

**TOWN OF BETHANY BEACH, DELAWARE**

**FINANCIAL REPORT**

**MARCH 31, 2022**

# **TOWN OF BETHANY BEACH, DELAWARE**

## **TABLE OF CONTENTS**

	<b>Page(s)</b>
<b>INDEPENDENT AUDITORS' REPORT</b>	1 - 3
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	4 - 16
<b>FINANCIAL STATEMENTS</b>	17
Statement of Net Position	18
Statement of Activities	19
Balance Sheet - Governmental Funds	20
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	21
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	22
Reconciliation of the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	23
Statement of Fund Net Position - Business-Type Activities	24
Statement of Revenues, Expenses and Changes in Fund Net Position - Business-Type Activities	25
Statement of Cash Flows - Business-Type Activities	26
<b>NOTES TO FINANCIAL STATEMENTS</b>	27 - 54
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	55
Budgetary Comparison Schedule - General Fund	56
Budgetary Comparison Schedule - Special Revenue Fund	57
Notes to the Required Supplementary Information	58
Schedule of the Changes in the Total OPEB Liability	59
Schedule of the Total OPEB Liability as a Percentage of Covered-Employee Payroll	60
Notes to the Required Supplementary Information - OPEB Plan	61
Schedule of the Proportionate Share of the Net Pension Liability	62
Schedule of Contributions - Pension Plan	63
Actuarial Assumptions - Pension Plan	64
<b>ADDITIONAL SUPPLEMENTARY INFORMATION</b>	65
Budgetary Comparison Schedule - Capital Projects Fund	66
Income and Expense Detail - Water Fund	67
Income and Expense Detail - Sanitation Fund	68

# **TOWN OF BETHANY BEACH, DELAWARE**

## **TABLE OF CONTENTS**

	<b>Page(s)</b>
<b>STATISTICAL SECTION</b>	
Schedule 1 - Net Position by Component - last five years	69
Schedule 2 - Revenues, Expenditures, Change in Fund Balance, Governmental Funds - last five years	70
	71
<b>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></b>	<b>72 - 73</b>

## 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, 2022, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town as of March 31, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Responsibilities of Management for the Financial Statements**

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

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a

material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information (RSI), 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 RSI in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## **Supplementary Information**

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

## **Other Information**

Management is responsible for the other information included in the annual report. The other information comprises the statistical section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

The logo for UHY LLP, featuring the letters "UHY" in a stylized, handwritten font, with "LLP" in a smaller, standard font to the right.

Salisbury, Maryland  
August 8, 2022

**Town of Bethany Beach**  
**Management's Discussion and Analysis**  
**March 31, 2022**

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, 2022. 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 2022**

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 2022 by \$34,789,762 (net position). Of this amount, \$12,104,153 (unrestricted net position) may be used to meet the Town's ongoing obligations to citizens and creditors. \$21,896,392 of the remaining net position is invested in capital assets, net of related debt and \$789,217 is restricted for specific uses. The Town's total net position increased by \$3,940,632 (12.8%) during fiscal year 2022. The net position of governmental activities increased by \$3,584,080 (17.0%) while the net position of business-type activities increased by \$356,552 (3.7%).

As of the close of fiscal year 2022, the Town's governmental funds reported an ending fund balance of \$10,922,240. Of this amount, \$194,459 is nonspendable prepaid balances. Committed funds are \$313,525 in post-employment benefits funds, \$47,814 in Cultural & Historic funds, \$1,568,000 for capital purchases budgeted in fiscal year 2023, \$6,018,442 for future capital projects and \$2,780,000 in the Storm Emergency Relief Fund. All funds are committed leaving \$0 as unassigned in the governmental funds at the end of fiscal year 2022.

The Town's bonds and notes payable decreased by \$225,175 (21.8%) because of payments on current debt. Of the Town's total debt of \$809,121, \$631,382 (78.0%) is due within the next five years. This debt is for the water tower that was constructed in 2014.

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 above financial statements have separate sections for two distinct 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 18-19 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 20-23 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 24-26 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 27-54 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 (governmental and business-type activities) totaled \$34,789,762 at the end of fiscal year 2022, compared to \$30,849,130 at the end of fiscal year 2021, an increase of \$3,940,632 (12.8%).

The largest portion of the Town's net position, \$21,896,392 (62.9%), 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, 2022, the Town held \$1,236,674 in unrestricted cash and cash equivalents and \$13,720,000 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 pages 36-37, 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.

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 2023, operating reserves are \$1,111,000 in the general fund, \$165,000 in the sanitation fund, and \$204,000 in the water fund. Total town-wide operating reserves are \$1,480,000, which is 15.0% of the fiscal year 2023 operating budget.

The policy's recommendations for funds committed for capital replacement are based on the cost and useful lives of assets currently in use by the Town. For fiscal year 2023, capital replacement reserves are \$6,037,000 in the general fund, \$583,000 in the sanitation fund, and \$2,629,000 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 \$9,599,000, which is 43.8% 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 because of revenue lost in the aftermath of a storm. The reserve is not for beach replenishment. 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 2022 the SERF fund held \$2,408,486 and it is expected to hold \$2,780,000 by the end of fiscal year 2023.

In August 2021, the Town Council approved two new benefit plans for long-term, full-time employees. The benefit plans are for post-employment healthcare costs; one for police officers and one for general employees.

For the Police plan, officers must have 25 years of service as a Police Officer with the Town of Bethany Beach and be collecting a pension through the State of Delaware, County and Municipal Police and Firefighter Plan. When these conditions are met the Town will reimburse the retiree for 20% of the healthcare premiums of the retiree, limited to 20% of the highest available State of Delaware health insurance policy. There is no coverage for spouse or children, and this benefit ends when the retiree becomes eligible for Medicare or Medicaid. This 20% in town coverage is in addition to the State of Delaware's current 80% Health Care Offset for retired police officers. One current officer has met the service requirements and a second will in late 2022.

For the General plan, non-police employees must have 25 years of service with the Town of Bethany Beach, have reached age 55, and be collecting a pension through the State of Delaware, County and Municipal Other Employees Plan. When these conditions are met the Town will reimburse the retiree for between 75% and 100% of the healthcare premiums of the retiree, limited to the highest available State of Delaware health insurance policy. There is no coverage for spouse or children, and this benefit ends when the retiree becomes eligible for Medicare or Medicaid. One current employee has met the service requirement and one retiree is collecting this benefit. It will be more than five years before another employee reaches the service requirement to earn this benefit. The percentage that the town will reimburse is based on years of service to the town.

Years of Service	Age Required	Town Share
25	55	75%
26	55	80%
27	55	85%
28	55	90%
29	55	95%
30	55	100%

As of March 31, 2022, \$313,525 was held in a separate bank account to fund this benefit. Further information on this obligation can be found on pages 40-45, 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, 2022**

	Governmental Activities		Business-Type Activities		Total		% Change
	2021	2022	2021	2022	2021	2022	
Current Assets	\$8,427,040	<b>\$11,471,450</b>	\$4,489,973	<b>\$4,439,922</b>	\$12,917,013	<b>\$15,911,372</b>	23.2%
Capital Assets	16,374,516	<b>16,253,748</b>	6,572,009	<b>6,451,765</b>	22,946,525	<b>22,705,513</b>	-1.1%
Other Assets	264,368	<b>2,526,566</b>	95,233	<b>187,993</b>	359,601	<b>2,714,559</b>	654.9%
Total Assets	25,065,924	<b>30,251,764</b>	11,157,215	<b>11,079,680</b>	36,223,139	<b>41,331,444</b>	14.1%
Deferred Outflows	839,337	<b>757,066</b>	-	-	839,337	<b>757,066</b>	-9.8%
Current Liabilities	565,319	<b>1,150,434</b>	373,911	<b>186,643</b>	939,230	<b>1,337,077</b>	42.4%
Noncurrent Liabilities	3,971,513	<b>3,322,237</b>	1,016,892	<b>770,073</b>	4,988,405	<b>4,092,310</b>	-18.0%
Total Liabilities	4,536,832	<b>4,472,671</b>	1,390,803	<b>956,716</b>	5,927,635	<b>5,429,387</b>	-8.4%
Deferred Inflows	285,711	<b>1,869,361</b>	-	-	285,711	<b>1,869,361</b>	554.3%
Invested in capital assets, net of related debt	16,374,516	<b>16,253,748</b>	5,537,713	<b>5,642,644</b>	21,912,229	<b>21,896,392</b>	-0.1%
Restricted	264,368	<b>601,224</b>	95,233	<b>187,993</b>	359,601	<b>789,217</b>	119.5%
Unrestricted	4,443,834	<b>7,811,826</b>	4,133,466	<b>4,292,327</b>	8,577,300	<b>12,104,153</b>	41.1%
Total Net Position	<b>\$21,082,718</b>	<b>\$24,666,798</b>	<b>\$9,766,412</b>	<b>\$10,122,964</b>	<b>\$30,849,130</b>	<b>\$34,789,762</b>	12.8%

Funds in the Town's unrestricted net position of \$12,104,153 may be used to meet the government's ongoing obligations to citizens and creditors. Unrestricted net position increased \$3,526,853 (41.1%) during fiscal year 2022: increasing \$3,367,992 (75.8%) in Governmental Activities and increasing \$158,861 (3.8%) in Business-Type Activities. During this time net investment in capital assets decreased \$15,837 (0.1%); decreasing \$120,768 (0.7%) in Governmental Activities and increasing \$104,931 (1.9%) in Business-Type Activities.

Current assets increased \$2,994,359 (23.2%). Current assets for Governmental Activities increased \$3,044,410 (36.1%), while current assets of Business-Type Activities decreased \$50,051 (1.1%). The majority of the \$15,911,372 in total current assets is cash, cash equivalents, and investments, most of which are held in reserves for future capital needs.

Receivables, which make up \$717,798 of the current assets, decreased \$103,191 (12.6%). Most of the receivables are \$570,410 in water bills mailed in April 2022 for the previous six months of water use. The second largest receivable is \$66,342 in transfer tax revenue collected in March and received by the town in April.

