

TOWN OF FENWICK ISLAND, DELAWARE

FINANCIAL STATEMENTS

YEAR ENDED JULY 31, 2024

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, 2024, 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, each major fund, and the aggregate remaining fund information of the Town of Fenwick Island, Delaware, as of July 31, 2024, 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* (GAS), 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 and GAS 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 and GAS, 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 February 28, 2025, 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
February 28, 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

JULY 31, 2024

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, 2024. 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 \$7,360,258 (net position) as compared to \$6,905,321 in the prior year. Unrestricted net position has a balance of \$1,854,359, 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 \$3,836,595, an increase of \$150,603 in comparison with the prior year.
- At the end of the current fiscal year, the unassigned fund balance for the general fund was \$1,009,660, an increase of \$99,247. This is largely due to the transfer of funds to other governmental funds for 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, 2024

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, 2024

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, 2024

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 (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.

	Governmental Activities July 31, 2024	Governmental Activities July 31, 2023	Change
Assets			
Current and other assets	\$ 4,755,630	\$ 4,861,768	\$ (106,138)
Capital assets, net	3,592,210	3,239,508	352,702
Total assets	<u>8,347,840</u>	<u>8,101,276</u>	<u>246,564</u>
Deferred outflows of resources	<u>304,106</u>	<u>218,524</u>	<u>85,582</u>
Liabilities			
Current liabilities	148,778	351,436	(202,658)
Long-term liabilities	289,334	200,184	89,150
Total liabilities	<u>438,112</u>	<u>551,620</u>	<u>(113,508)</u>
Deferred inflows of resources	<u>853,576</u>	<u>883,418</u>	<u>(29,842)</u>
Net position			
Net investment in capital assets	3,582,941	3,238,015	344,926
Restricted	1,922,958	1,912,055	10,903
Unrestricted	1,854,359	1,755,251	99,108
Total net position	<u><u>\$ 7,360,258</u></u>	<u><u>\$ 6,905,321</u></u>	<u><u>\$ 454,937</u></u>

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

JULY 31, 2024

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, 2024, along with comparable data. Government-wide activities increased the Town of Fenwick Island's net position by \$454,937.

	Governmental Activities July 31, 2024	Governmental Activities July 31, 2023	Change
Revenues			
Program revenues			
Charges for services	\$ 690,291	\$ 1,072,820	\$ (382,529)
Capital grants and contributions	281,555	622,484	(340,929)
Operating grants and contributions	405,349	182,378	222,971
General revenues			
Taxes - property/rental	1,283,984	1,217,618	66,366
Realty transfer tax	659,467	497,585	161,882
Fines and forfeitures	643	155	488
Unrestricted investment earnings	173,381	83,707	89,674
Miscellaneous	127,224	116,060	11,164
Loss on sale of equipment	7,418	(891)	8,309
Total revenues	<u>3,629,312</u>	<u>3,791,916</u>	<u>(162,604)</u>
Expenses			
Administrative	378,759	380,144	(1,385)
Police department	1,255,123	964,363	290,760
Beach patrol	413,250	382,695	30,555
Beach committee	17,867	14,871	2,996
Public works (includes MSA expenses)	430,098	397,453	32,645
General government	679,278	719,116	(39,838)
Total expenses	<u>3,174,375</u>	<u>2,858,642</u>	<u>315,733</u>
Change in net position	454,937	933,274	(478,337)
Net position, beginning of year	<u>6,905,321</u>	<u>5,972,047</u>	<u>933,274</u>
Net position, end of year	<u><u>\$ 7,360,258</u></u>	<u><u>\$ 6,905,321</u></u>	<u><u>\$ 454,937</u></u>

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

JULY 31, 2024

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 \$3,836,595. Of this total amount, \$1,009,660 constitutes unassigned fund balance.

General Fund

The following schedule presents a comparative summary of General Fund revenues for the fiscal years ended July 31, 2024 and 2023, along with the percentage of that revenue to total revenues:

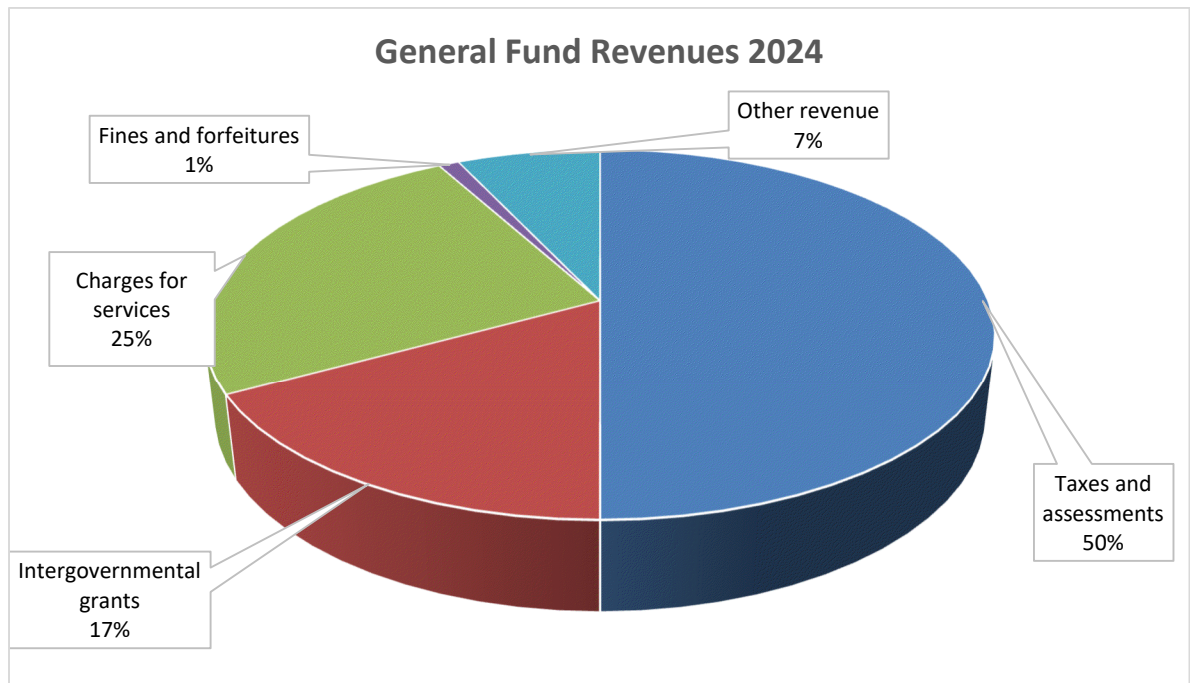
Revenues	July 31, 2024 Totals	Percentage of Total	July 31, 2023 Totals	Percentage of Total
Taxes and assessments	\$ 1,283,984	50%	\$ 1,217,618	42%
Intergovernmental grants	421,491	17%	478,851	17%
Charges for services	653,422	26%	1,009,130	35%
Fines and forfeitures	36,962	1%	63,845	2%
Other revenue	160,176	6%	122,182	4%
	<u>\$ 2,556,035</u>	<u>100%</u>	<u>\$ 2,891,626</u>	<u>100%</u>

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

JULY 31, 2024

FINANCIAL ANALYSIS OF THE GOVERNMENTAL FUNDS (Continued)

General fund (continued)



Current and prior year’s taxes continue to represent the largest revenue source, with \$1,283,984, or 50%, of all General Fund revenues. The decrease in revenues from 2023 of \$335,591 was due primarily to the decrease in charges for services and intergovernmental grants.

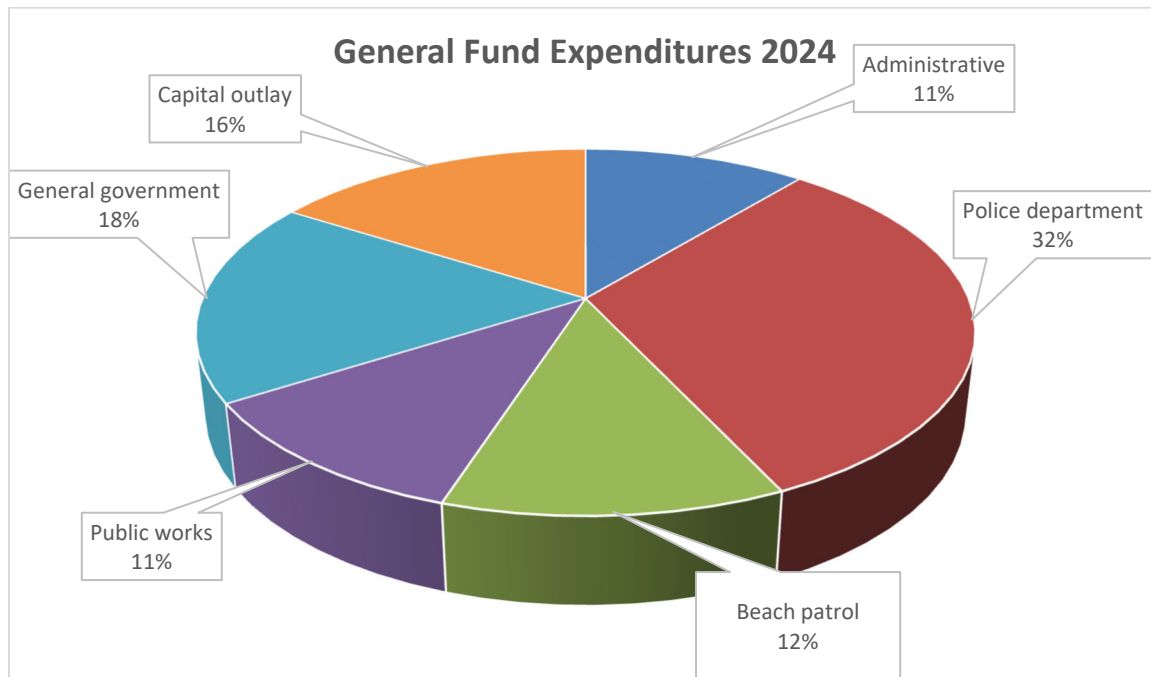
The following schedule represents a comparative summary of General Fund expenditures for the fiscal years ended July 31, 2024 and 2023, along with the percentage of that expenditure to total expenditures:

Expenditures	July 31, 2024 Totals	Percentage of Total	July 31, 2023 Totals	Percentage of Total
Administrative	\$ 365,883	11%	\$ 375,391	10%
Police department	1,086,614	32%	1,062,658	30%
Beach patrol	400,736	12%	365,360	10%
Public works	396,795	11%	332,006	9%
General government	596,481	17%	633,025	18%
Capital outlay	613,486	16%	827,843	23%
	<u>\$ 3,459,995</u>	<u>100%</u>	<u>\$ 3,596,283</u>	<u>100%</u>

TOWN OF FENWICK ISLAND, DELAWARE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JULY 31, 2024

FINANCIAL ANALYSIS OF THE GOVERNMENTAL FUNDS (Continued)

General fund (continued)



General fund budgetary highlights

Revenues for the general fund operations were greater than budgeted revenue by \$356,031. The favorable revenue variance is primarily due to an increase in gross rental taxes, grants, and interest income. Departmental expenditures were less than budgeted expenditures by \$549,549. This favorable variance in expenditures is primarily due salaries and capital outlay being under budget.

DEBT ADMINISTRATION

Current and long-term leases 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, 2024 amounts to \$3,592,210 (net of accumulated depreciation).

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

JULY 31, 2024

CAPITAL ASSETS (Continued)

This year’s major capital asset additions included:

- Sidewalks for \$62,647.
- Dodge Durango for \$53,659.
- Dodge Ram 1500 for \$53,773.
- Motorola In-Car Camera Systems for \$31,575.
- Handicap ramp for \$22,455.
- Digital street sign for \$18,645.
- Copier machine for \$9,433.
- Polaris ATV for \$8,157.
- Bobcat tracks for \$5,540.

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

As of the year ended July 31, 2024, the Town expended all funds received from the Department of Housing and Community Development under the American Rescue Plan Act of 2021 Coronavirus Local Fiscal Recovery Funds (CLRFR). The Town received a total of \$240,247. The Town used these funds for stormwater backflow preventers, installation of air purification system, updating conference room meeting equipment, deep cleaning sanitization, premium pay, purchase of AED’s to support the Town’s first responders and installation of sidewalks.

Over the last three years, the Town has also received \$1 million of grant funding from the State of Delaware to support a channel dredging project. As of July 31, 2024, \$350,000 of these funds had been expended with the remaining projected to be spent in the upcoming fiscal year. The Town expects to receive another \$800,000 of grant funds from Sussex County in support of this same dredging project and those funds are also projected to be spent in the upcoming fiscal year.

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, 2024

	Governmental Activities
ASSETS	
Current assets	
Cash and cash equivalents	\$ 2,707,774
Taxes receivable	71,913
Accounts receivable - other	58,239
Prepaid expenses	62,982
Restricted cash and cash equivalents	1,854,722
Total current assets	<u>4,755,630</u>
Noncurrent assets	
Capital assets, net of depreciation	3,592,210
Total assets	<u>8,347,840</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred financing outflows - retirement	<u>304,106</u>
LIABILITIES	
Current liabilities	
Accounts payable	87,198
Accrued wages and payroll taxes	42,084
Accrued compensated absences	17,848
Leases payable	1,648
Noncurrent liabilities	
Accrued compensated absences, less current portion	221,883
Net pension liability	59,830
Leases payable, less current portion	7,621
Total liabilities	<u>438,112</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred grants	771,905
Deferred financing inflows - retirement	81,671
Total deferred inflows of resources	<u>853,576</u>
NET POSITION	
Net investment in capital assets	3,582,941
Restricted	1,922,958
Unrestricted	1,854,359
Total net position	<u>\$ 7,360,258</u>

