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**CITY OF REHOBOTH BEACH  
SUSSEX COUNTY, DELAWARE**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**MARCH 31, 2022**

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CITY OF REHOBOTH BEACH

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## INDEPENDENT AUDITOR'S REPORT

October 26, 2022

To the Honorable Mayor and Commissioners  
City of Rehoboth Beach  
Rehoboth Beach, Delaware

### Report on the Audit of the Financial Statements

#### Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Rehoboth Beach ("the City"), Rehoboth Beach, Delaware, as of and for the year ended March 31, 2022, and the related notes to the financial statements, which collectively comprise the City'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, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Rehoboth Beach, Rehoboth Beach, Delaware, as of March 31, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City 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.

To the Honorable Mayor and Commissioners  
City of Rehoboth Beach

### Responsibilities of Management for the Financial Statements

The City'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 City's ability to continue as a going concern for one year after the date that the financial statements are issued.

### Auditor's Responsibility 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 *Government Auditing Standards* 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 *Government Auditing Standards*, 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 City'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 City's ability to continue as a going concern for a reasonable period of time.

To the Honorable Mayor and Commissioners  
City of Rehoboth Beach

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 on pages 5 through 17, the budgetary comparison schedule - general fund, schedule of the City's proportionate share of the net pension asset (liability), schedule of City pension contributions, schedule of the City's net OPEB liability and related ratios, and schedule of City OPEB contributions on pages 51 - 56 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.

#### Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining balance sheet – nonmajor governmental funds; combining statement of revenues, expenditures, changes in fund balances – nonmajor governmental funds; combining statement of net position – sewer funds; combining statement of revenues, expenses, and changes in net position – sewer funds; and combining statement of cash flows – sewer funds are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining balance sheet – nonmajor governmental funds; combining statement of revenues, expenditures, changes in fund balances – nonmajor governmental funds; combining statement of net position – sewer funds; combining statement of revenues, expenses, and changes in net position – sewer funds; and combining statement of cash flows – sewer funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information 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 combining balance sheet – nonmajor governmental funds; combining statement of revenues, expenditures, changes in fund balances – nonmajor governmental

To the Honorable Mayor and Commissioners  
City of Rehoboth Beach

funds; combining statement of net position – sewer funds; combining statement of revenues, expenses, and changes in net position – sewer funds; and combining statement of cash flows – sewer funds are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2022 on our consideration of the City'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 solely 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 City's internal control over financial reporting and compliance.

  
BARBACANE, THORNTON & COMPANY LLP

**CITY OF REHOBOTH BEACH  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - UNAUDITED  
MARCH 31, 2022**

This discussion and analysis of the City of Rehoboth Beach, Delaware ("the City") provides an overview of the City's financial performance for the fiscal year ended March 31, 2022. Please read it in conjunction with the City's financial statements, which begin on page 18.

**FINANCIAL HIGHLIGHTS**

The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at March 31, 2022 by \$69.4 million (net position). Of this amount, \$29.2 million is reported as unrestricted net position. The City's net position increased by \$7.9 million.

As of March 31, 2022, the City's governmental funds reported combined ending fund balances of \$17.3 million, an increase of \$6.4 million as compared to the prior year. The current year increase in fund balance can be attributed primarily to increases in revenues from taxes, sale of assets (primarily 84 Kent Street sale) and charges for services, which increased by \$1.3 million, \$1.3 million, and \$1.8 million, respectively. Intergovernmental revenues (grants) decreased by \$1.8 million, as fewer grants were obtained. Total governmental funds revenue increased by \$2.5 million compared to the prior year. Expenditures decreased by \$1.2 million compared to the prior year as a result of lower capital outlays (\$1.5 million decrease) and debt service costs (\$676 thousand decrease). The increase in transfer tax revenue and the increase in rental tax revenue attributed to total tax revenue exceeding budget by \$3.8 million. Transfer tax exceeded budget by \$2.2 million while rental tax exceeded budget by \$1.1 million. Also, the hotel tax was \$508 thousand or 51 percent above budget. Intergovernmental revenues consisted of grants for the construction of the Lake Avenue Streetscape project (\$54 thousand), the Municipal Street Aid Fund (\$128 thousand), and various public safety and public works grants including the annual 911 Emergency Grants (\$45 thousand).

As of March 31, 2022, the City's proprietary funds reported combined net position of \$30.9 million, an increase of \$2.2 million compared to the prior year. The increase in net position was a result of the \$2.3 million increase in the Water Fund. The Wastewater fund net position declined by \$127 thousand, with much of the decline attributed to depreciation expense, a non-cash expense.

**Overview of the Financial Statements**

The financial statements consist of three parts – management's discussion and analysis, the basic financial statements, and required supplementary information. The management's discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) entity-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. Required supplementary information provides a budgetary comparison schedule for the General Fund and additional detail on the City's involvement in a multi-employer pension plan and other postemployment benefits ("OPEB") plan. This report also contains other supplementary information.

The basic financial statements include two kinds of statements that present different views of the City's financial position and performance:

- The first two statements are entity-wide financial statements that provide both long-term and short-term information about the City's overall financial status.

**CITY OF REHOBOTH BEACH  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - UNAUDITED (CONT'D)  
MARCH 31, 2022**

- The remaining statements are fund financial statements that focus on individual parts of the City government, reporting the City's operations in more detail than the entity-wide statements.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

**Entity-wide Financial Statements** – The entity-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business. These statements are prepared using the accrual basis of accounting.

The statement of net position presents information on all the City's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of changes in net position presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event occurs, producing the change, 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 only in future fiscal periods.

Both of the entity-wide financial statements distinguish between functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) and from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, and recreation and culture. Business-type activities are limited to the City's water and sewer system.

**Fund Financial Statements** – Traditional readers of governmental financial statements will find the fund financial statement presentation more familiar where the focus is on the City's most significant funds. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate fiscal accountability. The City uses governmental and proprietary fund financial statements to provide more detailed information about the City's most significant funds rather than the City as a whole.

**Governmental Funds** – Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services that it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to

**CITY OF REHOBOTH BEACH  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - UNAUDITED (CONT'D)  
MARCH 31, 2022**

finance the City's programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is described in the reconciliation.

**Proprietary Funds** – Proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprises in which costs are recovered primarily through user charges. Proprietary fund financial statements, like entity-wide financial statements, provide both long-term and short-term financial information. The fund financial statements provide more detail and additional information, such as cash flows, for the City's proprietary funds. The proprietary funds are used to report the same functions presented as business-type activities in the entity-wide financial statements. The City uses proprietary funds to account for its water and sewer operations.

**Notes to the Basic Financial Statements** – The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the entity-wide and fund financial statements.

**Required Supplementary Information** – In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the City. A budgetary comparison schedule has been provided for the General Fund. Additionally, schedules of information about the City's involvement in the DPERs pension plan and City OPEB plan have been provided.

**FINANCIAL ANALYSIS OF THE CITY AS A WHOLE**

**Entity-wide Financial Analysis**

The following table presents a summary of the statement of net position for the City as of March 31, 2022 and 2021.

**TABLE 1  
CONDENSED STATEMENTS OF NET POSITION**

	Governmental Activities		Business-type Activities		Totals	
	2022	2021	2022	2021	2022	2021
<b>ASSETS</b>						
Current and other assets	\$ 20,066,099	\$ 11,609,286	\$ 19,713,871	\$ 17,861,399	\$ 39,779,970	\$ 29,470,685
Capital assets, net	40,615,255	42,132,564	57,334,712	58,614,958	97,949,967	100,747,522
<b>TOTAL ASSETS</b>	<b>60,681,354</b>	<b>53,741,850</b>	<b>77,048,583</b>	<b>76,476,357</b>	<b>137,729,937</b>	<b>130,218,207</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Deferred pension and OPEB	1,561,380	1,569,521	151,334	177,060	1,712,714	1,746,581
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>62,242,734</b>	<b>55,311,371</b>	<b>77,199,917</b>	<b>76,653,417</b>	<b>139,442,651</b>	<b>131,964,788</b>

**CITY OF REHOBOTH BEACH  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - UNAUDITED (CONT'D)  
MARCH 31, 2022**

**TABLE 1  
CONDENSED STATEMENTS OF NET POSITION**

	Governmental Activities		Business-type Activities		Totals	
	2022	2021	2022	2021	2022	2021
(cont'd)						
<b>LIABILITIES</b>						
Other liabilities	1,766,739	1,394,912	2,048,604	2,066,124	3,815,343	3,461,036
Long-term liabilities	19,254,752	19,854,113	44,056,573	45,668,962	63,311,325	65,523,075
<b>TOTAL LIABILITIES</b>	<u>21,021,491</u>	<u>21,249,025</u>	<u>46,105,177</u>	<u>47,735,086</u>	<u>67,126,668</u>	<u>68,984,111</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred Pension and OPEB	2,775,189	1,264,369	180,954	207,425	2,956,143	1,471,794
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<u>23,796,680</u>	<u>22,513,394</u>	<u>46,286,131</u>	<u>47,942,511</u>	<u>70,082,811</u>	<u>70,455,905</u>
<b>NET POSITION</b>						
Net investment in capital assets	25,365,095	26,478,539	12,585,847	12,255,389	37,950,942	38,733,928
Restricted	2,204,133	205,451	-	-	2,204,133	205,451
Unrestricted	10,876,826	6,113,987	18,327,939	16,455,517	29,204,765	22,569,504
<b>TOTAL NET POSITION</b>	<u>\$ 38,446,054</u>	<u>\$ 32,797,977</u>	<u>\$ 30,913,786</u>	<u>\$ 28,710,906</u>	<u>\$ 69,359,840</u>	<u>\$ 61,508,883</u>

The largest portion of the City's net position reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. Capital assets are used to provide services to residents, and they are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

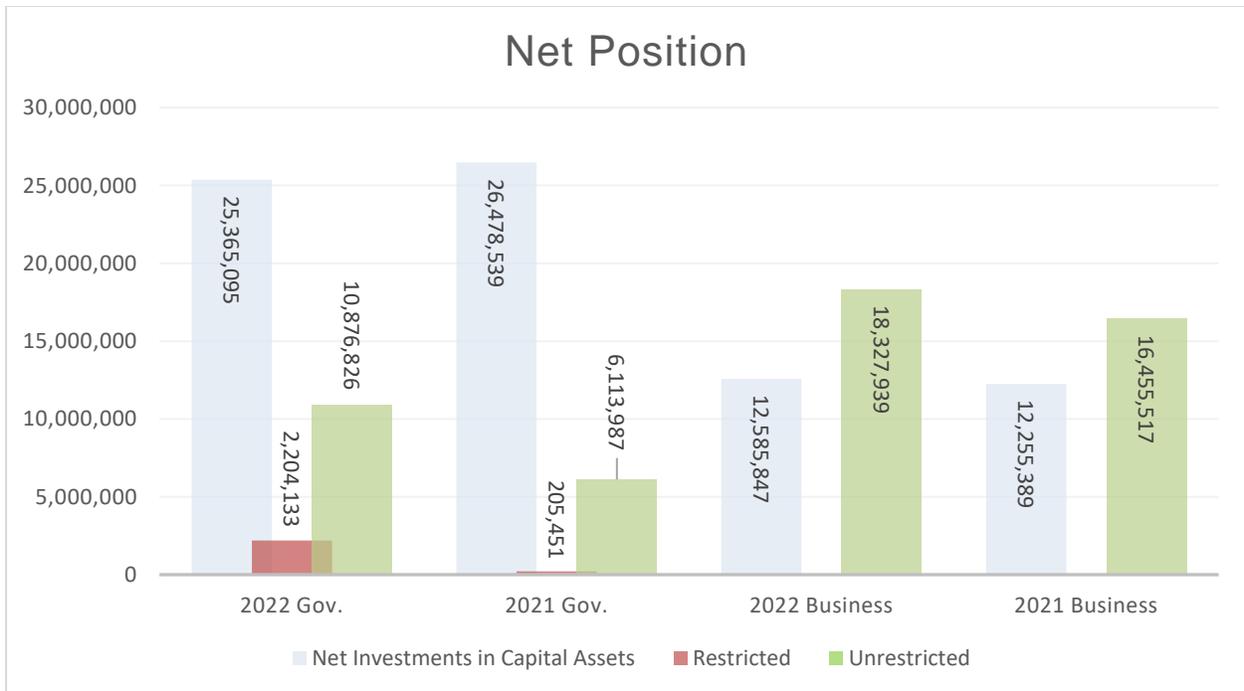
**TABLE 2  
CHANGES IN NET POSITION**

	Governmental Activities		Business-type Activities		Totals	
	2022	2021	2022	2021	2022	2021
<b>REVENUES</b>						
Program revenues:						
Charges for services	\$ 10,567,740	\$ 7,669,279	\$ 9,567,055	\$ 8,722,693	\$ 20,134,795	\$ 16,391,972
Operating grants/contributions	504,167	2,320,769	21,524	57,037	525,691	2,377,806
Capital grants/contributions	-	-	894,819	772,286	894,819	772,286
General revenues:						
Taxes	10,469,400	9,126,472	-	-	10,469,400	9,126,472
Investment earnings	3,908	5,398	3,152	5,263	7,060	10,661
Franchise fees	181,333	179,203	-	-	181,333	179,203
Miscellaneous	1,434,014	69,453	-	-	1,434,014	69,453
<b>TOTAL REVENUES</b>	<u>23,160,562</u>	<u>19,370,574</u>	<u>10,486,550</u>	<u>9,557,279</u>	<u>33,647,112</u>	<u>28,927,853</u>

**CITY OF REHOBOTH BEACH  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - UNAUDITED (CONT'D)  
MARCH 31, 2022**

**TABLE 2  
CHANGES IN NET POSITION**

(cont'd)	Governmental Activities		Business-type Activities		Totals	
	2022	2021	2022	2021	2022	2021
<b>EXPENSES</b>						
General government	4,353,965	4,412,870	-	-	4,353,965	4,412,870
Public safety	3,930,718	4,456,500	-	-	3,930,718	4,456,500
Public works	7,773,162	6,978,623	-	-	7,773,162	6,978,623
Recreation and culture	1,118,705	792,067	-	-	1,118,705	792,067
Interest on long-term debt	335,935	369,346	-	-	335,935	369,346
Water operations	-	-	2,609,264	2,232,836	2,609,264	2,232,836
Sewer operations	-	-	5,674,406	5,502,620	5,674,406	5,502,620
<b>TOTAL EXPENSES</b>	<b>17,512,485</b>	<b>17,009,406</b>	<b>8,283,670</b>	<b>7,735,456</b>	<b>25,796,155</b>	<b>24,744,862</b>
<b>INCREASE IN NET POSITION</b>	<b>5,648,077</b>	<b>2,361,168</b>	<b>2,202,880</b>	<b>1,821,823</b>	<b>7,850,957</b>	<b>4,182,991</b>
<b>NET POSITION, BEGINNING OF YEAR</b>	<b>32,797,977</b>	<b>30,436,809</b>	<b>28,710,906</b>	<b>26,889,083</b>	<b>61,508,883</b>	<b>57,325,892</b>
<b>NET POSITION, END OF YEAR</b>	<b>\$ 38,446,054</b>	<b>\$ 32,797,977</b>	<b>\$ 30,913,786</b>	<b>\$ 28,710,906</b>	<b>\$ 69,359,840</b>	<b>\$ 61,508,883</b>



**CITY OF REHOBOTH BEACH  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - UNAUDITED (CONT'D)  
MARCH 31, 2022**

**Governmental Activities**

The cost of all governmental activities in 2022 was \$17.5 million. The amount that taxpayers ultimately financed for these activities through City taxes was \$10.5 million, or 59.8 percent, an increase from 53.7 percent in the prior year. Other costs were paid by those who directly benefited from the programs (\$10.6 million, or 60 percent), and government agencies and organizations that subsidized funding with intergovernmental aid (\$504 thousand or 2.9 percent). In the prior year, costs paid by those who directly benefited from programs were \$7.7 million, representing 45.1 percent of the total expenses. Expenses financed by other governments and agencies were \$2.3 million, or 13.6 percent of total governmental expenses.

