

**THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
FINANCIAL STATEMENTS
MARCH 31, 2020 AND 2019**

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

TABLE OF CONTENTS

	<u>Page(s)</u>
INDEPENDENT AUDITOR'S REPORT	1-3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4-9
BASIC FINANCIAL STATEMENTS	
Statements of Net Position	10
Statements of Revenues, Expenses, and Changes in Net Position	11
Statements of Cash Flows	12
Statements of Fiduciary Net Position – Pension Trust Fund	13
Statements of Changes in Fiduciary Net Position – Pension Trust Fund	14
NOTES TO FINANCIAL STATEMENTS	15-29
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Changes in the Net Pension Liability and Related Ratios	31
Schedule of Pension Contributions	32
Schedule of Pension Investment Returns	33
SUPPLEMENTARY INFORMATION	
Schedule of Revenues, Expenses, and Changes in Net Position – Electric Department	35
Schedule of Revenues, Expenses, and Changes in Net Position – Water Department	36
Schedule of Revenues, Expenses, and Changes in Net Position – Wastewater Department	37
Schedule of Revenues, Expenses, and Changes in Net Position – Stormwater Department	38
Schedule of Capital Assets by Department	39-40
GOVERNMENT AUDITING STANDARDS REPORT	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	41-42



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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Board of Public Works of the City of Lewes, Delaware ("the Board"), as of and for the year ended March 31, 2020 and the aggregate remaining fund information as of and for the year ended November 30, 2019 and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Board of Public Works of the City of Lewes, Delaware, as of March 31, 2020 and the aggregate remaining fund information as of November 30, 2019, 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.



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Adoption of Governmental Accounting Standards Board Pronouncements

As described in Note 2 to the financial statements, in 2020 the Board, adopted the provisions of Governmental Accounting Standards Board's (GASB) Statement No. 83, "*Certain Asset Retirement Obligations*", the provisions of GASB Statement No. 84, "*Fiduciary Activities*", the provisions of GASB Statement No. 88, "*Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*", the provisions of GASB Statement No. 90, "*Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*", and the provisions of GASB Statement No. 95, "*Postponement of the Effective Dates of Certain Authoritative Guidance*". Our opinion is not modified with respect to these matters.

Emphasis of Matter

As discussed in Note 15, a subsequent event may have a significant impact on the operations of the Board. Management has determined that it is not possible to predict the eventual outcome of the subsequent event. The accompanying financial statements do not include any adjustments related to the subsequent event. Our opinion is not modified with respect to this matter.

Other 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 30-32 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board's basic financial statements. The schedules of revenues, expenses, and changes in net position by department and the schedules of capital assets by department are presented for purposes of additional analysis and are not a required part of the basic financial statements. These schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basis financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of revenues, expenses, and changes in net position by department and schedules of capital assets by department are fairly stated in all material respects in relation to the basic financial statements as a whole.



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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 3, 2020, on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to solely describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control over financial reporting and compliance.

Zelenkofske Axelrod LLC

ZELENKOFKSKE AXELROD LLC

Harrisburg, Pennsylvania
September 3, 2020

**THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE**
Management's Discussion and Analysis (MD&A)
March 31, 2020

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, 2020. The intent of the Management's Discussion and Analysis (MD&A) is to summarize BPW's financial performance as a whole, in part, using comparative information from the current year analyzed against prior years. It is recommended that it be read in conjunction with the accompanying basic financial statements and notes to the financial statements in order to obtain a thorough understanding of the BPW's financial condition as of March 31, 2020.

Financial Highlights

The following items detail the Board of Public Works' financial highlights for the fiscal year ended March 31, 2020:

- The assets of the BPW exceeded our liabilities at the close of the year by \$51,702,413 (net position). Of this amount, \$6,174,651 are unrestricted.
- BPW's total net position increased by \$981,074.
- As of the close of the current year, BPW reported combined ending cash balances totaling \$595,891 an increase of \$227,138 in comparison with the prior year.
- The largest portion of BPW's total assets (75.3%) 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's made bond principal payments of \$741,046 and drew down the remaining balance of \$2,156,738 on the 2018 Delaware Water Pollution Control Revolving Fund bond.

Overview of the Financial Statements

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

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

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

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

The Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position are presented for the 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, 2020

Financial Analysis of the Board of Public Works as a Whole

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

Table A-1
Statement of Net Position
March 31st

	2020	2019	2018
Current Assets			
Unrestricted	\$ 7,791,615	\$ 9,821,459	\$ 11,305,776
Restricted	6,246,701	5,741,446	5,408,120
Non-current Assets			
Capital Assets, Net	48,490,805	45,211,395	42,516,416
Other Assets	1,902,607	1,268,188	1,416,498
Deferred Outflows of Resources	61,193	81,590	677
Total Assets & Deferred Outflows	\$ 64,492,921	\$ 62,124,078	\$ 60,647,487
Current Liabilities	\$ 2,202,125	\$ 2,155,903	\$ 2,119,932
Non-current Liabilities	10,588,383	9,246,836	10,010,945
Total Liabilities	\$ 12,790,508	\$ 11,402,739	\$ 12,130,877
Net Position:			
Net Investment in Capital Assets	\$ 39,367,334	\$ 37,661,877	\$ 34,243,879
Restricted	6,160,428	5,640,053	5,303,403
Unrestricted	6,174,651	7,419,409	8,969,328
Total Net Position	\$ 51,702,413	\$ 50,721,339	\$ 48,516,610

Over time, net position may serve as a useful indication of a government's financial position. In the case of BPW, total assets and deferred outflows of resources exceeded liabilities by \$51,702,413. The largest portion of BPW's net position (76.1%) reflects its net investment in capital assets used to acquire those assets that are still in service.

Capital assets, net, which represent 75.3% of BPW's assets, increased in 2020 by \$3,279,410 or 7.3% from 2019 due to capital spending on various improvement projects. Current liabilities increased in 2020 by \$46,222 or 2.1% from 2019 primarily from an increase in current maturities of long-term debt. Noncurrent liabilities increased in 2019 by \$1,341,547 or 14.5% from 2019 due to increases in general obligation bonds.

THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
Management's Discussion and Analysis (MD&A) - Continued
March 31, 2020

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

	2020	2019	2018
Operating Revenues			
Sales and Assessments	\$ 13,551,144	\$ 14,065,747	\$ 13,768,000
Other	<u>367,373</u>	<u>282,414</u>	<u>307,662</u>
Total Operating Revenues	<u>13,918,517</u>	<u>14,348,161</u>	<u>14,075,662</u>
Operating Expenses			
Purchased Power	6,287,089	6,505,061	6,769,567
Payroll and Administrative	2,483,306	2,569,876	2,579,502
Other Supplies and Expenses	2,544,752	2,166,848	2,009,545
Depreciation and Amortization	<u>1,763,471</u>	<u>1,703,523</u>	<u>1,617,746</u>
Total Operating Expenses	<u>13,078,618</u>	<u>12,945,308</u>	<u>12,976,360</u>
Non-operating Revenues (Expenses)			
Investment Income	584,521	373,927	396,800
Interest Expense	(442,473)	(207,250)	(198,185)
Impact Fees	675,005	357,566	239,354
Gain (Loss) on Sale of Assets	953	11,501	18,569
Change in Fair Value of Investments	(998,585)	(74,357)	47,403
Grants	165,574	12,319	788,922
Capital Project Pass-Through	<u>156,1890</u>	<u>328,170</u>	<u>108,896</u>
Net Non-operating Revenues	<u>141,175</u>	<u>801,876</u>	<u>1,401,759</u>
Increase (Decrease) in Net Position	<u>981,074</u>	<u>2,204,729</u>	<u>2,501,061</u>
Beginning Net Position	<u>50,721,339</u>	<u>48,516,610</u>	<u>46,015,549</u>
Ending Net Position	<u>\$ 51,702,413</u>	<u>\$ 50,721,339</u>	<u>\$ 48,516,610</u>

Operating revenues in 2020 decreased by \$429,644 or 3.0% from 2019. The primary reason for the decrease in revenues was due to the mild winter. The Electric department had a decrease of revenues of 6.93%. The water and sewer departments were net positive contributors, but together lower than the previous year. The stormwater utility was in the black with a reduction in net position of just over \$16,000. The largest category of operating expenses is purchased power at (48.07%). Payroll and administrative expenses in 2020 decreased by \$86,570 or 3.4% from 2019 primarily due to pension expense. Our non-operating revenues and expenses help us improve the total change in net position. We received \$165,574 in grants, mainly for a paving grant for Savannah Place and a drainage ditch project for Highland Acres. Impact fees increased due to the increase in building developments for Showfield and Harbor Point.

**THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE**
Management's Discussion and Analysis (MD&A) - Continued
March 31, 2020

Long-Term Debt and Capital Projects

The BPW does have authority to directly borrow money, but existing loans and bonds are originated through the City of Lewes. BPW makes principal and interest payments directly to the issuers of the debt. BPW has \$9,123,471 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.

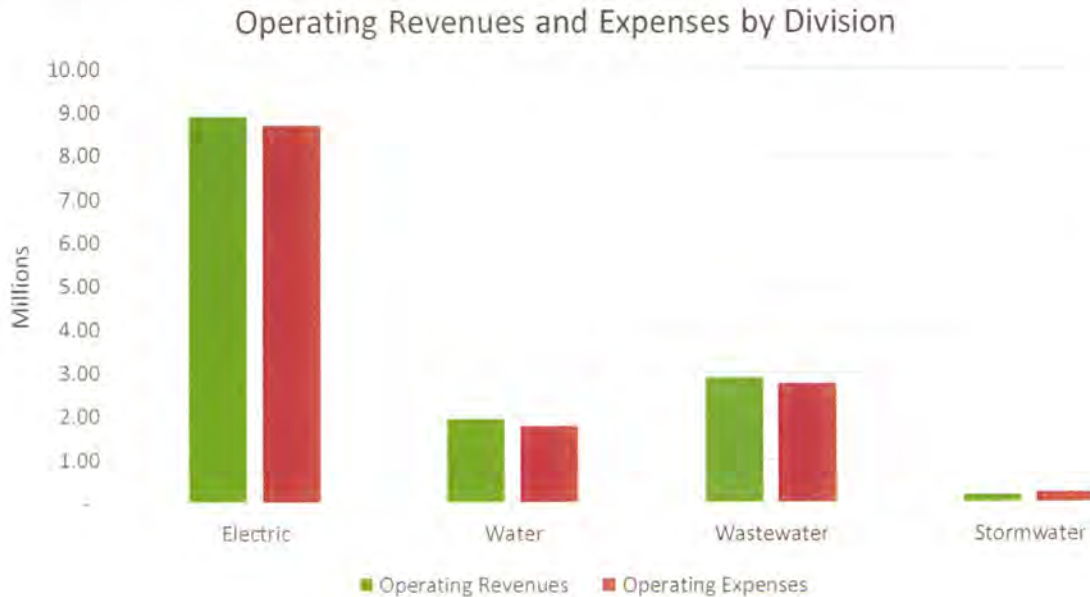
The BPW's capital assets totaled \$48,490,805 for the year ended. Of this amount, \$3,763,638 represented construction in progress at March 31, 2020. See the General Manager's Report below and Note 8 for further information on capital projects by department.

Summary of the Financial Reporting Entity

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

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

The electric department continues to provide the majority of BPW's operating revenues and operating expenses at \$8,890,969 and \$8,529,214, respectively. Purchased power of \$6,287,089 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, 2020

General Manager's Report

The 2019–2020 year was marked by greater than usual number of projects entered into and completed. The year was marked by many projects which met their completion: the Mitchell Farm Medical Building, the Front Street project, Savanna place sewer and repaving, Anglers and Market subdivision, the Highland Acres Tax Ditch pipe, the Savannah Road bike path and the Wastewater Treatment Plant effluent pipe fiberglass lining. Several of these projects were the combination of years of planning, engineering, and construction.

Other projects which were either begun or continue to be advanced in major ways are the following: Fisher Cove project, the Oyster Cove development, Harbor View which is advancing to its final phases, Tower Hill, Donovan Smith Trailer Park water and sewer project.

1). The Front Street sewer and water renewal and repaving.

This project was a multi-million-dollar project that concluded after two years of split construction. We made efforts in conjunction with the city and the local businesses to help advertise and mitigate the impacts of the construction on the downtown businesses. The BPW paid for all the advertising coordinated through the Lewes Chamber of Commerce, benefitting all the Lewes businesses. The project also contributed to the community with the upgrade of the 1812 parking lot and the addition of pavers at crosswalks. The project was completed in time to not impact the tourist season.

2). The Pilottown Road sewer and water renewal.

This is a multiyear, multimillion-dollar project. The sewer line work was completed at the end of the fiscal year. Remaining is the waterline work and the lining of the sewer laterals. Both projects advance the BPW's determination to improve water quality with the removal of older iron pipe that is in the ground.

The Electric department was able to strengthen reliability by raising the primary BPW system breaker at our inter connection point with Delmarva Power. We raised the bottom of the breaker by several feet, which provides protection against flooding/sea level rise due to its proximity to Canary Creek on Savannah Road. The department again was awarded both the safety and reliability awards from the American Public Power Association. We have operated with a very lean staff of a supervisor and two linemen. A study of our entire electric system was completed by an outside engineering consultant Sargent & Lundy which will have an awesome influence and direction on our planning and decisions for years to come. The services that our Electric department provided this year resulted in several compliments on the timeliness, professionalism, and courteous efforts of our staff.

The BPW Water, Wastewater and Stormwater staff also operate the entire year without any lost time due to on the job injury. We stress safety in all our disciplines and this emphasis continues to serve the staff and customers of the BPW very well. The Water department produced and delivered over 450 million gallons of potable water to our customers. The crews made over 120 repairs to the mains and service connections and lines during the same period. The Water, Wastewater and Stormwater departments fulfilled their responsibilities with many of our customers complementing their professionalism and courtesy. One project of note for the Wastewater department was the installation of a bio air filter to reduce the odor coming from lift station #4 which is centered on the Lewes/Rehoboth Canal and Savannah Road – a location which is heavily traveled by locals and visitors like.

