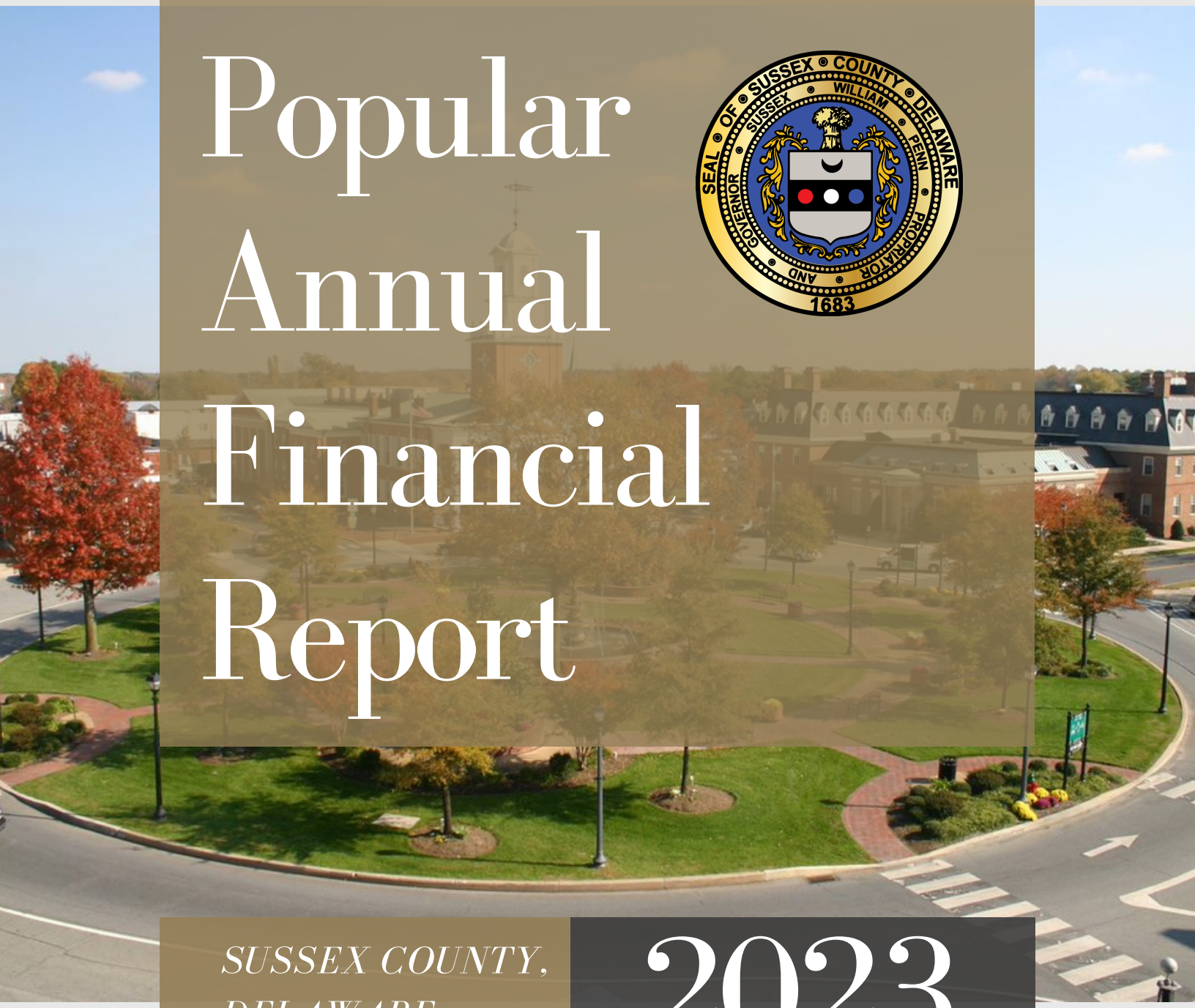
Popular Annual Financial Report



SUSSEX COUNTY, DELAWARE

2023

FOR FISCAL YEAR ENDED JUNE 30, 2023

www.sussexcountyde.gov

Table of Contents

01
Introduction

02
Previous Financial Awards

03
About Sussex County Government

04
Government Structure

05
Facts & Statistics

08
Where the Money Comes From

09
Where the Money Goes

10
Governmental Trends

11
Business-Type Funds

12
Investments & Capital Assets

13
The "Bottom Line"

14
Long-term Debt & Capital Projects

15
Reassessment Project

Introduction

The Sussex County Finance Department is pleased to present its second Popular Annual Financial Report (PAFR) for Sussex County government. This PAFR is for the fiscal year ended June 30, 2023. The PAFR provides a snapshot of financial activities in Sussex County, DE, as well as an overview of the County's general financial condition.

