

**TOWN OF FENWICK ISLAND, DELAWARE**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED JULY 31, 2025**

**TOWN OF FENWICK ISLAND, DELAWARE**

**TABLE OF CONTENTS**

	<u>Page(s)</u>
<b>INDEPENDENT AUDITORS' REPORT</b>	1 - 3
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	4 - 12
<b>BASIC FINANCIAL STATEMENTS</b>	
Government-wide financial statements	
Statement of net position	13
Statement of activities	14
Fund financial statements	
Governmental fund	
Balance sheets	15
Reconciliation of the governmental funds balance sheets to the statement of net position	16
Statements of revenues, expenditures and changes in fund balance	17
Reconciliation of the statements of revenues, expenditures and changes in fund balance of governmental funds to the statement of activities	18
Notes to the financial statements	19 - 37
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Budgetary comparison schedule – general fund	38
Delaware Public Employees' Retirement System	
Schedule of the Town's proportionate share of the net pension liability (asset)	39
Schedule of the Town's contributions	40

**TOWN OF FENWICK ISLAND, DELAWARE**

**TABLE OF CONTENTS (Continued)**

	<u>Page(s)</u>
<b>SUPPLEMENTARY INFORMATION</b>	
Independent auditors' report on supplementary information	41
Combining balance sheet – other governmental funds	42
Combining statement of revenues, expenditures and changes in fund balance – other governmental funds	43
Schedule of revenues – budget and actual – general fund	44
Schedule of expenditures – budget and actual – general fund by department	45 - 48
<b>GOVERNMENT AUDITING STANDARDS REPORT</b>	
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 <i>Government Auditing Standards</i>	49 - 50
Schedule of findings and responses	51

**INDEPENDENT AUDITORS' REPORT**

## INDEPENDENT AUDITORS' REPORT

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ALLINIAL GLOBAL

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, 2025, 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, 2025, 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.

### Emphasis of Matter – Adoption of Accounting Standard

As discussed in the notes to the financial statements, the Town adopted GASB Statement No. 101, *Compensated Absences*. Our opinion is not modified with respect to this matter.

## **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.

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 38 through 40 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 27, 2026, 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 27, 2026

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

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

**JULY 31, 2025**

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, 2025. 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 \$9,570,574 (net position) as compared to \$7,467,820 in the prior year. Unrestricted net position has a balance of \$2,299,356, 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 \$3,863,905, an increase of \$16,722 in comparison with the prior year.
- At the end of the current fiscal year, the unassigned fund balance for the general fund was \$1,237,953, an increase of \$228,293.

**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, 2025**

**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 funds

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, 2025**

**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 - 37 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 38) and the Town's proportionate share of the net pension liability (asset) and contributions related to the Delaware Public Employees' Retirement System (pages 39 - 40).

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 42 – 43 of this report.

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

**JULY 31, 2025**

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

	<b>Governmental Activities <u>July 31, 2025</u></b>	<b>Governmental Activities <u>July 31, 2024</u></b>	<b><u>Change</u></b>
<b>Assets</b>			
Current and other assets	\$ 4,118,691	\$ 4,779,725	\$ (661,034)
Capital assets, net	5,771,718	3,592,210	2,179,508
Total assets	<u>9,890,409</u>	<u>8,371,935</u>	<u>1,518,474</u>
<b>Deferred outflows of resources</b>	<u>276,261</u>	<u>304,106</u>	<u>(27,845)</u>
<b>Liabilities</b>			
Current liabilities	258,797	148,778	110,019
Long-term liabilities	280,741	205,867	74,874
Total liabilities	<u>539,538</u>	<u>354,645</u>	<u>184,893</u>
<b>Deferred inflows of resources</b>	<u>56,558</u>	<u>853,576</u>	<u>(797,018)</u>
<b>Net position</b>			
Net investment in capital assets	5,707,182	3,582,941	2,124,241
Restricted	1,564,036	1,922,958	(358,922)
Unrestricted	<u>2,299,356</u>	<u>1,961,921</u>	<u>337,435</u>
Total net position	<u>\$ 9,570,574</u>	<u>\$ 7,467,820</u>	<u>\$ 2,102,754</u>

Note: Total net position for FY 2024 is not restated for the implementation of GASB 101, *Compensated Absences*. Net position is restated for the correction of prepaid expenses and accrued liabilities. See Adoption of GASB Statement No. 101, *Compensated Absences* footnote on page 25 and Prior Period Adjustments footnote on page 37.

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

**JULY 31, 2025**

**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, 2025, along with comparable data. Government-wide activities increased the Town of Fenwick Island's net position by \$2,157,956.

	<b>Governmental Activities July 31, 2025</b>	<b>Governmental Activities July 31, 2024</b>	<b>Change</b>
<b>Revenues</b>			
Program revenues			
Charges for services	\$ 1,220,641	\$ 690,291	\$ 530,350
Capital grants and contributions	1,602,862	281,555	1,321,307
Operating grants and contributions	271,841	405,349	(133,508)
General revenues			
Taxes - property/rental	1,248,926	1,283,984	(35,058)
Realty transfer tax	701,933	659,467	42,466
Fines and forfeitures	300	643	(343)
Unrestricted investment earnings	151,609	173,381	(21,772)
Miscellaneous	135,677	127,224	8,453
Sale of equipment	1,130	7,418	(6,288)
Total revenues	<u>5,334,919</u>	<u>3,629,312</u>	<u>1,705,607</u>
<b>Expenses</b>			
Administrative	292,215	357,834	(65,619)
Police department	1,229,151	1,194,910	34,241
Beach patrol	444,739	413,250	31,489
Beach committee	7,815	17,867	(10,052)
Public works (includes MSA expenses)	510,782	403,674	107,108
General government	692,261	679,278	12,983
Total expenses	<u>3,176,963</u>	<u>3,066,813</u>	<u>110,150</u>
Change in net position	2,157,956	562,499	1,595,457
<b>Net position, beginning of year (restated)</b>	<u>7,412,618</u>	<u>6,905,321</u>	<u>507,297</u>
<b>Net position, end of year</b>	<u>\$ 9,570,574</u>	<u>\$ 7,467,820</u>	<u>\$ 2,102,754</u>

Note: Total net position for FY 2024 is not restated for the implementation of GASB 101, *Compensated Absences*. Net position is restated for the correction of prepaid expenses and accrued liabilities. See Adoption of GASB Statement No. 101, *Compensated Absences* footnote on page 25 and Prior Period Adjustments footnote on page 37.

