

TOWN OF SOUTH BETHANY, DELAWARE
FINANCIAL STATEMENTS
YEAR ENDED APRIL 30, 2022

TOWN OF SOUTH BETHANY, DELAWARE

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TOWN OF SOUTH BETHANY, DELAWARE

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INDEPENDENT AUDITORS' REPORT

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ALLINIAL GLOBAL

INDEPENDENT AUDITORS' REPORT

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

Opinions

We have audited the financial statements of the governmental activities, and each major fund of the Town of South Bethany, Delaware, as of and for the year ended April 30, 2022, and the related notes to the financial statements, which collectively comprise the Town of South Bethany, Delaware's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund, of the Town of South Bethany, Delaware, as of April 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 of South Bethany, Delaware and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

The Town of South Bethany, Delaware's 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.

Responsibilities of Management for the Financial Statements (continued)

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of South Bethany, Delaware's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 GAAS, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information on pages 4 - 11 and 39 - 45 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

Required Supplementary Information (continued)

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 9, 2022 on our consideration of the Town of South Bethany, Delaware's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of South Bethany, Delaware's internal control over financial reporting and compliance.

PKS & Company, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

Salisbury, Maryland
September 9, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

TOWN OF SOUTH BETHANY, DELAWARE
MANAGEMENT’S DISCUSSION AND ANALYSIS
APRIL 30, 2022

The management team of the Town of South Bethany, Delaware (the “Town”) is pleased to present the readers of the Town’s financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended April 30, 2022. We encourage readers to consider the information presented here in conjunction with the annual budget and other community information found on the Town’s website at <https://southbethany.delaware.gov/>. It should be noted that the additional information from the website and other Town sources is unaudited and has not been updated for events that may have occurred subsequent to the issuance of the respective reports.

FINANCIAL HIGHLIGHTS

- As of April 30, 2022, governmental activity assets exceeded liabilities by \$6,659,613. Of this amount, \$2,308,393 or 35% was unrestricted and may be used for ongoing obligations to citizens and creditors.
- The Town’s net position for governmental activities increased by \$1,127,996 during the year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the Town of South Bethany’s basic financial statements. The Town’s basic financial statements are comprised of four components: (1) government-wide financial statements, (2) fund financial statements, (3) notes to the financial statements, and (4) required supplementary information, which includes this document.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Town of South Bethany’s finances, in a manner similar to a private sector business. The government-wide statements include two statements: (1) the Statement of Net Position and (2) the Statement of Activities.

The Statement of Net Position presents information on all the Town’s assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference being reported as net position. Over time, increases or decreases in net position may serve as an indicator of whether the financial position of the Town is improving or deteriorating.

TOWN OF SOUTH BETHANY, DELAWARE
MANAGEMENT'S DISCUSSION AND ANALYSIS
APRIL 30, 2022

The Statement of Activities presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods. For example, uncollected property taxes are reported as assets, even though the Town has not received the actual cash from those levies.

Both of the government-wide financial statements distinguish functions of the Town that are governmental activities (those principally supported by taxes and revenues from other governments). The governmental activities of the Town include general administration, public safety, and public works. The government-wide financial statements can be found on pages 12 - 13 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All funds of the Town can be seen in the governmental fund.

Governmental Funds: The governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the government's near-term financing requirements.

Because the focus of the governmental funds are narrower than that of the government-wide financial statements, it is useful to compare the information presented for the governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balance provide a reconciliation to facilitate this comparison between the governmental funds and government-wide activities.

The Town maintains five major governmental funds, the General Fund, Realty Transfer Tax Fund, Emergency Illegal Drug Enforcement Fund, State Aid to Local Law Enforcement Fund, and Municipal Street Aid Fund, and adopts an annual appropriated budget for each of these funds. To demonstrate compliance, a budgetary comparison statement is presented for the General Fund. The basic governmental fund financial statements can be found on pages 14 - 17 of this report.

TOWN OF SOUTH BETHANY, DELAWARE
MANAGEMENT'S DISCUSSION AND ANALYSIS
APRIL 30, 2022

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 18-38 of this report.

Required Supplementary Information

Other required supplementary information, in addition to this discussion and analysis, are the comparison of the general fund budget to actual (pages 39 - 43) and the Town's proportionate share of the net pension asset and contributions related to the Delaware Public Employees' Retirement System (pages 44 - 45).

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As previously noted, net position may serve over time as a useful indicator of the government-wide financial position. In the case of the Town of South Bethany, the net position as of April 30, 2022, was \$6,659,613.

The following table is a summary of the government-wide statement of net position as of April 30, 2022 and 2021:

	Governmental Activities	
	2022	2021*
Current and other assets	\$ 5,308,060	\$ 4,008,527
Capital assets	2,244,104	1,674,446
Total assets	7,552,164	5,682,973
Deferred outflows - retirement	290,935	283,619
Current and other liabilities	216,428	79,453
Long-term liabilities	24,747	117,455
Total liabilities	241,175	196,908
Deferred inflows - retirement	803,760	200,380
Deferred grants	138,551	37,687
Total deferred inflows	942,311	238,067
Net position:		
Net investments in capital assets	2,244,104	1,628,243
Restricted	2,107,116	1,910,094
Unrestricted	2,308,393	1,993,280
Total net position	\$ 6,659,613	\$ 5,531,617

*2021 has been restated as referenced in the Prior Period Adjustment Footnote

TOWN OF SOUTH BETHANY, DELAWARE
MANAGEMENT'S DISCUSSION AND ANALYSIS
APRIL 30, 2022

A significant portion of the Town's net position of \$6,659,613 (34% or \$2,244,104) is not available for future spending as this represents amounts invested in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment). The Town uses these capital assets to provide service to citizens; consequently, these assets are not available for future spending, and do not generate direct revenue for the Town. They do represent, however, an obligation on the part of the Town to maintain these assets into the future. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Of the remaining \$4,415,509 in net position, \$2,107,116 is restricted by either the grantor or the contributor. The unrestricted funds of \$2,308,393 may be used to meet the Town's ongoing obligations to citizens and creditors.

The following schedule shows the breakdown of changes in net position for total governmental activities for the years ended April 30, 2022 and 2021:

	Governmental Activities	
	2022	2021
Revenues:		
Program Revenues		
Charges for services	\$ 47,766	\$ 63,376
Operating grants and contributions	195,548	128,484
General revenue		
Taxes and assessments	2,158,812	2,218,020
Licenses and permits	628,592	551,813
Trash assessment	326,842	346,996
American Rescue Plan Act grant	17,539	
Interest revenue	15,622	21,721
Investment income	1,540	7,857
Loss on disposal of assets	(1,110)	(2,885)
Miscellaneous	183,865	194,189
Total revenues	3,575,016	3,529,571
Expenses:		
General government	559,598	683,220
Public works	794,785	813,639
Public safety - police	818,077	765,184
Public safety - lifeguards	274,560	302,807
Total expenses	2,447,020	2,564,850
Increase in net position	1,127,996	964,721
Net position - Beginning	5,531,617	4,566,896
Net position - Ending	\$ 6,659,613	\$ 5,531,617

TOWN OF SOUTH BETHANY, DELAWARE
MANAGEMENT'S DISCUSSION AND ANALYSIS
APRIL 30, 2022

Governmental Activities

Total government net position increased by \$1,127,996 during fiscal year 2022.

Taxes and assessments, licenses and permits, and trash assessments received during fiscal year 2022 totaled \$2,158,812, \$628,592, and \$326,842, respectively.

2022 Revenues - Governmental Activities

- Taxes and assessments decreased by \$59,208 (3%) over the prior fiscal year.
- Licenses and permits increased by \$76,779 (14%) from the prior fiscal year as a result of new construction and home improvements.

2022 Expenditures - Governmental Activities

During the fiscal year, the Town continued to provide a fully staffed professional police department focused on community policing (24 hour, 7 days a week) as well as lifeguards for the beaches in the Town. The Town also continued to provide street maintenance of Town owned streets and street lighting for both Town owned streets and for some streets owned by the State of Delaware in association with improved safety.

