CITY OF REHOBOTH BEACH
SUSSEX COUNTY, DELAWARE

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

MARCH 31, 2025

CITY OF REHOBOTH BEACH

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BTCPA
BARBACANE THORNTON & COMPANY

INDEPENDENT AUDITOR'S REPORT

October 10, 2025

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Rehoboth Beach ("the City"), Rehoboth Beach, Delaware, as of and for the year ended March 31, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Rehoboth Beach, Rehoboth Beach, Delaware, as of March 31, 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.

Basis for Opinions

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

503 Carr Road ◻ Suite 100 ◻ Wilmington, DE 19809
302.478.8940 ◻ www.btcpa.com

To the Honorable Mayor and Commissioners
City of Rehoboth Beach

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibility for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

To the Honorable Mayor and Commissioners
City of Rehoboth Beach

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

Emphasis of a Matter

As discussed in Note 1 to the financial statements, the City has adopted the requirements of GASB Statement No. 101, "Compensated Absences." The purpose of this statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the City's 2024 financial statements, and we expressed unmodified opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information in our report dated October 25, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2024 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 18, the budgetary comparison schedule - general fund, schedule of the City's proportionate share of the net pension asset (liability), schedule of City pension contributions, schedule of the City's net OPEB liability and related ratios, and schedule of City OPEB contributions on pages 54 through 59 presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining balance sheet – nonmajor governmental funds; combining statement of revenues, expenditures, changes in fund balances – nonmajor governmental funds; combining statement of net position – sewer funds; combining statement of revenues, expenses, and changes in net position – sewer funds; combining statement of cash flows – sewer funds; and the schedule of federal awards as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards ("Uniform Guidance"), are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining balance sheet – nonmajor governmental funds; combining statement of revenues, expenditures, changes in fund balances – nonmajor governmental funds; combining statement of net position – sewer funds; combining statement of revenues, expenses, and changes in net position – sewer funds; combining statement of cash flows – sewer funds; and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining balance sheet – nonmajor governmental funds; combining statement of revenues, expenditures, changes in fund balances – nonmajor governmental funds; combining statement of net position – sewer funds; combining statement of revenues, expenses, and changes in net position – sewer funds; combining statement of cash flows – sewer funds; and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

<u>Other Reporting Required by *Government Auditing Standards*</u>

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2025, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Barbacane, Thornton & Company LLP

BARBACANE, THORNTON & COMPANY LLP

This discussion and analysis of the City of Rehoboth Beach, Delaware ("the City") provides an overview of the City's financial performance for the fiscal year ended March 31, 2025. Please read it in conjunction with the City's financial statements, which begin on page 19.

FINANCIAL HIGHLIGHTS

The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at March 31, 2025 by $98.3 million (net position). Of this amount, $49.8 million is reported as unrestricted net position. The City's net position increased by $9.1 million with governmental net position increasing by $4.9 million and business-type (enterprise funds) net position increasing by $4.2 million.

As of March 31, 2025, the City's governmental funds reported combined ending fund balances of $30.9 million, an increase of $6.7 million as compared to the prior year. Total governmental funds revenue increased by $3.7 million compared to the prior year. Total tax revenues increased by $2.2 million as a result of increases in revenues from property tax ($598 thousand), rental tax ($854 thousand), property transfer tax ($659 thousand), hotel accommodations tax ($42 thousand). The property tax and rental tax revenue increases are attributed to rate increases. The property tax rate increased from .06 cents per hundred dollars of assessed value to .08 cents per hundred dollars of assessed value while the rental tax rate increased from 6 percent of gross rental income to 7 percent of gross rental income. The increases in property transfer tax, construction tax, and hotel accommodations tax are due to higher economic activity.

Parking revenues, including fees, permits and fines, the largest component of the Charges for Services category, exceeded the prior year by $1.8 million or 21 percent. Most of the increase was in the parking meter category, as it increased by $1.7 million or 21 percent. The hourly rate increased from $3 per hour to $4 per hour produced the increase in total meter revenue. Parking fines increased by $38 thousand or 4 percent. The pay-by-phone feature notifies customers of pending expirations, enabling users to remotely purchase additional time, and avoiding fines. This may have attributed to the lower growth in parking fine revenue.

Intergovernmental revenues (grants) decreased by $883 thousand, as the American Rescue Plan Act (ARPA) funds were recognized as income in the prior year.

Compared to the prior year, higher operating costs were incurred in all functional categories. General Government, Public Safety, Public Works, and Recreation and Culture increased by $694 thousand, $639 thousand, $313 thousand, and $142 thousand, respectively. Total governmental expenditures, including interest and principal, were $5.1 million above the prior year but were $115 thousand below budget.

As of March 31, 2025, the City's enterprise funds reported combined net position of $46.4 million, an increase of $4.2 million compared to the prior year. The increase in net position was a result of the $2.5 million increase in the Water Fund and an increase of $1.7 million in the Wastewater Fund. The $926 thousand capital contribution in the Wastewater Fund was received from Sussex County for their 42 percent share of debt service costs on the Ocean Outfall and Plant loan.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Entity-wide Financial Analysis

The table on the next page presents a summary of the statement of net position for the City as of March 31, 2025 and 2024.

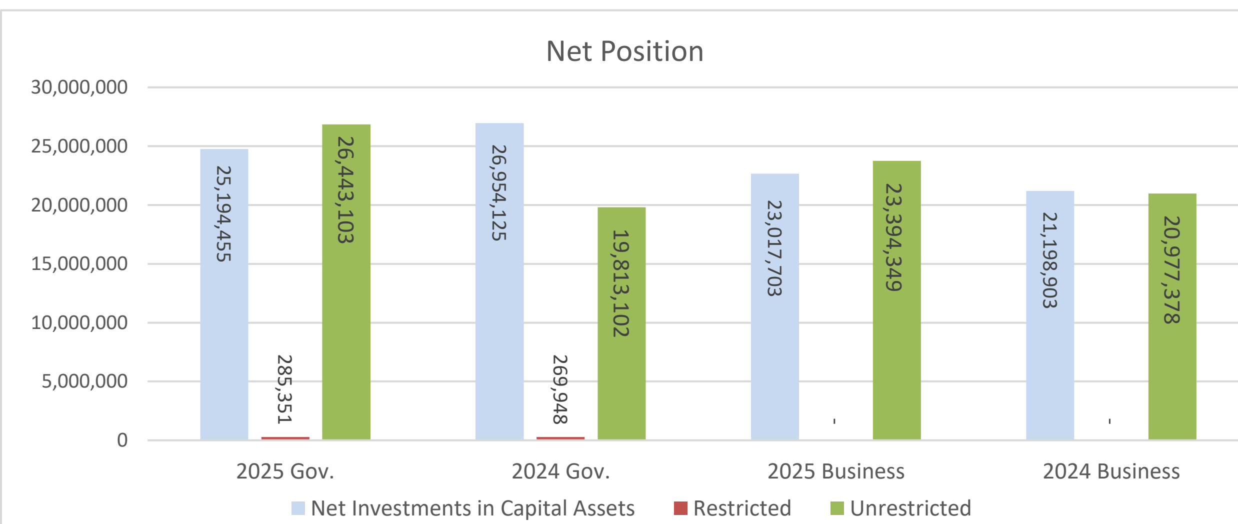
TABLE 1
CONDENSED STATEMENTS OF NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2025	2024	2025	2024	2025	2024
ASSETS						
Current and other assets	$ 32,470,994	$ 25,534,849	$ 26,227,379	$ 24,323,941	$ 58,698,373	$ 49,858,790
Capital assets, net	43,091,571	40,652,954	73,264,224	69,869,696	116,355,795	110,522,650
TOTAL ASSETS	75,562,565	66,187,803	99,491,603	94,193,637	175,054,168	160,381,440
DEFERRED OUTFLOWS OF RESOURCES						
Deferred pension and OPEB	2,163,405	2,126,782	99,251	130,350	2,262,656	2,257,132
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	77,725,970	68,314,585	99,590,854	94,323,987	177,316,824	162,638,572
LIABILITIES						
Other liabilities	3,799,657	2,445,754	4,296,488	4,862,593	8,096,145	7,308,347
Long-term liabilities	20,122,227	17,175,362	48,504,999	46,977,987	68,627,226	64,153,349
TOTAL LIABILITIES	23,921,884	19,621,116	52,801,487	51,840,580	76,723,371	71,461,696
DEFERRED INFLOWS OF RESOURCES						
Deferred Pension and OPEB	1,881,177	1,656,294	377,315	307,126	2,258,492	1,963,420
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	25,803,061	21,277,410	53,178,802	52,147,706	78,981,863	73,425,116
NET POSITION						
Net investment in capital assets	25,194,455	26,954,125	23,017,703	21,198,903	48,212,158	48,212,158
Restricted	285,351	269,948	-	-	285,351	269,948
Unrestricted	26,443,103	19,813,102	23,394,349	20,977,378	49,837,452	40,790,480
TOTAL NET POSITION	$ 51,922,909	$ 47,037,175	$ 46,412,052	$ 42,176,281	$ 98,334,961	$ 89,213,456

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

TABLE 2
CHANGES IN NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2025	2024	2025	2024	2025	2024
REVENUES						
Program revenues:						
Charges for services	$ 14,376,786	$ 12,064,402	$ 11,765,789	$ 10,005,701	$ 26,142,575	$ 22,070,103
Operating grants/contributions	484,306	1,367,816	-	25,000	484,306	1,392,816
Capital grants/contributions	-	-	925,856	982,060	925,856	982,060
General revenues:						
Taxes	10,989,722	8,798,700	-	-	10,989,722	8,798,700
Investment earnings	829,934	793,668	772,741	643,948	1,602,675	1,437,616
Franchise fees	157,907	163,200	-	-	157,907	163,200
Miscellaneous	230,819	354,290	-	-	230,819	354,290
TOTAL REVENUES	27,069,474	23,542,076	13,464,386	11,656,709	40,533,860	35,198,785
EXPENSES						
General government	6,649,687	5,524,930	-	-	6,649,687	5,524,930
Public safety	5,885,741	5,751,025	-	-	5,885,741	5,751,025
Public works	7,729,706	7,617,803	-	-	7,729,706	7,617,803
Recreation and culture	1,468,711	1,327,813	-	-	1,468,711	1,327,813
Interest on long-term debt	449,895	254,014	746,972	887,082	1,196,867	1,141,096
Water operations	-	-	2,815,765	2,704,006	2,815,765	2,704,006
Sewer operations	-	-	5,665,878	5,638,123	5,665,878	5,638,123
TOTAL EXPENSES	22,183,740	20,475,585	9,228,615	9,229,211	31,412,355	29,704,796
INCREASE IN NET POSITION	4,885,734	3,066,491	4,235,771	2,427,498	9,121,505	5,493,989
NET POSITION, BEGINNING OF YEAR	47,037,175	43,970,684	42,176,281	39,748,783	89,213,456	83,719,467
NET POSITION, END OF YEAR	$ 51,922,909	$ 47,037,175	$ 46,412,052	$ 42,176,281	$ 98,334,961	$ 89,213,456



Governmental Activities

Tax revenues increased by $2.2 million as a result of increases in rental tax ($854 thousand increase), property transfer tax ($659 thousand increase), and construction tax ($38 thousand increase), hotel accommodations tax ($19 thousand decrease) and property tax ($598 thousand increase).

The cost of all governmental activities in FY2025 was $22.2 million, a $1.7 million increase from FY2024. The amount that taxpayers ultimately financed for these activities through City taxes was $11 million, or 41 percent, a decrease from 43 percent in the prior year. Other costs were paid by those who directly benefited from the programs ($10.5 million), and government agencies and organizations that subsidized funding with intergovernmental aid ($484 thousand). The City's increase in net position was $4.9 million.

	FY2025	FY2025%	FY2024	FY2024%	Change
Governmental Activities					
General Government	$ 6,649,687	30.1%	$ 5,524,930	27.0%	$ 1,124,757
Public Safety	5,885,741	26.5%	5,751,025	28.1%	134,716
Public Works	7,729,706	34.8%	7,617,803	37.2%	111,903
Recreation and Culture	1,468,711	6.6%	1,327,813	6.5%	140,898
Interest on general long-term debt	449,895	2.0%	254,014	1.2%	195,881
Total Governmental Expenses	$ 22,183,740	100.0%	$ 20,475,585	100.0%	$ 1,708,155

Administration and Finance Department expenses increased by $18 thousand. While salaries increased by $257 thousand, other professional services decreased by $256 thousand. The salary increases were due to the higher wages paid to staff and the filling of vacant positions. In fiscal year 2024, the City's parking study cost $196 thousand and was the largest component of other professional services. This study was completed in FY2024 and did not recur in FY2025. The movement of the cost of a software vendor's services ($97 thousand) from administration costs to IT department costs also reduced FY25 administration costs.