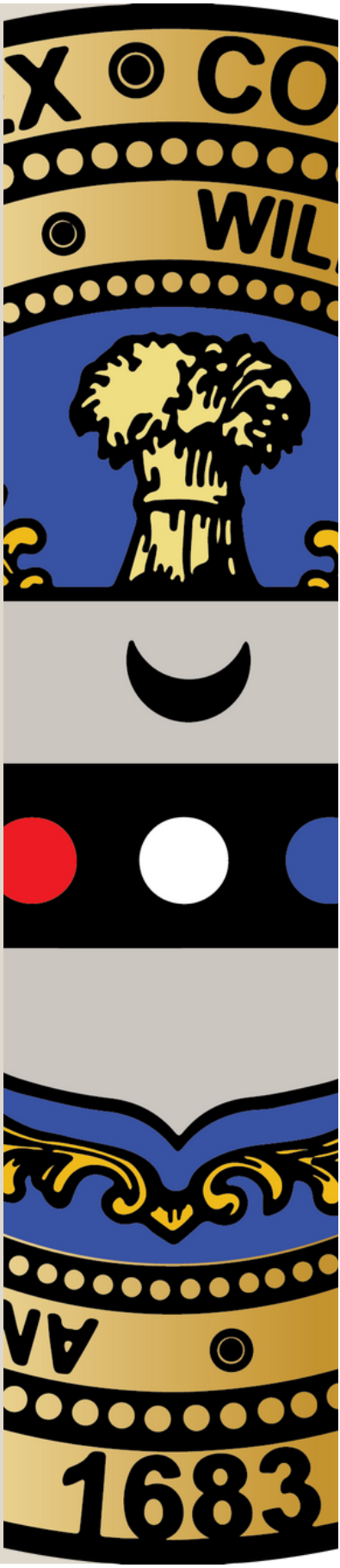
The PAFR is intended to be a more simplified explanation of the County's Annual Comprehensive Financial Report (ACFR) which is published on an annual basis. Data in the report comes from the 2023 ACFR which provides more than 100 pages of detailed financial statements, notes, schedules, and reports. The financial data in the ACFR is presented in accordance with generally accepted accounting principles (GAAP) and is audited by an independent firm of licensed certified public accountants. The PAFR condenses financial information and, therefore, does not comply with GAAP. This report highlights all the County's funds except the fiduciary (pension) funds. The County's 2022 PAFR received GFOA's Award for Outstanding Achievement in Popular Annual Financial Reporting. It is our hope this report will receive the same recognition.

Any questions relating to this report can be directed to Gina A. Jennings, Finance Director/COO, by email at gjennings@sussexcountyde.gov.

View the complete FY 2023 ACFR on the County's website:
https://sussexcountyde.gov/comprehensive-annual-financial-reports.

FINANCE ADMINISTRATION

Gina A. Jennings, Finance Director/COO
Kathy L. Roth, Deputy Finance Director



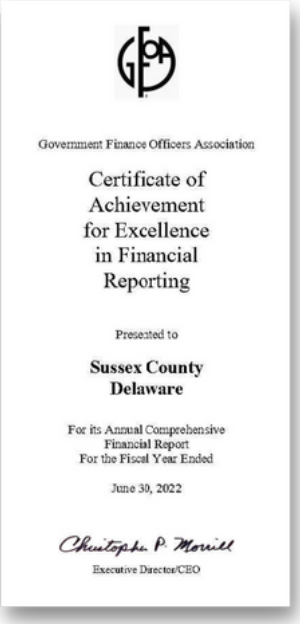
Recent Financial Awards

Annual Comprehensive Financial Report

Sussex County Government's Annual Comprehensive Financial Reports for the years ended 2019-2022, from which the information on pages 10, 12, and 13 has been drawn, were awarded the Certificate of Achievement for Excellence in Financial Reporting by Government Finance Officers Association of the United States and Canada (GFOA). The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Annual Comprehensive Financial Report, whose contents conform to program standards. Such an Annual Comprehensive Financial Report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current Annual Comprehensive Financial Report continues to conform to the Certificate of Achievement Program's requirements, and we are submitting it to GFOA to determine its eligibility for Certificate.


Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Sussex County Delaware

For its Annual Comprehensive Financial Report For the Fiscal Year Ended

June 30, 2022

Christopher P. Morrill

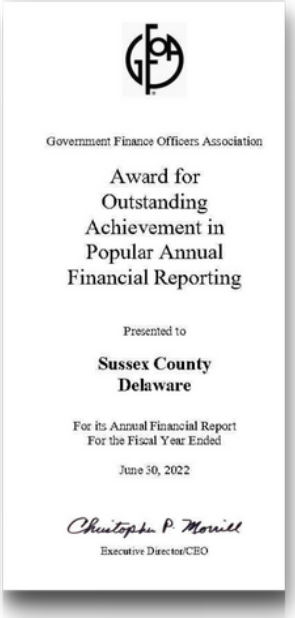
Executive Director/CEO

Popular Annual Financial Report

Government Financial Officers Association of the United States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to Sussex County Government for its Popular Annual Financial Report for the fiscal year ended June 30, 2022. The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports.

