

**THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
FINANCIAL STATEMENTS
MARCH 31, 2025 AND 2024**

**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, 2025 and 2024, and the aggregate remaining fund information as of and for the years ended November 30, 2024 and 2023, 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, 2025 and 2024, and the aggregate remaining fund information as of November 30, 2024 and 2023, 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 required provisions of GASB Statement No. 99, "*Omnibus*", GASB Statement 100, "*Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62*" and GASB Statement No. 101, "*Compensated Absences*". 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 29, 2025, 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 29, 2025,

THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
Management's Discussion and Analysis (MD&A)
March 31, 2025

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, 2025. 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 this is 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, 2025.

Financial Highlights

The following items detail the Board of Public Works' financial highlights for the fiscal year ended March 31, 2025:

- The assets of the BPW exceeded our liabilities at the close of the year by \$66,113,751 (net position). Of this amount, \$9,839,695 are unrestricted.
- BPW's total net position increased by \$5,359,098.
- As of the close of the current year, BPW reported combined ending cash balances totaling \$3,468,062, an increase of \$447,864 in comparison with the prior year.
- The largest portion of BPW's total assets (76.9%) is in the form of capital assets (e.g. infrastructure, treatment plants, wells, buildings, and equipment). BPW uses these capital assets to provide the electric, water, wastewater, and stormwater services to our customers. These assets are capital assets that can't be converted readily to cash.
- BPW made bond principal payments of \$1,016,601.

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, 2025

Financial Analysis of the Board of Public Works as a Whole

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

Table A-1 Statement of Net Position March 31 st			
	2025	2024	2023
Current Assets			
Unrestricted	\$ 11,746,681	\$ 7,505,044	\$ 7,263,411
Restricted	6,309,719	5,982,546	4,320,599
Non-current Assets			
Capital Assets, Net	66,810,047	59,616,419	56,049,627
Other Assets	1,917,182	2,176,120	2,284,414
Deferred Outflows of Resources	147,899	221,848	295,797
Total Assets & Deferred Outflows	<u>\$ 86,931,528</u>	<u>\$ 75,501,977</u>	<u>\$ 70,213,848</u>
Current Liabilities	\$ 3,071,222	\$ 2,202,236	\$ 2,223,678
Non-current Liabilities	17,281,510	12,190,687	9,760,572
Total Liabilities	<u>\$ 20,352,732</u>	<u>\$ 14,392,923</u>	<u>\$ 11,984,250</u>
Deferred Inflows of Resources	\$ 465,045	\$ 354,401	410,958
Net Position:			
Net Investment in Capital Assets	\$ 50,941,920	\$ 49,198,786	\$ 47,110,726
Restricted	5,332,136	5,060,838	4,291,780
Unrestricted	9,839,695	6,495,029	6,416,134
Total Net Position	<u>\$ 66,113,751</u>	<u>\$ 60,754,653</u>	<u>\$ 57,818,640</u>

Over time, net position may serve as a useful indication of a government's financial position. In the case of BPW, total assets and deferred outflows of resources exceeded liabilities and deferred inflows by \$66,113,751. The largest portion of BPW's net position (77.1%) reflects its net investment in capital assets used to acquire those assets that are still in service.

Capital assets, net, which represent 76.9% of BPW's assets and deferred outflows, increased in 2025 by \$7,193,628 or 12.1% from 2024 due to capital spending on various improvement projects. Liabilities increased in 2025 by \$5,959,809 or 41.4% from 2024. BPW continues to draw on State Revolving Fund Loans for projects including Water Tower, Headworks, Canal Crossing, 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, 2025

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

	2025	2024	2023
Operating Revenues			
Sales and Assessments	\$ 22,079,409	\$ 18,176,671	\$ 15,526,208
Other	1,134,705	1,932,574	2,273,497
Total Operating Revenues	<u>23,214,114</u>	<u>20,109,245</u>	<u>17,799,705</u>
Operating Expenses			
Purchased Power	9,251,687	7,613,333	7,015,215
Payroll and Administrative	3,289,088	3,426,872	2,966,948
Other Supplies and Expenses	4,893,317	4,774,189	3,978,290
Depreciation and Amortization	2,472,741	2,204,926	2,049,724
Total Operating Expenses	<u>19,906,833</u>	<u>18,019,320</u>	<u>16,010,177</u>
Non-operating Revenues (Expenses)			
Investment Income	530,606	413,947	339,529
Interest Expense	(482,489)	(443,182)	(443,869)
Investment Expense	(157,579)	(192,308)	(204,930)
Impact Fees	1,760,265	760,192	945,528
Gain (Loss) on Sale of Assets	3,500	(333)	3,929
Change in Fair Value of Investments	136,499	154,938	(661,865)
Grants	187,662	81,953	92,315
Lease Revenue & Interest GASB 87	73,353	70,881	68,493
Net Non-operating Revenues	<u>2,051,817</u>	<u>846,088</u>	<u>139,130</u>
Increase (Decrease) in Net Position	<u>5,359,098</u>	<u>2,936,013</u>	<u>1,928,658</u>
Beginning Net Position	<u>60,754,653</u>	<u>57,818,640</u>	<u>55,889,982</u>
Ending Net Position	<u>\$ 66,113,751</u>	<u>\$ 60,754,653</u>	<u>\$ 57,818,640</u>

Operating revenues in 2025 increased by \$3,104,869 or 15.4% from 2024. 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 46.5%. Payroll and administrative expenses in 2025 decreased by \$137,784 or 4% from 2024 primarily due to staff changes. Other supplies and expenses in 2025 increase by \$119,128 or 2.5% from 2024 primarily due to an increase of cost of goods and professional fees. Our non-operating revenues and expenses made a positive impact on our net position. The largest contributor in 2025 are impact fees. The impact fees increased to reflect inflation since the last time they were adjusted, some over 20 years ago. In addition, the city continues to see population growth from new construction. Two years in a row, our investments saw a positive Change in Fair Value.

THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
Management's Discussion and Analysis (MD&A) - Continued
March 31, 2025

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 \$15,868,127 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.

