

Municipal Services Commission

A Component Unit of the City of New Castle, Delaware



Annual Comprehensive Financial Report
For the Fiscal Years Ended March 31, 2022 and 2021

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Prepared By:

Kendrick S. Natale II, Comptroller
Patricia Malloy, Accountant

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Introductory Section

Municipal Services Commission

216 Chestnut Street ▪ PO Box 208 ▪ New Castle, DE 19720-0208
Administrative Office: (302) 323-2330 ▪ Utility Building: (302) 323-2333
Fax: (302) 323-2337 ▪ www.newcastlemsc.delaware.gov

August 4, 2022

To the Board of Commissioners of the Municipal Services
Commission, City Council, Trustees of New Castle
Common, and the Citizens of the City of New Castle

Formal Transmittal of the Annual Comprehensive Financial Report (ACFR)

The audited Annual Comprehensive Financial Report (ACFR) of the Municipal Services Commission, a component unit of the City of New Castle (the Commission), prepared by the Accounting and Customer Service Department for the fiscal years ended March 31, 2022 and 2021, is hereby submitted in accordance with Section 5 of the Commission's charter which requires a full accounting be provided to the Mayor, City Council, and Trustees of the New Castle Common of the Commission's receipts and expenses.

This report consists of management's representations concerning the finances of the Commission. Consequently, management assumes full responsibility for the completeness and reliability of the information contained in the report. To provide a reasonable basis for making these representations, management of the Commission has established a comprehensive framework of internal control that has been designed to both protect the Commission's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the Commission's financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP) as related to local governments. Because the cost of internal controls should not exceed the anticipated benefits, the Commission's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. As management, we assert that to the best of our knowledge and belief, this financial report is complete and reliable in all material respects. It is designed to present fairly the financial position and results of operations.

The financial statements in this report have been audited by Barbacane Thornton & Company LLP, an independent firm of certified public accountants, selected by the Commission through a competitive process. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Commission for the fiscal years ended March 31, 2022 and 2021 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures of the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the Commission's financial statements for the fiscal years ended March 31, 2022 and 2021 are fairly presented in conformity with GAAP in all material respects. The independent auditor's report is presented as the first element of the Financial Section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter

of transmittal is designed to complement MD&A and should be read in conjunction with it. The Commission's MD&A can be found immediately following the report of the independent auditor.

PROFILE OF THE COMMISSION

The Municipal Services Commission (formerly the Board of Water and Light) of the City of New Castle is a component unit of the Mayor and Council of the City of New Castle, Delaware, a municipal corporation of the State of Delaware. The Commission was established by an act of the General Assembly, approved by the Governor on March 7, 1921 (Volume 31, Laws of Delaware, Chapter 121) to provide water and electric service to the residents of New Castle. In 1951, the General Assembly, approved by the Governor, provided the Commission the authority to provide water service to customers within 3 miles from the city limits (Volume 48, Laws of Delaware, Chapter 96, Section 1). In 1999, with the enactment of Volume 72, Laws of Delaware, Chapter 116, the State provided the Commission with the authority to manage and operate systems for the furnishing of steam, manufactured gas, natural gas, heat, power, heating oil, and wired and wireless telecommunications or other communication services within the City of New Castle's corporate limits.

The Commission consists of three commissioners. The Mayor the City of New Castle serves as an ex officio commissioner. The other two commissioners must be residents of the City and are appointed by the City Council to serve four year terms. Members of the City Council are ineligible to serve as a commissioner. Each year the commissioners elect a president from among their members. The Commission has full authority to adopt a tariff which includes rates and regulations for service and collection of fees charged to customers, and may borrow funds to finance capital projects with the approval of the City Council.

Currently the Commission owns and operates a water and an electric utility for the City. The Commission has 3,160 accounts. The water utility operates four wells, and one water treatment facility. The utility has an interconnection agreement with Artesian Water, Inc. The electric utility operates a distribution system with two 50 megawatt substations. Transmission is provided through an interconnection with Delmarva Power and electric supply is purchased through the Delaware Municipal Electric Corporation (DEMEC).

The Commission adopts annual operating and capital budgets. The annual operating budget serves as a financial planning and control tool for the associated fiscal year. Each of the Commission's department managers contributes to the development of a preliminary operating budget based on the expected staffing and funding levels necessary to operate the Commission's facilities in an efficient manner. Budget meetings are held with the General Manager to highlight needs and operational priorities for the fiscal year. A proposed operating budget representing the organizational goals and objectives for the upcoming year is drafted and presented by the General Manager to the Commission for their review and adoption. Any subsequent amendments to the total adopted operating budget require the approval of the commissioners.

Expenditures are continuously monitored and reported throughout the year by the Accounting and Customer Service Department to ensure that each department is in compliance with the adopted operating budget and the established policies of the Commission.

The Commission prepares and updates a five year capital improvement plan through a similar process, weighing the requirements of both the water and electric utilities. The General Manager presents the capital improvement plan to the commissioners for their review and adoption. The capital improvement plan is a planning document identifying the Commission's priorities and potential commitments. The approval of the capital improvement plan does not in itself authorize any specific project. Each year the Commission approves a capital budget with recommendations from the General Manager for the upcoming year based mainly on the approved capital improvement plan, as well as unforeseen capital needs that were not part of prior capital improvement plans

FACTORS AFFECTING FINANCIAL CONDITION

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the Commission operates.

Local Economy

The City of New Castle is located in the heart of New Castle County, Delaware and balances an historical district while pursuing commercial and industrial growth. The Commission has a diversified customer base including, residential, commercial and industrial clients. The City's proximity to large population centers and convenient access to airports (Philadelphia International and Wilmington Airport) seaports (Wilmington and Philadelphia) and major highways (Interstate 95, US Routes 13 and 40) make it a prime location for commercial and industrial operations looking for a place to locate.

The City is located 4.2 miles from Wilmington, DE, 35 miles from Philadelphia, PA and minutes from New Jersey. Residents benefit from the City's convenient access to larger metropolitan areas for employment in financial services, technology, public sector, and manufacturing.

The City has approved a large housing subdivision (211 of houses) which is currently under construction and is expected to increase the Commission's customer base.

Long-term Financial Planning

The Commission's water supply wells have been contaminated by per-and polyfluoroalkyl (PFAS) substances. Perfluorooctane Sulfonic Acid (PFOS) and Perfluorooctanoic Acid (PFOA) are currently unregulated, however they have been detected in the Commission's raw water supply above the United States Environmental Protection Agency (EPA) established Health Advisory Levels of 70 parts per trillion. The EPA and Delaware Department of Natural Resources and Environmental Control (DNREC) are conducting a joint investigation to determine the source of contamination. The Commission designed and installed a carbon filtration system to remove the very complex PFAS contaminants from the water supply. Frequent testing demonstrates the system is successful at filtering the PFOS and PFOA contaminants to "non-detect" levels in independent laboratory testing. The Commission is partnered with researchers and engineers from Calgon Carbon, a Kurary Company, testing several different types of filter media to remove

PFOS and PFOA more efficiently as well as other similar compounds present in the raw water supply. This research will be used to develop new, more efficient systems for the Commission's water utility and ones that can be used by other water utilities around the country to effectively remove these types of contaminants from drinking water supplies.

The Commission is in the process of replacing its aging Automated Meter Reading (AMR) system which is at the end of its useful life with a modern Advanced Metering Infrastructure (AMI) system for all of its water and electric meters. The new system will provide more detailed information to both customers and the Commission to assist with water and energy conservation. The Commission has been authorized to borrow \$1.67 million to cover the cost of the project (\$1,011,110 from the Drinking Water State Revolving Loan Fund (DWSRLF) and \$665,000 from DEMEC) as of March 31, 2022 financing has been secured and the DWSRLF loan has been settled but as of March 31 the Commission has not drawn any proceeds nor spent any funds in relation to the project.

FINANCIAL POLICIES

The Commission works with Utility Financial Services, LLC on cost of service studies and rate design for both the water and electric utilities. Rates are designed to cover the cost of each utility's operations on the utility basis which includes covering operations and maintenance expenses, as well as depreciation and capturing a breakeven "rate of return" to cover the inflationary increase on the Commission's assets (replacement cost). Rates are designed to ensure appropriate industry financial benchmarks are met, including debt coverage ratios, minimum cash on hand, and operating income.

The Commission seeks to maintain 90-120 days "cash on hand" which includes cash in the Commission's unrestricted bank accounts as well as liquid short term investments as a cushion against unexpected drops in revenue or increases in costs. This level of cash on hand also ensures there is adequate cash available to meet current liabilities to vendors and for payroll in the event that collections are disrupted due to events outside the control of the Commission, such as the SARS-CoV-2 (COVID-19) Pandemic. As of March 31, 2022 and 2021 the Commission had 119 and 118 days cash on hand respectively.

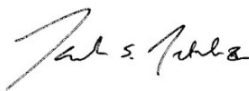
ACKNOWLEDGEMENTS

The preparation of this report could not have been accomplished without the efficient and dedicated service of the entire staff of the Accounting and Customer Service Department. Special thanks must also be extended to the commissioners for their leadership and support in promoting /advocating the highest standards in the management of the Municipal Services Commission.

Respectfully submitted,



Scott L. Blomquist
General Manager/Secretary



Kendrick S. Natale II
Comptroller/Treasurer

Municipal Services Commission of the City of New Castle
Principal Officials
March 31, 2022

Commissioners



Dr. Roy J. Sippel
President
Term Expires March 31, 2022



Mr. Daniel F. Knox
Commissioner
Term Expires March 31, 2023



Mayor Michael J. Quaranta
Commissioner
Ex Officio

Certain Other Officials

General Manager/Secretary
Comptroller/Treasurer
Water Utility Manager
Water Utility Supervisor
Electric Utility Manager
Electric Utility Supervisor

Scott L. Blomquist
Kendrick S. Natale II
L. Jay Guyer
Ryan C. Jaeger
Arthur V. Granger III
David K. Bennett

Independent Auditors

Barbacane Thornton & Company LLP
Certified Public Accountants
Wilmington, Delaware

Rate Consultants

Utility Financial Services LLC
Holland, Michigan

Legal Counsel

Morris James LLP
Wilmington, Delaware

Connolly Gallagher, LLP
Wilmington, Delaware

McCollom D'Emilio
Smith Uebler LLC
Wilmington, Delaware

Municipal Services Commission of the City of New Castle
Organizational Chart
March 31, 2022

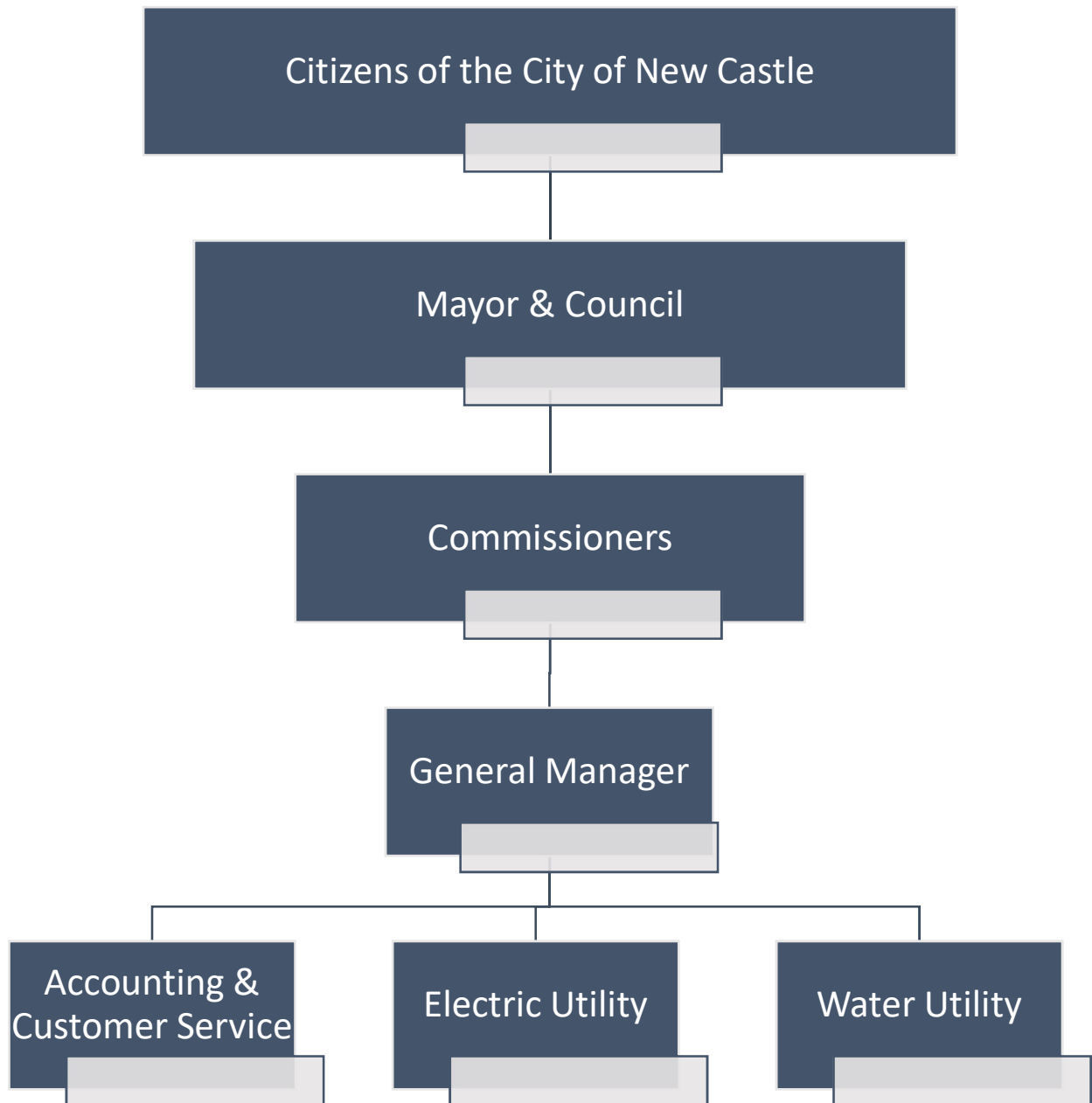




Photo Credit: Paula McHugh, MSC Customer Service Supervisor

Financial Section



INDEPENDENT AUDITOR'S REPORT

August 4, 2022

Board of Commissioners
Municipal Services Commission
New Castle, Delaware

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Municipal Services Commission ("the Commission"), a component unit of the City of New Castle, Delaware, as of and for the years ended March 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Commission as of March 31, 2022 and 2021, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis of Opinion

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commission's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS 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 judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgement 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 Commission'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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commission'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, schedule of net pension liability, related ratios, and investment returns, and schedule of employer contributions on pages 15 through 19 and 48 and 49, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance

Board of Commissioners
Municipal Services Commission

with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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 an opinion on the financial statements that collectively comprise the Commission's basic financial statements. The combining schedules of net position by fund, combining schedules of revenue, expenses, and changes in net position by fund, and combining schedules of cash flows by fund are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining schedules of net position by fund, combining schedules of revenues, expenses, and changes in net position by fund, and combining schedules of cash flows by fund are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining schedules of net position by fund, combining schedules of revenues, expenses, and changes in net position by fund, and combining schedules of cash flows by fund are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual comprehensive financial report. The other information comprises the introductory and statistical sections but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express any opinion or any form assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.