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

**JULY 31, 2025**

**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 \$3,863,905. Of this total amount, \$1,237,953 constitutes unassigned fund balance.

General Fund

The following schedule presents a comparative summary of General Fund revenues for the fiscal years ended July 31, 2025 and 2024, along with the percentage of that revenue to total revenues:

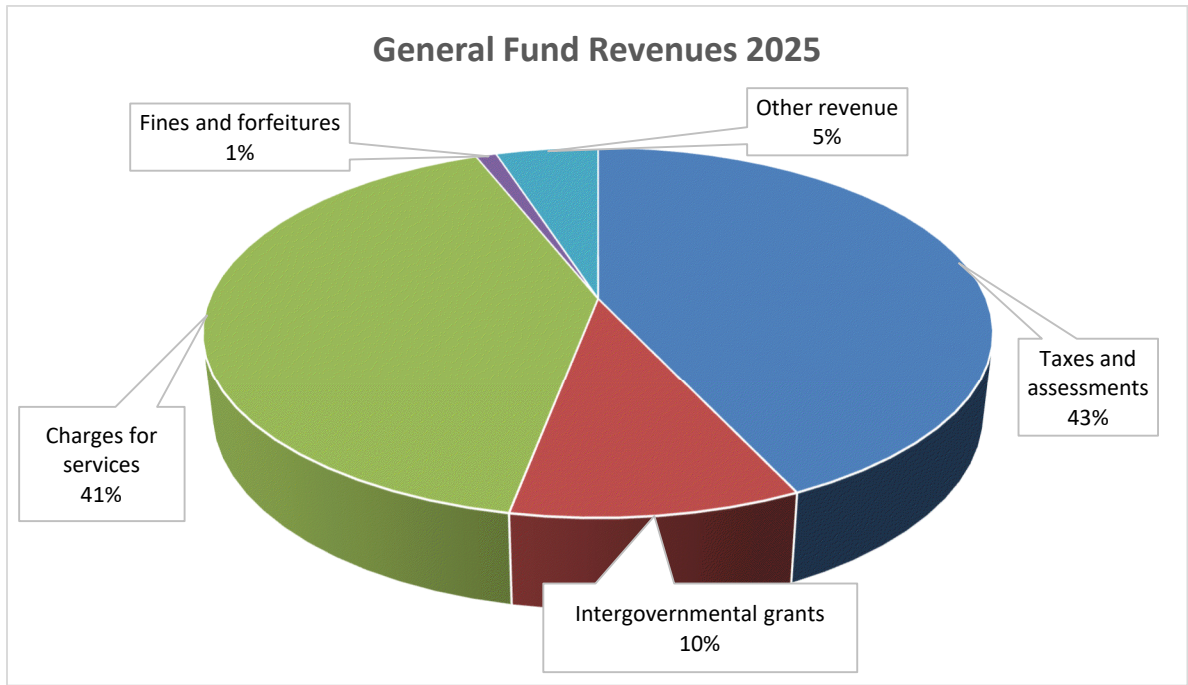
<u>Revenues</u>	<u>July 31, 2025</u> <u>Totals</u>	<u>Percentage</u> <u>of Total</u>	<u>July 31, 2024</u> <u>Totals</u>	<u>Percentage</u> <u>of Total</u>
Taxes and assessments	\$ 1,248,926	43%	\$ 1,283,984	50%
Intergovernmental grants	271,841	10%	421,491	17%
Charges for services	1,190,722	41%	653,422	26%
Fines and forfeitures	29,309	1%	36,962	1%
Other revenue	155,007	5%	160,176	6%
	<u>\$ 2,895,805</u>	<u>100%</u>	<u>\$ 2,556,035</u>	<u>100%</u>

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

**JULY 31, 2025**

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

General fund (continued)



Current and prior year’s taxes continue to represent the largest revenue source, with \$1,248,926, or 43%, of all General Fund revenues. The increase in revenues from 2024 of \$339,770 was due primarily to the increase in charges for services.

The following schedule represents a comparative summary of General Fund expenditures for the fiscal years ended July 31, 2025 and 2024, along with the percentage of that expenditure to total expenditures:

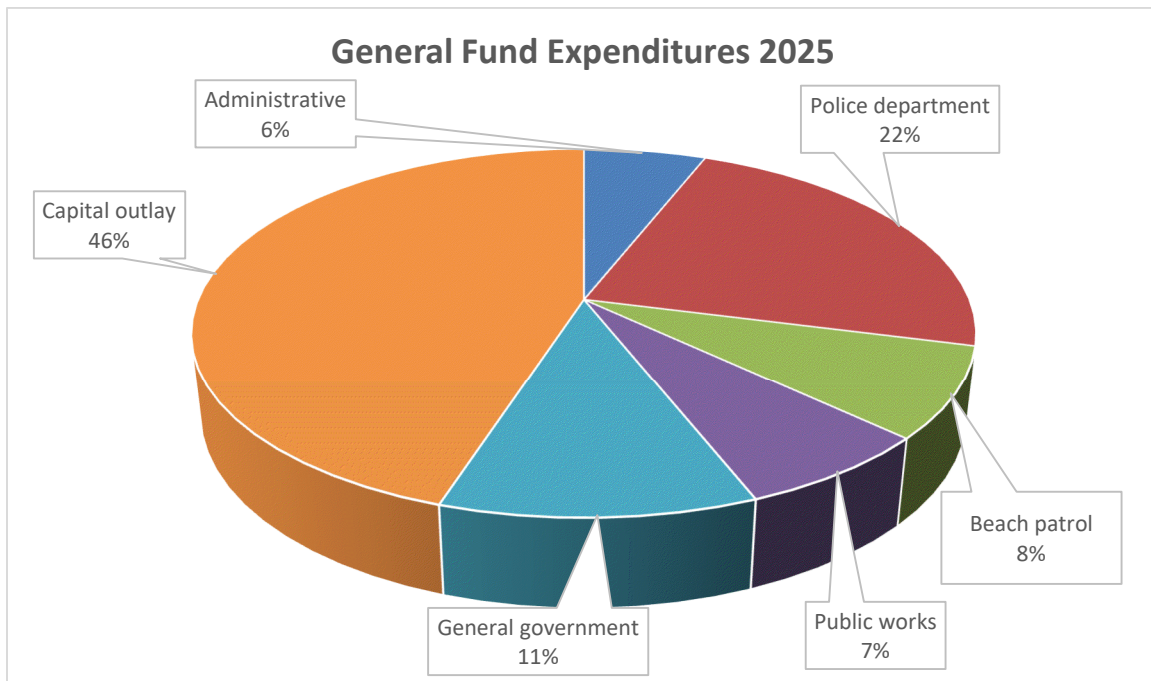
<u>Expenditures</u>	<u>July 31, 2025</u> <u>Totals</u>	<u>Percentage</u> <u>of Total</u>	<u>July 31, 2024</u> <u>Totals</u>	<u>Percentage</u> <u>of Total</u>
Administrative	\$ 326,973	6%	\$ 344,958	10%
Police department	1,136,383	22%	1,026,401	31%
Beach patrol	434,443	8%	400,736	12%
Public works	394,128	7%	370,371	11%
General government	581,392	11%	596,481	18%
Capital outlay	2,393,066	46%	613,486	18%
	<u>\$ 5,266,385</u>	<u>100%</u>	<u>\$ 3,352,433</u>	<u>100%</u>

