

TOWN OF FENWICK ISLAND, DELAWARE

FINANCIAL STATEMENTS

YEAR ENDED JULY 31, 2023

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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Honorable Mayor and Council Members
Town of Fenwick Island, Delaware

Opinions

We have audited 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, 2023, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund, of the Town of Fenwick Island, Delaware, as of July 31, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Fenwick Island, Delaware and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

Responsibilities of Management for the Financial Statements (continued)

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Fenwick Island, Delaware's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information on pages 4 through 12 and pages 36 through 38 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the 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 26, 2024, 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 the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Fenwick Island, Delaware's internal control over financial reporting and compliance.

PKS & Company, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

Salisbury, Maryland
January 26, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

JULY 31, 2023

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, 2023. 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 \$6,884,762 (net position) as compared to \$5,951,488 in the prior year. Unrestricted net position has a balance of \$1,755,251, 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 \$3,665,433, an increase of \$160,730 in comparison with the prior year.
- At the end of the current fiscal year, the unassigned fund balance for the general fund was \$910,413, an increase of \$204,059. 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, 2023

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, 2023

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 – 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 - 35 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 36) and the Town's proportionate share of the net pension liability (asset) and contributions related to the Delaware Public Employees' Retirement System (pages 37 - 38).

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 40 – 41 of this report.

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

JULY 31, 2023

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the government's financial position. A large portion of the Town's net position (47%) 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.

	Governmental Activities July 31, 2023	Governmental Activities July 31, 2022	Change
Assets			
Current and other assets	\$ 4,861,768	\$ 4,555,995	\$ 305,773
Capital assets, net	3,239,508	2,612,908	626,600
Total assets	<u>8,101,276</u>	<u>7,168,903</u>	<u>932,373</u>
Deferred outflows of resources	<u>218,524</u>	<u>147,016</u>	<u>71,508</u>
Liabilities			
Current liabilities	351,436	77,032	274,404
Long-term liabilities	200,184	307,960	(107,776)
Total liabilities	<u>551,620</u>	<u>384,992</u>	<u>166,628</u>
Deferred inflows of resources	<u>883,418</u>	<u>979,439</u>	<u>(96,021)</u>
Net position			
Net investment in capital assets	3,238,015	2,609,848	628,167
Restricted	1,891,496	1,840,691	50,805
Unrestricted	1,755,251	1,500,949	254,302
Total net position	<u>\$ 6,884,762</u>	<u>\$ 5,951,488</u>	<u>\$ 933,274</u>

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

JULY 31, 2023

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, 2023, along with comparable data. Government-wide activities increased the Town of Fenwick Island's net position by \$933,274.

	Governmental Activities July 31, 2023	Governmental Activities July 31, 2022	Change
Revenues			
Program revenues			
Charges for services	\$ 1,072,820	\$ 1,013,169	\$ 59,651
Capital grants and contributions	622,484	163,683	458,801
Operating grants and contributions	182,378	189,389	(7,011)
General revenues			
Taxes - property/rental	1,217,618	1,213,107	4,511
Realty transfer tax	497,585	345,840	151,745
Fines and forfeitures	155	1,100	(945)
Unrestricted investment earnings	83,707	28,449	55,258
Miscellaneous	116,060	99,549	16,511
Loss on sale of equipment	(891)		(891)
Total revenues	<u>3,791,916</u>	<u>3,054,286</u>	<u>737,630</u>
Expenses			
Administrative	380,144	345,318	34,826
Police department	964,363	866,672	97,691
Beach patrol	382,695	353,913	28,782
Beach committee	14,871	9,530	5,341
Public works (includes MSA expenses)	397,453	417,527	(20,074)
General government	719,116	579,070	140,046
Total expenses	<u>2,858,642</u>	<u>2,572,030</u>	<u>286,612</u>
Change in net position	933,274	482,256	451,018
Net position, beginning of year	<u>5,951,488</u>	<u>5,469,232</u>	<u>482,256</u>
Net position, end of year	<u><u>\$ 6,884,762</u></u>	<u><u>\$ 5,951,488</u></u>	<u><u>\$ 933,274</u></u>

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

JULY 31, 2023

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 \$3,665,433. Of this total amount, \$910,413 constitutes unassigned fund balance.

General fund budgetary highlights

Revenues for the general fund operations were greater than budgeted revenue by \$746,953. The favorable revenue variance is primarily due to an increase in building permit fees, traffic and parking fines, grants and interest income. Departmental expenditures were more than budgeted expenditures by \$102,519. This unfavorable variance in expenditures is primarily due salaries and legal expense being over budget.