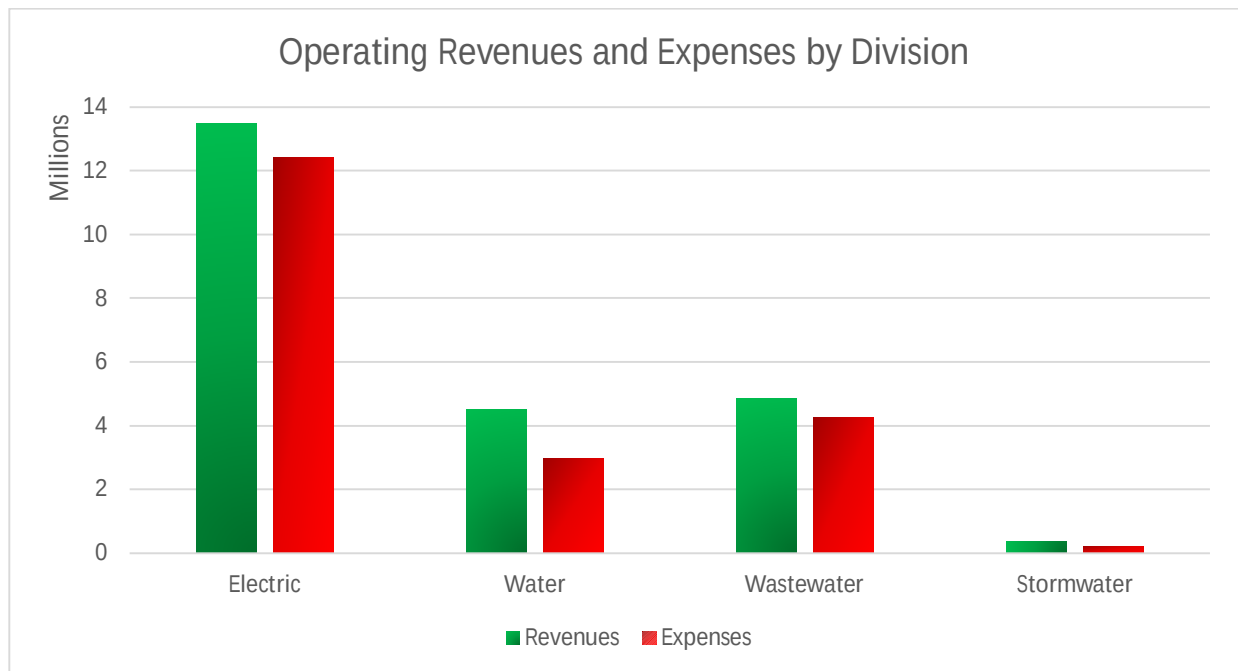
The BPW's capital assets totaled \$66,810,047 for the year ended. Of this amount, \$16,686,167 represented construction in progress at March 31, 2025. See page 40 and 41 for further information on capital projects by department.

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 \$13,483,404 and \$12,420,897, respectively. Purchased power of \$9,251,687 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, 2025

Managerial Report

The 2024–2025 fiscal year reflected continued growth within the Lewes Board of Public Works service territory, with new residential developments contributing to increased system demand. Seasonal fluctuations in water usage have diminished, indicating a transition toward a predominantly year-round residential population.

This year was marked by significant project activity and continued infrastructure investment. The Donovan Smith water and sewer extension project was a major step forward in serving an underserved area of our community, enhancing both public health and environmental protection. We completed the canal crossing, a vital improvement that creates service redundancy to the beach side of town—improving system reliability and ensuring consistent delivery during emergency events or maintenance. The well-header project is now in its final stages and represents a critical upgrade to the infrastructure that connects the City's five production wells to the treatment facility, improving operational efficiency and system resilience. In addition, Lewes BPW initiated new water and sewer projects for 4th Street and Hoornkill Avenue, and began site work for the new water tower, which will add much-needed storage capacity and system pressure stability to support ongoing growth. These efforts reflect the Board's continued commitment to proactively invest in infrastructure to support current and future demand.

This year, BPW increased its focus on securing grant and low-interest funding by actively participating in a collaborative forum with the City of Lewes and local community organizations. This effort has opened up new pathways for shared resources, community-backed initiatives, and strategic partnerships in the funding process.

BPW secured a Hazard Mitigation Grant to support a Pump Station Resiliency Study, which is now actively underway. The study will assess all pump stations located within the floodplain and provide preliminary engineering recommendations to improve their reliability and protect against flood-related failures. This work will help ensure critical infrastructure is better prepared for future storm events and climate-related risks. Additionally, the Board continues to utilize the grant for the Capes Cove water and sewer project.

BPW continues to upgrade and replace key equipment and improve facilities, including a recent office restructuring to create additional office spaces, enhancing operational efficiency and staff working conditions.

Looking ahead, regulatory changes continue to have a significant impact on utility operations. Two of the most pressing are the revised Lead and Copper Rule (LCR) and new PFAS/PFOS (forever chemicals) drinking water standards. Both introduce complex compliance requirements, increased monitoring and reporting, and the potential for substantial infrastructure upgrades. The Board has remained proactive, coordinating with consultants, applying for funding where available, and preparing for critical deadlines to ensure full compliance. BPW applied for and received settlement funds from PFAS-related litigation, which will support ongoing water quality initiatives and compliance efforts related to emerging contaminants.

Another key challenge facing the utility industry is power supply reliability and cost stability. As coal-fired power plants are retired nationwide to reduce emissions, the industry struggles to keep up with growing electricity demand due to delays in building new generation facilities. This supply-demand imbalance has contributed to rising wholesale power costs, an issue likely to continue in the years ahead.

Despite these challenges, the Board and staff remain committed to staying informed and prepared. We regularly participate in industry conferences, continuing education opportunities, and peer networking to stay ahead of trends and ensure best practices. Our mission remains clear: to provide safe, reliable, and economically sustainable utility services to our customers and residents.

THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
Management's Discussion and Analysis (MD&A) - Continued
March 31, 2025

We are proud of our work this year and remain dedicated to supporting the Lewes community with high-quality electric, water, wastewater, and stormwater services—guided by the goals and initiatives outlined in our Strategic Plan, which emphasizes sound business practices, infrastructure investment, environmental stewardship, and community engagement.

