE**

Under the County’s 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 \$250,978 at June 30, 2016. One loan bears no interest, matures on April 2026, and is secured with the full faith and credit of the borrowing municipality. The other loan bears interest at 1% per annum, matures on February 2023, and is secured with partner guarantees and a second mortgage on the property.

The County’s Neighborhood Stabilization Program, in partnership with local nonprofits, provides zero percent interest loans for a term of thirty years for the purpose of providing affordable financing for moderate to low income families. The loans are secured by liens on the real property. The balances outstanding at June 30, 2016 total \$911,950.

Loans receivable total \$1,162,928 at June 30, 2016, which are not reflected on the governmental funds balance sheet.

**NOTE E - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2016, was as follows:

	Balance at June 30, 2015	Increases	Decreases	Balance at June 30, 2016
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 18,236,796	\$ -	\$ -	\$ 18,236,796
Construction in progress	685,883	2,341,381	2,085,929	941,335
Total capital assets, not being depreciated	<u>18,922,679</u>	<u>2,341,381</u>	<u>2,085,929</u>	<u>19,178,131</u>
Other capital assets:				
Buildings	40,681,662	11,000	-	40,692,662
Improvements	37,237,071	1,933,581	17,332	39,153,320
Machinery and equipment	14,716,428	1,101,626	757,202	15,060,852
Total other capital assets	<u>92,635,161</u>	<u>3,046,207</u>	<u>774,534</u>	<u>94,906,834</u>
Less accumulated depreciation for:				
Buildings	8,302,104	816,648	-	9,118,752
Improvements	12,012,664	1,800,337	6,560	13,806,441
Machinery and equipment	12,831,796	753,874	737,818	12,847,852
Total accumulated depreciation	<u>33,146,564</u>	<u>3,370,859</u>	<u>744,378</u>	<u>35,773,045</u>
Other capital assets, net	<u>59,488,597</u>	<u>(324,652)</u>	<u>30,156</u>	<u>59,133,789</u>
<b>Governmental Activities Capital Assets, Net</b>	<u>\$ 78,411,276</u>	<u>\$ 2,016,729</u>	<u>\$ 2,116,085</u>	<u>\$ 78,311,920</u>

**NOTE E - CAPITAL ASSETS – CONTINUED**

	Balance at June 30, 2015	Increases	Decreases	Balance at June 30, 2016
<b>Business-type Activities:</b>				
Capital assets not being depreciated:				
Land	\$39,678,240	\$ 39,335	\$ -	\$ 39,717,575
Construction in progress	6,562,524	11,595,051	1,137,192	17,020,383
Total capital assets, not being depreciated	<u>46,240,764</u>	<u>11,634,386</u>	<u>1,137,192</u>	<u>56,737,958</u>
Other capital assets:				
Buildings	42,261,355	-	-	42,261,355
Improvements	10,505,933	-	-	10,505,933
Machinery and equipment	11,288,431	818,030	209,513	11,896,948
Infrastructure	432,107,443	8,940,855	8,900	441,039,398
Total other capital assets	<u>496,163,162</u>	<u>9,758,885</u>	<u>218,413</u>	<u>505,703,634</u>
Less accumulated depreciation for:				
Building	11,929,243	796,612	-	12,725,855
Improvements	6,612,354	286,164	-	6,898,518
Machinery and equipment	9,239,935	849,579	182,547	9,906,967
Infrastructure	143,697,788	10,373,325	5,266	154,065,847
Total accumulated depreciation	<u>171,479,320</u>	<u>12,305,680</u>	<u>187,813</u>	<u>183,597,187</u>
Other capital assets, net	<u>324,683,842</u>	<u>(2,546,795)</u>	<u>30,600</u>	<u>322,106,447</u>
<b>Business-type Activities Capital Assets, Net</b>	<u>\$370,924,606</u>	<u>\$9,087,591</u>	<u>\$1,106,592</u>	<u>\$378,844,405</u>

Depreciation expense was charged to functions as follows:

<b>Governmental activities:</b>		
General government		\$ 659,788
Planning and zoning		11,938
Paramedic program		384,944
Emergency preparedness		372,972
Economic development and airpark		1,632,522
County engineer		6,003
Library		273,044
Constitutional offices		29,648
<b>Total governmental activities depreciation expense</b>		<u>3,370,859</u>
<b>Business-type activities</b>		
Water		97,435
Sewer		12,208,245
<b>Total business-type activities depreciation expense</b>		<u>\$ 12,305,680</u>

Construction in progress was \$17.9 million with additional contractually committed costs to complete the projects in process of approximately \$16.9 million as of June 30, 2016.

**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 Administration

The County established and administers a single-employer defined benefit pension plan for its employees. The Plan provides for retirement, disability and death benefits to plan members and their beneficiaries. The pension plan is reported in the pension trust fiduciary fund in the County’s financial statements. The County does not have a separate GAAP-basis pension plan audit performed. A pension committee oversees the management of the Sussex County Employee Pension Plan. The pension committee consists of seven members. Whoever is serving in the position of the County Finance Director, County Administrator and County Human Resources Director are always members of the Committee. The following members are appointed by the Sussex County Council for a term of four (4) years: two Sussex County community members, a current Sussex County employee and a retired Sussex County employee, who currently receives a County pension. The pension committee meets quarterly and is responsible for making recommendations to County Council regarding investments and funding. The County contracts with pension advisors to assist in providing the best strategy, protection and investment guidelines for its pension.

Benefits Provided

A covered employee is an employee who receives a regular salary or wages wholly, or in part, directly, or indirectly, from Sussex County provided, however, that an employee shall not be considered in covered employment if they are a part-time or seasonal employee who is not regularly employed for more than 120 working days in any on calendar year, per Ordinance No. 19, 6/10/75; No. 52, 12/16/80; No. 73, 9/22/81; No. 190, 7/24/84; No. 281, 7/23/85; No. 318, 11/12/85; No. 359, 3/25/86; No. 1375, 6/6/00; No. 1485, 7/1/01 and No. 2346, 4/29/14. Also covered are elected officials, Justices of the Peace, and Constables for time worked prior to March 31, 1965. Cost-of-living adjustments (COLA) are provided at the discretion of the County Council. The County has authority to establish and amend benefit provisions of the plan. 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, 2016, total payroll was \$24,574,577. Covered payroll refers to all compensation by the County to active employees covered by the plan.

Current membership in the plan (as of June 30, 2016) is as follows:

Total Actives	Retirees and Beneficiaries	Terminated Vested	Covered Payroll
477	227	83	\$ 21,671,478

Contributions and Funding Policy

The County’s annual contribution to the pension trust is determined through the budgetary process and with reference to actuarial determined contributions. The County established contribution rates based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The contribution is designed to accumulated sufficient assets to pay

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

Contributions and Funding Policy - Continued

benefits when due. The County is required to contribute the difference between the actuarially determined rate and the contribution rate of plan members. Active members hired prior to January 1, 2014 do not contribute, active members hired on or after that date contribute at a rate of 3.0% of annual pay in excess of \$6,000, and the County's average contribution rate was 17.56% of annual payroll.

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

At June 30, 2016, the County reported a liability of \$20,420,929 for the net pension liability. The net pension liability was measured as of June 30, 2016, and the total liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's net pension liability was based on a projection of the County's long-term contributions to the pension plan.

The components of the net pension liability of the County at June 30, 2016, were as follows:

Total Pension Liability	\$ 94,383,648
Plan Fiduciary Net Pension	(73,962,719)
County's Net Pension Liability	<u>\$ 20,420,929</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	<u>78.4%</u>

**Changes in the Net Pension Liability**

	Increase (Decrease)		
	<u>Total Pension Liability</u>	<u>Fiduciary Plan Net Position</u>	<u>Net Pension Liability</u>
Balance recognized at 7/1/2015 (based on 6/30/2015 measurement date)	\$88,206,659	\$74,242,415	\$13,964,244
Changes recognized for the fiscal year:			
Service Cost	1,817,625	-	1,817,625
Interest on the total pension liability	6,698,077	-	6,698,077
Differences between expected and actual experience	1,134,350	-	1,134,350
Contributions from the employer	-	3,597,265	(3,597,265)
Contribution from the employee	-	48,721	(48,721)
Net investment income	-	(345,584)	345,584
Benefit payments	(3,473,063)	(3,473,063)	-
Administrative expense	-	(107,035)	107,035
Net change	<u>6,176,989</u>	<u>(279,696)</u>	<u>6,456,685</u>
Balance recognized at 6/30/2016 (based on 6/30/2016 measurement date)	<u>\$94,383,648</u>	<u>\$73,962,719</u>	<u>\$20,420,929</u>

For the year ended June 30, 2016, recognized \$4,969,389 of pension expense and reported deferred outflows of resources from pensions from the following sources:

	<u>Deferred Outflows of Resources</u>
Difference between expected and actual experience	\$ 1,482,936
Difference between projected and actual earnings on pension plan investments	6,112,774
Total	<u>\$ 7,595,710</u>

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

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

The below lists the amortization bases included in the deferred outflows as of June 30, 2016.

Date Established	Type of Base	Period		Balance		Annual Expense
		Original	Remaining	Original	Remaining	
7/1/2014	Liability (Gain)/Loss	6	4	\$ 805,130	\$ 537,644	\$133,743
7/1/2014	Liability (Gain)/Loss	5	3	2,299,703	1,379,821	459,941
7/1/2015	Liability (Gain)/Loss	6	5	1,134,350	945,292	189,058
7/1/2015	Liability (Gain)/Loss	5	4	5,916,191	4,732,953	1,183,238
	Total Charges				<u>\$7,595,710</u>	<u>\$1,965,980</u>

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

Year End June 30:

2017	\$1,965,980
2018	1,965,980
2019	1,965,978
2020	1,506,040
2021 and after	191,732

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2016, using the Entry Age Normal cost method and the following actuarial assumptions based on the census data as of July 1, 2016 and the measurement date of June 30, 2016.

- A rate of return on the investment 7.5% per year, net of investment expenses;
- Salary increases are based on the following table compounded annually;

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

- 1.4% annual increase after retirement for cost of living increases;
- Inflation of 2.5% per year underlying the salary scale and interest rates;
- Five-year phase-in of asset gains and losses to value assets; and
- RP-2014 Total Mortality Table projected generationally using Scale MP-2014

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2016 are summarized in the following table:

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

Actuarial Assumptions - Continued

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Expected Real Rate of Return</u>
Domestic Equity	40% - 50%	4.4%
International Equity	10% - 15%	4.7%
Domestic Fixed Income	20% - 25%	1.6%
International Fixed Income	0% - 5%	0.9%
Real Estate and Other	5% - 15%	3.7%
Cash	5% - 10%	0.7%

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and that County contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the County, calculated using the discount rate of 7.50 percent, as well as what the County's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.50 percent) or 1-percentage point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Rate (7.50%)	1% Increase (8.50%)
Total Pension Liability	\$107,808,487	\$ 94,383,648	\$ 83,383,842
Plan Fiduciary Net Position	( 73,962,719)	(73,962,719)	(73,962,719)
County's Net Pension Liability	\$ 33,845,768	\$ 20,420,929	\$ 9,421,123

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), Vanguard 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 44<sup>th</sup> Comprehensive Annual Financial Report, which may be obtained by calling 1-800-722-7300.

The Pension Committee's policy is a goal of 60 percent investments in equity and 40 percent in fixed income investments. Historically, the County has met or exceeded asset class benchmarks. The following represents the asset allocation policy as of June 30, 2016.

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

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - Continued

<u>Asset Class</u>	<u>Target Allocation Total</u>
Domestic Equity	40% - 50%
International Equity	10% - 15%
Domestic Fixed Income	20% - 25%
International Fixed Income	0% - 5%
Real Estate and Other	5% - 15%
Cash	5% - 10%
Total	100%

Investment at fair value (other than those issued or guaranteed by the U.S. government and mutual funds) in excess of 5% of the Plan's net position held in trust for pension benefits at June 30, 2016 consist of:

	<u>Fair Value</u>
Delaware Local Retirement Investment Pool	\$ 45,448,666

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 July 1, 2016) is as follows:

<u>Total Actives</u>	<u>Retirees and Beneficiaries</u>	<u>Terminated Vested</u>
482	179	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 \$1,895,738 were 8.7% of covered-employee payroll. The contribution is designed to accumulate sufficient assets to pay benefits when due. The actuarial valuation of the plan as of July 1, 2016 was determined using the Entry Age Normal. This measure is independent of the funding method used to determine contributions to the system. The actuarial assumptions include:

- An investment return of 7.5% 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 7% initially, declining to 4% ultimately; and
- Inflation of 2.5% per year.