Payroll and related personnel costs such as payroll taxes, employee retirement contributions, health insurance, and workers compensation premiums total \$1,292,130 or approximately 53% of the total program expenses of \$2,447,020. Approximately 47% of the remaining \$1,154,890 of total governmental expenditures relates to expenditures for street and sidewalk maintenance, trash service expenses, and other public works items. Overall salaries increased notably from the prior year due to cost of living increases.

TOWN OF SOUTH BETHANY, DELAWARE
MANAGEMENT’S DISCUSSION AND ANALYSIS
APRIL 30, 2022

FINANCIAL ANALYSIS OF THE TOWN’S FUNDS

As noted earlier, the Town of South Bethany uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Fund

Governmental fund accounting provides information on available or spendable resources. This information is useful in assessing the Town’s financing requirements for operations. The unassigned fund balance may serve as a useful measure of the Town’s net resources available for spending and for future needs and provides a reserve for emergencies and working capital to pay the Town’s bills.

During fiscal year 2022, the Town’s governmental fund balance increased by \$329,954 to \$4,230,620. The unassigned fund balance decreased by \$716,643 and the assigned fund balance components of the General Fund increased by a total of \$840,237.

The governmental fund includes the General Fund. The General Fund provides for the Town general administration, public safety – police, public safety – lifeguard, and public works including capital expense funding, such as improvements to Town buildings, equipment, and vehicles, and public works equipment and projects.

GENERAL FUND BUDGETARY HIGHLIGHTS

The fiscal year 2022 Budget attempted to position our community to address near and long-term projects and initiatives as well as maintaining a high level of service delivery from our dedicated staff.

Budget to Actual – Revenues

General Fund revenues exceeded the amended budget by \$550,282. Licenses and permits exceeded the budget by \$279,292 because of increased activity in new construction and home improvement projects. Taxes exceeded the budget by \$138,278 due to increased rental taxes from homeowners.

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

Budget to Actual – Expenditures

Total expenditures were under the budget by \$85,850. The largest variance (\$54,298) is related to public works which was caused by fewer maintenance projects being necessary than were expected.

A comparison of budgeted to actual expenditures is provided on pages 39 - 43 of this report.

TOWN OF SOUTH BETHANY, DELAWARE
MANAGEMENT’S DISCUSSION AND ANALYSIS
APRIL 30, 2022

CAPITAL ASSETS AND DEBT ADMINISTRATION

The Town’s investment in capital assets for its governmental activities as of April 30, 2022 was \$2,244,104 (net of accumulated depreciation). Capital assets include land, construction in progress, town hall building, police building, building improvements, equipment, and infrastructure.

Significant capital additions for the year include Town Hall renovations, new police vehicles and equipment, public works equipment, beach walkway and street construction.

The following table is a summary of the governmental capital assets as of April 30, 2022 and 2021:

	Governmental Activities	
	2022	2021
Land	\$ 164,752	\$ 164,752
Construction in progress	47,048	2,000
Town hall building	376,089	400,353
Police building	220,571	236,928
Building improvements	14,181	4,690
Equipment	301,754	235,674
Infrastructure	1,119,709	630,049
Total	\$ 2,244,104	\$ 1,674,446

Long-term Debt

The Town’s long-term debt with US Bank for the 2021 purchase of a new police vehicle and cameras was paid in full during the year ended April 30, 2022.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGET

Fiscal year 2023 Revenue and Appropriation Budgetary Highlights

Budgeted revenue for fiscal year 2023 increased by 5% (\$115,491) over the fiscal year 2022 budget. The primary factor is that the Town expects realty transfer taxes, building permits, licenses, and franchise fees to all continue to increase.

Budgeted appropriations for fiscal year 2023 increased \$115,591 over the fiscal year 2022 budget. Public safety, general and administrative, and beach patrol costs are budgeted to increase by \$40,374, \$31,713, and \$22,605 mainly due to cost of living wage increases.

TOWN OF SOUTH BETHANY, DELAWARE
MANAGEMENT’S DISCUSSION AND ANALYSIS
APRIL 30, 2022

REQUEST FOR INFORMATION

This Financial Report is intended to provide an overview of the Town of South Bethany’s finances. Questions concerning this report, or requests for additional information, please contact:

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BASIC FINANCIAL STATEMENTS

TOWN OF SOUTH BETHANY, DELAWARE

STATEMENT OF NET POSITION

APRIL 30, 2022

	<u>Governmental Activities</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 1,461,867
Investments, at fair value	541,222
Transfer tax receivable	23,760
Restricted cash	2,397,684
Noncurrent assets	
Capital assets, net of depreciation	2,244,104
Net pension asset	722,461
Total assets	<u>7,391,098</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred financing outflows - retirement	<u>290,935</u>
LIABILITIES	
Current liabilities	
Accounts payable	16,392
Accrued expenses and withholdings	18,442
Current portion of compensated absences	20,528
Noncurrent liabilities	
Compensated absences, less current portion	24,747
Total liabilities	<u>80,109</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred financing inflows - retirement	803,760
Deferred grants	138,551
Total deferred inflows of resources	<u>942,311</u>
NET POSITION	
Net investment in capital assets	2,244,104
Restricted	2,107,116
Unrestricted	2,308,393
Total net position	<u><u>\$ 6,659,613</u></u>

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

TOWN OF SOUTH BETHANY, DELAWARE

STATEMENT OF ACTIVITIES

YEAR ENDED APRIL 30, 2022

		Program Revenues			Net Revenue (Expense) and Change in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
FUNCTIONS/PROGRAMS	Expenses				
GOVERNMENTAL ACTIVITIES					
General government	\$ 559,598	\$	\$	\$ 17,539	\$ (542,059)
Public works	794,785		56,283		(738,502)
Public safety - police	818,077	47,766	139,265		(631,046)
Public safety - lifeguards	274,560				(274,560)
Total governmental activities	<u>2,447,020</u>	<u>47,766</u>	<u>195,548</u>	<u>17,539</u>	<u>(2,186,167)</u>
GENERAL REVENUES					
Taxes and assessments					2,158,812
Licenses and permits					628,592
Trash assessment					326,842
Interest revenue					15,622
Investment income					1,540
Loss on disposal of assets					(1,110)
Miscellaneous					183,865
Total general revenues					<u>3,314,163</u>
Change in net position					1,127,996
NET POSITION, BEGINNING OF YEAR					<u>5,531,617</u>
NET POSITION, END OF YEAR					<u><u>\$ 6,659,613</u></u>

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

TOWN OF SOUTH BETHANY, DELAWARE

**BALANCE SHEET
GOVERNMENTAL FUNDS**

APRIL 30, 2022

ASSETS

	General Fund	Realty Transfer Tax Fund	Emergency Illegal Drug Enforcement	State Aid to Local Law Enforcement	Municipal Street Aid Fund	Total
Cash and cash equivalents	\$ 1,461,867	\$	\$	\$	\$	\$ 1,461,867
Investments	541,222					541,222
Receivables						
Transfer taxes		23,760				23,760
Due from other funds	161,066					161,066
Restricted cash	143,074	2,242,903	3,684	4,306	3,717	2,397,684
Total assets	<u>\$ 2,307,229</u>	<u>\$ 2,266,663</u>	<u>\$ 3,684</u>	<u>\$ 4,306</u>	<u>\$ 3,717</u>	<u>\$ 4,585,599</u>

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

LIABILITIES

Accounts payable	\$ 11,528	\$ 4,863	\$	\$	\$	\$ 16,391
Accrued expenses and withholdings	38,970					38,970
Due to other funds		158,401	1,393	1,272		161,066
Total liabilities	<u>50,498</u>	<u>163,264</u>	<u>1,393</u>	<u>1,272</u>		<u>216,427</u>

DEFERRED INFLOWS OF RESOURCES

Deferred grants	<u>133,227</u>		<u>2,291</u>	<u>3,034</u>		<u>138,552</u>
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FUND BALANCES

Restricted		2,103,399			3,717	2,107,116
Assigned	840,237					840,237
Unassigned	1,283,267					1,283,267
Total fund balances	<u>2,123,504</u>	<u>2,103,399</u>			<u>3,717</u>	<u>4,230,620</u>

Total liabilities and fund balances	<u>\$ 2,307,229</u>	<u>\$ 2,266,663</u>	<u>\$ 3,684</u>	<u>\$ 4,306</u>	<u>\$ 3,717</u>	<u>\$ 4,585,599</u>
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The accompanying notes are an integral part of these financial statements.

