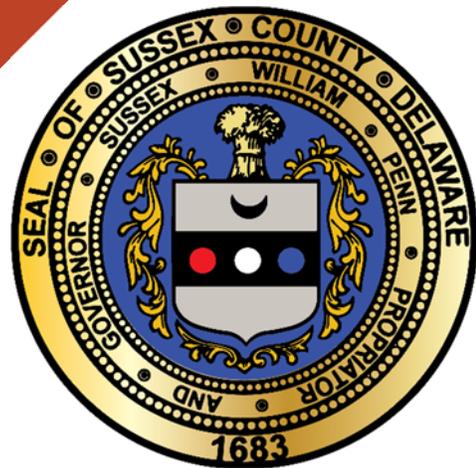


Annual Comprehensive Financial Report



Sussex County, Delaware
For the Fiscal Year Ended June 30, 2021

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2021



Prepared by the Finance Department

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INTRODUCTORY SECTION



TODD F. LAWSON
COUNTY ADMINISTRATOR

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Sussex County
DELAWARE
sussexcountyde.gov

December 10, 2021

The Honorable Sussex County Council President, members of the Sussex County Council, and the citizens of Sussex County:

We are pleased to present to you the Annual Comprehensive Financial Report for the Sussex County Government for the fiscal year ended June 30, 2021. This report includes the annual financial statements as required by Delaware law, presented in conformity with generally accepted accounting principles (GAAP) in the United States of America and audited in accordance with auditing standards generally accepted in the United States of America.

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

The County's financial statements have been audited by BDO USA, LLP, a firm of licensed certified public accountants. A goal of the independent audit was to provide reasonable assurance that the financial statements of the County for the fiscal year ended June 30, 2021 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, 2021, are fairly presented in conformity with GAAP. The auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the County was part of a broader, federally mandated "single audit" designed to meet the special needs of federal grantor agencies. The standards governing single audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. The single audit section of this report includes these reports and related information. GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed

to complement the MD&A and should be read in conjunction with it. Sussex County's MD&A can be found immediately following the report from the independent auditor.

Profile of Sussex County

Sussex County is proud of the natural beauty, mix of small towns, rich history, and popular attractions that are found throughout our county. Sussex County is a rural county in transition; a community that, in some ways, represents a microcosm of the United States with developing, more urbanized seaside resorts to the east and industry and agriculture dominating the central and western landscape. Our county is the largest county in Delaware, comprising a total land area of approximately 938 square miles, or 48 percent of the State's total area, with a population estimated to be more than 237,000 by the United States Census Bureau. The County is bordered on the east by the Atlantic Ocean, on the north by Kent County, Delaware, and on the south and west by that portion of the State of Maryland lying east of the Chesapeake Bay. The Town of Georgetown, the county seat, is situated in the center of the county. The county is within 200 miles of New York City, Philadelphia, Baltimore, and Washington, D.C., putting Sussex County within an eight-hour drive for more than a quarter of the country's population.

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

Sussex County is a growing community. Per the 2020 U.S. Census, Sussex County had a population increase of more than 20.4 percent from 2010 to 2020. In a state that had a total increase in population of 92,014 people, Sussex County made up 44 percent of the growth, or 40,233 additional people. Local property taxes are very low, making the county a desirable destination for new residents and retirees. The State of Delaware has never had a general sales tax, inventory tax, or statewide property tax. The eastern portion of the county is home to most of Delaware's beaches and seaside resorts. Sussex's central and western areas are the backbone of Delaware's agriculture industry.

Sussex County is deeply rooted in history and tradition. One of the most unique events, of which the County is tremendously proud, is the biennial event known as Return Day. Return Day is purported to have originated around 1790 and is set on The Circle in Georgetown. Return Day is held two days after Election Day and was started so 'voters' could come to Georgetown to hear the 'returns', or results, of the elections. During this day, election results were read, food was served, and music was played. Sometime later, a parade was started with both the winning and losing candidates riding together in open carriages and, by the 1970s, the ceremonial act of 'burying the hatchet' began, symbolizing the end of the campaign season.

The County government provides a variety of services to the residents of southern Delaware, including land use, building permits, emergency services, assessment, tax collection, public sewer,

libraries and more. To support these services, the County operates with approximately 510 full-time employees.

During the COVID-19 pandemic, the County operations have continued with few modifications. The County expanded online services and transitioned some of its staff to a remote workforce. Activity at the county government did not slow during the pandemic. Rather than slowing the economy, the pandemic spurred the local real estate market. In addition to record number of real estate transfers, there has also been record number of building permit applications. With additional people visiting and moving here, our emergency services departments also saw an increase in activity. More information on County services is described in further detail below.

The emergency services that Sussex County provides include paramedics, emergency preparedness, emergency operations, and local emergency planning and communications. As the primary call center, Sussex County's Emergency Operations Center receives more than 119,000 9-1-1 calls a year.

The County owns and maintains the Delaware Coastal Airport and Business Park where approximately 950 jobs are provided by businesses. The Delaware Coastal Business Park was purchased in Fiscal Year 2018 and has been going through major improvements in the last two years to allow for the expansion and retention of businesses in Sussex County. The business park contains 10 adjustable lease areas; four areas are currently leased with strong interest in one other parcel. This fiscal year, the County Council committed \$1.9 million to partner with the City of Seaford on a new 100-acre Western Sussex Business Park.

In Sussex County, a select group of elected officials preside over certain "row offices," or constitutional offices; these include the Marriage Bureau, Recorder of Deeds, Register of Wills, and the Sheriff's Office. The four offices provide services, such as issuing marriage licenses, recording of property deeds, wills, and other legal papers, and performing court-related duties. Each row office is managed by an elected official who is independent of the County Council, but the County government is responsible for each office's staffing, financial accountability, and annual budgets.

The County provides a variety of grant-in-aid funding to its residents, the largest being for public safety, such as services provided by local volunteer fire companies and State and local police. The County also assesses, bills, and collects school taxes for eight independent school districts, as well as property taxes for the County government. The County is the primary funding source for 11 local libraries, which are managed by independent library boards. Sussex County libraries, including the three County-owned libraries and bookmobile. While out-of-service due to COVID-19, the County library system and its bookmobile partnered with its paramedics and a local hospital to administer vaccines to underserved communities.

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 78,000 equivalent dwelling units (EDUs), and maintains and operates four treatment facilities. Fiscal year 2021 saw a 1.6 percent increase from fiscal year 2020's EDUs. The sewer and water districts' operating budget for Fiscal Year 2021 was \$42 million. The County has two enterprise funds: water and unified sewer.

The annual budget is recommended by the County Administrator and approved by the County Council through a budget ordinance prior to July 1 of each year, which is the start of the County's fiscal year. The budget serves as a financial guide for the County. A five-year capital project plan is assembled every year for proposed financing for projects. Please see Note A (Section 18 on pages 38 and 39) for additional budget information; with budget-to-actual comparisons on pages 73 through 81.

Economic Condition of Sussex County

Local Economy

Despite the recent pandemic, Sussex County continues to have an expanding local economy. The number of building permits has increased 100 percent over the past nine years, with the largest single year increase being this past fiscal year. According to the Sussex County Housing Market Data provided by Long and Foster using the Multiple Listing Service (MLS), as of June 2021, housing units sold were up 28 percent and the median sale price rose 13 percent to \$397,029 from last year. Despite higher prices, properties were only staying on the market 29 days, compared to 42 days a year ago.

A growing local economy is also demonstrated by current employment levels. According to the U.S. Bureau of Labor Statistics, Sussex County's unemployment levels are back to pre-pandemic levels, falling from 11.5 percent to 4.4 percent in one year. During the pandemic, Sussex County saw employment losses, but those losses were not as drastic as most counties. The Bureau of Labor Statistics noted that the employment decline in Sussex County, as of December 2020, was less than the national increase of 6.1 percent. Sussex County had an employment change of negative 2.6 percent and ranked 49th among the 357 U.S. large counties.

The three industries with the largest increase in employment over the previous nine years are administrative and waste services, healthcare and social services, and construction. Page 99 of this report shows the top 10 employer-types in Sussex County and how it compares to nine years ago. Because the county is a great place to visit and is attractive to the retirement population, it comes as no surprise that these three employment sectors are experiencing the largest increases over time.

The healthcare and social assistance industry is the number one employer in Sussex, surpassing the retail trade industry in 2017. It is important to note that only non-farm employment is captured in this statistic. The growing retirement community in Sussex County contributes to the continual rise in healthcare and social services employment. Earlier this year, the Wall Street Journal did an article that explained why Delaware is tied with Montana as the No. 1 retirement destination by United Van Lines. The article focuses on Sussex County, where President Biden owns a home.

The healthcare and social assistance industry makes up 15.8 percent of the county's employment; this is up from 15.5 percent in 2012. Each year, Sussex County's population continues to grow along with the median age of its population. In 2011, the median age was 45.1 years old; seven years later, the median age increased to 50.6. According to the 2019 American Community Survey, more than 28 percent of Sussex County's residents are 65 or older. This percentage is up from 21 percent in 2010.

The three major healthcare employers in the county continue to expand their services to meet the demand of our aging residents. The providers are Beebe Healthcare in Lewes, Bayhealth in

Milford, and TidalHealth Nanticoke, formerly Nanticoke Health Services, in Seaford. In addition, TidalHealth Peninsula Regional has a 48,000 square-foot “one-stop” healthcare center in Millsboro.

Bayhealth opened its new 169-acre, \$314 million facility in February 2019. In addition, Bayhealth has partnered with Nemours duPont Pediatrics in 2020 to bring services to Sussex. Nemours opened primary and senior care services, as well as limited pediatric gastroenterology specialty care. Additional specialty, therapy and imaging services opened in 2021. Since opening its new facility in 2019, Bayhealth has seen significant growth in admissions. The hospital is now looking to expand the fifth floor of the new facility to include 24 additional beds. According to Terry Murphy, Bayhealth’s CEO and President, in the 2021 Sussex Profile, the expansion to the hospital is estimated to cost \$19 million and bring 60 new jobs.

Beebe also continued to expand by opening their South Coastal Health Campus and separate cancer center this past year. The South Coastal Health Campus has a freestanding emergency department that can handle frequent emergency needs. Beebe’s Rehoboth Health Campus should be open at the end of 2022. As stated in the 2021 Sussex Profile, this campus is designed to support shorter stays with faster recovery times. As the population continues to increase, it is anticipated that these major healthcare employers will continue to expand in Sussex.

With 11,800 employees, the second largest sector is retail trade. Retail trade is driven by the tourism industry and the no-sales-tax benefit in Sussex County. According to the 2019 Delaware Tourism Office Value Report, \$2.3 million is generated by visitor spending. In the 2019 Southern Delaware Tourism Visitor Survey Report, the top three visitor activities were dining out, going to the beach, and tax-free shopping. Along a two-mile stretch of Delaware Route 1, between Lewes and Rehoboth Beach, there are outlet stores offering a variety of products, such as clothing, tools, shoes, books, gourmet food, and kitchen supplies. The Tanger Outlets have become a year-round destination for those who are attracted by reasonable prices and tax-free shopping.

As expected, the tourism industry was impacted by the pandemic; however, the industry has bounced back quickly to pre-pandemic levels. The Rehoboth Beach-Dewey Beach Chamber of Commerce and Visitor Center tracks the occupancy of accommodations in the area. Last year, during the pandemic, weekend occupancy through June 21, 2020 was 29,250. During the same time period, through June 20, 2021, the weekend occupancy was 55,241 – a 89 percent increase. The occupancy for 2021 was comparable to 2019 at 53,651 through June 16, 2019. As reported by Delaware News Journal in September of 2021, Benjamin Gray of The Bellmoor Inn & Spa, Bethany Beach Ocean Suites, and Holiday Inn Express Bethany Beach said that its Rehoboth location had the best summer it had seen in its 20-year history.

The third largest industry in Sussex County is manufacturing. This sector employs approximately 9,300 people. This sector has seen a decrease in the last nine years, but Sussex County Government is committed to keep this sector thriving. Sussex County partnered with Discover Bank and National Development Council to create a \$16 million loan fund to retain or create jobs. Since 2019, this fund has retained or created 131 manufacturing jobs. In addition, the County is spending money on two business parks, one being a partnership with the City of Seaford, to create shovel-ready sites to attract new manufacturing companies to the area. The one business park, owned by the County, has recently been granted a foreign trade zone status to allow manufacturers to accept material from abroad duty-free. The most recent manufacturing company coming to the County’s

business park is Great Outdoor Cottages, a manufacturer of cabin parts. It is expected this business will bring 50 new manufacturing jobs to the area.

Although these industry-related employment figures from the Bureau of Labor and Statistics do not include farm employment, Sussex County's number one industry remains the agriculture industry. According to Sussex County's 2019 Profile, agriculture has a direct economic impact of \$3.5 billion, with an additional \$1 billion coming from indirect spending related to poultry. Sussex County agriculture employs about 9,800 direct employees, supplying residents with \$400 million a year in income. Per the U.S. Department of Agriculture's census report, the County has continued not only to be the top broiler poultry producing county in the United States, but also the top lima bean producing county for more than 70 years. Approximately 45 percent of the County's land (270,000 acres) contains more than 1,200 farms, where the average farm size is 224 acres. Since 1996, 19 percent of Sussex County farmland is now preserved in the Delaware Agricultural Lands Preservation Foundation. This year the County partnered with the State of Delaware to preserve an additional 22 farms.

To fuel any economy, you need a hard-working and educated workforce. To build such a workforce, you need to have a strong education system. The County is honored to have several public education schools that have earned the National Blue Ribbon distinction for excellence from the U.S. Department of Education. This award recognizes schools that have made significant progress in closing the gaps in achievement, especially among disadvantaged and minority students. There are eight school districts with 26 public elementary, 10 middle, 9 high schools and 3 special education schools.

Sussex County also has options when it comes to higher education. Delaware Technical Community College (DTCC), and its 147-acre Owens Campus in Georgetown, offers associate's college degrees, diplomas, or certificates in more than 100 programs. Concentrations are offered in health, business, public service, engineering, and industrial education. To offer programs that complement the employment environment of Sussex County, DTCC created a paramedic program that helps the County fill positions with qualified medics. The college also partnered with Sussex County to create an FAA-certified airframe maintenance degree located at the Delaware Coastal Airport, which is filling the growing aviation industry need in Delaware.

If DTCC does not have what a student needs, both Wilmington University and Delaware State University have satellite locations in Georgetown. Delaware State University offers 52 undergraduate fields of study, as well as 16 graduate programs and 5 doctoral degree programs. Delaware State University has offered courses in Sussex County for more than 25 years and provides an opportunity for local students to get a college education through an affordable means. Wilmington University also provides opportunities to obtain a bachelor's, master's, or doctorate degree in flexible formats to accommodate the county's residents. Both universities provide online options for students.

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

As we are now in Fiscal Year 2022, building activity continues to be strong. Although dwelling building permits and building inspections are slightly under the record-breaking fiscal year of 2021, both metrics are still trending above Fiscal Year 2020. In addition, realty transfer tax revenue has realized another record-breaking month in Fiscal Year 2022. Before Fiscal Year 2021, the highest realty transfer tax collected in one month was \$3.6 million. Collections in August 2021 surpassed \$6.5 million for the month.

Financial Planning

Our local economy benefits from the low taxes and the attractiveness of our resorts. Fiscal Year 2021 was a strong financial year for Sussex County. It is our goal to keep the county a place where people want to visit or stay and raise their family. To do this, we must adequately plan for our future.

Although we saw growth in our economy over the last year, we did not take it for granted that this upward trend would continue as we prepared the Fiscal Year 2022 budget. Building related revenues, excluding realty transfer tax, were budgeted at 70 percent of anticipated collections for Fiscal Year 2021. Due to the fiscal restriction and unprecedented amount of collections, realty transfer tax was budgeted at 70 percent of the previous completed fiscal year.

Keeping revenues in check ensures that we keep our expenses at a sustainable level long-term. Our 10-year trend analysis shows that, while revenues for both the General and Enterprise Funds increase an average of 7.7 percent per year, the operating expenses are staying below this number at an average of 4.0 percent per year.

To ensure that the County is on the right fiscal track, each year we develop a long-term financial outlook that forecasts operating expenses and revenue for the next 10 years along with capital expenditures and revenues for the next five years. The Fiscal Year 2022 Five-Year Capital Improvement Plan includes \$81.6 million for the expansion and improvement of General Fund services, such as our paramedic system, the Delaware Coastal Airport and Business Park, and informational technology infrastructure. The County understands that the Delaware Coastal Airport and the business park are vital components of Sussex County's economy. Thirty-four percent (34%), or \$8.8 million, of the Fiscal Year 2022 capital budget is to improve the airport and business park. We continue to apply for federal and state funding that pays up to 95 percent of the airport expenses. For example, of the \$8.8 million, \$2.5 million will be funded through these types of grants.

Along with our Governmental Fund Five-Year Capital Improvement Plan, the County also has a Five-Year Plan for utility infrastructure. The five-year plan budgets \$186.6 million for sewer and water expansion and upgrades. Funding for these projects include State Revolving Fund loans, State grants, Federal USDA loans and grants, as well as connection and user fees. The largest projects are the treatment and capacity expansions happening at the Inland Bays and South Coastal Regional Wastewater Facilities.

Significant Financial Policies

The County's goal is to invest all funds in a manner that provides the highest investment return using authorized instruments while meeting the County's acceptable risk level. In priority order, the primary objectives in investment activities shall be safety, liquidity, and yield. The County is

witnessing depressed interest rate returns. Because of the interest rate environment, the County adjusts its maturities to take advantage of the best rates possible. Please see Note B on pages 39 through 42 for additional information regarding cash and collateralization.

Preserving the pension trust fund and the post-retirement employee benefit trust fund is a major objective of Sussex County. The County funds a defined benefit pension plan and other post-employee benefit trust for its employees, which are treated as fiduciary funds in the financial sections. The pension trust fund is held with diversified, but complementary, investment managers. A pension committee, which meets quarterly, oversees the management of both plans and is responsible for making recommendations to the County Council regarding the types of investments. The County works with an investment advisor to assist in providing the best strategy, protection, and investment guidelines for our pension plan. In Fiscal Year 2019, the Council approved lowering its assumed rate of return to ensure the County's commitment to a full-funded status with realistic return assumptions. The County continues to fund its pension above the required actuarial contribution to maintain a highly funded status in hopes to lower the return assumption again in the near future.

Sussex County continues to strive for balanced budgets and sound financial planning in providing services for residents and visitors. The County's focus, when creating a budget, is to keep expenses within the current sources of revenue. A comprehensive review is done monthly by the Finance Department, which analyzes department expenditures and budget reports. These reviews are provided to the County Council on a quarterly basis to keep the members informed of the current economic effects on revenues. Relevant financial topics and future strategies are also discussed with County Council. It is the County's fund balance policy to maintain an operating reserve that is at least 20 to 25 percent of total operating expenditures, which is considered "best practice."

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Sussex County for its annual comprehensive financial report for the Fiscal Year ended June 30, 2020. This was the 19th consecutive year that the government has achieved this prestigious award. To be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive financial report. This report must also satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe the County's current Annual Comprehensive Financial Report continues to meet the Certificate of Achievement program's requirements, and we are making submission to the GFOA to determine its eligibility to receive another certificate.

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

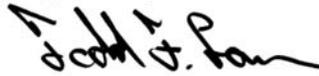
The County also received the Government Finance Officers Association’s Distinguished Budget Presentation Award for its Fiscal Year 2021 budget. Obtaining such a prestigious award demonstrates the County’s commitment to transparent fiscal management.

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

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

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

Respectfully submitted,



Todd F. Lawson
County Administrator



Gina A. Jennings
Finance Director/Chief Operating Officer



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Sussex County
Delaware**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

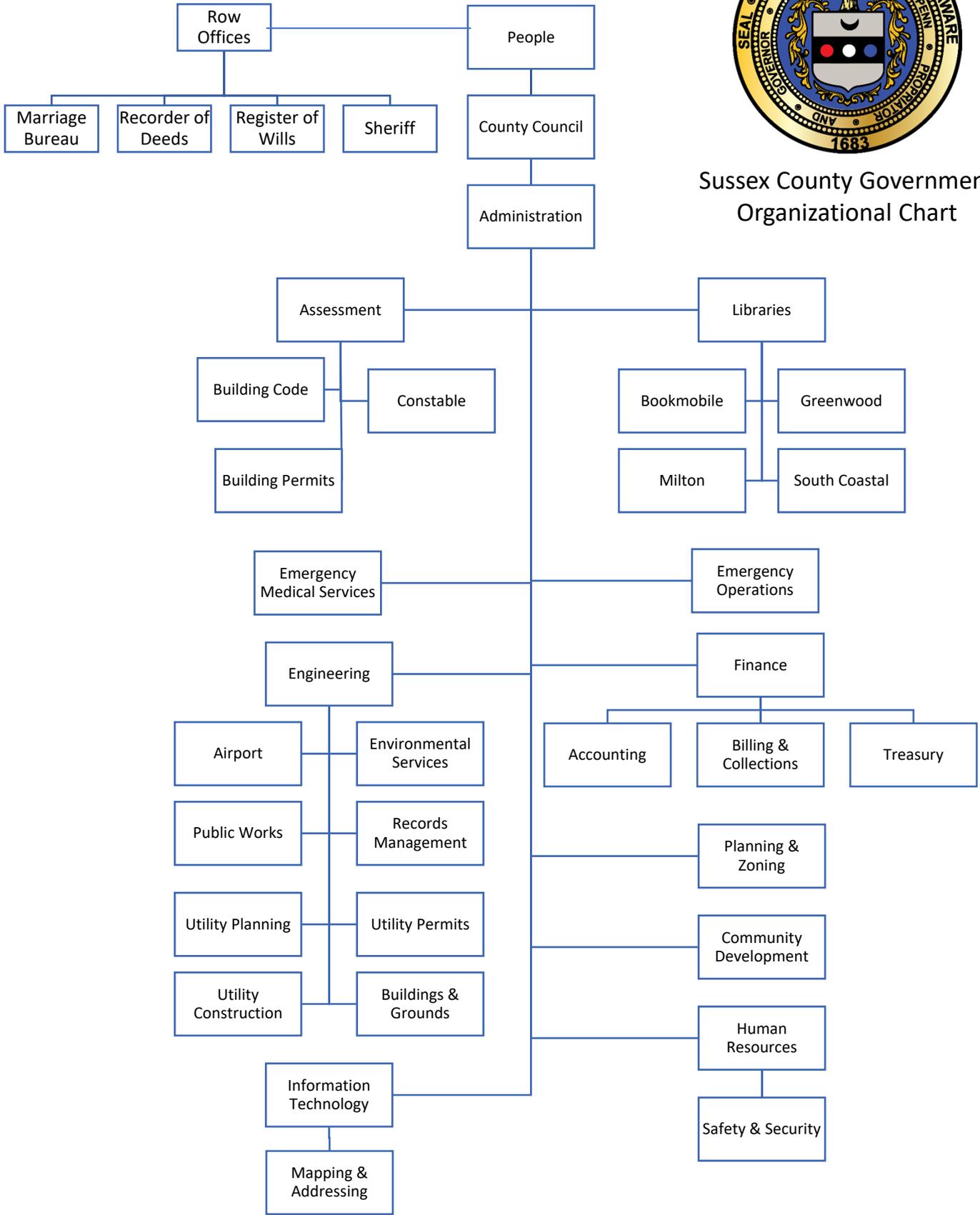
June 30, 2020

Christopher P. Morill

Executive Director/CEO



Sussex County Government
Organizational Chart



SUSSEX COUNTY, DELAWARE

LIST OF ELECTED OFFICIALS

JUNE 30, 2021

<u>COUNCIL</u>	<u>Length of Service</u>	<u>Term Expires</u>
<i>District 1</i>		
Michael H. Vincent (President)	13 years	Jan. 2025
<i>District 2</i>		
Cynthia C. Green	6 months	Jan. 2025
<i>District 3</i>		
Mark G. Schaeffer	6 months	Jan. 2025
<i>District 4</i>		
Douglas B. Hudson	3 years	Jan. 2023
<i>District 5</i>		
John L. Rieley (Vice President)	3 years	Jan. 2023

<i>Clerk of the Peace</i>		
Norman A. Jones	5 years	Jan. 2025
<i>Recorder of Deeds</i>		
Scott Dailey	11 years	Jan. 2023
<i>Register of Wills</i>		
Ellen Magee	6 months	Jan. 2023
<i>Sheriff</i>		
Robert Lee	7 years	Jan. 2023

SUSSEX COUNTY, DELAWARE

COUNTY DEPARTMENT HEADS & OTHER OFFICIALS

JUNE 30, 2021

	<u>Length of Time in Position</u>	<u>Length of Service with the County</u>
<i>County Administrator</i> - Todd F. Lawson	9 years	10 years
<i>County Attorney</i> - J. Everett Moore, Esquire	13 years	13 years
<i>Finance Director / Chief Operations Officer</i> - Gina A. Jennings, MBA, MPA	8 years	15 years
<i>Deputy Finance Director</i> - Kathy L. Roth, CPA	8 years	15 years
<i>County Engineer</i> - Hans Medlarz, P.E.	5 years	5 years
<i>Assessment Division Director</i> - Christopher S. Keeler	7 years	27 years
<i>Community Development Program Director</i> – Brandy B. Nauman	5 months	14 years
<i>Director of Environmental Services</i> - Bradbury K. Hawkes	1 year	30 years
<i>Director of Information Technology</i> - Dwayne Kilgo	5 years	9 years
<i>Emergency Preparedness Director</i> - Joseph L. Thomas	24 years	35 years
<i>Human Resources Director</i> - Karen Brewington	10 years	10 years
<i>Library Director</i> - Kathy M. Graybeal	10 years	10 years
<i>Paramedic Director</i> - Robert W. Murray	1 year	27 years
<i>Planning and Zoning Director</i> - Jamie Whitehouse, AICP	1 year	4 years



FINANCIAL SECTION



Independent Auditor's Report

The County Council of Sussex County, Delaware
Georgetown, Delaware

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Sussex County, Delaware (the "County"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County, as of June 30, 2021, and the respective changes in financial position, the budgetary comparison for the General Fund and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for a reasonable period of time.

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 18 and the Required Supplementary Information on pages 67 through 72 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying supplementary information, such as 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 as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated *December 10, 2021* on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering County's internal control over financial reporting and compliance.

