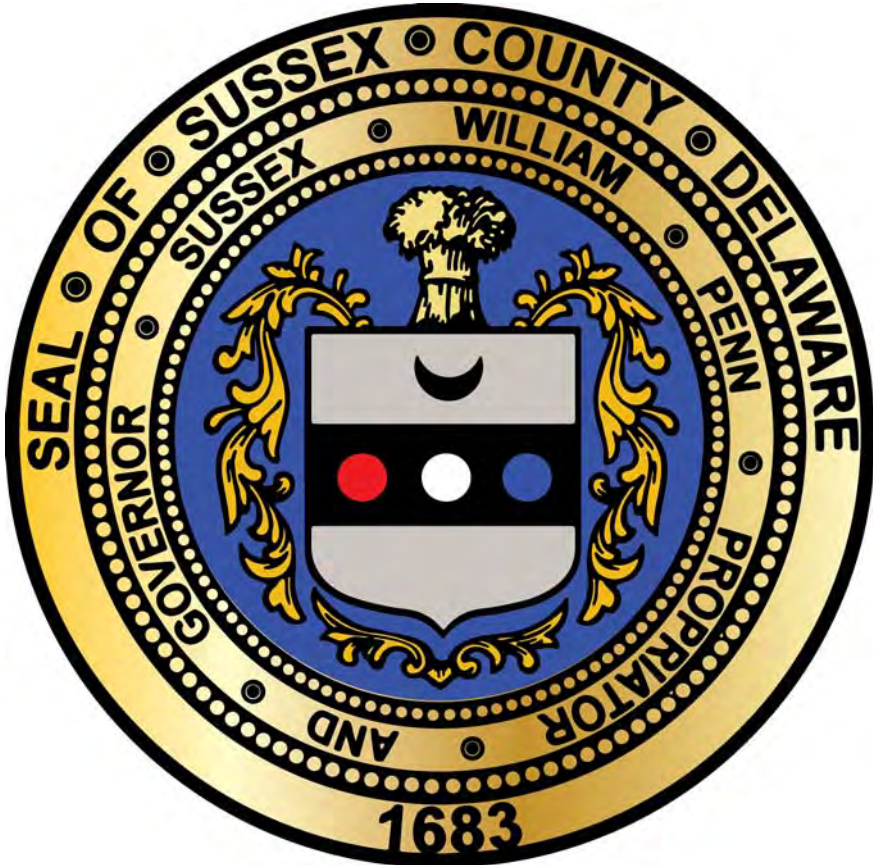




**Comprehensive Annual Financial Report
For Fiscal Year Ended June 30, 2018**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2018



Prepared by the Finance Department

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INTRODUCTORY SECTION



TODD F. LAWSON
COUNTY ADMINISTRATOR

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Sussex County
DELAWARE
sussexcountycle.gov

December 20, 2018

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

We are pleased to present to you the Comprehensive Annual Financial Report (CAFR) for the Sussex County government for the fiscal year ended June 30, 2018. This report includes the annual financial statements as required by Delaware law, presented in conformity with generally accepted accounting principles (GAAP) in the United States of America and audited in accordance with auditing standards generally accepted in the United States of America.

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

The County's financial statements have been audited by BDO USA, LLP, a firm of licensed certified public accountants. A goal of the independent audit was to provide reasonable assurance that the financial statements of the County for the fiscal year ended June 30, 2018, 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, 2018, are fairly presented in conformity with GAAP. The auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the County was part of a broader, federally mandated "single audit" designed to meet the special needs of federal grantor agencies. The standards governing single audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. The single audit section of this report includes these reports and related information. GAAP requires that management

provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. Sussex County's MD&A can be found immediately following the report from the independent auditor.

Profile of Sussex County

Sussex County is proud of the natural beauty, mix of small towns, rich history, and popular attractions that are found throughout our county. Sussex County is a rural county in transition; a community that, in some ways, represents a microcosm of the United States with developing, more urbanized seaside resorts to the east and industry and agriculture dominating the central and western landscape. Our county is the largest county in Delaware, comprising a total land area of approximately 938 square miles, or 48 percent of the State's total area, with a population estimated to be over 225,000 by the United States Census Bureau. The County is bordered on the east by the Atlantic Ocean, on the north by Kent County, Delaware, and on the south and west by that portion of the State of Maryland lying east of the Chesapeake Bay. The Town of Georgetown, the county seat, is situated in the center of the county. The county is within 200 miles of New York City, Philadelphia, Baltimore, and Washington, D.C., putting Sussex County within a four-hour drive for more than a quarter of the Country's population.

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

Sussex County, Delaware, is a rural county with beaches along the Delaware Bay and Atlantic Ocean. Per the 2010 U.S. Census, Sussex County had a population increase of more than 25 percent from 2000 to 2010. With only 2 more years left before the next U.S. Census is completed, the County is on target to see an 18 percent growth over 2010. The State of Delaware has never had a general sales tax, inventory tax, or statewide property tax. Local property taxes are very low, making the county a desirable destination for new residents and retirees. The eastern portion of the county is home to most of Delaware's beaches and seaside resorts. Sussex's central and western areas are the backbone of Delaware's agriculture industry.

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

The County government provides a variety of services to the residents of southern Delaware, including land use, building permits, emergency services, assessment, tax collection, public sewer, libraries and more. New to fiscal year 2018, the County partnered with broadband companies to bring high speed internet to the rural areas of Sussex County. To support these services, the County operates with approximately 500 full-time employees.

The County owns and maintains the Delaware Coastal Airport and adjoining industrial park where over 950 jobs are provided by businesses. The County provides emergency services including paramedics, emergency preparedness, emergency operations, and local emergency planning and communications. As the primary call center, Sussex County's Emergency Operations Center receives more than 100,000 9-1-1 calls a year. The Department of Libraries includes three County-managed libraries and a bookmobile. Libraries in Sussex County circulate over 1.3 million books a year.

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

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

Sussex County continues to work on the expansion of wastewater services that are vital in meeting our environmental and population needs. The County serves approximately 72,000 equivalent dwelling units (EDUs), and maintains and operates four treatment facilities. Fiscal year 2018 saw a 3.7 percent increase from fiscal year 2017's EDUs. The sewer and water districts' operating budget for fiscal year 2018 was \$36 million. The County has two enterprise funds: Dewey Water District and the Unified Sewer District.

The annual budget is recommended by the County Administrator and approved by the County Council through a budget ordinance prior to July 1 of each year, which is the start of the County's fiscal year. The budget serves as a financial guide for the County. A five-year capital project plan is assembled every year for proposed financing for projects. Please see Note A (Section 18 on page 37) for additional budget information. Budget-to-actual comparisons begin on page 68 through page 76.

Economic Condition of Sussex County

Local Economy

Sussex County has an expanding local economy. The number of building permits has increased 8 straight years. According to the 2016 Delaware Annual Economic Report, Sussex County led the state in net job growth, gaining 2,090 jobs, with government accounting for only 10 of them.

In addition, in 2017, Sussex County and New Castle County led the state in job growth with gaining another 2,470 jobs each. The three industries with the largest employment growth in 2017 were health care and social assistance, accommodation and food services, and manufacturing. As can be seen with the three industries having the largest growth, Sussex County employment has a diverse assembly of sectors that interact continuously.

Almost all the 470 jobs gained in the manufacturing industry were in poultry processing according to the 2017 Delaware Annual Economic Report. With this said, agriculture continues to be Sussex County's leading economic driver, with the primary focus being grain production and poultry processing. The County has continued not only to be the top lima bean producing county in the United States, but also the top broiler poultry producing county for more than 70 years. Approximately 45 percent of the County's land (270,000 acres) contains over 1,200 farms, where the average farm size is 224 acres. Fifteen percent of Sussex County farmland is preserved in the Delaware Agriculture Lands Preservation Foundation; these active farms help employ 15,000 people in Sussex County.

The agriculture industry continues to thrive. The last census, completed in 2012, showed agriculture products increased 9 percent since 2007, which totaled \$921 million. Allen Harim, a local producer and processor of chicken, plans to complete its \$22 million hatchery expansion in late 2018. Once completed, they will have the capacity to hatch more than 2.5 million birds a week.

Due to our strong agriculture industry, we have businesses, such as Proximity Malt, opening its doors in Sussex County to take advantage of our farm products. According to the 2018 Sussex County Profile, Proximity Malt is the only malting operation of its size east of Milwaukee, where the company is based. Proximity Malt uses the winter barley that Sussex farmers produce to protect their soil from losing moisture in the winter months.

Although 45 percent of the County's land is covered in farms, approximately 7 million people visit Sussex County annually according to the Southern Delaware Tourism office. Although the visitors are most likely stopping by to see our beautiful beaches or enjoy tax-free shopping, they also enjoy our farms through the restaurants along our "culinary coast." Many of the chefs use local ingredients in their delectable creations. This teaming up of key industries only fuels our economy. It is a true win-win.

As shown by the number of visitors to our county, the tourism industry in Sussex County remains strong. The U. S. Natural Resources Defense Council gave some of Sussex County's beaches a five-star rating for ocean water quality and ranked Delaware first among the 30 coastal states. If it isn't the beaches, the tax-free shopping also attracts tourism to the area. Along a two-mile stretch of Delaware Route 1, between Lewes and Rehoboth Beach, there are more than 130 outlet stores - employing more than 2,400 - offering a variety of products, such as clothing, tools, shoes, books, stereo equipment, gourmet food and kitchen supplies. The Tanger Outlets have become a year-round destination for those who are attracted by reasonable prices and tax-free shopping in Delaware. According to Southern Delaware Tourism, an estimated \$850 million of Delaware's \$2 billion tourism revenue comes from sales in Sussex County. Over the Thanksgiving holiday, approximately 100,000 people visit Sussex County each day, which has an estimated \$10 million impact to the County's economy according to the President of the Rehoboth Beach – Dewey Beach Chamber of Commerce. As the tourism industry continues to grow, the number of jobs also increases. Accommodation and food services positions increased

520 jobs in 2017 according to the Delaware Annual Economic Report. Once only a summer destination for tourism, Sussex County has become a place to visit throughout the year. The Apple Scrapple Festival, Wings & Wheels Festival, Coast Day, Jazz Festival, Slam Dunk at the Beach, Sea-Witch Festival and the Nanticoke Pow-Wow are just a few events that draw visitors to the area year-round.

The growing retirement community in Sussex County contributes to another rising industry – health care and social assistance. Each year Sussex County’s population continues to grow along with the median age of its population. In 2008, the median age was 41.9 years old; eight years later, the median age increased to 47.6 years old. The increase in population and age mostly drove the health care and social assistance industry to add 630 jobs in Sussex County in 2017. This increase of 630 jobs is in addition to the 670 jobs that were added in 2016. The health care and social assistance industry became the number one employer in Sussex, surpassing the retail trade industry, in 2017. It is important to note that only nonfarm employment is captured in this statistic.

The three major health care employers in the county are Beebe Healthcare in Lewes, Bayhealth in Milford, and Nanticoke Health Services in Seaford. Providing an additional choice, Peninsula Regional Health System has a 48,000 square-foot “one-stop” healthcare center in Millsboro. In October 2018, SUN Behavioral Delaware opened its doors with a 90-bed behavioral health hospital. These five healthcare groups, each with their own hospitals and/or satellite facilities in Sussex County, continue to expand their services and build partnerships to accommodate the needs of an ever-growing and aging population. Beebe Healthcare has broken ground for a new campus near the beach area and also plans to build an emergency room in central Sussex that should open doors in 2022. In addition, both Nanticoke Health Services and Bayhealth continue to increase their footprint. Nanticoke built a \$7.5 million two-story one-stop shop providing a variety of medical services in Seaford and Bayhealth will open a \$300 million health campus in 2019; this is no doubt the reason why healthcare is now ranked first for employment in Sussex County. This trend is expected to continue as the Delaware Department of Labor predicts that one-quarter of new jobs created through 2024 will come from the Health Care and Social Assistance industry.

Thirteen of the eighteen industries tracked by the Delaware Department of Labor saw an increase in jobs in 2017. The State of Delaware saw its eighth consecutive year of job gains. The State realized a growth of 4,110 additional jobs, with Sussex County contributing 2,470 to this total. While the national unemployment rate, as stated by the Delaware Department of Labor, was 4.2 percent in June 2018, Delaware’s unemployment rate was 4.1 percent, Sussex County’s unemployment - at 3.7 percent - was under those averages. In fact, Sussex County had the lowest unemployment rate out of the 15 counties on the Delmarva Peninsula.

As 2019 approaches, the building activity continues to increase over the current year. The last time the County saw the number of building permits issued above 10,000 was in 2006. There were 87, or 33 percent, additional land-use applications filed over the previous year. County Council approved 22 new subdivisions with more than 1,960 lots in FY 2018. Activity on these lots will be seen in the near future.

For the County to continue to succeed, a community must have a quality educational system at its foundation. The County is honored to have several public education schools that have earned the National Blue Ribbon distinction for excellence from the U.S. Department of Education. This

award recognizes schools that have made significant progress in closing the gaps in achievement, especially among disadvantaged and minority students.

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

If DTCC does not have what a student needs, Delaware State University has a satellite location in Georgetown that offers 52 undergraduate fields of study, as well as 25 graduate programs and 5 doctoral degree programs. Delaware State University has offered courses in Sussex County for more than 20 years.

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

The County continues to demonstrate its commitment to helping the economic environment. In fiscal year 2018, the County Council contributed \$750,000 to create a \$4.0 million economic development loan program. The program is a low-interest loan program for small businesses. The focus is to grow businesses in the western side of Sussex County. In fiscal year 2019, the County is investing in vertical assets to bring broadband to underserved areas.

Financial Planning

The economy continued to stay strong in fiscal year 2018, and fiscal year 2019 has been keeping pace. Our local economy benefits from the attractiveness of our resorts and a strong agricultural base. The County got through the economic downturn without taking on taxpayer supported debt or increasing taxes, but we continue to be mindful of how volatile the economy and our related-revenues can be.

We budget with sustainability in mind; for example, all building related revenues were budgeted at 80 to 85 percent of anticipated collections for fiscal year 2019. In addition, the County has set up a plan to fund our capital improvements projects with excess realty transfer tax funds to ensure that the government can continue to invest in infrastructure without financially burdening future generations. Also, the County has committed to contribute another additional \$10 million over its required contribution to its pension funds in FY 2019. We understand the economy may not always be this strong, so it is important to make sure we make good financial decision that will protect us in the long-run.

The fiscal year 2019 Five-Year Capital Improvement Plan includes \$116 million for the expansion and improvement of general fund services, such as our paramedic system, the Emergency Operations Center, the Delaware Coastal Airport, and a recently purchased business park. The County understands that the Delaware Coastal Airport, along with the new business park, are vital components of Sussex County's economy. Fifty-two percent, or \$8.7 million, of the fiscal year 2019 capital budget is appropriated to improve the airport and business park. We continue to apply for Federal aviation and State funding that pays up to 95 percent of the airport expenses. For example, of the \$8.7 million, \$4.5 million will be funded through these types of grants.

The Five-Year Plan also includes \$1.2 million in funding for information technology infrastructure improvements. These funds will be used to help with the County's broadband initiative that began in fiscal year 2018.

Along with our Governmental Fund Five-Year Capital Improvement Plan, the County also has a Five-Year plan for utility infrastructure. Fiscal year 2019 includes \$220 million for sewer and water expansion and upgrades. Funding for these projects includes State Revolving Fund loans, State grants, Federal USDA loans and grants, as well as connection and user fees.

Significant Financial Policies

The County's goal is to invest all funds in a manner that provides the highest investment return using authorized instruments while meeting the County's acceptable risk level. In priority order, the primary objectives in investment activities shall be safety, liquidity, and yield. The County is seeing interest rates slowly increasing. Because of the upward momentum, the County has invested in many short-term securities to take advantage of the higher rates in the future. Please see Note B, on page 38 through 40, for additional information regarding cash and collateralization.

Preserving the pension trust fund and the post-retirement employee benefit trust fund is a major objective of Sussex County. The County funds a defined benefit pension plan and a post-retirement Employee Benefit Trust for its employees; they are treated as fiduciary funds in the financial sections. The Pension Trust Fund is held with diversified, but complementary, investment managers. A pension committee, which meets quarterly, oversees the management of both plans and is responsible for making recommendations to the County Council regarding investments and funding. The County works with an investment advisor to assist in providing the best strategy, protection, and investment guidelines for our pension plan. In Fiscal Year 2017, the Council approved lowering its assumed rate of return and adopted a formal funding policy to ensure the County's commitment to full-funded status. In Fiscal Year 2018, the County contributed an additional \$10 million above the actuarially determined contribution. In addition, the County will be contributing another \$10 million above the actuarially determined contribution in Fiscal Year 2019.

Sussex County continues to strive for balanced budgets and sound financial planning in providing services for residents and visitors. The County's focus, when creating a budget, is to keep expenses within the current sources of revenue. A comprehensive review is done monthly by the Finance Department, which analyzes department expenditures and budget reports. These reviews are provided to the County Council on a quarterly basis to keep the members informed of the current economic effects on revenues. Relevant financial topics and future strategies are

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

Sussex County strives to demonstrate fiscally sound policies. It is important to serve the public with current revenue sources to ensure sustainability.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Sussex County for its comprehensive annual financial report for the fiscal year ended June 30, 2017. This was the 16th consecutive year that the government has achieved this prestigious award. To be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must also satisfy both generally accepted accounting principles and applicable legal requirements.

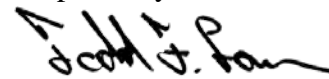
A Certificate of Achievement is valid for a period of one year only. We believe the County's current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

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

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

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

Respectfully submitted,



Todd F. Lawson
County Administrator



Gina A. Jennings
Finance Director/Chief Operating Officer



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

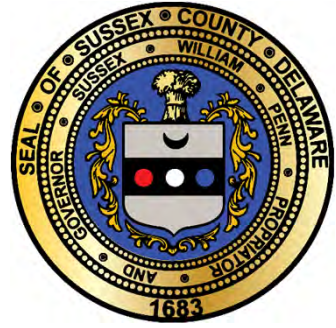
Sussex County
Delaware

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

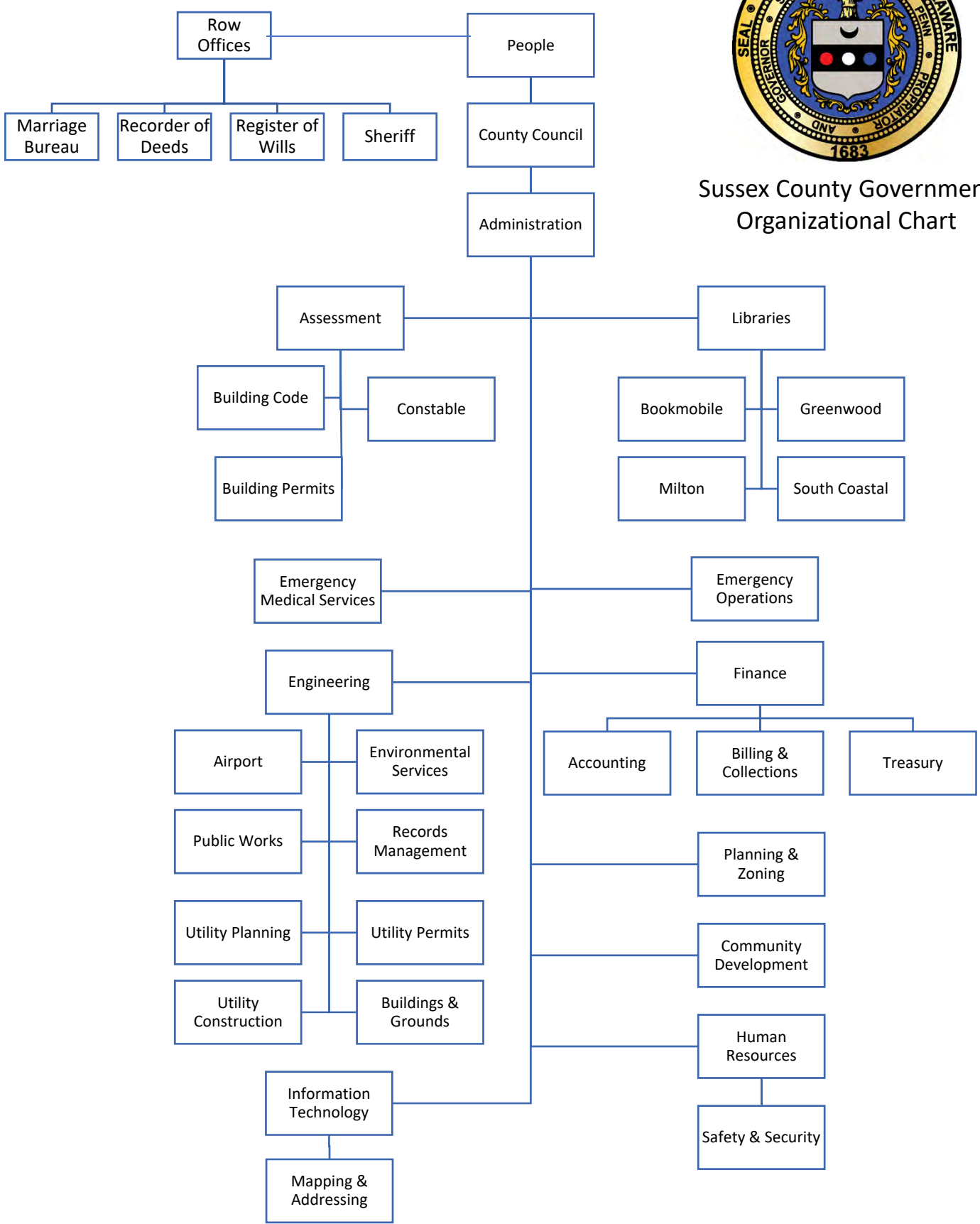
June 30, 2017

Christopher P. Morrell

Executive Director/CEO



Sussex County Government
Organizational Chart



SUSSEX COUNTY, DELAWARE

LIST OF ELECTED OFFICIALS

JUNE 30, 2018

<u>COUNCIL</u>	<u>Length of Service</u>	<u>Term Expires</u>
<i>District 1</i>		
Michael H. Vincent (President)	10 years	Jan. 2020
<i>District 2</i>		
Samuel R. Wilson	10 years	Jan. 2020
<i>District 3</i>		
Irwin G. Burton, III	2 years	Jan. 2020
<i>District 4</i>		
George B. Cole (Vice President)	32 years	Jan. 2019
<i>District 5</i>		
Robert B. Arlett	4 years	Jan. 2019

<i>Clerk of the Peace</i>		
Norman A. Jones	2 years	Jan. 2020
<i>Recorder of Deeds</i>		
Scott Dailey	8 years	Jan. 2019
<i>Register of Wills</i>		
Cynthia Green	8 years	Jan. 2019
<i>Sheriff</i>		
Robert Lee	4 years	Jan. 2019

SUSSEX COUNTY, DELAWARE

COUNTY DEPARTMENT HEADS & OTHER OFFICIALS

JUNE 30, 2018

	<u>Length of Time in Position</u>	<u>Length of Service with the County</u>
<i>County Administrator</i> - Todd F. Lawson	6 years	7 years
<i>County Attorney</i> - J. Everett Moore, Esquire	10 years	10 years
<i>Finance Director / Chief Operations Officer</i> - Gina A. Jennings, MBA, MPA	5 years	12 years
<i>Deputy Finance Director</i> - Kathy L. Roth, CPA	5 years	12 years
<i>County Engineer</i> - Hans Medlarz, P.E.	2 years	2 years
<i>Assessment Division Director</i> - Christopher S. Keeler	4 years	24 years
<i>Community Development Program Director</i> - Brad Whaley	6 years	22 years
<i>Director of Environmental Services</i> - Edwin Tennefoss	1 year	1 year
<i>Director of Information Technology</i> - Dwayne Kilgo	2 years	6 years
<i>Director of Sussex Airport and Industrial Park Operations</i> - James A. Hickin	12 years	12 years
<i>Emergency Preparedness Director</i> - Joseph L. Thomas	21 years	32 years
<i>Facilities Manager</i> - Douglas J. Stoakley	8 years	24 years
<i>Human Resources Director</i> - Karen Brewington	7 years	7 years
<i>Library Director</i> - Kathy M. Graybeal	7 years	7 years
<i>Paramedic Director</i> - Robert A. Stuart	7 years	26 years
<i>Planning and Zoning Director</i> - Janelle Cornwell	2 year	3 years



FINANCIAL SECTION



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Wilmington, DE 19805

Independent Auditor's Report

The County Council of Sussex County, Delaware
Georgetown, Delaware

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Sussex County, Delaware (the "County") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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



Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Sussex County, Delaware as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion on pages 4 through 17 and Required Supplementary Information on pages 62 through 67 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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



Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2018 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering County's internal control over financial reporting and compliance.

