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

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**MARCH 31, 2021**

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CITY OF REHOBOTH BEACH

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## INDEPENDENT AUDITOR'S REPORT

October 27, 2021

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

### Report on the Financial Statements

We have audited the accompanying 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, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or

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City of Rehoboth Beach

error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinions

In our opinion, the financial statements referred to above 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, 2021, 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.

### Report on Summarized Comparative Information

We have previously audited the City of Rehoboth Beach's 2020 financial statements, and we expressed unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information in our report dated October 30, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

### Other Matters

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 - 15, and 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 48 - 53 be presented to supplement the basic financial statements. Such information, 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

To the Honorable Mayor and Commissioners  
City of Rehoboth Beach

consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other 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 fund financial statements on pages 54 - 58 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards on page 63 is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"), and is also not a required part of the basic financial statements. The combining fund financial statements and the schedule of expenditures of federal awards 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 fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2021, 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, 2021**

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, 2021. Please read it in conjunction with the City's financial statements, which begin on page 16.

**FINANCIAL HIGHLIGHTS**

The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at March 31, 2021 by \$61.5 million (net position). Of this amount, \$22.6 million is reported as unrestricted net position. The City's net position increased by \$4.2 million.

As of March 31, 2021, the City's governmental funds reported combined ending fund balances of \$10.8 million, an increase of \$1.8 million as compared to the prior year. The current year increase in fund balance can be attributed primarily to increases in revenues from taxes and revenues from intergovernmental revenues, which both increased by \$2.5 million and \$1.7 million, respectively. Total governmental funds revenue increased by \$1.6 million compared to the prior year. Expenditures increased by \$2.2 million compared to the prior year. The increase in property transfer tax and the increase in rental tax attributed to total tax revenue exceeding budget by \$2.6 million. Transfer tax exceeded budget by \$2.6 million while rental tax exceeded budget by \$136 thousand. The hotel tax was \$80 thousand or 10 percent below the \$800 thousand budget. Intergovernmental Revenues consisted of grants for the construction of the Lake Avenue Streetscape project and the Water Taxi on the Rehoboth Lewes Canal.

As of March 31, 2021, the City's proprietary funds reported combined net position of \$28.7 million, an increase of \$1.8 million compared to the prior year. The increase in net position was a result of the \$2.2 million increase in the Water Fund while the Wastewater fund net position declined by \$399 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 analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) entity-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. Required supplementary information provides a budgetary comparison schedule for the General Fund and additional detail on the City's involvement in a multi-employer pension plan and other postemployment benefit ("OPEB") plan. This report also contains other supplementary information.

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

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

**CITY OF REHOBOTH BEACH**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - UNAUDITED (CONT'D)**  
**MARCH 31, 2021**

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

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

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

The statement of changes in net position presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event occurs, producing the change, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows only in future fiscal periods.

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

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

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



**CITY OF REHOBOTH BEACH  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - UNAUDITED (CONT'D)  
MARCH 31, 2021**

**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, 2021 and 2020.

**TABLE 1  
CONDENSED STATEMENTS OF NET POSITION**

	Governmental Activities		Business-type Activities		Totals	
	2021	2020	2021	2020	2021	2020
<b>ASSETS</b>						
Current and other assets	\$ 11,609,286	\$ 9,682,213	\$17,861,399	\$15,566,126	\$ 29,470,685	\$ 25,248,339
Capital assets, net	42,132,564	42,043,521	58,614,958	58,476,077	100,747,522	100,519,598
<b>TOTAL ASSETS</b>	<b>53,741,850</b>	<b>51,725,734</b>	<b>76,476,357</b>	<b>74,042,203</b>	<b>130,218,207</b>	<b>125,767,937</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Deferred pension and OPEB	1,569,521	1,483,036	177,060	182,642	1,746,581	1,665,678
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>55,311,371</b>	<b>53,208,770</b>	<b>76,653,417</b>	<b>74,224,845</b>	<b>131,964,788</b>	<b>127,433,615</b>
<b>LIABILITIES</b>						
Other liabilities	1,394,912	1,273,617	2,066,124	1,976,454	3,461,036	3,250,071
Long-term liabilities	19,854,113	20,806,735	45,668,962	45,255,368	65,523,075	66,062,103
<b>TOTAL LIABILITIES</b>	<b>21,249,025</b>	<b>22,080,352</b>	<b>47,735,086</b>	<b>47,231,822</b>	<b>68,984,111</b>	<b>69,312,174</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred Pension and OPEB	1,264,369	691,609	207,425	103,940	1,471,497	795,549

**CITY OF REHOBOTH BEACH  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - UNAUDITED (CONT'D)  
MARCH 31, 2021**

**TABLE 1  
CONDENSED STATEMENTS OF NET POSITION**

	Governmental Activities		Business-type Activities		Totals	
	2021	2020	2021	2020	2021	2020
(cont'd)						
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	22,513,394	22,771,961	47,942,511	47,335,762	70,455,905	70,107,723
NET POSITION						
Net investment in capital assets	26,478,539	25,772,442	12,255,389	12,588,695	38,733,928	38,361,137
Restricted	205,451	174,259	-	-	205,451	174,259
Unrestricted	6,113,987	4,490,108	16,455,517	14,300,388	22,569,504	18,790,496
TOTAL NET POSITION	\$ 32,797,977	\$ 30,436,809	\$28,710,906	\$26,889,083	\$ 61,508,883	\$ 57,325,892

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.

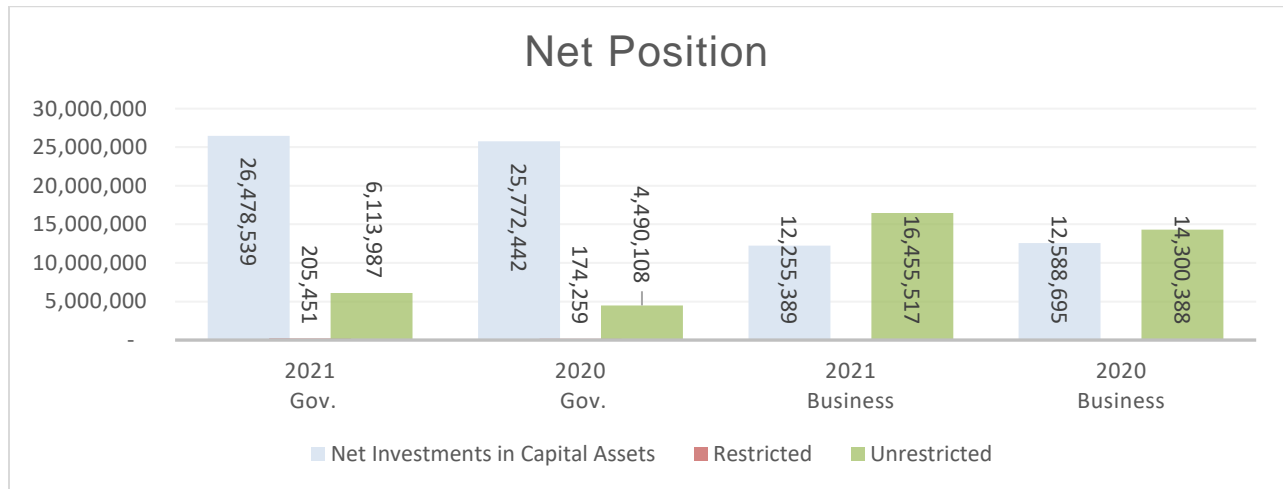
**TABLE 2  
CHANGES IN NET POSITION**

	Governmental Activities		Business-type Activities		Totals	
	2021	2020	2021	2020	2021	2020
REVENUES						
Program revenues:						
Charges for services	\$ 7,669,279	\$ 10,022,835	\$ 8,722,693	\$ 7,781,032	\$ 16,391,972	\$ 17,803,867
Operating grants/contributions	2,320,769	579,508	57,037	80,113	2,377,806	659,621
Capital grants/contributions	-	-	772,286	-	772,286	-
General revenues:						
Taxes	9,126,472	6,665,147	-	-	9,126,472	6,665,147
Investment earnings	5,398	115,024	5,263	95,352	10,661	210,376
Franchise fees	179,203	177,629	-	-	179,203	177,629
Miscellaneous	69,453	297,311	-	-	69,453	297,311
TOTAL REVENUES	19,370,574	17,857,454	9,557,279	7,956,497	28,927,853	25,813,951
EXPENSES						
General government	4,412,870	3,804,776	-	-	4,412,870	3,804,776
Public safety	4,456,500	4,338,662	-	-	4,456,500	4,338,662
Public works	6,978,623	7,099,223	-	-	6,978,623	7,099,223
Recreation and culture	792,067	1,043,035	-	-	792,067	1,043,035
Interest on long-term debt	369,346	407,849	-	-	369,346	407,849
Water operations	-	-	2,232,836	2,531,526	2,232,836	2,531,526
Sewer operations	-	-	5,502,620	4,899,499	5,502,620	4,899,499
TOTAL EXPENSES	17,009,406	16,693,545	7,735,456	7,431,025	24,744,862	24,124,570

**CITY OF REHOBOTH BEACH  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - UNAUDITED (CONT'D)  
MARCH 31, 2021**

**TABLE 2  
CHANGES IN NET POSITION**

	Governmental Activities		Business-type Activities		Totals	
	2021	2020	2021	2020	2021	2020
(cont'd) INCREASE IN NET POSITION	2,361,168	1,163,909	1,821,823	525,472	4,182,991	1,689,381
NET POSITION, BEGINNING OF YEAR	30,436,809	29,272,900	26,889,083	26,363,611	57,325,892	55,636,511
NET POSITION, END OF YEAR	\$ 32,797,977	\$ 30,436,809	\$28,710,906	\$26,889,083	\$ 61,508,883	\$ 57,325,892



**Governmental Activities**

The cost of all governmental activities in 2021 was \$17.0 million. The amount that taxpayers ultimately financed for these activities through City taxes was \$9.1 million, or 53.7 percent, an increase from 36.5 percent in the prior year. Other costs were paid by those who directly benefited from the programs (\$7.7 million, or 45.1 percent), and government agencies and organizations that subsidized funding with intergovernmental aid (\$2.3 million or 13.6 percent). In the prior year, costs paid by those who directly benefited from programs were \$10 million, representing 60 percent of the total expenses. Expenses financed by other governments and agencies were \$580 thousand, or 3.2 percent of total governmental expenses.

