

**THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
FINANCIAL STATEMENTS
MARCH 31, 2022 AND 2021**

**THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors of
The Board of Public Works
of the City of Lewes, Delaware

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities of the Board of Public Works of the City of Lewes, Delaware ("the Board"), as of and for the year ended March 31, 2022 and the aggregate remaining fund information as of and for the year ended November 30, 2021 and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Board of Public Works of the City of Lewes, Delaware, as of March 31, 2022 and the aggregate remaining fund information as of November 30, 2021, and the respective changes in its financial position and where applicable, cash flows thereof for the years 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 Board and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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 Board's ability to continue as a going concern for one year after the date that the financial statements are issued.

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 misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinions.



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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 substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatements 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.
- Obtaining 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 Board'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 managements, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Board's ability to continue as a going concern for a reasonable period of time.

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

Adoption of Governmental Accounting Standards Board (GASB) Pronouncements

As discussed in Note 1 to the financial statements, in 2022 the Board adopted the provisions of GASB Statement No. 89, *"Accounting for Interest Cost Incurred before the End of a Construction Period"*, Statement No. 98, *"The Annual Comprehensive Financial Report"*, and part of Statement No. 99, *"Omnibus 2022"*. Our opinion is not modified with respect to these matters.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in the net pension liability and related ratios, schedule of pension contributions, and schedule of pension investment returns on pages 4-9 and 29-31 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements.



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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 Board's basic financial statements. The schedules of revenues, expenses, and changes in net position by department and the schedules of capital assets by department are presented for purposes of additional analysis and are not a required part of the basic financial statements.

These schedules 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 schedules of revenues, expenses, and changes in net position by department and schedules of capital assets by department are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 12, 2022, on our consideration of the Board'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 to solely 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 Board's internal control over financial reporting and compliance.

Zelenkofske Axlerod LLC

ZELENKOFKSKE AXELROD LLC

Harrisburg, Pennsylvania
August 12, 2022

THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
Management's Discussion and Analysis (MD&A)
March 31, 2022

As management of the Board of Public Works of the City of Lewes, Delaware (BPW), we offer readers of Lewes BPW's financial statements this narrative overview and analysis of the financial activities for the year ended March 31, 2022. The intent of the Management's Discussion and Analysis (MD&A) is to summarize BPW's financial performance as a whole, in part, using comparative information from the current year analyzed against prior years. It is recommended that it be read in conjunction with the accompanying basic financial statements and notes to the financial statements in order to obtain a thorough understanding of the BPW's financial condition as of March 31, 2022.

Financial Highlights

The following items detail the Board of Public Works' financial highlights for the fiscal year ended March 31, 2022:

- The assets of the BPW exceeded our liabilities at the close of the year by \$55,889,982 (net position). Of this amount, \$5,145,977 are unrestricted.
- BPW's total net position increased by \$1,063,254.
- As of the close of the current year, BPW reported combined ending cash balances totaling \$1,459,152 an increase of \$799,744 in comparison with the prior year.
- The largest portion of BPW's total assets (80.4%) is in the form of capital assets (e.g. infrastructure, treatment plants, wells, buildings, and equipment). BPW uses these capital assets to provide the electric, water, wastewater, and stormwater services to our customers. These assets are capital assets that can't be converted readily to cash.
- BPW made bond principal payments of \$877,018.

Overview of the Financial Statements

The BPW's basic financial statements include the Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, Statement of Cash Flows, and notes to the financial statements. This report also includes other supplementary information in addition to the basic financial statements themselves.

The Statement of Net Position presents information on all of the BPW's assets, deferred outflows, and liabilities, with the difference between the three reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the BPW's financial position is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Position presents the current period's revenues and expenses. All changes in net position are recognized as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. This statement can be used to determine whether BPW has successfully recovered all costs.

The primary purpose of the Statement of Cash Flows is to provide information about BPW's cash receipts, cash payments, and net cash resulting from activities related to operations, investing, and financing. This statement provides answers to such questions as "Where did cash come from?", "What was it used for?" and "What was the cash in the cash balance during the reporting period?"

The Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position are presented for the Pension Trust Fund relating to the pension funds for BPW employees.

THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
Management's Discussion and Analysis (MD&A) - Continued
March 31, 2022

Financial Analysis of the Board of Public Works as a Whole

A summary of the BPW's Statements of Net Position at March 31 are presented as follows:

Table A-1 Statement of Net Position March 31 st			
	2022	2021	2020
Current Assets			
Unrestricted	\$ 6,356,619	\$ 5,848,869	\$ 7,791,615
Restricted	7,002,128	6,706,899	6,246,701
Non-current Assets			
Capital Assets, Net	53,134,475	51,697,131	48,490,805
Other Assets	1,702,460	1,804,810	1,902,607
Deferred Outflows of Resources	0	40,796	61,193
Total Assets & Deferred Outflows	<u>\$ 68,195,682</u>	<u>\$ 66,098,505</u>	<u>\$ 64,492,921</u>
Current Liabilities	\$ 2,349,092	\$ 1,966,745	\$ 2,202,125
Non-current Liabilities	9,956,608	9,305,032	10,588,383
Total Liabilities	<u>\$ 12,305,700</u>	<u>\$ 11,271,777</u>	<u>\$ 12,790,508</u>
Net Position:			
Net Investment in Capital Assets	\$ 43,677,531	\$ 43,363,169	\$ 39,367,334
Restricted	7,066,474	6,732,413	6,160,428
Unrestricted	5,145,977	4,731,146	6,174,651
Total Net Position	<u>\$ 55,889,982</u>	<u>\$ 54,826,728</u>	<u>\$ 51,702,413</u>

Over time, net position may serve as a useful indication of a government's financial position. In the case of BPW, total assets and deferred outflows of resources exceeded liabilities by \$55,889,982. The largest portion of BPW's net position (78.1%) reflects its net investment in capital assets used to acquire those assets that are still in service.

Capital assets, net, which represent 77.9% of BPW's assets, increased in 2022 by \$1,437,344 or 2.8% from 2021 due to capital spending on various improvement projects. Liabilities increased in 2022 by \$1,033,923 or 9.2% from 2021 primarily from an increase in general obligation bonds.

THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
Management's Discussion and Analysis (MD&A) - Continued
March 31, 2022

A summary of the BPW's Statements of Revenues, Expenses, and Changes in Net Position for the Years Ended March 31 is presented as follows:

Table A-2
Statements of Changes in Net Position
Years Ended March 31st

	2022	2021	2020
Operating Revenues			
Sales and Assessments	\$ 14,335,568	\$ 13,788,342	\$ 13,551,144
Other	1,076,554	888,873	367,373
Total Operating Revenues	<u>15,412,122</u>	<u>14,677,215</u>	<u>13,918,517</u>
Operating Expenses			
Purchased Power	6,444,455	6,110,717	6,287,089
Payroll and Administrative	2,710,076	3,172,805	2,483,306
Other Supplies and Expenses	3,150,125	2,546,481	2,544,752
Depreciation and Amortization	1,974,194	2,123,674	1,763,471
Total Operating Expenses	<u>14,278,850</u>	<u>13,953,677</u>	<u>13,078,618</u>
Non-operating Revenues (Expenses)			
Investment Income	417,024	435,143	584,521
Interest Expense	(698,998)	(317,459)	(442,473)
Impact Fees	296,944	586,720	675,005
Gain (Loss) on Sale of Assets	140,699	(1,684)	953
Change in Fair Value of Investments	(361,542)	1,618,214	(998,585)
Grants	135,855	79,843	165,574
Capital Project Pass-Through	-	-	156,180
Net Non-operating Revenues	<u>(70,018)</u>	<u>2,400,777</u>	<u>141,175</u>
Increase (Decrease) in Net Position	<u>1,063,254</u>	<u>3,124,315</u>	<u>981,074</u>
Beginning Net Position	<u>54,826,728</u>	<u>51,702,413</u>	<u>50,721,339</u>
Ending Net Position	<u>\$ 55,889,982</u>	<u>\$ 54,826,728</u>	<u>\$ 51,702,413</u>

Operating revenues in 2022 increased by \$734,907 or 5.0% from 2021. The primary reason for the increase in revenues was due to residents staying in Lewes for the winter and increased post-COVID summer activity. The electric, water and sewer departments were net positive contributors, but with lower percentages than the previous year. The stormwater utility was in the red with a decrease in net position of just over \$81,000, mostly due to increased studies and a negative market adjustment in investments. The largest category of operating expenses is purchased power at (45.13%). Payroll and administrative expenses in 2022 decreased by \$462,729 or 14.6% from 2021 primarily due to personnel changes and the lull period while filling those positions. Other supplies and expenses in 2022 increase by 603,644 or 23.7% from 2021 primarily due to increased cost of goods and professional fees. Our non-operating revenues and expenses decreased the total change in net position. The largest impact in 2022, compared to prior year, is the change in market value of investments due to the fluctuation and uncertainty in the market. Impact fees decreased due to the decrease in building developments.

THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
 Management's Discussion and Analysis (MD&A) - Continued
 March 31, 2022

Long-Term Debt and Capital Projects

The BPW does have authority to directly borrow money, but existing loans and bonds are originated through the City of Lewes. BPW makes principal and interest payments directly to the issuers of the debt. BPW has \$9,456,944 in bond obligations at the end of the year. These monies will be used for major capital renewal and expansion projects. See Note 9 of the notes to the financial statements for further detail on debt outstanding.

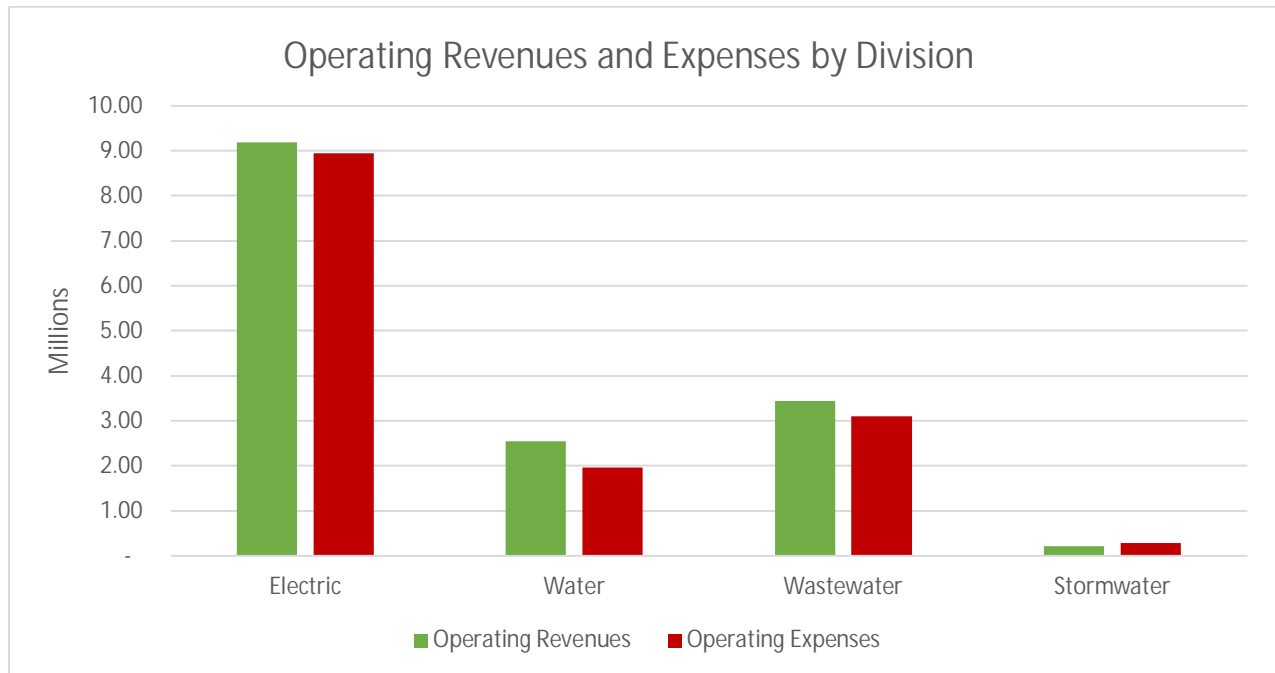
The BPW's capital assets totaled \$53,134,475 for the year ended. Of this amount, \$11,424,469 represented construction in progress at March 31, 2022. See the General Manager's Report below and Note 8 for further information on capital projects by department.

Summary of the Financial Reporting Entity

Lewes BPW is chartered by the General Assembly of Delaware to provide electric, water, wastewater, and stormwater services to customers in the City of Lewes and its immediate surrounds. BPW operates an electric distribution system; a water production (wells), treatment and distribution system; a wastewater collection and treatment system; and a stormwater collection system.

The BPW uses enterprise funds to account for its electric, water, wastewater, and stormwater departments. In addition to the basic financial statements and notes to the financial statements, this report presents Schedules of Revenues, Expenses, and Changes in Net Position as well as capital asset information for each department.

The electric department continues to provide the majority of BPW's operating revenues and operating expenses at \$9,199,993 and \$8,935,933, respectively. Purchased power of \$6,444,455 was the largest single cost to the electric department.



THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
Management's Discussion and Analysis (MD&A) - Continued
March 31, 2022

Managerial Report

The 2021-2022 year was a continuation of the COVID-19 worldwide pandemic. As noted in the previous year's managerial report, the seasonality that was much more drastic in previous years has somewhat mellowed out with more full-time residents and/or longer stays at residences. With a new year comes new challenges with the biggest being record inflation, felt substantially in the final half of the fiscal year. We saw the affects in capital, operating expenses, and our investments. Due to these market uncertainties, the BPW enlisted Utility Financial Solutions (UFS) to perform a financial projection for all 4 utilities. The results indicated rate increases were needed across all utilities. UFS provided a plan to implement 5 consecutive years' worth of rate increase which was adopted by the Board on April 6th, 2022 and went into effect for the 2022/2023 fiscal year.

From a capital project perspective, the Pilottown Road project took a break during the summer of 2021 and picked back up in the fall of 2021. This portion of the project included finishing a small piece of water main installation and moving over to water/sewer services. Being that we had a significant portion of the work left, larger payments were made throughout the year. These large payments along with the change in market conditions drove the cash reserve policy below the minimum level, but the Board reacted, per policy, by implementing new rates. We also had a project start in the 2021/2022 FY that will end up hitting the 2022/2023 FY which was the Savannah Rd Sewer Extension project which extended sewer from North Atlantic Drive, across Savannah Rd, down Donovan's Rd and into the existing Savannah Place sanitary sewer system. This project will ultimately serve Dutchman's Harvest and Donovan Smith Mobile Home Park. We continue to take advantage of the low interest SRF loans, for water/sewer projects, when applicable as well as the matching planning grants which help subsidize the planning of a potential future projects by 50%.

We also had a lot of change from a staffing perspective. Our previous General manager, Darrin Gordon, resigned and moved on to another position, our previous Water Plant Operator resigned, and we celebrated the retirement of Bob Barnes, Electric Supervisor, from the Lewes BPW. That change led to a new General Manager, Assistant General Manager, Water Plant Operator and Electric Supervisor. Through all the changes, we managed to promote/hire most of the positions within. In addition, we added an Executive Administrative Assistant following a recommendation from RKL during the Organizational Assessment they performed. There was an additional water operator hired, too. On top of the staffing changes, we also battled surges and declines of the COVID-19 pandemic. The Board implemented a Vaccine or Testing policy to ensure the safety of all employees during the year. We had times where we had to shift staffing accordingly to adjust for positive cases/exposures.

One of the most critical concerns BPW encountered in the 2021/2022 fiscal year was the supply chain issues. Inventory and other items, which used to be stocked or shipped within days, continue to take weeks, months, and even years before receiving them. Seeing this shift in the supply chain early, allowed for the BPW, across all departments, to prepare. We procured wire, valves, fittings, vehicles, and other necessities knowing that these lengthy lead times were upon us. For example, transformers were on a 1-to-2-year lead time, PVC water and sewer pipe lead time fluctuated for months, and the list goes on. Several contractors and developers had to leave sites on hold due to these significant lead time fluctuations. The combination of the supply chain issues, stocking up on material and inventory, and record inflation contributed to a tighter than normal financial year for the BPW.

THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
Management's Discussion and Analysis (MD&A) - Continued
March 31, 2022

Economic Factors and Next Year's Budgets and Rates

The 2022-2023 budget shows operating revenues are estimated to increase by 12.2% for the entire utility. This budget is based primarily on prior the year's financials, assuming similar COVID activity, with historical data factored in. The greatest difference in revenue is stemming from the wastewater department. We are expecting a high impact on wastewater revenues with developer agreement payments becoming due as projects are completed. With the increased costs of products, labor, supply chain issues, and a robust capital improvement budget, we will increase rates in all 4 utilities, 2.5% electric, 18.5% water, 7.9% wastewater, and 20% stormwater, for fiscal year 2023. Rate increases are predicted to continue the following four years. BPW staff and UFS recommended doing a full cost of service study in fiscal year 2024 to update our projection study we did this year. This is meant to ensure scheduled rate increases are still in line with current expenditures. The budget shows operating expenses going up by 9.9%. The greatest difference in expenses is originating in professional services. The electric department will be conducting tree trimming for the safety and preservation of the electric lines. Wastewater department will see increases in contractual services concerning the wastewater treatment plant. Our purchased power expense is estimated to increase by 6%. This will affect the credit power cost adjustment our customers have been enjoying. Non-operating revenues and expenses are expected to help our net position with the significant increase in impact fees due to new development. The change in net position, without accounting for investment market value adjustment, is estimated at \$2,513,531.

