

A tall, blue metal water tower with a white spherical tank. The tank is inscribed with the words "HISTORIC" in gold, "New" in blue, a blue star, and "Castle" in blue. The tower is supported by a lattice of blue beams. The background shows a clear blue sky and a line of trees with autumn foliage.

HISTORIC
New★Castle

Municipal Services Commission

A Component Unit of the City of New Castle, Delaware

Annual Comprehensive Financial Report

For the Fiscal Years Ended March 31, 2023 and 2022

**Municipal Services Commission
A Component Unit of the City of New Castle, Delaware**

**Annual Comprehensive Financial Report
For the Fiscal Years Ended March 31, 2023 and 2022**



Prepared By:

**Kendrick S. Natale II CPFO, Comptroller
Patricia Malloy, Accountant**

**Municipal Services Commission of the City of New Castle, Delaware
A Component Unit of the City of New Castle**

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For the Fiscal Years Ended March 31, 2023 and 2022**

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Introductory Section



Municipal Services Commission

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July 10, 2023

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, 2023 and 2022, 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 is 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 is 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 CliftonLarsonAllen 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, 2023 and 2022 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, 2023 and 2022 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 three 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 of 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 3,222 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 (209 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. The United States Environmental Protection Agency (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 and conducts frequent testing to ensure the filtration system is removing them to comply with proposed regulations.

The Commission partnered with research engineers from Calgon Carbon, a Kuraray Company, in long term testing of several different types of filter media to remove the PFAS compounds more efficiently. This research will be used to develop more efficient filter systems for the Commission and ones that can be used by other water utilities to more effectively remove PFAS contaminates from drinking water supplies.

Due to the PFAS contamination, at the request of the State of Delaware, the EPA proposed the East Basin Road Ground Water Site in New Castle to the Superfund National Priorities List (NPL) in September 2022 and added it in March 2023. The 5,000 plus acre East Basin Road Ground Water Site around the New Castle County Airport and Delaware Air National Guard Base encompasses 11 drinking water supply wells within multiple wellhead protection areas contaminated by PFAS chemicals, 4 of which are owned by the Commission. Adding the site to the NPL makes it eligible for Federal Funding to assist with the remediation and clean up.

In March 2023, the EPA proposed National Primary Drinking Water Regulations to establish legally enforceable levels called Maximum Contaminant Levels (MCLs) for six PFAS compounds found in drinking water. The six compounds are PFOA and PFOS, PFHxS, PFNA, PFBS, and HFPO-DA (commonly referred to as GenX Chemicals). Additionally, EPA is proposing health based non-enforceable Maximum Contaminant Level Goals (MCLGs) for these six PFAS. The Commission's testing demonstrates the filtration system is successful at filtering to reduce the levels of these PFAS in the drinking water to comply with these proposed standards.

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 \$692,400 from DEMEC) as of March 31, 2023 the Commission has drawn \$341,972 DWSRLF proceeds for the project.

The Commission also settled on a loan from the Drinking Water State Revolving Loan Fund (\$1,490,000) in February 2023 to replace water mains along Hewlett & Janvier Ave which will complete a loop of water main, thus increasing water quality to the customers in that area. This loan comes with 100% principal forgiveness at the completion of the project. The Commission is committed to working with partners at the state and federal levels to secure outside funding whenever it is advantageous to the Commission's customers.

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.

In September of 2022, the Commission adopted a comprehensive set of financial policies to guide management on making day to day decisions in the operations of the utilities. These policies include, financial reporting, budgeting, cash management, investments, debt issuance and management, capital assets, etc.

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. As of March 31, 2023 and 2022 the Commission had 99 and 119 days cash on hand respectively.

AWARDS & ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Municipal Services Commission for its annual comprehensive financial report for the fiscal years ended March 31, 2022 and 2021. This was the first year the Commission received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

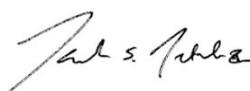
A Certificate of Achievement is valid for a period of one year only. We believe that our current annual comprehensive financial report continues to meet the Certificate of Achievement Program’s requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

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, CPFO
Comptroller/Treasurer



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Municipal Services Commission
of the City of New Castle, Delaware**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

March 31, 2022

Christopher P. Morill

Executive Director/CEO

**Municipal Services Commission of the City of New Castle
Principal Officials
As of March 31, 2023**

Commissioners



Dr. Roy J. Sippel
President
Term Expires March 31, 2026



Mr. Daniel F. Knox
Commissioner
Term Expired 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

