



---

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

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**MARCH 31, 2023**

---

CITY OF REHOBOTH BEACH

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	5
BASIC FINANCIAL STATEMENTS	
Entity-wide Financial Statements:	
- Statement of Net Position	19
- Statement of Activities	20
Fund Financial Statements:	
- Balance Sheet - Governmental Funds	21
- Reconciliation of Balance Sheet - Governmental Funds to Statement of Net Position	22
- Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	23
- Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to Statement of Activities	24
- Statement of Net Position - Proprietary Funds	25
- Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds	26
- Statement of Cash Flows - Proprietary Funds	27
NOTES TO FINANCIAL STATEMENTS	28
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule - General Fund	53
Schedule of the City's Proportionate Share of the Net Pension Asset (Liability)	55
Schedule of City Pension Contributions	56
Schedule of the City's Net OPEB Liability and Related Ratios	57
Schedule of City OPEB Contributions	58

CITY OF REHOBOTH BEACH

TABLE OF CONTENTS

	<u>PAGE</u>
SUPPLEMENTARY INFORMATION	
COMBINING FUND STATEMENTS	
- Combining Balance Sheet - Nonmajor Governmental Funds	59
- Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	60
- Combining Statement of Net Position - Sewer Funds	61
- Combining Statement of Revenues, Expenses, and Changes in Net Position - Sewer Funds	62
- Combining Statement of Cash Flows - Sewer Funds	63
OTHER REPORT	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	64



## INDEPENDENT AUDITOR'S REPORT

November 13, 2023

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, 2023, 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, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the 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 twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### 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.

#### Emphasis of a Matter

As discussed in Notes A and Q to the financial statements, the City has adopted the requirements of GASB Statement No. 87, "Leases." The purpose of this statement is to increase the usefulness of governmental financial statements by requiring recognition of certain lease assets and liabilities for all leases, including those that previously were classified as operating lease. As a result, the City has restated its governmental activities net position as of April 1, 2021. Our opinion is not modified with respect to this matter.

#### Report on Summarized Comparative Information

We have previously audited the City's 2022 financial statements, and we expressed unmodified opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information in our report dated October 26, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

#### 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 18, 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 53 - 58 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

To the Honorable Mayor and Commissioners  
City of Rehoboth Beach

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 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 November 13, 2023 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*  
BARBACANE, THORNTON & COMPANY LLP

**CITY OF REHOBOTH BEACH  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - UNAUDITED  
MARCH 31, 2023**

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, 2023. 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, 2023 by \$83.7 million (net position). Of this amount, \$38.0 million is reported as unrestricted net position. The City's net position increased by \$14.3 million with governmental net position increasing by \$5.5 million and business-type (enterprise funds) net position increasing by \$8.8 million.

As of March 31, 2023, the City's governmental funds reported combined ending fund balances of \$21.4 million, an increase of \$4.1 million as compared to the prior year. Total governmental funds revenue increased by \$617 thousand compared to the prior year. Total tax revenues decreased by \$1.34 million as a result of lower property transfer tax revenues. While property transfer tax collections of \$2.25 million, were a decline of \$1.55 million from fiscal year 2022, they exceeded budget by \$405.3 thousand. Rental tax revenue, another significant component of tax revenues, increased by \$191.2 thousand/6.35 percent and exceeded budget by \$1.1 million. Hotel tax revenue of \$1.56 million exceeded budget by \$50.7 thousand but was lower than the prior year actual by \$3.35 thousand.

Parking revenues, the largest component of the Charges for Services category, exceeded the prior year by \$1.87 million or 30.9 percent. Most of the increase was in the parking meter category, as it increased by \$1.77 million/36 percent. Parking fines increased by \$95.1 thousand/8.52 percent. The pay-by-phone feature notifies customers of pending expirations, enabling users to remotely purchase additional time, and avoiding fines. This capability may have contributed to the lower growth in fines revenue. As there were no rate increases in parking meter rates, the aggregate revenue increase is attributed to higher activity.

Intergovernmental revenues (grants) increased by \$65.8 thousand, as more grants were obtained.

Compared to the prior year, higher operating costs were incurred in all functional categories. General Government, Public Safety, Public Works and Recreation and Culture increased by \$119.9 thousand, \$438 thousand, \$484.5 thousand, and \$143.2 thousand, respectively. Total expenditures, including interest and principal, were \$1.49 million above the prior year but were \$543.6 thousand below budget.

As of March 31, 2023, the City's enterprise funds reported combined net position of \$39.7 million, an increase of \$8.8 million compared to the prior year. The increase in net position was a result of the \$2.6 million increase in the Water Fund and an increase of \$6.2 million in the Wastewater Fund. The increase in the Wastewater Fund is attributed to the \$6.13 million capital contribution received from Sussex County for its share of construction improvements made at the wastewater treatment plant. Without the capital contribution from Sussex County, the increase in net position in the wastewater fund would have only been \$64.6 thousand.

**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



**CITY OF REHOBOTH BEACH  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - UNAUDITED (CONT'D)  
MARCH 31, 2023**

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 ("OPEB"). 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.
- 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 wastewater 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

**CITY OF REHOBOTH BEACH  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - UNAUDITED (CONT'D)  
MARCH 31, 2023**

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 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, 2023 and 2022.

**TABLE 1  
CONDENSED STATEMENTS OF NET POSITION**

	Governmental Activities		Business-type Activities		Totals	
	2023	2022	2023	2022	2023	2022
ASSETS						
Current and other assets	\$ 23,011,112	\$ 20,330,099	\$ 21,923,687	\$ 19,713,871	\$ 44,934,799	\$ 40,043,970
Capital assets, net	40,806,033	41,348,360	67,691,438	57,334,712	108,497,471	98,683,072
<b>TOTAL ASSETS</b>	<b>63,817,145</b>	<b>61,678,459</b>	<b>89,615,125</b>	<b>77,048,583</b>	<b>153,432,270</b>	<b>138,727,042</b>

**CITY OF REHOBOTH BEACH  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - UNAUDITED (CONT'D)  
MARCH 31, 2023**

**TABLE 1  
CONDENSED STATEMENTS OF NET POSITION**

	Governmental Activities		Business-type Activities		Totals	
	2023	2022	2023	2022	2023	2022
(cont'd)						
DEFERRED OUTFLOWS OF RESOURCES						
Deferred pension and OPEB	1,965,676	1,561,380	153,324	151,334	2,119,000	1,712,714
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	65,782,821	63,239,839	89,768,449	77,199,917	155,551,270	140,439,756
LIABILITIES						
Other liabilities	2,361,896	1,979,309	2,340,555	2,048,604	4,702,451	4,027,913
Long-term liabilities	18,001,222	19,752,119	47,444,829	44,056,573	65,446,051	63,808,692
TOTAL LIABILITIES	20,363,118	21,731,428	49,785,384	46,105,177	70,148,502	67,836,605
DEFERRED INFLOWS OF RESOURCES						
Deferred Pension and OPEB	1,449,019	3,037,077	234,282	180,954	1,683,301	3,218,031
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	21,812,137	24,768,505	50,019,666	46,286,131	71,831,803	71,054,636
NET POSITION						
Net investment in capital assets	26,145,900	25,388,263	19,167,670	12,585,847	45,313,570	37,974,110
Restricted	415,320	2,204,133	-	-	415,320	2,204,133
Unrestricted	17,409,464	10,878,938	20,581,113	18,327,939	37,990,577	29,206,877
TOTAL NET POSITION	\$ 43,970,684	\$ 38,471,334	\$ 39,748,783	\$ 30,913,786	\$ 83,719,467	\$ 69,385,120

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.

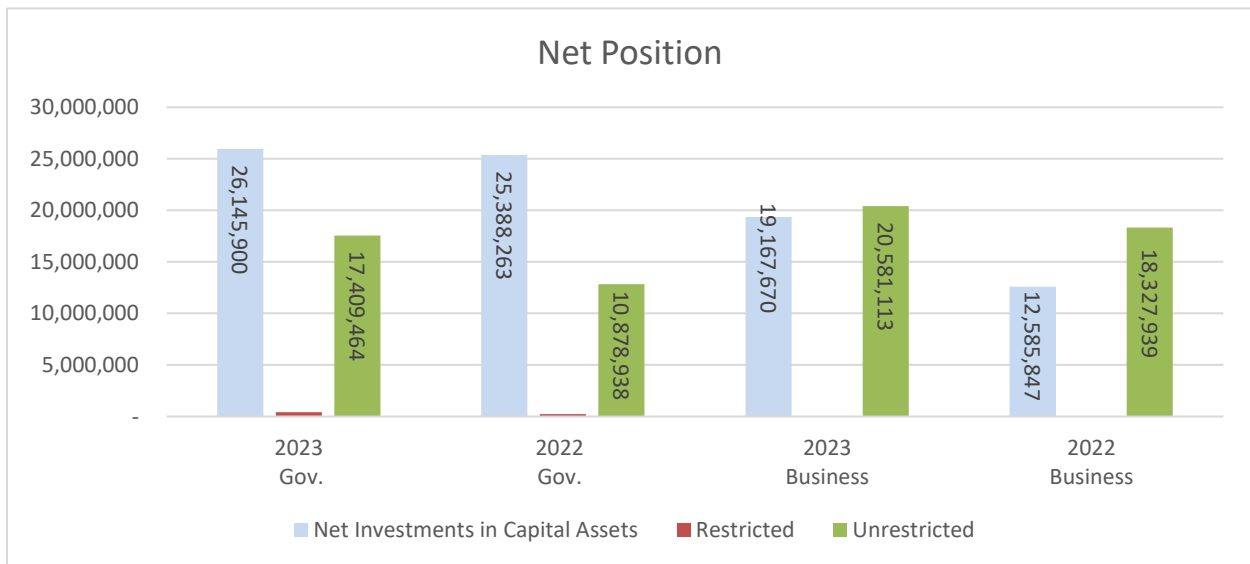
**TABLE 2  
CHANGES IN NET POSITION**

	Governmental Activities		Business-type Activities		Totals	
	2023	2022	2023	2022	2023	2022
REVENUES						
Program revenues:						
Charges for services	\$ 12,236,621	\$ 10,567,740	\$ 10,498,416	\$ 9,567,055	\$ 22,735,037	\$ 20,134,795
Operating grants/contributions	569,956	504,167	510,431	21,524	1,080,387	525,691
Capital grants/contributions	-	-	6,129,109	894,819	6,129,109	894,819

**CITY OF REHOBOTH BEACH  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - UNAUDITED (CONT'D)  
MARCH 31, 2023**

**TABLE 2  
CHANGES IN NET POSITION**

(cont'd)	Governmental Activities		Business-type Activities		Totals	
	2023	2022	2023	2022	2023	2022
General revenues:						
Taxes	9,133,498	10,469,400	-	-	9,133,498	10,469,400
Investment earnings	136,743	3,908	120,678	3,152	257,421	7,060
Franchise fees	162,150	181,333	-	-	162,150	181,333
Miscellaneous	287,691	1,434,014	-	-	287,691	1,434,014
<b>TOTAL REVENUES</b>	<b>22,526,659</b>	<b>23,160,562</b>	<b>17,258,634</b>	<b>10,486,550</b>	<b>39,785,293</b>	<b>33,647,112</b>
EXPENSES						
General government	4,132,094	4,353,965	-	-	4,132,094	4,353,965
Public safety	4,572,042	3,930,718	-	-	4,572,042	3,930,718
Public works	6,886,852	7,773,162	-	-	6,886,852	7,773,162
Recreation and culture	1,228,851	1,118,705	-	-	1,228,851	1,118,705
Interest on long-term debt	207,470	335,935	-	-	207,470	335,935
Water operations	-	-	2,356,115	2,609,264	2,356,115	2,609,264
Sewer operations	-	-	6,067,522	5,674,406	6,067,522	5,674,406
<b>TOTAL EXPENSES</b>	<b>17,027,309</b>	<b>17,512,485</b>	<b>8,423,637</b>	<b>8,283,670</b>	<b>25,450,946</b>	<b>25,796,155</b>
<b>INCREASE IN NET POSITION</b>	<b>5,499,350</b>	<b>5,648,077</b>	<b>8,834,997</b>	<b>2,202,880</b>	<b>14,334,347</b>	<b>7,850,957</b>
<b>NET POSITION, BEGINNING OF YEAR (RESTATED)</b>	<b>38,471,334</b>	<b>32,797,977</b>	<b>30,913,786</b>	<b>28,710,906</b>	<b>69,385,120</b>	<b>61,534,163</b>
<b>NET POSITION, END OF YEAR</b>	<b>\$ 43,970,684</b>	<b>\$ 38,446,054</b>	<b>\$ 39,748,783</b>	<b>\$ 30,913,786</b>	<b>\$ 83,719,467</b>	<b>\$ 69,385,120</b>



**CITY OF REHOBOTH BEACH  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - UNAUDITED (CONT'D)  
MARCH 31, 2023**

**Governmental Activities**

The cost of all governmental activities in 2023 was \$17.0 million. The amount that taxpayers ultimately financed for these activities through City taxes was \$9.1 million, or 53.7 percent, a decrease from 59.8 percent in the prior year. Other costs were paid by those who directly benefited from the programs (\$12.2 million, or 71.8 percent), and government agencies and organizations that subsidized funding with intergovernmental aid (\$570 thousand or 3.3 percent). In the prior year, costs paid by those who directly benefited from programs were \$10.6 million, representing 60 percent of the total expenses. Expenses financed by other governments and agencies were \$504 thousand, or 2.9 percent of total governmental expenses.