TOWN OF SOUTH BETHANY, DELAWARE
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION

APRIL 30, 2022

Total fund balances, governmental funds	\$ 4,230,620
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Amounts reported for governmental activities in the Statement of Net Position
are different because:

Capital assets used in governmental activities are not financial resources and are therefore not reported in the fund financial statements, but are reported in the governmental activities of the Statement of Net Position.	2,244,104
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Certain long-term liabilities, assets and deferred inflows and outflows are not
included in the fund financial statements, but are included in the governmental
activities of the Statement of Net Position.

Compensated absences	(24,747)
Deferred financing outflows - retirement	290,935
Deferred financing inflows - retirement	(803,760)
Net pension asset	<u>722,461</u>

Net position of governmental activities in the Statement of Net Position	<u><u>\$ 6,659,613</u></u>
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The accompanying notes are an integral part of these financial statements.

TOWN OF SOUTH BETHANY, DELAWARE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS

YEAR ENDED APRIL 30, 2022

	General Fund	Realty Transfer Tax Fund	Emergency Illegal Drug Enforcement	State Aid to Local Law Enforcement	Municipal Street Aid Fund	Total
REVENUES						
Taxes	\$ 1,223,468	\$ 935,344	\$	\$	\$	\$ 2,158,812
Licenses and permits	614,292					614,292
Fines and forfeitures	47,766					47,766
Intergovernmental revenues	146,683		4,760	5,360	56,283	213,086
Trash assessment	326,842					326,842
Interest revenue	15,608				12	15,620
Miscellaneous	199,707					199,707
Total revenues	<u>2,574,366</u>	<u>935,344</u>	<u>4,760</u>	<u>5,360</u>	<u>56,295</u>	<u>3,576,125</u>
EXPENDITURES						
Current						
General government	639,384	11,422			6	650,812
Public works	719,443				9,024	728,467
Public safety - police	752,655		4,760	1,273		758,688
Public safety - lifeguards	270,959					270,959
Capital outlay	29,428	559,735		4,087	214,430	807,680
Debt service	36,865					36,865
Total expenditures	<u>2,448,734</u>	<u>571,157</u>	<u>4,760</u>	<u>5,360</u>	<u>223,460</u>	<u>3,253,471</u>
Excess of revenues over (under) expenditures	125,632	364,187			(167,165)	322,654
OTHER FINANCING SOURCES						
Proceeds from the sale of capital assets	<u>7,300</u>					<u>7,300</u>
Net change in fund balances	132,932	364,187			(167,165)	329,954
FUND BALANCE, BEGINNING OF YEAR, RESTATED	<u>1,990,572</u>	<u>1,739,212</u>			<u>170,882</u>	<u>3,900,666</u>
FUND BALANCE, END OF YEAR	<u>\$ 2,123,504</u>	<u>\$ 2,103,399</u>	<u>\$</u>	<u>\$</u>	<u>\$ 3,717</u>	<u>\$ 4,230,620</u>

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

TOWN OF SOUTH BETHANY, DELAWARE

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF
ACTIVITIES**

YEAR ENDED APRIL 30, 2022

Net change in fund balance, governmental funds	\$	329,954
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Amounts reported for governmental activities in the Statement of Activities
are different because:

The governmental fund reports capital outlays as expenditures. However, in the
Statement of Activities, the cost of those assets is allocated over their estimated
useful lives and reported as depreciation expense.

Capital outlay expense	\$ 807,680	
Depreciation expense	<u>(229,612)</u>	578,068

In the Statement of Activities, the gain or loss on the disposal of capital assets is
reported, whereas in the governmental funds, the proceeds from the sale increase
financial resources. Thus, the change in net assets differs from the change in fund
balances by the book value of the assets sold.

(8,410)

Some expenses reported in the Statement of Activities do not require the use of
current financial resources and these are not reported as expenditures in the
governmental fund.

Change in compensated absences		(9,244)
Change in deferred outflows of resources - retirement		7,316

The governmental fund does not present revenues that are not available to pay
current obligations. In contrast, such revenues are reported in the Statement
of Activities when earned.

Change in deferred inflows of resources - retirement		(603,380)
Change in net pension asset		796,827

Governmental funds report repayment of debt principal as an expenditure.
On the other hand, principal payments on debt are not expenditures in the
Statement of Activities, but rather constitute long-term liabilities in the
Statement of Net Position.

Principal payments on long-term debt		36,865
Change in net position of governmental activities		<u><u>\$ 1,127,996</u></u>

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

TOWN OF SOUTH BETHANY, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2022

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Town of South Bethany, Delaware, (the Town) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. Following is a summary of the Town's significant accounting policies:

Reporting entity

The accompanying financial statements include the various departments and offices that are legally controlled by or dependent on the Town Council (the primary government). The Town's major operations include general government, public safety (police and lifeguards), and public works. In evaluating how to define the Town for financial reporting purposes, management has considered all potential component units. Based on criteria set forth by the GASB, the Town of South Bethany, Delaware has no component units.

Basic financial statements - government-wide financial statements

The Town's basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements. Both the government-wide and fund financial statements categorize primary activities as governmental. The Town's governmental activities consist of general government, public safety and public works.

In the government-wide Statement of Net Position, the governmental activities column is presented on a consolidated basis.

The government-wide Statement of Activities reports both the gross and net cost of each of the Town's functions. The functions are also supported by general government revenues (taxes, certain intergovernmental revenues, and other nonexchange revenues, etc.).

The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants.

Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital-specific grants. Direct expenses are those that are clearly identifiable with a specific program.

TOWN OF SOUTH BETHANY, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2022

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basic financial statements - government-wide financial statements (continued)

The net costs (by function) are normally covered by general revenue (taxes, intergovernmental revenues, other nonexchange revenue, etc.).

This government-wide focus is more on the sustainability of the Town as an entity and the change in the Town's net position resulting from the current year's activities.

Basic financial statements - fund financial statements

The fund financial statements provide information about the Town's funds. Separate statements for each fund category are presented. The emphasis in fund financial statements is on the major funds in the governmental activities' category. Major individual governmental funds are reported as separate columns in the fund financial statements. The Town has three non-major funds they elect to report separately. The following fund types are used by the Town:

Governmental Funds: The focus of the governmental fund measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The Town reports the following governmental funds:

- General Fund - the general fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.
- Realty Transfer Tax Fund - this fund is used to account for the proceeds of a specific revenue source of the Town that are legally restricted for those expenditures of a specified purpose. The 1.5% Realty Transfer Tax is included in this fund.
- Emergency Illegal Drug Enforcement (non-major) – this fund is used to account for the proceeds of grant programs that are legally restricted for expenditures of a specified purpose (drug enforcement).
- State Aid to Local Law Enforcement (non-major) – this fund is used to account for the proceeds of grant programs that are legally restricted for expenditures of a specified purpose.
- Municipal Street Aid (non-major) – this fund is used to account for the proceeds of grant programs that fund various roadway improvement projects for the roads maintained by the Town.

The activities reported in these funds are reported as governmental activities in the government-wide financial statements.

TOWN OF SOUTH BETHANY, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2022

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of accounting (continued)

Measurement focus is a term used to describe which transactions are recorded within the various financial statements. Basis of accounting refers to when transactions are recorded regardless of the measurement focus.

