

TOWN OF BETHANY BEACH, DELAWARE

FINANCIAL REPORT

MARCH 31, 2024

TOWN OF BETHANY BEACH, DELAWARE

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INDEPENDENT AUDITORS' REPORT

Town of Bethany Beach, Delaware
Bethany Beach, Delaware

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Bethany Beach, Delaware (the "Town") as of and for the year ended March 31, 2024, 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, 2024, 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.

Emphasis of Matter

As discussed in Note 2 to the financial statements, during the year ended March 31, 2024, the Town adopted new accounting guidance from the Government Accounting Standards Board (GASB) Statement No. 96, "*Subscription-Based Information Technology Arrangements*". Our opinion is not modified with respect to this matter.

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 image shows a handwritten signature in dark ink. The letters "UHY" are written in a large, stylized, cursive font, and "LLP" is written in a smaller, more standard cursive font to the right of "UHY".

Salisbury, Maryland
August 6, 2024

**Town of Bethany Beach
Management's Discussion and Analysis
March 31, 2024**

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, 2024. 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 2024

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 2024 by \$37,630,967 (net position). Of this amount, \$15,293,119 (unrestricted net position) may be used to meet the Town's ongoing obligations to citizens and creditors. \$22,045,411 of the remaining net position is invested in capital assets, net of related debt and \$292,437 is restricted for specific uses. The Town's total net position increased by \$148,420 (0.4%) during fiscal year 2024. The net position of governmental activities decreased by \$51,959 (0.2%) while the net position of business-type activities increased by \$200,379 (1.9%).

As of the close of fiscal year 2024, the Town's governmental funds reported an ending fund balance of \$13,845,262. Of this amount, \$283,314 is nonspendable prepaid balances. Committed funds are \$317,213 in post-employment benefits funds, \$54,756 in Cultural & Historic funds, \$2,337,000 for capital purchases budgeted in fiscal year 2025, \$7,335,082 for future capital projects and \$3,551,000 in the Storm Emergency Relief Fund.

The Town's bonds and notes payable decreased by \$217,412 (36.6%) because of payments on current debt. This debt is for the water tower that was constructed in 2014 and is expected to be paid off in fiscal year 2025 due to accelerated payments.

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 27-56 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 \$37,630,967 at the end of fiscal year 2024, compared to \$37,482,547 at the end of fiscal year 2023, an increase of \$148,420 (0.4%). Over the past five years, the town's total net position has increased by \$5,161,427 (15.9%).

The largest portion of the Town's net position, \$22,045,411 (58.6%), reflects its investment in capital assets such as land, buildings, equipment, and infrastructure, less any related debt used to acquire those assets that is 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, 2024, the Town held \$1,691,077 in unrestricted cash and cash equivalents and \$16,090,000 in investments. Investments during the year were entirely certificates of deposit in accordance with the Town's Investment Policy. Total cash, cash equivalents, and investments increased by \$1,527,185 (9.4%) during fiscal year 2024.

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 2025, operating reserves are \$1,809,000 in the

general fund, \$261,000 in the sanitation fund, and \$303,000 in the water fund. Total town-wide operating reserves are \$2,373,000, which is 20.0% of the fiscal year 2025 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 2025, capital replacement reserves are \$7,096,000 in the general fund, \$819,000 in the sanitation fund, and \$2,989,000 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 \$11,254,000, which is 51.0% 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 2024 the SERF fund held \$3,179,296 and it is expected to hold \$3,551,000 by the end of fiscal year 2025.

In August 2021, the Town Council approved two 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. Two former officers have met the service requirements, the next will not be eligible until at least September 2028.

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, the next person will not be eligible until at least January 2028. 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, 2024, \$317,213 was held in a separate bank account to fund this benefit. Further information on this obligation can be found on pages 41-46, 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, 2024

	Governmental Activities		Business-Type Activities		Total		%
	2023	2024	2023	2024	2023	2024	Change
Current Assets	\$12,848,419	\$14,315,331	\$4,357,561	\$4,694,575	\$17,205,980	\$19,009,906	10.5%
Capital Assets	16,370,245	16,221,706	6,638,474	6,273,314	23,008,719	22,495,020	-2.2%
Other Assets	1,430,436	1,392,747	254,210	292,437	1,684,646	1,685,184	0.0%
Total Assets	<u>30,649,100</u>	<u>31,929,784</u>	<u>11,250,245</u>	<u>11,260,326</u>	<u>41,899,345</u>	<u>43,190,110</u>	3.1%
Deferred Outflows	1,006,838	1,237,020	-	-	1,006,838	1,237,020	22.9%
Current Liabilities	1,957,298	1,887,049	229,233	249,160	2,186,531	2,136,209	-2.3%
Noncurrent Liabilities	2,486,378	2,844,694	568,565	358,340	3,054,943	3,203,034	4.8%
Total Liabilities	<u>4,443,676</u>	<u>4,731,743</u>	<u>797,798</u>	<u>607,500</u>	<u>5,241,474</u>	<u>5,339,243</u>	1.9%
Deferred Inflows	178,403	1,456,920	-	-	178,403	1,456,920	716.6%
Invested in capital assets, net of related debt	16,370,245	16,148,667	6,044,492	5,896,744	22,414,737	22,045,411	-1.6%
Restricted	-	-	254,210	292,437	254,210	292,437	15.0%
Unrestricted	<u>10,659,855</u>	<u>10,829,474</u>	<u>4,153,745</u>	<u>4,463,645</u>	<u>14,813,600</u>	<u>15,293,119</u>	3.2%
Total Net Position	<u>\$27,030,100</u>	<u>\$26,978,141</u>	<u>\$10,452,447</u>	<u>\$10,652,826</u>	<u>\$37,482,547</u>	<u>\$37,630,967</u>	0.4%

Funds in the Town's unrestricted net position of \$15,293,119 may be used to meet the government's ongoing obligations to citizens and creditors. Unrestricted net position increased \$479,519 (3.2%) during fiscal year 2024: increasing \$169,619 (1.6%) in Governmental Activities and increasing \$309,900 (7.5%) in Business-Type Activities.

During this time net investment in capital assets decreased \$369,326 (1.6%): decreasing \$221,578 (1.4%) in Governmental Activities and decreasing \$147,748 (2.4%) in Business-Type Activities. The town has been preparing several large capital projects for future years.

Current assets increased \$1,803,926 (10.5%). Current assets for Governmental Activities increased \$1,466,912 (11.4%), while current assets of Business-Type Activities increased \$337,014 (7.7%). The majority of the \$19,009,906 in total current assets is held in certificates of deposit as reserves for future capital needs.

Receivables, which make up \$905,036 of the current assets, increased \$171,234 (23.3%). Most of the receivables are \$583,376 in water bills mailed in April 2024 for the previous six months of water use. The second and third largest receivable are \$223,403 for interest earned on Certificates of Deposit but not yet received, then \$30,294 in transfer tax revenue collected in March and received by the town in April.

Noncurrent liabilities increased \$148,091 (4.8%): increasing \$358,316 (14.4%) in Governmental Activities from Pension, OPEB, and Subscription liabilities and decreasing \$210,225 (37.0%) in Business-Type Activities from payments on the water tower debt.

A five year of history of net position can be found on page 74.

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, 2024

	Governmental Activities		Business-Type Activities		Total		%
	2023	2024	2023	2024	2023	2024	Change
Revenues:							
Program Revenues							
Charges for services	\$4,329,216	\$4,748,578	\$2,724,681	\$2,736,998	\$7,053,897	\$7,485,576	6.1%
Assessments & impact fees			403,150	339,361	403,150	339,361	-15.8%
Operating grants	202,380	185,971	-	-	202,380	185,971	-8.1%
Capital grants	491,509	201,646	-	18,886	491,509	220,532	-55.1%
General Revenues							
Property taxes	2,020,983	2,111,163	-	-	2,020,983	2,111,163	4.5%
Rental real estate taxes	2,173,159	2,055,126	-	-	2,173,159	2,055,126	-5.4%
Transfer taxes	1,004,829	1,245,489	-	-	1,004,829	1,245,489	24.0%
Other	222,444	559,837	138,400	141,670	360,844	701,507	94.4%
Total Revenues	<u>10,444,520</u>	<u>11,107,810</u>	<u>3,266,231</u>	<u>3,236,915</u>	<u>13,710,751</u>	<u>14,344,725</u>	4.6%
Expenses:							
General and administration	449,588	3,030,706	-	-	449,588	3,030,706	579.8%
Licenses and inspections	304,233	295,916	-	-	304,233	295,916	-2.7%
Public Safety							
Police and Alderman	2,535,838	2,682,968	-	-	2,535,838	2,682,968	5.8%
Parking	781,121	826,744	-	-	781,121	826,744	5.8%
Beach Patrol	711,482	791,618	-	-	711,482	791,618	11.3%
Ambulance	149,195	154,121	-	-	149,195	154,121	3.3%
Public Works							
Stormwater management	257,443	325,156	-	-	257,443	325,156	26.3%
Streets & Parks	1,972,009	2,072,638	-	-	1,972,009	2,072,638	5.1%
Beach and boardwalk	554,853	608,966	-	-	554,853	608,966	9.8%
Recreation - entertainment	334,582	333,191	-	-	334,582	333,191	-0.4%
Cultural/Historic & Parade	30,874	37,745	-	-	30,874	37,745	22.3%
Sanitation Fund	-	-	1,248,715	1,319,217	1,248,715	1,319,217	5.6%
Water Fund	-	-	1,688,033	1,717,319	1,688,033	1,717,319	1.7%
Total Expenses	<u>8,081,218</u>	<u>11,159,769</u>	<u>2,936,748</u>	<u>3,036,536</u>	<u>11,017,966</u>	<u>14,196,305</u>	28.9%
Change in net position	<u>2,363,302</u>	<u>(51,959)</u>	<u>329,483</u>	<u>200,379</u>	<u>2,692,785</u>	<u>148,420</u>	
Net position, beginning of year, as restated	<u>24,666,798</u>	<u>27,030,100</u>	<u>10,122,964</u>	<u>10,452,447</u>	<u>34,789,762</u>	<u>37,482,547</u>	
Net position, end of year	<u><u>\$27,030,100</u></u>	<u><u>\$26,978,141</u></u>	<u><u>\$10,452,447</u></u>	<u><u>\$10,652,826</u></u>	<u><u>\$37,482,547</u></u>	<u><u>\$37,630,967</u></u>	

The Town's total net position increased by \$148,420 (0.4%). Approximately 37.7% of the Town's total revenue came from three types of taxes: property, rental, and transfer. Total revenues increased \$633,974 (4.6%) and total expenses increased \$3,178,339 (28.9%).