Tax revenue increased by \$2.46 million as a result of transfer tax exceeding budget by \$2.6 million. The value of assessed property decreased from \$3.53 billion in fiscal year 2020 to \$3.52 billion in fiscal year

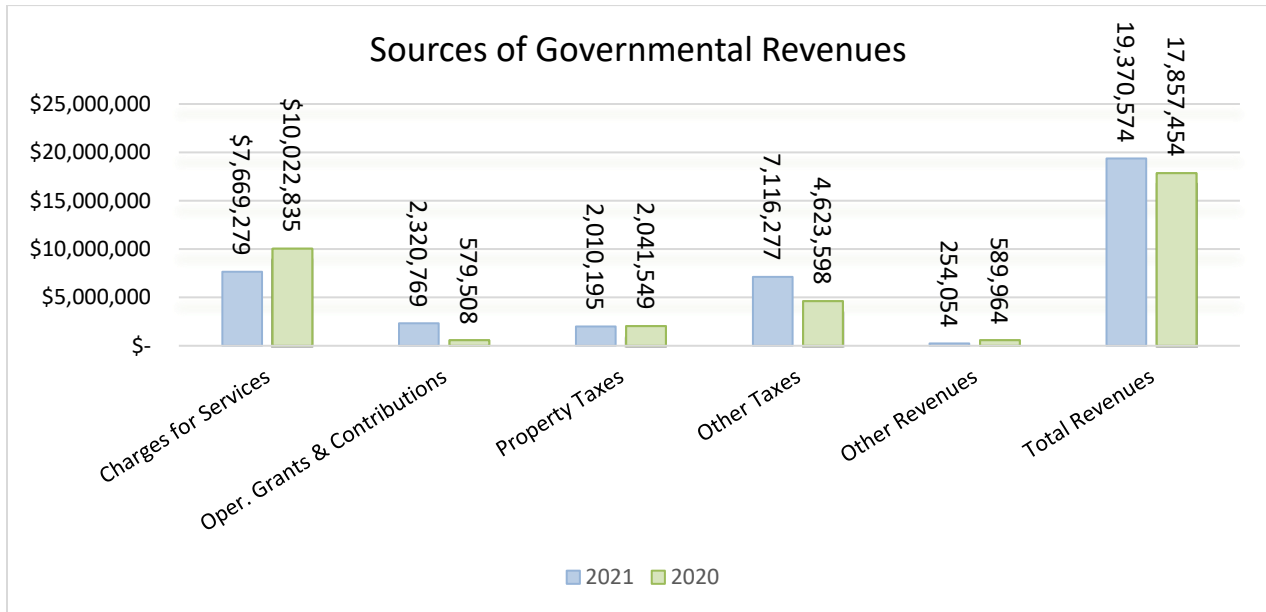
**CITY OF REHOBOTH BEACH  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - UNAUDITED (CONT'D)  
MARCH 31, 2021**

2021. The slight decrease can be attributed to demolitions of older homes that temporarily created vacant lots. The property tax rate of six cents per hundred dollars of assessed value remained unchanged from fiscal year 2020.

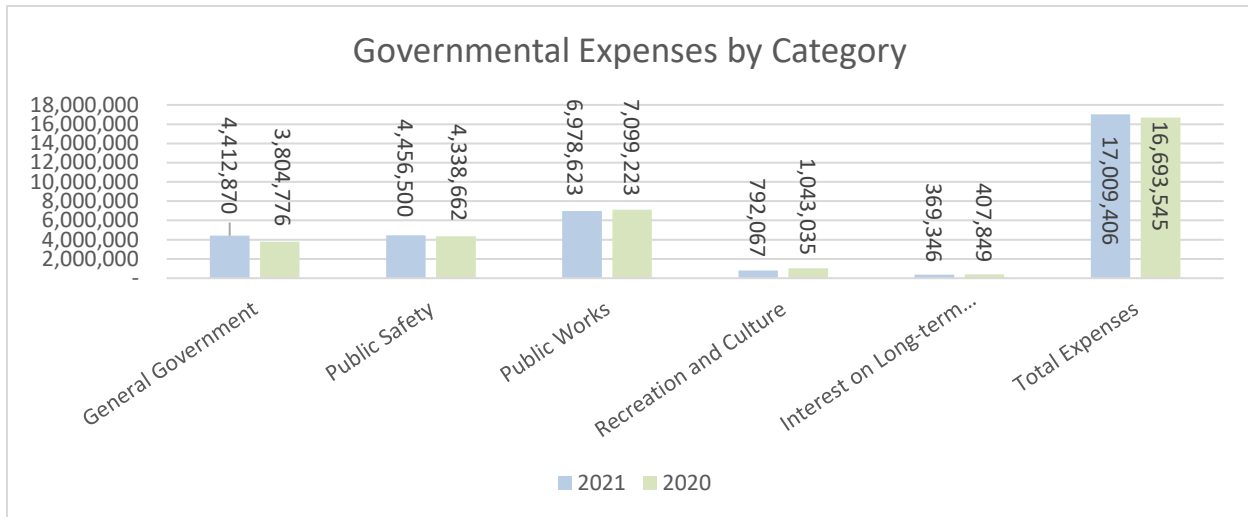
General government programs accounted for 25.9 percent of the City's governmental activities, an increase of \$608 thousand from the prior year. Attributing to the higher costs in general government operations were legal fees which were \$269 thousand above the prior year. The Clear Space Theatre litigation was largely responsible for the increased legal fees.

Public works expenses, consisting of the streets, refuse and parking departments, accounted for 41 percent of the City's governmental activities, or \$6.98 million, a decrease of \$120.6 thousand from fiscal year 2020. The charges for services, consisting largely of parking revenues, declined by \$1.98 million. The decrease resulted from the impact of the pandemic. With the expenses in public works declining by \$120.6 thousand and the revenues declining by \$1.98 million, there was a net negative impact of \$1.86 million.

The public safety expenditures accounted for 26.2 percent of the City's governmental activities in the year ended March 31, 2021 and 26 percent in the prior year. The Public Safety function consists of the City's police department, 911 dispatch center, and the beach patrol. In the current fiscal year, the expenses increased to \$4.4 million from \$4.25 million in the prior year, a \$165 thousand or 3.9 percent increase. The revenue from grants and police fines were \$149 thousand higher than in the prior year, offsetting much of the \$272 increase in police department and 911 department expenditures. The beach patrol costs declined by \$102 thousand, with most of the decrease related to fewer lifeguards being employed during the pandemic in the summer of 2020.



**CITY OF REHOBOTH BEACH  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - UNAUDITED (CONT'D)  
MARCH 31, 2021**



**Business-type Activities**

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

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

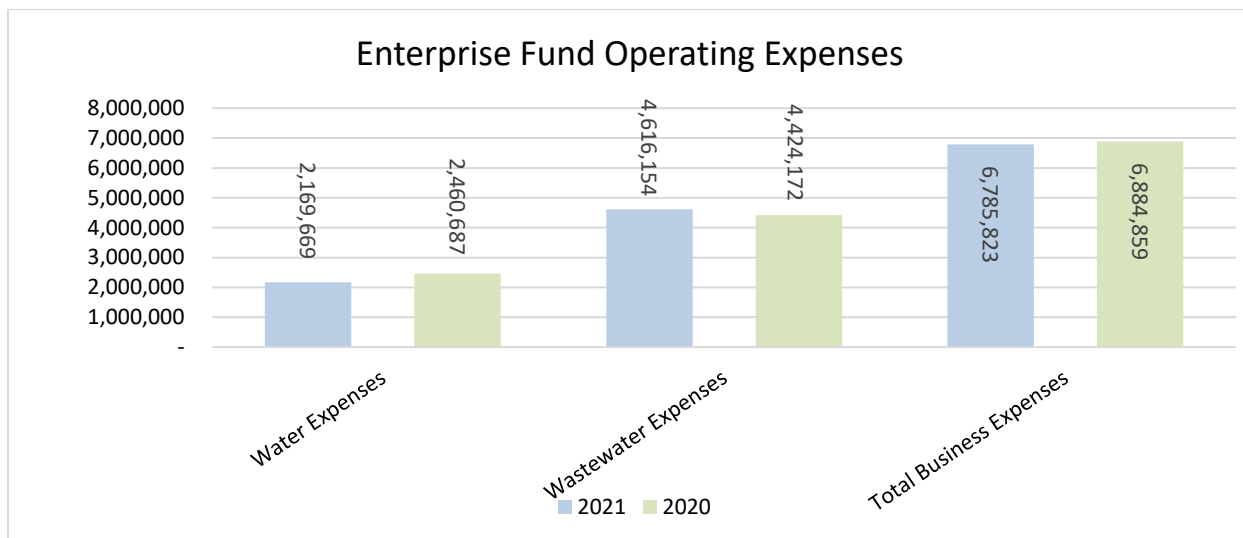
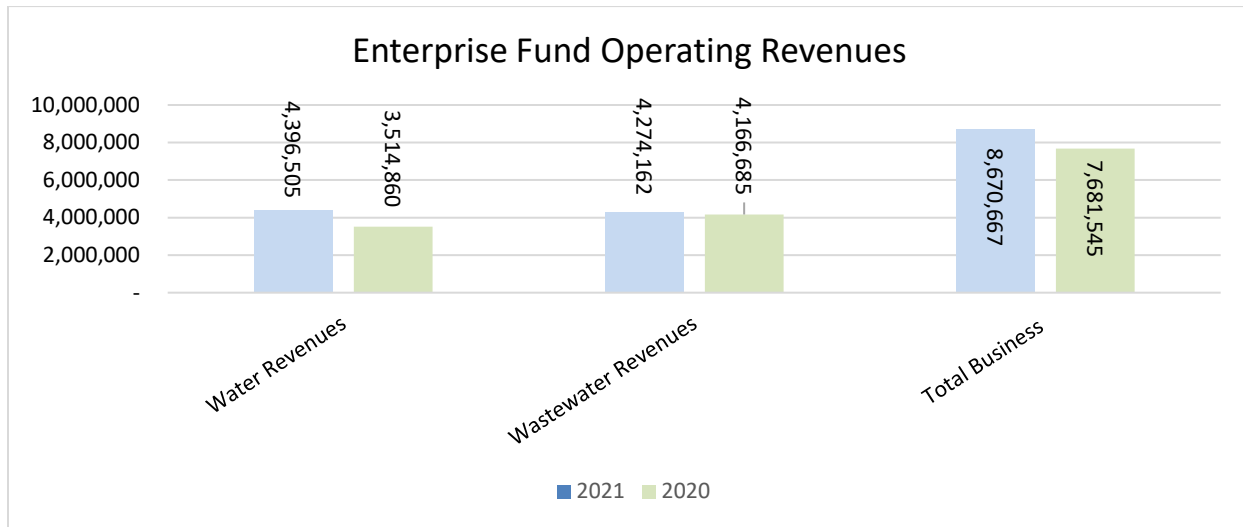
Water fund revenues increased by \$881.6 thousand in the current year. Water rates were increased for the October 2019 – March 2020 period. Because these increased rates were only in effect for the second half of the fiscal year 2020, while they were in effect for the entire fiscal year 2021, the rate increase impacted total water revenues in fiscal year 2021. Increased usage had a more modest impact. Bulk sales of water to Dewey Beach increased by \$79 thousand and was a result of higher usage. Expenses in the Water Department decreased by \$291 thousand. While salaries increased by \$67, other expenditures, including repairs and maintenance, materials and supplies, and contractual services decreased by \$281 thousand, \$32 thousand, and \$23 thousand, respectively. The timing of the expenditures may have been responsible for a portion of the declines. With the uncertainty of the economic impact of COVID 19, there was a conscious effort to control costs.

