

TOWN OF SOUTH BETHANY, DELAWARE

AUDITED FINANCIAL STATEMENTS

FOR FISCAL YEAR ENDED APRIL 30, 2019

TOWN OF SOUTH BETHANY, DELAWARE
 FISCAL YEAR ENED APRIL 30, 2019
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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Town Council Members
Town of South Bethany,
South Bethany, Delaware

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of South Bethany (the "Town"), as of and for the year ended April 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The Town's 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 an opinion 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. 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, each major fund, and the aggregate remaining fund information of the Town, as of April 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Adoption of Governmental Accounting Standard Board Principles

As discussed in Note 1 to the financial statements in 2019 the Town adopted the provisions of Governmental Accounting Standard Board's Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions", GASB Statement No. 85, "Omnibus", and GASB Statement No. 86, "Certain Debt Extinguishment Issues". Our opinion is not modified with respect to these matters.



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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis; Budgetary Comparison Information; Schedules of Town's Proportionate Share, and Schedule of Contributions on pages 3-8, 35, 36-37, and 38-39, respectively, 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 Town's basic financial statements. The combining nonmajor fund financial statements on pages 41 and 42 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Zelenkofske Axlerod LLC

ZELENKOFKSKE AXELROD LLC

April 6, 2020
Harrisburg, Pennsylvania

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

April 30, 2019

As management of the Town of South Bethany, Delaware (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended April 30, 2019. The intent of the Management's Discussion and Analysis (MD&A) is to summarize the Town's financial performance as a whole, in part, using comparative information from the current year analyzed against prior years.

The Town's MD&A presents a narrative overview and analysis of the Town's financial performance for the fiscal year ended April 30, 2019. It is recommended that it be read in conjunction with the accompanying basic financial statements and notes to the financial statements in order to obtain a thorough understanding of the Town's financial condition as of April 30, 2019.

USING THESE FINANCIAL STATEMENTS

The financial statements are organized to provide an understanding the Town as an entire operating entity, while also providing a detailed look at specific financial activities. The first two statements are government-wide financial statements - the statement of net position and the statement of activities. These provide short-term and long-term information about the Town's overall financial status. Then, the remaining statements are fund financial statements that focus on individual parts of the Town's operations. The governmental funds statement describes how general Town services are financed in the short term, as well as what remains for future spending.

FINANCIAL HIGHLIGHTS

The following items detail the Town's financial highlights for the fiscal year ended April 30, 2019:

- The assets of the Town exceeded its liabilities at April 30, 2019 by \$4,218,227 (net position). Of this amount, \$2,115,443 (unrestricted) may be used to meet the Town's ongoing obligations to citizens and creditors in accordance with the Town's fund designation and fiscal policies.
- The Town's governmental funds reported combined ending fund balances of \$2,692,768, of which, \$2,219,589 (unassigned fund balance) is available for use within the Town's designation and policies while the remaining \$563,179 is restricted for specified future operational and capital expenditures.
- The unassigned fund balance for the General Fund as of April 30, 2019, was \$2,129,589, or 95% of total General Fund operating expenditures and other financing uses for the fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of this report consists of three parts: management's discussion and analysis; the basic financial statements (including notes to the financial statements and a budgetary comparison schedule for the General Fund) and a section that presents fund combining statements.

The basic financial statements present two different views of the Town through the use of government-wide statements and fund financial statements.

The Statement of Net Position and the Statement of Activities are government-wide statements that provide information about the activities of the Town as a whole and present a long-term view of the Town's finances. Fund financial statements report the Town's operation in more detail than the government-wide statements by providing information about the Town's most significant fund.

The Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities include all assets and liabilities and all deferred outflows and inflows using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Activities reports changes in the Town's net position. You can think of the Town's net position (the difference between assets plus deferred outflows, and liabilities plus deferred inflows) as one way to measure the Town's financial health or position. Over time, increases or decreases in the Town's net position are one indicator of whether its financial health is improving or deteriorating.

Fund Financial Statements

The fund financial statements provide detailed information about the Town's General Fund

- General Fund – All of the Town's basic services are reported in the general fund, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. This fund is reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The general fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. General fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and the general fund in reconciliations.

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

The Town's total net position was \$4,218,227 and \$3,885,682 at April 30, 2019 and 2018, respectively.

Table A-1
STATEMENTS OF NET POSITION
April 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
	Governmental activities	Governmental activities
Current and other assets	\$ 2,706,652	\$ 2,433,257
Capital assets	<u>1,571,651</u>	<u>1,584,580</u>
Total assets	<u>4,278,303</u>	<u>4,017,837</u>
Deferred Outflows of Resources	<u>221,240</u>	<u>182,070</u>
Current portion of liabilities	13,884	67,082
Long-term portion of liabilities	<u>169,986</u>	<u>179,527</u>
Total liabilities	<u>183,870</u>	<u>246,609</u>
Deferred Inflows of Resources	<u>97,446</u>	<u>67,616</u>
Net position:		
Net investment in capital assets	1,571,651	1,584,580
Restricted	531,133	356,208
Unrestricted	<u>2,115,443</u>	<u>1,944,894</u>
Total net position	<u>\$ 4,218,227</u>	<u>\$ 3,885,682</u>

Over time, net position may serve as a useful indication of a government's financial position. In the case of the Town, total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by \$4,218,227. A large portion of the Town's net position, 37.3%, reflects its net investment in capital assets (e.g., land, buildings, equipment, improvements, and infrastructure); used to acquire those assets that are still in service. Restricted net position of \$531,133 or 12.6%, represents resources restricted for program purposes. The remaining balance of net position of \$2,115,443 or 50.1%, represents resources that may be used to meet the government's ongoing obligations to its citizens.

The results of this year's operations as a whole are reported in the statement of activities. All expenses are reported in the first column of the Statement of Activities. Specific charges, grants and subsidies that directly relate to specific expense categories are presented to determine the final amount of the Town's activities that are supported by general revenues. The three largest sources of general revenues are taxes and assessments, licenses and permits, and trash assessment.

Table A-2 takes the information from the statement of activities and rearranges it slightly, to depict the changes in net position. In 2019, net position increased by \$332,545.

Table A-2
STATEMENTS OF CHANGES IN NET POSITION
Years ended April 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
	Governmental activities	Governmental activities
Revenues:		
Program revenues:		
Charges for service	\$ 24,080	\$ 45,702
Operating grants and contributions	163,746	154,177
General revenues:		
Taxes and Assessments	1,685,203	1,527,300
Licenses and Permits	340,588	446,376
Trash Assessment	325,364	317,425
Interest Revenue	36,958	5,460
Miscellaneous	186,278	180,884
Loss on Disposal of Assets	-	(45)
Total revenues	<u>2,762,217</u>	<u>2,677,279</u>
Expenses:		
General government	789,224	744,479
Public works	604,016	627,370
Public Safety - Police	754,893	896,531
Public Safety - Lifeguards	277,206	272,904
Special Expenses	<u>4,333</u>	<u>34,963</u>
Total expenses	<u>2,429,672</u>	<u>2,576,247</u>
Increase (decrease) in net position	332,545	101,032
Net position at beginning of year	<u>3,885,682</u>	<u>3,784,650</u>
Net position at end of year	<u>\$ 4,218,227</u>	<u>\$ 3,885,682</u>

Table A-3 shows the Town's operations by function, as well as each function's net cost (total cost less revenues generated by the activities). This table indicates net costs offset by other grants, subsidies and contributions to show the remaining financial needs to be supported by general revenues.

