

TOWN OF BETHANY BEACH, DELAWARE

FINANCIAL REPORT

MARCH 31, 2020

# C O N T E N T S

	Page(s)
INDEPENDENT AUDITORS' REPORT	3 - 5
MANAGEMENT'S DISCUSSION AND ANALYSIS	6 - 19
FINANCIAL STATEMENTS	20
Statement of Net Position	21
Statement of Activities	22
Balance Sheet - Governmental Funds	23
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	24
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	25
Reconciliation of the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	26
Statement of Fund Net Position - Business-Type Activities	27
Statement of Revenues, Expenses and Changes in Fund Net Position - Business-Type Activities	28
Statement of Cash Flows - Business-Type Activities	29
NOTES TO FINANCIAL STATEMENTS	30 - 52
REQUIRED SUPPLEMENTARY INFORMATION	53
Budgetary Comparison Schedule - General Fund	54
Notes to the Required Supplementary Information	55
Schedule of the Changes in the Total OPEB Liability	56
Schedule of the Total OPEB Liability as a Percentage of Covered-Employee Payroll	57
Notes to the Required Supplementary Information - OPEB Plan	58
Schedule of the Proportionate Share of the Net Pension Liability	59
Schedule of Contributions - Pension Plan	60
Actuarial Assumptions - Pension Plan	61
ADDITIONAL SUPPLEMENTARY INFORMATION	62
Non-Major Governmental Funds:	
Combining Balance Sheet	63
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	64
Budgetary Comparison Schedule - Capital Projects Fund	65
Budgetary Comparison Schedule - Special Revenue Fund	66
Income and Expense Detail - Water Fund	67
Income and Expense Detail - Sanitation Fund	68
STATISTICAL SECTION	69
Schedule 1 - Net Position by Component - last five years	70
Schedule 2 - Revenues, Expenditures, Change in Fund Balance, Governmental Funds - last five years	71
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	72 - 73

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## INDEPENDENT AUDITORS' REPORT

Town of Bethany Beach, Delaware  
Bethany Beach, Delaware

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Bethany Beach, Delaware (the "Town") as of and for the year ended March 31, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

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

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

evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town as of March 31, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The additional supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

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

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 31, 2020, on our consideration of the Town'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 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 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 Bethany Beach, Delaware's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "YHM Group LLC". The signature is written in a cursive, flowing style.

Salisbury, Maryland  
July 31, 2020

**Town of Bethany Beach  
Management's Discussion and Analysis  
March 31, 2020**

As management of the Town of Bethany Beach, Delaware (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ending March 31, 2020. We encourage readers to consider this information in conjunction with the additional information that we have furnished in the Town's financial statements that follow this section.

**Financial Highlights for Fiscal Year 2020**

The assets and deferred outflows of resources of the Town of Bethany Beach exceed its liabilities and deferred inflows of resources at the end of fiscal year 2020 by \$32,469,540 (net position). Of this amount, \$10,147,290 (unrestricted net position) may be used to meet the Town's ongoing obligations to citizens and creditors. \$22,072,525 of the remaining net position is invested in capital assets, net of related debt and \$249,725 is restricted for specific uses. The Town's total net position increased by \$1,737,385 (5.7%) during fiscal year 2020. The net position of governmental activities increased by \$1,474,861 (6.9%) while the net position of business-type activities increased by \$262,524 (2.8%).

The increase in net position is a direct result of Town Council and Budget and Finance Committee efforts to provide adequate funding for the financial needs of the Town for the next five to ten years. This long-term focus and the maintenance of enough reserves has proven very beneficial to the Town, allowing for completion of capital projects and purchases with minimal debt.

As of the close of fiscal year 2020, the Town's governmental funds reported an ending fund balance of \$6,786,781. Of this amount, \$188,494 is nonspendable prepaid balances. Committed funds are \$51,502 in post-employment benefits funds, \$47,406 in Cultural & Historic funds, \$1,446,000 for capital purchases in fiscal year 2021, \$3,211,000 for future capital projects and \$2,050,000 in the Storm Emergency Relief Fund.

This leaves negative \$207,621 as unassigned in the governmental funds at the end of fiscal year 2020.

The Town's bonds and notes payable decreased by \$212,162 (14.4%) as a result of regular, scheduled payments on current debt. Of the Town's total debt of \$1,264,721, \$579,263 (45.8%) is due within the next five years.

Overall, the Town is in good financial condition and has the policies and focus to stay in sound fiscal shape.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements.

## **Government-Wide Financial Statements**

Government-wide financial statements are designed to provide readers with a broad overview of the Town's finances in a manner like private-sector businesses. The statements provide both short-term and long-term information, which assists in assessing the Town's financial position.

The statement of net position presents information on all the Town's assets and liabilities with the difference reported as net position. Increases or decreases in net position over time may serve as an indicator of whether the Town's financial position is improving or deteriorating.

The statement of activities presents information showing how the Town's net position changed during this fiscal year. All changes in net position are reported when 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 not result in cash flows until future fiscal periods (such as uncollected taxes and earned but unused vacation leave).

Both of the above financial statements have separate sections for two different types of programs or activities. These two types of activities are:

**Governmental Activities** – The activities in this section are mostly supported by taxes, fees, parking revenue and grants from Federal, State and other sources. Most services normally associated with municipal government fall into this category, including general government, public safety, street maintenance, economic development and recreational activities.

**Business-Type Activities** – These functions normally are intended to recover all or a significant portion of their costs through user fees and charges to external users of goods and services. The business-type activities of the Town are the water and sanitation departments, which operate with minimal assistance from the governmental activities of the Town.

The government-wide financial statements can be found on pages 21-22 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.

**Governmental funds** – Most of the basic services provided by the Town are financed through governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike 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 a government's near-term financing requirements.

These statements provide a detailed short-term view of the Town's finances that assists in determining whether there will be adequate financial resources available to meet the current needs of the Town. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for 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 governmental fund statement of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town has four governmental funds: the General Fund, the Capital Projects Fund, the Special Revenue Fund and the Ambulance Fund. The Special Revenue Fund is used to account for State and Federal grants. Fees

collected for ambulance services are used only to pay the charges of the Bethany Beach Volunteer Fire Company.

The basic governmental fund financial statements can be found on pages 23-26 of this report.

**Proprietary funds** – These funds are used to show activities that operate more like those of commercial enterprises. Because these funds charge fees for services provided to outside customers they are also known as enterprise funds. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. There is no reconciliation needed between the government-wide financial statements for business-type activities and the proprietary fund financial statements. The Town has two proprietary funds, the water and sanitation departments.

The basic proprietary fund financial statements can be found on pages 27-29 of this report.

### **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. Specifically, Note 2 summarizes the Town's significant accounting policies and provides definitions for many of the terms used throughout this report.

The notes to the financial statements can be found on pages 30-52 of this report.

### **Government-Wide Financial Analysis**

As noted earlier, the Town's net position may serve, over time, as a useful indicator of the government's financial situation. The Town's combined net position (government and business-type activities) totaled \$32,469,540 at the end of fiscal year 2020, compared to \$30,732,155 at the end of fiscal year 2019, an increase of \$1,737,385 (5.7%).

The largest portion of the Town's net position, \$22,072,525 (68.0%), reflects its investment in capital assets such as land, buildings, equipment, and infrastructure, less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. 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.

On March 31, 2020, the Town held \$2,075,060 in unrestricted cash and cash equivalents and \$8,820,000 in investments. Investments during the year were entirely certificates of deposit in accordance with the Town's Investment Policy.

The Town follows a written Investment Policy, which is reviewed annually. The primary objective of Town investments in priority order are safety, liquidity and then return on investment. The Town seeks investments that are diverse by type, institution, and maturity date. All investments must be FDIC insured or collateralized. Authorized investments include United States government securities, certificates of deposit, money market accounts in commercial banks and commercial bank savings accounts. Currently, all certificates of deposit held by the Town are for amounts under the FDIC limit of \$250,000 per institution to provide greater security of funds while improving interest earnings. Further information on cash and investments can be found on page 38, Note 4.

The Town's Fund Balance Policy establishes recommendations for minimum and maximum levels of reserves held for operating and capital needs. This policy is intended to increase the long-term financial stability of the Town while decreasing the need for long-term borrowing. All of the Town's funds continue to hold reserves above the minimums recommended in the policy, a good indicator of the Town's financial strength.



The Fund Balance Policy recommends maintaining an Operating Reserve of 15% to 30% of budgeted operating costs. In the budget for the current fiscal year 2021, operating reserves are \$1,024,000 in the general fund, \$139,000 in the sanitation fund and \$193,000 in the water fund. Total town-wide operating reserves are \$1,356,000, which is 15.0% of the FY 2021 operating budget.

The policy's recommendations for the amount of funds committed for capital replacement are based on the cost and useful lives of assets currently in use by the Town. For fiscal year 2021, capital replacement reserves are \$3,211,000 in the general fund, \$788,000 in the sanitation fund and \$1,967,000 in the water fund. An additional \$350,000 is held in reserve in the water fund for replacement of filter media in the water plant, which is expected to be needed within the next five years. Total town-wide capital reserves are \$6,316,000, which is 28.6% of the Town's net investment in capital assets.

In March of 2017 the Town Council made a revision to the Fund Balance Policy to add a section on the Storm Emergency Relief Fund (SERF), which was created to accumulate funds to aid the Town in recovering from a hurricane, nor'easter or other storm event. The use of these reserve funds is restricted to debris cleanup, repair of infrastructure such as the boardwalk, replacement of equipment, and operating expenses that are needed as a result of revenue lost in the aftermath of a storm. Accessing the SERF reserve requires approval from a Supermajority, defined as at least five of seven Town Council members. At the end of fiscal year 2020 the SERF fund held \$1,722,823. Based on budgeted revenues this reserve was expected to hold \$2,050,000 by the end of fiscal year 2021, however the COVID-19 pandemic is expected to reduce some of the revenues that fund this reserve, so the reserve will likely be less than initially projected for the end of fiscal year 2021.

The Town has agreed to pay the cost of post-employment health care insurance for three retirees and their families. The Town started setting aside funds for this the liability in fiscal year 2012. As of March 31, 2020, \$313,776 was held in a separate bank account to fund this benefit, which is 129.4% of the \$242,392 actuarial accrued liability. Further information on this obligation can be found on pages 43-45, Note 8.

The following table is a summary of the government-wide statement of net position compared to the prior year:

Town of Bethany Beach  
Summary of Statement of Net Position  
March 31, 2020

	Governmental Activities		Business-Type Activities		Total		% Change
	2019	2020	2019	2020	2019	2020	
Current Assets	\$8,720,937	<b>\$7,618,082</b>	\$3,862,195	<b>\$4,164,035</b>	\$12,583,132	<b>\$11,782,117</b>	-6.4%
Capital Assets	13,327,307	<b>16,448,470</b>	7,132,709	<b>6,888,776</b>	20,460,016	<b>23,337,246</b>	14.1%
Other Assets	121,579	<b>112,908</b>	139,846	<b>136,817</b>	261,425	<b>249,725</b>	-4.5%
Total Assets	<u>22,169,823</u>	<u><b>24,179,460</b></u>	<u>11,134,750</u>	<u><b>11,189,628</b></u>	<u>33,304,573</u>	<u><b>35,369,088</b></u>	6.2%
Deferred Outflows - Pension	544,021	<b>524,845</b>	-	-	544,021	<b>524,845</b>	-3.5%
Current Liabilities	479,316	<b>944,209</b>	185,225	<b>193,421</b>	664,541	<b>1,137,630</b>	71.2%
Noncurrent Liabilities	627,983	<b>752,183</b>	1,599,029	<b>1,383,187</b>	2,227,012	<b>2,135,370</b>	-4.1%
Total Liabilities	<u>1,107,299</u>	<u><b>1,696,392</b></u>	<u>1,784,254</u>	<u><b>1,576,608</b></u>	<u>2,891,553</u>	<u><b>3,273,000</b></u>	13.2%
Deferred Inflows - Pension	224,886	<b>151,393</b>	-	-	224,886	<b>151,393</b>	-32.7%
Invested in capital assets, net of related debt	13,327,307	<b>16,448,470</b>	5,655,826	<b>5,624,055</b>	18,983,133	<b>22,072,525</b>	16.3%
Restricted	121,579	<b>112,908</b>	139,846	<b>136,817</b>	261,425	<b>249,725</b>	-4.5%
Unrestricted	<u>7,932,773</u>	<u><b>6,295,142</b></u>	<u>3,554,824</u>	<u><b>3,852,148</b></u>	<u>11,487,597</u>	<u><b>10,147,290</b></u>	-11.7%
Total Net Position	<u>\$21,381,659</u>	<u><b>\$22,856,520</b></u>	<u>\$9,350,496</u>	<u><b>\$9,613,020</b></u>	<u>\$30,732,155</u>	<u><b>\$32,469,540</b></u>	5.7%

Funds in the Town's unrestricted net position of \$10,147,290 may be used to meet the government's ongoing obligations to citizens and creditors. Unrestricted net position decreased \$1,340,307 (11.7%) during fiscal year 2020: decreasing \$1,637,631 (20.6%) in Governmental Activities and increasing \$297,324 (8.4%) in Business-Type Activities. During this time net investment in capital assets increased \$3,089,392 (16.3%): increasing \$3,121,163 (23.4%) in Governmental Activities and decreasing \$31,771 (0.6%) in Business-Type Activities.

Current assets decreased \$801,015 (6.4%). Current assets for Governmental Activities decreased \$1,102,855 (12.6%), while current assets of Business-Type Activities increased \$301,840 (7.8%). The majority of the \$11,782,117 in total current assets is cash, cash equivalents and investments, most of which are held in reserves for future needs.

Receivables, which make up \$680,723 of the current assets, increased \$48,981 (7.8%). The majority of the receivables are \$536,927 in water bills mailed in April 2020 for the previous six months of water use. The second largest receivable is \$60,707 in interest earned on investments that have not yet matured.

Noncurrent liabilities decreased \$91,642 (4.1%): increasing \$124,200 (19.8%) in Governmental Activities and decreasing \$215,842 (13.5%) in Business-Type Activities.