The following schedule presents a comparative summary of General Fund revenues for the fiscal years ended July 31, 2023 and 2022, along with the percentage of that revenue to total revenues:

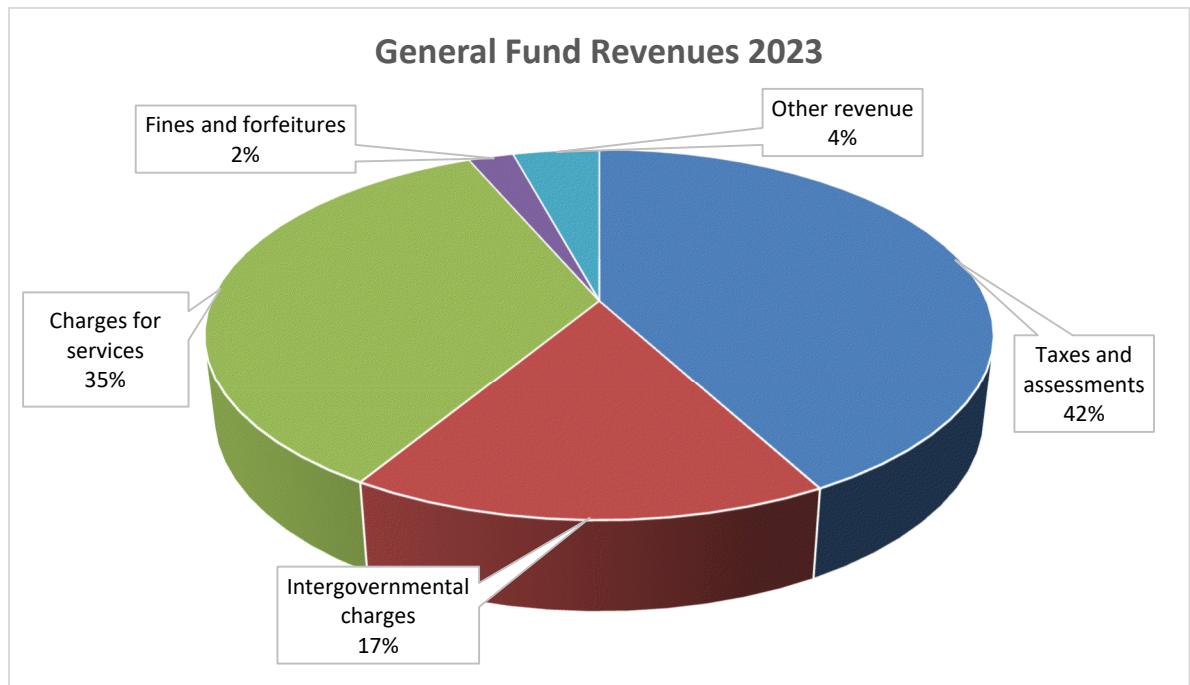
Revenues	July 31, 2023 Totals	Percentage of Total	July 31, 2022 Totals	Percentage of Total
Taxes and assessments	\$ 1,217,618	42%	\$ 1,213,107	46%
Intergovernmental grants	478,851	17%	316,618	12%
Charges for services	1,009,130	35%	958,580	36%
Fines and forfeitures	63,845	2%	55,489	2%
Other revenue	122,182	4%	87,851	3%
	<u>\$ 2,891,626</u>	<u>100%</u>	<u>\$ 2,631,645</u>	<u>100%</u>

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

JULY 31, 2023

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 \$1,217,618, or 42%, of all General Fund revenues. The increase in revenues from 2022 of \$259,981 was due primarily to the increase in charges for services and intergovernmental grants.

The following schedule represents a comparative summary of General Fund expenditures for the fiscal years ended July 31, 2023 and 2022, along with the percentage of that expenditure to total expenditures:

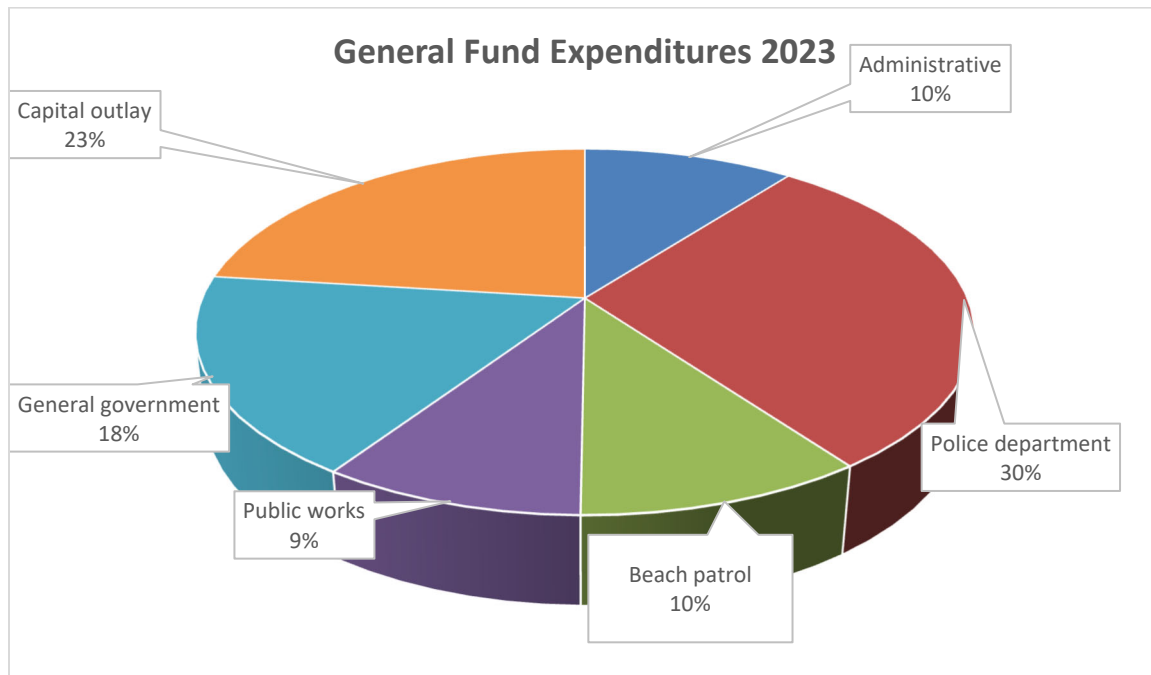
Expenditures	July 31, 2023 Totals	Percentage of Total	July 31, 2022 Totals	Percentage of Total
Administrative	\$ 375,391	10%	\$ 333,166	13%
Police department	1,062,658	30%	928,741	35%
Beach patrol	365,360	10%	337,825	13%
Public works	332,006	9%	328,603	13%
General government	633,025	18%	501,295	19%
Capital outlay	827,843	23%	190,436	7%
	<u>\$ 3,596,283</u>	<u>100%</u>	<u>\$ 2,620,066</u>	<u>100%</u>