Tax revenue decreased by \$1.3 million as a result of the \$1.5 million decrease in property transfer tax from the prior year.

General government programs accounted for 24.2 percent or \$4.1 million of the City's governmental activities, a decrease of \$221.9 thousand from the prior year. Departments showing a decline from the prior year include, the Mayor and Commissioners (\$173 thousand lower), Administration (\$133 thousand lower) and Parks (\$398 thousand lower). The decline in Mayor and Commissioner costs is attributed to the department's \$217 thousand decline in legal fees from the prior year. Administration's lower costs in FY2023 were due to a number of items including Comprehensive Development Plan (CDP) professional services, and maintenance contracts and lower capital outlays. As fewer hours were requested by a vendor performing services on the CDP the professional services costs were reduced by \$32 thousand. In FY2023, the City no longer retained a building maintenance firm after a facilities maintenance manager was hired, reducing maintenance contracts by \$29 thousand. In FY2022 the Administration Department incurred \$99.5 thousand in capital outlays, including \$52 thousand for a solar message board, \$32 for the city hall reception area window, and \$11 thousand for software. In FY2023, there were no capital outlays in the Administration Department.

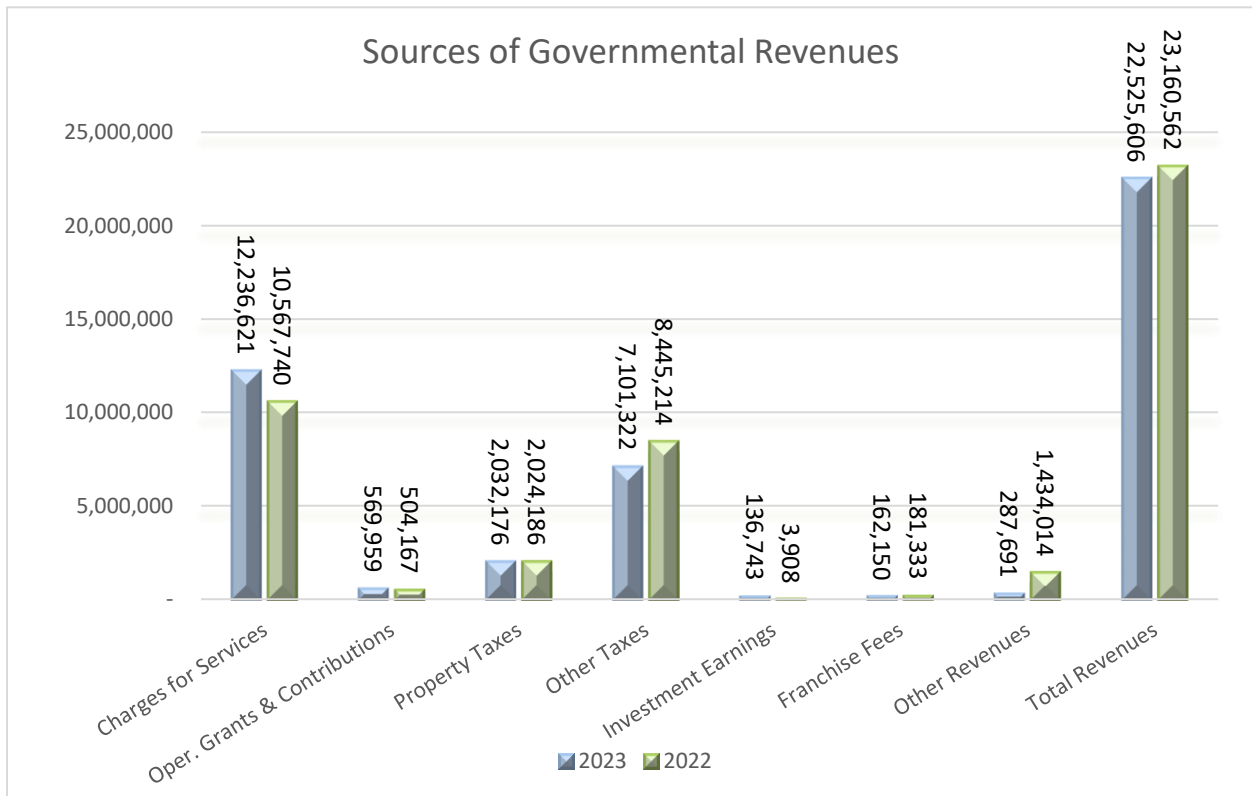
Public works expenses, consisting of the streets, refuse and parking departments, accounted for 40.4 percent of the City's governmental activities, or \$6.9 million, a decrease of \$886 thousand from fiscal year 2022. Depreciation expense charged to the public works function decreased by \$970 thousand from FY2022, accounting for the lower expenses. Operating costs in the Parking Department, excluding depreciation, increase by \$135 thousand. Meter equipment installation expenses were \$97 thousand higher than the prior year due to the implementation costs of adding new equipment. Part-time salaries in the Parking Department were \$27 thousand higher in FY2023 due to the filling of more budgeted positions as well as wage increases. In the Streets Department, full-time salaries and part-time salaries increased by \$185 thousand and \$25 thousand, respectively. The increase was due to both higher wage rates and the filling of more budgeted positions. Medical insurance costs increased by \$25 thousand in the Streets Department, as premiums increased, and more workers were added to the insurance plans.

The public safety expenditures accounted for \$4.6 million of the City's governmental activities in the year ended March 31, 2023, and \$3.9 million in the prior year. The public safety function consists of the City's police department, 911 dispatch center, and the beach patrol. Salaries were primarily

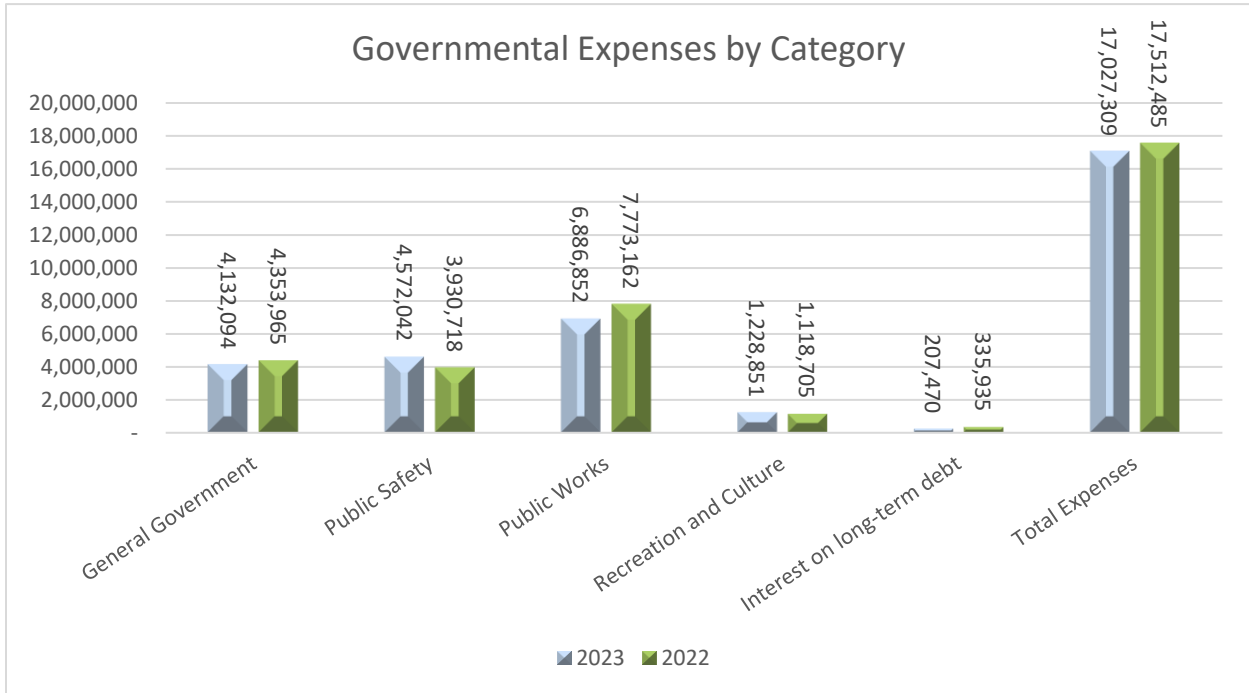
**CITY OF REHOBOTH BEACH  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - UNAUDITED (CONT'D)  
MARCH 31, 2023**

responsible for the increase in public safety costs. Police, 911 Dispatch and the beach patrol incurred increases from FY2022 in the amounts of \$129 thousand, \$87 thousand, and \$124 thousand, respectively. The increases in the 911 Dispatch Department were not only a result of annual cost-of-living allowances but increases necessary to attract workers at rates competitive with other emergency dispatch departments. Beach patrol salaries increased as more tenured staff then expected returned at higher pay levels and more lifeguards stayed in their positions later in the season. Seasonal police officer salaries increased by \$60 thousand from the prior year while overtime and full-time salaries increased by \$3 thousand and \$18 thousand, respectively. The part-time salary increase was a result of more unfilled positions in FY2022 as well as higher salaries needed to fill positions. Some full-time police officer positions were vacant for part of the fiscal year, attributing to the modest increase in aggregate salaries.

The recreation and culture function consists of the parks, comfort stations bandstand and tennis/recreation departments. In total, recreation and culture expenditures were 6.39 percent of total governmental activities or \$1.23 million, an increase of \$110 thousand from fiscal year 2022. Tree pruning and landscaping costs increased by \$50 thousand, as the budget was increased by \$47 thousand. The \$37 thousand increase in bandstand expenses was largely due to repairs to the bandstand and to the \$8 thousand increase in bandstand program expenditures. The expenditures for Tennis and Recreation increased by only \$700.



**CITY OF REHOBOTH BEACH  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - UNAUDITED (CONT'D)  
MARCH 31, 2023**



**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 sharing the costs of operating the water and the wastewater operations.

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

Water fund revenue including grants was flat, increasing by only \$376. While bulk sales of water to Dewey Beach increased by \$175 thousand to \$1.01 million, a 20.8 percent increase, they were \$136 thousand or 11.8 percent below budget. In-town water revenue (\$1.26 million) decreased by \$59.6 thousand/4.5 percent and was below budget by \$16.3 thousand. Out-of-town water revenue (\$2.47 million) declined by \$129.3 thousand/4.98 percent and was \$268 thousand below budget. As the rates were unchanged, the decreases are attributed to lower usage.