In order to receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government unit must publish a Popular Annual Financial Report, whose contents conform to program standards of creativity, presentation, understandability, and reader appeal.

An Award for Outstanding Achievement in Popular Annual Financial Reporting is valid for a period of one year only. We believe our current report continues to conform to the Popular Annual Financial Reporting requirements, and we are submitting it to GFOA to determine the eligibility for another Award.


Government Finance Officers Association

Award for Outstanding Achievement in Popular Annual Financial Reporting

Presented to

Sussex County Delaware

For its Annual Financial Report For the Fiscal Year Ended

June 30, 2022

Christopher P. Morrill

Executive Director/CEO

About Sussex County Government

Sussex County Government operates under 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 which are administered by independent officials elected at-large, known as Row Officers. The County Council, which has legislative powers, consists of five members who represent geographic districts. Council members are elected to four-year terms, which are staggered. The County Administrator is responsible for the entire range of executive, administrative, and fiscal duties performed by all county departments.

Government Structure

SUSSEX COUNTY COUNCIL

County Council establishes policies for the health, safety, and welfare of County residents. They adopt an annual budget for government operations and enact plans for county growth, development and employment.

County Council meetings are normally held each Tuesday at 10 a.m. with zoning hearings, when applicable, held at 1:30 p.m. The meetings take place in the Council Chambers, located in the County Administration Offices Building, 2 The Circle, Georgetown, DE. Meetings are open to the public.

(l-r) Mark G. Schaeffer, John L. Rieley, Cynthia C. Green, Michael H. Vincent, Douglas B. Hudson

ADMINISTRATION

Sussex County government is administered by the County Administrator, Todd F. Lawson, who was appointed by County Council in 2011. He supervises departments that are charged with providing the following services:

- 9-1-1 dispatching
- Assessment
- Court paper delivery
- Deed recordation
- Fire and police funding
- Land-use code enforcement
- Library services
- Low-income housing rehabilitation
- Marriage licenses
- Paramedic service
- Planning & zoning
- Sheriff Sales
- Water and wastewater utilities

Economic Facts & Statistics

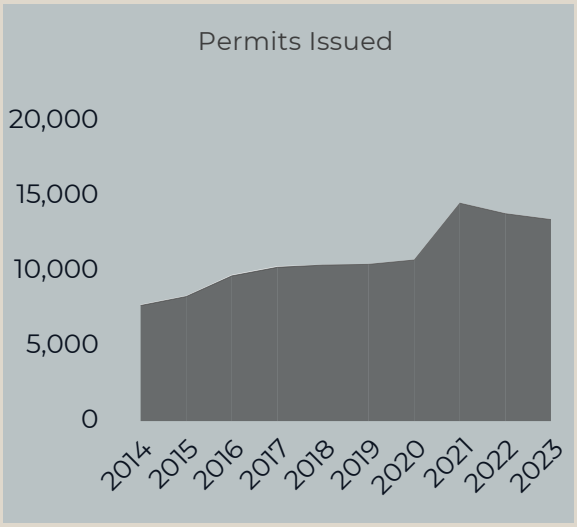
TOP EMPLOYER-TYPES

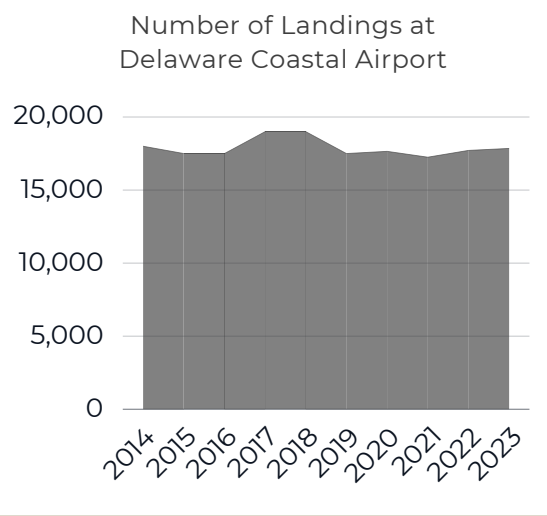
Health care and social services	12,959
Retail trade	12,457
Accommodation & food services	11,649
Manufacturing	10,251
Government	8,919
Administrative and waste services	5,965
Construction	5,945
Professional and technical services	3,094
Other services, except public administration	2,715
Finance and insurance	2,264