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

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

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 prospective of the calculations. The unfunded liability is amortized over a rolling 30-year period. The amortization method is a level percentage of pay.

Annual OPEB Cost and Net OPEB Obligation

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

Annual required contributions	\$ 1,857,254
Interest on net OPEB obligation	(398,057)
Adjustment to annual required contribution	290,674
Annual OPEB Cost	<u>1,749,871</u>
Contributions made	<u>1,895,738</u>
Increase in Net OPEB Asset	(145,867)
Net OPEB Obligation (Asset), Beginning of Year	<u>(5,307,428)</u>
Net OPEB Obligation (Asset), End of Year	<u><u>\$ (5,453,295)</u></u>

Trend information is as follows:

Year Ended June 30,	Annual OPEB Cost (AOC)	Percentage of AOC Contributed	Net OPEB Obligation (Asset)
2014	\$ 1,660,850	146.5%	\$ (4,528,823)
2015	1,415,926	155.0	(5,307,428)
2016	1,749,871	102.0	(5,453,295)

Post-retirement Employee Benefit Plan Funded Status and Funding Progress

As of July 1, 2016, the most recent actuarial valuation date, the plan was 65.2% funded. The actuarial accrued liability for benefits was \$48.8 million, and the actuarial value of assets was \$31.9 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$17.0 million. The covered-employee payroll was \$21.7 million, and the ratio of the UAAL to the covered payroll was 78.2%.

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.

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, 2016.

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

COMBINING STATEMENTS OF FIDUCIARY NET POSITION

	JUNE 30, 2016		
	Pension Trust	Post-retirement Employee Benefit Trust	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 162,659	\$ 398,379	\$ 561,038
Investments:			
U.S. Treasuries	4,066,491	5,365,432	9,431,923
Government Agencies	1,018,588	1,704,407	2,722,995
Corporate Obligations	3,391,052	4,136,530	7,527,582
Delaware Local Government Retirement Investment Pool	45,448,666	-	45,448,666
Common stocks and convertibles	14,135,010	-	14,135,010
Mutual funds	5,705,874	20,275,012	25,980,886
Accrued Interest	66,126	58,192	124,318
Due to general fund	645	-	645
	<u>73,995,111</u>	<u>31,937,952</u>	<u>105,933,063</u>
Accounts payable	32,392	9,276	41,668
Due from general fund	-	74,445	74,445
	<u>32,392</u>	<u>83,721</u>	<u>116,113</u>
<b>Net Position Restricted for Pensions</b>	<u>\$ 73,962,719</u>	<u>\$31,854,231</u>	<u>\$105,816,950</u>

COMBINING STATEMENT OF CHANGE IN FIDUCIARY NET POSITION  
 YEAR ENDED JUNE 30, 2016

	JUNE 30, 2016		
	Pension Trust	Post-retirement Employee Benefit Trust	Total
<b>Additions</b>			
Employer contributions	\$ 3,597,265	\$ 1,895,738	\$ 5,493,003
Employee contributions	48,721	-	48,721
Investments:			
Net depreciation of investments	(1,911,485)	( 16,344)	(1,927,829)
Interest and dividends	1,768,535	592,816	2,361,351
	<u>(142,950)</u>	<u>576,472</u>	<u>433,522</u>
Less investment expenses	(202,633)	(28,987)	(231,620)
Net investment earnings	(345,583)	547,485	201,902
<b>Total Additions</b>	<u>3,300,403</u>	<u>2,443,223</u>	<u>5,743,626</u>
<b>Deductions</b>			
Beneficiary payments	3,473,063	1,921,747	5,394,810
Professional fees	107,035	57,713	164,748
<b>Net Increase in Plan Net Position</b>	<u>(279,696)</u>	<u>463,764</u>	<u>184,068</u>
<b>Net Position Restricted for Pensions - Beginning</b>	<u>74,242,415</u>	<u>31,390,467</u>	<u>105,632,882</u>
<b>Net Position Restricted for Pensions - Ending</b>	<u>\$ 73,962,719</u>	<u>\$ 31,854,231</u>	<u>\$105,816,950</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 2.75% at June 30, 2016. The County had \$10,000,000 of unused line of credit to be drawn upon as needed. No balance was outstanding at June 30, 2016.

**NOTE I - LONG -TERM LIABILITIES**

Description of Bonds Payable

At June 30, 2016, 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.	\$ 459,856
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.	333,013
1997 wastewater general obligation bonds (West Rehoboth), due in various installments through June 15, 2021, interest at 1.5%. Total bonds authorized are \$12,000,000.	2,835,975
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.	6,840,933
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.	711,742
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.	2,108,009
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.	1,411,400
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.	666,667

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

<u>Description of Bonds Payable – Continued</u>	<u>Business-type</u>
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.	\$750,693
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.	722,018
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.	6,111,810
2006 wastewater general obligation bonds (Millville), due in semi-annual installments, interest at 1.5%, final payment due October 30, 2040. Total bonds authorized are \$8,000,000.	6,673,360
2006 wastewater general obligation bonds (South Ocean View), due in semi-annual installments, interest at 1.5%, final payment due June 30, 2040. Total bonds authorized are \$4,800,000.	3,793,616
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.	67,118
2008 wastewater general obligation bonds (Angola Neck), due in semi-annual installments, interest at 1.5%, final payment due May 21, 2042. Total bonds authorized are \$15,000,000, of which \$ 1,500,000 was forgiven at the project completion date.	11,839,928
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.	3,069,962
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.	2,179,879
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.	359,974
2010 wastewater general obligation bonds (SCRWF), due in quarterly installments, interest at 4%, final payment due March 19, 2050. Total bonds authorized are \$7,500,000.	6,958,548
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.	5,142,040

NOTE I – LONG-TERM LIABILITIES – CONTINUED

<u>Description of Bonds Payable – Continued</u>	<u>Business-type</u>
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.	\$4,695,931
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.	5,798,585
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.	473,362
2011 wastewater general obligation bonds (Piney Neck), due in quarterly installments, interest at 4.125%, final payment due June 2, 2051. Total bonds authorized are \$2,113,000.	1,997,373
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.	1,627,660
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.	1,014,325
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.	3,786,158
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.	1,051,588
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.	299,119
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.	25,490,000
2012B wastewater general obligation bonds (refunding), due in semi-annual installments, interest ranging from 2% to 5%, final payment due March 15, 2049.	22,765,000
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.	3,815,246
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.	84,408

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

<u>Description of Bonds Payable – Continued</u>	<u>Business-type</u>
2013 wastewater general obligation bonds (Angola Neck), due in quarterly installments, interest at 2.125%, final payment due April 25, 2053. Total bonds authorized are \$6,000,000.	\$5,704,366
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.	1,901,003
2015 wastewater general obligation bond (Angola Neck), due in quarterly installments, interest at 2.375%, final payment due September 26, 2054. Total bonds authorized are \$987,000.	960,553
2015 wastewater general obligation bonds (Oak Orchard), due in quarterly installments, interest at 2.375%, final payment due July 24, 2054. Total bonds authorized are \$5,582,000.	5,432,803
2015 wastewater general obligation bonds (Angola North), due in semi-annual installments, interest at 2.00%, final payment due May 1, 2046. Total bonds authorized are \$6,697,774.	104,732
2016 wastewater general obligation bonds (Millville), due in quarterly installments, interest at 1.75%, final payment due May 25, 2056. Total bonds authorized are \$2,404,000.	<u>2,404,000</u>
Subtotal	152,442,753
Unamortized bond premium	<u>5,411,919</u>
<b>TOTAL BOND PAYALBE</b>	<u><b>\$157,854,672</b></u>

Contract Commitments

The County has obligated itself under contracts for various projects. At June 30, 2016, the obligated unrecorded amount was approximately \$4.9 million. The County's payment of these contracts will be contingent upon the contractors' satisfactory performance.

Bonds Authorized but Unissued

Bonds authorized but unissued at June 30, 2016 totaled \$8,747,774. The bonds are to finance various sewer district construction and improvement projects.

Long-term Liability Activity

Long-term liability activity for the year ended June 30, 2016, was as follows:

	<u>June 30, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2016</u>	<u>Due Within One Year</u>
<b>Governmental Activities:</b>					
Compensated absences	\$ 5,403,817	\$ 2,574,748	\$ 2,488,943	\$ 5,489,622	\$ 2,524,908
Estimated liability for pollution remediation	<u>120,900</u>	<u>375,950</u>	<u>-</u>	<u>496,850</u>	<u>99,370</u>
<b>Total Governmental Activities</b>	<u>\$ 5,524,717</u>	<u>\$ 2,950,698</u>	<u>\$ 2,488,943</u>	<u>\$ 5,986,472</u>	<u>\$ 2,624,278</u>

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

Long-term Liability Activity

	<u>June 30, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2016</u>	<u>Due Within One Year</u>
<b>Business-Type Activities:</b>					
General obligation bonds	\$157,980,947	\$ 2,508,732	\$ 8,046,926	\$152,442,753	\$ 7,836,914
Unamortized bond premium	5,816,686	-	404,767	5,411,919	-
Total bonds payable	163,797,633	2,508,732	8,451,693	157,854,672	7,836,914
Compensated absences	1,475,011	736,134	653,665	1,557,480	630,927
<b>Total Business-type Activities</b>	<b>\$165,272,644</b>	<b>\$ 3,244,866</b>	<b>\$ 9,105,358</b>	<b>\$159,412,152</b>	<b>\$ 8,467,841</b>

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

Debt Maturity

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

<u>Year ending June 30,</u>	<u>Business-type Activities - General Obligation</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 7,836,914	\$ 4,367,082	\$ 12,203,996
2018	6,824,769	4,179,105	11,003,874
2019	6,991,486	4,000,563	10,992,049
2020	7,174,894	3,812,305	10,987,199
2021	7,375,033	3,625,466	11,000,499
2022 – 2026	26,667,088	15,942,672	42,609,760
2027 – 2031	23,242,313	12,611,769	35,854,082
2032 – 2036	22,055,743	8,993,955	31,049,698
2037 – 2041	18,699,988	5,724,858	24,424,846
2042 – 2046	13,101,760	6,132,164	19,233,924
2047 – 2051	10,383,244	1,282,621	11,665,865
2052 – 2056	2,089,521	72,464	2,161,985
<b>TOTAL</b>	<b>\$ 152,442,753</b>	<b>\$ 70,745,024</b>	<b>\$ 223,187,777</b>

**NOTE J – INTERFUND BALANCES**

Interfund balances at June 30, 2016 consisted of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Unified sewer fund	\$ 8,421,929
Unified sewer fund	General fund	21,405
General fund	Capital Improvements fund	843

At June 30, 2016, interfund balances represented interim financing for sewer projects, which are to be repaid when the County draws the permanent funding. Realty transfer tax financed \$8,421,929 of the interfund balances.

**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:

	<u>General</u>	<u>Capital Projects</u>	<u>Total</u>
<b>Nonspendable</b>			
Inventory	\$ 15,932	\$ -	\$ 15,932
Prepaid expenses	24,668	-	24,668
Employee advances	318,520	-	318,520
<b>Total nonspendable</b>	<u>359,120</u>	<u>-</u>	<u>359,120</u>
<b>Restricted</b>			
Infrastructure, public safety, economic development items, capital	49,092,198	14,587,607	63,679,805
<b>Total restricted</b>	<u>49,092,198</u>	<u>14,587,607</u>	<u>63,679,805</u>
<b>Committed</b>			
Open space land program	815,388	1,420,252	2,235,640
Groundwater monitoring	11,646	-	11,646
Comprehensive Land-use plan	252,679	-	252,679
<b>Total committed</b>	<u>1,079,713</u>	<u>1,420,252</u>	<u>2,499,965</u>
<b>Assigned</b>			
Grant-in-aid for County tax subsidy program	39,959	-	39,959
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
Reserves budgeted for next year	1,000,000	-	1,000,000
Information technology	373,725	-	373,725
<b>Total assigned</b>	<u>4,960,008</u>	<u>-</u>	<u>4,960,008</u>
<b>Unassigned</b>	<u>40,577,312</u>	<u>-</u>	<u>40,577,312</u>
<b>Total Fund Balances – Governmental Funds</b>	<u>\$ 96,068,351</u>	<u>\$ 16,007,859</u>	<u>\$ 112,076,210</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 \$6,895,905 and accumulated depreciation of \$1,560,792, equipment with a cost basis of \$21,038 and accumulated depreciation of \$21,038, and improvements of \$107,045 and accumulated depreciation of \$47,141 were being leased as of June 30, 2016.

