

**THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
FINANCIAL STATEMENTS
MARCH 31, 2019 AND 2018**

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

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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, 2019 and the aggregate remaining fund information as of and for the year ended November 30, 2018 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

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 an opinion 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, 2019 and the aggregate remaining fund information as of November 30, 2018, and the respective changes in its financial position and 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 2019 the Board, adopted the provisions of Governmental Accounting Standards Board's (GASB) Statement No. 75, "*Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*", the provisions of GASB Statement No. 85, "*Omnibus*", the provisions of GASB Statement No. 86, "*Certain Debt Extinguishment Issues*". Our opinion is not modified with respect to these matters.

Other Matters

Prior-Year Information

The financial statements include prior year comparative information. Such information was audited by other auditors whose report dated August 22, 2018, expressed an unmodified opinion on those statements. Accordingly, such information should be read in conjunction with the Board's financial statements for the year ended March 31, 2018, from which the information was derived.

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 31-33 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 schedules of capital assets by department are presented for purposes of additional analysis and are not required to be 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling the 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 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 August 28, 2019, 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 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 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

ZELENKOFSKE AXELROD LLC

Harrisburg, Pennsylvania
August 28, 2019

THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
Management's Discussion and Analysis (MD&A)
March 31, 2019

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, 2019. 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, 2019.

Financial Highlights

The following items detail the Board of Public Works' financial highlights for the fiscal year ended March 31, 2019:

- The assets of the BPW exceeded our liabilities at the close of the year by \$50,721,339 (net position). Of this amount, \$7,419,409 are unrestricted.
- BPW's total net position increased by \$2,204,729.
- As of the close of the current year, BPW reported combined ending cash balances totaling \$368,753 a decrease of \$616,743 in comparison with the prior year.
- The largest portion of BPW's total assets (72.9%) is in the form of capital assets (e.g. infrastructure, treatment plants, wells, buildings, and equipment). BPW uses these capital assets to provide the electric, water, wastewater, and stormwater services to our customers. These assets are capital assets that can't be converted readily to cash.
- BPW's made bond principal payments of \$723,019 and began drawing down on a new bond in the amount of \$158,262.
- Deferred revenue decreased by \$132,696 during the reporting period due to the unearned revenue from the Highland Acres note receivable which was recognized as payments were made by customers and grant revenue received for capital projects that were completed.

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, 2019

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

	2019	2018	2017
Current Assets			
Unrestricted	\$ 9,821,459	\$ 11,305,776	\$ 11,280,961
Restricted	5,741,446	5,408,120	5,084,629
Non-current Assets			
Capital Assets, Net	45,211,395	42,516,416	41,427,973
Other Assets	1,268,188	1,416,498	1,434,467
Deferred Outflows of Resources	81,590	677	184,392
Total Assets & Deferred Outflows	<u>\$ 62,124,078</u>	<u>\$ 60,647,487</u>	<u>\$ 59,412,422</u>
Current Liabilities	\$ 2,155,903	\$ 2,119,932	\$ 2,321,851
Non-current Liabilities	9,246,836	10,010,945	11,075,022
Total Liabilities	<u>\$ 11,402,739</u>	<u>\$ 12,130,877</u>	<u>\$ 13,396,873</u>
Net Position:			
Net Investment in Capital Assets	\$ 37,661,877	\$ 34,243,879	\$ 31,940,213
Restricted	5,640,053	5,303,403	5,084,629
Unrestricted	7,419,409	8,969,328	8,990,707
Total Net Position	<u>\$ 50,721,339</u>	<u>\$ 48,516,610</u>	<u>\$ 46,015,549</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 \$50,721,339. The largest portion of BPW's net position (74.3%) reflects its net investment in capital assets used to acquire those assets that are still in service.

Capital assets, net, which represent 72.9% of BPW's assets, increased in 2019 by \$2,694,979 or 6.3% from 2018 due to capital spending on various improvement projects. Current liabilities increased in 2019 by \$35,971 or 1.7% from 2018 primarily from increases in trade and construction payables. Noncurrent liabilities decreased in 2019 by \$764,109 or 7.6% from 2018 due to bond principal payments and changes in the pension liability.

THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
Management's Discussion and Analysis (MD&A) - Continued
March 31, 2019

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

	2019	2018	2017
Operating Revenues			
Sales and Assessments	\$ 14,065,747	\$ 13,768,000	\$ 13,620,502
Other	282,414	307,662	492,672
Total Operating Revenues	<u>14,348,161</u>	<u>14,075,662</u>	<u>14,113,174</u>
Operating Expenses			
Purchased Power	6,505,061	6,769,567	6,881,742
Payroll and Administrative	2,569,876	2,579,502	2,348,853
Other Supplies and Expenses	2,166,848	2,009,545	2,118,324
Depreciation and Amortization	1,703,523	1,617,746	1,712,270
Total Operating Expenses	<u>12,945,308</u>	<u>12,976,360</u>	<u>13,061,189</u>
Non-operating Revenues (Expenses)			
Investment Income	373,927	396,800	323,310
Interest Expense	(207,250)	(198,185)	(228,765)
Impact Fees	357,566	239,354	547,658
Gain (Loss) on Sale of Assets	11,501	18,569	27,635
Change in Fair Value of Investments	(74,357)	47,403	210,547
Grants	12,319	788,922	64,096
Capital Project Pass-Through	328,170	108,896	106,516
Net Non-operating Revenues	<u>801,876</u>	<u>1,401,759</u>	<u>1,050,997</u>
Increase (Decrease) in Net Position	<u>2,204,729</u>	<u>2,501,061</u>	<u>2,102,982</u>
Beginning Net Position	48,516,610	46,015,549	43,912,567
Ending Net Position	<u>\$ 50,721,339</u>	<u>\$ 48,516,610</u>	<u>\$ 46,015,549</u>

Operating revenues in 2019 increased by \$272,499 or 1.9% from 2018. The primary reason for the increase in revenues was due to the strength of the electric utility. The Electric department had an increase of revenues of 7.79%, and the wholesale cost of electricity was only up 2.36%. The water and sewer departments were net positive contributors, but lower than the previous year. The stormwater utility was in the black with a change in net assets of just over \$5,000. The largest category of operating expenses is purchased power at (50.3%). Payroll and administrative expenses in 2019 decreased by \$9,626 or 0.4% from 2018 primarily due to pension expense. Our non-operating revenues and expenses help us improve the total change in net assets. We received over \$12,000 in grants, mainly helping in project development and design. Impact fees were collected ahead of budget as the Showfield property developed faster than anticipated and all phases were completed due to housing demand. Improvements in our national economics aided in the returns we have received in interest and dividends associated with our Reserve fund.

THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
 Management's Discussion and Analysis (MD&A) - Continued
 March 31, 2019

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 \$7,707,780 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.

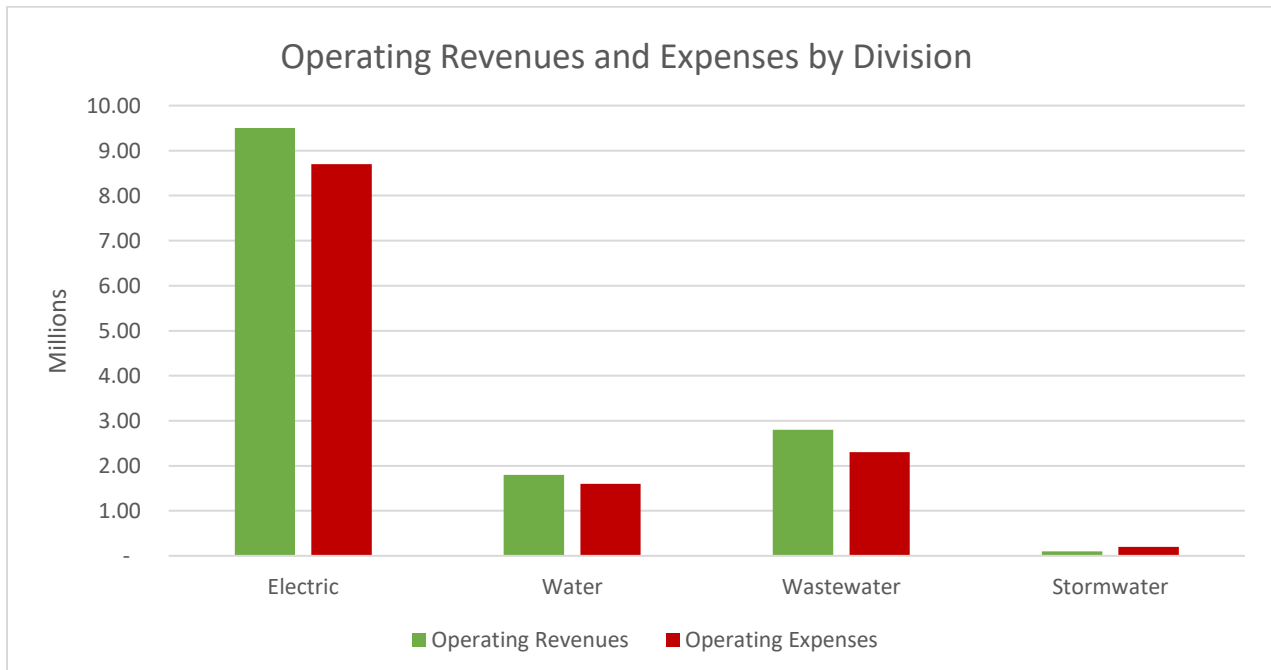
The BPW's capital assets totaled \$45,211,395 for the year ended. Of this amount, \$5,710,579 represented construction in progress at March 31, 2019. See the General Manager's Report below for further information on capital projects by department.

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 \$9,507,267 and \$8,712,835, respectively. Purchased power of \$6,505,061 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, 2019

General Manager's Report

The BPW experienced significant growth and opportunities disguised as adversity.

The Water department saw an increase in its water revenues as the Cape Henlopen State Park made managerial changes and extended its hours and increased the number of camping locations. The additional hours and visitors have now increased the supply of water needed in the winter and increasing the revenues in the water ledger.

One significant opportunity happened when testing for Lead and Copper came back with the BPW water system failing the 90th percentile requirement. This required the prescribed notifications and increased monitoring but has also brought the potential for State and Federal assistance in removing the piping and plumbing that was installed prior to 1986 that may have lead present. As of this writing, the BPW is aggressively addressing the majority of mains that are suspect of having lead present.

The Wastewater department has also seen a significant increase in both the number of gallons treated and the revenues associated with that increase. In early 2018, the Front Street and Gillsneck road project completed the interconnection between the Sussex County sewer system that sends effluent from the County Wolf Point lift station and the BPW wastewater treatment plant. The county flow is heavy in the winter when the BPW flow is low; the County flow is reduced in the summer when the BPW flow is at its peak. This creates a very symbiotic relationship that is a win/win for both parties. The added flow provides a coinciding increase in the Wastewater revenues.

The Electric department completed the replacement and upgrade of the system breaker located at the metering station which had been determined as the 'weak link' in the electric distribution system. The new breaker was also raised higher than the previous breaker which has helped harden the BPW system from flooding, especially on Canary Creek.

The Stormwater system has been maintained and improved with the utilization of equipment and manpower through the Sussex County Conservation District. The additional use of outside assistance has been partially needed because of the difficulty in hiring additional qualified staff. The efforts to hire additional staff in the 2017-18 year was met with disappointment. 3 separate advertisements for openings produced several call backs with interview dates, however, none of the applicants came to the interviews. This is a problem being reported nationwide in the utilities industry. The need to be competitive within the industry for wages and benefits is a concern we have planned for in the future and are working to bolster so we can maintain our staff and their proficiencies.