BDO USA, LLP

Wilmington, DE
December 10, 2021

SUSSEX COUNTY, DELAWARE

MANAGEMENT'S DISCUSSION & ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2021

This section of the report offers an overview and analysis of the financial activity of Sussex County, Delaware, for the year ended June 30, 2021. 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

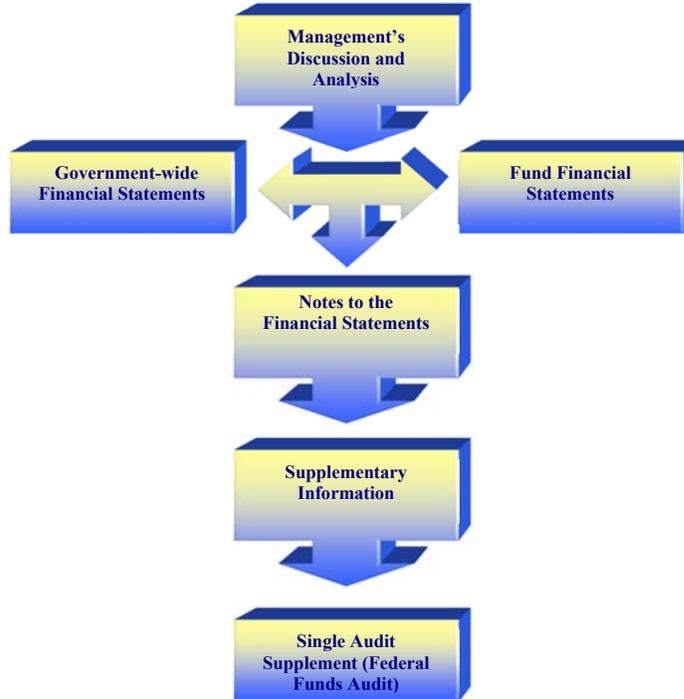
- As of June 30, 2021, total government net position was \$679.7 million. Of this amount, \$77.5 million was unrestricted and may be used for ongoing obligations to citizens and creditors.
- The County's total net position increased by \$64.4 million during the year. The business-type activities net position increased \$25.3 million. This increase is due to growth-related capital costs from sewer expansions being built. The governmental activities' portion of the net position increased by \$39.1 million as a result of the strong real estate market.
- The County has no outstanding General Fund bonded debt.
- In fiscal year 2021, S&P Global Rating upgraded the County general obligation bond rating to AAA. Moody Investors Services also reviewed and maintained it's Aaa rating for the County. S&P Global Rating report for the County states, "...the county's diversifying and growing economy and its strong financial management practices that, and among other things, have led to very strong budgeting performance one serval years, including during the current and past recessions." This rating represents a first-time achievement for Sussex County government.

Fund Financial Statements

- As of June 30, 2021, the County's governmental funds reported an ending fund balance of \$167.9 million. This is an increase of \$30.0 million from the preceding year. Approximately \$38.5 million was unassigned, or available, for use to meet the County's current and future needs.

Overview of the Financial Statements

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



Government-wide Financial Statements

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

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

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

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

- Governmental activities include General Administration, Finance, Human Resources, Facilities Management, Information Technology, County Constable, Grant-in-Aid Programs, Planning and Zoning, Paramedic, Emergency Preparedness, Economic Development and Airpark, County Engineering, Library, Community Development and Housing Programs, and Constitutional Offices.
- Business-type activities include Sussex County sewer and water districts, which are funded by user charges, assessment charges, and connection fees.

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

Fund Financial Statements

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

- *Governmental Funds* - Governmental funds account for essentially the same functions as governmental activities in the government-wide financial statements. Governmental fund financial statements do focus on near term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information may be useful in evaluating a government's near term financing requirements. Because the focus of governmental funds is for the current period, it is useful to compare this information with similar information presented for governmental activities in the government-wide financial statements. Readers may then better understand the long-term impact of the government's current financing decisions. The Governmental Fund Balance Sheet and Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance include reconciliations to the government-wide financial statements (see pages 21 and 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 Water District (see pages 25 through 29).
- *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 30 and 31 of this report.

Notes to the Financial Statements

Notes to the financial statements found on pages 32 through 67 of this report, provide additional information that is important for a better understanding of the data provided in the financial statements.

Other Information

Pages 68 through 72 include required supplementary information regarding our fiduciary funds. Following these pages are general fund and capital project fund budgetary comparison schedules and general fund revenue and expenditure schedules. The fiduciary funds combining statements follow the general fund and capital project fund budgetary comparison schedules. The statistical section follows on pages 84 through 102 with additional County information. The Single Audit, a separate federal awards audit, follows the statistical section.

Government-wide Financial Analysis

As previously noted, assets and deferred outflows exceed liabilities and deferred inflows by \$679.7 million as of June 30, 2021. 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, 2021 and 2020

	Governmental Activities		Business-type Activities		Total Government	
	2021	2020	2021	2020	2021	2020
Current and Other Assets	\$235,622,351	\$157,340,695	\$137,106,941	\$ 91,323,759	\$372,729,292	\$248,664,454
Capital Assets	96,056,248	93,542,553	498,894,433	463,468,019	594,950,681	557,010,572
Total Assets	331,678,599	250,883,248	636,001,374	554,791,778	967,679,973	805,675,026
Deferred outflows of resources	2,649,642	6,461,616	813,943	2,792,770	3,463,585	9,254,386
Total assets and deferred outflows of resources	334,328,241	257,344,864	636,815,317	557,584,548	971,143,558	814,929,412
Current and Other Liabilities	46,384,688	16,168,191	10,769,930	9,127,127	57,154,618	25,295,318
Long-term Liabilities	7,696,956	15,868,451	201,980,750	154,567,589	209,677,706	170,436,040
Total Liabilities	54,081,644	32,036,642	212,750,680	163,694,716	266,832,324	195,731,358
Deferred inflow of resources	18,766,517	2,926,758	5,800,199	899,064	24,566,716	3,825,822
Total liabilities and deferred inflows of resources	72,848,161	34,963,400	218,550,879	164,593,780	291,399,040	199,557,180
Net Position:						
Net Investment in Capital						
Assets	95,551,537	93,018,347	312,780,719	306,996,877	408,332,256	400,015,224
Restricted	103,290,603	88,955,557	85,391,251	75,238,638	188,681,854	164,194,195
Unrestricted	62,637,940	40,407,560	20,092,468	10,755,253	82,730,408	51,162,813
Total Net Position	261,480,080	\$222,381,464	418,264,438	\$392,990,768	679,744,518	\$615,372,232

A large portion of the County's net position (60.8 percent) is not available for future use since it represents amounts invested in capital (e.g., land, buildings, machinery and equipment). This investment is net of

any related debt that was used to acquire those assets still outstanding. It should be noted that the resources needed to repay outstanding debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

Of the remaining \$271.4 million in net position, \$85.4 million is restricted for construction or capital costs incurred for future sewer district expansion costs. For governmental activities, \$103.3 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 and business park infrastructure, and County airport improvements.

The remaining \$77.5 million in net position is unrestricted and may be used for ongoing obligations to citizens, customers, and creditors. The increase in unrestricted net position is due to having paid off all of its pension liability and receiving revenue from a strong real estate market.

The following schedule shows the breakdown of changes in net position for governmental and business-type activities for fiscal years 2021 and 2020.

Sussex County, Delaware
Changes in Net Position
For the Years Ended June 30, 2021 and 2020

	Governmental Activities		Business-type Activities		Total Government	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	\$20,223,026	\$14,674,171	\$27,472,853	\$26,259,120	\$47,695,879	\$40,933,291
Operating grants and contributions	8,591,133	7,785,453	28,790,407	24,821,790	37,381,540	32,607,243
Capital grants and contributions	573,362	4,018,377	12,257,912	13,616,195	12,831,274	17,634,572
General revenues:						
Property taxes	17,087,426	16,644,442	-	-	17,087,426	16,644,442
Fire service taxes	2,663,857	1,789,174	-	-	2,663,857	1,789,174
Realty taxes	57,024,772	35,477,592	-	-	57,024,772	35,477,592
Lodging taxes	-	49,958	-	-	-	49,958
Investment results	179,303	3,113,675	108,126	396,483	287,429	3,510,158
Gain on sale of capital assets	19,303	3,777	22,140	110,900	41,443	114,677
Total revenues	106,362,182	83,556,619	68,651,438	65,204,488	175,013,620	148,761,107
Expenses:						
Primary Government:						
General government	7,520,951	16,147,716	-	-	7,520,951	16,147,716
Planning and zoning	2,580,241	1,557,365	-	-	2,580,241	1,557,365
Paramedics	16,637,782	16,506,738	-	-	16,637,782	16,506,738
Emergency preparedness	4,942,953	4,309,246	-	-	4,942,953	4,309,246
County engineer	1,109,090	1,279,617	-	-	1,109,090	1,279,617
Library	3,280,930	3,314,143	-	-	3,280,930	3,314,143
Economic development and airpark	4,763,057	4,074,827	-	-	4,763,057	4,074,827
Community development	2,418,638	1,957,643	-	-	2,418,638	1,957,643
Grant-in-aid program	21,390,212	14,118,069	-	-	21,390,212	14,118,069
Constitutional offices	2,557,573	2,460,778	-	-	2,557,573	2,460,778
Business-type activities	-	-	43,439,907	38,607,937	43,439,907	38,607,937
Total expenses	67,201,427	65,726,142	43,439,907	38,607,937	110,641,334	104,334,079
Change in net position before transfers	39,160,755	17,830,477	25,211,531	26,596,551	64,372,286	44,427,028
Transfers	(62,139)	(13,965)	62,139	13,965	-	-
Change in net position	39,098,616	17,816,512	25,273,670	26,610,516	64,372,286	44,427,028
Net position-beginning	222,381,464	204,564,952	392,990,768	366,380,252	615,372,232	570,945,204
Net position-ending	261,480,080	\$222,381,464	418,264,438	\$392,990,768	\$679,744,518	\$615,372,232

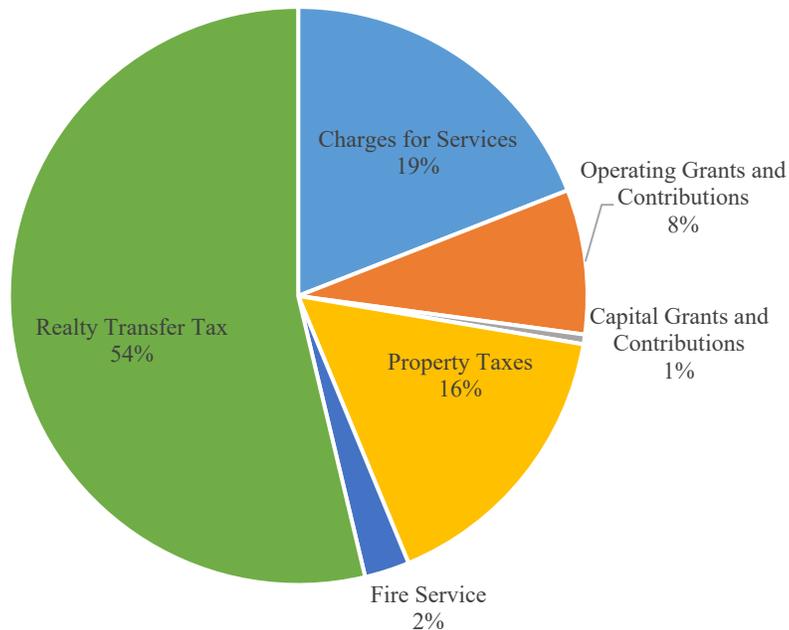
Governmental Activities

Governmental activities increased net position by \$39.1 million during fiscal year 2021. This represents a 17.6 percent increase in net position for the year. Governmental activities include the general fund and capital projects fund.

General revenues total \$77.0 million for fiscal year 2021 for governmental activities. This includes \$57.0 million received from realty transfer taxes. This revenue source is \$21.5 million, or 60.7 percent, above fiscal year 2020. Realty transfer tax has increased nine years in a row, which is a sign that the real estate market is strong in Sussex County.

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

Revenues by Source - Governmental Activities



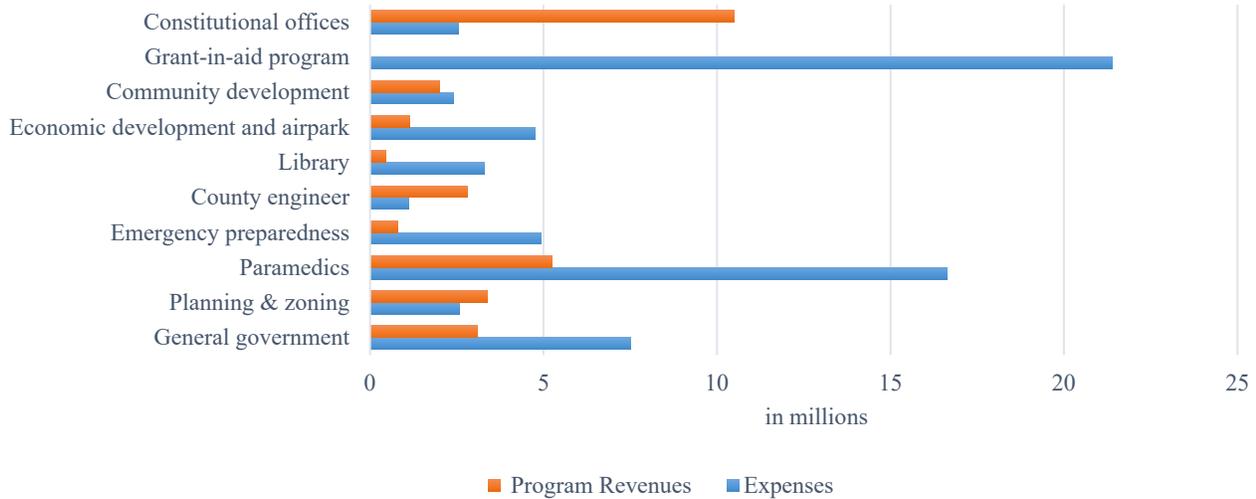
Total Governmental Revenues increased \$22.8 million. The growth was driven by the \$21.5 million increase in realty transfer tax. The \$5.5 million increase in charges for services was an offset by a \$2.9 million decrease in investment results and a \$3.4 decrease in capital grants and contributions.

Governmental charges for services increased \$5.5 million over the previous year due to the increase in building related services such as building permits and recording deeds. For example, planning and zoning revenue increased 46.0 percent, recorder of deeds charges increased 55.7 percent, and private road and sewer inspection charges increased 32.8 percent.

The County’s operating grants were \$0.8 million more than the previous year, due to additional amounts received by the paramedic and emergency preparedness departments. Capital grants decrease \$3.4 million due to the type and size of grant-supported projects being completed at the Delaware Coastal Airport each year.

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

Program Revenues and Expenses Governmental Activities



One of the larger expenses to the County is public safety. The population growth of the County over the last 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. This fiscal year was the first full year of taking over dispatching services for the City of Seaford at the Center.

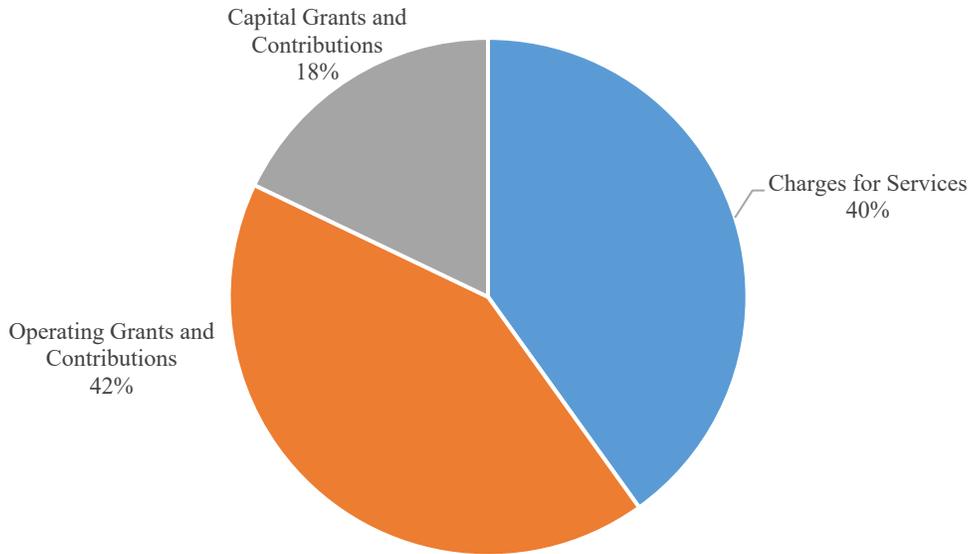
The Paramedic Department is the County’s largest department in terms of expenditures and employees. Our residents and visitors rely on this valuable County service. The paramedics were dispatched 21.0 percent more this year than 10 years ago. The County opened up a new paramedic station in the Seaford-Blades area on U.S. Route 13 corridor during 2021 to better provide services to Western Sussex. Currently, we lease and own buildings in different strategic locations throughout the county. The County’s goal is to replace all leased locations with county-owned property for its paramedic stations. As these leases come up for renewal, we are exploring the option to buy rather than rent. To date, we have built six of our ten medic stations.

During fiscal year 2021, the County provided \$26.7 million in grant-in-aid to a variety of local organizations as part of a program to benefit County residents. These grants included fire and ambulance companies, local historical societies, senior centers, educational, recreation, arts, housing, and agriculture programs. The County also has grant programs to assist low-income taxpayers in meeting their property tax obligation or sewer bills. The County continued to supplement the State Police and local law enforcement with a \$4.4 million contribution. The local law enforcement contribution increased \$0.1 million over last year for a one-time grant. The volunteer fire service and ambulance companies received approximately \$10.9 million in grant funding during fiscal year 2021. This contribution increased due to \$5.4 million one-time grants to purchase one ambulance per station. The County also contributed \$2.9 million to open space land, recreational programs, and other land conservation efforts. The County also supports 11 independent libraries through the grant-in-aid budget with a \$2.7 million contribution.

Business-type Activities

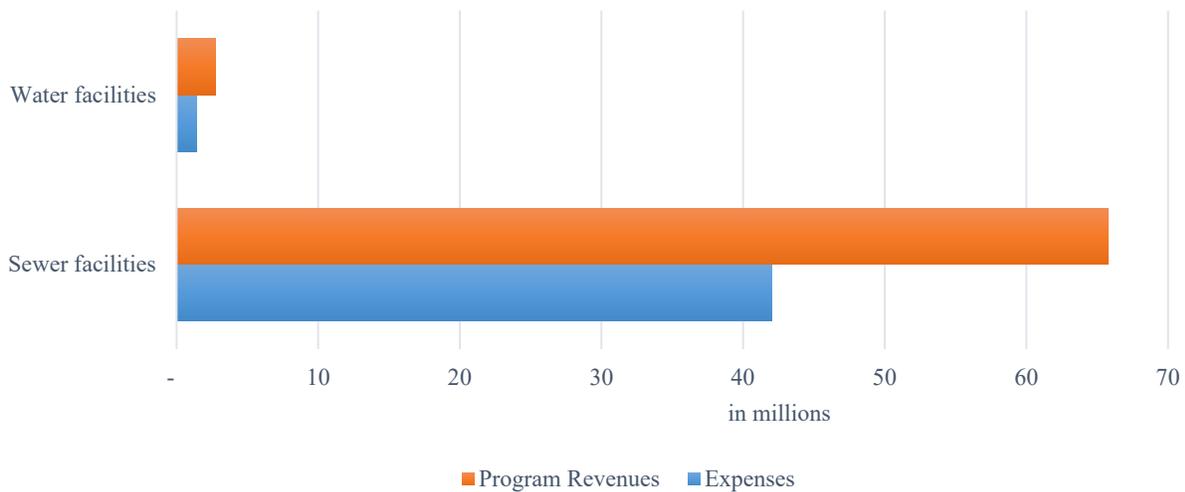
Sussex County’s water and sewer funds had an increase in net position of \$25.3 million during fiscal year 2021. The income before capital contributions and transfers was \$12.9 million. Our sewer district continues to grow, bringing in additional income to help support the growing expense. The number of sewer equivalent dwelling units increased more than 1,233 from fiscal year 2020. The pie chart reflects revenues by source for the water and sewer funds.

Revenues by Source - Business-type Activities



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

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



- The County received \$19.9 million in connection fees for new growth in the water and sewer districts. Connection fee income increased from prior year by \$6.9 million.
- Operating grants and contribution program revenue includes both connection fees and assessment charges. Assessment charges are collected to pay debt incurred due to construction.
- Fiscal year 2021 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 2021, fund balances of the County's governmental funds increased \$30.0 million. For the capital projects fund, the fund balance increased \$17.1, or 67.8 percent. The increase is due to a \$23.8 million transfer from the general fund.

For the general fund, fiscal year 2021 finished with an increase in fund balance of \$12.9 million. This increase is a result of increased building related revenues due to the strong real estate market. Due to the increased volume of property sales, as well as, the increase in the local real estate values, tax revenues increased primarily due to transfer tax taxes being collected on these transactions. Other building related revenues including permits, inspection and zoning fees, and recorder of deeds fees also increased due to the volume of new homes being constructed. Page 90 in the financial section shows a history of Sussex County's revenues and expenses for the general fund since 1978.

Fund balance financial reporting is more detailed, and there are increased disclosures to help with understanding the availability of resources, which improves the usefulness and understanding of fund balance information. The largest part of the County's committed fund balance includes funds already obligated by County Council. Fund balance is restricted for public safety, infrastructure, public works, and economic development. Assigned fund balance includes funds to be used in next fiscal year's budget.

During fiscal year 2001, the County defeased all tax supported bonded debt. The County has not incurred any tax supported bonded debt for the general fund since then.

Fiduciary Funds

Sussex County's pension fund is a defined benefit plan. The annual contribution is determined during the budgetary process. During fiscal year 2021, the contribution was \$2.3 million over the actuarially determined contribution. The fund saw an increase from investment earnings, net of investment expenses, in the amount of \$30.6 million. The County's Pension Plan is 118.0 percent funded according to the latest actuarial report. As of June 30, 2021, assets held in this account were valued at over \$150.8 million.

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

The County has an irrevocable fund for other post-retirement employee benefits, or “OPEB”. The OPEB Plan is currently 99.3 percent funded. As of June 30, 2021, assets held in this account were valued at \$59.8 million. For fiscal year 2021, the contribution to this fund was \$3.1 million. This contribution was \$1.1 million over the actuarially determined contribution. Due to the County’s commitment, our funding level of this fund is unusually high in comparison with other governments.

In fiscal year 2021, there were 301 retirees and beneficiaries in the pension plan. Beneficiary payments for both funds totaled \$7.9 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 \$418.3 million - a \$25.3 million, or 6.4 percent, increase over last year. Restricted net position includes amounts set aside for construction and future capital costs. Connection fees received are to be used for capital costs.

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

GENERAL FUND BUDGETARY HIGHLIGHTS

Budget Goals and Initiatives

The County prepares its budget with the following goals in mind: to balance the budget, to maintain an acceptable reserve, to create no general fund 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 2021. During the year, the County Administrator and Deputy Finance Director approve budget transfers for expenditures within departments. The County Administrator approves expenses that are paid from a budgeted contingency line item. The approved budget transfers include increases in certain line items for requested expenditures, which were offset by decreases in other departmental line items. Some of the largest expenses from the contingency line items, as approved by the County Administrator during the year, were for funding COVID-19 related expenses (\$190,000), security gate at the airport (\$98,000), and cooling system for the paramedic response vehicles (\$74,000). During fiscal year 2021, a \$9.5 million budget amendment was approved to increase

the original budget due the amount of realty transfer tax being collected. The budget was adjusted to support public safety and economic development. Public safety initiatives that were supported by the budget adjustment was \$5.4 million to the ambulance service, \$1.0 million to the paramedic service and \$0.1 million to the local law enforcement. As for economic development, the budget adjustment added \$3.0 million to the County's ExciteSussex program.

Budget to Actual - Revenue

In fiscal 2021, actual general fund revenues and other financing sources were over budgeted revenue by \$26.4 million as noted on page 24 with a detail listing on page 73 and 74. The largest revenue source over budget was realty transfer tax; this revenue exceeded the budget by \$25.0 million. Recorder of Deeds revenue exceeded the budget by \$4.6 million. Building permits and zoning fees exceeded revenue by \$1.3 million. All of these revenue sources are a good indicator that the County's real estate market is strong. These overage amounts were offset by the \$6.4 million use of appropriated reserves that were planned to be spent during the year. Two funding revenues were impacted by the COVID pandemic. Sheriff sales were suspended for part of the year and the collection of lodging tax was suspend for the whole fiscal year, resulting in both funding resources with \$1.0 million deficits.

Budget to Actual – Expenditures

Expenditures, before transfers out, were under budget by \$9.3 million as noted on page 24 with a detail listing on pages 75-81. All departments were under budget, except Sheriff and Finance. Both departments were over budget due to large leave payouts from retiring employees. Many of the departments that were under budget had to positions open during the year which drove down salary and health insurance costs.

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Capital Asset and Debt Administration

Capital Assets

As per the following chart, capital assets (net of depreciation) are valued at \$595.0 million as of June 30, 2021. Note E, on pages 43 and 44, includes additional information.

Sussex County’s Capital Assets
As of June 30, 2021 and 2020
(net of depreciation)

	Governmental Activities		Business-type Activities		Total Government	
	2021	2020	2021	2020	2021	2020
Land	\$26,715,655	\$22,355,125	57,072,709	\$55,855,854	\$83,788,364	\$78,210,979
Construction in Progress	1,775,261	7,537,611	42,510,174	38,281,002	44,285,435	45,818,613
Buildings	34,135,063	32,945,801	39,116,076	26,558,944	73,251,139	59,504,745
Improvements Other Than Buildings	29,350,099	26,248,944	4,950,389	2,956,751	34,300,488	29,205,695
Machinery and Equipment	3,860,426	4,455,072	2,809,328	3,397,574	6,669,754	7,852,646
Infrastructure	219,744	-	349,134,701	333,959,648	349,354,445	333,959,648
Purchase capacity	-	-	3,301,056	2,458,246	3,301,056	2,458,246
Total	\$96,056,248	\$93,542,553	\$498,894,433	\$463,468,019	\$594,950,681	\$557,010,572

The major governmental capital project completed in fiscal year 2021, which increased the classification of Improvements Other Than Buildings, was due to the completion of Taxiway D at the Delaware Coastal Airport. Buildings increased due to the completion of the Seaford paramedic station. Land increased due to purchase of two parcels of land for open space.

