TOWN OF DEWEY BEACH, DELAWARE

Financial Statements and Supplementary Information
For the Year Ended March 31, 2026
With Independent Auditor's Report

MITCHELL TITUS
ACHIEVING EXCELLENCE TOGETHER

TOWN OF DEWEY BEACH, DELAWARE
Financial Statements and Supplementary Information
For the Year Ended March 31, 2026

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INDEPENDENT AUDITOR'S REPORT

To the Audit Committee
Town of Dewey Beach, Delaware

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the governmental activities and each major fund of the Town of Dewey Beach, Delaware as of and for the year ended March 31, 2026, and the related notes to the financial statements, which collectively comprise the Town of Dewey Beach, Delaware's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Town of Dewey Beach, Delaware as of March 31, 2026, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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 Town of Dewey Beach, Delaware and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 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 Town of Dewey Beach, Delaware's internal control. Accordingly, no such opinion is expressed.

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

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

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

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Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 to 12 and the required supplementary information on pages 40 to 43, as listed in the index, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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 Town of Dewey Beach, Delaware's basic financial statements. The Balance Sheets – General Fund – Four-Year Comparative Amounts, Statement of Revenue, Expenditures and Changes in Fund Balances – General Fund – Four-Year Comparative Amounts, Budgetary Comparison Schedule and Changes in Fund Balances – General Fund – Three-Year Comparative Amounts, Balance Sheets - Beach Replenishment Fund – Four-Year Comparative Amounts, and Statement of Revenue, Expenditures and Changes in Fund Balances – Beach Replenishment Fund – Four-Year Comparative Amounts are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information 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 GAAS. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated ________, 2026, on our consideration of the Town of Dewey Beach, Delaware's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Dewey Beach, Delaware's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Dewey Beach, Delaware's internal control over financial reporting and compliance.

________, 2026

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Dewey Beach, Delaware (the Town), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended March 31, 2026. Please read the information presented here in conjunction with the audited financial statements, which immediately follow this section, to enhance understanding of the Town's financial performance.

FINANCIAL HIGHLIGHTS

- As of March 31, 2026, governmental activity assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $23,938,569 (net position). Of this amount, $6,599,653, or 28%, was unrestricted and may be used for ongoing obligations to citizens and creditors.

- The change in fund balance is comprised of a decrease in General Fund balance of $1,607,489 and increase in Beach Replenishment Fund of $566,277. The Town incurred approximately $7.3 million in expenditures for the construction of the new Town Hall. The Town has a fund balance policy which consists of a Rainy Day Fund of $2,899,450, and a second component of unassigned fund balance of $928,710. In addition, the Town has assigned $1,710,383 for capital improvements – Town Hall, as referenced in Note 10.

OVERVIEW OF THE FINANCIAL STATEMENTS

The management’s discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not impact cash flows until future fiscal periods.

GOVERNMENT-WIDE FINANCIAL STATEMENTS *(continued)*

Both of the government-wide financial statements distinguish functions of the Town that are governmental activities (those principally supported by taxes and revenues from other governments) and functions of the Town that are business-type activities (those that are intended to recover all or a significant portion of their costs through user fees and charges). The Town does not have any business-type activities. The governmental activities of the Town include general and administrative activities, public safety, streets, beach safety, and beach replenishment. The government-wide financial statements are included in this report, as listed in the table of contents.

FUND FINANCIAL STATEMENTS

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

GOVERNMENTAL FUND

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

Because the focus of the governmental fund is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund Balance Sheet and the Statement of Revenue, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and government-wide activities.

The Town adopts an annual appropriated budget for the general fund on a budgetary basis of accounting, which does not conform to accounting principles generally accepted in the United States of America. To demonstrate compliance, a budgetary comparison schedule is provided for the general fund. The basic governmental fund financial statements are included in this report, as listed in the table of contents.

NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information that is essential to a thorough understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are included in this report, as listed in the table of contents.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As previously noted, net position may serve as a useful indicator of the government-wide financial position. In the case of the Town, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $23,938,569 as of March 31, 2026.

The following is a summary of the government-wide Statement of Net Position as of March 31, 2026 and 2025:

	Statement of Net Position Governmental Activities	
	2026	**2025**
ASSETS		
Current and other assets	$ 16,073,918	$ 19,675,889
Capital assets	9,987,729	3,111,336
Total assets	26,061,647	22,787,225
Deferred outflows - pension	367,037	526,651
LIABILITIES		
Long-term liabilities	411,302	298,774
Other liabilities	1,217,873	4,725,104
Total liabilities	1,629,175	5,023,878
Deferred inflows - pension and grant	860,940	90,048
NET POSITION		
Net investment in capital assets	9,987,729	3,111,336
Restricted	7,351,187	6,784,910
Unrestricted	6,599,653	8,303,704
Total net position	$ 23,938,569	$ 18,199,950

A portion of the Town's net position ($9,987,729) is not available for future spending as it represents amounts invested in capital assets (*e.g.*, land, construction in process, buildings, equipment). This investment is net of any related outstanding debt that was used to acquire those assets. It should be noted that the resources needed to repay outstanding debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Of the remaining $13,950,840 in net position, $7,351,187 is restricted for specific use. The unrestricted funds of $6,599,653 may be used to meet the Town's ongoing obligations to citizens and creditors.

GOVERNMENT-WIDE FINANCIAL ANALYSIS *(continued)*

The decrease in current assets was a result of capital spending for the new Town Hall facility (see following capital asset section). Total liabilities decreased primarily through the use of state grants, recorded as unearned income in the prior year to fund Town Hall construction. Deferred inflows increased due to the deferral of county funds to be used for Town Hall Constriction.

The following schedule shows the breakdown of changes in net position for governmental activities for the years ended March 31, 2026 and 2025:

	2026	2025
REVENUE		
Program revenue		
Charges for services	$ 4,501,063	$ 3,912,770
Operating grants and contributions	4,241,545	376,977
General revenue		
Beach replenishment	207,905	232,306
Realty transfer	1,230,508	1,112,720
Accommodations	852,383	859,274
Hotel	494,300	476,646
Franchise fees	49,138	50,887
Concession fees	85,000	85,000
Investment (loss) income	2,326,549	722,450
Net unrealized gain (loss) on investments	(466,233)	52,855
Dewey Beach enterprises	50,000	50,000
Other	85,796	65,567
Total revenue	13,657,954	7,997,452
EXPENSES		
General and administrative	1,751,969	1,757,278
Public safety	3,722,025	3,240,851
Streets	669,889	624,183
Beach safety	712,404	557,805
Beach replenishment	1,063,048	89,656
Total expenses	7,919,335	6,269,773
Change in net position	5,738,619	1,727,679
Net position, beginning of year	18,199,950	16,472,271
Net position, end of year	$ 23,938,569	$ 18,199,950

Governmental activities net position increased by $5,738,619 during the fiscal year 2026. This represents a 32% increase in net position for the year.

GOVERNMENT-WIDE FINANCIAL ANALYSIS *(continued)*

Revenue increased primarily due to recognition of grants and contribution related to construction of the new Town Hall and higher investment earnings related to the Beach Replenishment Fund.

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

GOVERNMENTAL FUND

Governmental fund accounting provides information on available or spendable resources. This information is useful in assessing the Town's financing requirements for operations. The unassigned fund balance may serve as a useful measure of the Town's net resources available for spending and for future needs.