The following table is a summary of the government-wide statement of activities compared to the prior year:

Town of Bethany Beach  
Summary of Statement of Activities  
March 31, 2020

	Governmental Activities		Business-Type Activities		Total		% Change
	2019	2020	2019	2020	2019	2020	
<b>Revenues:</b>							
<b>Program Revenues</b>							
Charges for services	\$3,201,994	<b>\$3,530,021</b>	\$2,358,112	<b>\$2,404,781</b>	\$5,560,106	<b>\$5,934,802</b>	6.7%
Assessments & impact fees	-	-	366,856	<b>374,037</b>	366,856	<b>374,037</b>	2.0%
Operating grants	92,739	<b>127,829</b>	-	-	92,739	<b>127,829</b>	37.8%
Capital grants	257,384	<b>154,842</b>	-	-	257,384	<b>154,842</b>	-39.8%
<b>General Revenues</b>							
Property taxes	1,913,708	<b>1,982,984</b>	-	-	1,913,708	<b>1,982,984</b>	3.6%
Rental real estate taxes	1,625,632	<b>1,702,048</b>	-	-	1,625,632	<b>1,702,048</b>	4.7%
Transfer taxes	869,252	<b>1,280,103</b>	-	-	869,252	<b>1,280,103</b>	47.3%
Other	158,243	<b>232,219</b>	55,825	<b>87,314</b>	214,068	<b>319,533</b>	49.3%
<b>Total Revenues</b>	<b>8,118,952</b>	<b>9,010,046</b>	<b>2,780,793</b>	<b>2,866,132</b>	<b>10,899,745</b>	<b>11,876,178</b>	9.0%
<b>Expenses:</b>							
General and administration	1,152,057	<b>1,144,014</b>	-	-	1,152,057	<b>1,144,014</b>	-0.7%
Licenses and inspections	299,872	<b>300,188</b>	-	-	299,872	<b>300,188</b>	0.1%
<b>Public Safety</b>							
Police and Alderman	1,825,919	<b>1,998,835</b>	-	-	1,825,919	<b>1,998,835</b>	9.5%
Parking	589,388	<b>584,523</b>	-	-	589,388	<b>584,523</b>	-0.8%
Beach Patrol	518,120	<b>631,592</b>	-	-	518,120	<b>631,592</b>	21.9%
Ambulance	149,195	<b>149,195</b>	-	-	149,195	<b>149,195</b>	0.0%
<b>Public Works</b>							
Stormwater management	183,220	<b>227,572</b>	-	-	183,220	<b>227,572</b>	24.2%
Streets & Parks	1,498,866	<b>1,696,548</b>	-	-	1,498,866	<b>1,696,548</b>	13.2%
Beach and boardwalk	426,879	<b>468,034</b>	-	-	426,879	<b>468,034</b>	9.6%
Recreation - entertainment	286,077	<b>303,625</b>	-	-	286,077	<b>303,625</b>	6.1%
Cultural/Historic & Parade	57,932	<b>31,059</b>	-	-	57,932	<b>31,059</b>	-46.4%
Sanitation Fund	-	-	899,361	<b>967,374</b>	899,361	<b>967,374</b>	7.6%
Water Fund	-	-	1,502,816	<b>1,636,234</b>	1,502,816	<b>1,636,234</b>	8.9%
<b>Total Expenses</b>	<b>6,987,525</b>	<b>7,535,185</b>	<b>2,402,177</b>	<b>2,603,608</b>	<b>9,389,702</b>	<b>10,138,793</b>	8.0%
Change in net position	1,131,427	<b>1,474,861</b>	378,616	<b>262,524</b>	1,510,043	<b>1,737,385</b>	15.1%
Net position, beginning of year	20,250,232	<b>21,381,659</b>	8,971,880	<b>9,350,496</b>	29,222,112	<b>30,732,155</b>	5.2%
Net position, end of year	<b>\$21,381,659</b>	<b>\$22,856,520</b>	<b>\$9,350,496</b>	<b>\$9,613,020</b>	<b>\$30,732,155</b>	<b>\$32,469,540</b>	5.7%

The Town's total net position increased \$1,737,385 (5.7%). Approximately 41.8% of the Town's total revenue came from three types of taxes: property, rental and transfer. Total revenues increased \$976,433 (9.0%) and total expenses increased \$749,091 (8.0%).

## Governmental Activities

Total revenue for governmental activities increased \$891,094 (11.0%) to \$9,010,046. The major revenue sources and key factors are as follows. Grant revenue is not included due to the variable nature of State and Federal grants.

1. Revenues from parking fines, parking meters and parking permits totaled \$2,220,007 and were the Town's largest revenue source. These revenues increased \$138,710 (6.7%). As a percentage of governmental revenue, parking decreased from 26.8% in fiscal year 2019 to 25.4% in fiscal year 2020.
2. Property Tax revenue totaled \$1,982,984 and was the Town's second largest source of funding. The assessed value of taxable properties as of May 2019 was \$1,034,854,559 which is \$10,807,600 (1.1%) more than the prior year. The tax rate was \$0.19 per \$100 of assessed value and the most recent town-wide reassessment was completed in 2001. Total property tax revenue increased \$69,276 (3.6%). As a percentage of total governmental revenue, property tax decreased from 24.6% in fiscal year 2019 to 22.7% in fiscal year 2020.
3. Real estate rental taxes were the Town's third largest revenue source at \$1,702,048. These revenues increased \$76,416 (4.7%). As a percentage of total governmental revenue, rental taxes decreased from 20.9% in fiscal year 2019 to 19.5% in fiscal year 2020.
4. Real estate transfer taxes were the Town's fourth largest revenue source at \$1,280,103 an increase of \$410,851 (47.3%). The Town uses transfer tax revenue only for funding capital projects and not for day-to-day operational costs. This revenue is difficult to predict since it can fluctuate widely from year to year from changes in the housing market. As a percentage of governmental revenue, transfer taxes increased from 11.2% in fiscal year 2019 to 14.7% in fiscal year 2020.
5. Licenses, permits and other fees were the fifth largest revenue source at \$1,102,281. These revenues increased \$195,867 (21.6%). The main revenue in this category is building permits, which brought in \$579,444. Building permit revenues were \$97,602 higher than the prior year. Other revenues include business licenses, rental licenses, franchise fees, concession fees, shuttle bus fees and trolley fees. As a percentage of governmental revenue, licenses, permits and other fees increased from 11.7% in fiscal year 2019 to 12.6% in fiscal year 2020.

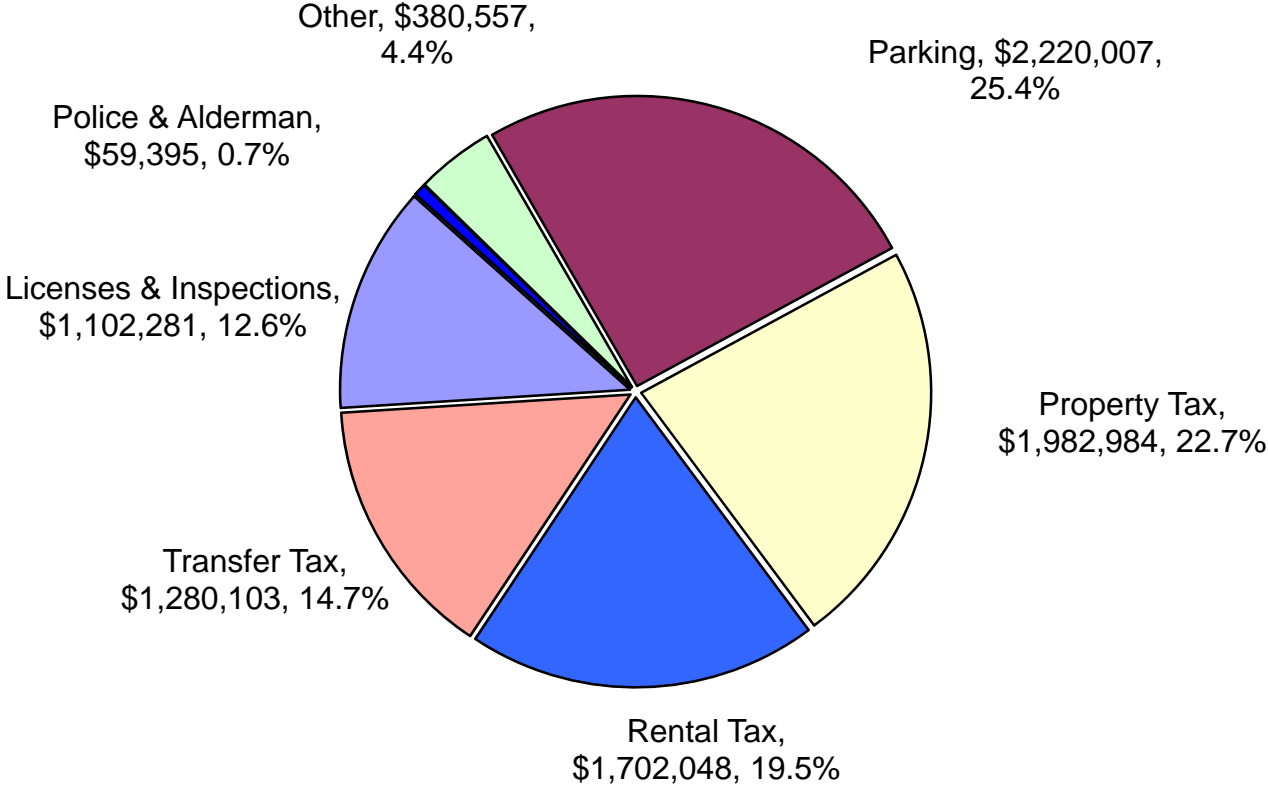
The Town budgets and sets fees with a goal of summer season revenues fully paying the cost of operations for the summer season. Summer season related revenue was approximately \$4.4 million, which is 51% of total General Fund revenues. This revenue includes parking fees, rental taxes, business licenses, beach concessions and other fines and fees. The operating cost for the summer season, including the depreciation of capital assets, was estimated at \$4.5 million in fiscal year 2020, which is 64% of total General Fund operating costs. Property tax, Transfer Tax and Building Permit revenues are not used to fund summer season costs.

The following two charts show the Town's general fund revenues for the fiscal year ending March 31, 2020, and the trend of our six largest, recurring revenue sources over the past eight fiscal years. Special fund revenue is not included in these charts due to the variable nature of State and Federal grants.

The Town's expense for all governmental activities combined was \$7,535,185. This covers a range of services and increased \$547,660 (7.8%) from fiscal year 2019.

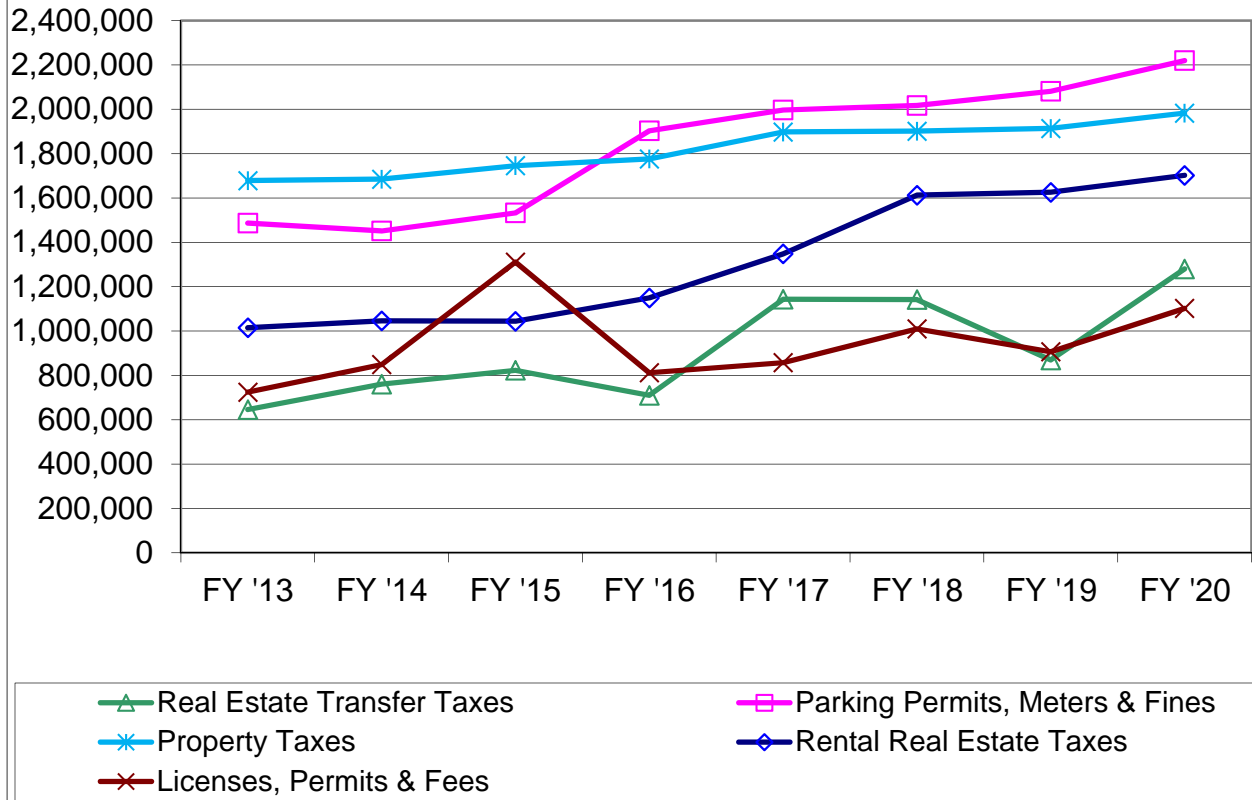
# FY 2020 Governmental Revenue Sources

(excludes grant funds)



This year’s revenue chart is very similar to fiscal years 2018 and 2019, particularly in the three largest pieces. Transfer Tax and License & Inspection revenues are expected to fluctuate significantly year to year as home sales and the home construction market varies.

## Trends in Major Governmental Revenue Sources



Parking has been the largest revenue source since the hourly parking rate was increased to \$2.00 in fiscal year 2016. The hourly rate is increasing to \$2.50 in fiscal year 2021.

Property Tax rates are increasing gradually every few years. The rate increased by 3.0% in fiscal year 2013, 2.9% in fiscal year 2015, 5.7% in fiscal year 2017 for the Storm Emergency Relief Fund and by 2.7% for fiscal year 2021.

Rental Tax rates for residential and commercial properties increased 16.7% in fiscal year 2019. The rental tax rate for hotels and motels increased 8.3% in fiscal year 2017.

Licenses, Permit & Fees revenue is predominately from Building Permit revenues. Building permit fees have not significantly changed since fiscal year 2006, instead fluctuations in this revenue reflect the size and number of construction projects in town. The large spike in revenue seen in fiscal year 2015 is from the Bethany Beach Ocean Suites hotel construction.