Requests for Information

This financial report is designed to provide a general overview of the Board of Public Works finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Austin Calaman, General Manager, or Kimberly Bellere, Finance Manager, Lewes Board of Public Works, 107 Franklin Avenue, Lewes, DE 19958.

**THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
STATEMENTS OF NET POSITION
MARCH 31, 2022 AND 2021**

	2022	2021
ASSETS		
Current Assets		
Cash		
Unrestricted	\$ 1,459,152	\$ 659,408
Reserve Fund Investments		
Unrestricted	3,177,799	3,561,871
Restricted	7,002,128	6,706,899
Accounts Receivable, Net of Allowance	1,479,647	1,190,712
Inventory	191,339	319,888
Prepaid Expenses	11,224	79,532
Notes Receivable	37,458	37,458
Total Current Assets	13,358,747	12,555,768
Noncurrent Assets		
Capital Assets, Not Being Depreciated	14,227,606	14,101,962
Capital Assets, Being Depreciated, Net	38,906,869	37,595,169
Notes Receivable	1,571,512	1,697,287
Grants Receivable	130,948	107,523
Total Noncurrent Assets	54,836,935	53,501,941
Total Assets	68,195,682	66,057,709
DEFERRED OUTFLOW OF RESOURCES		
Pension	-	40,796
LIABILITIES		
Current Liabilities		
Accounts Payable	1,061,087	820,382
Customer Deposits	116,435	119,034
Accrued Interest	42,683	42,683
Unearned Revenue	111,960	111,960
Accrued Liabilities	79,501	34,106
Current Maturities of Bonds Payable	937,426	838,580
Total Current Liabilities	2,349,092	1,966,745
Noncurrent Liabilities		
Bonds Payable	8,519,518	7,495,382
Accrued Compensated Absences	137,206	186,355
Unearned Revenue	1,233,282	1,205,085
Other Liabilities	66,602	68,102
Net Pension Liability	-	350,108
Total Noncurrent Liabilities	9,956,608	9,305,032
Total Liabilities	12,305,700	11,271,777
NET POSITION		
Net Investment in Capital Assets	43,677,531	43,363,169
Restricted	7,066,474	6,732,413
Unrestricted	5,145,977	4,731,146
Total Net Position	\$ 55,889,982	\$ 54,826,728

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

**THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED MARCH 31, 2022 AND 2021**

	2022	2021
OPERATING REVENUES		
Sales and Assessments	\$ 14,335,568	\$ 13,788,342
Other	1,076,554	888,873
Total Operating Revenue	15,412,122	14,677,215
OPERATING EXPENSES		
Purchased Power	6,444,455	6,110,717
Payroll and Employee Related Expenses	990,056	1,498,601
Utilities	35,124	97,947
Repairs and Maintenance	1,074,402	794,007
Professional and Contractual Services	1,176,399	845,799
Other Supplies and Expenses	118,984	104,972
Administrative	1,720,020	1,674,204
In Lieu of Franchise	737,395	700,868
Bad Debt	7,821	2,888
Depreciation	1,974,194	2,123,674
Total Operating Expenses	14,278,850	13,953,677
Operating Income	1,133,272	723,538
NON-OPERATING REVENUES (EXPENSES)		
Reserve Fund Investment Income	417,024	435,143
Interest Expense	(698,998)	(317,459)
Impact Fees	296,944	586,720
Gain (Loss) on Sale of Assets	140,699	(1,684)
Changes in Fair Value of Reserve Fund Investments	(361,542)	1,618,214
Grants	135,855	79,843
Net Non-Operating Revenues	(70,018)	2,400,777
Change in Net Position	1,063,254	3,124,315
NET POSITION, BEGINNING OF YEAR	54,826,728	51,702,413
NET POSITION, END OF YEAR	\$ 55,889,982	\$ 54,826,728

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

**THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
STATEMENTS OF CASH FLOWS
YEARS ENDED MARCH 31, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	\$ 14,036,213	\$ 14,125,583
Other Receipts	1,076,554	888,873
Payments to Suppliers	(10,865,934)	(11,281,194)
Payments to Employees	(1,303,122)	(1,607,733)
Net Cash Provided by Operating Activities	<u>2,943,711</u>	<u>2,125,529</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net Investing Activities	(272,702)	3,153,439
Interest Income	417,024	435,143
Net Cash Provided by Investing Activities	<u>144,322</u>	<u>3,588,582</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Impact Fees Received	296,944	586,720
Notes Receivable Payments Received	125,775	111,954
Net Cash Provided by Non-Capital Financing Activities	<u>422,719</u>	<u>698,674</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of Capital Assets	(3,461,892)	(5,511,806)
Proceeds from Long-Term Debt	2,000,000	-
Proceeds from Sale of Capital Assets	191,045	180,122
Principal Payments on Long-Term Debt	(877,018)	(789,509)
Interest Paid on Long-Term Debt	(698,998)	(307,918)
Grants Received	135,855	79,843
Net Cash Used by Capital and Related Financing Activities	<u>(2,711,008)</u>	<u>(6,349,268)</u>
Net Increase (Decrease) in Cash	799,744	63,517
CASH AT BEGINNING OF YEAR	<u>659,408</u>	<u>595,891</u>
CASH AT END OF YEAR	<u>\$ 1,459,152</u>	<u>\$ 659,408</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income	\$ 1,133,272	\$ 723,538
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
Depreciation and Amortization	1,974,194	2,123,674
Bad Debt	7,821	2,888
(Increase) Decrease in Assets and Deferred Outflows		
Accounts Receivable	(296,756)	330,357
Inventory	128,549	(253,456)
Prepaid Expenses	68,308	(68,952)
Other Assets	(23,425)	(14,157)
Deferred Outflow-Pension	40,796	20,397
Increase (Decrease) in Liabilities		
Accounts Payable	240,713	(60,389)
Customer Deposits	(2,596)	6,884
Unearned Revenue	28,197	(556,339)
Accrued Liabilities	45,395	30,093
Accrued Compensated Absences	(49,149)	(10,855)
Other Liabilities	(1,500)	613
Net Pension Liability	(350,108)	(148,767)
Net Cash Provided by Operating Activities	<u>\$ 2,943,711</u>	<u>\$ 2,125,529</u>
Noncash Investing Activities - Changes in Fair Value	\$ 361,542	\$ (1,618,214)

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

**THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
STATEMENTS OF FIDUCIARY NET POSITION
PENSION TRUST FUND
NOVEMBER 30, 2021 AND NOVEMBER 30, 2020**

As of Plan Fiscal Year Ended:	<u>November 30, 2021</u>	<u>November 30, 2020</u>
ASSETS		
Investments	<u>\$ 2,535,956</u>	<u>\$ 2,329,572</u>
NET POSITION		
Net Position - Restricted for Retirement Benefits	<u>2,535,956</u>	<u>2,329,572</u>
Total Net Position	<u>\$ 2,535,956</u>	<u>\$ 2,329,572</u>

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

**THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
PENSION TRUST FUND
NOVEMBER 30, 2021 AND NOVEMBER 30, 2020**

As of Plan Fiscal Year Ended:	<u>November 30, 2021</u>	<u>November 30, 2020</u>
ADDITIONS		
Contributions	\$ 217,934	\$ -
Investment Earnings	<u>185,020</u>	<u>244,983</u>
Total Additions	<u>402,954</u>	<u>244,983</u>
DEDUCTIONS		
Benefits	172,402	186,895
Administrative	<u>24,168</u>	<u>21,926</u>
Total Deductions	<u>196,570</u>	<u>208,821</u>
Change in Net Position	206,384	36,162
NET POSITION, BEGINNING	<u>2,329,572</u>	<u>2,293,410</u>
NET POSITION, ENDING	<u><u>\$ 2,535,956</u></u>	<u><u>\$ 2,329,572</u></u>

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

**THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2022 AND 2021**

NOTE 1 ORGANIZATION AND REPORTING ENTITY

Organization

The Board of Public Works of the City of Lewes, Delaware (the Board) is governed by five publicly elected directors. The Board was authorized to establish, control, and operate an electric plant, waterworks, wastewater system, and stormwater system for the City of Lewes, Delaware by a law passed by the Delaware Legislature on March 15, 1901. The accounting records are maintained in accordance with generally accepted accounting principles (GAAP) applicable to local governments.

