

**THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
FINANCIAL STATEMENTS
MARCH 31, 2024 AND 2023**

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

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INDEPENDENT AUDITOR'S REPORT

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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, 2024 and 2023, and the aggregate remaining fund information as of and for the years ended November 30, 2023 and 2022, 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, 2024 and 2023, and the aggregate remaining fund information as of November 30, 2023 and 2022, 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* (GAS), 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 and GAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and GAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by 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 2 to the financial statements, in 2024 the Board adopted the provisions of GASB Statement No. 94 "*Public-Private and Public-Public Partnerships and Availability Payment Arrangements*", Statement No. 96 "*Subscription-Based Information Technology Arrangements*", and the required provisions of Statement No. 99, "*Omnibus 2022*". Our opinions are 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 September 5, 2024, 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

ZELENKOFSCHE AXELROD LLC

Harrisburg, Pennsylvania
September 5, 2024

THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
Management's Discussion and Analysis (MD&A)
March 31, 2024

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, 2024. The intent of the Management's Discussion and Analysis (MD&A) is to summarize BPW's financial performance as a whole, in part, using comparative information from the current year analyzed against prior years. It is recommended that it be read in conjunction with the accompanying basic financial statements and notes to the financial statements in order to obtain a thorough understanding of the BPW's financial condition as of March 31, 2024.

Financial Highlights

The following items detail the Board of Public Works' financial highlights for the fiscal year ended March 31, 2024:

- The assets and deferred outflows of the BPW exceeded our liabilities and deferred inflows at the close of the year by \$60,754,653 (net position). Of this amount, \$6,495,029 are unrestricted.
- BPW's total net position increased by \$2,936,013.
- As of the close of the current year, BPW reported combined ending cash balances totaling \$3,020,198, an increase of \$1,481,136 in comparison with the prior year.
- The largest portion of BPW's total assets (79.2%) 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 not be converted readily to cash.
- BPW made bond principal payments of \$960,093.

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, 2024

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

	2024	2023	2022*
Current Assets			
Unrestricted	\$ 7,505,044	\$ 7,263,411	\$ 6,276,461
Restricted	5,982,546	4,320,599	7,119,119
Non-current Assets			
Capital Assets, Net	59,616,419	56,049,627	53,134,475
Other Assets	2,176,120	2,284,414	1,702,460
Deferred Outflows of Resources	221,848	295,797	0
Total Assets & Deferred Outflows	\$ 75,501,977	\$ 70,213,848	\$ 68,168,181
Current Liabilities	\$ 2,202,236	\$ 2,223,678	\$ 2,349,092
Non-current Liabilities	12,190,687	9,760,572	9,956,608
Total Liabilities	\$ 14,392,923	\$ 11,984,250	\$ 12,305,700
Deferred Inflows of Resources	\$ 354,401	\$ 410,958	447,791
Net Position:			
Net Investment in Capital Assets	\$ 49,198,786	\$ 47,110,726	\$ 43,677,531
Restricted	5,060,838	4,291,780	7,066,474
Unrestricted	6,495,029	6,416,134	5,145,977
Total Net Position	\$ 60,754,653	\$ 57,818,640	\$ 55,889,982

*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 \$60,754,653. The largest portion of BPW's net position (81.0%) reflects its net investment in capital assets used to acquire those assets that are still in service.

Capital assets, net, which represent 79.0% of BPW's assets and deferred outflows, increased in 2024 by \$3,566,792 or 6.4% from 2023 due to capital spending on various improvement projects. Liabilities increased in 2024 by \$2,408,673 or 20.1% from 2023. BPW continues to draw on State Revolving Fund Loans for projects including Capes Cove, Water Tower, Headworks, and Donovan Smith Mobile Home Park.

THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
Management's Discussion and Analysis (MD&A) - Continued
March 31, 2024

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

	2024	2023	2022*
Operating Revenues			
Sales and Assessments	\$ 18,176,671	\$ 15,526,208	\$ 14,335,568
Other	1,932,574	2,273,497	1,010,962
Total Operating Revenues	<u>20,109,245</u>	<u>17,799,705</u>	<u>15,346,530</u>
Operating Expenses			
Purchased Power	7,613,333	7,015,215	6,444,455
Payroll and Administrative	3,426,872	2,966,948	2,710,076
Other Supplies and Expenses	4,774,189	3,978,290	3,150,125
Depreciation and Amortization	2,204,926	2,049,724	1,974,194
Total Operating Expenses	<u>18,019,320</u>	<u>16,010,177</u>	<u>14,278,850</u>
Non-operating Revenues (Expenses)			
Investment Income	413,947	339,529	417,024
Interest Expense	(443,182)	(443,869)	(493,713)
Investment Expense	(192,308)	(204,930)	(205,285)
Impact Fees	760,192	945,528	296,944
Gain (Loss) on Sale of Assets	(333)	3,929	140,699
Change in Fair Value of Investments	154,938	(661,865)	(361,542)
Grants	81,953	92,315	135,855
Lease Revenue & Interest GASB 87	70,881	68,493	65,592
Net Non-operating Revenues	<u>846,088</u>	<u>139,130</u>	<u>(4,462)</u>
Increase (Decrease) in Net Position	<u>2,936,013</u>	<u>1,928,658</u>	<u>1,063,254</u>
Beginning Net Position	<u>57,818,640</u>	<u>55,889,982</u>	<u>54,826,728</u>
Ending Net Position	<u>\$ 60,754,653</u>	<u>\$ 57,818,640</u>	<u>\$ 55,889,982</u>

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

Operating revenues in 2024 increased by \$2,309,540 or 13.0% from 2023. The primary reason for the increase in revenues was due to the increase in rates and developer payments for infrastructure. All departments were net positive contributors. The largest category of operating expenses is purchased power at 42.3%. Payroll and administrative expenses in 2024 increased by \$459,924 or 15.5% from 2023 primarily due to a full year of the new staff hired in 2023 and increases in benefits. Other supplies and expenses in 2024 increase by \$795,899 or 20.0% from 2023 primarily due to an increase of cost of goods and professional fees, with the biggest increase being seen in our sludge/waste hauling. Our non-operating revenues and expenses made a positive impact on our net position. The largest contributor in 2024 are impact fees. The city continues to see population growth from new construction. Also, our investments saw a positive change in fair market value, the first time in 3 years.

THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
Management's Discussion and Analysis (MD&A) - Continued
March 31, 2024

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 \$10,417,633 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.