BDO USA, LLP

December 20, 2018

SUSSEX COUNTY, DELAWARE

MANAGEMENT'S DISCUSSION & ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

This section of the report offers an overview and analysis of the financial activity of Sussex County, Delaware, for the year ended June 30, 2018. 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

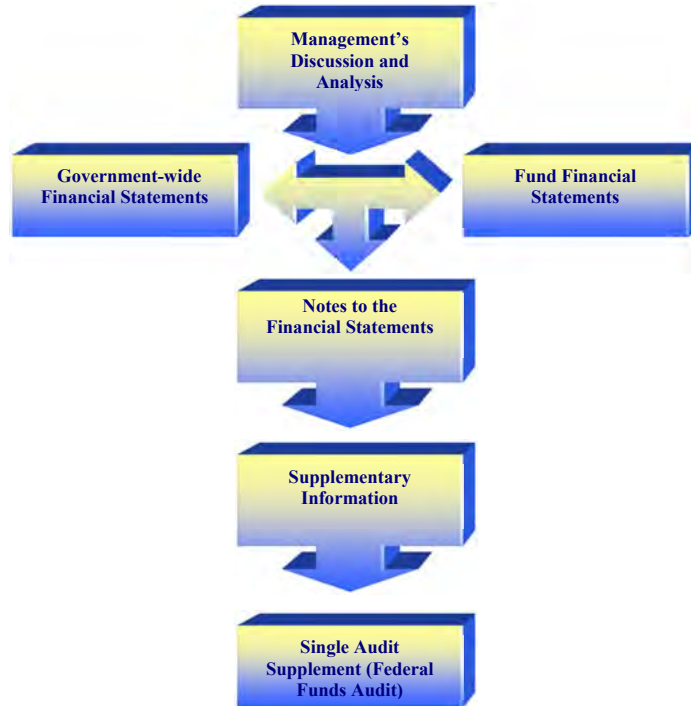
- As of June 30, 2018, total government net position was \$523.1 million. Of this amount, \$58.9 million was unrestricted and may be used for ongoing obligations to citizens and creditors.
- The County's total net position increased by \$27.9 million during the year. The business-type activities net position increased \$16.5 million. This increase is due to growth-related capital costs from sewer expansions being built, as well as a decrease in the debt that funded those projects. The governmental activities' portion of the net position increased by \$11.5 million. The increase in the investment in governmental capital assets, net of related debt, was \$1.5 million; governmental restricted funds increased \$8.3 million.
- The County has no outstanding General Fund bonded debt.
- In fiscal year 2010, Moody's Investors Service raised its rating for Sussex County from Aa2 to Aa1. Moody's report on the County states, "This rating upgrade was due to the County's substantially improved and healthy financial position, maintained by prudent fiscal management that resulted in materially greater financial flexibility and stronger reserve levels". This reinforces our fiscal policies of conservative balanced budgeting and our commitment to maintaining healthy reserve levels. The County continues to sustain this rating.

Fund Financial Statements

- As of June 30, 2018, the County's governmental funds reported an ending fund balance of \$124.5 million. This is an increase of \$3.9 million from the preceding year. Approximately \$34.5 million was unassigned, or available, for use to meet the County's current and future needs.

Overview of the Financial Statements

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



Government-wide Financial Statements

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

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

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

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

- Governmental activities include General Administration, Finance, Human Resources, Building and Grounds, Information Technology, County Constable, Grant-in-Aid Programs, Planning and

Zoning, Paramedic, Emergency Preparedness, Economic Development and Airpark, County Engineering, Library, Community Development and Housing Programs, and Constitutional Offices.

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

The government-wide financial statements immediately follow this MD & A on pages 18 and 19.

Fund Financial Statements

The next financial statements, beginning on page 20 of this report, are the fund financial statements. A fund is an accounting entity that is used to maintain control over resources that have been segregated for specific activities or objectives. Sussex County, like other state and local governments, uses fund accounting to ensure compliance with finance-related legal requirements. Sussex County's funds are divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

- *Governmental Funds* - Governmental funds account for essentially the same functions as governmental activities in the government-wide financial statements. Governmental fund financial statements do focus on near term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information may be useful in evaluating a government's near term financing requirements. Because the focus of governmental funds is for the current period, it is useful to compare this information with similar information presented for governmental activities in the government-wide financial statements. Readers may then better understand the long-term impact of the government's current financing decisions. The Governmental Fund Balance Sheet and Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance include reconciliations to the government-wide financial statements (see pages 20 through 22).

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

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

- *Proprietary Funds* - Sussex County's proprietary funds are solely enterprise funds, which operate in a manner similar to private business enterprises. Sussex County's proprietary funds include: Unified Sewer District and the Dewey Water District (see pages 24 through 28).
- *Fiduciary Funds* - Sussex County has two fiduciary funds, the pension trust fund and the post-retirement employee benefit trust fund. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. They are not reflected in the government-wide financial statements because the resources of these funds are not available to support the County's programs. The separate accounting used for fiduciary funds is much like that used for proprietary funds. The fiduciary fund financial statements can be found on pages 29 and 30 of this report.

Notes to the Financial Statements

Notes to the financial statements found on pages 31 through 61 of this report, provide additional information that is important for a better understanding of the data provided in the financial statements.

Other Information

Pages 62 through 67 include required supplementary information regarding our fiduciary funds. Following these pages are general fund and capital project fund budgetary comparison schedules and general fund revenue and expenditure schedules. The fiduciary funds combining statements follow the general fund and capital project fund budgetary comparison schedules. The statistical section follows on pages 79 through 97 with additional County information. The Single Audit, a separate federal awards audit, follows the statistical section.

Government-wide Financial Analysis

As previously noted, assets and deferred outflows exceed liabilities and deferred inflows by \$523.1 million as of June 30, 2018. 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, 2018 and 2017

	Governmental Activities		Business-type Activities		Total Government	
	2018	2017	2018	2017	2018	2017
Current and Other Assets	\$ 144,737,540	\$ 139,025,585	\$85,226,134	\$89,683,654	\$229,963,674	\$228,709,239
Capital Assets	84,967,241	83,371,675	405,400,430	389,926,119	490,367,671	473,297,794
Total Assets	229,704,781	222,397,260	490,626,564	479,609,773	720,331,345	702,007,033
Deferred outflows of resources	3,593,799	5,300,737	2,154,180	2,799,719	5,747,979	8,100,456
Total assets and deferred outflows of resources	233,298,580	227,697,997	492,780,744	482,409,492	726,079,324	710,107,489
Current and Other Liabilities	16,712,702	14,264,082	3,318,374	3,228,269	20,031,076	17,492,351
Long-term Liabilities	26,400,325	35,795,564	154,319,094	160,824,983	180,719,419	196,620,547
Total Liabilities	43,113,027	50,059,646	157,637,468	164,053,252	200,750,495	214,112,898
Deferred inflow of resources	1,733,239	650,958	532,433	199,968	2,265,672	850,926
Total liabilities and deferred inflows of resources	44,846,266	50,710,604	158,169,901	164,253,220	203,016,167	214,963,824
Net Position:						
Net Investment in Capital Assets	84,144,082	82,604,022	242,907,425	239,365,922	327,051,507	321,969,944
Restricted	72,319,111	63,969,632	64,748,595	59,306,086	137,067,706	123,275,718
Unrestricted	31,989,121	30,413,739	26,954,823	19,484,264	58,943,944	49,898,003
Total Net Position	188,452,314	176,987,393	334,610,843	318,156,272	523,063,157	495,143,665

A large portion of the County's net position (62.5 percent) is not available for future use since it represents amounts invested in capital (e.g., land, buildings, machinery and equipment). This investment is net of any related debt that was used to acquire those assets still outstanding. It should be noted that the resources needed to repay outstanding debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities. The County's net investment in capital assets increased by

\$5.1 million during fiscal year 2018. The largest increase in business-type activities was due to Pump Station 210 being completed. The largest increase in governmental activities was the completion of the Emergency Operations’ mobile command unit.

Of the remaining \$196.0 million in net position, \$137.1 million is restricted for construction or capital costs incurred or future sewer district expansion costs. For governmental activities, \$72.3 million represents realty transfer taxes and grant funds on hand, which are restricted for specific purposes. Realty transfer taxes must be used for public safety, economic development, public works, capital projects, infrastructure projects, or debt reduction. Planned uses of realty transfer taxes include buildings and improvements, industrial park infrastructure, and County airport improvements.

The remaining \$58.9 million in net position is unrestricted and may be used for ongoing obligations to citizens, customers, and creditors. The increase is due to the County following the fund balance policy where restricted funds are used before unrestricted funds.

The following schedule shows the breakdown of changes in net position for governmental and business-type activities for fiscal years 2018 and 2017.

Sussex County, Delaware
Changes in Net Position
For the Years Ended June 30, 2018 and 2017

	Governmental Activities		Business-type Activities		Total Government	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	\$14,324,357	\$14,515,921	\$24,904,243	\$22,983,963	\$39,228,600	\$37,499,884
Operating grants and contributions	5,931,357	7,626,361	19,480,380	17,714,845	25,411,737	25,341,206
Capital grants and contributions	425,636	702,252	6,388,880	5,424,290	6,814,516	6,126,542
General revenues:						
Property taxes	15,709,654	15,264,023	-	-	15,709,654	15,264,023
Fire service taxes	1,694,992	1,647,719	-	-	1,694,992	1,647,719
Realty taxes	32,299,796	27,989,410	-	-	32,299,796	27,989,410
Investment results	1,190,083	259,279	324,440	34,935	1,514,523	294,214
Gain (loss) on sale of capital assets	204,544	468,928	26,545	1,981	231,089	470,909
Total revenues	71,780,419	68,473,893	51,124,488	46,160,014	122,904,907	114,633,907
Expenses:						
Primary Government:						
General government	16,510,060	14,999,329	-	-	16,510,060	14,999,329
Planning and zoning	1,716,521	1,767,664	-	-	1,716,521	1,767,664
Paramedics	14,923,379	14,444,807	-	-	14,923,379	14,444,807
Emergency preparedness	3,757,532	3,687,552	-	-	3,757,532	3,687,552
County engineer	1,639,722	1,511,146	-	-	1,639,722	1,511,146
Library	3,076,799	2,950,264	-	-	3,076,799	2,950,264
Economic development and airpark	3,263,235	3,072,208	-	-	3,263,235	3,072,208
Community development	1,759,425	2,157,621	-	-	1,759,425	2,157,621
Grant-in-aid program	11,270,949	10,362,109	-	-	11,270,949	10,362,109
Constitutional offices	2,386,080	2,433,532	-	-	2,386,080	2,433,532
Business-type activities	-	-	34,681,713	36,467,472	34,681,713	36,467,472
Total expenses	60,303,702	57,386,232	34,681,713	36,467,472	94,985,415	93,853,704
Change in net position before transfers	11,476,717	11,087,661	16,442,775	9,692,542	27,919,492	20,780,203
Transfers	(11,796)	(11,229)	11,796	11,229	-	-
Change in net position	11,464,921	11,076,432	16,454,571	9,703,771	27,919,492	20,780,203
Net position-beginning	176,987,393	165,910,961	318,156,272	308,452,501	495,143,665	474,363,462
Net position-ending	\$188,452,314	\$176,987,393	\$334,610,843	\$318,156,272	\$523,063,157	\$495,143,665

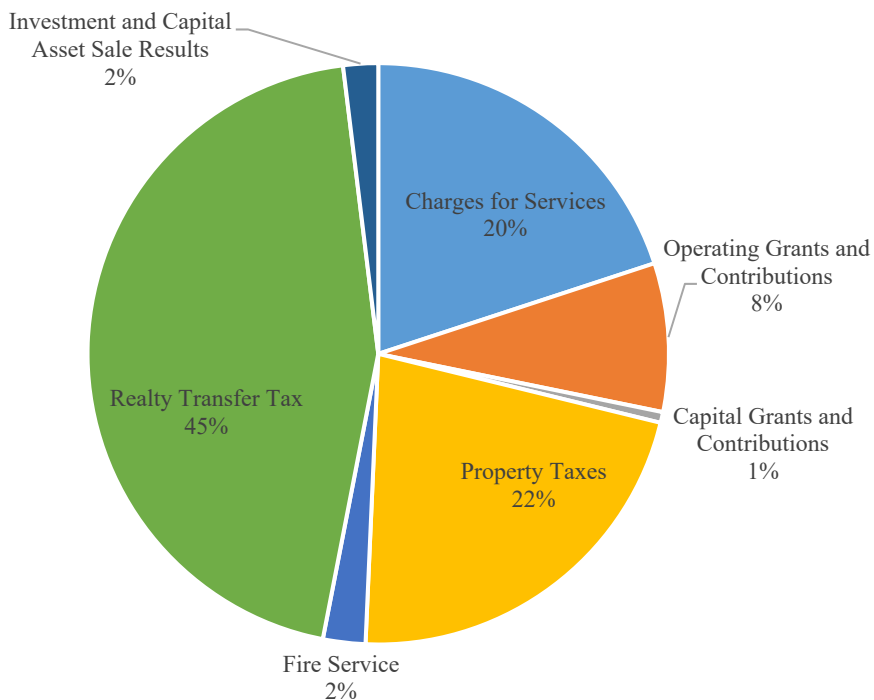
Governmental Activities

Governmental activities increased net position by \$11.5 million during fiscal year 2018. This represents a 6.5 percent increase in net position for the year. Governmental activities include the general fund and capital projects fund.

General revenues total \$51.1 million for fiscal year 2018 for governmental activities. This includes \$32.3 million received from realty transfer taxes. This is a \$4.3 million, or 15.4 percent, increase from fiscal year 2017. Realty transfer tax has increased six years in a row, which is a sign that the real estate market keeps improving in Sussex County.

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

Revenues by Source - Governmental Activities



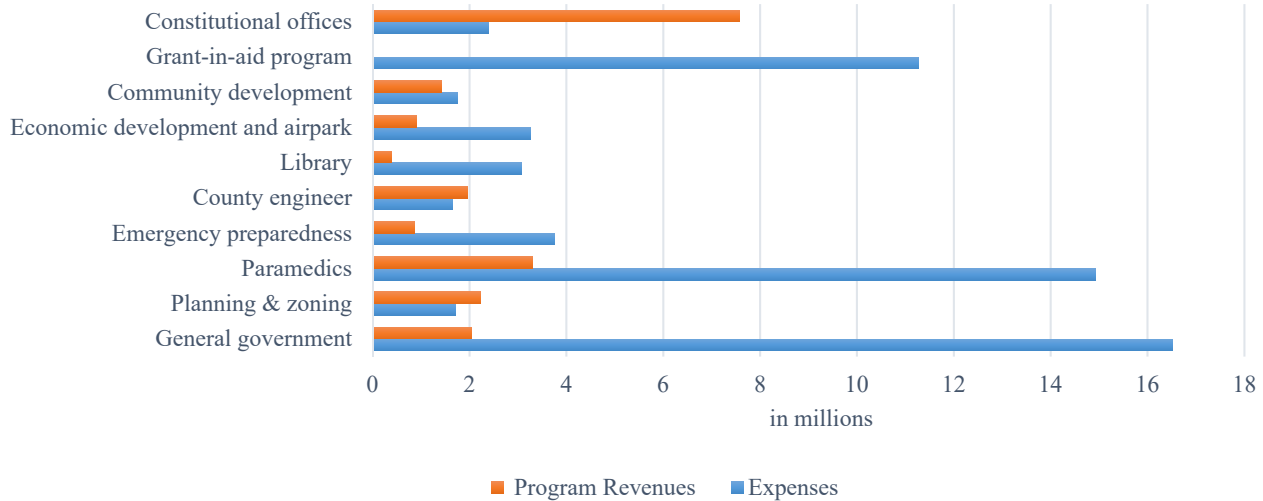
Total Governmental Revenues increased \$3.3 million. The growth was driven by the \$4.3 million increase in realty transfer tax. However, this increase was offset by a decrease of \$1.7 million in operating grants and contributions. The largest decrease in grant funding was from the State of Delaware for the paramedic program.

Governmental charges for services were relatively flat with a slight decrease of \$0.2 million. Although building related revenues continue to see an increase, the constitutional offices decreased \$0.9 million. The decrease was in sheriff sales. The increase in building revenues, with the decrease in sheriff sales, shows that our economy continues to stay strong in fiscal year 2018.

Capital grants decreased \$0.3 million due to the type and size of grant-supported projects being completed this fiscal year as compared to the previous year. Last year there was a large grant for the construction of the mobile command unit and this year it was for an Airport project.

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

Program Revenues and Expenses Governmental Activities



The largest expense to the County is public safety. The population growth of the County over the last few years has impacted the Paramedic Department and the Sussex County Emergency Operations Center possibly more than any other County services. The Sussex County Emergency Operation Center is the largest dispatch center in Sussex County.

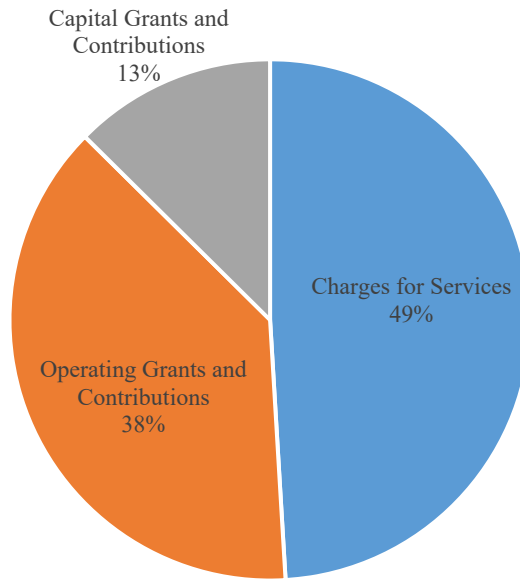
The Paramedic Department is the County’s largest department in terms of expenditures and employees. Our residents and visitors rely on this valuable County service. The paramedics were dispatched 34.5 percent more this year than 10 years ago. The County has had to develop cost-saving procedures without jeopardizing the quality of services provided by the paramedics. Currently, we lease and own buildings in different strategic locations throughout the county. The County’s goal is to replace all leased with county-owned property for its paramedic stations. As these leases come up for renewal, we are exploring the option to buy rather than rent. To date, we have built five of our eight medic stations. The fifth station was completed in fiscal year 2017 and land was bought for our sixth station in fiscal year 2018.

During fiscal year 2018, the County provided \$11.3 million in grant-in-aid programs for 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 continues to supplement the State Police and local law enforcement with a \$3.5 million contribution. The volunteer fire service and ambulance companies received approximately \$4.1 million in grant funding during fiscal year 2018. The County also supports 11 independent libraries through the grant-in-aid budget with a \$2.4 million contribution. In addition, in fiscal year 2018, a variety of community grants, in the amount of \$1.3 million, were given to local non-profit organizations, senior centers, food pantries, and housing assistance programs.

Business-type Activities

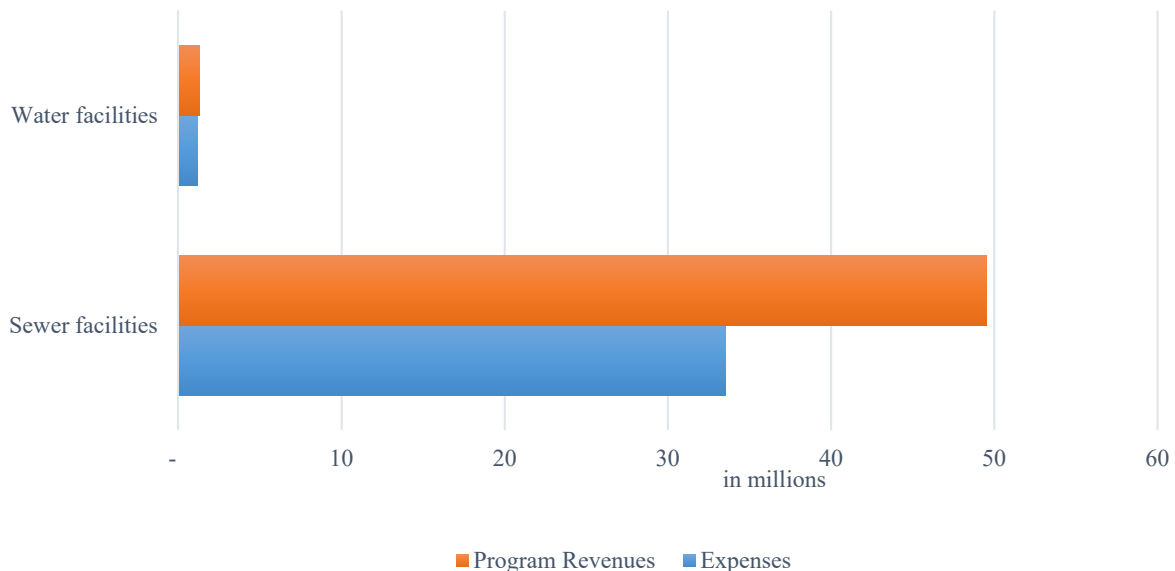
Sussex County’s water and sewer funds had an increase in net position of \$16.5 million during fiscal year 2018. The income before capital contributions and transfers was \$10.0 million. Our sewer district continue to grow, bringing in additional income. The number of sewer equivalent dwelling units increased more than 2,577 from fiscal year 2017. The pie chart reflects revenues by source for the water and sewer funds.

Revenues by Source - Business-type Activities



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

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



- The County received \$10.2 million in connection fees for new growth in the water and sewer districts; this is a 11.3 percent increase over last year's collection of \$9.2 million. Connection fee income increased due to the housing market and through continued expansion our sewer district.
- Operating grants and contribution program revenue includes both connection fee and assessment charges. Assessment charges are collected to pay debt incurred due to construction.
- Fiscal year 2018 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 2018, fund balances of the County's governmental funds increased \$3.9 million. This increase is a result of the \$32.3 million collected in realty transfer tax. The County budgeted \$20.1 million that caused revenues to exceed budgeted revenues by \$12.2 million in this single revenue category.

For the general fund, fiscal year 2018 finished with an increase in fund balance of \$3.8 million. Page 85 in the financial section shows a history of Sussex County's revenues and expenses for the general fund since 1978. As shown, we have had some financially strong years, in particular from 1991 through 2006.

Fund balance financial reporting is more detailed and there are increased disclosures to help with understanding the availability of resources, which improves the usefulness and understanding of fund balance information. The largest part of the County's fund balance is restricted for public safety, infrastructure, public works, and economic development. Assigned fund balance includes funds to be used next fiscal year, possible future reassessment, and an economic development marketing plan.

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 2018, \$9.3 million was contributed to the pension plan. This contribution was \$5.2 million over the actuarially determined contribution. The fund saw an increase from investment earnings, net of investment expenses, in the amount of \$6.9 million. The County's Pension Plan is 85.6 percent funded according to the latest actuarial report. As of June 30, 2018, assets held in this account were valued at over \$94.8 million.

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

The County has an irrevocable fund for other post-retirement employee benefits, or “OPEB”. The OPEB Plan is currently 81.2 percent funded. As of June 30, 2018, assets held in this account were valued at \$43.2 million. For fiscal year 2018, the contribution to this fund was \$7.2 million. This contribution was \$5.2 million over the actuarially determined contribution. Due to the County’s commitment, our funding level of this fund is unusually high in comparison with other municipalities.

In fiscal year 2018, there were 251 retirees and beneficiaries in the pension plan. Beneficiary payments for both funds totaled \$6.3 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 \$334.6 million - a \$16.5 million, or 5.2 percent, increase over last year. Restricted net position includes amounts set aside for construction and future capital costs. Connection fees received are to be used for capital costs.

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

GENERAL FUND BUDGETARY HIGHLIGHTS

Budget Goals and Initiatives

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

Revenue and Appropriation Budgets

Total budgeted revenues, expenditures, and other financing uses are equal to the original approved budget, with adjustments for any approved budget transfers, for fiscal year 2018. During the year, the County Administrator and Deputy Finance Director approve budget transfers for expenditures within departments. The County Administrator approves expenses that are paid from a budgeted contingency line item. The approved budget transfers include increases in certain line items for requested expenditures, which were offset by decreases in other departmental line items. Some of the largest expenses from the contingency line items, as approved by the County Administrator during the year, were for vehicles to improve the County fleet (\$319,000), information technology infrastructure (\$255,000), tablets for the paramedics (\$74,000), unforeseen library repairs (\$24,000), and communication radios (\$23,000).

Budget to Actual - Revenue

The fiscal 2018 budget expenses increased \$13.8 million. The majority of this increase, \$10.0 million, is a one-time transfer to pay down the County’s unfunded pension liability. Six hundred thousand dollars of the increase is the result of budgeting the use of savings for programs that County Council has committed for economic development. The remaining \$3.2 million is the increase in operational expense. The operational increase is a direct result of the County’s commitment to public safety. Even with the economy improving, it is important that the County keeps expenses low while providing a consistent level of service. When the economy shows improvement, the County funds future obligations, such as the pension or the capital fund. In fiscal 2018, actual general fund revenues and other financing sources were over budgeted revenues by \$3.0 million as noted on page 71. The largest revenue source over budget was realty transfer tax; this revenue exceeded that budget by \$12.2 million. This amount was offset by the \$12.2 million use of appropriated reserves that were planned to be spent.

