



FINANCE COMMITTEE
Tuesday, April 21, 2026, 10:00 AM
Council Chambers, City Hall
AGENDA

	Page
A. CALL TO ORDER & ROLL CALL & ANNOUNCEMENTS	
1. Recognition of City Council Treasurer Joe Elder as Co-Chair with voting privileges	
2. Introduction of new members	
• Robert Watson	
• George Farrah	
B. PRESENTATION & POSSIBLE ACTION ON THE APPROVAL OF MINUTES	
1. 2025 12 16 Finance Committee Meeting Minutes 2026 01 20 LFC Meeting Minutes	3 - 16
C. UPDATE FROM WORKING GROUPS	
• <i>Review of budget process for FY 2027 with focus on areas of concern (Larry)</i>	
• <i>Investments (Tina) Investment Portfolio Summary - March 31, 2026</i>	
• <i>Report of grants committee on process, lessons learned (Kerry) Lewes Grant Recommendations - 2026 Program Year / Lewes Budget Subcommittee - 2026 Final Recommendations</i>	
• <i>Bylaw draft status (Tina)</i>	
• <i>Trash study implementation (Joe)</i>	
• <i>Tax study update and revenue recommendations including but not limited to property taxes, GRRT, and transfer tax (Larry/Kerry)</i>	
D. OLD BUSINESS	
1. 2026 Summary budget review (Susan)	17 - 26
Approved Budget FY27 Summary	
Comparisons 26 27	
Mayor and Council 4Q FY26 March 2026 Preliminary	
2. Presentation, discussion and possible action on the fiscal year ending March 31, 2025 audit report (Auditor)	27 - 103
Lewes Audited Financial Statements DRAFT	
Lewes Auditors Communications DRAFT	
E. NEW BUSINESS	
1. Discussion of preparation process for the FY 2028 budget	
2. Discussion of ideas for future revenue enhancements	
3. Discussion on frequency of Finance Committee meetings	
F. FUTURE AGENDA ITEMS	
1. • Update on strategic long-term financial planning and exploration of financial advisor	
• Suggestion for additional topics	
G. PUBLIC COMMENTS/QUESTIONS	

H. SCHEDULE NEXT MEETING

- July 21, 2026 - Tentative date for working group reporting
- September 15, 2026 - Tentative date for working group reporting
- October 21, 2026 - Focus on 6-month review of FY 27 budget

I. ADJOURNMENT

<https://us02web.zoom.us/j/85239467977?pwd=pBOCt2kYh1IGqnV99FwNtnvvRrOubc.1>

Join via audio:

+1 301 715 8592 US (Washington DC)

Webinar ID: 852 3946 7977

Passcode: 305225

Pursuant to 29 Del. C. § 10004(e)(3) this Agenda is subject to change; including addition or deletion of items or Executive Sessions. Agenda items may not be considered in sequence and therefore, should not be relied upon by any member of the public. To request special accommodations for persons with disabilities please contact the City Hall office at (302) 645-7777, at least 72 hours in advance of a meeting.

The City of Lewes strives to make our public meetings widely available through Zoom and YouTube broadcasts. While the City is committed to continuing this access, pursuant to 29 Del. Code, §10006A, technological failure does not affect the validity of these meetings, nor the validity of any action taken in these meetings.

City Hall is located at 114 E. Third Street Lewes DE

Agenda Posted: 4/14/2026 Posted By: ELM

**City of Lewes
FINANCE COMMITTEE
Tuesday, December 16, 2025
MINUTES**

The Finance Committee met on **Tuesday, December 16, 2025 in Council Chambers at Lewes City Hall**, in accordance with proper notification, with the following members present: Committee Chair Tina Samson, Committee Members Lawrence Franz, Michael Filippone, Thad Truitt, Marylou Wellbrock-Reeves and Board of Public Works Treasurer Richard Nichols. City Manager Ellen Lorraine McCabe Ex-Officio Councilperson Joe Elder, Finance Manager Susan Wilcocks.

- A. CALL TO ORDER/ROLL CALL/ ANNOUNCEMENTS** *Chair Tina Samson announced that Committee Member Joan Oeffner had resigned from the Finance Committee, noting that there are now open positions and encouraging applications through the city website.*
- B. PRESENTATION & POSSIBLE ACTION ON THE APPROVAL OF MINUTES** *The committee reviewed the minutes from the October 28, 2025, meeting. Committee Member Wellbrock-Reeves noted two corrections: the name of the UBS financial advisor should be corrected to "Tim Reath". She also mentioned that she had missed a significant portion of the previous meeting and did not feel comfortable voting on the minutes.*

Committee Member Michael Filippone moved to approve the minutes with the noted correction, seconded by Committee Member Lawrence Franz. The motion passed unanimously.

C. UPDATE FROM WORKING GROUPS

Waste and Recycling

Committee Member Filippone reported that the Waste and Recycling working group had a meeting to codify changes to amend the city code and implement new fees. He stated the city will charge an annual maintenance fee of \$25 for trash containers, which are issued as leases rather than purchases. This fee will be included with city tax bills. For residents requesting a second container, there will be an initial setup fee plus the annual maintenance fee, along with an additional \$100 charge since the city doesn't charge for the tipping fee. He noted that container placement and removal requirements will be managed by the city, and licensed rental properties will be required to subscribe to the 10-week second collection subscription, which costs approximately \$250 per home.

Ex-Officio Councilmember Joseph Elder added that the group continues to deliberate on trash storage. He explained that there is an ordinance suggesting trash cans should be kept at the back or sides of houses, but there are challenges when trash cans are stored in enclosures that are sometimes broken or inaccessible for collection. He noted that the city is considering a different type of truck with an automated pickup arm, which would require trash cans to be accessible rather than in containers.

Homestead Exemption

Chair Samson reported that she had presented the homestead exemption idea to the Mayor and City Council the previous week. Due to the length of that meeting, she was asked to create a table of different property tax relief options. She mentioned that she hadn't completed this yet but would be working on it, noting that for now, the idea remains dormant.

Investment Implementation (Tina Samson/Marylou Wellbrook-Reeves)

There was no specific discussion recorded for this agenda item.

Financial Controls (Marylou Wellbrook Reeves/Joan Oeffner)

Committee Member Wellbrook-Reeves reported that following Joan Oeffner's departure, the working group is developing best practices and workflow processes for the accumulation and distribution of funds from the new resiliency fund. She has asked administration to provide suggestions and mentioned that she and Susan will review steps taken in the transfer process to ensure best procedures are followed in the future and are codified.

Chair Samson added that financial controls and procedures is a significant topic and should be viewed as an ongoing process.

Non-Profit Grants Working Group (Kerry Tripp/Joe Elder)

Chair Samson noted that the non-profit grants working group is separate from the library, Lewis and Bloom, and fire department donations that would be discussed later in the meeting. She mentioned that the deadline for the small non-profit grant program had been changed from December 1st to December 15th, and the next step would be to review the grant proposals.

Councilmember Elder explained that the initial grant proposal was a pilot program that would be evaluated and potentially modified in the future. He noted that feedback from council members suggested they should publicize the program earlier next year and consider broadening the scope of eligible organizations. He clarified the distinction between these smaller, innovative grants and the long-term support for major community organizations that would be presenting requests later in the meeting.

He also mentioned that there might be other organizations with major impacts on Lewes that should be considered for support, such as the Lewes Historical Society.

Update from EERC Liaison (Marylou Wellbrook-Reeves)

Committee Member Wellbrook-Reeves reported that the resiliency fund commission had met after the previous Finance Committee meeting and had another meeting scheduled for the following day. She mentioned that they would be discussing bylaws at that meeting. Regarding finances, she noted that Susan had been working to move money from banks to Fidelity Investments, where they are earning a much higher yield, and they are making progress in that effort.

D. OLD BUSINESS:**1. Presentation, continued discussion and possible action on additional data provided by Rick Bell regarding Mayor and City Council Compensation.**

Mr. Rick Bell presented additional research on Mayor and City Council compensation. He expressed that while he had not found any new information that would change his previous conclusions, he believed the current compensation for Lewes' mayor (\$11 per day, which is taxable) is inadequate. He noted that while Lewes currently has an excellent mayor who can afford to serve at this compensation level, the city should consider adequately rewarding officials to ensure qualified candidates can serve in the future.

Mr. Bell reported that his research found compensation for mayors of similar-sized towns ranges from nothing to \$89,000 per year, with an average of about \$39,000 annually. He emphasized that this was an opportunity for the city to decide how it wants to incentivize its mayor and council.

Finance Manager Susan Willcocks noted that when they prepared the proposed 5-year budget last year, they had included an increase to all council compensation in the draft FY27 budget. Chair Samson suggested incorporating Mr. Bell's insights into the budget process over the next 6-8 weeks.

Ms. Willcocks clarified that the mayor currently receives \$4,000 annually and each council member receives \$3,000, amounts that haven't changed since council began receiving compensation in the early 2000s. The FY27 draft budget proposes doubling those amounts to \$8,000 for the mayor and \$6,000 for each council member.

E. NEW BUSINESS:

1. Presentation(s), discussion and possible action regarding donation requests from the Lewes Public Library, Lewes In Bloom and the Lewes Volunteer Fire Department.

Lewes Public Library

Lewes Library Director Jill DiPaolo presented the library's request. She explained that the Lewes Public Library is a 501(c)(3) nonprofit that serves as a lifelong learning hub and provides equitable access to all community members regardless of their circumstances. She emphasized that the library is a welcoming community space for people of all ages and backgrounds.

Director DiPaolo detailed the library's funding sources, noting that 43.5% of their operating budget comes from community support (fundraising, annual appeal, volunteers), while Sussex County provides 34.5% and the State of Delaware contributes 14%. She thanked the city for last year's \$10,000 donation, which helped increase summer programming and position their new outdoor pavilion as a vital community resource.

For the current year, Director DiPaolo requested \$20,000 to improve accessibility features, including:

- Repairing and upgrading handicap-accessible doors
- Upgrading audiovisual equipment in meeting rooms with ADA-compliant hearing-impaired technology
- Increasing drop-in computer help sessions, which currently have waiting lists
- Expanding large print and audio collections and adding magnifiers to computer screens

Director DiPaolo reported that the library served 190,000 visitors last year, with 2,846 active cardholders who are City of Lewes residents. She confirmed that the library's annual operating budget is just under \$1 million, making the city's previous \$10,000 donation approximately 1% of their budget.

Councilmember Elder emphasized the library's role as a hub for volunteerism and collaboration with city organizations, including the Book Fest event that brought people to the city. Committee Member Wellbrock-Reeves noted the importance of accessibility features for the aging population and ADA compliance.

Lewes In Bloom

Ed Zygmanski, Co-Chair of Lewes In Bloom and Art In Bloom, presented their request for \$33,000, the same amount approved last year. He noted that despite rising costs for tools, bulbs, and annuals, they anticipated these challenges and believed they could meet them through fundraising efforts and the city's support.

Mr. Zygmanski shared statistics showing that Lewes In Bloom's 512 members contributed 12,167 hours of volunteer work between October 2024 and September 2025, with 7,155 of those hours dedicated to horticulture activities. Based on Bureau of Labor Statistics average wage data, this volunteer work saved the city between \$432,000 and \$480,000.

He detailed that Lewes In Bloom maintains 18 gardens and 8 planters/baskets throughout the city. Their activities included:

- Sponsoring the 16th Annual Lewes Tulip Celebration with 32,000 tulip bulbs
- Partnering with Historic Lewes for walking tours
- Coordinating the popular annual Tulip Dig
- Planting over 10,000 annuals with 240 varieties
- Decorating with fall decor and holiday decorations
- Planting 33,000 tulip bulbs and 2,000 other spring bulbs for next year
- Partnering with the city on a special "Tulip of Lewes" planted at key locations
- Expanding the Children's Learning Garden and hosting over 600 students
- Installing the Reed sculpture and a maritime history mural

Mr. Zygmanski noted that the organization's draft budget for 2026 is approximately \$207,000, making the \$33,000 request about 16% of their budget. He explained that Lewes In Bloom is an all-volunteer organization with multiple revenue sources including their annual appeal, the Tulip Celebration, a garden sale, and a Christmas wreath sale.

Councilmember Elder noted that the library is the most active in the entire county, bringing visitors who patronize local businesses. Committee Member Wellbrock Reeves suggested exploring partnerships with other nonprofits like the Historic Book Festival. Lewes Volunteer Fire Department

Bernie Edmonson, Chief Marketing Officer for the Lewes Fire Department, thanked the committee for their support last year and presented a request for \$20,148 to purchase water rescue equipment. He explained that much of their current gear has surpassed its 10-year shelf life and some has been damaged during training and emergency responses.

Mr. Edmonson detailed the waterways they protect, including Delaware Bay, the canal, the inlet, Broadkill River, Lewes Beach, and the Atlantic Ocean, plus numerous ponds, creeks, and glades. He presented the department's response statistics, noting they had 35 water rescues between 2024 and 2025, as well as 231 fire calls and 1,574 EMS calls in the city during the first 11 months of 2025.

The requested funds would purchase 10 complete sets of water rescue gear, including specialized gloves, dry suits, boots, head protection, and flotation devices, with an expected life cycle of 10-15 years.

Ms. Willcocks clarified that the fire department currently receives a standing annual donation of \$75,000 from the city, and this request is in addition to that amount.

Following discussion of all three requests, there was a broader conversation about potentially codifying these annual gifts in the budget to avoid requiring these organizations to make presentations every year unless they need an increase or additional funding.

Committee Member Franz moved to accept all three donation requests as presented for inclusion in the draft FY27 budget, with final approval by the Mayor and City Council, seconded by Committee Member Wellbrock Reeves. The motion passed unanimously.

2. Presentation, discussion and possible action regarding FY27 draft budget process.

City Manager Ellen Lorraine McCabe provided an overview of the budget process for FY27. She explained that city staff, including herself, the Deputy City Manager, Finance Manager, and when possible, Committee Member Filippone, had met with every department manager to review their budget requests.

The process built on the multi-year budget developed last year, comparing the funding requested for FY27 with what had been projected. She noted they had reviewed each budget line by line, asking whether expenditures needed to be made now or could be pushed to future years, and in some cases, whether projects should be moved up into FY27.

Ms. Wilcocks presented preliminary budget figures, noting that the FY26 approved budget had total expenses of \$11.6 million, while the working draft for FY27 was currently \$12.851 million. She explained that the largest difference was in capital outlay, which included projects such as the Savannah Beach guardhouse renovation, fountain and paver renovations, Canal Front Park pavers, and net house renovation.

Personnel changes included an estimated 10% increase in health insurance and other insurance costs, as well as potential new positions including an assistant to the city planner, a communications person, a contracts administrator, and a grants manager.

Committee members discussed the 11% budget increase and the need to evaluate both discretionary and non-discretionary spending. City Manager McCabe noted that many of the increases were for necessary maintenance and renovations to city assets and buildings that had been deferred.

The committee discussed the timeline for the budget process, with city staff planning to share more detailed numbers at the January meeting, refine the draft budget, and submit it to council by February 1 as required by the charter. Council will then hold budget hearings in February and March, with adoption required before the fiscal year begins on April 1, 2026.

3. Discussion and possible action on timing for adoption of Sussex County property tax assessments.

City Manager McCabe reported that City Council has not yet adopted the new property values from Sussex County. She explained that council must adopt assessment values for the upcoming tax bills by February 1, but due to time constraints and issues with property values across the state, it would not be possible to adopt the county's values this year. She suggested waiting another year and revisiting the matter in FY27.

Committee members noted that not adopting the new assessments would not prevent the city from increasing property tax rates if needed. There was discussion about the appeals process in Sussex County, with City Manager McCabe noting that the county had experienced minimal appeals. She added that if the city were to use the county's assessments, any appeals would go through the county rather than the city.

Committee Chair Samson suggested revisiting this matter after completing the budget process.

4. Discussion and possible action regarding purchase of city equipment and vehicles.

Ms. Wilcocks presented two equipment purchase requests: a trash truck and city vehicles.

For the trash truck, she explained that \$150,000 was budgeted in FY26 and another \$150,000 in FY27, but to secure the truck at the quoted price of \$298,000, it would be best to move forward with the purchase now. The truck, a replacement for a 2013 model that has required significant repairs, is available from a local dealer at a reduced price through Sourcewell pricing. She noted that it typically takes 6-9 months to order and receive trucks of this size.

Regarding city vehicles, Finance Manager Wilcocks explained that the city currently leases vehicles through Enterprise. Six RAV4s have leases ending in May and June, and one Chevy Bolt has a lease ending in February. She recommended turning in these vehicles and purchasing replacements rather than continuing with the lease program. Specifically, she proposed returning and replacing four vehicles (three RAV4s and the Bolt) in FY26, and issuing a letter of intent for the remaining three RAV4s to be returned and replaced in FY27.

Committee Member Filippone explained that purchasing vehicles outright would save approximately \$2,700 per vehicle compared to leasing, and City Manager McCabe confirmed they would use state contract pricing for the purchases.

Committee Member Filippone moved to recommend to Mayor and City Council that the city:

1. Purchase a rear-loading trash truck at \$300,000 with funding to come from the general fund reserves for the additional \$150,000 needed beyond what was budgeted in FY26
2. Turn in three RAV4s and one Chevy Bolt when their leases end in FY26
3. Purchase three vehicles to replace the RAV4s at a price not to exceed \$40,000 each (total \$120,000) with funding from general fund reserves
4. Purchase a hybrid or all-electric vehicle to replace the Bolt at a price not to exceed \$35,000 with funding from general fund reserves
5. Issue a letter of intent to purchase three vehicles to replace the three RAV4s to be returned at the end of their lease terms in FY27, at a cost not to exceed \$40,000 each, with funding to be budgeted in FY27

The motion was seconded by Committee Member Wellbrook-Reeves and passed unanimously.