85,044 TOTAL EMPLOYEES IN SUSSEX COUNTY

919

Jobs Provided at Delaware Coastal Airport and Business Park





Population
255,956

Unemployment Rate
3.7%

Tax Facts & Statistics

PRINCIPAL PROPERTY TAXES

Taxpayer	Taxable Assessed Valuation
Delmarva Power & Light Co.	$ 46,547,641
Verizon	22,151,875
Indian River Power LLC	12,786,471
Chesapeake Utilities Corporation	8,578,550
Eastern Shore Natural Gas Co.	8,161,700
Invista Sarl	6,827,200
Delaware Electric Cooperative, Inc.	6,543,900
Harim Millsboro LLC	6,334,400
Mountaire Farms of Delaware, Inc.	5,095,300
Sussex Sports Amenities LLC	3,342,450

Total Taxable Assessed Value
$4,048,865,996

2-YEAR TAX COLLECTION RATE
99.6%

Average Single Family Annual County Tax Bill
$122.84

Demographic Statistics

10-YEAR TRENDS

Year	Population (1)	Per Capita Personal Income (2)	Median Age (1)	Unemployment Rate (3)
2014	210,849	41,737	46.5	5.4%
2015	215,622	44,767	47.0	4.4%
2016	220,251	47,303	47.6	4.0%
2017	225,322	47,324	48.3	4.3%
2018	229,286	50,333	50.6	3.7%
2019	234,225	52,085	50.6	3.2%
2020	237,378	54,352	50.3	11.5%
2021	247,527	59,931	50.7	4.4%
2022	255,956	*	*	4.0%
2023	*	*	*	3.7%

*Figures not available

1. Population and Median Age as provided by the U.S. Bureau of the Census
2. Per Capita Personal Income as provided by the U.S. Department of Commerce, Bureau of Economic Analysis
3. Unemployment Rate as provided by the U.S. Bureau of Labor Statistics

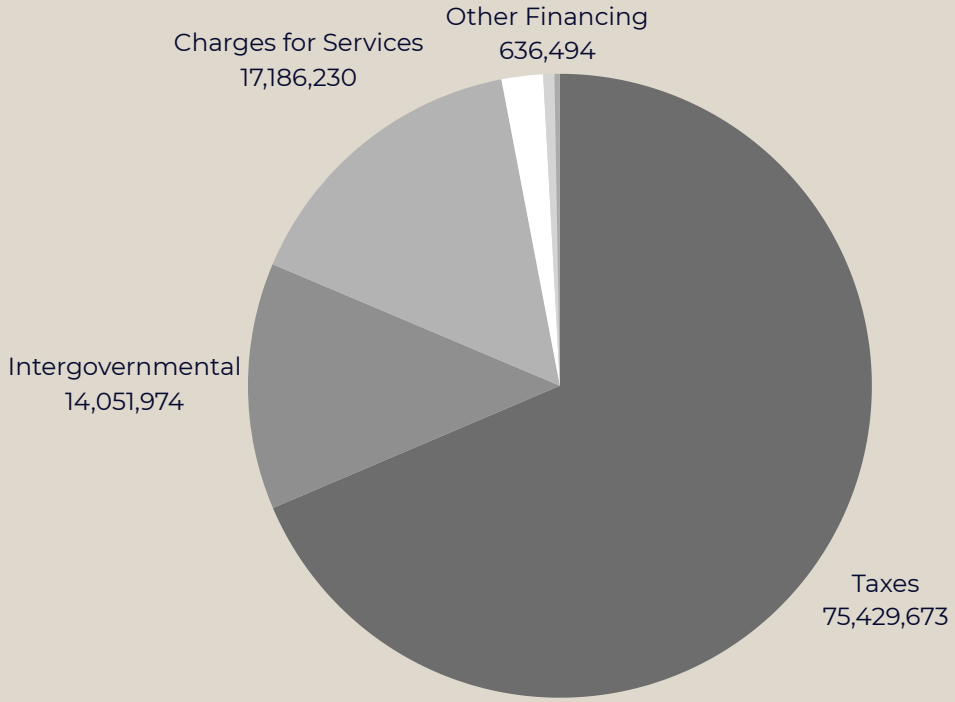
Where the money comes from

GOVERNMENTAL FUNDS

Governmental Funds include the County's general fund and capital projects fund. The operating fund is the general fund. The capital fund is funded mostly from transfers from the general fund. The capital fund had $4,316,649 in revenue and $14,641,800 in expenses. Again, the difference is made up from transfers in from the general fund. To focus on operations, the data below is general fund only.