Budget to Actual - Expenditures

After other financing uses, expenditures were under budget by \$0.8 million as noted on page 75. No departments finished the fiscal year over their budget projections.

Capital Asset and Debt Administration

Capital Assets

As per the chart below, capital assets (net of depreciation) are valued at \$490.4 million as of June 30, 2018. Note E, on pages 41 and 42, includes additional information.

Sussex County, Delaware Capital Assets

As of June 30, 2018 and 2017

(net of depreciation)

	Governmental Activities		Business-type Activities		Total Government	
	2018	2017	2018	2017	2018	2017
Land	\$ 20,965,316	\$ 20,377,816	\$ 45,554,385	\$ 39,741,157	\$ 66,519,701	\$ 60,118,973
Construction in Progress	2,675,942	2,983,409	13,865,795	26,074,058	16,541,737	29,057,467
Buildings	31,997,434	32,832,110	28,066,831	28,738,916	60,064,265	61,571,026
Improvements Other Than Buildings	24,991,500	24,263,589	3,174,713	3,346,570	28,166,213	27,610,159
Machinery and Equipment	4,337,049	2,914,751	3,308,198	2,987,560	7,645,247	5,902,311
Infrastructure	-	-	311,430,508	289,037,858	311,430,508	289,037,858
Total	<u>\$ 84,967,241</u>	<u>\$ 83,371,675</u>	<u>\$405,400,430</u>	<u>\$389,926,119</u>	<u>\$490,367,671</u>	<u>\$473,297,794</u>

The major governmental capital project completed in fiscal year 2018, which increased the classification of Machinery and Equipment was the mobile command unit. Land increased due to a purchase of property for a paramedic station in Seaford. Construction in Progress is lower than the end of fiscal year 2017 due to the completion of the new command unit.

The following are highlights of the major capital sewer projects underway during fiscal year 2018, which will expand the County’s sewer system to serve more residents and protect the environment:

- major upgrades and renovations to existing infrastructure, such as upgrades the Inland Bays and treatment plant and Pump Station 210;
- construction for the Rehoboth outfall project;
- construction of the sewer expansion areas, such as Millville, Concord Road, Herring Creek and Route 54.

Long-term Debt

As of June 30, 2018, the County had \$146.6 million in outstanding bonds payable. This debt is backed by the full faith and credit of the Sussex County Government, although revenues from sewer and water districts are being used to pay the debt service for this debt. This debt was solely used to fund business-type water and sewer activities. There is no general fund bonded debt.

SUSSEX COUNTY'S OUTSTANDING DEBT

As of June 30, 2017 and 2016

General Bonds

	Governmental Activities		Business-type Activities		Total Government	
	2018	2017	2018	2017	2018	2017
General Obligation Bonds	\$ -	\$ -	\$146,569,694	\$150,094,796	\$146,569,694	\$150,094,796
Total	\$ -	\$ -	\$146,569,694	\$150,094,796	\$146,569,694	\$150,094,796

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

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

Additional debt information is included in Note J, on pages 53 through 57 of the report.

Economic Factors in Next Year's Budgets and Rates

Economic Factors

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

- While the national unemployment rate, as stated by the Delaware Department of Labor, was 4.2 percent in June 2018, Delaware's unemployment rate was 4.1 percent; Sussex County's unemployment - at 3.7 percent - was under those averages.
- Fiscal year 2018 saw increases as the housing market continued to rebound. Budget revenues for fiscal year 2019 are 5.7 percent over fiscal year 2018. County's property tax assessments saw an increase of 2.7 percent. Although actual revenues for fiscal year 2018 came in much higher than budgeted revenues, the budget committee chose not to assume that the economy will continue to expand; therefore, the committee chose to budget around 85 percent of expected building-related revenues.
- 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. According to Southern Delaware Tourism, an estimated \$850 million in tourism revenue comes from sales in Sussex County. These outlets attract customers from other counties and states. Having no state sales tax is an additional draw for outlet shoppers.
- To date, realty transfer tax revenue is higher than last fiscal year and reflects the attractiveness of the Sussex lifestyle and low cost of living, which brings more tourists and retirees to the county.

Fiscal Year 2019 Budget and Rates

The major goal of the fiscal year 2019 budget was to continue to operate without raising taxes, but still provide an excellent level of service to our residents. As with previous budgets, the fiscal year 2019 budget was put together with sustainability in mind. The budget committee remains cautiously optimistic. As revenues for fiscal year 2019 are tracked, there is a sign of continual growth in the economy in Sussex County.

The fiscal year 2019 general fund budget shows a \$6.0 million increase in expenses from fiscal year 2018; most of this increase is due to \$4.2 million increase in grant-in-aid. The increase in grant funding is for a variety of reasons, such as public safety, economic development, and land preservation. One million dollars of the increase is related to operating costs for the paramedic and emergency operations departments.

The fiscal year 2019 capital improvements budget includes \$6.6 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 2019 sewer and water operating budget increased by 7.2 percent. The increase is due to utility and administrative costs that rise as users increase. The fees cover four wastewater treatment facilities, one water facility and tower, over 493 pump stations, and 915 miles of pipe.

The five-year capital improvement plan of \$251.0 million includes \$220.4 million for sewer and water projects and improvements, as well as \$30.6 million for other governmental fund projects, such as improving the Delaware Coastal Airport and Coastal Business Park, expanding our paramedic infrastructure, and information technology infrastructure.

Requests for Information

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

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

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 14,643,208	\$ 6,133,141	\$ 20,776,349
Investments	39,045,977	20,258,840	59,304,817
Taxes receivable	1,694,527	-	1,694,527
Other receivables	3,513,071	4,513,922	8,026,993
Due from other governmental agencies	1,104,627	676,874	1,781,501
Due from other postemployment benefit	22,078	-	22,078
Internal balances	11,644,417	(11,644,417)	-
Inventory	12,175	539,179	551,354
Prepaid items	34,397	-	34,397
Restricted cash and cash equivalents	25,473,242	12,106,998	37,580,240
Restricted investments	46,514,512	52,641,597	99,156,109
Loans receivable	1,035,309	-	1,035,309
Capital assets:			
Land, improvements, and construction in progress	23,641,258	59,420,180	83,061,438
Other capital assets, net of depreciation	61,325,983	345,980,250	407,306,233
Total assets	<u>229,704,781</u>	<u>490,626,564</u>	<u>720,331,345</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows from other postemployment benefits	388,538	119,355	507,893
Deferred outflows from pension	3,205,261	984,623	4,189,884
Deferred charge on refunding of bonds	-	1,050,202	1,050,202
Total deferred outflows of resources	<u>3,593,799</u>	<u>2,154,180</u>	<u>5,747,979</u>
LIABILITIES			
Accounts payable and other current liabilities	4,479,578	2,620,695	7,100,273
Accrued interest payable	-	697,679	697,679
Employee health claims payable	1,235,903	-	1,235,903
Unearned revenue	314,686	-	314,686
Deposits	10,682,535	-	10,682,535
Long-term liabilities:			
Due within one year	2,655,932	7,750,304	10,406,236
Other due in more than one year	23,744,393	146,568,790	170,313,183
Total liabilities	<u>43,113,027</u>	<u>157,637,468</u>	<u>200,750,495</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows from other postemployment benefits	1,733,239	532,433	2,265,672
Total deferred inflows of resources	<u>1,733,239</u>	<u>532,433</u>	<u>2,265,672</u>
NET POSITION			
Net investment in capital assets	84,144,082	242,907,425	327,051,507
Restricted for:			
Capital, public safety and economic development	71,987,754	-	71,987,754
Grant expenses	331,357	-	331,357
Construction and capital	-	64,748,595	64,748,595
Unrestricted	31,989,121	26,954,823	58,943,944
Total Net Position	<u>\$ 188,452,314</u>	<u>\$ 334,610,843</u>	<u>\$ 523,063,157</u>

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

SUSSEX COUNTY, DELAWARE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Function/Programs	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary government:							
Governmental Activities:							
General government	\$ 16,510,060	\$ 1,979,163	\$ 61,152	\$ -	\$ (14,469,745)	\$ -	\$ (14,469,745)
Planning and zoning	1,716,521	2,226,305	-	-	509,784	-	509,784
Paramedics	14,923,379	29,355	3,261,886	-	(11,632,138)	-	(11,632,138)
Emergency preparedness	3,757,532	20,800	763,308	74,110	(2,899,314)	-	(2,899,314)
County engineer	1,639,722	1,935,572	27,551	-	323,401	-	323,401
Library	3,076,799	31,538	365,996	-	(2,679,265)	-	(2,679,265)
Economic development and airpark	3,263,235	530,078	26,039	351,526	(2,355,592)	-	(2,355,592)
Community development	1,759,425	-	1,425,425	-	(334,000)	-	(334,000)
Grant-in-aid program	11,270,949	-	-	-	(11,270,949)	-	(11,270,949)
Constitutional offices	2,386,080	7,571,546	-	-	5,185,466	-	5,185,466
Total governmental activities	<u>60,303,702</u>	<u>14,324,357</u>	<u>5,931,357</u>	<u>425,636</u>	<u>(39,622,352)</u>	<u>-</u>	<u>(39,622,352)</u>
Business-type activities:							
Sewer facilities	33,519,513	23,665,580	19,433,880	6,388,880	-	15,968,827	15,968,827
Water facilities	1,162,200	1,238,663	46,500	-	-	122,963	122,963
Total business-type activities	<u>34,681,713</u>	<u>24,904,243</u>	<u>19,480,380</u>	<u>6,388,880</u>	<u>-</u>	<u>16,091,790</u>	<u>16,091,790</u>
Total primary government	<u>\$ 94,985,415</u>	<u>\$ 39,228,600</u>	<u>\$ 25,411,737</u>	<u>\$ 6,814,516</u>	<u>(39,622,352)</u>	<u>16,091,790</u>	<u>(23,530,562)</u>
General revenues:							
Taxes: Property & capitation					15,709,654	-	15,709,654
Fire service					1,694,992	-	1,694,992
Realty transfer					32,299,796	-	32,299,796
Unrestricted investment results					1,190,083	324,440	1,514,523
Gain on sale of capital assets					204,544	26,545	231,089
Transfers					(11,796)	11,796	-
Total general revenues and transfers					<u>51,087,273</u>	<u>362,781</u>	<u>51,450,054</u>
Change in net position					<u>11,464,921</u>	<u>16,454,571</u>	<u>27,919,492</u>
Net position - beginning					<u>176,987,393</u>	<u>318,156,272</u>	<u>495,143,665</u>
Net position - ending					<u>\$ 188,452,314</u>	<u>\$ 334,610,843</u>	<u>\$ 523,063,157</u>

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

SUSSEX COUNTY, DELAWARE
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2018

-20-

	General	Capital Projects	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 14,643,208	\$ -	\$ 14,643,208
Investments	39,045,977	-	39,045,977
Receivables, net of allowance for doubtful accounts:			
Taxes	1,694,527	-	1,694,527
Assessments and connection	2,346,938	-	2,346,938
Accrued interest	278,941	46,823	325,764
Miscellaneous	571,028	-	571,028
Employee advances	269,341	-	269,341
Due from other governmental agencies	1,072,408	32,219	1,104,627
Due from other funds	11,666,495	-	11,666,495
Inventory	12,175	-	12,175
Prepaid items	34,397	-	34,397
Restricted cash and cash equivalents	18,143,508	7,329,734	25,473,242
Restricted investments	34,094,482	12,420,030	46,514,512
Total Assets	<u>123,873,425</u>	<u>19,828,806</u>	<u>143,702,231</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accounts payable and other accrued expenditures	3,683,455	796,123	4,479,578
Employee health claims payable	1,235,903	-	1,235,903
Unearned revenue	121,068	-	121,068
Deposits	10,682,535	-	10,682,535
Total Liabilities	<u>15,722,961</u>	<u>796,123</u>	<u>16,519,084</u>
Deferred inflows of resources:			
Unavailable revenues	2,679,578	32,219	2,711,797
Total deferred inflows of resources	<u>2,679,578</u>	<u>32,219</u>	<u>2,711,797</u>
Fund balances:			
Nonspendable	315,913	-	315,913
Restricted	52,560,032	17,575,194	70,135,226
Committed	838,424	1,425,270	2,263,694
Assigned	17,237,808	-	17,237,808
Unassigned	34,518,709	-	34,518,709
Total fund balances	<u>105,470,886</u>	<u>19,000,464</u>	<u>124,471,350</u>
Total liabilities deferred inflows of resources, and fund balances	<u>\$ 123,873,425</u>	<u>\$ 19,828,806</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund-level statements.	84,967,241
Long-term liabilities are not due and payable in the current period and therefore are not reported in the fund-level statements.	(26,400,325)
Certain tax and grant revenue do not provide current financial resources and therefore are reported as unavailable revenue in the fund-level statements.	2,518,179
Other long-term assets are not available to pay for current period expenditures and, therefore, are not recognized in the fund-level statements.	1,035,309
Consumption of net position by the government that is applicable to a future period.	3,593,799
Acquisition of net position by the government that is applicable to a future period.	(1,733,239)
Net position of governmental activities	<u>\$ 188,452,314</u>

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

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

	General	Capital Projects	Total Governmental Funds
REVENUES			
Taxes	\$ 49,650,439	\$ -	\$ 49,650,439
Intergovernmental	5,899,605	481,512	6,381,117
Charges for services	14,668,167	-	14,668,167
Fines and forfeits	43,850	-	43,850
Investment earnings	1,071,365	118,718	1,190,083
Miscellaneous revenue	235,064	-	235,064
Total revenues	<u>71,568,490</u>	<u>600,230</u>	<u>72,168,720</u>
EXPENDITURES			
Current:			
General government	22,421,967	-	22,421,967
Planning & zoning	1,702,870	-	1,702,870
Paramedics	15,011,135	-	15,011,135
Emergency preparedness	3,311,123	-	3,311,123
County engineer	1,811,453	-	1,811,453
Library	2,807,198	-	2,807,198
Economic development and airpark	1,431,704	-	1,431,704
Community development	1,726,572	-	1,726,572
Grant-in-aid	11,270,949	-	11,270,949
Constitutional offices	2,367,555	-	2,367,555
Capital projects	-	4,663,723	4,663,723
Total expenditures	<u>63,862,526</u>	<u>4,663,723</u>	<u>68,526,249</u>
Excess of (deficiency) of revenues over (under) expenditures	<u>7,705,964</u>	<u>(4,063,493)</u>	<u>3,642,471</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	73,704	4,000,000	4,073,704
Transfers out	(4,085,500)	-	(4,085,500)
Proceeds from sale of capital assets	75,663	196,000	271,663
Total other financing sources and uses	<u>(3,936,133)</u>	<u>4,196,000</u>	<u>259,867</u>
Net change in fund balances	3,769,831	132,507	3,902,338
Fund balances - beginning	101,701,055	18,867,957	120,569,012
Fund balances - ending	<u>\$ 105,470,886</u>	<u>\$ 19,000,464</u>	<u>\$ 124,471,350</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, 2018

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

Net change in fund balances - total governmental funds		\$ 3,902,338
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The net change is as follows:</p>		
Capital outlays	\$ 5,810,811	
Depreciation	<u>(4,148,127)</u>	1,662,684
<p>In the statement of activities, only the loss on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the capital assets sold.</p>		
		(67,118)
<p>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:</p>		
Economic development and neighborhood stabilization loans	\$ (64,650)	
Grants	(628,355)	
Property taxes	<u>54,003</u>	(639,002)
<p>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.</p>		
Compensated absences	\$ (458,389)	
Grant cost	32,238	
Net pension liability	2,934,284	
Net other postemployment benefit liability	4,114,006	
Pollution remediation cost	<u>(16,120)</u>	<u>6,606,019</u>
Change in net position of governmental activities		<u>\$ 11,464,921</u>

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

SUSSEX COUNTY, DELAWARE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 36,752,044	\$ 36,752,044	\$ 49,650,439	\$ 12,898,395
Intergovernmental	6,615,556	6,615,556	5,899,605	(715,951)
Charges for services	12,178,730	12,178,730	14,668,167	2,489,437
Fines and forfeits	31,000	31,000	43,850	12,850
Investment earnings	668,000	668,000	1,071,365	403,365
Miscellaneous revenue	232,010	232,010	235,064	3,054
Total Revenues	<u>56,477,340</u>	<u>56,477,340</u>	<u>71,568,490</u>	<u>15,091,150</u>
EXPENDITURES				
Current:				
General government	24,853,437	24,853,437	22,421,967	2,431,470
Planning & zoning	1,822,497	1,822,497	1,702,870	119,627
Paramedics	15,473,109	15,473,109	15,011,135	461,974
Emergency preparedness	3,427,747	3,427,747	3,311,123	116,624
County engineer	1,972,673	1,972,673	1,811,453	161,220
Library	3,135,919	3,135,919	2,807,198	328,721
Economic development and airpark	1,511,089	1,511,089	1,431,704	79,385
Community development	2,246,403	2,246,403	1,726,572	519,831
Grant-in-aid	11,584,574	11,584,574	11,270,949	313,625
Constitutional offices	2,613,392	2,613,392	2,367,555	245,837
Total Expenditures	<u>68,640,840</u>	<u>68,640,840</u>	<u>63,862,526</u>	<u>4,778,314</u>
Excess (deficiency) of revenue over expenditures	<u>(12,163,500)</u>	<u>(12,163,500)</u>	<u>7,705,964</u>	<u>19,869,464</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	70,000	70,000	73,704	3,704
Transfers out	(85,500)	(85,500)	(4,085,500)	(4,000,000)
Proceeds from sale of capital assets	-	-	75,663	75,663
Appropriated reserves	12,179,000	12,179,000	-	(12,179,000)
Total other financing sources and uses	<u>12,163,500</u>	<u>12,163,500</u>	<u>(3,936,133)</u>	<u>(16,099,633)</u>
Net change in fund balances	-	-	3,769,831	3,769,831
Fund balances - beginning	101,701,055	101,701,055	101,701,055	-
Fund balances - ending	<u>\$ 101,701,055</u>	<u>\$ 101,701,055</u>	<u>\$ 105,470,886</u>	<u>\$ 3,769,831</u>

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

SUSSEX COUNTY, DELAWARE
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2018

	Business-type Activities - Enterprise Funds		
	Unified Sewer District	Dewey Water	Totals
ASSETS			
Current assets:			
Cash and cash equivalents:			
Unrestricted	\$ 5,709,586	\$ 423,555	\$ 6,133,141
Restricted	11,776,983	330,015	12,106,998
Receivables, net of allowance for doubtful accounts:			
Service charges	720,305	48,634	768,939
Assessments and connection	114,501	-	114,501
Interest and penalties	278,200	6,702	284,902
Miscellaneous	28,685	600	29,285
Employee advances	140,579	-	140,579
Due from other governmental agencies	676,874	-	676,874
Investments:			
Unrestricted	12,420,025	648,753	13,068,778
Restricted	35,892,935	292,560	36,185,495
Inventory	399,563	139,616	539,179
Total current assets	<u>68,158,236</u>	<u>1,890,435</u>	<u>70,048,671</u>
Noncurrent assets:			
Investments:			
Unrestricted	6,531,494	658,568	7,190,062
Restricted	16,272,621	183,481	16,456,102
Noncurrent accounts receivables:			
Service charges	1,445,106	47,783	1,492,889
Assessments and connection	826,346	194	826,540
Interest and penalties	847,713	8,574	856,287
Capital assets:			
Land, improvements, and construction in progress	59,364,148	56,032	59,420,180
Other capital assets, net of depreciation	344,815,173	1,165,077	345,980,250
Total noncurrent assets	<u>430,102,601</u>	<u>2,119,709</u>	<u>432,222,310</u>
Total Assets	<u>498,260,837</u>	<u>4,010,144</u>	<u>502,270,981</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows from other postemployment benefits	116,308	3,047	119,355
Deferred outflows from pension	959,484	25,139	984,623
Deferred charge on refunding of bonds	1,050,202	-	1,050,202
Total Deferred Outflows of Resources	<u>2,125,994</u>	<u>28,186</u>	<u>2,154,180</u>

(continued)

SUSSEX COUNTY, DELAWARE
 STATEMENT OF NET POSITION - PROPRIETARY FUNDS - CONTINUED
 JUNE 30, 2018

	Business-type Activities - Enterprise Funds		
	Unified Sewer District	Dewey Water	Totals
LIABILITIES			
Current liabilities:			
Accounts payable and other current liabilities	\$ 2,449,251	\$ 171,444	\$ 2,620,695
Accrued interest payable	697,679	-	697,679
Due to other funds	11,644,417	-	11,644,417
Current portion of long-term liabilities	7,736,599	13,705	7,750,304
Total current liabilities	<u>22,527,946</u>	<u>185,149</u>	<u>22,713,095</u>
Noncurrent liabilities:			
Long-term liabilities, less current portion	<u>146,396,128</u>	<u>172,662</u>	<u>146,568,790</u>
Total noncurrent liabilities	<u>146,396,128</u>	<u>172,662</u>	<u>146,568,790</u>
Total Liabilities	<u>168,924,074</u>	<u>357,811</u>	<u>169,281,885</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows from other postemployment benefits	<u>518,839</u>	<u>13,594</u>	<u>532,433</u>
Total Deferred Inflows of Resources	<u>518,839</u>	<u>13,594</u>	<u>532,433</u>
NET POSITION			
Net investment in capital assets	241,712,090	1,195,335	242,907,425
Restricted for construction and capital assets	63,942,539	806,056	64,748,595
Unrestricted	25,289,289	1,665,534	26,954,823
Total Net Position	<u>\$ 330,943,918</u>	<u>\$ 3,666,925</u>	<u>\$ 334,610,843</u>

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

**STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN FUND NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

	Business-type Activities - Enterprise Funds		
	Unified Sewer District	Dewey Water	Totals
Operating revenues:			
Charges for services	\$ 20,446,010	\$ 1,136,660	\$ 21,582,670
Other operating revenue	3,219,570	102,003	3,321,573
Total operating revenues	<u>23,665,580</u>	<u>1,238,663</u>	<u>24,904,243</u>
Operating expenses:			
Contractual services	3,602,925	616,926	4,219,851
Depreciation	12,862,010	137,953	12,999,963
Employee benefits	1,915,118	77,331	1,992,449
Equipment and tools	292,666	21,005	313,671
Maintenance and repairs	1,489,533	35,635	1,525,168
Process chemicals	369,586	-	369,586
Professional fees	366,214	2,670	368,884
Salaries	5,435,998	137,391	5,573,389
Shared costs	2,212,488	116,447	2,328,935
Supplies	648,696	16,123	664,819
Training and travel	27,086	719	27,805
Total operating expenses	<u>29,222,320</u>	<u>1,162,200</u>	<u>30,384,520</u>
Operating (loss) income	<u>(5,556,740)</u>	<u>76,463</u>	<u>(5,480,277)</u>
Nonoperating revenue (expenses):			
Interest and investment results	821,907	18,197	840,104
Assessment and connection fees	18,928,010	36,706	18,964,716
Interest expense	(4,297,193)	-	(4,297,193)
Total nonoperating revenues	<u>15,452,724</u>	<u>54,903</u>	<u>15,507,627</u>
Income (loss) before contributions and transfers	9,895,984	131,366	10,027,350
Capital contributions	6,388,880	-	6,388,880
Gain on sale of capital assets	22,858	3,687	26,545
Transfers in	85,500	-	85,500
Transfers out	(73,704)	-	(73,704)
Change in net position	<u>16,319,518</u>	<u>135,053</u>	<u>16,454,571</u>
Total net position - beginning	<u>314,624,400</u>	<u>3,531,872</u>	<u>318,156,272</u>
Total net position - ending	<u>\$ 330,943,918</u>	<u>\$ 3,666,925</u>	<u>\$ 334,610,843</u>

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

SUSSEX COUNTY, DELAWARE
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR YEAR ENDED JUNE 30, 2018