The office staff has also performed above average, specifically under the pressure of transitioning to a new software system –NISC. This transition began early in the 2019/2020 fiscal year. The transition required training and double work – data entry and operation of both the old system and new system during several of the months. This double duty has paid dividends and is a testament to the efforts of our staff. The new NISC system is fully functional as of the writing of this report and the transition was exceptionally smooth even during the COVID-19 worldwide pandemic. The implementation of a new Smart hub has helped move

THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
Management's Discussion and Analysis (MD&A) - Continued
March 31, 2020

many of our customers to online payments and has now positioned us to take full advantage of future AMI and smart meter installations which is part of our strategic planning.

At the wastewater treatment plant in December 2019, an operator error occurred at the Wastewater Treatment plant causing it to overflow into the marsh. The WWTP is operated by our third-party contractor-Whitemarsh Environmental Services, a subcompany of Tidewater Utilities. The microfiltration membranes-the heart of the treatment process - were fouled and had to be replaced. Whitemarsh reacted to the spill, mitigating the impact on the environment and the BPW was able to purchase new membranes and get the spill remedied within 10 days. All the membranes have now been replaced along with several other items at the plant.

In March 2020, the world COVID 19 pandemic had an impact upon the Lewes BPW. With appropriate protocols the field staff were able to continue to work and function in safe manners – continuing to provide quality service to our customers. Office staff were able to work from home and the services provided our customers were seamless. This was also at a critical time of our new NISC customer service software implementation. All staff deserve a vote of appreciation for their efforts above and beyond the time of the pandemic.

We are looking forward to 2020-2021 with great anticipation!

Economic Factors and Next Year's Budgets and Rates

The 2020-2021 budget shows all operating revenues are estimated to decrease by 4% for the entire utility. While the budget is based on a five year average of consumption, mild springs and falls have lowered consumption of water in two of the previous five years. The greatest difference in revenues is in the electric revenues, a reduction in the cost of power. We pass the savings of the wholesale cost to the customer. Our purchased power expense is estimated to reduce by 6%. The budget shows expenditures going up by 0.9%. The change in net position estimated in the budget is \$1,080,000.

We are in the second year of the two year project renewing the water main and services and sewer main and sewer lateral lining on Pilottown Road. The most disruptive part of the project will begin in October of 2020 and is anticipated to take until Memorial Day in 2021. This project is estimated at \$2.4 million. A second major project is renewing the water main and services and sewer main and sewer lateral lining on Cedar Avenue. This is project that will take multiple years to complete and is estimated at \$4.8 million. These two projects will take a significant bit into the current reserve fund of the BPW. Alternate funding is being considered at the date of this writing. Due to national conditions, outside loans are an attractive option.

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 Darrin Gordon, 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, 2020 AND 2019**

Page 10

	2020	2019
ASSETS		
Current Assets		
Cash		
Unrestricted	\$ 595,891	\$ 368,753
Reserve Fund Investments		
Unrestricted	5,557,297	7,997,572
Restricted	6,246,701	5,741,446
Accounts Receivable, Net of Allowance	1,523,957	1,398,574
Inventory	66,432	24,328
Prepaid Expenses	10,580	339
Notes Receivable	37,458	31,893
Total Current Assets	<u>14,038,316</u>	<u>15,562,905</u>
Noncurrent Assets		
Capital Assets, Not Being Depreciated	4,541,775	6,488,716
Capital Assets, Being Depreciated, Net	43,949,030	38,722,679
Notes Receivable	1,809,241	1,192,987
Grants Receivable	93,366	75,201
Total Noncurrent Assets	<u>50,393,412</u>	<u>46,479,583</u>
Total Assets	<u>64,431,728</u>	<u>62,042,488</u>
DEFERRED OUTFLOW OF RESOURCES		
Pension	<u>61,193</u>	<u>81,590</u>
LIABILITIES		
Current Liabilities		
Accounts Payable	880,774	887,550
Customer Deposits	112,150	113,956
Accrued Interest	33,142	33,144
Unearned Revenue	382,909	377,344
Accrued Liabilities	4,013	2,863
Current Maturities of Bonds Payable	789,137	741,046
Total Current Liabilities	<u>2,202,125</u>	<u>2,155,903</u>
Noncurrent Liabilities		
Bonds Payable	8,334,334	6,966,734
Accrued Compensated Absences	197,210	176,749
Unearned Revenue	1,490,475	1,192,987
Other Liabilities	67,489	62,638
Net Pension Liability	498,875	847,728
Total Noncurrent Liabilities	<u>10,588,383</u>	<u>9,246,836</u>
Total Liabilities	<u>12,790,508</u>	<u>11,402,739</u>
NET POSITION		
Net Investment in Capital Assets	39,367,334	37,661,877
Restricted	6,160,428	5,640,053
Unrestricted	6,174,651	7,419,409
Total Net Position	<u>\$ 51,702,413</u>	<u>\$ 50,721,339</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, 2020 AND 2019**

Page 11

	2020	2019
OPERATING REVENUES		
Sales and Assessments	\$ 13,551,144	\$ 14,065,747
Other	367,373	282,414
Total Operating Revenue	<u>13,918,517</u>	<u>14,348,161</u>
OPERATING EXPENSES		
Purchased Power	6,287,089	6,505,061
Payroll and Employee Related Expenses	694,046	827,098
Utilities	29,978	31,909
Repairs and Maintenance	1,001,229	710,225
Professional and Contractual Services	742,725	452,830
Other Supplies and Expenses	69,552	249,716
Administrative	1,789,260	1,742,778
In Lieu of Franchise	697,366	721,794
Bad Debt	3,902	374
Depreciation	1,763,471	1,703,523
Total Operating Expenses	<u>13,078,618</u>	<u>12,945,308</u>
Operating Income	<u>839,899</u>	<u>1,402,853</u>
NON-OPERATING REVENUES (EXPENSES)		
Reserve Fund Investment Income	584,521	373,927
Interest Expense	(442,473)	(207,250)
Impact Fees	675,005	357,566
Gains on Sale of Assets	953	11,501
Changes in Fair Value of Reserve Fund Investments	(998,585)	(74,357)
Grants	165,574	12,319
Capital Projects Pass-Through Revenue	156,180	328,170
Net Non-Operating Revenues	<u>141,175</u>	<u>801,876</u>
Change in Net Position	<u>981,074</u>	<u>2,204,729</u>
NET POSITION, BEGINNING OF YEAR	<u>50,721,339</u>	<u>48,516,610</u>
NET POSITION, END OF YEAR	<u>\$ 51,702,413</u>	<u>\$ 50,721,339</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, 2020 AND 2019**