The major source of the general fund is taxes. Taxes are made up of property tax ($18,187,795), realty transfer tax ($53,459,501), fire service ($2,300,737), lodging tax ($1,258,496) and any applicable penalties collected ($223,144). These represent 69% of the County's total revenue. Realty transfer tax makes up 71% of all taxes. Unfortunately, this revenue source is highly dependent on the economy; in fact, the County collected two-thirds of what it collected this year only three years ago.

Inter-governmental	revenues received from other governments (state and federal)
Taxes	revenues collected from property tax, realty transfer tax, lodging tax and the fire service fee on building permits
Charges for Services	revenues from permit fees, rent, marriage licenses, sheriff sales, and other fees
Fines and Forfeits	revenues received from code violations
Miscellaneous	revenues that do not fit under another classification such as donations
Other Financing	funding provided through sales of assets or reimbursements from other internal funds



Where the money goes

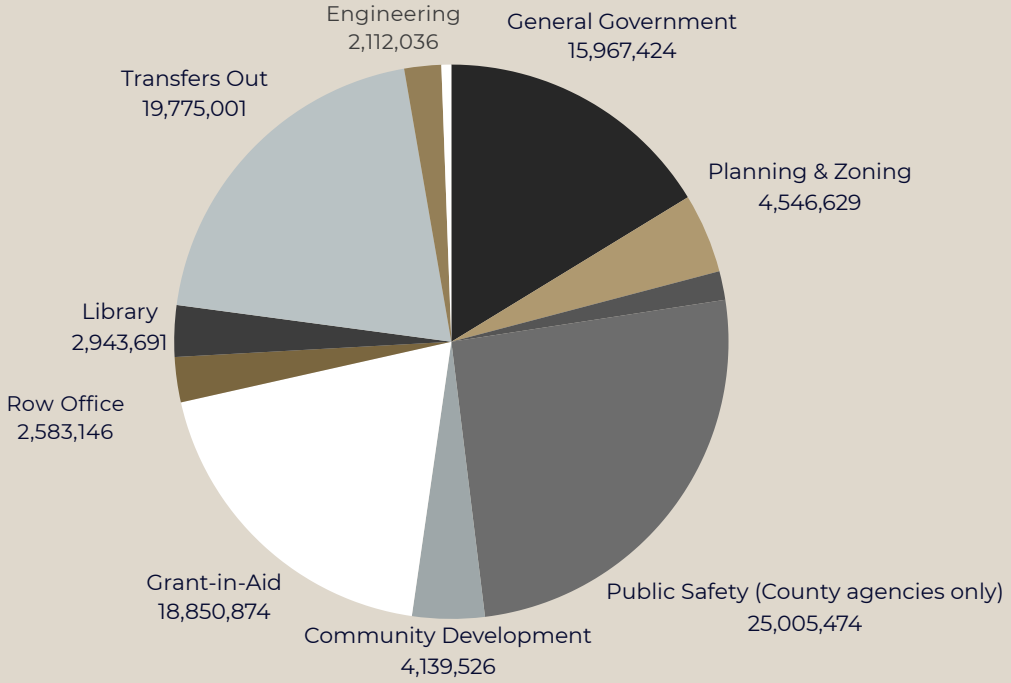
GOVERNMENTAL FUNDS

Governmental Funds pay for basic services including public safety, planning & zoning, library, private roads, economic development, community development, and other general administrative services.

Public safety is the largest expenditure area in the governmental funds when you include internal public safety departments and the grants to outside public safety entities. All public safety makes up $35.5 million, or 45%, of the $78.4 million of expenses (excluding transfers).

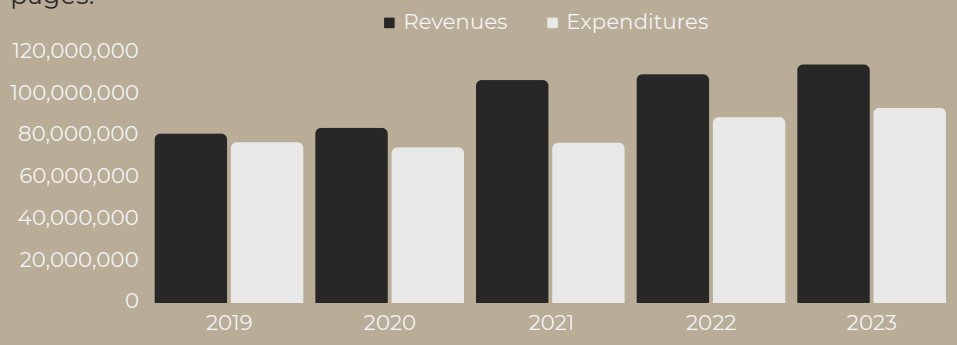
Transfers out include $19.7 million moving to the capital fund for future projects. The County moves funds in financially strong years to avoid taking on future general fund bonded debt for capital projects.