The government-wide financial statements are presented on a full accrual basis of accounting with an economic resources measurement focus concentrating on an entity or fund's net position. All transactions and events that affect the total economic resources during the period are reported. Under the full accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time an obligation (liability) is incurred, regardless of the timing of related cash inflows and outflows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are presented on a modified accrual basis of accounting with a current financial resource's measurement focus. This measurement focus concentrates on the fund's resources available for spending in the near future. Only transactions and events affecting the fund's current financial resources during the period are reported. Under modified accrual accounting, revenues are recognized as soon as they are both measurable and available. Revenues are considered available if collected within 60 days after year end. The Town reports deferred inflows when the potential revenue does not meet both the measurable and available criteria for recognition in the current period.

Licenses, operating grants, capital grants, and interest revenue are the primary revenue sources subject to accrual. Property taxes are reported as receivable and a deferred inflow of resources when an enforceable lien on the property exists. The Town bills and collects its own property taxes.

Under modified accrual accounting, governmental fund liabilities (and expenses) should be accrued in the absence of applicable modification. Such modifications exist for long-term indebtedness, compensated absences, claims and judgments. These liabilities are accrued in the governmental funds only to the extent they are due.

Since the governmental fund financial statements are presented on a different measurement focus and basis of accounting than the government-wide statements, a reconciliation is provided in the fund financial statement.

TOWN OF SOUTH BETHANY, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2022

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred inflows of resources

The Town's governmental funds Balance Sheet and government-wide Statement of Net Position report a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net assets that applies to a future period. The Town has two items that qualify for reporting in this category: deferred inflows related to pensions and deferred grants which are not recognized until a future event occurs. Deferred inflows related to pensions are further described in a later note.

Deferred outflows of resources

The Town reports decreases in net assets that relate to future periods as deferred outflows of resources in a separate section of its government-wide Statement of Net Position. The Town has one item that qualifies for reporting in this category: deferred outflows related to pensions. Deferred outflows related to pensions are described further in a later note.

Pensions

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Delaware Public Employees' Retirement System (DPERS), and additions to/deductions from DPERS's fiduciary net position have been determined on the same basis as they are reported by DPERS.

Cash equivalents

Cash and cash equivalents include cash on hand, demand deposits and all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased. In addition, all certificates of deposits are considered highly liquid investments, regardless of maturity date.

Investments

Investments consists of funds managed and held by Fidelity Investments.

Restricted cash

Restricted cash mainly consists of amounts held by the Town for the proceeds from grant programs and realty transfer tax.

TOWN OF SOUTH BETHANY, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2022

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Receivables

Receivables are reported at their gross value and, where appropriate, are reduced by an allowance for uncollectible amounts. An allowance is recorded for accounts receivable balances based on historical collections experience for the Town. As of April 30, 2022, the allowance for uncollectible accounts was \$3,294.

Property taxes

Property taxes are levied May 1 of each year and are due and payable by June 30. All unpaid property taxes become delinquent on July 1 of the current year. Property tax revenues are recognized when levied.

Capital assets

Capital assets purchased or acquired with an original cost of \$2,000 or more are reported at historical cost or estimated historical cost. Donated capital assets are recorded at the acquisition value. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Infrastructure consists of streets and drainage projects. The Town has elected to not capitalize infrastructure acquired prior to May 1, 2004.

Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings and improvements	5 - 40 years
Equipment	5 - 20 years
Vehicles	5 years
Infrastructure	30 years

TOWN OF SOUTH BETHANY, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2022

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated absences

Employees are granted vacation and sick leave in varying amounts. The Town accrues accumulated unpaid vacation and sick leave when earned by the employee. Sick leave accrues to a maximum of 200 days, of which only 20 days will be compensated at time of departure after 5 years of service. Holiday time is accrued for all employees. All full-time employees can accrue a maximum of 40 hours of compensated time. Upon termination or retirement, employees in good standing are entitled to their leave accruals to the maximums specified in the employee handbook. Compensated absences for governmental funds are a reconciling item between the fund and government-wide presentations.

Revenues

Program revenues include charges to customers for goods, services or privileges provided, operating grants and contributions, and capital grants and contributions. General revenues include all taxes.

Government-wide net position

Government-wide net position is divided into three major categories:

- Net investment in capital assets – consists of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.
- Restricted – net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for expenditures, it will be the responsibility of the Finance Director to determine which resources should generally be spent first.
- Unrestricted – all other not reported in the above categories.

Governmental fund balances

In the fund financial statements, governmental funds report amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (1) not in spendable form such as prepaid items or inventories; or (2) legally or contractually required to be maintained intact. It is the responsibility of the Finance Director to categorize these funds as defined.

TOWN OF SOUTH BETHANY, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2022

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental fund balances (continued)

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

- *Restricted fund balance*— this classification reflects the constraints imposed on resources either (1) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation. Restricted fund balance includes the following:

Municipal street aid	\$	3,717
Realty transfer tax		2,103,399
	\$	<u>2,107,116</u>

- *Committed fund balance*— these amounts can only be used for specific purposes pursuant to constraints imposed by formal ordinances or resolution by a majority vote of the Town Council, the government’s highest level of decision-making authority. Those committed amounts cannot be used for any purpose unless the Town Council removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. Committed fund balance includes any appropriation of fund balance for subsequent year’s expenditures that has been committed through Town ordinance. There were no funds committed as of the year ended April 30, 2022.
- *Assigned fund balance*—this classification reflects the amounts constrained by the Town’s “intent” to be used for specific purposes, but are neither restricted nor committed. The Town Council solely has the authority to specifically assign funds. Assigned fund balance includes the following:

Beach access ramps	\$	85,428
Accrued liabilities		30,000
Storm emergency relief		11,521
Operational reserve		713,288
	\$	<u>840,237</u>

- *Unassigned fund balance*—this fund balance is the residual classification for the General Fund. This represents the resources available for future spending.

TOWN OF SOUTH BETHANY, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2022

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental fund balances (continued)

The primary objective of establishing and maintaining a Fund Balance Policy is to enhance the usefulness of fund balance information by providing clear fund balance classifications that are consistently applied. It is the policy of the Town of South Bethany to maintain appropriate reserve funds. These funds are needed by the Town to manage its seasonal cash flows, maintain and update its infrastructure, fund future capital projects, and to withstand economic downturns, emergencies, or natural disasters.

The Town utilizes restricted resources to finance qualifying activities, to the extent permitted by laws, regulations, contracts and grants. When committed, assigned, and unassigned funds are available for expenditures, committed funds should generally be spent first, assigned funds second, and unassigned funds last; unless Town Council has provided otherwise in its commitment or assignment actions.

Interfund activity

Interfund activity is reported as either loans or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. All other interfund transactions are treated as transfers. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from these estimates.

TOWN OF SOUTH BETHANY, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2022

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary data

Prior to April 30, the Town Council adopts a budget annually. The budget can be revised as deemed necessary by the Council. A single fixed budget covers the general fund and is employed during the year as a management control device. The budgetary amounts are comprised of the normal operating budget and supplemental budget allocations, if applicable.

The budget for the Town's general fund has been prepared on a basis materially consistent with accounting principles generally accepted in the United States of America (GAAP). Original and final budgeted amounts are as presented.

CASH AND CASH EQUIVALENTS

In accordance with the current Investment Policy, written and adopted by the Town Council, the Town of South Bethany requires investments only in United States Government Securities, Government and Treasury. Additionally, investments may be made in Certificate of Deposits, Time deposits, Bankers Acceptances, Money Market accounts and savings accounts in commercial banks. The banking institution must be a domestic institution organized under Federal and State law. To the extent the deposits are not insured by the Federal Deposit Insurance Corporation, such deposits in banks or in savings and loan associations shall only be made if the financial institutions have deposited a like number of securities in escrow to collateralize the deposits. These securities shall consist of U.S. Government Securities and Federal Agency Securities. The Finance Director maintains a file of current collateralization statements from each banking institution. The Town currently has a collateralization agreement.