The major business-type capital project completed in fiscal year 2021 were Western Sussex expansion of the County’s sewer system, along with the bio-solids plant at the Inland Bays Wastewater Treatment Facility. The following are highlights of the major capital sewer projects underway during fiscal year 2021, which will expand the County’s sewer system to serve more residents and protect the environment:

- expansion at the South Coastal Regional Wastewater facility to increase the average daily flow from 6.0 million gallons to 10.0 million gallons per day;
- construction of the sewer expansion areas, such as Herring Creek, Joy Beach, Long Neck Communities, Lockwood Mallard Creek, Mulberry Knoll, Wolfe Rune, Robinsonville Road; and
- design of the Piney Neck Regional Wastewater Facility diversion transmission system.

Long-term Debt

As of June 30, 2021, the County had \$200.0 million in outstanding bonds payable. This debt is backed by the full faith and credit of the Sussex County Government, although revenues from sewer and water districts are being used to pay the debt service for this debt. This debt was solely used to fund business-type water and sewer activities. There is no general fund bonded debt.

SUSSEX COUNTY'S OUTSTANDING DEBT

As of June 30, 2021 and 2020

General Bonds

	Governmental Activities		Business-type Activities		Total Government	
	2021	2020	2021	2020	2021	2020
General Obligation Bonds	\$ -	\$ -	\$199,992,825	\$150,074,075	\$199,992,825	\$150,074,075
Total	\$ -	\$ -	\$199,992,825	\$150,074,075	\$199,992,825	\$150,074,075

During the year, the County had General Obligation Refunding Bond, Series 2020B, with interest rates ranging from .217% to 2.421% which was used to advance refund 2012A and B, which had interest rates from 2.75% to 5.00%. The County also issued General Obligation Bond Series 2020A with interest rates ranging from 1.0% to 5.0%. The proceeds were used to pay the cost of various sewer system projects and to refund certain Sussex County, Delaware General Obligation Bonds owned by the United States Department of Agriculture, Rural Utilities Services, which had interest rates from 4.0% to 5.0%. Additional funds were granted or borrowed from the State of Delaware Revolving Fund Loan Program and U.S. Department of Agriculture - Water and Waste Disposal Systems for Rural Communities Program for sewer construction projects. The funding from these two agencies provides affordable sewer to our County residents. Loan funds are borrowed at a low interest rate for long terms.

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

Additional debt information is included in Note J on pages 57 through 62 of the report.

Economic Factors in Next Year's Budgets and Rates

Economic Factors

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

- While the national unemployment rate, as stated by the Delaware Department of Labor, was 5.9 percent in June 2021, Delaware's unemployment rate was 5.8 percent; Sussex County's unemployment - at 4.4 percent - was under the other Delaware County averages.

- Fiscal year 2021 again saw increases in the housing market. General fund budgeted revenues, excluding transfers and use of reserves, surpassed projections by \$26.4 million. County's property tax assessments saw an increase of 2.7 percent. Although actual revenues for fiscal year 2021 came in much higher than budgeted revenues, the budget committee chose not to assume that the economy will continue to expand at the same levels as fiscal year 2021. Building related revenues, excluding realty transfer tax, were budgeted at 70 percent of anticipated collections for the fiscal year 2021. Due to the fiscal restriction and unprecedented amount of collections, realty transfer tax was budgeted at 70 percent of the previous completed fiscal year.
- Agriculture continues to be Sussex County's leading economic driver, with the primary focus being grain production and poultry processing.
- Tourism is a major industry in Sussex County with outlet shopping located on the East Coast corridor. The outlets attract customers from other counties and states. Having no state sales tax is an additional draw for outlet shoppers. As expected, the tourism industry was impacted by the pandemic; however, in Sussex the industry has bounced back to pre-pandemic levels. The budget committee is carefully watching how inflation could impact this industry as well as agriculture.
- The County's income has not been negatively impacted by COVID-19. Realty transfer tax revenue is higher than any previous year and reflects the attractiveness of the Sussex lifestyle and low cost-of-living, which brings more retirees and a remote workforce to the county.

Fiscal Year 2022 Budget and Rates

The major goal of the fiscal year 2022 budget was to continue to operate within the County's means and still provide an excellent level of service to our residents. As with previous budgets, the fiscal year 2022 budget was put together with long-term planning in mind. As mentioned above, the County has economically-sensitive revenues which were budgeted at a percentage of previous years.

New for fiscal year 2022 is a more transparent budget platform that clearly defines long-term goals and aligns all initiative to these goals. There is also a full section on long-term financial planning that shows how the County will sustain operations.

The fiscal year 2022 general fund operating budget decreased \$1.9 million from fiscal year 2021 revised budget. The decrease is due to one-time grants given in fiscal year 2021. Recurring expenses are relatively flat from fiscal year 2021. New in fiscal year 2022 is the \$45.6 million in additional funds from the American Recovery Plan Act. These funds are budget outside the general fund operating budget.

The fiscal year 2022 capital improvements budget increased \$10.8 million, or 71.7 percent, and includes \$23.2 million of use of appropriated reserves. These previous collected revenues help the County continue investing in its infrastructure. The County has a practice of setting funds aside for large capital projects. Our goal is to use available funds for these projects instead of borrowing through bond issues. As a result of this practice, the County can be proud that there is no general fund bonded debt. Conservative budgeting, both now and in the past, has enabled the County to not raise property taxes for another year. The largest projects include construction of the public safety building, the purchase of land for open space, and a contribution to a parking structure in Georgetown.

The fiscal year 2022 sewer and water operating budget increased by 10.0 percent. The increase is due to utility costs and additional operating costs for customers coming online. The service charges cover the operation of four wastewater treatment facilities, one water facility and tower, 526 pump stations, and 970 miles of pipe.

The five-year capital improvement plan of \$268.2 million includes \$186.6 million for sewer and water projects and improvements, as well as \$81.6 million for other governmental fund projects, such as improving the Delaware Coastal Airport and Coastal Business Park, expanding our paramedic infrastructure, and information technology infrastructure.

Requests for Information

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

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

BASIC FINANCIAL STATEMENTS

SUSSEX COUNTY, DELAWARE
STATEMENT OF NET POSITION
JUNE 30, 2021

-19-

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 6,311,422	\$ 2,802,704	\$ 9,114,126
Investments	53,344,215	23,306,765	76,650,980
Taxes receivable	1,537,288	-	1,537,288
Other receivables	1,982,500	3,722,542	5,705,042
Due from other governmental agencies	2,013,243	7,270,617	9,283,860
Internal balances	10,668,987	(10,668,987)	-
Inventory	27,112	349,771	376,883
Prepaid items	30,617	-	30,617
Restricted cash and cash equivalents	37,184,148	9,484,172	46,668,320
Restricted investments	103,390,686	95,429,655	198,820,341
Loans receivable	1,521,828	-	1,521,828
Net pension asset	17,610,305	5,409,702	23,020,007
Capital assets:			
Land, improvements, and construction in progress	28,490,916	99,582,883	128,073,799
Other capital assets, net of depreciation / amortization	67,565,332	399,311,550	466,876,882
Total assets	<u>331,678,599</u>	<u>636,001,374</u>	<u>967,679,973</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows from other postemployment benefits	1,504,413	462,140	1,966,553
Deferred outflows from pension	1,145,229	351,803	1,497,032
Total deferred outflows of resources	<u>2,649,642</u>	<u>813,943</u>	<u>3,463,585</u>
LIABILITIES			
Accounts payable and other current liabilities	19,772,765	9,855,405	29,628,170
Accrued interest payable	-	850,133	850,133
Employee health claims payable	1,329,605	-	1,329,605
Unearned revenue	23,174,664	64,392	23,239,056
Deposits	2,107,654	-	2,107,654
Long-term liabilities:			
Due within one year	2,972,565	10,129,187	13,101,752
Other due in more than one year	4,724,391	191,851,563	196,575,954
Total liabilities	<u>54,081,644</u>	<u>212,750,680</u>	<u>266,832,324</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows from other postemployment benefits	6,415,375	1,970,731	8,386,106
Deferred inflows from pension	12,351,142	3,794,141	16,145,283
Deferred inflow on refunding of bonds	-	35,327	35,327
Total deferred inflows of resources	<u>18,766,517</u>	<u>5,800,199</u>	<u>24,566,716</u>
NET POSITION			
Net investment in capital assets	95,551,537	312,780,719	408,332,256
Restricted for:			
Realty transfer tax eligible expenses: Capital, public safety or economic development	99,606,992	-	99,606,992
Lodging tax eligible expenses: Beach nourishment, waterway dredging, tourism, water quality or flood control	49,958	-	49,958
Employee and pension benefits	2,068,872	358,163	2,427,035
Construction and capital	-	85,033,088	85,033,088
Grant expenses	1,564,781	-	1,564,781
Unrestricted	62,637,940	20,092,468	82,730,408
Total Net Position	<u>\$ 261,480,080</u>	<u>\$ 418,264,438</u>	<u>\$ 679,744,518</u>

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

SUSSEX COUNTY, DELAWARE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

Function/Programs	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary government:							
Governmental Activities:							
General government	\$ 7,520,951	\$ 2,840,815	\$ 207,844	\$ 54,258	\$ (4,418,034)	\$ -	\$ (4,418,034)
Planning and zoning	2,580,241	3,372,843	-	-	792,602	-	792,602
Paramedics	16,637,782	60,090	5,172,389	-	(11,405,303)	-	(11,405,303)
Emergency preparedness	4,942,953	20,800	763,473	-	(4,158,680)	-	(4,158,680)
County engineer	1,109,090	2,809,175	-	-	1,700,085	-	1,700,085
Library	3,280,930	566	449,206	-	(2,831,158)	-	(2,831,158)
Economic development and airpark	4,763,057	623,646	-	519,104	(3,620,307)	-	(3,620,307)
Community development	2,418,638	-	1,998,221	-	(420,417)	-	(420,417)
Grant-in-aid program	21,390,212	-	-	-	(21,390,212)	-	(21,390,212)
Constitutional offices	2,557,573	10,495,091	-	-	7,937,518	-	7,937,518
Total governmental activities	<u>67,201,427</u>	<u>20,223,026</u>	<u>8,591,133</u>	<u>573,362</u>	<u>(37,813,906)</u>	<u>-</u>	<u>(37,813,906)</u>
Business-type activities:							
Sewer facilities	42,024,610	26,241,664	28,687,205	10,838,415	-	23,742,674	23,742,674
Water facilities	1,415,297	1,331,189	3,202	1,419,497	-	1,338,591	1,338,591
Total business-type activities	<u>43,439,907</u>	<u>27,572,853</u>	<u>28,690,407</u>	<u>12,257,912</u>	<u>-</u>	<u>25,081,265</u>	<u>25,081,265</u>
Total primary government	<u>\$ 110,641,334</u>	<u>\$ 47,795,879</u>	<u>\$ 37,281,540</u>	<u>\$ 12,831,274</u>	<u>(37,813,906)</u>	<u>25,081,265</u>	<u>(12,732,641)</u>
General revenues:							
Taxes: Property					17,087,426	-	17,087,426
Fire service					2,663,857	-	2,663,857
Realty transfer					57,024,772	-	57,024,772
Net investment results					179,303	108,126	287,429
Gain on sale of capital assets					19,303	22,140	41,443
Transfers					(62,139)	62,139	-
Total general revenues and transfers					<u>76,912,522</u>	<u>192,405</u>	<u>77,104,927</u>
Change in net position					<u>39,098,616</u>	<u>25,273,670</u>	<u>64,372,286</u>
Net position - beginning					<u>222,381,464</u>	<u>392,990,768</u>	<u>615,372,232</u>
Net position - ending					<u>\$ 261,480,080</u>	<u>\$ 418,264,438</u>	<u>\$ 679,744,518</u>

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

SUSSEX COUNTY, DELAWARE
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2021

	General	Capital Projects	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 6,311,422	\$ -	\$ 6,311,422
Investments	53,344,215	-	53,344,215
Receivables, net of allowance for doubtful accounts:			
Taxes	1,537,288	-	1,537,288
Assessments and connection	1,210,652	-	1,210,652
Accrued interest	163,519	27,022	190,541
Miscellaneous	358,474	-	358,474
Employee advances	210,180	-	210,180
Due from other governmental agencies	1,642,678	370,565	2,013,243
Due from other funds	10,682,592	-	10,682,592
Inventory	27,112	-	27,112
Prepaid items	30,617	-	30,617
Restricted cash and cash equivalents	25,449,586	11,734,562	37,184,148
Restricted investments	72,405,993	30,984,693	103,390,686
Total Assets	<u>173,374,328</u>	<u>43,116,842</u>	<u>216,491,170</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accounts payable and other accrued expenditures	19,399,017	373,748	19,772,765
Employee health claims payable	1,329,605	-	1,329,605
Due to other funds	-	952	952
Unearned revenue	22,888,378	-	22,888,378
Deposits	2,107,654	-	2,107,654
Total Liabilities	<u>45,724,654</u>	<u>374,700</u>	<u>46,099,354</u>
Deferred inflows of resources:			
Unavailable revenues	2,123,414	369,915	2,493,329
Total deferred inflows of resources	<u>2,123,414</u>	<u>369,915</u>	<u>2,493,329</u>
Fund balances:			
Nonspendable	267,909	-	267,909
Restricted	74,207,956	42,372,227	116,580,183
Committed	10,439,101	-	10,439,101
Assigned	2,079,742	-	2,079,742
Unassigned	38,531,552	-	38,531,552
Total fund balances	<u>125,526,260</u>	<u>42,372,227</u>	<u>167,898,487</u>
Total liabilities deferred inflows of resources, and fund balances	<u>\$ 173,374,328</u>	<u>\$ 43,116,842</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.	96,056,248
Long-term liabilities are not due and payable in the current period and therefore are not reported in the fund-level statements.	(7,696,956)
Certain tax and grant receivables do not provide current financial resources and therefore are reported as unavailable revenue in the fund-level statements.	2,207,043
Other long-term assets are not available to pay for current period expenditures and, therefore, are not recognized in the fund-level statements.	19,132,133
Consumption of net position by the government that is applicable to a future period.	2,649,642
Acquisition of net position by the government that is applicable to a future period.	(18,766,517)
Net position of governmental activities	<u>\$ 261,480,080</u>

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

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>General</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
REVENUES			
Taxes	\$ 76,945,223	\$ -	\$ 76,945,223
Intergovernmental	7,930,533	452,530	8,383,063
Charges for services	20,452,979	-	20,452,979
Fines and forfeits	76,071	-	76,071
Investment results	181,631	(2,327)	179,304
Miscellaneous revenue	315,511	-	315,511
Total revenues	<u>105,901,948</u>	<u>450,203</u>	<u>106,352,151</u>
EXPENDITURES			
Current:			
General government	12,632,889	-	12,632,889
Planning & zoning	2,549,785	-	2,549,785
Paramedics	16,587,234	-	16,587,234
Emergency preparedness	4,447,013	-	4,447,013
County engineer	1,276,974	-	1,276,974
Library	2,929,383	-	2,929,383
Economic development and airport	1,477,109	-	1,477,109
Community development	2,385,475	-	2,385,475
Grant-in-aid	22,435,725	-	22,435,725
Constitutional offices	2,491,178	-	2,491,178
Capital projects	-	7,107,926	7,107,926
Total expenditures	<u>69,212,765</u>	<u>7,107,926</u>	<u>76,320,691</u>
Excess of (deficiency) of revenues over (under) expenditures	<u>36,689,183</u>	<u>(6,657,723)</u>	<u>30,031,460</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	49,042	23,782,772	23,831,814
Transfers out	(23,898,272)	-	(23,898,272)
Sale of capital assets	28,151	-	28,151
Total other financing sources and uses	<u>(23,821,079)</u>	<u>23,782,772</u>	<u>(38,307)</u>
Net change in fund balances	12,868,104	17,125,049	29,993,153
Fund balances - beginning	112,658,156	25,247,178	137,905,334
Fund balances - ending	<u>\$ 125,526,260</u>	<u>\$ 42,372,227</u>	<u>\$ 167,898,487</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, 2021

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

Net change in fund balances - total governmental funds		\$ 29,993,153
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	\$ 8,408,786	
Depreciation	<u>(5,890,562)</u>	2,518,224
The effect of various miscellaneous transactions involving capital assets (i.e. sales and transfers) is to increase net assets		
		(4,529)
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	\$ (65,569)	
Grants	192,302	
Property taxes	<u>(169,169)</u>	(42,436)
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	\$ (470,479)	
Grant	504,137	
Net pension liability (asset)	2,185,333	
Net other postemployment benefit liability	4,310,583	
Pollution remediation cost	<u>104,630</u>	<u>6,634,204</u>
Change in net position of governmental activities		<u><u>\$ 39,098,616</u></u>

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

SUSSEX COUNTY, DELAWARE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 41,686,996	\$ 51,176,996	\$ 76,945,223	\$ 25,768,227
Intergovernmental	7,750,800	7,750,800	7,930,533	179,733
Charges for services	13,162,630	13,162,630	20,452,979	7,290,349
Fines and forfeits	60,000	60,000	76,071	16,071
Investment earnings	764,200	764,200	181,631	(582,569)
Miscellaneous revenue	197,000	197,000	315,511	118,511
Total Revenues	<u>63,621,626</u>	<u>73,111,626</u>	<u>105,901,948</u>	<u>32,790,322</u>
EXPENDITURES				
Current:				
General government	15,412,394	15,412,394	12,632,889	2,779,505
Planning & zoning	2,862,898	2,862,898	2,549,785	313,113
Paramedics	16,953,803	16,953,803	16,587,234	366,569
Emergency preparedness	4,561,020	4,561,020	4,447,013	114,007
County engineer	1,557,165	1,557,165	1,276,974	280,191
Library	3,411,143	3,411,143	2,929,383	481,760
Economic development and airpark	1,869,909	1,869,909	1,477,109	392,800
Community development	2,593,233	2,593,233	2,385,475	207,758
Grant-in-aid	18,250,136	26,740,136	22,435,725	4,304,411
Constitutional offices	2,504,425	2,504,425	2,491,178	13,247
Total Expenditures	<u>69,976,126</u>	<u>78,466,126</u>	<u>69,212,765</u>	<u>9,253,361</u>
Excess (deficiency) of revenues over expenditures	<u>(6,354,500)</u>	<u>(5,354,500)</u>	<u>36,689,183</u>	<u>42,043,683</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	70,000	70,000	49,042	(20,958)
Transfers out	(115,500)	(1,115,500)	(23,898,272)	(22,782,772)
Sale of capital assets	-	-	28,151	28,151
Appropriated reserves	6,400,000	6,400,000	-	(6,400,000)
Total other financing sources and uses	<u>6,354,500</u>	<u>5,354,500</u>	<u>(23,821,079)</u>	<u>(29,175,579)</u>
Net change in fund balances	-	-	12,868,104	12,868,104
Fund balances - beginning	112,658,156	112,658,156	112,658,156	-
Fund balances - ending	<u>\$ 112,658,156</u>	<u>\$ 112,658,156</u>	<u>\$ 125,526,260</u>	<u>\$ 12,868,104</u>

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

SUSSEX COUNTY, DELAWARE
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2021

	Business-type Activities - Enterprise Funds		
	Unified Sewer District	Water	Totals
ASSETS			
Current assets:			
Cash and cash equivalents:			
Unrestricted	\$ 2,117,301	\$ 685,403	\$ 2,802,704
Restricted	9,137,135	347,037	9,484,172
Receivables, net of allowance for doubtful accounts:			
Service charges	277,040	27,160	304,200
Assessments and connection	73,259	-	73,259
Interest and penalties	-	1,186	1,186
Accrued interest	128,091	2,201	130,292
Miscellaneous	128,312	-	128,312
Employee advances	109,314	-	109,314
Due from other governmental agencies	64,989	664,633	729,622
Investments:			
Unrestricted	6,046,988	309,136	6,356,124
Restricted	19,787,903	142,084	19,929,987
Inventory	287,024	62,747	349,771
Total current assets	<u>38,157,356</u>	<u>2,241,587</u>	<u>40,398,943</u>
Noncurrent assets:			
Investments:			
Unrestricted	15,844,750	1,105,891	16,950,641
Restricted	75,137,521	362,147	75,499,668
Noncurrent accounts receivables:			
Service charges	2,121,875	41,571	2,163,446
Assessments and connection	656,246	194	656,440
Interest and penalties	-	11,689	11,689
Accrued interest	21,752	212	21,964
Miscellaneous	122,140	300	122,440
Due from other governmental agencies	5,827,524	713,471	6,540,995
Net pension asset	5,271,582	138,120	5,409,702
Capital assets:			
Land, improvements, and construction in progress	97,873,931	1,708,952	99,582,883
Other capital assets, net of depreciation	398,111,850	1,199,700	399,311,550
Total noncurrent assets	<u>600,989,171</u>	<u>5,282,247</u>	<u>606,271,418</u>
Total Assets	<u>639,146,527</u>	<u>7,523,834</u>	<u>646,670,361</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows from other postemployment benefits	450,341	11,799	462,140
Deferred outflows from pension	342,820	8,983	351,803
Total Deferred Outflows of Resources	<u>793,161</u>	<u>20,782</u>	<u>813,943</u>

(continued)

SUSSEX COUNTY, DELAWARE
STATEMENT OF NET POSITION - PROPRIETARY FUNDS - CONTINUED
JUNE 30, 2021

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	Business-type Activities - Enterprise Funds		
	Unified Sewer District	Water	Totals
LIABILITIES			
Current liabilities:			
Accounts payable and other current liabilities	\$ 9,330,460	\$ 524,945	\$ 9,855,405
Accrued interest payable	850,133	-	850,133
Due to other funds	9,282,781	1,386,206	10,668,987
Current portion of long-term liabilities	10,113,175	16,012	10,129,187
Unearned revenue	61,959	2,433	64,392
Total current liabilities	<u>29,638,508</u>	<u>1,929,596</u>	<u>31,568,104</u>
Noncurrent liabilities:			
Long-term liabilities, less current portion	191,822,944	28,619	191,851,563
Total noncurrent liabilities	<u>191,822,944</u>	<u>28,619</u>	<u>191,851,563</u>
Total Liabilities	<u>221,461,452</u>	<u>1,958,215</u>	<u>223,419,667</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows from other postemployment benefits	1,920,414	50,317	1,970,731
Deferred inflows from pension	3,697,269	96,872	3,794,141
Deferred inflows - charge on refunding	35,327	-	35,327
Total Deferred Inflows of Resources	<u>5,653,010</u>	<u>147,189</u>	<u>5,800,199</u>
NET POSITION			
Net investment in capital assets	310,104,989	2,675,730	312,780,719
Restricted	85,035,068	356,183	85,391,251
Unrestricted	17,685,169	2,407,299	20,092,468
Total Net Position	<u>\$ 412,825,226</u>	<u>\$ 5,439,212</u>	<u>\$ 418,264,438</u>

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

SUSSEX COUNTY, DELAWARE
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN FUND NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

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	Business-type Activities - Enterprise Funds		
	Unified Sewer District	Water	Totals
Operating revenues:			
Charges for services	\$ 22,966,514	\$ 1,217,386	\$ 24,183,900
Other operating revenue	3,275,150	113,803	3,388,953
Total operating revenues	<u>26,241,664</u>	<u>1,331,189</u>	<u>27,572,853</u>
Operating expenses:			
Contractual services	7,735,886	796,074	8,531,960
Depreciation	14,258,368	144,861	14,403,229
Employee benefits	2,846,500	74,225	2,920,725
Equipment and tools	180,800	12,766	193,566
Maintenance and repairs	2,561,283	107,298	2,668,581
Process chemicals	294,433	-	294,433
Professional fees	234,423	5,965	240,388
Salaries	6,608,842	144,683	6,753,525
Shared costs	2,437,172	114,622	2,551,794
Supplies	734,012	14,803	748,815
Training and travel	9,159	-	9,159
Total operating expenses	<u>37,900,878</u>	<u>1,415,297</u>	<u>39,316,175</u>
Operating (loss) income	<u>(11,659,214)</u>	<u>(84,108)</u>	<u>(11,743,322)</u>
Nonoperating revenue (expenses):			
Interest and investment results	71,014	(1,196)	69,818
Assessment and connection fees	28,725,250	3,465	28,728,715
Gain on sale of capital assets	15,295	2,524	17,819
Miscellaneous	(432,430)	-	(432,430)
Interest expense	(3,691,300)	-	(3,691,300)
Total nonoperating revenues	<u>24,687,829</u>	<u>4,793</u>	<u>24,692,622</u>
Income (loss) before contributions and transfers	13,028,615	(79,315)	12,949,300
Capital contributions	10,838,415	-	10,838,415
Capital grants	-	1,419,497	1,419,497
Transfers in	115,500	-	115,500
Transfers out	(49,042)	-	(49,042)
Change in net position	<u>23,933,488</u>	<u>1,340,182</u>	<u>25,273,670</u>
Total net position - beginning	<u>388,891,738</u>	<u>4,099,030</u>	<u>392,990,768</u>
Total net position - ending	<u>\$ 412,825,226</u>	<u>\$ 5,439,212</u>	<u>\$ 418,264,438</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, 2021

	Business-type Activities - Enterprise Funds		
	Unified Sewer District	Water	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers	\$ 26,476,032	\$ 1,353,729	\$ 27,829,761
Other receipts	919,038	-	919,038
Other payments	(4,320,808)	-	(4,320,808)
Payments to employees	(11,274,554)	(265,738)	(11,540,292)
Payments to suppliers	(13,533,375)	(635,985)	(14,169,360)
Net cash flows from operating activities	<u>(1,733,667)</u>	<u>452,006</u>	<u>(1,281,661)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(39,840,377)	(1,698,401)	(41,538,778)
Assessment and connection fees	28,766,190	3,465	28,769,655
Bond proceeds	108,489,592	-	108,489,592
Proceeds from sale of assets	19,614	2,524	22,138
Capital grants	2,543,232	156,485	2,699,717
Interest paid	(3,573,873)	-	(3,573,873)
Retirement of bonds and related costs	(58,160,119)	-	(58,160,119)
Transfers from other funds for capital activities	115,500	1,244,250	1,359,750
Transfers to other funds for capital activities	(5,173,229)	-	(5,173,229)
Net cash flows for capital and related financing activities	<u>33,186,530</u>	<u>(291,677)</u>	<u>32,894,853</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Interest income and investment results	792,304	19,320	811,624
Net purchases of investments	(38,201,478)	(111,525)	(38,313,003)
Net cash flows from investing activities	<u>(37,409,174)</u>	<u>(92,205)</u>	<u>(37,501,379)</u>
Net increase (decrease) in cash and cash equivalents	<u>(5,956,311)</u>	<u>68,124</u>	<u>(5,888,187)</u>
Cash and cash equivalents - beginning	17,210,747	964,316	18,175,063
Cash and cash equivalents - ending	<u>\$ 11,254,436</u>	<u>\$ 1,032,440</u>	<u>\$ 12,286,876</u>

(continued)

SUSSEX COUNTY, DELAWARE
 STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS - CONTINUED
 FOR YEAR ENDED JUNE 30, 2021

	Business-type Activities - Enterprise Funds		
	Unified Sewer District	Water	Totals
Reconciliation of operating (loss) income to net cash provided by operating activities:			
Operating (loss) income	\$ (11,659,214)	\$ (84,108)	\$ (11,743,322)
Adjustments to reconcile operating (loss) income to net cash provided by operating			
Depreciation	14,258,368	144,861	14,403,229
Increase in accounts payable - other	919,038	-	919,038
Increase in accounts payable - suppliers	184,057	413,794	597,851
Increase in compensated absences	111,670	5,322	116,992
Decrease in customer receivables	(3,719,619)	22,540	(3,697,079)
Increase in inventory	469,736	1,748	471,484
Decrease in other operating receivables	(366,820)	-	(366,820)
Decrease in salaries and benefits payable	(1,930,883)	(52,151)	(1,983,034)
Net cash provided by operating activities	<u>\$ (1,733,667)</u>	<u>\$ 452,006</u>	<u>\$ (1,281,661)</u>
Schedule of non-cash capital and related financing activities:			
Contributions of capital assets	\$ 8,295,183	\$ -	\$ 8,295,183

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

SUSSEX COUNTY, DELAWARE
 STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
 JUNE 30, 2021

	Pension and OPEB Trusts Total
ASSETS	
Cash and cash equivalents	\$ 2,406,561
Investments:	
U.S. Treasuries	13,967,966
Government Agencies	1,452,765
Corporate obligations	44,799,217
Core Real Estate	8,995,890
Mutual funds and pooled investments	139,565,971
Total Investments	<u>208,781,809</u>
Accounts receivable	81,903
Accrued interest	<u>158,562</u>
Total assets	<u>211,428,835</u>
LIABILITIES	
Accounts payable	81,457
Due to general fund	<u>12,652</u>
Total liabilities	<u>94,109</u>
NET POSITION	
Restricted for:	
Pension	150,840,125
Postemployment benefits other than pensions (OPEB)	<u>60,494,601</u>
Total net position	<u><u>\$ 211,334,726</u></u>

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

SUSSEX COUNTY, DELAWARE
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2021

	Pension and OPEB Trusts Total
	<u> </u>
ADDITIONS	
Employer contributions	\$ 8,060,766
Employee contributions	251,807
Investment earnings:	
Net appreciation of investments	30,856,282
Interest and dividends	12,259,896
Total investment earnings	<u>43,116,178</u>
Less investment costs	<u>(188,996)</u>
Net investment earnings	<u>42,927,182</u>
Total additions	<u>51,239,755</u>
DEDUCTIONS	
Beneficiary payments	7,867,973
Professional fees	258,254
Total deductions	<u>8,126,227</u>
Net increase in plan net position	43,113,528
Net position restricted for pension and OPEB benefits - beginning	<u>168,221,198</u>
Net position restricted for pension and OPEB benefits - ending	<u>\$ 211,334,726</u>

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

1. Reporting Entity

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

2. Basic Financial Statements - Government-wide Statements

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

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

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

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

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

3. Basic Financial Statements - Fund Financial Statements

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

Governmental Funds

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

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

Capital projects fund is maintained to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by business-type/proprietary funds). These funds are provided by intergovernmental grants, investment income, and operating transfers from the General Fund. Some projects may take longer than one year to complete. Major capital projects expenditures in fiscal year 2021 were for airport and business park expansion and improvements. As of June 30, 2021, the major projects being planned over the next five years include \$26.6 million for airport and business park improvements and expansion, \$35.7 million for property acquisition and improvements, \$16.3 million for public safety buildings, and \$3.0 million information technology infrastructure.