General Government	expenses for general operations such as administration, council, IT, HR
Public Safety	expenses for paramedics and emergency preparedness (dispatch center)
Library	expenses for library administration and 3 county-owned libraries
Community Development	expenses for low-income housing rehabilitation
Transfers	expenses for moving funds to a non-governmental fund - primarily to the capital fund
Planning & Zoning	expenses for land-use planning and enforcement
Engineering	expenses for private roads, solid waste management, and engineering administration
Economic Development	expenses for airport, business park and general economic development
Grant-in-Aid	expenses for grants made to various nonprofits including fire companies, police and libraries
Row Offices	expenses for Marriage Bureau, Recorder of Deeds, Register of Wills and Sheriff



Governmental Funds Trends

The following chart shows the trend of revenues to expenditures in the governmental funds (general and capital) during the last five fiscal years, excluding other financing sources/uses. The category breakdown of the revenues and expenditures can be found below the chart with a detailed overview of the general fund components on the previous two pages.



Excess of Revenues over Expenditures (in thousands)					
	Fiscal Year				
	2019	2020	2021	2022	2023
Revenues					
Taxes	$51,665	$54,100	$76,945	$84,242	$75,430
Intergovernmental	9,508	10,873	8,383	11,536	17,582
Charges for services	15,280	15,093	20,453	19,198	17,186
Fines and forfeits	131	43	76	97	141
Miscellaneous	4,091	3,319	495	(5,970)	3,454
Total revenues	80,675	83,428	106,352	109,103	113,793
Expenditures					
General government	24,060	19,227	12,632	15,900	16,036
Grant-in-aid programs	13,882	15,162	22,436	22,630	18,851
Planning and zoning	1,647	1,520	2,550	2,915	4,547
Paramedic program	15,216	16,366	16,588	17,138	19,444
Emergency preparedness	3,554	3,963	4,447	4,793	5,562
Economic development and airpark	1,478	1,632	1,477	1,474	1,643
County engineer	1,518	1,339	1,277	1,845	2,112
Library	2,976	2,962	2,930	2,958	2,944
Community development	1,903	1,919	2,385	3,133	4,139
Constitutional offices	2,565	2,459	2,491	2,454	2,583
Debt service for leases/subscriptions	-	-	-	37	566
Capital outlays	7,791	7,567	7,108	13,305	14,573
Total expenditures	76,590	74,116	76,321	88,582	93,000
Excess of revenues over (under) expenditures before other financing sources/uses	4,085	9,312	30,031	20,521	20,793

Business-Type Funds

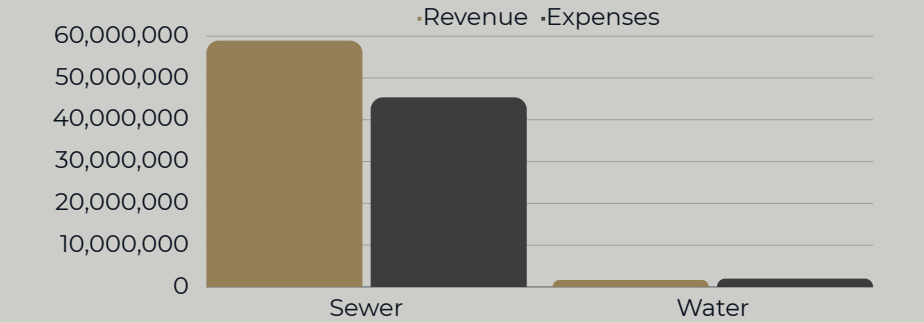
Business-type funds, or enterprise funds, are used to report any activity for which a fee is charged to users for goods or services, similar to a private business. Revenues generated from these funds should cover the costs of their operating expenses, including debt service. The County's enterprise funds include the Unified Sewer District and the Water District. The County operated four sewer treatment plants and two water facilities. The sewer system operates with 385 pump stations and 1,022 miles of underground pipe.

Number of Equivalent Dwelling Units (EDUs) Billed over 10 years

Fiscal Year	Water	Sewer
2014	3,676	65,735
2015	3,699	67,410
2016	3,715	68,965
2017	3,700	69,821
2018	3,702	72,398
2019	3,713	74,534
2020	3,722	76,769
2021	3,755	78,002
2022	3,727	83,761
2023	3,796	88,234

	Water	Sewer
Operating Revenues	1,614,032	31,993,203
Operating Expenses	(1,966,759)	(41,352,468)
Operating (Loss) Income	(352,727)	(9,359,265)
Nonoperating Revenue/(Expenses)	46,469	22,926,487
Contributions/Transfers	288,859	11,565,878
Change in Net Position	(17,399)	25,133,100

Program Revenues and Expenses (operating and nonoperating sources)



Water EDU's
3% increase over 10 years

Sewer EDU's
34% increase over 10 years

Investments

The County's investment policies and practices are constructed foremost around the safety of its principal. The general government is only authorized to invest in: obligations of which the faith and credit of the U.S.A. are pledged, obligations of federal governmental agencies, CD's, money market mutual funds regulated by the S.E.C., and commercial paper in the highest rating category. The investment policy of the pension funds allows for more types of investments such as equities, core real estate, and private infrastructure. The chart below is investments for all funds.