Noncurrent liabilities decreased \$896,095 (18.0%): decreasing \$649,276 (16.3%) in Governmental Activities and decreasing \$246,819 (24.3%) 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, 2022**

	Governmental Activities		Business-Type Activities		Total 2021	Total 2022	% Change
	2021	2022	2021	2022			
<b>Revenues:</b>							
Program Revenues							
Charges for services	\$2,912,261	<b>\$4,203,356</b>	\$2,431,286	<b>\$2,509,976</b>	\$5,343,547	<b>\$6,713,332</b>	25.6%
Assessments & impact fees	-		355,002	<b>422,443</b>	355,002	<b>422,443</b>	19.0%
Operating grants	299,934	<b>194,556</b>	-	-	299,934	<b>194,556</b>	-35.1%
Capital grants	30,000	<b>158,373</b>	-	-	30,000	<b>158,373</b>	427.9%
General Revenues							
Property taxes	1,991,934	<b>2,000,766</b>	-	-	1,991,934	<b>2,000,766</b>	0.4%
Rental real estate taxes	1,551,645	<b>2,106,568</b>	-	-	1,551,645	<b>2,106,568</b>	35.8%
Transfer taxes	1,631,416	<b>2,197,956</b>	-	-	1,631,416	<b>2,197,956</b>	34.7%
Other	69,230	<b>66,951</b>	34,458	<b>23,076</b>	103,688	<b>90,027</b>	-13.2%
<b>Total Revenues</b>	<b>8,486,420</b>	<b>10,928,526</b>	<b>2,820,746</b>	<b>2,955,495</b>	<b>11,307,166</b>	<b>13,884,021</b>	22.8%
<b>Expenses:</b>							
General and administration	3,995,190	<b>287,718</b>	-	-	3,995,190	<b>287,718</b>	-92.8%
Licenses and inspections	259,297	<b>292,468</b>	-	-	259,297	<b>292,468</b>	12.8%
Public Safety							
Police and Alderman	2,271,023	<b>2,341,034</b>	-	-	2,271,023	<b>2,341,034</b>	3.1%
Parking	599,021	<b>700,102</b>	-	-	599,021	<b>700,102</b>	16.9%
Beach Patrol	658,382	<b>629,599</b>	-	-	658,382	<b>629,599</b>	-4.4%
Ambulance	149,195	<b>149,195</b>	-	-	149,195	<b>149,195</b>	0.0%
Public Works							
Stormwater management	197,882	<b>283,092</b>	-	-	197,882	<b>283,092</b>	43.1%
Streets & Parks	1,725,984	<b>1,889,003</b>	-	-	1,725,984	<b>1,889,003</b>	9.4%
Beach and boardwalk	363,872	<b>490,052</b>	-	-	363,872	<b>490,052</b>	34.7%
Recreation - entertainment	147,957	<b>278,720</b>	-	-	147,957	<b>278,720</b>	88.4%
Cultural/Historic & Parade	9,257	<b>3,463</b>	-	-	9,257	<b>3,463</b>	-62.6%
Sanitation Fund	-		1,014,185	<b>1,078,793</b>	1,014,185	<b>1,078,793</b>	6.4%
Water Fund	-		1,536,331	<b>1,520,150</b>	1,536,331	<b>1,520,150</b>	-1.1%
<b>Total Expenses</b>	<b>10,377,060</b>	<b>7,344,446</b>	<b>2,550,516</b>	<b>2,598,943</b>	<b>12,927,576</b>	<b>9,943,389</b>	-23.1%
Change in net position	(1,890,640)	<b>3,584,080</b>	270,230	<b>356,552</b>	(1,620,410)	<b>3,940,632</b>	343.2%
Net position, beginning of year	22,973,358	<b>21,082,718</b>	9,496,182	<b>9,766,412</b>	32,469,540	<b>30,849,130</b>	-5.0%
Net position, end of year	<b>\$21,082,718</b>	<b>\$24,666,798</b>	<b>\$9,766,412</b>	<b>\$10,122,964</b>	<b>\$30,849,130</b>	<b>\$34,789,762</b>	12.8%

The Town's total net position increased \$3,940,632 (12.8%). Approximately 45.4% of the Town's total revenue came from three types of taxes: property, rental, and transfer. Total revenues increased \$2,576,855 (22.8%) and total expenses decreased \$2,984,187 (23.1%).

The revenue increase in Governmental Activities was \$2,442,106 (28.8%) as the town returned to more normal operations after the COVID-19 pandemic. Parking revenues increased \$824,601 (44.9%), rental taxes increased \$554,923 (35.8%), and Building Permits increased \$368,070 (75.1%). Transfer Taxes increased \$566,540 (34.7%), \$480,000 of this was from the sale of the Ocean Suites Hotel.

The revenue increase in Business-Type Activities was \$134,749 (4.8%).

Expenses of Governmental Activities decreased \$3,032,614 (29.2%) while expenses of Business-Type Activities increased \$48,427 (1.9%).

## Governmental Activities

Total revenue for governmental activities less operating and capital grants increased \$2,419,111 (29.7%) to \$10,575,597. 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.

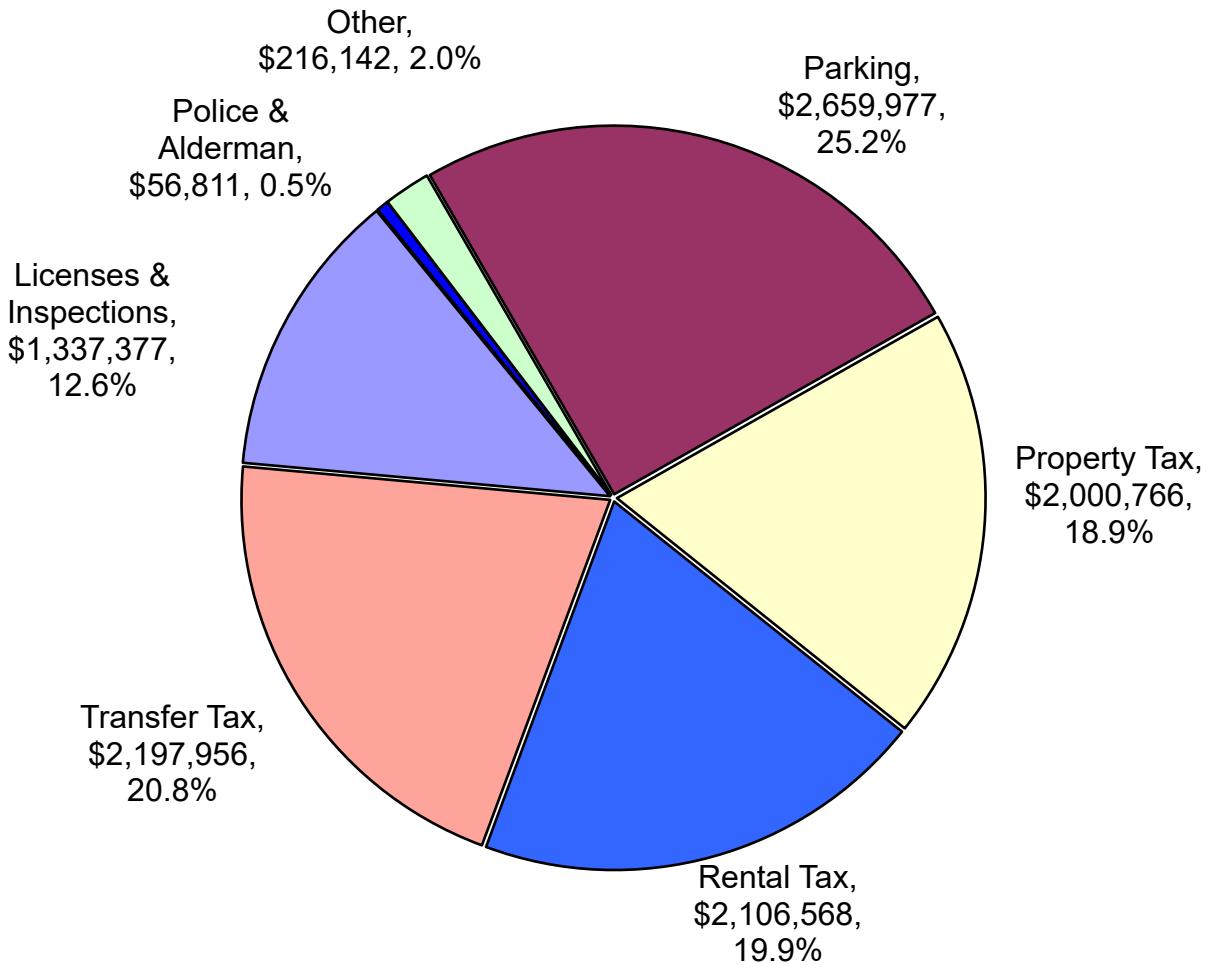
1. Revenues from parking fines, parking meters and parking permits totaled \$2,659,977 and were the Town's largest revenue source. These revenues increased \$824,601 (44.9%). As a percentage of governmental revenue less operating and capital grants, parking increased from 22.5% in fiscal year 2021 to 25.2% in fiscal year 2022. The increase reflects the town returning to normal operations after the COVID-19 pandemic and the 25% increase in parking fees, which was approved by the Town Council in November of 2019.
2. Real estate transfer taxes were the Town's second largest revenue source at \$2,197,956, an increase of \$566,540 (34.7%). 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 less operating and capital grants, transfer taxes increased from 20.0% in fiscal year 2021 to 20.8% in fiscal year 2022. This was the highest year of transfer tax collections and included \$480,000 from the sale of the Ocean Suites Hotel.
3. Real estate rental taxes were the Town's third largest revenue source at \$2,106,568. These revenues increased \$554,923 (35.8%). As a percentage of total governmental revenue less operating and capital grants, rental taxes increased from 19.0% in fiscal year 2021 to 19.9% in fiscal year 2022. This is from the return to a full summer season of rentals after the pandemic shortened the prior season.
4. Property Tax revenue totaled \$2,000,766 and was the Town's fourth largest source of funding. The assessed value of taxable properties as of May 2021 was \$1,048,791,759 which is \$7,992,600 (0.8%) 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 \$8,832 (0.4%). As a percentage of total governmental revenue less operating and capital grants, property tax decreased from 24.4% in fiscal year 2021 to 18.9% in fiscal year 2022.
5. Licenses, permits and other fees were the fifth largest revenue source at \$1,337,377. These revenues increased \$439,596 (49.0%). The main revenue in this category is building permits, which brought in \$858,393. Other revenues include business licenses, rental licenses, franchise fees, concession fees, shuttle bus fees and trolley fees. As a percentage of governmental revenue less operating and capital grants, licenses, permits, and other fees increased from 11.0% in fiscal year 2021 to 12.6% in fiscal year 2022.

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 \$5.2 million, which is 50% 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 \$5.0 million in fiscal year 2022, which is 63% of total General Fund operating costs. Property tax, transfer tax and building permit revenues are not used to fund summer season costs.

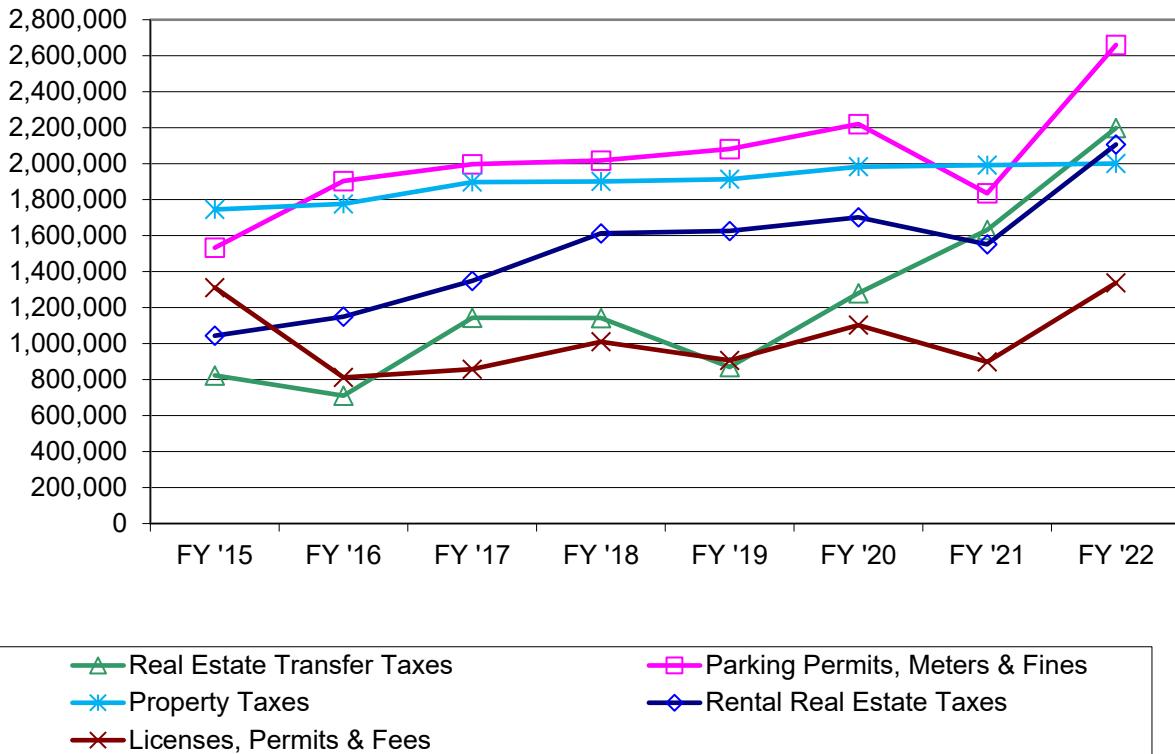
The following two charts show the Town's general fund revenues for the fiscal year ending March 31, 2022, and the trend of our six largest, recurring revenue sources over the past eight fiscal years. Special fund revenue is not included in these charts due to the variable nature of State and Federal grants.