BARBACANE, THORNTON & COMPANY LLP

Management's Discussion and Analysis

Introduction

As management of the Municipal Services Commission, we offer readers of the Commission's financial statements this narrative overview and analysis of the financial activities of the Commission for the fiscal years ended March 31, 2022 and 2021. We encourage readers to consider the information presented here in conjunction with the additional information we have furnished in our letter of transmittal, which can be found on pages 4-7 of this report.

Overview of the Financial Statements

This discussion and analysis provided here is intended to serve as an introduction to the Municipal Services Commission's financial statements. The Commission's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), promulgated by the Governmental Accounting Standards Board (GASB). In accordance with GAAP, the Commission's revenues are recognized in the period they are earned, and expenses are recognized in the period in which they are incurred. Capital assets are capitalized and (except for land and construction in progress) are depreciated over their useful lives.

The Statement of Net Position presents information on all of the Commission's assets, deferred outflows, liabilities, and deferred inflows with the difference being reported as net position. Over time, increases or decreases in net position serve as a relative indicator of the change in financial position of the Commission.

The Statement of Revenues, Expenses, and Changes in Net Position shows the result of the Commission's total operations during the year and reflects both operating and nonoperating activities. Changes in net position reflect the current period's operating impact upon the overall financial position of the Commission.

The Statement of Cash Flows provides a detailed analysis of all sources and uses of cash. The direct method of cash flows is presented, ending with a reconciliation of operating income to net cash provided and used by operating activities. The statement of cash flows is divided into the following activities: operating, non-capital financing, capital financing, and investing.

The basic financial statements can be found on pages 21-24 of this report.

Notes to the Financial Statements

The notes provide additional information that is necessary to acquire a full understanding of the data provided in the basic financial statements. The notes to the financial statements can be found on pages 25-45 of this report.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* and *other supplementary information*. This includes schedules related to the Commission's defined benefit pension plan and a detailed breakdown of assets, liabilities, deferred

inflows/outflows, net position, revenues, expenses, and cash flows by utility (water and electric). Required and other supplementary information can be found on pages 47-57.

Financial Position Summary

As noted earlier, total net position over time, may serve as a useful indicator of a government's financial position. In the case of the Commission, assets and deferred outflows exceeded liabilities and deferred inflows by \$19.1 million in 2022, \$18.1 million in 2021 and \$17.4 million in 2020.

A condensed summary of the Commission's net position at March 31, is shown below.

	2022	2021	2020
Assets			
Current and other assets	\$ 6,069,644	\$ 5,752,675	\$ 5,906,622
Capital assets, net	<u>12,173,053</u>	<u>12,028,967</u>	<u>11,588,654</u>
Total assets	<u>18,242,697</u>	<u>17,781,642</u>	<u>17,495,276</u>
Deferred outflows of resources	3,755,730	3,289,181	3,355,090
Liabilities			
Current liabilities	1,316,173	1,409,098	680,621
Long-term liabilities	<u>1,115,195</u>	<u>858,192</u>	<u>2,643,807</u>
Total liabilities	<u>2,431,368</u>	<u>2,267,290</u>	<u>3,324,428</u>
Deferred inflows	472,843	659,474	128,335
Net position			
Invested in capital assets	12,173,053	12,028,967	11,588,654
Unrestricted	<u>6,921,163</u>	<u>6,115,092</u>	<u>5,808,949</u>
Total net position	<u>\$ 19,094,216</u>	<u>\$ 18,144,059</u>	<u>\$ 17,397,603</u>

Investment in capital assets at March 31, 2022 was 64% of net position and is down slightly from 2021 (66%) and 2020 (67%). The relative stability of the investment in capital assets is due to the Commission investing the electrical and water systems annually at around the annual depreciation expense with upgrades to the systems. The slight decline in investment in capital assets in 2022 is related to supply chain disruptions delaying progress on some capital projects. The unrestricted portion of the Commission's net position (33-36%) is available to meet the Commission's capital and ongoing obligations.

Summary of Changes in Net Position

Net position increased in the amount of \$950,000 during 2022 compared to \$746,000 in 2021 and \$610,000 in 2020. The increase in fiscal years 2022 and 2021 is the result of several large capital projects being delayed due to the COVID-19 pandemic. In addition there were savings from expenses coming in under budget (2022 - \$186,000, 2021 - \$812,000, 2020 - \$415,000). The savings in operating costs in 2022 and 2021 was related to uncertainty related to the COVID-19 Pandemic and the Commission being cautious with spending resources to ensure adequate capital remained on hand in the event the public health situation deteriorated. The Commission capitalized labor and equipment costs on the construction of underground electrical facilities (2022 - \$589,000, 2021 - \$187,000 and 2020 - \$288,000). The Commission also received grants which were unanticipated when the budget was adopted (\$123,000 in 2022, \$71,000 in 2021 and \$34,000 in 2020).

	2022	2021	2020
Operating Revenues:			
Charges for Services	\$ 11,214,655	\$ 10,975,227	\$ 11,138,023
Miscellaneous	93,475	77,813	68,730
Total Operating Revenues	<u>\$ 11,308,130</u>	<u>\$ 11,053,040</u>	<u>\$ 11,206,753</u>
Operating Expenses	<u>9,573,620</u>	<u>9,703,693</u>	<u>9,946,488</u>
Operating income(loss)	1,734,510	1,349,347	1,260,265
Nonoperating revenues(expenses)	<u>(786,901)</u>	<u>(642,820)</u>	<u>(650,658)</u>
Income before capital contributions	947,609	706,527	609,607
Capital contributions	<u>2,548</u>	<u>39,929</u>	<u>-</u>
Increase(decrease) in net position	950,157	746,456	609,607
Net position, beginning	<u>18,144,059</u>	<u>17,397,603</u>	<u>16,787,996</u>
Net position, ending	<u>19,094,216</u>	<u>18,144,059</u>	<u>17,397,603</u>

Financial Highlights

Fiscal 2022

- Charges for services increased \$239,000 or 2.2% from \$10.9 million during 2021 to \$11.2 million in 2022. The increase was the result of a 5% increase in water rates and increased consumption in both electric and water from the Commission's commercial customers as COVID-19 restrictions were lifted by the State.
- Operating expenses had a net decrease \$130,000 in Fiscal 2022 compared to 2021. Major reasons for the decrease were increased power purchase expense (\$167,000) due to increased demand from commercial customers who began resuming normal operations as COVID-19 restrictions were lifted by the State, and a net decrease in salaries and benefits (\$267,000) related to capitalized labor costs for the electrical undergrounding projects and the elimination of one full time equivalent position in due to attrition.
- Non-operating expenses increased \$144,000 or 22% from \$643,000 in 2021 to \$787,000 in 2022. This is mainly the result of increased "special appropriations" to the City (\$78,000) for donated labor and equipment used by the City and the Trustees of the New Castle Common on their projects which the Commission assisted with for the good of the residents of New Castle. Additionally, the State of Delaware provided a grant for exchanging the carbon media the Commission uses to filter contaminants from the raw water supply (\$68,000).

Fiscal 2021

- Charges for services decreased \$163,000 or 1.5% during 2021 to \$10.9 million from \$11.1 million in 2020 as a result of the COVID-19 affecting the operations of the Commission's commercial/industrial customers.
- Operating expenses decreased in all categories between 1.22% and 5.81% in fiscal year 2021 from fiscal year 2020. This is the result of deliberate measures taken to trim all but the most essential expenses at the beginning of the COVID-19 pandemic which was just starting at the beginning of the fiscal year (April 2020). During the height of the pandemic most projects and all unnecessary

work was postponed in an effort to preserve cash on hand due to being required to suspend disconnection of customers for nonpayment, and in an effort to keep staff socially distant.

- A capital contribution of \$40,000 was made by developers who were required to construct infrastructure to serve their projects. The Commission also received grants totaling \$31,000 as part of the CARES Act for the purchase of personal protective equipment and from DNREC and the Green Energy Fund for the purchase of electric vehicle charging stations.

Capital Assets and Debt Administration

The Commission's investment in capital assets, net of depreciation, for its operations was \$12.2 million as of March 31, 2022, \$12 million in 2021, and \$11.6 million in 2020. This investment in capital assets includes land, buildings, machinery, equipment, vehicles, and electric and water distributions systems. The total increase in capital assets was 1.2% in 2022 and 3.8% in 2021.

	2022	2021	2020
Land	\$ 45,386	\$ 45,386	\$ 45,386
Construction in progress	68,668	916,508	381,566
Building structures	274,850	300,187	311,165
Machinery, equipment and vehicles	761,226	800,097	791,556
Water infrastructure	7,079,992	7,347,211	7,648,032
Electric infrastructure	3,942,931	2,619,578	2,410,949
	<u>\$ 12,173,053</u>	<u>\$ 12,028,967</u>	<u>\$ 11,588,654</u>

Major capital asset events during fiscal year 2022 included the following:

- Decrease of \$848,000 in construction in progress for the completion of an electrical undergrounding project on Delaware Street.
- Increase of \$1.3 million in electric infrastructure due to the completion of the second phase of the electric utility undergrounding projects in the Van Dyke Village and on Delaware Street.
- The Commission purchased a new truck for use by the water department at a cost of \$40,000.
- The Commission purchased various equipment to assist with the system undergrounding project at a total cost of \$32,000.
- The Commission spent \$36,000 to rehabilitate the Frenchtown Road well for the water utility.
- The Commission received a grant from the State of Delaware to replace the carbon media at the water treatment facility \$68,000

In fiscal year 2021, major capital asset events included:

- The Commission spent \$12,000 on improvements to the HVAC systems at two locations.
- The Commission purchased a new dump truck for \$99,100 to replace one that reached the end of its useful life.
- The Commission purchased a new skid steer for \$53,200 for use in operations.
- The Commission completed projects to upgrade electrical and water infrastructure valued at \$456,000.

Additional information on the Commission's capital assets can be found on page 33 of this report.

Long-term Debt

The Commission had no outstanding debt in fiscal years 2022 or 2021. The Commission has been authorized by the New Castle City Council to borrow up to \$1.6 million in order to finance replacing the Commission's aging Automatic Meter Reading system and all electric and water meters in the systems with a state of the art Advanced Metering Infrastructure system. The borrowing is being financed by the Delaware Clean Water and Drinking Water State Revolving Loan Fund (\$1 million) and a borrowing from the Delaware Municipal Energy Corporation (\$665,000) as of March 31, 2022 financing was in place however, the Commission has not drawn any of the loan proceeds nor spent anything in relation to this project.

Section 3(g) of the Commission's charter allows the Commission to issue revenue bonds or other debt obligations in the name of the Commission upon the approval of the City Council. Debt issuances are not backed by the full faith and credit of the City and the total amount of debt outstanding may not exceed the annual gross revenues of the Commission.

Additional information on the Commission's long-term debt can be found on pages 40-41 of this report.

Economic Factors and Next Year's Budget and Rates

The following economic factors currently affect the Commission and were considered in developing the Fiscal Year 2023 budget:

- Rate increases were enacted which increased projected user charges for water and electric by 5% and 1% respectively. The Commission budgeted to spend \$25,000 of net position to help fund capital improvements.
- The lingering effects of the pandemic continue to be a concern for the Commission's operations including inflation and supply chain disruptions.