Committee Member Franz expressed concern about the use of reserve funds and whether this would set a precedent. Committee Member Filippone assured that this was not intended to set a precedent for using reserves and noted that part of the cost (\$150,000 for the trash truck) was already budgeted for FY27 but was being advanced to FY26.

5. Presentation, discussion, and possible action regarding city efforts to track rental properties and fees.

Building Official Jon Ward presented the city's system for tracking rental properties. He demonstrated software called Host Compliance, purchased from Granicus, which scours social media and rental sites like Airbnb and VRBO to identify rental units being advertised in Lewes. The software provides data on both short-term and long-term rentals, including number of bedrooms.

Building Official Ward explained that his department compares this data with their rental license records and sends letters to property owners who are advertising without proper licenses. He noted that the process is time-consuming but will become more efficient when the department is fully staffed after the first of the year. He mentioned that they are looking at ways to make rental units more easily identifiable, such as using stickers on rental properties.

Committee Member Filippone suggested that fines might help with enforcement. Councilmember Elder noted that stickers would also help neighbors know a property is a rental and assist police officers responding to calls at these locations. There was also discussion about implementing safety inspections for rental properties.

Building Official Ward mentioned that rental licenses currently operate on a self-attestation system, with inspections conducted only on a complaint basis. He also indicated that they have had to remind some property owners about the need for licenses.

City Manager McCabe noted that the city is handling this efficiently by using software to track online rental platforms rather than having staff do this manually. Finance Manager Wilcocks reported that rental tax revenue was expected to be \$870,000 this year, slightly over the budgeted amount of \$835,000.

F. FUTURE AGENDA ITEMS

Analysis of marina cost and revenue
Possibilities for additional revenue

- G. PUBLIC COMMENTS/QUESTIONS** *Thierry Poirey (19 Harborview Road) expressed strong disagreement with the committee's handling of the Sussex County property tax assessment issue. He argued that by not making a recommendation to City Council on adopting the new assessments, the committee was enabling a system where less affluent residents would pay a disproportionately higher percentage of property taxes compared to more affluent residents with properties on the canal or beach. He urged the committee to take responsibility and make a recommendation to City Council on this matter.*

H. SCHEDULE NEXT MEETING

Next meeting of the Finance Committee: January 20, 2026.

- I. ADJOURNMENT** *Committee Member Wellbrook-Reeves called for a motion to adjourn, seconded by Committee Member Truitt. The meeting was adjourned at 12:23 PM.*

Minutes Submitted By: Jeffery Coover, Administration Support Specialist
Minutes generated using HeyGov.ai
Transcript available by request

City of Lewes
FINANCE COMMITTEE
Tuesday, January 20, 2026
MINUTES

The Finance Committee met on **Tuesday, January 20, 2026 in Council Chambers at Lewes City Hall**, in accordance with proper notification, with the following members present: Committee Chair Tina Samson, Ex-Officio Member and Councilmember Joe Elder, Committee Members Lawrence Franz, Kerry Tripp, Thad Truitt, Marylou Wellbrock-Reeves and Board of Public Works Treasurer Richard Nichols. Committee Member Michael Filippone attended the meeting via Zoom. Mayor Amy Marasco and City Finance Manager Susan Willcocks also attended the meeting.

- A. CALL TO ORDER & ROLL CALL & ANNOUNCEMENTS** *The January Finance Committee meeting was called to order at 10:00 AM. The Committee Chair Tina Samson announced that there were two vacant positions on the Finance Committee and encouraged members to ask qualified individuals in the community to apply through the website.*

Committee Member Mike Filippone, who addressed the committee via Zoom, explained that due to health issues, he would need to step down from the committee temporarily. Mr. Filippone will continue to listen in on LFC meetings as he can. He expressed gratitude for the opportunity to serve, particularly highlighting his pride in the work accomplished regarding the trash study and purchase of the new trash truck. Several committee members expressed their support and appreciation for Committee Member Filippone's contributions.

1. Election of Acting Secretary (To replace Committee Member Filippone)

Committee Member Kerry Tripp moved that Committee Member Marylou Wellbrock-Reeves serve as acting secretary. Seconded by Committee Member Thad Truitt. Motion passed unanimously.

- B. PRESENTATION & POSSIBLE ACTION ON THE APPROVAL OF MINUTES** *The Chair noted that minutes from the previous meeting were not available and would be approved at the April meeting.*

- C. UPDATE FROM WORKING GROUPS**

Investment Implementation

Committee Member Wellbrock-Reeves reported that the committee had successfully moved all funds from UBS to Fidelity Investments by year-end (December 31st), with possibly some minor residual funds still to come. Chair Samson and Committee Member Wellbrock-Reeves had assessed the funds and determined appropriate investment vehicles, though they identified aspects of the original investment policy statement that needed clarification.

Committee Chair Samson added the committee plans to implement the updated investment policy fully in the coming month, moving a substantial amount of money from money markets into longer-term investments. They have begun discussing which ETFs to use to fulfill the guidelines and what the quarterly reporting will look like beginning March 31st.

Resiliency

Committee Member Wellbrock-Reeves reported that the Finance Committee, along with other city committees, will be working on standardizing bylaws using a template format. She also discussed account balances with City Finance Manager Susan Willcocks, noting that there was a discrepancy between projected balances (\$1.4 million) and actual balances (\$1.1 million). It was clarified that \$250,000 had been allocated to Fourth Street Forest by Mayor and City Council after the budget was approved. They are working on developing a better tracking system for these allocations.

Councilmember Elder asked for a reiteration of how the Resiliency Fund was and will be funded and it was indicated that given that the 2026 fiscal year was the first year of the fund, there was an additional one-time finding amount of approximately \$700,000 from several sources such as Gross Receipts Tax, Transfer tax, as examples. The percentage allocations of the funding formula may be reevaluated each year by Mayor and City Council.

Grants Task Group

Vice Chair Tripp provided an update on grants, noting confusion from the last meeting when three organizations (Lewes Fire Department, the Lewes Public Library, and Lewes in Bloom) presented. She clarified that these were annual donations to justify their funding, not additional grant requests, the latter of which are to be reviewed independently under the new small grants program. However, the fire department had included an additional grant request during their presentation, in addition to their annual City donation, which created confusion.

Vice Chair Tripp reported that over \$200,000 in grant requests had been submitted in December, but the review process was currently stalled, noting that the grant review committee had not yet seen the grant applications. She explained that these grants would likely be funded in next year's budget, and only if the city has sufficient funds.

The committee discussed the distinction between annual donations to specific organizations and the separate grant program for other nonprofits. It was clarified that grants would only be funded if the city's primary responsibilities were met first. Councilperson Elder stated that, in the future, the grant program applications would be reviewed by the grant review committee, then presented to the Lewes Finance Committee with recommendations then going to Mayor and City Council for final approval. In this first year, since grant applications have already been submitted, the grant review committee will make its recommendation directly to Mayor and Council.

Committee Member Franz asked Finance Manager Susan Willcocks to identify what budget years the Lewes Library, Lewes in Bloom, and Lewes Fire Department appeared in. In the budget for fiscal year 2026, the Lewes Library was allocated \$10,000, Lewes in Bloom, \$33,000, and Lewes Fire Department \$75,000, now identified as donations. The additional monies requested by these entities at the last Finance Committee meeting will be put into the draft 2027 fiscal year budget.

Committee Member Tripp suggested that the grant review committee needs to be confirmed, and in the future, they could then review the grant applications in December of each year, with large grant application funding being limited to 1% of the City's total expenditures and the small grant program (under \$5,000) being capped at \$25,000.

D. OLD BUSINESS:

1. Presentation, continued discussion and possible action on edits to the Lewes Investment Policy.

Chair Samson presented revisions to the investment policy, highlighting that a significant typographical error had been corrected. The original policy stated that 0.75% of transfer tax would be allocated to Module B (money market fund), when it should have been 75%. After further review with City Manager McCabe, they determined that 50% allocated to Module B would be more reasonable than 75%.

Additional changes included removing the previous investment manager from the list of approved financial institutions and adding Fidelity. Some fund accounts at the prior manager were also consolidated.

Committee Member Wellbrock-Reeves moved to accept the modifications to the investment policy statement. Seconded by Vice Chair Tripp. Motion passed unanimously.

Chair Samson noted that additional small changes might be needed in April as implementation progresses.

E. NEW BUSINESS:

1. Presentation and discussion of the fiscal year 3rd Quarter and year-end projections.

Ms. Willcocks presented financial data comparing December 2024 to December 2025, along with the previously approved annual FY 2026 budget and percentage completion. The committee is currently 9 months (75%) into the 2026 fiscal year. Key points from her presentation included:

- General revenue for FY 2026 year-to-date representing 75% completion of the year was at \$8,077,593 against a full annual budget of \$10,000,786, which is on target.
- Tax assessments were above budget due to new homes and reassessments.
- Building permits were significantly below projections (\$1.7 million projected versus \$2.7 million budgeted).
- Interest revenue was above budget and expected to increase further.
- Parking meter revenue fell short of projections by approximately \$60,000.
- Expenses were under budget, helping to offset revenue shortfalls.

Committee member Franz asked about the probability of receiving 100% of different budgeted revenue streams. Ms. Willcocks identified the variations of income (budget versus actual) and she noted the City has taxed more homes this year than last year, almost all grant money for the year has been received, and higher interest income has been realized.

Councilperson Elder commented that both costs and revenues have been increasing over the last several years.

Committee member Franz pointed out that the budget has discretionary and non-discretionary expenses, with some 75% to 80% of City's expenses being non-discretionary. Ms. Willcocks indicated that a large amount of discretionary expenses were in the capital budget, the projects for which would have to be prioritized and triaged. Based on last year's five year capital improvement plan (CIP) a 4.5% inflation factor was used as stated by member Franz but Ms. Willcocks stated that the inflation factor used for each department's request might be higher or lower.

Committee member Tripp requested trying to get review documents in advance of the LFC meeting.

Noting that we are only have actual data for nine months of the fiscal year, Ms. Willcocks estimated that total revenue for the year would be \$10,121,443 revenue, which is \$665,000 below budget with the largest revenue discrepancy being building permit fees. These fees had been budgeted at \$2,700,000 but Ms. Willcocks estimates that they will be full year at \$1,700,000.

Ms. Willcocks projected that the city would end the fiscal year with approximately \$500,000 less in revenue than budgeted, but with expenses also under budget.

Committee member Wellbrock-Reeves discussed the concept of “in lieu of taxes” payments and if they are allowed in the State of Delaware.

For the FY2027 draft budget, Ms. Willcocks reported a projected deficit of about \$80,000 across all funds, with the general fund showing a \$1.9 million shortfall (compared to \$865,000 deficit last year). A significant factor in this deficit is the \$1.8 million in capital projects that have been requested.

Mayor Marasco spoke about what had transpired last year in the budget formation. Members of the then Financial Stewardship Committee (Mayor Marasco, Scott Sippelle, Mike Filippone, and Ellen Lorraine McCabe) reviewed the data, the budget review subcommittee then looked at both revenues and expenses, and made recommendations. A large focus was on triaging capital projects based on the five year Capital Improvements Plan to be funded in large part by the transfer tax which previously had simply been put in reserves. Mayor Marasco suggested that as transfer tax revenues come in, the timing of the capital improvements schedule could be adjusted. Ms. Willcocks interjected that the FY 2027 budget figure was reflecting 95% of the actual transfer tax while prior year’s had budgeted 90% of actual transfer tax. In terms of projecting transfer tax, Committee member Franz and Mayor Marasco dialogued an appropriate projection approach to transfer tax based on the last three year’s of transfer tax receipts.

The committee discussed various revenue options to address the deficit, including:

1. Adjusting building permit fees to be more realistic (\$1,000,000 overstated from last year’s budget).
2. Raising parking fees (from \$1.50/hr. to \$4.00/hr. to match neighboring towns)
3. Considering property tax increases (which have not been raised in over 20 years and represent about 25% of the City’s revenues)
4. Investigating in-lieu-of-tax payments from entities like DRBA (Delaware River and Bay Authority)
5. Reexamining building permit rates for ~~Examining~~ nonprofit organizations.
6. Considering rental fees for dockage slips.
7. Considering rental taxes on businesses.
8. More aggressive collection of rental tax receipts.
9. Tax increase.

Committee Member Tripp identified several areas that the budget review subcommittee should examine such as capital projects, the ballooning costs of human resources, the police budget, and city manager areas. On the revenue side, we should re-enforce earlier recommendations to institute a waste collection fee, tax increase, parking meter fees, and new requests for proposals for professionals. Committee member Tripp suggested we might even increase building permit fees again but this would apply to new builds only.

Committee member Wellbrock-Reeves suggested that we have a complete review of our insurance packages.

Councilperson Elder suggested that we take action on parking fees as soon as possible but also take action on waste collection fees in 2026 and consider gross receipts tax on businesses that rent out space to tenants.

Committee member Franz reiterated the need to have all outside vendors be asked for a request for fee for proposal, not just our professional services. Mayor Marasco suggested looking at contracts that are multi-year and \$50,000 above but to stagger the schedule of the RFP's.

Short term priorities for budget year 2027 for Mayor and Council:

Waste collection fee
In town parking meter fees
\$100 flat fee for non-profits for resiliency fund

Short term priorities to Mayor and Council:

All other parking rates, i.e. beach
Building permit fees
Tax increase

Long term priorities:

Human resources
Building permit fee increases for new builds
Rental fees for dockage slips.
Rental taxes on businesses.

Mayor Marasco clarified that the funding formula for resiliency does not apply to non-profits and perhaps a flat fee for such should be incorporated.

A motion was made by Committee Member Tripp to submit the priority list to Mayor and Council, seconded by Committee Member Wellbrock-Reeves. Motion passed unanimously.

2. Presentation and possible action to create four new working groups. Chair Samson suggested:
 - Subcommittee to work on FY 2027 budget with City Staff.
 - Subcommittee to review the current Finance Committee Mission Statement and Bylaws.
 - Subcommittee to review and update grant application.
 - Subcommittee to study taxes (to include but not limited to property, transfer, commercial rental, etc.)

The committee discussed the need to establish several subcommittees to address budget and other financial matters.

A motion was made by Committee Member Tripp to establish a subcommittee to work on the FY 2027 budget with City Staff, with Committee Member Franz and Chair Samson serving on this committee along with City Manager McCabe and Finance Manager Willcocks. Motion passed.

A motion was made by Vice Chair Tripp and seconded by Committee Member Truitt to establish a subcommittee to review the current Finance Committee Mission Statement and Bylaws, with Chair Samson and Committee Member Wellbrock-Reeves serving on this committee. Motion seconded by Committee Member Truitt. Motion passed unanimously.

A motion was made by Vice Chair Tripp to create a subcommittee to review and update the grant applications. Motion seconded by a Committee Member Truitt, with Vice Chair Tripp and Wellbrock-Reeves serving on this committee. Motion passed unanimously.

A motion was made by Vice Chair Tripp and seconded by Committee Member Truitt to establish a long-term subcommittee to study taxes and other revenues (including but not limited to property transfer, commercial rental, etc.) with Committee Members Franz and Vice Chair Tripp serving as interim (Chair Samson will join them when she returns from vacation.) Motion passed unanimously.

The committee also discussed developing a list of short-term and long-term revenue recommendations for the city, including competitive bidding for large contracts, raising waste collection fees, increasing parking fees, adjusting building permit fees, exploring in-lieu of taxes for the ferry building, and considering property tax increases.

F. FUTURE AGENDA ITEMS

- *Analysis of marina costs and revenue.*
- *Consideration of additional long term revenue sources*

G. PUBLIC COMMENTS *No public comments were made.*

H. SCHEDULE NEXT MEETING - *April 21, 2026*

I. ADJOURNMENT *The meeting was adjourned at 12:39 PM.*

Minutes submitted by: Jeffery Coover, Administration Support Specialist

Minutes generated using HeyGov.ai

Transcripts available by request.

The City of Lewes

Approved Budget FY27 Summary

Overall

Revenue over expenditure shows a surplus of \$70,065 in all funds. The General fund produces a deficit of \$2,237,075 which includes the following capital projects totaling \$1,355,000 that will be funded by Transfer Tax. The schedule is attached.

Revenue

The total budget decreased from \$14,231,635 to \$13,775,000, reflecting a 3.2% reduction. The primary driver of this decrease is the General Fund, which is down \$285,600 to better align with FY26 actuals. FY27 includes the first year of Lodging Tax revenue, contributing to the revenue base. The FY27 budget includes parking-related revenue enhancements totaling an estimated \$240,900 above FY26. These adjustments include beach parking to \$3.00 per hour and In Town meters an increase to \$2.50 per hour. That is a general increase to all meters of \$.50 per hour. The annual property tax rate remains unchanged at 0.57 per \$100 of assessed value (based on half of assessed value). This rate has remained constant since 2012. Generates approximately \$3.1 million in revenue.

Expenditure

The General Fund increased from \$12,609,295 to \$13,704,935, representing an 8.7% overall rise. The primary driver of this increase is the \$1,137,875 growth in the General Fund. The key assumptions driving the increase are:

- 3% COLA applied to all wages
- 10% increase in all insurance costs
- Staffing increase of .5FTE for City Manager's Office and Dock Master upgrade from PT to FT
- Mayor and City Council double salary from 4k to 8k and 3k to 6k respectively
- Continued City commitments to The Lewes Fire Department, The Lewes Library and Lewes in Bloom, totaling \$148,150 collectively. This is in addition to the introduction of a new Large and Small Grant Program with a total allocation of \$100,000.