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

TOWN OF FENWICK ISLAND, DELAWARE

STATEMENT OF ACTIVITIES

YEAR ENDED JULY 31, 2024

					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, 2024

	General Fund	1 1/2% Realty Transfer Tax	Municipal Street Aid	Other Governmental Funds (non-major)	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 1,090,992	\$	\$	\$ 1,616,781	\$ 2,707,773
Taxes receivable	3,677	68,236			71,913
Accounts receivable - other	58,239				58,239
Prepaid expenses	62,982				62,982
Restricted cash	59,946	1,695,796	98,980		1,854,722
Total assets	<u>\$ 1,275,836</u>	<u>\$ 1,764,032</u>	<u>\$ 98,980</u>	<u>\$ 1,616,781</u>	<u>\$ 4,755,629</u>
LIABILITIES					
Accounts payable	\$ 83,316	\$	\$	\$ 3,881	\$ 87,197
Accrued wages and payroll taxes	42,084				42,084
Accrued compensated absences	17,848				17,848
Total liabilities	<u>143,248</u>			<u>3,881</u>	<u>147,129</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred grants				771,905	771,905
FUND BALANCES					
Nonspendable	62,982				62,982
Restricted	59,946	1,764,032	98,980		1,922,958
Committed				623,365	623,365
Assigned				217,630	217,630
Unassigned	1,009,660				1,009,660
Total fund balances	<u>1,132,588</u>	<u>1,764,032</u>	<u>98,980</u>	<u>840,995</u>	<u>3,836,595</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 1,275,836</u>	<u>\$ 1,764,032</u>	<u>\$ 98,980</u>	<u>\$ 1,616,781</u>	<u>\$ 4,755,629</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, 2024

Total fund balances, governmental funds	\$ 3,836,595
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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.	3,592,210
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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	304,106
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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	(221,883)
Deferred financing inflows - retirement	(81,671)
Leases payable	(9,269)
Net pension liability	<u>(59,830)</u>

Net position, governmental activities	<u><u>\$ 7,360,258</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, 2024

	General Fund	1 1/2% Realty Transfer Tax	Municipal Street Aid	Other Governmental Funds (non-major)	Total Governmental Funds
REVENUES					
Taxes	\$ 1,283,984	\$ 659,467	\$	\$	\$ 1,943,451
Intergovernmental	421,491		31,448	233,965	686,904
Charges for services	653,422			2,826	656,248
Fines and forfeitures	36,962				36,962
Miscellaneous	160,176	56,171	6,575	75,409	298,331
Total revenues	<u>2,556,035</u>	<u>715,638</u>	<u>38,023</u>	<u>312,200</u>	<u>3,621,896</u>
EXPENDITURES					
Current					
General government	596,481	18,058			614,539
Administrative	365,883	5,100			370,983
Police department	1,086,614	1,927			1,088,541
Beach patrol	400,736				400,736
Beach committee				17,867	17,867
Public works	396,795		6,800	1,606	405,201
Capital outlay	613,486				613,486
Total expenditures	<u>3,459,995</u>	<u>25,085</u>	<u>6,800</u>	<u>19,473</u>	<u>3,511,353</u>
Revenues over (under) expenditures	(903,960)	690,553	31,223	292,727	110,543
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of assets	30,626				30,626
Proceeds from leases	9,434				9,434
Transfers in (out)	967,073	(611,089)	(96,806)	(259,178)	
Total other financing sources (uses)	<u>1,007,133</u>	<u>(611,089)</u>	<u>(96,806)</u>	<u>(259,178)</u>	<u>40,060</u>
Net change in fund balances	103,173	79,464	(65,583)	33,549	150,603
FUND BALANCES, BEGINNING OF YEAR	<u>1,029,415</u>	<u>1,684,568</u>	<u>164,563</u>	<u>807,446</u>	<u>3,685,992</u>
FUND BALANCES, END OF YEAR	<u>\$ 1,132,588</u>	<u>\$ 1,764,032</u>	<u>\$ 98,980</u>	<u>\$ 840,995</u>	<u>\$ 3,836,595</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, 2024

Net change in fund balances, governmental funds	\$ 150,603
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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	\$ 613,486	
Depreciation expense	<u>(237,575)</u>	375,911

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.	(23,208)
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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	(21,699)
Change in deferred financing outflows - retirement	85,582

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 leases payable	1,657
Proceeds from leases	(9,434)

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/liability	(100,497)
Change in deferred financing inflows - retirement	<u>(3,978)</u>

Change in net position, governmental activities	<u><u>\$ 454,937</u></u>
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TOWN OF FENWICK ISLAND, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JULY 31, 2024

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, 2024

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, 2024

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, 2024

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, 2024

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, 2024

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, 2024

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, 2024, the carrying amount of the Town's deposits was \$4,562,496 and the bank balance was \$4,576,490.