Reporting Entity

The accompanying financial statements present the financial position and changes in net position and cash flows of the Board only. The Board of Public Works of Lewes Delaware Pension Trust was established to provide retirement benefits to eligible retiree's. The Plan is included in the financial reporting entity as a fiduciary component unit because the Plan is (1) considered to be a separate legal entity, (2) the Board appoints a majority of the governing board, and (3) the Plan imposes a financial burden on the Board as it has assumed an obligation to make contributions to the Plan.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Board utilizes the economic resources measurement focus and accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under this basis of accounting, revenues are recognized when they are earned, and expenses are recognized when the liability is incurred, regardless of the timing of the related cash flows. Unearned revenue represents monies received but not yet earned. The Board applies Governmental Accounting Standards Board (GASB) pronouncements.

The accounts of the Board are organized on the basis of one major proprietary fund, which is considered a separate accounting entity. The operations of the fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, net position, revenues and expenses. This fund accounts for the operation and management of the electric, water, wastewater, and stormwater departments.

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. The Board is intended to be self-supporting through user charges. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses result from providing services and delivering goods in connection with the fund's principle ongoing operations such as charges to customers for sales and services and expenses such as salaries, product costs, administrative expenses, and depreciation. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2022 AND 2021**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(Continued)

Additionally, the Board reports one fiduciary pension trust fund. The trust fund is maintained to account for assets held by the Board in a trustee capacity and are accounted for in essentially the same manner as the proprietary fund since capital maintenance is critical. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Cash

For the purposes of the Statement of Cash Flows, the Board has defined cash equivalents as all highly liquid deposits and other investment instruments that have a maturity of three months or less.

Investments

The Board invests its funds in various instruments which are stated at fair value for all funds.

Receivables and Allowance for Doubtful Accounts

Receivables are stated at the amount management expects to collect from outstanding balances. The Board utilizes the allowance method for recognizing bad debt expense for receivables. The amount of the allowance is determined by a review of receivables and prior years' experience. At March 31, 2022 and 2021, the allowance account was \$4,851.

Capital Assets

The Board defines capital assets as those which have an estimated life in excess of one year. Such assets are valued at historical or estimated historical depreciated cost if actual cost is not available. Donated fixed assets are recorded at acquisition value. The cost of normal maintenance and repairs that does not add value or materially extend an asset's life are expensed.

Expenditures for major assets and improvements of the assets are capitalized as the assets are acquired or constructed. Exhaustible capital assets are depreciated, which is charged as an expense against their operations. Depreciation has been provided over the estimated useful lives using the straight-line method.

Estimated useful lives are as follows:

<u>Category</u>	<u>Years</u>
Infrastructure	10-75
Buildings and Improvements	10-50
Vehicles	10-50
Furniture and Equipment	5-50
Software	3-5

Accounting for Compensated Absences

Board policy permits employees to accumulate a limited amount of earned, but unused sick and vacation time. These benefits are payable to employees upon separation of service. All leave pay is accrued when incurred.

**THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2022 AND 2021**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimates

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

Net Position

Net position is categorized as investment in capital assets, restricted and unrestricted and are further described as follows:

- *Net investment in capital assets* – This category groups all capital assets including infrastructure into one component of net position, less any debt outstanding that was used to finance these assets. Accumulated depreciation and the outstanding balances of debt that are attributed to the acquisition, construction or improvement of these assets reduce the balance in this category.
- *Restricted*– This category represents those assets which have constraints placed on the expenditures either externally imposed or imposed by law or enabled by legislature.
- *Unrestricted*– This category presents the net position of the Board not included elsewhere.

When an expenditure is incurred for purposes for which both restricted and unrestricted resources are available, it is the Board's policy to use restricted resources first. Net position amounts restricted in the Statement of Net Position at year-end include amounts for grant programs of \$64,346 and impact fees of \$7,002,128.

Deferred Outflows of Resources

The Board may report decreases in net assets that relate to future periods as deferred outflows of resources in a separate section of its statement of net position. The Board has one item that qualifies for reporting this category: difference between projected and actual earnings. Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent year.

Pensions

For the purposes of measuring the net pension liability, deferred outflows of resources related to pensions and pension expense, information about the fiduciary net position of the Board of Public Works of Lewes Delaware Pension Trust (BPWLDP), and additions to/deductions from BPWLDP's fiduciary net position have been determined on the same basis as they are reported by BPWLDP.

**THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2022 AND 2021**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of Governmental Accounting Standards Board (GASB) Statements

The Board adopted the provisions of GASB Statement No. 89, *“Accounting for Interest Cost Incurred before the End of a Construction Period”* and Statement No. 98, *“The Annual Comprehensive Financial Report”*. The adoption of these GASB Statement did not result in modification of previously reported amounts.

Pending Changes in Accounting Principles

In June 2017, the GASB issued Statement No. 87, *“Leases”*. The Board is required to adopt statement No. 87 for its fiscal year 2023 financial statements.

In May 2019, the GASB issued Statement No. 91, *“Conduit Debt Obligations”*. The Board is required to adopt statement No. 91 for its fiscal year 2023 financial statements.

In January 2020, the GASB issued Statement No. 92, *“Omnibus 2020”*. The Board is required to adopt statement No. 92 for its fiscal year 2023 financial statements.

In March 2020, the GASB issued Statement No. 93, *“Replacement of Interbank Offered Rates”*. The Board is required to adopt statement No. 93 for its fiscal year 2023 financial statements.

In March 2020, the GASB issued Statement No. 94, *“Public-Private and Public-Public Partnerships and Availability Payment Arrangements”*. The Board is required to adopt statement No. 94 for its fiscal year 2024 financial statements.

In May 2020, the GASB issued Statement No. 96, *“Subscription-Based Information Technology Arrangements”*. The Board is required to adopt statement No. 96 for its fiscal year 2024 financial statements.

In April 2022, the GASB issued Statement No. 99, *“Omnibus 2022”*. The Board is required to adopt statement No. 99 as follows:

- The requirements related to leases, public-public partnerships, and subscription-based information technology are effective for the Board’s fiscal year 2024 financial statements.
- The requirements related to financial guarantees and the reporting of derivative instruments are effective for the Board’s fiscal year 2025 financial statements.

In June 2022, the GASB issued Statement No. 100, *“Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62”*. The Board is required to adopt Statement No. 100 for its fiscal year 2025 financial statements.

In June 2022, the GASB issued Statement No. 101, *“Compensated Absences”*. The Board is require to adopt Statement No. 101 for its fiscal year 2025 financial statements.

The Board has not yet completed the various analysis required to estimate the financial statement impact of these new pronouncements.

**THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2022 AND 2021**

NOTE 3 BUDGETS AND BUDGETARY ACCOUNTING

The Board follows these procedures in establishing the annual budgets:

1. In January the Board holds a budget workshop covering the operations and maintenance concerns and goals of the new fiscal years. This includes operations, maintenance, and staffing issues of each utility enterprise and administrative department. The preliminary Operations and Maintenance budget is presented to the board and made available for public comment.
2. At the March board meeting the finalized Operations and Maintenance budget is adopted to be in effect as of April 1, the beginning of the fiscal year.
3. The Operations and Maintenance budget is reviewed quarterly beginning with July board meeting having the first quarter presented. Modifications are proposed by the administrative team and presented to the Board of Directors.

NOTE 4 CASH AND DEPOSITS

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the Board's deposits may not be returned to it. The Board has a deposit policy for custodial credit risk requiring deposits to be collateralized. As of March 31, 2022, the carrying amount of the Board's cash deposits was \$1,459,152 and the bank balance was \$1,594,971. Of the bank balance \$250,000 was covered by the Federal Deposit Insurance Corporations and the remaining \$1,344,971 was collateralized. As of March 31, 2021, the carrying amount of the Board's cash deposits was \$659,408 and the bank balance was \$1,105,100. Of the bank balance \$250,000 was covered by the Federal Deposit Insurance Corporations and the remaining \$855,100 was collateralized.

NOTE 5 INVESTMENTS

Reserve fund investments are in mutual funds held by UBS Financial Services and Fulton Bank and reported at fair value for investments with quoted market prices. All investment income including changes in the fair market value of investments, is reported as revenue in the statements of revenues, expenses, and changes in net position.

The pension trust fund has investments that are administered by Nationwide Investment Services Corporation and invested 100% in annuities held by Nationwide Investment Services Corporation. The Nationwide Investment Services Corporation is invested in a diversified portfolio of primarily publicly traded, fixed income securities and mortgages. The fund was previously administered by Great West Life and Annuity Insurance Company.

Fair Value

The Board categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

As of March 31, 2022 and 2021 all of the Board's reserve fund investments and pension trust investments are valued using market closing prices (Level 1 inputs).

**THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2022 AND 2021**

NOTE 5 INVESTMENTS (CONTINUED)

Investment Policy

All investments are carried in a third-party managed portfolio of funds with guidelines as directed by the Investment Committee of the Board as follows:

- Equities should range from 15% to 35%.
- Fixed Income should range from 30% to 80%.
- Alternative Investments should range from 10% to 50%.
- Cash and Equivalents should range from 5% to 100%.

Concentration of Credit Risk

The Board does not have a formal policy that places a limit on the amount or percent that may be invested in any one issuer for the proprietary fund or pension trust fund. As of March 31, 2022 and March 31, 2021, the Board did not have any investments subject to concentration of credit risk.

Credit Risk

The Board does not have a formal policy that limits investments to ratings issued by nationally recognized statistical rating organizations for the propriety fund or pension trust fund. All reserve fund investments other than cash are in mutual funds type accounts which are listed and traded in the open market and valued at the actual market price as of March 31, 2022 and 2021. The cash account is insured under FDIC.

Interest Rate Risk

The Board does not have a policy for the pension trust fund limiting investment maturities as a means of managing their exposure to fair value losses arising from increasing interest rates.

NOTE 6 COMPENSATED ABSENCES

Board policy permits employees to accumulate a limited amount of earned, but unused sick and vacation pay. These benefits are payable to employees upon separation of service. The changes in compensated absences are summarized as follows:

Balance March 31, 2021	\$ 186,355
Additions/(Reductions)	<u>(49,149)</u>
Balance March 31, 2022	<u>\$ 137,206</u>

NOTE 7 NOTES RECEIVABLE

In 2017, residents within the Highland Acres development have agreed to pay a note to the Board for the cost of water and wastewater infrastructure setup for the development. Each resident had the option of paying the portion of the note that they owe in full immediately or a monthly payment over 30 years at 2% interest. Payments on this note receivable are used by the Board to pay notes payable due to the Delaware Drinking Water State Revolving Fund and the Delaware Water Pollution Control Revolving Fund, who funded the cost of Highland Acres infrastructure. The Board records income related to the receivable as deferred until paid and a note receivable for the amount unpaid. This is considered non-operating income for the water and wastewater departments. The amount owed to the Board as of March 31, 2022 and 2021 is \$81,482 and \$83,691 and \$925,007 and \$953,875 for water and wastewater, respectively.

**THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2022 AND 2021**

NOTE 7 NOTES RECEIVABLE (CONTINUED)

In 2013, some residents within the Savannah Place development have agreed to pay a note to the Board for the cost of impact fees they were assessed. The Board records income related to the receivable when payments are received. The amount owed to the Board as of March 31, 2021 was \$2,119 and as of March 31, 2022 the full balance has been received.

In 2018, residents within the Savannah Place development have agreed to pay a note to the Board for the cost of water and wastewater infrastructure setup for the development. Each resident had the option of paying the portion of the note that they owe in full immediately or a monthly payment over 30 years at 2% interest. Payments on this note receivable are used by the Board to pay notes payable due to the Delaware Drinking Water State Revolving Fund who funded the cost of Savannah Place infrastructure. The Board records income related to the receivable as deferred until paid and a note receivable for the amount unpaid. The amount owed to the Board as of March 31, 2022 and March 31, 2021 is \$602,481 and \$695,060, respectively

NOTE 8 CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2022 was as follows:

	Beginning Balance	Additions & Transfers	Deletions & Transfers	Ending Balance
Capital Assets Not Being Depreciated				
Land	\$ 2,803,137	\$ -	\$ -	\$ 2,803,137
Construction in Progress	11,298,825	6,288,938	(6,163,294)	11,424,469
Total Capital Assets Not Being Depreciated	<u>14,101,962</u>	<u>6,288,938</u>	<u>(6,163,294)</u>	<u>14,227,606</u>
Capital Assets Being Depreciated				
Infrastructure	51,878,859	3,158,791	-	55,037,650
Buildings and Improvements	9,011,764	26,450	-	9,038,214
Furniture and Equipment	1,424,100	44,478	-	1,468,578
Vehicles	2,347,101	91,010	(182,245)	2,255,866
Software	754,234	15,519	-	769,753
Total Capital Assets Being Depreciated	<u>65,416,058</u>	<u>3,336,248</u>	<u>(182,245)</u>	<u>68,570,061</u>
Less Accumulated Depreciation for				
Infrastructure	19,630,362	1,550,187	-	21,180,549
Buildings and Improvements	5,302,119	194,010	-	5,496,129
Furniture and Equipment	912,663	88,825	-	1,001,488
Vehicles	1,382,345	129,873	(131,902)	1,380,316
Software	593,400	11,309	-	604,709
Total Accumulated Depreciation	<u>27,820,889</u>	<u>1,974,204</u>	<u>(131,902)</u>	<u>29,663,192</u>
Capital Assets, Being Depreciated, Net	<u>37,595,169</u>	<u>1,362,044</u>	<u>(50,343)</u>	<u>38,906,869</u>
Total Capital Assets	<u>\$ 51,697,131</u>	<u>\$ 7,650,982</u>	<u>\$(6,213,637)</u>	<u>\$ 53,134,475</u>

**THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2022 AND 2021**

NOTE 8 CAPITAL ASSETS (CONTINUED)

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

	Beginning Balance	Additions & Transfers	Deletions & Transfers	Ending Balance
Capital Assets Not Being Depreciated				
Land	\$ 778,137	\$ 2,025,000	\$ -	\$ 2,803,137
Construction in Progress	3,763,638	7,813,365	(278,178)	11,298,825
Total Capital Assets Not Being Depreciated	<u>4,541,775</u>	<u>9,838,365</u>	<u>(278,178)</u>	<u>14,101,962</u>
Capital Assets Being Depreciated				
Infrastructure	56,694,728	940,429	(5,756,298)	51,878,859
Buildings and Improvements	9,011,764	-	-	9,011,764
Furniture and Equipment	1,588,217	110,601	(274,718)	1,424,100
Vehicles	2,137,430	264,156	(54,485)	2,347,101
Software	639,681	114,553	-	754,234
Total Capital Assets Being Depreciated	<u>70,071,820</u>	<u>1,429,739</u>	<u>(6,085,501)</u>	<u>65,416,058</u>
Less Accumulated Depreciation for				
Infrastructure	17,940,883	1,825,774	(136,295)	19,630,362
Buildings and Improvements	5,181,646	120,473	-	5,302,119
Furniture and Equipment	1,127,839	39,460	(254,636)	912,663
Vehicles	1,298,754	118,235	(34,644)	1,382,345
Software	573,668	19,732	-	593,400
Total Accumulated Depreciation	<u>26,122,790</u>	<u>2,123,674</u>	<u>(425,575)</u>	<u>27,820,889</u>
Capital Assets, Being Depreciated, Net	<u>43,949,030</u>	<u>(693,935)</u>	<u>(5,659,926)</u>	<u>37,595,169</u>
Total Capital Assets	<u>\$ 48,490,805</u>	<u>\$ 9,144,430</u>	<u>\$(5,938,104)</u>	<u>\$ 51,697,131</u>

**THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2022 AND 2021**

NOTE 9 LONG-TERM DEBT

Changes in long-term debt for the year ended March 31, 2022 were as follows:

<u>Direct Borrowings:</u>	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>	<u>Due Within One Year</u>
Water					
General Obligation Bonds	\$ 94,542	\$ 2,000,000	\$ (41,312)	\$ 2,053,230	\$ 81,192
Wastewater					
General Obligation Bonds	8,239,420	-	(835,706)	7,403,714	856,234
Total Debt	\$ 8,333,962	\$ 2,000,000	\$ (877,018)	\$ 9,456,944	\$ 937,426

Changes in long-term debt for the year ended March 31, 2021 are as follows:

<u>Direct Borrowings:</u>	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>	<u>Due Within One Year</u>
Water					
General Obligation Bonds	\$ 97,360	\$ -	\$ (2,818)	\$ 94,542	\$ 2,874
Wastewater					
General Obligation Bonds	9,026,111	-	(786,691)	8,239,420	835,706
Total Debt	\$ 9,123,471	\$ -	\$ (789,509)	\$ 8,333,962	\$ 838,580

Debt Service Requirements

Principal and interest requirements to amortize the general obligation bonds as of March 31, 2022 are as follows:

<u>Year Ending</u>	<u>Bonds Payable</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 937,426	\$ 181,334	\$ 1,118,760
2024	960,093	159,282	1,119,375
2025	983,312	136,693	1,120,006
2026	1,007,095	113,552	1,120,648
2027	1,031,457	89,843	1,121,301
2028-2032	1,040,849	320,322	1,361,172
2033-2037	1,149,743	229,889	1,379,633
2037-2042	1,270,036	130,001	1,400,038
2043-2047	820,693	41,219	861,912
2048-2051	256,239	3,868	260,107
Total	\$ 9,456,944	\$ 1,406,005	\$ 10,862,948

**THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2022 AND 2021**

NOTE 9 LONG-TERM DEBT (CONTINUED)

	Balance at March 31, 2022	Balance at March 31, 2021
On January 20, 2005, the City of Lewes issued \$12,600,000 of general obligation bonds due to the Delaware Water Pollution Control Revolving Fund. The funds are being used by the Board for the wastewater treatment plant and other sewer capital projects. The loan is amortized over twenty years starting August 1, 2009. The interest rate is 2.5%. There was an additional draw down in 2009 of \$675,860.	\$ 3,977,115	\$ 4,714,951
On April 1, 2016, the City of Lewes issued \$1,423,401 of general obligation bonds due to the Delaware Water Pollution Control Revolving Funds. The funds are being used by the Board for the development project at Highland Acres. There was an additional draw down of \$6,423 in 2017. The loan will be amortized over thirty years at the annualized interest rate of 2.0%.	1,201,427	1,239,114
On April 1, 2016, the City of Lewes issued \$700,000 of general obligation bonds due to the Delaware Drinking Water State Revolving Fund. The funds are being used by the Board for the development project at Highland Acres. The State of Delaware have forgave \$597,200 of the debt in 2018, which reduced the balance of debt and was recognized as grant income.	91,668	94,542
On November 1, 2018, the City of Lewes issued \$2,315,000 of general obligation bonds due to the Delaware Water Pollution Control Revolving Fund. The funds are being used by the Board for wastewater disposal systems in the Savannah Place Developments. The loan is amortized over thirty years starting November 1, 2020. The interest rate is 2.0%.	2,225,172	2,285,355
On April 1, 2021, the City of Lewes issued \$2,000,000 of general obligation bonds due to the Delaware Water Pollution Control Revolving Fund, acting by and through the Delaware Department of Natural Resources and Environmental Control, for the purpose of financing the Jones Farm Purchase Well Head Protection Project. The loan is amortized over twenty-two years at the annualized interest rate of 2.0%.	1,961,562	-
Less: current portion	(937,426)	(838,580)
Total Long-Term Portion of Debt	\$ 8,519,518	\$ 7,495,382

The direct borrowings with the Delaware Drinking Water State Revolving Fund and Delaware Drinking Water State Revolving Fund in the aggregate amount of \$9,456,944 contain provisions that in the event of default, outstanding amounts become immediately due and payable. There are no assets used as collateral and no unused lines of credit for the direct borrowings.

NOTE 10 DEFINED BENEFIT PENSION PLAN

Plan Description

The Board of Public Works of Lewes, Delaware Employee Pension Trust Plan (the Plan) is a single employer defined benefit pension plan established by the Board effective November 15, 1962. The Board has the power and authority to establish and amend the benefit provisions of the Plan. The Plan provides retirement benefits to plan members. Members are qualified to participate in the Plan after one year of service. Normal retirement age is 65. Vesting begins after 3 years of service and requires at least 1,000 hours during a 12-month period. Retirement benefits are calculated by a formula and provide 50% of average annual earnings less 35% of primary social security benefits. Employees may take early retirement with reduced benefits at age 55 and at least 12 years of service.

**THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2022 AND 2021**

NOTE 10 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Plan Description (Continued)

Effective December 1, 2002, employees with 35 years of service may retire with full benefits after their 60th birthday. Annual reporting for the Plan is presented in the Board's fiduciary fund financial statements.

Contributions

The Board is required to contribute the amount necessary to fund the plan based on an actuarially determined contribution. For 2022, the employer contribution was \$217,934.

Membership of the plan

The membership consisted of the following at November 30, 2021, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	18
Terminated plan members and beneficiaries entitled to but not yet receiving	10
Active plan members	4
Total	32

Assumptions. The Board's net pension liability was measured as of November 30, 2021 and the total liability used to calculate the net liability was determined by rolling forward the liability from an actuarial valuation as of December 1, 2020, using an actuarial assumption of an investment rate of return of 4.0%.

Mortality rates were based on the 2021 Static Table Non-Annuitant.

The actuarial assumptions used in the December 1, 2020 valuations were reviewed by the Board's actuary; a recent experience review was not performed.

As of June 24, 2010, the Board elected to end its Defined Benefit Plan and begin a Defined Contribution Plan. All benefit accruals were frozen retroactive to April 1, 2010. All vested amounts will remain in the Defined Benefit Plan and continue to be funded accordingly. Therefore, projected salary increases are not an assumption applicable to the Plan.

Investments

The pension trust fund investments are stated at fair value determined by the trustee. Investments that do not have an established market value are reported at estimated fair value.

The long-term expected rate of return on pension plan investments was determined using the building block method in which best-estimate ranges of future expected real rates of return (expected returns, net of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

**THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2022 AND 2021**

NOTE 10 DEFINED BENEFIT PENSION PLAN (CONTINUED)Investments (Continued)

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target allocation as of November 30, 2020 (see investment policy in Note 5) are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity	20% - 45%	5.7%
Fixed Income	30% - 70%	3.4%
Alternative Investments	0% - 15%	6.7%
Cash	0% - 20%	3.0%

Discount Rate

The discount rate used to measure the total pension liability was 4.0%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and the employer contributions will be made equal to the actuarially determined contribution. Based on those assumptions, the pension plan's 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.

Rate of Return

For the year ended November 30, 2021, the annual money-weighted rate or return on pension plan investments, net of pension plan investment expense, was 7.9%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested

Changes in the Net Pension Liability

The components and changes in the Board's net pension liability for the year ended November 30, 2021 were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a-b)
Changes for the Year:			
Interest	\$ 103,739	\$ -	\$ 103,739
Differences Between Expected and Actual Experience	(213,693)	-	(213,693)
Changes in Assumptions	138,632	-	138,632
Contributions - Employer	-	217,934	(217,934)
Net Investment Income	-	185,020	(185,020)
Benefit Payments	(172,402)	(172,402)	-
Administrative Expense	-	(24,168)	24,168
Net Increase (Decrease)	(143,724)	206,384	(350,108)
Balances as of November 30, 2020	2,679,680	2,329,572	350,108
Balances as of November 30, 2021	<u>\$ 2,535,956</u>	<u>\$ 2,535,956</u>	<u>\$ -</u>

**THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2022 AND 2021**

NOTE 10 DEFINED BENEFIT PENSION PLAN (CONTINUED)

As of November 30, 2021, the plan fiduciary net position as a percentage of the total pension liability as 100%.

NOTE 11 PURCHASE POWER

The Board purchases power from Delaware Municipal Electric Corporation (DEMEC) and the University of Delaware. Beginning in the fiscal year ended March 31, 2011, the Board entered into an agreement with the University of Delaware (the University) wherein the Board purchases excess wind power from the University if it is generated and wherein the University will purchase power from the Board if they need additional power. The Board purchases power from the University at the same price as DEMEC. For the years ended March 31, 2022 and 2021, 98% and 99%, respectively, of the power was purchased from DEMEC and 2% and 1%, respectively, from the University.

NOTE 12 RELATED PARTY TRANSACTIONS

The City of Lewes (the "City") charges the Board rent for the use of buildings and offices owned by the City of Lewes and the Board bills the City for utilities used. In addition, in accordance with the City's charter, the City imposes a 5% in lieu of franchise fee on sales and assessments rendered by the Board. For the year ended March 31, 2022, rent and in lieu of franchise fees paid to the City were \$185,376 and \$737,395, respectively; and were \$126,955 and \$700,868 for the year ended March 31, 2021, respectively.

NOTE 13 RISK MANAGEMENT

The Board is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The Board maintains commercial insurance covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Board. Settled claims have not exceeded this coverage in any of the past three fiscal years.

NOTE 14 COMMITMENTS AND CONTINGENT LIABILITIES

The Board has contractual obligations with various contractors for construction on the Pilottown Road project. As of March 31, 2022, \$3,610,419 has been spent with a balance of \$50,457 remaining on the open contracts.