Tax revenue increased by \$1.3 million as a result of rental tax, hotel accommodations tax and transfer tax exceeding budget by \$1.1 million, \$508 thousand, and \$2.2 million, respectively.

General government programs accounted for 25.1 percent or \$4.4 million of the City's governmental activities, a decrease of \$12 thousand from the prior year. Departments showing a decline from the prior year include the Mayor and Commissioners (\$9 thousand), and building and licensing (\$56 thousand). The decline in building and licensing costs is attributed to a decline in salaries from the prior year, as the additional personnel during the staff transition was no longer required.

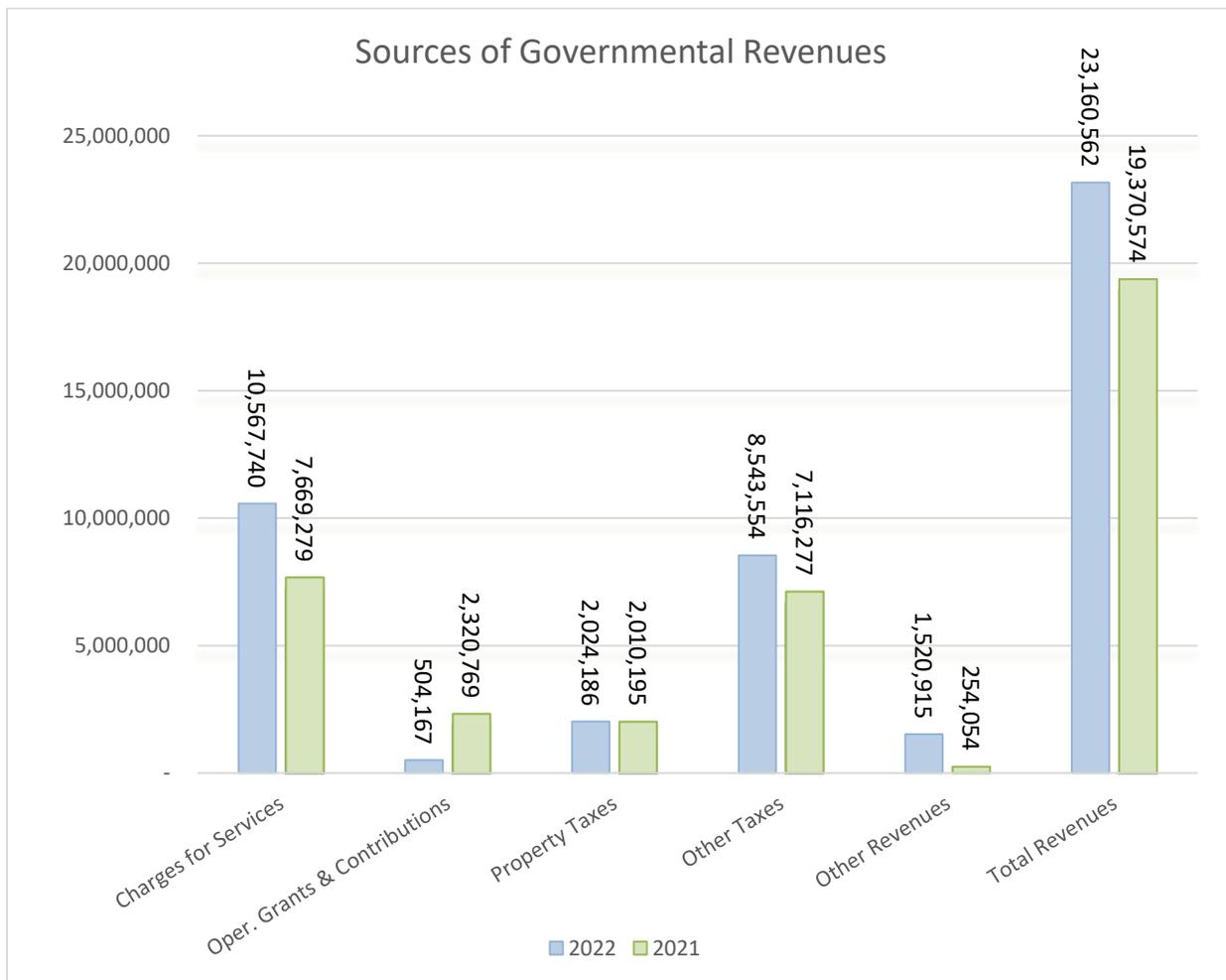
Public works expenses, consisting of the streets, refuse, and parking departments, accounted for 44.1 percent of the City's governmental activities, or \$7.8 million, an increase of \$800 thousand from fiscal year 2021. Depreciation expense charged to the public works function increased by \$320 thousand, accounting for a significant amount of the total increase in expenses. Maintenance contracts in the parking department increased by \$101.8 thousand, most of it relating to fees charged by parking equipment and software vendors. Engineering expenses in the streets department increased by \$81 thousand. Engineering costs are a function of projects planned or in process. ParkMobile fees increased by \$62 thousand, as the higher fees are related to higher pay-by-phone revenues.

The public safety expenditures accounted for 22.5 percent of the City's governmental activities in the year ended March 31, 2022 and 26.2 percent in the prior year. The public safety function consists of the City's police department, 911 dispatch center, and the beach patrol. In the current fiscal year, the expenses decreased to \$4.0 million from \$4.5 million in the prior year, a \$502 thousand, or 11.4 percent, decrease. In the police department, part-time police salaries, medical insurance, contractual services, maintenance contracts, and workmen's compensation insurance declined by \$43.4 thousand, \$67.9 thousand, \$12.3 thousand, \$23 thousand, and \$44.6 thousand, respectively. Lower part-time wages resulted from unfilled police cadet positions. Medical insurance is dependent upon not only the number of officers participating but, also, their dependents and type of plan selected. The City's workmen's compensation plan is a group plan with other local governments. The group's past annual claims experience is a significant factor that determines future year premiums, contributing to the lower cost in fiscal year 2022. Medical insurance premiums in the 911 dispatch department declined by \$32 thousand, also as a result of changes in participation and type of plan selected. The revenue from

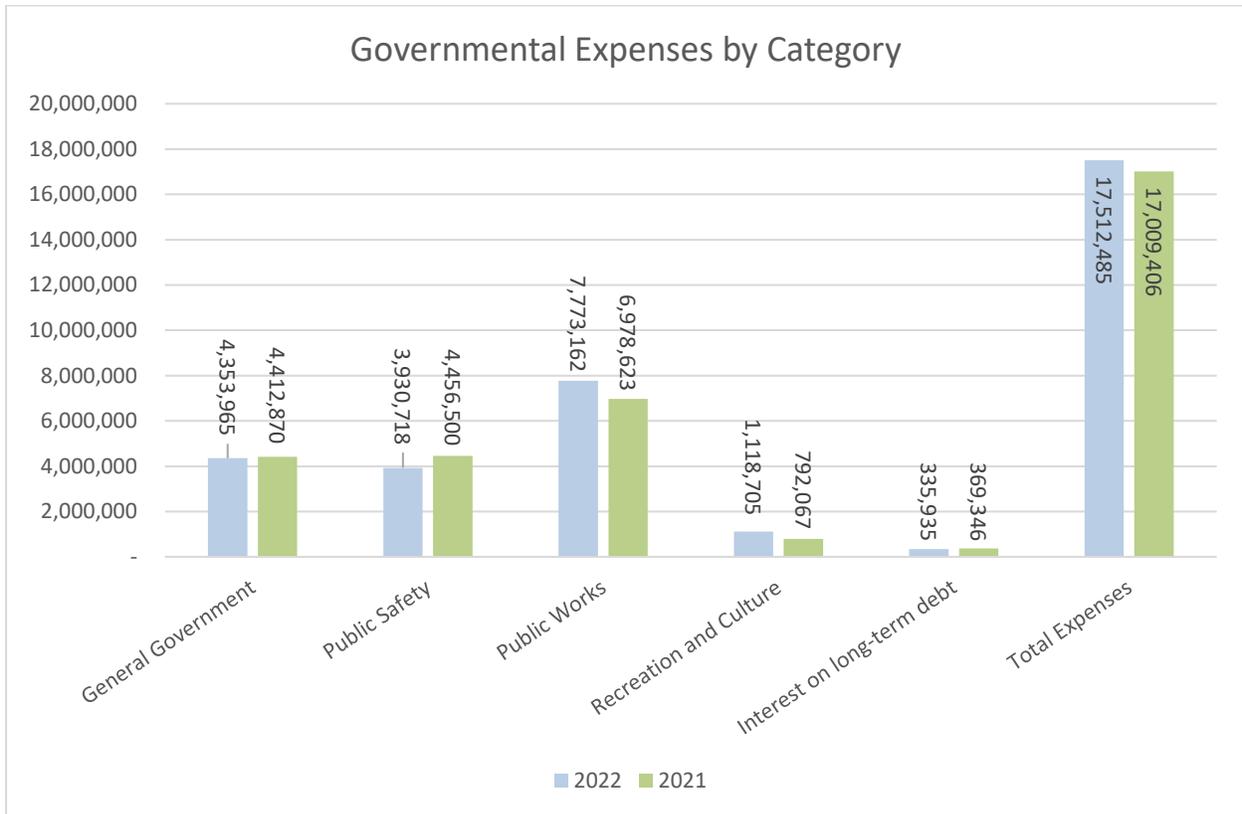
**CITY OF REHOBOTH BEACH  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - UNAUDITED (CONT'D)  
MARCH 31, 2022**

grants increased by \$40 thousand, and police fines revenue increased by \$65 thousand, offsetting a portion of the public safety function's costs. The beach patrol costs increased by \$42 thousand, partially as result of the \$19.3 thousand increase in wage expense.

The recreation and culture function consists of the parks, comfort stations bandstand, and tennis/recreation departments. In total, recreation and culture expenditures were \$1.1 million, an increase of \$327 thousand from fiscal year 2021. The expenditures to improve the restrooms at Delaware Avenue and Baltimore Avenue, \$696 thousand, were primarily responsible for the increase. In FY 2022, the tennis courts at Deauville Beach were operated by tennis professionals, with the City sharing a portion of the net income. This arrangement eliminated the potential of expenses exceeding revenues, as had occurred in several past years.



**CITY OF REHOBOTH BEACH  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - UNAUDITED (CONT'D)  
MARCH 31, 2022**



**Business-type Activities**

In addition to providing the residents of Rehoboth Beach with water and sewer services, the City has entered into operating agreements with Sussex County on behalf of Dewey Beach, Henlopen Acres, and North Shores for wastewater treatment services. The City also charges Sussex County for the bulk delivery of water to Dewey Beach, and it also provides and bills customers in North Shores for water and wastewater services. These arrangements provide additional revenue to the City by the sharing of the costs of operating the water and the wastewater plants.

Charges for services represent the principal revenue source for the City's business-type activities.

Water fund revenues increased by \$590 thousand in the current year. While bulk sales of water to Dewey Beach increased by \$182 thousand to \$839 thousand, they were below the \$1.2 million FY 2022 budget. In-town water revenues and out-of-town water revenues increased by \$139 thousand and \$132 thousand or 5.6 percent and 11 percent, respectively. As the rates were unchanged, the increases are attributed to higher usage. Expenses in the water department increased by \$376

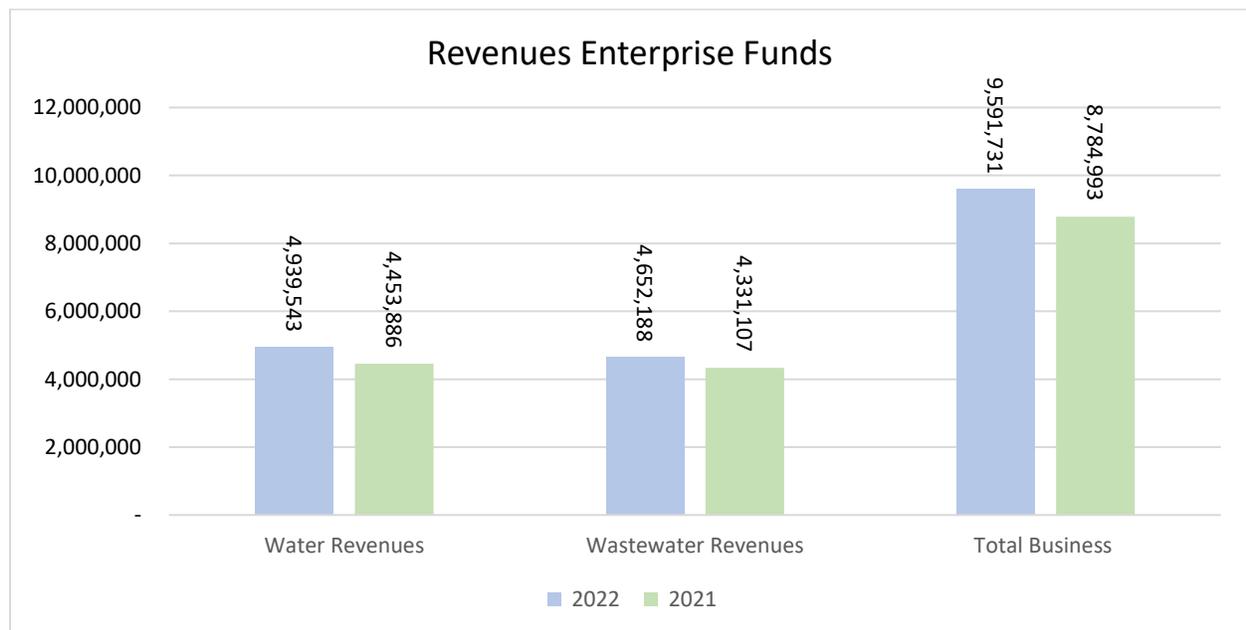
**CITY OF REHOBOTH BEACH  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - UNAUDITED (CONT'D)  
MARCH 31, 2022**

thousand, primarily due to expenses for repairs and maintenance costs increasing by \$338 thousand. Salaries expenses declined by \$123 thousand due to vacant positions in the department. Depreciation expense, a non-cash charge, increased by \$78 thousand.

