

TOWN OF HENLOPEN ACRES, DELAWARE
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024

TOWN OF HENLOPEN ACRES, DELAWARE

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INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Board of Commissioners
Town of Henlopen Acres, Delaware

Report on Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and each major fund of the Town of Henlopen Acres, Delaware, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Town of Henlopen Acres, Delaware's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information, of the Town of Henlopen Acres, Delaware, as of June 30, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* (GAS), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Henlopen Acres, Delaware and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

The Town of Henlopen Acres, Delaware's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Responsibilities of Management for the Financial Statements (continued)

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Henlopen Acres, Delaware's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and GAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town of Henlopen Acres, Delaware's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Henlopen Acres, Delaware's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 13 and other required supplementary information on page 32 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic,

Required Supplementary Information (continued)

or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2024, on our consideration of the Town of Henlopen Acres, Delaware's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Town of Henlopen Acres, Delaware's internal control over financial reporting and compliance.

PKS & Company, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

Salisbury, Maryland
December 13, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

TOWN OF HENLOPEN ACRES, DELAWARE
MANAGEMENT’S DISCUSSION AND ANALYSIS

JUNE 30, 2024

As management of the Town of Henlopen Acres, Delaware (the “Town”), we offer readers of the Town’s financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2024. This discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Town’s financial activity, (c) identify changes in the Town’s financial position, (d) identify any material deviations from the financial plan, and (e) identify individual fund issues or concerns.

Since the Management’s Discussion and Analysis is designed to focus on the current year’s activities, resulting changes and currently known facts, please read it in conjunction with the Town’s financial statements (beginning on page 14).

The financial statement presented herein represent only that of the Town of Henlopen Acres and does not include any operations of the Henlopen Acres Beach Club or the Henlopen Acres Property Owners Corporation, which are separately and privately held corporations.

FINANCIAL HIGHLIGHTS

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$4,184,892 (net position) as compared to \$3,928,845 in the prior year. Unrestricted net position has a balance of \$997,656, which may be used to meet the Town’s ongoing obligations to citizens and creditors in accordance with the Town’s fund designation and fiscal policies.
- As of the close of the current fiscal year, the Town’s governmental funds reported combined ending fund balances of \$2,662,373, an increase of \$300,753 from the prior year.
- Of the total amount, \$248,589 is unassigned and available for use within the Town’s fund designation and policies. This was an decrease of \$199,163 from the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Town’s basic financial statements. The Town’s basic financial statements are comprised of four components: (1) government-wide financial statements, (2) fund financial statements, (3) notes to the financial statements, and (4) required supplementary information, which includes this management’s discussion and analysis. In addition to the basic financial statements, this report also contains other supplementary information as listed in the Table of Contents.

TOWN OF HENLOPEN ACRES, DELAWARE
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2024

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private sector business. The government-wide statements include two statements: (1) the Statement of Net Position and (2) the Statement of Activities.

The Statement of Net Position presents information on all of the Town's assets and liabilities with the difference being reported as net position. Over time, increases or decreases in net position may serve as an indicator of whether the financial position of the Town is improving or deteriorating.

The Statement of Activities presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods. For example, uncollected property taxes are reported as assets, despite the fact that the Town has not received the actual cash from those levies, and earned but unused compensated absences are reported as liabilities, despite the fact that the Town has not yet paid the actual cash for those absences.

The governmental activities of the Town include general and administrative, marina, security, streets and water plant.

The government-wide financial statements can be found on pages 14 - 15 of this report.

Fund financial statements

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 Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the government's near-term financing requirements.

TOWN OF HENLOPEN ACRES, DELAWARE
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2024

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Fund financial statements (continued)

Governmental funds (continued)

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term effect of the government's near term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison between the governmental funds and governmental activities.

The Town maintains three (3) governmental funds. Information is presented separately in the Governmental Fund Balance Sheets and in the Governmental Fund Statements of Revenues, Expenditures, and Changes in Fund Balances for the General Fund and Realty Transfer Tax both of which are considered major funds. Data from the Municipal Street Aid fund is also present, although the fund is considered a non-major fund.

The basic governmental fund financial statements can be found on pages 16 - 19 of this report.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20 - 31 of this report.

Required supplementary information

Other required supplementary information, in addition to this discussion and analysis, is the budgetary comparison schedule of the general fund budget to actual found on page 32.

Other information

Other supplementary information, which is not a required part of these financial statements, is presented following the required supplementary information. These statements and schedules can be found on pages 34 - 37 of this report.

TOWN OF HENLOPEN ACRES, DELAWARE
MANAGEMENT’S DISCUSSION AND ANALYSIS

JUNE 30, 2024

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the government’s financial position. In the case of the Town of Henlopen Acres, Delaware, the net position as of June 30, 2024 was \$4,184,892.

A large portion of the Town’s net position (36%) reflects its investments in capital assets (e.g. land, building, equipment, improvements, construction in progress and infrastructure, less any debt used to acquire those assets that is still outstanding). The Town uses these capital assets to provide service to citizens; consequently, these assets are not available for future spending.

	Governmental Activities June 30, 2024	Governmental Activities June 30, 2023	Change
ASSETS			
Current and other assets	\$ 2,714,723	\$ 2,392,811	\$ 321,912
Capital assets, net	1,530,805	1,577,796	(46,991)
Total assets	<u>4,245,528</u>	<u>3,970,607</u>	<u>274,921</u>
LIABILITIES			
Current liabilities	54,073	24,860	29,213
Long-term liabilities	6,563	10,704	(4,141)
Total liabilities	<u>60,636</u>	<u>35,564</u>	<u>25,072</u>
DEFERRED INFLOW OF RESOURCES			
Deferred financing inflow - grants		6,576	(6,576)
NET POSITION			
Net investment in capital assets	1,527,593	1,572,929	(45,336)
Restricted	1,659,643	1,337,202	322,441
Unrestricted	997,656	1,018,714	(21,058)
Total net position	<u>\$ 4,184,892</u>	<u>\$ 3,928,845</u>	<u>\$ 256,047</u>

Analysis of the Town’s operations

The following table provides a summary of the Town’s operations for the year ended June 30, 2024, along with comparable data. Government-wide activities increased the Town of Henlopen Acres’ net position by \$256,047.