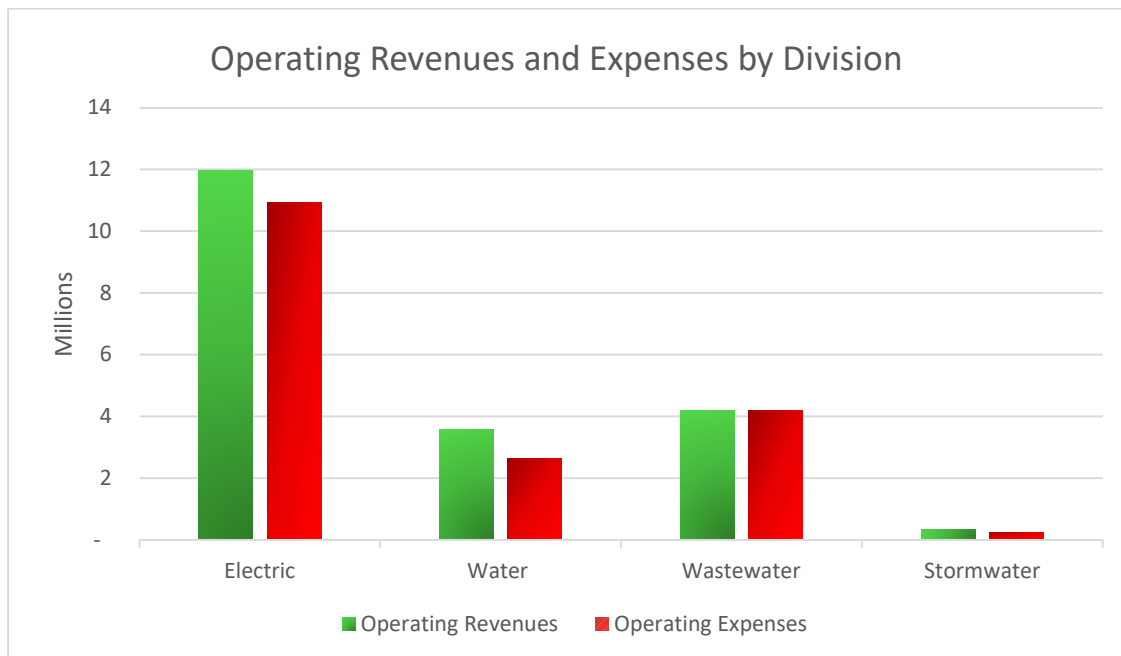
The BPW's capital assets totaled \$59,616,419 for the year ended. Of this amount, \$14,113,315 represented construction in progress at March 31, 2024. See Note 8 for further information on capital projects by department.

Summary of the Financial Reporting Entity

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

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

The electric department provides the majority of BPW's operating revenues and operating expenses at \$11,972,981 and \$10,952,285, respectively. Purchased power of \$7,613,333 was the largest single cost to the electric department.



THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
Management's Discussion and Analysis (MD&A) - Continued
March 31, 2024

Managerial Report

The 2023-2024 year saw a continued amount of growth in the form of additional units being added to the BPW service territory. Seasonality, as mentioned in previous years, continues to even out. We're seeing narrower and narrower gaps in usage year over year. For example, our water treatment plant used to see a 50% decrease in production in the off season which lasted for 6+ months. Now, we see a 40-50% decrease only lasting 3-4 months before it starts climbing back up to our summertime numbers. This seems to foreshadow that those who live here or moving here are full-time vs. a more seasonal population that existed, say 10 years ago.

This year has not lacked in the number of projects being implemented. From the Donovan Smith Water/Sewer project extension to the wastewater treatment plant headworks project, we have been busy. We also executed the Capes Cove water/sewer extension documents and worked with our contract engineers on the canal crossing, water tower and common header projects. Needless to say, the Board is investing heavily into its infrastructure and will continue to do so in the foreseeable future. BPW staff have been consistently meeting to discuss the funding mechanism for a lot of the future projects. We continue to be engaged with our rate consultants to ensure we maintain our cost of service while investing back into the BPW system(s) i.e. water, sewer, electric and stormwater. One of the items we have been focusing a lot of our time on is grants. Unfortunately, we do not have a designated person associated with grant writing, so we have been handling the task as a joint staff effort and at a consultant level. GMB has provided their expertise when working on some of the applications along with the support of the University of Delaware, who graciously assist with seeking out and writing the grants. The most notable this year was the \$250,000 hazard mitigation grant to analyze all the BPW pump stations located within the flood plain. Ultimately, the grant will help fund the study and preliminary design for improvements to these stations. We also requested and received \$900,000 of ARPA funds from the City of Lewes. The Board has until December 31, 2024, to allocate those funds and must expend those funds by December 31, 2026. The Board will begin to discuss where to allocate those funds so that we meet that 2024 deadline.

Since COVID, some of our largest issues continue to be increasing costs and extended lead time. We see this in almost every aspect of the business; from transformers to meter pits to procuring vehicles. During this time, vendors have implemented additional charges with the most prominent one being "fuel surcharge". We continue to periodically follow up with those vendors on the status of these ongoing charges. Bucket trucks for the electric utility still have lead times of 24+ months with costs that have risen 50% or more. Lead time on water meters is still 6+ months, while the encoder receiver transmitters (ERT) are 12+ months. This makes reorder points more challenging and has shifted our normal routines. The rising costs of materials and labor have had a large impact on our capital projects as well. After a project becomes State or Federally funded, costs rise even higher with additional requirements such as prevailing wages, Build America, Buy America (BABA), and American Iron and Steel Act (AIS).

Looking ahead to the coming year(s), a couple of factors will play pivotal roles in the shape of the utility industry. One being the new regulations on both Lead and Copper "LCR" as well as PFAS/PFOS otherwise known as forever chemicals. The Board continues to make progress on both fronts, seeking out funding when applicable and working with consultants to ensure submission deadlines are met. Another factor will be the power supply. Recently, there has been a large push to close coal fired power plants throughout the country for emissions purposes. The issue the industry is facing is the rising demand for electricity while taking plants offline and not being able to build alternative plants quick enough. This is a large contributor to the rising costs of power supply seen across the industry.

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. We remain dedicated to providing our customers with electric, water, wastewater, stormwater management, and other value-added services in a safe, reliable, and economic manner with sound business practices, sustainable growth, community engagement, economic development, and environmental stewardship.