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

**JULY 31, 2025**

**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 \$565,800. The favorable revenue variance is primarily due to an increase in building permit fees. Departmental expenditures were less than budgeted expenditures by \$16,113.

**DEBT ADMINISTRATION**

Current and long-term leases and subscriptions 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, 2025 amounts to \$5,771,718 (net of accumulated depreciation).

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

**JULY 31, 2025**

**CAPITAL ASSETS (Continued)**

This year’s major capital asset additions included:

- Assawoman Bay Channel Dredging for \$2,182,306.
- Street Improvements for \$22,901.
- Town Hall Parking Lot for \$78,388.
- Chevy Silverado for \$76,976.

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

In August 2025, the Town created a resiliency fund to support future flood and resiliency related projects by earmarking 3% of Realty Transfer Tax revenues.

In September 2025, the Town was approved for a State of Delaware Cybersecurity grant for new technology and workstations.

The Fenwick Island Police Department officially earned state accreditation through the Delaware Police Accreditation Commission. This recognition means the police department meets over 100 professional standards that focus on community trust, officer safety, training and consistent procedures.

**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, 2025**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Current assets	
Cash and cash equivalents	\$ 2,457,056
Taxes receivable	28,374
Accounts receivable - other	32,161
Prepaid expenses	52,741
Restricted cash and cash equivalents	1,548,359
Total current assets	<u>4,118,691</u>
Noncurrent assets	
Capital assets, net of depreciation	5,771,718
Total assets	<u>9,890,409</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred financing outflows - retirement	<u>276,261</u>
<b>LIABILITIES</b>	
Current liabilities	
Accounts payable	157,816
Accrued wages and payroll taxes	49,543
Accrued compensated absences	29,339
Leases payable	6,846
Subscriptions payable	15,253
Noncurrent liabilities	
Accrued compensated absences, less current portion	186,693
Net pension liability	51,611
Leases payable, less current portion	22,562
Subscriptions payable, less current portion	19,875
Total liabilities	<u>539,538</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred grants	18,088
Deferred financing inflows - retirement	38,470
Total deferred inflows of resources	<u>56,558</u>
<b>NET POSITION</b>	
Net investment in capital assets	5,707,182
Restricted	1,564,036
Unrestricted	2,299,356
Total net position	<u>\$ 9,570,574</u>

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

**TOWN OF FENWICK ISLAND, DELAWARE**

**STATEMENT OF ACTIVITIES**

**YEAR ENDED JULY 31, 2025**

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		Net Revenue (Expense) and Change in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>GOVERNMENTAL ACTIVITIES</b>					
General government	\$ 692,261	\$ 1,191,022	\$	\$ 1,571,905	\$ 2,070,666
Administrative	292,215				(292,215)
Police department	1,229,151	29,919	194,411		(1,004,821)
Beach patrol	444,739		77,430		(367,309)
Beach committee	7,815				(7,815)
Public works	510,782			30,957	(479,825)
Total governmental activities	<u>3,176,963</u>	<u>1,220,941</u>	<u>271,841</u>	<u>1,602,862</u>	<u>(81,319)</u>
<b>GENERAL REVENUES</b>					
Taxes					
Property taxes					747,736
Transfer taxes					701,933
Gross rental tax					501,190
Unrestricted investment earnings					151,609
Miscellaneous					135,677
Gain on sale of equipment					1,130
Total general revenues					<u>2,239,275</u>
Change in net position					2,157,956
<b>NET POSITION, BEGINNING OF YEAR, AS RESTATED</b>					<u>7,412,618</u>
<b>NET POSITION, END OF YEAR</b>					<u><u>\$ 9,570,574</u></u>

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

**TOWN OF FENWICK ISLAND, DELAWARE**

**BALANCE SHEETS  
GOVERNMENTAL FUNDS**

**JULY 31, 2025**

	General Fund	1 1/2% Realty Transfer Tax	Municipal Street Aid	Other Governmental Funds (non-major)	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 1,372,823	\$	\$	\$ 1,084,233	\$ 2,457,056
Taxes receivable	159	28,215			28,374
Accounts receivable - other	32,161				32,161
Prepaid expenses	52,741				52,741
Restricted cash	52,900	1,375,725	119,734		1,548,359
Due from other funds				3,330	3,330
Total assets	<u>\$ 1,510,784</u>	<u>\$ 1,403,940</u>	<u>\$ 119,734</u>	<u>\$ 1,087,563</u>	<u>\$ 4,122,021</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 66,586	\$	\$ 9,208	\$ 78,388	\$ 154,182
Accrued wages and payroll taxes	53,177				53,177
Accrued compensated absences	29,339				29,339
Due to other funds		3,330			3,330
Total liabilities	<u>149,102</u>	<u>3,330</u>	<u>9,208</u>	<u>78,388</u>	<u>240,028</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred grants	15,000				15,000
Deferred police revenue	3,088				3,088
Total deferred inflows of resources	<u>18,088</u>				<u>18,088</u>
<b>FUND BALANCES</b>					
Nonspendable	52,741				52,741
Restricted	52,900	1,400,610	110,526		1,564,036
Committed				680,797	680,797
Assigned				328,378	328,378
Unassigned	1,237,953				1,237,953
Total fund balances	<u>1,343,594</u>	<u>1,400,610</u>	<u>110,526</u>	<u>1,009,175</u>	<u>3,863,905</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 1,510,784</u>	<u>\$ 1,403,940</u>	<u>\$ 119,734</u>	<u>\$ 1,087,563</u>	<u>\$ 4,122,021</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, 2025**