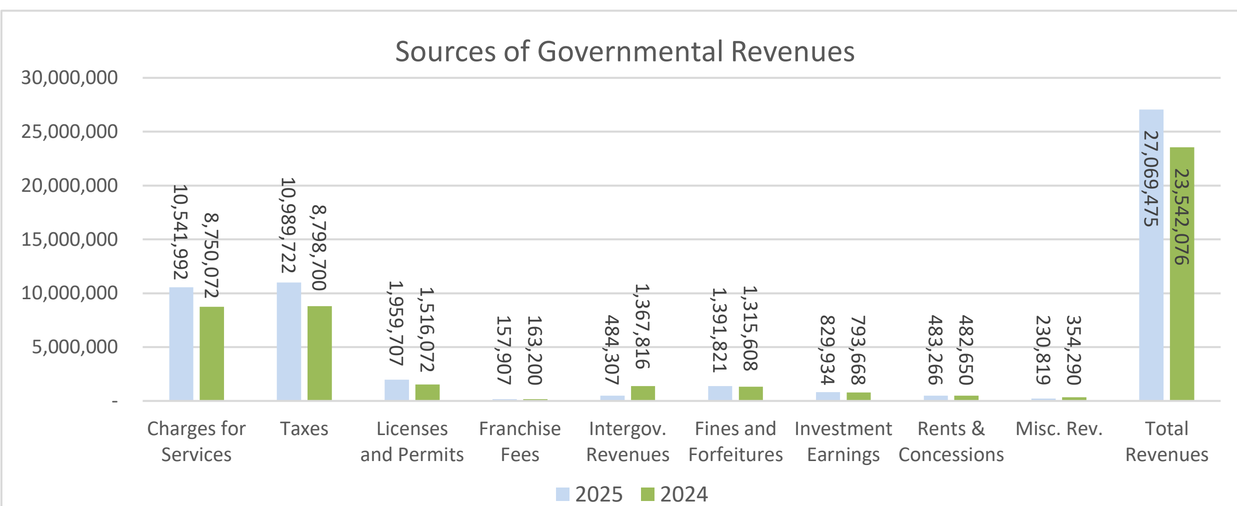
The City's expenditure in the Information Technology department increased by $117 thousand, largely due to the reclassification of a vendor's maintenance fees ($97 thousand).

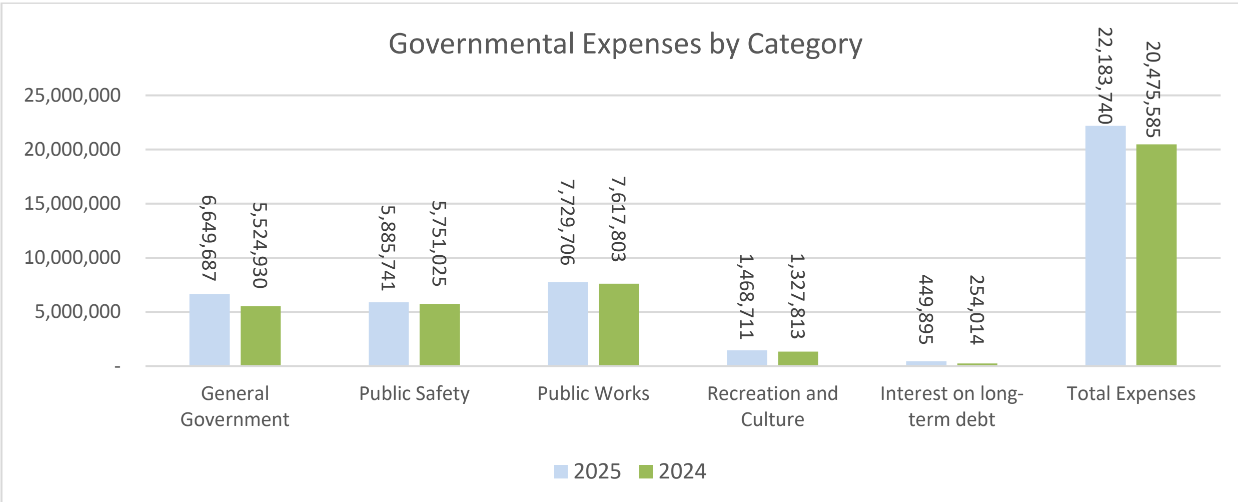
Public Works expenses, consisting of the streets, fleet services, refuse and parking departments, accounted for 34.8 percent of the City's governmental activities, or $7.7 million, an increase of $133 thousand from fiscal year 2024. Operating costs in the Parking Department, excluding depreciation and capital outlays, decreased by $113 thousand, as a result of lower expenditures for supplies and materials/fewer meter parts ($70 thousand) and salary costs/fewer staff ($72 thousand). Parking collection and processing fees related to credit card and pay-by-phone charges increased by $102 thousand. The increase is a result of increased parking activity.

In the Streets Department full-time and part-time salaries increased by $128 thousand and $78 thousand. The combination of wage increases, and the filling of vacant positions are attributed to the increase. While capital outlays were $246 thousand less than the prior fiscal year, the operating costs were $390 thousand higher.

The Public Safety expenditures accounted for $5.9 million of the City's governmental activities in the year ended March 31, 2025, and $5.8 million in the prior year. The public safety function consists of the City's police department, 911 dispatch center, and the beach patrol. Salaries in the 911 Dispatch and Beach Patrol increased by $72 thousand, and $39 thousand, respectively. The increases are primarily a result of higher hourly wage rates that were considered necessary to attract and retain staff. Full-time Police Department salaries increased by $146 thousand, primarily as a result of rate and staff increases. The part-time police officer salaries decreased by $7 thousand, as all available positions were not filled. Medical insurance costs in the Police and 911 Dispatch Department increased by $76 thousand and $46 thousand, respectively. The increases were a result of premium, and staff increases.

The Recreation and Culture function consists of the parks, comfort stations bandstand and tennis/recreation departments. In total, recreation and culture expenditures were 6.7 percent of total governmental activities or $1.5 million, an increase of $141 thousand or 11 percent from fiscal year 2024. The $42 thousand cost of Independence Day fireworks was incurred in FY2025, an increase of $4 thousand from FY24. Main Street established the fireworks program years ago, but the City is now funding it. Full-time salaries decreased in the Parks Department by $17 thousand as a result of vacancy in the department head position. However, the City spent $67 thousand on outside consulting services to perform the services previously provided by the head of the Parks Department. The operating costs at the bandstand increased by $43 thousand, as bandstand expenses, salaries and contractual services increased by $13 thousand, $9 thousand and $17 thousand, respectively. The program costs for the performers were less than $1 thousand above the prior year.





Business-type Activities

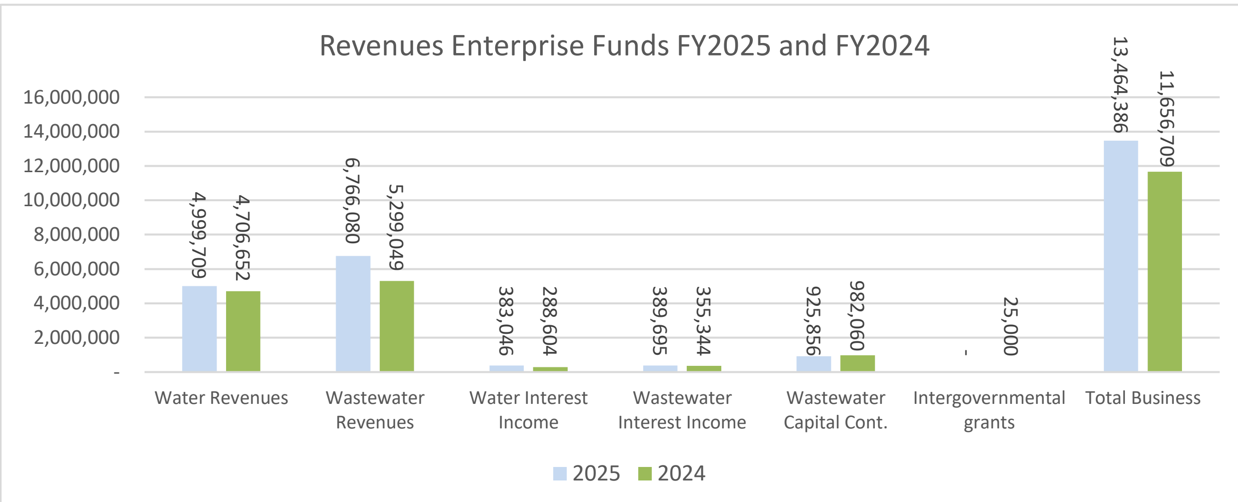
In addition to providing the residents of Rehoboth Beach with water and sewer services, the City has entered into operating agreements with Sussex County on behalf of Dewey Beach, and Henlopen Acres for wastewater treatment services. The City also charges Sussex County for the bulk delivery of water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

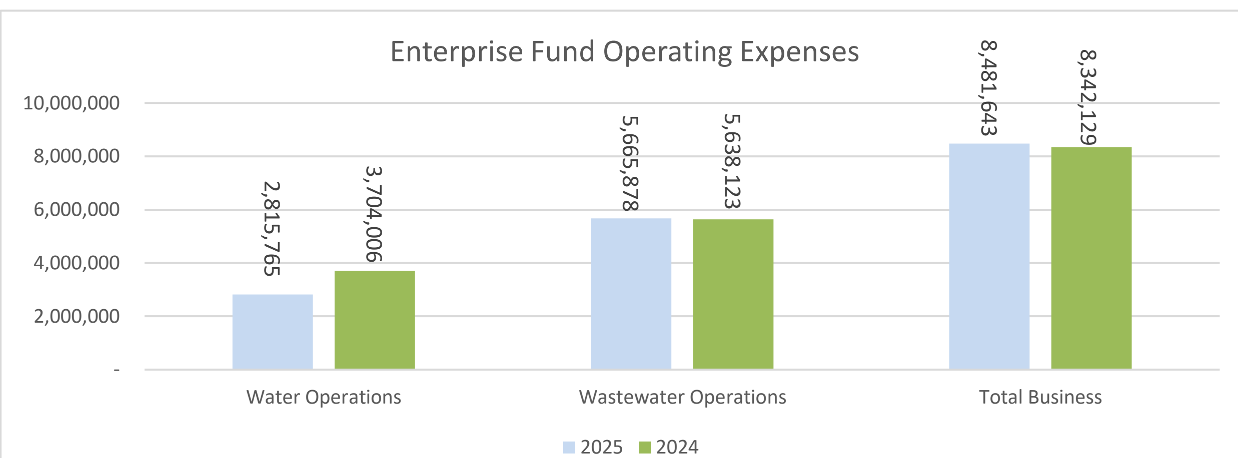
Charges for services represent the principal revenue source for the City's business-type activities.

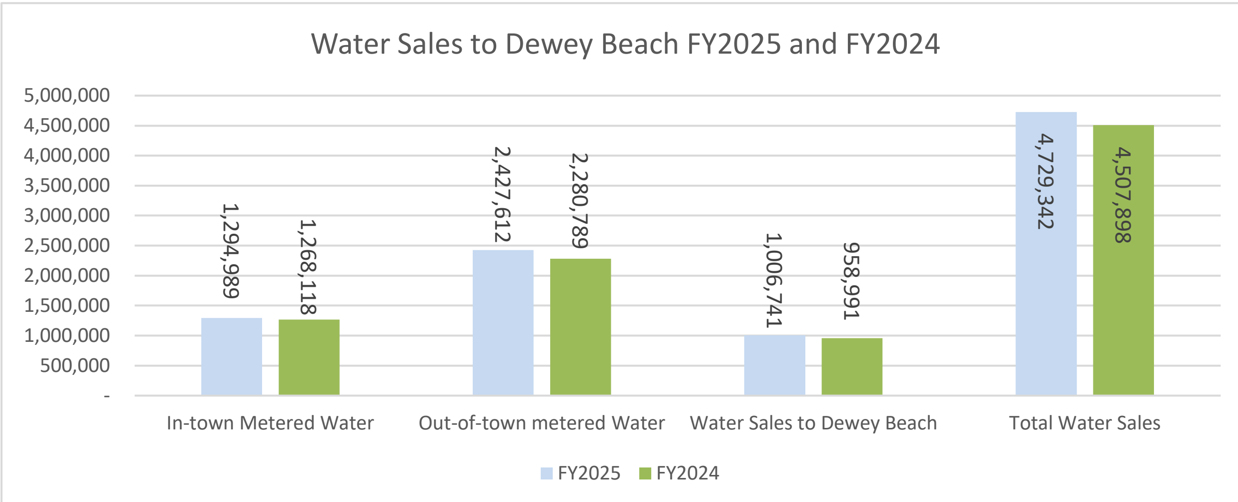
Water fund revenue, including sales of water and water capitalization fees, increased by $293 thousand in fiscal year 2025. Bulk sales of water to Dewey Beach increased by $48 thousand to $1 million or 5 percent, but they were $143 thousand below budget. In-town water revenue ($1.29 million) increased by $27 thousand. Out-of-town water revenue ($2.43 million) increased by $146 thousand or 6.4 percent and was $228 thousand above budget. As the rates were unchanged, the decreases are attributed to lower usage.

