



Sussex County,
Delaware

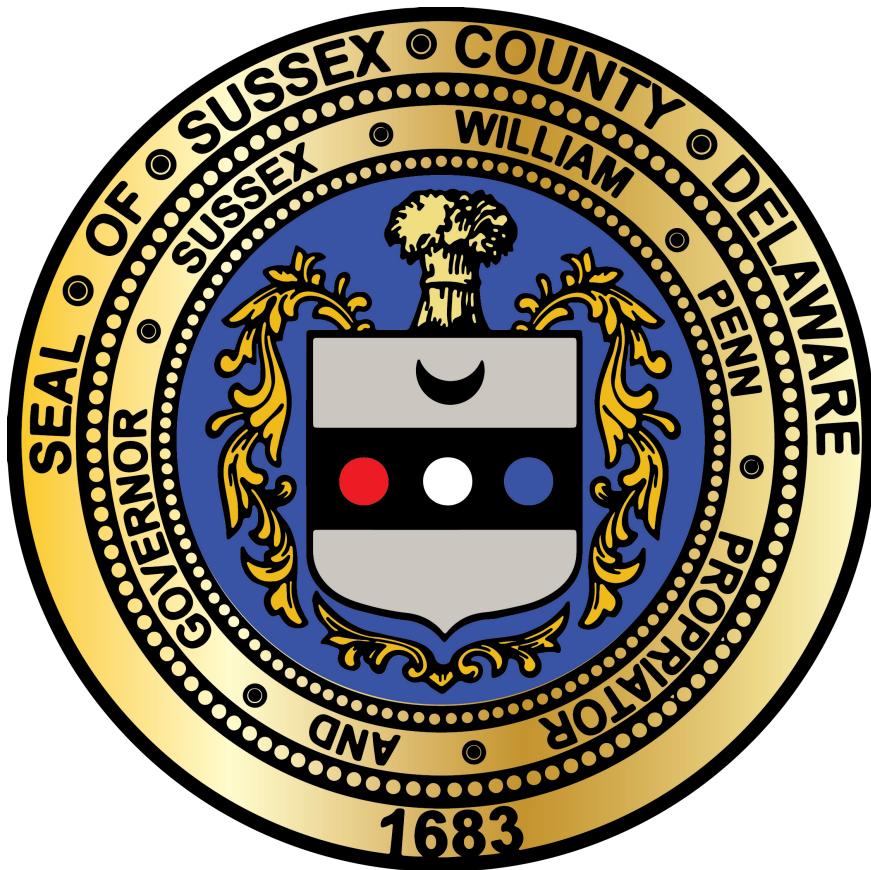
2025

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2025

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2025



Prepared by the Finance Department

SUSSEX COUNTY, DELAWARE
TABLE OF CONTENTS
FOR THE YEAR ENDED JUNE 30, 2025

	<u>PAGES</u>
INTRODUCTORY SECTION	
Letter of Transmittal	iv - xi
GFOA Certificate of Achievement	xii
Organizational Chart	xiii
List of Elected Officials	xiv
County Department Heads and Other Officials	xv
FINANCIAL SECTION	
INDEPENDENT AUDITOR'S REPORT	1 - 3
MANAGEMENT'S DISCUSSION & ANALYSIS	4 - 18
BASIC FINANCIAL STATEMENTS	
<u>Government-wide Financial Statements</u>	
Statement of Net Position	19
Statement of Activities	20
<u>Fund Financial Statements</u>	
Balance Sheet - Governmental Funds	21
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	22
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	23
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	24
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund	25
Statement of Net Position - Proprietary Funds	26 - 27
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds	28
Statement of Cash Flows - Proprietary Funds	29 - 30
Statement of Fiduciary Net Position - Fiduciary Funds	31
Statement of Changes in Fiduciary Net Position - Fiduciary Funds	32
<u>Notes to Basic Financial Statements</u>	33 - 76
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Changes in the Employer's Net Pension Liability/(Asset) and Related Ratio's	77

SUSSEX COUNTY, DELAWARE
TABLE OF CONTENTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2025

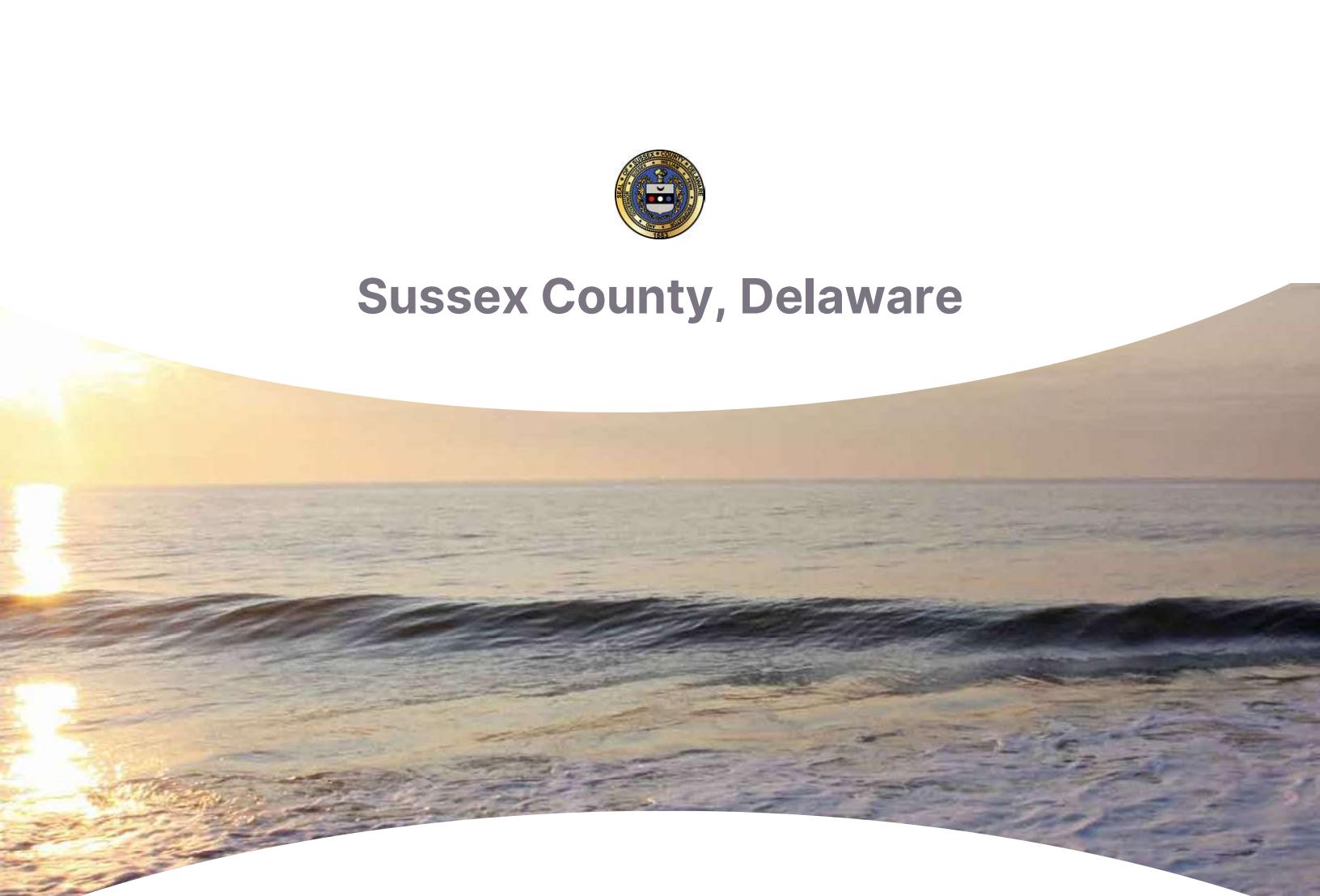
	<u>PAGES</u>
REQUIRED SUPPLEMENTARY INFORMATION - CONTINUED	
Schedule of Employer Contributions - Pension Trust	78
Schedule of Investment Returns - Pension Trust	79
Schedule of Changes in the Employer's Net Other Post-Employment Benefit Liability (Asset) and Related Ratios	80
Schedule of Employer Contributions - Other Post-Employment Benefit Trust	81
Schedule of Investment Returns - Other Post-Employment Benefit Trust	82
INDIVIDUAL FUND FINANCIAL SCHEDULES	
<u>General Fund</u>	
Schedule of General Fund Revenues and Other Financing Sources - Budget and Actual	83 - 84
Schedule of General Fund Expenditures and Other Financing Uses - Budget and Actual	85 - 90
<u>Capital Projects Fund</u>	
Schedule of Capital Projects Fund Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	91
<u>Fiduciary Fund</u>	
Combining Statements of Fiduciary Net Position - Fiduciary Funds	92
Combining Statements of Changes in Fiduciary Net Position - Fiduciary Funds	93
STATISTICAL SECTION	
Net Position by Component	95
Changes in Net Position	96 - 97
Fund Balances, Governmental Funds	98
Changes in Fund Balances, Governmental Funds	99
Schedule of Revenues and Expenditures and Other Financing Sources and Uses - General Fund	100
Assessed Value and Estimated Actual Value of Taxable Property	101
Direct and Overlapping Property Tax Rates	102
Principal Property Taxpayers	103
Property Tax Levies and Collections	104
Ratios of Outstanding Debt by Type	105
Ratios of General Bonded Debt Outstanding and Legal Debt Margin	106

SUSSEX COUNTY, DELAWARE
TABLE OF CONTENTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2025

	<u>PAGES</u>
STATISTICAL SECTION - CONTINUED	
Demographic and Economic Statistics	107
Employment by Type of Employer	108
Full-time Equivalent County Government Employees by Function/Program	109
Operating Indicators by Function/Program	110
Capital Asset Statistics by Function/Program	111
SINGLE AUDIT SUPPLEMENT	
Schedule of Expenditures of Federal Awards	112
Notes to Schedule of Expenditures of Federal Awards	113
Independent Auditor's Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance Required by the Uniform Guidance	114 - 116
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 <i>Government Auditing Standards</i>	117 - 118
Schedule of Findings and Questioned Costs	119 - 120



Sussex County, Delaware



The background of the page features a wide-angle photograph of a sunset over the ocean. The sun is low on the horizon, casting a warm, golden glow over the water. Waves are crashing onto a sandy beach in the foreground. The sky is a mix of orange, yellow, and blue, with a few wispy clouds. The overall scene is peaceful and scenic.

INTRODUCTORY SECTION

TODD F. LAWSON
COUNTY ADMINISTRATOR
(302) 855-7742 T
(302) 855-7749 F
tlawson@sussexcountyde.gov



Sussex County
DELAWARE
sussexcountyde.gov

December 23, 2025

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, 2025. 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, P.C., 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, 2025, 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, 2025, are fairly presented in conformity with GAAP. The auditor's report is presented as the first component of the financial section of this report.

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

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

Profile of Sussex County

Sussex County is proud of its natural beauty, mix of small towns, rich history, and popular attractions. It is a rural county in transition—representing, in many ways, a microcosm of the United States, with developing, more urbanized seaside resorts to the east and agriculture and industry dominating the central and western landscape.

Sussex is the largest county in Delaware, comprising approximately 938 square miles, or 48 percent of the state's total area. Its population is estimated to exceed 260,000, according to the U.S. Census Bureau. The County is bordered on the east by the Atlantic Ocean, on the north by Kent County, and on the south and west by the portion of Maryland lying east of the Chesapeake Bay. The Town of Georgetown, the county seat, is centrally located. Sussex County is within 200 miles of New York City, Philadelphia, Baltimore, and Washington, D.C.—placing it within an eight-hour drive of more than a quarter of the U.S. population.

The modern County government was established on July 23, 1970, replacing the Levy Court Commission with a Council-Administrator form of government. It consists of a legislative body—the County Council—and an administrative arm—the County Administration—which includes operating departments and offices, some of which are overseen by independently elected officials known as Row Officers. The County Council has legislative powers and consists of five members representing geographic districts. Council members serve staggered four-year terms. The County Administrator and County Finance Director are appointed by the Council. The Administrator oversees all executive, administrative, and fiscal duties performed by County departments.

Sussex County is a growing community. According to the 2020 U.S. Census, the population increased by more than 20.4 percent from 2010 to 2020. Of Delaware's total population growth of 92,014 people, Sussex accounted for 44 percent—an increase of 40,233 residents. Low property taxes make the county an attractive destination for new residents and retirees. Delaware does not impose 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, while the central and western areas form the backbone of the state's agriculture industry.

Sussex County is deeply rooted in history and tradition. One of its most unique and celebrated events is Return Day, held biennially on The Circle in Georgetown. Believed to have originated around 1790, Return Day occurs two days after Election Day and was created so voters could gather to hear the election "returns." Over time, the event evolved to include food, music, and a parade featuring both winning and losing candidates riding together in open carriages. Since the 1970s, the symbolic "burying of the hatchet" ceremony has marked the end of the campaign season.

The County government provides a wide range of services to residents of southern Delaware, including land use, building permits, emergency services, assessment, tax collection, public sewer, libraries, and more. These services are supported by approximately 540 full-time employees.

The County's largest department is Public Safety, which includes paramedics, emergency preparedness, emergency operations, and local emergency planning and communications. The

Emergency Operations Center, which serves as the primary call center, receives more than 110,000 9-1-1 calls annually.

Sussex County owns and maintains the Delaware Coastal Airport and Business Park, which supports approximately 970 jobs. The Business Park has attracted several growing companies and still has two-acre shovel-ready lots available for expansion. It features high-pressure fire protection, central sewer, and natural gas. Located adjacent to the airport and connected to local rail lines feeding into the Norfolk Southern system, the park offers access to highway, rail, and waterway transportation.

The Delaware Coastal Airport, next to the Business Park, is a general aviation facility built in the 1940s and formerly used by the U.S. Navy. The 525-acre airport has undergone millions of dollars in improvements to become a full-service modern facility capable of accommodating everything from single-engine planes to corporate jets. It features a 5,500-foot main runway, a 3,109-foot crosswind runway, excellent pavement conditions, fuel and service facilities, and access to rail and car rentals.

Also in Sussex County government, 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, and Sussex County libraries, including the three County-owned libraries and bookmobile.

Sussex County continues to expand wastewater services to meet environmental and population needs. The County serves approximately 94,000 equivalent dwelling units (EDUs) and operates four treatment facilities. Fiscal Year 2025 saw a 3.1 percent increase in EDUs compared to FY 2024. As population growth continues and the elimination of septic systems remains a priority, sewer operations are expected to expand. Over the past decade, EDUs have grown by approximately 26,600, or 39.4 percent. The sewer and water districts’ operating budget for FY 2025 was \$59.5 million. The County maintains 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, the start of the fiscal year. The budget serves as a financial guide for the County. A five-year capital project plan is assembled annually to propose financing for future projects. (See Note A, Section 21 on page 42, and budget-to-actual comparisons on pages 83–91.)

Economic Condition of Sussex County

Local Economy

Sussex County boasts a dynamic and evolving economy shaped by its unique blend of agriculture, tourism, and healthcare. According to the U.S. Bureau of Labor Statistics for the first quarter of 2025, Sussex County is the fastest-growing county in Delaware. The county has experienced steady

employment growth, with a 0.9% increase in jobs from 2024 to 2025—outpacing other counties in the state. Its economic foundation is rooted in agricultural heritage, particularly poultry farming, which remains a major contributor to local employment and exports. Meanwhile, the coastal region fuels a robust tourism sector, drawing visitors to beach towns like Rehoboth and Bethany and supporting a wide array of hospitality and retail businesses. Although the average weekly wage remains below the national average, wage growth and low unemployment signal a healthy labor market.

According to Zillow, Sussex County’s real estate market in late summer 2025 showed signs of stabilization after years of rapid growth, particularly in coastal and retirement-friendly communities. The median home value is approximately \$484,000, reflecting a slight 0.4% decline over the past year. Despite this dip, the market remains competitive, with homes going under contract in just 39 days on average.

Sussex County thrives on a diverse set of industries that reflect both its rural heritage and coastal appeal. The top three employment sectors are healthcare, retail trade, and accommodation and food services. (Note: Farming employment is not captured in data from the Delaware Department of Labor.) Page 108 of this report shows the top 10 employer types in Sussex County and how they compare to nine years ago. Given the county’s appeal to visitors and retirees, it is no surprise that these three sectors dominate local employment.

Healthcare and social assistance remain the county’s largest employment sector, surpassing retail trade in 2017. The growing retirement community contributes to the continual rise in healthcare-related jobs. More than one in four Sussex County residents are age 65 or older—higher than both the state and national averages. In 2016, the median age was 47.6; by 2022, it had increased to 52.7, which is 1.3 times higher than the national average.

Healthcare and social assistance account for 16.8% of county employment, up from 16.7% in 2016—representing nearly 3,800 additional employees. The county’s three major healthcare providers—Beebe Healthcare (Lewes), Bayhealth (Milford), and TidalHealth Nanticoke (Seaford)—continue to expand services to meet growing demand. TidalHealth Peninsula Regional also operates a healthcare center in Millsboro, and ChristianaCare has two practices in Rehoboth Beach. According to the *Cape Gazette* (February 2024), more than \$1 billion has been invested in Sussex’s healthcare infrastructure.

Beebe Healthcare has constructed facilities in Rehoboth, Milton, and Selbyville, with its newest location opening this year in Long Neck. Beebe plans to open a 72,000-square-foot ambulatory care building and a 24,000-square-foot hybrid emergency room. Due to a shortage of primary care facilities, Beebe is also exploring expansion of primary care services at the same site.

Bayhealth recently celebrated the five-year anniversary of its hospital and outpatient center in Milford. Since opening in 2019, Bayhealth has expanded its footprint, partnering with PAM Health to build a rehabilitation hospital and adding 40 medical/surgical beds and six ICU beds. In 2023, Bayhealth opened a state-of-the-art facility in Milton offering primary care, walk-in services, and other healthcare options.

TidalHealth broke ground this summer on its Millsboro North Campus—a 150,000-square-foot healthcare complex that will include primary and specialty care offices, diagnostic imaging, a pharmacy, lab services, and other outpatient offerings. The campus is designed to function like a hospital without inpatient beds.

To support increased demand for emergency services, the County has committed to building a new medic station in Milton, providing grant funds to the Town of Dewey to expand its medic facilities, and identifying a location for expansion in southeastern Sussex.

Retail trade and accommodation/food services—driven by tourism and the county’s no-sales-tax advantage—employ over 25,000 people combined. According to the Southern Delaware Tourism Office, visitor spending generates \$2.7 billion and supports 23,550 jobs. In its 2024 report, the top three visitor activities were beachgoing, dining out, and tax-free shopping. Along a two-mile stretch of Delaware Route 1 between Lewes and Rehoboth Beach, outlet stores offer a wide range of products. The Tanger Outlets have become a year-round destination for shoppers seeking value and tax-free purchases.

Tourism makes Sussex County a vacation hotspot. According to Delaware Tourism, visitors contribute significantly to the tax base, saving each household over \$1,600 annually. A survey by Southern Delaware Tourism found that nearly 80% of visitors stay in hotels, motels, or short-term rentals, spending money on dining, shopping, and outdoor recreation.

However, tourism-driven economies face challenges such as seasonal dependence and lower-wage jobs. High housing prices in Sussex County make it difficult for workers to find affordable housing. The County and local businesses are actively working to address this issue. According to the Delaware Department of Labor, hospitality and tourism jobs are projected to see the most growth in Delaware from 2020 to 2030. Sussex County has allocated a significant portion of its American Rescue Plan Act funds to address the affordable housing shortage.

Manufacturing is the county’s fourth-largest industry, employing approximately 11,000 people—an increase of about 1,700 over the past nine years. Sussex County is committed to keeping this sector diversified and thriving. Key manufacturing areas include food processing, aeronautics, construction, craft brewing and bottling, fabrication, and pharmaceuticals. In partnership with Discover Bank and the National Development Council, the County launched a \$24 million loan program to retain or create jobs. Since 2019, the program has supported 251 manufacturing jobs through 11 loans.

Although not reflected in Bureau of Labor Statistics data, agriculture remains Sussex County’s leading industry. Home to major poultry processors like Perdue and Mountaire, the county is the top broiler poultry-producing county in the U.S. According to the 2022 Census of Agriculture, Sussex had nearly 37 million chickens with a sales value of \$1.2 billion. The county contains about 50% of Delaware’s farms—over 1,000 farms covering 262,000 acres, with an average farm size of 249 acres. Since 1996, approximately 55,000 acres (20%) have been preserved through the Delaware Agricultural Lands Preservation Foundation. This year, the County again partnered with the State to preserve additional farmland.

Thanks to a strong education system, Sussex County offers a well-prepared workforce. Several public schools have earned the National Blue Ribbon distinction from the U.S. Department of Education for closing achievement gaps. The county has seven school districts with 26 elementary, 10 middle, 8 high schools, and 3 special education schools, along with one technical high school and multiple charter and private schools.

For higher education, Delaware Technical Community College (DTCC) offers over 100 programs at its 147-acre Owens Campus in Georgetown. DTCC works with more than 1,000 employers and

industry experts to ensure graduates are workforce-ready. For example, DTCC created a paramedic program to help fill local staffing needs.

Wilmington University and Delaware State University also have satellite campuses in Georgetown. Delaware State offers 52 undergraduate, 16 graduate, and 5 doctoral programs. Wilmington University provides flexible degree options, including online formats.

The University of Delaware maintains a strong presence in Sussex County through its DTCC campus, College of Agriculture & Natural Resources near Georgetown, and College of Earth, Ocean and Environment in Lewes. Additional programs include continuing education, small business support, and the Delaware Sea Grant College Program.

Beebe Healthcare in Lewes also offers a diploma nursing program, established in 1921. Graduates are eligible for employment within one year of completing the program.

Financial Planning

Although Sussex County has a strong economy and solid educational institutions to support its workforce, our goal remains to keep the county a place where people want to visit, live, and raise their families. To achieve this, we must plan adequately for the future.

Fiscal Year 2025 was another strong financial year for Sussex County. The local economy continued to produce solid numbers in building permit counts, accommodation tax revenue, real estate transfer tax revenue, and tax collection rates. However, we do not take this positive environment for granted. We recognize that economic conditions can change at any time. In fact, several months into Fiscal Year 2026, we are seeing a decline of more than 10 percent in the number of building permits issued compared to the previous year.

As we prepared the Fiscal Year 2026 budget, we ensured that all economically sensitive revenues were budgeted at levels sustainable in an average year. Building-related revenues, excluding realty transfer tax, were budgeted at 80 percent of the amount expected to be collected in Fiscal Year 2025. Due to fiscal conservatism and the unprecedented level of collections, realty transfer tax was budgeted at only 75 percent of the prior year's total.

Keeping revenues in check helps ensure that expenses remain sustainable over the long term. Our 10-year trend analysis shows that while revenues for both the General and Enterprise Funds have increased by an average of 8.1 percent per year, operating expenses have grown at a slower rate—averaging 4.1 percent annually. The strong real estate market has widened the gap between these two percentages. However, the revenue responsible for this gap—realty transfer tax—is restricted and can only be used for specific expenditures.

We use historical trends to project operational revenues and expenses over the next decade. Because revenue is less impacted by inflation than expenses, our 10-year projections indicate that we will gradually begin to draw down our healthy reserves. This projection suggests that the County may need to make difficult decisions—such as cutting services or raising new revenue—within the next five years to maintain its current level of financial health.

The County's financial planning also includes future capital projects. The Fiscal Year 2026 Capital Improvement Plan includes 39 capital projects totaling \$95.0 million. Of these, 81 percent are

enterprise fund projects related to water and sewer infrastructure. Our five-year capital plan includes 43 projects with a total value exceeding \$330.6 million.

The Governmental Fund portion of the Five-Year Capital Improvement Plan is valued at \$73.1 million and focuses on expanding and improving general fund services, including the paramedic system, the Delaware Coastal Airport and Business Park, and the library system. The County recognizes the importance of the airport and business park as vital components of Sussex County's economy. Forty-two percent—or \$30.4 million—of the five-year general fund capital budget is allocated to improving these facilities. We continue to apply for federal and state funding that can cover up to 95 percent of airport-related expenses. For example, of the \$30.4 million, \$22.8 million is expected to be funded through such grants.

In addition to the Governmental Fund Capital Improvement Plan, the County maintains a five-year plan for utility infrastructure. This plan budgets \$257.5 million for sewer and water expansion and upgrades. Funding sources include State Revolving Fund loans, state and federal grants (including USDA), third-party contributions, and connection and user fees. The largest projects involve treatment and capacity expansions at the Inland Bays and Wolfe Neck Regional Wastewater Facilities.

Significant Financial Policies

The County's goal is to invest all funds in a manner that provides the highest return using authorized instruments, while maintaining an acceptable level of risk. In priority order, the primary objectives of investment activities are safety, liquidity, and yield. The County is currently benefiting from a heightened interest rate environment. To take advantage of favorable rates, the County adjusts investment maturities accordingly. (See Note B on pages 42-45 for additional information regarding cash and collateralization.)

Preserving the pension trust fund and the post-retirement employee benefit trust fund is a major objective of Sussex County. The County funds a defined benefit pension plan and a post-employment benefit trust for its employees, both of which are treated as fiduciary funds in the financial statements. The pension trust fund is managed by a diversified group of complementary investment managers. A pension committee, which meets quarterly, oversees the management of both plans and makes recommendations to the County Council regarding investment types.

The County also works with an investment advisor to develop strategies and guidelines that ensure protection and optimal performance of the pension plan. In Fiscal Year 2022, the County Council approved lowering the assumed rate of return to reinforce the County's commitment to maintaining a fully funded status with realistic expectations. The County continues to contribute above the required actuarial amount to preserve a highly funded position.

Sussex County remains committed to balanced budgets and sound financial planning in delivering services to residents and visitors. When creating the annual budget, the County focuses on keeping expenses within current revenue sources. The Finance Department conducts monthly reviews of departmental expenditures and budget reports. These reviews are shared with the County Council quarterly to keep members informed of economic impacts on revenues. Relevant financial topics and future strategies are also discussed with the Council.

The County's fund balance policy is to maintain an operating reserve equal to 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, 2024. This was the 23rd consecutive year the County has received this prestigious award. To earn the Certificate of Achievement, a government must publish an easily readable and efficiently organized report that satisfies both generally accepted accounting principles and applicable legal requirements.

The Certificate of Achievement is valid for one year only. We believe the County's current Annual Comprehensive Financial Report continues to meet the program's requirements, and we are submitting it to the GFOA for consideration for another certificate.

We believe this award reflects Sussex County's commitment to the highest standards of financial management. The timely preparation of this report is the result of the tremendous efforts of County employees in the Finance Department. We especially thank those employees and the County auditors for their dedication to completing this report.

The County also received the GFOA's Distinguished Budget Presentation Award for its Fiscal Year 2026 budget. Receiving this award demonstrates the County's commitment to transparent and responsible fiscal management.

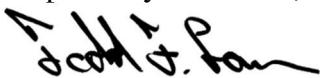
On July 12, 2019, Moody's Investors Service upgraded the County's bond rating to "Aaa." In its report, Moody's stated:

"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."

Moody's reaffirmed the "Aaa" rating in May 2024.