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

JULY 31, 2023

FINANCIAL ANALYSIS OF THE GOVERNMENTAL FUNDS (Continued)

General fund budgetary highlights (continued)



DEBT ADMINISTRATION

Current and long-term lease payable are reflected on the financial statements. The Town's noncurrent liabilities consist of accrued compensated absences.

CAPITAL ASSETS

The Town of Fenwick Island's investment in capital assets for its governmental activities as of July 31, 2023 amounts to \$3,239,508 (net of accumulated depreciation).

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

JULY 31, 2023

CAPITAL ASSETS (Continued)

This year’s major capital asset additions included:

- Sidewalks for \$606,052.
- Dredging project for \$44,130.
- Two 2022 Ford Explorers for \$95,904.
- Town Hall Building Renovations for \$33,624.
- Beach Mobi Mats for \$15,131.
- Motorola In-Car Camera Systems for \$18,945.

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

As of the year ended July 31, 2023, the Town received all 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 a total of \$240,247. To date, the Town has used a portion of the funds received for stormwater backflow preventer valves, installation of an air purification system, updating conference room meeting equipment, deep cleaning sanitization, premium pay, and purchase of AED’s to support the Town’s first responders. The Town continues to review opportunities for additional projects to optimize the use of the remaining funds.

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, 2023

	Governmental Activities
ASSETS	
Current assets	
Cash and cash equivalents	\$ 2,834,399
Taxes receivable	3,962
Accounts receivable - other	35,166
Prepaid expenses	56,078
Restricted cash and cash equivalents	1,891,496
Total current assets	<u>4,821,101</u>
Noncurrent assets	
Capital assets, net of depreciation	3,239,508
Net pension asset	40,667
Total noncurrent assets	<u>3,280,175</u>
Total assets	<u><u>8,101,276</u></u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred financing outflows - retirement	<u>218,524</u>
LIABILITIES	
Current liabilities	
Accounts payable	252,866
Accrued wages and payroll taxes	26,992
Accrued compensated absences	70,085
Leases payable	1,493
Noncurrent liabilities	
Accrued compensated absences, less current portion	200,184
Total liabilities	<u>551,620</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred grants	805,725
Deferred financing inflows - retirement	77,693
Total deferred inflows of resources	<u>883,418</u>
NET POSITION	
Net investment in capital assets	3,238,015
Restricted	1,891,496
Unrestricted	1,755,251
Total net position	<u><u>\$ 6,884,762</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, 2023

					Net Revenue (Expense) and Change in Net Position
					</

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

TOWN OF FENWICK ISLAND, DELAWARE

**BALANCE SHEETS
GOVERNMENTAL FUNDS**

JULY 31, 2023

	General Fund	1 1/2% Realty Transfer Tax	Municipal Street Aid	Other Governmental Funds (non-major)	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 1,369,137	\$	\$	\$ 1,465,262	\$ 2,834,399
Taxes receivable	3,962				3,962
Accounts receivable - other	35,166				35,166
Prepaid expenses	56,078				56,078
Restricted cash	42,365	1,684,568	164,563		1,891,496
Total assets	<u>\$ 1,506,708</u>	<u>\$ 1,684,568</u>	<u>\$ 164,563</u>	<u>\$ 1,465,262</u>	<u>\$ 4,821,101</u>
LIABILITIES					
Accounts payable	\$ 250,920	\$	\$	\$ 1,946	\$ 252,866
Accrued wages and payroll taxes	26,992				26,992
Accrued compensated absences	70,085				70,085
Total liabilities	<u>347,997</u>			<u>1,946</u>	<u>349,943</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred grants	<u>149,855</u>			<u>655,870</u>	<u>805,725</u>
FUND BALANCES					
Nonspendable	56,078				56,078
Restricted	42,365	1,684,568	164,563		1,891,496
Committed				513,811	513,811
Assigned				293,635	293,635
Unassigned	910,413				910,413
Total fund balances	<u>1,008,856</u>	<u>1,684,568</u>	<u>164,563</u>	<u>807,446</u>	<u>3,665,433</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 1,506,708</u>	<u>\$ 1,684,568</u>	<u>\$ 164,563</u>	<u>\$ 1,465,262</u>	<u>\$ 4,821,101</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, 2023

Total fund balances, governmental funds	\$	3,665,433
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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.		3,239,508
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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		218,524
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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.