- Contracted Services reflect strategic investments of Legal Fees of \$375,000, Engineering \$165,000, and Consulting of \$170,500 to cover long term financial planning and project management for a municipal building.

Resiliency Fund

The approved FY27 budget allocates contributions to the Resiliency Fund from several dedicated revenue sources. Funding percentages are as follows:

- | | |
|---------------------------------------|------|
| • Chesapeake Franchise Fees | 100% |
| • Transfer Tax | 5% |
| • Parking | 1% |
| • Property Tax | 1% |
| • GRRT | 20% |
| • Interest on Investments at Fidelity | 100% |

These allocations generate a total FY27 contribution of \$448,000 to the Resiliency Fund. Although the budget authorizes these contributions, funds will not be transferred into the restricted Resiliency Fund until the budget review in late fall. This timing ensures that actual revenue performance is evaluated before finalizing the transfer.

Final FY27 Capital Outlays

Maint - Vehicles	184,000
Maint - Finalize Additional Loft	6,000
Police - Vehicles	125,000
Beach Patrol - Vehicles	20,000
Parks&Rec - CanalFront Permeable Pavers	125,000
Parks&Rec - Blockhouse Pond Fishing	40,000
Parks&Rec - Zwaanendael Fountain, Bricks & Waterline Design Only	30,000
Marina - City Dock Electrical Repairs Park 3	50,000
Marina - City Dock Timber Edging Replacement	0
Marina - CFP Wingwall and Piling Replacement	70,000
AAHC - JWB Pavilion Design Only	15,000
Operations - Replace HVAC at MHRCC	0
Operations - Replace HVAC at Net House	15,000
Operations - Replace Windows at Net House	30,000
Operations - Savannah Beach Guard Shack Design Only	75,000
Operations - Maintenance Dept Shop Construction	100,000
Operations - BOCR Windows Flooring (Painting Deferred)	30,000
Operations - Reno Finance/Admin Space add Seating	100,000
Operations - Computer Hardware	40,000
Operations - Security Upgrade	100,000
Operations - IT Upgrade Council Chambers and BOCR	50,000
Operations - Net House IT and TV	10,000
Operations - 3 Vehicles	120,000
Operations - Next Gen Fuel Accounting	20,000
	\$1,355,000

**The City of Lewes
Budget Comparisons**

		FY27 Budget Post Committee	FY27 Budget Final		
General	Revenue	\$11,220,050	\$10,501,000	-\$719,050	-6.41%
	Expenses	<u>\$12,309,967</u>	<u>\$12,738,075</u>	<u>\$428,108</u>	3.48%
		-\$1,089,917	-\$2,237,075	-\$1,147,158	
MSA	Revenue	\$114,000	\$114,000	\$0	0.00%
	Expenses	<u>\$114,000</u>	<u>\$114,000</u>	<u>\$0</u>	0.00%
		\$0	\$0	\$0	
General Capital	Revenue	\$113,000	\$103,000	-\$10,000	-8.85%
	Expenses	<u>\$45,105</u>	<u>\$45,105</u>	<u>\$0</u>	0.00%
		\$67,895	\$57,895	-\$10,000	
Transfer Tax	Revenue	\$3,025,000	\$3,025,000	\$0	0.00%
	Expenses	<u>\$907,751</u>	<u>\$807,755</u>	<u>-\$99,996</u>	-11.02%
		\$2,117,249	\$2,217,245	\$99,996	
Resiliency	Revenue	\$20,000	\$32,000	\$12,000	60.00%
	Expenses	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	0.00%
		\$20,000	\$32,000	\$12,000	
TOTAL	Revenue	\$14,492,050	\$13,775,000	-\$717,050	-4.95%
	Expenses	<u>\$13,376,823</u>	<u>\$13,704,935</u>	<u>\$328,112</u>	2.45%
		\$1,115,227	\$70,065	-\$1,045,162	

**The City of Lewes
Budget Comparisons**

		FY26 Budget	FY27 Budget		
General	Revenue	\$10,786,600	\$10,501,000	-\$285,600	-2.65%
	Expenses	<u>\$11,600,200</u>	<u>\$12,738,075</u>	<u>\$1,137,875</u>	9.81%
		-\$813,600	-\$2,237,075	-\$1,423,475	
MSA	Revenue	\$114,000	\$114,000	\$0	0.00%
	Expenses	<u>\$114,000</u>	<u>\$114,000</u>	<u>\$0</u>	0.00%
		\$0	\$0	\$0	
General Capital	Revenue	\$113,035	\$103,000	-\$10,035	-8.88%
	Expenses	<u>\$130,615</u>	<u>\$45,105</u>	<u>-\$85,510</u>	-65.47%
		-\$17,580	\$57,895	\$75,475	
Transfer Tax	Revenue	\$3,198,000	\$3,025,000	-\$173,000	-5.41%
	Expenses	<u>\$764,480</u>	<u>\$807,755</u>	<u>\$43,275</u>	5.66%
		\$2,433,520	\$2,217,245	-\$216,275	
Resiliency	Revenue	\$20,000	\$32,000	\$12,000	60.00%
	Expenses	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	0.00%
		\$20,000	\$32,000	\$12,000	
TOTAL	Revenue	\$14,231,635	\$13,775,000	-\$456,635	-3.21%
	Expenses	<u>\$12,609,295</u>	<u>\$13,704,935</u>	<u>\$1,095,640</u>	8.69%
		\$1,622,340	\$70,065	-\$1,552,275	

The City of Lewes
Operating Statement For the Twelve Months Ending
March 31, 2026

<i>Fund Account Summary</i>		<i>Actual 3/31/25</i>	<i>Actual 3/31/26</i>	<i>Annual Budget</i>	<i>% of Budget</i>
Revenue					
<i>Fund 100</i>	<i>General</i>	9,964,810	10,568,969	10,786,600	98.0%
<i>Fund 200</i>	<i>Municipal Street Aid</i>	116,990	125,095	114,000	109.7%
<i>Fund 250/300</i>	<i>SALLE/ETIDE</i>	10,563	4,730	0	
<i>Fund 400</i>	<i>General Capital Projects</i>	125,473	(74,840)	113,035	-66.2%
<i>Fund 460</i>	<i>Transfer Tax</i>	3,517,250	2,941,340	3,198,000	92.0%
<i>Fund 650</i>	<i>Combat Violent Crime</i>	34,226	69,593		
<i>Fund 700</i>	<i>Resiliency</i>	0	38,541	20,000	192.7%
Total Revenue		13,769,312	13,673,428	14,231,635	96.1%
Expenses					
<i>Fund 100</i>	<i>General</i>	9,179,758	10,584,409	11,600,200	91.2%
<i>Fund 200</i>	<i>Municipal Street Aid</i>	83,264	23,444	114,000	20.6%
<i>Fund 250/300</i>	<i>SALLE/ETIDE</i>	3,004	5,900	0	
<i>Fund 400</i>	<i>General Capital Projects</i>	164,479	128,730	130,615	98.6%
<i>Fund 460</i>	<i>Transfer Tax</i>	2,911,693	890,048	764,480	116.4%
<i>Fund 650</i>	<i>Combat Violent Crime</i>	23,498	33,792		
<i>Fund 700</i>	<i>Resiliency</i>	0	0	0	0.0%
Total Expenses		12,365,696	11,666,323	12,609,295	92.5%
Net Increase (Decrease) in Fund Balance		1,403,616	2,007,105	1,622,340	

The City of Lewes
Fund Summaries

	Actual 3/31/25	Actual 03/31/26	Annual Budget	% of Budget
Revenue - 100				
Tax & Assessments	2,976,345	3,093,566	2,900,000	106.7%
Rentals	1,018,737	1,098,939	1,052,250	104.4%
Licenses and Permits	2,077,194	2,392,701	3,118,000	76.7%
Fines and Fees	356,183	292,194	415,000	70.4%
Parking Meters	1,010,884	993,384	1,040,000	95.5%
Interest	223,280	248,606	155,000	160.4%
Intergovernmental Grants	300,059	628,110	470,350	133.5%
Other Revenue	2,002,127	1,821,469	1,636,000	111.3%
Total Revenue Fund 100 General	9,964,810	10,568,969	10,786,600	98.0%
Expenses - 100				
Maintenance	1,440,225	1,781,958	1,639,190	108.7%
Police	2,250,944	3,174,411	2,839,900	111.8%
Parking	193,144	197,738	269,175	73.5%
Beach Patrol	152,737	236,060	261,245	90.4%
City Manager	292,506	671,218	759,705	88.4%
Finance	588,025	378,483	488,030	77.6%
Human Resources	107,946	174,949	275,655	63.5%
Parks & Marina	284,217	162,123	187,720	86.4%
Building	397,419	358,826	487,215	73.6%
Planner & Commission	148,421	133,583	172,945	77.2%
Parks & Rec	318,922	337,439	447,415	75.4%
Mayor & Council	104,708	139,299	138,545	100.5%
Planning	1,901	2,185	46,250	4.7%
Bike & Pedestrian	5,752	697	16,250	4.3%
Historic Commission	22,774	5,974	35,000	17.1%
Art Commission	21,276	20,060	24,135	83.1%
African American Commission	25,143	14,986	25,810	58.1%
Mitigation	0	0	60,000	0.0%
Assessment	51,027	40,641	47,250	86.0%
Elections	0	0	1,400	0.0%
Marina	250,135	240,584	344,365	69.9%
Board of Adjustments	9,111	9,477	12,600	75.2%
Operating	2,069,666	2,319,232	3,020,400	76.8%
Grants	443,759	184,485		
Total Expenses Fund 100 General	9,179,758	10,584,409	11,600,200	91.2%
Net Increase (Decrease) in Fund Balance General	785,052	(15,440)	(813,600)	

The City of Lewes
Fund Summaries

	<i>Actual</i> 03/31/2025	<i>Actual</i> 03/31/26	<i>Annual Budget</i>	<i>% of Budget</i>
Revenue - 200				
<i>Interest</i>	1,238	125,095	114,000	109.7%
<i>Grants</i>	115,752			
Total Revenue Fund 200 Municipal Street Aid	116,990	125,095	114,000	109.7%
Expenses - 200				
<i>Utilities</i>	40,394	23,444	114,000	20.6%
<i>Streets</i>	42,870			
Total Expenses Fund 200 Municipal Street Aid	83,264	23,444	114,000	20.6%
Net Increase (Decrease) in Fund Balance Municipal Street Aid	33,726	101,651	0	
Revenue - 400				
<i>Dividends/Interest/Other</i>	125,473	(74,840)	113,035	-66.2%
Total Revenue Fund 400 General Capital Projects	125,473	(74,840)	113,035	-66.2%
Expenses - 400				
<i>Fees</i>	2,580	1,265	2,500	50.6%
<i>Debt Service</i>	114,907	80,904	80,925	100.0%
<i>Vehicles</i>	46,992	46,561	47,190	98.7%
Total Expenses Fund 400 General Capital Projects	164,479	128,730	130,615	98.6%
Net Increase (Decrease) in Fund Balance Gen Cap Pro	(39,006)	(203,570)	(17,580)	

The City of Lewes
Fund Summaries

	Actual 03/31/2025	Actual 03/31/26	Annual Budget	% of Budget Used
Revenue - 460				
Transfer Tax	3,404,067	2,625,912	3,000,000	87.5%
Dividends/Interest	87,762	290,202	198,000	146.6%
Other	25,421	25,226		
Total Revenue Fund 460 Transfer Tax	3,517,250	2,941,340	3,198,000	92.0%
Expenses - 460				
Fees	44,041	31,461	42,500	74.0%
Maintenance Streets	0	536,236	463,750	115.6%
Professional Services Engineering	92,574	69,438	8,230	843.7%
Construction	447,033	2,913	0	
Bond	827,450			
Technical Equipment	100,469			
Vehicles	138,343			
Real Property	1,261,783	250,000	250,000	100.0%
Total Expenses Fund 460 Transfer Tax	2,911,693	890,048	764,480	116.4%
Net Increase (Decrease) in Fund Balance	605,557	2,051,292	2,433,520	
Revenue - 650				
Grant	34,226	36,386		
Other	0	33,207		
Total Revenue Fund 650 Combat Violent Crime	34,226	69,593	0	
Expenses - 650				
Conference/Seminar/Travel		3,844		
Technical Equipment	23,498	29,948		
Total Expenses Fund 650 Combat Violent Crime	23,498	33,792	0	
Net Increase (Decrease) in Fund Balance	10,728	35,801	0	
Revenue - 700				
Interest		10,239	20,000	51.2%
Franchise Natural Gas		28,302		
Total Revenue Fund 700 Resiliency	0	38,541	20,000	
Expenses - 700				
Fees				
Total Expenses Fund 700 Resiliency	0	0	0	
Net Increase (Decrease) in Fund Balance	0	38,541	20,000	

CITY OF LEWES, DELAWARE
FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2025

DRAFT

CITY OF LEWES, DELAWARE

TABLE OF CONTENTS

	<u>Page(s)</u>
INDEPENDENT AUDITORS' REPORT	1 – 4
MANAGEMENT'S DISCUSSION AND ANALYSIS	5 – 14
BASIC FINANCIAL STATEMENTS	
Government-wide financial statements	
Statement of net position	15
Statement of activities	16
Fund financial statements	
Governmental funds	
Balance sheet	17
Reconciliation of the governmental funds balance sheet to the statement of net position	18
Statement of revenues, expenditures and changes in fund balances	19
Reconciliation of the statement of revenues, expenditures and changes in fund balance of governmental funds to the statement of activities	20
Fiduciary fund	
Statement of fiduciary net position	21
Statement of changes in fiduciary net position	22
NOTES TO THE FINANCIAL STATEMENTS	23 – 42

CITY OF LEWES, DELWARE
TABLE OF CONTENTS (Continued)

	<u>Page(s)</u>
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary comparison schedule – general fund	43 – 49
Delaware Public Employees’ Retirement System	
Schedule of the City’s proportionate share of the net pension liability (asset)	50
Schedule of the City’s contributions	51
SUPPLEMENTARY INFORMATION	
Independent auditors’ report on supplementary information	52
Combining balance sheet – other governmental funds	53
Combining statement of revenues, expenditures and changes in fund balance – other governmental funds	54
GOVERNMENT AUDITING STANDARDS REPORT	
Independent auditors’ 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>	55 – 56

INDEPENDENT AUDITORS' REPORT

DRAFT



ANDREW M. HAYNIE, CPA
 SUSAN P. KEEN, CPA
 MICHAEL C. KLEGER, CPA
 JAMES D. MAYBURY, CPA
 E. LEE McCABE, CPA
 JEFFREY A. MICHALIK, CPA
 ROBERT L. MOORE, CPA
 DANIEL M. O'CONNELL II, CPA
 ASHLEY M. STERN, CPA
 JOHN M. STERN, JR., CPA

PKScpa.com

Salisbury
 1801 SWEETBAY DRIVE
 P.O. Box 72
 SALISBURY, MD 21803
 TEL: 410.546.5600
 FAX: 410.548.9576

Ocean City
 12216 OCEAN GATEWAY
 SUITE 800
 OCEAN CITY, MD 21842
 TEL: 410.213.7185
 FAX: 410.213.7638

Lewes
 1143 SAVANNAH ROAD
 SUITE 1
 P.O. Box 192
 LEWES, DE 19958
 TEL: 302.645.5757
 FAX: 302.645.1757

MEMBERS OF:

AMERICAN INSTITUTE OF
 CERTIFIED PUBLIC ACCOUNTANTS

MARYLAND ASSOCIATION OF
 CERTIFIED PUBLIC ACCOUNTANTS

DELAWARE SOCIETY OF
 CERTIFIED PUBLIC ACCOUNTANTS

ALLINIAL GLOBAL

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and City Council
 City of Lewes, Delaware

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Lewes, Delaware, as of and for the year ended March 31, 2025, and the related notes to the financial statements, which collectively comprise the City of Lewes, Delaware's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of City of Lewes, Delaware, as of March 31, 2025, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Adoption of Accounting Standard

As discussed in the notes to the financial statements, the City adopted GASB Statement No. 101, *Compensated Absences*. Our opinion is not modified with respect to this matter.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of City of Lewes, Delaware, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

Responsibilities of Management for the Financial Statements (continued)

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Lewes, Delaware's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 14, budgetary comparison information on pages 43 through 49, and the Delaware Public Employees' Retirement System schedules on pages 50 and 51 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Lewes, Delaware's basic financial statements. The combining balance sheet – other governmental funds on page 53 and the combining statement of revenues, expenditures and changes in fund balance – other governmental funds on page 54 are presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information, except for the portion marked "unaudited," 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole. The information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 21, 2026, on our consideration of the City of Lewes, Delaware's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Lewes, Delaware's internal control over financial reporting and compliance.

Salisbury, Maryland
April 21, 2026

CERTIFIED PUBLIC ACCOUNTANTS

DRAFT

MANAGEMENT'S DISCUSSION AND ANALYSIS

DRAFT

CITY OF LEWES, DELAWARE
MANAGEMENT’S DISCUSSION AND ANALYSIS
MARCH 31, 2025

As management of the City of Lewes, Delaware (the “City”), we offer readers of the City’s financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended March 31, 2025. This discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the City’s financial activity, (c) identify changes in the City’s financial position, (d) identify any material deviations from the financial plan, and (e) identify individual fund issues or concerns.