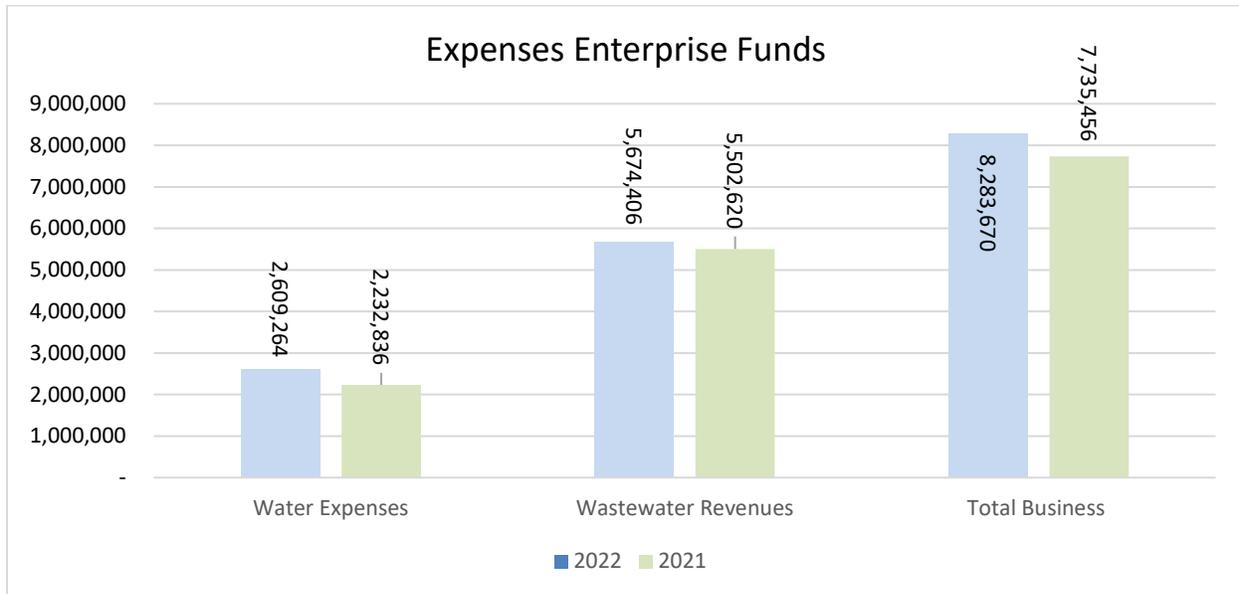
Wastewater fund operating revenues increased from the prior year by \$347 thousand. The City's sewer users pay for their service on a metered basis with the volume of water usage being applied to the established rate for sewer. Metered sewer billed to the residents of the City increased by \$292 thousand while Dewey Beach revenue increased by \$75 thousand. Revenue from Henlopen Acres declined by \$19 thousand or 11.7 percent. North Shores' percentage to total flows declined to 3.61 percent from 5.02 percent resulting in a lower share of total cost being allocated to the community.

The towns of Dewey Beach and Henlopen Acres and the community of North Shores share the costs of operating the City's wastewater facility, primarily based upon their percentage of flows to the plant. Total wastewater revenue from the three communities was \$1.5 million. This was a decline of \$128 thousand from the prior year.

Nonoperating expenses in the water and wastewater fund consist primarily of interest expense on outstanding debt. Interest expense in the water fund was \$67 thousand and relates to the financing cost of the City's Lynch Well. The Lynch Well loan was refinanced with JP Morgan Chase in January 2022, reducing the rate to 1.6 percent. The wastewater fund interest expense was \$889 thousand and relates to the financing of the ocean outfall, improvements to the wastewater facility, and the Schoolvue sewer debt. The Schoolvue loan will be fully repaid in FY 2023.



**CITY OF REHOBOTH BEACH  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - UNAUDITED (CONT'D)  
MARCH 31, 2022**



**FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds**

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

As of March 31, 2022, the City's governmental funds reported combined ending fund balances of \$17.3 million, an increase of \$6.4 million as compared to the prior year. The amount of the fund balance restricted or assigned for special purposes is \$245 thousand. The \$16.8 million unassigned portion of fund balance in the City's General Fund is available to be used at the City's discretion.

The City has two non-major governmental funds, one to account for certain police grants and another to account for certain grants awarded for street operations and maintenance.

The City's departmental, capital, and debt service expenditures decreased by approximately \$1.2 million from the prior year. The decrease was a result of the \$1.5 million decline in capital outlay expenditures.

**CITY OF REHOBOTH BEACH  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - UNAUDITED (CONT'D)  
MARCH 31, 2022**

The major capital projects and items funded by the City's capital improvement program were as follows:

- Outlays for street paving were \$895 thousand.
- Outlays for the CCTV Project (video inspections of wastewater infrastructure) were \$104 thousand.
- Charges for the new Luke Cosmos pay stations were \$198 thousand.
- The City purchased a new flatbed truck in the water department for \$130 thousand.
- The City purchased a new Vac Con Sewer Vac for \$427 thousand.
- Outlays for the SCADA system upgrades were \$89 thousand.
- Outlays for the Lake Gerar Playground project were \$236 thousand.

**Proprietary Funds**

The proprietary funds reflect the water and wastewater operations of the City and are equivalent to the business-type activities as previously discussed.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The schedule comparing the City's budget and actual results can be found on pages 51 - 52. A summary of significant variations between budget amounts and actual results are as follows:

- Total revenue exceeded expenditures by \$6.4 million. Taxes exceeded budget by \$3.8 million with property transfer tax consisting of \$2.2 million of the increase. Hotel tax was \$1.5 million, exceeding budget by \$508 thousand. Charges for services were \$256 thousand above budget, primarily due to parking revenues exceeding budget.
- Operating expenditures in the General Fund were \$643 thousand below budget while capital expenditures exceeded budget by \$174 thousand or 7.2 percent.
- Operating expenditures for the departments within public safety were \$264 thousand less than budget. Police department part-time salaries were \$101 thousand less than budget as a result of vacant positions. Beach patrol part-time salaries were \$34 thousand below budget, but overtime was \$17 thousand above budget. Full-time police salaries were \$87 thousand above budget while overtime was \$24 below budget.
- Streets and Refuse Department operating expenditures were below budget by \$188 thousand. Part-time salaries were \$63 thousand lower than budget while over-time was \$10 thousand above budget, as all budgeted positions were not filled. Workmen's compensation premiums were \$39 below budget as a result of favorable rates and a lower payroll. Contractual services were \$64 thousand higher than budget due to higher fees paid to our materials recycling vendor.

**CITY OF REHOBOTH BEACH  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - UNAUDITED (CONT'D)  
MARCH 31, 2022**

- Administrative operating expenditures were \$355 thousand less than budget. The unused portion of the budgeted amount for contingency was \$246 thousand, and expenditures for contractual services were \$52 thousand below budget.
- The Mayor and Commissioners expenditures exceeded budget by \$261 thousand. Legal fees amounted to \$477 thousand and were over budget by \$277 thousand, accounting for the department's overall variance. The volume of building and zoning issues confronting the Commissioners, including Clear Space and Baymart actions constituted most of the Commissioners' legal expenditures.
- Building and license operating expenditures were \$43 thousand below budget with the lower-than-budget savings attributed to a variety of categories. Expenditures for salaries, other professional services, and engineering were below budget by \$17 thousand, \$5 thousand and \$10 thousand. The favorable variance in salaries resulted from less salary for personnel following the retirement of an employee.
- In the recreation and culture function, operating expenditures exceeded budget by \$43 thousand. The Parks department's expenditures for contractual services exceeded budget by \$110 thousand, with most of the unfavorable variance due to additional costs for landscaping and additional maintenance services
- All other fluctuations in revenues from budget to actual are deemed reasonable, based upon the element of uncertainty when budgeting for such revenues.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

The City's capital assets for its governmental and business-type activities, as of March 31, 2022, amounted to \$98 million (net of accumulated depreciation). Capital assets include land, buildings and improvements, improvements other than buildings, machinery and equipment, vehicles, and infrastructure. The total current year depreciation was \$7.1 million government wide.

More detailed information about the City's capital assets is presented in the notes to the basic financial statements.

### **Debt Administration**

In January 2022, the City refinanced its USDA loan (2.375 percent) for the construction of the new city hall building and the State of Delaware loan for the construction of the Lynch Well (2.76 percent) with JP Morgan Chase at a rate of 1.6 percent. The maturity of the City Hall portion of the loan was reduced to 15 years while the Lynch Well portion will be amortized through its same original maturity date in 2027. The refinancing produced a present value savings of over \$1 million. As of March 31, 2022, the City had a principal balance of \$17,168,332.

**CITY OF REHOBOTH BEACH  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - UNAUDITED (CONT'D)  
MARCH 31, 2022**

The City has obtained loans in the amount of \$52,481,095 from the Delaware Water Pollution Control Revolving Fund for the construction of the ocean outfall and related infrastructure. As of March 31, 2022, the ocean outfall loan balance was \$37,616,939, and the plant loan balance was \$5,103,085. The City is paying interest and administrative fees at a combined rate of two percent, with Sussex County sharing 42 percent of the debt service cost. Upon the completion of plant construction, the City will begin making principal and interest payments. The ocean outfall loan began amortizing in September 2020.

In 2015, the City obtained a \$450,000 loan for the replacement of sewer lines in the Schoolvue section of Rehoboth Beach. The loan has a rate of three percent and will mature on March 1, 2043. The loan balance as of March 31, 2022 was \$110,669.

More detailed information about the City's long-term liabilities is presented in the notes to the basic financial statements.

#### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

- The 2022 - 2023 budget for all City operations is \$30.1 million. The capital portion of the budget is \$6.5 million, including \$1 million for the water fund and \$3 million for the wastewater fund. Outlays for wastewater plant project upgrades will continue and will be funded by draws from the remaining balance of the Delaware Wastewater Pollution Control Fund. The City's parking revenues in the current year have been restored to pre-pandemic levels while property transfer taxes continue at exceptionally high levels.
- Property taxes represent 10.83 percent of the 2021-2022 General Fund Budget, a percentage that is well below the level of most local governments. Most of the remaining revenue sources are dependent upon economic activity, including property transfers, building activity, rental activity, and parking. Parking revenue comprises 35.85 percent of the 2021-2022 general fund budget. In the event of severe storms and macroeconomic events that impact business activity, the City may have to rely on its taxing authority and remaining borrowing capacity to compensate for lost revenues from the aforementioned revenue sources.

#### **REQUESTS FOR INFORMATION**

The financial report is designed to provide our citizens, customers, investors, and creditors with a general overview of the City's finances. If you have questions about this report or need any additional information, contact Evan Miller, Interim City Manager, City of Rehoboth Beach, 229 Rehoboth Avenue, P.O. Box 1163, Rehoboth Beach, Delaware, 19971-2137.

**CITY OF REHOBOTH BEACH**  
**STATEMENT OF NET POSITION**  
**MARCH 31, 2022**  
**(With Summarized Comparative Data for March 31, 2021)**

	Governmental Activities	Business-type Activities	Totals	
			2022	2021
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>				
Cash and cash equivalents	\$ 21,163,222	\$ 14,281,264	\$ 35,444,486	\$ 26,454,146
Taxes receivable	67,058	-	67,058	32,423
Accounts receivable	863,178	744,916	1,608,094	2,400,752
Prepaid expenses	163,719	55,860	219,579	152,059
Inventory	17,581	464,248	481,829	431,305
Net pension asset	1,958,924	-	1,958,924	-
Internal balances	(4,167,583)	4,167,583	-	-
Capital Assets:				
Land	2,814,959	192,936	3,007,895	3,007,895
Construction-in-progress	-	146,425	146,425	2,539,239
Depreciable capital assets, net of depreciation	37,800,296	56,995,351	94,795,647	95,200,388
<b>TOTAL ASSETS</b>	<u>60,681,354</u>	<u>77,048,583</u>	<u>137,729,937</u>	<u>130,218,207</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows relating to pension	914,488	-	914,488	812,665
Deferred outflows relating to OPEB	646,892	151,334	798,226	933,916
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>1,561,380</u>	<u>151,334</u>	<u>1,712,714</u>	<u>1,746,581</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 62,242,734</u>	<u>\$ 77,199,917</u>	<u>\$ 139,442,651</u>	<u>\$ 131,964,788</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>				
<b>Current Liabilities:</b>				
Accounts payable	\$ 97,336	\$ 70,511	\$ 167,847	\$ 201,690
Accrued salaries and benefits	92,378	17,767	110,145	372,336
Accrued interest	12,305	111,025	123,330	111,667
Deposits	172,242	-	172,242	165,902
Unearned revenues	485,480	-	485,480	192,828
Contingency reserve	-	14,456	14,456	40,349
Notes and bonds payable	906,998	1,834,845	2,741,843	2,376,264
<b>Noncurrent Liabilities:</b>				
Notes and bonds payable	14,343,162	42,914,020	57,257,182	59,637,330
Compensated absences	786,179	177,449	963,628	823,618
Net OPEB liability	4,125,411	965,104	5,090,515	4,854,118
Net pension liability	-	-	-	208,009
<b>TOTAL LIABILITIES</b>	<u>21,021,491</u>	<u>46,105,177</u>	<u>67,126,668</u>	<u>68,984,111</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows relating to pension	2,001,687	-	2,001,687	377,715
Deferred inflows relating to OPEB	773,502	180,954	954,456	1,094,079
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>2,775,189</u>	<u>180,954</u>	<u>2,956,143</u>	<u>1,471,794</u>
<b>NET POSITION</b>				
Net investment in capital assets	25,365,095	12,585,847	37,950,942	38,733,928
Restricted:				
Police expenses	94,633	-	94,633	66,670
Public works expenses	150,576	-	150,576	138,781
Net pension asset	1,958,924	-	1,958,924	-
Unrestricted	10,876,826	18,327,939	29,204,765	22,569,504
<b>TOTAL NET POSITION</b>	<u>38,446,054</u>	<u>30,913,786</u>	<u>69,359,840</u>	<u>61,508,883</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	<u>\$ 62,242,734</u>	<u>\$ 77,199,917</u>	<u>\$ 139,442,651</u>	<u>\$ 131,964,788</u>

