

TOWN OF BETHANY BEACH, DELAWARE

FINANCIAL REPORT

MARCH 31, 2025

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, 2025, 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, 2025, 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, 2025, the Town adopted new accounting guidance from the Government Accounting Standards Board (GASB) Statement No. 101, "*Compensated Absences*". 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 is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the 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.

UHY LLP

Salisbury, Maryland
July 21, 2025

**Town of Bethany Beach
Management's Discussion and Analysis
March 31, 2025**

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, 2025. 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 2025

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 2025 by \$40,275,179 (net position). Of this amount, \$16,434,861 (unrestricted net position) may be used to meet the Town's ongoing obligations to citizens and creditors. \$23,665,002 of the remaining net position is invested in capital assets, net of related debt and \$175,316 is restricted for specific uses. The Town's total net position increased by \$2,644,212 (7.0%) during fiscal year 2025. The net position of governmental activities increased by \$1,920,965 (7.1%) while the net position of business-type activities increased by \$723,247 (6.8%).

As of the close of fiscal year 2025, the Town's governmental funds reported an ending fund balance of \$14,551,110. Of this amount, \$351,550 is nonspendable prepaid balances. Committed funds are \$319,781 in post-employment benefits funds, \$61,709 in Cultural & Historic funds, \$4,216,000 for capital purchases budgeted in fiscal year 2026, \$5,654,045 for future capital projects and \$3,957,000 in the Storm Emergency Relief Fund.

The Town's bonds and notes payable decreased by \$219,733 (58.4%) 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 December of 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, deferred outflows, liabilities and deferred inflows 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 27-55 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 \$40,275,179 at the end of fiscal year 2025, compared to \$37,630,967 at the end of fiscal year 2024, an increase of \$2,664,212 (7.0%). Over the past five years, the town's total net position has increased by \$7,826,523 (24.1%).

The largest portion of the Town's net position, \$23,665,002 (58.8%), 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, 2025, the Town held \$1,322,513 in unrestricted cash and cash equivalents and \$18,025,000 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 \$1,566,436 (8.8%) during fiscal year 2025.

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 the 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 2026, operating reserves are \$1,988,000 in the

general fund, \$282,000 in the sanitation fund, and \$326,000 in the water fund. Total town-wide operating reserves are \$2,596,000, which is 20.0% of the fiscal year 2026 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 2026, capital replacement reserves are \$5,254,000 in the general fund, \$1,173,000 in the sanitation fund, and \$1,731,000 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 few years. Total town-wide capital reserves are \$8,508,000, which is 36.0% of the Town's net investment in capital assets.

In March of 2016, 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 2025 the SERF fund held \$3,576,250 and it is expected to hold \$3,957,000 by the end of fiscal year 2026.

In August 2020, 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 spouses 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. No officers have met the service requirements for this benefit, and none will 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 spouses 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, 2025, \$319,781 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, 2025

	Governmental Activities		Business-Type Activities		Total		% Change
	2024	2025	2024	2025	2024	2025	
Current Assets	\$14,315,331	\$15,603,059	\$4,694,575	\$5,167,404	\$19,009,906	\$20,770,463	9.3%
Capital Assets	16,221,706	17,420,268	6,273,314	6,450,264	22,495,020	23,870,532	6.1%
Other Assets	1,392,747	180,950	292,437	175,316	1,685,184	356,266	-78.9%
Total Assets	31,929,784	33,204,277	11,260,326	11,792,984	43,190,110	44,997,261	4.2%
Deferred Outflows	1,237,020	1,380,498	-	-	1,237,020	1,380,498	11.6%
Current Liabilities	1,887,049	1,259,122	249,160	268,117	2,136,209	1,527,239	-28.5%
Noncurrent Liabilities	2,844,694	2,484,959	358,340	148,794	3,203,034	2,633,753	-17.8%
Total Liabilities	4,731,743	3,744,081	607,500	416,911	5,339,243	4,160,992	-22.1%
Deferred Inflows	1,456,920	1,941,588	-	-	1,456,920	1,941,588	33.3%
Invested in capital assets, net of related debt	16,148,667	17,371,575	5,896,744	6,293,427	22,045,411	23,665,002	7.3%
Restricted	-	-	292,437	175,316	292,437	175,316	-40.0%
Unrestricted	10,829,474	11,527,531	4,463,645	4,907,330	15,293,119	16,434,861	7.5%
Total Net Position	\$26,978,141	\$28,899,106	\$10,652,826	\$11,376,073	\$37,630,967	\$40,275,179	7.0%

Funds in the Town's unrestricted net position of \$16,434,861 may be used to meet the government's ongoing obligations to citizens and creditors. Unrestricted net position increased \$1,141,742 (7.5%) during fiscal year 2025: increasing \$698,057 (6.4%) in Governmental Activities and increasing \$443,685 (9.9%) in Business-Type Activities.

During this time net investment in capital assets increased \$1,619,591 (7.3%): increasing \$1,222,908 (7.6%) in Governmental Activities and increasing \$396,683 (6.7%) in Business-Type Activities. The town has been preparing several large capital projects for future years.

Current assets increased \$1,760,557 (9.3%). Current assets for Governmental Activities increased \$1,287,728 (9.0%), while current assets of Business-Type Activities increased \$472,829 (10.1%). The majority of the \$20,770,463 in total current assets is held in certificates of deposit as reserves for future capital needs.

Receivables, which make up \$1,025,165 of the current assets, increased \$120,129 (13.3%). Most of the receivables are \$591,454 in water bills mailed in April 2025 for the previous six months of water use. The second and third largest receivable are \$213,618 for interest earned on Certificates of Deposit but not yet received, then \$89,060 in transfer tax revenue collected in March and received by the town in April.

Noncurrent liabilities decreased \$569,281 (17.8%): decreasing \$359,735 (12.6%) in Governmental Activities from Pension, OPEB, and Subscription liabilities and decreasing \$209,546 (58.5%) in Business-Type Activities mostly 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, 2025

	Governmental Activities		Business-Type Activities		2024	2025	% Change
	2024	2025	2024	2025			
Revenues:							
Program Revenues							
Charges for services	\$4,748,578	\$4,618,464	\$2,736,998	\$3,218,784	\$7,485,576	\$7,837,248	4.7%
Assessments & impact fees			339,361	368,202	339,361	368,202	8.5%
Operating grants	185,971	175,916	-	-	185,971	175,916	-5.4%
Capital grants	201,646	1,438,888	18,886	37,065	220,532	1,475,953	569.3%
General Revenues							
Property taxes	2,111,163	2,127,380	-	-	2,111,163	2,127,380	0.8%
Rental real estate taxes	2,055,126	2,186,436	-	-	2,055,126	2,186,436	6.4%
Transfer taxes	1,245,489	1,057,074	-	-	1,245,489	1,057,074	-15.1%
Other	559,837	780,286	141,670	201,092	701,507	981,378	39.9%
Total Revenues	11,107,810	12,384,444	3,236,915	3,825,143	14,344,725	16,209,587	13.0%
Expenses:							
General and administration	3,030,706	1,691,147	-	-	3,030,706	1,691,147	-44.2%
Licenses and inspections	295,916	347,534	-	-	295,916	347,534	17.4%
Public Safety							
Police and Alderman	2,682,968	2,938,268	-	-	2,682,968	2,938,268	9.5%
Parking	826,744	836,214	-	-	826,744	836,214	1.1%
Beach Patrol	791,618	971,558	-	-	791,618	971,558	22.7%
Ambulance	154,121	178,290	-	-	154,121	178,290	15.7%
Public Works							
Stormwater management	325,156	267,164	-	-	325,156	267,164	-17.8%
Streets & Parks	2,072,638	2,197,088	-	-	2,072,638	2,197,088	6.0%
Beach and boardwalk	608,966	596,466	-	-	608,966	596,466	-2.1%
Recreation - entertainment	333,191	396,167	-	-	333,191	396,167	18.9%
Cultural/Historic & Parade	37,745	43,583	-	-	37,745	43,583	15.5%
Sanitation Fund			1,319,217	1,329,186	1,319,217	1,329,186	0.8%
Water Fund			1,717,319	1,772,710	1,717,319	1,772,710	3.2%
Total Expenses	11,159,769	10,463,479	3,036,536	3,101,896	14,196,305	13,565,375	-4.4%
Change in net position	(51,959)	1,920,965	200,379	723,247	148,420	2,644,212	
Net position, beginning of year	27,030,100	26,978,141	10,452,447	10,652,826	37,482,547	37,630,967	
Net position, end of year	\$26,978,141	\$28,899,106	\$10,652,826	\$11,376,073	\$37,630,967	\$40,275,179	

The Town's total net position increased by \$2,644,212 (7.0%). Approximately 33.1% of the Town's total revenue came from three types of taxes: property, rental, and transfer. Total revenues increased \$1,864,862 (13.0%) and total expenses decreased \$630,930 (4.4%).

Revenue increased by \$1,276,634 (11.5%) for Governmental Activities. This is from receiving \$1,237,242 more in capital grant funds than the prior year. The largest grants from the Federal and State governments were used for the Collins Street Pathway Project.

Revenue increased by \$588,228 (18.2%) for Business-Type Activities. Most of this is from increasing fees for trash services by 35%.

Expenses of Governmental Activities decreased \$696,290 (6.2%) while expenses of Business-Type Activities increased \$65,360 (2.2%). Most of the decrease in Governmental Activities relates to changes in post-employment benefits and pensions calculations made in the prior year.

Governmental Activities

Total revenue for governmental activities less operating and capital grants increased \$39,447 (0.4%) to \$10,759,640. 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.