Proprietary Funds

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

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

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Basic Financial Statements - Fund Financial Statements - Continued

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

Fiduciary Funds

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

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

Major and Nonmajor Funds

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

4. Measurement Focus and Basis of Accounting

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

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

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

5. Cash and Cash Equivalents

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

Restricted cash mainly consists of amounts held by the County for the proceeds from grant programs, Constitutional Row Offices, lodging tax, realty transfer tax, developer cash bonds, and various sewer system reserves and construction funds.

6. Investments

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

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

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

Level 3 - Unobservable inputs for the assets.

Investments are assigned a level based upon the observability of the inputs which are significant to the overall valuation. The fair value of certain investments that do not have readily determinable fair values can be presented at net asset value (NAV) as a practical expedient to the hierarchy above. The inputs and methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

7. Accounts Receivable

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

8. Inventory and Prepaid Items

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

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

9. Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at acquisition value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation or

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

9. Capital Assets - Continued

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

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

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

10. Deferred Outflows/Inflows of Resources

Deferred Outflows of Resources, reported after Total Assets, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County has two items that qualify for reporting in this category. The first is deferred outflows from pensions as described in Note F. The second is deferred outflows from other postemployment benefits as described in Note G. These items will be recognized as part of pension and OPEB expense in future periods.

Deferred Inflows of Resources, reported after Total Liabilities, which represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until then. The County has three items that qualify for reporting in this category. The first deferred inflow from other postemployment benefits is described in Note G. The second deferred inflow from pension is described in Note F. The third is the deferred charge on refunding reported in the government-wide statement of net position. A deferred net charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

11. Bond Premiums and Discounts

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

12. Deposits and Unearned Revenue

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

13. Compensated Absences

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

14. Equity Classifications

Government-wide and Proprietary Fund Net Position

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

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

Governmental Fund Balances

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

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

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

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

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

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

15. Revenues

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

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

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

16. Expenditures

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

17. Interfund Activity

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

18. Budgets and Budgetary Accounting

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

18. Budgets and Budgetary Accounting - continued

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

The budgets for the County's general fund and capital projects fund have been prepared on a basis materially consistent with GAAP. Final budgeted amounts are as amended through June 30, 2021. 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 \$19,132,133 difference "Other long-term assets are not available to pay for current period expenditures and therefore, are not recognized in the fund level statements" is as follows:

Loan receivable	\$	1,521,828
Net pension asset		17,610,305

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

All deposits are in various financial institutions and are carried at cost. Transactions are made directly with the banks; services of brokers or securities dealers are not used. At June 30, 2021, the carrying amount of the County's deposits was \$58,189,007 and the bank balance was \$51,690,614. None of the County's deposits were uninsured or uncollateralized at year end.

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

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

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

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

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. The County has no formal policy to address the concentration of credit risk attributed to a single issuer.

The County's investment policy for the primary government accounts authorizes the following investments:

1. Bonds or other obligations of which the faith and credit of the United States of America are pledged;
2. Obligations of federal governmental agencies issued pursuant to Acts of Congress;
3. Repurchase agreements that are secured by any bond or other obligation for the payment of which the faith and credit of the United States are pledged;
4. Certificates of deposit and other evidences of deposit of financial institutions;
5. Money market mutual funds regulated by the Securities and Exchange Commission and whose portfolios consist of dollar-denominated securities;
6. Commercial paper rated in the highest rating category by Rating Services.

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

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

The County categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. U.S. Treasury and mutual funds are valued using prices quoted in active markets. Government agency and corporate debt securities are valued using matrix pricing techniques maintained by various pricing vendors that value securities based on the securities' relationship to benchmark quoted prices. There has been no change in the valuation technique. The aggregate fair value by input level, for the County investment's as of June 30, 2021 are as follows:

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

	June 30, 2021	Level 1	Level 2	Level 3
General Government				
Investments by fair value level				
U.S. Treasury securities	\$ 2,034,140	\$ 2,034,140	\$ -	\$ -
U.S. Government agencies securities	258,602,692	-	258,602,692	-
Total	260,636,832	2,034,140	258,602,692	-
Investments at amortized cost:				
Certificates of deposits	14,834,489			
Total investment General Government	275,471,321			
Pension and Other Post-Retirement Employee Benefit Trust				
Investments at fair value level				
U.S. Treasury securities	13,967,966	13,967,966	-	-
U.S. Government agencies securities	1,452,765	-	1,452,765	-
Corporate obligations	44,799,217	-	44,799,217	-
Mutual Funds	130,409,065	130,409,065	-	-
Total	190,629,013	144,377,031	46,251,982	-
Investments measured at the net asset value (NAV)				
Global pooled equities	9,156,906			
Core Real Estate	8,995,890			
Total	18,152,796			
Total Pension and Other Post- Retirement Employee Benefit Trust investments	208,781,809			
Total Investments	\$484,253,130	\$146,411,171	\$304,854,674	\$ -

The fair value of investments by contractual maturity as of June 30, 2021 is shown below.

Investment Type	Total	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	11-15
U.S. Treasuries	\$ 16,002,106	\$ 658,289	\$ 10,757,076	\$ 4,586,741	\$ -
Government Agencies	260,055,457	3,677,136	249,377,791	7,000,530	-
Corporate obligations	44,799,217	31,684,136	7,896,399	5,148,672	70,010
Certificates of deposits	14,834,489	14,550,420	284,069	-	-
Mutual funds	130,409,065	130,409,065	-	-	-
Global pooled equities	9,156,906	9,156,906	-	-	-
Core Real Estate	8,995,890	8,995,890	-	-	-
Total Investments	\$484,253,130	\$199,131,842	\$268,315,335	\$16,735,943	\$70,010

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

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

Cash on hand	\$6,498,393
Carrying amount of deposits	51,690,614
Carrying amount of investments	484,253,130
Total	<u>\$ 542,442,137</u>

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

Primary Government	
Unrestricted	
Cash and cash equivalents	\$ 9,114,126
Investments	76,650,980
Restricted	
Cash and cash equivalents	46,668,320
Investments	198,820,341
Total primary government	<u>331,253,767</u>
Fiduciary funds (not included in government-wide statement)	
Cash and cash equivalents	2,406,561
Investments	208,781,809
Total fiduciary funds	<u>211,188,370</u>
Total	<u>\$542,442,137</u>

NOTE C - ACCOUNTS RECEIVABLE

The allowance for uncollectible receivables at June 30, 2021 is \$17,329 for service, \$7,371 for assessment and \$8,095 for interest and penalties. The County does not have an allowance for uncollectible property taxes because all are considered collectible.

NOTE D - LOANS RECEIVABLE

Under the County's Economic Development Stimulus Loan Program, loans are provided for certain projects for economic development and job growth purposes. The balances outstanding total \$90,976 at June 30, 2021. One loan bears no interest, matures on April 2026, and is secured with the full faith and credit of the borrowing municipality. The other loan bears interest at 1% per annum, matures on February 2023, and is secured with partner guarantees and a second mortgage on the property.

The County's Excite Sussex County Fund, part of the Grow America Fund, Inc. (GAF) has partnered with local funding institutions to provide economic development and job growth in Sussex County. The County has deposited \$750,000 with GAF along with matching grant funds of \$2.3 million. Deposits not yet used for loans with GAF are restricted for small business lending. The County's loan balance was \$686,053 at June 30, 2021, with interest at 1% per annum.

The County's Neighborhood Stabilization Program, in partnership with local nonprofits, provides zero percent interest loans for a term of thirty years for the purpose of providing affordable financing for moderate to low income families. The loans are secured by liens on the real property. The balances outstanding at June 30, 2021 total \$744,799.

Governmental loans receivable total \$1,521,828 at June 30, 2021, which are not reflected on the governmental funds balance sheet.

NOTE E - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021, was as follows:

	Balance at June 30, 2020	Increases	Decreases	Balance at June 30, 2021
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 22,355,125	\$ 4,360,530	\$ -	\$ 26,715,655
Construction in progress	7,537,611	6,943,712	12,706,062	1,775,261
Total capital assets, not being depreciated	<u>29,892,736</u>	<u>11,304,242</u>	<u>12,706,062</u>	<u>28,490,916</u>
Other capital assets:				
Buildings	45,520,479	2,109,545	-	47,630,024
Improvements	49,291,305	6,619,259	10,240	55,900,324
Machinery and equipment	19,687,818	899,757	579,264	20,008,311
Infrastructure	-	225,038	-	225,038
Total other capital assets	<u>114,499,602</u>	<u>9,853,599</u>	<u>589,504</u>	<u>123,763,697</u>
Less accumulated depreciation for:				
Buildings	12,574,678	920,283	-	13,494,961
Improvements	23,042,361	3,513,456	5,592	26,550,225
Machinery and equipment	15,232,746	1,451,529	536,390	16,147,885
Infrastructure	-	5,294	-	5,294
Total accumulated depreciation	<u>50,849,785</u>	<u>5,890,562</u>	<u>541,982</u>	<u>56,198,365</u>
	<u>63,649,817</u>	<u>3,963,037</u>	<u>47,522</u>	<u>67,565,332</u>
Governmental Activities Capital Assets, Net	<u>\$ 93,542,553</u>	<u>\$15,267,279</u>	<u>\$ 12,753,584</u>	<u>\$ 96,056,248</u>
Business-type Activities:				
Capital assets not being depreciated:				
Land	\$ 55,855,854	\$ 1,216,855	\$ -	\$ 57,072,709
Construction in progress	38,281,002	38,737,253	34,508,081	42,510,174
Total capital assets, not being depreciated	<u>94,136,856</u>	<u>39,954,108</u>	<u>34,508,081</u>	<u>99,582,883</u>
Other capital assets:				
Buildings	42,488,370	13,427,929	-	55,916,299
Improvements	10,667,005	2,237,167	-	12,904,172
Machinery and equipment	16,124,456	664,615	226,134	16,562,937
Infrastructure	532,222,019	27,109,104	-	559,331,123
Purchased capacity	2,556,688	949,120	-	3,505,808
Total other capital assets	<u>604,058,538</u>	<u>44,387,935</u>	<u>226,134</u>	<u>648,220,339</u>
Less accumulated depreciation and amortization for:				
Building	15,929,426	870,797	-	16,800,223
Improvements	7,710,254	243,529	-	7,953,783
Machinery and equipment	12,726,882	1,238,930	212,203	13,753,609
Infrastructure	198,262,371	11,943,663	9,612	210,196,422
Purchased capacity	98,442	106,310	-	204,752
Total accumulated depreciation and amortization	<u>234,727,375</u>	<u>14,403,229</u>	<u>221,815</u>	<u>248,908,789</u>
Other capital assets, net	<u>369,331,163</u>	<u>29,984,706</u>	<u>4,319</u>	<u>399,311,550</u>
Business-type Activities Capital Assets, Net	<u>\$ 463,468,019</u>	<u>\$ 69,938,814</u>	<u>\$ 34,512,400</u>	<u>\$ 498,894,433</u>

NOTE E – CAPITAL ASSETS – CONTINUED

Depreciation and amortization expense were charged to function as follows:

Governmental activities:	
General government	\$ 1,088,882
Planning and zoning	30,456
Paramedic program	560,231
Emergency preparedness	574,316
Economic development and airpark	3,173,695
County engineer	45,043
Library	351,546
Constitutional offices	66,393
Total governmental activities depreciation expense	\$ 5,890,562
Business-type activities:	
Water	\$ 144,861
Sewer	14,258,368
Total business-type activities depreciation and amortization expense	\$14,403,229

Construction in progress was \$44.3 million with additional contractually committed costs to complete the projects in process of approximately \$61.6 million as of June 30, 2021.

NOTE F - PENSION TRUST

Basis of Accounting

The pension trust uses the accrual basis of accounting. Employer contributions are recognized when due, and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plans. Administrative costs are financed through investment earnings.

Pension Plan Description and Administration

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

NOTE F PENSION TRUST – CONTINUED

Benefits Provided

A covered employee is an employee who receives a regular salary or wages wholly, or in part, directly, or indirectly, from Sussex County provided, however, that an employee shall not be considered in covered employment if they are a part-time or seasonal employee who is not regularly employed for more than 120 working days in any one calendar year, per Ordinance No. 19, 6/10/75; No. 52, 12/16/80; No. 73, 9/22/81; No. 190, 7/24/84; No. 281, 7/23/85; No. 318, 11/12/85; No. 359, 3/25/86; No. 1375, 6/6/00; No. 1485, 7/1/01 and No. 2346, 4/29/14. Also covered are elected officials, Justices of the Peace, and Constables for time worked prior to March 31, 1965. Cost-of-living adjustments (COLA) are provided at the discretion of the County Council. The County has authority to establish and amend benefit provisions of the plan. The age for normal retirement is 62 with eight years of service, 60 for early retirement with 15 years of service, or after 30 years of service regardless of age, for most employees. Effective June 6, 2000, the number of years of service for normal retirement is 25 for paramedic and emergency communication specialists. Covered payroll is the payroll on which contributions to the pension plan are based.

Current membership in the plan (as of June 30, 2021) is as follows:

Total Actives	Retirees and Beneficiaries	Terminated Vested	Covered Payroll
503	301	104	\$26,440,763

Contributions and Funding Policy

In fiscal year 2017, the County adopted a formal funding policy. Per the policy, the County will contribute no less than the actuarially determined contribution (ADC) as determined by as calculated by the Plan’s actuary. The ADC is calculated as the normal cost determined under the Entry Age Normal Actuarial Cost method net of anticipated member contributions, plus the amortization of the unfunded liability over a closed 20-year period, plus administrative expenses. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. Active members hired prior to January 1, 2014 do not contribute; active members hired on or after that date contributed at a rate of 3.0% of annual pay in excess of \$6,000, active members hired on or after January 1, 2020 contributed at a rate of 5.0% of annual pay in excess of \$6,000. County’s contribution rate was 18.90% of covered payroll for fiscal year ending June 30, 2021.

Financial Statements

As of June 30, 2021, the Sussex County Employee Pension Plan’s statement of fiduciary net position was as follows:

ASSETS	
Cash and cash equivalents	\$ 1,734,686
Investments:	
U.S. Treasuries	10,284,245
Government Agencies	1,272,754
Corporate obligations	31,646,545
Core Real Estate	6,350,040
Mutual funds and pooled investments	99,439,839
Total Investments	148,993,423
Accounts receivable	57,814
Accrued Interest	111,880
Total Assets	150,897,803

NOTE F PENSION TRUST - CONTINUED

Financial Statements - Continued

LIABILITES

Accounts payable	57,678
Total Liabilities	<u>57,678</u>

FIDUCIARY NET POSITION

Restricted for pensions	<u>\$150,840,125</u>
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For the fiscal year ending June 30, 2021, the Sussex County Employee Pension Plan's statement of changes in fiduciary net position was as follows:

ADDITIONS

Employer contributions	\$ 4,997,516
Employee contributions	251,807
Investment earnings:	
Net increase in fair value of investments	21,348,466
Interest and Dividends	9,350,577
Total investment earnings	<u>30,699,043</u>
Less investment costs	(125,445)
Net investment earnings	<u>30,573,598</u>
Total additions	<u>35,822,921</u>

DEDUCTIONS

Beneficiary payments	5,261,057
Professional fees	180,974
Total deductions	<u>5,442,031</u>
Net increase in fiduciary net position	30,380,890
Fiduciary net position - beginning	120,459,235
Fiduciary net position - ending	<u>\$150,840,125</u>

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

At June 30, 2021, the County reported \$23.0 million net pension asset. The net pension asset was measured as of June 30, 2021, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of the date. The County's net pension asset was based on a projection of the County's long-term contributions to the pension plan.

The components of the net pension liability of the County at June 30, 2021, were as follows:

Total Pension Liability	\$127,820,118
Plan Fiduciary Net Pension	(150,840,125)
County's Net Pension Liability / (Asset)	<u>\$ (23,020,007)</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	<u>118.0%</u>

The table below shows the changes in the Total Pension Liability (TPL), the Plan Fiduciary Net Position (i.e., fair value of Plan assets) (FNP), and the Net Pension Liability / (Asset) (NPL) during the Measurement Year ending on June 30, 2021.

NOTE F - PENSION TRUST - CONTINUED

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

	Changes in the Net Pension Liability / (Asset)		
	Increase (Decrease)		
	Total Pension Liability	Fiduciary Plan Net Position	Net Pension Liability / (Asset)
Balance at 6/30/2020	\$121,843,941	\$120,459,235	\$ 1,384,706
Changes recognized for the fiscal year:			
Service Cost	2,824,325	-	2,824,325
Interest	8,545,756	-	8,545,756
Differences between expected and actual experience	(132,847)	-	(132,847)
Change in assumptions	-	-	-
Contributions - employer	-	4,997,516	(4,997,516)
Contributions - members	-	251,807	(251,807)
Net investment income	-	30,573,598	(30,573,598)
Benefit payments	(5,261,057)	(5,261,057)	-
Administrative expense	-	(180,974)	180,974
Net change	5,976,177	30,380,890	(24,404,713)
Balance recognized at 6/30/2021	\$127,820,118	\$150,840,125	\$(23,020,007)

During the measurement year, the NPL decreased by \$24.40 million in total. The service cost and interest cost increased the NPL by \$11.37 million. Employer and member contributions and investment gains net of administrative expenses decreased the NPL by \$35.64 million. Additionally, there were actuarial experience gains during the year of \$0.13 million.

Changes in the discount rate affect the measurement of the TPL. Lower discount rates produce a higher TPL and higher discount rates produce a lower TPL. Because the discount rate does not affect the measurement of assets, the percentage change in the NPL can be very significant for a relatively small change in the discount rate. The table below shows the sensitivity of the NPL to the discount rate.

	Sensitivity of Net Pension Liability / (Asset) to Changes in Discount Rates		
	1% Decrease 6.00%	Discount Rate 7.00%	1% Increase 8.00%
Total Pension Liability	\$144,759,908	\$127,820,118	\$113,805,995
Plan Fiduciary Net Position	150,840,125	150,840,125	150,840,125
Net Pension Liability / (Asset)	\$ (6,080,217)	\$ (23,020,007)	\$(37,034,130)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	104.2%	118.0%	132.5%

A one percent decrease in the discount rate increases the TPL by 13.3% and increases the NPL by 73.6%. A one percent increase in the discount rate decreases the TPL by 11.0% and decreases the NPL by 60.9%.

For the year ended June 30, 2021, the County recognized \$(637,234) of pension expense and reported deferred inflows and outflows of resources from pensions from the following sources:

NOTE F - PENSION TRUST - CONTINUED

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 955,174	\$ 375,599
Changes in assumptions	541,858	615,895
Difference between projected and actual earnings on pension plan investments	-	15,153,789
Total	<u>\$ 1,497,032</u>	<u>\$ 16,145,283</u>

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

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

Year End June 30:	
2022	\$ (3,045,971)
2023	(3,555,067)
2024	(3,738,981)
2025	(4,286,090)
2026	(22,142)
Thereafter	-

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of July 1, 2021, using the Entry Age Normal cost method and the following actuarial assumptions based on the census data as of July 1, 2021 and the measurement date of June 30, 2021.

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

<u>Service</u>	<u>Termination Rates (%)</u>
0	10.0
1	9.0
2	8.0
3	7.0
4	12.0
5-9	3.0
10	10.0
11-14	5.0
15-24	1.0
25-29	.5
30+	.0

NOTE F - PENSION TRUST - CONTINUED

Actuarial Assumptions - Continued

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

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

- The following rates have been used for paramedics and dispatchers

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

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

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

- Cost-of-living; adjustment 1.0% per year
- Inflation rate; 2.5% per year
- Plan administrative expenses are paid from the fund. An amount is added to the actuarially determined contribution equal to the prior year's administrative expense increased by the assumed inflation rate.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2021 are summarized in the following table:

NOTE F - PENSION TRUST - CONTINUED

Pension Trust Assets - Continued

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Expected Real Rate of Return</u>
Domestic Equity	49%	5.7%
International Equity	16%	6.2%
Core Real Estate	5%	5.4%
Fixed Income	29%	1.7%
Cash	1%	0.3%

The discount rate used to measure the total pension liability was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and that County contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The money-weighted rate of return of the pension plan for the year ended June 30, 2021 was 20.27% and expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Pension Trust Assets

As authorized by Sussex County Council, the pension trust funds are invested in U.S. Treasury Notes, U.S. Government Agency Notes and Bonds, Sussex County Second Lien Revenue Bonds, mutual funds, corporate obligations, municipal obligations, various common stocks, Core Real Estate and certificates of deposit. Wilmington Trust Company is the trustee of the Plan and has custody of the corporate obligations, municipal obligations and various common stocks. Additional information can be found in Note B - Cash and Investments.

In January of 2021, the Pension investment policy was revised to have a goal of 63 percent investments in equity, 27 percent in fixed income investments, 5 percent in private real estate, and 5 percent in private infrastructure. Because it can take up to a year to purchase private infrastructure assets, there was no private infrastructure assets in the County's asset allocation as of June 30, 2021. Historically, the County has met or exceeded asset class benchmarks. The following represents the asset allocation policy as of June 30, 2021.

<u>Asset Class</u>	<u>Target Allocation Total</u>
Domestic Equity	48%
International Equity	15%
Core Real Estate	5%
Fixed Income	27%
Cash	1%
Private Infrastructure	5%
Total	100%

There are no significant investments at fair value (other than those issued or guaranteed by the U.S. government and mutual funds) in excess of 5% of the Plan's net position held in trust for pension benefits at June 30, 2021.

NOTE G - OTHER POST-RETIREMENT EMPLOYEE BENEFIT TRUSTS

Basis of Accounting

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

Post-retirement Employee Benefit Plan Description and Provisions

The County established and administers a single-employer post-retirement employee benefit plan for its employees. During fiscal year 2005, the County established the “Sussex County Employment Benefit Plan” by Ordinance No. 1783. The plan is reported in the other employee benefit trust in the County’s financial statements. The County does not have a separate GAAP-basis pension plan audit performed. A pension committee oversees the investments of the Sussex County Employee Benefit Plan. The pension committee consists of seven members. Whoever is serving in the position of the County Finance Director, County Administrator and County Human Resources Director are always members of the Committee. The following members are appointed by the Sussex County Council for a term of four (4) years: two Sussex County community members, a current Sussex County employee and a retired Sussex County employee, who currently receives a County post-retirement employee benefits. The pension committee meets quarterly and is responsible for making recommendations to County Council regarding investments and funding. The County contracts with investment advisors to assist in providing the best strategy, protection and investment guidelines for its pension. Benefits include preventive care, prescription drug care, facility charges, professional services and office visits. The County has the authority to establish and amend benefit provisions of the plan. For employees who begin employment with the County prior to July 1, 2001, the County policy is to provide post-retirement healthcare benefits immediately after they leave County employment if they receive a pension at that time.

Retirees hired subsequent to June 30, 2001, with 15 to 24 years of service, are eligible for coverage upon receipt of a County pension, with the County paying 50% of the premium. Retirees hired subsequent to June 30, 2001, with at least 25 years of service, receive full post-retirement healthcare benefits when they receive their pension. Employees, who began work prior to July 1, 2001, may elect the coverage available as if hired after June 30, 2001.