Operating expenditures, excluding depreciation, in the Water Department increased by $118 thousand with the following categories showing increases from FY2024: salaries and benefits ($143 thousand) and repairs and maintenance ($27 thousand). Categories that had declines in expenses included: materials and supplies($13 thousand), Insurance ($4 thousand), contractual services ($21 thousand) and land and equipment rental ($15 thousand).

Metered wastewater revenue was $3.4 million in FY2025, an increase of $662 thousand from the FY2024 revenue of $2.8 million. The aggregate revenue increase was due to the rate increase from $14.70 per thousand gallons to $18.81 per thousand gallons. While the rate increase was 28 percent it only resulted in a 24 percent increase in total metered sewer revenue. City of Rehoboth Beach sewer users pay for their service on a metered basis with the volume of water usage being applied to the established rate for sewer service. Wastewater revenues from Dewey Beach, Henlopen Acres and North Shores are established by agreement, under which charges to the entities are determined by allocating the operating costs (O&M) of the plant and infrastructure to the percentage of flows of each entity.







FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental Funds

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

As of March 31, 2025, the City's governmental funds reported combined ending fund balances of $30.9 million, an increase of $6.7 million as compared to the prior year. The amount of the fund balance restricted or assigned for special purposes is $285.4 thousand. The $30.1 million unassigned portion of fund balance in the City's General Fund is available to be used at the City's discretion.

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

The City's general fund capital expenditures increased by $3.1 million from the prior year. Debt service costs increased by $226 thousand. The outstanding bond due to JP Morgan Chase is on a simple interest basis (1.61 percent) where payment amounts can have slight variations.

The major capital projects in the governmental and enterprise funds funded by the City's capital improvement program were as follows:

- Outlays for a portion of the Baltimore Avenue Beach Patrol and Comfort Station were $4 million.
- Outlays for street paving were $1.1 million.
- Outlays for water meter replacements and meter lids were $433 thousand.
- Outlays for the State Road Pump Station were $840 thousand.
- Outlays for boardwalk trash trucks were $137 thousand.
- Outlay for a new Tymco street sweeper was $230 thousand.
- Outlays for Carbon vessels in the water plant were $254 thousand.
- Outlays for Phase IIIB improvements at the wastewater treatment plant were $4.5 million.

Proprietary Funds

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

GENERAL FUND BUDGETARY HIGHLIGHTS

The schedule comparing the City's budget and actual results can be found on pages 54 - 55. A summary of significant variations between budget amounts and actual results are as follows:

- Total governmental revenue exceeded expenditures by $1.6 million. Taxes exceeded budget by $1.77 million with property transfer tax representing $942 thousand of the increase and rental tax comprising $790 thousand of the increase. Hotel tax was $1.58 million, exceeding budget by $20 thousand. Charges for services were $205 thousand below budget, primarily due to parking meter revenues falling short of budget by $196 thousand.
- Operating expenditures in the general government were $109 thousand below budget.
- Building and Licensing, a component of the general government, was $31 thousand over budget due to legal and other professional services exceeding budget by $39 thousand and $27 thousand, respectively.

- Operating Expenditures in all Public Safety departments were $443 thousand under budget. The Police Department, 911 Dispatch and Beach Patrol were $205 thousand, $80 thousand, and $158 below budget, respectively. Salaries and pension expense in the police department were under budget by $100 thousand and $42 thousand, respectively. Seasonal police officer salaries were $60 thousand under budget. In the beach patrol, part-time salaries were $127 thousand under budget. Salaries in 911 Dispatch were under budget by $49 thousand. Vacant positions in the public safety departments were primarily responsible for the salaries being below budget.

- Public Works (Streets) Department operating expenditures were under budget by $259 thousand. Engineering, vehicle maintenance and refuse disposal expenditures were $149 thousand, $32 thousand and $30 thousand below budget. Engineering expenditures are often impacted by the timing of construction projects. Refuse disposal costs are determined by the volume of trash deposited in landfills and the costs charged by the contractor hauling yard waste.

- The Parking Department exceeded budget by $91 thousand. Parking credit card fees and maintenance contracts were $62 thousand and $36 thousand over budget, respectively. Credit card fees increase in a linear direction with credit card activity.

- The Mayor and Commissioners expenditures exceeded budget by $97 thousand as legal fees were over budget by $109 thousand.

- In the Recreation and Culture function (Parks, Bandstand and Tennis and Recreation) the expenditures were below budget by $14. The largest negative variance was in parks contractual services, which was $86 thousand over budget. The landscaping/irrigation contractor charges represented $128 thousand or 64 percent of the total expenditures of $200 thousand.

- All other fluctuations in revenues from budget to actual are deemed reasonable, based upon the element of uncertainty when budgeting for such revenues.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of March 31, 2025, the City's capital assets for its governmental and business-type departments were $116.4 million (net of accumulated depreciation). Capital assets include land, buildings and improvements, improvements other than buildings, machinery and equipment, vehicles, and infrastructure. The total current year depreciation was $3 million for governmental funds and $3.6 million for the water and wastewater funds.

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

Debt Administration

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

In December 2024, the City obtained a $5.5 million loan at 4.04 percent for the construction of the new Beach Patrol/Public Restroom on Baltimore Avenue. The loan requires quarterly payments through maturity in 2031. As of March 31, 2025, the outstanding debt in governmental loans was $17.3 million and enterprise fund debt was $50.8 million, a total of $68.1 million.

In 2017, the City obtained two loans in the amount of $52,481,095 from the Delaware Water Pollution Control Revolving Fund for the construction of the ocean outfall ($42,481,095) and wastewater plant improvements ($12 million). As of March 31, 2025, $586,226 of the $12 million plant loan remained to be drawn. It will begin amortizing on September 1, 2025 when the first principal and interest is paid. As of March 31, 2025, the total balance of the ocean outfall loan balance and the plant loan balance was $45.2 million. The City is paying interest on both loans at a rate of two percent, with Sussex County sharing 42 percent of the debt service . The ocean outfall loan began amortizing in September 2020. Final maturity on the $12 million plant loan will be March 1, 2038, with the ocean outfall loan maturing on March 1, 2043.

For the purpose of making plant improvements to the wastewater plant, the City obtained three loans from the Sussex County government in the amounts of $3,000,000, $1,560,000, and $780,000. The loans are for a ten-year term, maturing in December 2032. The rate on the $3 million loan is 0 percent while the rates on the other two loans bear rates of 2 percent. As of March 31, 2025, the balance of the three loans was $4,178,435.

In fiscal year 2023, the City implemented GASB 87, the leasing standard that requires the present value of lease liabilities beyond one year to be reported as a liability on the financial statements of state and local governments. The City's liability for leases, as of March 31, 2025, was $422,521. Most of the lease balance related to the leases for City vehicles.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

- The 2025 – 2026 budget for all City operations is $28.5 million, an increase of $2.5 million from fiscal year 2024. The capital portion of the budget is $11.4 million, including $1.8 million for the Water Fund and $5.2 million for the Wastewater Fund. Fiscal year 2026 budgeted parking revenues represent 38.5 percent of the City's general fund revenue budget and the rental tax amounts to 12.4 percent of the general fund budget. The property transfer tax budget for FY2026 has been increased from $1.85 million to $2.3 million, a level below the $2.8 million amount collected in FY2025.

- Property taxes represent 9.2 percent of the 2025-2026 General Fund Budget, a percentage that is well below the level of most local governments. Most of the remaining revenue sources are dependent upon economic activity, including property transfers, building activity, rental property, hotel revenues and parking collections. In FY2026, parking revenue comprises 38.5 percent of General Fund budgeted revenue, a decrease from 44 percent in FY2025 and 39.3 percent in FY2024. In the event of severe storms and/or macroeconomic events that impact business activity, the City may have to rely on its taxing authority, reserve cash and remaining borrowing capacity to compensate for loss revenues from the aforementioned revenue sources. The City Charter (Section 29) establishes a limit of $3 million that can be collected annually from real estate property taxes. As the FY2026 amount is budgeted at $2,661,825, there only remains $338,175 that can be obtained from future increases without a charter change.

REQUESTS FOR INFORMATION

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

CITY OF REHOBOTH BEACH
STATEMENT OF NET POSITION
MARCH 31, 2025
(With Summarized Comparative Data for March 31, 2024)

	Governmental Activities	Business-type Activities	Totals 2025	Totals 2024
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
Cash and cash equivalents	$ 15,877,618	$ 7,597,189	$ 23,474,807	$ 21,259,096
Investments	13,393,225	16,921,405	30,314,630	24,983,386
Taxes receivable	25,318	-	25,318	21,846
Accounts receivable	2,084,965	873,319	2,958,284	2,740,456
Interest receivable	18,600	-	18,600	18,600
Prepaid expenses	474,928	-	474,928	120,334
Inventory	24,273	589,949	614,222	580,960
Mortgage receivable	750,000	-	750,000	-
Internal balances	(245,517)	245,517	-	-
Lease receivable	67,584	-	67,584	134,112
Capital Assets:				
Land	2,814,959	192,936	3,007,895	3,007,895
Construction-in-progress	5,912,029	8,556,826	14,468,855	7,722,139
Depreciable capital assets, net of depreciation	33,914,361	64,514,462	98,428,823	99,152,369
Leased assets, net of amortization	450,222	-	450,222	640,247
TOTAL ASSETS	75,562,565	99,491,603	175,054,168	160,381,440
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows relating to pension	1,739,152	-	1,739,152	1,569,592
Deferred outflows relating to OPEB	424,253	99,251	523,504	687,540
TOTAL DEFERRED OUTFLOWS OF RESOURCES	2,163,405	99,251	2,262,656	2,257,132
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 77,725,970	$ 99,590,854	$ 177,316,824	$ 162,638,572
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION				
Current Liabilities:				
Accounts payable	$ 765,921	$ 1,259,991	$ 2,025,912	$ 2,429,033
Accrued salaries and benefits	354,588	24,822	379,410	292,065
Accrued interest	44,837	76,182	121,019	125,304
Accrued expense	-	17,040	17,040	-
Deposits	206,814	-	206,814	216,457
Unearned revenues	201,059	-	201,059	301,101
Contingency reserve	-	258,160	258,160	100,008
Compensated absences	446,430	86,486	532,916	-
Notes and bonds payable	1,625,921	2,573,807	4,199,728	3,804,709
Lease liability	154,087	-	154,087	208,813
Noncurrent Liabilities:				
Notes and bonds payable	15,848,674	47,672,714	63,521,388	57,933,579
Lease liability	268,434	-	268,434	422,521
Compensated absences	531,659	68,973	600,632	981,362
Net OPEB liability	3,262,834	763,312	4,026,146	4,464,084
Net pension liability	210,626	-	210,626	182,660
TOTAL LIABILITIES	23,921,884	52,801,487	76,723,371	71,461,696
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows relating to pension	202,843	-	202,843	212,515
Deferred inflows relating to OPEB	1,612,862	377,315	1,990,177	1,619,961
Deferred inflow - lease receivable	65,472	-	65,472	130,944
TOTAL DEFERRED INFLOWS OF RESOURCES	1,881,177	377,315	2,258,492	1,963,420
NET POSITION				
Net investment in capital assets	25,194,455	23,017,703	48,212,158	48,153,028
Restricted:				
Police expenses	189,228	-	189,228	154,541
Public works expenses	96,123	-	96,123	115,407
Unrestricted	26,443,103	23,394,349	49,837,452	40,790,480
TOTAL NET POSITION	51,922,909	46,412,052	98,334,961	89,213,456
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	$ 77,725,970	$ 99,590,854	$ 177,316,824	$ 162,638,572