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the Town will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. In regards to investments, custodial credit risk is in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The Town's investment policy requires collateralization by each financial institution with direct obligations of the U.S. government and requires collateral to be maintained at a third party.

TOWN OF SOUTH BETHANY, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2022

CASH AND CASH EQUIVALENTS (Continued)

All deposits are carried at cost. Transactions are made directly with the banks; services of brokers or securities dealers are not used. At April 30, 2022, the carrying amount of the Town's deposits was \$3,859,551 and the bank balance was \$3,892,953.

As of April 30, 2022, \$2,510,502 of the Town's bank balances was exposed to custodial risk which was covered through alternative appropriate collateral.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the Town's investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Town does not have any investments that are credit quality rated.

Reconciliation of cash and cash equivalents to the government-wide Statement of Net Position:

Cash and cash equivalents	\$	1,461,867
Cash and cash equivalents - restricted		2,397,684
Total cash and cash equivalents	\$	<u>3,859,551</u>

INVESTMENTS AND FAIR VALUE MEASUREMENTS

	Fair Value	Cost	Unrealized Gain (Loss)
Investments consist of:			
Cash and money markets	\$ 439,682	\$ 439,682	\$
Certificates of deposit	101,540	100,000	1,540
	<u>\$ 541,222</u>	<u>\$ 539,682</u>	<u>\$ 1,540</u>

Government Accounting Standards Board (GASB) Statement No. 72, Fair Value Measurement and Application, defines fair value, establishes a framework for measuring fair value, establishes a three-level valuation hierarchy for disclosure of fair value measurement, and enhances the disclosure requirements for fair value measurements. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

TOWN OF SOUTH BETHANY, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2022

INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

The fair value hierarchy for assets measured at fair value on a recurring basis as of April 30, 2022 is as follows:

Investment type	Fair value using:		
	Level 1	Level 2	Level 3
Cash and money markets	\$ 439,682	\$	\$
Certificates of deposit	101,540		
Total investments	<u>\$ 541,222</u>	<u>\$</u>	<u>\$</u>

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practical to estimate that value:

Investments in cash, money markets, and mutual funds (Level 1) – The fair value of the investments are based on closing prices in active markets for identical assets.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future values. Furthermore, although the Town believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

TAXES RECEIVABLE

The Town's property tax year runs from May 1 to April 30 and are due by June 30. The Town bills and collects its own taxes. The property tax rate for the year ended April 30, 2022, based on assessments, was \$1.30 per \$100 of assessed valuation. The total assessed value of all taxable real property and improvements at May 1, 2021 was \$40,486,850. The Town does not have an allowance for delinquent taxes because all taxes are considered collectible.

TOWN OF SOUTH BETHANY, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2022

CAPITAL ASSETS

Capital asset activity for the year ended April 30, 2022 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
<i>Capital assets not being depreciated</i>				
Land	\$ 164,752	\$	\$	\$ 164,752
Construction in progress	2,000	45,048		47,048
Total capital assets not being depreciated	166,752	45,048		211,800
<i>Capital assets being depreciated</i>				
Town Hall Building	756,599			756,599
Police Building	396,923			396,923
Building Improvements	93,214	10,700		103,914
Equipment	1,261,878	182,510	(68,729)	1,375,659
Infrastructure	1,631,018	569,422		2,200,440
Total capital assets being depreciated	4,139,632	762,632	(68,729)	4,833,535
Less accumulated depreciation for:				
Town Hall Building	(356,246)	(24,264)		(380,510)
Police Building	(159,995)	(16,357)		(176,352)
Building Improvements	(88,524)	(1,209)		(89,733)
Equipment	(1,026,204)	(108,020)	60,319	(1,073,905)
Infrastructure	(1,000,969)	(79,762)		(1,080,731)
Total accumulated depreciation	(2,631,938)	(229,612)	60,319	(2,801,231)
Total capital assets being depreciated, net	1,507,694	533,020	(8,410)	2,032,304
Governmental activity capital assets, net	\$ 1,674,446	\$ 578,068	\$ (8,410)	\$ 2,244,104

Depreciation expense was charged to functions as follows:

Governmental activities	
General government	\$ 44,366
Public works	115,062
Public safety - police	66,581
Public safety - lifeguards	3,603
Total governmental activities	\$ 229,612

TOWN OF SOUTH BETHANY, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2022

RETIREMENT AND PENSION PLANS

General information about the pension plans

The County and Municipal Police and Firefighter's Pension Plan (the plan) is a cost sharing multiple-employer defined benefit pension plan established in the Delaware Code. The General Assembly is responsible for setting benefits and contributions and amending plan provisions, administrative rules and regulations are adopted and maintained by the Board of Pension Trustees (the Board). The management of the Plan is the responsibility of the Board. The Board is comprised of five members appointed by the Governor and confirmed by the State Senate, plus two ex officio members. The daily operation is the responsibility of the Office of Pensions. Although most of the assets of the Plan are commingled with other Plans for investment purposes, the Plan's assets may be used for the payment of benefits to the members of the Plan in accordance with terms of the Plan.

The County & Municipal and Other Employees' Pension Plan (the plan) is a cost sharing multiple-employer defined benefit pension plan established in the Delaware Code. The General Assembly is responsible for setting benefits and contributions and amending plan provisions, administrative rules and regulations are adopted and maintained by the Board of Pension Trustees (the Board).

Plan descriptions: The Town participates in two plans of the Delaware Public Employees' Retirement System (DPERS): the County & Municipal Police/Firefighters' Pension Plan (Police Plan) and the County & Municipal Other Employees' Pension Plan (General Plan).

Both Plans are cost sharing multiple-employer defined-benefit pension plans established in the Delaware Code. The General Assembly is responsible for setting benefits and contributions and amending plan provisions; administrative rules and regulations are adopted and maintained by the Board of Pension Trustees (the Board). The management of the plans is the responsibility of the Board. The Board is comprised of five members appointed by the Governor and confirmed by the State Senate, plus two ex officio members. The daily operation is the responsibility of the Office of Pensions. Although most of the assets of the Plans are commingled with other plans for investment purposes, the plans' assets may be used for the payment of benefits to the members of the plans in accordance with the terms of the plans.

The following are brief descriptions of the plans in effect as of June 30, 2021. For a more complete description, please refer to the DPERS CAFR for each plan. Separately issued financial statements for DPERS are available from the pension office at: McArdle Building, Suite 1, 860 Silver Lake Blvd, Dover, DE 19904.

TOWN OF SOUTH BETHANY, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2022

RETIREMENT AND PENSION PLANS (Continued)

General information about the pension plans (continued)

Benefits provided. The DPERS provide retirement, disability and death benefits. Eligibility and benefits vary depending on which plan the employee is enrolled in.

Police Plan covers police officers and firefighters employed by a county or municipality of the state that have joined the Plan. Service benefits are based on 2.5% of final average monthly compensation multiplied by years of credited service up to 20 years, plus 3.5% of final average monthly compensation multiplied by years of service in excess of 20 years. For this plan final average monthly compensation is the monthly average of the highest three consecutive years of compensation. Employees in the plan may retire after age 62 with 5 years of service; age plus credited service (but not less than 10 years) equals 75; or 20 years of credited service. Benefits are vested after five years of credited service.

Total disability benefits for duty officers are based on 75% of final average compensation plus 10% for each dependent but not to exceed 25% for all dependents. Partial disability benefits for duty officers are calculated the same as service benefits, subject to minimum of 50% of final average compensation. Disability benefits for non-duty officers are calculated the same as service benefits, total disability subject to a minimum of 50% of final average monthly compensation plus 5% of each dependent not to exceed 20% for all dependents with partial disability benefits subject to a minimum of 30% of final average monthly compensation.

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

General Plan covers employees of counties or municipalities that have joined the Plan. Services benefits are based on 1/60th of final average monthly compensation multiplied by years of credited service, subject to maximum limitations. For this plan average monthly compensation is the monthly average of the highest five years of compensation. Employees in the Plan may retire after age 62 with 5 years of credited service, age 60 with 15 years of credited service, or after 30 years of credited service. Benefits are vested after five years of credited service.

