

**THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
FINANCIAL STATEMENTS
MARCH 31, 2021 AND 2020**

**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	15-28
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Changes in the Net Pension Liability and Related Ratios	30
Schedule of Pension Employer Contributions	31
Schedule of Pension Investment Returns	32
SUPPLEMENTARY INFORMATION	
Schedule of Revenues, Expenses, and Changes in Net Position – Electric Department	34
Schedule of Revenues, Expenses, and Changes in Net Position – Water Department	35
Schedule of Revenues, Expenses, and Changes in Net Position – Wastewater Department	36
Schedule of Revenues, Expenses, and Changes in Net Position – Stormwater Department	37
Schedule of Capital Assets by Department	38-39
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>	40-41



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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, 2021 and the aggregate remaining fund information as of and for the year ended November 30, 2020 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, 2021 and the aggregate remaining fund information as of November 30, 2020, 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 (GASB) Pronouncements

As discussed in Note 1 to the financial statements, in 2021 the Board adopted the provisions of GASB 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”*. 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 July 20, 2021, 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 Axlerod LLC

ZELENKOFKSKE AXELROD LLC

Harrisburg, Pennsylvania
July 20, 2021

THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
Management's Discussion and Analysis (MD&A)
March 31, 2021

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, 2021. 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, 2021.

Financial Highlights

The following items detail the Board of Public Works' financial highlights for the fiscal year ended March 31, 2021:

- The assets of the BPW exceeded our liabilities at the close of the year by \$54,826,728 (net position). Of this amount, \$4,731,146 are unrestricted.
- BPW's total net position increased by \$3,124,315.
- As of the close of the current year, BPW reported combined ending cash balances totaling \$659,408 an increase of \$63,517 in comparison with the prior year.
- The largest portion of BPW's total assets (78.3%) 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 made bond principal payments of \$789,509.

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, 2021

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			
	2021	2020	2019
Current Assets			
Unrestricted	\$ 5,848,869	\$ 7,791,615	\$ 9,821,459
Restricted	6,706,899	6,246,701	5,741,446
Non-current Assets			
Capital Assets, Net	51,697,131	48,490,805	45,211,395
Other Assets	1,804,810	1,902,607	1,268,188
Deferred Outflows of Resources	40,796	61,193	81,590
Total Assets & Deferred Outflows	<u>\$ 66,098,505</u>	<u>\$ 64,492,921</u>	<u>\$ 62,124,078</u>
Current Liabilities	\$ 1,966,745	\$ 2,202,125	\$ 2,155,903
Non-current Liabilities	9,305,032	10,588,383	9,246,836
Total Liabilities	<u>\$ 11,271,777</u>	<u>\$ 12,790,508</u>	<u>\$ 11,402,739</u>
Net Position:			
Net Investment in Capital Assets	\$ 43,363,169	\$ 39,367,334	\$ 37,661,877
Restricted	6,732,413	6,160,428	5,640,053
Unrestricted	4,731,146	6,174,651	7,419,409
Total Net Position	<u>\$ 54,826,728</u>	<u>\$ 51,702,413</u>	<u>\$ 50,721,339</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 by \$54,826,728. The largest portion of BPW's net position (79.1%) reflects its net investment in capital assets used to acquire those assets that are still in service.

Capital assets, net, which represent 78.3% of BPW's assets, increased in 2021 by \$3,206,326 or 6.6% from 2020 due to capital spending on various improvement projects. Current liabilities decreased in 2021 by \$235,380 or 10.7% from 2020 primarily from a decrease in unearned revenue. Noncurrent liabilities decreased in 2021 by \$1,283,351 or 12.1% from 2020 primarily due to decreases in general obligation bonds and unearned revenue.

THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
Management's Discussion and Analysis (MD&A) - Continued
March 31, 2021

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

	2021	2020	2019
Operating Revenues			
Sales and Assessments	\$ 13,788,342	\$ 13,551,144	\$ 14,065,747
Other	888,873	367,373	282,414
Total Operating Revenues	<u>14,677,215</u>	<u>13,918,517</u>	<u>14,348,161</u>
Operating Expenses			
Purchased Power	6,110,717	6,287,089	6,505,061
Payroll and Administrative	3,172,805	2,483,306	2,569,876
Other Supplies and Expenses	2,546,481	2,544,752	2,166,848
Depreciation and Amortization	2,123,674	1,763,471	1,703,523
Total Operating Expenses	<u>13,953,677</u>	<u>13,078,618</u>	<u>12,945,308</u>
Non-operating Revenues (Expenses)			
Investment Income	435,143	584,521	373,927
Interest Expense	(317,459)	(442,473)	(207,250)
Impact Fees	586,720	675,005	357,566
Gain (Loss) on Sale of Assets	(1,684)	953	11,501
Change in Fair Value of Investments	1,618,214	(998,585)	(74,357)
Grants	79,843	165,574	12,319
Capital Project Pass-Through	-	156,180	328,170
Net Non-operating Revenues	<u>2,400,777</u>	<u>141,175</u>	<u>801,876</u>
Increase (Decrease) in Net Position	<u>3,124,315</u>	<u>981,074</u>	<u>2,204,729</u>
Beginning Net Position	<u>51,702,413</u>	<u>50,721,339</u>	<u>48,516,610</u>
Ending Net Position	<u>\$ 54,826,728</u>	<u>\$ 51,702,413</u>	<u>\$ 50,721,339</u>

Operating revenues in 2021 increased by \$758,698 or 5.5% from 2020. The primary reason for the increase in revenues was due to residents staying in Lewes for the winter. The Electric department had a decrease of revenues of 0.47%. The water and sewer departments were net positive contributors, and higher than the previous year. The stormwater utility was in the black with an increase in net position of just over \$190,000. The largest category of operating expenses is purchased power at (43.79%). Payroll and administrative expenses in 2021 increased by \$689,499 or 27.8% from 2020 primarily due to pension expense. Our non-operating revenues and expenses help us improve the total change in net position. The largest change in non-operating revenues related to the change in the fair value of investments attributed to strong market conditions at the end of 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 \$8,333,962 in bond obligations at the end of the year. These monies were 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 BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
 Management's Discussion and Analysis (MD&A) - Continued
 March 31, 2021