Table A-3
Years ended April 30, 2019 and 2018
Governmental Activities

Functions/programs	2019		2018	
	Total cost of services	Net cost of services	Total cost of services	Net cost of services
General government	\$ 789,224	\$ (779,055)	\$ 744,479	\$ (743,879)
Public works	604,016	(555,298)	627,370	(578,652)
Public Safety - Police	754,893	(625,954)	896,531	(745,970)
Public Safety - Lifeguards	277,206	(277,206)	272,904	(272,904)
Special Expenses	4,333	(4,333)	34,963	(34,963)
Total governmental activities	<u>\$ 2,429,672</u>		<u>\$ 2,576,247</u>	
Total needs from local taxes and other revenues		<u>\$ (2,241,846)</u>		<u>\$ (2,376,368)</u>

The 2019 net costs of services for the governmental activities are 5.7% lower than 2018 year's activities. The government functions and funding for those services did not change.

Town's Governmental Funds

Total governmental fund revenues of \$2,762,217 in 2019 were derived primarily from tax revenues representing 61.0% of the total, followed by Licenses and Permits at 12.3% and Trash Assessment at 11.8%.

Total governmental fund expenditures in 2019 were \$2,435,624. The expenditures cover a wide range of services, with the largest being the general government at \$790,886, public safety - police at \$781,335 and public works at \$584,696.

General Fund Budget

A schedule showing the Town's budget compared to amounts actually paid and received is provided as required supplementary information. There were no revisions to the budget by the Town Council in 2019. Interfund transfers are shown as other financing sources and uses on the statement of revenues and expenditures.

Revenue Variances:

- Fines and Forfeitures:
 - o 2019 Fines and Forfeitures were \$34,426, or 58.8% less than budgeted due to staffing shortages within the Police Department.

Expense Variances:

- Public Safety - Police:
 - o Overall 2019 expenditures were \$106,628 lower than a budgeted amount of \$807,834, due to staffing changes including two retirements within the Police Department.
- Public Works:
 - o Overall 2019 expenditures were \$58,665 lower than a budgeted amount of \$595,475, due to a change in staff and the decision to provide more in-house labor for Town projects.

CAPITAL ASSETS AND DEBT ADMINISTRATION

The Town's total assets stood at \$4,278,303 as of April 30, 2019. Of this amount, \$1,571,651 is accounted for by capital assets. The Town's capital assets for 2019 are as follows and are detailed in Note 4 to the Financial Statements:

	<u>Governmental Activities</u>
Land	\$ 164,752
Construction in Progress	40,285
Town Hall Building	756,599
Police Building	396,923
Building Improvements	98,954
Equipment	1,310,487
Infrastructure	1,298,244
Accumulated Depreciation	<u>(2,494,593)</u>
	<u>\$ 1,571,651</u>

At the end of 2019, the Town's long-term liabilities, including compensated absences, and the net pension liability, amounted to \$169,986. A detailed discussion of the compensated absences and pension is included in the footnotes.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

During future years, the Town officials remain committed to improving the infrastructure of the Town's roads, beach walkways, and canals, but will continue to keep other future capital expenditures at a minimum. A tax increase may be in the future so that the Town does not fully rely on revenues such as realty transfer tax and rental tax.

REQUEST FOR INFORMATION

This financial report is designed to provide citizens with a general overview of the Town's finances. If you have questions about this report or need additional information, contact the Town Manager at 402 Evergreen Road, South Bethany, Delaware 19930 or call (302) 539-3653.

TOWN OF SOUTH BETHANY
STATEMENT OF NET POSITION
APRIL 30, 2019

		<u>Governmental Activities</u>
Assets		
Cash and Cash Equivalents	\$	955,479
Investments		1,747,879
Receivables		
Taxes		3,294
Capital Assets, Not Being Depreciated		205,037
Capital Assets, Being Depreciated, net		1,366,614
Total Assets		4,278,303
Deferred Outflows of Resources		
Deferred Outflows of Resources from Pensions		221,240
Total Deferred Outflows of Resources		221,240
Liabilities		
Accounts Payable		2,157
Accrued Expenses and Withholdings		6,793
Unearned Revenue		4,934
Non-Current Portions of Long Term Liabilities:		
Compensated Absences		31,800
Pension Liability		138,186
Total Liabilities		183,870
Deferred Inflows of Resources		
Deferred Inflows of Resources from Pensions		97,446
Total Deferred Inflows of Resources		97,446
Net Position		
Net Investment In Capital Assets		1,571,651
Restricted for:		
Program Purposes		531,133
Unrestricted		2,115,443
Total Net Position	\$	4,218,227

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

TOWN OF SOUTH BETHANY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED APRIL 30, 2019

Functions/Programs	Program Revenues				Net (Expenses) Revenue and Changes in Net Position
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government Governmental Activities</u>
Primary Government:					
Governmental Activities:					
General Government	\$ 789,224	\$ -	\$ 10,169	\$ -	\$ (779,055)
Public Works	604,016	-	48,718	-	(555,298)
Public Safety - Police	754,893	24,080	104,859	-	(625,954)
Public Safety - Lifeguards	277,206	-	-	-	(277,206)
Special Expenses	4,333	-	-	-	(4,333)
Total Governmental Activities	\$ 2,429,672	\$ 24,080	\$ 163,746	\$ -	(2,241,846)
		General Revenues:			
					1,685,203
					340,588
					325,364
					36,958
					186,278
			Total General Revenues		2,574,391
				Change in Net Position	332,545
				Net Position - Beginning	3,885,682
				Net Position - Ending	\$ 4,218,227

