

**TOWN OF FENWICK ISLAND, DELAWARE**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED JULY 31, 2021**

# **TOWN OF FENWICK ISLAND, DELAWARE**

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## **TOWN OF FENWICK ISLAND, DELAWARE**

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## **INDEPENDENT AUDITORS' REPORT**

## INDEPENDENT AUDITORS' REPORT

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ALLINIAL GLOBAL

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, 2021, 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.

### 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.

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, 2021, 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 11 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 28, 2022 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 28, 2022

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

**JULY 31, 2021**

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, 2021. 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 12).

**FINANCIAL HIGHLIGHTS**

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$5,469,398 (net position) as compared to \$4,573,708 in the prior year. Unrestricted net position has a balance of \$943,626, 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 \$3,098,622, an increase of \$979,020 in comparison with the prior year.
- At the end of the current fiscal year, the unassigned fund balance for the general fund was \$235,192, an increase of \$210,880. This is largely due to the transfer of funds from other governmental funds for Town capital projects.

**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, 2021**

**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 12 - 13 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, 2021**

**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 Balance 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 – 17 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 18 - 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, 2021**

**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, 2021 was \$5,469,398.

A large portion of the Town's net position (48%) 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 Activities July 31, 2021</b>	<b>Governmental Activities July 31, 2020</b>	<b>Change</b>
<b>Assets</b>			
Current and other assets	\$ 3,487,687	\$ 2,377,713	\$ 1,109,974
Capital assets, net	2,615,466	2,672,386	(56,920)
Total assets	6,103,153	5,050,099	1,053,054
<b>Deferred outflows of resources</b>	170,089	190,936	(20,847)
<b>Liabilities</b>			
Current liabilities	97,539	74,419	23,120
Long-term liabilities	315,656	353,563	(37,907)
Total liabilities	413,195	427,982	(14,787)
<b>Deferred inflows of resources</b>	390,649	239,345	151,304
<b>Net position</b>			
Net investment in capital assets	2,615,466	2,672,386	(56,920)
Restricted	1,910,306	1,252,319	657,987
Unrestricted	943,626	649,003	294,623
Total net position	\$ 5,469,398	\$ 4,573,708	\$ 895,690

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

**JULY 31, 2021**

**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, 2021, along with comparable data. Government-wide activities increased the Town of Fenwick Island's net position by \$895,690.

	<b>Governmental Activities July 31, 2021</b>	<b>Governmental Activities July 31, 2020</b>	<b>Change</b>
<b>Revenues</b>			
Program revenues			
Charges for services	\$ 864,296	\$ 657,974	\$ 206,322
Capital grants and contributions	48,911	174,600	(125,689)
Operating grants and contributions	184,812	140,850	43,962
General revenues			
Taxes - property/rental	1,094,584	1,048,082	46,502
Realty transfer tax	1,092,063	482,370	609,693
Fines and forfeitures	570	353	217
Unrestricted investment earnings	20,853	37,010	(16,157)
Miscellaneous	162,831	74,051	88,780
Gain (loss) on sale of equipment	(1,332)	2,050	(3,382)
Total revenues	<u>3,467,588</u>	<u>2,617,340</u>	<u>850,248</u>
<b>Expenses</b>			
Administrative	404,779	362,218	42,561
Police department	881,718	841,945	39,773
Beach patrol	375,645	366,314	9,331
Beach committee	2,450	4,131	(1,681)
Public works (includes MSA expenses)	333,957	435,975	(102,018)
General government	573,349	390,633	182,716
Total expenses	<u>2,571,898</u>	<u>2,401,216</u>	<u>170,682</u>
Change in net position	895,690	216,124	679,566
<b>Net position, beginning of year</b>	<u>4,573,708</u>	<u>4,357,584</u>	<u>216,124</u>
<b>Net position, end of year</b>	<u>\$ 5,469,398</u>	<u>\$ 4,573,708</u>	<u>\$ 895,690</u>

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

**JULY 31, 2021**

**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 \$3,098,622. Of this total amount, \$235,162 constitutes unassigned fund balance.

General fund budgetary highlights

Revenues for the general fund operations were above budgeted revenue by \$446,324. The favorable revenue variance is primarily due to an increase in building permit fees and gross rental tax receipts. Departmental expenditures were higher than budgeted expenditures by \$101,761. This unfavorable variance in expenditures is primarily due to an increase in costs of capital outlay.

The following schedule presents a comparative summary of General Fund revenues for the fiscal years ended July 31, 2021 and 2020, along with the percentage of that revenue to total revenues:

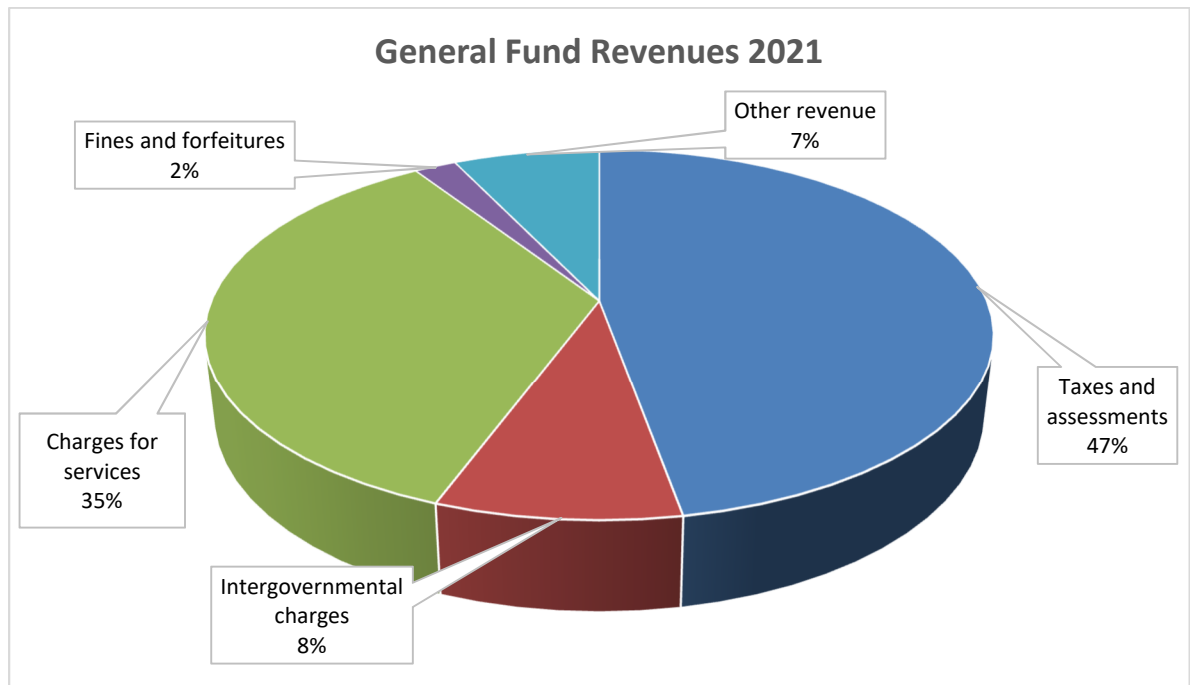
<b>Revenues</b>	<b>July 31, 2021 Totals</b>	<b>Percentage of Total</b>	<b>July 31, 2020 Totals</b>	<b>Percentage of Total</b>
Taxes and assessments	\$ 1,094,585	47%	\$ 1,048,081	51%
Intergovernmental grants	197,033	8%	278,363	14%
Charges for services	815,230	35%	621,128	30%
Fines and forfeitures	47,636	2%	37,200	2%
Other revenue	165,918	7%	77,924	4%
	<u>\$ 2,320,402</u>	<u>100%</u>	<u>\$ 2,062,696</u>	<u>100%</u>

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

**JULY 31, 2021**

**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 \$1,094,585, or 47%, of all General Fund revenues. The increase in revenues from 2020 of \$257,706 was due primarily to the increase in charges for services and other revenues.

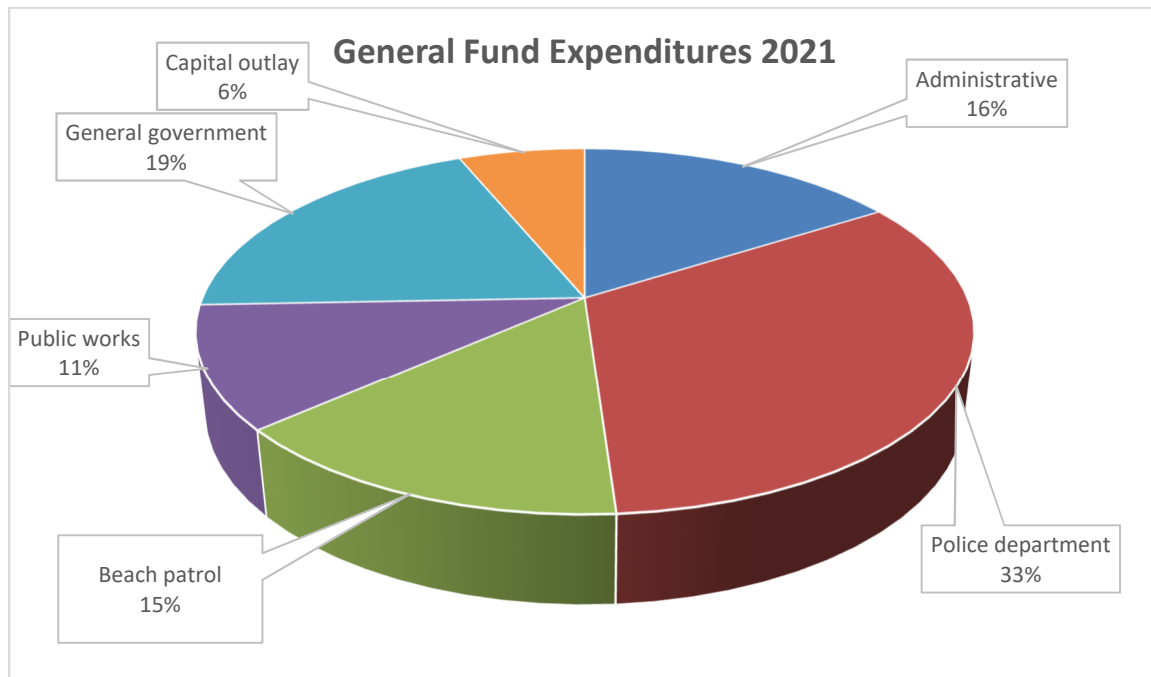
The following schedule represents a comparative summary of General Fund expenditures for the fiscal years ended July 31, 2021 and 2020, along with the percentage of that expenditure to total expenditures:

<b>Expenditures</b>	<b>July 31, 2021 Totals</b>	<b>Percentage of Total</b>	<b>July 31, 2020 Totals</b>	<b>Percentage of Total</b>
Administrative	\$ 396,187	16%	\$ 378,503	16%
Police department	812,925	33%	801,976	33%
Beach patrol	360,515	15%	351,600	14%
Public works	268,924	11%	244,909	10%
General government	478,163	19%	429,158	18%
Capital outlay	154,849	6%	227,789	9%
	<u>\$ 2,471,563</u>	<u>100%</u>	<u>\$ 2,433,935</u>	<u>100%</u>

**TOWN OF FENWICK ISLAND, DELAWARE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JULY 31, 2021**

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

General fund budgetary highlights (continued)



**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 26 of this report.

**CAPITAL ASSETS**

The Town of Fenwick Island's investment in capital assets for its governmental activities as of July 31, 2021 amounts to \$2,615,466 (net of accumulated depreciation). This investment in capital assets includes the following:

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

**JULY 31, 2021**

**CAPITAL ASSETS (Continued)**

	<b>Governmental Activities July 31, 2021</b>
Buildings	\$ 1,041,002
Vehicles	446,826
Office equipment	110,033
Police equipment	206,419
Street signs and fixtures	79,289
Machinery and equipment	209,007
Beach and lifeguard equipment	156,801
Recreation equipment	40,147
Construction in progress	155,786
Land and improvements	2,252,669
Accumulated depreciation	(2,082,513)
	<u>\$ 2,615,466</u>

This year's major capital asset additions included:

- Town Hall siding renovations for \$20,087.
- Two watch guard police camera systems for \$8,310.
- Police Ford F-150 for \$10,000.
- American General Humvee for \$15,000.
- 5-Ton Cargo truck for \$25,000.
- Sidewalk project for \$12,234.
- Bay dredging for \$45,456.

**CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS**

In June 2021, the Town received funds from the Department of Housing and Community Development under the American Rescue Plan Act of 2021 Coronavirus Local Fiscal Recovery Funds (CLFRF). The Town received \$120,124, which is 50% of the total funds to be received. The remainder of the funds will be disbursed in no less than 12 months.

**REQUEST FOR INFORMATION**

The financial report is designed to provide our citizens with a 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, 2021**

	Governmental Activities
<b>ASSETS</b>	
Current assets	
Cash and cash equivalents	\$ 1,402,840
Taxes receivable	74,865
Accounts receivable - other	32,156
Inventory	23,970
Prepaid expenses	43,550
Restricted cash and cash equivalents	1,910,306
Total current assets	<u>3,487,687</u>
Noncurrent assets	
Capital assets, net of depreciation	2,615,466
Total assets	<u><u>6,103,153</u></u>
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred financing outflows - retirement	<u>170,089</u>
 <b>LIABILITIES</b>	
Current liabilities	
Accounts payable	67,300
Accrued wages and payroll taxes	11,290
Accrued compensated absences	18,949
Total current liabilities	<u>97,539</u>
Noncurrent liabilities	
Accrued compensated absences, less current portion	246,858
Net pension liability	68,798
Total noncurrent liabilities	<u>315,656</u>
Total liabilities	<u><u>413,195</u></u>
 <b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred grants	291,528
Deferred financing inflows - retirement	99,121
Total deferred inflows of resources	<u><u>390,649</u></u>
 <b>NET POSITION</b>	
Net investment in capital assets	2,615,466
Restricted	1,910,306
Unrestricted	943,626
Total net position	<u><u>\$ 5,469,398</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, 2021**

					Net Revenue (Expense) and Change in Net Position
Program Revenues					
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
FUNCTIONS/PROGRAMS	Expenses				
GOVERNMENTAL ACTIVITIES					
General government	\$ 573,349	\$ 815,230	\$ 4,492	\$ 12,235	\$ 258,608
Administrative	404,779				(404,779)
Police department	881,718	49,066	113,320		(719,332)
Beach patrol	375,645		67,000		(308,645)
Beach committee	2,450				(2,450)
Public works	333,957			36,676	(297,281)
Total governmental activities	<u>2,571,898</u>	<u>864,296</u>	<u>184,812</u>	<u>48,911</u>	<u>(1,473,879)</u>
GENERAL REVENUES					
Taxes					
Property taxes					710,698
Transfer taxes					1,092,063
Gross rental tax					383,886
Fines and forfeitures					570
Unrestricted investment earnings					20,853
Miscellaneous					162,831
Loss on sale of equipment					(1,332)
Total general revenues					<u>2,369,569</u>
Change in net position					895,690
NET POSITION, BEGINNING OF YEAR					4,573,708
NET POSITION, END OF YEAR					<u>\$ 5,469,398</u>

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

**TOWN OF FENWICK ISLAND, DELAWARE**

**BALANCE SHEETS  
GOVERNMENTAL FUNDS**

**JULY 31, 2021**

	General Fund	1 1/2% Realty Transfer Tax	Municipal Street Aid	Other Governmental Funds (non-major)	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 587,772	\$	\$	\$ 815,069	\$ 1,402,841
Taxes receivable	81	74,785			74,866
Accounts receivable - other	32,156				32,156
Inventory	23,970				23,970
Prepaid expenses	43,550				43,550
Restricted cash	27,820	1,789,863	92,623		1,910,306
Total assets	<u>\$ 715,349</u>	<u>\$ 1,864,648</u>	<u>\$ 92,623</u>	<u>\$ 815,069</u>	<u>\$ 3,487,689</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 63,050	\$ 4,250	\$	\$	\$ 67,300
Accrued wages and payroll taxes	11,290				11,290
Accrued compensated absences	18,949				18,949
Total liabilities	<u>93,289</u>	<u>4,250</u>			<u>97,539</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred grants	<u>291,528</u>				<u>291,528</u>
<b>FUND BALANCES</b>					
Nonspendable	67,520				67,520
Restricted	27,820	1,860,398	92,623		1,980,841
Committed				366,485	366,485
Assigned				448,584	448,584
Unassigned	235,192				235,192
Total fund balances	<u>330,532</u>	<u>1,860,398</u>	<u>92,623</u>	<u>815,069</u>	<u>3,098,622</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 715,349</u>	<u>\$ 1,864,648</u>	<u>\$ 92,623</u>	<u>\$ 815,069</u>	<u>\$ 3,487,689</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, 2021**