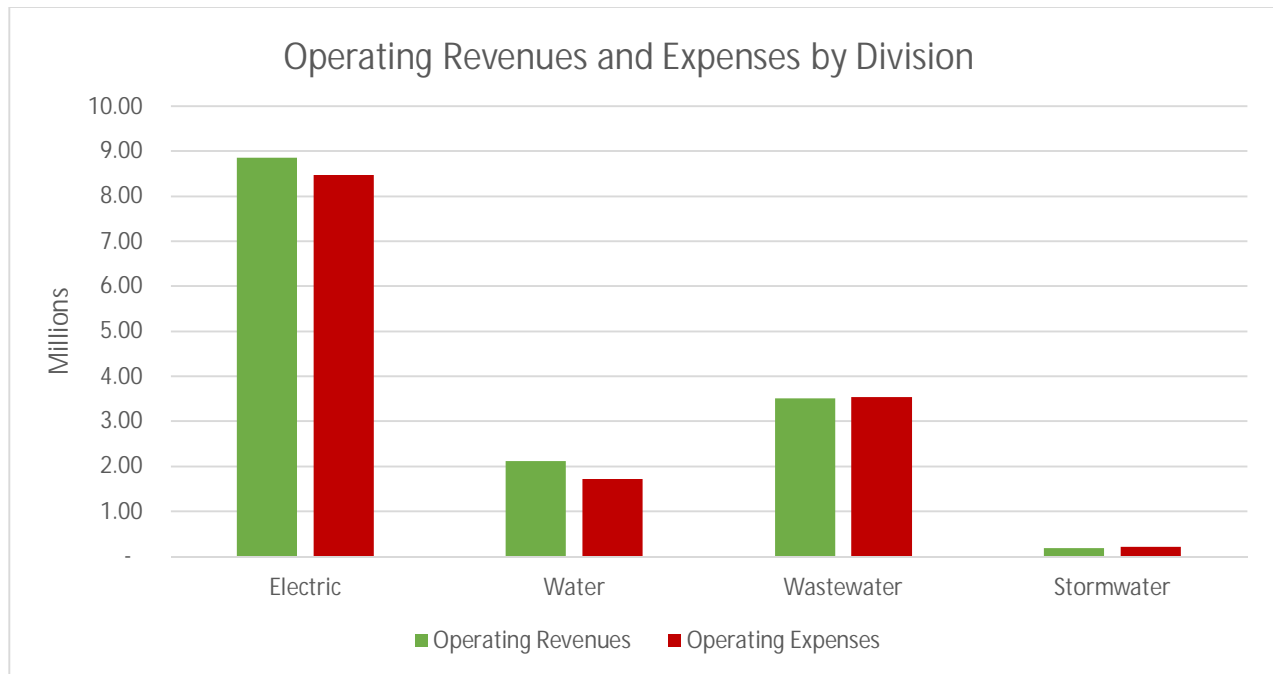
The BPW's capital assets totaled \$51,697,131 for the year ended. Of this amount, \$11,298,825 represented construction in progress at March 31, 2021. See the General Manager's Report below and Note 8 for further information on capital projects by department.

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 \$8,848,747 and \$8,473,782, respectively. Purchased power of \$6,110,717 was the largest single cost to the electric department.



General Manager's Report

The 2020–2021 year was marked by the influence of the world-wide COVID 19 pandemic. The Lewes BPW serves a very seasonal community. Lewes is marked by very busy tourist/summer season with many of the citizens going to secondary residences in the winter. The pandemic changed this seasonality. A larger number of residents stayed in Lewes during the winter months because of their ability to work and reside at home. Because of this change, the financial health of the BPW was improved. One of the impacts of the pandemic in the utility world nationwide was a significant impact on uncollected accounts. Many of the municipal utilities of Delaware reported marked increases in the number of dollars lost because of

THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
Management's Discussion and Analysis (MD&A) - Continued
March 31, 2021

customers' inability to pay because of COVID related loss of income. The BPW felt little to no impact. This is due to the economic base and unique demographics of the citizens of Lewes.

The most significant project- the Pilottown Road water and wastewater renewal project remained on track. COVID had the effect of keeping people in their homes and not on the roads throughout much of our construction season. Teal Construction, the project contractor, was able to follow COVID protocol and keep to the project timeline.

Other projects were also advanced but felt the delaying influence of the pandemic.

- 1) Coleman and 4th Street, a water and sewer project worked jointly with the City of Lewes, had negative impacts from COVID as significant time was lost as the contractor's crews were positive with the illness. The contractor was credited for the time, but contractor failures caused even further delays.

The Electric department has a very dedicated and small staff. With the complications of the pandemic, the possibility of our two linemen being sick and having to quarantine for days at a time, had the possibility of being a catastrophic event. We isolated the linemen to work under COVID protocol and maintained distances unless unavoidable. We maintained the workforce and again earned the safety and reliability awards from the American Public Power Association. We have added two new employees. A meter reader/Apprentice lineman and one Journeyman lineman. This is in the eventual anticipation of the retirement of Robert "Bob" Barnes from the BPW. There will have been approximately a 6 month overlap in the hiring to allow the institutional knowledge that Bob possesses to be shared with the new hires. Bob has been an exemplary employee and will be sorely missed. Rhett Passwaters will be the new Electric Department Supervisor. Work has continued to ensure the success of the installation of an industrial battery located at Schley Avenue that will help mitigate capacity, transmission, and power quality issues into the future. The services that our Electric department provided this year resulted in several compliments on the timeliness, professionalism, and courteous efforts of our staff.