Accrued compensated absences		(200,184)
Deferred financing inflows - retirement		(77,693)
Leases payable		(1,493)
Net pension asset		40,667
		<hr/>

Net position, governmental activities	\$	<u><u>6,884,762</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, 2023

	General Fund	1 1/2% Realty Transfer Tax	Municipal Street Aid	Other Governmental Funds (non-major)	Total Governmental Funds
REVENUES					
Taxes	\$ 1,217,618	\$ 497,585	\$	\$	\$ 1,715,203
Intergovernmental	478,851		31,882	294,130	804,863
Charges for services	1,009,130			2,056	1,011,186
Fines and forfeitures	63,845				63,845
Miscellaneous	122,182	32,496	2,661	40,621	197,960
Total revenues	<u>2,891,626</u>	<u>530,081</u>	<u>34,543</u>	<u>336,807</u>	<u>3,793,057</u>
EXPENDITURES					
Current					
General government	633,025	9,292			642,317
Administrative	375,391	2,910			378,301
Police department	1,062,658				1,062,658
Beach patrol	365,360				365,360
Beach committee				14,871	14,871
Public works	332,006	7,819		1,152	340,977
Capital outlay	827,843				827,843
Total expenditures	<u>3,596,283</u>	<u>20,021</u>		<u>16,023</u>	<u>3,632,327</u>
Revenues over (under) expenditures	(704,657)	510,060	34,543	320,784	160,730
OTHER FINANCING SOURCES					
Transfers in (out)	<u>924,121</u>	<u>(574,272)</u>		<u>(349,849)</u>	
Net change in fund balances	219,464	(64,212)	34,543	(29,065)	160,730
FUND BALANCES, BEGINNING OF YEAR	<u>789,392</u>	<u>1,748,780</u>	<u>130,020</u>	<u>836,511</u>	<u>3,504,703</u>
FUND BALANCES, END OF YEAR	<u>\$ 1,008,856</u>	<u>\$ 1,684,568</u>	<u>\$ 164,563</u>	<u>\$ 807,446</u>	<u>\$ 3,665,433</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, 2023

Net change in fund balances, governmental funds	\$ 160,730
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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	\$ 827,843	
Depreciation expense	<u>(200,102)</u>	627,741

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.

(1,141)

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	106,285
Change in deferred financing outflows - retirement	71,506

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

Principal payments on lease payable	1,567
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The governmental fund does not present revenues that are not available to pay
current obligations. In contrast, such revenues are reported in the Statement
of Activities when earned.

Change in net pension asset	(497,055)
Change in deferred financing inflows - retirement	<u>463,641</u>

Change in net position, governmental activities	<u><u>\$ 933,274</u></u>
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TOWN OF FENWICK ISLAND, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JULY 31, 2023

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, 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, 2023

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 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, 2023

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, 2023

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 two types of items that qualify for reporting in this category: deferred financing inflows related to retirement, and deferred grants, which are not recognized until a future event occurs.

Pensions

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

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, 2023

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.

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.

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

Asset Class	Estimated Useful Lives
Buildings and improvements	5 - 40 years
Equipment	3 - 20 years
Vehicles	5 years
Infrastructure	30 years
Leased equipment (Right-of-use)	Life of lease

TOWN OF FENWICK ISLAND, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JULY 31, 2023

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property taxes

Taxes are levied on August 1 of each year and are due by October 31. 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 45 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 1. 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.

TOWN OF FENWICK ISLAND, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JULY 31, 2023

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of GASB Statement No. 96, Subscription-Based Information Technology Arrangements
Effective August 1, 2022, the Town adopted the new subscription-based information technology arrangements accounting guidance in GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. The new guidance requires recognition of certain subscription-based information technology arrangements that were previously classified as operating expenses. The adoption of the new guidance had no financial impact to the Town's financial statements for the year ended July 31, 2023.

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, 2023, the carrying amount of the Town's deposits was \$4,725,895 and the bank balance was \$4,760,864.

As of July 31, 2023, \$4,407,027 of the Town's bank balances were covered by the Federal Deposit Insurance Corporation (FDIC). The Town's remaining bank balances are covered by other acceptable collateral.

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	\$ 2,834,399
Cash and cash equivalents - restricted	1,891,496
Total cash and cash equivalents	<u>\$ 4,725,895</u>

TOWN OF FENWICK ISLAND, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JULY 31, 2023

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, 2023, based on assessments, was \$.1740 per \$100 of assessed valuation. The total assessed value of all taxable real property and improvements at August 1, 2022 was \$411,782,377. The Town does not have an allowance for delinquent taxes because all taxes are considered collectible.

