

TOWN OF SOUTH BETHANY, DELAWARE

FINANCIAL STATEMENTS

YEAR ENDED APRIL 30, 2023

TOWN OF SOUTH BETHANY, DELAWARE

TABLE OF CONTENTS

	<u>Page(s)</u>
INDEPENDENT AUDITORS' REPORT	1 - 3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4 - 11
BASIC FINANCIAL STATEMENTS	
Government-wide financial statements	
Statement of Net Position	12
Statement of Activities	13
Fund financial statements	
Governmental fund	
Balance Sheet	14
Reconciliation of the governmental fund Balance Sheet to the Statement of Net Position	15
Statement of Revenues, Expenditures and Changes in Fund Balance	16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of governmental fund to the Statement of Activities	17
Notes to financial statements	18 - 39
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary comparison schedule – general fund	40
Budgetary comparison schedule – general fund by department	41 - 44
Delaware Public Employees' Retirement System	
Schedule of the Town's proportionate share of the net pension asset	45
Schedule of the Town's contributions	46

TOWN OF SOUTH BETHANY, DELAWARE

**TABLE OF CONTENTS
(CONTINUED)**

	<u>Page(s)</u>
<i>GOVERNMENT AUDITING STANDARDS REPORT</i>	
Independent auditors' report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with <i>Government Auditing Standards</i>	47 - 48

INDEPENDENT AUDITORS' REPORT

ANDREW M. HAYNIE, CPA
SUSAN P. KEEN, CPA
MICHAEL C. KLEGER, CPA
JAMES D. MAYBURY, CPA
E. LEE MCCABE, CPA
JEFFREY A. MICHALIK, CPA
ROBERT L. MOORE, CPA
DANIEL M. O'CONNELL II, CPA
ASHLEY M. STERN, CPA
JOHN M. STERN, JR., CPA

PKSca.com

Salisbury
1801 SWEETBAY DRIVE
P.O. Box 72
SALISBURY, MD 21803
TEL: 410.546.5600
FAX: 410.548.9576

Ocean City
12216 OCEAN GATEWAY
SUITE 800
OCEAN CITY, MD 21842
TEL: 410.213.7185
FAX: 410.213.7638

Lewes
1143 SAVANNAH ROAD
SUITE 1
P.O. Box 192
LEWES, DE 19958
TEL: 302.645.5757
FAX: 302.645.1757

MEMBERS OF:

**AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS**

**MARYLAND ASSOCIATION OF
CERTIFIED PUBLIC ACCOUNTANTS**

**DELAWARE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS**

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Council
Town of South Bethany, Delaware

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, and each major fund of the Town of South Bethany, Delaware, as of and for the year ended April 30, 2023, and the related notes to the financial statements, which collectively comprise the Town of South Bethany, Delaware's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund, of the Town of South Bethany, Delaware, as of April 30, 2023, 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.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

Responsibilities of Management for the Financial Statements (continued)

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of South Bethany, Delaware's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 – 11 and other required supplementary information on pages and 40 – 46 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2023 on our consideration of the Town of South Bethany, Delaware'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of South Bethany, Delaware's internal control over financial reporting and compliance.

PKS & Company, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

Salisbury, Maryland
October 13, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

TOWN OF SOUTH BETHANY, DELAWARE
MANAGEMENT'S DISCUSSION AND ANALYSIS
APRIL 30, 2023

The management team of the Town of South Bethany, Delaware (the "Town") is pleased to present the readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended April 30, 2023. We encourage readers to consider the information presented here in conjunction with the annual budget and other community information found on the Town's website at <https://southbethany.delaware.gov/>. It should be noted that the additional information from the website and other Town sources is unaudited and has not been updated for events that may have occurred subsequent to the issuance of the respective reports.

FINANCIAL HIGHLIGHTS

- As of April 30, 2023, governmental activity assets exceeded liabilities by \$7,875,899. Of this amount, \$2,792,083 or 35% was unrestricted and may be used for ongoing obligations to citizens and creditors.
- The Town's net position for governmental activities increased by \$1,216,286 during the year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the Town of South Bethany's basic financial statements. The Town's basic financial statements are comprised of four components: (1) government-wide financial statements, (2) fund financial statements, (3) notes to the financial statements, and (4) required supplementary information, which includes this document.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Town of South Bethany's finances, in a manner similar to a private sector business. The government-wide statements include two statements: (1) the Statement of Net Position and (2) the Statement of Activities.

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

TOWN OF SOUTH BETHANY, DELAWARE
MANAGEMENT'S DISCUSSION AND ANALYSIS
APRIL 30, 2023

The Statement of Activities presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods. For example, uncollected property taxes are reported as assets, even though the Town has not received the actual cash from those levies.

Both government-wide financial statements distinguish functions of the Town that are governmental activities (those principally supported by taxes and revenues from other governments) and business-type activities (those supported by fees to customers). The Town has no business-type activities. The governmental activities of the Town include general administration, public safety, and public works. The government-wide financial statements can be found on pages 12 - 13 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All funds of the Town are governmental funds.

Governmental Funds: The governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the government's near-term financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balance provide a reconciliation to facilitate this comparison between the governmental funds and government-wide activities.

The Town maintains five major governmental funds, the General Fund, Realty Transfer Tax Fund, Emergency Illegal Drug Enforcement Fund, State Aid to Local Law Enforcement Fund, and Municipal Street Aid Fund, and adopts an annual appropriated budget for each of these funds. To demonstrate compliance, a budgetary comparison statement is presented for the General Fund. The basic governmental fund financial statements can be found on pages 14 - 17 of this report.

TOWN OF SOUTH BETHANY, DELAWARE
MANAGEMENT'S DISCUSSION AND ANALYSIS
APRIL 30, 2023

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 18 - 39 of this report.

Required Supplementary Information

Other required supplementary information, in addition to this discussion and analysis, are the comparison of the general fund budget to actual (pages 40 - 44) and the Town's proportionate share of the net pension asset and contributions related to the Delaware Public Employees' Retirement System (pages 45 - 46).

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As previously noted, net position may serve over time as a useful indicator of the government-wide financial position. In the case of the Town of South Bethany, the net position as of April 30, 2023, was \$7,875,899.

The following table is a summary of the government-wide statement of net position as of April 30, 2023 and 2022:

	Governmental Activities	
	2023	2022
Current and other assets	\$ 5,804,132	\$ 5,146,994
Capital assets	2,650,377	2,244,104
Total assets	8,454,509	7,391,098
Deferred outflows - retirement	393,864	290,935
Current and other liabilities	73,478	55,362
Long-term liabilities	37,173	24,747
Total liabilities	110,651	80,109
Deferred inflows - retirement	168,060	803,760
Deferred inflows - leases	638,272	
Deferred grants	55,491	138,551
Total deferred inflows	861,823	942,311
Net position:		
Net investments in capital assets	2,633,670	2,244,104
Restricted	2,450,146	2,107,116
Unrestricted	2,792,083	2,308,393
Total net position	\$ 7,875,899	\$ 6,659,613

*2022 has not been revised to reflect implementation of GASB Statement No. 87, *Leases*.

TOWN OF SOUTH BETHANY, DELAWARE
MANAGEMENT'S DISCUSSION AND ANALYSIS
APRIL 30, 2023

A significant portion of the Town's net position of \$7,875,899 (33% or \$2,633,670) is not available for future spending as this represents amounts invested in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment). The Town uses these capital assets to provide service to citizens; consequently, these assets are not available for future spending, and do not generate direct revenue for the Town. They do represent, however, an obligation on the part of the Town to maintain these assets into the future. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Of the remaining \$5,242,229 in net position, \$2,450,146 is restricted by either the grantor or the contributor. The unrestricted funds of \$2,792,083 may be used to meet the Town's ongoing obligations to citizens and creditors.