Request for Information

This financial report is designed to provide a general overview of the Commission's finances for all those with an interest in the Commission's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Municipal Services Commission
216 Chestnut Street
New Castle, DE 19720
Attn: Comptroller



Photo Credit: Paula McHugh, MSC Customer Service Supervisor

Basic Financial Statements

Municipal Services Commission of the City of New Castle
(A Component Unit of the City of New Castle, Delaware)
Statements of Net Position
March 31, 2022 and 2021

	2022	2021
ASSETS:		
Current assets:		
Cash and equivalents	\$ 2,514,386	\$ 2,440,199
Investments	1,221,548	1,257,690
Accounts receivable, net	758,053	534,770
Inventories	760,618	692,180
Prepays	169,249	128,902
Restricted cash	645,790	698,934
Total current assets	6,069,644	5,752,675
Noncurrent assets:		
Capital assets not being depreciated:		
Land	45,386	45,386
Construction in progress	68,668	916,508
Capital assets net of accumulated depreciation:		
Buildings	274,850	300,187
Equipment	761,226	800,097
Infrastructure	11,022,923	9,966,789
Total noncurrent assets	12,173,053	12,028,967
Total assets	18,242,697	17,781,642
DEFERRED OUTFLOWS OF RESOURCES		
Pension	319,164	164,836
Regulatory deferral	3,436,566	3,124,345
Total deferred outflows	3,755,730	3,289,181
LIABILITIES		
Current liabilities:		
Accounts payable	597,376	592,005
Accrued liabilities	62,482	58,460
Customer Deposits	645,790	698,934
Compensated absences	10,525	59,699
Total current liabilities	1,316,173	1,409,098
Noncurrent liabilities:		
Compensated absences	394,365	383,435
Net pension liability	720,830	474,757
Total noncurrent liabilities	1,115,195	858,192
Total liabilities	2,431,368	2,267,290
DEFERRED INFLOWS OF RESOURCES		
Pension	472,843	659,474
Total deferred inflows	472,843	659,474
NET POSITION		
Investment in capital assets	12,173,053	12,028,967
Unrestricted	6,921,163	6,115,092
Total net position	\$ 19,094,216	\$ 18,144,059

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

Municipal Services Commission of the City of New Castle
(A Component Unit of the City of New Castle, Delaware)
Statements of Revenues, Expenses and Changes in Net Position
March 31, 2022 and 2021

	2022	2021
Operating Revenues:		
Water sales	\$ 2,254,039	\$ 1,994,440
Power sales	8,969,087	8,988,195
Miscellaneous	93,475	77,813
Total operating revenues	11,316,601	11,060,448
Less: free service	(8,471)	(7,408)
Net operating revenues	11,308,130	11,053,040
 Purchase of water and power	 6,142,627	 5,975,443
Operating Expenses		
Salaries and benefits	2,044,435	2,311,517
Repairs and maintenance	160,781	95,715
Supplies	92,308	117,187
Utilities	57,840	56,040
Insurance	143,830	143,701
Professional fees	158,069	71,003
Administrative	92,579	179,164
Depreciation	681,151	753,923
Total operating expenses	3,430,993	3,728,250
Operating income (loss)	1,734,510	1,349,347
Nonoperating revenues (expenses):		
Net investment income	26,786	45,717
Realized gain (loss) on investments	3,055	24,459
Unrealized gain(loss) on investments	(62,552)	5,599
Gain (loss) on disposal of assets	(50,777)	-
Grant income	134,769	31,397
Grant Expense	(11,816)	(23,333)
Miscellaneous	(27,484)	(4,670)
Appropriations to Mayor & Council of New Castle		
Ordinary	(652,046)	(661,687)
City Services	(35,057)	(26,131)
Special	(111,779)	(34,171)
Total nonoperating revenues (expenses)	(786,901)	(642,820)
Income before capital contributions	947,609	706,527
 Capital Contributions	 2,548	 39,929
 Change in net position	 950,157	 746,456
 Net position - beginning	 18,144,059	 17,397,603
 Net position - ending	 <u>\$ 19,094,216</u>	 <u>\$ 18,144,059</u>

The notes to financial statements are an integral part of this statement.

Municipal Services Commission of the City of New Castle
(A Component Unit of the City of New Castle, Delaware)
Statements of Cash Flows
March 31, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 10,997,661	\$ 11,125,462
Payments to suppliers for goods and services	(7,213,858)	(6,961,591)
Payments to employees for salaries and benefits	(2,178,529)	(2,374,299)
Net cash provided by (used for) operating activities	<u>1,605,274</u>	<u>1,789,572</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Appropriations to the Mayor and Council of New Castle	(763,825)	(695,858)
Net cash provided by (used for) non capital financing activities	<u>(763,825)</u>	<u>(695,858)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(824,417)	(1,117,575)
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividends	<u>4,011</u>	<u>(6,379)</u>
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	21,043	(30,240)
CASH AND CASH EQUIVALENTS, BEGINNING	<u>3,139,133</u>	<u>3,169,373</u>
(includes restricted cash: 2021 - \$698,934 and 2020 \$ 748,777)		
CASH AND CASH EQUIVALENTS, ENDING	<u><u>\$ 3,160,176</u></u>	<u><u>\$ 3,139,133</u></u>
(includes restricted cash: 2022 - \$645,790 and 2021 \$ 698,934)		
Reconciliation of operating income(loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	\$ 1,734,510	\$ 1,349,347
Adjustments:		
Depreciation	681,151	753,923
Bad debt	22,575	8,663
MSC charges for water and electric consumption	(38,591)	(38,620)
(Increase) decrease in:		
Accounts receivable	(220,546)	173,311
Inventory	(68,438)	14,980
Prepaid expenses	(40,347)	(11,944)
Deferred outflows - pension	(154,328)	371,401
Deferred outflows - regulatory accounting	(312,221)	(305,492)
Increase (decrease) in:		
Accounts payable	29,433	(37,080)
Accrued expenses	4,022	6,925
Accrued compensated absences	(38,244)	46,441
Customer deposits	(53,144)	(49,842)
Net pension liability	246,073	(1,023,580)
Deferred inflows - pension	(186,631)	531,139
Total Adjustments	<u>(129,236)</u>	<u>440,225</u>
Net cash provided (used) by operating activities	<u><u>\$ 1,605,274</u></u>	<u><u>\$ 1,789,572</u></u>
Schedule of non-cash investing, capital and related financing activities:		
Increase (decrease) in fair value of investments	(36,595)	68,173
Contributions of capital assets	2,548	39,929
Appropriation to Mayor and Council	(35,057)	(26,131)

The notes to financial statements are an integral part of this statement.

Notes to Basic Financial Statements

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Municipal Services Commission of the City of New Castle
(A Component Unit of the City of New Castle, Delaware)
Notes to the Financial Statements
March 31, 2022 and 2021

I. Summary of significant accounting policies

a. Reporting entity

The Municipal Services Commission of the City of New Castle (the Commission) is a municipal corporation incorporated 1921 by an act of the General Assembly as an independent agency of the City of New Castle, Delaware which owns and operates a water and electric utility. The Commission is a component unit of the City. The Commission consists of three commissioners, one of whom is the Mayor of the City of New Castle who serves ex officio. The other two members of the Commission are appointed by the City Council. City councilors are ineligible to serve as commissioners of the Municipal Services Commission.

In evaluating how to define the Commission for financial reporting purposes, management has considered all potential component units. The basis for determining component units is the governing body's ability to exercise oversight responsibility or the existence of special financing relationships, regardless of whether the governing body is able to exercise oversight responsibilities. Based on this criteria, management has concluded there are no component units of the Commission.

b. Measurement focus and basis of accounting

The financial statements of the Commission are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applicable to local governments. The Governmental Accounting Standards Board is responsible for establishing GAAP for state and local governments through its pronouncements.

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the types of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The basic financial statements of the Commission are prepared using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

c. Budgetary information

The Commission adopts an annual budget on a basis consistent with generally accepted accounting principles. Capital and special projects are budgeted on a project length basis.

The appropriated budget is prepared by department. Department heads may make transfers within a department. Transfers of appropriations between departments require the approval of the Commission. The legal level of budgetary control (i.e. the level at which expenses may not legally exceed appropriations) is the department level.

Appropriations lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for good or services (i.e. purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget.

d. Assets, liabilities, deferred outflows/inflows of resources, and net position

1. *Cash and cash equivalents*

The Commission's cash and cash equivalents are considered to be cash on hand, demand deposits, and short term investments with original maturities of three months or less from the date of acquisition.

The Commission had restricted cash at March 31, 2022 and 2021 of \$645,790 and \$698,934 respectively. The use of these funds is restricted for the refund of security deposits collected from customers.

2. *Investments*

The Commission's investments consist of mutual and exchange traded funds. Investments are recorded at fair value, the price at which the investment could be sold (the value of the fund's share price).

3. *Accounts receivable*

Receivables as of March 31, 2022 and 2021 are for service charges receivable for services provided and used by customers. Receivables for water charges constitutes a lien against real property and would be collected in full when the property transfers, or when the property would be eligible for Sheriff's sale.

Electric fees do not constitute a lien; however, maintenance of adequate customer deposits, monthly billing and diligent collection procedures minimize losses from uncollectible accounts. Accordingly, an allowance for doubtful accounts is funded at the rate of 2.6% of outstanding receivables, this amount approximates actual losses. Only balances that remain after all collections activities, including turning the balance over to collection agencies, are written off. As of March 31, 2022 and 2021 the allowance for doubtful accounts amounted to \$13,747 and \$10,530 respectively.

4. *Inventories and prepaid items*

Inventories are valued at cost using the average cost method and consist of expendable supplies and repair items. The cost of such inventories is recorded as expense when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements. The cost of prepaid items is recorded as expense when consumed rather than when purchased.

5. *Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (water mains, pumps, electrical distribution lines, transformers, and similar items) are reported on the statement of net position. Capital assets are defined by the Commission as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year.

The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at acquisition value.

Land and construction in progress are not depreciated. The other property, plant, equipment, and infrastructure of the Commission are depreciated using the straight line method over the following useful lives:

Capital asset classes	Useful Lives
Infrastructure	15-100
Buildings	30-50
Equipment	3-20

The Commission evaluates impairment of its capital assets as required by authoritative guidance. The carrying value of capital assets is evaluated when events or changes in circumstances indicate the carrying value may not be recoverable. The carrying value of an asset is considered impaired when the total projected undiscounted cash flows is separately identifiable and is less than the carrying value. In that event, a loss is recognized based on the amount by which the carrying value exceeds the fair value of the asset. Fair value is determined primarily using the projected cash flows from the asset discounted at a rate commensurate with the risk involved. No impairment loss was recognized during the years ended March 31, 2022 and 2021.

6. *Deferred outflows/inflows of resources*

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense) until

then. The Commission had deferred outflows of resources during the years ended March 31, 2022 and 2021 of \$3,755,730 and \$3,289,181 respectively related to the amortization of certain changes in the Commission's net pension liability, and amounts related to regulatory accounting for projects and assets financed through a purchase of power agreement with the Delaware Municipal Electric Corporation (DEMEC). The purchase of power agreement stipulates that the underlying assets or projects financed through DEMEC will be transferred to the Commission on December 4, 2022 for a fee of \$1. The capitalization cost of this property will be the total deferred outflows relating to the purchase of power agreement.

In addition to liabilities, the statement of net position will sometimes report a separate section for the deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Commission reported a deferred inflows of resources for the years ending March 31, 2022 and 2021 of \$472,843 and \$659,474 respectively for certain changes in the net pension liability that are required to be amortized over a period of years.

7. *Net position flow assumption*

Sometimes the Commission will fund outlays for a particular purpose from both restricted (i.e. restricted bond or grant proceeds) and unrestricted resources. In order to calculate amounts reported as restricted net position and unrestricted net position, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Commission's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

e. Revenues and expenses

1. *Revenue recognition*

The Commission recognizes revenue from its customers when billed. Charges for electric and water services are billed monthly. All charges are based on actual usage of electric and water as determined by meter readings.

2. *Compensated absences*

Vacation Leave Time. The Commission's policy permits employees to accumulate earned by unused vacation time benefits up to 200 hours, which are eligible for payment upon separation from service. The liability for compensated absences includes salary-related benefits where applicable. As of March 31, 2022 and 2021 a total of \$107,638 and \$124,918 respectively have been recorded as compensated absences payable on the Statement of Net Position.

Sick Leave. The Commission's policy is to permit employees to accumulate unused sick leave up to 2,080 hours. The Commission will pay employees entering retirement up to 720 hours upon retirement. The accumulated liability for compensated absences includes salary-related benefits where applicable. As of March 31, 2022 and 2021 a total of

\$297,258 and \$318,216 respectively have been recorded as compensated absences payable on the Statement of Net Position.

3. *Operating and nonoperating revenues and expenses*

The Statement of Revenues Expenses and Changes in Net Position distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Commission's ongoing operations. The principal operating revenues are charges to customers for water and electric consumption. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

f. Implementation of new accounting principles

The Governmental Accounting Standards Board (GASB) has issued Statement No. 87 *Leases* the implementation of GASB Statement No. 87 was delayed by Statement No. 95 *Postponement of the Effective Dates of Certain Authoritative Guidance* which postponed the effective date, the Commission will be required to report leases in accordance with Statement No. 87 beginning in fiscal year 2023. The impact of this change is expected to be immaterial. GASB issued Statement No. 96 *Subscription Based Information Technology Arrangements* and Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans* both of which are effective for the Commission's fiscal year 2023. Management is reviewing the statements and does not anticipate a material impact on the Commission's financial statements.

II. Detailed notes on all activities

a. Cash deposits and investments with financial institutions

Section 2 of the Commission's charter allows the Treasurer to hold the Commission's funds in one or more separate accounts at such banks and trust companies upon such terms and conditions the Commission prescribes by resolution.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Commission's deposits may not be returned to it. The Commission maintains the following accounts:

Financial Institution	Bank Balance March 31, 2022	Bank Balance March 31, 2021
PNC Bank NA (main operating account)	\$ 102,104	\$ 2,424,603
PNC Bank NA (customer deposits)	-	693,749
PNC Bank NA (escrow account)	-	4,494
M&T Bank NA (checking account)	2,675,824	-
M&T Bank NA (customer deposits)	638,683	-

The Commission does not have a policy for custodial credit risk on deposits. Of the bank balances above, in fiscal year 2022 \$602,104 of the Commission's balances were covered by Federal Deposit Insurance Corporation (FDIC) insurance and the remainder (\$2,814,507) was covered by collateral pledged by M&T Bank and held by an independent custodian (BNY Mellon) per the terms of a tri-party custodial agreement. In fiscal year 2021, only \$250,000 of the Commission's balances were covered by Federal Deposit Insurance Corporation insurance, the remaining balances of \$2,872,846, were uninsured and subject to custodial credit risk.

Custodial credit risk – investments. In the case of investments, this is the risk that in the event of the failure of the counterparty, the Commission will not be able to recover the value of its investments or collateral securities that are in the possession of the outside party. The Commission does not have an investment policy for managing custodial credit risk. The Commission's investment in mutual funds is exempt from risk categorization because the Commission does not own any identifiable securities but is a shareholder of a percentage of the mutual funds. There are no amounts held in uninsured and unregistered investments for which securities are held by the counterparty, or by its safekeeping department or agent.

As of March 31, 2022 and 2021 the Commission invested solely in mutual funds that had a fair value of \$1,221,548 and \$1,257,690 respectively. All of the funds are liquid instruments with a maturity of less than one year. The Commission categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the assets and 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). The three levels of the fair value hierarchy are described below.