## FY 2022 Governmental Revenue Sources

(excludes grant funds)



## Trends in Major Governmental Revenue Sources



Parking is once again the town's largest revenue source. Hourly parking rates were increased by 25% to \$2.50 per hour in November 2019 and other parking fees were adjusted by a similar percent at that time. Parking revenues decreased 17.3% during the COVID-19 pandemic and have since recovered.

Real Estate Transfer taxes significantly fluctuate year to year as home sales volume and prices vary. During fiscal year 2022 we continued to see an increase in home sales. There was also had one very large commercial property sale, the Ocean Suites Hotel, which resulted in \$480,000 in transfer tax. This revenue is expected to decline for fiscal year 2023 after this one-time increase.

Rental Tax revenue from residential and commercial properties dropped by 8.8% during the pandemic. Since then, the town has seen an increase in the number of homes being rented, the number of months they are rented, and the cost of rentals, resulting in much higher revenue. Rental tax rates were last increased in fiscal year 2017.

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

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 Ocean Suites hotel construction.

## **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 \$12,227 (1.3%). Sanitation department expenses increased \$64,608 (6.4%). Sanitation revenues fell short of covering all operating costs, including depreciation, with a net operating loss of \$106,957, which is 10.8% of total sanitation revenue. The department had a net operating loss of \$50,010 in fiscal year 2021 and a net operating gain of \$2,512 in fiscal year 2020. In order to ensure the town holds sufficient funds to replace trash trucks as needed the Town Council approved a 30% increase in trash fees starting with fiscal year 2023, the first increase since fiscal year 2018. Income and expense detail are shown on page 68 of this report.

Water department revenues increased \$122,522 (6.6%), much of this due to an increase in new home construction. Water department operating expenses increased \$33,756 (2.3%), a smaller than projected increase due to a temporary reduction in staff. Water revenues covered all operating costs, including depreciation, with a net operating gain of \$37,705. The department had a net operating gain of \$432 in fiscal year 2021 and a net operating loss of \$168,411 in fiscal year 2020. Water use fees were last increased for fiscal year 2019, which was expected to be enough for up to five years so the Town's Budget and Finance Committee may discuss an increase to water fees for fiscal year 2024. 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. During fiscal year 2022, the Town's governmental fund balance increased \$2,796,151 (34.4%) to \$10,922,240.

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	\$194,459
2. Committed for payment of post-employment health care benefits	\$313,525
3. Committed for uses determined by the Cultural & Historical Affairs Committee	\$47,814
4. Committed for capital improvements in the coming fiscal year	\$1,568,000
5. Committed for the Storm Emergency Relief Fund	\$2,780,000
6. Committed for future capital replacements	\$6,018,442

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.

The Special Revenue Fund has a larger than usual amount in restricted assets due to receipt of the first half of American Rescue Plan Act (ARPA) grant funding. The town was allocated \$672,153 in ARPA funds, which it intends to use for paving and pedestrian safety projects.

## **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 24-26 of this report.

The net position of the water department increased \$446,023 (5.6%) to \$8,407,784. Fiscal year 2022 resulted in net operating income of \$37,705. Non-operating revenues of \$408,318 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 decreased \$89,471 (5.0%) to end the year at \$1,715,180. Fiscal year 2022 resulted in a net operating loss of \$106,957. 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 56 of this report.

General fund revenues exceeded the amount budgeted by \$2,556,393 (32.5%). Page 12 of this report supplies detail on the largest revenues. Revenues from transfer taxes, building permits, and rental taxes significantly exceeded our conservative budget estimates.

General fund expenditures were under budget by \$272,423 (3.9%). Total revenues exceeded total expenditures by \$3,624,816, more than covering depreciation expense of \$1,107,803 and providing funding for future purchases of capital assets and for capital improvement projects. The town is moving forward on several large capital projects to be completed within the next two years.

The Town Council may amend the budget during the year as purchase decisions are made and previously estimated amounts become known. There were no revenue or operating expense amendments during fiscal year 2022.

## Capital Assets

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

<b>Governmental Activities</b>	<b>FY 2022 Additions</b>
Land	\$239,000
Construction in Progress	\$11,781
Beach & Boardwalk	\$73,704
Building & Improvements	\$68,972
Land Improvements	\$235,511
Machinery & Equipment	\$17,479
Streets & Parks	\$230,792
Vehicles	<u>\$109,796</u>
Total	\$987,035

<b>Sanitation Fund</b>	<b>FY 2022 Additions</b>
Vehicles & Equipment	\$239,720

<b>Water Fund</b>	<b>FY 2022 Additions</b>
Vehicles & Equipment	\$67,149

In governmental activities, the largest area of capital expenditure in fiscal year 2022 was \$239,000 to purchase a piece of wetlands adjacent to wetlands that the town already owns. The second largest was \$235,511 in Land Improvements to enhance drainage on Central Ave and stabilize part of the Loop Canal bank. The annual street repaving project cost \$230,792. Other projects included boardwalk board replacements, Museum displays, two new police vehicles, two used non-police vehicles, and a commercial mower.

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 2022, \$11,781 was added to Construction in Progress for engineering of the upcoming project to restore the land strip between the Loop Canal and Lake Bethany.

The sanitation department purchased a rear-loading trash truck for \$239,720.

In the water department, \$67,149 was spent on a Vehicles and Equipment including completion of two projects started last fiscal year; installing a 250kw generator and a drive unit in well #4.

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 37-38 of this report in Note 5.

## Debt Administration

As of March 31, 2022, the Town had \$809,121 in outstanding debt from construction of the water tower in 2014 and 2015. Of this total debt, \$631,382 (78.0%) is payable within five years. The Town Council intends to continue making accelerated payments on the water tower loan and expects to pay off this loan in fiscal year 2026.

Additional information on Town debt can be found on page 39 of this report in Notes 6 and 7.

## **Economic Factors**

We expect revenues for the coming fiscal year to be similar to those of fiscal year 2022 as reported in these financial statements with the following exceptions:

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 \$1,500,000 in fiscal year 2023. 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 only for capital purchases and projects, not for operational costs.

The fiscal year 2023 budget was approved in March 2022. The operating budget for all Town activities combined is \$9,864,000. This is \$526,000 (5.6%) more than the fiscal year 2022 operating budget. Budgeted operating costs increased 4.7% in the general fund, 14.4% in the sanitation fund and 4.4% in the water fund.

The fiscal year 2023 budget included a 30% increase to trash fees.

General Fund capital projects budgeted for fiscal year 2023 are:

- \$252,000 for a 30% preliminary design of an inflatable dam across the Loop Canal
- \$100,000 for repairs to the boardwalk
- \$85,000 to replace a 2004 excavator
- \$26,000 to purchase an RTV with a snowplow
- \$25,000 to replace a 2007 pickup truck

The Town is moving forward with several large capital projects including paving, pedestrian safety, restoring a strip of land by the Loop Canal, and engineering of an inflatable dam. We have received \$672,153 from the American Rescue Plan Act and \$297,812 from Sussex County Real Estate Transfer Tax revenue, these grants will provide partial funding for these projects. The Town Council will amend the Capital budget for these projects once cost projections are available.

Sanitation Fund capital purchase budgeted for fiscal year 2023 is \$260,000 to replace a rear-loading trash truck.

Water Fund capital projects budgeted for fiscal year 2023 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, 2022

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 642,367	\$ 594,307	\$ 1,236,674
Investments	10,501,598	3,218,402	13,720,000
Receivables:			
Taxes - real and personal property	71,598	-	71,598
Service charges	-	584,157	584,157
Interest	1,990	611	2,601
Other	59,438	4	59,442
Prepaid expenses	194,459	42,441	236,900
Total current assets	11,471,450	4,439,922	15,911,372
Noncurrent assets			
Restricted cash and cash equivalents	601,224	187,993	789,217
Net pension asset (see Note 9)	1,925,342	-	1,925,342
Capital assets:			
Nondepreciable assets	6,547,568	-	6,547,568
Depreciable assets, net	9,706,180	6,451,765	16,157,945
Total noncurrent assets	18,780,314	6,639,758	25,420,072
Total assets	30,251,764	11,079,680	41,331,444
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension (see Note 9)	447,541	-	447,541
OPEB (see Note 8)	309,525	-	309,525
	757,066	-	757,066
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable and accrued expenses	247,193	59,308	306,501
Internal balances	-	-	-
Unearned revenue	899,592	4,971	904,563
Compensated absences liability	3,649	1,434	5,083
Bonds and notes payable	-	120,930	120,930
Total current liabilities	1,150,434	186,643	1,337,077
Noncurrent liabilities			
Compensated absences liability	275,749	81,882	357,631
OPEB obligation (see Note 8)	3,046,488	-	3,046,488
Bonds and notes payable	-	688,191	688,191
Total noncurrent liabilities	3,322,237	770,073	4,092,310
Total liabilities	4,472,671	956,716	5,429,387
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension (see Note 9)	1,869,361	-	1,869,361
<b>NET POSITION</b>			
Net investment in capital assets	16,253,748	5,642,644	21,896,392
Restricted	601,224	187,993	789,217
Unrestricted	7,811,826	4,292,327	12,104,153
Total net position	\$ 24,666,798	\$ 10,122,964	\$ 34,789,762

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

## TOWN OF BETHANY BEACH, DELAWARE

### STATEMENT OF ACTIVITIES

Year Ended March 31, 2022

Function/Program	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants, Contributions, and Interest	Primary Government		
					Governmental Activities	Business-Type Activities	Total
<b>GOVERNMENTAL ACTIVITIES</b>							
General and administration	\$ 287,718	\$ -	\$ -	\$ (287,718)	\$ -	\$ -	\$ (287,718)
Licenses and inspections	292,468	1,337,377	-	1,044,909	-	-	1,044,909
Public safety:							
Police and Alderman fines and revenue	2,341,034	56,811	194,556	35,000	(2,054,667)	-	(2,054,667)
Parking	700,102	2,659,977	-	-	1,959,875	-	1,959,875
Beach patrol	629,599	-	-	-	(629,599)	-	(629,599)
Ambulance	149,195	149,191	-	-	(4)	-	(4)
Public works:							
Stormwater management	283,092	-	-	-	(283,092)	-	(283,092)
Streets and parks	1,889,003	-	-	123,373	(1,765,630)	-	(1,765,630)
Beach and boardwalk	490,052	-	-	-	(490,052)	-	(490,052)
Recreation - entertainment	278,720	-	-	-	(278,720)	-	(278,720)
Cultural, historical, and parade	3,463	-	-	-	(3,463)	-	(3,463)
Total governmental activities	7,344,446	4,203,356	194,556	158,373	(2,788,161)	-	(2,788,161)
<b>BUSINESS-TYPE ACTIVITIES</b>							
Water	1,520,150	1,538,140	422,443	-	-	440,433	440,433
Sanitation	1,078,793	971,836	-	-	-	(106,957)	(106,957)
Total business-type activities	2,598,943	2,509,976	422,443	-	-	333,476	333,476
Total primary government	\$ 9,943,389	\$ 6,713,332	\$ 616,999	\$ 158,373	\$ (2,788,161)	\$ 333,476	\$ (2,454,685)
<b>General Revenues</b>							
Taxes:							
Property				2,000,766	-	2,000,766	
Rental real estate				2,106,568	-	2,106,568	
Transfer				2,197,956	-	2,197,956	
Interest				16,668	8,316	24,984	
Other				50,283	14,760	65,043	
Total general revenues				6,372,241	23,076	6,395,317	
Change in net position				3,584,080	356,552	3,940,632	
Net position, beginning of year,				21,082,718	9,766,412	30,849,130	
Net position, end of year				\$ 24,666,798	\$ 10,122,964	\$ 34,789,762	