TOWN OF HENLOPEN ACRES, DELAWARE
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2024

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Analysis of the Town's operations (continued)

	Governmental Activities	Governmental Activities	
	<u>June 30, 2024</u>	<u>June 30, 2023</u>	<u>Change</u>
REVENUES			
Program revenues			
Charges for services	\$ 627,820	\$ 463,413	\$ 164,407
Operating grants and contributions	40,886	17,033	23,853
Capital grants and contributions	40,000	136,684	(96,684)
General revenues			
Taxes and assessments	756,978	577,561	179,417
Other revenue			
Unrestricted investment income	56,768	34,078	22,690
Restricted investment income	95,953	52,745	43,208
Gain on sale of capital assets		9,374	(9,374)
Miscellaneous	31,428	28,710	2,718
Total revenues	<u>1,649,833</u>	<u>1,319,598</u>	<u>330,235</u>
EXPENSES			
General and administrative	428,023	241,419	186,604
Marina	138,482	139,707	(1,225)
Security	295,779	283,817	11,962
Streets	388,201	347,993	40,208
Water plant	143,136	117,774	25,362
Debt service - leases	165	229	(64)
Total expenses	<u>1,393,786</u>	<u>1,130,939</u>	<u>262,847</u>
Change in net position	256,047	188,659	67,388
NET POSITION, BEGINNING	3,928,845	3,739,808	189,037
PRIOR PERIOD ADJUSTMENT*		378	(378)
NET POSITION, ENDING	<u>\$ 4,184,892</u>	<u>\$ 3,928,845</u>	<u>\$ 256,047</u>

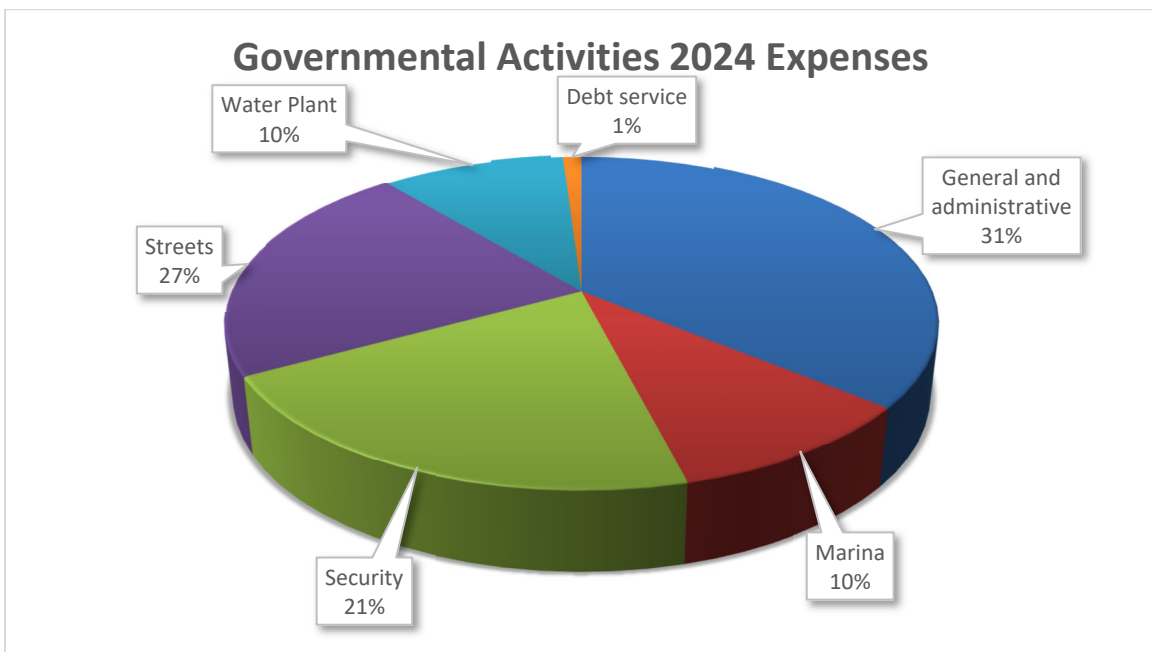
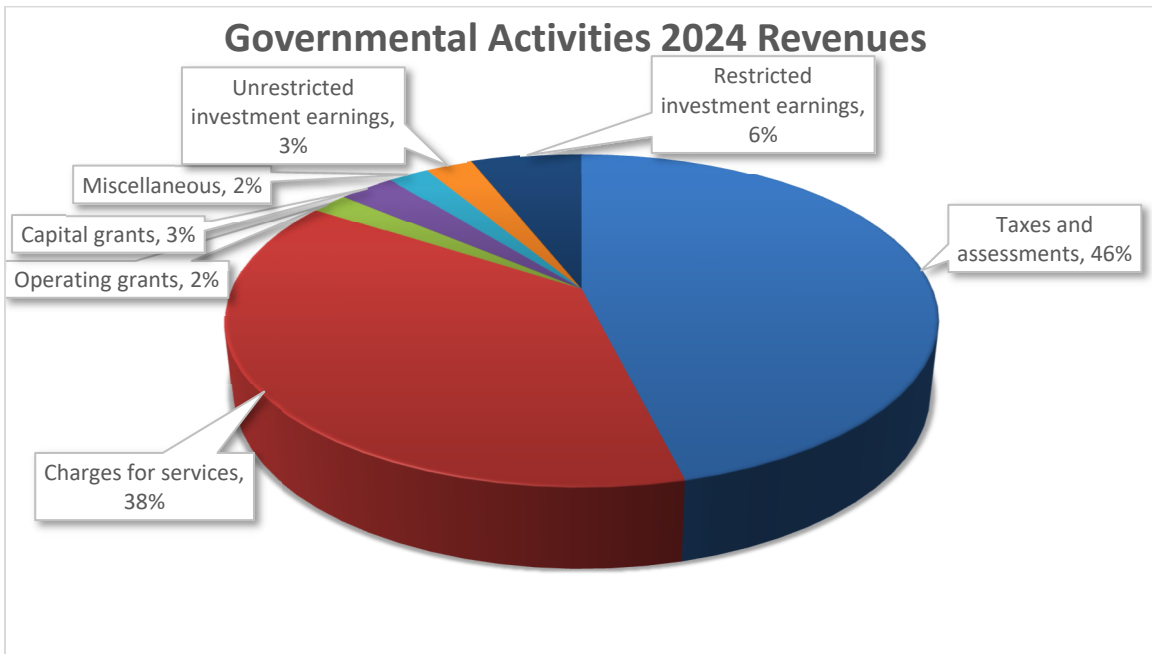
*See **PRIOR PERIOD ADJUSTMENT** disclosure on page 31.

TOWN OF HENLOPEN ACRES, DELAWARE
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2024

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Analysis of the Town's operations (continued)



TOWN OF HENLOPEN ACRES, DELAWARE
MANAGEMENT’S DISCUSSION AND ANALYSIS

JUNE 30, 2024

FINANCIAL ANALYSIS OF THE GOVERNMENTAL FUNDS

Governmental funds

The focus of the Town of Henlopen Acres governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town’s financing requirements. In particular, 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.

At the end of the current fiscal year, the Town of Henlopen Acres governmental funds reported combined ending fund balances of \$2,662,373. Of this total amount, \$248,589 constitutes unassigned fund balance.

General fund budgetary highlights

Revenues for the general fund operations were above budgeted revenues by \$81,698. This favorable variance is primarily due to licenses and permits. However this was offset by a decrease in charges for services. Departmental expenditures were more than budgeted expenditures by \$27,055. This unfavorable variance is primarily due to general and administrative expenses.