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

TOWN OF SOUTH BETHANY
BALANCE SHEET - GOVERNMENTAL FUNDS
APRIL 30, 2019

	General Fund	Realty Transfer Tax Fund	Emergency Illegal Drug Enforcement	Non-Major Funds	TOTAL
<u>Assets</u>					
Cash and Cash Equivalents	\$ 419,689	\$ 404,347	\$ 3,382	\$ 128,061	\$ 955,479
Investments	1,747,879	-	-	-	1,747,879
Receivables					
Taxes	3,294	-	-	-	3,294
Due From Other Funds	1,275	-	1,552	-	2,827
Total Assets	<u>\$ 2,172,137</u>	<u>\$ 404,347</u>	<u>\$ 4,934</u>	<u>\$ 128,061</u>	<u>\$ 2,709,479</u>
<u>Liabilities</u>					
Accounts Payable	\$ 2,157	\$ -	-	\$ -	\$ 2,157
Accrued Expenses and Withholdings	6,793	-	-	-	6,793
Unearned Revenue	-	-	4,934	-	4,934
Due to Other Funds	1,552	1,275	-	-	2,827
Total Liabilities	<u>10,502</u>	<u>1,275</u>	<u>4,934</u>	<u>-</u>	<u>16,711</u>
<u>Fund Balances</u>					
Restricted	-	403,072	-	128,061	531,133
Committed	32,046	-	-	-	32,046
Unassigned	2,129,589	-	-	-	2,129,589
Total Fund Balances	<u>2,161,635</u>	<u>403,072</u>	<u>-</u>	<u>128,061</u>	<u>2,692,768</u>
Total Liabilities and Fund Balances	<u>\$ 2,172,137</u>	<u>\$ 404,347</u>	<u>\$ 4,934</u>	<u>\$ 128,061</u>	<u>\$ 2,709,479</u>

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

TOWN OF SOUTH BETHANY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
APRIL 30, 2019

Total fund balances for governmental funds \$ 2,692,768

Total net assets reported for governmental activities in the statement of net position is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Land	\$ 164,752	
Construction in Progress	40,285	
Town Hall Building, net of \$307,718 accumulated depreciation	448,881	
Police Building, net of \$127,280 accumulated depreciation	269,643	
Building Improvements, net of \$90,757 accumulated depreciation	8,197	
Equipment, net of \$1,107,864 accumulated depreciation	202,623	
Infrastructure, net of \$860,974 accumulated depreciation	<u>437,270</u>	
 Total capital assets		 1,571,651

Long-term liabilities applicable to the Township's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net position.

Balances at April 30, 2019 are:

Compensated Absences	(31,800)	
Deferred Outflows of Resources - Pensions	221,240	
Deferred Inflows of Resources - Pensions	(97,446)	
Net Pension Liability	<u>(138,186)</u>	
		<u>(46,192)</u>

Total net position of governmental activities \$ 4,218,227

TOWN OF SOUTH BETHANY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED APRIL 30, 2019

	General Fund	Realty Transfer Tax Fund	Emergency Illegal Drug Enforcement	Non-Major Funds	TOTAL
Revenues					
Taxes	\$ 1,075,301	\$ 609,902	\$ -	\$ -	\$ 1,685,203
Licenses and Permits	340,588	-	-	-	340,588
Fines and Forfeitures	24,080	-	-	-	24,080
Intergovernmental	96,945	-	648	66,153	163,746
Trash Assessment	325,364	-	-	-	325,364
Interest and Rents	36,914	-	4	40	36,958
Miscellaneous Income	186,278	-	-	-	186,278
Total Revenues	2,085,470	609,902	652	66,193	2,762,217
Expenditures					
Current:					
General Government	722,339	68,523	-	24	790,886
Public Works	536,810	47,886	-	-	584,696
Public Safety - Police	701,206	76,777	652	2,700	781,335
Public Safety - Lifeguards	274,374	-	-	-	274,374
Special Expenditures	4,333	-	-	-	4,333
Total Expenditures	2,239,062	193,186	652	2,724	2,435,624
Excess of Revenues Over (Under) Expenditures	(153,592)	416,716	-	63,469	326,593
Other Financing Sources (Uses)					
Operating Transfers Out	-	(300,000)	-	(5,260)	(305,260)
Operating Transfers In	305,260	-	-	-	305,260
Total Other Financing Sources	305,260	(300,000)	-	(5,260)	-
Net Change in Fund Balances	151,668	116,716	-	58,209	326,593
Fund Balances - Beginning of year	2,009,967	286,356	-	69,852	2,366,175
Fund Balances - End of year	\$ 2,161,635	\$ 403,072	\$ -	\$ 128,061	\$ 2,692,768

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

TOWN OF SOUTH BETHANY
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED APRIL 30, 2019

Net change in fund balances - total governmental funds \$ 326,593

The change in net position reported for governmental activities in the statement of activities is different because:

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. This is the amount by which depreciation (\$204,752) exceeded capital outlays (\$191,823) in the current period. (12,929)

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment combines the net changes in compensated absences, accrued interest, deferred assets, bond (premium)/discount, pension benefit, and cumulative unfunded OPEB costs.

Compensated Absences

34,012

Pension Benefit

(15,131)

18,881

Change in Net Position

\$ 332,545

TOWN OF SOUTH BETHANY, DELAWARE
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2019

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of South Bethany, Delaware (the "Town") operates under a Mayor-Council-Manager form of government and provides the following services as authorized by its charter: public safety (police and beach patrol), public works services, street maintenance and general administrative services. The basic financial statements of the Town have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

A summary of the Town's significant accounting policies is as follows:

A) Reporting Entity

The accompanying financial statements include the various departments and offices that are legally controlled by or dependent on the Town Council (primary government). The Town's major operations include general government, public safety, and public works. The Town's financial reporting entity is required to consist of all organizations for which the Town is financially accountable or for which there is a significant relationship. The Town has no component units in its reporting entity.

B) Government-Wide and Fund Financial Statements

The Government-wide financial statements (i.e., statement of net position and the statement of activities) report information on all of the activities of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange revenues. The interfund services provided and used have been eliminated from the government-wide financial statements in the process of consolidation.

The statement of activities demonstrates the degree to which direct expenses of a given program (public safety, public works, general government, etc.) are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1.) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given program and 2.) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items are properly excluded from program revenues and reported instead as general revenues.

The Town segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental activities. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

TOWN OF SOUTH BETHANY, DELAWARE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
APRIL 30, 2019

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

C) Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as liabilities in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability rather than an expenditure.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 180 days of the end of the current fiscal period with the exception of property taxes which must be received within 60 days of year end to be deemed available. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Licenses, operating grants, capital grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when the Township receives cash.

Under the current financial resources measurement focus, only current assets and current liabilities are generally included on the balance sheet. The reported fund balance is considered to be a measure of "available spendable resources". Governmental funds operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during the period.

Because of their spending measurement focus, expenditure recognition for governmental fund types exclude amounts represented by non-current liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as expenditures in the year that resources were expended rather than as fund assets. The proceeds of long-term debt are recorded as an other financing source rather than a fund liability. However, debt service expenditures, as well as expenditures related to compensated absences and claims for judgments, are recorded only when payment is due.

TOWN OF SOUTH BETHANY, DELAWARE
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 APRIL 30, 2019

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
 (CONTINUED)

C) Measurement Focus, Basis of Accounting, and Financial Statement Presentation
 (Continued)

The Town reports the following major governmental funds:

General Fund – This is the main operating fund of the Town. It is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

Realty Transfer Tax Fund – This fund is used to account for the proceeds of a specific revenue source of the Town that are legally restricted for those expenditures of a specified purpose. The 1.5% Realty Transfer Tax is included in this fund.