Wastewater fund operating revenues increased from the prior year by \$127 thousand. 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. In October 2019, sewer rates were increased while the sewer surcharge was eliminated. The increased rates did not fully offset the loss of revenue from the elimination of the sewer surcharge, resulting in total operating revenue increasing only modestly from the prior year. Total revenue from metered sewer increased by \$441 thousand but the absence of the sewer surcharge

**CITY OF REHOBOTH BEACH  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - UNAUDITED (CONT'D)  
MARCH 31, 2021**

resulted in a revenue loss of \$648 thousand. The Towns of Dewey Beach, and Henlopen Acres and the community of North Shores share the costs of operating the wastewater facility, primarily based upon their percentage of flows to the plant. Total wastewater revenue from the three communities was \$1.6 million. This was an increase of \$315 thousand from the prior year.

Nonoperating expenses in the water and wastewater fund consist of interest expense on outstanding debt. Interest expense in the water fund was \$63 thousand and relates to the financing cost of the city's Lynch Well. The wastewater fund interest expense was \$886 thousand and relates to the financing of the ocean outfall, improvements to the wastewater facility and the Schoolvue sewer debt.



**CITY OF REHOBOTH BEACH  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - UNAUDITED (CONT'D)  
MARCH 31, 2021**

**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, 2021, the City's governmental funds reported combined ending fund balances of \$10.8 million, an increase of \$1.8 million as compared to the prior year. The amount of the fund balance restricted or assigned for special purposes is \$205 thousand. The \$10.5 million unassigned portion of fund balance in the City's General Fund is available to be used at the City's discretion. The Capital Projects Fund was closed during the year ended March 31, 2021.

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.

**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.

The City's departmental expenditures increased by approximately \$2.2 million from the prior year. The increase is primarily driven by an increase of \$1.4 million in capital outlays.

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

- Outlays for street paving were \$449.7 thousand.
- Outlays for the CCTV Project (video inspections of wastewater infrastructure) were \$162 thousand.
- Outlays for the completion of the Lake Avenue Streetscape project were \$1.2 million. Under the terms of the grant, the State of Delaware agreed to contribute \$800 thousand for the project.
- Outlays for the wastewater treatment plant were \$2.0 million. The outlays were funded from a portion of the DNREC \$12 million plant loan.
- Outlays for water meter replacement project in Breezewood were \$360 thousand.
- The City purchased a new streetsweeper for \$157 thousand.

**CITY OF REHOBOTH BEACH  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - UNAUDITED (CONT'D)  
MARCH 31, 2021**

- Outlays for the Luke Cosmo pay stations were \$359 thousand.
- Outlays for the completion of the Grove Park Canal Access project were \$1.15 million. Funding committed by private donors and the State of Delaware amounted to \$1.08 thousand with the City budgeting \$280 thousand.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The schedule comparing the City's budget and actual results can be found on pages 48 - 49. A summary of significant variations between budget amounts and actual results are as follows:

- Before transfers to other funds, total revenue exceeded expenditures by \$1.4 million. Taxes exceeded budget by \$2.6 million with property transfer tax consisting of \$2.59 million of the increase. As hotel revenues were impacted by COVID-19, the hotel accommodations tax was \$80 thousand below the \$800 thousand budget. Charges for services were \$1.5 million below budget, primarily due to the shortfall in parking revenues.
- Operating expenditures in the General Fund were \$1.0 million less than budget while capital outlays were \$852 thousand above budget. Outlays for the Grove Park Canal Access Project were \$1.15 million but only \$280 thousand was budgeted. The amount above \$280 thousand was, however, funded by private donations and State of Delaware grants. There were, also, a few capital outlays that were budgeted in the prior year but not completed until the current fiscal year.
- Expenditures for the departments within Public Safety were \$104 thousand less than budget. Police Department salaries and related costs were \$17 thousand less than budget, accounting for the favorable budget variance. Specifically, vacancies in part-time and seasonal police department positions and the beach patrol caused actual personnel costs to be less than budget.
- Streets and Refuse Department expenditures were below budget by \$356 thousand. The favorable variances were largely a result of unfilled positions during the pandemic. Refuse disposal charges were \$96 thousand below the \$247 budgeted amount, as anticipated increases were not as large as anticipated.
- Administrative expenditures were \$203 thousand less than budget. Budgeted funds for contingencies, salaries and Board of Adjustment expenditures were \$84 thousand, \$18 thousand and \$48 thousand below budget, respectively.
- The Mayor and Commissioners expenditures exceeded budget by \$254 thousand. Legal fees amounted to \$468 thousand and were over budget by \$268 thousand, accounting for the department's overall variance. The volume of building and zoning issues confronting the Commissioners, including the Clear Space Theatre Project, resulted in the variance in legal fee expenditures.
- Building and license expenditures were \$23 thousand less than budget with the lower-than-budget savings attributed to a variety of categories.



**CITY OF REHOBOTH BEACH  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - UNAUDITED (CONT'D)  
MARCH 31, 2021**

- Information and Technology's expenditures were \$54 thousand less than budget. Medical insurance and salaries exceeded budget by \$14 and \$5 thousand, respectively, but were offset by lower than budgeted expenditures for minor equipment and supplies, cell phones and maintenance contracts.
- 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, 2021, amounted to \$100.7 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 \$6.49 million government wide.

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

**Debt Administration**

As of March 31, 2021, the City had a principal balance of \$15,654,025 on the \$18 million USDA loan obtained for the construction of the new City Hall. The interest rate is fixed for the term of the loan at 2.375 percent. The loan will be repaid in December 2041.

As of March 31, 2021, the City had a principal balance of \$2,194,675 on the \$5 million loan obtained for the construction of the Lynch Well. The loan was obtained from the State of Delaware's Drinking Water State Revolving Fund. The interest rate is fixed for the term of the loan at a rate of 2.76 percent. The loan will be repaid in November 2027.

The City has obtained loans in the amount of \$52,481,095 from the Delaware Water Pollution Control Revolving Fund for the construction of the Ocean Outfall and related infrastructure. Because construction for wastewater plant improvements is not yet completed, the City has only drawn \$44,001,313 as of March 31, 2021. 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 construction, the City will begin making principal and interest payments. Final maturity on \$12 million of the original debt will be March 1, 2038 with the remaining portion, \$40,481,095, 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, 2021 was \$163,581.

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

**CITY OF REHOBOTH BEACH  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - UNAUDITED (CONT'D)  
MARCH 31, 2021**

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

- The 2021 - 2022 budget for all City operations is \$27.7 million. The capital portion of the budget is \$4.7 million, including \$1.3 million for the Water Fund and \$1 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 appear to have been restored to pre-pandemic levels while property transfer taxes continue at exceptionally high levels.
  
- Property taxes represent 11.28 percent of the 2021-2022 General Fund Budget, a percentage that is well below the level of most local governments. Most of the remaining revenue sources are dependent upon economic activity, including property transfers, building activity, rental activity, and parking. Parking revenue comprises 36.45 percent of the 2021-2022 general fund budget. In the event of severe storms and 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 Ms. Sharon Lynn, 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, 2021**  
**(With Summarized Comparative Data for March 31, 2020)**

	Governmental Activities	Business-type Activities	Totals	
			2021	2020
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>				
Cash and cash equivalents	\$ 12,223,676	\$ 14,230,470	\$ 26,454,146	\$ 23,391,091
Taxes receivable	32,423	-	32,423	35,882
Accounts receivable	1,539,053	861,699	2,400,752	1,067,195
Prepaid expenses	93,337	58,722	152,059	339,596
Inventory	13,739	417,566	431,305	414,575
Internal balances	(2,292,942)	2,292,942	-	-
Capital Assets:				
Land	2,814,959	192,936	3,007,895	3,007,895
Construction-in-progress	2,533,430	5,809	2,539,239	140,705
Depreciable capital assets, net of depreciation	36,784,175	58,416,213	95,200,388	97,370,998
<b>TOTAL ASSETS</b>	<b>53,741,850</b>	<b>76,476,357</b>	<b>130,218,207</b>	<b>125,767,937</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows relating to pension	812,665	-	812,665	702,315
Deferred outflows relating to OPEB	756,856	177,060	933,916	963,363
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>1,569,521</b>	<b>177,060</b>	<b>1,746,581</b>	<b>1,665,678</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 55,311,371</b>	<b>\$ 76,653,417</b>	<b>\$131,964,788</b>	<b>\$127,433,615</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>				
<b>Current Liabilities:</b>				
Accounts payable	\$ 135,585	\$ 66,105	\$ 201,690	\$ 337,756
Accrued salaries and benefits	283,866	88,470	372,336	164,010
Accrued interest	12,305	99,362	111,667	82,405
Deposits	165,902	-	165,902	128,018
Unearned revenues	192,828	-	192,828	127,639
Contingency reserve	-	40,349	40,349	40,343
Notes and bonds payable	604,426	1,771,838	2,376,264	2,369,900
<b>Noncurrent Liabilities:</b>				
Notes and bonds payable	15,049,599	44,587,731	59,637,330	59,788,561
Compensated absences	662,672	160,946	823,618	770,471
Net OPEB liability	3,933,833	920,285	4,854,118	5,108,070
Net pension liability	208,009	-	208,009	395,001
<b>TOTAL LIABILITIES</b>	<b>21,249,025</b>	<b>47,735,086</b>	<b>68,984,111</b>	<b>69,312,174</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows relating to pension	377,715	-	377,715	247,309
Deferred inflows relating to OPEB	886,654	207,425	1,094,079	548,240
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>1,264,369</b>	<b>207,425</b>	<b>1,471,794</b>	<b>795,549</b>
<b>NET POSITION</b>				
Net investment in capital assets	26,478,539	12,255,389	38,733,928	38,361,137
Restricted:				
Police expenses	66,670	-	66,670	49,866
Public works expenses	138,781	-	138,781	124,393
Unrestricted	6,113,987	16,455,517	22,569,504	18,790,496
<b>TOTAL NET POSITION</b>	<b>32,797,977</b>	<b>28,710,906</b>	<b>61,508,883</b>	<b>57,325,892</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	<b>\$ 55,311,371</b>	<b>\$ 76,653,417</b>	<b>\$131,964,788</b>	<b>\$127,433,615</b>

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

**CITY OF REHOBOTH BEACH  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED MARCH 31, 2021  
(With Summarized Comparative Data for the Year Ended March 31, 2020)**