The following schedule shows the breakdown of changes in net position for total governmental activities for the years ended April 30, 2023 and 2022:

	Governmental Activities	
	2023	2022
Revenues:		
Program Revenues		
Charges for services	\$ 32,669	\$ 47,766
Operating grants and contributions	179,203	195,548
Capital grants and contributions	382,966	17,539
General revenue		
Taxes and assessments	2,059,710	2,158,812
Licenses and permits	696,195	628,592
Trash assessment	334,898	326,842
Interest revenue	27,031	15,622
Investment income		1,540
Loss on disposal of assets		(1,110)
Miscellaneous	203,755	183,865
Total revenues	3,916,427	3,575,016
Expenses:		
General government	686,562	559,598
Public works	887,270	794,785
Public safety - police	817,157	818,077
Public safety - lifeguards	308,447	274,560
Debt service	705	
Total expenses	2,700,141	2,447,020
Change in net position	1,216,286	1,127,996
Net position - Beginning	6,659,613	5,531,617
Net position - Ending	\$ 7,875,899	\$ 6,659,613

TOWN OF SOUTH BETHANY, DELAWARE
MANAGEMENT'S DISCUSSION AND ANALYSIS
APRIL 30, 2023

Governmental Activities

Total government net position increased by \$1,216,286 during fiscal year 2023.

Taxes and assessments, licenses and permits, and trash assessments received during fiscal year 2023 totaled \$2,059,710, \$696,195, and \$334,898, respectively.

2023 Revenues - Governmental Activities

- Taxes and assessments decreased by \$99,102 (5%) over the prior fiscal year.
- Licenses and permits increased by \$67,603 (11%) from the prior fiscal year as a result of new construction and home improvements.

2023 Expenditures - Governmental Activities

During the fiscal year, the Town continued to provide a fully staffed professional police department focused on community policing (24 hour, 7 days a week) as well as lifeguards for the beaches in the Town. The Town also continued to provide street maintenance of Town owned streets and street lighting for both Town owned streets and for some streets owned by the State of Delaware in association with improved safety.

Payroll and related personnel costs such as payroll taxes, employee retirement contributions, health insurance, and workers compensation premiums total \$1,465,285 or approximately 54% of the total program expenses of \$2,700,141. Approximately 46% of the remaining \$1,234,856 of total governmental expenditures relates to expenditures for street and sidewalk maintenance, trash service expenses, and other public works items. Overall salaries increased from the prior year due to cost of living increases.

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

As noted earlier, the Town of South Bethany uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Fund

Governmental fund accounting provides information on available or spendable resources. This information is useful in assessing the Town's financing requirements for operations. The unassigned fund balance may serve as a useful measure of the Town's net resources available for spending and for future needs and provides a reserve for emergencies and working capital to pay the Town's bills.

During fiscal year 2023, the Town's governmental fund balance increased by \$767,244 to \$4,997,864. The unassigned fund balance increased by \$357,217 and the assigned fund balance components of the General Fund increased by a total of \$66,997.

TOWN OF SOUTH BETHANY, DELAWARE
MANAGEMENT'S DISCUSSION AND ANALYSIS
APRIL 30, 2023

The governmental fund includes the General Fund. The General Fund provides for the Town general administration, public safety – police, public safety – lifeguard, and public works including capital expense funding, such as improvements to Town buildings, equipment, and vehicles, and public works equipment and projects.

GENERAL FUND BUDGETARY HIGHLIGHTS

The fiscal year 2023 Budget attempted to position our community to address near and long-term projects and initiatives as well as maintaining a high level of service delivery from our dedicated staff.

Budget to Actual – Revenues

General Fund revenues exceeded the amended budget by \$796,164. Intergovernmental revenues exceeded the budget by \$318,992 due to increased ARPA revenue recognized. Licenses and permits exceeded the budget by \$299,195 due to an increase in large home building renovations and new building construction.

A comparison of budgeted to actual revenues is provided on page 40 of this report.

Budget to Actual – Expenditures

Total expenditures were under the budget by \$151,200. The largest variance (\$95,677) is related to public safety - police which was caused by fewer payroll and related costs being necessary than were expected.

A comparison of budgeted to actual expenditures is provided on pages 40 - 44 of this report.

CAPITAL ASSETS AND DEBT ADMINISTRATION

The Town's investment in capital assets for its governmental activities as of April 30, 2023 was \$2,650,377 (net of accumulated depreciation). Capital assets include land, construction in progress, town hall building, police building, building improvements, equipment, and infrastructure.

TOWN OF SOUTH BETHANY, DELAWARE
MANAGEMENT'S DISCUSSION AND ANALYSIS
APRIL 30, 2023

Significant capital additions for the year include Town Hall renovations, a bulkhead, new police vehicles and equipment, and public works equipment.

The following table is a summary of the governmental capital assets as of April 30, 2023 and 2022:

	Governmental Activities	
	2023	2022
Land	\$ 164,752	\$ 164,752
Construction in progress	539,496	47,048
Town hall building	351,825	376,089
Police building	204,214	220,571
Building improvements	12,853	14,181
Equipment	328,027	301,754
Infrastructure	1,032,524	1,119,709
Right-to-use assets	16,686	15,716
Total	\$ 2,650,377	\$ 2,259,820

*2022 has been restated for implementation of GASB Statement No. 87, *Leases*.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Fiscal year 2024 Revenue and Appropriation Budgetary Highlights

Budgeted revenue for fiscal year 2024 increased by 8% (\$218,100) over the fiscal year 2023 budget. The primary factor is that the Town expects realty transfer taxes, rental taxes, building permits, licenses, and franchise fees to all continue to increase.

Budgeted appropriations for fiscal year 2024 increased \$218,100 over the fiscal year 2023 budget. Public safety, general and administrative, and canal water quality committee are budgeted to increase by \$67,926, \$54,561, and \$55,000, respectively.

TOWN OF SOUTH BETHANY, DELAWARE
MANAGEMENT'S DISCUSSION AND ANALYSIS
APRIL 30, 2023

REQUEST FOR INFORMATION

This Financial Report is intended to provide an overview of the Town of South Bethany's finances. Questions concerning this report, or requests for additional information, please contact:

Maureen Hartman
Town Manager
Town of South Bethany
402 Evergreen Rd
South Bethany, DE 19930
Telephone: (302) 539-3653
Email: townmanager@southbethany.org

Renee McDorman
Director of Finance
Town of South Bethany
402 Evergreen Rd
South Bethany, DE 19930
Telephone: (302) 539-3653 Ext. 104
Email: financial@southbethany.org

BASIC FINANCIAL STATEMENTS

TOWN OF SOUTH BETHANY, DELAWARE

STATEMENT OF NET POSITION

APRIL 30, 2023

	<u>Governmental Activities</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 1,560,422
Investments, at fair value	553,065
Grants receivable	45,223
Transfer tax receivable	54,450
Current portion of leases receivable	16,948
Restricted cash	2,858,027
Prepaid expenses	39,629
Total current assets	<u>5,127,764</u>
Noncurrent assets	
Capital assets, net of depreciation	2,650,377
Leases receivable less current portion	631,554
Net pension asset	44,814
Total noncurrent assets	<u>3,326,745</u>
Total assets	<u>8,454,509</u>
 DEFERRED OUTFLOWS OF RESOURCES	
Deferred financing outflows - retirement	<u>393,864</u>
 LIABILITIES	
Current liabilities	
Accounts payable	25,631
Accrued expenses and withholdings	23,634
Current portion of compensated absences	18,426
Current portion of leases payable	5,787
Total current liabilities	<u>73,478</u>
Noncurrent liabilities	
Compensated absences, less current portion	26,253
Leases payable, less current portion	10,920
Total noncurrent liabilities	<u>37,173</u>
Total liabilities	<u>110,651</u>
 DEFERRED INFLOWS OF RESOURCES	
Deferred financing inflows - retirement	168,060
Deferred leases	638,272
Deferred grants	55,491
Total deferred inflows of resources	<u>861,823</u>
 NET POSITION	
Net investment in capital assets	2,633,670
Restricted	2,450,146
Unrestricted	2,792,083
Total net position	<u>\$ 7,875,899</u>

