

TOWN OF HENLOPEN ACRES, DELAWARE

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2025

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

Opinions

We have audited the accompanying 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, 2025, 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 and each major fund, of the Town of Henlopen Acres, Delaware, as of June 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Adoption of Accounting Standard

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

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.

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 33 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2025, 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 12, 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

JUNE 30, 2025

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, 2025. This discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Town’s financial activity, (c) identify changes in the Town’s financial position, (d) identify any material deviations from the financial plan, and (e) identify individual fund issues or concerns.

Since the Management’s Discussion and Analysis is designed to focus on the current year’s activities, resulting changes and currently known facts, please read it in conjunction with the Town’s financial statements (beginning on page 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 \$4,594,578 (net position) as compared to \$4,189,267 in the prior year. Unrestricted net position has a balance of \$1,364,966, which may be used to meet the Town’s ongoing obligations to citizens and creditors in accordance with the Town’s fund designation and fiscal policies.
- As of the close of the current fiscal year, the Town’s governmental funds reported combined ending fund balances of \$3,262,547, an increase of \$595,590 from the prior year.
- Of the total amount, \$493,902 is unassigned and available for use within the Town’s fund designation and policies. This was an increase of \$245,313 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, 2025

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, 2025

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) major 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, Realty Transfer Tax, and Municipal Street Aid all of which are considered major funds.

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 - 32 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 33.

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 35 - 38 of this report.

TOWN OF HENLOPEN ACRES, DELAWARE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025

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, 2025 was \$4,594,578.

A large portion of the Town's net position (29%) 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	Governmental Activities	
	<u>June 30, 2025</u>	<u>June 30, 2024</u>	<u>Change</u>
ASSETS			
Current and other assets	\$ 3,320,009	\$ 2,714,723	\$ 605,286
Capital assets, net	<u>1,341,868</u>	<u>1,530,805</u>	<u>(188,937)</u>
Total assets	<u>4,661,877</u>	<u>4,245,528</u>	<u>416,349</u>
LIABILITIES			
Current liabilities	58,951	54,073	4,878
Long-term liabilities	<u>8,348</u>	<u>6,563</u>	<u>1,785</u>
Total liabilities	<u>67,299</u>	<u>60,636</u>	<u>6,663</u>
NET POSITION			
Net investment in capital assets	1,340,379	1,527,593	(187,214)
Restricted	1,889,233	1,659,643	229,590
Unrestricted	<u>1,364,966</u>	<u>997,656</u>	<u>367,310</u>
Total net position	<u>\$ 4,594,578</u>	<u>\$ 4,184,892</u>	<u>\$ 409,686</u>

The prior year was not restated for the implementation of GASB No 101, *Compensated Absences*. See note on page 26.

Analysis of the Town's operations

The following table provides a summary of the Town's operations for the year ended June 30, 2025, along with comparable data. Government-wide activities increased the Town of Henlopen Acres' net position by \$405,311.

TOWN OF HENLOPEN ACRES, DELAWARE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Analysis of the Town's operations (continued)

