

**TOWN OF FENWICK ISLAND, DELAWARE**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED JULY 31, 2019**

**TOWN OF FENWICK ISLAND, DELAWARE**

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## INDEPENDENT AUDITORS' REPORT

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Honorable Mayor and Council Members  
Town of Fenwick Island, Delaware

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Fenwick Island, Delaware, as of and for the year ended July 31, 2019, and the related notes to the financial statements, which collectively comprise the Town of Fenwick Island, Delaware's basic financial statements as listed in the table of contents.

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### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

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

#### MEMBERS OF:

AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

MARYLAND ASSOCIATION OF  
CERTIFIED PUBLIC ACCOUNTANTS

DELAWARE SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Fenwick Island, Delaware, as of July 31, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information on pages 3 through 12 and pages 35 through 37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 2020 on our consideration of the Town of Fenwick Island, 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 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 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 Fenwick Island, Delaware's internal control over financial reporting and compliance.

*PKS & Company, P.A.*

**CERTIFIED PUBLIC ACCOUNTANTS**

Salisbury, Maryland  
January 24, 2020

**TOWN OF FENWICK ISLAND, DELAWARE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JULY 31, 2019**

As management of the Town of Fenwick Island, Delaware (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended July 31, 2019. This discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Town's financial activity, (c) identify changes in the Town's financial position, (d) identify any material deviations from the financial plan, and (e) identify individual fund issues or concerns.

Since the Management's Discussion and Analysis is designed to focus on the current year's activities, resulting changes and currently known facts, please read it in conjunction with the Town's financial statements (beginning on page 13).

**FINANCIAL HIGHLIGHTS**

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$4,357,584 (net position) as compared to \$4,365,850 in the prior year. Unrestricted net position has a balance of \$463,794, which may be used to meet the Town's ongoing obligations to citizens and creditors in accordance with the Town's fund designation and fiscal policies.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$1,971,957, a decrease of \$41,162 in comparison with the prior year. \$419,398 of the total amount, is unassigned and available for use within the Town's designation and policies.
- At the end of the current fiscal year, the unassigned fund balance for the general fund was \$419,398 an increase of \$9,989.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's 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 management's discussion and analysis. In addition to the basic financial statements, this report also contains other supplementary information as listed in the Table of Contents.

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the Town'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.

**TOWN OF FENWICK ISLAND, DELAWARE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JULY 31, 2019**

**OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)**

Government-wide financial statements (continued)

The Statement of Net Position presents information on all of 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.

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, despite the fact that the Town has not received the actual cash from those levies, and earned but unused compensated absences are reported as liabilities, despite the fact that the Town has not yet paid the actual cash for those absences.

The governmental activities of the Town include general government, administrative, police department, beach patrol, beach committee, and public works.

The government-wide financial statements can be found on pages 13 - 14 of this report.

Fund financial statements

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

Governmental fund

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 current sources and uses 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.

**TOWN OF FENWICK ISLAND, DELAWARE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JULY 31, 2019**

**OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)**

Funds financial statements (continued)

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term effect of the government's near term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison between the governmental funds and governmental activities.

The Town maintains seven (7) governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, 1½% Realty Transfer Tax and Municipal Street Aid Funds, all of which are considered major funds. Data from the other four (4) funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The basic governmental fund financial statements can be found on pages 15 - 18 of this report.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19 - 34 of this report.

Required supplementary information

Other required supplementary information, in addition to this discussion and analysis, are the budgetary comparison schedule of the general fund budget to actual (page 35) and the Town's proportionate share of the net pension liabilities and contributions related to the Delaware Public Employees' Retirement System (pages 36 - 37).

Other information

The combining statements referred to earlier in connection with non-major governmental funds are presented following the required supplementary information. The combining and individual statements and schedules can be found on pages 39 - 40 of this report.

**TOWN OF FENWICK ISLAND, DELAWARE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JULY 31, 2019**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of the government's financial position. In the case of the Town of Fenwick Island, the net position as of July 31, 2019 was \$4,357,584

A large portion of the Town's net position (60%) reflects its investment in capital assets (e.g. land, building, equipment, improvements, construction in progress and infrastructure, less any debt used to acquire those assets that is still outstanding). The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

|                                       | <b>Governmental<br/>Activities<br/>July 31, 2019</b> | <b>Governmental<br/>Activities<br/>(as restated)<br/>July 31, 2018</b> | <b>Change</b>     |
|---------------------------------------|--|--|-------------------|
| <b>Assets</b>                         |  |  |                   |
| Current and other assets              | \$ 2,160,118   | \$ 2,144,330   | \$ 15,788         |
| Capital assets, net                   | 2,629,268  | 2,520,307  | 108,961           |
| Total assets                          | <u>4,789,386</u>                                     | <u>4,664,637</u>   | <u>124,749</u>    |
| <b>Deferred outflows of resources</b> | <u>189,951</u>                                       | <u>141,588</u>   | <u>48,363</u>     |
| <b>Liabilities</b>                    |  |  |                   |
| Current liabilities                   | 136,074  | 88,413   | 47,661            |
| Long-term liabilities                 | 365,610  | 276,284  | 89,326            |
| Total liabilities                     | <u>501,684</u>                                       | <u>364,697</u>   | <u>136,987</u>    |
| <b>Deferred inflows of resources</b>  | <u>120,069</u>                                       | <u>75,678</u>  | <u>44,391</u>     |
| <b>Net position</b>                   |  |  |                   |
| Net investment in capital assets      | 2,629,268  | 2,520,307  | 108,961           |
| Restricted                            | 1,264,522  | 1,397,397  | (132,875)         |
| Unrestricted                          | 463,794  | 448,146  | 15,648            |
| Total net position                    | <u>\$ 4,357,584</u>                                  | <u>\$ 4,365,850</u>  | <u>\$ (8,266)</u> |

\*The July 31, 2018 balances have been restated to reflect any changes due to prior period adjustments as described in the notes to the financial statements on page 34.

As of July 31, 2019, the Town is able to report positive balances in governmental activities net position balances.

**TOWN OF FENWICK ISLAND, DELAWARE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JULY 31, 2019**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

Analysis of the Town's operations

The following table provides a summary of the Town's operations for the year ended July 31, 2019, along with comparable data. Government-wide activities decreased the Town of Fenwick Island's net position by \$8,266.

|   | <b>Governmental<br/>Activities<br/>July 31, 2019</b> | <b>Governmental<br/>Activities<br/>(as restated)<br/>July 31, 2018</b> | <b>Change</b>     |
|---|--|--|-------------------|
| <b>Revenues</b>                                 |  |  |                   |
| Program revenues                                |  |  |                   |
| Charges for services                            | \$ 804,682   | \$ 649,965   | \$ 154,717        |
| Capital grants and contributions                | 87,635   | 61,608   | 26,027            |
| Operating grants and contributions              | 195,545  | 165,903  | 29,642            |
| General revenues                                |  |  |                   |
| Taxes - property/rental                         | 1,054,323  | 1,044,716  | 9,607             |
| Realty transfer tax                             | 163,838  | 290,034  | (126,196)         |
| Fines and forfeitures                           | 475  | 484  | (9)               |
| Unrestricted investment earnings                | 23,153   | 13,024   | 10,129            |
| Miscellaneous                                   | 91,305   | 87,769   | 3,536             |
| Gain on sale of equipment                       | 39,419   |  | 39,419            |
| Total revenues                                  | <u>2,460,375</u>                                     | <u>2,313,503</u>   | <u>146,872</u>    |
| <b>Expenses</b>                                 |  |  |                   |
| Administrative                                  | 413,204  | 382,830  | 30,374            |
| Police department                               | 870,733  | 795,006  | 75,727            |
| Beach patrol                                    | 335,397  | 326,418  | 8,979             |
| Beach committee                                 | 2,267  |  | 2,267             |
| Public works (includes MSA expenses)            | 281,372  | 391,503  | (110,131)         |
| General government                              | 565,668  | 479,091  | 86,577            |
| Total expenses                                  | <u>2,468,641</u>                                     | <u>2,374,848</u>   | <u>93,793</u>     |
| Change in net position                          | (8,266)  | (61,345)   | 53,079            |
| <b>Net position restated, beginning of year</b> | <u>4,365,850</u>                                     | <u>4,427,195</u>   | <u>(61,345)</u>   |
| <b>Net position, end of year</b>                | <u>\$ 4,357,584</u>                                  | <u>\$ 4,365,850</u>  | <u>\$ (8,266)</u> |