At the end of fiscal year 2026, the Town's governmental funds reported a combined ending fund balance of $14,014,471, a decrease of $1,041,212 compared to the year ended March 31, 2025. Of this amount, $2,045,529 constitutes unassigned fund balance. The decrease in funds balance is a result of capital outlay related to the new Town Hall.

GENERAL FUND BUDGETARY HIGHLIGHTS

Budget to Actual

<u>Revenue</u>

General fund revenue is higher than the budget by $5,837,371, primarily due to the following:

- Intergovernmental revenue exceeded the budget by approximately $4,000,000 due to State of Delaware grants received for the Town Hall project ($3,000,000 received in August 2022 and $1,000,000 received in October 2024), and recognized as revenue in FY26, based on construction expenditures that were incurred.

- Other intergovernmental grant revenue exceeded the budget by approximately $446,913. This increase included $155,714 from Beach Patrol donations, reimbursed police coverage for races and special events, and traffic enforcement reimbursements from the Office of Highway Safety. The Police Department also received various grants totaling $161,155 for projects and supplies, offsetting non-budgeted public safety expenditures. In addition, the Town received $53,751 in Community Transportation Funds to offset paving costs.

- Transfer tax revenue, reported within Taxes and Assessments, exceeded the budget by approximately $530,508 due to higher-than-anticipated property transfer activity. These revenues are derived based on real estate market activity, which are difficult to anticipate and estimate.

GENERAL FUND BUDGETARY HIGHLIGHTS *(continued)*

Budget to Actual *(continued)*

Revenue *(continued)*

- Accommodation and hotel tax revenue exceeded the budget by approximately $46,683 due to higher visitor activity and overnight stays in Dewey Beach.

- Licenses, permits, and fees exceeded the budget by approximately $127,042, primarily due to additional parking revenue of $36,674, commercial business license revenue of $61,351, and approximately $24,071 from dog licenses, bonfire permits, and building permit application fees.

- Investment income exceeded the budget by approximately $169,332 as interest rates and investment returns were stronger than anticipated.

Expenditures

General fund expenditures are higher than the budget by $7,445,461, primarily due to the following:

- Capital outlay expenditures exceeded the budget by approximately $6,928,179 due to construction of the new Town Hall. These costs were funded primarily through State of Delaware grants and Town funds previously designated for the project.

- General government and administrative expenditures exceeded the budget by approximately $45,695.

- Public safety salaries and wages exceeded the budget by approximately $168,329, primarily due to overtime required to protect the Town. Approximately $110,000 of the increase related to overtime, while a portion of the additional costs was offset by increased intergovernmental revenues.

- Street expenditures exceeded the budget by approximately $177,148 due to paving projects approved by the Commissioners. A portion of these costs was offset by Community Transportation Fund grant revenues.

- Beach safety expenditures exceeded the budget by approximately $126,110. Due to higher-than-expected number of lifeguards needed to protect the beaches and the implementation of a more accurate timekeeping system.

The actual change in fund balance for the general fund was a decrease of $1,607,489, as compared to an increase from the budget of $601. A general fund budgetary comparison schedule is included in this report, as listed in the table of contents.

GENERAL FUND BUDGETARY HIGHLIGHTS *(continued)*

Budget to Actual *(continued)*

Expenditures *(continued)*

The fiscal year 2026 decrease in general fund fund balance of $1,607,489 was offset approximately by the fiscal year 2025 increase in general fund fund balance of $928,391, and fiscal year 2024 increase in general fund fund balance of $682,393, as noted in the other supplementary information at Budgetary Comparison Schedule and Changes in Fund Balances – General Fund – Three-Year Comparative Amounts included in this report, as listed in the table of contents. Furthermore, the Town has been able to comply with its general fund Fund balance policy while operating the Town and constructing a new Town Hall.

CAPITAL ASSETS

The Town's investment in capital assets, net of accumulated depreciation, for its governmental activities at March 31, 2026, amounted to $9,987,729. Investment in capital assets includes land, buildings, construction in progress, improvements, machinery and equipment, and streets and parks.

Major capital asset activity during the current fiscal year included the following:

- Equipment and vehicles for the public safety function were purchased for approximately $509,927.
- Construction in progress relating to the new Town Hall project additions was approximately $6,648,033.

Capital Assets Net of Accumulated Depreciation

	Governmental Activities	
	2026	2025
Land	$ 1,161,677	$ 1,161,677
Construction in progress	7,171,404	523,371
Buildings and improvements	949,652	949,652
Machinery and equipment	2,537,150	2,247,459
Streets and parks	1,991,188	1,908,007
Accumulated depreciation	(3,823,342)	(3,678,830)
Total	$ 9,987,729	$ 3,111,336

CAPITAL ASSETS *(continued)*

Long-Term Debt

	Governmental Activities	
	2026	2025
Compensated absences	$ 411,302	$ 298,774
Net pension liability (asset)	(91,573)	104,898
Total long-term debt	$ 319,729	$ 403,672

Additional information on the Town's long-term debt obligations can be found on Note 5 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

For fiscal year 2027, the Town has budgeted total General Fund operating revenues of $6,656,566 and total General Fund operating expenditures of $6,163,344. The Town Hall construction project is expected to be completed during fiscal year 2027. As a result, capital outlay expenditures associated with the project are expected to decline significantly, and overall expenditures are anticipated to return to levels more consistent with those incurred prior to the construction project.

REQUEST FOR INFORMATION

This Financial Report is designed to provide an overview of the Town's finances and provide a meaningful picture of our Town. Any questions concerning this report, or requests for additional information, should be addressed to:

Town Manager
Town of Dewey Beach, Delaware
105 Rodney Avenue
Dewey Beach, Delaware 19971

FINANCIAL STATEMENTS

TOWN OF DEWEY BEACH, DELAWARE
Statement of Net Position
Governmental Activities
As of March 31, 2026

ASSETS		
Cash and cash equivalents	$	8,868,032
Investments		6,791,576
Receivables		
Taxes		31,774
Other		228,627
Prepaid expenses		62,336
Net pension asset		91,573
Capital assets, net		
Non-depreciable		8,333,081
Depreciable		1,654,648
Total assets		26,061,647
Deferred outflows of resources - pension related		367,037
LIABILITIES		
Accounts payable		824,572
Accrued wages and payroll taxes		33,803
Unearned revenue		359,498
Long-term liabilities due in more than one year		
Compensated absences		411,302
Total liabilities		1,629,175
Deferred inflows of resources		
Pension related		110,940
Payments received in advance of lease commencement		750,000
Total deferred inflows		860,940
NET POSITION		
Net investment in capital assets		9,987,729
Restricted for		
Beach replenishment		7,351,187
Unrestricted		6,599,653
Total net position	$	23,938,569

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

TOWN OF DEWEY BEACH, DELAWARE
Statement of Activities
For the Year Ended March 31, 2026

		Program Revenue			Net (Expense) Revenue and Changes in Net Position
	Expenses	**Charges For Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**
FUNCTIONS/PROGRAMS					
Governmental activities					
General and administrative	$ 1,751,969	$ 3,307,042	$ -	$ 4,000,000	$ 5,555,073
Public safety	3,722,025	761,656	211,348	-	(2,749,021)
Streets	669,889	432,365	14,548	-	(222,976)
Beach safety	712,404	-	15,649	-	(696,755)
Beach replenishment	1,063,048	-	-	-	(1,063,048)
Total governmental activities	$ 7,919,335	$ 4,501,063	$ 241,545	$ 4,000,000	823,273
GENERAL REVENUE					
Taxes and assessments					
Beach replenishment					207,905
Realty transfer					1,230,508
Accommodations					852,383
Hotel					494,300
Franchise fees					49,138
Concession fees					85,000
Investment income					2,326,549
Net unrealized loss on investments					(466,233)
Dewey Beach enterprises					50,000
Other revenue					85,796
Total general revenue					4,915,346
Change in net position					5,738,619
Net position, beginning of year					18,199,950
Net position, end of year					$ 23,938,569