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

CITY OF REHOBOTH BEACH
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2025
(With Summarized Comparative Data for the Year Ended March 31, 2024)

		Program Revenues			Net (Expense) Revenue and Changes in Net Position			
							Totals	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	2025	2024
GOVERNMENTAL ACTIVITIES:								
General government	$ 6,649,687	$ 1,959,707	$ 14,669	$ -	$ (4,675,311)	$ -	$ (4,675,311)	$ (3,339,946)
Public safety	5,885,741	359,869	345,141	-	(5,180,731)	-	(5,180,731)	(4,965,465)
Public works	7,729,706	11,573,944	122,451	-	3,966,689	-	3,966,689	2,249,807
Recreation and culture	1,468,711	483,266	2,045	-	(983,400)	-	(983,400)	(733,749)
Interest on general long-term debt	449,895	-	-	-	(449,895)	-	(449,895)	(254,014)
TOTAL GOVERNMENTAL ACTIVITIES	22,183,740	14,376,786	484,306	-	(7,322,648)	-	(7,322,648)	(7,043,367)
BUSINESS-TYPE ACTIVITIES:								
Water	2,840,423	4,999,709	-	-	-	2,159,286	2,159,286	1,975,166
Sewer	6,388,192	6,766,080	-	925,856	-	1,303,744	1,303,744	(191,616)
TOTAL BUSINESS-TYPE ACTIVITIES	9,228,615	11,765,789	-	925,856	-	3,463,030	3,463,030	1,783,550
TOTAL PRIMARY GOVERNMENT	$ 31,412,355	$ 26,142,575	$ 484,306	$ 925,856	(7,322,648)	3,463,030	(3,859,618)	(5,259,817)
		GENERAL REVENUES:						
		Taxes			10,989,722	-	10,989,722	8,798,700
		Investment earnings			829,934	772,741	1,602,675	1,437,616
		Franchise fees			157,907	-	157,907	163,200
		Miscellaneous revenues			230,819	-	230,819	354,290
		TOTAL GENERAL REVENUES			12,208,382	772,741	12,981,123	10,753,806
		CHANGE IN NET POSITION			4,885,734	4,235,771	9,121,505	5,493,989
		NET POSITION, BEGINNING OF YEAR			47,037,175	42,176,281	89,213,456	83,719,467
		NET POSITION, END OF YEAR			$ 51,922,909	$ 46,412,052	$ 98,334,961	$ 89,213,456

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

CITY OF REHOBOTH BEACH
BALANCE SHEET - GOVERNMENTAL FUNDS
MARCH 31, 2025
(With Summarized Comparative Data for March 31, 2024)

	General Fund	Nonmajor Governmental Funds	Totals 2025	Totals 2024
ASSETS				
Cash and cash equivalents	$ 15,741,166	$ 136,452	$ 15,877,618	$ 14,207,721
Investments	13,393,225	-	13,393,225	12,763,676
Taxes receivable	25,318	-	25,318	21,846
Accounts receivable	2,066,290	-	2,066,290	1,791,753
Lease receivable	18,675	-	18,675	18,675
Interest receivable	18,600	-	18,600	18,600
Prepaid expenditures	474,928	-	474,928	48,389
Inventory	24,273	-	24,273	20,641
Mortgage receivable	750,000		750,000	-
Due from other funds	-	149,779	149,779	119,841
TOTAL ASSETS	$ 32,512,475	$ 286,231	$ 32,798,706	$ 29,011,142
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	$ 765,671	$ -	$ 765,671	$ 474,878
Due to Alderman's Court	250	-	250	250
Due to other funds	394,416	880	395,296	3,610,405
Accrued salaries and benefits	354,588	-	354,588	259,066
Deposits	206,814	-	206,814	216,457
Unearned revenue	201,059	-	201,059	301,101
TOTAL LIABILITIES	1,922,798	880	1,923,678	4,862,157
FUND BALANCES:				
Nonspendable	499,201	-	499,201	69,030
Restricted:				
Police expenditures	-	189,228	189,228	154,541
Public works expenditures	-	96,123	96,123	115,407
Unassigned	30,090,476	-	30,090,476	23,810,007
TOTAL FUND BALANCES	30,589,677	285,351	30,875,028	24,148,985
TOTAL LIABILITIES AND FUND BALANCES	$ 32,512,475	$ 286,231	$ 32,798,706	$ 29,011,142

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

CITY OF REHOBOTH BEACH
RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS
TO STATEMENT OF NET POSITION
MARCH 31, 2025

TOTAL GOVERNMENTAL FUNDS BALANCES		$ 30,875,028
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		43,091,571
The City's net pension liability is not a current financial obligation and, therefore, is not reported in the funds.		(210,626)
The City's lease receivable is not a current financial obligation and, therefore, is not reported in the funds.		67,584
The City's net OPEB liability is not a current financial obligation and, therefore, is not reported in the funds.		(3,262,834)
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds. Those liabilities consist of:		
Accrued interest		(44,837)
Notes and bonds payable		(17,474,595)
Lease liability		(422,521)
Compensated absences		(978,089)
Deferred outflows and inflows related to the City's net pension asset OPEB liability and lease receivable do not represent current resources or uses of resources and, therefore, are not reported in the funds. Deferred outflows and inflows consist of the following:		
Deferred outflows of resources:		
Deferred outflows relating to pension	$ 1,739,152	
Deferred outflows relating to OPEB	424,253	
Deferred inflows of resources:		
Deferred inflows relating to pension	(202,843)	
Deferred inflows relating to OPEB	(1,612,862)	
Deferred inflow - lease receivable	(65,472)	
		282,228
NET POSITION OF GOVERNMENTAL ACTIVITIES		$ 51,922,909

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

CITY OF REHOBOTH BEACH
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MARCH 31, 2025
(With Summarized Comparative Data for the Year Ended March 31, 2024)

	General Fund	Nonmajor Governmental Funds	Totals 2025	Totals 2024
REVENUES				
Taxes	$ 10,989,722	$ -	$ 10,989,722	$ 8,798,700
Licenses and permits	1,959,707	-	1,959,707	1,516,072
Franchise fees	157,907	-	157,907	163,200
Intergovernmental revenues	310,676	173,630	484,306	1,367,816
Charges for services	10,541,992	-	10,541,992	8,750,072
Fines and forfeitures	1,391,821	-	1,391,821	1,315,608
Investment earnings	829,934	-	829,934	793,668
Rents and concessions	483,266	-	483,266	482,650
Miscellaneous revenues	230,819	-	230,819	158,950
TOTAL REVENUES	26,895,844	173,630	27,069,474	23,346,736
EXPENDITURES				
General government	5,840,867	-	5,840,867	5,146,912
Public safety	6,177,256	16,492	6,193,748	5,554,811
Public works	4,839,520	141,735	4,981,255	4,667,919
Recreation and culture	1,364,477	-	1,364,477	1,222,775
Debt service:				
Principal and interest	1,542,795	-	1,542,795	1,316,753
Capital outlays	5,920,289	-	5,920,289	2,846,780
TOTAL EXPENDITURES	25,685,204	158,227	25,843,431	20,755,950
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,210,640	15,403	1,226,043	2,590,786
OTHER FINANCING SOURCES (USES)				
Sale of assets	-	-	-	195,340
Proceeds from long-term debt	5,500,000	-	5,500,000	-
TOTAL OTHER FINANCING SOURCES (USES)	5,500,000	-	5,500,000	195,340
NET CHANGE IN FUND BALANCES	6,710,640	15,403	6,726,043	2,786,126
FUND BALANCES, BEGINNING OF YEAR	23,879,037	269,948	24,148,985	21,362,859
FUND BALANCES, END OF YEAR	$ 30,589,677	$ 285,351	$ 30,875,028	$ 24,148,985

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

CITY OF REHOBOTH BEACH
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2025

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	$ 6,726,043
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation/amortization expense. This is the amount by which depreciation/amortization exceeded capital outlays in the period.	2,438,617
Debt proceeds are reported as financing sources in the governmental funds and, thus, contribute to the change in fund balance. Payments of debt are reported as expenditures in the governmental funds. In the statement of net position, however, issuance of debt increases liabilities and payment of debt decreases liabilities and, thus, does not affect the statement of activities.	(4,198,287)
In the statement of activities, compensated absences (vacation and sick leave) and other postemployment benefits are measured by the amounts earned during the year. In the governmental funds, however, expenditures for compensated absences and other postemployment benefits are measured by the amount of financial resources used (essentially, the amounts actually paid).	(152,796)
Pension expense in the statement of activities differs from the amount reported in the governmental funds because pension expense is recognized on the statement of activities based on the City's actuarial determined contribution, whereas pension expenditures are recognized in the governmental funds when a requirement to remit contributions to the plan exists.	150,210
OPEB expense in the statement of activities differs from the amount reported in the governmental funds because OPEB expense is recognized on the statement of activities based on the City's actuarial determined contribution, whereas OPEB expenditures are recognized in the governmental funds when a requirement to remit contributions to the plan exists.	(78,053)
CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES	$ 4,885,734

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

CITY OF REHOBOTH BEACH
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
MARCH 31, 2025
(With Summarized Comparative Data for March 31, 2024)

	Water Fund	Sewer Fund	Totals 2025	Totals 2024
ASSETS				
Current Assets:				
Cash and cash equivalents	$ 4,634,957	$ 2,962,232	$ 7,597,189	$ 7,051,375
Investments	10,229,854	6,691,551	16,921,405	12,219,710
Accounts receivable	369,900	503,419	873,319	930,028
Due from other funds	2,090,707	1,352,338	3,443,045	6,238,168
Prepaid expenses	-	-	-	71,945
Inventory	436,031	153,918	589,949	560,319
Noncurrent Assets:				
Land	40,692	152,244	192,936	192,936
Construction in progress	2,723	8,554,103	8,556,826	6,283,148
Depreciable capital assets, net of depreciation	8,600,709	55,913,753	64,514,462	63,393,612
TOTAL ASSETS	26,405,573	76,283,558	102,689,131	96,941,241
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to net OPEB liability	36,705	62,546	99,251	130,350
TOTAL DEFERRED OUTFLOWS OF RESOURCES	36,705	62,546	99,251	130,350
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 26,442,278	$ 76,346,104	$ 102,788,382	$ 97,071,591
LIABILITIES				
Current Liabilities:				
Accounts payable	$ 190,454	$ 1,069,537	$ 1,259,991	$ 1,953,905
Accrued salaries and benefits	11,212	13,610	24,822	32,999
Accrued interest	4,564	71,618	76,182	80,467
Accrued expenses	-	17,040	17,040	-
Contingency reserve	-	258,160	258,160	100,008
Compensated absences	36,563	49,923	86,486	-
Due to other funds	-	3,197,528	3,197,528	2,747,604
Notes and bonds payable	501,327	2,072,480	2,573,807	2,893,411
Noncurrent Liabilities:				
Notes and bonds payable	1,002,653	46,670,061	47,672,714	45,777,382
Net OPEB liability	282,286	481,026	763,312	846,339
Compensated absences	46,858	22,115	68,973	156,069
TOTAL LIABILITIES	2,075,917	53,923,098	55,999,015	54,588,184
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to net OPEB liability	139,537	237,778	377,315	307,126
TOTAL DEFERRED INFLOWS OF RESOURCES	139,537	237,778	377,315	307,126
NET POSITION				
Net investment in capital assets	7,140,144	15,877,559	23,017,703	21,198,903
Unrestricted	17,086,680	6,307,669	23,394,349	20,977,378
TOTAL NET POSITION	24,226,824	22,185,228	46,412,052	42,176,281
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	$ 26,442,278	$ 76,346,104	$ 102,788,382	$ 97,071,591

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

CITY OF REHOBOTH BEACH
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED MARCH 31, 2025
(With Summarized Comparative Data for the Year Ended March 31, 2024)