Several staff members completed significant training and professional development training. We continue to operate a first-class utility with relatively few employees. This is done by a loyal and dedicated staff that are hardworking above the average maintained at other municipal utilities.

Management is confident that the staff will continue to outperform expectations in safety, reliability, customer service and professionalism.

Economic Factors and Next Year's Budgets and Rates

In the 2020 budget, operating revenues are projected to increase 6.91%. Operating expenses are projected to increase by 5.98% from those recorded in 2019 with anticipated revenues of \$14.9 million and expenses of \$13.5 million. BPW elected to incrementally increase the water commodity charge by 6.5% (\$1.19 per 1000 gallons of water to \$1.27 per 1000 gallons residential) to strengthen the water revenues as we are also aggressively working to improve water quality in our system. This change comes from the recommendations of an outside rates consultant and study. Some pipes are well over 80 years old and lead in the system has been identified and our customers have expressed their demands for improvement. We have an aggressive 5-year plan to renew the main water arteries that will significantly address these

THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
Management's Discussion and Analysis (MD&A) - Continued
March 31, 2019

concerns. The sewer commodity charge will be increasing 2% (\$5.61 per 1000 gallons of water to \$5.72 per 1000 gallons residential) This is an incremental increase recommended by the consultant to keep up with cost of services included in treatment costs and the near capital costs of equipment replacement for our 12 year old anniversary of the plant upgrade. All other rates are being held as- is for the coming years.

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, 2019 AND 2018**

	2019	2018
ASSETS		
Current Assets		
Cash		
Unrestricted	\$ 368,753	\$ 880,779
Restricted	-	104,717
Reserve Fund Investments		
Unrestricted	7,997,572	9,111,925
Restricted	5,741,446	5,303,403
Accounts Receivable, Net of Allowance	1,398,574	1,273,652
Inventory	24,328	-
Prepaid Expenses	339	3,605
Notes Receivable	31,893	35,815
Total Current Assets	15,562,905	16,713,896
Noncurrent Assets		
Capital Assets, Not Being Depreciated	6,488,716	3,113,563
Capital Assets, Being Depreciated, Net	38,722,679	39,402,853
Notes Receivable	1,192,987	1,358,973
Grants Receivable	75,201	57,525
Total Noncurrent Assets	46,479,583	43,932,914
Total Assets	62,042,488	60,646,810
DEFERRED OUTFLOW OF RESOURCES		
Pension	81,590	677
LIABILITIES		
Current Liabilities		
Accounts Payable	887,550	913,975
Customer Deposits	113,956	104,717
Accrued Interest	33,144	33,142
Deferred Revenue	377,344	344,054
Accrued Liabilities	2,863	967
Current Maturities of Bonds Payable	741,046	723,077
Total Current Liabilities	2,155,903	2,119,932
Noncurrent Liabilities		
Bonds Payable	6,966,734	7,549,460
Accrued Compensated Absences	176,749	158,871
Deferred Revenue	1,192,987	1,358,973
Other Liabilities	62,638	57,525
Net Pension Liability	847,728	886,116
Total Noncurrent Liabilities	9,246,836	10,010,945
Total Liabilities	11,402,739	12,130,877
NET POSITION		
Net Investment in Capital Assets	37,661,877	34,243,879
Restricted	5,640,053	5,303,403
Unrestricted	7,419,409	8,969,328
Total Net Position	\$ 50,721,339	\$ 48,516,610

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, 2019 AND 2018**

	2019	2018
OPERATING REVENUES		
Sales and Assessments	\$ 14,065,747	\$ 13,768,000
Other	282,414	307,662
Total Operating Revenue	14,348,161	14,075,662
OPERATING EXPENSES		
Purchased Power	6,505,061	6,769,567
Payroll and Employee Related Expenses	827,098	1,336,360
Utilities	31,909	30,411
Repairs and Maintenance	710,225	689,602
Professional and Contractual Services	452,830	375,117
Other Supplies and Expenses	249,716	200,538
Administrative	1,742,778	1,243,142
In Lieu of Franchise	721,794	711,207
Bad Debt	374	2,670
Depreciation and Amortization	1,703,523	1,617,746
Total Operating Expenses	12,945,308	12,976,360
Operating Income	1,402,853	1,099,302
NON-OPERATING REVENUES (EXPENSES)		
Reserve Fund Investment Income	373,927	396,800
Interest Expense	(207,250)	(198,185)
Impact Fees	357,566	239,354
Gains on Sale of Assets	11,501	18,569
Changes in Fair Value of Reserve Fund Investments	(74,357)	47,403
Grants	12,319	788,922
Capital Projects Pass-Through Revenue	328,170	108,896
Net Non-Operating Revenues	801,876	1,401,759
Change in Net Position	2,204,729	2,501,061
NET POSITION, BEGINNING OF YEAR, RESTATED	48,516,610	46,015,549
NET POSITION, END OF YEAR	\$ 50,721,339	\$ 48,516,610