Emergency Illegal Drug Enforcement – This fund is used to account for the proceeds of grant programs that are legally restricted for expenditures of a specified purpose (drug enforcement).

D) Assets, Liabilities, and Net Position or Fund Balances

1. Cash and Cash Equivalents

The Town 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. In addition, all certificates of deposits are considered highly liquid investments, regardless of maturity date.

2. Investments

The Town invests in non-negotiable certificates of deposit (CD), which are valued at cost because they are considered a non-participating contract for which redemption terms do not consider market values.

3. Capital Assets

Capital assets purchased or acquired with an original cost of \$2,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Infrastructure consists of streets and drainage projects. The Town has elected not to capitalize infrastructure acquired prior to May 1, 2004.

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

Buildings and improvements	5-40 years
Equipment	5-20 years
Vehicles	5 years
Infrastructure	30 years

TOWN OF SOUTH BETHANY, DELAWARE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
APRIL 30, 2019

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

D) Assets, Liabilities, and Net Position or Fund Balances (Continued)

4. Compensated Absences

Full-time permanent employees of the Town accrue vacation leave based on their tenure, to a maximum of thirty (30) days, as specified in the employee handbook. Sick leave accrues to a maximum of 200 days, of which only 20 days will be compensated at time of departure after 5 years of service. Holiday time is accrued for all employees. All full-time employees can accrue a maximum of 40 hours of Comp time. Upon termination or retirement, employees in good standing are entitled to their leave accruals to the maximums specified in the employee handbook. The government-wide financial statements include accrued compensated absences of \$31,800.

5. Interfund Transactions

Interfund activity is reported as either loans or transfers. Loans are reported as interfund receivables and payables are appropriate and are subject to elimination upon consolidation. All other interfund transactions are treated as transfers. Transfers between funds are netted as part of the reconciliation to the government-wide financial statements.

6. Unearned Revenues

Revenues that are received but not earned are recorded as unearned revenue in the Town's financial statements. In the Town's governmental funds, unearned revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues also arise when resources are received by the government before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the Town has a legal claim to the resources, the liability for unearned revenue is removed from the governmental funds' balance sheet and revenue is recognized.

7. Accounting Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual amounts may differ from those estimates.

8. Deferred Outflows / Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, 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 Town has one item that qualifies for reporting in this category: deferred outflows related to pensions. Deferred outflows related to pensions are described further in Note 5. The annual difference between the projected and actual earnings on investments is amortized over a five-year closed period beginning the year in which the difference occurs (current year).

TOWN OF SOUTH BETHANY, DELAWARE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
APRIL 30, 2019

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

D) Assets, Liabilities, and Net Position or Fund Balances (Continued)

8. Deferred Outflows / Inflows of Resources (Continued)

The remaining components of deferred outflows are amortized into pension expense for the pension plan over the remaining service life of participants, beginning the year in which the deferred amount occurs (current year).

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has one item that qualifies for reporting in this category: deferred inflows related to pensions. Deferred inflows related to pensions are further described in Note 5. The components of deferred outflows are amortized into pension expense for the pension plan over the remaining service life of participants, beginning the year in which the deferred amount occurs (current year).

9. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the DPERS and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan's. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

10. Net Position / Fund Balances

In the governmental fund financial statements, fund balances are classified as follows:

- Non-spendable – Amounts that are not in a spendable form (such as inventory) or are required to be maintained in tact.
- Restricted – Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed – Amounts constrained to specific purposes by the Town itself, using its highest level of decision-making authority (i.e. the Town Council). To be reported as committed, amounts cannot be used for any other purpose unless the Town takes the same level of action to remove or change the constraint. Commitments may be established, modified, or rescinded when Town Council has formally passed the commitment by a majority vote.
- Assigned – Amounts the Town intends to be used for a specific purpose, but are neither restricted nor committed. Assignments of fund balance can be created without a formal vote by the Town Council.

TOWN OF SOUTH BETHANY, DELAWARE
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 APRIL 30, 2019

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
 (CONTINUED)

D) Assets, Liabilities, and Net Position or Fund Balances (Continued)

10. Net Position / Fund Balances (Continued)

- Unassigned – Amounts that are available for any purpose. Positive amounts are reported only in the general fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted resources are available, it is the Town's policy to use restricted resources first. When expenditures are incurred for purposes of which unrestricted resources are available, amounts in any unrestricted classifications could be used, it is the Town's policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

The government-wide financial statements utilize the net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

- Net Investment in Capital Assets – This category groups all capital assets into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- Restricted Net Position – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position – This category represents net position of the Town, not restricted for any project or other purpose.

11. Adoption of Governmental Accounting Standards Board Statements

The Town adopted the provisions of Governmental Accounting Standard Board's (GASB) Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions", GASB Statement No. 85, "Omnibus", and GASB Statement No. 86, "Certain Debt Extinguishment Issues". The adoption of these statements had no effect on previously reported amounts.

12. Pending Changes in Accounting Principles

In November 2016, the GASB issued Statement No. 83, "Certain Asset Retirement Obligations". The Town is required to adopt statement No. 83 for its fiscal year 2020 financial statements.

In January 2017, the GASB issued Statement No. 84, "Fiduciary Activities". The Town is required to adopt statement No. 84 for its fiscal year 2020 financial statements.

TOWN OF SOUTH BETHANY, DELAWARE
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 APRIL 30, 2019

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
 (CONTINUED)

D) Assets, Liabilities, and Net Position or Fund Balances (Continued)

12. Pending Changes in Accounting Principles (Continued)

In June 2017, the GASB issued Statement No. 87, "*Leases*". The Town is required to adopt statement No. 87 for its fiscal year 2021 financial statements.

In April 2018, the GASB issued Statement No. 88, "*Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*". The Town is required to adopt statement No. 88 for its fiscal year 2020 financial statements.

In June 2018, the GASB issued Statement No. 89, "*Accounting for Interest Cost Incurred before the End of a Construction Period*". The Town is required to adopt statement No. 89 for its fiscal year 2021 financial statements.

In August 2018, the GASB issued Statement No. 90, "*Majority Equity Interest – An Amendment of GASB Statements No. 14 and No. 61*". The Town is required to adopt statement No. 90 for its fiscal year 2020 financial statements.

In May 2019, the GASB issued Statement No. 91, "*Conduit Debt Obligations*". The Town is required to adopt statement No. 91 for its fiscal year 2022 financial statements.

In January 2020, the GASB issued Statement No. 92, "*Omnibus 2020*". The Town is required to adopt statement No. 92 for its fiscal year 2021 financial statements.

The Town has not yet completed the various analyses required to estimate the financial statement impact of these new pronouncements.