The following schedule presents a comparative summary of General Fund revenues and for the fiscal years ended June 30, 2024 and 2023, along with the percentage of that revenue to total revenues:

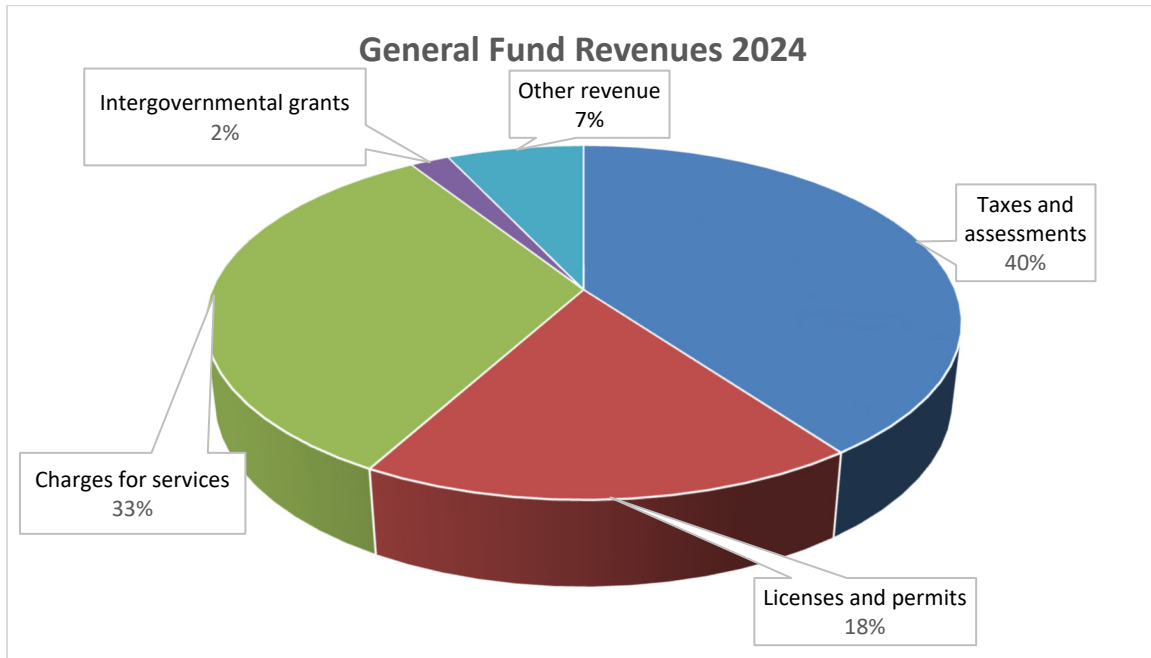
<u>Revenues</u>	<u>June 30, 2024</u> <u>Totals</u>	<u>Percentage</u> <u>of Total</u>	<u>June 30, 2023</u> <u>Totals</u>	<u>Percentage</u> <u>of Total</u>
Taxes and assessments	\$ 498,885	40%	\$ 457,647	40%
Licenses and permits	223,969	18%	97,107	9%
Charges for services	403,851	33%	366,306	32%
Intergovernmental grants	24,076	2%	136,684	12%
Other revenue	81,208	7%	74,339	7%
	<u>\$ 1,231,989</u>	<u>100%</u>	<u>\$ 1,132,083</u>	<u>100%</u>

TOWN OF HENLOPEN ACRES, DELAWARE
MANAGEMENT’S DISCUSSION AND ANALYSIS

JUNE 30, 2024

FINANCIAL ANALYSIS OF THE GOVERNMENTAL FUNDS (Continued)

General fund budgetary highlights (continued)



Current and prior year’s taxes continue to represent the largest revenue source, with \$498,885 or 40% of all General Fund revenues. There was an increase in taxes and assessments revenues from 2023 of \$41,238.

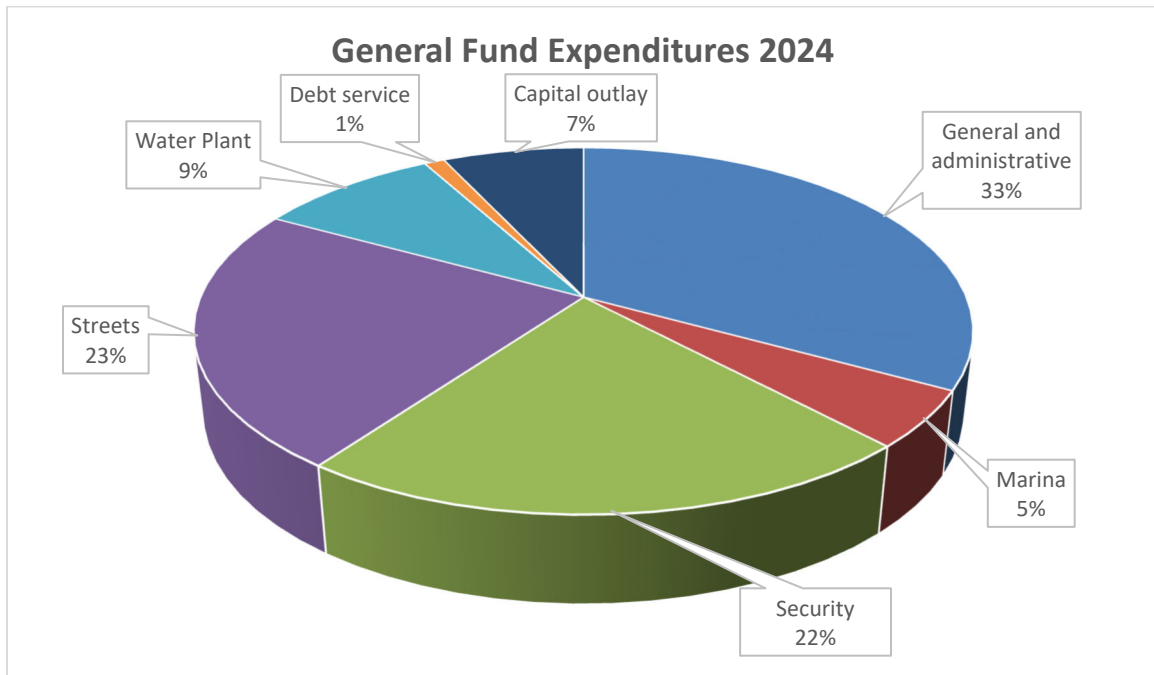
The following schedule represents a comparative summary of General Fund expenditures for the fiscal years ended June 30, 2024 and 2023, along with the percentage of that expenditure to total expenditures:

Expenditures	June 30, 2024 Totals	Percentage of Total	June 30, 2023 Totals	Percentage of Total
General and administrative	\$ 414,301	33%	\$ 231,201	21%
Marina	68,957	5%	70,184	6%
Security	282,061	22%	270,037	25%
Streets	283,599	23%	237,750	22%
Water plant	112,647	9%	100,932	9%
Debt service	1,820	1%	1,820	1%
Capital outlay	89,663	7%	178,855	16%
	\$ 1,253,048	100%	\$ 1,090,779	100%