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

TOWN OF SOUTH BETHANY, DELAWARE

STATEMENT OF ACTIVITIES

YEAR ENDED APRIL 30, 2023

	Expenses	Program Revenues			Net Revenue (Expense) and Change in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
FUNCTIONS/PROGRAMS					
GOVERNMENTAL ACTIVITIES					
General government	\$ 686,562	\$	1,115	\$ 382,966	\$ (302,481)
Public works	887,270		93,715		(793,555)
Public safety - police	817,157	32,669	84,373		(700,115)
Public safety - lifeguards	308,447				(308,447)
Interest on long-term debt	705				(705)
Total governmental activities	2,700,141	32,669	179,203	382,966	(2,105,303)

GENERAL REVENUES

Taxes and assessments	2,059,710
Licenses and permits	696,195
Trash assessment	334,898
Investment revenue	27,031
Miscellaneous	203,755
Total general revenues	3,321,589
Change in net position	1,216,286
NET POSITION, BEGINNING OF YEAR	6,659,613
NET POSITION, END OF YEAR	<u><u>\$ 7,875,899</u></u>

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

TOWN OF SOUTH BETHANY, DELAWARE

**BALANCE SHEET
GOVERNMENTAL FUNDS**

APRIL 30, 2023

ASSETS

	General Fund	Realty Transfer Tax Fund	Emergency Illegal Drug Enforcement	State Aid to Local Law Enforcement	Municipal Street Aid Fund	Total
Cash and cash equivalents	\$ 1,560,422					\$ 1,560,422
Investments	553,065					553,065
Grants receivable	45,223					45,223
Transfer taxes receivable		54,450				54,450
Leases receivable	648,502					648,502
Prepaid expenses	39,629					39,629
Due from other funds	170,617					170,617
Restricted cash	285,027	2,495,200	9,921	8,465	59,414	2,858,027
Total assets	<u>\$ 3,302,485</u>	<u>\$ 2,549,650</u>	<u>\$ 9,921</u>	<u>\$ 8,465</u>	<u>\$ 59,414</u>	<u>\$ 5,929,935</u>

**LIABILITIES, DEFERRED INFLOWS OF RESOURCES,
AND FUND BALANCES**

LIABILITIES						
Accounts payable	\$ 25,086	\$ 545	\$	\$	\$	\$ 25,631
Accrued expenses and withholdings	42,060					42,060
Due to other funds		158,399	7,913	4,305		170,617
Total liabilities	<u>67,146</u>	<u>158,944</u>	<u>7,913</u>	<u>4,305</u>		<u>238,308</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred leases	638,272					638,272
Deferred grants	49,349		1,982	4,160		55,491
Total deferred inflows of resources	<u>687,621</u>		<u>1,982</u>	<u>4,160</u>		<u>693,763</u>
FUND BALANCES						
Restricted		2,390,706	26		59,414	2,450,146
Assigned	907,234					907,234
Unassigned	1,640,484					1,640,484
Total fund balances	<u>2,547,718</u>	<u>2,390,706</u>	<u>26</u>		<u>59,414</u>	<u>4,997,864</u>
Total liabilities and fund balances	<u>\$ 3,302,485</u>	<u>\$ 2,549,650</u>	<u>\$ 9,921</u>	<u>\$ 8,465</u>	<u>\$ 59,414</u>	<u>\$ 5,929,935</u>

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

TOWN OF SOUTH BETHANY, DELAWARE

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION**

APRIL 30, 2023

Total fund balances, governmental funds	\$ 4,997,864
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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 are therefore not reported in the fund financial statements, but are reported in the governmental activities of the Statement of Net Position.	2,650,377
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Certain long-term liabilities, assets and deferred inflows and outflows are not
included in the fund financial statements, but are included in the governmental
activities of the Statement of Net Position.

Compensated absences	(26,253)
Deferred financing outflows - retirement	393,864
Deferred financing inflows - retirement	(168,060)
Net pension asset	44,814
Leases payable	<u>(16,707)</u>

Net position of governmental activities in the Statement of Net Position	<u>\$ 7,875,899</u>
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The accompanying notes are an integral part of these financial statements.

TOWN OF SOUTH BETHANY, DELAWARE

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS**

YEAR ENDED APRIL 30, 2023

	General Fund	Realty Transfer Tax Fund	Emergency Illegal Drug Enforcement	State Aid to Local Law Enforcement	Municipal Street Aid Fund	Total
REVENUES						
Taxes	\$ 1,240,805	\$ 818,904	\$	\$	\$	\$ 2,059,709
Licenses and permits	696,195					696,195
Fines and forfeitures	32,669					32,669
Intergovernmental revenues	378,992	117,966	6,519	2,996	55,697	562,170
Trash assessment	334,898					334,898
Interest revenue	27,016		26			27,042
Miscellaneous	203,747					203,747
Total revenues	2,914,322	936,870	6,545	2,996	55,697	3,916,430
EXPENDITURES						
Current						
General government	618,863	29,755				648,618
Public works	796,261					796,261
Public safety - police	745,644		6,519	2,996		755,159
Public safety - lifeguards	308,447					308,447
Capital outlay	21,179	619,808				640,987
Debt service	7,313					7,313
Total expenditures	2,497,707	649,563	6,519	2,996		3,156,785
Excess of revenues over expenditures	416,615	287,307	26		55,697	759,645
OTHER FINANCING SOURCES						
Proceeds from leased equipment	7,599					7,599
Net change in fund balances	424,214	287,307	26		55,697	767,244
FUND BALANCE, BEGINNING OF YEAR	2,123,504	2,103,399			3,717	4,230,620
FUND BALANCE, END OF YEAR	\$ 2,547,718	\$ 2,390,706	\$ 26	\$	\$ 59,414	\$ 4,997,864

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

TOWN OF SOUTH BETHANY, DELAWARE

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF
ACTIVITIES**

YEAR ENDED APRIL 30, 2023

Net change in fund balance, governmental funds	\$ 767,244
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Amounts reported for governmental activities in the Statement of Activities
are different because:

The governmental fund reports 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.

Capital outlay expense	\$ 640,987	
Depreciation expense	<u>(250,430)</u>	390,557

Some expenses reported in the Statement of Activities do not require the use of
current financial resources and these are not reported as expenditures in the
governmental fund.

Change in compensated absences	(1,505)	
Change in deferred outflows of resources - retirement		102,929

The governmental fund does not present revenues that are not available to pay
current obligations. In contrast, such revenues are reported in the Statement
of Activities when earned.

Change in deferred inflows of resources - retirement	635,700	
Change in net pension asset		(677,648)

Governmental funds report proceeds from leased equipment as revenue.
In contrast, the Statement of Activities treats such proceeds as an increase in
long-term liabilities.

(7,599)

Governmental funds report repayment of debt principal as an expenditure.
In contrast, principal payments on debt are not expenditures in the
Statement of Activities, but rather constitute long-term liabilities in the
Statement of Net Position.

Principal payments on leased equipment		<u>6,608</u>
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Change in net position of governmental activities		<u><u>\$ 1,216,286</u></u>
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The accompanying notes are an integral part of these financial statements.

TOWN OF SOUTH BETHANY, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2023

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Town of South Bethany, Delaware, (the Town) have been prepared in conformity with generally accepted accounting principles (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. Following is a summary of the Town's significant accounting policies:

Reporting entity

The accompanying financial statements include the various departments and offices that are legally controlled by or dependent on the Town Council (the primary government). The Town's major operations include general government, public safety (police and lifeguards), and public works. In evaluating how to define the Town for financial reporting purposes, management has considered all potential component units. Based on criteria set forth by the GASB, the Town of South Bethany, Delaware has no component units.

Basic financial statements - government-wide financial statements

The Town's basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements. Both the government-wide and fund financial statements categorize primary activities as governmental. The Town's governmental activities consist of general government, public safety and public works.

In the government-wide Statement of Net Position, the governmental activities column is presented on a consolidated basis.

