

TOWN OF SOUTH BETHANY, DELAWARE
FINANCIAL STATEMENTS
YEAR ENDED APRIL 30, 2026

TOWN OF SOUTH BETHANY, DELAWARE

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TOWN OF SOUTH BETHANY, DELAWARE

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INDEPENDENT AUDITORS' REPORT



INDEPENDENT AUDITORS' REPORT

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

Opinions

We have audited the accompanying 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, 2026, 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 financial statements referred to above 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, 2026, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the 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.

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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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 through 11 and other required supplementary information on pages 39 through 41 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of South Bethany, Delaware's basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 11, 2026 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
September 11, 2026

MANAGEMENT'S DISCUSSION AND ANALYSIS

TOWN OF SOUTH BETHANY, DELAWARE
MANAGEMENT’S DISCUSSION AND ANALYSIS
APRIL 30, 2026

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, 2026. 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, 2026, governmental activities assets exceeded liabilities by \$9,860,500. Of this amount, \$2,766,237 or 28% was unrestricted and may be used for ongoing obligations to citizens and creditors.
- The Town’s net position for governmental activities increased by \$924,418 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, 2026

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, 2026

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 - 38 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 39) and the Town’s proportionate share of the net pension asset and contributions related to the Delaware Public Employees’ Retirement System (pages 40 - 41).

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, 2026, was \$9,860,500.

The following table is a summary of the government-wide statement of net position as of April 30, 2026 and 2025:

	Governmental Activities	
	2026	2025
Current and other assets	\$ 7,930,586	\$ 7,106,023
Capital assets	2,526,957	2,485,350
Total assets	<u>10,457,543</u>	<u>9,591,373</u>
Deferred outflows - retirement	405,327	405,684
Current and other liabilities	224,289	161,250
Long-term liabilities	21,730	58,565
Total liabilities	<u>246,019</u>	<u>219,815</u>
Deferred inflows - retirement	125,170	113,358
Deferred inflows - leases	590,194	616,023
Deferred inflows - grants	40,987	52,026
Total deferred inflows	<u>756,351</u>	<u>781,407</u>
Net position:		
Net investment in capital assets	2,510,083	2,471,897
Restricted	4,584,180	4,016,099
Unrestricted	2,766,237	2,507,839
Total net position	<u>\$ 9,860,500</u>	<u>\$ 8,995,835</u>

TOWN OF SOUTH BETHANY, DELAWARE
MANAGEMENT’S DISCUSSION AND ANALYSIS
APRIL 30, 2026

A significant portion of the Town’s net position of \$2,510,083 or 25% is not available for future spending as this represents net 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 net position, \$4,584,180 is restricted by either the grantor or the contributor. The unrestricted funds of \$2,766,237 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, 2026 and 2025:

	Governmental Activities	
	2026	2025
Revenues:		
Program revenues		
Charges for services	\$ 486,065	\$ 468,034
Operating grants and contributions	175,123	180,546
Capital grants and contributions	28,858	107,621
General revenue		
Taxes and assessments	2,443,878	1,914,843
Licenses and permits	751,113	639,867
Interest revenue	247,633	231,692
Miscellaneous	110,013	110,991
Total revenues	4,242,683	3,653,594
Expenses:		
General government	809,479	817,637
Public works	1,124,622	1,017,893
Public safety - police	1,050,687	973,442
Public safety - lifeguards	332,886	322,289
Debt service	591	689
Total expenses	3,318,265	3,131,950
Change in net position	924,418	521,644
Net position - Beginning	8,995,835	8,474,191
Prior period adjustment	(59,753)	
Net position - Ending	\$ 9,860,500	\$ 8,995,835

TOWN OF SOUTH BETHANY, DELAWARE
MANAGEMENT’S DISCUSSION AND ANALYSIS
APRIL 30, 2026

Governmental Activities

Total government net position increased by \$924,418 during fiscal year 2026.

Taxes and assessments, licenses and permits, and trash assessments received during fiscal year 2026 totaled \$2,443,878, \$751,113, and \$368,770, respectively.

2026 Revenues - Governmental Activities

- Taxes and assessments increased by \$529,035 (28%) from the prior fiscal year.
- Licenses and permits increased by \$111,246 (17%) from the prior fiscal year.
- Investment revenue increased by \$15,941 (7%) from the prior fiscal year.

2026 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 \$1,904,465 or approximately 57% of the total program expenses of \$3,318,265. Approximately 43% of the remaining \$1,413,800 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 pay rate increases and more staff on hand.

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 2026, the Town’s governmental fund balance increased by \$694,773 to \$6,975,851. The unassigned fund balance increased by \$41,943 and the assigned fund balance components of the General Fund increased by a total of \$76,000.