THE BOARD OF PUBLIC WORKS
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Management's Discussion and Analysis (MD&A) - Continued
March 31, 2024

Economic Factors and Next Year's Budgets and Rates

The 2024-2025 budget shows operating revenues are estimated to increase by 5.8% for the entire utility. This budget is based primarily on the previous 4-year financial history, assuming similar activity, with rate increases and growth considered. The greatest difference in revenue stems from the water department. We are continuing with our final year of 18.5% increases, to continue to support our growing infrastructure demands coming from federal regulations and aging infrastructure. With the increased costs of products, labor, supply chain issues, and a robust capital improvement budget, we initially set our increase in all 4 utilities at 2.5% electric, 18.5% water, 7.9% wastewater, and 20.0% stormwater, for fiscal year 2025. However, with an unexpected increase in our power cost, we had to increase our base rates by an additional \$.009737 in the electric utility. Rate increases are predicted to continue the following two years. BPW staff and Utility Financial Solutions continue to conduct a full cost of service study to update our projection study completed 2 years ago. This is meant to ensure scheduled rate increases are still in line with current expenditures. The budget shows operating expenses going up by 13.6%. The greatest difference in expenses originates in purchase power. The Delmarva area saw a large increase in power costs due to the retirement of fossil fuel power generators and a slow replacement with renewable energy, as mentioned in the Managerial Report. Our purchased power expense is estimated to increase by 17.2%. This will continue to affect the power cost adjustment. The wastewater department will see increases in contractual services and repairs and maintenance concerning the wastewater treatment plant. Non-operating revenues and expenses are expected to help our net position. With impact fee increases approved and continued development, impact fees are expected to be a large contributor to our non-operating revenues. The change in net position, without accounting for investment market value adjustment and expected principal forgiveness on the Donovan Smith project, is estimated at \$2,191,210.

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, 2024 AND 2023**

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	2024	2023
ASSETS		
Current Assets		
Cash		
Unrestricted	\$ 2,120,198	\$ 1,539,062
Restricted	900,000	-
Reserve Fund Investments		
Unrestricted	2,102,776	2,441,821
Restricted	5,082,546	4,320,599
Accounts Receivable, Net of Allowance	2,108,735	2,035,475
Lease Receivable	72,685	70,238
Inventory	1,002,150	1,083,848
Prepaid Expenses	31,509	27,107
Notes Receivable	66,991	65,860
Total Current Assets	<u>13,487,590</u>	<u>11,584,010</u>
Noncurrent Assets		
Capital Assets, Not Being Depreciated	16,916,452	18,513,625
Capital Assets, Being Depreciated, Net	42,699,967	37,536,002
Notes Receivable	1,734,302	1,795,776
Grants Receivable	160,102	147,918
Lease Receivable	281,716	340,720
Total Noncurrent Assets	<u>61,792,539</u>	<u>58,334,041</u>
Total Assets	<u>75,280,129</u>	<u>69,918,051</u>
DEFERRED OUTFLOW OF RESOURCES		
Pension	<u>221,848</u>	<u>295,797</u>
LIABILITIES		
Current Liabilities		
Accounts Payable	817,830	935,567
Customer Deposits	118,140	112,557
Accrued Interest	42,683	42,683
Unearned Revenue	96,200	62,132
Accrued Liabilities	144,071	110,646
Current Maturities of Bonds Payable	983,312	960,093
Total Current Liabilities	<u>2,202,236</u>	<u>2,223,678</u>
Noncurrent Liabilities		
Bonds Payable	9,434,321	7,978,808
Accrued Compensated Absences	173,537	143,052
Unearned Revenue	1,226,471	1,260,539
Unearned Grant Revenue	900,000	-
Other Liabilities	63,728	65,081
Net Pension Liability	392,630	313,092
Total Noncurrent Liabilities	<u>12,190,687</u>	<u>9,760,572</u>
Total Liabilities	<u>14,392,923</u>	<u>11,984,250</u>
DEFERRED INFLOWS OF RESOURCES		
Leases	<u>354,401</u>	<u>410,958</u>
NET POSITION		
Net Investment in Capital Assets	49,198,786	47,110,726
Restricted	5,060,838	4,291,780
Unrestricted	<u>6,495,029</u>	<u>6,416,134</u>
Total Net Position	<u>\$ 60,754,653</u>	<u>\$ 57,818,640</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, 2024 AND 2023**

Page 11

	2024	2023
OPERATING REVENUES		
Sales and Assessments	\$ 18,176,671	\$ 15,526,208
Other	1,932,574	2,273,497
Total Operating Revenue	<u>20,109,245</u>	<u>17,799,705</u>
OPERATING EXPENSES		
Purchased Power	7,613,333	7,015,215
Payroll and Employee Related Expenses	1,682,374	1,329,100
Utilities	17,417	28,555
Repairs and Maintenance	1,430,266	1,099,942
Professional and Contractual Services	1,891,476	1,924,684
Other Supplies and Expenses	495,542	127,863
Administrative	1,744,498	1,637,848
In Lieu of Franchise	932,784	797,246
Bad Debt	6,704	-
Depreciation	2,204,926	2,049,724
Total Operating Expenses	<u>18,019,320</u>	<u>16,010,177</u>
Operating Income	<u>2,089,925</u>	<u>1,789,528</u>
NON-OPERATING REVENUES (EXPENSES)		
Reserve Fund Investment Income	413,947	339,529
Investment Expense	(443,182)	(443,869)
Interest Expense	(192,308)	(204,930)
Impact Fees	760,192	945,528
Gain (Loss) on Sale of Assets	(333)	3,929
Changes in Fair Value of Reserve Fund Investments	154,938	(661,865)
Grants	81,953	92,315
Lease Revenue	56,557	52,356
Lease Interest	14,324	16,137
Net Non-Operating Revenues	<u>846,088</u>	<u>139,130</u>
Change in Net Position	<u>2,936,013</u>	<u>1,928,658</u>
NET POSITION, BEGINNING OF YEAR	<u>57,818,640</u>	<u>55,889,982</u>
NET POSITION, END OF YEAR	<u>\$ 60,754,653</u>	<u>\$ 57,818,640</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, 2024 AND 2023**