- Level 1 – Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets;
- Level 2 – Valuations based on quoted prices for similar assets or liabilities in active markets or identical assets or liabilities in less active markets, such as broker or dealer markets; and
- Level 3 – Valuations derived from techniques in which one or more significant inputs of significant value drivers are unobservable, such as pricing models, discounted cash flow models and similar techniques not based on market, exchange, dealer, or broker traded transactions.

The Commission's investments as of March 31, 2022 and 2021 are categorized in the following table:

Investment Type	March 31, 2022		March 31, 2021	
	Fair Value	Level 1	Fair Value	Level 1
US Agency Bond Fund	\$ 94,961	\$ 94,961	\$ 100,542	\$ 100,542
Total Return Bond Fund	221,721	221,721	454,183	454,183
Total Bond Fund	225,209	225,209	389,614	389,614
Emerging Markets Fund	52,989	52,989	56,295	56,295
Global Multi Sector Bond Fund	168,908	168,908	115,454	115,454
1-3 Year Treasury Bond EFT	445,345	445,345	141,602	141,602
Money Market Mutual Fund	12,415	12,415	-	-
Total	\$1,221,548	\$1,221,548	\$1,257,690	\$1,257,690

Credit risk. The Commission does not have a policy regarding credit risk. The Commission's investments in mutual funds are monitored by the Commission and its investment advisor on the strength of the assets held by the mutual fund and the quality of each fund's management. The mutual funds the Commission is invested in are not rated by a nationally recognized statistical rating organization.

Interest Rate Risk. In the case of investments, interest rate risk is the possibility that an interest rate change could adversely affect an investment's fair value. The Commission has no formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of Credit Risk. Concentration of credit risk is the inability to recover the value of deposits, investments, or collateral securities in the possession of an outside party caused by a lack of diversification (securities acquired from a single issuer). The Commission has no formal investment policy that would limit the amount it may invest in any one issuer.

Foreign Currency Risk. The Commission has no formal investment policy that would limit investments denominated in foreign currencies. However, all mutual funds in the Commission's portfolio that are invested in international equities or bonds are denominated in United States dollars.

b. Receivables

The Commission's policy is to maintain an allowance for doubtful accounts equal to approximately 2.6% of the outstanding electric receivables at the end of the year. Below is the detail of the net receivables for the years ended March 31, 2022 and 2021:

	March 31,	
	2022	2021
Electric service charges receivable	\$544,230	\$410,577
Water service charges receivable	144,015	124,713
Due from other governments	83,419	9,747
Dividends receivable	136	263
	771,800	545,300
Less: allowance for doubtful accounts	13,747	10,530
Total accounts receivable	<u>\$758,053</u>	<u>\$534,770</u>

c. Capital assets

Capital asset activity for the years ended March 31, 2022 and 2021 was as follows:

	Balance April 1, 2021	Increases	Decreases	Balance March 31, 2022
Capital Assets, not being depreciated:				
Land	\$ 45,386	\$ -	\$ -	\$ 45,386
Construction in progress	916,508	-	847,840	68,668
Total capital assets, not being depreciated	961,894	-	847,840	114,054
Capital Assets, being depreciated:				
Buildings	655,326	-	10,343	644,983
Equipment	2,531,674	183,777	348,508	2,366,943
Infrastructure	22,259,102	1,528,956	136,133	23,651,925
Total capital assets, being depreciated	25,446,102	1,712,733	494,984	26,663,851
Less accumulated depreciation for:				
Buildings	355,139	25,337	10,343	370,133
Equipment	1,731,577	222,648	348,508	1,605,717
Infrastructure	12,292,313	433,166	96,477	12,629,002
Total accumulated depreciation	14,379,029	681,151	455,328	14,604,852
Total capital assets being depreciated, net	11,067,073	1,031,582	39,656	12,058,999
Total capital assets, net	\$ 12,028,967	\$ 1,031,582	\$ 887,496	\$ 12,173,053

	Balance April 1, 2020	Increases	Decreases	Balance March 31, 2021
Capital Assets, not being depreciated:				
Land	\$ 45,386	\$ -	\$ -	\$ 45,386
Construction in progress	381,566	1,180,092	645,150	916,508
Total capital assets, not being depreciated	426,952	1,180,092	645,150	961,894
Capital Assets, being depreciated:				
Buildings	641,884	13,442	-	655,326
Equipment	2,379,378	152,296	-	2,531,674
Infrastructure	21,765,546	493,556	-	22,259,102
Total capital assets, being depreciated	24,786,808	659,294	-	25,446,102
Less accumulated depreciation for:				
Buildings	330,719	24,420	-	355,139
Equipment	1,587,822	143,755	-	1,731,577
Infrastructure	11,706,565	585,748	-	12,292,313
Total accumulated depreciation	13,625,106	753,923	-	14,379,029
Total capital assets being depreciated, net	11,161,702	(94,629)	-	11,067,073
Total capital assets, net	\$ 11,588,654	\$ 1,085,463	\$ 645,150	\$ 12,028,967

d. Accrued liabilities

Accrued liabilities reported in the financial statements at March 31, 2022 and 2021 respectively were as follows:

	2022	2021
Salaries & Benefits	\$ 62,482	\$ 58,460
Total accrued liabilities	\$ 62,482	\$ 58,460

e. Defined Benefit Pension Plan

The Commission has a defined benefit pension plan ("the Plan") which covers all of its employees hired before April 1, 2016. The Plan is a single-employer plan administered by Nationwide Retirement Solutions, Inc., independent administrators, acting in accordance with a trust agreement. The plan is funded entirely through a contribution by the Commission. For the years ended March 31, 2022 and 2021, the dollar amount of current payroll used in the determination of the minimal contribution utilized the calendar year payroll of \$1,217,537 and \$1,402,180 respectively. Total payroll for the years ended March 31, 2022 and 2021 was \$1,795,120 and \$1,790,080 respectively.

All full-time Commission employees hired before April 1, 2016 are eligible to participate in the Plan upon employment. Benefits do not vest until the completion of five years of service, at which time the employee is 100% vested. The Commission amended the Normal Retirement Benefit effective July 1, 2000. Non-union participants hired before July 1, 2000 are entitled to the benefit computation resulting in the greater benefit calculated under Option A or B. For union employees, benefits are calculated under Option A only. The full-time Commission employees who retire at or after age 65 with five years of credited service are entitled to benefits calculated under the applicable formula as follows:

- A. 2.0% of final average compensation (average of 60 months) multiplied by continuous years of service with a maximum monthly benefit of \$3,200. As of April 1, 2016, in no event will the monthly benefit under this paragraph (a) exceed \$3,600. The maximum monthly benefit was increased to \$4,400 effective April 1, 2019.
- B. 1.67% of final average compensation multiplied by years of service taken to the nearest twelfth of a year but not more than 75% of final average compensation minus social security benefits payable at age 62, the result multiplied by years of service (maximum 30) divided by 30.

The plan has an early retirement provision for Option A, age 55 and 10 years of service and for Option B, age 55 and 15 years of service with a reduction in the retirement benefit. As of April 1, 2013, a participant aged 55 with 30 years of service will have an early retirement provision with no reduction in the retirement benefit.

Upon the death of an active member who is eligible for retirement, or of an active or terminated vested member, the surviving spouse is entitled to 50% of the benefit the member was receiving or would have received had they retired at the date of death. The benefits are computed as life annuities.

As of April 1, 2016, any newly hired employee will not be eligible to participate in the pension plan. All employees currently participating in the Plan will continue to be eligible to accrue additional pension benefits and vesting service. Any current eligible participant who terminates employment with the Commission after April 1, 2016 and is subsequently rehired will not be eligible to reenter the Plan.

1. *Pension Assets, Liabilities, Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions*

As of March 31, 2022 and 2021, the Plan reported a net pension liability of \$720,830 and \$474,757 respectively. The net pension liability was measured as of March 31, 2022 and 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of March 31, 2022 and 2021. For the years ended March 31, 2022 and 2021, the Plan recognized pension expense in the amount of \$123,109 and \$140,038 respectively.

	<u>2022</u>	<u>2021</u>
Total pension liability	\$ 4,611,308	\$ 4,299,230
Plan fiduciary net position	<u>3,890,478</u>	<u>3,824,473</u>
Commission's net pension liability	<u>\$ 720,830</u>	<u>\$ 474,757</u>
Plan fiduciary net position as a percentage of total pension liability	84.37%	88.96%

Net Pension Liability -The component of the net pension liability of the Commission at March 31, 2022 and 2021 were as follows:

The Commission's changes in total pension liability, plan fiduciary net position, and net pension liability for the years ended March 31, 2022 and 2021 were as follows:

	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
Balance at March 31, 2021	<u>\$ 4,299,230</u>	<u>\$ 3,824,473</u>	<u>\$ 474,757</u>
Changes for the year:			
Service cost	141,017	-	141,017
Interest	290,565	-	290,565
Experience (gain) or loss	160,942	-	160,942
Changes in assumptions	16,140	-	16,140
Benefit payments	(296,586)	(296,586)	-
Employer contributions	-	218,259	(218,259)
Net investment income	-	144,332	(144,332)
Net changes	<u>312,078</u>	<u>66,005</u>	<u>246,073</u>
Balance at March 31, 2022	<u>\$ 4,611,308</u>	<u>\$ 3,890,478</u>	<u>\$ 720,830</u>

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at March 31, 2020	<u>\$ 4,316,382</u>	<u>\$ 2,818,045</u>	<u>\$ 1,498,337</u>
Changes for the year:			
Service cost	142,685	-	142,685
Interest	292,452	-	292,452
Experience (gain) or loss	(170,924)	-	(170,924)
Changes in assumptions	(13,451)	-	(13,451)
Benefit payments	(267,914)	(267,914)	-
Employer contributions	-	261,078	(261,078)
Net investment income	-	1,013,264	(1,013,264)
Net changes	<u>(17,152)</u>	<u>1,006,428</u>	<u>(1,023,580)</u>
Balance at March 31, 2021	<u>\$ 4,299,230</u>	<u>\$ 3,824,473</u>	<u>\$ 474,757</u>

2. *Contributions and Investment Disclosures*

Minimum annual funding requirements of the Plan are determined under the aggregate cost funding method. This method determines annual cost by fully funding the Plan's present value of future benefits over the average future working lifetime of active Plan participants as a level percentage of expected future salaries. The Commission's funding policy is to contribute an amount at least equal to the Plan's minimum funding requirement. Additional contributions may be made at the discretion of the Commission.

Once money is contributed to the Plan, the money is invested in accordance with the policy adopted by the Commission's Board. Generally speaking, the investment policy provides the fiduciaries who are responsible for plan investments with guidelines or general instructions concerning various types or categories of investment management decisions.

The Commission has defined acceptable allocation ranges and performance benchmarks by asset class within the investment policy. The portfolio should be invested with care, skill, and diligence of a prudent person within the prescribed allocation ranges in order to limit potential underperformance and minimize the likelihood of low or negative returns. The investment objectives are long-term and designed to maximize return without the undue exposure to risk.

The long-term expected rate of return on plan investments is 7.00%. This rate is supported using a building-block method in which expected real rates of return (i.e. expected return net of inflation and investment expenses) are developed for each major asset class. These rates are combined by weighting the expected real rates by the target asset allocation and adding expected inflation. The target allocation and current estimates of the real rates of return for each major asset class are summarized below.

Target Asset Class	Expected Real Allocation	Rate of Return
Domestic equity	48%	5.00%
International equity	14%	5.25%
Fixed income	35%	2.75%
Real estate	3%	4.75%
Cash	0%	2.00%

Over the long-term, inflation is expected to add 2.0% to 2.5% in portfolio return.

All plan investments are regularly traded and valued daily. Investments are reported based on the fair market value as of the measurement date.

As of March 31, 2022 and 2021, five percent or more of plan assets were held in the following individual funds:

Investment Fund	2022	2021
Nationwide Fixed Fund	24.6%	25.0%
Vanguard Mid-Cap Index	13.4%	13.0%
American Funds AMCAP	7.2%	6.0%
American Funds American Mutual	7.2%	7.3%
MFS Growth Fund	6.2%	5.9%
American Funds EuroPacific Growth	5.8%	5.8%
Vanguard Equity 500 Index	5.2%	5.1%

3. *Discount Rate and Liability Disclosures*

The discount rate used to measure the total pension liability is 7.00%.

Minimum annual funding requirements are calculated in accordance with the aggregate funding method. Required annual funding is an amount intended to increase plan funding to 100% of total expected future benefit liability over active participants' average working lifetime. Annual funding can be no less than the amount required to make retiree benefit payments in the current year.

Based on the level of expected annual funding, the Plan's fiduciary net position is projected to be available to make all projected future benefit payments to current active and inactive plan members. Therefore, the long-term expected rate of return on pension investments is used to determine the total pension liability.

The most recent actuarial valuation of the Plan is as of March 31, 2022. The Commission's current normal cost rate (value of benefits being earned in the current fiscal year) is under the Entry Age Normal funding method was determined to be 12.59% of annual covered payroll.

As of March 31, 2022, the Plan covered a total of 32 participants including 12 active plan members, 14 retirees and beneficiaries receiving benefits from the Plan, and 6 terminated members who are entitled to future benefits.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Liability experience	\$ 194,990	\$ (259,457)
Assumption changes	124,174	(11,669)
Investment experience	-	(201,717)
	<u>\$ 319,164</u>	<u>\$ (472,843)</u>

The total pension liability of the Plan is sensitive to changes in the liability discount rate. An increase in the discount rate would reduce total pension liability (and vice versa) as well as the Plan's net pension liability. The chart below shows the Plan's estimated net pension liability as of March 31, 2022 and 2021, as well as the impact of a one percent increase or decrease in discount rate.