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, 2019 AND 2018**

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	\$ 13,949,690	\$ 13,476,638
Other Receipts	282,414	307,662
Payments to Suppliers	(10,607,059)	(9,981,354)
Payments to Employees	(926,625)	(927,522)
Net Cash Provided by Operating Activities	2,698,420	2,875,424
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Impact Fees Received	357,566	239,354
Capital Projects Pass-Through Revenue	328,170	108,896
Notes Receivable Payments Received (Loans Made)	169,908	507,180
Net Cash Provided (Used) by Non-Capital Financing Activities	855,644	855,430
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of Capital Assets	(4,387,001)	(2,712,663)
Proceeds from Long-Term Debt	158,262	50,014
Principal Payments on Long-Term Debt	(723,019)	(1,265,236)
Interest Paid on Long-Term Debt	(207,248)	(198,185)
Grants Received	12,319	788,922
Net Cash Used by Capital and Related Financing Activities	(5,146,687)	(3,337,148)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net Investing Activities	601,953	(1,098,960)
Interest Income	373,927	396,800
Net Cash Provided (Used) by Investing Activities	975,880	(702,160)
Net Increase (Decrease) in Cash	(616,743)	(308,454)
CASH AT BEGINNING OF YEAR	985,496	1,293,950
CASH AT END OF YEAR	\$ 368,753	\$ 985,496
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income	\$ 1,402,853	\$ 1,099,302
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
Depreciation and Amortization	1,703,523	1,617,746
Deferred Revenue	(132,696)	(321,821)
Deferred Financing Outflow-Pension	(80,913)	183,715
Bad Debt	374	2,670
(Increase) Decrease in Assets		
Accounts Receivable	(125,296)	35,676
Inventory	(24,328)	
Prepaid Expenses	3,266	(3,269)
Other Assets	(17,676)	(9,643)
Increase (Decrease) in Liabilities		
Accounts Payable	(26,425)	42,466
Customer Deposits	9,239	(5,217)
Accrued Liabilities	1,896	
Accrued Compensated Absences	17,878	(7,573)
Other Liabilities	5,113	9,643
Net Pension Liability	(38,388)	231,729
Net Cash Provided by Operating Activities	\$ 2,698,420	\$ 2,875,424

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, 2018 AND NOVEMBER 30, 2017**

As of Plan Fiscal Year Ended:	<u>November 30, 2018</u>	<u>November 30, 2017</u>
ASSETS		
Investments	<u>\$ 2,037,066</u>	<u>\$ 1,930,854</u>
NET POSITION		
Net Position - Restricted for Retirement Benefits	<u>2,037,066</u>	<u>1,930,854</u>
Total Net Position	<u>\$ 2,037,066</u>	<u>\$ 1,930,854</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, 2018 AND NOVEMBER 30, 2017**

As of Plan Fiscal Year Ended:	<u>November 30, 2018</u>	<u>November 30, 2017</u>
ADDITIONS		
Contributions	\$ 286,990	\$ 677
Investment Earnings	(21,516)	77,375
Other Additions	<u>34,089</u>	<u>-</u>
Total Additions	<u>299,563</u>	<u>78,052</u>
DEDUCTIONS		
Benefits	188,806	197,129
Administrative	<u>4,545</u>	<u>8,230</u>
Total Deductions	<u>193,351</u>	<u>205,359</u>
Change in Net Position	106,212	(127,307)
NET POSITION, BEGINNING	<u>1,930,854</u>	<u>2,058,161</u>
NET POSITION, ENDING	<u><u>\$ 2,037,066</u></u>	<u><u>\$ 1,930,854</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, 2019 AND 2018**

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 does not have any component units and is not involved in any joint ventures.

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. Deferred 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.

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.

**THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2019 AND 2018**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2019 and 2018, 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 with initial individual costs that equal or exceed \$5,000. 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.

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.

**THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2019 AND 2018**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 \$12,563 and impact fees of \$5,627,490.

The prior year net position was restated due to the implementation of GASB 67 and 68.

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: deferred retirement contributions. 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.

Adoption of Governmental Accounting Standards Board (GASB) Statements

The Board, adopted the provisions of GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans", the provisions of GASB Statement No. 85, "Omnibus", the provisions of GASB Statement No. 86, "Certain Debt Extinguishment Issues". The adoption of these statements had no effect on previously reported amounts.

**THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2019 AND 2018**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pending Changes in Accounting Principles

In November 2016, the GASB issued Statement No. 83, "*Certain Asset Retirement Obligations*". The Board is required to adopt statement No. 83 for its fiscal year 2020 financial statements.

In January 2017, the GASB issued Statement No. 84, "*Fiduciary Activities*". The Board is required to adopt statement No. 84 for its fiscal year 2020 financial statements.

In June 2017, the GASB issued Statement No. 87, "*Leases*". The Board is required to adopt statement No. 87 for its fiscal year 2021 financial statements.

In April 2018, the GASB issued Statement No. 88, "*Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*". The Board is required to adopt statement No. 88 for its fiscal year 2020 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 2021 financial statements.

In August 2018, the GASB issued Statement No. 90, "*Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*". The Board is required to adopt statement No. 90 for its fiscal year 2020 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 2022 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.
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.

**THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2019 AND 2018**

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, 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. As of March 31, 2018, the carrying amount of the Board's cash deposits was \$985,496 and the bank balance was \$1,484,379. Of the bank balance \$250,000 was covered by the Federal Deposit Insurance Corporations and the remaining \$1,234,379 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, 2019 and 2018 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, 2019 and March 31, 2018, the Board did not have any investments subject to concentration of credit risk.

**THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2019 AND 2018**

NOTE 5 INVESTMENTS (CONTINUED)

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, 2019 and 2018. 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, 2018	\$ 158,871
Additions/(Reductions)	17,878
Balance March 31, 2019	<u>\$ 176,749</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, 2019 and 2018 is \$83,691 and \$178,906 and \$976,957 and \$1,207,678 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, 2019 and 2018 is \$5,970 and \$8,204, respectively.

**THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2019 AND 2018**

NOTE 7 NOTES RECEIVABLE (CONTINUED)

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, 2019 is \$158,262.