Licenses, Permit & Fees revenue also includes several fees that were increased for fiscal year 2020. Business License fees increased from the \$180 fee set in FY 2008 to \$250 per year. Rental License fees increased from the \$50 fee set in FY 2002 to \$100 per year. Shuttle bus permit fees increased 14.3%.

## Business-type Activities

The sanitation and water departments are the Town's business-type activities and are accounted for in their own funds. The Town segregates funds so that sanitation and water fees are used only to support sanitation and water needs, respectively. The sanitation and water funds are each entirely self-supporting.

Sanitation department revenues increased \$19,484 (2.0%). Sanitation department expenses increased \$68,013 (7.6%). Sanitation revenues covered all operating costs, including depreciation, with a net operating gain of \$2,512, which is 0.2% of total sanitation revenue. The total change in net position was \$39,334. Income and expense detail are shown on page 68 of this report.

Water department revenues increased \$58,768 (3.3%). Water department expenses increased \$100,146 (6.7%). Operating revenues were not enough to cover all operating expenses, resulting in a net operating loss of \$168,411, which is 9.0% of total water revenue. The total change in net position was \$223,190. Income and expense detail are shown on page 67 of this report.

## Financial Analysis of the Town's Funds

As noted previously, the Town uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

### Governmental Funds

Governmental fund accounting provides information on available or spendable resources. This information is useful in assessing the 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. Unassigned fund balance provides a reserve for emergencies and provides working capital to pay the Town's bills.

During fiscal year 2020, the Town's governmental fund balance decreased \$1,576,419 (18.8%) to \$6,786,781. Funds committed for capital improvements budgeted in the coming year decreased \$54,000 (3.6%) to \$1,446,000. Funds committed for unspecified future capital projects decreased \$1,623,000 (33.6%) to \$3,211,000. The Storm Emergency Relief Fund increased \$341,000 (20.0%) to \$2,050,000.

Most of the fund balance in the governmental funds is nonspendable or committed to indicate that it is not available for spending. Currently these designations are:

1. Nonspendable prepaid balances	\$188,494
2. Committed for payment of post-employment health care benefits	\$51,502
3. Committed for uses determined by the Cultural & Historical Affairs Committee	\$47,406
4. Committed for capital improvements in the coming fiscal year	\$1,446,000
5. Committed for the Storm Emergency Relief Fund	\$2,050,000
6. Committed for future capital replacements	\$3,211,000

The general fund is the main operating fund of the Town and accounts for major functions of the government including police, lifeguards, streets, parks, stormwater drainage, parking, recreation and general administrative services. As a measure of the general fund's liquidity, it may be useful to compare the unassigned fund balance to the general fund's total fund balance and operating expenditures. The general fund's unassigned fund balance of negative \$169,058 is 2.5% of the \$6,786,781 total fund balance and 2.2% of the \$5,857,530 in general fund operating expenditures for fiscal year 2020.

### **Proprietary Funds**

The Town's proprietary fund financial statements provide the same sort of information as the entity-wide statements and are found on pages 27-29 of this report.

The net position of the water department increased \$223,190 (3.0%) to \$7,771,279. Fiscal year 2020 resulted in a net operating loss of \$168,411. Non-operating revenues of \$391,601 were received mainly from water impact fees for capital projects and sinking fund fees for water department debt repayment. Water use fees were last increased in fiscal year 2019.

The net position of the sanitation department increased \$39,334 (2.2%) to end the year at \$1,841,741. Fiscal year 2020 resulted in net operating income of \$2,512. Trash fees were last increased in fiscal year 2018.

### **General Fund Budgetary Highlights**

The budgetary comparison schedule for the general fund can be found on page 54 of this report.

General fund revenues exceeded the amount budgeted by \$1,268,178 (17.3%). Page 12 of this report supplies detail on the largest revenues. Revenues from transfer taxes and building permits significantly exceeded our conservative, budgeted estimates. Parking revenues, and interest earnings also exceeded the budget.

The Town Council may amend the budget during the year as purchase decisions are made and previously estimated amounts become known. In June 2020 the General Fund Operating Budget was retroactively reallocated between departments; additional funds were needed in some departments while others had funds to spare. The budget was not changed in total.

General fund expenditures were under the amended budget by \$169,407 (2.6%). Total revenues exceeded total expenditures by \$2,353,585, more than covering depreciation expense of \$958,685 and providing funding for future purchases of capital assets and for capital improvement projects.



## Capital Assets

The Town's investment in capital assets increased as follows:

<b>Governmental Activities</b>	<b>FY 2020 Additions</b>
Land	\$1,400,000
Construction in Progress	\$1,315,952
Beach & Boardwalk	\$118,419
Building & Improvements	\$116,911
Machinery & Equipment	\$441,914
Streets & Parks	\$572,287
Vehicles	<u>\$119,721</u>
Total	<u>\$4,085,204</u>

<b>Sanitation Fund</b>	<b>FY 2020 Additions</b>
Vehicles & Equipment	\$29,212

<b>Water Fund</b>	<b>FY 2020 Additions</b>
Water Plant & Distribution System	\$21,184
Vehicles & Equipment	<u>\$182,135</u>
Total	<u>\$203,319</u>

The Town Council made several amendments to the capital budget in governmental activities.

- In May 2019 \$1,114,000 was added for construction costs of Central Park.
- In June 2019 \$223,000 was added for engineering and contract administration for Central Park.
- In August 2019 \$153,000 was added for the pavilion in Central Park.
- In November 2019 \$108,000 was added to upgrade the appearance of streetlights being installed by the Delaware Department of Transportation in the median of Route 1.
- In November 2019 \$1,400,000 was added to purchase 12.5 acres of land on Route 26 to preserve the last significant portions of wetlands remaining in town limits.
- In June 2020 \$29,000 was retroactively added to replace a vehicle.

In governmental activities, the largest area of capital expenditure in fiscal year 2020 is the \$1,400,000 in Land to purchase the wetlands, the second largest was \$1,037,581 in Construction in Progress for Central Park and the third largest was \$278,371 for renovations to the Comfort Station.

Other construction projects included \$572,287 spent on paving, \$116,911 to outfit the interior of the new Public Works Shop in Frankford, and \$118,419 was spent replacing and repairing portions of the boardwalk.

Equipment purchases included \$265,500 to replace 45 parking pay stations, \$96,875 to improve the appearance of streetlights being installed on the median of Route 1, \$31,517 to purchase a mini track loader, \$32,848 to purchase two utility vehicles and \$15,174 to refurbish the beach rake. Four vehicles were purchased for a total of \$119,721.

When capital projects are not completed by the end of the fiscal year they are classified as Construction in Progress, then when the project is complete it is transferred from Construction in Progress and into capital assets being depreciated. In fiscal year 2020, \$1,315,952 was added to Construction in Progress for two projects; \$1,037,581 for the Central Park development project and \$278,371 for Comfort Station renovations. As of the end of the fiscal year \$1,572,308 remained in Construction in Progress for these two projects.

The sanitation department purchased a 2019 Ford pickup truck for \$29,212.

In the water department, \$62,133 was used to purchase a backhoe, \$47,134 to purchase a 2019 Ford pickup truck, \$33,608 was spent on aerator refurbishment, \$23,535 was spent replacing handheld water meter readers,

\$21,184 was spent improving salt water intrusion monitoring and \$15,725 was spent refurbishing the filter gallery.

Capital asset records are reviewed annually for accuracy and completeness. Assets that have been sold, scrapped or are no longer in use are deleted from the capital asset inventory. Further information on capital projects and purchases can be found on pages 39-40 of this report in Note 5.

### **Debt Administration**

As of March 31, 2020, the Town had \$1,264,721 in outstanding debt from construction of the water tower in 2014 and 2015. Of this total debt, \$579,263 (45.8%) is payable within five years; however, the Town Council intends to continue making accelerated payments on the water tower loan.

Additional information on Town debt can be found on pages 41-42 of this report in Notes 6 and 7.

### **Economic Factors**

We expect revenues for the coming fiscal year to be like those of fiscal year 2020 as reported in these financial statements with the following exceptions:

The COVID-19 pandemic has made summer season revenues for fiscal year 2021 uncertain. First quarter results show \$321,000 in lost parking fees, shuttle permits and rental taxes due to the pandemic as the Town took action to encourage social distancing by reducing available parking spaces. The Town incurred \$93,783 in direct costs during the first quarter fighting the pandemic, we hope to be reimbursed for much of this through State and Federal programs.

The Town may be significantly affected by unpredictable events such as hurricanes and nor'easters. The Town takes a proactive approach to pending storms by activating our disaster plan, evacuating people, and relocating assets when feasible. The future economic performance of the Town could be greatly affected by weather events, particularly if they occur during the peak summer season.

Real estate transfer tax revenue is very unpredictable and dependent on the housing market. We expect to receive anywhere from \$650,000 to \$900,000 in fiscal year 2021. The Town chooses to budget at the conservative end of this range. The variable nature of this revenue is one reason that the Town uses these funds for capital purchases and projects and not for operational costs.

Approval of the fiscal year 2021 budget has been delayed as in-person meetings were canceled due to COVID-19. The following information is from the draft budget that was prepared for approval in March 2020 and it what we expect the Town Council to approve in the near future. The operating budget for all Town activities combined is \$9,039,000. This is \$570,000 (6.7%) more than the fiscal year 2020 operating budget. Budgeted operating costs increased 6.7% in the general fund, 7.2% in the sanitation fund and 6.8% in the water fund.

The fiscal year 2021 budget includes no changes to taxes or fees, however Town Council voted to increase hourly parking rates and parking tickets by approximately 25% in November 2019.

General Fund capital projects budgeted for fiscal year 2021 are:

- \$300,000 for paving work not covered by the Municipal Street Aid grant
- \$225,000 to replace a 2003 side-loading trash truck
- \$155,000 for purchase of a Trolley
- \$150,000 for Museum exhibits
- \$150,000 for repairs to the boardwalk and grabrails
- \$75,000 for fencing, security and interior finishing at the Blackwater location
- \$55,000 to replace two non-police vehicles

- \$50,000 for water department equipment as needed
- \$50,000 for water distribution repair work as needed
- \$22,000 to purchase two golf carts
- \$20,000 for security and fire alarms at the Museum
- \$10,000 to purchase a police vehicle in combination with a Sussex County grant

Sanitation Fund capital purchases budgeted for fiscal year 2021 are \$225,000 to replace a side-loading trash truck.

Water Fund capital projects budgeted for fiscal year 2021 are:

- \$50,000 for water system repairs as needed
- \$50,000 for equipment replacement as needed

### **Requests for Information**

This report is designed to provide an overview of the Town of Bethany Beach's finances. Questions concerning any of the information found in this report, or requests for additional information, should be directed to the Town Manager's Office, Town of Bethany Beach, P.O. Box 109, Bethany Beach, DE 19930.

## FINANCIAL STATEMENTS

**TOWN OF BETHANY BEACH, DELAWARE**  
**STATEMENT OF NET POSITION**  
**March 31, 2020**

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 1,121,532	\$ 953,528	\$ 2,075,060
Investments	6,205,568	2,614,432	8,820,000
Receivables:			
Taxes - real and personal property	19,665	-	19,665
Service charges	-	551,149	551,149
Interest	42,677	18,030	60,707
Other	40,146	9,056	49,202
Prepaid expenses	188,494	17,840	206,334
Total current assets	7,618,082	4,164,035	11,782,117
Noncurrent assets			
Restricted cash and cash equivalents	112,908	136,817	249,725
Capital assets:			
Nondepreciable assets	7,859,091	-	7,859,091
Depreciable assets, net	8,589,379	6,888,776	15,478,155
Total noncurrent assets	16,561,378	7,025,593	23,586,971
Total assets	24,179,460	11,189,628	35,369,088
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension (see Note 9)	524,845	-	524,845
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable and accrued expenses	602,317	78,485	680,802
Internal balances	4,080	(4,080)	-
Unearned revenue	337,812	8,949	346,761
Bonds and notes payable	-	110,067	110,067
Total current liabilities	944,209	193,421	1,137,630
Noncurrent liabilities			
Compensated absences liability	250,326	83,097	333,423
Net pension liability	404,901	-	404,901
OPEB obligation	96,956	145,436	242,392
Bonds and notes payable	-	1,154,654	1,154,654
Total noncurrent liabilities	752,183	1,383,187	2,135,370
Total liabilities	1,696,392	1,576,608	3,273,000
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension (see Note 9)	151,393	-	151,393
<b>NET POSITION</b>			
Net investment in capital assets	16,448,470	5,624,055	22,072,525
Restricted	112,908	136,817	249,725
Unrestricted	6,295,142	3,852,148	10,147,290
Total net position	\$ 22,856,520	\$ 9,613,020	\$ 32,469,540

*The Notes to Financial Statements are an integral part of this statement.*

**TOWN OF BETHANY BEACH, DELAWARE**

**STATEMENT OF ACTIVITIES**

**Year Ended March 31, 2020**

Function/Program	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Contributions, and Interest	Contributions, and Interest	Primary Government		
					Governmental Activities	Business-Type Activities	Total
<b>GOVERNMENTAL ACTIVITIES</b>							
General and administration	\$ 1,144,014	\$ -	\$ -	\$ -	\$ (1,144,014)	\$ -	\$ (1,144,014)
Licenses and inspections	300,188	1,102,281	-	-	802,093	-	802,093
Public safety:							
Police and Alderman fines and revenue	1,998,835	59,395	127,829	30,000	(1,781,611)	-	(1,781,611)
Parking	584,523	2,220,007	-	-	1,635,484	-	1,635,484
Beach patrol	631,592	-	-	-	(631,592)	-	(631,592)
Ambulance	149,195	148,338	-	-	(857)	-	(857)
Public works:							
Stormwater management	227,572	-	-	-	(227,572)	-	(227,572)
Streets and parks	1,696,548	-	-	124,842	(1,571,706)	-	(1,571,706)
Beach and boardwalk	468,034	-	-	-	(468,034)	-	(468,034)
Recreation - entertainment	303,625	-	-	-	(303,625)	-	(303,625)
Cultural, historical, and parade	31,059	-	-	-	(31,059)	-	(31,059)
Total governmental activities	7,535,185	3,530,021	127,829	154,842	(3,722,493)	-	(3,722,493)
<b>BUSINESS-TYPE ACTIVITIES</b>							
Water	1,636,234	1,434,895	374,037	-	-	172,698	172,698
Sanitation	967,374	969,886	-	-	-	2,512	2,512
Total business-type activities	2,603,608	2,404,781	374,037	-	-	175,210	175,210
Total primary government	\$ 10,138,793	\$ 5,934,802	\$ 501,866	\$ 154,842	\$ (3,722,493)	\$ 175,210	\$ (3,547,283)
<b>General Revenues</b>							
Taxes:							
Property					1,982,984	-	1,982,984
Rental real estate					1,702,048	-	1,702,048
Transfer					1,280,103	-	1,280,103
Interest					177,086	78,314	255,400
Other					55,133	9,000	64,133
Total general revenues					5,197,354	87,314	5,284,668
Change in net position					1,474,861	262,524	1,737,385
Net position, beginning of year					21,381,659	9,350,496	30,732,155
Net position, end of year					\$ 22,856,520	\$ 9,613,020	\$ 32,469,540

The Notes to Financial Statements are an integral part of this statement.