LONG-TERM DEBT

Changes in long-term obligations for the year ended July 31, 2023 are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Operating leases	<u>\$ 3,060</u>	<u>\$</u>	<u>\$ 1,567</u>	<u>\$ 1,493</u>

Operating leases

The Town is leasing two copiers under operating leases with a balance of \$1,493 expiring 2024. The asset and liability are recorded at the present value of the future lease payments of \$1,383. The assets are amortized over the life of the lease. Amortization of the assets under operating leases is included in depreciation expense.

Principal and interest requirements to amortize lease obligations as of July 31, 2023 are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 1,493	\$ 30

TOWN OF FENWICK ISLAND, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JULY 31, 2023

CAPITAL ASSETS

Capital asset activity for the year ended July 31, 2023 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
<i>Capital assets not being depreciated</i>				
Land	\$ 434,836	\$	\$	\$ 434,836
Construction in progress	270,431	650,182	701,224	219,389
Total capital assets not being depreciated	<u>705,267</u>	<u>650,182</u>	<u>701,224</u>	<u>654,225</u>
<i>Capital assets being depreciated</i>				
Land improvements	1,817,833	701,224		2,519,057
Buildings	1,041,002	33,624		1,074,626
Equipment	659,011	48,133	12,788	694,356
Vehicles	494,829	95,904	31,934	558,799
Street signs and fixtures	62,442			62,442
Leased equipment	7,541			7,541
Total capital assets being depreciated	<u>4,082,658</u>	<u>878,885</u>	<u>44,722</u>	<u>4,916,821</u>
Less accumulated depreciation for:				
Land improvements	892,421	87,484		979,905
Buildings	332,556	29,276		361,832
Equipment	584,247	23,062	12,788	594,521
Vehicles	310,319	54,672	30,793	334,198
Street signs and fixtures	50,824	4,100		54,924
Leased equipment	4,650	1,508		6,158
Total accumulated depreciation	<u>2,175,017</u>	<u>200,102</u>	<u>43,581</u>	<u>2,331,538</u>
Total capital assets being depreciated, net	<u>1,907,641</u>	<u>678,783</u>	<u>1,141</u>	<u>2,585,283</u>
Governmental activity capital assets, net	<u>\$ 2,612,908</u>	<u>\$ 1,328,965</u>	<u>\$ 702,365</u>	<u>\$ 3,239,508</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 70,738
Administrative	4,194
Police department	60,532
Beach patrol	17,336
Public works	47,302
Total governmental activities	<u>\$ 200,102</u>

TOWN OF FENWICK ISLAND, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JULY 31, 2023

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, 2022. 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.

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.

TOWN OF FENWICK ISLAND, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JULY 31, 2023

RETIREMENT AND PENSION PLANS (Continued)

General information about the pension plans (continued)

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

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, 2023, the Town received \$51,760.

At July 31, 2023, the Town reported an asset of \$40,667 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2022, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of June 30, 2021. Update procedures were used to roll forward the total pension asset to June 30, 2022. The Town's proportion of the net pension asset was based on the percentage of actual employee contributions. At June 30, 2022, the Town's proportion for the Plan was .3868%.

TOWN OF FENWICK ISLAND, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JULY 31, 2023

RETIREMENT AND PENSION PLANS (Continued)

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

For the year ended July 31, 2023, the Town recognized pension expense of \$10,763. At July 31, 2023, 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	\$ 14,632	\$ 33,018
Changes in proportion	9,499	27,767
Difference between expected and actual experience	69,169	16,908
Net difference between projected and actual earnings on pension plan investments	67,382	
Contributions subsequent to measurement date	57,842	
	<u>\$ 218,524</u>	<u>\$ 77,693</u>

The Town's contribution of \$57,842 subsequent to the measurement date, reported as deferred outflows of resources, will be recognized as a reduction of the net pension asset in the year ending July 31, 2024. 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, 2023

RETIREMENT AND PENSION PLANS (Continued)

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

	Measurement Period Ended	<u>Amortization Period</u>
	June 30	Police
Difference between expected and actual experience	2015	11 years
	2016	10 years
	2017	10 years
	2018	10 years
	2020	9 years
	2021	10 years
	2022	9 years
Net difference between projected and actual earnings on investments	2018	5 years
	2019	5 years
	2020	5 years
	2021	5 years
	2022	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
	2021	9 years
	2022	9 years
Change in assumptions	2016	10 years
	2017	10 years
	2021	10 years

TOWN OF FENWICK ISLAND, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JULY 31, 2023

RETIREMENT AND PENSION PLANS (Continued)

Pension assets, 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,	
2024	\$ 16,244
2025	16,244
2026	25,960
2027	20,780
2028	2,429
Thereafter	1,332
	<u>\$ 82,989</u>

Actuarial assumptions. The collective total pension asset for the June 30, 2022 measurement date was determined by an actuarial valuation as of June 30, 2021, and update procedures were used to roll forward the total pension asset to June 30, 2022. 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 assets 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 2020. 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 Pub-2010 tables with gender adjustments for healthy annuitants and disabled retirees and an adjusted version on MP-2020 mortality improvement scale on a fully generational basis.