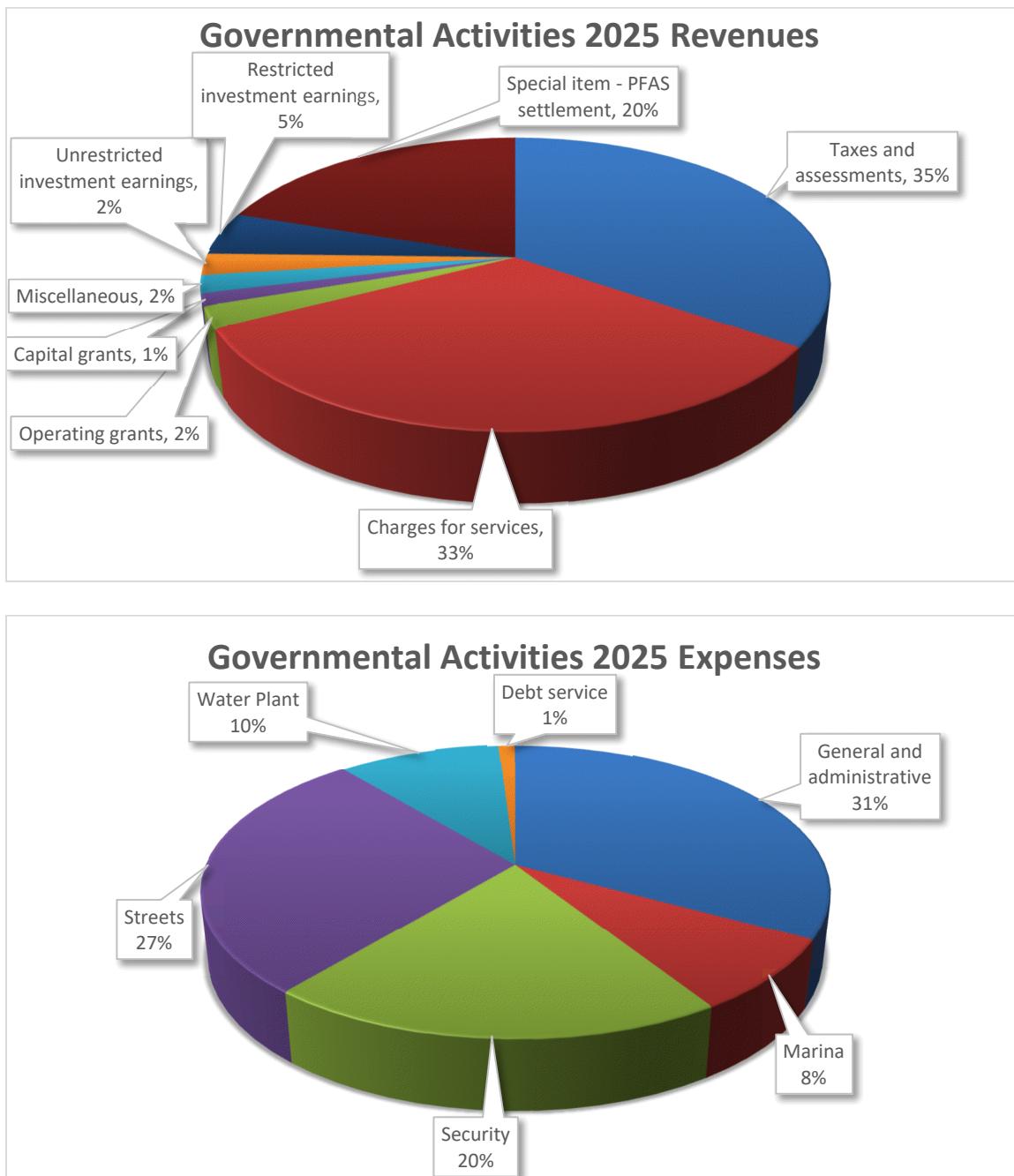
	Governmental Activities	Governmental Activities	
	<u>June 30, 2025</u>	<u>June 30, 2024</u>	<u>Change</u>
REVENUES			
Program revenues			
Charges for services	\$ 676,147	\$ 627,820	\$ 48,327
Operating grants and contributions	48,974	40,886	8,088
Capital grants and contributions	27,056	40,000	(12,944)
General revenues			
Taxes and assessments	702,804	756,978	(54,174)
Other revenue			
Unrestricted investment income	48,363	56,768	(8,405)
Restricted investment income	97,699	95,953	1,746
Loss on sale of capital assets	(6,701)	(6,701)	
Miscellaneous	28,806	31,428	(2,622)
Special item - PFAS settlement	<u>411,718</u>	<u>411,718</u>	<u>411,718</u>
Total revenues	<u>2,034,866</u>	<u>1,649,833</u>	<u>385,033</u>
EXPENSES			
General and administrative	538,638	428,023	110,615
Marina	139,338	138,482	856
Security	321,658	295,779	25,879
Streets	459,093	388,201	70,892
Water plant	170,731	143,136	27,595
Interest expense	97	165	(68)
Total expenses	<u>1,629,555</u>	<u>1,393,786</u>	<u>235,769</u>
Change in net position	405,311	256,047	149,264
NET POSITION, BEGINNING	4,189,267	3,928,845	260,422
PRIOR PERIOD ADJUSTMENT*		4,375	(4,375)
NET POSITION, ENDING	<u>\$ 4,594,578</u>	<u>\$ 4,189,267</u>	<u>\$ 405,311</u>

*See Adoption of GASB Statement No. 101, *Compensated Absences* disclosure on page 26.

TOWN OF HENLOPEN ACRES, DELAWARE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Analysis of the Town's operations (continued)



TOWN OF HENLOPEN ACRES, DELAWARE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025

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 \$3,262,547. Of this total amount, \$493,902 constitutes unassigned fund balance.

General fund budgetary highlights

Revenues for the general fund operations were above budgeted revenues by \$93,188. This favorable variance is primarily due to licenses and permits. However this was offset by a decrease in taxes and assessments. Departmental expenditures were less than budgeted expenditures by \$27,741. This favorable variance is primarily due to capital outlay.