We also thank the County Council for their continued support in maintaining the County's strong financial position through fiscally sound policies. Appreciation is extended to all individuals who contributed to 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 Annual Comprehensive
Financial Report
For the Fiscal Year Ended

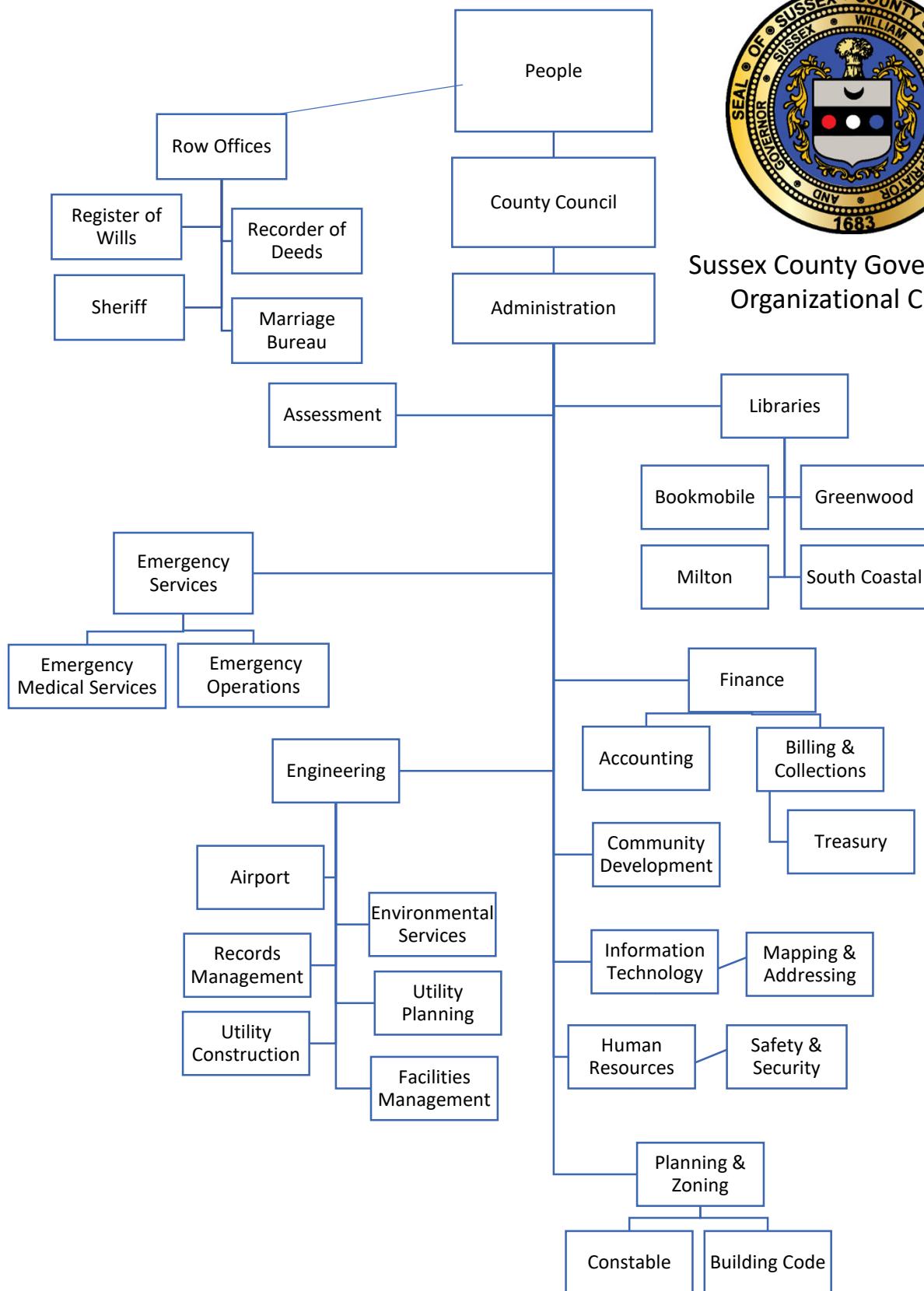
June 30, 2024

Christopher P. Monell

Executive Director/CEO



Sussex County Government
Organizational Chart



SUSSEX COUNTY, DELAWARE

LIST OF ELECTED OFFICIALS

JUNE 30, 2025

<u>COUNCIL</u>	<u>Length of Service</u>	<u>Term Expires</u>
<i>District 1</i> Matt Lloyd	6 months	Jan. 2029
<i>District 2</i> Steve C. McCarron	6 months	Jan. 2029
<i>District 3</i> Jane Gruenebaum	6 months	Jan. 2029
<i>District 4</i> Douglas B. Hudson (President)	7 years	Jan. 2027
<i>District 5</i> John L. Rieley (Vice President)	7 years	Jan. 2027
<hr/>		
<i>Clerk of the Peace</i> Norman A. Jones	9 years	Jan. 2029
<i>Recorder of Deeds</i> Alexandra Reed Baker	3 years	Jan. 2027
<i>Register of Wills</i> Gregory Fuller	5 years	Jan. 2027
<i>Sheriff</i> Robert Lee	11 years	Jan. 2027

SUSSEX COUNTY, DELAWARE

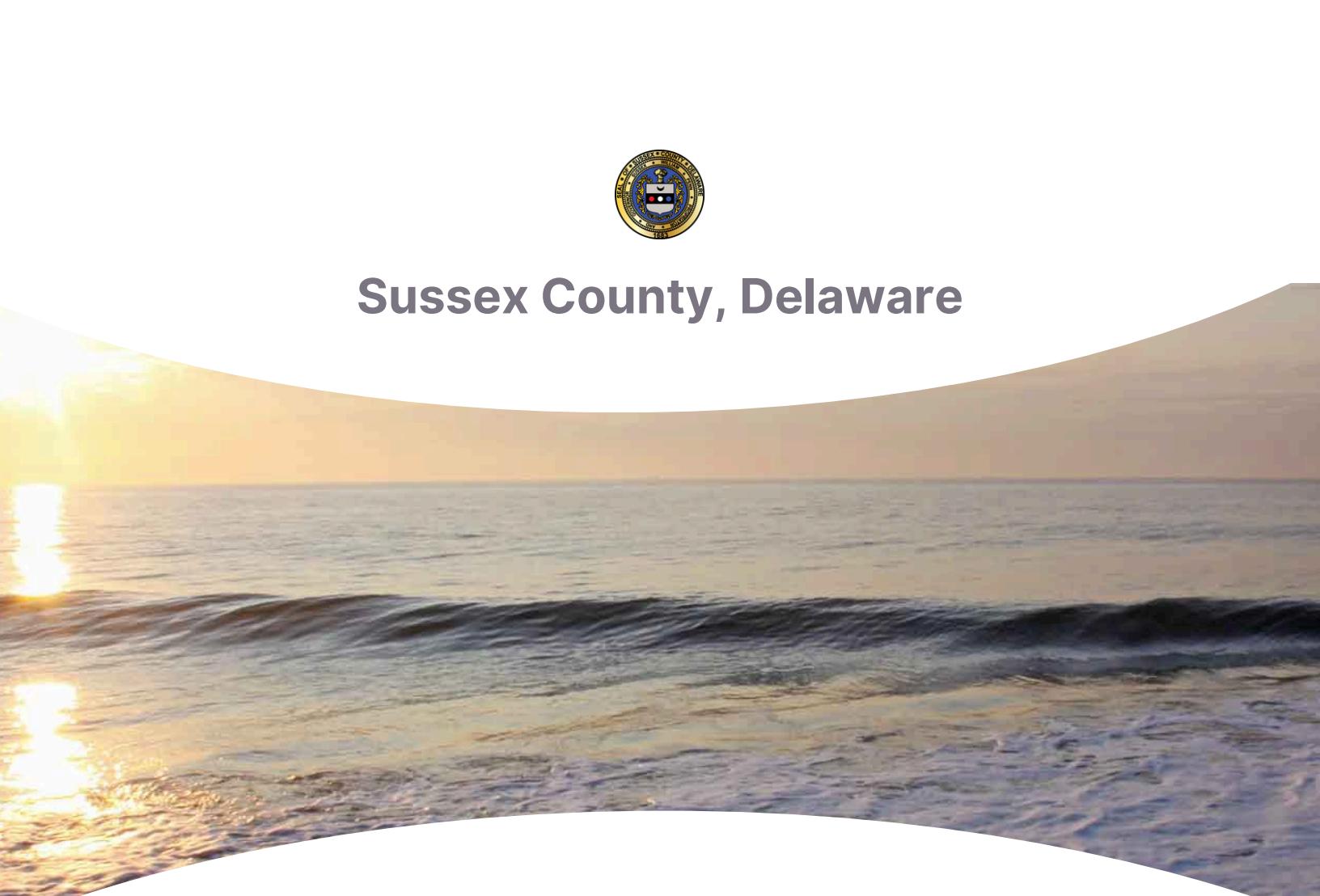
COUNTY DEPARTMENT HEADS & OTHER OFFICIALS

JUNE 30, 2025

	<u>Length of Time in Position</u>	<u>Length of Service with the County</u>
<i>County Administrator</i> - Todd F. Lawson	13 years	14 years
<i>County Attorney</i> - J. Everett Moore, Esquire	17 years	17 years
<i>Finance Director / Chief Operations Officer</i> - Gina A. Jennings, MBA, MPA	12 years	19 years
<i>Deputy Finance Director</i> - Kathy L. Roth, CPA	12 years	19 years
<i>County Engineer</i> – Michael T. Harmer, P.E.	1 year	1 year
<i>Assessment Division Director</i> - Christopher S. Keeler	11 years	31 years
<i>Community Development Program Director</i> - Brandy B. Nauman	4 years	18 years
<i>Director of Environmental Services</i> - Parker Burdell	4 years	4 years
<i>Director of Information Technology</i> - Dwayne Kilgo	9 years	13 years
<i>Human Resources Director</i> - Karen Brewington	14 years	14 years
<i>Library Director</i> - Rachel T. Lynch	4 years	19 years
<i>Director of Public Safety</i> - Robert W. Murray	1 year	31 years
<i>Planning and Zoning Director</i> - Jamie Whitehouse, AICP	5 years	8 years



Sussex County, Delaware



A photograph of a sunset over the ocean. The sun is low on the horizon, casting a warm, golden glow over the water. The ocean waves are crashing onto a sandy beach in the foreground. The sky is a mix of orange, yellow, and blue. The overall scene is peaceful and scenic.

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, 2025, 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 referred to above present fairly, in all material respects, the respective financial information of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County, as of June 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund 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 for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules of the employer's net pension and net OPEB liability or asset and related ratios, contributions, and investment returns 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 GAAS, 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.

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 individual fund financial statements and schedules and schedule of expenditures of federal awards, as required by Title 2 *U.S. Code of Federal Regulations (CFR) 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the individual fund financial statements and 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.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2025 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 the County's internal control over financial reporting and compliance.

Boo USA

December 23, 2025

SUSSEX COUNTY, DELAWARE

MANAGEMENT'S DISCUSSION & ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2025

This section of the report offers an overview and analysis of the financial activity of Sussex County, Delaware, for the year ended June 30, 2025. 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

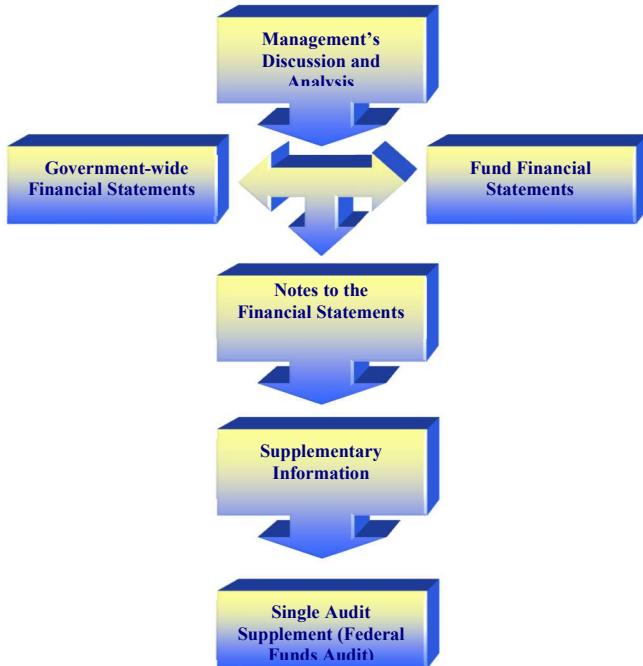
- As of June 30, 2025, total government net position was \$958.6 million. Of this amount, \$118.8 million was unrestricted and may be used for ongoing obligations to citizens and creditors.
- The County's total net position increased by \$95.7 million during the year. The business-type activities net position increased \$61.8 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 \$33.8 million as a result of the strong real estate market.
- The County has no outstanding governmental activities 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, 2025, the County's governmental funds reported an ending fund balance of \$264.4 million; this is an increase of \$25.2 million from the preceding year. Approximately \$92.5 million was unassigned, or available, for use to meet the County's current and future needs.
- The largest part of the fund balance 63.8 percent, or \$168.7 million, is restricted and, depending on the source, can only be used for items such as beach nourishment, waterway dredging, public safety, infrastructure, economic development, assessment, open space, recreational activities, and affordable/workforce housing.

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 of resources, liabilities and deferred inflows of resources, with the difference between the assets and deferred outflows and the liabilities and deferred inflows 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 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 24).

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 fund 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 26 through 30).
- *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 31 and 32 of this report.

Notes to the Financial Statements

Notes to the financial statements found on pages 33 through 76 of this report, provide additional information that is important for a better understanding of the data provided in the financial statements.

Other Information

Pages 77 through 82 include required supplementary information regarding our pension and OPEB plans. Following these pages are general fund and capital project fund budgetary comparison schedules. The fiduciary funds combining statements follow the general fund and capital project fund budgetary comparison schedules. The statistical section follows on pages 95 through 111 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 of resources exceed liabilities and deferred inflows of resources by \$958.6 million as of June 30, 2025. 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, 2025 and 2024

	Governmental Activities		Business-Type Activities		Total Government	
	2025	2024	2025	2024	2025	2024
Current and Other Assets						
Capital Assets	\$316,537,601	\$300,089,402	\$135,788,934	\$115,296,499	\$452,326,535	\$415,385,901
Total Assets	120,118,282	114,043,319	651,301,834	615,929,229	771,420,116	729,972,548
	436,655,883	414,132,721	787,090,768	731,225,728	1,223,746,651	1,145,358,449
Deferred outflows of resources						
Total assets and deferred outflows of resources	13,638,452	8,430,424	4,229,296	2,900,791	17,867,748	11,331,215
	450,294,335	422,563,145	791,320,064	734,126,519	1,241,614,399	1,156,689,664
Current and Other Liabilities						
Long-term Liabilities	38,085,014	49,917,549	9,348,572	10,750,362	47,433,586	60,667,911
Total Liabilities	10,773,522	10,632,379	200,294,179	204,239,515	211,067,701	214,871,894
	48,858,536	60,549,928	209,642,751	214,989,877	258,501,287	275,539,805
Deferred inflow of resources						
Total liabilities and deferred inflows of resources	19,905,805	14,329,361	4,605,380	3,898,325	24,511,185	18,227,686
	68,764,341	74,879,289	214,248,131	218,888,202	283,012,472	293,767,491
Net Position:						
Net Investment in Capital Assets	118,129,330	113,002,406	451,198,325	405,503,043	569,327,655	518,505,449
Restricted	172,474,479	132,672,224	98,025,092	93,461,083	270,499,571	226,133,307
Unrestricted	90,926,185	102,009,226	27,848,516	16,274,191	118,774,701	118,283,417
Total Net Position	\$381,529,994	\$347,683,856	\$577,071,933	\$515,238,317	\$958,601,927	\$862,922,173

A large portion of the County's net position (59.4 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 \$389.3 million in net position, \$96.8 million is restricted for construction or capital costs incurred for future water and sewer district expansion costs. For governmental activities, \$172.5 million represents realty transfer taxes, lodging tax, and funds for employee benefits. Realty transfer taxes must be used for public safety, economic development, public works, capital projects, infrastructure projects, debt reduction, assessment costs, open space, recreational activities, or affordable housing. Planned uses of realty transfer taxes include buildings and improvements, County airport improvements, and open space.

The remaining \$118.8 million in net position is unrestricted and may be used for ongoing obligations to citizens, customers, and creditors. There was an increase in unrestricted net position, and this increase was due to both business-type and governmental activities of the County.

The following schedule shows the breakdown of changes in net position for governmental and business-type activities for fiscal years 2025 and 2024.

	Sussex County, Delaware Changes in Net Position For the Years Ended June 30, 2025 and 2024					
	Governmental Activities		Business-type Activities		Total Government	
	2025	2024	2025	2024	2025	2024
Revenues:						
Program revenues:						
Charges for services	\$16,767,949	\$17,275,596	39,953,402	\$35,816,181	\$56,721,351	\$53,091,777
Operating grants and contributions	16,892,902	17,054,073	30,003,184	29,435,825	46,896,086	46,489,898
Capital grants and contributions	2,985,052	848,733	39,789,506	36,984,150	42,774,558	37,832,883
General revenues:						
Property taxes	19,616,033	18,894,803	-	-	19,616,033	18,894,803
Fire service taxes	2,385,759	2,254,333	-	-	2,385,759	2,254,333
Realty taxes	54,646,935	47,794,037	-	-	54,646,935	47,794,037
Lodging taxes	891,630	808,024	-	-	891,630	808,024
Investment results	12,403,355	12,618,496	6,162,822	816,922	18,566,177	13,435,418
Gains on sale of capital assets	2,940	362,291	147	(68,763)	3,087	293,528
Total revenues	126,592,555	117,910,386	115,909,061	102,984,315	242,501,616	220,894,701
Expenses:						
Primary Government:						
General government	14,549,452	16,443,913	-	-	14,549,452	16,443,913
Planning and zoning	5,450,712	4,870,513	-	-	5,450,712	4,870,513
Paramedics	22,327,412	21,084,434	-	-	22,327,412	21,084,434
Emergency preparedness	7,363,717	6,331,039	-	-	7,363,717	6,331,039
County engineer	2,839,488	3,312,493	-	-	2,839,488	3,312,493
Library	3,357,000	3,332,040	-	-	3,357,000	3,332,040
Economic development and airpark	6,434,596	5,008,940	-	-	6,434,596	5,008,940
Community development	3,777,216	3,893,947	-	-	3,777,216	3,893,947
Community assistance program	23,763,306	20,486,830	-	-	23,763,306	20,486,830
Constitutional offices	2,758,804	2,700,906	-	-	2,758,804	2,700,906
Interest	9,214	11,789	-	-	9,214	11,789
Business-type activities	-	-	54,190,945	50,785,559	54,190,945	50,785,559
Total expenses	92,630,917	87,476,844	54,190,945	50,785,559	146,821,862	138,262,403
Change in net position before transfers	33,961,638	30,433,542	61,718,116	52,198,756	95,679,754	82,632,298
Transfers	(115,500)	(115,500)	115,500	115,500	-	-
Change in net position	33,846,138	30,318,042	61,833,616	52,314,256	95,679,754	82,632,298
Net position-beginning	347,683,856	317,365,814	515,238,317	462,924,061	862,922,173	780,289,875
Net position-ending	\$381,529,994	\$347,683,856	577,071,933	\$515,238,317	\$958,601,927	\$862,922,173

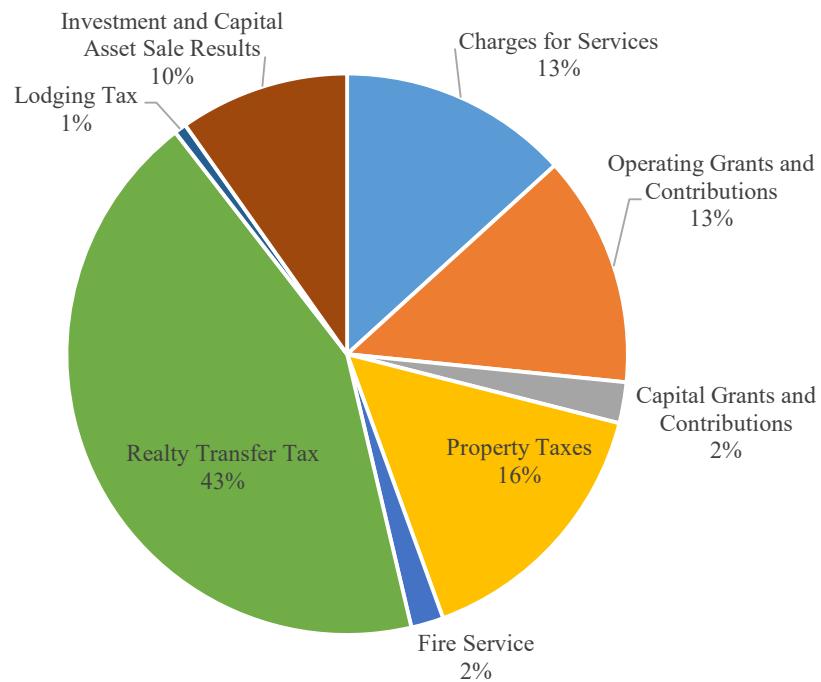
Governmental Activities

Governmental activities increased net position by \$33.85 million during fiscal year 2025. This represents a 9.7 percent increase in net position for the year. Governmental activities include the general fund and capital projects fund.

General revenues total \$89.9 million for fiscal year 2025 for governmental activities. This amount includes \$54.6 million received from realty transfer taxes. This revenue source is \$6.9 million, or 14.3 percent, above fiscal year 2024. This increase indicates a strong real estate market. After two consecutive years of a decline in this revenue source, this fiscal year reported the second highest amount in Sussex County's history.

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

Revenues by Source - Governmental Activities



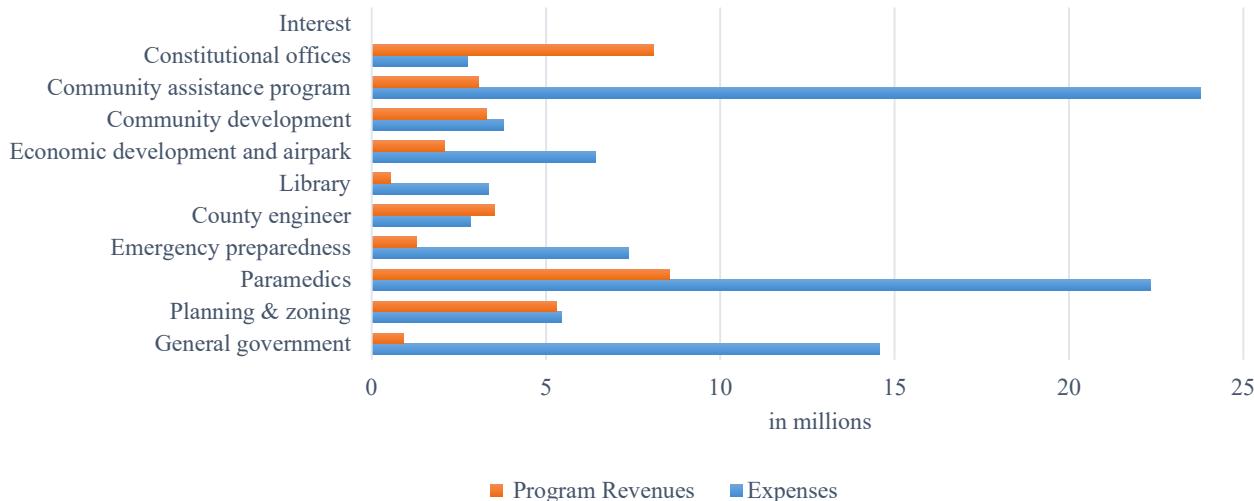
Total Governmental Revenues increased \$8.7 million. The growth was driven by the \$6.9 million increase in realty transfer taxes, \$2.1 million in capital grants and contributions, and \$0.7 million in property taxes. However, these increases were offset by the \$0.2 million decrease in investment earnings, the \$0.5 million decrease in service charges and the \$0.2 million in operating grants and contributions.

Capital grants and contributions increased \$2.1 million over the previous year due to capital project activity at the James Farm Ecological Preserve that is funded by the state government and public contributions.

The County's operating grants were \$0.2 million less than the previous year, due to reduced amounts of American Rescue Plan Act funds being spent on eligible projects.

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

Program Revenues and Expenses Governmental Activities



One of the larger expenses for the County is public safety. The population growth of the County over the last decade has affected the Paramedic program 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.

The Paramedic program of the Public Safety Department is the County's largest function in terms of expenditures and employees. Our residents and visitors rely on this valuable County service. The paramedics were dispatched 9.1 percent more this year than 9 years ago. In FY 2025, a new medic station in Millsboro was completed. 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 seven of our ten medic stations. The plan is to proceed with construction of stations at the Milton and Lincoln station sites in fiscal year 2026.

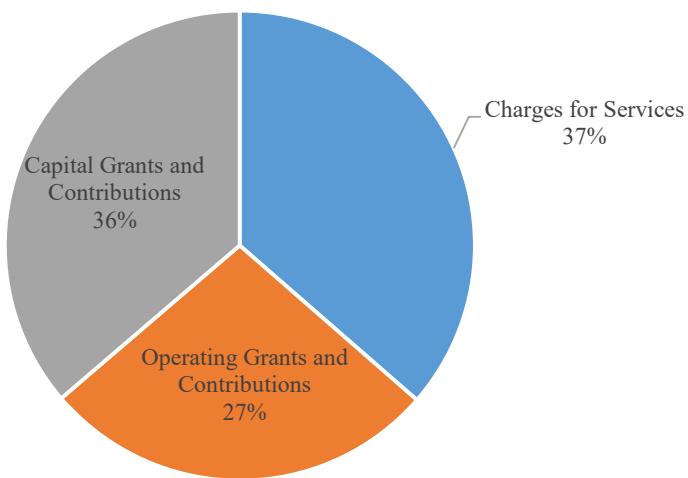
During fiscal year 2025, the County provided \$23.8 million in community assistance to a variety of local organizations as part of a program to benefit County residents. These grants included fire and ambulance companies, local historical societies, senior centers, educational, recreation, arts, housing, 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 \$5.7 million contribution. The volunteer fire service and ambulance companies received approximately \$6.4 million in grant funding during fiscal year 2025. The County also supports 11 independent libraries through the community assistance budget with a \$3.0 million contribution. Of the \$23.8 million, \$3.1 million were grants funded by the American Rescue Plan Act.

Business-type Activities

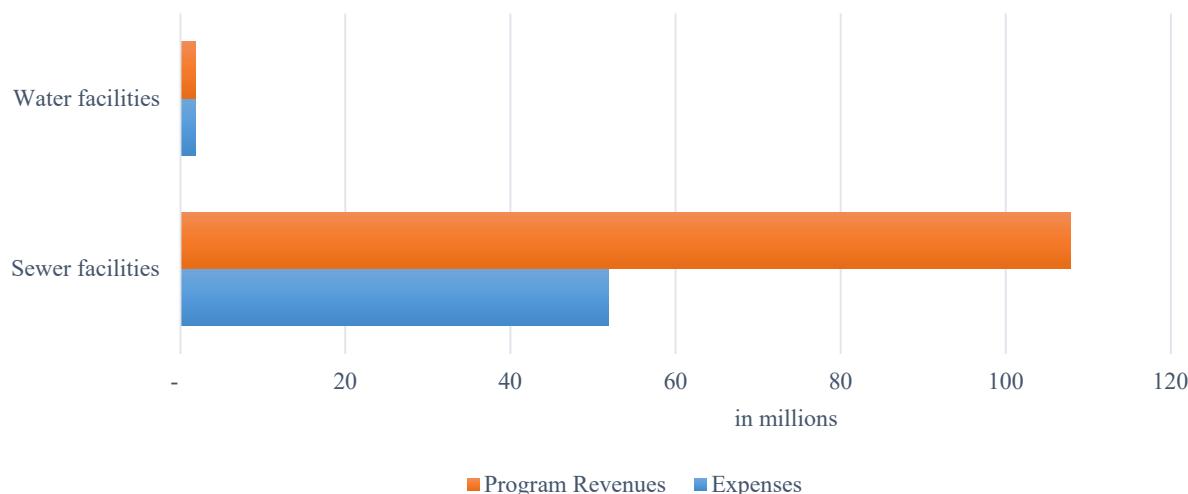
Sussex County's water and sewer funds had an increase in net position of \$61.8 million during fiscal year 2025. The income before capital contributions and transfers was \$22.5 million. Our sewer district continues to grow, bringing in additional income to help support the growing expenses. The number of sewer equivalent dwelling units increased by 2,855 from fiscal year 2024.

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

Revenues by Source - Business-type Activities



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



- The County received \$39.8 million in capital grant funds for the construction of new water and sewer districts projects. The grant funds increased prior year by \$2.8 million from the prior year.

- 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 2025 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 2025, fund balances of the County's governmental funds increased \$25.2 million. For the capital projects fund, the fund balance decreased \$4.3 million, or 6.2 percent. The decrease is due to using savings to pay for capital projects in the general fund. It continues to be the County's plan not to issue tax-funded debt to pay for capital projects.

For the general fund, fiscal year 2025 finished with an increase in fund balance of \$29.5 million. This increase is a result of realty transfer tax being over budget by \$19.6 million, investment earnings being over budget by \$6.3 million and departments being under their budgeted expenses. Excluding the ARPA grant expense, departments were under their budget by \$13.0 million. The offset of these revenues being over budget was the expected use of savings in the budget that was not needed this year. Page 100 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, economic development, assessment, open space, recreational activities, and affordable/workforce housing. 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 2025, the contribution was \$0.6 million over the actuarially

determined contribution. The fund saw an increase from investment earnings, net of investment expenses, in the amount of \$18.6 million. The County's Pension Plan is 100.9 percent funded according to the latest actuarial report. As of June 30, 2025, assets held in this account were valued at over \$181.2 million.

As of January 1, 2021, new hires were 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 3.0 percent of their gross salary to the pension plan. Employees hired before January 1, 2014, 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 105.0 percent funded. As of June 30, 2025, assets held in this account were valued at \$73.3 million. For fiscal year 2025, the contribution to this fund was \$2.4 million. This contribution was \$0.8 million over the actuarially determined contribution.

In fiscal year 2025, there were 351 retirees and beneficiaries in the pension plan. Beneficiary payments for both funds totaled \$10.7 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 \$577.1 million - a \$61.8 million, or 12.0 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 expansion 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 bonded 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 2025. 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 item, as approved by the County Administrator during the year, were emergency repair due to a vehicle fire in a carport (\$101,300), a public safety building emergency concrete repair (\$96,800), and Land Use Reform Working Group consultant fees (98,560).

Budget to Actual - Revenue

In fiscal year 2025, actual general fund revenues and other financing sources were under budgeted revenue by \$5.0 million as detailed on pages 83 and 84. The reason for being under budget was the American Rescue Plan Act Grant. The budget records this as revenue when received. However, the financial statements do not record this as revenue until it has been earned. If you exclude the timing of the American Rescue Plan Act Grant, revenues are over budget by \$16.5 million. The largest revenue source over budget was realty transfer tax; this revenue exceeded the budget by \$19.6 million. Charges for services, which includes building permits and zoning fees, exceeded budgeted revenue by \$2.1 million. Another revenue that was over budget was investment earnings in the amount of \$6.3 million.

Budget to Actual - Expenditures

Expenditures after transfers were under budget by \$34.4 million, as detailed on pages 85 - 90. As mentioned above in the budget to actual revenue section, the large difference has to do with the American Rescue Plan Act Grant (ARPA). ARPA was budgeted for \$26.7 million; however, due to timing of the expenditures, \$5.2 million was spent this fiscal year. The budget placed the entire unspent balance ARPA expense in fiscal year 2025. However, the County has until 2026 to fully expend the grant funds.

[the rest of this page was intentionally left blank]

Capital Asset and Debt Administration

Capital Assets

As per the following chart, capital assets (net of depreciation) are valued at \$771.4 million as of June 30, 2025. Note F, on pages 48 through 50, includes additional information.