The Water department produced and delivered over 460 million gallons of potable water to our customers. The crews made over 125 repairs to the mains and service connections and lines during the same period. They fulfilled their duties in a safe and professional manner logging zero loss time due to injuries and received many customer compliments for their timeliness and professionalism. The Water department has been heavily stressed due to the pandemic. There were two separate occasions when employees or their family members were COVID positive and required the sequestering of the employee and their contacted co-workers. This put added stress on the few unaffected employees. The strength of comradery and devotion to the BPW kept the system sound and operating to all Federal, State and BPW standards. The pandemic protocol of keeping employees working in specific pairs and not co-mingling helped mitigate the impacts of the COVID.

The office staff has also performed above average, specifically under the pressure of the COVID-19 worldwide pandemic. The office was fully closed for much of the year, and then was gradually opened as the protocols were able to be met. Our Information Technologies Department- Josh Gritton- did a great job of having the laptops and computers prepared to operate from the employees' individual homes prior to the pandemic. This was for flexibility and security reasons and made for very efficient and timely transition to a seamless 'work from home' administration. During the previous year, the BPW staff had implemented the NISC customer service software. While staff were still mastering the system, the product served its designed purpose very well and COVID did not hamper the meter reading, billing, or accounts payable. The BPW followed State emergency protocol and did not collect any penalties during the state of emergency.

THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
Management's Discussion and Analysis (MD&A) - Continued
March 31, 2021

The wastewater treatment plant was operated under the third-party contractor- Inframark. This is the new name for the old Severn Trent company that operated the plant through the early 2000-2010 years of the plant operation. They operated the plant with no violations from the State or Federal regulatory agencies. The BPW has been in litigation from the City of Lewes over the last 4 years. As of the writing of this report, a State Charter change, and MOU between the City and BPW have officially removed this issue. While the turmoil has caused unrest and uncertainty among the BPW, the entire BPW family have remained solid and committed to fulfilling its duties in a safe, reliable, and professional manner, earning the respect and trust of the customers we serve. Through those stresses and the pressures of the COVID 19 pandemic, the BPW has shined as an example of a close knit, professional and selfless organization committed to serving our customers without self-aggrandizement.

Economic Factors and Next Year's Budgets and Rates

During the creation of the 2020-21 budget there were some significant items taken into consideration. The purchase power expense was decreased by 2.1% or an anticipated reduction of \$130,000, due to natural gas pricing being hedged by our power suppliers. Water and wastewater revenues were anticipated (as of July 20, 2021) to increase by \$120,000. This increase was due to a 6% increase in the commodity charge in water rates. The largest increase in expenses were in the professional and contractual commitments. The new WWTP operator was significantly high than the previous operator. The change was made due to the 2019 WWTP spill and operator errors. It was also anticipated that the lawsuit between the city and the BPW would continue to have charges above the norm. Bad debt was budgeted to counteract possible collection issues anticipated from COVID. Interest income was also reduced per information from our account manager, warning of reduced dividends coming from our reserve fund.

The 20-21 audit year cannot be discussed without the overwhelming influence of the COVID 19 worldwide pandemic. It had a devastating impact on our commercial customers, with an extended period restricting the tourism incomes that are crucial to many. An inverse effect was felt by our major industrial customers. Beebe Hospital had no slowdown in their utility requirements and SPI Pharma, the producer of medical grade antacids increased their demand for our water by approximately 6%. The pandemic taught many homeowners that they could work virtually which had many of the usually vacant winter homes being utilized all year around. The effect was a solid revenue statement on the residential customer base. Because most of our customers are financially solid, we had very low bad debt or collection needs.

The economic outlook for the 2021-22 fiscal year is another aggressive year of capital improvements. We will be completing the Pilottown Road sewer renewal and watermain replacement. All services are to be replaced this fall and winter with paving occurring in the spring. We also have several developments working feverishly to take advantage of the current housing market boom. The nation is experiencing a exit of residents from City's and more turbulent communities to retirement and less turbulent areas. Sussex County and Lewes are such destinations. Housing prices have increased, housing supply has reduced, and new development is taking advantage of the sellers' market.

The BPW is currently in the review of its water, sewer and electric rates and do not anticipate (as of July 20, 2021) any rate increases for the 2021- 22 fiscal year.

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, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
ASSETS		
Current Assets		
Cash		
Unrestricted	\$ 659,408	\$ 595,891
Reserve Fund Investments		
Unrestricted	3,561,871	5,557,297
Restricted	6,706,899	6,246,701
Accounts Receivable, Net of Allowance	1,190,712	1,523,957
Inventory	319,888	66,432
Prepaid Expenses	79,532	10,580
Notes Receivable	37,458	37,458
Total Current Assets	<u>12,555,768</u>	<u>14,038,316</u>
Noncurrent Assets		
Capital Assets, Not Being Depreciated	14,101,962	4,541,775
Capital Assets, Being Depreciated, Net	37,595,169	43,949,030
Notes Receivable	1,697,287	1,809,241
Grants Receivable	107,523	93,366
Total Noncurrent Assets	<u>53,501,941</u>	<u>50,393,412</u>
Total Assets	<u>66,057,709</u>	<u>64,431,728</u>
DEFERRED OUTFLOW OF RESOURCES		
Pension	<u>40,796</u>	<u>61,193</u>
LIABILITIES		
Current Liabilities		
Accounts Payable	820,382	880,774
Customer Deposits	119,034	112,150
Accrued Interest	42,683	33,142
Unearned Revenue	111,960	382,909
Accrued Liabilities	34,106	4,013
Current Maturities of Bonds Payable	838,580	789,137
Total Current Liabilities	<u>1,966,745</u>	<u>2,202,125</u>
Noncurrent Liabilities		
Bonds Payable	7,495,382	8,334,334
Accrued Compensated Absences	186,355	197,210
Unearned Revenue	1,205,085	1,490,475
Other Liabilities	68,102	67,489
Net Pension Liability	350,108	498,875
Total Noncurrent Liabilities	<u>9,305,032</u>	<u>10,588,383</u>
Total Liabilities	<u>11,271,777</u>	<u>12,790,508</u>
NET POSITION		
Net Investment in Capital Assets	43,363,169	39,367,334
Restricted	6,732,413	6,160,428
Unrestricted	4,731,146	6,174,651
Total Net Position	<u>\$ 54,826,728</u>	<u>\$ 51,702,413</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, 2021 AND 2020**