The following schedule presents a comparative summary of General Fund revenues and for the fiscal years ended June 30, 2025 and 2024, along with the percentage of that revenue to total revenues:

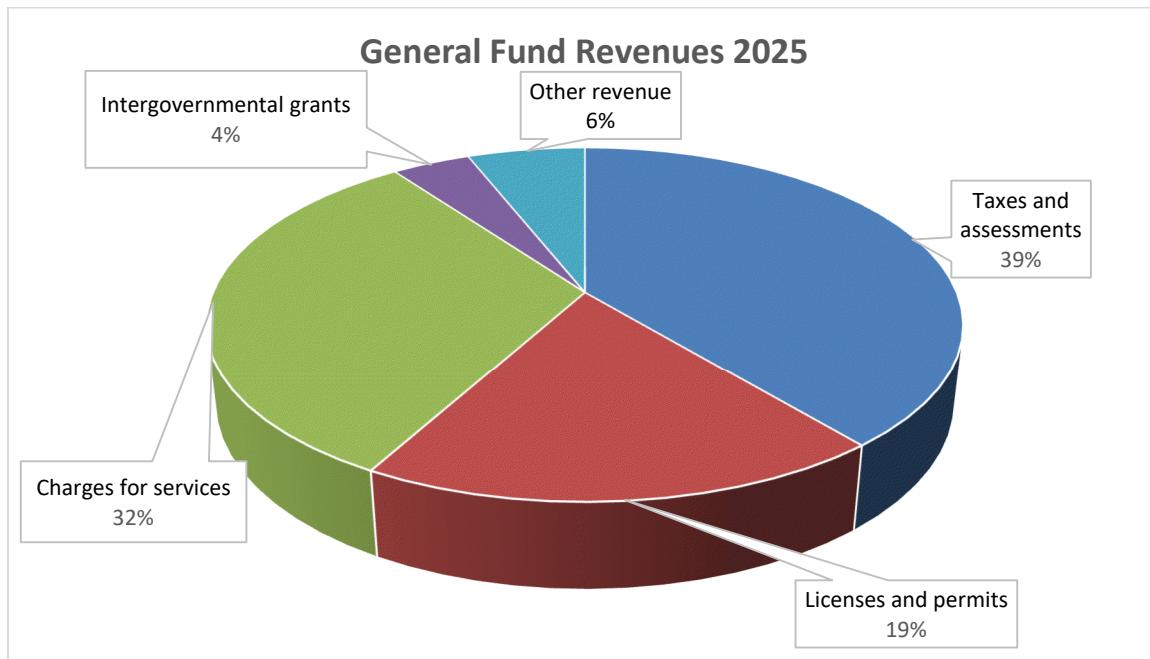
Revenues	June 30, 2025	Percentage of Total	June 30, 2024	Percentage of Total
	Totals		Totals	
Taxes and assessments	\$ 531,102	39%	\$ 498,885	40%
Licenses and permits	252,677	19%	223,969	18%
Charges for services	423,470	32%	403,851	33%
Intergovernmental grants	59,471	4%	24,076	2%
Other revenue	77,168	6%	81,208	7%
	\$ 1,343,888	100%	\$ 1,231,989	100%

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

JUNE 30, 2025

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 \$531,102 or 39% of all General Fund revenues. There was an increase in taxes and assessments revenues from 2024 of \$32,217.

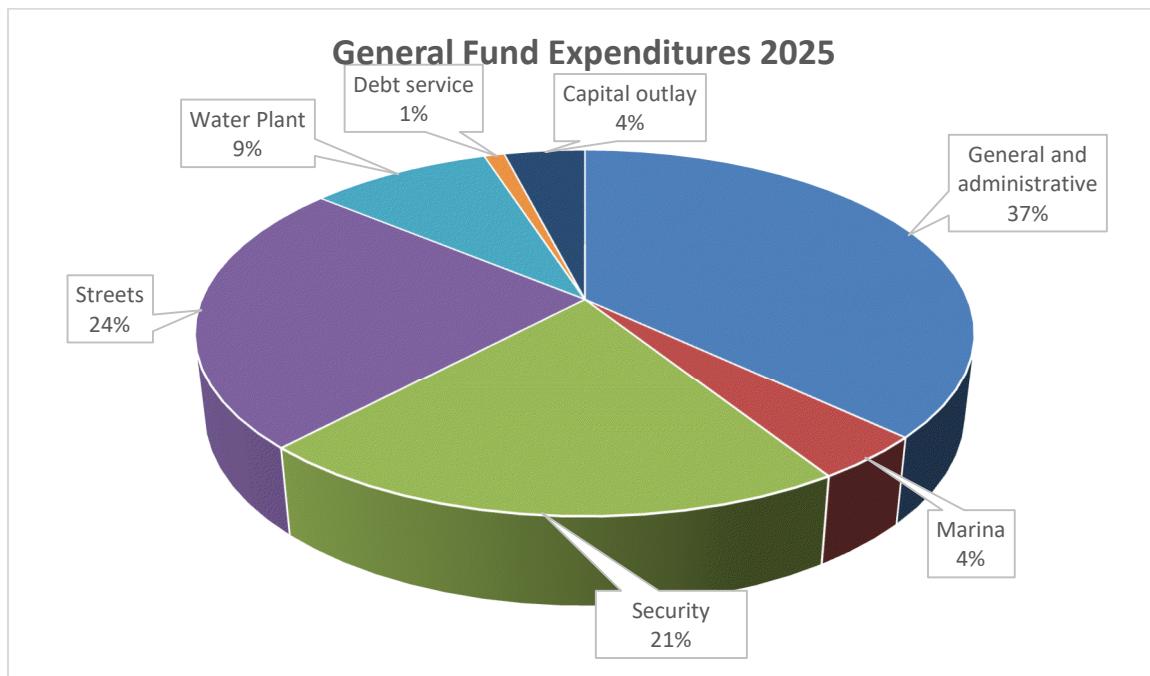
The following schedule represents a comparative summary of General Fund expenditures for the fiscal years ended June 30, 2025 and 2024, along with the percentage of that expenditure to total expenditures:

Expenditures	June 30, 2025 Totals	Percentage of Total	June 30, 2024 Totals	Percentage of Total
General and administrative	\$ 526,177	37%	\$ 414,301	33%
Marina	65,780	4%	68,957	5%
Security	305,694	21%	282,061	22%
Streets	342,667	24%	283,599	23%
Water plant	138,610	9%	112,647	9%
Debt service	1,820	1%	1,820	1%
Capital outlay	58,388	4%	89,663	7%
	<u>\$ 1,439,136</u>	<u>100%</u>	<u>\$ 1,253,048</u>	<u>100%</u>

TOWN OF HENLOPEN ACRES, DELAWARE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025

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, 2025 amounts to \$1,341,868 (net of accumulated depreciation). This investment in capital assets includes the following:

	Governmental Activities June 30, 2025	Governmental Activities June 30, 2024	Change
Land	\$ 181,090	\$ 181,090	\$
Construction in process	13,760	200	13,560
Building and improvements	399,697	399,697	
Machinery and equipment	415,435	419,826	(4,391)
Marina building and improvements	1,281,313	1,281,313	
Street and infrastructure	1,815,114	1,815,114	
Water system improvements	1,611,630	1,597,130	14,500
Right-to-use assets	8,234	8,234	
Accumulated depreciation	(4,384,405)	(4,171,799)	(212,606)
	<u>\$ 1,341,868</u>	<u>\$ 1,530,805</u>	<u>\$ (188,937)</u>

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

JUNE 30, 2025

CAPITAL ASSETS (Continued)

This year's major capital asset additions included:

- Kia security vehicle for \$28,825
- Lawn mower for \$4,503
- Water plant roof replacement for \$14,250

DEBT ADMINISTRATION

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

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

In July 2024, the Town pursued damages related to PFAS, also known as forever chemicals, found in the Town's drinking water system through four separate class-action lawsuits related to PFAS contamination. As a result of one of the class-action lawsuits, the Town was awarded a total of \$411,718 to be spread out over 10 years. As of June 30, 2025, the gross amount the Town has received from this award is \$89,504. The remainder to be received is recorded as Other Receivables in the financial statements.

Sussex County performed a reassessment for all properties within the Town for property tax billings for the year ended June 30, 2026. The total assessable base of the Town, excluding exempt properties, increased \$293,508,300 from \$13,596,000 to \$307,104,700. The Town reduced their tax rate from \$3.50 to \$0.18 per \$100 to account for this increase. The Town's budget for property taxes increased \$69,788 to \$522,788 in fiscal year 2026.

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, 2025

	Governmental Activities
ASSETS	
Current assets	
Cash and cash equivalents	\$ 480,787
Accounts receivable	12,583
Grants receivable	23,263
Current portion of other receivables	204,069
Prepaid expenses	29,300
Investments, at fair value	1,705,577
Total current assets	<u>2,455,579</u>
Noncurrent assets	
Restricted cash	746,284
Other receivables, less current portion	118,146
Capital assets, net	
Land	181,090
Construction in process	13,760
Building and improvements	399,697
Marina building and improvements	1,281,313
Machinery and equipment	415,435
Streets and infrastructure	1,815,114
Water system improvements	1,611,630
Right-to-use assets	8,234
Less, accumulated depreciation	<u>(4,384,405)</u>
Capital assets, net	<u>1,341,868</u>
Total noncurrent assets	<u>2,206,298</u>
Total assets	<u>4,661,877</u>
LIABILITIES	
Current liabilities	
Accounts payable	25,693
Accrued liabilities	18,101
Current portion of accrued compensated absences	13,668
Current portion of leases payable	<u>1,489</u>
Total current assets	<u>58,951</u>
Long-term liabilities	
Accrued compensated absences, less current portion	<u>8,348</u>
Total liabilities	<u>67,299</u>
NET POSITION	
Net investment in capital assets	1,340,379
Restricted	
Municipal Street Aid	33,336
Realty Transfer Tax	1,855,897
Unrestricted	<u>1,364,966</u>
Total net position	<u>\$ 4,594,578</u>