	Water Fund	Sewer Fund	Totals 2025	Totals 2024
OPERATING REVENUES				
Charges for services	$ 4,913,993	$ 6,720,605	$ 11,634,598	$ 9,913,998
Other operating revenues	-	2,991	2,991	4,151
Total Operating Revenues	4,913,993	6,723,596	11,637,589	9,918,149
OPERATING EXPENSES				
Salaries and benefits	846,557	1,194,234	2,040,791	1,883,699
Materials and supplies	166,533	507,744	674,277	723,675
Administration expenses	7,202	8,153	15,355	24,533
Contractual services	117,145	154,378	271,523	254,634
Land and equipment rental	39,727	63,814	103,541	136,938
Repairs and maintenance	694,838	428,320	1,123,158	1,034,343
Utilities	142,316	391,876	534,192	571,791
Insurance	76,911	85,745	162,656	166,768
Depreciation	724,536	2,831,614	3,556,150	3,545,748
Total Operating Expenses	2,815,765	5,665,878	8,481,643	8,342,129
OPERATING INCOME (LOSS)	2,098,228	1,057,718	3,155,946	1,576,020
NONOPERATING REVENUES (EXPENSES)				
Water capitalization fees	85,716	-	85,716	63,782
Sewer impact fees	-	42,484	42,484	23,770
Investment income	383,046	389,695	772,741	643,948
Interest expense	(24,658)	(722,314)	(746,972)	(887,082)
Intergovernmental grants	-	-	-	25,000
Total Nonoperating Revenues (Expenses)	444,104	(290,135)	153,969	(130,582)
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	2,542,332	767,583	3,309,915	1,445,438
Capital contributions	-	925,856	925,856	982,060
CHANGE IN NET POSITION	2,542,332	1,693,439	4,235,771	2,427,498
NET POSITION, BEGINNING OF YEAR	21,684,492	20,491,789	42,176,281	39,748,783
NET POSITION, END OF YEAR	$ 24,226,824	$ 22,185,228	$ 46,412,052	$ 42,176,281

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

CITY OF REHOBOTH BEACH
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED MARCH 31, 2025
(With Summarized Comparative Data for the Year Ended March 31, 2024)

	Water Fund	Sewer Fund	Totals 2025	Totals 2024
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	$ 4,950,865	$ 6,743,433	$ 11,694,298	$ 10,953,187
Cash paid for goods and services	(1,110,351)	(2,623,141)	(3,733,492)	(2,036,900)
Cash paid to employees	(797,058)	(1,234,259)	(2,031,317)	(1,770,836)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	3,043,456	2,886,033	5,929,489	7,145,451
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Advance from other funds	2,117,799	1,127,248	3,245,047	(1,685,952)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	2,117,799	1,127,248	3,245,047	(1,685,952)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Capital assets purchased	(995,680)	(5,585,940)	(6,581,620)	(5,724,004)
Proceeds received from capitalization and impact fees	85,716	42,484	128,200	87,552
Capital grants	-	-	-	25,000
Capital contributions	-	925,856	925,856	982,060
Proceeds from notes and bonds payable	-	3,753,231	3,753,231	3,746,487
Principal paid on notes and bonds payable	(139,956)	(2,037,545)	(2,177,501)	(3,599,464)
Interest paid on notes and bonds payable	(25,620)	(722,314)	(747,934)	(887,452)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(1,075,540)	(3,624,228)	(4,699,768)	(5,369,821)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest income	383,046	389,695	772,741	703,406
Purchase of investments	(4,383,046)	(318,649)	(4,701,695)	(661,576)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(4,000,000)	71,046	(3,928,954)	41,830
NET CHANGE IN CASH AND CASH EQUIVALENTS	85,715	460,099	545,814	131,508
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	4,549,242	2,502,133	7,051,375	6,919,867
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 4,634,957	$ 2,962,232	$ 7,597,189	$ 7,051,375
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating income (loss)	$ 2,098,228	$ 1,057,718	$ 3,155,946	$ 1,576,020
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	724,536	2,831,614	3,556,150	3,545,748
(Increase) Decrease in assets:				
Accounts receivable	36,872	19,837	56,709	(19,152)
Inventory	(3,659)	(25,971)	(29,630)	32,439
Prepaid expenses	-	71,945	71,945	6,037
Deferred outflows of resources related to net OPEB liability	11,501	19,598	31,099	22,974
Increase (Decrease) in liabilities:				
Accounts payable	137,980	(1,183,914)	(1,045,934)	1,810,974
Contingency reserve	-	158,152	158,152	73,275
Accrued salaries and benefits	(1,984)	(6,193)	(8,177)	8,508
Accrued expenses	-	(3,323)	(3,323)	7,247
Net OPEB liability	(30,704)	(52,323)	(83,027)	(70,313)
Compensated absences	44,729	(45,339)	(610)	78,850
Deferred inflows of resources related to net OPEB liability	25,957	44,232	70,189	72,844
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ 3,043,456	$ 2,886,033	$ 5,929,489	$ 7,145,451

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

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Reporting Entity

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

Entity-wide and Fund Financial Statements

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

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

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

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

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

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

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

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

Governmental Funds

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

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

The City reports the following major governmental fund:

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

Proprietary Funds

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

The City reports the following major proprietary funds:

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

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

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

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

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

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

Comparative Data

Comparative totals for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the City's financial position and operations. However, prior year totals by fund and activity type have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read. Summarized comparative information should be read in conjunction with the City's financial statements for the year ended March 31, 2024, from which the comparative data was derived.

Cash and Cash Equivalents

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

Property Taxes Receivable

Property taxes attach as an enforceable lien on property when levied. All liens continue until property taxes are paid in full. Taxes are levied on July 1 and are payable on or before August 31. Taxes paid after the payable date are assessed interest at 1½ percent per month after the due date. The City bills and collects its own property taxes. Delinquent taxes are considered fully collectible and, therefore, no allowance for uncollectible taxes is provided. The property tax rate for 2025 was $.08 per $100 of assessed value.

Compensated Absences

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

Inventories

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

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

Prepaid Expenses/Expenditures

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

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the entity-wide financial statements. Capital assets are defined as assets with an initial, individual cost of more than $25,000 and an estimated useful life of more than one year. Such assets are recorded at historical cost or estimated historical cost if actual historical cost is not available. Right to use assets are defined as assets with term cost of more than $5,000. Donated capital assets are recorded at fair market value at time of receipt. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

The service lives by type of asset are as follows:

Infrastructure and land improvements	15 - 50 years
Buildings and improvements	15 - 50 years
Machinery and equipment	5 - 20 years
Vehicles	5 - 10 years
Right to use assets	Life of lease

Allowance for Doubtful Accounts

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

Deferred Inflows and Deferred Outflows of Resources

In addition to assets and liabilities, the statement of net position will sometimes report separate sections for deferred inflows and deferred outflows of resources. These separate financial

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

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

Use of Estimates in the Preparation of Financial Statements

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

Implementation of GASB Statement

During the year ended March 31, 2025, the City implemented Governmental Accounting Standards Board ("GASB") Statement No. 101, "Compensated Absences." The purpose of this statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. The implementation of this statement did not require the City to restate beginning net position.

NOTE B STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

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

- Formal budgetary integration is employed as a management control device during the year for the general fund. This budget is adopted on a basis consistent with GAAP.

- The Commissioners adopt legal annual budgets for the general fund and proprietary funds. The Commissioners also adopt legal project-length budgets for the nonmajor governmental funds. Since project lengths may differ from the City's fiscal year, a comparison of budgetary information for the nonmajor governmental funds would not be meaningful and has not been presented in the financial statements.

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

- The City Manager is authorized to transfer budget amounts between departments within any fund; however, any revisions that alter the total appropriations of any fund must be approved by the Commissioners. Therefore, the level of budgetary responsibility is by total appropriations; however, for report purposes, this level has been expanded to a functional basis.

- Unused appropriations for all of the above annually budgeted funds lapse at year end.

- For 2025, the Police Grant Fund received grant revenues that were not budgeted. To fairly present the amount of the expenditure variances related to the use of the grant funds, certain budgeted expense categories were increased through formal budget amendments. No other amendments were made to the budget.

NOTE C CASH AND CASH EQUIVALENTS

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

- Obligations of or guaranteed by the United States of America;

- Obligations of the Federal National Mortgage Association, the Federal Home Mortgage Corporation, Public Housing Authority, or an agency or instrumentality of the United States of America; or

- General or revenue obligations of the State of Delaware or its municipalities, subdivisions, public housing authorities, or any agency or instrumentality of the State of Delaware.

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

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

NOTE C CASH AND CASH EQUIVALENTS (cont'd)

Cash and cash equivalents in the water fund ($4,634,957) and the sewer fund ($2,962,232) represent funds dedicated to future capacity-related expenses.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. At March 31, 2025, the carrying amount of the City's deposits was $23,474,807, and the bank balance was $24,629,637. Of the bank balance, $250,000 was covered by federal depository insurance, and $24,379,637 was collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.

NOTE D INTERNAL RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of March 31, 2025 is as follows:

Due from		Due to	
General Fund	$ 394,416	Water Fund	$ 2,090,707
Wastewater Fund	3,197,528	Wastewater Fund	1,352,338
Nonmajor Governmental Funds	880	Nonmajor Governmental Funds	149,779
	$ 3,592,824		$ 3,592,824

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

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

Capital asset activity for the year ended March 31, 2025 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital assets not being: depreciated/amortized:				
Land	$ 2,814,959	$ -	$ -	$ 2,814,959
Construction-in-progress	1,438,991	4,473,038	-	5,912,029
Total Capital Assets Not Being Depreciated/amortized	4,253,950	4,473,038	-	8,726,988

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

(cont'd)	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets being depreciated/amortized:				
Infrastructure and land improvements	58,716,507	622,914	-	59,339,421
Buildings and improvements	29,455,305	17,950	-	29,473,255
Machinery and equipment	10,081,863	100,808	-	10,182,671
Vehicles	2,134,031	368,293	-	2,502,324
Right to use assets	1,522,248	-	-	1,522,248
Total Capital Assets Being Depreciated/amortized	101,909,954	1,109,965	-	103,019,919
Less accumulated depreciation for:				
Infrastructure and land improvements	44,867,797	1,113,614	-	45,981,411
Buildings and improvements	9,666,485	1,102,161	-	10,768,646
Machinery and equipment	8,303,841	596,667	-	8,900,508
Vehicles	1,790,826	141,919	-	1,932,745
Less accumulated depreciation	64,628,949	2,954,361	-	67,583,310
Less accumulated amortization	882,001	190,025	-	1,072,026
Total Capital Assets Being Depreciated/Amortization, Net	36,399,004	(2,034,421)	-	34,364,583
Governmental Activities Assets, Net	$40,652,954	$2,438,617	$ -	$43,091,571

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

Governmental Activities:	
General government	$ 213,061
Public safety	163,416
Public works	2,663,675
Recreation and culture	104,234
Total Depreciation/Amortization Expense - Governmental Activities	$ 3,144,386

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

Capital asset activity for the year ended March 31, 2025 was as follows:

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

	Beginning Balance	Increases	Decreases	Ending Balance
BUSINESS-TYPE ACTIVITIES				
Capital assets not being depreciated				
Land	$ 192,936	$ -	$ -	$ 192,936
Construction-in-progress	6,283,148	5,740,047	3,466,370	8,556,825
Total Capital Assets Not Being Depreciated	6,476,084	5,740,047	3,466,370	8,749,761
Capital assets being depreciated:				
Buildings, infrastructure, Improvements	106,483,596	4,365,342	-	110,848,938
Machinery and equipment	4,062,312	311,659	-	4,373,971
Vehicles	1,029,423	-	-	1,029,423
Total Capital Assets Being Depreciated	111,575,331	4,677,001	-	116,252,332
Less accumulated depreciation for:				
Buildings, infrastructure, and Improvements	44,702,813	3,104,789	-	47,807,602
Machinery and equipment	2,710,474	339,906	-	3,050,380
Vehicles	768,432	111,455	-	879,887
Total accumulated depreciation	48,181,719	3,556,150	-	51,737,869
Total Capital Assets Being Depreciated, Net	63,393,612	1,120,851	-	64,514,463
Business-type Activities, Assets, Net	$ 69,869,696	$6,860,898	$3,466,370	$ 73,264,224

Depreciation expense was charged to the functions as follows:

Business-type Activities:	
Water	$ 724,536
Sewer	2,831,614
Total Depreciation Expense - Business-type Activities	$ 3,556,150

NOTE G LONG-TERM DEBT

Debt outstanding as of March 31, 2025 is composed of the following:

Governmental Activities

In January 2022, the City refinanced the balances on the USDA loans with JP Morgan Chase. The bond matures on January 15, 2037 at an interest rate of 1.6%. The USDA loan was obtained for the construction of the new City Hall that was completed in 2017.	$ 12,156,197

NOTE G LONG-TERM DEBT (cont'd)