Current membership in the plan (as of July 1, 2021) is as follows:

Total Actives	Retirees and Beneficiaries	Terminated Vested
474	229	0

Post-retirement Employee Benefit Plan Funding Policy

In fiscal year 2017, the County adopted a funding policy. As per the policy, the County will contribute the greater of 9.5% of pay or the Actuarially Determined Contribution (ADC), as calculated by the Plan’s actuary. Plan members are not required to contribute. Contributions made of \$3,063,250 were 12.23% of covered payroll. The contribution is designed to accumulate sufficient assets to pay benefits when due.

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

Financial Statements

As of June 30, 2021, the Sussex County Employee Benefit Plan's statement of fiduciary net position was as follows:

ASSETS

Cash and cash equivalents	\$ 671,875
Investments:	
U.S. Treasuries	3,683,721
Government Agencies	180,011
Corporate obligations	13,152,672
Core Real Estate	2,645,850
Mutual funds and pooled investments	40,126,132
Total Investments	<u>59,788,386</u>
Accounts receivable	24,089
Accrued Interest	46,682
Total Assets	<u><u>60,531,032</u></u>

LIABILITIES

Accounts payable	23,779
Due to general fund	12,652
Total Liabilities	<u><u>36,431</u></u>

FIDUCIARY NET POSITION

Restricted for post-retirement employee benefits	<u><u>\$ 60,494,601</u></u>
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For the fiscal year ended June 30, 2021, the Sussex County Employee Benefit Plan's statement of fiduciary net position was as follows:

ADDITIONS

Employer contributions	\$ 3,063,250
Investment earnings:	
Net appreciation of investments	9,507,816
Interest and Dividends	2,909,319
Total investment earnings	<u>12,417,135</u>
Less investment costs	<u>(63,551)</u>
Net investment earnings	<u>12,353,584</u>
Total additions	<u><u>15,416,834</u></u>

DEDUCTIONS

Beneficiary payments	2,606,916
Professional fees	77,280
Total deductions	<u><u>2,684,196</u></u>
Net increase in fiduciary net position	12,732,638
Fiduciary net position - beginning	<u>47,761,963</u>
Fiduciary net position - ending	<u><u>\$60,494,601</u></u>

Actuarial Assumptions

The discount rate used to measure the Total OPEB Liability (TOL) as of June 30, 2020 was 7.0%, the long-term rate of return as of June 30, 2020 and June 30, 2021.

NOTE G - OTHER POST EMPLOYMENT EMPLOYEE BENEFIT TRUSTS - CONTINUED

Actuarial Assumptions – Continued

Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan’s target asset allocation as of June 30, 2021 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Expected Real Rate of Return</u>
Domestic Equity	49%	5.7%
International Equity	16%	6.2%
Core Real Estate	5%	5.4%
Fixed Income	29%	1.7%
Cash	1%	0.3%

The money-weighted rate of return of the OPEB plan for the year ended June 30, 2021 was 20.41% and expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

The total employer contribution rate is the sum of the normal cost rate plus an amortization of the Plan’s unfunded actuarial liability (UAL) plus a provision for expenses. The normal cost rate is determined under the entry age actuarial cost method while the UAL rate is that necessary to pay down the UAL over a closed 30-year level percent of pay.

Based on these assumptions, the Plan’s Fiduciary Net Position was projected to be available to make all projected future benefit payments for current members following the procedures described in paragraphs 48-50 of GASB 74. Consequently, the single equivalent rate used to determine the TOL as of June 30, 2021 is 7.00%, the long-term expected rate-of-return as defined by GASB 74 as of that date.

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

- Valuation date; July 1, 2021
- Timing; Actuarially determined contributions are calculated based on the actuarial valuation at the beginning of the fiscal year.
- Actuarial Cost Method; Entry Age Normal Cost Method
- Asset Valuation Method; Market Value
- Amortization Method; 30 Year Closed Amortization, as of July 1, 2018, level percentage of payroll
- Salary Increases; 3.50%
- Discount Rate; 7.00%
- Ultimate Rate of Per Person Cost Trends; 4.00%
- Rate of Mortality; RP 2014 Standard Table, projected Fully Generational using scale MP-2018

OPEB Liability

The table below shows the changes in the TOL, the Plan fiduciary net position (i.e., fair value of Plan assets) (FNP), and the net OPEB liability (NOL) during the measurement period ending on June 30, 2021.

NOTE G - OTHER POST-RETIREMENT EMPLOYEE TRUSTS - CONTINUED

OPEB Liability - Continued

	Changes in the Net OPEB Liability		
		Increase (Decrease)	
	Total OPEB Liability	Fiduciary Plan Net Position	Net OPEB Liability
Balance at 6/30/2020	\$57,965,311	\$47,761,963	\$10,203,348
Changes recognized for the fiscal year:			
Service Cost	1,215,719	-	1,215,719
Interest	4,052,973	-	4,052,973
Differences between expected and actual experience	295,641	-	295,641
Changes of assumptions	-	-	-
Contributions – employer	-	3,063,250	(3,063,250)
Net investment income	-	12,353,584	(12,353,584)
Benefit payments	(2,606,916)	(2,606,916)	-
Administrative expense	-	(77,280)	77,280
Net change	2,957,417	12,732,638	9,775,221
Balance recognized at 6/30/2021	\$60,922,728	\$60,494,601	\$ 428,127

During the measurement year, the NOL decreased by \$9.8 million. The service cost and interest cost increased the NOL by \$5.3 million while contributions plus investment gains net of administrative expenses decreased the NOL by \$15.3 million.

There were no changes in benefits or assumptions during the year.

Changes in the discount rate affect the measurement of the TOL. Lower discount rates produce a higher TOL and higher discount rates produce a lower TOL. The following table shows the sensitivity of the NOL to the discount rate.

	Sensitivity of Net OPEB Liability to Changes in Discount Rate		
	1% Decrease	Discount Rate	1% Increase
	6.00%	7.00%	8.00%
Total OPEB Liability	\$ 69,782,117	\$ 60,922,728	\$ 53,693,220
Plan Fiduciary Net Position	60,494,601	60,494,601	60,494,601
Net OPEB Liability	\$ 9,287,516	\$ 428,127	\$ (6,801,381)
Plan Fiduciary Net Position as a Percentage of the TOL	86.7%	99.3%	112.7%

A one percent decrease in the discount rate increases the TOL by 15% and increase in the NOL by 2069%. A one percent increase in the discount rate decreases the TOL by 12% and decreases the NOL by 1689%.

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

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

OPEB Liability – Continued

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

	1% Decrease	Healthcare Trend	1% Increase
Total OPEB Liability	\$ 53,085,994	\$ 60,922,728	\$ 70,716,380
Plan Fiduciary Net Position	60,494,601	60,494,601	60,494,601
Net OPEB Liability	\$ (7,408,607)	\$ 428,127	\$ 10,221,779
Plan Fiduciary Net Position as a Percentage of the TOL	114.0%	99.3%	85.5%

A one percent decrease in the healthcare trends decreases the TOL by 13% and decrease the NOL by 1830%. A one percent increase in the healthcare trends increases the TOL 16% and increases the NOL by 2288%.

Deferred Inflows and Outflows of Resources Related to OPEB

The County implemented GASB 75 as of June 30, 2017. June 30, 2021 is the measurement date used for the disclosures.

The impact of experience gains or losses and assumption changes on the TOL are recognized in expense over the average expected remaining service life of all active and inactive members of the Plan. As of the measurement date, the recognition period was seven years.

During the year, there was an experience loss of \$295,641. \$42,234 of the loss was recognized in the current year and an identical amount will be recognized in each of the next six years, resulting in a deferred outflow of resources as of June 30, 2021 of \$253,407. There were no plan changes. Therefore, there was no assumption gain or loss.

The impact of investment gains or losses is recognized over a period of five years. During the measurement year, there was an investment gain of \$8,997,204. \$1,799,441 of that gain was recognized in the current year and an identical amount will be recognized in each of the next four years, resulting in a deferred inflow of resources as of June 30, 2021 of \$7,197,763.

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

Schedule of Deferred Inflows and Outflows of Resources as of June 30, 2021 Measurement Date

	Deferred Outflows of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	\$ 1,966,533	\$ 203,584
Changes in assumptions	-	1,956,936
Difference between projected and actual earnings on OPEB plan investments	-	6,225,592
Total	\$ 1,966,533	\$ 8,386,112

NOTE G - OTHER POST RETIREMENT EMPLOYEE BENEFIT TRUSTS - CONTINUED

Deferred Inflows and Outflows of Resources Related to OPEB - Continued

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

Year End June 30:	
2022	\$ (1,570,255)
2023	(1,564,913)
2024	(1,604,166)
2025	(1,903,831)
2026	181,369
Thereafter	42,237

The annual OPEB expense for the fiscal year ending June 30, 2021 is \$206,606, which is .83% of covered payroll. The annual OPEB expense is calculated as the change in NOL minus the change in deferred outflows plus the change in deferred inflows plus employer contributions during the year.

The schedule of changes in the NOL and schedule of employer contributions, presented as RSI following the notes to the financial statements, presents trend information required by GASB.

Post-retirement Employee Benefit Trust Assets

As authorized by Sussex County Council, the Post-Retirement Employee Benefit funds are invested in various mutual funds, corporate obligations, government agency obligations, Core Real Estate and U.S. Treasuries through the custodian, Wilmington Trust Company. Corporate obligations are all rated A or higher, while mutual funds are unrated. Additional information can be found in Note B sections for Cash and Investments.

In January of 2021, the OPEB investment policy was revised to have a goal of 63 percent investments in equity, 27 percent in fixed income investments, 5 percent in private real estate, and 5 percent in private infrastructure. Because it can take a year to purchase private infrastructure assets there was no private infrastructure in the County's asset allocation as of June 30, 2021. The following represents the asset allocation policy as of June 30, 2021.

<u>Asset Class</u>	<u>Target Allocation Total</u>
Domestic Equity	48%
International Equity	15%
Core Real Estate	5%
Fixed Income	27%
Cash	1%
Private Infrastructure	5%
Total	100%

There are no investments at fair value (other than those issued or guaranteed by the U.S. government and mutual funds) in excess of 5% of the Plan's net position held in trust for post-retirement employee pension benefits at June 30, 2021.

NOTE H - DEFERRED COMPENSATION PLAN

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

NOTE I - SHORT-TERM DEBT

Short-term financing is obtained from banks to provide interim financing for the Enterprise Funds. Interest on the line of credit is variable; the interest was 2.5% at June 30, 2021. The County had \$10,000,000 of unused line of credit to be drawn upon as needed. No balance was outstanding at June 30, 2021.

NOTE J - LONG -TERM LIABILITIES

Description of Bonds Payable

At June 30, 2021, bonds payable consisted of the following individual issues:

	<u>Business-type</u>
1997 wastewater general obligation bonds (West Rehoboth), due in various installments through July 15, 2021, interest at 1.5%. Total bonds authorized are \$12,000,000.	\$ 584,209
2000 wastewater general obligation bonds (Ocean View, Holts Landing, Cedar Neck, North Millville and SCRWF), due in semi-annual installments, interest at 1.5%, final payment due December 31, 2023.	2,366,014
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.	246,164
2002 wastewater general obligation bonds (Miller Creek), due in semi-annual installments, interest at 1.5%, final payment due December 31, 2027. Total bonds authorized are \$3,300,000.	1,235,804
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.	693,556
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.	551,282
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.	295,601
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.	392,305
2004 wastewater general obligation bonds (Inland Bays), due in semi-annual installments, interest at 1.5%, final payment due December 31, 2027. Total bonds authorized are \$16,000,000.	3,583,002
2006 wastewater general obligation bonds (Millville), due in semi-annual installments, interest at 1.5%, final payment due October 30, 2040. Total bonds authorized are \$8,000,000.	5,473,244
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.	3,057,223

NOTE J - LONG-TERM LIABILITIES - CONTINUED

<u>Description of Bonds Payable - Continued</u>	<u>Business-type</u>
2008 wastewater general obligation bonds (Dagsboro-Frankford), due in quarterly installments, interest at 4.5%, final payment due December 12, 2048. Total bonds authorized are \$73,000.	61,950
2008 wastewater general obligation bonds (Angola Neck), due in semi-annual installments, interest at 1.5%, final payment due May 21, 2042. Total bonds authorized are \$15,000,000, of which \$ 1,500,000 was forgiven at the project completion date.	9,859,625
2009 wastewater general obligation bonds (Johnson's Corner), due in semi-annual installments, interest at 1.5%, final payment due June 30, 2031. Total bonds authorized are \$6,000,000, of which \$ 1,248,033 was forgiven at the project completion date.	2,156,209
2009 wastewater general obligation bonds (Oak Orchard), due in semi-annual installments, interest at 2%, final payment due December 15, 2031. Total bonds authorized are \$5,641,503, of which \$ 3,000,000 was forgiven at the project completion date.	1,548,696
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.	251,705
2010A wastewater general obligation bonds (Inland Bays), due in quarterly installments, interest at 2.25%, final payment due December 3, 2050. Total bonds authorized are \$5,475,000.	4,618,923
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.	4,218,203
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.	5,268,226
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.	269,195
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.	76,231
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.	5,167,901

NOTE J - LONG-TERM LIABILITIES - CONTINUED

<u>Description of Bonds Payable - Continued</u>	<u>Business-type</u>
2013 wastewater general obligation bonds (Johnson Corner), due in quarterly installments, interest at 2.5%, final payment due February 28, 2053. Total bonds authorized are \$2,000,000.	1,732,442
2014 wastewater general obligation bond (Angola Neck), due in quarterly installments, interest at 2.375%, final payment due September 26, 2054. Total bonds authorized are \$987,000.	878,540
2015 wastewater general obligation bonds (Oak Orchard), due in quarterly installments, interest at 2.375%, final payment due July 24, 2054. Total bonds authorized are \$5,582,000.	4,969,034
2015 wastewater general obligation bonds (Angola North), due in semi-annual installments, interest at 2.00%, final payment due May 1, 2046. Total bonds authorized are \$6,697,774.	5,616,839
2018 wastewater general obligation bonds (Millville), due in quarterly installments, interest at 1.75%, final payment due May 25, 2056. Total bonds authorized are \$2,404,000.	2,186,690
2018 wastewater general obligation bonds (Fenwick Island Expansion), due in semi-annual installments, interest at 2.00%, final payment due July 1, 2048. Total bonds authorized are \$2,834,689.	2,125,183
2018 wastewater general obligation bonds (Millville), due in quarterly installments, interest at 1.75%, final payment due November 11, 2058. Total bonds authorized are \$1,200,000.	1,064,936
2018 wastewater general obligation bonds (Millville), due in quarterly installments, interest at 2.00%, final payment due November 11, 2058. Total bonds authorized are \$138,000.	56,620
2018 wastewater general obligation bonds (Concord Road), due in quarterly installments, interest at 2.375%, final payment due February 2, 2059. Total bonds authorized are \$729,000.	700,750
2018 wastewater general obligation bonds (Concord Road), due in quarterly installments, interest at 2.125%, final payment due February 2, 2058. Total bonds authorized are \$230,000.	210,752
2019 wastewater general obligation bonds (Western Sussex), due in semi-annual installments, interest at 2.529%, final payment due September 1, 2050. Total bonds authorized are \$16,634,748, upon completion of project up to \$3,200,000 of the outstanding principal balance will be forgiven by the agency, with \$13,434,748 is expected to be the remaining balance.	11,454,296
2019 wastewater general obligation bonds (Inland Bays), due in quarterly installments, interest at 1.75%, final payment due October 24, 2059. Total bonds authorized are \$8,808,000.	8,575,870
2019B wastewater general obligation bonds (Joy Beach), due in semi-annual installments, interest at 2.057%, final payment due September 1, 2051. Total bonds authorized are \$5,691,821, upon completion of project up to \$3,396,000 of the outstanding principal balance will be forgiven by the agency, with \$2,295,821 is expected to be the remaining balance.	205,133

NOTE J - LONG-TERM LIABILITIES - CONTINUED

<u>Description of Bonds Payable - Continued</u>	<u>Business-type</u>
2019C wastewater general obligation bonds (Mulberry Knoll), due in semi-annual installments, interest at 2.057%, final payment due September 1, 2051. Total bonds authorized are \$3,135,379, upon completion of project up to \$1,941,000 of the outstanding principal balance will be forgiven by the agency, with \$1,194,379 is expected to be the remaining balance.	340,699
2020A wastewater general obligation bonds, (Treatment Plant Projects and funds for refunding) due in semi-annual installments, interest ranging from 1% to 5%, final payment due March 15, 2050. Total bonds authorized are \$44,220,000.	42,250,000
2020B wastewater general obligation refunding bonds (refunding) due in semi-annual installments, interest ranging from .217% to 2.421%, final payment due March 15, 2053. Total bonds authorized are \$51,745,000	51,240,000
2021 R-1 water pollution control general obligation bonds (Land Conservation/Water Quality Project), due in semi-annual installments, interest at 0%, final payment due October 1, 2047. Total bonds authorized are \$5,370,531.	5,370,531
2021 R-2 water pollution control general obligation bonds (Land Conservation/Water Quality Project), due in semi-annual installments, interest at 0%, final payment due October 1, 2042. Total bonds authorized are \$374,253	84,407
2021 wastewater general obligation bonds (Herring Creek), due in quarterly installments, interest at 1.375%, final payment due June 17, 2061. Total bonds authorized are \$4,287,000	<u>4,287,000</u>
Subtotal	<u>195,324,990</u>
Unamortized bond premium	<u>4,667,835</u>
TOTAL BOND PAYABLE	<u>\$199,992,825</u>

Advanced Refunding

In the current fiscal year, Sussex County issued \$51,745,000 General Obligation Refunding Bonds, Series 2020B with interest rates ranging from 0.217% to 2.421%. The proceeds from the sale of the Bonds, were used to advance refund \$35,550,000 of General Obligation Bonds, Series 2012A and 2012B and various Sussex County, Delaware General Obligation Bonds owned by the United States Department of Agriculture, Rural Utilities Services Bonds which had interest rates from 2.75% to 5%. The net proceeds of \$38,549,108 (after \$12,956,676 paid to United States Department of Agriculture outstanding bonds, \$131,955 in issuance expenses and \$103,490 of underwriter's discounts) were deposited in an irrevocable trust with an escrow agent to provide funds for future debt service payments on the refunded bonds. As a result, the series 2012A and 2012B are considered defeased bonds as of June 30, 2021 and the liability for those bonds has been removed from the statement of net position. The advanced refunding resulted in a debt service savings over 30 years and an economic gain of approximately \$2.2 million and \$1.7 million, respectively as well as a deferred charge on refunding of \$35,327, which is reported as a deferred inflow of resources and amortized over the remaining life of the original refunding debt, which had a shorter remaining life than the refunding debt.

Current Refunding

In the current fiscal year, Sussex County issued \$44,220,000 General Obligation Bonds Series 2020A with interest rates ranging from 1% to 5%. The proceeds from the sale of the Bonds, were used to pay the costs of design, construction and equipping of certain sewer system projects and provide funds for the current refunding of certain of the Sussex County, Delaware General Obligation Bonds owned by the United States Department of Agriculture, Rural Utilities Service, which had interest rates from 4% to 4.5%. The current refunding resulted in debt service savings cover 33 years and an economic gain of approximately \$13.1 million and \$10.8 million respectively.

NOTE J – LONG TERM LIABILITES – CONTINUED

Contract Commitments

The County has obligated itself under contracts for various projects. At June 30, 2021, the obligated unrecorded amount was approximately \$61.6 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, 2021 totaled \$30.2 million. The bonds are to finance various sewer and water construction and improvement projects.

Long-term Liability Activity

Long-term liability activity for the year ended June 30, 2021, was as follows:

	June 30, 2020	Additions	Reductions	June 30, 2021	Due Within One Year
Governmental Activities:					
Net pension liability*	\$ 1,059,300	\$ -	\$ 1,059,300	\$ -	\$ -
Net other postemployment benefits liability	7,805,561	-	7,478,044	327,517	-
Compensated absences	6,689,700	3,393,456	2,922,977	7,160,179	2,867,935
Estimated liability for pollution remediation	313,890	-	104,630	209,260	104,630
Total Governmental Activities	<u>\$ 15,868,451</u>	<u>\$ 3,393,456</u>	<u>\$11,564,951</u>	<u>\$ 7,696,956</u>	<u>\$ 2,972,565</u>
Business-Type Activities:					
General obligation bonds	\$146,039,727	\$113,944,531	\$64,659,268	\$195,324,990	\$ 9,248,370
Unamortized bond premium	4,034,348	4,789,605	4,156,118	4,667,835	162,360
Total bonds payable	150,074,075	118,734,136	68,815,386	199,992,825	9,410,730
Net pension liability	325,406	-	325,406	-	-
Net other postemployment benefits liability	2,397,787	-	2,297,177	100,610	-
Compensated absences	1,770,321	881,584	764,590	1,887,315	718,457
Total Business-type Activities	<u>\$154,567,589</u>	<u>\$119,615,720</u>	<u>\$72,202,559</u>	<u>\$201,980,750</u>	<u>\$10,129,187</u>

*Fiscal year ended June 30, 2021 Pension Fund is overfunded therefore resulting in a "Net Pension Asset".

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

Debt Maturity

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

NOTE J - LONG-TERM LIABILITES - CONTINUED

Debt Maturity-Continued

Year ending June 30,	Business-type Activities - General Obligation		
	Principal	Interest	Total
2022	\$ 9,248,370	\$ 3,893,158	\$ 13,141,528
2023	8,850,265	3,755,579	12,605,844
2024	8,489,616	3,590,893	12,080,509
2025	8,010,939	3,429,348	11,440,287
2026	8,019,348	3,329,971	11,349,319
2027 – 2031	39,209,916	14,150,456	53,360,372
2032 – 2036	38,643,229	9,915,857	48,559,086
2037 – 2041	35,469,872	6,451,089	41,920,961
2042 – 2046	19,236,672	3,378,038	22,614,710
2047 – 2051	14,033,510	1,404,200	15,437,710
2052 – 2056	4,323,528	321,229	4,644,757
2057 – 2061	1,789,725	61,515	1,851,240
TOTAL	\$ 195,324,990	\$ 53,681,333	\$ 249,006,323

Legal Debt Margin

Sussex County is subject to a debt limit that is 12% of the assessed value of the taxable property. At June 30, 2021, the amount was \$453.5 million. As of June 30, 2021, the total outstanding debt applicable to the limit was \$200.0 million, which is 44.1% of the total debt limit.

NOTE K - INTERFUND BALANCES

Interfund balances at June 30, 2021 consisted of the following:

Receivable Fund	Payable Fund	Amount
General fund	Unified sewer fund	\$ 9,282,781
General fund	Capital projects fund	952
General fund	Water fund	1,386,206
General fund	Other Post Retirement	12,652

At June 30, 2021, interfund balances represented interim financing for sewer projects, which are to be repaid when the County draws the permanent funding. Realty transfer tax financed \$10,668,987 of the interfund balances.

NOTE L - FUND BALANCES - GOVERNMENTAL FUNDS

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

NOTE L - FUND BALANCES - GOVERNMENTAL FUNDS - CONTINUED

	<u>General</u>	<u>Capital Projects</u>	<u>Total</u>
Nonspendable			
Inventory	\$ 27,112	\$ -	\$ 27,112
Prepaid items	30,617	-	30,617
Employee advances	210,180	-	210,180
Total nonspendable	<u>267,909</u>	<u>-</u>	<u>267,909</u>
Restricted			
Grant expenditures	63,947	-	63,947
Employee health expense	902,959	-	902,959
Beach nourishment, waterway dredging, tourism, water quality or flood control	49,958	-	49,958
Infrastructure, public safety, economic development items, or capital	73,124,227	42,372,227	115,496,454
Road projects	66,865	-	66,865
Total restricted	<u>74,207,956</u>	<u>42,372,227</u>	<u>116,580,183</u>
Committed			
Open space land program	417,000	-	417,000
Farmland preservation	721,029	-	721,029
Engineer projects	67,062	-	67,062
Road projects	163,192	-	163,192
Property reassessment	9,070,818	-	9,070,818
Total committed	<u>10,439,101</u>	<u>-</u>	<u>10,439,101</u>
Assigned			
Grant-in-aid for County tax subsidy program	39,744	-	39,744
Encumbrances	389,998	-	389,998
Legal: planning and zoning	500,000	-	500,000
Reserves budgeted for next year	1,150,000	-	1,150,000
Total assigned	<u>2,079,742</u>	<u>-</u>	<u>2,079,742</u>
Unassigned	<u>38,531,552</u>	<u>-</u>	<u>38,531,552</u>
Total Fund Balances – Governmental Funds	<u>\$ 125,526,260</u>	<u>\$ 42,372,227</u>	<u>\$ 167,898,487</u>

NOTE M - RENT REVENUES

The County has entered into several long-term operating leases with local businesses to rent property, mainly located in the County's Industrial Airpark. Enterprise fund has long-term operating leases to rent farm land and tower space. These leases range in terms of one year to forty-five years and several of them are noncancelable. Buildings with a cost basis of \$7,643,015 and accumulated depreciation of \$2,302,690, improvements with a cost basis of \$658,924 and accumulated depreciation of \$137,417, equipment with a cost of \$36,345 and accumulated depreciation of \$21,807, and land with a cost basis of \$13,013,863 were being leased as of June 30, 2021.

The minimum future rental revenue under leases as of June 30, 2021 for each of the next five years and thereafter in the aggregate are:

NOTE M – RENT REVENUES - CONTINUED

<u>Year ending June 30,</u>	<u>General Fund Amount</u>	<u>Enterprise Fund Amount</u>
2022	\$ 411,723	\$ 232,579
2023	347,285	181,434
2024	334,848	105,804
2025	279,844	43,719
2026	247,442	3,676
Thereafter	3,523,965	16,544
Minimum Lease Payments Receivable	<u>\$ 5,145,107</u>	<u>\$ 583,756</u>

NOTE N - INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2021, consisted of the following:

<u>Transfer to:</u>	<u>Transfer from</u>		<u>Total</u>
	<u>General Fund</u>	<u>Unified Sewer</u>	
General fund	\$ -	\$ 49,042	\$ 49,042
Unified sewer fund	115,500	-	115,500
Capital improvements fund	23,782,772	-	23,782,772
	<u>\$ 23,898,272</u>	<u>\$ 49,042</u>	<u>\$23,947,314</u>

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

NOTE O - RISK MANAGEMENT

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

The County is exposed to the risk of loss related to employee medical expenses. During fiscal year 2021, the County maintained a self-insured plan for employee medical expenses in which expenses per employee were covered annually up to \$295,000. Individual excess expenses are covered under a commercial policy. In addition, the County has a maximum aggregate limit of \$11,675,687 for the County's portion of medical expense liability, which is covered under a commercial policy. The County reports the risk management activity in the General Fund. The County recognizes expenditures/expenses in the General Fund, Water Fund and Sewer Fund. The employee health plan is administered by an outside agency.