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

TOWN OF HENLOPEN ACRES, DELAWARE

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2025

FUNCTIONS/PROGRAMS	Program Revenues				Net Revenue (Expense) and Change in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
GOVERNMENTAL ACTIVITIES					
General and administrative	\$ 538,638	\$ 252,677	\$	\$	\$ (285,961)
Marina	139,338	150,910			11,572
Security	321,658	159,710	20,000	27,056	(114,892)
Streets	459,093		16,558		(442,535)
Water plant	170,731	112,850	12,416		(45,465)
Interest expense	97				(97)
Total governmental activities	<u>1,629,555</u>	<u>676,147</u>	<u>48,974</u>	<u>27,056</u>	<u>(877,378)</u>
GENERAL REVENUES					
General revenues:					
Taxes and assessments					702,804
Other revenue					
Unrestricted investment income					48,363
Restricted investment income					97,699
Loss on sale of capital assets					(6,701)
Miscellaneous					28,806
Special item - PFAS settlement					411,718
Total general revenues and special items					<u>1,282,689</u>
Change in net position					<u>405,311</u>
NET POSITION, BEGINNING OF YEAR, RESTATED					4,189,267
NET POSITION, END OF YEAR					\$ 4,594,578

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

TOWN OF HENLOPEN ACRES, DELAWARE

**BALANCE SHEETS
GOVERNMENTAL FUNDS**

JUNE 30, 2025

	General Fund	Realty Transfer Tax	Municipal Street Aid	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 480,787	\$	\$	\$ 480,787
Accounts receivable	12,583			12,583
Grants receivable	23,263			23,263
Other receivables	322,215			322,215
Prepaid expenses	29,300			29,300
Investments, at fair value	586,980	1,118,597		1,705,577
Due from other funds			24,352	24,352
Restricted cash		737,300	8,984	746,284
Total assets	<u>\$ 1,455,128</u>	<u>\$ 1,855,897</u>	<u>\$ 33,336</u>	<u>\$ 3,344,361</u>
LIABILITIES				
Accounts payable	\$ 25,693	\$	\$	\$ 25,693
Accrued liabilities	18,101			18,101
Accrued compensated absences	13,668			13,668
Due to other funds	24,352			24,352
Total liabilities	<u>81,814</u>			<u>81,814</u>
FUND BALANCES				
Nonspendable	29,300			29,300
Restricted by other governments		1,855,897	33,336	1,889,233
Committed by Council	850,112			850,112
Unassigned	493,902			493,902
Total fund balances	<u>1,373,314</u>	<u>1,855,897</u>	<u>33,336</u>	<u>3,262,547</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 1,455,128</u>	<u>\$ 1,855,897</u>	<u>\$ 33,336</u>	<u>\$ 3,344,361</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, 2025

Total fund balances, governmental funds	\$ 3,262,547
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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.

1,341,868

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	(8,348)
Leases payable	<u>(1,489)</u>

Net position, governmental activities	<u>\$ 4,594,578</u>
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The accompanying notes are an integral part of these financial statements.

TOWN OF HENOPEN ACRES, DELAWARE
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2025

	General Fund	Realty Transfer Tax	Municipal Street Aid	Total Governmental Funds
REVENUES				
Taxes and assessments	\$ 531,102	\$ 171,701	\$	\$ 702,803
Licenses and permits	252,677			252,677
Charges for services	423,470			423,470
Intergovernmental grants	59,471		16,558	76,029
Investment income	47,550	83,646		131,196
Other revenue	29,618	14,030	24	43,672
Total revenues	<u>1,343,888</u>	<u>269,377</u>	<u>16,582</u>	<u>1,629,847</u>
EXPENDITURES				
Current				
General and administrative	526,177	1,037		527,214
Marina	65,780			65,780
Security	305,694			305,694
Streets	342,667		5,802	348,469
Water plant	138,610			138,610
Debt service	1,820			1,820
Capital outlay	58,388			58,388
Total expenditures	<u>1,439,136</u>	<u>1,037</u>	<u>5,802</u>	<u>1,445,975</u>
Revenues over (under) expenditures	(95,248)	268,340	10,780	183,872
OTHER FINANCING SOURCES				
Transfers in (out)	49,530	(49,530)		
Special item - PFAS settlement	<u>411,718</u>			<u>411,718</u>
Net change in fund balances	366,000	218,810	10,780	595,590
FUND BALANCES, BEGINNING OF YEAR, RESTATED				
	<u>1,007,314</u>	<u>1,637,087</u>	<u>22,556</u>	<u>2,666,957</u>
FUND BALANCES, END OF YEAR				
	<u>\$ 1,373,314</u>	<u>\$ 1,855,897</u>	<u>\$ 33,336</u>	<u>\$ 3,262,547</u>

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, 2025

Net change in fund balances, governmental funds	\$ 595,590
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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	58,388
Depreciation expense	<u>(240,624)</u>
	(182,236)

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

(6,701)

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	(3,065)
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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.