Economic Factors and Next Year's Budgets and Rates

The 2025-2026 budget shows operating revenues are estimated to increase by 4.8% 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 percentage increase in revenue stems from the stormwater department. We are continuing with our final year of 20% increases, to continue to work towards making this division independently viable. Primarily due to our robust capital improvement budget, we initially set our increase in all 4 utilities at 2.5% electric, 2.9% water, 7.9% wastewater, and 20% stormwater, for fiscal year 2026. However, since a large increase was implemented last year in electric, due to the unexpected increase on purchase power, and expected stability in the wholesale rate this year, we did not raise our electric rate. We also anticipate the power cost adjustment to keep decreasing. Rate increases are predicted to continue next year. BPW staff will be conducting a cost of service study in the coming fiscal year. This is meant to ensure rates are still in line with the impact users have on our system and covers our operating and capital expenditures. The budget shows operating expenses going up by 1.7%. This number is expected to stay lower than inflation due to a decrease in our purchase power. Non-operating revenues and expenses are expected to help our net position. With impact fee increases in place 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 \$6,160,368.

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 Kimberly Bellere, Finance Manager, or Robin Davis, General 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, 2025 AND 2024**

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	<u>2025</u>	<u>2024</u>
ASSETS		
Current Assets		
Cash		
Unrestricted	\$ 3,468,062	\$ 2,120,198
Restricted	-	900,000
Reserve Fund Investments		
Unrestricted	4,263,494	2,102,776
Restricted	6,309,719	5,082,546
Accounts Receivable, Net of Allowance	2,477,662	2,108,735
Lease Receivable	75,220	72,685
Inventory	1,346,592	1,002,150
Prepaid Expenses	28,060	31,509
Notes Receivable	87,591	66,991
Total Current Assets	<u>18,056,400</u>	<u>13,487,590</u>
Noncurrent Assets		
Capital Assets, Not Being Depreciated	19,489,324	16,916,452
Capital Assets, Being Depreciated, Net	47,320,723	42,699,967
Notes Receivable	1,523,041	1,734,302
Grants Receivable	175,951	160,102
Lease Receivable	218,190	281,716
Total Noncurrent Assets	<u>68,727,229</u>	<u>61,792,539</u>
Total Assets	<u>86,783,629</u>	<u>75,280,129</u>
DEFERRED OUTFLOW OF RESOURCES		
Pension	<u>147,899</u>	<u>221,848</u>
LIABILITIES		
Current Liabilities		
Accounts Payable	1,586,188	817,830
Customer Deposits	141,334	118,140
Accrued Interest	42,683	42,683
Unearned Revenue	116,800	96,200
Accrued Liabilities	177,122	144,071
Current Maturities of Bonds Payable	1,007,095	983,312
Total Current Liabilities	<u>3,071,222</u>	<u>2,202,236</u>
Noncurrent Liabilities		
Bonds Payable	14,861,032	9,434,321
Accrued Compensated Absences	126,650	173,537
Unearned Revenue	1,205,871	1,226,471
Unearned Grant Revenue	950,000	900,000
Other Liabilities	61,967	63,728
Net Pension Liability	75,990	392,630
Total Noncurrent Liabilities	<u>17,281,510</u>	<u>12,190,687</u>
Total Liabilities	<u>20,352,732</u>	<u>14,392,923</u>
DEFERRED INFLOWS OF RESOURCES		
Leases	293,410	354,401
Pension	171,635	-
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>465,045</u>	<u>354,401</u>
NET POSITION		
Net Investment in Capital Assets	50,941,920	49,198,786
Restricted	5,332,136	5,060,838
Unrestricted	<u>9,839,695</u>	<u>6,495,029</u>
Total Net Position	<u>\$ 66,113,751</u>	<u>\$ 60,754,653</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, 2025 AND 2024**

Page 11

	2025	2024
OPERATING REVENUES		
Sales and Assessments	\$ 22,079,409	\$ 18,176,671
Other	1,134,705	1,932,574
Total Operating Revenue	<u>23,214,114</u>	<u>20,109,245</u>
OPERATING EXPENSES		
Purchased Power	9,251,687	7,613,333
Payroll and Employee Related Expenses	1,587,129	1,682,374
Utilities	44,114	17,417
Repairs and Maintenance	1,144,828	1,430,266
Professional and Contractual Services	1,780,250	1,891,476
Other Supplies and Expenses	766,523	495,542
Administrative	1,725,177	1,744,498
In Lieu of Franchise	1,130,587	932,784
Bad Debt	3,797	6,704
Depreciation	2,472,741	2,204,926
Total Operating Expenses	<u>19,906,833</u>	<u>18,019,320</u>
Operating Income	<u>3,307,281</u>	<u>2,089,925</u>
NON-OPERATING REVENUES (EXPENSES)		
Reserve Fund Investment Income	530,606	413,947
Investment Expense	(482,489)	(443,182)
Interest Expense	(157,579)	(192,308)
Impact Fees	1,760,265	760,192
Gain (Loss) on Sale of Assets	3,500	(333)
Changes in Fair Value of Reserve Fund Investments	136,499	154,938
Grants	187,662	81,953
Lease Revenue	60,991	56,557
Lease Interest	12,362	14,324
Net Non-Operating Revenues	<u>2,051,817</u>	<u>846,088</u>
Change in Net Position	<u>5,359,098</u>	<u>2,936,013</u>
NET POSITION, BEGINNING OF YEAR	<u>60,754,653</u>	<u>57,818,640</u>
NET POSITION, END OF YEAR	<u>\$ 66,113,751</u>	<u>\$ 60,754,653</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, 2025 AND 2024**