Employee Health Plan

Contributions from the County and employee withholdings are deposited into a reserve fund to pay eligible claims. Estimated risks and losses are based upon historical costs, financial analyses, and estimated effects of plan changes. The claims liability reported at June 30, 2021 is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. These liabilities include an amount for claims that have been incurred but not reported. Costs related to these claims are normally paid within the following year and are therefore reported as a current liability.

Changes in the employee health claims liability amounts in fiscal year 2020 and 2021 were as follows:

NOTE O – RISK MANAGEMENT - CONTINUED

	Beginning of Year Balance	Current-Year Claims and Changes in Estimates	Claim Payments	End of Year Balance
2019-2020	\$ 1,489,992	\$ 9,026,064	\$ (9,177,632)	\$ 1,338,424
2020-2021	1,338,424	8,629,856	(8,638,675)	\$ 1,329,605

NOTE P - PROPRIETARY FUNDS CONTRACTS

The County has a contract with the Town of Georgetown for the Town to provide wastewater treatment and disposal for the County’s Ellendale Sewer Treatment System. The contract was executed on May 25, 2000 and is in effect for a period of 40 years unless both parties mutually agree to terminate the contract. The County has a twenty-year contract, effective May 29, 2018, with the City of Seaford for the purpose of discharging wastewater for the Western Sussex and Blades area sewer system. The County has a contract with the Town of Millsboro for discharging wastewater for the Woodlands of Millsboro area sewer system. The contract will remain in effect until terminated by mutual agreement of both parties. The County has an agreement for services with the City of Rehoboth to provide wastewater treatment for the Dewey Beach, Henlopen Acres, West Rehoboth sanitary sewer areas and future points of connection. The contract was executed on August 8, 2017 and is in effect for twenty-five years with an option to renew for additional twenty-five years. This agreement covers County’s payments for purchase capacity rights and the County’s share of the operating costs. The County has entered into loan agreements with the City of Rehoboth to help fund improvements to the City owned treatment plant. The one loan is estimated to be \$3.5 million of 10 years at zero percent. The second loan is for \$3.3 million at two percent for 10 years. The third loan is for \$0.87 million at 2.0 percent for 10 years. The County has a wastewater treatment agreement with the City of Rehoboth in which the County currently has 42% of the treatment plant capacity. The County’s annual treatment cost are based on the capacity percentage; therefore, it was for the best interest of both parties to enter into agreement. The balance outstanding total is \$5.5 million as of June 30, 2021. The County has an exchange agreement to process bulk water with Artesian Wastewater Management, LLC, effective September 19, 2019 and is in effect for twenty-five years. The agreement allows for annual wastewater flow exchange amounts up to 500,000 gallons without any actions. Any flows over the 500,000 will be reimbursed to the providing provider. The County has a contract with the City of Rehoboth for the purpose of purchasing water for the Dewey Beach water customers. The contract is in effect from January 1, 2021 to December 31, 2025. The County has a contract with Artesian Water Company to supply water to the Ellendale area effective February 07, 2019, and in effect for ten years. The County and the Town of Georgetown have an interconnection agreement to provide potable water to each other from time to time at the Coastal Business Parks and Airport areas.

The County entered into a Collective Bargaining Agreement in December 2016, with Delaware Public Employees, Council 81, AGSCME AFL-CIO and its Affiliated Local Union 1926. The contract extends through June 2022 and shall continue in effect from year to year thereafter unless amended, modified or terminated in accordance to the contract. The agreement covers full and regular part-time employees in Environmental Service Department except – managerial, guards and supervisor staff.

NOTE Q - LANDFILL POLLUTION REMEDIATION OBLIGATION

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

The County has pollution remediation obligations of \$209,260 of which \$104,630 is due within one year. The County has estimated future obligations based on professional consultant estimates and historical expenses of similar projects; however, there is the potential for change in estimates due to price increase or reductions, technology, or applicable laws and regulations.

NOTE Q - LANDFILL POLLUTION REMEDIATION OBLIGATION - CONTINUED

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

NOTE R - CONTINGENCIES

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

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, 2021 equaling \$118.8 million. In the opinion of bond counsel, these conduit bonds are not subject to the debt limit imposed on the County by the Delaware Code and are payable solely from payments made by the borrowing entities. Accordingly, these bonds are not reflected in the accompanying financial statements.

The COVID-19 pandemic outbreak in the United States caused business disruption in 2020 and part of 2021. The disruption was temporary. Although not all of the County's services are considered essential, a majority of the County operations continued as normal during the pandemic. Some of the County's business operations were modified, including expanded online services, with some staff transitioning to a remote workforce. These changes allowed the County to provide the same services to customers as the pre-pandemic levels. Any additional cost from COVID-19 to date have been covered with grant and contingency funding. The County has made allowances for any additional COVID-19 related cost in the fiscal year 2022 budget. The County has not experienced any declines in their major revenue sources. The real estate-based revenue, the County's largest revenue source, is trending above the projected 2022 budget amounts and pre-pandemic actual amounts. The County is not anticipating any negative impact on the financial position of the County.

NOTE S - SUBSEQUENT EVENTS

Subsequent to June 30, 2021, the County authorized the issuance of \$4.7 million of General Obligation Bonds to fund for the Lochwood sewer project.

The County approved the award of contracts totaling \$17.1 million for the construction and improvement of various sewer projects and public safety projects.

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

REQUIRED SUPPLEMENTARY INFORMATION

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

	Fiscal Year Ending							
	2014	2015	2016	2017	2018	2019	2020	2021
Total Pension Liability								
Service Cost	\$ 1,773,965	\$ 1,876,088	\$ 1,817,625	\$ 1,885,125	\$ 2,142,142	\$ 2,271,361	\$ 2,714,022	\$ 2,824,325
Interest Cost	5,768,860	6,211,311	6,698,077	7,078,272	7,593,994	8,037,883	8,066,691	8,545,756
Change in Benefit Terms	-	-	-	1,259,679	-	-	-	-
Differences Between Expected and Actual Experiences	(2,185,380)	805,130	1,134,350	651,103	551,937	(529,784)	994,019	(132,847)
Change in Assumptions	-	-	-	3,251,143	-	(1,231,792)	-	-
Benefit Payments, Including Refunds of Member Contributions	(2,971,418)	(3,196,734)	(3,473,063)	(3,853,298)	(4,179,270)	(4,414,193)	(4,828,741)	(5,261,057)
Net Change in Total Pension Liability	<u>2,386,027</u>	<u>5,695,795</u>	<u>6,176,989</u>	<u>10,272,024</u>	<u>6,108,803</u>	<u>4,133,475</u>	<u>6,945,991</u>	<u>5,976,177</u>
Total Pension Liability (Beginning)	<u>80,124,837</u>	<u>82,510,864</u>	<u>88,206,659</u>	<u>94,383,648</u>	<u>104,655,672</u>	<u>110,764,475</u>	<u>114,897,950</u>	<u>121,843,941</u>
Total Pension Liability (Ending)	<u>\$ 82,510,864</u>	<u>\$ 88,206,659</u>	<u>\$ 94,383,648</u>	<u>\$ 104,655,672</u>	<u>\$ 110,764,475</u>	<u>\$ 114,897,950</u>	<u>\$ 121,843,941</u>	<u>\$ 127,820,118</u>
Plan Fiduciary Net Position								
Contributions - Employer	\$ 3,587,012	\$ 3,588,403	\$ 3,597,265	\$ 3,835,851	\$ 9,274,076	\$ 14,462,910	\$ 9,779,296	\$ 4,997,516
Contributions - Member	1,239	16,197	48,721	86,279	134,150	172,315	211,354	251,807
Net Investment Income	10,344,007	3,028,832	(345,584)	8,829,624	6,888,854	6,771,191	3,784,895	30,573,598
Benefit Payments, Including Refunds of Member Contributions	(2,972,657)	(3,196,734)	(3,473,063)	(3,853,298)	(4,179,270)	(4,414,193)	(4,828,741)	(5,261,057)
Administrative Expenses	(138,063)	(80,891)	(107,035)	(101,597)	(108,527)	(110,423)	(138,230)	(180,974)
Net Change in Plan Fiduciary Net Position	<u>10,821,538</u>	<u>3,355,807</u>	<u>(279,696)</u>	<u>8,796,859</u>	<u>12,009,283</u>	<u>16,881,800</u>	<u>8,808,574</u>	<u>30,380,890</u>
Plan Fiduciary Net Position (Beginning)	<u>60,065,070</u>	<u>70,886,608</u>	<u>74,242,415</u>	<u>73,962,719</u>	<u>82,759,578</u>	<u>94,768,861</u>	<u>111,650,661</u>	<u>120,459,235</u>
Plan Fiduciary Net Position (Ending)	<u>70,886,608</u>	<u>74,242,415</u>	<u>73,962,719</u>	<u>82,759,578</u>	<u>94,768,861</u>	<u>111,650,661</u>	<u>120,459,235</u>	<u>150,840,125</u>
County's Net Pension Liability / (Asset) (Ending)	<u>\$ 11,624,256</u>	<u>\$ 13,964,244</u>	<u>\$ 20,420,929</u>	<u>\$ 21,896,094</u>	<u>\$ 15,995,614</u>	<u>\$ 3,247,289</u>	<u>\$ 1,384,706</u>	<u>\$ (23,020,007)</u>
Net Position as a % of Pension Liability	85.91%	84.17%	78.36%	79.08%	85.56%	97.17%	98.86%	118.01%
Covered Payroll	\$ 20,427,138	\$ 21,081,346	\$ 21,671,478	\$ 22,642,273	\$ 23,910,625	\$ 25,270,591	\$ 25,943,699	\$ 26,440,763
Net Pension Liability as a % of Payroll	56.91%	66.24%	94.23%	96.70%	66.90%	12.85%	5.34%	-87.07%

Benefit and assumption changes: In 2017, the maximum service for paramedics, dispatchers and non-elected officials hired after July 1, 2000 increased 5 years. Investment return assumption decreased from 7.50% to 7.25% in 2018 and from 7.25% to 7.00% in 2019, for additional assumption changes see page 48 - Note F.

The County implemented GASB 67 and GASB 68 in 2014. Comparable information prior to that year is not available.

	Fiscal Year Ending							
	2014	2015	2016	2017	2018	2019	2020	2021
Actuarially Determined Contribution	\$ 2,868,624	\$ 2,757,068	\$ 3,057,193	\$ 3,391,726	\$ 4,111,811	\$ 3,794,161	\$ 2,960,567	\$ 2,720,386
Less: Contributions made in Relation to the Actuarially Determined Contribution	3,587,012	3,588,403	3,597,265	3,835,851	9,274,076	14,462,910	9,779,296	4,997,516
Contribution Deficiency (excess)	\$ (718,388)	\$ (831,335)	\$ (540,072)	\$ (444,125)	\$ (5,162,265)	\$ (10,668,749)	\$ (6,818,729)	\$ (2,277,130)
Covered Payroll	\$ 20,427,138	\$ 21,081,346	\$ 21,671,478	\$ 22,642,273	\$ 23,910,625	\$ 25,270,591	\$ 25,943,699	\$ 26,440,763
Contributions as a % of Covered Payroll	17.56%	17.02%	16.60%	16.94%	38.79%	57.23%	37.69%	18.90%

Notes to Schedule:

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

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method Entry Age Normal Cost Method
 Amortization Method Closed 20-year level dollar amortization of unfunded liability as of July 1, 2015
 Asset Valuation Method 5-year smoothed market
 Discount Rate 7.00%
 Inflation 2.50%
 Salary Increases From 3.5% - 5.5% based on service
 Mortality RP-2014 Total Mortality Table projected generationally using Scale MP-2018

The County implemented GASB 67 and GASB 68 in 2014. Comparable information prior to that year is not available.

SUSSEX COUNTY, DELAWARE
SCHEDULE OF INVESTMENT RETURNS - PENSION TRUST

	Fiscal Year Ending							
	2014	2015	2016	2017	2018	2019	2020	2021
Annual Money-Weighted Rate of Return, Net of Investment Expense	17.56%	4.26%	-0.47%	10.67%	7.51%	6.10%	3.14%	20.27%

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

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

	Fiscal Year Ending 2017	Fiscal Year Ending 2018	Fiscal Year Ending 2019	Fiscal Year Ending 2020	Fiscal Year Ending 2021
Total Other Postemployment Benefit Liability					
Service Cost	\$ 810,080	\$ 909,398	\$ 925,928	\$ 1,177,365	\$ 1,215,719
Interest	3,656,274	3,787,370	3,829,471	3,824,207	4,052,973
Differences between expected and actual experience	112,594	66,645	(356,272)	2,351,755	295,641
Changes of assumptions	786,564	(1,835,557)	(96,289)	(1,377,792)	-
Benefit payments	(1,828,522)	(2,126,749)	(2,609,065)	(2,880,064)	(2,606,916)
Net Change in Total Other Postemployment Benefit Liability	3,536,990	801,107	1,693,773	3,095,471	2,957,417
Total Other Postemployment Benefit Liability - Beginning	48,837,970	52,374,960	53,176,067	54,869,840	57,965,311
Total Other Postemployment Benefit Liability - Ending	<u>\$ 52,374,960</u>	<u>\$ 53,176,067</u>	<u>\$ 54,869,840</u>	<u>\$ 57,965,311</u>	<u>\$ 60,922,728</u>
Plan Fiduciary Net Position					
Contributions - employer	\$ 1,991,965	\$ 7,172,834	\$ 2,687,134	\$ 2,835,463	\$ 3,063,250
Contributions - members	-	-	-	-	-
Net investment income	3,456,691	2,772,210	2,935,078	1,727,777	12,353,584
Benefit payments	(1,828,522)	(2,126,749)	(2,609,065)	(2,880,064)	(2,606,916)
Administrative expense	(55,676)	(58,180)	(53,118)	(60,046)	(77,280)
Net Change in Plan Fiduciary Net Position	3,564,458	7,760,115	2,960,029	1,623,130	12,732,638
Plan Fiduciary Net Position - Beginning	31,854,231	35,418,689	43,178,804	46,138,833	47,761,963
Plan Fiduciary Net Position - Ending	<u>\$ 35,418,689</u>	<u>\$ 43,178,804</u>	<u>\$ 46,138,833</u>	<u>\$ 47,761,963</u>	<u>\$ 60,494,601</u>
Sponsor's Net Other Postemployment Benefit Liability	<u>\$ 16,956,271</u>	<u>\$ 9,997,263</u>	<u>\$ 8,731,007</u>	<u>\$ 10,203,348</u>	<u>\$ 428,127</u>
Plan Fiduciary Net Position as a percentage of the Total Other Postemployment Benefit Liability	67.63%	81.20%	84.09%	82.40%	99.30%
Covered Payroll	\$ 22,608,597	\$ 23,067,300	\$ 24,181,316	\$ 24,696,338	\$ 25,039,079
Net Other Postemployment Benefit Liability as a percentage of Covered Payroll	75.00%	43.34%	36.11%	41.32%	1.71%

Assumption changes: In 2018 Investment return assumption decreased from 7.50% to 7.25%. 2019 investment return assumption decreased from 7.25% to 7.00%.

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

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

	Fiscal Year Ending 2017	Fiscal Year Ending 2018	Fiscal Year Ending 2019	Fiscal Year Ending 2020	Fiscal Year Ending 2021
Actuarially Determined Contribution (ADC)	\$ 1,870,754	\$ 1,944,316	\$ 1,564,364	\$ 1,808,053	\$ 1,951,745
Less: Contributions made in relation to the Actuarially Determined Contributions	1,991,965	7,172,834	2,687,134	2,835,463	3,063,250
Contribution Deficiency (excess)	\$ (121,211)	\$ (5,228,518)	\$ (1,122,770)	\$ (1,027,410)	\$ (1,111,505)
Covered Payroll (Pay)	\$ 22,608,597	\$ 23,067,300	\$ 24,181,316	\$ 24,696,338	\$ 25,039,079
Actual Contributions as % of Pay	8.81%	31.10%	11.11%	11.48%	12.23%

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

Notes to Schedule:

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

Key Methods and Assumptions Used to Determined Contribution Rates

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

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

SCHEDULE OF INVESTMENT RETURNS - OTHER POST-EMPLOYMENT BENEFIT TRUST

	Fiscal Year Ending 2017	Fiscal Year Ending 2018	Fiscal Year Ending 2019	Fiscal Year Ending 2020	Fiscal Year Ending 2021
Annual Money-Weighted Rate of Return Net of Investment Expense	9.89%	6.59%	6.44%	3.61%	20.41%

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

INDIVIDUAL FUND FINANCIAL SCHEDULES

GENERAL FUND

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

	Final Budget Amounts	Actual Amounts	Variance with Final Budget
Taxes			
Real property - County	\$ 14,880,000	\$ 15,249,148	\$ 369,148
Real property - library	1,744,600	1,788,835	44,235
Realty transfer	31,990,000	57,024,772	25,034,772
Fire service	1,500,000	2,663,857	1,163,857
Lodging tax	1,000,000	-	(1,000,000)
Penalties and interest	62,396	218,611	156,215
Total taxes	<u>51,176,996</u>	<u>76,945,223</u>	<u>25,768,227</u>
Intergovernmental			
Federal grants:			
Emergency preparedness	200,000	199,128	(872)
Airport	-	49,947	49,947
Housing and urban development	2,045,000	1,804,580	(240,420)
Library	-	8,093	8,093
Project income	-	13,004	13,004
Protective measures	-	327,448	327,448
Federal payments in lieu of taxes	5,800	6,664	864
State grants:			
Library	330,000	349,233	19,233
Paramedics	5,100,000	5,099,873	(127)
Local emergency plan commission	70,000	72,193	2,193
Miscellaneous	-	370	370
Total intergovernmental	<u>7,750,800</u>	<u>7,930,533</u>	<u>179,733</u>
Charges for services			
Mobile home placement fees	130,000	168,631	38,631
Building inspection fees	1,640,000	2,460,016	820,016
Miscellaneous general government fees	63,000	76,953	13,953
Building permits and zoning fees	2,000,000	3,297,338	1,297,338
911 System fees	559,630	513,000	(46,630)
Private road and sewer review and inspection fees	1,400,000	2,792,899	1,392,899
Airpark and economic development fees	623,000	649,051	26,051
Marriage Bureau	170,000	196,942	26,942
Prothonotary	-	45	45
Recorder of Deeds	3,577,000	8,149,499	4,572,499
Register of Wills	1,200,000	1,378,583	178,583
Sheriff	1,800,000	770,022	(1,029,978)
Total charges for services	<u>13,162,630</u>	<u>20,452,979</u>	<u>7,290,349</u>
Fines and forfeits	<u>60,000</u>	<u>76,071</u>	<u>16,071</u>
Miscellaneous revenue			
Investment earnings	764,200	181,631	(582,569)
Miscellaneous revenues	197,000	315,511	118,511
Total miscellaneous revenues	<u>961,200</u>	<u>497,142</u>	<u>(464,058)</u>

(continued)

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

FOR THE YEAR ENDED JUNE 30, 2021

	Final Budget Amounts	Actual Amounts	Variance with Final Budget
Other financing sources			
Reimbursements from other funds	\$ 70,000	\$ 49,042	\$ (20,958)
Sale of capital assets	-	28,151	28,151
Appropriated reserves	6,400,000	-	(6,400,000)
Total other financing sources	<u>6,470,000</u>	<u>77,193</u>	<u>(6,392,807)</u>
	-		
Total revenues and other funding sources	<u>\$ 79,581,626</u>	<u>\$ 105,979,141</u>	<u>\$ 26,397,515</u>

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

	Final Budget Amounts	Actual Amounts	Variance with Final Budget
General government			
County Council			
Salaries and wages	\$ 261,036	\$ 261,036	\$ -
Fringe benefits	198,348	196,731	1,617
Contractual services	198,151	156,133	42,018
Material and supplies	17,870	15,431	2,439
Other expenditures	14,500	3,694	10,806
Travel and training	21,379	8,598	12,781
Total County Council	<u>711,284</u>	<u>641,623</u>	<u>69,661</u>
Administration			
Salaries and wages	296,607	296,607	-
Fringe benefits	145,128	144,948	180
Contractual services	27,333	26,708	625
Material and supplies	8,416	6,889	1,527
Other expenditures	14,553	14,553	-
Travel and training	1,143	1,143	-
Contingency	1,700,000	506,218	1,193,782
Total administration	<u>2,193,180</u>	<u>997,066</u>	<u>1,196,114</u>
Legal	<u>550,000</u>	<u>233,688</u>	<u>316,312</u>
Finance			
Salaries and wages	977,715	1,017,003	(39,288)
Fringe benefits	618,587	618,587	-
Contractual services	540,530	540,530	-
Material and supplies	8,347	8,347	-
Travel and training	363	363	-
Total finance	<u>2,145,542</u>	<u>2,184,830</u>	<u>(39,288)</u>
Assessment			
Salaries and wages	870,468	870,468	-
Fringe benefits	704,596	670,379	34,217
Contractual services	199,799	196,328	3,471
Material and supplies	32,655	25,363	7,292
Travel and training	8,200	3,306	4,894
Total assessment	<u>1,815,718</u>	<u>1,765,844</u>	<u>49,874</u>

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

	Final Budget Amounts	Actual Amounts	Variance with Final Budget
General Government - Continued			
Building code			
Salaries and wages	\$ 671,048	\$ 671,048	\$ -
Fringe benefits	501,126	500,623	503
Contractual services	24,359	22,430	1,929
Material and supplies	37,400	28,669	8,731
Travel and training	419	219	200
Total building code	<u>1,234,352</u>	<u>1,222,989</u>	<u>11,363</u>
Mapping & addressing			
Salaries and wages	419,514	395,795	23,719
Fringe benefits	313,982	261,799	52,183
Contractual services	140,070	126,629	13,441
Material and supplies	8,150	2,513	5,637
Travel and training	2,000	1,245	755
Equipment	6,475	6,475	-
Total mapping and addressing	<u>890,191</u>	<u>794,456</u>	<u>95,735</u>
Human resources and general employment			
Salaries and wages	453,764	448,114	5,650
Fringe benefits	256,203	223,615	32,588
Contractual services	69,252	49,951	19,301
Material and supplies	9,964	7,672	2,292
Other expenditures	19,680	2,096	17,584
Travel and training	39,428	1,500	37,928
Equipment	14,400	14,172	228
Total human resources	<u>862,691</u>	<u>747,120</u>	<u>115,571</u>
Records management			
Salaries and wages	141,794	138,617	3,177
Fringe benefits	106,080	104,435	1,645
Contractual services	2,681	1,941	740
Material and supplies	4,464	2,404	2,060
Machinery and equipment	2,100	-	2,100
Total records management	<u>257,119</u>	<u>247,397</u>	<u>9,722</u>

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

	<u>Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
General government - continued			
Facilities Management			
Salaries and wages	\$ 836,373	\$ 706,695	\$ 129,678
Fringe benefits	615,855	597,665	18,190
Contractual services	496,200	341,410	154,790
Material and supplies	200,596	128,605	71,991
Other expenditures	101,200	253	100,947
Travel and training	17,080	787	16,293
Equipment & improvements	303,500	18,495	285,005
Total building and grounds	<u>2,570,804</u>	<u>1,793,910</u>	<u>776,894</u>
Information technology			
Salaries and wages	706,062	656,292	49,770
Fringe benefits	460,856	434,653	26,203
Contractual services	708,990	619,037	89,953
Material and supplies	128,510	120,432	8,078
Travel and training	14,750	11,207	3,543
Equipment	162,345	162,345	-
Total information technology	<u>2,181,513</u>	<u>2,003,966</u>	<u>177,547</u>
Total general government	<u>15,412,394</u>	<u>12,632,889</u>	<u>2,779,505</u>
Planning and zoning			
Salaries and wages	600,105	516,787	83,318
Fringe benefits	415,812	374,576	41,236
Contractual services	492,169	341,206	150,963
Material and supplies	20,900	11,088	9,812
Travel and training	4,000	785	3,215
Total planning and zoning	<u>1,532,986</u>	<u>1,244,442</u>	<u>288,544</u>
Constables			
Salaries and wages	260,857	260,857	-
Fringe benefits	214,666	214,666	-
Contractual services	787,949	787,949	-
Material and supplies	9,932	9,932	-
Other expenditures	56,088	31,519	24,569
Travel and training	420	420	-
Total constables	<u>1,329,912</u>	<u>1,305,343</u>	<u>24,569</u>
Total Planning and Zoning	<u>2,862,898</u>	<u>2,549,785</u>	<u>313,113</u>

(continued)

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

	Final Budget Amounts	Actual Amounts	Variance with Final Budget
Paramedics			
Salaries and wages	\$ 9,124,032	\$ 9,116,794	\$ 7,238
Fringe benefits	5,320,858	5,215,045	105,813
Contractual services	959,067	827,346	131,721
Material and supplies	976,254	862,958	113,296
Other expenditures	5,880	5,616	264
Travel and training	73,172	47,253	25,919
Equipment	494,540	512,222	(17,682)
Total paramedics	<u>16,953,803</u>	<u>16,587,234</u>	<u>366,569</u>
Emergency preparedness			
Administration			
Salaries and Wages	198,595	198,595	-
Fringe benefits	100,758	100,518	240
Contractual services	240,000	227,933	12,067
Material and supplies	41,220	32,923	8,297
Other expenditures	5,000	-	5,000
Travel and training	5,000	818	4,182
Machinery and equipment	30,500	23,985	6,515
Total administration	<u>621,073</u>	<u>584,772</u>	<u>36,301</u>
Emergency operations center			
Salaries and wages	1,909,796	1,909,796	-
Fringe benefits	1,242,379	1,220,112	22,267
Contractual services	171,140	158,562	12,578
Material and supplies	26,095	21,062	5,033
Other expenditures	2,220	-	2,220
Travel and training	39,559	31,299	8,260
Total emergency operation center	<u>3,391,189</u>	<u>3,340,831</u>	<u>50,358</u>
Communication systems			
Salaries and wages	187,900	176,877	11,023
Fringe benefits	121,485	119,795	1,690
Contractual services	51,859	42,382	9,477
Material and supplies	48,670	44,476	4,194
Machinery and equipment	54,391	54,391	-
Total communication systems	<u>464,305</u>	<u>437,921</u>	<u>26,384</u>
Local emergency planning community program			
Salaries and wages	47,592	47,592	-
Fringe benefits	35,075	34,731	344
Contractual services	786	786	-
Material and supplies	1,000	380	620
Total local planning community program	<u>84,453</u>	<u>83,489</u>	<u>964</u>
Total emergency preparedness	<u>4,561,020</u>	<u>4,447,013</u>	<u>114,007</u>