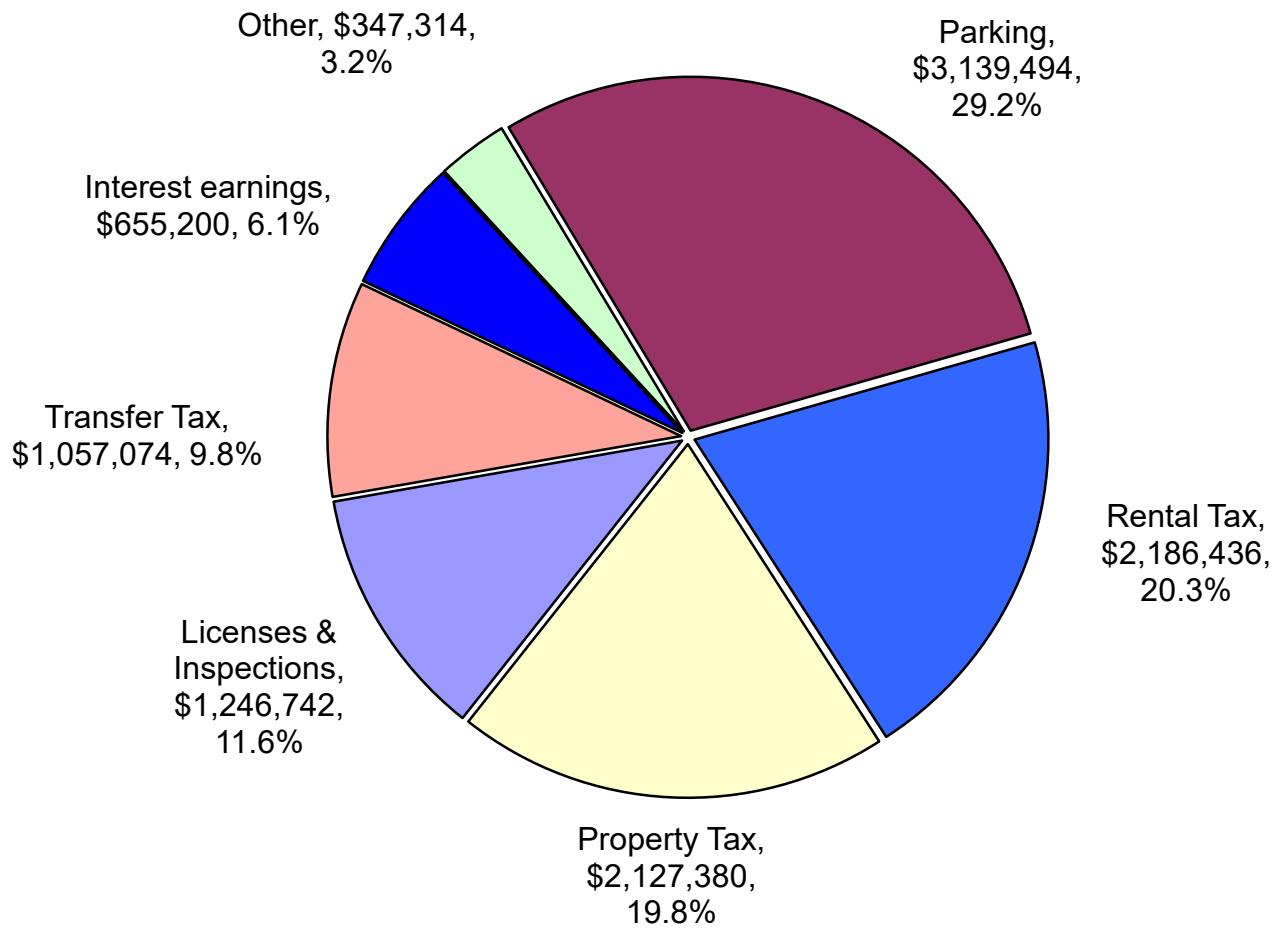
1. Revenues from parking fines, parking meters and parking permits totaled \$3,139,494 and were the Town's largest revenue source in fiscal year 2025. These revenues increased \$58,651 (1.9%). As a percentage of governmental revenue less operating and capital grants, parking increased from 28.7% in fiscal year 2024 to 29.2% in fiscal year 2025.
2. Real estate rental taxes were the Town's second largest revenue source at \$2,186,436. This revenue increased \$131,310 (6.4%). A substantial 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. As a percentage of total governmental revenue less operating and capital grants, rental taxes increased from 19.2% in fiscal year 2024 to 20.3% in fiscal year 2025.
3. Property Tax revenue totaled \$2,127,380 and was the Town's third largest source of funding. This revenue increased \$16,217 (0.8%). The assessed value of taxable properties as of May 2024 was \$1,077,078,120 which is \$14,506,604 (1.4%) more than the prior year from the construction of new homes and additions. The tax rate was \$0.196 per \$100 of assessed value and the most recent town-wide reassessment was completed in 2001. As a percentage of total governmental revenue less operating and capital grants, property tax increased from 19.7% in fiscal year 2024 to 19.8% in fiscal year 2025.
4. Licenses, permits and other fees were the fourth largest revenue source at \$1,246,742. These revenues decreased \$201,229 (13.9%). The main revenue in this category is building permits, which brought in \$728,499, which is \$201,679 (21.7%) 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 13.5% in fiscal year 2024 to 11.6% in fiscal year 2025.
5. Real estate transfer taxes were the Town's fifth largest revenue source at \$1,057,074 a decrease of \$188,415 (15.1%). 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 decreased from 11.6% in fiscal year 2024 to 9.8% in fiscal year 2025.

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 2025 summer season related revenue was approximately \$6.15 million, which is 58% 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 \$6.37 million in fiscal year 2025, which is 63% of total General Fund operating costs.

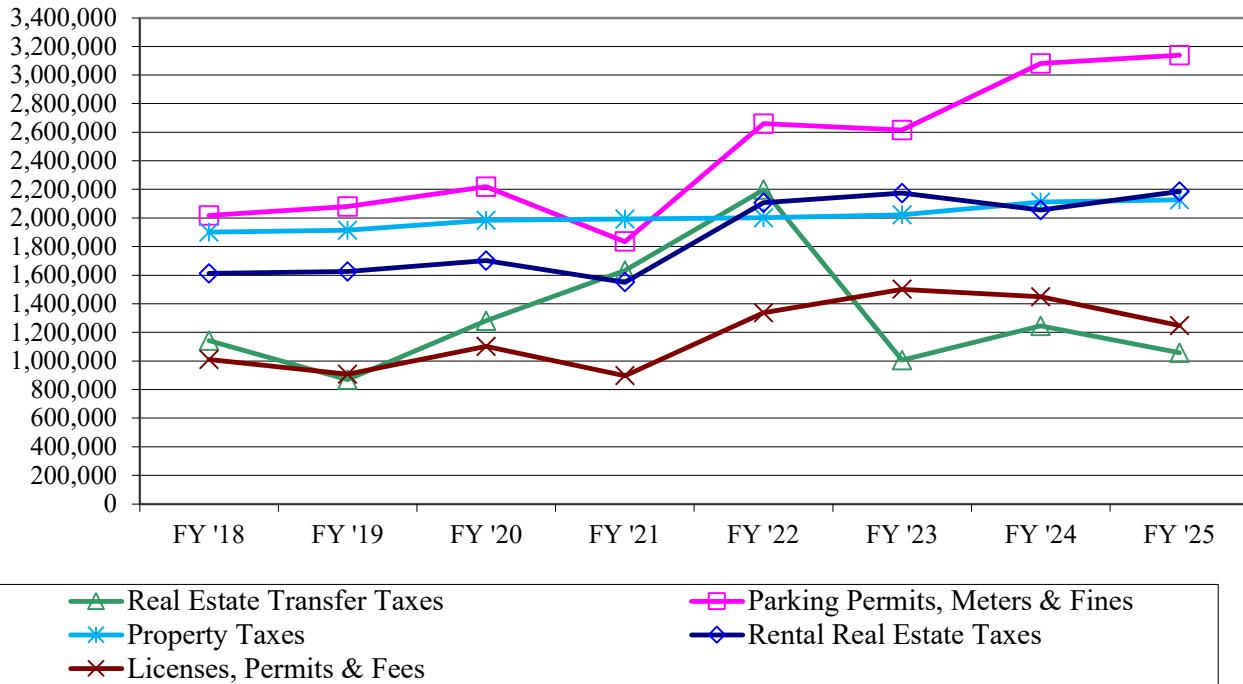
The following two charts show the Town's general fund revenues for the fiscal year ending March 31, 2025, and the trend of our six largest, recurring revenue sources over the past eight fiscal years. Special fund revenue is not included in these charts due to the variable nature of State and Federal grants.

FY 2025 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 are being increased by 33% for fiscal year 2026. Parking tickets, daily permits, and weekly permits are also being increased by 33%. Previous increases to hourly parking fees were 20% from \$2.50 to \$3.00 per hour for fiscal year 2024, 25% from \$2.00 to \$2.50 for fiscal year 2021 and 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 the peak in fiscal year 2021 the number of homes sold decreased 45% from 137 to 62 while the average sale price of homes sold increased 67% from \$793,877 to \$1,136,639.

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.

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 \$437,454 (34.6%) for fiscal year 2025 from the 35% increase in trash fees. Operating expenses increased \$9,969 (0.8%). Total net position increased by \$427,548. Income and expense details are shown on page 72 of this report.

Water department operating revenues increased \$44,332 (3.0%). Operating expenses increased \$58,113 (3.4%). Water non-operating revenues increased \$89,095 (20.4%). Total Net position increased by \$295,699. 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 2025, the Town's governmental fund balance increased \$705,848 (5.1%) to \$14,551,110.