**TOWN OF BETHANY BEACH, DELAWARE**

**BALANCE SHEET  
GOVERNMENTAL FUNDS**

**March 31, 2020**

	Major Fund		Non-Major Governmental Funds	Total Governmental Funds
	General Fund	Capital Projects		
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,121,532	\$ -	\$ -	\$ 1,121,532
Investments	6,205,568	-	-	6,205,568
Receivables:				
Taxes - real and personal property	19,665	-	-	19,665
Interest	42,677	-	-	42,677
Other	22,374	-	17,772	40,146
Prepaid expenses	149,931	38,563	-	188,494
Due from other funds	173	418,408	6,335	424,916
Restricted assets:				
Cash and cash equivalents	-	-	112,908	112,908
	<hr/>			
<b>Total assets</b>	<b>\$ 7,561,920</b>	<b>\$ 456,971</b>	<b>\$ 137,015</b>	<b>\$ 8,155,906</b>
<hr/>				
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable and accrued expenses	\$ 140,391	\$ 456,971	\$ 4,955	\$ 602,317
Due to other funds	428,996	-	-	428,996
Unearned revenues	205,752	-	132,060	337,812
<b>Total liabilities</b>	<b>775,139</b>	<b>456,971</b>	<b>137,015</b>	<b>1,369,125</b>
<hr/>				
<b>FUND BALANCES</b>				
Nonspendable	149,931	38,563	-	188,494
Committed for:				
Cultural and historic	47,406	-	-	47,406
Retiree benefits	51,502	-	-	51,502
Capital improvements	1,446,000	-	-	1,446,000
Storm emergency	2,050,000	-	-	2,050,000
Future capital replacements	3,211,000	-	-	3,211,000
Unassigned	(169,058)	(38,563)	-	(207,621)
<b>Total fund balances</b>	<b>6,786,781</b>	<b>-</b>	<b>-</b>	<b>6,786,781</b>
	<hr/>			
<b>Total liabilities and fund balances</b>	<b>\$ 7,561,920</b>	<b>\$ 456,971</b>	<b>\$ 137,015</b>	<b>\$ 8,155,906</b>

*The Notes to Financial Statements are an integral part of this statement.*

**TOWN OF BETHANY BEACH, DELAWARE**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**March 31, 2020**

Total fund balances, governmental funds	\$ 6,786,781
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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, therefore, are not reported in the fund financial statements, but are reported in the governmental activities of the Statement of Net Position.	16,448,470
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Some liabilities are not due and payable in the current period and, therefore, are not reported in the fund financial statements, but are reported in the governmental activities of the Statement of Net Position. Those liabilities consist of:

Deferred outflow of resources - pension (see Note 9)	524,845
Deferred inflow of resources - pension (see Note 9)	(151,393)
Net pension liability	(404,901)
Compensated absences	(250,326)
Other post-employment benefits obligation	(96,956)

Net position of governmental activities in the Statement of Net Position	<hr style="border: 0.5px solid black;"/> <u>\$ 22,856,520</u>
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**TOWN OF BETHANY BEACH, DELAWARE**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**Year Ended March 31, 2020**

	<u>Major Fund</u>		Non-Major Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
	<u>General Fund</u>	<u>Capital Projects</u>		
<b>REVENUES:</b>				
Taxes:				
Property	\$ 1,982,984	\$ -	\$ -	\$ 1,982,984
Rental real estate	1,702,048	-	-	1,702,048
Transfer	1,280,103	-	-	1,280,103
Parking revenues	2,220,007	-	-	2,220,007
Licenses, permits, and fees	1,102,281	-	-	1,102,281
Police and Alderman fines and revenue	59,395	-	-	59,395
Interest	175,871	-	1,215	177,086
Service receipts	-	-	148,338	148,338
Intergovernmental revenues	-	-	282,671	282,671
Contributions	18,274	-	-	18,274
Miscellaneous	42,215	-	-	42,215
<b>Total revenues</b>	<b>8,583,178</b>	<b>-</b>	<b>432,224</b>	<b>9,015,402</b>
<b>EXPENDITURES:</b>				
General and administration	1,030,809	-	-	1,030,809
Licenses and inspections	295,036	-	-	295,036
Public safety:				
Police	1,741,743	-	127,829	1,869,572
Alderman	34,972	-	-	34,972
Parking	555,939	-	-	555,939
Beach patrol	631,592	-	-	631,592
Ambulance	-	-	149,195	149,195
Public works:				
Stormwater management	145,712	-	-	145,712
Streets and parks	1,098,357	-	-	1,098,357
Beach and boardwalk	393,975	-	-	393,975
Recreation - entertainment	273,248	-	-	273,248
Cultural, historical, and parade	28,210	-	-	28,210
Capital outlay	-	3,930,004	155,200	4,085,204
<b>Total expenditures</b>	<b>6,229,593</b>	<b>3,930,004</b>	<b>432,224</b>	<b>10,591,821</b>
Excess (deficiency) of revenues over expenditures	2,353,585	(3,930,004)	-	(1,576,419)
Other financing (uses) sources:				
Transfer (out) in	(3,930,004)	3,930,004	-	-
<b>Total other financing (uses) sources</b>	<b>(3,930,004)</b>	<b>3,930,004</b>	<b>-</b>	<b>-</b>
Net change in fund balances	(1,576,419)	-	-	(1,576,419)
Fund balances, beginning of year	8,363,200	-	-	8,363,200
<b>Fund balances, end of year</b>	<b>\$ 6,786,781</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 6,786,781</b>

*The Notes to Financial Statements are an integral part of this statement.*

**TOWN OF BETHANY BEACH, DELAWARE**  
**RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF**  
**REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**TO THE STATEMENT OF ACTIVITIES**  
**Year Ended March 31, 2020**

Net change in fund balances, governmental funds \$ (1,576,419)

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the current period, these amounts are:

Capital outlay	4,085,204
Depreciation expense	(958,685)

In the statement of activities, only the gains (losses) on sale of assets are reported whereas in the governmental funds, the proceeds from the sales of assets increase financial resources. Thus, the change in net position differs from the change in fund balance by the basis of the assets sold. (5,356)

Some items reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. These activities consist of:

Change in deferred outflow of resources - pension (see Note 9)	(19,176)
Change in deferred inflow of resources - pension (see Note 9)	73,493
Change in net pension liability	(86,082)
Change in compensated absences	(39,309)
Change in other post-employment benefits obligation	<u>1,191</u>

Change in net position of governmental activities \$ 1,474,861

**TOWN OF BETHANY BEACH, DELAWARE**  
**STATEMENT OF FUND NET POSITION**  
**BUSINESS-TYPE ACTIVITIES**  
**March 31, 2020**

	<b>Enterprise Fund</b>		
	<u>Water Fund</u>	<u>Sanitation Fund</u>	<u>Total</u>
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 608,578	\$ 344,950	\$ 953,528
Investments	1,647,733	966,699	2,614,432
Receivables:			
Service charges	543,463	7,686	551,149
Interest	11,352	6,678	18,030
Due from other funds	-	4,254	4,254
Miscellaneous	56	9,000	9,056
Prepaid expenses	12,362	5,478	17,840
<b>Total current assets</b>	<b>2,823,544</b>	<b>1,344,745</b>	<b>4,168,289</b>
Noncurrent assets			
Restricted cash and cash equivalents	136,817	-	136,817
Capital assets, at cost	11,115,883	1,688,465	12,804,348
Less: accumulated depreciation	(4,788,621)	(1,126,951)	(5,915,572)
<b>Total noncurrent assets</b>	<b>6,464,079</b>	<b>561,514</b>	<b>7,025,593</b>
<b>Total assets</b>	<b>\$ 9,287,623</b>	<b>\$ 1,906,259</b>	<b>\$ 11,193,882</b>
<b>LIABILITIES AND NET POSITION</b>			
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable and accrued expenses	\$ 48,207	\$ 30,278	\$ 78,485
Due to other funds	174	-	174
Unearned revenues	8,949	-	8,949
Long-term liabilities due within one year:			
Bonds and notes payable	110,067	-	110,067
<b>Total current liabilities</b>	<b>167,397</b>	<b>30,278</b>	<b>197,675</b>
Noncurrent liabilities			
Compensated absences liability	48,857	34,240	83,097
OPEB obligation	145,436	-	145,436
Bonds and notes payable	1,154,654	-	1,154,654
<b>Total noncurrent liabilities</b>	<b>1,348,947</b>	<b>34,240</b>	<b>1,383,187</b>
<b>Total liabilities</b>	<b>1,516,344</b>	<b>64,518</b>	<b>1,580,862</b>
<b>NET POSITION</b>			
Net investment in capital assets	5,062,541	561,514	5,624,055
Restricted	136,817	-	136,817
Unrestricted	2,571,921	1,280,227	3,852,148
<b>Total net position</b>	<b>\$ 7,771,279</b>	<b>\$ 1,841,741</b>	<b>\$ 9,613,020</b>

*The Notes to Financial Statements are an integral part of this statement.*

**TOWN OF BETHANY BEACH, DELAWARE**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN**  
**FUND NET POSITION**  
**BUSINESS-TYPE ACTIVITIES**  
**Year Ended March 31, 2020**

	<b>Enterprise Fund</b>		
	<u>Water Fund</u>	<u>Sanitation Fund</u>	<u>Total</u>
<b>OPERATING REVENUE</b>			
Charges for services	\$ 1,381,827	\$ 969,886	\$ 2,351,713
Other	53,068	-	53,068
<b>Total operating revenues</b>	<b>1,434,895</b>	<b>969,886</b>	<b>2,404,781</b>
<b>OPERATING EXPENSES</b>			
Operations	1,258,746	835,470	2,094,216
Depreciation and amortization	344,560	131,904	476,464
<b>Total operating expenses</b>	<b>1,603,306</b>	<b>967,374</b>	<b>2,570,680</b>
<b>Net operating (loss) income</b>	<b>(168,411)</b>	<b>2,512</b>	<b>(165,899)</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Non-operating revenue	374,037	-	374,037
Financial (expense) income, net	17,564	27,822	45,386
Gain on asset disposal	-	9,000	9,000
<b>Total non-operating revenue</b>	<b>391,601</b>	<b>36,822</b>	<b>428,423</b>
Change in net position	223,190	39,334	262,524
<b>Total net position, beginning of year</b>	<b>7,548,089</b>	<b>1,802,407</b>	<b>9,350,496</b>
<b>Total net position, end of year</b>	<b>\$ 7,771,279</b>	<b>\$ 1,841,741</b>	<b>\$ 9,613,020</b>

*The Notes to Financial Statements are an integral part of this statement.*

**TOWN OF BETHANY BEACH, DELAWARE**

**STATEMENT OF CASH FLOWS**

**BUSINESS-TYPE ACTIVITIES**

**Year Ended March 31, 2020**

	<b>Enterprise Fund</b>		
	<u>Water Fund</u>	<u>Sanitation Fund</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Receipts from customers	\$ 1,421,217	\$ 962,144	\$ 2,383,361
Payments to suppliers	(644,669)	(375,415)	(1,020,084)
Payments to employees	(616,344)	(450,801)	(1,067,145)
Net cash provided by operating activities	160,204	135,928	296,132
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Non-operating revenue	374,037	-	374,037
Advances to general fund, net	(656)	(4,957)	(5,613)
Net cash provided (used) by noncapital financing activities	373,381	(4,957)	368,424
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Proceeds from sale of asset	-	9,000	9,000
Acquisition of capital assets	(203,319)	(29,212)	(232,531)
Principal paid on long-term debt	(212,162)	-	(212,162)
Interest paid on long-term debt	(32,928)	-	(32,928)
Net cash used in capital and related financing activities	(448,409)	(20,212)	(468,621)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchase of investments	4,655	42,630	47,285
Interest income	50,492	27,822	78,314
Net cash provided by investing activities	55,147	70,452	125,599
<b>Net increase in cash and cash equivalents</b>	<b>140,323</b>	<b>181,211</b>	<b>321,534</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>605,072</b>	<b>163,739</b>	<b>768,811</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 745,395</b>	<b>\$ 344,950</b>	<b>\$ 1,090,345</b>
<b>RECONCILIATION OF OPERATING (LOSS) INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>			
Operating (loss) income	\$ (168,411)	\$ 2,512	\$ (165,899)
Adjustments to reconcile operating (loss) income to net cash provided by operating activities:			
Depreciation and amortization expense	344,560	131,904	476,464
Changes in assets and liabilities:			
Receivables, net	(18,286)	(7,742)	(26,028)
Prepaid expenses	1,520	(54)	1,466
Unearned revenue	4,608	-	4,608
Accounts payable and other accrued expenses	(101)	6,726	6,625
Compensated absences liability	(1,902)	2,582	680
OPEB obligation	(1,784)	-	(1,784)
<b>Net cash provided by operating activities</b>	<b>\$ 160,204</b>	<b>\$ 135,928</b>	<b>\$ 296,132</b>

*The Notes to Financial Statements are an integral part of this statement.*

## NOTES TO FINANCIAL STATEMENTS

### Note 1. Description of the Town of Bethany Beach, Delaware

The Town of Bethany Beach, Delaware (“the Town”) was incorporated in 1901 under the provisions of the State of Delaware, and was reincorporated in 1986. The Town operates under a Council-Manager form of government. The Town directly provides all basic local governmental services.

#### A. Financial Reporting Entity

In evaluating how to define the Town, for financial reporting purposes, management has considered all potential component units. The decision of whether to include a potential component unit was made by applying the criteria set forth in the GASB standards related to component units. The basis, but not the only criterion, for including a potential component unit is the exercise of oversight responsibility by the Town’s elected officials. Based upon the application of these criteria, there are no component units accompanying these statements.