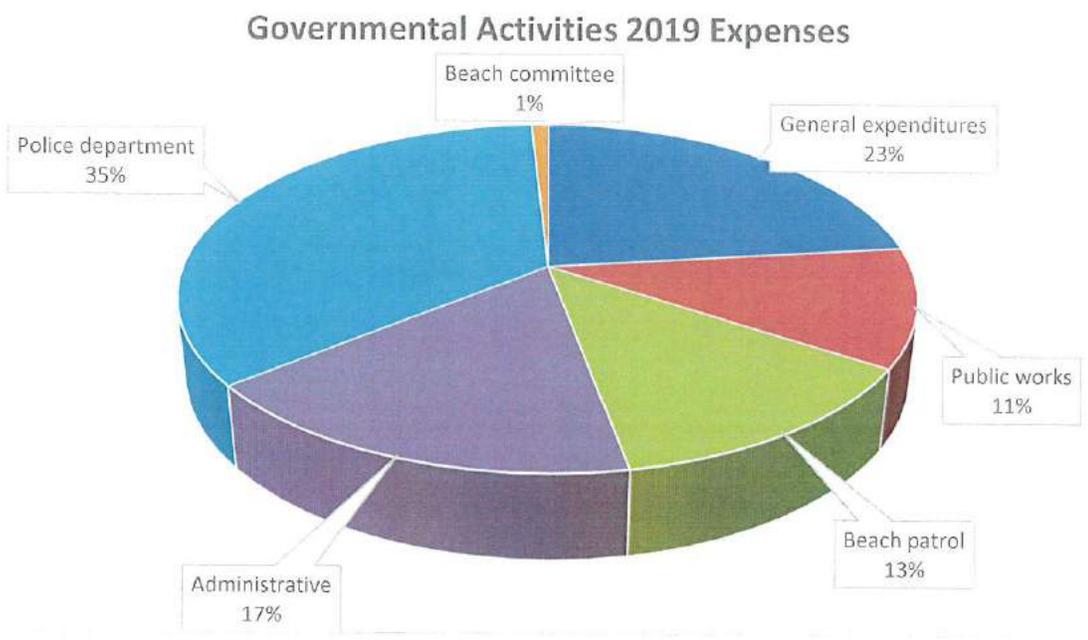
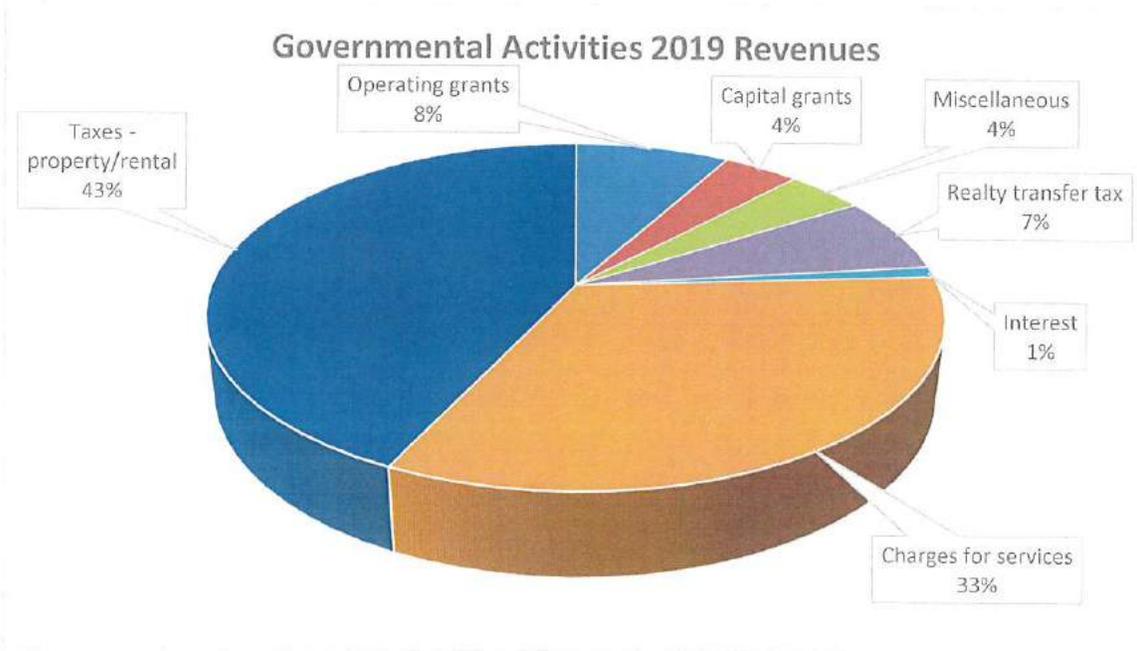
The July 31, 2018 balances have been restated as described in the notes to the financial statements on page 34.

**TOWN OF FENWICK ISLAND, DELAWARE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JULY 31, 2019**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

Analysis of the Town's operations (continued)



**TOWN OF FENWICK ISLAND, DELAWARE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JULY 31, 2019**

**FINANCIAL ANALYSIS OF THE GOVERNMENTAL FUNDS**

Governmental funds

The focus of the Town of Fenwick Island's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the Town of Fenwick Island's governmental funds reported combined ending fund balances of \$1,971,957. Of this total amount, \$419,398 constitutes unassigned fund balance.

General fund budgetary highlights

Revenues for the general fund operations were above budgeted revenue by \$156,921. This favorable variance is primarily due to an increase in charges for services revenues. Departmental expenditures were higher than budgeted expenditures by \$382,220. This unfavorable variance is primarily due to the higher than expected costs of capital outlay.

The following schedule presents a comparative summary of General Fund revenues and for the fiscal years ended July 31, 2019 and 2018, along with the percentage of that revenue to total revenues:

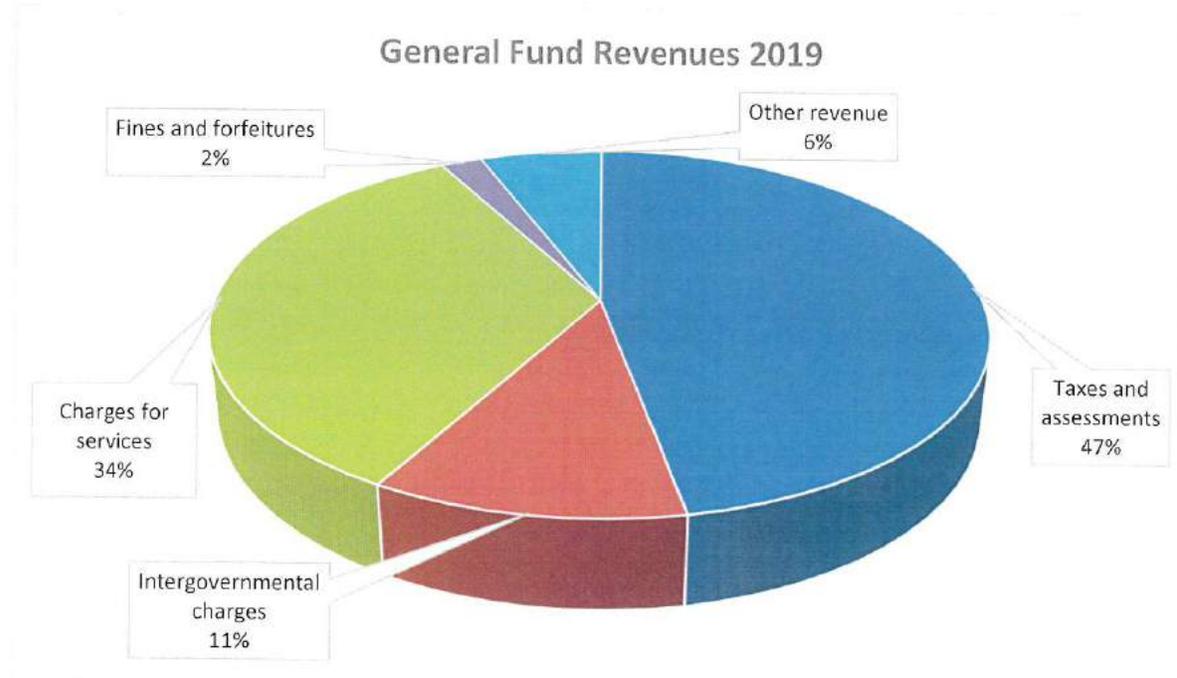
| <b>Revenues</b>          | <b>July 31, 2019<br/>Totals</b> | <b>Percentage<br/>of Total</b> | <b>July 31, 2018<br/>Totals</b> | <b>Percentage<br/>of Total</b> |
|--------------------------|---------------------------------|--------------------------------|---------------------------------|--------------------------------|
| Taxes and assessments    | \$ 1,060,365                    | 47%                            | \$ 1,038,674                    | 52%                            |
| Intergovernmental grants | 239,810                         | 11%                            | 227,236                         | 11%                            |
| Charges for services     | 765,896                         | 34%                            | 613,689                         | 31%                            |
| Fines and forfeitures    | 39,261                          | 2%                             | 36,560                          | 2%                             |
| Other revenue            | 142,129                         | 6%                             | 88,865                          | 4%                             |
|                          | <u>\$ 2,247,461</u>             | <u>100%</u>                    | <u>\$ 2,005,024</u>             | <u>100%</u>                    |

**TOWN OF FENWICK ISLAND, DELAWARE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JULY 31, 2019**

**FINANCIAL ANALYSIS OF THE GOVERNMENTAL FUNDS (Continued)**

General fund budgetary highlights (continued)



Current and prior year's taxes continue to represent the largest revenue source, with \$1,060,365 or 47% of all General Fund revenues. The increase in revenues from 2018 of \$242,437 was due primarily to the increase in charges for services and intergovernmental revenues.

The following schedule represents a comparative summary of General Fund expenditures for the fiscal years ended July 31, 2019 and 2018, along with the percentage of that expenditure to total expenditures:

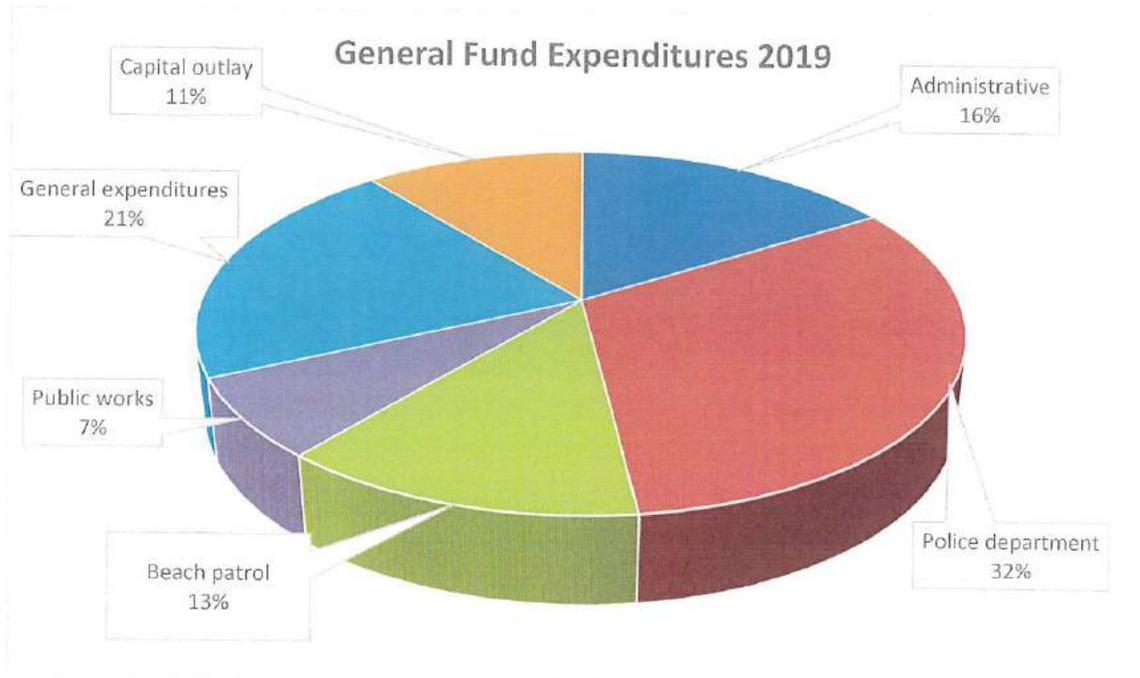
| <b>Expenditures</b> | <b>July 31, 2019<br/>Totals</b> | <b>Percentage<br/>of Total</b> | <b>July 31, 2018<br/>Totals</b> | <b>Percentage<br/>of Total</b> |
|---------------------|---------------------------------|--------------------------------|---------------------------------|--------------------------------|
| Administrative      | \$ 395,164                      | 16%                            | \$ 362,582                      | 18%                            |
| Police department   | 793,940                         | 32%                            | 709,658                         | 35%                            |
| Beach patrol        | 320,684                         | 13%                            | 316,744                         | 15%                            |
| Public works        | 181,553                         | 7%                             | 236,896                         | 12%                            |
| General government  | 507,177                         | 21%                            | 423,871                         | 21%                            |
| Capital outlay      | 274,242                         | 11%                            | 4,666                           | 0%                             |
|                     | <b>\$ 2,472,760</b>             | <b>100%</b>                    | <b>\$ 2,054,417</b>             | <b>100%</b>                    |