Page 12

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	\$ 21,729,879	\$ 18,102,290
Other Receipts	1,184,705	2,832,574
Payments to Suppliers	(15,433,411)	(14,179,294)
Payments to Employees	(1,672,021)	(1,464,977)
Net Cash Provided by Operating Activities	<u>5,809,152</u>	<u>5,290,593</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net Investing Activities	(3,733,881)	(711,146)
Interest Income	530,606	413,947
Net Cash Provided by (Used In) Investing Activities	<u>(3,203,275)</u>	<u>(297,199)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Impact Fees Received	1,760,265	760,192
Notes Receivable and Lease Payments Received	264,014	131,224
Net Cash Provided by Non-Capital Financing Activities	<u>2,024,279</u>	<u>891,416</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of Capital Assets	(9,666,369)	(5,772,271)
Proceeds from Long-Term Debt	6,467,093	2,438,825
Proceeds from Sale of Capital Assets	3,500	220
Principal Payments on Long-Term Debt	(983,312)	(960,093)
Interest Paid on Long-Term Debt	(157,579)	(192,308)
Grants Received	154,375	81,953
Net Cash Used by Capital and Related Financing Activities	<u>(4,182,292)</u>	<u>(4,403,674)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	447,864	1,481,136
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>3,020,198</u>	<u>1,539,062</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR		
Cash and Cash Equivalents	3,468,062	2,120,198
Restricted Cash	-	900,000
Total Cash	<u>\$ 3,468,062</u>	<u>\$ 3,020,198</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income	\$ 3,307,281	\$ 2,089,925
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
Depreciation	2,472,741	2,204,926
Bad Debt	3,797	6,704
(Increase) Decrease in Assets and Deferred Outflows		
Accounts Receivable	(372,724)	(79,964)
Inventory	(344,442)	81,698
Prepaid Expenses	3,449	(4,402)
Other Assets	(15,849)	(12,184)
Deferred Outflow-Pension	73,949	73,949
Increase (Decrease) in Liabilities and Deferred Inflows		
Accounts Payable	768,358	(117,737)
Customer Deposits	23,194	5,583
Unearned Grant Revenue	50,000	900,000
Accrued Liabilities	33,051	33,425
Accrued Compensated Absences	(46,887)	30,485
Other Liabilities	(1,761)	(1,353)
Net Pension Liability	(316,640)	79,538
Deferred Inflows-Pension	171,635	-
Net Cash Provided by Operating Activities	<u>\$ 5,809,152</u>	<u>\$ 5,290,593</u>
Noncash Investing Activities - Changes in Fair Value	\$ (136,499)	\$ (154,938)

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, 2024 AND NOVEMBER 30, 2023**

As of Plan Fiscal Year Ended:	<u>November 30, 2024</u>	<u>November 30, 2023</u>
ASSETS		
Investments	<u>\$ 2,305,933</u>	<u>\$ 2,064,342</u>
 NET POSITION		
Net Position - Restricted for Retirement Benefits	<u> 2,305,933</u>	<u> 2,064,342</u>
 Total Net Position	<u>\$ 2,305,933</u>	<u>\$ 2,064,342</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, 2024 AND NOVEMBER 30, 2023**

As of Plan Fiscal Year Ended:	<u>November 30, 2024</u>	<u>November 30, 2023</u>
ADDITIONS		
Contributions	\$ 121,580	\$ -
Investment Earnings	<u>299,291</u>	<u>84,310</u>
Total Additions	<u>420,871</u>	<u>84,310</u>
 DEDUCTIONS		
Benefits	156,404	183,038
Administrative	<u>22,876</u>	<u>21,133</u>
Total Deductions	<u>179,280</u>	<u>204,171</u>
Change in Net Position	241,591	(119,861)
 NET POSITION, BEGINNING	<u>2,064,342</u>	<u>2,184,203</u>
 NET POSITION, ENDING	<u><u>\$ 2,305,933</u></u>	<u><u>\$ 2,064,342</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, 2025 AND 2024**

NOTE 1 ORGANIZATION AND REPORTING ENTITY

Organization

The Board of Public Works of the City of Lewes, Delaware (the Board) is governed by five volunteer 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, 2025 AND 2024**

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, 2025, and 2024, 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

**THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2025 AND 2024**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting for Compensated Absences

Board policy permits employees to accumulate a limited amount of earned, but unused sick and vacation time. The Board recognizes a liability for leave that has not been used if the leave is attributable to services already rendered, the leave accumulates, and the leave is more likely than not to be used as time off or otherwise paid in cash. At March 31, 2025 and March 31, 2024, the liability for accrued vacation and sick leave is \$126,650 and \$173,537, respectively.

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 net 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, 2025, include amounts for grant programs of \$114,042, and impact fees of \$5,218,094, at March 31, 2024, include amounts for grant programs of \$96,432 and impact fees of \$4,964,406.

Deferred Outflows and Deferred Inflows of Resources

The Board may report decreases in net position 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: deferred outflows related to pension. The difference between projected and actual earnings for pension will be amortized into pension expense over the remaining service life of employees while contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent year.

**THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2025 AND 2024**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows and Deferred Inflows of Resources (Continued)

The Board may report increases in net position that relate to future periods as deferred inflows of resources in a separate section of its statement of net position. The Board has two item that qualifies for reporting this category: difference between projected and actual earnings related to pensions and leases.

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.

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 required provisions of GASB Statement No. 99, "*Omnibus*", GASB Statement 100, "*Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62*" and GASB Statement No. 101, "*Compensated Absences*". The adoption of these GASB Statements did not result in modification of previously reported amounts.

Pending Changes in Accounting Principles

In December 2023, the GASB issued Statement No. 102, "*Certain Risk Disclosures*". 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.

In September 2024, the GASB issued Statement No. 104, "*Disclosure of Certain Capital Assets*". The Board is required to adopt Statement No. 104 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, 2025 AND 2024**

NOTE 3 BUDGETS AND BUDGETARY ACCOUNTING

The Board follows these procedures in establishing the annual budgets:

1. In January or February, the board holds a budget workshop covering the operations and maintenance concerns and goals of the new fiscal year, if the Board deems necessary. Otherwise, the Board will leave it up to the Executive Management to handle this task administratively. This includes operations, maintenance, and staffing issues of each utility enterprise and administrative department.
2. At a special budget/rate meeting or at one of the monthly board meetings, the preliminary Operations and Maintenance budget is presented to the board and made available for public comment. The budget is formally adopted at the March board meeting, unless further changes need to be made. The finalized Operating and Maintenance budget goes into effect on 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, 2025, the carrying amount of the Board's cash deposits was \$3,468,062 and the bank balance was \$3,590,801. Of the bank balance, \$250,000 was covered by the Federal Deposit Insurance Corporations and the remaining \$3,340,801 was 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.

Restricted Cash

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. During the year the Board received addition APRA fund and moved the funds from a cash account to an investment account. As of Mach 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 BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2025 AND 2024**

NOTE 5 INVESTMENTS (CONTINUED)

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

Fair Value

The Board categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. As of March 31, 2025, and 2024 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, 2025, and March 31, 2024, 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, 2025, and 2024. 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. Investment amounts restricted in the Statement of Net Position at March 31, 2025 includes amounts for impact fees of \$5,218,094 for customer deposits of \$141,625 and APRA grant for \$950,000. Investment amounts restricted in the Statement of Net Position at March 31, 2024 includes amounts for impact fees of \$4,964,406. and for customer deposits of \$118,140.

**THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2025 AND 2024**

NOTE 6 COMPENSATED ABSENCES

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

Balance March 31, 2024	\$ 173,537	Balance March 31, 2023	\$ 143,052
Additions/(Reductions)	<u>(46,887)</u>	Additions/(Reductions)	<u>30,485</u>
Balance March 31, 2025	<u>\$ 126,650</u>	Balance March 31, 2024	<u>\$ 173,537</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, 2025, and 2024 is \$28,905 and \$69,898 and \$871,793 and \$910,949 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 Water Pollution Control 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, 2025, and March 31, 2024, is \$467,661 and \$548,169, 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, 2025, and March 31, 2024, is \$242,273 and \$272,277, respectively.

**THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2025 AND 2024**

NOTE 8 CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2025, 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	14,113,315	8,449,330	(5,876,458)	16,686,167
Total Capital Assets Not Being Depreciated	16,916,452	8,449,330	(5,876,458)	19,489,324
Capital Assets Being Depreciated				
Infrastructure	61,948,955	6,320,208	-	68,269,163
Buildings and Improvements	8,943,896	50,115	-	8,994,011
Furniture and Equipment	1,028,808	116,301	-	1,145,109
Vehicles	2,139,566	606,873	(163,570)	2,582,869
Software	340,958	-	-	340,958
Total Capital Assets Being Depreciated	74,402,183	7,093,497	(163,570)	81,332,110
Less Accumulated Depreciation for				
Infrastructure	23,762,100	1,932,894	-	25,694,994
Buildings and Improvements	5,778,586	194,934	-	5,973,520
Furniture and Equipment	640,529	91,335	-	731,864
Vehicles	1,462,449	177,222	(163,570)	1,476,101
Software	58,552	76,356	-	134,908
Total Accumulated Depreciation	31,702,216	2,472,741	(163,570)	34,011,387
Capital Assets, Being Depreciated, Net	42,699,967	4,620,756	-	47,320,723
Total Capital Assets	<u>\$ 59,616,419</u>	<u>\$ 13,070,086</u>	<u>\$ (5,876,458)</u>	<u>\$ 66,810,047</u>

**THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2025 AND 2024**

NOTE 8 CAPITAL ASSETS (CONTINUED)

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
Total Capital Assets	<u>\$ 56,049,627</u>	<u>\$ 10,267,929</u>	<u>\$ (6,701,137)</u>	<u>\$ 59,616,419</u>

NOTE 9 LONG-TERM DEBT

Changes in long-term debt for the year ended March 31, 2025, were as follows:

<u>Direct Borrowings:</u>	Beginning Balances	Increases	Decreases	Ending Balances	Due Within One Year
Water					
General Obligation Bonds	\$ 3,235,874	\$ 2,516,172	\$ (101,488)	\$ 5,650,558	\$ 86,187
Wastewater					
General Obligation Bonds	7,181,759	3,950,923	(915,113)	10,217,569	920,908
Total Debt	<u>\$ 10,417,633</u>	<u>\$ 6,467,095</u>	<u>\$ (1,016,601)</u>	<u>\$ 15,868,127</u>	<u>\$ 1,007,095</u>

**THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2025 AND 2024**

NOTE 9 LONG-TERM DEBT (CONTINUED)

Changes in long-term debt for the year ended March 31, 2024, 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	\$ 2,097,754	\$ 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	<u>\$ 8,938,901</u>	<u>\$ 2,438,825</u>	<u>\$ (960,093)</u>	<u>\$ 10,417,633</u>	<u>\$ 983,312</u>

Debt Service Requirements

Principal and interest requirements to amortize the general obligation bonds as of March 31, 2025, are as follows:

<u>Year Ending</u>	<u>Bonds Payable</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	208,087	64,133	272,220
2031-2035	1,104,884	267,147	1,372,031
2036-2040	1,220,477	171,156	1,391,633
2041-2045	1,049,673	71,020	1,120,693
2046-2050	550,487	13,434	563,919
	6,576,114	<u>\$ 928,698</u>	<u>\$ 7,504,810</u>
Add: drawn proceeds	9,292,013		
Total Outstanding Debt	<u>\$ 15,868,217</u>		

**THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2025 AND 2024**

NOTE 9 LONG-TERM DEBT (CONTINUED)

	Balance at March 31, 2025	Balance at March 31, 2024
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.	\$ 1,650,365	\$ 2,445,293
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%.	1,083,761	1,123,766
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 forgiven \$597,200 of the debt in 2018, which reduced the balance of debt and was recognized as grant income.	82,694	85,747
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%.	2,037,267	2,101,153
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%.	1,722,027	1,803,466
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, 2025, and March 31, 2024, is \$2,092,362 and \$412,686 respectively	2,100,000	2,100,000
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. On March 17, 2025 an additional 611,669 of general obligation bonds were issued. 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, 2025, and March 31, 2024, is \$3,353,815 and \$1,082,388 respectively.	3,353,815	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. On March 15, 2025, an additional \$115,990 of general obligation bonds were issued. 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, 2025, and March 31, 2024, is \$2,742,827 and \$1,284,236 respectively.	2,985,988	2,869,998

**THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2025 AND 2024**

NOTE 9 LONG-TERM DEBT (CONTINUED)

	Balance at March 31, 2025	Balance at March 31, 2024
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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. The total drawdown on the loan by the Board as of March 31, 2025, and March 31, 2024 is 493,805 and \$9,087 respectively.

	2,945,000	2,945,000
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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. On March 3, 2025, an additional \$1,000,000 of general obligation bonds were issued. 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. The total drawdown on the loan by the Board as of March 31, 2025, and March 31, 2024 is 609,204 and \$36,340 respectively.

Less: current portion

Less: undrawn proceeds

Total Long-Term Portion of Debt

	6,250,000	5,250,000
	(1,007,095)	(983,312)
	(8,342,790)	(13,048,936)
	\$ 14,861,032	\$ 9,434,321

The direct borrowings with the Delaware Drinking Water State Revolving Fund and Delaware Clean Water State Revolving Fund in the aggregate amount of \$15,868,127 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.

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 2024, the employer contribution was \$121,580.

**THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2025 AND 2024**

NOTE 10 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Membership of the plan

The membership consisted of the following at November 30, 2024, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	16
Terminated plan members and beneficiaries entitled to but not yet receiving	10
Active plan members	4
Total	30

Assumptions

The Board's net pension liability was measured as of November 30, 2024, 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, 2024, 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, 2024, 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, 2024 (see investment policy in Note 5) are summarized in the following table:

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

**THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2025 AND 2024**

NOTE 10 DEFINED BENEFIT PENSION PLAN (CONTINUED)

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, 2024, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 21.48%. 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, 2024, were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a-b)
Changes for the Year:			
Interest	\$ 95,148	\$ -	\$ 95,148
Differences Between Expected and Actual Experience	(13,793)	-	(13,793)
Changes in Assumptions	-	-	-
Contributions - Employer	-	121,580	(121,580)
Net Investment Income	-	299,291	(299,291)
Benefit Payments	(156,404)	(156,404)	-
Administrative Expense	-	(22,876)	22,876
Net Increase (Decrease)	(75,049)	241,591	(316,640)
Balances as of November 30, 2023	2,456,972	2,064,342	392,630
Balances as of November 30, 2024	<u>\$ 2,381,923</u>	<u>\$ 2,305,933</u>	<u>\$ 75,990</u>

As of November 30, 2024, the plan fiduciary net position as a percentage of the total pension liability as 96.81%.

At November 30, 2024, 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	<u>\$ 147,899</u>	<u>\$ (171,635)</u>
Total	<u>\$ 147,899</u>	<u>\$ (171,635)</u>

**THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2025 AND 2024**

NOTE 10 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Changes in the Net Pension Liability (CONTINUED)

The total pension expense recognized in 2025 for the plan was \$53,061. The deferred outflows of resources and deferred inflow of resources will be recognized in pension expense as follows:

Year Ended:	Deferred Outflows of Resources	Deferred Inflows of Resources
2025	\$ 73,949	\$ (42,909)
2026	73,950	(42,909)
2027	-	(42,909)
2028	-	(42,908)
Total	\$ 147,899	\$ (171,635)

NOTE 11 DEFERRED COMPENSATION

The Board offers its employees a deferred compensation plan created in accordance with the Internal Revenue Code Section 457. The plan is to all employees and permits them to defer the payment of a portion of their salary. Participation in the plan is voluntary and the Board does contribute up to a maximum of 7.5% of the employee's wages to the 457 plan on behalf of its employees. The cost and expense of administering the plans are borne by the participants. The assets and income of the plan is participant directed and for the exclusive benefit of the participants and their beneficiaries

As a result, the assets of the plan are not recorded in the Board's financial statements. At March 2025, employees had contributed \$145,885 and the Board had contributed \$109,346 to the 457 plan in 2025 respectively. At March 2024 employees had contributed \$116,901 and the Board had contributed \$109,909 to the 457 plan in 2024 respectively.

NOTE 12 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, 2025, and 2024, 99% and 99%, respectively, of the power was purchased from DEMEC and 1% and 1%, after netting their usage respectively, from the University.

**THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2025 AND 2024**

NOTE 13 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, the BPW shall pay to the City a minimum of two percent (2%) to a maximum of five percent (5%) of the monthly adjusted revenues for utility services (gross revenues for utility services less adjustments made to customer accounts), in lieu of franchise fees, no later than thirty (30) days after the utility bills are mailed to customers each month. In 2025 the Board paid 5% in lieu of franchise fees. For the year ended March 31, 2025, rent and in lieu of franchise fees paid to the City were \$138,780 and \$1,130,587 respectively; and were \$138,727 and \$932,784 for the year ended March 31, 2024, respectively.

NOTE 14 RISK MANAGEMENT

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

NOTE 15 COMMITMENTS AND CONTINGENT LIABILITIES

The Board has contractual obligations with various contractors for construction on the Donovan Smith Mobile Home Park Project, Well Header Pipe Replacement Project, Water Main Crossing of The Lewes Rehoboth Canal and Elevated Storage Tank Project. As of March 31, 2025, \$4,397,473 has been spent with a balance \$48,973 remaining on the open contracts for Donovan Smith Mobile Home Park Project, \$933,005 has been spent with a balance \$612,395 on the open contracts for Well Header Piper Replacement Project, \$1,291,151 has been spent with a balance \$478,423 remaining on open balance for Water Main Crossing of the Lewes Rehoboth Canal and a balance \$6,277,330 remaining on the open contracts for Elevated Storage Tank Project.

NOTE 16 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, 2025, and 2024, the value of the lease receivable is \$293,410 and \$354,401, respectively and the related deferred inflow for future payments expected to be collected on the lease is \$293,410 and \$354,401, respectively.

The lessee is required to make annual fixed payments of \$35,385 through \$37,300 respectively. The leases have an interest rate of 4% and 3% respectively. For the year ended March 31, 2025, the Board has recognized lease revenue and interest of \$60,991 and \$12,362, respectively and for the year ended March 31, 2024, the board recognized lease revenue and interest of \$56,557 and \$14,324, respectively.

**THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2025 AND 2024**

NOTE 16 LEASES (CONTINUED)

The Board has entered into agreements with external parties relating to office space, underground utility lines, and utility pole infrastructure. 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 or payments are variable based on usage, the Board has not recorded a liability in the financial statements for these agreements in accordance with GASB 87.

NOTE 17 LINE OF CREDIT

The Board has a \$3,000,000 secured line-of-credit available as of March 31, 2025, and 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% as of March 31, 2025, and 2024. There was no balance outstanding as of March 31, 2025, and 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, 2024

	2024	2023	2022	2021	2020	2019	2018	2017
Total pension liability								
Interest	\$ 95,148	\$ 96,231	\$ 97,998	\$ 103,739	\$ 107,954	\$ 110,791	\$ 108,903	\$ 106,801
Differences between expected and actual experience	(13,793)	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	(156,404)	(183,038)	(171,692)	(172,402)	(186,895)	(202,470)	(188,806)	(197,129)
Net change in total pension liability	(75,049)	(40,323)	(38,661)	(143,724)	(112,605)	(92,509)	67,824	49,336
Total pension liability - beginning	<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>	<u>2,767,634</u>
Total pension liability - ending (a)	<u>\$ 2,381,923</u>	<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	\$ 121,580	\$ -	\$ 110,503	\$ 217,934	\$ -	\$ 326,544	\$ 286,990	\$ 677
Net investment income	297,134	84,310	(268,096)	185,020	244,983	152,469	(21,516)	22,290
Other Additions	2,157	-	-	-	-	-	34,089	-
Benefit payments, including refunds of employee contributions	(156,404)	(183,038)	(171,692)	(172,402)	(186,895)	(202,470)	(188,806)	(197,129)
Administrative expense	(22,876)	(21,133)	(22,468)	(24,168)	(21,926)	(20,199)	(4,545)	(8,231)
Net change in plan fiduciary position	241,591	(119,861)	(351,753)	206,384	36,162	256,344	106,212	(182,393)
Plan fiduciary net position - beginning	<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>	<u>2,113,247</u>
Plan fiduciary net position - ending (b)	<u>\$ 2,305,933</u>	<u>\$ 2,064,342</u>	<u>\$ 2,184,203</u>	<u>\$ 2,535,956</u>	<u>\$ 2,329,572</u>	<u>\$ 2,037,066</u>	<u>\$ 2,037,066</u>	<u>\$ 1,930,854</u>
Authority's net pension liability - ending (a) - (b)	<u>\$ 75,990</u>	<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	96.81%	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	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	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, 2024