TOWN OF FENWICK ISLAND, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JULY 31, 2023

RETIREMENT AND PENSION PLANS (Continued)

Pension assets, 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, 2022 are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	31.8%	5.7%
International equity	15.0%	5.7%
Fixed income	23.6%	2.0%
Alternative investments	21.5%	7.8%
Cash and equivalents	8.1%	0.0%
Total	100%	

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

TOWN OF FENWICK ISLAND, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JULY 31, 2023

RETIREMENT AND PENSION PLANS (Continued)

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

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

1% Decrease (6.0%)	\$ 270,586
Current discount rate (7.0%)	\$ (40,667)
1% Increase (8.0%)	\$ (294,277)

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, 2023

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.

NEW PRONOUNCEMENTS

GASB Statement No. 101, *Compensated Absences*, will be effective for the Town beginning with the year ending July 31, 2025. This statement updates the recognition and measurement guidance for compensated absences.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF FENWICK ISLAND, DELAWARE

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

YEAR ENDED JULY 31, 2023

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Favorable (Unfavorable)
REVENUES				
Taxes	\$ 1,220,000	\$ 1,220,000	\$ 1,217,618	\$ (2,382)
Intergovernmental	151,250	151,250	478,851	327,601
Charges for services	657,723	657,723	1,009,130	351,407
Fines and forfeitures	42,350	42,350	63,845	21,495
Miscellaneous	73,350	73,350	122,182	48,832
Total revenues	<u>2,144,673</u>	<u>2,144,673</u>	<u>2,891,626</u>	<u>746,953</u>
EXPENDITURES				
Current				
General government	492,609	492,609	633,025	(140,416)
Administrative	371,774	371,774	375,391	(3,617)
Police department	932,960	932,960	1,062,658	(129,698)
Beach patrol	422,426	422,426	365,360	57,066
Public works	376,645	376,645	332,006	44,639
Capital outlay	897,350	897,350	827,843	69,507
Total expenditures	<u>3,493,764</u>	<u>3,493,764</u>	<u>3,596,283</u>	<u>(102,519)</u>
Revenues over (under) expenditures	(1,349,091)	(1,349,091)	(704,657)	644,434
OTHER FINANCING SOURCES				
Transfers in	<u>295,141</u>	<u>295,141</u>	<u>924,121</u>	<u>628,980</u>
Net change in fund balances	(1,053,950)	(1,053,950)	<u>\$ 219,464</u>	<u>\$ 1,273,414</u>
Budgeted transfers from other funds	<u>1,053,950</u>	<u>1,053,950</u>		
Adjusted net change in fund balances	<u>\$</u>	<u>\$</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)**

	2023	2022	2021	2020	2019	2018	2017	2016
<u>County & Municipal Police and Firefighters' Pension Plan</u>								
Town's proportion of the net pension liability (asset)	0.3868%	0.3908%	0.4477%	0.4547%	0.4182%	0.4406%	0.4518%	0.4334%
Town's proportionate share of the net pension liability (asset) \$	(40,667)	\$ (537,722)	\$ 68,798	\$ 130,613	\$ 96,319	\$ 44,421	\$ 71,820	\$ (22,839)
Town's covered-employee payroll \$	707,176	\$ 594,317	\$ 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	-5.75%	-90.48%	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)	102.0%	128.2%	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)**

	2023	2022	2021	2020	2019	2018	2017	2016
<u>County & Municipal Police and Firefighters' Pension Plan</u>								
Contractually required contribution	\$ 57,842	\$ 69,841	\$ 69,935	\$ 75,627	\$ 74,279	\$ 70,387	\$ 49,852	\$ 43,628
Contributions in relation to the contractually required contribution	<u>(57,842)</u>	<u>(69,841)</u>	<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>	<u>\$</u>	<u>\$</u>
Town's covered-employee payroll	\$ 707,176	\$ 594,317	\$ 508,026	\$ 514,922	\$ 505,052	\$ 433,418	\$ 413,573	\$ 394,845
Contributions as a percentage of covered-employee payroll	8%	12%	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
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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, 2023 appears on pages one through three. 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 40 through 46 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.

CERTIFIED PUBLIC ACCOUNTANTS

Salisbury, Maryland
January 26, 2024

TOWN OF FENWICK ISLAND, DELAWARE

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

JULY 31, 2023

	Special Reserves	Parks and Recreation	Dedicated Streets	Beach Committee	Total Other Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 900,413	\$ 13,023	\$ 513,811	\$ 38,015	\$ 1,465,262
LIABILITIES					
Accounts payable	\$	\$ 201	\$	\$ 1,745	\$ 1,946
DEFERRED INFLOWS OF RESOURCES					
Deferred grants	655,870				655,870
FUND BALANCES					
Committed	\$	\$	\$ 513,811	\$	\$ 513,811
Assigned	244,543	12,822		36,270	293,635
Total fund balances	244,543	12,822	513,811	36,270	807,446
Total liabilities, deferred inflows, and fund balances	\$ 900,413	\$ 13,023	\$ 513,811	\$ 38,015	\$ 1,465,262