**TOWN OF FENWICK ISLAND, DELAWARE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JULY 31, 2019**

**FINANCIAL ANALYSIS OF THE GOVERNMENTAL FUNDS (Continued)**

General fund budgetary highlights (continued)



The Town's actual expenditures were higher than budgeted expenditures by \$382,220. This unfavorable variance is primarily due to the higher than expected costs for capital outlay.

**DEBT ADMINISTRATION**

The Town does not hold any long-term notes or bonds payable. The Town's noncurrent liabilities consist of accrued compensated absences and the net pension liability. Information about the Town's net pension liability can be found starting on page 27 of this report.

**TOWN OF FENWICK ISLAND, DELAWARE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JULY 31, 2019**

**CAPITAL ASSETS**

The Town of Fenwick Island's investment in capital assets for its governmental activities as of July 31, 2019 amounts to \$2,269,268 (net of accumulated depreciation). This investment in capital asset assets includes the following:

|                               | <b>Governmental<br/>Activities<br/>July 31, 2019</b> | <b>Governmental<br/>Activities<br/>July 31, 2018</b> | <b>Change</b>     |
|-------------------------------|--|--|-------------------|
| Buildings                     | \$ 1,014,115   | \$ 987,289   | \$ 26,826         |
| Vehicles                      | 319,751  | 348,008  | (28,257)          |
| Office equipment              | 105,010  | 108,788  | (3,778)           |
| Police equipment              | 196,100  | 201,361  | (5,261)           |
| Street signs and fixtures     | 58,788   | 59,397   | (609)             |
| Machinery and equipment       | 199,007  | 278,648  | (79,641)          |
| Beach and lifeguard equipment | 156,801  | 156,801  |                   |
| Recreation equipment          | 40,147   | 41,156   | (1,009)           |
| Construction in progress      | 188,886  |  | 188,886           |
| Land improvements             | 2,070,273  | 2,050,632  | 19,641            |
| Accumulated depreciation      | (1,719,610)  | (1,711,773)  | (7,837)           |
|                               | <u>\$ 2,629,268</u>                                  | <u>\$ 2,520,307</u>                                  | <u>\$ 108,961</u> |

This year's major capital asset additions included:

- Town hall duct work for \$8,968
- Town hall roof replacement for \$17,858
- Bayard street drainage improvements for \$25,053
- Polaris side by side for \$15,088
- 2018 Ford Explorer police vehicle for \$43,289
- Police vehicle video system for \$4,995

**REQUEST FOR INFORMATION**

The financial report is designed to provide our citizens with general overview of the Town's finances. If you have questions about this report or need any additional information, contact the Town Hall, Attn: Town Manager, at 800 Coastal Highway, Fenwick Island, Delaware 19944, or call (302)-539-3011.

## **BASIC FINANCIAL STATEMENTS**

**TOWN OF FENWICK ISLAND, DELAWARE**

**STATEMENT OF NET POSITION**

**JULY 31, 2019**

|  | <u>Governmental<br/>Activities</u> |
|--|------------------------------------|
| <b>ASSETS</b>                                      |                                    |
| Current assets                                     |                                    |
| Cash and cash equivalents                          | \$ 778,675                         |
| Taxes receivable                                   | 35,164                             |
| Accounts receivable - other                        | 27,946                             |
| Inventories  | 1,448                              |
| Prepaid expenses                                   | 52,363                             |
| Restricted cash                                    | 1,264,522                          |
| Total current assets                               | <u>2,160,118</u>                   |
| Noncurrent assets                                  |                                    |
| Capital assets, net of depreciation                | 2,629,268                          |
| Total assets                                       | <u><u>4,789,386</u></u>            |
| <br><b>DEFERRED OUTFLOWS OF RESOURCES</b>          |                                    |
| Deferred financing outflows - retirement           | <u>189,951</u>                     |
| <br><b>LIABILITIES</b>                             |                                    |
| Current liabilities                                |                                    |
| Accounts payable                                   | 48,671                             |
| Accrued wages and payroll taxes                    | 73,275                             |
| Accrued compensated absences                       | 14,128                             |
| Total current liabilities                          | <u>136,074</u>                     |
| Noncurrent liabilities                             |                                    |
| Accrued compensated absences, less current portion | 269,291                            |
| Net pension liability                              | 96,319                             |
| Total noncurrent liabilities                       | <u>365,610</u>                     |
| Total liabilities                                  | <u><u>501,684</u></u>              |
| <br><b>DEFERRED INFLOWS OF RESOURCES</b>           |                                    |
| Deferred grants                                    | 52,087                             |
| Deferred financing inflows - retirement            | 67,982                             |
| Total deferred inflows of resources                | <u><u>120,069</u></u>              |
| <br><b>NET POSITION</b>                            |                                    |
| Net investment in capital assets                   | 2,629,268                          |
| Restricted   | 1,264,522                          |
| Unrestricted                                       | 463,794                            |
| Total net position                                 | <u><u>\$ 4,357,584</u></u>         |

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

**TOWN OF FENWICK ISLAND, DELAWARE**

**STATEMENT OF ACTIVITIES**

**YEAR ENDED JULY 31, 2019**

|                                | Program Revenues |                         |  | Net Revenue<br>(Expense) and Change<br>in Net Position |
|--------------------------------|------------------|-------------------------|--|--|
|                                | Expenses         | Charges for<br>Services | Operating<br>Grants and<br>Contributions |  |
|                                |                  |                         | Capital Grants<br>and<br>Contributions   | Governmental<br>Activities                             |
| <b>FUNCTIONS/PROGRAMS</b>      |                  |                         |  |  |
| <b>GOVERNMENTAL ACTIVITIES</b> |                  |                         |  |  |
| General government             | \$ 565,668       | \$ 765,896              | \$                                       | \$ 200,228   |
| Administrative                 | 413,204          |                         |  | (413,204)  |
| Police department              | 870,733          | 38,786                  | 135,545                                  | (696,402)  |
| Beach patrol                   | 335,397          |                         | 60,000                                   | (275,397)  |
| Beach committee                | 2,267            |                         |  | (2,267)  |
| Public works                   | 281,372          |                         | 87,635                                   | (193,737)  |
| Total governmental activities  | <u>2,468,641</u> | <u>804,682</u>          | <u>195,545</u>                           | <u>(1,380,779)</u>                                     |

**GENERAL REVENUES**

|   |                     |
|---|---------------------|
| Taxes   |                     |
| Property taxes                                      | 729,474             |
| Transfer taxes                                      | 163,838             |
| Gross rental tax                                    | 324,849             |
| Fines and forfeitures                               | 475                 |
| Unrestricted investment earnings                    | 23,153              |
| Miscellaneous                                       | 91,305              |
| Gain on sale of equipment                           | 39,419              |
| Total general revenues                              | <u>1,372,513</u>    |
| Change in net position                              | <u>(8,266)</u>      |
| <b>NET POSITION, BEGINNING OF YEAR, AS RESTATED</b> | <u>4,365,850</u>    |
| <b>NET POSITION, END OF YEAR</b>                    | <u>\$ 4,357,584</u> |

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

**TOWN OF FENWICK ISLAND, DELAWARE**

**BALANCE SHEETS  
GOVERNMENTAL FUNDS**

**JULY 31, 2019**

|  | <u>General Fund</u> | <u>1 1/2% Realty Transfer Tax</u> | <u>Municipal Street Aid</u> | <u>Other Governmental Funds (non-major)</u> | <u>Total Governmental Funds</u> |
|--|---------------------|-----------------------------------|-----------------------------|---|---------------------------------|
| <b>ASSETS</b>  |                     |                                   |                             |   |                                 |
| Cash and cash equivalents                              | \$ 578,898          | \$                                |                             | \$ 199,776                                  | \$ 778,674                      |
| Taxes receivable                                       | 44                  | 35,120                            |                             |   | 35,164                          |
| Accounts receivable - other                            | 27,946              |                                   |                             |   | 27,946                          |
| Inventory  |                     |                                   | 1,448                       |   | 1,448                           |
| Prepaid expenses                                       | 52,363              |                                   |                             |   | 52,363                          |
| Restricted cash  | 1,370               | 1,218,412                         | 44,740                      |   | 1,264,522                       |
| Total assets   | <u>\$ 660,621</u>   | <u>\$ 1,253,532</u>               | <u>\$ 46,188</u>            | <u>\$ 199,776</u>                           | <u>\$ 2,160,117</u>             |
| <b>LIABILITIES</b>                                     |                     |                                   |                             |   |                                 |
| Accounts payable                                       | \$ 48,000           | \$                                |                             | \$ 670                                      | \$ 48,670                       |
| Accrued wages and payroll taxes                        | 73,275              |                                   |                             |   | 73,275                          |
| Accrued compensated absences                           | 14,128              |                                   |                             |   | 14,128                          |
| Total liabilities                                      | <u>135,403</u>      |                                   |                             | <u>670</u>                                  | <u>136,073</u>                  |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                   |                     |                                   |                             |   |                                 |
| Deferred grants  | 52,087              |                                   |                             |   | 52,087                          |
| <b>FUND BALANCES</b>                                   |                     |                                   |                             |   |                                 |
| Nonspendable   | 52,363              |                                   | 1,448                       |   | 53,811                          |
| Restricted   | 1,370               | 1,253,532                         | 44,740                      |   | 1,299,642                       |
| Committed  |                     |                                   |                             | 133,394                                     | 133,394                         |
| Assigned   |                     |                                   |                             | 65,712                                      | 65,712                          |
| Unassigned   | 419,398             |                                   |                             |   | 419,398                         |
| Total fund balances                                    | <u>473,131</u>      | <u>1,253,532</u>                  | <u>46,188</u>               | <u>199,106</u>                              | <u>1,971,957</u>                |
| Total liabilities, deferred inflows, and fund balances | <u>\$ 660,621</u>   | <u>\$ 1,253,532</u>               | <u>\$ 46,188</u>            | <u>\$ 199,776</u>                           | <u>\$ 2,160,117</u>             |