Revenue increased by \$663,290 (6.4%) for Governmental Activities. This is from increased parking fees, receiving more interest earnings in investments, and increased revenue from real estate transfer taxes.

Revenue decreased by \$29,316 (0.9%) for Business-Type Activities. There were fewer new home construction projects started this year, resulting in a decrease in Impact Fees collected.

Expenses of Governmental Activities increased \$3,078,551 (38.1%) while expenses of Business-Type Activities increased \$99,788 (3.4%). Most of the expense increase in Governmental Activities relates to changes in post-employment benefits and pensions calculations.

Governmental Activities

Total revenue for governmental activities less operating and capital grants increased \$969,562 (9.9%) to \$10,720,193. 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.

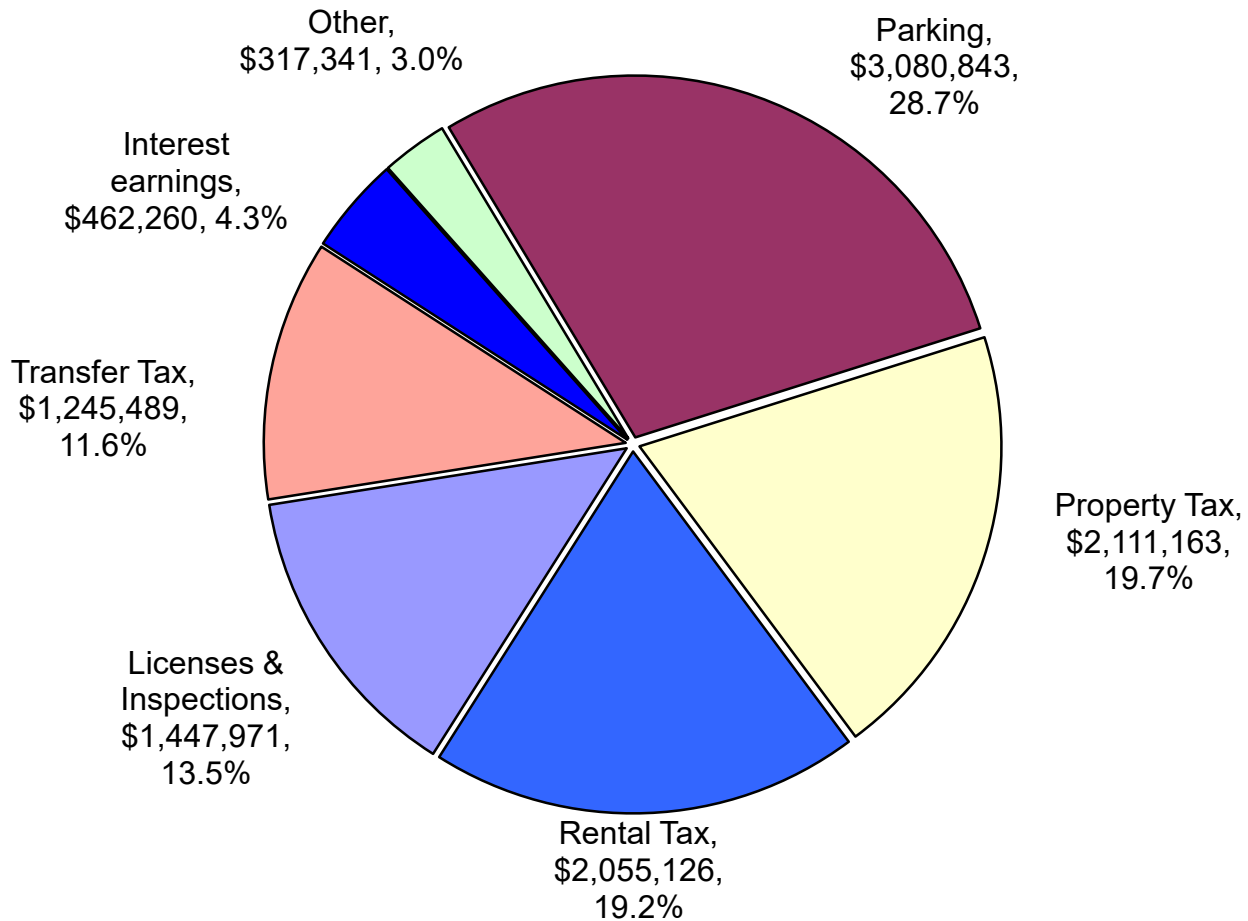
1. Revenues from parking fines, parking meters and parking permits totaled \$3,080,843 and were the Town's largest revenue source in fiscal year 2024. These revenues increased \$466,141 (17.8%) from a 20% increase in hourly parking fees, parking tickets, and some parking permits. As a percentage of governmental revenue less operating and capital grants, parking increased from 26.8% in fiscal year 2023 to 28.7% in fiscal year 2024.
2. Property Tax revenue totaled \$2,111,163 and was the Town's second largest source of funding. The assessed value of taxable properties as of May 2023 was \$1,062,571,516 which is \$8,713,698 (0.8%) more than the prior year. The tax rate was \$0.196 per \$100 of assessed value and the most recent town-wide reassessment was completed in 2001. The tax rate was increased from \$0.190 to \$0.196 for fiscal year 2024, an increase of 3.2%. Total property tax revenue increased \$90,180 (4.5%). As a percentage of total governmental revenue less operating and capital grants, property tax decreased from 20.7% in fiscal year 2023 to 19.7% in fiscal year 2024.
3. Real estate rental taxes were the Town's third largest revenue source at \$2,055,126. These revenues decreased \$118,033 (5.4%). A large portion of residential homes in town are rented during the summer, so rental tax revenues are highly dependent on the number of homes rented and the rental price charged by property managers. During fiscal year 2024 the Bethany Beach Ocean Suites hotel was renovated by a new owner, resulting in an \$88,978 decrease in rental taxes paid, which is the main cause of the decline in revenue this year. As a percentage of total governmental revenue less operating and capital grants, rental taxes decreased from 22.3% in fiscal year 2023 to 19.2% in fiscal year 2024.
4. Licenses, permits and other fees were the fourth largest revenue source at \$1,447,971. These revenues decreased \$54,438 (3.6%). The main revenue in this category is building permits, which brought in \$930,178, \$69,434 (6.9%) less than the prior year. Other revenues include business licenses, rental licenses, franchise fees, concession fees, shuttle bus fees and trolley fees. As a percentage of governmental revenue less operating and capital grants, licenses, permits, and other fees decreased from 15.4% in fiscal year 2023 to 13.5% in fiscal year 2024.
5. Real estate transfer taxes were the Town's fifth largest revenue source at \$1,245,489 an increase of \$240,660 (24.0%). The Town uses transfer tax revenue only for funding capital projects and not for day-to-day operational costs. This revenue 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 10.3% in fiscal year 2023 to 11.6% in fiscal year 2024.

The Town budgets and sets fees with a goal of summer season revenues fully paying the cost of operations for the summer season. Property tax, transfer tax and building permit revenues are not used to fund summer season costs. For fiscal year 2024 summer season related revenue was approximately \$5.85 million, which is 55% 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 \$5.78 million in fiscal year 2024, which is 62% of total General Fund operating costs.

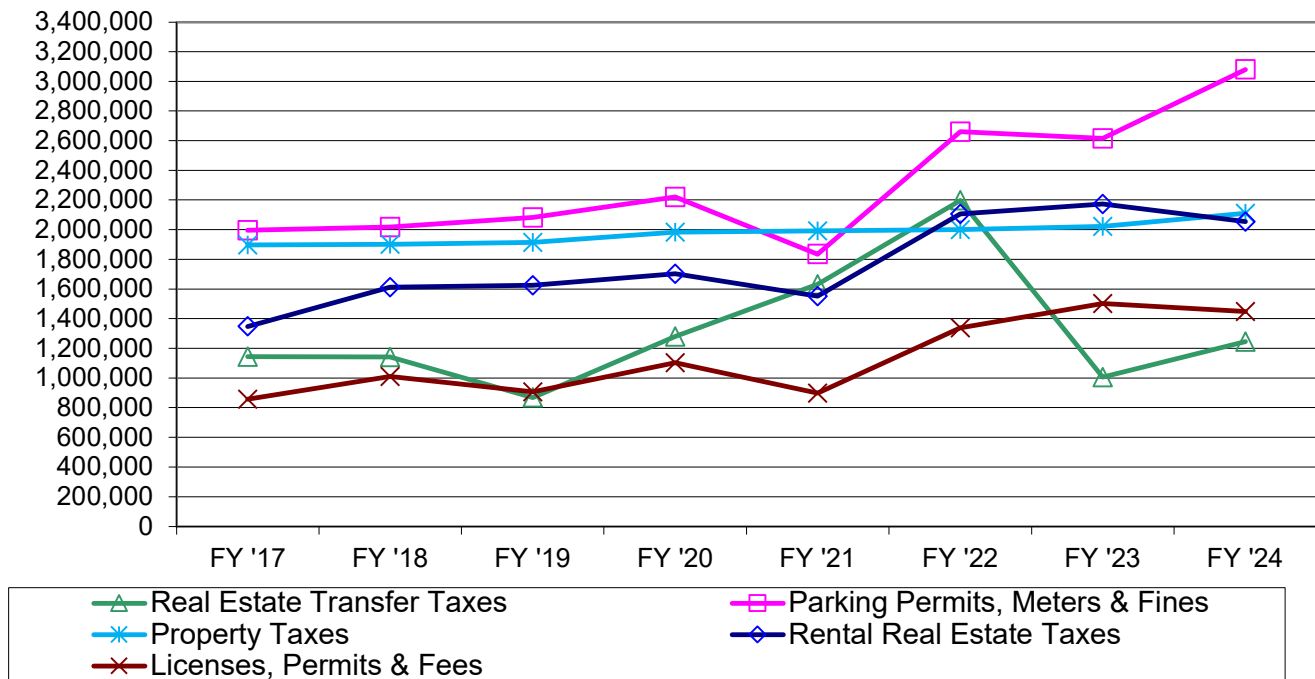
The following two charts show the Town's general fund revenues for the fiscal year ending March 31, 2024, and the trend of our six largest, recurring revenue sources over the past eight fiscal years. Special fund revenue is not included in these charts due to the variable nature of State and Federal grants.