The government-wide Statement of Activities reports both the gross and net cost of each of the Town's functions. The functions are also supported by general government revenues (taxes, certain intergovernmental revenues, and other nonexchange revenues, 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. 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 program.

TOWN OF SOUTH BETHANY, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2023

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basic financial statements - government-wide financial statements (continued)

The net costs (by function) are normally covered by general revenue (taxes, intergovernmental revenues, other nonexchange revenue, etc.).

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

Basic financial statements - fund financial statements

The fund financial statements provide information about the Town's funds. Separate statements for each fund category are presented. The emphasis in fund financial statements is on the major funds in the governmental activities' category. Major individual governmental funds are reported as separate columns in the fund financial statements. The following fund types are used by the Town:

Governmental Funds: The focus of the governmental fund 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 Town reports the following governmental funds:

- General Fund - the general fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another 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).
- State Aid to Local Law Enforcement – this fund is used to account for the proceeds of grant programs that are legally restricted for expenditures of a specified purpose.
- Municipal Street Aid – this fund is used to account for the proceeds of grant programs that fund various roadway improvement projects for the roads maintained by the Town.

The activities reported in these funds are reported as governmental activities in the government-wide financial statements.

TOWN OF SOUTH BETHANY, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2023

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of accounting (continued)

Measurement focus is a term used to describe which transactions are recorded within the various financial statements. Basis of accounting refers to when transactions are recorded regardless of the measurement focus.

The government-wide financial statements are presented on a full accrual basis of accounting with an economic resources measurement focus concentrating on an entity or fund's net position. All transactions and events that affect the total economic resources during the period are reported. Under the full accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time an obligation (liability) is incurred, regardless of the timing of related cash inflows and outflows. 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.

Governmental fund financial statements are presented on a modified accrual basis of accounting with a current financial resource's measurement focus. This measurement focus concentrates on the fund's resources available for spending in the near future. Only transactions and events affecting the fund's current financial resources during the period are reported. Under modified accrual accounting, revenues are recognized as soon as they are both measurable and available. Revenues are considered available if collected within 60 days after year end. The Town reports deferred inflows when the potential revenue does not meet both the measurable and available criteria for recognition in the current period.

Licenses, operating grants, capital grants, and interest revenue are the primary revenue sources subject to accrual. Property taxes are reported as receivable and a deferred inflow of resources when an enforceable lien on the property exists. The Town bills and collects its own property taxes.

Under modified accrual accounting, governmental fund liabilities (and expenses) should be accrued in the absence of applicable modification. Such modifications exist for long-term indebtedness, compensated absences, claims and judgments. These liabilities are accrued in the governmental funds only to the extent they are due.

Since the governmental fund financial statements are presented on a different measurement focus and basis of accounting than the government-wide statements, a reconciliation is provided in the fund financial statement.

TOWN OF SOUTH BETHANY, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2023

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred inflows of resources

The Town's governmental funds Balance Sheet and government-wide Statement of Net Position report a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net assets that applies to a future period. The Town has three items that qualify for reporting in this category: deferred inflows related to pensions, deferred grants which are not recognized until a future event occurs, and deferred leases. Deferred inflows related to pensions are further described in a later note.

Deferred outflows of resources

The Town reports decreases in net assets that relate to future periods as deferred outflows of resources in a separate section of its government-wide Statement of Net Position. 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 a later note.

Pensions

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Delaware Public Employees' Retirement System (DPERS), and additions to/deductions from DPERS's fiduciary net position have been determined on the same basis as they are reported by DPERS.

Cash equivalents

Cash and cash equivalents 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.

Investments

Investments consists of funds managed and held by Fidelity Investments. Investments are reported at cost which approximates fair market value.

Restricted cash

Restricted cash mainly consists of amounts held by the Town for the proceeds from grant programs and realty transfer tax.

TOWN OF SOUTH BETHANY, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2023

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Receivables

Receivables are reported at their gross value and, where appropriate, are reduced by an allowance for uncollectible amounts. An allowance is recorded for accounts receivable balances based on historical collections experience for the Town. As of April 30, 2023, there was not a balance for allowance for uncollectible accounts.

Property taxes

Property taxes are levied May 1 of each year and are due and payable by June 30. All unpaid property taxes become delinquent on July 1 of the current year. Property tax revenues are recognized when levied.

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. Donated capital assets are recorded at the acquisition value. 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 to not 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:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings and improvements	5 - 40 years
Equipment	5 - 20 years
Vehicles	5 years
Infrastructure	30 years
Leased equipment (Right-to-use)	Life of lease

TOWN OF SOUTH BETHANY, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2023

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated absences

Employees are granted vacation and sick leave in varying amounts. The Town accrues accumulated unpaid vacation and sick leave when earned by the employee. 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 compensated time. Upon termination or retirement, employees in good standing are entitled to their leave accruals to the maximums specified in the employee handbook. Compensated absences for governmental funds are a reconciling item between the fund and government-wide presentations.

Revenues

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.

Government-wide net position

Government-wide net position is divided into three major categories:

- Net investment in capital assets – consists of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.
- Restricted – net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for expenditures, it will be the responsibility of the Finance Director to determine which resources should generally be spent first.
- Unrestricted – all other not reported in the above categories.

Governmental fund balances

In the fund financial statements, governmental funds report amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (1) not in spendable form such as prepaid items or inventories; or (2) legally or contractually required to be maintained intact. It is the responsibility of the Management to categorize these funds as defined.

TOWN OF SOUTH BETHANY, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2023

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental fund balances (continued)

The spendable portion of the fund balance comprises the remaining four classifications:

- *Restricted fund balance*— this classification reflects the constraints imposed on resources either (1) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation. Restricted fund balance includes the following:

Municipal street aid	\$ 59,414
Realty transfer tax	2,390,706
Emergency illegal drug enforcement	26
	<u>\$ 2,450,146</u>

- *Committed fund balance*— these amounts can only be used for specific purposes pursuant to constraints imposed by formal ordinances or resolution by a majority vote of the Town Council, the government's highest level of decision-making authority. Those committed amounts cannot be used for any purpose unless the Town Council removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. Committed fund balance includes any appropriation of fund balance for subsequent year's expenditures that has been committed through Town ordinance. There were no funds committed as of the year ended April 30, 2023.
- *Assigned fund balance*—this classification reflects the amounts constrained by the Town's "intent" to be used for specific purposes, but are neither restricted nor committed. The Town Council solely has the authority to specifically assign funds. Assigned fund balance includes the following:

Infrastructure - Storm Water & Drainage	\$ 158,721
Operational reserve	748,513
	<u>\$ 907,234</u>

- *Unassigned fund balance*—this fund balance is the residual classification for the General Fund. This represents the resources available for future spending.

TOWN OF SOUTH BETHANY, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2023

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental fund balances (continued)

The primary objective of establishing and maintaining a Fund Balance Policy is to enhance the usefulness of fund balance information by providing clear fund balance classifications that are consistently applied. It is the policy of the Town of South Bethany to maintain appropriate reserve funds. These funds are needed by the Town to manage its seasonal cash flows, maintain and update its infrastructure, fund future capital projects, and to withstand economic downturns, emergencies, or natural disasters.

The Town utilizes restricted resources to finance qualifying activities, to the extent permitted by laws, regulations, contracts and grants. When committed, assigned, and unassigned funds are available for expenditures, committed funds should generally be spent first, assigned funds second, and unassigned funds last; unless Town Council has provided otherwise in its commitment or assignment actions.

Interfund activity

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

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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.

Budgetary data

Prior to April 30, 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.

The budget for the Town's general fund has been prepared on a basis materially consistent with accounting principles generally accepted in the United States of America (GAAP). Original and final budgeted amounts are as presented.