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

TOWN OF DEWEY BEACH, DELAWARE
Balance Sheet Governmental Funds
For the Year Ended March 31, 2026

	Major Fund		
	General Fund	Beach Replenishment Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	$ 8,340,194	$ 527,838	$ 8,868,032
Investments	-	6,791,576	6,791,576
Receivables			
Taxes	-	31,773	31,773
Other	228,627	-	228,627
Interfund receivables	-	-	-
Prepaid expenses	62,336	-	62,336
Total assets	$ 8,631,157	$ 7,351,187	$ 15,982,344
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES			
Liabilities			
Accounts payable	$ 824,572	$ -	$ 824,572
Interfund payables	-	-	-
Accrued wages and payroll taxes	33,803	-	33,803
Unearned revenue	359,498	-	359,498
Total liabilities	1,217,873	-	1,217,873
Deferred inflows			
Payments received in advance of lease commencement	750,000	-	750,000
Fund balances			
Nonspendable	62,336	-	62,336
Restricted	-	7,351,187	7,351,187
Committed for streets and infrastructure	717,614	-	717,614
Committed for rainy day fund	2,899,450	-	2,899,450
Assigned for comprehensive plan	45,000	-	45,000
Assigned for public safety	140,121	-	140,121
Assigned for beach safety	38,370	-	38,370
Assigned for capital improvements	121,300	-	121,300
Assigned for capital Improvements - Town Hall	1,710,383	-	1,710,383
Unassigned	928,710	-	928,710
Total fund balances	6,663,284	7,351,187	14,014,471
Total liabilities, deferred inflows and fund balances	$ 8,631,157	$ 7,351,187	$ 15,982,344

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

TOWN OF DEWEY BEACH, DELAWARE
Reconciliation of the Governmental Funds
Balance Sheet to the Statement of Net Position
For the Year Ended March 31, 2026

Total fund balances - Governmental funds		$ 14,014,471
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 fund financial statements, but are reported in the governmental activities of the statement of net position.		9,987,730
Deferred outflows of resources related to pensions, as further described in Note 6, are not reported at the fund level.		367,037
Deferred inflows of resources related to pensions, as further described in Note 6, are not reported at the fund level.		(110,940)
Some liabilities are not due and payable in the current period and, therefore, are not reported in the fund financial statements, but are reported in the governmental activities of the statement of net position. Those liabilities consist of:		
Net pension asset (liability)	$ 91,573	
Compensated absences	(411,302)	
Total long-term liabilities		(319,729)
Net position of governmental activities in the statement of net position		$ 23,938,569

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

TOWN OF DEWEY BEACH, DELAWARE
Statement of Revenue, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended March 31, 2026

	Major Fund		
	General Fund	Beach Replenishment Fund	Total Governmental Funds
REVENUE			
Taxes and assessments	$ 2,711,329	$ 207,905	$ 2,919,234
Licenses, permits, and fees	3,307,042	-	3,307,042
Fines	761,656	-	761,656
Intergovernmental	4,446,913	-	4,446,913
Donations and other revenue			
Public safety	211,348	-	211,348
Beach safety	15,649	-	15,649
Investment income	419,332	1,907,217	2,326,549
Net unrealized gain (loss) on investments	19,564	(485,797)	(466,233)
Other	136,538	-	136,538
Total revenue	12,029,371	1,629,325	13,658,696
EXPENDITURES			
General and administrative	1,617,594	-	1,617,594
Public safety	3,478,141	-	3,478,141
Streets	518,706	-	518,706
Beach safety	701,740	-	701,740
Beach replenishment	-	1,063,048	1,063,048
Capital outlay	7,320,679	-	7,320,679
Total expenditures	13,636,860	1,063,048	14,699,908
Net changes in fund balances	(1,607,489)	566,277	(1,041,212)
Fund balances, beginning of year	8,270,773	6,784,910	15,055,683
Fund balances, end of year	$ 6,663,284	$ 7,351,187	$ 14,014,471

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

TOWN OF DEWEY BEACH, DELAWARE
Reconciliation of the Governmental Funds
Statement of Revenue, Expenditures and
Changes in Fund Balances to the Statement of Activities
For the Year Ended March 31, 2026

Total net change in fund balances - Governmental funds	$	(1,041,212)
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 and reported as depreciation expense. In the current period, these amounts are:		
Capital outlay		7,320,679
Depreciation		(443,542)
Other		(743)
Some items reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. These activities consist of:		
Change in deferred outflows of resources - pension (see Note 6)		(159,614)
Change in deferred inflows of resources - pension (see Note 6)		(20,892)
Change in net pension liabilities		196,471
Change in compensated absences		(112,528)
Change in net position of governmental activities	$	5,738,619

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

NOTE 1 DESCRIPTION OF THE TOWN OF DEWEY BEACH, DELAWARE

The Town of Dewey Beach, Delaware (the Town) was incorporated in 1981 under the provisions of the State of Delaware. The Town operates under a Council-Manager form of government and provides the following services provided as authorized under the Town charter: public safety (police), beach safety (lifeguards), streets, recreation, public improvements, planning and zoning, and general administrative services. The Town directly provides all basic local governmental services.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body establishing governmental accounting and financial reporting principles. The Town's significant accounting policies are described below.

<u>Basis of Presentation</u>

The Town's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

<u>Government-Wide and Fund Financial Statements</u>

The statement of net position and the statement of activities display information about the Town as a whole. These statements include the financial activities of the Town.

The statement of net position presents the financial condition of the activities of the Town at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Town's activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program revenue includes charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenue that is not classified as program revenue is presented as general revenue of the Town, with certain limited exceptions. The comparison of direct expenses with program revenue identifies the extent to which each business segment or governmental function is self-financing or draws from general revenue of the Town.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fund Financial Statements

During the year, the Town segregates transactions related to certain Town functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present the financial information of the Town in more detail. Each of the Town's funds is reported as major governmental funds and presented in separate columns.

Fund Accounting

The Town uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary, and fiduciary.

Governmental Funds

Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the Town's major governmental funds:

General fund - This is the main operating fund of the Town. It is used to account for all financial resources not accounted for in other funds. All general tax revenue and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges, and capital improvement costs that are not paid through other funds are paid from the General Fund.

Special revenue fund - The special revenue fund is used to account for the proceeds from the specific revenue sources that are legally restricted to expenditures for specific purposes. The Town's special revenue fund is the Beach Replenishment Fund.

Proprietary Funds

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

Fiduciary Funds

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Measurement Focus

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the Town are included on the statement of net position.

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenue, expenditures and changes in fund balances reports on the sources (*i.e.,* revenue and other financing sources) and uses (*i.e.*, expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and liabilities associated with the operation of these funds are included on the statement of net position. The statement of revenue, expenses and changes in fund net position presents increases (*i.e.,* revenue) and decreases (*i.e.,* expenses) in net total position. The statement of cash flows provides information about how the Town finances and meets the cash flow needs of its proprietary activities. The Town does not have any proprietary funds.