NOTE 8 CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Additions & Transfers</u>	<u>Deletions & Transfers</u>	<u>Ending Balance</u>
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	<u>3,113,563</u>	<u>3,713,882</u>	<u>(338,757)</u>	<u>6,488,716</u>
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	<u>62,195,583</u>	<u>1,023,349</u>	<u>(98,987)</u>	<u>63,119,945</u>
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	<u>22,792,730</u>	<u>1,703,523</u>	<u>(98,987)</u>	<u>24,397,266</u>
Capital Assets, Being Depreciated, Net	<u>39,402,853</u>	<u>(680,174)</u>	<u>-</u>	<u>38,722,679</u>
Total Capital Assets	<u>\$ 42,516,416</u>	<u>\$ 3,033,708</u>	<u>\$ (338,757)</u>	<u>\$ 45,211,395</u>

**THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2019 AND 2018**

NOTE 8 CAPITAL ASSETS (CONTINUED)

Capital asset activity for the year ended March 31, 2018 was as follows:

	Beginning Balance	Additions & Transfers	Deletions & Transfers	Ending Balance
Capital Assets Not Being Depreciated				
Land	\$ 778,137	\$ -	\$ -	\$ 778,137
Construction in Progress	2,255,159	2,405,160	(2,324,893)	2,335,426
Total Capital Assets Not Being Depreciated	<u>3,033,296</u>	<u>2,405,160</u>	<u>(2,324,893)</u>	<u>3,113,563</u>
Capital Assets Being Depreciated				
Infrastructure	47,476,044	2,506,974	(692,208)	49,290,810
Buildings and Improvements	10,745,005	3,487	(1,789,962)	8,958,530
Furniture and Equipment	1,379,217	60,745	(22,566)	1,417,396
Vehicles	1,992,576	32,240	(65,795)	11,959,021
Software	540,874	28,952	-	569,826
Total Capital Assets Being Depreciated	<u>62,133,716</u>	<u>2,632,398</u>	<u>(2,570,531)</u>	<u>62,195,583</u>
Less Accumulated Depreciation for				
Infrastructure	14,650,118	1,276,543	(685,732)	15,240,929
Buildings and Improvements	6,396,395	190,548	(1,789,962)	4,796,981
Furniture and Equipment	969,011	60,479	(22,566)	1,006,924
Vehicles	1,182,042	90,176	(65,795)	1,206,423
Software	541,473	-	-	541,473
Total Accumulated Depreciation	<u>23,739,039</u>	<u>1,617,746</u>	<u>(2,564,055)</u>	<u>22,792,730</u>
Capital Assets, Being Depreciated, Net	<u>38,394,677</u>	<u>1,014,652</u>	<u>(6,476)</u>	<u>39,402,853</u>
Total Capital Assets	<u>\$ 41,427,973</u>	<u>\$ 3,419,812</u>	<u>\$(2,331,369)</u>	<u>\$ 42,516,416</u>

**THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2019 AND 2018**

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.

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

	Beginning Balances	Increases	Decreases and Transfers	Ending Balances	Due Within One Year
Water					
General Obligation Bonds	\$ 102,800	\$ -	\$ (2,677)	\$ 100,123	\$ 2,762
Wastewater					
General Obligation Bonds	8,169,737	-	(720,342)	7,449,395	738,284
Subtotal	<u>8,272,537</u>	<u>-</u>	<u>(723,019)</u>	<u>7,549,518</u>	<u>741,046</u>
Wastewater					
General Obligation Bonds	-	158,262	-	158,262	-
Total Debt	<u>\$ 8,272,537</u>	<u>\$ 158,262</u>	<u>\$ (723,019)</u>	<u>\$ 7,707,780</u>	<u>\$ 741,046</u>

Changes in long-term debt for the year ended March 31, 2018 were as follows:

	Beginning Balances	Increases	Decreases and Transfers	Ending Balances	Due Within One Year
Water					
General Obligation Bonds	\$ 656,410	\$ 43,590	\$ (597,200)	\$ 102,800	\$ 2,677
Wastewater					
General Obligation Bonds	8,831,350	6,423	(668,036)	8,169,737	720,400
Total Debt	<u>\$ 9,487,760</u>	<u>\$ 50,013</u>	<u>\$ (1,265,236)</u>	<u>\$ 8,272,537</u>	<u>\$ 723,077</u>

**THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2019 AND 2018**

NOTE 9 LONG-TERM DEBT (CONTINUED)Debt service requirements

Principal and interest requirements to amortize the general obligation bonds as of March 31, 2019 are as follows:

Year Ending	Bonds Payable		
	Principal	Interest	Total
2020	\$ 741,046	\$ 164,082	\$ 905,128
2021	759,492	158,674	918,166
2022	778,397	139,768	918,165
2023	797,773	120,393	918,166
2024	817,633	100,531	918,164
2025-2029	2,669,399	219,172	2,888,571
2030-2034	247,552	87,633	335,185
2035-2039	273,450	61,741	335,191
2040-2044	302,061	33,128	335,189
2045-2046	2,477,715	27,057	2,504,772
	9,864,518	\$ 1,112,179	\$ 10,976,697
Less: Undrawn Proceeds	2,156,738		
Total Outstanding Debt	\$ 7,707,780		

	Balance at March 31, 2019	Balance at March 31, 2018
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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.

	\$ 6,136,750	\$ 6,821,590
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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%.

	1,312,645	1,348,147
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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.

	100,123	102,800
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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. As of March 31, 2019 only \$158,262 of the loan had been drawn down. The loan is not due until the balance has been drawn down in full.

	2,315,000	-
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Less: current portion

	(741,046)	(723,077)
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Less: undrawn proceeds

	(2,156,738)	-
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Total Long-Term Portion of Debt

	\$ 6,966,734	\$ 7,549,460
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**THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2019 AND 2018**

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.

Contributions

The Board is required to contribute the amount necessary to fund the plan based on an actuarially determined contribution.

Membership of the plan

The membership consisted of the following at November 30, 2018, 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, 2018 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, 2017, using an actuarial assumption of an investment rate of return of 4.0%.

Mortality rates were based on the 2008 IRS Mortality tables.

The actuarial assumptions used in the December 1, 2017 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.

**THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2019 AND 2018**

NOTE 10 DEFINED BENEFIT PENSION PLAN (CONTINUED)

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, 2018 (see investment policy in Note 4) are summarized in the following table:

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

Discount Rate

The discount rate used to measure the total pension liability was 4.0%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and the employer contributions will be made equal to the actuarially determined contribution. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Rate of Return

For the year ended November 30, 2018, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was (1.09)%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2019 AND 2018**

NOTE 10 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Changes in the Net Pension Liability

The components and changes in the Board's net pension liability for the year ended November 30, 2018 were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a-b)
Changes for the Year			
Interest	\$ 108,903	\$ -	\$ 108,903
Other Additions	-	34,089	(34,089)
Differences between Expected and Actual Experience	147,727	-	147,727
Contributions - Employer	-	286,990	(286,990)
Net Investment Income	-	(21,516)	21,516
Benefit Payments, Including Refunds of Employee Contributions	(188,806)	(188,806)	-
Administrative Expense	-	(4,545)	4,545
	<u>67,824</u>	<u>106,212</u>	<u>(38,388)</u>
Net Increase (Decrease)			
Balances at November 30, 2017	<u>2,816,970</u>	<u>1,930,854</u>	<u>886,116</u>
Balances at November 30, 2018	<u>\$ 2,884,794</u>	<u>\$ 2,037,066</u>	<u>\$ 847,728</u>

As of November 30, 2018, the plan fiduciary net position as a percentage of the total pension liability as 70.61%

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Board, calculated using the discount rate of 4.0%, as well as what the Board's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (3.0%) or 1-percentage point higher (5.0%) than the current rate:

	<u>1% Decrease</u>	<u>Current Rate (4.0%)</u>	<u>1% Increase</u>
Net Pension Liability	\$ 921,551	\$ 847,728	\$ 379,123

At November 30, 2018, the Board reported deferred outflows of resources and deferred inflows of resources related to the pension plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Projected and Actual Investment Earnings	<u>\$ 81,590</u>	<u>\$ -</u>
Total	<u><u>\$ 81,590</u></u>	<u><u>\$ -</u></u>

**THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2019 AND 2018**

NOTE 10 DEFINED BENEFIT PENSION PLAN (CONTINUED)

The total pension expense recognized in 2018 for the plan was \$201,101. The deferred outflows of resources will be recognized in pension expense as follows:

Year Ended:	
2019	\$ 20,397
2020	20,397
2021	20,397
2021	<u>20,399</u>
Total	<u>\$ 81,590</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, 2019 and 2018, 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, 2019, rent and in lieu of franchise fees paid to the City were \$138,786 and \$721,794, respectively; and were \$122,509 and \$711,207 for the year ended March 31, 2018, 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 Savannah Place Sewer project. As of March 31, 2019, \$827,112 has been spent with a balance of \$1,487,888 remaining on the open contracts.

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>2018</u>	<u>2017</u>
Total pension liability		
Interest	\$ 108,903	\$ 106,801
Differences between expected and actual experience	147,727	139,664
Benefit payments, including refunds of employee contributions	<u>(188,806)</u>	<u>(197,129)</u>
Net change in total pension liability	67,824	49,336
Total pension liability - beginning	2,816,970	2,767,634
total pension liability - ending (a)	<u>\$ 2,884,794</u>	<u>\$ 2,816,970</u>
Plan fiduciary net position		
Contributions - employer	\$ 286,990	\$ 677
Net investment income	(21,516)	22,290
Other Additions	34,089	-
Benefit payments, including refunds of employee contributions	(188,806)	(197,129)
Administrative expense	<u>(4,545)</u>	<u>(8,231)</u>
Net change in plan fiduciary position	106,212	(182,393)
Plan fiduciary net position - beginning	1,930,854	2,113,247
Plan fiduciary net position - ending (b)	<u>\$ 2,037,066</u>	<u>\$ 1,930,854</u>
County's net pension liability - ending (a) - (b)	<u>\$ 847,728</u>	<u>\$ 886,116</u>
Plan fiduciary net position as a percentage of the total pension liability	70.61%	68.54%
Covered payroll *	N/A	N/A
Board net pension liability as a percentage of covered payroll *	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>
Actuarially determined contribution	\$ 150,262	\$ 165,131	\$ 184,393	\$ 207,288	\$ 286,990
Contributions in relation to the actuarially determined contribution	150,262	165,131	184,393	677	286,990
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 206,611</u>	<u>\$ -</u>
Covered payroll *	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