Net Pension Liability	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
As of March 31, 2022	\$ 1,301,369	\$ 720,830	\$ 244,641
As of March 31, 2021	\$ 1,027,169	\$ 474,757	\$ 21,822

4. *Deferred Amounts and Plan Change Disclosures*

As of March 31, 2022 the Commission reported deferred outflows and inflows of resources related to the Plan as summarized below. These deferred items will be recognized in future pension expense.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Liability experience	\$ 194,990	\$ (259,457)
Assumption changes	124,174	(11,669)
Investment experience	-	(201,717)
	<u>\$ 319,164</u>	<u>\$ (472,843)</u>

As of March 31, 2021, the Commission reported deferred outflows and inflows of resources related to the Plan as summarized below. These deferred items will be recognized in future pension expense and are detailed in the schedule of deferred gains and losses.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Liability experience	\$ 47,696	\$ (279,358)
Assumption changes	117,140	(12,560)
Investment experience	-	(367,556)
	<u>\$ 164,836</u>	<u>\$ (659,474)</u>

The amounts shown above, will be recognized in pension expense as follows:

Year ending March 31,	Expense
2023	\$ (30,807)
2024	(51,930)
2025	(137,221)
2026	26,089
2027	1,962
Thereafter	38,228
Total	<u>\$ (153,679)</u>

During the period of plan history shown in this report, the following changes in valuation assumptions and/or benefit terms have occurred:

- Assumed mortality was updated from the Male UP-94 Table projected to 2001 sex-distinct IRS Static Tables as of January 1, 2011 and updated to the most recent table each year thereafter.
- Part (a) maximum monthly benefits were increased from \$1,800 to \$2,000 on April 1, 2008, \$2,400 on April 1, 2010, \$3,200 on April 1, 2013, \$3,600 on April 1, 2016 and \$4,400 on April 1, 2019.
- An unreduced early retirement benefit with 30 or more years of service was added to the Plan on April 1, 2013. As a result, an assumed retirement age of 60 with 30 or more years of service was added to the valuation of April 1, 2013.
- Benefits for non-union employees hired on or after July 1, 2000 will be greater of the part (a) or part (b) benefit effective July 1, 2019.

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is available in a separately issued report and is available upon request by writing to:

Municipal Service Commission
PO Box 208
New Castle, DE 19720
Attn: Comptroller

f. Defined contribution plan

The Commission offers employees hired after April 1, 2016 a deferred compensation plan created in accordance with Internal Revenue Code Section 401(a). The Commission also offers a deferred compensation plan to all employees created in accordance with Internal Revenue Code Section 457(b). The Plans permit employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, or death.

For employees hired after April 1, 2016 and have completed one year of service: The Commission contributes 4% of their salary to a 401(a) account. Additionally, for those employees who contribute to a 457(b) account, the Commission provides a matching contribution up to 3% of the employees' salary to their 401(a) account, for a maximum

employer contribution of 7%. Commission contributions to the plan for union employees are outlined in the collective bargaining agreement. All Commission contributions are fully vested at the time they are made and there are no forfeiture provisions.

During the years ended March 31, 2022 and 2021 there were 21 and 19 employees who participated in and made contributions to the plans respectively. Employees made contributions during the years ended March 31, 2022 and 2021 of \$89,827 and \$96,624 respectively, while the Commission made contributions of \$17,327 and \$19,669. All Commission contributions were paid each week as part of the normal payroll process.

All amounts of compensation deferred and Commission contributions under the plan as well as all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are solely the property and rights of the participants. The Commission has no liability for losses under the plans.

Investments are managed by the plan's administrator, Nationwide Retirement Solutions, Inc., under several different investment options, or combinations thereof. The choice of the investment option(s) is made by the participants.

g. Construction and other significant commitments

The Commission routinely contracts with third parties related to additions or repairs to the Commission's infrastructure. As discussed earlier in note I.c. *Budgetary Information*, the encumbrances and related appropriations technically lapse at the end of the year, but are re-appropriated and become part of the subsequent year's budget because performance under the executory contract is expected in the next year.

h. Risk management

The Commission is exposed to various risks related to torts: theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Commission's risk financing techniques include the purchase of commercial insurance. During the years ended March 31, 2022 and 2021, there were no significant reduction in insurance coverage. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three years.

i. Noncurrent liabilities & legal debt margin

Section 3(g) of the Commission's charter empowers the Commission to issue revenue bonds or other debt obligations in the name of the Commission that are not backed by the full faith and credit of the City of New Castle. The Commission is required to provide 30 days' notice to the City Council of its intention to issue such obligations.

Legal Debt Margin

The Commission's charter states that the maximum amount of outstanding debt shall not exceed the annual gross revenues of the Commission for the year preceding the issuance of

such debt. For fiscal years 2022 and 2021, the legal debt limit was \$11,308,601 and \$11,060,448 respectively. As of March 31, 2022 and 2021 the Commission did not have outstanding debt.

As of March 31, 2022 the Commission settled on a State Drinking Water Revolving Loan Fund loan in the amount of \$1,011,110 with a 20 year term for replacing the Commission's Advanced Meter Reading system with an Advanced Metering Infrastructure system. The loan carries a 2% interest rate and contains provisions for \$623,000 in principal forgiveness at the completion of the project. The loan is secured by the Commission's water revenues and requires the Commission to maintain a debt coverage ratio of 1.2. Events triggering default on the loan would include failure to pay principal and interest, failing to maintaining adequate debt coverage ratios or insurance coverage, or filing bankruptcy. In the event of default, the outstanding balance can be accelerated and become due and payable immediately. As of March 31, 2022, no loan proceeds have been drawn nor have any expenses related to the project been incurred.

As of March 31, 2022 the Commission has a signed agreement with the Delaware Municipal Electric Corporation (DEMEC) for DEMEC to finance up to \$665,000 in order to replace the Commission's Advanced Meter Reading system with an Advanced Metering Infrastructure system over a period of 10 years at an interest rate to be determined when DEMEC issues the bond for the Commission. As of March 31, 2022, no loan proceeds have been drawn nor have any expenses related to the project been incurred.

Funding Sources for other non-debt related liabilities

Compensated absences liabilities, and net pension liabilities are liquidated by the fund that incurred the personnel cost (i.e. water or electric).

Changes in non-current liabilities

Changes in the Commission's noncurrent liabilities for the year ended March 31, 2022 and 2021 are as follows:

	Balance			Balance	Due Within
	April 1, 2021	Increases	Decreases	March 31, 2022	One Year
Compensated Absences	443,134	302,554	340,798	404,890	10,525
Net pension liability	474,757	729,303	483,230	720,830	-
Long-term liabilities	<u>\$ 917,891</u>	<u>\$ 1,031,857</u>	<u>\$ 824,028</u>	<u>\$ 1,125,720</u>	<u>\$ 10,525</u>

	Balance			Balance	Due Within
	April 1, 2020	Increases	Decreases	March 31, 2021	One Year
Compensated Absences	\$ 396,693	\$ 57,761	\$ 11,320	\$ 443,134	\$ 59,699
Net pension liability	1,498,337	435,137	1,458,717	474,757	-
Long-term liabilities	<u>\$ 1,895,030</u>	<u>\$ 492,898</u>	<u>\$ 1,470,037</u>	<u>\$ 917,891</u>	<u>\$ 59,699</u>

j. Net position

Minimum net position policy. While the Commission does not have a formal policy for net position, it strives to maintain an unrestricted cash position of 90-120 days expenditures to

provide fiscal stability. As of March 31, 2022 and 2021 days cash on hand was 119 and 118 respectively.

k. Interfund receivables and payables

Interfund receivables and payables are usually used by the Commission to cover temporary cash deficits in individual funds until grant or similar resources are received. Occasionally, these receivables and payables are used in lieu of short-term external borrowing for capital projects. The composition of interfund balances as of March 31, 2022 and 2021 were as follows:

Receivable Fund	Payable Fund	March 31, 2022	March 31, 2021
Electric Fund	Water Fund	\$ 843,636	\$ 1,710,919

l. Joint ventures

The Delaware Municipal Electric Corporation, Inc. – The Commission is a member of the Delaware Municipal Electric Corporation (DEMEC). DEMEC is a public corporation constituted as a Joint Action Agency and wholesale electric utility. DEMEC was established in 1979 and represents eight municipal electric distribution utilities located in the State of Delaware and provides full requirements wholesale electric power supply service to the members, including the Commission, through the operation of owned generation assets and various wholesale supply contracts with external parties.

The Commission purchases 100% of its electric supply requirements from DEMEC under a long-term full requirements service contract that became effective January 1, 2000 and which will remain in effect unless terminated upon 60 days written notice by either party. The obligation of the Commission to pay for full requirements service, including its allocated costs under any then current forward contract for capacity and energy between DEMEC and a third party in effect as of the date of the notice of termination, shall survive the termination of the agreement.

On May 1, 2001, the Commission entered into separate power sales agreements to purchase an 8.9% interest in the capacity produced by Unit 1 of the Warren F. “Sam” Beasley Power Station located in Smyrna, Delaware, owned by DEMEC. The Commission is entitled to 8.9% of all power supply and ancillary products generated from the existing nominal 45 MW natural gas fired combustion turbine generator for the useful life of the facility.

On May 1, 2011, the Commission entered into separate power sales agreements to purchase a 7.15% interest in the capacity produced by Unit 2 of the Warren F. “Sam” Beasley Power Station located in Smyrna, Delaware, owned by DEMEC. The Commission is entitled to 7.15% of all power supply and ancillary products generated from the existing nominal 50 MW natural gas fired combustion turbine generator for the useful life of the facility.

Under the terms of various agreements, DEMEC is authorized to act as agent for the Commission in all matters relating to the acquisition and delivery of its wholesale power

supply and management of energy cost risk on behalf of the Commission in the deregulated energy markets.

In January 2008, the Commission amended their full power purchase agreement with DEMEC to allow DEMEC to build a second substation in the City and sell to the Commission transformation services from the new substation. The Commission is required to purchase these services until December 2022 when the bonds issued by DEMEC to finance the project are retired. Both the debt and the asset are recorded in DEMEC's financial statements. In December of 2022, when the debt is retired, the agreement allows the Commission a bargain purchase option to purchase the substation from DEMEC for one dollar. The Commission has been recording a deferred outflow of resources as detailed in Note I.d.6 *Deferred Outflows/Inflows of Resources*. Future minimum payments to DEMEC through December 2022 under the amended full power purchase agreement as it relates to the substation are \$289,693.

During the years ended March 31, 2022 and 2021, the expense related to the purchase of power under the full purchase of power agreement with DEMEC is \$6,118,440 and \$5,950,203 respectively. The amount payable to DEMEC at 2022 and 2021 year end was \$530,830 and \$448,243 respectively. At times, the Commission may be required to provide advances to DEMEC to cover cash collateral calls as a result of forward power purchase positions. There were no such advances for the years ended March 31, 2022 and 2021.

Complete financial statements for DEMEC can be obtained on its website www.demecinc.net.

m. Deficits

As of March 31, 2022 and 2021, the water fund had a deficit in unrestricted net position of \$1,032,736 and \$1,954,148 respectively. This deficit is expected to be eliminated in the coming years through increased rates and normal operations.

n. Related party transactions

The Commission is a component unit of the Mayor and Council of the City of New Castle. Section 12 of the Commission's charter requires the Commission to pay to the City an appropriation of 6% of the Commission's previous fiscal year's audited annual user charges to be paid quarterly. In fiscal years 2022 and 2021, the Commission paid the City \$652,046 and \$661,687 respectively.

Section 12 of the Commission's charter also specifies that the City shall be charged for electric consumption at the same rate the Commission pays for purchase of power. In fiscal years 2022 and 2021, the City paid the Commission \$43,990 and \$43,052 for electric consumption.

Section 12 of the Commission's charter further specifies that the City shall not be charged for water consumption. The Commission records an appropriation to the City in an amount equal to what the City would have been charged for water consumption. In fiscal years 2022 and 2021 that amount was \$35,057 and \$26,131 respectively.

From time to time, the Commission will provide labor and equipment to the City and Trustees of the New Castle Common for certain projects at no cost. The cost of this labor and equipment is recorded as a special appropriation to the City. In fiscal years 2022 and 2021 that amount was \$111,779 and \$34,171 respectively.

o. Agreements

The Commission has an interconnection agreement with Artesian Water, Inc. to purchase water for resale to the Boothhurst Subdivision on the north side of the City. During fiscal years 2022 and 2021, the Commission paid Artesian Water, Inc \$24,187 and \$25,240 respectively.

A portion of the Commission's labor force is comprised of union employees who are employed under the terms of a collectively bargained compensation agreement which lasts for three years. The collective bargaining agreement covers approximately 58% and 45% of the Commission's workforce for the years ended March 31, 2022 and 2021 respectively. The current agreement will expire on March 31, 2024.

p. Significant customers

Approximately 8.7% and 10.0% of the Commission's net operating revenues are from a single customer for the years ended March 31, 2022 and 2021 respectively.

q. Environmental issues

The Commission is subject to laws and regulations relating to the protection of the environment. The Commission's policy is to accrue environmental clean-up related costs of a non-capital nature when it is both probable that a liability has been incurred and when the amount can be reasonably estimated. Although it is not possible to quantify with any degree of certainty the potential financial impact of the Commission's continuing compliance efforts, management believes any future remediation or other compliance-related costs will not have a material adverse effect on the financial condition or reported results of operations of the Commission.

In August of 2014, the Commission was ordered to shut down its water supply wells by the United States Environmental Protection Agency (EPA) and the Delaware Division of Public Health, Office of Drinking Water (ODW) because two unregulated contaminants were found by the Commission to be above EPA established Health Advisory Levels of 70 parts per trillion. During fiscal years 2014 to 2016, the Commission worked with ODW and the United States Department of Agriculture to secure partial funding for a carbon filtration system that was proven to filter out the Perfluorooctane Sulfonic Acid (PFOS) and Perfluorooctanoic Acid (PFOA) contaminants to a "non-detectable" level in laboratory testing.

The EPA and Delaware Department of Natural Resources and Environmental Control (DNREC) are conducting a joint investigation to determine the source of the contamination. The investigation is ongoing at this time with no estimated completion date. Absent the results of the investigation into the contamination source and past experience, management

anticipates the outcome will not have a significant negative effect on the Commission's financial position or operational capacity.

r. Subsequent events

In preparing the accompanying financial statements, the Commission has evaluated events and transactions for potential recognition through August 4, 2022, the date the financial statements were available to be issued.