TOWN OF SOUTH BETHANY, DELAWARE
MANAGEMENT’S DISCUSSION AND ANALYSIS
APRIL 30, 2026

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 2026 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 were over the final budget by \$279,427. Intergovernmental revenues were over the budget by \$59,615 primarily due to violent crime grants, Sussex county grants, and an HMPG grant recognized during the year that were not budgeted for. Licenses and permits exceeded the budget by \$169,963 due to an increase in large home building renovations and new building construction and an increase in mercantile license fees.

A comparison of budgeted to actual revenues is provided on page 39 of this report.

Budget to Actual – Expenditures

Total expenditures were under the budget by \$54,677. The largest variance (\$92,268) is related to general government, which was primarily caused by less activity related to the York Road flood mitigation project than expected.

A comparison of budgeted to actual expenditures is provided on pages 39 and 42 - 45 of this report.

CAPITAL ASSETS AND DEBT ADMINISTRATION

The Town’s investment in capital assets for its governmental activities as of April 30, 2026 was \$2,526,957 (net of accumulated depreciation). Capital assets include land, construction in progress, town hall building, police building, building improvements, equipment, infrastructure, and right-to-use assets.

TOWN OF SOUTH BETHANY, DELAWARE
MANAGEMENT’S DISCUSSION AND ANALYSIS
APRIL 30, 2026

Significant capital additions for the year include 6 lifeguard stands, a 2026 Dodge Durango, a 2026 Chevrolet Silverado 1500, a Motorola in car police radio, a Kubota Z2700 lawnmower, and a generator for the Town Hall.

The following table is a summary of the governmental capital assets as of April 30, 2026 and 2025:

	Governmental Activities	
	2026	2025
Land	\$ 164,752	\$ 164,752
Construction in progress	204,389	69,315
Town hall building	886,811	862,049
Police building	155,144	171,501
Building improvements	29,877	10,197
Equipment	275,415	285,954
Infrastructure	795,138	908,363
Right-to-use assets	15,431	13,219
Total	\$ 2,526,957	\$ 2,485,350

ECONOMIC FACTORS AND NEXT YEAR’S BUDGET

Fiscal year 2027 Revenue and Appropriation Budgetary Highlights

Budgeted revenue for fiscal year 2027 increased by 1% (\$50,650) over the fiscal year 2026 budget. The primary factor is that the Town expects realty transfer taxes and grants to increase significantly while fines and penalties and trash revenue are expected to decrease significantly.

Budgeted appropriations for fiscal year 2027 increased \$149,814 or 4% over the fiscal year 2026 budget. Canal maintenance is budgeted to decrease by \$67,786 while general and administrative, public works, public safety, and grants are budgeted to increase by \$40,683, \$95,596, \$31,330 and \$32,090, respectively.

TOWN OF SOUTH BETHANY, DELAWARE
MANAGEMENT'S DISCUSSION AND ANALYSIS
APRIL 30, 2026

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:

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BASIC FINANCIAL STATEMENTS

TOWN OF SOUTH BETHANY, DELAWARE

STATEMENT OF NET POSITION

APRIL 30, 2026

	Governmental Activities
ASSETS	
Current assets	
Cash and cash equivalents	\$ 116,895
Certificates of deposit	644,513
Investments, at fair value	1,600,070
Restricted investments, at fair value	4,230,635
Taxes receivable - property and transfer	119,693
Current portion of leases receivable	19,437
Restricted cash	481,370
Prepaid expenses	8,749
Total current assets	<u>7,221,362</u>
Noncurrent assets	
Capital assets, net of depreciation	2,526,957
Leases receivable, less current portion	608,918
Net pension asset	100,306
Total noncurrent assets	<u>3,236,181</u>
Total assets	<u>10,457,543</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred financing outflows - retirement	<u>405,327</u>
LIABILITIES	
Current liabilities	
Accounts payable	96,774
Accrued expenses and withholdings	45,625
Current portion of compensated absences	76,360
Current portion of leases payable	5,530
Total current liabilities	<u>224,289</u>
Noncurrent liabilities	
Compensated absences, less current portion	10,386
Leases payable, less current portion	11,344
Total noncurrent liabilities	<u>21,730</u>
Total liabilities	<u>246,019</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred financing inflows - retirement	125,170
Deferred leases	590,194
Deferred grants	40,987
Total deferred inflows of resources	<u>756,351</u>
NET POSITION	
Net investment in capital assets	2,510,083
Restricted	4,584,180
Unrestricted	2,766,237
Total net position	<u>\$ 9,860,500</u>

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

TOWN OF SOUTH BETHANY, DELAWARE

STATEMENT OF ACTIVITIES

YEAR ENDED APRIL 30, 2026

	Expenses	Program Revenues			Net Revenue (Expense) and Change in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
FUNCTIONS/PROGRAMS					
GOVERNMENTAL ACTIVITIES					
General government	\$ 809,479	\$	\$ 18,197	\$	\$ (791,282)
Public works	1,124,622	368,770	54,148		(701,704)
Public safety - police	1,050,687	117,295	102,778	28,858	(801,756)
Public safety - lifeguards	332,886				(332,886)
Interest on long-term debt	591				(591)
Total governmental activities	3,318,265	486,065	175,123	28,858	(2,628,219)
GENERAL REVENUES					
Taxes and assessments					2,443,878
Licenses and permits					751,113
Interest revenue					247,633
Miscellaneous					110,013
Total general revenues					3,552,637
Change in net position					924,418
NET POSITION, BEGINNING OF YEAR, RESTATED					8,936,082
NET POSITION, END OF YEAR					\$ 9,860,500