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



**CITY OF REHOBOTH BEACH**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**MARCH 31, 2022**  
**(With Summarized Comparative Data for March 31, 2021)**

	General Fund	Nonmajor Governmental Funds	Totals	
			2022	2021
<b>ASSETS</b>				
Cash and cash equivalents	\$ 20,984,277	\$ 178,945	\$ 21,163,222	\$ 12,223,676
Taxes receivable	67,058	-	67,058	32,423
Accounts receivable	845,178	-	845,178	1,521,053
Lease receivable	18,000	-	18,000	18,000
Prepaid expenditures	163,719	-	163,719	93,337
Inventory	17,581	-	17,581	13,739
Due from other funds	-	67,144	67,144	44,079
<b>TOTAL ASSETS</b>	<b>\$ 22,095,813</b>	<b>\$ 246,089</b>	<b>\$ 22,341,902</b>	<b>\$ 13,946,307</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES:</b>				
Accounts payable	\$ 97,086	\$ -	\$ 97,086	\$ 135,335
Due to Alderman's Court	250	-	250	250
Due to other funds	4,233,847	880	4,234,727	2,337,021
Accrued salaries and benefits	92,378	-	92,378	283,866
Deposits	172,242	-	172,242	165,902
Unearned revenue	485,480	-	485,480	192,828
<b>TOTAL LIABILITIES</b>	<b>5,081,283</b>	<b>880</b>	<b>5,082,163</b>	<b>3,115,202</b>
<b>FUND BALANCES:</b>				
Nonspendable	181,300	-	181,300	107,076
Restricted:				
Police expenditures	-	94,633	94,633	66,670
Public works expenditures	-	150,576	150,576	138,781
Unassigned	16,833,230	-	16,833,230	10,518,578
<b>TOTAL FUND BALANCES</b>	<b>17,014,530</b>	<b>245,209</b>	<b>17,259,739</b>	<b>10,831,105</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 22,095,813</b>	<b>\$ 246,089</b>	<b>\$ 22,341,902</b>	<b>\$ 13,946,307</b>

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

**CITY OF REHOBOTH BEACH  
RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS  
TO STATEMENT OF NET POSITION  
MARCH 31, 2022**

TOTAL GOVERNMENTAL FUND BALANCES \$ 17,259,739

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, therefore, are not reported in the funds. 40,615,255

The City's net pension asset is not a current financial obligation and, therefore, is not reported in the funds. 1,958,924

The City's net OPEB liability is not a current financial obligation and, therefore, is not reported in the funds. (4,125,411)

Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds. Those liabilities consist of:

Accrued interest	(12,305)
Notes and bonds payable	(15,250,160)
Compensated absences	(786,179)

Deferred outflows and inflows related to the City's net pension asset and OPEB liability do not represent current resources or uses of resources and, therefore, are not reported in the funds. Deferred outflows and inflows consist of the following:

Deferred outflows of resources:		
Deferred outflows relating to pension	\$ 914,488	
Deferred outflows relating to OPEB	646,892	
Deferred inflows of resources:		
Deferred inflows relating to pension	(2,001,687)	
Deferred inflows relating to OPEB	(773,502)	
	(1,213,809)	(1,213,809)

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 38,446,054

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

**CITY OF REHOBOTH BEACH**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED MARCH 31, 2022**  
**(With Summarized Comparative Data for the Year Ended March 31, 2021)**

	General Fund	Nonmajor Governmental Funds	Totals	
			2022	2021
<b>REVENUES</b>				
Taxes	\$ 10,469,400	\$ -	\$ 10,469,400	\$ 9,126,472
Licenses and permits	1,993,175	-	1,993,175	1,333,471
Franchise fees	181,333	-	181,333	179,203
Intergovernmental revenues	324,016	180,151	504,167	2,320,769
Charges for services	6,846,174	-	6,846,174	5,032,617
Fines and forfeitures	1,241,229	-	1,241,229	975,282
Investment earnings	3,908	-	3,908	5,398
Rents and concessions	487,162	-	487,162	327,909
Contributions and donations	15,633	-	15,633	12,500
Miscellaneous revenues	166,379	-	166,379	55,958
<b>TOTAL REVENUES</b>	<b>21,728,409</b>	<b>180,151</b>	<b>21,908,560</b>	<b>19,369,579</b>
<b>EXPENDITURES</b>				
General government	3,968,147	-	3,968,147	3,815,291
Public safety	4,400,534	24,322	4,424,856	4,442,310
Public works	3,916,704	116,071	4,032,775	3,606,924
Recreation and culture	978,995	-	978,995	659,388
Debt service:				
Principal and interest	739,800	-	739,800	1,415,501
Debt issuance costs	28,901	-	28,901	-
Capital outlays	2,587,355	-	2,587,355	4,054,483
<b>TOTAL EXPENDITURES</b>	<b>16,620,436</b>	<b>140,393</b>	<b>16,760,829</b>	<b>17,993,897</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>5,107,973</b>	<b>39,758</b>	<b>5,147,731</b>	<b>1,375,682</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from debt refunding	15,250,160	-	15,250,160	-
Debt refunding payment	(15,221,259)	-	(15,221,259)	-
Sale of assets	1,252,002	-	1,252,002	995
Proceeds from long-term debt	-	-	-	429,101
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>1,280,903</b>	<b>-</b>	<b>1,280,903</b>	<b>430,096</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>6,388,876</b>	<b>39,758</b>	<b>6,428,634</b>	<b>1,805,778</b>
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<b>10,625,654</b>	<b>205,451</b>	<b>10,831,105</b>	<b>9,025,327</b>
<b>FUND BALANCES, END OF YEAR</b>	<b>\$ 17,014,530</b>	<b>\$ 245,209</b>	<b>\$ 17,259,739</b>	<b>\$ 10,831,105</b>

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

**CITY OF REHOBOTH BEACH  
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCES - GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED MARCH 31, 2022**

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 6,428,634

Amounts reported for governmental activities in the statement of activities are different because:

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 as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the period. (1,517,309)

Debt proceeds are reported as financing sources in the governmental funds and, thus, contribute to the change in fund balance. Payments of debt are reported as expenditures in the governmental funds. In the statement of net position, however, issuance of debt increases liabilities and payment of debt decreases liabilities and, thus, does not affect the statement of activities. 403,865

In the statement of activities, compensated absences (vacation and sick leave) and other postemployment benefits are measured by the amounts earned during the year. In the governmental funds, however, expenditures for compensated absences and other postemployment benefits are measured by the amount of financial resources used (essentially, the amounts actually paid). (123,507)

Pension expense in the statement of activities differs from the amount reported in the governmental funds because pension expense is recognized on the statement of activities based on the City's actuarial determined contribution, whereas pension expenditures are recognized in the governmental funds when a requirement to remit contributions to the plan exists. 644,784

OPEB expense in the statement of activities differs from the amount reported in the governmental funds because OPEB expense is recognized on the statement of activities based on the City's actuarial determined contribution, whereas OPEB expenditures are recognized in the governmental funds when a requirement to remit contributions to the plan exists. (188,390)

CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES \$ 5,648,077

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

**CITY OF REHOBOTH BEACH**  
**STATEMENT OF NET POSITION - PROPRIETARY FUNDS**  
**MARCH 31, 2022**  
**(With Summarized Comparative Data for March 31, 2021)**

	Water Fund	Sewer Fund	Totals	
			2022	2021
<b>ASSETS</b>				
Current Assets:				
Cash and cash equivalents	\$ 5,916,980	\$ 8,364,284	\$ 14,281,264	\$ 14,230,470
Accounts receivable	391,414	353,502	744,916	861,699
Due from other funds	4,166,504	1,363,250	5,529,754	2,506,310
Prepaid expenses	6,276	49,584	55,860	58,722
Inventory	374,042	90,206	464,248	417,566
Noncurrent Assets:				
Capital assets, net of depreciation	8,347,606	48,987,106	57,334,712	58,614,958
<b>TOTAL ASSETS</b>	<u>19,202,822</u>	<u>59,207,932</u>	<u>78,410,754</u>	<u>76,689,725</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows related to net OPEB liability	55,966	95,368	151,334	177,060
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>55,966</u>	<u>95,368</u>	<u>151,334</u>	<u>177,060</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 19,258,788</u>	<u>\$ 59,303,300</u>	<u>\$ 78,562,088</u>	<u>\$ 76,866,785</u>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts payable	\$ 49,478	\$ 21,033	\$ 70,511	\$ 66,105
Accrued salaries and benefits	2,420	15,347	17,767	88,470
Accrued interest	21,922	89,103	111,025	99,362
Contingency reserve	-	14,456	14,456	40,349
Due to other funds	-	1,362,171	1,362,171	213,368
Notes and bonds payable	320,994	1,513,851	1,834,845	1,771,838
Noncurrent Liabilities:				
Notes and bonds payable	1,597,178	41,316,842	42,914,020	44,587,731
Net OPEB liability	356,912	608,192	965,104	920,285
Compensated absences	45,800	131,649	177,449	160,946
<b>TOTAL LIABILITIES</b>	<u>2,394,704</u>	<u>45,072,644</u>	<u>47,467,348</u>	<u>47,948,454</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows related to net OPEB liability	66,920	114,034	180,954	207,425
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>66,920</u>	<u>114,034</u>	<u>180,954</u>	<u>207,425</u>
<b>NET POSITION</b>				
Net investment in capital assets	6,429,434	6,156,413	12,585,847	12,255,389
Unrestricted	10,367,730	7,960,209	18,327,939	16,455,517
<b>TOTAL NET POSITION</b>	<u>16,797,164</u>	<u>14,116,622</u>	<u>30,913,786</u>	<u>28,710,906</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	<u>\$ 19,258,788</u>	<u>\$ 59,303,300</u>	<u>\$ 78,562,088</u>	<u>\$ 76,866,785</u>

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

**CITY OF REHOBOTH BEACH**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED MARCH 31, 2022**  
**(With Summarized Comparative Data for the Year Ended March 31, 2021)**

	Water Fund	Sewer Fund	Totals	
			2022	2021
<b>OPERATING REVENUES</b>				
Charges for services	\$ 4,896,110	\$ 4,616,296	\$ 9,512,406	\$ 8,575,912
Other operating revenues	-	5,443	5,443	94,755
<b>Total Operating Revenues</b>	<u>4,896,110</u>	<u>4,621,739</u>	<u>9,517,849</u>	<u>8,670,667</u>
<b>OPERATING EXPENSES</b>				
Salaries and benefits	595,102	1,031,393	1,626,495	1,757,057
Materials and supplies	158,476	351,380	509,856	406,416
Administration expenses	10,526	10,871	21,397	7,587
Contractual services	157,708	301,010	458,718	436,217
Land and equipment rental	154	73,930	74,084	66,148
Repairs and maintenance	907,480	367,096	1,274,576	892,294
Utilities	81,508	170,825	252,333	316,014
Insurance	67,586	73,231	140,817	177,099
Depreciation	563,604	2,405,801	2,969,405	2,726,991
<b>Total Operating Expenses</b>	<u>2,542,144</u>	<u>4,785,537</u>	<u>7,327,681</u>	<u>6,785,823</u>
<b>OPERATING INCOME (LOSS)</b>	<u>2,353,966</u>	<u>(163,798)</u>	<u>2,190,168</u>	<u>1,884,844</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Water capitalization fees	26,000	-	26,000	33,000
Sewer impact fees	-	23,206	23,206	19,026
Investment income	1,183	1,969	3,152	5,263
Interest expense	(67,120)	(888,869)	(955,989)	(949,633)
Intergovernmental grants	16,250	5,274	21,524	57,037
<b>Total Nonoperating Revenues (Expenses)</b>	<u>(23,687)</u>	<u>(858,420)</u>	<u>(882,107)</u>	<u>(835,307)</u>
<b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS</b>	<u>2,330,279</u>	<u>(1,022,218)</u>	<u>1,308,061</u>	<u>1,049,537</u>
Capital contributions	-	894,819	894,819	772,286
<b>CHANGE IN NET POSITION</b>	<u>2,330,279</u>	<u>(127,399)</u>	<u>2,202,880</u>	<u>1,821,823</u>
<b>NET POSITION, BEGINNING OF YEAR</b>	<u>14,466,885</u>	<u>14,244,021</u>	<u>28,710,906</u>	<u>26,889,083</u>
<b>NET POSITION, END OF YEAR</b>	<u>\$16,797,164</u>	<u>\$14,116,622</u>	<u>\$30,913,786</u>	<u>\$28,710,906</u>

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

**CITY OF REHOBOTH BEACH**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED MARCH 31, 2022**  
**(With Summarized Comparative Data for the Year Ended March 31, 2021)**

	Water Fund	Sewer Fund	Totals	
			2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash received from customers	\$ 4,971,990	\$ 4,662,642	\$ 9,634,632	\$ 8,423,714
Cash paid for goods and services	(1,385,742)	(1,396,365)	(2,782,107)	(2,255,251)
Cash paid to employees	(636,846)	(999,775)	(1,636,621)	(1,640,949)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>2,949,402</u>	<u>2,266,502</u>	<u>5,215,904</u>	<u>4,527,514</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Advance from other funds	(1,660,194)	(214,448)	(1,874,642)	3,854,125
<b>NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES</b>	<u>(1,660,194)</u>	<u>(214,448)</u>	<u>(1,874,642)</u>	<u>3,854,125</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Capital assets purchased	(958,517)	(730,642)	(1,689,159)	(2,865,872)
Proceeds received from capitalization and impact fees	26,000	23,206	49,206	52,026
Capital grants	16,250	5,274	21,524	57,037
Capital contributions	-	894,819	894,819	772,286
Proceeds from notes and bonds payable	-	2,067,468	2,067,468	2,237,660
Principal paid on notes and bonds payable	(276,502)	(3,401,670)	(3,678,172)	(1,765,473)
Interest paid on notes and bonds payable	(70,437)	(888,869)	(959,306)	(952,860)
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(1,263,206)</u>	<u>(2,030,414)</u>	<u>(3,293,620)</u>	<u>(2,465,196)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Interest income	1,183	1,969	3,152	5,264
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<u>1,183</u>	<u>1,969</u>	<u>3,152</u>	<u>5,264</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	27,185	23,609	50,794	5,921,707
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>5,889,795</u>	<u>8,340,675</u>	<u>14,230,470</u>	<u>8,308,763</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 5,916,980</u>	<u>\$ 8,364,284</u>	<u>\$ 14,281,264</u>	<u>\$ 14,230,470</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>				
Operating income (loss)	\$ 2,353,966	\$ (163,798)	\$ 2,190,168	\$ 1,884,844
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	563,604	2,405,801	2,969,405	2,726,991
(Increase) Decrease in assets:				
Accounts receivable	75,880	40,903	116,783	(246,953)
Inventory	(38,440)	(8,242)	(46,682)	(17,730)
Prepaid expenses	3,499	(637)	2,862	36,992
Deferred outflows of resources related to net OPEB liability	9,514	16,212	25,726	5,582
Increase (Decrease) in liabilities:				
Accounts payable	32,637	(28,230)	4,407	(5,232)
Contingency reserve	-	(25,893)	(25,893)	6
Accrued salaries and benefits	(43,947)	(26,756)	(70,703)	59,270
Accrued expenses	-	14,980	14,980	32,488
Net OPEB liability	16,575	28,244	44,819	(48,146)
Compensated absences	(14,097)	30,600	16,503	(4,083)
Deferred inflows of resources related to net OPEB liability	(9,789)	(16,682)	(26,471)	103,485
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>\$ 2,949,402</u>	<u>\$ 2,266,502</u>	<u>\$ 5,215,904</u>	<u>\$ 4,527,514</u>

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

CITY OF REHOBOTH BEACH  
NOTES TO FINANCIAL STATEMENTS

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Rehoboth Beach, Delaware ("the City") is located in Sussex County and operates under a Mayor-Commissioners form of government. The City provides the following services: public safety, highways and streets (includes parking), sanitation, recreation and culture (includes lifeguards), public improvements, planning and zoning, water and sewer, and general administrative services.

