Lewes Board of Public Works
Finance Committee Minutes
BPW Conference Room
August 4,2025
10:00am

1. **Call to Order:** Mr. Nichols called the meeting to order at 10:02am.
2. **Roll Call**

   Members
   Richard Nichols, BPW Treasurer, Co-Chair
   Bob Hefernan, BPW Asst. Treasurer, Co-Chair (Online)
   Robin Davis, General Manager
   Kimberly Bellere, BPW Finance Manager
   Trina Brown-Hicks, City Ex Officio
   Mike Hogan, Committee Member (Online)
   Calvin Jaber, Committee Member
   Carolyn Jones, Committee Member
   Others
   Sharon Sexton, BPW Asst. General Manager
   Kim Stank, Zelenkofske Axelrod LLC
   Elizabeth Staley, Zelenkofske Axelrod LLC
   Kayla DeMar, Zelenkofske Axelrod LLC

3. **Approval of Minutes- May 13th, 2025:**

   Ms. Bellere wants to make a correction to item eight. (Audit Process & Federal Audit Requirements). Donovan Smith is not funded by ARPA.

   Ms. Jones motion to recommend approving the May 13th, 2025, meeting minutes to the board and was seconded by Ms. Bellere. Motion passed.

4. **Presentation of draft audit from Zelenkofske Axelrod, LLC (Z&A):**

   Ms. Bellere went over packet that included Single Audit Report, a federal requirement when more than $1 million is received. Traditional Audit Report (financial statement), and added supplements, along with a quick synopsis. Audit started April 21st, first draft came out at the beginning of July, and due to misclassification (grant was recorded as debt) the analysis was late but has since been fixed.

   Mr. Jaber requested to add subgroups to the Financial Report

   Ms. Staley, Ms. Stank and Ms. DeMar presented financial report:

Z&A issued unmodified opinion. This is a clean opinion and the highest possible opinion.

- Significant change to financial statement throughout year highlighted in Management Discussion and Analysis.

  Lewes had a positive unrestricted net position of $9,839,695.00, indicating strong financial health for the government. According to the statement of revenue, expenses, and changes in net position, there was an increase of $5,359,098.00, driven largely by utility revenue and impact fees.

- Reviewed Footnotes

  Notes 8 (Capital Assets) and 9 (Long-Term Debt) states that the authority continues to operate several large projects related to water and sewer infrastructure. Note 12, Related Party Transactions, provides a summary of transactions Lewes BPW conducted with each related party, primarily rent payments and payments made in lieu of franchise fees to the City of Lewes. Mr. Nichols disputed the wording regarding the 5% payment in lieu of a franchise fee, noting that both the City of Lewes and Lewes BPW use identical language stating the fee is within a range of 2% to 5%, not a flat 5%, and requested that the wording be revised to reflect this. The committee also discussed the two retirement plans sponsored by Lewes BPW, the defined benefit plan for retired employees and the 457B plan for current employees. Mr. Jaber asked whether the audit uncovered any inconsistencies in internal controls, and Ms. Staley confirmed that no weaknesses were found.

- Reviewed Required Supplemental Information, Other Supplemental Information

  Administrative expenses are divided among several departments, with 45% allocated to the Electric Department, 24% to Wastewater, 26% to Water, and 5% to Stormwater. The total operating revenue for the year for the Electric Department was $13.4 million, while total operating expenses amounted to $12.4 million, resulting in an operating income of $1 million. Nonoperating fees contributed an additional $356,000, bringing the total positive change in net position to $1.4 million. Overall, the department ended the year with a net position of $19 million.

  Mr. Nichols requests for the Lewes BPW staff to reassess the administrative allocations fees, and provide a copy of the investment policy to the committee.

  Z&A stated Lewes BPW does not have any material weaknesses, and it was concluded as a good audit.

Mr. Nichols questioned if the debt service ratio is as important as an auditing issue. Ms. Bellere stated the debt service ratio is not put into the audit as it is an internal process. Mr. Nichols requests the statement on Note 1 under Organization “is governed by five publicly elected directors” be modified to “five unpaid or volunteer publicly elected directors”.

Ms. Bellere stated once modifications and corrections are sent back to her, she will email draft to the Board, leave open for comments and questions for a week then report back to Z&A for final draft.

Mr. Jaber suggests that in the future meeting with Z&A be in person. Z&A can accommodate.

5. Discussion of future topics

None.

6. Adjournment

Ms. Jones motion to end meeting, Ms. Brown-Hicks seconds which passes unanimously.

Mr. Nichols adjourns the meeting at 11:39am

Respectfully submitted

Melissa Rowe

Administrative Assistant

D. Preston Lee, P.E, Secretary Date