FY 2024 Governmental Revenue Sources

(excludes grant funds)



Trends in Major Governmental Revenue Sources



Parking is once again the town's largest revenue source. The COVID-19 pandemic caused a sharp decline in revenue during fiscal year 2021, but the town's revenues have recovered. The fees for hourly parking were increased by 20% to \$3.00 per hour. Parking tickets, daily permits, and weekly permits were also increased by 20%. Previous increases to hourly parking were a 25% from \$2.00 to \$2.50 for fiscal year 2021 and a 33% increase from \$1.50 to \$2.00 for fiscal year 2016.

Real Estate Transfer taxes significantly fluctuate year to year as home sales volume and prices vary. Fiscal year 2022 had one very large commercial property sale, which made that year's transfer tax revenue the highest on record. Since fiscal year 2021 the number of homes sold decreased 51% from 137 to 70 while the average sale price of homes sold increased 67% from \$793,877 to \$1,186,180.

Rental Tax revenue from residential and commercial properties dropped by 8.8% during fiscal year 2021 from 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 higher revenue. Rental tax rates were last increased in fiscal year 2017.

Property Tax rates are increased by a small amount 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, by 2.7% for fiscal year 2020 and by 3.2% for fiscal year 2024.

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 number of construction projects in town and the cost of construction. For the past three years the town has experienced a significant increase in residential building permits.

A five year of history of the Governmental Fund revenues and expenditures can be found on page 75.

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 operating revenues increased \$22,159 (1.8%) for fiscal year 2024. Operating expenses increased \$70,502 (5.6%). Total net position decreased by \$20,006. Income and expense details are shown on page 72 of this report.

Water department operating revenues decreased \$9,842 (0.7%). Operating expenses increased \$31,458 (1.9%). Water non-operating revenues increased \$30,255 (7.4%). Total Net position increased by \$220,385. Income and expense details are shown on page 71 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 2024, the Town’s governmental fund balance increased \$1,632,122 (13.4%) to \$13,845,262.

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	\$283,314
2. Committed for payment of post-employment health care benefits	\$317,213
3. Committed for uses determined by the Cultural & Historical Affairs Committee	\$54,756
4. Committed for capital improvements in the coming fiscal year	\$2,337,000
5. Committed for the Storm Emergency Relief Fund	\$3,551,000
6. Committed for future capital replacements	\$7,335,082

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 from several large grants. The Collins Street Pathway Project is being funded with \$690,667 in American Rescue Plan Act (ARPA) funds, \$250,000 in State Bond Bill funds, and \$230,147 in Municipal Street Aid Grant funds.

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 sanitation department decreased \$20,006 (1.1%) to end the year at \$1,793,227. Trash fees were last increased by 30% for fiscal year 2023 and are being increased by 35% for fiscal year 2025.

The net position of the water department increased \$220,385 (2.6%) to \$8,859,599. Water use fees were last increased for fiscal year 2019.

General Fund Budgetary Highlights

The budgetary comparison schedule for the general fund can be found on page 58 of this report.

General fund revenues exceeded the amount budgeted by \$947,045 (9.8%). Pages 10 through 12 of this report supply detail on the largest revenues. Revenue from building permits, transfer taxes, and interest earnings significantly exceeded our conservative budget estimates.

General fund expenditures were under budget by \$259,900 (3.0%). Total revenues exceeded total expenditures by \$2,291,945, which provides more 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 few years.

The Town Council may amend the budget during the year as purchase decisions are made and previously estimated amounts become known. During fiscal year 2024 the Council approved budget amendments adding \$270,000 to the general fund operating budget.

Capital Assets

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

Governmental Activities	FY 2024 Additions
Construction in Progress	\$567,778
Beach & Boardwalk	\$18,800
Machinery & Equipment	\$48,490
Streets & Parks	\$139,656
Vehicles	<u>\$91,714</u>
Total	\$866,438

Water Fund	FY 2024 Additions
Construction in Progress	\$47,172
Water Plant & Distribution System	<u>\$9,250</u>
Total	\$56,422

In governmental activities, the largest area of capital expenditure in fiscal year 2024 was \$139,656 in Streets & Parks to install a Rapid Flashing Beacon at Rt 1 and Ashwood Street. The second largest was \$91,714 in Vehicles to replace two police vehicles and one public works vehicle. In addition, the town purchased two golf cars, two standing lawn mowers, and repaired a section of the boardwalk.

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 2024, \$567,778 was added to Construction in Progress for Traffic and Speed Studies and for engineering and design for future projects including the Lake Bethany's bulkhead and shoreline, the Collins Street Pathway project, the new parking lot at Routes 1 and 26, the Loop Canal retractable dam design project, and the Loop Canal Dredging project.

There were no capital purchases in the sanitation department.

In the water department, \$9,250 was spent on GIS mapping of our water distribution system. \$47,172 was added to Construction in Process for SCADA system upgrades, and the removal of a disused water main on North Atlantic Avenue.

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 37-39 of this report in Note 5.

Debt Administration

As of March 31, 2024, the Town had \$376,570 in outstanding debt from construction of the water tower in 2014 and 2015. The Town Council intends to continue making accelerated payments on the water tower loan and expects to pay off this loan in December of 2025.

Additional information on Town debt can be found on page 40 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 2024 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 \$900,000 to \$1,500,000 in fiscal year 2025. 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 2025 budget was approved in March 2024. The operating budget for all Town activities combined is \$11,863,000. This is \$655,000 (5.8%) more than the fiscal year 2024 operating budget. Budgeted operating costs increased 6.0% in the general fund, 5.7% in the sanitation fund and 5.1% in the water fund. This larger than usual increase in budget was necessary due to cost inflation and increases in wages.

The fiscal year 2025 budget included a 35% increase to trash fees. Ambulance fees, 100% of which are paid to the Bethany Beach Volunteer Fire Company, increased 13% to \$60 per year.

General fund capital projects budgeted for fiscal year 2025 are:

- \$210,000 to replace a 2005 Trolley.
- \$89,000 in town funds for replacement of two Police vehicles and a UTV, a state grant is expected to provide an additional \$35,000 for these purchases.
- \$50,000 for replacement of the security camera backup server.
- \$150,000 for design and construction of a new parking lot.
- \$25,000 for a new Beach Patrol RTV.
- \$21,000 for fencing around a Public Works property.
- \$100,000 to design a replacement Public Works building.
- \$35,000 for renovations of the museum in the lobby of Town Hall.
- \$60,000 to replace the roof at the Nature Center.
- \$25,000 to replace an RTV used by Public Works.
- \$50,000 to engineer plans for the Loop Canal Dredging project.
- \$500,000 for repairs to drainage on North Pennsylvania Avenue.
- \$50,000 to replace the roof on the Comfort Station.
- \$50,000 for repairs to the boardwalk.

The sanitation fund has budgeted \$320,000 to replace a rear-loading trash truck.

The water fund has \$200,000 in the capital budget towards SCADA system upgrades, and to replace two work trucks.

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, 2024

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 1,480,860	\$ 210,217	\$ 1,691,077
Investments	12,312,468	3,777,532	16,090,000
Receivables:			
Taxes - real and personal property	41,114	-	41,114
Service charges	-	594,615	594,615
Interest	170,904	52,499	223,403
Other	26,671	19,233	45,904
Prepaid expenses	283,314	40,479	323,793
Total current assets	14,315,331	4,694,575	19,009,906
Noncurrent assets			
Restricted cash and cash equivalents	1,392,747	292,437	1,685,184
Capital assets:			
Nondepreciable assets	7,495,721	47,172	7,542,893
Depreciable assets, net	8,652,946	6,226,142	14,879,088
Intangible assets, net	73,039	-	73,039
Total noncurrent assets	17,614,453	6,565,751	24,180,204
Total assets	31,929,784	11,260,326	43,190,110
DEFERRED OUTFLOWS OF RESOURCES			
Pension (see Note 9)	1,011,533	-	1,011,533
OPEB (see Note 8)	225,487	-	225,487
Total deferred outflows of resources	1,237,020	-	1,237,020
LIABILITIES			
Current liabilities			
Accounts payable and accrued expenses	369,116	73,169	442,285
Internal balances	(40,254)	40,254	-
Unearned revenue	1,528,215	5,038	1,533,253
Compensated absences liability	5,739	1,439	7,178
Subscription liability	24,233	-	24,233
Bonds and notes payable	-	129,260	129,260
Total current liabilities	1,887,049	249,160	2,136,209
Noncurrent liabilities			
Compensated absences liability	275,660	111,030	386,690
Subscription liability	54,555	-	54,555
Net pension liability (See Note 9)	196,636	-	196,636
OPEB obligation (see Note 8)	2,317,843	-	2,317,843
Bonds and notes payable	-	247,310	247,310
Total noncurrent liabilities	2,844,694	358,340	3,203,034
Total liabilities	4,731,743	607,500	5,339,243
DEFERRED INFLOWS OF RESOURCES			
Pension (see Note 9)	177,388	-	177,388
OPEB (see Note 8)	1,279,532	-	1,279,532
Total deferred inflows of resources	1,456,920	-	1,456,920
NET POSITION			
Net investment in capital assets	16,148,667	5,896,744	22,045,411
Restricted	-	292,437	292,437
Unrestricted	10,829,474	4,463,645	15,293,119
Total net position	\$ 26,978,141	\$ 10,652,826	\$ 37,630,967

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

TOWN OF BETHANY BEACH, DELAWARE

STATEMENT OF ACTIVITIES

Year Ended March 31, 2024

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
GOVERNMENTAL ACTIVITIES							
General and administration	\$ 3,030,706	\$ -	\$ -	\$ -	\$ (3,030,706)	\$ -	\$ (3,030,706)
Licenses and inspections	295,916	1,447,971	-	-	1,152,055	-	1,152,055
Public safety:							
Police and Alderman fines and revenue	2,682,968	66,872	177,858	35,000	(2,403,238)	-	(2,403,238)
Parking	826,744	3,080,843	-	-	2,254,099	-	2,254,099
Beach patrol	791,618	-	-	-	(791,618)	-	(791,618)
Ambulance	154,121	152,892	-	-	(1,229)	-	(1,229)
Public works:							
Stormwater management	325,156	-	-	13,682	(311,474)	-	(311,474)
Streets and parks	2,072,638	-	8,113	152,964	(1,911,561)	-	(1,911,561)
Beach and boardwalk	608,966	-	-	-	(608,966)	-	(608,966)
Recreation - entertainment	333,191	-	-	-	(333,191)	-	(333,191)
Cultural, historical, and parade	37,745	-	-	-	(37,745)	-	(37,745)
Total governmental activities	11,159,769	4,748,578	185,971	201,646	(6,023,574)	-	(6,023,574)
BUSINESS-TYPE ACTIVITIES							
Water	1,717,319	1,473,178	339,361	18,886	-	114,106	114,106
Sanitation	1,319,217	1,263,820	-	-	-	(55,397)	(55,397)
Total business-type activities	3,036,536	2,736,998	339,361	18,886	-	58,709	58,709
Total primary government	\$ 14,196,305	\$ 7,485,576	\$ 525,332	\$ 220,532	\$ (6,023,574)	\$ 58,709	\$ (5,964,865)