E) Budgetary Accounting

The Town charter established the fiscal year as the twelve-month period beginning May 1st. The Town Council adopts a budget annually. The Budget can be revised as deemed necessary by the Council. A single fixed budget covers the general fund and is employed during the year as a management control device. The budgetary amounts are comprised of the normal operating budget and supplemental budget allocations, if applicable.

NOTE 2: DEPOSITS AND INVESTMENTS

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of failure of depository financial institution, the Town 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. The Town has no formal policy to address custodial credit risk. Transactions are made directly with the banks; services of brokers or securities dealers are not used. At April 30, 2019, the carrying amount of the Town's deposits was \$955,479 and the bank balance was \$996,992. Cash balances in one institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The remaining bank balance of \$746,992 was exposed to custodial credit risk as of April 30, 2019.

TOWN OF SOUTH BETHANY, DELAWARE
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 APRIL 30, 2019

NOTE 2: DEPOSITS AND INVESTMENTS (CONTINUED)

Custodial Credit Risk – For investments, custodial credit risk is the risk that in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of April 30, 2019, none of the Town's investments were exposed to custodial credit risk as all balances in excess of Federal Depository Insurance were fully collateralized with securities held by its agent or pledging financial institution or trust department in the Town's name.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. As of April 30, 2019, the Town had the following investments and maturities:

Investment Type	Value	Investment Maturity (in Years)		
		Less Than 1	1-5	6-10
Certificate of Deposit - Non-negotiable	\$ 1,747,879	\$ 581,959	\$ 1,165,920	\$ -

NOTE 3: PROPERTY TAXES

Taxes are levied on May 1st of each year and are due by June 30th. The Town bills and collects its own property taxes. The tax rate for the year ended April 30, 2019 was \$1.30 per \$100 of assessed valuation with a total assessed valuation of \$39,628,815. The total billable amount from all real property and improvement assessment valuations totaled \$515,175.

TOWN OF SOUTH BETHANY, DELAWARE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
APRIL 30, 2019

NOTE 4: CAPITAL ASSETS

Capital Asset activity for the year ended April 30, 2019 was a follows:

	Beginning Balance	Additions	Disposals / Adjustments	Ending Balance
<u>Governmental Activities</u>				
Capital assets not being depreciated				
Land	\$ 164,752	\$ -	\$ -	\$ 164,752
Construction in Progress	-	40,285	-	40,285
Total capital assets not being depreciated	164,752	40,285	-	205,037
Capital assets being depreciated				
Town Hall Building	756,599	-	-	756,599
Police Building	321,885	75,038	-	396,923
Building Improvements	94,954	4,000	-	98,954
Equipment	1,237,987	72,500	-	1,310,487
Infrastructure	1,298,244	-	-	1,298,244
Total capital assets being depreciated	3,709,669	151,538	-	3,861,207
Less accumulated depreciation for				
Town Hall Building	(282,591)	(25,127)	-	(307,718)
Police Building	(110,923)	(16,357)	-	(127,280)
Building Improvements	(90,113)	(644)	-	(90,757)
Equipment	(1,017,899)	(89,965)	-	(1,107,864)
Infrastructure	(788,315)	(72,659)	-	(860,974)
Total accumulated depreciation	(2,289,841)	(204,752)	-	(2,494,593)
Total capital assets being depreciated, net	1,419,828	(53,214)	-	1,366,614
Total capital assets, governmental activities	\$ 1,584,580	\$ (12,929)	\$ -	\$ 1,571,651

Depreciation expense was charged to functions/programs of the Town as follows:

<u>Governmental activities</u>	
General government	\$ 67,759
Public Works	67,098
Public Safety - Police	63,063
Public Safety - Lifeguards	6,832
Total depreciation expense – governmental activities	<u>\$ 204,752</u>

TOWN OF SOUTH BETHANY, DELAWARE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
APRIL 30, 2019

NOTE 5: EMPLOYEES RETIREMENT PLANS

Delaware County and Municipal Police/Firefighter's Pension PlanA. Plan Description

The County and Municipal Police and Firefighter's Pension Plan (the plan) is a cost sharing multiple-employer defined benefit pension plan established in the Delaware Code. The General Assembly is responsible for setting benefits and contributions and amending plan provisions, administrative rules and regulations are adopted and maintained by the Board or Pension Trustees (the Board).

The management of the Plan is the responsibility of the Board. The Board is comprised of five members appointed by the Governor and confirmed by the State Senate, plus two ex officio members. The daily operation is the responsibility of the Office of Pensions. Although most of the assets of the Plan are commingled with other Plans for investment purposes, the Plan's assets may be used for the payment of benefits to the members of the Plan in accordance with terms of the Plan. For a more complete description, please refer to the DPERs CAFR, which may be obtained from by writing the State of Delaware Office of Pensions, McArdle Building, Suite 1, 860 Silver Lake Blvd, Dover, DE 19904, or on the internet at www.open.omb.delaware.gov.

B. Plan Benefits1. Eligibility

The Plan covers police officers and firefighters employed by a county or municipality of the state that have joined the Plan.

2. Service Benefits

2.5% of final average monthly compensation multiplied by years of credited service up to 20 years, plus 3.5% of final average monthly compensation multiplied by years of service in excess of 20 years. For this plan, final average monthly compensation is the monthly average of the highest three consecutive years of compensation.

3. Vesting

Five years of credited services.

4. Retirement

Age 62 with 5 years of service; age plus credited service (but not less than 10 years) equals 75; or 20 years of credited service.

5. Disability Benefits

Duty – Total Disability – 75% of final average compensation plus 10% for each dependent not to exceed 25% for all dependents.

Duty – Partial Disability – Calculated the same as Service Benefits, subject to minimum 50% of final average compensation.

Non-Duty – Same as Service Benefits, total disability subject to a minimum 50% of final average monthly compensation plus 5% of each dependent not to exceed 20% for all dependents. Partial disability to a minimum of 30% of final average monthly compensation.

TOWN OF SOUTH BETHANY, DELAWARE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
APRIL 30, 2019

NOTE 5: EMPLOYEES RETIREMENT PLANS (CONTINUED)

Delaware County and Municipal Police/Firefighter's Pension Plan (Continued)B. Plan Benefits (Continued)6. Survivor Benefits

If employee is receiving a pension, the eligible survivor receives a minimum of 50% of pension; if employee is active, eligible survivor receives 75% of pension the employee would have received at age 62. If the member is killed in the line of duty, the eligible survivor receives 75% of the member's compensation.

C. Contributions

The contribution requirements of the Plan members and the Town are established and may be amended by the Board of Pension Trustees. Plan members are required to contribute 7% of compensation. The Town is required to contribute at an actuarially determined rate for the Plan. The Town's contractually required contribution rate for the year ended April 30, 2019 was 16.68%. Contributions from the Town to the Plan were \$43,974 for the year ended April 30, 2019.