TOWN OF FENWICK ISLAND, DELAWARE

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

YEAR ENDED JULY 31, 2023

	Special Reserves	Parks and Recreation	Dedicated Streets	Beach Committee	Total Other Governmental Funds
REVENUES					
Intergovernmental	\$ 294,130	\$	\$	\$	\$ 294,130
Charges for services		2,056			2,056
Miscellaneous	13,149	10	7,884	19,578	40,621
Total revenues	<u>307,279</u>	<u>2,066</u>	<u>7,884</u>	<u>19,578</u>	<u>336,807</u>
EXPENDITURES					
Beach committee				14,871	14,871
Parks and recreation		1,152			1,152
Total expenditures		<u>1,152</u>		<u>14,871</u>	<u>16,023</u>
Revenues over expenditures	307,279	914	7,884	4,707	320,784
OTHER FINANCING SOURCES					
Transfers in (out)	(444,475)	1,080	83,693	9,853	(349,849)
Net change in fund balances	(137,196)	1,994	91,577	14,560	(29,065)
FUND BALANCES, BEGINNING OF YEAR	<u>381,739</u>	<u>10,828</u>	<u>422,234</u>	<u>21,710</u>	<u>836,511</u>
FUND BALANCES, END OF YEAR	<u><u>\$ 244,543</u></u>	<u><u>\$ 12,822</u></u>	<u><u>\$ 513,811</u></u>	<u><u>\$ 36,270</u></u>	<u><u>\$ 807,446</u></u>

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

YEAR ENDED JULY 31, 2023

	Final Budget (Unaudited)	Actual	Variance Favorable (Unfavorable)
Taxes			
Property taxes	\$ 740,000	\$ 728,103	\$ (11,897)
Gross rental taxes	480,000	489,515	9,515
Total taxes	<u>1,220,000</u>	<u>1,217,618</u>	<u>(2,382)</u>
Intergovernmental			
Capital improvement grants		295,236	295,236
Lifeguard grants	73,250	73,250	
Police grants	41,000	58,605	17,605
Pension income	37,000	51,760	14,760
Total intergovernmental	<u>151,250</u>	<u>478,851</u>	<u>327,601</u>
Charges for services			
Trash collection fees	198,500	200,777	2,277
Ambulance fees	45,580	44,210	(1,370)
Franchise fees	36,836	35,428	(1,408)
License fees	101,807	105,723	3,916
Building permit fees	275,000	622,992	347,992
Total charges for services	<u>657,723</u>	<u>1,009,130</u>	<u>351,407</u>
Fines and forfeitures			
Traffic and parking fines	42,000	63,690	21,690
Other	350	155	(195)
Total fines and forfeitures	<u>42,350</u>	<u>63,845</u>	<u>21,495</u>
Miscellaneous			
Parking and bonfire permits	38,100	56,093	17,993
Beach concession services	16,500	12,500	(4,000)
Lifeguard chair advertising	5,000	4,400	(600)
Junior lifeguard program	4,400	2,985	(1,415)
Interest income	6,700	27,505	20,805
Special events donations		8,864	8,864
Sale of equipment		250	250
Other revenues	2,650	9,585	6,935
Total miscellaneous	<u>73,350</u>	<u>122,182</u>	<u>48,832</u>
Total revenues	<u>\$ 2,144,673</u>	<u>\$ 2,891,626</u>	<u>\$ 746,953</u>

TOWN OF FENWICK ISLAND, DELAWARE

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL

GENERAL FUND BY DEPARTMENT

YEAR ENDED JULY 31, 2023

	Final Budget (Unaudited)	Actual Amounts	Variance Favorable (Unfavorable)
General government			
Appraisal	\$ 7,500	\$ 23,200	\$ (15,700)
Auditing	13,250	13,250	
BBVFC ambulance service	45,580	45,580	
Building maintenance	8,570	9,663	(1,093)
Codification and code re-write	14,795	3,261	11,534
Community projects	5,000	21,282	(16,282)
Contract services	5,000		5,000
Copiers	7,800	5,049	2,751
Dues	6,890	3,120	3,770
Employee relations	4,000	6,803	(2,803)
Government liaison	2,000	1,137	863
Insurance	90,000	101,820	(11,820)
Legal	40,000	136,186	(96,186)
Miscellaneous	5,000	19,577	(14,577)
Municipal street lighting	16,000	16,526	(526)
Parking permits	5,500	8,211	(2,711)
Pension	2,600	1,931	669
Postage	6,700	6,327	373
Printing and advertising	4,100	2,918	1,182
Recycling and trash	47,793	43,038	4,755
Sewer	1,000	1,032	(32)
Solid waste collection	112,000	120,520	(8,520)
Telephone	14,320	15,033	(713)
Utilities	4,411	5,152	(741)
Website	22,800	22,409	391
Total general government	<u>492,609</u>	<u>633,025</u>	<u>(140,416)</u>