1,723

Change in net position, governmental activities	<u>\$ 405,311</u>
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TOWN OF HENLOPEN ACRES, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025

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, 2025

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, 2025

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of accounting and measurement focus

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net position and the 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, 2025 was \$3.50 per \$100 of the Sussex County assessed valuation with a total assessed valuation of approximately \$14,332,150 including exempt properties of \$735,750.

TOWN OF HENLOPEN ACRES, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025

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, 2025 are as follows:

	Cost	Fair Value	Unrealized Gains/(Losses)
Transfer tax	\$ 1,045,654	\$ 1,118,597	\$ 72,943
Water	410,081	436,312	26,231
Unrestricted	139,752	150,668	10,916
Total investments	\$ 1,595,487	\$ 1,705,577	\$ 110,090

TOWN OF HENLOPEN ACRES, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025

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, 2025, 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:

Asset Class	Estimated Useful Lives
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, 2025

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, 2025

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Effective July 1, 2024, the Town adopted the new compensate absences accounting guidance in GASB Statement No. 101, *Compensated Absences*. The new guidance requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences. As a result of this adoption, salaries and related expenses increased with a corresponding increase in compensated absences liability. The statement has been applied retrospectively to all prior periods presented. This required adjustments to the beginning net position and fund balance as follows:

Governmental Activities

Net position at June 30, 2024, as previously reported	\$ 4,184,892
Adjustment to compensated absences under GASB 101	4,375
Net position at June 30, 2024, restated	<u><u>\$ 4,189,267</u></u>

General Fund

Fund balance at June 30, 2024, as previously reported	\$ 1,002,730
Adjustment to compensated absences under GASB 101	4,584
Fund balance at June 30, 2024, restated	<u><u>\$ 1,007,314</u></u>

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. Sick leave is not vested for any reason.

TOWN OF HENLOPEN ACRES, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025

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, 2025, the carrying amount of the Town's deposits was \$1,227,071 and the bank balance was \$1,274,321.

Of the total bank balance, \$268,446 was covered by FDIC. The remaining balance was covered by an irrevocable standby letter of credit for \$1,060,000.

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

Cash and cash equivalents	\$ 480,787
Restricted cash	746,284
Total cash	<u>\$ 1,227,071</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, 2025

FAIR VALUE MEASUREMENTS (Continued)

The fair value hierarchy for assets measured at fair value on a recurring basis as of June 30, 2025 is as follows:

Investment type	Fair Value using:				Total
	(Level 1)	(Level 2)	(Level 3)		
Cash	\$ 199,104				\$ 199,104
Fixed income:					
Fixed income ETPs	1,092,636				1,092,636
Equity Fund:					
Equity ETPs	413,837				413,837
Total investments	<u>\$ 1,705,577</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 1,705,577</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, 2025 are as follows:

	June 30, 2024	Net Change	June 30, 2025
Long-term	\$ 5,283	\$ 3,065	\$ 8,348
Short-term	9,494	4,174	13,668
Total	<u>\$ 14,777</u>	<u>\$ 7,239</u>	<u>\$ 22,016</u>

Beginning balances were updated to reflect the implementation of GASB No. 101, *Compensated Absences*.

TOWN OF HENLOPEN ACRES, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025

CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2025 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<i>Capital assets not being depreciated</i>				
Land	\$ 181,090	\$	\$	\$ 181,090
Construction in progress	200	13,560	13,760	13,760
Total capital assets not being depreciated	<u>181,290</u>	<u>13,560</u>	<u>13,760</u>	<u>194,850</u>
<i>Capital assets being depreciated</i>				
Building and improvements	399,697			399,697
Machinery and equipment	419,826	30,328	34,719	415,435
Marina building and improvements	1,281,313			1,281,313
Streets and infrastructure	1,815,114			1,815,114
Water system improvements	1,597,130	14,500		1,611,630
Right-to-use assets	8,234			8,234
Total capital assets being depreciated	<u>5,521,314</u>	<u>44,828</u>	<u>34,719</u>	<u>5,531,423</u>
Less: accumulated depreciation	(4,171,799)	(240,624)	(28,018)	(4,384,405)
Total capital assets being depreciated, net	<u>1,349,515</u>	<u>(195,796)</u>	<u>6,701</u>	<u>1,147,018</u>
Net capital assets	<u>\$ 1,530,805</u>	<u>\$ (182,236)</u>	<u>\$ 6,701</u>	<u>\$ 1,341,868</u>

Depreciation expense was charged to each function as follows:

General government	\$ 15,676
Marina	69,303
Security	14,972
Streets	108,552
Water department	32,121
Total governmental activities	<u>\$ 240,624</u>

TOWN OF HENLOPEN ACRES, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025

LONG-TERM DEBT

Changes in long-term obligations for the year June 30, 2025, are as follows:

Governmental Activities:	Beginning			Ending	Short-term
	Balance	Increase	Decrease	Balance	Portion
Leases payable	\$ 3,212	\$	\$ 1,723	\$ 1,489	\$ 1,489

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	(6,513)
	<u>\$ 1,721</u>

Maturities of long-term debt are as follows:

Debt service requirements on long-term debt at June 30, 2025 are as follows:

Year Ending June 30, 2026	Principal	Interest
	\$ 1,489	\$ 27

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, 2025

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 \$12,583 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, 2025, that have effective dates that may impact future financial presentations. Management has not currently determined what, if any, impact implementation of the new standards may have on the financial statements.