CliftonLarsonAllen LLP
Certified Public Accountants
Baltimore, Maryland

Rate Consultants

Utility Financial Services LLC
Holland, Michigan

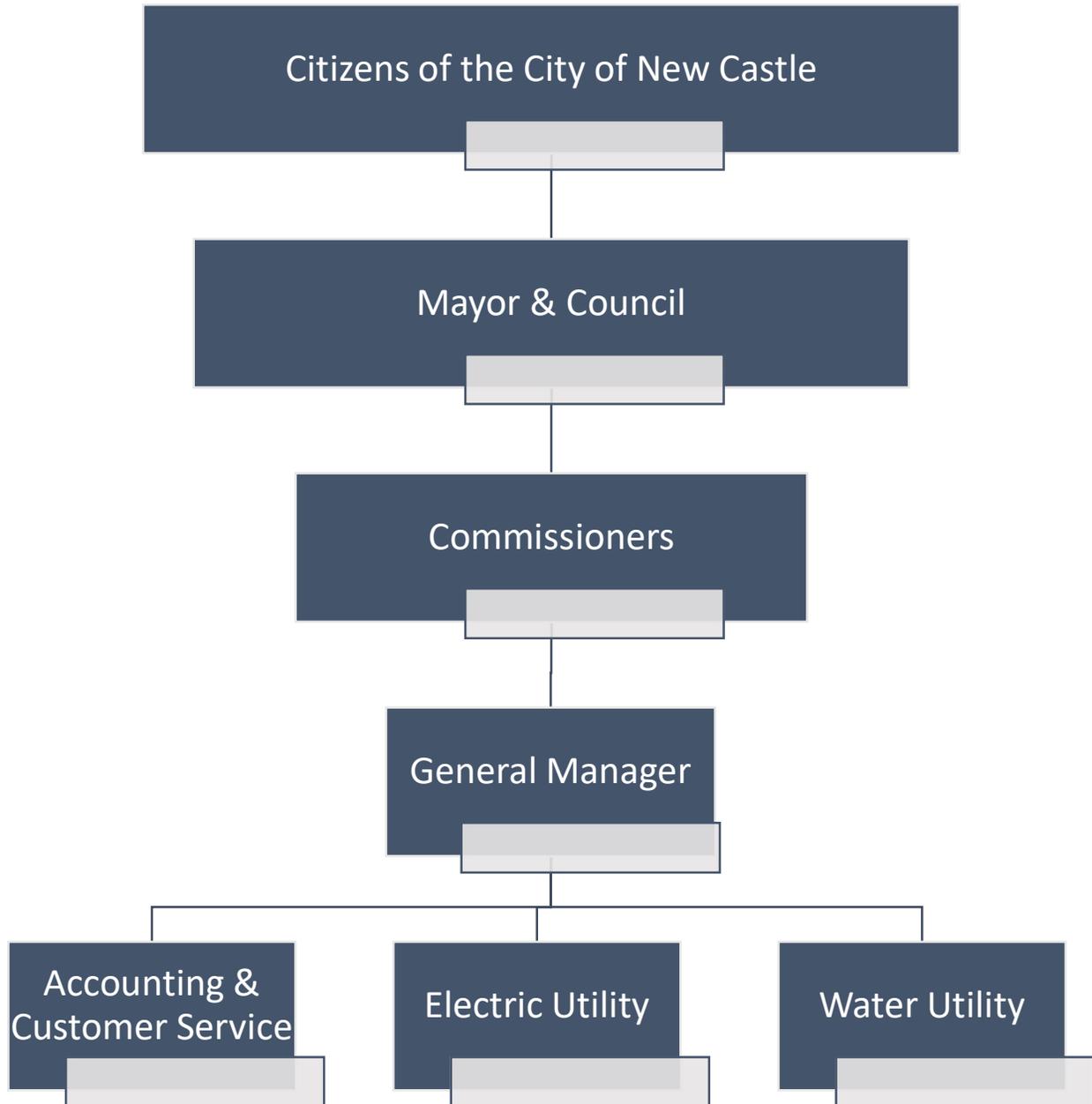
Legal Counsel

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, 2023**





Financial Section

As part of our audit of the March 31, 2023 financial statements, we also audited the adjustment described in Note II.p. that was applied to restate the March 31, 2022 financial statements. In our opinion, such adjustment is appropriate and has been properly applied. We were not engaged to audit, review or apply any procedures to the March 31, 2022 financial statements of the Commission other than with respect to the adjustment, and accordingly, we do not express an opinion or any form of assurance on the March 31, 2022 financial statements as a whole.

Responsibilities of Management for the Financial Statements

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

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 twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 judgment, 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 the net pension liability, related ratios and investment returns, and schedule of employer contributions, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The combining schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information 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 GAAS. In our opinion, the combining schedules 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 report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

Board of Commissioners
Municipal Services Commission

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 10, 2023, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Baltimore, Maryland
July 10, 2023



Photo Credit: Paula McHugh, MSC Customer Service Supervisor

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, 2023 and 2022. 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 4-8 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 Statement of Fiduciary Net Position presents information on the Commission's fiduciary pension fund's assets and liabilities, with the difference reported as net position. The net position represents the funding available to pay future benefits for plan participants.

The Statement of Changes in Fiduciary Net Position shows the results of the Commission's fiduciary pension fund's total additions and deductions for the year. The additions are comprised of employer contributions and investment earnings while the deductions are comprised of benefits paid to plan participants.

The basic financial statements can be found on pages 25-30 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 31-53 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 department (water and electric). Required and other supplementary information can be found on pages 55-65.

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 \$18.8 million in 2023, \$19.1 million in 2022 and \$18.1 million in 2021.