As of July 31, 2024, \$4,266,678 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	\$ 2,707,774
Cash and cash equivalents - restricted	<u>1,854,722</u>
Total cash and cash equivalents	<u><u>\$ 4,562,496</u></u>

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, 2024, based on assessments, was \$.1740 per \$100 of assessed valuation. The total assessed value of all taxable real property and improvements at August 1, 2023 was \$414,952,084. The Town does not have an allowance for delinquent taxes because all taxes are considered collectible.

TOWN OF FENWICK ISLAND, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JULY 31, 2024

FUND BALANCES – GOVERNMENTAL FUNDS

Non-spendable fund balance consists of prepaid expenses and insurance premiums.

Restricted fund balances are transfer taxes, police grant funds, and municipal street aid monies which are restricted to specific uses by the State of Delaware.

Committed fund balances consists of dedicated street funds which are determined by a formal action of the Town Council ordinance or resolution.

Assigned fund balances are funds assigned to special reserves, parks and recreation and beach committee by the Mayor and Council. These funds are not spendable until a budget ordinance is passed or there is a majority vote approval by the Town Council.

LONG-TERM DEBT

Changes in long-term obligations for the year ended July 31, 2024 are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Leases payable	\$ 1,493	9,433	\$ 1,657	\$ 9,269

Leases Payable

The Town is leasing two copiers with a balance of \$9,269 expiring 2030. 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, 2024 are as follows:

Year Ending July 31,	Principal	Interest
2025	\$ 1,648	\$ 341
2026	1,715	274
2027	1,785	204
2028	1,858	131
2029	1,933	55
Thereafter	330	2
	<u>\$ 9,269</u>	<u>\$ 1,007</u>

TOWN OF FENWICK ISLAND, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JULY 31, 2024

CAPITAL ASSETS

Capital asset activity for the year ended July 31, 2024 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	219,389	352,304		571,693
Total capital assets not being depreciated	<u>654,225</u>	<u>352,304</u>		<u>1,006,529</u>
<i>Capital assets being depreciated</i>				
Land improvements	2,519,057	85,102		2,604,159
Buildings	1,074,626	14,243		1,088,869
Equipment	694,356	18,170		712,526
Vehicles	558,799	115,589	71,554	602,834
Street signs and fixtures	62,442	18,645	10,250	70,837
Leased equipment	7,541	9,433		16,974
Total capital assets being depreciated	<u>4,916,821</u>	<u>261,182</u>	<u>81,804</u>	<u>5,096,199</u>
Less accumulated depreciation for:				
Land improvements	979,905	112,586		1,092,491
Buildings	361,832	29,845		391,677
Equipment	594,521	25,436		619,957
Vehicles	334,198	62,522	50,053	346,667
Street signs and fixtures	54,924	5,654	8,542	52,036
Leased equipment	6,158	1,532		7,690
Total accumulated depreciation	<u>2,331,538</u>	<u>237,575</u>	<u>58,595</u>	<u>2,510,518</u>
Total capital assets being depreciated, net	<u>2,585,283</u>	<u>23,607</u>	<u>23,209</u>	<u>2,585,681</u>
Governmental activity capital assets, net	<u>\$ 3,239,508</u>	<u>\$ 375,911</u>	<u>\$ 23,209</u>	<u>\$ 3,592,210</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 66,699
Administrative	2,286
Police department	76,578
Beach patrol	12,514
Public works	79,498
Total governmental activities	<u>\$ 237,575</u>

TOWN OF FENWICK ISLAND, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JULY 31, 2024

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, 2023. 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, 2024

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, 2024, the Town received \$54,355.

At July 31, 2024, the Town reported an liability of \$59,830 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2023, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of June 30, 2022. Update procedures were used to roll forward the total pension asset to June 30, 2023. The Town's proportion of the net pension asset was based on the percentage of actual employee contributions. At June 30, 2023, the Town's proportion for the Plan was .4162%.

TOWN OF FENWICK ISLAND, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JULY 31, 2024

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, 2024, the Town recognized pension expense of \$68,451. At July 31, 2024, 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	\$ 11,808	\$ 29,348
Changes in proportion	10,369	38,249
Difference between expected and actual experience	109,858	14,074
Net difference between projected and actual earnings on pension plan investments	117,716	
Contributions subsequent to measurement date	54,355	
	<u>\$ 304,106</u>	<u>\$ 81,671</u>

The Town's contribution of \$54,355 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, 2025. 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, 2024

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
	2023	8 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
	2023	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
	2023	5 years
Change in assumptions	2016	10 years
	2017	10 years
	2021	10 years

TOWN OF FENWICK ISLAND, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JULY 31, 2024