Sussex County's Capital Assets

As of June 30, 2025 and 2024

(net of depreciation)

	Governmental Activities		Business-type Activities		Total Government	
	2025	2024	2025	2024	2025	2024
Land	\$38,750,540	\$35,405,133	\$60,750,035	\$60,549,283	\$99,500,575	\$95,954,416
Construction in Progress	3,441,697	2,548,569	21,997,291	69,654,574	25,438,988	72,203,143
Buildings	43,902,914	41,559,361	48,136,953	46,416,795	92,039,867	87,976,156
Improvements	20,448,735	23,027,316	15,241,594	5,297,063	35,690,329	28,324,379
Machinery and Equipment	7,637,972	5,160,381	5,491,953	4,175,678	13,129,925	9,336,059
Infrastructure	5,599,343	5,671,610	491,959,827	422,525,912	497,559,170	428,197,522
Right-of-use lease land and buildings	64,768	-	1,509,439	1,591,947	1,574,207	1,591,947
Right-of-use subscription IT assets	272,313	670,949	125,546	277,300	397,859	948,249
Purchased capacity	-	-	6,089,196	5,440,677	6,089,196	5,440,677
Total	120,118,282	114,043,319	651,301,834	615,929,229	771,420,116	729,972,548

The major governmental capital project completed in fiscal year 2025 was the completion of the Millsboro paramedic station and major improvements to the James Farm Ecological Preserve. Land increased due to the County purchasing property for open space.

The major business-type capital projects completed in fiscal year 2025 were the South Coastal Regional Wastewater Facility's Expansion, Herring Creek sewer area, Long Neck Communities sewer area, Joy Beach sewer area, Lochwood sewer area, and the Inland Bays Regional Wastewater Facility's stormwater and wetland improvements. The following are highlights of the major capital sewer projects underway during fiscal year 2025, which will expand the County's sewer system to serve more residents and protect the environment:

- disposal expansion at the Inland Bays Regional Wastewater Facility
- construction of sewer expansion areas, such as Warwick Park, and Slaughter Beach
- completion of electrical upgrades at the Wolfe Neck Treatment Facility

Long-term Debt

As of June 30, 2025, the County had \$197.1 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. 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, 2025 and 2024

General Bonds

	Governmental Activities		Business-type Activities		Total Government	
	2025	2024	2025	2024	2025	2024
General Obligation Bonds	\$ -	\$ -	\$197,124,539	\$200,985,195	\$197,124,539	\$200,985,195
Total	\$ -	\$ -	\$197,124,539	\$200,985,195	\$197,124,539	\$200,985,195

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 and water 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 K on pages 64 through 72 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.

- The national unemployment rate, as stated by the Delaware Department of Labor, was 4.1 percent in June 2025, Delaware's unemployment rate was 4.0 percent; Sussex County's unemployment – at 4.0 percent - was under the other two counties in Delaware.
- Fiscal year 2025 again saw a strong housing market. General fund budgeted revenues, excluding the American Rescue Plan Act and use of reserves, surpassed projections by \$19.6 million. Although actual revenues for fiscal year 2023 and 2024 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 for fiscal year 2026. Building related revenues, excluding realty transfer tax, were budgeted at 80 percent of anticipated collections when creating the fiscal year 2026 budget. Due to the fiscal restriction and unprecedented amount of collections, realty transfer tax was budgeted at 75 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 we move forward, the budget committee is carefully watching how inflation could impact this industry as well as agriculture.
- Realty transfer tax revenue continues to be higher than any year prior to the pandemic. The attractiveness of the Sussex lifestyle and low cost-of-living continues to bring more retirees and a remote workforce to the county.

Fiscal Year 2026 Budget and Rates

The major goal of the fiscal year 2026 budget was to continue to operate within the County's means and still provide an excellent level of service to our residents. As this is the first budget with this new County Council, the budget was developed knowing the Council's priorities focused on looking at development patterns in Sussex County. Knowing that these initiatives may affect land use development, the budget was still formed with caution in mind given its heavy reliance on the local real estate market. Suffice it to say, should real estate activity start to decline, the County's financial outlook will be affected.

As with fiscal year 2025, the fiscal year 2026 budget uses a transparent budget platform that clearly defines long-term goals and aligns all initiatives 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 2026 general fund operating budget reflects a \$4.4 million, or 4.4 percent, increase compared to fiscal year 2025. The Grant-in-Aid category experienced the largest growth, rising by \$1.4 million due to increased funding for the State of Delaware's MOU for additional troopers and farmland preservation. The Engineering Department saw the second-largest increase, expanding by \$1.3 million to support the implementation of a new asset management system, which includes new software and implementation services. The Public Safety Department followed, with a \$1.1 million increase, primarily driven by salaries and benefits. The increase in the budget is being supported by using additional realty transfer tax and interest earnings.

The fiscal year 2026 governmental capital improvements budget increased by \$907,000, or 5.2 percent, compared to the FY 2025 budget. This growth is primarily driven by the funding of a \$4 million Administration Annex project, partially offset by a reduction in airport taxiway improvement expenditures. The capital budget uses \$12.6 million of appropriated reserves. These previous collected revenues help the County continue investing in its infrastructure. The County has a practice of setting funds aside for large capital projects. Our goal is to use available funds for these projects instead of borrowing through bond issues. As a result of this practice, the County can be proud that there is no

general fund bonded debt. Conservative budgeting, both now and in the past, has enabled the County to not raise property taxes for another year.

The fiscal year 2026 sewer and water operating budget also increased. Expenses are categorized into three general areas: Administration, Operations and Maintenance, and Capital. All expense categories saw an increase due to the expansion of our utility systems and inflation. The operation and maintenance function is the largest expense of sewer operations at \$31.7 million, or 50.5 percent of the sewer department's total budget. This category includes treatment plant employees, utilities to run the system and other daily operational costs. With the continual increase in customers, it is no surprise that this category increases every year. Because of the large increase in costs, the County raised service charges by \$12 to \$33 depending on the utility. Service charges cover the operation of four wastewater treatment facilities, one water facility and tower, hundreds of pump stations, and 1,052 miles of pipe.

The five-year capital improvement plan of \$330.6 million includes \$257.5 million for sewer and water projects and improvements, as well as \$73.1 million for other governmental fund projects, such as improving the Delaware Coastal Airport and Coastal Business Park, expanding our paramedic infrastructure, and administrative facilities. The sewer and water capital projects include \$179.0 million in sewer treatment plant expansions and system upgrades and \$78.5 million in new areas connecting to the unified sewer or water district.

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, 2025

-19-

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 33,145,549	\$ 13,700,686	\$ 46,846,235
Investments	66,831,135	18,654,113	85,485,248
Taxes receivable	967,169	-	967,169
Lease receivables	7,209,653	584,382	7,794,035
Other receivables	3,400,032	6,370,797	9,770,829
Due from other governmental agencies	4,509,705	8,790,604	13,300,309
Internal balances	13,058,998	(13,050,577)	8,421
Inventory	27,523	2,545,757	2,573,280
Prepaid items	575,583	168,080	743,663
Restricted cash and cash equivalents	85,220,983	20,814,480	106,035,463
Restricted investments	95,697,687	76,015,867	171,713,554
Loans receivable	2,040,823	-	2,040,823
Net pension asset	1,188,276	368,486	1,556,762
Net other postemployment benefits asset	2,664,485	826,259	3,490,744
Capital assets:			
Land, improvements, and construction in progress	42,192,237	82,747,326	124,939,563
Other capital assets, net of depreciation / amortization	77,588,964	566,919,523	644,508,487
Right-to-use leased assets, net of amortization	64,768	1,509,439	1,574,207
Right-to-use IT subscriptions, net of amortization	272,313	125,546	397,859
Total assets	<u>436,655,883</u>	<u>787,090,768</u>	<u>1,223,746,651</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related	9,951,330	3,085,916	13,037,246
Other postemployment benefits related	3,687,122	1,143,380	4,830,502
Total deferred outflows of resources	<u>13,638,452</u>	<u>4,229,296</u>	<u>17,867,748</u>
LIABILITIES			
Accounts payable and other current liabilities	25,274,766	8,505,889	33,780,655
Accrued interest payable	2,870	834,854	837,724
Employee health claims payable	1,920,237	-	1,920,237
Unearned revenue	8,310,365	-	8,310,365
Deposits	2,576,776	7,829	2,584,605
Long-term liabilities:			
Due within one year	4,099,686	9,639,427	13,739,113
Other due in more than one year	6,673,836	190,654,752	197,328,588
Total liabilities	<u>48,858,536</u>	<u>209,642,751</u>	<u>258,501,287</u>
DEFERRED INFLOWS OF RESOURCES			
Lease related	7,139,652	616,444	7,756,096
Other postemployment benefits related	6,358,900	1,971,900	8,330,800
Pension related	6,407,253	1,986,895	8,394,148
Deferred refunding of bonds	-	30,141	30,141
Total deferred inflows of resources	<u>19,905,805</u>	<u>4,605,380</u>	<u>24,511,185</u>
NET POSITION			
Net investment in capital assets	118,129,330	451,198,325	569,327,655
Restricted for:			
Realty transfer tax expenses: Capital, public safety, econ. development, assessment, open space, recreational, affordable/workforce housing	166,179,587	-	166,179,587
Lodging tax expenses: Beach nourishment, waterway dredging, tourism, water quality/flood control	2,312,358	-	2,312,358
Pension and OPEB benefits	3,852,761	1,194,745	5,047,506
Health insurance benefits	85,693	-	85,693
Construction, capital and debt	44,080	96,830,347	96,874,427
Unrestricted	<u>90,926,185</u>	<u>27,848,516</u>	<u>118,774,701</u>
Total Net Position	<u>\$ 381,529,994</u>	<u>\$ 577,071,933</u>	<u>\$ 958,601,927</u>

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

SUSSEX COUNTY, DELAWARE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025

-20-

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		
					Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental Activities:							
General government	\$ 14,549,452	\$ 488,362	\$ 416,050	\$ -	\$ (13,645,040)	\$ -	\$ (13,645,040)
Planning and zoning	5,450,712	5,307,406	-	-	(143,306)	-	(143,306)
Paramedics	22,327,412	48,960	8,127,490	375,000	(13,775,962)	-	(13,775,962)
Emergency preparedness	7,363,717	17,500	1,253,025	16,397	(6,076,795)	-	(6,076,795)
County engineer	2,839,488	1,865,683	-	1,650,712	676,907	-	676,907
Library	3,357,000	14,794	522,228	-	(2,819,978)	-	(2,819,978)
Economic development and airpark	6,434,596	930,272	218,827	942,943	(4,342,554)	-	(4,342,554)
Community development	3,777,216	-	3,299,213	-	(478,003)	-	(478,003)
Community assistance program	23,763,306	-	3,056,069	-	(20,707,237)	-	(20,707,237)
Constitutional offices	2,758,804	8,094,972	-	-	5,336,168	-	5,336,168
Interest	9,214	-	-	-	(9,214)	-	(9,214)
Total governmental activities	<u>92,630,917</u>	<u>16,767,949</u>	<u>16,892,902</u>	<u>2,985,052</u>	<u>(55,985,014)</u>	<u>-</u>	<u>(55,985,014)</u>
Business-type activities:							
Sewer facilities	52,421,726	38,134,402	29,945,284	39,789,506	-	55,447,466	55,447,466
Water facilities	1,769,219	1,819,000	57,900	-	-	107,681	107,681
Total business-type activities	<u>54,190,945</u>	<u>39,953,402</u>	<u>30,003,184</u>	<u>39,789,506</u>	<u>-</u>	<u>55,555,147</u>	<u>55,555,147</u>
Total primary government	<u><u>\$ 146,821,862</u></u>	<u><u>\$ 56,721,351</u></u>	<u><u>\$ 46,896,086</u></u>	<u><u>\$ 42,774,558</u></u>	<u><u>(55,985,014)</u></u>	<u><u>55,555,147</u></u>	<u><u>(429,867)</u></u>
General revenues:							
Taxes: Property				19,616,033	-	19,616,033	
Fire service				2,385,759	-	2,385,759	
Realty transfer				54,646,935	-	54,646,935	
Lodging				891,630	-	891,630	
Net investment results				12,403,355	6,162,822	18,566,177	
Gain on sale of capital assets				2,940	147	3,087	
Transfers				(115,500)	115,500	-	
Total general revenues and transfers				<u>89,831,152</u>	<u>6,278,469</u>	<u>96,109,621</u>	
Change in net position				<u>33,846,138</u>	<u>61,833,616</u>	<u>95,679,754</u>	
Net position - beginning				<u>347,683,856</u>	<u>515,238,317</u>	<u>862,922,173</u>	
Net position - ending				<u><u>\$ 381,529,994</u></u>	<u><u>\$ 577,071,933</u></u>	<u><u>\$ 958,601,927</u></u>	

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

SUSSEX COUNTY, DELAWARE
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2025

-21-

	General	Capital Projects	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 33,145,549	\$ -	\$ 33,145,549
Investments	66,831,135	-	66,831,135
Receivables, net of allowance for doubtful accounts:			
Taxes	967,169	-	967,169
Assessments and connection	1,202,302	-	1,202,302
Accrued interest	1,128,980	462,162	1,591,142
Lease receivables	7,209,653	-	7,209,653
Miscellaneous	447,249	-	447,249
Employee advances	159,339	-	159,339
Due from other governmental agencies	4,322,692	187,013	4,509,705
Due from other funds	13,173,281	-	13,173,281
Inventory	27,523	-	27,523
Prepaid items	575,583	-	575,583
Restricted cash and cash equivalents	64,388,836	20,832,147	85,220,983
Restricted investments	50,716,781	44,980,906	95,697,687
Total Assets	<u>244,296,072</u>	<u>66,462,228</u>	<u>310,758,300</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accounts payable and other accrued expenditures	24,054,642	1,220,124	25,274,766
Due to other funds	114,000	283	114,283
Employee health claims payable	1,920,237	-	1,920,237
Unearned revenue	7,237,968	-	7,237,968
Deposits	2,576,776	-	2,576,776
Total Liabilities	<u>35,903,623</u>	<u>1,220,407</u>	<u>37,124,030</u>
Deferred inflows of resources:			
Lease related	7,139,652	-	7,139,652
Unavailable revenues	1,070,663	1,005,475	2,076,138
Total deferred inflows of resources	<u>8,210,315</u>	<u>1,005,475</u>	<u>9,215,790</u>
Fund balances:			
Nonspendable	762,445	-	762,445
Restricted	104,505,328	64,192,266	168,697,594
Committed	1,712,777	44,080	1,756,857
Assigned	720,678	-	720,678
Unassigned	92,480,906	-	92,480,906
Total fund balances	<u>200,182,134</u>	<u>64,236,346</u>	<u>264,418,480</u>
Total liabilities deferred inflows of resources, and fund balances	<u>\$ 244,296,072</u>	<u>\$ 66,462,228</u>	<u>\$ 310,758,300</u>

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

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

Total fund balances - governmental funds	\$ 264,418,480
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund-level statements.	120,118,282
Differences between expected and actual experiences, assumption changes and net differences between project and actual earnings and contributions subsequent to the measurement date for the postretirement benefits (pension and OPEB) are recognized as deferred outflows of resources and deferred inflows of resources on the statement of net position.	
Deferred outflows - pension related	9,951,330
Deferred outflows - OPEB related	3,687,122
Deferred inflows - pension related	(6,407,253)
Deferred inflows - OPEB related	<u>(6,358,900)</u>
Total deferred outflows and inflows of resources	872,299
Other long-term assets that are not available to pay for current period expenditures and, therefore, are either deferred or not reported in the funds.	
Loan receivable	2,040,823
Net pension asset	1,188,277
Net OPEB asset	<u>2,664,484</u>
Total other long-term assets	5,893,584
Long-term liabilities are not due and payable in the current period and therefore are not reported in the fund-level statements.	(10,773,522)
Certain tax, grant and miscellaneous receivables do not provide current financial resources and therefore are reported as unavailable revenue in the fund-level statements.	2,076,138
Unearned and accrued revenue not available in the current period and therefore not recorded in the fund-level statements.	(1,075,267)
Net position of governmental activities	<u>\$ 381,529,994</u>

SUSSEX COUNTY, DELAWARE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL
FUNDS
FOR THE YEAR ENDED JUNE 30, 2025

-23-

	General	Capital Projects	Total Governmental Funds
REVENUES			
Taxes	\$ 77,607,662	\$ -	\$ 77,607,662
Intergovernmental	16,323,253	1,203,511	17,526,764
Charges for services	16,184,200	-	16,184,200
Fines and forfeits	94,876	-	94,876
Investment earnings	9,357,267	3,046,088	12,403,355
Contributions and donations	-	1,569,862	1,569,862
Miscellaneous revenue	1,156,210	-	1,156,210
Total revenues	<u>120,723,468</u>	<u>5,819,461</u>	<u>126,542,929</u>
EXPENDITURES			
Current:			
General government	16,304,496	75,849	16,380,345
Planning & zoning	5,369,900	-	5,369,900
Paramedics	23,821,803	-	23,821,803
Emergency preparedness	6,992,704	-	6,992,704
County engineer	2,830,595	-	2,830,595
Library	3,019,622	-	3,019,622
Economic development and airpark	1,985,503	-	1,985,503
Community development	3,769,667	-	3,769,667
Community assistance program	24,125,695	-	24,125,695
Constitutional offices	2,760,140	-	2,760,140
Debt service:			
Interest	9,214	-	9,214
Principal	265,962	-	265,962
Capital outlay	-	10,006,066	10,006,066
Total expenditures	<u>91,255,301</u>	<u>10,081,915</u>	<u>101,337,216</u>
Excess of (deficiency) of revenues over (under) expenditures	<u>29,468,167</u>	<u>(4,262,454)</u>	<u>25,205,713</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	(115,500)	-	(115,500)
Sale of capital assets	29,768	-	29,768
Subscription issued	64,238	-	64,238
Total other financing sources and uses	<u>(21,494)</u>	<u>-</u>	<u>(21,494)</u>
Net change in fund balances	<u>29,446,673</u>	<u>(4,262,454)</u>	<u>25,184,219</u>
Fund balances - beginning	<u>170,735,461</u>	<u>68,498,800</u>	<u>239,234,261</u>
Fund balances - ending	<u>\$ 200,182,134</u>	<u>\$ 64,236,346</u>	<u>\$ 264,418,480</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, 2025**

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

Net change in fund balances - total governmental funds	\$ 25,184,219
--	---------------

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 or amortization expense. The net change is as follows:

Capital outlays	13,007,240
Depreciation and amortization	<u>(7,108,063)</u>
	5,899,177

The effect of various miscellaneous transactions involving capital assets (i.e. sales and transfers) is to increase net assets	(27,495)
--	----------

Bond and other debt proceeds provide current financial resources to government funds, but issuing debt increases long-term liabilities in Statement of Net Position

Principal repayments on subscriptions	\$ 265,962
Principal repayments on leases	19,295
Additional subscription liability	<u>64,238</u>
	349,495

Net effect of miscellaneous transaction involving liabilities

Pollution remediation liability	(90,000)
---------------------------------	----------

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	\$ (87,886)
Accrued Interest	2,878
Grants	(310,146)
Property taxes	<u>(67,305)</u>
	(462,459)

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	\$ (328,022)
Additional economic development loan receivable	288,201
 Pollution remediation payments	129,880
Net pension liability	836,456
Net other postemployment benefit liability	<u>2,066,686</u>
	2,993,201

Change in net position of governmental activities	<u>\$ 33,846,138</u>
---	----------------------

SUSSEX COUNTY, DELAWARE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2025

-25-

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with Final Budget
REVENUES				
Taxes	\$ 57,162,462	\$ 57,162,462	\$ 77,607,662	\$ 20,445,200
Intergovernmental	38,034,544	38,034,544	16,323,253	(21,711,291)
Charges for services	14,056,730	14,056,730	16,184,200	2,127,470
Fines and forfeits	70,000	70,000	94,876	24,876
Investment earnings	3,080,000	3,080,000	9,357,267	6,277,267
Miscellaneous revenue	949,500	949,500	1,156,210	206,710
Total Revenues	<u>113,353,236</u>	<u>113,353,236</u>	<u>120,723,468</u>	<u>7,370,232</u>
EXPENDITURES				
Current:				
General government	19,738,075	19,738,075	16,304,496	3,433,579
Planning & zoning	5,515,973	5,515,973	5,369,900	146,073
Paramedics	23,941,941	23,941,941	23,821,803	120,138
Emergency preparedness	7,423,129	7,423,129	6,992,704	430,425
County engineer	3,093,521	3,093,521	2,830,595	262,926
Library	3,835,996	3,835,996	3,019,622	816,374
Economic development and airpark	2,554,652	2,554,652	1,985,503	569,149
Community development	4,495,984	4,495,984	3,769,667	726,317
Community assistance program	35,027,668	35,027,668	24,125,695	10,901,973
Constitutional offices	2,810,852	2,810,852	2,760,140	50,712
Interest	14,704	14,704	9,214	5,490
Financing Principal	307,677	307,677	265,962	41,715
Total Expenditures	<u>108,760,172</u>	<u>108,760,172</u>	<u>91,255,301</u>	<u>17,504,871</u>
Excess (deficiency) of revenues over expenditures	<u>4,593,064</u>	<u>4,593,064</u>	<u>29,468,167</u>	<u>24,875,103</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(115,500)	(115,500)	(115,500)	-
Sale of capital assets	-	-	29,768	29,768
Subscription issued	-	-	64,238	64,238
Grant funds allocated to business-type activities	(16,917,564)	(16,917,564)	-	16,917,564
Appropriated reserves	<u>12,440,000</u>	<u>12,440,000</u>	<u>-</u>	<u>(12,440,000)</u>
Total other financing sources and uses	<u>(4,593,064)</u>	<u>(4,593,064)</u>	<u>(21,494)</u>	<u>4,571,570</u>
Net change in fund balances	-	-	29,446,673	29,446,673
Fund balances - beginning	<u>170,735,461</u>	<u>170,735,461</u>	<u>170,735,461</u>	<u>-</u>
Fund balances - ending	<u>\$ 170,735,461</u>	<u>\$ 170,735,461</u>	<u>\$ 200,182,134</u>	<u>\$ 29,446,673</u>

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

SUSSEX COUNTY, DELAWARE
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2025

-26-

	Business-type Activities - Enterprise Funds		
	Unified Sewer District	Water	Totals
ASSETS			
Current assets:			
Cash and cash equivalents:			
Unrestricted	\$ 12,471,693	\$ 1,228,993	\$ 13,700,686
Restricted	20,259,755	554,725	20,814,480
Receivables, net of allowance for doubtful accounts:			
Service charges	683,371	59,815	743,186
Assessments and connection	97,857	-	97,857
Interest and penalties	23,523	1,247	24,770
Accrued interest	681,821	18,097	699,918
Lease receivables	50,659	104,373	155,032
Miscellaneous receivables	1,958,647	-	1,958,647
Employee advances	71,131	-	71,131
Due from other funds	114,283	-	114,283
Due from other governmental agencies	2,945,610	-	2,945,610
Investments:			
Unrestricted	6,311,803	298,352	6,610,155
Restricted	16,360,069	166,713	16,526,782
Inventory	2,486,131	59,626	2,545,757
Prepaid items	166,494	1,586	168,080
Total current assets	<u>64,682,847</u>	<u>2,493,527</u>	<u>67,176,374</u>
Noncurrent assets:			
Investments:			
Unrestricted	11,025,097	1,018,861	12,043,958
Restricted	59,156,176	332,909	59,489,085
Noncurrent accounts receivables:			
Service charges	1,446,992	83,253	1,530,245
Assessments and connection	431,841	-	431,841
Interest and penalties	316,768	4,683	321,451
Accrued interest	306,730	1,809	308,539
Lease receivables	275,292	154,058	429,350
Miscellaneous	183,188	24	183,212
Due from other governmental agencies	5,844,994	-	5,844,994
Net pension asset	367,085	1,401	368,486
Net other postemployment benefit asset	823,117	3,142	826,259
Capital assets:			
Land, improvements, and construction in progress	80,789,553	1,957,773	82,747,326
Other capital assets, net of depreciation	560,658,623	6,260,900	566,919,523
Right-to-use leased assets, net of amortization	1,509,439	-	1,509,439
Right-to-use IT subscription assets, net of amortization	121,830	3,716	125,546
Total noncurrent assets	<u>723,256,725</u>	<u>9,822,529</u>	<u>733,079,254</u>
Total Assets	<u>787,939,572</u>	<u>12,316,056</u>	<u>800,255,628</u>

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

Business-type Activities - Enterprise Funds			
	Unified Sewer District	Water	Totals
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows from other postemployment benefits	\$ 1,139,032	\$ 4,348	\$ 1,143,380
Deferred outflows from pension	3,074,183	11,733	3,085,916
Total Deferred Outflows of Resources	<u>4,213,215</u>	<u>16,081</u>	<u>4,229,296</u>
LIABILITIES			
Current liabilities:			
Accounts payable and other current liabilities	7,834,501	671,388	8,505,889
Accrued interest payable	834,844	10	834,854
Due to other funds	11,858,042	1,306,818	13,164,860
Current portion of long-term liabilities	9,630,728	8,699	9,639,427
Unearned revenue	5,031	2,798	7,829
Total current liabilities	<u>30,163,146</u>	<u>1,989,713</u>	<u>32,152,859</u>
Noncurrent liabilities:			
Long-term liabilities, less current portion	190,527,105	127,647	190,654,752
Total noncurrent liabilities	<u>190,527,105</u>	<u>127,647</u>	<u>190,654,752</u>
Total Liabilities	<u>220,690,251</u>	<u>2,117,360</u>	<u>222,807,611</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflow from leases	366,720	249,724	616,444
Deferred inflows from other postemployment benefits	1,964,402	7,498	1,971,900
Deferred inflows from pension	1,979,340	7,555	1,986,895
Deferred inflows - charge on refunding	30,141	-	30,141
Total Deferred Inflows of Resources	<u>4,340,603</u>	<u>264,777</u>	<u>4,605,380</u>
NET POSITION			
Net investment in capital assets	443,189,134	8,009,191	451,198,325
Restricted for:			
Employee and pension benefits	1,190,202	4,543	1,194,745
Construction, capital, and debt	95,776,001	1,054,346	96,830,347
Unrestricted	26,966,596	881,920	27,848,516
Total Net Position	<u>\$ 567,121,933</u>	<u>\$ 9,950,000</u>	<u>\$ 577,071,933</u>

SUSSEX COUNTY, DELAWARE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2025

-28-

Business-type Activities - Enterprise Funds			
	Unified Sewer District	Water	Totals
Operating revenues:			
Charges for services	\$ 32,392,634	\$ 1,704,620	\$ 34,097,254
Other operating revenue	<u>5,741,768</u>	<u>114,380</u>	<u>5,856,148</u>
Total operating revenues	<u>38,134,402</u>	<u>1,819,000</u>	<u>39,953,402</u>
Operating expenses:			
Amortization expense	274,096	16,416	290,512
Contractual services	7,166,860	1,118,184	8,285,044
Depreciation	19,743,974	245,388	19,989,362
Employee benefits	3,184,247	67,559	3,251,806
Equipment and tools	152,018	36,647	188,665
Maintenance and repairs	3,751,870	189,030	3,940,900
Process chemicals	581,561	-	581,561
Professional fees	1,375,451	10,830	1,386,281
Salaries	6,849,382	10,256	6,859,638
Shared costs	4,369,698	59,807	4,429,505
Supplies	860,399	15,030	875,429
Training and travel	33,914	-	33,914
Total operating expenses	<u>48,343,470</u>	<u>1,769,147</u>	<u>50,112,617</u>
Operating (loss) income	<u>(10,209,068)</u>	<u>49,853</u>	<u>(10,159,215)</u>
Nonoperating revenue (expenses):			
Interest and investment results	6,027,697	135,125	6,162,822
Assessment and connection fees	29,945,284	57,900	30,003,184
Interest expense	(3,520,006)	(72)	(3,520,078)
Total nonoperating revenues	<u>32,452,975</u>	<u>192,953</u>	<u>32,645,928</u>
Income (loss) before contributions and transfers	22,243,907	242,806	22,486,713
Capital grants and contributions	39,789,506	-	39,789,506
Transfers in	115,500	-	115,500
Disposal of assets	(558,250)	147	(558,103)
Change in net position	<u>61,590,663</u>	<u>242,953</u>	<u>61,833,616</u>
Total net position - beginning	<u>505,531,270</u>	<u>9,707,047</u>	<u>515,238,317</u>
Total net position - ending	<u>\$ 567,121,933</u>	<u>\$ 9,950,000</u>	<u>\$ 577,071,933</u>

SUSSEX COUNTY, DELAWARE
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR YEAR ENDED JUNE 30, 2025

-29-

Business-type Activities - Enterprise Funds			
	Unified Sewer District	Water	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers	\$ 36,842,441	\$ 1,817,429	\$ 38,659,870
Other receipts	150,429	-	150,429
Payments to employees	(10,801,229)	(98,009)	(10,899,238)
Payment to interfund	(7,897,446)	(6,155)	(7,903,601)
Payments to suppliers	(21,860,935)	(883,359)	(22,744,294)
Net cash flows provided by operating activities	<u>(3,566,740)</u>	<u>829,906</u>	<u>(2,736,834)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(39,428,949)	(1,804,062)	(41,233,011)
Assessment and connection fees	29,960,953	57,900	30,018,853
Bond proceeds	16,947,843	10,106	16,957,949
Subscription financing issuance	53,161	3,091	56,252
Proceeds from sale of assets	42,304	146	42,450
Capital contributions	22,656,630	-	22,656,630
Interest paid	(3,718,703)	(310)	(3,719,013)
Retirement of bonds and related costs	(20,656,245)	-	(20,656,245)
Payments on leases and related costs	(53,825)	(14,165)	(67,990)
Payments on subscription agreements and related costs	(116,643)		(116,643)
Grant transfers from other funds for capital activities	115,500	-	115,500
Internal loan	<u>(752)</u>	<u>1,306,818</u>	<u>1,306,066</u>
Net cash flows provided by capital and related financing activities	<u>5,801,274</u>	<u>(440,476)</u>	<u>5,360,798</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Interest income and investment results	5,033,574	131,591	5,165,165
Net sale / (purchases) of investments	<u>(12,443,317)</u>	<u>(255,952)</u>	<u>(12,699,269)</u>
Net cash flows from investing activities	<u>(7,409,743)</u>	<u>(124,361)</u>	<u>(7,534,104)</u>
Net increase (decrease) in cash and cash equivalents	<u>(5,175,209)</u>	<u>265,069</u>	<u>(4,910,140)</u>
Cash and cash equivalents - beginning	37,906,657	1,518,649	39,425,306
Cash and cash equivalents - ending	<u>\$ 32,731,448</u>	<u>\$ 1,783,718</u>	<u>\$ 34,515,166</u>

(continued)

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS - CONTINUED
FOR YEAR ENDED JUNE 30, 2025

	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	\$ (10,209,068)	\$ 49,853	\$ (10,159,215)
Adjustments to reconcile operating (loss) income to net cash provided by operating activities:			
Depreciation / Amortization	20,018,070	261,804	20,279,874
Increase (decrease) in accounts payable - interfund	(7,897,446)	(6,155)	(7,903,601)
Decrease in accounts payable - other	167,223	(103,982)	63,241
Increase (decrease) in accounts payable - suppliers	(1,885,901)	533,795	(1,352,106)
Increase (decrease) in compensated absences	71,297	(27,596)	43,701
Increase (decrease) in customer receivables	(939,142)	102,412	(836,730)
Increase (decrease) in inventory	(1,683,264)	12,375	(1,670,889)
Decrease in other operating receivables	(369,615)	-	(369,615)
Decrease in salaries and benefits payable	10,377	(3,520)	6,857
Increase (decrease) in pension related deferred outflows/inflows	(83,750)	(34,471)	(118,221)
Increase (decrease) in OPEB related deferred outflows/inflows	(573,849)	(59,612)	(633,461)
Increase (decrease) in pension asset	(84,782)	76,019	(8,763)
Increase (decrease) in OPEB asset	(106,890)	28,984	(77,906)
Net cash provided by operating activities	<u>\$ (3,566,740)</u>	<u>\$ 829,906</u>	<u>\$ (2,736,834)</u>
Noncash investing, capital, and financing activities:			
Contributions of capital assets from developers	\$ 15,020,022	\$ -	\$ 15,020,022
Outstanding retainage on capital projects	1,320,557	-	1,320,557
Subscription financing issuance	56,077	3,091	59,168
Reconciliation to Statement of Net Position			
Cash and cash equivalents	12,471,693	1,228,993	13,700,686
Restricted cash and cash equivalents	20,259,755	554,725	20,814,480
Cash and cash equivalents at year end	<u>\$ 32,731,448</u>	<u>\$ 1,783,718</u>	<u>\$ 34,515,166</u>

STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2025

	Pension and OPEB Trusts Total
ASSETS	
Cash and cash equivalents	\$ 4,691,429
Investments:	
U.S. Treasuries	18,039,604
Government Agencies	199,564
Loan Funds	6,980,755
Corporate obligations	45,349,366
Core Real Estate	6,248,851
Infrastructure	17,825,764
Mutual funds and pooled investments	<u>154,601,255</u>
Total Investments	<u>249,245,159</u>
Accrued interest	<u>531,686</u>
Total assets	<u>254,468,274</u>
LIABILITIES	
Accounts payable	103,856
Due to general fund	<u>8,421</u>
Total liabilities	<u>112,277</u>
NET POSITION	
Restricted for:	
Pension	181,139,931
Postemployment benefits other than pensions (OPEB)	<u>73,216,066</u>
Total net position	<u>\$ 254,355,997</u>

SUSSEX COUNTY, DELAWARE
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2025

-32-

	Pension and OPEB Trusts Total
ADDITIONS	
Employer contributions	\$ 7,071,098
Employee contributions	654,343
Investment earnings:	
Net appreciation of investments	16,816,267
Interest and dividends	9,775,939
Total investment earnings	<u>26,592,206</u>
Less investment costs	(394,673)
Net investment earnings	<u>26,197,533</u>
Total additions	<u>33,922,974</u>
DEDUCTIONS	
Beneficiary payments	10,744,767
Professional fees	306,369
Total deductions	<u>11,051,136</u>
Net increase in plan net position	22,871,838
Net position restricted for pension and OPEB benefits - beginning	<u>231,484,159</u>
Net position restricted for pension and OPEB benefits - ending	<u>\$ 254,355,997</u>

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. 102.