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Assets			
Current and other assets	5,391,367	6,069,644	5,752,675
Capital assets, net	<u>16,914,095</u>	<u>12,173,053</u>	<u>12,028,967</u>
Total assets	22,305,462	18,242,697	17,781,642
Deferred outflows of resources	<u>574,627</u>	<u>3,755,730</u>	<u>3,289,181</u>
Liabilities			
Current liabilities	1,394,309	1,305,648	1,409,098
Long-term liabilities	<u>2,421,578</u>	<u>1,125,720</u>	<u>858,192</u>
Total liabilities	3,815,887	2,431,368	2,267,290
Deferred inflows	<u>250,334</u>	<u>472,843</u>	<u>659,474</u>
Net position			
Net investment in capital assets	16,160,879	12,173,053	12,028,967
Unrestricted	<u>2,652,989</u>	<u>6,921,163</u>	<u>6,115,092</u>
Total net position	<u><u>18,813,868</u></u>	<u><u>19,094,216</u></u>	<u><u>18,144,059</u></u>

Investment in capital assets at March 31, 2023 was 86% of net position, an increase of 22% from 2022 (64%) and 2021 (66%). The large increase in net investment in capital assets in 2023 is the result of the Commission taking possession of the Dobbinsville Electrical Substation from the Delaware Municipal Electric Corporation. The unrestricted portion of the Commission's net position is available to meet the Commission's capital and ongoing obligations.

Summary of Changes in Net Position

Net position decreased in the amount of \$280,000 during 2023 compared to an increase of \$950,000 in 2022 and \$746,000 in 2021. The decrease in fiscal year 2023 is mostly related to an increase in the net pension liability as a result of the most recent actuarial report (\$531,000) and unrealized losses on the value of the Commission's investment portfolio (\$83,000) which is invested in intermediate term bond funds which have been negatively impacted by rising interest rates. These decreases were offset by the capitalization of certain labor and equipment costs (\$300,000) used in the construction of the Van Dyke Village Electrical Underground Project. Increases in net position in 2022 and 2021 were the result of several large capital projects being delayed due to the COVID-19 pandemic.

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Operating Revenues:			
Charges for services	\$ 11,509,836	\$ 11,214,655	\$ 10,975,227
Miscellaneous	<u>78,731</u>	<u>93,475</u>	<u>77,813</u>
Total revenues	<u>11,588,567</u>	<u>11,308,130</u>	<u>11,053,040</u>
Operating Expenses	<u>11,117,238</u>	<u>9,573,620</u>	<u>9,703,693</u>
Operating income(loss)	471,329	1,734,510	1,349,347
Nonoperating revenues(expenses)	(751,677)	(786,901)	(642,820)
Income before capital contributions	(280,348)	947,609	706,527
Capital contributions	<u>-</u>	<u>2,548</u>	<u>39,929</u>
Increase/(decrease) in net position	(280,348)	950,157	746,456
Net position, beginning	<u>19,094,216</u>	<u>18,144,059</u>	<u>17,397,603</u>
Net position, ending	<u>\$ 18,813,868</u>	<u>\$ 19,094,216</u>	<u>\$ 18,144,059</u>

Financial Highlights

Fiscal 2023

- Charges for services increased \$295,000 or 2.6% from \$11.2 million during 2022 to \$11.5 million in 2023. The increase was the result of a 5% increase in water rates and the enactment of a power purchase adjustment charge of \$0.0082 per kWh in January 2023 to cover rising wholesale electric costs from the Delaware Municipal Electric Corporation due to the invasion of Ukraine by the Russian Federation which disrupted international energy markets, particularly for natural gas which is used to generate electricity.
- Operating expenses had a net increase of \$1.5 million in Fiscal 2023 compared to 2022. Major reasons for the decrease were increased power purchase expense (\$597,000) due to increased

wholesale electric costs which were negatively affected by the war in Ukraine, and a net increase in salaries and benefits (\$416,000) related to an increase in the net pension liability due to returns on the Commission’s pension plan being lower than anticipated and increased benefits costs. Depreciation expense increased (\$255,000) as a result of capitalizing the second phase of the Van Dyke Village Electrical Undergrounding project and the acquisition of the Dobbinsville Substation.

- Non-operating expenses decreased \$35,000 or 4.4% from \$787,000 in 2022 to \$752,000 in 2023. This is mainly the result of increased net investment income from the Commission adopting a Cash and Liquidity Portfolio Investment Policy which allowed the Commission to invest idle cash in government money market mutual funds with a stable net asset value of \$1.00 which resulted in \$30,000 in investment income from October to March.

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 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 the City 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).

Capital Assets and Debt Administration

The Commission’s investment in capital assets, net of depreciation, for its operations was \$16.9 million as of March 31, 2023, \$12.2 million in 2022, and \$12.0 million in 2021. This investment in capital assets includes land, buildings, machinery, equipment, vehicles, and electric and water distributions systems. The total increase in capital assets was 39% in 2023 and 1.2% in 2022.