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

# TOWN OF BETHANY BEACH, DELAWARE

## BALANCE SHEET GOVERNMENTAL FUNDS March 31, 2022

	<b>Major Fund</b>					Total Governmental Funds
	General Fund	Capital Projects	Special Revenue Fund	Ambulance Fund		
<b>ASSETS</b>						
Cash and cash equivalents	\$ 642,367	\$ -	\$ -	\$ -	\$ 642,367	
Investments	10,501,598	-	-	-	-	10,501,598
Receivables:						
Taxes - real and personal property	71,598	-	-	-	-	71,598
Interest	1,990	-	-	-	-	1,990
Other	14,810	-	44,023	605	59,438	
Prepaid expenses	194,459	-	-	-	-	194,459
Due from other funds	44,023	12,953	-	-	-	56,976
Restricted assets:						
Cash and cash equivalents	-	-	490,862	110,362	601,224	
<b>Total assets</b>	<b>\$ 11,470,845</b>	<b>\$ 12,953</b>	<b>\$ 534,885</b>	<b>\$ 110,967</b>	<b>\$ 12,129,650</b>	
<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES</b>						
Accounts payable and accrued expenses	\$ 234,240	\$ 12,953	\$ -	\$ -	\$ 247,193	
Due to other funds	12,953	-	44,023	-	56,976	
Unearned revenues	297,763	-	490,862	110,967	899,592	
Compensated absences liability	3,649	-	-	-	3,649	
<b>Total liabilities</b>	<b>548,605</b>	<b>12,953</b>	<b>534,885</b>	<b>110,967</b>	<b>1,207,410</b>	
<b>FUND BALANCES</b>						
Nonspendable	194,459	-	-	-	-	194,459
Committed for:						
Cultural and historic	47,814	-	-	-	-	47,814
Retiree benefits	313,525	-	-	-	-	313,525
Capital improvements	1,568,000	-	-	-	-	1,568,000
Storm emergency	2,780,000	-	-	-	-	2,780,000
Future capital replacements	6,018,442	-	-	-	-	6,018,442
Unassigned	-	-	-	-	-	-
<b>Total fund balances</b>	<b>10,922,240</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,922,240</b>
<b>Total liabilities and fund balances</b>	<b>\$ 11,470,845</b>	<b>\$ 12,953</b>	<b>\$ 534,885</b>	<b>\$ 110,967</b>	<b>\$ 12,129,650</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, 2022**

Total fund balances, governmental funds	\$ 10,922,240
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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.	16,253,748
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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)	447,541
Deferred inflow of resources - pension (see Note 9)	(1,869,361)
Net pension liability	1,925,342
Compensated absences	(275,749)
Deferred outflow of resources - OPEB (see Note 8)	309,525
Other post-employment benefits obligation	<u>(3,046,488)</u>

Net position of governmental activities in the Statement of Net Position	\$ <u>24,666,798</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, 2022

	Major Fund				Total
	General Fund	Capital Projects	Special Revenue Fund	Ambulance Fund	Governmental Funds
<b>REVENUES:</b>					
Taxes:					
Property	\$ 2,000,766	\$ -	\$ -	\$ -	\$ 2,000,766
Rental real estate	2,106,568	-	-	-	2,106,568
Transfer	2,197,956	-	-	-	2,197,956
Parking revenues	2,659,977	-	-	-	2,659,977
Licenses, permits, and fees	1,337,377	-	-	-	1,337,377
Police and Alderman fines and revenue	56,811	-	-	-	56,811
Interest	16,655	-	9	4	16,668
Service receipts	-	-	-	149,191	149,191
Intergovernmental revenues	-	-	352,929	-	352,929
Contributions	25,955	-	-	-	25,955
Miscellaneous	24,328	-	-	-	24,328
<b>Total revenues</b>	<b>10,426,393</b>	<b>-</b>	<b>352,938</b>	<b>149,195</b>	<b>10,928,526</b>
<b>EXPENDITURES:</b>					
General and administration	1,123,859	-	-	-	1,123,859
Licenses and inspections	286,094	-	-	-	286,094
Public safety:					
Police	2,033,469	-	194,568	-	2,228,037
Alderman	31,279	-	-	-	31,279
Parking	658,691	-	-	-	658,691
Beach patrol	629,599	-	-	-	629,599
Ambulance	-	-	-	149,195	149,195
Public works:					
Stormwater management	197,338	-	-	-	197,338
Streets and parks	1,193,238	-	-	-	1,193,238
Beach and boardwalk	394,098	-	-	-	394,098
Recreation - entertainment	250,449	-	-	-	250,449
Cultural, historical, and parade	3,463	-	-	-	3,463
Capital outlay	-	828,665	158,370	-	987,035
<b>Total expenditures</b>	<b>6,801,577</b>	<b>828,665</b>	<b>352,938</b>	<b>149,195</b>	<b>8,132,375</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>3,624,816</b>	<b>(828,665)</b>	<b>-</b>	<b>-</b>	<b>2,796,151</b>
Other financing (uses) sources:					
Transfer (out) in	(828,665)	828,665	-	-	-
<b>Total other financing (uses) sources</b>	<b>(828,665)</b>	<b>828,665</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>2,796,151</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,796,151</b>
<b>Fund balances, beginning of year</b>	<b>8,126,089</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,126,089</b>
<b>Fund balances, end of year</b>	<b>\$10,922,240</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$10,922,240</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, 2022**

Net change in fund balances, governmental funds	\$2,796,151
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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	987,035
Depreciation expense	(1,107,803)

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)	(37,513)
Change in deferred inflow of resources - pension (see Note 9)	(1,583,650)
Change in net pension liability	2,127,501
Change in compensated absences	4,131
Change in deferred outflow of resources - OPEB (see Note 8)	(44,758)
Change in other post-employment benefits obligation	<u>442,986</u>

Change in net position of governmental activities	<u>\$3,584,080</u>
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# TOWN OF BETHANY BEACH, DELAWARE

## STATEMENT OF FUND NET POSITION

### BUSINESS-TYPE ACTIVITIES

March 31, 2022

	Enterprise Fund		
	Sanitation		
	<u>Water Fund</u>	<u>Fund</u>	<u>Total</u>
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 178,590	\$ 415,717	\$ 594,307
Investments	2,574,568	643,834	3,218,402
Receivables:			
Service charges	580,182	3,975	584,157
Interest	489	122	611
Due from other funds	-	-	-
Miscellaneous	4	-	4
Prepaid expenses	30,873	11,568	42,441
<b>Total current assets</b>	<b>3,364,706</b>	<b>1,075,216</b>	<b>4,439,922</b>
Noncurrent assets			
Restricted cash and cash equivalents	187,993	-	187,993
Capital assets, at cost	10,908,248	1,853,644	12,761,892
Less: accumulated depreciation	(5,155,135)	(1,154,992)	(6,310,127)
<b>Total noncurrent assets</b>	<b>5,941,106</b>	<b>698,652</b>	<b>6,639,758</b>
<b>Total assets</b>	<b>\$ 9,305,812</b>	<b>\$ 1,773,868</b>	<b>\$ 11,079,680</b>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable and accrued expenses	\$ 37,761	\$ 21,547	\$ 59,308
Due to other funds	-	-	-
Unearned revenues	4,971	-	4,971
Long-term liabilities due within one year:			
Compensated absences liability	112	1,322	1,434
Bonds and notes payable	120,930	-	120,930
<b>Total current liabilities</b>	<b>163,774</b>	<b>22,869</b>	<b>186,643</b>
Noncurrent liabilities			
Compensated absences liability	46,063	35,819	81,882
Bonds and notes payable	688,191	-	688,191
<b>Total noncurrent liabilities</b>	<b>734,254</b>	<b>35,819</b>	<b>770,073</b>
<b>Total liabilities</b>	<b>898,028</b>	<b>58,688</b>	<b>956,716</b>
<b>NET POSITION</b>			
Net investment in capital assets	4,943,992	698,652	5,642,644
Restricted	187,993	-	187,993
Unrestricted	3,275,799	1,016,528	4,292,327
<b>Total net position</b>	<b>\$ 8,407,784</b>	<b>\$ 1,715,180</b>	<b>\$ 10,122,964</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, 2022**

	<b>Enterprise Fund</b>		
	<u>Water Fund</u>	<u>Sanitation Fund</u>	<u>Total</u>
<b>OPERATING REVENUE</b>			
Charges for services	\$ 1,478,107	\$ 971,836	\$ 2,449,943
Other	60,033	-	60,033
<b>Total operating revenues</b>	<b>1,538,140</b>	<b>971,836</b>	<b>2,509,976</b>
<b>OPERATING EXPENSES</b>			
Operations	1,199,615	952,500	2,152,115
Depreciation and amortization	300,820	126,293	427,113
<b>Total operating expenses</b>	<b>1,500,435</b>	<b>1,078,793</b>	<b>2,579,228</b>
<b>Net operating income (loss)</b>	<b>37,705</b>	<b>(106,957)</b>	<b>(69,252)</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Non-operating revenue	422,443	-	422,443
Financial income, net	(14,125)	2,726	(11,399)
Gain on disposal of capital assets	-	14,760	14,760
<b>Total non-operating revenue</b>	<b>408,318</b>	<b>17,486</b>	<b>425,804</b>
Change in net position	446,023	(89,471)	356,552
<b>Total net position, beginning of year</b>	<b>7,961,761</b>	<b>1,804,651</b>	<b>9,766,412</b>
<b>Total net position, end of year</b>	<b>\$ 8,407,784</b>	<b>\$ 1,715,180</b>	<b>\$10,122,964</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, 2022

	<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	\$ 1,534,404	\$ 973,267	\$ 2,507,671
Payments to suppliers	(638,693)	(405,638)	(1,044,331)
Payments to employees	(576,010)	(551,187)	(1,127,197)
Net cash provided by operating activities	319,701	16,442	336,143
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Non-operating revenue	422,443	-	422,443
Advances from general fund, net	(84,260)	(103,898)	(188,158)
Net cash provided (used) by noncapital financing activities	338,183	(103,898)	234,285
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Proceeds from sale of asset	-	14,760	14,760
Acquisition of capital assets	(67,149)	(239,720)	(306,869)
Disposal of capital assets	-	-	-
Principal paid on long-term debt	(225,175)	-	(225,175)
Interest paid on long-term debt	(19,715)	-	(19,715)
Net cash used in capital and related financing activities	(312,039)	(224,960)	(536,999)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Net change in investments	(80,850)	725,400	644,550
Interest income	5,590	2,726	8,316
Net cash provided (used) by investing activities	(75,260)	728,126	652,866
<b>Net change in cash and cash equivalents</b>	<b>270,585</b>	<b>415,710</b>	<b>686,295</b>
<b>Cash and restricted cash and cash equivalents, beginning of year</b>	<b>95,998</b>	<b>7</b>	<b>96,005</b>
<b>Cash and restricted cash and cash equivalents, end of year</b>	<b>\$ 366,583</b>	<b>\$ 415,717</b>	<b>\$ 782,300</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>			
Operating income (loss)	\$ 37,705	\$ (106,957)	\$ (69,252)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities			
Depreciation and amortization expense	300,820	126,293	427,113
Changes in assets and liabilities:			
Receivables, net	1,359	1,431	2,790
Prepaid expenses	(4,254)	500	(3,754)
Unearned revenue	(5,095)	-	(5,095)
Accounts payable and other accrued expenses	2,150	(1,023)	1,127
Compensated absences liability	(12,984)	(3,802)	(16,786)
<b>Net cash provided by operating activities</b>	<b>\$ 319,701</b>	<b>\$ 16,442</b>	<b>\$ 336,143</b>

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

**TOWN OF BETHANY BEACH, DELAWARE**  
**NOTES TO FINANCIAL STATEMENTS**  
For the year ended March 31, 2022

**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.

## **TOWN OF BETHANY BEACH, DELAWARE**

### **NOTES TO FINANCIAL STATEMENTS**

For the year ended March 31, 2022

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

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

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.