Total fund balances, governmental funds	\$ 3,098,622
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and are therefore not reported in the fund financial statements, but are reported in the governmental activities of the Statement of Net Position.	2,615,466
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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	170,089
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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	(246,860)
Deferred financing inflows - retirement	(99,121)
Net pension liability	<u>(68,798)</u>

Net position, governmental activities	<u><u>\$ 5,469,398</u></u>
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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, 2021**

	General Fund	1 1/2% Realty Transfer Tax	Municipal Street Aid	Other Governmental Funds (non-major)	Total Governmental Funds
<b>REVENUES</b>					
Taxes	\$ 1,094,585	\$ 1,092,063	\$	\$	\$ 2,186,648
Intergovernmental	197,033		36,690		233,723
Charges for services	815,230			1,022	816,252
Fines and forfeitures	47,636				47,636
Miscellaneous	165,918	12,323	757	5,664	184,662
Total revenues	<u>2,320,402</u>	<u>1,104,386</u>	<u>37,447</u>	<u>6,686</u>	<u>3,468,921</u>
<b>EXPENDITURES</b>					
Current					
General government	478,163	10,920			489,083
Administrative	396,187				396,187
Police department	812,925				812,925
Beach patrol	360,515				360,515
Beach committee				2,450	2,450
Public works	268,924	4,250		717	273,891
Capital outlay	154,849				154,849
Total expenditures	<u>2,471,563</u>	<u>15,170</u>		<u>3,167</u>	<u>2,489,900</u>
Revenues over (under) expenditures	(151,161)	1,089,216	37,447	3,519	979,021
<b>OTHER FINANCING SOURCES</b>					
Transfers in (out)	<u>362,389</u>	<u>(475,905)</u>	<u>(15,145)</u>	<u>128,661</u>	
Net change in fund balances	211,228	613,311	22,302	132,180	979,021
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<u>119,304</u>	<u>1,247,087</u>	<u>70,321</u>	<u>682,889</u>	<u>2,119,601</u>
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ 330,532</u>	<u>\$ 1,860,398</u>	<u>\$ 92,623</u>	<u>\$ 815,069</u>	<u>\$ 3,098,622</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, 2021**

Net change in fund balances, governmental funds	\$ 979,021
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Amounts reported for governmental activities in the Statement of Activities  
are different because:

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.

Capital outlay expense	\$ 154,849	
Depreciation expense	<u>(210,437)</u>	(55,588)

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. (1,332)

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.

Change in long-term compensated absences		(23,910)
Change in deferred financing outflows - retirement		(20,847)
Change in net pension liability		61,815

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.

Change in deferred financing inflows - retirement		<u>(43,469)</u>
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Change in net position, governmental activities	<u><u>\$ 895,690</u></u>
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The accompanying notes are an integral part of these financial statements.

## **TOWN OF FENWICK ISLAND, DELAWARE**

### **NOTES TO FINANCIAL STATEMENTS**

**JULY 31, 2021**

#### **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 activities) 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.

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.



## TOWN OF FENWICK ISLAND, DELAWARE

### NOTES TO FINANCIAL STATEMENTS

JULY 31, 2021

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

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

The fund financial statements provide information about the Town's funds. Separate statements for each fund category – governmental, proprietary, and fiduciary – 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 through taxes and intergovernmental revenues. 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 special reserves (for Beach Replenishment, Dredging, and Sidewalks), 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.

*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.

## **TOWN OF FENWICK ISLAND, DELAWARE**

### **NOTES TO FINANCIAL STATEMENTS**

**JULY 31, 2021**

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

##### Basis of accounting and measurement focus

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.

##### 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.

## **TOWN OF FENWICK ISLAND, DELAWARE**

### **NOTES TO FINANCIAL STATEMENTS**

**JULY 31, 2021**

#### **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.

##### 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 deferred outflows of resources and liabilities and deferred inflows of resources. 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.

##### 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 inventory 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.

## **TOWN OF FENWICK ISLAND, DELAWARE**

### **NOTES TO FINANCIAL STATEMENTS**

**JULY 31, 2021**

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

##### Governmental fund balances (continued)

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.

##### Inventory

Inventory held by the Town consists of valves purchased for a project, valued at net realizable value.

##### 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.

##### 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 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.

# **TOWN OF FENWICK ISLAND, DELAWARE**

## **NOTES TO FINANCIAL STATEMENTS**

**JULY 31, 2021**

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

#### Capital assets (continued)

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 statements.

#### 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. There are no interfund loans. All other interfund transactions are treated as transfers. Transfers between funds are netted as part of the reconciliation to the government-wide financial statements.

#### Budgetary activity

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

## TOWN OF FENWICK ISLAND, DELAWARE

### NOTES TO FINANCIAL STATEMENTS

JULY 31, 2021

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

##### 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, 2021, the carrying amount of the Town's deposits was \$3,313,146 and the bank balance was \$3,343,994.