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

**TOWN OF FENWICK ISLAND, DELAWARE**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEETS  
TO THE STATEMENT OF NET POSITION**

**JULY 31, 2019**

|   |                     |
|---|---------------------|
| Total fund balances, governmental funds   | \$ 1,971,957        |
| 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. | 2,629,268           |
| Some expenditures reported in the governmental funds require the use of current financial resources and these are not reported as expenses in the Statement of Activities.  |                     |
| Deferred financing outflows - retirement  | 189,951             |
| Long-term liabilities are not due and payable in the current period and are not included in the fund financial statements, but are included in the governmental activities of the Statement of Net Position.                  |                     |
| Compensated absences  | (269,291)           |
| Deferred financing inflows - retirement   | (67,982)            |
| Net pension liability   | <u>(96,319)</u>     |
| Net position, governmental activities   | <u>\$ 4,357,584</u> |

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

TOWN OF FENWICK ISLAND, DELAWARE

STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS

YEAR ENDED JULY 31, 2019

|  | General Fund      | 1 1/2% Realty Transfer Tax | Municipal Street Aid | Other Governmental Funds (non-major) | Total Governmental Funds |
|--|-------------------|----------------------------|----------------------|--------------------------------------|--------------------------|
| <b>REVENUES</b>                                      |                   |                            |                      |                                      |                          |
| Taxes  | \$ 1,060,365      | \$ 163,838                 | \$ 37,635            | \$                                   | \$ 1,261,838             |
| Intergovernmental                                    | 239,810           |                            |                      |                                      | 239,810                  |
| Charges for services                                 | 765,896           |                            |                      | 1,756                                | 767,652                  |
| Fines and forfeitures                                | 39,261            |                            |                      |                                      | 39,261                   |
| Miscellaneous  | 142,129           | 13,952                     | 481                  | 10,617                               | 167,179                  |
| Total revenues                                       | <u>2,247,461</u>  | <u>177,790</u>             | <u>38,116</u>        | <u>12,373</u>                        | <u>2,475,740</u>         |
| <b>EXPENDITURES</b>                                  |                   |                            |                      |                                      |                          |
| Current  |                   |                            |                      |                                      |                          |
| General government                                   | 507,177           | 1,640                      |                      |                                      | 508,817                  |
| Administrative                                       | 395,164           |                            |                      |                                      | 395,164                  |
| Police department                                    | 793,940           |                            |                      |                                      | 793,940                  |
| Beach patrol   | 320,684           |                            |                      |                                      | 320,684                  |
| Beach committee                                      |                   |                            |                      | 2,267                                | 2,267                    |
| Public works   | 181,553           | 1,307                      | 14,632               | 2,400                                | 199,892                  |
| Capital outlay                                       | 274,242           | 29,896                     |                      |                                      | 304,138                  |
| Total expenditures                                   | <u>2,472,760</u>  | <u>32,843</u>              | <u>14,632</u>        | <u>4,667</u>                         | <u>2,524,902</u>         |
| Revenues over (under) expenditures                   | (225,299)         | 144,947                    | 23,484               | 7,706                                | (49,162)                 |
| <b>OTHER FINANCING SOURCES</b>                       |                   |                            |                      |                                      |                          |
| Transfers in (out)                                   | 227,834           | (258,037)                  | 8,042                | 22,161                               |                          |
| Net change in fund balances                          | 2,535             | (113,090)                  | 31,526               | 29,867                               | (49,162)                 |
| <b>FUND BALANCES, BEGINNING OF YEAR, AS RESTATED</b> | <u>470,596</u>    | <u>1,366,622</u>           | <u>14,662</u>        | <u>169,239</u>                       | <u>2,021,119</u>         |
| <b>FUND BALANCES, END OF YEAR</b>                    | <u>\$ 473,131</u> | <u>\$ 1,253,532</u>        | <u>\$ 46,188</u>     | <u>\$ 199,106</u>                    | <u>\$ 1,971,957</u>      |

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

**TOWN OF FENWICK ISLAND, DELAWARE**

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

**YEAR ENDED JULY 31, 2019**

|  |                  |                   |
|--|------------------|-------------------|
| Net change in fund balances, governmental funds  |                  | \$ (49,162)       |
| Amounts reported for governmental activities in the Statement of Activities are different because:   |                  |                   |
| <p>The governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>   |                  |                   |
| Capital outlay expense   | \$ 304,138       |                   |
| Depreciation expense   | <u>(180,446)</u> | 123,692           |
| <p>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.</p> |                  |                   |
|  |                  | (14,734)          |
| <p>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 funds.</p>   |                  |                   |
| Change in long-term compensated absences   |                  | (37,428)          |
| Change in deferred financing outflows - retirement   |                  | 48,363            |
| Change in net pension liability  |                  | (51,898)          |
| <p>The governmental funds 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.</p>   |                  |                   |
| Change in deferred taxes   |                  | (6,042)           |
| Change in deferred financing inflows - retirement  |                  | <u>(21,057)</u>   |
| Change in net position, governmental activities  |                  | <u>\$ (8,266)</u> |

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

## TOWN OF FENWICK ISLAND, DELAWARE

### NOTES TO FINANCIAL STATEMENTS

JULY 31, 2019

#### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Fenwick Island, Delaware (the "Town") was incorporated in 1953 and adopted its first charter July 8, 1953, under the provisions of House Bill No. 274, with House Amendment No. 1 (An Act to Incorporate the Town of Fenwick Island, Delaware). The Town operates under a Council-Manager form of government and provides the following services as authorized by its charter: public safety, culture and recreation, planning and zoning, general administrative, and public works which includes street maintenance.

The accompanying financial statements of 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. Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance for their business-type activities and enterprise funds, subject to the same limitation. The most significant of the Town's accounting policies are described below.

##### Reporting entity

The accompanying financial statements include the various departments and offices that are legally controlled by or dependent on the Town Council (primary government). The Town's major operations include general government, administrative, police department, beach patrol, beach committee, and public works. The Town's financial reporting entity is required to consist of all organizations for which the Town is financially accountable or for which there is a significant relationship. The Town has no component units in its reporting entity.

##### Basic financial statements – government-wide financial statements

The government-wide financial statements (the statement of net position and the statement of changes in net position) report information on all of the activities of the Town. The effect of interfund activity, within the governmental activities columns, has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The Town has no business-type activities.

## TOWN OF FENWICK ISLAND, DELAWARE

### NOTES TO FINANCIAL STATEMENTS

JULY 31, 2019

#### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items are not included among program revenues and are reported instead as general revenues.

##### Basic financial statements – fund financial statements

The fund financial statements provide information about the Town's funds. Separate statements for each fund category – governmental and proprietary – are presented. The emphasis in fund financial statements is on the major funds in either fund category. Major individual funds are reported as separate columns in the fund financial statements.

*Governmental funds:* funds of governmental functions that are typically financed. The measurement focus of governmental funds is the current financial resources. The Town has presented the following governmental funds:

General Fund – This fund is used to account for all financial transactions not accounted for in another fund. Revenues are derived principally from property taxes, municipal user taxes, and other intergovernmental revenues. This fund accounts for the general administrative services of the Town not recorded elsewhere, including the activities of the various departments, public safety, street maintenance, administrative, and mayor and council.

Municipal Street Aid Fund – This fund is used to account for financial transactions pertaining to specific resources. Revenues are derived from State of Delaware Transportation Trust Fund grant monies. Expenditures of these monies are allowable for improvements to water and sewer systems, street improvements, public safety and public works.

1½ % Realty Transfer Tax Fund – This fund is used to account for financial transactions pertaining to specific resources. Revenues are derived from collections of the Town's assessed realty transfer tax fee of 1½ %. Expenditures of these monies are allowable for capital and operating costs of public safety services, economic development programs, public works services, capital projects and improvements, infrastructure projects and improvements and debt reduction.

Other Governmental Funds – This includes non-major governmental funds such as beach replenishment, parks and recreation, beach committee, and dedicated streets funds.

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

**TOWN OF FENWICK ISLAND, DELAWARE**

**NOTES TO FINANCIAL STATEMENTS**

**JULY 31, 2019**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Basic financial statements – fund financial statements (continued)

*Proprietary Funds:* Proprietary funds focus on the determination of changes in net position, financial position, and cash flows, and are classified as enterprise funds. The Town does not have any proprietary funds.

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

Basis of accounting

Measurement focus refers to what is being measured, basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. “Measurable” means the amount of the transaction that can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Town considers property taxes as available if they are collected within 60 days after year end. A one-year availability period is used for recognition of all other Governmental Fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is 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 FENWICK ISLAND, DELAWARE

## NOTES TO FINANCIAL STATEMENTS

JULY 31, 2019

### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Deferred inflows of resources

The Town reports increases in net assets that relate to future periods as deferred inflows of resources in a separate section of its government-wide Statement of Net Position. The Town has three types of items that qualify for reporting in this category: deferred financing inflows related to retirement, deferred revenues for property taxes which are not recognized until available (collected not later than 60 days after the end of the Town's fiscal year), and deferred grants, which are not recognized until a future event occurs.