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

TOWN OF SOUTH BETHANY, DELAWARE

**BALANCE SHEET
GOVERNMENTAL FUNDS**

APRIL 30, 2026

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	\$ 98,581	\$	\$ 9,858	\$ 8,456	\$	\$ 116,895
Certificates of deposit	644,513					644,513
Investments, at fair value	630,711	969,359				1,600,070
Restricted investments, at fair value		4,230,635				4,230,635
Taxes receivable	20,318	99,375				119,693
Leases receivable	628,355					628,355
Prepaid expenses	8,749					8,749
Due from other funds	1,146,073					1,146,073
Restricted cash		288,732	2,680	4,240	185,718	481,370
Total assets	<u>\$ 3,177,300</u>	<u>\$ 5,588,101</u>	<u>\$ 12,538</u>	<u>\$ 12,696</u>	<u>\$ 185,718</u>	<u>\$ 8,976,353</u>

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

LIABILITIES

Accounts payable	\$ 34,894	\$ 61,880	\$	\$	\$	\$ 96,774
Accrued expenses and withholdings	121,985					121,985
Due to other funds		1,127,759	9,858	8,456		1,146,073
Total liabilities	<u>156,879</u>	<u>1,189,639</u>	<u>9,858</u>	<u>8,456</u>		<u>1,364,832</u>

DEFERRED INFLOWS OF RESOURCES

Deferred taxes	4,489					4,489
Deferred leases	590,194					590,194
Deferred grants	34,067		2,680	4,240		40,987
Total deferred inflows of resources	<u>628,750</u>		<u>2,680</u>	<u>4,240</u>		<u>635,670</u>

FUND BALANCES

Nonspendable	8,749					8,749
Restricted		4,398,462			185,718	4,584,180
Assigned	592,950					592,950
Unassigned	1,789,972					1,789,972
Total fund balances	<u>2,391,671</u>	<u>4,398,462</u>			<u>185,718</u>	<u>6,975,851</u>

Total liabilities and fund balances	<u>\$ 3,177,300</u>	<u>\$ 5,588,101</u>	<u>\$ 12,538</u>	<u>\$ 12,696</u>	<u>\$ 185,718</u>	<u>\$ 8,976,353</u>
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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, 2026

Total fund balances, governmental funds	\$ 6,975,851
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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.	2,526,957
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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	(10,386)
Deferred taxes	4,489
Deferred financing outflows - retirement	405,327
Deferred financing inflows - retirement	(125,170)
Net pension	100,306
Leases payable	<u>(16,874)</u>

Net position of governmental activities in the Statement of Net Position	<u><u>\$ 9,860,500</u></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, 2026

	General Fund	Realty Transfer Tax Fund	Emergency Illegal Drug Enforcement	State Aid to Local Law Enforcement	Municipal Street Aid Fund	Total
REVENUES						
Taxes	\$ 1,537,490	\$ 902,985	\$	\$	\$	\$ 2,440,475
Licenses and permits	751,113					751,113
Fines and forfeitures	33,715					33,715
Intergovernmental revenues	144,615		975	4,243	54,148	203,981
Trash assessment	368,770					368,770
Franchise fees	42,659					42,659
Ambulance fees	83,580					83,580
Interest revenue	43,525	204,056	51			247,632
Miscellaneous	67,360					67,360
Total revenues	<u>3,072,827</u>	<u>1,107,041</u>	<u>1,026</u>	<u>4,243</u>	<u>54,148</u>	<u>4,239,285</u>
EXPENDITURES						
Current						
General government	775,218	11,516				786,734
Public works	1,014,311				19,000	1,033,311
Public safety - police	1,001,093		1,026	4,243		1,006,362
Public safety - lifeguards	327,765					327,765
Capital outlay	90,578	302,592				393,170
Debt service	6,927					6,927
Total expenditures	<u>3,215,892</u>	<u>314,108</u>	<u>1,026</u>	<u>4,243</u>	<u>19,000</u>	<u>3,554,269</u>
Revenues over (under) expenditures	(143,065)	792,933			35,148	685,016
OTHER FINANCING SOURCES						
Proceeds from leased equipment	9,757					9,757
Transfers in (out)	260,000	(260,000)				
Total other financing sources	<u>269,757</u>	<u>(260,000)</u>				<u>9,757</u>
Net change in fund balances	126,692	532,933			35,148	694,773
FUND BALANCE, BEGINNING OF YEAR	<u>2,264,979</u>	<u>3,865,529</u>			<u>150,570</u>	<u>6,281,078</u>
FUND BALANCE, END OF YEAR	<u>\$ 2,391,671</u>	<u>\$ 4,398,462</u>	<u>\$</u>	<u>\$</u>	<u>\$ 185,718</u>	<u>\$ 6,975,851</u>

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, 2026

Net change in fund balance, governmental funds	\$ 694,773
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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 and disposals of assets are recorded at their unamortized costs as an expense.