TOWN OF HENLOPEN ACRES, DELAWARE
MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2024

FINANCIAL ANALYSIS OF THE GOVERNMENTAL FUNDS (Continued)

General fund budgetary highlights (continued)



CAPITAL ASSETS

The Town of Henlopen’s investment in capital assets for its governmental activities as of June 30, 2024 amounts to \$1,530,805 (net of accumulated depreciation). This investment in capital assets includes the following:

	Governmental Activities June 30, 2024	Governmental Activities June 30, 2023	Change
Land	\$ 181,090	\$ 181,090	\$
Construction in process	200	22,073	(21,873)
Building and improvements	389,177	326,756	62,421
Machinery and equipment	419,826	367,600	52,226
Marina building and improvements	1,281,313	1,281,313	
Street and infrastructure	1,825,634	1,749,092	76,542
Water system improvements	1,597,130	1,590,544	6,586
Right-to-use assets	8,234	8,234	
Accumulated depreciation	(4,171,799)	(3,948,906)	(222,893)
	<u>\$ 1,530,805</u>	<u>\$ 1,577,796</u>	<u>\$ (46,991)</u>

TOWN OF HENLOPEN ACRES, DELAWARE
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2024

CAPITAL ASSETS (Continued)

This year's major capital asset additions included:

- Storm drainage upgrades for \$40,233
- Ford Ranger truck for \$39,281
- Generator for \$35,453
- Security enhancements for \$25,947
- Street lights for \$25,235
- Lawn mower for \$12,945
- Zoom equipment for \$9,589
- Mill wheel for \$7,735

DEBT ADMINISTRATION

The Town does not hold any long-term notes or bonds payable. The Town's noncurrent liabilities consist of accrued compensated absences and leases.

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

In July 2024, the Town was awarded a grant from Delaware Health and Social Services for \$100,000 to improve the Town's water quality.

In July 2024, the Town was awarded a Cybersecurity grant from the US Department of Homeland Security to update the Town's SCADA system for \$24,070.

REQUEST FOR INFORMATION

The financial report is designed to provide our citizens with general overview of the Town's finances. If you have questions about this report or need any additional information, contact the Town Hall, Attn: Finance Manager, at 104 Tidewaters, Henlopen Acres, Delaware 19971, or call (302)-227-6411.

BASIC FINANCIAL STATEMENTS

TOWN OF HENLOPEN ACRES, DELAWARE

STATEMENT OF NET POSITION

JUNE 30, 2024

	<u>Governmental Activities</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 488,189
Receivables	73,595
Prepaid expenses	23,178
Investments, at fair value	1,581,564
Restricted cash	548,197
Total current assets	<u>2,714,723</u>
Noncurrent assets	
Land	181,090
Construction in process	200
Building and improvements	389,177
Marina building and improvements	1,281,313
Machinery and equipment	419,826
Streets and infrastructure	1,825,634
Water system improvements	1,597,130
Right-to-use assets	8,234
Less, accumulated depreciation	<u>(4,171,799)</u>
Total noncurrent assets	<u>1,530,805</u>
Total assets	<u>4,245,528</u>
LIABILITIES	
Accounts payable	26,141
Accrued liabilities	12,131
Due within one year	
Accrued compensated absences	14,078
Leases payable	1,723
Due in more than one year	
Accrued compensated absences	5,074
Leases payable	1,489
Total liabilities	<u>60,636</u>
NET POSITION	
Net investment in capital assets	1,527,593
Restricted	
Municipal Street Aid	22,556
Realty Transfer Tax	1,637,087
Unrestricted	997,656
Total net position	<u>\$ 4,184,892</u>

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

TOWN OF HENLOPEN ACRES, DELAWARE

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2024

		Program Revenues			Net Revenue (Expense) and Change in Net Position
FUNCTIONS/PROGRAMS	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
GOVERNMENTAL ACTIVITIES					
General and administrative	\$ 428,023	\$ 223,969	\$ 6,576	\$	\$ (197,478)
Marina	138,482	140,975			2,493
Security	295,779	150,083	17,500		(128,196)
Streets	388,201	713	16,810	40,000	(330,678)
Water plant	143,136	112,080			(31,056)
Debt service	165				(165)
Total governmental activities	1,393,786	627,820	40,886	40,000	(685,080)
 GENERAL REVENUES					
General revenues:					
Taxes and assessments					756,978
Other revenue					
Unrestricted investment income					56,768
Restricted investment income					95,953
Miscellaneous					31,428
Total general revenues					941,127
Change in net position					256,047
NET POSITION, BEGINNING OF YEAR, RESTATED					3,928,845
NET POSITION, END OF YEAR					\$ 4,184,892

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

TOWN OF HENLOPEN ACRES, DELAWARE

**BALANCE SHEETS
GOVERNMENTAL FUNDS**

JUNE 30, 2024

	General Fund	Realty Transfer Tax	Municipal Street Aid	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 488,189	\$	\$	\$ 488,189
Receivables	14,195	59,400		73,595
Prepaid expenses	23,178			23,178
Investments, at fair value	546,328	1,035,236		1,581,564
Due from other funds			16,810	16,810
Restricted cash		542,451	5,746	548,197
Total assets	<u>\$ 1,071,890</u>	<u>\$ 1,637,087</u>	<u>\$ 22,556</u>	<u>\$ 2,731,533</u>
LIABILITIES				
Accounts payable	\$ 26,141	\$	\$	\$ 26,141
Accrued liabilities	12,131			12,131
Accrued compensated absences	14,078			14,078
Due to other funds	16,810			16,810
Total liabilities	<u>69,160</u>			<u>69,160</u>
FUND BALANCES				
Nonspendable	23,178			23,178
Restricted by other governments		1,637,087	22,556	1,659,643
Committed by Council	730,963			730,963
Unassigned	248,589			248,589
Total fund balances	<u>1,002,730</u>	<u>1,637,087</u>	<u>22,556</u>	<u>2,662,373</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 1,071,890</u>	<u>\$ 1,637,087</u>	<u>\$ 22,556</u>	<u>\$ 2,731,533</u>

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

TOWN OF HENLOPEN ACRES, DELAWARE

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEETS
TO THE STATEMENT OF NET POSITION**

JUNE 30, 2024

Total fund balances, governmental funds	\$	2,662,373
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and are therefore not reported in the fund financial statements, but are reported in the governmental activities of the Statement of Net Position.		1,530,805
Long-term liabilities are not due and payable in the current period and are not included in the fund financial statements, but are included in the governmental activities of the Statement of Net Position.		
Compensated absences		(5,074)
Leases payable		<u>(3,212)</u>
Net position, governmental activities	\$	<u><u>4,184,892</u></u>