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Land	43,796	45,386	45,386
Construction in progress	932,724	68,668	916,508
Building structures	710,253	274,850	300,187
Machinery, equipment and vehicles	790,191	761,226	800,097
Water infrastructure	6,952,525	7,079,992	7,347,211
Electric infrastructure	<u>7,484,606</u>	<u>3,942,931</u>	<u>2,619,578</u>
	<u><u>16,914,095</u></u>	<u><u>12,173,053</u></u>	<u><u>12,028,967</u></u>

Major capital asset events during fiscal year 2023 included the following:

- Increase of \$864,000 in construction in progress for advanced metering infrastructure project.
- Increase of \$3.5 million in electric infrastructure due to the acquisition of the Dobbinsville Substation and capitalizing the second phase of the Vandyke Village Undergrounding Project
- The Commission purchased two new trucks for operations totaling \$173,000.
- The Commission purchased various pieces of office equipment for the administrative office totaling \$29,000.
- The Commission constructed a new garage to store materials and equipment for \$483,000.

In fiscal year 2022, major capital asset events included:

- 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.

Additional information on the Commission's capital assets can be found on page 39-40 of this report.

Long-term Debt

The Commission had outstanding debt in fiscal years 2023 and 2022 of \$741,000 and \$0 respectively. The Commission has been authorized by the New Castle City Council to borrow up to \$1.7 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 (\$692,000).

In 2023, the Commission was authorized by City Council to borrow \$1.5 million from the Delaware Clean Water and Drinking Water State Revolving Loan fund for water main replacements on Hewlett and Janvier Ave. The Commission settled on this loan on February 24, 2023. As of March 31, 2023 the Commission has not drawn any proceeds from this loan.

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 in the year preceding the issuance.

Additional information on the Commission's long-term debt can be found on pages 48-50 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 2024 budget:

- Rate increases were enacted which increased projected user charges for water by 5%.
- The Commission intends to keep in place the electric power purchase adjustment of \$0.0082 per kWh sold to cover increased costs of purchasing electricity.
- The Commission budgeted to spend \$150,000 to replace a truck at the end of its service life.
- The Commission budgeted \$80,000 to upgrade various software and hardware to the latest versions.
- The acquisition of the Dobbinsville Electrical Substation is expected to increase annual depreciation expenses by \$350,000. This would have decreased the days cash on hand below the Commission's policy of a minimum of 90 days. As a result, the Commission has budgeted to not spend \$292,000 of FY 2024 revenues in order to ensure cash on hand remains within acceptable parameters.

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

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, 2023 and 2022

	2023	2022
ASSETS:		
Current assets:		
Cash and equivalents	\$ 1,955,472	\$ 2,514,386
Investments	1,170,779	1,221,548
Accounts receivable, net	554,397	758,053
Inventories	834,639	760,618
Prepays	142,121	169,249
Restricted cash	733,959	645,790
Total current assets	5,391,367	6,069,644
Noncurrent assets:		
Capital assets not being depreciated:		
Land	43,796	45,386
Construction in progress	932,724	68,668
Capital assets net of accumulated depreciation:		
Buildings	710,253	274,850
Equipment	790,191	761,226
Infrastructure	14,437,131	11,022,923
Total noncurrent assets	16,914,095	12,173,053
Total assets	22,305,462	18,242,697
 DEFERRED OUTFLOWS OF RESOURCES		
Pension	574,627	319,164
Regulatory accounting - substation	-	3,436,566
Total deferred outflows	574,627	3,755,730
 LIABILITIES		
Current liabilities:		
Accounts payable	625,166	597,376
Accrued liabilities	24,280	62,482
Customer Deposits	744,863	645,790
Total current liabilities	1,394,309	1,305,648
Noncurrent liabilities:		
Due within one year	91,570	10,525
Due in more than one year	2,330,008	1,115,195
Total noncurrent liabilities	2,421,578	1,125,720
Total liabilities	3,815,887	2,431,368
 DEFERRED INFLOWS OF RESOURCES		
Pension	250,334	472,843
Total deferred inflows	250,334	472,843
 NET POSITION		
Net investment in capital assets	16,160,879	12,173,053
Unrestricted	2,652,989	6,921,163
Total net position	\$ 18,813,868	\$ 19,094,216

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
For the Fiscal Years Ended March 31, 2023 and 2022

	2023	2022
Operating Revenues:		
Water sales	\$ 2,336,624	\$ 2,254,039
Power sales	9,183,805	8,969,087
Miscellaneous	78,731	93,475
Total operating revenues	11,599,160	11,316,601
Less: free service	(10,593)	(8,471)
Net operating revenues	11,588,567	11,308,130
Operating Expenses		
Purchase of water and power	6,739,628	6,142,627
Salaries and benefits	2,460,936	2,044,435
Repairs and maintenance	333,051	160,781
Supplies	156,342	92,308
Utilities	65,732	57,840
Insurance	117,718	143,830
Professional fees	144,111	158,069
Administrative	200,149	92,579
Depreciation	899,571	681,151
Total operating expenses	11,117,238	9,573,620
Operating income (loss)	471,329	1,734,510
Nonoperating revenues (expenses):		
Net investment income	67,620	26,786
Realized gain (loss) on investments	-	(47,722)
Unrealized gain(loss) on investments	(82,952)	(62,552)
Gain (loss) on disposal of assets	(18,659)	-
Grant income	39,521	134,769
Grant Expense	(40,001)	(11,816)
Miscellaneous	(4,926)	(27,484)
Appropriations to Mayor & Council of New Castle		
Ordinary	(665,839)	(652,046)
City Services	(35,732)	(35,057)
Special	(10,709)	(111,779)
Total nonoperating revenues (expenses)	(751,677)	(786,901)
Income before capital contributions	(280,348)	947,609
Capital Contributions	-	2,548
Change in net position	(280,348)	950,157
Net position - beginning	19,094,216	18,144,059
Net position - ending	\$ 18,813,868	\$ 19,094,216