### Note 2. Summary of Significant Accounting Policies

The financial statements of the Town have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of GASB. Governments have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The Town has elected not to follow subsequent private-sector guidance. The most significant of the Town’s accounting policies are described below.

#### A. Basis of Presentation

The Town’s basic financial statements consist of government-wide statements, including a Statement of Net Position and a Statement of Activities, and fund financial statements, which provide a more detailed level of financial information.

### GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities display information about the Town as a whole. These statements include the financial activities of the Town. The statements distinguish between those activities of the Town that are governmental and those that are considered business-type activities.

The Statement of Net Position presents the financial condition of the governmental and business-type activities of the Town at year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the Town’s governmental activities and for business-type activities of the Town. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Town, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from general revenues of the Town.

## NOTES TO FINANCIAL STATEMENTS

### Note 2. Summary of Significant Accounting Policies (continued)

#### A. Basis of Presentation (continued)

##### FUND FINANCIAL STATEMENTS

During the year, the Town segregates transactions related to certain Town functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Town at a more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each fund is presented in a separate column. Fiduciary funds are reported by type. There are no fiduciary funds.

#### B. Fund Accounting

The Town uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary, and fiduciary.

##### GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the Town's major governmental funds:

General Fund – The general fund is the general operating fund of the Town. All general revenues and other receipts that are not allocated by law or contractual agreement to another fund and general operating expenditures are accounted for in this fund.

Capital Projects Fund – The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities that are not financed by proprietary funds.

The remaining governmental funds which are non-major consist of the following:

The Special Revenue – Grants Fund is used to account for the proceeds of specific revenue sources. The Ambulance Fund is used to account for the proceeds and expenditures of ambulance fees.

##### PROPRIETARY FUNDS

Proprietary funds focus on the determination of changes in net position, financial position, and cash flows and are classified as enterprise funds.

Enterprise funds – Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The Town's enterprise funds are:

Water Fund – The water fund is used to account for all financial transactions, including the acquisition or construction of major capital facilities, related to the operation of the Town's water services.

Sanitation Fund – The sanitation fund is used to account for all financial transactions, including capital outlays, related to the operation of the Town's sanitation services.

# NOTES TO FINANCIAL STATEMENTS

## Note 2. Summary of Significant Accounting Policies (continued)

### B. Fund Accounting (continued)

#### FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net position and changes in net position. The Town does not have any fiduciary funds.

### C. Measurement Focus

Government-wide financial statements – The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the Town are included on the Statement of Net Position.

Fund financial statements – All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and liabilities associated with the operation of these funds are included on the Statement of Net Position. The Statement of Changes in Fund Net Position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position. The Statement of Cash Flows provides information about how the Town finances and meets the cash flow needs of its proprietary activities.

### D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues – Exchange and Non-Exchange Transactions – Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Town, “available” is defined as collected within 60 days of the fiscal year end.

Non-exchange transactions, in which the Town receives value without directly giving equal value in return, include primarily grants. Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the Town must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Town on a reimbursable basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.



## NOTES TO FINANCIAL STATEMENTS

### Note 2. Summary of Significant Accounting Policies (continued)

#### D. Basis of Accounting (continued)

##### Deferred Outflows / Inflows of Resources

In addition to assets, the Statement of Net Position and/or Balance Sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time.

In addition to liabilities, the Statement of Net Position and/or Balance Sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

See Note 9 for further details relating to the deferred outflows/inflows of resources, as recorded on the Statement of Net Position, relating to the Town's pension plan.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated assets during the year is reported in the operating statement as an expense with a like amount reported as donated revenue. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

#### E. Budgetary Process

The Town Council follows these procedures in establishing the budgetary data reflected within the financial statements:

- 1) The Budget Committee submits to the Town Council a proposed operating budget for the ensuing fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- 2) Council meets in open session to review the proposed operating budget.
- 3) Not before the public meeting and prior to the end of the preceding fiscal year, the budget is legally enacted.
- 4) Formal budgetary integration is employed as a management control device during the year for all the operating funds.
- 5) The budget for the general fund is adopted on a basis consistent with GAAP as applicable to governments.
- 6) The budgets for the special revenue fund are approved on a program-by-program basis by the funding agencies.
- 7) The Town Council may amend the approved budget periodically throughout the year.

#### F. Cash Equivalents

For purposes of the Statement of Cash Flows, the enterprise funds consider all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

## NOTES TO FINANCIAL STATEMENTS

### Note 2. Summary of Significant Accounting Policies (continued)

#### G. Investments

Investments consist of certificates of deposit and are carried at cost, which approximates fair market value.

#### H. Receivables

Anticipated bad debts are considered to be negligible by the Town management and, accordingly, no provision for bad debts has been included in the financial statements.

#### I. Capital Assets

General capital assets are those assets not specifically related to activities reported in proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide Statement of Net Position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide Statement of Net Position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical costs) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The Town maintains a capitalization threshold of \$10,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add value to the asset or materially extend an asset's life are not.

All reported capital assets except land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over estimated useful lives of the assets, ranging from 4 to 50 years.

#### J. Restricted Assets

Restricted assets consist of cash and cash equivalents restricted for specified projects and/or purposes.

#### K. Unearned Revenue

Unearned revenues at March 31, 2020 are as follows:

	Governmental Activities	Business-Type Activities	Total
Parking permits	\$ 36,205	\$ -	\$ 36,205
Licenses	64,240	-	64,240
Concession fees	80,000	-	80,000
Grants	37,483	-	37,483
Ambulance fees	94,577	-	94,577
Other	25,307	8,949	34,256
<b>Total unearned revenues</b>	<b>\$ 337,812</b>	<b>\$ 8,949</b>	<b>\$ 346,761</b>

## NOTES TO FINANCIAL STATEMENTS

### Note 2. Summary of Significant Accounting Policies (continued)

#### L. Compensated Absences

An employee may accumulate 24 days of vacation pay. No sick days are accumulated until an individual's term of employment has exceeded 3 years. Then, an employee may accumulate up to 20 days of sick leave. The Town accrues a liability for compensated absences, which meet the following criteria:

- The Town's obligation relating to employees' rights to receive compensation for future absences is attributable to employees' services already rendered.
- The obligation relates to rights that vest or accumulate.
- Payment of the compensation is probable.
- The amount can be reasonably estimated.

In accordance with the above criteria, the Town has accrued a liability for vacation pay and sick leave, which has been earned but not taken by Town employees. The entire compensated absences liability is reported on the government-wide financial statements. For governmental funds, the long-term portion of the liability for compensated absences is not recorded since it is anticipated that none of the liability will be liquidated with expendable available financial resources. The liability for compensated absences of the proprietary fund type is recorded within the fund as an accrued liability in accordance with U.S. GAAP.

#### M. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide statements, and all payables, accrued liabilities, and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year.

#### N. Net Position

Net position represents the net amount of assets, deferred outflows of resources, liabilities and deferred inflows of resources. Government-wide and proprietary fund net position is divided into three components:

Net investment in capital assets – consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets.

Restricted – consists of net position that is restricted due to limitations imposed on their use either through the enabling legislation adopted by the Town or through external restrictions imposed by grantors, creditors, or laws or regulations of other governments.

Unrestricted – all remaining balances.

The Town applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

## NOTES TO FINANCIAL STATEMENTS

### Note 2. Summary of Significant Accounting Policies (continued)

#### O. Governmental Fund Balances

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

Nonspendable – Amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts that can be spent only for specific purposes because of the Town charter or code, state or federal laws, or externally imposed conditions by grantors or creditors.

Committed – Amounts that can be used only for specific purposes determined by formal action by the Town Council through ordinance or resolution.

Assigned – Amounts that are designated by the Council or management with intent to be used for specific purposes, but are neither restricted or committed by ordinance or resolution.

Unassigned – Amounts not included in other spendable classifications.

The Town did not have any assigned fund balances at March 31, 2020. The purpose for committed funds is indicated on the face of the Balance Sheet. Restricted funds are grant monies from other governments or agencies that are to be spent for specific purposes. Nonspendable fund balances consist of prepaid amounts.

#### P. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the Town, these revenues are charges for services for water and sanitation activities. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the fund. Revenues not meeting these definitions are reported as non-operating.

#### Q. Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

#### R. Interfund Receivables/Payables

On fund financial statements, receivables and payables resulting from short-term interfund loans or interfund services provided and used are classified as “Interfund Receivables/Payables.” Interfund balances within governmental activities and within business-type activities are eliminated on the government-wide Statement of Net Position. The only interfund balances which remain on the government-wide Statement of Net Position are those between governmental and business-type activities. These amounts are reflected as “Internal Balances.”

## NOTES TO FINANCIAL STATEMENTS

### Note 2. Summary of Significant Accounting Policies (continued)

#### S. Interfund Transfers In/Out

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flow of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in enterprise funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

#### T. Reclassifications

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

#### U. Operating Leases

The Town has several parking lot lease agreements with various lease terms, renewable annually. Rent expense totaled approximately \$70,000 for the year ended March 31, 2020.

### Note 3. Real Estate Taxes

The tax on real estate in the Town area for the fiscal year ended March 31, 2020 was \$0.185 per \$100 of assessed valuation as levied by the Town Council. The Town bills and collects its own real estate taxes. Delinquent taxes are levied by the Town. The schedule of real estate taxes levied for the fiscal year is as follows:

- June 1 - Levy date (effective date of enforceable lien)
- September 1 - 2% penalty for each subsequent month not paid

## NOTES TO FINANCIAL STATEMENTS

### Note 4. Cash and Investments

The deposit and investment policy of the Town adheres to business practices of Delaware municipalities. Town deposits are held in federally regulated financial institutions whose deposits are covered by the Federal Deposit Insurance Corporation (FDIC), or are collateralized with securities held by the pledging financial institution, therefore minimizing custodial credit risk.

#### Cash and Cash Equivalents

The following summary represents the Town deposits which are (Category 1) fully insured or collateralized with securities held by the Town or its agent in the Town's name, (Category 2) those deposits which are collateralized with securities held by the pledging financial institution's trust department or agent(s) in the Town's name, and (Category 3) those deposits which are not collateralized, including any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the Town's name at March 31, 2020:

Description	Financial Institution Balances			Totals	Carrying Amounts
	1	2	3		
Cash and cash equivalents:					
Unrestricted	\$ 751,200	\$ 1,098,269	\$ -	\$ 1,849,469	\$ 2,075,060
Restricted	-	610,908	-	610,908	249,725
<b>Totals</b>	<b>\$ 751,200</b>	<b>\$ 1,709,177</b>	<b>\$ -</b>	<b>\$ 2,460,377</b>	<b>\$ 2,324,785</b>

#### Investments

The Town's investments are categorized according to the level of credit risk assumed as of the balance sheet date. Category 1 includes investments that are insured, registered, or are held by the Town's agent in the Town's name. Category 2 includes uninsured and unregistered investments held by the counterparty's trust department or agent in the Town's name. Category 3 includes uninsured and unregistered investments held by the counterparty, its trust department, or its agent but not in the Town's name. At March 31, 2020, the Town's investments consist of the following:

Description	Category	Amounts	
		Market	Carrying
Certificates of deposit	1, 2	\$ 8,820,000	\$ 8,820,000
Investments:			
Unrestricted		\$ 8,820,000	\$ 8,820,000
<b>Total investments</b>		<b>\$ 8,820,000</b>	<b>\$ 8,820,000</b>

The Town's exposure to investment rate and credit risk is minimal, as most investments are in cash or certificates of deposits and are thus precluded from having to sell below original cost.

Of the \$8,820,000 in investments, \$6,770,000 has been designated for capital replacement and \$2,050,000 has been designated for Storm Emergency Relief.

## NOTES TO FINANCIAL STATEMENTS

### Note 5. Capital Assets

The following is a summary of changes in capital assets for the year ended March 31, 2020:

GOVERNMENTAL ACTIVITIES	March 31, 2019	Additions	Deletions/ Transfers	March 31, 2020
Capital assets, not being depreciated:				
Land	\$ 4,886,783	\$ 1,400,000	\$ -	\$ 6,286,783
Construction in progress	2,706,109	1,315,952	(2,449,753)	1,572,308
Total capital assets, not being depreciated	<u>7,592,892</u>	<u>2,715,952</u>	<u>(2,449,753)</u>	<u>7,859,091</u>
Capital assets, being depreciated:				
Beach and boardwalk	1,109,911	118,419	-	1,228,330
Building and improvements	4,531,220	116,911	-	4,648,131
Land improvements	626,492	-	-	626,492
Machinery and equipment	999,073	441,914	-	1,440,987
Stormwater	1,118,338	-	-	1,118,338
Streets and parks	4,468,595	572,287	2,102,590	7,143,472
Vehicles	1,142,181	119,721	(104,790)	1,157,112
Total capital assets, being depreciated	<u>13,995,810</u>	<u>1,369,252</u>	<u>1,997,800</u>	<u>17,362,862</u>
Less accumulated depreciation:				
Beach and boardwalk	499,431	51,922	-	551,353
Building and improvements	2,664,456	145,100	-	2,809,556
Land improvements	478,762	39,035	-	517,797
Machinery and equipment	782,059	83,446	-	865,505
Stormwater	731,740	59,132	-	790,872
Streets and parks	2,154,968	494,078	(347,163)	2,301,883
Vehicles	949,979	85,972	(99,434)	936,517
Total accumulated depreciation	<u>8,261,395</u>	<u>958,685</u>	<u>(446,597)</u>	<u>8,773,483</u>
Total capital assets, being depreciated, net	<u>5,734,415</u>	<u>410,567</u>	<u>2,444,397</u>	<u>8,589,379</u>
Governmental activities capital assets, net	<u>\$ 13,327,307</u>	<u>\$ 3,126,519</u>	<u>\$ (5,356)</u>	<u>\$ 16,448,470</u>

Depreciation expense was charged to governmental functions as follows:

General, administrative, and park development	\$ 75,798
Licenses and inspections	4,517
Police and Alderman	73,021
Parking	25,286
Public works:	
Stormwater management	80,125
Streets and parks	594,982
Beach and boardwalk	71,939
Recreation - entertainment	30,168
Cultural, historical, and parade	2,849
	<u>\$ 958,685</u>