Capital outlay expense	\$ 393,170	
Depreciation expense	<u>(291,811)</u>	101,359

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	(2,643)
Change in deferred outflows of resources - retirement	(357)
Change in deferred taxes	3,404

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	(11,812)
Change in net pension	143,115

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

Proceeds from leased equipment	(9,757)
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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>6,336</u>
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Change in net position of governmental activities	<u><u>\$ 924,418</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, 2026

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, 2026

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 major 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, 2026

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 statements.

TOWN OF SOUTH BETHANY, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2026

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 and Vanguard 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, 2026

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 may be recorded for accounts receivable balances based on historical collections experience for the Town. As of April 30, 2026, management considers all receivables to be collectible and therefore, no allowance for uncollectible accounts was reported.

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 - 15 years
Vehicles	5 years
Infrastructure	5 - 30 years
Leased equipment (Right-to-use)	Life of lease

TOWN OF SOUTH BETHANY, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2026

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 hours, of which only 160 hours will be compensated at time of departure after 5 years of service. Holiday time is accrued for all employees. Vacation pay is accrued between 40 and 160 hours per year depending on years of employment. Employees can accrue up to 240 hours and carry over that amount each year. Prior to the end of any fiscal year (April 30), an employee may elect to receive pay for unused vacation from that fiscal year, but not to exceed 40 hours per year. In addition, upon retirement, employees will receive pay for unused accrued vacation, up to the maximum of 240 hours. 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, 2026

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental fund balances (continued)

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

- *Nonspendable fund balance*— these amounts cannot be spent because they are either not in a spendable form (such as inventories or prepaid amounts) or are legally or contractually required to be maintain intact.
- *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	\$ 185,718
Realty transfer tax	4,398,462
	<u>\$ 4,584,180</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, 2026.
- *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:

York Road Flooding Infrastructure Improvements	\$ 350,000
Operational Reserve	242,950
	<u>\$ 592,950</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, 2026

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, 2026

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of GASB Statement No. 102, *Certain Risk Disclosures*

Effective May 1, 2025, the Town adopted the provisions of GASB Statement No. 102, *Certain Risk Disclosures*. The new guidance requires governments to disclose information regarding certain risks that may significantly affect the services the Town provides or the activities it performs, including concentrations, constraints, and other vulnerabilities.

The adoption of GASB No. 102, *Certain Risk Disclosures* did not have a significant impact on the Town's financial position, changes in financial position, or related note disclosures.

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.

TOWN OF SOUTH BETHANY, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2026

CASH AND CASH EQUIVALENTS (Continued)

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.

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, 2026, the carrying amount of the Town's deposits was \$1,242,778 and the bank balance was \$1,261,862.

As of April 30, 2026, \$246,858 of the Town's bank balances was exposed to custodial risk, all 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 - unrestricted	\$ 116,895
Cash and cash equivalents - restricted	481,370
Certificates of deposit - unrestricted	644,513
Total cash and certificates of deposit	<u>\$ 1,242,778</u>

TOWN OF SOUTH BETHANY, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2026

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>\$ 5,830,705</u>	<u>\$ 5,807,762</u>	<u>\$ 22,943</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).

The fair value hierarchy for assets measured at fair value on a recurring basis as of April 30, 2026 is as follows:

	<u>Fair value using:</u>		
<u>Investment type</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and money markets	<u>\$ 5,830,705</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.

TOWN OF SOUTH BETHANY, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2026

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, 2026, based on assessments, was \$0.05 per \$100 of assessed valuation. The total assessed value of all taxable real property and improvements at May 1, 2025 was \$1,659,035,450. The Town does not have an allowance for delinquent taxes because all taxes are considered collectible. Taxes receivable at April 30, 2026 was \$20,318.