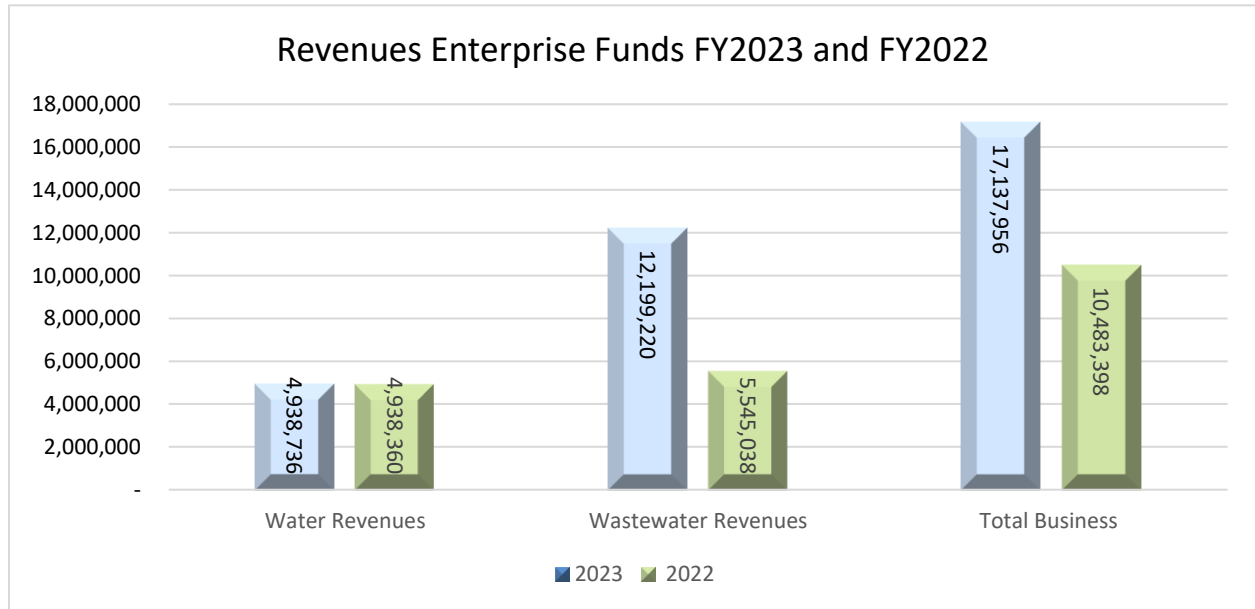
Expenditures in the Water Department decreased by \$123 thousand with the following categories showing declines from FY2022: General Maintenance (\$124,587 decline), Engineering (\$80,072 decline), SCADA Maintenance (\$57,852), and New Meters & Repair (\$52,888 decline.) Because the upgrade charges implemented in FY2022 did not occur again in FY2023, the cost of SCADA was less in

**CITY OF REHOBOTH BEACH  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - UNAUDITED (CONT'D)  
MARCH 31, 2023**

FY2023. Engineering costs were higher in FY2022 due to water main projects, the State Road Project, and others. General maintenance is impacted by not only work to maintain wells, but also costs associated with the installation of new meters. Increased water main and meter activity in FY2022 resulted in FY2022 costs exceeding those in FY2023.

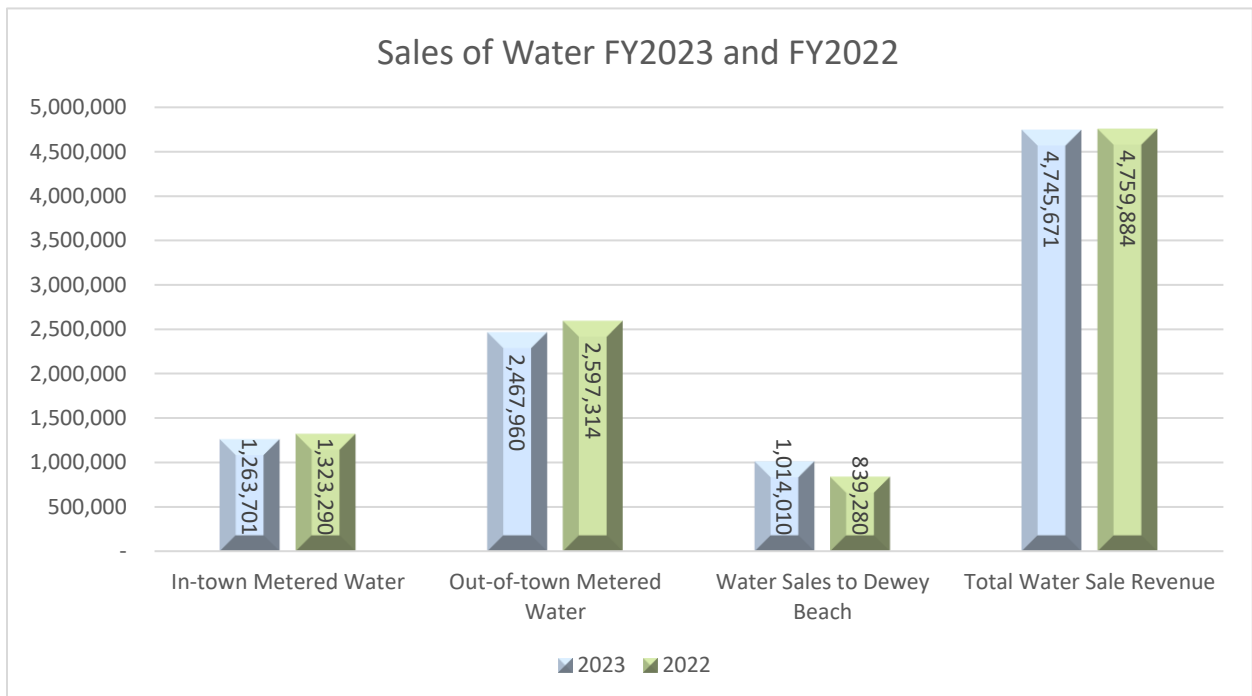
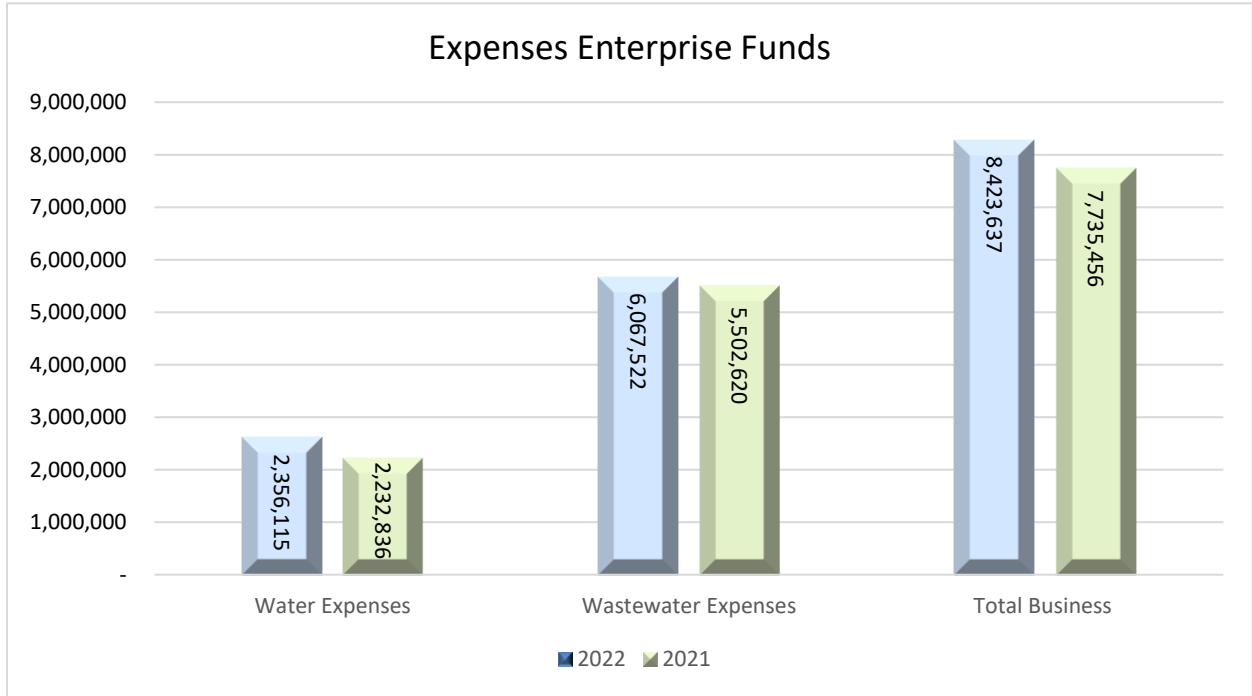
Metered wastewater revenue was \$2.78 million, a decline of \$138.6 thousand from the FY2022 revenue of \$2.92 million. The 4.75 percent revenue decline is a result of the lower wastewater flows. City of Rehoboth Beach sewer users pay for their service on a metered basis with the volume of water usage being applied to the established rate for sewer service. Revenues from Dewey Beach, Henlopen Acres and North Shores are established by agreement, under which charges to the entities are determined by allocating the operating costs (O&M) of the plant and infrastructure, using sewage flows as the percentage allocation factor. Sewer revenue from Dewey Beach, including new flows from West Rehoboth, increased to \$2.07 million from \$1.44 million, a \$628.2 thousand increase. Revenue from Henlopen Acres (\$467 thousand) and North Shores (\$210.6 thousand) increased by \$319.8 thousand and \$102.7 thousand, respectively. The large increases in revenues were a result of charges for capital projects, including the State Road Pump Station, the Phase 3B Plant Project, and the Phase IV design costs.

The total revenues from the Wastewater Fund increased from \$5.5 million to \$12.2 million as a result of a \$500 thousand grant from Sussex County and the \$6.13 million capital contribution from Sussex County. The County and City of Rehoboth agreed to combine upgrade projects, completed in FY2023, in order to receive the most competitive bids possible. Sussex County paid for the entire cost of the Rehoboth Beach plant upgrades and financed the City's portion of the costs over a ten-year period at low interest. The County's portion of the upgrades was recognized as a capital contribution because the City owns the entire amount of the upgraded plant property while the County only has contractual rights to utilize the plant capacity.





**CITY OF REHOBOTH BEACH  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - UNAUDITED (CONT'D)  
MARCH 31, 2023**



**CITY OF REHOBOTH BEACH  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - UNAUDITED (CONT'D)  
MARCH 31, 2023**

**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, 2023, the City's governmental funds reported combined ending fund balances of \$21.4 million, an increase of \$4.1 million as compared to the prior year. The amount of the fund balance restricted or assigned for special purposes is \$270.9 thousand. The \$21.0 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 expenditures decreased by approximately \$50 thousand from the prior year. Debt service costs increased by \$363.6 thousand due to the timing of the payments following the debt refinancing. The debt refinancing of the USDA loan and the State of Delaware/Lynch Well loan reduced debt service costs by over one million dollars over the term of the loan.

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

- Outlays for street paving were \$870 thousand.
- Outlays for the CCTV Project (video inspections of wastewater infrastructure) were \$89 thousand.
- Charges for the new Luke Cosmos pay stations were \$534 thousand.
- Outlays for water meter replacements were \$456 thousand.
- Outlays charged to construction-in-progress were \$1.6 million, including \$315 thousand for the State Road pedestrian crosswalk at Munson and Grove St. and \$1.1 million for wastewater plant improvements.
- Outlays for the Delaware Ave comfort station were \$321 thousand.
- The City's wastewater plant improvements funded by Sussex County amounted to \$10.5 million. The city's portion of the cost (\$5,340,000) is being financed by the County over a ten-year period. The project was completed in FY2023.