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Actuarially determined contribution	\$ 165,131	\$ 184,393	\$ 207,288	\$ 286,990	\$ 326,544	\$ 308,871	\$ 167,934	\$ 110,503	\$ 121,580	\$ 73,500
Contributions in relation to the actuarially determined contribution	165,131	184,393	677	286,990	326,544	-	217,934	110,503	-	121,580
Contribution deficiency (excess)	\$ -	\$ -	\$ 206,611	\$ -	\$ -	\$ 308,871	\$ (50,000)	\$ -	\$ 121,580	\$ (48,080)
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, 2024

	<u>2024</u>	<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	21.48%	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, 2025 AND 2024**

	2025	2024
OPERATING REVENUES		
Sale of Electric Energy		
Residential	\$ 6,410,325	\$ 5,369,896
Commercial	1,819,272	1,604,558
Industrial	4,895,001	4,017,729
Municipal	137,538	136,454
Other	221,268	844,344
Total Operating Revenues	<u>13,483,404</u>	<u>11,972,981</u>
OPERATING EXPENSES		
Purchased Power	9,251,687	7,613,333
Payroll and Employee Related Expenses	665,686	725,917
Utilities	16,849	1,059
Repairs and Maintenance	112,685	388,340
Professional and Contractual Services	101,374	293,851
Other Supplies and Expenses	299,917	97,560
Administrative	777,731	807,798
In Lieu of Franchise	690,204	580,011
Bad Debt	-	2,365
Depreciation	504,764	442,051
Total Operating Expenses	<u>12,420,897</u>	<u>10,952,285</u>
Operating Income	<u>1,062,507</u>	<u>1,020,696</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest Income	174,199	145,581
Investment Expense	(200,658)	(184,262)
Impact Fees	301,764	93,855
Gain (Loss) on Sale of Assets	3,500	(454)
Changes in Fair Value of Investments	52,566	59,651
Grants	25,000	-
Net Non-Operating Revenue (Expense)	<u>356,371</u>	<u>114,371</u>
Change in Net Position	1,418,878	1,135,067
NET POSITION, BEGINNING OF YEAR	<u>17,747,489</u>	<u>16,612,422</u>
NET POSITION, END OF YEAR	<u>\$ 19,166,367</u>	<u>\$ 17,747,489</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, 2025 AND 2024**

	2025	2024
OPERATING REVENUES		
Sale of Water		
Residential	\$ 2,118,309	\$ 1,589,305
Commercial	365,848	262,363
Industrial	1,225,881	969,337
Municipal	20,019	15,725
Other	769,948	755,038
Total Operating Revenues	<u>4,500,005</u>	<u>3,591,768</u>
OPERATING EXPENSES		
Payroll and Employee Related Expenses	844,246	827,304
Utilities	7,787	4,245
Repairs and Maintenance	279,865	262,107
Professional and Contractual Services	411,751	406,927
Other Supplies and Expenses	306,805	276,359
Administrative	460,713	449,644
In Lieu of Franchise	187,750	143,233
Bad Debt	1,124	1,182
Depreciation	476,390	407,078
Total Operating Expenses	<u>2,976,431</u>	<u>2,778,079</u>
Operating Income	<u>1,523,574</u>	<u>813,689</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest Income	140,309	96,045
Investment Expense	(123,811)	(113,674)
Interest Expense	(37,395)	(42,701)
Impact Fees	757,345	417,522
Gain (Loss) on Sale of Assets	-	57
Changes in Fair Value of Investments	31,519	35,791
Grants	28,378	81,953
Lease Revenue	60,991	56,557
Lease Interest	12,362	14,324
Net Non-Operating Revenue	<u>869,698</u>	<u>545,874</u>
Change in Net Position	2,393,272	1,359,563
NET POSITION, BEGINNING OF YEAR	<u>18,190,704</u>	<u>16,831,141</u>
NET POSITION, END OF YEAR	<u><u>\$ 20,583,976</u></u>	<u><u>\$ 18,190,704</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, 2025 AND 2024**

	2025	2024
OPERATING REVENUES		
Wastewater Assessments		
Residential	\$ 3,693,954	\$ 3,099,226
Commercial	361,444	321,317
Industrial	646,644	481,844
Municipal	27,300	24,804
Other	132,875	261,750
Total Operating Revenues	<u>4,862,217</u>	<u>4,188,941</u>
OPERATING EXPENSES		
Payroll and Employee Related Expenses	76,628	120,442
Utilities	19,438	12,113
Repairs and Maintenance	745,570	778,977
Professional and Contractual Services	1,217,094	1,124,002
Other Supplies and Expenses	142,403	112,363
Administrative	423,766	420,286
In Lieu of Franchise	234,724	195,281
Bad Debt	2,426	2,839
Depreciation	1,410,754	1,277,433
Total Operating Expenses	<u>4,272,803</u>	<u>4,043,736</u>
Operating Income (Loss)	<u>589,414</u>	<u>145,205</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest Income	206,429	169,078
Investment Expense	(123,951)	(114,077)
Interest Expense	(120,184)	(149,607)
Impact Fees	701,156	248,815
Gain (Loss) on Sale of Assets	-	53
Changes in Fair Value of Investments	52,414	59,496
Grants	134,284	-
Net Non-Operating Revenue (Expense)	<u>850,148</u>	<u>213,758</u>
Change in Net Position	1,439,562	358,963
NET POSITION, BEGINNING OF YEAR	<u>22,756,524</u>	<u>22,397,561</u>
NET POSITION, END OF YEAR	<u><u>\$ 24,196,086</u></u>	<u><u>\$ 22,756,524</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, 2025 AND 2024**