Total fund balances, governmental funds	\$ 3,863,905
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.	5,771,718
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	276,261
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	(186,693)
Deferred financing inflows - retirement	(38,470)
Leases payable	(29,408)
Subscriptions payable	(35,128)
Net pension liability	<u>(51,611)</u>
Net position, governmental activities	<u>\$ 9,570,574</u>

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

**TOWN OF FENWICK ISLAND, DELAWARE**  
**STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**

**YEAR ENDED JULY 31, 2025**

	General Fund	1 1/2% Realty Transfer Tax	Municipal Street Aid	Other Governmental Funds (non-major)	Total Governmental Funds
<b>REVENUES</b>					
Taxes	\$ 1,248,926	\$ 701,933	\$	\$	\$ 1,950,859
Intergovernmental grants	271,841		30,957	1,571,905	1,874,703
Charges for services	1,190,722			2,459	1,193,181
Fines and forfeitures	29,309				29,309
Miscellaneous	155,007	44,233	5,047	81,450	285,737
Total revenues	<u>2,895,805</u>	<u>746,166</u>	<u>36,004</u>	<u>1,655,814</u>	<u>5,333,789</u>
<b>EXPENDITURES</b>					
Current					
General government	581,392	7,966			589,358
Administrative	326,973				326,973
Police department	1,136,383				1,136,383
Beach patrol	434,443				434,443
Beach committee				7,815	7,815
Public works	394,128		1,557	42,694	438,379
Capital outlay	2,477,004				2,477,004
Total expenditures	<u>5,350,323</u>	<u>7,966</u>	<u>1,557</u>	<u>50,509</u>	<u>5,410,355</u>
Revenues over (under) expenditures	(2,454,518)	738,200	34,447	1,605,305	(76,566)
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds from leases and subscriptions	83,938				83,938
Proceeds from sale of assets	9,350				9,350
Transfers in (out)	2,561,648	(1,101,622)	(22,901)	(1,437,125)	
Total other financing sources (uses)	<u>2,654,936</u>	<u>(1,101,622)</u>	<u>(22,901)</u>	<u>(1,437,125)</u>	<u>93,288</u>
Net change in fund balances	200,418	(363,422)	11,546	168,180	16,722
<b>FUND BALANCES, BEGINNING OF YEAR, AS RESTATED</b>					
	<u>1,143,176</u>	<u>1,764,032</u>	<u>98,980</u>	<u>840,995</u>	<u>3,847,183</u>
<b>FUND BALANCES, END OF YEAR</b>					
	<u>\$ 1,343,594</u>	<u>\$ 1,400,610</u>	<u>\$ 110,526</u>	<u>\$ 1,009,175</u>	<u>\$ 3,863,905</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, 2025**

Net change in fund balances, governmental funds \$ 16,722

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	2,477,004	
Depreciation expense	<u>(289,275)</u>	2,187,729

In the Statement of Activities, the gain or loss on the disposal of capital assets is  
reported, whereas in the governmental funds, the proceeds from the sale increase  
financial resources. Thus, the change in net assets differs from the change in fund  
balances by the book value of the assets sold. (8,221)

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 compensated absences	(6,582)
Change in deferred outflows of resources - retirement	(27,845)

Governmental funds report repayment of debt principal as an expenditure. In  
contrast, the Statement of Activities treats such repayments as a reduction in  
long-term liabilities. 28,671

Governmental funds report leases and subscriptions proceeds as revenue.  
In contrast, the Statement of Activities treats such proceeds as an increase in  
long-term liabilities. (83,938)

Certain long-term liabilities, assets, and deferred inflows are not included  
in the fund financial statements, but are included in the governmental activities  
of the Statement of Net Position.

Change in net pension liability	8,219
Change in deferred inflows of resources - retirement	<u>43,201</u>

Change in net position, governmental activities \$ 2,157,956

## TOWN OF FENWICK ISLAND, DELAWARE

### NOTES TO FINANCIAL STATEMENTS

JULY 31, 2025

#### 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, 2025

### 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, 2025

### 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, 2025

#### 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 and police revenue, 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, 2025**

**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:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings and improvements	5 - 40 years
Equipment	3 - 20 years
Vehicles	5 years
Infrastructure	30 years
Leased equipment (Right-of-use)	Life of the lease
Subscription assets	Life of the agreement

## TOWN OF FENWICK ISLAND, DELAWARE

### NOTES TO FINANCIAL STATEMENTS

JULY 31, 2025

#### 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 unused accrued vacation, as specified in the employee handbook, and one-half of their unused accrued sick leave to a maximum of 480 hours.

Long-term 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, 2025

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

Adoption of GASB Statement No. 101, *Compensated Absences*

Effective August 1, 2024, the Town adopted the new accounting guidance in GASB Statement No. 101, *Compensated Absences*. The new guidance requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled.

In estimating the leave that is more likely than not to be used or otherwise paid or settled, the Town considered relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences. As a result of this adoption, salaries and related expenses increased with a corresponding increase in compensated absences liability.

The net position in the governmental activities and fund balance in the general fund at July 31, 2024 have been restated to reflect the implementation of GASB Statement No. 101, *Compensated Absences*. The following adjustments have been made to the 2024 amounts:

Increase in compensated absences:	
Government-wide:	<u>\$ 55,202</u>
General fund	<u>\$ 13,506</u>

**TOWN OF FENWICK ISLAND, DELAWARE**

**NOTES TO FINANCIAL STATEMENTS**

**JULY 31, 2025**

**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, 2025, the carrying amount of the Town's deposits was \$4,005,415 and the bank balance was \$4,021,381.

As of July 31, 2025, \$4,010,610 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	\$	2,457,056
Cash and cash equivalents - restricted		1,548,359
Total cash and cash equivalents	\$	<u>4,005,415</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, 2025, based on assessments, was \$.1740 per \$100 of assessed valuation. The total assessed value of all taxable real property and improvements at August 1, 2024 was \$419,485,622. 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, 2025**

**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, 2025 are as follows:

	Beginning Balances	Increase	Decreases	Ending Balances
Leases payable	\$ 9,269	\$ 27,905	\$ 7,766	\$ 29,408
Subscription payable		56,033	20,905	35,128
	<u>\$ 9,269</u>	<u>\$ 83,938</u>	<u>\$ 28,671</u>	<u>\$ 64,536</u>

Leases payable

The Town is leasing police equipment with a balance of \$21,787 and a copier with a balance of \$7,621 expiring 2029 and 2030, respectively. The assets and liabilities of the police equipment and copier are recorded at their present value of the future lease payments of \$27,905 and \$13,045, respectively. The assets are amortized over the life of the lease. Amortization of the assets under operating leases is included in depreciation expense.