Page 12

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	\$ 13,420,053	\$ 13,949,690
Other Receipts	367,373	282,414
Payments to Suppliers	(10,386,581)	(10,607,059)
Payments to Employees	(1,000,891)	(926,625)
Net Cash Provided by Operating Activities	<u>2,399,954</u>	<u>2,698,420</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net Investing Activities	936,432	601,953
Interest Income	584,521	373,927
Net Cash Provided by Investing Activities	<u>1,520,953</u>	<u>975,880</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Impact Fees Received	675,005	357,566
Capital Projects Pass-Through Revenue	156,180	328,170
Notes Receivable Loans Made	(867,998)	169,908
Notes Receivable Payments Received	246,179	
Net Cash Provided by Non-Capital Financing Activities	<u>209,366</u>	<u>855,644</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of Capital Assets	(5,046,627)	(4,387,001)
Proceeds from Long-Term Debt	2,156,738	158,262
Proceeds from Sale of Capital Assets	4,699	-
Principal Payments on Long-Term Debt	(741,046)	(723,019)
Interest Paid on Long-Term Debt	(442,473)	(207,248)
Grants Received	165,574	12,319
Net Cash Used by Capital and Related Financing Activities	<u>(3,903,135)</u>	<u>(5,146,687)</u>
Net Increase (Decrease) in Cash	227,138	(616,743)
CASH AT BEGINNING OF YEAR	<u>368,753</u>	<u>985,496</u>
CASH AT END OF YEAR	<u>\$ 595,891</u>	<u>\$ 368,753</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income	\$ 839,899	\$ 1,402,853
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
Depreciation and Amortization	1,763,471	1,703,523
Bad Debt	3,902	374
(Increase) Decrease in Assets and Deferred Outflows		
Accounts Receivable	(129,285)	(125,296)
Inventory	(42,104)	(24,328)
Prepaid Expenses	(10,241)	3,266
Other Assets	(18,165)	(17,676)
Deferred Outflow-Pension	20,397	(80,913)
Increase (Decrease) in Liabilities		
Accounts Payable	(6,776)	(26,425)
Customer Deposits	(1,806)	9,239
Unearned Revenue	303,053	(132,696)
Accrued Liabilities	1,150	1,896
Accrued Compensated Absences	20,461	17,878
Other Liabilities	4,851	5,113
Net Pension Liability	(348,853)	(38,388)
Net Cash Provided by Operating Activities	<u>\$ 2,399,954</u>	<u>\$ 2,698,420</u>
Noncash Investing Activities - Changes in Fair Value	\$ 998,585	\$ 74,357

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, 2019 AND NOVEMBER 30, 2018**

Page 13

As of Plan Fiscal Year Ended:	<u>November 30, 2019</u>	<u>November 30, 2018</u>
ASSETS		
Investments	<u>\$ 2,293,410</u>	<u>\$ 2,037,066</u>
NET POSITION		
Net Position - Restricted for Retirement Benefits	<u>2,293,410</u>	<u>2,037,066</u>
Total Net Position	<u>\$ 2,293,410</u>	<u>\$ 2,037,066</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, 2019 AND NOVEMBER 30, 2018**

Page 14

As of Plan Fiscal Year Ended:	<u>November 30, 2019</u>	<u>November 30, 2018</u>
ADDITIONS		
Contributions	\$ 326,544	\$ 286,990
Investment Earnings	152,469	(21,516)
Other Additions	<u>-</u>	<u>34,089</u>
Total Additions	<u>479,013</u>	<u>299,563</u>
 DEDUCTIONS		
Benefits	202,470	188,806
Administrative	<u>20,199</u>	<u>4,545</u>
Total Deductions	<u>222,669</u>	<u>193,351</u>
Change in Net Position	256,344	106,212
NET POSITION, BEGINNING	<u>2,037,066</u>	<u>1,930,854</u>
NET POSITION, ENDING	<u>\$ 2,293,410</u>	<u>\$ 2,037,066</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, 2020 AND 2019**

NOTE 1 ORGANIZATION AND REPORTING ENTITY

Organization

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

Reporting Entity

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

**THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2020 AND 2019**

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, 2020 and 2019, the allowance account was \$4,851.

Capital Assets

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

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

Estimated useful lives are as follows:

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

Accounting for Compensated Absences

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

**THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2020 AND 2019**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimates

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

Net Position

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

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

When an expenditure is incurred for purposes for which both restricted and unrestricted resources are available, it is the Board's policy to use restricted resources first. Net position amounts restricted in the Statement of Net Position at year-end include amounts for grant programs of \$25,877 and impact fees of \$6,134,551.

Deferred Outflows of Resources

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

Pensions

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

**THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2020 AND 2019**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of Governmental Accounting Standards Board (GASB) Statements

The Board, adopted the provisions of GASB Statement No. 83, "*Certain Asset Retirement Obligations*", the provisions of GASB Statement No. 84, "*Fiduciary Activities*", the provisions of GASB Statement No. 88, "*Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*", the provisions of GASB Statement No. 90, "*Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*", and the provisions of GASB Statement No. 95, "*Postponement of the Effective Dates of Certain Authoritative Guidance*". The adoption of these statements had no effect on previously reported amounts.

Pending Changes in Accounting Principles

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

In June 2018, the GASB issued Statement No. 89, "*Accounting for Interest Costs Incurred before the End of a Construction Period*". The Board is required to adopt statement No. 89 for its fiscal year 2022 financial statements.

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

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

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

In March 2020, the GASB issued Statement No. 94, "*Public-Private and Public-Public Partnerships and Availability Payment Arrangements*". The Board is required to adopt statement No. 93 for its fiscal year 2024 financial statements.

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

In June 2020, the GASB issued Statement No. 97, "*Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*". The Board is required to adopt statement No. 97 for its fiscal year 2023 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, 2020 AND 2019**

NOTE 3 BUDGETS AND BUDGETARY ACCOUNTING

The Board follows these procedures in establishing the annual budgets:

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

NOTE 3 BUDGETS AND BUDGETARY ACCOUNTING (CONTINUED)

3. The Operations and Maintenance budget is reviewed quarterly beginning with July board meeting having the first quarter presented. Discrepancies and concerns are open for discussion year-round with adjustments made with adoption by 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, 2020, the carrying amount of the Board's cash deposits was \$595,891 and the bank balance was \$912,055. Of the bank balance \$250,000 was covered by the Federal Deposit Insurance Corporations and the remaining \$662,055 was collateralized. As of March 31, 2019, the carrying amount of the Board's cash deposits was \$368,753 and the bank balance was \$986,951. Of the bank balance \$250,000 was covered by the Federal Deposit Insurance Corporations and the remaining \$736,951 was collateralized.

NOTE 5 INVESTMENTS

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

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

Fair value

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

**THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2020 AND 2019**

NOTE 5 INVESTMENTS (CONTINUED)

As of March 31, 2020 and 2019 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 must not exceed 45% or be less than 20% of the portfolio.
- Fixed Income must not exceed 70% or be less than 30% of the portfolio.
- Alternative Investments must not exceed 15% of the portfolio.
- Cash may not exceed 20% of the portfolio.

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, 2020 and March 31, 2019, 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, 2020 and 2019. The cash account is insured under FDIC. At year-end the annuities held by the pension trust fund were rated A1 and A+ by Moody's and S&P, respectively.