TOWN OF SOUTH BETHANY, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2023

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of GASB Statement No. 87, *Leases*

Effective May 1, 2022, the Town adopted the new lease accounting guidance in GASB Statement No. 87, *Leases*. The new guidance requires a lessee to recognize a right-to-use asset and a lease liability and a lessor to recognize a lease receivable and a deferred inflow of resources. As a result of the adoption of the new guidance, the Town recognized as of May 1, 2022, the following for leases in existence on that date:

- a. Leases payable of \$15,716 which represents the present value of the remaining lease payments discounted using the Town's incremental borrowing rate.
- b. Right-to-use assets which represent the original lease payable of \$28,716 less accumulated amortization of \$13,000.
- c. Leases receivable of \$664,593 which represents the present value of the remaining lease payments discounted by the Town's incremental borrowing rate.
- d. Deferred inflows of resources of \$664,593.

CASH AND CASH EQUIVALENTS

In accordance with the current Investment Policy, written and adopted by the Town Council, the Town of South Bethany allows investments only in United States Government Securities, Government and Treasury. Additionally, investments may be made in Certificate of Deposits, Time deposits, Bankers Acceptances, Money Market accounts and savings accounts in commercial banks. The banking institution must be a domestic institution organized under Federal and State law. To the extent the deposits are not insured by the Federal Deposit Insurance Corporation, such deposits in banks or in savings and loan associations shall only be made if the financial institutions have deposited a like number of securities in escrow to collateralize the deposits. These securities shall consist of U.S. Government Securities and Federal Agency Securities. The Finance Director maintains a file of current collateralization statements from each banking institution. The Town currently has a collateralization agreement.

Custodial credit risk is the risk that, in the event of the failure of a 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. 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 Town's investment policy requires collateralization by each financial institution with direct obligations of the U.S. government and requires collateral to be maintained at a third party.

TOWN OF SOUTH BETHANY, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2023

CASH AND CASH EQUIVALENTS (Continued)

All deposits are carried at cost. Transactions are made directly with the banks; services of brokers or securities dealers are not used. On April 30, 2023, the carrying amount of the Town's deposits was \$4,418,446 and the bank balance was \$4,554,711.

As of April 30, 2023, \$3,161,055 of the Town's bank balances was exposed to custodial risk which was covered through alternative appropriate collateral.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the Town's investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Town does not have any investments that are credit quality rated.

Reconciliation of cash and cash equivalents to the government-wide Statement of Net Position:

Cash and cash equivalents	\$ 1,560,422
Cash and cash equivalents - restricted	<u>2,858,027</u>
Total cash and cash equivalents	<u>\$ 4,418,449</u>

INVESTMENTS AND FAIR VALUE MEASUREMENTS

	<u>Fair Value</u>	<u>Cost</u>	<u>Unrealized Gain (Loss)</u>
Investments consist of:			
Cash and money markets	<u>\$ 553,065</u>	<u>\$ 553,065</u>	<u>\$</u>

Government Accounting Standards Board (GASB) Statement No. 72, Fair Value Measurement and Application, defines fair value, establishes a framework for measuring fair value, establishes a three-level valuation hierarchy for disclosure of fair value measurement, and enhances the disclosure requirements for fair value measurements. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

TOWN OF SOUTH BETHANY, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2023

INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

The fair value hierarchy for assets measured at fair value on a recurring basis as of April 30, 2023 is as follows:

<u>Investment type</u>	<u>Fair value using:</u>		
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and money markets	<u>\$ 553,065</u>	<u>\$</u>	<u>\$</u>

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practical to estimate that value:

Investments in cash, money markets, and mutual funds (Level 1) – The fair value of the investments are based on closing prices in active markets for identical assets.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future values. Furthermore, although the Town believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

TAXES RECEIVABLE

The Town's property tax year runs from May 1 to April 30 and are due by June 30. The Town bills and collects its own taxes. The property tax rate for the year ended April 30, 2023, based on assessments, was \$1.30 per \$100 of assessed valuation. The total assessed value of all taxable real property and improvements at May 1, 2022 was \$40,957,850. The Town does not have an allowance for delinquent taxes because all taxes are considered collectible.

TOWN OF SOUTH BETHANY, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2023

CAPITAL ASSETS

Capital asset activity for the year ended April 30, 2023 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
<i>Capital assets not being depreciated</i>				
Land	\$ 164,752	\$	\$	\$ 164,752
Construction in progress	47,048	492,448		539,496
Total capital assets not being depreciated	<u>211,800</u>	<u>492,448</u>		<u>704,248</u>
<i>Capital assets being depreciated</i>				
Town Hall Building	756,599			756,599
Police Building	396,923			396,923
Building Improvements	103,914			103,914
Equipment	1,375,659	127,076	(4,760)	1,497,975
Infrastructure	2,200,440	13,864		2,214,304
Right-to-use assets	28,716	7,599		36,315
Total capital assets being depreciated	<u>4,862,251</u>	<u>148,539</u>	<u>(4,760)</u>	<u>5,006,030</u>
Less accumulated depreciation for:				
Town Hall Building	(380,510)	(24,264)		(404,774)
Police Building	(176,352)	(16,357)		(192,709)
Building Improvements	(89,733)	(1,328)		(91,061)
Equipment	(1,073,905)	(100,803)	4,760	(1,169,948)
Infrastructure	(1,080,731)	(101,049)		(1,181,780)
Right-to-use assets	(13,000)	(6,629)		(19,629)
Total accumulated depreciation	<u>(2,814,231)</u>	<u>(250,430)</u>	<u>4,760</u>	<u>(3,059,901)</u>
Total capital assets being depreciated, net	<u>2,048,020</u>	<u>(101,891)</u>		<u>1,946,129</u>
Governmental activity capital assets, net	<u>\$ 2,259,820</u>	<u>\$ 390,557</u>	<u>\$</u>	<u>\$ 2,650,377</u>

The beginning balances have been revised to reflect the implementation of GASB Statement No. 87, *Leases*.

Depreciation expense was charged to functions as follows:

Governmental activities	
General government	\$ 48,752
Public works	142,807
Public safety - police	58,871
Total governmental activities	<u>\$ 250,430</u>

TOWN OF SOUTH BETHANY, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2023

RETIREMENT AND PENSION PLANS

General information about the pension plans

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 of 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.

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 of Pension Trustees (the Board).

Plan descriptions: The Town participates in two plans of the Delaware Public Employees' Retirement System (DPERS): the County & Municipal Police/Firefighters' Pension Plan (Police Plan) and the County & Municipal Other Employees' Pension Plan (General Plan).

The following are brief descriptions of the plans in effect as of June 30, 2022. For a more complete description, please refer to the DPERS CAFR for each plan. Separately issued financial statements for DPERS are available from the pension office at: McArdle Building, Suite 1, 860 Silver Lake Blvd, Dover, DE 19904.

Benefits provided. The DPERS provide retirement, disability and death benefits. Eligibility and benefits vary depending on which plan the employee is enrolled in.

Police Plan covers police officers and firefighters employed by a county or municipality of the state that have joined the Plan. Service benefits are based on 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. Employees in the plan may retire after 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. Benefits are vested after five years of credited service.

TOWN OF SOUTH BETHANY, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2023

RETIREMENT AND PENSION PLANS (Continued)

General information about the pension plans (continued)

Total disability benefits for duty officers are based on 75% of final average compensation plus 10% for each dependent but not to exceed 25% for all dependents. Partial disability benefits for duty officers are calculated the same as service benefits, subject to minimum of 50% of final average compensation. Disability benefits for non-duty officers are calculated the same as service benefits, total disability subject to a minimum of 50% of final average monthly compensation plus 5% of each dependent not to exceed 20% for all dependents with partial disability benefits subject to a minimum of 30% of final average monthly compensation.

For survivor benefits, if the employee is receiving a pension, then eligible survivor receives 50% of pension; if the 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.

General Plan covers employees of counties or municipalities that have joined the Plan. Services benefits are based on 1/60th of final average monthly compensation multiplied by years of credited service, subject to maximum limitations. For this plan average monthly compensation is the monthly average of the highest five years of compensation. Employees in the Plan may retire after age 62 with 5 years of credited service, age 60 with 15 years of credited service, or after 30 years of credited service. Benefits are vested after five years of credited service.