As of July 31, 2021, \$2,843,994 of the Town's bank balances was exposed to custodial risk. \$1,629,034 of the Town's bank balance 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. The Town has limited exposure to interest rate risk due to no long-term debt or 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	\$ 1,402,840
Cash and cash equivalents - restricted	<u>1,910,306</u>
Total cash and cash equivalents	<u>\$ 3,313,146</u>

# TOWN OF FENWICK ISLAND, DELAWARE

## NOTES TO FINANCIAL STATEMENTS

**JULY 31, 2021**

### 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, 2021, based on assessments, was \$.1740 per \$100 of assessed valuation. The total assessed value of all taxable real property and improvements at August 1, 2020 was \$400,384,467. 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, 2021 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
<i>Capital assets not being depreciated</i>				
Land	\$ 434,836	\$	\$	\$ 434,836
Construction in progress	98,095	57,691		155,786
Total capital assets not being depreciated	<u>532,931</u>	<u>57,691</u>		<u>590,622</u>
<i>Capital assets being depreciated</i>				
Land improvements	1,817,833			1,817,833
Buildings	1,014,115	26,887		1,041,002
Equipment	716,044	18,271	(11,908)	722,407
Vehicles	422,790	52,000	(27,964)	446,826
Street signs and fixtures	79,289			79,289
Total capital assets being depreciated	<u>4,050,071</u>	<u>97,158</u>	<u>(39,872)</u>	<u>4,107,357</u>
Less accumulated depreciation for:				
Land improvements	702,995	100,526		803,521
Buildings	274,651	29,074		303,725
Equipment	629,416	30,278	(11,908)	647,786
Vehicles	244,732	45,866	(26,632)	263,966
Street signs and fixtures	58,822	4,693		63,515
Total accumulated depreciation	<u>1,910,616</u>	<u>210,437</u>	<u>(38,540)</u>	<u>2,082,513</u>
Total capital assets being depreciated, net	<u>2,139,455</u>	<u>(113,279)</u>	<u>(1,332)</u>	<u>2,024,844</u>
Governmental activity capital assets, net	<u>\$ 2,672,386</u>	<u>\$ (55,588)</u>	<u>\$ (1,332)</u>	<u>\$ 2,615,466</u>

## TOWN OF FENWICK ISLAND, DELAWARE

### NOTES TO FINANCIAL STATEMENTS

JULY 31, 2021

#### CAPITAL ASSETS

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 87,090
Administrative	6,135
Police department	44,784
Beach patrol	15,129
Public works	57,299
Total governmental activities	<u>\$ 210,437</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, 2020. 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 provides 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, 2021**

#### **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.

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, 2021, the Town received \$39,796.

# TOWN OF FENWICK ISLAND, DELAWARE

## NOTES TO FINANCIAL STATEMENTS

JULY 31, 2021

### 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, 2021, the Town reported a liability of \$68,798 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019. Update procedures were used to roll forward the total pension liability to June 30, 2020. The Town's proportion of the net pension liability was based on the percentage of actual employee contributions. At June 30, 2020, the Town's proportion for the Plan was .4477%.

For the year ended July 31, 2021, the Town recognized pension expense of \$67,510. At July 31, 2021, the Town reported deferred outflows of resources or deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 25,401	\$ 10,393
Changes in proportion	6,303	18,274
Difference between expected and actual experience	68,450	21,678
Net difference between projected and actual earnings on pension plan investments		48,776
Contributions subsequent to measurement date	69,935	
	<u>\$ 170,089</u>	<u>\$ 99,121</u>

The Town's contribution of \$69,935 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, 2022. The collective deferred outflows of resources and deferred inflows of resources are being amortized as follows:

**TOWN OF FENWICK ISLAND, DELAWARE**

**NOTES TO FINANCIAL STATEMENTS**

**JULY 31, 2021**

**RETIREMENT AND PENSION PLANS (Continued)**

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

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

# TOWN OF FENWICK ISLAND, DELAWARE

## NOTES TO FINANCIAL STATEMENTS

JULY 31, 2021

### 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 July 31,	
2022	\$ (10,898)
2023	(3,492)
2024	(2,240)
2025	(2,552)
2026	8,048
Thereafter	12,167
	<u>\$ 1,033</u>

*Actuarial assumptions.* The collective total pension liability for the June 30, 2020 measurement date was determined by an actuarial valuation as of June 30, 2019, and update procedures were used to roll forward the total pension liability to June 30, 2020. 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 2019. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates the larger the impact on future financial statements.

Mortality rates were based on the RP – 2014 tables with gender adjustments for healthy annuitants and disabled retirees and an adjusted version on MP-2015 mortality improvement scale on a fully generational basis.

# TOWN OF FENWICK ISLAND, DELAWARE

## NOTES TO FINANCIAL STATEMENTS

JULY 31, 2021

### RETIREMENT AND PENSION PLANS (Continued)

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

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

Best estimates of geometric real rates of return for each major class included in the Plan's current and expected asset allocation as of June 30, 2020 are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	28.5%	5.7%
International equity	15.2%	5.7%
Fixed income	28.8%	2.0%
Alternative investments	23.0%	7.8%
Cash and equivalents	4.5%	0.0%
Total	100%	

*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.

## **TOWN OF FENWICK ISLAND, DELAWARE**

### **NOTES TO FINANCIAL STATEMENTS**

**JULY 31, 2021**

#### **RETIREMENT AND PENSION PLANS (Continued)**

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

*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%)	\$ 382,967
Current discount rate (7.0%)	\$ 68,798
1% Increase (8.0%)	\$ (187,613)

*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.