	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating	Capital	Governmental Activities	Business-type Activities	Totals	
			Grants and Contributions	Grants and Contributions			2021	2020
<b>GOVERNMENTAL ACTIVITIES:</b>								
General government	\$ 4,412,870	\$ 1,333,471	\$ 74,482	\$ -	\$ (3,004,917)	\$ -	\$ (3,004,917)	\$ (2,175,106)
Public safety	4,456,500	215,489	254,691	-	(3,986,320)	-	(3,986,320)	(4,035,168)
Public works	6,978,623	5,792,410	1,601,596	-	415,383	-	415,383	853,345
Recreation and culture	792,067	327,909	390,000	-	(74,158)	-	(74,158)	(326,424)
Interest on general long-term debt	369,346	-	-	-	(369,346)	-	(369,346)	(407,849)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>17,009,406</b>	<b>7,669,279</b>	<b>2,320,769</b>	<b>-</b>	<b>(7,019,358)</b>	<b>-</b>	<b>(7,019,358)</b>	<b>(6,091,202)</b>
<b>BUSINESS-TYPE ACTIVITIES:</b>								
Water	2,232,836	4,429,505	22,742	-	-	2,219,411	2,219,411	1,025,842
Sewer	5,502,620	4,293,188	34,295	772,286	-	(402,851)	(402,851)	(595,722)
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>7,735,456</b>	<b>8,722,693</b>	<b>57,037</b>	<b>772,286</b>	<b>-</b>	<b>1,816,560</b>	<b>1,816,560</b>	<b>430,120</b>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 24,744,862</b>	<b>\$ 16,391,972</b>	<b>\$ 2,377,806</b>	<b>\$ 772,286</b>	<b>(7,019,358)</b>	<b>1,816,560</b>	<b>(5,202,798)</b>	<b>(5,661,082)</b>
<b>GENERAL REVENUES:</b>								
Taxes					9,126,472	-	9,126,472	6,665,147
Investment earnings					5,398	5,263	10,661	210,376
Franchise fees					179,203	-	179,203	177,629
Miscellaneous revenues					69,453	-	69,453	297,311
<b>TOTAL GENERAL REVENUES</b>					<b>9,380,526</b>	<b>5,263</b>	<b>9,385,789</b>	<b>7,350,463</b>
<b>CHANGE IN NET POSITION</b>					<b>2,361,168</b>	<b>1,821,823</b>	<b>4,182,991</b>	<b>1,689,381</b>
<b>NET POSITION, BEGINNING OF YEAR</b>					<b>30,436,809</b>	<b>26,889,083</b>	<b>57,325,892</b>	<b>55,636,511</b>
<b>NET POSITION, END OF YEAR</b>					<b>\$ 32,797,977</b>	<b>\$ 28,710,906</b>	<b>\$ 61,508,883</b>	<b>\$ 57,325,892</b>

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

**CITY OF REHOBOTH BEACH  
BALANCE SHEET - GOVERNMENTAL FUNDS  
MARCH 31, 2021  
(With Summarized Comparative Data for March 31, 2020)**

	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Totals	
				2021	2020
<b>ASSETS</b>					
Cash and cash equivalents	\$ 12,051,828	\$ -	\$ 171,848	\$ 12,223,676	\$ 15,082,328
Taxes receivable	32,423	-	-	32,423	35,882
Accounts receivable	1,521,053	-	-	1,521,053	434,749
Lease receivable	18,000	-	-	18,000	17,700
Prepaid expenditures	93,337	-	-	93,337	243,882
Inventory	13,739	-	-	13,739	14,739
Due from other funds	-	-	44,079	44,079	35,940
<b>TOTAL ASSETS</b>	<b>\$ 13,730,380</b>	<b>\$ -</b>	<b>\$ 215,927</b>	<b>\$ 13,946,307</b>	<b>\$ 15,865,220</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES:</b>					
Accounts payable	\$ 125,739	\$ -	\$ 9,596	\$ 135,335	\$ 261,787
Due to Alderman's Court	250	-	-	250	4,632
Due to other funds	2,336,141	-	880	2,337,021	6,183,007
Accrued salaries and benefits	283,866	-	-	283,866	134,810
Deposits	165,902	-	-	165,902	128,018
Unearned revenue	192,828	-	-	192,828	127,639
<b>TOTAL LIABILITIES</b>	<b>3,104,726</b>	<b>-</b>	<b>10,476</b>	<b>3,115,202</b>	<b>6,839,893</b>
<b>FUND BALANCES:</b>					
Nonspendable	107,076	-	-	107,076	258,621
Restricted:					
Police expenditures	-	-	66,670	66,670	49,866
Public works expenditures	-	-	138,781	138,781	124,393
Unassigned	10,518,578	-	-	10,518,578	8,592,447
<b>TOTAL FUND BALANCES</b>	<b>10,625,654</b>	<b>-</b>	<b>205,451</b>	<b>10,831,105</b>	<b>9,025,327</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 13,730,380</b>	<b>\$ -</b>	<b>\$ 215,927</b>	<b>\$ 13,946,307</b>	<b>\$ 15,865,220</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, 2021**

TOTAL GOVERNMENTAL FUND BALANCES \$ 10,831,105

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. 42,132,564

The City's net pension liability is not a current financial obligation and, therefore, is not reported in the funds. (208,009)

The City's net OPEB liability is not a current financial obligation and, therefore, is not reported in the funds. (3,933,833)

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

Accrued interest	(12,305)
Notes and bonds payable	(15,654,025)
Compensated absences	(662,672)

Deferred outflows and inflows related to the City's net pension and OPEB liabilities 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	\$ 812,665	
Deferred outflows relating to OPEB	756,856	
Deferred inflows of resources:		
Deferred inflows relating to pension	(377,715)	
Deferred inflows relating to OPEB	(886,654)	
	305,152	305,152

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 32,797,977

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, 2021**  
**(With Summarized Comparative Data for the Year Ended March 31, 2020)**

	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Totals	
				2021	2020
<b>REVENUES</b>					
Taxes	\$ 9,126,472	\$ -	\$ -	\$ 9,126,472	\$ 6,665,147
Licenses and permits	1,333,471	-	-	1,333,471	1,629,670
Franchise fees	179,203	-	-	179,203	177,629
Intergovernmental revenues	2,143,084	-	177,685	2,320,769	579,508
Charges for services	5,032,617	-	-	5,032,617	6,875,380
Fines and forfeitures	975,282	-	-	975,282	1,046,969
Investment earnings	5,398	-	-	5,398	115,024
Rents and concessions	327,909	-	-	327,909	470,816
Contributions and donations	12,500	-	-	12,500	40,450
Miscellaneous revenues	55,958	-	-	55,958	209,594
<b>TOTAL REVENUES</b>	<b>19,191,894</b>	<b>-</b>	<b>177,685</b>	<b>19,369,579</b>	<b>17,810,187</b>
<b>EXPENDITURES</b>					
General government	3,815,291	-	-	3,815,291	3,384,216
Public safety	4,409,888	-	32,422	4,442,310	4,287,016
Public works	3,492,853	-	114,071	3,606,924	3,648,267
Recreation and culture	659,388	-	-	659,388	906,925
Debt service	1,415,501	-	-	1,415,501	986,400
Capital outlays	4,054,483	-	-	4,054,483	2,619,011
<b>TOTAL EXPENDITURES</b>	<b>17,847,404</b>	<b>-</b>	<b>146,493</b>	<b>17,993,897</b>	<b>15,831,835</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>1,344,490</b>	<b>-</b>	<b>31,192</b>	<b>1,375,682</b>	<b>1,978,352</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Sale of assets	995	-	-	995	47,267
Proceeds from long-term debt	429,101	-	-	429,101	-
Transfers in/(out)	(3,170,029)	3,170,029	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(2,739,933)</b>	<b>3,170,029</b>	<b>-</b>	<b>430,096</b>	<b>47,267</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(1,395,443)</b>	<b>3,170,029</b>	<b>31,192</b>	<b>1,805,778</b>	<b>2,025,619</b>
<b>FUND BALANCES (DEFICIT), BEGINNING OF YEAR</b>	<b>12,021,097</b>	<b>(3,170,029)</b>	<b>174,259</b>	<b>9,025,327</b>	<b>6,999,708</b>
<b>FUND BALANCES, END OF YEAR</b>	<b>\$ 10,625,654</b>	<b>\$ -</b>	<b>\$ 205,451</b>	<b>\$ 10,831,105</b>	<b>\$ 9,025,327</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, 2021**

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 1,805,778

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the period. 89,043

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. 617,054

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). (57,230)

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. 166,936

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. (260,413)

CHANGE IN NET POSITION GOVERNMENTAL ACTIVITIES \$ 2,361,168

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



**CITY OF REHOBOTH BEACH**  
**STATEMENT OF NET POSITION - PROPRIETARY FUNDS**  
**MARCH 31, 2021**  
**(With Summarized Comparative Data for March 31, 2020)**

	Water Fund	Sewer Fund	Totals	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>				
Current Assets:				
Cash and cash equivalents	\$ 5,889,795	\$ 8,340,675	\$ 14,230,470	\$ 8,308,763
Accounts receivable	467,294	394,405	861,699	614,746
Due from other funds	2,506,310	-	2,506,310	6,147,067
Prepaid expenses	9,775	48,947	58,722	95,714
Inventory	335,602	81,964	417,566	399,836
Noncurrent Assets:				
Capital assets, net of depreciation	7,952,694	50,662,264	58,614,958	58,476,077
<b>TOTAL ASSETS</b>	<u>17,161,470</u>	<u>59,528,255</u>	<u>76,689,725</u>	<u>74,042,203</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows related to net OPEB liability	65,480	111,580	177,060	182,642
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>65,480</u>	<u>111,580</u>	<u>177,060</u>	<u>182,642</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 17,226,950</u>	<u>\$ 59,639,835</u>	<u>\$ 76,866,785</u>	<u>\$ 74,224,845</u>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts payable	\$ 16,841	\$ 49,264	\$ 66,105	\$ 71,337
Accrued salaries and benefits	46,367	42,103	88,470	29,200
Accrued interest	25,239	74,123	99,362	70,100
Contingency reserve	-	40,349	40,349	40,343
Due to other funds	-	213,368	213,368	-
Notes and bonds payable	288,341	1,483,497	1,771,838	1,765,474
Noncurrent Liabilities:				
Notes and bonds payable	1,906,334	42,681,397	44,587,731	44,121,908
Net OPEB liability	340,337	579,948	920,285	968,431
Compensated absences	59,897	101,049	160,946	165,029
<b>TOTAL LIABILITIES</b>	<u>2,683,356</u>	<u>45,265,098</u>	<u>47,948,454</u>	<u>47,231,822</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows related to net OPEB liability	76,709	130,716	207,425	103,940
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>76,709</u>	<u>130,716</u>	<u>207,425</u>	<u>103,940</u>
<b>NET POSITION</b>				
Net investment in capital assets	5,758,019	6,497,370	12,255,389	12,588,695
Unrestricted	8,708,866	7,746,651	16,455,517	14,300,388
<b>TOTAL NET POSITION</b>	<u>14,466,885</u>	<u>14,244,021</u>	<u>28,710,906</u>	<u>26,889,083</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	<u>\$ 17,226,950</u>	<u>\$ 59,639,835</u>	<u>\$ 76,866,785</u>	<u>\$ 74,224,845</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, 2021**  
**(With Summarized Comparative Data for the Year Ended March 31, 2020)**