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 expenditures in the General Fund.

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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 2025 were for land for open space program, public safety building construction and airport and business park expansion and improvements. As of June 30, 2025, the major projects being planned over the next five years include \$30.4 million for airport and business park improvements and expansion, \$34.3 million for property acquisition and improvements, \$7.5 million for public safety buildings and \$1 million in library improvements.

Proprietary Funds

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

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

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3. Basic Financial Statements - Fund Financial Statements - continued

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. Lease Receivable

Beginning in fiscal year ending June 30, 2023, the financial statement included the adoption of GASB Statement 87, Leases. The County's lease receivable is measured at the present value of lease payments expected to be received during the lease term. Under the lease agreement, the County may receive variable lease payments that are dependent upon the lessee's revenue. The variable payments of \$18,658 are recorded as an inflow of resources in the period the payment is received.

The County is a lessor of buildings, parcels of land, and tower space. The County recognizes a lease receivable and a deferred inflow of resources in the government-wide and the governmental fund financial statements. At the commencement of the lease, the County initially measures the lease receivable at the present value of the payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of the lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term. There are no agreements as a lessee or lessor that include sale-leaseback or lease-leaseback transactions.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

9. 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.

10. 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 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 consist mainly of buildings, parking lots, airport aprons, airport runways, and land. The County's proprietary activities capital assets consist 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.

The County's governmental activities right-of-use lease assets consist of buildings, land and subscription-based information technology agreements. The County's proprietary activities capital assets consist of land and subscription-based information technology arrangements. The right-of-use assets are initially measured at an amount equal to the initial measurement of the related liability and implementation costs. The right-of-use assets are amortized on a straight-line basis over the terms of the related leases and subscription-based information technology agreements.

11. Lease Liabilities

The County leases various buildings and parcels of land. The County recognizes a lease liability and an intangible right-of-use lease asset in the government-wide financial statements. The County recognizes lease liabilities with an initial, individual value of \$5,000 or more.

At the commencement of the lease, the County initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of the lease payments made.

The lease asset is initially measured at the initial amount of the lease liability, adjusted before or made at the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over the term of the lease.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

11. Lease Liabilities - continued

The liabilities were measured at a discount rate; discount rate is based on the publicly available data points from across the municipal bond market to generate a consensus view of municipal bond yields and spreads on a quarterly basis. The County did not incur expenses related to its leasing activities related to residual value guarantees, lease termination penalties or losses due to impairment.

12. Subscription-Based Information Technology Arrangements

The County is party to 23 subscription-based information technology arrangements (SBITAs). The County recognizes a subscription liability and an intangible right-to-use subscription asset (subscription asset) in the government-wide and proprietary financial statements. The governmental funds report SBITA current expenditures in the fund level statement of revenues, expenditures, and changes in fund balance. The County recognizes subscription liabilities with an initial term greater than twelve months and an individual value of \$5,000 or more. Remaining subscription terms range from one to three years with annual fixed payments due of \$373,627 with various SBITA's having monthly or annual payments. For SBITAs with a maximum possible term of 12 months or less at commencement, the County recognizes expenses/expenditures based on the provisions of the arrangement.

At the commencement of a SBITA, the County initially measures the subscription liability at the present value of expected subscription payments to be made over the SBITA term. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made. The subscription asset is initially measured as the initial measurement of the subscription liability, adjusted for payments associated with the SBITA contract made to the vendor at the commencement of the subscription term, plus any capitalizable initial implementation costs, less any vendor incentives received at the commencement of the subscription term. Subsequently, the subscription asset is amortized on a straight-line basis over the shorter of the useful life of the IT asset or subscription term.

Key estimates and judgments related to SBITAs include how the County determines (1) the discount rate it uses to discount the expected subscription payments to present value, (2) the subscription term, and (3) the subscription payments.

The County uses the interest rate charged by the vendor as the discount rate. When the interest rate charged by the vendor is not provided, the County generally uses its estimated incremental borrowing rate as the discount rate. The subscription term includes the non-cancellable period during which the County has a noncancellable right to use the underlying IT assets. The subscription term also includes periods covered by an option to extend if reasonably certain the County or vendor will exercise that option or to terminate if it is reasonably certain that the County or vendor will not exercise that option. Subscription payments included in the measurement of the subscription liability are composed of fixed payments.

The County monitors changes in circumstances that would require a remeasurement of a SBITA and will remeasure the subscription asset and subscription liability if certain changes occur that are expected to significantly affect the amount of the subscription liability.

Subscription assets are reported with other capital assets and subscription liabilities are reported with long-term obligations on the statement of net position.

The County capitalizes qualifying initial implementation costs of \$5,000 or more as part of the subscription asset. Preliminary project stage outlays are expensed as included. Operation and additional implementation stage activities are expensed as incurred unless they meet specific capitalization criteria.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

13. Deferred Outflows/Inflows of Resources

Deferred Outflows of Resources, reported after Total Assets, represents a consumption of net assets 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 G. The second is deferred outflows from other postemployment benefits as described in Note H. 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 assets that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until then. The County has four items that qualify for reporting in this category. The first is the deferred inflow from lease which is described Note D. The second deferred inflow is from other postemployment benefits which is described in Note H. The third deferred inflow is from pension which is described in Note G. The fourth 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.

14. 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.

15. 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.

16. Compensated Absences

The County implemented GASB Statement 101, Compensated Absences in fiscal year ended June 30, 2025. The County policies allow for accumulation of earned but unused vacation leave, sick leave and compensatory leave, and salary-related payments, which are recognized as a liability when earned and are measured by the employee's pay rate at year-end. 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 accrual 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. Implementation of GASB 101 had no material impact on the financial statements.

17. 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 positions that do not meet the other definitions.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

17. Equity Classifications - continued

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 vote and a positive vote by Sussex County Council.
- 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.

18. 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.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

18. Revenues - continued

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.

19. 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.

20. 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.

21. 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 by Council prior to July 1. The operating budget ordinance and related revenue ordinances are officially adopted when approved by the County Council. The County legally adopts an annual budget for the general fund and the capital projects fund.

Appropriations are legislated at the departmental level. Budget transfers occur among the line items within each department throughout the year with the approval of the County Administrator and Deputy Finance Director. The Council authorizes a budget contingency line item in the annual budget to assist with unexpected expenses. The aggregate amount of the budget cannot be changed without a public hearing and an amended ordinance. 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, 2025. Unexpended appropriations in the operating budget lapse at year end.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

22. 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.

23. 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 \$2,040,823 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	\$ 2,040,823
-----------------	--------------

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. On June 30, 2025, the carrying amount of the County’s deposits was \$157,569,827 and the bank balance was \$157,573,126. 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.

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.

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

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. Private infrastructure;
12. Bank loans

Core Real Estate was removed from the authorized investments; however, there are still holdings as the investments take time to be liquidated.

[the rest of this page was intentionally left blank]

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

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, 2025, are as follows:

	<u>June 30, 2025</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
General Government				
Investments by fair value level				
U.S. Government agencies securities	\$216,323,610	\$ -	\$216,323,610	\$ -
U.S. Treasury Bonds	<u>17,298,093</u>	<u>17,298,093</u>	<u>-</u>	<u>-</u>
Total	<u>\$233,621,703</u>	<u>17,298,093</u>	<u>216,323,610</u>	<u>-</u>
Investments at amortized cost:				
Certificates of deposit	<u>23,577,099</u>			
Total investment General Government	<u>257,198,802</u>			
Pension and Other Post-Retirement Employee Benefit Trust				
Investment at fair value level				
U.S. Treasury securities	18,039,604	18,039,604	-	-
U.S. Government agencies securities	199,564	-	199,564	-
Corporate obligations	45,349,366	-	45,349,366	-
Mutual Funds	<u>141,487,366</u>	<u>141,487,366</u>	<u>-</u>	<u>-</u>
Total	<u>205,075,900</u>	<u>159,526,970</u>	<u>45,548,930</u>	<u>-</u>
Investments measured at the net asset value (NAV)				
Bank loans	6,980,755			
Infrastructure	17,825,764			
Global pooled equities	13,113,889			
Core Real Estate	6,248,851			
Total	<u>44,169,259</u>			
Total Pension and Other Post-Retirement Employee Benefit Trust Investments	<u>249,245,159</u>	<u>\$176,825,063</u>	<u>\$261,872,540</u>	<u>\$ -</u>

[the rest of this page was intentionally left blank]

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

The fair value of investments by contractual maturity as of June 30, 2025 is shown below.

Investment Type	Investment Maturities (in Years)			
	Total	Less than 1	1-5	6-10
U.S. Treasuries	\$ 18,039,604	\$ 773,261	\$ 10,556,996	\$ 6,709,347
Government Agencies	233,821,267	36,405,106	197,416,161	-
Corporate obligations	45,349,366	35,520,474	6,289,997	3,538,895
Certificates of deposits	23,577,099	23,577,099	-	-
Mutual funds	141,487,366	141,487,366	-	-
Bank loans	6,980,755	156,151	3,677,214	3,147,390
Infrastructure	17,825,764	17,825,764	-	-
Global pooled equities	13,113,889	13,113,889	-	-
Core Real Estate	6,248,851	6,248,851	-	-
Total Investments	\$506,443,961	\$275,107,961	\$217,940,368	\$13,395,632

Detail for investments at NAV are as follows: pooled equities represent two collective investment trusts, global and non-U.S., designed to track components of the MSCI ACWI for the global approach and MSCI ACWI ex U.S. for the non-U.S. approach. 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 and infrastructure represent the County's ownership interest in a limited partnerships investing in commercial real estate and infrastructure, respectively, throughout the U.S. NAV is determined by partnership management based on value of 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	\$ 3,300
Carrying amount of deposits	157,569,827
Carrying amount of investments	<u>506,443,961</u>
Total	<u>\$664,017,088</u>
Primary Government	
Unrestricted	
Cash and cash equivalents	\$ 46,846,235
Investments	85,485,248
Restricted	
Cash and cash equivalents	106,035,463
Investments	<u>171,713,554</u>
Total primary government	<u>410,080,500</u>
Fiduciary funds (not included in government-wide statement)	
Cash and cash equivalents	4,691,429
Investments	<u>249,245,159</u>
Total fiduciary funds	<u>253,936,588</u>
Total	<u>\$664,017,088</u>

NOTE C - ACCOUNTS RECEIVABLE

The allowance for uncollectible receivables on June 30, 2025 is \$22,965 for service, \$5,351 for assessment and \$3,491 for interest and penalties. The County does not have an allowance for uncollectible property taxes because all are considered collectible.

NOTE D - LEASE RECEIVABLE

The County's general fund activities have various operating leases with local businesses to rent property, mainly located in the County's industrial airpark. Business – type activities have operating leases to rent farmland and tower space. These leases range in terms of one year to forty-five years. The lease receivables that qualified as GASB 87 leases are measured at the present value of the future minimum rent payments expected to be received during the lease term at a discount rate based on the incremental borrowing rate based on lease elements. Lease revenue that does not qualify under GASB 87, is treated as a current financial resource.

Governmental Activities:

The County leases land and buildings at the Delaware Coastal Airport and Industrial Park. These leases include Federal Aviation Administration requirements, due to their proximity to the County's airport. The airport and industrial park lease terms vary from five to forty years. The County negotiated two leases for additional ten years for the value of \$2,180,595. The approximate annual lease amount is \$515,000. The County recognized \$405,005 in lease revenue and \$108,482 in interest revenue during the fiscal year. In addition, the County recognized \$18,616 in variable lease revenue during the year, which is not included in the measurement of the lease receivable. The lease receivables value was \$6,475,681 as of June 30, 2025, for these leases. Also, the County has a deferred inflow of resources associated with the leases that will be recognized as revenue over the lease term. The deferred inflow of resources as of June 30, 2025, was \$6,405,812.

During the fiscal year the County entered into a new lease for space on communication tower to a cellular communication company, located on a permanent easement at the Gumboro Fire Station. The County will receive approximately \$2,600 monthly. The County recognized \$28,642 in lease revenue and \$2,115 in interest revenue during the fiscal year. In addition, the County recognized \$42 in variable lease revenue during the year, which is not included in the measurement of the lease receivable. The lease has an interest rate .84%. As of June 30, 2025, the receivable value was \$693,205. Also, the County has a deferred inflow of resources associated with this lease. As of June 30, 2025, the deferred inflow of resources was \$692,643.

The County leases land lease to a third party for farming. The County will receive approximately \$9,000 per year. The County recognized \$8,483 in lease revenue and \$674 in interest revenue during the fiscal year. The lease has an interest rate 2.58%. As of June 30, 2025, the receivable value was \$21,382. Also, the County has deferred inflow of resources associated with this lease. As of June 30, 2025, the deferred inflow of resources was \$21,748.

The County leases a portion of land to a communication company for the communication building. The County will receive approximately \$6,000 annually. The County recognized \$5,804 in lease revenue and \$562 in interest revenue during the current fiscal year. The lease receivable value as of June 30, 2025 is \$19,385. The lease has an interest rate 2.23%. Also, the County has a deferred inflow of resources associated with this lease that will be recognized as revenue over the lease term. As of June 30, 2025, the balance of the deferred inflow of resources was \$19,449.

[the rest of this page was intentionally left blank]

NOTE D - LEASE RECEIVABLE – CONTINUED

Business-type Activities:

The County leases land near the County's sewer treatment plants to farmers to produce agriculture products not for human consumption or to others for hunting rights, these parcels of land are assets of the sewer fund, listed below are details for agreements.

The County has various land leases which were entered into in prior years. The leases terms are from eighteen months to ten years. The annual lease payments for the current fiscal year were \$92,789. The County recognized \$74,783 in lease revenue and \$4,183 in interest. As of June 30, the value of the lease receivable is \$325,951. The leases have interest rates range from 0.435% to 3.361%, based on the rate in place at the time of the lease inception. The County has deferred inflow of resources associated with these leases that will be recognized as revenue over the lease terms. The value of deferred inflow of resources as of June 30, 2025, was \$366,720. The lessees all have extension options from one to ten years.

The water fund has three leases with cellular communication companies that lease space located on the Dewey water tower. During the current year one of the lessees exercised their option to extend their leases for an additional five years. The remaining lease terms are from three to six years. The annual payments for the current fiscal year were \$107,939. The County recognized lease revenue of \$102,832 and \$7,016 in interest during the current fiscal year. As of June 30, 2025, the value of the lease receivable was \$258,431. The lease interest rate is .648% to 2.23%, based on rate in place at the time of the lease extension. Also, the County has a deferred inflow of resources associated with these leases that will be recognized as revenue over the lease term. The deferred inflow of resources as of June 30, 2025, was \$249,724. The lessees all have extension options for additional 120 months.

The future principal and interest lease payments as of June 30, 2025, for each of the next five years and thereafter in the aggregate are:

Governmental Activities:

Fiscal Year	Principal Payments	Interest Payments	Total Payments
2026	\$454,563	\$157,744	\$612,307
2027	445,807	156,981	602,788
2028	468,804	146,196	615,000
2029	472,991	135,032	608,023
2030	487,183	123,701	610,884
2031 – 2035	2,275,524	441,486	2,717,010
2036 – 2040	907,666	253,157	1,160,823
2041 – 2045	816,808	159,188	975,996
2046 – 2050	772,166	65,014	837,180
2051 – 2055	101,850	3,947	105,797
2056 – 2060	4,385	555	4,940
2061 – 2062	1,906	70	1,976

Business-type Activities:

Fiscal Year	Principal Payments	Interest Payments	Total Payments
2026	\$155,032	\$14,637	\$169,669
2027	100,257	11,364	111,621
2028	82,968	8,937	91,905
2029	50,512	7,262	57,774
2030	24,406	6,318	30,724
2031 – 2035	112,156	20,968	133,124
2036 – 2040	46,371	5,526	51,897
2041 – 2042	12,680	645	13,325

NOTE E - LOANS RECEIVABLE

Under the County's Economic Development Stimulus Loan Program, loans were provided for certain projects for economic development and job growth purposes. The balance outstanding total \$8,880 at June 30, 2025. The balance contains one loan which bears no interest, matures on April 2026, and is secured with the full faith and credit of the borrowing municipality.

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 \$6,000,000 with GAF along with matching grant funds of \$18,000,000. Deposits not yet used for loans with GAF are restricted for small business lending. The County's loan balance was \$1,432,129 at June 30, 2025, 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, 2025, total \$599,814.

Governmental loans receivable total \$2,040,823 as of June 30, 2025, which are not reflected on the governmental funds balance sheet.

NOTE F - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2025, was as follows:

	Balance at June 30, 2024	Increases	Decreases	Balance at June 30, 2025
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$35,405,133	\$ 3,345,407	\$ -	\$38,750,540
Construction in progress	2,548,569	10,081,914	9,188,786	3,441,697
Total capital assets, not being depreciated	37,953,702	13,427,321	9,188,786	42,192,237
Other capital assets:				
Buildings	58,146,678	3,550,075	-	61,696,753
Improvements	60,151,718	1,077,446	13,446	61,215,718
Machinery and equipment	22,510,610	4,027,357	1,241,031	25,296,936
Infrastructure	5,723,641	178,068	-	5,901,709
Right-to-use lease building	-	74,020	-	74,020
Right-to-use subscription IT asset	1,373,919	64,238	625,720	812,437
Total other capital assets	147,906,566	8,971,204	1,880,197	154,997,573

NOTE F - CAPITAL ASSETS - Continued

	Balance at June 30, 2024	Increases	Decreases	Balance at June 30, 2025
Governmental Activities - Continued:				
Less accumulated depreciation and amortization for:				
Buildings	16,587,317	1,206,522	-	17,793,839
Improvements	37,124,402	3,654,788	12,207	40,766,983
Machinery and equipment	17,350,229	1,524,293	1,215,558	17,658,964
Infrastructure	52,031	250,335	-	302,366
Right-to-use lease buildings	-	9,252	-	9,252
Right-of-use subscription IT asset	702,970	462,873	625,719	540,124
Total accumulated amortization and depreciation	71,816,949	7,108,063	1,853,484	77,071,528
Other capital assets, net	76,089,617	1,863,141	26,713	77,926,045
Governmental Activities Capital Assets, Net	\$114,043,319	15,290,462	9,215,499	120,118,282

Business-type Activities:

Capital assets not being depreciated:

Land	\$ 60,549,283	\$ 200,752	-	\$60,750,035
Construction in progress	69,654,574	35,090,788	82,748,071	21,997,291
Total capital assets, not being depreciated	130,203,857	35,291,540	82,748,071	82,747,326

Other capital assets:

Buildings	66,068,257	3,226,227	1,209,684	68,084,800
Improvements	14,519,407	10,783,098	965,658	24,336,847
Machinery and equipment	20,044,440	2,541,830	560,443	22,025,827
Infrastructure	670,517,141	86,176,302	5,486,648	751,206,795
Purchased capacity	6,210,207	925,857	-	7,136,064
Right-of-use lease land	1,829,523	-	-	1,829,523
Right-of-use subscription IT assets	595,602	56,250	269,282	382,570
Total other capital assets	779,784,577	103,709,564	8,491,715	875,002,426

[the rest of this page was intentionally left blank]

NOTE F - CAPITAL ASSETS - CONTINUED

	Balance at June 30, 2024	Increases	Decreases	Balance at June 30, 2025
Business-type Activities – continued:				
Less accumulated depreciation and amortization for:				
Building	19,651,462	1,336,576	1,040,191	19,947,847
Improvements	9,222,344	838,567	965,658	9,095,253
Machinery and equipment	15,868,762	1,222,516	557,404	16,533,874
Infrastructure	247,991,229	16,323,944	5,068,205	259,246,968
Purchased capacity	769,530	277,338	-	1,046,868
Right-to-use lease land	237,576	82,508	-	320,084
Right-to-use subscription IT assets	318,302	208,004	269,282	257,024
Total accumulated depreciation and amortization	<u>294,059,205</u>	<u>20,289,453</u>	<u>7,900,740</u>	<u>306,447,918</u>
Other capital assets, net	<u>485,725,372</u>	<u>83,420,111</u>	<u>590,975</u>	<u>568,554,508</u>
Business-type Activities Capital Assets, Net	<u>\$615,929,229</u>	<u>118,711,651</u>	<u>83,339,046</u>	<u>651,301,834</u>

There are twenty-three right-of-use IT subscription-based assets in the above table. The IT subscription-based assets are amortized on a straight-line basis over the terms of the individual agreements.

Depreciation and amortization expense were charged to function as follows:

Governmental activities:	
General government	\$ 1,068,483
Planning and zoning	142,112
Paramedic program	1,263,408
Emergency preparedness	498,069
Economic development and airpark	3,707,631
County engineer	48,957
Library	337,379
Community development	14,512
Constitutional offices	27,512
Total governmental activities depreciation and amortization expense	<u>\$ 7,108,063</u>
Business-type activities:	
Water	\$ 261,804
Sewer	20,018,070
Total business-type activities depreciation and amortization expense	<u>\$20,279,874</u>

Construction in progress was \$25.4 million with additional contractually committed costs to complete the projects in process of approximately \$41.2 million as of June 30, 2025.

NOTE G - 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.

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.

(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, 2025) is as follows:

Total Actives	Retirees and Beneficiaries	Terminated Vested	Covered Payroll
536	351	101	\$37,024,408

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 12.66% of covered payroll for fiscal year ending June 30, 2025.

NOTE G PENSION TRUST - CONTINUED

Contributions and Funding Policy - continued

Financial Statements

As of June 30, 2025, the Sussex County Employee Pension Plan's statement of fiduciary net position was as follows:

ASSETS

Cash and cash equivalents	\$ 3,497,997
Investments:	
U.S. Treasuries	12,091,688
Government Agencies	199,564
Bank Loans	4,964,860
Corporate obligations	32,907,310
Core Real Estate	4,438,166
Infrastructure Investment	12,664,741
Mutual funds and pooled investments	110,061,602
Total Investments	177,327,931
Accrued Interest	374,147
Total Assets	181,200,075
LIABILITIES	
Accounts payable	60,144
Total Liabilities	60,144
FIDUCIARY NET POSITION	
Restricted for pensions	\$181,139,931

For the fiscal year ending June 30, 2025, the Sussex County Employee Pension Plan's statement of changes in fiduciary net position was as follows:

ADDITIONS

Employer contributions	\$ 4,688,420
Employee contributions	654,343
Investment earnings:	
Net appreciation in fair value of investments	12,133,219
Interest and Dividends	6,780,129
Total investment earnings	18,913,348
Less investment costs	(278,813)
Net investment earnings	18,634,535
Total additions	23,977,298

DEDUCTIONS

Beneficiary payments	7,015,939
Professional fees	213,933
Total deductions	7,229,872
Net increase in fiduciary net position	16,747,426
Fiduciary net position – beginning	164,392,505
Fiduciary net position – ending	\$181,139,931

NOTE G - PENSION TRUST – CONTINUED

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

On June 30, 2025, the County reported a \$1.6 million net pension asset. The net pension liability/asset was measured as of June 30, 2025, and the total pension liability/asset 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 on June 30, 2025, were as follows:

Total Pension Liability	\$ 179,583,169
Plan Fiduciary Net Pension	181,139,931
County's Net Pension Liability/(Asset)	<u>\$ (1,556,762)</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	<u>100.9%</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 (NPL) during the Measurement Year ending on June 30, 2025.

	Changes in the Net Pension Liability / (Asset)		
	Total Pension Liability	Increase (Decrease)	Net Pension Liability / (Asset)
Balance at 6/30/2024	<u>\$163,249,579</u>	<u>\$164,392,505</u>	<u>\$(1,142,926)</u>
Changes recognized for the fiscal year:			
Service Cost	4,068,640	-	4,068,640
Interest	11,061,058	-	11,061,058
Difference between expected and actual experience	2,466,895	-	2,466,895
Change in assumptions	5,752,936	-	5,752,936
Contributions – employer	-	4,688,420	(4,688,420)
Contributions – members	-	654,343	(654,343)
Net investment results	-	18,634,535	(18,634,535)
Benefit payments	(7,015,939)	(7,015,939)	-
Administrative expense	-	(213,933)	213,933
Net change	<u>16,333,590</u>	<u>16,747,426</u>	<u>(413,836)</u>
Balance recognized at 6/30/2025	<u>\$179,583,169</u>	<u>\$181,139,931</u>	<u>\$(1,556,762)</u>

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

During the measurement year, the NPL decreased by \$0.41 million in total. The service cost and interest cost increased the NPL by \$15.13 million and member contributions, employer contributions, and investment gains offset by administrative expenses decreased the NPL by \$23.76 million. Additionally, there were actuarial experience losses during the year of \$2.47 million.

[the rest of this page was intentionally left blank]

NOTE G - PENSION TRUST - CONTINUED

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

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 5.75%	Discount Rate 6.75%	1% Increase 7.75%
Total Pension Liability	\$204,083,416	\$179,583,169	\$159,353,383
Plan Fiduciary Net Position	181,139,931	181,139,931	181,139,931
Net Pension Liability / (Asset)	\$ 22,943,485	\$ (1,556,762)	\$(21,786,548)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	88.8%	100.9%	113.7%

A one percent decrease in the discount rate increases the TPL by 13.6% and increases the NPL by 1573.8%. A one percent increase in the discount rate decreases the TPL by 11.3% and decreases the NPL by 1299.5%.

For the year ended June 30, 2025, the County recognized \$3.7 million of pension expense and reported deferred inflows and outflows of resources from pensions from the following sources

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 6,803,044	\$ 22,142
Changes in assumptions	6,234,202	-
Difference between projected and actual earnings on pension plan investments	-	8,372,006
Total	<u>\$13,037,246</u>	<u>\$ 8,394,148</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:

2026	\$4,333,486
2027	(305,019)
2028	(1,170,345)
2029	415,005
2030	1,369,971
Thereafter	-

[the rest of this page was intentionally left blank]

NOTE G - PENSION TRUST - CONTINUED

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of July 1, 2024, using the Entry Age Normal cost method and the following actuarial assumptions based on the results of the County's experience study performed for 2018-2024, and was first effective with the July 1, 2024 valuation.