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,		
2025	\$	35,190
2026		45,550
2028		43,814
2028		25,944
2029		9,484
Thereafter		8,098
	\$	<u>168,080</u>

Actuarial assumptions. The collective total pension asset for the June 30, 2023 measurement date was determined by an actuarial valuation as of June 30, 2022, and update procedures were used to roll forward the total pension asset to June 30, 2023. 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, 2024

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, 2023 are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	33.8%	5.7%
International equity	15.9%	5.7%
Fixed income	25.2%	2.0%
Alternative investments	19.3%	7.8%
Cash and equivalents	5.8%	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, 2024

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%)	\$ 425,527
Current discount rate (7.0%)	\$ 59,830
1% Increase (8.0%)	\$ (239,261)

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, 2024

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, 2024

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Amounts	
REVENUES				
Taxes	\$ 1,215,000	\$ 1,215,000	\$ 1,283,984	\$ 68,984
Intergovernmental	156,000	156,000	421,491	265,491
Charges for services	700,904	700,904	653,422	(47,482)
Fines and forfeitures	47,350	47,350	36,962	(10,388)
Miscellaneous	80,750	80,750	160,176	79,426
Total revenues	<u>2,200,004</u>	<u>2,200,004</u>	<u>2,556,035</u>	<u>356,031</u>
EXPENDITURES				
Current				
General government	587,255	587,255	596,481	(9,226)
Administrative	421,426	421,426	365,883	55,543
Police department	1,051,443	1,051,443	1,086,614	(35,171)
Beach patrol	433,756	433,756	400,736	33,020
Public works	466,564	466,564	396,795	69,769
Capital outlay	1,049,100	1,049,100	613,486	435,614
Total expenditures	<u>4,009,544</u>	<u>4,009,544</u>	<u>3,459,995</u>	<u>549,549</u>
Revenues over (under) expenditures	(1,809,540)	(1,809,540)	(903,960)	905,580
OTHER FINANCING SOURCES				
Proceeds from sale of assets			30,626	30,626
Proceeds from leases			9,434	9,434
Transfers in	<u>300,000</u>	<u>300,000</u>	<u>967,073</u>	<u>667,073</u>
Total other financing sources	<u>300,000</u>	<u>300,000</u>	<u>1,007,133</u>	<u>707,133</u>
Net change in fund balances	(1,509,540)	(1,509,540)	<u>\$ 103,173</u>	<u>\$ 1,612,713</u>
Budgeted transfers from other funds	<u>1,629,540</u>	<u>1,627,521</u>		
Adjusted net change in fund balances	<u>\$ 120,000</u>	<u>\$ 117,981</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)**

	2024	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)	0.4162%	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)\$	59,830	\$ (40,667)	\$ (537,722)	\$ 68,798	\$ 130,613	\$ 96,319	\$ 44,421	\$ 71,820	\$ (22,839)
Town's covered-employee payroll	\$ 683,374	\$ 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	8.76%	-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)	97.6%	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)**

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
<u>County & Municipal Police and Firefighters' Pension Plan</u>									
Contractually required contribution	\$ 54,217	\$ 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>(54,217)</u>	<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>	<u>\$</u>
Town's covered-employee payroll	\$ 683,374	\$ 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%	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
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, 2024 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.

PKS & Company, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

Salisbury, Maryland
February 28, 2025

TOWN OF FENWICK ISLAND, DELAWARE

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

JULY 31, 2024

	Special Reserves	Parks and Recreation	Dedicated Streets	Beach Committee	Total Other Governmental Funds
ASSETS					
Cash and cash equivalents	<u>\$ 933,980</u>	<u>\$ 14,018</u>	<u>\$ 623,365</u>	<u>\$ 45,418</u>	<u>\$ 1,616,781</u>
LIABILITIES					
Accounts payable	<u>\$</u>	<u>\$ 27</u>	<u>\$</u>	<u>\$ 3,854</u>	<u>\$ 3,881</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred grants	<u>771,905</u>				<u>771,905</u>
FUND BALANCES					
Committed			623,365		623,365
Assigned	<u>162,075</u>	<u>13,991</u>		<u>41,564</u>	<u>217,630</u>
Total fund balances	<u>162,075</u>	<u>13,991</u>	<u>623,365</u>	<u>41,564</u>	<u>840,995</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 933,980</u>	<u>\$ 14,018</u>	<u>\$ 623,365</u>	<u>\$ 45,418</u>	<u>\$ 1,616,781</u>