REQUIRED SUPPLEMENTARY INFORMATION

BOARD OF PUBLIC WORKS FOR THE CITY OF LEWES, DELAWARE
REQUIRED SUPPLEMENTARY INFORMATION
EMPLOYEES PENSION PLAN
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
NOVEMBER 30

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability					
Interest	\$ 103,739	\$ 107,954	\$ 110,791	\$ 108,903	\$ 106,801
Differences between expected and actual experience	(213,693)	(32,647)	12,946	147,727	139,664
Changes of assumptions	138,632	(1,017)	(13,776)	-	-
Benefit payments, including refunds of employee contributions	(172,402)	(186,895)	(202,470)	(188,806)	(197,129)
Net change in total pension liability	(143,724)	(112,605)	(92,509)	67,824	49,336
Total pension liability - beginning	2,679,680	2,792,285	2,884,794	2,816,970	2,767,634
Total pension liability - ending (a)	<u>\$ 2,535,956</u>	<u>\$ 2,679,680</u>	<u>\$ 2,792,285</u>	<u>\$ 2,884,794</u>	<u>\$ 2,816,970</u>
Plan fiduciary net position					
Contributions - employer	\$ 217,934	\$ -	\$ 326,544	\$ 286,990	\$ 677
Net investment income	185,020	244,983	152,469	(21,516)	22,290
Other Additions	-	-	-	34,089	-
Benefit payments, including refunds of employee contributions	(172,402)	(186,895)	(202,470)	(188,806)	(197,129)
Administrative expense	(24,168)	(21,926)	(20,199)	(4,545)	(8,231)
Net change in plan fiduciary position	206,384	36,162	256,344	106,212	(182,393)
Plan fiduciary net position - beginning	2,329,572	2,293,410	2,037,066	1,930,854	2,113,247
Plan fiduciary net position - ending (b)	<u>\$ 2,535,956</u>	<u>\$ 2,329,572</u>	<u>\$ 2,293,410</u>	<u>\$ 2,037,066</u>	<u>\$ 1,930,854</u>
Authority's net pension liability - ending (a) - (b)	<u>\$ -</u>	<u>\$ 350,108</u>	<u>\$ 498,875</u>	<u>\$ 847,728</u>	<u>\$ 886,116</u>
Plan fiduciary net position as a percentage of the total pension liability	100.00%	86.93%	82.13%	70.61%	68.54%
Covered payroll *	N/A	N/A	N/A	N/A	N/A
Board net pension liability as a percentage of covered payroll *	N/A	N/A	N/A	N/A	N/A

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, pension plans should present information for those years for which information is available.

* All benefit accruals were frozen beginning April 1, 2010

BOARD OF PUBLIC WORKS FOR THE CITY OF LEWES, DELAWARE
 REQUIRED SUPPLEMENTARY INFORMATION
 EMPLOYEES PENSION PLAN
 SCHEDULE OF EMPLOYER CONTRIBUTIONS - LAST 10 YEARS
 NOVEMBER 30

	2014	2015	2016	2017	2018	2019	2020	2021
Actuarially determined contribution	\$ 150,262	\$ 165,131	\$ 184,393	\$ 207,288	\$ 286,990	\$ 326,544	\$ 308,871	\$ 167,934
Contributions in relation to the actuarially determined contribution	150,262	165,131	184,393	677	286,990	326,544	-	217,934
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ 206,611	\$ -	\$ -	\$ 308,871	\$ (50,000)
Covered payroll *	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered payroll *	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Notes to Schedule

Valuation date: Actuarially determined contribution rates are calculated as of January 1, one year prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Unit Cost
Amortization method	Level Dollar
Remaining amortization period	4 years
Asset valuation method	5-year smoothed market
Inflation	0%
Salary increases	0%
Investment rate of return	4.0%, net of plan investment expense
Retirement age	Age 65
Mortality	2021 Static Table Non-Annuitant

Change in Assumptions:

Effective 12/1/18 the mortality table was updated from the 2018 Static Tables to the 2019 Static Tables
 Effective 12/1/19 the mortality table was updated from the 2019 Static Tables to the 2020 Static Tables
 Effective 12/1/20 the mortality table was updated from the 2020 Static Tables to the 2021 Static Tables

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, pension plans should present information for those years for which information is available.

* All benefit accruals were frozen beginning April 1, 2010

BOARD OF PUBLIC WORKS FOR THE CITY OF LEWES, DELAWARE
 REQUIRED SUPPLEMENTARY INFORMATION
 EMPLOYEES PENSION PLAN
 SCHEDULE OF INVESTMENT RETURNS
 NOVEMBER 30

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Annual money-weighted rate of return, net of investment expense	7.90%	11.28%	7.48%	-1.09%	N/A*

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, pension plans should present information for those years for which information is available.

* Information not available.

OTHER SUPPLEMENTARY INFORMATION

**THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
ELECTRIC DEPARTMENT
YEARS ENDED MARCH 31, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
OPERATING REVENUES		
Sale of Electric Energy		
Residential	\$ 4,391,029	\$ 4,388,143
Commercial	1,304,071	1,225,067
Industrial	3,183,462	3,076,477
Municipal	119,535	121,205
Other	201,896	37,855
Total Operating Revenues	<u>9,199,993</u>	<u>8,848,747</u>
OPERATING EXPENSES		
Purchased Power	6,444,455	6,110,717
Payroll and Employee Related Expenses	520,780	702,613
Utilities	3,218	9,610
Repairs and Maintenance	198,611	108,057
Professional and Contractual Services	131,025	67,774
Other Supplies and Expenses	48,340	24,521
Administrative	696,099	666,290
In Lieu of Franchise	468,957	459,169
Bad Debt	5,963	732
Depreciation and Amortization	418,485	324,299
Total Operating Expenses	<u>8,935,933</u>	<u>8,473,782</u>
Operating Income	<u>264,060</u>	<u>374,965</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest Income	162,204	165,295
Interest Expense	(207,357)	(43,758)
Impact Fees	38,172	76,417
Gain on Sale of Assets	52,762	-
Changes in Fair Value of Investments	(154,738)	679,650
Net Non-Operating Revenue (Expense)	<u>(108,957)</u>	<u>877,604</u>
Change in Net Position	155,103	1,252,569
NET POSITION, BEGINNING OF YEAR	<u>16,592,493</u>	<u>15,339,924</u>
NET POSITION, END OF YEAR	<u>\$ 16,747,596</u>	<u>\$ 16,592,493</u>

**THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
WATER DEPARTMENT
YEARS ENDED MARCH 31, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
OPERATING REVENUES		
Sale of Water		
Residential	\$ 1,126,291	\$ 1,045,719
Commercial	198,004	156,137
Industrial	652,610	575,649
Municipal	12,371	10,807
Other	564,230	333,101
Total Operating Revenues	<u>2,553,506</u>	<u>2,121,413</u>
OPERATING EXPENSES		
Payroll and Employee Related Expenses	446,074	625,944
Utilities	8,340	73,371
Repairs and Maintenance	420,762	202,973
Professional and Contractual Services	170,161	32,224
Other Supplies and Expenses	25,816	41,713
Administrative	447,199	423,392
In Lieu of Franchise	101,760	89,936
Bad Debt	453	538
Depreciation and Amortization	341,949	226,373
Total Operating Expenses	<u>1,962,514</u>	<u>1,716,464</u>
Operating Income	<u>590,992</u>	<u>404,949</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest Income	119,925	130,407
Interest Expense	(150,353)	(32,203)
Impact Fees	141,197	267,199
Gain on Sale of Assets	39,790	-
Changes in Fair Value of Investments	(94,001)	420,736
Grants	51,691	14,843
Net Non-Operating Revenue	<u>108,249</u>	<u>800,982</u>
Change in Net Position	699,241	1,205,931
NET POSITION, BEGINNING OF YEAR	<u>15,091,819</u>	<u>13,885,888</u>
NET POSITION, END OF YEAR	<u>\$ 15,791,060</u>	<u>\$ 15,091,819</u>

**THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
WASTEWATER DEPARTMENT
YEARS ENDED MARCH 31, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
OPERATING REVENUES		
Wastewater Assessments		
Residential	\$ 2,523,408	\$ 2,460,005
Commercial	289,142	229,870
Industrial	322,156	286,776
Municipal	21,352	20,812
Other	290,820	515,398
Total Operating Revenues	<u>3,446,878</u>	<u>3,512,861</u>
OPERATING EXPENSES		
Payroll and Employee Related Expenses	23,019	143,293
Utilities	23,566	14,419
Repairs and Maintenance	453,212	478,606
Professional and Contractual Services	843,212	739,031
Other Supplies and Expenses	40,249	32,702
Administrative	412,738	454,392
In Lieu of Franchise	157,029	142,134
Bad Debt	1,281	1,498
Depreciation and Amortization	1,147,795	1,535,787
Total Operating Expenses	<u>3,102,101</u>	<u>3,541,862</u>
Operating Income (Loss)	<u>344,777</u>	<u>(29,001)</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest Income	104,963	107,956
Interest Expense	(301,792)	(233,162)
Impact Fees	117,575	243,104
Gain on Sale of Assets	27,110	(1,684)
Changes in Fair Value of Investments	(86,770)	388,371
Grants	84,164	-
Net Non-Operating Revenue (Expense)	<u>(54,750)</u>	<u>504,585</u>
Change in Net Position	290,027	475,584
NET POSITION, BEGINNING OF YEAR	<u>21,134,365</u>	<u>20,658,781</u>
NET POSITION, END OF YEAR	<u>\$ 21,424,392</u>	<u>\$ 21,134,365</u>

**THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
STORMWATER DEPARTMENT
YEARS ENDED MARCH 31, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
OPERATING REVENUES		
Stormwater Assessments		
Residential	\$ 167,367	\$ 166,620
Commercial	16,550	16,700
Industrial	6,480	6,605
Municipal	1,740	1,750
Other	19,608	2,519
Total Operating Revenues	<u>211,745</u>	<u>194,194</u>
OPERATING EXPENSES		
Payroll and Employee Related Expenses	183	44,751
Utilities	-	547
Repairs and Maintenance	1,817	4,371
Professional and Contractual Services	32,001	6,770
Other Supplies and Expenses	4,579	6,036
Administrative	163,984	112,130
In Lieu of Franchise	9,649	9,629
Bad Debt	124	120
Depreciation and Amortization	65,965	37,215
Total Operating Expenses	<u>278,302</u>	<u>221,569</u>
Operating Loss	<u>(66,557)</u>	<u>(27,375)</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest Income	29,932	31,485
Interest Expense	(39,496)	(8,336)
Gain on Sale of Assets	21,037	-
Changes in Fair Value of Investments	(26,033)	129,457
Grants	-	65,000
Net Non-Operating Revenue (Expense)	<u>(14,560)</u>	<u>217,606</u>
Change in Net Position	(81,117)	190,231
NET POSITION, BEGINNING OF YEAR	<u>2,008,051</u>	<u>1,817,820</u>
NET POSITION, END OF YEAR	<u>\$ 1,926,934</u>	<u>\$ 2,008,051</u>

**THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
SCHEDULE OF CAPITAL ASSETS BY DEPARTMENT
MARCH 31, 2022**

	Beginning Balance	Additions & Transfers	Deletions & Transfers	Ending Balance
<u>Electric</u>				
Capital Assets Not Being Depreciated				
Land	\$ 211,160	\$ -	\$ -	\$ 211,160
Construction in Progress	92,530	362,971	(16,328)	439,173
Total Capital Assets Not Being Depreciated	<u>303,690</u>	<u>362,971</u>	<u>(16,328)</u>	<u>650,333</u>
Capital Assets Being Depreciated				
Infrastructure	11,549,741	150,577	-	11,700,318
Buildings and Improvements	326,699	-	-	326,699
Furniture and Equipment	305,556	22,985	-	328,541
Vehicles	1,289,057	51,594	(103,583)	1,237,068
Software	238,261	8,097	-	246,358
Total Capital Assets Being Depreciated	<u>13,709,314</u>	<u>233,253</u>	<u>(103,583)</u>	<u>13,838,984</u>
Less Accumulated Depreciation for				
Infrastructure	5,728,768	337,548	-	6,066,316
Buildings and Improvements	236,153	8,801	-	244,954
Furniture and Equipment	244,145	23,509	-	267,654
Vehicles	924,751	43,932	(95,527)	873,156
Software	162,142	4,696	-	166,838
Total Accumulated Depreciation	<u>7,295,959</u>	<u>418,486</u>	<u>(95,527)</u>	<u>7,618,918</u>
Electric Department, Capital Assets, Net	<u>6,717,045</u>	<u>177,738</u>	<u>(24,384)</u>	<u>6,870,399</u>
	Ending Balance	Additions & Transfers	Deletions & Transfers	Ending Balance
<u>Water</u>				
Capital Assets Not Being Depreciated				
Land	\$ 2,195,320	\$ -	\$ -	\$ 2,195,320
Construction in Progress	4,163,591	2,232,808	(3,218,850)	3,177,549
Total Capital Assets Not Being Depreciated	<u>6,358,911</u>	<u>2,232,808</u>	<u>(3,218,850)</u>	<u>5,372,869</u>
Capital Assets Being Depreciated				
Infrastructure	11,403,785	438,585	-	11,842,370
Buildings and Improvements	513,321	26,450	-	539,771
Furniture and Equipment	216,545	6,688	-	223,233
Vehicles	423,350	18,601	(28,603)	413,348
Software	137,041	2,691	-	139,732
Total Capital Assets Being Depreciated	<u>12,694,042</u>	<u>493,015</u>	<u>(28,603)</u>	<u>13,158,454</u>
Less Accumulated Depreciation for				
Infrastructure	2,905,344	263,483	-	3,168,827
Buildings and Improvements	228,775	14,470	-	243,245
Furniture and Equipment	164,859	20,189	-	185,048
Vehicles	163,595	39,833	(8,035)	195,393
Software	108,359	3,974	-	112,333
Total Accumulated Depreciation	<u>3,570,932</u>	<u>341,949</u>	<u>(8,035)</u>	<u>3,904,846</u>
Water Department, Capital Assets, Net	<u>15,482,021</u>	<u>2,383,874</u>	<u>(3,239,418)</u>	<u>14,626,477</u>

**THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
SCHEDULE OF CAPITAL ASSETS BY DEPARTMENT (CONTINUED)
MARCH 31, 2021**

	Ending Balance	Additions & Transfers	Deletions & Transfers	Ending Balance
<u>Wastewater</u>				
Capital Assets Not Being Depreciated				
Land	\$ 378,794	\$ -	\$ -	\$ 378,794
Construction in Progress	6,635,270	3,550,297	(2,708,904)	7,476,663
Total Capital Assets Not Being Depreciated	<u>7,014,064</u>	<u>3,550,297</u>	<u>(2,708,904)</u>	<u>7,855,457</u>
Capital Assets Being Depreciated				
Infrastructure	27,397,095	2,427,568	-	29,824,663
Buildings and Improvements	8,170,626	-	-	8,170,626
Furniture and Equipment	847,164	13,071	-	860,235
Vehicles	434,047	17,861	(47,480)	404,428
Software	351,174	3,903	-	355,077
Total Capital Assets Being Depreciated	<u>37,200,106</u>	<u>2,462,403</u>	<u>(47,480)</u>	<u>39,615,029</u>
Less Accumulated Depreciation for				
Infrastructure	10,622,437	911,410	-	11,533,847
Buildings and Improvements	4,837,089	170,696	-	5,007,785
Furniture and Equipment	479,096	47,969	-	527,065
Vehicles	241,603	15,684	(27,296)	229,991
Software	303,318	2,037	-	305,355
Total Accumulated Depreciation	<u>16,483,543</u>	<u>1,147,796</u>	<u>(27,296)</u>	<u>17,604,043</u>
Wastewater Department, Capital Assets, Net	<u>27,730,627</u>	<u>4,864,904</u>	<u>(2,729,088)</u>	<u>29,866,443</u>
	Ending Balance	Additions & Transfers	Deletions & Transfers	Ending Balance
<u>Stormwater</u>				
Capital Assets Not Being Depreciated				
Land	\$ 17,863	\$ -	\$ -	\$ 17,863
Construction in Progress	407,434	142,861	(219,211)	331,084
Total Capital Assets Not Being Depreciated	<u>425,297</u>	<u>142,861</u>	<u>(219,211)</u>	<u>348,947</u>
Capital Assets Being Depreciated				
Infrastructure	1,528,238	142,061	-	1,670,299
Buildings and Improvements	1,118	-	-	1,118
Furniture and Equipment	54,835	1,734	-	56,569
Vehicles	200,647	2,954	(2,579)	201,022
Software	27,758	828	-	28,586
Total Capital Assets Being Depreciated	<u>1,812,596</u>	<u>147,577</u>	<u>(2,579)</u>	<u>1,957,594</u>
Less Accumulated Depreciation for				
Infrastructure	373,813	37,746	-	411,559
Buildings and Improvements	102	43	-	145
Furniture and Equipment	15,096	6,625	-	21,721
Vehicles	61,863	20,959	(1,045)	81,777
Software	19,581	602	-	20,183
Total Accumulated Depreciation	<u>470,455</u>	<u>65,975</u>	<u>(1,045)</u>	<u>535,385</u>
Stormwater Department, Capital Assets, Net	<u>1,767,438</u>	<u>224,463</u>	<u>(220,745)</u>	<u>1,771,156</u>
Capital Assets, Net	<u>\$ 51,697,131</u>	<u>\$ 7,650,979</u>	<u>\$ (6,213,635)</u>	<u>\$ 53,134,475</u>



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**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**

INDEPENDENT AUDITOR'S REPORT

Board of Directors of
The Board of Public Works
of the City of Lewes, Delaware

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Board of Public Works of the City of Lewes, Delaware ("the Board"), as of and for the year ended March 31, 2022 and the aggregate remaining fund information as of and for the year ended November 30, 2021, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated August 12, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Board's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board'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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board'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.

Zelenkofske Axlerod LLC

ZELENKOFKSKE AXELROD LLC

Harrisburg, Pennsylvania
August 12, 2022