(continued)

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

	<u>Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
County engineer			
Administration			
Salaries and wages	\$ 533,231	\$ 514,255	\$ 18,976
Fringe benefits	338,455	279,809	58,646
Contractual services	120,595	28,205	92,390
Material and supplies	14,246	10,052	4,194
Other expenditures	132,368	132,368	-
Travel and training	1,447	-	1,447
Improvements	32,732	3,950	28,782
Total administration	<u>1,173,074</u>	<u>968,639</u>	<u>204,435</u>
Public works			-
Salaries and wages	223,014	183,137	39,877
Fringe benefits	135,351	114,080	21,271
Contractual services	14,626	7,580	7,046
Material and supplies	11,100	3,538	7,562
Total public works	<u>384,091</u>	<u>308,335</u>	<u>75,756</u>
Total county engineer	<u>1,557,165</u>	<u>1,276,974</u>	<u>280,191</u>
Library			
Library administration	738,560	692,635	45,925
Library facilities	2,672,583	2,236,748	435,835
Total library	<u>3,411,143</u>	<u>2,929,383</u>	<u>481,760</u>
Economic development and airpark			
Economic development			
Salaries and wages	87,615	87,615	-
Fringe benefits	49,416	48,806	610
Contractual services	212,303	40,472	171,831
Material and supplies	27,828	3,384	24,444
Travel and training	30,704	4,588	26,116
Total economic development	<u>407,866</u>	<u>184,865</u>	<u>223,001</u>
Security			
Salaries and wages	240,002	204,335	35,667
Fringe benefits	60,200	50,806	9,394
Contractual services	197,493	181,882	15,611
Material and supplies	16,575	10,394	6,181
Travel and training	10,825	10,541	284
Total security	<u>525,095</u>	<u>457,958</u>	<u>67,137</u>

(continued)

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

	<u>Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Economic development and airpark - continued			
Airpark			
Salaries and wages	\$ 163,221	\$ 161,904	\$ 1,317
Fringe benefits	95,268	93,964	1,304
Contractual services	435,686	360,469	75,217
Material and supplies	93,097	65,189	27,908
Other expenditures	127,000	122,924	4,076
Travel and training	675	-	675
Equipment and improvements	22,001	29,836	(7,835)
Total airpark	<u>936,948</u>	<u>834,286</u>	<u>102,662</u>
Total economic development and airpark	<u>1,869,909</u>	<u>1,477,109</u>	<u>392,800</u>
Community development			-
Salaries and wages	319,536	319,536	-
Fringe benefits	199,140	209,460	(10,320)
Contractual services	2,063,817	1,845,910	217,907
Material and supplies	6,813	6,813	-
Other expenditures	3,756	3,756	-
Travel and training	171	-	171
Total community development	<u>2,593,233</u>	<u>2,385,475</u>	<u>207,758</u>
Grant-in-aid			
Fire and ambulance grants	9,751,350	10,890,782	(1,139,432)
Public safety grants	4,233,922	4,362,130	(128,208)
Environmental grants	3,192,249	2,764,430	427,819
Public assistance grant	6,881,415	1,698,554	5,182,861
Library grants	2,681,200	2,719,829	(38,629)
Total grant-in-aid	<u>26,740,136</u>	<u>22,435,725</u>	<u>4,304,411</u>
Constitutional offices			
Marriage Bureau	226,345	198,071	28,274
Recorder of Deeds	996,363	993,171	3,192
Register of Wills	637,579	622,935	14,644
Sheriff	644,138	677,001	(32,863)
Total constitutional offices	<u>2,504,425</u>	<u>2,491,178</u>	<u>13,247</u>
Total expenditures	<u>78,466,126</u>	<u>69,212,765</u>	<u>9,253,361</u>
Other financing uses			
Transfers out	1,115,500	23,898,272	(22,782,772)
Total other financing uses	<u>1,115,500</u>	<u>23,898,272</u>	<u>(22,782,772)</u>
Total expenditures and other financing uses	<u>79,581,626</u>	<u>93,111,037</u>	<u>(13,529,411)</u>

CAPITAL PROJECTS FUND

SUSSEX COUNTY, DELAWARE
 SCHEDULE OF CAPITAL PROJECTS FUND REVENUES, EXPENDITURES AND CHANGES IN FUND
 BALANCES - BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2021

	<u>Final Budget Amounts</u>	<u>Actual Amount</u>	<u>Variance with Final Budget</u>
REVENUES			
Intergovernmental	\$ 950,000	\$ 452,530	\$ (497,470)
Investment earnings	20,000	(2,327)	(22,327)
Total revenues	<u>970,000</u>	<u>450,203</u>	<u>\$ (519,797)</u>
EXPENDITURES			
General government	-	40,033	(40,033)
Capital projects			
Administrative	2,250,000	1,652,917	597,083
Airport/Business Park	6,600,000	1,918,422	4,681,578
Engineering	2,300,000	1,453,824	846,176
Public safety	3,850,000	2,042,730	1,807,270
Total expenditures	<u>15,000,000</u>	<u>7,107,926</u>	<u>7,892,074</u>
Excess of revenues over (under) expenditures	<u>(14,030,000)</u>	<u>(6,657,723)</u>	<u>7,372,277</u>
OTHER FINANCING SOURCES			
Appropriated reserves	13,030,000	-	(13,030,000)
Transfers in	1,000,000	23,782,772	22,782,772
Total other financing sources	<u>14,030,000</u>	<u>23,782,772</u>	<u>9,752,772</u>
Net change in fund balances	-	17,125,049	17,125,049
Fund balances - beginning	25,247,178	25,247,178	-
Fund balances - ending	<u>\$ 25,247,178</u>	<u>\$ 42,372,227</u>	<u>\$ 17,125,049</u>

FIDUCIARY FUND

COMBINING STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	Pension Trust	Post- retirement Employee Benefit Trust	Total
ASSETS			
Cash and cash equivalents	\$ 1,734,686	\$ 671,875	\$ 2,406,561
Investments:			
U.S. Treasuries	10,284,245	3,683,721	13,967,966
Government Agencies	1,272,754	180,011	1,452,765
Corporate obligations	31,646,545	13,152,672	44,799,217
Core Real Estate	6,350,040	2,645,850	8,995,890
Mutual funds and pooled investments	99,439,839	40,126,132	139,565,971
Total Investments	148,993,423	59,788,386	208,781,809
Accounts receivable	57,814	24,089	81,903
Accrued interest	111,880	46,682	158,562
Total Assets	150,897,803	60,531,032	211,428,835
LIABILITIES			
Accounts payable	57,678	23,779	81,457
Due to general fund	-	12,652	12,652
Total Liabilities	57,678	36,431	94,109
NET POSITION			
Net position restricted for pension and OPEB benefits	<u>\$ 150,840,125</u>	<u>\$ 60,494,601</u>	<u>\$ 211,334,726</u>

COMBINING STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Pension Trust</u>	<u>Post- retirement Employee Benefit Trust</u>	<u>Total</u>
ADDITIONS			
Employer contributions	\$ 4,997,516	\$ 3,063,250	\$ 8,060,766
Employee contributions	251,807	-	251,807
Investment earnings:			
Net appreciation of investments	21,348,466	9,507,816	30,856,282
Interest and dividends	9,350,577	2,909,319	12,259,896
Total investment earnings	<u>30,699,043</u>	<u>12,417,135</u>	<u>43,116,178</u>
Less investment costs	<u>(125,445)</u>	<u>(63,551)</u>	<u>(188,996)</u>
Net investment earnings	<u>30,573,598</u>	<u>12,353,584</u>	<u>42,927,182</u>
Total additions	<u>35,822,921</u>	<u>15,416,834</u>	<u>51,239,755</u>
DEDUCTIONS			
Beneficiary payments	5,261,057	2,606,916	7,867,973
Professional fees	180,974	77,280	258,254
Total deductions	<u>5,442,031</u>	<u>2,684,196</u>	<u>8,126,227</u>
Net increase in plan net position	<u>30,380,890</u>	<u>12,732,638</u>	<u>43,113,528</u>
Net position restricted for pension and OPEB benefits - beginning	<u>120,459,235</u>	<u>47,761,963</u>	<u>168,221,198</u>
Net position restricted for pension and OPEB benefits - ending	<u>\$ 150,840,125</u>	<u>\$ 60,494,601</u>	<u>\$ 211,334,726</u>



STATISTICAL SECTION



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

<u>Contents</u>	<u>Pages</u>
<p>Financial Trends <i>These schedules contain trend information to help the reader understand how the County's financial performance and well-being have changed over time.</i></p>	85 - 90
<p>Revenue Capacity <i>These schedules contain information to help the reader assess the factors affecting the County's ability to generate its property taxes.</i></p>	91 - 94
<p>Debt Capacity <i>These schedules present information to help the reader assess the affordability of the County's current levels of outstanding debt and the County's ability to issue additional debt in the future.</i></p>	95 - 97
<p>Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the County's financial activities take place and to help make comparisons over time with other governments.</i></p>	98 - 99
<p>Operating Information <i>These schedules contain information about the County's operations and resources to help the reader understand how the County's financial information relates to the services the County provides and the activities it performs.</i></p>	100 - 102

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

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

	Fiscal Year									
	2012	2013 as restated	2014 as restated	2015	2016 as restated	2017	2018	2019	2020	2021
Governmental activities										
Net investment in capital assets	\$ 65,497,373	\$ 69,132,520	\$ 75,152,173	\$ 77,934,592	\$ 78,216,994	\$ 82,604,022	\$ 84,144,082	\$ 87,307,216	\$ 93,018,347	\$ 95,551,537
Restricted	63,990,556	56,534,084	45,203,773	45,429,078	57,265,576	63,969,632	72,319,111	73,462,380	88,955,557	103,290,603
Unrestricted	45,085,253	53,383,613	47,467,328	49,690,896	30,428,391	30,413,739	31,989,121	43,795,356	40,407,560	62,637,940
Total governmental activities net position	<u>\$ 174,573,182</u>	<u>\$ 179,050,217</u>	<u>\$ 167,823,274</u>	<u>\$ 173,054,566</u>	<u>\$ 165,910,961</u>	<u>\$ 176,987,393</u>	<u>\$ 188,452,314</u>	<u>\$ 204,564,952</u>	<u>\$ 222,381,464</u>	<u>\$ 261,480,080</u>
Business-type activities										
Net investment in capital assets	\$ 194,995,829	\$ 202,135,522	\$ 204,051,102	\$ 207,515,115	\$ 220,310,592	\$ 239,365,922	\$ 242,907,425	\$ 273,869,317	\$ 306,996,877	\$ 312,780,719
Restricted	76,634,459	43,172,577	33,313,218	43,858,934	65,761,276	59,306,086	64,748,595	76,579,751	75,238,638	85,391,251
Unrestricted	17,427,622	51,458,144	59,033,375	50,704,078	22,380,633	19,484,264	26,954,823	15,931,184	10,755,253	20,092,468
Total business-type activities net position	<u>\$ 289,057,910</u>	<u>\$ 296,766,243</u>	<u>\$ 296,397,695</u>	<u>\$ 302,078,127</u>	<u>\$ 308,452,501</u>	<u>\$ 318,156,272</u>	<u>\$ 334,610,843</u>	<u>\$ 366,380,252</u>	<u>\$ 392,990,768</u>	<u>\$ 418,264,438</u>
Primary government										
Net investment in capital assets	\$ 260,493,202	\$ 271,268,042	\$ 279,203,275	\$ 285,449,707	\$ 298,527,586	\$ 321,969,944	\$ 327,051,507	\$ 361,176,533	\$ 400,015,224	\$ 408,332,256
Restricted	140,625,015	99,706,661	78,516,991	89,288,012	123,026,852	123,275,718	137,067,706	150,042,131	164,194,195	188,681,854
Unrestricted	62,512,875	104,841,757	106,500,703	100,394,974	52,809,024	49,898,003	58,943,944	59,726,540	51,162,813	82,730,408
Total primary government net position	<u>\$ 463,631,092</u>	<u>\$ 475,816,460</u>	<u>\$ 464,220,969</u>	<u>\$ 475,132,693</u>	<u>\$ 474,363,462</u>	<u>\$ 495,143,665</u>	<u>\$ 523,063,157</u>	<u>\$ 570,945,204</u>	<u>\$ 615,372,232</u>	<u>\$ 679,744,518</u>

Note: 1. The business-type activities net position balance for fiscal year ending 2013 decreased by \$515,921 due to a prior period adjustment for implementation of GASB 65.

2. The business-type activities net position balance for fiscal year ending 2014 decreased by \$6,493,225 and governmental activities decreased by \$23,938,654 due to a prior period adjustment for implementation of GASB 68.

3. The business-type activities net position balance for fiscal year ending 2016 decreased by \$5,272,706 and governmental activities decreased by \$17,164,325 due to a prior period adjustment for implementation of GASB 74.

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

	Fiscal Year									
	2012	2013 as restated	2014 as restated	2015	2016 as restated	2017	2018	2019	2020	2021
Expenses										
Governmental activities:										
General government	\$ 10,024,224	\$ 9,697,332	\$ 34,762,582	\$ 11,612,339	\$ 30,002,513	\$ 14,999,329	\$ 16,510,060	\$ 16,510,060	\$ 16,147,716	\$ 7,520,951
Grant-in-aid programs	6,618,896	8,156,799	7,863,936	9,931,773	9,915,966	10,362,109	11,270,949	11,270,949	14,118,069	21,390,212
Planning and zoning	1,202,696	1,212,351	1,091,112	1,208,811	1,272,303	1,767,664	1,716,521	1,716,521	1,557,365	2,580,241
Paramedic program	12,173,161	12,895,383	14,302,991	13,895,165	13,489,135	14,444,807	14,923,379	14,923,379	16,506,738	16,637,782
Emergency preparedness	3,165,648	3,360,129	3,531,682	3,317,424	3,414,864	3,687,552	3,757,532	3,757,532	4,309,246	4,942,953
Economic development and Airpark	2,304,295	2,063,146	2,145,727	2,348,642	2,855,446	3,072,208	3,263,235	3,263,235	4,074,827	4,763,057
County engineer	1,130,783	1,622,080	1,721,971	2,004,463	2,351,221	1,511,146	1,639,722	1,639,722	1,279,617	1,109,090
Library	3,787,237	3,917,395	4,208,141	4,194,436	2,887,880	2,950,264	3,076,799	3,076,799	3,314,143	3,280,930
Community development and housing programs	2,447,571	1,782,197	1,878,873	1,772,497	2,051,580	2,157,621	1,759,425	1,759,425	1,957,643	2,418,638
Constitutional offices	2,493,630	2,429,063	2,459,691	2,419,518	2,335,997	2,433,532	2,386,080	2,386,080	2,460,778	2,557,573
Interest on long-term debt	-	-	-	-	-	-	-	-	-	-
Total governmental activities expenses	45,348,141	47,135,875	73,966,706	52,705,068	70,576,905	57,386,232	60,303,702	60,303,702	65,726,142	67,201,427
Business-type activities:										
Sewer facilities	29,460,133	31,485,165	38,554,376	32,982,881	39,048,235	35,167,846	33,519,513	33,519,513	37,418,065	42,024,610
Water facilities	1,078,834	987,917	1,135,520	1,061,361	1,251,337	1,299,626	1,162,200	1,162,200	1,189,872	1,415,297
Total business-type activities expenses	30,538,967	32,473,082	39,689,896	34,044,242	40,299,572	36,467,472	34,681,713	34,681,713	38,607,937	43,439,907
Total primary government expenses	\$ 75,887,108	\$ 79,608,957	\$ 113,656,602	\$ 86,749,310	\$ 110,876,477	\$ 93,853,704	\$ 94,985,415	\$ 94,985,415	\$ 104,334,079	\$ 110,641,334
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 1,238,309	\$ 1,202,641	\$ 1,208,807	\$ 1,758,562	\$ 1,638,637	\$ 1,832,205	\$ 1,979,163	\$ 1,979,163	\$ 2,077,385	\$ 2,840,815
Planning and zoning	1,148,591	1,242,834	1,392,906	1,628,932	1,672,188	1,895,358	2,226,305	2,226,305	2,310,409	3,372,843
Paramedics	-	-	-	-	12,803	19,225	29,355	29,355	61,265	60,090
Emergency preparedness	15,960	17,500	17,500	17,500	17,500	17,500	20,800	20,800	20,800	20,800
Economic development and public works	671,314	545,324	875,302	455,017	477,689	483,227	530,078	530,078	650,852	623,646
County engineer	281,451	277,841	35,607	744,238	660,738	1,610,081	1,935,572	1,935,572	1,892,140	2,809,175
Library	25,991	28,074	553,044	35,359	38,404	39,077	31,538	31,538	15,744	566
Constitutional offices	6,808,811	9,149,173	7,509,071	7,205,590	6,812,782	6,934,857	7,571,546	7,571,546	7,645,576	10,495,091
Operating grants and contributions	7,115,414	7,150,788	6,971,729	6,945,600	6,444,501	7,308,976	5,931,357	5,931,357	7,785,453	8,591,133
Capital grants and contributions	2,102,681	543,802	2,949,213	6,751,045	1,217,668	2,018,147	425,636	425,636	4,018,377	573,362
Total governmental activities program revenues	19,408,522	20,157,977	21,513,179	25,541,843	18,992,910	22,158,653	20,681,350	20,681,350	26,478,001	29,387,521

(continued)

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

	Fiscal Year									
	2012	2013 as restated	2014 as restated	2015	2016 as restated	2017	2018	2019	2020	2021
Business-type activities:										
Charges for services:										
Sewer facilities	\$ 16,158,500	\$ 17,229,651	\$ 18,900,486	\$ 20,248,738	\$ 21,550,662	\$ 21,749,464	\$ 23,665,580	\$ 24,357,943	\$ 24,984,618	\$ 26,241,664
Water facilities	667,476	808,246	1,240,052	1,223,871	1,249,930	1,234,499	1,238,663	1,261,416	1,274,502	1,331,189
Operating grants and contributions	14,191,817	15,752,444	15,605,163	14,749,008	16,306,257	17,714,845	19,480,380	26,261,126	24,821,790	28,690,407
Capital grants and contributions	18,766,753	5,712,226	2,798,600	3,245,590	7,049,610	5,424,290	6,388,880	14,244,228	13,616,195	12,257,912
Total business-type activities program revenues	49,784,546	39,502,567	38,544,301	39,467,207	46,156,459	46,123,098	50,773,503	66,124,713	64,697,105	68,521,172
Total primary government program revenues	\$ 69,942,523	\$ 61,015,746	\$ 64,086,144	\$ 58,460,117	\$ 68,315,112	\$ 46,123,098	\$ 71,454,853	\$ 90,782,202	\$ 64,697,105	\$ 97,908,693
Net (Expense)/Revenue										
Governmental activities	\$ (25,190,164)	\$ (25,622,696)	\$ (27,163,225)	\$ (51,583,995)	\$ (35,227,579)	\$ -	\$ (39,622,352)	\$ (39,450,225)	\$ -	\$ (37,813,906)
Business-type activities	19,245,579	7,029,485	4,500,059	(832,365)	9,688,987	46,123,098	16,091,790	31,241,104	64,697,105	25,081,265
Total primary government net (expense)/revenue	\$ (5,944,585)	\$ (18,593,211)	\$ (22,663,166)	\$ (52,416,360)	\$ (25,538,592)	\$ 46,123,098	\$ (23,530,562)	\$ (8,209,121)	\$ 64,697,105	\$ (12,732,641)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Property taxes	\$ 13,540,463	\$ 12,706,792	\$ 14,110,356	\$ 14,339,081	\$ 14,715,444	\$ 15,264,023	\$ 15,709,654	\$ 16,129,403	\$ 16,644,442	\$ 17,087,426
Fire service taxes	898,335	1,041,506	1,253,792	1,280,085	1,421,496	1,647,719	1,694,992	2,070,724	1,789,174	2,663,857
Realty transfer taxes	14,282,093	17,422,525	20,894,160	22,212,933	24,210,264	27,989,410	32,299,796	33,501,282	35,477,592	57,024,772
Lodging taxes	-	-	-	-	-	-	-	-	49,958	-
Unrestricted investment earnings	302,903	(318,529)	949,002	820,263	935,665	259,279	1,190,083	3,816,187	3,113,675	179,303
Gain (loss) on sale of capital assets	-	-	-	-	-	468,928	204,544	59,218	3,777	19,303
Transfers	(925,897)	(752,563)	(9,390)	291,088	(8,222)	(11,229)	(11,796)	(13,951)	(13,965)	(62,139)
Total governmental activities	28,097,897	30,099,731	37,197,920	38,943,450	41,274,647	45,618,130	51,087,273	55,562,863	57,064,653	76,912,522
Business-type activities:										
Unrestricted investment earnings	22,884	(73,715)	767,657	548,555	509,265	34,935	324,440	521,362	396,483	108,126
Gain (loss) on sale of capital assets	-	-	-	-	-	1,981	26,545	(7,008)	110,900	22,140
Transfers	925,897	752,563	9,390	(291,088)	8,222	11,229	11,796	13,951	13,965	62,139
Total business-type activities	948,781	678,848	777,047	257,467	517,487	48,145	362,781	528,305	521,348	192,405
Total primary government program revenues	\$ 29,046,678	\$ 30,778,579	\$ 37,974,967	\$ 39,200,917	\$ 41,792,134	\$ 45,666,275	\$ 51,450,054	\$ 56,091,168	\$ 57,586,001	\$ 77,104,927
Change in Net Position										
Governmental activities	\$ 2,907,733	\$ 4,477,035	\$ 10,034,695	\$ (12,640,545)	\$ 6,047,068	\$ 45,618,130	\$ 11,464,921	\$ 16,112,638	\$ 57,064,653	\$ 39,098,616
Business-type activities	20,194,360	7,708,333	5,277,106	(574,898)	10,206,474	46,171,243	16,454,571	31,769,409	65,218,453	25,273,670
Total primary government	\$ 23,102,093	\$ 12,185,368	\$ 15,311,801	\$ (13,215,443)	\$ 16,253,542	\$ 91,789,373	\$ 27,919,492	\$ 47,882,047	\$ 122,283,106	\$ 64,372,286

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

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

	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General Fund										
Nonspendable	\$ 96,678	\$ 106,411	\$ 106,540	\$ 452,748	\$ 359,120	\$ 345,211	\$ 315,913	\$ 352,961	\$ 316,316	\$ 267,909
Restricted	47,914,815	44,739,045	45,203,773	42,832,105	49,092,198	51,308,089	52,560,032	57,923,703	64,131,190	74,207,956
Committed	837,696	1,308,577	778,755	798,817	1,079,713	1,282,810	838,424	1,811,458	1,867,007	10,439,101
Assigned	4,441,378	4,044,652	7,258,754	7,168,799	4,960,008	16,286,439	17,237,808	20,899,412	8,516,719	2,079,742
Unassigned	24,867,662	30,602,046	34,229,654	35,922,102	40,577,312	32,478,506	34,518,709	29,029,042	37,826,924	38,531,552
Total general fund	<u>\$ 78,158,229</u>	<u>\$ 80,800,731</u>	<u>\$ 87,577,476</u>	<u>\$ 87,174,571</u>	<u>\$ 96,068,351</u>	<u>\$ 101,701,055</u>	<u>\$ 105,470,886</u>	<u>\$ 110,016,576</u>	<u>\$ 112,658,156</u>	<u>\$ 125,526,260</u>
All Other Governmental Funds										
Restricted	\$ 16,075,741	\$ 11,795,039	\$ 8,769,934	\$ 13,182,134	\$ 14,587,607	\$ 17,447,074	\$ 17,575,194	\$ 17,119,804	\$ 23,769,732	\$ 42,372,227
Committed	-	-	-	-	1,420,252	1,420,883	1,425,270	1,454,505	1,477,446	-
Unassigned	-	-	-	-	-	-	-	-	-	-
Total all other governmental funds	<u>\$ 16,075,741</u>	<u>\$ 11,795,039</u>	<u>\$ 8,769,934</u>	<u>\$ 13,182,134</u>	<u>\$ 16,007,859</u>	<u>\$ 18,867,957</u>	<u>\$ 19,000,464</u>	<u>\$ 18,574,309</u>	<u>\$ 25,247,178</u>	<u>\$ 42,372,227</u>

**SCHEDULE OF REVENUE AND EXPENDITURES AND OTHER FINANCING SOURCES AND USES
FOR THE FORTY-THREE YEARS THROUGH JUNE 30, 2021**

Year Ended	Total Revenues and Other Financing Sources	Total Expenditures and Other Financing Uses	Revenues Over (Under) Expenditures
June 30, 1978	\$ 3,017,587	\$ 2,944,327	\$ 73,260
June 30, 1979	3,211,534	3,327,193	(115,659)
June 30, 1980	3,412,108	4,030,506	(618,398)
June 30, 1981	4,132,559	4,514,093	(381,534)
June 30, 1982	5,396,279	5,353,716	42,563
June 30, 1983	5,960,285	5,575,652	384,633
June 30, 1984	7,368,435	6,505,440	862,995
June 30, 1985	7,195,223	7,062,005	133,218
June 30, 1986	8,092,891	7,332,618	760,273
June 30, 1987	8,083,881	8,223,857	(139,976)
June 30, 1988	8,747,945	8,038,906	709,039
June 30, 1989	8,785,091	8,498,335	286,756
June 30, 1990	9,450,906	9,813,082	(362,176)
June 30, 1991	11,194,437	10,849,623	344,814
June 30, 1992	13,638,160	12,496,815	1,141,345
June 30, 1993	15,702,048	14,788,446	913,602
June 30, 1994	17,400,655	15,609,340	1,791,315
June 30, 1995	18,691,048	16,649,804	2,041,244
June 30, 1996	19,839,629	18,335,025	1,504,604
June 30, 1997	20,657,168	18,887,201	1,769,967
June 30, 1998	22,748,561	19,577,032	3,171,529
June 30, 1999	27,986,124	21,058,512	6,927,612
June 30, 2000	31,943,432	27,905,314	4,038,118
June 30, 2001	33,372,782	30,856,476	2,516,306
June 30, 2002	40,317,598	34,062,609	6,254,989
June 30, 2003	47,788,332	35,256,669	12,531,663
June 30, 2004	59,473,814	48,051,724	11,422,090
June 30, 2005	68,771,872	56,968,164	11,803,708
June 30, 2006	75,629,821	64,726,011	10,903,810
June 30, 2007	65,109,365	67,761,397	(2,652,032)
June 30, 2008	56,401,363	59,723,336	(3,321,973)
June 30, 2009	47,129,096	49,023,600	(1,894,504)
June 30, 2010	46,524,193	45,906,216	617,977
June 30, 2011	46,374,338	42,892,557	3,481,781
June 30, 2012	47,687,660	46,833,631	854,029
June 30, 2013	49,054,287	46,681,785	2,372,502
June 30, 2014	57,098,756	50,052,011	7,046,745
June 30, 2015	56,839,650	57,242,555	(402,905)
June 30, 2016	61,484,092	52,590,312	8,893,780
June 30, 2017	67,056,315	61,423,611	5,632,704
June 30, 2018	71,717,857	67,948,026	3,769,831
June 30, 2019	78,393,696	73,848,006	4,545,690
June 30, 2020	79,250,672	76,609,092	2,641,580
June 30, 2021	105,979,141	93,111,037	12,868,104