**CITY OF REHOBOTH BEACH  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - UNAUDITED (CONT'D)  
MARCH 31, 2023**

**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 53 - 54. A summary of significant variations between budget amounts and actual results are as follows:

- Total governmental revenue exceeded expenditures by \$4.2 million. Taxes exceeded budget by \$1.26 million with property transfer tax representing \$405 thousand of the increase and rental tax constituting \$1.1 million of the increase. Hotel tax was \$1.56 million, falling short of budget by only \$3 thousand. Charges for services were \$1.98 million above budget, primarily due to parking revenues exceeding budget by \$1.86 million.
- Operating expenditures in the General Fund were \$569 thousand below budget while capital expenditures exceeded budget by only \$15.8 thousand.
- Operating Expenditures for the departments within Public Safety were \$136.6 thousand under budget. The Police Department was \$227 thousand below budget. However, the Beach Patrol and 911 Dispatch departments were \$57 thousand and \$27 thousand over budget. Most the aforementioned negative variances are attributed to salary variances. In 911 dispatch, available positions were only able to be filled at higher wage rates. The Beach Patrol wages exceeded budget as more tenured lifeguards than expected returned for the 2022 season at higher rates. Also, more lifeguards were able to work later in the season.
- Streets and Refuse Department operating expenditures were under budget by \$98.0 thousand. Full-time salaries were \$92.5 thousand over budget while part-time salaries were under budget by \$43.5 thousand. Full-time salaries were above budget as a result of the competition for workers. The part-time salaries were below budget as all positions were not able to be filled.
- Administrative operating expenditures were \$604 thousand less than budget. The unused portion of the budgeted amount for contingency was \$226 thousand. Other professional services and full-time salaries were \$107 thousand and \$65 thousand below budget, respectively. The vacancy in the city manager position attributed to salaries being lower than budget.
- The Mayor and Commissioners expenditures were below budget by \$12 thousand. Legal fees for the Mayor and Commissioners department amounted to \$260 thousand, \$40 thousand below budget.
- Building and licensing operating expenditures were \$55 thousand, largely result of legal fees exceeding budget by \$67 thousand.

**CITY OF REHOBOTH BEACH  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - UNAUDITED (CONT'D)  
MARCH 31, 2023**

- In the recreation and culture function, operating expenditures exceeded budget by \$26 thousand. In the bandstand department, elevator repairs and electrical contractor services attributed to the bandstand department exceeding budget by \$26 thousand. The Parks Department was \$26 thousand below budget, as the amount budgeted for engineering was \$21 under budget.
- 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, 2023, amounted to \$107.9 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 \$3 million for governmental funds and \$3.1 million for the water and wastewater funds.

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, 2023, the City had a principal balance of \$14.2 million relating to governmental activities and \$48.5 million for business-type activities (water and wastewater).

In 2017, the City obtained two 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, 2023, the ocean outfall loan balance was \$36,157,600 and the plant loan balance was \$5,832,228 million. The City is paying interest at a 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. Final maturity on the \$12 million plant loan will be March 1, 2038, with the ocean outfall loan maturing on March 1, 2043.

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 November 1, 2023. The loan balance as of March 31, 2023 was \$54,892.

**CITY OF REHOBOTH BEACH  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - UNAUDITED (CONT'D)  
MARCH 31, 2023**

For the purpose of making plant improvements to the wastewater plant, the City obtained three loans from the Sussex County government in the amounts of \$3,000,000, \$1,560,000, and \$780,000. The loans are for a ten-year term, maturing in December 2032. The rate on the \$3 million loan is 0 percent while the rates on the other two loans bear rates of 2 percent. As of March 31, 2023, the balance of the three loans was \$4,697,385.

In the current year, the City implemented GASB 87, the leasing standard that requires the present value of lease liabilities beyond one year to be reported as a liability on the financial statements of state and local governments. The City's liability for leases, as of March 31, 2023, was \$497,367. Most of the lease balance related to the leases for City vehicles.

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 2023 - 2024 budget for all City operations is \$35.7 million. The capital portion of the budget is \$10.4 million, including \$1.5 million for the Water Fund and \$4.4 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 are showing significant declines, requiring the City to reduce the FY2024 budget to \$1.2 million from \$1.85 million in FY2022. In FY2024 (2023 season), it is projected that the parking revenues and hotel accommodations taxes may be slightly below budget.
- Property taxes represent 9.15 percent of the 2023-2024 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 37.78 percent of the 2023-2024 general fund budget, an increase from the 35.92 percent in FY2023. In the event of severe storms and/or macroeconomic events that impact business activity, the City's may have to rely on its taxing authority and remaining borrowing capacity to compensate for loss 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 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, 2023  
(With Summarized Comparative Data for March 31, 2022)**

	Governmental Activities	Business-type Activities	Totals	
			2023	2022
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>				
Cash and cash equivalents	\$ 10,487,039	\$ 6,919,867	\$ 17,406,906	\$ 35,444,486
Investments	12,000,000	11,500,000	23,500,000	-
Taxes receivable	34,565	-	34,565	67,058
Accounts receivable	1,659,245	910,876	2,570,121	1,608,094
Interest receivable	-	117,592	117,592	-
Loan proceeds receivable	152,666	-	152,666	-
Prepaid expenses	126,099	77,982	204,081	219,579
Inventory	12,117	592,758	604,875	481,829
Net pension asset	144,409	-	144,409	1,958,924
Internal balances	(1,804,612)	1,804,612	-	-
Lease receivable	199,584	-	199,584	264,000
Capital Assets:				
Land	2,814,959	192,936	3,007,895	3,007,895
Construction-in-progress	459,302	1,188,232	1,647,534	146,425
Depreciable capital assets, net of depreciation	37,024,766	66,310,270	103,335,036	94,795,647
Leased assets, net of amortization	507,006	-	507,006	733,105
<b>TOTAL ASSETS</b>	<b>63,817,145</b>	<b>89,615,125</b>	<b>153,432,270</b>	<b>138,727,042</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows relating to pension	1,310,284	-	1,310,284	914,488
Deferred outflows relating to OPEB	655,392	153,324	808,716	798,226
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>1,965,676</b>	<b>153,324</b>	<b>2,119,000</b>	<b>1,712,714</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 65,782,821</b>	<b>\$ 89,768,449</b>	<b>\$ 155,551,270</b>	<b>\$ 140,439,756</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>				
<b>Current Liabilities:</b>				
Accounts payable	\$ 202,092	\$ 142,931	\$ 345,023	\$ 167,847
Accrued salaries and benefits	54,036	24,491	78,527	110,145
Accrued interest	12,305	73,590	85,895	123,330
Deposits	109,292	-	109,292	172,242
Unearned revenues	938,840	-	938,840	485,480
Contingency reserve	-	26,733	26,733	14,456
Notes and bonds payable	842,682	2,072,810	2,915,492	2,741,843
Lease liability	202,649	-	202,649	212,570
<b>Noncurrent Liabilities:</b>				
Notes and bonds payable	13,320,084	46,450,958	59,771,042	57,257,182
Lease liability	294,718	-	294,718	497,367
Compensated absences	468,124	77,219	545,343	963,628
Net OPEB liability	3,918,296	916,652	4,834,948	5,090,515
<b>TOTAL LIABILITIES</b>	<b>20,363,118</b>	<b>49,785,384</b>	<b>70,148,502</b>	<b>67,836,605</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows relating to pension	251,151	-	251,151	2,001,687
Deferred inflows relating to OPEB	1,001,452	234,282	1,235,734	954,456
Deferred inflow - lease receivable	196,416	-	196,416	261,888
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>1,449,019</b>	<b>234,282</b>	<b>1,683,301</b>	<b>3,218,031</b>
<b>NET POSITION</b>				
Net investment in capital assets	26,145,900	19,167,670	45,313,570	37,974,110
Restricted:				
Police expenses	118,390	-	118,390	94,633
Public works expenses	152,521	-	152,521	150,576
Net pension asset	144,409	-	144,409	1,958,924
Unrestricted	17,409,464	20,581,113	37,990,577	29,206,877
<b>TOTAL NET POSITION</b>	<b>43,970,684</b>	<b>39,748,783</b>	<b>83,719,467</b>	<b>69,385,120</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	<b>\$ 65,782,821</b>	<b>\$ 89,768,449</b>	<b>\$ 155,551,270</b>	<b>\$ 140,439,756</b>

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



**CITY OF REHOBOTH BEACH**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**MARCH 31, 2023**  
**(With Summarized Comparative Data for March 31, 2022)**

	General Fund	Nonmajor Governmental Funds	Totals	
			2023	2022
<b>ASSETS</b>				
Cash and cash equivalents	\$ 10,285,814	\$ 201,225	\$ 10,487,039	\$ 21,163,222
Investments	12,000,000	-	12,000,000	-
Taxes receivable	34,565	-	34,565	67,058
Accounts receivable	1,640,570	-	1,640,570	845,178
Lease receivable	18,675	-	18,675	18,000
Interest receivable	152,666	-	152,666	-
Prepaid expenditures	126,099	-	126,099	163,719
Inventory	12,117	-	12,117	17,581
Due from other funds	-	94,127	94,127	67,144
<b>TOTAL ASSETS</b>	<b>\$ 24,270,506</b>	<b>\$ 295,352</b>	<b>\$ 24,565,858</b>	<b>\$ 22,341,902</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES:</b>				
Accounts payable	\$ 178,281	\$ 23,561	\$ 201,842	\$ 97,086
Due to Alderman's Court	250	-	250	250
Due to other funds	1,897,859	880	1,898,739	4,234,727
Accrued salaries and benefits	54,036	-	54,036	92,378
Deposits	109,292	-	109,292	172,242
Unearned revenue	938,840	-	938,840	485,480
<b>TOTAL LIABILITIES</b>	<b>3,178,558</b>	<b>24,441</b>	<b>3,202,999</b>	<b>5,082,163</b>
<b>FUND BALANCES:</b>				
Nonspendable	138,216	-	138,216	181,300
Restricted:				
Police expenditures	-	118,390	118,390	94,633
Public works expenditures	-	152,521	152,521	150,576
Unassigned	20,953,732	-	20,953,732	16,833,230
<b>TOTAL FUND BALANCES</b>	<b>21,091,948</b>	<b>270,911</b>	<b>21,362,859</b>	<b>17,259,739</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 24,270,506</b>	<b>\$ 295,352</b>	<b>\$ 24,565,858</b>	<b>\$ 22,341,902</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, 2023**

TOTAL GOVERNMENTAL FUND BALANCES \$ 21,362,859

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. 40,806,033

The City's net pension asset is not a current financial obligation and, therefore, is not reported in the funds. 144,409

The City's lease receivable is not a current financial obligation and, therefore, is not reported in the funds. 199,584

The City's net OPEB liability is not a current financial obligation and, therefore, is not reported in the funds. (3,918,296)

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	(14,162,766)
Lease liability	(497,367)
Compensated absences	(468,124)

Deferred outflows and inflows related to the City's net pension asset OPEB liability and lease receivable 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	\$ 1,310,284
Deferred outflows relating to OPEB	655,392
Deferred inflows of resources:	
Deferred inflows relating to pension	(251,151)
Deferred inflows relating to OPEB	(1,001,452)
Deferred inflow - lease receivable	(196,416)
	516,657

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 43,970,684

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, 2023**  
**(With Summarized Comparative Data for the Year Ended March 31, 2022)**

	General Fund	Nonmajor Governmental Funds	Totals	
			2023	2022
<b>REVENUES</b>				
Taxes	\$ 9,133,498	\$ -	\$ 9,133,498	\$ 10,469,400
Licenses and permits	1,768,672	-	1,768,672	1,993,175
Franchise fees	162,150	-	162,150	181,333
Intergovernmental revenues	389,971	179,985	569,956	504,167
Charges for services	8,699,613	-	8,699,613	6,846,174
Fines and forfeitures	1,257,633	-	1,257,633	1,241,229
Investment earnings	136,743	-	136,743	3,908
Rents and concessions	509,647	-	509,647	487,162
Contributions and donations	-	-	-	15,633
Miscellaneous revenues	287,691	-	287,691	166,379
<b>TOTAL REVENUES</b>	<b>22,345,618</b>	<b>179,985</b>	<b>22,525,603</b>	<b>21,908,560</b>
<b>EXPENDITURES</b>				
General government	4,088,023	-	4,088,023	3,968,147
Public safety	4,832,962	29,885	4,862,847	4,424,856
Public works	4,392,902	124,398	4,517,300	4,032,775
Recreation and culture	1,122,237	-	1,122,237	978,995
Debt service:				
Principal and interest	1,294,864	-	1,294,864	739,800
Debt issuance costs	-	-	-	28,901
Capital outlays	2,537,212	-	2,537,212	2,587,355
<b>TOTAL EXPENDITURES</b>	<b>18,268,200</b>	<b>154,283</b>	<b>18,422,483</b>	<b>16,760,829</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>4,077,418</b>	<b>25,702</b>	<b>4,103,120</b>	<b>5,147,731</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from debt refunding	-	-	-	15,250,160
Debt refunding payment	-	-	-	(15,221,259)
Sale of assets	-	-	-	1,252,002
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,280,903</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>4,077,418</b>	<b>25,702</b>	<b>4,103,120</b>	<b>6,428,634</b>
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<b>17,014,530</b>	<b>245,209</b>	<b>17,259,739</b>	<b>10,831,105</b>
<b>FUND BALANCES, END OF YEAR</b>	<b>\$ 21,091,948</b>	<b>\$ 270,911</b>	<b>\$ 21,362,859</b>	<b>\$ 17,259,739</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, 2023**