Disability benefits are the same as service benefits. Employee must have 5 years of credited service. For survivor benefits, if the employee is receiving a pension, then eligible survivor receives 50% of pension, if employee is active, eligible survivor receives 50% of pension the employee would have received at age 62.

Contributions: Active members of the Police Plan are required to contribute to the Plan at the rate of 7% of their covered salary. Active members of the General Plan are required to contribute to the Plan at the rate of 3% of earnings in excess of \$6,000. Employer contributions are determined by the Board of Pension Trustees.

In order to provide pension funding for sworn police officers, the State of Delaware collects a special tax equal to 1/4% of certain gross insurance premiums that are collected in the State. These collections are distributed to police agencies in the State based on the average number of paid, full-time sworn officers as of the end of each calendar year. During the year ended April 30, 2023, the Town received \$50,358.

TOWN OF SOUTH BETHANY, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2023

RETIREMENT AND PENSION PLANS (Continued)

Pension assets, pension expense and deferred outflows of resources and deferred inflows of resources related to pensions

At April 30, 2023, the Town reported an asset of \$44,814 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2022, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of June 30, 2021. Update procedures were used to roll forward the total pension asset to June 30, 2022. The Town's proportion of the net pension asset was based on the percentage of actual employee contributions. At June 30, 2022, the Town's proportion for the Police Plan was .3751% and for the General Plan was .7916%.

For the year ended April 30, 2023, the Town recognized pension expense of \$24,134. At April 30, 2023, the Town reported deferred outflows of resources or deferred inflows of resources related to pensions from the following sources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes to assumptions	\$ 19,774	\$ 36,306
Changes to proportion	40,093	106,686
Difference between expected and actual experience	87,947	25,068
Net difference between projected and actual earnings on pension plan investments	89,524	
Contributions subsequent to measurement date	156,526	
	<u>\$ 393,864</u>	<u>\$ 168,060</u>

TOWN OF SOUTH BETHANY, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2023

RETIREMENT AND PENSION PLANS (Continued)

The Town's contribution of \$156,526 subsequent to the measurement date, reported as deferred outflows of resources, will be recognized as a reduction of the net pension asset in the year ended April 30, 2023. The collective deferred outflows of resources and deferred inflows of resources are being amortized as follows:

	Measurement Period Ended	Amortization Period	
	30-Jun	General	Police
Difference between expected and actual experience	2015	8 years	11 years
	2016	9 years	10 years
	2017	9 years	10 years
	2018	8 years	10 years
	2019	9 years	10 years
	2020	8 years	9 years
	2021	8 years	10 years
	2022	8 years	9 years
Net difference between projected and actual earnings on investments	2018	5 years	5 years
	2019	5 years	5 years
	2020	5 years	5 years
	2021	5 years	5 years
	2022	5 years	5 years
Change in proportion	2014	8 years	11 years
	2015	8 years	11 years
	2016	9 years	10 years
	2017	9 years	10 years
	2018	8 years	10 years
	2019	9 years	10 years
	2020	9 years	10 years
	2021	8 years	9 years
	2022	8 years	9 years
Change in assumptions	2016	9 years	10 years
	2017	9 years	10 years
	2018	9 years	10 years
	2019	9 years	10 years
	2020	9 years	10 years
	2021	8 years	10 years

TOWN OF SOUTH BETHANY, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2023

RETIREMENT AND PENSION PLANS (Continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in a net change in pension expense as follows:

<u>Year Ending</u> <u>April 30,</u>	<u>Amortization</u>
2024	\$ 21,819
2025	12,967
2026	20,257
2027	19,453
2028	(151)
Thereafter	(5,067)
	<u>\$ 69,278</u>

Actuarial assumptions. The collective total pension asset for the June 30, 2022 measurement date was determined by an actuarial valuation as of June 30, 2021, and update procedures were used to roll forward the total pension asset to June 30, 2022. These actuarial valuations used the following actuarial assumptions:

Investment rate of return	7.0%
Projected salary increases	2.5% + merit
Inflation	2.5%

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 2022. 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 on future financial statements.

Mortality rates were 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.

TOWN OF SOUTH BETHANY, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2023

RETIREMENT AND PENSION PLANS (Continued)

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 the long-term expected rate of return by weighing the expected future real rates 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 included in the current and expected asset allocation are summarized in the following table:

<u>Asset Class</u>	<u>Long Term Expected Rate of Return</u>
Domestic Equity	5.7%
International Equity	5.7%
Fixed Income	2.0%
Alternative Investments	7.8%

Discount rate: The discount rate for all plans used to measure the total pension asset 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 rates 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 benefit payments to determine the total pension asset.

Sensitivity of the net pension asset to changes in the discount rate: The following presents the collective net pension liability (asset) of the plan, calculated using the discount rate of 7.0%, as well as what the plan's net pension liability (asset) 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 (6.0%)	\$ 363,900
Current discount rate (7.0%)	\$ (44,814)
1% Increase (8.0%)	\$ (378,080)

Pension Plan Fiduciary Net Position: Detailed information about the Pension Plan's fiduciary net position is available in the separately issued DPERS financial reports.

TOWN OF SOUTH BETHANY, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2023

LONG-TERM LIABILITIES

Changes in long-term obligations for the year ended April 30, 2023, are as follows:

	April 30, 2022	Increases	Decreases	April 30, 2023	Due within one year
Compensated absences	\$ 45,275	\$	\$ (596)	\$ 44,679	\$ 18,426
Leases payable	15,716	7,599	(6,608)	16,707	5,787
Total	<u>\$ 60,991</u>	<u>\$ 7,599</u>	<u>\$ (7,204)</u>	<u>\$ 61,386</u>	<u>\$ 24,213</u>

Compensated absences are primarily liquidated by the General Fund.

Leases Payable

The Town is the lessee of two copiers and a postage meter under non-cancellable lease agreements expiring in 2024 through 2028. The right-to-use asset and liability are recorded at the present value of the future lease payments. The assets are amortized over the life of the lease using the straight-line method. Amortization of the assets under leases is included in depreciation expense.

The following is a summary of the right-to-use assets and related accumulated amortization:

Copy machines	\$ 18,874
Postage meter	17,441
Less: accumulated amortization	(19,629)
	<u>\$ 16,686</u>

Maturities of leases payable are as follows:

Debt service requirements on leases payable at April 30, 2023 are as follows:

Year Ending April 30,	Principal	Interest
2024	\$ 5,787	\$ 565
2025	5,165	355
2026	3,445	155
2027	1,616	63
2028	694	7
	<u>\$ 16,707</u>	<u>\$ 1,145</u>

TOWN OF SOUTH BETHANY, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2023

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 half of the insurance deductible.

RISK MANAGEMENT

The Town 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 Town 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 have been no significant reductions in insurance coverage from the prior year and settlements have not exceeded coverage in the past three years.

LEASES RECEIVABLE

The Town is the lessor of land lease agreements expiring in 2033, 2034, and 2096 with Sharp Energy, Verizon, and Artesian Water Company, respectively. The lease receivable and deferred inflows of resources are recorded at the present value of the lease payments. The deferred inflows of resources are being amortized over the life of the lease. Inflows of resources in 2023 for leases receivable were \$42,191.

TOWN OF SOUTH BETHANY, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2023

LEASES RECEIVABLE (CONTINUED)

A maturity analysis of all future lease payments for the term of the leases is as follows:

Year Ending April 30,	<u>Principal</u>	<u>Interest</u>
2024	\$ 16,948	\$ 26,062
2025	17,638	25,372
2026	18,357	24,653
2027	19,105	23,905
2028	19,883	23,127
2029-2033	112,246	102,803
2034-2038	29,883	85,966
2039-2043	9,591	83,675
2044-2048	11,711	81,555
2049-2053	14,299	78,967
2054-2058	17,459	75,807
2059-2063	21,317	71,949
2064-2068	26,028	67,238
2069-2073	31,780	61,486
2074-2078	38,804	54,462
2079-2083	47,379	45,887
2084-2088	57,850	35,416
2089-2093	70,634	22,632
2094-2097	<u>67,590</u>	<u>7,022</u>
Total minimum lease payments to be received	<u>\$ 648,502</u>	<u>\$ 997,984</u>

NEW PRONOUNCEMENTS

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to the year ended April 30, 2023, that have effective dates that may impact future financial presentations. Management has not currently determined what, if any, impact implementation of the new standards may have on the financial statements.