Disability benefits are the same as service benefits. Employee must have 5 years of credited service. For survivor benefits, if the employee is receiving a pension, then eligible survivor receives 50% of pension, if employee is active, eligible survivor receives 50% of pension the employee would have received at age 62.

TOWN OF SOUTH BETHANY, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2022

RETIREMENT AND PENSION PLANS (Continued)

General information about the pension plans (continued)

Contributions: Active members of the Police Plan are required to contribute to the Plan at the rate of 7% of their covered salary. Active members of the General Plan are required to contribute to the Plan at the rate of 3% of earnings in excess of \$6,000. Employer contributions are determined by the Board of Pension Trustees.

In order to provide pension funding for sworn police officers, the State of Delaware collects a special tax equal to 1/4% of certain gross insurance premiums that are collected in the State. These collections are distributed to police agencies in the State based on the average number of paid, full-time sworn officers as of the end of each calendar year. During the year ended April 30, 2022, the Town received \$36,561.

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

At April 30, 2022, the Town reported an asset of \$722,461 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2021, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of June 30, 2020. Update procedures were used to roll forward the total pension asset to June 30, 2021. The Town's proportion of the net pension asset was based on the percentage of actual employee contributions. At June 30, 2021, the Town's proportion for the Police Plan was .3931% and for the General Plan was .8668%.

For the year ended April 30, 2022, the Town recognized pension expense of \$94,292. At April 30, 2022, the Town reported deferred outflows of resources or deferred inflows of resources related to pensions from the following sources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes to assumptions	\$ 27,065	\$ 44,864
Changes to proportion	26,950	110,217
Difference between expected and actual experience	61,330	33,866
Net difference between projected and actual earnings on pension plan investments		614,813
Contributions subsequent to measurement date	175,590	
	<u>\$ 290,935</u>	<u>\$ 803,760</u>

TOWN OF SOUTH BETHANY, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2022

RETIREMENT AND PENSION PLANS (Continued)

The Town's contribution of \$175,590 subsequent to the measurement date, reported as deferred outflows of resources, will be recognized as a reduction of the net pension asset in the year ended April 30, 2023. The collective deferred outflows of resources and deferred inflows of resources are being amortized as follows:

	Measurement Period Ended	Amortization Period	
	June 30	General	Police
Difference between expected and actual experience	2015	8 years	11 years
	2016	9 years	10 years
	2017	9 years	10 years
	2018	8 years	10 years
	2019	9 years	10 years
	2020	8 years	9 years
	2021	8 years	10 years
Net difference between projected and actual earnings on investments	2017	5 years	5 years
	2018	5 years	5 years
	2019	5 years	5 years
	2020	5 years	5 years
	2021	5 years	5 years
Change in proportion	2014	8 years	11 years
	2015	8 years	11 years
	2016	9 years	10 years
	2017	9 years	10 years
	2018	8 years	10 years
	2019	9 years	10 years
	2020	9 years	10 years
	2021	8 years	9 years
Change in assumptions	2016	9 years	10 years
	2017	9 years	10 years
	2018	9 years	10 years
	2019	9 years	10 years
	2020	9 years	10 years
	2021	8 years	10 years

TOWN OF SOUTH BETHANY, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2022

RETIREMENT AND PENSION PLANS (Continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in a net change in pension expense as follows:

Year Ending	
<u>April 30,</u>	<u>Amortization</u>
2023	\$ (181,451)
2024	(154,023)
2025	(162,875)
2026	(155,586)
2027	(4,358)
Thereafter	(30,122)
	<u>\$ (688,415)</u>

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

Investment rate of return	7.0%
Projected salary increases	2.5% + merit
Inflation	2.5%

The total pension liabilities are measured based on assumptions pertaining to the interest rates, inflation rates, and employee demographic behavior in future years. The assumptions used were based on the results of an actuarial experience study conducted in 2021. 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 rates were based on the RP – 2014 tables with gender adjustments for healthy annuitants and disabled retirees and an adjusted version of MP-2015 Mortality improvement scale on a fully generational basis.

TOWN OF SOUTH BETHANY, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2022

RETIREMENT AND PENSION PLANS (Continued)

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

<u>Asset Class</u>	<u>Long Term Expected Rate of Return</u>
Domestic Equity	5.7%
International Equity	5.7%
Fixed Income	2.0%
Alternative Investments	7.8%

Discount rate: The discount rate for all plans used to measure the total pension asset was 7.0%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at rates determined by the Board of Pension Trustees, actuarially determined. Based on those assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investment was applied to all periods of projected benefit payments to determine the total pension asset.

Sensitivity of the net pension asset to changes in the discount rate: The following presents the collective net pension liability (asset) of the plan, calculated using the discount rate of 7.0%, as well as what the plan's net pension liability (asset) would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate:

1% Decrease (6.0%)	\$ (328,248)
Current discount rate (7.0%)	\$ (722,461)
1% Increase (8.0%)	\$ (1,063,123)

Pension Plan Fiduciary Net Position: Detailed information about the Pension Plan's fiduciary net position is available in the separately issued DPERS financial reports.

TOWN OF SOUTH BETHANY, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2022

LONG-TERM LIABILITIES

Changes in long-term obligations for the year ended April 30, 2022, are as follows:

	April 30, 2021	Increases	Decreases	April 30, 2022	Due within one year
Compensated absences	\$ 32,119	\$ 13,156	\$	\$ 45,275	\$ 20,528
Long-term debt	46,263		(46,263)		
Total	<u>\$ 78,382</u>	<u>\$ 13,156</u>	<u>\$ (46,263)</u>	<u>\$ 45,275</u>	<u>\$ 20,528</u>

Compensated absences are primarily liquidated by the General Fund.

Description of Long-Term Debt

During the year ended April 30, 2021, the Town entered into a financing agreement with US Bank to finance the purchase of a police vehicle and police equipment. The agreement was for \$55,388 and has an interest rate of 3.84%. The agreement requires annual payments of principal, with the final payment due in 2023. The Town paid off the loan early in January 2022.

COMMITMENTS AND CONTINGENCIES

In the normal course of business, there are various outstanding commitments and contingent liabilities in addition to the normal encumbrances for the purchase of goods and services. The Town does not anticipate losses as a result of these transactions. In the normal course of operations, the Town receives grant funds from various federal and state agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement, which may arise as the result of these audits, is not believed to be material. At the present time, there are no potential claims against the Town with reasonable possibilities of unfavorable outcomes. The amount of any liability would be an amount equal to half of the insurance deductible.

TOWN OF SOUTH BETHANY, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2022

RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; omissions; injuries to employees; and natural disasters for which the Town carries commercial insurance.

The Town is fully insured for workers' compensation through commercial insurance, and employees are bonded to limit the loss to the Town in the event of employees committing act of embezzlement or theft.

There have been no significant reductions in insurance coverage from the prior year and settlements have not exceeded coverage in the past three years.

LEASE AGREEMENTS

In October 1997, the Town entered into an operating lease with Artesian Water Company, Inc. for certain land and rights-of-way within the Town. Under the terms of this lease, the Town will receive annual rents for a period of thirty-three years. The rent will be adjusted to fair market rental at the twelfth and twenty-fourth anniversaries. The lease may be extended for two additional thirty-three-year terms. The lease was amended July, 2010 to adopt the new appraisal value. The benchmark rent was changed to \$14,900; this amount is adjusted based on the percentage increase in the CPI.

In June 2009, the Town entered into an operating lease with Verizon Wireless for certain land and rights-of-way within the Town. Under terms of this lease, the Town will receive annual rents of \$12,000 to be paid monthly for a period of 5 years. The lease will be automatically extended for an additional four (4) terms of five (5) years each, unless Verizon Wireless provides a written notice of termination at least six (6) months before the end of the current term. Each year is subject to an increase equal to the greater of 3% or the Consumer Price Index (CPI).