Page 12

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	\$ 18,102,290	\$ 14,966,502
Other Receipts	2,832,574	2,273,497
Payments to Suppliers	(14,179,294)	(13,706,328)
Payments to Employees	(1,464,977)	(1,274,814)
Net Cash Provided by Operating Activities	<u>5,290,593</u>	<u>2,258,857</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net Investing Activities	(711,146)	2,311,773
Interest Income	413,947	339,529
Net Cash Provided by Investing Activities	<u>(297,199)</u>	<u>2,651,302</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Impact Fees Received	760,192	945,528
Notes Receivable Loans Made	-	(318,575)
Notes Receivable and Lease Payments Received	131,224	134,402
Net Cash Provided by Non-Capital Financing Activities	<u>891,416</u>	<u>761,355</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of Capital Assets	(5,772,271)	(4,964,875)
Proceeds from Long-Term Debt	2,438,825	419,383
Proceeds from Sale of Capital Assets	220	3,929
Principal Payments on Long-Term Debt	(960,093)	(937,426)
Interest Paid on Long-Term Debt	(192,308)	(204,930)
Grants Received	81,953	92,315
Net Cash Used by Capital and Related Financing Activities	<u>(4,403,674)</u>	<u>(5,591,604)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,481,136	79,910
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>1,539,062</u>	<u>1,459,152</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR		
Cash and Cash Equivalents	2,120,198	1,539,062
Restricted Cash	900,000	-
Total Cash	<u>\$ 3,020,198</u>	<u>\$ 1,539,062</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income	\$ 2,089,925	\$ 1,789,528
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
Depreciation	2,204,926	2,049,724
Bad Debt	6,704	-
(Increase) Decrease in Assets and Deferred Outflows		
Accounts Receivable	(79,964)	(555,828)
Inventory	81,698	(892,509)
Prepaid Expenses	(4,402)	(15,883)
Other Assets	(12,184)	(16,970)
Deferred Outflow-Pension	73,949	(295,797)
Increase (Decrease) in Liabilities		
Accounts Payable	(117,737)	(125,521)
Customer Deposits	5,583	(3,878)
Unearned Revenue	-	(22,571)
Unearned Grant Revenue	900,000	-
Accrued Liabilities	33,425	31,145
Accrued Compensated Absences	30,485	5,846
Other Liabilities	(1,353)	(1,521)
Net Pension Liability	79,538	313,092
Net Cash Provided by Operating Activities	<u>\$ 5,290,593</u>	<u>\$ 2,258,857</u>
Noncash Investing Activities - Changes in Fair Value	\$ (154,938)	\$ 661,865

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, 2023 AND NOVEMBER 30, 2022**

As of Plan Fiscal Year Ended:	<u>November 30, 2023</u>	<u>November 30, 2022</u>
ASSETS		
Investments	<u>\$ 2,064,342</u>	<u>\$ 2,184,203</u>
NET POSITION		
Net Position - Restricted for Retirement Benefits	<u> 2,064,342</u>	<u> 2,184,203</u>
Total Net Position	<u>\$ 2,064,342</u>	<u>\$ 2,184,203</u>

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

**THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
PENSION TRUST FUND
NOVEMBER 30, 2023 AND NOVEMBER 30, 2022**

As of Plan Fiscal Year Ended:	<u>November 30, 2023</u>	<u>November 30, 2022</u>
ADDITIONS		
Contributions	\$ -	\$ 110,503
Investment Earnings	<u>84,310</u>	<u>(268,096)</u>
Total Additions	<u>84,310</u>	<u>(157,593)</u>
DEDUCTIONS		
Benefits	183,038	171,692
Administrative	<u>21,133</u>	<u>22,468</u>
Total Deductions	<u>204,171</u>	<u>194,160</u>
Change in Net Position	(119,861)	(351,753)
NET POSITION, BEGINNING	<u>2,184,203</u>	<u>2,535,956</u>
NET POSITION, ENDING	<u><u>\$ 2,064,342</u></u>	<u><u>\$ 2,184,203</u></u>

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

**THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2024 AND 2023**

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, 2024 AND 2023**

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, 2024, and 2023, 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, 2024 AND 2023**

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, 2024, include amounts for grant programs of \$96,432 and impact fees of \$4,964,406, at March 31, 2023, include amounts for grant programs of \$82,985 and impact fees of \$4,208,885.

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, 2024 AND 2023**

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. 94, *"Public-Private and Public-Public Partnerships and Availability Payment Arrangements"*, Statement No. 96, *"Subscription-Based Information Technology Arrangements"*, and the required provisions of Statement No. 99 *"Omnibus 2022"*. The adoption of these GASB Statement did not result in modification of previously reported amounts.

Pending Changes in Accounting Principles

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 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 required to adopt Statement No. 101 for its fiscal year 2025 financial statements.

In December 2023, the GASB issued Statement No. 102, *"Disclosure of Certain Risk"*. The Board is required to adopt Statement No. 102 for its fiscal year 2026 financial statements.

In April 2024, the GASB issued Statement No. 103, *"Financial Reporting Model Improvements"*. The Board is required to adopt Statement No. 103 for its fiscal year 2027 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, 2024 AND 2023**

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 year. 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, 2024, the carrying amount of the Board's cash deposits was \$3,020,198 and the bank balance was \$3,487,392. Of the bank balance \$250,000 was covered by the Federal Deposit Insurance Corporations and the remaining \$3,237,392 was 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.

Restricted Cash

During the year the Board received funding under the American Rescue Plan Act, the amounts of which are restricted for spending based on the term and conditions of the grant. As of March 31, 2024 \$900,000 of cash is restricted under the ARPA grant.

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.

**THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2024 AND 2023**

NOTE 5 INVESTMENTS (CONTINUED)

Fair Value

The Board categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. As of March 31, 2024, and 2023 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, 2024, and March 31, 2023, 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, 2024, and 2023. The cash account is insured under FDIC.

Interest Rate Risk

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

Restricted Investments

Certain investments are restricted in the financial statements due to limitations on their use for specific purposes. The amounts in the financial statements are restricted for customer deposits.

**THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2024 AND 2023**

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, 2023	\$ 143,052	Balance March 31, 2022	\$ 137,206
Additions/(Reductions)	<u>30,485</u>	Additions/(Reductions)	<u>5,846</u>
Balance March 31, 2024	<u>\$ 173,537</u>	Balance March 31, 2023	<u>\$ 143,052</u>

NOTE 7 NOTES RECEIVABLE

In 2017, residents within the Highland Acres development have agreed to pay a note to the Board for the cost of water and wastewater infrastructure setup for the development. Each resident had the option of paying the portion of the note that they owe in full immediately or a monthly payment over 30 years at 2% interest. Payments on this note receivable are used by the Board to pay notes payable due to the Delaware Drinking Water State Revolving Fund and the Delaware Water Pollution Control Revolving Fund, who funded the cost of Highland Acres infrastructure.

The Board records income related to the receivable as deferred until paid and a note receivable for the amount unpaid. This is considered non-operating income for the water and wastewater departments. The amount owed to the Board as of March 31, 2024, and 2023 is \$69,898 and \$78,164 and \$910,949 and \$921,688 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 set up 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, 2024, and March 31, 2023, is \$548,169 and \$563,728, 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, 2024, and March 31, 2023, is 272,277 and \$298,056, respectively.

**THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2024 AND 2023**

NOTE 8 CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2024, 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	15,710,488	5,103,411	(6,700,584)	14,113,315
Total Capital Assets Not Being Depreciated	18,513,625	5,103,411	(6,700,584)	16,916,452
Capital Assets Being Depreciated				
Infrastructure	55,408,825	7,138,870	(598,740)	61,948,955
Buildings and Improvements	8,968,745	7,998	(32,847)	8,943,896
Furniture and Equipment	1,476,906	41,718	(489,816)	1,028,808
Vehicles	2,175,389	31,245	(67,068)	2,139,566
Software	769,753	149,613	(578,408)	340,958
Total Capital Assets Being Depreciated	68,799,618	7,369,444	(1,766,879)	74,402,183
Less Accumulated Depreciation for				
Infrastructure	22,594,858	1,765,982	(598,740)	23,762,100
Buildings and Improvements	5,619,131	192,302	(32,847)	5,778,586
Furniture and Equipment	1,043,085	86,707	(489,263)	640,529
Vehicles	1,389,466	140,051	(67,068)	1,462,449
Software	617,076	19,884	(578,408)	58,552
Total Accumulated Depreciation	31,263,616	2,204,926	(1,766,326)	31,702,216
Capital Assets, Being Depreciated, Net	37,536,002	5,164,518	(553)	42,699,967
	<u>\$ 56,049,627</u>	<u>\$ 10,267,929</u>	<u>\$ (6,701,137)</u>	<u>\$ 59,616,419</u>

**THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2024 AND 2023**

NOTE 8 CAPITAL ASSETS (CONTINUED)

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	11,424,469	4,286,019	-	15,710,488
Total Capital Assets Not Being Depreciated	14,227,606	4,286,019	-	18,513,625
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	68,570,061	678,856	(449,299)	68,799,618
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	29,663,191	2,049,724	(449,229)	31,263,616
Capital Assets, Being Depreciated, Net	38,906,870	(1,370,868)	-	37,536,002
Total Capital Assets	\$ 53,134,476	\$ 2,915,151	\$ -	\$ 56,049,627

NOTE 9 LONG-TERM DEBT

Changes in long-term debt for the year ended March 31, 2024, were as follows:

	Beginning Balances	Increases	Decreases	Ending Balances	Due Within One Year
<u>Direct Borrowings:</u>					
Water					
General Obligation Bonds	\$ 2,097,754	\$ 1,220,944	\$ (82,824)	\$ 3,235,874	\$ 84,489
Wastewater					
General Obligation Bonds	6,841,147	1,217,881	(877,269)	7,181,759	898,823
Total Debt	\$ 8,938,901	\$ 2,438,825	\$ (960,093)	\$ 10,417,633	\$ 983,312

**THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2024 AND 2023**

NOTE 9 LONG-TERM DEBT (CONTINUED)

Changes in long-term debt for the year ended March 31, 2023, 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	\$ 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	<u>\$ 9,456,944</u>	<u>\$ 419,383</u>	<u>\$ (937,426)</u>	<u>\$ 8,938,901</u>	<u>\$ 960,093</u>

Debt Service Requirements

Principal and interest requirements to amortize the general obligation bonds as of March 31, 2024, are as follows:

<u>Year Ending</u>	<u>Bonds Payable</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	203,987	67,537	271,524
2030-2034	1,083,113	285,225	1,368,338
2035-2039	1,196,427	19,127	1,215,554
2040-2044	1,144,359	88,932	1,233,291
2045-2049	657,434	21,345	678,779
2050	52,274	262	52,536
	<u>7,559,425</u>	<u>\$ 893,392</u>	<u>\$ 8,452,817</u>
Add: drawn proceeds	<u>2,858,208</u>		
Total Outstanding Debt	<u>\$ 10,417,633</u>		

**THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2024 AND 2023**

NOTE 9	LONG-TERM DEBT (CONTINUED)	Balance at March 31, 2024	Balance at March 31, 2023
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.		\$ 2,445,293	\$ 3,220,718
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%.		1,123,766	1,162,983
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.		85,747	88,737
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%.		2,101,153	2,163,780
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%.		1,803,466	1,883,229
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. On December 22, 2023, an additional \$350,000 of general obligation bonds were issued. 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. The total drawdown on the loan by the Board as of March 31, 2024, and March 31, 2023, is \$412,868 and \$106,115 respectively		2,100,000	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. The total drawdown on the loan by the Board as of March 31, 2024, and March 31, 2023, is \$1,082,388 and \$187,551 respectively.		2,742,146	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 Health and Social Services, Division of Public Health. The funds are being used by the Board for 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. The total drawdown on the loan by the Board as of March 31, 2024, and March 31, 2023, is \$1,284,236 and \$125,717 respectively.		2,869,998	2,869,998

**THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2024 AND 2023**

NOTE 9 LONG-TERM DEBT (CONTINUED)

	Balance at March 31, 2024	Balance at March 31, 2023
On July 6, 2023, the City of Lewes issued \$893,717 of general obligation bond due to The State of Delaware, Delaware Department of Natural Resources from the Clean Water Trust. The funds are being used by the Board for sewer main and system extension at Capes Cove Tenant Association, Inc Mobile Home Park. Amortization of the loan starts when the full principal of the loan is drawn. There was an initial drawdown of \$16,290 in 2024.	\$ 893,717	\$ -
On July 25, 2023, the City of Lewes issued \$354,400 of general obligation bond due to Delaware Drinking Water State Revolving Fund acting by and through the Delaware Department of Health and Social Services, Division of Public Health. The funds are being used by the Board for installation of two water mains, two fire hydrants and four valves at the Capes Cove Tenant Association, Inc Mobile Home Park. Amortization of the loan starts when the full principal of the loan is drawn. There was an initial drawdown of \$16,999 in 2024.	354,400	-
On September 22, 2023, the City of Lewes issued \$2,945,000 of general obligation bond due to Delaware Drinking Water State Revolving Fund acting by and through the Delaware Department of Health and Social Services, Division of Public Health. The funds are being used by the Board for the replacement of an existing water main that crosses under the Lewes-Rehoboth Canal at the Savannah Road Bridge. Amortization of the loan starts when the full principal of the loan is drawn. There was an initial drawdown of \$9,087 in 2024.	2,945,000	-
On September 22, 2023, the City of Lewes issued \$5,250,000 of general obligation bond due to Delaware Drinking Water State Revolving Fund acting by and through the Delaware Department of Health and Social Services, Division of Public Health. The funds are being used by the Board for installation of a new elevated water storage tank at Jones Farm off Kings Highway. Amortization of the loan starts when the full principal of the loan is drawn. There was an initial drawdown of \$36,340 in 2024.	5,250,000	-
Less: current portion	(983,312)	(960,093)
Less: undrawn proceeds	(14,297,053)	(6,942,760)
Total Long-Term Portion of Debt	\$ 9,434,321	\$ 7,978,808

The direct borrowings with the Delaware Drinking Water State Revolving Fund and Delaware Clean Water State Revolving Fund in the aggregate amount of \$10,417,633 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 PLANPlan Description

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

**THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2024 AND 2023**

NOTE 10 DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

Contributions

The Board is required to contribute the amount necessary to fund the plan based on an actuarially determined contribution. For 2023, the employer contribution was \$0.