Subscription payable

The Town is leasing software for document management with a balance of \$28,675 and licenses for police equipment with a balance of \$6,453 expiring in 2027 and 2029, respectively. The assets and liabilities for the document management software and the police equipment licenses are recorded at their present value of the future lease payments of \$48,253 and \$7,780, respectively. The assets are amortized over the life of the agreement. Amortization of the assets under subscriptions is included in depreciation expense.

**TOWN OF FENWICK ISLAND, DELAWARE**

**NOTES TO FINANCIAL STATEMENTS**

**JULY 31, 2025**

**LONG-TERM DEBT (Continued)**

Principal and interest requirements to amortize lease obligations as of July 31, 2025 are as follows:

Year(s) ending July 31,	Leases Payable		Subscription Payable	
	Principal	Interest	Principal	Interest
2026	\$ 6,846	\$ 1,145	\$ 15,253	\$ 1,405
2027	7,121	870	16,522	795
2028	7,407	584	1,644	134
2029	7,704	286	1,709	68
2030	330	2		
	<u>\$ 29,408</u>	<u>\$ 2,887</u>	<u>\$ 35,128</u>	<u>\$ 2,402</u>

**TOWN OF FENWICK ISLAND, DELAWARE**

**NOTES TO FINANCIAL STATEMENTS**

**JULY 31, 2025**

**CAPITAL ASSETS**

Capital asset activity for the year ended July 31, 2025 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
<i>Capital assets not being depreciated</i>				
Land	\$ 434,836	\$	\$	\$ 434,836
Construction in progress	571,693	2,225,207	2,776,900	20,000
Total capital assets not being depreciated	<u>1,006,529</u>	<u>2,225,207</u>	<u>2,776,900</u>	<u>454,836</u>
<i>Capital assets being depreciated</i>				
Land improvements	2,604,159	2,855,288		5,459,447
Buildings	1,088,869		3,519	1,085,350
Equipment	712,526	12,495	128,097	596,924
Vehicles	602,834	76,976	45,094	634,716
Street signs and fixtures	70,837			70,837
Leased equipment	16,974	27,905	3,929	40,950
Subscription assets		56,033		56,033
Total capital assets being depreciated	<u>5,096,199</u>	<u>3,028,697</u>	<u>180,639</u>	<u>7,944,257</u>
Less accumulated depreciation for:				
Land improvements	1,092,491	133,061		1,225,552
Buildings	391,677	30,147	3,174	418,650
Equipment	619,957	26,983	124,863	522,077
Vehicles	346,667	68,628	40,452	374,843
Street signs and fixtures	52,036	5,438		57,474
Leased equipment	7,690	7,378	3,929	11,139
Subscription assets		17,640		17,640
Total accumulated depreciation	<u>2,510,518</u>	<u>289,275</u>	<u>172,418</u>	<u>2,627,375</u>
Total capital assets being depreciated, net	<u>2,585,681</u>	<u>2,739,422</u>	<u>8,221</u>	<u>5,316,882</u>
Governmental activity capital assets, net	<u>\$ 3,592,210</u>	<u>\$ 4,964,629</u>	<u>\$ 2,785,121</u>	<u>\$ 5,771,718</u>

**TOWN OF FENWICK ISLAND, DELAWARE**

**NOTES TO FINANCIAL STATEMENTS**

**JULY 31, 2025**

**CAPITAL ASSETS (Continued)**

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 53,955
Administrative	2,286
Police department	108,136
Beach patrol	10,296
Public works	114,602
Total governmental activities	<u>\$ 289,275</u>

**RETIREMENT AND PENSION PLANS**

General information about the pension plans

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

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

The following is a brief description of the plan in effect as of June 30, 2024. For a more complete description, please refer to the DPERS CAFR. Separately issued financial statements for DPERS are available from the Office of Pensions at: <http://www.delawarepensions.com/>.

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

**TOWN OF FENWICK ISLAND, DELAWARE**

**NOTES TO FINANCIAL STATEMENTS**

**JULY 31, 2025**

**RETIREMENT AND PENSION PLANS (Continued)**

General information about the pension plans (continued)

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

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

For survivor benefits, if the employee is receiving a pension, then eligible survivor receives 50% of pension; if the employee is active, eligible survivor receives 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, 2025, the Town received \$57,413.

**TOWN OF FENWICK ISLAND, DELAWARE**

**NOTES TO FINANCIAL STATEMENTS**

**JULY 31, 2025**

**RETIREMENT AND PENSION PLANS (Continued)**

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

At July 31, 2025, the Town reported an liability of \$51,611 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2024, and was determined by an actuarial valuation as of June 30, 2023 with updated procedures used to roll forward the total pension liability to June 30, 2024. The Town’s proportion of the net pension liability was based on the percentage of actual employee contributions. At June 30, 2024, the Town’s proportion for the Plan was .3226%.

For the year ended July 31, 2025, the Town recognized pension expense of \$59,662. At July 31, 2025, the Town reported deferred outflows of resources or deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes to assumptions	\$ 6,102	\$ 17,960
Changes to proportion	28,658	12,792
Difference between expected and actual experience	117,810	7,718
Net difference between projected and actual earnings on pension plan investments	50,099	
Contributions subsequent to measurement date	73,592	
	<u>\$ 276,261</u>	<u>\$ 38,470</u>

The Town’s contribution of \$73,592 subsequent to the measurement date, reported as deferred outflows of resources, will be recognized as a reduction of the net pension liability in the year ending July 31, 2026.

Deferred financial inflows and outflows are made up of changes in actuarial assumptions, differences in actual and expected experience, and net difference in the projected and actual investment earnings. The deferred outflows and inflows related to non-investment activity are being amortized over the remaining service life ranging from 8 to 10 years. The net difference in investment earnings are being amortized over a closed five-year period.

**TOWN OF FENWICK ISLAND, DELAWARE**

**NOTES TO FINANCIAL STATEMENTS**

**JULY 31, 2025**

**RETIREMENT AND PENSION PLANS (Continued)**

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

The following table shows the amortization of these balances:

Year Ending July 31,		
2026	\$	6,358
2027		97,461
2028		12,120
2029		(968)
2030		11,314
Thereafter		22,048
	\$	<u>148,333</u>

The previous amounts do not include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be amortized by each employer over the average of the expected service lives of all plan members, which is 8 years for the 2024 amounts.