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	\$351,550
2. Committed for payment of post-employment health care benefits	\$319,781
3. Committed for uses determined by the Cultural & Historical Affairs Committee	\$61,709
4. Committed for capital improvements in the coming fiscal year	\$4,216,000
5. Committed for the Storm Emergency Relief Fund	\$3,957,000
6. Committed for future capital replacements	\$5,654,045

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.

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 increased \$427,548 (23.8%) to end the year at \$2,220,775. Trash fees were increased by 35% for fiscal year 2025. Previous increases were a 30% increase for fiscal year 2023, an 18% increase for fiscal year 2018, and a 12% increase for fiscal year 2014.

The net position of the water department increased \$295,699 (3.3%) to \$9,155,298. Water use fees are being increased by 17% for fiscal year 2026. Previous increases were a 20% increase for the flat rate portion of the fee for fiscal year 2019, a 20% increase to all water use rates for fiscal year 2016, and a 26% increase to all water use rates for fiscal year 2009.

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 \$475,890 (4.7%). Pages 10 through 12 of this report supply detail on the largest revenues. Revenue from investment income, building permits, parking, transfer taxes significantly exceeded our conservative budget estimates.

General fund expenditures were under budget by \$119,770 (1.3%). Total revenues exceeded total expenditures by \$1,604,660, 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 2025 the Council approved a budget amendment adding \$60,000 to the general fund operating budget.

Capital Assets

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

Governmental Activities	FY 2025 Additions
Construction in Progress	\$329,227
Beach & Boardwalk	\$15,860
Building & Improvements	\$28,680
Land Improvements	\$186,572
Machinery & Equipment	\$88,573
Streets & Parks	\$1,443,645
Vehicles	<u>\$248,603</u>
Total	\$2,341,160

Sanitation Fund	FY 2025 Additions
Vehicles	\$291,961

Water Fund	FY 2025 Additions
Construction in Progress	\$71,092
Water Plant & Distribution System	\$82,320
Vehicles & Equipment	<u>\$150,000</u>
Total	\$303,412

In governmental activities, the largest area of capital expenditure in fiscal year 2025 was \$1,443,645 in Streets & Parks. In Streets & Parks \$1,056,331 was used for the Collins Street Pathway Project, of which \$980,099 was Federal and State grant funds. The second largest was \$248,603 in Vehicles to replace two police vehicles, and three public works vehicles, \$188,613 of this was from State and County grant funds. In addition, the town capital projects included construction of a new parking lot at the corner of Route 1 and Route 26, fencing of the Public Works site, replacement of two ATVs, replacing the roof on the Nature Center, and replacing 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 2025, \$329,277 was added to Construction in Progress for pedestrian improvements around Central Park, a grant funded electric vehicle charging station, inspection of the boardwalk substructure, a deposit on a new trolley, and for engineering and design for future projects including the Lake Bethany's bulkhead and shoreline, the Loop Canal retractable dam design project and a pedestrian flashing beacon at Route 26 and Treetop Lane.

The sanitation department purchased a 2025 Freightliner rear-loading trash truck.

In the water department, \$150,000 was spent to upgrade the water plant's SCADA system, \$44,550 for upgrades to town wells, and \$37,772 to remove a water main on North Atlantic Ave. Construction in Process includes \$52,913 towards design of the new clarifier and \$18,179 towards a new asset management system.

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, 2025, the Town had \$156,837 in outstanding debt from construction of the water tower in 2014 and 2015. This loan will be paid off 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 2025 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 2026. 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 2026 budget was approved in March 2025. The operating budget for all Town activities combined is \$12,975,000. This is \$1,052,000 (8.8%) more than the fiscal year 2025 operating budget. Budgeted operating costs increased 9.2% in the general fund, 8.0% in the sanitation fund and 7.5% in the water fund. This larger than usual increase in budget was necessary due to cost inflation and increases in wages.

The fiscal year 2026 budget included a 33% increase to hourly parking fees and a 17% increase to water use fees.

General fund capital projects budgeted for fiscal year 2026 total \$2,692,000:

- \$40,000 to replace the floor in the police department.
- \$55,000 to replace two police vehicles, in combination with a \$40,000 grant from Sussex County.
- \$16,000 to replace the 2012 parking van with an EV LSV golf cart.
- \$1,200,000 for street and paving projects.
 - \$200,000 for a pedestrian flashing beacon at Rt 26 and Treetop Lane.
 - \$500,000 for pedestrian improvements around Central Park.
 - \$100,000 for construction of the entrance at Half Moon Drive.
 - \$400,000 for annual street repaving.
- \$90,000 for renovations to the Museum and Nature Center.
- \$101,000 to replace a GEHL Posi track Compact Track Loader purchased in 2014.
- \$500,000 for the Lake Bethany Bulkhead and land strip restoration project. We have received grants from the State for \$102,814 and the USDA for \$500,000 toward this project.
- \$600,000 for repairs to the Boardwalk substructure.
- \$20,000 to refurbish the beach rake purchased in 2008.
- \$70,000 for a new Public Address system at the bandstand.

The sanitation fund has budgeted \$90,000 to replace a 2013 work truck.

Water fund capital projects budgeted for fiscal year 2026 total \$1,415,000:

- \$175,000 to upgrade the Supervisory Control and Data Acquisition (SCADA) system at the transfer pumps and wells.
- \$1,000,000 for the clarifier building and any costs in excess of the proposed State loan.
- \$90,000 to replace a 2015 and 2016 work truck.
- \$75,000 equipment replacement as needed.
- \$75,000 distribution system repairs as needed.

In May 2025 the Town held a referendum on borrowing to replace the clarifier at the water treatment plant, the referendum was overwhelmingly approved by voters. The clarifier removes minerals like iron from water pulled from town wells. The Town will borrow as much as \$3.9 million from Delaware's Drinking Water State Revolving Fund with an expected interest rate of 2.0% for twenty years. Funds to repay this loan will come from the town's Water Bond Sinking Fund fees, which have not increased since fiscal year 2007.

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.

TOWN OF BETHANY BEACH, DELAWARE

STATEMENT OF NET POSITION

March 31, 2025

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Current assets			
Cash and cash equivalents	\$ 896,497	\$ 426,016	\$ 1,322,513
Investments	14,003,493	4,021,507	18,025,000
Receivables:			
Taxes - real and personal property	102,511	-	102,511
Service charges	-	606,975	606,975
Interest	165,768	47,850	213,618
Other	83,240	18,821	102,061
Prepaid expenses	351,550	46,235	397,785
Total current assets	15,603,059	5,167,404	20,770,463
Noncurrent assets			
Restricted cash and cash equivalents	180,950	175,316	356,266
Capital assets:			
Nondepreciable assets	7,337,858	71,092	7,408,950
Depreciable assets, net	10,033,717	6,379,172	16,412,889
Intangible assets, net	48,693	-	48,693
Total noncurrent assets	17,601,218	6,625,580	24,226,798
Total assets	33,204,277	11,792,984	44,997,261
DEFERRED OUTFLOWS OF RESOURCES			
Pension (see Note 9)	951,701	-	951,701
OPEB (see Note 8)	428,797	-	428,797
Total deferred outflows of resources	1,380,498	-	1,380,498
LIABILITIES			
Current liabilities			
Accounts payable and accrued expenses	246,465	139,747	386,212
Internal balances	9,677	(9,677)	-
Unearned revenue	967,312	2,858	970,170
Compensated absences liability	9,445	1,198	10,643
Subscription liability	26,223	-	26,223
Bonds and notes payable	-	133,991	133,991
Total current liabilities	1,259,122	268,117	1,527,239
Noncurrent liabilities			
Compensated absences liability	316,733	125,948	442,681
Subscription liability	28,332	-	28,332
Net pension liability (See Note 9)	121,369	-	121,369
OPEB obligation (see Note 8)	2,018,525	-	2,018,525
Bonds and notes payable	-	22,846	22,846
Total noncurrent liabilities	2,484,959	148,794	2,633,753
Total liabilities	3,744,081	416,911	4,160,992
DEFERRED INFLOWS OF RESOURCES			
Pension (see Note 9)	132,522	-	132,522
OPEB (see Note 8)	1,809,066	-	1,809,066
Total deferred inflows of resources	1,941,588	-	1,941,588
NET POSITION			
Net investment in capital assets	17,371,575	6,293,427	23,665,002
Restricted	-	175,316	175,316
Unrestricted	11,527,531	4,907,330	16,434,861
Total net position	\$ 28,899,106	\$ 11,376,073	\$ 40,275,179