## NOTES TO FINANCIAL STATEMENTS

### Note 5. Capital Assets (continued)

<b>BUSINESS-TYPE ACTIVITIES</b>	March 31, 2019	Additions	Deletions/ Transfers	March 31, 2020
<b>Water Fund</b>				
Capital assets, being depreciated:				
Plant and water distribution system	\$ 10,432,102	\$ 21,184	\$ -	\$ 10,453,286
Vehicles and equipment	480,462	182,135	-	662,597
<b>Total capital assets, being depreciated</b>	<b>10,912,564</b>	<b>203,319</b>	<b>-</b>	<b>11,115,883</b>
Total accumulated depreciation	4,444,061	344,560	-	4,788,621
Total capital assets, being depreciated, net	6,468,503	(141,241)	-	6,327,262
<b>Water Fund capital assets, net</b>	<b>\$ 6,468,503</b>	<b>\$ (141,241)</b>	<b>\$ -</b>	<b>\$ 6,327,262</b>
<b>Sanitation Fund</b>				
Capital assets, being depreciated:				
Vehicles and equipment	\$ 1,776,445	\$ 29,212	\$ (117,192)	\$ 1,688,465
<b>Total capital assets, being depreciated</b>	<b>1,776,445</b>	<b>29,212</b>	<b>(117,192)</b>	<b>1,688,465</b>
Total accumulated depreciation	1,112,239	131,904	(117,192)	1,126,951
Total capital assets, being depreciated, net	664,206	(102,692)	-	561,514
<b>Sanitation Fund capital assets, net</b>	<b>\$ 664,206</b>	<b>\$ (102,692)</b>	<b>\$ -</b>	<b>\$ 561,514</b>
<b>Business-type activities capital assets, net</b>	<b>\$ 7,132,709</b>	<b>\$ (243,933)</b>	<b>\$ -</b>	<b>\$ 6,888,776</b>



## NOTES TO FINANCIAL STATEMENTS

### Note 6. Bonds and Notes Payable – Business-Type Activities

The following is a summary of the changes in the business-type activities long-term debt obligations:

	Interest Rate	Maturity Date	Balances March 31, 2019	Additions	Retirements and Repayments	Balances March 31, 2020	Amount Due in One Year
Compensated absences			\$ 82,417	\$ 680	\$ -	\$ 83,097	\$ -
General obligation bonds:							
Series 2012-SRF	2.13%	2033	1,476,883	-	212,162	1,264,721	110,067
Total business-type activities long-term debt			\$ 1,559,300	\$ 680	\$ 212,162	\$ 1,347,818	\$ 110,067

Total annual requirements to amortize all business-type activities debt outstanding as of March 31, 2020 are as follows:

Fiscal Year Ending March 31,	Principal	Interest	Total
2021	\$ 110,067	\$ 27,523	\$ 137,590
2022	113,598	23,992	137,590
2023	116,030	21,560	137,590
2024	118,515	19,075	137,590
2025	121,053	16,537	137,590
2026 - 2030	645,274	42,677	687,951
2031	40,184	428	40,612
	<u>\$ 1,264,721</u>	<u>\$ 151,792</u>	<u>\$ 1,416,513</u>

Interest expense in the business-type activities for the year ended March 31, 2020 totaled \$32,928.

## NOTES TO FINANCIAL STATEMENTS

### Note 7. Bonds and Notes Payable – Governmental Activities

The following is a summary of the changes in the governmental activities long-term debt obligations:

	Interest Rate	Maturity Date	Balances March 31, 2019	Additions	Retirements and Repayments	Balances March 31, 2020	Amount Due in One Year
Compensated absences			\$ 218,347	\$ 31,979	\$ -	\$ 250,326	\$ -
Total governmental activities long-term debt			\$ 218,347	\$ 31,979	\$ -	\$ 250,326	\$ -

Interest expense in the governmental activities for the year ended March 31, 2020 totaled \$0.

## NOTES TO FINANCIAL STATEMENTS

### Note 8. Post-Employment Healthcare Benefits

#### Plan Description

The Town administers a single-employer defined benefit healthcare plan (the “Plan”) for employees hired prior to June 1, 1999 with at least 7 years of service who have not opted out of this benefit. Currently two retirees and their families are eligible for these benefits and the Town also provides healthcare benefits for one (active) individual based upon an agreement made during the time of employment. The Town has the authority to establish and amend the funding of the Plan. The Plan is closed to new entrants. No assets are accumulated in a trust that meet the criteria as defined in GASB No. 75 paragraph 4. The Town pays for the cost of the Plan on a pay-as-you-go basis from the general and water funds. The Plan does not issue a publicly available financial report.

#### ASSUMPTION

Age Adjustment Factor	0.5113162%
Average Retirement Age:	70
Employer Future Premium Contribution	Remain a level % of the total cost over time
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll
Assets Backing OPEB Liability	\$0
Plan Asset Return	2.00%
Bond Yield	2.00%
Discount Rate	2.00%
Measurement Date	3/31/2020
Prior Measurement Date	3/31/2019
Prior Year Discount Rate	2.00%
Projected Salary Increases	3.00%
Amortization Period	20
Percentage Participation	100.00%
NOL and ADC	Calculated using the Alternative Measurement Method in accordance with GASB methodology.
Mortality Table	RP2000 Mortality Table for Males and Females Projected 18 years; this assumption does not include a margin for future improvements in longevity.
Turnover Assumption:	Derived from data maintained by the U.S. Office of Personnel Management regarding the most recent experience of the employee group covered by the Federal Employees Retirement System.

#### HEALTHCARE COST TREND RATES

	Medical	Pharmacy	Dental	Vision
YEAR 1	4.60%	7.60%	4.00%	3.00%
YEAR 10+	4.70%	4.70%	3.00%	3.00%

## NOTES TO FINANCIAL STATEMENTS

### Note 8. Post-Employment Healthcare Benefits (continued)

The following presents the Plan's total OPEB liability, calculated using the current discount rate, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1% point lower or 1% point higher:

DISCOUNT RATE			
System	1% Decrease	Discount Rate	1% Increase
Total OPEB liability	\$ 275,092	\$ 242,392	\$ 215,289

The following presents the Plan's total OPEB liability, calculated using the current health care trend rate, as well as what the total OPEB liability would be if it were calculated using a health care trend rate that is 1% point lower or 1% point higher:

HEALTH CARE TREND			
System	1% Decrease	Discount Rate	1% Increase
Total OPEB liability	\$ 214,139	\$ 242,392	\$ 275,801

Changes in the total OPEB liability are as follows:

	Total OPEB Liability (a)	Change in Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balances - beginning of year	\$ 245,367	\$ -	\$ 245,367
Service cost	2,078	-	2,078
Interest on total OPEB liability	4,905	-	4,905
Effect of plan changes	-	-	-
Effect of economic/demographic gains or losses	(5,552)	-	(5,552)
Effect of assumption changes or inputs	-	-	-
Benefit payments	(4,406)	(4,406)	-
Employer contributions	-	4,406	(4,406)
Employee contributions	-	-	-
Net investment income	-	-	-
Administrative expense	-	-	-
Balances - end of year	\$ 242,392	\$ -	\$ 242,392

As of March 31, 2020, the Town has designated \$313,776 in cash to pay for these future benefits which is included in cash and cash equivalents on the statement of net position.

## NOTES TO FINANCIAL STATEMENTS

### Note 8. Post-Employment Healthcare Benefits (continued)

The amount of OPEB expense recognized in the reporting period are as follows:

Service cost	\$	2,078
Interest on total OPEB liability		4,905
Effect of plan changes		-
Administrative expense		-
Employee contributions		-
Expected investment return net of investment expense		-
Recognition of effect of economic/demographic gains or losses		(5,552)
Recognition of effect of assumption changes or inputs		-
<hr/>		
OPEB Expense	\$	1,431

Per GASB 75 Paragraph 43(a), deferred inflows/outflows of resources related to differences between actual and expected experience with regard to economic or demographic factors or changes in assumptions and other inputs should not be used under the Alternative Measurement Method. These items should be recognized in OPEB expense immediately. Per Paragraph 43(b), the difference between projected and actual earnings on OPEB plan investments should be recognized in OPEB expense over a closed 5 year period; the amount not immediately recognized should be reported as deferred inflows/outflows. As such, if your plan does not have OPEB assets in a trust, deferred inflows/outflows are \$0.

## NOTES TO FINANCIAL STATEMENTS

### Note 9. Pension and Retirement Plans

#### A. Plan Descriptions and Contribution Information

The County & Municipal Other Employees' Pension Plan (the Employee Plan) and the County & Municipal Police and Firefighters' Pension Plan (the Police & Fire Plan) are cost sharing multiple-employer defined-benefit pension plans established in the Delaware Code (collectively "the Plans"). The Plans are administered by the Delaware Public Employees' Retirement System (DPERS).

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 both Plans 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 Plans are commingled with other Plans for investment purposes, the Plans' assets may be used only for the payment of benefits to the members of the Plans in accordance with the terms of the Plans.

Separately issued financial statements for DPERS are available from the pension office at:

McArdle Building, Suite 1  
860 Silver Lake Blvd  
Dover, DE 19904

The following are brief descriptions of the Plans in effect as of June 30, 2019. For a more complete description, please refer to the DPERS CAFR.

#### Plan Description and Eligibility

The Employee Plan – Covers employees of counties or municipalities that have joined the Employee Plan.

The Police & Fire Plan – Covers police officers and firefighters employed by a county or municipality of the State that have joined the Police & Fire Plan.

#### Service Benefits

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

The Police & Fire Plan – 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 (excluding overtime and special pay).

**Vesting** – 5 years of credited service.

#### Retirement

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

The Police & Fire Plan – 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.

## NOTES TO FINANCIAL STATEMENTS

### Note 9. Pension and Retirement Plans (continued)

#### Disability Benefits

The Employee Plan – Same as Service Benefits. Employee must have 5 years of credited service.

The Police & Fire Plan –

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

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

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

#### Survivor Benefits

The Employee Plan – If 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.

The Police & Fire Plan – If 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. If the member is killed in the line of duty, the eligible survivor receives 75% of the member's compensation.

#### B. Basis of Presentation

The Schedules of Employer Allocations and Pension Amounts by Employer (collectively, the Schedules) present amounts that are considered elements of the financial statements of DPERS or of its participating employers. Accordingly, they do not purport to be a complete presentation of the financial position or changes in financial position of DPERS or the participating employers. The accompanying schedules have been prepared in conformity with U.S. generally accepted accounting principles as prescribed by the GASB. Such preparation requires management of DPERS to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from those estimates.

#### C. Allocation Methodology

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, requires participating employers in the Plans to recognize their proportionate share of the collective net pension liability, collective deferred inflows of resources, collective deferred outflows of resources, and collective pension expense excluding that attributable to employer-paid member contributions. The employer allocation percentages presented in the Schedule of Employer Allocations and applied to amounts presented in the Schedule of Pension Amounts by Employer are based on the ratio of each employer's contribution to the Plans' total employer contributions during the measurement period July 1, 2018 through June 30, 2019, adjusted to remove contributions to separately finance specific liabilities of an individual employer. Employer contributions to the Plans are recognized when due pursuant to legal requirements. Employer contributions are determined by the Board of Pension Trustees. Employer contributions were 7.3% and 16.68% of earnings for fiscal year 2019 for the Employee Plan and the Police & Fire Plan, respectively.

## NOTES TO FINANCIAL STATEMENTS

### Note 9. Pension and Retirement Plans (continued)

#### D. Collective Net Pension Liability and Actuarial Information

The components of the net pension liability of the Town at June 30, 2019 were as follows:

Plan	County & Municipal Other Employees'	County & Municipal Police & Firefighters'
Employers' total pension liability	\$ 2,460,869	\$ 3,352,924
Plan net position	2,282,263	3,126,629
Employers' net pension liability	\$ 178,606	\$ 226,295
Employer's proportionate (percentage) of the collective NPL	3.8989%	0.7879%

*The amounts above represent the Town's proportional percentage*

#### Actuarial Assumptions

The total pension liability for the June 30, 2019 measurement date was determined by an actuarial valuation as of June 30, 2018, with update procedures used to roll forward the total pension liability to June 30, 2019. These actuarial valuations used the following actuarial assumptions:

Plan	County & Municipal Other Employees'	County & Municipal Police & Firefighters'
Actuarial assumptions:		
Investment rate of return / discount rate (1)	7.0%	7.0%
Projected salary increases (1)	2.5% + Merit	2.5% + Merit
Cost-of-living adjustments	0.00%	0.00%

(1) Inflation is included at 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. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

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

Projected benefit payments do not include the effects of projected ad hoc cost of living adjustments (ad hoc COLAs) as they are not substantively automatic. The primary considerations relevant to making this determination include the historical pattern of granting the changes and the consistency in the amounts of the changes.



## NOTES TO FINANCIAL STATEMENTS

### Note 9. Pension and Retirement Plans (continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by an asset allocation percentage, which is based on the nature and mix of current and expected plan investments, and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Plans' current and expected asset allocation is summarized in the following table:

<b>Asset Class</b>	<b>Long-Term Expected Real Rate of Return</b>	<b>Asset Allocation</b>
Domestic equity	5.7%	29.5%
International equity	5.7%	13.5%
Fixed income	2.0%	27.1%
Alternative investments	7.8%	22.4%
Cash and equivalents	0.0%	7.5%

*Discount rates* – The discount rate used to measure the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at 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 investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the net pension liability (asset) to changes in the discount rate* – The following presents the net pension liability (asset), calculated using the discount rate of 7.0%, as well as what the 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:

<b>Plans</b>	<b>1% Decrease</b>	<b>Discount Rate</b>	<b>1% Increase</b>
County & Municipal Other Employees'	\$ 560,038	\$ 178,606	\$ (134,629)
County & Municipal Police & Firefighters'	743,407	226,295	(195,486)
Total pensions liability / (asset)	\$ 1,303,445	\$ 404,901	\$ (330,115)

*The amounts above represent the Town's proportional percentage*

## NOTES TO FINANCIAL STATEMENTS

### Note 9. Pension and Retirement Plans (continued)

#### E. Deferred Outflows of Resources, Deferred Inflows of Resources and Net Pension Liability

The following presents a summary of changes in the deferred outflows of resources, deferred inflows of resources and the net pension liability (asset):

	Amortization period	March 31, 2019	Additions	Deductions	March 31, 2020
<b><u>County &amp; Municipal Other Employees'</u></b>					
Deferred outflows (inflows) of resources:					
Difference between expected and actual experience	8-9 years	\$ (12,259)	\$ 23,167	\$ 210	\$ 11,118
Changes of assumptions	9 years	75,393	-	(15,983)	59,410
Net difference between projected and actual earnings on pension plan investments	5 years	(23,867)	46,397	(19,570)	2,960
Change in proportion	8-9 years	(13,856)	(6,580)	2,888	(17,548)
Year ending contribution	N/A	94,622	102,815	(94,622)	102,815
<b>Net deferred outflows (inflows)</b>		<b>\$ 120,033</b>	<b>\$ 165,799</b>	<b>\$ (127,077)</b>	<b>\$ 158,755</b>
<b>Net pension liability (asset)</b>	N/A	<b>\$ 132,058</b>	<b>\$ 46,548</b>	<b>\$ -</b>	<b>\$ 178,606</b>
<b><u>County &amp; Municipal Police &amp; Firefighters'</u></b>					
Deferred outflows (inflows) of resources:					
Difference between expected and actual experience	10-11 years	\$ 116,776	\$ (7,897)	\$ (14,775)	\$ 94,104
Changes of assumptions	10 years	34,993	-	(4,787)	30,206
Net difference between projected and actual earnings on pension plan investments	5 years	(32,545)	64,229	(29,507)	2,177
Change in proportion	10-11 years	(4,407)	(1,922)	946	(5,383)
Year ending contribution	N/A	84,285	93,593	(84,285)	93,593
<b>Net deferred outflows (inflows)</b>		<b>\$ 199,102</b>	<b>\$ 148,003</b>	<b>\$ (132,408)</b>	<b>\$ 214,697</b>
<b>Net pension liability (asset)</b>	N/A	<b>\$ 186,761</b>	<b>\$ 39,534</b>	<b>\$ -</b>	<b>\$ 226,295</b>

*The amounts above represent the Town's proportional percentage*

The \$196,408 of deferred outflows of resources resulting from the Town's contributions to the plans subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ending March 31, 2021.