*Actuarial assumptions.* The collective total pension liability for the June 30, 2024 measurement date was determined by an actuarial valuation as of June 30, 2023, and update procedures were used to roll forward the total pension liability to June 30, 2024. 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 liability is measured based on assumptions pertaining to the interest rates, inflation rates, and employee demographic behavior in future years. 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 assumptions were based on the Pub-2010 mortality tables with gender adjustments for employees, healthy annuitants and disabled retirees and an adjusted version of MP-2020 mortality improvement scale on a fully generational basis.

**TOWN OF FENWICK ISLAND, DELAWARE**

**NOTES TO FINANCIAL STATEMENTS**

**JULY 31, 2025**

**RETIREMENT AND PENSION PLANS (Continued)**

Pension liability, 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, 2024 are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	33.6%	5.7%
International equity	13.9%	5.7%
Fixed income	25.3%	2.0%
Alternative investments	21.7%	7.8%
Cash and equivalents	5.5%	
Total	<u>100.0%</u>	

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

## TOWN OF FENWICK ISLAND, DELAWARE

### NOTES TO FINANCIAL STATEMENTS

JULY 31, 2025

#### RETIREMENT AND PENSION PLANS (Continued)

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

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

1% Decrease (6.0%)	\$ 248,792
Current discount rate (7.0%)	\$ 51,611
1% Increase (8.0%)	\$ (129,543)

*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, 2025**

**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**

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to the year ended July 31, 2025, that have effective dates that may impact future financial presentations. Management has not currently determined what, if any, impact implementation of the new standards may have on the financial statements.

GASB Statement No. 103, Financial Reporting Model Improvements, will be effective for the Town beginning with the year ending July 31, 2026. This statement improves key components of the financial reporting model to enhance its effectiveness in providing information that is essential in decision making and assessing a governments accountability.

GASB Statement No. 104, Disclosure of Certain Capital Assets, will be effective for the Town beginning with the year ending July 31, 2026. This statement requires certain information regarding capital assets to be presented by major class.

**RELATED PARTY**

During the year ended July 31, 2025, a member of the Town's administrative staff was paid \$3,998 for cleaning of the administrative building.

**TOWN OF FENWICK ISLAND, DELAWARE**

**NOTES TO FINANCIAL STATEMENTS**

**JULY 31, 2025**

**PRIOR PERIOD ADJUSTMENTS**

The net position in the governmental activities and the fund balance in the general fund have been restated to reflect the following:

- Implementation of GASB Statement No. 101, *Compensated Absences*,
- Correct an overstatement of accrued sick leave, and
- Correct an understatement of prepaid expenses.

Net position in the governmental activities as of July 31, 2024 was restated as follows:

Net position, as originally reported	\$ 7,360,258
Implementation of GASB 101, <i>Compensated Absences</i>	(55,202)
Adjustment for overstatement of accrued sick leave	83,467
Adjustment for understatement of prepaid expenses	24,095
Net position, as restated	<u>\$ 7,412,618</u>

The fund balance in the general fund as of July 31, 2024 was restated as follows:

Fund balance, as originally reported	\$ 1,132,588
Implementation of GASB 101, <i>Compensated Absences</i>	(13,507)
Adjustment for understatement of prepaid expenses	24,095
Fund balance, as restated	<u>\$ 1,143,176</u>

**SUPPLEMENTARY INFORMATION**

**TOWN OF FENWICK ISLAND, DELAWARE**

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

**YEAR ENDED JULY 31, 2025**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 1,255,000	\$ 1,255,000	\$ 1,248,926	\$ (6,074)
Intergovernmental grants	176,599	176,599	271,841	95,242
Charges for services	728,556	728,556	1,190,722	462,166
Fines and forfeitures	57,500	57,500	29,309	(28,191)
Miscellaneous	112,350	112,350	155,007	42,657
Total revenues	<u>2,330,005</u>	<u>2,330,005</u>	<u>2,895,805</u>	<u>565,800</u>
<b>EXPENDITURES</b>				
Current				
General government	700,349	700,349	581,392	118,957
Administrative	412,964	412,964	326,973	85,991
Police department	1,064,107	1,064,107	1,136,383	(72,276)
Beach patrol	451,151	451,151	434,443	16,708
Public works	486,427	486,427	394,128	92,299
Capital outlay	2,167,500	2,167,500	2,477,004	(309,504)
Total expenditures	<u>5,282,498</u>	<u>5,282,498</u>	<u>5,350,323</u>	<u>(67,825)</u>
Revenues over (under) expenditures	(2,952,493)	(2,952,493)	(2,454,518)	497,975
<b>OTHER FINANCING SOURCES</b>				
Proceeds from leases and subscriptions			83,938	83,938
Proceeds from sale of assets			9,350	9,350
Transfers in	300,000	300,000	2,561,648	2,261,648
Total other financing sources	<u>300,000</u>	<u>300,000</u>	<u>2,654,936</u>	<u>2,354,936</u>
Net change in fund balances	(2,652,493)	(2,652,493)	<u>\$ 200,418</u>	<u>\$ 2,852,911</u>
Budgeted transfers from other funds	<u>2,652,493</u>	<u>2,652,493</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)**

Fiscal year/ measurement date	Town's City's proportion of the net pension liability (asset)	Town's proportionate proportionate share of the net pension liability (asset)	Town's covered employee payroll	Town's proportionate share as a percentage of covered payroll	Plan fiduciary net position as a percentage of total pension liability (asset)
2016	0.4334%	\$ (22,839)	\$ 394,845	-5.78%	102.0%
2017	0.4518%	\$ 71,820	\$ 413,573	17.37%	94.7%
2018	0.4406%	\$ 44,421	\$ 433,418	10.25%	97.0%
2019	0.4182%	\$ 96,319	\$ 505,052	19.07%	94.1%
2020	0.4547%	\$ 130,613	\$ 514,922	25.37%	93.3%
2021	0.4477%	\$ 68,798	\$ 508,026	13.54%	96.7%
2022	0.3908%	\$ (537,722)	\$ 594,317	-90.48%	128.2%
2023	0.3868%	\$ (40,667)	\$ 707,176	-5.75%	102.0%
2024	0.4162%	\$ 59,830	\$ 683,374	8.76%	97.6%
2025	0.3226%	\$ 51,611	\$ 690,929	7.47%	97.6%