TOWN OF BETHANY BEACH, DELAWARE

STATEMENT OF ACTIVITIES

Year Ended March 31, 2025

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	\$ 1,691,147	\$ -	\$ -	\$ (1,691,147)	\$ -	\$ -	\$ (1,691,147)
Licenses and inspections	347,534	1,246,742	-	899,208	-	-	899,208
Public safety:							
Police and Alderman fines and revenue	2,938,268	55,920	175,916	40,000	(2,666,432)	-	(2,666,432)
Parking	836,214	3,139,494	-	-	2,303,280	-	2,303,280
Beach patrol	971,558	-	-	-	(971,558)	-	(971,558)
Ambulance	178,290	176,308	-	-	(1,982)	-	(1,982)
Public works:							
Stormwater management	267,164	-	-	21,940	(245,224)	-	(245,224)
Streets and parks	2,197,088	-	-	1,376,948	(820,140)	-	(820,140)
Beach and boardwalk	596,466	-	-	-	(596,466)	-	(596,466)
Recreation - entertainment	396,167	-	-	-	(396,167)	-	(396,167)
Cultural, historical, and parade	43,583	-	-	-	(43,583)	-	(43,583)
Total governmental activities	10,463,479	4,618,464	175,916	1,438,888	(4,230,211)	-	(4,230,211)
BUSINESS-TYPE ACTIVITIES							
Water	1,772,710	1,517,510	368,202	37,065	-	150,067	150,067
Sanitation	1,329,186	1,701,274	-	-	-	372,088	372,088
Total business-type activities	3,101,896	3,218,784	368,202	37,065	-	522,155	522,155
Total primary government	\$ 13,565,375	\$ 7,837,248	\$ 544,118	\$ 1,475,953	\$ (4,230,211)	\$ 522,155	\$ (3,708,056)
General Revenues							
Taxes:							
Property				2,127,380	-	2,127,380	
Rental real estate				2,186,436	-	2,186,436	
Transfer				1,057,074	-	1,057,074	
Interest				665,200	201,092	866,292	
Other				115,086	-	115,086	
Total general revenues				6,151,176	201,092	6,352,268	
Change in net position				1,920,965	723,247	2,644,212	
Net position, beginning of year				26,978,141	10,652,826	37,630,967	
Net position, end of year				\$ 28,899,106	\$ 11,376,073	\$ 40,275,179	

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

TOWN OF BETHANY BEACH, DELAWARE

BALANCE SHEET

GOVERNMENTAL FUNDS

March 31, 2025

	Major Fund				Total Governmental Funds
	General Fund	Special Revenue Fund	Non-Major Governmental Funds	Governmental Funds	
ASSETS					
Cash and cash equivalents	\$ 896,497	\$ -	\$ -	\$ 896,497	
Investments	13,528,493	475,000	-	14,003,493	
Receivables:					
Taxes - real and personal property	102,511	-	-	102,511	
Interest	165,768	-	-	165,768	
Other	10,036	72,226	978	83,240	
Prepaid expenses	342,575	-	8,975	351,550	
Due from other funds	66,226	-	25,806	92,032	
Restricted assets:					
Cash and cash equivalents	-	59,775	121,175	180,950	
Total assets	\$ 15,112,106	\$ 607,001	\$ 156,934	\$ 15,876,041	
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable and accrued expenses	\$ 201,496	\$ 12,766	\$ 32,203	\$ 246,465	
Due to other funds	35,483	66,226	-	101,709	
Unearned revenues	314,572	528,009	124,731	967,312	
Compensated absences liability	9,445	-	-	9,445	
Total liabilities	560,996	607,001	156,934	1,324,931	
FUND BALANCES					
Nonspendable	342,575	-	8,975	351,550	
Committed for:					
Cultural and historic	61,709	-	-	61,709	
Retiree benefits	319,781	-	-	319,781	
Capital improvements	4,216,000	-	-	4,216,000	
Storm emergency	3,957,000	-	-	3,957,000	
Future capital replacements	5,654,045	-	-	5,654,045	
Unassigned	-	-	(8,975)	(8,975)	
Total fund balances	14,551,110	-	-	14,551,110	
Total liabilities and fund balances	\$ 15,112,106	\$ 607,001	\$ 156,934	\$ 15,876,041	

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, 2025

Total fund balances, governmental funds	\$ 14,551,110
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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	17,371,575
Intangible assets	48,693

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)	951,701
Deferred inflow of resources - pension (see Note 9)	(132,522)
Net pension liability	(121,369)
Compensated absences	(316,733)
Subscription liability	(54,555)
Deferred outflow of resources - OPEB (see Note 8)	428,797
Deferred inflow of resources - OPEB (see Note 8)	(1,809,066)
Other post-employment benefits obligation	<u>(2,018,525)</u>

Net position of governmental activities in the Statement of Net Position	<u>\$ 28,899,106</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, 2025

	Major Fund				Total Governmental Funds
	General Fund	Special Revenue Fund	Non-Major Governmental Funds	Governmental Funds	
REVENUES:					
Taxes:					
Property	\$ 2,127,380	\$ -	\$ -	\$ 2,127,380	
Rental real estate	2,186,436	-	-	2,186,436	
Transfer	1,057,074	-	-	1,057,074	
Parking revenues	3,139,494	-	-	3,139,494	
Licenses, permits, and fees	1,246,742	-	-	1,246,742	
Police and Alderman fines and revenue	55,920	-	-	55,920	
Interest	659,758	3,460	1,982	665,200	
Service receipts	-	-	176,308	176,308	
Intergovernmental revenues	-	1,614,804	-	1,614,804	
Contributions	52,090	-	-	52,090	
Miscellaneous	62,996	-	-	62,996	
Total revenues	10,587,890	1,618,264	178,290	12,384,444	
EXPENDITURES:					
General and administration	1,642,090	-	-	1,642,090	
Licenses and inspections	341,629	-	-	341,629	
Public safety:					
Police	2,589,805	175,916	-	2,765,721	
Alderman	45,501	-	-	45,501	
Parking	793,268	-	-	793,268	
Beach patrol	971,558	-	-	971,558	
Ambulance	-	-	178,290	178,290	
Public works:					
Stormwater management	188,502	-	-	188,502	
Streets and parks	1,488,659	-	-	1,488,659	
Beach and boardwalk	511,065	-	-	511,065	
Recreation - entertainment	367,570	-	-	367,570	
Cultural, historical, and parade	43,583	-	-	43,583	
Capital outlay	-	1,442,348	898,812	2,341,160	
Total expenditures	8,983,230	1,618,264	1,077,102	11,678,596	
Excess (deficiency) of revenues over expenditures	1,604,660	-	(898,812)	705,848	
Other financing (uses) sources:					
Transfer (out) in	(898,812)	-	898,812	-	
Total other financing (uses) sources	(898,812)	-	898,812	-	
Net change in fund balances	705,848	-	-	705,848	
Fund balances, beginning of year	13,845,262	-	-	13,845,262	
Fund balances, end of year	\$ 14,551,110	\$ -	\$ -	\$ 14,551,110	

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, 2025

Net change in fund balances, governmental funds	\$ 705,848
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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	2,341,160
Depreciation expense	(1,118,252)
Amortization expense	(24,346)

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)	(59,832)
Change in deferred inflow of resources - pension (see Note 9)	44,866
Change in net pension liability	75,267
Change in compensated absences	(41,073)
Change in subscription liability	24,233
Change in deferred outflow of resources - OPEB (see Note 8)	203,310
Change in deferred inflow of resources - OPEB (see Note 8)	(529,534)
Change in other post-employment benefits obligation	<u>299,318</u>
Change in net position of governmental activities	<u>\$ 1,920,965</u>

TOWN OF BETHANY BEACH, DELAWARE

STATEMENT OF FUND NET POSITION

BUSINESS-TYPE ACTIVITIES

March 31, 2025

Enterprise Fund			
	<u>Water Fund</u>	<u>Sanitation Fund</u>	<u>Total</u>
ASSETS			
Current assets			
Cash and cash equivalents	\$ 245,934	\$ 180,082	\$ 426,016
Investments	2,965,323	1,056,184	4,021,507
Receivables:			
Service charges	599,125	7,850	606,975
Interest	35,247	12,603	47,850
Due from other funds	1,209	8,468	9,677
Miscellaneous	18,324	497	18,821
Prepaid expenses	32,897	13,338	46,235
Total current assets	3,898,059	1,279,022	5,177,081
Noncurrent assets			
Restricted cash and cash equivalents	175,316	-	175,316
Capital assets, at cost	11,241,360	2,315,236	13,556,596
Less: accumulated depreciation	(5,813,988)	(1,292,344)	(7,106,332)
Total noncurrent assets	5,602,688	1,022,892	6,625,580
Total assets	\$ 9,500,747	\$ 2,301,914	\$ 11,802,661
LIABILITIES			
Current liabilities			
Accounts payable and accrued expenses	\$ 111,330	\$ 28,417	\$ 139,747
Unearned revenues	2,858	-	2,858
Long-term liabilities due within one year:			
Compensated absences liability	954	244	1,198
Bonds and notes payable	133,991	-	133,991
Total current liabilities	249,133	28,661	277,794
Noncurrent liabilities			
Compensated absences liability	73,470	52,478	125,948
Bonds and notes payable	22,846	-	22,846
Total noncurrent liabilities	96,316	52,478	148,794
Total liabilities	345,449	81,139	426,588
NET POSITION			
Net investment in capital assets	5,270,535	1,022,892	6,293,427
Restricted	175,316	-	175,316
Unrestricted	3,709,447	1,197,883	4,907,330
Total net position	\$ 9,155,298	\$ 2,220,775	\$ 11,376,073

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, 2025**

	Enterprise Fund		
	Sanitation		
	<u>Water Fund</u>	<u>Fund</u>	<u>Total</u>
OPERATING REVENUE			
Charges for services	\$ 1,480,527	\$ 1,701,274	\$ 3,181,801
Other	36,983	-	36,983
Total operating revenues	1,517,510	1,701,274	3,218,784
OPERATING EXPENSES			
Operations	1,486,431	1,172,085	2,658,516
Depreciation and amortization	261,322	157,101	418,423
Total operating expenses	1,747,753	1,329,186	3,076,939
Net operating income (loss)	(230,243)	372,088	141,845
NON-OPERATING REVENUES (EXPENSES)			
Non-operating revenue	405,267	-	405,267
Financial income, net	120,675	55,460	176,135
Total non-operating revenue	525,942	55,460	581,402
Change in net position	295,699	427,548	723,247
Total net position, beginning of year	8,859,599	1,793,227	10,652,826
Total net position, end of year	\$ 9,155,298	\$ 2,220,775	\$ 11,376,073