#### **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.

Special Revenue Fund – The special revenue fund is used to account for the proceeds of specific revenue sources.

The remaining governmental fund which is non-major consists of the following:

The Ambulance Fund is used to account for the proceeds and expenditures of ambulance fees.

## **TOWN OF BETHANY BEACH, DELAWARE**

### **NOTES TO FINANCIAL STATEMENTS**

For the year ended March 31, 2022

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

##### **B. Fund Accounting (continued)**

###### **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.

###### **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.

## **TOWN OF BETHANY BEACH, DELAWARE**

### **NOTES TO FINANCIAL STATEMENTS**

For the year ended March 31, 2022

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

##### **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.

##### 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 Notes 8 and 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 OPEB and pension plans.

**TOWN OF BETHANY BEACH, DELAWARE**  
**NOTES TO FINANCIAL STATEMENTS**  
For the year ended March 31, 2022

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

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

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.

**G. Investments**

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

## **TOWN OF BETHANY BEACH, DELAWARE**

### **NOTES TO FINANCIAL STATEMENTS**

For the year ended March 31, 2022

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

##### **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, 2022 are as follows:

	<b>Governmental Business-Type</b>		<b>Activities</b>	<b>Activities</b>	<b>Total</b>
Parking permits	\$ 56,550	\$ -	-	\$ 56,550	
Licenses	137,350		-	137,350	
Concession fees	86,528		-	86,528	
Grants	490,862		-	490,862	
Ambulance fees	110,967		-	110,967	
Other	17,335		4,971	22,306	
<b>Total unearned revenues</b>	<b>\$ 899,592</b>	<b>\$ 4,971</b>			<b>\$ 904,563</b>

**TOWN OF BETHANY BEACH, DELAWARE**  
**NOTES TO FINANCIAL STATEMENTS**  
For the year ended March 31, 2022

**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.

## **TOWN OF BETHANY BEACH, DELAWARE**

### **NOTES TO FINANCIAL STATEMENTS**

For the year ended March 31, 2022

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

##### **N. Net Position (continued)**

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.

##### **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 restricted or assigned fund balances at March 31, 2022. The purpose for committed funds is indicated on the face of the Balance Sheet. 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.

**TOWN OF BETHANY BEACH, DELAWARE**  
**NOTES TO FINANCIAL STATEMENTS**  
For the year ended March 31, 2022

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

**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."

**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 \$91,000 for the year ended March 31, 2022.

**Note 3. Real Estate Taxes**

The tax on real estate in the Town area for the fiscal year ended March 31, 2022 was \$0.190 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

## **TOWN OF BETHANY BEACH, DELAWARE**

### **NOTES TO FINANCIAL STATEMENTS**

For the year ended March 31, 2022

#### **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, 2022:

Description	Financial Institution Balances			Carrying Amounts	
	Category				
	1	2	3		
<b>Cash and cash equivalents:</b>					
Unrestricted	\$ 751,322	\$ 597,467	\$ -	\$ 1,348,789 \$ 1,236,674	
Restricted	-	789,217	-	789,217 789,217	
<b>Totals</b>	<b>\$ 751,322</b>	<b>\$ 1,386,684</b>	<b>\$ -</b>	<b>\$ 2,138,006 \$ 2,025,891</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, 2022, the Town's investments consist of the following:

Description	Category	Amounts	
		Market	Carrying
Certificates of deposit	1, 2	\$ 13,720,000	\$ 13,720,000
<b>Investments:</b>			
Unrestricted		\$ 13,720,000	\$ 13,720,000
<b>Total investments</b>		<b>\$ 13,720,000</b>	<b>\$ 13,720,000</b>

**TOWN OF BETHANY BEACH, DELAWARE**  
**NOTES TO FINANCIAL STATEMENTS**  
For the year ended March 31, 2022

**Note 4. Cash and Investments (continued)**

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 \$13,720,000 in investments, \$10,940,000 has been designated for capital replacement and \$2,780,000 has been committed for Storm Emergency Relief.

**Note 5. Capital Assets**

The following is a summary of changes in capital assets for the year ended March 31, 2022:

<b>GOVERNMENTAL ACTIVITIES</b>	<b>March 31, 2021</b>	<b>Additions</b>	<b>Deletions/ Transfers</b>	<b>March 31, 2022</b>
Capital assets, not being depreciated:				
Land	\$ 6,286,783	\$ 239,000	\$ 10,000	\$ 6,535,783
Construction in progress	124,161	11,781	(124,157)	11,785
Total capital assets, not being depreciated	<u>6,410,944</u>	<u>250,781</u>	<u>(114,157)</u>	<u>6,547,568</u>
Capital assets, being depreciated:				
Beach and boardwalk	1,295,068	73,704	-	1,368,772
Building and improvements	4,796,103	68,972	17,000	4,882,075
Land improvements	626,492	235,511	18,475	880,478
Machinery and equipment	1,348,556	17,479	-	1,366,035
Stormwater	1,118,338	-	-	1,118,338
Streets and parks	8,644,795	230,792	(223,657)	8,651,930
Vehicles	1,371,923	109,796	(110,311)	1,371,408
Total capital assets, being depreciated	<u>19,201,275</u>	<u>736,254</u>	<u>(298,493)</u>	<u>19,639,036</u>
Less accumulated depreciation:				
Beach and boardwalk	630,943	63,418	-	694,361
Building and improvements	2,762,406	156,058	-	2,918,464
Land improvements	556,832	45,091	-	601,923
Machinery and equipment	861,153	91,676	-	952,829
Stormwater	850,004	59,132	-	909,136
Streets and parks	2,609,757	598,894	(302,339)	2,906,312
Vehicles	966,608	93,534	(110,311)	949,831
Total accumulated depreciation	<u>9,237,703</u>	<u>1,107,803</u>	<u>(412,650)</u>	<u>9,932,856</u>
Total capital assets, being depreciated, net	<u>9,963,572</u>	<u>(371,549)</u>	<u>114,157</u>	<u>9,706,180</u>
Governmental activities capital assets, net	<b>\$ 16,374,516</b>	<b>\$ (120,768)</b>	<b>\$ -</b>	<b>\$ 16,253,748</b>

**TOWN OF BETHANY BEACH, DELAWARE**

**NOTES TO FINANCIAL STATEMENTS**

For the year ended March 31, 2022

**Note 5. Capital Assets (continued)**

Depreciation expense was charged to governmental functions as follows:

General, administrative, and park development		\$ 68,327
Licenses and inspections		8,404
Police and Alderman		74,833
Parking		37,929
Public works:		
Stormwater management		86,542
Streets and parks		706,154
Beach and boardwalk		96,282
Recreation - entertainment		29,332
Cultural, historical, and parade		-
		<b>\$ 1,107,803</b>

<b>BUSINESS-TYPE ACTIVITIES</b>	<b>March 31, 2021</b>	<b>Additions</b>	<b>Deletions/ Transfers</b>	<b>March 31, 2022</b>
<b>Water Fund</b>				
Capital assets, not being depreciated:				
Construction in progress	\$ 43,521	\$ -	\$ (43,521)	\$ -
Total capital assets, not being depreciated	43,521	-	(43,521)	-
Capital assets, being depreciated:				
Plant and water distribution system	10,358,061	-	-	10,358,061
Vehicles and equipment	439,517	67,149	43,521	550,187
Total capital assets, being depreciated	10,797,578	67,149	43,521	10,908,248
Total accumulated depreciation	4,854,315	300,820	-	5,155,135
Total capital assets, being depreciated, net	5,943,263	(233,671)	43,521	5,753,113
<b>Water Fund capital assets, net</b>	<b>\$ 5,986,784</b>	<b>\$ (233,671)</b>	<b>\$ -</b>	<b>\$ 5,753,113</b>
<b>Sanitation Fund</b>				
Capital assets, being depreciated:				
Vehicles and equipment	\$ 1,854,820	\$ 239,720	\$ (240,896)	\$ 1,853,644
Total capital assets, being depreciated	1,854,820	239,720	(240,896)	1,853,644
Total accumulated depreciation	1,269,595	126,293	(240,896)	1,154,992
Total capital assets, being depreciated, net	585,225	113,427	-	698,652
<b>Sanitation Fund capital assets, net</b>	<b>\$ 585,225</b>	<b>\$ 113,427</b>	<b>\$ -</b>	<b>\$ 698,652</b>
<b>Business-type activities capital assets, net</b>	<b>\$ 6,572,009</b>	<b>\$ (120,244)</b>	<b>\$ -</b>	<b>\$ 6,451,765</b>

**TOWN OF BETHANY BEACH, DELAWARE**  
**NOTES TO FINANCIAL STATEMENTS**  
For the year ended March 31, 2022

**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, 2021	Additions	Retirements and Repayments	Balances March 31, 2022	Amount Due in One Year
Compensated absences		\$ 100,102	\$ -	\$ 16,786	\$ 83,316	\$ 1,434
General obligation bonds:						
Series 2012-SRF	2.13% 2029	1,034,296		- 225,175	809,121	120,930
Total business-type activities long-term debt		\$ 1,134,398	\$ -	\$ 241,961	\$ 892,437	\$ 122,364

Total annual requirements to amortize all business-type activities debt outstanding as of March 31, 2022 are as follows:

Fiscal Year Ending March 31,	Principal	Interest	Total
2023	\$ 120,930	\$ 16,660	\$ 137,590
2024	123,586	14,004	137,590
2025	126,233	11,357	137,590
2026	128,936	8,654	137,590
2027	131,697	5,839	137,536
2028 - 2029	177,739	3,534	181,273
	\$ 809,121	\$ 60,048	\$ 869,169

Interest expense in the business-type activities for the year ended March 31, 2022 totaled \$19,715.

**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, 2021	Additions	Retirements and Repayments	Balances March 31, 2022	Amount Due in One Year
Compensated absences		\$ 284,191	\$ -	\$ 4,793	\$ 279,398	\$ 3,649
Total governmental activities long-term debt		\$ 284,191	\$ -	\$ 4,793	\$ 279,398	\$ 3,649

Interest expense in the governmental activities for the year ended March 31, 2022 totaled \$0.

**TOWN OF BETHANY BEACH, DELAWARE**  
**NOTES TO FINANCIAL STATEMENTS**  
For the year ended March 31, 2022

**Note 8. Post-Employment Healthcare Benefits**

**Plan Description**

The Town administers two single-employer defined benefit healthcare plans (the "Plans) for employees. The Town has the authority to establish and amend the funding of the Plans. 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 each plan on a pay-as-you-go basis from the general fund. The Plan does not issue a publicly available financial report.