D. Pensions Liabilities. Pension Expense and Deferred Outflow of Resources and Deferred Inflow of Resources Related to the Plan

At April 30, 2019, the Town reported a liability of \$106,782 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017, and updated procedures were used to roll forward the total pension liability to June 30, 2018. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participant members, actuarially determined. At June 30, 2018, the Town's proportionate share was 0.4637%, which was a decrease of 0.0089% from its proportionate share measured as of June 30, 2017.

For the year ended April 30, 2019, the Town recognized pension expense of \$63,428. At April 30, 2019, the Town reported deferred outflows of resources or deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 91,950	\$ 25,183
Contribution Subsequent to Measurement Date	36,074	-
Change of Assumptions	35,078	15,070
Changes in Proportion	1,888	9,735
Difference Between Projected and Actual Investment Earnings	-	18,608
Total	<u>\$ 164,990</u>	<u>\$ 68,596</u>

TOWN OF SOUTH BETHANY, DELAWARE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
APRIL 30, 2019

NOTE 5: EMPLOYEES RETIREMENT PLANS (CONTINUED)

Delaware County and Municipal Police/Firefighter's Pension Plan (Continued)

D. Pensions Liabilities, Pension Expense and Deferred Outflow of Resources and Deferred Inflow of Resources Related to the Plan (Continued)

The Town's contribution subsequent to the measurement date of \$36,074, reported as deferred outflows of resources, will be recognized as a reduction of the net pension liability in the year ended April 30, 2020. Other amounts reported as outflows of resources and deferred inflows of resources related to pensions will be amortized over five years and recognized as pension expense as follows:

<u>Fiscal Year Ending April 30</u>	
2020	\$ 18,620
2021	\$ 10,099
2022	\$ (12,228)
2023	\$ (2,007)
2024	\$ 8,273
Thereafter	\$ 37,563

Actuarial methods and assumptions

The following methods and assumptions were used in the actuarial valuation for the June 30, 2018 measurement date:

Salary Increases	2.50% + merit (1)
Investment Rate of Return	7.00%
(1) Inflation is included at 2.50%	

The total pension liabilities are measured based on assumptions pertaining to the interest rates, inflation rates, and employee demographic behavior in future years. The assumptions used were based on the results of an actuarial experience study conducted in 2016. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates the larger the impact of future financial statements.

Mortality assumptions are based on the RP-2014 tables with gender adjustments for healthy annuitants and disabled retirees and an adjusted version of MP-2015 mortality improvement scale on a fully generational basis.

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 investment expense and inflation) are developed for each major asset class. These ranges are combined to produce long-term expected rate of return by weighing the expected future real rate of return by an asset allocation percentage, which is based on the nature and mix of current and expected plan investments, and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class include in the Plan's current and expected asset allocation are summarized in the following table:

TOWN OF SOUTH BETHANY, DELAWARE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
APRIL 30, 2019

NOTE 5: EMPLOYEES RETIREMENT PLANS (CONTINUED)

Delaware County and Municipal Police/Firefighter's Pension Plan (Continued)D. Pensions Liabilities, Pension Expense and Deferred Outflow of Resources and Deferred Inflow of Resources Related to the Plan (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	30.70%	5.70%
International equity	13.90%	5.70%
Fixed income	23.30%	2.00%
Alternative investments	24.40%	7.80%
Cash and cash equivalents	7.70%	0.00%

Discount Rate

The discount rate for all plans used to measure the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at rate determined by the Board of Pension Trustees, actuarially determined. Based on those assumptions, the pension plans' 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 investment was applied to all periods of projected payments to determine the total pension liability.

Sensitivity of the Town's proportionate share of the net pension liability to change in the discount rate

The following schedule presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.00%. It also shows what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the Net Pension Liability	\$ 391,437	\$ 106,782	\$ (123,629)

Pension Plan Fiduciary Net Position

Detailed information about the Pension Plan's fiduciary net positions is available in the separately issued DPERS financial report.

TOWN OF SOUTH BETHANY, DELAWARE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
APRIL 30, 2019

NOTE 5: EMPLOYEES RETIREMENT PLANS (CONTINUED)

Delaware County and Municipal Other Employees' Pension Plan

A. Plan Description

The County & Municipal and Other Employees' Pension Plan (the plan) is a cost sharing multiple-employer defined benefit pension plan established in the Delaware Code. The General Assembly is responsible for setting benefits and contributions and amending plan provisions, administrative rules and regulations are adopted and maintained by the Board or Pension Trustees (the Board).

The management of the Plan is the responsibility of the Board. The Board is comprised of five members appointed by the Governor and confirmed by the State Senate, plus two ex officio members. The daily operation is the responsibility of the Office of Pensions. Although most of the assets of the Plan are commingled with other Plans for investment purposes, the Plan's assets may be used for the payment of benefits to the members of the Plan in accordance with terms of the Plan. For a more complete description, please refer to the DPERS CAFR, which may be obtained from by writing the State of Delaware Office of Pensions, McArdle Building, Suite 1, 860 Silver Lake Blvd, Dover, DE 19904, or on the internet at www.open.omb.delaware.gov.

B. Plan Benefits

1. Eligibility

The Plan covers employees of counties or municipalities that have joined the Plan.

2. Service Benefits

1/60th of final average monthly compensation multiplied by years of credited service, subject to maximum limitations. For this plan, final average monthly compensation is the monthly average of the highest five years of compensation.

3. Vesting

Five years of credited services.

4. Retirement

Age 62 with 5 years of service; age 60 with 15 years of credited service; or after 30 years of credited service.

5. Disability Benefits

Same as Service Benefits. Employee must have 5 years of credit service.

6. Survivor Benefits

If employee is receiving a pension, the eligible survivor receives 75% of pension; if employee is active, eligible survivor receives 50% of pension the employee would have received at age 62.

TOWN OF SOUTH BETHANY, DELAWARE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
APRIL 30, 2019

NOTE 5: EMPLOYEES RETIREMENT PLANS (CONTINUED)

Delaware County and Municipal Other Employees' Pension Plan (Continued)

C. Contributions

The contribution requirements of the Plan members and the Town are established and may be amended by the Board of Pension Trustees. Plan members are required to contribute 3% of their gross earnings in excess of \$6,000 per year to the pension plan. The Town is required to contribute at an actuarially determined rate for the Plan. The Town's contractually required contribution rate for the year ended April 30, 2019 was 7.29%. Contributions from the Town to the Plan were \$28,199 for the year ended April 30, 2019.

D. Pensions Liabilities. Pension Expense and Deferred Outflow of Resources and Deferred Inflow of Resources Related to the Plan

At April 30, 2019, the Town reported a liability of \$31,404 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017, and updated procedures were used to roll forward the total pension liability to June 30, 2018. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participant members, actuarially determined. At June 30, 2018, the Town's proportionate share was 0.9979%, which was a decrease of 0.0218% from its proportionate share measured as of June 30, 2017.