In March 2019, the Town entered into an operating lease with Sharp Energy, Inc. for certain land and rights-of-way within the Town. Under the terms of this lease, the Town will receive annual rents of \$5,000 for five years.

NEW PRONOUNCEMENTS

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to the year ended April 30, 2022, that have effective dates that may impact future financial presentations. Management has not currently determined what, if any, impact implementation of the new standards may have on the financial statements.

TOWN OF SOUTH BETHANY, DELAWARE

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2022

NEW PRONOUNCEMENTS (Continued)

GASB Statement No. 87, *Leases*, will be effective for the Town beginning with the year ending April 30, 2023. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. This statement will also change the way leases are disclosed in the financial statements.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, will be effective for the Town beginning with the year ending April 30, 2023. This statement changes the reporting and accounting of component units.

GASB Statement No. 101, *Compensated Absences*, will be effective for the Town beginning with the year ending April 30, 2025. This statement updates the recognition and measurement guidance for compensated absences.

PRIOR PERIOD ADJUSTMENT

During the year ended April 30, 2022, there were retrospective changes made to the accounting for cash and a loan balance for debt service payments for the year ended April 30, 2021. This change resulted in no change to the government wide net position, but decreased the fund balance of the general fund by \$9,338. The change to the beginning general fund balance on the fund financial statements as described below:

	General fund balance
Original balance at April 30, 2021	\$ 1,999,910
Change to debt service payments	(9,338)
Balance at April 30, 2021, as restated	<u>\$ 1,990,572</u>

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF SOUTH BETHANY, DELAWARE

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

YEAR ENDED APRIL 30, 2022

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Favorable
				(Unfavorable)
REVENUES				
Taxes	\$ 1,085,190	\$ 1,085,190	\$ 1,223,468	\$ 138,278
Licenses and permits	335,000	335,000	614,292	279,292
Fines and forfeitures	53,250	53,250	47,766	(5,484)
Intergovernmental	55,000	55,000	146,683	91,683
Trash assessment	327,132	327,132	326,842	(290)
Interest revenue	3,500	3,500	15,608	12,108
Miscellaneous	165,012	165,012	199,707	34,695
Total revenues	<u>2,024,084</u>	<u>2,024,084</u>	<u>2,574,366</u>	<u>550,282</u>
EXPENDITURES				
General government	663,981	663,981	639,384	24,597
Public works	773,741	773,741	719,443	54,298
Public safety - police	800,947	800,947	752,655	48,292
Public safety - lifeguards	295,915	295,915	270,959	24,956
Capital outlay			29,428	(29,428)
Debt service			36,865	(36,865)
Total expenditures	<u>2,534,584</u>	<u>2,534,584</u>	<u>2,448,734</u>	<u>85,850</u>
Excess of revenues over (under)				
expenditures	(510,500)	(510,500)	125,632	636,132
OTHER FINANCING SOURCES (USES)				
Proceeds from the sale of capital assets	500	500	7,300	6,800
Transfer from Realty Transfer Tax fund**	510,000	510,000		(510,000)
Total other financing sources (uses)	<u>510,500</u>	<u>510,500</u>	<u>7,300</u>	<u>(503,200)</u>
Net change in fund balances	<u>\$</u>	<u>\$</u>	<u>\$ 132,932</u>	<u>\$ 132,932</u>

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

TOWN OF SOUTH BETHANY, DELAWARE

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND BY DEPARTMENT**

YEAR ENDED APRIL 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Amounts	
GENERAL GOVERNMENT				
Payroll wages	\$ 254,737	\$ 254,737	\$ 263,971	\$ (9,234)
Payroll wages - overtime and bonus	1,550	1,550	500	1,050
Payroll taxes	27,190	27,190	28,560	(1,370)
Payroll wages and taxes	283,477	283,477	293,031	(9,554)
Employee retirement	17,274	17,274	17,498	(224)
Medical, dental and life insurance	62,250	62,250	50,356	11,894
Personnel related costs	363,001	363,001	360,885	2,116
Advertising	2,500	2,500	2,780	(280)
American rescue plan act grant			17,538	(17,538)
Bank charges	8,000	8,000	10,680	(2,680)
Communications - telephone and internet	18,000	18,000	10,622	7,378
Community enhancements	3,460	3,460	6,409	(2,949)
Computer software, updates, and website	25,000	25,000	22,563	2,437
Dues and subscriptions	14,370	14,370	10,847	3,523
Education and training	5,500	5,500	790	4,710
Insurance - business	89,000	89,000	80,429	8,571
Mileage	700	700		700
Miscellaneous	8,000	8,000	6,178	1,822
Postage, printing and office supplies	47,500	47,500	34,622	12,878
Professional fees	60,400	60,400	59,523	877
Public relations	8,100	8,100	6,605	1,495
Utilities	9,100	9,100	8,021	1,079
Vehicles and equipment - fuel	350	350	892	(542)
Vehicles and equipment - repairs	1,000	1,000		1,000
TOTAL GENERAL GOVERNMENT	663,981	663,981	639,384	24,597

TOWN OF SOUTH BETHANY, DELAWARE

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND BY DEPARTMENT**

YEAR ENDED APRIL 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
PUBLIC WORKS				
Payroll wages	\$ 208,988	\$ 208,988	\$ 225,445	\$ (16,457)
Payroll wages - overtime and bonus	3,600	3,600	2,211	1,389
Payroll taxes	16,341	16,341	17,908	(1,567)
Payroll wages and taxes	228,929	228,929	245,564	(16,635)
Employee retirement	12,848	12,848	13,577	(729)
Medical, dental and life insurance	36,162	36,162	33,976	2,186
Personnel related costs	277,939	277,939	293,117	(15,178)
Canal water quality control	14,700	14,700	4,866	9,834
Communications - telephone and internet	3,720	3,720	3,179	541
Contracted services	500	500	60	440
Drainage	15,000	15,000	8,500	6,500
Dues and subscriptions	700	700	276	424
Education and training	1,250	1,250		1,250
Maintenance and repairs	51,000	51,000	22,642	28,358
Mileage	100	100		100
Miscellaneous	1,500	1,500	120	1,380
Non-capital equipment	1,000	1,000		1,000
Postage, printing and office supplies	750	750	704	46
Professional fees	600	600	50	550
Street lighting	4,500	4,500	1,641	2,859
Street maintenance	10,000	10,000	6,263	3,737
Street signs	5,000	5,000	2,082	2,918
Supplies	5,500	5,500	4,464	1,036
Trash service expenses	327,132	327,132	331,944	(4,812)
Uniforms	1,000	1,000	143	857
Utilities	29,550	29,550	24,009	5,541
Vehicles and equipment - fuel	8,300	8,300	8,533	(233)
Vehicles and equipment - repairs	14,000	14,000	6,850	7,150
TOTAL PUBLIC WORKS	773,741	773,741	719,443	54,298

TOWN OF SOUTH BETHANY, DELAWARE

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND BY DEPARTMENT**

YEAR ENDED APRIL 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Amounts	
PUBLIC SAFETY - POLICE				
Payroll wages	\$ 483,036	\$ 483,036	\$ 454,116	\$ 28,920
Payroll wages - overtime and bonus	10,000	10,000	10,979	(979)
Payroll taxes	37,717	37,717	35,587	2,130
Payroll wages and taxes	530,753	530,753	500,682	30,071
Employee retirement	70,357	70,357	64,531	5,826
Medical, dental and life insurance	19,625	19,625	18,638	987
Personnel related costs	620,735	620,735	583,851	36,884
Advertising	500	500	348	152
Ambulance fee - BBVFD	74,412	74,412	96,910	(22,498)
Communications - telephone and internet	5,000	5,000	5,002	(2)
Computer software, updates, and website	3,000	3,000	672	2,328
Dues and subscriptions	3,000	3,000	744	2,256
Education and training	12,000	12,000	4,061	7,939
Grant award expenses	25,000	25,000	23,307	1,693
Insurance - business			319	(319)
Maintenance and repairs	1,500	1,500	162	1,338
Mileage	250	250		250
Miscellaneous	1,000	1,000		1,000
Non-capital equipment	1,500	1,500	171	1,329
Postage, printing and office supplies	6,000	6,000	3,776	2,224
Professional fees	13,400	13,400	5,965	7,435
Supplies	2,500	2,500	1,457	1,043
Uniforms	7,000	7,000	5,290	1,710
Utilities	6,150	6,150	3,815	2,335
Vehicles and equipment - fuel	10,000	10,000	11,857	(1,857)
Vehicles and equipment - repairs	8,000	8,000	4,948	3,052
TOTAL PUBLIC SAFETY - POLICE	800,947	800,947	752,655	48,292