#### **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.

## **TOWN OF FENWICK ISLAND, DELAWARE**

### **NOTES TO FINANCIAL STATEMENTS**

**JULY 31, 2021**

#### **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.

#### **IMPACT OF COVID-19**

In March 2020, the World Health Organization declared the novel coronavirus (COVID-19) outbreak a global pandemic. There were mandates from federal, state, and local authorities requiring forced closures of schools, businesses, and other facilities. Most states and local governments have begun to ease restrictions on closures and movement, however, the COVID-19 pandemic remains a rapidly evolving situation. It is possible that a resurgence in COVID-19 cases could prompt a return to tighter restrictions. Therefore, significant uncertainty remains regarding the financial impact on the Town's financial condition and future results of operations.

The Town was awarded a grant of \$240,247 from the Department of Housing and Community Development under the American Rescue Plan Act of 2021 Coronavirus Local Fiscal Recovery Funds (CLFRF). The Town received \$120,124 in June 2021, which is 50% of the total funds to be received. Eligible uses of these funds include lost revenue replacement, COVID-19 expenditures or negative economic impact programs, lost revenue, premium pay for essential workers, and investments in certain infrastructure.

## **TOWN OF FENWICK ISLAND, DELAWARE**

### **NOTES TO FINANCIAL STATEMENTS**

**JULY 31, 2021**

#### **NEW PRONOUNCEMENTS**

GASB Statement No. 87, *Leases*, will be effective for the Town beginning with the year ending July 31, 2022. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. This statement will also change the way leases are disclosed in the financial statements.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, will be effective for the Town beginning with the year ending July 31, 2023. This statement changes the reporting and accounting of component units.



## **REQUIRED SUPPLEMENTARY INFORMATION**

**TOWN OF FENWICK ISLAND, DELAWARE****BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND****YEAR ENDED JULY 31, 2021**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Favorable
				(Unfavorable)
<b>REVENUES</b>				
Taxes	\$ 991,257	\$ 991,257	\$ 1,094,585	\$ 103,328
Intergovernmental	209,142	209,142	197,033	(12,109)
Charges for services	560,353	560,353	815,230	254,877
Fines and forfeitures	36,414	36,414	47,636	11,222
Miscellaneous	76,912	76,912	165,918	89,006
Total revenues	<u>1,874,078</u>	<u>1,874,078</u>	<u>2,320,402</u>	<u>446,324</u>
<b>EXPENDITURES</b>				
Current				
General government	430,717	430,717	478,163	(47,446)
Administrative	387,982	387,982	396,187	(8,205)
Police department	838,384	838,384	812,925	25,459
Beach patrol	349,228	349,228	360,515	(11,287)
Public works	253,102	253,102	268,924	(15,822)
Capital outlay	110,389	110,389	154,849	(44,460)
Total expenditures	<u>2,369,802</u>	<u>2,369,802</u>	<u>2,471,563</u>	<u>(101,761)</u>
Revenues under expenditures	(495,724)	(495,724)	(151,161)	344,563
<b>OTHER FINANCING SOURCES</b>				
Transfers in	<u>495,724</u>	<u>495,724</u>	<u>362,389</u>	<u>(133,335)</u>
Net change in fund balances	<u>\$</u>	<u>\$</u>	<u>\$ 211,228</u>	<u>\$ 211,228</u>

**TOWN OF FENWICK ISLAND, DELAWARE**

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

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
<u>County &amp; Municipal Police and Firefighters' Pension Plan</u>						
Town's proportion of the net pension liability (asset)	0.4477%	0.4547%	0.4182%	0.4406%	0.4518%	0.4334%
Town's proportionate share of the net pension liability (asset)	\$ 68,798	\$ 130,613	\$ 96,319	\$ 44,421	\$ 71,820	\$ (22,839)
Town's covered-employee payroll	\$ 508,026	\$ 514,922	\$ 505,052	\$ 433,418	\$ 413,573	\$ 394,845
Town's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	13.54%	25.37%	19.07%	10.25%	17.37%	-5.78%
Plan fiduciary net position as a percentage of the total pension liability (asset)	96.7%	93.3%	94.1%	97.0%	94.7%	102.0%

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

**TOWN OF FENWICK ISLAND, DELAWARE**

**SCHEDULE OF THE TOWN'S CONTRIBUTIONS**

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
<u>County &amp; Municipal Police and Firefighters' Pension Plan</u>						
Contractually required contribution	\$ 69,935	\$ 75,627	\$ 74,279	\$ 70,387	\$ 49,852	\$ 43,628
Contributions in relation to the contractually required contribution	<u>(69,935)</u>	<u>(75,627)</u>	<u>(74,279)</u>	<u>(70,387)</u>	<u>(49,852)</u>	<u>(43,628)</u>
Contribution deficiency (excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Town's covered-employee payroll	\$ 508,026	\$ 514,922	\$ 505,052	\$ 433,418	\$ 413,573	\$ 394,845
Contributions as a percentage of covered-employee payroll	14%	15%	15%	16%	12%	11%

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

## **SUPPLEMENTARY INFORMATION**



## INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

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DELAWARE SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS

ALLINIAL GLOBAL

Honorable Mayor and Council Members  
Town of Fenwick Island, Delaware

### **Report on Supplementary Information**

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, 2021 appears on pages one and two. 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.

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.