The notes to financial statements are an intergral 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, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 11,844,393	\$ 10,997,661
Payments to suppliers for goods and services	(7,219,873)	(7,213,858)
Payments to employees for salaries and benefits	<u>(2,801,709)</u>	<u>(2,178,529)</u>
Net cash provided by (used for) operating activities	<u>1,822,810</u>	<u>1,605,274</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Appropriations to the Mayor and Council of New Castle	<u>(676,548)</u>	<u>(763,825)</u>
Net cash provided by (used for) non capital financing activities	(676,548)	(763,825)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from revenue bonds and notes	791,633	(824,417)
Acquisition and construction of capital assets	(2,408,559)	
Principal paid on capital debt	(50,848)	-
Interest paid on capital debt	<u>(9,152)</u>	<u>-</u>
Net cash provided by (used for) capital and related financing activities	(1,676,926)	(824,417)
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividends	<u>59,919</u>	<u>4,011</u>
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	(470,745)	21,043.00
CASH AND CASH EQUIVALENTS, BEGINNING	<u>3,160,176</u>	<u>3,139,133</u>
(includes restricted cash: 2023 - \$645,790 and 2022 \$ 698,934)		
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 2,689,431</u>	<u>\$ 3,160,176</u>
(includes restricted cash: 2023 - \$733,959 and 2022 \$ 645,790)		
Reconciliation of operating income(loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	471,329	1,734,510
Adjustments:		
Depreciation	899,573	681,151
Bad debt	2,349	22,575
Free service	(38,584)	(38,591)
(Increase) decrease in:		
Accounts receivable	197,153	(220,546)
Inventory	(74,021)	(68,438)
Prepaid expenses	27,128	(40,347)
Deferred outflows - pension	(255,463)	(154,328)
Deferred outflows - regulatory accounting	(194,501)	(312,221)
Increase (decrease) in:		
Accounts payable	405,318	29,433
Accrued expenses	(38,197)	4,022
Accrued compensated absences	24,024	(38,244)
Customer deposits	88,169	(53,144)
Net pension liability	531,042	246,073
Deferred inflows - pension	<u>(222,509)</u>	<u>(186,631)</u>
Total Adjustments	<u>1,351,481</u>	<u>(129,236)</u>
Net cash provided (used) by operating activities	<u>1,822,810</u>	<u>1,605,274</u>
Schedule of non-cash investing, capital and related financing activities:		
Increase (decrease) in fair value of investments	(20,431)	(84,655)
Contributions of capital assets	-	2,548
Decrease in regulatory accounting deferrals for acquisition of asset	3,436,566	-
Appropriation to Mayor and Council	(35,732)	(35,057)

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 Fiduciary Net Position – Pension Fund
March 31, 2023 and 2022**

	2023	2022
ASSETS:		
Cash and cash equivalents	\$ 681,911	\$ 956,650
Investments at fair value:		
Mutual funds	2,912,858	2,933,828
Total assets	3,594,769	3,890,478
 NET POSITION:		
Restricted for Pensions	3,594,769	3,890,478
Total fiduciary net position	\$ 3,594,769	\$ 3,890,478

The accompanying notes 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 Changes in Fiduciary Net Position – Pension Fund
March 31, 2023 and 2022**

	2023	2022
ADDITIONS		
Contributions:		
Employer	\$ 234,159	\$ 218,259
Total	234,159	218,259
Investment earnings:		
Net increase(decrease) in fair value of investments	(225,490)	137,052
Interest, dividends and other	1,008	7,280
Total investment Earnings	(224,482)	144,332
Total additions	9,677	362,591
DEDUCTIONS		
Benefits paid to participants or beneficiaries	305,386	296,586
Total Deductions	305,386	296,586
Net increase(decrease) in fiduciary net position	(295,709)	66,005
Beginning fiduciary net position as previously reported	3,890,478	-
Adjustments related to prior periods	-	3,824,473
Beginning fiduciary net position as restated	3,890,478	3,824,473
Ending fiduciary net position	\$ 3,594,769	\$ 3,890,478

The accompanying notes are an integral part of this statement.

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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, 2023 and 2022

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 to four-year terms. 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 these criteria, management has concluded there are no component units of the Commission.

b. Measurement focus and basis of accounting

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

The accounts of the Commission are organized to report one major proprietary fund, which is composed of two departments (subfunds) which are considered separate accounting entities. The operations of the departments are accounted for with separate self-balancing accounts that comprise its assets, deferred outflows and inflows of resources, liabilities, and net position.

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. The Commission is intended to be self-supporting through user charges. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses result from providing services and delivering goods in connection with the fund's principle ongoing operations such as charges to customers for sales and services and expenses such as salaries, product costs, administrative expenses, and

depreciation. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Additionally, the Commission reports one fiduciary pension trust fund. The trust fund is maintained to account for assets held by the Commission in a fiduciary capacity and are accounted for in essentially the same manner as the proprietary funds since capital maintenance is critical. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits are recognized when due and payable in accordance with the terms of the plan.