CAPITAL ASSETS

Capital asset activity for the year ended April 30, 2026 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	69,315	157,583	22,509	204,389
Total capital assets not being depreciated	234,067	157,583	22,509	369,141
<i>Capital assets being depreciated</i>				
Town Hall Building	1,344,663	68,971		1,413,634
Police Building	396,923			396,923
Building Improvements	103,914	22,509	2,712	123,711
Equipment	1,426,491	156,861	29,337	1,554,015
Infrastructure	2,082,588			2,082,588
Right-to-use Assets	35,299	9,756	17,439	27,616
Total capital assets being depreciated	5,389,878	258,097	49,488	5,598,487
Less accumulated depreciation for:				
Town Hall Building	(482,614)	(44,209)		(526,823)
Police Building	(225,422)	(16,357)		(241,779)
Building Improvements	(93,717)	(2,829)	(2,712)	(93,834)
Equipment	(1,200,290)	(107,647)	(29,337)	(1,278,600)
Infrastructure	(1,174,225)	(113,225)		(1,287,450)
Right-to-use Assets	(22,080)	(7,544)	(17,439)	(12,185)
Total accumulated depreciation	(3,198,348)	(291,811)	(49,488)	(3,440,671)
Total capital assets being depreciated, net	2,191,530	(33,714)		2,157,816
Governmental activity capital assets, net	\$ 2,425,597	\$ 123,869	\$ 22,509	\$ 2,526,957

The beginning balance was restated to reflect the prior period adjustment. See **PRIOR PERIOD ADJUSTMENT** footnote on page 38.

TOWN OF SOUTH BETHANY, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2026

CAPITAL ASSETS (Continued)

Depreciation expense was charged to functions as follows:

Governmental activities		
General government	\$	65,160
Public works		135,580
Public safety		91,071
Total governmental activities	\$	<u>291,811</u>

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, 2025. 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.

TOWN OF SOUTH BETHANY, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2026

RETIREMENT AND PENSION PLANS (Continued)

General information about the pension plans (continued)

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.

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.

TOWN OF SOUTH BETHANY, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2026

RETIREMENT AND PENSION PLANS (Continued)

General information about the pension plans (continued)

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, 2026, the Town received \$42,308.

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

At April 30, 2026, the Town reported an asset of \$100,306 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2025, and the total pension used to calculate the net pension asset was determined by an actuarial valuation as of June 30, 2024. Update procedures were used to roll forward the total pension asset to June 30, 2025. The Town's proportion of the net pension asset was based on the percentage of actual employee contributions. At June 30, 2025, the Town's proportion for the Police Plan was .3261% and for the General Plan was .6328%.

For the year ended April 30, 2026, the Town recognized pension expense of \$67,632. At April 30, 2026, 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 in assumptions	\$ 3,084	\$ 15,022
Changes in proportion	104,096	72,404
Difference between expected and actual experience	107,282	28,087
Net difference between projected and actual earnings on pension plan investments		9,657
Contributions subsequent to measurement date	190,865	
	<u>\$ 405,327</u>	<u>\$ 125,170</u>

TOWN OF SOUTH BETHANY, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2026

RETIREMENT AND PENSION PLANS (Continued)

The Town's contribution of \$190,865 subsequent to the measurement date, reported as deferred outflows of resources, will be recognized as an increase to the net pension asset in the year ended April 30, 2027.

Deferred financial inflows and outflows are made up of changes in actuarial assumptions, differences in actual and expected experience, and net difference in the projected and actual investment earnings. The deferred outflows and inflows related to non-investment activity are being amortized over the remaining service life ranging from 7 to 9 years. The net difference in investment earnings are being amortized over a closed five-year period. Changes in proportion are amortized over the average of the expected remaining service lives of all plan members which is 7 years for the 2026 amounts. The following table shows the amortization of these balances:

<u>Year Ending April 30,</u>	<u>Amortization</u>
2027	\$ 25,797
2028	25,085
2029	3,269
2030	11,240
2031	15,068
Thereafter	8,833
	<u>\$ 89,292</u>

Actuarial assumptions. The collective total pension asset for the June 30, 2025 measurement date was determined by an actuarial valuation as of June 30, 2024, and update procedures were used to roll forward the total pension asset to June 30, 2025. 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 2025. 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.

TOWN OF SOUTH BETHANY, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2026

RETIREMENT AND PENSION PLANS (Continued)

Mortality rates were based on the Pub-2010 mortality tables with gender adjustments for employees, healthy annuitants, and disabled retirees, and an adjusted version of MP-2020 Mortality improvement scale on a fully generational basis.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce 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:

Asset Class	Long-Term Expected Rate of Return	10-year Average Asset Allocation
Domestic Equity	5.7%	34.2%
International Equity	5.7%	14.2%
Fixed Income	2.0%	25.1%
Alternative Investments	7.8%	21.3%
Cash and Cash Equivalents		5.2%

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%)	\$ 345,742
Current discount rate (7.0%)	\$ (100,306)
1% Increase (8.0%)	\$ (465,529)

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, 2026

LONG-TERM LIABILITIES

Changes in long-term obligations for the year ended April 30, 2026, are as follows:

	April 30, 2025	Increases	Decreases	April 30, 2026	Due within one year
Leases payable	<u>\$ 13,453</u>	<u>\$ 9,757</u>	<u>\$ 6,336</u>	<u>\$ 16,874</u>	<u>\$ 5,530</u>

	April 30, 2025	Change	April 30, 2026	Due within one year
Compensated absences	<u>\$ 77,304</u>	<u>\$ 9,442</u>	<u>\$ 86,746</u>	<u>\$ 76,360</u>

Compensated absences are primarily liquidated by the General Fund.