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	Business-type Activities - Enterprise Funds		
	Unified Sewer District	Dewey Water	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers	\$ 24,417,696	\$ 1,217,827	\$ 25,635,523
Other payments	23,107	(928)	22,179
Other receipts	(560,702)	-	(560,702)
Payments to employees	(9,384,332)	(286,961)	(9,671,293)
Payments to suppliers	(8,960,922)	(842,853)	(9,803,775)
Net cash flows from operating activities	<u>5,534,847</u>	<u>87,085</u>	<u>5,621,932</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(28,358,504)	(115,771)	(28,474,275)
Assessment and connection fees	19,423,299	37,352	19,460,651
Bond proceeds	3,632,853	-	3,632,853
Proceeds from sale of assets	22,856	3,684	26,540
Capital contributions	6,388,880	-	6,388,880
Interest paid	(4,535,875)	-	(4,535,875)
Retirement of bonds and related costs	(6,822,187)	-	(6,822,187)
Transfers from other funds for capital activities	1,694,396	-	1,694,396
Transfers to other funds for capital activities	(73,704)	-	(73,704)
Net cash flows for capital and related financing activities	<u>(8,627,986)</u>	<u>(74,735)</u>	<u>(8,702,721)</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Interest income and investment results	220,377	19,884	240,261
Net sales / (purchases) of investments	2,522,741	(533,925)	1,988,816
Net cash flows from investing activities	<u>2,743,118</u>	<u>(514,041)</u>	<u>2,229,077</u>
Net increase (decrease) in cash and cash equivalents	<u>(350,021)</u>	<u>(501,691)</u>	<u>(851,712)</u>
Cash and cash equivalents - beginning	17,836,590	1,255,261	19,091,851
Cash and cash equivalents - ending	<u>\$ 17,486,569</u>	<u>\$ 753,570</u>	<u>\$ 18,240,139</u>

(continued)

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

SUSSEX COUNTY, DELAWARE
 STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS - CONTINUED
 FOR YEAR ENDED JUNE 30, 2018

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Unified Sewer District</u>	<u>Dewey Water</u>	<u>Totals</u>
Reconciliation of operating (loss) income to net cash provided by operating activities:			
Operating (loss) income	\$ (5,556,740)	\$ 76,463	\$ (5,480,277)
Adjustments to reconcile operating (loss) income to net cash provided by operating activities:			
Depreciation	12,862,010	137,953	12,999,963
Increase (decrease) in accounts payable - other	23,107	(1,035)	22,072
Increase in accounts payable - suppliers	28,871	53,631	82,502
Increase (decrease) in compensated absences	56,213	(15,018)	41,195
Increase (decrease) in customer receivables	101,485	(20,835)	80,650
Increase (decrease) in inventory	19,401	(86,960)	(67,559)
Increase in other operating receivables	89,930	-	89,930
Decrease in salaries and benefits payable	(2,089,430)	(57,114)	(2,146,544)
Net cash provided by operating activities	<u>\$ 5,534,847</u>	<u>\$ 87,085</u>	<u>\$ 5,621,932</u>

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

SUSSEX COUNTY, DELAWARE
 STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
 JUNE 30, 2018

	Pension and OPEB Trusts Total
	<u> </u>
ASSETS	
Cash and cash equivalents	\$ 4,033,385
Investments:	
U.S. Treasuries	13,637,268
Government Agencies	1,642,239
Corporate obligations	12,429,637
Delaware Local Government Retirement Investment Pool	37,946,502
Mutual funds	68,126,861
Total Investments	<u>133,782,507</u>
Accrued interest	<u>190,936</u>
Total Assets	<u>138,006,828</u>
 LIABILITIES	
Accounts payable	37,085
Due to general fund	22,078
Total Liabilities	<u>59,163</u>
 NET POSITION	
Net position restricted for pension and OPEB benefits	<u>\$ 137,947,665</u>

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

SUSSEX COUNTY, DELAWARE
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2018

	Pension and OPEB Trusts Total
ADDITIONS	
Employer contributions	\$ 16,446,910
Employee contributions	134,150
Investment earnings:	
Net depreciation of investments	(213,511)
Interest and dividends	10,125,982
Total investment earnings	<u>9,912,471</u>
Less investment expenses	<u>(251,407)</u>
Net investment earnings	<u>9,661,064</u>
Total additions	<u>26,242,124</u>
DEDUCTIONS	
Beneficiary payments	6,306,019
Professional fees	166,707
Net increase in plan net position	<u>19,769,398</u>
Net position restricted for pension and OPEB benefits - beginning	<u>118,178,267</u>
Net position restricted for pension and OPEB benefits - ending	<u><u>\$ 137,947,665</u></u>

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The County's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America applicable to State and Local governments (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The County has adopted all applicable GASB statements through No. 82 as well as No. 85 and 86 during FY 18 with no material impact.

1. Reporting Entity

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

2. Basic Financial Statements - Government-wide Statements

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

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

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

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

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

3. Basic Financial Statements - Fund Financial Statements

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

Governmental Funds

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

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

Capital projects fund is maintained to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by business-type/proprietary funds). These funds are provided by intergovernmental grants, investment income, and operating transfers from the General Fund. Some projects may take longer than one year to complete. Major capital projects expenditures in fiscal year 2018 were for airport and business park expansion and improvements. As of June 30, 2018, the major projects being planned over the next five years include \$16.3 million for airport and business park improvements and expansion, \$3.2 million for property acquisition, \$6.6 million for public safety buildings, \$2.3 million for maintenance building, \$1.2 million for various building improvements and \$1.2 million information technology infrastructure.

Proprietary Funds

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

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

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Basic Financial Statements - Fund Financial Statements - Continued

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

Fiduciary Funds

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

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

Major and Nonmajor Funds

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

4. Measurement Focus and Basis of Accounting

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

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

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

5. Cash and Cash Equivalents

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

Restricted cash mainly consists of amounts held by the County for the proceeds from grant programs, Constitutional Row Offices, 911 emergency reporting, realty transfer tax, fire service fee, and various sewer system reserves and construction funds.

6. Investments

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

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

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

Level 3 - Unobservable inputs for the assets.

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

7. Accounts Receivable

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

8. Inventory and Prepaid Items

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

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

9. Capital Assets

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

9. Capital Assets - Continued

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

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

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

10. Deferred Outflows/Inflows of Resources

Deferred Outflows of Resources, reported after Total Assets, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County has three items that qualify for reporting in this category. The first is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second is deferred outflows from pensions as described in Note F. The third is deferred outflows from other postemployment benefits as described in Note G. These items will be recognized as part of pension and OPEB expense in future periods.

Deferred Inflows of Resources, reported after Total Liabilities, which represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until then. The County has two items that qualify for reporting in this category. The first deferred inflow from other postemployment benefits is described in Note G. The second, represents resources received prior to the period for which they are to be used and are reported only on the governmental funds balance sheet. These are unavailable revenues for property tax and grants. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

11. Bond Premiums and Discounts

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

12. Deposits and Unearned Revenue

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

13. Compensated Absences

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

14. Equity Classifications

Government-wide and Proprietary Fund Net Position

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

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

Governmental Fund Balances

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

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

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

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

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

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

15. Revenues

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

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

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

16. Expenditures

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

17. Interfund Activity

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

18. Budgets and Budgetary Accounting

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

18. Budgets and Budgetary Accounting - continued

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

The budgets for the County's general fund and capital projects fund have been prepared on a basis materially consistent with GAAP. Final budgeted amounts are as amended through June 30, 2018. Unexpended appropriations in the operating budget lapse at year end.

19. Use of Estimates

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

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

The governmental fund balance sheet includes reconciliation between fund balances - total governmental funds and net position of governmental activities as reported in the government-wide statement of net position. The details of the \$1,035,309 difference "Other long-term assets are not available to pay for current period expenditures and therefore, are not recognized in the fund level statements" is as follows:

Loan receivable	\$ 1,035,309
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NOTE B - CASH AND INVESTMENTS

All deposits are in various financial institutions and are carried at cost. Transactions are made directly with the banks; services of brokers or securities dealers are not used. At June 30, 2018, the carrying amount of the County's deposits was \$61,672,132 and the bank balance was \$61,637,659. None of the County's deposits were uninsured or uncollateralized at year end.

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

NOTE B - CASH AND INVESTMENTS - CONTINUED

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

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

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

The County's investment policy authorizes the following investments:

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

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. Delaware Local Government Retirement Investment Pool investments are valued using management review of master share investment activity of Delaware Public Employees' Retirement System. 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, 2018 are as follows:

Investments by fair value level	June 30, 2018	Level 1	Level 2	Level 3
General Government				
U.S. Treasury securities	\$ 1,499,505	\$1,499,505	\$ -	\$ -
U.S. Government agencies securities	121,922,416	-	121,922,416	-
Total	123,421,921	1,499,505	121,922,416	-
Investments at amortized cost:				
Certificates of deposits	35,039,005			
Total investment General Government	158,460,926			

NOTE B - CASH AND INVESTMENTS - CONTINUED

Investment by fair value level - continued	June 30, 2018	Level 1	Level 2	Level 3
Pension and Other Post-Retirement Employee Benefit Trust				
U.S. Treasury securities	13,637,268	13,637,268	-	-
U.S. Government agencies securities	1,642,239	-	1,642,239	-
Corporate obligations	12,429,637	-	12,429,637	-
Delaware Local Government Retirement Investment Pool	37,946,502	-	-	37,946,502
Mutual Funds	68,126,861	68,126,861	-	-
Total Pension and Other Post- Retirement Employee Benefit Trust investments	133,782,507	81,764,129	14,071,876	37,946,502
Total Investments	\$292,243,433	\$83,263,634	\$135,994,292	\$37,946,502

The fair value of investments by contractual maturity as of June 30, 2018 is shown below.

Investment Type	Total	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	11-15
U.S. Treasuries	\$ 15,136,773	\$ 2,471,688	\$ 7,024,635	\$ 5,640,450	\$ -
Government Agencies	123,564,655	51,044,821	72,519,834	-	-
Corporate obligations	12,429,637	1,691,283	6,727,187	4,011,167	-
Delaware Local Government Retirement Investment Pool	37,946,502	37,946,502	-	-	-
Certificates of deposits	35,039,005	34,767,279	271,726	-	-
Mutual funds	68,126,861	-	-	-	-
Total Investments	\$292,243,433	\$127,921,573	\$86,543,382	\$9,651,617	-

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

Cash on hand	\$ 717,842
Carrying amount of deposits	61,672,132
Carrying amount of investments	292,243,433
Total	<u>\$ 354,633,407</u>
Primary Government	
Unrestricted	
Cash and cash equivalents	\$ 20,776,349
Investments	59,304,817
Restricted	
Cash and cash equivalents	37,580,240
Investments	99,156,109
Total primary government	<u>216,817,515</u>
Fiduciary funds (not included in government-wide statement)	
Cash and cash equivalents	4,033,385
Investments	133,782,507
Total fiduciary funds	<u>137,815,892</u>
Total	<u>\$ 354,633,407</u>

NOTE C - ACCOUNTS RECEIVABLE

The allowance for uncollectible receivables at June 30, 2018 is \$22,847 for service, \$9,505 for assessment and \$8,671 for interest and penalties. The County does not have an allowance for uncollectible property taxes because all are considered collectible.

NOTE D - LOANS RECEIVABLE

Under the County's Economic Development Stimulus Loan Program, loans are provided for certain projects for economic development and job growth purposes. The balances outstanding total \$187,580 at June 30, 2018. One loan bears no interest, matures on April 2026, and is secured with the full faith and credit of the borrowing municipality. The other loan bears interest at 1% per annum, matures on February 2023, and is secured with partner guarantees and a second mortgage on the property.

The County's Neighborhood Stabilization Program, in partnership with local nonprofits, provides zero percent interest loans for a term of thirty years for the purpose of providing affordable financing for moderate to low income families. The loans are secured by liens on the real property. The balances outstanding at June 30, 2018 total \$847,729.

Loans receivable total \$1,035,309 at June 30, 2018, which are not reflected on the governmental funds balance sheet.

NOTE E - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018, was as follows:

	Balance at June 30, 2017	Increases	Decreases	Balance at June 30, 2018
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 20,377,816	\$ 654,618	\$ 67,118	\$ 20,965,316
Construction in progress	2,983,409	4,647,168	4,954,635	2,675,942
Total capital assets, not being depreciated	<u>23,361,225</u>	<u>5,301,786</u>	<u>5,021,753</u>	<u>23,641,258</u>
Other capital assets:				
Buildings	42,773,408	23,979	-	42,797,387
Improvements	39,999,193	2,856,094	-	42,855,287
Machinery and equipment	16,008,342	2,583,587	445,467	18,146,462
Total other capital assets	<u>98,780,943</u>	<u>5,463,660</u>	<u>445,467</u>	<u>103,799,136</u>
Less accumulated depreciation for:				
Buildings	9,941,298	858,655	-	10,799,953
Improvements	15,735,604	2,128,183	-	17,863,787
Machinery and equipment	13,093,591	1,161,289	445,467	13,809,413
Total accumulated depreciation	<u>38,770,493</u>	<u>4,148,127</u>	<u>445,467</u>	<u>42,473,153</u>
Other capital assets, net	<u>60,010,450</u>	<u>1,315,533</u>	<u>-</u>	<u>61,325,983</u>
Governmental Activities Capital Assets, Net	<u>\$ 83,371,675</u>	<u>\$ 6,617,319</u>	<u>\$ 5,021,753</u>	<u>\$ 84,967,241</u>

NOTE E - CAPITAL ASSETS - CONTINUED

	Balance at June 30, 2017	Increases	Decreases	Balance at June 30, 2018
Business-type Activities:				
Capital assets not being depreciated:				
Land	\$39,741,157	\$ 5,813,228	\$ -	\$ 45,554,385
Construction in progress	26,074,058	19,333,422	31,541,685	13,865,795
Total capital assets, not being depreciated	<u>65,815,215</u>	<u>25,146,650</u>	<u>31,541,685</u>	<u>59,420,180</u>
Other capital assets:				
Buildings	42,261,355	125,696	-	42,387,051
Improvements	10,523,632	27,587	-	10,551,219
Machinery and equipment	13,216,881	1,406,723	406,386	14,217,218
Infrastructure	453,878,588	33,309,303	-	487,187,891
Total other capital assets	<u>519,880,456</u>	<u>34,869,309</u>	<u>406,386</u>	<u>554,343,379</u>
Less accumulated depreciation for:				
Building	13,522,439	797,781	-	14,320,220
Improvements	7,177,062	199,444	-	7,376,506
Machinery and equipment	10,229,321	1,086,085	406,386	10,909,020
Infrastructure	164,840,730	10,916,653	-	175,757,383
Total accumulated depreciation	<u>195,769,552</u>	<u>12,999,963</u>	<u>406,386</u>	<u>208,363,129</u>
Other capital assets, net	<u>324,110,904</u>	<u>21,869,346</u>	<u>-</u>	<u>345,980,250</u>
Business-type Activities Capital Assets, Net	<u><u>\$389,926,119</u></u>	<u><u>\$47,015,996</u></u>	<u><u>\$31,541,685</u></u>	<u><u>\$405,400,430</u></u>

Depreciation expense was charged to functions as follows:

Governmental activities:		
General government		\$ 923,679
Planning and zoning		35,671
Paramedic program		374,881
Emergency preparedness		498,574
Economic development and airpark		1,969,753
County engineer		41,025
Library		277,756
Constitutional offices		26,788
Total governmental activities depreciation expense		<u>4,148,127</u>
Business-type activities		
Water		137,953
Sewer		12,862,010
Total business-type activities depreciation expense		<u>\$ 12,999,963</u>

Construction in progress was \$16.5 million with additional contractually committed costs to complete the projects in process of approximately \$12.3 million as of June 30, 2018.

NOTE F - PENSION TRUST

Basis of Accounting

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

Pension Plan Description and Administration

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

Benefits Provided

A covered employee is an employee who receives a regular salary or wages wholly, or in part, directly, or indirectly, from Sussex County provided, however, that an employee shall not be considered in covered employment if they are a part-time or seasonal employee who is not regularly employed for more than 120 working days in any on calendar year, per Ordinance No. 19, 6/10/75; No. 52, 12/16/80; No. 73, 9/22/81; No. 190, 7/24/84; No. 281, 7/23/85; No. 318, 11/12/85; No. 359, 3/25/86; No. 1375, 6/6/00; No. 1485, 7/1/01 and No. 2346, 4/29/14. Also covered are elected officials, Justices of the Peace, and Constables for time worked prior to March 31, 1965. Cost-of-living adjustments (COLA) are provided at the discretion of the County Council. The County has authority to establish and amend benefit provisions of the plan. The age for normal retirement is 62 with eight years of service, 60 for early retirement with 15 years of service, or after 30 years of service regardless of age, for most employees. Effective June 6, 2000, the number of years of service for normal retirement is 25 for paramedic and emergency communication specialists. For the year ended June 30, 2018, total payroll was \$26,078,098. Covered payroll is the payroll on which contributions to the pension plan are based.

Current membership in the plan (as of June 30, 2018) is as follows:

Total Actives	Retirees and Beneficiaries	Terminated Vested	Covered Payroll
491	251	96	\$ 23,910,625

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

NOTE F - PENSION TRUST - CONTINUED

Contributions and Funding Policy - Continued

date contributed at a rate of 3.0% of annual pay in excess of \$6,000, and the County's contribution rate was 38.79% of covered payroll.

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

At June 30, 2018, the County reported a liability of \$15,995,614 for the net pension liability. The net pension liability was measured as of June 30, 2018, and the total liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's net pension liability was based on a projection of the County's long-term contributions to the pension plan.

The components of the net pension liability of the County at June 30, 2018, were as follows:

Total Pension Liability	\$ 110,764,475
Plan Fiduciary Net Pension	(94,768,861)
County's Net Pension Liability	<u>\$ 15,995,614</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	<u>85.6%</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, 2018.

	Changes in the Net Pension Liability		
	Increase (Decrease)		
	Total Pension Liability	Fiduciary Plan Net Position	Net Pension Liability
Balance at 6/30/2017	<u>\$104,655,672</u>	<u>\$82,759,578</u>	<u>\$21,896,094</u>
Changes recognized for the fiscal year:			
Service Cost	2,142,142	-	2,142,142
Interest	7,593,994	-	7,593,994
Differences between expected and actual experience	551,937	-	551,937
Contributions - employer	-	9,274,076	(9,274,076)
Contributions - members	-	134,150	(134,150)
Net investment income	-	6,888,854	(6,888,854)
Benefit payments	(4,179,270)	(4,179,270)	-
Administrative expense	-	(108,527)	108,527
Net change	<u>6,108,803</u>	<u>12,009,283</u>	<u>(5,900,480)</u>
Balance recognized at 6/30/2018	<u>\$110,764,475</u>	<u>\$94,768,861</u>	<u>\$15,995,614</u>

During the measurement year, the NPL decreased by \$5.90 million in total. The service cost and interest cost increased the NPL by \$9.74 million. Employer and member contributions and investment gains offset by administrative expenses decreased the NPL by \$16.19 million. Additionally, there were actuarial experience losses during the year of \$0.55 million.

NOTE F - 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 to Changes in Discount Rates		
	1% Decrease 6.25%	Discount Rate 7.25%	1% Increase 8.25%
Total Pension Liability	\$126,632,815	\$110,764,475	\$ 97,787,430
Plan Fiduciary Net Position	94,768,861	94,768,861	94,768,861
Net Pension Liability	<u>\$ 31,863,954</u>	<u>\$ 15,995,614</u>	<u>\$ 3,018,569</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	<u>74.8%</u>	<u>85.6%</u>	<u>96.9%</u>

A one percent decrease in the discount rate increases the TPL by 14.3% and increases the NPL by 99.2%. A one percent increase in the discount rate decreases the TPL by 11.7% and decreases the NPL by 81.1%.

For the year ended June 30, 2018, recognized \$5,084,192 of pension expense and reported deferred outflows of resources from pensions from the following sources:

	<u>Deferred Outflows of Resources</u>
Difference between expected and actual experience	\$ 1,731,350
Changes in assumptions	2,167,429
Difference between projected and actual earnings on pension plan investments	291,105
Total	<u>\$ 4,189,884</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 of resources from pension will be recognized in the pension expense as follows:

Year End June 30:	
2019	\$1,910,334
2020	1,450,396
2021	136,086
2022	601,081
2023	91,987
Thereafter	-

NOTE F - PENSION TRUST - CONTINUED

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of July 1, 2018, using the Entry Age Normal cost method and the following actuarial assumptions based on the census data as of July 1, 2018 and the measurement date of June 30, 2018.

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

<u>Age</u>	<u>Male Termination Rate</u>	<u>Female Termination Rate</u>
20	.116	.087
25	.092	.069
30	.072	.054
35	.056	.042
40	.044	.033
45	.036	.027
50	.024	.018
55	.026	.015
60	.096	.000

In addition, a set of factors has been applied to the above rates to reflect the increased likelihood of turnover during the first five years of employment. These factors are 2.0, 1.2, and 1.0 for years 0-2, 3-4, and 5, respectively, for males and 4.0, 2.4, 1.0, and 2.0 for years 0, 1, 2-4, and 5, respectively for females.

- Retirement Rates;
 The following retirement rates have been used for all participants except dispatchers and Paramedics.

<u>Age</u>	<u>< 30 Years of Service</u>	<u>30+ Years of Service</u>
55	.00	.15
56-59	.00	.08
60	.20	.08
61	.20	.40
62	.20	.30
63	.25	.30
64	.10	.10
65	.25	.50
66-67	.10	.10
68	.15	.10
69	.15	1.00
70	1.00	1.00

- Net investment return; 7.25% per year, net of investment expenses
- Retirement age for inactive vested participants; age 62
- Percent married; 70% of the male population and 55% of the female population is assumed to be married
- Age of spouse; Females (or males) are three years younger (or older) than their spouses

NOTE F - PENSION TRUST - CONTINUED

Actuarial Assumptions - Continued

- Salary increases are based on the following

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

- Cost-of-living adjustment 1.4% 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, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Expected Real Rate of Return</u>
Domestic Equity	48% - 58%	6.9%
International Equity	7% - 18%	8.1%
Domestic Fixed Income	30% - 36%	1.8%
Real Estate and Other	0% - 7%	4.9%
Cash	0% - 5%	1.1%

The discount rate used to measure the total pension liability was 7.25 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.

Pension Trust Assets

As authorized by Sussex County Council, the pension trust funds are invested in U.S. Treasury Notes, U.S. Government Agency Notes and Bonds, Sussex County Second Lien Revenue Bonds, the Delaware Local Government Retirement Investment Pool (DEL RIP), mutual funds, corporate obligations, municipal obligations, various common stocks and certificates of deposit. Wilmington Trust Company is the trustee of the Plan and has custody of the corporate obligations, municipal obligations and various common stocks. DEL RIP was established to allow local governments the option to pool their pension assets with the Delaware Public Employees' Retirement System (DPERS). DEL RIP is in the custody of the Delaware Board of Pension Trustees and is subject to oversight of the DPERS' Investment Committee and not of the Securities and Exchange Commission (SEC). The DEL RIP investments are stated at fair value, which is the same as the value of the DPERS' Master Trust shares. Further details of the DEL RIP investments are disclosed in the DPERS 47th

NOTE F - PENSION TRUST - CONTINUED

Pension Trust Assets - Continued

Comprehensive Annual Financial Report, which may be obtained by calling 1-800-722-7300. Corporate obligations are all rated A or higher, while DELRIP and mutual funds are unrated.

The Pension Committee’s policy is a goal of 65 percent investments in equity and 35 percent in fixed income investments. Historically, the County has met or exceeded asset class benchmarks. The following represents the asset allocation policy as of June 30, 2018.

<u>Asset Class</u>	<u>Target Allocation Total</u>
Domestic Equity	48% - 58%
International Equity	7% - 18%
Domestic Fixed Income	30% - 36%
Real Estate and Other	0% - 7%
Cash	0% - 5%
Total	100%

Investment at fair value (other than those issued or guaranteed by the U.S. government and mutual funds) in excess of 5% of the Plan’s net position held in trust for pension benefits at June 30, 2018 consist of:

Delaware Local Retirement Investment Pool	<u>Fair Value</u> \$ 37,946,502
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NOTE G - OTHER POST-RETIREMENT EMPLOYEE BENEFIT TRUSTS

Basis of Accounting

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

Post-retirement Employee Benefit Plan Description and Provisions

The County established and administers a single-employer post-retirement employee benefit plan for its employees. During fiscal year 2005, the County established the “Sussex County Employment Benefit Plan” by Ordinance No. 1783. The plan is reported in the other employee benefit trust in the County’s financial statements. Benefits include preventive care, prescription drug care, facility charges, professional services and office visits. The County has the authority to establish and amend benefit provisions of the plan. For employees who begin employment with the County prior to July 1, 2001, the County policy is to provide post-retirement healthcare benefits immediately after they leave County employment if they receive a pension at that time. Retirees hired subsequent to June 30, 2001, with 15 to 24 years of service, are eligible for coverage upon receipt of a County pension, with the County paying 50% of the premium. Retirees hired subsequent to June 30, 2001, with at least 25 years of service, receive full post-retirement healthcare benefits when they receive their pension. Employees, who began work prior to July 1, 2001, may elect the coverage available as if hired after June 30, 2001.

Current membership in the plan (as of July 1, 2018) is as follows:

<u>Total Actives</u>	<u>Retirees and Beneficiaries</u>	<u>Terminated Vested</u>
476	198	0

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

Post-retirement Employee Benefit Plan Funding Policy

In fiscal year 2017, the County adopted a funding policy. As per the policy, the County will contribute the greater of 9.5% of pay or the actuarially determined contribution, as calculated by the Plan's actuary. Plan members are not required to contribute. Contributions made of \$7,172,834 were 30% of covered payroll. The contribution is designed to accumulate sufficient assets to pay benefits when due.