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 level of budgetary control (i.e. the level at which expenses may not 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 goods 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, 2023 and 2022 of \$733,959 and \$645,790 respectively. The use of these funds is restricted for the refund of security deposits collected from customers and costs related to developer projects to extend service to new parcels.

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, 2023 and 2022 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 collection activities have been exhausted, including turning the balance over to collection agencies, are written off. As of March 31, 2023 and 2022 the allowance for doubtful accounts amounted to \$11,137 and \$13,747 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	2-20

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 are 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, 2023 and 2022.

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 assets 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, 2023 and 2022 of \$574,627 and \$3,755,730 respectively related to the amortization of certain changes in the Commission's net pension liability, and amounts related to regulatory accounting for assets financed through a purchase of power agreement with the Delaware Municipal Electric Corporation (DEMEC). In accordance with the purchase of power agreement, the asset (Dobbinville Electrical Substation) was transferred to the Commission on December 31, 2022 for a fee of \$1. The capitalization cost of this asset was 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 assets 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, 2023 and 2022 of \$250,334 and \$472,843 respectively for certain changes in the net pension liability that are required to be amortized over a period of years.

7. *Long-Term Obligations*

Long-term debt and other long-term obligations are reported as liabilities in the applicable department (subfund) statement of net position. Bond premiums and discounts are amortized over the life of the bonds. Bond payable are reported net of the applicable bond premium or discount.

8. *Pension*

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about fiduciary net position of the defined benefit plan and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments are

recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

9. *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 but 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, 2023 and 2022 a total of \$119,154 and \$107,638 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, 2023 and 2022 a total of \$309,766 and \$297,252 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) issued Statement No. 87 *Leases* which was implemented during FYE 2023 there was no material impact on the financial statements. GASB Statement No. 96 *Subscription Based Information Technology Arrangements* which is effective for the Commission’s fiscal year 2024. Management has reviewed this statement and implemented policies to comply with the new financial reporting requirements. Management does not expect this pronouncement to have a material effect 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, 2023	Bank Balance March 31, 2022
PNC Bank NA (main operating account)	\$ -	\$ 102,104
M&T Bank NA (checking account)	310,013	2,675,824
M&T Bank NA (customer deposits)	792,557	638,683
M&T Financial Services (investment sweep)	1,723,889	-

The Commission has adopted a policy for managing custodial credit risk on deposits. Of the bank balances above, in fiscal year 2023 \$500,000 of the Commission’s balances at M&T Bank NA were covered by Federal Deposit Insurance Corporation (FDIC) insurance and the remaining balances of \$602,570 were 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 2022, \$602,104 of the Commission’s balances were covered by Federal Depository Insurance Corporation insurance, the remaining balances of \$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. Deposits held in M&T Financial Services are invested in a “government money market mutual funds” (Goldman Sachs Financial Square Government Fund) as defined in or interpreted under Rule 2a-7 under the investment Company Act with a stable net asset value (NAV) of \$1.00. The fund is rated AAAM by Standard & Poor’s and Aaa-mf by Moody’s.

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, 2023 and 2022 the Commission invested solely in mutual funds that had a fair value of \$1,170,779 and \$1,221,548 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, 2023 and 2022 are categorized in the following table:

Investment Type	March 31, 2023		March 31, 2022	
	Fair Value	Level 1	Fair Value	Level 1
US Agency Bond Fund	\$ 89,823	\$ 89,823	\$ 94,961	\$ 94,961
Total Return Bond Fund	207,346	207,346	221,721	221,721
Total Bond Fund	214,281	214,281	225,209	225,209
Emerging Markets Fund	49,411	49,411	52,989	52,989
Global Multi Sector Bond Fund	153,689	153,689	168,908	168,908
1-3 Year Treasury Bond EFT	446,153	446,153	445,345	445,345
Money Market Mutual Fund	10,076	10,076	12,415	12,415
Total	\$1,170,779	\$1,170,779	\$1,221,548	\$1,221,548

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, 2023 and 2022:

	March 31,	
	2023	2022
Electric service charges receivable	\$432,934	\$544,230
Water service charges receivable	121,880	144,015
Due from other governments	4,947	83,419
Miscellaneous receivables	5,474	-
Dividends receivable	299	136
	<u>565,534</u>	<u>771,800</u>
Less: allowance for doubtful accounts	11,137	13,747
Total accounts receivable	<u>\$554,397</u>	<u>\$758,053</u>

c. Capital assets

Capital asset activity for the years ended March 31, 2023 and 2022 was as follows:

	Balance April 1, 2022	Increases	Decreases	Balance March 31, 2023
Capital Assets, not being depreciated:				
Land	45,386	-	1,590	43,796
Construction in progress	68,668	864,056	-	932,724
Total capital assets, not being depreciated	<u>114,054</u>	<u>864,056</u>	<u>1,590</u>	<u>976,520</u>
Capital Assets, being depreciated:				
Buildings	644,983	482,953	29,756	1,098,180
Equipment	2,366,943	270,873	94,512	2,543,304
Infrastructure	23,651,925	4,057,871	51,725	27,658,071
Total capital assets, being depreciated	<u>26,663,851</u>	<u>4,811,697</u>	<u>175,993</u>	<u>31,299,555</u>
Less accumulated depreciation for:				
Buildings	370,133	23,889	6,095	387,927
Equipment	1,605,717	208,445	61,049	1,753,113
Infrastructure	12,629,002	667,237	75,299	13,220,940
Total accumulated depreciation	<u>14,604,852</u>	<u>899,571</u>	<u>142,443</u>	<u>15,361,980</u>
Total capital assets being depreciated, net	<u>12,058,999</u>	<u>3,912,126</u>	<u>33,550</u>	<u>15,937,575</u>
Total capital assets, net	<u>12,173,053</u>	<u>4,776,182</u>	<u>35,140</u>	<u>16,914,095</u>

	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	<u>961,894</u>	<u>-</u>	<u>847,840</u>	<u>114,054</u>
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	<u>25,446,102</u>	<u>1,712,733</u>	<u>494,984</u>	<u>26,663,851</u>
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	<u>14,379,029</u>	<u>681,151</u>	<u>455,328</u>	<u>14,604,852</u>
Total capital assets being depreciated, net	<u>11,067,073</u>	<u>1,031,582</u>	<u>39,656</u>	<u>12,058,999</u>
Total capital assets, net	<u>12,028,967</u>	<u>1,031,582</u>	<u>887,496</u>	<u>12,173,053</u>

d. Accrued liabilities

Accrued liabilities reported in the financial statements at March 31, 2023 and 2022 respectively were as follows:

	<u>2023</u>	<u>2022</u>
Salaries & Benefits	\$ 23,217	\$ 62,482
Interest	1,063	-
Total accrued liabilities	<u>\$ 24,280</u>	<u>\$ 62,482</u>

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, 2023 and 2022, the dollar amount of current payroll used in the determination of the minimal contribution utilized the calendar year payroll of \$1,301,347 and \$1,217,537 respectively. Total payroll for the years ended March 31, 2023 and 2022 was \$1,881,635 and \$1,795,120 respectively. It is the Commission’s policy to fully fund the actuarially determined contribution each year.

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, 2023 and 2022, the Commission reported a net pension liability of \$1,251,873 and \$720,830 respectively. The net pension liability was measured as of March 31, 2023 and 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of March 31, 2023 and 2022. For the years ended March 31, 2023 and 2022, the Commission recognized pension expense in the amount of \$287,232 and \$123,373 respectively.

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Net Pension Liability -The components of the net pension liability of the Commission at March 31, 2023 and 2022 were as follows:

	<u>2023</u>	<u>2022</u>
Total pension liability	\$ 4,846,642	\$ 4,611,308
Plan fiduciary net position	<u>3,594,769</u>	<u>3,890,478</u>
Commission's net pension liability	<u>\$ 1,251,873</u>	<u>\$ 720,830</u>
Plan fiduciary net position as a percentage of total pension liability	74.2%	84.4%

The Commission's changes in total pension liability, plan fiduciary net position, and net pension liability for the years ended March 31, 2023 and 2022 were as follows:

	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
Balance at March 31, 2022	<u>\$ 4,611,308</u>	<u>\$ 3,890,478</u>	<u>\$ 720,830</u>
Changes for the year:			
Service cost	173,073	-	173,073
Interest	312,173	-	312,173
Experience (gain) or loss	45,781	-	45,781
Changes in assumptions	9,693	-	9,693
Benefit payments	(305,386)	(305,386)	-
Employer contributions	-	234,159	(234,159)
Net investment income	-	(224,482)	224,482
Net changes	<u>235,334</u>	<u>(295,709)</u>	<u>531,043</u>
Balance at March 31, 2023	<u>\$ 4,846,642</u>	<u>\$ 3,594,769</u>	<u>\$ 1,251,873</u>
	<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>

2. *Contributions and funding policy*

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.

3. *Investment policy*

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 plan is authorized to invest in deposits/investments in insured commercial bank, savings and loan institutions, interest bearing bonds of any state or municipal corporation in the United States, money market mutual funds whose investments consist of obligations of the U.S. Treasury or U.S. agencies, separate accounts managed by life insurance companies, mutual funds, and local government investment pools. During the years ended March 31, 2023 and 2022, there were no changes to the investment policy.

4. *Investment Valuations*

Investments with a maturity of less than one year when purchased, non-negotiable certificates of deposit and other nonparticipating investments are stated at cost or amortized cost. All other investments of the Plan are state at fair value and are recorded as of the trade date. The Plan categorizes the fair value measurements within the fair value hierarchy established by Generally Accepted Accounting Principles, as discussed in Note II(a), above.

5. *Custodial credit risk for deposits*

The plan's investment policies do not require pledging of collateral for all bank balances in excess of federal deposit insurance, since flow-through FDIC insurance is available for each member of the plan's deposits with financial institutions.

