

**THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
FINANCIAL STATEMENTS
MARCH 31, 2023 AND 2022**

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

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
The Board of Public Works
of the City of Lewes, Delaware
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Report on the Audit of 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 years ended March 31, 2023 and 2022, and the aggregate remaining fund information as of and for the years ended November 30, 2022 and 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, the accompanying financial statements 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, 2023 and 2022, and the aggregate remaining fund information as of November 30, 2022 and 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 audits 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 audits. 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Board'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.



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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 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, 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 Board's internal control. Accordingly, no such opinion is expressed.⁵
- 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 Board'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.

Adoption of Governmental Accounting Standards Board (GASB) Pronouncements

As discussed in Note 1 to the financial statements, in 2023 the Board adopted the provisions of GASB Statement No. 87, "Leases", Statement No. 91, "Conduit Debt Obligations", Statement No. 92, "Omnibus", and Statement No. 93, "Replacement of Interbank Offered Rates". 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 32-34 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.



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

Supplementary Information

Our audits were 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.

The schedules of revenues, expenses, and changes in net position by department and the schedules of capital assets by department 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 the schedules of capital assets by department is 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 9, 2023, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control over financial reporting and compliance.

Zelenkofske Axelrod LLC

ZELENKOFSKE AXELROD LLC

Harrisburg, Pennsylvania
August 9, 2023

**THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE**
Management's Discussion and Analysis (MD&A)
March 31, 2023

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, 2023. 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 is 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, 2023.

Financial Highlights

The following items detail the Board of Public Works' financial highlights for the fiscal year ended March 31, 2023:

- The assets of the BPW exceeded our liabilities at the close of the year by \$57,818,640 (net position). Of this amount, \$6,416,134 are unrestricted.
- BPW's total net position increased by \$1,928,658.
- As of the close of the current year, BPW reported combined ending cash balances totaling \$1,539,062 an increase of \$79,910 in comparison with the prior year.
- The largest portion of BPW's total assets (80.2%) 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 \$937,426.
- BPW implemented GASB 87 this year for leases, which changed how our financial statements are presented.

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 the BPW's assets, deferred outflows, liabilities, and deferred inflows with the difference between the four 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 Retirement 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, 2023

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 31st

	2023	2022*	2021
Current Assets			
Unrestricted	\$ 7,263,411	\$ 6,276,461	\$ 5,848,869
Restricted	4,320,599	7,119,119	6,706,899
Non-current Assets			
Capital Assets, Net	56,049,627	53,134,475	51,697,131
Other Assets	2,284,414	1,702,460	1,804,810
Deferred Outflows of Resources	<u>295,797</u>	0	40,796
Total Assets & Deferred Outflows	<u>\$ 70,213,848</u>	<u>\$ 68,168,181</u>	<u>\$ 66,098,505</u>
Current Liabilities	\$ 2,223,678	\$ 2,349,092	\$ 1,966,745
Non-current Liabilities	<u>9,760,572</u>	<u>9,956,608</u>	<u>9,305,032</u>
Total Liabilities	<u>\$ 11,984,250</u>	<u>\$ 12,305,700</u>	<u>\$ 11,271,777</u>
Deferred Inflows of Resources	\$ 410,958	\$ 447,791	
Net Position:			
Net Investment in Capital Assets	\$ 47,110,726	\$ 43,677,531	\$ 43,363,169
Restricted	4,291,780	7,066,474	6,732,413
Unrestricted	<u>6,416,134</u>	<u>5,145,977</u>	<u>4,731,146</u>
Total Net Position	<u>\$ 57,818,640</u>	<u>\$ 55,889,982</u>	<u>\$ 54,826,728</u>

*2022 balances were adjusted to reflect the adoption of GASB 87

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 and deferred inflows by \$57,818,640. The largest portion of BPW's net position (81.5%) reflects its net investment in capital assets used to acquire those assets that are still in service.

Capital assets, net, which represent 79.8% of BPW's assets and deferred outflows, increased in 2023 by \$2,915,152 or 5.5% from 2022 due to capital spending on various improvement projects. Liabilities decreased in 2023 by \$321,450 or 2.6% from 2022. BPW continues to make debt service payments and did not finalize any new debts during fiscal year 2023.

THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
Management's Discussion and Analysis (MD&A) - Continued
March 31, 2023

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

	2023	2022*	2021
Operating Revenues			
Sales and Assessments	\$ 15,526,208	\$ 14,335,568	\$ 13,788,342
Other	<u>2,273,497</u>	<u>1,010,962</u>	<u>888,873</u>
Total Operating Revenues	<u><u>17,799,705</u></u>	<u><u>15,346,530</u></u>	<u><u>14,677,215</u></u>
Operating Expenses			
Purchased Power	7,015,215	6,444,455	6,110,717
Payroll and Administrative	2,966,948	2,710,076	3,172,805
Other Supplies and Expenses	3,978,290	3,150,125	2,546,481
Depreciation and Amortization	<u>2,049,724</u>	<u>1,974,194</u>	<u>2,123,674</u>
Total Operating Expenses	<u><u>16,010,177</u></u>	<u><u>14,278,850</u></u>	<u><u>13,953,677</u></u>
Non-operating Revenues (Expenses)			
Investment Income	339,529	417,024	435,143
Interest Expense	(443,869)	(493,713)	(317,459)
Investment Expense	(204,930)	(205,285)	
Impact Fees	945,528	296,944	586,720
Gain (Loss) on Sale of Assets	3,929	140,699	(1,684)
Change in Fair Value of Investments	(661,865)	(361,542)	1,618,214
Grants	92,315	135,855	79,843
Lease Revenue & Interest GASB 87	68,493	65,592	
Net Non-operating Revenues	<u><u>139,130</u></u>	<u><u>(4,462)</u></u>	<u><u>2,400,777</u></u>
Increase (Decrease) in Net Position	<u><u>1,928,658</u></u>	<u><u>1,063,254</u></u>	<u><u>3,124,315</u></u>
Beginning Net Position	<u><u>55,889,982</u></u>	<u><u>54,826,728</u></u>	<u><u>51,702,413</u></u>
Ending Net Position	<u><u>\$ 57,818,640</u></u>	<u><u>\$ 55,889,982</u></u>	<u><u>\$ 54,826,728</u></u>

*2022 balances were adjusted to reflect the adoption of GASB 87

Operating revenues in 2023 increased by \$2,453,175 or 16% from 2022. The primary reason for the increase in revenues was due to the increase in rates and developer payments for infrastructure. The water, sewer, and stormwater departments were net positive contributors, with higher percentages than the previous year. The electric utility was in the red with a decrease in net position of just over \$135,000, mostly due to a large increase in purchase power costs, increased infrastructure maintenance, and losses on investments. The largest category of operating expenses is purchased power at (43.8%). Payroll and administrative expenses in 2023 increased by \$256,872 or 9.5% from 2022 primarily due to 2 new hires for the administrative staff. Other supplies and expenses in 2023 increase by \$828,165 or 26.3% from 2022 primarily due to an increase in preventative maintenance, including transformer testing and tree trimming. We also continued to see an increase of cost of goods and professional fees. Our non-operating revenues and expenses made a positive impact on our net position. The largest impact in 2023, compared to prior year, are impact fees. There were a few developments that came online this year, and our impact fees reflect that. The impact fees increased by such a substantial amount that it more than offset our fair value adjustment loss of \$661,865 from our investment portfolio.