For the year ended April 30, 2019, the Town recognized pension expense of \$25,728. At April 30, 2019 the Town reported deferred outflows of resources or deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 15,106	\$ 18,021
Contribution Subsequent to Measurement Date	23,215	-
Change of Assumptions	17,929	-
Changes in Proportion	-	5,153
Difference Between Projected and Actual Investment Earnings	-	5,676
Total	<u>\$ 56,250</u>	<u>\$ 28,850</u>

TOWN OF SOUTH BETHANY, DELAWARE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
APRIL 30, 2019

NOTE 5: EMPLOYEES RETIREMENT PLANS (CONTINUED)

Delaware County and Municipal Other Employees' Pension Plan (Continued)

D. Pensions Liabilities, Pension Expense and Deferred Outflow of Resources and Deferred Inflow of Resources Related to the Plan (Continued)

The Town's contribution subsequent to the measurement date of \$23,215, reported as deferred outflows of resources, will be recognized as a reduction of the net pension liability in the year ended April 30, 2020. Other amounts reported as outflows of resources and deferred inflows of resources related to pensions will be amortized over five years and recognized as pension expense as follows:

<u>Fiscal Year Ending April 30</u>	
2020	\$ 4,208
2021	\$ 1,671
2022	\$ (5,015)
2023	\$ (1,537)
2024	\$ 2,665
Thereafter	\$ 2,193

Actuarial methods and assumptions

The following methods and assumptions were used in the actuarial valuation for the June 30, 2018 measurement date:

Salary Increases	2.50% + merit (1)
Investment Rate of Return	7.00%
(1) Inflation is included at 2.50%	

The total pension liabilities are measured based on assumptions pertaining to the interest rates, inflation rates, and employee demographic behavior in future years. The assumptions used were based on the results of an actuarial experience study conducted in 2016. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates the larger the impact of future financial statements.

Mortality assumptions are based on the RP-2014 tables with gender adjustments for healthy annuitants and disabled retirees and an adjusted version of MP-2015 mortality improvement scale on a fully generational basis.

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 investment expense and inflation) are developed for each major asset class. These ranges are combined to produce long-term expected rate of return by weighing the expected future real rate of return by an asset allocation percentage, which is based on the nature and mix of current and expected plan investments, and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class include in the Plan's current and expected asset allocation are summarized in the following table:

TOWN OF SOUTH BETHANY, DELAWARE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
APRIL 30, 2019

NOTE 5: EMPLOYEES RETIREMENT PLANS (CONTINUED)

Delaware County and Municipal Other Employees' Pension Plan (Continued)D. Pensions Liabilities, Pension Expense and Deferred Outflow of Resources and Deferred Inflow of Resources Related to the Plan (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	30.70%	5.70%
International equity	13.90%	5.70%
Fixed income	23.30%	2.00%
Alternative investments	24.40%	7.80%
Cash and cash equivalents	7.70%	0.00%

Discount Rate

The discount rate for all plans used to measure the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at rate determined by the Board of Pension Trustees, actuarially determined. Based on those assumptions, the pension plans' 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 investment was applied to all periods of projected payments to determine the total pension liability.

Sensitivity of the Town's proportionate share of the net pension liability to change in the discount rate

The following schedule presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.00%. It also shows what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the Net Pension Liability	\$ 118,680	\$ 31,404	\$ (39,088)

Pension Plan Fiduciary Net Position

Detailed information about the Pension Plan's fiduciary net positions is available in the separately issued DPERS financial report.

TOWN OF SOUTH BETHANY, DELAWARE
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 APRIL 30, 2019

NOTE 6: INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of April 30, 2019 is as follows:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 1,275	\$ 1,552
Realty Transfer Tax Fund	-	1,275
Emergency Illegal Drug Enforcement	<u>1,552</u>	<u>-</u>
Totals	<u>\$ 2,827</u>	<u>\$ 2,827</u>

These interfund receivables and payables represent planned transfers between funds to reimburse operating expenditures for which cash was not moved prior to year end.

Interfund transfers for the year ended April 30, 2019 consisted of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 305,260	\$ -
Realty Transfer Tax Fund	-	300,000
Non-Major Funds	<u>-</u>	<u>5,260</u>
Totals	<u>\$ 305,260</u>	<u>\$ 305,260</u>

NOTE 7: COMMITMENTS AND CONTINGENCIES

In the normal course of business, there are various outstanding commitments and contingent liabilities in addition to the normal encumbrances for the purchase of goods and services. The Town does not anticipate losses as a result of these transactions.

In the normal course of operations, the Town receives grant funds from various federal and state agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement, which may arise as the result of these audits, is not believed to be material. At the present time, there are no potential claims against the Town with reasonable possibilities of unfavorable outcomes. The amount of any liability would be an amount equal to of the insurance deductible.

NOTE 8: RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of damage to and destruction of assets; error and omissions; injuries to employees; and natural disaster for which the government carries commercial insurance.

The Town is fully insured for workers' compensation through commercial insurance, and employees are bonded to limit the loss to the Town in the event of employees committing act of embezzlement or theft. There has been no significant reduction in insurance coverage from the prior year by major categories of risk, and amounts of settlements have not exceeded insurance coverage for each of the past three fiscal years.

TOWN OF SOUTH BETHANY, DELAWARE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
APRIL 30, 2019

NOTE 9: OPERATING LEASE

In October 1997, the Town entered into a lease with Artesian Water Company, Inc. for certain land and right-of-ways within the Town. Under the terms of this lease, the Town will receive annual rents for a period of thirty-three years. The rent will be adjusted to fair market rental at the twelfth and twenty-fourth anniversaries. The lease may be extended for two additional thirty-three year terms. The lease was amended July, 2010 to adopt the new appraisal value. The benchmark rent was changed to \$ 14,900; this amount is adjusted based on the percentage increase in the CPI.

In June 2009, the Town entered into a lease with Verizon Wireless for certain land and right-of-ways within the Town. Under terms of this lease, the Town will receive annual rents of \$12,000 to be paid monthly for a period of 5 years. The lease will be automatically extend for an additional four (4) terms of five (5) years each, unless Verizon Wireless provides a written notice of termination at least six (6) months before the end of the current term. Each year is subject to an increase equal to the greater of 3% or the Consumer Price Index (CPI).

In March 2019, the Town entered into a new lease with Sharp Energy, Inc. for certain land and right-of-ways within the Town. Under the terms of this lease, the Town will receive annual rents of \$5,000 for five years.

NOTE 10: SUBSEQUENT EVENTS

The town has evaluated subsequent events up to April 6, 2020, which is the date the financial statements were available to be issued. No material events subsequent to April 30, 2019 were noted.