The City's basic financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") as applicable to governmental units. The Governmental Accounting Standards Board ("GASB") is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the City are discussed below.

Reporting Entity

The City's basic financial statements include the accounts of all City operations. The decision of whether to include a potential component unit in the reporting entity was made by applying the criteria set forth in generally accepted accounting principles. The basic criteria include the degree of oversight responsibility maintained by the City. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. Based on these criteria, there are no component units to be included in the basic financial statements.

Entity-wide and Fund Financial Statements

The City's basic financial statements include both entity-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the entity-wide and fund financial statements categorize primary activities as either governmental or business-type. The City's general administrative services, public safety, public works, and recreation and culture are classified as governmental activities. The City's water and sewer services are classified as business-type activities.

In the entity-wide statement of net position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by activity; and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net position is reported in three parts: net investment in capital assets, restricted net position, and unrestricted net position. The City generally uses restricted net position first for expenses incurred for which both restricted and unrestricted net position are available.

CITY OF REHOBOTH BEACH  
NOTES TO FINANCIAL STATEMENTS

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The entity-wide statement of activities reports both the gross and net cost of each of the City's functions and business-type activities that are otherwise being supported by general government revenues (general property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions.

The program revenues must be directly associated with the function or business-type activity. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operation or capital requirements of a particular function or activity. Taxes and other items not properly included among program revenues are reported as general revenues. The City does not allocate indirect expenses.

Operating grants include operating specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. The net costs (by function or business-type activity) normally are covered by general revenue (general property taxes, intergovernmental revenues, interest income, etc.). The entity-wide statements include reclassification or elimination of internal activity between or within funds.

In the fund financial statements, financial transactions and accounts of the City are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate entity, with a self-balancing set of accounts recording cash and/or other financing resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with specific regulations, restrictions, or limitations. The focus of fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. The nonmajor governmental funds are presented in a single column on the governmental fund financial statements. The fund statements are presented on a current financial resource and modified accrual basis of accounting. This is the manner in which these funds normally are budgeted. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the entity-wide statements' governmental column, a reconciliation is presented which briefly explains the adjustment necessary to reconcile the fund financial statements to the governmental column of the entity-wide financial statements.

The following is a brief description of the specific funds used by the City.

***Governmental Funds***

Governmental Funds – Governmental funds are those through which most governmental functions typically are financed.

CITY OF REHOBOTH BEACH  
NOTES TO FINANCIAL STATEMENTS

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The City reports the following major governmental fund:

**General Fund** – The general fund is the primary operating fund of the City. It is used to account for all financial resources except those properly accounted for in another fund. The principal sources of revenue are property taxes, intergovernmental grants, and state-shared revenues.

***Proprietary Funds***

Proprietary funds are used to account for activities that are similar to those often found in the private sector. All assets and deferred outflows, liabilities and deferred inflows, net position, revenues, expenses, and payments relating to the government's business activities are accounted for through proprietary funds. The measurement focus is on determination of operating income, financial position, changes in net position, and cash flows. Operating revenues include charges for services. Operating expenses include costs of services as well as materials, contracts, personnel, and depreciation. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses. Proprietary fund net position is segregated into net investment in capital assets, restricted, and unrestricted.

The City reports the following major proprietary funds:

**Water and Sewer Funds** – These funds are used to account for the operation of a water supply and sewage collection system.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The governmental fund financial statements are maintained and reported on the modified accrual basis of accounting using the current financial resources measurement focus. Under this method of accounting, revenues are recognized in the period in which they become measurable and available. The term "available" is limited to collection within 60 days of the fiscal year end. Property taxes and charges for services are the primary source of revenue susceptible to accrual. Permits, fees, fines, and miscellaneous revenues are recorded when received, as they generally are not measurable until actually received. Any revenues received in advance are recorded as unearned. Federal and state reimbursement-type grants are recorded as revenue when related eligible expenditures are incurred.

Expenditures are recorded when the related fund liabilities are incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated for payments to be made early in the new fiscal year.

The entity-wide statement of net position, statement of activities, and proprietary fund statements are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these activities are included on the statement of net position. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in total net position.

CITY OF REHOBOTH BEACH  
NOTES TO FINANCIAL STATEMENTS

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The statement of net position, statement of activities, and proprietary fund statements are presented on the accrual basis of accounting. Under this method of accounting, revenues are recognized when earned and expenses are recorded when liabilities are incurred without regard to receipt or disbursement of cash.

Comparative Data

Comparative totals for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the City's financial position and operations. However, prior year totals by fund and activity type have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read. Summarized comparative information should be read in conjunction with the City's financial statements for the year ended March 31, 2021, from which the comparative data was derived.

Cash and Cash Equivalents

For purposes of statement presentation, all highly liquid investments with an original maturity of three months or less when acquired are considered to be cash equivalents.

Property Taxes Receivable

Property taxes attach as an enforceable lien on property when levied. All liens continue until property taxes are paid in full. Taxes are levied on July 1 and are payable on or before August 31. Taxes paid after the payable date are assessed interest at 1½ percent per month after the due date. The City bills and collects its own property taxes. Delinquent taxes are considered fully collectible and, therefore, no allowance for uncollectible taxes is provided. The property tax rate for 2022 was \$.06 per \$100 of assessed value.

Compensated Absences

The liability for compensated absences reported in the entity-wide statement consists of unpaid, accumulated vacation, sick, and compensatory leave balances. All vacation, sick, and compensatory pay is accrued when incurred in the entity-wide financial statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources.

Inventories

Inventories in governmental activities consist of expendable supplies for consumption and souvenirs held for resale stated at cost on a first-in, first-out basis. Business-type activity inventories are recorded at the lower of cost or market on a first-in, first-out basis.

CITY OF REHOBOTH BEACH  
NOTES TO FINANCIAL STATEMENTS

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Prepaid Expenses/Expenditures

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses/expenditures.

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the entity-wide financial statements. Capital assets are defined as assets with an initial, individual cost of more than \$5,000 and an estimated useful life of more than one year. Such assets are recorded at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at fair market value at time of receipt. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

The *GASB Codification of Accounting and Financial Reporting Standards* ("GASB Codification") permits Phase III local governments to elect to not report infrastructure retroactively and to report general infrastructure prospectively only. Management has assessed the impact of infrastructure capitalization on the financial statements and has determined that the cost outweighs the benefit of reporting the City's infrastructure retroactively.

The service lives by type of asset are as follows:

Infrastructure and land improvements	15 - 50 years
Buildings and improvements	15 - 50 years
Machinery and equipment	5 - 20 years
Vehicles	5 - 10 years

Allowance for Doubtful Accounts

The City's water and sewer utilities experience very small losses from uncollectible accounts. Water and sewer fees constitute a lien against real property and usually can be collected in full when title transfers. Only balances that remain after tax sales are written off each year. Accordingly, an allowance for doubtful accounts has not been established by the City for its proprietary funds.

Deferred Inflows and Deferred Outflows of Resources

In addition to assets and liabilities, the statement of net position will sometimes report separate sections for deferred inflows and deferred outflows of resources. These separate financial statement elements represent acquisition or use of net position that applies to a future period(s)

CITY OF REHOBOTH BEACH  
NOTES TO FINANCIAL STATEMENTS

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

and so will not be recognized as an inflow or outflow of resources (revenue or expense/ expenditure) until that time. The City currently has two items that qualify for reporting in this category. Pension and OPEB contributions made subsequent to the measurement date and, therefore, not reflected in the net pension asset/liability and net OPEB liability under full accrual basis reporting, are reported as a deferred outflow of resources on the entity-wide and proprietary fund statements of net position. Certain changes to the net pension asset/liability and net OPEB liability are required to be amortized over a period of years; the unamortized portions of these changes are reflected as deferred outflows and inflows of resources on the entity-wide and proprietary fund statements of net position.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE B STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- Formal budgetary integration is employed as a management control device during the year for the general fund. This budget is adopted on a basis consistent with GAAP.
- The Commissioners adopt legal annual budgets for the general fund and proprietary funds. The Commissioners also adopt legal project-length budgets for the nonmajor governmental funds. Since project lengths may differ from the City's fiscal year, a comparison of budgetary information for the nonmajor governmental funds would not be meaningful and has not been presented in the financial statements.
- The City Manager is authorized to transfer budget amounts between departments within any fund; however, any revisions that alter the total appropriations of any fund must be approved by the Commissioners. Therefore, the level of budgetary responsibility is by total appropriations; however, for report purposes, this level has been expanded to a functional basis.
- Unused appropriations for all of the above annually budgeted funds lapse at year end.

CITY OF REHOBOTH BEACH  
NOTES TO FINANCIAL STATEMENTS

NOTE C CASH AND CASH EQUIVALENTS

The City, as a depositor and an investor, generally requires full and continuous collateralization based upon fair value in the form of:

- Obligations of or guaranteed by the United States of America;
- Obligations of the Federal National Mortgage Association, the Federal Home Mortgage Corporation, Public Housing Authority, or an agency or instrumentality of the United States of America; or
- General or revenue obligations of the State of Delaware or its municipalities, subdivisions, public housing authorities, or any agency or instrumentality of the State of Delaware.

As an investor, the City may invest in any of the above-cited instruments and/or certificates of deposit or repurchase agreements fully collateralized by one or more of the above-cited instruments.

The City maintains a cash and investment pool that is available for use by all funds. This pool is displayed on the balance sheet and the statement of net position as cash and cash equivalents. Deposits and investments of governmental and proprietary funds are reported at fair value.

Cash and cash equivalents in the water fund (\$5,916,980) and the sewer fund (\$8,364,284) represent funds dedicated to future capacity-related expenses.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. At March 31, 2022, the carrying amount of the City's deposits was \$35,444,486, and the bank balance was \$35,987,520. Of the bank balance, \$250,000 was covered by federal depository insurance, and \$35,737,520 was collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.

NOTE D INTERNAL RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of March 31, 2022 is as follows:

Due from		Due to	
General Fund	\$4,233,847	Water Fund	\$4,166,504
Wastewater Fund	1,362,171	Wastewater Fund	1,363,250
Nonmajor Governmental Funds	880	Nonmajor Governmental Funds	67,144
	<u>\$5,596,898</u>		<u>\$5,596,898</u>

CITY OF REHOBOTH BEACH  
NOTES TO FINANCIAL STATEMENTS

NOTE D INTERNAL RECEIVABLES, PAYABLES, AND TRANSFERS (cont'd)

Interfund balances between funds result mainly from the time lag between when reimbursable expenditures occur and payments between the funds have been made. The balances generally are paid shortly after year end.

NOTE E PROPERTY, PLANT, AND EQUIPMENT, NET - GOVERNMENTAL ACTIVITIES

Capital asset activity for the year ended March 31, 2022 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital assets not being depreciated:				
Land	\$ 2,814,959	\$ -	\$ -	\$ 2,814,959
Construction-in-progress	2,533,430	-	2,533,430	-
<b>Total Capital Assets Not Being Depreciated</b>	<b>5,348,389</b>	<b>-</b>	<b>2,533,430</b>	<b>2,814,959</b>
Capital assets being depreciated:				
Infrastructure and land improvements	53,007,517	3,495,706	-	56,503,223
Buildings and improvements	28,466,516	500,383	-	28,966,899
Machinery and equipment	8,102,055	967,750	-	9,069,805
Vehicles	1,955,038	176,747	-	2,131,785
<b>Total Capital Assets Being Depreciated</b>	<b>91,531,126</b>	<b>5,140,586</b>	<b>-</b>	<b>96,671,712</b>
Less accumulated depreciation for:				
Infrastructure and land improvements	40,521,259	2,275,493	-	42,796,752
Buildings and improvements	6,448,335	1,027,904	-	7,476,239
Machinery and equipment	6,054,592	722,935	-	6,777,527
Vehicles	1,722,765	98,133	-	1,820,898
<b>Total accumulated depreciation</b>	<b>54,746,951</b>	<b>4,124,465</b>	<b>-</b>	<b>58,871,416</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>36,784,175</b>	<b>1,016,121</b>	<b>-</b>	<b>37,800,296</b>
<b>Governmental Activities Assets, Net</b>	<b>\$42,132,564</b>	<b>\$1,016,121</b>	<b>\$2,533,430</b>	<b>\$40,615,255</b>

CITY OF REHOBOTH BEACH  
NOTES TO FINANCIAL STATEMENTS

NOTE E PROPERTY, PLANT, AND EQUIPMENT, NET - GOVERNMENTAL ACTIVITIES (cont'd)

Depreciation expense was charged to the functions as follows:

Governmental Activities:	
General government	\$ 209,017
Public safety	145,517
Public works	3,630,221
Recreation and culture	<u>139,710</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 4,124,465</u>

NOTE F PROPERTY, PLANT, AND EQUIPMENT, NET - BUSINESS-TYPE ACTIVITIES

Capital asset activity for the year ended March 31, 2022 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>BUSINESS-TYPE ACTIVITIES</b>				
Capital assets not being depreciated:				
Land	\$ 192,936	\$ -	\$ -	\$ 192,936
Construction-in-progress	<u>5,809</u>	<u>146,425</u>	<u>5,809</u>	<u>146,425</u>
Total Capital Assets Not Being Depreciated	<u>198,745</u>	<u>146,425</u>	<u>5,809</u>	<u>339,361</u>
Capital assets being depreciated:				
Buildings, infrastructure, improvements	93,656,120	726,574	-	94,382,694
Machinery and equipment	2,899,528	264,705	-	3,164,233
Vehicles	<u>792,434</u>	<u>557,264</u>	<u>-</u>	<u>1,349,698</u>
Total Capital Assets Being Depreciated	<u>97,348,082</u>	<u>1,548,543</u>	<u>-</u>	<u>98,896,625</u>
Less accumulated depreciation for:				
Buildings, infrastructure, and improvements	35,983,839	2,720,941	-	38,704,780
Machinery and equipment	2,167,205	165,146	-	2,332,351
Vehicles	<u>780,825</u>	<u>83,318</u>	<u>-</u>	<u>864,143</u>
Total accumulated depreciation	<u>38,931,869</u>	<u>2,969,405</u>	<u>-</u>	<u>41,901,274</u>
Total Capital Assets Being Depreciated, Net	<u>58,416,213</u>	<u>(1,420,862)</u>	<u>-</u>	<u>56,995,351</u>
Business-type Activities Assets, Net	<u>\$58,614,958</u>	<u>\$(1,274,437)</u>	<u>\$ 5,809</u>	<u>\$57,334,712</u>

CITY OF REHOBOTH BEACH  
NOTES TO FINANCIAL STATEMENTS

NOTE F PROPERTY, PLANT, AND EQUIPMENT, NET - BUSINESS-TYPE ACTIVITIES (cont'd)

Depreciation expense was charged to the functions as follows:

Business-type Activities:

Water	\$ 563,604
Sewer	<u>2,405,801</u>
Total Depreciation Expense - Business-type Activities	<u>\$ 2,969,405</u>

NOTE G LONG-TERM DEBT

Debt outstanding as of March 31, 2022 is composed of the following:

Governmental Activities

In January 2022, the City refinanced the balances on the USDA loans with JP Morgan Chase. The bond matures on January 15, 2037 at an interest rate of 1.6%. The USDA loan was obtained for the construction of the new City Hall that was completed in 2017. The USDA loan was at a rate of 2.375% and had a maturity date of December 22, 2041. The refunding resulted in a cash flow savings of \$1,855,842 and a present value savings of \$1,118,162.