TOWN OF FENWICK ISLAND, DELAWARE

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

YEAR ENDED JULY 31, 2024

	Special Reserves	Parks and Recreation	Dedicated Streets	Beach Committee	Total Other Governmental Funds
REVENUES					
Intergovernmental	\$ 233,965	\$	\$	\$	\$ 233,965
Charges for services		2,826			2,826
Miscellaneous	36,087	13	21,858	17,451	75,409
Total revenues	<u>270,052</u>	<u>2,839</u>	<u>21,858</u>	<u>17,451</u>	<u>312,200</u>
EXPENDITURES					
Beach committee				17,867	17,867
Parks and recreation		1,606			1,606
Total expenditures		<u>1,606</u>		<u>17,867</u>	<u>19,473</u>
Revenues over expenditures	270,052	1,233	21,858	(416)	292,727
OTHER FINANCING SOURCES					
Transfers in (out)	<u>(352,520)</u>	<u>(64)</u>	<u>87,696</u>	<u>5,710</u>	<u>(259,178)</u>
Net change in fund balances	(82,468)	1,169	109,554	5,294	33,549
FUND BALANCES, BEGINNING OF YEAR	<u>244,543</u>	<u>12,822</u>	<u>513,811</u>	<u>36,270</u>	<u>807,446</u>
FUND BALANCES, END OF YEAR	<u>\$ 162,075</u>	<u>\$ 13,991</u>	<u>\$ 623,365</u>	<u>\$ 41,564</u>	<u>\$ 840,995</u>

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

YEAR ENDED JULY 31, 2024

	Final Budget (Unaudited)	Actual	Variance Favorable (Unfavorable)
Taxes			
Property taxes	\$ 735,000	\$ 735,657	\$ 657
Gross rental taxes	480,000	548,327	68,327
Total taxes	<u>1,215,000</u>	<u>1,283,984</u>	<u>68,984</u>
Intergovernmental			
Capital improvement grants		114,296	114,296
Lifeguard grants	75,000	75,000	
Police grants	35,000	178,034	143,034
Pension income	46,000	54,161	8,161
Total intergovernmental	<u>156,000</u>	<u>421,491</u>	<u>265,491</u>
Charges for services			
Trash collection fees	211,140	213,300	2,160
Ambulance fees	50,928	51,480	552
Franchise fees	36,836	35,110	(1,726)
License fees	102,000	97,751	(4,249)
Building permit fees	300,000	255,781	(44,219)
Total charges for services	<u>700,904</u>	<u>653,422</u>	<u>(47,482)</u>
Fines and forfeitures			
Traffic and parking fines	47,000	36,320	(10,680)
Other	350	642	292
Total fines and forfeitures	<u>47,350</u>	<u>36,962</u>	<u>(10,388)</u>
Miscellaneous			
Parking and bonfire permits	43,000	61,806	18,806
Beach concession services	12,500	12,500	
Lifeguard chair advertising	2,100	4,900	2,800
Junior lifeguard program	2,000	3,990	1,990
Interest income	21,000	52,677	31,677
Special events donations		2,834	2,834
Other revenues	150	21,469	21,319
Total miscellaneous	<u>80,750</u>	<u>160,176</u>	<u>79,426</u>
Total revenues	<u><u>\$ 2,200,004</u></u>	<u><u>\$ 2,556,035</u></u>	<u><u>\$ 356,031</u></u>

TOWN OF FENWICK ISLAND, DELAWARE

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL

GENERAL FUND BY DEPARTMENT

YEAR ENDED JULY 31, 2024

	Final Budget (Unaudited)	Actual Amounts	Variance Favorable (Unfavorable)
General government			
Appraisal	\$ 21,200	\$ 20,500	\$ 700
Auditing	13,250	14,250	(1,000)
BBVFC ambulance service	46,000	50,950	(4,950)
Building maintenance	29,680	39,524	(9,844)
Codification and code re-write	14,600	2,001	12,599
Community projects	12,800	15,004	(2,204)
Contract services	5,000	1,259	3,741
Copiers	6,100	2,974	3,126
Dues	3,210	7,867	(4,657)
Employee relations	5,000	6,729	(1,729)
Government liaison	1,600	686	914
Insurance	111,516	119,827	(8,311)
Legal	55,000	39,821	15,179
Miscellaneous		1,687	(1,687)
Municipal street lighting	16,300	18,971	(2,671)
Parking permits	4,300	8,523	(4,223)
Pension	2,600	2,575	25
Postage	7,355	7,950	(595)
Printing and advertising	3,500	2,785	715
Recycling and trash	182,000	175,087	6,913
Sewer	1,100	1,063	37
Telephone	15,644	16,920	(1,276)
Utilities	6,000	6,721	(721)
Website	23,500	32,807	(9,307)
Total general government	<u>587,255</u>	<u>596,481</u>	<u>(9,226)</u>