- Mortality rates: Pub-2010 General (Employee and Healthy Annuitant) Mortality Table projected generationally using Scale MP-2021.

- Termination Rates:

Service	Termination Rates (%)
0	14.0
1	12.0
2	10.0
3	8.0
4	7.0
5	6.0
6	5.0
7	4.0
8	6.0
9-12	5.0
13	4.0
14	3.0
15	2.0
16-19	1.0
20-29	0.5
30+	0.0

- 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	30*	10
56-59	10*	10
60	30	35
61-62	10	35
63-64	20	35
65-69	25	60
70+	100	100

*Rates for elected officials only starting at age 55

The following rates have been used for paramedics and dispatchers

Age	< 30 Years of Service (%)	30+ Years of Service (%)
<=59	20	100
60-64	30	100
65+	100	100

- Net investment return: 6.75% 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
- Low-default risk obligation Measure (LDROM) interest rate: 5.61%

NOTE G - PENSION TRUST - CONTINUED

Actuarial Assumptions - continued

- Salary increases are based on the following

Service Years	Salary Increase (%)
0-4	5.50
5-9	5.00
10-24	4.50
25+	4.00

- 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, 2025 are summarized in the table below.

Asset Class	Target Allocation	Expected Real Rate of Return
Domestic Equity	45%	4.9%
International Equity	15%	5.0%
Core Real Estate	0%	3.8%
Infrastructure	7%	4.3%
Fixed Income	28%	2.0%
Fixed Income (bank loans)	4%	4.3%
Cash	1%	0.5%

The discount rate used to measure the total pension liability was 6.75 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, 2025, was 10.3 percent 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, private infrastructure, 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. In September 2024, County Council lowered the target for Core Real Estate to 0%. However, due to the time it takes to liquidate real estate holdings, as of June 30, 2025, the pension trust funds still contained investments in Core Real Estate. Additional information can be found in Note B - Cash and Investments.

NOTE G - PENSION TRUST - CONTINUED

Pension Trust Assets - continued

In September of 2024, the Pension investment policy was revised to have a goal of 60 percent investments in equity, 32 percent in fixed income investments, and 7 percent in private infrastructure. Historically, the County has met or exceeded asset class benchmarks. The following represents the asset allocation policy as of June 30, 2025.

Asset Class	Target Allocation Total
Domestic Equity	45%
International Equity	15%
Fixed Income	28%
Fixed Income (bank loans)	4%
Cash	1%
Infrastructure	7%
Total	100%

The 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 on June 30, 2025:

IIF Hedged LP – 7%

[the rest of this page was intentionally left blank]

NOTE H - 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 benefit. 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.

Post-retirement Employee Benefit Plan Description and Provisions

Current membership in the plan (as of July 1, 2025) is as follows:

Total Actives	Retirees and Beneficiaries	Terminated Vested
537	270	0

Post-retirement Employee Benefit Plan Funding Policy

In fiscal year 2017, the County adopted a funding policy that was amended in fiscal year 2023. As per the policy, the County will contribute at least the Actuarially Determined Contribution (ADC), as calculated by the Plan’s actuary. Plan members are not required to contribute. Contributions made of \$2.4 million were 6.45% of covered payroll. The contribution is designed to accumulate sufficient assets to pay benefits when due.

NOTE H - OTHER POST-RETIREMENT EMPLOYEE BENEFIT TRUSTS – CONTINUED

Financial Statements

As of June 30, 2025, the Sussex County Employee Benefit Plan's statement of fiduciary net position was as follows:

ASSETS

Cash and cash equivalents	\$ 1,193,432
Investments:	
U.S. Treasuries	5,947,916
Bank Loan Funds	2,015,895
Corporate obligations	12,442,056
Core Real Estate	1,810,685
Infrastructure	5,161,023
Mutual funds and pooled investments	44,539,653
Total Investments	<u>71,917,228</u>
Accrued Interest	157,538
Total Assets	<u>73,268,198</u>

LIABILITIES

Accounts payable	52,132
Total Liabilities	<u>52,132</u>

FIDUCIARY NET POSITION

Restricted for post-retirement employee benefits	<u>\$ 73,216,066</u>
--	----------------------

For the fiscal year ended June 30, 2025, the Sussex County Employee Benefit Plan's statement of fiduciary net position was as follows:

ADDITIONS

Employer contributions	\$ 2,382,678
Investment earnings:	
Net appreciation of investments	4,683,048
Interest and Dividends	<u>2,995,810</u>
Total investment earnings	<u>7,678,858</u>
Less investment costs	(115,860)
Net investment earnings	<u>7,562,998</u>
Total additions	<u>9,945,676</u>

DEDUCTIONS

Beneficiary payments	3,728,828
Professional fees	92,436
Total deductions	<u>3,821,264</u>
Net increase in fiduciary net position	6,124,412
Fiduciary net position – beginning	<u>67,091,654</u>
Fiduciary net position – ending	<u>\$73,216,066</u>

NOTE H - OTHER POST-RETIREMENT EMPLOYEE BENEFIT TRUSTS – CONTINUED

Actuarial Assumptions

The discount rate used to measure the Total OPEB Liability (TOL) as of June 30, 2024 and as of June 30, 2025, was 6.75%, the long-term rate of return as of June 30, 2025.

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, 2025 are summarized in the following table:

Asset Class	Target Allocation	Expected Real Rate of Return
Domestic Equity	45%	4.9%
International Equity	15%	5.0%
Core Real Estate	0%	3.8%
Infrastructure	7%	4.3%
Fixed Income	28%	2.0%
Fixed Income (bank loans)	4%	4.4%
Cash	1%	0.5%

The money-weighted rate of return of the OPEB plan for the year ended June 30, 2025, was 10.5 percent 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 30-year closed, as of July 1, 2018, 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 Total OPEB Liability as of June 30, 2025, is 6.75%, the long-term expected rate-of-return as defined by GASB 74 as of that date.

The following summarizes the key methods, and other assumption results of the County's experience study performed for 2015-2018 used to determine the contribution rates for fiscal year 2025.

Valuation date: July 1, 2024

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: 6.75%

Healthcare trend assumptions are based on the Getzen 2025_1b model

Rate of Mortality: RP 2014 Standard Table, projected Fully Generational using scale MP-2018

[the rest of this page was intentionally left blank]

NOTE H - OTHER POST-RETIREMENT EMPLOYEE TRUSTS - CONTINUED

OPEB Liability (Asset)

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 asset (NOA) during the measurement period ending on June 30, 2025.

	Changes in the Net OPEB Liability (Asset)		
	Total OPEB Liability	Increase (Decrease)	Net OPEB Liability (Asset)
Balance at 6/30/2024	\$64,168,398	\$67,091,654	\$(2,923,256)
Changes recognized for the fiscal year:			
Service Cost	1,501,603	-	1,501,603
Interest	4,308,932	-	4,308,932
Differences between expected and actual experience	2,469,884	-	2,469,884
Changes of assumptions	1,005,333	-	1,005,333
Contributions – employer	-	2,382,678	(2,382,678)
Net investment results	-	7,562,998	(7,562,998)
Benefit payments	(3,728,828)	(3,728,828)	-
Administrative expense	-	(92,436)	92,436
Net change	5,556,924	6,124,412	(567,488)
Balance recognized at 6/30/2025	\$69,725,322	\$73,216,066	\$(3,490,744)

During the measurement year, the net OPEB liability (NOL) decreased by \$0.6 million. The service cost and interest cost increased the NOL by \$5.8 million while investment gains and contributions offset by administrative expenses decreased the NOL by \$9.9 million. As a result, the NOL is an NOA.

There were no changes in benefits during the year. There was a change in the demographic assumptions during the measurement year as a result of the recent experience study, which increased TOL by approximately \$1.0 million. The difference between the expected and actual experience increased the TOL by approximately \$2.5 million.

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 (Asset) to Changes in Discount Rate		
	1% Decrease	Discount Rate	1% Increase
	5.75%	6.75%	7.75%
Total OPEB Liability	\$ 79,898,169	\$ 69,725,322	\$ 61,428,432
Plan Fiduciary Net Position	73,216,066	73,216,066	73,216,066
Net OPEB Liability (Asset)	\$ 6,682,103	\$ (3,490,744)	\$ (11,787,634)
Plan Fiduciary Net Position as a Percentage of the TOL	91.6%	105.0%	119.2%

A one percent decrease in the discount rate increases the TOL by 14.6% and increases the NOL by 291.4%. A one percent increase in the discount rate decreases the TOL by 11.9% and decreases the NOL by 237.7%.

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 H - OTHER POST-RETIREMENT EMPLOYMENT BENEFITS TRUSTS - CONTINUED

OPEB Liability (Asset) - continued

Sensitivity of Net OPEB Liability (Asset) to Changes in Healthcare Cost Trend Rates			
	1% Decrease	Healthcare Trend	1% Increase
Total OPEB Liability	\$ 60,669,820	\$ 69,725,322	\$ 81,094,066
Plan Fiduciary Net Position	<u>73,216,066</u>	<u>73,216,066</u>	<u>73,216,066</u>
Net OPEB Liability (Asset)	<u>\$(12,546,246)</u>	<u>\$ (3,490,744)</u>	<u>\$ 7,878,000</u>
Plan Fiduciary Net Position as a Percentage of the TOL	<u>120.7%</u>	<u>105.0%</u>	<u>90.3%</u>

A one percent decrease in the healthcare trends decreases the TOL by 13.0% and decreases the NOL by 295.4%. A one percent increase in the healthcare trends increases the TOL 16.3% and increases the NOL by 326.0%.

Deferred Inflows and Outflows of Resources Related to OPEB

The County implemented GASB 75 as of June 30, 2017. June 30, 2025 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 \$2,469,884. \$352,841 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, 2025, of \$2,117,043. There were no plan changes. There were changes in assumptions during the year resulting in an assumption loss of \$1,005,533. \$143,619 of that 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 inflow of resources as of June 30, 2025 of \$861,714.

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 \$3,082,071. \$616,414 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 outflow of resources as of June 30, 2025 of \$2,465,657.

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, 2025 Measurement Date		
	Deferred Outflows of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	\$ 3,968,788	\$ -
Changes in assumptions	861,714	4,971,360
Net difference between projected and actual earnings on OPEB plan investments	-	3,359,440
Total	\$ 4,830,502	\$ 8,330,800

NOTE H - 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:

2026	\$267,780
2027	(1,757,430)
2028	(1,506,131)
2029	(775,339)
2030	(225,635)
Thereafter	496,457

The annual OPEB expense for the fiscal year ending June 30, 2025 is \$(395,374), which is -1.07% of covered payroll. The annual OPEB expense represents the employer contributions plus the change in the net impact on the employer's statement of net position. Volatility in OPEB expense from year to year is expected. It will largely be driven by asset gains and losses, but other changes can also have a significant impact.

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 September 2024, the OPEB investment policy was revised to have a goal of 32 percent in fixed income investments, including bank loan and removing the investment in core real estate. The following represents the asset allocation policy as of June 30, 2025.

Asset Class	Target Allocation Total
Domestic Equity	45%
International Equity	15%
Fixed Income	28%
Fixed Income – bank loans	4%
Cash	1%
Infrastructure	7%
Total	100%

The 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 OPEB benefits on June 30, 2025

IIF Hedged LP – 7%

[the rest of this page was intentionally left blank]

NOTE I - 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 J - 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 7.97% on June 30, 2025. The County had \$10,000,000 of unused line of credit to be drawn upon as needed. No balance was outstanding on June 30, 2025.

NOTE K - LONG -TERM LIABILITIES

Description of Bonds Payable

Long-term financing is provided by Delaware Pollution Revolving Fund acting through Delaware Department of National Resources Environment Control (SRF) or United States of America, acting through Rural Utilities Service, Department of Agriculture (USDA). At June 30, 2025, bonds payable consisted of the following individual issues:

	<u>Business-type</u>
2002 SRF wastewater general obligation bonds (Miller Creek), due in semi-annual installments, interest at 1.5%, final maturity date of December 31, 2027. Total bonds authorized are \$3,300,000.	\$ 489,565
2002 SRF wastewater general obligation bonds (Bayview Estates and Sea Country Estates), due in semi-annual installments, interest at 1.5%, final maturity date of December 31, 2025. Total bonds authorized are \$2,636,000.	79,385
2002 SRF wastewater general obligation bonds (Ellendale), due in semi-annual installments, no stated interest rate, final maturity date of June 13, 2042. Total bonds authorized are \$1,000,000.	435,898
2003 SRF wastewater general obligation bonds (Oak Orchard), due in semi-annual installments, interest at 1.5%, final maturity date of December 31, 2026. Total bonds authorized are \$1,203,000.	110,210
2004 SRF wastewater general obligation bonds (Inland Bays), due in semi-annual installments, interest at 1.5%, final maturity date of December 31, 2027. Total bonds authorized are \$10,000,000.	1,419,412
2006 SRF wastewater general obligation bonds (Millville), due in semi-annual installments, interest at 1.5%, final maturity date of October 30, 2040. Total bonds authorized are \$8,000,000.	4,446,453
2006 SRF wastewater general obligation bonds (South Ocean View), due in semi-annual installments, interest at 1.5%, final maturity date of June 30, 2040. Total bonds authorized are \$4,800,000.	2,427,182

NOTE K - LONG-TERM LIABILITIES - CONTINUED

<u>Description of Bonds Payable - continued</u>	<u>Business-type</u>
2008 USDA wastewater general obligation bonds (Dagsboro-Frankford), due in quarterly installments, interest at 4.5%, final maturity date of December 12, 2048. Total bonds authorized are \$73,000.	\$ 56,896
2008 SRF wastewater general obligation bonds (Angola Neck), due in semi-annual installments, interest at 1.5%, final maturity date of May 21, 2042. Total bonds authorized are \$15,000,000, of which \$ 1,500,000 was forgiven at the project completion date.	8,165,323
2009 SRF wastewater general obligation bonds (Johnson's Corner), due in semi-annual installments, interest at 1.5%, final maturity date of December 31, 2031. Total bonds authorized are \$6,000,000 and \$5,083,986 was issued, of which \$1,248,033 was forgiven at the project completion date.	1,374,423
2009 SRF wastewater general obligation bonds (Oak Orchard Expansion), due in semi-annual installments, interest at 2%, final maturity date of December 31, 2031. Total bonds authorized are \$5,641,503, of which \$ 3,000,000 was forgiven at the project completion date.	996,526
2010 SRF wastewater general obligation bonds (Inland Bays), due in semi-annual installments, interest at 2%, final maturity date of November 1, 2031. Total bonds authorized are \$1,756,227, of which \$1,307,607 was forgiven at the project completion date.	156,989
2010A USDA wastewater general obligation bonds (Inland Bays), due in quarterly installments, interest at 2.25%, final maturity date of December 3, 2050. Total bonds authorized are \$5,475,000.	4,156,056
2010B USDA wastewater general obligation bonds (Inland Bays), due in quarterly installments, interest at 2.25%, final maturity date of December 3, 2050. Total bonds authorized are \$5,000,000.	3,795,498
2010 USDA wastewater general obligation recovery zone economic development bonds (SCRWF), due in quarterly installments, interest at 3%, final maturity date of December 3, 2050. Total bonds authorized are \$6,169,000.	4,783,022
2012 USDA wastewater general obligation bonds (Golf Village), due in quarterly installments, interest at 2%, final maturity date of June 27, 2052. Total bonds authorized are \$321,000.	243,011
2012 USDA wastewater general obligation bonds (Woodlands of Millsboro), due in quarterly installments, interest at 2.125%, final maturity date of September 14, 2052. Total bonds authorized are \$90,000.	69,037
2013 USDA wastewater general obligation bonds (Angola Neck), due in quarterly installments, interest at 2.125%, final maturity date of April 25, 2053. Total bonds authorized are \$6,000,000.	4,695,868

NOTE K - LONG-TERM LIABILITIES - CONTINUED

<u>Description of Bonds Payable - continued</u>	<u>Business-type</u>
2013 USDA wastewater general obligation bonds (Johnson Corner), due in quarterly installments, interest at 2.5%, final maturity date of February 28, 2053. Total bonds authorized are \$2,000,000.	\$ 1,581,624
2014 USDA wastewater general obligation bond (Angola Neck), due in quarterly installments, interest at 2.375%, final maturity date of September 26, 2054. Total bonds authorized are \$987,000.	805,626
2015 SRF wastewater general obligation bonds (Oak Orchard Expansion), due in quarterly installments, interest at 2.375%, final maturity date of July 24, 2054. Total bonds authorized are \$5,582,000.	4,556,726
2015 SRF wastewater general obligation bonds (Angola North), due in semi-annual installments, interest at 2.00%, final maturity date of May 1, 2046. Total bonds authorized are \$6,697,774, of which \$1,468,000 was forgiven at the completion of the project.	4,894,888
2016 USDA wastewater general obligation bonds (Millville), due in quarterly installments, interest at 1.75%, final maturity date of May 25, 2056. Total bonds authorized are \$2,404,000.	1,998,660
2018 SRF wastewater general obligation bonds (Fenwick Island Expansion), due in semi-annual installments, interest at 2.00%, final maturity date of July 1, 2048. Total bonds authorized are \$2,834,689, \$621,650 of 21 st Century grant funds were applied at the completion of the project.	1,877,667
2018C USDA wastewater general obligation bonds (Millville), due in quarterly installments, interest at 1.75%, final maturity date of November 11, 2058. Total bonds authorized are \$1,200,000.	969,177
2018D USDA wastewater general obligation bonds (Millville), due in quarterly installments, interest at 2.00%, final maturity date of November 11, 2058. Total bonds authorized are \$138,000.	40,480
2018A USDA wastewater general obligation bonds (Concord Road), due in quarterly installments, interest at 2.375%, final maturity date of February 2, 2059. Total bonds authorized are \$729,000.	652,045
2018B USDA wastewater general obligation bonds (Concord Road), due in quarterly installments, interest at 2.125%, final maturity date of February 2, 2058. Total bonds authorized are \$220,000.	195,326
2019 SRF wastewater general obligation bonds (Western Sussex), due in semi-annual installments, interest at 2.529%, final maturity date of September 1, 2050. Total bonds authorized are \$16,634,748, of which \$3,200,000 of the outstanding principal balance will be forgiven by the agency, with \$13,434,748 remaining balance.	13,250,513
2019 USDA wastewater general obligation bonds (Inland Bays), due in quarterly installments, interest at 1.75%, final maturity date of October 24, 2059. Total bonds authorized are \$8,808,000.	7,928,194

NOTE K - LONG-TERM LIABILITIES - CONTINUED

<u>Description of Bonds Payable – continued</u>	<u>Business-type</u>
2019A SRF water general obligation bonds (Winding Creek Village Water District), due in semi-annual installments, interest at 2.831%, final maturity date of December 1, 2051. Total bonds authorized are \$2,000,000, upon completion of the project up to \$1,000,000 of the outstanding principal balance will be forgiven by the agency, with \$1,000,000 expected to be the remaining balance.	\$ 123,196
2019B SRF wastewater general obligation bonds (Joy Beach), due in semi-annual installments, interest at 2.057%, final maturity date of 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 expected to be the remaining balance.	4,286,294
2019C\2022D SRF wastewater general obligation bonds (Mulberry Knoll), due in semi-annual installments, interest at 2.057%, final maturity date of September 1, 2051. Total bonds authorized are \$4,334,241, upon completion of project up to \$3,270,000 of the outstanding principal balance will be forgiven by the agency, with \$1,064,241 remaining balance.	1,035,118
2020A wastewater general obligation bonds, (Treatment Plant Projects and funds for refunding) due in semi-annual installments, interest ranging from 1% to 5%, final maturity date of March 15, 2050. Total bonds authorized are \$44,220,000.	36,280,000
2020B wastewater general obligation refunding bonds (refunding) due in semi-annual installments, interest ranging from .217% to 2.421%, final maturity date of March 15, 2053. Total bonds authorized are \$51,745,000	41,595,000
2021R-1 SRF water pollution control general obligation bonds (Land Conservation/Water Quality Project), due in semi-annual installments, interest at 0%, final maturity date of October 1, 2047. Total bonds authorized are \$5,370,531.	4,559,885
2021R-2 SRF water pollution control general obligation bonds (Land Conservation/Water Quality Project), due in semi-annual installments, interest at 0%, final maturity date of October 1, 2042. Total bonds authorized are \$374,253	319,484
2021 USDA wastewater general obligation bonds (Herring Creek), due in quarterly installments, interest at 1.375%, final maturity date of June 17, 2061. Total bonds authorized are \$4,287,000	3,956,006
2022 USDA wastewater general obligation bonds (Herring Creek), due in quarterly installments, interest at 1.5%, final maturity date of June 23, 2062. Total bonds authorized are \$5,600,000	5,286,035
2022A SRF wastewater general obligation bonds (Pintail Pointe), due in semi-annual installments, interest at 2.0%, final maturity date of October 1, 2043. Total bonds authorized are \$959,888, upon completion of project up to \$579,000 of the outstanding principal balance will be forgiven by the agency, with \$380,888 expected to be the remaining balance.	380,888
2022B SRF wastewater general obligation bonds (Oak Acres and Tanglewood), due in semi-annual in statements, interest at 2.0%, final maturity date of April 1, 2054. Total bonds authorized are \$2,376,356, upon completion of project up to \$1,532,000 of the outstanding principal balance will be forgiven by the agency, with \$844,356 expected to be the remaining balance.	565,213

NOTE K - LONG-TERM LIABILITIES – CONTINUED

Description on Bonds Payable – continued Business-type

2022C SRF wastewater general obligation bonds (Long Neck Communities), due in semi-annual installments, interest at 1.0%, final maturity date of October 1, 2054. Total bonds authorized are \$9,825,601, and \$708,498 was not advanced, upon completion of project \$5,188,342 of the outstanding principal balance will be forgiven by the agency, with \$3,928,761 expected to be the remaining balance.	\$3,220,263
2022F SRF wastewater general obligation bonds (Slaughter Beach), due in semi-annual installments, interest at 1.0%, final maturity date of July 1, 2055. Total bonds authorized are \$21,682,488, upon completion of project up to \$9,450,000 of the outstanding principal balance will be forgiven by the agency, with \$12,232,488 expected to be the remaining balance.	517,302
2023B USDA wastewater general obligation bonds (Mallard Creek), due in quarterly installments, interest at 2.75%, final maturity date of September 28, 2063. Total bonds authorized are \$1,526,000.	1,488,153
2024B SRF wastewater general obligation bonds (Warwick Park), due in semi-annual installments, interest at 2.0%, final maturity date of January 1, 2046. Total bonds authorized are \$1,225,000.	172,193
2024C SRF wastewater general obligation bonds (North Ellendale), due in semi-annual installments, interest at 2.0%, final maturity date of May 1, 2052. Total bonds authorized are \$9,236,846.	111,138
2024D SRF wastewater general obligation bonds (Briarwood Estates), due in semi-annual installments, interest at 2.0%, final maturity date of January 1, 2057. Total bonds authorized are \$4,631,363, upon completion of the project up to \$3,200,000 of the outstanding principal will be forgiven by the agency, with \$1,431,363 expected to be the remaining balance.	5,378
2025A USDA wastewater general obligation bonds (Herring Creek), due in quarterly installments, interest at 2.25%, final maturity date of February 22, 2064. Total bonds authorized are \$5,601,000	5,491,507
2025A SRF wastewater general obligation bonds (Warwick Park Phase II), due in semi-annual installments, interest at 2.0%, final maturity date of March 1, 2058. Total bonds authorized are \$9,963,400, upon completion of the project up to \$5,470,360 of the outstanding principal will be forgiven by the agency, \$4,493,040 expected to be the remaining balance.	9,452
2025A USDA wastewater general obligation bonds (Lochwood), due in quarterly installments, interest at 1.75%, final maturity date of April 24, 2065. Total bonds authorized are \$4,723,000.	4,723,000
2025B USDA wastewater general obligation bonds (Lochwood Supplemental), due in quarterly installments, interest at 2.875%, final maturity date of April 24, 2065. Total bonds authorized are \$464,000.	464,000

NOTE K - LONG-TERM LIABILITIES – CONTINUED

<u>Description on Bonds Payable – continued</u>	<u>Business-type</u>
2025 USDA wastewater general obligation bonds (Herring Creek), due in quarterly installments, interest at 1.5%, final maturity date of June 27, 2064. Total bonds authorized are \$1,900,000.	<u>\$ 1,864,957</u>
Subtotal	193,106,142
Unamortized bond premium	<u>4,018,397</u>
TOTAL BOND PAYABLE	<u>\$197,124,539</u>

Contract Commitments

The County has obligated itself under contracts for various projects. At June 30, 2025, the obligated unrecorded amount was approximately \$41.4 million. The County's payment of these contracts will be contingent upon the contractors' satisfactory performance.

Subscription-Based Information Technology Arrangements Payable

The County has twenty-three active SBITA agreements as of June 30, 2025, with initial terms of two to five years. The SBITA obligation as of June 30 was \$233,965, with \$171,641 due within the next fiscal year. The contracts have payments from zero (prepaid contracts) to \$140,000 due annually and interest rates from 1.89% to 3.59%.

Lease Payables

Governmental Activities

The County entered a four-year lease for kitchen incubator space commencing on January 1, 2025. The initial lease liability is \$74,020. As of June 30, 2025, the lease liability is \$54,725. The County is required to make fixed annual rent payments of \$19,295. The lease has an interest rate of 2.860%. The value of the right to use asset as of June 30, 2025 is, \$74,020 with accumulated amortization of \$9,252.

Business Type Activities

The County entered a twenty-five-year lease for +/- 414 acres of land for spray irrigation site for Wolfe Neck Regional Wastewater Facility commencing on February 25, 2019. The initial lease liability as of July 1, 2021, was \$1,689,337. As of June 30, 2025, the lease liability is \$1,425,029. The County is required to make fixed annual payments of \$97,425. The lease has an interest rate of 2.282%. The value of the right to use asset as of June 30, 2025, is \$1,689,337 with accumulated amortization of \$300,326.

The County entered a ten-year lease for 62.5 acres of land for spray irrigation site for Inland Bays Regional Wastewater Facility commencing on June 23, 2020. The initial lease liability as of July 1, 2021, was \$7,547. As of June 30, 2025, the lease liability is \$4,287. The County is required to make fixed annual payments of \$897. The lease has an interest rate of 1.525%. The value of the right to use asset as of June 30, 2025, is \$7,547 with accumulated amortization of \$3,178.

The County entered a twenty-year lease rent approximately 56 acres of land for spray irrigation site for Piney Neck Regional Wastewater Facility commencing on January 1, 2025. The initial lease liability is \$132,639. As of June 30, 2025, the lease liability is \$117,982. The County is required to make annual payments starting at \$7,500 and increasing by two percent annually. The lease has an interest rate of 3.361%. The value of the right to use asset as of June 30, 2025, is \$132,639 with accumulated amortization of \$16,580.

NOTE K - LONG-TERM LIABILITIES – CONTINUED

Long-term Liability Activity

Long-term liability activity for the year ended June 30, 2025, was as follows:

	June 30, 2024	Additions	Reductions	June 30, 2025	Due Within One Year
Governmental Activities:					
Lease liabilities	\$ -	\$ 74,020	\$ 19,295	\$ 54,725	\$ 17,730
Subscription liabilities	354,717	64,238	265,962	152,993	121,831
Compensated absences	9,977,656	4,172,663	3,844,641	10,305,678	3,830,125
Estimated liability for pollution remediation	<u>300,006</u>	<u>90,000</u>	<u>129,880</u>	<u>260,126</u>	<u>130,000</u>
Total Governmental Activities	<u><u>\$10,632,379</u></u>	<u><u>\$4,400,921</u></u>	<u><u>\$4,259,778</u></u>	<u><u>\$10,773,522</u></u>	<u><u>\$4,099,686</u></u>

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

	June 30, 2024	Additions	Reductions	June 30, 2025	Due Within One Year
Business-type Activities:					
General obligation bonds	\$196,804,438	\$16,957,949	\$20,656,245	\$193,106,142	\$8,733,326
Unamortized bond premium	<u>4,180,757</u>	<u>-</u>	<u>162,360</u>	<u>4,018,397</u>	<u>162,360</u>
Total bonds payable	200,985,195	16,957,949	20,818,605	197,124,539	8,895,686
Lease liabilities	1,615,288	-	67,990	1,547,298	69,730
Subscription liabilities	141,363	56,252	116,643	80,972	49,810
Compensated absences	<u>1,497,669</u>	<u>645,253</u>	<u>601,552</u>	<u>1,541,370</u>	<u>624,201</u>
Total Business-type Activities	<u><u>\$204,239,515</u></u>	<u><u>\$17,659,454</u></u>	<u><u>\$21,604,790</u></u>	<u><u>\$200,294,179</u></u>	<u><u>\$9,639,427</u></u>

NOTE K - LONG-TERM LIABILITIES - CONTINUED

Debt Maturity

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

Year ending June 30,	Business-type Activities - General Obligation		
	Principal	Interest	Total
2026	\$ 8,733,326	\$ 3,929,833	\$ 12,663,159
2027	8,808,870	3,747,704	12,556,574
2028	8,542,064	3,591,320	12,133,384
2029	8,355,157	3,402,421	11,757,578
2030	8,557,103	3,207,822	11,764,925
2031-2035	43,729,505	13,211,521	56,941,026
2036-2040	39,821,832	9,270,113	49,091,945
2041-2045	27,646,039	5,594,276	33,240,315
2046-2050	20,678,810	3,011,511	23,690,321
2051-2055	10,289,813	1,171,825	11,461,638
2056-2060	5,740,818	484,692	6,225,510
2061-2065	2,202,805	97,911	2,300,716
TOTAL	\$ 193,106,142	\$ 50,720,949	\$ 243,827,091

Sussex County is subject to a debt limit that is 12% of the assessed value of the taxable property. At June 30, 2025, the amount was \$521.9 million. As of June 30, 2025, the total outstanding debt applicable to the limit was \$197.1 million, which is 39.9% of the total debt limit.