THE BOARD OF PUBLIC WORKS
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Management's Discussion and Analysis (MD&A) - Continued
March 31, 2023

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 \$8,938,901 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.

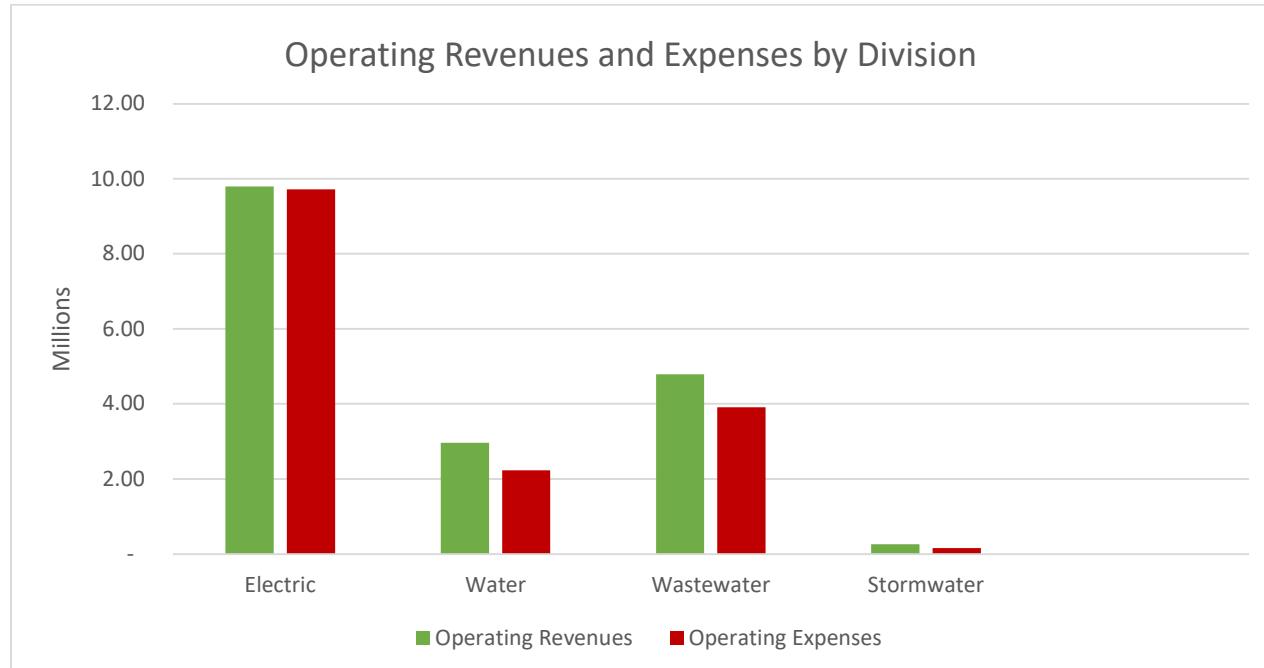
The BPW's capital assets totaled \$56,049,627 for the year ended. Of this amount, \$15,710,488 represented construction in progress at March 31, 2023. See the General Manager's Report below and Note 8 for further information on capital projects by department.

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.

While the electric department historically provided the majority of BPW's operating revenues and operating expenses at \$9,795,602 and \$9,716,036, respectively. Purchased power of \$7,015,215 was the largest single cost to the electric department.



THE BOARD OF PUBLIC WORKS
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Management's Discussion and Analysis (MD&A) - Continued
March 31, 2023

Managerial Report

The 2022-2023 year saw a mix of continued COVID-19 lifestyles and reverting to prior lifestyles. 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. The largest challenge we faced this year was record inflation, felt throughout the fiscal year. We saw the affects in capital, operating expenses, and our investments. Due to these market uncertainties that started taking place last fiscal year, the BPW enlisted Utility Financial Solutions (UFS) to perform a financial projection for all 4 utilities last year and continued implementing the suggested increases. BPW will be conducting a cost of service study and projections in FY 2024 to realign with inflation and capital expenditures.

From a capital project perspective, the BPW finished two larger projects: one being Pilottown Road and the other being the Savannah Road water/sewer extension. The Pilottown Road project was solely BPW funded and made a large impact on our cash reserve but in return, we replaced nearly a mile's worth of iron water pipe. The Savannah Road water/Sewer extension project was a fairly quick project but was very impactful, considering a portion of the work occurred 24/7 along Donovans Road. This project was completed to bring both water and sewer down Donovans Road. The project was also partially funded, per the executed Developers Agreement, by the Lodge at Historic Lewes and Dutchman's Harvest.

While that project was in full force, Donovan Smith Manufactured Home Park was annexed into the City of Lewes and the BPW executed a memorandum of understanding between the park owner, Delaware Health and Social Services "DHSS" and Delaware Department of Natural Resources and Environmental Control "DNREC" to connect the park to central sewer and water. This project will be entirely funded by the respective agencies, DNREC and DHSS, as the poster project for House Bill 200, which was signed in 2021 right here in Lewes. We also worked with the adjacent property owner at 1201 Savannah Road, who had been issued a notice of violation from DNREC, to provide water and sewer services.

The Board continues to review, analyze and invest back into the utility system(s). Staff has worked with GMB to obtain several State Revolving Fund, 50/50, matching planning grants for projects like the new water tower and the canal crossing project. Staff has also been working with the University of Delaware on several grant opportunities. Fortunately, we did apply for a significant 90/10 hazard mitigation grant to analyze our pumpstations in the flood plain for potential capital improvements and upgrades. The scope for this grant was developed from the discussions had by the Board's newly established mitigation committee. We're also looking to pursue other grants for IT/security related infrastructure through the University of DE. The Board, working with DEMEC, submitted for the potential to receive 50% grant funding for its AMI project, through the Department of Energy, which is estimated to have a total cost of \$1.7 million dollars. On top of all that, the Board also approached the City of Lewes with an ask for a portion of their ARPA funds. The City of Lewes voted to allocate \$900,000 to the BPW which is to be used for water and sewer infrastructure. With the rising costs all around us, the BPW Board and staff continue to work to seek alternative funding mechanisms, when applicable.