	2021	2020
OPERATING REVENUES		
Sales and Assessments	\$ 13,788,342	\$ 13,551,144
Other	888,873	367,373
Total Operating Revenue	14,677,215	13,918,517
OPERATING EXPENSES		
Purchased Power	6,110,717	6,287,089
Payroll and Employee Related Expenses	1,498,601	694,046
Utilities	97,947	29,978
Repairs and Maintenance	794,007	1,001,229
Professional and Contractual Services	845,799	742,725
Other Supplies and Expenses	104,972	69,552
Administrative	1,674,204	1,789,260
In Lieu of Franchise	700,868	697,366
Bad Debt	2,888	3,902
Depreciation	2,123,674	1,763,471
Total Operating Expenses	13,953,677	13,078,618
Operating Income	723,538	839,899
NON-OPERATING REVENUES (EXPENSES)		
Reserve Fund Investment Income	435,143	584,521
Interest Expense	(317,459)	(442,473)
Impact Fees	586,720	675,005
Gain (Loss) on Sale of Assets	(1,684)	953
Changes in Fair Value of Reserve Fund Investments	1,618,214	(998,585)
Grants	79,843	165,574
Capital Projects Pass-Through Revenue	-	156,180
Net Non-Operating Revenues	2,400,777	141,175
Change in Net Position	3,124,315	981,074
NET POSITION, BEGINNING OF YEAR	51,702,413	50,721,339
NET POSITION, END OF YEAR	\$ 54,826,728	\$ 51,702,413

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, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	\$ 14,125,583	\$ 13,420,053
Other Receipts	888,873	367,373
Payments to Suppliers	(11,281,194)	(10,386,581)
Payments to Employees	(1,607,733)	(1,000,891)
Net Cash Provided by Operating Activities	<u>2,125,529</u>	<u>2,399,954</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net Investing Activities	3,153,439	936,432
Interest Income	435,143	584,521
Net Cash Provided by Investing Activities	<u>3,588,582</u>	<u>1,520,953</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Impact Fees Received	586,720	675,005
Capital Projects Pass-Through Revenue	-	156,180
Notes Receivable Loans Made	-	(867,998)
Notes Receivable Payments Received	111,954	246,179
Net Cash Provided by Non-Capital Financing Activities	<u>698,674</u>	<u>209,366</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of Capital Assets	(5,511,806)	(5,046,627)
Proceeds from Long-Term Debt	-	2,156,738
Proceeds from Sale of Capital Assets	180,122	4,699
Principal Payments on Long-Term Debt	(789,509)	(741,046)
Interest Paid on Long-Term Debt	(307,918)	(442,473)
Grants Received	79,843	165,574
Net Cash Used by Capital and Related Financing Activities	<u>(6,349,268)</u>	<u>(3,903,135)</u>
Net Increase (Decrease) in Cash	63,517	227,138
CASH AT BEGINNING OF YEAR	<u>595,891</u>	<u>368,753</u>
CASH AT END OF YEAR	<u>\$ 659,408</u>	<u>\$ 595,891</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income	\$ 723,538	\$ 839,899
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
Depreciation and Amortization	2,123,674	1,763,471
Bad Debt	2,888	3,902
(Increase) Decrease in Assets and Deferred Outflows		
Accounts Receivable	330,357	(129,285)
Inventory	(253,456)	(42,104)
Prepaid Expenses	(68,952)	(10,241)
Other Assets	(14,157)	(18,165)
Deferred Outflow-Pension	20,397	20,397
Increase (Decrease) in Liabilities		
Accounts Payable	(60,392)	(6,776)
Customer Deposits	6,884	(1,806)
Unearned Revenue	(556,339)	303,053
Accrued Liabilities	30,093	1,150
Accrued Compensated Absences	(10,855)	20,461
Other Liabilities	613	4,851
Net Pension Liability	(148,767)	(348,853)
Net Cash Provided by Operating Activities	<u>\$ 2,125,526</u>	<u>\$ 2,399,954</u>
Noncash Investing Activities - Changes in Fair Value	\$ (1,618,214)	\$ 998,585

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, 2020 AND NOVEMBER 30, 2019**

As of Plan Fiscal Year Ended:	<u>November 30, 2020</u>	<u>November 30, 2019</u>
ASSETS		
Investments	<u>\$ 2,329,572</u>	<u>\$ 2,293,410</u>
NET POSITION		
Net Position - Restricted for Retirement Benefits	<u>2,329,572</u>	<u>2,293,410</u>
Total Net Position	<u>\$ 2,329,572</u>	<u>\$ 2,293,410</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, 2020 AND NOVEMBER 30, 2019**

As of Plan Fiscal Year Ended:	<u>November 30, 2020</u>	<u>November 30, 2019</u>
ADDITIONS		
Contributions	\$ -	\$ 326,544
Investment Earnings	<u>244,983</u>	<u>152,469</u>
Total Additions	<u>244,983</u>	<u>479,013</u>
DEDUCTIONS		
Benefits	186,895	202,470
Administrative	<u>21,926</u>	<u>20,199</u>
Total Deductions	<u>208,821</u>	<u>222,669</u>
Change in Net Position	36,162	256,344
NET POSITION, BEGINNING	<u>2,293,410</u>	<u>2,037,066</u>
NET POSITION, ENDING	<u><u>\$ 2,329,572</u></u>	<u><u>\$ 2,293,410</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, 2021 AND 2020**

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 principal 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, 2021 AND 2020**

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, 2021 and 2020, 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, 2021 AND 2020**

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 \$25,514 and impact fees of \$6,706,899.