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$ 4,103,120
 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/amortization exceeded capital outlays in the period.	(542,327)
Governmental funds report lease receipts as revenue. However, in the statement of net position lease receipts reduce lease receivable and deferred inflows - lease receivable.	1,056
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.	1,299,964
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).	318,055
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.	331,817
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.	<u>(12,335)</u>
CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES	<u><u>\$ 5,499,350</u></u>

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

**CITY OF REHOBOTH BEACH**  
**STATEMENT OF NET POSITION - PROPRIETARY FUNDS**  
**MARCH 31, 2023**  
**(With Summarized Comparative Data for March 31, 2022)**

	Water Fund	Sewer Fund	Totals	
			2023	2022
<b>ASSETS</b>				
Current Assets:				
Cash and cash equivalents	\$ 4,485,532	\$ 2,434,335	\$ 6,919,867	\$ 14,281,264
Investments	5,500,000	6,000,000	11,500,000	-
Accounts receivable	469,562	441,314	910,876	744,916
Due from other funds	2,288,960	1,330,050	3,619,010	5,529,754
Interest receivable	58,134	59,458	117,592	-
Prepaid expenses	6,276	71,706	77,982	55,860
Inventory	462,918	129,840	592,758	464,248
Noncurrent Assets:				
Capital assets, net of depreciation	8,463,888	59,227,550	67,691,438	57,334,712
<b>TOTAL ASSETS</b>	<u>21,735,270</u>	<u>69,694,253</u>	<u>91,429,523</u>	<u>78,410,754</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows related to net OPEB liability	56,702	96,622	153,324	151,334
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>56,702</u>	<u>96,622</u>	<u>153,324</u>	<u>151,334</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 21,791,972</u>	<u>\$ 69,790,875</u>	<u>\$ 91,582,847</u>	<u>\$ 78,562,088</u>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts payable	\$ 112,604	\$ 30,327	\$ 142,931	\$ 70,511
Accrued salaries and benefits	9,092	15,399	24,491	17,767
Accrued interest	5,896	67,694	73,590	111,025
Contingency reserve	-	26,733	26,733	14,456
Due to other funds	-	1,814,398	1,814,398	1,362,171
Notes and bonds payable	302,979	1,769,831	2,072,810	1,834,845
Noncurrent Liabilities:				
Notes and bonds payable	1,478,685	44,972,273	46,450,958	42,914,020
Net OPEB liability	338,994	577,658	916,652	965,104
Compensated absences	18,614	58,605	77,219	177,449
<b>TOTAL LIABILITIES</b>	<u>2,266,864</u>	<u>49,332,918</u>	<u>51,599,782</u>	<u>47,467,348</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows related to net OPEB liability	86,642	147,640	234,282	180,954
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>86,642</u>	<u>147,640</u>	<u>234,282</u>	<u>180,954</u>
<b>NET POSITION</b>				
Net investment in capital assets	6,682,224	12,485,446	19,167,670	12,585,847
Unrestricted	12,756,242	7,824,871	20,581,113	18,327,939
<b>TOTAL NET POSITION</b>	<u>19,438,466</u>	<u>20,310,317</u>	<u>39,748,783</u>	<u>30,913,786</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	<u>\$ 21,791,972</u>	<u>\$ 69,790,875</u>	<u>\$ 91,582,847</u>	<u>\$ 78,562,088</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, 2023**  
**(With Summarized Comparative Data for the Year Ended March 31, 2022)**

	Water Fund	Sewer Fund	Totals	
			2023	2022
<b>OPERATING REVENUES</b>				
Charges for services	\$ 4,870,736	\$ 5,528,413	\$ 10,399,149	\$ 9,512,406
Other operating revenues	-	11,357	11,357	5,443
<b>Total Operating Revenues</b>	<u>4,870,736</u>	<u>5,539,770</u>	<u>10,410,506</u>	<u>9,517,849</u>
<b>OPERATING EXPENSES</b>				
Salaries and benefits	609,654	983,025	1,592,679	1,626,495
Materials and supplies	148,802	441,833	590,635	509,856
Administration expenses	13,010	12,044	25,054	21,397
Contractual services	60,262	253,891	314,153	458,718
Land and equipment rental	63,718	101,942	165,660	74,084
Repairs and maintenance	611,678	446,138	1,057,816	1,274,576
Utilities	116,766	450,665	567,431	252,333
Insurance	64,351	68,133	132,484	140,817
Depreciation	633,026	2,469,496	3,102,522	2,969,405
<b>Total Operating Expenses</b>	<u>2,321,267</u>	<u>5,227,167</u>	<u>7,548,434</u>	<u>7,327,681</u>
<b>OPERATING INCOME (LOSS)</b>	<u>2,549,469</u>	<u>312,603</u>	<u>2,862,072</u>	<u>2,190,168</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Water capitalization fees	68,000	-	68,000	26,000
Sewer impact fees	-	19,910	19,910	23,206
Investment income	58,681	61,997	120,678	3,152
Interest expense	(34,848)	(840,355)	(875,203)	(955,989)
Intergovernmental grants	-	510,431	510,431	21,524
<b>Total Nonoperating Revenues (Expenses)</b>	<u>91,833</u>	<u>(248,017)</u>	<u>(156,184)</u>	<u>(882,107)</u>
<b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS</b>	<u>2,641,302</u>	<u>64,586</u>	<u>2,705,888</u>	<u>1,308,061</u>
Capital contributions	-	6,129,109	6,129,109	894,819
<b>CHANGE IN NET POSITION</b>	<u>2,641,302</u>	<u>6,193,695</u>	<u>8,834,997</u>	<u>2,202,880</u>
<b>NET POSITION, BEGINNING OF YEAR</b>	<u>16,797,164</u>	<u>14,116,622</u>	<u>30,913,786</u>	<u>28,710,906</u>
<b>NET POSITION, END OF YEAR</b>	<u>\$ 19,438,466</u>	<u>\$ 20,310,317</u>	<u>\$ 39,748,783</u>	<u>\$ 30,913,786</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, 2023**  
**(With Summarized Comparative Data for the Year Ended March 31, 2022)**

	Water Fund	Sewer Fund	Totals	
			2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash received from customers	\$ 4,792,588	\$ 5,451,958	\$ 10,244,546	\$ 9,634,632
Cash paid for goods and services	(1,104,337)	(1,836,525)	(2,940,862)	(2,782,107)
Cash paid to employees	(629,100)	(1,054,199)	(1,683,299)	(1,636,621)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>3,059,151</u>	<u>2,561,234</u>	<u>5,620,385</u>	<u>5,215,904</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Advance from other funds	2,040,106	485,428	2,525,534	(1,874,642)
<b>NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES</b>	<u>2,040,106</u>	<u>485,428</u>	<u>2,525,534</u>	<u>(1,874,642)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Capital assets purchased	(749,308)	(12,853,655)	(13,602,963)	(1,689,159)
Proceeds received from capitalization and impact fees	68,000	19,910	87,910	49,206
Capital grants	-	510,431	510,431	21,524
Capital contributions	-	6,129,109	6,129,109	894,819
Proceeds from notes and bonds payable	-	7,987,315	7,987,315	2,067,468
Principal paid on notes and bonds payable	(320,994)	(3,930,923)	(4,251,917)	(3,678,172)
Interest paid on notes and bonds payable	(28,950)	(841,337)	(870,287)	(959,306)
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(1,031,252)</u>	<u>(2,979,150)</u>	<u>(4,010,402)</u>	<u>(3,293,620)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Interest income	547	2,539	3,086	3,152
Purchase of investments	(5,500,000)	(6,000,000)	(11,500,000)	-
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<u>(5,499,453)</u>	<u>(5,997,461)</u>	<u>(11,496,914)</u>	<u>3,152</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<u>(1,431,448)</u>	<u>(5,929,949)</u>	<u>(7,361,397)</u>	<u>50,794</u>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>5,916,980</u>	<u>8,364,284</u>	<u>14,281,264</u>	<u>14,230,470</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 4,485,532</u>	<u>\$ 2,434,335</u>	<u>\$ 6,919,867</u>	<u>\$ 14,281,264</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>				
Operating income (loss)	\$ 2,549,469	\$ 312,603	\$ 2,862,072	\$ 2,190,168
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	633,026	2,469,496	3,102,522	2,969,405
(Increase) Decrease in assets:				
Accounts receivable	(78,148)	(87,812)	(165,960)	116,783
Inventory	(88,876)	(22,122)	(110,998)	(46,682)
Prepaid expenses	-	(1,254)	(1,254)	2,862
Deferred outflows of resources related to net OPEB liability	(736)	(39,634)	(40,370)	25,726
Increase (Decrease) in liabilities:				
Accounts payable	63,126	9,293	72,419	4,407
Contingency reserve	-	12,277	12,277	(25,893)
Accrued salaries and benefits	6,672	52	6,724	(70,703)
Accrued expenses	-	(21,693)	(21,693)	14,980
Net OPEB liability	(17,918)	(30,534)	(48,452)	44,819
Compensated absences	(27,186)	(73,044)	(100,230)	16,503
Deferred inflows of resources related to net OPEB liability	19,722	33,606	53,328	(26,471)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>\$ 3,059,151</u>	<u>\$ 2,561,234</u>	<u>\$ 5,620,385</u>	<u>\$ 5,215,904</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, 2022, 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 2023 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. Right to use assets are defined as assets with term cost of more than \$5,000. 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
Right to use assets	Life of lease

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 and differences related to lease receivables; 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.

Implementation of GASB Statement

During the year ended March 31, 2023, the City implemented Governmental Accounting Standards Board ("GASB") Statement No. 87, "Leases." The purpose of this statement is to increase the usefulness of governmental financial statements by requiring recognition of certain lease assets and liabilities for all leases, including those that previously were classified as operating leases.

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.

CITY OF REHOBOTH BEACH  
NOTES TO FINANCIAL STATEMENTS

NOTE B STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (cont'd)

- 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.
- For 2023, the Police Grant Fund received grant revenues that were not budgeted. To fairly present the amount of the expenditure variances related to the use of the grant funds, certain budgeted expense categories were increased through formal budget amendments. No other amendments were made to the budget.

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.

In December 2022, the Commissioners approved an updated version of the City's investment policy. In accordance with the new policy, the City may deposit funds in FDIC insured banks, financial institutions or SPIC-member brokerage firms with an office in the State of Delaware. The investments may include non-interest or interest-bearing accounts, certificates of deposit, direct obligations of the United States Government, U.S Government Agencies and obligations of the State of Delaware. Deposits exceeding the FDIC insurance limit must be collateralized by U.S. Government obligations, U.S Government agency obligations or State of Delaware obligations. The value of the collateral must exceed 102 percent of the ledger balance of the accounts. The City receives monthly collateralization reports that include the amounts and type of securities collateralizing deposits.

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.