Basis of Accounting

The basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures. The Town does not have any proprietary or fiduciary funds.

Revenue - Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the Town is defined as collected within 60 days subsequent to year end.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue - Exchange and Non-Exchange Transactions *(continued)*

Non-exchange transactions, in which the Town receives value without directly giving equal value in return, primarily include taxes and assessments and grants. Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the Town must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Town on a reimbursable basis. On the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered both measurable and available at year end: charges for services, interest, and licenses and permits.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

See Notes 4 and 6 for further details relating to the deferred outflows/inflows of resources, as recorded on the statement of net position and general fund balance sheet, relating to the Town's lease and pension activities.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated assets during the year is reported in the operating statement as an expense with a like amount reported as donated revenue. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Budgetary Process

The Town Commissioners follow these procedures in establishing the budgetary data reflected in these financial statements:

Annually, and no later than the last week of February, the Town Commissioners are required to prepare a draft of a Town Budget. From this draft, the Town Commissioners are required, no later than the second Saturday of March, to prepare the Town Budget containing the financial plan for conducting the affairs of the Town for the ensuing fiscal year.

The Town Commissioners shall, so far as possible, adhere to the Town Budget so adopted in the making of appropriations. Budgetary amendments are made by majority approval of the Town Commissioners. The budget is prepared on the budgetary basis of accounting.

Beach Replenishment Taxes

Taxes are levied on November 1 of each year and are due by December 31. The Town bills and collects its own beach replenishment taxes. Expenditure of beach replenishment taxes is restricted to beach-related operations, maintenance, and replenishment expenses. The beach replenishment tax rate for the fiscal year ended March 31, 2026, was $0.40 per $100 of the 1992 assessed valuation of all taxable real property and improvements, as determined by Sussex County, Delaware. Effective February 13, 2026, the Town Council adopted a revenue-neutral tax rate of $0.0111 per $100 for future levy years.

Interfund Receivables and Payables

On fund financial statements, receivables and payables resulting from short-term interfund loans or interfund services provided and used are classified as "Interfund Receivables/Payables."

Interfund balances within governmental activities and within business-type activities are eliminated on the government-wide statement of net position. No interfund balances remain on the government-wide statement of net position as the Town has no business-type activities.

Capital Assets

Capital assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Capital Assets *(continued)*

All capital assets are capitalized at cost (or estimated historical costs) and updated for additions and retirements during the year. Donated fixed assets are recorded at their acquisition values as of the date received. The Town maintains a capitalization threshold of $5,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add value to the asset or materially extend an asset's life are not.

All reported capital assets, except land and construction-in-progress, are depreciated. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, ranging from five to 40 years. Estimated useful lives are as follows:

Buildings and improvements	5 - 40 years
Machinery and equipment	5 - 20 years
Infrastructure	5 - 15 years

Restricted Assets

Restricted assets consist of cash, cash equivalents, and investments restricted for specified projects and/or purposes.

Unearned Revenues

The Town receives grants and donations from time to time from other governmental entities and other sources that are earmarked for specific purposes. Such accounts are not recognized as revenue until expenditures are incurred. Unearned revenue is as follows:

General Fund

State of Delaware - 5G pole relocation	$	24,293
Police grants		2,619
Municipal street aid grant		33,192
State of Delaware - 5G building permit		24,365
Town Hall wall donations		182,538
Town Hall brick donations		78,600
Others		13,891
Total unearned revenues	$	359,498

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Compensated Absences

Employees are granted vacations and sick leave in varying amounts and may generally accumulate a maximum of 30 vacation days and 90 sick leave days. In the event of termination or retirement, an employee is paid for unused vacation days and one-half of unused sick leave days if leaving in good standing with the Town. Police officers can opt to accrue compensatory time rather than paid overtime at 1.5 hours per hour worked up to 160 hours. Compensated absences are a reconciling item between the fund and the government-wide presentations.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year.

Net Position

Net position represents the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Government-wide net position is divided into three components:

Net Investment in Capital Assets - Consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets.

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

Unrestricted Net Position - All other remaining net position.

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Governmental Fund Balances

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

Nonspendable - Amounts that cannot be spent either because they are in a 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 the Town charter or code, state or federal laws, or externally imposed condition by grantors or creditors.

Committed - Amounts that can be used only for specific purposes as determined by formal action of the Town Council through ordinance or resolution.

Assigned - Amounts that are designated by the Council or management with intent to be used for specific purposes, but are neither restricted nor committed by ordinance or resolution.

Unassigned - Amounts not included in other spendable classifications.

The Town applies restricted resources first when an expenditure is incurred for purposes for which both restricted and unrestricted sources (the total of committed, assigned and unassigned fund balance) are available. Further, when the components of the unrestricted fund balance can be used for the same purpose, the committed fund balance is depleted first, followed by the assigned fund balance. The unassigned fund balance is applied last.

Accounting Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the amounts in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 3 CASH, CASH EQUIVALENTS AND INVESTMENTS

The Town's deposits and investments are in various banks and in one brokerage firm. Deposits held in banks are carried at cost, while holdings in investment accounts are carried at fair value. Transactions are made directly with the banks and with the brokerage firm.

NOTE 3 CASH, CASH EQUIVALENTS AND INVESTMENTS *(continued)*

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the Town will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. As of March 31, 2026, $8,089,977 of the Town's bank balance of $8,339,977 was exposed to custodial risk as follows:

Insured and uncollateralized	$ 8,089,977 (1)

(1) Deposits are held in a sweep program where amounts exceeding the Federal Deposit Insurance Corporation limit of $250,000 are automatically swept each night into multiple insured deposit accounts at participating banks, such that no more than $250,000 is held at any single institution. Accordingly, all deposits are insured and uncollateralized.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the Town's investments.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Town holds bond investments that have a credit quality rating.

Concentrations of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Town limits its exposure to concentration of credit risk by limiting investments in a single equity to 10% or less of the entire equities portfolio.

Foreign Currency Risk

Concentrations of credit risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. As of March 31, 2026, the Town held foreign stocks with a total market value of $36,329.

NOTE 3 CASH, CASH EQUIVALENTS AND INVESTMENTS *(continued)*

Foreign Currency Risk *(continued)*

The Town's investment policy is as follows:

Allocation of Assets		
Short-Term (0 - 3 years)	**Range**	**Target**
Cash and cash equivalents	10% to 30%	20%
Fixed income	40% to 80%	60%
Equities	0% to 30%	20%
Long-Term (>3 years)		
Fixed income	55% to 85%	70%
Equities	15% to 45%	30%

Types of Investable Assets

- Cash and cash equivalents
- Repurchase agreements collateralized by the financial institution (sweep accounts) certificate of deposit and other evidences of deposit of financial institutions
- U.S. Treasury securities fixed income
- Equities

The Town has the following cash and investments at March 31, 2026. Cash and cash equivalents have investment maturities of less than one year and the fixed-income fund has an average maturity between one to five years and the fund is unrated.