Since the Management’s Discussion and Analysis is designed to focus on the current year’s activities, resulting changes and currently known facts, please read it in conjunction with the City’s financial statements (beginning on page 15).

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$43,038,409 (net position) as compared to \$40,381,915 in the prior year. Unrestricted net position has a balance of \$8,113,735, which may be used to meet the City’s ongoing obligations to citizens and creditors in accordance with the City’s fund designation and fiscal policies.
- As of the close of the current fiscal year, the City’s governmental funds reported combined ending fund balances of \$16,137,437, an increase of \$1,240,200 in comparison with the prior year. Of the total amount, \$7,254,493 is unassigned and available for use within the City’s designation and policies.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City’s basic financial statements. The City’s basic financial statements are comprised of four components: (1) government-wide financial statements, (2) fund financial statements, (3) notes to the financial statements, and (4) required supplementary information, which includes this management’s discussion and analysis. In addition to the basic financial statements, this report also contains other supplementary information as listed in the Table of Contents.

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the City’s finances, in a manner similar to a private sector business. The government-wide statements include two statements: (1) the Statement of Net Position and (2) the Statement of Activities.

CITY OF LEWES, DELAWARE
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2025

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Government-wide financial statements (continued)

The Statement of Net Position presents information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference being reported as net position. Over time, increases or decreases in net position may serve as an indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods. For example, uncollected property taxes are reported as assets, despite the fact that the City has not received the actual cash from those levies, and earned but unused compensated absences are reported as liabilities, despite the fact that the City has not yet paid the actual cash for those absences.

The governmental activities of the City include general government, administrative, police department, and street department.

The government-wide financial statements can be found on pages 15 – 16 of this report.

Fund financial statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the government's near-term financing requirements.

CITY OF LEWES, DELAWARE
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2025

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Funds financial statements (continued)

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term effect of the government's near term financing decisions. Both the governmental funds balance sheets and the governmental funds statements of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison between the governmental funds and governmental activities.

The City maintains six (6) governmental funds. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, 1½% Realty Transfer Tax and Capital Projects Fund, all of which are considered major funds. Data from the other two (2) funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The basic governmental funds financial statements can be found on pages 17 – 20 of this report.

Fiduciary funds

The City maintains two fiduciary funds: one for the assets of a deferred compensation plan (pension trust fund) and one for the assets held for the benefit of the Fisher Martin House (custodial fund). Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 21 – 22 of this report.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 23 – 42 of this report.

CITY OF LEWES, DELAWARE
MANAGEMENT’S DISCUSSION AND ANALYSIS
MARCH 31, 2025

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Required supplementary information

Other required supplementary information, in addition to this discussion and analysis, are the budgetary comparison schedule - general fund (pages 43 – 49) and the City’s proportionate share of the net pension liabilities and contributions related to the Delaware Public Employees’ Retirement System (pages 50 – 51).

Supplementary information

The combining statements referred to earlier in connection with non-major governmental funds are presented following the required supplementary information. The combining and individual statements and schedules can be found on pages 53 – 54 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the government’s financial position. In the case of the City of Lewes of Delaware, the net position as of March 31, 2025 was \$43,038,409.

A large portion of the City’s net position (63%) reflects its investments in capital assets (e.g. land, building, equipment, improvements, construction in progress and infrastructure, less any debt used to acquire those assets that is still outstanding). The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

The balance of unrestricted net position, net of restricted balances is \$8,113,735, which may be used to meet the government’s ongoing obligation to citizens and creditors. As of March 31, 2025, the City is able to report positive balances in governmental activities net position balances.

The table below is a comparison of the March 31, 2025 and March 31, 2024 government-wide financial statements.

CITY OF LEWES, DELAWARE
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2025

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Governmental Activities March 31, 2025	Governmental Activities March 31, 2024	Change
ASSETS			
Current and other assets	\$ 20,814,112	\$ 20,681,310	\$ 132,802
Capital assets, net	27,192,391	26,463,806	728,585
Total assets	<u>48,006,503</u>	<u>47,145,116</u>	<u>861,387</u>
DEFERRED OUTFLOWS OF RESOURCES			
	<u>652,775</u>	<u>839,641</u>	<u>(186,866)</u>
LIABILITIES			
Current Liabilities	1,805,042	1,991,129	(186,087)
Long-term liabilities	1,542,286	2,739,101	(1,196,815)
Total liabilities	<u>3,347,328</u>	<u>4,730,230</u>	<u>(1,382,902)</u>
DEFERRED INFLOWS OF RESOURCES			
	<u>2,273,541</u>	<u>2,765,614</u>	<u>(492,073)</u>
NET POSITION			
Net investment in capital assets	26,955,225	26,090,881	864,344
Restricted	7,969,449	7,401,730	567,719
Unrestricted	8,113,735	6,996,302	1,117,433
Total net position	<u>\$ 43,038,409</u>	<u>\$ 40,488,913</u>	<u>\$ 2,549,496</u>

The prior year was not restated to reflect the implementation of GASB 101, *Compensated Absences*.

Analysis of the City's operations

The following table provides a summary of the City's operations for the year ended March 31, 2025, along with comparable data. Governmental activities increased the City of Lewes's net position by \$2,656,494.

CITY OF LEWES, DELAWARE
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2025

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Analysis of the City's operations (continued)

	Governmental Activities March 31, 2025	Governmental Activities March 31, 2024	Change
REVENUES			
Program revenues			
Charges for services	\$ 1,368,742	\$ 1,486,039	\$ (117,297)
Capital grants and contributions	82,650		82,650
Operating grants and contributions	851,417	1,101,569	(250,152)
General revenues			
Taxes and assessments	6,290,707	5,824,337	466,370
Rentals	1,075,805	1,011,146	64,659
Franchise fees	1,249,991	923,666	326,325
Licenses and permits	2,077,244	1,348,652	728,592
Investment earnings	413,361	325,552	87,809
Gain on sale of assets	3,000	39,079	(36,079)
Other revenue	423,835	338,836	84,999
Total revenues	<u>13,836,752</u>	<u>12,398,876</u>	<u>1,437,876</u>
EXPENSES			
Street department	2,287,058	1,967,563	319,495
Police department	3,271,172	2,304,353	966,819
Administrative department	1,917,509	1,548,103	369,406
General government	3,671,166	4,522,198	(851,032)
Interest on debt	33,353	76,376	(43,023)
Total expenses	<u>11,180,258</u>	<u>10,418,593</u>	<u>761,665</u>
Change in net position	<u>2,656,494</u>	<u>1,980,283</u>	<u>676,211</u>
NET POSITION - BEGINNING OF YEAR	<u>40,381,915</u>	<u>38,508,630</u>	<u>1,873,285</u>
PRIOR PERIOD ADJUSTMENT		(106,998)	106,998
NET POSITION - END OF YEAR	<u>\$ 43,038,409</u>	<u>\$ 40,381,915</u>	<u>\$ 2,656,494</u>

See GASB Statement No. 101, *Compensated Absences* on pages 29 and 30 of the financial statements.

CITY OF LEWES, DELAWARE
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2025

FINANCIAL ANALYSIS OF THE GOVERNMENTAL FUNDS

Governmental funds

The focus of the City of Lewes' governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, an unreserved fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City of Lewes' governmental funds reported combined ending fund balances of \$16,137,437. Of this total amount, \$7,254,493 constitutes unassigned fund balance.

General fund budgetary highlights

Revenues for the general fund operations were over budgeted by \$1,186,082. Departmental expenditures were over budgeted by \$590,860.

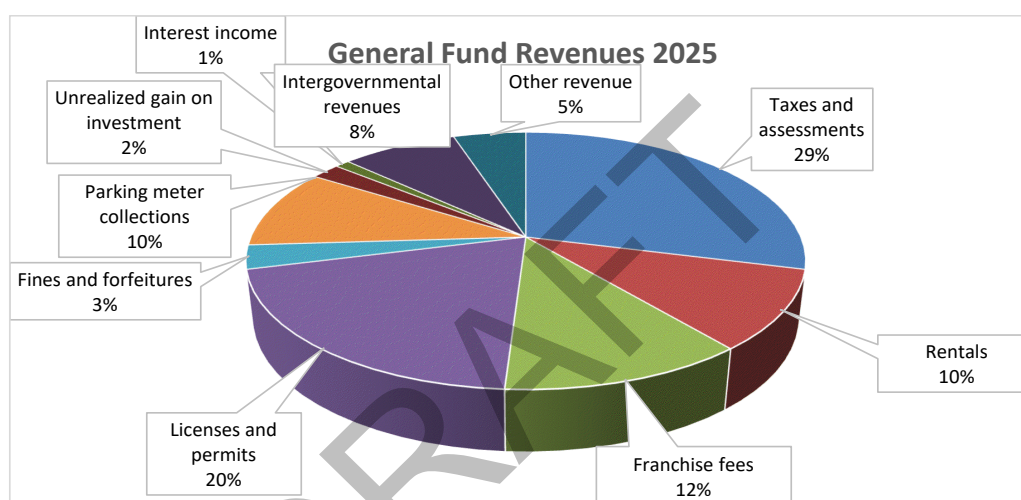
The following schedule presents a comparative summary of General Fund revenues for the fiscal years ended March 31, 2025 and 2024, along with the percentage of that revenue to total revenues.

Revenues	March 31, 2025	%	March 31, 2024	%
	Totals	of Total	Totals	of Total
Taxes and assessments	2,996,902	29%	2,854,765	31%
Rentals	1,075,805	10%	1,011,146	11%
Franchise fees	1,249,991	12%	923,666	10%
Licenses and permits	2,077,244	20%	1,348,652	15%
Fines and forfeitures	356,183	3%	417,815	5%
Parking meter collections	1,010,884	10%	1,018,236	11%
Transit program	50	0%	48,590	1%
Unrealized gain (loss) on investment	197,946	2%	134,398	1%
Interest income	79,034	1%	56,043	1%
Intergovernmental revenues	794,999	8%	966,999	11%
Other revenue	421,654	4%	336,678	4%
	\$ 10,260,692	100%	\$ 9,116,988	100%

CITY OF LEWES, DELAWARE
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2025

FINANCIAL ANALYSIS OF THE GOVERNMENTAL FUNDS (Continued)

General fund budgetary highlights (continued)



Current and prior year's taxes continue to represent the largest revenue source, with \$2,996,902 or 29% of all General Fund revenues. There was an increase in revenues from 2024 of \$1,143,704. Licenses and permits increased \$728,592 and franchise fees - BPW increased \$198,038 while intergovernmental revenues decreased \$172,000.

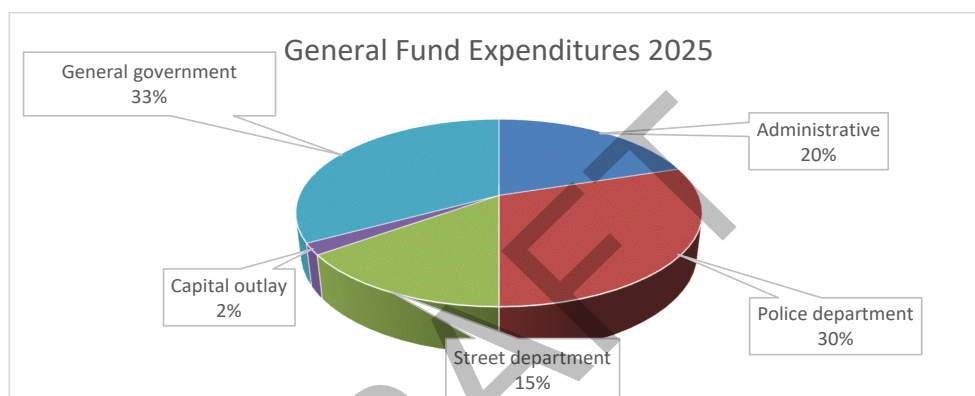
The following schedule represents a comparative summary of General Fund expenditures for the fiscal years ended March 31, 2025 and 2024, along with the percentage of that expenditure to total expenditures.

Expenditures	March 31, 2025		March 31, 2024	
	Totals	% of Total	Totals	% of Total
Street department	\$ 1,454,737	15%	\$ 1,158,255	13%
Police department	2,858,454	30%	2,391,247	26%
Administrative department	1,872,860	20%	1,636,792	18%
General government	3,121,770	32%	3,902,148	43%
Debt service	24,516	0%		0%
Capital outlay	163,133	2%	92,299	1%
	<u>\$ 9,495,470</u>	<u>100%</u>	<u>\$ 9,180,741</u>	<u>99%</u>

CITY OF LEWES, DELAWARE
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2025

FINANCIAL ANALYSIS OF THE GOVERNMENTAL FUNDS (Continued)

General fund budgetary highlights (continued)



CAPITAL ASSETS

The City of Lewes' investment in capital assets for its governmental activities as of March 31, 2025 amounts to \$27,192,391 (net of accumulated depreciation). This investment in capital assets includes the following:

	Governmental Activities March 31, 2025	Governmental Activities March 31, 2024	Change
Buildings	\$ 10,222,337	\$ 10,217,142	\$ 5,195
Machinery and equipment	5,577,952	5,202,701	375,251
Land and improvements	29,645,468	29,100,062	545,406
Right-to-use assets	37,794		37,794
Construction in progress	1,504,121	363,427	1,140,694
Accumulated depreciation	(19,795,281)	(18,419,526)	(1,375,755)
	<u>\$ 27,192,391</u>	<u>\$ 26,463,806</u>	<u>\$ 728,585</u>

This year's major capital asset additions and prior year construction in progress placed in service included:

- Fisher's Cove property at 187 Tyler's Circle
- 2023 Ford F-150 Extended Cab Pickup Truck
- (2) 2023 Ford Police Interceptors
- Diesel Turbo Charged Tractor
- Canalfont Park playground renovation (construction in progress)
- Property at Fourth Street Preserve (construction in progress)

CITY OF LEWES, DELAWARE
MANAGEMENT’S DISCUSSION AND ANALYSIS
MARCH 31, 2025

DEBT ADMINISTRATION

The City’s debt consist of notes and bonds payable. Detailed information about the City’s debt can be found starting on page 33 of this report. New debt included the financing of a new vehicle for \$44,430. The below is a summary of the City’s debt:

	Governmental Activities March 31, 2025	Governmental Activities March 31, 2024	Change
2005 General Obligation Bonds	\$ 810,000	\$ 810,000	\$ (810,000)
State Revolving Fund Note (BPW)	1,650,360	2,445,292	(794,932)
Equipment and vehicle leases	229,314	372,925	(143,611)
	<u>\$ 1,879,674</u>	<u>\$ 3,628,217</u>	<u>\$ (1,748,543)</u>

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

Total revenues in the fiscal year 2026 general fund budget are \$10,786,600, an increase of 20% from the fiscal year 2025 budget. The property tax rate for fiscal year 2026 was not increased and has remained at the same rate since 2011 – \$0.57 per \$100 of assessed value.

REQUEST FOR INFORMATION

The financial report is designed to provide our citizens with general overview of the City’s finances. If you have questions about this report or need any additional information, contact the City Hall, Attn: City Manager, at 114 E 3rd Street, Lewes Delaware, 19958 or call 302-645-7777.

BASIC FINANCIAL STATEMENTS

DRAFT

CITY OF LEWES, DELAWARE
STATEMENT OF NET POSITION
MARCH 31, 2025

	Governmental Activities
ASSETS	
Current assets	
Cash and cash equivalents	\$ 5,243,640
Investments, at fair value	5,579,788
Taxes receivable	15,153
Leases receivable, current portion	159,530
Due from other entities - BPW	1,650,360
Transfer tax receivable	230,306
Grants receivable	19,352
Inventory	14,478
Prepaid expenses	38,827
Restricted cash	6,018,102
Total current assets	<u>18,969,536</u>
Noncurrent assets	
Capital assets, net	27,192,391
Leases receivable, less current portion	1,844,576
Total noncurrent assets	<u>29,036,967</u>
Total assets	<u>48,006,503</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred financing outflows - retirement	<u>652,775</u>
LIABILITIES	
Accounts payable	4,999
Accrued wages and payroll taxes	196,896
Other liabilities	22,175
Long-term liabilities	
Due within one year	
Current portion of leases payable	938,782
Current portion of accrued compensated absences	642,190
Total due within one year	<u>1,580,972</u>
Due in more than one year	
Leases payable, less current portion	956,291
Accrued compensated absences, less current portion	432,365
Net pension liability	153,630
Total due in more than one year	<u>1,542,286</u>
Total liabilities	<u>3,347,328</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred grants	147,804
Deferred financing inflows - retirement	127,923
Deferred inflows - leases	1,997,814
Total deferred inflows of resources	<u>2,273,541</u>
NET POSITION	
Net investment in capital assets	26,955,225
Restricted	7,969,449
Unrestricted	8,113,735
Total net position	<u>\$ 43,038,409</u>

The accompanying notes are an integral part of these financial statements.

CITY OF LEWES, DELAWARE
STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2025

FUNCTIONS/PROGRAMS	Program Revenues				Net Revenue (Expense) and Change in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
GOVERNMENTAL ACTIVITIES					
Street department	\$ 2,287,058	\$	\$ 115,752	\$	\$ (2,171,306)
Police department	3,271,172	1,368,742	342,532	57,904	(1,501,994)
Administrative department	1,917,509				(1,917,509)
General government	3,671,166		393,133	24,746	(3,253,287)
Interest on debt	33,353				(33,353)
Total governmental activities	11,180,258	1,368,742	851,417	82,650	(8,877,449)
GENERAL REVENUES					
					6,290,707
Taxes and assessments					1,075,805
Rentals					1,249,991
Franchise fees					2,077,244
Licenses and permits					413,361
Investment earnings					3,000
Gain on sale of assets					423,835
Other revenue					11,533,943
Total general revenues					2,656,494
Change in net position					
NET POSITION, BEGINNING OF YEAR, AS RESTATED					40,381,915
NET POSITION, END OF YEAR					\$ 43,038,409

The accompanying notes are an integral part of these financial statements.