Investment Values (in thousands)	
U.S. Treasuries	$24,863
Governmental Agencies	228,412
Corporate Obligations	41,366
Certificates of Deposits (CDs)	16,101
Commercial Paper	7,367
Mutual Funds	118,580
Infrastructure	10,951
Global Pooled Equities	7,478
Core Real Estate	10,608
Total Investments	$465,726

Capital Assets

As of June 30, 2023, the County's capital assets (net of depreciation) were valued at $681.1 million. This amount is an increase of $43.4 million.

Capital Assets (net of depreciation) (in thousands)											
	Governmental Activities				Business-type Activities				Total Government		
	2023		**2022**		**2023**		**2022**		**2023**		**2022**
Land	$33,883		$31,832		$60,495		$58,692		$94,378		$90,524
Construction in Progress	7,920		9,334		93,330		61,404		101,250		70,738
Buildings	41,982		33,179		37,407		38,496		79,389		71,675
Improvements	25,081		25,943		4,584		4,950		29,665		30,893
Machinery and Equipment	3,758		3,371		3,257		2,831		7,015		6,202
Infrastructure	202		211		361,648		360,256		361,850		360,467
Right-of-use lease building	23		60		-		-		23		60
Right-of-use lease land	-		-		1,674		1,760		1,674		1,760
Right-of-use IT subscription	773		954		371		411		1,144		1,365
Purchase capacity	-		-		4,746		4,006		4,746		4,006
Total	**$113,622**		**$104,884**		**$567,512**		**$532,806**		**$681,134**		**$637,690**

The Bottom Line

Governments are required to show their governmental funds' "bottom line" two ways - as net position and fund balance. The Statement of Net Position provides readers with a broad overview of the County's financials in a manner similar to a private sector, which contains assets and deferred outflows minus liabilities and deferred inflows. The fund balance financial statements focus on near term inflows and outflows, as well as spendable resources available at the end of the fiscal year. It does not include long-term items such as capital assets and long-term liabilities.

SUSSEX COUNTY'S SCHEDULE OF NET POSITION (in thousands)

As of June 30, 2023 and 2022

	Governmental Activities		Business-type Activities		Total Government	
	2023	**2022**	**2023**	**2022**	**2023**	**2022**
Current and Other Assets	$283,546	$266,849	$106,884	$119,671	$390,430	$386,520
Capital Assets	113,622	104,885	567,512	532,806	681,134	637,691
Total Assets	397,168	371,734	674,396	652,477	1,071,564	1,024,211
Deferred outflows of resources	10,891	15,307	3,609	5,267	14,500	20,574
Total assets and deferred outflows of resources	408,059	387,041	678,005	657,744	1,086,064	1,044,785
Current and Other Liabilities	65,043	71,192	11,005	8,886	76,048	80,078
Long-term Liabilities	19,441	21,381	202,917	209,967	222,358	231,348
Total Liabilities	84,484	92,573	213,922	218,853	298,406	311,426
Deferred inflow of resources	6,209	5,907	1,159	1,082	7,368	6,989
Total liabilities and deferred inflows of resources	90,693	98,480	215,081	219,935	305,774	318,415
Net Position:						
Net Investment in Capital Assets	111,520	101,525	361,185	324,433	472,705	425,958
Restricted	138,469	129,855	85,979	86,645	224,448	216,500
Unrestricted	67,377	57,181	15,760	26,731	83,137	83,912
Total Net Position	**317,366**	**288,561**	**462,924**	**437,809**	**780,290**	**726,370**

FUND BALANCE - GOVERNMENTAL FUNDS ONLY

Fund balance helps the reader understand the availability of resources. Restricted fund balance includes funds that are externally regulated. These funds can be used for public safety, infrastructure, public works, economic development, and assessment. Committed fund balance includes funds already obligated by a vote of Sussex County Council. Assigned fund balance includes funds to be used for next fiscal year. Unassigned fund balance can be used for any governmental expense. There was an increase this year due to legislation being passed that allowed a broader use of realty transfer tax.