TOWN OF SOUTH BETHANY, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2023

NEW PRONOUNCEMENTS (CONTINUED)

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, is effective for the Town beginning with the year ending April 30, 2024. This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. A SBITA is defined as a contract that conveys control of the right to use another party's information technology (IT) software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction.

GASB Statement No. 101, *Compensated Absences*, will be effective for the Town beginning with the year ending April 30, 2026. This statement updates the recognition and measurement guidance under a unified model and amends certain previously required disclosures.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF SOUTH BETHANY, DELAWARE
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

YEAR ENDED APRIL 30, 2023

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Favorable
				(Unfavorable)
REVENUES				
Taxes	\$ 1,098,000	\$ 1,098,000	\$ 1,240,805	\$ 142,805
Licenses and permits	397,000	397,000	696,195	299,195
Fines and forfeitures	54,200	54,200	32,669	(21,531)
Intergovernmental revenues	60,000	60,000	378,992	318,992
Trash assessment	336,946	336,946	334,898	(2,048)
Interest revenue	5,000	5,000	27,016	22,016
Miscellaneous	167,012	167,012	203,747	36,735
Total revenues	<u>2,118,158</u>	<u>2,118,158</u>	<u>2,914,322</u>	<u>796,164</u>
EXPENDITURES				
General government	693,514	693,514	618,863	74,651
Public works	795,552	795,552	796,261	(709)
Public safety - police	841,321	841,321	745,644	95,677
Public safety - lifeguards	318,520	318,520	308,447	10,073
Capital outlay			21,179	(21,179)
Debt service			7,313	(7,313)
Total expenditures	<u>2,648,907</u>	<u>2,648,907</u>	<u>2,497,707</u>	<u>151,200</u>
Excess of revenues over (under) expenditures	(530,749)	(530,749)	416,615	947,364
OTHER FINANCING SOURCES (USES)				
Proceeds from leased equipment			7,599	7,599
Proceeds from the sale of capital assets	750	750		(750)
Transfer from Realty Transfer Tax fund*	529,999	529,999		(529,999)
Total other financing sources (uses)	<u>530,749</u>	<u>530,749</u>	<u>7,599</u>	<u>(523,150)</u>
Net change in fund balances	<u>\$</u>	<u>\$</u>	<u>\$ 424,214</u>	<u>\$ 424,214</u>

*Budgeted for, but reported in the realty transfer tax fund

TOWN OF SOUTH BETHANY, DELAWARE

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND BY DEPARTMENT**

YEAR ENDED APRIL 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Favorable</u>
				<u>(Unfavorable)</u>
GENERAL GOVERNMENT				
Payroll wages	\$ 268,198	\$ 268,198	\$ 270,545	\$ (2,347)
Payroll wages - council	7,700	7,700	7,000	700
Payroll wages - overtime and bonus	3,100	3,100	2,000	1,100
Payroll taxes	28,338	28,338	22,110	6,228
Payroll wages and taxes	<u>307,336</u>	<u>307,336</u>	<u>301,655</u>	<u>5,681</u>
Employee retirement	14,885	14,885	15,063	(178)
Medical, dental and life insurance	62,263	62,263	56,001	6,262
Personnel related costs	<u>384,484</u>	<u>384,484</u>	<u>372,719</u>	<u>11,765</u>
Advertising	2,500	2,500	1,113	1,387
Bank charges	8,000	8,000	11,350	(3,350)
Communications - telephone and internet	11,000	11,000	10,392	608
Community enhancements	1,080	1,080	792	288
Computer software, updates, and website	25,650	25,650	30,565	(4,915)
Dues and subscriptions	15,300	15,300	12,874	2,426
Education and training	5,500	5,500	1,347	4,153
Insurance - business	90,000	90,000	72,935	17,065
Mileage	500	500	216	284
Miscellaneous	8,000	8,000	6,563	1,437
Postage, printing and office supplies	51,200	51,200	30,886	20,314
Professional fees	71,500	71,500	53,023	18,477
Public relations	8,300	8,300	6,921	1,379
Utilities	9,150	9,150	6,715	2,435
Vehicles and equipment - fuel	350	350	452	(102)
Vehicles and equipment - repairs	<u>1,000</u>	<u>1,000</u>	<u></u>	<u>1,000</u>
TOTAL GENERAL GOVERNMENT	<u>693,514</u>	<u>693,514</u>	<u>618,863</u>	<u>74,651</u>

TOWN OF SOUTH BETHANY, DELAWARE

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND BY DEPARTMENT**

YEAR ENDED APRIL 30, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
PUBLIC WORKS				
Payroll wages	\$ 223,996	\$ 223,996	\$ 216,645	\$ 7,351
Payroll wages - overtime and bonus	3,650	3,650	148	3,502
Payroll taxes	17,492	17,492	16,847	645
Payroll wages and taxes	245,138	245,138	233,640	11,498
Employee retirement	11,382	11,382	11,984	(602)
Medical, dental and life insurance	36,186	36,186	36,814	(628)
Personnel related costs	292,706	292,706	282,438	10,268
Canal water quality control	14,700	14,700	47,954	(33,254)
Communications - telephone and internet	4,300	4,300	2,195	2,105
Contracted services	500	500	30	470
Drainage	15,000	15,000	1,810	13,190
Dues and subscriptions	700	700	500	200
Education and training	1,250	1,250	1,023	227
Maintenance and repairs	45,500	45,500	23,584	21,916
Mileage	100	100		100
Miscellaneous	1,500	1,500	1,135	365
Non-capital equipment	1,000	1,000		1,000
Postage, printing and office supplies	1,000	1,000	1,226	(226)
Professional fees	500	500		500
Street lighting	4,500	4,500	853	3,647
Street maintenance	10,000	10,000	8,717	1,283
Street signs	5,000	5,000	1,828	3,172
Stormwater management study			38,019	(38,019)
Supplies	5,500	5,500	2,803	2,697
Trash service expenses	336,946	336,946	342,111	(5,165)
Uniforms	1,000	1,000	1,085	(85)
Utilities	30,550	30,550	23,580	6,970
Vehicles and equipment - fuel	9,000	9,000	9,357	(357)
Vehicles and equipment - repairs	14,300	14,300	6,013	8,287
TOTAL PUBLIC WORKS	795,552	795,552	796,261	(709)

TOWN OF SOUTH BETHANY, DELAWARE

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND BY DEPARTMENT**

YEAR ENDED APRIL 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Favorable</u>
				<u>(Unfavorable)</u>
PUBLIC SAFETY - POLICE				
Payroll wages	\$ 521,841	\$ 521,841	\$ 477,578	\$ 44,263
Payroll wages - overtime and bonus	7,800	7,800	6,447	1,353
Payroll taxes	40,407	40,407	35,382	5,025
Payroll wages and taxes	<u>570,048</u>	<u>570,048</u>	<u>519,407</u>	<u>50,641</u>
Employee retirement	54,096	54,096	49,904	4,192
Medical, dental and life insurance	19,665	19,665	29,645	(9,980)
Personnel related costs	<u>643,809</u>	<u>643,809</u>	<u>598,956</u>	<u>44,853</u>
Advertising	500	500		500
Ambulance fee - BBVFD	74,412	74,412	74,518	(106)
Communications - telephone and internet	5,000	5,000	5,256	(256)
Computer software, updates, and website	2,000	2,000	695	1,305
Dues and subscriptions	1,500	1,500	200	1,300
Education and training	14,000	14,000	7,380	6,620
Grant award expenses	45,000	45,000	9,275	35,725
Maintenance and repairs	1,500	1,500	435	1,065
Mileage	150	150	300	(150)
Miscellaneous	1,000	1,000		1,000
Non-capital equipment	1,500	1,500	1,554	(54)
Postage, printing and office supplies	6,000	6,000	2,680	3,320
Professional fees	8,200	8,200	5,318	2,882
Supplies	2,600	2,600	2,030	570
Uniforms	8,000	8,000	7,375	625
Utilities	6,150	6,150	4,222	1,928
Vehicles and equipment - fuel	12,000	12,000	18,218	(6,218)
Vehicles and equipment - repairs	<u>8,000</u>	<u>8,000</u>	<u>7,232</u>	<u>768</u>
TOTAL PUBLIC SAFETY - POLICE	<u>841,321</u>	<u>841,321</u>	<u>745,644</u>	<u>95,677</u>