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
2012	2,359,822,403	426,432,740	116,547,528	113,228,365	222,019,046	241,807,940	2,996,242,142	0.445	33,402,922,430	9.0%
2013	2,406,619,888	422,465,283	117,246,528	113,008,160	226,056,896	244,977,619	3,040,419,136	0.445	33,411,199,291	9.1%
2014	2,450,287,060	427,920,126	117,594,308	112,225,430	224,673,246	225,892,895	3,106,807,275	0.445	34,907,946,910	8.9%
2015	2,503,649,158	428,637,368	118,375,983	111,485,805	226,254,961	242,988,200	3,145,415,075	0.445	37,135,951,299	8.5%
2016	2,595,976,739	434,363,150	118,590,557	109,527,555	227,376,546	227,246,866	3,258,587,681	0.445	39,545,966,996	8.2%
2017	2,688,186,234	442,811,028	121,596,448	110,460,539	228,894,171	228,894,171	3,363,054,249	0.445	41,315,162,764	8.1%
2018	2,788,621,448	449,468,483	124,513,173	114,278,764	232,611,021	245,224,677	3,464,268,212	0.445	44,527,869,049	7.8%
2019	2,878,558,172	451,761,425	127,125,723	114,381,064	233,303,521	244,317,159	3,560,812,746	0.445	45,768,801,356	7.8%
2020	2,981,509,795	458,379,350	129,695,123	114,937,264	242,893,502	252,967,804	3,674,447,230	0.445	49,654,692,297	7.4%
2021	3,075,348,220	465,405,625	131,116,673	115,172,414	238,467,250	246,308,593	3,779,201,589	0.445	54,065,831,030	7.0%

Notes:

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

* 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									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
County Direct										
County Tax	\$ 0.3983	\$ 0.3983	\$ 0.3983	\$ 0.3983	\$ 0.3983	\$ 0.3983	\$ 0.3983	\$ 0.3983	\$ 0.3983	\$ 0.3983
Library	0.0467	0.0467	0.0467	0.0467	0.0467	0.0467	0.0467	0.0467	0.0467	0.0467
Total direct rate	0.4450	0.4450	0.4450	0.4450	0.4450	0.4450	0.4450	0.4450	0.4450	0.4450
School Districts										
Cape Henlopen	2.5670	2.9770	2.9770	3.0710	3.0430	3.2130	3.4900	3.6774	3.9921	3.9876
Delmar	3.3100	3.7574	3.8094	3.6394	4.3669	4.1417	4.2217	4.2217	4.2017	4.2367
Indian River	2.6250	2.6230	2.7430	2.6930	2.6890	2.5780	3.0970	3.0670	3.0350	3.0541
Laurel	2.9810	3.6050	3.5890	3.6960	4.2050	4.9890	4.7120	4.8890	4.4170	4.4030
Milford	3.6304	3.4659	3.5870	3.4783	3.5682	5.3913	4.9841	4.9145	4.8913	4.8506
Seaford	3.3200	3.3200	3.3600	3.2000	3.3600	3.3600	3.5797	3.8134	3.9340	4.5955
Woodbridge	3.4820	3.7240	3.6900	3.6170	3.6090	3.6090	3.6090	3.9020	4.5560	4.5560
Vo-Tech	0.2737	0.2811	0.2599	0.2728	0.3289	0.3365	0.2704	0.2691	0.2646	0.6230
Town Rates (2)										
Bethany Beach	0.1700	0.1700	0.1750	0.1750	0.1850	0.1850	0.1850	0.1900	0.1900	0.1900
Bethel	0.4000	0.4000	0.4000	0.4000	0.4000	0.4000	0.4000	0.4000	0.4000	0.4000
Blades	1.4000	0.7000	0.7000	0.7000	0.7000	0.7000	0.7000	0.7000	0.7000	0.7000
Bridgeville	2.0000	2.0000	2.4000	2.4000	2.4000	2.4000	2.4000	2.5200	2.6400	2.7600
Dagsboro	0.3800	0.5600	0.5600	0.5600	0.5600	0.5600	0.5600	0.0560	0.0560	0.0560
Delmar	0.5000	0.5200	0.5200	0.5400	0.5400	0.5400	0.6000	0.6200	0.6300	0.6200
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	1.5000	1.5000	1.5000	1.8000	1.8000	1.8000	1.8000	2.0000	1.9800
Fenwick Island	1.9200	1.9200	1.9200	1.9200	1.9200	1.9200	1.9200	1.7402	1.7402	1.7402
Frankford	2.5000	2.5000	2.5000	2.5000	2.5000	2.5000	2.5000	2.5000	2.5000	2.5000
Georgetown	3.1400	3.1400	3.1700	3.1700	3.1700	3.1700	3.1700	3.1700	3.1700	3.1700
Greenwood	1.8000	1.8000	1.8000	1.8000	1.8000	1.8000	1.8000	1.8000	1.8000	1.8000
Henlopen Acres	2.6200	2.6200	2.6200	2.6200	2.6200	2.6200	2.6200	2.6200	2.6200	2.9400
Laurel	2.2000	2.2900	2.2900	2.0800	2.5300	2.7300	2.8700	3.0100	3.0100	3.0100
Lewes	0.5700	0.5700	0.5700	0.5700	0.5700	0.5700	0.5700	0.5700	0.5700	0.5700
Milford	0.4600	0.4600	0.4600	0.4600	0.4600	0.4600	0.4600	0.4600	0.4600	0.4828
Millsboro	0.5600	0.5600	0.5600	0.5600	0.3300	0.3300	0.3300	0.3300	0.3400	0.3600
Millville	0.5000	0.5000	0.5000	0.5000	0.5000	0.5000	0.5000	0.5000	0.5000	0.5000
Milton	0.2160	0.2160	0.2160	0.2400	0.2400	0.2400	0.2400	0.2400	0.2400	0.2520
Ocean View	0.1588	0.1588	0.1620	0.1652	0.1652	0.1652	2.6700	2.4780	2.4780	2.6780
Rehoboth Beach	1.7800	1.7800	0.4000	0.4000	0.4000	0.4000	0.4000	0.0600	0.0600	0.0600
Seaford	0.3000	0.3100	0.3100	0.3100	0.3100	0.3100	0.3100	0.3400	0.3400	0.3400
Selbyville	1.8500	1.8500	1.8500	1.8500	1.8500	1.8500	1.8500	1.8500	1.8500	1.8500
Slaughter Beach	0.7500	0.7500	0.7500	0.7500	0.7500	0.7500	0.7500	0.7500	0.7500	0.7500
South Bethany	1.3000	1.3000	1.3000	1.3000	1.3000	1.3000	1.3000	1.3000	1.3000	1.3000

Notes:

1. The above rates are per \$100 of assessed value.
2. The town rate shown for Bethany Beach, Blades, Dagsboro, Delmar, Lewes, Milford, Millsboro, Milton, Rehoboth Beach, and Seaford are based on assessments established by the individual towns. The other town rates are based on County assessments. Town of Ocean View rate shown are based on assessments established by the town from 2009 ~ 2017, 2018 rate shown is based on County assessments.

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

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

Taxpayer	Fiscal Year 2021			Fiscal Year 2012		
	Taxable Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Taxable Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Delmarva Power & Light Co.	\$ 38,314,852	1	1.01%	\$ 23,335,305	2	.78%
Verizon	23,408,675	2	0.62	46,311,375	1	1.55
Indian River Power LLC	12,786,471	3	0.34	12,786,471	3	0.43
Eastern Shore Natural Gas Co.	7,737,852	4	0.20	8,569,313	4	0.29
Chesapeake Utilities Corporation	6,741,400	5	0.18	5,262,233	6	0.18
Invista Sarl	6,827,200	6	0.18	-	-	-
Delaware Electric Cooperative, Inc.	6,268,200	8	0.17	5,111,765	7	0.17
Harim Millsboro LLC	6,166,950	7	0.16	3,547,200	10	0.12
Mountaire Farms of Delaware, Inc.	4,950,100	9	0.13	-	-	-
Sussex Sports Amenities LLC	3,203,900	10	0.08	4,547,400	8	0.15
E.I. duPont de Nemours Company	-	-	-	8,385,865	5	0.28
Millsboro Town Center LLC	-	-	-	3,670,900	9	0.12
	<u>\$ 116,405,600</u>		<u>3.07%</u>	<u>\$ 121,527,827</u>		<u>4.07%</u>

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

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

Fiscal Year	Taxes Levied for Fiscal Year		Total Adjusted Tax Levy	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
	(Original Levy)	Adjustments		Current Tax Collections	Percent of Levy		Amount	Percentage of Adjusted Levy
2012	\$ 13,333,291	\$ 64,275	\$ 13,397,566	\$ 13,129,170	98.0%	\$ 249,221	\$ 13,378,391	99.9%
2013	12,522,798	63,224	12,586,022	12,314,220	97.8	248,818	12,563,037	99.8%
2014	13,751,888	24,327	13,776,215	13,505,584	98.0	243,820	13,749,404	99.8%
2015	13,998,509	145,938	14,144,447	13,737,879	97.1	374,880	14,112,759	99.8%
2016	14,500,715	140,265	14,640,980	14,435,552	98.6	165,942	14,601,494	99.7%
2017	14,964,667	113,242	15,077,909	14,746,056	97.8	270,099	15,016,155	99.6%
2018	15,415,956	133,061	15,549,017	15,181,549	97.6	300,614	15,482,163	99.6%
2019	15,844,664	141,327	15,985,991	15,690,084	98.1	184,125	15,874,209	99.3%
2020	16,351,308	138,684	16,489,992	16,248,038	98.5	122,877	16,370,915	99.3%
2021	16,817,465	152,508	16,969,973	16,593,411	97.8	-	16,593,411	97.8%

Notes:

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

Source: Sussex County Finance Department

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

Fiscal Year	Governmental Activities		Business-Type Activities		Total Primary Government	Percentage of Personal Income	Per Capita
	Capital Leases		General Obligation Bonds	Sewer Revenue Bonds			
2012	\$ -		\$ 159,993,470	\$ 17,643,028	\$ 177,636,498	2.32%	\$ 873
2013	-		172,319,678	-	172,319,678	2.16	834
2014	-		165,681,742	-	165,681,742	1.81	786
2015	-		163,797,633	-	163,797,633	1.64	760
2016	-		157,854,672	-	157,854,672	1.52	717
2017	-		150,094,796	-	150,094,796	1.41	666
2018	-		146,569,694	-	146,569,694	1.27	639
2019	-		146,559,060	-	146,559,060	1.20	626
2020	-		150,074,075	-	150,074,075	*	632
2021	-		199,992,825	-	199,992,825	*	*

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

* Figures not available

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

Legal debt margin calculation for fiscal year 2021	
Assessed value	\$ 3,779,201,589
Debt limit (12% of assessed value)	453,504,191
Total net debt applicable to limit	<u>199,992,825</u>
Legal debt margin	<u>\$ 253,511,366</u>

	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General obligation bonds	<u>\$ 172,427,551</u>	<u>\$ 167,405,688</u>	<u>\$ 159,460,288</u>	<u>\$ 157,980,947</u>	<u>\$ 152,442,753</u>	<u>\$ 145,053,144</u>	<u>\$ 141,863,810</u>	<u>\$ 142,188,944</u>	<u>\$ 146,039,727</u>	<u>\$ 195,324,990</u>
Percentage of estimated actual property value	0.47%	0.50%	0.46%	0.46%	0.45%	0.42%	0.41%	0.41%	0.42%	0.56%
Per capita	\$ 873	\$ 834	\$ 786	\$ 760	\$ 717	\$ 666	\$ 639	\$ 626	\$ 632	*
Total net debt applicable to debt limit	177,636,498	172,319,678	165,681,742	163,797,633	157,854,672	150,094,796	146,569,694	146,559,060	150,074,075	199,992,825
Legal debt limit	<u>364,850,297</u>	<u>370,830,620</u>	<u>377,449,813</u>	<u>391,015,950</u>	<u>403,566,510</u>	<u>415,710,771</u>	<u>415,710,771</u>	<u>427,297,530</u>	<u>440,933,668</u>	<u>453,504,191</u>
Legal debt margin	<u>\$ 187,213,799</u>	<u>\$ 198,510,942</u>	<u>\$ 211,768,071</u>	<u>\$ 227,218,317</u>	<u>\$ 245,711,838</u>	<u>\$ 265,615,975</u>	<u>\$ 269,141,077</u>	<u>\$ 280,738,470</u>	<u>\$ 290,859,593</u>	<u>\$ 253,511,366</u>
Total net debt applicable to the limit as a percentage of debt limit	48.69%	46.47%	43.90%	41.89%	39.11%	36.11%	35.26%	34.30%	34.04%	44.10%

Notes:

1. The statutory limitation for debt is 12% of the assessed value of taxable property as of June 30, 2021.
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	
2012	\$ 9,972,970	\$ 2,769,722	\$ 7,203,248	\$ 1,646,921	\$ 670,863	3.11
2013	10,044,481	2,645,099	7,399,382	1,689,775	628,384	3.19
2014	-	-	-	-	-	-
2015	-	-	-	-	-	-
2016	-	-	-	-	-	-
2016	-	-	-	-	-	-
2017	-	-	-	-	-	-
2018	-	-	-	-	-	-
2019	-	-	-	-	-	-
2020	-	-	-	-	-	-
2021	-	-	-	-	-	-

Notes:

1. Operating expenses do not include depreciation or interest expense, as per the bond indenture.
2. Utility service charges do not include capitalization fees, or capital contributions.
3. Debt service requirement reflects minimum amounts due for revenue bonds. It does not include any debt service amounts for additional bonds which are paid from district funds and are general obligation bonds. It does not include accrued interest. It does not include interest capitalized prior to the initial date of operations, December 29, 1995.
4. The coverage requirement per Bond resolutions is 1.25.

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

<u>Year</u>	<u>Population (1)</u>	<u>Total Personal Income (2)</u>	<u>Per Capita Personal Income (2)</u>	<u>Median Age (3)</u>	<u>Public School Enrollment (4)</u>	<u>Unemployment Rate (5)</u>
2012	203,390	\$ 7,660,479	\$ 37,664	45.4	24,560	5.9%
2013	206,649	7,968,480	38,560	45.9	25,649	6.5%
2014	210,849	8,800,249	41,737	46.5	25,564	5.4%
2015	215,622	9,652,773	44,767	47.0	26,397	4.4%
2016	220,251	10,418,453	47,303	47.6	26,886	4.0%
2017	225,322	10,663,080	47,324	48.3	27,464	4.3%
2018	229,286	11,540,734	50,333	50.6	27,788	3.7%
2019	234,225	12,199,649	52,085	50.6	31,691	3.2%
2020	237,378	*	*	*	32,504	11.5%
2021	*	*	*	*	33,055	4.4%

Note: Total personal income is in thousands of dollars.

Sources:

1. U.S. Bureau of the Census.
2. U.S. Department of Commerce, Bureau of Economic Analysis.
3. U.S. Bureau of the Census, American Community Survey.
4. Delaware Department of Education, FYE 2011 ~ 2018 DOE Profile Publication. 2019 the State of Delaware discontinued the Profile Publication. FYE 2019 and 2020 "Student Enrollment Over Time By School". Note the 2019 and 2020 Milford School district enrollment numbers at 100%, even though the school district is split between two Counties.
5. U.S. Bureau of Labor Statistics

* Figures not available

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

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<u>Type of Employer</u>	<u>2021</u>			<u>2012</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>
Health care and social assistance	12,341	1	15.8%	9,829	3	15.5%
Retail trade	11,769	2	15.1	10,510	1	16.6
Manufacturing	9,369	3	12.0	10,221	2	16.1
Accommodation and food services	9,357	4	12.0	7,191	5	11.3
Government	8,610	5	11.0	8,007	4	12.6
Construction	5,572	6	7.1	3,396	6	5.4
Administrative and waste services	5,402	7	6.9	2,337	7	3.7
Other services, except public administration	2,476	8	3.2	2,199	8	3.5
Professional and technical services	2,368	9	3.0	1,576	10	2.5
Transportation and warehousing	1,941	10	2.5	-	-	-
Finance and insurance	-	-	-	1,782	9	2.8
Total	<u>69,205</u>		<u>88.5%</u>	<u>57,048</u>		<u>90.0%</u>
Total Employees in Sussex County	<u>78,163</u>		<u>100.0%</u>	<u>63,404</u>		<u>100.0%</u>

Notes:

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

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

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

<u>Function/Program</u>	Full-time Equivalent Employees as of June 30									
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
General government										
General administration	11	11	10	10	9	10	10	10	10	11
Finance (1)	64	60	59	63	66	67	68	72	76	75
Human Resources	6	6	6	6	6	6	6	6	6	6
Facilities Management	21	20	19	19	18	19	17	18	18	17
Information Technology	22	21	21	23	23	27	27	30	28	28
Planning and zoning	17	15	14	15	16	16	18	19	14	17
Paramedic program	104	108	110	110	106	102	109	111	114	109
Emergency preparedness	27	29	27	30	29	30	29	33	37	41
Economic development (2)	3	3	2	3	3	3	3	3	2	3
County engineer	144	144	143	143	138	131	138	133	139	137
Library	26	28	27	26	28	27	28	29	31	30
Community development and housing programs	5	5	5	5	5	6	6	6	6	5
Constitutional offices	33	33	32	29	32	30	31	33	31	32
Total	483	483	475	482	479	474	490	503	512	511

1. The GIS department was reclassified to an Information Technology function rather than Finance function.
2. The Public Works Department was reclassified as a County engineer function rather than an Economic development function.

Source: Sussex County Accounting Division.

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

Function/Program	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Planning and Zoning										
Permits issued (1)	6,959	7,172	7,693	8,288	9,663	10,236	10,378	10,429	10,719	14,501
Public Safety										
Paramedic incidents dispatched	14,260	15,018	15,219	15,929	16,717	17,757	18,151	18,126	17,481	17,255
911 calls (2)	108,301	105,137	110,139	113,549	109,009	103,108	101,554	103,303	110,700	119,946
Sewer and Water Services										
Sewer customers, EDU's billed	62,431	64,456	65,735	67,410	68,965	69,821	72,398	74,534	76,769	78,002
Water customers, EDU's billed	3,631	3,688	3,676	3,699	3,715	3,700	3,702	3,713	3,722	3,755
Libraries										
Circulation (3)	1,406,166	1,387,038	1,361,586	1,347,386	1,371,859	1,320,860	1,356,585	1,148,849	816,116	547,730
Industrial Airpark										
Number of businesses	17	19	20	21	21	20	28	28	28	27
Number of jobs provided by business	881	870	875	880	895	960	960	960	1,012	916
Number of landings (4)	18,000	17,900	18,000	17,500	17,500	19,000	19,000	17,500	17,650	17,251

Note:

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

Source: Individual Sussex County Departments.

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

Function/Program	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Public Safety										
Paramedic stations	9	9	9	9	9	9	9	9	10	10
Volunteer fire and ambulance companies	24	24	24	24	24	24	24	24	24	24
Additional state police officers funded by County (1)	40	44	44	44	44	44	22	22	22	22
Sewer and Water Services										
Miles of underground sanitary sewer pipe	846	856	856	865	885	894	915	940	961	970
Number of feet of ocean outfall sewer pipe	6,500	6,500	6,670	6,670	6,670	6,670	6,670	6,670	6,670	6,670
Pump stations	440	449	461	463	468	488	493	518	524	526
Lagoon treatment facilities with land application	3	3	3	3	3	3	3	3	3	3
Tertiary treatment facility with ocean discharge	1	1	1	1	1	1	1	1	1	1
Libraries										
Directly administered	3	3	3	3	3	3	3	3	3	3
Number of County funded, with independent board	11	11	11	11	11	11	11	11	11	11
Bookmobiles	1	1	1	1	1	1	1	1	1	1
Airport										
Paved runway footage	8,109	8,109	8,609	8,609	8,609	8,609	8,609	8,609	8,609	8,609
Number of hangars	30	30	30	30	30	30	34	39	39	39
Number of runways	2	2	2	2	2	2	2	2	2	2

Note:

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

Source: Individual Sussex County Departments.



SINGLE AUDIT SUPPLEMENT

SUSSEX COUNTY, DELAWARE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

Federal Agency	CFDA Number	Federal Program Name	Pass-through Grantor	Other Identification Number	Expenditures			Pass through to Subrecipients
					From Direct Awards	From Pass Through Awards	Total	
U.S. DEPARTMENT OF AGRICULTURE								
	10.760	Water and Waste Disposal Systems for Rural Communities		10,21,23	\$ 4,793,536	\$ -	\$ 4,793,536	\$ -
TOTAL U.S. DEPARTMENT OF AGRICULTURE					<u>4,793,536</u>	<u>-</u>	<u>4,793,536</u>	<u>-</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT								
	14.228	Community Development Block Grants/ State's Program	Delaware State Housing Authority	CD 03-18, CD 03-19, CD 03-20	-	1,314,725	1,314,725	-
		Community Development Block Grants Coronavirus Aid Relief, and Economic Security Act	Delaware State Housing Authority	CDBG-CV1 03-20	-	84,392	84,392	75,646
		Neighborhood Stabilization Program (NSP 1)	Delaware State Housing Authority	NSP 03-08	-	33,243	33,243	-
		Total Community Development Block Grants/ State's Program			<u>-</u>	<u>1,432,360</u>	<u>1,432,360</u>	<u>75,646</u>
	14.239	Home Investment Partnerships Program	Delaware State Housing Authority	HM 03-18, HM 03-19	-	599,024	599,024	-
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT					<u>-</u>	<u>2,031,384</u>	<u>2,031,384</u>	<u>75,646</u>
U.S. DEPARTMENT OF TRANSPORTATION								
	20.106	Airport Improvement Program		3-10-0007-034-2018, 3-10-0007-035-2019, 3-10-0007-036-2020	427,127	-	427,127	-
		Airport Improvement Program - Coronavirus Aid, Relief, and Economic Security Act		3-10-0007-37-2020	49,947	-	49,947	-
	20.106	Total Airport Improvement Program			<u>477,074</u>	<u>-</u>	<u>477,074</u>	<u>-</u>
TOTAL U.S. DEPARTMENT OF TRANSPORTATION					<u>477,074</u>	<u>-</u>	<u>477,074</u>	<u>-</u>
U.S. DEPARTMENT OF TREASURY								
	21.019	Coronavirus Relief Fund	State of Delaware - Office of Management and Budget		-	128,545	128,545	-
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES					<u>-</u>	<u>128,545</u>	<u>128,545</u>	<u>-</u>
U.S. DEPARTMENT OF ENVIRONMENTAL PROTECTION AGENCY								
Clean Water State Revolving Fund Cluster								
	66.458	Capitalization Grants for State Revolving Funds	Delaware Department of Natural Resources and Environment Control	2000094, 12000098, 12000099, CW-2020-001	-	5,074,812	5,074,812	-
TOTAL U.S. DEPARTMENT OF ENVIRONMENTAL PROTECTION AGENCY					<u>-</u>	<u>5,074,812</u>	<u>5,074,812</u>	<u>-</u>
U.S. DEPARTMENT OF EDUCATION								
	84.287	Twenty-First Century Community Learning Centers	Delaware Department of Education	009901791105-951700	-	8,093	8,093	-
TOTAL U.S. DEPARTMENT OF EDUCATION					<u>-</u>	<u>8,093</u>	<u>8,093</u>	<u>-</u>
U.S. DEPARTMENT OF HOMELAND SECURITY								
	97.042	Emergency Management Performance Grants	Delaware Emergency Management Agency	EMPG- 17-003, 20-003, 21-003	-	218,927	218,927	-
	97.036	Disaster Grants - Public Assistances (Presidentially Declared Disaster)	Delaware Emergency Management Agency	4526-DR-DE	-	81,248	81,248	-
	97.067	Homeland Security Grant Program	Delaware Emergency Management Agency	EMW-2018-SS-00050, SAI00000383	-	1,371	1,371	-
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY					<u>-</u>	<u>301,546</u>	<u>301,546</u>	<u>-</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS					<u>\$ 5,270,610</u>	<u>\$ 7,544,380</u>	<u>\$ 12,814,990</u>	<u>\$ 75,646</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

Basis of Accounting

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

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

NOTE B - INDIRECT COST RATE

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

NOTE C - LOANS

The County had the following federal expenditures that have been or will be funded by loans from the U.S. Department of Agriculture and the U.S. Environmental Protection Agency for the year ended June 30, 2021.

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

NOTE E - LOANS OUTSTANDING

Neighborhood Stabilization Program (NSP 1)

The County administers low-income housing loan programs under the Community Development Block Grants/Entitlement Grants for CFDA No. 14.228. The total amount outstanding at June 30, 2021 is \$744,799 of which \$33,163 is included in the current fiscal year's federal expenditure balance for that program.

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

Opinion on Compliance for the 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 the County's major federal programs for the year ended June 30, 2021. The County's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the County complied, in all material respects, with the 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, 2021.

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the types of compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the County's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit

conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the types of compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the County's compliance with the requirements of the federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the County's compliance with the types of compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the County's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

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

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

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

BDO USA, LLP

Wilmington, Delaware
December 10, 2021

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

The County Council of Sussex County, Delaware
Georgetown, Delaware

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Sussex County, Delaware (the “County”), which comprise the statement of financial position as of June 30, 2021, and the related statements of business-type and governmental activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 10, 2021.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

BDO USA, LLP

Wilmington, Delaware
December 10, 2021

Schedule of Findings and Questioned Costs
Year Ended June 30, 2021

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)
66.458

Name of Federal Program or Cluster
Clean Water State
Revolving Fund Cluster

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

\$750,000

Auditee qualified as low-risk auditee?

yes no

Schedule of Findings and Questioned Costs

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