The minimum future rental revenue under leases as of June 30, 2016 for each of the next five years and thereafter in the aggregate are:

**NOTE L - RENT REVENUES – CONTINUED**

Year ending June 30,	Amount
2017	\$ 379,418
2018	368,244
2019	319,200
2020	308,351
2021	233,394
Thereafter	1,631,137
Minimum Lease Payments Receivable	\$ 3,239,744

**NOTE M - INTERFUND TRANSFERS**

Interfund transfers for the year ended June 30, 2016, consisted of the following:

Transfer to:	Transfer from		
	General Fund	Unified Sewer	Total
General fund	\$ -	\$ 77,278	\$ 77,278
Unified sewer fund	85,500	-	85,500
Capital improvements fund	3,000,000	-	3,000,000
	<u>\$ 3,085,500</u>	<u>\$ 77,278</u>	<u>\$ 3,162,778</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 2016, the County maintained a self-insured plan for employee medical expenses in which expenses per employee were covered annually up to \$285,000. Individual excess expenses are covered under a commercial policy. In addition, the County has a maximum aggregate limit of \$9,756,633 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, 2016 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.

**NOTE N - RISK MANAGEMENT - CONTINUED**

Employee Health Plan - Continued

Changes in the employee health claims liability amounts in fiscal year 2016 and 2015 were as follows:

	Beginning of Year Balance	Current-Year Claims and Changes in Estimates	Claim Payments	End of Year Balance
2014-2015	\$ 830,731	\$ 6,409,941	\$ (6,372,392)	\$ 868,280
2015-2016	868,280	6,688,174	(6,498,257)	1,058,197

**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 terminated on December 31, 2016. A new contract has been negotiated with the City of Rehoboth and is effect from January 1, 2017 to December 31, 2020.

**NOTE P - LANDFILL POLLUTION REMEDIATION OBLIGATION**

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

The County has pollution remediation obligations of \$496,850 of which \$99,370 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 six 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 reasonably estimated or the outcome is remote.

The County has authorized the issuance of revenue bonds to provide funds for various commercial, industrial and agricultural development projects. Various issues are outstanding at June 30, 2016 equaling \$136,747,000. In the opinion of bond counsel, these conduit bonds are not subject to the debt limit imposed on the County by the Delaware Code, and are payable solely from payments made by the borrowing entities. Accordingly, these bonds are not reflected in the accompanying financial statements.

#### NOTE R - SUBSEQUENT EVENTS

##### Major Contracts

Subsequent to June 30, 2016, the County approved the award of contracts totaling \$6.1 million for the construction and improvement of various sewer, airport, and community improvement projects.

##### Pension and Other Employee Benefit Trusts

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

**REQUIRED SUPPLEMENTARY INFORMATION**

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

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

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

SUSSEX COUNTY, DELAWARE  
 SCHEDULE OF EMPLOYER CONTRIBUTIONS - PENSION TRUST

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

Notes to Schedule:

Valuation Date July 1, 2015  
 Timing: Actuarially determined contributions are calculated based on the actuarial valuation at the beginning of the fiscal year.

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method Entry Age Normal Cost Method  
 Amortization Method Closed 20-year level dollar amortization of unfunded liability as of July 1, 2015  
 Asset Valuation Method 5-year smoothed market  
 Discount Rate 7.50%  
 Inflation 2.50%  
 Salary Increases From 3.0% - 5.5% based on age  
 Retirement Age Varies by age and service  
 Net Investment Return 7.50% per year, net of investment expenses  
 Cost of Living Adjustment 1.40% per year  
 Mortality RP-2014 Total Mortality Table projected generationally using Scale MP-2014

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

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

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

**SCHEDULE OF FUNDING PROGRESS AND SCHEDULE OF EMPLOYER CONTRIBUTIONS -  
POST-RETIREMENT EMPLOYEE BENEFIT TRUST**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability - Projected Unit Credit</b>	<b>Unfunded Actuarial Accrued Liability</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>Unfunded Actuarial Accrued Liability as a % of Covered Payroll</b>
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
01/01/2014	30,120,575	38,498,966	8,378,391	78.2	20,383,465	41.1
01/01/2015	30,290,649	41,215,121	10,924,472	73.5	21,081,346	51.8
07/01/2016*	31,854,230	48,837,970	16,983,740	65.2	21,721,478	78.2

\*Reporting changed to 7/1 from 12/31. Funding method changed to Entry Age Normal from Projected Unit Credit.

<b>Year Ended June 30</b>	<b>Annual Required Contribution</b>	<b>Percentage Contributed</b>
2011	\$ 1,278,049	106.8%
2012	1,488,338	178.8%
2013	1,863,189	131.1%
2014	1,744,289	139.5%
2015	1,507,556	146.6%
2016	1,857,254	102.0%

**INDIVIDUAL FUND FINANCIAL SCHEDULES**

**GENERAL FUND**

SUSSEX COUNTY, DELAWARE  
 SCHEDULE OF GENERAL FUND REVENUES AND OTHER FINANCING SOURCES - BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2016

	<b>Final Budget Amounts</b>	<b>Actual Amounts</b>	<b>Variance with Final with Final</b>
<b>Taxes</b>			
Real property and capitation - County	\$ 12,858,007	\$ 13,121,054	\$ 263,047
Real property - library	1,507,580	1,534,110	26,530
Realty transfer	16,700,000	24,210,264	7,510,264
Fire service	1,000,000	1,421,496	421,496
Penalties and interest	140,000	152,916	12,916
Total taxes	<u>32,205,587</u>	<u>40,439,840</u>	<u>8,234,253</u>
<b>Intergovernmental</b>			
Federal grants:			
Emergency preparedness	160,000	405,119	245,119
Miscellaneous	-	32,497	32,497
Housing and urban development	1,704,484	1,780,033	75,549
Project income	-	67,475	67,475
Federal payments in lieu of taxes	5,000	5,706	706
State grants:			
Library	340,000	352,611	12,611
Paramedics	4,081,528	3,953,363	(128,165)
Local emergency plan commission	66,950	72,779	5,829
Department of Health	10,000	8,305	(1,695)
Total intergovernmental	<u>6,367,962</u>	<u>6,677,888</u>	<u>309,926</u>
<b>Charges for services</b>			
Mobile home placement fees	92,000	143,361	51,361
Building inspection fees	1,007,000	1,346,012	339,012
Dog licensing	74,000	19,503	(54,497)
Miscellaneous general government fees	37,500	32,818	(4,682)
Building permits and zoning fees	1,325,000	1,885,452	560,452
911 System fees	559,630	559,637	7
Private road and sewer review and inspection fees	572,000	1,610,081	1,038,081
Airpark and economic development fees	478,300	497,637	19,337
Marriage Bureau	134,000	141,030	7,030
Prothonotary	-	121	121
Recorder of Deeds	3,370,000	3,650,156	280,156
Register of Wills	950,000	1,017,801	67,801
Sheriff	2,250,000	2,125,749	(124,251)
Total charges for services	<u>10,849,430</u>	<u>13,029,358</u>	<u>2,179,928</u>
Fines and forfeits	<u>23,000</u>	<u>34,573</u>	<u>11,573</u>
<b>Miscellaneous revenue</b>			
Investment earnings	450,000	935,665	485,665
Miscellaneous revenues	253,210	289,490	36,280
Total miscellaneous revenues	<u>703,210</u>	<u>1,225,155</u>	<u>521,945</u>

(continued)

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

FOR THE YEAR ENDED JUNE 30, 2016

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	<b>Final Budget Amounts</b>	<b>Actual Amounts</b>	<b>Variance with Final with Final</b>
Other financing sources			
Reimbursements from other funds	\$ 300,000	\$ 77,278	\$ (222,722)
Appropriated reserves	3,000,000	-	(3,000,000)
Total other financing sources	<u>3,300,000</u>	<u>77,278</u>	<u>(3,222,722)</u>
Total revenues and other funding sources	<u>\$ 53,449,189</u>	<u>\$ 61,484,092</u>	<u>\$ 8,034,903</u>

**SCHEDULE OF GENERAL FUND EXPENDITURES AND OTHER FINANCING USES -  
BUDGET AND ACTUAL - CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2016**

	<b>Final Budget Amounts</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
General government			
County Council			
Salaries and wages	\$ 231,329	\$ 231,329	\$ -
Fringe benefits	161,032	160,750	282
Contractual services	152,665	152,166	499
Material and supplies	27,228	26,163	1,065
Other expenditures	11,965	11,965	-
Travel and training	27,346	27,346	-
Total County Council	<u>611,565</u>	<u>609,719</u>	<u>1,846</u>
Administration			
Salaries and wages	235,680	235,680	-
Fringe benefits	184,250	166,721	17,529
Contractual services	13,204	12,242	962
Material and supplies	15,837	10,224	5,613
Other expenditures	11,000	10,898	102
Travel and training	7,000	4,894	2,106
Machinery and equipment	5,946	-	5,946
Total administration	<u>472,917</u>	<u>440,659</u>	<u>32,258</u>
Legal	<u>500,000</u>	<u>478,935</u>	<u>21,065</u>
Finance			
Salaries and wages	784,570	780,048	4,522
Fringe benefits	508,697	500,349	8,348
Contractual services	545,709	451,771	93,938
Material and supplies	75,088	62,713	12,375
Travel and training	4,282	2,659	1,623
Machinery and equipment	27,428	27,428	-
Total finance	<u>1,945,774</u>	<u>1,824,968</u>	<u>120,806</u>
Assessment			
Salaries and wages	769,469	762,037	7,432
Fringe benefits	694,823	665,980	28,843
Contractual services	32,760	26,837	5,923
Material and supplies	48,163	37,093	11,070
Other expenditures	4,440	4,440	-
Travel and training	4,700	4,130	570
Total assessment	<u>1,554,355</u>	<u>1,500,517</u>	<u>53,838</u>

(continued)

SUSSEX COUNTY, DELAWARE  
 SCHEDULE OF GENERAL FUND EXPENDITURES AND OTHER FINANCING USES -  
 BUDGET AND ACTUAL - CONTINUED  
 FOR THE YEAR ENDED JUNE 30, 2016

	<b>Final Budget Amounts</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
General Government - Continued			
Building code			
Salaries and wages	\$ 418,955	\$ 430,556	\$ (11,601)
Fringe benefits	294,041	294,041	-
Contractual services	14,713	14,713	-
Material and supplies	16,516	16,516	-
Travel and training	5,796	5,794	2
Machinery and equipment	27,168	27,168	-
Total building code	<u>777,189</u>	<u>788,788</u>	<u>(11,599)</u>
Mapping & addressing			
Salaries and wages	375,361	375,361	-
Fringe benefits	233,769	231,521	2,248
Contractual services	125,833	125,715	118
Material and supplies	20,562	19,096	1,466
Other expenditures	2,380	2,380	-
Travel and training	9,393	6,057	3,336
Equipment	23,211	22,163	1,048
Total mapping and addressing	<u>790,509</u>	<u>782,293</u>	<u>8,216</u>
Human resources and general employment			
Salaries and wages	313,998	302,348	11,650
Fringe benefits	365,351	303,362	61,989
Contractual services	100,577	85,986	14,591
Material and supplies	7,567	6,494	1,073
Other expenditures	21,571	21,571	-
Travel and training	16,446	12,865	3,581
Total human resources	<u>825,510</u>	<u>732,626</u>	<u>92,884</u>
Records management			
Salaries and wages	118,000	111,265	6,735
Fringe benefits	63,806	53,700	10,106
Contractual services	3,205	2,814	391
Material and supplies	9,163	7,299	1,864
Travel and training	50	-	50
Total records management	<u>194,224</u>	<u>175,078</u>	<u>19,146</u>