Membership of the plan

The membership consisted of the following at November 30, 2023, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	17
Terminated plan members and beneficiaries entitled to but not yet receiving	10
Active plan members	4
Total	31

Assumptions

The Board's net pension liability was measured as of November 30, 2023, 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, 2022, using an actuarial assumption of an investment rate of return of 4.0%.

Mortality rates were based on the 2023 Static Table Non-Annuitant.

The actuarial assumptions used in the December 1, 2022, valuations were reviewed by the Board's actuary; a recent experience review was not performed.

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

Investments

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

The long-term expected rate of return on pension plan investments was determined using the building block method in which best-estimate ranges of future expected real rates of return (expected returns, net of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing 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, 2022 (see investment policy in Note 5) are summarized in the following table:

**THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2024 AND 2023**

NOTE 10 DEFINED BENEFIT PENSION PLAN (CONTINUED)

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, 2023, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 4.08%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Changes in the Net Pension Liability

The components and changes in the Board's net pension liability for the year ended November 30, 2023, were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a-b)
Changes for the Year:			
Interest	\$ 96,231	\$ -	\$ 96,231
Differences Between Expected and Actual Experience	34,360	-	34,360
Changes in Assumptions	12,124	-	12,124
Contributions - Employer	-	-	-
Net Investment Income	-	84,310	(84,310)
Benefit Payments	(183,038)	(183,038)	-
Administrative Expense	-	(21,133)	21,133
Net Increase (Decrease)	(40,323)	(119,861)	79,538
Balances as of November 30, 2022	2,497,295	2,184,203	313,092
Balances as of November 30, 2023	<u>\$ 2,456,972</u>	<u>\$ 2,064,342</u>	<u>\$ 392,630</u>

The change in assumption was the result of an update to mortality tables from the 2022 Static Table-Non-Annuitant (Male and Female) and the 2022 Static Table-Annuitant (Male and Female) to the respective 2023 Static Tables.

**THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2024 AND 2023**

NOTE 10 DEFINED BENEFIT PENSION PLAN (CONTINUED)

As of November 30, 2023, the plan fiduciary net position as a percentage of the total pension liability as 84.02%.

At November 30, 2023, 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	\$ 221,848	\$ -
Total	\$ 221,848	\$ -

The total pension expense recognized in 2023 for the plan was \$58,361. The deferred outflows of resources will be recognized in pension expense as follows:

Year Ended:	
2024	73,949
2025	73,949
2026	73,950
Total	<u>\$ 221,848</u>

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, 2024, and 2023, 99% and 98%, respectively, of the power was purchased from DEMEC and 1% 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, 2024, rent and in lieu of franchise fees paid to the City were \$138,727 and \$932,783 respectively; and were \$136,706 and \$797,246 for the year ended March 31, 2023, 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.

**THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2024 AND 2023**

NOTE 14 COMMITMENTS AND CONTINGENT LIABILITIES

The Board has contractual obligations with various contractors for construction on the Donovan Smith Mobile Home Park Project and Well Header Pipe Replacement Project. As of March 31, 2024, \$1,515,303 has been spent with a balance \$2,931,143 remaining on the open contracts for Donovan Smith Mobile Home Park Project and a balance \$1,545,400 remaining on the open contracts for Well Header Piper Replacement Project.

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 variables and other payments not included in the measurement of the lease receivable. As of March 31, 2024, and 2023, the value of the lease receivable is \$354,401 and \$410,958, respectively and the related deferred inflow for future payments expected to be collected on the lease is \$354,401 and \$410,958, respectively. The lessee is required to make annual fixed payments of \$34,024 through \$36,214 respectively. The leases have an interest rate of 4% and 3% respectively. For the year ended March 31, 2024, the Board has recognized lease revenue and interest of \$56,557 and \$14,324, respectively and for the year ended March 31, 2023, the board recognized lease revenue and interest of \$52,356 and \$16,137, respectively.

The Board has entered into two agreements with external parties relating to office space and underground utility lines. 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 two external parties 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, 2024. 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, 2024.

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, 2023

	2023	2022	2021	2020	2019	2018	2017
Total pension liability							
Interest	\$ 96,231	\$ 97,998	\$ 103,739	\$ 107,954	\$ 110,791	\$ 108,903	\$ 106,801
Differences between expected and actual experience	34,360	34,755	(213,693)	(32,647)	12,946	147,727	139,664
Changes of assumptions	12,124	278	138,632	(1,017)	(13,776)	-	-
Benefit payments, including refunds of employee contributions	(183,038)	(171,692)	(172,402)	(186,895)	(202,470)	(188,806)	(197,129)
Net change in total pension liability	(40,323)	(38,661)	(143,724)	(112,605)	(92,509)	67,824	49,336
Total pension liability - beginning	2,497,295	2,535,956	2,679,680	2,792,285	2,884,794	2,816,970	2,767,634
Total pension liability - ending (a)	<u>\$ 2,456,972</u>	<u>\$ 2,497,295</u>	<u>\$ 2,535,956</u>	<u>\$ 2,679,680</u>	<u>\$ 2,792,285</u>	<u>\$ 2,884,794</u>	<u>\$ 2,816,970</u>
Plan fiduciary net position							
Contributions - employer	\$ -	\$ 110,503	\$ 217,934	\$ -	\$ 326,544	\$ 286,990	\$ 677
Net investment income	84,310	(268,096)	185,020	244,983	152,469	(21,516)	22,290
Other Additions	-	-	-	-	-	34,089	-
Benefit payments, including refunds of employee contributions	(183,038)	(171,692)	(172,402)	(186,895)	(202,470)	(188,806)	(197,129)
Administrative expense	(21,133)	(22,468)	(24,168)	(21,926)	(20,199)	(4,545)	(8,231)
Net change in plan fiduciary position	(119,861)	(351,753)	206,384	36,162	256,344	106,212	(182,393)
Plan fiduciary net position - beginning	2,184,203	2,535,956	2,329,572	2,293,410	2,037,066	1,930,854	2,113,247
Plan fiduciary net position - ending (b)	<u>\$ 2,064,342</u>	<u>\$ 2,184,203</u>	<u>\$ 2,535,956</u>	<u>\$ 2,329,572</u>	<u>\$ 2,293,410</u>	<u>\$ 2,037,066</u>	<u>\$ 1,930,854</u>
Authority's net pension liability - ending (a) - (b)	<u>\$ 392,630</u>	<u>\$ 313,092</u>	<u>\$ -</u>	<u>\$ 350,108</u>	<u>\$ 498,875</u>	<u>\$ 847,728</u>	<u>\$ 886,116</u>
Plan fiduciary net position as a percentage of the total pension liability	84.02%	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	N/A
Board net pension liability as a percentage of covered payroll *	N/A	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, 2023