CITY OF REHOBOTH BEACH  
NOTES TO FINANCIAL STATEMENTS

NOTE C CASH AND CASH EQUIVALENTS (cont'd)

Cash and cash equivalents in the water fund (\$4,485,532) and the sewer fund (\$2,434,335) 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, 2023, the carrying amount of the City's deposits was \$17,406,906, and the bank balance was \$18,306,706. Of the bank balance, \$250,000 was covered by federal depository insurance, and \$18,056,706 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, 2023 is as follows:

Due from		Due to	
General Fund	\$1,897,859	Water Fund	\$2,288,960
Wastewater Fund	1,814,398	Wastewater Fund	1,330,050
Nonmajor Governmental Funds	880	Nonmajor Governmental Funds	94,127
	<u>\$3,713,137</u>		<u>\$3,713,137</u>

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, 2023 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital assets not being depreciated:				
Land	\$ 2,814,959	\$ -	\$ -	\$2,814,959
Construction-in-progress	-	459,302	-	459,302
Total Capital Assets Not Being Depreciated/amortized	2,814,959	459,302	-	3,274,261

CITY OF REHOBOTH BEACH  
NOTES TO FINANCIAL STATEMENTS

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

(cont'd)	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets being				
Depreciated/amortized:				
Infrastructure and land improvements	56,503,223	905,732	-	57,408,955
Buildings and improvements	28,966,899	335,890	-	29,302,789
Machinery and equipment	9,069,805	956,094	14,320	10,011,579
Vehicles	2,131,785	48,577	227,120	1,953,242
Right to use assets	1,182,039	-	-	1,182,039
Total Capital Assets Being				
Depreciated/amortized	<u>97,853,751</u>	<u>2,246,293</u>	<u>241,440</u>	<u>99,858,604</u>
Less accumulated				
depreciation/amortization for:				
Infrastructure and land	42,796,752	1,017,818	-	43,814,570
improvements				
Buildings and improvements	7,476,239	1,089,994	-	8,566,233
Machinery and equipment	6,777,527	821,433	14,320	7,584,640
Vehicles	1,820,898	92,578	227,120	1,686,356
Total accumulated depreciation	<u>58,871,416</u>	<u>3,021,823</u>	<u>241,440</u>	<u>61,651,799</u>
Less accumulated amortization	<u>448,934</u>	<u>226,099</u>	<u>-</u>	<u>675,033</u>
Total Capital Assets Being				
Depreciated/Amortization, Net	<u>38,533,401</u>	<u>(1,001,629)</u>	<u>-</u>	<u>37,531,772</u>
Governmental Activities Assets, Net	<u>\$41,348,360</u>	<u>\$ (542,327)</u>	<u>\$ -</u>	<u>\$40,806,033</u>

Depreciation/amortization expense was charged to the functions as follows:

Governmental Activities:	
General government	\$ 228,505
Public safety	177,725
Public works	2,735,078
Recreation and culture	<u>106,614</u>
Total Depreciation/Amortization Expense - Governmental Activities	<u>\$ 3,247,922</u>

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

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

CITY OF REHOBOTH BEACH  
NOTES TO FINANCIAL STATEMENTS

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

	Beginning Balance	Increases	Decreases	Ending Balance
<b>BUSINESS-TYPE ACTIVITIES</b>				
Capital assets not being depreciated				
Land	\$ 192,936	\$ -	\$ -	\$ 192,936
Construction-in-progress	146,425	1,141,510	99,703	1,188,232
Total Capital Assets Not Being Depreciated	<u>339,361</u>	<u>1,141,510</u>	<u>99,703</u>	<u>1,381,168</u>
Capital assets being depreciated:				
Buildings, infrastructure, Improvements	94,382,694	11,875,073	-	106,257,767
Machinery and equipment	3,164,233	542,368	47,550	3,659,051
Vehicles	1,349,698	-	248,335	1,101,363
Total Capital Assets Being Depreciated	<u>98,896,625</u>	<u>12,417,441</u>	<u>295,885</u>	<u>111,018,181</u>
Less accumulated depreciation for:				
Buildings, infrastructure, and Improvements	38,704,780	2,820,491	-	41,525,271
Machinery and equipment	2,332,351	168,920	47,550	2,453,721
Vehicles	864,143	113,111	248,335	728,919
Total accumulated depreciation	<u>41,901,274</u>	<u>3,102,522</u>	<u>295,885</u>	<u>44,707,911</u>
Total Capital Assets Being Depreciated, Net	<u>56,995,351</u>	<u>9,314,919</u>	<u>-</u>	<u>66,310,270</u>
Business-type Activities, Assets, Net	<u>\$57,334,712</u>	<u>\$10,456,429</u>	<u>\$ 99,703</u>	<u>\$67,691,438</u>

Depreciation expense was charged to the functions as follows:

Business-type Activities:	
Water	\$ 633,026
Sewer	<u>2,469,496</u>
Total Depreciation Expense - Business-type Activities	<u>\$ 3,102,522</u>

NOTE G LONG-TERM DEBT

Debt outstanding as of March 31, 2023 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.

Total Governmental Activities	<u>\$ 14,162,766</u>
-------------------------------	----------------------



CITY OF REHOBOTH BEACH  
NOTES TO FINANCIAL STATEMENTS

NOTE G LONG-TERM DEBT (cont'd)

Business-type Activities

<p>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%.</p>	\$ 1,781,663
<p>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.</p>	54,892
<p>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.</p>	36,157,600
<p>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.</p>	5,832,228
<p>Sussex County Loan A was obtained from Sussex County Government at the completion of the wastewater improvement project shared with the County. In accordance with the agreement, the County shared 50% of the \$6,000,000 cost of the project and loaned the City its 50% share, \$3,000,000, at 0% interest. The loan matures on December 31, 2032.</p>	2,625,000
<p>Sussex County Loan B was obtained from Sussex County Government at the completion of the wastewater improvement project shared with the County. In accordance with the agreement, the County shared 48% of the \$3,000,000 cost of the project and loaned the City its 52% share, \$1,560,00, at 2% interest. The loan matures on December 31, 2032.</p>	1,381,590
<p>Sussex County Loan C was obtained from Sussex County Government at the completion of the wastewater improvement project shared with the County. In accordance with the agreement, the County shared 48% of the \$1,500,000 cost of the project and loaned the City its 52% share, \$780,000, at 2% interest. The loan matures on December 31, 2032.</p>	<u>690,795</u>
<p>Total Business-type Activities</p>	<u>\$ 48,523,768</u>

CITY OF REHOBOTH BEACH  
NOTES TO FINANCIAL STATEMENTS

NOTE G LONG-TERM DEBT (cont'd)

Annual requirements to retire long-term debt of all funds, including un-drawn upon portions of debt, at March 31, 2023 are as follows:

March 31,	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 842,682	\$ 221,661	\$ 2,072,810	\$ 889,074
2025	856,246	208,097	2,734,778	862,790
2026	870,028	194,315	3,175,766	931,148
2027	884,033	180,310	3,232,359	874,554
2028	898,262	166,081	3,208,810	816,843
2029 - 2033	4,712,902	608,813	15,296,362	3,248,313
2034 - 2038	5,104,613	217,104	14,279,014	1,836,541
2039 - 2043	-	-	10,394,756	578,063
Less undrawn portion	-	-	<u>(5,870,887)</u>	-
Total	<u>\$ 14,168,766</u>	<u>\$ 1,796,381</u>	<u>\$ 48,523,768</u>	<u>\$ 10,037,326</u>

Lease Liability

The City has lease obligations for thirty-one vehicles ranging in expiration dates from fiscal year 2024 through fiscal year 2028.

The total principal and interest maturities are as follows:

<u>For the Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 202,649	\$ 37,757	\$ 240,406
2025	139,690	29,026	168,716
2026	84,345	15,715	100,060
2027	46,845	8,728	55,573
2028	<u>23,838</u>	<u>4,441</u>	<u>28,279</u>
Totals	<u>\$ 497,367</u>	<u>\$ 95,667</u>	<u>\$ 593,034</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, 2023:

CITY OF REHOBOTH BEACH  
NOTES TO FINANCIAL STATEMENTS

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

	Balance April 1, 2022	Increase	Decreases	Balance March 31, 2023	Due Within One Year
<b>Governmental Activities:</b>					
Notes and bonds payable	\$ 15,250,160	\$ -	\$ 1,087,394	\$ 14,162,766	\$ 842,682
Net OPEB liability	4,125,411	-	207,115	3,918,296	-
Compensated absences	786,179	-	318,055	468,124	-
Lease liability	709,937	-	212,570	497,367	202,649
<b>Total</b>	<b>\$ 20,871,687</b>	<b>\$ -</b>	<b>\$ 1,825,134</b>	<b>\$ 19,046,553</b>	<b>\$ 1,045,331</b>
	Balance April 1, 2022	Increase	Decreases	Balance March 31, 2023	Due Within One Year
<b>Business-type Activities:</b>					
Notes and bonds payable	\$ 44,748,865	\$ 6,069,143	\$ 2,294,240	\$ 48,523,768	\$ 2,072,810
Net OPEB liability	965,104	-	48,452	916,652	-
Compensated absences	177,449	-	100,230	77,219	-
<b>Total</b>	<b>\$ 45,891,418</b>	<b>\$ 6,069,143</b>	<b>\$ 2,442,922</b>	<b>\$ 49,517,639</b>	<b>\$ 2,072,810</b>

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, 2023, 2022, and 2021, the City's employer contributions totaled \$167,096, \$150,583, and \$158,583, respectively.

CITY OF REHOBOTH BEACH  
NOTES TO FINANCIAL STATEMENTS

NOTE I RETIREMENT PLANS (cont'd)

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").

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, 2022. 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 1.3735 percent at June 30, 2022, an decrease of 0.0501 percent from June 30, 2021.

**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.

CITY OF REHOBOTH BEACH  
NOTES TO FINANCIAL STATEMENTS

NOTE I RETIREMENT PLANS (cont'd)

**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.

**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, 2023, the rate of the employer contributions was 21.81 percent of covered payroll. The City's contribution to the Plan for the year ended March 31, 2023 was \$350,121.

Actuarial Assumptions

The collective total pension liability for the June 30, 2022 measurement date was determined by an actuarial valuation as of June 30, 2021, with update procedures used to roll forward the total pension liability to June 30, 2022. These actuarial valuations used the following actuarial assumptions:

- Investment rate of return – 7.0%
- Projected salary increases – 2.5% + merit
- Cost of living adjustments – 0.0%

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.

CITY OF REHOBOTH BEACH  
NOTES TO FINANCIAL STATEMENTS

NOTE I RETIREMENT PLANS (cont'd)

Mortality assumptions are based on the Pub-2010 mortality tables with gender adjustments for employees, healthy annuitants, and disabled retirees as well as an adjusted version on MP-2020 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 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	31.8%	5.7%
International equity	15.0%	5.7%
Fixed income	23.6%	2.0%
Alternative investments	21.5%	7.8%
Cash equivalents	8.1%	-
	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.

CITY OF REHOBOTH BEACH  
NOTES TO FINANCIAL STATEMENTS

NOTE I RETIREMENT PLANS (cont'd)

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)	\$ 960,827	\$ (144,409)	\$ (1,044,953)

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

For the year ended March 31, 2023, the City recognized pension credit of \$29,013. At March 31, 2023, 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	\$ 239,267	\$ -
Changes in proportions	18,935	6,018
Changes in assumptions	51,957	117,247
Difference between employer contributions and proportionate share of total contributions	404,387	67,845
Differences between expected and actual experience	245,617	60,041
Contributions subsequent to the date of measurement	350,121	-
	<u>\$1,310,284</u>	<u>\$ 251,151</u>

An amount of \$350,121 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, 2024. 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:

CITY OF REHOBOTH BEACH  
NOTES TO FINANCIAL STATEMENTS

NOTE I RETIREMENT PLANS (cont'd)

Year Ended March 31,

2024	\$ 337,813
2025	337,813
2026	337,813
2027	317,842
2028	(42,214)
Thereafter	<u>(580,055)</u>
	<u>\$ 709,012</u>

NOTE J LEASES RECEIVABLE

The City is currently involved in the following lease arrangement:

The City leases certain property designated as Lot 22, Rehoboth Avenue, Rehoboth Beach, Delaware. The lease expired on December 31, 2020, and has been renewed for an additional four-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.