In November 2024, the City issued a note with M&T Bank. The note matures on November 30, 2031 at an interest rate of 4.04%. The M&T note was obtained for the construction of the new beach patrol building that will be completed in 2026.	5,318,398
Total Governmental Activities	$ 17,474,595

Business-type Activities

In January 2022, the City refinanced the balances on the General Obligation Note of 2007 with JP Morgan Chase. While JP Morgan Chase combined this loan payoff with the payoff of the USDA loan, creating a single GON debt obligation, the portion representing the Lynch Well obligation is being amortized with same maturity, October 15, 2027, as of the 2007 State of Delaware loan that was paid off. The interest is at a rate of 1.6%.	$ 1,503,981
General Obligation Bond of 2017 A, issued by the Delaware Department of Natural Resources and Environmental Control, to finance capital improvements in connection with the Ocean Outfall Disposal Project. The bond matures on March 1, 2043 and bears interest at 1% with an additional 1% administrative fee; payable on March 1 and September 1.	33,150,331
General Obligation Bond of 2017 B, issued by the Delaware Department of Natural Resources and Environmental Control, to finance capital improvements in connection with the Ocean Outfall Disposal Project. The bond matures on March 1, 2043 and bears interest at 1% with an additional 1% administrative fee; payable on March 1 and September 1.	11,413,774
Sussex County Loan A was obtained from Sussex County Government at the completion of the wastewater improvement project shared with the County. In accordance with the agreement, the County shared 50% of the $6,000,000 cost of the project and loaned the City its 50% share, $3,000.000, at 0% interest. The loan matures on December 31, 2032.	2,325,000
Sussex County Loan B was obtained from Sussex County Government at the completion of the wastewater improvement project shared with the County. In accordance with the agreement, the County shared 48% of the $3,000,000 cost of the project and loaned the City its 52% share, $1,560,00, at 2% interest. The loan matures on December 31, 2032.	1,235,623

NOTE G LONG-TERM DEBT (cont'd)

Sussex County Loan C was obtained from Sussex County Government at the completion of the wastewater improvement project shared with the County. In accordance with the agreement, the County shared 48% of the $1,500,000 cost of the project and loaned the City its 52% share, $780,000, at 2% interest. The loan matures on December 31, 2032.	617,812
Total Business-type Activities	$ 50,246,521

Annual requirements to retire long-term debt of all funds, including un-drawn upon portions of debt, at March 31, 2025 are as follows:

	Governmental Activities		Business-type Activities	
March 31,	Principal	Interest	Principal	Interest
2026	$ 1,625,921	$ 394,492	$ 2,573,807	$ 708,904
2027	1,669,626	350,788	3,054,327	786,740
2028	1,714,751	305,663	3,548,954	850,468
2029	1,761,348	269,066	3,102,866	790,077
2030	1,809,472	210,942	3,159,216	733,728
2031 - 2035	6,703,346	460,178	15,412,785	2,794,718
2036 - 2040	2,190,131	39,819	13,639,377	1,336,885
2041 - 2043	-	-	6,341,414	222,572
Less undrawn portion	-	-	(586,225)	-
Total	$ 17,474,595	$ 2,030,948	$ 50,246,521	$ 8,224,092

Lease Liability

The City has lease obligations for thirty-one vehicles ranging in expiration dates from fiscal year 2026 through fiscal year 2029.

The total principal and interest maturities are as follows:

For the Year Ending June 30,	Principal	Interest	Total
2026	$ 154,087	$ 30,775	$ 184,862
2027	117,006	23,369	140,375
2028	113,081	18,825	131,906
2029	38,347	9,412	47,759
Totals	$ 422,521	$ 82,381	$ 504,902

NOTE H CHANGES IN LONG-TERM LIABILITIES

The following is a summary of long-term liability activity and balances for the City for the year ended March 31, 2025:

	Balance April 1, 2024	Increase	Decreases	Balance March 31, 2025	Due Within One Year
Governmental Activities:					
Notes and bonds payable	$ 13,067,495	$ 5,500,000	$ 1,092,900	$ 17,474,595	$ 1,625,921
Net OPEB liability	3,617,745	-	354,911	3,262,834	-
Net pension liability	182,660	27,966	-	210,626	-
Compensated absences	825,293	152,796	-	978,089	446,430
Lease liability	631,334	-	208,813	422,521	154,087
Total	$ 18,324,527	$ 5,680,762	$ 1,656,624	$ 22,348,665	$ 2,226,438

	Balance April 1, 2024	Increase	Decreases	Balance March 31, 2025	Due Within One Year
Business-type Activities:					
Notes and bonds payable	$ 48,670,793	$ 3,753,229	$ 2,177,501	$ 50,246,521	$ 2,573,807
Net OPEB liability	846,339	-	83,027	763,312	-
Compensated absences	156,069	-	610	155,459	86,486
Total	$ 49,673,201	$ 3,753,229	$ 2,261,138	$ 51,165,292	$ 2,660,293

Governmental activities long-term liabilities are anticipated to be liquidated by the general fund. Business-type activities long-term liabilities are anticipated to be liquidated by the water and sewer funds. Compensated absences changes are reported at net.

NOTE I RETIREMENT PLANS

Thrift Plan

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

NOTE I RETIREMENT PLANS (cont'd)

Employee contributions are matched at a rate of 75 percent by the City, not to exceed six percent. All employee contributions are 100 percent vested at the time of contribution; and employer contributions vest at the rate of 20 percent per year starting after two years of service and become fully vested after six years of service. For the years ended March 31, 2025, 2024, and 2023, the City's employer contributions totaled $248,417, $192,038, and $167,096, respectively.

Delaware County and Municipal Police/Firefighter Pension Plan

Plan Description

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

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

The management of the Plan is the responsibility of the Board. The Board is comprised of five members appointed by the Governor and confirmed by the State Senate, plus two ex officio members. The daily operation is the responsibility of the Office of Pensions. Although most of the assets of the Plan are commingled with other Plans for investment purposes, the Plan's assets may be used only for the payment of benefits to the members of the Plan in accordance with the terms of the Plan.

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

The following are brief descriptions of the Plan in effect as of June 30, 2024. For a more complete description, please refer to the DPERS Annual Comprehensive Financial Report.

Plan Description and Eligibility: The Plan covers police officers and firefighters employed by a county or municipality of the State that have joined the Plan. The City's proportionate share of the Plan's net pension asset is 1.3166 percent at June 30, 2024, an increase of 0.046 percent from June 30, 2023.

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

NOTE I RETIREMENT PLANS (cont'd)

Vesting: Five years of credited service.

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

Disability Benefits:

- **Duty – Total Disability** – 75 percent of final average compensation plus 10 percent for each dependent not to exceed 25 percent for all dependents.

- **Duty – Partial Disability** – Calculated the same as Service Benefits, subject to minimum of 50 percent of final average compensation.

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

Survivor Benefits: If employee is receiving a pension, then eligible survivor receives 50 percent of pension; if employee is active, eligible survivor receives 75 percent of pension the employee would have received at age 62. If the member is killed in the line of duty, the eligible survivor receives 75 percent of the member's compensation.

Employer Contributions

The City's contractually required annual contribution is based on an actuarially determined amount that, when combined with the employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. For the year ended March 31, 2025, the rate of the employer contributions was 27.21 percent of covered payroll. The City's contribution to the Plan for the year ended March 31, 2025 was $517,957.

Actuarial Assumptions

The collective total pension liability for the June 30, 2024 measurement date was determined by an actuarial valuation as of June 30, 2023, with update procedures used to roll forward the total pension liability to June 30, 2024. These actuarial valuations used the following actuarial assumptions:

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

NOTE I RETIREMENT PLANS (cont'd)

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

Mortality assumptions are based on the Pub-2010 mortality tables with gender adjustments for employees, healthy annuitants, and disabled retirees as well as an adjusted version on MP-2020 mortality improvement scale on a fully generational basis.

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by an asset allocation percentage, which is based on the nature and mix of current and expected plan investments, and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Plan's current and expected asset allocation are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity	33.6%	5.7%
International equity	13.9%	5.7%
Fixed income	25.3%	2.0%
Alternative investments	21.7%	7.8%
Cash equivalents	5.5%	-
	100.00%	

Discount Rate

The discount rate used to measure the total pension liability was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that contributions from the plan

NOTE I RETIREMENT PLANS (cont'd)

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

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

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

	1% Decrease 6.0%	Current Discount Rate 7.0%	1% Increase 8.0%
City's proportionate share of the net pension liability (asset)	$ 1,015,421	$ 210,626	$ (528,718)

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

For the year ended March 31, 2025, the City recognized pension expense of $366,691. At March 31, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings	$ 204,453	$ -
Changes in proportions	41,628	16,748
Changes in assumptions	24,903	73,295
Difference between employer contributions and proportionate share of total contributions	469,786	81,303
Differences between expected and actual experience	480,785	31,497
Contributions subsequent to the date of measurement	517,597	-
	$1,739,152	$ 202,843

NOTE I RETIREMENT PLANS (cont'd)

An amount of $517,957 is reported as deferred outflows of resources resulting from the City's contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended March 31, 2026. Other amounts will be reported as deferred outflows of resources and deferred inflows of resources related to pensions, and will be recognized in pension expense as follows:

Year Ended March 31,	
2026	$ (97,352)
2027	(113,117)
2028	(113,117)
2029	(136,083)
2030	(96,112)
Thereafter	1,574,493
	$ 1,018,712

NOTE J LEASES RECEIVABLE

The City is currently involved in the following lease arrangement:

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

Year Ending March 31,	Principal	Interest	Total
2026	$ 67,584	$ 9,216	$ 76,800

NOTE K CONTINGENCIES AND COMMITMENTS

Government Grants and Awards

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

NOTE K CONTINGENCIES AND COMMITMENTS (cont'd)

Litigation

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

Construction Commitments

At March 31, 2025, the City reported $5,912,029 in construction-in-progress costs for projects in the governmental activities. Construction commitments compensated to date for the governmental activities are as follows:

Project	Contract Amount	Completed 03/31/2025	Commitment
Beach Patrol Building:			
Delmarva Veteran	$ 5,647,546	$ 4,514,074	$ 1,133,472

The remaining $1,397,955 of construction costs are without ongoing construction commitments.

At March 31, 2025, the City reported $8,556,825 in construction-in-progress costs in the Wastewater Fund. Construction commitments completed to date for the Wastewater Fund are as follows:

Project	Contract Amount	Completed 03/31/2025	Commitment
Plant Upgrades:			
GHD	$ 1,153,001	$ 1,054,996	$ 98,005
Michael Ronca & Sons	7,970,042	6,699,249	1,270,793
Total Commitments Related to Construction-in-progress	$ 9,123,043	$ 7,754,245	$ 1,368,798

The remaining $802,580 of construction costs are without ongoing construction commitments.

NOTE L RISK MANAGEMENT

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

NOTE L RISK MANAGEMENT (cont'd)

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

NOTE M OTHER POSTEMPLOYMENT BENEFITS

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

Description of Plan

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

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

Duration of Medical Benefits

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

Funding Policy

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

Actuarial Assumptions and Other Inputs

The total OPEB liability as of April 1, 2024 was determined by rolling forward the plan's total OPEB liability as of April 1, 2023 to April 1, 2024. The actuarial cost method uses entry age normal.

Participants

As of April 1, 2024, the plan had 114 participants, consisting of 97 active participants, zero vested former participants, and 17 retired participants.

NOTE M OTHER POSTEMPLOYMENT BENEFITS (cont'd)

Discount Rate

The discount rate used to measure the total OPEB liability was 4.24 percent based on the 20-Year High Municipal Rate Index at April 1, 2024.

The discount rate changed from 4.05 percent to 4.24 percent. The trend and mortality assumptions were updated.

Salary

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

Withdrawal

The table below shows rates of withdrawal at selected ages.

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

Mortality

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

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

Retirement

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

Percent of Eligible Retirees Electing Coverage in Plan

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

NOTE M OTHER POSTEMPLOYMENT BENEFITS (cont'd)

Per Capita Claims Cost

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

Age	Males	Females
45 - 49	$ 9,050	$ 13,069
50 - 54	$ 11,985	$ 14,771
55 - 59	$ 14,597	$ 15,456
60 - 64	$ 19,049	$ 17,755
65+	$ 5,788	$ 5,788

Retiree Contributions

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

Healthcare Cost Trend Rate

The healthcare cost trend rate is 7.0 percent in 2024 with 0.5% decrease per year until 5.5% in 2027. Rates gradually decrease from 5.4% in 2028 to 4.1% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.