	Water Fund	Sewer Fund	Totals	
			2021	2020
<b>OPERATING REVENUES</b>				
Charges for services	\$ 4,306,640	\$ 4,269,272	\$ 8,575,912	\$ 7,551,586
Other operating revenues	89,865	4,890	94,755	129,959
<b>Total Operating Revenues</b>	<u>4,396,505</u>	<u>4,274,162</u>	<u>8,670,667</u>	<u>7,681,545</u>
<b>OPERATING EXPENSES</b>				
Salaries and benefits	718,420	1,038,637	1,757,057	1,574,103
Materials and supplies	115,858	290,558	406,416	440,056
Administration expenses	2,477	5,110	7,587	38,576
Contractual services	113,717	322,500	436,217	207,941
Land and equipment rental	-	66,148	66,148	133,676
Repairs and maintenance	568,755	323,539	892,294	1,229,176
Utilities	91,189	224,825	316,014	342,961
Insurance	73,175	103,924	177,099	126,901
Depreciation	486,078	2,240,913	2,726,991	2,791,469
<b>Total Operating Expenses</b>	<u>2,169,669</u>	<u>4,616,154</u>	<u>6,785,823</u>	<u>6,884,859</u>
<b>OPERATING INCOME (LOSS)</b>	<u>2,226,836</u>	<u>(341,992)</u>	<u>1,884,844</u>	<u>796,686</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Water capitalization fees	33,000	-	33,000	36,000
Sewer impact fees	-	19,026	19,026	63,487
Investment income	1,639	3,624	5,263	95,352
Interest expense	(63,167)	(886,466)	(949,633)	(546,166)
Intergovernmental grants	22,742	34,295	57,037	80,113
<b>Total Nonoperating Revenues (Expenses)</b>	<u>(5,786)</u>	<u>(829,521)</u>	<u>(835,307)</u>	<u>(271,214)</u>
<b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS</b>	<u>2,221,050</u>	<u>(1,171,513)</u>	<u>1,049,537</u>	<u>373,318</u>
Capital contributions	-	772,286	772,286	-
<b>CHANGE IN NET POSITION</b>	<u>2,221,050</u>	<u>(399,227)</u>	<u>1,821,823</u>	<u>525,472</u>
<b>NET POSITION, BEGINNING OF YEAR</b>	<u>12,245,835</u>	<u>14,643,248</u>	<u>26,889,083</u>	<u>26,363,611</u>
<b>NET POSITION, END OF YEAR</b>	<u>\$ 14,466,885</u>	<u>\$ 14,244,021</u>	<u>\$ 28,710,906</u>	<u>\$ 26,889,083</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, 2021**  
**(With Summarized Comparative Data for the Year Ended March 31, 2020)**

	Water Fund	Sewer Fund	Totals	
			2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash received from customers	\$ 4,326,560	\$ 4,097,154	\$ 8,423,714	\$ 7,360,818
Cash paid for goods and services	(984,681)	(1,270,570)	(2,255,251)	(4,704,985)
Cash paid to employees	(671,990)	(968,959)	(1,640,949)	(1,570,878)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>2,669,889</u>	<u>1,857,625</u>	<u>4,527,514</u>	<u>1,084,955</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Advance from other funds	1,071,329	2,782,796	3,854,125	-
<b>NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES</b>	<u>1,071,329</u>	<u>2,782,796</u>	<u>3,854,125</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Capital assets purchased	(417,023)	(2,448,849)	(2,865,872)	(867,804)
Proceeds received from capitalization and impact fees	33,000	19,026	52,026	99,487
Capital grants	22,742	34,295	57,037	80,113
Capital contributions	-	772,286	772,286	-
Proceeds from bond payable	-	2,237,660	2,237,660	1,675,433
Principal paid on note payable	(280,543)	(1,484,930)	(1,765,473)	(322,811)
Interest paid on note payable	(66,394)	(886,466)	(952,860)	(549,306)
<b>NET CASH (USED) PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(708,218)</u>	<u>(1,756,978)</u>	<u>(2,465,196)</u>	<u>115,112</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Interest income	1,639	3,625	5,264	95,352
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<u>1,639</u>	<u>3,625</u>	<u>5,264</u>	<u>95,352</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	3,034,639	2,887,068	5,921,707	1,295,419
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>2,855,156</u>	<u>5,453,607</u>	<u>8,308,763</u>	<u>7,013,344</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 5,889,795</u>	<u>\$ 8,340,675</u>	<u>\$ 14,230,470</u>	<u>\$ 8,308,763</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>				
Operating income (loss)	\$ 2,226,836	\$ (341,992)	\$ 1,884,844	\$ 796,686
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	486,078	2,240,913	2,726,991	2,791,469
(Increase) Decrease in assets:				
Accounts receivable	(69,945)	(177,008)	(246,953)	(320,727)
Due from other funds	-	-	-	(2,483,172)
Inventory	(17,371)	(359)	(17,730)	(28,934)
Prepaid expenses	-	36,992	36,992	(31,856)
Deferred outflows of resources related to net OPEB liability	2,064	3,518	5,582	14,709
Increase (Decrease) in liabilities:				
Accounts payable	(2,139)	(3,093)	(5,232)	(19,940)
Contingency reserve	-	6	6	53,643
Accrued salaries and benefits	33,200	26,070	59,270	(45,546)
Accrued expenses	-	32,488	32,488	(32,195)
Due to other funds	-	-	-	356,756
Net OPEB liability	(17,805)	(30,341)	(48,146)	41,570
Compensated absences	(9,299)	5,216	(4,083)	6,691
Deferred inflows of resources related to net OPEB liability	38,270	65,215	103,485	(14,199)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>\$ 2,669,889</u>	<u>\$ 1,857,625</u>	<u>\$ 4,527,514</u>	<u>\$ 1,084,955</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 generally accepted accounting principles ("GAAP") recognized in the United States of America 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 funds:

**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.

**Capital Projects Fund** – The capital projects fund is used to track expenditures associated with the construction of the recently completed City Hall complex.

***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.

CITY OF REHOBOTH BEACH  
NOTES TO FINANCIAL STATEMENTS

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

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.

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, 2020, 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 2021 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.

CITY OF REHOBOTH BEACH  
NOTES TO FINANCIAL STATEMENTS

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

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.

Prepaid Expenses/Expenditures

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

Capital Assets

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

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

The service lives by type of asset are as follows:

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

Allowance for Doubtful Accounts

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



CITY OF REHOBOTH BEACH  
NOTES TO FINANCIAL STATEMENTS

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

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) 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 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 liability and net OPEB liability are required to be amortized over a period of years; the unamortized portions of these changes are reflected as deferred outflows and inflows of resources on the entity-wide and proprietary fund statements of net position.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE B STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

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

- Formal budgetary integration is employed as a management control device during the year for the general fund. This budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America.
- 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.

NOTE C CASH AND CASH EQUIVALENTS

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

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

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

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

Cash and cash equivalents in the water fund (\$5,889,795) and the sewer fund (\$8,340,675) 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, 2021, the carrying amount of the City's deposits was \$26,454,146, and the bank balance was \$27,276,088. Of the bank balance, \$250,000 was covered by federal depository insurance, and \$27,026,088 was collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.

CITY OF REHOBOTH BEACH  
NOTES TO FINANCIAL STATEMENTS

NOTE D INTERNAL RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of March 31, 2021 is as follows:

<u>Due from</u>		<u>Due to</u>	
General Fund	\$2,336,141	Water Fund	\$2,506,310
Sewer Fund	213,368	Nonmajor Governmental Funds	<u>44,079</u>
Nonmajor Governmental Funds	<u>880</u>		
	<u>\$2,550,389</u>		<u>\$2,550,389</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. During the year ended March 31, 2021, the General Fund transferred \$3,170,029 to the Capital Projects Fund to eliminate the fund balance deficit in that fund.

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

Capital asset activity for the year ended March 31, 2021 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital assets not being depreciated:				
Land	\$ 2,814,959	\$ -	\$ -	\$ 2,814,959
Construction-in-progress	134,896	2,398,534	-	2,533,430
Total Capital Assets Not Being Depreciated	<u>2,949,855</u>	<u>2,398,534</u>	<u>-</u>	<u>5,348,389</u>
Capital assets being depreciated:				
Infrastructure and land improvements	52,321,119	686,398	-	53,007,517
Buildings and improvements	28,414,517	51,999	-	28,466,516
Machinery and equipment	7,429,291	672,764	-	8,102,055
Vehicles	1,915,101	39,937	-	1,955,038
Total Capital Assets Being Depreciated	<u>90,080,028</u>	<u>1,451,098</u>	<u>-</u>	<u>91,531,126</u>
Less accumulated depreciation for:				
Infrastructure and land improvements	38,485,327	2,035,932	-	40,521,259
Buildings and improvements	5,447,928	1,000,407	-	6,448,335
Machinery and equipment	5,419,385	635,207	-	6,054,592
Vehicles	1,633,722	89,043	-	1,722,765
Total accumulated depreciation	<u>50,986,362</u>	<u>3,760,589</u>	<u>-</u>	<u>54,746,951</u>
Total Capital Assets Being Depreciated, Net	<u>39,093,666</u>	<u>(2,309,491)</u>	<u>-</u>	<u>36,784,175</u>
Governmental Activities Assets, Net	<u>\$42,043,521</u>	<u>\$ 89,043</u>	<u>\$ -</u>	<u>\$42,132,564</u>

CITY OF REHOBOTH BEACH  
NOTES TO FINANCIAL STATEMENTS

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

Depreciation expense was charged to the functions as follows:

Governmental Activities:	
General government	\$ 190,576
Public safety	127,385
Public works	3,309,949
Recreation and culture	<u>132,679</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 3,760,589</u>

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

Capital asset activity for the year ended March 31, 2021 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>BUSINESS-TYPE ACTIVITIES</b>				
Capital assets not being depreciated:				
Land	\$ 192,936	\$ -	\$ -	\$ 192,936
Construction-in-progress	<u>5,809</u>	-	-	<u>5,809</u>
Total Capital Assets Not Being Depreciated	<u>198,745</u>	-	-	<u>198,745</u>
Capital assets being depreciated:				
Buildings, infrastructure, and improvements	90,805,414	2,850,706	-	93,656,120
Machinery and equipment	2,884,362	15,166	-	2,899,528
Vehicles	<u>792,434</u>	-	-	<u>792,434</u>
Total Capital Assets Being Depreciated	<u>94,482,210</u>	<u>2,865,872</u>	-	<u>97,348,082</u>
Less accumulated depreciation for:				
Buildings, infrastructure, and improvements	33,402,852	2,580,987	-	35,983,839
Machinery and equipment	2,031,150	136,055	-	2,167,205
Vehicles	<u>770,876</u>	<u>9,949</u>	-	<u>780,825</u>
Total accumulated depreciation	<u>36,204,878</u>	<u>2,726,991</u>	-	<u>38,931,869</u>
Total Capital Assets Being Depreciated, Net	<u>58,277,332</u>	<u>138,881</u>	-	<u>58,416,213</u>
Business-type Activities Assets, Net	<u>\$58,476,077</u>	<u>\$ 138,881</u>	<u>\$ -</u>	<u>\$58,614,958</u>

Depreciation expense was charged to the functions as follows:

Business-type Activities:	
Water	\$ 486,078
Sewer	<u>2,240,913</u>
Total Depreciation Expense - Business-type Activities	<u>\$ 2,726,991</u>

CITY OF REHOBOTH BEACH  
NOTES TO FINANCIAL STATEMENTS

NOTE G     LONG-TERM DEBT

Debt outstanding as of March 31, 2021 is composed of the following:

Governmental Activities

The City obtained a USDA direct program note in the amount of \$18,000,000. The note matures on December 22, 2041 and bears interest at 2.375%; payable on March 22, June 22, September 22, and December 22 of each year.