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, 2021 AND 2020**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of Governmental Accounting Standards Board (GASB) Statements

The Board adopted the provisions of GASB State 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 adoption of this GASB Statement did not result in modification of 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.

The Board has not yet completed the various analysis required to estimate the financial statement impact of these new pronouncements.

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.

**THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2021 AND 2020**

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, 2021, the carrying amount of the Board's cash deposits was \$659,408 and the bank balance was \$1,105,100. Of the bank balance \$250,000 was covered by the Federal Deposit Insurance Corporations and the remaining \$855,100 was 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 \$662,0551 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.

As of March 31, 2021 and 2020 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.

**THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2021 AND 2020**

NOTE 5 INVESTMENTS (CONTINUED)

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, 2021 and March 31, 2020, 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, 2021 and 2020. The cash account is insured under FDIC. At year-end the annuities held by the pension trust fund were rated by S&P as follows: 20.5% AAA, 6.7% AA, 14.4% A, 27.7% BBB, 12.9% BB, 10.7% B, 4.0% Below B, and 3.1% not rated.

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, 2020	\$ 197,210
Additions/(Reductions)	<u>(10,855)</u>
Balance March 31, 2021	<u>\$ 186,355</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, 2021 and 2020 is \$83,693 and \$83,691 and \$953,875 and \$974,387 for water and wastewater, respectively.

**THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2021 AND 2020**

NOTE 7 NOTES RECEIVABLE (CONTINUED)

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, 2021 and 2020 is \$2,117 and \$3,445, 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, 2021 and March 31, 2020 is \$695,060 and \$785,176, respectively

NOTE 8 CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2021 was as follows:

	Beginning Balance	Additions & Transfers	Deletions & Transfers	Ending Balance
Capital Assets Not Being Depreciated				
Land	\$ 778,137	\$ 2,025,000	\$ -	\$ 2,803,137
Construction in Progress	3,763,638	7,813,365	(278,178)	11,298,825
Total Capital Assets Not Being Depreciated	<u>4,541,775</u>	<u>9,838,365</u>	<u>(278,178)</u>	<u>14,101,962</u>
Capital Assets Being Depreciated				
Infrastructure	56,694,728	940,429	(5,756,298)	51,878,859
Buildings and Improvements	9,011,764	-	-	9,011,764
Furniture and Equipment	1,588,217	110,601	(274,718)	1,424,100
Vehicles	2,137,430	264,156	(54,485)	2,347,101
Software	639,681	114,553	-	754,234
Total Capital Assets Being Depreciated	<u>70,071,820</u>	<u>1,429,739</u>	<u>(6,085,501)</u>	<u>65,416,058</u>
Less Accumulated Depreciation for				
Infrastructure	17,940,883	1,825,774	(136,295)	19,630,362
Buildings and Improvements	5,181,646	120,473	-	5,302,119
Furniture and Equipment	1,127,839	39,460	(254,636)	912,663
Vehicles	1,298,754	118,235	(34,644)	1,382,345
Software	573,668	19,732	-	593,400
Total Accumulated Depreciation	<u>26,122,790</u>	<u>2,123,674</u>	<u>(425,575)</u>	<u>27,820,889</u>
Capital Assets, Being Depreciated, Net	43,949,030	(693,935)	(5,659,926)	37,595,169
Total Capital Assets	<u>\$ 48,490,805</u>	<u>\$ 9,144,430</u>	<u>\$(5,938,104)</u>	<u>\$ 51,697,131</u>

**THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2021 AND 2020**

NOTE 8 CAPITAL ASSETS (CONTINUED)

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	<u>6,488,716</u>	<u>3,650,521</u>	<u>(5,597,462)</u>	<u>4,541,775</u>
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	-	-	639,681
Total Capital Assets Being Depreciated	<u>63,119,945</u>	<u>6,993,568</u>	<u>(41,693)</u>	<u>70,071,820</u>
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	-	1,127,839
Vehicles	1,218,051	118,650	(37,947)	1,298,754
Software	554,338	19,330	-	573,668
Total Accumulated Depreciation	<u>24,397,266</u>	<u>1,763,471</u>	<u>(37,947)</u>	<u>26,122,790</u>
Capital Assets, Being Depreciated, Net	<u>38,722,679</u>	<u>5,230,097</u>	<u>(3,746)</u>	<u>43,949,030</u>
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, 2021 AND 2020**

NOTE 9 LONG-TERM DEBT

Changes in long-term debt for the year ended March 31, 2021 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	\$ 97,360	\$ -	\$ (2,818)	\$ 94,542	\$ 2,874
Wastewater					
General Obligation Bonds	9,026,111	-	(786,691)	8,239,420	835,706
Total Debt	<u>\$ 9,123,471</u>	<u>\$ -</u>	<u>\$ (789,509)</u>	<u>\$ 8,333,962</u>	<u>\$ 838,580</u>

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>

Debt service requirements

Principal and interest requirements to amortize the general obligation bonds as of March 31, 2021 are as follows:

<u>Year Ending</u>	<u>Bonds Payable</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	924,020	79,525	1,003,545
2027-2031	1,414,663	208,642	1,623,305
2032-2036	639,837	150,444	790,281
2037-2041	706,778	103,502	810,280
2042-2046	780,723	51,643	832,366
2047-2050	388,063	7,506	395,569
Total	<u>\$ 8,333,962</u>	<u>\$ 1,129,268</u>	<u>\$ 9,463,230</u>

**THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2021 AND 2020**

NOTE 9 LONG-TERM DEBT (CONTINUED)

	Balance at March 31, 2021	Balance at March 31, 2020
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.	\$ 4,714,951	\$ 5,434,681
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%.	1,239,114	1,276,430
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.	94,542	97,361
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%.	2,285,355	2,315,000
Less: current portion	(838,580)	(789,137)
Total Long-Term Portion of Debt	\$ 7,495,382	\$ 8,334,334

The direct borrowings with the Delaware Drinking Water State Revolving Fund and Delaware Drinking Water State Revolving Fund in the aggregate amount of \$8,333,962 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, 2021 AND 2020**

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 2021, the employer contribution was \$0.