Sensitivity Analysis

The following presents the net OPEB liability, calculated using the valuation discount rate of 4.24 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate.

	1% Decrease 3.24%	Current Discount Rate 4.24%	1% Increase 5.24%
Total OPEB liability	$ 4,691,791	$ 4,026,146	$ 3,492,945
Fiduciary net position	-	-	-
Net OPEB liability	$ 4,691,791	$ 4,026,146	$ 3,492,945

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

NOTE M OTHER POSTEMPLOYMENT BENEFITS (cont'd)

	1% Decrease	Current Healthcare Trend Rate	1% Increase
Total OPEB liability	$ 3,534,699	$ 4,026,146	$ 4,657,376
Fiduciary net position	-	-	-
Net OPEB liability	$ 3,534,699	$ 4,026,146	$ 4,657,376

Changes in Total OPEB Liability

Total OPEB liability as of April 1, 2023	$ 4,464,084
Service cost	175,373
Interest on OPEB obligation	184,373
Difference between Expected and Actual Experience	(545,957)
Changes of assumptions	(91,033)
Benefit payments	(160,694)
Total OPEB liability as of April 1, 2024	$ 4,026,146

The amount of OPEB expense recognized by the City was $96,314 for the year ended March 31, 2025.

At March 31, 2025, the City reported deferred outflows and inflows of resources relating to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ 1,080,172
Changes of assumptions	391,157	910,005
Contributions subsequent to measurement date	132,347	-
Total	$ 523,504	$ 1,990,177

Excluding contributions subsequent to the measurement date which will be recognized in the year ended March 31, 20256, deferred inflows and outflows of resources will be recognized in OPEB expense as follows:

NOTE M OTHER POSTEMPLOYMENT BENEFITS (cont'd)

Year Ending March 31,		
2026	$	(131,084)
2027		(131,084)
2028		(156,544)
2029		(168,527)
2030		(168,527)
Thereafter		(843,254)
	$	(1,599,020)

NOTE N FUND BALANCES

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

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

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

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

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

Unassigned – all other spendable amounts.

As of March 31, 2025, fund balances are composed of the following:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:			
Prepaid expenditures	$ 474,928	$ -	$ 474,928
Inventory	24,273	-	24,273

NOTE N FUND BALANCES (cont'd)

(cont'd)	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Restricted:			
Police expenditures	-	189,228	189,228
Public works expenditures	-	96,123	96,123
Unassigned	30,090,476	-	30,090,476
Total Fund Balances	$ 30,589,677	$ 285,351	$ 30,875,028

NOTE O EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The following general fund functions incurred expenditures in excess of appropriations in the following amounts for the year ended March 31, 2025:

General government – mayor and commissioners	$ 97,467
General government – buildings and licenses	$ 31,070
General government – finance	$ 51,031
Public works – parking	$ 95,060
Recreation and culture – museum	$ 30,058
Recreation and culture – main street	$ 18,599
Recreation and culture – recreation and tennis	$ 4,449
Debt service – internal and principal	$ 99,895
Capital outlays	$ 510,289

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

NOTE P SUPPORT DONATED TO OTHER ENTITIES

The City provided the following financial support to local non-profit organizations, including the Rehoboth Beach Volunteer Fire Company, the Rehoboth Beach Public Library, Rehoboth Beach Main Street, and the Rehoboth Beach Historical Society during the year ended March 31, 2025.

Organization	Donation	Expenses Paid on Behalf of Organization	Total
Rehoboth Beach Volunteer Fire Company	$ 200,000	$ 233	$ 200,233
Rehoboth Beach Main Street	60,000	3,070	63,070
Rehoboth Beach Historical Society	30,000	30,058	60,058
Rehoboth Beach Public Library	75,000	-	75,000
Total	$ 365,000	$ 33,361	$ 398,361

NOTE Q MORTGAGE RECEIVABLE

In May 2024, the City purchased a home for the City Manager as a part of his compensation package. After four years of service, ending May 22, 2028, the City will begin relieving the City Manager's repayment obligation annually until May 22, 2031, when the entire balance of $750,000 is extinguished.

NOTE R SUBSEQUENT EVENTS

The City has evaluated all subsequent events through October 10, 2025, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF REHOBOTH BEACH
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2025

	Original and Final Appropriated Budget	Actual (GAAP Basis)	Variance Positive (Negative)
REVENUES			
Taxes:			
Property tax	$ 2,635,270	$ 2,644,102	$ 8,832
Rental tax	3,100,000	3,889,733	789,733
Transfer tax	1,850,000	2,792,794	942,794
Construction tax	65,000	81,061	16,061
Hotel accommodations tax	1,562,425	1,582,032	19,607
Penalties and interest	4,000	-	(4,000)
Total Taxes	9,216,695	10,989,722	1,773,027
Licenses and permits:			
Mercantile licenses	738,000	576,764	(161,236)
Building permits	870,736	1,257,623	386,887
Other	71,600	125,320	53,720
Total Licenses and Permits	1,680,336	1,959,707	279,371
Franchise fees	170,000	157,907	(12,093)
Intergovernmental revenues:			
General government	155,000	14,669	(140,331)
Public safety	189,345	293,962	104,617
Recreation and culture	-	2,045	2,045
Total Intergovernmental Revenues	344,345	310,676	(33,669)
Charges for services:			
Parking meters	8,605,800	8,409,775	(196,025)
Parking permits	1,307,000	1,337,855	30,855
Waste collection	834,400	794,362	(40,038)
Total Charges for Services	10,747,200	10,541,992	(205,208)
Fines and forfeitures:			
Parking	965,000	1,031,952	66,952
Court	65,000	143,160	78,160
Police	200,000	216,709	16,709
Total Fines and Forfeitures	1,230,000	1,391,821	161,821
Investment earnings	507,175	829,934	322,759
Rents and concessions	517,605	483,266	(34,339)
Contributions and donations	36,280	-	(36,280)
Sale of property and supplies	45,000	-	(45,000)
Miscellaneous revenues	78,000	230,819	152,819
TOTAL REVENUES	24,572,636	26,895,844	2,323,208
EXPENDITURES			
General government:			
Mayor and Commissioners	322,688	420,155	(97,467)
Treasurer	1,492	1,252	240
Administrative	2,181,858	2,173,323	8,535
Alderman Court	121,714	112,916	8,798
Buildings and licensing	972,726	1,003,796	(31,070)
Finance	528,165	579,196	(51,031)
Information technology	931,326	722,788	208,538
Buildings and grounds	629,095	588,902	40,193
Communications	260,968	238,539	22,429
Total General Government	5,950,032	5,840,867	109,165

Continued on next page.

CITY OF REHOBOTH BEACH
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2025

	Original and Final Appropriated Budget	Actual (GAAP Basis)	Variance Positive (Negative)
EXPENDITURES (cont'd)			
Public safety:			
Police	4,093,276	3,907,079	186,197
Dispatch	1,278,083	1,198,303	79,780
Volunteer fire	200,800	200,233	567
Beach patrol	1,029,580	871,641	157,939
Total Public Safety	6,601,739	6,177,256	424,483
Public works:			
Fleet services	299,997	285,479	14,518
Streets and refuse	3,228,082	2,968,470	259,612
Parking	1,490,511	1,585,571	(95,060)
Total Public Works	5,018,590	4,839,520	179,070
Recreation and culture:			
Comfort stations	385,658	338,462	47,196
Parks	526,044	515,276	10,768
Library	75,000	75,000	-
Museum	30,000	60,058	(30,058)
Main Street	60,000	78,599	(18,599)
Recreation and tennis	26,751	31,200	(4,449)
Bandstand	273,868	265,882	7,986
Total Recreation and Culture	1,377,321	1,364,477	12,844
Debt service:			
Interest and principal	1,442,900	1,542,795	(99,895)
Capital outlays	5,410,000	5,920,289	(510,289)
TOTAL EXPENDITURES	25,800,582	25,685,204	115,378
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,227,946)	1,210,640	2,438,586
OTHER FINANCING SOURCES (USES)			
Proceeds from long-term debt	-	5,500,000	5,500,000
TOTAL OTHER FINANCING SOURCES (USES)	-	5,500,000	5,500,000
NET CHANGE IN FUND BALANCE	$ (1,227,946)	6,710,640	$ 7,938,586
FUND BALANCE, BEGINNING OF YEAR		23,879,037	
FUND BALANCE, END OF YEAR		$ 30,589,677	

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

	MEASUREMENT DATE									
	JUNE 30, 2024	JUNE 30, 2023	JUNE 30, 2022	JUNE 30, 2021	JUNE 30, 2020	JUNE 30, 2019	JUNE 30, 2018	JUNE 30, 2017	JUNE 30, 2016	JUNE 30, 2015
City's proportion of the net pension asset (liability)	1.3166%	1.2706%	1.3735%	1.4236%	1.3535%	1.3752%	1.4058%	1.3791%	1.4716%	1.4716%
City's proportion of the net pension asset (liability) - dollar value	$ 210,626	$ (182,660)	$ 144,409	$ 1,958,924	$ (208,009)	$ (395,001)	$ (323,763)	$ (139,030)	$ (248,287)	$ 77,560
City's covered employee payroll	1,757,730	1,604,997	1,602,320	1,486,194	1,312,202	1,062,087	1,032,042	1,130,652	1,237,682	1,298,035
City's proportionate share of the net pension asset (liability) as a percentage of its covered employee payroll	11.98%	-11.38%	9.01%	131.81%	-15.85%	-37.19%	-31.37%	-12.30%	-20.06%	5.98%
Plan fiduciary net position as a percentage of the total pension asset (liability)	97.57%	97.58%	101.95%	128.19%	96.67%	93.25%	94.10%	97.00%	94.70%	101.97%

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

	MARCH 31, 2025	MARCH 31, 2024	MARCH 31, 2023	MARCH 31, 2022	MARCH 31, 2021	MARCH 31, 2020	MARCH 31, 2019	MARCH 31, 2018	MARCH 31, 2017	MARCH 31, 2016
Contractually required contribution	$ 517,957	$ 385,222	$ 350,121	$ 386,825	$ 387,559	$ 347,246	$ 125,220	$ 121,112	$ 142,832	$ 169,967
Contributions in relation to the contractually required contribution	517,957	385,222	350,121	386,825	387,559	347,246	125,220	121,112	142,832	169,967
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
City's covered employee payroll	1,903,728	$ 1,757,730	$ 1,604,997	$ 1,602,320	$ 1,486,194	$ 1,312,202	$ 1,062,087	$ 1,013,490	$ 1,244,181	$ 1,234,328
Contributions as a percentage of covered employee payroll	27.21%	21.92%	21.81%	24.14%	26.08%	26.46%	11.79%	11.95%	11.48%	13.77%

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

	MEASUREMENT DATE						
	APRIL 1, 2024	APRIL 1, 2023	APRIL 1, 2022	APRIL 1, 2021	APRIL 1, 2020	APRIL 1, 2019	APRIL 1, 2018
TOTAL OPEB LIABILITY							
Service cost	$ 175,373	$ 212,398	$ 212,354	$ 224,367	$ 171,567	$ 177,815	$ 106,656
Interest on total OPEB liability	184,373	168,420	178,551	171,038	153,700	147,737	176,884
Difference between expected and actual experience	(545,957)	-	(48,910)	-	(685,462)	-	(698,032)
Effect of change in assumptions	(91,033)	(605,503)	(407,064)	-	247,282	-	1,047,003
Benefit payments	(160,694)	(146,179)	(190,498)	(159,008)	(141,039)	(106,282)	(118,313)
NET CHANGE IN TOTAL OPEB LIABILITY	(437,938)	(370,864)	(255,567)	236,397	(253,952)	219,270	514,198
TOTAL OPEB LIABILITY, BEGINNING OF YEAR	4,464,084	4,834,948	5,090,515	4,854,118	5,108,070	4,888,800	4,374,602
TOTAL OPEB LIABILITY, END OF YEAR	$ 4,026,146	$ 4,464,084	$ 4,834,948	$ 5,090,515	$ 4,854,118	$ 5,108,070	$ 4,888,800
CITY'S NET OPEB LIABILITY	$ 4,026,146	$ 4,464,084	$ 4,834,948	$ 5,090,515	$ 4,854,118	$ 5,108,070	$ 4,888,800
Plan fiduciary net position as a percentage of total OPEB liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Covered employee payroll	$ 6,589,202	$ 5,186,938	$ 5,186,938	$ 5,299,068	$ 5,169,822	$ 4,598,121	$ 4,485,972
City's net OPEB liability as a percentage of covered payroll	61.10%	86.06%	93.21%	96.06%	93.89%	111.09%	108.98%

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

CITY OF REHOBOTH BEACH
SCHEDULE OF CITY OPEB CONTRIBUTIONS

Year	Actuarial Determined Contribution	Contributions from Employer	Contribution Deficiency (Excess)	Covered Employee Payroll	Contribution as a Percentage of Payroll
2020	$ -	$ -	$ -	$ 4,485,972	0.00%
2021	$ -	$ -	$ -	$ 4,598,121	0.00%
2022	$ -	$ -	$ -	$ 5,169,822	0.00%
2023	$ -	$ -	$ -	$ 5,299,068	0.00%
2024	$ -	$ -	$ -	$ 5,186,938	0.00%
2025	$ -	$ -	$ -	$ 6,589,202	0.00%

Notes to Schedule:

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

Valuation Date: April 1, 2024

Methods and Assumptions Used:

Actuarial cost method	Entry age normal
Asset valuation method	Market value
Discount rate	4.24%
Healthcare trend rates	7% in 2024 gradually reducing to 4.0% in 2075 and later.