\$ 15,654,025

Total Governmental Activities

\$ 15,654,025

Business-type Activities

General Obligation Note of 2007, issued by the State of Delaware, to finance capital improvements in connection with the Lynch Well Improvement Project. The loan matures on November 1, 2027 and bears interest at 2.76%; payable on May 1 and November 1.

\$ 2,194,675

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.

163,581

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 loan matures on March 1, 2043 and bears interest at 1% with an additional 1% administrative fee; payable on March 1 and September 1.

39,047,525

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 loan matures on March 1, 2043 and bears interest at 1% with an additional 1% administrative fee; payable on March 1 and September 1.

4,953,788

Total Business-type Activities

\$ 46,359,569

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 at March 31, 2021 are as follows:

March 31,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2022	\$ 604,426	\$ 366,590	\$ 1,771,838	\$ 836,944
2023	634,662	351,738	1,810,205	798,577
2024	649,870	336,530	1,849,421	759,361
2025	665,442	320,958	1,831,649	719,707
2026	681,388	305,012	1,870,873	680,483
2027 - 2031	3,659,822	1,272,178	8,895,942	2,820,024
2032 - 2036	4,119,836	812,164	9,085,915	1,936,175
2037 - 2041	4,263,084	296,415	10,036,502	985,588
2042 - 2043	375,495	4,259	9,207,224	155,400
Total	<u>\$ 15,654,025</u>	<u>\$ 4,065,844</u>	<u>\$ 46,359,569</u>	<u>\$ 9,692,259</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, 2021:

	Balance April 1, 2020	Increase	Decreases	Balance March 31, 2021	Due Within One Year
<b>Governmental Activities:</b>					
Notes and bonds payable	\$ 16,271,079	\$ 429,101	\$ 1,046,155	\$ 15,654,025	\$ 604,426
Net pension liability	395,001	-	186,992	208,009	-
Net OPEB liability	4,139,639	-	205,806	3,933,833	-
Compensated absences	605,442	57,230	-	662,672	-
Total	<u>\$ 21,411,161</u>	<u>\$ 486,331</u>	<u>\$ 1,438,953</u>	<u>\$ 20,458,539</u>	<u>\$ 604,426</u>
<b>Business-type Activities:</b>					
Notes and bonds payable	\$ 45,887,382	\$ 2,237,660	\$ 1,765,473	\$ 46,359,569	\$ 1,771,838
Net OPEB liability	968,431	-	48,146	920,285	-
Compensated absences	165,029	-	4,083	160,946	-
Total	<u>\$ 47,020,842</u>	<u>\$ 2,237,660</u>	<u>\$ 1,817,702</u>	<u>\$ 47,440,800</u>	<u>\$ 1,771,838</u>

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

CITY OF REHOBOTH BEACH  
NOTES TO FINANCIAL STATEMENTS

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 Massachusetts Mutual Life Insurance Company. 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, 2021, 2020 and 2019, the City's employer contributions totaled \$127,538, \$106,887, and \$65,793, respectively.

Delaware County and Municipal Police/Firefighter Pension Plan

Plan Description

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

The General Assembly is responsible for setting benefits and contributions and amending plan provisions; administrative rules and regulations are adopted and maintained by the Board of Pension Trustees ("the Board").

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, 2020. For a more complete description, please refer to the DPERS Comprehensive Annual 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

CITY OF REHOBOTH BEACH  
NOTES TO FINANCIAL STATEMENTS

NOTE I RETIREMENT PLANS (cont'd)

the Plan's net pension liability is 1.3535% at June 30, 2020, a decrease of 0.0217% from June 30, 2019.

**Service Benefits:** Final average monthly compensation of 2.5 percent multiplied by years of credited service up to 20 years, plus 3.5 percent of final average monthly compensation multiplied by years of service in excess of 20 years. For this plan, final average monthly compensation is the monthly average of the highest three consecutive years of compensation.

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

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

**Disability Benefits:**

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

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

**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, 2021, the rate of the employer contributions was 26.08 percent of covered payroll. The City's contribution to the Plan for the year ended March 31, 2021 was \$387,559.

Actuarial Assumptions

The collective total pension liability for the June 30, 2020 measurement date was determined by an actuarial valuation as of June 30, 2019, with update procedures used to roll forward the



CITY OF REHOBOTH BEACH  
NOTES TO FINANCIAL STATEMENTS

NOTE I RETIREMENT PLANS (cont'd)

total pension liability to June 30, 2020. These actuarial valuations used the following actuarial assumptions:

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

The total pension liabilities are measured based on assumptions pertaining to the interest rates, inflation rates, and employee demographic behavior in future years. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates the larger the impact on future financial statements.

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic equity	28.5%	5.7%
International equity	15.2%	5.7%
Fixed income	28.8%	2.0%
Alternative investments	23.0%	7.8%
Cash equivalents	4.5%	-
	<u>100%</u>	

CITY OF REHOBOTH BEACH  
NOTES TO FINANCIAL STATEMENTS

NOTE I RETIREMENT PLANS (cont'd)

Discount Rate

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

Sensitivity of the City's Proportionate Share of the Net Pension Liability 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 Rate Discount Rate 7.0%	1% Increase 8.0%
City's proportionate share of the net pension liability (asset)	\$ 1,157,809	\$ 208,009	\$ (567,203)

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

For the year ended March 31, 2021, the City recognized pension expense of \$220,623. At March 31, 2021, 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	\$ -	\$ 147,473
Changes in proportions	2,988	8,466
Changes in assumptions	76,800	31,424
Difference between employer contributions and proportionate share of total contributions	138,362	124,811
Differences between expected and actual experience	206,956	65,541
Contributions subsequent to the date of measurement	387,559	-
	\$ 812,665	\$ 377,715

CITY OF REHOBOTH BEACH  
NOTES TO FINANCIAL STATEMENTS

NOTE I RETIREMENT PLANS (cont'd)

An amount of \$387,559 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, 2022. 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:

<u>Year Ended March 31,</u>	
2022	\$ (6,139)
2023	(6,139)
2024	(6,139)
2025	(6,139)
2026	(6,139)
2027 - 2031	<u>78,086</u>
	<u>\$ 47,391</u>

NOTE J OPERATING LEASES

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

The City leases certain property designated as Lot 22, Rehoboth Avenue, Rehoboth Beach, Delaware. The lease expired on December 31, 2020, and has been renewed for an additional year. Under the agreement, the tenant has the option to extend the lease for up to an additional five-year period ending December 31, 2025. The lease calls for rental income to be adjusted each January and is paid in three installments due July 1, August 1, and September 1 of each year.

Future minimum receipts under the agreement are as follows:

<u>For the Year Ended March 31,</u>	<u>Amount</u>
2022	\$ 73,200
2023	74,400
2024	75,600
2025	<u>76,800</u>
Total	<u>\$ 300,000</u>

Rental income under this lease for the year ended March 31, 2021 was \$72,000.

CITY OF REHOBOTH BEACH  
NOTES TO FINANCIAL STATEMENTS

NOTE K CONTINGENCIES AND COMMITMENTS

Government Grants and Awards

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

Litigation

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

Construction Commitments

At March 31, 2021, the City reported \$2,539,239 in construction-in-progress costs for projects 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.

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

CITY OF REHOBOTH BEACH  
NOTES TO FINANCIAL STATEMENTS

NOTE M OTHER POSTEMPLOYMENT BENEFITS (cont'd)

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, 2020 was determined by rolling forward the plan's total OPEB liability as of April 1, 2019 to April 1, 2020. The actuarial cost method uses entry age normal.

Participants

As of April 1, 2020, the plan had ninety-five participants, consisting of eighty-six active participants, zero vested former participants, and nine retired participants.

Discount Rate

The discount rate used to measure the total OPEB liability was three percent based on the 20-Year High Municipal Rate Index at April 1, 2020.

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.

CITY OF REHOBOTH BEACH  
NOTES TO FINANCIAL STATEMENTS

NOTE M OTHER POSTEMPLOYMENT BENEFITS (cont'd)

Withdrawal

The table below shows rates of withdrawal at selected ages.

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

Mortality

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

Retirement

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

Percent of Eligible Retirees Electing Coverage in Plan

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

Per Capita Claims Cost

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

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

Retiree Contributions

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

CITY OF REHOBOTH BEACH  
NOTES TO FINANCIAL STATEMENTS

NOTE M OTHER POSTEMPLOYMENT BENEFITS (cont'd)

Healthcare Cost Trend Rate

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

Sensitivity Analysis

The following presents the net OPEB liability, calculated using the valuation discount rate of 3.00 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.

	1% Decrease 2.00%	Current Discount Rate 3.00%	1% Increase 4.00%
Total OPEB liability	\$ 5,713,859	\$ 4,854,118	\$ 4,174,522
Fiduciary net position	-	-	-
Net OPEB liability	<u>\$ 5,713,859</u>	<u>\$ 4,854,118</u>	<u>\$ 4,174,522</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.

	1% Decrease	Current Healthcare Trend Rate	1% Increase
Total OPEB liability	\$ 3,927,873	\$ 4,854,118	\$ 6,051,262
Fiduciary net position	-	-	-
Net OPEB liability	<u>\$ 3,927,873</u>	<u>\$ 4,854,118</u>	<u>\$ 6,051,262</u>

Changes in Total OPEB Liability

Total OPEB liability as of April 1, 2019	\$ 5,108,070
Service cost	171,567
Interest on OPEB obligation	153,700
Differences between expected and actual experience	(685,462)
Change of assumptions	247,282
Benefit payments	(141,039)
Total OPEB liability as of April 1, 2020	<u>\$ 4,854,118</u>

CITY OF REHOBOTH BEACH  
NOTES TO FINANCIAL STATEMENTS

NOTE M OTHER POSTEMPLOYMENT BENEFITS (cont'd)

The amount of OPEB expense recognized by the City was \$321,334 for the year ended March 31, 2021.

At March 31, 2021, the City reported deferred outflows and inflows of resources relating to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 1,094,079
Changes of assumptions	774,908	-
Contributions subsequent to measurement date	159,008	-
Total	\$ 933,916	\$ 1,094,079

Excluding contributions subsequent to the measurement date, deferred inflows and outflows of resources will be recognized in OPEB expense as follows:

Year Ending March 31,

2022	\$ 27,443
2023	27,443
2024	27,443
2025	27,443
2026	27,443
Thereafter	(456,386)
	\$ (319,171)

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.