General Revenues

Taxes:

Property	2,111,163	-	2,111,163
Rental real estate	2,055,126	-	2,055,126
Transfer	1,245,489	-	1,245,489
Interest	462,260	141,670	603,930
Other	97,577	-	97,577
Total general revenues	5,971,615	141,670	6,113,285
Change in net position	(51,959)	200,379	148,420
Net position, beginning of year, as restated	27,030,100	10,452,447	37,482,547
Net position, end of year	\$ 26,978,141	\$ 10,652,826	\$ 37,630,967

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

TOWN OF BETHANY BEACH, DELAWARE

BALANCE SHEET GOVERNMENTAL FUNDS

March 31, 2024

	<u>Major Fund</u>		Non-Major	Total
	<u>General</u>	<u>Special</u>	<u>Governmental</u>	<u>Governmental</u>
	<u>Fund</u>	<u>Revenue</u>	<u>Funds</u>	<u>Funds</u>
ASSETS				
Cash and cash equivalents	\$ 1,480,860	\$ -	\$ -	\$ 1,480,860
Investments	12,312,468	-	-	12,312,468
Receivables:				
Taxes - real and personal property	41,114	-	-	41,114
Interest	170,904	-	-	170,904
Other	16,105	10,203	363	26,671
Prepaid expenses	250,211	-	33,103	283,314
Due from other funds	40,254	8,683	20,011	68,948
Restricted assets:				
Cash and cash equivalents	-	1,270,612	122,135	1,392,747
Total assets	\$ 14,311,916	\$ 1,289,498	\$ 175,612	\$ 15,777,026
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable and accrued expenses	\$ 169,368	\$ 146,907	\$ 52,841	\$ 369,116
Due to other funds	28,694	-	-	28,694
Unearned revenues	262,853	1,142,591	122,771	1,528,215
Compensated absences liability	5,739	-	-	5,739
Total liabilities	466,654	1,289,498	175,612	1,931,764
FUND BALANCES				
Nonspendable	250,211	-	33,103	283,314
Committed for:				
Cultural and historic	54,756	-	-	54,756
Retiree benefits	317,213	-	-	317,213
Capital improvements	2,337,000	-	-	2,337,000
Storm emergency	3,551,000	-	-	3,551,000
Future capital replacements	7,335,082	-	-	7,335,082
Unassigned	-	-	(33,103)	(33,103)
Total fund balances	13,845,262	-	-	13,845,262
Total liabilities and fund balances	\$ 14,311,916	\$ 1,289,498	\$ 175,612	\$ 15,777,026

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, 2024

Total fund balances, governmental funds	\$ 13,845,262
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Amounts reported for governmental activities in the Statement of Net Position
are different because:

Capital and intangible 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.

Capital assets	16,148,667
Intangible assets	73,039

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)	1,011,533
Deferred inflow of resources - pension (see Note 9)	(177,388)
Net pension liability	(196,636)
Compensated absences	(275,660)
Subscription liability	(78,788)
Deferred outflow of resources - OPEB (see Note 8)	225,487
Deferred inflow of resources - OPEB (see Note 8)	(1,279,532)
Other post-employment benefits obligation	(2,317,843)

Net position of governmental activities in the Statement of Net Position	<u>\$ 26,978,141</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, 2024

	<u>Major Fund</u>		<u>Non-Major</u>	<u>Total</u>
	<u>General</u>	<u>Special</u>	<u>Governmental</u>	<u>Governmental</u>
	<u>Fund</u>	<u>Revenue</u>	<u>Funds</u>	<u>Funds</u>
REVENUES:				
Taxes:				
Property	\$ 2,111,163	\$ -	\$ -	\$ 2,111,163
Rental real estate	2,055,126	-	-	2,055,126
Transfer	1,245,489	-	-	1,245,489
Parking revenues	3,080,843	-	-	3,080,843
Licenses, permits, and fees	1,447,971	-	-	1,447,971
Police and Alderman fines and revenue	66,872	-	-	66,872
Interest	456,062	4,969	1,229	462,260
Service receipts	-	-	152,892	152,892
Intergovernmental revenues	-	387,617	-	387,617
Contributions	46,814	-	-	46,814
Miscellaneous	52,705	-	-	52,705
Total revenues	10,563,045	392,586	154,121	11,109,752
EXPENDITURES:				
General and administration	1,493,161	-	-	1,493,161
Licenses and inspections	283,433	-	-	283,433
Public safety:				
Police	2,401,407	177,858	-	2,579,265
Alderman	41,521	-	-	41,521
Parking	780,676	-	-	780,676
Beach patrol	791,618	-	-	791,618
Ambulance	-	-	154,121	154,121
Public works:				
Stormwater management	247,067	4,078	-	251,145
Streets and parks	1,377,923	4,035	-	1,381,958
Beach and boardwalk	513,490	-	-	513,490
Recreation - entertainment	303,059	-	-	303,059
Cultural, historical, and parade	37,745	-	-	37,745
Capital outlay	-	206,615	659,823	866,438
Total expenditures	8,271,100	392,586	813,944	9,477,630
Excess (deficiency) of revenues over expenditures	2,291,945	-	(659,823)	1,632,122
Other financing (uses) sources:				
Transfer (out) in	(659,823)	-	659,823	-
Total other financing (uses) sources	(659,823)	-	659,823	-
Net change in fund balances	1,632,122	-	-	1,632,122
Fund balances, beginning of year	12,213,140	-	-	12,213,140
Fund balances, end of year	\$ 13,845,262	\$ -	\$ -	\$ 13,845,262

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, 2024

Net change in fund balances, governmental funds	\$ 1,632,122
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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	866,438
Depreciation expense	(1,086,074)
Amortization expense	(24,346)

In the statement of activities, only the gains (losses) on sale of assets are reported whereas in the governmental funds, the proceeds from the sales of assets increase financial resources. Thus, the change in net position differs from the change in fund balance by the basis of the assets sold.	(1,942)
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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)	275,601
Change in deferred inflow of resources - pension (see Note 9)	1,015
Change in net pension liability	(305,053)
Change in compensated absences	6,898
Change in subscription liability	22,356
Change in deferred outflow of resources - OPEB (see Note 8)	(45,419)
Change in deferred inflow of resources - OPEB (see Note 8)	(1,279,532)
Change in other post-employment benefits obligation	(114,023)

Change in net position of governmental activities	<u>\$ (51,959)</u>
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TOWN OF BETHANY BEACH, DELAWARE

STATEMENT OF FUND NET POSITION

BUSINESS-TYPE ACTIVITIES

March 31, 2024

	Enterprise Fund		
	Sanitation		
	Water Fund	Fund	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 175,763	\$ 34,454	\$ 210,217
Investments	2,847,408	930,124	3,777,532
Receivables:			
Service charges	587,775	6,840	594,615
Interest	39,542	12,957	52,499
Miscellaneous	18,886	347	19,233
Prepaid expenses	27,495	12,984	40,479
Total current assets	3,696,869	997,706	4,694,575
Noncurrent assets			
Restricted cash and cash equivalents	292,437	-	292,437
Capital assets, at cost	10,992,895	2,023,275	13,016,170
Less: accumulated depreciation	(5,607,613)	(1,135,243)	(6,742,856)
Total noncurrent assets	5,677,719	888,032	6,565,751
Total assets	\$ 9,374,588	\$ 1,885,738	\$ 11,260,326
LIABILITIES			
Current liabilities			
Accounts payable and accrued expenses	\$ 39,411	\$ 33,758	\$ 73,169
Due to other funds	31,105	9,149	40,254
Unearned revenues	5,038	-	5,038
Long-term liabilities due within one year:			
Compensated absences liability	360	1,079	1,439
Bonds and notes payable	129,260	-	129,260
Total current liabilities	205,174	43,986	249,160
Noncurrent liabilities			
Compensated absences liability	62,505	48,525	111,030
Bonds and notes payable	247,310	-	247,310
Total noncurrent liabilities	309,815	48,525	358,340
Total liabilities	514,989	92,511	607,500
NET POSITION			
Net investment in capital assets	5,008,712	888,032	5,896,744
Restricted	292,437	-	292,437
Unrestricted	3,558,450	905,195	4,463,645
Total net position	\$ 8,859,599	\$ 1,793,227	\$ 10,652,826

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, 2024

	Enterprise Fund		
	Water Fund	Sanitation Fund	Total
OPERATING REVENUE			
Charges for services	\$ 1,441,248	\$ 1,263,820	\$ 2,705,068
Other	31,930	-	31,930
Total operating revenues	1,473,178	1,263,820	2,736,998
OPERATING EXPENSES			
Operations	1,426,324	1,160,951	2,587,275
Depreciation and amortization	263,316	158,266	421,582
Total operating expenses	1,689,640	1,319,217	3,008,857
Net operating income (loss)	(216,462)	(55,397)	(271,859)
NON-OPERATING REVENUES (EXPENSES)			
Non-operating revenue	358,247	-	358,247
Financial income, net	78,600	35,391	113,991
Total non-operating revenue	436,847	35,391	472,238
Change in net position	220,385	(20,006)	200,379
Total net position, beginning of year	8,639,214	1,813,233	10,452,447
Total net position, end of year	\$ 8,859,599	\$ 1,793,227	\$ 10,652,826

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, 2024

	Enterprise Fund		
	Water Fund	Sanitation Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers	\$ 1,399,801	\$ 1,248,378	\$ 2,648,179
Payments to suppliers	(790,309)	(520,717)	(1,311,026)
Payments to employees	(666,334)	(621,052)	(1,287,386)
Net cash provided (used) by operating activities	(56,842)	106,609	49,767
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Non-operating revenue	358,247	-	358,247
Advances from general fund, net	31,105	9,149	40,254
Net cash provided by noncapital financing activities	389,352	9,149	398,501
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition of capital assets	(56,422)	-	(56,422)
Principal paid on long-term debt	(217,412)	-	(217,412)
Interest paid on long-term debt	(27,679)	-	(27,679)
Net cash used in capital and related financing activities	(301,513)	-	(301,513)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Net change in investments	(195,790)	(491,150)	(686,940)
Interest income	106,279	35,391	141,670
Net cash used by investing activities	(89,511)	(455,759)	(545,270)
Net change in cash and restricted cash and cash equivalents	(58,514)	(340,001)	(398,515)
Cash and restricted cash and cash equivalents, beginning of year	526,714	374,455	901,169
Cash and restricted cash and cash equivalents, end of year	\$ 468,200	\$ 34,454	\$ 502,654
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating loss	\$ (216,462)	\$ (55,397)	\$ (271,859)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization expense	263,316	158,266	421,582
Changes in assets and liabilities:			
Receivables, net	(72,405)	(15,442)	(87,847)
Prepaid expenses	1,371	(340)	1,031
Unearned revenue	(972)	-	(972)
Accounts payable and other accrued expenses	(38,752)	15,403	(23,349)
Compensated absences liability	7,062	4,119	11,181
Net cash provided (used) by operating activities	\$ (56,842)	\$ 106,609	\$ 49,767

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, 2024

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, 2024

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.