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, 2025

	Enterprise Fund		
	Sanitation		
	<u>Water Fund</u>	<u>Fund</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers	\$ 1,508,837	\$ 1,700,468	\$ 3,209,305
Payments to suppliers	(721,507)	(501,146)	(1,222,653)
Payments to employees	(686,848)	(673,516)	(1,360,364)
Net cash provided by operating activities	100,482	525,806	626,288
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Non-operating revenue	405,267	-	405,267
Advances from general fund, net	(32,314)	(17,617)	(49,931)
Net cash provided (used) by noncapital financing activities	372,953	(17,617)	355,336
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition of capital assets	(303,412)	(291,961)	(595,373)
Principal paid on long-term debt	(219,733)	-	(219,733)
Interest paid on long-term debt	(24,957)	-	(24,957)
Net cash used in capital and related financing activities	(548,102)	(291,961)	(840,063)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Net change in investments	(117,915)	(126,060)	(243,975)
Interest income	145,632	55,460	201,092
Net cash provided (used) by investing activities	27,717	(70,600)	(42,883)
Net change in cash and restricted cash and cash equivalents	(46,950)	145,628	98,678
Cash and restricted cash and cash equivalents, beginning of year	468,200	34,454	502,654
Cash and restricted cash and cash equivalents, end of year	\$ 421,250	\$ 180,082	\$ 601,332
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ (230,243)	\$ 372,088	\$ 141,845
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation and amortization expense	261,322	157,101	418,423
Changes in assets and liabilities:			
Receivables, net	(6,493)	(806)	(7,299)
Prepaid expenses	(5,402)	(354)	(5,756)
Unearned revenue	(2,180)	-	(2,180)
Accounts payable and other accrued expenses	71,919	(5,341)	66,578
Compensated absences liability	11,559	3,118	14,677
Net cash provided by operating activities	\$ 100,482	\$ 525,806	\$ 626,288

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, 2025

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, 2025

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, 2025

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, 2025

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, 2025

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, 2025

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, 2025 are as follows:

	Governmental Activities	Business-Type Activities	Total
Parking permits	\$ 43,050	\$ -	\$ 43,050
Licenses	143,950	-	143,950
Concession fees	106,000	-	106,000
Grants	528,009	-	528,009
Ambulance fees	124,731	-	124,731
Other	21,572	2,858	24,430
Total unearned revenues	\$ 967,312	\$ 2,858	\$ 970,170

TOWN OF BETHANY BEACH, DELAWARE

NOTES TO FINANCIAL STATEMENTS

For the year ended March 31, 2025

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. Employees in the management level may accumulate 10 days of comp time. 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 more likely than not.
- The amount can be reasonably estimated.

In accordance with the above criteria, the Town has accrued a liability for vacation pay, sick leave and comp time. Accruals include time which has been earned but not taken by Town employees, as well as leave that has been used but not yet paid or settled. Salary-related payments, such as employer paid FICA, are also accrued in the liability. 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, 2025

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, 2025. 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, 2025

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. 101, *Compensated Absences*, on April 1, 2024. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The Town's accrual policy was in line with the new standard, and as such, no prior year restatement was necessary.

Note 3. Real Estate Taxes

The tax on real estate in the Town area for the fiscal year ended March 31, 2025 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, 2025

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, 2025:

Description	Financial Institution Balances			Carrying Amounts
	1	2	3	
Cash and cash equivalents:				
Unrestricted	\$ 554,379	\$ 993,378	\$ -	\$ 1,547,757 \$ 1,322,513
Restricted	-	356,266	-	356,266 356,266
Totals	\$ 554,379	\$ 1,349,644	\$ -	\$ 1,904,023 \$ 1,678,779

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, 2025, the Town's investments consist of the following:

Description	Category	Amounts	
		Market	Carrying
Certificates of deposit	1, 2	\$ 18,025,000	\$ 18,025,000
Investments:			
Unrestricted		\$ 18,025,000	\$ 18,025,000
Total investments		\$ 18,025,000	\$ 18,025,000

TOWN OF BETHANY BEACH, DELAWARE

NOTES TO FINANCIAL STATEMENTS

For the year ended March 31, 2025

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 \$18,025,000 in investments, \$9,870,045 has been designated for capital replacement and \$3,957,000 has been committed for Storm Emergency Relief.

Note 5. Capital Assets and Intangible Assets

The following is a summary of changes in capital assets for the year ended March 31, 2025:

GOVERNMENTAL ACTIVITIES	March 31, 2024	Additions	Deletions/ Transfers	March 31, 2025
Capital assets, not being depreciated:				
Land	\$ 6,535,783	\$ -	\$ -	\$ 6,535,783
Construction in progress	959,938	329,227	(487,090)	802,075
Total capital assets, not being depreciated	7,495,721	329,227	(487,090)	7,337,858
Capital assets, being depreciated:				
Beach and boardwalk	1,485,443	15,860	-	1,501,303
Building and improvements	4,882,075	28,680	-	4,910,755
Land improvements	880,478	186,572	51,114	1,118,164
Machinery and equipment	1,512,353	88,573	-	1,600,926
Stormwater	1,130,119	-	(199,541)	930,578
Streets and parks	8,504,440	1,443,645	328,476	10,276,561
Vehicles	1,512,049	248,603	(25,000)	1,735,652
Total capital assets, being depreciated	19,906,957	2,011,933	155,049	22,073,939
Less accumulated depreciation:				
Beach and boardwalk	807,467	53,205	-	860,672
Building and improvements	3,238,467	157,048	-	3,395,515
Land improvements	661,633	24,865	-	686,498
Machinery and equipment	1,077,815	99,946	-	1,177,761
Stormwater	1,019,863	48,896	(199,541)	869,218
Streets and parks	3,315,038	609,589	(107,500)	3,817,127
Vehicles	1,133,728	124,703	(25,000)	1,233,431
Total accumulated depreciation	11,254,011	1,118,252	(332,041)	12,040,222
Total capital assets, being depreciated, net	8,652,946	893,681	-	10,033,717
Governmental activities capital assets, net	\$ 16,148,667	\$ 1,222,908	\$ (487,090)	\$ 17,371,575

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

For the year ended March 31, 2025

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	99,389
Parking	44,677
Public works:	
Stormwater management	70,943
Streets and parks	708,429
Beach and boardwalk	91,622
Recreation - entertainment	29,332
Cultural, historical, and parade	-
	<u>\$ 1,118,252</u>

Intangible right-of-use asset activity for the year ended March 31, 2025 is as follows:

GOVERNMENTAL ACTIVITIES	March 31, 2024		Deletions/ Transfers	March 31, 2025
		Additions		
Right-of-use asset - SBITA	\$ 121,731	\$ -	\$ -	\$ 121,731
Total accumulated amortization	48,692	24,346	-	73,038
Intangible right-of-use asset, net	\$ 73,039	\$ (24,346)	\$ -	\$ 48,693

Amortization expense for the year ended March 31, 2025 totaled \$24,346.

TOWN OF BETHANY BEACH, DELAWARE

NOTES TO FINANCIAL STATEMENTS

For the year ended March 31, 2025

Note 5. Capital and Intangible Assets (continued)

BUSINESS-TYPE ACTIVITIES	March 31, 2024		Deletions/ Transfers	March 31, 2025
	Additions			
Water Fund				
Capital assets, not being depreciated:				
Construction in progress	\$ 47,172	\$ 71,092	\$ (47,172)	\$ 71,092
Total capital assets, not being depreciated	47,172	71,092	(47,172)	71,092
Capital assets, being depreciated:				
Plant and water distribution system	10,321,169	82,320	37,772	10,441,261
Vehicles and equipment	624,554	150,000	(45,547)	729,007
Total capital assets, being depreciated	10,945,723	232,320	(7,775)	11,170,268
Total accumulated depreciation	5,607,613	261,322	(54,947)	5,813,988
Total capital assets, being depreciated, net	5,338,110	(29,002)	47,172	5,356,280
Water Fund capital assets, net	\$ 5,385,282	\$ 42,090	\$ -	\$ 5,427,372
Sanitation Fund				
Capital assets, being depreciated:				
Vehicles and equipment	\$ 2,023,275	\$ 291,961	\$ -	\$ 2,315,236
Total capital assets, being depreciated	2,023,275	291,961	-	2,315,236
Total accumulated depreciation	1,135,243	157,101	-	1,292,344
Total capital assets, being depreciated, net	888,032	134,860	-	1,022,892
Sanitation Fund capital assets, net	\$ 888,032	\$ 134,860	\$ -	\$ 1,022,892
Business-type activities capital assets, net	\$ 6,273,314	\$ 176,950	\$ -	\$ 6,450,264

TOWN OF BETHANY BEACH, DELAWARE

NOTES TO FINANCIAL STATEMENTS

For the year ended March 31, 2025

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

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

	Interest Rate	Maturity Date	Balances March 31, 2024	Additions	Retirements and Repayments	Balances March 31, 2025	Amount Due in One Year
Compensated absences			\$ 112,469	\$ 14,677	\$ -	\$ 127,146	\$ 1,198
General obligation bonds:							
Series 2012-SRF	2.13%	2027	376,570	-	219,733	156,837	133,991
Total business-type activities long-term debt			\$ 489,039	\$ 14,677	\$ 219,733	\$ 283,983	\$ 135,189

Total annual requirements to amortize all business-type activities debt outstanding as of March 31, 2025 are as follows:

Fiscal Year Ending March 31,	Principal	Interest	Total
2026	\$ 133,991	\$ 3,600	\$ 137,591
2027	22,846	243	23,089
	\$ 156,837	\$ 3,843	\$ 160,680

Interest expense in the business-type activities for the year ended March 31, 2025 totaled \$24,957.