CITY OF REHOBOTH BEACH  
NOTES TO FINANCIAL STATEMENTS

NOTE N FUND BALANCES (cont'd)

*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, 2021, fund balances are composed of the following:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:			
Prepaid expenditures	\$ 93,337	\$ -	\$ 93,337
Inventory	13,739	-	13,739
Restricted:			
Police expenditures	-	66,670	66,670
Public works expenditures	-	138,781	138,781
Unassigned	10,518,578	-	10,518,578
Total Fund Balances	\$10,625,654	\$ 205,451	\$ 10,831,105

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, 2021:

General government - mayor and council	\$ 254,413
Public safety - dispatch	\$ 22,400
Public safety - volunteer fire	\$ 764
Recreation and culture - museum	\$ 109
Recreation and culture – main street	\$ 2,593
Debt service – interest and principal	\$ 429,101
Capital outlays	\$ 851,910

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

CITY OF REHOBOTH BEACH  
NOTES TO FINANCIAL STATEMENTS

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, 2021.

<u>Organization</u>	<u>Donation</u>	<u>Expenses Paid on Behalf of Organization</u>	<u>Total</u>
Rehoboth Beach Volunteer Fire Company	\$ 100,000	\$ 764	\$ 100,764
Rehoboth Beach Main Street	60,000	2,596	62,596
Rehoboth Beach Historical Society	10,000	18,109	28,109
Rehoboth Beach Public Library	30,000	-	30,000
Total	<u>\$ 200,000</u>	<u>\$ 21,469</u>	<u>\$ 221,469</u>

NOTE Q UNCERTAINTIES

As a result of the spread of the COVID-19 coronavirus which continues to develop, economic and operational uncertainties have arisen which may impact the City in fiscal year 2022. The extent of the impact is unknown at this time, but revenues are anticipated to be lower than initially budgeted for 2022 due to state mandated closures impacting the City's tourism industry.

NOTE R SUBSEQUENT EVENTS

The City has evaluated all subsequent events through October 27, 2021, 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, 2021**

	Original and Final Appropriated Budget	Actual (GAAP Basis)	Variance Positive (Negative)
<b>REVENUES</b>			
Taxes:			
Property tax	\$ 2,031,800	\$ 2,010,195	\$ (21,605)
Rental tax	2,000,000	2,136,065	136,065
Transfer tax	1,600,000	4,196,903	2,596,903
Construction tax	55,000	61,043	6,043
Hotel accommodations tax	800,000	719,708	(80,292)
Penalties and interest	3,300	2,558	(742)
Total Taxes	<u>6,490,100</u>	<u>9,126,472</u>	<u>2,636,372</u>
Licenses and permits:			
Mercantile licenses	600,000	511,642	(88,358)
Building permits	859,800	771,854	(87,946)
Other	-	49,975	49,975
Total Licenses and Permits	<u>1,459,800</u>	<u>1,333,471</u>	<u>(126,329)</u>
Franchise fees	<u>170,000</u>	<u>179,203</u>	<u>9,203</u>
Intergovernmental revenues:			
General government	155,000	74,482	(80,518)
Public works	50,000	1,473,137	1,423,137
Public safety	189,345	205,465	16,120
Recreation and culture	-	390,000	390,000
Total Intergovernmental Revenues	<u>394,345</u>	<u>2,143,084</u>	<u>1,748,739</u>
Charges for services:			
Parking meters	4,740,200	3,412,937	(1,327,263)
Parking permits	946,500	790,474	(156,026)
Waste collection	834,400	829,206	(5,194)
Total Charges for Services	<u>6,521,100</u>	<u>5,032,617</u>	<u>(1,488,483)</u>
Fines and forfeitures:			
Parking	758,000	759,793	1,793
Court	60,000	74,941	14,941
Police	85,000	140,548	55,548
Total Fines and Forfeitures	<u>903,000</u>	<u>975,282</u>	<u>72,282</u>
Investment earnings	140,500	5,398	(135,102)
Rents and concessions	502,333	327,909	(174,424)
Contributions and donations	19,280	12,500	(6,780)
Sale of property and supplies	830,000	995	(829,005)
Miscellaneous revenues	135,600	55,958	(79,642)
<b>TOTAL REVENUES</b>	<u>17,566,058</u>	<u>19,192,889</u>	<u>1,626,831</u>
<b>EXPENDITURES</b>			
General government:			
Mayor and Commissioners	261,762	516,175	(254,413)
Assessors	2,784	2,661	123
Administrative	2,077,570	1,874,130	203,440
Alderman Court	70,317	69,286	1,031
Buildings and licensing	482,916	460,187	22,729
Information technology	562,056	507,846	54,210
Communications	422,727	299,028	123,699
Buildings and grounds	89,978	85,978	4,000
Total General Government	<u>3,970,110</u>	<u>3,815,291</u>	<u>154,819</u>

Continued on next page.

**CITY OF REHOBOTH BEACH  
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
FOR THE YEAR ENDED MARCH 31, 2021**

	<u>Original and Final Appropriated Budget</u>	<u>Actual (GAAP Basis)</u>	<u>Variance Positive (Negative)</u>
EXPENDITURES (cont'd)			
Public safety:			
Police	3,022,781	3,005,977	16,804
Dispatch	738,971	761,371	(22,400)
Volunteer fire	100,000	100,764	(764)
Beach patrol	652,547	541,776	110,771
Total Public Safety	<u>4,514,299</u>	<u>4,409,888</u>	<u>104,411</u>
Public works:			
Streets and refuse	2,753,632	2,397,610	356,022
Parking	1,260,272	1,095,243	165,029
Total Public Works	<u>4,013,904</u>	<u>3,492,853</u>	<u>521,051</u>
Recreation and culture:			
Comfort stations	191,700	176,903	14,797
Parks	405,205	308,776	96,429
Library	30,000	30,000	-
Museum	28,000	28,109	(109)
Main Street	60,000	62,593	(2,593)
Recreation and tennis	48,798	19,588	29,210
Bandstand	153,212	33,419	119,793
Total Recreation and Culture	<u>916,915</u>	<u>659,388</u>	<u>257,527</u>
Debt service:			
Interest and principal	986,400	1,415,501	(429,101)
Capital outlays	3,202,573	4,054,483	(851,910)
TOTAL EXPENDITURES	<u>17,604,201</u>	<u>17,847,404</u>	<u>(243,203)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(38,143)</u>	<u>1,345,485</u>	<u>1,383,628</u>
OTHER FINANCING SOURCES			
Proceeds from long-term debt	-	429,101	429,101
Transfers out	-	(3,170,029)	(3,170,029)
TOTAL OTHER FINANCING SOURCES	<u>-</u>	<u>(2,740,928)</u>	<u>(2,740,928)</u>
NET CHANGE IN FUND BALANCE	<u>\$ (38,143)</u>	(1,395,443)	<u>\$ (1,357,300)</u>
FUND BALANCE, BEGINNING OF YEAR		<u>12,021,097</u>	
FUND BALANCE, END OF YEAR		<u>\$ 10,625,654</u>	

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

	MEASUREMENT DATE					
	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
City's proportion of the net pension asset (liability)	1.3535%	1.3752%	1.4058%	1.3791%	1.4716%	1.4716%
City's proportion of the net pension asset (liability) - dollar value	\$ (208,009)	\$ (395,001)	\$ (323,763)	\$ (139,030)	\$ (248,287)	\$ 77,560
City's covered employee payroll	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	-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)	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, 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	\$ 387,559	\$ 347,246	\$ 125,220	\$ 121,112	\$ 142,832	\$ 169,967
Contributions in relation to the contractually required contribution	<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>
City's covered-employee payroll	\$ 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	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, 2020	April 1, 2019	April 1, 2018
TOTAL OPEB LIABILITY			
Service cost	\$ 171,567	\$ 177,815	\$ 106,656
Interest on total OPEB liability	153,700	147,737	176,884
Difference between expected and actual experience	(685,462)	-	(698,032)
Effect of change in assumptions	247,282	-	1,047,003
Benefit payments	(141,039)	(106,282)	(118,313)
NET CHANGE IN TOTAL OPEB LIABILITY	(253,952)	219,270	514,198
TOTAL OPEB LIABILITY, BEGINNING OF YEAR	5,108,070	4,888,800	4,374,602
TOTAL OPEB LIABILITY, END OF YEAR	<u>\$ 4,854,118</u>	<u>\$ 5,108,070</u>	<u>\$ 4,888,800</u>
CITY'S NET OPEB LIABILITY	<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%
Covered employee payroll	\$ 5,169,822	\$ 4,598,121	\$ 4,485,972
City's net OPEB liability as a percentage of covered payroll	93.89%	111.09%	108.98%

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



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

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

***Notes to Schedule:***

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

*Valuation Date:* April 1, 2020

***Methods and Assumptions Used:***

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

## **COMBINING FUND STATEMENTS**

**CITY OF REHOBOTH BEACH  
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS  
MARCH 31, 2021**

	<u>Municipal Street Aid</u>	<u>State of Delaware Police Grants</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 149,257	\$ 22,591	\$ 171,848
Due from other funds	-	44,079	44,079
<b>TOTAL ASSETS</b>	<u>\$ 149,257</u>	<u>\$ 66,670</u>	<u>\$ 215,927</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 9,596	\$ -	\$ 9,596
Due to other funds	880	-	880
<b>TOTAL LIABILITIES</b>	<u>10,476</u>	<u>-</u>	<u>10,476</u>
<b>FUND BALANCES</b>			
Restricted:			
Police expenditures	-	66,670	66,670
Public works expenditures	138,781	-	138,781
<b>TOTAL FUND BALANCES</b>	<u>138,781</u>	<u>66,670</u>	<u>205,451</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 149,257</u>	<u>\$ 66,670</u>	<u>\$ 215,927</u>

**CITY OF REHOBOTH BEACH  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED MARCH 31, 2021**

	<u>Municipal Street Aid</u>	<u>State of Delaware Police Grants</u>	<u>Total</u>
REVENUES			
Intergovernmental	\$ 128,459	\$ 49,226	\$ 177,685
TOTAL REVENUES	<u>128,459</u>	<u>49,226</u>	<u>177,685</u>
EXPENDITURES			
Public safety	-	32,422	32,422
Public works	114,071	-	114,071
TOTAL EXPENDITURES	<u>114,071</u>	<u>32,422</u>	<u>146,493</u>
CHANGE IN FUND BALANCES	14,388	16,804	31,192
FUND BALANCES, BEGINNING OF YEAR	<u>124,393</u>	<u>49,866</u>	<u>174,259</u>
FUND BALANCES, END OF YEAR	<u><u>\$ 138,781</u></u>	<u><u>\$ 66,670</u></u>	<u><u>\$ 205,451</u></u>