Census Data is as follows:

Census Date	March 2021
Participants	
Active employees	40
Inactive employees entitled to but not yet receiving benefits	0
Inactive employees currently receiving benefits	3
<b>Total</b>	<b>43</b>
<hr/>	
Average Ages	
Active employees	44.4
Inactive employees entitled to but not yet receiving benefits	-
Inactive employees currently receiving benefits	65.0
<hr/>	
Average Service	
Active employee	11.5

**Eligibility Provisions**

*1991 Plan* - Personnel employed by the Town from 1991 through 1999 are eligible for subsidized coverage under this closed retiree healthcare benefit. Employees must have 7 years of service. There is no service requirement.

*2020 Plan*

*General Personnel* - To receive the benefit, the retiree must have retired and be collecting a pension through the State of Delaware, County and Municipal Other Employees Plan with 25 years of service with the Town of Bethany Beach. The eligibility requirements for the Delaware County and Municipal Other Employees Plan are as follows:

- At least 62 years of age and terminate service with at least five (5) years of credited service, or
- At least 60 years of age and have at least 15 years of credited service, or
- 30 years of credited service.

**TOWN OF BETHANY BEACH, DELAWARE**  
**NOTES TO FINANCIAL STATEMENTS**  
For the year ended March 31, 2022

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

Police Personnel - To receive the benefit, the retiree must have retired and be collecting a pension through the State of Delaware, County and Municipal Police and Firefighter Plan with 25 years of service as a Police Officer with the Town of Bethany Beach. The eligibility requirements for the Delaware County and Municipal Police and Firefighter Plan are as follows:

- At least 62 years of age and terminate service with at least five (5) years of credited service, or
- Age plus years of credited service equals 75 (minimum of 10 years of service), or
- 20 years of credited service.

**Medical Benefits**

*1991 Plan* - 100% Town-paid health coverage is provided to vested and retiring employees. No contributions are required. Coverage for spouses of retirees is also provided at no cost. Coverage continues for the lifetime of the retiree. Coverage for spouses ends upon the death of the retiree.

**2020 Plan**

*General Personnel* - The Town subsidizes retiree medical coverage as follows:

<b>Years of Service</b>	<b>Age Required</b>	<b>Town Share</b>
25	55	75%
26	55	80%
27	55	85%
28	55	90%
29	55	95%
30	55	100%

The Town does not directly pay for premiums. Proof of coverage must be provided for reimbursement no more than quarterly and no less than annually. Claimed costs more than one year old will not be reimbursed. These reimbursement payments are only for health insurance premiums and may not include any other costs. The cost of Concierge Medicine, retainer agreements, boutique medicine or similar arrangements with health care providers are not included in this benefit.

If the retiree chooses to cover their spouse and children, then they are responsible for 100% of the additional cost. There is no offset for families.

Any benefit is a limited amount at the State's rate. If the retiree chooses to get other coverage than through the Pension Office, then the Town will not pay any more than the cost of the healthcare plan through the State Pension Office.

The benefit ends when the retiree becomes eligible for Medicare or Medicaid.

**TOWN OF BETHANY BEACH, DELAWARE**  
**NOTES TO FINANCIAL STATEMENTS**  
For the year ended March 31, 2022

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

*Police Personnel* - The Town pays 20% of the cost of medical coverage for a retiree. The State of Delaware currently offers a Health Care Offset of up to 80% of the cost of individual healthcare premiums in retirement for County and Municipal Police and Firefighter Plan, The amount of the offset changes annually. If the State reduces their offset to below 80%, then the Town will not be obligated to increase its percentage contribution to above 20% of the highest available State Plan.

The Town does not directly pay for premiums. Proof of coverage must be provided for reimbursement no more than quarterly and no less than annually. Claimed costs more than one year old will not be reimbursed. These reimbursement payments are only for health insurance premiums and may not include any other costs. The cost of Concierge Medicine, retainer agreements, boutique medicine or similar arrangements with health care providers are not included in this benefit.

If the retiree chooses to cover their spouse and children, then they are responsible for 100% of the additional cost. There is no offset for families.

The benefit ends when the retiree becomes eligible for Medicare or Medicaid.

**Comments**

The Discount Rate was changed to comply with the GASB 75 Standard.

The valuation includes one retiree who is receiving subsidized medical coverage in the 2020 Plan. This individual did not meet the eligibility requirements but was nonetheless granted subsidized coverage by the Town.

The 2020 Plan became effective on August 25, 2020. As a result, the Net OPEB Liability as of March 31, 2020 only reflects the liability associated with the 1991 Plan.

Years of service prior to the effective date of the 2020 Plan are counted toward satisfaction of the eligibility requirements for the plan.

The institution of the 2020 Plan is considered a Change of Benefit Terms. Per GASB 75, Changes of Benefit Terms should be immediately recognized in the OPEB Expense.

The Net OPEB Liability due to the Implicit Rate Subsidy is approximately 73% of the total.

It is noted that there is one active employee and one retiree remaining in the 1991 Plan.

**TOWN OF BETHANY BEACH, DELAWARE**  
**NOTES TO FINANCIAL STATEMENTS**  
For the year ended March 31, 2022

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

**ACTUARIAL METHODS**

Valuation date	April 1, 2020
Measurement date	March 31, 2022
Participant Data	Employee and retiree data were supplied by the plan sponsor.
Fiscal Year	April 1 - March 31
Actuarial Cost Method	Entry Age Normal (Alternative Measurement Method)
Changes since last actuarial valuation	The discount was changed per GASB 75 rules.
Nature of actuarial calculations	The results are estimates based on assumptions about future events. Assumptions may be made about participant data or other factors. All approximations and assumptions are noted. Reasonable efforts were made in this valuation to ensure that significant items in the context of the actuarial liabilities or costs are treated appropriately, and not excluded or included inappropriately.
	Actual future experience will differ from the assumptions used. As these differences arise, the expense for accounting purposes will be adjusted in future valuations to reflect such actual experience.

**SIGNIFICANT ASSUMPTIONS**

Health Care Trend	
Initial Health Care Cost Trend Rate	
- 1991 Plan, Medical	6.00%
- 2020 Plan, Medical	6.50%
Ultimate Health Care Cost Trend Rate	4.50%
Fiscal Year the Ultimate Rate is Reached	Fiscal Year 2036
Discount Rate	3.46%
Inflation Rate	3.00%
Salary Rate Increase	4.00%
Expected Rate of Return on Assets	Not Applicable
Mortality	General Employees: PubG.H-2010 Mortality Table - General Police Employees: PubS.H-2010 Mortality Table - Safety

## **TOWN OF BETHANY BEACH, DELAWARE**

### **NOTES TO FINANCIAL STATEMENTS**

For the year ended March 31, 2022

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

**Discount Rate** - The Town does not have a dedicated Trust to pay retiree healthcare benefits. Per GASB 75, the discount rate should be a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale).

A rate of 3.46% is used, which is the S&P Municipal Bond 20 Year High-Grade Rate Index as of March 31, 2022.

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:

<b>DISCOUNT RATE</b>			
<b>System</b>	<b>1% Decrease</b>	<b>Discount Rate</b>	<b>1% Increase</b>
Total OPEB liability	\$ 3,346,461	\$ 3,046,488	\$ 2,780,667

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:

<b>HEALTH CARE TREND</b>			
<b>System</b>	<b>1% Decrease</b>	<b>Discount Rate</b>	<b>1% Increase</b>
Total OPEB liability	\$ 2,729,082	\$ 3,046,488	\$ 3,415,426

Changes in the total OPEB liability are as follows:

	<b>Total OPEB Liability (a)</b>	<b>Change in Fiduciary Net Position (b)</b>	<b>Net OPEB Liability (a)-(b)</b>
Balances - beginning of year	\$ 3,489,474	\$ -	\$ 3,489,474
Service cost	145,838	-	145,838
Interest on total OPEB liability	59,770	-	59,770
Changes of benefit terms	-	-	-
Difference between expected & actual ex	-	-	-
Changes of assumptions and other inputs	(539,709)	-	(539,709)
Contributions - employer	-	-	-
Contributions - active & inactive employees	-	-	-
Net investment income	-	-	-
Benefit payments	(108,885)	-	(108,885)
Administrative expense	-	-	-
Other changes	-	-	-
Balances - end of year	\$ 3,046,488	\$ -	\$ 3,046,488

**TOWN OF BETHANY BEACH, DELAWARE****NOTES TO FINANCIAL STATEMENTS**

For the year ended March 31, 2022

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

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, 2022, the Town has designated \$313,525 in cash to pay for these future benefits which is included in cash and cash equivalents on the statement of net position.

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

Service cost	\$ 143,344
Interest on service cost	2,494
<hr/>	
Total	145,838
Interest cost	59,770
Difference between expected & actual experience	-
Changes of assumptions and other inputs	(18,166)
<hr/>	
Changes of benefit terms	-
<hr/>	
OPEB Expense	\$ 187,442
<hr/>	

Deferred outflows and inflows of resources are as follows:

	Deferred Outflows	Deferred Inflows
Balances - beginning of year	\$ 354,283	\$ -
Difference between expected & actual experience	-	-
Changes of assumptions	-	(539,709)
Net difference between projected & actual earnings	-	-
Amortization of items allowed by GASB 75	(44,758)	62,924
<hr/>		
Balances - end of year	\$ 309,525	\$ (476,785)
<hr/>		

Net deferred outflows/ (inflows) will be amortized as follows:

2023	\$ (18,166)
2024	(18,166)
2025	(18,166)
2026	(18,166)
2027	(18,166)
Thereafter	(76,430)
<hr/>	
Total	\$ (167,260)
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**TOWN OF BETHANY BEACH, DELAWARE**  
**NOTES TO FINANCIAL STATEMENTS**  
For the year ended March 31, 2022

**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, 2021. For a more complete description, please refer to the DPERS ACFR.

**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).

**TOWN OF BETHANY BEACH, DELAWARE**  
**NOTES TO FINANCIAL STATEMENTS**  
For the year ended March 31, 2022

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

**A. Plan Descriptions and Contribution Information (continued)**

**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.

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

**TOWN OF BETHANY BEACH, DELAWARE**  
**NOTES TO FINANCIAL STATEMENTS**  
For the year ended March 31, 2022

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

## **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. 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, 2020 through June 30, 2021, 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 7.06% and 16.59% of earnings for fiscal year 2021 for the Employee Plan and the Police & Fire Plan, respectively.

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

The components of the net pension liability of the Town at June 30, 2021 were as follows:

Plan	County & Municipal Other Employees'	County & Municipal Police & Firefighters'
Employers' total pension liability	\$ 2,761,975	\$ 4,129,582
Plan net position	3,523,274	5,293,625
Employers' net pension liability (asset)	\$ (761,299)	\$ (1,164,043)
Employer's proportionate (percentage) of the collective	3.6348%	0.8459%

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

## **TOWN OF BETHANY BEACH, DELAWARE**

### **NOTES TO FINANCIAL STATEMENTS**

For the year ended March 31, 2022

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

##### **D. Collective Net Pension Liability and Actuarial Information (continued)**

###### *Actuarial Assumptions*

The total pension liability for the June 30, 2021 measurement date was determined by an actuarial valuation as of June 30, 2020, with update procedures used to roll forward the total pension liability to June 30, 2021. These actuarial valuations used the following actuarial assumptions:

<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%

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.

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.