Actuarial Assumptions

The discount rate used to measure the Total OPEB Liability (TOL) was 7.25%, the long term rate of return as of June 30, 2018.

The long-term expected rate of return on OPEB 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 OPEB 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 OPEB plan's target asset allocation as of June 30, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Expected Real Rate of Return</u>
Domestic Equity	46% - 56%	6.9%
International Equity	9% - 19%	8.1%
Domestic Fixed Income	29% - 39%	1.8%
Cash	0% - 5%	1.1%

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

Based on these assumptions, the Plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments for current members. Consequently, the single equivalent rate used to determine the TOL as of June 30, 2018 is 7.25%, the same as the long-term expected rate-of-return.

The Total OPEB Liability was determined by an actuarial valuation as of July 1, 2018 using the following actuarial assumptions:

Salary Increases	3.50%
Discount Rate	7.25%
Investment Rate of Return	7.25%
Ultimate Rate of Per Person Cost Trends	4.00%
Rate of Mortality are based on RP 2014 Standard Table, projected Fully Generational using scale MP-2014	

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

OPEB Liability

The table below shows the changes in the TOL, the Plan fiduciary net position (i.e., fair value of Plan assets) (FNP), and the net OPEB liability (NOL) during the measurement period ending on June 30, 2018.

	Changes in the Net OPEB Liability		
	Total OPEB Liability	Fiduciary Plan Net Position	Net OPEB Liability
Balance at 6/30/2017	\$52,374,960	\$35,418,689	\$16,956,271
Changes recognized for the fiscal year:			
Service Cost	909,398	-	909,398
Interest	3,787,370	-	3,787,370
Differences between expected and actual experience	66,645	-	66,645
Changes of assumptions	(1,835,557)	-	(1,835,557)
Contributions – employer	-	7,172,834	(7,172,834)
Contributions – members	-	-	-
Net investment income	-	2,772,210	(2,772,210)
Benefit payments	(2,126,749)	(2,126,749)	-
Administrative expense	-	(58,180)	58,180
Net change	801,107	7,760,115	(6,959,008)
Balance recognized at 6/30/2018	\$53,176,067	\$43,178,804	\$9,997,263

During the measurement year, the NOL decreased by \$7.0 million. The service cost and interest cost increased the NOL by \$4.7 million while contributions plus investment gains offset the administrative expenses decreased the NOL by \$9.9 million.

There were no changes in benefits during the year. There was a change to the claim costs assumption during the measurement year, which decreased the TOL by \$1.8 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 table below shows the sensitivity of the NOL to the discount rate.

	Sensitivity of Net OPEB Liability to Changes in Discount Rate		
	1% Decrease 6.25%	Discount Rate 7.25%	1% Increase 8.25%
Total OPEB Liability	\$ 62,611,841	\$ 53,176,067	\$ 45,866,566
Plan Fiduciary Net Position	43,178,804	43,178,804	43,178,804
Net OPEB Liability	\$ 19,433,037	\$ 9,997,263	\$ 2,687,762
Plan Fiduciary Net Position as a Percentage of the TOL	69.0%	81.2%	94.1%

A one percent decrease in the discount rate increases the TOL by 17.7% and increase in the NOL by 94.4%. A one percent increase in the discount rate decreases the TOL by 13.7% and decreases the NOL by 73.1%.

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

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

OPEB Liability

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

	1% Decrease	Healthcare Trend	1% Increase
Total OPEB Liability	\$ 46,387,749	\$ 53,176,067	\$ 61,751,368
Plan Fiduciary Net Position	43,178,804	43,178,804	43,178,804
Net OPEB Liability	<u>\$ 3,208,945</u>	<u>\$ 9,997,263</u>	<u>\$ 18,572,564</u>
Plan Fiduciary Net Position as a Percentage of the TOL	<u>93.1%</u>	<u>81.2%</u>	<u>69.9%</u>

A one percent decrease in the healthcare trends decreases the TOL by 12.8% and decrease the NOL by 67.9%. A one percent increase in the healthcare trends increases the TOL 16.1% and increases the NOL by 85.8%.

Deferred Inflows and Outflows of Resources Related to OPEB

The County implemented GASB 75 as of June 30, 2017. June 30, 2018 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 eight years.

During the year, there was an experience loss of \$66,654. \$8,331 of the loss was recognized in the current year and an identical amount will be recognized in each of the next seven years, resulting in a deferred outflow of resources as of June 30, 2018 of \$58,314. There were no plan changes. There was an assumption gain due to the revised claim curves of \$1,835,557. \$229,445 of that gain was recognized in the current year and an identical amount will be recognized in each of the next seven years, resulting in a deferred inflow of resources as of June 30, 2018 of \$1,606,112.

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 \$26,707. \$5,341 of that gain was recognized in the current year and an identical amount will be recognized in each of the next four years, resulting in a deferred inflow of resources as of June 30, 2018 of \$21,366.

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, 2018 Measurement Date

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflow of Resources</u>
Difference between expected and actual experience	\$ 114,610	\$ -
Changes in assumptions	393,283	1,606,112
Difference between projected and actual earnings on OPEB plan investments	-	659,560
Total	<u>\$ 507,893</u>	<u>\$ 2,265,672</u>

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

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

Deferred Inflows and Outflows of Resources Related to OPEB - Continued

Year End June 30:	
2019	\$ (214,396)
2020	(214,398)
2021	(439,188)
2022	(226,457)
2023	(221,114)
Thereafter	(442,226)

The annual OPEB expense for the fiscal year ending June 30, 2018 is \$1,795,049, which is 7.78% of payroll. The annual OPEB expense is calculated as the change in NOL minus the change in deferred outflows plus the change in deferred inflows plus employer contributions during the year.

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

Post-retirement Employee Benefit Trust Assets

As authorized by Sussex County Council, the Post-Retirement Employee Benefit funds are invested in various mutual funds, corporate obligations, government agency obligations and U.S. Treasuries through the custodian, Wilmington Trust Company. Corporate obligations are all rated A or higher, while mutual funds are unrated.

The Pension Committee’s policy is a goal of 65 percent investments in equity and 35 percent in fixed income investments. Historically, the County has met or exceeded asset class benchmarks. The following represents the asset allocation policy as of June 30, 2018.

<u>Asset Class</u>	<u>Target Allocation Total</u>
Domestic Equity	46% - 56%
International Equity	9% - 19%
Domestic Fixed Income	29% - 39.0%
Cash	0.0% - 10.0%
Total	100%

There are no investments at fair value (other than those issued or guaranteed by the U.S. government and mutual funds) in excess of 5% of the Plan’s net position held in trust for post-retirement employee pension benefits at June 30, 2018.

NOTE H - DEFERRED COMPENSATION PLAN

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

NOTE I - SHORT-TERM DEBT

Short-term financing is obtained from banks to provide interim financing for the Enterprise Funds. Interest on the line of credit is variable; the interest was 4.875% at June 30, 2018. The County had \$10,000,000 of unused line of credit to be drawn upon as needed. No balance was outstanding at June 30, 2018.

NOTE J - LONG -TERM LIABILITIES

Description of Bonds Payable

At June 30, 2018, bonds payable consisted of the following individual issues:

	<u>Business-type</u>
1996 wastewater general obligation bonds (Ocean Way Estates), due in quarterly installments of \$6,256 principal and interest, interest at 4.5%, final payment due October 17, 2036.	\$ 312,130
1997 wastewater general obligation bonds (West Rehoboth), due in various installments through June 15, 2021, interest at 1.5%. Total bonds authorized are \$12,000,000.	1,726,854
2000 wastewater general obligation bonds (Ocean View, Holts Landing, Cedar Neck, North Millville and SCRWF), due in semi-annual installments, interest at 1.5%, final payment due December 31, 2023.	5,090,985
2000 wastewater general obligation bonds (Ellendale), due in semi-annual installments, interest at 1.5%, final payment due December 15, 2023. Total bonds authorized are \$1,726,000.	529,675
2002 wastewater general obligation bonds (Miller Creek), due in semi-annual installments, interest at 1.5%, final payment due December 31, 2027. Total bonds authorized are \$3,300,000.	1,766,927
2002 wastewater general obligation bonds (Bayview Estates and Sea Country Estates), due in semi-annual installments, interest at 1.5%, final payment due December 31, 2025. Total bonds authorized are \$2,636,000.	1,130,682
2002 wastewater general obligation bonds (Ellendale), due in semi-annual installments, no stated interest rate, final payment due June 13, 2042. Total bonds authorized are \$1,000,000.	615,385
2003 wastewater general obligation bonds (Oak Orchard), due in semi-annual installments, interest at 2%, final payment due December 31, 2024. Total bonds authorized are \$1,500,000.	574,071
2003 wastewater general obligation bonds (Oak Orchard), due in semi-annual installments, interest at 1.5%, final payment due December 31, 2026. Total bonds authorized are \$1,203,000.	593,081

NOTE J - LONG-TERM LIABILITIES - CONTINUED

<u>Description of Bonds Payable - Continued</u>	<u>Business-type</u>
2004 wastewater general obligation bonds (Inland Bays), due in semi-annual installments, interest at 1.5%, final payment due December 31, 2027. Total bonds authorized are \$16,000,000.	5,122,902
2006 wastewater general obligation bonds (Millville), due in semi-annual installments, interest at 1.5%, final payment due October 30, 2040. Total bonds authorized are \$8,000,000.	6,204,046
2006 wastewater general obligation bonds (South Ocean View), due in semi-annual installments, interest at 1.5%, final payment due June 30, 2040. Total bonds authorized are \$4,800,000.	3,505,644
2008 wastewater general obligation bonds (Dagsboro-Frankford), due in quarterly installments, interest at 4.5%, final payment due December 12, 2048. Total bonds authorized are \$73,000.	65,189
2008 wastewater general obligation bonds (Angola Neck), due in semi-annual installments, interest at 1.5%, final payment due May 21, 2042. Total bonds authorized are \$15,000,000, of which \$ 1,500,000 was forgiven at the project completion date.	11,065,517
2009 wastewater general obligation bonds (Johnson's Corner), due in semi-annual installments, interest at 1.5%, final payment due June 30, 2031. Total bonds authorized are \$6,000,000, of which \$ 1,248,033 was forgiven at the project completion date.	2,712,632
2009 wastewater general obligation bonds (Oak Orchard), due in semi-annual installments, interest at 2%, final payment due December 15, 2031. Total bonds authorized are \$5,641,503, of which \$ 3,000,000 was forgiven at the project completion date.	1,934,916
2010 wastewater general obligation bonds (Inland Bays), due in semi-annual installments, interest at 2%, final payment due November 1, 2031. Total bonds authorized are \$1,756,227, of which \$1,307,607 was forgiven at the project completion date.	317,955
2010 wastewater general obligation bonds (SCRWF), due in quarterly installments, interest at 4%, final payment due March 19, 2050. Total bonds authorized are \$7,500,000.	6,754,611
2010A wastewater general obligation bonds (Inland Bays), due in quarterly installments, interest at 2.25%, final payment due December 3, 2050. Total bonds authorized are \$5,475,000.	4,939,808
2010B wastewater general obligation bonds (Inland Bays), due in quarterly installments, interest at 2.25%, final payment due December 3, 2050. Total bonds authorized are \$5,000,000.	4,511,245
2010 wastewater general obligation recovery zone economic development bonds (SCRWF), due in quarterly installments, interest at 3%, final payment due December 3, 2050. Total bonds authorized are \$6,169,000.	5,595,901

NOTE J - LONG-TERM LIABILITIES - CONTINUED

<u>Description of Bonds Payable - Continued</u>	<u>Business-type</u>
2011 wastewater general obligation bonds (Prince Georges Acres), due in quarterly installments, interest at 4.25%, final payment due June 2, 2051. Total bonds authorized are \$500,000.	461,028
2011 wastewater general obligation bonds (Piney Neck), due in quarterly installments, interest at 4.125%, final payment due June 2, 2051. Total bonds authorized are \$2,113,000.	1,944,056
2011A wastewater general obligation bonds (Miller Creek), due in quarterly installments, interest at 4.25%, final payment due March 28, 2051. Total bonds authorized are \$1,725,000.	1,584,622
2011B wastewater general obligation bonds (Miller Creek), due in quarterly installments, interest at 4.25%, final payment due March 28, 2051. Total bonds authorized are \$1,075,000.	987,498
2011 wastewater general obligation bonds (Millville), due in quarterly installments, interest at 3.75%, final payment due November 28, 2051. Total bonds authorized are \$4,000,000.	3,679,473
2011 wastewater general obligation bonds (Fenwick Island), due in quarterly installments, interest at 3.75%, final payment due November 28, 2051. Total bonds authorized are \$1,111,000.	1,021,947
2012 wastewater general obligation bonds (Golf Village), due in quarterly installments, interest at 2%, final payment due June 27, 2052. Total bonds authorized are \$321,000.	287,507
2012A wastewater general obligation bonds (West Rehoboth refunding), due in semi-annual installments, interest ranging from 2% to 5%, final payment due March 15, 2041.	23,800,000
2012B wastewater general obligation bonds (refunding), due in semi-annual installments, interest ranging from 2% to 5%, final payment due March 15, 2049.	19,220,000
2012 wastewater general obligation bonds (Millville), due in quarterly installments, interest at 3.5%, final payment due September 27, 2052. Total bonds authorized are \$4,000,000.	3,706,553
2012 wastewater general obligation bonds (Woodlands of Millsboro), due in quarterly installments, interest at 2.125%, final payment due September 14, 2052. Total bonds authorized are \$90,000.	81,241
2013 wastewater general obligation bonds (Angola Neck), due in quarterly installments, interest at 2.125%, final payment due April 25, 2053. Total bonds authorized are \$6,000,000.	5,496,582
2013 wastewater general obligation bonds (Johnson Corner), due in quarterly installments, interest at 2.5%, final payment due February 28, 2053. Total bonds authorized are \$2,000,000.	1,836,088

NOTE J - LONG-TERM LIABILITIES - CONTINUED

<u>Description of Bonds Payable - Continued</u>	<u>Business-type</u>
2015 wastewater general obligation bond (Angola Neck), due in quarterly installments, interest at 2.375%, final payment due September 26, 2054. Total bonds authorized are \$987,000.	928,867
2015 wastewater general obligation bonds (Oak Orchard), due in quarterly installments, interest at 2.375%, final payment due July 24, 2054. Total bonds authorized are \$5,582,000.	5,253,634
2015 wastewater general obligation bonds (Angola North), due in semi-annual installments, interest at 2.00%, final payment due May 1, 2046. Total bonds authorized are \$6,697,774.	3,212,934
2017 wastewater general obligation bonds (Millville), due in quarterly installments, interest at 1.75%, final payment due May 25, 2056. Total bonds authorized are \$2,404,000.	2,319,346
2017 wastewater general obligation bonds (Fenwick Island Expansion), due in semi-annual installments, interest at 2.00%, final payment due July 1, 2048. Total bonds authorized are \$2,048,682.	972,278
Subtotal	141,863,810
Unamortized bond premium	4,705,884
TOTAL BOND PAYALBE	<u>\$146,569,694</u>

Contract Commitments

The County has obligated itself under contracts for various projects. At June 30, 2018, the obligated unrecorded amount was approximately \$17.7 million. The County's payment of these contracts will be contingent upon the contractors' satisfactory performance.

Bonds Authorized but Unissued

Bonds authorized but unissued at June 30, 2018 totaled \$3.4 million. The bonds are to finance various sewer construction and improvement projects.

Long-term Liability Activity

Long-term liability activity for the year ended June 30, 2018, was as follows:

	<u>June 30, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2018</u>	<u>Due Within One Year</u>
Governmental Activities:					
Net pension liability	\$16,750,512	-	4,513,867	12,236,645	\$ -
Net other postemployment benefits liability	12,971,547	-	5,323,641	7,647,906	-
Compensated absences	5,534,235	3,016,392	2,558,003	5,992,624	2,551,302
Estimated liability for pollution remediation	539,270	-	16,120	523,150	104,630
Total Governmental Activities	<u>\$35,795,564</u>	<u>\$ 3,016,392</u>	<u>\$ 12,411,631</u>	<u>\$ 26,400,325</u>	<u>\$ 2,655,932</u>

NOTE J - LONG-TERM LIABILITES - CONTINUED

Long-term Liability Activity-Continued

Business-Type Activities:	<u>June 30, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2018</u>	<u>Due Within One Year</u>
General obligation bonds	\$145,053,144	\$ 3,632,853	\$ 6,822,187	\$141,863,810	\$ 7,010,695
Unamortized bond premium	5,041,652	-	335,768	4,705,884	-
Total bonds payable	150,094,796	3,632,853	7,157,955	146,569,694	7,010,695
Net pension liability	5,145,582	-	1,386,613	3,758,969	-
Net other postemployment benefits liability	3,984,724	-	1,635,367	2,349,357	-
Compensated absences	1,599,881	833,044	791,851	1,641,074	739,609
Total Business-type Activities	<u>\$160,824,983</u>	<u>4,465,897</u>	<u>10,971,786</u>	<u>154,319,094</u>	<u>\$ 7,750,304</u>

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

Debt Maturity

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

<u>Year ending June 30,</u>	<u>Business-type Activities - General Obligation</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 7,010,695	\$ 4,082,122	\$ 11,092,817
2020	7,281,080	3,893,046	11,174,126
2021	7,483,353	3,704,073	11,187,426
2022	5,764,472	3,535,282	9,299,754
2023	5,901,532	3,396,722	9,298,254
2024 – 2028	25,420,570	14,957,931	40,378,501
2029 – 2033	23,467,424	11,479,574	34,946,998
2034 – 2038	21,083,102	7,798,838	28,881,940
2039 – 2043	17,785,289	6,420,905	24,206,194
2044 – 2048	12,614,204	3,802,960	16,417,164
2049 – 2053	7,499,481	492,278	7,991,759
2054 – 2057	552,608	12,397	565,005
TOTAL	<u>\$ 141,863,810</u>	<u>\$ 63,576,128</u>	<u>\$ 205,439,938</u>

NOTE K - INTERFUND BALANCES

Interfund balances at June 30, 2018 consisted of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Unified sewer fund	\$ 11,644,417
General fund	OPEB fund	22,078

At June 30, 2018, interfund balances represented interim financing for sewer projects, which are to be repaid when the County draws the permanent funding. Realty transfer tax financed \$11,644,417 of the interfund balances.

NOTE L - FUND BALANCES - GOVERNMENTAL FUNDS

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

	General	Capital Projects	Total
Nonspendable			
Inventory	\$ 12,175	\$ -	\$ 12,175
Prepaid items	34,397	-	34,397
Employee advances	269,341	-	269,341
Total nonspendable	<u>315,913</u>	<u>-</u>	<u>315,913</u>
Restricted			
Grant expenditures	331,357	-	331,357
Infrastructure, public safety, economic development items, capital	52,228,675	17,575,194	69,803,869
Total restricted	<u>52,560,032</u>	<u>17,575,194</u>	<u>70,135,226</u>
Committed			
Open space land program	547,388	1,425,270	1,972,658
Groundwater & landfill monitoring	180,281	-	180,281
Comprehensive Land-use plan	3,495	-	3,495
Property maintenance	42,149	-	42,149
Recorder of Deeds software	10,928	-	10,928
Fencing projects	48,924	-	48,924
Library repairs	5,259	-	5,259
Total committed	<u>838,424</u>	<u>1,425,270</u>	<u>2,263,694</u>
Assigned			
Grant-in-aid for County tax subsidy program	39,815	-	39,815
Open space park program	1,000,000	-	1,000,000
Legal contingency	1,000,000	-	1,000,000
Reassessment	903,726	-	903,726
Reserves budgeted for next year	13,294,267	-	13,294,267
Economic development marketing program	1,000,000	-	1,000,000
Total assigned	<u>17,237,808</u>	<u>-</u>	<u>17,237,808</u>
Unassigned			
	<u>34,518,709</u>	<u>-</u>	<u>34,518,709</u>
Total Fund Balances – Governmental Funds	<u>\$ 105,470,886</u>	<u>\$ 19,000,464</u>	<u>\$ 124,471,350</u>

NOTE M - RENT REVENUES

The County has entered into several long-term operating leases with local businesses to rent property, mainly located in the County's Industrial Airpark. Enterprise fund long-term operating leases rent farm land and tower space. These leases range in terms of one year to forty-five years and several of them are noncancelable. Buildings with a cost basis of \$7,534,499 and accumulated depreciation of \$1,850,437, and improvements with a cost basis of \$148,924 and accumulated depreciation of \$66,166, land with a cost basis of \$4,566,468 were being leased as of June 30, 2018.

NOTE M - RENT REVENUES - CONTINUED

The minimum future rental revenue under leases as of June 30, 2018 for each of the next five years and thereafter in the aggregate are:

Year ending June 30,	General Fund Amount	Enterprise Fund Amount
2019	\$ 389,036	\$ 175,289
2020	356,465	114,066
2021	267,276	103,477
2022	196,999	103,084
2023	171,209	55,948
Thereafter	1,550,495	9
Minimum Lease Payments Receivable	<u>\$ 2,931,480</u>	<u>\$ 551,873</u>

NOTE N - INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2018, consisted of the following:

Transfer to:	Transfer from		
	General Fund	Unified Sewer	Total
General fund	\$ -	\$ 73,704	\$ 73,704
Unified sewer fund	85,500	-	85,500
Capital improvements fund	4,000,000	-	4,000,000
	<u>\$ 4,085,500</u>	<u>\$ 73,704</u>	<u>\$ 4,159,204</u>

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

NOTE O - RISK MANAGEMENT

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

The County is exposed to the risk of loss related to employee medical expenses. During fiscal year 2018, the County maintained a self-insured plan for employee medical expenses in which expenses per employee were covered annually up to \$285,000. Individual excess expenses are covered under a commercial policy. In addition, the County has a maximum aggregate limit of \$10,049,583 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.

NOTE O - RISK MANAGEMENT - CONTINUED

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, 2018 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 2017 and 2018 were as follows:

	Beginning of Year Balance	Current-Year Claims and Changes in Estimates	Claim Payments	End of Year Balance
2016-2017	\$ 1,058,197	\$ 7,561,568	\$ (7,570,523)	\$ 1,049,242
2017-2018	1,049,242	8,154,766	(7,968,105)	1,235,903

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 ten-year contract, effective November 1, 2010, with the City of Seaford for the purpose of discharging wastewater. The County has a contract with the Town of Millsboro for discharging wastewater for the Woodlands of Millsboro sewer system. The contract will remain in effect until terminated by mutual agreement of both parties. The County has a contract with the City of Rehoboth for the purpose of purchasing water for the Dewey Beach Water District. The contract was in effect at January 1, 2011 and terminated on December 31, 2017. A new contract has been negotiated with the City of Rehoboth and is in effect from January 1, 2018 to December 31, 2020.

The County entered in to a Collective Bargaining Agreement in December 2017, with Delaware Public Employees, Council 81, AGSCME AFL-CIO and its Affiliated Local Union 1926. The contract extends through June 2019 and shall continue in effect from year to year thereafter unless amended, modified or terminated in accordance to the contract. The agreement covers full and regular part-time employees in Environmental Service Department except – managerial, guards and supervisor staff.

NOTE Q - LANDFILL POLLUTION REMEDIATION OBLIGATION

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

The County has pollution remediation obligations of \$523,150 of which \$104,630 is due within one year. The County has estimated future obligations based on professional consultant estimates and historical expenses of similar projects; however, there is the potential for change in estimates due to price increase or reductions, technology, or applicable laws and regulations.

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

NOTE Q - LANDFILL POLLUTION REMEDIATION OBLIGATION - CONTINUED

closed landfill site in Laurel. The Delaware Department of Natural Resources & Environmental Control (DNREC) has accepted the County's responsibility to continue to maintain the closed landfill. An investigation of the site is completed every five years. The County estimates that it will be obligated to perform pollution remediation obligation through the next evaluation period. At the next evaluation period, the County will reassess whether any additional liability will be required.

NOTE R - CONTINGENCIES

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

The County has authorized the issuance of revenue bonds to provide funds for various commercial, industrial and agricultural development projects. Various issues are outstanding at June 30, 2018 equaling \$134,752,000. In the opinion of bond counsel, these conduit bonds are not subject to the debt limit imposed on the County by the Delaware Code and are payable solely from payments made by the borrowing entities. Accordingly, these bonds are not reflected in the accompanying financial statements.

NOTE S - SUBSEQUENT EVENTS

Major Contracts

Subsequent to June 30, 2018, the County approved the authorizing the issuance of \$28.6 million of General Obligation Bonds in the connection with the expansion of the Unified Sewer District. The County approved the award of contracts totaling \$9.1 million for the construction and improvement of various sewer, paramedic station, library, business park and airport improvement projects.