<u>Year Ending March 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 65,472	\$ 8,928	\$ 74,400
2025	66,528	9,072	75,600
2026	<u>67,584</u>	<u>9,216</u>	<u>76,800</u>
Total	<u>\$ 199,584</u>	<u>\$ 27,216</u>	<u>\$ 226,800</u>

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.



CITY OF REHOBOTH BEACH  
NOTES TO FINANCIAL STATEMENTS

NOTE K CONTINGENCIES AND COMMITMENTS (cont'd)

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, 2023, the City reported \$459,302 in construction-in-progress costs for projects without ongoing construction commitments in the governmental funds. At March 31, 2023, the City reported \$1,188,232 in construction-in-progress costs in the Wastewater Fund. Construction commitments completed to date for the Wastewater Fund are as follows:

<u>Project</u>	<u>Contract Amount</u>	<u>Completed 6/30/2022</u>	<u>Commitment</u>
Plant Upgrades:			
GHD	\$ 852,000	\$ 178,920	\$ 673,080
Michael Ronca & Sons	<u>7,641,000</u>	<u>600,749</u>	<u>7,040,251</u>
Total Commitments Related to Construction-in-progress	<u>\$ 8,493,000</u>	<u>\$ 779,669</u>	<u>\$ 7,713,331</u>

The remaining \$408,563 of construction costs are without ongoing construction commitments.

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.

CITY OF REHOBOTH BEACH  
NOTES TO FINANCIAL STATEMENTS

NOTE M OTHER POSTEMPLOYMENT BENEFITS (cont'd)

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.

Actuarial Assumptions and Other Inputs

The total OPEB liability as of April 1, 2022 was determined by rolling forward the plan's total OPEB liability as of April 1, 2021 to April 1, 2022. The actuarial cost method uses entry age normal.

Participants

As of April 1, 2022, the plan had 104 participants, consisting of 88 active participants, zero vested former participants, and 16 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, 2022.

The discount rate changed from 3.50 percent to 3.39 percent. The trend and mortality assumptions were updated.

CITY OF REHOBOTH BEACH  
NOTES TO FINANCIAL STATEMENTS

NOTE M OTHER POSTEMPLOYMENT BENEFITS (cont'd)

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>	<u>Age</u>	<u>Rate</u>
25	9.6742%	45	6.3540%
30	9.3031%	50	4.2247%
35	8.7062%	55	1.5488%
40	7.7543%	60	0.1465%

Mortality

Safety: PubS-2010 Mortality Tables  
Non-safety: PubG-2010 Mortality Tables

Incorporated into the table are rates projected generationally using Scale MP-2021 to reflect mortality improvement.

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.

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:

CITY OF REHOBOTH BEACH  
NOTES TO FINANCIAL STATEMENTS

NOTE M OTHER POSTEMPLOYMENT BENEFITS (cont'd)

<u>Age</u>	<u>Males</u>	<u>Females</u>
45 - 49	\$ 7,250	\$ 10,471
50 - 54	\$ 9,602	\$ 11,834
55 - 59	\$ 11,695	\$ 12,383
60 - 64	\$ 15,261	\$ 14,225
65+	\$ 5,821	\$ 5,821

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 6.5 percent in 2022, 6.0 percent in 2023, and 5.5 percent in 2024-2025. Rates gradually decrease from 5.4 percent in 2026 to 3.9 percent in 2075 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 2.39%</u>	<u>Current Discount Rate 3.39%</u>	<u>1% Increase 4.39%</u>
Total OPEB liability	\$ 5,650,898	\$ 4,834,948	\$ 4,184,575
Fiduciary net position	-	-	-
Net OPEB liability	<u>\$ 5,650,898</u>	<u>\$ 4,834,948</u>	<u>\$ 4,184,575</u>

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	\$ 4,221,411	\$ 4,834,948	\$ 5,626,675
Fiduciary net position	-	-	-
Net OPEB liability	<u>\$ 4,221,411</u>	<u>\$ 4,834,948</u>	<u>\$ 5,626,675</u>

CITY OF REHOBOTH BEACH  
NOTES TO FINANCIAL STATEMENTS

NOTE M OTHER POSTEMPLOYMENT BENEFITS (cont'd)

Changes in Total OPEB Liability

Total OPEB liability as of April 1, 2021	\$ 5,090,515
Service cost	212,354
Interest on OPEB obligation	178,551
Difference between expected and actual experience	(48,910)
Changes of assumptions	(407,064)
Benefit payments	<u>(190,498)</u>
Total OPEB liability as of April 1, 2022	<u>\$ 4,834,948</u>

The amount of OPEB expense recognized by the City was \$351,897 for the year ended March 31, 2023.

At March 31, 2023, 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	\$ -	\$ 859,982
Changes of assumptions	662,536	375,752
Contributions subsequent to measurement date	<u>146,180</u>	<u>-</u>
Total	<u>\$ 808,716</u>	<u>\$ 1,235,734</u>

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:

Year Ending March 31,

2024	\$ (39,008)
2025	(39,008)
2026	(39,008)
2027	(39,008)
2028	(64,468)
Thereafter	<u>(352,698)</u>
	<u>\$ (573,198)</u>

CITY OF REHOBOTH BEACH  
NOTES TO FINANCIAL STATEMENTS

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, 2023, fund balances are composed of the following:

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable:			
Prepaid expenditures	\$ 126,099	\$ -	\$ 126,099
Inventory	12,117	-	12,117
Restricted:			
Police expenditures	-	118,390	118,390
Public works expenditures	-	152,521	152,521
Unassigned	<u>20,953,732</u>	<u>-</u>	<u>20,953,732</u>
Total Fund Balances	<u>\$ 21,091,948</u>	<u>\$ 270,911</u>	<u>\$ 21,362,859</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, 2023:

General government – buildings and licenses	\$ 55,180
General government – communications	\$ 42,851
Public safety – dispatch	\$ 26,505
Public safety – volunteer fire	\$ 6,615

CITY OF REHOBOTH BEACH  
NOTES TO FINANCIAL STATEMENTS

NOTE O EXCESS OF EXPENDITURES OVER APPROPRIATIONS (cont'd)

Public safety – beach patrol	\$	57,403
Public works – parking	\$	101,514
Recreation and culture – comfort stations	\$	16,564
Recreation and culture – museum	\$	8,403
Recreation and culture – main street	\$	2,773
Recreation and culture – bandstand	\$	26,382
Debt service – principal and interest	\$	149,040

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, 2023.

<u>Organization</u>	<u>Donation</u>	<u>Expenses Paid on Behalf of Organization</u>	<u>Total</u>
Rehoboth Beach Volunteer Fire Company	\$ 150,000	\$ -	\$ 150,000
Rehoboth Beach Main Street	60,000	2,773	62,773
Rehoboth Beach Historical Society	20,000	25,903	45,903
Rehoboth Beach Public Library	75,000	-	75,000
Total	<u>\$ 305,000</u>	<u>\$ 28,676</u>	<u>\$ 333,676</u>

NOTE Q CHANGE IN ACCOUNTING PRINCIPLE

In accordance with adoption of GASB Statement No. 87, as discussed in Note 1, the City has restated its April 1, 2021 net position in its governmental activities to record the right to use assets and lease liabilities associated with the City's leasing arrangement. The net result of this change is an increase of \$25,280 in net position in its governmental activities.

NOTE R SUBSEQUENT EVENTS

The City has evaluated all subsequent events through November 13, 2023, 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, 2023**

	Original and Final Appropriated Budget	Actual (GAAP Basis)	Variance Positive (Negative)
<b>REVENUES</b>			
Taxes:			
Property tax	\$ 2,292,800	\$ 2,032,176	\$ (260,624)
Rental tax	2,100,000	3,197,666	1,097,666
Transfer tax	1,850,000	2,255,298	405,298
Construction tax	65,000	89,078	24,078
Hotel accommodations tax	1,562,425	1,559,072	(3,353)
Penalties and interest	4,000	208	(3,792)
<b>Total Taxes</b>	<u>7,874,225</u>	<u>9,133,498</u>	<u>1,259,273</u>
Licenses and permits:			
Mercantile licenses	600,000	558,998	(41,002)
Building permits	870,737	1,145,424	274,687
Other	71,600	64,250	(7,350)
<b>Total Licenses and Permits</b>	<u>1,542,337</u>	<u>1,768,672</u>	<u>226,335</u>
Franchise fees	170,000	162,150	(7,850)
Intergovernmental revenues:			
General government	622,329	114,186	(508,143)
Public works	9,000	-	(9,000)
Public safety	189,345	253,788	64,443
Recreation and culture	-	21,997	21,997
<b>Total Intergovernmental Revenues</b>	<u>820,674</u>	<u>389,971</u>	<u>(430,703)</u>
Charges for services:			
Parking meters	4,835,200	6,694,744	1,859,544
Parking permits	1,057,000	1,211,282	154,282
Waste collection	825,400	793,587	(31,813)
<b>Total Charges for Services</b>	<u>6,717,600</u>	<u>8,699,613</u>	<u>1,982,013</u>
Fines and forfeitures:			
Parking	865,000	955,909	90,909
Court	65,000	89,194	24,194
Police	140,000	212,530	72,530
<b>Total Fines and Forfeitures</b>	<u>1,070,000</u>	<u>1,257,633</u>	<u>187,633</u>
Investment earnings	3,000	136,743	133,743
Rents and concessions	499,637	509,647	10,010
Contributions and donations	29,280	-	(29,280)
Sale of property and supplies	45,000	-	(45,000)
Miscellaneous revenues	78,000	287,691	209,691
<b>TOTAL REVENUES</b>	<u>18,849,753</u>	<u>22,345,618</u>	<u>3,495,865</u>
<b>EXPENDITURES</b>			
General government:			
Mayor and Commissioners	364,014	351,552	12,462
Assessors	2,784	1,287	1,497
Administrative	2,565,928	1,961,910	604,018
Alderman Court	93,154	85,423	7,731
Buildings and licensing	472,765	527,945	(55,180)
Information technology	588,869	550,770	38,099
Communications	447,597	490,448	(42,851)
Buildings and grounds	122,015	118,688	3,327
<b>Total General Government</b>	<u>4,657,126</u>	<u>4,088,023</u>	<u>569,103</u>

Continued on next page.