TOWN OF HENLOPEN ACRES, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025

NEW PRONOUNCEMENTS (Continued)

GASB Statement No. 102, *Certain Risk Disclosures*, will be effective for the District beginning with the year ending June 30, 2026. This statement establishes requirements to disclose certain risks faced by governments.

GASB Statement No. 103, *Financial Reporting Improvements*, will be effective for the District beginning with the year ending June 30, 2027. This statement will improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing the government's accountability.

GASB Statement No. 104, *Disclosure of Certain Capital Assets*, will be effective for the District beginning with the year ending June 30, 2027. The statement will provide guidance on how to disclose right-to-use assets resulting from leases, subscriptions and PPPs to promote consistency and comparability between governments. It also provides new disclosure requirements related to capital assets held for sale.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF HENLOPEN ACRES, DELAWARE

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

YEAR ENDED JUNE 30, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
Taxes and assessments	\$ 542,000	\$ 542,000	\$ 531,102	\$ (10,898)
Licenses and permits	179,500	179,500	252,677	73,177
Charges for services	419,000	419,000	423,470	4,470
Intergovernmental grants	61,750	61,750	59,471	(2,279)
Investment income	25,000	25,000	47,550	22,550
Other revenue	23,450	23,450	29,618	6,168
Total revenues	1,250,700	1,250,700	1,343,888	93,188
EXPENDITURES				
Current				
General and administrative	422,045	422,045	526,177	(104,132)
Marina	74,610	74,610	65,780	8,830
Security	289,350	289,350	305,694	(16,344)
Streets	345,422	345,422	342,667	2,755
Water plant	120,650	120,650	138,610	(17,960)
Debt service			1,820	(1,820)
Capital outlay	214,800	214,800	58,388	156,412
Total expenditures	1,466,877	1,466,877	1,439,136	27,741
Revenues over (under) expenditures	\$ (216,177)	\$ (216,177)	\$ (95,248)	\$ 120,929

SUPPLEMENTARY INFORMATION



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ALLINIAL GLOBAL

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, 2025 appears on pages one through three. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Henlopen Acres, Delaware's basic financial statements. The supplementary information presented on pages 35 through 38 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 12, 2025

TOWN OF HENOPEN ACRES, DELAWARE
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2025

	Final Budget (Unaudited)	Actual Amounts	Variance Favorable (Unfavorable)
REVENUES			
Taxes and assessments			
Property taxes	\$ 483,000	\$ 475,204	\$ (7,796)
Gross rental taxes	46,000	42,960	(3,040)
Franchise tax	13,000	12,938	(62)
Total taxes and assessments	<u>542,000</u>	<u>531,102</u>	<u>(10,898)</u>
Licenses and permits			
Business licenses	28,000	33,849	5,849
Zoning fees	151,500	218,828	67,328
Total licenses and permits	<u>179,500</u>	<u>252,677</u>	<u>73,177</u>
Charges for services			
Water rental fees	110,700	110,700	0
Water connect/disconnect fees	1,000	2,150	1,150
Marina slip fees	149,000	148,510	(490)
Marina fees other	2,550	2,400	(150)
North Shore security fees	155,000	159,710	4,710
North Shore other fees	750	0	(750)
Total service fees	<u>419,000</u>	<u>423,470</u>	<u>4,470</u>
Intergovernmental grants			
State grants	25,000	13,560	(11,440)
Sussex county grants	17,500	20,000	2,500
Federal grants	0	12,416	12,416
North Shore security grant	19,250	13,495	(5,755)
Total intergovernmental grants	<u>61,750</u>	<u>59,471</u>	<u>(2,279)</u>
Investment income	<u>25,000</u>	<u>47,550</u>	<u>22,550</u>
Other revenue			
Interest income	500	813	313
Fines and late fees	1,300	1,203	(97)
Miscellaneous	21,650	27,602	5,952
Total other revenue	<u>23,450</u>	<u>29,618</u>	<u>6,168</u>
Total revenues	<u><u>\$ 1,250,700</u></u>	<u><u>\$ 1,343,888</u></u>	<u><u>\$ 93,188</u></u>