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

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

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

The 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, 2024

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, 2024

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, 2024

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, 2024

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, 2024 are as follows:

	Governmental Activities	Business-Type Activities	Total
Parking permits	\$ 9,000	\$ -	\$ 9,000
Licenses	130,950	-	130,950
Concession fees	93,589	-	93,589
Grants	1,142,591	-	1,142,591
Ambulance fees	122,771	-	122,771
Other	29,314	5,038	34,352
Total unearned revenues	\$ 1,528,215	\$ 5,038	\$ 1,533,253

TOWN OF BETHANY BEACH, DELAWARE

NOTES TO FINANCIAL STATEMENTS

For the year ended March 31, 2024

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, 2024

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, 2024. 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, 2024

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. New Accounting Policies

The Town adopted Government Accounting Standards Board's Statement No. 96, *Subscription-Based Information Technology Arrangements*, on April 1, 2023. This statement's objective is to better meet the information needs of financial statement users by improving accounting and financial reporting for subscription-based information technology arrangements. The Statement increases the usefulness of the financial statements by requiring the recognition of certain subscription-based assets and liabilities. It additionally requires disclosure of essential information about those arrangements. The Town did have an arrangement that met the definition of a right-to-use subscription-based information technology arrangement which is described in Note 10.

Note 3. Real Estate Taxes

The tax on real estate in the Town area for the fiscal year ended March 31, 2024 was \$0.196 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, 2024

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, 2024:

Description	Financial Institution Balances				Totals	Carrying Amounts
	Category					
	1	2	3			
Cash and cash equivalents:						
Unrestricted	\$ 1,131,631	\$ 738,321	\$ -	\$ 1,869,952	\$ 1,691,077	
Restricted	-	1,685,184	-	1,685,184	1,685,184	
Totals	\$ 1,131,631	\$ 2,423,505	\$ -	\$ 3,555,136	\$ 3,376,261	

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, 2024, the Town's investments consist of the following:

Description	Category	Amounts	
		Market	Carrying
Certificates of deposit	1, 2	\$ 16,090,000	\$ 16,090,000
Investments:			
Unrestricted		\$ 16,090,000	\$ 16,090,000
Total investments		\$ 16,090,000	\$ 16,090,000

TOWN OF BETHANY BEACH, DELAWARE

NOTES TO FINANCIAL STATEMENTS

For the year ended March 31, 2024

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 \$16,090,000 in investments, \$12,539,000 has been designated for capital replacement and \$3,551,000 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, 2024:

GOVERNMENTAL ACTIVITIES	March 31, 2023	Additions	Deletions/ Transfers	March 31, 2024
Capital assets, not being depreciated:				
Land	\$ 6,535,783	\$ -	\$ -	\$ 6,535,783
Construction in progress	403,941	567,778	(11,781)	959,938
Total capital assets, not being depreciated	6,939,724	567,778	(11,781)	7,495,721
Capital assets, being depreciated:				
Beach and boardwalk	1,466,643	18,800	-	1,485,443
Building and improvements	4,882,075	-	-	4,882,075
Land improvements	880,478	-	-	880,478
Machinery and equipment	1,513,121	48,490	(49,258)	1,512,353
Stormwater	1,118,338	-	11,781	1,130,119
Streets and parks	8,852,901	139,656	(488,117)	8,504,440
Vehicles	1,435,888	91,714	(15,553)	1,512,049
Total capital assets, being depreciated	20,149,444	298,660	(541,147)	19,906,957
Less accumulated depreciation:				
Beach and boardwalk	754,459	53,008	-	807,467
Building and improvements	3,078,466	160,001	-	3,238,467
Land improvements	635,777	25,856	-	661,633
Machinery and equipment	1,035,695	89,436	(47,316)	1,077,815
Stormwater	967,899	51,964	-	1,019,863
Streets and parks	3,206,717	596,438	(488,117)	3,315,038
Vehicles	1,039,910	109,371	(15,553)	1,133,728
Total accumulated depreciation	10,718,923	1,086,074	(550,986)	11,254,011
Total capital assets, being depreciated, net	9,430,521	(787,414)	9,839	8,652,946
Governmental activities capital assets, net	\$ 16,370,245	\$ (219,636)	\$ (1,942)	\$ 16,148,667

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

For the year ended March 31, 2024

Note 5. Capital and Intangible Assets (continued)

Depreciation expense was charged to governmental functions as follows:

General, administrative, and park development	\$	65,456
Licenses and inspections		8,404
Police and Alderman		89,480
Parking		37,929
Public works:		
Stormwater management		74,011
Streets and parks		690,680
Beach and boardwalk		90,782
Recreation - entertainment		29,332
Cultural, historical, and parade		-
	\$	<u>1,086,074</u>

Intangible right-of-use asset activity for the year ended March 31, 2024 is as follows:

GOVERNMENTAL ACTIVITIES	March 31, 2023	Additions	Deletions/ Transfers	March 31, 2024
Right-of-use asset - SBITA	\$ 121,731	\$ -	\$ -	\$ 121,731
Total accumulated amortization	24,346	24,346	-	48,692
Intangible right-of-use asset, net	\$ 97,385	\$ (24,346)	\$ -	\$ 73,039

Amortization expense for the year ended March 31, 2024 totaled \$24,346.

TOWN OF BETHANY BEACH, DELAWARE
NOTES TO FINANCIAL STATEMENTS
For the year ended March 31, 2024

Note 5. Capital and Intangible Assets (continued)

BUSINESS-TYPE ACTIVITIES	March 31, 2023	Additions	Deletions/ Transfers	March 31, 2024
Water Fund				
Capital assets, not being depreciated:				
Construction in progress	\$ 29,950	\$ 47,172	\$ (29,950)	\$ 47,172
Total capital assets, not being depreciated	29,950	47,172	(29,950)	47,172
Capital assets, being depreciated:				
Plant and water distribution system	10,358,061	9,250	(46,142)	10,321,169
Vehicles and equipment	657,654	-	(33,100)	624,554
Total capital assets, being depreciated	11,015,715	9,250	(79,242)	10,945,723
Total accumulated depreciation	5,453,489	263,316	(109,192)	5,607,613
Total capital assets, being depreciated, net	5,562,226	(254,066)	29,950	5,338,110
Water Fund capital assets, net	\$ 5,592,176	\$ (206,894)	\$ -	\$ 5,385,282
Sanitation Fund				
Capital assets, being depreciated:				
Vehicles and equipment	\$ 2,023,275	\$ -	\$ -	\$ 2,023,275
Total capital assets, being depreciated	2,023,275	-	-	2,023,275
Total accumulated depreciation	976,977	158,266	-	1,135,243
Total capital assets, being depreciated, net	1,046,298	(158,266)	-	888,032
Sanitation Fund capital assets, net	\$ 1,046,298	\$ (158,266)	\$ -	\$ 888,032
Business-type activities capital assets, net	\$ 6,638,474	\$ (365,160)	\$ -	\$ 6,273,314

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

For the year ended March 31, 2024

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	Additions	Retirements	Balances	Amount Due in One Year
			March 31, 2023		and Repayments	March 31, 2024	
Compensated absences			\$ 101,288	\$ 11,181	\$ -	\$ 112,469	\$ 1,439
General obligation bonds:							
Series 2012-SRF	2.13%	2027	593,982	-	217,412	376,570	129,260
Total business-type activities long-term debt			\$ 695,270	\$ 11,181	\$ 217,412	\$ 489,039	\$ 130,699

Total annual requirements to amortize all business-type activities debt outstanding as of March 31, 2024 are as follows:

Fiscal Year Ending March 31,	Principal	Interest	Total
2025	\$ 129,260	\$ 8,330	\$ 137,590
2026	133,027	4,563	137,590
2027	114,283	1,715	115,998
	\$ 376,570	\$ 14,608	\$ 391,178

Interest expense in the business-type activities for the year ended March 31, 2024 totaled \$27,678.

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	Additions	Retirements	Balances	Amount Due in One Year
			March 31, 2023		and Repayments	March 31, 2024	
Compensated absences			\$ 297,560	\$ -	\$ 16,161	\$ 281,399	\$ 5,739
Subscription liability			101,144	-	22,356	78,788	24,233
Total governmental activities long-term debt			\$ 398,704	\$ -	\$ 38,517	\$ 360,187	\$ 29,972

Interest expense in the governmental activities for the year ended March 31, 2024 totaled \$0.

TOWN OF BETHANY BEACH, DELAWARE

NOTES TO FINANCIAL STATEMENTS

For the year ended March 31, 2024

Note 8. Post-Employment Healthcare Benefits

Plan Description

The Town administers one single-employer defined benefit healthcare plan (the "Plan") for employees. The Town has the authority to establish and amend the funding of the Plan. 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 2023
Participants	
Active employees	45
Inactive employees entitled to but not yet receiving benefits	-
Inactive employees currently receiving benefits	1
<u>Total</u>	<u>46</u>
Average Ages	
Active employees	42.4
Inactive employees entitled to but not yet receiving benefits	-
Inactive employees currently receiving benefits	58.0
Average Service	
Active employee	9.6

Eligibility Provisions

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, 2024

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

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

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%

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, 2024

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.