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	2008 IRS Mortality

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

	<u>2019</u>	<u>2018</u>
OPERATING REVENUES		
Sale of Electric Energy		
Residential	\$ 4,521,923	\$ 4,456,934
Commercial	1,341,985	1,322,736
Industrial	3,430,001	3,436,083
Municipal	164,096	169,704
Other	49,262	69,309
Total Operating Revenues	<u>9,507,267</u>	<u>9,454,766</u>
OPERATING EXPENSES		
Purchased Power	6,505,061	6,769,567
Payroll and Employee Related Expenses	389,659	597,432
Utilities	2,233	4,057
Repairs and Maintenance	123,330	222,560
Professional and Contractual Services	98,974	37,481
Other Supplies and Expenses	35,508	27,962
Administrative	661,672	518,870
In Lieu of Franchise	492,274	485,057
Bad Debt	23	2,670
Depreciation and Amortization	404,101	391,825
Total Operating Expenses	<u>8,712,835</u>	<u>9,057,481</u>
Operating Income	<u>794,432</u>	<u>397,285</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest Income	152,058	153,027
Interest Expense	(12,104)	-
Impact Fees	22,730	41,219
Gain on Sale of Assets	3,201	4,043
Changes in Fair Value of Investments	(31,230)	19,910
Net Non-Operating Revenue	<u>134,655</u>	<u>218,199</u>
Change in Net Position	929,087	615,484
NET POSITION, BEGINNING OF YEAR, RESTATED	<u>14,217,646</u>	<u>13,602,162</u>
NET POSITION, END OF YEAR	<u>\$ 15,146,733</u>	<u>\$ 14,217,646</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, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
OPERATING REVENUES		
Sale of Water		
Residential	\$ 916,678	\$ 896,795
Commercial	207,941	186,559
Industrial	472,004	412,846
Municipal	9,976	9,268
Other	217,575	218,717
Total Operating Revenues	<u>1,824,174</u>	<u>1,724,185</u>
OPERATING EXPENSES		
Payroll and Employee Related Expenses	391,824	523,805
Utilities	8,226	7,427
Repairs and Maintenance	325,109	270,927
Professional and Contractual Services	25,037	20,883
Other Supplies and Expenses	86,716	67,003
Administrative	403,487	324,666
In Lieu of Franchise	81,124	82,225
Depreciation and Amortization	322,703	298,974
Total Operating Expenses	<u>1,644,226</u>	<u>1,595,910</u>
Operating Income	<u>179,948</u>	<u>128,275</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest Income	115,062	126,987
Interest Expense	(2,043)	(1,612)
Impact Fees	181,312	135,321
Gain on Sale of Assets	-	6,512
Changes in Fair Value of Investments	(19,333)	12,324
Grants	-	657,020
Capital Projects Pass-Through Revenue	-	52,605
Net Non-Operating Revenue	<u>274,998</u>	<u>989,157</u>
Change in Net Position	454,946	1,117,432
NET POSITION, BEGINNING OF YEAR, RESTATED	<u>13,031,021</u>	<u>11,913,589</u>
NET POSITION, END OF YEAR	<u>\$ 13,485,967</u>	<u>\$ 13,031,021</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, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
OPERATING REVENUES		
Wastewater Assessments		
Residential	\$ 2,257,849	\$ 2,102,579
Commercial	224,617	225,685
Industrial	310,089	338,884
Municipal	18,080	19,203
Other	11,555	13,224
Total Operating Revenues	<u>2,822,190</u>	<u>2,699,575</u>
OPERATING EXPENSES		
Payroll and Employee Related Expenses	44,820	176,326
Utilities	21,279	18,778
Repairs and Maintenance	250,947	184,708
Professional and Contractual Services	322,250	310,328
Other Supplies and Expenses	119,522	101,509
Administrative	553,754	299,544
In Lieu of Franchise	138,829	134,399
Bad Debt	351	-
Depreciation and Amortization	918,087	880,362
Total Operating Expenses	<u>2,369,839</u>	<u>2,105,954</u>
Operating Income	<u>452,351</u>	<u>593,621</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest Income	80,149	87,638
Interest Expense	(193,072)	(196,573)
Impact Fees	153,274	59,921
Gain on Sale of Assets	-	6,010
Changes in Fair Value of Investments	(17,845)	11,377
Grants	12,319	131,902
Capital Projects Pass-Through Revenue	328,170	56,291
Net Non-Operating Revenue	<u>362,995</u>	<u>156,566</u>
Change in Net Position	815,346	750,187
NET POSITION, BEGINNING OF YEAR, RESTATED	<u>19,439,107</u>	<u>18,688,920</u>
NET POSITION, END OF YEAR	<u>\$ 20,254,453</u>	<u>\$ 19,439,107</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, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
OPERATING REVENUES		
Stormwater Assessments		
Residential	\$ 165,088	\$ 165,294
Commercial	16,900	16,910
Industrial	6,960	6,960
Municipal	1,560	1,560
Other	4,022	6,412
Total Operating Revenues	<u>194,530</u>	<u>197,136</u>
OPERATING EXPENSES		
Payroll and Employee Related Expenses	795	38,797
Utilities	171	149
Repairs and Maintenance	10,839	11,407
Professional and Contractual Services	6,569	6,425
Other Supplies and Expenses	7,970	4,064
Administrative	123,865	100,062
In Lieu of Franchise	9,567	9,526
Depreciation and Amortization	58,632	46,585
Total Operating Expenses	<u>218,408</u>	<u>217,015</u>
Operating Loss	<u>(23,878)</u>	<u>(19,879)</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest Income	26,658	29,148
Interest Expense	(31)	-
Impact Fees	250	2,893
Gain on Sale of Assets	8,300	2,004
Changes in Fair Value of Investments	(5,949)	3,792
Net Non-Operating Revenue	<u>29,228</u>	<u>37,837</u>
Change in Net Position	5,350	17,958
NET POSITION, BEGINNING OF YEAR, RESTATED	<u>1,828,836</u>	<u>1,810,878</u>
NET POSITION, END OF YEAR	<u>\$ 1,834,186</u>	<u>\$ 1,828,836</u>

**THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
SCHEDULE OF CAPITAL ASSETS BY DEPARTMENT
MARCH 31, 2019**

	Beginning Balance	Additions & Transfers	Deletions & Transfers	Ending Balance
<u>Electric</u>				
Capital Assets Not Being Depreciated				
Land	\$ 211,160	\$ -	\$ -	\$ 211,160
Construction in Progress	89,748	172,127	(169,839)	92,036
Total Capital Assets Not Being Depreciated	<u>300,908</u>	<u>172,127</u>	<u>(169,839)</u>	<u>303,196</u>
Capital Assets Being Depreciated				
Infrastructure	11,194,537	385,955	-	11,580,492
Buildings and Improvements	322,289	4,410	-	326,699
Furniture and Equipment	509,381	27,136	-	536,517
Vehicles	1,067,484	52,222	(25,998)	1,093,708
Software	161,303	28,846	-	190,149
Total Capital Assets Being Depreciated	<u>13,254,994</u>	<u>498,569</u>	<u>(25,998)</u>	<u>13,727,565</u>
Less Accumulated Depreciation for				
Infrastructure	4,923,394	333,197	-	5,256,591
Buildings and Improvements	208,148	10,139	-	218,287
Furniture and Equipment	444,015	22,024	-	466,039
Vehicles	849,162	33,614	(25,998)	856,778
Software	145,502	5,127	-	150,629
Total Accumulated Depreciation	<u>6,570,221</u>	<u>404,101</u>	<u>(25,998)</u>	<u>6,948,324</u>
Electric Department, Capital Assets, Net	<u>6,985,681</u>	<u>266,595</u>	<u>(169,839)</u>	<u>7,082,437</u>
	Beginning Balance	Additions & Transfers	Deletions & Transfers	Ending Balance
<u>Water</u>				
Capital Assets Not Being Depreciated				
Land	\$ 170,320	\$ -	\$ -	\$ 170,320
Construction in Progress	1,612,513	1,088,944	(125,339)	2,576,118
Total Capital Assets Not Being Depreciated	<u>1,782,833</u>	<u>1,088,944</u>	<u>(125,339)</u>	<u>2,746,438</u>
Capital Assets Being Depreciated				
Infrastructure	11,263,591	108,100	-	11,371,691
Buildings and Improvements	488,683	24,638	-	513,321
Furniture and Equipment	173,761	4,917	-	178,678
Vehicles	404,318	31,516	(50,168)	385,666
Software	87,327	19,930	-	107,257
Total Capital Assets Being Depreciated	<u>12,417,680</u>	<u>189,101</u>	<u>(50,168)</u>	<u>12,556,613</u>
Less Accumulated Depreciation for				
Infrastructure	2,229,885	256,988	-	2,486,873
Buildings and Improvements	193,017	12,774	-	205,791
Furniture and Equipment	128,681	13,213	-	141,894
Vehicles	137,200	35,303	(50,168)	122,335
Software	94,870	4,424	-	99,294
Total Accumulated Depreciation	<u>2,783,653</u>	<u>322,702</u>	<u>(50,168)</u>	<u>3,056,187</u>
Water Department, Capital Assets, Net	<u>11,416,860</u>	<u>955,343</u>	<u>(125,339)</u>	<u>12,246,864</u>

**THE BOARD OF PUBLIC WORKS
OF THE CITY OF LEWES, DELAWARE
SCHEDULE OF CAPITAL ASSETS BY DEPARTMENT (CONTINUED)
MARCH 31, 2019**

	Beginning Balance	Additions & Transfers	Deletions & Transfers	Ending Balance
<u>Wastewater</u>				
Capital Assets Not Being Depreciated				
Land	\$ 378,794	\$ -	\$ -	\$ 378,794
Construction in Progress	508,161	2,345,967	(33,308)	2,820,820
Total Capital Assets Not Being Depreciated	<u>886,955</u>	<u>2,345,967</u>	<u>(33,308)</u>	<u>3,199,614</u>
Capital Assets Being Depreciated				
Infrastructure	25,304,444	146,817	-	25,451,261
Buildings and Improvements	8,147,280	23,346	-	8,170,626
Furniture and Equipment	717,357	4,917	-	722,274
Vehicles	404,811	30,296	(21,679)	413,428
Software	307,602	16,079	-	323,681
Total Capital Assets Being Depreciated	<u>34,881,494</u>	<u>221,455</u>	<u>(21,679)</u>	<u>35,081,270</u>
Less Accumulated Depreciation for				
Infrastructure	7,796,017	701,351	-	8,497,368
Buildings and Improvements	4,395,816	169,722	-	4,565,538
Furniture and Equipment	427,286	21,765	-	449,051
Vehicles	207,501	22,891	(21,679)	208,713
Software	286,196	2,359	-	288,555
Total Accumulated Depreciation	<u>13,112,816</u>	<u>918,088</u>	<u>(21,679)</u>	<u>14,009,225</u>
Wastewater Department, Capital Assets, Net	<u>22,655,633</u>	<u>1,649,334</u>	<u>(33,308)</u>	<u>24,271,659</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	125,004	106,872	(10,271)	221,605
Total Capital Assets Not Being Depreciated	<u>142,867</u>	<u>106,872</u>	<u>(10,271)</u>	<u>239,468</u>
Capital Assets Being Depreciated				
Infrastructure	1,528,238	-	-	1,528,238
Buildings and Improvements	278	840	-	1,118
Furniture and Equipment	16,897	4,916	-	21,813
Vehicles	82,408	103,468	(1,142)	184,734
Software	13,594	5,000	-	18,594
Total Capital Assets Being Depreciated	<u>1,641,415</u>	<u>114,224</u>	<u>(1,142)</u>	<u>1,754,497</u>
Less Accumulated Depreciation for				
Infrastructure	291,633	35,129	-	326,762
Buildings and Improvements	-	42	-	42
Furniture and Equipment	5,728	3,699	-	9,427
Vehicles	5,590	18,807	(1,142)	23,255
Software	23,089	955	-	24,044
Total Accumulated Depreciation	<u>326,040</u>	<u>58,632</u>	<u>(1,142)</u>	<u>383,530</u>
Stormwater Department, Capital Assets, Net	<u>1,458,242</u>	<u>162,464</u>	<u>(10,271)</u>	<u>1,610,435</u>
Capital Assets, Net	<u>\$ 42,516,416</u>	<u>\$ 3,033,736</u>	<u>\$ (338,757)</u>	<u>\$ 45,211,395</u>



Zelenkofske Axlerod LLC

CERTIFIED PUBLIC ACCOUNTANTS

EXPERIENCE | EXPERTISE | ACCOUNTABILITY

**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, 2019 and the aggregate remaining fund information as of and for the year ended November 30, 2018, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated August 28, 2019.

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.

Zelenkofske Axlerod LLC

ZELENKOFKSKE AXELROD LLC

Harrisburg, Pennsylvania
August 28, 2019