SUSSEX COUNTY, DELAWARE  
 SCHEDULE OF GENERAL FUND EXPENDITURES AND OTHER FINANCING USES -  
 BUDGET AND ACTUAL - CONTINUED  
 FOR THE YEAR ENDED JUNE 30, 2016

	Final Budget Amounts	Actual Amounts	Variance with Final Budget
General government - continued			
Buildings and grounds			
Salaries and wages	\$ 501,509	\$ 501,509	\$ -
Fringe benefits	376,269	373,037	3,232
Contractual services	475,782	468,678	7,104
Material and supplies	123,452	122,707	745
Other expenditures	7,375	7,375	-
Travel and training	1,000	778	222
Equipment	137,625	137,609	16
Total building and grounds	<u>1,623,012</u>	<u>1,611,693</u>	<u>11,319</u>
Information technology			
Salaries and wages	451,711	448,829	2,882
Fringe benefits	290,324	284,903	5,421
Contractual services	542,310	513,865	28,445
Material and supplies	96,068	91,327	4,741
Travel and training	25,700	22,770	2,930
Equipment	293,733	288,548	5,185
Total information technology	<u>1,699,846</u>	<u>1,650,242</u>	<u>49,604</u>
Constables			
Salaries and wages	151,447	150,477	970
Fringe benefits	102,647	102,525	122
Contractual services	19,685	16,168	3,517
Material and supplies	9,957	6,191	3,766
Other expenditures	12,161	11,988	173
Total constables	<u>295,897</u>	<u>287,349</u>	<u>8,548</u>
Dog control			
Salaries and wages	29,433	28,681	752
Fringe benefits	26,299	25,805	494
Contractual services	685,016	682,146	2,870
Material and supplies	1,798	807	991
Total dog control	<u>742,546</u>	<u>737,439</u>	<u>5,107</u>
Total general government	<u>12,033,344</u>	<u>11,620,306</u>	<u>413,038</u>
Planning and zoning			
Salaries and wages	561,837	522,352	39,485
Fringe benefits	382,446	346,116	36,330
Contractual services	376,510	375,415	1,095
Material and supplies	21,865	12,065	9,800
Travel and training	1,809	960	849
Machinery and equipment	10,809	10,809	-
Total planning and zoning	<u>1,355,276</u>	<u>1,267,717</u>	<u>87,559</u>

(continued)

**SCHEDULE OF GENERAL FUND EXPENDITURES AND OTHER FINANCING USES -  
BUDGET AND ACTUAL - CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2016**

	<b>Final Budget Amounts</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
Paramedics			
Salaries and wages	\$ 7,490,243	\$ 7,480,129	\$ 10,114
Fringe benefits	4,321,770	4,166,641	155,129
Contractual services	790,674	771,010	19,664
Material and supplies	628,493	606,087	22,406
Other expenditures	16,250	16,048	202
Travel and training	53,060	48,982	4,078
Equipment	327,092	329,476	(2,384)
Total paramedics	<u>13,627,582</u>	<u>13,418,373</u>	<u>209,209</u>
Emergency preparedness			
Administration			
Salaries and Wages	194,508	194,508	-
Fringe benefits	100,705	100,705	-
Contractual services	202,685	202,685	-
Material and supplies	65,712	75,191	(9,479)
Other expenditures	3,570	1,641	1,929
Travel and training	2,157	3,570	(1,413)
Machinery and equipment	5,886	5,886	-
Total administration	<u>575,223</u>	<u>584,186</u>	<u>(8,963)</u>
Emergency operations center			
Salaries and wages	1,127,550	1,141,490	(13,940)
Fringe benefits	676,154	676,154	-
Contractual services	216,419	216,419	-
Material and supplies	26,077	26,077	-
Travel and training	9,050	9,050	-
Machinery and equipment	19,351	19,351	-
Total emergency operation center	<u>2,074,601</u>	<u>2,088,541</u>	<u>(13,940)</u>
Communication systems			
Salaries and wages	155,553	155,523	30
Fringe benefits	96,795	72,913	23,882
Contractual services	40,088	39,605	483
Material and supplies	60,418	47,317	13,101
Machinery and equipment	50,695	44,365	6,330
Total communication systems	<u>403,549</u>	<u>359,723</u>	<u>43,826</u>
Local emergency planning community program			
Salaries and wages	43,401	44,087	(686)
Fringe benefits	29,908	29,878	30
Contractual services	938	938	-
Material and supplies	12	11	1
Travel and training	1,655	4,130	(2,475)
Total local planning community program	<u>75,914</u>	<u>79,044</u>	<u>(3,130)</u>
Total emergency preparedness	<u>3,129,287</u>	<u>3,111,494</u>	<u>17,793</u>

(continued)

**SCHEDULE OF GENERAL FUND EXPENDITURES AND OTHER FINANCING USES -  
BUDGET AND ACTUAL - CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2016**

	<b>Final Budget Amounts</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
County engineer			
Administration			
Salaries and wages	\$ 543,240	\$ 755,688	\$ (212,448)
Fringe benefits	433,419	431,994	1,425
Contractual services	19,002	18,119	883
Material and supplies	15,479	13,643	1,836
Other expenditures	130,003	126,846	3,157
Travel and training	6,449	6,311	138
Improvements	46,185	-	46,185
Total administration	<u>1,193,777</u>	<u>1,352,601</u>	<u>(158,824)</u>
Public works			
Salaries and wages	394,339	364,794	29,545
Fringe benefits	248,350	229,365	18,985
Contractual services	17,614	13,114	4,500
Material and supplies	14,164	9,394	4,770
Equipment	30,888	-	30,888
Total public works	<u>705,355</u>	<u>616,667</u>	<u>88,688</u>
Total county engineer	<u>1,899,132</u>	<u>1,969,268</u>	<u>(70,136)</u>
Library			
Library administration	602,971	588,191	14,780
Library facilities	2,101,444	2,052,073	49,371
Total library	<u>2,704,415</u>	<u>2,640,264</u>	<u>64,151</u>
Economic development and airpark			
Economic development			
Salaries and wages	83,452	83,452	-
Fringe benefits	42,711	42,441	270
Contractual services	8,551	2,070	6,481
Material and supplies	11,555	197	11,358
Other expenditures	12,547	10,600	1,947
Travel and training	11,800	5,810	5,990
Total economic development	<u>170,616</u>	<u>144,570</u>	<u>26,046</u>
Security			
Salaries and wages	261,772	250,358	11,414
Fringe benefits	143,631	143,367	264
Contractual services	11,565	10,340	1,225
Material and supplies	22,010	12,091	9,919
Travel and training	6,825	6,718	107
Total security	<u>445,803</u>	<u>422,874</u>	<u>22,929</u>

(continued)

SUSSEX COUNTY, DELAWARE  
 SCHEDULE OF GENERAL FUND EXPENDITURES AND OTHER FINANCING USES -  
 BUDGET AND ACTUAL - CONTINUED  
 FOR THE YEAR ENDED JUNE 30, 2016

	<u>Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Economic development and airpark - continued			
Airpark			
Salaries and wages	\$ 142,180	\$ 142,180	\$ -
Fringe benefits	70,346	70,267	79
Contractual services	343,394	315,438	27,956
Material and supplies	22,130	16,726	5,404
Other expenditures	103,438	81,187	22,251
Travel and training	7,724	5,921	1,803
Equipment and improvements	43,280	36,293	6,987
Total airpark	<u>732,492</u>	<u>668,012</u>	<u>64,480</u>
Total economic development and airpark	<u>1,348,911</u>	<u>1,235,456</u>	<u>113,455</u>
Community development			
Salaries and wages	263,729	263,729	-
Fringe benefits	159,990	159,342	648
Contractual services	1,896,732	1,575,382	321,350
Material and supplies	3,039	1,871	1,168
Other expenditures	9,709	8,240	1,469
Travel and training	11,634	10,028	1,606
Total community development	<u>2,344,833</u>	<u>2,018,592</u>	<u>326,241</u>
Grant-in-aid			
Fire and ambulance grants	3,391,019	3,783,455	(392,436)
Public safety grants	2,718,484	2,718,484	-
Environmental grants	224,244	224,244	-
Public assistance grant	827,604	787,580	40,024
Library grants	2,350,843	2,402,203	(51,360)
Total grant-in-aid	<u>9,512,194</u>	<u>9,915,966</u>	<u>(403,772)</u>
Constitutional offices			
Marriage Bureau	183,292	181,182	2,110
Recorder of Deeds	1,072,415	985,234	87,181
Register of Wills	566,958	577,505	(10,547)
Sheriff	586,050	563,455	22,595
Total constitutional offices	<u>2,408,715</u>	<u>2,307,376</u>	<u>101,339</u>
Total expenditures	<u>50,363,689</u>	<u>49,504,812</u>	<u>858,877</u>
Other financing uses			
Transfers out	3,085,500	3,085,500	-
Total other financing uses	<u>3,085,500</u>	<u>3,085,500</u>	<u>-</u>
Total expenditures and other financing uses	<u>\$ 53,449,189</u>	<u>\$ 52,590,312</u>	<u>\$ 858,877</u>

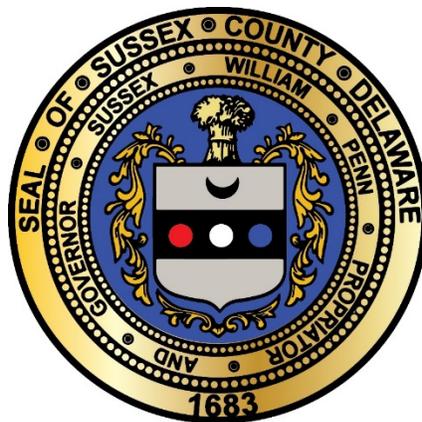
**CAPITAL PROJECTS FUND**

**SCHEDULE OF CAPITAL PROJECTS FUND REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2016**

	<b>Budgeted Amounts</b>		<b>Actual Amount</b>	<b>Variance with Final with Final</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Intergovernmental	\$ 1,281,620	\$ 1,281,620	\$ 1,012,789	\$ (268,831)
Miscellaneous revenue	20,000	20,000	1,207,890	1,187,890
Total revenues	<u>1,301,620</u>	<u>1,301,620</u>	<u>2,220,679</u>	<u>919,059</u>
<b>EXPENDITURES</b>				
Capital projects	<u>8,600,705</u>	<u>8,600,705</u>	<u>2,394,954</u>	<u>6,205,751</u>
Total expenditures	<u>8,600,705</u>	<u>8,600,705</u>	<u>2,394,954</u>	<u>6,205,751</u>
Excess of revenue over (under)	<u>(7,299,085)</u>	<u>(7,299,085)</u>	<u>(174,275)</u>	<u>7,124,810</u>
<b>OTHER FINANCING SOURCES</b>				
Appropriated reserves	4,299,085	4,299,085	-	(4,299,085)
Transfers in	<u>3,000,000</u>	<u>3,000,000</u>	<u>3,000,000</u>	<u>-</u>
Total other financing sources	<u>7,299,085</u>	<u>7,299,085</u>	<u>3,000,000</u>	<u>(4,299,085)</u>
Net change in fund balances	-	-	2,825,725	2,825,725
Fund balances - beginning	<u>13,182,134</u>	<u>13,182,134</u>	<u>13,182,134</u>	<u>-</u>
Fund balances - ending	<u>\$ 13,182,134</u>	<u>\$ 13,182,134</u>	<u>\$ 16,007,859</u>	<u>\$ 2,825,725</u>



# STATISTICAL SECTION



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

<b><u>Contents</u></b>	<b><u>Pages</u></b>
<p><b>Financial Trends</b>  <i>These schedules contain trend information to help the reader understand how the County's financial performance and well-being have changed over time.</i></p>	73 - 78
<p><b>Revenue Capacity</b>  <i>These schedules contain information to help the reader assess the factors affecting the County's ability to generate its property taxes.</i></p>	79 - 82
<p><b>Debt Capacity</b>  <i>These schedules present information to help the reader assess the affordability of the County's current levels of outstanding debt and the County's ability to issue additional debt in the future.</i></p>	83 - 86
<p><b>Demographic and Economic Information</b>  <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the County's financial activities take place and to help make comparisons over time with other governments.</i></p>	87 - 88
<p><b>Operating Information</b>  <i>These schedules contain information about the County's operations and resources to help the reader understand how the County's financial information relates to the services the County provides and the activities it performs.</i></p>	89 - 91