Leases Payable

The Town is the lessee of two copiers and one postage meter under non-cancellable lease agreements expiring in 2027 through 2031. 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	\$ 17,860
Postage meter	9,756
Less: accumulated amortization	(12,185)
	<u>\$ 15,431</u>

Maturities of leases payable are as follows:

Debt service requirements on leases payable at April 30, 2026 are as follows:

<u>Year Ending April 30,</u>	<u>Principal</u>	<u>Interest</u>
2027	\$ 5,530	\$ 551
2028	4,757	344
2029	3,466	185
2030	2,061	88
2031	1,060	15
	<u>\$ 16,874</u>	<u>\$ 1,183</u>

TOWN OF SOUTH BETHANY, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2026

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.

LEASES RECEIVABLE

The Town is the lessor of land lease agreements expiring in fiscal years ending April 30, 2034, 2035, and 2097 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 2026 for leases receivable were \$39,330.

TOWN OF SOUTH BETHANY, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2026

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>
2027	\$ 19,437	\$ 24,893
2028	20,228	24,102
2029	21,051	23,279
2030	21,908	22,422
2031	22,800	21,531
2032-2036	82,414	94,349
2037-2041	9,601	87,365
2042-2046	11,681	85,285
2047-2051	14,212	82,754
2052-2056	17,291	79,675
2057-2061	21,037	75,929
2062-2066	25,595	71,371
2067-2071	31,140	65,826
2072-2076	37,887	59,080
2077-2081	46,095	50,871
2082-2086	56,082	40,885
2087-2091	68,232	28,734
2092-2096	83,015	13,952
2097	<u>18,649</u>	<u>746</u>
Total minimum lease payments to be received	<u>\$ 628,355</u>	<u>\$ 953,049</u>

NEW PRONOUNCEMENTS

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to the year ended April 30, 2026, 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, 2026

NEW PRONOUNCEMENTS (Continued)

GASB Statement No. 103, *Financial Reporting Improvements*, will be effective for the Town beginning with the year ending April 30, 2027. This statements will improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing the government's accountability.

GASB Statement No. 104, *Disclosure of Certain Capital Assets*, will be effective for the Town beginning with the year ending April 30, 2027. The statement will provide guidance on how to disclose right-to-use assets resulting from leases, subscriptions and PPPs to promote consistency and comparability between governments. It also provides new disclosure requirements related to capital assets held for sale.

PRIOR PERIOD ADJUSTMENT

During 2026, the Town discovered an error related to the accounting for a vehicle that was purchased on behalf of Bethany Beach in the 2025 financial statements. It was not the Town's asset, and therefore, should not be a capital asset. As a result, capital assets, depreciation expense, and accumulated depreciation were overstated, while expenses were understated.

In accordance with GAAP, the Town has restated the beginning net position of the governmental activities as follows:

Governmental Activities	
Net position at April 1, 2025, as previously reported	\$ 8,995,835
Adjustment for capital assets	(65,185)
Adjustment for accumulated depreciation	5,432
Net position at April 1, 2025, as restated	<u><u>\$ 8,936,082</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF SOUTH BETHANY, DELAWARE

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

YEAR ENDED APRIL 30, 2026

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Favorable (Unfavorable)
REVENUES				
Taxes	\$ 1,529,600	\$ 1,529,600	\$ 1,537,490	\$ 7,890
Licenses and permits	581,150	581,150	751,113	169,963
Fines and forfeitures	39,050	39,050	33,715	(5,335)
Intergovernmental revenues	85,000	85,000	144,615	59,615
Trash assessment	368,200	368,200	368,770	570
Franchise fees	45,000	45,000	42,659	(2,341)
Ambulance fees	85,000	85,000	83,580	(1,420)
Interest revenue	2,000	2,000	43,525	41,525
Miscellaneous	58,400	58,400	67,360	8,960
Total revenues	<u>2,793,400</u>	<u>2,793,400</u>	<u>3,072,827</u>	<u>279,427</u>
EXPENDITURES				
General government	867,486	867,486	775,218	92,268
Public works	1,016,334	1,016,334	1,014,311	2,023
Public safety - police	1,043,580	1,043,580	1,001,093	42,487
Public safety - lifeguards	343,169	343,169	327,765	15,404
Capital outlay			90,578	(90,578)
Debt service			6,927	(6,927)
Total expenditures	<u>3,270,569</u>	<u>3,270,569</u>	<u>3,215,892</u>	<u>54,677</u>
Revenues over (under) expenditures	(477,169)	(477,169)	(143,065)	334,104
OTHER FINANCING SOURCES				
Proceeds from leased equipment			9,757	9,757
Proceeds from the sale of capital assets	2,000	2,000		(2,000)
Transfer from Realty Transfer Tax fund*	<u>650,000</u>	<u>650,000</u>	<u>260,000</u>	<u>(390,000)</u>
Total other financing sources	<u>652,000</u>	<u>652,000</u>	<u>269,757</u>	<u>(382,243)</u>
Net change in fund balances	<u>\$ 174,831</u>	<u>\$ 174,831</u>	<u>\$ 126,692</u>	<u>\$ (48,139)</u>