TOWN OF HENOPEN ACRES, DELAWARE

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

YEAR ENDED JUNE 30, 2025

	Final Budget (Unaudited)	Actual Amounts	Variance Favorable (Unfavorable)
EXPENDITURES			
General and administrative			
Audit	\$ 12,000	\$ 12,500	\$ (500)
Office supplies	3,000	6,841	(3,841)
Insurance	17,500	14,833	2,667
Legal	75,000	171,739	(96,739)
Payroll	155,000	124,909	30,091
Payroll taxes	14,200	12,099	2,101
Bonus	4,500	3,431	1,069
Health insurance	52,500	38,005	14,495
Building inspector	25,000	88,084	(63,084)
Utilities	5,845	5,580	265
Equipment	2,500	1,418	1,082
Repairs and maintenance - town hall	13,000	10,094	2,906
Printing and postage	1,800	2,731	(931)
Donations and dues	10,000	3,106	6,894
Code codification	2,250	1,195	1,055
Retirement	2,700	2,145	555
Information technology	9,000	12,636	(3,636)
Investment fees	2,000	2,018	(18)
Miscellaenous	14,250	12,813	1,437
Total general and administrative	<u>422,045</u>	<u>526,177</u>	<u>(104,132)</u>
Marina			
Insurance	6,200	6,198	2
Payroll	39,000	34,557	4,443
Payroll taxes	3,100	2,746	354
Bonus	650	877	(227)
Health insurance	17,000	14,757	2,243
Repairs and maintenance	5,000	3,666	1,334
Utilities	2,460	2,169	291
Retirement	1,200	810	390
Total marina	<u>74,610</u>	<u>65,780</u>	<u>8,830</u>

TOWN OF HENOPEN ACRES, DELAWARE

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

YEAR ENDED JUNE 30, 2025

	Final Budget (Unaudited)	Actual Amounts	Variance Favorable (Unfavorable)
EXPENDITURES (Continued)			
Security			
Office supplies	\$ 250	\$ 6	\$ 244
Insurance	9,500	8,539	961
Payroll	184,000	198,711	(14,711)
Payroll taxes	14,800	16,304	(1,504)
Bonus	8,500	12,187	(3,687)
Health insurance	57,000	59,339	(2,339)
Repairs and maintenance	3,000	2,638	362
Utilities	1,300	1,333	(33)
Gas and oil	5,500	3,048	2,452
Radios and equipment	2,000	821	1,179
Retirement	2,000	2,098	(98)
Training and uniforms	1,500	670	830
Total security	<u>289,350</u>	<u>305,694</u>	<u>(16,344)</u>
Streets			
Insurance	11,200	11,238	(38)
Payroll	171,000	165,679	5,321
Payroll taxes	13,500	13,753	(253)
Bonus	4,800	7,414	(2,614)
Health insurance	60,000	63,036	(3,036)
Repairs and maintenance equipment	5,000	6,494	(1,494)
Mosquito and animal control	1,500	364	1,136
Security lights	2,500	504	1,996
Gas and oil	10,000	9,874	126
Utilities	9,522	9,939	(417)
Uniforms and training	800	1,260	(460)
Propane	3,500	3,671	(171)
Shop repairs and parts	3,000	1,624	1,376
Easements and right of way	3,000	491	2,509
Roads and storm drains	6,000	6,674	(674)
Radios and equipment	1,500	1,390	110
Tree maintenance planning	32,000	32,433	(433)
Retirement	6,600	6,829	(229)
Total streets	<u>345,422</u>	<u>342,667</u>	<u>2,755</u>

TOWN OF HENOPEN ACRES, DELAWARE
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND BY DEPARTMENT (CONTINUED)
YEAR ENDED JUNE 30, 2025

	Final Budget (Unaudited)	Actual Amounts	Variance Favorable (Unfavorable)
EXPENDITURES (Continued)			
Water plant			
Retirement	\$ 2,000	\$ 1,691	\$ 309
Insurance	11,000	10,895	105
Payroll	53,000	58,211	(5,211)
Payroll taxes	4,200	4,091	109
Bonus	1,500	1,701	(201)
Health insurance	19,500	19,146	354
Repairs and maintenance	10,500	17,291	(6,791)
Electricity	12,000	11,206	794
Dues/fees/training	2,000	1,789	211
Chemicals	1,750	9,359	(7,609)
Communications	3,200	3,230	(30)
Total water plant	<u>120,650</u>	<u>138,610</u>	<u>(17,960)</u>
Debt service		1,820	(1,820)
Capital outlay	<u>214,800</u>	<u>58,388</u>	<u>156,412</u>
Total expenditures	<u>\$ 1,466,877</u>	<u>\$ 1,439,136</u>	<u>\$ 27,741</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, 2025, 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 12, 2025.

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.

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 or significant deficiencies. However, material weaknesses or significant deficiencies may exist that were not identified.

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 12, 2025