Note 7. Bonds and Notes Payable – Governmental Activities

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

	Interest Rate	Maturity Date	Balances March 31, 2024	Additions	Retirements and Repayments	Balances March 31, 2025	Amount Due in One Year
Compensated absences			\$ 281,399	\$ 44,779	\$ -	\$ 326,178	\$ 2,543
Subscription liability			78,788	-	24,233	54,555	26,223
Total governmental activities long-term debt			\$ 360,187	\$ 44,779	\$ 24,233	\$ 380,733	\$ 28,766

Interest expense in the governmental activities for the year ended March 31, 2025 totaled \$3,742.

TOWN OF BETHANY BEACH, DELAWARE

NOTES TO FINANCIAL STATEMENTS

For the year ended March 31, 2025

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 2025
<hr/>	
Participants	
Active employees	44
Inactive employees entitled to but not yet receiving benefits	-
Inactive employees currently receiving benefits	1
<hr/> Total	<hr/> 45
<hr/>	
Average Ages	
Active employees	41.6
Inactive employees entitled to but not yet receiving benefits	-
Inactive employees currently receiving benefits	59.0
<hr/>	
Average Service	
Active employee	8.9

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, 2025

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, 2025

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, 2025

Note 8. Post-Employment Healthcare Benefits (continued)

ACTUARIAL METHODS

Valuation date	April 1, 2024
Measurement date	March 31, 2025
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 actual experience.</p> <p>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	8.00%
Ultimate Health Care Cost Trend Rate	4.50%
Fiscal Year the Ultimate Rate is Reached	Fiscal Year 2040
Discount Rate	4.55%
Inflation Rate	3.00%
Salary Rate Increase	4.00%
Expected Rate of Return on Assets	Not Applicable
Mortality	General Employees: PubG.H-2010 Mortality Table - General with Mortality Improvement using Scale MP-2020 Police Employees: PubS.H-2010 Mortality Table - Safety with Mortality Improvement using Scale MP-2020

TOWN OF BETHANY BEACH, DELAWARE

NOTES TO FINANCIAL STATEMENTS

For the year ended March 31, 2025

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 4.55% is used, which is the S&P Municipal Bond 20 Year High-Grade Rate Index as of March 31, 2025.

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	\$ 2,273,060	\$ 2,018,525	\$ 1,798,065

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	\$ 1,752,748	\$ 2,018,525	\$ 2,338,392

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	\$ 2,317,843	\$ -	\$ 2,317,843
Service cost	148,675	-	148,675
Interest on total OPEB liability	97,166	-	97,166
Changes of benefit terms	-	-	-
Difference between expected & actual experience	(488,586)	-	(488,586)
Changes of assumptions and other inputs	(15,046)	-	(15,046)
Contributions - employer	-	-	-
Contributions - active & inactive employees	-	-	-
Net investment income	-	-	-
Benefit payments	(41,527)	-	(41,527)
Administrative expense	-	-	-
Other changes	-	-	-
Balances - end of year	\$ 2,018,525	\$ -	\$ 2,018,525

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

For the year ended March 31, 2025

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, 2025, the Town has designated \$319,781 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	\$ 142,641
Interest on service cost	6,034
<hr/>	
Total	148,675
Interest cost	97,166
Difference between expected & actual experience	(109,939)
Changes of assumptions and other inputs	(67,469)
Changes of benefit terms	-
<hr/>	
OPEB Expense	\$ 68,433

Deferred outflows and inflows of resources are as follows:

	Deferred Outflows	Deferred Inflows
Balances - beginning of year	\$ 225,487	\$ (1,279,532)
Difference between expected & actual experience	-	(488,587)
Changes of assumptions	275,057	(290,102)
Net difference between projected & actual earnings	-	-
Amortization of items allowed by GASB 75	(71,747)	249,155
Balances - end of year	\$ 428,797	\$ (1,809,066)

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

2026	\$ (177,408)
2027	(177,408)
2028	(177,408)
2029	(181,189)
2030	(195,559)
Thereafter	(471,297)
Total	\$ (1,380,269)

TOWN OF BETHANY BEACH, DELAWARE

NOTES TO FINANCIAL STATEMENTS

For the year ended March 31, 2025

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, 2024. 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, 2025

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.

Burial Benefits

The Police & Fire Plan – \$7,000 per active member

TOWN OF BETHANY BEACH, DELAWARE

NOTES TO FINANCIAL STATEMENTS

For the year ended March 31, 2025

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, 2023 through June 30, 2024, 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 5.59% and 12.74% of earnings for fiscal year 2024 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, 2024 were as follows:

Plan	County & Municipal Other Employees'	County & Municipal Police & Firefighters'
Employers' total pension liability	\$ 3,391,797	\$ 5,899,317
Plan net position	3,413,517	5,756,228
Employers' net pension liability (asset)	\$ (21,720)	\$ 143,089
Employer's proportionate (percentage) of the collective NPL	3.2071%	0.8945%

The amounts above represent the Town's proportional percentage.

TOWN OF BETHANY BEACH, DELAWARE

NOTES TO FINANCIAL STATEMENTS

For the year ended March 31, 2025

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, 2024 measurement date was determined by an actuarial valuation as of June 30, 2023, with update procedures used to roll forward the total pension liability to June 30, 2024. 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, 2025

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, **2024** are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return	Asset Allocation
Domestic equity	5.7%	33.6%
International equity	5.7%	13.9%
Fixed income	2.0%	25.3%
Alternative investments	7.8%	21.7%
Cash and equivalents	0.0%	5.5%

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'	\$ 292,135	\$ (21,720)	\$ (310,062)
County & Municipal Police & Firefighters'	689,847	143,089	(359,195)
Total pensions liability / (asset)	\$ 981,982	\$ 121,369	\$ (669,257)

The amounts above represent the Town's proportional percentage

TOWN OF BETHANY BEACH, DELAWARE

NOTES TO FINANCIAL STATEMENTS

For the year ended March 31, 2025

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, 2024	Additions	Deductions	March 31, 2025
County & Municipal Other Employees'					
Deferred outflows (inflows) of resources:					
Difference between expected and actual experience	7-9 years	\$ 64,621	\$ 2,482	\$ (12,934)	\$ 54,169
Changes of assumptions	9 years	(594)	-	(5,853)	(6,447)
Net difference between projected and actual earnings on pension plan investments	5 years	151,526	(97,625)	24,710	78,611
Change in proportion	8-9 years	3,800	1,128	1,393	6,321
Year ending contribution	N/A	101,893	138,258	(101,893)	138,258
Net deferred outflows (inflows)		\$ 321,246	\$ 44,243	\$ (94,577)	\$ 270,912
Net pension liability (asset)	N/A	\$ 66,807	\$ -	\$ (88,527)	\$ (21,720)
County & Municipal Police & Firefighters'					
Deferred outflows (inflows) of resources:					
Difference between expected and actual experience	8-10 years	\$ 207,848	\$ 152,826	\$ (55,449)	\$ 305,225
Changes of assumptions	10 years	(38,061)	-	5,186	(32,875)
Net difference between projected and actual earnings on pension plan investments	5 years	255,438	(165,569)	49,026	138,895
Change in proportion	10-11 years	(20,387)	2,826	3,132	(14,429)
Year ending contribution	N/A	108,061	151,451	(108,061)	151,451
Net deferred outflows (inflows)		\$ 512,899	\$ 141,534	\$ (106,166)	\$ 548,267
Net pension liability (asset)	N/A	\$ 129,829	\$ 13,260	\$ -	\$ 143,089

The amounts above represent the Town's proportional percentage

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

For the year ended March 31, 2025

Note 9. Pension and Retirement Plans (continued)

The \$289,709 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, 2026.

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
2026	\$ (7,812)	\$ 15,629	\$ 7,817
2027	130,676	267,546	398,222
2028	675	31,797	32,472
2029	(9,963)	(5,379)	(15,342)
2030	14,275	28,606	42,881
Thereafter	4,803	58,617	63,420
	\$ 132,654	\$ 396,816	\$ 529,470

The amounts above represent the Town's proportional percentage

TOWN OF BETHANY BEACH, DELAWARE

NOTES TO FINANCIAL STATEMENTS

For the year ended March 31, 2025

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	\$ 180,993	\$ 210,523	\$ 391,516
Interest on total pension liability	225,138	391,880	617,018
Member contributions	(61,897)	(78,788)	(140,685)
Administrative expense	5,452	1,959	7,411
Changes in benefit terms	-	-	-
Projected earnings on plan investments	(213,978)	(364,580)	(578,558)
Recognition of deferred outflows and inflows of resources:			
Difference between projected and actual earnings on plan investments	(25,849)	(51,461)	(77,310)
Difference between expected and actual experiences with regards to factors or other inputs in the measurement of total pension liability	12,444	53,455	65,899
Change in assumptions with regards to factors or other inputs in the measurement of total pension liability	5,869	(4,821)	1,048
Total pension expense	\$ 128,172	\$ 158,167	\$ 286,339

The amounts above represent the Town's proportional percentage

For the year ended March 31, 2025, the Town's payroll for all employees was \$5,261,004. As of the plans measurement date, June 30, 2024, total covered payroll was \$3,425,299. 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 \$28,000, \$29,000, and \$30,000 for the years ended March 31, 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, 2025

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, 2024		Retirements and Repayments		Balances March 31, 2025		Amount Due in One Year	
	Subscription liability	\$ 78,788	\$ -	\$ 24,233	\$ 54,555	\$ 26,223		

The future minimum payments are approximately as follows:

	Principal	Interest	Total
	\$ 26,223	\$ 2,591	\$ 28,814
2026			
2027	28,332	1,347	29,679
	\$ 54,555	\$ 3,938	\$ 58,493

Interest expense on the above intangible right-to-use asset was \$3,742 for the year ended March 31, 2025.