Photo Credit: Paula McHugh, MSC Customer Service Supervisor

Required Supplementary Information

Municipal Services Commission of the City of New Castle
(A Component Unit of the City of New Castle, Delaware)
Schedule of the Net Pension Liability, Related Ratios and Investment Returns
Last Ten Fiscal Years

	2022	2021	2020	2019	2018
TOTAL PENSION LIABILITY					
Service Cost	\$ 141,017	\$ 142,685	\$ 171,999	\$ 84,928	\$ 121,509
Interest on total pension liability	290,565	292,452	274,195	262,991	248,860
Experience (gain) or loss	160,942	(170,924)	40,015	15,067	(17,745)
Effect of assumption changes or inputs	16,140	(13,451)	2,158	10,139	119,169
Plan benefit changes	-	-	51,203	64,550	-
Benefit payments	(296,586)	(267,914)	(278,863)	(273,734)	(272,991)
Net change in total pension liability	312,078	(17,152)	260,707	163,941	198,802
Total pension liability, beginning	4,299,230	4,316,382	4,055,675	3,891,734	3,692,932
Total pension liability, ending	<u>\$4,611,308</u>	<u>\$ 4,299,230</u>	<u>\$4,316,382</u>	<u>\$4,055,675</u>	<u>\$3,891,734</u>
Fiduciary Net Position					
Employer Contributions	218,259	261,078	235,233	201,749	254,642
Investment income(loss) net of investment expenses	144,332	1,013,264	(212,719)	104,910	257,584
Benefit payments	(296,586)	(267,914)	(278,863)	(273,734)	(272,991)
Net change in fiduciary net position	66,005	1,006,428	(256,349)	32,925	239,235
Fiduciary net position, beginning	3,824,473	2,818,045	3,074,394	3,041,469	2,802,234
Fiduciary net position, ending	<u>\$3,890,478</u>	<u>\$ 3,824,473</u>	<u>\$2,818,045</u>	<u>\$3,074,394</u>	<u>\$3,041,469</u>
Net pension liability	<u>\$ 720,830</u>	<u>\$ 474,757</u>	<u>\$1,498,337</u>	<u>\$ 981,281</u>	<u>\$ 850,265</u>
Plan fiduciary net position as a percentage of total pension liability	84.37%	88.96%	65.29%	75.80%	78.15%
Covered payroll	1,217,537	1,402,180	1,424,474	1,306,758	1,327,758
Net pension liability as a percentage of covered payroll	59.20%	33.86%	105.19%	75.09%	64.04%
Annual money-weighted return, net of investment expenses	3.81%	36.00%	-6.97%	3.49%	9.22%

The above schedule is intended to show information for ten years. Additional years' information will be displayed as they become available.

The notes to the financial statements are an integral part of this schedule.

Municipal Services Commission of the City of New Castle
(A Component Unit of the City of New Castle, Delaware)
Schedule of Employer Contributions

Fiscal Year Ended	Annual Required Contribution	Employer Contribution	Contribution Deficiency/(Excess)	Covered Payroll	Contributions as a % of Payroll
03/31/2009	\$ 70,320	\$ 70,320	0	1,116,936	6.30%
03/31/2010	157,856	157,856	0	1,173,679	13.45%
03/31/2011	147,397	147,397	0	1,244,468	11.84%
03/31/2012	154,457	154,457	0	1,272,957	12.13%
03/31/2013	152,340	177,554	(25,214)	1,260,942	14.08%
03/31/2014	203,177	215,784	(12,607)	1,307,399	16.50%
03/31/2015	210,053	210,053	0	1,140,106	18.42%
03/31/2016	175,827	200,000	(24,173)	1,303,130	15.35%
03/31/2017	212,736	212,736	0	1,366,918	15.56%
03/31/2018	204,642	254,642	(50,000)	1,327,758	19.18%
03/31/2019	201,749	201,749	0	1,306,758	15.44%
03/31/2020	235,233	235,233	0	1,424,474	16.51%
03/31/2021	261,078	261,078	0	1,402,180	18.62%
03/31/2022	218,259	218,259	0	1,217,537	17.93%

Notes: Annual required contributions shown above are based on fully funding the present value of future benefits over the period determined by the present value of future salaries divided by estimated current payroll (13.78 years as of the April 1, 2022 valuation).

Covered payroll shown is for the calendar year ending before the fiscal year end.

Prior to the fiscal year ending March 31, 2014, valuations were completed on a calendar year basis. Results shown for prior fiscal years are based on the valuation reports and have not been adjusted.

Additional contributions shown in fiscal 2013 and 2014 are a result of valuations changing from a calendar year to a fiscal year basis.



Photo Credit: Paula McHugh, MSC Customer Service Supervisor

Supplementary Information

Municipal Services Commission of the City of New Castle
(A Component Unit of the City of New Castle, Delaware)
Combining Schedules of Net Position by Fund
March 31, 2022 and 2021

	Water		Electric		Total	
	2022	2021	2022	2021	2022	2021
ASSETS:						
Current assets:						
Cash and equivalents	\$ -	\$ -	\$ 2,514,386	\$ 2,440,199	\$ 2,514,386	\$ 2,440,199
Investments	183,233	188,654	1,038,315	1,069,036	1,221,548	1,257,690
Accounts receivable, net	153,203	129,655	604,850	405,115	758,053	534,770
Inventories	104,230	88,556	656,388	603,624	760,618	692,180
Prepays	59,375	58,005	109,874	70,897	169,249	128,902
Restricted cash	-	-	645,790	698,934	645,790	698,934
Total current assets	500,041	464,870	5,569,603	5,287,805	6,069,644	5,752,675
Noncurrent assets:						
Capital assets not being depreciated:						
Land	45,386	45,386	-	-	45,386	45,386
Construction in progress	67,293	400,499	1,375	516,009	68,668	916,508
Capital assets net of accumulated depreciation:						
Buildings	127,393	138,887	147,457	161,300	274,850	300,187
Equipment	298,940	239,629	462,286	560,468	761,226	800,097
Infrastructure	7,079,992	7,347,211	3,942,931	2,619,578	11,022,923	9,966,789
Total noncurrent assets	7,619,004	8,171,612	4,554,049	3,857,355	12,173,053	12,028,967
DEFERRED OUTFLOWS OF RESOURCES						
Pension	143,624	74,176	175,540	90,660	319,164	164,836
Regulatory accounting - substation	-	-	3,436,566	3,124,345	3,436,566	3,124,345
Total deferred outflows	143,624	74,176	3,612,106	3,215,005	3,755,730	3,289,181

(Continued)

Municipal Services Commission of the City of New Castle
(A Component Unit of the City of New Castle, Delaware)
Combining Schedules of Net Position by Fund
March 31, 2022 and 2021

	Water		Electric		Total	
	2022	2021	2022	2021	2022	2021
LIABILITIES						
Current liabilities:						
Accounts payable	35,728	16,739	561,648	575,266	597,376	592,005
Accrued liabilities	28,927	26,307	33,555	32,153	62,482	58,460
Customer deposits	-	-	645,790	698,934	645,790	698,934
Compensated absences	5,109	29,253	5,416	30,446	10,525	59,699
Due to other funds	843,636	1,710,919	(843,636)	(1,710,919)	-	-
Total current liabilities	913,400	1,783,218	402,773	(374,120)	1,316,173	1,409,098
Noncurrent liabilities:						
Compensated absences	225,849	199,572	168,516	183,863	394,365	383,435
Net pension liability	324,373	213,641	396,457	261,116	720,830	474,757
Total noncurrent liabilities	550,222	413,213	564,973	444,979	1,115,195	858,192
Total liabilities						
DEFERRED INFLOWS OF RESOURCES						
Pension	212,779	296,763	260,064	362,711	472,843	659,474
Total deferred inflows	212,779	296,763	260,064	362,711	472,843	659,474
NET POSITION						
Investment in capital assets	7,619,004	8,171,612	4,554,049	3,857,355	12,173,053	12,028,967
Unrestricted	(1,032,736)	(1,954,148)	7,953,899	8,069,240	6,921,163	6,115,092
Total net position	<u>\$ 6,586,268</u>	<u>\$ 6,217,464</u>	<u>\$ 12,507,948</u>	<u>\$ 11,926,595</u>	<u>\$ 19,094,216</u>	<u>\$ 18,144,059</u>

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

Municipal Services Commission of the City of New Castle
(A Component Unit of the City of New Castle, Delaware)
Combining Schedules of Revenues, Expenses, and Changes in Net Position by Fund
March 31, 2022 and 2021

	Water		Electric		Total	
	2022	2021	2022	2021	2022	2021
Operating Revenues:						
Charges for services	\$ 2,254,039	\$ 1,994,440	\$ 8,969,087	\$ 8,988,195	\$11,223,126	\$10,982,635
Miscellaneous	48,457	20,983	45,018	56,830	93,475	77,813
Total operating revenues	2,302,496	2,015,423	9,014,105	9,045,025	11,316,601	11,060,448
Less: free service	(3,474)	(2,853)	(4,997)	(4,555)	(8,471)	(7,408)
Net operating revenues	2,299,022	2,012,570	9,009,108	9,040,470	11,308,130	11,053,040
Purchase of water and power	24,187	25,240	6,118,440	5,950,203	6,142,627	5,975,443
Operating Expenses						
Salaries and benefits	993,611	1,097,725	1,050,824	1,213,792	2,044,435	2,311,517
Repairs and maintenance	66,115	78,331	94,666	17,384	160,781	95,715
Supplies	73,472	51,001	18,836	66,186	92,308	117,187
Utilities	35,061	35,351	22,779	20,689	57,840	56,040
Insurance	65,959	76,799	77,871	66,902	143,830	143,701
Professional fees	51,787	32,295	106,282	38,708	158,069	71,003
Administrative	45,428	66,130	47,151	113,034	92,579	179,164
Depreciation	362,459	436,666	318,692	317,257	681,151	753,923
Total operating expenses	1,693,892	1,874,298	1,737,101	1,853,952	3,430,993	3,728,250
Operating income (loss)	580,943	113,032	1,153,567	1,236,315	1,734,510	1,349,347

(Continued)

Municipal Services Commission of the City of New Castle
(A Component Unit of the City of New Castle, Delaware)
Combining Schedules of Revenues, Expenses, and Changes in Net Position by Fund
March 31, 2022 and 2021

	Water		Electric		Total	
	2022	2021	2022	2021	2022	2021
Nonoperating revenues (expenses):						
Net investment income	3,696	6,686	23,090	39,031	26,786	45,717
Realized gain (loss) on investments	458	3,669	2,597	20,790	3,055	24,459
Unrealized gain(loss) on investments	(9,046)	840	(53,506)	4,759	(62,552)	5,599
Gain (loss) on disposal of assets	(35,265)	-	(15,512)	-	(50,777)	-
Grant income	80,216	14,075	54,553	17,322	134,769	31,397
Grant Expense	(11,816)	(6,348)	-	(16,985)	(11,816)	(23,333)
Miscellaneous	(27,302)	(3,019)	(182)	(1,651)	(27,484)	(4,670)
Appropriations to Mayor & Council of New Castle						
Ordinary	(117,778)	(117,986)	(534,268)	(543,701)	(652,046)	(661,687)
City Services	(35,057)	(26,131)	-	-	(35,057)	(26,131)
Special	(60,245)	(8,924)	(51,534)	(25,247)	(111,779)	(34,171)
Total nonoperating revenues (expenses)	<u>(212,139)</u>	<u>(137,138)</u>	<u>(574,762)</u>	<u>(505,682)</u>	<u>(786,901)</u>	<u>(642,820)</u>
Income before capital contributions	368,804	(24,106)	578,805	730,633	947,609	706,527
Capital Contributions	-	39,929	2,548	-	2,548	39,929
Change in net position	368,804	15,823	581,353	730,633	950,157	746,456
Net position - beginning	6,217,464	6,201,641	11,926,595	11,195,962	18,144,059	17,397,603
Net position - ending	<u>\$ 6,586,268</u>	<u>\$ 6,217,464</u>	<u>\$12,507,948</u>	<u>\$11,926,595</u>	<u>\$19,094,216</u>	<u>\$18,144,059</u>

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

Municipal Services Commission of the City of New Castle
(A Component Unit of the City of New Castle, Delaware)
Combining Schedules of Cash Flows by Fund
March 31, 2022 and 2021

	WATER		ELECTRIC		TOTAL	
	2022	2021	2022	2021	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers	\$ 2,280,185	\$ 2,010,405	\$ 8,717,476	\$ 9,115,057	\$10,997,661	\$11,125,462
Payments to suppliers for goods and services	(360,064)	(381,882)	(6,853,794)	(6,579,709)	(7,213,858)	(6,961,591)
Payments to employees for salaries and benefits	(1,033,802)	(1,117,150)	(1,144,727)	(1,257,149)	(2,178,529)	(2,374,299)
Net cash provided by (used for) operating activities	886,319	511,373	718,955	1,278,199	1,605,274	1,789,572
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Appropriations to the Mayor and Council of New Castle	(178,023)	(126,910)	(585,802)	(568,948)	(763,825)	(695,858)
Transfers from (to) other funds	(1,007,848)	(278,433)	1,007,848	278,433	-	-
Net cash provided by (used for) non capital financing activities	(1,185,871)	(405,343)	422,046	(290,515)	(763,825)	(695,858)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Acquisition and construction of capital assets	326,665	(107,161)	(1,151,082)	(1,010,414)	(824,417)	(1,117,575)
CASH FLOWS FROM INVESTING ACTIVITIES						
Dividends	585	1,131	3,426	(7,510)	4,011	(6,379)
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	27,698	-	(6,655)	(30,240)	21,043	(30,240)
CASH AND CASH EQUIVALENTS, BEGINNING	-	-	3,139,133	3,169,373	3,139,133	3,169,373
(includes restricted cash: 2021 - \$698,934 and 2020 \$ 748,777)						
CASH AND CASH EQUIVALENTS, ENDING	\$ 27,698	\$ -	\$ 3,132,478	\$ 3,139,133	\$ 3,160,176	\$ 3,139,133
(includes restricted cash: 2022 - \$645,790 and 2021 \$ 698,934)						