#### 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 only one type of item that qualifies for reporting in this category: deferred financing outflows of resources related to retirement.

#### Pensions

For purposes of measuring the net pension liability, 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.

#### Net position

Net position represents the difference between assets and liabilities. Government-wide net position is divided into three components.

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

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

Unrestricted net position - consists of all other remaining net position.

## TOWN OF FENWICK ISLAND, DELAWARE

### NOTES TO FINANCIAL STATEMENTS

JULY 31, 2019

#### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### Governmental fund balances

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

Non-spendable - amounts that cannot be spent because they are either not in a spendable form (such as fixed assets and prepaid amounts) or are legally or contractually required to be maintained intact.

Restricted - amounts that can be spent only for a specific purpose because of the Town Charter, state or federal laws, or externally imposed conditions by grantors or creditors.

Committed - amounts that can be spent only for specific purposes determined by a formal action of the Town Council ordinance or resolution.

Assigned - amounts that are designated by the Mayor and Council for a particular purpose but are not spendable until a budget ordinance is passed or there is a majority vote approval by the Town Council.

Unassigned - all amounts not included in other spendable classifications.

##### Cash and cash equivalents

The Town has defined cash and cash equivalents to 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.

##### Prepaid items

Prepaid balances are for payments made by the Town in the current year to provide services occurring in the subsequent fiscal year. The amount for prepaid items has been designated to signify that a portion of the fund balance is not available for other subsequent expenditures.

##### Inventory

Inventory consists of supplies used in street repair and drainage projects. These materials are recorded at cost determined by the first-in, first-out method, as an asset of the Municipal Street Aid Fund, with an equal offsetting amount recorded as a fund balance.

**TOWN OF FENWICK ISLAND, DELAWARE**

**NOTES TO FINANCIAL STATEMENTS**

**JULY 31, 2019**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Capital assets

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at their 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                  | 3 - 20 years                  |
| Vehicles                   | 5 years                       |
| Infrastructure             | 30 years                      |

Property taxes

Taxes are levied on August 1 of each year and are due by October 31st. The Town bills and collects its own property taxes.

Compensated absences

Full-time permanent employees of the Town accrue vacation leave based on their tenure, to a maximum of 40 days and may accrue up to 960 hours of sick time, as specified in the employee handbook. 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 presentation.

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 funds are netted as part of the reconciliation to the government-wide financial statements.

**TOWN OF FENWICK ISLAND, DELAWARE**

**NOTES TO FINANCIAL STATEMENTS**

**JULY 31, 2019**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Budgetary activity

The Town charter established the fiscal year as the twelve-month period beginning August 1<sup>st</sup>. 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.

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.

**CASH AND CASH EQUIVALENTS**

All deposits are carried at cost. Transactions are made directly with the banks; services of brokers or securities dealers are not used. At July 31, 2019, the carrying amount of the Town's deposits was \$2,043,197 and the bank balance was \$2,066,756.

As of July 31, 2019, \$1,566,756 of the Town's bank balances was exposed to custodial risk. The \$1,566,756 was not covered by FDIC, but were collateralized with securities held by the pledging financial institution's trust department, but not in the Town's name.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the Town's investments.

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.

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

|  |    |                  |
|--|----|------------------|
| Cash and cash equivalents              | \$ | 778,675          |
| Cash and cash equivalents - restricted |    | <u>1,264,522</u> |
| Total cash and cash equivalents        | \$ | <u>2,043,197</u> |

**TOWN OF FENWICK ISLAND, DELAWARE**

**NOTES TO FINANCIAL STATEMENTS**

**JULY 31, 2019**

**ACCOUNTS RECEIVABLE - PROPERTY TAXES**

The Town's property tax year runs from August 1 to July 31. Property taxes are recorded and attached as an enforceable lien on property on August 1, the date levied.

Property taxes are recognized as revenue in the budget year (beginning August 1 after the levy date) for which they are levied. The Town bills and collects its own taxes. The property tax rate for the year ended July 31, 2019, based on assessments, was \$1.92 per \$100 of assessed valuation. The total assessed value of all taxable real property and improvements at August 1, 2018 was \$36,444,471. The Town does not have an allowance for delinquent taxes because all taxes are considered collectible.

**CAPITAL ASSETS**

Capital asset activity for the year ended July 31, 2019 was as follows:

|                                | Beginning<br>Balance | Increases  | Decreases   | Ending<br>Balance |
|--------------------------------|----------------------|------------|-------------|-------------------|
| Buildings                      | \$ 987,289           | \$ 26,826  | \$          | \$ 1,014,115      |
| Vehicles                       | 348,008              | 63,373     | (91,630)    | 319,751           |
| Office equipment               | 108,788              |            | (3,778)     | 105,010           |
| Police equipment               | 201,361              |            | (5,261)     | 196,100           |
| Street signs and fixtures      | 59,397               |            | (609)       | 58,788            |
| Machinery and equipment        | 278,648              |            | (79,641)    | 199,007           |
| Beach and lifeguard equipment  | 156,801              |            |             | 156,801           |
| Recreation equipment           | 41,156               |            | (1,009)     | 40,147            |
| Construction in Progress       |                      | 188,886    |             | 188,886           |
| Land and improvements          | 2,050,632            | 25,053     | (5,412)     | 2,070,273         |
| Total                          | 4,232,080            | 304,138    | (187,340)   | 4,348,878         |
| Less: accumulated depreciation | (1,711,773)          | (180,446)  | 172,609     | (1,719,610)       |
| Net capital assets             | \$ 2,520,307         | \$ 123,692 | \$ (14,731) | \$ 2,629,268      |

**TOWN OF FENWICK ISLAND, DELAWARE**

**NOTES TO FINANCIAL STATEMENTS**

**JULY 31, 2019**

**CAPITAL ASSETS**

Depreciation expense was charged to functions as follows:

|                               |                   |
|-------------------------------|-------------------|
| Governmental activities:      |                   |
| General government            | \$ 49,557         |
| Administrative                | 6,948             |
| Police department             | 45,121            |
| Beach patrol                  | 14,714            |
| Public works                  | 64,106            |
| Total governmental activities | <u>\$ 180,446</u> |

**RETIREMENT AND PENSION PLANS**

General information about the pension plans

*Plan descriptions:* The Town participates in the Delaware Public Employees' Retirement System (DPERS): County & Municipal Police/Firefighters' 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 the terms of the plan.

The following is a brief description of the plan in effect as of June 30, 2018. For a more complete description, please refer to the DPERS CAFR. Separately issued financial statements for DPERS are available from the pension office at: McArdle Building, Suite 1, 860 Silver Lake Blvd, Dover, DE 19904.

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

**TOWN OF FENWICK ISLAND, DELAWARE**

**NOTES TO FINANCIAL STATEMENTS**

**JULY 31, 2019**

**RETIREMENT AND PENSION PLANS (Continued)**

General information about the pension plans (continued)

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

*Contributions:* Active members of the Plan are required to contribute to the Plan at the rate of 7% of their covered salary. Employer contributions are determined by the Board of Pension Trustees. Contributions to the Plan from the Town for the past three years were as follows:

| <u>Fiscal Year<br/>Ending July 31.</u> | <u>Annual Pension<br/>Cost</u> | <u>Percentage<br/>Funded</u> |
|--|--------------------------------|------------------------------|
| 2017                                   | \$ 43,628                      | 100%                         |
| 2018                                   | \$ 49,832                      | 100%                         |
| 2019                                   | \$ 70,387                      | 100%                         |

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 July 31, 2019, the Town received \$29,216.

**TOWN OF FENWICK ISLAND, DELAWARE**

**NOTES TO FINANCIAL STATEMENTS**

**JULY 31, 2019**

**RETIREMENT AND PENSION PLANS (Continued)**

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

At July 31, 2019, the Town reported a liability of \$96,319 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. Update procedures were used to roll forward the total pension liability to June 30, 2018. The Town's proportion of the net pension liability was based on the percentage of actual employee contributions. At June 30, 2018, the Town's proportion for the Plan was .4182%.

For the year ended July 31, 2019, the Town recognized pension expense of \$57,748. At July 31, 2019, the Town reported deferred outflows of resources or deferred inflows of resources related to pensions from the following sources:

|   | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|---|--------------------------------------|-------------------------------------|
| Changes of assumptions  | \$ 31,641                            | \$ 13,594                           |
| Changes in proportion   | 1,090                                | 14,888                              |
| Difference between expected and actual experience                                   | 82,941                               | 22,716                              |
| Net difference between projected and<br>actual earnings on pension plan investments |                                      | 16,784                              |
| Contributions subsequent to measurement date  | 74,279                               |                                     |
|   | <u>\$ 189,951</u>                    | <u>\$ 67,982</u>                    |

**TOWN OF FENWICK ISLAND, DELAWARE**

**NOTES TO FINANCIAL STATEMENTS**

**JULY 31, 2019**

**RETIREMENT AND PENSION PLANS (Continued)**

Pension liabilities, pension expense and deferred outflows of resources and deferred inflows of resources related to pensions (continued)

The Town's contribution of \$74,279 subsequent to the measurement date, reported as deferred outflows of resources, will be recognized as a reduction of the net pension liability in the year ending July 31, 2020. The collective deferred outflows of resources and deferred inflows of resources are being amortized as follows:

|  | <u>Measurement<br/>Period Ended<br/>June 30</u> | <u>Amortization Period<br/>Police</u> |
|--|---|---------------------------------------|
| Difference between expected and actual experience                      | 2015  | 11 years                              |
|  | 2016  | 11 years                              |
|  | 2017  | 10 years                              |
|  | 2018  | 10 years                              |
| Net difference between projected and actual earnings<br>on investments | 2014  | 5 years                               |
|  | 2015  | 5 years                               |
|  | 2016  | 5 years                               |
|  | 2017  | 5 years                               |
|  | 2018  | 5 years                               |
| Change in proportion   | 2014  | 11 years                              |
|  | 2015  | 11 years                              |
|  | 2016  | 10 years                              |
|  | 2017  | 10 years                              |
| Change of assumptions  | 2016  | 10 years                              |
|  | 2017  | 10 years                              |

**TOWN OF FENWICK ISLAND, DELAWARE**

**NOTES TO FINANCIAL STATEMENTS**

**JULY 31, 2019**

**RETIREMENT AND PENSION PLANS (Continued)**

Pension liabilities, pension expense and deferred outflows of resources and deferred inflows of resources related to pensions (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<br>July 31, |    |               |
|-------------------------|----|---------------|
| 2020                    | \$ | 14,922        |
| 2021                    |    | 9,340         |
| 2022                    |    | (9,230)       |
| 2023                    |    | (1,820)       |
| 2024                    |    | 7,499         |
| Thereafter              |    | 26,979        |
|                         | \$ | <u>47,690</u> |

*Actuarial assumptions.* The collective total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of June 30, 2017, and update procedures were used to roll forward the total pension liability to June 30, 2018. 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 2017. 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 Sex distinct RP – 2014 Combined Mortality Table projected to 2015 using scale AA for Males or Females, as appropriate, for mortality improvement.