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 28, 2022

**TOWN OF FENWICK ISLAND, DELAWARE**

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

**JULY 31, 2021**

	Special Reserves	Parks and Recreation	Dedicated Streets	Beach Committee	Total Other Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 423,783	\$ 10,974	\$ 366,485	\$ 13,827	\$ 815,069
<b>FUND BALANCES</b>					
Committed	\$	\$	\$ 366,485	\$	\$ 366,485
Assigned	423,783	10,974		13,827	448,584
Total fund balances	423,783	10,974	366,485	13,827	815,069
Total liabilities and fund balances	\$ 423,783	\$ 10,974	\$ 366,485	\$ 13,827	\$ 815,069

**TOWN OF FENWICK ISLAND, DELAWARE**

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

**YEAR ENDED JULY 31, 2021**

	Special Reserves	Parks and Recreation	Dedicated Streets	Beach Committee	Total Other Governmental Funds
<b>REVENUES</b>					
Charges for services	\$	\$ 1,022	\$	\$	\$ 1,022
Miscellaneous	3,441	7	2,206	10	5,664
Total revenues	<u>3,441</u>	<u>1,029</u>	<u>2,206</u>	<u>10</u>	<u>6,686</u>
<b>EXPENDITURES</b>					
Beach committee				2,450	2,450
Parks and recreation		717			717
Total expenditures		<u>717</u>		<u>2,450</u>	<u>3,167</u>
Revenues over (under) expenditures	3,441	312	2,206	(2,440)	3,519
<b>OTHER FINANCING SOURCES</b>					
Transfers in (out)	<u>(37,246)</u>		165,907		128,661
Net change in fund balances	(33,805)	312	168,113	(2,440)	132,180
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<u>457,588</u>	<u>10,662</u>	<u>198,372</u>	<u>16,267</u>	<u>682,889</u>
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ 423,783</u>	<u>\$ 10,974</u>	<u>\$ 366,485</u>	<u>\$ 13,827</u>	<u>\$ 815,069</u>



**TOWN OF FENWICK ISLAND, DELAWARE**  
**SCHEDULE OF REVENUES - BUDGET AND ACTUAL**  
**GENERAL FUND**

**YEAR ENDED JULY 31, 2021**

	Final Budget (Unaudited)	Actual	Variance Favorable (Unfavorable)
Taxes			
Property taxes	\$ 710,220	\$ 710,699	\$ 479
Gross rental taxes	281,037	383,886	102,849
Total taxes	<u>991,257</u>	<u>1,094,585</u>	<u>103,328</u>
Intergovernmental			
Capital improvement grant	40,087	16,713	(23,374)
Lifeguard grants	67,000	67,000	
Police grants	72,055	73,524	1,469
Pension income	30,000	39,796	9,796
Total intergovernmental	<u>209,142</u>	<u>197,033</u>	<u>(12,109)</u>
Charges for services			
Trash collection fees	186,500	182,894	(3,606)
Ambulance fees	43,089	47,670	4,581
Franchise fees	34,000	36,654	2,654
Licenses fees	86,764	105,701	18,937
Building permit fees	210,000	442,311	232,311
Total charges for services	<u>560,353</u>	<u>815,230</u>	<u>254,877</u>
Fines and forfeitures			
Traffic and parking fines	36,414	47,066	10,652
Other		570	570
Total fines and forfeitures	<u>36,414</u>	<u>47,636</u>	<u>11,222</u>
Miscellaneous			
Parking and bonfire permits	34,925	50,182	15,257
Beach concession services	15,712	22,750	7,038
Lifeguard chair advertising	6,700	5,700	(1,000)
Junior lifeguard program	6,875	4,902	(1,973)
Interest income	7,500	2,120	(5,380)
Special events donations	765	7,202	6,437
Other revenues	4,435	73,062	68,627
Total miscellaneous	<u>76,912</u>	<u>165,918</u>	<u>89,006</u>
Total revenues	<u>\$ 1,874,078</u>	<u>\$ 2,320,402</u>	<u>\$ 446,324</u>

**TOWN OF FENWICK ISLAND, DELAWARE**

**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL**

**GENERAL FUND BY DEPARTMENT**

**YEAR ENDED JULY 31, 2021**

	Final Budget (Unaudited)	Actual Amounts	Variance Favorable (Unfavorable)
General government			
Appraisal	\$ 6,000	\$ 6,000	\$
Auditing	12,000	12,000	
BBVFC ambulance service	45,474	45,580	(106)
Building maintenance	7,800	9,016	(1,216)
Codification and code re-write	5,195	28,546	(23,351)
Community projects	4,850	500	4,350
Contract services	1,000	3,385	(2,385)
Copiers	3,800	3,137	663
Dues	6,920	7,178	(258)
Employee relations	3,500	3,355	145
Government liaison	1,500	111	1,389
Insurance	82,238	99,238	(17,000)
Legal	25,000	32,005	(7,005)
Median landscape maintenance	3,400	1,095	2,305
Municipal street		2,863	(2,863)
Municipal street lighting	15,000	15,145	(145)
Parking permits	3,800	5,303	(1,503)
Pension	3,300	2,575	725
Postage	5,600	3,886	1,714
Printing and advertising	4,100	3,207	893
Recycling and trash	38,000	49,204	(11,204)
Sewer	1,000	940	60
Solid waste collection	115,000	108,195	6,805
Telephone	9,740	10,881	(1,141)
Utilities	9,000	7,659	1,341
Website	17,500	17,159	341
Total general government	<u>430,717</u>	<u>478,163</u>	<u>(47,446)</u>