\$ 15,250,160

Total Governmental Activities

\$ 15,250,160

Business-type Activities

In January 2022, the City refinanced the balances on the General Obligation Note of 2007 with JP Morgan Chase. While JP Morgan Chase combined this loan payoff with the payoff of the USDA loan, creating a single GON debt obligation, the portion representing the Lynch Well obligation is being amortized with same maturity, October 15, 2027, as of the 2007 State of Delaware loan that was paid off. The interest is at a rate of 1.6%. The refunding resulted in a cash flow savings of \$1,855,842 and a present value savings of \$1,118,162.

\$ 1,918,172

General Obligation Bond of 2012, issued by the State of Delaware, to finance capital costs associated with an approved sanitary sewer line replacement. The loan matures on November 1, 2023 and bears interest at 3.0%, which includes a 1.5% administrative fee paid to the Delaware Water Pollution Control Revolving Fund; payable on May 1 and November 1.

110,669

CITY OF REHOBOTH BEACH  
NOTES TO FINANCIAL STATEMENTS

NOTE G LONG-TERM DEBT (cont'd)

General Obligation Bond of 2017 A, issued by the Delaware Department of Natural Resources and Environmental Control, to finance capital improvements in connection with the Ocean Outfall Disposal Project. The bond matures on March 1, 2043 and bears interest at 1% with an additional 1% administrative fee; payable on March 1 and September 1. 37,616,939

General Obligation Bond of 2017 B, issued by the Delaware Department of Natural Resources and Environmental Control, to finance capital improvements in connection with the Ocean Outfall Disposal Project. The bond matures on March 1, 2043 and bears interest at 1% with an additional 1% administrative fee; payable on March 1 and September 1. 5,103,085

Total Business-type Activities \$ 44,748,865

Annual requirements to retire long-term debt of all funds at March 31, 2022 are as follows:

March 31,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2023	\$ 906,998	\$ 238,579	\$ 1,834,845	\$ 776,944
2024	921,597	223,979	1,871,024	740,765
2025	936,431	209,145	1,850,072	704,291
2026	951,504	194,072	1,885,965	668,398
2027	966,820	178,756	1,922,558	2,212,061
2028 - 2032	5,072,603	655,279	8,651,050	2,633,499
2033 - 2037	5,494,207	233,674	9,268,542	1,753,548
2038 - 2042	-	-	10,238,236	783,854
2043	-	-	7,226,573	80,928
Total	<u>\$ 15,250,160</u>	<u>\$ 1,933,484</u>	<u>\$ 44,748,865</u>	<u>\$ 10,354,288</u>

NOTE H CHANGES IN LONG-TERM LIABILITIES

The following is a summary of long-term liability activity and balances for the City for the year ended March 31, 2022:

	Balance April 1, 2021	Increase	Decreases	Balance March 31, 2022	Due Within One Year
Governmental Activities:					
Notes and bonds payable	\$ 15,654,025	\$15,250,160	\$15,654,025	\$ 15,250,160	\$ 906,998
Net pension liability	208,009	-	208,009	-	-
Net OPEB liability	3,933,833	191,578	-	4,125,411	-
Compensated absences	662,672	123,507	-	786,179	-
Total	<u>\$ 20,458,539</u>	<u>\$15,565,245</u>	<u>\$15,862,034</u>	<u>\$ 20,161,750</u>	<u>\$ 906,998</u>

CITY OF REHOBOTH BEACH  
NOTES TO FINANCIAL STATEMENTS

NOTE H CHANGES IN LONG-TERM LIABILITIES (cont'd)

	Balance <u>April 1, 2021</u>	Increase	Decreases	Balance <u>March 31, 2022</u>	Due Within <u>One Year</u>
Business-type Activities:					
Notes and bonds payable	\$ 46,359,569	\$ 2,067,468	\$ 3,678,172	\$ 44,748,865	\$ 1,834,845
Net OPEB liability	920,285	44,819	-	965,104	-
Compensated absences	160,946	16,503	-	177,449	-
Total	<u>\$ 47,440,800</u>	<u>\$ 2,128,790</u>	<u>\$ 3,678,172</u>	<u>\$ 45,891,418</u>	<u>\$ 1,834,845</u>

Governmental activities long-term liabilities are anticipated to be liquidated by the general fund. Business-type activities long-term liabilities are anticipated to be liquidated by the water and sewer funds.

NOTE I RETIREMENT PLANS

Thrift Plan

The City offers its employees, excluding uniformed police officers, a Thrift Plan adopted and created to meet all requirements for profit-sharing calculation under the Internal Revenue Code. The plan is administered by Empower Retirement. Participation in the plan is voluntary and is available to all full-time employees completing six months of service. The plan permits employees to defer two percent to eight percent of their pretax compensation. Employees also have the option to contribute an additional two to twelve percent; however, the deferral is made from after-tax earnings.

Employee contributions are matched at a rate of 75 percent by the City, not to exceed six percent. All employee contributions are 100 percent vested at the time of contribution; and employer contributions vest at the rate of 20 percent per year starting after two years of service and become fully vested after six years of service. For the years ended March 31, 2022, 2021, and 2020, the City's employer contributions totaled \$150,583, \$158,583, and \$123,265, respectively.

Delaware County and Municipal Police/Firefighter Pension Plan

Plan Description

The County and Municipal Police and Firefighters' Pension Plan ("the Plan") is a cost sharing multiple-employer defined-benefit pension plan established in the Delaware Code. The Plan is administered by the Delaware Public Employees' Retirement System ("DPERS").

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").

CITY OF REHOBOTH BEACH  
NOTES TO FINANCIAL STATEMENTS

NOTE I RETIREMENT PLANS (cont'd)

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 only for the payment of benefits to the members of the Plan in accordance with the terms of the Plan.

Separately issued financial statements for DPERS are available from the pension office at the McArdle Building, Suite No. 1, 860 Silver Lake Boulevard, Dover, Delaware 19904-2402 and the Office of Pensions-State of Delaware website.

The following are brief descriptions of the Plan in effect as of June 30, 2021. For a more complete description, please refer to the DPERS Annual Comprehensive Financial Report.

**Plan Description and Eligibility:** The Plan covers police officers and firefighters employed by a county or municipality of the State that have joined the Plan. The City's proportionate share of the Plan's net pension asset is 1.4236 percent at June 30, 2021, an increase of 0.0701 percent from June 30, 2020.

**Service Benefits:** Final average monthly compensation of 2.5 percent multiplied by years of credited service up to 20 years, plus 3.5 percent 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.

**Vesting:** Five years of credited service.

**Retirement:** Age 62 with five years of service; age plus credited service (but not less than 10 years) equals 75; or 20 years of credited service.

**Disability Benefits:**

- **Duty – Total Disability** – 75 percent of final average compensation plus 10 percent for each dependent not to exceed 25 percent for all dependents.
- **Duty – Partial Disability** – Calculated the same as Service Benefits, subject to minimum of 50 percent of final average compensation.

**Non-Duty:** Same as Service Benefits, total disability subject to a minimum of 50 percent of final average monthly compensation plus five percent of each dependent not to exceed 20 percent for all dependents. Partial disability to a minimum of 30 percent of final average monthly compensation.

CITY OF REHOBOTH BEACH  
NOTES TO FINANCIAL STATEMENTS

NOTE I     RETIREMENT PLANS (cont'd)

**Survivor Benefits:** If employee is receiving a pension, then eligible survivor receives 50 percent of pension; if employee is active, eligible survivor receives 75 percent 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 percent of the member's compensation.

Employer Contributions

The City's contractually required annual contribution is based on an actuarially determined amount that, when combined with the employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. For the year ended March 31, 2022, the rate of the employer contributions was 24.14 percent of covered payroll. The City's contribution to the Plan for the year ended March 31, 2022 was \$386,825.

Actuarial Assumptions

The collective total pension liability for the June 30, 2021 measurement date was determined by an actuarial valuation as of June 30, 2020, with update procedures used to roll forward the total pension liability to June 30, 2021. These actuarial valuations used the following actuarial assumptions:

- Investment rate of return – 7.0%
- Projected salary increases – 2.5% + merit
- Cost of living adjustments – N/A

The total pension liabilities are 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 are based on the RP-2014 tables with gender adjustments for healthy annuitants and disabled retirees and an adjusted version on MP-2015 mortality improvement scale on a fully generational basis.

Projected benefit payments do not include the effects of projected ad hoc cost-of-living adjustments (ad hoc COLAs) as they are not substantively automatic. The primary considerations relevant to making this determination include the historical pattern of granting the changes and the consistency in the amounts of the changes.

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

CITY OF REHOBOTH BEACH  
NOTES TO FINANCIAL STATEMENTS

NOTE I RETIREMENT PLANS (cont'd)

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 asset class included in the Plan's current and expected asset allocation are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity	32.3%	5.7%
International equity	18.1%	5.7%
Fixed income	20.6%	2.0%
Alternative investments	24.2%	7.8%
Cash equivalents	4.8%	-
	100.00%	

Discount Rate

The discount rate used to measure the total pension liability was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that contributions from the plan members will be made at the current contribution rates and that contributions from employers will be made at rates determined by the Board, as actuarially determined. Based on those assumptions, the pension plans' 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 investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the net pension liability (asset), calculated using the discount rate of 7.0 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (6.0 percent) or one percentage point higher (8.0 percent) than the current rate.

	1% Decrease 6.0%	Current Discount Rate 7.0%	1% Increase 8.0%
City's proportionate share of the net pension liability (asset)	\$ (904,367)	\$ (1,958,924)	\$ (2,819,402)

CITY OF REHOBOTH BEACH  
NOTES TO FINANCIAL STATEMENTS

NOTE I RETIREMENT PLANS (cont'd)

Pension Liability and Expense, and Deferred Outflows and Inflows of Resources

For the year ended March 31, 2022, the City recognized pension expense of \$15,853. At March 31, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings	\$ -	\$1,664,521
Changes in proportions	10,198	7,242
Changes in assumptions	67,315	142,662
Difference between employer contributions and proportionate share of total contributions	264,796	110,943
Differences between expected and actual experience	185,354	76,319
Contributions subsequent to the date of measurement	386,825	-
	\$ 914,488	\$2,001,687

An amount of \$386,825 is reported as deferred outflows of resources resulting from the City's contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended March 31, 2023. Other amounts will be reported as deferred outflows of resources and deferred inflows of resources related to pensions, and will be recognized in pension expense as follows:

Year Ended March 31,	
2023	\$ 337,813
2024	337,813
2025	337,813
2026	337,813
2027	337,813
2028 - 2032	(3,163,089)
	\$ (1,474,024)

CITY OF REHOBOTH BEACH  
NOTES TO FINANCIAL STATEMENTS

NOTE J OPERATING LEASES

The City is currently involved in the following operating lease arrangements:

The City leases certain property designated as Lot 22, Rehoboth Avenue, Rehoboth Beach, Delaware. The lease expired on December 31, 2021, and has been renewed for an additional five-year period ending December 31, 2025. The lease calls for rental income to be adjusted each January and is paid in three installments due July 1, August 1, and September 1 of each year.

Future minimum receipts under the agreement are as follows:

<u>For the Year Ended</u> <u>March 31,</u>	<u>Amount</u>
2023	\$ 73,200
2024	74,400
2025	75,600
2026	<u>76,800</u>
Total	<u>\$ 300,000</u>

Rental income under this lease for the year ended March 31, 2022 was \$72,000.

NOTE K CONTINGENCIES AND COMMITMENTS

Government Grants and Awards

The City participates in both state and federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The City is potentially liable for any expenditures which may be disallowed pursuant to the terms of these grant programs. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

Litigation

Certain litigation claims are pending against the City. In the opinion of City management and legal counsel, the potential losses, if any, on such claims are not yet determinable.

Construction Commitments

At March 31, 2022, the City reported \$146,425 in construction-in-progress costs for projects without ongoing construction commitments.

CITY OF REHOBOTH BEACH  
NOTES TO FINANCIAL STATEMENTS

NOTE L RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance for all major programs except for worker's compensation, for which the City participates in the Delaware Founders Insurance Trust pool.

For insured programs, there were no significant changes in insurance coverages during the year. Settlement amounts have not exceeded insurance coverage for the current year or the prior three years.

NOTE M OTHER POSTEMPLOYMENT BENEFITS

In addition to the pension benefits described in the preceding notes, the City has established benefits for eligible employees to have healthcare benefits provided after retirement.

Description of Plan

The City's postemployment healthcare plan is a single employer defined benefit healthcare plan. The plan provides medical insurance benefits to eligible retirees and their spouses and families. The Board of Commissioners assigns the authority to establish and amend benefit provisions. The plan does not issue any financial report and is not included in the report of any public employee retirement system or any other entity.