**TOWN OF FENWICK ISLAND, DELAWARE**

**SCHEDULE OF THE TOWN'S CONTRIBUTIONS**

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

Fiscal Year	Contractually required contribution	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	Town's covered payroll	Actual contribution as a percentage of covered payroll
2016	\$ 43,628	\$ (43,628)		\$ 394,845	11%
2017	\$ 49,852	\$ (49,852)		\$ 413,573	12%
2018	\$ 70,387	\$ (70,387)		\$ 433,418	16%
2019	\$ 74,279	\$ (74,279)		\$ 505,052	15%
2020	\$ 75,627	\$ (75,627)		\$ 514,922	15%
2021	\$ 69,935	\$ (69,935)		\$ 508,026	14%
2022	\$ 69,841	\$ (69,841)		\$ 594,317	12%
2023	\$ 57,842	\$ (57,842)		\$ 707,176	8%
2024	\$ 54,217	\$ (54,217)		\$ 683,374	8%
2025	\$ 49,374	\$ (49,374)		\$ 690,929	7%

**REQUIRED SUPPLEMENTARY INFORMATION**



## INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

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

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, 2025 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 42 through 48 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.

#### MEMBERS OF:

AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

MARYLAND ASSOCIATION OF  
CERTIFIED PUBLIC ACCOUNTANTS

DELAWARE SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS

ALLINIAL GLOBAL

*PKS & Company, P.A.*

**CERTIFIED PUBLIC ACCOUNTANTS**

Salisbury, Maryland  
February 27, 2026

**TOWN OF FENWICK ISLAND, DELAWARE**

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

**JULY 31, 2025**

	<u>Special Reserves</u>	<u>Parks and Recreation</u>	<u>Dedicated Streets</u>	<u>Beach Committee</u>	<u>Total Other Governmental Funds</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 259,957	\$ 15,244	\$ 755,855	\$ 53,177	\$ 1,084,233
Due from other funds			3,330		3,330
Total assets	<u>\$ 259,957</u>	<u>\$ 15,244</u>	<u>\$ 759,185</u>	<u>53,177</u>	<u>\$ 1,087,563</u>
<b>LIABILITIES</b>					
Accounts payable	\$	\$	\$ 78,388	\$	\$ 78,388
<b>FUND BALANCES</b>					
Committed			680,797		680,797
Assigned	259,957	15,244		53,177	328,378
Total fund balances	<u>259,957</u>	<u>15,244</u>	<u>680,797</u>	<u>53,177</u>	<u>1,009,175</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 259,957</u>	<u>\$ 15,244</u>	<u>\$ 759,185</u>	<u>\$ 53,177</u>	<u>\$ 1,087,563</u>

**TOWN OF FENWICK ISLAND, DELAWARE**

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

**YEAR ENDED JULY 31, 2025**

	Special Reserves	Parks and Recreation	Dedicated Streets	Beach Committee	Total Other Governmental Funds
<b>REVENUES</b>					
Intergovernmental grants	\$ 1,571,905	\$	\$	\$	\$ 1,571,905
Charges for services		2,459			2,459
Miscellaneous	28,787	6,241	25,580	20,842	81,450
Total revenues	<u>1,600,692</u>	<u>8,700</u>	<u>25,580</u>	<u>20,842</u>	<u>1,655,814</u>
<b>EXPENDITURES</b>					
Beach committee				7,815	7,815
Dedicated streets			33,474		33,474
Parks and recreation		9,220			9,220
Total expenditures		<u>9,220</u>	<u>33,474</u>	<u>7,815</u>	<u>50,509</u>
Revenues over (under) expenditures	1,600,692	(520)	(7,894)	13,027	1,605,305
<b>OTHER FINANCING SOURCES</b>					
Transfers in (out)	<u>(1,502,810)</u>	<u>1,773</u>	<u>65,326</u>	<u>(1,414)</u>	<u>(1,437,125)</u>
Net change in fund balances	97,882	1,253	57,432	11,613	168,180
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<u>162,075</u>	<u>13,991</u>	<u>623,365</u>	<u>41,564</u>	<u>840,995</u>
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ 259,957</u>	<u>\$ 15,244</u>	<u>\$ 680,797</u>	<u>\$ 53,177</u>	<u>\$ 1,009,175</u>

**TOWN OF FENWICK ISLAND, DELAWARE**  
**SCHEDULE OF REVENUES - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**YEAR ENDED JULY 31, 2025**

	Final Budget (Unaudited)	Actual	Variance Favorable (Unfavorable)
Taxes			
Property taxes	\$ 745,000	\$ 747,736	\$ 2,736
Gross rental taxes	510,000	501,190	(8,810)
Total taxes	<u>1,255,000</u>	<u>1,248,926</u>	<u>(6,074)</u>
Intergovernmental grants			
Lifeguard grants	76,500	77,430	930
Police grants	46,099	136,998	90,899
Pension income	54,000	57,413	3,413
Total intergovernmental grants	<u>176,599</u>	<u>271,841</u>	<u>95,242</u>
Charges for services			
Trash collection fees	213,300	215,324	2,024
Ambulance fees	51,420	51,511	91
Franchise fees	36,836	33,898	(2,938)
License fees	102,000	104,018	2,018
Building permit fees	325,000	785,971	460,971
Total charges for services	<u>728,556</u>	<u>1,190,722</u>	<u>462,166</u>
Fines and forfeitures			
Traffic and parking fines	57,000	29,009	(27,991)
Other	500	300	(200)
Total fines and forfeitures	<u>57,500</u>	<u>29,309</u>	<u>(28,191)</u>
Miscellaneous			
Parking and bonfire permits	43,000	59,836	16,836
Beach concession services	12,500	12,500	
Lifeguard chair advertising	4,900	17,800	12,900
Junior lifeguard program	1,500	3,915	2,415
Interest income	40,000	47,945	7,945
Special events donations	10,000	7,310	(2,690)
Other revenues	450	5,701	5,251
Total miscellaneous	<u>112,350</u>	<u>155,007</u>	<u>42,657</u>
 Total revenues	 <u>\$ 2,330,005</u>	 <u>\$ 2,895,805</u>	 <u>\$ 565,800</u>

**TOWN OF FENWICK ISLAND, DELAWARE**  
**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL**  
**GENERAL FUND BY DEPARTMENT**  
**YEAR ENDED JULY 31, 2025**