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

TOWN OF SOUTH BETHANY, DELAWARE

REQUIRED SUPPLEMENTARY INFORMATION

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

**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>					
2026/2025	0.6328%	\$ (59,710)	\$ 590,629	-10.1096%	108.2%
2025/2024	0.7289%	(4,937)	518,247	-0.9526%	100.6%
2024/2023	0.7465%	15,432	506,338	3.0478%	97.8%
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%
<u>County & Municipal Police and Firefighter's Pension Plan</u>					
2026/2025	0.3261%	\$ (40,596)	\$ 516,081	-7.8662%	101.8%
2025/2024	0.2985%	47,746	485,993	9.8244%	97.6%
2024/2023	0.3479%	50,013	419,095	11.9336%	97.6%
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%

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>					
2026	\$ 29,942	\$ 29,942		\$ 590,629	5.07%
2025	29,547	29,547		518,247	5.70%
2024	27,775	27,775		506,338	5.49%
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%
<u>County & Municipal Police and Firefighters' Pension Plan</u>					
2026	\$ 65,916	\$ 65,916		\$ 516,081	12.77%
2025	45,676	45,676		485,993	9.40%
2024	45,321	45,321		419,095	10.81%
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%

SUPPLEMENTARY INFORMATION

TOWN OF SOUTH BETHANY, DELAWARE

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND BY DEPARTMENT**

YEAR ENDED APRIL 30, 2026

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Favorable
				(Unfavorable)
GENERAL GOVERNMENT				
Payroll wages	\$ 304,100	\$ 304,100	\$ 312,117	\$ (8,017)
Payroll wages - council	7,700	7,700	7,000	700
Payroll wages - overtime and bonus	1,200	1,200	789	411
Payroll taxes	31,863	31,863	37,400	(5,537)
Payroll wages and taxes	344,863	344,863	357,306	(12,443)
Employee retirement	16,670	16,670	16,910	(240)
Medical, dental and life insurance	63,843	63,843	67,098	(3,255)
Personnel related costs	425,376	425,376	441,314	(15,938)
Advertising	2,500	2,500	1,424	1,076
Bank charges	12,000	12,000	13,217	(1,217)
Communications - telephone and internet	13,000	13,000	8,079	4,921
Computer software, updates, and website	40,000	40,000	38,325	1,675
Dues and subscriptions	12,200	12,200	9,665	2,535
Education and training	3,000	3,000	1,338	1,662
Insurance - business	100,000	100,000	113,158	(13,158)
Maintenance, repairs, and janitorial services	6,760	6,760	7,373	(613)
Mileage	500	500	469	31
Miscellaneous	128,250	128,250	47,297	80,953
Postage, printing and office supplies	47,500	47,500	30,410	17,090
Professional fees	55,600	55,600	48,603	6,997
Public relations	11,200	11,200	6,301	4,899
Utilities	8,600	8,600	7,186	1,414
Vehicles and equipment - fuel	500	500		500
Vehicles and equipment - repairs	500	500	1,059	(559)
TOTAL GENERAL GOVERNMENT	867,486	867,486	775,218	92,268

TOWN OF SOUTH BETHANY, DELAWARE

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND BY DEPARTMENT**

YEAR ENDED APRIL 30, 2026

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
PUBLIC WORKS				
Payroll wages	\$ 304,816	\$ 304,816	\$ 289,969	\$ 14,847
Payroll wages - overtime and bonus	1,900	1,900	3,889	(1,989)
Payroll taxes	23,492	23,492	21,760	1,732
Payroll wages and taxes	330,208	330,208	315,618	14,590
Employee retirement	15,624	15,624	15,496	128
Medical, dental and life insurance	64,916	64,916	69,924	(5,008)
Personnel related costs	410,748	410,748	401,038	9,710
Canal water quality control	75,286	75,286	55,852	19,434
Communications - telephone and internet	3,500	3,500	3,572	(72)
Contracted services	250	250		250
Drainage	15,000	15,000	4,375	10,625
Dues and subscriptions	300	300		300
Education and training	750	750	729	21
Maintenance and repairs	49,200	49,200	56,669	(7,469)
Mileage	50	50		50
Miscellaneous	1,000	1,000	643	357
Non-capital equipment	250	250	1,577	(1,327)
Postage, printing and office supplies	2,000	2,000	1,077	923
Professional fees	7,500	7,500	2,927	4,573
Street lighting	4,500	4,500	3,686	814
Street maintenance	10,000	10,000	13,774	(3,774)
Street signs	2,500	2,500	2,489	11
Supplies	5,000	5,000	8,361	(3,361)
Trash service expenses	368,200	368,200	392,227	(24,027)
Uniforms	1,500	1,500	1,829	(329)
Utilities	33,500	33,500	37,212	(3,712)
Vehicles and equipment - fuel	9,500	9,500	9,441	59
Vehicles and equipment - repairs	15,800	15,800	16,833	(1,033)
TOTAL PUBLIC WORKS	1,016,334	1,016,334	1,014,311	2,023