**CITY OF REHOBOTH BEACH**  
**COMBINING STATEMENT OF NET POSITION - SEWER FUNDS**  
**MARCH 31, 2021**

	Sewer Fund	Sewer Capital Projects Fund	Totals
<b>ASSETS</b>			
Current Assets:			
Cash and cash equivalents	\$ 8,340,675	\$ -	\$ 8,340,675
Accounts receivable	394,405	-	394,405
Due from other funds	1,639,025	-	-
Prepaid expenses	48,947	-	48,947
Inventory	81,964	-	81,964
Noncurrent Assets:			
Capital assets, net of depreciation	48,122,286	2,539,978	50,662,264
<b>TOTAL ASSETS</b>	<b>58,627,302</b>	<b>2,539,978</b>	<b>59,528,255</b>
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows relating to net OPEB liability	111,580	-	111,580
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>111,580</b>	<b>-</b>	<b>111,580</b>
 <b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	 <b>\$ 58,738,882</b>	 <b>\$ 2,539,978</b>	 <b>\$ 59,639,835</b>
 <b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable	\$ 27,806	\$ 21,458	\$ 49,264
Accrued salaries and benefits	42,103	-	42,103
Accrued interest	74,123	-	74,123
Contingency reserve	40,349	-	40,349
Due to other funds	-	1,852,393	213,368
Note payable	1,483,497	-	1,483,497
Noncurrent Liabilities:			
Notes and bonds payable	42,681,397	-	42,681,397
Net OPEB liability	579,948	-	579,948
Compensated absences	101,049	-	101,049
<b>TOTAL LIABILITIES</b>	<b>45,030,272</b>	<b>1,873,851</b>	<b>45,265,098</b>
 <b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows relating to net OPEB liability	130,716	-	130,716
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>130,716</b>	<b>-</b>	<b>130,716</b>
 <b>NET POSITION</b>			
Net investment in capital assets	3,957,392	2,539,978	6,497,370
Unrestricted (deficit)	9,620,502	(1,873,851)	7,746,651
<b>TOTAL NET POSITION</b>	<b>13,577,894</b>	<b>666,127</b>	<b>14,244,021</b>
 <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	 <b>\$ 58,738,882</b>	 <b>\$ 2,539,978</b>	 <b>\$ 59,639,835</b>

**CITY OF REHOBOTH BEACH  
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
IN NET POSITION - SEWER FUNDS  
FOR THE YEAR ENDED MARCH 31, 2021**

	<u>Sewer Fund</u>	<u>Sewer Capital Projects Fund</u>	<u>Totals</u>
<b>OPERATING REVENUES</b>			
Charges for services	\$ 4,269,272	\$ -	\$ 4,269,272
Other operating revenues	4,890	-	4,890
Total Operating Revenues	<u>4,274,162</u>	<u>-</u>	<u>4,274,162</u>
<b>OPERATING EXPENSES</b>			
Salaries and benefits	1,038,637	-	1,038,637
Materials and supplies	290,558	-	290,558
Administration expenses	5,110	-	5,110
Contractual services	322,500	-	322,500
Land and equipment rental	66,148	-	66,148
Repairs and maintenance	323,539	-	323,539
Utilities	224,825	-	224,825
Insurance	103,924	-	103,924
Depreciation	2,240,913	-	2,240,913
Total Operating Expenses	<u>4,616,154</u>	<u>-</u>	<u>4,616,154</u>
<b>OPERATING LOSS</b>	<u>(341,992)</u>	<u>-</u>	<u>(341,992)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Sewer impact fees	19,026	-	19,026
Investment income	3,624	-	3,624
Interest expense	(886,466)	-	(886,466)
Intergovernmental grants	34,295	-	34,295
Total Nonoperating Expenses	<u>(829,521)</u>	<u>-</u>	<u>(829,521)</u>
<b>LOSS BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS</b>	(1,171,513)	-	(1,171,513)
Capital contributions	772,286		772,286
Transfers out	170,177	(170,177)	-
<b>CHANGE IN NET POSITION</b>	(229,050)	(170,177)	(399,227)
<b>NET POSITION, BEGINNING OF YEAR</b>	<u>13,806,944</u>	<u>836,304</u>	<u>14,643,248</u>
<b>NET POSITION, END OF YEAR</b>	<u>\$ 13,577,894</u>	<u>\$ 666,127</u>	<u>\$ 14,244,021</u>

**CITY OF REHOBOTH BEACH  
COMBINING STATEMENT OF CASH FLOWS - SEWER FUNDS  
FOR THE YEAR ENDED MARCH 31, 2021**

	Sewer Fund	Sewer Capital Projects Fund	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash received from customers	\$ 4,097,154	\$ -	\$ 4,097,154
Cash paid for goods and services	(1,261,487)	(9,083)	(1,270,570)
Cash paid to employees	(968,959)	-	(968,959)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>1,866,708</u>	<u>(9,083)</u>	<u>1,857,625</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Advance from other funds	617,807	2,164,989	2,782,796
Transfers out	170,177	(170,177)	-
<b>NET CASH (USED) PROVIDED BY NONCAPITAL FINANCING ACTIVITIES</b>	<u>787,984</u>	<u>1,994,812</u>	<u>2,782,796</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Capital assets purchased	(463,120)	(1,985,729)	(2,448,849)
Proceeds received from capitalization and impact fees	19,026	-	19,026
Capital grants	34,295	-	34,295
Capital contributions	772,286	-	772,286
Proceeds from issuance of bonds	2,237,660	-	2,237,660
Principal paid on note payable	(1,484,930)	-	(1,484,930)
Interest paid on long term debt	(886,466)	-	(886,466)
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>228,751</u>	<u>(1,985,729)</u>	<u>(1,756,978)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Interest income	3,625	-	3,625
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<u>3,625</u>	<u>-</u>	<u>3,625</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	2,887,068	-	2,887,068
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>5,453,607</u>	<u>-</u>	<u>5,453,607</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 8,340,675</u>	<u>\$ -</u>	<u>\$ 8,340,675</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>			
Operating loss	\$ (341,992)	\$ -	\$ (341,992)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:			
Depreciation	2,240,913	-	2,240,913
(Increase) Decrease in assets:			
Accounts receivable	(177,008)	-	(177,008)
Inventory	(359)	-	(359)
Prepaid expenses	36,992	-	36,992
Deferred outflows of resources related to net OPEB liability	3,518	-	3,518
Increase (Decrease) in liabilities:			
Accounts payable	5,990	(9,083)	(3,093)
Contingency reserve	6	-	6
Accrued salaries and benefits	26,070	-	26,070
Accrued expenses	32,488	-	32,488
Net OPEB liability	(30,341)	-	(30,341)
Compensated absences	5,216	-	5,216
Deferred inflows of resources related to net OPEB liability	65,215	-	65,215
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>\$ 1,866,708</u>	<u>\$ (9,083)</u>	<u>\$ 1,857,625</u>

**SINGLE AUDIT SUPPLEMENT**





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

October 27, 2021

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, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 27, 2021.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

To the Honorable Mayor and Commissioners  
City of Rehoboth Beach

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

#### Compliance and Other Matters

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

#### Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Barbacane, Thornton & Company LLP*  
BARBACANE, THORNTON & COMPANY LLP



INDEPENDENT AUDITOR'S REPORT ON  
COMPLIANCE FOR MAJOR PROGRAM AND  
ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE

October 27, 2021

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

Report on Compliance for Major Federal Program

We have audited the City of Rehoboth Beach's ("the City") compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended March 31, 2021. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and recommendations.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

To the Honorable Mayor and Commissioners  
City of Rehoboth Beach

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Major Federal Program

In our opinion, the City of Rehoboth Beach, Rehoboth Beach, Delaware, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended March 31, 2021.

Report on Internal Control Over Compliance

Management of the City of Rehoboth Beach, Rehoboth Beach, Delaware, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

  
BARBACANE, THORNTON & COMPANY LLP

**CITY OF REHOBOTH BEACH  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED MARCH 31, 2021**

GRANTOR	SOURCE CODE	FEDERAL CFDA NUMBER	PASS- THROUGH GRANTOR'S NUMBER	FEDERAL EXPENDITURES MARCH 31, 2021	PASSED THROUGH TO SUBRECIPIENTS	OUTSTANDING LOAN BALANCE
<u>U.S. Environmental Protection Agency</u>						
<u>Passed through Delaware Department of Natural Resources and Environmental Conservation</u>						
Capitalization Grants for Clean Water State Revolving Funds	I	66.458	N/A	\$ 1,933,189	\$ -	\$ 44,001,313
TOTAL U.S. ENVIRONMENTAL PROTECTION AGENCY				1,933,189	-	44,001,313
<u>U.S. Department of Transportation</u>						
<u>Passed through Delaware Department of Transportation</u>						
State and Community Highway Safety	I	20.600	N/A	14,252	-	-
Minimum Penalties for Repeat Offenders For Driving While Intoxicated	I	20.608	N/A	3,331	-	-
TOTAL U.S. DEPARTMENT OF TRANSPORTATION				17,583	-	-
<u>U.S. Department of Justice</u>						
<u>Passed Through State of Delaware Criminal Justice Council</u>						
Edward Byrne Memorial Justice Assistance Grant Program	I	16.738	N/A	17,921	-	-
TOTAL U.S. DEPARTMENT OF JUSTICE				17,921	-	-
TOTAL EXPENDITURES OF FEDERAL AWARDS				\$ 1,968,693	\$ -	\$ 44,001,313
TOTAL CLEAN WATER STATE REVOLVING FUND CLUSTER (CFDA # 66.458)				\$ 1,933,189	\$ -	\$ 44,001,313

Source Code:

I = Indirect Funding

CITY OF REHOBOTH BEACH

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A REPORTING ENTITY

The accompanying schedule of expenditures of federal awards presents the activity of all federal award programs of the City of Rehoboth Beach.

NOTE B BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards is presented using the modified accrual basis of accounting.

NOTE C INDIRECT COST RATE

The City has not elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance. For the year ended March 31, 2021, there were no indirect costs included in the schedule of expenditures of federal awards.

NOTE D LOAN BALANCES INVOLVING FEDERAL FUNDS

During the year ended March 31, 2019, the City was awarded a \$52,481,085 loan from the Delaware Natural Resources and Environmental Control, which is funded by passed through federal funds. The loan balance originating from federal funds at March 31, 2021 was \$44,001,313.

## **SCHEDULE OF FINDINGS AND RECOMMENDATIONS**

CITY OF REHOBOTH BEACH  
SCHEDULE OF FINDINGS AND RECOMMENDATIONS

**PART A - SUMMARY OF AUDITOR'S RESULTS**

*Financial Statements*

Type of auditor's report issued [*unmodified, qualified, adverse, or disclaimer*]:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?        Yes   X   No
- Significant deficiency(ies) identified?        Yes   X   None reported
- Noncompliance material to financial statements noted?        Yes   X   No

*Federal Awards*

Internal control over major program:

- Material weakness(es) identified?        Yes   X   No
- Significant deficiency(ies) identified?        Yes   X   None reported

Type of auditor's report issued on compliance for major program [*unmodified, qualified, adverse, or disclaimer*]:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?

       Yes   X   No

Identification of major program:

CFDA Number

Name of Federal Program or Cluster

66.458

Capitalization Grants for Clean Water State Revolving Funds

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

  X   Yes        No



CITY OF REHOBOTH BEACH  
SCHEDULE OF FINDINGS AND RECOMMENDATIONS (CONT'D)

**PART B - FINDINGS RELATED TO FINANCIAL STATEMENTS**

STATUS OF PRIOR YEAR FINDINGS

None.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None.

**PART C - FINDINGS RELATED TO FEDERAL AWARDS**

STATUS OF PRIOR YEAR FINDINGS

None.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None.