CITY OF LEWES, DELAWARE
BALANCE SHEET - GOVERNMENTAL FUNDS
MARCH 31, 2025

	General Fund	Capital Projects	1/2% Transfer Tax	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 4,879,275	\$ 364,343	\$	\$ 22	\$ 5,243,640
Investments, at fair value	3,545,763	312,749	1,721,276		5,579,788
Taxes receivable	15,153				15,153
Leases receivable	2,004,106				2,004,106
Transfer tax receivable			230,306		230,306
Grants receivable	19,352				19,352
Inventory	14,478				14,478
Prepaid expenses	38,827				38,827
Restricted cash	40,955		5,646,079	331,068	6,018,102
Total assets	<u>\$ 10,557,909</u>	<u>\$ 677,092</u>	<u>\$ 7,597,661</u>	<u>\$ 331,090</u>	<u>\$ 19,163,752</u>
LIABILITIES					
Accounts payable	\$ 4,764	\$	\$ 235	\$	\$ 4,999
Accrued liabilities	196,896				196,896
Accrued compensated absences	642,190				642,190
Other liabilities	22,175				22,175
Total liabilities	<u>866,025</u>		<u>235</u>		<u>866,260</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows - taxes and grants	162,241				162,241
Deferred inflows - leases	1,997,814				1,997,814
Total deferred inflows of resources	<u>2,160,055</u>				<u>2,160,055</u>
FUND BALANCES					
Nonspendable	53,305				53,305
Restricted by other governments	40,955		7,597,426	331,068	7,969,449
Assigned	183,076	677,092		22	860,190
Unassigned	7,254,493				7,254,493
Total fund balances	<u>7,531,829</u>	<u>677,092</u>	<u>7,597,426</u>	<u>331,090</u>	<u>16,137,437</u>
Total liabilities and fund balances	<u>\$ 10,557,909</u>	<u>\$ 677,092</u>	<u>\$ 7,597,661</u>	<u>\$ 331,090</u>	<u>\$ 19,163,752</u>

The accompanying notes are an integral part of these financial statements.

CITY OF LEWES, DELAWARE

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION

MARCH 31, 2025

Total fund balances, governmental funds	\$ 16,137,437
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and are therefore not reported in the fund financial statements, but are reported in the governmental activities of the Statement of Net Position.	27,192,391
Some expenditures reported in the governmental funds require the use of current financial resources and these are not reported as expenses in the Statement of Activities.	
Deferred financing outflows - retirement	652,775
Certain revenues that do not provide current financial resources are reported as deferred inflows in the fund financial statements, but are reported as revenue in the governmental activities of the Statement of Net Position.	
Deferred taxes	14,437
Long-term liabilities are not due and payable in the current period and are not included in the fund financial statements, but are included in the governmental activities of the Statement of Net Position.	
Compensated absences	(432,365)
Deferred financing inflows - retirement	(127,923)
Net pension liability	(153,630)
Leases payable	(15,400)
Notes payable, net of amount due from other governments	(229,313)
Net position, governmental activities	<u>\$ 43,038,409</u>

The accompanying notes are an integral part of these financial statements.

CITY OF LEWES, DELAWARE

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS**

YEAR ENDED MARCH 31, 2025

	General Fund	Capital Projects	1/2% Transfer Tax	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes and assessments	\$ 2,996,902	\$	\$ 3,314,362	\$	\$ 6,311,264
Rentals	1,075,805				1,075,805
Franchise fees	1,249,991				1,249,991
Licenses and permits	2,077,244				2,077,244
Fines and forfeitures	356,183				356,183
Parking meter collection	1,010,884				1,010,884
Transit program	50				50
Interest income	79,034	6,092	23,162	1,238	109,526
Net change in fair value of investments	197,946	15,868	90,022		303,836
Intergovernmental grants	794,999			115,752	910,751
Other revenue	421,654	27,124			448,778
Total revenues	<u>10,260,692</u>	<u>49,084</u>	<u>3,427,546</u>	<u>116,990</u>	<u>13,854,312</u>
EXPENDITURES					
Current					
General government	3,121,770	2,582	117,915	40,393	3,282,660
Administrative department	1,872,860				1,872,860
Street department	1,454,737		792	42,870	1,498,399
Police department	2,858,454				2,858,454
Debt service	24,516	161,899	826,200		1,012,615
Capital outlay	163,133	38,209	1,966,785		2,168,127
Total expenditures	<u>9,495,470</u>	<u>202,690</u>	<u>2,911,692</u>	<u>83,263</u>	<u>12,693,115</u>
Revenues over (under) expenditures	765,222	(153,606)	515,854	33,727	1,161,197
OTHER FINANCING SOURCES					
Proceeds from issuance of long-term debt	37,794	38,209			76,003
Proceeds from sale of assets	3,000				3,000
Transfers in (out)	(100,000)	100,000			
Total other financing sources	<u>(59,206)</u>	<u>138,209</u>			<u>79,003</u>
Net change in fund balances	706,016	(15,397)	515,854	33,727	1,240,200
FUND BALANCES, BEGINNING OF YEAR, RESTATED	<u>6,825,813</u>	<u>692,489</u>	<u>7,081,572</u>	<u>297,363</u>	<u>14,897,237</u>
FUND BALANCES, END OF YEAR	<u>\$ 7,531,829</u>	<u>\$ 677,092</u>	<u>\$ 7,597,426</u>	<u>\$ 331,090</u>	<u>\$ 16,137,437</u>

The accompanying notes are an integral part of these financial statements.

CITY OF LEWES, DELAWARE

RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED MARCH 31, 2025

Net change in fund balances, governmental funds	\$ 1,240,200
---	--------------

Amounts reported for governmental activities in the Statement of Activities are different because:

The governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay expense	\$ 2,168,127	
Scrapped capital project	(58,213)	
Depreciation expense	<u>(1,381,330)</u>	728,584

In the Statement of Activities, the gain or loss on the disposal of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balances by the book value of the assets sold.

Some expenses reported in the Statement of Activities do not require the use of current financial resources and these are not reported as expenditures in the governmental funds.

Change in long-term compensated absences	(69,187)
Change in deferred financing outflows - retirement	(186,866)
Change in net pension liability	2,604

Governmental funds report debt proceeds as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of debt principal as an expenditure. In contrast, the Statement of Activities treats such repayment as a reduction in long-term liabilities.

	938,211
--	---------

The governmental funds does not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned.

Change in deferred taxes	(20,555)
Change in deferred financing inflows - retirement	<u>23,503</u>

Change in net position, governmental activities	<u><u>\$ 2,656,494</u></u>
---	----------------------------

The accompanying notes are an integral part of these financial statements.

CITY OF LEWES, DELAWARE
STATEMENT OF FIDUCIARY NET POSITION
MARCH 31, 2025

	<u>Custodial Fund</u>	<u>Pension Trust Fund</u>
	Fisher Martin House	Deferred Compensation Plan
ASSETS		
Cash and cash equivalents	\$	\$
Investments		22
Total assets		<u>22</u>
NET POSITION		
Held on behalf of others		<u>22</u>
Total net position	<u>\$</u>	<u>\$ 22</u>

The accompanying notes are an integral part of these financial statements.

CITY OF LEWES, DELAWARE

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND

YEAR ENDED MARCH 31, 2025

	<u>Custodial Fund</u>	<u>Pension Trust Fund</u>
	Fisher Martin House	Deferred Compensation Plan
OPERATING REVENUES		
Interest income	\$	\$
Unrealized gain on investment		
Total operating revenues		
OPERATING EXPENSES		
Miscellaneous expense	1	
Operating loss	(1)	
Change in net position	(1)	
NET POSITION, BEGINNING OF YEAR	1	22
NET POSITION, END OF YEAR	<u>\$</u>	<u>\$</u> 22

The accompanying notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

DRAFT

CITY OF LEWES, DELAWARE
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2025

ORGANIZATION

The City of Lewes, Delaware (the “City”) was incorporated on February 2, 1818, and adopted its first charter in 1818. The City operates under a Council - Manager form of government and provides the following services as authorized by its charter: public safety (police and beach patrol), public services, street maintenance and beach clean-up, culture (parks and recreation), planning and zoning, and general administrative services.

The accompanying financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant of the City’s accounting policies are described below.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting entity

The accompanying financial statements include the various departments and offices that are legally controlled by or dependent on the City Council (primary government). The City’s major operations include administrative, general government, streets, and police. The City’s financial reporting entity is required to consist of all organizations for which the City is financially accountable or for which there is a significant relationship. The City has no component units.

Basic financial statements – government-wide financial statements

The government-wide financial statements (the statement of net position and the statement of changes in net position) report information on all of the activities of the City. The effect of interfund activity, within the governmental activities’ columns, has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The City has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items are not included among program revenues and are reported instead as general revenues.

CITY OF LEWES, DELAWARE
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2025

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basic financial statements – fund financial statements

The City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental activities. These statements present each major fund as a separate column on the fund financial statements, while all non-major funds are aggregated and presented in a single column.

Governmental funds: funds of governmental functions that are typically financed through taxes and intergovernmental revenues. The measurement focus of governmental funds is the current financial resources. The City has presented the following major governmental funds:

The General Fund – This fund is the main operating fund of the City. It is used to account for all financial transactions not accounted for in another fund. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. Revenues are derived principally from property taxes, municipal user taxes, and other intergovernmental revenues. General operating expenditures, debt service, fixed charges and capital improvement costs that are not paid through other funds are paid from the general fund. This fund accounts for the general administrative services of the City not recorded elsewhere, including the activities of the various departments, parks and recreation, mayor and council, marina and city dock, street maintenance, public safety, and administrative.

Capital Projects Fund – This fund is used to differentiate funds designated to purchase capital assets and to finance construction projects. The original fund was established on April 1, 1993 with a General Fund transfer, authorized by the City Council, of \$2,000,000.

1 ½% Transfer Tax – This fund is used to account for the proceeds of a portion of realty transfer taxes that are legally restricted to expenditures for specified purposes. The fund was originally established in the year ended March 31, 1999 as a Special Revenue Fund to account for the new one and a half percent transfer tax that was approved by the State Legislature.

The City's non-major governmental funds include special revenue funds relating to Municipal Street Aid and the Nature Trail Fund.

The activities reported in these funds are reported as governmental activities in the government-wide financial statements.

CITY OF LEWES, DELAWARE
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2025

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basic financial statements – fund financial statements (continued)

Fiduciary Funds: funds held for the benefit of parties outside of the government. The City presents the following fiduciary funds:

Deferred Compensation Plan – This trust fund is used to report assets and liabilities for the employees’ deferred compensation plan.

Fisher Martin House – This custodial fund is used to account for assets under administrative control of the City for the benefit of the Fisher Martin House.

Basis of accounting

Measurement focus refers to what is being measured, basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in net total position. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. “Measurable” means the amount of the transaction that can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers property taxes as available if they are collected within 60 days after year end. A one-year availability period is used for recognition of all other Governmental Fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

The revenues susceptible to accrual are property taxes, franchise fees, licenses, charges for services, interest income and intergovernmental revenues. All other governmental fund type revenues are recognized when received.

CITY OF LEWES, DELAWARE
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2025

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of accounting (continued)

Since the governmental fund financial statements are presented on a different measurement focus and basis of accounting than the government-wide statements, a reconciliation is provided in the fund financial statements.

Property taxes

Taxes are levied on April 1 of each year. Taxes paid after June 30th are assessed a penalty of one and a half percent (1.5%) per month. Delinquent accounts are referred to the City's attorney for collection action in January of each year.

Interfund activity

Interfund activity is reported as either loans or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. All other interfund transactions are treated as transfers. Transfers between funds are netted as part of the reconciliation to the government-wide financial statements.

Budgetary activity

The City charter established the fiscal year as the twelve-month period beginning April 1st. The City Council adopts a budget annually. The budget can be revised as deemed necessary by the Council. A single fixed budget covers the general fund and is employed during the year as a management control device. The budgetary amounts are comprised of the normal operating budget and supplemental budget allocations, if applicable.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management 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 revenues and expenditures/expenses during the reporting period. Actual results could differ from these estimates.

Cash and cash equivalents

The City has defined cash and cash equivalents to include cash on hand, demand deposits and all highly liquid investments with a maturity of three months or less when purchased. In addition, all certificates of deposits are considered highly liquid investments, regardless of maturity date.

CITY OF LEWES, DELAWARE
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2025

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted cash

Restricted cash mainly consists of amounts held by the City for the proceeds from grant programs and realty transfer taxes, which are restricted for certain use by the State of Delaware.

Receivables

Receivables are reported at their gross value and, where appropriate, are reduced by an allowance for uncollectible amounts. An allowance is recorded on receivable balances based on historical collections experience for the City. As of March 31, 2025, the City has deemed all receivable balances as collectible.

Inventory

The City maintains an inventory of trash and recycling carts for future use. Inventory is stated at the lower of cost or net realizable value under the first-in, first-out method of inventory valuation.

Capital assets

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Donated capital assets are recorded at their acquisition value. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Infrastructure consists of streets and drainage projects. The City has elected to not capitalize infrastructure acquired prior to May 1, 2004.

Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings and improvements	5 - 40 years
Equipment	3 - 20 years
Vehicles	5 years
Infrastructure	30 years
Software subscription	Life of agreement

Deferred outflows of resources

The City reports decreases in net assets that relate to future periods as deferred outflows of resources in a separate section of its government-wide Statement of Net Position and governmental funds Balance Sheet. The City has one type of item that qualifies for reporting in this category: Deferred outflows related to the pension plan.

CITY OF LEWES, DELAWARE
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2025

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred inflows of resources

The City reports increases in net assets that relate to future periods as deferred inflows of resources in a separate section of its government-wide Statement of Net Position and governmental funds Balance Sheet. The City has three types of items that qualify for reporting in this category: Deferred inflows related to the investment activity of the pension plan, deferred property taxes (collected not later than 60 days after the City's fiscal year) and deferred revenue related to grants.

Compensated absences

Full-time permanent employees of the City accrue vacation leave based on their tenure, to a maximum of 24 days, as specified in the employee handbook. Sick leave accrues to a maximum of 130 days. Holiday time is accrued for all employees. Police officers can accrue a maximum of 500 hours of holiday time. Upon termination or retirement, employees in good standing are entitled to their leave accruals to the maximums specified in the employee handbook. When estimating the leave that is more likely than not to be used or otherwise paid or settled, the Town considered relevant factors such as employment policies related to leave and historical use about the use or payment of compensated absences.

Pension – police plan

For the purposes for measuring the net pension liability, deferred outflows of resources, and deferred inflows of resources related to pensions and pension expenses for the police, information about the fiduciary net position of the Delaware Public Employees' Retirement System (DPERS), and additions to/deductions from DPERS's fiduciary net position have been determined on the same basis as they are reported by DPERS.

Government-wide and proprietary fund net position

Government-wide and proprietary fund net position is divided into three major categories:

- Net investment in capital assets – consists of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.
- Restricted – net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for expenditures, it will be the responsibility of management to determine which resources should generally be spent first.
- Unrestricted – all other not reported in the above categories.

CITY OF LEWES, DELAWARE
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2025

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental fund balances

In the governmental fund financial statements, fund balances are classified as follows:

Non-spendable: Amounts that cannot be spent because they are either not in a spendable form (such as inventory and prepaid amounts) or are legally or contractually required to be maintained intact.

Restricted: Amounts that can be spent only for a specific purpose because of the City Charter, state or federal laws, or externally imposed conditions by grantors or creditors.

Committed: Amounts that can be used only for the specific purposes determined by a formal action of City Council, the government's highest level of decision-making authority.

Assigned: Amounts that are designated by the Mayor and Council for a particular purpose but are not spendable until a budget ordinance is passed or there is a majority vote approval by the City Council.

Unassigned: All amounts not included in other spendable classifications and are the City's discretion for day to day operations.

Adoption of GASB Statement No. 101, Compensated Absences

Effective April 1, 2024, the City adopted the new compensated absences accounting guidance in GASB Statement No. 101, *Compensated Absences*. The new guidance requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences. As a result of this adoption, salaries and related expenses increased with a corresponding increase in compensated absences liability. The statement has been applied retrospectively to all prior periods presented.

CITY OF LEWES, DELAWARE
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2025

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of GASB Statement No. 101, Compensated Absences

Governmental Activities	
Net position at March 31, 2024, as previously reported	\$ 40,488,913
Adjustment to compensated absences under GASB 101	(106,998)
Net position at March 31, 2024, restated	<u>\$ 40,381,915</u>
General Fund	
Fund balance at March 31, 2024, as previously reported	\$ 7,302,999
Adjustment to compensated absences under GASB 101	(477,186)
Fund balance at March 31, 2024, restated	<u>\$ 6,825,813</u>

CASH AND CASH EQUIVALENTS

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the City will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party.

All deposits are carried at cost. Transactions are made directly with the banks; services of brokers or securities dealers are not used. At March 31, 2025, the carrying amount of the City's deposits was \$11,261,742 and the bank balance was \$11,931,234.