TOWN OF SOUTH BETHANY, DELAWARE

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND BY DEPARTMENT**

YEAR ENDED APRIL 30, 2026

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
PUBLIC SAFETY - POLICE				
Payroll wages	\$ 612,250	\$ 612,250	\$ 560,386	\$ 51,864
Payroll wages - overtime and bonus	8,050	8,050	13,219	(5,169)
Payroll taxes	47,411	47,411	45,950	1,461
Payroll wages and taxes	667,711	667,711	619,555	48,156
Employee retirement	86,728	86,728	78,643	8,085
Medical, dental and life insurance	75,631	75,631	59,838	15,793
Personnel related costs	830,070	830,070	758,036	72,034
Advertising	200	200		200
Ambulance fee - BBVFD	85,000	85,000	84,360	640
Communications - telephone and internet	13,200	13,200	17,936	(4,736)
Computer software, updates, and website	1,500	1,500	1,275	225
Dues and subscriptions	2,500	2,500	184	2,316
Education and training	6,000	6,000	6,751	(751)
Grant award expenses	35,000	35,000	55,958	(20,958)
Maintenance and repairs	2,000	2,000	2,330	(330)
Mileage	250	250		250
Miscellaneous	8,760	8,760	7,250	1,510
Postage, printing and office supplies	5,500	5,500	4,525	975
Professional fees	12,500	12,500	14,803	(2,303)
Supplies	1,500	1,500	4,361	(2,861)
Uniforms	5,000	5,000	5,023	(23)
Utilities	5,000	5,000	6,499	(1,499)
Vehicles and equipment - fuel	22,000	22,000	18,011	3,989
Vehicles and equipment - repairs	7,600	7,600	13,791	(6,191)
TOTAL PUBLIC SAFETY - POLICE	1,043,580	1,043,580	1,001,093	42,487

TOWN OF SOUTH BETHANY, DELAWARE

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND BY DEPARTMENT**

YEAR ENDED APRIL 30, 2026

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Favorable
				(Unfavorable)
PUBLIC SAFETY - LIFEGUARDS				
Payroll wages	231,000	231,000	238,816	(7,816)
Payroll wages - overtime and bonus	60,750	60,750	43,775	16,975
Payroll taxes	22,319	22,319	21,486	833
Payroll wages and taxes	314,069	314,069	304,077	9,992
Education and training	6,100	6,100	3,904	2,196
Non-capital equipment	10,000	10,000	8,913	1,087
Supplies	3,000	3,000	2,913	87
Uniforms	10,000	10,000	7,958	2,042
TOTAL PUBLIC SAFETY - LIFEGUARDS	343,169	343,169	327,765	15,404
CAPITAL OUTLAY			90,578	(90,578)
DEBT SERVICE			6,927	(6,927)
TOTAL EXPENDITURES	<u>\$ 3,270,569</u>	<u>\$ 3,270,569</u>	<u>\$ 3,215,892</u>	<u>\$ 54,677</u>

***GOVERNMENT AUDITING STANDARDS* REPORT**



CERTIFIED PUBLIC ACCOUNTANTS
& INVESTMENT ADVISORS

**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 *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, 2026, 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 September 11, 2026.

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 Town'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.

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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 a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2026-001 that we consider to be a significant deficiency.

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 the Town of South Bethany, Delaware's response to the findings identified in our audit as described in the accompanying Schedule of Findings and Questioned Costs. 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 Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PKS & Company, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

Salisbury, Maryland
September 11, 2026

TOWN OF SOUTH BETHANY, DELAWARE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED APRIL 30, 2026

SIGNIFICANT DEFICIENCIES

2026-001 PREPARATION OF FINANCIAL STATEMENTS (Repeat finding)

Criteria – Controls should be in place to detect, prevent, or correct misstatements in the Town's drafted financial statements.

Condition and context – Management relies on the auditor to prepare the financial statements in accordance with generally accepted accounting principles (GAAP). The financial statements are reviewed and approved by management prior to their issuance.

Cause – Due to timing and software constraints, management relies on the auditor to prepare the financial statements in accordance with generally accepted accounting principles.

Effect or potential effect – There is a danger that intentional fraud or unintentional errors could occur and not be detected.

Recommendation – While this condition is not unusual for a Town with limited staffing, it is important that the Town is aware of this condition for financial statement purposes. Management and the Mayor and Council should be aware of the financial accounting and reporting of the Town and changes in accounting and reporting requirements.

Views of responsible officials and planned corrective actions – Town Council acknowledges the condition and is willing to accept the risks associated with it.