Interest Rate Risk

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

NOTE 6 COMPENSATED ABSENCES

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

Balance March 31, 2019	\$ 176,749
Additions/(Reductions)	20,461
Balance March 31, 2020	<u>\$ 197,210</u>

**THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2020 AND 2019**

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, 2020 and 2019 is \$83,691 and \$83,691 and \$974,387 and \$976,957 for water and wastewater, respectively.

In 2013, some residents within the Savannah Place development have agreed to pay a note to the Board for the cost of impact fees they were assessed. The Board records income related to the receivable when payments are received. The amount owed to the Board as of March 31, 2020 and 2019 is \$3,445 and \$5,970, respectively.

In 2018, residents within the Savannah Place development have agreed to pay a note to the Board for the cost of water and wastewater infrastructure setup for the development. Each resident had the option of paying the portion of the note that they owe in full immediately or a monthly payment over 30 years at 2% interest. Payments on this note receivable are used by the Board to pay notes payable due to the Delaware Drinking Water State Revolving Fund who funded the cost of Savannah Place infrastructure. The Board records income related to the receivable as deferred until paid and a note receivable for the amount unpaid. The amount owed to the Board as of March 31, 2020 and March 31, 2019 is \$785,176 and \$158,262, respectively.

**THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2020 AND 2019**

NOTE 8 CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2020 was as follows:

	Beginning Balance	Additions & Transfers	Deletions & Transfers	Ending Balance
Capital Assets Not Being Depreciated				
Land	\$ 778,137	\$ -	\$ -	\$ 778,137
Construction in Progress	5,710,579	3,650,521	(5,597,462)	3,763,638
Total Capital Assets Not Being Depreciated	6,488,716	3,650,521	(5,597,462)	4,541,775
Capital Assets Being Depreciated				
Infrastructure	49,931,682	6,763,046	-	56,694,728
Buildings and Improvements	9,011,764	-	-	9,011,764
Furniture and Equipment	1,459,282	128,935	-	1,588,217
Vehicles	2,077,536	101,587	(41,693)	2,137,430
Software	639,681	69,855	-	639,681
Total Capital Assets Being Depreciated	63,119,945	6,993,568	(41,693)	70,071,820
Less Accumulated Depreciation for				
Infrastructure	16,567,594	1,373,289	-	17,940,883
Buildings and Improvements	4,989,658	191,988	-	5,181,646
Furniture and Equipment	1,067,625	60,214	-	1,126,625
Vehicles	1,218,051	118,650	(37,947)	1,291,784
Software	554,338	19,330	-	581,852
Total Accumulated Depreciation	24,397,266	1,763,471	(37,947)	26,122,790
Capital Assets, Being Depreciated, Net	38,722,679	5,230,097	(3,746)	43,949,030
Total Capital Assets	<u>\$ 45,211,395</u>	<u>\$ 8,880,618</u>	<u>\$(5,601,208)</u>	<u>\$ 48,490,805</u>

**THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2020 AND 2019**

NOTE 8 CAPITAL ASSETS (CONTINUED)

Capital asset activity for the year ended March 31, 2019 was as follows:

	Beginning Balance	Additions & Transfers	Deletions & Transfers	Ending Balance
Capital Assets Not Being Depreciated				
Land	\$ 778,137	\$ -	\$ -	\$ 778,137
Construction in Progress	2,335,426	3,713,910	(338,757)	5,710,579
Total Capital Assets Not Being Depreciated	3,113,563	3,713,882	(338,757)	6,488,716
Capital Assets Being Depreciated				
Infrastructure	49,290,810	640,872	-	49,931,682
Buildings and Improvements	8,958,530	53,234	-	9,011,764
Furniture and Equipment	1,417,396	41,886	-	1,459,282
Vehicles	1,959,021	217,502	(98,987)	2,077,536
Software	569,826	69,855	-	639,681
Total Capital Assets Being Depreciated	62,195,583	1,023,349	(98,987)	63,119,945
Less Accumulated Depreciation for				
Infrastructure	15,240,929	1,326,665	-	16,567,594
Buildings and Improvements	4,796,981	192,677	-	4,989,658
Furniture and Equipment	1,006,924	60,701	-	1,067,625
Vehicles	1,206,423	110,615	(98,987)	1,218,051
Software	541,473	12,865	-	554,338
Total Accumulated Depreciation	22,792,730	1,703,523	(98,987)	24,397,266
Capital Assets, Being Depreciated, Net	39,402,853	(680,174)	-	38,722,679
Total Capital Assets	\$ 42,516,416	\$ 3,033,708	\$ (338,757)	\$ 45,211,395

NOTE 9 LONG-TERM DEBT

The Board has the authority to borrow funds, but existing long-term debt has been borrowed through the City of Lewes. The long-term debt consists of general obligation bonds and funds borrowed through the State of Delaware Revolving Funds. During the year, the State of Delaware forgave \$597,200 of the indebtedness incurred by the Water Fund in prior years. These loans are considered general obligation bonds and are collateralized by the full faith and credit the Board of Public Works of the City of Lewes, Delaware.

**THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2020 AND 2019**

NOTE 9 LONG-TERM DEBT (CONTINUED)

Changes in long-term debt for the year ended March 31, 2020 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	\$ 100,123	\$ -	\$ (2,762)	\$ 97,360	\$ 2,818
Wastewater					
General Obligation Bonds	7,607,657	2,156,738	(738,284)	9,026,111	786,319
Total Debt	<u>\$ 7,707,780</u>	<u>\$ 2,156,738</u>	<u>\$ (741,046)</u>	<u>\$ 9,123,471</u>	<u>\$ 789,137</u>

Changes in long-term debt for the year ended March 31, 2019 were as follows:

<u>Direct Borrowings:</u>	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>	<u>Due Within One Year</u>
Water					
General Obligation Bonds	\$ 102,800	\$ -	\$ (2,677)	\$ 100,123	\$ 2,762
Wastewater					
General Obligation Bonds	8,169,737	158,262	(720,342)	7,607,657	738,284
Total Debt	<u>\$ 8,272,537</u>	<u>\$ 158,262</u>	<u>\$ (723,019)</u>	<u>\$ 7,707,780</u>	<u>\$ 741,046</u>

Debt service requirements

Principal and interest requirements to amortize the general obligation bonds as of March 31, 2020 are as follows:

<u>Year Ending</u>	<u>Bonds Payable</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 789,137	\$ 170,249	\$ 959,386
2022	838,580	162,472	1,001,052
2023	859,165	142,492	1,001,657
2024	880,259	122,013	1,002,272
2025	901,874	101,029	1,002,903
2026-2030	2,218,180	252,843	2,471,023
2031-2035	627,230	159,285	786,515
2036-2040	692,850	113,270	806,120
2041-2045	765,340	62,430	827,770
2046-2050	550,856	13,434	564,290
Total	<u>\$ 9,123,471</u>	<u>\$ 1,299,517</u>	<u>\$ 10,422,988</u>

**THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2020 AND 2019**

NOTE 9 LONG-TERM DEBT (CONTINUED)

	Balance at March 31, 2020	Balance at March 31, 2019
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.	\$ 5,434,681	\$ 6,136,750
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%.	1,276,430	1,312,645
On April 1, 2016, the City of Lewes issued \$700,000 of general obligation bonds due to the Delaware Drinking Water State Revolving Fund. The funds are being used by the Board for the development project at Highland Acres. The State of Delaware have forgave \$597,200 of the debt in 2018, which reduced the balance of debt and was recognized as grant income.	97,361	100,1123
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%.	2,315,000	2,315,000
Less: current portion	(789,137)	(741,046)
Less: undrawn proceeds	-	(2,156,738)
Total Long-Term Portion of Debt	\$ 8,334,334	\$ 6,966,734

The direct borrowings with the Delaware Drinking Water State Revolving Fund and Delaware Drinking Water State Revolving Fund in the aggregate amount of \$9,123,471 contain provisions that in the event of default, outstanding amounts become immediately due and payable. There are no assets used as collateral and no unused lines of credit for the direct borrowings.