Of the total bank balance, \$1,396,853 was covered by FDIC and the remaining \$10,534,381 was covered by acceptable collateral held by the pledging institution, but not in the City's name.

Reconciliation of cash and cash equivalents to the government-wide Statement of Net Position:

Cash and cash equivalents	\$ 5,243,640
Cash and cash equivalents - restricted	6,018,102
	<u>\$ 11,261,742</u>

Fiduciary funds

The City follows the investment policy as outlined previously for all of its cash held on behalf of custodial funds. As of March 31, 2025, the City did not have cash deposits held on behalf of agency funds.

CITY OF LEWES, DELAWARE
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2025

INVESTMENTS AND FAIR VALUE MEASUREMENTS

Government Accounting Standards Board (GASB) Statement No. 72, Fair Value Measurement and Application, defines fair value, establishes a framework for measuring fair value, establishes a three-level valuation hierarchy for disclosure of fair value measurement, and enhances the disclosure requirements for fair value measurements. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The fair value hierarchy for assets measured at fair value on a recurring basis as of March 31, 2025 is as follows:

<u>Investment type</u>	Fair value using:		
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and money markets	\$ 474,698	\$	\$
Mutual funds	4,581,578		
Certificates of deposit		523,512	
Total investments	<u>\$ 5,056,276</u>	<u>\$ 523,512</u>	<u>\$</u>

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practical to estimate that value:

Investments in cash, money markets, and mutual funds (Level 1) – The fair value of the investments are based closing prices in active markets for identical assets.

Investments in certificates of deposit (Level 2) – The fair value of the investments are based on observable inputs other than Level 1 such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the same term of the assets or liabilities.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future values. Furthermore, although the City believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

CITY OF LEWES, DELAWARE
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2025

CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2025 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<i>Capital assets not being depreciated</i>				
Construction in progress	\$ 363,427	\$ 1,198,907	\$ 58,213	\$ 1,504,121
<i>Capital assets being depreciated</i>				
Buildings and improvements	10,217,142	5,195		10,222,337
Computer equipment	135,327			135,327
Land and improvements	29,100,062	545,406		29,645,468
Machinery and equipment	2,550,368	17,986	11,795	2,556,559
Office equipment	145,190			145,190
Radar and radio equipment	113,926	12,893		126,819
Vehicles	2,257,890	356,167		2,614,057
Right-of-use assets		37,794		37,794
Total capital assets being depreciated	<u>44,519,905</u>	<u>975,441</u>	<u>11,795</u>	<u>45,483,551</u>
Total capital assets	44,883,332	2,174,348	70,008	46,987,672
Less: accumulated depreciation	<u>18,425,746</u>	<u>1,381,330</u>	<u>11,795</u>	<u>19,795,281</u>
Capital assets, net	<u>\$ 26,457,586</u>	<u>\$ 793,018</u>	<u>\$ 58,213</u>	<u>\$ 27,192,391</u>

Depreciation expense was charged to functions as follows:

Governmental activities:		
General government		\$ 406,972
Street department		742,757
Police department		<u>231,601</u>
Total governmental activities		<u>\$ 1,381,330</u>

ACCRUED COMPENSATED ABSENCES

The changes in accrued compensated absences for the year ended March 31, 2025 are as follows:

	Beginning	Increase (Decrease)	Ending
Long-term	\$ 363,178	\$ 69,187	\$ 432,365
Short-term	488,353	153,837	642,190
Total	<u>\$ 851,531</u>	<u>\$ 223,024</u>	<u>\$ 1,074,555</u>

CITY OF LEWES, DELAWARE
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2025

NOTES, LEASES, AND BONDS PAYABLE

Description of General Obligation Bonds

During fiscal year ended March 31, 2005, the City Council approved the issuance of \$19.5 million of general obligation bonds. The indebtedness is shared with the Lewes Board of Public Works (BPW), \$14,605,000 and the City \$4,895,000. In the fiscal year ended March 31, 2015, the City refunded the 2005 general obligation bonds to obtain a lower interest rate and to give the Board of Public Works an opportunity to pay off its portion of the bond entirely. Since the proceeds from the 2015 bond refunding paid off the shared 2005 general obligation bond debt between the City and Board of Public Works, the general obligation bonds reflected in the financial statements are entirely a City debt obligation. The balance as of March 31, 2025 was paid in full.

During the fiscal year ended March 31, 2006, the City Council, upon the request of the Board of Public Works, approved borrowing through the State of Delaware Drinking water State Revolving Fund. These funds were totally for the benefit of Board of Public Works construction projects, and as such, are to be repaid by the Board of Public Works to the City and was recorded as a due from other entity. These represent twenty-year loans with semi-annual repayment installments. The balance of the State Revolving Fund as of March 31, 2025 was \$1,650,360.

Fiscal Year	Principal	Interest	Total
3/31/2026	814,930	36,197	851,127
3/31/2027	835,430	15,697	851,127
	<u>\$ 1,650,360</u>	<u>\$ 51,894</u>	<u>\$ 1,702,254</u>

The City entered into a lease agreement with TCF Equipment Finance, Inc. on May 9, 2018 for a commercial truck. The purchase price of the equipment was \$207,479 payable in 7 annual payments of \$34,003 at 4.84% interest. The final payment was due May 2024. The balance as of March 31, 2025 was paid in full.

The City entered into a lease agreement with TCF Equipment Finance, Inc. on April 9, 2019 for a commercial truck. The purchase price of the equipment was \$287,584 payable in 7 annual payments of \$47,131 at 4.84% interest. The final payment will be due April 2025. The amount due as of March 31, 2025 was \$44,955 and the future minimum payments are as follows:

Fiscal Year	Principal	Interest	Total
3/31/2026	<u>\$ 44,955</u>	<u>\$ 2,176</u>	<u>\$ 47,131</u>

CITY OF LEWES, DELAWARE
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2025

NOTES, LEASES, AND BONDS PAYABLE (Continued)

The City entered into a lease agreement with Enterprise Fleet Management on April 1, 2021 for a Chevrolet Bolt EV. The purchase price of the equipment was \$29,535 payable in 60 monthly payments of \$494 at 0.509% interest. The final payment will be due April 2026. The amount due as of March 31, 2025, was \$9,343 and the future minimum payments are as follows:

Fiscal Year	Principal	Interest	Principal
3/31/2026	5,896	33	5,929
3/31/2027	3,447	12	3,459
	<u>\$ 9,343</u>	<u>\$ 45</u>	<u>\$ 9,388</u>

The City entered an agreement with Enterprise, Inc. in August 2021 for six 2021 Toyota RAV4's. The purchase price of the vehicles totaled \$129,542 payable in 60 monthly payments of \$368 each at an annual rate of 0.867% interest. The final payments will be due in August 2026. The amount due as of March 31, 2025 was \$49,630 and the future minimum payments are as follows:

Fiscal Year	Principal	Interest	Total
3/31/2026	26,151	332	26,483
3/31/2027	23,479	104	23,583
	<u>\$ 49,630</u>	<u>\$ 436</u>	<u>\$ 50,066</u>

The City entered into a lease agreement with KS State Bank Baystone Government Finance on November 17, 2021 for a trash truck. The purchase price of the equipment was \$214,665 payable in 6 annual payments of \$33,773 and 1 annual payment of \$34,109 at 3.34% interest. The final payment will be due December 2027. The amount due as of March 31, 2025, was \$95,214 and the future minimum payments are as follows:

Fiscal Year	Principal	Interest	Total
3/31/2026	30,593	3,180	33,773
3/31/2027	31,615	2,158	33,773
3/31/2028	33,006	1,103	34,109
	<u>\$ 95,214</u>	<u>\$ 6,441</u>	<u>\$ 101,655</u>

CITY OF LEWES, DELAWARE
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2025

NOTES, LEASES, AND BONDS PAYABLE (Continued)

The City entered an agreement with Enterprise, Inc. in May 2023 for a 2023 Ford Explorer. The purchase price of the vehicle totaled \$44,430 payable in 60 monthly payments of \$903 each at an annual rate of 8.077% interest. The final payment will be due in May 2028. The amount due as of March 31, 2025 was \$30,172 and the future minimum payments are as follows:

Fiscal Year	Principal	Interest	Total
3/31/2026	8,711	2,119	10,830
3/31/2027	9,441	1,389	10,830
3/31/2028	10,233	598	10,831
3/31/2029	1,787	18	1,805
	<u>\$ 30,172</u>	<u>\$ 4,124</u>	<u>\$ 34,296</u>

The City's combined notes and bond payable as of March 31, 2025 are as follows:

	Beginning Balance	New Loans	Other Reductions	Repayments	Ending Balance
Delaware Revolving Fund Notes	\$ 2,445,292	\$	\$	\$ (794,932)	\$ 1,650,360
Bond Premium	37,075		(37,075)		
GO Bond Series 2005	810,000			(810,000)	
2019 Mack Lease Agreement	87,835			(42,880)	44,955
2018 Commercial Truck	32,433			(32,433)	
2022 Peterbuilt Trash Truck	124,818			(29,604)	95,214
2021 Chevy Bolt EV	15,209			(5,866)	9,343
2021 Toyota RAV4s (6)	75,555			(25,925)	49,630
2023 Ford Explorer		44,430		(14,258)	30,172
	<u>\$ 3,628,217</u>	<u>\$ 44,430</u>	<u>\$ (37,075)</u>	<u>\$ (1,755,898)</u>	<u>\$ 1,879,674</u>

RETIREMENT AND PENSION PLANS

General information about the pension plans

Plan descriptions: The State of Delaware-County and Municipal Pension Plan-Police/Firefighters (the plan) is a cost sharing multiple-employer defined – benefit plan established in the Delaware Code.

The General Assembly is responsible for setting benefits and contributions and amending plan provisions; administrative rules and regulations are adopted and maintained by the Board of Pension Trustees (the Board). The management of the plan is the responsibility of the Board. The Board is comprised of five members appointed by the Governor and confirmed by the State

CITY OF LEWES, DELAWARE
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2025

RETIREMENT AND PENSION PLANS (Continued)

General information about the pension plans (continued)

Senate, plus two ex officio members. The daily operation is the responsibility of the Office of Pensions. Although most of the assets of the plan are commingled with other plans for investment purposes, the plan's assets may be used for the payment of benefits to the members of the plans in accordance with the terms of the plan.

The following is a brief description of the plan in effect as of June 30, 2024. For a more complete description, please refer to the DPERS CAFR. Separately issued financial statements for DPERS are available from the pension office at: McArdle Building, Suite 1, 860 Silver Lake Blvd, Dover, DE 19904.

Benefits provided. The DPERS provide retirement, disability and death benefits. Eligibility and benefits vary depending on which plan the employee is enrolled in. The plan covers police officers and firefighters employed by a county or municipality of the state that has joined the Plan.

Service benefits are based on 2.5% of final average monthly compensation multiplied by years of credited service up to 20 years, plus 3.5% of final average monthly compensation multiplied by years of service in excess of 20 years. For this plan final average monthly compensation is the monthly average of the highest three consecutive years of compensation. Employees in the plan may retire after age 62 with 5 years of service; age plus credited service (but not less than 10 years) equals 75; or 20 years of credited service. Benefits are vested after five years of credited service.

Total disability benefits for duty officers are based on 75% of final average compensation plus 10% for each dependent but not to exceed 25% for all dependents. Partial disability benefits for duty officers are calculated the same as service benefits, subject to minimum of 50% of final average compensation. Disability benefits for non-duty officers are calculated the same as service benefits, total disability subject to a minimum of 50% of final average monthly compensation plus 5% of each dependent not to exceed 20% for all dependents with partial disability benefits subject to a minimum of 30% of final average monthly compensation.

For survivor benefits, if the employee is receiving a pension, then eligible survivor receives 50% of pension; if the employee is active, eligible survivor receives 75% of pension the employee would have received at age 62. If the member is killed in the line of duty, the eligible survivor receives 75% of the member's compensation.

CITY OF LEWES, DELAWARE
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2025

RETIREMENT AND PENSION PLANS (Continued)

General information about the pension plans (continued)

Contributions: Active members of the Plan are required to contribute to the Plan at the rate of 7% of their covered salary. Employer contributions are determined by the Board of Pension Trustees.

In order to provide pension funding for sworn police officers, the State of Delaware collects a special tax equal to 1/4% of certain gross insurance premiums that are collected in the State. These collections are distributed to police agencies in the State based on the average number of paid, full-time sworn officers as of the end of each calendar year. During the year ended March 31, 2025, the City received \$119,132.

Pension liabilities, pension expense and deferred outflows of resources and deferred inflows of resources related to pensions

At March 31, 2025, the City reported an liability of \$153,630 for its proportionate share of the net pension liability. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2023. Update procedures were used to roll forward the total pension liability to June 30, 2024. The City's proportion of the net pension liability was based on the percentage of actual employee contributions. At June 30, 2024, the City's proportion for the Plan was 0.9604%.

For the year ended March 31, 2025, the City recognized pension expense of \$164,531. At March 31, 2025, the City reported deferred outflows of resources or deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion	\$ 1,827	\$ 51,488
Net difference between projected and actual earnings on pension plan investments	149,128	
Differences between expected and actual experience	350,684	22,974
Changes in assumptions	18,164	53,461
Contributions subsequent to measurement date	132,972	
	<u>\$ 652,775</u>	<u>\$ 127,923</u>

CITY OF LEWES, DELAWARE
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2025

RETIREMENT AND PENSION PLANS (Continued)

The City's contribution of \$132,972 subsequent to the measurement date, reported as deferred outflows of resources, will be recognized as a reduction of the net pension liability in the year ended March 31, 2026.

Deferred financial inflows and outflows are made up of changes in actuarial assumptions, differences in actual and expected experience, and net difference in the projected and actual investment earnings. The deferred outflows and inflows related to non-investment activity are being amortized over the remaining service life ranging from 8 to 10 years. The net difference in investment earnings are being amortized over a closed five-year period. Changes in proportion are amortized over the average of the expected remaining service lives of all plan members which is 8 years for the 2025 amounts. The following table shows the amortization of these balances:

<u>Year Ending March 31,</u>		
2026	\$	108,094
2027		(14,370)
2028		130,515
2029		48,365
2030		22,959
Thereafter		33,239
	<u>\$</u>	<u>328,802</u>

Actuarial assumptions. The collective total pension liability for the June 30, 2024 measurement date was determined by an actuarial valuation as of June 30, 2023, and update procedures were used to roll forward the total pension liability to June 30, 2024. These actuarial valuations used the following actuarial assumptions:

Investment rate of return	7.0%
Projected salary increases	2.5% + merit
Inflation	2.5%

The total pension liabilities are measured based on assumptions pertaining to the interest rates, inflation rates, and employee demographic behavior in future years. The assumptions used were based on the results of an actuarial experience study conducted in 2022. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates the larger the impact on future financial statements.

CITY OF LEWES, DELAWARE

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2025

RETIREMENT AND PENSION PLANS (Continued)

Mortality rates were based on the Pub – 2010 tables with gender adjustments for healthy annuitants and disabled retirees and an adjusted version of MP-2020 Mortality improvement scale on a fully generational basis.

Discount rate: The discount rate for the plan used to measure the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at rates determined by the Board of Pension Trustees, actuarially determined. 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 investment was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate: The following presents the collective net pension liability (asset) of the plan, calculated using the discount rate of 7.0%, as well as what the plan's net pension liability (asset) would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate:

1% Decrease (6.0%)	\$	740,670
Current discount rate (7.0%)	\$	153,630
1% Increase (8.0%)	\$	(385,658)

Pension Plan Fiduciary Net Position: Detailed information about the Pension Plan's fiduciary net position is available in the separately issued DPERS financial reports.

DEFERRED COMPENSATION PLAN

Prior to 1997, the City offered its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. At March 31, 2025, a balance of \$22 was still being held for City employees by the independent plan administrator, Nationwide Retirement Solutions. Since the City has title to these assets, the Deferred Compensation Fund is included in the financial statements as a trust, and its assets are presented at fair market value as of March 31, 2025.

CITY OF LEWES, DELAWARE
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2025

RELATED PARTY TRANSACTIONS

The Lewes Board of Public Works was established as a municipally owned utility in 1901 by charter separate from the City of Lewes charter. The Board of Public Works is responsible for developing and maintaining mostly underground infrastructure, including electric, storm water management, drinking water, and wastewater. The Board of Public Works cannot participate in State Revolving Funds without the City's assistance.

The City of Lewes charges the Board of Public Works rent for the use of buildings and offices owned by the City and the Board of Public Works bills the City for utilities used. In addition, in accordance with the City's charter, the City of Lewes imposes a 5% in lieu of franchise fee on sales and assessments rendered by the BPW. For the year ended March 31, 2025, rent and in lieu of franchise fees paid to the City were \$71,349 and \$1,121,704, respectively.

As of March 31, 2025, the total amount due from the Board of Public Works was \$1,650,360 reported as "due from other entities -BPW" on the government-wide financial statements. The amount due from the Board of Public Works includes \$1,650,360 related to the State Revolving Funds financed through the City.

FISHER MARTIN HOUSE FUND

The Fisher Martin house is being preserved in order to provide visitors with information on the history of Lewes. On April 24, 1992, the State of Delaware assigned the Fund for maintenance of the Fisher Martin House of the City of Lewes, along with the title to the house. An agreement between the City and the State of Delaware requires that all funds in the Fund, including interest and dividend income, be used for the purpose of restoring, maintaining, interpreting, and operating the Fisher Martin House.