Pension and Other Employee Benefit Trusts

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

**REQUIRED SUPPLEMENTARY
INFORMATION**

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

	Fiscal Year Ending				
	2014	2015	2016	2017	2018
Total Pension Liability					
Service Cost	\$ 1,773,965	\$ 1,876,088	\$ 1,817,625	\$ 1,885,125	\$ 2,142,142
Interest Cost	5,768,860	6,211,311	6,698,077	7,078,272	7,593,994
Change in Benefit Terms	-	-	-	1,259,679	-
Differences Between Expected and Actual Experiences	(2,185,380)	805,130	1,134,350	651,103	551,937
Change in Assumptions	-	-	-	3,251,143	-
Benefit Payments, Including Refunds of Member Contributions	(2,971,418)	(3,196,734)	(3,473,063)	(3,853,298)	(4,179,270)
Net Change in Total Pension Liability	<u>2,386,027</u>	<u>5,695,795</u>	<u>6,176,989</u>	<u>10,272,024</u>	<u>6,108,803</u>
Total Pension Liability (Beginning)	<u>80,124,837</u>	<u>82,510,864</u>	<u>88,206,659</u>	<u>94,383,648</u>	<u>104,655,672</u>
Total Pension Liability (Ending)	<u><u>\$ 82,510,864</u></u>	<u><u>\$ 88,206,659</u></u>	<u><u>\$ 94,383,648</u></u>	<u><u>\$ 104,655,672</u></u>	<u><u>\$ 110,764,475</u></u>
Plan Fiduciary Net Position					
Contributions - Employer	\$ 3,587,012	\$ 3,588,403	\$ 3,597,265	\$ 3,835,851	\$ 9,274,076
Contributions - Member	1,239	16,197	48,721	86,279	134,150
Net Investment Income	10,344,007	3,028,832	(345,584)	8,829,624	6,888,854
Benefit Payments, Including Refunds of Member Contributions	(2,972,657)	(3,196,734)	(3,473,063)	(3,853,298)	(4,179,270)
Administrative Expenses	(138,063)	(80,891)	(107,035)	(101,597)	(108,527)
Net Change in Plan Fiduciary Net Position	<u>10,821,538</u>	<u>3,355,807</u>	<u>(279,696)</u>	<u>8,796,859</u>	<u>12,009,283</u>
Plan Fiduciary Net Position (Beginning)	<u>60,065,070</u>	<u>70,886,608</u>	<u>74,242,415</u>	<u>73,962,719</u>	<u>82,759,578</u>
Plan Fiduciary Net Position (Ending)	<u>70,886,608</u>	<u>74,242,415</u>	<u>73,962,719</u>	<u>82,759,578</u>	<u>94,768,861</u>
County's Net Pension Liability (Ending)	\$ 11,624,256	\$ 13,964,244	\$ 20,420,929	\$ 21,896,094	\$ 15,995,614
Net Position as a % of Pension Liability	85.91%	84.17%	78.36%	79.08%	85.56%
Covered-Employee Payroll	\$ 20,427,138	\$ 21,081,346	\$ 21,671,478	\$ 22,642,273	\$ 23,910,625
Net Pension Liability as a % of Payroll	56.91%	66.24%	94.23%	96.70%	66.90%

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%.

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

SUSSEX COUNTY, DELAWARE
 SCHEDULE OF EMPLOYER CONTRIBUTIONS - PENSION TRUST

	Fiscal Year Ending				
	2014	2015	2016	2017	2018
Actuarially Determined Contribution	\$ 2,868,624	\$ 2,757,068	\$ 3,057,193	\$ 3,391,726	\$ 4,111,811
Less: Contributions made in Relation to the Actuarially Determined Contribution	3,587,012	3,588,403	3,597,265	3,835,851	9,274,076
Contribution Deficiency (excess)	<u>\$ (718,388)</u>	<u>\$ (831,335)</u>	<u>\$ (540,072)</u>	<u>\$ (444,125)</u>	<u>\$ (5,162,265)</u>
Covered Payroll	\$ 20,427,138	\$ 21,081,346	\$ 21,671,478	\$ 22,642,273	\$ 23,910,625
Contributions as a % of Covered Payroll	17.56%	17.02%	16.60%	16.94%	38.79%

Notes to Schedule:

Valuation Date July 1, 2018
 Timing: Actuarially determined contributions are calculated based on the actuarial valuation at the beginning of the fiscal year.

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method Entry Age Normal Cost Method
 Amortization Method Closed 20-year level dollar amortization of unfunded liability as of July 1, 2015
 Asset Valuation Method 5-year smoothed market
 Discount Rate 7.25%
 Inflation 2.50%
 Salary Increases From 3.0% - 5.5% based on age
 Mortality RP-2014 Total Mortality Table projected generationally using Scale MP-2014

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

SUSSEX COUNTY, DELAWARE
SCHEDULE OF INVESTMENT RETURNS - PENSION TRUST

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

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

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

	Fiscal Year Ending 2017	Fiscal Year Ending 2018
Total Other Postemployment Benefit Liability		
Service Cost	\$ 810,080	909,398
Interest	3,656,274	3,787,370
Changes in benefits	-	-
Differences between expected and actual experience	112,594	66,645
Changes of assumptions	786,564	(1,835,557)
Benefit payments	(1,828,522)	(2,126,749)
Net Change in Total Other Postemployment Benefit Liability	3,536,990	801,107
Total Other Postemployment Benefit Liability - Beginning	48,837,970	52,374,960
Total Other Postemployment Benefit Liability - Ending	<u>\$ 52,374,960</u>	<u>\$ 53,176,067</u>
Plan Fiduciary Net Position		
Contributions - employer	\$ 1,991,965	7,172,834
Contributions - members	-	-
Net investment income	3,456,691	2,772,210
Benefit payments	(1,828,522)	(2,126,749)
Administrative expense	(55,676)	(58,180)
Net Change in Plan Fiduciary Net Position	3,564,458	7,760,115
Plan Fiduciary Net Position - Beginning	31,854,231	35,418,689
Plan Fiduciary Net Position - Ending	<u>\$ 35,418,689</u>	<u>\$ 43,178,804</u>
Sponsor's Net Other Postemployment Benefit Liability	<u>\$ 16,956,271</u>	<u>\$ 9,997,263</u>
Plan Fiduciary Net Position as a percentage of the Total Other Postemployment Benefit Liability	67.63%	81.20%
Covered Employee Payroll	\$ 22,608,597	\$ 23,067,300
Sponsor's Net Other Postemployment Benefit Liability as a percentage of Covered Employee Payroll	75.00%	43.34%

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%. Health care assumption decreased due to favorable in health care claims in both 2017 and 2018.

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

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

	Fiscal Year Ending 2017	Fiscal Year Ending 2018
Actuarially Determined Contribution (ADC)	\$ 1,870,754	\$ 1,944,316
Less: Contributions made in relation to the Actuarially Determined Contributions	\$ 1,991,965	\$ 7,172,834
Contribution Deficiency (excess)	<u>\$ (121,211)</u>	<u>\$ (5,228,518)</u>
Covered Employee Payroll	\$ 22,608,597	\$ 23,067,300
Contributions as a percentage of Covered Employee Payroll	8.81%	31.10%

The notes below summarize the key methods and assumptions used to determine the ADC for FYE 2018.

Notes to Schedule:

Valuation Date	July 1, 2018
Timing	Actuarially determined contributions are calculated based on the actuarial valuation at the beginning of the fiscal year.

Key Methods and Assumptions Used to Determined Contribution Rates

Actuarial Cost Method	Entry Age Normal Cost Method
Asset Valuation Method	Market Value
Amortization Method	30 year open amortization, level percentage of payroll
Discount Rate	7.25%
Salary Increases	3.5%
Mortality	RP 2014 Standard Table, projected Fully Generational using scale MP-2014

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

SCHEDULE OF INVESTMENT RETURNS - OTHER POST-EMPLOYMENT BENEFIT TRUST

	Fiscal Year Ending 2017	Fiscal Year Ending 2018
Annual Money-Weighted Rate of Return, Net of Investment Expense		
Net of Investment Expense	9.89%	6.59%

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

**INDIVIDUAL FUND FINANCIAL
STATEMENTS**

GENERAL FUND

SUSSEX COUNTY, DELAWARE
 SCHEDULE OF GENERAL FUND REVENUES AND OTHER FINANCING SOURCES - BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2018

	Final Budget Amounts	Actual Amounts	Variance with Final Budget
Taxes			
Real property and capitation - County	\$ 13,705,238	\$ 13,860,817	\$ 155,579
Real property - library	1,606,806	1,622,432	15,626
Realty transfer	20,100,000	32,299,796	12,199,796
Fire service	1,200,000	1,694,992	494,992
Penalties and interest	140,000	172,402	32,402
Total taxes	<u>36,752,044</u>	<u>49,650,439</u>	<u>12,898,395</u>
Intergovernmental			
Federal grants:			
Aviation administration	-	22,555	22,555
Emergency preparedness	155,000	215,503	60,503
Miscellaneous		33,559	33,559
Housing and urban development	1,884,500	1,560,106	(324,394)
Project income	-	9,989	9,989
Federal payments in lieu of taxes	5,700	5,414	(286)
State grants:			
Library	341,000	341,086	86
Miscellaneous		40,984	40,984
Paramedics	4,050,356	3,584,284	(466,072)
Local emergency plan commission	69,000	67,887	(1,113)
Department of Health	110,000	18,238	(91,762)
Total intergovernmental	<u>6,615,556</u>	<u>5,899,605</u>	<u>(715,951)</u>
Charges for services			
Mobile home placement fees	124,000	140,170	16,170
Building inspection fees	1,340,000	1,642,043	302,043
Miscellaneous general government fees	66,700	79,077	12,377
Building permits and zoning fees	1,880,000	2,200,384	320,384
911 System fees	559,630	559,636	6
Private road and sewer review and inspection fees	960,000	1,920,435	960,435
Airpark and economic development fees	511,400	554,876	43,476
Marriage Bureau	168,000	164,558	(3,442)
Prothonotary	-	83	83
Recorder of Deeds	3,569,000	4,112,849	543,849
Register of Wills	1,000,000	1,227,355	227,355
Sheriff	2,000,000	2,066,701	66,701
Total charges for services	<u>12,178,730</u>	<u>14,668,167</u>	<u>2,489,437</u>
Fines and forfeits	<u>31,000</u>	<u>43,850</u>	<u>12,850</u>
Miscellaneous revenue			
Investment earnings	668,000	1,071,365	403,365
Miscellaneous revenues	232,010	235,064	3,054
Total miscellaneous revenues	<u>900,010</u>	<u>1,306,429</u>	<u>406,419</u>

(continued)

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

FOR THE YEAR ENDED JUNE 30, 2018

	Final Budget Amounts	Actual Amounts	Variance with Final Budget
Other financing sources			
Reimbursements from other funds	\$ 70,000	\$ 73,704	\$ 3,704
Proceeds from sale of capital assets	-	75,663	75,663
Appropriated reserves	12,179,000	-	(12,179,000)
Total other financing sources	<u>12,249,000</u>	<u>149,367</u>	<u>(12,099,633)</u>
Total revenues and other funding sources	<u>\$ 68,726,340</u>	<u>\$ 71,717,857</u>	<u>\$ 2,991,517</u>

SUSSEX COUNTY, DELAWARE
 SCHEDULE OF GENERAL FUND EXPENDITURES AND OTHER FINANCING USES -
 BUDGET AND ACTUAL - CONTINUED
 FOR THE YEAR ENDED JUNE 30, 2018

	<u>Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
General government			
County Council			
Salaries and wages	\$ 238,571	\$ 238,571	\$ -
Fringe benefits	184,960	182,623	2,337
Contractual services	185,549	167,588	17,961
Material and supplies	17,835	11,818	6,017
Other expenditures	16,245	9,860	6,385
Travel and training	31,047	28,106	2,941
Total County Council	<u>674,207</u>	<u>638,566</u>	<u>35,641</u>
Administration			
Salaries and wages	265,614	265,614	-
Fringe benefits	137,659	137,659	-
Contractual services	32,676	30,072	2,604
Material and supplies	9,289	6,810	2,479
Other expenditures	11,050	2,599	8,451
Travel and training	6,200	4,085	2,115
Total administration	<u>462,488</u>	<u>446,839</u>	<u>15,649</u>
Legal	<u>500,000</u>	<u>459,655</u>	<u>40,345</u>
Finance			
Salaries and wages	851,372	851,372	-
Fringe benefits	569,565	565,662	3,903
Contractual services	519,668	499,722	19,946
Material and supplies	37,697	11,365	26,332
Travel and training	11,448	7,480	3,968
Machinery and equipment	1,445	3,850	(2,405)
Total finance	<u>1,991,195</u>	<u>1,939,451</u>	<u>51,744</u>
Assessment			
Salaries and wages	922,758	889,768	32,990
Fringe benefits	715,666	683,250	32,416
Contractual services	184,607	24,054	160,553
Material and supplies	36,400	32,469	3,931
Other expenditures	2,836	-	2,836
Travel and training	5,000	1,183	3,817
Total assessment	<u>1,867,267</u>	<u>1,630,724</u>	<u>236,543</u>

SUSSEX COUNTY, DELAWARE
 SCHEDULE OF GENERAL FUND EXPENDITURES AND OTHER FINANCING USES -
 BUDGET AND ACTUAL - CONTINUED
 FOR THE YEAR ENDED JUNE 30, 2018

	<u>Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
General Government - Continued			
Building code			
Salaries and wages	\$ 455,902	\$ 453,784	\$ 2,118
Fringe benefits	362,958	356,778	6,180
Contractual services	21,093	14,771	6,322
Material and supplies	20,019	16,110	3,909
Travel and training	5,100	3,483	1,617
Total building code	<u>865,072</u>	<u>844,926</u>	<u>20,146</u>
Mapping & addressing			
Salaries and wages	395,167	395,167	-
Fringe benefits	281,201	273,620	7,581
Contractual services	165,126	143,265	21,861
Material and supplies	10,800	6,156	4,644
Other expenditures	3,200	1,936	1,264
Travel and training	22,325	19,353	2,972
Equipment	-	10,000	(10,000)
Total mapping and addressing	<u>877,819</u>	<u>849,497</u>	<u>28,322</u>
Human resources and general employment			
Salaries and wages	503,654	383,887	119,767
Fringe benefits	10,361,939	10,299,798	62,141
Contractual services	93,147	63,335	29,812
Material and supplies	9,654	6,399	3,255
Other expenditures	31,074	7,476	23,598
Travel and training	30,330	14,782	15,548
Machinery and equipment	-	15,466	(15,466)
Total human resources	<u>11,029,798</u>	<u>10,791,143</u>	<u>238,655</u>
Records management			
Salaries and wages	131,722	130,249	1,473
Fringe benefits	96,133	95,555	578
Contractual services	3,062	2,973	89
Material and supplies	7,650	4,297	3,353
Travel and training	2,050	1,748	302
Total records management	<u>240,617</u>	<u>234,822</u>	<u>5,795</u>

SUSSEX COUNTY, DELAWARE
 SCHEDULE OF GENERAL FUND EXPENDITURES AND OTHER FINANCING USES -
 BUDGET AND ACTUAL - CONTINUED
 FOR THE YEAR ENDED JUNE 30, 2018

	<u>Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
General government - continued			
Buildings and grounds			
Salaries and wages	\$ 662,967	\$ 620,334	\$ 42,633
Fringe benefits	529,823	487,018	42,805
Contractual services	579,032	405,579	173,453
Material and supplies	174,190	154,848	19,342
Other expenditures	210	206	4
Travel and training	3,868	3,868	-
Equipment	55,000	28,695	26,305
Total building and grounds	<u>2,005,090</u>	<u>1,700,548</u>	<u>304,542</u>
Information technology			
Salaries and wages	504,546	489,114	15,432
Fringe benefits	345,928	315,061	30,867
Contractual services	527,767	533,217	(5,450)
Material and supplies	142,278	132,464	9,814
Travel and training	25,115	20,820	4,295
Equipment	14,350	11,504	2,846
Total information technology	<u>1,559,984</u>	<u>1,502,180</u>	<u>57,804</u>
Constables			
Salaries and wages	144,440	132,082	12,358
Fringe benefits	117,952	111,826	6,126
Contractual services	769,260	763,981	5,279
Material and supplies	7,668	7,606	62
Other expenditures	140,000	51,189	88,811
Travel and training	580	460	120
Total constables	<u>1,179,900</u>	<u>1,067,144</u>	<u>112,756</u>
Total general government	<u>23,253,437</u>	<u>22,105,495</u>	<u>1,147,942</u>
Planning and zoning			
Salaries and wages	630,725	623,593	7,132
Fringe benefits	454,624	414,053	40,571
Contractual services	695,373	624,197	71,176
Material and supplies	29,775	13,740	16,035
Travel and training	12,000	5,266	6,734
Total planning and zoning	<u>1,822,497</u>	<u>1,680,849</u>	<u>141,648</u>

SUSSEX COUNTY, DELAWARE
 SCHEDULE OF GENERAL FUND EXPENDITURES AND OTHER FINANCING USES -
 BUDGET AND ACTUAL - CONTINUED
 FOR THE YEAR ENDED JUNE 30, 2018

	Final Budget Amounts	Actual Amounts	Variance with Final Budget
Paramedics			
Salaries and wages	\$ 8,550,926	\$ 8,104,258	\$ 446,668
Fringe benefits	4,862,134	4,714,766	147,368
Contractual services	898,556	869,922	28,634
Material and supplies	749,876	764,758	(14,882)
Other expenditures	10,125	9,508	617
Travel and training	69,895	56,356	13,539
Equipment	331,597	399,095	(67,498)
Total paramedics	<u>15,473,109</u>	<u>14,918,663</u>	<u>554,446</u>
Emergency preparedness			
Administration			
Salaries and Wages	192,126	180,674	11,452
Fringe benefits	121,668	120,456	1,212
Contractual services	233,236	211,343	21,893
Material and supplies	48,885	47,007	1,878
Other expenditures	3,500	1,147	2,353
Travel and training	6,954	6,954	-
Machinery and equipment	8,800	8,800	-
Total administration	<u>615,169</u>	<u>576,381</u>	<u>38,788</u>
Emergency operations center			
Salaries and wages	1,298,657	1,241,461	57,196
Fringe benefits	813,809	807,767	6,042
Contractual services	210,784	198,956	11,828
Material and supplies	16,037	11,827	4,210
Other expenditures	6,000	4,971	1,029
Travel and training	15,075	6,772	8,303
Machinery and equipment	25,650	18,300	7,350
Total emergency operation center	<u>2,386,012</u>	<u>2,290,054</u>	<u>95,958</u>
Communication systems			
Salaries and wages	169,499	169,499	-
Fringe benefits	104,372	93,033	11,339
Contractual services	13,413	13,170	243
Material and supplies	57,164	57,144	20
Machinery and equipment	342	425	(83)
Total communication systems	<u>344,790</u>	<u>333,271</u>	<u>11,519</u>
Local emergency planning community program			
Salaries and wages	44,733	44,733	-
Fringe benefits	32,306	32,308	(2)
Contractual services	959	959	-
Material and supplies	738	738	-
Travel and training	3,041	3,041	-
Total local planning community program	<u>81,776</u>	<u>81,778</u>	<u>(2)</u>
Total emergency preparedness	<u>3,427,747</u>	<u>3,281,484</u>	<u>146,263</u>

(continued)

SUSSEX COUNTY, DELAWARE
 SCHEDULE OF GENERAL FUND EXPENDITURES AND OTHER FINANCING USES -
 BUDGET AND ACTUAL - CONTINUED
 FOR THE YEAR ENDED JUNE 30, 2018

	<u>Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
County engineer			
Administration			
Salaries and wages	\$ 579,926	\$ 474,087	\$ 105,839
Fringe benefits	227,144	310,223	(83,079)
Contractual services	22,150	20,016	2,134
Material and supplies	13,632	11,213	2,419
Other expenditures	156,880	116,412	40,468
Travel and training	4,610	3,245	1,365
Improvements	111,410	9,286	102,124
Total administration	<u>1,115,752</u>	<u>944,482</u>	<u>171,270</u>
Public works			
Salaries and wages	492,124	483,834	8,290
Fringe benefits	338,491	304,347	34,144
Contractual services	14,441	14,024	417
Material and supplies	11,865	11,268	597
Total public works	<u>856,921</u>	<u>813,473</u>	<u>43,448</u>
Total county engineer	<u>1,972,673</u>	<u>1,757,955</u>	<u>214,718</u>
Library			
Library administration	731,587	710,760	20,827
Library facilities	2,404,332	2,096,438	307,894
Total library	<u>3,135,919</u>	<u>2,807,198</u>	<u>328,721</u>
Economic development and airpark			
Economic development			
Salaries and wages	81,355	79,872	1,483
Fringe benefits	37,951	30,763	7,188
Contractual services	22,875	11,955	10,920
Material and supplies	11,375	5,419	5,956
Other expenditures	3,000	977	2,023
Travel and training	6,950	2,183	4,767
Total economic development	<u>163,506</u>	<u>131,169</u>	<u>32,337</u>
Security			
Salaries and wages	132,256	132,256	-
Fringe benefits	108,053	108,050	3
Contractual services	185,207	184,899	308
Material and supplies	88,625	35,102	53,523
Travel and training	7,884	7,501	383
Equipment and improvements	-	53,311	(53,311)
Total security	<u>522,025</u>	<u>521,119</u>	<u>906</u>

SUSSEX COUNTY, DELAWARE
 SCHEDULE OF GENERAL FUND EXPENDITURES AND OTHER FINANCING USES -
 BUDGET AND ACTUAL - CONTINUED
 FOR THE YEAR ENDED JUNE 30, 2018

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	<u>Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Economic development and airpark - continued			
Airpark			
Salaries and wages	\$ 216,520	\$ 216,520	\$ -
Fringe benefits	97,961	97,957	4
Contractual services	294,829	293,801	1,028
Material and supplies	58,597	53,277	5,320
Other expenditures	144,686	92,232	52,454
Travel and training	5,675	2,952	2,723
Equipment and improvements	7,290	7,290	-
Total airpark	<u>825,558</u>	<u>764,029</u>	<u>61,529</u>
Total economic development and airpark	<u>1,511,089</u>	<u>1,416,317</u>	<u>94,772</u>
Community development			
Salaries and wages	287,024	286,104	920
Fringe benefits	201,737	200,469	1,268
Contractual services	1,728,126	1,212,606	515,520
Material and supplies	2,288	1,457	831
Other expenditures	12,000	11,331	669
Travel and training	9,828	9,828	-
Equipment	5,400	4,777	623
Total community development	<u>2,246,403</u>	<u>1,726,572</u>	<u>519,831</u>
Grant-in-aid			
Fire and ambulance grants	3,607,350	4,060,992	(453,642)
Public safety grants	3,563,601	3,538,549	25,052
Environmental grants	319,244	284,244	35,000
Public assistance grant	1,715,379	977,024	738,355
Library grants	2,379,000	2,410,140	(31,140)
Total grant-in-aid	<u>11,584,574</u>	<u>11,270,949</u>	<u>313,625</u>
Constitutional offices			
Marriage Bureau	226,667	201,046	25,621
Recorder of Deeds	1,187,226	1,020,087	167,139
Register of Wills	586,653	546,530	40,123
Sheriff	612,846	599,892	12,954
Total constitutional offices	<u>2,613,392</u>	<u>2,367,555</u>	<u>245,837</u>
Contingency expenditures	<u>1,600,000</u>	<u>529,489</u>	<u>1,070,511</u>
Total expenditures	<u>68,640,840</u>	<u>63,862,526</u>	<u>4,778,314</u>
Other financing uses			
Transfers out	85,500	4,085,500	(4,000,000)
Total other financing uses	<u>85,500</u>	<u>4,085,500</u>	<u>(4,000,000)</u>
Total expenditures and other financing uses	<u>\$ 68,726,340</u>	<u>\$ 67,948,026</u>	<u>\$ 778,314</u>

Note:

The County budgetary basis of accounting used for budget versus actual reporting differs for GAAP. For the purpose of recording contingency expenditures, expenditures are charged to the contingency line item, as opposed to the department expenditures for GAAP. The total recognition of expenditures for the year end June 30, 2018, remains unchanged.