**CITY OF REHOBOTH BEACH  
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
FOR THE YEAR ENDED MARCH 31, 2023**

	<u>Original and Final Appropriated Budget</u>	<u>Actual (GAAP Basis)</u>	<u>Variance Positive (Negative)</u>
EXPENDITURES (cont'd)			
Public safety:			
Police	3,341,460	3,114,326	227,134
Dispatch	828,882	855,387	(26,505)
Volunteer fire	150,000	156,615	(6,615)
Beach patrol	649,231	706,634	(57,403)
Total Public Safety	<u>4,969,573</u>	<u>4,832,962</u>	<u>136,611</u>
Public works:			
Streets and refuse	2,898,021	2,800,059	97,962
Parking	1,491,329	1,592,843	(101,514)
Total Public Works	<u>4,389,350</u>	<u>4,392,902</u>	<u>(3,552)</u>
Recreation and culture:			
Comfort stations	290,457	307,021	(16,564)
Parks	441,196	415,055	26,141
Library	75,000	75,000	-
Museum	37,500	45,903	(8,403)
Main Street	60,000	62,773	(2,773)
Recreation and tennis	22,747	20,614	2,133
Bandstand	169,489	195,871	(26,382)
Total Recreation and Culture	<u>1,096,389</u>	<u>1,122,237</u>	<u>(25,848)</u>
Debt service:			
Interest and principal	1,145,824	1,294,864	(149,040)
Capital outlays	2,553,000	2,537,212	15,788
TOTAL EXPENDITURES	<u>18,811,262</u>	<u>18,268,200</u>	<u>543,062</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>38,491</u>	<u>4,077,418</u>	<u>4,038,927</u>
NET CHANGE IN FUND BALANCE	<u>\$ 38,491</u>	4,077,418	<u>\$ 4,038,927</u>
FUND BALANCE, BEGINNING OF YEAR		<u>17,014,530</u>	
FUND BALANCE, END OF YEAR		<u>\$ 21,091,948</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							
	JUNE 30, 2022	JUNE 30, 2021	JUNE 30, 2020	JUNE 30, 2019	JUNE 30, 2018	JUNE 30, 2017	JUNE 30, 2016	JUNE 30, 2015
City's proportion of the net pension asset (liability)	1.3735%	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	\$ 144,409	\$ 1,958,924	\$ (208,009)	\$ (395,001)	\$ (323,763)	\$ (139,030)	\$ (248,287)	\$ 77,560
City's covered employee payroll	1,602,320	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	9.01%	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)	101.95%	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, 2023</u>	<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	\$ 350,121	\$ 386,825	\$ 387,559	\$ 347,246	\$ 125,220	\$ 121,112	\$ 142,832	\$ 169,967
Contributions in relation to the contractually required contribution	<u>350,121</u>	<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>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered employee payroll	\$ 1,604,997	\$ 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	21.81%	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, 2022	APRIL 1, 2021	APRIL 1, 2020	APRIL 1, 2019	APRIL 1, 2018
TOTAL OPEB LIABILITY					
Service cost	\$ 212,354	\$ 224,367	\$ 171,567	\$ 177,815	\$ 106,656
Interest on total OPEB liability	178,551	171,038	153,700	147,737	176,884
Difference between expected and actual experience	(48,910)	-	(685,462)	-	(698,032)
Effect of change in assumptions	(407,064)	-	247,282	-	1,047,003
Benefit payments	(190,498)	(159,008)	(141,039)	(106,282)	(118,313)
NET CHANGE IN TOTAL OPEB LIABILITY	(255,567)	236,397	(253,952)	219,270	514,198
TOTAL OPEB LIABILITY, BEGINNING OF YEAR	5,090,515	4,854,118	5,108,070	4,888,800	4,374,602
TOTAL OPEB LIABILITY, END OF YEAR	<u>\$ 4,834,948</u>	<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>\$ 4,834,948</u>	<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%	0.00%
Covered employee payroll	\$ 5,186,938	\$ 5,299,068	\$ 5,169,822	\$ 4,598,121	\$ 4,485,972
City's net OPEB liability as a percentage of covered payroll	93.21%	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**

Year	Actuarial Determined Contribution	Contributions from Employer	Contribution Deficiency (Excess)	Covered Employee Payroll	Contribution as a Percentage of Payroll
2019	\$ -	\$ -	\$ -	\$ 4,485,972	0.00%
2020	\$ -	\$ -	\$ -	\$ 4,598,121	0.00%
2021	\$ -	\$ -	\$ -	\$ 5,169,822	0.00%
2021	\$ -	\$ -	\$ -	\$ 5,299,068	0.00%
2022	\$ -	\$ -	\$ -	\$ 5,186,938	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, 2022

*Methods and Assumptions Used:*

Actuarial cost method	Entry age normal
Asset valuation method	Market value
Discount rate	3.39%
Healthcare trend rates	6.5% in 2022 gradually reducing to 3.9% in 2075 and later.

**COMBINING FUND STATEMENTS**

**CITY OF REHOBOTH BEACH  
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS  
MARCH 31, 2023**

	<u>Municipal Street Aid</u>	<u>State of Delaware Police Grants</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 153,401	\$ 47,824	\$ 201,225
Due from other funds	-	94,127	94,127
<b>TOTAL ASSETS</b>	<u>\$ 153,401</u>	<u>\$ 141,951</u>	<u>\$ 295,352</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ -	\$ 23,561	\$ 23,561
Due to other funds	880	-	880
<b>TOTAL LIABILITIES</b>	<u>880</u>	<u>23,561</u>	<u>24,441</u>
<b>FUND BALANCES</b>			
Restricted:			
Police expenditures	-	118,390	118,390
Public works expenditures	152,521	-	152,521
<b>TOTAL FUND BALANCES</b>	<u>152,521</u>	<u>118,390</u>	<u>270,911</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 153,401</u>	<u>\$ 141,951</u>	<u>\$ 295,352</u>



**CITY OF REHOBOTH BEACH  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED MARCH 31, 2023**

	<u>Municipal Street Aid</u>	<u>State of Delaware Police Grants</u>	<u>Total</u>
REVENUES			
Intergovernmental	\$ 126,343	\$ 53,642	\$ 179,985
TOTAL REVENUES	<u>126,343</u>	<u>53,642</u>	<u>179,985</u>
EXPENDITURES			
Public safety	-	29,885	29,885
Public works	124,398	-	124,398
TOTAL EXPENDITURES	<u>124,398</u>	<u>29,885</u>	<u>154,283</u>
CHANGE IN FUND BALANCES	1,945	23,757	25,702
FUND BALANCES, BEGINNING OF YEAR	<u>150,576</u>	<u>94,633</u>	<u>245,209</u>
FUND BALANCES, END OF YEAR	<u>\$ 152,521</u>	<u>\$ 118,390</u>	<u>\$ 270,911</u>

**CITY OF REHOBOTH BEACH**  
**COMBINING STATEMENT OF NET POSITION - SEWER FUNDS**  
**MARCH 31, 2023**

	Sewer Fund	Sewer Capital Projects Fund	Interfund Eliminations	Totals
<b>ASSETS</b>				
Current Assets:				
Cash and cash equivalents	\$ 2,434,335	\$ -	\$ -	\$ 2,434,335
Investments	6,000,000	-	-	6,000,000
Accounts receivable	441,314	-	-	441,314
Due from other funds	649,755	680,295	-	1,330,050
Interest receivable	59,458	-	-	59,458
Prepaid expenses	71,706	-	-	71,706
Inventory	129,840	-	-	129,840
Noncurrent Assets:				
Capital assets, net of depreciation	59,227,550	-	-	59,227,550
<b>TOTAL ASSETS</b>	<u>69,013,958</u>	<u>680,295</u>	<u>-</u>	<u>69,694,253</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows relating to net OPEB liability	96,622	-	-	96,622
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>96,622</u>	<u>-</u>	<u>-</u>	<u>96,622</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 69,110,580</u>	<u>\$ 680,295</u>	<u>\$ -</u>	<u>\$ 69,790,875</u>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts payable	\$ 13,287	\$ 17,040	\$ -	\$ 30,327
Accrued salaries and benefits	15,399	-	-	15,399
Accrued interest	67,694	-	-	67,694
Contingency reserve	26,733	-	-	26,733
Due to other funds	1,814,398	-	-	1,814,398
Notes and bonds payable	1,769,831	-	-	1,769,831
Noncurrent Liabilities:				
Notes and bonds payable	44,972,273	-	-	44,972,273
Net OPEB liability	577,658	-	-	577,658
Compensated absences	58,605	-	-	58,605
<b>TOTAL LIABILITIES</b>	<u>49,315,878</u>	<u>17,040</u>	<u>-</u>	<u>49,332,918</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows relating to net OPEB liability	147,640	-	-	147,640
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>147,640</u>	<u>-</u>	<u>-</u>	<u>147,640</u>
<b>NET POSITION</b>				
Net investment in capital assets	12,485,446	-	-	12,485,446
Unrestricted	7,161,616	663,255	-	7,824,871
<b>TOTAL NET POSITION</b>	<u>19,647,062</u>	<u>663,255</u>	<u>-</u>	<u>20,310,317</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	<u>\$ 69,110,580</u>	<u>\$ 680,295</u>	<u>\$ -</u>	<u>\$ 69,790,875</u>

**CITY OF REHOBOTH BEACH  
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
IN NET POSITION - SEWER FUNDS  
FOR THE YEAR ENDED MARCH 31, 2023**

	<u>Sewer Fund</u>	<u>Sewer Capital Projects Fund</u>	<u>Totals</u>
<b>OPERATING REVENUES</b>			
Charges for services	\$ 5,528,413	\$ -	\$ 5,528,413
Other operating revenues	11,357	-	11,357
Total Operating Revenues	<u>5,539,770</u>	<u>-</u>	<u>5,539,770</u>
<b>OPERATING EXPENSES</b>			
Salaries and benefits	983,025	-	983,025
Materials and supplies	441,833	-	441,833
Administration expenses	12,044	-	12,044
Contractual services	253,891	-	253,891
Land and equipment rental	101,942	-	101,942
Repairs and maintenance	446,138	-	446,138
Utilities	450,665	-	450,665
Insurance	68,133	-	68,133
Depreciation	2,469,496	-	2,469,496
Total Operating Expenses	<u>5,227,167</u>	<u>-</u>	<u>5,227,167</u>
OPERATING INCOME (LOSS)	<u>312,603</u>	<u>-</u>	<u>312,603</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Sewer impact fees	19,910	-	19,910
Investment income	61,997	-	61,997
Interest expense	(840,355)	-	(840,355)
Intergovernmental grants	510,431	-	510,431
Total Nonoperating Revenues (Expenses)	<u>(248,017)</u>	<u>-</u>	<u>(248,017)</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	64,586	-	64,586
Capital contributions	<u>6,129,109</u>	<u>-</u>	<u>6,129,109</u>
CHANGE IN NET POSITION	6,193,695	-	6,193,695
NET POSITION, BEGINNING OF YEAR	<u>13,453,367</u>	<u>663,255</u>	<u>14,116,622</u>
NET POSITION, END OF YEAR	<u>\$ 19,647,062</u>	<u>\$ 663,255</u>	<u>\$ 20,310,317</u>

**CITY OF REHOBOTH BEACH  
COMBINING STATEMENT OF CASH FLOWS - SEWER FUNDS  
FOR THE YEAR ENDED MARCH 31, 2023**

	<u>Sewer Fund</u>	<u>Sewer Capital Projects Fund</u>	<u>Totals</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash received from customers	\$ 5,451,958	\$ -	\$ 5,451,958
Cash paid for goods and services	(1,836,879)	354	(1,836,525)
Cash paid to employees	(1,054,199)	-	(1,054,199)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>2,560,880</u>	<u>354</u>	<u>2,561,234</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Advance from other funds	485,782	(354)	485,428
<b>NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES</b>	<u>485,782</u>	<u>(354)</u>	<u>485,428</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Capital assets purchased	(12,853,656)	-	(12,853,656)
Proceeds received from capitalization and impact fees	19,910	-	19,910
Capital grants	510,431	-	510,431
Capital contributions	6,129,109	-	6,129,109
Proceeds from issuance of bonds	6,069,143	-	6,069,143
Principal paid on note payable	(2,012,750)	-	(2,012,750)
Interest paid on long-term debt	(841,337)	-	(841,337)
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(2,979,150)</u>	<u>-</u>	<u>(2,979,150)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Interest income	2,539	-	2,539
Purchase of investments	(6,000,000)	-	(6,000,000)
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<u>(5,997,461)</u>	<u>-</u>	<u>(5,997,461)</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(5,929,949)	-	(5,929,949)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>8,364,284</u>	<u>-</u>	<u>8,364,284</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 2,434,335</u>	<u>\$ -</u>	<u>\$ 2,434,335</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>			
Operating loss	\$ 312,603	\$ -	\$ 312,603
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	2,469,496	-	2,469,496
(Increase) Decrease in assets:			
Accounts receivable	(87,812)	-	(87,812)
Inventory	(22,122)	-	(22,122)
Prepaid expenses	(1,254)	-	(1,254)
Deferred outflows of resources related to net OPEB liability	(39,634)	-	(39,634)
Increase (Decrease) in liabilities:			
Accounts payable	8,939	354	9,293
Contingency reserve	12,277	-	12,277
Accrued salaries and benefits	52	-	52
Accrued expenses	(21,693)	-	(21,693)
Net OPEB liability	(30,534)	-	(30,534)
Compensated absences	(73,044)	-	(73,044)
Deferred inflows of resources related to net OPEB liability	33,606	-	33,606
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>\$ 2,560,880</u>	<u>\$ 354</u>	<u>\$ 2,561,234</u>

## **OTHER REPORT**



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

November 13, 2023

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, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 13, 2023.

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") as a basis for designing 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 or significant deficiencies may exist that were not 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

#### 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