INTERFUND BALANCES AND ACTIVITY

Transfers out of the general fund consisted of the following:

Transfers to the capital projects fund	\$ 100,000
--	------------

CITY OF LEWES, DELAWARE
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2025

RISK MANAGEMENT

Significant losses are covered by commercial insurance for all major programs. There have been no significant reductions in insurance coverage, and settlement amounts have not exceeded insurance liabilities for the current year or the three prior years. The City has a \$10,000 deductible per claim on public officials, a \$10,000 deductible per claim on police officer's liability, and \$25,000 deductible on employee practices' coverage. At the present time, there are no potential claims against the City with reasonable possibilities of unfavorable outcomes. The amount of any property liability will be \$5,000 per claim, which is the amount of the deductible.

LEASES RECEIVABLE

In 2016, the City entered into a twenty-year lease agreement with The Lewes Historical Society, Inc. to lease office space at 101 Adams Avenue, Lewes, DE. The lease requires annual lease payments of \$24,000, except that the rent shall not commence for a period of two years from the Lease Commencement Date in consideration of the Lewes Public Library's agreement to forfeit a \$40,000 payment approved by the City for the Library's first year of operation at its new location. Inflows of resources for 2025 for leases receivable were \$24,000. This lease expires in 2038.

The City charges the Board of Public Works rent for the use of buildings and offices owned by the City and the Board of Public Works bills the City for utilities used. The lease requires semi-annual lease payments for 2025 totaling \$174,392 with a 3% annual increase. Inflows of resources for 2025 for leases receivable were \$138,780. This lease expires in 2035.

The leases receivable and deferred inflows of resources are recorded at the present value of the lease payments. The deferred inflows of resources are being amortized over the life of the lease.

A maturity analysis of all future lease payments for the term of the leases is as follows:

	<u>Principal</u>	<u>Interest</u>
Year ending March 31,		
2026	\$ 159,530	\$ 49,483
2027	169,143	45,421
2028	179,165	41,115
2029	189,612	36,556
2030	200,501	31,733
2031-2038	<u>1,106,155</u>	<u>78,069</u>
Total minimum lease		
payments to be received	<u>\$ 2,004,106</u>	<u>\$ 282,377</u>

CITY OF LEWES, DELAWARE
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2025

COMMITMENTS AND CONTINGENCIES

In the normal course of business, there are outstanding various commitments and contingent liabilities in addition to the normal encumbrances for the purchase of goods and services. The City does not anticipate losses as a result of these transactions.

In the normal course of operations, the City receives grant funds from various federal and state agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement, which may arise as the result of these audits, is not believed to be material.

NEW PRONOUNCEMENTS

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to the year ended March 31, 2025, that have effective dates that may impact future financial presentations. Management has not currently determined what, if any, impact implementation of the new standards may have on the financial statements.

GASB Statement No. 102, *Certain Risk Disclosures*, will be effective for the District beginning with the year ending March 31, 2026. This statement establishes requirements to disclose certain risks faced by governments.

GASB Statement No. 103, *Financial Reporting Model Improvements*, will be effective for the District beginning with the year ending March 31, 2027. This statements will improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing the government's accountability.

GASB Statement No. 104, *Disclosure of Certain Capital Assets*, will be effective for the District beginning with the year ending March 31, 2027. The statement will provide guidance on how to disclose right-to-use assets resulting from leases, subscriptions and PPPs to promote consistency and comparability between governments. It also provides new disclosure requirements related to capital assets held for sale.

REQUIRED SUPPLEMENTARY INFORMATION

DRAFT

CITY OF LEWES, DELAWARE
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND BY DEPARTMENT

YEAR ENDED MARCH 31, 2025

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final		Favorable (Unfavorable)
REVENUES				
Taxes and assessments				
Tax levy (net of discounts)	\$ 2,900,000	\$ 2,900,000	\$ 2,996,902	\$ 96,902
Rentals				
BPW rent	140,000	140,000	71,349	(68,651)
Gross receipt rental tax	835,000	835,000	834,271	(729)
Rent levy	21,000	21,000	21,796	796
Rental property	24,000	24,000	38,576	14,576
City dock	100,000	100,000	103,313	3,313
Great marsh	6,500	6,500	6,500	
Total rentals	1,126,500	1,126,500	1,075,805	(50,695)
Franchise fees				
Franchise fees - BPW	960,000	960,000	1,121,704	161,704
Franchise fees - cable and gas	130,000	130,000	128,287	(1,713)
Total franchise fees	1,090,000	1,090,000	1,249,991	159,991
Licenses and permits				
Mercantile licenses	410,000	410,000	421,766	11,766
Board of adjustment fees			16,250	16,250
Building permits	825,000	825,000	1,561,159	736,159
Subdivision and annexation fees	8,000	8,000	78,069	70,069
Total licenses and permits	1,243,000	1,243,000	2,077,244	834,244
Fines and forfeitures				
Police fines	25,000	25,000	28,452	3,452
Parking violations	375,000	375,000	314,700	(60,300)
Penalties on delinquent taxes	15,000	15,000	13,031	(1,969)
Total fines and forfeitures	415,000	415,000	356,183	(58,817)
Parking meter collection	1,020,000	1,020,000	1,010,884	(9,116)
Transit Program			50	50
Interest income	40,000	40,000	79,034	39,034
Net decrease in fair value of investments	70,000	70,000	197,946	127,946
Intergovernmental grants	341,350	341,350	794,999	453,649
Other revenue				
Credit card fees	50,000	50,000	41,863	(8,137)
Police reports	1,000	1,000	1,625	625
Sale of trash carts	83,000	83,000	79,590	(3,410)
Reservation	32,500	32,500	30,845	(1,655)
Donations	1,000	1,000	9,890	8,890
Miscellaneous	661,260	661,260	257,841	(403,419)
Total other revenue	828,760	828,760	421,654	(407,106)
Total revenues	\$ 9,074,610	\$ 9,074,610	\$ 10,260,692	\$ 1,186,082

CITY OF LEWES, DELAWARE
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND BY DEPARTMENT

YEAR ENDED MARCH 31, 2025

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final		Favorable (Unfavorable)
GENERAL GOVERNMENT				
Parks and recreation				
R&M - grounds	\$ 255,400	\$ 255,400	\$ 261,028	\$ (5,628)
R&M - equipment	12,890	12,890	11,764	1,126
Event expenses	11,550	11,550	9,501	2,049
Donation	25,000	25,000	25,000	
Utilities	1,750	1,750	559	1,191
Conference, seminar, travel	1,000	1,000	461	539
Dues and subscriptions	1,000	1,000	2,400	(1,400)
Grant expense	131,000	131,000	24,750	106,250
Miscellaneous	23,100	23,100	22,748	352
Total parks and recreation	<u>462,690</u>	<u>462,690</u>	<u>358,211</u>	<u>104,479</u>
Mayor and council				
Salaries	16,000	16,000	16,000	
Payroll taxes	1,225	1,225	1,233	(8)
Conference, seminar, travel	2,000	2,000	1,396	604
Dues and subscriptions	1,400	1,400	2,479	(1,079)
Donation - fire department	75,000	75,000	76,500	(1,500)
Donation - other	11,150	11,150	5,055	6,095
Miscellaneous	2,500	2,500	2,054	446
Total mayor and council	<u>109,275</u>	<u>109,275</u>	<u>104,717</u>	<u>4,558</u>
Marina and city dock				
Salaries	36,710	36,710	42,375	(5,665)
Payroll taxes	2,810	2,810	3,233	(423)
Repairs and maintenance	7,000	7,000	5,691	1,309
Supplies and equipment	1,300	1,300	574	726
Utilities	600	600	896	(296)
Professional service consulting	5,000	5,000	1,835	3,165
Dredging project	40,000	40,000	195,547	(155,547)
Miscellaneous	200	200	102	98
Total marina and city dock	<u>93,620</u>	<u>93,620</u>	<u>250,253</u>	<u>(156,633)</u>

CITY OF LEWES, DELAWARE
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND BY DEPARTMENT

YEAR ENDED MARCH 31, 2025

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final		Favorable (Unfavorable)
GENERAL GOVERNMENT (Continued)				
Other general government				
Lewes planning commission	\$ 20,500	\$ 20,500	\$ 1,901	\$ 18,599
Pedestrian safety	15,550	15,550	5,752	9,798
Historic preservation	33,900	33,900	19,774	14,126
Art commission	24,000	24,000	30,738	(6,738)
American African Heritage commission	18,000	18,000	19,386	(1,386)
Lewes historical by way	3,000	3,000	3,000	
Mitigation	57,500	57,500		57,500
Assessment	45,000	45,000	51,027	(6,027)
Election	1,250	1,250		1,250
Professional fees - BOA	11,500	11,500	9,111	2,389
Conference, seminar, travel - BOA	500	500		500
Gasoline purchases	65,000	65,000	44,233	20,767
Professional fees	355,000	355,000	333,119	21,881
Engineering fees	175,000	175,000	191,952	(16,952)
Insurance	285,450	285,450	289,985	(4,535)
Supplies	49,000	49,000	66,530	(17,530)
Dues and subscriptions	7,500	7,500	805	6,695
Advertising	15,000	15,000	8,925	6,075
Postage	7,000	7,000	15,914	(8,914)
Transfer tax and bank fees	106,000	106,000	76,688	29,312
Grant expense			317,262	(317,262)
Public building maintenance	395,000	395,000	419,944	(24,944)
Utilities	180,000	180,000	188,367	(8,367)
Trash/recycling/yard waste	225,000	225,000	206,440	18,560
Miscellaneous	123,500	123,500	107,736	15,764
Total other general government	<u>2,219,150</u>	<u>2,219,150</u>	<u>2,408,589</u>	<u>(189,439)</u>
Total general government	<u>\$ 2,884,735</u>	<u>\$ 2,884,735</u>	<u>\$ 3,121,770</u>	<u>\$ (237,035)</u>

CITY OF LEWES, DELAWARE
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND BY DEPARTMENT

YEAR ENDED MARCH 31, 2025

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final		Favorable (Unfavorable)
ADMINISTRATIVE DEPARTMENT				
City manager				
Salaries	\$ 246,270	\$ 246,270	\$ 247,440	\$ (1,170)
Payroll taxes	13,600	13,600	18,129	(4,529)
Health and life insurance	36,550	36,550	49,895	(13,345)
Pension expense	11,525	11,525	17,453	(5,928)
Repairs and maintenance			1,710	(1,710)
Conference, seminar, travel	1,000	1,000	1,304	(304)
Dues and subscriptions	500	500	2,080	(1,580)
Contingency	10,000	10,000		10,000
Miscellaneous	50	50	41	9
Total city manager	<u>319,495</u>	<u>319,495</u>	<u>338,052</u>	<u>(18,557)</u>
Finance				
Salaries	383,350	383,350	401,282	(17,932)
Payroll taxes	29,325	29,325	29,735	(410)
Health and life insurance	52,870	52,870	64,079	(11,209)
Pension expense	38,285	38,285	34,233	4,052
Professional expense	50,000	50,000	73,884	(23,884)
Conference, seminar, travel	7,000	7,000	3,180	3,820
Dues and subscriptions	2,300	2,300	1,497	803
Miscellaneous	300	300	100	200
Total finance	<u>563,430</u>	<u>563,430</u>	<u>607,990</u>	<u>(44,560)</u>
Parks & marina administrator				
Salaries	163,880	163,880	180,550	(16,670)
Payroll taxes	12,530	12,530	13,231	(701)
Health and life insurance	39,860	39,860	30,155	9,705
Pension expense	16,385	16,385	16,085	300
Conference, seminar, travel	3,000	3,000	1,809	1,191
Dues and subscriptions	200	200	180	20
Miscellaneous	250	250	65	185
Total parks & marina administrator	<u>236,105</u>	<u>236,105</u>	<u>242,075</u>	<u>(5,970)</u>
Building official				
Salaries	297,800	297,800	302,467	(4,667)
Payroll taxes	22,810	22,810	21,960	850
Health and life insurance	58,350	58,350	61,902	(3,552)
Pension expense	29,730	29,730	24,141	5,589
Professional expense	10,000	10,000	268	9,732
Conference, seminar, travel	7,000	7,000	5,800	1,200
Dues and subscriptions	1,200	1,200	170	1,030
Miscellaneous	7,200	7,200	3,038	4,162
Total building official	<u>434,090</u>	<u>434,090</u>	<u>419,746</u>	<u>14,344</u>

CITY OF LEWES, DELAWARE
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND BY DEPARTMENT

YEAR ENDED MARCH 31, 2025

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final		Favorable (Unfavorable)
ADMINISTRATIVE DEPARTMENT (Continued)				
City planner				
Salaries	114,420	114,420	117,495	(3,075)
Payroll taxes	8,790	8,790	8,728	62
Health and life insurance	11,525	11,525	11,868	(343)
Pension expense	11,445	11,445	11,078	367
Professional service consulting	10,000	10,000		10,000
Conference, seminar, travel	3,000	3,000	3,752	(752)
Dues and subscriptions	700	700	715	(15)
Miscellaneous	100	100		100
Total city planner	<u>159,980</u>	<u>159,980</u>	<u>153,636</u>	<u>6,344</u>
Human resources				
Salaries	74,150	74,150	76,112	(1,962)
Payroll taxes	5,685	5,685	5,603	82
Health and life insurance	11,530	11,530	11,809	(279)
Events	10,000	10,000	9,663	337
Pension expense	7,415	7,415	6,983	432
Conference, seminar, travel	500	500	657	(157)
Dues and subscriptions	700	700	534	166
Miscellaneous	100	100		100
Total city planner	<u>110,080</u>	<u>110,080</u>	<u>111,361</u>	<u>(1,281)</u>
Total administrative department	<u>\$ 1,823,180</u>	<u>\$ 1,823,180</u>	<u>\$ 1,872,860</u>	<u>\$ (49,680)</u>

CITY OF LEWES, DELAWARE
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND BY DEPARTMENT

YEAR ENDED MARCH 31, 2025

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final		Favorable (Unfavorable)
STREET DEPARTMENT				
Salaries	825,245	825,245	844,063	(18,818)
Payroll taxes	63,130	63,130	61,376	1,754
Truck expense	65,175	65,175	61,914	3,261
Health and life insurance	255,825	255,825	234,004	21,821
Uniform rental	13,000	13,000	9,800	3,200
Repairs and maintenance	43,000	43,000	84,187	(41,187)
Conference, seminar, travel	7,500	7,500	7,936	(436)
Shop maintenance supplies	55,000	55,000	84,058	(29,058)
Dues and subscriptions	750	750	2,874	(2,124)
Pension expense	72,930	72,930	61,941	10,989
Miscellaneous	4,000	4,000	2,584	1,416
Total street department	<u>\$ 1,405,555</u>	<u>\$ 1,405,555</u>	<u>\$ 1,454,737</u>	<u>\$ (49,182)</u>

CITY OF LEWES, DELAWARE
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND BY DEPARTMENT

YEAR ENDED MARCH 31, 2025

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final		Favorable (Unfavorable)
POLICE DEPARTMENT				
Police Department				
Salaries - police officers	\$ 1,390,065	\$ 1,390,065	\$ 1,686,356	\$ (296,291)
Salaries - clerical employee	51,320	51,320	50,990	330
Uniform and equipment	44,000	44,000	46,293	(2,293)
Repairs and maintenance	14,000	14,000	15,521	(1,521)
Health and life insurance	298,600	298,600	255,751	42,849
Telephone	8,300	8,300	6,997	1,303
Supplies	34,000	34,000	33,936	64
Payroll taxes	110,300	110,300	130,975	(20,675)
Grant expense	54,350	54,350	57,643	(3,293)
Conference, seminar, travel	10,000	10,000	10,600	(600)
Dues and subscriptions	1,000	1,000	820	180
Pension expense	172,890	172,890	179,450	(6,560)
Event	4,000	4,000	3,862	138
Miscellaneous	9,000	9,000	32,496	(23,496)
Total police	<u>2,201,825</u>	<u>2,201,825</u>	<u>2,511,690</u>	<u>(309,865)</u>
Parking enforcement				
Salaries	156,000	156,000	127,343	28,657
Payroll taxes	11,950	11,950	9,742	2,208
Unemployment	15,000	15,000		15,000
Utilities	1,080	1,080	91	989
Repairs and maintenance	25,000	25,000	24,604	396
Supplies, uniforms, and equipment	8,000	8,000	7,529	471
Professional expense	28,000	28,000	24,198	3,802
Miscellaneous	750	750	520	230
Total meters	<u>245,780</u>	<u>245,780</u>	<u>194,027</u>	<u>51,753</u>
Lifeguard				
Salaries	160,520	160,520	132,276	28,244
Payroll taxes	12,265	12,265	10,119	2,146
Unemployment	4,500	4,500		4,500
Supplies, uniforms, and equipment	9,500	9,500	6,500	3,000
Miscellaneous	750	750	3,842	(3,092)
Total beach patrol	<u>187,535</u>	<u>187,535</u>	<u>152,737</u>	<u>34,798</u>
Total police department	<u>2,635,140</u>	<u>2,635,140</u>	<u>2,858,454</u>	<u>(223,314)</u>
DEBT SERVICE			<u>24,516</u>	<u>(24,516)</u>
CAPITAL OUTLAY	<u>156,000</u>	<u>156,000</u>	<u>163,133</u>	<u>(7,133)</u>
Total expenditures	<u>\$ 8,904,610</u>	<u>\$ 8,904,610</u>	<u>\$ 9,495,470</u>	<u>\$ (590,860)</u>

CITY OF LEWES, DELAWARE

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF THE CITY'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY (ASSET)**