## NOTES TO FINANCIAL STATEMENTS

### Note 9. Pension and Retirement Plans (continued)

#### E. Deferred Outflows of Resources, Deferred Inflows of Resources and Net Pension Liability (continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension (income) expense as follows:

Years ending June 30:	County & Municipal Other Employees'	County & Municipal Police & Firefighters'	Total
2021	\$ 20,112	\$ 30,054	\$ 50,166
2022	(5,888)	(7,946)	(13,834)
2023	5,512	10,054	15,566
2024	21,200	27,054	48,254
2025	12,200	14,053	26,253
Thereafter	2,804	47,835	50,639
	<u>\$ 55,940</u>	<u>\$ 121,104</u>	<u>\$ 177,044</u>

*The amounts above represent the Town's proportional percentage*

#### F. Pension Expense

The components of pension expense are as follows:

	County & Municipal Other Employees'	County & Municipal Police & Firefighters'	Total
Service costs	\$ 208,025	\$ 232,901	\$ 440,926
Interest on total pension liability	162,857	221,849	384,706
Member contributions	(45,422)	(50,717)	(96,139)
Administrative expense	3,743	1,150	4,893
Changes in benefit terms	2,612	969	3,581
Projected earnings on plan investments	(148,704)	(205,752)	(354,456)
Recognition of deferred outflows and inflows of resources:			
Difference between projected and actual earnings on plan investments	210	(29,507)	(29,297)
Difference between expected and actual experiences with regards to factors or other inputs in the measurement of total pension liability	(19,570)	(14,775)	(34,345)
Change in assumptions with regards to factors or other inputs in the measurement of total pension liability	(15,983)	(4,787)	(20,770)
<b>Total pension expense</b>	<u>\$ 147,768</u>	<u>\$ 151,331</u>	<u>\$ 299,099</u>

*The amounts above represent the Town's proportional percentage*

## NOTES TO FINANCIAL STATEMENTS

### **Note 9. Pension and Retirement Plans (continued)**

For the year ended March 31, 2020, the Town's payroll for all employees was \$3,663,285. As of the plans measurement date, June 30, 2019, total covered payroll was \$2,421,282. Covered payroll refers to all compensation paid by the Town to active employees covered by the Plans.

### **Note 10. Risk Management**

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town's risk financing techniques include the purchase of commercial insurance.

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

### **Note 11. Commitments, Contingencies, and Subsequent Events**

In the normal course of business, there are outstanding various commitments and contingent liabilities in addition to the normal encumbrances for the purchases 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.

The Town is a defendant in several lawsuits. After considering all relevant facts and the opinion of legal counsel, it is management's opinion that such litigation will not, in the aggregate, have a material adverse effect on the financial position of the Town.

### **Note 12. COVID-19 Pandemic**

The COVID-19 pandemic has affected the Town's operations in early fiscal year 2021. Summer season revenues for fiscal year 2021 remain uncertain, and the Town has incurred direct costs related to fighting the pandemic during the first quarter of fiscal year 2021.

REQUIRED SUPPLEMENTARY INFORMATION

**TOWN OF BETHANY BEACH, DELAWARE**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
**Year Ended March 31, 2020**

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance with Final Budget Favorable <u>(Unfavorable)</u>
<b>REVENUES:</b>				
Taxes:				
Property	\$ 1,975,000	\$ 1,975,000	\$ 1,982,984	\$ 7,984
Rental real estate	1,600,000	1,600,000	1,702,048	102,048
Transfer	650,000	650,000	1,280,103	630,103
Parking revenues	2,016,000	2,016,000	2,220,007	204,007
Licenses, permits, and fees	823,000	823,000	1,102,281	279,281
Police and Alderman fines and revenue	65,000	65,000	59,395	(5,605)
Interest	140,000	140,000	175,871	35,871
Contributions	32,000	32,000	18,274	(13,726)
Miscellaneous	14,000	14,000	42,215	28,215
<b>Total revenues</b>	<b>7,315,000</b>	<b>7,315,000</b>	<b>8,583,178</b>	<b>1,268,178</b>
<b>EXPENDITURES:</b>				
General and administration	1,063,000	1,045,000	1,030,809	14,191
Licenses and inspections	321,000	321,000	295,036	25,964
Public safety:				
Police	1,773,000	1,773,000	1,741,743	31,257
Alderman	37,000	37,000	34,972	2,028
Parking	557,000	557,000	555,939	1,061
Beach patrol	615,000	633,000	631,592	1,408
Public works:				
Stormwater management	168,000	168,000	145,712	22,288
Streets and parks	1,114,000	1,114,000	1,098,357	15,643
Beach and boardwalk	396,000	396,000	393,975	2,025
Recreation - entertainment	295,000	295,000	273,248	21,752
Cultural, historical, and parade	60,000	60,000	28,210	31,790
<b>Total expenditures</b>	<b>6,399,000</b>	<b>6,399,000</b>	<b>6,229,593</b>	<b>169,407</b>
<b>Excess of revenues over expenditures</b>	<b>916,000</b>	<b>916,000</b>	<b>2,353,585</b>	<b>1,437,585</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfer out	(968,000)	(4,527,000)	(3,930,004)	596,996
Fund balance appropriated	52,000	3,611,000	-	(3,611,000)
<b>Total other financing uses</b>	<b>(916,000)</b>	<b>(916,000)</b>	<b>(3,930,004)</b>	<b>(3,014,004)</b>
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>(1,576,419)</b>	<b>\$ (1,576,419)</b>
Fund balance, beginning of year			8,363,200	
Fund balance, end of year			<b>\$ 6,786,781</b>	

**TOWN OF BETHANY BEACH, DELAWARE**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**March 31, 2020**

**Note 1. Budgetary Basis**

Required supplementary information includes financial information and disclosures that are required by the Governmental Accounting Standards Board but are not considered part of the basic financial statements. The budgetary information is prepared and adopted on a basis that is consistent with generally accepted accounting principles.

**TOWN OF BETHANY BEACH, DELAWARE**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF THE CHANGES IN THE TOTAL OPEB LIABILITY**  
**Last ten fiscal years**  
**March 31, 2020**

Measurement date	March 31, 2020	March 31, 2019	March 31, 2018	March 31, 2017	March 31, 2016	March 31, 2015	March 31, 2014	March 31, 2013	March 31, 2012	March 31, 2011
Balances - beginning of year	\$ 245,367	\$ 273,684								
Service cost	2,078	4,991								
Interest on total OPEB liability	4,905	5,479								
Effect of plan changes	-	-								
Effect of economic/demographic gains/losses	(5,552)	(29,287)								
Effect of assumption changes or inputs	-	-								
Benefit payments	(4,406)	(9,500)								
Employer contributions	-	-								
Employee contributions	-	-								
Net investment income	-	-								
Administrative expense	-	-								
<b>Balances - end of year</b>	<b>\$ 242,392</b>	<b>\$ 245,367</b>								

This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, only information for those years for which the information is available, will be presented.



**TOWN OF BETHANY BEACH, DELAWARE**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF THE TOTAL OPEB LIABILITY AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL**  
**Last ten fiscal years**  
**March 31, 2020**

<b>Measurement date</b>	<b>March 31, 2020</b>	<b>March 31, 2019</b>	<b>March 31, 2018</b>	<b>March 31, 2017</b>	<b>March 31, 2016</b>	<b>March 31, 2015</b>	<b>March 31, 2014</b>	<b>March 31, 2013</b>	<b>March 31, 2012</b>	<b>March 31, 2011</b>
Total OPEB liability (a)	\$ 242,392	\$ 245,367								
Covered-employee payroll (b)	64,590	64,251								
% of covered-employee payroll (a/b)	375%	382%								

This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, only information for those years for which the information is available, will be presented.

**TOWN OF BETHANY BEACH, DELAWARE**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION - OPEB PLAN**  
**March 31, 2020**

No assets are accumulated in a trust that meets the criteria in GASB No. 75, paragraph 4, to pay related benefits.

As of March 31, 2019, the Town has designated \$313,776 in cash to pay for these future benefits which is included in cash and cash equivalents on the statement of net position.

The following factors affect trends in the amounts reported:

**March 31, 2020**

None

**March 31, 2019**

None

**TOWN OF BETHANY BEACH, DELAWARE**

**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (as of measurement date)  
Year Ended March 31, 2020**

Measurement Date	Employer's Proportion (Percentage) of the Collective NPL A	Employer's Proportionate Share of the Collective NPL B	Employer's Covered Employee Payroll C	Proportionate Share as a Percentage of Covered Payroll (B / C)	Plan's Total Fiduciary Net Position D	Plan's Total Pension Liability E	Plan's Fiduciary Net Position as a Percentage of Total Pension Liability (D / E)
<b>MUNI PLAN</b>							
June 30, 2015	5.2189%	\$ 2,227	\$ 1,547,091	0%	\$ 37,840,000	\$ 37,883,000	100%
June 30, 2016	4.8223%	298,781	1,611,214	19%	39,292,000	45,488,000	86%
June 30, 2017	4.4402%	287,692	1,651,341	17%	45,874,000	52,353,000	88%
June 30, 2018	4.1964%	132,058	1,672,517	8%	53,122,000	56,269,000	94%
June 30, 2019	3.8989%	178,606	1,724,816	10%	58,536,000	63,117,000	93%
<b>POLICE PLAN</b>							
June 30, 2015	0.8631%	\$ (45,490)	\$ 612,807	-7%	\$ 273,109,000	\$ 267,839,000	102%
June 30, 2016	0.8349%	132,715	608,271	22%	284,298,000	300,194,000	95%
June 30, 2017	0.7658%	77,207	629,242	12%	325,867,000	335,948,000	97%
June 30, 2018	0.8109%	186,761	673,468	28%	367,470,000	390,500,000	94%
June 30, 2019	0.7879%	226,295	696,466	32%	396,829,000	425,552,000	93%

This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, pension plans should present information for those years for which the information is available.

**TOWN OF BETHANY BEACH, DELAWARE**

**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CONTRIBUTIONS - PENSION PLAN (as of fiscal year end)**  
**Year Ended March 31, 2020**

Fiscal Year	Contractually Required Contribution A	Actual Contribution B	Contribution Deficiency (Excess) (A - B)	Employer's Covered Employee Payroll C	Actual Contribution as a Percentage of Covered Payroll (B / C)
<b>MUNI PLAN</b>					
2016	\$ 100,252	\$ 100,252	\$ -	\$ 1,547,091	6%
2017	100,180	100,180	-	1,611,214	6%
2018	111,630	111,630	-	1,651,341	7%
2019	118,582	118,582	-	1,672,517	7%
2020	126,254	126,254	-	1,724,816	7%
<b>POLICE PLAN</b>					
2016	\$ 86,896	\$ 86,896	\$ -	\$ 612,807	14%
2017	84,246	84,246	-	608,271	14%
2018	86,646	86,646	-	629,242	14%
2019	76,910	76,910	-	673,468	11%
2020	116,170	116,170	-	696,466	17%

This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, pension plans should present information for those years for which the

**TOWN OF BETHANY BEACH, DELAWARE**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**ACTUARIAL ASSUMPTIONS - PENSION PLAN**  
**Year Ended March 31, 2020**

<b>Plan</b>	<b>County &amp; Municipal Other Employees'</b>	<b>County &amp; Municipal Police &amp; Firefighters'</b>
Actuarial assumptions:		
Investment rate of return / discount rate (1)	7.0%	7.0%
Projected salary increases (1)	2.5% + Merit	2.5% + Merit
Cost-of-living adjustments	0.00%	0.00%

(1) Inflation is included at 2.5%

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

ADDITIONAL SUPPLEMENTARY INFORMATION

**TOWN OF BETHANY BEACH, DELAWARE**  
**ADDITIONAL SUPPLEMENTARY INFORMATION**  
**BALANCE SHEET**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**March 31, 2020**

	<u>Special Revenue Fund</u>	<u>Ambulance Fund</u>	<u>Total Non-Major Governmental Funds</u>
<b>ASSETS</b>			
Receivables:			
Other	\$ 16,372	\$ 1,400	\$ 17,772
Due from other funds	5,525	810	6,335
Restricted assets:			
Cash and cash equivalents	20,541	92,367	112,908
<b>Total assets</b>	<b>\$ 42,438</b>	<b>\$ 94,577</b>	<b>\$ 137,015</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	\$ 4,955	\$ -	\$ 4,955
Unearned revenues	37,483	94,577	132,060
<b>Total liabilities</b>	<b>42,438</b>	<b>94,577</b>	<b>137,015</b>
<b>FUND BALANCES</b>			
Restricted	-	-	-
<b>Total fund balances</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total liabilities and fund balances</b>	<b>\$ 42,438</b>	<b>\$ 94,577</b>	<b>\$ 137,015</b>

**TOWN OF BETHANY BEACH, DELAWARE**  
**ADDITIONAL SUPPLEMENTARY INFORMATION**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**Year Ended March 31, 2020**