TOWN OF FENWICK ISLAND, DELAWARE

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

YEAR ENDED JULY 31, 2024

	Final Budget (Unaudited)	Actual Amounts	Variance Favorable (Unfavorable)
Administrative			
Dental insurance	1,817	1,086	731
Financial services	6,900	5,933	967
Health insurance	60,102	43,893	16,209
Life insurance	2,457	1,978	479
Miscellaneous		1,120	(1,120)
Office IT maintenance	1,000		1,000
Office supplies	5,370	7,182	(1,812)
Payroll taxes	22,243	20,664	1,579
Pension	28,267	24,539	3,728
Personnel supplies	1,200	720	480
Printing and advertising	1,800	620	1,180
Professional development	2,000	1,267	733
Salaries	284,168	253,570	30,598
Telephone	1,100	1,061	39
Travel reimbursement	1,200	1,014	186
Vehicle fuel and maintenance	500	108	392
Vision care	606	508	98
Workmans compensation	696	620	76
Total administrative	421,426	365,883	55,543
Police department			
Building maintenance	13,500	14,820	(1,320)
Communication equipment	3,200	3,389	(189)
Community outreach	1,200	1,421	(221)
Dental insurance	1,816	2,165	(349)
Health insurance	93,411	92,066	1,345
Life insurance	4,747	4,205	542
Mobile computer access	5,000	5,405	(405)
Miscellaneous		11,550	(11,550)
Office IT maintenance	1,300	80	1,220
Office supplies	1,750	1,300	450
Payroll taxes	48,498	54,378	(5,880)
Pension	66,949	59,405	7,544
Police supplies	5,500	45,522	(40,022)

TOWN OF FENWICK ISLAND, DELAWARE

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

YEAR ENDED JULY 31, 2024

	Final Budget (Unaudited)	Actual Amounts	Variance Favorable (Unfavorable)
Police department (continued)			
Printing and advertising	750	1,137	(387)
Professional development	64,540	31,484	33,056
Salaries	619,860	683,374	(63,514)
Uniforms	6,500	11,068	(4,568)
Vehicle fuel and maintenance	91,000	42,103	48,897
Vision care	791	690	101
Workmans compensation	21,131	21,052	79
Total police department	<u>1,051,443</u>	<u>1,086,614</u>	<u>(35,171)</u>
Beach patrol			
Awards and competitions	7,000	1,121	5,879
Beach vehicle fuel	900	559	341
Beach vehicle maintenance	9,500	2,186	7,314
Chair and sign maintenance	2,000	1,609	391
Communication equipment	500	480	20
Employee relations	2,000	534	1,466
Junior guard program	2,000	1,568	432
Lifeguard payroll taxes - Fenwick	22,232	21,685	547
Lifeguard payroll taxes - State	8,646	8,301	345
Lifeguard salaries - Fenwick	252,800	244,563	8,237
Lifeguard salaries - State	98,200	91,813	6,387
Lifeguard USLA certification	1,500	1,940	(440)
Lifeguard workmans compensation	11,243	11,763	(520)
Professional development	2,000	802	1,198
Supplies and equipment - Fenwick	5,400	3,993	1,407
Telephone	535	1,076	(541)
Uniforms	7,000	6,743	257
Utilities	300		300
Total beach patrol	<u>433,756</u>	<u>400,736</u>	<u>33,020</u>

TOWN OF FENWICK ISLAND, DELAWARE

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

YEAR ENDED JULY 31, 2024

	Final Budget (Unaudited)	Actual Amounts	Variance Favorable (Unfavorable)
Public works			
Building maintenance	2,000	389	1,611
Contract services	1,000		1,000
Dental insurance	1,358	1,358	
Health insurance	54,831	54,464	367
Life insurance	2,019	2,075	(56)
Payroll taxes	16,768	16,975	(207)
Pension	20,960	15,890	5,070
Safety equipment	950	376	574
Salaries	212,600	211,192	1,408
Shop equipment	3,500	3,362	138
Shop supplies	9,500	12,038	(2,538)
Street maintenance	117,000	53,922	63,078
Telephone	535	443	92
Uniforms	2,400	1,240	1,160
Utilities	5,920	6,509	(589)
Vehicle fuel and maintenance	7,700	10,861	(3,161)
Vision care	426	386	40
Workmans compensation	6,847	5,315	1,532
Yard waste	250		250
Total public works	<u>466,564</u>	<u>396,795</u>	<u>69,769</u>
Capital outlay	<u>1,049,100</u>	<u>613,486</u>	<u>435,614</u>
Total expenditures	<u>\$ 4,009,544</u>	<u>\$ 3,459,995</u>	<u>\$ 549,549</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
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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, 2024, 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 February 28, 2025.

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 2024-001, 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
February 28, 2025

TOWN OF FENWICK ISLAND, DELAWARE
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JULY 31, 2024

SIGNIFICANT DEFICIENCY

2024-001 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.