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

TOWN OF HENLOPEN ACRES, DELAWARE

**STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS**

YEAR ENDED JUNE 30, 2024

	General Fund	Realty Transfer Tax	Municipal Street Aid	Total Governmental Funds
REVENUES				
Taxes and assessments	\$ 498,885	\$ 258,093	\$	\$ 756,978
Licenses and permits	223,969			223,969
Charges for services	403,851			403,851
Intergovernmental grants	24,076	40,000	16,810	80,886
Investment income	56,755	86,023		142,778
Other revenue	24,453	16,904	12	41,369
Total revenues	1,231,989	401,020	16,822	1,649,831
EXPENDITURES				
Current				
General and administrative	414,301			414,301
Marina	68,957			68,957
Security	282,061			282,061
Streets	283,599		2,610	286,209
Water plant	112,647			112,647
Debt service	1,820			1,820
Capital outlay	89,663	93,420		183,083
Total expenditures	1,253,048	93,420	2,610	1,349,078
Revenues over (under) expenditures	(21,059)	307,600	14,212	300,753
OTHER FINANCING SOURCES				
Transfers in (out)	(629)	629		
Net change in fund balances	(21,688)	308,229	14,212	300,753
FUND BALANCES, BEGINNING OF YEAR, RESTATED				
	1,024,418	1,328,858	8,344	2,361,620
FUND BALANCES, END OF YEAR				
	\$ 1,002,730	\$ 1,637,087	\$ 22,556	\$ 2,662,373

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

TOWN OF HENLOPEN ACRES, DELAWARE

**RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

YEAR ENDED JUNE 30, 2024

Net change in fund balances, governmental funds	\$ 300,753
Amounts reported for governmental activities in the Statement of Activities are different because:	
The governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlay expense	183,083
Depreciation expense	<u>(230,074)</u>
	(46,991)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and these are not reported as expenditures in the governmental funds.	
Change in long-term compensated absences	630
Governmental funds report repayment of debt principal as an expenditure. In contrast, the Statement of Activities treats such payments as a reduction in long-term liabilities.	
	<u>1,655</u>
Change in net position, governmental activities	<u><u>\$ 256,047</u></u>

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

TOWN OF HENLOPEN ACRES, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town operates under a Council (commissioners) - Manager form of government and provides the following services as authorized by its charter: street maintenance, security, water, marina and general administrative services.

The accompanying financial statements of the Town have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance for their business-type activities and enterprise funds, subject to the same limitation. The most significant of the Town's accounting policies are described below.

Reporting entity

The accompanying financial statements include the various departments and offices that are legally controlled by or dependent on the Town Commissioners (primary government). The Town's major operations include general and administrative, marina, security, streets and water plant. The Town's financial reporting entity is required to consist of all organizations for which the Town is financially accountable or for which there is a significant relationship. The Town has no component units in its reporting entity.

Basic financial statements – government-wide financial statements

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the activities of the Town. The effect of interfund activity, within the governmental activities column, has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The Town has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items are not included among program revenues and are reported instead as general revenues.

TOWN OF HENLOPEN ACRES, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basic financial statements – fund financial statements

The Town segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental funds. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Governmental funds: funds of governmental functions that are typically financed by taxes and grants. The measurement focus of governmental funds is the current financial resources. The Town has presented the following major governmental funds:

The General Fund – This is the main operating fund of the Town. It is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the general fund. This fund accounts for the general administrative services of the Town not recorded elsewhere, including the activities of the various departments.

Realty Transfer Tax – This fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. Revenues are derived from collections of the Town assessed realty transfer tax fee of 1.5%. Expenditures of these monies are allowable for capital and operating costs of public safety services, economic development programs, public works services, capital projects and improvements, infrastructure projects and improvements and debt reduction.

Municipal Street Aid Fund – This fund is used to account for financial transactions pertaining to specific resources. Revenues are derived from State of Delaware Transportation Trust Fund grant monies. Expenditures of these monies are allowable for improvements to water and sewer systems, street improvements, public safety and public works.

The activities reported in these funds are reported as governmental activities in the government-wide financial statements.

Proprietary Funds: Proprietary funds focus on the determination of changes in net position, financial position, and cash flows, and are classified as enterprise funds. The Town does not have any proprietary funds.

Fiduciary Funds: Fiduciary fund reporting focuses on net position and changes in net position. The Town does not have any fiduciary funds.

TOWN OF HENLOPEN ACRES, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of accounting and measurement focus

Measurement focus refers to what is being measured, basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net position and the statement of activities presents increases (revenues) and decreases (expenses) in net total position. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. “Measurable” means the amount of the transaction that can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Town considers property taxes as available if they are collected within 60 days after year end. A one-year availability period is used for recognition of all other Governmental Fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

The revenues susceptible to accrual are property taxes, franchise fees, licenses, charges for service, interest income and intergovernmental grants. All other governmental fund type revenues are recognized when received.

Since the governmental fund financial statements are presented on a different measurement focus and basis of accounting than the government-wide statements, a reconciliation is provided in the fund financial statement.

Property taxes

Taxes are levied on July 1 of each year. Taxes paid after August 31st are assessed a penalty of one and a half percent (1.5%) per month. The Town bills and collects its own property taxes. The tax rate for the year ended June 30, 2024 was \$3.25 per \$100 of the Sussex County assessed valuation with a total assessed valuation of approximately \$14,196,150 including exempt properties of \$735,750.

TOWN OF HENLOPEN ACRES, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interfund activity

Interfund activity is reported as either loans or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. All other interfund transactions are treated as transfers.

Budgetary activity

The Town charter established the fiscal year as the twelve-month period beginning July 1st. The Town Commissioners adopt a budget annually. The budget can be revised as deemed necessary by the Commissioners. A single fixed budget covers the general fund and is employed during the year as a management control device. The budgetary amounts are comprised of the normal operating budget and supplemental budget allocations, if applicable.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from these estimates.

Cash and cash equivalents

The Town has defined cash and cash equivalents to include cash on hand, demand deposits and all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased. In addition, all certificates of deposits are considered highly liquid investments, regardless of maturity date.

Investments

Investments consist of funds managed and held by Fidelity for the purpose of generating income and capital appreciation on a total return basis. Investments with readily determinable fair values and all investments in debt securities are reported at their fair values. Unrealized gains and losses are included in the change in fund balance in the governmental funds and the change in net position in the government-wide statements. Investment income earned on restricted investments is considered restricted.

The original values and original costs of the Town's investments as of June 30, 2024 are as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gains/(Losses)</u>
Transfer tax	\$ 968,524	\$ 1,035,236	\$ 66,712
Water	378,365	403,916	25,551
Unrestricted	131,355	142,412	11,057
Total investments	<u>\$ 1,478,244</u>	<u>\$ 1,581,564</u>	<u>\$ 103,320</u>

TOWN OF HENLOPEN ACRES, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for uncollectible accounts

Provision is made for estimated uncollectible taxes based upon the Town's determination of individual accounts not likely to be collected. As of June 30, 2024, management believes all receivables are collectible and therefore, no allowance is recorded.

Prepaid expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Expenditures for prepayments are recognized during the period benefited by the prepayment, the consumption method.