Membership of the plan

The membership consisted of the following at November 30, 2020, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	20
Terminated plan members and beneficiaries entitled to but not yet receiving	10
Active plan members	5
Total	35

Assumptions. The Board's net pension liability was measured as of November 30, 2020 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, 2019, using an actuarial assumption of an investment rate of return of 4.0%.

Mortality rates were based on the 2020 Static Table Non-Annuitant.

The actuarial assumptions used in the December 1, 2019 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, 2020 (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, 2021 AND 2020**

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, 2020, the annual money-weighted rate or return on pension plan investments, net of pension plan investment expense, was 11.28%. 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, 2020 were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a-b)
Changes for the Year:			
Interest	\$ 107,954	\$ -	\$ 107,954
Differences Between Expected and Actual Experience	(32,647)	-	(32,647)
Changes in Assumptions	(1,017)	-	(1,017)
Contributions - Employer	-	-	-
Net Investment Income	-	244,983	(244,983)
Benefit Payments	(186,895)	(186,895)	-
Administrative Expense	-	(21,926)	21,926
Net Increase (Decrease)	(112,605)	36,162	(148,767)
Balances as of November 30, 2020	2,792,285	2,293,410	498,875
Balances as of November 30, 2021	<u>\$ 2,679,680</u>	<u>\$ 2,329,572</u>	<u>\$ 350,108</u>

As of November 30, 2020, the plan fiduciary net position as a percentage of the total pension liability as 86.93%

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>\$ 40,796</u>	<u>\$ -</u>
Total	<u>\$ 40,796</u>	<u>\$ -</u>

**THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2021 AND 2020**

NOTE 10 DEFINED BENEFIT PENSION PLAN (CONTINUED)

The total pension expense recognized in 2020 for the plan was \$128,370. The deferred outflows of resources will be recognized in pension expense as follows:

Year Ended:	
2021	20,397
2022	<u>20,399</u>
Total	<u>\$ 40,796</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, 2021 and 2020, 99% and 98%, respectively, of the power was purchased from DEMEC and 1% and 2%, respectively, from the University.

NOTE 12 RELATED PARTY TRANSACTIONS

The City of Lewes (the "City") charges the Board rent for the use of buildings and offices owned by the City of Lewes and the Board bills the City for utilities used. In addition, in accordance with the City's charter, the City imposes a 5% in lieu of franchise fee on sales and assessments rendered by the Board. For the year ended March 31, 2021, rent and in lieu of franchise fees paid to the City were \$126,955 and \$700,868, respectively; and were \$131,380 and \$697,336 for the year ended March 31, 2020, 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.

As the effects of the Coronavirus pandemic continue to evolve and are dependent upon future developments, the impact of the Coronavirus on the Board's operations and financial results are uncertain at this time.

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, 2021, \$2,391,579 has been spent with a balance of \$1,269,297 remaining on the open contracts.

**THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2021 AND 2020**

NOTE 15 SUBSEQUENT EVENTS

In April 2021, the Board borrowed \$2,000,000 from 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.

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability				
Interest	\$ 107,954	\$ 110,791	\$ 108,903	\$ 106,801
Differences between expected and actual experience	(32,647)	12,946	147,727	139,664
Changes of assumptions	(1,017)	(13,776)	-	-
Benefit payments, including refunds of employee contributions	(186,895)	(202,470)	(188,806)	(197,129)
Net change in total pension liability	<u>(112,605)</u>	<u>(92,509)</u>	<u>67,824</u>	<u>49,336</u>
Total pension liability - beginning	2,792,285	2,884,794	2,816,970	2,767,634
Total pension liability - ending (a)	<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	\$ -	\$ 326,544	\$ 286,990	\$ 677
Net investment income	244,983	152,469	(21,516)	22,290
Other Additions	-	-	34,089	-
Benefit payments, including refunds of employee contributions	(186,895)	(202,470)	(188,806)	(197,129)
Administrative expense	(21,926)	(20,199)	(4,545)	(8,231)
Net change in plan fiduciary position	<u>36,162</u>	<u>256,344</u>	<u>106,212</u>	<u>(182,393)</u>
Plan fiduciary net position - beginning	2,293,410	2,037,066	1,930,854	2,113,247
Plan fiduciary net position - ending (b)	<u>\$ 2,329,572</u>	<u>\$ 2,293,410</u>	<u>\$ 2,037,066</u>	<u>\$ 1,930,854</u>
Authority's net pension liability - ending (a) - (b)	<u>\$ 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	86.93%	82.13%	70.61%	68.54%
Covered payroll *	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