	Special Revenue Fund	Ambulance Fund	Total Non-Major Governmental Funds
<b>REVENUES:</b>			
Interest	\$ 358	\$ 857	\$ 1,215
Service receipts	-	148,338	148,338
Intergovernmental revenues	282,671	-	282,671
<b>Total revenues</b>	<b>283,029</b>	<b>149,195</b>	<b>432,224</b>
<b>EXPENDITURES:</b>			
Public safety:			
Police	127,829	-	127,829
Ambulance	-	149,195	149,195
Capital outlay	155,200	-	155,200
<b>Total expenditures</b>	<b>283,029</b>	<b>149,195</b>	<b>432,224</b>
Excess (deficiency) of revenues over expenditures	-	-	-
Net change in fund balances	-	-	-
Fund balances, beginning of year	-	-	-
Fund balances, end of year	\$ -	\$ -	\$ -



**TOWN OF BETHANY BEACH, DELAWARE**  
**ADDITIONAL SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - CAPITAL PROJECTS FUND**  
**Year Ended March 31, 2020**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance with</u> <u>Final Budget</u> <u>Favorable</u> <u>(Unfavorable)</u>
<b>EXPENDITURES:</b>				
Licenses and inspections	\$ 30,000	\$ 59,000	\$ 58,828	\$ 172
Public safety:				
Police	31,000	41,000	30,893	10,107
Parking	-	266,000	265,500	500
Public works:				
Streets and parks	372,000	2,191,000	1,698,454	492,546
Beach, boardwalk and comfort station	495,000	495,000	444,812	50,188
Stormwater management	40,000	1,475,000	1,431,517	43,483
<b>Total expenditures</b>	<b>968,000</b>	<b>4,527,000</b>	<b>3,930,004</b>	<b>596,996</b>
<b>OTHER FINANCING SOURCES:</b>				
Transfers in	968,000	4,527,000	3,930,004	(596,996)
<b>Total other financing sources</b>	<b>968,000</b>	<b>4,527,000</b>	<b>3,930,004</b>	<b>(596,996)</b>
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>
Fund balance, beginning of year			-	
Fund balance, end of year			<u>\$ -</u>	

**TOWN OF BETHANY BEACH, DELAWARE**  
**ADDITIONAL SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - SPECIAL REVENUE FUND**  
**Year Ended March 31, 2020**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Favorable <u>(Unfavorable)</u>
<b>REVENUES:</b>				
Intergovernmental revenues:				
State and County	\$ 225,000	\$ 278,540	\$ 282,671	\$ 4,131
Interest income	-	358	358	-
<b>Total revenues</b>	<b>225,000</b>	<b>278,898</b>	<b>283,029</b>	<b>4,131</b>
<b>EXPENDITURES:</b>				
Public safety:				
Police	119,000	153,698	157,829	(4,131)
Public works:				
Streets and parks	106,000	125,200	125,200	-
Beach and boardwalk	-	-	-	-
<b>Total expenditures</b>	<b>225,000</b>	<b>278,898</b>	<b>283,029</b>	<b>(4,131)</b>
Excess of revenues over expenditures	-	-	-	-
Net change in fund balance	\$ -	\$ -	-	\$ -
Fund balance, beginning of year			-	
Fund balance, end of year			\$ -	

**TOWN OF BETHANY BEACH, DELAWARE**  
**ADDITIONAL SUPPLEMENTARY INFORMATION**  
**INCOME AND EXPENSE DETAIL**  
**WATER FUND**  
**Year Ended March 31, 2020**

**WATER SERVICE:**

Operating revenues:	
Charges for services	\$ 1,381,827
Other service fees	48,415
Miscellaneous	4,653
Total operating revenues	1,434,895
Operating expenses:	
Salaries and wages	444,775
Payroll taxes	34,064
Employee benefits	133,819
Bank fees	344
Engineering	5,974
Contract services	85,383
Insurance	79,394
Telephone	7,985
Utilities	44,403
Repairs and maintenance	15,017
Sewer service charge	1,072
Plant maintenance	120,033
Distribution system maintenance	76,974
Office supplies	5,601
Miscellaneous	27,115
Supplies	40,986
Chemicals	132,013
Uniforms	3,794
Depreciation	344,560
Total operating expenses	1,603,306
Net operating loss	(168,411)
Non-operating revenues (expenses):	
Taxes and assessments	245,889
Impact fees	128,148
Interest income	50,492
Interest expense	(32,928)
Net non-operating revenues	391,601
Change in net position	\$ 223,190

**TOWN OF BETHANY BEACH, DELAWARE**  
**ADDITIONAL SUPPLEMENTARY INFORMATION**  
**INCOME AND EXPENSE DETAIL**  
**SANITATION FUND**  
**Year Ended March 31, 2020**

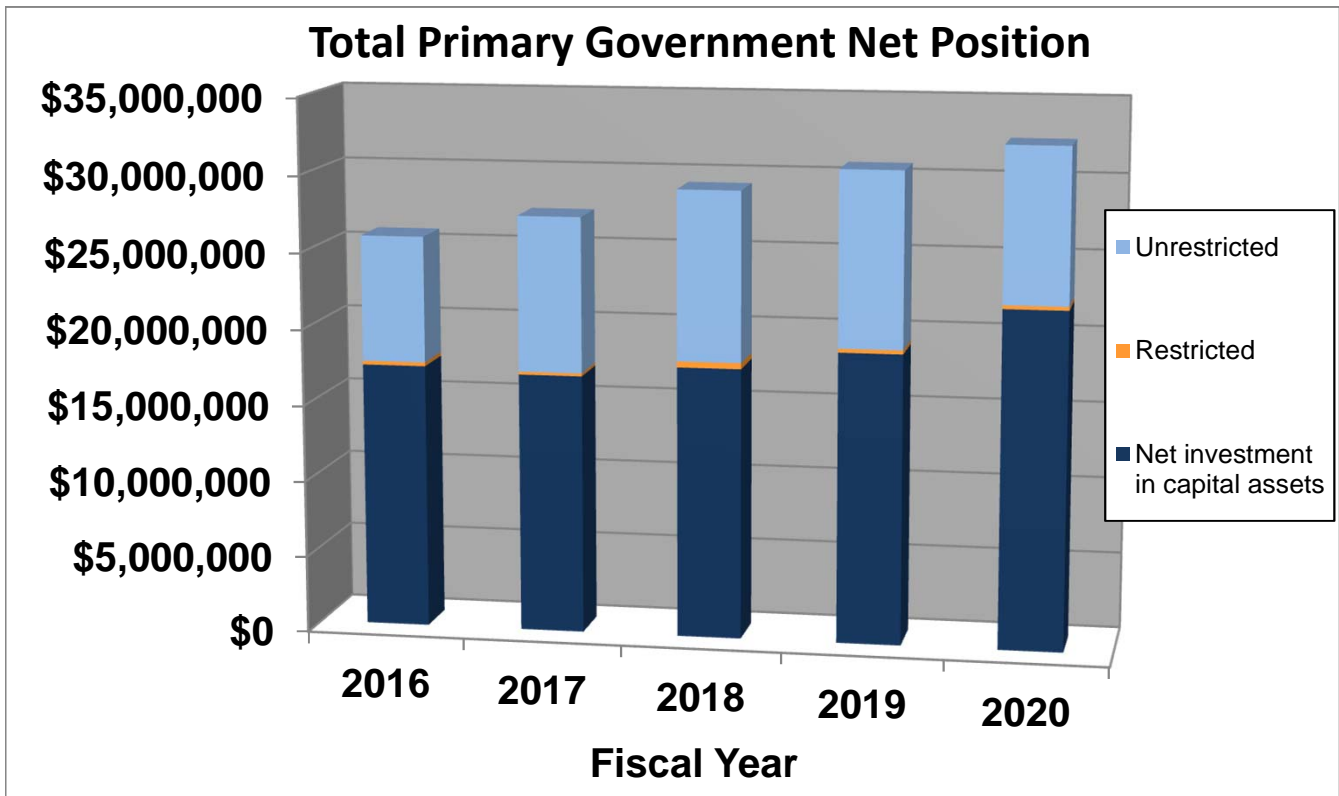
**SANITATION SERVICE:**

Operating revenues:	
Charges for services	\$ 969,886
Total operating revenues	969,886
Operating expenses:	
Salaries and wages	306,981
Payroll taxes	23,340
Employee benefits	123,062
Disposal fees	178,007
Fuel	28,622
Insurance	45,012
Telephone	1,913
Utilities	5,812
Repairs and maintenance	70,293
Office supplies	9,831
Miscellaneous	42,597
Depreciation	131,904
Total operating expenses	967,374
Net operating income	2,512
Non-operating revenues:	
Interest income	27,822
Gain on asset disposal	9,000
Net non-operating revenues	36,822
<b>Change in net position</b>	<b>\$ 39,334</b>

STATISTICAL SECTION

**Town of Bethany Beach, Delaware**  
**Net Position by Component**  
**Last Five Years**  
 (accrual basis of accounting)  
**Schedule 1**

Years ended March 31,	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
<b>Governmental Activities</b>					
Net investment in capital assets	\$ 11,774,735	\$ 11,155,113	\$ 12,112,795	\$ 13,327,307	\$ 16,448,470
Restricted	165,026	173,588	259,873	121,579	112,908
Unrestricted	5,622,428	7,504,369	7,940,038	7,932,773	6,295,142
<b>Total governmental activities net position</b>	<b>\$ 17,562,189</b>	<b>\$ 18,833,070</b>	<b>\$ 20,312,706</b>	<b>\$ 21,381,659</b>	<b>\$ 22,856,520</b>
<b>Business-Type Activities</b>					
Net investment in capital assets	\$ 5,507,815	\$ 5,776,443	\$ 5,602,729	\$ 5,655,826	\$ 5,624,055
Restricted	87,356	19,668	135,946	139,846	136,817
Unrestricted	2,619,283	2,662,927	3,170,415	3,554,824	3,852,148
<b>Total business-type activities net position</b>	<b>\$ 8,214,454</b>	<b>\$ 8,459,038</b>	<b>\$ 8,909,090</b>	<b>\$ 9,350,496</b>	<b>\$ 9,613,020</b>
<b>Summary</b>					
Net investment in capital assets	\$ 17,282,550	\$ 16,931,556	\$ 17,715,524	\$ 18,983,133	\$ 22,072,525
Restricted	252,382	193,256	395,819	261,425	249,725
Unrestricted	8,241,711	10,167,296	11,110,453	11,487,597	10,147,290
<b>Total primary government net position</b>	<b>\$ 25,776,643</b>	<b>\$ 27,292,108</b>	<b>\$ 29,221,796</b>	<b>\$ 30,732,155</b>	<b>\$ 32,469,540</b>



**Town of Bethany Beach, Delaware**  
**Revenues, Expenditures, Change in Fund Balance, Governmental Funds**  
**Last Five Years**  
(modified accrual basis of accounting)  
**Schedule 2**

Years ended March 31,	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
<b>Revenues</b>					
Property taxes	\$ 1,776,040	\$ 1,897,538	\$ 1,901,125	\$ 1,913,708	\$ 1,982,984
Rental real estate taxes	1,149,424	1,348,255	1,612,598	1,625,632	1,702,048
Transfer taxes	710,089	1,143,222	1,141,827	869,252	1,280,103
Parking revenues	1,903,225	1,996,769	2,016,975	2,081,297	2,220,007
Licenses, permits, and fees	811,950	857,441	1,009,827	906,414	1,102,281
Police and Alderman fines	115,059	96,678	82,231	65,662	59,395
Interest	42,294	63,979	91,865	150,192	177,086
Service receipts - ambulance	149,170	149,168	149,057	148,621	148,338
Intergovernmental revenues	346,227	229,007	104,319	350,123	282,671
Contributions	33,972	35,472	27,567	32,368	18,274
Miscellaneous	22,151	17,674	19,031	23,107	42,215
<b>Total revenues</b>	<b>7,059,601</b>	<b>7,835,203</b>	<b>8,156,422</b>	<b>8,166,376</b>	<b>9,015,402</b>
<b>Expenditures</b>					
General and administration	992,891	1,081,846	1,050,092	1,019,329	1,030,809
Licenses and inspections	242,137	263,106	259,906	300,648	295,036
Police	1,468,680	1,582,304	1,651,418	1,702,303	1,869,572
Alderman	53,103	52,707	51,163	45,234	34,972
Parking	483,122	535,451	566,254	577,764	555,939
Beach patrol	537,084	486,587	528,643	518,120	631,592
Ambulance	149,195	149,195	149,195	149,195	149,195
Stormwater management	107,459	126,363	78,412	108,290	145,712
Streets and parks	844,358	829,826	856,106	1,014,385	1,098,357
Beach and boardwalk	299,080	316,176	283,586	358,828	393,975
Recreation - entertainment	237,696	237,395	246,579	252,204	273,248
Cultural, historical, and parade	34,566	26,303	30,009	53,164	28,210
Debt service - principal	225,000	214,116	224,822	236,062	-
Debt service - interest	19,700	27,450	16,544	4,904	-
Capital outlay	2,031,748	724,855	1,625,029	1,856,752	4,085,204
<b>Total expenditures</b>	<b>7,725,819</b>	<b>6,653,680</b>	<b>7,617,758</b>	<b>8,197,182</b>	<b>10,591,821</b>
Excess (deficit) of revenues over expenditures	(666,218)	1,181,523	538,664	(30,806)	(1,576,419)
<b>Other financing sources</b>					
Proceeds from loan	900,000	-	-	-	-
<b>Total other financing sources</b>	<b>900,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balance</b>	<b>\$ 233,782</b>	<b>\$ 1,181,523</b>	<b>\$ 538,664</b>	<b>\$ (30,806)</b>	<b>\$ (1,576,419)</b>
Debt service as a percentage of non-capital expenditures	4%	4%	4%	4%	0%

Herbert J. Geary III  
Corey N. Duncan  
Roy J. Geiser  
Chris A. Hall  
Ronald W. Hickman  
Craig A. Walter  
Mark A. Welsh



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*

Town of Bethany Beach, Delaware  
Bethany Beach, Delaware

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Bethany Beach, Delaware (the "Town") as of and for the year ended March 31, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated July 31, 2020.

**Internal Control Over Financial Reporting**

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

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



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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town'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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

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

A handwritten signature in black ink that reads "JHM Group LLC". The signature is written in a cursive, flowing style.

Salisbury, Maryland  
July 31, 2020