Leases Obligation Maturity

The future minimum lease obligations and the net present value of these minimum payments as of June 30, 2025, were as follows:

Year ending June 30,	Governmental Activities - Lease Obligation		
	Principal	Interest	Total
2026	\$ 17,730	\$ 1,565	\$ 19,295
2027	18,237	1,058	19,295
2028	18,758	537	19,295
TOTAL	\$ 54,725	\$ 3,160	\$ 57,885

Year ending June 30,	Business-type Activities - Lease Obligation		
	Principal	Interest	Total
2026	\$ 69,730	\$ 36,551	\$ 106,281
2027	71,520	34,921	106,441
2028	73,353	33,250	106,603
2029	75,236	31,533	106,769
2030	77,168	29,770	106,938
2031-2035	412,032	120,825	532,857
2036-2040	468,241	69,376	537,617
2041-2045	300,018	13,895	313,913
TOTAL	\$ 1,547,298	\$ 370,121	\$ 1,917,419

NOTE K - LONG-TERM LIABILITIES - CONTINUED

Subscription-Based Information Technology Arrangements Maturity

The future principal and interest SBITA payments as of June 30, 2025, are as follows:

Year ending June 30,	Governmental Activities - SBITA Obligation		
	Principal	Interest	Total
2026	\$ 121,831	\$ 4,189	\$ 126,020
2027	10,093	900	10,993
2028	10,384	609	10,993
2029	10,685	308	10,993
TOTAL	\$ 152,993	\$ 6,006	\$ 158,999

Year ending June 30,	Business-type Activities - SBITA Obligation		
	Principal	Interest	Total
2026	\$ 49,810	\$ 2,261	\$ 52,071
2027	10,092	901	10,993
2028	10,384	609	10,993
2029	10,686	307	10,993
TOTAL	\$ 80,972	\$ 4,078	\$ 85,050

NOTE L - INTERFUND BALANCES

Interfund balances at June 30, 2025 consisted of the following:

Receivable Fund	Payable Fund	Amount
General fund	Sewer fund	\$11,858,042
Sewer fund	Capital projects fund	283
General fund	Water fund	1,306,818
Sewer fund	General fund	114,000
General fund	OPEB	8,421

Interfund balances, where the water and sewer funds owe general fund, represents interim financing for sewer and water projects, which are to be repaid when the County draws the permanent funding. Realty transfer tax financed all of the interfund balance. Where general fund owes the sewer fund is due to sewer paying for projects that will be later paid by ARPA grant funds deposited into general fund at June 30. The capital fund owes general fund at year end for an airport capital project that was later reimbursed in fiscal year 2026 by a federal capital grant.

NOTE M - 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:

	General	Capital Projects	Total
Nonspendable			
Inventory	\$ 27,523	\$ -	\$ 27,523
Prepaid items	575,583	-	575,583
Employee advances	159,339	-	159,339
Total Nonspendable	762,445	-	762,445
Restricted			
Employee health expense	85,693	-	85,693
Any lodging tax eligible expense: beach nourishment, waterway dredging, tourism, water quality or flood control	2,329,569	-	2,329,569
Any realty transfer tax eligible expense: infrastructure, public safety, economic development items, assessment, capital, open space, recreation, and affordable housing	101,987,038	64,192,266	166,179,304
Neighborhood stabilization projects grant eligible expenses	103,028	-	103,028
Total restricted	104,505,328	64,192,266	168,697,594
Committed			
Open space land program	417,000	44,080	461,080
Engineer projects	115,056	-	115,056
Road projects	1,180,721	-	1,180,721
Total committed	1,712,777	44,080	1,756,857
Assigned			
Grant-in-aid for County tax subsidy	39,744	-	39,744
Encumbrances	180,934	-	180,934
Legal: planning and zoning	500,000	-	500,000
Total assigned	720,678	-	720,678
Unassigned			
Total Fund Balances – Governmental Funds	\$200,182,134	\$64,236,346	\$264,418,480

NOTE N - INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2025, consisted of the following:

Transfer to:	Transfer from		
	General Fund	Unified Sewer	Total
Unified sewer fund	\$ 115,500	\$ -	\$ 115,500
	<u>\$ 115,500</u>	<u>\$ -</u>	<u>\$ 115,500</u>

Transfers between the general fund and sewer fund are for funding commitments and subsequent paybacks for the Ellendale sewer area, and Johnson's Corner sewer area.

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 2025, 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 \$12,528,322 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, 2025 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 2024 and 2025 were as follows:

	Beginning of Year Balance	Current-Year Claims and Changes in Estimates	Claim Payments	End of Year Balance
2023-2024	\$ 1,438,233	10,439,936	(9,975,824)	\$ 1,902,345
2024-2025	1,902,345	10,498,613	(10,480,721)	\$ 1,920,237

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 \$3.0 million of 10 years at zero percent. The second loan is for \$1.5 million at two percent for 10 years. The third loan is for \$0.78 million at 2.0 percent for 10 years. The total outstanding loan balance as of June 30, 2025, is \$4.0 million. 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 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 new Collective Bargaining Agreement in January 2025, with Delaware Public Employees, Council 81, AGSCME AFL-CIO and its Affiliated Local Union 1926. The contract extends through June 2028 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 S - 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 estimated at \$260,126 of which \$130,000 is due within one year. The County has estimated future obligations based on professional consultant estimates and historical expenses of similar projects; however, there is the potential for change in estimates due to price increase or reductions, technology, or applicable laws and regulations.

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

NOTE T - 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, 2025 equaling \$49.5 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 County has no commitments on these debts.

NOTE U - SUBSEQUENT EVENTS

Subsequent to June 30, 2025, the County authorized the issuance of \$7.3 million of General Obligation Bonds to fund the Love Creek Mobile Home Community sewer project and \$0.3 million supplemental fund of General Obligation Bonds to fund Tanglewood-Oak Acres Septic Elimination Project.

The County has authorized the issuance of revenue bonds of \$90,000,000 to provide funds for Tidalhealth Nanticoke, Inc. and certain of its affiliates for projects in Sussex County. Accordingly, these bonds are not reflected in the accompanying financial statements. The County has no commitments on these debts.

The County approved the award of contracts totaling \$7.8 million for the construction and improvement of various sewer projects and airport 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 possible that changes in the value 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

	Fiscal Year Ending									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total Pension Liability										
Service Cost	\$ 1,817,625	\$ 1,885,125	\$ 2,142,142	\$ 2,271,361	\$ 2,714,022	\$ 2,824,325	\$ 2,889,714	\$ 3,571,368	\$ 3,756,517	\$ 4,068,640
Interest Cost	6,698,077	7,078,272	7,593,994	8,037,883	8,066,691	8,545,756	8,954,565	9,732,972	10,315,190	11,061,058
Change in Benefit Terms	-	1,259,679	-	-	-	-	-	-	-	-
Differences Between Expected and Actual Experiences	1,134,350	651,103	551,937	(529,784)	994,019	(132,847)	5,325,009	1,423,233	3,391,022	2,466,895
Change in Assumptions	-	3,251,143	-	(1,231,792)	-	-	4,320,273	-	-	5,752,936
Benefit Payments, Including Refunds	(3,473,063)	(3,853,298)	(4,179,270)	(4,414,193)	(4,828,741)	(5,261,057)	(5,670,848)	(6,136,229)	(6,443,325)	(7,015,939)
Net Change in Total Pension Liability	6,176,989	10,272,024	6,108,803	4,133,475	6,945,991	5,976,177	15,818,713	8,591,344	11,019,404	16,333,590
Total Pension Liability (Beginning)	88,206,659	94,383,648	104,655,672	110,764,475	114,897,950	121,843,941	127,820,118	143,638,831	152,230,175	163,249,579
Total Pension Liability (Ending)	\$ 94,383,648	\$ 104,655,672	\$ 110,764,475	\$ 114,897,950	\$ 121,843,941	\$ 127,820,118	\$ 143,638,831	\$ 152,230,175	\$ 163,249,579	\$ 179,583,169
Plan Fiduciary Net Position										
Contributions - Employer	\$ 3,597,265	\$ 3,835,851	\$ 9,274,076	\$ 14,462,910	\$ 9,779,296	\$ 4,997,516	\$ 3,776,535	\$ 3,703,694	\$ 4,568,242	\$ 4,688,420
Contributions - Member	48,721	86,279	134,150	172,315	211,354	251,807	324,090	447,964	538,465	654,343
Net Investment Income	(345,584)	8,829,624	6,888,854	6,771,191	3,784,895	30,573,598	(12,804,970)	12,837,733	18,980,674	18,634,535
Benefit Payments, Including Refunds	(3,473,063)	(3,853,298)	(4,179,270)	(4,414,193)	(4,828,741)	(5,261,057)	(5,670,848)	(6,136,229)	(6,443,325)	(7,015,939)
Administrative Expenses	(107,035)	(101,597)	(108,527)	(110,423)	(138,230)	(180,974)	(190,179)	(181,929)	(197,537)	(213,933)
Net Change in Plan Fiduciary Net Position	(279,696)	8,796,859	12,009,283	16,881,800	8,808,574	30,380,890	(14,565,372)	10,671,233	17,446,519	16,747,426
Plan Fiduciary Net Position (Beginning)	74,242,415	73,962,719	82,759,578	94,768,861	111,650,661	120,459,235	150,840,125	136,274,753	146,945,986	164,392,505
Plan Fiduciary Net Position (Ending)	73,962,719	82,759,578	94,768,861	111,650,661	120,459,235	150,840,125	136,274,753	146,945,986	164,392,505	181,139,931
County's Net Pension Liability / (Asset) Ending	\$ 20,420,929	\$ 21,896,094	\$ 15,995,614	\$ 3,247,289	\$ 1,384,706	\$ (23,020,007)	\$ 7,364,078	\$ 5,284,189	\$ (1,142,926)	\$ (1,556,762)
Net Position as a % of Pension Liability	78.36%	79.08%	85.56%	97.17%	98.86%	118.01%	94.87%	96.53%	100.70%	100.87%
Covered Payroll	\$ 21,671,478	\$ 22,642,273	\$ 23,910,625	\$ 25,270,591	\$ 25,943,699	\$ 26,440,763	\$ 30,753,827	\$ 32,019,688	\$ 34,921,960	\$ 37,024,408
Net Pension Liability as a % of Payroll	94.23%	96.70%	66.90%	12.85%	5.34%	-87.07%	23.95%	16.50%	-3.27%	-4.20%

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, from 7.25% to 7.00% in 2019, and from 7.00% to 6.75% in 2022. In 2025, demographic assumptions (mortality rates, retirement rates, termination rates, and salary increases) were updated to reflect the experience study completed in fiscal year 2025. For additional assumptions made, see page 51 - Note G.

SUSSEX COUNTY, DELAWARE
SCHEDULE OF EMPLOYER CONTRIBUTIONS - PENSION TRUST

- 78 -

	Fiscal Year Ending									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Actuarially Determined Contribution	\$ 3,057,193	\$ 3,391,726	\$ 4,111,811	\$ 3,794,161	\$ 2,960,567	\$ 2,720,386	\$ 1,947,448	3,348,310	3,689,980	4,062,839
Less: Contributions made in Relation to the Actuarially Determined Contribution Deficiency (excess)	3,597,265	3,835,851	9,274,076	14,462,910	9,779,296	4,997,516	3,776,535	3,703,694	4,568,242	4,688,420
Covered Payroll	\$ (540,072)	\$ (444,125)	\$ (5,162,265)	\$ (10,668,749)	\$ (6,818,729)	\$ (2,277,130)	\$ (1,829,087)	\$ (355,384)	\$ (878,262)	\$ (625,581)
Contributions as a % of Covered Payroll	\$ 21,671,478	\$ 22,642,273	\$ 23,910,625	\$ 25,270,591	\$ 25,943,699	\$ 26,440,763	\$ 30,753,827	\$ 32,019,688	\$ 34,921,960	\$ 37,024,408
	16.60%	16.94%	38.79%	57.23%	37.69%	18.90%	12.28%	11.57%	13.08%	12.66%

Notes to Schedule:

Valuation Date July 1, 2024
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	6.75%
Inflation	2.50%
Salary Increases	From 3.5% - 5.0% based on service
Mortality	RP-2014 Total Mortality Table projected generationally using Scale MP-2018 for years 2016 - 2025 and

	Fiscal Year Ending									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Annual Money-Weighted Rate of Return, Net of Investment Expense	-0.47%	10.67%	7.51%	6.10%	3.14%	20.27%	-9.39%	8.74%	11.75%	10.29%

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

- 80 -

	Fiscal Year Ending								
	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total Other Postemployment Benefit Liability (Asset)									
Service Cost	\$ 810,080	\$ 909,398	\$ 925,928	\$ 1,177,365	\$ 1,215,719	\$ 1,252,760	\$ 1,409,835	\$ 1,510,151	\$ 1,501,603
Interest	3,656,274	3,787,370	3,829,471	3,824,207	4,052,973	4,265,169	4,304,176	4,496,461	4,308,932
Differences between expected and actual experience	112,594	66,645	(356,272)	2,351,755	295,641	531,288	466,963	1,311,489	2,469,884
Changes of assumptions	786,564	(1,835,557)	(96,289)	(1,377,792)	-	(530,330)	-	(6,366,142)	1,005,333
Benefit payments	(1,828,522)	(2,126,749)	(2,609,065)	(2,880,064)	(2,606,916)	(2,531,838)	(3,159,662)	(3,714,650)	(3,728,828)
Net Change in Total Other Postemployment Benefit Liability	3,536,990	801,107	1,693,773	3,095,471	2,957,417	2,987,049	3,021,312	(2,762,691)	5,556,924
Total Other Postemployment Benefit Liability - Beginning	48,837,970	52,374,960	53,176,067	54,869,840	57,965,311	60,922,728	63,909,777	66,931,089	64,168,398
Total Other Postemployment Benefit Liability - Ending	\$ 52,374,960	\$ 53,176,067	\$ 54,869,840	\$ 57,965,311	\$ 60,922,728	\$ 63,909,777	\$ 66,931,089	\$ 64,168,398	\$ 69,725,322
Plan Fiduciary Net Position									
Contributions - employer	\$ 1,991,965	\$ 7,172,834	\$ 2,687,134	\$ 2,835,463	\$ 3,063,250	\$ 2,766,223	\$ 2,313,623	\$ 3,504,709	\$ 2,382,678
Contributions - members	-	-	-	-	-	-	-	-	-
Net investment income (loss)	3,456,691	2,772,210	2,935,078	1,727,777	12,353,584	(5,190,518)	5,180,301	7,675,378	7,562,998
Benefit payments	(1,828,522)	(2,126,749)	(2,609,065)	(2,880,064)	(2,606,916)	(2,531,838)	(3,159,662)	(3,714,650)	(3,728,828)
Administrative expense	(55,676)	(58,180)	(53,118)	(60,046)	(77,280)	(81,712)	(79,172)	(85,629)	(92,436)
Net Change in Plan Fiduciary Net Position	3,564,458	7,760,115	2,960,029	1,623,130	12,732,638	(5,037,845)	4,255,090	7,379,808	6,124,412
Plan Fiduciary Net Position - Beginning	31,854,231	35,418,689	43,178,804	46,138,833	47,761,963	60,494,601	55,456,756	59,711,846	67,091,654
Plan Fiduciary Net Position - Ending	\$ 35,418,689	\$ 43,178,804	\$ 46,138,833	\$ 47,761,963	\$ 60,494,601	\$ 55,456,756	\$ 59,711,846	\$ 67,091,654	\$ 73,216,066
Net OPEB liability (asset) - Ending	\$ 16,956,271	\$ 9,997,263	\$ 8,731,007	\$ 10,203,348	\$ 428,127	\$ 8,453,021	\$ 7,219,243	\$ (2,923,256)	\$ (3,490,744)
Plan fiduciary net position as a percentage of the total OPEB liability	67.63%	81.20%	84.09%	82.40%	99.30%	86.77%	89.21%	104.56%	105.01%
Covered Payroll	\$ 22,608,597	\$ 23,067,300	\$ 24,181,316	\$ 24,696,338	\$ 25,039,079	\$ 28,802,366	\$ 30,131,794	\$ 34,453,002	\$ 36,965,170
Net OPEB liability as a percentage of covered payroll	75.00%	43.34%	36.11%	41.32%	1.71%	29.35%	23.96%	-8.48%	-9.44%

Assumption changes: Investment return assumption decreased from 7.50% to 7.25% in 2018, from 7.25% to 7.00% in 2019, and from 7.00% to 6.75% in 2022. In 2025, the demographic assumptions of mortality rates, termination retirement rates, and salary increases were changed due to a completed experience study.

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

- 81 -

	Fiscal Year Ending									
	2017	2018	2019	2020	2021	2022	2023	2024	2025	
Actuarially Determined Contribution (ADC)	1,870,754	\$ 1,944,316	\$ 1,564,364	\$ 1,808,053	\$ 1,951,745	\$ 1,444,950	\$ 2,086,074	\$ 2,163,094	\$ 1,617,891	
Less: Contributions made in Relation to the ADC	1,991,965	7,172,834	2,687,134	2,835,463	3,063,250	2,766,223	2,313,623	3,504,709	2,382,678	
Contribution Deficiency (excess)	<u>\$ (121,211)</u>	<u>\$ (5,228,518)</u>	<u>\$ (1,122,770)</u>	<u>\$ (1,027,410)</u>	<u>\$ (1,111,505)</u>	<u>\$ (1,321,273)</u>	<u>\$ (227,549)</u>	<u>\$ (1,341,615)</u>	<u>\$ (764,787)</u>	
Covered Payroll	\$ 22,608,597	\$ 23,067,300	\$ 24,181,316	\$ 24,696,338	\$ 25,039,079	\$ 28,802,366	\$ 30,131,794	\$ 34,453,002	\$ 36,965,170	
Contributions as a % of Covered Payroll	8.81%	31.10%	11.11%	11.48%	12.23%	9.60%	7.68%	10.17%	6.45%	

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

Notes to Schedule:

Valuation Date July 1, 2024
Timing Actuarially determined contributions are calculated based on the actuarial valuation at the beginning of the fiscal year.

Key Methods and Assumptions Used to Determine 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, level percentage of payroll
Discount Rate	6.75%
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.

	Fiscal Year Ending								
	2017	2018	2019	2020	2021	2022	2023	2024	2025
Annual Money-Weighted Rate of Return, Net of Investment Expense	9.89%	6.59%	6.44%	3.61%	20.41%	-9.36%	8.68%	11.71%	10.52%

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

INDIVIDUAL FUND FINANCIAL SCHEDULES

GENERAL FUND

SUSSEX COUNTY, DELAWARE
SCHEDULE OF GENERAL FUND REVENUES AND OTHER FINANCING SOURCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2025

- 83 -

	Final Budget Amounts	Actual Amounts	Variance with Final Budget
Taxes			
Real property - County	\$ 17,171,462	\$ 17,517,357	\$ 345,895
Real property - library	2,011,000	2,021,823	10,823
Realty transfer	35,000,000	54,646,935	19,646,935
Fire service	1,800,000	2,385,759	585,759
Lodging tax	1,000,000	891,630	(108,370)
Penalties and interest	180,000	144,158	(35,842)
Total taxes	57,162,462	77,607,662	20,445,200
Intergovernmental			
Federal grants:			
Paramedics	-	233,500	233,500
Emergency preparedness	200,000	288,784	88,784
Housing and urban development	2,775,500	2,267,572	(507,928)
Project income	-	35,178	35,178
Economic development	173,250	-	(173,250)
Public Assistance (ARPA)	26,735,854	5,218,421	(21,517,433)
Federal payment in lieu of taxes	6,500	6,779	279
State grants:			
General government	100,000	62,500	(37,500)
Library	450,000	477,562	27,562
Paramedics	7,317,500	7,319,496	1,996
Emergency preparedness	-	17,419	17,419
Local emergency plan commission	75,940	77,413	1,473
Housing and urban development	-	152,857	152,857
Economic development	200,000	165,772	(34,228)
Total intergovernmental	38,034,544	16,323,253	(21,711,291)
Charges for services			
Mobile home placement fees	200,000	158,307	(41,693)
Building inspection fees	1,647,000	2,073,985	426,985
Miscellaneous general government fees	10,000	67,356	57,356
Building permits and zoning fees	2,427,000	3,153,339	726,339
911 System fees	559,630	559,637	7
Private road and sewer review and inspection fees	1,752,000	1,865,683	113,683
Airpark and economic development fees	106,500	161,961	55,461
Marriage Bureau	200,000	208,745	8,745
Paramedics	55,000	48,960	(6,040)
Prothonotary	-	59	59
Recorder of Deeds	4,249,600	5,334,691	1,085,091
Register of Wills	1,850,000	1,743,188	(106,812)
Sheriff	1,000,000	808,289	(191,711)
Total charges for services	14,056,730	16,184,200	2,127,470
Fines and forfeits	70,000	94,876	24,876

(continued)

SUSSEX COUNTY, DELAWARE
SCHEDULE OF GENERAL FUND REVENUES AND OTHER FINANCING SOURCES - BUDGET AND ACTUAL
CONTINUED
FOR THE YEAR ENDED JUNE 30, 2025

- 84 -

	Final Budget Amounts	Actual Amounts	Variance with Final Budget
Miscellaneous revenue			
Investment earnings	\$ 3,080,000	\$ 9,357,267	\$ 6,277,267
Miscellaneous revenues	949,500	1,156,210	206,710
Total miscellaneous revenues	<u>4,029,500</u>	<u>10,513,477</u>	<u>6,483,977</u>
Other financing sources			
Subscriptions issued	-	64,238	64,238
Sale of capital assets	-	29,768	29,768
Appropriated reserves	12,440,000	-	(12,440,000)
Total other financing sources	<u>12,440,000</u>	<u>94,006</u>	<u>(12,345,994)</u>
Total revenues and other funding sources	<u>\$ 125,793,236</u>	<u>\$ 120,817,474</u>	<u>\$ 4,975,762</u>

SUSSEX COUNTY, DELAWARE
SCHEDULE OF GENERAL FUND EXPENDITURES AND OTHER FINANCING USES -
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2025

- 85 -

	Final Budget Amounts	Actual Amounts	Variance with Final Budget
General government			
County Council			
Salaries and wages	\$ 304,814	\$ 304,814	\$ -
Fringe benefits	199,150	199,150	-
Contractual services	198,478	186,308	12,170
Material and supplies	20,959	18,769	2,190
Other expenditures	22,500	17,684	4,816
Travel and training	16,550	13,222	3,328
Total county council	<u>762,452</u>	<u>739,948</u>	<u>22,504</u>
Administration			
Salaries and wages	463,145	463,145	-
Fringe benefits	198,568	198,568	-
Contractual services	38,699	38,699	-
Material and supplies	13,639	13,639	-
Other expenditures	15,323	15,323	-
Travel and training	257	257	-
Contingency	600,880	352,870	248,010
Total administration	<u>1,330,511</u>	<u>1,082,501</u>	<u>248,010</u>
Legal	<u>450,000</u>	<u>291,492</u>	<u>158,508</u>
Finance			
Salaries and wages	1,288,862	1,288,822	40
Fringe benefits	701,164	701,164	-
Contractual services	1,039,137	924,039	115,098
Material and supplies	15,200	11,385	3,815
Travel and training	5,420	4,457	963
Machinery and equipment	4,250	-	4,250
Debt service:			
Principal	16,208	16,208	-
Interest	330	330	-
Total finance	<u>3,070,571</u>	<u>2,946,405</u>	<u>124,166</u>
Assessment			
Salaries and wages	1,373,529	1,373,529	-
Fringe benefits	848,810	848,810	-
Contractual services	3,827,270	1,779,115	2,048,155
Material and supplies	34,596	15,494	19,102
Travel and training	6,250	3,955	2,295
Machinery and equipment	32,890	28,847	4,043
Total assessment	<u>6,123,345</u>	<u>4,049,750</u>	<u>2,073,595</u>

(continued)

SUSSEX COUNTY, DELAWARE
SCHEDULE OF GENERAL FUND EXPENDITURES AND OTHER FINANCING USES -
BUDGET AND ACTUAL - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2025

- 86-

	Final Budget Amounts	Actual Amounts	Variance with Final Budget
General Government - continued			
Geographic information services			
Salaries and wages	\$ 517,453	\$ 517,453	\$ -
Fringe benefits	319,557	315,195	4,362
Contractual services	144,107	139,236	4,871
Material and supplies	8,595	4,345	4,250
Travel and training	17,895	11,830	6,065
Debt service:			
Principal	67,230	67,230	-
Interest	1,434	1,370	64
Total mapping and addressing	<u>1,076,271</u>	<u>1,056,659</u>	<u>19,612</u>
Human resources and general employment			
Salaries and wages	636,266	605,047	31,219
Fringe benefits	353,267	249,194	104,073
Contractual services	204,373	99,419	104,954
Material and supplies	9,650	3,783	5,867
Other expenditures	12,161	9,136	3,025
Travel and training	28,923	12,297	16,626
Total human resources	<u>1,244,640</u>	<u>978,876</u>	<u>265,764</u>
Records management			
Salaries and wages	184,573	181,580	2,993
Fringe benefits	129,690	129,124	566
Contractual services	2,162	2,162	-
Material and supplies	6,079	6,079	-
Travel and training	3,126	3,126	-
Machinery and equipment	-	-	-
Total records management	<u>325,630</u>	<u>322,071</u>	<u>3,559</u>
Facilities Management			
Salaries and wages	968,521	885,947	82,574
Fringe benefits	559,389	540,655	18,734
Contractual services	744,453	640,530	103,923
Material and supplies	207,565	186,497	21,068
Travel and training	1,811	1,811	-
Equipment & improvements	206,500	198,924	7,576
Total facilities management	<u>2,688,239</u>	<u>2,454,364</u>	<u>233,875</u>

(continued)

SUSSEX COUNTY, DELAWARE
SCHEDULE OF GENERAL FUND EXPENDITURES AND OTHER FINANCING USES -
BUDGET AND ACTUAL - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2025

- 87 -

	Final Budget Amounts	Actual Amounts	Variance with Final Budget
General government - continued			
Information technology			
Salaries and wages	\$ 1,187,456	\$ 1,187,456	\$ -
Fringe benefits	211,150	210,694	456
Contractual services	683,567	768,738	(85,171)
Material and supplies	224,610	202,063	22,547
Travel and training	33,401	25,667	7,734
Equipment	326,233	72,951	253,282
Debt service:			
Principal	237,920	115,757	122,163
Interest	10,439	5,024	5,415
Total information technology	<u>2,914,776</u>	<u>2,588,350</u>	<u>326,426</u>
Total General Government	<u>19,986,434</u>	<u>16,510,415</u>	<u>3,476,019</u>
Planning and zoning			
Salaries and wages	941,463	899,307	42,156
Fringe benefits	483,935	472,483	11,452
Contractual services	681,323	648,836	32,487
Material and supplies	17,060	13,176	3,884
Travel and training	12,000	7,480	4,520
Machinery and equipment	9,247	7,953	1,294
Total planning and zoning	<u>2,145,028</u>	<u>2,049,235</u>	<u>95,793</u>
Building code			
Salaries and wages	972,372	972,372	-
Fringe benefits	586,561	586,530	31
Contractual services	38,948	36,754	2,194
Material and supplies	52,939	34,670	18,269
Travel and training	8,200	4,890	3,310
Machinery and equipment	30,150	28,847	1,303
Total building code	<u>1,689,170</u>	<u>1,664,063</u>	<u>25,107</u>
Constables			
Salaries and wages	325,487	325,487	-
Fringe benefits	205,717	204,477	1,240
Contractual services	1,069,971	1,065,653	4,318
Material and supplies	18,576	12,674	5,902
Other expenditures	60,085	46,981	13,104
Travel and training	1,939	1,330	609
Total constables	<u>1,681,775</u>	<u>1,656,602</u>	<u>25,173</u>
Total Planning and Zoning	<u>5,515,973</u>	<u>5,369,900</u>	<u>146,073</u>

(continued)

SUSSEX COUNTY, DELAWARE**SCHEDULE OF GENERAL FUND EXPENDITURES AND OTHER FINANCING USES -****BUDGET AND ACTUAL - CONTINUED****FOR THE YEAR ENDED JUNE 30, 2025**

	Final Budget Amounts	Actual Amounts	Variance with Final Budget
Paramedics			
Salaries and wages	\$ 12,503,810	\$ 12,503,810	\$ -
Fringe benefits	5,857,157	5,857,157	-
Contractual services	1,564,653	1,564,653	-
Material and supplies	984,490	984,490	-
Other expenditures	13,128	13,128	-
Travel and training	140,679	140,679	-
Equipment	2,878,023	2,757,885	120,138
Debt service:			
Principal	41,050	41,050	-
Interest	1,967	1,967	-
Total paramedics	<u>23,984,958</u>	<u>23,864,820</u>	<u>120,138</u>
Emergency preparedness			
Administration			
Salaries and Wages	215,984	174,155	41,829
Fringe benefits	108,828	103,356	5,472
Contractual services	406,631	394,686	11,945
Other expenditures	1,085	1,085	-
Travel and training	25,418	25,418	-
Machinery and equipment	2,106	10,847	(8,740)
Debt Service:			
Principal	14,409	9,234	5,175
Interest	188	188	-
Total administration	<u>817,430</u>	<u>764,262</u>	<u>53,168</u>
Emergency operations center			
Salaries and wages	3,617,793	3,368,814	248,979
Fringe benefits	1,868,661	1,794,164	74,497
Contractual services	339,985	333,421	6,563
Material and supplies	44,982	43,435	1,547
Other expenditures	7,445	6,579	866
Travel and training	38,405	38,405	-
Machinery and equipment	82,992	43,063	39,928
Principal	10,799	6,618	4,181
Interest	135	135	-
Total emergency operation center	<u>6,011,196</u>	<u>5,634,635</u>	<u>376,562</u>
Communication systems			
Salaries and wages	222,397	222,397	-
Fringe benefits	120,128	119,969	159
Contractual services	45,122	41,821	3,301
Material and supplies	53,959	51,970	1,989
Machinery and equipment	72,872	72,872	-
Total communication systems	<u>514,478</u>	<u>509,029</u>	<u>5,448</u>