NOTE 10 DEFINED BENEFIT PENSION PLAN

Plan description

The Board of Public Works of Lewes, Delaware Employee Pension Trust Plan (the Plan) is a single employer defined benefit pension plan established by the Board effective November 15, 1962. The Board has the power and authority to establish and amend the benefit provisions of the Plan. The Plan provides retirement benefits to plan members. Members are qualified to participate in the Plan after one year of service. Normal retirement age is 65. Vesting begins after 3 years of service and requires at least 1,000 hours during a 12-month period. Retirement benefits are calculated by a formula and provide 50% of average annual earnings less 35% of primary social security benefits. Employees may take early retirement with reduced benefits at age 55 and at least 12 years of service. Effective December 1, 2002, employees with 35 years of service may retire with full benefits after their 60th birthday. Annual reporting for the Plan is presented in the Board's fiduciary fund financial statements.

**THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2020 AND 2019**

NOTE 10 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Contributions

The Board is required to contribute the amount necessary to fund the plan based on an actuarially determined contribution. For 2020, the employer contribution was \$326,544.

Membership of the plan

The membership consisted of the following at November 30, 2019, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	21
Terminated plan members and beneficiaries entitled to but not yet receiving	10
Active plan members	5
Total	36

Assumptions. The Board's net pension liability was measured as of November 30, 2019 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, 2018, using an actuarial assumption of an investment rate of return of 4.0%.

Mortality rates were based on the 2019 Static Table Non-Annuitant.

The actuarial assumptions used in the December 1, 2018 valuations were reviewed by the Board's actuary; a recent experience review was not performed.

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

Investments

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

The long-term expected rate of return on pension plan investments was determined using the building block method in which best-estimate ranges of future expected real rates of return (expected returns, net of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. 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, 2019 (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, 2020 AND 2019**

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, 2019, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 7.48%. 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, 2019 were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a-b)
Changes for the Year:			
Interest	\$ 110,791	\$ -	\$ 108,903
Differences Between Expected and Actual Experience	12,946	-	12,946
Changes in Assumptions	(13,776)	-	(13,776)
Contributions - Employer	-	326,544	(326,544)
Net Investment Income	-	152,469	(152,469)
Benefit Payments	(202,470)	(202,470)	-
Administrative Expense	-	(20,199)	20,199
Net Increase (Decrease)	(92,509)	256,344	(348,853)
Balances as of November 30, 2018	2,884,794	2,037,066	847,116
Balances as of November 30, 2019	<u>\$ 2,792,285</u>	<u>\$ 2,293,410</u>	<u>\$ 498,875</u>

As of November 30, 2019, the plan fiduciary net position as a percentage of the total pension liability as 82.13%

At November 30, 2019, the Board reported deferred outflows of resources and deferred inflows 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>\$ 61,193</u>	<u>\$ -</u>
Total	<u>\$ 61,193</u>	<u>\$ -</u>

**THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2020 AND 2019**

NOTE 10 DEFINED BENEFIT PENSION PLAN (CONTINUED)

The total pension expense recognized in 2019 for the plan was \$69,075. The deferred outflows of resources will be recognized in pension expense as follows:

Year Ended:	
2020	\$ 20,397
2021	20,397
2022	<u>20,399</u>
Total	<u>\$ 61,193</u>

NOTE 11 PURCHASE POWER

The Board purchases power from Delaware Municipal Electric Corporation (DEMEC) and the University of Delaware. Beginning in the fiscal year ended March 31, 2011, the Board entered into an agreement with the University of Delaware (the University) wherein the Board purchases excess wind power from the University if it is generated and wherein the University will purchase power from the Board if they need additional power. The Board purchases power from the University at the same price as DEMEC. For the years ended March 31, 2020 and 2019, 98% of the power was purchased from DEMEC and 2% from the University.

NOTE 12 RELATED PARTY TRANSACTIONS

The City of Lewes (the "City") charges the Board rent for the use of buildings and offices owned by the City of Lewes and the Board bills the City for utilities used. In addition, in accordance with the City's charter, the City imposes a 5% in lieu of franchise fee on sales and assessments rendered by the Board. For the year ended March 31, 2020, rent and in lieu of franchise fees paid to the City were \$131,380 and \$697,366, respectively; and were \$138,786 and \$721,794 for the year ended March 31, 2019, respectively.

NOTE 13 RISK MANAGEMENT

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

NOTE 14 COMMITMENTS AND CONTINGENT LIABILITIES

The Board has contractual obligations with various contractors for construction on the Pilottown Road project. As of March 31, 2020, \$1,213,346 has been spent with a balance of \$2,447,530 remaining on the open contracts.

**THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2020 AND 2019**

NOTE 15 SUBSEQUENT EVENTS

Subsequent to year-end, a global pandemic due to the spread of the COVID-19 coronavirus caused the United States government to declare a national emergency. The pandemic has led to widespread voluntary and government-mandated closings of local stores and businesses, which has resulted in significant job losses. These job losses have the potential to have a significant impact on all aspects of the Board's operations. In addition, due to the temporary closure of all businesses that are not deemed life sustaining, State and Federal tax revenues are also significantly decreased. This decrease could result in less grant money that is relied upon by local municipalities to fund specific projects. In addition, the Board's own source revenue or derived revenues could be affected negatively. Overall, decreased funding could result in the Board having to curtail or eliminate some services.