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, 2018

	<u>Final Budget Amounts</u>	<u>Actual Amount</u>	<u>Variance with Final Budget</u>
REVENUES			
Intergovernmental	\$ 850,750	\$ 481,512	\$ (369,238)
Investment earnings	20,000	118,718	98,718
Total revenues	<u>870,750</u>	<u>600,230</u>	<u>(270,520)</u>
EXPENDITURES			
Capital projects	<u>13,442,000</u>	<u>4,663,723</u>	<u>8,778,277</u>
Total expenditures	<u>13,442,000</u>	<u>4,663,723</u>	<u>8,778,277</u>
Excess of revenue over (under) Expenditures	<u>(12,571,250)</u>	<u>(4,063,493)</u>	<u>8,507,757</u>
OTHER FINANCING SOURCES			
Appropriated reserves	8,571,250	-	(8,571,250)
Proceeds from sale of capital assets	-	196,000	196,000
Transfers in	<u>4,000,000</u>	<u>4,000,000</u>	<u>-</u>
Total other financing sources	<u>12,571,250</u>	<u>4,196,000</u>	<u>(8,375,250)</u>
Net change in fund balances	-	132,507	132,507
Fund balances - beginning	<u>18,867,957</u>	<u>18,867,957</u>	<u>-</u>
Fund balances - ending	<u>\$ 18,867,957</u>	<u>\$ 19,000,464</u>	<u>\$ 132,507</u>

FIDUCIARY FUND

SUSSEX COUNTY, DELAWARE
 COMBINING STATEMENTS OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
 JUNE 30, 2018

	<u>Pension Trust</u>	<u>Post- retirement Employee Benefit Trust</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 2,996,380	\$ 1,037,005	\$ 4,033,385
Investments:			
U.S. Treasuries	7,062,846	6,574,422	13,637,268
Government Agencies	668,144	974,095	1,642,239
Corporate obligations	6,226,152	6,203,485	12,429,637
Delaware Local Government Retirement Investment Pool	37,946,502	-	37,946,502
Mutual funds	39,797,910	28,328,951	68,126,861
Total Investments	<u>91,701,554</u>	<u>42,080,953</u>	<u>133,782,507</u>
Accrued interest	<u>95,917</u>	<u>95,019</u>	<u>190,936</u>
Total Assets	<u>94,793,851</u>	<u>43,212,977</u>	<u>138,006,828</u>
LIABILITIES			
Accounts payable	24,990	12,095	37,085
Due to general fund	<u>-</u>	<u>22,078</u>	<u>22,078</u>
Total Liabilities	24,990	34,173	59,163
NET POSITION			
Net position restricted for pension and OPEB benefits	<u>\$ 94,768,861</u>	<u>\$ 43,178,804</u>	<u>\$ 137,947,665</u>

COMBINING STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Pension Trust</u>	<u>Post- retirement Employee Benefit Trust</u>	<u>Total</u>
ADDITIONS			
Employer contributions	\$ 9,274,076	\$ 7,172,834	\$ 16,446,910
Employee contributions	134,150	-	134,150
Investment earnings:			
Net appreciation (depreciation) of investments	(1,437,906)	1,224,395	(213,511)
Interest and dividends	8,543,118	1,582,864	10,125,982
Total investment earnings	<u>7,105,212</u>	<u>2,807,259</u>	<u>9,912,471</u>
Less investment expenses	<u>(216,358)</u>	<u>(35,049)</u>	<u>(251,407)</u>
Net investment earnings	<u>6,888,854</u>	<u>2,772,210</u>	<u>9,661,064</u>
Total additions	<u>16,297,080</u>	<u>9,945,044</u>	<u>26,242,124</u>
DEDUCTIONS			
Beneficiary payments	4,179,270	2,126,749	6,306,019
Professional fees	108,527	58,180	166,707
Net increase in plan net position	<u>12,009,283</u>	<u>7,760,115</u>	<u>19,769,398</u>
Net position restricted for pension and OPEB benefits - beginning	<u>82,759,578</u>	<u>35,418,689</u>	<u>118,178,267</u>
Net position restricted for pension and OPEB benefits - ending	<u>\$ 94,768,861</u>	<u>\$ 43,178,804</u>	<u>\$ 137,947,665</u>



STATISTICAL SECTION



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

<u>Contents</u>	<u>Pages</u>
<p>Financial Trends <i>These schedules contain trend information to help the reader understand how the County's financial performance and well-being have changed over time.</i></p>	80 - 85
<p>Revenue Capacity <i>These schedules contain information to help the reader assess the factors affecting the County's ability to generate its property taxes.</i></p>	86 - 89
<p>Debt Capacity <i>These schedules present information to help the reader assess the affordability of the County's current levels of outstanding debt and the County's ability to issue additional debt in the future.</i></p>	90 - 92
<p>Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the County's financial activities take place and to help make comparisons over time with other governments.</i></p>	93 - 94
<p>Operating Information <i>These schedules contain information about the County's operations and resources to help the reader understand how the County's financial information relates to the services the County provides and the activities it performs.</i></p>	95 - 97

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

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

	Fiscal Year									
	2009	2010	2011 as restated	2012	2013 as restated	2014 as restated	2015	2016 as restated	2017	2018
Governmental activities										
Net investment in capital assets	\$ 63,679,024	\$ 65,292,609	\$ 64,237,068	\$ 65,497,373	\$ 69,132,520	\$ 75,152,173	\$ 77,934,592	\$ 78,216,994	\$ 82,604,022	\$ 84,144,082
Restricted	57,250,045	60,450,610	71,431,919	63,990,556	56,534,084	45,203,773	45,429,078	57,265,576	63,969,632	72,319,111
Unrestricted	44,548,346	41,246,130	35,996,462	45,085,253	53,383,613	47,467,328	49,690,896	30,428,391	30,413,739	31,989,121
Total governmental activities net position	<u>\$ 165,477,415</u>	<u>\$ 166,989,349</u>	<u>\$ 171,665,449</u>	<u>\$ 174,573,182</u>	<u>\$ 179,050,217</u>	<u>\$ 167,823,274</u>	<u>\$ 173,054,566</u>	<u>\$ 165,910,961</u>	<u>\$ 176,987,393</u>	<u>\$ 188,452,314</u>
Business-type activities										
Net investment in capital assets	\$ 172,029,870	\$ 176,649,726	\$ 179,296,736	\$ 194,995,829	\$ 202,135,522	\$ 204,051,102	\$ 207,515,115	\$ 220,310,592	\$ 239,365,922	\$ 242,907,425
Restricted	73,884,414	68,805,127	66,569,442	76,634,459	43,172,577	33,313,218	43,858,934	65,761,276	59,306,086	64,748,595
Unrestricted	13,801,100	19,829,075	22,997,372	17,427,622	51,458,144	59,033,375	50,704,078	22,380,633	19,484,264	26,954,823
Total business-type activities net position	<u>\$ 259,715,384</u>	<u>\$ 265,283,928</u>	<u>\$ 268,863,550</u>	<u>\$ 289,057,910</u>	<u>\$ 296,766,243</u>	<u>\$ 296,397,695</u>	<u>\$ 302,078,127</u>	<u>\$ 308,452,501</u>	<u>\$ 318,156,272</u>	<u>\$ 334,610,843</u>
Primary government										
Net investment in capital assets	\$ 235,708,894	\$ 241,942,335	\$ 243,533,804	\$ 260,493,202	\$ 271,268,042	\$ 279,203,275	\$ 285,449,707	\$ 298,527,586	\$ 321,969,944	\$ 327,051,507
Restricted	131,134,459	129,255,737	138,001,361	140,625,015	99,706,661	78,516,991	89,288,012	123,026,852	123,275,718	137,067,706
Unrestricted	58,349,446	61,075,205	58,993,834	62,512,875	104,841,757	106,500,703	100,394,974	52,809,024	49,898,003	58,943,944
Total primary government net position	<u>\$ 425,192,799</u>	<u>\$ 432,273,277</u>	<u>\$ 440,528,999</u>	<u>\$ 463,631,092</u>	<u>\$ 475,816,460</u>	<u>\$ 464,220,969</u>	<u>\$ 475,132,693</u>	<u>\$ 474,363,462</u>	<u>\$ 495,143,665</u>	<u>\$ 523,063,157</u>

- Note: 1. The governmental activities net position balance for fiscal year ending 2011 increased by \$615,000 due to a prior period adjustment.
2. The business-type activities net position balance for fiscal year ending 2011 decreased by \$2,611,623 due to a prior period adjustment.
3. The business-type activities net position balance for fiscal year ending 2013 decreased by \$515,921 due to a prior period adjustment for implementation of GASB 65.
4. The business-type activities net position balance for fiscal year ending 2014 decreased by \$6,493,225 and governmental activities decreased by \$23,938,654 due to a prior period adjustment for implementation of GASB 68.
5. The business-type activities net position balance for fiscal year ending 2016 decreased by \$5,272,706 and governmental activities decreased by \$17,164,325 due to a prior period adjustment for implementation of GASB 74.

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

	Fiscal Year									
	2009	2010	2011 as restated	2012	2013 as restated	2014 as restated	2015	2016 as restated	2017	2018
Expenses										
Governmental activities:										
General government	\$ 9,578,284	\$ 9,640,728	\$ 9,037,273	\$ 10,024,224	\$ 9,697,332	\$ 34,762,582	\$ 11,612,339	\$ 30,002,513	\$ 14,999,329	\$ 16,510,060
Grant-in-aid programs	8,134,600	6,625,144	6,765,994	6,618,896	8,156,799	7,863,936	9,931,773	9,915,966	10,362,109	11,270,949
Planning and zoning	1,289,323	1,246,923	1,251,258	1,202,696	1,212,351	1,091,112	1,208,811	1,272,303	1,767,664	1,716,521
Paramedic program	12,079,831	12,524,387	11,515,259	12,173,161	12,895,383	14,302,991	13,895,165	13,489,135	14,444,807	14,923,379
Emergency preparedness	2,661,089	2,844,581	2,817,992	3,165,648	3,360,129	3,531,682	3,317,424	3,414,864	3,687,552	3,757,532
Economic development and Airpark	1,511,687	1,878,717	2,136,706	2,304,295	2,063,146	2,145,727	2,348,642	2,855,446	3,072,208	3,263,235
County engineer	2,407,043	1,850,683	1,683,158	1,130,783	1,622,080	1,721,971	2,004,463	2,351,221	1,511,146	1,639,722
Library	3,880,816	3,888,755	3,657,643	3,787,237	3,917,395	4,208,141	4,194,436	2,887,880	2,950,264	3,076,799
Community development and housing programs	1,508,755	3,308,765	2,399,951	2,447,571	1,782,197	1,878,873	1,772,497	2,051,580	2,157,621	1,759,425
Constitutional offices	2,449,069	2,315,381	2,161,054	2,493,630	2,429,063	2,459,691	2,419,518	2,335,997	2,433,532	2,386,080
Interest on long-term debt	-	-	-	-	-	-	-	-	-	-
Total governmental activities expenses	<u>45,500,497</u>	<u>46,124,064</u>	<u>43,426,288</u>	<u>45,348,141</u>	<u>47,135,875</u>	<u>73,966,706</u>	<u>52,705,068</u>	<u>70,576,905</u>	<u>57,386,232</u>	<u>60,303,702</u>
Business-type activities:										
Sewer facilities	27,079,247	28,355,108	27,942,561	29,460,133	31,485,165	38,554,376	32,982,881	39,048,235	35,167,846	33,519,513
Water facilities	962,162	928,222	1,016,979	1,078,834	987,917	1,135,520	1,061,361	1,251,337	1,299,626	1,162,200
Total business-type activities expenses	<u>28,041,409</u>	<u>29,283,330</u>	<u>28,959,540</u>	<u>30,538,967</u>	<u>32,473,082</u>	<u>39,689,896</u>	<u>34,044,242</u>	<u>40,299,572</u>	<u>36,467,472</u>	<u>34,681,713</u>
Total primary government expenses	<u>\$ 73,541,906</u>	<u>\$ 75,407,394</u>	<u>\$ 72,385,828</u>	<u>\$ 75,887,108</u>	<u>\$ 79,608,957</u>	<u>\$ 113,656,602</u>	<u>\$ 86,749,310</u>	<u>\$ 110,876,477</u>	<u>\$ 93,853,704</u>	<u>\$ 94,985,415</u>
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 1,549,000	\$ 1,307,616	\$ 1,295,912	\$ 1,238,309	\$ 1,202,641	\$ 1,208,807	\$ 1,758,562	\$ 1,638,637	\$ 1,832,205	\$ 1,979,163
Planning and zoning	1,599,688	1,098,577	1,130,043	1,148,591	1,242,834	1,392,906	1,628,932	1,672,188	1,895,358	2,226,305
Paramedics	-	-	-	-	-	-	-	12,803	19,225	29,355
Emergency preparedness	17,065	17,655	16,230	15,960	17,500	17,500	17,500	17,500	17,500	20,800
Economic development and public works	550,558	541,885	530,310	671,314	545,324	875,302	455,017	477,689	483,227	530,078
County engineer	599,865	3,223,485	324,623	281,451	277,841	35,607	744,238	660,738	1,610,081	1,935,572
Library	25,911	26,716	19,585	25,991	28,074	553,044	35,359	38,404	39,077	31,538
Constitutional offices	6,356,764	6,940,930	7,039,506	6,808,811	9,149,173	7,509,071	7,205,590	6,812,782	6,934,857	7,571,546
Operating grants and contributions	6,787,014	7,526,184	8,494,730	7,115,414	7,150,788	6,971,729	6,945,600	6,444,501	7,308,976	5,931,357
Capital grants and contributions	4,475,526	4,727,502	1,499,146	2,102,681	543,802	2,949,213	6,751,045	1,217,668	2,018,147	425,636
Total governmental activities program revenues	<u>21,961,391</u>	<u>25,410,550</u>	<u>20,350,085</u>	<u>19,408,522</u>	<u>20,157,977</u>	<u>21,513,179</u>	<u>25,541,843</u>	<u>18,992,910</u>	<u>22,158,653</u>	<u>20,681,350</u>

(continued)

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

	Fiscal Year									
	2009	2010	2011 as restated	2012	2013 as restated	2014 as restated	2015	2016 as restated	2017	2018
Business-type activities:										
Charges for services:										
Sewer facilities	\$ 14,458,789	\$ 14,530,668	\$ 15,536,386	\$ 16,158,500	\$ 17,229,651	\$ 18,900,486	\$ 20,248,738	\$ 21,550,662	\$ 21,749,464	\$ 23,665,580
Water facilities	689,335	740,686	750,785	667,476	808,246	1,240,052	1,223,871	1,249,930	1,234,499	1,238,663
Operating grants and contributions	15,926,530	14,449,833	9,962,936	14,191,817	15,752,444	15,605,163	14,749,008	16,306,257	17,714,845	19,480,380
Capital grants and contributions	5,226,686	4,287,188	5,475,117	18,766,753	5,712,226	2,798,600	3,245,590	7,049,610	5,424,290	6,388,880
Total business-type activities program revenues	36,301,340	34,008,375	31,725,224	49,784,546	39,502,567	38,544,301	39,467,207	46,156,459	46,123,098	50,773,503
Total primary government program revenues	\$ 61,711,890	\$ 54,358,460	\$ 51,133,746	\$ 69,942,523	\$ 61,015,746	\$ 64,086,144	\$ 58,460,117	\$ 68,315,112	\$ 46,123,098	\$ 71,454,853
Net (Expense)/Revenue										
Governmental activities	\$ (20,089,947)	\$ (30,217,084)	\$ (20,089,947)	\$ (25,190,164)	\$ (25,622,696)	\$ (27,163,225)	\$ (51,583,995)	\$ (35,227,579)	\$ -	\$ (39,622,352)
Business-type activities	10,345,671	7,019,659	3,683,815	19,245,579	7,029,485	4,500,059	(832,365)	9,688,987	46,123,098	16,091,790
Total primary government net (expense)/revenue	\$ (9,744,276)	\$ (23,197,425)	\$ (16,406,132)	\$ (5,944,585)	\$ (18,593,211)	\$ (22,663,166)	\$ (52,416,360)	\$ (25,538,592)	\$ 46,123,098	\$ (23,530,562)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Property taxes	\$ 12,763,282	\$ 13,040,252	\$ 13,843,603	\$ 13,540,463	\$ 12,706,792	\$ 14,110,356	\$ 14,339,081	\$ 14,715,444	\$ 15,264,023	\$ 15,709,654
Capitation taxes	252,741	253,785	259,229	-	-	-	-	-	-	-
Fire service taxes	758,837	791,472	821,702	898,335	1,041,506	1,253,792	1,280,085	1,421,496	1,647,719	1,694,992
Realty transfer taxes	13,621,270	13,141,813	14,310,725	14,282,093	17,422,525	20,894,160	22,212,933	24,210,264	27,989,410	32,299,796
Unrestricted investment earnings	2,157,202	824,259	212,684	302,903	(318,529)	949,002	820,263	935,665	259,279	1,190,083
Gain (loss) on sale of capital assets	-	-	-	-	-	-	-	-	468,928	204,544
Transfers	(1,390,702)	(765,668)	(754,077)	(925,897)	(752,563)	(9,390)	291,088	(8,222)	(11,229)	(11,796)
Total governmental activities	28,162,630	27,285,913	28,693,866	28,097,897	30,099,731	37,197,920	38,943,450	41,274,647	45,618,130	51,087,273
Business-type activities:										
Unrestricted investment earnings	234,467	77,831	59,861	22,884	(73,715)	767,657	548,555	509,265	34,935	324,440
Gain (loss) on sale of capital assets	-	-	-	-	-	-	-	-	1,981	26,545
Transfers	1,390,702	765,668	754,077	925,897	752,563	9,390	(291,088)	8,222	11,229	11,796
Total business-type activities	1,625,169	843,499	813,938	948,781	678,848	777,047	257,467	517,487	48,145	362,781
Total primary government program revenues	\$ 29,787,799	\$ 28,129,412	\$ 29,507,804	\$ 29,046,678	\$ 30,778,579	\$ 37,974,967	\$ 39,200,917	\$ 41,792,134	\$ 45,666,275	\$ 51,450,054
Change in Net Position										
Governmental activities	\$ 8,072,683	\$ (2,931,171)	\$ 8,603,919	\$ 2,907,733	\$ 4,477,035	\$ 10,034,695	\$ (12,640,545)	\$ 6,047,068	\$ 45,618,130	\$ 11,464,921
Business-type activities	11,970,840	7,863,158	4,497,753	20,194,360	7,708,333	5,277,106	(574,898)	10,206,474	46,171,243	16,454,571
Total primary government	\$ 20,043,523	\$ 4,931,987	\$ 13,101,672	\$ 23,102,093	\$ 12,185,368	\$ 15,311,801	\$ (13,215,443)	\$ 16,253,542	\$ 91,789,373	\$ 27,919,492

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

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

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Fund										
Reserved	\$ 61,679,946	\$ 61,988,419	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved										
Designated	2,078,768	2,413,855	-	-	-	-	-	-	-	-
Undesignated	9,445,728	9,420,145	-	-	-	-	-	-	-	-
Nonspendable	-	-	140,442	96,678	106,411	106,540	452,748	359,120	345,211	315,913
Restricted	-	-	53,084,094	47,914,815	44,739,045	45,203,773	42,832,105	49,092,198	51,308,089	52,560,032
Committed	-	-	598,598	837,696	1,308,577	778,755	798,817	1,079,713	1,282,810	838,424
Assigned	-	-	6,641,109	4,441,378	4,044,652	7,258,754	7,168,799	4,960,008	16,286,439	17,237,808
Unassigned	-	-	16,839,957	24,867,662	30,602,046	34,229,654	35,922,102	40,577,312	32,478,506	34,518,709
Total general fund	<u>\$ 73,204,442</u>	<u>\$ 73,822,419</u>	<u>\$ 77,304,200</u>	<u>\$ 78,158,229</u>	<u>\$ 80,800,731</u>	<u>\$ 87,577,476</u>	<u>\$ 87,174,571</u>	<u>\$ 96,068,351</u>	<u>\$ 101,701,055</u>	<u>\$ 105,470,886</u>
All Other Governmental Funds										
Reserved	\$ 20,188,022	\$ 17,815,212	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved - Capital Projects										
Designated	-	-	-	-	-	-	-	-	-	-
Undesignated	(416,723)	(265,565)	-	-	-	-	-	-	-	-
Restricted	-	-	17,565,595	16,075,741	11,795,039	8,769,934	13,182,134	14,587,607	17,447,074	17,575,194
Committed	-	-	-	-	-	-	-	1,420,252	1,420,883	1,425,270
Unassigned	-	-	(10,911)	-	-	-	-	-	-	-
Total all other governmental funds	<u>\$ 19,771,299</u>	<u>\$ 17,549,647</u>	<u>\$ 17,554,684</u>	<u>\$ 16,075,741</u>	<u>\$ 11,795,039</u>	<u>\$ 8,769,934</u>	<u>\$ 13,182,134</u>	<u>\$ 16,007,859</u>	<u>\$ 18,867,957</u>	<u>\$ 19,000,464</u>

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

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

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues										
Taxes	\$ 27,291,166	\$ 27,147,412	\$ 28,563,428	\$ 28,759,847	\$ 31,206,399	\$ 36,190,956	\$ 37,942,825	\$ 40,439,840	\$ 44,753,872	\$ 49,650,439
Intergovernmental	11,177,316	8,933,970	7,543,959	6,861,928	8,219,487	13,675,053	7,133,803	7,690,677	7,812,579	6,381,117
Charges for services	10,325,117	10,386,570	10,318,704	12,821,849	11,782,244	12,131,800	11,658,482	13,029,358	14,818,108	14,668,167
Fines and forfeits	23,971	20,225	26,170	28,074	23,179	21,727	26,545	34,573	42,383	43,850
Miscellaneous	3,638,590	1,548,279	852,202	553,073	(102,807)	1,380,905	1,464,310	2,433,045	535,880	1,425,147
Total revenues	<u>52,456,160</u>	<u>48,036,456</u>	<u>47,304,463</u>	<u>49,024,771</u>	<u>51,128,502</u>	<u>63,400,441</u>	<u>58,225,965</u>	<u>63,627,493</u>	<u>67,962,822</u>	<u>72,168,720</u>
Expenditures										
General government	12,109,120	10,356,155	9,471,349	11,897,318	10,325,453	11,458,396	11,836,055	11,620,306	12,134,947	22,421,967
Grant-in-aid programs	8,284,600	6,625,144	6,765,994	6,618,896	8,156,799	7,863,936	9,931,773	9,915,966	10,362,109	11,270,949
Planning and zoning	1,279,394	1,233,292	1,239,740	1,190,358	1,239,222	1,173,316	1,206,406	1,267,717	1,815,372	1,702,870
Paramedic program	12,520,985	12,272,121	11,274,004	12,073,309	12,426,866	13,989,270	13,642,338	13,418,373	14,309,979	15,011,135
Emergency preparedness	2,305,965	2,467,390	2,425,889	2,703,131	2,944,307	3,351,005	3,043,865	3,111,494	3,247,659	3,311,123
Economic development and airpark	913,528	908,510	1,200,621	1,156,267	1,198,076	1,199,384	1,149,845	1,235,456	1,437,225	1,431,704
County engineer	2,391,805	1,874,153	1,689,824	1,608,213	1,608,136	1,968,808	2,076,929	1,969,268	1,796,532	1,811,453
Library	3,709,309	3,725,242	3,483,833	3,576,348	3,747,165	3,934,424	3,926,313	2,640,264	2,695,104	2,807,198
Community development and housing programs	1,509,447	3,308,909	2,394,101	2,544,468	1,749,543	1,847,707	1,738,379	2,018,592	2,126,251	1,726,572
Constitutional offices	2,442,663	2,315,419	2,137,974	2,485,535	2,479,689	2,427,662	2,392,219	2,307,376	2,452,591	2,367,555
Capital projects	12,477,328	3,788,128	980,239	2,869,945	6,408,883	10,155,503	3,563,636	2,394,954	7,765,080	4,663,723
Total expenditures	<u>59,944,144</u>	<u>48,874,463</u>	<u>43,063,568</u>	<u>48,723,788</u>	<u>52,284,139</u>	<u>59,369,411</u>	<u>54,507,758</u>	<u>51,899,766</u>	<u>60,142,849</u>	<u>68,526,249</u>
Excess of revenues over (under) expenditures	<u>(7,487,984)</u>	<u>(838,007)</u>	<u>4,240,895</u>	<u>300,983</u>	<u>(1,155,637)</u>	<u>4,031,030</u>	<u>3,718,207</u>	<u>11,727,727</u>	<u>7,819,973</u>	<u>3,642,471</u>
Other Financing Sources (Uses)										
Issuance of debt	5,442	-	-	-	-	-	-	-	-	-
Proceeds from sale of capital assets	-	-	-	-	-	-	-	-	684,058	4,073,704
Transfers in	166,082	54,213	55,151	53,891	53,966	828,713	6,589,521	3,077,278	9,034,613	271,663
Transfers out	(1,556,784)	(819,881)	(809,228)	(979,788)	(806,529)	(838,103)	(6,298,433)	(3,085,500)	(9,045,842)	(4,085,500)
Total other financing sources (uses)	<u>(1,385,260)</u>	<u>(765,668)</u>	<u>(754,077)</u>	<u>(925,897)</u>	<u>(752,563)</u>	<u>(9,390)</u>	<u>291,088</u>	<u>(8,222)</u>	<u>672,829</u>	<u>259,867</u>
Net change in fund balances	<u>\$ (8,873,244)</u>	<u>\$ (1,603,675)</u>	<u>\$ 3,486,818</u>	<u>\$ (624,914)</u>	<u>\$ (1,908,200)</u>	<u>\$ 4,021,640</u>	<u>\$ 4,009,295</u>	<u>\$ 11,719,505</u>	<u>\$ 8,492,802</u>	<u>\$ 3,902,338</u>
Debt service as a percentage of noncapital expenditures	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

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

**SCHEDULE OF REVENUE AND EXPENDITURES AND OTHER FINANCING SOURCES AND USES
FOR THE FORTY YEARS THROUGH JUNE 30, 2018**

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

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

Fiscal Year	Residential Property	Business	Agriculture Property	Trailer	Other	Less: Tax - Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Taxable Assessed Value as a Percentage of Actual Taxable Value
2009	\$ 2,197,966,019	\$ 418,057,225	\$ 116,526,199	\$ 113,690,921	\$ 208,199,836	\$ 230,109,902	\$ 2,824,330,298	\$ 0.445	36,537,261,294	7.7%
2010	2,250,982,140	433,413,708	117,458,414	113,085,347	216,129,487	238,465,723	2,892,603,373	0.445	34,791,957,818	8.3%
2011	2,298,908,548	422,542,584	117,910,978	112,535,610	218,265,711	239,297,617	2,930,865,814	0.445	34,159,275,221	8.6%
2012	2,359,822,403	426,432,740	116,547,528	113,228,365	222,019,046	241,807,940	2,996,242,142	0.445	33,402,922,430	9.0%
2013	2,406,619,888	422,465,283	117,246,528	113,008,160	226,056,896	244,977,619	3,040,419,136	0.445	33,411,199,291	9.1%
2014	2,450,287,060	427,920,126	117,594,308	112,225,430	224,673,246	225,892,895	3,106,807,275	0.445	34,907,946,910	8.9%
2015	2,503,649,158	428,637,368	118,375,983	111,485,805	226,254,961	242,988,200	3,145,415,075	0.445	37,135,951,299	8.5%
2016	2,595,976,739	434,363,150	118,590,557	109,527,555	227,376,546	227,246,866	3,258,587,681	0.445	39,545,966,996	8.2%
2017	2,688,186,234	442,811,028	121,596,448	110,460,539	228,894,171	228,894,171	3,363,054,249	0.445	41,315,162,764	8.1%
2018	2,788,621,448	449,468,483	124,513,173	114,278,764	232,611,021	245,224,678	3,464,268,212	0.445	44,527,869,049	7.8%

Notes:

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

* Figures not available.