(Continued)

Municipal Services Commission of the City of New Castle
(A Component Unit of the City of New Castle, Delaware)
Combining Schedules of Cash Flows by Fund
March 31, 2022 and 2021

	WATER		ELECTRIC		TOTAL	
	2022	2021	2022	2021	2022	2021
Reconciliation of operating income(loss) to net cash provided by (used for) operating activities:						
Operating income (loss)	\$ 580,943	\$ 113,032	\$ 1,153,567	\$ 1,236,315	\$ 1,734,510	\$ 1,349,347
Adjustments:						
Depreciation	362,459	282,448	318,692	471,475	681,151	753,923
Bad debt	-	-	22,575	8,663	22,575	8,663
MSC charges for water and electric consumption	41	(208)	(38,632)	(38,412)	(38,591)	(38,620)
(Increase) decrease in:						
Accounts receivable	(20,690)	10,469	(199,856)	162,842	(220,546)	173,311
Inventory	(15,674)	7,649	(52,764)	7,331	(68,438)	14,980
Prepaid expenses	(1,370)	(5,374)	(38,977)	(6,570)	(40,347)	(11,944)
Deferred outflows - pension	(69,448)	167,130	(84,880)	204,271	(154,328)	371,401
Deferred outflows - regulatory accounting	-	-	(312,221)	(305,492)	(312,221)	(305,492)
Increase (decrease) in:						
Accounts payable	18,557	(26,530)	10,876	(10,550)	29,433	(37,080)
Accrued expenses	2,620	3,116	1,402	3,809	4,022	6,925
Accrued compensated absences	2,133	29,726	(40,377)	16,715	(38,244)	46,441
Customer deposits	-	-	(53,144)	(49,842)	(53,144)	(49,842)
Net pension liability	110,732	(309,097)	135,341	(714,483)	246,073	(1,023,580)
Deferred inflows - pension	(83,984)	239,012	(102,647)	292,127	(186,631)	531,139
Total Adjustments	<u>305,376</u>	<u>398,341</u>	<u>(434,612)</u>	<u>41,884</u>	<u>(129,236)</u>	<u>440,225</u>
Net cash provided (used) by operating activities	<u>\$ 886,319</u>	<u>\$ 511,373</u>	<u>\$ 718,955</u>	<u>\$ 1,278,199</u>	<u>\$ 1,605,274</u>	<u>\$ 1,789,572</u>
Schedule of non-cash investing, capital and related financing activities:						
Increase (decrease) in fair value of investments	(5,471)	10,055	(31,124)	58,118	(36,595)	68,173
Contributions of capital assets	-	39,929	2,548	-	2,548	39,929
Appropriation to Mayor and Council	(35,057)	(26,131)	-	-	(35,057)	(26,131)

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



Photo Credit: Paula McHugh, MSC Customer Service Supervisor

Statistical Section

The Statistical Section fully incorporates information mandated by Governmental Accounting Standards Board (GASB) Statement No. 44, *Economic Condition Reporting: The Statistical Section*. This section presents detailed information for the Commission in the following areas, which provide a context for understanding what the information in the Financial Section says about the Commission's overall financial health.

FINANCIAL TRENDS – Information to help the reader understand how the Commission's financial performance and well-being have changed over time.

REVENUE CAPACITY – Information to help the reader assess the Commission's most significant revenue sources.

DEBT CAPACITY – Information to help the reader assess the affordability of the Commission's current levels of outstanding debt and the Commission's ability to issue additional debt in the future.

DEMOGRAPHIC AND ECONOMIC INFORMATION – Indicators to help the reader understand the environment within which the Commission's financial activities take place.

OPERATING INFORMATION – Service and infrastructure data to help the reader understand how the information in the Commission's financial report relates to the services the Commission provides and the activities it performs.

Many of the tables cover more than two fiscal years and present data from outside the accounting records. Therefore, the Statistical Section is Unaudited.

Municipal Services Commission of the City of New Castle
(A Component Unit of the City of New Castle, Delaware)
Financial Trends: Net Position by Component
Last Ten Fiscal Years

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Investment in										
Capital Assets	\$ 8,748,810	\$ 9,121,188	\$ 9,471,645	\$ 10,529,008	\$ 10,736,178	\$ 11,123,073	\$ 11,105,014	\$ 11,588,654	\$ 12,028,967	\$ 12,173,053
Unrestricted	<u>3,104,159</u>	<u>3,894,731</u>	<u>3,854,785</u>	<u>2,744,312</u>	<u>4,651,749</u>	<u>4,743,581</u>	<u>5,682,982</u>	<u>5,808,949</u>	<u>6,115,092</u>	<u>6,921,163</u>
Total Net Position	<u>\$ 11,852,969</u>	<u>\$ 13,015,919</u>	<u>\$ 13,326,430</u>	<u>\$ 13,273,320</u>	<u>\$ 15,387,927</u>	<u>\$ 15,866,654</u>	<u>\$ 16,787,996</u>	<u>\$ 17,397,603</u>	<u>\$ 18,144,059</u>	<u>\$ 19,094,216</u>

Accounting standards require that net position be reported in three components in the financial statements: net investment in capital assets, restricted and unrestricted. Net position is considered restricted when an external party, such as the state or federal government, places a restriction on how the resources may be used. During the last ten fiscal years, the Commission had no restricted components of net position.

Municipal Services Commission of the City of New Castle
(A Component Unit of the City of New Castle, Delaware)
Financial Trends: Changes in Net Position

	Last Ten Fiscal Years									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
OPERATING REVENUES										
Water charges for services	\$ 1,608,029	\$ 1,613,919	\$ 1,621,926	\$ 1,690,619	\$ 1,613,532	\$ 1,643,522	\$ 1,770,915	\$ 1,992,549	\$ 1,994,440	\$ 2,254,039
Electric charges for services	9,707,834	9,581,876	9,428,888	9,539,283	9,591,292	9,441,734	9,573,198	9,154,251	8,988,195	8,969,087
Miscellaneous	91,268	331,041	114,496	83,183	112,003	66,527	82,548	68,730	77,813	93,475
TOTAL OPERATING REVENUES	11,407,131	11,526,836	11,165,310	11,313,085	11,316,827	11,151,783	11,426,661	11,215,530	11,060,448	11,316,601
Less: Free services	(18,361)	(28,021)	(44,623)	(7,055)	(9,277)	(8,326)	(7,204)	(8,777)	(7,408)	(8,471)
NET OPERATING REVENUES	11,388,770	11,498,815	11,120,687	11,306,030	11,307,550	11,143,457	11,419,457	11,206,753	11,053,040	11,308,130
OPERATING EXPENSES										
General and administrative	1,048,470	853,348	857,427	918,035	865,468	947,751	990,241	1,154,814	1,087,964	1,134,865
Water operations	885,858	1,042,494	1,041,149	1,094,344	1,204,593	1,296,759	1,324,182	1,448,541	1,459,297	1,253,403
Purchase of water for resale	21,169	20,442	210,957	24,000	24,428	25,049	25,770	22,632	25,240	24,187
Electric operations	922,584	1,096,528	1,010,899	1,023,813	1,136,743	1,244,139	1,282,016	1,293,950	1,180,989	1,042,725
Purchase of power for resale	7,646,580	7,149,484	7,511,298	7,287,736	7,017,976	6,542,237	6,317,959	6,026,551	5,950,203	6,118,440
TOTAL OPERATING EXPENSES	10,524,661	10,162,296	10,631,730	10,347,928	10,249,208	10,055,935	9,940,168	9,946,488	9,703,693	9,573,620
OPERATING INCOME	864,109	1,336,519	488,957	958,102	1,058,342	1,087,522	1,479,289	1,260,265	1,349,347	1,734,510
NON OPERATING REVENUE(EXPENSE)										
Net investment income	20,776	24,238	37,373	32,456	33,337	33,883	37,985	55,118	45,717	26,786
Loss on sale of asset	7,700	18,119	1,900	(26,134)	8,550	-	-	(6,294)	-	(50,777)
Grant revenue	-	-	-	595,422	55,470	49,995	-	33,586	31,397	134,769
Grant expense	-	-	-	(41,612)	(11,878)	-	-	(34,201)	(23,333)	(11,816)
Miscellaneous	-	-	-	-	-	-	-	(5,252)	(4,670)	(27,484)
Appropriations to City	(605,338)	(613,052)	(621,642)	(672,490)	(735,965)	(705,609)	(688,197)	(705,272)	(721,989)	(798,882)
Realized gain(loss) on investments	-	-	-	-	-	(18,046)	(97)	(15,178)	24,459	3,055
Unrealized gain(loss) on investments	(5,722)	(43,264)	(113)	(26,574)	12,423	10,060	(5,665)	26,835	5,599	(62,552)
TOTAL NONOPERATING REVENUE(EXPENSE)	(582,584)	(613,959)	(582,482)	(138,932)	(638,063)	(629,717)	(655,974)	(650,658)	(642,820)	(786,901)
CAPITAL CONTRIBUTIONS	15,279	440,390	404,036	32,578	32,380	20,922	98,027	-	39,929	2,548
CHANGE IN NET POSITION	<u>\$ 296,804</u>	<u>\$ 1,162,950</u>	<u>\$ 310,511</u>	<u>\$ 851,748</u>	<u>\$ 452,659</u>	<u>\$ 478,727</u>	<u>\$ 921,342</u>	<u>\$ 609,607</u>	<u>\$ 746,456</u>	<u>\$ 950,157</u>

Municipal Services Commission of the City of New Castle
(A Component Unit of the City of New Castle, Delaware)
Revenue Capacity: Water Service Charges by User Classification
Last Ten Fiscal Years

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Agriculture	n/a	n/a	n/a	n/a	n/a	\$ -	\$ 366	\$ 4,653	\$ 5,569	\$ 4,763
Governmental	n/a	n/a	n/a	n/a	n/a	70,435	99,889	91,152	60,281	89,417
Commercial	n/a	n/a	n/a	n/a	n/a	527,054	807,986	707,785	641,968	760,939
Residential	n/a	n/a	n/a	n/a	n/a	1,046,033	862,674	1,188,959	1,286,622	1,398,920
						<u>\$ 1,643,522</u>	<u>\$ 1,770,915</u>	<u>\$ 1,992,549</u>	<u>\$ 1,994,440</u>	<u>\$ 2,254,039</u>

n/a – data not readily available or not available in a manner consistent with this display.

Municipal Services Commission of the City of New Castle
(A Component Unit of the City of New Castle, Delaware)
Revenue Capacity: Water Rates by User Classification
Last Ten Fiscal Years

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Agricultural										
Monthly charges	n/a	n/a	\$10.0000	\$10.0000	\$10.0000	\$11.5000	\$13.0000	\$16.5000	\$18.5000	\$18.5000
\$/Gallon	n/a	n/a	0.0070	0.0070	0.0070	0.0076	0.0086	0.0061	0.0065	0.0065
off peak \$/Gallon	n/a	n/a	0.0045	0.0045	0.0045	0.0049	0.0055	0.0061	0.0065	0.0065
Bulk Sales										
Monthly charges	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	50.0000	50.0000
\$/Gallon	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	0.0084	0.0084
Meter Size										
5/8"										
Monthly charges	14.4300	14.4300	9.7500	9.7500	9.7500	9.7500	10.8500	11.8500	11.8500	12.8500
\$/Gallon - Winter	0.0067	0.0067	0.0070	0.0070	0.0070	0.0076	0.0086	0.0096	0.0100	0.0100
\$/Gallon - Summer	0.0067	0.0067	0.0070	0.0070	0.0070	0.0076	0.0086	0.0096	0.0096	0.0096
1"										
Monthly charges	22.8000	22.8000	23.3000	23.3000	23.3000	25.9500	28.1500	32.4100	34.1000	34.1000
\$/Gallon - Winter	0.0067	0.0067	0.0070	0.0070	0.0070	0.0076	0.0086	0.0096	0.0100	0.0100
\$/Gallon - Summer	0.0067	0.0067	0.0070	0.0070	0.0070	0.0076	0.0086	0.0096	0.0096	0.0096
1.5"										
Monthly charges	36.0000	36.0000	36.5000	36.5000	36.5000	41.9000	46.5500	54.2500	59.2500	59.2500
\$/Gallon - Winter	0.0067	0.0067	0.0070	0.0070	0.0070	0.0076	0.0086	0.0096	0.0100	0.0100
\$/Gallon - Summer	0.0067	0.0067	0.0070	0.0070	0.0070	0.0076	0.0086	0.0096	0.0096	0.0096
2"										
Monthly charges	60.0000	60.0000	60.0000	60.0000	60.0000	71.1500	81.0500	96.7500	111.7500	111.7500
\$/Gallon - Winter	0.0067	0.0067	0.0070	0.0070	0.0070	0.0076	0.0086	0.0096	0.0100	0.0100
\$/Gallon - Summer	0.0067	0.0067	0.0070	0.0070	0.0070	0.0076	0.0086	0.0096	0.0096	0.0096
3"										
Monthly charges	120.0000	120.0000	120.0000	120.0000	120.0000	141.2500	160.0500	183.9500	203.9500	203.9500
\$/Gallon - Winter	0.0067	0.0067	0.0070	0.0070	0.0070	0.0076	0.0086	0.0096	0.0100	0.0100
\$/Gallon - Summer	0.0067	0.0067	0.0070	0.0070	0.0070	0.0076	0.0086	0.0096	0.0096	0.0096
4"										
Monthly charges	180.0000	180.0000	180.0000	180.0000	180.0000	234.5000	285.3000	331.2000	371.2000	371.2000
\$/Gallon - Winter	0.0067	0.0067	0.0070	0.0070	0.0070	0.0076	0.0086	0.0096	0.0100	0.0100
\$/Gallon - Summer	0.0067	0.0067		0.0070	0.0070	0.0076	0.0086	0.0096	0.0096	0.0096
6"										
Monthly charges	300.0000	300.0000	309.0000	309.0000	309.0000	375.4500	435.4500	520.4500	595.4500	595.4500
\$/Gallon - Winter	0.0067	0.0067	0.0070	0.0070	0.0070	0.0076	0.0086	0.0096	0.0100	0.0100
\$/Gallon - Summer	0.0067	0.0067	0.0070	0.0070	0.0070	0.0076	0.0086	0.0096	0.0096	0.0096
8"										
Monthly charges	230.0000	230.0000	240.0000	240.0000	240.0000	261.4000	274.4000	287.4000	287.4000	287.4000
10"										
Monthly charges	280.0000	280.0000	294.0000	294.0000	294.0000	317.3000	330.3000	343.3000	343.3000	343.3000
12"										
Monthly charges	350.0000	350.0000	368.0000	368.0000	368.0000	396.8500	412.8500	428.8500	428.8500	428.8500

Source: MSC Tariffs. "Monthly Charges" include all flat charges (customer charge, public fire, private fire, etc.)
\$/Gallon reports the fee to the first limit of the tariff for the meter size.

n/a - data not readily available or not available in a manner consistent with this display.