(continued)

SUSSEX COUNTY, DELAWARE
SCHEDULE OF GENERAL FUND EXPENDITURES AND OTHER FINANCING USES -
BUDGET AND ACTUAL - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2025

- 89 -

	Final Budget Amounts	Actual Amounts	Variance with Final Budget
Emergency preparedness - continued			
Local emergency planning community program			
Salaries and wages	\$ 62,978	\$ 62,978	\$ -
Fringe benefits	36,449	36,449	-
Contractual services	1,222	1,222	-
Material and supplies	305	305	-
Total local planning community program	<u>100,953</u>	<u>100,953</u>	<u>-</u>
Total Emergency Preparedness	<u>7,444,057</u>	<u>7,008,879</u>	<u>435,179</u>
County engineer			
Salaries and wages	1,534,629	1,530,274	4,355
Fringe benefits	798,563	798,563	-
Contractual services	397,854	306,204	91,650
Material and supplies	39,896	37,097	2,799
Other expenditures	328,238	154,988	173,250
Travel and training	4,206	3,469	737
Debt Service:			
Principal	-	9,865	(9,865)
Interest	210	201	9
Total county engineer	<u>3,103,596</u>	<u>2,840,661</u>	<u>262,935</u>
Library			
Library administration	926,665	634,630	292,035
Library facilities	<u>2,909,331</u>	<u>2,384,992</u>	<u>524,339</u>
Total library	<u>3,835,996</u>	<u>3,019,622</u>	<u>816,374</u>
Economic development and airpark			
Economic development			
Salaries and wages	199,881	189,541	10,340
Fringe benefits	72,690	71,382	1,308
Contractual services	279,350	174,087	105,263
Material and supplies	45,200	9,841	35,359
Travel and training	37,000	13,910	23,090
Equipment	32,897	32,897	-
Total economic development	<u>667,018</u>	<u>491,658</u>	<u>175,360</u>
Security			
Salaries and wages	261,588	261,587	1
Fringe benefits	38,715	38,715	-
Contractual services	282,429	281,895	534
Material and supplies	9,279	9,279	-
Travel and training	5,037	5,037	-
Equipment and improvements	7,604	7,604	-
Total security	<u>604,652</u>	<u>604,117</u>	<u>535</u>

(continued)

**SCHEDULE OF GENERAL FUND EXPENDITURES AND OTHER FINANCING USES -
BUDGET AND ACTUAL - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2025**

	Final Budget Amounts	Actual Amounts	Variance with Final Budget
Economic development and airpark - continued			
Airpark			
Salaries and wages	\$ 171,742	\$ 171,148	\$ 594
Fringe benefits	84,344	83,858	486
Contractual services	761,669	465,288	296,381
Material and supplies	92,075	30,454	61,621
Other expenditures	158,500	136,492	22,008
Travel and training	14,650	2,488	12,162
Total airpark	<u>1,282,980</u>	<u>889,728</u>	<u>393,252</u>
Total economic development and airpark	<u>2,554,650</u>	<u>1,985,503</u>	<u>569,147</u>
Community development			
Salaries and wages	506,470	446,139	60,331
Fringe benefits	278,600	253,694	24,906
Contractual services	3,649,814	3,021,832	627,982
Material and supplies	9,400	7,290	2,110
Other expenditures	3,400	377	3,023
Travel and training	2,200	1,346	854
Equipment	46,100	38,989	7,111
Total community development	<u>4,495,984</u>	<u>3,769,667</u>	<u>726,317</u>
Community assistance program			
Fire and ambulance grants	5,678,950	6,395,826	(716,876)
Public safety grants	6,743,884	5,743,884	1,000,000
Environmental grants	2,070,050	1,838,082	231,968
Public assistance grant	8,407,651	4,834,363	3,573,288
Economic assistance grant	9,109,533	2,337,635	6,771,898
Library grants	3,017,600	2,975,905	41,695
Total community assistance program	<u>35,027,668</u>	<u>24,125,695</u>	<u>10,901,973</u>
Constitutional offices			
Marriage Bureau	310,430	288,636	21,794
Recorder of Deeds	972,091	966,260	5,831
Register of Wills	725,700	715,884	9,816
Sheriff	802,635	789,360	13,275
Total constitutional offices	<u>2,810,856</u>	<u>2,760,140</u>	<u>50,716</u>
Total expenditures	<u>108,760,172</u>	<u>91,255,301</u>	<u>17,504,871</u>
Other financing uses			
Transfers out	115,500	115,500	-
Grant funds allocated to business-type activities	16,917,564	-	16,917,564
Total other financing uses	<u>17,033,064</u>	<u>115,500</u>	<u>16,917,564</u>
Total expenditures and other financing uses	<u>\$ 125,793,236</u>	<u>\$ 91,370,801</u>	<u>\$ 34,422,435</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, 2025

- 91 -

	Final Budget Amounts	Actual Amount	Variance with Final Budget
REVENUES			
Intergovernmental	\$ 4,923,500	\$ 1,203,511	\$ (3,719,989)
Contributions & Donations	11,905,000	1,569,862	(10,335,138)
Investment earnings	600,000	3,046,088	2,446,088
Total revenues	<u>17,428,500</u>	<u>5,819,461</u>	<u>(11,609,039)</u>
EXPENDITURES			
Current:			
General government	75,849	75,849	-
Total Current	<u>75,849</u>	<u>75,849</u>	<u>-</u>
Capital Outlay			
General Government	7,656,131	4,546,763	3,109,368
Paramedics	1,630,000	1,212,414	417,586
Airport/Business Park	5,587,000	2,220,093	3,366,907
Engineering	1,617,020	1,617,020	-
Library	862,500	409,776	452,724
Total Capital Outlay	<u>17,352,651</u>	<u>10,006,066</u>	<u>7,346,585</u>
Total expenditures	<u>17,428,500</u>	<u>10,081,915</u>	<u>7,346,585</u>
Excess of revenues over (under) expenditures	<u>-</u>	<u>(4,262,454)</u>	<u>(4,262,454)</u>
Net change in fund balances	-	(4,262,454)	(4,262,454)
Fund balances - beginning	<u>68,498,800</u>	<u>68,498,800</u>	<u>-</u>
Fund balances - ending	<u>\$ 68,498,800</u>	<u>\$ 64,236,346</u>	<u>\$ (4,262,454)</u>

FIDUCIARY FUND

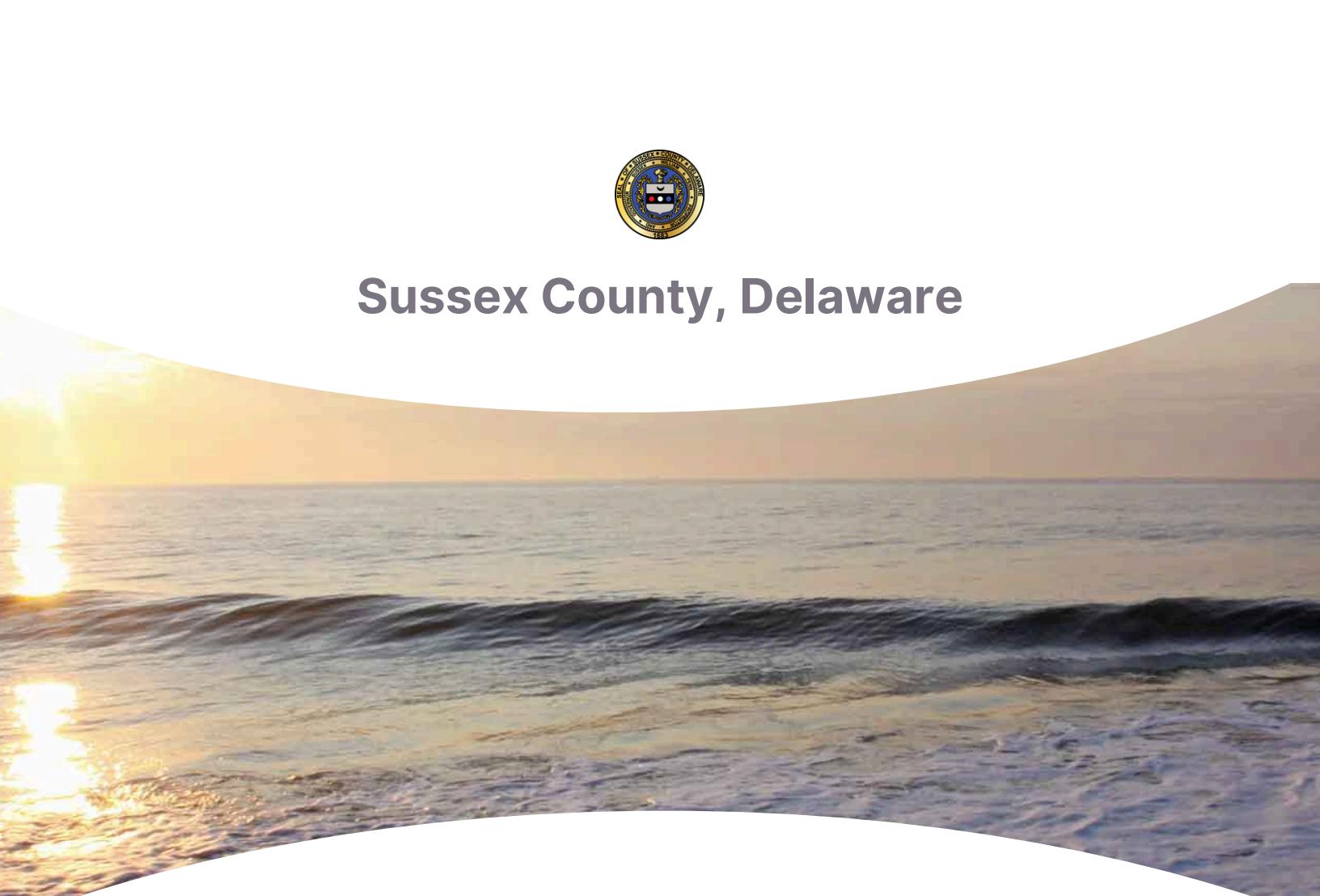
	Pension Trust	Post-retirement Employee Benefit Trust	Total
ASSETS			
Cash and cash equivalents	\$ 3,497,997	\$ 1,193,432	\$ 4,691,429
Investments:			
U.S. Treasuries	12,091,688	5,947,916	18,039,604
Government Agencies	199,564	-	199,564
Bank Loan Funds	4,964,860	2,015,895	6,980,755
Corporate obligations	32,907,310	12,442,056	45,349,366
Core Real Estate	4,438,166	1,810,685	6,248,851
Infrastructure	12,664,741	5,161,023	17,825,764
Mutual funds and pooled investments	110,061,602	44,539,653	154,601,255
Total Investments	177,327,931	71,917,228	249,245,159
Accrued interest	<u>374.147</u>	<u>157,538</u>	<u>531.685</u>
Total Assets	<u>181,200,075</u>	<u>73,268,198</u>	<u>254,468,273</u>
LIABILITIES			
Accounts payable	60,144	43,711	103,855
Due to general fund	-	8,421	8,421
Total Liabilities	<u>60,144</u>	<u>52,132</u>	<u>112,276</u>
NET POSITION			
Net position restricted for pension and OPEB benefits	<u>\$ 181,139,931</u>	<u>\$ 73,216,066</u>	<u>\$ 254,355,997</u>

COMBINING STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2025

	Pension Trust	Post- retirement Employee Benefit Trust	Total
ADDITIONS			
Employer contributions	\$ 4,688,420	\$ 2,382,678	\$ 7,071,098
Employee contributions	654,343	-	654,343
Investment earnings:			
Net appreciation of investments	12,133,219	4,683,048	16,816,267
Interest and dividends	6,780,129	2,995,810	9,775,939
Total investment earnings	18,913,348	7,678,858	26,592,206
Less investment costs	(278,813)	(115,860)	(394,673)
Net investment earnings	18,634,535	7,562,998	26,197,533
Total additions	<u>23,977,298</u>	<u>9,945,676</u>	<u>33,922,974</u>
DEDUCTIONS			
Beneficiary payments	7,015,939	3,728,828	10,744,767
Professional fees	213,933	92,436	306,369
Total deductions	<u>7,229,872</u>	<u>3,821,264</u>	<u>11,051,136</u>
Net increase in plan net position	16,747,426	6,124,412	22,871,838
Net position restricted for pension and OPEB benefits - beginning	<u>164,392,505</u>	<u>67,091,654</u>	<u>231,484,159</u>
Net position restricted for pension and OPEB benefits - ending	<u>\$ 181,139,931</u>	<u>\$ 73,216,066</u>	<u>\$ 254,355,997</u>



Sussex County, Delaware



A wide-angle photograph of a sunset over the ocean. The sun is low on the horizon, casting a warm, golden glow over the water. The ocean waves are visible in the foreground, crashing onto a sandy beach. The sky is a mix of orange, yellow, and blue, with some wispy clouds. The overall scene is peaceful and scenic.

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>
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>	95 - 100
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>	101 - 104
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>	105 - 106
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>	107 - 108
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>	109 - 111

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)

- 95 -

	2016										
	as restated	2017	2018	2019	2020	2021	2022	2023	2024	2025	
Governmental activities											
Net investment in capital assets	\$ 78,216,994	\$ 82,604,022	\$ 84,144,082	\$ 87,307,216	\$ 93,018,347	\$ 95,551,537	\$ 101,525,312	\$ 111,520,404	\$ 113,002,406	\$ 118,129,330	
Restricted	57,265,576	63,969,632	72,319,111	73,462,380	88,955,557	103,290,603	129,854,977	138,468,808	132,672,224	172,474,479	
Unrestricted	30,428,391	30,413,739	31,989,121	43,795,356	40,407,560	62,637,940	57,180,431	67,376,602	102,009,226	90,926,185	
Total governmental activities net position	<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>	<u>\$ 288,560,720</u>	<u>\$ 317,365,814</u>	<u>\$ 347,683,856</u>	<u>\$ 381,529,994</u>	
Business-type activities											
Net investment in capital assets	\$ 220,310,592	\$ 239,365,922	\$ 242,907,425	\$ 273,869,317	\$ 306,996,877	\$ 312,780,719	\$ 324,432,012	\$ 361,184,576	\$ 405,503,043	451,198,325	
Restricted	65,761,276	59,306,086	64,748,595	76,579,751	75,238,638	85,391,251	86,645,337	85,979,015	93,461,083	98,025,092	
Unrestricted	22,380,633	19,484,264	26,954,823	15,931,184	10,755,253	20,092,468	26,731,011	15,760,470	16,274,191	27,848,516	
Total business-type activities net position	<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>	<u>\$ 437,808,360</u>	<u>\$ 462,924,061</u>	<u>\$ 515,238,317</u>	<u>\$ 577,071,933</u>	
Primary government											
Net investment in capital assets	\$ 298,527,586	\$ 321,969,944	\$ 327,051,507	\$ 361,176,533	\$ 400,015,224	\$ 408,332,256	\$ 425,957,324	\$ 472,704,980	\$ 518,505,449	569,327,655	
Restricted	123,026,852	123,275,718	137,067,706	150,042,131	164,194,195	188,681,854	238,931,210	224,447,823	226,133,307	270,499,571	
Unrestricted	52,809,024	49,898,003	58,943,944	59,726,540	51,162,813	82,730,408	61,480,546	83,137,072	118,283,417	118,774,701	
Total primary government net position	<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>	<u>\$ 726,369,080</u>	<u>\$ 780,289,875</u>	<u>\$ 862,922,173</u>	<u>\$ 958,601,927</u>	

Notes:

1. 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)

- 96 -

	2016 as restated	2017	2018	2019	2020	2021	2022	2023	2024	2025
Expenses										
Governmental activities:										
General government	\$ 30,002,513	\$ 14,999,329	\$ 16,510,060	\$ 16,555,625	\$ 16,147,716	\$ 7,520,951	\$ 17,721,356	\$ 18,931,941	\$ 16,443,913	\$ 14,549,452
Community assistance program	9,915,966	10,362,109	11,270,949	13,736,171	14,118,069	21,390,212	22,494,926	18,484,681	20,486,830	23,763,306
Planning and zoning	1,272,303	1,767,664	1,716,521	1,638,747	1,557,365	2,580,241	2,936,104	4,407,862	4,870,513	5,450,712
Paramedic program	13,489,135	14,444,807	14,923,379	16,209,069	16,506,738	16,637,782	17,281,301	19,722,967	21,084,434	22,327,412
Emergency preparedness	3,414,864	3,687,552	3,757,532	3,869,706	4,309,246	4,942,953	5,247,706	6,078,549	6,331,039	7,363,717
Economic development and Airpark	2,855,446	3,072,208	3,263,235	3,501,515	4,074,827	4,763,057	4,648,729	4,723,973	5,008,940	6,434,596
County engineer	2,351,221	1,511,146	1,639,722	1,037,068	1,279,617	1,109,090	1,785,092	1,595,449	3,312,493	2,839,488
Library	2,887,880	2,950,264	3,076,799	3,206,010	3,314,143	3,280,930	3,306,846	3,283,349	3,332,040	3,357,000
Community development and housing programs	2,051,580	2,157,621	1,759,425	1,939,275	1,957,643	2,418,638	3,168,738	4,159,487	3,893,947	3,777,216
Constitutional offices	2,335,997	2,433,532	2,386,080	2,414,528	2,460,778	2,557,573	2,527,514	2,626,204	2,700,906	2,758,804
Interest on long-term debt	-	-	-	-	-	-	415	528,831	11,789	9,214
Total governmental activities expenses	<u>70,576,905</u>	<u>57,386,232</u>	<u>60,303,702</u>	<u>64,107,714</u>	<u>65,726,142</u>	<u>67,201,427</u>	<u>81,118,727</u>	<u>84,543,293</u>	<u>87,476,844</u>	<u>92,630,917</u>
Business-type activities:										
Sewer facilities	39,048,235	35,167,846	33,519,513	33,671,550	37,418,065	42,024,610	42,566,436	45,360,436	49,065,384	52,421,726
Water facilities	1,251,337	1,299,626	1,162,200	1,212,059	1,189,872	1,415,297	1,541,103	1,967,321	1,720,175	1,769,219
Total business-type activities expenses	<u>40,299,572</u>	<u>36,467,472</u>	<u>34,681,713</u>	<u>34,883,609</u>	<u>38,607,937</u>	<u>43,439,907</u>	<u>44,107,539</u>	<u>47,327,757</u>	<u>50,785,559</u>	<u>54,190,945</u>
Total primary government expenses	<u>\$ 110,876,477</u>	<u>\$ 93,853,704</u>	<u>\$ 94,985,415</u>	<u>\$ 98,991,323</u>	<u>\$ 104,334,079</u>	<u>\$ 110,641,334</u>	<u>\$ 125,226,266</u>	<u>\$ 131,871,050</u>	<u>\$ 138,262,403</u>	<u>\$ 146,821,862</u>
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 1,832,205	\$ 2,011,190	\$ 1,979,163	\$ 2,575,246	\$ 2,077,385	\$ 2,840,815	\$ 2,585,669	\$ 710,468	\$ 675,981	\$ 488,362
Planning and zoning	1,895,358	2,134,990	2,226,305	2,694,274	2,310,409	3,372,843	3,110,241	5,214,423	4,824,805	5,307,406
Paramedics	19,225	27,115	29,355	33,180	61,265	60,090	45,635	54,401	55,038	48,960
Emergency preparedness	17,500	20,800	20,800	20,800	20,800	20,800	17,500	14,200	17,500	17,500
Economic development and airpark	483,227	581,284	530,078	592,964	650,852	623,646	674,061	676,583	795,677	930,272
County engineer	1,610,081	1,238,518	1,935,572	1,725,883	1,892,140	2,809,175	2,845,768	2,187,863	3,021,230	1,865,683
Library	39,077	32,622	31,538	28,110	15,744	566	9,822	18,532	16,991	14,794
Constitutional offices	6,934,857	8,469,402	7,571,546	7,395,152	7,645,576	10,495,091	9,563,202	8,101,930	7,868,374	8,094,972
Operating grants and contributions	7,308,976	7,626,361	5,931,357	7,541,334	7,785,453	8,591,133	9,936,890	14,518,863	17,054,073	16,892,902
Capital grants and contributions	2,018,147	702,252	425,636	2,050,546	4,018,377	573,362	1,742,413	3,641,335	848,733	2,985,052
Total governmental activities program revenues	<u>22,158,653</u>	<u>22,844,534</u>	<u>20,681,350</u>	<u>24,657,489</u>	<u>26,478,001</u>	<u>29,387,521</u>	<u>30,531,201</u>	<u>35,138,598</u>	<u>35,178,402</u>	<u>36,645,903</u>

(continued)

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

- 97 -

	2016		2017		2018		2019		2020		2021		2022		2023		2024		2025	
	as restated		2017		2018		2019		2020		2021		2022		2023		2024		2025	
Business-type activities:																				
Charges for services:																				
Sewer facilities	\$ 21,550,662		\$ 21,749,464		\$ 23,665,580		\$ 24,357,943		\$ 24,984,618		\$ 26,241,664		\$ 29,233,480		\$ 31,739,069		\$ 34,129,515		\$ 38,134,402	
Water facilities	1,249,930		1,234,499		1,238,663		1,261,416		1,274,502		1,331,189		1,408,162		1,611,463		1,686,666		1,819,000	
Operating grants and contributions	16,306,257		17,714,845		19,480,380		26,261,126		24,821,790		28,690,407		20,414,771		27,129,392		29,435,825		30,003,184	
Capital grants and contributions	7,049,610		5,424,290		6,388,880		14,244,228		13,616,195		12,257,912		13,357,146		12,055,311		36,984,150		39,789,506	
Total business-type activities program revenues	46,156,459		46,123,098		50,773,503		66,124,713		64,697,105		68,521,172		64,413,559		72,535,235		102,236,156		109,746,092	
Total primary government program revenues	\$ 22,158,653		\$ 22,844,534		\$ 20,681,350		\$ 24,657,489		\$ 26,478,001		\$ 29,387,521		\$ 94,944,760		\$ 107,713,637		\$ 137,414,558		\$ 146,391,995	
Net (Expense)/Revenue																				
Governmental activities	\$ (48,418,252)		\$ (34,541,698)		\$ (39,622,352)		\$ (39,450,225)		\$ (39,248,141)		\$ (37,813,906)		\$ (50,587,526)		\$ (49,404,695)		\$ (52,298,442)		\$ (55,985,014)	
Business-type activities	5,856,887		9,655,626		16,091,790		31,241,104		26,089,168		25,081,265		20,306,020		25,207,478		51,450,597		55,555,147	
Total primary government net (expense)/revenue	\$ (42,561,365)		\$ (24,886,072)		\$ (23,530,562)		\$ (8,209,121)		\$ (13,158,973)		\$ (12,732,641)		\$ (30,281,506)		\$ (24,197,217)		\$ (847,845)		\$ (429,867)	
General Revenues and Other Changes in Net Position																				
Governmental activities:																				
Property taxes	\$ 14,715,444		\$ 15,264,023		\$ 15,709,654		\$ 16,129,403		\$ 16,644,442		\$ 17,087,426		\$ 17,632,070		\$ 18,311,658		\$ 18,894,803		\$ 19,616,033	
Fire service taxes	1,421,496		1,647,719		1,694,992		2,070,724		1,789,174		2,663,857		2,386,367		2,300,737		2,254,333		2,385,759	
Realty transfer taxes	24,210,264		27,989,410		32,299,796		33,501,282		35,477,592		57,024,772		63,006,928		53,459,501		47,794,037		54,646,935	
Lodging taxes	-		-		-		-		49,958		-		955,081		1,258,496		808,024		891,630	
Unrestricted investment results	935,665		259,279		1,190,083		3,816,187		3,113,675		179,303		(6,296,359)		3,106,505		12,618,496		12,403,355	
Gain (loss) on sale of capital assets	-		468,928		204,544		59,218		3,777		19,303		50,329		(421,907)		362,291		2,940	
Transfers	(8,222)		(11,229)		(11,796)		(13,951)		(13,965)		(62,139)		(66,250)		194,799		(115,500)		(115,500)	
Total governmental activities	41,274,647		45,618,130		51,087,273		55,562,863		57,064,653		76,912,522		77,668,166		78,209,789		82,616,484		89,831,152	
Business-type activities:																				
Unrestricted investment results	509,265		34,935		324,440		521,362		396,483		108,126		(929,764)		18,100		816,922		6,162,822	
Gain (loss) on sale of capital assets	-		1,981		26,545		(7,008)		110,900		22,140		101,416		84,922		(68,763)		147	
Transfers	8,222		11,229		11,796		13,951		13,965		62,139		66,250		(194,799)		115,500		115,500	
Total business-type activities	517,487		48,145		362,781		528,305		521,348		192,405		(762,098)		(91,777)		863,659		6,278,469	
Total primary government program revenues	\$ 41,792,134		\$ 45,666,275		\$ 51,450,054		\$ 56,091,168		\$ 57,586,001		\$ 77,104,927		\$ 76,906,068		\$ 78,118,012		\$ 83,480,143		\$ 96,109,621	
Change in Net Position																				
Governmental activities	\$ (7,143,605)		\$ 11,076,432		\$ 11,464,921		\$ 16,112,638		\$ 17,816,512		\$ 39,098,616		\$ 27,080,640		\$ 28,805,094		\$ 30,318,042		\$ 33,846,138	
Business-type activities	6,374,374		9,703,771		16,454,571		31,769,409		26,610,516		25,273,670		19,543,922		25,115,701		52,314,256		61,833,616	
Total primary government	\$ (769,231)		\$ 20,780,203		\$ 27,919,492		\$ 47,882,047		\$ 44,427,028		\$ 64,372,286		\$ 46,624,562		\$ 53,920,795		\$ 82,632,298		\$ 95,679,754	

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

- 98 -

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
General Fund										
Nonspendable	\$ 359,120	\$ 345,211	\$ 315,913	\$ 352,961	\$ 316,316	\$ 267,909	\$ 342,349	\$ 592,772	\$ 559,430	\$ 762,445
Restricted	49,092,198	51,308,089	52,560,032	57,923,703	64,131,190	74,207,956	68,118,803	69,231,584	86,888,851	104,505,328
Committed	1,079,713	1,282,810	838,424	1,811,458	1,867,007	10,439,101	2,031,648	1,585,717	1,573,184	1,712,777
Assigned	4,960,008	16,286,439	17,237,808	20,899,412	8,516,719	2,079,742	2,563,861	783,227	879,219	720,678
Unassigned	40,577,312	32,478,506	34,518,709	29,029,042	37,826,924	38,531,552	55,475,146	68,318,440	80,834,777	92,480,906
Total general fund	<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>	<u>\$ 128,531,807</u>	<u>\$ 140,511,740</u>	<u>\$ 170,735,461</u>	<u>\$ 200,182,134</u>
All Other Governmental Funds										
Restricted	\$ 14,587,607	\$ 17,447,074	\$ 17,575,194	\$ 17,119,804	\$ 23,769,732	\$ 42,372,227	\$ 60,387,128	\$ 70,211,913	\$ 68,455,895	\$ 64,192,266
Committed	1,420,252	1,420,883	1,425,270	1,454,505	1,477,446	-	-	41,279	42,905	44,080
Total all other governmental funds	<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>	<u>\$ 60,387,128</u>	<u>\$ 70,253,192</u>	<u>\$ 68,498,800</u>	<u>\$ 64,236,346</u>