TOWN OF BETHANY BEACH, DELAWARE

NOTES TO FINANCIAL STATEMENTS

For the year ended March 31, 2024

Note 8. Post-Employment Healthcare Benefits (continued)

ACTUARIAL METHODS

Valuation date	April 1, 2022
Measurement date	March 31, 2024
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	<p>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.</p> <p>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. The numbers are not rounded, but this is for convenience only and should not imply precision which is not inherent in actuarial calculations.</p>

SIGNIFICANT ASSUMPTIONS

Health Care Trend	
Initial Health Care Cost Trend Rate	5.50%
Ultimate Health Care Cost Trend Rate	4.50%
Fiscal Year the Ultimate Rate is Reached	Fiscal Year 2038
Discount Rate	4.23%
Inflation Rate	3.00%
Salary Rate Increase	4.00%
Expected Rate of Return on Assets	Not Applicable
Mortality	<p>General Employees: PubG.H-2010 Mortality Table - General with Mortality Improvement using Scale MP-2020</p> <p>Police Employees: PubS.H-2010 Mortality Table - Safety with Mortality Improvement using Scale MP-2020</p>

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

For the year ended March 31, 2024

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 4.23% is used, which is the S&P Municipal Bond 20 Year High-Grade Rate Index as of March 31, 2024.

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

DISCOUNT RATE			
System	1% Decrease	Discount Rate	1% Increase
Total OPEB liability	\$ 2,578,268	\$ 2,317,843	\$ 2,089,949

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

HEALTH CARE TREND			
System	1% Decrease	Discount Rate	1% Increase
Total OPEB liability	\$ 2,036,936	\$ 2,317,843	\$ 2,653,749

Changes in the total OPEB liability are as follows:

	Total OPEB Liability (a)	Change in Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balances - beginning of year	\$ 2,203,820	\$ -	\$ 2,203,820
Service cost	141,761	-	141,761
Interest on total OPEB liability	87,813	-	87,813
Changes of benefit terms	-	-	-
Difference between expected & actual experience	-	-	-
Changes of assumptions and other inputs	(44,343)	-	(44,343)
Contributions - employer	-	-	-
Contributions - active & inactive employees	-	-	-
Net investment income	-	-	-
Benefit payments	(71,208)	-	(71,208)
Administrative expense	-	-	-
Other changes	-	-	-
Balances - end of year	\$ 2,317,843	\$ -	\$ 2,317,843

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

For the year ended March 31, 2024

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, 2024, the Town has designated \$317,213 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	\$ 136,243
Interest on service cost	5,518
Total	141,761
Interest cost	87,813
Difference between expected & actual experience	(63,172)
Changes of assumptions and other inputs	(66,029)
Changes of benefit terms	-
OPEB Expense	\$ 100,373

Deferred outflows and inflows of resources are as follows:

	Deferred Outflows	Deferred Inflows
Balances - beginning of year	\$ 270,906	\$ (1,409,810)
Difference between expected & actual experience	-	-
Changes of assumptions	-	(44,342)
Net difference between projected & actual earnings	-	-
Amortization of items allowed by GASB 75	(45,419)	174,620
Balances - end of year	\$ 225,487	\$ (1,279,532)

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

2025	\$ (129,201)
2026	(129,201)
2027	(129,201)
2028	(129,201)
2029	(132,982)
Thereafter	(404,259)
Total	\$ (1,054,045)

TOWN OF BETHANY BEACH, DELAWARE

NOTES TO FINANCIAL STATEMENTS

For the year ended March 31, 2024

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 the Plans' assets are commingled with other Plans and Funds 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 Office of Pensions at www.delawarepensions.com.

The following are brief descriptions of the Plans in effect as of June 30, 2023. 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, 2024

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, 2024

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 accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). Such preparation requires management of the Plans 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 the 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, 2022 through June 30, 2023, 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. The Board of Pension Trustees determines employer contributions. Employer contributions were 5.5% and 11.34% of earnings for fiscal year 2023 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, 2023 were as follows:

Plan	County & Municipal Other Employees'	County & Municipal Police & Firefighters'
Employers' total pension liability	\$ 3,103,016	\$ 5,536,880
Plan net position	3,036,209	5,407,051
Employers' net pension liability (asset)	\$ 66,807	\$ 129,829
Employer's proportionate (percentage) of the collective NPL	3.2315%	0.9031%

The amounts above represent the Town's proportional percentage.

TOWN OF BETHANY BEACH, DELAWARE
NOTES TO FINANCIAL STATEMENTS
For the year ended March 31, 2024

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, 2023 measurement date was determined by an actuarial valuation as of June 30, 2022, with update procedures used to roll forward the total pension liability to June 30, 2023. These actuarial valuations used the following actuarial assumptions:

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

(1) Inflation is included at 2.5%

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

Mortality assumptions are based on the Pub-2010 mortality tables with gender adjustments for employees, healthy annuitants, and disabled retirees as well as an adjusted version on MP-2020 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, 2024

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 as of June 30, 2023 are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return	Asset Allocation
Domestic equity	5.7%	33.8%
International equity	5.7%	15.9%
Fixed income	2.0%	25.2%
Alternative investments	7.8%	19.3%
Cash and equivalents	0.0%	5.8%

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:

Plans	1% Decrease	Discount Rate	1% Increase
County & Municipal Other Employees'	\$ 553,524	\$ 66,807	\$ (330,615)
County & Municipal Police & Firefighters'	923,338	129,829	(519,165)
Total pensions liability / (asset)	\$ 1,476,862	\$ 196,636	\$ (849,780)

The amounts above represent the Town's proportional percentage

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

For the year ended March 31, 2024

Note 9. Pension and Retirement Plans (continued)**E. Deferred Outflows of Resources, Deferred Inflows of Resources and Net Pension Liability**

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

	Amortization period	March 31, 2023	Additions	Deductions	March 31, 2024
<u>County & Municipal Other Employees'</u>					
Deferred outflows (inflows) of resources:					
Difference between expected and actual experience	8-9 years	\$ 51,965	\$ 27,762	\$ (15,106)	\$ 64,621
Changes of assumptions	9 years	5,624	-	(6,218)	(594)
Net difference between projected and actual earnings on pension plan investments	5 years	104,567	54,153	(7,194)	151,526
Change in proportion	8-9 years	(8,185)	10,431	1,554	3,800
Year ending contribution	N/A	92,115	101,893	(92,115)	101,893
Net deferred outflows (inflows)		\$ 246,086	\$ 194,239	\$ (119,079)	\$ 321,246
Net pension liability (asset)	N/A	\$ (23,238)	\$ 90,045	\$ -	\$ 66,807
<u>County & Municipal Police & Firefighters'</u>					
Deferred outflows (inflows) of resources:					
Difference between expected and actual experience	10-11 years	\$ 109,462	\$ 120,511	\$ (22,125)	\$ 207,848
Changes of assumptions	10 years	(38,511)	-	450	(38,061)
Net difference between projected and actual earnings on pension plan investments	5 years	141,131	94,312	19,995	255,438
Change in proportion	10-11 years	10,234	(34,106)	3,485	(20,387)
Year ending contribution	N/A	89,127	108,061	(89,127)	108,061
Net deferred outflows (inflows)		\$ 311,443	\$ 288,778	\$ (87,322)	\$ 512,899
Net pension liability (asset)	N/A	\$ (85,179)	\$ 215,008	\$ -	\$ 129,829

The amounts above represent the Town's proportional percentage

The \$209,954 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, 2025.

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

For the year ended March 31, 2024

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
2025	\$ 10,447	\$ 7,514	\$ 17,961
2026	11,028	29,275	40,303
2027	150,516	284,192	434,708
2028	19,515	45,443	64,958
2029	8,877	8,267	17,144
Thereafter	18,970	30,147	49,117
	<u>\$ 219,353</u>	<u>\$ 404,838</u>	<u>\$ 624,191</u>

The amounts above represent the Town's proportional percentage

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

For the year ended March 31, 2024

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

The components of pension expense are as follows:

	County & Municipal Other Employees'	County & Municipal Police & Firefighters'	Total
Service costs	\$ 235,466	\$ 214,188	\$ 449,654
Interest on total pension liability	205,847	356,670	562,517
Member contributions	(58,966)	(72,623)	(131,589)
Administrative expense	4,298	1,653	5,951
Changes in benefit terms	-	-	-
Projected earnings on plan investments	(199,254)	(348,073)	(547,327)
Recognition of deferred outflows and inflows of resources:			
Difference between projected and actual earnings on plan investments	(7,194)	19,995	12,801
Difference between expected and actual experiences with regards to factors or other inputs in the measurement of total pension liability	(15,106)	(22,125)	(37,231)
Change in assumptions with regards to factors or other inputs in the measurement of total pension liability	(20,186)	450	(19,736)
Total pension expense	\$ 144,905	\$ 150,135	\$ 295,040

The amounts above represent the Town's proportional percentage

For the year ended March 31, 2024, the Town's payroll for all employees was \$4,878,209. As of the plans measurement date, June 30, 2023, total covered payroll was \$3,203,998. Covered payroll refers to all compensation paid by the Town to active employees covered by the Plans.

Note 10. Subscription-Based Information Technology Arrangements

The Town implemented guidance of GASB 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, at April 1, 2023 for accounting and reporting of subscription arrangements using the modified retrospective method.

As of April 1, 2023, the Town had an agreement for licensing software. Payments under this agreement total approximately \$27,000, \$28,000, \$29,000, and \$30,000 for the years ended March 31, 2024, 2025, 2026, and 2027, respectively. The agreement in place for this licensing software began during fiscal year 2023 and will expire during fiscal year 2028. For purposes of discounting future payments on this agreement, the Town used its incremental borrowing rate in place at the time of inception of 4.75%. The asset and accumulated amortization of the right-of-use asset is outlined in Note 5.