TOWN OF SOUTH BETHANY, DELAWARE

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND BY DEPARTMENT**

YEAR ENDED APRIL 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Amounts	
PUBLIC SAFETY - LIFEGUARDS				
Payroll wages	230,000	230,000	187,599	42,401
Payroll wages - overtime and bonus	18,000	18,000	41,023	(23,023)
Payroll taxes	17,595	17,595	17,172	423
Payroll wages and taxes	265,595	265,595	245,794	19,801
Education and training	7,420	7,420	3,187	4,233
Miscellaneous	1,600	1,600	855	745
Non-capital equipment	10,000	10,000	9,887	113
Supplies	2,500	2,500	2,400	100
Uniforms	8,800	8,800	8,836	(36)
TOTAL PUBLIC SAFETY - LIFEGUARDS	295,915	295,915	270,959	24,956
CAPITAL OUTLAY			29,428	(29,428)
DEBT SERVICE			36,865	(36,865)
TOTAL EXPENDITURES	<u>\$ 2,534,584</u>	<u>\$ 2,534,584</u>	<u>\$ 2,448,734</u>	<u>\$ 85,850</u>

TOWN OF SOUTH BETHANY, DELAWARE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE TOWN'S PROPORTIONATE
SHARE OF THE NET PENSION ASSET
DELAWARE PUBLIC EMPLOYEES' RETIREMENT SYSTEM
(UNAUDITED)

	2022	2021	2020	2019	2018	2017	2016	2015	2014
<u>County & Municipal Other Employees' Pension Plan</u>									
Town's proportion of the net pension liability (asset)	0.8668%	0.9286%	0.9085%	0.9979%	1.0197%	1.1620%	1.2216%	1.3135%	1.4501%
Town's proportionate share of the net pension liability (asset) \$	(181,560)	\$ 19,717	\$ 41,618	\$ 31,404	\$ 66,071	\$ 71,996	\$ 521	\$ (4,835)	\$ 36,969
Town's covered-employee payroll \$	473,250	\$ 433,126	\$ 437,144	\$ 402,082	\$ 405,453	\$ 426,745	\$ 373,776	\$ 357,109	\$ 336,829
Town's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	-38.3645%	4.5523%	9.5204%	7.8103%	16.2956%	16.8710%	0.1394%	-1.3539%	10.9756%
Plan fiduciary net position as a percentage of the total pension liability (asset)	127.6%	96.9%	92.7%	94.4%	87.6%	86.3%	99.9%	101.1%	91.6%
<u>County & Municipal Police and Firefighter's Pension Plan</u>									
Town's proportion of the net pension liability (asset)	0.3931%	0.3556%	0.2805%	0.4637%	0.4726%	0.5047%	0.4114%	0.5627%	0.6145%
Town's proportionate share of the net pension liability (asset) \$	(540,901)	\$ 54,649	\$ 80,579	\$ 106,782	\$ 47,644	\$ 80,226	\$ (41,417)	\$ (60,871)	\$ 62,098
Town's covered-employee payroll \$	400,821	\$ 358,033	\$ 354,202	\$ 389,934	\$ 466,055	\$ 410,711	\$ 429,961	\$ 445,652	\$ 429,087
Town's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	-134.9483%	15.2637%	22.7494%	27.3846%	10.2228%	19.5334%	-9.6327%	-13.6589%	14.4721%
Plan fiduciary net position as a percentage of the total pension liability (asset)	128.2%	96.7%	93.3%	94.1%	97.0%	86.3%	99.9%	101.1%	91.6%

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information is available to present a ten-year trend.

TOWN OF SOUTH BETHANY, DELAWARE

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE TOWN'S CONTRIBUTIONS

DELAWARE PUBLIC EMPLOYEES' RETIREMENT SYSTEM
(UNAUDITED)

	2022	2021	2020	2019	2018	2017	2016	2015	2014
<u>County & Municipal Other Employees' Pension Plan</u>									
Contractually required contribution	\$ 32,777	\$ 33,131	\$ 29,419	\$ 28,199	\$ 25,637	\$ 24,140	\$ 23,466	\$ 23,510	\$ 23,255
Contributions in relation to the contractually required contribution	<u>(32,777)</u>	<u>(33,131)</u>	<u>(29,419)</u>	<u>(28,199)</u>	<u>(25,637)</u>	<u>(24,140)</u>	<u>(23,466)</u>	<u>(23,510)</u>	<u>(23,255)</u>
Contribution deficiency (excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Town's covered-employee payroll	\$ 473,250	\$ 433,126	\$ 437,144	\$ 402,082	\$ 405,453	\$ 426,745	\$ 373,776	\$ 357,109	\$ 336,829
Contributions as a percentage of covered-employee payroll	7%	8%	7%	7%	6%	6%	6%	7%	7%
<u>County & Municipal Police and Firefighters' Pension Plan</u>									
Contractually required contribution	\$ 63,240	\$ 54,600	\$ 41,366	\$ 43,974	\$ 53,470	\$ 50,926	\$ 41,417	\$ 57,861	\$ 53,283
Contributions in relation to the contractually required contribution	<u>(63,240)</u>	<u>(54,600)</u>	<u>(41,366)</u>	<u>(43,974)</u>	<u>(53,470)</u>	<u>(50,926)</u>	<u>(41,417)</u>	<u>(57,861)</u>	<u>(53,283)</u>
Contribution deficiency (excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Town's covered-employee payroll	\$ 400,821	\$ 358,033	\$ 354,202	\$ 389,934	\$ 466,055	\$ 410,711	\$ 429,961	\$ 445,652	\$ 429,087
Contributions as a percentage of covered-employee payroll	16%	15%	12%	11%	11%	12%	10%	13%	12%

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information is available to present a ten-year trend.

***GOVERNMENT AUDITING STANDARDS* REPORT**

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ALLINIAL GLOBAL

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, and each major fund of the Town of South Bethany, Delaware, as of and for the year ended April 30, 2022, and the related notes to the financial statements, which collectively comprise the Town of South Bethany, Delaware's basic financial statements, and have issued our report thereon dated September 9, 2022.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as items 2022-001 and 2022-002 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of South Bethany, Delaware's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Town of South Bethany's Response to Findings

The Town of South Bethany, Delaware's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

PKS & Company, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

Salisbury, Maryland
September 9, 2022

TOWN OF SOUTH BETHANY, DELAWARE

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED APRIL 30, 2022

SIGNIFICANT DEFICIENCIES

2022-001 PREPARATION OF FINANCIAL STATEMENTS (Repeat finding)

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

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

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

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

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

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

2022-002 BANK RECONCILIATIONS

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

Condition and context – When reconciling the checking account, Management cannot agree the reconciled balance to the general ledger without making a manual adjustment.

Cause – Management reconciles this account manually.

Effect or potential effect – There is a danger that unintentional errors and incorrect financial data could be presented on the financial statements. Manual processes may not properly detect accounting software errors, both unintentional and intentional.

Recommendation – The Town should perform all bank reconciliations using the accounting software. Management should perform the reconciliations without making a manual adjustment to make the reconciliation balance match the general ledger. All adjustments should be investigated.

Views of responsible officials and planned corrective actions – Management acknowledges the condition and is working to remedy the issue.