Capital assets

Capital assets purchased or acquired with an original cost of \$5,000 for building renovations and improvements, \$10,000 for land improvements and infrastructure, equipment costing more than \$3,000 and intangible assets of \$10,000 or more are reported at historical cost or estimated historical cost. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Donated capital assets are recorded at acquisition value. Other costs incurred for repairs and maintenance are expenses as incurred. Infrastructure consists of streets and drainage projects. The Town has elected to not capitalize infrastructure acquired prior to May 1, 2004.

Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

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

Deferred outflows of resources

The Town reports decreases in net assets that relate to future periods as deferred outflows of resources in a separate section of its government-wide Statement of Net Position and governmental funds Balance Sheet. The Town did not have any items to report in this category.

Deferred inflows of resources

The Town reports increase in net assets that relate to future periods as deferred inflows of resources in a separate section of its government-wide Statement of Net Position and governmental funds Balance Sheet. The Town has one item that may qualify as a deferred inflow of resources for grants, which are not recognized until a future event occurs.

TOWN OF HENLOPEN ACRES, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide net position

Government-wide net position is divided into three major categories:

Net investment in capital assets – consists of the historical cost of capital assets less accumulated depreciation, reduced by the outstanding balances of any borrowings used for acquisitions, construction, or improvement of those assets.

Restricted – net position that is restricted due to limitations imposed on its use either through the enabling legislation adopted by the Town or through external restrictions imposed by grantors, creditors, or laws or regulations of other governments.

Unrestricted – all other not reported in the above categories.

The Town applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net positions are available.

Governmental fund balances

In the governmental fund financial statements, fund balances are classified as follows:

Non-spendable: Amounts that cannot be spent because they are either not in a spendable form (such as fixed assets and prepaid amounts) or are legally or contractually required to be maintained intact.

Restricted: Amounts that can be spent only for a specific purpose because of the Town Charter, state or federal laws, or externally imposed conditions by grantors or creditors.

Committed: Amounts that can be spent only for specific purposes determined by a formal action of the Town Commissioners' ordinance or resolution.

Assigned: Amounts that are designated by the Mayor and Commissioners for a particular purpose but are not spendable until a budget ordinance is passed or there is a majority vote approval by the Town Commissioners.

Unassigned: All amounts not included in other spendable classifications and are the Town's discretion for day to day operations.

The Town utilizes restricted resources to finance qualifying activities. When committed, assigned, and unassigned funds are available for expenditures, committed funds should generally be spent first, assigned funds second, and unassigned funds last.

TOWN OF HENLOPEN ACRES, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated absences

Full-time employees of the Town, employed continuously for a year accrue vacation leave based on their tenure, to a maximum of 5 days, as specified in the personnel policies. Sick leave accrues to a maximum of 10 days. Upon termination or retirement, employees in good standing are entitled to their leave accruals to the maximums specified in the personnel policies.

CASH AND CASH EQUIVALENTS

Custodial credit risk is the risk that, in the event of failure of a depository financial institution, the Town will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party.

All deposits are carried at cost. Transactions are made directly with the banks; services of brokers or securities dealers are not used. At June 30, 2024, the carrying amount of the Town's deposits was \$1,036,386 and the bank balance was \$1,061,537.

Of the total bank balance, \$274,546 was covered by FDIC. The remaining balance was covered by an irrevocable standby letter of credit for \$880,000.

Reconciliation of cash and cash equivalents to the government-wide Statement of Net Position:

Cash and cash equivalents	\$	488,189
Restricted cash		548,197
Total cash	\$	<u>1,036,386</u>

FAIR VALUE MEASUREMENTS

Government Accounting Standards Board (GASB) Statement No. 72, Fair Value Measurement and Application, defines fair value, establishes a framework for measuring fair value, establishes a three-level valuation hierarchy for disclosure of fair value measurement, and enhances the disclosure requirements for fair value measurements. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

TOWN OF HENLOPEN ACRES, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

FAIR VALUE MEASUREMENTS (Continued)

The fair value hierarchy for assets measured at fair value on a recurring basis as of June 30, 2024 is as follows:

Investment type	Fair Value using:			Total
	(Level 1)	(Level 2)	(Level 3)	
Cash	\$ 105,706	\$	\$	\$ 105,706
Fixed income:				
Fixed income ETPs	969,064			969,064
Bonds	44,782			44,782
Certificates of Deposit	34,160			34,160
Equity Fund:				
Equity ETPs	427,852			427,852
Total investments	<u>\$ 1,581,564</u>			<u>\$ 1,581,564</u>

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practical to estimate that value:

Investments in cash, fixed income and equity investments (Level 1) – The fair value of the investments are based on closing prices in active markets for identical assets.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future values. Furthermore, although the Town believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

ACCRUED COMPENSATED ABSENCES

The changes in accrued compensated absences for the year ended June 30, 2024 are as follows:

	June 30, 2024	Change	June 30, 2024
Long-term	\$ 5,704	\$ (630)	\$ 5,074
Short-term	12,686	1,392	14,078
Total	<u>\$ 18,390</u>	<u>\$ 762</u>	<u>\$ 19,152</u>

TOWN OF HENLOPEN ACRES, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2024 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<i>Capital assets not being depreciated</i>				
Land	\$ 181,090	\$	\$	\$ 181,090
Construction in progress	22,073	39,527	61,400	200
Total capital assets not being depreciated	<u>203,163</u>	<u>39,527</u>	<u>61,400</u>	<u>181,290</u>
<i>Capital assets being depreciated</i>				
Building and improvements	326,756	72,941		399,697
Machinery and equipment	367,600	52,226		419,826
Marina building and improvements	1,281,313			1,281,313
Streets and infrastructure	1,749,092	73,203	7,181	1,815,114
Water system improvements	1,590,544	6,586		1,597,130
Right-to-use assets	8,234			8,234
Total capital assets being depreciated	<u>5,323,539</u>	<u>204,956</u>	<u>7,181</u>	<u>5,521,314</u>
Less: accumulated depreciation	<u>(3,948,906)</u>	<u>(230,074)</u>	<u>(7,181)</u>	<u>(4,171,799)</u>
Total capital assets being depreciated, net	<u>1,374,633</u>	<u>(25,118)</u>		<u>1,349,515</u>
Net capital assets	<u>\$ 1,577,796</u>	<u>\$ 14,409</u>	<u>\$ 61,400</u>	<u>\$ 1,530,805</u>

Depreciation expense was charged to each function as follows:

General government	\$ 13,857
Marina	69,524
Security	13,943
Streets	102,262
Water department	30,488
Total governmental activities	<u>\$ 230,074</u>

TOWN OF HENLOPEN ACRES, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

LONG-TERM DEBT

Changes in long-term obligations for the year June 30, 2024, are as follows:

	Beginning Balance	Increase	Decrease	Ending Balance	Short-term Portion
Governmental Activities:					
Leases payable	\$ 4,867	\$	\$ 1,655	\$ 3,212	\$ 1,723
	\$ 4,867	\$	\$ 1,655	\$ 3,212	\$ 1,723

Leases payable

The Town leases a copier under a non-cancellable lease agreement expiring in 2026. The right-to-use asset and liability are recorded at the present value of the future lease payments. The assets are amortized over the life of the lease using the straight-line method. Amortization of the assets under leases is included in depreciation expense.