Governmental Fund Balances for the Last Five Years (in thousands)

	2019	2020	2021	2022	2023
General Fund					
Nonspendable	$353	$316	$268	$342	$593
Restricted	57,923	64,131	74,208	68,119	69,232
Committed	1,811	1,867	10,439	2,032	1,586
Assigned	20,900	8,517	2,080	2,564	783
Unassigned	29,030	37,827	38,531	55,475	68,318
Total General Fund	$110,017	$112,658	$125,526	$128,532	$140,512
All Other Governmental Funds					
Restricted	$17,120	$23,770	$42,372	$60,387	$70,212
Committed	1,454	1,477	-	-	41
Total all other Governmental Funds	$18,574	$25,247	$42,372	$60,387	$70,253

Long-term Debt & Capital Projects

OUTSTANDING BONDED DEBT

Debt is solely used to fund business-type water and sewer activities. As of June 30, 2023, the County had $196.4 million in outstanding bonds payable.

Both S&P and Moody's has assigned a triple-A rating to the County's bonds.

SEWER

At the end of the year, sewer had $93 million worth of projects under construction. The largest projects were:

- South Coastal Treatment Plant Expansion - $54.7 million
- Herring Creek Sewer Area - $15.4 million
- Inland Bays Stormwater Management - $5.8 million

WATER

The Water District only had one capital project under way in Fiscal Year 2023. It was the Winding Creek Village Water project in the amount of $73,000

GENERAL FUND

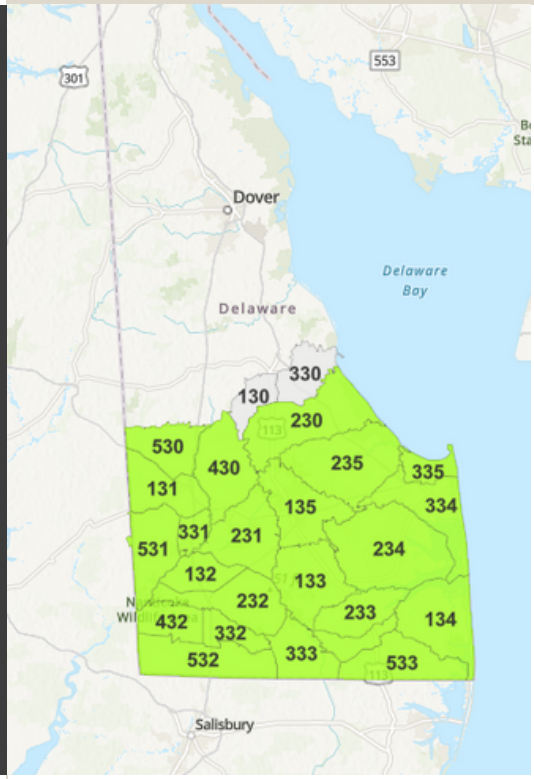
At the end of the year, general fund had $8 million worth of projects under construction. The largest projects were:

- Delaware Coastal Business Park Improvements - $6.1 million
- Western Sussex I.T. Data Center - $0.8 million
- Delaware Coastal Airport Improvements - $0.6 million

Reassessment Project

BACKGROUND

Reassessment is being done as a result of a Court Order issued in 2020. The court determined that property values had changed significantly enough since the previous assessment done in 1974 and were no longer representative as the "true value of money." The new assessed value will be based on what is believed to be the market value for the property as of July 1, 2023 valuation date.



FREQUENTLY ASKED QUESTIONS

1. When will the new assessed value take effect?

The Court settlement is for July 1, 2025

2. When will I receive the new assessment?

Data collectors will be finishing in the spring of 2024. You should receive a preliminary market value in November 2024, with final assessments in February 2025.

3. How are the new values being set?

The assessments will be done by Tyler Technologies, a nationally recognized firm, under contract with the County. The market value of the property is determined by site visits to all improved properties, sales data collection, valuation methodology by property class, commercial income and expense data analysis, ratio studies, and value review. Tyler analyzes recent sales of similar properties and considers construction costs and income and expense information, when appropriate.

4. Will the county or school collect more taxes as a result of the reassessment?

The County and the school districts are capped by law on how much additional revenue can be generated from reassessment. Following the reassessment, property taxes will be adjusted to ensure the taxing entity does not collect more than allowed by statute. There is no intent to raise taxes by the County in the year of the reassessment.

5. What if I feel the preliminary value is not close to my property's value?

You can make an appointment for an informal review to go over the data and value. Instructions on how to schedule an informal review will be included with your notice of tentative value.

Popular Annual Financial Report

WANT MORE FINANCIAL INFORMATION?
View our transparency website at:
https://www.sussexco.finance.socrata.com

WANT MORE SUSSEX COUNTY NEWS?
Signup for our monthly newsletter at:
https://www.sussexcoutyde.gov/newsletter

WANT INFORMATION ON THE REASSESSMENT PROJECT?
Visit the dashboard at: https://empower.tylertech.com/Sussex-County-Delaware.html