	Cash and Cash Equivalents	Investments Held at Fair Value	Total
Cash and cash equivalents	$ 8,618,417	$ -	$ 8,618,417
Investments			
Cash and cash equivalents	249,615	-	249,615
Fixed income fund	-	4,927,300	4,927,300
Equities			
Common stocks	-	228,903	228,903
Foreign stocks	-	36,329	36,329
Equity funds	-	1,599,044	1,599,044
Total investments	249,615	6,791,576	7,041,191
Total	$ 8,868,032	$ 6,791,576	$ 15,659,608

NOTE 3 CASH, CASH EQUIVALENTS AND INVESTMENTS *(continued)*

Types of Investable Assets *(continued)*

The Town's investments are managed by an Investment Committee that is appointed by the Town Commissioners.

Fair Value Measurement

Cash and equivalents are recorded at cost, which approximates fair value.

Investments are measured and reported at fair value, and are classified according to the following hierarchy:

Level 1: investments reflect prices quoted in active markets.

Level 2: investments reflect prices that are based on similar observable assets either directly or indirectly, which may include inputs in markets that are not considered to be active.

Level 3: investments reflect prices based upon unobservable sources.

The categorization of investments within the hierarchy is based upon the pricing transparency of the instrument and should not be perceived as the particular investment risk.

	Level 1	Level 2	Level 3	Total
Fixed-income fund	$ 4,927,300	$ -	$ -	$ 4,927,300
Equities				
Common stocks	228,903	-	-	228,903
Foreign stocks	36,329	-	-	36,329
Equity funds	1,599,044	-	-	1,599,044
Total investments	$ 6,791,576	$ -	$ -	$ 6,791,576

Certain investments are covered by the Securities Investor Protection Corporation (SIPC) up to $500,000, including $250,000 of cash from the sale or purchase of investments, but not cash held solely for the purpose of earning interest. SIPC protects securities such as notes, stocks, bonds, debentures, certificates of deposit and money funds.

	Total	Less Insured Amounts	Amount Subject to Custodial Credit Risk	Amount Not Subject to Custodial Credit Risk
Common stocks	$ 228,903	$ 228,903	$ -	$ -
Foreign stocks	36,329	-	36,329	-
Equity funds	1,599,044	-	-	1,599,044
Fixed-income fund	4,927,300	-	-	4,927,300
Total	$ 6,791,576	$ 228,903	$ 36,329	$ 6,526,344

NOTE 4 CAPITAL ASSETS

The following table is a summary of changes in capital assets for the year ended March 31, 2026:

	Balance, March 31, 2025	Additions and Transfers	Deletions and Transfers	Balance, March 31, 2026
Capital assets (not being depreciated)				
Land	$ 1,161,677	$ -	$ -	$ 1,161,677
Construction in progress	523,371	6,648,033	-	7,171,404
Total non-depreciable capital assets	1,685,048	6,648,033	-	8,333,081
Capital assets (being depreciated)				
Buildings and improvements	949,652	-	-	949,652
Machinery and equipment	2,247,459	509,927	220,236	2,537,150
Infrastructure	1,908,007	162,719	79,538	1,991,188
Total depreciable capital assets	5,105,118	672,646	299,774	5,477,990
Less: Accumulated depreciation for				
Buildings and improvements	(645,882)	(23,137)	79,538	(589,481)
Machinery and equipment	(1,432,968)	(342,720)	219,492	(1,556,196)
Infrastructure	(1,599,980)	(77,685)	-	(1,677,665)
Total accumulated depreciation	(3,678,830)	(443,542)	299,030	(3,823,342)
Total capital assets being depreciated	1,426,288	229,104	744	1,654,648
Total capital assets	$ 3,111,336	$ 6,877,137	$ 744	$ 9,987,729

Depreciation expense was charged to governmental functions as follows:

General and administrative	$ 37,812
Public safety	243,884
Streets	151,183
Beach safety	10,663
	$ 443,542

The Town is currently constructing a new Town Hall and Public Safety Building, which includes a new Town Hall, police station, emergency medical services (EMS) facilities, and related infrastructure. The total estimated cost of the project is approximately $12 million, which is being financed through State grants, Town funds, private contributions, and a loan of $3 million.

As of March 31, 2026, the Town had incurred approximately $6.5 million in construction costs, which are capitalized as construction in progress.

Construction of Phase I is nearing completion, with interior finishes underway. The Town expects to occupy Phase I of the new building in September of 2026, after which Phase II, consisting of the police sally port and paramedic station, will begin.

NOTE 4 CAPITAL ASSETS *(continued)*

In addition to the aforementioned facilities, Sussex County has committed to provide $1.5 million for incorporation of a County-operated emergency medical services (EMS) station in the Town Hall and police station facility. The County has paid $750,000 as of March 31, 2026, for the EMS station, which is reported as a deferred inflow in the statement of net position and general fund under an expected lease agreement between the County and Town for the EMS station.

NOTE 5 LONG-TERM DEBT OBLIGATIONS

The following table is a summary of the changes in the governmental activities' long-term debt obligations:

	Balance, March 31, 2025	Increase [1]	Decrease [1]	Balance, March 31, 2026	Due Within One Year
Other long-term liabilities					
Compensated absences	$ 298,774	$ 112,528	$ -	$ 411,302	$ -
Net pension liability (asset)	104,898	-	196,471	(91,573)	-
	$ 403,672	$ 112,528	$ 196,471	$ 319,729	$ -

(1) The amounts presented for compensated absences are net amounts.

The total governmental activities' long-term liabilities are $411,302.

Compensated absences do not have a fixed payment date but are due to employees if they terminate employment.

NOTE 6 PENSION PLAN

Plan Description and Contribution Information

The County & 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.

NOTE 6 PENSION PLAN *(continued)*

Plan Description and Contribution Information *(continued)*

Separately issued financial statements for DPERS are available from the pension office at:

McArdle Building
Suite 1 860
Silver Lake Boulevard
Dover, DE 19904
www.delawarepensions.com

The following is a brief description of the Plan in effect as of June 30, 2025. 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.

Service Benefits – Benefits are 2.5% of the final average monthly compensation multiplied by years of credited service up to 20 years, plus 3.5% of the final average monthly compensation multiplied by years of service in excess of 20 years. For this Plan, the final average monthly compensation is the monthly average of the highest three consecutive years of compensation (excluding overtime and special pay).

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% of final average compensation plus 10% for each dependent not to exceed 25% for all dependents.

Duty - Partial Disability – Calculated the same as service benefits, subject to a minimum 50% of final average compensation.

Non-Duty – Same as service benefits, total disability subject to a minimum 50% of final average monthly compensation plus 5% of each dependent not to exceed 20% for all dependents. Partial disability to a minimum of 30% of final average monthly compensation.

NOTE 6 PENSION PLAN *(continued)*

Survivor Benefits

If an employee is receiving a pension, then the eligible survivor receives a minimum of 50% of the pension. If the employee is active, then the eligible survivor receives 75% of the pension the employee would have received at age 62. If the member is killed in the line of duty, the eligible survivor receives 75% of the member's compensation. The burial benefit is $7,000 per member.

Basis of Presentation

In order that employees (including the Town) can record their portion of collective pension amounts, DPERS annually issues schedules of employer allocations and pension amounts by employer (collectively, the Schedules), which present amounts that are considered elements of the financial statements of DPERS or of its participating employers. Accordingly, they do not purport to be a complete presentation of the financial position or changes in financial position of DPERS or the participating employers. The accompanying schedules have been prepared in conformity with U.S. GAAP as prescribed by the GASB. Such preparation requires management of DPERS to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these elements, actual results could differ from those estimates.