REQUIRED
SUPPLEMENTARY
INFORMATION

TOWN OF SOUTH BETHANY
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 GENERAL FUND
 FOR THE YEAR ENDED APRIL 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,042,463	\$ 1,042,463	\$ 1,075,301	\$ 32,838
Licenses and Permits	338,000	338,000	340,588	2,588
Fines and Forfeitures	58,506	58,506	24,080	(34,426)
Intergovernmental	82,200	82,200	96,945	14,745
Trash Assessment	327,400	327,400	325,364	(2,036)
Interest and Rents	15,000	15,000	36,914	21,914
Miscellaneous Income	175,058	175,058	186,278	11,220
Total Revenues	2,038,627	2,038,627	2,085,470	46,843
Expenditures				
Current:				
General Government	712,028	712,028	722,339	(10,311)
Public Works	595,475	595,475	536,810	58,665
Public Safety - Police	807,834	807,834	701,206	106,628
Public Safety - Lifeguards	274,653	274,653	274,374	279
Special Expenditures	4,700	4,700	4,333	367
Total Expenditures	2,394,690	2,394,690	2,239,062	155,628
Excess of Revenues Over Expenditures	(356,063)	(356,063)	(153,592)	202,471
Other Financing Sources (Uses)				
Operating Transfers In	-	-	305,260	305,260
Proceeds from Sale of Capital Assets	500	500	-	(500)
Total Other Financing Sources (Uses)	500	500	305,260	304,760
Excess of Revenues and Other Financing Sources (Uses) Over (Under) Expenditures	\$ (355,563)	\$ (355,563)	\$ 151,668	\$ 507,231

TOWN OF SOUTH BETHANY
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

DPERS COUNTY AND MUNICIPAL OTHER EMPLOYEES' PENSION PLAN

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Town's proportion of the net pension liability	0.9979%	1.0197%	1.1620%	1.2216%	1.3135%	1.4501%
Town's proportionate share of the net pension liability	\$ 31,404	\$ 66,071	\$ 71,996	\$ 521	\$ (4,835)	\$ 36,969
Town's covered payroll	\$ 402,082	\$ 405,453	\$ 426,745	\$ 373,776	\$ 357,109	\$ 336,829
Town's proportionate share of the net pension liability as a percentage of its covered payroll	8%	16%	17%	0%	-1%	11%
Plan fiduciary net position as a percentage of the total pension liability	94.4%	87.6%	86.3%	99.9%	101.1%	91.6%

Note:

This schedule will eventually cover the 10 most recent fiscal years; however, information prior to June 30, 2014 is not available.

TOWN OF SOUTH BETHANY
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 DPERS COUNTY AND MUNICIPAL POLICE AND FIREFIGHTERS' PENSION PLAN

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Town's proportion of the net pension liability	0.4637%	0.4726%	0.5047%	0.4114%	0.5627%	0.6145%
Town's proportionate share of the net pension liability	\$ 106,782	\$ 47,644	\$ 80,226	\$ (41,417)	\$ (60,871)	\$ 62,098
Town's covered payroll	\$ 389,934	\$ 466,055	\$ 410,711	\$ 429,961	\$ 445,642	\$ 429,087
Town's proportionate share of the net pension liability as a percentage of its covered payroll	27%	10%	20%	-10%	-14%	14%
Plan fiduciary net position as a percentage of the total pension liability	94.1%	97.0%	86.3%	99.9%	101.1%	91.6%

Note:

This schedule will eventually cover the 10 most recent fiscal years; however, information prior to June 30, 2014 is not available.

TOWN OF SOUTH BETHANY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF TOWN'S CONTRIBUTIONS

DPERS COUNTY AND OTHER MUNICIPAL EMPLOYEES' PENSION PLAN

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 28,199	\$ 25,637	\$ 24,140	\$ 23,466	\$ 23,510	\$ 23,255
Contributions in relation to the contractually determined contribution	28,199	25,637	24,140	23,466	23,510	23,255
Contribution deficiency (excess)	<u>\$ -</u>					
Town's covered payroll	402,082	405,453	426,745	373,776	357,109	336,829
Contributions as a percentage of covered payroll	7.01%	6.32%	5.66%	6.28%	6.58%	6.90%

Note:

This schedule will eventually cover the 10 most recent fiscal years; however, information prior to June 30, 2014 is not available.

TOWN OF SOUTH BETHANY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF TOWN'S CONTRIBUTIONS

DPERS COUNTY AND OTHER MUNICIPAL POLICE AND FIREFIGHTERS' PENSION PLAN

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 43,974	\$ 53,470	\$ 50,926	\$ 41,417	\$ 57,861	\$ 53,283
Contributions in relation to the contractually determined contribution	43,974	53,470	50,926	41,417	57,861	53,283
Contribution deficiency (excess)	<u>\$ -</u>					
Town's covered payroll	389,934	466,055	426,745	373,776	357,109	336,829
Contributions as a percentage of covered payroll	11.28%	11.47%	11.93%	11.08%	16.20%	15.82%

Note:

This schedule will eventually cover the 10 most recent fiscal years; however, information prior to June 30, 2014 is not available.

OTHER
SUPPLEMENTARY
INFORMATION

TOWN OF SOUTH BETHANY
 COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
 APRIL 30, 2019

	<u>Municipal Street Aid</u>	<u>State Aid To Local Law Enforcement</u>	<u>TOTAL</u>
<u>Assets</u>			
Cash and Cash Equivalents	\$ 128,061	\$ -	\$ 128,061
Total Assets	<u>\$ 128,061</u>	<u>\$ -</u>	<u>\$ 128,061</u>
<u>Liabilities</u>			
Unearned Revenue	\$ -	\$ -	\$ -
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
<u>Fund Balance</u>			
Restricted	128,061	-	128,061
Total Fund Balance	<u>128,061</u>	<u>-</u>	<u>128,061</u>
Total Liabilities and Fund Balance	<u>\$ 128,061</u>	<u>\$ -</u>	<u>\$ 128,061</u>

TOWN OF SOUTH BETHANY
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED APRIL 30, 2019

	Municipal Street Aid	State Aid To Local Law Enforcement	TOTAL
Revenues			
Intergovernmental	\$ 58,198	\$ 7,955	\$ 66,153
Interest and Rents	35	5	40
Total Revenues	<u>58,233</u>	<u>7,960</u>	<u>66,193</u>
Expenditures			
Current:			
General Government	24	-	24
Public Safety - Police	-	2,700	2,700
Total Expenditures	<u>24</u>	<u>2,700</u>	<u>2,724</u>
Excess of Revenues Over (Under) Expenditures	<u>58,209</u>	<u>5,260</u>	<u>63,469</u>
Other Financing Sources (Uses)			
Operating Transfers Out	-	(5,260)	(5,260)
Total Other Financing Sources	<u>-</u>	<u>(5,260)</u>	<u>(5,260)</u>
Net Change in Fund Balance	58,209	-	58,209
Fund Balances - Beginning of Year	<u>69,852</u>	<u>-</u>	<u>69,852</u>
Fund Balances - End of Year	<u>\$ 128,061</u>	<u>\$ -</u>	<u>\$ 128,061</u>