As mentioned above, rising costs have been a huge factor when budgeting for both capital and O+M expenses. This fiscal year, the BPW staff pursued a line of credit to free up flexibility in funding mechanisms for both capital and equipment items. I like to say that having this line of credit allows the BPW to be agile. Another note that may not be a surprise is that lead times on large vehicles, like bucket trucks and vac trucks, remain extremely high and costs continue to rise. This also funnels down to the light duty vehicles and equipment which has made it very challenging to purchase under the Delaware State contract due to the overall lack of allocations and/or inventory. The Board had to place an order for both a bucket truck and line truck 16+ months in advance with estimated delivery windows now stretching to 24 months from the order date.

THE BOARD OF PUBLIC WORKS
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Management's Discussion and Analysis (MD&A) - Continued
March 31, 2023

As we look ahead in the coming year(s), there is a big push on several topics such as renewable energy, new EPA's regulations on Lead/Copper/PFAS and the effects of climate change across the globe, just to name a few. All these items have an impact on us even when we might not see them in our backyard. The Board and staff remain diligent to stay current with the industry segments via conferences, continuing education, and networking. Times are changing and we must continue to evolve and adapt to ensure we provide the upmost service to our customers and residents day in and day out.

Economic Factors and Next Year's Budgets and Rates

The 2023-2024 budget shows operating revenues are estimated to increase by 1.5% for the entire utility. This budget is based primarily on the previous 3-year financial history, assuming similar COVID activity, with rate increases considered. The greatest difference in revenue is stemming from the wastewater department. We are expecting a large decrease in other revenue, as most of the developer infrastructure payments were collected in fiscal year 2023. 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 2024. Rate increases are predicted to continue the following three years. BPW staff and UFS will be conducting a full cost of service study in fiscal year 2024 to update our projection study we did last year. This is meant to ensure scheduled rate increases are still in line with current expenditures. The budget shows operating expenses going up by 6.8%. The greatest difference in expenses is originating in purchase power. The Delmarva area saw a large increase in power costs due to the resiliency must run mandate that resulted in electric utilities paying to keep NRG's coal plant, Indian River, online for emergency situations. The wastewater department will see increases in contractual services and repairs and maintenance concerning the wastewater treatment plant. Our purchased power expense is estimated to increase by 4.9%. This will continue to affect the power cost adjustment. Non-operating revenues and expenses are expected to help our net position with the significant increase in grants due to federal ARPA funds. The change in net position, without accounting for investment market value adjustment, is estimated at \$1,073,728.

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, 2023 AND 2022**

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	2023	2022
ASSETS		
Current Assets		
Cash		
Unrestricted	\$ 1,539,062	1,459,152
Reserve Fund Investments		
Unrestricted	2,441,821	3,060,808
Restricted	4,320,599	7,119,119
Accounts Receivable, Net of Allowance	2,035,475	1,479,647
Lease Receivable	70,238	36,833
Inventory	1,083,848	191,339
Prepaid Expenses	27,107	11,224
Notes Receivable	65,860	37,458
Total Current Assets	<u>11,584,010</u>	<u>13,395,580</u>
Noncurrent Assets		
Capital Assets, Not Being Depreciated	18,513,625	14,227,606
Capital Assets, Being Depreciated, Net	37,536,002	38,906,870
Notes Receivable	1,795,776	1,571,512
Grants Receivable	147,918	130,948
Lease Receivable	340,720	410,958
Total Noncurrent Assets	<u>58,334,041</u>	<u>55,247,894</u>
Total Assets	<u>69,918,051</u>	<u>68,643,474</u>
DEFERRED OUTFLOW OF RESOURCES		
Pension	<u>295,797</u>	-
LIABILITIES		
Current Liabilities		
Accounts Payable	935,567	1,061,088
Customer Deposits	112,557	116,435
Accrued Interest	42,683	42,683
Unearned Revenue	62,132	111,960
Accrued Liabilities	110,646	79,501
Current Maturities of Bonds Payable	960,093	937,426
Total Current Liabilities	<u>2,223,678</u>	<u>2,349,093</u>
Noncurrent Liabilities		
Bonds Payable	7,978,808	8,519,518
Accrued Compensated Absences	143,052	137,206
Unearned Revenue	1,260,539	1,233,282
Other Liabilities	65,081	66,602
Net Pension Liability	313,092	-
Total Noncurrent Liabilities	<u>9,760,572</u>	<u>9,956,608</u>
Total Liabilities	<u>11,984,250</u>	<u>12,305,701</u>
DEFERRED INFLOWS OF RESOURCES		
Leases	<u>410,958</u>	<u>447,791</u>
NET POSITION		
Net Investment in Capital Assets	47,110,726	43,677,532
Restricted	4,291,780	7,066,474
Unrestricted	6,416,134	5,145,976
Total Net Position	<u>\$ 57,818,640</u>	<u>\$ 55,889,982</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 REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED MARCH 31, 2023 AND 2022

Page 11

	<u>2023</u>	<u>2022</u>
OPERATING REVENUES		
Sales and Assessments	\$ 15,526,208	\$ 14,335,568
Other	2,273,497	1,010,962
Total Operating Revenue	<u>17,799,705</u>	<u>15,346,530</u>
OPERATING EXPENSES		
Purchased Power	7,015,215	6,444,455
Payroll and Employee Related Expenses	1,329,100	990,056
Utilities	28,555	35,124
Repairs and Maintenance	1,099,942	1,074,402
Professional and Contractual Services	1,924,684	1,176,399
Other Supplies and Expenses	127,863	118,984
Administrative	1,637,848	1,720,020
In Lieu of Franchise	797,246	737,395
Bad Debt	-	7,821
Depreciation	2,049,724	1,974,194
Total Operating Expenses	<u>16,010,177</u>	<u>14,278,850</u>
Operating Income	<u>1,789,528</u>	<u>1,067,680</u>
NON-OPERATING REVENUES (EXPENSES)		
Reserve Fund Investment Income	339,529	417,024
Investment Expense	(443,869)	(493,713)
Interest Expense	(204,930)	(205,285)
Impact Fees	945,528	296,944
Gain (Loss) on Sale of Assets	3,929	140,699
Changes in Fair Value of Reserve Fund Investments	(661,865)	(361,542)
Grants	92,315	135,855
Lease Revenue	52,356	57,164
Lease Interest	16,137	8,428
Net Non-Operating Revenues	<u>139,130</u>	<u>(4,426)</u>
Change in Net Position	<u>1,928,658</u>	<u>1,063,254</u>
NET POSITION, BEGINNING OF YEAR	<u>55,889,982</u>	<u>54,826,728</u>
NET POSITION, END OF YEAR	<u>\$ 57,818,640</u>	<u>\$ 55,889,982</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 CASH FLOWS
YEARS ENDED MARCH 31, 2023 AND 2022**