Allocation Methodology

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, requires participating employers in the Plan to recognize their proportionate share of collective net pension (asset)/liability, collective deferred inflows of resources, collective deferred outflows of resources, and collective pension expense, excluding that attributable to employer-paid member contributions. The employer allocation percentages presented in the schedule of employer allocations and applied to amounts presented in the schedule of pension amounts by employer are based on the ratio of each employer's contribution to the Plan's total employer contributions during the measurement period July 1, 2024 through June 30, 2025. Employer contributions to the Plan are recognized when due pursuant to legal requirements. Employer contributions are determined by the Board. Employer contributions were 14.98% of earnings for fiscal year 2025.

NOTE 6 PENSION PLAN *(continued)*

Net Pension Liability

The components of the Town's proportionate share of the net pension liability (NPL) at June 30, 2025, were as follows:

Employers' total pension liability	$	(5,221,387)
Plan net position		5,312,960
Employers' net pension (liability) asset	$	91,573
Employer's proportionate percentage of the collective net pension asset		0.7359%
Increase in proportionate percentage from the prior year		0.0805%

Actuarial Assumptions

The total pension liability at the June 30, 2025, measurement date was determined by an actuarial valuation as of June 30, 2024, with update procedures used to roll forward the total pension liability to June 30, 2025. This actuarial valuation used the following actuarial assumptions:

Actuarial assumptions	
Investment rate of return/discount rate (1)	7.00%
Projected salary increases (1)	2.5% + Merit
Cost-of-living adjustments	0.0%

(1) Inflation is included at 2.5%.

The total pension liabilities are measured based on assumptions pertaining to interest rates, inflation rates, and employee demographic behavior in future years. The demographic assumptions were adopted by the Board upon recommendation of the actuary, based on an experience study performed in 2021 and covering the period July 1, 2015 through June 30, 2020. It is likely that the future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the merging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

Mortality assumptions are based on the RP-2010 tables with gender adjustments for employees, healthy annuitants and disabled retirees and 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.

NOTE 6 PENSION PLAN *(continued)*

Actuarial Assumptions *(continued)*

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	Long-Term Expected Real Rate of Return	Asset Allocation
Domestic equity	5.7%	34.2%
International equity	5.7%	14.2%
Fixed income	2.0%	25.1%
Alternative investments	7.8%	21.3%
Cash and equivalents	-	5.2%

Discount Rate

The discount rate used to measure the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that contributions from Plan members will be made at the current contribution rates and that contributions from employers will be made at rates determined by the Board, 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.

NOTE 6 PENSION PLAN *(continued)*

Sensitivity of the Net Pension (Liability) Asset to Changes in the Discount Rate

The following presents the Town's proportionate share of the net pension liability (asset), calculated using the discount rate of 7.0%, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

Plan	1% Decrease (6.0)%	Discount Rate (7.0)%	1% Increase (8.0)%
Pension (liability) asset	$ (660,242)	$ 91,573	$ 707,892

Pension Expense and Deferred Outflows of Resources, Deferred Inflows of Resources Related to Pensions

For the year ended March 31, 2026, the Town recognized pension expense of $104,376. At March 31, 2026, the Town 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
Changes in assumptions	$ 6,960	$ (30,039)
Changes in proportion	8,359	(52,391)
Differences between expected and actual experience	217,461	(15,264)
Net difference between projected and actual earnings on pension plan investments	-	(13,246)
Town's contributions subsequent to the measurement date	134,257	-
Total	$ 367,037	$ (110,940)

The deferred outflows of resources in the amount of $134,257, resulting from the Town's contributions to the Plan subsequent to the measurement date, will be recognized as a decrease of the net pension liability in the year ending March 31, 2027.

NOTE 6 PENSION PLAN *(continued)*

Pension Expense and Deferred Outflows of Resources, Deferred Inflows of Resources Related to Pensions *(continued)*

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending March 31,	Amount
2027	$ 177,496
2028	(16,504)
2029	(46,504)
2030	(18,504)
2031	28,496
Thereafter	(2,640)
Total	$ 121,840

NOTE 7 DEFERRED COMPENSATION PLAN

The Town sponsors the Town of Dewey Beach, Delaware, City Employee Deferred Compensation Plan, an Internal Revenue Code Section 457 plan, for its full-time administrative employees who are not covered by the plan described in Note 6, are at least 21 years of age, and have completed more than one year of service. Participation in the plan is optional. The plan is administered in accordance with the laws of the State of Delaware. The Town contributes $0.50 for every dollar of employee contributions, up to 6% of pay. The Town’s contributions of $15,643 to the plan for the year ended March 31, 2026, equaled the contributions required.

NOTE 8 RISK MANAGEMENT

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

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

NOTE 9 COMMITMENTS, CONTINGENCIES AND UNCERTAINTIES

In the normal course of business, there are various outstanding commitments and contingent liabilities in addition to the normal encumbrances for the purchase of goods and services. The Town does not anticipate losses as a result of these transactions.

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

The Town is a defendant in several lawsuits. After considering all relevant facts and the opinion of legal counsel, it is management's opinion that such litigation will not, in the aggregate, have a material adverse effect on the financial position of the Town.

NOTE 10 FUND BALANCES

Fund balances for the Town's governmental funds consisted of the following as of March 31, 2026:

<u>Nonspendable Fund Balances</u>

Nonspendable fund balances as of March 31, 2026, are comprised of prepaid expenses of $62,336 in the General Fund.

<u>Restricted Fund Balances</u>

Restricted fund balances total $7,351,187 as of March 31, 2026. The General Fund restricted fund balance at March 31, 2026 is $0. The Beach Replenishment Fund restricted fund balance is $7,351,187, which is restricted for beach replenishment projects.

<u>Committed Fund Balances</u>

Committed fund balances total $3,617,064 as of March 31, 2026, which pertains to street and infrastructure and a rainy day fund.

A component of the committed fund balance for streets and infrastructure requires that, per the Town code, 20% of revenue derived from building permits each month shall be transferred to the streets and infrastructure account. Additionally, the Town passed a resolution requiring 5% of daily and seasonal parking revenue and 3% of transfer tax to be transferred to the streets and infrastructure. As of March 31, 2026, the fund balance of $717,614 is committed for streets and infrastructure.

NOTE 10 FUND BALANCES *(continued)*

Committed Fund Balances *(continued)*

During the year ended March 31, 2025, the Town established a rainy day fund that is to be funded at 50% of the expenses (six months of operating expenditures) in the most recently adopted general fund budget. The fund is intended to protect the Town financially from the effects of catastrophic events, such as hurricanes or other events or conditions, that significantly impair the Town's ability to collect revenue or cause significant unanticipated expenditures. If the Town desired to utilize the rainy day fund, the Town Manager would be required to propose a plan to spend the funds and present it to the Town Commissioners for approval. As of March 31, 2026, the rainy day fund is $2,899,450 based on the adopted fiscal year 2026 budget. In addition, the second component of the fund balance policy is to maintain an unassigned fund balance equal to 15% of General Fund operating expenditures of adopted fiscal year 2026 budget.

Assigned Fund Balances

The General Fund has $2,055,174 in assigned fund balances as of March 31, 2026. This is comprised of the following:

Comprehensive plan reserve	$	45,000
Public safety reserve		140,121
Beach safety reserve		38,370
Capital improvements reserve		121,300
Capital Improvements - Town Hall		1,710,383
	$	2,055,174

NOTE 11 SUBSEQUENT EVENTS

The Town evaluated subsequent events through August __, 2026, the date the financial statements were available to be issued and noted the following.