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.

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REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF BETHANY BEACH, DELAWARE

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE - GENERAL FUND Year Ended March 31, 2025

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Favorable (Unfavorable)
REVENUES:				
Taxes:				
Property	\$ 2,130,000	\$ 2,130,000	\$ 2,127,380	\$ (2,620)
Rental real estate	2,175,000	2,175,000	2,186,436	11,436
Transfer	1,000,000	1,000,000	1,057,074	57,074
Parking revenues	3,040,000	3,040,000	3,139,494	99,494
Licenses, permits, and fees	1,127,000	1,127,000	1,246,742	119,742
Police and Alderman fines and revenue	51,000	51,000	55,920	4,920
Interest	525,000	525,000	659,758	134,758
Contributions	43,000	43,000	52,090	9,090
Miscellaneous	21,000	21,000	62,996	41,996
Total revenues	10,112,000	10,112,000	10,587,890	475,890
EXPENDITURES:				
General and administration	1,565,000	1,675,000	1,642,090	32,910
Licenses and inspections	335,000	355,000	341,629	13,371
Public safety:				
Police	2,550,000	2,590,000	2,589,805	195
Alderman	48,000	48,000	45,501	2,499
Parking	847,000	797,000	793,268	3,732
Beach patrol	909,000	979,000	971,558	7,442
Public works:				
Stormwater management	257,000	202,000	188,502	13,498
Streets and parks	1,535,000	1,500,000	1,488,659	11,341
Beach and boardwalk	589,000	529,000	511,065	17,935
Recreation - entertainment	348,000	368,000	367,570	430
Cultural, historical, and parade	60,000	60,000	43,583	16,417
Total expenditures	9,043,000	9,103,000	8,983,230	119,770
Excess of revenues over expenditures	1,069,000	1,009,000	1,604,660	595,660
OTHER FINANCING SOURCES (USES):				
Transfer out	(1,415,000)	(2,558,000)	(898,812)	1,659,188
Fund balance (reserves) appropriated	346,000	1,549,000	-	(1,549,000)
Total other financing uses	(1,069,000)	(1,009,000)	(898,812)	110,188
Net change in fund balance	\$ -	\$ -	705,848	\$ 705,848
Fund balance, beginning of year			13,845,262	
Fund balance, end of year			\$ 14,551,110	

TOWN OF BETHANY BEACH, DELAWARE

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE - SPECIAL REVENUE FUND

Year Ended March 31, 2025

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Favorable (Unfavorable)
REVENUES:				
Intergovernmental revenues:				
State and County	\$ 335,230	\$ 2,773,805	\$ 1,614,804	\$ (1,159,001)
Interest income	-	-	3,460	3,460
Total revenues	335,230	2,773,805	1,618,264	(1,155,541)
EXPENDITURES:				
Public safety:				
Police	212,230	218,801	215,916	2,885
Public works:				
Streets and parks	123,000	1,508,037	1,380,408	127,629
Stormwater	-	1,046,967	21,940	1,025,027
Total expenditures	335,230	2,773,805	1,618,264	1,155,541
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, 2025

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, 2025

Measurement date	March 31, 2019	March 31, 2020	March 31, 2021	March 31, 2022	March 31, 2023	March 31, 2024	March 31, 2025
Balances - beginning of year	\$ 273,684	\$ 245,367	\$ 242,392	\$ 3,489,474	\$ 3,046,488	\$ 2,203,820	\$ 2,317,843
Service cost	4,991	2,078	60,147	145,838	166,224	141,761	148,675
Interest on total OPEB liability	5,479	4,905	5,543	59,770	105,104	87,813	97,166
Effect of plan changes	-	-	2,852,616	-	-	-	-
Effect of economic/demographic gains/losses	(29,287)	(5,552)	-	-	(649,815)	-	(488,586)
Effect of assumption changes or inputs	-	-	361,574	(539,709)	(446,582)	(44,343)	(15,046)
Benefit payments	(9,500)	(4,406)	(32,798)	(108,885)	(17,599)	(71,208)	(41,527)
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	\$ 2,018,525

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, 2025**

Measurement date	March 31, 2019	March 31, 2020	March 31, 2021	March 31, 2022	March 31, 2023	March 31, 2024	March 31, 2025
Total OPEB liability (a)	\$ 245,367	\$ 242,392	\$ 3,489,474	\$ 3,046,488	\$ 2,203,820	\$ 2,317,843	\$ 2,018,525
Covered-employee payroll (b)	64,251	64,590	1,790,110	1,930,923	3,111,495	3,235,955	3,303,679
% of covered-employee payroll (a/b)	382%	375%	195%	158%	71%	72%	61%

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, 2025

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%

March 31, 2025

Discount rate - 4.55%

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, 2025

Measurement Date	Employer's Proportion (Percentage) of the Collective NPL	Employer's Proportionate Share of the Collective NPL	Employer's Covered Employee Payroll	Proportionate Share as a Percentage of Covered Payroll (B / C)	Plan's Total Fiduciary Net Position	Plan's Total Pension Liability	Plan's Fiduciary Net Position as a Percentage of Total Pension Liability (D / E)
	A	B	C	(B / C)	D	E	(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%
June 30, 2024	3.2071%	(21,720)	2,325,573	-1%	106,436,000	105,759,000	101%
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%
June 30, 2024	0.8945%	143,089	1,099,726	13%	643,513,000	659,510,000	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, 2025

Fiscal Year	Contractually Required Contribution		Actual Contribution B	Contribution Deficiency (Excess) (A - B)	Employer's Covered Employee Payroll C	Actual Contribution as a Percentage of Covered Payroll (B / C)
	A					
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%
2025	130,000		130,000	-	2,325,573	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%
2025	136,886		136,886	-	1,099,726	12%

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, 2025

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, 2025

	<u>Capital Projects</u>	<u>Ambulance Fund</u>	<u>Total Non-Major Governmental Funds</u>
ASSETS			
Receivables			
Other	\$ -	\$ 978	\$ 978
Prepaid expenses	8,975	-	8,975
Due from other funds	23,228	2,578	25,806
Restricted assets:			
Cash and cash equivalents	-	121,175	121,175
Total assets	\$ 32,203	\$ 124,731	\$ 156,934
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable and accrued expenses	\$ 32,203	\$ -	\$ 32,203
Unearned revenues	-	124,731	124,731
Total liabilities	32,203	124,731	156,934
FUND BALANCES			
Nonspendable	8,975	-	8,975
Unassigned	(8,975)	-	(8,975)
Total fund balances	-	-	-
Total liabilities and fund balances	\$ 32,203	\$ 124,731	\$ 156,934

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, 2025

	<u>Capital Projects</u>	<u>Ambulance Fund</u>	<u>Total Non-Major Governmental Funds</u>
REVENUES:			
Interest	\$ -	\$ 1,982	\$ 1,982
Service receipts	-	176,308	176,308
Total revenues	-	178,290	178,290
EXPENDITURES:			
General and administration	-	-	-
Public safety:			
Police	-	-	-
Alderman	-	-	-
Parking	-	-	-
Beach patrol	-	-	-
Ambulance	-	178,290	178,290
Public works:			
Stormwater management	-	-	-
Streets and parks	-	-	-
Beach and boardwalk	-	-	-
Recreation - entertainment	-	-	-
Cultural, historical, and parade	-	-	-
Capital outlay	898,812	-	898,812
Total expenditures	898,812	178,290	1,077,102
Excess (deficiency) of revenues over expenditures	(898,812)	-	(898,812)
Other financing (uses) sources:			
Transfer (out) in	898,812	-	898,812
Total other financing (uses) sources	898,812	-	898,812
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, 2025

	Original <u>Budget</u>	Final <u>Budget</u>	Actual	Variance with Final Budget Favorable (Unfavorable)
EXPENDITURES:				
General and administration	\$ 210,000	\$ 210,000	\$ 50,986	\$ 159,014
Public safety:				
Police	139,000	160,000	93,093	66,907
Parking	150,000	164,000	151,339	12,661
Beach patrol	25,000	25,000	20,884	4,116
Public works:				
Streets and parks	241,000	854,000	485,370	368,630
Beach, boardwalk and comfort station	100,000	200,000	72,360	127,640
Stormwater management	550,000	945,000	24,780	920,220
Total expenditures	1,415,000	2,558,000	898,812	1,659,188
OTHER FINANCING SOURCES:				
Transfers in	1,415,000	2,558,000	898,812	(1,659,188)
Total other financing sources	1,415,000	2,558,000	898,812	(1,659,188)
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, 2025

WATER SERVICE:

Operating revenues:

Charges for services	\$ 1,480,527
Other service fees	36,983
Total operating revenues	1,517,510

Operating expenses:

Salaries and wages	509,152
Payroll taxes	36,956
Employee benefits	152,299
Contract services	88,665
Insurance	112,917
Telephone	20,708
Utilities	77,166
Repairs and maintenance	26,907
Sewer service charge	1,239
Plant maintenance	134,223
Distribution system maintenance	49,491
Office supplies	6,534
Miscellaneous	40,048
Supplies	44,923
Chemicals	181,597
Uniforms	3,606
Depreciation	261,322
Total operating expenses	1,747,753

Net operating loss (230,243)

Non-operating revenues (expenses):

Taxes and assessments	246,663
Impact fees	96,672
Insurance recoveries	24,867
Intergovernmental revenues	37,065
Interest income	145,632
Interest expense	(24,957)
Net non-operating revenues	525,942