Page 12

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	\$ 14,966,502	\$ 13,970,621
Other Receipts	2,273,497	1,076,554
Payments to Suppliers	(13,706,328)	(10,865,934)
Payments to Employees	(1,274,814)	(1,303,122)
Net Cash Provided by Operating Activities	2,258,857	2,878,119
CASH FLOWS FROM INVESTING ACTIVITIES		
Net Investing Activities	2,311,773	(766,415)
Interest Income	339,529	417,024
Net Cash Provided by Investing Activities	2,651,302	(349,391)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Impact Fees Received	945,528	296,944
Notes Receivable Loans Made	(318,575)	65,592
Notes Receivable Payments Received	134,402	125,775
Net Cash Provided by Non-Capital Financing Activities	761,355	488,311
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of Capital Assets	(4,964,875)	(3,461,892)
Proceeds from Long-Term Debt	419,383	2,000,000
Proceeds from Sale of Capital Assets	3,929	191,045
Principal Payments on Long-Term Debt	(937,426)	(877,018)
Interest Paid on Long-Term Debt	(204,930)	(205,285)
Grants Received	92,315	135,855
Net Cash Used by Capital and Related Financing Activities	(5,591,604)	(2,217,295)
Net Increase (Decrease) in Cash	79,910	799,744
CASH AT BEGINNING OF YEAR	1,459,152	659,408
CASH AT END OF YEAR	\$ 1,539,062	\$ 1,459,152
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income	\$ 1,789,528	\$ 1,067,680
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
Depreciation	2,049,724	1,974,194
Bad Debt	-	7,821
(Increase) Decrease in Assets and Deferred Outflows		
Accounts Receivable	(555,828)	(296,756)
Inventory	(892,509)	128,549
Prepaid Expenses	(15,883)	68,308
Other Assets	(16,970)	(23,425)
Deferred Outflow-Pension	(295,797)	40,796
Increase (Decrease) in Liabilities		
Accounts Payable	(125,521)	240,713
Customer Deposits	(3,878)	(2,596)
Unearned Revenue	(22,571)	28,197
Accrued Liabilities	31,145	45,395
Accrued Compensated Absences	5,846	(49,149)
Other Liabilities	(1,521)	(1,500)
Net Pension Liability	313,092	(350,108)
Net Cash Provided by Operating Activities	\$ 2,258,857	\$ 2,878,119
Noncash Investing Activities - Changes in Fair Value	\$ 661,865	\$ 361,542

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, 2022 AND NOVEMBER 30, 2021**

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As of Plan Fiscal Year Ended:	<u>November 30, 2022</u>	<u>November 30, 2021</u>
ASSETS		
Investments	<u>\$ 2,184,203</u>	<u>\$ 2,535,956</u>
NET POSITION		
Net Position - Restricted for Retirement Benefits	<u>2,184,203</u>	<u>2,535,956</u>
Total Net Position	<u>\$ 2,184,203</u>	<u>\$ 2,535,956</u>

**THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE**
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
PENSION TRUST FUND
NOVEMBER 30, 2022 AND NOVEMBER 30, 2021

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As of Plan Fiscal Year Ended:	<u>November 30, 2022</u>	<u>November 30, 2021</u>
ADDITIONS		
Contributions	\$ 110,503	\$ 217,934
Investment Earnings	<u>(268,096)</u>	<u>185,020</u>
Total Additions	<u>(157,593)</u>	<u>402,954</u>
DEDUCTIONS		
Benefits	171,692	172,402
Administrative	<u>22,468</u>	<u>24,168</u>
Total Deductions	<u>194,160</u>	<u>196,570</u>
Change in Net Position	(351,753)	206,384
NET POSITION, BEGINNING	<u>2,535,956</u>	<u>2,329,572</u>
NET POSITION, ENDING	<u>\$ 2,184,203</u>	<u>\$ 2,535,956</u>

**THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2023 AND 2022**

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, 2023 AND 2022**

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, 2023 and 2022, the allowance account was \$0.

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, 2023 AND 2022**

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 March 31, 2023 include amounts for grant programs of \$82,895 and impact fees of \$4,208,885, at March 31, 2022 include amounts for grant programs of \$64,346 and impact fees of \$7,002,128.

Deferred Outflows and Deferred Inflows 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.

Lease-related amounts are recognized at the inception of the lease. The deferred inflow of resources is recorded in amount equal to the corresponding lease receivable plus certain additional amounts received from the lessee at or before commencement of the lease term that relate to future periods, less any incentives paid to, or on behalf of the lessee at or before commencement of the lease term. The inflow of resources is recognized in a systematic and rational manner over the term of the lease.

**THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2023 AND 2022**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Adoption of Governmental Accounting Standards Board (GASB) Statements

The Board adopted the provisions of GASB Statement No. 91, "*Conduit Debt Obligations (May 2019)*", Statement No. 92, "*Omnibus 2020 (January 2020)*", and Statement No. 93, "*Replacement of Interbank Offered Rates*". The adoption of these GASB Statement did not result in modification of previously reported amounts. The Board also adopted the provisions of GASB Statement No. 87, "*Leases*". The adoption of this Statement resulted in the recognition of lease receivables and additional disclosure in Note 15 as well as a reclassification of prior year amounts.

Pending Changes in Accounting Principles

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, 2023 AND 2022**

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 April special budget/rate 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, 2023, the carrying amount of the Board's cash deposits was \$1,539,062 and the bank balance was \$1,749,363. Of the bank balance \$250,000 was covered by the Federal Deposit Insurance Corporations and the remaining \$1,499,363 was 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.

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.

**THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2023 AND 2022**

NOTE 5 INVESTMENTS (CONTINUED)

As of March 31, 2023 and 2022 all of the Board's reserve fund investments and pension trust investments are valued using market closing prices (Level 1 inputs).

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, 2023 and March 31, 2022, 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, 2023 and 2022. 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 loses 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, 2022	\$ 137,206	Balance March 31, 2021	\$ 186,355
Additions/(Reductions)	5,846	Additions/(Reductions)	(49,149)
Balance March 31, 2023	<u>\$ 143,052</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 OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2023 AND 2022**

NOTE 7 NOTES RECEIVABLE (CONTINUED)

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, 2023, and 2022 is \$78,164 and \$81,482 and \$921,688 and \$925,007 for water and wastewater, respectively.

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, 2023, and March 31, 2022, is \$563,728 and \$602,481, respectively.

In 2023, the owner of Donovan-Smith Mobile Home Park has agreed to pay a note to the Board for the cost of sewer district capital improvement cost also referred to as "Utility Assessments". The owner has the option of paying the note in at anytime or a monthly payment over 10 years at 2% interest. Payments on this note receivable are used by the Board to pay notes payable due to the Delaware Drinking Water Revolving Fund and the Delaware Water Pollution Control Revolving Fund who funded the cost of Donovan-Smith MHP infrastructure. The Board records income related to the receivable as deferred until paid and a note receivable for amount unpaid. The amount owed to the Board as of March 31, 2023, is \$298,056.

**THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2023 AND 2022**

NOTE 8 CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2023, 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	<u>11,424,469</u>	<u>4,286,019</u>	<u>-</u>	<u>15,710,488</u>
Total Capital Assets Not Being Depreciated	<u>14,227,606</u>	<u>4,286,019</u>	<u>-</u>	<u>18,513,625</u>
Capital Assets Being Depreciated				
Infrastructure	55,037,650	584,626	(213,451)	55,408,825
Buildings and Improvements	9,038,214	-	(69,469)	8,968,745
Furniture and Equipment	1,468,578	52,472	(44,144)	1,476,906
Vehicles	2,255,866	41,758	(122,235)	2,175,389
Software	769,753	-	-	769,753
Total Capital Assets Being Depreciated	<u>68,570,061</u>	<u>678,856</u>	<u>(449,299)</u>	<u>68,799,618</u>
Less Accumulated Depreciation for				
Infrastructure	21,180,549	1,627,760	(213,451)	22,594,858
Buildings and Improvements	5,496,129	192,471	(69,469)	5,619,131
Furniture and Equipment	1,001,488	85,741	(44,144)	1,043,085
Vehicles	1,380,316	131,385	(122,235)	1,389,466
Software	604,709	12,367	-	617,076
Total Accumulated Depreciation	<u>29,663,191</u>	<u>2,049,724</u>	<u>(449,229)</u>	<u>31,263,616</u>
Capital Assets, Being Depreciated, Net	<u>38,906,870</u>	<u>(1,370,868)</u>	<u>-</u>	<u>37,536,002</u>
Total Capital Assets	<u>\$ 53,134,476</u>	<u>\$ 2,915,151</u>	<u>\$ -</u>	<u>\$ 56,049,627</u>

**THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2023 AND 2022**

NOTE 8 CAPITAL ASSETS (CONTINUED)

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	14,101,962	6,288,938	(6,163,294)	14,227,606
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	65,416,058	3,336,248	(182,245)	68,570,061
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	27,820,889	1,974,204	(131,902)	29,663,191
Capital Assets, Being Depreciated, Net	37,595,169	1,362,044	(50,343)	38,906,870
Total Capital Assets	\$ 51,697,131	\$ 7,650,982	\$(6,213,637)	\$ 53,134,476

NOTE 9 LONG-TERM DEBT

Changes in long-term debt for the year ended March 31, 2023 were as follows:

<u>Direct Borrowings:</u>	Beginning Balances	Increases	Decreases	Ending Balances	Due Within One Year
Water					
General Obligation Bonds	\$ 2,053,230	\$ 125,717	\$ (81,193)	\$ 2,097,754	\$ 82,825
Wastewater					
General Obligation Bonds	7,403,714	293,666	(856,233)	6,841,147	877,268
Total Debt	\$ 9,456,944	\$ 419,383	\$ (937,426)	\$ 8,938,901	\$ 960,093

**THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2023 AND 2022**

NOTE 9 LONG-TERM DEBT (CONTINUED)

Changes in long-term debt for the year ended March 31, 2022, 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	\$ 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	<u>\$ 8,333,962</u>	<u>\$ 2,000,000</u>	<u>\$ (877,018)</u>	<u>\$ 9,456,944</u>	<u>\$ 937,426</u>

Debt Service Requirements

Principal and interest requirements to amortize the general obligation bonds as of March 31, 2023 are as follows:

<u>Year Ending</u>	<u>Bonds Payable</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 960,093	\$ 159,282	\$ 1,119,375
2025	983,312	136,693	1,120,005
2026	1,007,095	113,552	1,120,647
2027	1,031,457	89,843	1,121,300
2028	199,967	70,876	270,843
2029-2033	1,061,772	302,948	1,364,720
2034-2038	1,172,852	210,702	1,383,554
2039-2043	1,237,181	108,800	1,345,981
2044-2048	710,518	30,421	740,939
2049-2053	155,271	1,557	156,827
	<u>8,519,518</u>	<u>\$ 1,224,674</u>	<u>\$ 9,744,192</u>
Add: drawn proceeds	419,383		
Total Outstanding Debt	<u>\$ 8,938,901</u>		

**THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2023 AND 2022**

NOTE 9	LONG-TERM DEBT (CONTINUED)	Balance at March 31, 2023	Balance at March 31, 2022
	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.	\$ 3,220,718	\$ 3,977,115
	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%.	1,162,983	1,201,427
	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.	88,737	91,668
	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%.	2,163,780	2,225,172
	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%.	1,883,299	1,961,562
	On May 31, 2022, the City of Lewes issued \$1,750,000 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. The funds are being used by the Board for the replacement and rebuilding of components of the Howard Seymour Water Reclamation Facility. Amortization of the loan starts when the full principal of the loan is drawn. There was an initial drawdown of \$106,115 in 2023	1,750,000	-
	On August 18, 2022, the City of Lewes issued \$2,742,146 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. The funds are being used by the Board for the installation of a sewer main and wastewater disposal system at the Donovan Smith Manufactured Home Park Project. Amortization of the loan starts when the full principal of the loan is drawn. There was an initial drawdown of \$187,551 in 2023.	2,742,146	-
	On August 18, 2022, the City of Lewes issued \$2,869,998 of general obligation bonds due to the Delaware Drinking Water State Revolving Fund acting by and through the Delaware Department of Heath and Social Services, Division of Public Health. The funds are being used by the Board installation of a water main and system at the Donovan Smith Manufactured Home Park Project. Amortization of the loan starts when the full principal of the loan is drawn. There was an initial drawdown of \$125,717 in 2023.	2,869,998	-
Less: current portion		(960,093)	(937,426)
Less: undrawn proceeds		(6,942,760)	-
Total Long-Term Portion of Debt		<u>\$ 7,978,808</u>	<u>\$ 8,519,518</u>

**THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2023 AND 2022**

NOTE 9 LONG-TERM DEBT (CONTINUED)

The direct borrowings with the Delaware Drinking Water State Revolving Fund and Delaware Drinking Water State Revolving Fund in the aggregate amount of \$8,938,901 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. 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 \$110,503.

Membership of the plan

The membership consisted of the following at November 30, 2022, 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	<hr/> 32

Assumptions. The Board's net pension liability was measured as of November 30, 2022 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, 2021, using an actuarial assumption of an investment rate of return of 4.0%.

Mortality rates were based on the 2022 Static Table Non-Annuitant.

The actuarial assumptions used in the December 1, 2021 valuations were reviewed by the Board's actuary; a recent experience review was not performed.

**THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2023 AND 2022**

NOTE 10 DEFINED BENEFIT PENSION PLAN (CONTINUED)

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.