In May 2026, the Town obtained a commercial term loan of $3 million to fund the development of the new Town Hall building. The loan has a 20-year term and bears interest at a fixed annual rate of 3.77%.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF DEWEY BEACH, DELAWARE
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
Year Ended March 31, 2026

	Original Budget	Final Budget	Actual	Variance Increase (Decrease)	
REVENUE					
Taxes and assessments	$ 2,135,000	$ 2,135,000	$ 2,711,329	$ 576,329	
Licenses, permits, and fees	3,180,000	3,180,000	3,307,042	127,042	
Fines	477,000	477,000	761,656	284,656	
Intergovernmental	-	-	4,446,913	4,446,913	
Donations and other revenue					
Public safety	86,000	86,000	211,348	125,348	
Beach safety	-	-	15,649	15,649	
Investment income	250,000	250,000	419,332	169,332	
Unrealized gains on investments	-	-	19,564	19,564	
Other	64,000	64,000	136,538	72,538	
Total revenue	6,192,000	6,192,000	12,029,371	5,837,371	
EXPENDITURES					
General and administrative	1,571,899	1,571,899	1,617,594	(45,695)	(1)
Public safety	3,309,812	3,309,812	3,478,141	(168,329)	(1)
Streets	341,558	341,558	518,706	(177,148)	(1)
Beach safety	575,630	575,630	701,740	(126,110)	(1)
Capital outlay	392,500	392,500	7,320,679	(6,928,179)	(1)
Total expenditures	6,191,399	6,191,399	13,636,860	(7,445,461)	
Net changes in fund balances	$ 601	$ 601	$ (1,607,489)	$ (1,608,090)	

(1) Total expenditures exceeded budgeted appropriations in General and administrative, Public safety, Streets, Beach safety and Capital outlay. The excess expenditures were covered by the available fund balance in the fund.

No budgetary comparison schedule is presented for the Beach Replenishment Fund as there is not a legally adopted budget.

TOWN OF DEWEY BEACH, DELAWARE
Required Supplementary Information
Schedule of the Proportionate Share of the Net Pension Liability
Year Ended March 31, 2026

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Town's proportionate share (%) of collective net pension liability (asset)	0.74%	0.66%	0.57%	0.58%	0.53%	0.44%	0.50%	0.52%	0.52%	0.60%
Town's proportionate share ($) of collective net pension liability (asset)	$ (91,573)	$ 104,898	$ 81,393	$ (60,940)	$ (733,056)	$ 67,280	$ 143,041	$ 119,588	$ 52,097	$ 95,661
Town's covered payroll ($)	$ 955,248	$ 746,784	$ 635,136	$ 544,226	$ 481,209	$ 560,434	$ 497,679	$ 449,798	$ 427,982	$ 425,430
Town's proportionate share (%) of collective net pension liability (asset) as a percentage of its covered payroll	(9.59)%	14.05 %	12.82 %	(11.20)%	(152.34)%	12.00%	28.74%	26.59%	12.17%	22.49%
Plan's fiduciary net position (%) of the total pension liability	101.75 %	97.57 %	97.58 %	101.95 %	128.19 %	96.67%	93.25%	94.10%	97.00%	94.70%

Note - The above information is expressed as of the respective fiscal year's related measurement date (*e.g.*, FY2026 = March 31, 2026, the measurement date).

TOWN OF DEWEY BEACH, DELAWARE
Required Supplementary Information
Schedule of Contributions - Pension Plan
Year Ended March 31, 2026

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Contractually required contribution	$ 148,763	$ 100,307	$ 73,757	$ 96,709	$ 85,706	$ 67,219	$ 73,431	$ 49,247	$ 58,497	$ 60,724
Contributions in relation to the contractually required contribution	148,763	100,307	73,757	96,709	85,706	67,219	73,431	49,247	58,497	60,724
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Town's covered payroll	$ 1,044,467	$ 955,248	$ 746,784	$ 635,136	$ 481,209	$ 560,434	$ 497,679	$ 449,798	$ 427,982	$ 425,430
Contributions as a percentage of covered payroll	14.24%	10.50%	9.88%	15.23%	17.81%	11.99%	14.75%	10.95%	13.67%	14.27%

TOWN OF DEWEY BEACH, DELAWARE
Required Supplementary Information
Actuarial Assumptions - Pension Plan
Year Ended March 31, 2026

Plan	County and Municipal Police and Firefighters
Actuarial assumptions	
Investment rate of return/discount rate (1)	7.00%
Projected salary increase (1)	2.5% + Merit
Cost-of-living adjustments	ad hoc

(1) Inflation is included at 2.5%

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

There were no changes in assumptions or benefits for fiscal year 2026.

OTHER SUPPLEMENTARY INFORMATION

TOWN OF DEWEY BEACH, DELAWARE
Balance Sheets
General Fund
Four-Year Comparative Amounts for
March 31, 2026, 2025, 2024, and 2023

	2026	2025	2024	2023
ASSETS				
Cash and cash equivalents	$ 8,340,194	$ 11,790,906	$ 9,925,714	$ 9,546,560
Investments	-	911,980	854,054	794,802
Receivables				
Taxes	-	-	-	43,362
Other	228,627	144,908	91,019	6,293
Interfund receivables	-	75	-	-
Prepaid expenses	62,336	43,110	59,211	51,889
Total assets	$ 8,631,157	$ 12,890,979	$ 10,929,998	$ 10,442,906
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES				
Liabilities				
Accounts payable	$ 824,572	$ 103,916	125,802	$ 194,592
Interfund payables	-	-	-	-
Accrued wages and payroll taxes	33,803	67,246	44,508	74,148
Unearned revenue	359,498	4,449,044	3,417,306	3,514,174
Total liabilities	1,217,873	4,620,206	3,587,616	3,782,914
Deferred inflows				
Payments received in advance of lease commen	750,000	-	-	-
Fund balances				
Nonspendable	62,336	43,110	59,211	51,889
Restricted	-	-	-	-
Committed for streets and infrastructure	717,614	841,672	245,467	453,739
Committed for rainy day fund	2,899,450	2,899,450	2,656,518	2,298,000
Assigned for streets and infrastructure	-	-	-	-
Assigned for broadband infrastructure	-	-	-	-
Assigned for comprehensive plan	45,000	-	-	-
Assigned for legal and litigation	-	-	-	-
Assigned for public safety	140,121	37,467	71,554	257,642
Assigned for beach safety	38,370	33,209	45,869	50,039
Assigned for capital improvements	121,300	112,052	296,000	300,000
Assigned for capital Improvements - Town Hall	928,710	3,433,978	3,170,808	2,562,683
Unassigned	1,710,383	869,835	796,955	686,000
Total fund balances	6,663,284	8,270,773	7,342,382	6,659,992
Total liabilities, deferred inflows and fund balances	$ 8,631,157	$ 12,890,979	$ 10,929,998	$ 10,442,906

TOWN OF DEWEY BEACH, DELAWARE
Statement of Revenues, Expenditures and
Changes in Fund Balances General Fund
Four-Year Comparative Amounts for
Years Ended March 31, 2026, 2025, 2024, and 2023