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

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

	Fiscal Year									
	2007	2008	2009	2010	2011 as stated	2012	2013 as restated	2014 as restated	2015	2016
<b>Governmental activities</b>										
Net investment in capital assets	\$ 43,377,418	\$ 52,193,513	\$ 63,679,024	\$ 65,292,609	\$ 64,237,068	\$ 65,497,373	\$ 69,132,520	\$ 75,152,173	\$ 77,934,592	\$ 78,216,994
Restricted	72,996,872	69,968,855	57,250,045	60,450,610	71,431,919	63,990,556	56,534,084	45,203,773	45,429,078	57,265,576
Unrestricted	35,105,979	35,242,364	44,548,346	41,246,130	35,996,462	45,085,253	53,383,613	47,467,328	49,690,896	47,592,716
<b>Total governmental activities net position</b>	<b>\$ 151,480,269</b>	<b>\$ 157,404,732</b>	<b>\$ 165,477,415</b>	<b>\$ 166,989,349</b>	<b>\$ 171,665,449</b>	<b>\$ 174,573,182</b>	<b>\$ 179,050,217</b>	<b>\$ 167,823,274</b>	<b>\$ 173,054,566</b>	<b>\$ 183,075,286</b>
<b>Business-type activities</b>										
Net investment in capital assets	\$ 150,185,092	\$ 166,434,682	\$ 172,029,870	\$ 176,649,726	\$ 179,296,736	\$ 194,995,829	\$ 202,135,522	\$ 204,051,102	\$ 207,515,115	\$ 220,310,592
Restricted	81,095,890	78,027,750	73,884,414	68,805,127	66,569,442	76,634,459	43,172,577	33,313,218	43,858,934	65,761,276
Unrestricted	(5,622,038)	5,367,852	13,801,100	19,829,075	22,997,372	17,427,622	51,458,144	59,033,375	50,704,078	27,653,339
<b>Total business-type activities net position</b>	<b>\$ 225,658,944</b>	<b>\$ 249,830,284</b>	<b>\$ 259,715,384</b>	<b>\$ 265,283,928</b>	<b>\$ 268,863,550</b>	<b>\$ 289,057,910</b>	<b>\$ 296,766,243</b>	<b>\$ 296,397,695</b>	<b>\$ 302,078,127</b>	<b>\$ 313,725,207</b>
<b>Primary government</b>										
Net investment in capital assets	\$ 193,562,510	\$ 218,628,195	\$ 235,708,894	\$ 241,942,335	\$ 243,533,804	\$ 260,493,202	\$ 271,268,042	\$ 279,203,275	\$ 285,449,707	\$ 298,527,586
Restricted	154,092,762	147,996,605	131,134,459	129,255,737	138,001,361	140,625,015	99,706,661	78,516,991	89,288,012	123,026,852
Unrestricted	29,483,941	40,610,216	58,349,446	61,075,205	58,993,834	62,512,875	104,841,757	106,500,703	100,394,974	75,246,055
<b>Total primary government net position</b>	<b>\$ 377,139,213</b>	<b>\$ 407,235,016</b>	<b>\$ 425,192,799</b>	<b>\$ 432,273,277</b>	<b>\$ 440,528,999</b>	<b>\$ 463,631,092</b>	<b>\$ 475,816,460</b>	<b>\$ 464,220,969</b>	<b>\$ 475,132,693</b>	<b>\$ 496,800,493</b>

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

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

	Fiscal Year									
	2007	2008	2009	2010	2011 as restated	2012	2013 as restated	2014 as restated	2015	2016
<b>Expenses</b>										
Governmental activities:										
General government	\$ 13,627,710	\$ 13,494,301	\$ 9,578,284	\$ 9,640,728	\$ 9,037,273	\$ 10,024,224	\$ 9,697,332	\$ 34,762,582	\$ 11,612,339	\$ 12,838,188
Grant-in-aid programs	9,014,248	9,282,188	8,134,600	6,625,144	6,765,994	6,618,896	8,156,799	7,863,936	9,931,773	9,915,966
Planning and zoning	1,430,741	1,512,879	1,289,323	1,246,923	1,251,258	1,202,696	1,212,351	1,091,112	1,208,811	1,272,303
Paramedic program	11,626,354	12,802,503	12,079,831	12,524,387	11,515,259	12,173,161	12,895,383	14,302,991	13,895,165	13,489,135
Emergency preparedness	2,213,396	2,764,937	2,661,089	2,844,581	2,817,992	3,165,648	3,360,129	3,531,682	3,317,424	3,414,864
Economic development and Airpark	1,814,525	1,552,349	1,511,687	1,878,717	2,136,706	2,304,295	2,063,146	2,145,727	2,348,642	2,855,446
County engineer	2,994,201	2,713,328	2,407,043	1,850,683	1,683,158	1,130,783	1,622,080	1,721,971	2,004,463	2,351,221
Library	3,747,511	3,924,788	3,880,816	3,888,755	3,657,643	3,787,237	3,917,395	4,208,141	4,194,436	2,887,880
Community development and housing programs	1,959,365	1,501,117	1,508,755	3,308,765	2,399,951	2,447,571	1,782,197	1,878,873	1,772,497	2,051,580
Constitutional offices	2,486,465	2,630,085	2,449,069	2,315,381	2,161,054	2,493,630	2,429,063	2,459,691	2,419,518	2,335,997
Interest on long-term debt	3,285	-	-	-	-	-	-	-	-	-
Total governmental activities expenses	50,917,801	52,178,475	45,500,497	46,124,064	43,426,288	45,348,141	47,135,875	73,966,706	52,705,068	53,412,580
Business-type activities:										
Sewer facilities	25,102,767	26,132,596	27,079,247	28,355,108	27,942,561	29,460,133	31,485,165	38,554,376	32,982,881	33,910,153
Water facilities	852,902	856,120	962,162	928,222	1,016,979	1,078,834	987,917	1,135,520	1,061,361	1,116,713
Total business-type activities expenses	25,955,669	26,988,716	28,041,409	29,283,330	28,959,540	30,538,967	32,473,082	39,689,896	34,044,242	35,026,866
Total primary government expenses	\$ 76,873,470	\$ 79,167,191	\$ 73,541,906	\$ 75,407,394	\$ 72,385,828	\$ 75,887,108	\$ 79,608,957	\$ 113,656,602	\$ 86,749,310	\$ 88,439,446
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
General government	\$ 2,189,982	\$ 1,549,000	\$ 1,307,616	\$ 1,295,912	\$ 1,238,309	\$ 1,202,641	\$ 1,208,807	\$ 1,758,562	\$ 1,638,637	\$ 1,832,205
Planning and zoning	2,079,324	1,599,688	1,098,577	1,130,043	1,148,591	1,242,834	1,392,906	1,628,932	1,672,188	1,895,358
Paramedics	-	-	-	-	-	-	-	-	12,803	19,225
Emergency preparedness	24,145	17,065	17,655	16,230	15,960	17,500	17,500	17,500	17,500	17,500
Economic development and public works	558,097	550,558	541,885	530,310	671,314	545,324	875,302	455,017	477,689	483,227
County engineer	1,206,998	599,865	3,223,485	324,623	281,451	277,841	35,607	744,238	660,738	1,610,081
Library	26,422	25,911	26,716	19,585	25,991	28,074	553,044	35,359	38,404	39,077
Constitutional offices	6,171,154	6,356,764	6,940,930	7,039,506	6,808,811	9,149,173	7,509,071	7,205,590	6,812,782	6,934,857
Operating grants and contributions	7,599,645	6,787,014	7,526,184	8,494,730	7,115,414	7,150,788	6,971,729	6,945,600	6,444,501	7,308,976
Capital grants and contributions	1,494,572	4,475,526	4,727,502	1,499,146	2,102,681	543,802	2,949,213	6,751,045	1,217,668	2,018,147
Total governmental activities program revenues	24,643,801	21,350,339	21,961,391	25,410,550	20,350,085	19,408,522	20,157,977	21,513,179	18,992,910	22,158,653

(continued)

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

	Fiscal Year										
	2007	2008	2009	2010	2011 as restated	2012	2013 restated	as	2014 as restated	2015	2016
Business-type activities:											
Charges for services:											
Sewer facilities	\$ 13,357,511	\$ 13,750,827	\$ 14,458,789	\$ 14,530,668	\$ 15,536,386	\$ 16,158,500	\$ 17,229,651	\$ 18,900,486	\$ 20,248,738	\$ 21,550,662	
Water facilities	635,186	695,038	689,335	740,686	750,785	667,476	808,246	1,240,052	1,223,871	1,249,930	
Operating grants and contributions	21,060,417	21,288,672	15,926,530	14,449,833	9,962,936	14,191,817	15,752,444	15,605,163	14,749,008	16,306,257	
Capital grants and contributions	17,606,829	12,252,630	5,226,686	4,287,188	5,475,117	18,766,753	5,712,226	2,798,600	3,245,590	7,049,610	
Total business-type activities program revenues	52,659,943	47,987,167	36,301,340	34,008,375	31,725,224	49,784,546	39,502,567	38,544,301	39,467,207	46,156,459	
Total primary government program revenues	\$ 75,707,198	\$ 72,630,968	\$ 57,651,679	\$ 55,969,766	\$ 57,135,774	\$ 70,134,631	\$ 58,911,089	\$ 64,086,144	\$ 58,460,117	\$ 68,315,112	
<b>Net (Expense)/Revenue</b>											
Governmental activities	\$ (29,567,462)	\$ (30,217,084)	\$ (20,089,947)	\$ (30,217,084)	\$ (20,089,947)	\$ (25,190,164)	\$ (25,622,696)	\$ (27,163,225)	\$ 18,992,910	\$ (31,253,927)	
Business-type activities	26,704,274	20,998,451	10,345,671	7,019,659	3,683,815	19,245,579	7,029,485	4,500,059	39,467,207	11,129,593	
Total primary government net (expense)/revenue	\$ (2,863,188)	\$ (9,218,633)	\$ (9,744,276)	\$ (23,197,425)	\$ (16,406,132)	\$ (5,944,585)	\$ (18,593,211)	\$ (22,663,166)	\$ 58,460,117	\$ (20,124,334)	
<b>General Revenues and Other Changes in Net Position</b>											
Governmental activities:											
Property taxes	\$ 11,521,348	\$ 12,315,444	\$ 12,763,282	\$ 13,040,252	\$ 13,843,603	\$ 13,540,463	\$ 12,706,792	\$ 14,110,356	\$ 14,339,081	\$ 14,715,444	
Capitation taxes	240,030	247,041	252,741	253,785	259,229	-	-	-	-	-	
Fire service taxes	1,535,864	1,106,321	758,837	791,472	821,702	898,335	1,041,506	1,253,792	1,280,085	1,421,496	
Realty transfer taxes	27,058,083	20,636,949	13,621,270	13,141,813	14,310,725	14,282,093	17,422,525	20,894,160	22,212,933	24,210,264	
Unrestricted investment earnings	5,829,443	4,379,147	2,157,202	824,259	212,684	302,903	(318,529)	949,002	820,263	935,665	
Transfers	(2,790,587)	(2,543,355)	(1,390,702)	(765,668)	(754,077)	(925,897)	(752,563)	(9,390)	291,088	(8,222)	
Total governmental activities	43,394,181	36,141,547	28,162,630	27,285,913	28,693,866	28,097,897	30,099,731	37,197,920	38,943,450	41,274,647	
Business-type activities:											
Unrestricted investment earnings	716,108	629,534	234,467	77,831	59,861	22,884	(73,715)	767,657	548,555	509,265	
Transfers	2,790,587	2,543,355	1,390,702	765,668	754,077	925,897	752,563	9,390	(291,088)	8,222	
Total business-type activities	3,506,695	3,172,889	1,625,169	843,499	813,938	948,781	678,848	777,047	257,467	517,487	
Total primary government program revenues	\$ 46,900,876	\$ 39,314,436	\$ 29,787,799	\$ 28,129,412	\$ 29,507,804	\$ 29,046,678	\$ 30,778,579	\$ 37,974,967	\$ 39,200,917	\$ 41,792,134	
<b>Change in Net Position</b>											
Governmental activities	\$ 13,826,719	\$ 5,924,463	\$ 8,072,683	\$ (2,931,171)	\$ 8,603,919	\$ 2,907,733	\$ 4,477,035	\$ 10,034,695	\$ 57,936,360	\$ 10,020,720	
Business-type activities	30,210,969	24,171,340	11,970,840	7,863,158	4,497,753	20,194,360	7,708,333	5,277,106	39,724,674	11,647,080	
Total primary government	\$ 44,037,688	\$ 30,095,803	\$ 20,043,523	\$ 4,931,987	\$ 13,101,672	\$ 23,102,093	\$ 12,185,368	\$ 15,311,801	\$ 97,661,034	\$ 21,667,800	

- Notes:**
1. Airport expenses and charges for services for years 2007 through 2009 are included in economic development and airpark line, due to this department being combined with the industrial park in fiscal year ending June 30, 2010.
  2. The governmental activities fund balance for fiscal year ending 2011 increased by \$615,000 due to a prior period adjustment.
  3. The business-type activities net position balance for fiscal year ending 2011 decreased by \$2,611,623 due to a prior period adjustment.
  4. The business-type activities net position balance for fiscal year ending 2013 decreased by \$515,921 due to a prior period adjustment for implementation of GASB 65.
  5. The business-type activities net position balance for fiscal year ending 2014 decreased by \$6,493,225 and governmental activities decreased by \$23,938,654 due to a prior period adjustment for implementation of GASB 68.