Change in net position \$ 295,699

TOWN OF BETHANY BEACH, DELAWARE

ADDITIONAL SUPPLEMENTARY INFORMATION

INCOME AND EXPENSE DETAIL

SANITATION FUND

Year Ended March 31, 2025

SANITATION SERVICE:

Operating revenues:

Charges for services	\$ 1,701,274
Total operating revenues	1,701,274

Operating expenses:

Salaries and wages	455,580
Payroll taxes	34,205
Employee benefits	186,849
Disposal fees	182,088
Fuel	52,869
Insurance	72,904
Telephone	24,115
Utilities	9,622
Repairs and maintenance	78,297
Office supplies	9,777
Miscellaneous	65,779
Depreciation	157,101
Total operating expenses	1,329,186

Net operating income	372,088
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Non-operating revenues:

Interest income	55,460
Net non-operating revenues	55,460

Change in net position	\$ 427,548
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STATISTICAL SECTION

TOWN OF BETHANY BEACH, DELAWARE

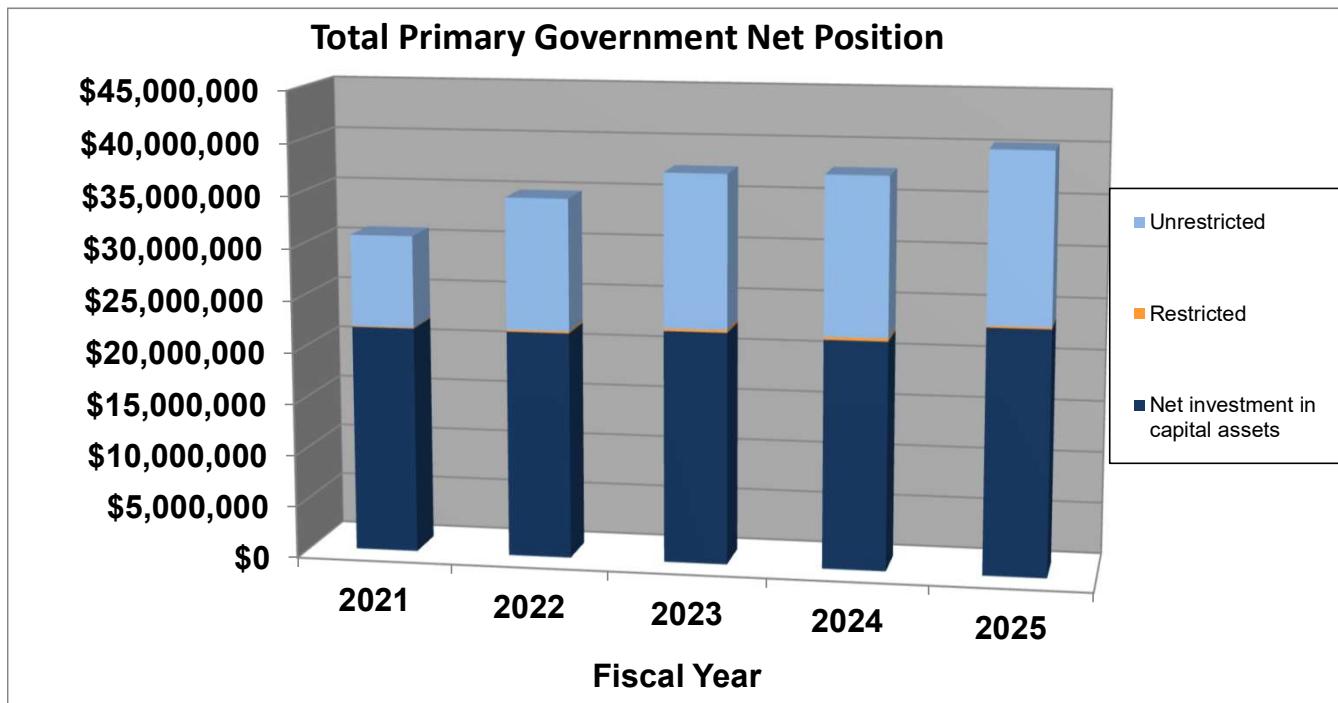
Net Position by Component

Last Five Years

(accrual basis of accounting)

Schedule 1

Years ended March 31,	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Governmental Activities					
Net investment in capital assets	\$ 16,374,516	\$ 16,253,748	\$ 16,370,245	\$ 16,148,667	\$ 17,371,575
Restricted	-	-	-	-	-
Unrestricted	4,708,202	8,413,050	10,659,855	10,829,474	11,527,531
Total governmental activities net position	<u>\$ 21,082,718</u>	<u>\$ 24,666,798</u>	<u>\$ 27,030,100</u>	<u>\$ 26,978,141</u>	<u>\$ 28,899,106</u>
Business-Type Activities					
Net investment in capital assets	\$ 5,537,713	\$ 5,642,644	\$ 6,044,492	\$ 5,896,744	\$ 6,293,427
Restricted	95,233	187,993	254,210	292,437	175,316
Unrestricted	4,133,466	4,292,327	4,153,745	4,463,645	4,907,330
Total business-type activities net position	<u>\$ 9,766,412</u>	<u>\$ 10,122,964</u>	<u>\$ 10,452,447</u>	<u>\$ 10,652,826</u>	<u>\$ 11,376,073</u>
Summary					
Net investment in capital assets	\$ 21,912,229	\$ 21,896,392	\$ 22,414,737	\$ 22,045,411	\$ 23,665,002
Restricted	95,233	187,993	254,210	292,437	175,316
Unrestricted	8,841,668	12,705,377	14,813,600	15,293,119	16,434,861
Total primary government net position	<u>\$ 30,849,130</u>	<u>\$ 34,789,762</u>	<u>\$ 37,482,547</u>	<u>\$ 37,630,967</u>	<u>\$ 40,275,179</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>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
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Revenues

Property taxes	\$ 1,991,934	\$ 2,000,766	\$ 2,020,983	\$ 2,111,163	\$ 2,127,380
Rental real estate taxes	1,551,645	2,106,568	2,173,159	2,055,126	2,186,436
Transfer taxes	1,631,416	2,197,956	1,004,829	1,245,489	1,057,074
Parking revenues	1,835,376	2,659,977	2,614,702	3,080,843	3,139,494
Licenses, permits, and fees	897,781	1,337,377	1,502,409	1,447,971	1,246,742
Police and Alderman fines	29,972	56,811	63,430	66,872	55,920
Interest	60,445	16,668	145,981	462,260	665,200
Service receipts - ambulance	149,132	149,191	148,675	152,892	176,308
Intergovernmental revenues	329,934	352,929	693,889	387,617	1,614,804
Contributions	607	25,955	47,096	46,814	52,090
Miscellaneous	8,178	24,328	29,367	52,705	62,996
<i>Total revenues</i>	<i>8,486,420</i>	<i>10,928,526</i>	<i>10,444,520</i>	<i>11,109,752</i>	<i>12,384,444</i>

Expenditures

General and administration	1,068,894	1,123,859	1,342,999	1,493,161	1,642,090
Licenses and inspections	249,665	286,094	294,718	283,433	341,629
Police	2,150,333	2,228,037	2,403,252	2,579,265	2,765,721
Alderman	38,083	31,279	38,783	41,521	45,501
Parking	552,156	658,691	758,144	780,676	793,268
Beach patrol	658,382	629,599	711,482	791,618	971,558
Ambulance	149,195	149,195	149,195	154,121	178,290
Stormwater management	117,299	197,338	181,721	251,145	188,502
Streets and parks	1,037,958	1,193,238	1,287,805	1,381,958	1,488,659
Beach and boardwalk	284,122	394,098	463,772	513,490	511,065
Recreation - entertainment	117,972	250,449	303,891	303,059	367,570
Cultural, historical, and parade	6,791	3,463	30,874	37,745	43,583
Debt service - principal	-	-	-	-	-
Debt service - interest	-	-	-	-	-
Capital outlay	978,536	987,035	1,190,743	866,438	2,341,160
<i>Total expenditures</i>	<i>7,409,386</i>	<i>8,132,375</i>	<i>9,157,379</i>	<i>9,477,630</i>	<i>11,678,596</i>

Net change in fund balance	\$ 1,077,034	\$ 2,796,151	\$ 1,287,141	\$ 1,632,122	\$ 705,848
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Debt service as a percentage of non-capital expenditures	0%	0%	0%	0%	0%
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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, 2025, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated July 21, 2025.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control that we consider to be a significant deficiency:

Finding Number 2025-01

Criteria: Proper segregation of duties should be in place to strengthen internal controls to provide reasonable assurance that a material misstatement to the financial statements is prevented.

Condition: We noted that the system currently in place creates conflicts within duties assigned to a single individual and produces a high level of internal control risk. During our audit, we noted a lack of segregation of duties specifically in the journal entry procedures.

Cause: The lack of appropriately designed internal control systems has produced conflicts regarding assigned duties.

Effect: Segregation of duties issues does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, the misappropriation of assets and/or errors on a timely basis.

Recommendation: We recommend that, when possible, responsibilities for preparation, recording, and review of journal entries be assigned to different employees. It is important to note that review controls do not eliminate all risk when segregation of duties conflicts exist, and management and those charged with governance need to be aware of such risks.

Identification of Repeat Finding: This is a first year finding.

Views of Responsible Officials: It has been determined that the duties of the journal entry process will be evaluated and reassigned to ensure complete segregation of duties in the finance department, based on the knowledge and skill level of employees. Management will strive to achieve maximum segregation of duties possible with the current number of employees.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

UHY LLP

Salisbury, Maryland
July 21, 2025