TOWN OF FENWICK ISLAND, DELAWARE

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

YEAR ENDED JULY 31, 2023

	Final Budget (Unaudited)	Actual Amounts	Variance Favorable (Unfavorable)
Administrative			
Dental insurance	1,142	1,142	
Financial services	4,000	5,133	(1,133)
Health insurance	36,378	40,037	(3,659)
Life insurance	1,587	1,774	(187)
Miscellaneous	50,000	8,540	41,460
Office IT maintenance	500	2,611	(2,111)
Office supplies	5,300	7,323	(2,023)
Payroll taxes	18,204	18,552	(348)
Pension	22,250	21,578	672
Personnel supplies	400	612	(212)
Printing and advertising	1,800	1,755	45
Professional development	2,000	591	1,409
Salaries	223,998	261,595	(37,597)
Telephone	1,200	968	232
Travel reimbursement	1,500	1,125	375
Vehicle fuel and maintenance	350	1,281	(931)
Vision care	365	365	
Workmans compensation	800	409	391
Total administrative	371,774	375,391	(3,617)
Police department			
Building maintenance	12,100	12,977	(877)
Communication equipment	2,500	102	2,398
Community outreach	1,000		1,000
Dental insurance	2,042	1,723	319
Health insurance	103,975	96,081	7,894
Life insurance	4,434	5,019	(585)
Mobile computer access	5,000	4,469	531
Office IT maintenance	1,250	576	674
Office supplies	1,600	2,731	(1,131)
Payroll taxes	48,626	53,863	(5,237)
Pension	60,233	63,330	(3,097)
Police supplies	5,100	29,290	(24,190)

TOWN OF FENWICK ISLAND, DELAWARE

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

YEAR ENDED JULY 31, 2023

	Final Budget (Unaudited)	Actual Amounts	Variance Favorable (Unfavorable)
Police department (continued)			
Printing and advertising	600	278	322
Professional development	9,085	8,115	970
Salaries	603,188	707,176	(103,988)
Uniforms	6,500	5,092	1,408
Vehicle fuel and maintenance	37,500	58,210	(20,710)
Vision care	943	817	126
Workmans compensation	27,284	12,809	14,475
Total police department	<u>932,960</u>	<u>1,062,658</u>	<u>(129,698)</u>
Beach patrol			
Awards and competitions	7,000	3,993	3,007
Beach vehicle fuel	500	975	(475)
Beach vehicle maintenance	1,500	1,314	186
Chair and sign maintenance	2,300	1,398	902
Communication equipment	440	480	(40)
Employee relations	1,700	182	1,518
Junior guard program	2,000	574	1,426
Lifeguard payroll taxes - Fenwick	23,383	20,170	3,213
Lifeguard payroll taxes - State	9,062	7,756	1,306
Lifeguard salaries - Fenwick	248,660	222,611	26,049
Lifeguard salaries - State	96,284	85,637	10,647
Lifeguard USLA certification	1,250	1,155	95
Lifeguard workmans compensation	15,247	7,202	8,045
Professional development	1,300	1,016	284
Supplies and equipment - Fenwick	4,500	2,826	1,674
Telephone	500	418	82
Uniforms	6,500	7,446	(946)
Utilities	300	207	93
Total beach patrol	<u>422,426</u>	<u>365,360</u>	<u>57,066</u>

TOWN OF FENWICK ISLAND, DELAWARE

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

YEAR ENDED JULY 31, 2023

	Final Budget (Unaudited)	Actual Amounts	Variance Favorable (Unfavorable)
Public works			
Building maintenance	1,500	681	819
Contract services	1,300		1,300
Dental insurance	1,434	1,422	12
Engineering		60	(60)
Health insurance	50,570	50,832	(262)
Life insurance	1,428	1,559	(131)
Miscellaneous		56	(56)
Payroll taxes	13,986	14,896	(910)
Pension	15,277	11,572	3,705
Printing and advertising		24	(24)
Safety equipment	1,100	14	1,086
Salaries	167,291	187,478	(20,187)
Shop equipment	3,500	3,190	310
Shop supplies	9,000	10,491	(1,491)
Street maintenance	87,000	32,652	54,348
Telephone	500	315	185
Uniforms	2,000	1,834	166
Utilities	5,500	4,795	705
Vehicle fuel and maintenance	7,000	6,518	482
Vision care	365	377	(12)
Workmans compensation	7,394	3,240	4,154
Yard waste	500		500
Total public works	<u>376,645</u>	<u>332,006</u>	<u>44,639</u>
Capital outlay	<u>897,350</u>	<u>827,843</u>	<u>69,507</u>
Total expenditures	<u>\$ 3,493,764</u>	<u>\$ 3,596,283</u>	<u>\$ (102,519)</u>

GOVERNMENT AUDITING STANDARDS REPORT

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

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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, 2023, 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 26, 2024.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of 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 2023-001, that we consider to be a significant deficiency.

Report on 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Town of Fenwick Island, Delaware's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Town of Fenwick Island, Delaware's response to the findings identified in our engagement and 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 the response.

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 26, 2024

TOWN OF FENWICK ISLAND, DELAWARE
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JULY 31, 2023

SIGNIFICANT DEFICIENCY

2023-001 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.