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

For the year ended March 31, 2024

Note 10. Subscription-Based Information Technology Arrangements (continued)

The following is a summary of the changes in right-to-use obligations:

GOVERNMENTAL ACTIVITIES	Balances March 31, 2023		Additions	Retirements and Repayments		Balances March 31, 2024	Amount Due in One Year
Subscription liability	\$	101,144	\$	-	\$	22,356	\$ 78,788 \$ 24,233

The future minimum payments are approximately as follows:

	Principal	Interest	Total
2025	\$ 24,233	\$ 3,742	\$ 27,975
2026	26,223	2,591	28,814
2027	28,332	1,347	29,679
	<u>\$ 78,788</u>	<u>\$ 7,680</u>	<u>\$ 86,468</u>

Interest expense on the above intangible right-to-use asset was \$4,804 for the year ended March 31, 2024.

Note 11. Risk Management

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

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

Note 12. Commitments, Contingencies, and Subsequent Events

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

In the normal course of operations, the Town receives grant funds from various federal and state agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement, which may arise as the result of these audits, is not believed to be material.

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

Note 13. Prior Period Restatement

TOWN OF BETHANY BEACH, DELAWARE

NOTES TO FINANCIAL STATEMENTS

For the year ended March 31, 2024

The Town has determined to restate its Statement of Net Position and its Statement of Activities at March 31, 2023. The determination was made to restate these financial statements in connection with the fiscal year 2024 implementation of the Government Accounting Standards Board's Statement No. 96, *Subscription-Based information Technology Arrangements*. This statement's objective is to better meet the information needs of financial statement users by improving accounting and financial reporting for subscription-based information technology arrangements. The statement increases the usefulness of the financial statements by requiring the recognition of certain subscription-based assets. It additionally requires disclosure of essential information about those arrangements.

The following table is a summary of the effects of this change on the statement of net position and the statement of activities at March 31, 2023.

	Governmental Activities
Net Position, March 31, 2023	\$ 27,033,859
GASB 96 Adjustments	
Intangible right-of-use asset	121,731
Less accumulated amortization	(24,346)
Subscription liability	(101,144)
Net position, March 31, 2023, as restated	\$ 27,030,100

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF BETHANY BEACH, DELAWARE

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

Year Ended March 31, 2024

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance with Final Budget Favorable <u>(Unfavorable)</u>
REVENUES:				
Taxes:				
Property	\$ 2,090,000	\$ 2,090,000	\$ 2,111,163	\$ 21,163
Rental real estate	2,175,000	2,175,000	2,055,126	(119,874)
Transfer	850,000	850,000	1,245,489	395,489
Parking revenues	3,040,000	3,040,000	3,080,843	40,843
Licenses, permits, and fees	977,000	977,000	1,447,971	470,971
Police and Alderman fines and revenue	51,000	51,000	66,872	15,872
Interest	380,000	380,000	456,062	76,062
Contributions	32,000	32,000	46,814	14,814
Miscellaneous	21,000	21,000	52,705	31,705
Total revenues	9,616,000	9,616,000	10,563,045	947,045
EXPENDITURES:				
General and administration	1,370,000	1,520,000	1,493,161	26,839
Licenses and inspections	307,000	307,000	283,433	23,567
Public safety:				
Police	2,402,000	2,402,000	2,401,407	593
Alderman	46,000	46,000	41,521	4,479
Parking	835,000	835,000	780,676	54,324
Beach patrol	782,000	792,000	791,618	382
Public works:				
Stormwater management	160,000	270,000	247,067	22,933
Streets and parks	1,437,000	1,437,000	1,377,923	59,077
Beach and boardwalk	527,000	527,000	513,490	13,510
Recreation - entertainment	335,000	335,000	303,059	31,941
Cultural, historical, and parade	60,000	60,000	37,745	22,255
Total expenditures	8,261,000	8,531,000	8,271,100	259,900
Excess of revenues over expenditures	1,355,000	1,085,000	2,291,945	1,206,945
OTHER FINANCING SOURCES (USES):				
Transfer out	(815,000)	(1,637,000)	(659,823)	977,177
Fund balance (reserves) appropriated	(540,000)	552,000	-	(552,000)
Total other financing uses	(1,355,000)	(1,085,000)	(659,823)	425,177
Net change in fund balance	\$ -	\$ -	1,632,122	\$ 1,632,122
Fund balance, beginning of year			12,213,140	
Fund balance, end of year			\$ 13,845,262	

TOWN OF BETHANY BEACH, DELAWARE

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE - SPECIAL REVENUE FUND

Year Ended March 31, 2024

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
REVENUES:				
Intergovernmental revenues:				
State and County	\$ 512,000	\$ 2,170,088	\$ 387,617	\$ (1,782,471)
Interest income	-	-	4,969	4,969
Total revenues	512,000	2,170,088	392,586	(1,777,502)
EXPENDITURES:				
Public safety:				
Police	389,000	255,742	212,858	42,884
Public works:				
Streets and parks	123,000	1,548,947	161,969	1,386,978
Stormwater	-	324,149	17,759	306,390
Water fund	-	41,250	-	41,250
Total expenditures	512,000	2,170,088	392,586	1,777,502
Excess of revenues over expenditures	-	-	-	-
OTHER FINANCING SOURCES (USES):				
Fund balance reserves	-	-	-	-
Total other financing uses	-	-	-	-
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, 2024

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, 2024

Measurement date	March 31, 2019	March 31, 2020	March 31, 2021	March 31, 2022	March 31, 2023	March 31, 2024
Balances - beginning of year	\$ 273,684	\$ 245,367	\$ 242,392	\$ 3,489,474	\$ 3,046,488	\$ 2,203,820
Service cost	4,991	2,078	60,147	145,838	166,224	141,761
Interest on total OPEB liability	5,479	4,905	5,543	59,770	105,104	87,813
Effect of plan changes	-	-	2,852,616	-	-	-
Effect of economic/demographic gains/losses	(29,287)	(5,552)	-	-	(649,815)	-
Effect of assumption changes or inputs	-	-	361,574	(539,709)	(446,582)	(44,343)
Benefit payments	(9,500)	(4,406)	(32,798)	(108,885)	(17,599)	(71,208)
Employer contributions	-	-	-	-	-	-
Employee contributions	-	-	-	-	-	-
Net investment income	-	-	-	-	-	-
Administrative expense	-	-	-	-	-	-
Balances - end of year	\$ 245,367	\$ 242,392	\$ 3,489,474	\$ 3,046,488	\$ 2,203,820	\$ 2,317,843

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, 2024

Measurement date	March 31, 2019	March 31, 2020	March 31, 2021	March 31, 2022	March 31, 2023	March 31, 2024
Total OPEB liability (a)	\$ 245,367	\$ 242,392	\$ 3,489,474	\$ 3,046,488	\$ 2,203,820	\$ 2,317,843
Covered-employee payroll (b)	64,251	64,590	1,790,110	1,930,923	3,111,495	3,235,955
% of covered-employee payroll (a/b)	382%	375%	195%	158%	71%	72%

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, 2024

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, 2023, the Town has designated \$314,366 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%

March 31, 2023

Discount rate - 4.05%

Mortality assumption now includes mortality improvement.

March 31, 2024

Discount rate - 4.23%

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, 2024

Measurement Date	Employer's Proportion (Percentage) of the Collective NPL A	Employer's Proportionate Share of the Collective NPL B	Employer's Covered Employee Payroll C	Proportionate Share as a Percentage of Covered Payroll (B / C)	Plan's Total Fiduciary Net Position D	Plan's Total Pension Liability E	Plan's Fiduciary Net Position as a Percentage of Total Pension Liability (D / E)
MUNI PLAN							
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%
June 30, 2022	3.4242%	(23,238)	2,076,535	-1%	86,758,000	86,080,000	101%
June 30, 2023	3.2315%	66,807	2,166,528	3%	93,957,000	96,024,000	98%
POLICE PLAN							
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%
June 30, 2022	0.8102%	(85,179)	843,265	-10%	548,996,000	538,482,000	102%
June 30, 2023	0.9310%	129,829	1,037,470	13%	580,348,000	594,724,000	98%

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, 2024

Fiscal Year	Contractually Required Contribution A	Actual Contribution B	Contribution Deficiency (Excess) (A - B)	Employer's Covered Employee Payroll C	Actual Contribution as a Percentage of Covered Payroll (B / C)
MUNI PLAN					
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%
2023	140,789	140,789	-	2,076,535	7%
2024	120,242	120,242	-	2,166,528	6%
POLICE PLAN					
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%
2023	135,175	135,175	-	843,265	16%
2024	117,649	117,649	-	1,037,470	11%

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, 2024**

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

(1) Inflation is included at 2.5%

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

ADDITIONAL SUPPLEMENTARY INFORMATION

TOWN OF BETHANY BEACH, DELAWARE

ADDITIONAL SUPPLEMENTARY INFORMATION COMBINING BALANCE SHEET NON-MAJOR GOVERNMENTAL FUNDS March 31, 2024

	Capital <u>Projects</u>	Ambulance <u>Fund</u>	Total Non-Major Governmental <u>Funds</u>
ASSETS			
Receivables			
Other	\$ -	\$ 363	\$ 363
Prepaid expenses	33,103	-	33,103
Due from other funds	19,738	273	20,011
Restricted assets:			
Cash and cash equivalents	-	122,135	122,135
Total assets	\$ 52,841	\$ 122,771	\$ 175,612
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable and accrued expenses	\$ 52,841	\$ -	\$ 52,841
Unearned revenues	-	122,771	122,771
Total liabilities	52,841	122,771	175,612
FUND BALANCES			
Nonspendable	33,103	-	33,103
Unassigned	(33,103)	-	(33,103)
Total fund balances	-	-	-
Total liabilities and fund balances	\$ 52,841	\$ 122,771	\$ 175,612

TOWN OF BETHANY BEACH, DELAWARE

ADDITIONAL SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NON-MAJOR GOVERNMENTAL FUNDS Year Ended March 31, 2024

	Capital <u>Projects</u>	Ambulance <u>Fund</u>	Total Non-Major Governmental <u>Funds</u>
REVENUES:			
Interest	\$ -	\$ 1,229	\$ 1,229
Service receipts	-	152,892	152,892
Total revenues	-	154,121	154,121
EXPENDITURES:			
Public safety:			
Ambulance	-	154,121	154,121
Capital outlay	659,823	-	659,823
Total expenditures	659,823	154,121	813,944
Excess (deficiency) of revenues over expenditures	(659,823)	-	(659,823)
Other financing (uses) sources:			
Transfer (out) in	659,823	-	659,823
Total other financing (uses) sources	659,823	-	659,823
Net change in fund balances	-	-	-
Fund balances, beginning of year	-	-	-
Fund balances, end of year	\$ -	\$ -	\$ -