The following is a summary of the right-to-use assets and related accumulated amortization:

Copy machines	\$ 8,234
Less: accumulated amortization	(4,867)
	\$ 3,367

Maturities of long-term debt are as follows:

Debt service requirements on long-term debt at June 30, 2024 are as follows:

Year Ending June 30,	Principal	Interest
2025	1,723	97
2026	1,489	27
	\$ 3,212	\$ 124

DEFERRED COMPENSATION PLANS

The Town sponsors the Town of Henlopen Acres, Delaware, Town Employee Deferred Compensation plan, an Internal Revenue Code section 457 plan, for its full-time employees. Participation in the plan is optional. The Plan is administered in accordance with the laws of the State of Delaware. The Town matches up to 3% of the participating employee wages.

TOWN OF HENLOPEN ACRES, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town's risk financing techniques include the purchase of commercial insurance.

The Town is fully insured for workers' compensation through commercial insurance, and employees are bonded to limit the loss to the Town in the event of employees committing acts of embezzlement or theft. There has been no significant reduction in insurance coverage from the prior year by major categories of risk, and amounts of settlements have not exceeded insurance coverage for each of the past three fiscal years.

COMMITMENTS AND CONTINGENCIES

On May 31, 2016, the Town entered into a franchise agreement with Comcast, to provide cable services for the citizens of the Town. The Town will receive an annual fee of 5% of Comcast's gross revenue from the citizens of Henlopen Acres. It is a 10-year agreement through May 31, 2026.

On January 9, 2007, the Town entered into a service agreement with North Shores Board of Governors, Inc., where the Town will provide security services to North Shores. North Shores agrees to pay 55% of the security cost, and the Town agrees to pay 45% of the cost. The agreement can be terminated by either party on a written 90-day notice. Included in accounts receivable is \$12,451 due from North Shores.

In the normal course of operations, the Town receives grant funds from various federal and state agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement, which may arise as the result of these audits, is not believed to be material.

At the present time, there are no potential claims against the Town with reasonable possibilities of unfavorable outcomes. The amount of any liability would be an amount equal to of the insurance deductible.

NEW PRONOUNCEMENTS

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to the year ended June 30, 2024, that have effective dates that may impact future financial presentations. Management has not currently determined what, if any, impact implementation of the new standards may have on the financial statements.

TOWN OF HENLOPEN ACRES, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

NEW PRONOUNCEMENTS (Continued)

GASB Statement No. 101, *Compensated Absences*, will be effective for the Town beginning with the year ending June 30, 2025. This statement updates the recognition and measurement guidance for compensated absences.

SUBSEQUENT EVENTS

In July 2024, the Town was awarded a grant from Delaware Health and Social Services for \$100,000 to improve the Town's water quality.

In July 2024, the Town was awarded a Cybersecurity grant from the US Department of Homeland Security to update the Town's SCADA system for \$24,070.

PRIOR PERIOD ADJUSTMENT

The fund balance in the general fund and the net position in the governmental activities at June 30, 2023 have been restated to reflect an decrease in withholding liabilities in a prior year as follows:

General Fund	
Fund balance at June 30, 2023, as originally reported	\$ 1,024,040
Adjustment to liabilities	378
Fund balance at June 30, 2023, as restated	<u>\$ 1,024,418</u>
Governmental Activities	
Net position at June 30, 2023, as originally reported	\$ 3,928,467
Adjustment to liabilities	378
Net position at June 30, 2023, as restated	<u>\$ 3,928,845</u>

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF HENLOPEN ACRES, DELAWARE

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

YEAR ENDED JUNE 30, 2024

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
Taxes and assessments	\$ 497,750	\$ 497,750	\$ 498,885	\$ 1,135
Licenses and permits	167,750	167,750	223,969	56,219
Charges for services	421,291	421,291	403,851	(17,440)
Intergovernmental grants	15,000	15,000	24,076	9,076
Investment income	20,000	20,000	56,755	36,755
Other revenue	28,500	28,500	24,453	(4,047)
Total revenues	<u>1,150,291</u>	<u>1,150,291</u>	<u>1,231,989</u>	<u>81,698</u>
EXPENDITURES				
Current				
General and administrative	313,040	313,040	414,301	(101,261)
Marina	73,439	73,439	68,957	4,482
Security	282,166	282,166	282,061	105
Streets	344,485	344,485	283,599	60,886
Water plant	107,612	107,612	112,647	(5,035)
Debt service			1,820	(1,820)
Capital outlay	105,251	105,251	89,663	15,588
Total expenditures	<u>1,225,993</u>	<u>1,225,993</u>	<u>1,253,048</u>	<u>(27,055)</u>
Revenues over (under) expenditures	<u>\$ (75,702)</u>	<u>\$ (75,702)</u>	<u>\$ (21,059)</u>	<u>\$ 54,643</u>

SUPPLEMENTARY INFORMATION



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INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

To the Honorable Mayor and Board of Commissioners
Town of Henlopen Acres, Delaware

Report on Supplementary Information

Our report on our audit of the financial statements that collectively comprise the Town of Henlopen Acres, Delaware's basic financial statements as of June 30, 2024 appears on pages one through three. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Henlopen Acres, Delaware's basic financial statements. The supplementary information presented on pages 34 through 37 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information, except for the portion marked "unaudited," has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

PKS & Company, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

Salisbury, Maryland
December 13, 2024

TOWN OF HENLOPEN ACRES, DELAWARE
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
GENERAL FUND

YEAR ENDED JUNE 30, 2024

	Final Budget (Unaudited)	Actual Amounts	Variance Favorable (Unfavorable)
REVENUES			
Taxes and assessments			
Property taxes	\$ 438,750	\$ 438,130	\$ (620)
Gross rental taxes	46,000	47,380	1,380
Franchise tax	13,000	13,375	375
Total taxes and assessments	<u>497,750</u>	<u>498,885</u>	<u>1,135</u>
Licenses and permits			
Business licenses	28,500	28,900	400
Zoning fees	139,250	195,069	55,819
Total licenses and permits	<u>167,750</u>	<u>223,969</u>	<u>56,219</u>
Charges for services			
Water rental fees	110,800	111,250	450
Water connect/disconnect fees	1,325	830	(495)
Marina slip fees	150,675	138,950	(11,725)
Marina fees other	2,550	2,025	(525)
North Shore security fees	155,191	150,083	(5,108)
North Shore other fees	750	713	(37)
Total service fees	<u>421,291</u>	<u>403,851</u>	<u>(17,440)</u>
Intergovernmental grants			
Sussex county grants	15,000	24,076	9,076
Investment income	<u>20,000</u>	<u>56,755</u>	<u>36,755</u>
Other revenue			
Interest income	1,000	13	(987)
Fines and late fees	1,300	2,034	734
Miscellaneous	26,200	22,406	(3,794)
Total other revenue	<u>28,500</u>	<u>24,453</u>	<u>(4,047)</u>
 Total revenues	 <u>\$ 1,150,291</u>	 <u>\$ 1,231,989</u>	 <u>\$ 81,698</u>