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, 2021 (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, 2022, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was (10.98%). The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested

**THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2023 AND 2022**

NOTE 10 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Changes in the Net Pension Liability

The components and changes in the Board's net pension liability for the year ended November 30, 2022 were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a-b)
Changes for the Year:			
Interest	\$ 97,998	\$ -	\$ 97,998
Differences Between Expected and Actual Experience	34,755	-	34,755
Changes in Assumptions	278	-	278
Contributions - Employer	-	110,503	(110,503)
Net Investment Income	-	(268,096)	268,096
Benefit Payments	(171,692)	(171,692)	-
Administrative Expense	-	(22,468)	22,468
Net Increase (Decrease)	(38,661)	(351,753)	313,092
Balances as of November 30, 2021	2,535,956	2,535,956	-
Balances as of November 30, 2022	<u>\$ 2,497,295</u>	<u>\$ 2,184,203</u>	<u>\$ 313,092</u>

The change in assumption was the result of an update to mortality tables from the 2021 Static Table-Non-Annuitant (Male and Female) and the 2021 Static Table-Annuitant (Male and Female) to the respective 2022 Static Tables.

As of November 30, 2022, the plan fiduciary net position as a percentage of the total pension liability as 87.46%.

At November 30, 2022, the Board reported deferred outflows of resources and deferred inflow of resources related to the pension plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Projected and Actual Investment Earnings	\$ 295,797	\$ -
Total	<u>\$ 295,797</u>	<u>\$ -</u>

The total pension expense recognized in 2022 for the plan was \$56,654. The deferred outflows of resources will be recognized in pension expense as follows:

Year Ended:	
2023	\$ 73,949
2024	73,949
2025	73,949
2026	73,950
Total	<u>\$ 295,797</u>

**THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2023 AND 2022**

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, 2023 and 2022, 98% and 98%, respectively, of the power was purchased from DEMEC and 2% and 2%, after netting their usage 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, 2023, rent and in lieu of franchise fees paid to the City were \$136,706 and \$797,246 respectively; and were \$185,376 and \$737,395 for the year ended March 31, 2022, 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 Donovan Smith Mobile Home Park. As of March 31, 2023, the balance remaining on the open contracts \$4,446,446.

NOTE 15 LEASES

The Board, as the lessor, had entered into a lease of a cellphone tower with Cingular AT&T and a lease of land improvements with Verizon. An initial lease receivable was recorded in the amount of \$ 228,378 and \$245,309 respectively. There was no additional revenue for variable and other payments not included in the measurement of the lease receivable. As of March 31, 2023 and 2022, the value of the lease receivable is \$410,958 and \$447,791, respectively and the related deferred inflow for future payments expected to be collected on the lease is \$410,958 and \$447,791, respectively. The lessee is required to make monthly fixed payments having ranging from \$2,664 through 2,937. The leases have an interest rate of 4% and 3% respectively. For the year ended March 31, 2023, the Board has recognized lease revenue and interest of \$52,356 and \$16,137, respectively and for the year ended March 31, 2022 the board recognized lease revenue and interest of \$57,164 and \$8,428, respectively.

**THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2023 AND 2022**

NOTE 15 LEASES (CONTINUED)

The Board has entered into two agreements with external parties to provide office space and utility groundlines. These agreements do not meet the criteria of a lease under GASB 87 as the terms and conditions specify that either party can terminate the agreement at any time. Since the terms and conditions of the contracts do not specify a non-cancellable period, the Board has not recorded a liability in the financial statements for these agreements in accordance with GASB 87.

The Board has entered into a rental agreement with an external party to provide a utility pole infrastructure. This agreement does not meet the criteria of a lease under GASB 87 as the terms and conditions specify payment based on usage. Since the terms and payments are variable based on usage, the Board has not recorded a receivable in the financial statements for this agreement in accordance with GASB 87.

NOTE 16 LINE OF CREDIT

The Board has a \$3,000,000 secured line-of-credit available as of March 31, 2023. The interest is accrued at a variable rate of Secured Overnight Financing Rate (SOFR) plus 2.00% and a minimum interest rate of 2.15%. There was no balance outstanding as of March 31, 2023.

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, 2022

	2022	2021	2020	2019	2018	2017
Total pension liability						
Interest	\$ 97,998	\$ 103,739	\$ 107,954	\$ 110,791	\$ 108,903	\$ 106,801
Differences between expected and actual experience	34,755	(213,693)	(32,647)	12,946	147,727	139,664
Changes of assumptions	278	138,632	(1,017)	(13,776)	-	-
Benefit payments, including refunds of employee contributions	(171,692)	(172,402)	(186,895)	(202,470)	(188,806)	(197,129)
Net change in total pension liability	(38,661)	(143,724)	(112,605)	(92,509)	67,824	49,336
Total pension liability - beginning	2,535,956	2,679,680	2,792,285	2,884,794	2,816,970	2,767,634
Total pension liability - ending (a)	\$ 2,497,295	\$ 2,535,956	\$ 2,679,680	\$ 2,792,285	\$ 2,884,794	\$ 2,816,970
 Plan fiduciary net position						
Contributions - employer	\$ 110,503	\$ 217,934	\$ -	\$ 326,544	\$ 286,990	\$ 677
Net investment income	(268,096)	185,020	244,983	152,469	(21,516)	22,290
Other Additions	-	-	-	-	34,089	-
Benefit payments, including refunds of employee contributions	(171,692)	(172,402)	(186,895)	(202,470)	(188,806)	(197,129)
Administrative expense	(22,468)	(24,168)	(21,926)	(20,199)	(4,545)	(8,231)
Net change in plan fiduciary position	(351,753)	206,384	36,162	256,344	106,212	(182,393)
 Plan fiduciary net position - beginning	2,535,956	2,329,572	2,293,410	2,037,066	1,930,854	2,113,247
Plan fiduciary net position - ending (b)	\$ 2,184,203	\$ 2,535,956	\$ 2,329,572	\$ 2,293,410	\$ 2,037,066	\$ 1,930,854
 Authority's net pension liability - ending (a) - (b)	\$ 313,092	\$ -	\$ 350,108	\$ 498,875	\$ 847,728	\$ 886,116
 Plan fiduciary net position as a percentage of the total pension liability	87.46%	100.00%	86.93%	82.13%	70.61%	68.54%
 Covered payroll *	N/A	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	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 30,2022

	2014	2015	2016	2017	2018	2019	2020	2021	2022
Actuarially determined contribution	\$ 150,262	\$ 165,131	\$ 184,393	\$ 207,288	\$ 286,990	\$ 326,544	\$ 308,871	\$ 167,934	\$ 110,503
Contributions in relation to the actuarially determined contribution	<u>150,262</u>	<u>165,131</u>	<u>184,393</u>	<u>677</u>	<u>286,990</u>	<u>326,544</u>	<u>-</u>	<u>217,934</u>	<u>110,503</u>
Contribution deficiency (excess)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 206,611</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 308,871</u></u>	<u><u>\$ (50,000)</u></u>	<u><u># \$ -</u></u>
Covered payroll *	N/A	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	N/A

Notes to Schedule

Valuation date: Actuarially determined contribution rates are calculated as of December 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	2022 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 form the 2020 Static Tables to the 2021 Static Tables
- Effective 12/1/21 the mortality table was updated form the 2021 Static Tables to the 2022 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 30,2022