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

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Fund										
Reserved	\$ 64,675,385	\$ 67,436,807	\$ 61,679,946	\$ 61,988,419	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved										
Designated	3,859,850	2,706,165	2,078,768	2,413,855	-	-	-	-	-	-
Undesignated	9,885,684	4,955,974	9,445,728	9,420,145	-	-	-	-	-	-
Nonspendable	-	-	-	-	140,442	96,678	106,411	106,540	452,748	359,120
Restricted	-	-	-	-	53,084,094	47,914,815	44,739,045	45,203,773	42,832,105	49,092,198
Committed	-	-	-	-	598,598	837,696	1,308,577	778,755	798,817	1,079,713
Assigned	-	-	-	-	6,641,109	4,441,378	4,044,652	7,258,754	7,168,799	4,960,008
Unassigned	-	-	-	-	16,839,957	24,867,662	30,602,046	34,229,654	35,922,102	40,577,312
Total general fund	<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>	<u>\$ 87,577,476</u>	<u>\$ 87,174,571</u>	<u>\$ 96,068,351</u>
All Other Governmental Funds										
Reserved	\$ 27,760,247	\$ 27,461,371	\$ 20,188,022	\$ 17,815,212	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved - Capital Projects										
Designated	-	-	-	-	-	-	-	-	-	-
Undesignated	53,901	(711,332)	(416,723)	(265,565)	-	-	-	-	-	-
Restricted	-	-	-	-	17,565,595	16,075,741	11,795,039	8,769,934	13,182,134	14,587,607
Committed	-	-	-	-	-	-	-	-	-	1,420,252
Unassigned	-	-	-	-	(10,911)	-	-	-	-	-
Total all other governmental funds	<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>	<u>\$ 8,769,934</u>	<u>\$ 13,182,134</u>	<u>\$ 16,007,859</u>

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

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

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Revenues</b>										
Taxes	\$ 40,296,411	\$ 34,242,130	\$ 27,291,166	\$ 27,147,412	\$ 28,563,428	\$ 28,759,847	\$ 31,206,399	\$ 36,190,956	\$ 37,942,825	\$ 40,439,840
Intergovernmental	8,341,011	9,715,239	11,177,316	8,933,970	7,543,959	6,861,928	8,219,487	13,675,053	7,133,803	7,690,677
Charges for services	12,310,437	10,719,989	10,325,117	10,386,570	10,318,704	12,821,849	11,782,244	12,131,800	11,658,482	13,029,358
Fines and forfeits	25,607	24,593	23,971	20,225	26,170	28,074	23,179	21,727	26,545	34,573
Miscellaneous	6,847,662	5,800,939	3,638,590	1,548,279	852,202	553,073	(102,807)	1,380,905	1,464,310	2,433,045
Total revenues	<u>67,821,128</u>	<u>60,502,890</u>	<u>52,456,160</u>	<u>48,036,456</u>	<u>47,304,463</u>	<u>49,024,771</u>	<u>51,128,502</u>	<u>63,400,441</u>	<u>58,225,965</u>	<u>63,627,493</u>
<b>Expenditures</b>										
General government	13,944,902	14,587,416	12,109,120	10,356,155	9,471,349	11,897,318	10,325,453	11,458,396	11,836,055	11,620,306
Grant-in-aid programs	9,414,248	9,282,188	8,284,600	6,625,144	6,765,994	6,618,896	8,156,799	7,863,936	9,931,773	9,915,966
Planning and zoning	1,460,495	1,524,715	1,279,394	1,233,292	1,239,740	1,190,358	1,239,222	1,173,316	1,206,406	1,267,717
Paramedic program	11,961,544	13,213,202	12,520,985	12,272,121	11,274,004	12,073,309	12,426,866	13,989,270	13,642,338	13,418,373
Emergency preparedness	2,188,091	2,585,285	2,305,965	2,467,390	2,425,889	2,703,131	2,944,307	3,351,005	3,043,865	3,111,494
Economic development and airpark	986,140	922,685	913,528	908,510	1,200,621	1,156,267	1,198,076	1,199,384	1,149,845	1,235,456
County engineer	2,952,789	2,704,747	2,391,805	1,874,153	1,689,824	1,608,213	1,608,136	1,968,808	2,076,929	1,969,268
Library	3,681,719	3,871,076	3,709,309	3,725,242	3,483,833	3,576,348	3,747,165	3,934,424	3,926,313	2,640,264
Community development and housing programs	1,965,771	1,501,809	1,509,447	3,308,909	2,394,101	2,544,468	1,749,543	1,847,707	1,738,379	2,018,592
Constitutional offices	2,500,483	2,685,563	2,442,663	2,315,419	2,137,974	2,485,535	2,479,689	2,427,662	2,392,219	2,307,376
Capital projects	10,126,509	9,535,878	12,477,328	3,788,128	980,239	2,869,945	6,408,883	10,155,503	3,563,636	2,394,954
Total expenditures	<u>61,182,691</u>	<u>62,414,564</u>	<u>59,944,144</u>	<u>48,874,463</u>	<u>43,063,568</u>	<u>48,723,788</u>	<u>52,284,139</u>	<u>59,369,411</u>	<u>54,507,758</u>	<u>51,899,766</u>
Excess of revenues over (under) expenditures	<u>6,638,437</u>	<u>(1,911,674)</u>	<u>(7,487,984)</u>	<u>(838,007)</u>	<u>4,240,895</u>	<u>300,983</u>	<u>(1,155,637)</u>	<u>4,031,030</u>	<u>3,718,207</u>	<u>11,727,727</u>
<b>Other Financing Sources (Uses)</b>										
Issuance of debt	110,546	68,947	5,442	-	-	-	-	-	-	-
Transfers in	13,914,628	4,301,295	166,082	54,213	55,151	53,891	53,966	828,713	6,589,521	3,077,278
Transfers out	(16,705,215)	(6,844,650)	(1,556,784)	(819,881)	(809,228)	(979,788)	(806,529)	(838,103)	(6,298,433)	(3,085,500)
Total other financing sources (uses)	<u>(2,680,041)</u>	<u>(2,474,408)</u>	<u>(1,385,260)</u>	<u>(765,668)</u>	<u>(754,077)</u>	<u>(925,897)</u>	<u>(752,563)</u>	<u>(9,390)</u>	<u>291,088</u>	<u>(8,222)</u>
Net change in fund balances	<u>\$ 3,958,396</u>	<u>\$ (4,386,082)</u>	<u>\$ (8,873,244)</u>	<u>\$ (1,603,675)</u>	<u>\$ 3,486,818</u>	<u>\$ (624,914)</u>	<u>\$ (1,908,200)</u>	<u>\$ 4,021,640</u>	<u>\$ 4,009,295</u>	<u>\$ 11,719,505</u>
Debt service as a percentage of noncapital expenditures	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

**Note:** Airport expenses and charges for services for years 2007 through 2009 are included in economic development and airpark line, due to this department being combined with the industrial park in fiscal year ending June 30, 2010.

**SCHEDULE OF REVENUE AND EXPENDITURES AND OTHER FINANCING SOURCES AND USES  
FOR THE THIRTY-EIGHT YEARS THROUGH JUNE 30, 2016**

<b>Year Ended</b>	<b>Total Revenues and Other Financing Sources</b>	<b>Total Expenditures and Other Financing Uses</b>	<b>Revenues Over (Under) Expenditures</b>
June 30, 1978	\$ 3,017,587	\$ 2,944,327	\$ 73,260
June 30, 1979	3,211,534	3,327,193	(115,659)
June 30, 1980	3,412,108	4,030,506	(618,398)
June 30, 1981	4,132,559	4,514,093	(381,534)
June 30, 1982	5,396,279	5,353,716	42,563
June 30, 1983	5,960,285	5,575,652	384,633
June 30, 1984	7,368,435	6,505,440	862,995
June 30, 1985	7,195,223	7,062,005	133,218
June 30, 1986	8,092,891	7,332,618	760,273
June 30, 1987	8,083,881	8,223,857	(139,976)
June 30, 1988	8,747,945	8,038,906	709,039
June 30, 1989	8,785,091	8,498,335	286,756
June 30, 1990	9,450,906	9,813,082	(362,176)
June 30, 1991	11,194,437	10,849,623	344,814
June 30, 1992	13,638,160	12,496,815	1,141,345
June 30, 1993	15,702,048	14,788,446	913,602
June 30, 1994	17,400,655	15,609,340	1,791,315
June 30, 1995	18,691,048	16,649,804	2,041,244
June 30, 1996	19,839,629	18,335,025	1,504,604
June 30, 1997	20,657,168	18,887,201	1,769,967
June 30, 1998	22,748,561	19,577,032	3,171,529
June 30, 1999	27,986,124	21,058,512	6,927,612
June 30, 2000	31,943,432	27,905,314	4,038,118
June 30, 2001	33,372,782	30,856,476	2,516,306
June 30, 2002	40,317,598	34,062,609	6,254,989
June 30, 2003	47,788,332	35,256,669	12,531,663
June 30, 2004	59,473,814	48,051,724	11,422,090
June 30, 2005	68,771,872	56,968,164	11,803,708
June 30, 2006	75,629,821	64,726,011	10,903,810
June 30, 2007	65,109,365	67,761,397	(2,652,032)
June 30, 2008	56,401,363	59,723,336	(3,321,973)
June 30, 2009	47,129,096	49,023,600	(1,894,504)
June 30, 2010	46,524,193	45,906,216	617,977
June 30, 2011	46,374,338	42,892,557	3,481,781
June 30, 2012	47,687,660	46,833,631	854,029
June 30, 2013	49,054,287	46,681,785	2,372,502
June 30, 2014	57,098,756	50,052,011	7,046,745
June 30, 2015	56,839,650	57,242,555	(402,905)
June 30, 2016	61,484,092	52,590,312	8,893,780

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
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%
2014	2,450,287,060	427,920,126	117,594,308	112,225,430	224,673,246	225,892,895	3,106,807,275	0.445	34,907,946,910	8.9%
2015	2,503,649,158	428,637,368	118,375,983	111,485,805	226,254,961	242,988,200	3,145,415,075	0.445	37,135,951,299	8.5%
2016	2,595,976,739	434,363,150	118,590,557	109,527,555	227,376,546	227,246,866	3,258,587,680	0.445	39,545,966,984	8.2%

**Notes:**

1. Assessed values reflect the values utilized for initial property tax billings for each fiscal year, which are based on the June 30 assessments.
  2. Real property is appraised based on 1973 market values.
  3. The assessed value is 50% of the appraised value.
  4. Assessed value ratio estimates were developed by the University of Delaware.
  5. Assessed values are based on taxable assessments.
- \* Figures not available.