The City provides postretirement benefits to all employees who retire on or after attaining age 60 and who have been employed by the City for a minimum of 25 continuous years prior to the date of retirement. Coverage is based on a formula that is based on years of completed service. The City also provides health insurance benefits for up to two years for those employees who are on disability.

Duration of Medical Benefits

All benefits are provided until the retiree attains Medicare age. Upon reaching Medicare age, Medicare becomes the primary health insurance provider with coverage continued as excess to Medicare.

Funding Policy

The contribution requirements of the plan's members are established and may be amended by the City Commissioners. The required contribution is based on projected pay-as-you-go financing requirements, with any additional amount to prefund as determined annually by the City Commissioners. Member contributions are not required under the plan.

CITY OF REHOBOTH BEACH  
NOTES TO FINANCIAL STATEMENTS

NOTE M OTHER POSTEMPLOYMENT BENEFITS (cont'd)

Actuarial Assumptions and Other Inputs

The total OPEB liability as of April 1, 2021 was determined by rolling forward the plan's total OPEB liability as of April 1, 2020 to April 1, 2021. The actuarial cost method uses entry age normal.

Participants

As of April 1, 2021, the plan had ninety-five participants, consisting of eighty-six active participants, zero vested former participants, and nine retired participants.

Discount Rate

The discount rate used to measure the total OPEB liability was three percent based on the 20-Year High Municipal Rate Index at April 1, 2021.

Salary

An assumption for salary increases is used only for spreading contributions over future pay under the entry age normal cost method. For this purpose, annual salary increases are assumed to be 2.50 percent.

Withdrawal

The table below shows rates of withdrawal at selected ages.

<u>Age</u>	<u>Rate</u>
25	9.70%
40	7.80%
55	1.50%

Mortality

Mortality rates are based on the RPH-2014 Healthy Annuitant (male and female weighted by headcount) as published by the Society of Actuaries.

Retirement

Retirement is assumed at 25 percent for age 60-61, 50 percent for ages 62-64, 95 percent for age 65, 50 percent for ages 66-79, and 100 percent for age 80.

Percent of Eligible Retirees Electing Coverage in Plan

One hundred percent of employees are assumed to elect medical coverage until age sixty-five.

CITY OF REHOBOTH BEACH  
NOTES TO FINANCIAL STATEMENTS

NOTE M OTHER POSTEMPLOYMENT BENEFITS (cont'd)

Per Capita Claims Cost

Making use of weighted averages for various plan designs, the per capita claims cost for medical and prescription drug is based on the expected portion of the group's overall cost attributed to individuals in the specified age and gender brackets. The resulting costs are as follows:

<u>Age</u>	<u>Males</u>	<u>Females</u>
0 - 49	\$ 9,396	\$ 9,396
50	\$ 11,275	\$ 14,000
55	\$ 14,752	\$ 16,255
60	\$ 18,980	\$ 18,980
64	\$ 23,208	\$ 22,268
65+	\$ 5,513	\$ 5,513

Retiree Contributions

Retiree contributions are assumed to increase at the same rate as the healthcare cost trend rate.

Healthcare Cost Trend Rate

The healthcare cost trend rate is 5.50 percent in 2018 and 5.4 percent in 2019. Rates gradually decrease from 5.3 percent in 2020 to 4.7 percent in 2058 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.

Sensitivity Analysis

The following presents the net OPEB liability, calculated using the valuation discount rate of 3.50 percent, as well as what the net OPEB liability 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.

	<u>1% Decrease 2.50%</u>	<u>Current Discount Rate 3.50%</u>	<u>1% Increase 4.50%</u>
Total OPEB liability	\$ 5,992,126	\$ 5,090,515	\$ 4,377,822
Fiduciary net position	-	-	-
Net OPEB liability	<u>\$ 5,992,126</u>	<u>\$ 5,090,515</u>	<u>\$ 4,377,822</u>

CITY OF REHOBOTH BEACH  
NOTES TO FINANCIAL STATEMENTS

NOTE M OTHER POSTEMPLOYMENT BENEFITS (cont'd)

The following presents the net OPEB liability, calculated using the valuation healthcare cost trend rate of 5.5 percent decreasing to 4.7 percent, as well as what the net OPEB liability would be if it were calculated using a trend rate that is one percentage point lower each year or one percentage point higher each year than the current rate.

	<u>1% Decrease</u>	<u>Current Healthcare Trend Rate</u>	<u>1% Increase</u>
Total OPEB liability	\$ 4,119,162	\$ 5,090,515	\$ 6,345,960
Fiduciary net position	<u>-</u>	<u>-</u>	<u>-</u>
Net OPEB liability	<u>\$ 4,119,162</u>	<u>\$ 5,090,515</u>	<u>\$ 6,345,960</u>

Changes in Total OPEB Liability

Total OPEB liability as of April 1, 2020	\$ 4,854,118
Service cost	224,367
Interest on OPEB obligation	171,038
Benefit payments	<u>(159,008)</u>
Total OPEB liability as of April 1, 2021	<u>\$ 5,090,515</u>

The amount of OPEB expense recognized by the City was \$386,972 for the year ended March 31, 2022.

At March 31, 2022, the City reported deferred outflows and inflows of resources relating to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 954,456
Changes of assumptions	607,738	-
Contributions subsequent to measurement date	<u>190,488</u>	<u>-</u>
Total	<u>\$ 798,226</u>	<u>\$ 954,456</u>

CITY OF REHOBOTH BEACH  
NOTES TO FINANCIAL STATEMENTS

NOTE M OTHER POSTEMPLOYMENT BENEFITS (cont'd)

Excluding contributions subsequent to the measurement date which will be recognized in the year ended March 31, 2023, deferred inflows and outflows of resources will be recognized in OPEB expense as follows:

<u>Year Ending March 31,</u>	
2023	\$ (3,933)
2024	(3,933)
2025	(3,933)
2026	(3,933)
2027	(3,933)
Thereafter	<u>(327,053)</u>
	<u>\$ (346,718)</u>

NOTE N FUND BALANCES

Fund balances of the governmental funds are classified, if applicable, as follows:

*Nonspendable* – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

*Restricted* – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

*Committed* – amounts that can be used only for specific purposes determined by formal action of the Board of Commissioners. The Board is the highest level of decision-making authority for City. Commitments may be established, modified, or rescinded only through resolutions approved by the Board of Commissioners.

*Assigned* – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The City Manager may assign amounts for specific purposes.

*Unassigned* – all other spendable amounts.

As of March 31, 2022, fund balances are composed of the following:

CITY OF REHOBOTH BEACH  
NOTES TO FINANCIAL STATEMENTS

NOTE N FUND BALANCES (cont'd)

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Nonspendable:			
Prepaid expenditures	\$ 163,719	\$ -	\$ 163,719
Inventory	17,581	-	17,581
Restricted:			
Police expenditures	-	94,633	94,633
Public works expenditures	-	150,576	150,576
Unassigned	<u>16,833,230</u>	<u>-</u>	<u>16,833,230</u>
Total Fund Balances	<u>\$ 17,014,530</u>	<u>\$ 245,209</u>	<u>\$ 17,259,739</u>

NOTE O EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The following general fund functions incurred expenditures in excess of appropriations in the following amounts for the year ended March 31, 2022:

General government - mayor and commissioners	\$ 260,902
General government - communications	\$ 18,093
General government - buildings and grounds	\$ 8,365
Public safety - volunteer fire	\$ 6,555
Recreation and culture - comfort stations	\$ 388,073
Recreation and culture - parks	\$ 47,656
Recreation and culture - main street	\$ 2,211
Recreation and culture - bandstand	\$ 4,238
Debt service - bond issuance costs	\$ 28,901
Capital outlays	\$ 173,683

The excess of expenditures over appropriations was financed with positive budget variances in other functions and revenues in excess of budgeted amounts.

NOTE P SUPPORT DONATED TO OTHER ENTITIES

The City provided the following financial support to local non-profit organizations, including the Rehoboth Beach Volunteer Fire Company, the Rehoboth Beach Public Library, Rehoboth Beach Main Street, and the Rehoboth Beach Historical Society during the year ended March 31, 2022.

CITY OF REHOBOTH BEACH  
NOTES TO FINANCIAL STATEMENTS

NOTE P SUPPORT DONATED TO OTHER ENTITIES (cont'd)

<u>Organization</u>	<u>Donation</u>	<u>Expenses Paid on Behalf of Organization</u>	<u>Total</u>
Rehoboth Beach Volunteer Fire Company	\$ 100,000	\$ 6,555	\$ 106,555
Rehoboth Beach Main Street	60,000	2,211	62,211
Rehoboth Beach Historical Society	25,004	-	25,004
Rehoboth Beach Public Library	30,000	-	30,000
Total	<u>\$ 215,004</u>	<u>\$ 8,766</u>	<u>\$ 223,770</u>

NOTE Q UNCERTAINTIES

The impact of COVID-19 has become less severe, and the City's at-risk revenue sources appear to have been restored to normal levels. If COVID-19 variations were to develop and affect the health of residents and visitors, the City's seasonal revenue sources, including parking and hotel activity, would most likely decline.

NOTE R SUBSEQUENT EVENTS

The City has evaluated all subsequent events through October 26, 2022, the date the financial statements were available to be issued.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF REHOBOTH BEACH  
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
FOR THE YEAR ENDED MARCH 31, 2022**

	Original and Final Appropriated Budget	Actual (GAAP Basis)	Variance Positive (Negative)
<b>REVENUES</b>			
Taxes:			
Property tax	\$ 2,042,800	\$ 2,024,186	\$ (18,614)
Rental tax	2,000,000	3,060,479	1,060,479
Transfer tax	1,600,000	3,805,779	2,205,779
Construction tax	65,000	70,098	5,098
Hotel accommodations tax	1,000,000	1,508,361	508,361
Penalties and interest	4,000	497	(3,503)
Total Taxes	<u>6,711,800</u>	<u>10,469,400</u>	<u>3,757,600</u>
Licenses and permits:			
Mercantile licenses	600,000	613,501	13,501
Building permits	750,000	1,308,099	558,099
Other	71,600	71,575	(25)
Total Licenses and Permits	<u>1,421,600</u>	<u>1,993,175</u>	<u>571,575</u>
Franchise fees	<u>170,000</u>	<u>181,333</u>	<u>11,333</u>
Intergovernmental revenues:			
General government	164,000	81,567	(82,433)
Public works	500	-	(500)
Public safety	189,345	242,449	53,104
Total Intergovernmental Revenues	<u>353,845</u>	<u>324,016</u>	<u>(29,829)</u>
Charges for services:			
Parking meters	4,864,200	4,923,269	59,069
Parking permits	901,000	1,116,209	215,209
Waste collection	825,400	806,696	(18,704)
Total Charges for Services	<u>6,590,600</u>	<u>6,846,174</u>	<u>255,574</u>
Fines and forfeitures:			
Parking	840,000	944,032	104,032
Court	60,000	91,331	31,331
Police	120,000	205,866	85,866
Total Fines and Forfeitures	<u>1,020,000</u>	<u>1,241,229</u>	<u>221,229</u>
Investment earnings	<u>55,500</u>	<u>3,908</u>	<u>(51,592)</u>
Rents and concessions	<u>474,750</u>	<u>487,162</u>	<u>12,412</u>
Contributions and donations	<u>19,280</u>	<u>15,633</u>	<u>(3,647)</u>
Miscellaneous revenues	<u>78,000</u>	<u>166,379</u>	<u>88,379</u>
<b>TOTAL REVENUES</b>	<u>16,895,375</u>	<u>21,728,409</u>	<u>4,833,034</u>
<b>EXPENDITURES</b>			
General government:			
Mayor and Commissioners	264,014	524,916	(260,902)
Assessors	2,784	1,765	1,019
Administrative	2,350,731	1,995,718	355,013
Alderman Court	70,831	68,522	2,309
Buildings and licensing	446,426	403,344	43,082
Information technology	572,838	509,143	63,695
Communications	351,697	369,790	(18,093)
Buildings and grounds	86,584	94,949	(8,365)
Total General Government	<u>4,145,905</u>	<u>3,968,147</u>	<u>177,758</u>

Continued on next page.

**CITY OF REHOBOTH BEACH  
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
FOR THE YEAR ENDED MARCH 31, 2022**

	Original and Final Appropriated Budget	Actual (GAAP Basis)	Variance Positive (Negative)
EXPENDITURES (cont'd)			
Public safety:			
Police	3,151,253	2,984,049	167,204
Dispatch	763,921	735,183	28,738
Volunteer fire	100,000	106,555	(6,555)
Beach patrol	649,451	574,747	74,704
Total Public Safety	<u>4,664,625</u>	<u>4,400,534</u>	<u>264,091</u>
Public works:			
Streets and refuse	2,755,036	2,566,737	188,299
Parking	1,406,146	1,349,967	56,179
Total Public Works	<u>4,161,182</u>	<u>3,916,704</u>	<u>244,478</u>
Recreation and culture:			
Comfort stations	215,700	208,088	7,612
Parks	427,997	475,653	(47,656)
Library	30,000	30,000	-
Museum	27,000	25,004	1,996
Main Street	60,000	62,211	(2,211)
Recreation and tennis	20,974	19,870	1,104
Bandstand	153,931	158,169	(4,238)
Total Recreation and Culture	<u>935,602</u>	<u>978,995</u>	<u>(43,393)</u>
Debt service:			
Interest and principal	1,864,929	739,800	1,125,129
Bond issuance costs	-	28,901	(28,901)
Capital outlays	2,413,672	2,587,355	(173,683)
TOTAL EXPENDITURES	<u>18,185,915</u>	<u>16,620,436</u>	<u>1,565,479</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,290,540)</u>	<u>5,107,973</u>	<u>6,398,513</u>
OTHER FINANCING SOURCES (USES)			
Sale of property and supplies	1,045,000	1,252,002	207,002
Proceeds from debt refunding	-	15,250,160	15,250,160
Debt refunding payment	-	(15,221,259)	(15,221,259)
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,045,000</u>	<u>1,280,903</u>	<u>235,903</u>
NET CHANGE IN FUND BALANCE	<u>\$ (245,540)</u>	6,388,876	<u>\$ 6,634,416</u>
FUND BALANCE, BEGINNING OF YEAR		<u>10,625,654</u>	
FUND BALANCE, END OF YEAR		<u>\$ 17,014,530</u>	

**CITY OF REHOBOTH BEACH**  
**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION ASSET (LIABILITY)**  
**Delaware Public Employees' Retirement System (DPERS)**  
**County and Municipal Police and Firefighters' Pension Plan**