**TOWN OF FENWICK ISLAND, DELAWARE**

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

**YEAR ENDED JULY 31, 2021**

	Final Budget (Unaudited)	Actual Amounts	Variance Favorable (Unfavorable)
Administrative			
Dental insurance	1,426	1,077	349
Election costs		2,090	(2,090)
Financial services	3,400	3,636	(236)
Health insurance	42,291	41,630	661
Life insurance	1,998	2,114	(116)
Miscellaneous		4,339	(4,339)
Office IT maintenance	1,500	1,645	(145)
Office supplies	5,300	11,187	(5,887)
Payroll taxes	21,794	21,972	(178)
Pension	26,816	25,975	841
Personnel supplies	400	214	186
Printing and advertising	1,000	82	918
Professional development	3,500	2,842	658
Salaries	269,362	269,837	(475)
Telephone	1,000	1,611	(611)
Travel reimbursement	5,200	4,200	1,000
Vehicle fuel and maintenance	700	87	613
Vision care	606	510	96
Workmans compensation	1,689	1,139	550
Total administrative	<u>387,982</u>	<u>396,187</u>	<u>(8,205)</u>
Police department			
Building maintenance	10,150	8,049	2,101
Communication equipment	1,000	19,358	(18,358)
Community outreach	300		300
Dental insurance	1,962	1,389	573
Health insurance	91,669	74,027	17,642
Life insurance	3,519	3,518	1
Mobile computer access	4,025	3,127	898
Office IT maintenance	8,100	8,301	(201)
Office supplies	2,200	1,256	944
Payroll taxes	41,858	45,052	(3,194)
Pension	77,309	66,333	10,976
Police supplies	3,316	13,383	(10,067)

**TOWN OF FENWICK ISLAND, DELAWARE**

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

**YEAR ENDED JULY 31, 2021**

	Final Budget (Unaudited)	Actual Amounts	Variance Favorable (Unfavorable)
Police department (continued)			
Printing and advertising	600	255	345
Professional development	4,000	3,350	650
Salaries	520,000	508,026	11,974
Uniforms	10,000	9,857	143
Vehicle fuel and maintenance	20,000	22,088	(2,088)
Vision care	791	753	38
Workmans compensation	37,585	24,803	12,782
Total police department	<u>838,384</u>	<u>812,925</u>	<u>25,459</u>
Beach patrol			
Awards and competitions	7,000	5,104	1,896
Beach vehicle fuel	500	574	(74)
Beach vehicle maintenance	1,000	944	56
Chair and sign maintenance	2,300	1,977	323
Communication equipment	440	989	(549)
Employee relations	2,400	918	1,482
Junior guard program	2,000		2,000
Lifeguard payroll taxes - Fenwick	16,818	18,824	(2,006)
Lifeguard payroll taxes - State	9,056	6,289	2,767
Lifeguard salaries - Fenwick	178,848	223,035	(44,187)
Lifeguard salaries - State	96,302	77,872	18,430
Lifeguard USLA certification	1,250	1,085	165
Lifeguard workmans compensation	18,114	12,135	5,979
Professional development	1,000	1,180	(180)
Supplies and equipment - Fenwick	4,500	2,296	2,204
Telephone	900	668	232
Uniforms	6,500	6,625	(125)
Utilities	300		300
Total beach patrol	<u>349,228</u>	<u>360,515</u>	<u>(11,287)</u>

**TOWN OF FENWICK ISLAND, DELAWARE**

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

**YEAR ENDED JULY 31, 2021**

	Final Budget (Unaudited)	Actual Amounts	Variance Favorable (Unfavorable)
Public works			
Building maintenance	1,000	465	535
Contract services	1,300	4,400	(3,100)
Dental insurance	1,011	1,378	(367)
Engineering		2,654	(2,654)
Health insurance	46,544	43,436	3,108
Life insurance	1,190	1,289	(99)
Payroll taxes	11,940	11,920	20
Pension	14,193	9,990	4,203
Safety equipment	600	833	(233)
Salaries	144,435	146,755	(2,320)
Shop equipment	2,800	1,197	1,603
Shop supplies	5,000	6,786	(1,786)
Street maintenance	500	18,104	(17,604)
Telephone	1,400	1,093	307
Uniforms	1,500	923	577
Utilities	5,615	5,288	327
Vehicle fuel and maintenance	4,000	5,247	(1,247)
Vision care	366	366	
Workmans compensation	9,508	6,800	2,708
Yard waste	200		200
Total public works	<u>253,102</u>	<u>268,924</u>	<u>(15,822)</u>
Capital outlay	<u>110,389</u>	<u>154,849</u>	<u>(44,460)</u>
Total expenditures	<u>\$ 2,369,802</u>	<u>\$ 2,471,563</u>	<u>\$ (101,761)</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***

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DELAWARE SOCIETY OF  
 CERTIFIED PUBLIC ACCOUNTANTS

ALLINIAL GLOBAL

Honorable Mayor and Council Members  
 Town of Fenwick Island, Delaware

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, 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, 2021, 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 28, 2022.

**Internal Control over Financial Reporting**

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.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies 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 2021-001, 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 28, 2022



**TOWN OF FENWICK ISLAND, DELAWARE**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**YEAR ENDED JULY 31, 2021**

**SIGNIFICANT DEFICIENCY**

2021-001 Criteria – Controls should be in place to detect, prevent, or correct misstatements in the Town's drafted financial statements.

Condition and context – Management relies on the auditor to prepare the financial statements in accordance with generally accepted accounting principles (GAAP). The financial statements are reviewed and approved by management prior to their issuance. 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 or potential effect – There is a danger that intentional fraud or unintentional errors could occur and not be detected.

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

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