TOWN OF SOUTH BETHANY, DELAWARE

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND BY DEPARTMENT**

YEAR ENDED APRIL 30, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
PUBLIC SAFETY - LIFEGUARDS				
Payroll wages	230,000	230,000	204,145	25,855
Payroll wages - overtime and bonus	38,500	38,500	54,403	(15,903)
Payroll taxes	18,000	18,000	19,102	(1,102)
Payroll wages and taxes	286,500	286,500	277,650	8,850
Education and training	7,420	7,420	9,027	(1,607)
Miscellaneous	1,600	1,600	1,035	565
Non-capital equipment	10,000	10,000	9,156	844
Supplies	3,000	3,000	2,320	680
Uniforms	10,000	10,000	9,259	741
TOTAL PUBLIC SAFETY - LIFEGUARDS	318,520	318,520	308,447	10,073
CAPITAL OUTLAY			21,179	(21,179)
DEBT SERVICE			7,313	(7,313)
TOTAL EXPENDITURES	<u>\$ 2,648,907</u>	<u>\$ 2,648,907</u>	<u>\$ 2,497,707</u>	<u>\$ 151,200</u>

TOWN OF SOUTH BETHANY, DELAWARE

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF THE TOWN'S PROPORTIONATE
SHARE OF THE NET PENSION ASSET**

**DELAWARE PUBLIC EMPLOYEES' RETIREMENT SYSTEM
(UNAUDITED)**

<u>Fiscal Year/ Measurement Date</u>	<u>Town's proportion of the net pension liability</u>	<u>Town's share of the net pension liability (asset)</u>	<u>Town's covered employee payroll</u>	<u>Town's proportionate percentage of covered payroll</u>	<u>Plan fiduciary as a percentage of total pension asset</u>
<u>County & Municipal Other Employees' Pension Plan</u>					
2023/2022	0.7916%	\$ (5,372)	\$ 474,391	-1.1324%	100.8%
2022/2021	0.8668%	(181,560)	473,250	-38.3645%	127.6%
2021/2020	0.9286%	19,717	433,126	4.5523%	96.9%
2020/2019	0.9085%	41,618	437,144	9.5204%	92.7%
2019/2018	0.9979%	31,404	402,082	7.8103%	94.4%
2018/2017	1.0197%	66,071	405,453	16.2956%	87.6%
2017/2016	1.1620%	71,996	426,745	16.8710%	86.3%
2016/2015	1.2216%	521	373,776	0.1394%	99.9%
2015/2014	1.3135%	(4,835)	357,109	-1.3539%	101.1%
2014/2013	1.4501%	36,969	336,829	10.9756%	91.6%
<u>County & Municipal Police and Firefighter's Pension Plan</u>					
2023/2022	0.3751%	\$ (39,442)	\$ 429,191	-9.1898%	102.0%
2022/2021	0.3931%	(540,901)	400,821	-134.9483%	128.2%
2021/2020	0.3556%	54,649	358,033	15.2637%	96.7%
2020/2019	0.2805%	80,579	354,202	22.7494%	93.3%
2019/2018	0.4637%	106,782	389,934	27.3846%	94.1%
2018/2017	0.4726%	47,644	466,055	10.2228%	97.0%
2017/2016	0.5047%	80,226	410,711	19.5334%	86.3%
2016/2015	0.4114%	(41,417)	429,961	-9.6327%	99.9%
2015/2014	0.5627%	(60,871)	445,652	-13.6589%	101.1%
2014/2013	0.6145%	62,098	429,087	14.4721%	91.6%

TOWN OF SOUTH BETHANY, DELAWARE

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE TOWN'S CONTRIBUTIONS

**DELAWARE PUBLIC EMPLOYEES' RETIREMENT SYSTEM
(UNAUDITED)**

<u>Fiscal Year</u>	<u>Contractually required contribution</u>	<u>Actual contribution</u>	<u>Contribution deficiency (excess)</u>	<u>Town's covered payroll</u>	<u>Actual contribution and percentage of covered payroll</u>
<u>County & Municipal Other Employees' Pension Plan</u>					
2023	\$ 32,549	\$ 32,549		\$ 474,391	6.86%
2022	32,777	32,777		473,250	6.93%
2021	33,131	33,131		433,126	7.65%
2020	29,419	29,419		437,144	6.73%
2019	28,199	28,199		402,082	7.01%
2018	25,637	25,637		405,453	6.32%
2017	24,140	24,140		426,745	5.66%
2016	23,466	23,466		373,776	6.28%
2015	23,510	23,510		357,109	6.58%
2014	23,255	23,255		336,829	6.90%
<u>County & Municipal Police and Firefighters' Pension Plan</u>					
2023	\$ 62,592	\$ 62,592		\$ 429,191	14.58%
2022	63,240	63,240		400,821	15.78%
2021	54,600	54,600		358,033	15.25%
2020	41,366	41,366		354,202	11.68%
2019	43,974	43,974		389,934	11.28%
2018	53,470	53,470		466,055	11.47%
2017	50,926	50,926		410,711	12.40%
2016	41,417	41,417		429,961	9.63%
2015	57,861	57,861		445,652	12.98%
2014	53,283	53,283		429,087	12.42%

GOVERNMENT AUDITING STANDARDS REPORT



PKS & Company, P.A.

**Certified Public Accountants
& Advisors to Business**

ANDREW M. HAYNIE, CPA
SUSAN P. KEEN, CPA
MICHAEL C. KLEGER, CPA
JAMES D. MAYBURY, CPA
E. LEE MCCABE, CPA
JEFFREY A. MICHALIK, CPA
ROBERT L. MOORE, CPA
DANIEL M. O'CONNELL II, CPA
ASHLEY M. STERN, CPA
JOHN M. STERN, JR., CPA

PKScpa.com

Salisbury

1801 SWEETBAY DRIVE
P.O. Box 72
SALISBURY, MD 21803
TEL: 410.546.5600
FAX: 410.548.9576

Ocean City

12216 OCEAN GATEWAY
SUITE 800
OCEAN CITY, MD 21842
TEL: 410.213.7185
FAX: 410.213.7638

Lewes

1143 SAVANNAH ROAD
SUITE 1
P.O. Box 192
LEWES, DE 19958
TEL: 302.645.5757
FAX: 302.645.1757

MEMBERS OF:

AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

MARYLAND ASSOCIATION OF
CERTIFIED PUBLIC ACCOUNTANTS

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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*

To the Honorable Mayor and Council
Town of South Bethany, Delaware

We have audited, 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, the financial statements of the governmental activities, and each major fund of the Town of South Bethany, Delaware, as of and for the year ended April 30, 2023, and the related notes to the financial statements, which collectively comprise the Town of South Bethany, Delaware's basic financial statements, and have issued our report thereon dated October 13, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of South Bethany, Delaware's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of South Bethany, Delaware's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of South Bethany, Delaware'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as items 2023-001 and 2023-002 that we consider to be significant deficiencies.

Report on Compliance and Other Matters

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

Town of South Bethany's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Town of South Bethany, Delaware's response to the finding identified in our audit as described in the accompanying Schedule of Findings and Responses. The Town's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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

PKS & Company, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

Salisbury, Maryland
October 13, 2023