# TOWN OF FENWICK ISLAND, DELAWARE

## NOTES TO FINANCIAL STATEMENTS

JULY 31, 2019

### RETIREMENT AND PENSION PLANS (Continued)

Pension liabilities, pension expense and deferred outflows of resources and deferred inflows of resources related to pensions (continued)

*Discount rate:* The discount rate for the plan used to measure the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at rates determined by the Board of Pension Trustees, actuarially determined. Based on those assumptions, the pension plan's 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 liability.

*Sensitivity of the net pension liability 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%)           | \$ 353,061   |
| Current discount rate (7.0%) | \$ 96,319    |
| 1% Increase (8.0%)           | \$ (111,509) |

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

### DEFERRED COMPENSATION PLANS

The Town's administrative staff are members of the Town's deferred compensation plan. The Town contributes 5% of the municipal employee's annual salary. The Town also matches employee contributions up to an additional 5% of the employee's annual salary, for a total maximum cost to the Town of up to 10% for each municipal employee.

**TOWN OF FENWICK ISLAND, DELAWARE**

**NOTES TO FINANCIAL STATEMENTS**

**JULY 31, 2019**

**RISK MANAGEMENT**

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

The Town is fully insured for workers' compensation through commercial insurance, and council members are bonded to limit the loss to the Town in the event of Council members or employees committing acts of embezzlement or theft. There have been no significant reductions in insurance coverage from the prior year and settlements have not exceeded coverage for each of the past three fiscal years.

**LEASE AGREEMENTS**

The Town entered into an operating lease for a vehicle which expired in June 2019. The lease is month to month, for 6 months, as of July 31, 2019.

The total rental expense under this operating lease for the fiscal year ended July 31, 2019 was \$4,157.

**COMMITMENTS AND CONTINGENCIES**

In the normal course of business, there are outstanding various 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.

**TOWN OF FENWICK ISLAND, DELAWARE**

**NOTES TO FINANCIAL STATEMENTS**

**JULY 31, 2019**

**PRIOR PERIOD ADJUSTMENTS**

Net position in the government-wide and fiduciary statements and the fund balance in the fund statements as of July 31, 2018 have been restated to correct an overstatement of assets in the 1 ½% Realty Transfer Tax Fund. In addition, the fiduciary fund was moved to Other Government Funds and the amount was added the beginning net position. Adjustments to net position/fund balance as of July 31, 2018 are as follows:

|  | <u>Government-<br/>wide statements</u> | <u>Fund financial statements</u>      |   | <u>Fiduciary<br/>statements</u> |
|--|--|---------------------------------------|---|---------------------------------|
|  | <u>Governmental<br/>Activities</u>     | <u>1 1/2% Realty<br/>Transfer Tax</u> | <u>Other<br/>Governmental<br/>Funds</u> | <u>Beach<br/>Committee Fund</u> |
| Net position, beginning of year,<br>as originally reported | \$ 4,361,734                           | \$ 1,372,442                          | \$ 159,301                              | \$ 9,938                        |
| Adjustment for cash  | (5,822)                                | (5,822)                               |   |                                 |
| Fiduciary net assets                                       | 9,938                                  |                                       | 9,938                                   | (9,938)                         |
| Net position, beginning of year,<br>as restated            | <u>\$ 4,365,850</u>                    | <u>\$ 1,366,620</u>                   | <u>169,239</u>                          | <u>\$</u>                       |

**NEW PRONOUNCEMENTS**

GASB Statement No. 87, *Leases*, will be effective for the Town beginning with the year ending July 31, 2022. This statements 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 issued Statement No. 89, *Accounting for Interest Cost Incurred before the end of a Construction Period* in June 2018. It is effective for periods beginning after December 15, 2019. The new guidance requires interest cost incurred before the end of a construction period be recognized as an expense for financial statements prepared using the economic resources measurement focus. Previously, the interest was included in the historical cost of capital assets.

**REQUIRED SUPPLEMENTARY INFORMATION**

**TOWN OF FENWICK ISLAND, DELAWARE**

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

**YEAR ENDED JULY 31, 2019**

|                                | Budgeted Amounts |                  | Actual<br>Amounts | Variance with<br>Final Budget<br>Favorable<br>(Unfavorable) |
|--------------------------------|------------------|------------------|-------------------|---|
|                                | Original         | Final            |                   |   |
| <b>REVENUES</b>                |                  |                  |                   |   |
| Taxes                          | \$ 1,025,000     | \$ 1,025,000     | \$ 1,060,365      | \$ 35,365   |
| Intergovernmental              | 145,149          | 145,149          | 239,810           | 94,661  |
| Charges for services           | 577,304          | 577,304          | 765,896           | 188,592   |
| Fines and forfeitures          | 55,500           | 55,500           | 39,261            | (16,239)  |
| Realty transfer taxes          | 216,060          | 216,060          |                   | (216,060)   |
| Miscellaneous                  | 71,527           | 71,527           | 142,129           | 70,602  |
| Total revenues                 | <u>2,090,540</u> | <u>2,090,540</u> | <u>2,247,461</u>  | <u>156,921</u>  |
| <b>EXPENDITURES</b>            |                  |                  |                   |   |
| Current                        |                  |                  |                   |   |
| General government             | 390,069          | 390,069          | 507,177           | (117,108)   |
| Administrative                 | 395,579          | 395,579          | 395,164           | 415   |
| Police department              | 768,265          | 768,265          | 793,940           | (25,675)  |
| Beach patrol                   | 299,872          | 299,872          | 320,684           | (20,812)  |
| Public works                   | 236,755          | 236,755          | 181,553           | 55,202  |
| Capital outlay                 |                  |                  | 274,242           | (274,242)   |
| Total expenditures             | <u>2,090,540</u> | <u>2,090,540</u> | <u>2,472,760</u>  | <u>(382,220)</u>  |
| Revenues under expenditures    |                  |                  | (225,299)         | (225,299)   |
| <b>OTHER FINANCING SOURCES</b> |                  |                  |                   |   |
| Transfers in                   |                  |                  | 227,834           | 227,834   |
| Net change in fund balances    | <u>\$</u>        | <u>\$</u>        | <u>\$ 2,535</u>   | <u>\$ 2,535</u>   |

**TOWN OF FENWICK ISLAND, DELAWARE**

**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF THE TOWN'S PROPORTIONATE  
SHARE OF THE NET PENSION LIABILITY (ASSET)**

**DELAWARE PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
(UNAUDITED)**

|   | 2019       | 2018       | 2017       | 2016        |
|---|------------|------------|------------|-------------|
| <u>County &amp; Municipal Police and Firefighters' Pension Plan</u>                                       |            |            |            |             |
| Town's proportion of the net pension liability (asset)  | 0.4182%    | 0.4406%    | 0.4518%    | 0.4334%     |
| Town's proportionate share of the net pension liability (asset)   | \$ 96,319  | \$ 44,421  | \$ 71,820  | \$ (22,839) |
| Town's covered-employee payroll   | \$ 505,052 | \$ 433,418 | \$ 413,573 | \$ 394,845  |
| Town's proportionate share of the net pension liability (asset)<br>as a percentage of its covered payroll | 19.07%     | 10.25%     | 17.37%     | -5.78%      |
| Plan fiduciary net position as a percentage of the<br>total pension liability (asset)                     | 94.1%      | 97.0%      | 94.7%      | 102.0%      |

**TOWN OF FENWICK ISLAND, DELAWARE**

**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF THE TOWN'S CONTRIBUTIONS**

**DELAWARE PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
(UNAUDITED)**

|  | 2019       | 2018       | 2017       | 2016       |
|--|------------|------------|------------|------------|
| <u>County &amp; Municipal Police and Firefighters' Pension Plan</u>  |            |            |            |            |
| Contractually required contribution                                  | \$ 74,279  | \$ 70,387  | \$ 49,852  | \$ 43,628  |
| Contributions in relation to the contractually required contribution | (74,279)   | (70,387)   | (49,852)   | (43,628)   |
| Contribution deficiency (excess)                                     | \$         | \$         | \$         | \$         |
| Town's covered-employee payroll                                      | \$ 505,052 | \$ 433,418 | \$ 413,573 | \$ 394,845 |
| Contributions as a percentage of covered-employee payroll            | 15%        | 16%        | 12%        | 11%        |

**SUPPLEMENTARY INFORMATION**



ANDREW M. HAYNIE, CPA  
SUSAN P. KEEN, CPA  
MICHAEL C. KLEGER, CPA  
E. LEE McCABE, CPA  
JEFFREY A. MICHALIK, CPA  
ROBERT L. MOORE, CPA  
DANIEL M. O'CONNELL II, CPA  
JOHN M. STERN, JR., CPA

## INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

Honorable Mayor and Council Members  
Town of Fenwick Island, Delaware

### Report on Supplementary Information

PKScpa.com

Salisbury  
1801 SWEETBAY DRIVE  
P.O. BOX 72  
SALISBURY, MD 21803  
TEL: 410.546.5600

Our report on our audit of the financial statements that collectively comprise the Town of Fenwick Island, Delaware's basic financial statements as of July 31, 2019 appears on pages 1 and 2. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Fenwick Island, Delaware's basic financial statements. The supplementary information presented on pages 39 through 45 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Ocean City  
12216 OCEAN GATEWAY  
SUITE 800  
OCEAN CITY, MD 21842  
TEL: 410.213.7185

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

Lewes  
1143 SAVANNAH ROAD  
SUITE 1  
LEWES, DE 19958  
TEL: 302.645.5757

MEMBERS OF:

AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

MARYLAND ASSOCIATION OF  
CERTIFIED PUBLIC ACCOUNTANTS

DELAWARE SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS

ALLINIAL GLOBAL

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

*PKS & Company, P.A.*

CERTIFIED PUBLIC ACCOUNTANTS

Salisbury, Maryland  
January 24, 2020

**TOWN OF FENWICK ISLAND, DELAWARE**

**COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS**

**JULY 31, 2019**

|                                     | Beach<br>Replenishment | Parks and<br>Recreation | Dedicated<br>Streets | Beach<br>Committee | Total Other<br>Governmental<br>Funds |
|-------------------------------------|------------------------|-------------------------|----------------------|--------------------|--------------------------------------|
| <b>ASSETS</b>                       |                        |                         |                      |                    |                                      |
| Cash and cash equivalents           | \$ 38,047              | \$ 11,555               | \$ 133,394           | \$ 16,780          | \$ 199,776                           |
|                                     | \$                     | \$                      | \$                   | \$                 | \$                                   |
| <b>LIABILITIES</b>                  |                        |                         |                      |                    |                                      |
| Accounts payable                    |                        | 385                     |                      | 285                | 670                                  |
|                                     |                        |                         |                      |                    |                                      |
| <b>FUND BALANCES</b>                |                        |                         |                      |                    |                                      |
| Committed                           |                        |                         | 133,394              |                    | 133,394                              |
| Assigned                            | 38,047                 | 11,170                  |                      | 16,495             | 65,712                               |
| Total fund balances                 | 38,047                 | 11,170                  | 133,394              | 16,495             | 199,106                              |
| Total liabilities and fund balances | \$ 38,047              | \$ 11,555               | \$ 133,394           | \$ 16,780          | \$ 199,776                           |

**TOWN OF FENWICK ISLAND, DELAWARE**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**NON-MAJOR GOVERNMENTAL FUNDS**

YEAR ENDED JULY 31, 2019

|  | Beach Replenishment | Parks and Recreation | Dedicated Streets | Beach Committee  | Total Other Governmental Funds |
|--|---------------------|----------------------|-------------------|------------------|--------------------------------|
| <b>REVENUES</b>                                      |                     |                      |                   |                  |                                |
| Charges for services                                 | \$ 435              | \$ 1,756             | \$ 1,371          | \$ 8,799         | \$ 1,756                       |
| Miscellaneous  | 435                 | 12                   | 1,371             | 8,799            | 10,617                         |
| Total revenues                                       | <u>435</u>          | <u>1,768</u>         | <u>1,371</u>      | <u>8,799</u>     | <u>12,373</u>                  |
| <b>EXPENDITURES</b>                                  |                     |                      |                   |                  |                                |
| Beach committee                                      |                     |                      |                   | 2,267            | 2,267                          |
| Public works   |                     | 2,400                |                   |                  | 2,400                          |
| Total expenditures                                   |                     | <u>2,400</u>         |                   | <u>2,267</u>     | <u>4,667</u>                   |
| Revenues over (under) expenditures                   | 435                 | (632)                | 1,371             | 6,532            | 7,706                          |
| <b>OTHER FINANCING SOURCES</b>                       |                     |                      |                   |                  |                                |
| Transfers in   |                     | 159                  | 21,977            | 25               | 22,161                         |
| Net change in fund balances                          | 435                 | (473)                | 23,348            | 6,557            | 29,867                         |
| <b>FUND BALANCES, BEGINNING OF YEAR, AS RESTATED</b> | <u>37,612</u>       | <u>11,643</u>        | <u>110,046</u>    | <u>9,938</u>     | <u>169,239</u>                 |
| <b>FUND BALANCES, END OF YEAR</b>                    | <u>\$ 38,047</u>    | <u>\$ 11,170</u>     | <u>\$ 133,394</u> | <u>\$ 16,495</u> | <u>\$ 199,106</u>              |

**TOWN OF FENWICK ISLAND, DELAWARE**  
**SCHEDULE OF REVENUES - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**YEAR ENDED JULY 31, 2019**

|                             | Final<br>Budget<br>(Unaudited) | Actual              | Variance<br>Favorable<br>(Unfavorable) |
|-----------------------------|--------------------------------|---------------------|--|
| Taxes                       |                                |                     |  |
| Property taxes              | \$ 718,000                     | \$ 735,516          | \$ 17,516                              |
| Gross rental taxes          | 307,000                        | 324,849             | 17,849                                 |
| Total taxes                 | <u>1,025,000</u>               | <u>1,060,365</u>    | <u>35,365</u>                          |
| Intergovernmental           |                                |                     |  |
| Capital improvement grant   |                                | 50,000              | 50,000                                 |
| Lifeguard grants            | 60,000                         | 60,000              |  |
| Police grants               | 60,149                         | 93,518              | 33,369                                 |
| Pension income              | 25,000                         | 36,292              | 11,292                                 |
| Total intergovernmental     | <u>145,149</u>                 | <u>239,810</u>      | <u>94,661</u>                          |
| Charges for services        |                                |                     |  |
| Trash collection fees       | 184,000                        | 186,686             | 2,686                                  |
| Ambulance fees              | 45,104                         | 50,190              | 5,086                                  |
| Franchise fees              | 34,000                         | 50,668              | 16,668                                 |
| Licenses fees               | 104,200                        | 106,459             | 2,259                                  |
| Building permit fees        | 210,000                        | 371,893             | 161,893                                |
| Total charges for services  | <u>577,304</u>                 | <u>765,896</u>      | <u>188,592</u>                         |
| Fines and forfeitures       |                                |                     |  |
| Traffic and parking fines   | 54,000                         | 38,786              | (15,214)                               |
| Penalties                   | 1,500                          |                     | (1,500)                                |
| Other                       |                                | 475                 | 475                                    |
| Total fines and forfeitures | <u>55,500</u>                  | <u>39,261</u>       | <u>(16,239)</u>                        |
| Realty transfer taxes       | <u>216,060</u>                 |                     | <u>(216,060)</u>                       |
| Miscellaneous               |                                |                     |  |
| Sale of equipment           |                                | 54,150              | 54,150                                 |
| Parking and bonfire permits | 32,500                         | 32,690              | 190                                    |
| Beach concession services   | 15,712                         | 15,712              |  |
| Lifeguard chair advertising |                                | 6,700               | 6,700                                  |
| Junior lifeguard program    | 6,865                          | 6,735               | (130)                                  |
| Interest income             | 2,500                          | 6,904               | 4,404                                  |
| Other revenues              | 13,950                         | 19,238              | 5,288                                  |
| Total miscellaneous         | <u>71,527</u>                  | <u>142,129</u>      | <u>70,602</u>                          |
| Total revenues              | <u>\$ 2,090,540</u>            | <u>\$ 2,247,461</u> | <u>\$ 156,921</u>                      |

**TOWN OF FENWICK ISLAND, DELAWARE**

**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL  
GENERAL FUND BY DEPARTMENT**

**YEAR ENDED JULY 31, 2019**

|                              | Final<br>Budget<br><u>(Unaudited)</u> | Actual<br><u>Amounts</u> | Variance<br>Favorable<br><u>(Unfavorable)</u> |
|------------------------------|---------------------------------------|--------------------------|---|
| General government           |                                       |                          |   |
| Appraisal                    | \$                                    | \$ 9,208                 | \$ (9,208)                                    |
| Auditing                     | 18,000                                | 13,000                   | 5,000   |
| BBVFC ambulance service      | 45,474                                | 45,580                   | (106)   |
| Building maintenance         | 4,000                                 | 7,907                    | (3,907)                                       |
| Codification                 | 4,195                                 | 3,874                    | 321   |
| Community projects           | 14,200                                | 34,103                   | (19,903)                                      |
| Contract services            | 7,700                                 | 4,190                    | 3,510   |
| Copiers                      | 1,700                                 | 2,460                    | (760)   |
| CRS food program             | 800                                   |                          | 800   |
| Dues                         | 2,568                                 | 2,530                    | 38  |
| Emergency management         | 500                                   |                          | 500   |
| Employee relations           | 3,500                                 | 3,829                    | (329)   |
| Government liaison           | 1,500                                 | 1,934                    | (434)   |
| Insurance                    | 72,026                                | 45,660                   | 26,366  |
| Legal                        | 15,000                                | 46,910                   | (31,910)                                      |
| Median landscape maintenance | 7,762                                 | 2,904                    | 4,858   |
| Miscellaneous                |                                       | 385                      | (385)   |
| Municipal street lighting    |                                       | 8,038                    | (8,038)                                       |
| Parking permits              | 3,000                                 | 4,030                    | (1,030)                                       |
| Pension                      | 3,300                                 | 1,318                    | 1,982   |
| Postage                      | 4,000                                 | 3,471                    | 529   |
| Printing and advertising     | 3,000                                 | 3,935                    | (935)   |
| Recycling and trash          | 37,270                                | 40,021                   | (2,751)                                       |
| Restricted purpose           | 17,500                                |                          | 17,500  |
| Service grants               |                                       | 934                      | (934)   |
| Sewer                        | 1,000                                 | 470                      | 530   |
| Solid waste collection       | 103,244                               | 107,174                  | (3,930)                                       |
| Telephone                    | 4,500                                 | 4,559                    | (59)  |
| Town Reappraisal             |                                       | 84,467                   | (84,467)                                      |
| Utilities                    | 7,220                                 | 9,621                    | (2,401)                                       |
| Website                      | 7,110                                 | 14,665                   | (7,555)                                       |
| Total general government     | <u>390,069</u>                        | <u>507,177</u>           | <u>(117,108)</u>                              |