**Sources:** Sussex County Assessment Division and University of Delaware.

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

	Year Taxes Are Payable									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>County Direct</b>										
County Tax	\$ 0.3983	\$ 0.3983	\$ 0.3983	\$ 0.3983	\$ 0.3983	\$ 0.3983	\$ 0.3983	\$ 0.3983	\$ 0.3983	\$ 0.3983
Library	0.0467	0.0467	0.0467	0.0467	0.0467	0.0467	0.0467	0.0467	0.0467	0.0467
Total direct rate	0.4450	0.4450	0.4450	0.4450	0.4450	0.4450	0.4450	0.4450	0.4450	0.4450
<b>School Districts</b>										
Cape Henlopen	2.9980	2.8770	2.6660	2.5670	2.5670	2.5670	2.9770	2.9770	3.0710	3.0430
Delmar	3.1500	3.1500	3.1400	3.1200	3.1200	3.3100	3.7574	3.8094	3.6394	4.3669
Indian River	2.5450	2.4750	2.5550	2.5700	2.5700	2.6250	2.6230	2.7430	2.6930	2.6890
Laurel	2.3900	2.3900	2.4900	2.4900	2.4900	2.9810	3.6050	3.5890	3.6960	4.2050
Milford	3.5468	3.5803	3.5101	3.6986	3.6986	3.6304	3.4659	3.5870	3.4783	3.5682
Seaford	3.2300	3.2300	3.2300	3.2900	3.2900	3.3200	3.3200	3.3600	3.2000	3.3600
Woodbridge	3.2950	3.2950	3.2850	3.2810	3.2810	3.4820	3.7240	3.6900	3.6170	3.6090
Vo-Tech	0.2363	0.2480	0.2676	0.2666	0.2666	0.2737	0.2811	0.2599	0.2728	0.3289
<b>Town Rates (2)</b>										
Bethany Beach	0.1600	0.1600	0.1650	0.1650	0.1650	0.1700	0.1700	0.1750	0.1750	0.1850
Bethel	0.4000	0.4000	0.4000	0.4000	0.4000	0.4000	0.4000	0.4000	0.4000	0.4000
Blades	1.4000	1.4000	1.4000	1.4000	1.4000	1.4000	0.7000	0.7000	0.7000	0.7000
Bridgeville	1.7300	1.7300	1.7300	2.0000	2.0000	2.0000	2.0000	2.4000	2.4000	2.4000
Dagsboro	0.3800	0.3800	0.3800	0.3800	0.3800	0.3800	0.5600	0.5600	0.5600	0.5600
Delmar	1.3100	0.4000	0.5000	0.5000	0.5000	0.5000	0.5200	0.5200	0.5400	0.5400
Dewey Beach	0.4000	0.4000	0.4000	0.4000	0.4000	0.4000	0.4000	0.4000	0.4000	0.4000
Ellendale	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.5000	1.5000	1.5000	1.8000
Fenwick Island	1.9200	1.9200	1.9200	1.9200	1.9200	1.9200	1.9200	1.9200	1.9200	1.9200
Frankford	1.9500	2.0500	2.2000	2.5000	2.5000	2.5000	2.5000	2.5000	2.5000	2.5000
Georgetown	2.5300	2.5300	2.5300	2.9300	3.1400	3.1400	3.1400	3.1700	3.1700	3.1700
Greenwood	1.4000	1.7000	1.7000	1.8000	1.8000	1.8000	1.8000	1.8000	1.8000	1.8000
Henlopen Acres	1.8800	1.8800	2.1700	2.1700	2.1700	2.6200	2.6200	2.6200	2.6200	2.6200
Laurel	1.9100	1.9100	1.9100	2.0800	2.0800	2.2000	2.2900	2.2900	2.0800	2.5300
Lewes	0.3900	0.3900	0.4900	0.4900	0.5700	0.5700	0.5700	0.5700	0.5700	0.5700
Milford	0.4100	0.4600	0.4600	0.4600	0.4600	0.4600	0.4600	0.4600	0.4600	0.4600
Millsboro	0.5100	0.5100	0.5100	0.5600	0.5600	0.5600	0.5600	0.5600	0.5600	0.3300
Millville	0.2000	0.5000	0.5000	0.5000	0.5000	0.5000	0.5000	0.5000	0.5000	0.5000
Milton	0.4100	0.4100	0.4100	0.1800	0.1800	0.2160	0.2160	0.2160	0.2400	0.2400
Ocean View	0.0981	0.0981	0.1059	0.1144	0.1230	0.1588	0.1588	0.1620	0.1652	0.1652
Rehoboth Beach	1.5500	1.5500	1.5500	1.5500	1.7800	1.7800	1.7800	0.4000	0.4000	0.4000
Seaford	0.5700	0.2650	0.2800	0.2900	0.2900	0.3000	0.3100	0.3100	0.3100	0.3100
Selbyville	1.8500	1.8500	1.8500	1.8500	1.8500	1.8500	1.8500	1.8500	1.8500	1.8500
Slaughter Beach	0.5000	0.5000	0.5000	0.7500	0.7500	0.7500	0.7500	0.7500	0.7500	0.7500
South Bethany	0.6500	0.6500	1.3000	1.3000	1.3000	1.3000	1.3000	1.3000	1.3000	1.3000

**Notes:**

1. The above rates are per \$100 of assessed value.
2. The town rate shown for Bethany Beach, Blades, Dagsboro, Delmar, Lewes, Milford, Millsboro, Milton, Ocean View, Rehoboth Beach, and Seaford are based on assessments established by the individual towns. The other town rates are based on County assessments.

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

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

<b>Taxpayer</b>	<b>Fiscal Year 2016</b>			<b>Fiscal Year 2007</b>		
	<b>Taxable Assessed Valuation</b>	<b>Rank</b>	<b>Percentage of Total Assessed Valuation</b>	<b>Taxable Assessed Valuation</b>	<b>Rank</b>	<b>Percentage of Total Assessed Valuation</b>
Verizon	\$ 35,784,375	1	1.10%	\$ 52,133,895	1	1.91%
Delmarva Power & Light Co.	31,735,980	2	0.97	21,938,783	2	0.80
Indian River Power LLC	12,786,471	3	0.39	12,786,471	3	0.47
Eastern Shore Natural Gas Co.	9,196,647	4	0.28	4,269,450	8	0.16
Chesapeake Utilities Corporation	6,838,921	5	0.21	4,536,567	6	0.17
Invista Sarl	6,827,200	6	0.21	-	-	-
Delaware Electric Cooperative, Inc.	5,517,461	7	0.17	4,816,525	5	0.18
Allen Harim Farms LLC	4,807,500	8	0.15	-	-	-
Mountaire Farms of Delaware, Inc.	4,170,150	9	0.13	5,354,200	7	0.16
G&I VII Peninsula, LLC	3,793,950	10	0.12	-	-	-
E.I. duPont de Nemours Company	-	-	-	9,261,400	4	0.34
Sussex Sports Amenities LLC	-	-	-	3,906,500	9	0.14
M & T Bank	-	-	-	3,135,800	10	0.12
	<u>\$ 121,458,655</u>		<u>3.73%</u>	<u>\$ 122,139,591</u>		<u>4.45%</u>

**Sources:** Sussex County Government Finance and Assessment Departments, Georgetown, Delaware.

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

Fiscal Year	Taxes Levied for Fiscal Year (Original Levy)	Adjustments	Total Adjusted Tax Levy	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
				Current Tax Collections	Percent of Levy		Amount	Percentage of Adjusted Levy
2007	\$ 11,468,314	\$ 217,171	\$ 11,685,485	\$ 11,403,418	97.6%	\$ 263,367	\$ 11,666,785	99.8%
2008	12,329,504	140,690	12,470,194	12,206,827	97.9	240,357	12,447,184	99.8
2009	12,827,188	85,976	12,913,164	12,580,435	97.4	304,696	12,885,131	99.8
2010	13,134,779	56,957	13,191,736	12,842,730	97.4	314,122	13,156,852	99.7
2011	13,307,922	62,530	13,370,452	13,034,973	97.5	294,866	13,329,839	99.7
2012	13,333,291	64,275	13,397,566	13,129,170	98.0	215,771	13,344,941	99.6
2013	12,522,798	63,224	12,586,022	12,314,220	97.8	206,911	12,521,131	99.5
2014	13,751,888	24,327	13,776,215	13,505,584	98.0	189,890	13,695,474	99.4
2015	13,998,509	145,938	14,144,447	13,737,879	97.1	290,818	14,028,697	99.2
2016	14,500,715	140,265	14,640,980	14,435,552	98.6	-	14,435,552	98.6%

**Notes:**

1. Total tax levy includes initial annual levy plus quarterly supplemental additions.
2. The property tax levy for fiscal year 2013 is shown net of \$1,007,067 credit applied to eligible taxpayers based on .0035% of property assessment value.

**Source:** Sussex County Treasury Division.

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

<b>Fiscal Year</b>	<b>Governmental Activities</b>	<b>Business-Type Activities</b>		<b>Total Primary Government</b>	<b>Percentage of Personal Income</b>	<b>Per Capita</b>
	<b>Capital Leases</b>	<b>General Obligation Bonds</b>	<b>Sewer Revenue Bonds</b>			
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	2.32	873
2013	-	172,319,678	-	172,319,678	2.16	834
2014	-	159,460,288	-	159,460,288	1.81	756
2015	-	157,980,947	-	157,980,947	*	753
2016	-	152,442,753	-	152,442,753	*	*

**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, 2016

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
<b>School Districts:</b>			
Cape Henlopen	\$ 30,549,467	100%	\$ 30,549,467
Delmar	2,100,910	100%	2,100,910
Howard T Ennis, Sr.	444,750	100%	444,750
Indian River	32,502,486	100%	32,502,486
Laurel	86,196,206	100%	86,196,206
Milford	57,034,786	59%	33,650,524
Seaford	33,649,393	100%	33,649,393
Sussex Tech	9,540,315	100%	9,540,315
Woodbridge	43,181,883	99%	42,750,064
<b>Total School Districts</b>			<u>271,384,115</u>
<b>Municipalities:</b>			
Bethany Beach	675,000	100%	675,000
Dewey Beach	270,837	100%	270,837
Lewes	6,530,000	100%	6,530,000
Milford	77,597	59%	45,782
Seaford	991,078	100%	991,078
<b>Total Municipalities</b>			<u>8,512,697</u>
<b>Subtotal, overlapping debt</b>			279,896,812
<b>County direct debt</b>			<u>-</u>
<b>Total direct and overlapping debt</b>			<u>\$ 279,896,812</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

<b>Legal debt margin calculation for fiscal year 2016</b>	
Assessed value	\$ 3,363,054,252
Debt limit (12% of assessed value)	403,566,510
Total net debt applicable to limit	<u>152,442,753</u>
Legal debt margin	<u>\$ 251,123,757</u>

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General obligation bonds	<u>\$ 132,717,532</u>	<u>\$ 135,651,951</u>	<u>\$ 137,744,448</u>	<u>\$ 143,660,628</u>	<u>\$ 170,158,954</u>	<u>\$ 159,993,470</u>	<u>\$ 172,319,678</u>	<u>\$ 159,460,288</u>	<u>\$ 157,980,947</u>	<u>\$ 152,442,753</u>
Percentage of estimated actual property value	0.34%	0.35%	0.35%	0.41%	0.50%	0.47%	0.50%	0.46%	0.46%	0.45%
Per capita	\$ 722	\$ 719	\$ 717	\$ 729	\$ 848	\$ 787	\$ 834	*	*	*
Total net debt applicable to debt limit	132,717,532	135,651,951	137,744,448	143,660,628	170,158,954	159,993,470	172,319,678	159,460,288	157,980,947	152,442,753
Legal debt limit	<u>302,316,074</u>	<u>339,750,295</u>	<u>347,637,021</u>	<u>352,113,820</u>	<u>359,533,606</u>	<u>364,850,297</u>	<u>370,830,620</u>	<u>377,449,813</u>	<u>391,015,950</u>	<u>403,566,510</u>
Legal debt margin	<u>\$ 169,598,542</u>	<u>\$ 204,098,344</u>	<u>\$ 209,892,573</u>	<u>\$ 208,453,192</u>	<u>\$ 189,374,652</u>	<u>\$ 204,856,827</u>	<u>\$ 198,510,942</u>	<u>\$ 217,989,525</u>	<u>\$ 233,035,003</u>	<u>\$ 251,123,757</u>
Total net debt applicable to the limit as a percentage of debt limit	43.90%	39.93%	39.62%	40.80%	47.33%	43.85%	46.47%	42.25%	40.40%	37.77%