	MEASUREMENT DATE						
	<u>JUNE 30, 2021</u>	<u>JUNE 30, 2020</u>	<u>JUNE 30, 2019</u>	<u>JUNE 30, 2018</u>	<u>JUNE 30, 2017</u>	<u>JUNE 30, 2016</u>	<u>JUNE 30, 2015</u>
City's proportion of the net pension asset (liability)	1.4236%	1.3535%	1.3752%	1.4058%	1.3791%	1.4716%	1.4716%
City's proportion of the net pension asset (liability) - dollar value	\$ 1,958,924	\$ (208,009)	\$ (395,001)	\$ (323,763)	\$ (139,030)	\$ (248,287)	\$ 77,560
City's covered employee payroll	1,486,194	1,312,202	1,062,087	1,032,042	1,130,652	1,237,682	1,298,035
City's proportionate share of the net pension asset (liability) as a percentage of its covered employee payroll	131.81%	-15.85%	-37.19%	-31.37%	-12.30%	-20.06%	5.98%
Plan fiduciary net position as a percentage of the total pension asset (liability)	128.19%	96.67%	93.25%	94.10%	97.00%	94.70%	101.97%

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

**CITY OF REHOBOTH BEACH  
SCHEDULE OF CITY PENSION CONTRIBUTIONS  
Delaware Public Employees' Retirement System (DPERS)  
County and Municipal Police and Firefighters' Pension Plan**

	<u>MARCH 31, 2022</u>	<u>MARCH 31, 2021</u>	<u>MARCH 31, 2020</u>	<u>MARCH 31, 2019</u>	<u>MARCH 31, 2018</u>	<u>MARCH 31, 2017</u>	<u>MARCH 31, 2016</u>
Contractually required contribution	\$ 386,825	\$ 387,559	\$ 347,246	\$ 125,220	\$ 121,112	\$ 142,832	\$ 169,967
Contributions in relation to the contractually required contribution	<u>386,825</u>	<u>387,559</u>	<u>347,246</u>	<u>125,220</u>	<u>121,112</u>	<u>142,832</u>	<u>169,967</u>
Contribution deficiency (excess)	<u>\$ -</u>						
City's covered employee payroll	\$ 1,602,320	\$ 1,486,194	\$ 1,312,202	\$ 1,062,087	\$ 1,013,490	\$ 1,244,181	\$ 1,234,328
Contributions as a percentage of covered employee payroll	24.14%	26.08%	26.46%	11.79%	11.95%	11.48%	13.77%

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

**CITY OF REHOBOTH BEACH  
SCHEDULE OF THE CITY'S NET OPEB LIABILITY AND RELATED RATIOS**

	MEASUREMENT DATE			
	APRIL 1, 2021	APRIL 1, 2020	APRIL 1, 2019	APRIL 1, 2018
TOTAL OPEB LIABILITY				
Service cost	\$ 224,367	\$ 171,567	\$ 177,815	\$ 106,656
Interest on total OPEB liability	171,038	153,700	147,737	176,884
Difference between expected and actual experience	-	(685,462)	-	(698,032)
Effect of change in assumptions	-	247,282	-	1,047,003
Benefit payments	<u>(159,008)</u>	<u>(141,039)</u>	<u>(106,282)</u>	<u>(118,313)</u>
NET CHANGE IN TOTAL OPEB LIABILITY	236,397	(253,952)	219,270	514,198
TOTAL OPEB LIABILITY, BEGINNING OF YEAR	<u>4,854,118</u>	<u>5,108,070</u>	<u>4,888,800</u>	<u>4,374,602</u>
TOTAL OPEB LIABILITY, END OF YEAR	<u>\$ 5,090,515</u>	<u>\$ 4,854,118</u>	<u>\$ 5,108,070</u>	<u>\$ 4,888,800</u>
CITY'S NET OPEB LIABILITY	<u>\$ 5,090,515</u>	<u>\$ 4,854,118</u>	<u>\$ 5,108,070</u>	<u>\$ 4,888,800</u>
Plan fiduciary net position as a percentage of total OPEB liability	0.00%	0.00%	0.00%	0.00%
Covered employee payroll	\$ 5,299,068	\$ 5,169,822	\$ 4,598,121	\$ 4,485,972
City's net OPEB liability as a percentage of covered payroll	96.06%	93.89%	111.09%	108.98%

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

**CITY OF REHOBOTH BEACH  
SCHEDULE OF CITY OPEB CONTRIBUTIONS**

<u>Year</u>	<u>Actuarial Determined Contribution</u>	<u>Contributions from Employer</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Employee Payroll</u>	<u>Contribution as a Percentage of Payroll</u>
2019	\$ -	\$ -	\$ -	\$ 4,485,972	0.00%
2020	\$ -	\$ -	\$ -	\$ 4,598,121	0.00%
2021	\$ -	\$ -	\$ -	\$ 5,169,822	0.00%
2021	\$ -	\$ -	\$ -	\$ 5,299,068	0.00%

**Notes to Schedule:**

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

*Valuation Date:* April 1, 2020

*Methods and Assumptions Used:*

Actuarial cost method	Entry age normal
Asset valuation method	Market value
Discount rate	3.50%
Healthcare trend rates	5.4% in 2020 gradually reducing to 4.7% in 2058 and later.

**COMBINING FUND STATEMENTS**

**CITY OF REHOBOTH BEACH  
 COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS  
 MARCH 31, 2022**

	<u>Municipal Street Aid</u>	<u>State of Delaware Police Grants</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 151,456	\$ 27,489	\$ 178,945
Due from other funds	-	67,144	67,144
<b>TOTAL ASSETS</b>	<u>\$ 151,456</u>	<u>\$ 94,633</u>	<u>\$ 246,089</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Due to other funds	<u>\$ 880</u>	<u>\$ -</u>	<u>\$ 880</u>
<b>TOTAL LIABILITIES</b>	<u>880</u>	<u>-</u>	<u>880</u>
<b>FUND BALANCES</b>			
Restricted:			
Police expenditures	-	94,633	94,633
Public works expenditures	<u>150,576</u>	<u>-</u>	<u>150,576</u>
<b>TOTAL FUND BALANCES</b>	<u>150,576</u>	<u>94,633</u>	<u>245,209</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 151,456</u>	<u>\$ 94,633</u>	<u>\$ 246,089</u>

**CITY OF REHOBOTH BEACH  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED MARCH 31, 2022**

	<u>Municipal Street Aid</u>	<u>State of Delaware Police Grants</u>	<u>Total</u>
REVENUES			
Intergovernmental	\$ 127,866	\$ 52,285	\$ 180,151
TOTAL REVENUES	<u>127,866</u>	<u>52,285</u>	<u>180,151</u>
EXPENDITURES			
Public safety	-	24,322	24,322
Public works	116,071	-	116,071
TOTAL EXPENDITURES	<u>116,071</u>	<u>24,322</u>	<u>140,393</u>
CHANGE IN FUND BALANCES	11,795	27,963	39,758
FUND BALANCES, BEGINNING OF YEAR	<u>138,781</u>	<u>66,670</u>	<u>205,451</u>
FUND BALANCES, END OF YEAR	<u><u>\$ 150,576</u></u>	<u><u>\$ 94,633</u></u>	<u><u>\$ 245,209</u></u>

**CITY OF REHOBOTH BEACH**  
**COMBINING STATEMENT OF NET POSITION - SEWER FUNDS**  
**MARCH 31, 2022**

	<u>Sewer Fund</u>	<u>Sewer Capital Projects Fund</u>	<u>Interfund Eliminations</u>	<u>Totals</u>
<b>ASSETS</b>				
Current Assets:				
Cash and cash equivalents	\$ 8,364,284	\$ -	\$ -	\$ 8,364,284
Accounts receivable	353,502	-	-	353,502
Due from other funds	683,310	1,363,250	(683,310)	1,363,250
Prepaid expenses	49,584	-	-	49,584
Inventory	90,206	-	-	90,206
Noncurrent Assets:				
Capital assets, net of depreciation	48,987,106	-	-	48,987,106
<b>TOTAL ASSETS</b>	<u>58,527,992</u>	<u>1,363,250</u>	<u>(683,310)</u>	<u>59,207,932</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows relating to net OPEB liability	95,368	-	-	95,368
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>95,368</u>	<u>-</u>	<u>-</u>	<u>95,368</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 58,623,360</u>	<u>\$ 1,363,250</u>	<u>\$ (683,310)</u>	<u>\$ 59,303,300</u>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts payable	\$ 4,348	\$ 16,685	\$ -	\$ 21,033
Accrued salaries and benefits	15,347	-	-	15,347
Accrued interest	89,103	-	-	89,103
Contingency reserve	14,456	-	-	14,456
Due to other funds	1,362,171	683,310	(683,310)	1,362,171
Notes and bonds payable	1,513,851	-	-	1,513,851
Noncurrent Liabilities:				
Notes and bonds payable	41,316,842	-	-	41,316,842
Net OPEB liability	608,192	-	-	608,192
Compensated absences	131,649	-	-	131,649
<b>TOTAL LIABILITIES</b>	<u>45,055,959</u>	<u>699,995</u>	<u>(683,310)</u>	<u>45,072,644</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows relating to net OPEB liability	114,034	-	-	114,034
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>114,034</u>	<u>-</u>	<u>-</u>	<u>114,034</u>
<b>NET POSITION</b>				
Net investment in capital assets	6,156,413	-	-	6,156,413
Unrestricted	7,296,954	663,255	-	7,960,209
<b>TOTAL NET POSITION</b>	<u>13,453,367</u>	<u>663,255</u>	<u>-</u>	<u>14,116,622</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	<u>\$ 58,623,360</u>	<u>\$ 1,363,250</u>	<u>\$ (683,310)</u>	<u>\$ 59,303,300</u>

**CITY OF REHOBOTH BEACH  
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
IN NET POSITION - SEWER FUNDS  
FOR THE YEAR ENDED MARCH 31, 2022**

	<u>Sewer Fund</u>	<u>Sewer Capital Projects Fund</u>	<u>Totals</u>
<b>OPERATING REVENUES</b>			
Charges for services	\$ 4,616,296	\$ -	\$ 4,616,296
Other operating revenues	5,443	-	5,443
Total Operating Revenues	<u>4,621,739</u>	<u>-</u>	<u>4,621,739</u>
<b>OPERATING EXPENSES</b>			
Salaries and benefits	1,031,393	-	1,031,393
Materials and supplies	348,508	2,872	351,380
Administration expenses	10,871	-	10,871
Contractual services	301,010	-	301,010
Land and equipment rental	73,930	-	73,930
Repairs and maintenance	367,096	-	367,096
Utilities	170,825	-	170,825
Insurance	73,231	-	73,231
Depreciation	<u>2,405,801</u>	<u>-</u>	<u>2,405,801</u>
Total Operating Expenses	<u>4,782,665</u>	<u>2,872</u>	<u>4,785,537</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(160,926)</u>	<u>(2,872)</u>	<u>(163,798)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Sewer impact fees	23,206	-	23,206
Investment income	1,969	-	1,969
Interest expense	(888,869)	-	(888,869)
Intergovernmental grants	5,274	-	5,274
Total Nonoperating Revenues (Expenses)	<u>(858,420)</u>	<u>-</u>	<u>(858,420)</u>
<b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS</b>	(1,019,346)	(2,872)	(1,022,218)
Capital contributions	<u>894,819</u>	<u>-</u>	<u>894,819</u>
<b>CHANGE IN NET POSITION</b>	(124,527)	(2,872)	(127,399)
<b>NET POSITION, BEGINNING OF YEAR</b>	<u>13,577,894</u>	<u>666,127</u>	<u>14,244,021</u>
<b>NET POSITION, END OF YEAR</b>	<u>\$ 13,453,367</u>	<u>\$ 663,255</u>	<u>\$ 14,116,622</u>

**CITY OF REHOBOTH BEACH  
COMBINING STATEMENT OF CASH FLOWS - SEWER FUNDS  
FOR THE YEAR ENDED MARCH 31, 2022**

	<u>Sewer Fund</u>	<u>Sewer Capital Projects Fund</u>	<u>Totals</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash received from customers	\$ 4,662,642	\$ -	\$ 4,662,642
Cash paid for goods and services	(1,388,721)	(7,644)	(1,396,365)
Cash paid to employees	(999,775)	-	(999,775)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>2,274,146</u>	<u>(7,644)</u>	<u>2,266,502</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Advance from other funds	2,317,886	(2,532,334)	(214,448)
<b>NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES</b>	<u>2,317,886</u>	<u>(2,532,334)</u>	<u>(214,448)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Capital assets purchased	(730,643)	-	(730,643)
Transfer of capital assets to other funds	(2,539,978)	2,539,978	-
Proceeds received from capitalization and impact fees	23,206	-	23,206
Capital grants	5,274	-	5,274
Capital contributions	894,819	-	894,819
Proceeds from issuance of bonds	149,296	-	149,296
Principal paid on note payable	(1,483,497)	-	(1,483,497)
Interest paid on long-term debt	(888,869)	-	(888,869)
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(4,570,392)</u>	<u>2,539,978</u>	<u>(2,030,414)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Interest income	1,969	-	1,969
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<u>1,969</u>	<u>-</u>	<u>1,969</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	23,609	-	23,609
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>8,340,675</u>	<u>-</u>	<u>8,340,675</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 8,364,284</u>	<u>\$ -</u>	<u>\$ 8,364,284</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>			
Operating loss	\$ (160,926)	\$ (2,872)	\$ (163,798)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	2,405,801	-	2,405,801
(Increase) Decrease in assets:			
Accounts receivable	40,903	-	40,903
Inventory	(8,242)	-	(8,242)
Prepaid expenses	(637)	-	(637)
Deferred outflows of resources related to net OPEB liability	16,212	-	16,212
Increase (Decrease) in liabilities:			
Accounts payable	(23,458)	(4,772)	(28,230)
Contingency reserve	(25,893)	-	(25,893)
Accrued salaries and benefits	(26,756)	-	(26,756)
Accrued expenses	14,980	-	14,980
Net OPEB liability	28,244	-	28,244
Compensated absences	30,600	-	30,600
Deferred inflows of resources related to net OPEB liability	(16,682)	-	(16,682)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>\$ 2,274,146</u>	<u>\$ (7,644)</u>	<u>\$ 2,266,502</u>



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

October 26, 2022

To the Honorable Mayor and Commissioners  
City of Rehoboth Beach  
Rehoboth Beach, Delaware

We have audited, in accordance with the 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, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Rehoboth Beach ("the City"), Rehoboth Beach, Delaware, as of and for the year ended March 31, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 26, 2022.

Internal Control Over Financial Reporting

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

To the Honorable Mayor and Commissioners  
City of Rehoboth Beach

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

#### 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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
BARBACANE, THORNTON & COMPANY LLP