COMBINING FUND STATEMENTS

CITY OF REHOBOTH BEACH
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
MARCH 31, 2025

	Municipal Street Aid	State of Delaware Police Grants	Total
ASSETS			
Cash and cash equivalents	$ 97,003	$ 39,449	$ 136,452
Due from other funds	-	149,779	149,779
TOTAL ASSETS	$ 97,003	$ 189,228	$ 286,231
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Due to other funds	880	-	880
TOTAL LIABILITIES	880	-	880
FUND BALANCES			
Restricted:			
Police expenditures	-	189,228	189,228
Public works expenditures	96,123	-	96,123
TOTAL FUND BALANCES	96,123	189,228	285,351
TOTAL LIABILITIES AND FUND BALANCES	$ 97,003	$ 189,228	$ 286,231

CITY OF REHOBOTH BEACH
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MARCH 31, 2025

	Municipal Street Aid	State of Delaware Police Grants	Total
REVENUES			
Intergovernmental	$ 122,451	$ 51,179	$ 173,630
TOTAL REVENUES	122,451	51,179	173,630
EXPENDITURES			
Public safety	-	16,492	16,492
Public works	141,735	-	141,735
TOTAL EXPENDITURES	141,735	16,492	158,227
CHANGE IN FUND BALANCES	(19,284)	34,687	15,403
FUND BALANCES, BEGINNING OF YEAR	115,407	154,541	269,948
FUND BALANCES, END OF YEAR	$ 96,123	$ 189,228	$ 285,351

CITY OF REHOBOTH BEACH
COMBINING STATEMENT OF NET POSITION - SEWER FUNDS
MARCH 31, 2025

	Sewer Fund	Sewer Capital Projects Fund	Interfund Eliminations	Totals
ASSETS				
Current Assets:				
Cash and cash equivalents	$ 2,962,232	$ -	$ -	$ 2,962,232
Investments	6,691,551	-	-	6,691,551
Accounts receivable	503,419	-	-	503,419
Due from other funds	-	1,352,338	-	1,352,338
Inventory	153,918	-	-	153,918
Noncurrent Assets:				
Land	152,244	-	-	152,244
Construction in progress	8,554,103	-	-	8,554,103
Depreciable capital assets, net of depreciation	55,913,753	-	-	55,913,753
TOTAL ASSETS	74,931,220	1,352,338	-	76,283,558
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows relating to net OPEB liability	62,546	-	-	62,546
TOTAL DEFERRED OUTFLOWS OF RESOURCES	62,546	-	-	62,546
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 74,993,766	$ 1,352,338	$ -	$ 76,346,104
LIABILITIES				
Current Liabilities:				
Accounts payable	$ 380,346	$ 689,191	$ -	$ 1,069,537
Accrued salaries and benefits	13,610	-	-	13,610
Accrued interest	71,618	-	-	71,618
Contingency reserve	258,160	-	-	258,160
Compensated absences	49,923	-	-	49,923
Due to other funds	3,197,528	-	-	3,197,528
Notes and bonds payable	2,072,480	-	-	2,072,480
Noncurrent Liabilities:				
Notes and bonds payable	46,670,061	-	-	46,670,061
Net OPEB liability	481,026	-	-	481,026
Compensated absences	22,115	-	-	22,115
TOTAL LIABILITIES	53,233,907	689,191	-	53,923,098
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows relating to net OPEB liability	237,778	-	-	237,778
TOTAL DEFERRED INFLOWS OF RESOURCES	237,778	-	-	237,778
NET POSITION				
Net investment in capital assets	15,877,559	-	-	15,877,559
Unrestricted	5,644,522	663,147	-	6,307,669
TOTAL NET POSITION	21,522,081	663,147	-	22,185,228
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	$ 74,993,766	$ 1,352,338	$ -	$ 76,346,104

CITY OF REHOBOTH BEACH
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - SEWER FUNDS
FOR THE YEAR ENDED MARCH 31, 2025

	Sewer Fund	Sewer Capital Projects Fund	Totals
OPERATING REVENUES			
Charges for services	$ 6,720,605	$ -	$ 6,720,605
Other operating revenues	2,991	-	2,991
Total Operating Revenues	6,723,596	-	6,723,596
OPERATING EXPENSES			
Salaries and benefits	1,194,234	-	1,194,234
Materials and supplies	507,636	108	507,744
Administration expenses	8,153	-	8,153
Contractual services	154,378	-	154,378
Land and equipment rental	63,814	-	63,814
Repairs and maintenance	428,320	-	428,320
Utilities	391,876	-	391,876
Insurance	85,745	-	85,745
Depreciation	2,831,614	-	2,831,614
Total Operating Expenses	5,665,770	108	5,665,878
OPERATING INCOME (LOSS)	1,057,826	(108)	1,057,718
NONOPERATING REVENUES (EXPENSES)			
Sewer impact fees	42,484	-	42,484
Investment income	389,695	-	389,695
Interest expense	(722,314)	-	(722,314)
Total Nonoperating Revenues (Expenses)	(290,135)	-	(290,135)
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	767,691	(108)	767,583
Capital contributions	925,856	-	925,856
CHANGE IN NET POSITION	1,693,547	(108)	1,693,439
NET POSITION, BEGINNING OF YEAR	19,828,534	663,255	20,491,789
NET POSITION, END OF YEAR	$ 21,522,081	$ 663,147	$ 22,185,228

CITY OF REHOBOTH BEACH
COMBINING STATEMENT OF CASH FLOWS - SEWER FUNDS
FOR THE YEAR ENDED MARCH 31, 2025

	Sewer Fund	Sewer Capital Projects Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	$ 6,743,433	$ -	$ 6,743,433
Cash paid for goods and services	(2,629,127)	5,986	(2,623,141)
Cash paid to employees	(1,234,259)	-	(1,234,259)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	2,880,047	5,986	2,886,033
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Advance from other funds	1,133,234	(5,986)	1,127,248
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	1,133,234	(5,986)	1,127,248
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Capital assets purchased	(5,585,940)	-	(5,585,940)
Proceeds received from capitalization and impact fees	42,484	-	42,484
Capital contributions	925,856	-	925,856
Proceeds from issuance of bonds	3,753,231	-	3,753,231
Principal paid on note payable	(2,037,545)	-	(2,037,545)
Interest paid on long-term debt	(722,314)	-	(722,314)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(3,624,228)	-	(3,624,228)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest income	389,695	-	389,695
Purchase of investments	(318,649)	-	(318,649)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	71,046	-	71,046
NET CHANGE IN CASH AND CASH EQUIVALENTS	460,099	-	460,099
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,502,133	-	2,502,133
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 2,962,232	$ -	$ 2,962,232
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	$ 1,057,826	$ (108)	$ 1,057,718
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	2,831,614	-	2,831,614
(Increase) Decrease in assets:			
Accounts receivable	19,837	-	19,837
Inventory	(25,971)	-	(25,971)
Prepaid expenses	71,945	-	71,945
Deferred outflows of resources related to net OPEB liability	19,598	-	19,598
Increase (Decrease) in liabilities:			
Accounts payable	(1,190,008)	6,094	(1,183,914)
Contingency reserve	158,152	-	158,152
Accrued salaries and benefits	(6,193)	-	(6,193)
Accrued expenses	(3,323)	-	(3,323)
Net OPEB liability	(52,323)	-	(52,323)
Compensated absences	(45,339)	-	(45,339)
Deferred inflows of resources related to net OPEB liability	44,232	-	44,232
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ 2,880,047	$ 5,986	$ 2,886,033

OTHER REPORT

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

October 10, 2025

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Rehoboth Beach ("the City"), Rehoboth Beach, Delaware, as of and for the year ended March 31, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 10, 2025.

Report on Internal Control Over Financial Reporting

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

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

503 Carr Road ◻ Suite 100 ◻ Wilmington, DE 19809
302.478.8940 ◻ www.btcpa.com

To the Honorable Mayor and Commissioners
City of Rehoboth Beach

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

Report on Compliance and Other Matters

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

Purpose of This Report

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

Barbacane, Thornton & Company LLP

BARBACANE, THORNTON & COMPANY LLP

BTCPA
BARBACANE
THORNTON
& COMPANY

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

October 10, 2025

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Rehoboth Beach's ("the City") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the City's major federal programs for the year ended March 31, 2025. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and recommendations.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended March 31, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America ("GAAS"); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States ("*Government Auditing Standards*"); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence

503 Carr Road ◻ Suite 100 ◻ Wilmington, DE 19809
302.478.8940 ◻ www.btcpa.com

we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

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

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, 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 City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

To the Honorable Mayor and Commissioners
City of Rehoboth Beach

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Barbacane, Thornton & Company LLP

BARBACANE, THORNTON & COMPANY LLP

CITY OF REHOBOTH BEACH
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED MARCH 31, 2025

FEDERAL GRANTOR PROJECT TITLE	SOURCE CODE	FEDERAL ALN	PASS-THROUGH GRANTOR'S NUMBER	FEDERAL EXPENDITURES	PASSED THROUGH TO SUBRECIPIENTS	OUTSTANDING LOAN BALANCE
U.S. Environmental Protection Agency						
Passed through Delaware Department of Natural Resources and Environmental Conservation						
Capitalization Grants for Clean Water State Revolving Funds	I	66.458	N/A	$ 3,002,585	$ -	$ 44,564,105
TOTAL U.S. ENVIRONMENTAL PROTECTION AGENCY				3,002,585	-	44,564,105
U.S Department of Justice						
Passed through Drug Enforcement Administration						
Edward Byrne Memorial Justice Assistance Grant Program	I	16.738	N/A	58,394	-	-
TOTAL U.S DEPARTMENT OF JUSTICE				58,394	-	-
TOTAL EXPENDITURES OF FEDERAL AWARDS				$ 3,060,979	$ -	$ 44,564,105
TOTAL CLEAN WATER STATE REVOLVING FUND CLUSTER (ALN # 66.458)				$ 3,002,585	$ -	$ 44,564,105

Source Codes:

I = Indirect Funding

D = Direct Funding

CITY OF REHOBOTH BEACH

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A REPORTING ENTITY

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

NOTE B BASIS OF ACCOUNTING

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

NOTE C INDIRECT COST RATE

The City has not elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance. For the year ended March 31, 2025, there were no indirect costs included in the schedule of expenditures of federal awards.

NOTE D LOAN BALANCES INVOLVING FEDERAL FUNDS

During the year ended March 31, 2019, the City was awarded a $52,481,085 loan from the Delaware Natural Resources and Environmental Control, which is funded by passed through federal funds. The loan balance originating from federal funds at March 31, 2025 was $44,564,105.

CITY OF REHOBOTH BEACH

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

PART A - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Unmodified

Internal control over financial reporting:

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

Federal Awards

Internal control over major program:

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

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?	______ Yes	X No

Identification of major program:

Assistance Listing Number	Name of Federal Program or Cluster
66.458	Capitalization Grants for Clean Water State Revolving Funds

Dollar threshold used to distinguish between Type A and Type B programs: $750,000

Auditee qualified as low-risk auditee?	______ Yes	X No

PART B - FINDINGS RELATED TO FINANCIAL STATEMENTS

STATUS OF PRIOR YEAR FINDINGS

None.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None.

PART C - FINDINGS RELATED TO FEDERAL AWARDS

STATUS OF PRIOR YEAR FINDINGS

None.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None.