	2025	2024
OPERATING REVENUES		
Stormwater Assessments		
Residential	\$ 314,410	\$ 248,204
Commercial	27,994	23,729
Industrial	12,425	9,657
Municipal	3,045	2,523
Other	10,614	71,442
Total Operating Revenues	<u>368,488</u>	<u>355,555</u>
OPERATING EXPENSES		
Payroll and Employee Related Expenses	569	8,711
Utilities	40	-
Repairs and Maintenance	6,708	842
Professional and Contractual Services	50,031	66,696
Other Supplies and Expenses	17,398	9,260
Administrative	62,967	66,770
In Lieu of Franchise	17,909	14,259
Bad Debt	247	318
Depreciation	80,833	78,364
Total Operating Expenses	<u>236,702</u>	<u>245,220</u>
Operating Income (Loss)	<u>131,786</u>	<u>110,335</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest Income	9,669	3,243
Investment Expense	(34,069)	(31,169)
Gain (Loss) on Sale of Assets	-	11
Net Non-Operating Revenue (Expense)	<u>(24,400)</u>	<u>(27,915)</u>
Change in Net Position	107,386	82,420
NET POSITION, BEGINNING OF YEAR	<u>2,059,936</u>	<u>1,977,516</u>
NET POSITION, END OF YEAR	<u><u>\$ 2,167,322</u></u>	<u><u>\$ 2,059,936</u></u>

**THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
SCHEDULE OF CAPITAL ASSETS BY DEPARTMENT
MARCH 31, 2025**

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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	1,020,420	30,705	(103,227)	947,898
Total Capital Assets Not Being Depreciated	1,231,580	30,705	(103,227)	1,159,058
Capital Assets Being Depreciated				
Infrastructure	11,713,295	314,472	-	12,027,767
Buildings and Improvements	233,255	23,545	-	256,800
Furniture and Equipment	195,856	72,172	-	268,028
Vehicles	1,146,823	564,923	(163,570)	1,548,176
Software	81,860	-	-	81,860
Total Capital Assets Being Depreciated	13,371,089	975,112	(163,570)	14,182,631
Less Accumulated Depreciation for				
Infrastructure	6,387,854	379,572	-	6,767,426
Buildings and Improvements	166,572	6,512	-	173,084
Furniture and Equipment	148,773	26,403	-	175,176
Vehicles	838,596	82,652	(163,570)	757,678
Software	5,992	9,625	-	15,617
Total Accumulated Depreciation	7,547,787	504,764	(163,570)	7,888,981
Electric Department, Capital Assets, Net	7,054,882	501,053	(103,227)	7,452,708
	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	7,126,945	4,718,787	(3,787,168)	8,058,564
Total Capital Assets Not Being Depreciated	9,322,265	4,718,787	(3,787,168)	10,253,884
Capital Assets Being Depreciated				
Infrastructure	12,645,191	3,925,212	-	16,570,403
Buildings and Improvements	543,129	26,570	-	569,699
Furniture and Equipment	108,017	11,812	-	119,829
Vehicles	424,666	41,950	-	466,616
Software	83,724	-	-	83,724
Total Capital Assets Being Depreciated	13,804,727	4,005,544	-	17,810,271
Less Accumulated Depreciation for				
Infrastructure	3,650,681	365,589	-	4,016,270
Buildings and Improvements	268,554	18,320	-	286,874
Furniture and Equipment	81,944	23,073	-	105,017
Vehicles	272,120	44,410	-	316,530
Software	5,367	24,998	-	30,365
Total Accumulated Depreciation	4,278,666	476,390	-	4,755,056
Water Department, Capital Assets, Net	18,848,326	8,247,941	(3,787,168)	23,309,099

**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	5,550,472	3,687,230	(1,978,763)	7,258,939
Total Capital Assets Not Being Depreciated	5,929,266	3,687,230	(1,978,763)	7,637,733
Capital Assets Being Depreciated				
Infrastructure	35,920,170	2,074,776	-	37,994,946
Buildings and Improvements	8,166,394	-	-	8,166,394
Furniture and Equipment	684,842	30,467	-	715,309
Vehicles	362,345	-	-	362,345
Software	160,792	-	-	160,792
Total Capital Assets Being Depreciated	45,294,543	2,105,243	-	47,399,786
Less Accumulated Depreciation for				
Infrastructure	13,223,533	1,138,135	-	14,361,668
Buildings and Improvements	5,343,229	170,060	-	5,513,289
Furniture and Equipment	395,445	34,886	-	430,331
Vehicles	227,813	28,389	-	256,202
Software	44,832	39,284	-	84,116
Total Accumulated Depreciation	19,234,852	1,410,754	-	20,645,606
Wastewater Department, Capital Assets, Net	31,988,957	4,381,719	(1,978,763)	34,391,913
	Beginning Balance	Additions & Transfers	Deletions & Transfers	Ending Balance
<u>Stormwater</u>				
Capital Assets Not Being Depreciated				
Land	\$ 17,863	\$ -	\$ -	\$ 17,863
Construction in Progress	415,478	12,608	(7,300)	420,786
Total Capital Assets Not Being Depreciated	433,341	12,608	(7,300)	438,649
Capital Assets Being Depreciated				
Infrastructure	1,670,299	5,748	-	1,676,047
Buildings and Improvements	1,118	-	-	1,118
Furniture and Equipment	40,093	1,850	-	41,943
Vehicles	205,732	-	-	205,732
Software	14,582	-	-	14,582
Total Capital Assets Being Depreciated	1,931,824	7,598	-	1,939,422
Less Accumulated Depreciation for				
Infrastructure	500,032	49,598	-	549,630
Buildings and Improvements	231	42	-	273
Furniture and Equipment	14,367	6,973	-	21,340
Vehicles	123,920	21,771	-	145,691
Software	2,361	2,449	-	4,810
Total Accumulated Depreciation	640,911	80,833	-	721,744
Stormwater Department, Capital Assets, Net	1,724,254	(60,627)	(7,300)	1,656,327
Capital Assets, Net	\$ 59,616,419	\$ 13,070,086	\$ (5,876,458)	\$ 66,810,047



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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 AUDITORS' 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, 2025 and 2024, and the aggregate remaining fund information as of November 30, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated September 29, 2025.

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.

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*.



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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

ZELENKOFSCHE AXELROD LLC

Harrisburg, Pennsylvania
September 29, 2025