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

- 99 -

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	
Revenues											
Taxes	\$ 40,439,840	\$ 44,753,872	\$ 49,650,439	\$ 51,665,225	\$ 54,100,265	\$ 76,945,223	\$ 84,241,990	\$ 75,429,673	\$ 69,909,394	\$ 77,607,662	
Intergovernmental	7,690,677	7,812,579	6,381,117	9,508,129	10,872,888	8,383,063	11,535,554	17,582,450	16,826,840	17,526,764	
Charges for services	13,029,358	14,818,108	14,668,167	15,280,305	15,093,396	20,452,979	19,197,820	17,186,230	16,831,906	16,184,200	
Fines and forfeits	34,573	42,383	43,850	130,750	42,889	76,071	97,136	140,862	103,848	94,876	
Investments	935,665	218,753	1,071,365	3,304,948	2,726,474	181,631	(4,967,467)	2,360,332	9,217,183	12,403,355	
Contributions	-	-	-	-	-	-	-	-	-	1,569,862	
Miscellaneous	1,497,380	317,127	353,782	786,465	592,824	313,184	(1,002,136)	1,093,885	4,418,020	1,156,210	
Total revenues	<u>63,627,493</u>	<u>67,962,822</u>	<u>72,168,720</u>	<u>80,675,822</u>	<u>83,428,736</u>	<u>106,352,151</u>	<u>109,102,897</u>	<u>113,793,432</u>	<u>117,307,191</u>	<u>126,542,929</u>	
Expenditures											
General government	11,620,306	12,134,947	22,421,967	24,059,566	19,226,788	12,632,889	15,899,638	15,967,874	16,950,951	16,380,345	
Community assistance program	9,915,966	10,362,109	11,270,949	13,881,654	15,161,605	22,435,725	22,629,342	18,850,874	20,611,294	24,125,695	
Planning and zoning	1,267,717	1,815,372	1,702,870	1,647,045	1,519,867	2,549,785	2,915,491	4,546,629	4,870,794	5,369,900	
Paramedic program	13,418,373	14,309,979	15,011,135	15,216,418	16,365,912	16,587,234	17,137,843	19,443,829	20,873,146	23,821,803	
Emergency preparedness	3,111,494	3,247,659	3,311,123	3,554,384	3,963,013	4,447,013	4,793,373	5,561,645	5,870,348	6,992,704	
Economic development and airpark	1,235,456	1,437,225	1,431,704	1,477,520	1,632,394	1,477,109	1,473,759	1,643,339	1,677,627	1,985,503	
County engineer	1,969,268	1,796,532	1,811,453	1,518,135	1,339,204	1,276,974	1,844,693	2,112,036	2,450,182	2,830,595	
Library	2,640,264	2,695,104	2,807,198	2,975,828	2,961,749	2,929,383	2,957,958	2,943,691	3,027,002	3,019,622	
Community development	2,018,592	2,126,251	1,726,572	1,902,759	1,918,981	2,385,475	3,133,471	4,139,526	3,849,826	3,769,667	
Constitutional offices	2,307,376	2,452,591	2,367,555	2,564,971	2,459,071	2,491,178	2,454,320	2,583,146	2,712,630	2,760,140	
Debt Service:											
Interest and financing charges	-	-	-	-	-	-	36,785	6,885	11,789	9,214	
Principal	-	-	-	-	-	-	415	558,869	587,285	265,962	
Capital outlays	<u>2,394,954</u>	<u>7,765,080</u>	<u>4,663,723</u>	<u>7,791,224</u>	<u>7,567,272</u>	<u>7,107,926</u>	<u>13,304,671</u>	<u>14,641,800</u>	<u>6,040,151</u>	<u>10,006,066</u>	
Total expenditures	<u>51,899,766</u>	<u>60,142,849</u>	<u>68,526,249</u>	<u>76,589,504</u>	<u>74,115,856</u>	<u>76,320,691</u>	<u>88,581,759</u>	<u>93,000,143</u>	<u>89,533,025</u>	<u>101,337,216</u>	
Excess of revenues over (under) expenditures	<u>11,727,727</u>	<u>7,819,973</u>	<u>3,642,471</u>	<u>4,086,318</u>	<u>9,312,880</u>	<u>30,031,460</u>	<u>20,521,138</u>	<u>20,793,289</u>	<u>27,774,166</u>	<u>25,205,713</u>	
Other Financing Sources (Uses)											
Sale of capital assets	-	684,058	4,073,704	47,168	15,534	28,151	565,560	679,189	420,897	29,768	
Transfers in	3,077,278	9,034,613	271,663	5,071,549	10,071,535	23,831,814	30,056,179	19,969,800	-	-	
Transfers out	(3,085,500)	(9,045,842)	(4,085,500)	(5,085,500)	(10,085,500)	(23,898,272)	(30,122,429)	(19,775,001)	(115,500)	(115,500)	
Subscriptions issued	-	-	-	-	-	-	178,720	389,766	64,238	-	
Total other financing sources (uses)	<u>(8,222)</u>	<u>672,829</u>	<u>259,867</u>	<u>33,217</u>	<u>1,569</u>	<u>(38,307)</u>	<u>499,310</u>	<u>1,052,708</u>	<u>695,163</u>	<u>(21,494)</u>	
Net change in fund balances	<u>\$ 11,719,505</u>	<u>\$ 8,492,802</u>	<u>\$ 3,902,338</u>	<u>\$ 4,119,535</u>	<u>\$ 9,314,449</u>	<u>\$ 29,993,153</u>	<u>\$ 21,020,448</u>	<u>\$ 21,845,997</u>	<u>\$ 28,469,329</u>	<u>\$ 25,184,219</u>	
Debt service as a percentage of noncapital expenditures	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.06%	0.07%	0.03%

SCHEDULE OF REVENUE AND EXPENDITURES AND OTHER FINANCING SOURCES AND USES
GENERAL FUND

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
June 30, 2022	108,405,064	105,399,517	3,005,547
June 30, 2023	110,112,827	98,132,894	11,979,933
June 30, 2024	113,784,898	83,561,177	30,223,721
June 30, 2025	120,817,474	91,370,801	29,446,673

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

- 101 -

Fiscal Year	Residential Property	Business	Agriculture Property	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
2016	2,932,880,840	434,363,150	118,590,557	227,246,866	3,258,587,681	0.445	39,545,966,996	8.2%
2017	3,027,540,944	442,811,028	121,596,448	228,894,171	3,363,054,249	0.445	41,315,162,764	8.1%
2018	3,135,511,233	449,468,483	124,513,173	245,224,677	3,464,268,212	0.445	44,527,869,049	7.8%
2019	3,226,242,757	451,761,425	127,125,723	244,317,159	3,560,812,746	0.445	45,768,801,356	7.8%
2020	3,339,340,561	458,379,350	129,695,123	252,967,804	3,674,447,230	0.445	49,654,692,297	7.4%
2021	3,428,987,884	465,405,625	131,116,673	246,308,593	3,779,201,589	0.445	53,228,191,394	7.1%
2022	3,543,092,984	474,433,025	132,329,723	246,960,985	3,902,894,747	0.445	62,949,915,274	6.2%
2023	3,674,861,188	480,653,835	133,549,323	240,198,350	4,048,865,996	0.445	76,393,698,038	5.3%
2024	3,823,665,435	495,544,224	134,617,358	251,941,450	4,201,885,567	0.445	92,384,316,668	4.5%
2025	3,700,868,294	520,027,975	137,196,558	256,470,900	4,614,563,727	0.445	*	*

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 1974 market values.
3. The assessed value is 50% of the appraised value.
4. Assessed value ratio estimates were developed by the University of Delaware for fiscal years 2016 through 2023.
5. For 2024, the value was based on the reassessment value as all properties were reassessed based on July 1, 2023 market values.
6. Assessed values are based on taxable assessments.
7. The values for trailers and other assessed properties was categorized as residential, business, or agricultural beginning with the fiscal year ending in 2025.

* Figures not available.

Sources: Sussex County Assessment Division and University of Delaware.

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

- 102 -

County Direct	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
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	3.0430	3.2130	3.4900	3.6774	3.9921	3.9876	3.9734	3.9722	4.0282	4.0282
Delmar	4.3669	4.1417	4.2217	4.2217	4.2017	4.2367	4.4048	4.0453	4.1396	4.1396
Indian River	2.6890	2.5780	3.0970	3.0670	3.0350	3.0541	3.2061	3.2829	3.2340	3.2340
Laurel	4.2050	4.9890	4.7120	4.8890	4.4170	4.4030	4.2498	4.2478	4.1775	4.1775
Milford	3.5682	5.3913	4.9841	4.9145	4.8913	4.8506	4.8028	4.6957	4.4556	4.4556
Seaford	3.3600	3.3600	3.5797	3.8134	3.9340	4.5955	4.1567	4.0923	4.1015	4.1015
Woodbridge	3.6090	3.6090	3.6090	3.9020	4.5560	4.5560	4.5560	4.9030	4.9030	
Vo-Tech	0.3289	0.3365	0.2704	0.2691	0.2646	0.2879	0.2907	0.3357	0.4557	0.4557
Town Rates (2)										
Bethany Beach	0.1850	0.1850	0.1850	0.1900	0.1900	0.1900	0.1950	0.1960	0.2000	0.2000
Bethel	0.4000	0.4000	0.4000	0.4000	0.4000	0.4000	0.4000	0.4000	0.5460	0.5460
Blades	0.7000	0.7000	0.7000	0.7000	0.7000	0.7000	0.7000	0.7000	0.7000	0.7000
Bridgeville	2.4000	2.4000	2.4000	2.5200	2.6400	2.7600	2.8800	3.0000	3.6600	3.6600
Dagsboro	0.5600	0.5600	0.5600	0.0560	0.0560	0.0560	0.5600	0.5600	0.5600	0.5600
Delmar	0.5400	0.5400	0.6000	0.6200	0.6300	0.6200	0.6600	0.7000	0.6600	0.7150
Dewey Beach	0.4000	0.4000	0.4000	0.4000	0.4000	0.4000	0.3000	0.4000	0.4000	0.4000
Ellendale	1.8000	1.8000	1.8000	1.8000	2.0000	1.9800	2.0000	2.0000	2.0000	2.0000
Fenwick Island	1.9200	1.9200	1.9200	1.7402	1.7402	1.7402	1.7402	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	3.1700	3.1700	3.1700	3.1700	3.1700	3.1700	3.4900	3.4900	3.4900	3.4900
Greenwood	1.8000	1.8000	1.8000	1.8000	1.8000	1.8000	2.0000	2.0000	2.0000	3.0000
Henlopen Acres	2.6200	2.6200	2.6200	2.6200	2.6200	2.9400	2.9400	2.9400	3.5000	3.5000
Laurel	2.5300	2.7300	2.8700	3.0100	3.0100	3.0100	3.0100	3.9800	3.9800	0.3980
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	0.4828	0.4928	0.5460	0.5900	0.5900
Millsboro	0.3300	0.3300	0.3300	0.3300	0.3400	0.3600	0.3800	0.3900	0.3900	0.3900
Millville	0.5000	0.5000	0.5000	0.5000	0.5000	0.5000	0.5000	0.5000	0.5000	0.5000
Milton	0.2400	0.2400	0.2400	0.2400	0.2400	0.2520	0.2950	0.3240	0.3240	0.4200
Ocean View	0.1652	0.1652	2.6700	2.4780	2.4780	2.6780	2.3780	2.3780	2.3780	2.3780
Rehoboth Beach	0.4000	0.4000	0.4000	0.0600	0.0600	0.0600	0.0600	0.0600	0.0600	0.0775
Seaford	0.3100	0.3100	0.3100	0.3400	0.3400	0.3400	0.3400	0.3400	0.3400	0.3400
Selbyville	1.8500	1.8500	1.8500	1.8500	1.8500	1.8500	1.8500	1.8500	2.1500	2.1500
Slaughter Beach	0.7500	0.7500	0.7500	0.7500	0.7500	0.7500	0.7500	0.7500	0.7500	0.9000
South Bethany	1.3000	1.3000	1.3000	1.3000	1.3000	1.3000	1.3000	1.3000	1.3000	0.0510

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 2015 ~ 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

- 103 -

Taxpayer	Fiscal Year 2025				Fiscal Year 2016			
	Taxable Assessed Valuation		Rank	Percentage of Total Assessed Valuation	Taxable Assessed Valuation		Rank	Percentage of Total Assessed Valuation
Delmarva Power & Light Co.	\$ 46,646,851	1	1.07%	\$ 31,735,980	2	0.97%		
Verizon	23,624,275	2	0.54%	35,784,375	1	1.10%		
Indian River Power LLC	12,786,471	3	0.29%	12,786,471	3	0.39%		
Chesapeake Utilities Corporation	9,205,250	4	0.18%	6,838,921	5	0.21%		
Eastern Shore Natural Gas Co.	7,984,900	5	0.21%	9,196,647	4	0.28%		
Invista Sarl	6,827,200	6	0.16%	6,827,200	6	0.21%		
Delaware Electric Cooperative, Inc.	6,635,300	7	0.15%	5,517,461	7	0.17%		
Harim Millsboro LLC	6,334,400	8	0.15%	4,807,500	8	0.15%		
Mountaire Farms of Delaware, Inc.	5,378,500	9	0.12%	4,170,150	9	0.13%		
Sussex Sports Amenities	3,366,700	10	0.07%					
G&I VII Peninsula, LLC				3,793,950	10	0.12%		
	<u>\$ 128,789,847</u>			<u>2.79%</u>	<u>\$ 121,458,655</u>			<u>3.73%</u>

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

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

- 104 -

Fiscal	Taxes Levied for Fiscal Year		Total Adjusted	Collected within the Fiscal Year of the Levy		Collections in Subsequent	Total Collections to Date	
	Year	(Original Levy)	Adjustments	Current Tax	Percent		Percentage of Adjusted	
2016	14,500,715	140,265	14,640,980	14,435,552	98.6	195,354	14,630,906	99.9%
2017	14,964,667	113,242	15,077,909	14,746,056	97.8	320,182	15,066,238	99.9%
2018	15,415,956	133,061	15,549,017	15,181,549	97.6	352,548	15,534,097	99.9%
2019	15,844,664	141,327	15,985,991	15,690,084	98.1	278,237	15,968,321	99.9%
2020	16,351,308	261,548	16,612,856	16,248,038	97.8	345,197	16,593,235	99.9%
2021	16,817,465	220,518	17,037,983	16,593,411	97.4	420,802	17,014,213	99.9%
2022	17,367,881	283,285	17,651,166	17,320,974	98.1	293,683	17,614,657	99.8%
2023	17,995,658	192,137	18,187,795	18,023,296	99.1	118,152	18,141,448	99.7%
2024	18,698,390	193,658	18,892,048	18,693,584	98.9	43,947	18,737,531	99.2%
2025	19,356,921	138,944	19,495,865	19,394,691	99.5	-	19,394,691	99.5%

Notes:

1. Total tax levy includes initial annual levy plus quarterly supplemental additions.

Source: Sussex County Finance Department

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

- 105 -

Fiscal Year	Governmental Activities			Business-Type Activities			Total Primary Government	Percentage of Personal Income	Per Capita
	Lease Obligations	Subscription-Based Information Technology Arrangements Obligations	General Obligation Bonds	Lease Obligations	Subscription-Based Information Technology Arrangements Obligations				
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	1.14	632
2021	-	-	199,992,825	-	-	-	199,992,825	1.36	808
2022	59,949	-	202,180,188	1,759,290	-	-	203,999,427	1.23	797
2023	23,025	611,076	196,402,078	1,681,581	248,471	198,966,231	1.10	752	
2024	-	354,717	200,985,195	1,615,288	141,363	203,096,563	*	749	
2025	54,725	152,993	197,124,539	1,547,298	80,972	198,960,527	*	*	

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

- 106 -

Legal debt margin calculation for June 30, 2025	
Assessed value	\$ 92,384,316,668
Debt limit (12% of assessed value)	11,086,118,000
Total net debt applicable to limit	<u>197,124,539</u>
Legal debt margin	<u>\$ 10,888,993,461</u>

	Fiscal Year										
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	
General obligation bonds	\$ 152,442,753	\$ 145,053,144	\$ 141,863,810	\$ 142,188,944	\$ 146,039,727	\$ 195,324,990	\$ 197,674,712	\$ 192,058,962	\$ 196,804,438	\$ 193,106,142	
Percentage of estimated actual property value	0.45%	0.42%	0.41%	0.41%	0.42%	0.37%	0.32%	0.25%	0.21%	*	
Per capita	\$ 717	\$ 666	\$ 639	\$ 626	\$ 632	\$ 808	\$ 790	\$ 745	\$ 741	*	
Total net debt applicable to debt limit	157,854,672	150,094,796	146,569,694	146,559,060	150,074,075	199,992,825	202,180,188	196,402,078	200,985,195	197,124,539	
Legal debt limit	403,566,510	415,710,771	415,710,771	427,297,530	440,933,668	453,504,191	468,347,370	485,863,920	504,226,268	521,983,779	
Legal debt margin	\$ 245,711,838	\$ 265,615,975	\$ 269,141,077	\$ 280,738,470	\$ 290,859,593	\$ 253,511,366	\$ 266,167,182	\$ 289,461,842	\$ 303,241,073	\$ 324,859,240	
Total net debt applicable to the limit as a percentage of debt limit	39.11%	36.11%	35.26%	34.30%	34.04%	44.10%	43.17%	40.42%	39.86%	37.76%	

Notes:

1. The statutory limitation for debt is 12% of the assessed value of taxable property as of June 30, 2025 which includes the new reassessment valuation amounts.
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
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS**

- 107-

Year	Population (1)	Total Personal Income (2)	Per Capita Personal Income (2)	Median Age (3)	Public School Enrollment (4)	Unemployment Rate (5)
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	13,133,235	54,352	50.3	32,504	11.5%
2021	247,527	14,720,997	59,931	50.7	33,055	4.4%
2022	255,956	16,626,139	64,957	52.7	34,085	4.0%
2023	263,509	18,058,908	68,532	52.6	34,417	3.7%
2024	271,134	*	*	*	34,874	4.0%
2025	*	*	*	*	35,275	4.0%

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 2015 ~ 2018 DOE Profile Publication. 2019 the State of Delaware discontinued the Profile Publication. FYE 2019 and later years "Student Enrollment Over Time By School". Note the 2019 and later years, Woodbridge and Milford School district enrollment numbers at 100%, even though the school districts are split between two counties. Public school enrollment includes charter schools.
5. U.S. Bureau of Labor Statistics

* Figures not available

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

- 108 -

Type of Employer	2025			2016		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Health care and social assistance	15,180	1	16.8%	11,372	2	16.7%
Retail trade	13,448	2	14.9	11,605	1	17.0
Accommodation and food services	11,691	3	13.0	9,035	4	13.3
Manufacturing	11,452	4	12.7	9,734	3	14..3
Government	9,985	5	11.1	8,610	5	12.6
Construction	6,086	6	6.7	4,290	6	6.3
Administrative and waste services	4,907	7	5.4	3,645	7	5.4
Professional and technical services	3,566	8	4.0	1,705	10	2.5
Other services, except public administration	2,384	9	2.6	2,315	8	3.4
Finance and insurance	2,318	10	2.6	1,728	9	2.5
Total	81,017		89.8%	64,039		94.1%
Total Employees in Sussex County	90,254		100.0%	68,081		100.0%

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.

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

<u>Function/Program</u>	<u>Full-time Equivalent Employees as of June 30</u>									
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
General government										
General administration	9	10	10	10	10	11	11	11	11	11
Finance (1)	66	67	68	72	76	75	72	63	60	61
Human Resources	6	6	6	6	6	6	6	6	6	7
Facilities Management	18	19	17	18	18	17	17	18	18	17
Information Technology	23	27	27	30	28	28	29	28	29	29
Planning and zoning (1)	16	16	18	19	14	17	17	33	35	35
Paramedic program	106	102	109	111	114	109	112	123	127	126
Emergency preparedness	29	30	29	33	37	41	43	46	47	55
Economic development	3	3	3	3	2	3	3	3	3	4
County engineer	138	131	138	133	139	137	138	127	127	131
Library	28	27	28	29	31	30	28	26	26	27
Community development and housing programs	5	6	6	6	6	5	6	6	7	7
Constitutional offices	32	30	31	33	31	32	30	29	30	30
Total	479	474	490	503	512	511	512	519	526	540

Source: Sussex County Accounting Division.

1. Building Code employees were under Finance prior to 2023. In 2023, they were moved to Planning and zoning.

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

- 110 -

Function/Program	Fiscal Year									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Planning and Zoning										
Permits issued (1)	9,663	10,236	10,378	10,429	10,719	14,501	13,802	13,410	13,015	12,773
Public Safety										
Paramedic incidents dispatched	16,717	17,757	18,151	18,126	17,481	17,255	19,025	19,407	19,514	18,241
911 calls (2)	109,009	103,108	101,554	103,303	110,700	119,946	121,037	123,782	114,158	110,311
Sewer and Water Services										
Sewer customers, EDU's billed	68,965	69,821	72,398	74,534	76,769	78,002	83,761	88,234	91,135	93,990
Water customers, EDU's billed	3,715	3,700	3,702	3,713	3,722	3,755	3,727	3,796	3,812	3,805
Libraries										
Circulation (3)	1,371,859	1,320,860	1,356,585	1,148,849	816,116	547,730	877,106	903,129	1,037,495	1,065,249
Industrial Airpark										
Number of businesses	21	20	28	28	28	27	30	30	30	30
Number of jobs provided by business	895	960	960	960	1,012	916	909	919	863	976
Number of landings (4)	17,500	19,000	19,000	17,500	17,650	17,251	17,714	17,850	17,714	17,455

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

- 111 -

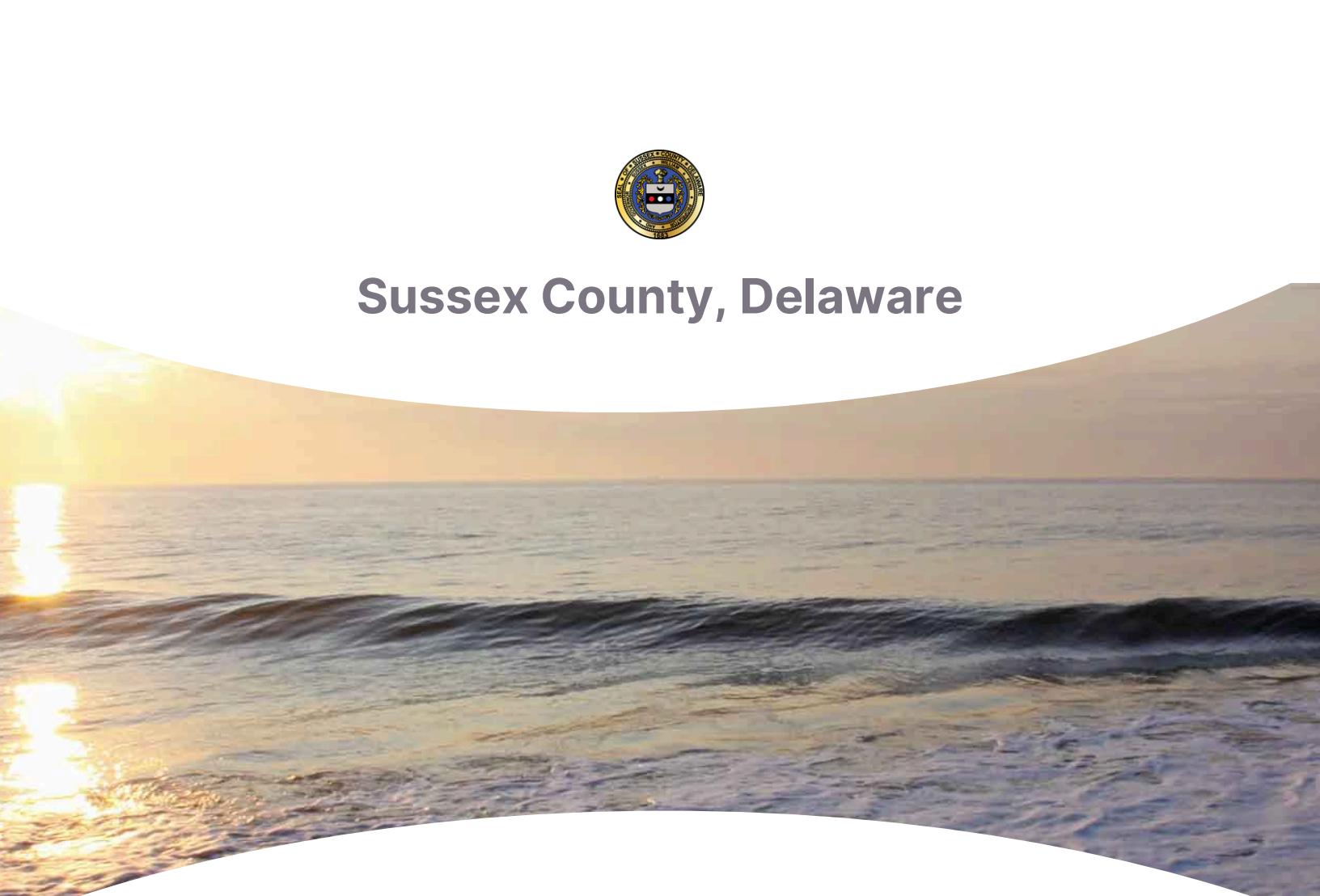
<u>Function/Program</u>	<u>Fiscal Year</u>									
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Public Safety										
Paramedic stations	9	9	9	9	10	10	10	10	10	10
Volunteer fire and ambulance companies	24	24	24	24	24	24	24	24	24	24
Additional state police officers funded by County (1)	44	44	22	22	22	22	22	22	23	24
Sewer and Water Services										
Miles of underground sanitary sewer pipe	885	894	915	940	961	970	985	1,022	1,052	1,055
Number of feet of ocean outfall sewer pipe	6,670	6,670	6,670	6,670	6,670	6,670	6,670	6,670	6,670	6,670
Pump stations	468	488	493	518	524	526	532	385	396	411
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	8,609	8,609	8,609	8,609	8,609	8,609	8,609	8,609	8,609	8,609
Number of hangars	30	30	34	39	39	39	39	39	48	48
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
2. Prior to 2023, grinder pumps were being added to the total. Tracking multi-use pumps is a better statistic on growth and therefore used in 2023 and later.



Sussex County, Delaware

A wide-angle photograph of a sunset over the ocean. The sun is low on the horizon, casting a warm, golden glow over the water. The ocean waves are crashing onto a sandy beach in the foreground. The sky is a mix of orange, yellow, and blue. The overall scene is peaceful and scenic.

SINGLE AUDIT SUPPLEMENT

SUSSEX COUNTY, DELAWARE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2025

- 112 -

Federal Agency	Assistance Listing Number	Federal Grant / Program or Cluster Name	Pass-through Grantor	Pass-Through Entity or 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			92-16,92-18,92-25,92-27,92-68997	\$ 6,729,055	\$ -	\$ 6,729,055	\$ -
TOTAL U.S. DEPARTMENT OF AGRICULTURE								
6,729,055							6,729,055	
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT								
14.228	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii		Delaware State Housing Authority	CD 03-23, CD 03-24, CDBG-CV1 03-20	-	1,548,959	1,548,959	-
Neighborhood Stabilization Program (NSP 1)			Delaware State Housing Authority	NSP 04-08	-	33,032	33,032	
Total Community Development Block Grants/ State's Program and Non-Entitlement Grants in Hawaii					-	1,581,991	1,581,991	-
14.239	Home Investment Partnerships Program		Delaware State Housing Authority	HM 03-23, HM 03-24	-	564,331	564,331	-
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT					-	2,146,322	2,146,322	
863,986							863,986	
863,986							863,986	
863,986							863,986	
U.S. DEPARTMENT OF THE TRANSPORTATION								
20.106	Airport Improvement Program			3-10-0007-040-2023, 3-10-0007-041-2024	863,986	-	863,986	-
Total Airport Improvement Program					863,986	-	863,986	-
TOTAL U.S. DEPARTMENT OF THE TRANSPORTATION					863,986	-	863,986	-
U.S. DEPARTMENT OF THE TREASURY								
21.027	COVID-19 Coronavirus State and Local Fiscal Recovery Funds			SLFR442	13,914,838	-	13,914,838	1,600,197
TOTAL U.S. DEPARTMENT OF THE TREASURY					13,914,838	-	13,914,838	1,600,197
U.S. DEPARTMENT OF ENVIRONMENTAL PROTECTION AGENCY								
66.458	Clean Water State Revolving Fund		Delaware Department of Natural Resources and Environmental Control	12000098, 12000111, 12000112, 12000113, 12000118, 12000119, 12000132, 12000136, 12000138, 12000142, 21000089	-	9,683,660	9,683,660	-
TOTAL U.S. DEPARTMENT OF ENVIRONMENTAL PROTECTION AGENCY					-	9,683,660	9,683,660	-
U.S. DEPARTMENT OF HOMELAND SECURITY								
Federal Emergency Management Agency								
97.042	Emergency Management Performance Grants		Delaware Emergency Management Agency	EMPG- 24-1020-S	-	143,690	143,690	-
97.067	Homeland Security Grant Program		Delaware Emergency Management Agency	1039, HSGP-22-1043, HSGP-22-1045,HSGP-24-0706V2, HSGP-22-57110-18341,HSGP-23-57110-20034	-	263,757	263,757	-
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY					-	407,447	407,447	-
TOTAL EXPENDITURES OF FEDERAL AWARDS					\$ 21,507,879	\$ 12,237,429	\$ 33,745,308	\$ 1,600,197

See accompanying notes to Schedule of Expenditures of Federal Awards.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all Federal financial assistance programs of Sussex County, Delaware (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.

2. 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 the 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 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 to reimbursement.

NOTE B - INDIRECT COST RATE

1. The County did not elect to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

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, U.S. Department of Housing and Urban Development, and the U.S. Environmental Protection Agency for the year ended June 30, 2025.

<u>Program Title</u>	<u>Federal Assistance Number</u>	<u>Loan Amount</u>
Water and Waste Disposal Systems for Rural Communities	10.760	\$4,717,025
Clean Water State Revolving Fund	66.458	9,683,660
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii - Neighborhood Stabilization Program	14.228	32,027

NOTE D – LOANS OUTSTANDING

Neighborhood Stabilization Program (NSP1)

The County administers low-income housing loan programs under the Community Development Block Grant / State's Program and Non-Entitlement Grants in Hawaii ALN 14.228. The total amount outstanding at June 30, 2025 is \$599,814 of which \$32,027 is included in the current fiscal year's federal expenditures balance for that program.

Independent Auditor's Report on Compliance For Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

The County Council of Sussex County, Delaware
Georgetown, Delaware

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Sussex County's (the County) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended June 30, 2025. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

Basis for Opinion on Each Major Federal Program

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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our unmodified opinions on compliance for each major federal program. Our audit does not provide a legal determination of the County's compliance with the 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 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 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 each major 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 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 were not 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

December 23, 2025

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

The County Council of Sussex County, Delaware
Georgetown, Delaware

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Sussex County, Delaware (County), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated December 23, 2025.

Report on 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 opinions 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 were not identified.

Report on 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

December 23, 2025

Sussex County, Delaware

Schedule of Findings and Questioned Costs Year Ended June 30, 2025

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?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
• Significant deficiency(ies) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> 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:

<u>Assistance Listing Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.760	Water and Waste Disposal Systems for Rural Communities
14.228	Community Development Block Grants/ State's Program and Non-Entitlement Grants in Hawaii
20.106	Airport Improvement Program, Infrastructure Investment and Jobs Act Program, and COVID-19 Airports Programs

Dollar threshold used to distinguish between type A and type B programs: \$1,012,359

Auditee qualified as low-risk auditee? yes no

Sussex County, Delaware

Schedule of Findings and Questioned Costs Year Ended June 30, 2025

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