	2026	2025	2024	2023
REVENUE				
Taxes and assessments	$ 2,711,329	$ 2,584,527	$ 2,048,144	$ 2,030,641
Licenses, permits and fees	3,307,042	3,153,447	2,937,607	2,657,052
Fines	761,656	415,537	350,897	231,852
Intergovernmental	4,446,913	354,222	553,145	176,488
Donations and other revenue				
Public safety	211,348	351,725	136,720	148,408
Beach safety	15,649	14,815	10,489	14,517
Investment income	419,332	420,459	244,617	36,152
Net unrealized gain (loss) on investments	19,564	11,243	150,216	(34,076)
Other	136,538	115,567	93,532	332,282
Total revenue	12,029,371	7,421,542	6,525,367	5,593,316
EXPENDITURES				
General and administrative	1,617,594	1,663,690	1,611,131	1,520,312
Public safety	3,478,141	3,103,839	2,558,524	2,181,092
Streets	518,706	504,401	458,953	349,120
Beach safety	701,740	549,357	528,193	484,126
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Capital outlay	7,320,679	671,864	686,176	424,931
Total expenditures	13,636,860	6,493,151	5,842,977	4,959,581
Net changes in fund balances	(1,607,489)	928,391	682,390	633,735
Fund balances, beginning of year	8,270,773	7,342,382	6,659,992	6,026,257
Fund balances, end of year	$ 6,663,284	$ 8,270,773	$ 7,342,382	$ 6,659,992

TOWN OF DEWEY BEACH, DELAWARE

Other Supplementary Information

Budgetary Comparison Schedule and Changes in Fund Balances – General Fund – Three-Year Comparative Amounts

Years Ended March 31, 2026, 2025, and 2024

	2026				2025				2024			
	Original Budget	Final Budget	Actual	Variance Increase (Decrease)	Original Budget	Final Budget	Actual	Variance Increase (Decrease)	Original Budget	Final Budget	Actual	Variance Increase (Decrease)
General Fund balance, beginning of year			$ 8,270,773				$ 7,342,382				$ 6,659,992	
REVENUE												
Taxes and assessments	$ 2,135,000	$ 2,135,000	$ 2,711,329	$ 576,329	$ 1,885,000	$ 2,135,000	$ 2,584,527	$ 449,527	$ 1,870,000	$ 1,815,000	$ 2,048,144	$ 233,144
Licenses, permits, and fees	3,180,000	3,180,000	3,307,042	127,042	3,144,505	3,046,000	3,153,447	107,447	2,449,360	2,668,000	2,937,607	269,607
Fines	477,000	477,000	761,656	284,656	378,500	378,500	415,537	37,037	267,500	322,500	350,897	28,397
Intergovernmental	-	-	4,446,913	4,446,913	265,000	482,000	354,222	(127,778)	440,000	440,000	553,145	113,145
Donations and other revenue												
Public safety	86,000	86,000	211,348	125,348	91,000	139,000	351,725	212,725	90,000	94,000	136,720	42,720
Beach safety	-	-	15,649	15,649	8,000	14,300	14,815	515	8,000	8,000	10,489	2,489
Investment income	250,000	250,000	419,332	169,332	266,000	350,000	420,459	70,459	280,000	280,000	244,617	(35,383)
Unrealized gains on investments	-	-	19,564	19,564	-	-	11,243	11,243	-	-	150,216	150,216
Other	64,000	64,000	136,538	72,538	5,054,000	5,078,500	115,567	(4,962,933)	1,304,000	1,304,000	93,532	(1,210,468)
Total revenue	6,192,000	6,192,000	12,029,371	5,837,371	11,092,005	11,623,300	7,421,542	(4,201,758)	6,708,860	6,931,500	6,525,367	(406,133)
EXPENDITURES												
General and administrative	1,571,899	1,571,899	1,617,594	(45,695)	1,714,098	6,689,010	1,663,690	5,025,320	1,787,409	1,797,409	1,611,131	186,278
Public safety	3,309,812	3,309,812	3,478,141	(168,329)	3,155,325	3,515,204	3,103,839	411,365	2,355,907	2,617,168	2,558,524	58,644
Streets	341,558	341,558	518,706	(177,148)	5,616,476	752,476	504,401	248,075	1,563,016	1,527,611	458,953	1,068,658
Beach safety	575,630	575,630	701,740	(126,110)	536,137	539,137	549,357	(10,220)	507,046	493,425	528,190	(34,766)
Capital outlay	392,500	392,500	7,320,679	(6,928,179)	478,871	455,000	671,864	(216,864)	426,500	430,450	686,176	(255,726)
Total expenditures	6,191,399	6,191,399	13,636,860	(7,445,461)	11,500,907	11,950,827	6,493,151	5,457,676	6,639,878	6,866,063	5,842,974	1,023,089
Net changes in fund balances	$ 601	$ 601	$ (1,607,489)	$ (1,608,090)	$ (408,902)	$ (327,527)	$ 928,391	$ 1,255,918	$ 68,983	$ 65,438	$ 682,393	$ 616,956
General Fund balance, end of year			$ 6,663,284				$ 8,270,773				**7,342,385**	

TOWN OF DEWEY BEACH, DELAWARE
Other Supplementary Information
Balance Sheets Beach Replenishment Fund
Four-Year Comparative Amounts for March 31, 2026, 2025, 2024, and 2023

	2026	2025	2024	2023
ASSETS				
Cash and cash equivalents	$ 527,838	$ 291,410	$ 940,910	$ 1,084,725
Investments	6,791,576	6,463,946	5,356,163	4,581,026
Receivables				
Taxes	31,773	29,629	1,583	2,601
Interfund receivables	-	-	-	-
Total assets	$ 7,351,187	$ 6,784,985	$ 6,298,656	$ 5,668,352
LIABILITIES AND FUND BALANCES				
Liabilities				
Interfund payables	$ -	$ 75	$ -	$ -
Total liabilities	-	75	-	-
Fund balances				
Restricted	7,351,187	6,784,910	6,298,656	5,668,352
Total fund balances	7,351,187	6,784,910	6,298,656	5,668,352
Total liabilities and fund balances	$ 7,351,187	$ 6,784,985	$ 6,298,656	$ 5,668,352

TOWN OF DEWEY BEACH, DELAWARE
Other Supplementary Information
Statement of Revenues, Expenditures and Changes in
Fund Balances Beach Replenishment Fund
Four-Year Comparative Amounts for
Years Ended March 31, 2026, 2025, 2024, and 2023

	2026	2025	2024	2023
REVENUE				
Taxes and assessments	$ 207,905	$ 232,306	$ 200,793	$ 197,110
Investment (loss) income	1,907,217	301,990	(254,459)	(359,323)
Net unrealized gain (loss) on investments	(485,797)	41,612	806,410	115,417
Total revenue	1,629,325	575,908	752,744	(46,796)
EXPENDITURES				
Beach replenishment	1,063,048	89,654	122,440	91,958
Total expenditures	1,063,048	89,654	122,440	91,958
Net changes in fund balances	566,277	486,254	630,304	(138,754)
Fund balances, beginning of year	6,784,910	6,298,656	5,668,352	5,807,106
Fund balances, end of year	$ 7,351,187	$ 6,784,910	$ 6,298,656	$ 5,668,352

MITCHELL TITUS

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*

To the Audit Committee
Town of Dewey 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 and each major fund of the Town of Dewey Beach, Delaware as of and for the year ended March 31, 2026, and the related notes to the financial statements, which collectively comprise the Town of Dewey Beach, Delaware's basic financial statements, and have issued our report thereon dated ________, 2026.

Report on Internal Control over Financial Reporting

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

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

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

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Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

________, 2026