**DELAWARE PUBLIC EMPLOYEES' RETIREMENT SYSTEM
COUNTY & MUNICIPAL POLICE AND FIREFIGHTERS' PENSION PLAN
(UNAUDITED)**

<u>Fiscal Year/ Measurement Date</u>	<u>City's proportion of the net pension liability (asset)</u>	<u>City's share of the net pension liability (asset)</u>	<u>Town's covered employee payroll</u>	<u>City's proportionate percentage of covered payroll</u>	<u>Plan fiduciary as a percentage of total pension liability</u>
2016/2015	0.8370%	(44,111)	599,800	-7.35%	102.0%
2017/2016	0.8745%	139,007	591,698	23.49%	94.7%
2018/2017	0.8441%	85,093	671,011	12.68%	97.0%
2019/2018	0.9278%	213,686	658,970	32.43%	94.1%
2020/2019	0.8876%	254,938	699,224	36.46%	94.1%
2021/2020	0.8799%	137,427	679,664	20.22%	96.7%
2022/2021	0.8620%	(1,095,833)	808,798	-135.49%	128.2%
2023/2022	0.8014%	(77,334)	937,888	-8.25%	102.0%
2024/2023	0.9384%	156,234	1,082,096	14.44%	97.6%
2025/2024	0.9604%	153,630	1,167,571	13.16%	97.6%

CITY OF LEWES, DELAWARE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE CITY'S CONTRIBUTIONS
DELAWARE PUBLIC EMPLOYEES' RETIREMENT SYSTEM
COUNTY & MUNICIPAL POLICE AND FIREFIGHTERS' PENSION PLAN
(UNAUDITED)

Fiscal Year	Contractually required contribution	Actual contribution	Contribution deficiency (excess)	City's covered payroll	Actual contribution as a percentage of covered payroll
2016	84,262	84,262		599,800	14%
2017	88,240	88,240		591,698	15%
2018	95,497	95,497		671,011	14%
2019	87,998	87,998		658,970	13%
2020	130,875	130,875		699,224	19%
2021	135,097	135,097		679,664	20%
2022	129,705	129,705		808,798	16%
2023	133,712	133,712		937,888	14%
2024	122,249	122,249		1,082,096	11%
2025	146,970	146,970		1,167,571	13%

SUPPLEMENTARY INFORMATION

DRAFT



ANDREW M. HAYNIE, CPA
 SUSAN P. KEEN, CPA
 MICHAEL C. KLEGER, CPA
 JAMES D. MAYBURY, CPA
 E. LEE MCCABE, CPA
 JEFFREY A. MICHALIK, CPA
 ROBERT L. MOORE, CPA
 DANIEL M. O'CONNELL II, CPA
 ASHLEY M. STERN, CPA
 JOHN M. STERN, JR., CPA

PKScpa.com

Salisbury
 1801 SWEETBAY DRIVE
 P.O. Box 72
 SALISBURY, MD 21803
 TEL: 410.546.5600
 FAX: 410.548.9576

Ocean City
 12216 OCEAN GATEWAY
 SUITE 800
 OCEAN CITY, MD 21842
 TEL: 410.213.7185
 FAX: 410.213.7638

Lewes
 1143 SAVANNAH ROAD
 SUITE 1
 P.O. Box 192
 LEWES, DE 19958
 TEL: 302.645.5757
 FAX: 302.645.1757

MEMBERS OF:

*AMERICAN INSTITUTE OF
 CERTIFIED PUBLIC ACCOUNTANTS*

*MARYLAND ASSOCIATION OF
 CERTIFIED PUBLIC ACCOUNTANTS*

*DELAWARE SOCIETY OF
 CERTIFIED PUBLIC ACCOUNTANTS*

ALLINIAL GLOBAL

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

Mayor and Council
 City of Lewes, Delaware

Report on Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Lewes, Delaware's basic financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

CERTIFIED PUBLIC ACCOUNTANTS

Salisbury, Maryland
 April 21, 2026

CITY OF LEWES, DELAWARE

COMBINING BALANCE SHEET - OTHER GOVERNMENTAL FUNDS

MARCH 31, 2025

	Municipal Street Aid	Nature Trail	Total
ASSETS			
Cash and cash equivalents	\$	\$ 22	\$ 22
Restricted cash	331,068		331,068
Total assets	<u>331,068</u>	<u>22</u>	<u>331,090</u>
FUND BALANCES			
Restricted	331,068		331,068
Assigned		22	22
Total fund balances	<u>331,068</u>	<u>22</u>	<u>331,090</u>
Total liabilities and fund balances	<u>\$ 331,068</u>	<u>\$ 22</u>	<u>\$ 331,090</u>

CITY OF LEWES, DELAWARE

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE OTHER GOVERNMENTAL FUNDS**

YEAR ENDED MARCH 31, 2025

	Municipal Street Aid	Nature Trail	Total
REVENUES			
Intergovernmental grants	\$ 115,752	\$	\$ 115,752
Interest	1,238		1,238
Total revenues	<u>116,990</u>		<u>116,990</u>
EXPENDITURES			
General expenditures	40,393		40,393
Street expenditures	42,870		42,870
Total expenditures	<u>83,263</u>		<u>83,263</u>
Net change in fund balances	33,727		33,727
FUND BALANCES, BEGINNING OF YEAR	<u>297,341</u>	22	<u>297,363</u>
FUND BALANCES, END OF YEAR	<u>\$ 331,068</u>	<u>\$ 22</u>	<u>\$ 331,090</u>

GOVERNMENT AUDITING STANDARDS REPORT

DRAFT



ANDREW M. HAYNIE, CPA
 SUSAN P. KEEN, CPA
 MICHAEL C. KLEGER, CPA
 JAMES D. MAYBURY, CPA
 E. LEE McCABE, CPA
 JEFFREY A. MICHALIK, CPA
 ROBERT L. MOORE, CPA
 DANIEL M. O'CONNELL II, CPA
 ASHLEY M. STERN, CPA
 JOHN M. STERN, JR., CPA

PKScpa.com

Salisbury
 1801 SWEETBAY DRIVE
 P.O. Box 72
 SALISBURY, MD 21803
 TEL: 410.546.5600
 FAX: 410.548.9576

Ocean City
 12216 OCEAN GATEWAY
 SUITE 800
 OCEAN CITY, MD 21842
 TEL: 410.213.7185
 FAX: 410.213.7638

Lewes
 1143 SAVANNAH ROAD
 SUITE 1
 P.O. Box 192
 LEWES, DE 19958
 TEL: 302.645.5757
 FAX: 302.645.1757

MEMBERS OF:

AMERICAN INSTITUTE OF
 CERTIFIED PUBLIC ACCOUNTANTS

MARYLAND ASSOCIATION OF
 CERTIFIED PUBLIC ACCOUNTANTS

DELAWARE SOCIETY OF
 CERTIFIED PUBLIC ACCOUNTANTS

ALLINIAL GLOBAL

INDEPENDENT AUDITORS' 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*

Honorable Mayor and Council Members
 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 governmental activities, each major fund, and the aggregate remaining fund information of the City of Lewes, Delaware, as of and for the year ended March 31, 2025, and the related notes to the financial statements, which collectively comprise the City of Lewes, Delaware's basic financial statements, and have issued our report thereon dated April 21, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Lewes, Delaware's internal control over financial reporting (internal control) as a basis for designing 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 City of Lewes, Delaware's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Lewes, Delaware'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 City of Lewes, Delaware'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.

Report Internal Control over Financial Reporting (Continued)

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Lewes, Delaware's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CERTIFIED PUBLIC ACCOUNTANTS

Salisbury, Maryland
April 21, 2026

CITY OF LEWES, DELAWARE
AUDITORS' COMMUNICATIONS
YEAR ENDED MARCH 31, 2025

DRAFT

CITY OF LEWES, DELAWARE

TABLE OF CONTENTS

	<u>Page(s)</u>
Management letter	1 – 3
Required communications with those charged with governance	4 – 7

DRAFT

MANAGEMENT LETTER

DRAFT



ANDREW M. HAYNIE, CPA
SUSAN P. KEEN, CPA

MICHAEL C. KLEGER, CPA
JAMES D. MAYBURY, CPA
E. LEE McCABE, CPA

JEFFREY A. MICHALIK, CPA
ROBERT L. MOORE, CPA
DANIEL M. O'CONNELL II, CPA
ASHLEY M. STERN, CPA
JOHN M. STERN, JR., CPA

PKScpa.com

Salisbury
1801 SWEETBAY DRIVE
P.O. Box 72
SALISBURY, MD 21803
TEL: 410.546.5600
FAX: 410.548.9576

Ocean City
12216 OCEAN GATEWAY
SUITE 800
OCEAN CITY, MD 21842
TEL: 410.213.7185
FAX: 410.213.7638

Lewes
1143 SAVANNAH ROAD
SUITE 1
P.O. Box 192
LEWES, DE 19958
TEL: 302.645.5757
FAX: 302.645.1757

MEMBERS OF:

*AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS*

*MARYLAND ASSOCIATION OF
CERTIFIED PUBLIC ACCOUNTANTS*

*DELAWARE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS*

ALLINIAL GLOBAL

April 21, 2026

To the Honorable Mayor, City Manager, and Council Members
City of Lewes, Delaware

We want to thank the City's staff for their cooperation provided to us during our engagement with the City of Lewes, Delaware.

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Lewes, Delaware as of and for the year ended March 31, 2025, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

However, during our audit we became aware of the following matters that are opportunities for strengthening internal controls and operating efficiency.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various City personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:

CAPITAL ASSETS

Accounting for asset additions

During the audit, we spent additional time to test the accounting for capital asset purchases made during the year and the activity in construction in progress. Because the City has so many projects in process, capital asset addition records should be maintained and updated during the year as opposed to waiting until year-end.

CAPITAL ASSETS (Continued)

The City's accounting procedures and documentation of fixed asset additions could be improved. We recommend the following:

Account coding

- The chart of accounts for each department should include expense accounts labeled "Capital outlay" and "Construction cost". For construction projects, a separate "Construction cost" account could be set up for each major construction project.
- Individual capital purchases should be budgeted and coded to the "Capital outlay" account in the appropriate department.
- Costs related to construction projects should be budgeted and coded to the "Construction cost" account in the appropriate department and for the appropriate project where there are multiple accounts.
- Expenses for repairs should not be coded to "capital outlay" but instead, should be coded to a repairs account.

Segregating the capital purchases in the general ledger from repairs and maintenance makes it easier to identify asset additions for inclusion in the financial statements and recording on the depreciation schedule.

Maintain a spreadsheet of individual asset additions and construction in progress

- For individual asset additions, we recommend an excel spreadsheet be maintained and updated throughout the year. The spreadsheet should include a description of each asset, date placed in service, cost, and the estimated useful life.
- In addition, a copy of the invoice could be kept in an asset addition file folder for reference.
- The spreadsheet could be maintained by the accounts payable clerk as the invoices are entered into the system.
- The total asset additions on the spreadsheet should be reconciled to the total of the capital outlay general ledger accounts.

Detailed review of depreciation schedules

During our review of the City's depreciation schedules, we noted that there are many old, fully depreciated assets included on the list. We recommend that a careful review of the listing be done to determine if these assets are still in use by the City. Capital assets no longer in use should be removed from the list. Also, any obsolete assets or assets with no value should be removed from the records.

Management should consider periodically performing a physical inventory of capital assets in each department.

Formalize capitalization policy

The City does not have an adopted written capitalization policy. Formally approved capitalization policies provide guidance for consistent treatment of capital asset additions and repairs and maintenance expenses. We recommend the City review their current asset capitalization procedures and capital asset listing and adopt a formal capitalization policy.

GRANT DOCUMENTATION AND RECORD KEEPING

During our audit of grants, we noted difficulty in locating certain requested documents including reimbursement reports used to verify grant expenses as well as difficulty in matching which expenses were related to which grants.

For better tracking of grants, we recommend keeping a folder for each to include receipts (ACH remittances, check stubs, etc.), reimbursement reports or other reports submitted to the grantor, if applicable, a copy of the related expense invoices, grant agreements, and any other relevant information.

RESTRICTED FUNDS TRACKING

Currently the City utilizes various bank accounts and registers to track the expenses related to restricted funds such as realty transfer taxes, municipal street aid, and other restricted grants. In the past, these bank accounts also included funds that did not originate from restricted sources. This makes the tracking of restricted funds and its uses difficult for the City. It also could lead to an overstatement of restricted fund balances. We recommend the City develop a tracking mechanism for restricted funds and its uses or ensure that restricted bank accounts include only restricted funds to ensure the City is appropriately expending these funds and reporting under the appropriate restrictions.

This communication is intended solely for the information and use of management, council members, and others within the City, and is not intended to be, and should not be, used by anyone other than these specified parties.

We appreciate your business and look forward to the opportunity to help you and the City. Thank you for your continued confidence in our firm and the cooperation received in the completion of our engagement. Please call Andrew M. Haynie, CPA CFE or Lindsey Keen, CPA CFE at (410)-546-5600 if we can be of further assistance.

CERTIFIED PUBLIC ACCOUNTANTS

**REQUIRED COMMUNICATIONS WITH THOSE
CHARGED WITH GOVERNANCE**

DRAFT



April 21, 2026

ANDREW M. HAYNIE, CPA

SUSAN P. KEEN, CPA

MICHAEL C. KLEGER, CPA

JAMES D. MAYBURY, CPA

E. LEE McCABE, CPA

JEFFREY A. MICHALIK, CPA

ROBERT L. MOORE, CPA

DANIEL M. O'CONNELL II, CPA

ASHLEY M. STERN, CPA

JOHN M. STERN, JR., CPA

PKScpa.com

Salisbury

1801 SWEETBAY DRIVE

P.O. Box 72

SALISBURY, MD 21803

TEL: 410.546.5600

FAX: 410.548.9576

Ocean City

12216 OCEAN GATEWAY

SUITE 800

OCEAN CITY, MD 21842

TEL: 410.213.7185

FAX: 410.213.7638

Lewes

1143 SAVANNAH ROAD

SUITE 1

P.O. Box 192

LEWES, DE 19958

TEL: 302.645.5757

FAX: 302.645.1757

MEMBERS OF:

AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

MARYLAND ASSOCIATION OF
CERTIFIED PUBLIC ACCOUNTANTS

DELAWARE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

ALLINIAL GLOBAL

To the Honorable Mayor, City Manager, and Council Members
City of Lewes, Delaware

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Lewes, Delaware for the year ended March 31, 2025. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 21, 2025. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by City of Lewes, Delaware are described in Summary of Significant Accounting Policies in the Notes to the financial statements. During 2025, the City adopted GASB Statement No. 101, *Compensated Absences* as described in the notes to the financial statements. There have been no other initial selection of accounting policies and no changes in significant accounting policies or their application during 2025. We noted no transactions entered into by City of Lewes, Delaware during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the City's financial statements are the allowance for uncollectible accounts, the economic life of their capital assets for the purpose of calculating depreciation, the calculation of accrued compensated absences, and the calculation of net pension.

Significant Audit Matters (Continued)*Qualitative Aspects of Accounting Practices (Continued)*

Management's estimate of the allowance for uncollectible accounts is based on historical collection experience and a review of current status of outstanding accounts receivable balances. We evaluated the methods, assumptions, and data used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the economic life of their capital assets is based on historical information about the lives of historical assets. We evaluated the methods, assumptions, and data used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of accrued compensated absences is based on average historical use of compensated absences and amount vested for short-term and long-term purposes. We evaluated the methods, assumptions, and data used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the net pension is based on the information available at the time of the release of the financial statements from the State of Delaware Employee's Pension Plan. We evaluated the methods, assumptions, and data used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

The disclosure of allowance for uncollectible accounts in the financial statements describes how receivables are valued, the method for which the allowance is recorded, and the amount of receivables deemed as collectible at year-end.

The disclosure of capital assets in the financial statements describes the City's capitalization policy, types of assets owned by the City and the range of their estimated useful lives, the capital asset activity during the year, and depreciation expense by function.

The disclosure of retirement and pension plans in the financial statements describes specific aspects of the plan, including its financial details, funding status, and how benefits are calculated.

The disclosure of notes, leases, and bonds payable in the financial statements describes the types of debt on the City's books, the debt activity during the year, the short-term portion of the debt, and the future maturities of debt.

The disclosure of related party transactions in the financial statements describes the types of related parties, the nature and terms of those transactions, and how much is owed to the City at year-end from these transactions.

City of Lewes, Delaware

April 21, 2026

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following material misstatements we identified as part of our audit procedures were brought to the attention of, and corrected by, management:

- Record adjustments for the implementation of GASB No. 101, *Compensated Absences*.
- Record beginning balance adjustments to match the prior year financial statements.
- Adjust realty transfer tax receivable and revenue.
- Record transfers between funds.
- Adjust deferred property taxes and revenue.
- Adjust accrued payroll.
- Adjust prepaid insurance.
- Adjust grant revenue and the related deferred revenue.
- Record capital outlay for leased equipment and software subscriptions.
- Record the initial lease receivables for BPW and LHS, reclass the principal portion of leases receivables, and adjust deferred inflows related to the lease receivables.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated April 21, 2026.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to City of Lewes, Delaware's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

City of Lewes, Delaware

April 21, 2026

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as City of Lewes, Delaware's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to management's discussion and analysis and the budgetary comparison schedule – general fund, and the Delaware Public Employee's Retirement Schedules, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the supplementary information listed in the table of contents, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the information and use of the Mayor, City Manager, Council, and management of the City of Lewes, Delaware and is not intended to be, and should not be, used by anyone other than these specified parties.

CERTIFIED PUBLIC ACCOUNTANTS