	<u>2022</u>	<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	-10.98%	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**

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**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
ELECTRIC DEPARTMENT
YEARS ENDED MARCH 31, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
OPERATING REVENUES		
Sale of Electric Energy		
Residential	\$ 4,794,646	\$ 4,391,029
Commercial	1,426,451	1,304,071
Industrial	3,179,366	3,183,462
Municipal	111,724	119,535
Other	<u>283,415</u>	<u>201,896</u>
Total Operating Revenues	<u>9,795,602</u>	<u>9,199,993</u>
OPERATING EXPENSES		
Purchased Power	7,015,215	6,444,455
Payroll and Employee Related Expenses	633,586	520,780
Utilities	5	3,218
Repairs and Maintenance	4,139	198,611
Professional and Contractual Services	327,481	131,025
Other Supplies and Expenses	42,027	48,340
Administrative	765,117	696,099
In Lieu of Franchise	495,436	468,957
Bad Debt	-	5,963
Depreciation	<u>433,030</u>	<u>418,485</u>
Total Operating Expenses	<u>9,716,036</u>	<u>8,935,933</u>
Operating Income	<u>79,566</u>	<u>264,060</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest Income	138,278	162,204
Investment Expense	(188,312)	(207,357)
Impact Fees	131,365	38,172
Gain on Sale of Assets	1,768	52,762
Changes in Fair Value of Investments	<u>(297,839)</u>	<u>(154,738)</u>
Net Non-Operating Revenue (Expense)	<u>(214,740)</u>	<u>(108,957)</u>
Change in Net Position	<u>(135,174)</u>	<u>155,103</u>
NET POSITION, BEGINNING OF YEAR	<u>16,747,596</u>	<u>16,592,493</u>
NET POSITION, END OF YEAR	<u>\$ 16,612,422</u>	<u>\$ 16,747,596</u>

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

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**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
WATER DEPARTMENT
YEARS ENDED MARCH 31, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
OPERATING REVENUES		
Sale of Water		
Residential	\$ 1,340,758	\$ 1,126,291
Commercial	210,642	198,004
Industrial	803,313	652,610
Municipal	13,974	12,371
Other	588,494	498,638
Total Operating Revenues	<u>2,957,181</u>	<u>2,487,914</u>
OPERATING EXPENSES		
Payroll and Employee Related Expenses	638,438	446,074
Utilities	6,028	8,340
Repairs and Maintenance	288,631	420,762
Professional and Contractual Services	344,110	170,161
Other Supplies and Expenses	50,508	25,816
Administrative	418,501	447,199
In Lieu of Franchise	119,273	101,760
Bad Debt	-	453
Depreciation	361,503	341,949
Total Operating Expenses	<u>2,226,992</u>	<u>1,962,514</u>
Operating Income	<u>730,189</u>	<u>525,400</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest Income	98,462	119,925
Investment Expense	(115,406)	(128,366)
Interest Expense	(40,660)	(21,987)
Impact Fees	379,092	141,197
Gain on Sale of Assets	1,022	39,790
Changes in Fair Value of Investments	(172,085)	(94,001)
Grants	90,974	51,691
Lease Revenue	52,356	57,164
Lease Interest	16,137	8,428
Net Non-Operating Revenue	<u>309,892</u>	<u>173,841</u>
Change in Net Position	<u>1,040,081</u>	<u>699,241</u>
NET POSITION, BEGINNING OF YEAR	<u>15,791,060</u>	<u>15,091,819</u>
NET POSITION, END OF YEAR	<u>\$ 16,831,141</u>	<u>\$ 15,791,060</u>

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

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**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
WASTEWATER DEPARTMENT
YEARS ENDED MARCH 31, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
OPERATING REVENUES		
Wastewater Assessments		
Residential	\$ 2,742,046	\$ 2,523,408
Commercial	273,578	289,142
Industrial	374,636	322,156
Municipal	22,940	21,352
Other	<u>1,373,555</u>	<u>290,820</u>
Total Operating Revenues	<u>4,786,755</u>	<u>3,446,878</u>
OPERATING EXPENSES		
Payroll and Employee Related Expenses	50,480	23,019
Utilities	21,910	23,566
Repairs and Maintenance	805,985	453,212
Professional and Contractual Services	1,239,461	843,212
Other Supplies and Expenses	32,944	40,249
Administrative	398,374	412,738
In Lieu of Franchise	170,880	157,029
Bad Debt	-	1,281
Depreciation	<u>1,188,686</u>	<u>1,147,795</u>
Total Operating Expenses	<u>3,908,720</u>	<u>3,102,101</u>
Operating Income (Loss)	<u>878,035</u>	<u>344,777</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest Income	87,425	104,963
Investment Expense	(106,528)	(118,491)
Interest Expense	(164,270)	(183,301)
Impact Fees	435,071	117,575
Gain on Sale of Assets	943	27,110
Changes in Fair Value of Investments	(158,848)	(86,770)
Grants	1,341	84,164
Net Non-Operating Revenue (Expense)	<u>95,134</u>	<u>(54,750)</u>
Change in Net Position	<u>973,169</u>	<u>290,027</u>
NET POSITION, BEGINNING OF YEAR	<u>21,424,392</u>	<u>21,134,365</u>
NET POSITION, END OF YEAR	<u>\$ 22,397,561</u>	<u>\$ 21,424,392</u>

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

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**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
STORMWATER DEPARTMENT
YEARS ENDED MARCH 31, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
OPERATING REVENUES		
Stormwater Assessments		
Residential	\$ 202,630	\$ 167,367
Commercial	19,544	16,550
Industrial	7,872	6,480
Municipal	2,088	1,740
Other	<u>28,033</u>	<u>19,608</u>
Total Operating Revenues	<u>260,167</u>	<u>211,745</u>
OPERATING EXPENSES		
Payroll and Employee Related Expenses	6,596	183
Utilities	612	-
Repairs and Maintenance	1,187	1,817
Professional and Contractual Services	13,632	32,001
Other Supplies and Expenses	2,384	4,579
Administrative	55,856	163,984
In Lieu of Franchise	11,657	9,649
Bad Debt	-	124
Depreciation	<u>66,505</u>	<u>65,965</u>
Total Operating Expenses	<u>158,429</u>	<u>278,302</u>
Operating Loss	<u>101,738</u>	<u>(66,557)</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest Income	15,364	29,932
Investment Expense	(33,623)	(39,496)
Gain on Sale of Assets	196	21,037
Changes in Fair Value of Investments	<u>(33,093)</u>	<u>(26,033)</u>
Net Non-Operating Revenue (Expense)	<u>(51,156)</u>	<u>(14,560)</u>
Change in Net Position	<u>50,582</u>	<u>(81,117)</u>
NET POSITION, BEGINNING OF YEAR	<u>1,926,934</u>	<u>2,008,051</u>
NET POSITION, END OF YEAR	<u>\$ 1,977,516</u>	<u>\$ 1,926,934</u>

**THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE**
SCHEDULE OF CAPITAL ASSETS BY DEPARTMENT
MARCH 31, 2023

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	Beginning Balance	Additions & Transfers	Deletions & Transfers	Ending Balance
Electric				
Capital Assets Not Being Depreciated				
Land	\$ 211,160	\$ -	\$ -	\$ 211,160
Construction in Progress	439,173	143,938	-	583,111
Total Capital Assets Not Being Depreciated	<u>650,333</u>	<u>143,938</u>	<u>-</u>	<u>794,271</u>
Capital Assets Being Depreciated				
Infrastructure	11,700,318	231,936	(135,062)	11,797,192
Buildings and Improvements	326,699	-	(69,469)	257,230
Furniture and Equipment	328,541	18,873	(4,283)	343,131
Vehicles	1,237,068	17,538	(98,503)	1,156,103
Software	246,358	-	-	246,358
Total Capital Assets Being Depreciated	<u>13,838,984</u>	<u>268,347</u>	<u>(307,317)</u>	<u>13,800,014</u>
Less Accumulated Depreciation for				
Infrastructure	6,066,316	349,880	(135,062)	6,281,134
Buildings and Improvements	244,954	7,901	(69,469)	183,386
Furniture and Equipment	267,654	26,218	(2,148)	291,724
Vehicles	873,156	42,384	(98,503)	817,037
Software	166,838	5,298	-	172,136
Total Accumulated Depreciation	<u>7,618,918</u>	<u>431,681</u>	<u>(305,182)</u>	<u>7,745,417</u>
Electric Department, Capital Assets, Net	<u>6,870,399</u>	<u>(19,396)</u>	<u>(2,135)</u>	<u>6,848,868</u>
Water				
Capital Assets Not Being Depreciated				
Land	\$ 2,195,320	\$ -	\$ -	\$ 2,195,320
Construction in Progress	3,177,549	1,813,181	-	4,990,730
Total Capital Assets Not Being Depreciated	<u>5,372,869</u>	<u>1,813,181</u>	<u>-</u>	<u>7,186,050</u>
Capital Assets Being Depreciated				
Infrastructure	11,842,370	88,165	(78,389)	11,852,146
Buildings and Improvements	539,771	-	-	539,771
Furniture and Equipment	223,233	11,683	(39,861)	195,055
Vehicles	413,348	10,857	(3,200)	421,005
Software	139,732	-	-	139,732
Total Capital Assets Being Depreciated	<u>13,158,454</u>	<u>110,705</u>	<u>(121,450)</u>	<u>13,147,709</u>
Less Accumulated Depreciation for				
Infrastructure	3,168,827	281,643	(78,389)	3,372,081
Buildings and Improvements	243,245	14,689	-	257,934
Furniture and Equipment	185,048	19,422	(41,996)	162,474
Vehicles	195,393	41,637	(3,200)	233,830
Software	112,333	4,111	-	116,444
Total Accumulated Depreciation	<u>3,904,846</u>	<u>361,502</u>	<u>(123,585)</u>	<u>4,142,763</u>
Water Department, Capital Assets, Net	<u>14,626,477</u>	<u>1,562,384</u>	<u>2,135</u>	<u>16,190,996</u>

**THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE**
SCHEDULE OF CAPITAL ASSETS BY DEPARTMENT (CONTINUED)
MARCH 31, 2023

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	Beginning Balance	Additions & Transfers	Deletions & Transfers	Ending Balance
<u>Wastewater</u>				
Capital Assets Not Being Depreciated				
Land	\$ 378,794	\$ -	\$ -	\$ 378,794
Construction in Progress	7,476,663	2,307,799	-	9,784,462
Total Capital Assets Not Being Depreciated	<u>7,855,457</u>	<u>2,307,799</u>	<u>-</u>	<u>10,163,256</u>
Capital Assets Being Depreciated				
Infrastructure	29,824,663	264,526	-	30,089,189
Buildings and Improvements	8,170,626	-	-	8,170,626
Furniture and Equipment	860,235	18,321	-	878,556
Vehicles	404,428	10,022	(20,532)	393,918
Software	355,077	-	-	355,077
Total Capital Assets Being Depreciated	<u>39,615,029</u>	<u>292,869</u>	<u>(20,532)</u>	<u>39,887,366</u>
Less Accumulated Depreciation for				
Infrastructure	11,533,846	957,363	-	12,491,209
Buildings and Improvements	5,007,785	169,838	-	5,177,623
Furniture and Equipment	527,065	32,974	-	560,039
Vehicles	229,991	26,198	(20,532)	235,657
Software	305,355	2,312	-	307,667
Total Accumulated Depreciation	<u>17,604,042</u>	<u>1,188,685</u>	<u>(20,532)</u>	<u>18,772,195</u>
Wastewater Department, Capital Assets, Net	<u>29,866,444</u>	<u>1,411,983</u>	<u>-</u>	<u>31,278,427</u>
 <u>Stormwater</u>				
Capital Assets Not Being Depreciated				
Land	\$ 17,863	\$ -	\$ -	\$ 17,863
Construction in Progress	331,084	21,100	-	352,184
Total Capital Assets Not Being Depreciated	<u>348,947</u>	<u>21,100</u>	<u>-</u>	<u>370,047</u>
Capital Assets Being Depreciated				
Infrastructure	1,670,299	-	-	1,670,299
Buildings and Improvements	1,118	-	-	1,118
Furniture and Equipment	56,569	3,595	-	60,164
Vehicles	201,022	3,341	-	204,363
Software	28,586	-	-	28,586
Total Capital Assets Being Depreciated	<u>1,957,594</u>	<u>6,936</u>	<u>-</u>	<u>1,964,530</u>
Less Accumulated Depreciation for				
Infrastructure	411,559	38,874	-	450,433
Buildings and Improvements	145	43	-	188
Furniture and Equipment	21,721	7,127	-	28,848
Vehicles	81,777	21,166	-	102,943
Software	20,183	646	-	20,829
Total Accumulated Depreciation	<u>535,385</u>	<u>67,856</u>	<u>-</u>	<u>603,241</u>
Stormwater Department, Capital Assets, Net	<u>1,771,156</u>	<u>(39,820)</u>	<u>-</u>	<u>1,731,336</u>
Capital Assets, Net	<u>\$ 53,134,476</u>	<u>\$ 2,915,151</u>	<u>\$ -</u>	<u>\$ 56,049,627</u>



**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 (*Government Auditing Standards*), the financial statements of the business-type activities of the Board of Public Works of the City of Lewes Delaware, as of March 31, 2023 and 2022, and the aggregate remaining fund information as of November 30, 2022 and 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 9, 2023.

Report on Internal Control over Financial Reporting

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



Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 Board'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 Axelrod LLC

ZELENKOFSKA AXELROD LLC

Harrisburg, Pennsylvania
August 9, 2023