	Final Budget (Unaudited)	Actual Amounts	Variance Favorable (Unfavorable)
General government			
Appraisal	\$ 21,000	\$ 26,284	\$ (5,284)
Auditing	16,250	16,250	
BBVFC ambulance service	52,740	52,740	
Building maintenance	32,970	17,970	15,000
Codification and code re-write	15,000	3,702	11,298
Community projects	11,000	11,863	(863)
Contract services	5,000		5,000
Copiers	5,600	2,092	3,508
Dues	5,390	1,305	4,085
Employee relations	5,500	4,856	644
Government liaison	1,600	857	743
Insurance	121,000	122,168	(1,168)
Legal	30,000	33,302	(3,302)
Miscellaneous		27,031	(27,031)
Municipal street lighting	17,500	19,227	(1,727)
Parking permits	6,000	5,448	552
Pension	2,000	2,625	(625)
Postage	6,660	2,571	4,089
Printing and advertising	3,575	2,088	1,487
Professional fees	102,500		102,500
Recycling and trash	182,000	164,071	17,929
Sewer	1,064	1,378	(314)
Telephone	18,500	20,923	(2,423)
Utilities	7,500	10,281	(2,781)
Website	30,000	32,360	(2,360)
Total general government	<u>700,349</u>	<u>581,392</u>	<u>118,957</u>

**TOWN OF FENWICK ISLAND, DELAWARE**

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

**YEAR ENDED JULY 31, 2025**

	Final Budget (Unaudited)	Actual Amounts	Variance Favorable (Unfavorable)
Administrative			
Dental insurance	1,359	1,277	82
Financial services	5,500	7,203	(1,703)
Health insurance	44,783	44,605	178
Life insurance	1,855	1,540	315
Miscellaneous		41,944	(41,944)
Office IT equipment and maintenance	48,820	363	48,457
Office supplies	5,870	7,047	(1,177)
Payroll taxes	19,654	16,259	3,395
Pension	24,905	17,773	7,132
Personnel supplies	1,200	485	715
Printing and advertising	1,500	795	705
Professional development	2,500		2,500
Salaries	251,273	185,232	66,041
Telephone	1,100	1,025	75
Travel reimbursement	1,200	274	926
Vehicle fuel and maintenance	500		500
Vision care	606	366	240
Workmans compensation	339	785	(446)
Total administrative	<u>412,964</u>	<u>326,973</u>	<u>85,991</u>
Police department			
Building maintenance	13,500	15,297	(1,797)
Communication equipment	1,500	408	1,092
Community outreach	1,200	737	463
Dental insurance	2,334	2,489	(155)
Health insurance	124,954	125,640	(686)
Life insurance	5,031	5,233	(202)
Mobile computer access	5,000	5,608	(608)
Office supplies	1,750	1,896	(146)
Payroll taxes	50,339	54,493	(4,154)
Pension	74,262	80,328	(6,066)
Police supplies	14,100	61,365	(47,265)

**TOWN OF FENWICK ISLAND, DELAWARE**

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

**YEAR ENDED JULY 31, 2025**

	Final Budget (Unaudited)	Actual Amounts	Variance Favorable (Unfavorable)
Police department (continued)			
Printing and advertising	750	931	(181)
Professional development	16,040	20,901	(4,861)
Salaries	614,835	690,929	(76,094)
Uniforms	6,500	6,055	445
Vehicle fuel and maintenance	110,250	36,451	73,799
Vision care	853	853	
Workmans compensation	20,909	26,769	(5,860)
Total police department	<u>1,064,107</u>	<u>1,136,383</u>	<u>(72,276)</u>
Beach patrol			
Awards and competitions	7,000	4,308	2,692
Beach vehicle fuel	900	676	224
Beach vehicle maintenance	2,000	1,587	413
Chair and sign maintenance	2,000	2,645	(645)
Communication equipment	500	1,455	(955)
Employee relations	2,000	799	1,201
Junior guard program	2,000	1,845	155
Lifeguard payroll taxes - Fenwick	23,594	23,580	14
Lifeguard payroll taxes - State	9,175	8,576	599
Lifeguard salaries - Fenwick	268,200	264,736	3,464
Lifeguard salaries - State	104,300	97,107	7,193
Lifeguard USLA certification	1,500		1,500
Lifeguard workmans compensation	11,932	14,959	(3,027)
Professional development	2,000	2,470	(470)
Supplies and equipment	5,400	1,805	3,595
Telephone	850	1,083	(233)
Uniforms	7,500	6,812	688
Utilities	300		300
Total beach patrol	<u>451,151</u>	<u>434,443</u>	<u>16,708</u>

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

**YEAR ENDED JULY 31, 2025**

	Final Budget (Unaudited)	Actual Amounts	Variance Favorable (Unfavorable)
Public works			
Building maintenance	3,500	4,184	(684)
Contract services	1,000		1,000
Dental insurance	1,358	1,116	242
Health insurance	68,430	64,977	3,453
Life insurance	2,038	2,137	(99)
Miscellaneous		1,340	(1,340)
Payroll taxes	17,636	18,234	(598)
Pension	18,000	17,487	513
Safety equipment	1,000		1,000
Salaries	223,455	227,931	(4,476)
Shop equipment	5,000	2,318	2,682
Shop supplies	13,500	8,698	4,802
Street maintenance	104,653	23,268	81,385
Telephone	500	483	17
Uniforms	3,000	1,573	1,427
Utilities	6,500	7,087	(587)
Vehicle fuel and maintenance	9,100	6,114	2,986
Vision care	426	426	
Workmans compensation	7,081	6,755	326
Yard waste	250		250
Total public works	<u>486,427</u>	<u>394,128</u>	<u>92,299</u>
Capital outlay	<u>2,167,500</u>	<u>2,477,004</u>	<u>(309,504)</u>
Total expenditures	<u>\$ 5,282,498</u>	<u>\$ 5,350,323</u>	<u>\$ (67,825)</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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**MEMBERS OF:**

AMERICAN INSTITUTE OF  
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MARYLAND ASSOCIATION OF  
CERTIFIED PUBLIC ACCOUNTANTS

DELAWARE SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS

ALLINIAL GLOBAL

Honorable Mayor and Council Members  
Town of Fenwick Island, Delaware

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Fenwick Island, Delaware as of and for the year ended July 31, 2025, 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 27, 2026.

**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 2025-001, 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 27, 2026

**TOWN OF FENWICK ISLAND, DELAWARE**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**YEAR ENDED JULY 31, 2025**

**SIGNIFICANT DEFICIENCY**

2025-001 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.