**Notes:**

1. The statutory limitation for debt is 12% of the assessed value of taxable property as of June 30, 2016.
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		
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	
2014	-	-	-	-	-	0.00	
2015	-	-	-	-	-	0.00	
2016	-	-	-	-	-	0.00	

**Notes:**

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

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

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

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<b>Year</b>	<b>Population (1)</b>	<b>Total Personal Income (2)</b>	<b>Per Capita Personal Income (2)</b>	<b>Median Age (3)</b>	<b>Public School Enrollment (4)</b>	<b>Unemployment Rate (5)</b>
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	7,660,479	37,664	45.4	24,560	5.9%
2013	206,649	7,968,480	38,560	45.9	25,649	6.5%
2014	210,849	8,800,249	41,737	46.5	25,564	5.4%
2015	215,622	*	*	*	26,397	4.4%
2016	*	*	*	*	26,886	4.0%

**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**

- 88 -

<u>Type of Employer</u>	<u>2016</u>			<u>2007</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	11,605	1	16.1%	10,255	2	15.5%
Health care and social assistance	11,372	2	15.8	8,056	3	12.1
Manufacturing	9,734	3	13.5	12,915	1	19.5
Accommodation and food services	9,035	4	12.5	6,665	5	10.0
Government	8,610	5	11.9	7,688	4	11.6
Construction	4,290	6	5.9	5,565	6	8.4
Administrative and waste services	3,645	7	5.1	2,246	8	3.4
Other services, except public administration	2,315	8	3.2	2,324	7	3.5
Finance and insurance	1,728	9	2.4	-	-	-
Professional and technical services	1,705	10	2.4	-	-	-
Transportation and warehousing	-	-	-	1,819	9	2.7
Real Estate, Rental and Leasing	-	-	-	1,726	10	2.6
	<u>64,039</u>		<u>88.8%</u>	<u>59,259</u>		<u>89.3%</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>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
General government										
General administration	11	11	11	11	11	11	11	10	10	9
Finance	90	86	81	72	70	71	67	68	74	77
Human Resources	6	6	6	6	6	6	6	6	6	6
Buildings and grounds	33	26	21	17	19	21	20	19	19	18
Information Technology	12	14	12	14	15	15	14	12	14	14
County constable	3	4	4	5	5	5	4	3	5	4
Planning and zoning	16	15	14	13	12	12	11	11	10	12
Paramedic program	110	109	112	106	105	104	108	110	110	106
Emergency preparedness	28	28	27	28	28	27	29	27	30	29
Economic development and public works	13	12	12	12	11	10	10	8	8	9
County engineer	132	139	141	138	140	137	137	137	136	130
Library	41	33	31	27	27	26	28	27	26	28
Community development and housing programs	7	6	6	6	6	5	5	5	5	5
Constitutional offices	37	36	34	35	34	33	33	32	29	32
Total	<u>539</u>	<u>525</u>	<u>512</u>	<u>490</u>	<u>489</u>	<u>483</u>	<u>483</u>	<u>475</u>	<u>482</u>	<u>479</u>

**Source:** Sussex County Accounting Department.

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

<b>Function/Program</b>	<b>Fiscal Year</b>									
	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
<b>Planning and Zoning</b>										
Permits issued	9,896	8,436	6,553	6,302	6,658	6,959	7,172	7,693	8,288	9,663
<b>Public Safety</b>										
Paramedic incidents dispatched	12,701	13,759	13,500	13,697	14,077	14,260	15,018	15,219	15,929	16,717
911 calls	99,659	104,623	97,230	103,107	105,776	108,301	105,137	110,139	113,549	109,009
<b>Sewer and Water Services</b>										
Sewer customers, EDU's billed	53,439	56,200	57,673	59,154	60,167	62,431	64,456	65,735	67,410	68,965
Water customers, EDU's billed	3,553	3,574	3,600	3,611	3,613	3,631	3,688	3,676	3,699	3,715
<b>Libraries</b>										
Circulation	1,170,327	1,221,697	1,299,830	1,234,407	1,147,886	1,406,166	1,387,038	1,361,586	1,347,386	1,371,859
<b>Industrial Airpark</b>										
Number of businesses	20	18	18	18	17	17	19	20	21	21
Number of jobs provided by business	944	1,048	989	842	961	881	870	875	880	895
Number of landings (1)	19,259	20,222	20,000	20,000	17,500	18,000	17,900	18,000	17,500	17,500

**Note:**

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

**Source:** Individual Sussex County Departments.

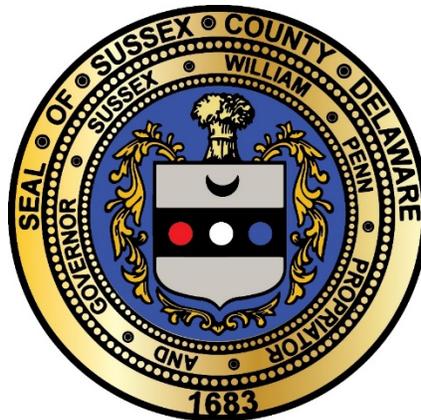
**SUSSEX COUNTY, DELAWARE  
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM  
LAST TEN FISCAL YEARS**

<u>Function/Program</u>	<u>Fiscal Year</u>									
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<b>Public Safety</b>										
Paramedic stations	8	8	9	9	9	9	9	9	9	9
Volunteer fire and ambulance companies	24	24	24	24	24	24	24	24	24	24
Additional state police officers funded by County	32	36	40	40	40	40	44	44	44	44
<b>Sewer and Water Services</b>										
Miles of underground sanitary sewer pipe	682	747	770	778	811	846	856	856	865	885
Number of feet of ocean outfall sewer pipe	6,500	6,500	6,500	6,500	6,500	6,500	6,500	6,670	6,670	6,670
Pump stations	384	397	418	428	437	440	449	461	463	468
Lagoon treatment facilities with land application	3	3	3	3	3	3	3	3	3	3
Tertiary treatment facility with ocean discharge	1	1	1	1	1	1	1	1	1	1
<b>Libraries</b>										
Directly administered	3	3	3	3	3	3	3	3	3	3
Number of County funded, with independent board	11	11	11	11	11	11	11	11	11	11
Bookmobiles	1	1	1	1	1	1	1	1	1	1
<b>Airport</b>										
Paved runway footage	7,330	7,330	7,330	8,109	8,109	8,109	8,109	8,609	8,609	8,609
Number of hangars	28	30	30	30	30	30	30	30	30	30
Number of runways	2	2	2	2	2	2	2	2	2	2

**Source:** Individual Sussex County Departments.



# SINGLE AUDIT SUPPLEMENT



SUSSEX COUNTY, DELAWARE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2016

Federal Agency	CFDA Number	Federal Program Name	Pass-through Grantor	Other Identification Number	Expenditures		
					From Direct Awards	From Pass Through Awards	Total
<b>U.S. DEPARTMENT OF AGRICULTURE</b>							
	10.433	Rural Housing Preservation Grants		N/A	\$ 22,277	\$ -	\$ 22,277
	10.760	Water and Waste Disposal Systems for Rural Communities		92-53,00-53	2,028,437	-	2,028,437
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>					<u>2,050,714</u>	<u>-</u>	<u>2,050,714</u>
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>							
	14.228	Community Development Block Grants/ State's Program	Delaware State Housing Authority	CD 03-13, CD 03-14, CD 03-15	-	1,133,015	1,133,015
		Neighborhood Stabilization Program (NSP 1)	Delaware State Housing Authority	NSP 03-08	-	46,165	46,165
		Total Community Development Block Grants/ State's Program			<u>-</u>	<u>1,179,180</u>	<u>1,179,180</u>
	14.239	Home Investment Partnerships Program	Delaware State Housing Authority	HM 03-14, HM03-15	-	585,285	585,285
	14.256	ARRA - Neighborhood Stabilization Program (NSP 2)	Delaware State Housing Authority	NSP 03-09	-	51,181	51,181
<b>TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>					<u>-</u>	<u>1,815,646</u>	<u>1,815,646</u>
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>							
	20.106	Airport Improvement Program		3-10-0007-029-13, 031-15, 032-16	508,012	-	508,012
	20.703	Interagency Hazardous Material Public Sector Training and Planning Grants	Delaware Emergency Management Agency	N/A	-	1,735	1,735
<b>TOTAL U.S. DEPARTMENT OF TRANSPORTATION</b>					<u>508,012</u>	<u>1,735</u>	<u>509,747</u>
<b>U.S. DEPARTMENT OF ENVIRONMENTAL PROTECTION AGENCY</b>							
	66.458	Capitalization Grants for State Revolving Funds	Delaware Department of Natural Resources and Environment Control	12000066	-	193,242	193,242
<b>TOTAL U.S. DEPARTMENT OF ENVIRONMENTAL PROTECTION AGENCY</b>					<u>-</u>	<u>193,242</u>	<u>193,242</u>
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>							
	97.036	Public Assistance Grant	Delaware Emergency Management Agency	PA-03-DE-4265-PW-00012	-	13,191	13,191
	97.039	Hazard Mitigation Grant Program	Delaware Emergency Management Agency	FEMA-DR-4090-DE-012, 014, 021	-	4,730	4,730
	97.042	Emergency Management Performance Grants	Delaware Emergency Management Agency	EMPG-12-003, 13-003, 14-003, 15-003, 16-003	-	426,006	426,006
	97.067	Homeland Security Grant Program (equipment and supplies)	Delaware Emergency Management Agency	2014	-	10,786	10,786
<b>TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY</b>					<u>-</u>	<u>454,713</u>	<u>454,713</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>					<u>\$ 2,558,726</u>	<u>\$ 2,465,336</u>	<u>\$ 5,024,062</u>

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

Reporting Entity

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

Basis of Accounting

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

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

**NOTE B - NONCASH AWARDS**

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

**NOTE C - INDIRECT COST RATE**

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

**NOTE D - LOANS**

The County had the following federal expenditures that have been or will be funded by loans from the U.S. Department of Agriculture and the U.S. Environmental Protection Agency for the year ended June 30, 2016.

Program Title	Federal CFDA	
	Number	Loan Amount
Water and Waste Disposal Systems for Rural Communities	10.760	\$ 1,977,456
Community Development Block Grants/ State's Program	14.228	32,988

**NOTE E - LOANS OUTSTANDING**

Neighborhood Stabilization Program (NSP 1)

The County administers low-income housing loan programs under the Community Development Block Grants/Entitlement Grants for CFDA No. 14.228. The total amount outstanding at June 30, 2016 is \$911,890 of which \$32,988 is included in the current fiscal year's federal expenditure balance for that program.

**NOTE F - SUBRECIPIENTS AWARDS**

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



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

The County Council of Sussex County, Delaware  
Georgetown, Delaware

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

We have audited Sussex County’s (the “County”) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the County’s major federal programs for the year ended June 30, 2016. The County’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

#### ***Management’s Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

#### ***Auditor’s Responsibility***

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

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

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

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.



## Report on Internal Control Over Compliance

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

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

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

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

BDO USA, LLP

January 24, 2017



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

The County Council of Sussex County, Delaware  
Georgetown, Delaware

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Sussex County, Delaware (the “County”), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the County’s basic financial statements, and have issued our report thereon dated January 24, 2017.

**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 opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County’s internal control. Accordingly, we do not express an opinion on the effectiveness of the County’s internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies 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.

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### Compliance and Other Matters

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

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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

January 24, 2017

**SUSSEX COUNTY, DELAWARE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2016**

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

*Financial Statements*

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

Unmodified

Internal control over financial reporting:

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

*Federal Awards*

Internal control over major federal programs:

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

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

yes  No

Identification of major federal programs:  
CFDA Number(s)/[Grant/Contract Number

Name of Federal Program or Cluster

10.760

Water and Waste Disposal Systems for Rural Communities

14.228

Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii

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

\$750,000

Auditee qualified as low-risk auditee?

yes  no

**SECTION II - Financial Statement Findings**

No matters required to be reported.

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

No matters required to be reported.