## **TOWN OF BETHANY BEACH, DELAWARE**

### **NOTES TO FINANCIAL STATEMENTS**

For the year ended March 31, 2022

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

##### **D. Collective Net Pension Liability and Actuarial Information (continued)**

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%	32.3%
International equity	5.7%	18.1%
Fixed income	2.0%	20.6%
Alternative investments	7.8%	24.2%
Cash and equivalents	0.0%	4.8%

*Discount rate* – 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 net pension liability (asset) would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate:

<b>Plans</b>	<b>1% Decrease</b>	<b>Discount Rate</b>	<b>1% Increase</b>
County & Municipal Other Employees'	\$ (329,277)	\$ (761,299)	\$ (1,193,414)
County & Municipal Police & Firefighters'	\$ (537,397)	\$ (1,164,043)	\$ (1,675,355)
<b>Total pensions liability / (asset)</b>	<b>\$ (866,674)</b>	<b>\$ (1,925,342)</b>	<b>\$ (2,868,769)</b>

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

**TOWN OF BETHANY BEACH, DELAWARE**

**NOTES TO FINANCIAL STATEMENTS**

For the year ended March 31, 2022

**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):

	<b>Amortization period</b>	<b>March 31, 2021</b>			<b>March 31, 2022</b>
		<b>Additions</b>	<b>Deductions</b>		
<b>County &amp; Municipal Other Employees'</b>					
Deferred outflows (inflows) of resources:					
Difference between expected and actual experience	8-9 years	\$ (553)	\$ (13,020)	\$ 2,495	\$ (11,078)
Changes of assumptions	9 years	46,442	(26,222)	(7,612)	12,608
Net difference between projected and actual earnings on pension plan investments	5 years	(58,959)	(774,141)	182,317	(650,783)
Change in proportion	8-9 years	(19,056)	(1,926)	3,757	(17,225)
Year ending contribution	N/A	107,159	108,427	(107,159)	108,427
Net deferred outflows (inflows)		\$ 75,033	\$ (706,882)	\$ 73,798	\$ (558,051)
Net pension liability (asset)	N/A	\$ 78,830	\$ -	\$ (840,129)	\$ (761,299)
<b>County &amp; Municipal Police &amp; Firefighters'</b>					
Deferred outflows (inflows) of resources:					
Difference between expected and actual experience	10-11 years	\$ 83,846	\$ (12,759)	\$ (6,296)	\$ 64,791
Changes of assumptions	10 years	26,904	(77,694)	6,016	(44,774)
Net difference between projected and actual earnings on pension plan investments	5 years	(87,438)	(1,174,856)	273,193	(989,101)
Change in proportion	10-11 years	(2,789)	5,415	138	2,764
Year ending contribution	N/A	103,787	102,551	(103,787)	102,551
Net deferred outflows (inflows)		\$ 124,310	\$ (1,157,343)	\$ 169,264	\$ (863,769)
Net pension liability (asset)	N/A	\$ 123,329	\$ -	\$ (1,287,372)	\$ (1,164,043)

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

The \$210,978 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 in the year ending March 31, 2023.

**TOWN OF BETHANY BEACH, DELAWARE****NOTES TO FINANCIAL STATEMENTS**

For the year ended March 31, 2022

**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
2023	\$ (169,357)	\$ (253,138)	\$ (422,495)
2024	(154,669)	(234,138)	(388,807)
2025	(163,669)	(248,139)	(411,808)
2026	(162,088)	(228,378)	(390,466)
2027	(5,600)	10,539	4,939
Thereafter	(11,095)	(13,066)	(24,161)
	<hr/> \$ (666,478)	<hr/> \$ (966,320)	<hr/> \$ (1,632,798)

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

**TOWN OF BETHANY BEACH, DELAWARE****NOTES TO FINANCIAL STATEMENTS**

For the year ended March 31, 2022

**Note 9. Pension and Retirement Plans (continued)****F. Pension Expense**

The components of pension expense are as follows:

	County & Municipal Other	County & Municipal Police & Firefighters'	Total
Service costs	\$ 152,941	\$ 157,627	\$ 310,568
Interest on total pension liability	182,431	274,049	456,480
Member contributions	(51,251)	(57,549)	(108,800)
Administrative expense	3,707	1,286	4,993
Changes in benefit terms	12,068	-	12,068
Projected earnings on plan investments	(175,815)	(266,934)	(442,749)
Recognition of deferred outflows and inflows of resources:			
Difference between projected and actual earnings on plan investments	(182,317)	(273,193)	(455,510)
Difference between expected and actual experiences with regards to factors or other inputs in the measurement of total pension	(2,495)	6,296	3,801
Change in assumptions with regards to factors or other inputs in the measurement of total pension liability	(7,612)	(6,016)	(13,628)
<b>Total pension expense</b>	<b>\$ (68,343)</b>	<b>\$ (164,434)</b>	<b>\$ (232,777)</b>

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

For the year ended March 31, 2022, the Town's payroll for all employees was \$4,166,623. As of the plans measurement date, June 30, 2021, total covered payroll was \$2,767,046. 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.

**TOWN OF BETHANY BEACH, DELAWARE**  
**NOTES TO FINANCIAL STATEMENTS**  
For the year ended March 31, 2022

**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.

**REQUIRED SUPPLEMENTARY INFORMATION**

# TOWN OF BETHANY BEACH, DELAWARE

## REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE - GENERAL FUND Year Ended March 31, 2022

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Favorable (Unfavorable)
<b>REVENUES:</b>				
Taxes:				
Property	\$ 2,005,000	\$ 2,005,000	\$ 2,000,766	\$ (4,234)
Rental real estate	1,700,000	1,700,000	2,106,568	406,568
Transfer	650,000	650,000	2,197,956	1,547,956
Parking revenues	2,516,000	2,516,000	2,659,977	143,977
Licenses, permits, and fees	823,000	823,000	1,337,377	514,377
Police and Alderman fines and revenue	65,000	65,000	56,811	(8,189)
Interest	65,000	65,000	16,655	(48,345)
Contributions	32,000	32,000	25,955	(6,045)
Miscellaneous	14,000	14,000	24,328	10,328
<b>Total revenues</b>	<b>7,870,000</b>	<b>7,870,000</b>	<b>10,426,393</b>	<b>2,556,393</b>
<b>EXPENDITURES:</b>				
General and administration	1,137,000	1,137,000	1,123,859	13,141
Licenses and inspections	287,000	287,000	286,094	906
Public safety:				
Police	2,067,000	2,067,000	2,033,469	33,531
Alderman	36,000	36,000	31,279	4,721
Parking	661,000	661,000	658,691	2,309
Beach patrol	723,000	723,000	629,599	93,401
Public works:				
Stormwater management	201,000	201,000	197,338	3,662
Streets and parks	1,201,000	1,201,000	1,193,238	7,762
Beach and boardwalk	398,000	398,000	394,098	3,902
Recreation - entertainment	303,000	303,000	250,449	52,551
Cultural, historical, and parade	60,000	60,000	3,463	56,537
<b>Total expenditures</b>	<b>7,074,000</b>	<b>7,074,000</b>	<b>6,801,577</b>	<b>272,423</b>
<b>Excess of revenues over expenditures</b>	<b>796,000</b>	<b>796,000</b>	<b>3,624,816</b>	<b>2,828,816</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfer out	(1,255,000)	(1,985,000)	(828,665)	1,156,335
Fund balance (reserves) appropriated	459,000	1,189,000	-	(1,189,000)
<b>Total other financing uses</b>	<b>(796,000)</b>	<b>(796,000)</b>	<b>(828,665)</b>	<b>(32,665)</b>
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>2,796,151</b>	<b>\$ 2,796,151</b>
Fund balance, beginning of year			<u>8,126,089</u>	
Fund balance, end of year			<u>\$ 10,922,240</u>	

# TOWN OF BETHANY BEACH, DELAWARE

## REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE - SPECIAL REVENUE FUND Year Ended March 31, 2022

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Favorable (Unfavorable)
<b>REVENUES:</b>				
Intergovernmental revenues:				
State and County	\$ 1,043,469	\$ 1,179,845	\$ 352,929	\$ (826,916)
Interest income	-	62	9	(53)
Total revenues	1,043,469	1,179,907	352,938	(826,969)
<b>EXPENDITURES:</b>				
Public safety:				
Police	162,315	261,812	229,568	32,244
Public works:				
Streets and parks	246,320	245,942	123,370	122,572
Total expenditures	408,635	507,754	352,938	154,816
Excess of revenues over expenditures	634,834	672,153	-	(672,153)
<b>OTHER FINANCING SOURCES (USES):</b>				
Fund balance reserves	(634,834)	(672,153)	-	672,153
Total other financing uses	(634,834)	(672,153)	-	672,153
Net change in fund balance	\$ -	\$ -	-	\$ -
Fund balance, beginning of year				-
Fund balance, end of year			\$ -	

**TOWN OF BETHANY BEACH, DELAWARE**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**March 31, 2022**

**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, 2022**

<b>Measurement date</b>	<b>March 31, 2019</b>	<b>March 31, 2020</b>	<b>March 31, 2021</b>	<b>March 31, 2022</b>
Balances - beginning of year	\$ 273,684	\$ 245,367	\$ 242,392	\$3,489,474
Service cost	4,991	2,078	60,147	145,838
Interest on total OPEB liability	5,479	4,905	5,543	59,770
Effect of plan changes	-	-	2,852,616	-
Effect of economic/demographic gains/losses	(29,287)	(5,552)	-	-
Effect of assumption changes or inputs	-	-	361,574	(539,709)
Benefit payments	(9,500)	(4,406)	(32,798)	(108,885)
Employer contributions	-	-	-	-
Employee contributions	-	-	-	-
Net investment income	-	-	-	-
Administrative expense	-	-	-	-
Balances - end of year	\$ 245,367	\$ 242,392	\$3,489,474	\$3,046,488

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, 2022**

<b>Measurement date</b>	<b>March 31, 2019</b>	<b>March 31, 2020</b>	<b>March 31, 2021</b>	<b>March 31, 2022</b>
Total OPEB liability (a)	\$ 245,367	\$ 242,392	\$ 3,489,474	\$ 3,046,488
Covered-employee payroll (b)	64,251	64,590	1,790,110	1,930,923
% of covered-employee payroll (a/b)	382%	375%	195%	158%

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, 2022**

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, 2022, the Town has designated \$313,525 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, 2019**

Discount rate - 2.00%

**March 31, 2020**

Discount rate - 2.94%

**March 31, 2021**

Discount rate - 1.74%

The Discount Rate was changed to comply with the GASB 75 Standard. (Started in 2020)

The 2020 Plan became effective on August 25, 2020. As a result, the Net OPEB Liability as of March 31, 2020 only reflects the liability associated with the 1991 Plan.

The institution of the 2020 Plan is considered a Change of Benefit Terms. Per GASB 75, Changes of Benefit Terms should be immediately recognized in the OPEB Expense.

**March 31, 2022**

Discount rate - 3.46%

## 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, 2022

Measurement Date	Employer's Proportion (Percentage) of the Collective NPL	Employer's Proportion of the Collective NPL	Employer's Covered Employee Payroll	Proportionate Share as a Percentage of Covered Payroll (B / C)	Plan's Total Fiduciary Net Position	Plan's Total Pension Liability	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%
June 30, 2020	3.7125%	78,830	1,819,488	4%	67,470,000	69,594,000	97%
June 30, 2021	3.6348%	(761,299)	1,946,699	-39%	96,932,000	75,987,000	128%
<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%
June 30, 2020	0.8025%	123,329	731,702	17%	446,384,000	461,752,000	97%
June 30, 2021	0.8459%	(1,164,043)	820,347	-142%	625,792,000	488,188,000	128%

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, 2022

Fiscal Year	Contractually Required Contribution		Actual Contribution B	Contribution Deficiency (Excess) (A - B)	Employer's Covered Employee Payroll C	Actual Contribution as a Percentage of Covered Payroll (B / C)
	A					
<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%
2021	132,459	132,459	-	1,819,488		7%
2022	137,436	137,436	-	1,946,699		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%
2021	123,219	123,219	-	731,702		17%
2022	136,095	136,095	-	820,347		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 information is available.