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Actuarially determined contribution	\$ 150,262	\$ 165,131	\$ 184,393	\$ 207,288	\$ 286,990	\$ 326,544	\$ 308,871	\$ 167,934	\$ 110,503	\$ 121,580
Contributions in relation to the actuarially determined contribution	150,262	165,131	184,393	677	286,990	326,544	-	217,934	110,503	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ 206,611	\$ -	\$ -	\$ 308,871	\$ (50,000)	\$ -	\$ 121,580
Covered payroll *	N/A	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	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	2023 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
Effective 12/1/22 the mortality table was updated form the 2022 Static Tables to the 2023 Static tables

* 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, 2023

	<u>2023</u>	<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	4.08%	-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
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
ELECTRIC DEPARTMENT
YEARS ENDED MARCH 31, 2024 AND 2023**

	2024	2023
OPERATING REVENUES		
Sale of Electric Energy		
Residential	\$ 5,369,896	\$ 4,794,646
Commercial	1,604,558	1,426,451
Industrial	4,017,729	3,179,366
Municipal	136,454	111,724
Other	844,344	283,415
Total Operating Revenues	<u>11,972,981</u>	<u>9,795,602</u>
OPERATING EXPENSES		
Purchased Power	7,613,333	7,015,215
Payroll and Employee Related Expenses	725,917	633,586
Utilities	1,059	5
Repairs and Maintenance	388,340	4,139
Professional and Contractual Services	293,851	327,481
Other Supplies and Expenses	97,560	42,027
Administrative	807,798	765,117
In Lieu of Franchise	580,011	495,436
Bad Debt	2,365	-
Depreciation	442,051	433,030
Total Operating Expenses	<u>10,952,285</u>	<u>9,716,036</u>
Operating Income	<u>1,020,696</u>	<u>79,566</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest Income	145,581	138,278
Investment Expense	(184,262)	(188,312)
Impact Fees	93,855	131,365
Gain (Loss) on Sale of Assets	(454)	1,768
Changes in Fair Value of Investments	59,651	(297,839)
Net Non-Operating Revenue (Expense)	<u>114,371</u>	<u>(214,740)</u>
Change in Net Position	1,135,067	(135,174)
NET POSITION, BEGINNING OF YEAR	<u>16,612,422</u>	<u>16,747,596</u>
NET POSITION, END OF YEAR	<u><u>\$ 17,747,489</u></u>	<u><u>\$ 16,612,422</u></u>

**THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
WATER DEPARTMENT
YEARS ENDED MARCH 31, 2024 AND 2023**

	2024	2023
OPERATING REVENUES		
Sale of Water		
Residential	\$ 1,589,305	\$ 1,340,758
Commercial	262,363	210,642
Industrial	969,337	803,313
Municipal	15,725	13,974
Other	755,038	588,494
Total Operating Revenues	<u>3,591,768</u>	<u>2,957,181</u>
OPERATING EXPENSES		
Payroll and Employee Related Expenses	827,304	638,438
Utilities	4,245	6,028
Repairs and Maintenance	262,107	288,631
Professional and Contractual Services	406,927	344,110
Other Supplies and Expenses	276,359	50,508
Administrative	449,644	418,501
In Lieu of Franchise	143,233	119,273
Bad Debt	1,182	-
Depreciation	407,078	361,503
Total Operating Expenses	<u>2,778,079</u>	<u>2,226,992</u>
Operating Income	<u>813,689</u>	<u>730,189</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest Income	96,045	98,462
Investment Expense	(113,674)	(115,406)
Interest Expense	(42,701)	(40,660)
Impact Fees	417,522	379,092
Gain (Loss) on Sale of Assets	57	1,022
Changes in Fair Value of Investments	35,791	(172,085)
Grants	81,953	90,974
Lease Revenue	56,557	52,356
Lease Interest	14,324	16,137
Net Non-Operating Revenue	<u>545,874</u>	<u>309,892</u>
Change in Net Position	1,359,563	1,040,081
NET POSITION, BEGINNING OF YEAR	<u>16,831,141</u>	<u>15,791,060</u>
NET POSITION, END OF YEAR	<u><u>\$ 18,190,704</u></u>	<u><u>\$ 16,831,141</u></u>

**THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
WASTEWATER DEPARTMENT
YEARS ENDED MARCH 31, 2024 AND 2023**

	2024	2023
OPERATING REVENUES		
Wastewater Assessments		
Residential	\$ 3,099,226	\$ 2,742,046
Commercial	321,317	273,578
Industrial	481,844	374,636
Municipal	24,804	22,940
Other	261,750	1,373,555
Total Operating Revenues	<u>4,188,941</u>	<u>4,786,755</u>
OPERATING EXPENSES		
Payroll and Employee Related Expenses	120,442	50,480
Utilities	12,113	21,910
Repairs and Maintenance	778,977	805,985
Professional and Contractual Services	1,124,002	1,239,461
Other Supplies and Expenses	112,363	32,944
Administrative	420,286	398,374
In Lieu of Franchise	195,281	170,880
Bad Debt	2,839	-
Depreciation	1,277,433	1,188,686
Total Operating Expenses	<u>4,043,736</u>	<u>3,908,720</u>
Operating Income (Loss)	<u>145,205</u>	<u>878,035</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest Income	169,078	87,425
Investment Expense	(114,077)	(106,528)
Interest Expense	(149,607)	(164,270)
Impact Fees	248,815	435,071
Gain (Loss) on Sale of Assets	53	943
Changes in Fair Value of Investments	59,496	(158,848)
Grants	-	1,341
Net Non-Operating Revenue (Expense)	<u>213,758</u>	<u>95,134</u>
Change in Net Position	358,963	973,169
NET POSITION, BEGINNING OF YEAR	<u>22,397,561</u>	<u>21,424,392</u>
NET POSITION, END OF YEAR	<u><u>\$ 22,756,524</u></u>	<u><u>\$ 22,397,561</u></u>

**THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
STORMWATER DEPARTMENT
YEARS ENDED MARCH 31, 2024 AND 2023**

	2024	2023
OPERATING REVENUES		
Stormwater Assessments		
Residential	\$ 248,204	\$ 202,630
Commercial	23,729	19,544
Industrial	9,657	7,872
Municipal	2,523	2,088
Other	71,442	28,033
Total Operating Revenues	<u>355,555</u>	<u>260,167</u>
OPERATING EXPENSES		
Payroll and Employee Related Expenses	8,711	6,596
Utilities	-	612
Repairs and Maintenance	842	1,187
Professional and Contractual Services	66,696	13,632
Other Supplies and Expenses	9,260	2,384
Administrative	66,770	55,856
In Lieu of Franchise	14,259	11,657
Bad Debt	318	-
Depreciation	78,364	66,505
Total Operating Expenses	<u>245,220</u>	<u>158,429</u>
Operating Loss	<u>110,335</u>	<u>101,738</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest Income	3,243	15,364
Investment Expense	(31,169)	(33,623)
Gain on Sale of Assets	11	196
Changes in Fair Value of Investments	-	(33,093)
Net Non-Operating Revenue (Expense)	<u>(27,915)</u>	<u>(51,156)</u>
Change in Net Position	82,420	50,582
NET POSITION, BEGINNING OF YEAR	<u>1,977,516</u>	<u>1,926,934</u>
NET POSITION, END OF YEAR	<u><u>\$ 2,059,936</u></u>	<u><u>\$ 1,977,516</u></u>

**THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
SCHEDULE OF CAPITAL ASSETS BY DEPARTMENT
MARCH 31, 2024**

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	Beginning Balance	Additions & Transfers	Deletions & Transfers	Ending Balance
<u>Electric</u>				
Capital Assets Not Being Depreciated				
Land	\$ 211,160	\$ -	\$ -	\$ 211,160
Construction in Progress	583,111	480,585	(43,276)	1,020,420
Total Capital Assets Not Being Depreciated	794,271	480,585	(43,276)	1,231,580
Capital Assets Being Depreciated				
Infrastructure	11,797,192	166,287	(250,184)	11,713,295
Buildings and Improvements	257,230	-	(23,975)	233,255
Furniture and Equipment	343,131	22,873	(170,148)	195,856
Vehicles	1,156,103	13,123	(22,403)	1,146,823
Software	246,358	7,598	(172,096)	81,860
Total Capital Assets Being Depreciated	13,800,014	209,881	(638,806)	13,371,089
Less Accumulated Depreciation for				
Infrastructure	6,281,134	356,904	(250,184)	6,387,854
Buildings and Improvements	183,386	7,161	(23,975)	166,572
Furniture and Equipment	291,724	26,644	(169,595)	148,773
Vehicles	817,037	43,962	(22,403)	838,596
Software	172,136	5,952	(172,096)	5,992
Total Accumulated Depreciation	7,745,417	440,623	(638,253)	7,547,787
Electric Department, Capital Assets, Net	6,848,868	249,843	(43,829)	7,054,882
	Beginning Balance	Additions & Transfers	Deletions & Transfers	Ending Balance
<u>Water</u>				
Capital Assets Not Being Depreciated				
Land	\$ 2,195,320	\$ -	\$ -	\$ 2,195,320
Construction in Progress	4,990,730	2,734,148	(597,933)	7,126,945
Total Capital Assets Not Being Depreciated	7,186,050	2,734,148	(597,933)	9,322,265
Capital Assets Being Depreciated				
Infrastructure	11,852,146	836,586	(43,541)	12,645,191
Buildings and Improvements	539,771	7,998	(4,640)	543,129
Furniture and Equipment	195,055	12,824	(99,862)	108,017
Vehicles	421,005	8,124	(4,463)	424,666
Software	139,732	62,661	(118,669)	83,724
Total Capital Assets Being Depreciated	13,147,709	928,193	(271,175)	13,804,727
Less Accumulated Depreciation for				
Infrastructure	3,372,082	322,140	(43,541)	3,650,681
Buildings and Improvements	257,934	15,260	(4,640)	268,554
Furniture and Equipment	162,474	19,332	(99,862)	81,944
Vehicles	233,829	42,754	(4,463)	272,120
Software	116,444	7,592	(118,669)	5,367
Total Accumulated Depreciation	4,142,763	407,078	(271,175)	4,278,666
Water Department, Capital Assets, Net	16,190,996	3,255,263	(597,933)	18,848,326

**THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
SCHEDULE OF CAPITAL ASSETS BY DEPARTMENT (CONTINUED)
MARCH 31, 2024**

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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	9,784,462	1,810,096	(6,044,086)	5,550,472
Total Capital Assets Not Being Depreciated	10,163,256	1,810,096	(6,044,086)	5,929,266
Capital Assets Being Depreciated				
Infrastructure	30,089,188	6,135,997	(305,015)	35,920,170
Buildings and Improvements	8,170,626	-	(4,232)	8,166,394
Furniture and Equipment	878,556	4,516	(198,230)	684,842
Vehicles	393,918	7,498	(39,071)	362,345
Software	355,077	73,943	(268,228)	160,792
Total Capital Assets Being Depreciated	39,887,365	6,221,954	(814,776)	45,294,543
Less Accumulated Depreciation for				
Infrastructure	12,491,209	1,037,339	(305,015)	13,223,533
Buildings and Improvements	5,177,623	169,838	(4,232)	5,343,229
Furniture and Equipment	560,039	33,636	(198,230)	395,445
Vehicles	235,657	31,227	(39,071)	227,813
Software	307,667	5,393	(268,228)	44,832
Total Accumulated Depreciation	18,772,195	1,277,433	(814,776)	19,234,852
Wastewater Department, Capital Assets, Net	31,278,426	6,754,617	(6,044,086)	31,988,957
	Beginning Balance	Additions & Transfers	Deletions & Transfers	Ending Balance
<u>Stormwater</u>				
Capital Assets Not Being Depreciated				
Land	\$ 17,863	\$ -	\$ -	\$ 17,863
Construction in Progress	352,185	78,582	(15,289)	415,478
Total Capital Assets Not Being Depreciated	370,048	78,582	(15,289)	433,341
Capital Assets Being Depreciated				
Infrastructure	1,670,299	-	-	1,670,299
Buildings and Improvements	1,118	-	-	1,118
Furniture and Equipment	60,164	1,505	(21,576)	40,093
Vehicles	204,363	2,500	(1,131)	205,732
Software	28,586	5,411	(19,415)	14,582
Total Capital Assets Being Depreciated	1,964,530	9,416	(42,122)	1,931,824
Less Accumulated Depreciation for				
Infrastructure	450,433	49,599	-	500,032
Buildings and Improvements	188	43	-	231
Furniture and Equipment	28,848	7,095	(21,576)	14,367
Vehicles	102,943	22,108	(1,131)	123,920
Software	20,829	947	(19,415)	2,361
Total Accumulated Depreciation	603,241	79,792	(42,122)	640,911
Stormwater Department, Capital Assets, Net	1,731,337	8,206	(15,289)	1,724,254
Capital Assets, Net	\$ 56,049,627	\$ 10,267,929	\$ (6,701,137)	\$ 59,616,419



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

INDEPENDENT AUDITOR'S REPORT

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*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, 2024 and 2023, and the aggregate remaining fund information as of November 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated Month XX, 202X.

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 Board's financial statements will not be prevented or detected and corrected on a timely basis. A *significant* deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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



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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 Axlerod LLC

ZELENKOFKSKE AXELROD LLC

Harrisburg, Pennsylvania
September 5, 2024