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

	2019	2018	2017
Total pension liability			
Interest	\$ 110,791	\$ 108,903	\$ 106,801
Differences between expected and actual experience	12,946	147,727	139,664
Changes of assumptions	(13,776)	-	-
Benefit payments, including refunds of employee contributions	(202,470)	(188,806)	(197,129)
Net change in total pension liability	(92,509)	67,824	49,336
Total pension liability - beginning	2,884,794	2,816,970	2,767,634
total pension liability - ending (a)	<u>\$ 2,792,285</u>	<u>\$ 2,884,794</u>	<u>\$ 2,816,970</u>
Plan fiduciary net position			
Contributions - employer	\$ 326,544	\$ 286,990	\$ 677
Net investment income	152,469	(21,516)	22,290
Other Additions	-	34,089	-
Benefit payments, including refunds of employee contributions	(202,470)	(188,806)	(197,129)
Administrative expense	(20,199)	(4,545)	(8,231)
Net change in plan fiduciary position	256,344	106,212	(182,393)
Plan fiduciary net position - beginning	2,037,066	1,930,854	2,113,247
Plan fiduciary net position - ending (b)	<u>\$ 2,293,410</u>	<u>\$ 2,037,066</u>	<u>\$ 1,930,854</u>
Board's net pension liability - ending (a) - (b)	<u>\$ 498,875</u>	<u>\$ 847,728</u>	<u>\$ 886,116</u>
Plan fiduciary net position as a percentage of the total pension liability	82.13%	70.61%	68.54%
Covered payroll *	N/A	N/A	N/A
Board net pension liability as a percentage of covered payroll *	N/A	N/A	N/A

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

* All benefit accruals were frozen beginning April 1, 2010

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

	2014	2015	2016	2017	2018	2019
Actuarially determined contribution	\$ 150,262	\$ 165,131	\$ 184,393	\$ 207,288	\$ 286,990	\$ 326,544
Contributions in relation to the actuarially determined contribution	150,262	165,131	184,393	677	286,990	326,544
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ 206,611	\$ -	\$ -
Covered payroll *	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

Notes to Schedule

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Unit Cost
Amortization method	Level Dollar
Remaining amortization period	4 years
Asset valuation method	5-year smoothed market
Inflation	0%
Salary increases	0%
Investment rate of return	4.0%, net of plan investment expense
Retirement age	Age 65
Mortality	2019 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

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

* All benefit accruals were frozen beginning April 1, 2010

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Annual money-weighted rate of return, net of investment expense	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, 2020 AND 2019**

Page 35

	<u>2020</u>	<u>2019</u>
OPERATING REVENUES		
Sale of Electric Energy		
Residential	\$ 4,110,058	\$ 4,521,923
Commercial	1,239,834	1,341,985
Industrial	3,342,057	3,430,001
Municipal	132,341	164,096
Other	66,679	49,262
Total Operating Revenues	<u>8,890,969</u>	<u>9,507,267</u>
OPERATING EXPENSES		
Purchased Power	6,287,089	6,505,061
Payroll and Employee Related Expenses	322,070	389,659
Utilities	4,351	2,233
Repairs and Maintenance	177,344	123,330
Professional and Contractual Services	80,967	98,974
Other Supplies and Expenses	30,205	35,508
Administrative	751,406	661,672
In Lieu of Franchise	459,257	492,274
Bad Debt	3,490	23
Depreciation and Amortization	413,035	404,101
Total Operating Expenses	<u>8,529,214</u>	<u>8,712,835</u>
Operating Income	<u>361,755</u>	<u>794,432</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest Income	233,852	152,058
Interest Expense	(106,184)	(12,104)
Impact Fees	123,174	22,730
Gain on Sale of Assets	-	3,201
Changes in Fair Value of Investments	(419,406)	(31,230)
Net Non-Operating Revenue	<u>(168,564)</u>	<u>134,655</u>
Change in Net Position	193,191	929,087
NET POSITION, BEGINNING OF YEAR	<u>15,146,733</u>	<u>14,217,646</u>
NET POSITION, END OF YEAR	<u><u>\$ 15,339,924</u></u>	<u><u>\$ 15,146,733</u></u>

**THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
WATER DEPARTMENT
YEARS ENDED MARCH 31, 2020 AND 2019**

Page 36

	<u>2020</u>	<u>2019</u>
OPERATING REVENUES		
Sale of Water		
Residential	\$ 968,716	\$ 916,678
Commercial	148,050	207,941
Industrial	550,022	472,004
Municipal	8,860	9,976
Other	269,337	217,575
Total Operating Revenues	<u>1,944,985</u>	<u>1,824,174</u>
OPERATING EXPENSES		
Payroll and Employee Related Expenses	385,816	391,824
Utilities	8,132	8,226
Repairs and Maintenance	350,233	325,109
Professional and Contractual Services	32,321	25,037
Other Supplies and Expenses	18,049	86,716
Administrative	465,355	403,487
In Lieu of Franchise	84,793	81,124
Bad Debt	412	-
Depreciation and Amortization	327,167	322,703
Total Operating Expenses	<u>1,672,278</u>	<u>1,644,226</u>
Operating Income	<u>272,707</u>	<u>179,948</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest Income	168,750	115,062
Interest Expense	(67,722)	(2,043)
Impact Fees	276,613	181,312
Gain on Sale of Assets	476	-
Changes in Fair Value of Investments	(259,632)	(19,333)
Grants	3,634	-
Capital Projects Pass-Through Revenue	5,095	-
Net Non-Operating Revenue	<u>127,214</u>	<u>274,998</u>
Change in Net Position	399,921	454,946
NET POSITION, BEGINNING OF YEAR	<u>13,485,967</u>	<u>13,031,021</u>
NET POSITION, END OF YEAR	<u><u>\$ 13,885,888</u></u>	<u><u>\$ 13,485,967</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, 2020 AND 2019**

Page 37

	<u>2020</u>	<u>2019</u>
OPERATING REVENUES		
Wastewater Assessments		
Residential	\$ 2,283,343	\$ 2,257,849
Commercial	229,415	224,617
Industrial	329,531	310,089
Municipal	18,280	18,080
Other	27,150	11,555
Total Operating Revenues	<u>2,887,719</u>	<u>2,822,190</u>
OPERATING EXPENSES		
Payroll and Employee Related Expenses	4,129	44,820
Utilities	17,297	21,279
Repairs and Maintenance	463,832	250,947
Professional and Contractual Services	622,936	322,250
Other Supplies and Expenses	15,805	119,522
Administrative	429,402	553,754
In Lieu of Franchise	143,743	138,829
Bad Debt	-	351
Depreciation and Amortization	963,449	918,087
Total Operating Expenses	<u>2,660,593</u>	<u>2,369,839</u>
Operating Income	<u>227,126</u>	<u>593,621</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest Income	137,376	80,149
Interest Expense	(248,341)	(193,072)
Impact Fees	272,325	153,274
Gain on Sale of Assets	477	-
Changes in Fair Value of Investments	(239,660)	(17,845)
Grants	103,940	12,319
Capital Projects Pass-Through Revenue	151,085	328,170
Net Non-Operating Revenue	<u>177,202</u>	<u>362,995</u>
Change in Net Position	404,328	815,346
NET POSITION, BEGINNING OF YEAR	<u>20,254,453</u>	<u>19,439,107</u>
NET POSITION, END OF YEAR	<u><u>\$ 20,658,781</u></u>	<u><u>\$ 20,254,453</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, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
OPERATING REVENUES		
Stormwater Assessments		
Residential	\$ 165,337	\$ 165,088
Commercial	16,770	16,900
Industrial	6,945	6,960
Municipal	1,585	1,560
Other	4,207	4,022
Total Operating Revenues	<u>194,844</u>	<u>194,530</u>
OPERATING EXPENSES		
Payroll and Employee Related Expenses	31	795
Utilities	198	171
Repairs and Maintenance	9,820	10,839
Professional and Contractual Services	6,501	6,549
Other Supplies and Expenses	5,493	7,970
Administrative	125,097	123,865
In Lieu of Franchise	9,573	9,567
Depreciation and Amortization	59,820	58,632
Total Operating Expenses	<u>216,533</u>	<u>218,388</u>
Operating Loss	<u>(21,689)</u>	<u>(23,858)</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest Income	44,543	26,658
Interest Expense	(20,226)	(31)
Impact Fees	2,893	250
Gain on Sale of Assets	-	8,300
Changes in Fair Value of Investments	(79,887)	(5,949)
Grants	58,000	-
Net Non-Operating Revenue	<u>5,323</u>	<u>29,228</u>
Change in Net Position	(16,366)	5,350
NET POSITION, BEGINNING OF YEAR	<u>1,834,186</u>	<u>1,828,836</u>
NET POSITION, END OF YEAR	<u><u>\$ 1,817,820</u></u>	<u><u>\$ 1,834,186</u></u>

**THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
SCHEDULE OF CAPITAL ASSETS BY DEPARTMENT
MARCH 31, 2020**

Page 39

	Beginning Balance	Additions & Transfers	Deletions & Transfers	Ending Balance
Electric				
Capital Assets Not Being Depreciated				
Land	\$ 211,160	\$ -	\$ -	\$ 211,160
Construction in Progress	92,036	7,290	-	99,326
Total Capital Assets Not Being Depreciated	303,196	7,290	-	310,486
Capital Assets Being Depreciated				
Infrastructure	11,580,492	95,943	-	11,676,435
Buildings and Improvements	326,699	-	-	326,699
Furniture and Equipment	536,517	18,228	-	554,745
Vehicles	1,093,708	-	(7,263)	1,086,445
Software	190,149	-	-	190,149
Total Capital Assets Being Depreciated	13,727,565	114,171	(7,263)	13,834,473
Less Accumulated Depreciation for				
Infrastructure	5,256,591	337,251	-	5,593,842
Buildings and Improvements	218,287	9,519	-	227,806
Furniture and Equipment	466,039	21,663	-	487,702
Vehicles	856,778	36,760	(5,690)	887,848
Software	150,629	7,842	-	158,471
Total Accumulated Depreciation	6,948,324	413,035	(5,690)	7,355,669
Electric Department, Capital Assets, Net	7,082,437	(291,574)	(1,573)	6,789,290
Water				
Capital Assets Not Being Depreciated				
Land	\$ 170,320	\$ -	\$ -	\$ 170,320
Construction in Progress	2,576,118	130,621	(154,152)	2,552,587
Total Capital Assets Not Being Depreciated	2,746,438	130,621	(154,152)	2,722,907
Capital Assets Being Depreciated				
Infrastructure	11,371,691	197,560	-	11,569,251
Buildings and Improvements	513,321	-	-	513,321
Furniture and Equipment	178,678	39,796	-	218,474
Vehicles	385,666	40,626	(16,696)	409,596
Software	107,257	-	-	107,257
Total Capital Assets Being Depreciated	12,556,613	277,982	(16,696)	12,817,899
Less Accumulated Depreciation for				
Infrastructure	2,486,873	257,693	-	2,744,566
Buildings and Improvements	205,791	12,774	-	218,565
Furniture and Equipment	141,894	13,100	-	154,994
Vehicles	122,335	37,495	(15,722)	144,108
Software	99,294	6,105	-	105,399
Total Accumulated Depreciation	3,056,187	327,167	(15,722)	3,367,632
Water Department, Capital Assets, Net	12,246,864	81,436	(155,126)	12,173,174

THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
SCHEDULE OF CAPITAL ASSETS BY DEPARTMENT (CONTINUED)
MARCH 31, 2020

Page 40

	Beginning Balance	Additions & Transfers	Deletions & Transfers	Ending Balance
<u>Wastewater</u>				
Capital Assets Not Being Depreciated				
Land	\$ 378,794	\$ -	\$ -	\$ 378,794
Construction in Progress	2,820,820	3,372,536	(5,420,939)	772,417
Total Capital Assets Not Being Depreciated	3,199,614	3,372,536	(5,420,939)	1,151,211
Capital Assets Being Depreciated				
Infrastructure	25,451,261	6,440,618	-	31,891,879
Buildings and Improvements	8,170,626	-	-	8,170,626
Furniture and Equipment	722,274	38,927	-	761,201
Vehicles	413,428	40,627	(16,351)	437,704
Software	323,681	-	-	323,681
Total Capital Assets Being Depreciated	35,081,270	6,520,172	(16,351)	41,585,091
Less Accumulated Depreciation for				
Infrastructure	8,497,368	743,216	-	9,240,584
Buildings and Improvements	4,565,538	169,653	-	4,735,191
Furniture and Equipment	449,051	21,755	-	470,806
Vehicles	208,713	24,914	(15,451)	218,176
Software	288,555	3,911	-	292,466
Total Accumulated Depreciation	14,009,225	963,449	(15,451)	14,957,223
Wastewater Department, Capital Assets, Net	24,271,659	8,929,259	(5,421,839)	27,779,079
	Beginning Balance	Additions & Transfers	Deletions & Transfers	Ending Balance
<u>Stormwater</u>				
Capital Assets Not Being Depreciated				
Land	\$ 17,863	\$ -	\$ -	\$ 17,863
Construction in Progress	221,605	140,074	(22,371)	339,308
Total Capital Assets Not Being Depreciated	239,468	140,074	(22,371)	357,171
Capital Assets Being Depreciated				
Infrastructure	1,528,238	28,925	-	1,557,163
Buildings and Improvements	1,118	-	-	1,118
Furniture and Equipment	21,813	31,984	-	53,797
Vehicles	184,734	20,334	(1,383)	203,685
Software	18,594	-	-	18,594
Total Capital Assets Being Depreciated	1,754,497	81,243	(1,383)	1,834,357
Less Accumulated Depreciation for				
Infrastructure	326,762	35,129	-	361,891
Buildings and Improvements	42	42	-	84
Furniture and Equipment	9,427	3,696	-	13,123
Vehicles	23,255	19,481	(1,084)	41,652
Software	24,044	1,472	-	25,516
Total Accumulated Depreciation	383,530	59,820	(1,084)	442,266
Stormwater Department, Capital Assets, Net	1,610,435	161,497	(22,670)	1,749,262
Capital Assets, Net	\$ 45,211,395	\$ 8,880,618	\$ (5,601,208)	\$ 48,490,805



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

INDEPENDENT AUDITOR'S REPORT

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Board of Public Works of the City of Lewes, Delaware ("the Board"), as of and for the year ended March 31, 2020 and the aggregate remaining fund information as of and for the year ended November 30, 2019, 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 3, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Board's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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



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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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Harrisburg, Pennsylvania
September 3, 2020

Zelenkofske Axelrod LLC

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