**TOWN OF FENWICK ISLAND, DELAWARE**  
**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL**  
**GENERAL FUND BY DEPARTMENT**  
**(Continued)**

**YEAR ENDED JULY 31, 2019**

|                              | Final<br>Budget<br>(Unaudited) | Actual<br>Amounts | Variance<br>Favorable<br>(Unfavorable) |
|------------------------------|--------------------------------|-------------------|--|
| Administrative               |                                |                   |  |
| Dental insurance             | 1,425                          | 1,341             | 84                                     |
| Financial services           | 4,000                          | 5,312             | (1,312)                                |
| Health insurance             | 55,212                         | 53,180            | 2,032                                  |
| Life insurance               | 1,295                          | 1,725             | (430)                                  |
| Miscellaneous                |                                | 6,529             | (6,529)                                |
| Office IT maintenance        | 4,500                          | 2,643             | 1,857                                  |
| Office supplies              | 5,500                          | 5,294             | 206                                    |
| Payroll taxes                | 20,644                         | 20,854            | (210)                                  |
| Pension                      | 24,533                         | 25,075            | (542)                                  |
| Personnel supplies           | 400                            | 348               | 52                                     |
| Printing and advertising     | 3,050                          | 1,972             | 1,078                                  |
| Professional development     | 3,500                          | 3,794             | (294)                                  |
| Salaries                     | 254,324                        | 255,306           | (982)                                  |
| Telephone                    | 1,200                          | 985               | 215                                    |
| Travel reimbursement         | 5,200                          | 4,935             | 265                                    |
| Vehicle acquisition          | 4,140                          | 4,157             | (17)                                   |
| Vehicle fuel and maintenance | 5,014                          | 403               | 4,611                                  |
| Vision care                  | 637                            | 611               | 26                                     |
| Workmans compensation        | 1,005                          | 700               | 305                                    |
| Total administrative         | <u>395,579</u>                 | <u>395,164</u>    | <u>415</u>                             |
| Police department            |                                |                   |  |
| Building maintenance         | 10,150                         | 7,793             | 2,357                                  |
| Communication equipment      | 1,000                          | 812               | 188                                    |
| Dental insurance             | 2,351                          | 1,956             | 395                                    |
| Health insurance             | 97,200                         | 88,655            | 8,545                                  |
| Life insurance               | 2,293                          | 2,766             | (473)                                  |
| Mobile computer access       | 4,025                          | 3,118             | 907                                    |
| Office IT maintenance        | 600                            | 124               | 476                                    |
| Office supplies              |                                | 523               | (523)                                  |
| Payroll taxes                | 37,726                         | 41,176            | (3,450)                                |
| Pension                      | 68,008                         | 69,536            | (1,528)                                |
| Police supplies              | 2,000                          | 8,082             | (6,082)                                |

**TOWN OF FENWICK ISLAND, DELAWARE**

**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL  
GENERAL FUND BY DEPARTMENT**

(Continued)

**YEAR ENDED JULY 31, 2019**

|                                   | Final<br>Budget<br>(Unaudited) | Actual<br>Amounts | Variance<br>Favorable<br>(Unfavorable) |
|-----------------------------------|--------------------------------|-------------------|--|
| Police department (continued)     |                                |                   |  |
| Printing and advertising          | 600                            | 617               | (17)                                   |
| Professional development          | 4,000                          | 2,151             | 1,849                                  |
| Salaries                          | 467,273                        | 505,052           | (37,779)                               |
| Uniforms                          | 4,000                          | 3,460             | 540                                    |
| Vehicle fuel and maintenance      | 22,850                         | 27,015            | (4,165)                                |
| Vision care                       | 1,001                          | 996               | 5                                      |
| Workmans compensation             | 43,188                         | 30,108            | 13,080                                 |
| Total police department           | <u>768,265</u>                 | <u>793,940</u>    | <u>(25,675)</u>                        |
| Beach patrol                      |                                |                   |  |
| Awards and competitions           | 3,990                          | 7,826             | (3,836)                                |
| Beach vehicle fuel                | 500                            | 696               | (196)                                  |
| Beach vehicle maintenance         | 500                            | 293               | 207                                    |
| Chair and sign maintenance        | 2,940                          | 1,676             | 1,264                                  |
| Communication equipment           |                                | 360               | (360)                                  |
| Employee relations                | 1,300                          | 560               | 740                                    |
| Junior guard program              | 2,000                          | 694               | 1,306                                  |
| Lifeguard payroll taxes - Fenwick | 18,563                         | 15,893            | 2,670                                  |
| Lifeguard payroll taxes - State   |                                | 7,560             | (7,560)                                |
| Lifeguard salaries - Fenwick      | 235,755                        | 172,959           | 62,796                                 |
| Lifeguard salaries - State        |                                | 81,733            | (81,733)                               |
| Lifeguard USLA certification      | 1,200                          | 1,250             | (50)                                   |
| Lifeguard workmans compensation   | 20,522                         | 14,307            | 6,215                                  |
| Professional development          | 1,000                          | 1,619             | (619)                                  |
| Supplies and equipment - Fenwick  | 4,500                          | 4,953             | (453)                                  |
| Telephone                         | 1,102                          | 770               | 332                                    |
| Uniforms                          | 6,000                          | 7,280             | (1,280)                                |
| Utilities                         |                                | 255               | (255)                                  |
| Total beach patrol                | <u>299,872</u>                 | <u>320,684</u>    | <u>(20,812)</u>                        |

**TOWN OF FENWICK ISLAND, DELAWARE**  
**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL**  
**GENERAL FUND BY DEPARTMENT**  
**(Continued)**

**YEAR ENDED JULY 31, 2019**

|                              | Final<br>Budget<br>(Unaudited) | Actual<br>Amounts   | Variance<br>Favorable<br>(Unfavorable) |
|------------------------------|--------------------------------|---------------------|--|
| Public works                 |                                |                     |  |
| Building maintenance         | 1,000                          | 529                 | 471                                    |
| CDL testing                  | 750                            | 548                 | 202                                    |
| Contract services            | 115                            | 744                 | (629)                                  |
| Dental insurance             | 1,158                          | 795                 | 363                                    |
| Health insurance             | 46,544                         | 30,930              | 15,614                                 |
| Life insurance               | 780                            | 665                 | 115                                    |
| Payroll taxes                | 10,524                         | 8,057               | 2,467                                  |
| Pension                      | 12,261                         | 6,157               | 6,104                                  |
| Safety equipment             | 750                            | 297                 | 453                                    |
| Salaries                     | 127,210                        | 95,542              | 31,668                                 |
| Shop equipment               | 3,800                          | 4,980               | (1,180)                                |
| Shop supplies                | 4,000                          | 7,802               | (3,802)                                |
| Street maintenance           |                                | 654                 | (654)                                  |
| Telephone                    | 1,000                          | 1,046               | (46)                                   |
| Uniforms                     | 1,500                          | 1,361               | 139                                    |
| Utilities                    | 5,615                          | 4,920               | 695                                    |
| Vehicle fuel and maintenance | 7,900                          | 8,521               | (621)                                  |
| Vision care                  | 275                            | 226                 | 49                                     |
| Workmans compensation        | 11,073                         | 7,719               | 3,354                                  |
| Yard waste                   | 500                            | 60                  | 440                                    |
| Total public works           | <u>236,755</u>                 | <u>181,553</u>      | <u>55,202</u>                          |
| Capital outlay               |                                | <u>274,242</u>      | <u>(274,242)</u>                       |
| Total expenditures           | <u>\$ 2,090,540</u>            | <u>\$ 2,472,760</u> | <u>\$ (382,220)</u>                    |

***GOVERNMENT AUDITING STANDARDS REPORT***

**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***

ANDREW M. HAYNIE, CPA  
SUSAN P. KEEN, CPA  
MICHAEL C. KLEGER, CPA  
E. LEE McCABE, CPA  
JEFFREY A. MICHALIK, CPA  
ROBERT L. MOORE, CPA  
DANIEL M. O'CONNELL II, CPA  
JOHN M. STERN, JR., CPA

Honorable Mayor and Council Members  
Town of Fenwick Island, Delaware

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Salisbury  
1801 SWEETBAY DRIVE  
P.O. BOX 72  
SALISBURY, MD 21803  
TEL: 410.546.5600

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, each major fund, and the aggregate remaining fund information of the Town of Fenwick Island, Delaware as of and for the year ended July 31, 2019, and the related notes to the financial statements, which collectively comprise the Town of Fenwick Island, Delaware's basic financial statements, and have issued our report thereon dated January 24, 2020.

**Internal Control over Financial Reporting**

Ocean City  
12216 OCEAN GATEWAY  
SUITE 800  
OCEAN CITY, MD 21842  
TEL: 410.213.7185

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

Lewes  
1143 SAVANNAH ROAD  
SUITE 1  
LEWES, DE 19958  
TEL: 302.645.5757

*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.

MEMBERS OF:  
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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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given the limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be a material weakness. We did identify a deficiency in internal control, described in the accompanying schedule of findings and responses as item 2019-001, that we consider to be a significant deficiency.

## **Compliance and Other Matters**

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

## **Town of Fenwick Island, Delaware's Response to Findings**

The Town of Fenwick Island, Delaware's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Town of Fenwick Island, Delaware'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  
January 24, 2020

**TOWN OF FENWICK ISLAND, DELAWARE**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**YEAR ENDED JULY 31, 2019**

**SIGNIFICANT DEFICIENCY**

2019-001 Criteria – Controls should be in place to detect, prevent, or correct misstatements in the Town's drafted financial statements.

Condition – 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. In addition, management relies on the auditor to perform certain tasks such as the posting of approved adjusting entries to the trial balance.

Cause – Due to timing and software constraints, management relies on the auditor to prepare the financial statements in accordance with generally accepted accounting principles. Management does not have sufficient knowledge of required generally accepted accounting principles to prepare the financial statements and determine whether the disclosures are complete.

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

Recommendation – Management should seek additional education in relation to generally accepted accounting principles in order to prepare the financial statements and determine whether disclosures are complete.

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