TOWN OF HENLOPEN ACRES, DELAWARE

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

YEAR ENDED JUNE 30, 2024

	Final Budget (Unaudited)	Actual Amounts	Variance Favorable (Unfavorable)
EXPENDITURES			
General and administrative			
Audit	\$ 12,000	\$ 12,000	\$
Office supplies	2,500	7,413	(4,913)
Insurance	14,527	16,782	(2,255)
Legal	25,000	91,608	(66,608)
Payroll	152,237	156,380	(4,143)
Payroll taxes	13,701	13,878	(177)
Bonus	4,000	3,326	674
Health insurance	25,928	24,371	1,557
Building inspector	15,000	31,471	(16,471)
Utilities	4,420	4,735	(315)
Equipment	2,500	713	1,787
Repairs and maintenance - town hall	10,750	10,574	176
Printing and postage	1,800	1,694	106
Donations and dues	9,685	9,873	(188)
Code codification	2,250	1,195	1,055
Retirement	4,742	2,612	2,130
Information technology	8,000	16,192	(8,192)
Investment fees	1,000	2,004	(1,004)
Miscellaenous	3,000	7,480	(4,480)
Total general and administrative	<u>313,040</u>	<u>414,301</u>	<u>(101,261)</u>
Marina			
Insurance	5,604	5,927	(323)
Payroll	44,030	42,172	1,858
Payroll taxes	3,963	3,025	938
Bonus	2,000	867	1,133
Health insurance	7,235	11,865	(4,630)
Repairs and maintenance	6,500	2,650	3,850
Utilities	2,457	1,703	754
Retirement	1,650	748	902
Total marina	<u>73,439</u>	<u>68,957</u>	<u>4,482</u>

TOWN OF HENLOPEN ACRES, DELAWARE

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

YEAR ENDED JUNE 30, 2024

EXPENDITURES (Continued)	Final Budget (Unaudited)	Actual Amounts	Variance Favorable (Unfavorable)
Security			
Office supplies	\$ 250	\$ 15	\$ 235
Insurance	9,164	8,165	999
Payroll	185,850	189,746	(3,896)
Payroll taxes	16,727	15,155	1,572
Bonus	9,000	8,390	610
Health insurance	47,132	47,064	68
Repairs and maintenance	2,000	3,502	(1,502)
Utilities	15	1,036	(1,021)
Gas and oil	6,600	5,182	1,418
Radios and equipment	2,000	1,539	461
Retirement	1,903	1,533	370
Training and uniforms	1,525	734	791
Total security	282,166	282,061	105
Streets			
Insurance	11,393	10,746	647
Payroll	159,160	152,467	6,693
Payroll taxes	14,324	12,540	1,784
Bonus	7,500	4,797	2,703
Health insurance	61,590	45,675	15,915
Repairs and maintenance equipment	5,000	5,458	(458)
Mosquito and animal control	1,500	1,426	74
Security lights	2,500	4,636	(2,136)
Gas and oil	10,000	10,888	(888)
Utilities	9,280	5,776	3,504
Uniforms and training	600	1,504	(904)
Propane	2,750	2,982	(232)
Shop repairs and parts	4,000	1,104	2,896
Easements and right of way	3,500	2,548	952
Roads and storm drains	8,150	1,037	7,113
Radios and equipment	1,500	515	985
Tree maintenance planning	35,650	15,353	20,297
Retirement	6,088	4,147	1,941
Total streets	344,485	283,599	60,886

TOWN OF HENLOPEN ACRES, DELAWARE

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

YEAR ENDED JUNE 30, 2024

	Final Budget (Unaudited)	Actual Amounts	Variance Favorable (Unfavorable)
EXPENDITURES (Continued)			
Water plant			
Retirement	\$ 1,784	\$ 1,228	\$ 556
Insurance	9,560	10,418	(858)
Payroll	49,492	55,910	(6,418)
Payroll taxes	4,454	3,759	695
Bonus	1,500	1,130	370
Health insurance	13,622	13,327	295
Repairs and maintenance	10,650	8,626	2,024
Electricity	8,500	11,701	(3,201)
Dues/fees/training	2,400	1,528	872
Chemicals	3,250	2,083	1,167
Communications	2,400	2,937	(537)
Total water plant	<u>107,612</u>	<u>112,647</u>	<u>(5,035)</u>
Debt service		<u>1,820</u>	<u>(1,820)</u>
Capital outlay	<u>105,251</u>	<u>89,663</u>	<u>15,588</u>
Total expenditures	<u>\$ 1,225,993</u>	<u>\$ 1,253,048</u>	<u>\$ (27,055)</u>

GOVERNMENT AUDITING STANDARDS REPORT

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

To the Honorable Mayor and Board of Commissioners
 Town of Henlopen Acres, Delaware

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Town of Henlopen Acres, Delaware, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Town of Henlopen Acres, Delaware's basic financial statements, and have issued our report thereon dated December 13, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Henlopen Acres, Delaware's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Henlopen Acres, Delaware's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Henlopen Acres, Delaware's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Town'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.

Report on Internal Control over Financial Reporting (Continued)

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the Schedule of Findings and Reponses as item 2024-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

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

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

PKS & Company, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

Salisbury, Maryland
December 13, 2024

TOWN OF HENLOPEN ACRES, DELAWARE
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2024

SIGNIFICANT DEFICIENCY

Repeat finding: 2024-001 – Segregation of Duties

Criteria: A good system of internal control provides for a proper segregation of the accounting functions.

Condition: The Town experienced an unusual amount of turnover in the Town Manager position during the year. While the Finance Manager vacancy was filled, the Town Manager was still vacant at the end of the year. This caused certain accounting duties to be shifted and covered as needed to keep the records up to date. However, there was not enough staffing throughout the year for certain critical accounting duties to be segregated appropriately. At present, the Mayor is filling in as the interim Town Manager as needed and the Finance Director is responsible for billing and collections, cash disbursements, payroll, reconciliation of bank statements, and financial statement preparation.

Cause: The Town has a limited number of personnel in their accounting department due to having difficulty filling the Town Manager position.

Effect or potential effect: There is a danger that intentional fraud or unintentional errors could be made and not detected.

Recommendation: While the Town's staff may not be large enough to assure optimal internal control, it is important that the Town is aware of this condition. The most effective control is management and the Mayor and Council's oversight and knowledge of matters relating to the operations of the Town.

Responsible Official's Response: Management agrees with the finding. The Town has limited staff and currently working to fill the Town Manager position.