## **TOWN OF BETHANY BEACH, DELAWARE**

### **REQUIRED SUPPLEMENTARY INFORMATION ACTUARIAL ASSUMPTIONS - PENSION PLAN Year Ended March 31, 2022**

<b>Plan</b>	<b>County &amp; Municipal Other</b>	<b>County &amp; Municipal Police Employees'</b>	<b>County &amp; Municipal Other</b>	<b>Municipal Police &amp; Firefighters'</b>
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#### **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 BUDGETARY COMPARISON SCHEDULE - CAPITAL PROJECTS FUND Year Ended March 31, 2022

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Favorable (Unfavorable)
<b>EXPENDITURES:</b>				
General and administration	\$ 15,000	\$ 22,000	\$ 21,018	\$ 982
Licenses and inspections	-	-	-	-
Public safety:				
Police	75,000	75,000	33,778	41,222
Parking	-	-	-	-
Public works:				
Streets and parks	320,000	704,000	193,873	510,127
Beach, boardwalk and comfort station	20,000	103,000	93,704	9,296
Stormwater management	825,000	1,081,000	486,292	594,708
<b>Total expenditures</b>	<b>1,255,000</b>	<b>1,985,000</b>	<b>828,665</b>	<b>1,156,335</b>
<b>OTHER FINANCING SOURCES:</b>				
Transfers in	1,255,000	1,985,000	828,665	(1,156,335)
<b>Total other financing sources</b>	<b>1,255,000</b>	<b>1,985,000</b>	<b>828,665</b>	<b>(1,156,335)</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			\$ -	

## TOWN OF BETHANY BEACH, DELAWARE

### ADDITIONAL SUPPLEMENTARY INFORMATION

#### INCOME AND EXPENSE DETAIL

#### WATER FUND

Year Ended March 31, 2022

#### WATER SERVICE:

Operating revenues:	
Charges for services	\$ 1,478,107
Other service fees	59,407
Miscellaneous	626
Total operating revenues	1,538,140
Operating expenses:	
Salaries and wages	408,697
Payroll taxes	31,576
Employee benefits	122,753
Contract services	65,025
Insurance	87,814
Telephone	10,451
Utilities	43,447
Repairs and maintenance	26,380
Sewer service charge	1,083
Plant maintenance	84,270
Distribution system maintenance	110,389
Office supplies	5,591
Miscellaneous	31,563
Supplies	32,826
Chemicals	134,759
Uniforms	2,991
Depreciation	300,820
Total operating expenses	1,500,435
Net operating income	37,705
Non-operating revenues (expenses):	
Taxes and assessments	246,359
Impact fees	176,084
Interest income	5,590
Interest expense	(19,715)
Net non-operating revenues	408,318
Change in net position	\$ 446,023

# **TOWN OF BETHANY BEACH, DELAWARE**

## **ADDITIONAL SUPPLEMENTARY INFORMATION**

### **INCOME AND EXPENSE DETAIL**

#### **SANITATION FUND**

**Year Ended March 31, 2022**

#### **SANITATION SERVICE:**

Operating revenues:

Charges for services	\$ 971,836
Total operating revenues	971,836

Operating expenses:

Salaries and wages	378,233
Payroll taxes	29,129
Employee benefits	140,023
Disposal fees	190,149
Fuel	34,365
Insurance	54,294
Telephone	1,136
Utilities	6,537
Repairs and maintenance	79,819
Office supplies	10,116
Miscellaneous	28,699
Depreciation	126,293
Total operating expenses	1,078,793
Net operating loss	(106,957)

Non-operating revenues:

Interest income	2,726
Gain on asset disposal	14,760
Net non-operating revenues	17,486

<b>Change in net position</b>	<b>\$ (89,471)</b>
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## **STATISTICAL SECTION**

## Town of Bethany Beach, Delaware

Net Position by Component

Last Five Years

(accrual basis of accounting)

### Schedule 1

Years ended March 31, 2018 2019 2020 2021 2022

#### Governmental Activities

Net investment in capital assets	\$ 12,112,795	\$ 13,327,307	\$ 16,448,470	\$ 16,374,516	\$ 16,253,748
Restricted	259,873	121,579	112,908	264,368	601,224
Unrestricted	7,940,038	7,932,773	6,295,142	4,443,834	7,811,826
Total governmental activities net position	<u>\$ 20,312,706</u>	<u>\$ 21,381,659</u>	<u>\$ 22,856,520</u>	<u>\$ 21,082,718</u>	<u>\$ 24,666,798</u>

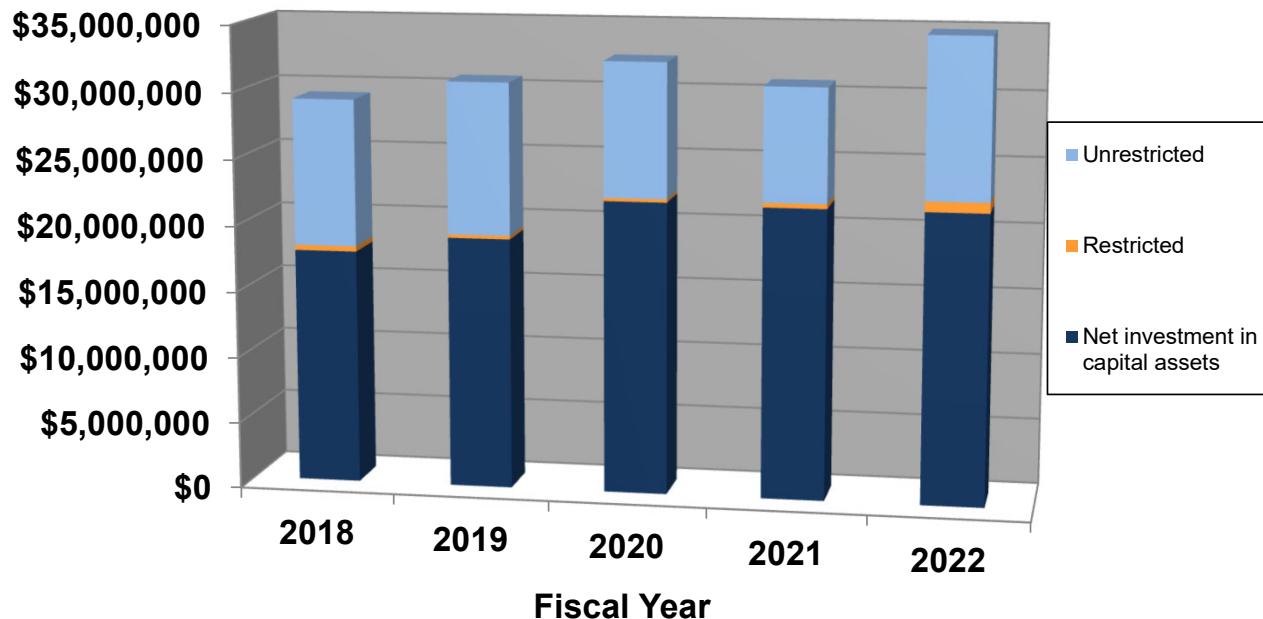
#### Business-Type Activities

Net investment in capital assets	\$ 5,602,729	\$ 5,655,826	\$ 5,624,055	\$ 5,537,713	\$ 5,642,644
Restricted	135,946	139,846	136,817	95,233	187,993
Unrestricted	3,170,415	3,554,824	3,852,148	4,133,466	4,292,327
Total business-type activities net position	<u>\$ 8,909,090</u>	<u>\$ 9,350,496</u>	<u>\$ 9,613,020</u>	<u>\$ 9,766,412</u>	<u>\$ 10,122,964</u>

#### Summary

Net investment in capital assets	\$ 17,715,524	\$ 18,983,133	\$ 22,072,525	\$ 21,912,229	\$ 21,896,392
Restricted	395,819	261,425	249,725	359,601	789,217
Unrestricted	11,110,453	11,487,597	10,147,290	8,577,300	12,104,153
Total primary government net position	<u>\$ 29,221,796</u>	<u>\$ 30,732,155</u>	<u>\$ 32,469,540</u>	<u>\$ 30,849,130</u>	<u>\$ 34,789,762</u>

### Total Primary Government Net Position



## 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>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
<b>Revenues</b>					
Property taxes	\$ 1,901,125	\$ 1,913,708	\$ 1,982,984	\$ 1,991,934	\$ 2,000,766
Rental real estate taxes	1,612,598	1,625,632	1,702,048	1,551,645	2,106,568
Transfer taxes	1,141,827	869,252	1,280,103	1,631,416	2,197,956
Parking revenues	2,016,975	2,081,297	2,220,007	1,835,376	2,659,977
Licenses, permits, and fees	1,009,827	906,414	1,102,281	897,781	1,337,377
Police and Alderman fines	82,231	65,662	59,395	29,972	56,811
Interest	91,865	150,192	177,086	60,445	16,668
Service receipts - ambulance	149,057	148,621	148,338	149,132	149,191
Intergovernmental revenues	104,319	350,123	282,671	329,934	352,929
Contributions	27,567	32,368	18,274	607	25,955
Miscellaneous	19,031	23,107	42,215	8,178	24,328
<i>Total revenues</i>	<i>8,156,422</i>	<i>8,166,376</i>	<i>9,015,402</i>	<i>8,486,420</i>	<i>10,928,526</i>
<b>Expenditures</b>					
General and administration	1,050,092	1,019,329	1,030,809	1,068,894	1,123,859
Licenses and inspections	259,906	300,648	295,036	249,665	286,094
Police	1,651,418	1,702,303	1,869,572	2,150,333	2,228,037
Alderman	51,163	45,234	34,972	38,083	31,279
Parking	566,254	577,764	555,939	552,156	658,691
Beach patrol	528,643	518,120	631,592	658,382	629,599
Ambulance	149,195	149,195	149,195	149,195	149,195
Stormwater management	78,412	108,290	145,712	117,299	197,338
Streets and parks	856,106	1,014,385	1,098,357	1,037,958	1,193,238
Beach and boardwalk	283,586	358,828	393,975	284,122	394,098
Recreation - entertainment	246,579	252,204	273,248	117,972	250,449
Cultural, historical, and parade	30,009	53,164	28,210	6,791	3,463
Debt service - principal	224,822	236,062	-	-	-
Debt service - interest	16,544	4,904	-	-	-
Capital outlay	1,625,029	1,856,752	4,085,204	978,536	987,035
<i>Total expenditures</i>	<i>7,617,758</i>	<i>8,197,182</i>	<i>10,591,821</i>	<i>7,409,386</i>	<i>8,132,375</i>
<b>Net change in fund balance</b>	<b>\$ 538,664</b>	<b>\$ (30,806)</b>	<b>\$ (1,576,419)</b>	<b>\$ 1,077,034</b>	<b>\$ 2,796,151</b>

Debt service as a percentage of  
non-capital expenditures                          4%                          4%                          0%                          0%                          0%

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, 2022, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated August 8, 2022.

**Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town'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 or significant deficiencies may exist that were not identified.

**Report on 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **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.

*UHY LLP*

Salisbury, Maryland  
August 8, 2022