TOWN OF BETHANY BEACH, DELAWARE

ADDITIONAL SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE - CAPITAL PROJECTS FUND Year Ended March 31, 2024

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
EXPENDITURES:				
Public safety:				
Police	\$ -	\$ 32,000	\$ 10,995	\$ 21,005
Parking	-	100,000	85,611	14,389
Public works:				
Streets and parks	735,000	819,000	308,442	510,558
Beach, boardwalk and comfort station	80,000	80,000	46,627	33,373
Stormwater management	-	606,000	208,148	397,852
Total expenditures	815,000	1,637,000	659,823	977,177
OTHER FINANCING SOURCES:				
Transfers in	815,000	1,637,000	659,823	(977,177)
Total other financing sources	815,000	1,637,000	659,823	(977,177)
Net change in fund balance	\$ -	\$ -	-	\$ -
Fund balance, beginning of year			-	
Fund balance, end of year			\$ -	

TOWN OF BETHANY BEACH, DELAWARE

ADDITIONAL SUPPLEMENTARY INFORMATION

INCOME AND EXPENSE DETAIL

WATER FUND

Year Ended March 31, 2024

WATER SERVICE:

Operating revenues:	
Charges for services	\$ 1,441,248
Other service fees	30,350
Miscellaneous	1,580
Total operating revenues	1,473,178
Operating expenses:	
Salaries and wages	486,659
Payroll taxes	35,450
Employee benefits	151,287
Contract services	54,206
Insurance	99,859
Telephone	17,911
Utilities	65,236
Repairs and maintenance	27,993
Sewer service charge	1,202
Plant maintenance	110,072
Distribution system maintenance	85,037
Office supplies	4,780
Miscellaneous	71,077
Supplies	56,343
Chemicals	156,272
Uniforms	2,940
Depreciation	263,316
Total operating expenses	1,689,640
Net operating loss	(216,462)
Non-operating revenues (expenses):	
Taxes and assessments	245,806
Impact fees	93,555
Intergovernmental revenues	18,886
Interest income	106,279
Interest expense	(27,679)
Net non-operating revenues	436,847
Change in net position	\$ 220,385

TOWN OF BETHANY BEACH, DELAWARE

ADDITIONAL SUPPLEMENTARY INFORMATION

INCOME AND EXPENSE DETAIL

SANITATION FUND

Year Ended March 31, 2024

SANITATION SERVICE:

Operating revenues:	
Charges for services	\$ 1,263,820
Total operating revenues	1,263,820
Operating expenses:	
Salaries and wages	428,103
Payroll taxes	31,877
Employee benefits	165,191
Disposal fees	180,489
Fuel	62,292
Insurance	67,903
Telephone	19,451
Utilities	9,774
Repairs and maintenance	109,965
Office supplies	7,732
Miscellaneous	78,174
Depreciation	158,266
Total operating expenses	1,319,217
Net operating loss	(55,397)
Non-operating revenues:	
Interest income	35,391
Net non-operating revenues	35,391
Change in net position	\$ (20,006)

STATISTICAL SECTION

TOWN OF BETHANY BEACH, DELAWARE

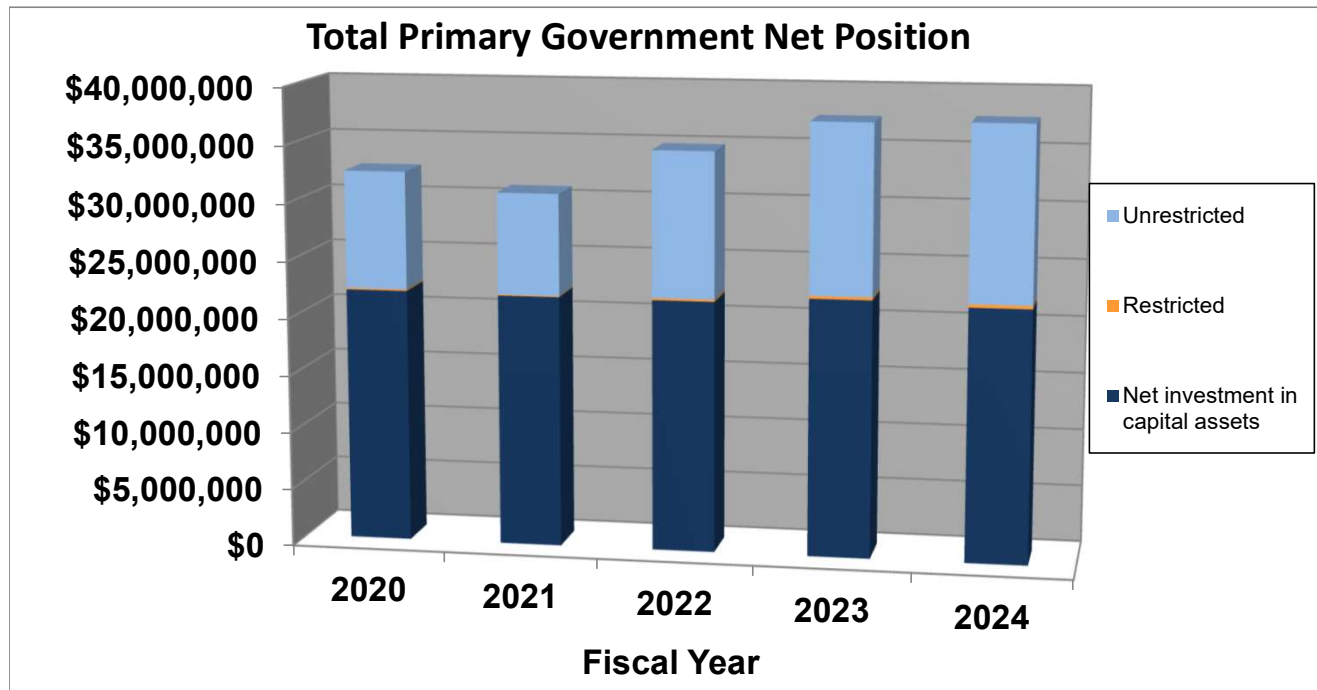
Net Position by Component

Last Five Years

(accrual basis of accounting)

Schedule 1

Years ended March 31,	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Governmental Activities					
Net investment in capital assets	\$ 16,448,470	\$ 16,374,516	\$ 16,253,748	\$ 16,370,245	\$ 16,148,667
Restricted	-	-	-	-	-
Unrestricted	6,408,050	4,708,202	8,413,050	10,659,855	10,829,474
Total governmental activities net position	<u>\$ 22,856,520</u>	<u>\$ 21,082,718</u>	<u>\$ 24,666,798</u>	<u>\$ 27,030,100</u>	<u>\$ 26,978,141</u>
Business-Type Activities					
Net investment in capital assets	\$ 5,624,055	\$ 5,537,713	\$ 5,642,644	\$ 6,044,492	\$ 5,896,744
Restricted	136,817	95,233	187,993	254,210	292,437
Unrestricted	3,852,148	4,133,466	4,292,327	4,153,745	4,463,645
Total business-type activities net position	<u>\$ 9,613,020</u>	<u>\$ 9,766,412</u>	<u>\$ 10,122,964</u>	<u>\$ 10,452,447</u>	<u>\$ 10,652,826</u>
Summary					
Net investment in capital assets	\$ 22,072,525	\$ 21,912,229	\$ 21,896,392	\$ 22,414,737	\$ 22,045,411
Restricted	136,817	95,233	187,993	254,210	292,437
Unrestricted	10,260,198	8,841,668	12,705,377	14,813,600	15,293,119
Total primary government net position	<u>\$ 32,469,540</u>	<u>\$ 30,849,130</u>	<u>\$ 34,789,762</u>	<u>\$ 37,482,547</u>	<u>\$ 37,630,967</u>



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>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Revenues					
Property taxes	\$ 1,982,984	\$ 1,991,934	\$ 2,000,766	\$ 2,020,983	\$ 2,111,163
Rental real estate taxes	1,702,048	1,551,645	2,106,568	2,173,159	2,055,126
Transfer taxes	1,280,103	1,631,416	2,197,956	1,004,829	1,245,489
Parking revenues	2,220,007	1,835,376	2,659,977	2,614,702	3,080,843
Licenses, permits, and fees	1,102,281	897,781	1,337,377	1,502,409	1,447,971
Police and Alderman fines	59,395	29,972	56,811	63,430	66,872
Interest	177,086	60,445	16,668	145,981	462,260
Service receipts - ambulance	148,338	149,132	149,191	148,675	152,892
Intergovernmental revenues	282,671	329,934	352,929	693,889	387,617
Contributions	18,274	607	25,955	47,096	46,814
Miscellaneous	42,215	8,178	24,328	29,367	52,705
Total revenues	9,015,402	8,486,420	10,928,526	10,444,520	11,109,752
Expenditures					
General and administration	1,030,809	1,068,894	1,123,859	1,342,999	1,493,161
Licenses and inspections	295,036	249,665	286,094	294,718	283,433
Police	1,869,572	2,150,333	2,228,037	2,403,252	2,579,265
Alderman	34,972	38,083	31,279	38,783	41,521
Parking	555,939	552,156	658,691	758,144	780,676
Beach patrol	631,592	658,382	629,599	711,482	791,618
Ambulance	149,195	149,195	149,195	149,195	154,121
Stormwater management	145,712	117,299	197,338	181,721	251,145
Streets and parks	1,098,357	1,037,958	1,193,238	1,287,805	1,381,958
Beach and boardwalk	393,975	284,122	394,098	463,772	513,490
Recreation - entertainment	273,248	117,972	250,449	303,891	303,059
Cultural, historical, and parade	28,210	6,791	3,463	30,874	37,745
Debt service - principal	-	-	-	-	-
Debt service - interest	-	-	-	-	-
Capital outlay	4,085,204	978,536	987,035	1,190,743	866,438
Total expenditures	10,591,821	7,409,386	8,132,375	9,157,379	9,477,630
Net change in fund balance	\$(1,576,419)	\$ 1,077,034	\$ 2,796,151	\$ 1,287,141	\$ 1,632,122
Debt service as a percentage of non-capital expenditures	0%	0%	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, 2024, 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 6, 2024.

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.

A handwritten signature in dark ink, reading "UHY LLP". The letters are stylized and cursive, with the "U" and "H" being particularly prominent.

Salisbury, Maryland
August 6, 2024