Sources: Sussex County Assessment Division and University of Delaware.

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

	Year Taxes Are Payable									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
County Direct										
County Tax	\$ 0.3983	\$ 0.3983	\$ 0.3983	\$ 0.3983	\$ 0.3983	\$ 0.3983	\$ 0.3983	\$ 0.3983	\$ 0.3983	\$ 0.3983
Library	0.0467	0.0467	0.0467	0.0467	0.0467	0.0467	0.0467	0.0467	0.0467	0.0467
Total direct rate	0.4450	0.4450	0.4450	0.4450	0.4450	0.4450	0.4450	0.4450	0.4450	0.4450
School Districts										
Cape Henlopen	2.6660	2.5670	2.5670	2.5670	2.9770	2.9770	3.0710	3.0430	3.2130	3.4900
Delmar	3.1400	3.1200	3.1200	3.3100	3.7574	3.8094	3.6394	4.3669	4.1417	4.2217
Indian River	2.5550	2.5700	2.5700	2.6250	2.6230	2.7430	2.6930	2.6890	2.5780	3.0970
Laurel	2.4900	2.4900	2.4900	2.9810	3.6050	3.5890	3.6960	4.2050	4.9890	4.7120
Milford	3.5101	3.6986	3.6986	3.6304	3.4659	3.5870	3.4783	3.5682	5.3913	4.9841
Seaford	3.2300	3.2900	3.2900	3.3200	3.3200	3.3600	3.2000	3.3600	3.3600	3.5797
Woodbridge	3.2850	3.2810	3.2810	3.4820	3.7240	3.6900	3.6170	3.6090	3.6090	3.6090
Vo-Tech	0.2676	0.2666	0.2666	0.2737	0.2811	0.2599	0.2728	0.3289	0.3365	0.2704
Town Rates (2)										
Bethany Beach	0.1650	0.1650	0.1650	0.1700	0.1700	0.1750	0.1750	0.1850	0.1850	0.1850
Bethel	0.4000	0.4000	0.4000	0.4000	0.4000	0.4000	0.4000	0.4000	0.4000	0.4000
Blades	1.4000	1.4000	1.4000	1.4000	0.7000	0.7000	0.7000	0.7000	0.7000	0.7000
Bridgeville	1.7300	2.0000	2.0000	2.0000	2.0000	2.4000	2.4000	2.4000	2.4000	2.4000
Dagsboro	0.3800	0.3800	0.3800	0.3800	0.5600	0.5600	0.5600	0.5600	0.5600	0.5600
Delmar	0.5000	0.5000	0.5000	0.5000	0.5200	0.5200	0.5400	0.5400	0.5400	0.6000
Dewey Beach	0.4000	0.4000	0.4000	0.4000	0.4000	0.4000	0.4000	0.4000	0.4000	0.4000
Ellendale	1.0000	1.0000	1.0000	1.0000	1.5000	1.5000	1.5000	1.8000	1.8000	1.8000
Fenwick Island	1.9200	1.9200	1.9200	1.9200	1.9200	1.9200	1.9200	1.9200	1.9200	1.9200
Frankford	2.2000	2.5000	2.5000	2.5000	2.5000	2.5000	2.5000	2.5000	2.5000	2.5000
Georgetown	2.5300	2.9300	3.1400	3.1400	3.1400	3.1700	3.1700	3.1700	3.1700	3.1700
Greenwood	1.7000	1.8000	1.8000	1.8000	1.8000	1.8000	1.8000	1.8000	1.8000	1.8000
Henlopen Acres	2.1700	2.1700	2.1700	2.6200	2.6200	2.6200	2.6200	2.6200	2.6200	2.6200
Laurel	1.9100	2.0800	2.0800	2.2000	2.2900	2.2900	2.0800	2.5300	2.7300	2.8700
Lewes	0.4900	0.4900	0.5700	0.5700	0.5700	0.5700	0.5700	0.5700	0.5700	0.5700
Milford	0.4600	0.4600	0.4600	0.4600	0.4600	0.4600	0.4600	0.4600	0.4600	0.4600
Millsboro	0.5100	0.5600	0.5600	0.5600	0.5600	0.5600	0.5600	0.3300	0.3300	0.3300
Millville	0.5000	0.5000	0.5000	0.5000	0.5000	0.5000	0.5000	0.5000	0.5000	0.5000
Milton	0.4100	0.1800	0.1800	0.2160	0.2160	0.2160	0.2400	0.2400	0.2400	0.2400
Ocean View	0.1059	0.1144	0.1230	0.1588	0.1588	0.1620	0.1652	0.1652	0.1652	2.6700
Rehoboth Beach	1.5500	1.5500	1.7800	1.7800	1.7800	0.4000	0.4000	0.4000	0.4000	0.4000
Seaford	0.2800	0.2900	0.2900	0.3000	0.3100	0.3100	0.3100	0.3100	0.3100	0.3100
Selbyville	1.8500	1.8500	1.8500	1.8500	1.8500	1.8500	1.8500	1.8500	1.8500	1.8500
Slaughter Beach	0.5000	0.7500	0.7500	0.7500	0.7500	0.7500	0.7500	0.7500	0.7500	0.7500
South Bethany	1.3000	1.3000	1.3000	1.3000	1.3000	1.3000	1.3000	1.3000	1.3000	1.3000

Notes:

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

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

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

Taxpayer	Fiscal Year 2018			Fiscal Year 2009		
	Taxable Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Taxable Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Delmarva Power & Light Co.	\$ 39,215,853	1	1.11%	\$ 22,591,385	2	.80%
Verizon	32,069,475	2	0.93	45,667,905	1	1.62
Indian River Power LLC	12,786,471	3	0.37	12,786,471	3	0.45
Eastern Shore Natural Gas Co.	8,896,362	4	0.26	11,648,070	4	0.41
Chesapeake Utilities Corporation	7,521,642	5	0.22	6,686,376	6	0.24
Invista Sarl	6,827,200	6	0.20	-	-	-
Allen Harim Farms LLC	6,555,950	8	0.19	3,326,200	10	0.12
Delaware Electric Cooperative, Inc.	5,740,193	7	0.17	4,925,860	7	0.17
G&I VII Peninsula, LLC	3,793,950	9	0.11	-	-	-
Allifirst Bank	3,131,300	10	0.09	-	-	-
E.I. duPont de Nemours Company	-	-	-	9,261,400	5	0.33
Mountaire Farms of Delaware, Inc.	-	-	-	4,354,200	8	0.15
Sussex Sports Amenities LLC	-	-	-	3,906,500	9	0.14
	<u>\$ 126,538,396</u>		<u>3.65%</u>	<u>\$ 125,154,367</u>		<u>4.43%</u>

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

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

Fiscal Year	Taxes Levied for Fiscal Year (Original Levy)	Adjustments	Total Adjusted Tax Levy	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
				Current Tax Collections	Percent of Levy		Amount	Percentage of Adjusted Levy
2009	\$ 12,827,188	\$ 85,976	\$ 12,913,164	\$ 12,580,435	97.4	\$ 309,419	\$ 12,889,854	99.8%
2010	13,134,779	56,957	13,191,736	12,842,730	97.4	320,149	13,162,879	99.8
2011	13,307,922	62,530	13,370,452	13,034,973	97.5	302,762	13,337,735	99.7
2012	13,333,291	64,275	13,397,566	13,129,170	98.0	233,106	13,362,276	99.7
2013	12,522,798	63,224	12,586,022	12,314,220	97.8	228,333	12,542,553	99.7
2014	13,751,888	24,327	13,776,215	13,505,584	98.0	216,487	13,722,071	99.6
2015	13,998,509	145,938	14,144,447	13,737,879	97.1	337,700	14,075,579	99.5
2016	14,500,715	140,265	14,640,980	14,435,552	98.6	110,479	14,546,031	99.4
2017	14,964,667	113,242	15,077,909	14,746,056	97.8	171,827	14,917,883	98.9
2018	15,415,956	133,061	15,549,017	15,181,549	97.6	-	15,181,549	97.6

Notes:

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

Source: Sussex County Finance Department

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

Fiscal Year	Governmental Activities	Business-Type Activities		Total Primary Government	Percentage of Personal Income	Per Capita
	Capital Leases	General Obligation Bonds	Sewer Revenue Bonds			
2009	72,862	137,744,448	22,453,203	160,270,513	2.41%	\$ 835
2010	17,987	143,660,628	20,892,734	164,571,349	2.41	835
2011	-	170,158,954	19,284,788	189,443,742	2.70	944
2012	-	159,993,470	17,643,028	177,636,498	2.32	873
2013	-	172,319,678	-	172,319,678	2.16	834
2014	-	159,460,288	-	159,460,288	1.81	756
2015	-	157,980,947	-	157,980,947	1.64	753
2016	-	157,854,672	-	157,854,672	1.52	717
2017	-	150,094,796	-	150,094,796	*	666
2018	-	146,569,694	-	146,569,694	*	*

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

* Figures not available

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

											Legal debt margin calculation for fiscal year 2018									
											Assessed value	\$ 3,464,256,423								
											Debt limit (12% of assessed value)	415,710,771								
											Total net debt applicable to limit	<u>146,569,694</u>								
											Legal debt margin	<u>\$ 269,141,077</u>								
											Fiscal Year									
											2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General obligation bonds	\$	<u>137,744,448</u>	\$	<u>143,660,628</u>	\$	<u>170,158,954</u>	\$	<u>159,993,470</u>	\$	<u>172,319,678</u>	\$	<u>159,460,288</u>	\$	<u>157,980,947</u>	\$	<u>152,442,753</u>	\$	<u>145,053,144</u>	\$	<u>141,863,810</u>
Percentage of estimated actual property value		0.35%		0.41%		0.50%		0.47%		0.50%		0.46%		0.46%		0.45%		0.42%		0.41%
Per capita	\$	717	\$	729	\$	848	\$	787	\$	834	\$	756	\$	733	\$	692		*		*
Total net debt applicable to debt limit		137,744,448		143,660,628		170,158,954		159,993,470		172,319,678		159,460,288		157,980,947		152,442,753		150,094,796		146,569,694
Legal debt limit		<u>347,637,021</u>		<u>352,113,820</u>		<u>359,533,606</u>		<u>364,850,297</u>		<u>370,830,620</u>		<u>377,449,813</u>		<u>391,015,950</u>		<u>403,566,510</u>		<u>415,710,771</u>		<u>415,710,771</u>
Legal debt margin	\$	<u>209,892,573</u>	\$	<u>208,453,192</u>	\$	<u>189,374,652</u>	\$	<u>204,856,827</u>	\$	<u>198,510,942</u>	\$	<u>217,989,525</u>	\$	<u>233,035,003</u>	\$	<u>251,123,757</u>	\$	<u>265,615,975</u>	\$	<u>269,141,077</u>
Total net debt applicable to the limit as a percentage of debt limit		39.62%		40.80%		47.33%		43.85%		46.47%		42.25%		40.40%		37.77%		36.11%		35.26%

Notes:

1. The statutory limitation for debt is 12% of the assessed value of taxable property as of June 30, 2018.
2. The personal income and population data information is presented on the demographic and economic statistics schedule.
3. Sussex County does not have any governmental activity general bonded debt.

Source: Sussex County Assessment Division.

* Figures not available

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

Fiscal Year	Sewer Revenue Bonds						Coverage
	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service			
				Principal	Interest		
2009	\$ 10,416,204	\$ 2,899,406	\$ 7,516,798	\$ 1,529,488	\$ 789,210	3.24	
2010	9,406,784	3,068,983	6,337,801	1,561,781	752,067	2.74	
2011	9,372,308	2,858,014	6,514,294	1,609,258	712,214	2.81	
2012	9,972,970	2,769,722	7,203,248	1,646,921	670,863	3.11	
2013	10,044,481	2,645,099	7,399,382	1,689,775	628,384	3.19	
2014	-	-	-	-	-	-	
2015	-	-	-	-	-	-	
2016	-	-	-	-	-	-	
2016	-	-	-	-	-	-	
2017	-	-	-	-	-	-	
2018	-	-	-	-	-	-	

Notes:

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

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

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

Year	Population (1)	Total Personal Income (2)	Per Capita Personal Income (2)	Median Age (3)	Public School Enrollment (4)	Unemployment Rate (5)
2009	192,019	6,637,087	34,434	44.4	25,307	7.8%
2010	197,145	6,830,250	34,512	45.4	25,704	7.9%
2011	200,771	7,009,239	34,988	45.1	24,205	7.2%
2012	203,390	7,660,479	37,664	45.4	24,560	5.9%
2013	206,649	7,968,480	38,560	45.9	25,649	6.5%
2014	210,849	8,800,249	41,737	46.5	25,564	5.4%
2015	215,622	9,652,773	44,767	47.0	26,397	4.4%
2016	220,251	10,418,453	47,303	47.6	26,886	4.0%
2017	225,322	*	*	*	27,464	4.3%
2018	*	*	*	*	29,600	3.7%

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.
5. U.S. Bureau of Labor Statistics

* Figures not available

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

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<u>Type of Employer</u>	<u>2018</u>			<u>2009</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>
Retail trade	11,935	1	15.7%	11,260	2	16.0%
Health care and social assistance	11,858	2	15.6	8,448	4	12.0
Manufacturing	10,330	3	13.6	12,845	1	18.2
Accommodation and food services	10,113	4	13.3	8,792	3	12.5
Government	8,725	5	11.5	7,778	5	11.0
Construction	4,852	6	6.4	4,880	6	6.9
Administrative and waste services	4,424	7	5.8	2,929	7	4.2
Other services, except public administration	2,445	8	3.2	2,256	8	3.2
Professional and technical services	1,925	9	2.5	-	-	-
Finance and insurance	1,721	10	2.3	1,901	10	2.7
Real Estate, Rental and Leasing	-	-	-	2,004	9	2.8
Total	<u>68,328</u>		<u>89.9%</u>	<u>63,093</u>		<u>89.5%</u>
Total Employees in Sussex County	<u>75,981</u>		<u>100.0%</u>	<u>70,495</u>		<u>100.0%</u>

Notes:

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

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

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

<u>Function/Program</u>	<u>Full-time Equivalent Employees as of June 30</u>									
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
General government										
General administration	11	11	11	11	11	10	10	9	10	10
Finance	81	72	70	71	67	68	74	77	79	81
Human Resources	6	6	6	6	6	6	6	6	6	6
Buildings and grounds	21	17	19	21	20	19	19	18	19	17
Information Technology	12	14	15	15	14	12	14	14	17	16
County constable	4	5	5	5	4	3	5	4	4	4
Planning and zoning	14	13	12	12	11	11	10	12	12	14
Paramedic program	112	106	105	104	108	110	110	106	102	109
Emergency preparedness	27	28	28	27	29	27	30	29	30	29
Economic development and public works	12	12	11	10	10	8	8	9	10	10
County engineer	141	138	140	137	137	137	136	130	122	129
Library	31	27	27	26	28	27	26	28	27	28
Community development and housing programs	6	6	6	5	5	5	5	5	6	6
Constitutional offices	34	35	34	33	33	32	29	32	30	31
Total	<u>512</u>	<u>490</u>	<u>489</u>	<u>483</u>	<u>483</u>	<u>475</u>	<u>482</u>	<u>479</u>	<u>474</u>	<u>490</u>

Source: Sussex County Accounting Division.

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

Function/Program	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Planning and Zoning										
Permits issued	6,553	6,302	6,658	6,959	7,172	7,693	8,288	9,663	10,236	10,378
Public Safety										
Paramedic incidents dispatched	13,500	13,697	14,077	14,260	15,018	15,219	15,929	16,717	17,757	18,151
911 calls	97,230	103,107	105,776	108,301	105,137	110,139	113,549	109,009	103,108	101,554
Sewer and Water Services										
Sewer customers, EDU's billed	57,673	59,154	60,167	62,431	64,456	65,735	67,410	68,965	69,821	72,398
Water customers, EDU's billed	3,600	3,611	3,613	3,631	3,688	3,676	3,699	3,715	3,700	3,702
Libraries										
Circulation	1,299,830	1,234,407	1,147,886	1,406,166	1,387,038	1,361,586	1,347,386	1,371,859	1,320,860	1,356,585
Industrial Airpark										
Number of businesses	18	18	17	17	19	20	21	21	20	28
Number of jobs provided by business	989	842	961	881	870	875	880	895	960	960
Number of landings (1)	20,000	20,000	17,500	18,000	17,900	18,000	17,500	17,500	19,000	19,000

Note:

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

Source: Individual Sussex County Departments.

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

Function/Program	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Public Safety										
Paramedic stations	9	9	9	9	9	9	9	9	9	9
Volunteer fire and ambulance companies	24	24	24	24	24	24	24	24	24	24
Additional state police officers funded by County	40	40	40	40	44	44	44	44	44	44
Sewer and Water Services										
Miles of underground sanitary sewer pipe	770	778	811	846	856	856	865	885	894	915
Number of feet of ocean outfall sewer pipe	6,500	6,500	6,500	6,500	6,500	6,670	6,670	6,670	6,670	6,670
Pump stations	418	428	437	440	449	461	463	468	488	493
Lagoon treatment facilities with land application	3	3	3	3	3	3	3	3	3	3
Tertiary treatment facility with ocean discharge	1	1	1	1	1	1	1	1	1	1
Libraries										
Directly administered	3	3	3	3	3	3	3	3	3	3
Number of County funded, with independent board	11	11	11	11	11	11	11	11	11	11
Bookmobiles	1	1	1	1	1	1	1	1	1	1
Airport										
Paved runway footage	7,330	8,109	8,109	8,109	8,109	8,609	8,609	8,609	8,609	8,609
Number of hangars	30	30	30	30	30	30	30	30	30	34
Number of runways	2	2	2	2	2	2	2	2	2	2

Source: Individual Sussex County Departments.



SINGLE AUDIT SUPPLEMENT

SUSSEX COUNTY, DELAWARE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Federal Agency	CFDA Number	Federal Program Name	Pass-through Grantor	Other Identification Number	Expenditures		
					From Direct Awards	From Pass Through Awards	Total
U.S. DEPARTMENT OF AGRICULTURE							
	10.433	Rural Housing Preservation Grants		N/A	\$ 32,554	\$ -	\$ 32,554
	10.760	Water and Waste Disposal Systems for Rural Communities		05,09,10,54	1,921,791	-	1,921,791
TOTAL U.S. DEPARTMENT OF AGRICULTURE					<u>1,954,345</u>	<u>-</u>	<u>1,954,345</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT							
	14.228	Community Development Block Grants/ State's Program	Delaware State Housing Authority	CD 03-16, CD 03-17	-	979,239	979,239
		Neighborhood Stabilization Program (NSP 1)	Delaware State Housing Authority	NSP 03-08	-	36,129	36,129
		Total Community Development Block Grants/ State's Program			<u>-</u>	<u>1,015,368</u>	<u>1,015,368</u>
	14.239	Home Investment Partnerships Program	Delaware State Housing Authority	HM 03-16, HM 03-17	-	362,583	362,583
	14.256	ARRA - Neighborhood Stabilization Program (NSP 2)	Delaware State Housing Authority	NSP 03-09	-	120	120
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT					<u>-</u>	<u>1,378,071</u>	<u>1,378,071</u>
U.S. DEPARTMENT OF TRANSPORTATION							
	20.106	Airport Improvement Program		033-17	354,392	-	354,392
	20.703	Interagency Hazardous Material Public Sector Training and Planning Grants	Delaware Emergency Management Agency	SAI000003000	-	1,448	1,448
TOTAL U.S. DEPARTMENT OF TRANSPORTATION					<u>354,392</u>	<u>1,448</u>	<u>355,840</u>
U.S. DEPARTMENT OF ENVIRONMENTAL PROTECTION AGENCY							
	66.458	Capitalization Grants for State Revolving Funds	Delaware Department of Natural Resources and Environment Control	12000066, 12000080	-	12,163,813	12,163,813
TOTAL U.S. DEPARTMENT OF ENVIRONMENTAL PROTECTION AGENCY					<u>-</u>	<u>12,163,813</u>	<u>12,163,813</u>
U.S. DEPARTMENT OF HOMELAND SECURITY							
	97.042	Emergency Management Performance Grants	Delaware Emergency Management Agency	EMPG- 16-003, 17-003, 18-003	-	228,849	228,849
	97.067	Homeland Security Grant Program (training and supplies)	Delaware Emergency Management Agency	2015, 2016	-	19,312	19,312
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY					<u>-</u>	<u>248,161</u>	<u>248,161</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS					<u>\$ 2,308,737</u>	<u>\$ 13,791,493</u>	<u>\$ 16,100,230</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

Basis of Accounting

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

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

NOTE B - NONCASH AWARDS

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

NOTE C - INDIRECT COST RATE

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

NOTE D - LOANS

The County had the following federal expenditures that have been or will be funded by loans from the U.S. Department of Agriculture and the U.S. Environmental Protection Agency for the year ended June 30, 2018.

<u>Program Title</u>	<u>Federal CFDA</u>	
	<u>Number</u>	<u>Loan Amount</u>
Water and Waste Disposal Systems for Rural Communities	10.760	\$ 1,921,791
Capitalization Grants for State Revolving Funds	66.458	12,163,813
Community Development Block Grants/ State's Program	14.228	32,852

NOTE E - LOANS OUTSTANDING

Neighborhood Stabilization Program (NSP 1)

The County administers low-income housing loan programs under the Community Development Block Grants/Entitlement Grants for CFDA No. 14.228. The total amount outstanding at June 30, 2018 is \$847,729 of which \$32,852 is included in the current fiscal year's federal expenditure balance for that program.

NOTE F - SUBRECIPIENTS AWARDS

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



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

The County Council of Sussex County, Delaware
Georgetown, Delaware

Report on Compliance for Each Major Federal Program

We have audited Sussex County's (the "County") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended June 30, 2018. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.



Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

BDO USA, LLP

December 20, 2018



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

The County Council of Sussex County, Delaware
Georgetown, Delaware

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Sussex County, Delaware (the "County"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated December 20, 2018.

Internal Control Over Financial Reporting

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

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

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



Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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 County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BDO USA, LLP

December 20, 2018

Schedule of Findings and Questioned Costs
Year Ended June 30, 2018

Section I - Summary of Auditor's Results

Financial Statements

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

Unmodified

Internal control over financial reporting:

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

Federal Awards

Internal control over major federal programs:

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

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

Unmodified

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

yes no

Identification of major federal programs:

CFDA Number

66.458

Name of Federal Program or Cluster

Capitalization Grants for Clean Water State Revolving Funds

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

\$750,000

Auditee qualified as low-risk auditee?

yes no

Schedule of Findings and Questioned Costs - Continued
Year Ended June 30, 2018

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.