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

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

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
Effective 12/1/19 the mortality table was updated from the 2019 Static Tables to the 2020 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>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Annual money-weighted rate of return, net of investment expense	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, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
OPERATING REVENUES		
Sale of Electric Energy		
Residential	\$ 4,388,143	\$ 4,110,058
Commercial	1,225,067	1,239,834
Industrial	3,076,477	3,342,057
Municipal	121,205	132,341
Other	37,855	66,679
Total Operating Revenues	<u>8,848,747</u>	<u>8,890,969</u>
OPERATING EXPENSES		
Purchased Power	6,110,717	6,287,089
Payroll and Employee Related Expenses	702,613	322,070
Utilities	9,610	4,351
Repairs and Maintenance	108,057	177,344
Professional and Contractual Services	67,774	80,967
Other Supplies and Expenses	24,521	30,205
Administrative	666,290	751,406
In Lieu of Franchise	459,169	459,257
Bad Debt	732	3,490
Depreciation and Amortization	324,299	413,035
Total Operating Expenses	<u>8,473,782</u>	<u>8,529,214</u>
Operating Income	<u>374,965</u>	<u>361,755</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest Income	165,295	233,852
Interest Expense	(43,758)	(106,184)
Impact Fees	76,417	123,174
Changes in Fair Value of Investments	679,650	(419,406)
Net Non-Operating Revenue	<u>877,604</u>	<u>(168,564)</u>
Change in Net Position	1,252,569	193,191
NET POSITION, BEGINNING OF YEAR	<u>15,339,924</u>	<u>15,146,733</u>
NET POSITION, END OF YEAR	<u>\$ 16,592,493</u>	<u>\$ 15,339,924</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, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
OPERATING REVENUES		
Sale of Water		
Residential	\$ 1,045,719	\$ 968,716
Commercial	156,137	148,050
Industrial	575,649	550,022
Municipal	10,807	8,860
Other	333,101	269,337
Total Operating Revenues	<u>2,121,413</u>	<u>1,944,985</u>
OPERATING EXPENSES		
Payroll and Employee Related Expenses	625,944	385,816
Utilities	73,371	8,132
Repairs and Maintenance	202,973	350,233
Professional and Contractual Services	32,224	32,321
Other Supplies and Expenses	41,713	18,049
Administrative	423,392	465,355
In Lieu of Franchise	89,936	84,793
Bad Debt	538	412
Depreciation and Amortization	226,373	327,167
Total Operating Expenses	<u>1,716,464</u>	<u>1,672,278</u>
Operating Income	<u>404,949</u>	<u>272,707</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest Income	130,407	168,750
Interest Expense	(32,203)	(67,722)
Impact Fees	267,199	276,613
Gain on Sale of Assets	-	476
Changes in Fair Value of Investments	420,736	(259,632)
Grants	14,843	3,634
Capital Projects Pass-Through Revenue	-	5,095
Net Non-Operating Revenue	<u>800,982</u>	<u>127,214</u>
Change in Net Position	1,205,931	399,921
NET POSITION, BEGINNING OF YEAR	<u>13,885,888</u>	<u>13,485,967</u>
NET POSITION, END OF YEAR	<u>\$ 15,091,819</u>	<u>\$ 13,885,888</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, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
OPERATING REVENUES		
Wastewater Assessments		
Residential	\$ 2,460,005	\$ 2,283,343
Commercial	229,870	229,415
Industrial	286,776	329,531
Municipal	20,812	18,280
Other	515,398	27,150
Total Operating Revenues	<u>3,512,861</u>	<u>2,887,719</u>
OPERATING EXPENSES		
Payroll and Employee Related Expenses	143,293	4,129
Utilities	14,419	17,297
Repairs and Maintenance	478,606	463,832
Professional and Contractual Services	739,031	622,936
Other Supplies and Expenses	32,702	15,805
Administrative	454,392	429,402
In Lieu of Franchise	142,134	143,743
Bad Debt	1,498	-
Depreciation and Amortization	1,535,787	963,449
Total Operating Expenses	<u>3,541,862</u>	<u>2,660,593</u>
Operating Income (Loss)	<u>(29,001)</u>	<u>227,126</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest Income	107,956	137,376
Interest Expense	(233,162)	(248,341)
Impact Fees	243,104	272,325
Gain on Sale of Assets	(1,684)	477
Changes in Fair Value of Investments	388,371	(239,660)
Grants	-	103,940
Capital Projects Pass-Through Revenue	-	151,085
Net Non-Operating Revenue	<u>504,585</u>	<u>177,202</u>
Change in Net Position	475,584	404,328
NET POSITION, BEGINNING OF YEAR	<u>20,658,781</u>	<u>20,254,453</u>
NET POSITION, END OF YEAR	<u>\$ 21,134,365</u>	<u>\$ 20,658,781</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, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
OPERATING REVENUES		
Stormwater Assessments		
Residential	\$ 166,620	\$ 165,337
Commercial	16,700	16,770
Industrial	6,605	6,945
Municipal	1,750	1,585
Other	2,519	4,207
Total Operating Revenues	<u>194,194</u>	<u>194,844</u>
OPERATING EXPENSES		
Payroll and Employee Related Expenses	44,751	31
Utilities	547	198
Repairs and Maintenance	4,371	9,820
Professional and Contractual Services	6,770	6,501
Other Supplies and Expenses	6,036	5,493
Administrative	112,130	125,097
In Lieu of Franchise	9,629	9,573
Bad Debt	120	-
Depreciation and Amortization	37,215	59,820
Total Operating Expenses	<u>221,569</u>	<u>216,533</u>
Operating Loss	<u>(27,375)</u>	<u>(21,689)</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest Income	31,485	44,543
Interest Expense	(8,336)	(20,226)
Impact Fees	-	2,893
Changes in Fair Value of Investments	129,457	(79,887)
Grants	65,000	58,000
Net Non-Operating Revenue	<u>217,606</u>	<u>5,323</u>
Change in Net Position	190,231	(16,366)
NET POSITION, BEGINNING OF YEAR	<u>1,817,820</u>	<u>1,834,186</u>
NET POSITION, END OF YEAR	<u>\$ 2,008,051</u>	<u>\$ 1,817,820</u>

**THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
SCHEDULE OF CAPITAL ASSETS BY DEPARTMENT
MARCH 31, 2021**

	Beginning Balance	Additions & Transfers	Deletions & Transfers	Ending Balance
<u>Electric</u>				
Capital Assets Not Being Depreciated				
Land	\$ 211,160	\$ -	\$ -	\$ 211,160
Construction in Progress	99,326	-	(6,796)	92,530
Total Capital Assets Not Being Depreciated	<u>310,486</u>	<u>-</u>	<u>(6,796)</u>	<u>303,690</u>
Capital Assets Being Depreciated				
Infrastructure	11,676,435	28,369	(155,063)	11,549,741
Buildings and Improvements	326,699	-	-	326,699
Furniture and Equipment	554,745	5,447	(254,636)	305,556
Vehicles	1,086,445	202,612	-	1,289,057
Software	190,149	48,112	-	238,261
Total Capital Assets Being Depreciated	<u>13,834,473</u>	<u>284,540</u>	<u>(409,699)</u>	<u>13,709,314</u>
Less Accumulated Depreciation for				
Infrastructure	5,593,842	271,221	(136,295)	5,728,768
Buildings and Improvements	227,806	8,347	-	236,153
Furniture and Equipment	488,916	9,865	(254,636)	244,145
Vehicles	894,818	29,933	-	924,751
Software	157,209	4,933	-	162,142
Total Accumulated Depreciation	<u>7,362,591</u>	<u>324,299</u>	<u>(390,931)</u>	<u>7,295,959</u>
Electric Department, Capital Assets, Net	<u>6,782,368</u>	<u>(39,759)</u>	<u>(25,564)</u>	<u>6,717,045</u>
	Beginning Balance	Additions & Transfers	Deletions & Transfers	Ending Balance
<u>Water</u>				
Capital Assets Not Being Depreciated				
Land	\$ 170,320	\$ 2,025,000	\$ -	\$ 2,195,320
Construction in Progress	2,552,587	1,725,240	(114,236)	4,163,591
Total Capital Assets Not Being Depreciated	<u>2,722,907</u>	<u>3,750,240</u>	<u>(114,236)</u>	<u>6,358,911</u>
Capital Assets Being Depreciated				
Infrastructure	11,569,251	18,181	(183,647)	11,403,785
Buildings and Improvements	513,321	-	-	513,321
Furniture and Equipment	218,474	18,153	(20,082)	216,545
Vehicles	409,596	51,530	(37,776)	423,350
Software	107,257	29,784	-	137,041
Total Capital Assets Being Depreciated	<u>12,817,899</u>	<u>117,648</u>	<u>(241,505)</u>	<u>12,694,042</u>
Less Accumulated Depreciation for				
Infrastructure	2,744,566	160,778	-	2,905,344
Buildings and Improvements	218,565	10,210	-	228,775
Furniture and Equipment	154,994	9,865	-	164,859
Vehicles	144,108	42,560	(23,073)	163,595
Software	105,399	2,960	-	108,359
Total Accumulated Depreciation	<u>3,367,632</u>	<u>226,373</u>	<u>(23,073)</u>	<u>3,570,932</u>
Water Department, Capital Assets, Net	<u>12,173,174</u>	<u>3,641,515</u>	<u>(332,668)</u>	<u>15,482,021</u>

**THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
SCHEDULE OF CAPITAL ASSETS BY DEPARTMENT (CONTINUED)
MARCH 31, 2021**

	Beginning Balance	Additions & Transfers	Deletions & Transfers	Ending Balance
<u>Wastewater</u>				
Capital Assets Not Being Depreciated				
Land	\$ 378,794	\$ -	\$ -	\$ 378,794
Construction in Progress	772,417	5,997,079	(134,226)	6,635,270
Total Capital Assets Not Being Depreciated	<u>1,151,211</u>	<u>5,997,079</u>	<u>(134,226)</u>	<u>7,014,064</u>
Capital Assets Being Depreciated				
Infrastructure	31,891,879	893,879	(5,388,663)	27,397,095
Buildings and Improvements	8,170,626	-	-	8,170,626
Furniture and Equipment	761,201	85,963	-	847,164
Vehicles	437,704	10,014	(13,671)	434,047
Software	323,681	27,493	-	351,174
Total Capital Assets Being Depreciated	<u>41,585,091</u>	<u>1,017,349</u>	<u>(5,402,334)</u>	<u>37,200,106</u>
Less Accumulated Depreciation for				
Infrastructure	9,240,584	1,381,853	-	10,622,437
Buildings and Improvements	4,735,191	101,898	-	4,837,089
Furniture and Equipment	470,806	17,757	(9,467)	479,096
Vehicles	218,176	23,427	-	241,603
Software	292,466	10,852	-	303,318
Total Accumulated Depreciation	<u>14,957,223</u>	<u>1,535,787</u>	<u>(9,467)</u>	<u>16,483,543</u>
Wastewater Department, Capital Assets, Net	<u>27,779,079</u>	<u>5,478,641</u>	<u>(5,527,093)</u>	<u>27,730,627</u>
	Beginning Balance	Additions & Transfers	Deletions & Transfers	Ending Balance
<u>Stormwater</u>				
Capital Assets Not Being Depreciated				
Land	\$ 17,863	\$ -	\$ -	\$ 17,863
Construction in Progress	339,308	91,046	(22,920)	407,434
Total Capital Assets Not Being Depreciated	<u>357,171</u>	<u>91,046</u>	<u>(22,920)</u>	<u>425,297</u>
Capital Assets Being Depreciated				
Infrastructure	1,557,163	-	(28,925)	1,528,238
Buildings and Improvements	1,118	-	-	1,118
Furniture and Equipment	53,797	1,038	-	54,835
Vehicles	203,685	-	(3,038)	200,647
Software	18,594	9,164	-	27,758
Total Capital Assets Being Depreciated	<u>1,834,357</u>	<u>10,202</u>	<u>(31,963)</u>	<u>1,812,596</u>
Less Accumulated Depreciation for				
Infrastructure	361,891	11,922	-	373,813
Buildings and Improvements	84	18	-	102
Furniture and Equipment	13,123	1,973	-	15,096
Vehicles	41,652	22,315	(2,104)	61,863
Software	18,594	987	-	19,581
Total Accumulated Depreciation	<u>435,344</u>	<u>37,215</u>	<u>(2,104)</u>	<u>470,455</u>
Stormwater Department, Capital Assets, Net	<u>1,756,184</u>	<u>64,033</u>	<u>(52,779)</u>	<u>1,767,438</u>
Capital Assets, Net	<u>\$ 48,490,805</u>	<u>\$ 9,144,430</u>	<u>\$ (5,938,104)</u>	<u>\$ 51,697,131</u>



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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, 2021 and the aggregate remaining fund information as of and for the year ended November 30, 2020, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated July 20, 2021.

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
July 20, 2021

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