Municipal Services Commission of the City of New Castle
(A Component Unit of the City of New Castle, Delaware)
Revenue Capacity: Electric Service Charges by User Classification
Last Ten Fiscal Years

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Governmental	n/a	n/a	n/a	n/a	n/a	\$ 215,207	\$ 210,191	\$ 381,829	\$ 299,335	\$ 365,425
Commercial	n/a	n/a	n/a	n/a	n/a	6,297,180	6,288,025	5,746,427	5,499,801	5,330,339
Residential	n/a	n/a	n/a	n/a	n/a	2,929,347	3,074,982	3,025,995	3,189,059	3,273,323
						<u>\$ 9,441,734</u>	<u>\$ 9,573,198</u>	<u>\$ 9,154,251</u>	<u>\$ 8,988,195</u>	<u>\$ 8,969,087</u>

n/a - data not readily available or not available in a manner consistent with this display.

Municipal Services Commission of the City of New Castle
(A Component Unit of the City of New Castle, Delaware)
Revenue Capacity: Electric Rates by User Classification
Last Ten Fiscal Years

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Residential										
Customer Charge	\$8.7500	\$8.7500	\$10.0000	\$10.0000	\$10.0000	\$11.0000	\$13.0000	\$14.0000	\$14.0000	\$14.0000
\$/kWh - Winter	0.1155	0.1155	0.1155	0.1155	0.1155	0.1121	0.1087	0.1069	0.1069	0.1069
\$/kWh - Summer >750 kWh	0.1667	0.1667	0.1667	0.1800	0.1800	0.1766	0.1700	0.1672	0.1672	0.1672
\$/kWh - Summer <750 kWh	0.1155	0.1155	0.1155	0.1155	0.1155	0.1121	0.1087	0.1069	0.1069	0.1069
Residential Space Heating										
Customer Charge	8.7500	8.7500	10.0000	10.0000	10.0000	11.0000	13.0000	14.0000	14.0000	14.0000
\$/kWh - Winter > 750 kWh	0.1000	0.1000	0.1033	0.1033	0.1033	0.1100	0.1100	0.1069	0.1069	0.1069
\$/kWh - Winter < 750 kWh	0.1155	0.1155	0.1155	0.1155	0.1155	0.1121	0.1087	0.1069	0.1069	0.1069
\$/kWh - Summer > 750 kWh	0.1667	0.1667	0.1800	0.1800	0.1800	0.1766	0.1700	0.1672	0.1672	0.1672
\$/kWh - Summer < 750 kWh	0.1155	0.1155	0.1155	0.1155	0.1150	0.1121	0.1087	0.1069	0.1069	0.1069
Large General Service										
Primary Demand										
Customer Charge	20.0000	20.0000	50.0000	50.0000	50.0000	100.0000	150.0000	150.0000	150.0000	150.0000
\$/kWh - on peak	0.0685	0.0685	0.0715	0.0715	0.0715	0.0623	0.5948	0.0570	0.0570	0.0570
\$/kWh - off peak	0.0544	0.0544	0.0540	0.0540	0.0540	0.0525	0.0497	0.0512	0.0512	0.0512
Demand Charge per kWh	16.8000	16.8000	17.2500	17.2500	17.2500	18.2500	18.2500	18.2500	18.2500	18.2500
Large General Service										
Secondary Demand										
Customer Charge	20.0000	20.0000	50.0000	50.0000	50.0000	100.0000	150.0000	150.0000	150.0000	150.0000
\$/kWh - on peak	0.0720	0.0720	0.0750	0.0750	0.0750	0.0648	0.6193	0.0586	0.0586	0.0586
\$/kWh - off peak	0.0562	0.0562	0.0555	0.0555	0.0555	0.0555	0.0526	0.0526	0.0526	0.0526
Demand Charge per kWh	17.2500	17.2500	17.9000	17.9000	17.9000	18.5000	18.5000	18.7500	18.7500	18.7500
Small General Service										
Commercial										
Customer Charge	9.7500	9.7500	11.0000	11.0000	11.0000	13.0000	15.0000	18.0000	18.0000	18.0000
\$/kWh - Winter	0.1163	0.1163	0.1185	0.1185	0.1185	0.1146	0.1114	0.1072	0.1072	0.1072
\$/kWh - Summer	0.1163	0.1163	0.1185	0.1185	0.1185	0.1146	0.1114	0.1072	0.1072	0.1072
Medium General Service										
Commercial Demand										
Customer Charge	11.7500	11.7500	15.5000	15.5000	15.5000	31.0000	45.0000	55.0000	55.0000	55.0000
\$/kWh - Winter	0.0990	0.0990	0.0900	0.0900	0.0900	0.0808	0.0739	0.0701	0.0701	0.0701
Winter Demand Charge per kWh	7.3600	7.3600	9.9000	9.9000	9.9000	11.0000	12.0000	12.5000	12.5000	12.5000
\$/kWh - Summer	0.0990	0.0990	0.0900	0.0900	0.9000	0.0808	0.0739	0.0701	0.0701	0.0701
Summer Demand Charge per kWh	9.7500	9.7500	13.5000	13.1500	13.1500	14.1500	15.0000	15.5000	15.5000	15.5000
General Service Commercial										
Primary Demand										
Customer Charge	n/a	n/a	n/a	300.0000	300.0000	300.0000	300.0000	300.0000	300.0000	300.0000
\$/kWh - on peak	n/a	n/a	n/a	0.0715	0.0715	0.0623	0.0595	0.0570	0.0570	0.0570
\$/kWh - off peak	n/a	n/a	n/a	0.0540	0.0540	0.0525	0.0497	0.5120	0.0512	0.0512
Demand Charge per kWh	n/a	n/a	n/a	17.2500	17.2500	18.2500	18.2500	18.2500	18.2500	18.2500

Source: MSC Tariffs.

n/a - data not readily available or not available in a manner consistent with this display.

Municipal Services Commission of the City of New Castle
(A Component Unit of the City of New Castle, Delaware)
Debt Capacity: Ratio of Outstanding Debt per Customer
Last Ten Fiscal Years

Fiscal Year	Total Outstanding Debt (1)	Total Annual Debt Service (2)	Total Active Accounts (3)	Outstanding Debt Per Customer	Debt Service per Customer
2013	\$ -	\$ -	n/a	\$ -	\$ -
2014	-	-	n/a	-	-
2015	-	-	n/a	-	-
2016	-	-	n/a	-	-
2017	-	-	n/a	-	-
2018	-	-	3,132	-	-
2019	-	-	3,190	-	-
2020	-	-	3,222	-	-
2021	-	-	3,217	-	-
2022	-	-	3,160	-	-

n/a - data not readily available or not available in a manner consistent with this display.

(1) Includes outstanding revenue bonds and related premiums.

(2) Includes the annual interest and principal paid on the outstanding debt.

(3) Total number of bills sent in March of each year.

Municipal Services Commission of the City of New Castle
(A Component Unit of the City of New Castle, Delaware)
Debt Capacity: Computation of Legal Debt Margin
Last Ten Fiscal Years

Fiscal Year	Debt Limit per Charter	Debt Outstanding	Legal Debt Margin
2013	\$ -	\$ -	\$ -
2014	-	-	-
2015	-	-	-
2016	-	-	-
2017	11,313,085	-	11,313,085
2018	11,316,827	-	11,316,827
2019	11,151,783	-	11,151,783
2020	11,426,661	-	11,426,661
2021	11,215,530	-	11,215,530
2022	11,060,448	-	11,060,448

The authority to borrow was granted by the Delaware General Assembly in July 2016 as an amendment to the Commission's charter through the enactment of 80 Del. Laws, c.3 303, Section 1.

Municipal Services Commission of the City of New Castle
(A Component Unit of the City of New Castle, Delaware)
Demographic and Economic Information: Demographic Statistics
Last Ten Fiscal Years

Calendar Year	Population	Personal Income (1) (2)	Per Capita Income (1)	Average Unemployment Rate (3)
2012	5,175	\$ 161,925,900	\$ 30,912	7.1%
2013	5,186	157,376,520	29,931	7.8%
2014	5,180	158,910,954	30,421	6.6%
2015	5,171	170,305,778	32,433	5.2%
2016	5,154	174,568,206	33,667	4.8%
2017	5,135	177,612,116	34,845	4.9%
2018	5,357	213,138,419	41,464	3.9%
2019	5,392	221,578,686	43,969	3.6%
2020	5,551	232,370,667	45,543	13.0%
2021	5,551	n/a	n/a	5.3%

(1) United States Census Bureau

(2) Mean household income multiplied by number of households

(3) State of Delaware Department of Labor, Bureau of Labor Statistics. Reported at county level. Municipal level is not available.

n/a – data not readily available or not available in a manner consistent with this display.

Municipal Services Commission of the City of New Castle
(A Component Unit of the City of New Castle, Delaware)
Demographic and Economic Information: Principal Employers
Current and Nine Years Ago (1)

Industry Description	2021			2012		
	Employment	Rank	Percentage of Total County Employment	Employment	Rank	Percentage of Total County Employment
Health care and social assistance	69,353	1	16.1%	60,240	1	14.6%
Retail trade	48,329	2	11.2%	53,056	2	12.9%
Finance and insurance	41,984	3	9.8%	38,210	3	9.3%
Accommodation and food services	33,494	4	7.8%	33,690	4	8.2%
State government	33,313	5	7.7%	29,037	5	7.0%
Administration and waste services	27,649	6	6.4%	23,583	7	5.7%
Local government	27,398	7	6.4%	26,280	9	6.4%
Professional and technical services	25,829	8	6.0%	23,583	8	5.7%
Manufacturing	24,709	9	5.7%	25,738	6	6.2%
Construction	22,824	10	5.3%	19,145	10	4.6%
Transportation and warehousing	16,117	11	3.7%	10,342	13	2.5%
Total	370,999		86.1%	342,904		83.1%

Source: New Castle County and the Delaware Department of Labor - Office of Occupational and Labor Market Information (LMI)

(1) The United States Department of Labor, Employment and Training Administration has informed the Delaware Department of Labor that pursuant to 20 CFR (Code of Federal Regulations) Part 603, this information (the names of Delaware's top employers) is confidential and may not be disclosed to the public. Therefore, the information about employment by industry is provided.

Municipal Services Commission of the City of New Castle
(A Component Unit of the City of New Castle, Delaware)
Operating Information: Commission Employees – Full Time Equivalents
Last Ten Fiscal Years

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Part time Positions (FTE)	0.5	0	0	0	0	0	0	0	0	0
Exempt - full time	7	7	6	7	7	7	9	9	9	8
Non-Exempt - Full Time	13	13	11	13	13	13	11	10	11	11
Total Commission Employees	20.5	20	17	20	20	20	20	19	20	19

Source: Human Resources

Municipal Services Commission of the City of New Castle
(A Component Unit of the City of New Castle, Delaware)
Operating Information: Commission Employees – Full Time Equivalents by Function
Last Ten Fiscal Years

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
General and administrative	7	7	7	8	8	8	8	7	8	7
Water Operations	6	6	5	6	6	6	6	6	6	6
Electric Operations	7	7	5	6	6	6	6	6	6	6
Total Commission Employees	20	20	17	20	20	20	20	19	20	19

Source: Human Resources

Municipal Services Commission of the City of New Castle
(A Component Unit of the City of New Castle, Delaware)
Operating Information: Capital Asset Statistics by Function
Last Ten Fiscal Years

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Electric										
Substations	2	2	2	2	2	2	2	2	2	2
Water										
Treatment Facilities	1	1	1	1	1	1	1	1	1	1
Production Wells	3	3	3	4	4	4	4	4	4	4
Water Towers	2	2	2	2	2	2	2	2	2	2
Carbon Filtration Systems	0	0	0	1	1	1	1	1	1	1
Buildings										
Administration	1	1	1	1	1	1	1	1	1	1
Utility Building	1	1	1	1	1	1	1	1	1	1
Garages	1	1	1	1	1	1	1	1	1	1
Fleet										
Electric	7	7	8	8	10	9	9	9	10	9
Water	4	4	4	4	4	4	4	4	4	5
Heavy Equipment	7	7	7	9	9	9	10	11	13	14
Administration	1	1	1	1	1	1	1	1	1	1

Source: Fixed Asset Records

**Municipal Services Commission of the City of New Castle
(A Component Unit of the City of New Castle, Delaware)
Operating Information: Operating Indicators by Function
Last Ten Fiscal Years**

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Electric										
Residential megawatt hours	21,341	21,196	22,180	21,869	21,258	22,829	22,452	23,085	23,401	n/a
Commercial megawatt hour:	57,143	56,465	55,481	55,152	55,602	56,254	55,708	52,462	53,317	n/a
Water										
Gallons produced, millions	173.7	168.5	172.5	155.9	166.7	161.0	154.8	142.3	143.1	n/a

Source: Departmental reports to oversight agencies. The statistics above are based on a calendar year

n/a - data not readily available or not available in a manner consistent with this display.



Municipal Services Commission

Of the City of New Castle, Delaware

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