6. *Concentration of credit risk*

The plan's investment policy states the plan's assets shall be diversified to reduce the risk of large losses. As of March 31, 2023 and 2022, five percent or more of plan assets were held in the following individual mutual funds:

Investment Fund	2023	2022
Nationwide Fixed Fund	19.0%	24.6%
Vanguard Mid-Cap Index	13.3%	13.4%
American Funds American Mutual	7.1%	7.2%
Vanguard Large-Cap Value Index	7.1%	0.0%
MFS Growth Fund	5.8%	6.2%
Vanguard Equity 500 Index	5.1%	5.2%
Invesco Developing Markets Fund	5.0%	4.9%
American Funds EuroPacific Growth	4.0%	5.8%
American Funds AMCAP	3.0%	7.2%

7. *Interest rate risk*

The plan had recurring fair value measurements as of March 31, 2023 and 2022 in mutual funds valued using quoted matrix pricing models (Level 2 inputs). In accordance with its investment policy, the Plan limits its exposure to interest rate risk by structuring the portfolio to provide liquidity for operating funds and maximizing maturity length of investments in the plan.

8. *Credit risk*

The commission does not have a formal policy to limit credit risk in the plan. The Plan'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 Plan is invested in are not rated by a nationally recognized statistical rating organization.

9. *Custodial credit risk for investments*

The plans investments are held by Nationwide as the custodian, the broker/dealer (LPL Financial Services) does not have custody of the assets and is not able to execute trades without authorization from the Commission. As such, the investments are not exposed to custodial credit risk.

10. *Long-term expected rate of return*

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	Expected Real 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.

11. Discount Rate and Liability Disclosures

The discount rate used to measure the total pension liability as of March 31, 2023 and 2022 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, 2023. 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 14.67% of annual covered payroll.

As of March 31, 2023 and 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.

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, 2023 and 2022, 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, 2023	\$ 1,865,986	\$ 1,251,873	\$ 748,040
As of March 31, 2022	\$ 1,301,369	\$ 720,830	\$ 244,641

12. *Deferred Amounts and Plan Change Disclosures*

As of March 31, 2023 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	\$ 223,966	\$ (239,556)
Assumption changes	124,095	(10,778)
Investment experience	226,566	-
	<u>\$ 574,627</u>	<u>\$ (250,334)</u>

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 and are detailed in the schedule of deferred gains and losses.

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

Year ending March 31,	Expense
2024	\$ 50,775
2025	(34,518)
2026	128,793
2027	104,666
2028	5,787
Thereafter	68,790
Total	<u>\$ (324,293)</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.

13. *Pension Plan Fiduciary Net Position*

As of March 31, 2023 and 2022, the pension plan reported fiduciary net position of \$3,594,769 and \$3,890,478 respectively. This net position is restricted for the payment of benefits to employees and beneficiaries.

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 who have completed one year of service: The Commission contributes 4% of their salary to a 401(a) account. Additionally, for those employees hired after April 1, 2016 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, 2023 and 2022 there were 19 and 21 employees who participated in and made contributions to the plans respectively. Employees made contributions during the years ended March 31, 2023 and 2022 of \$84,726 and \$89,827 respectively, while the Commission made contributions of \$29,390 and \$17,327. All Commission contributions were paid biweekly 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

As of March 31, 2023, the Commission entered into an agreement with American Municipal Power and the Delaware Municipal Electric Corporation, Inc to install an Advanced Metering Infrastructure System and replace all water and electric meters in the Commission's systems. The amount of the contracts total \$1.9 million, at year end the remaining commitment amount was \$1.1 million. As of March 31, 2023 the Commission entered into an agreement

with Pennoni Engineering for design and project management of the Hewlett & Janvier Water Main Replacement project. The amount of the contract was \$187,483, at year end the remaining balance was \$151,340. During fiscal year 2023, the Commission issued several purchase orders for materials that due to supply chain issues were not delivered in the same year. As of March 31, 2023 the following purchase orders remain outstanding:

- \$191,757 – Anixter – Electrical Transformers
- 84,385 – Various Vendors – materials for inventory

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 and participation in public entity risk pooling for worker's compensation. During the years ended March 31, 2023 and 2022, there were no significant reductions in insurance coverage. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three years.

For worker's compensation coverage, the Commission is a member of the DeLea Founders Insurance Trust (DFIT). This trust is a public entity risk pool, which is owned and directed by local governments that subscribe to its coverage and operates under the terms of a Trust Agreement.

Subscribers to coverage provided by DFIT share the risk among the participants of the pool. As a result, the Commission's annual premium requirements will be affected by the loss experience of the pool. Also, the Commission may be subjected to additional assessments from time to time. These amounts would be recorded as expenses when they are probable and can be reasonably estimated. Conversely, favorable performance of the pool may result in reduced premiums, or refunded surpluses.

The Commission pays an annual premium to DFIT. Claims are processed and recoveries and administrative costs are paid by DFIT. Similar to a commercial insurance carrier, recoveries are subject to deductibles and to annual aggregate/per occurrence dollar limits. No insurance settlement has exceeded the coverage to date.

Complete financial statements can be obtained from the DFIT administrative offices:

DeLea Founders Insurance Trust
492 Franklin Ave
Nutley, NJ 07110

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 2023 and 2022, the legal debt limit was \$11,308,601 and \$11,060,448 respectively. As of March 31, 2023 and 2021 the Commission had \$740,785 and \$0 in outstanding debt respectively.

Revenue Bonds, Notes, Net Pension Liability and Compensated Absences

The Commission’s outstanding revenue bonds are secured by the Commissions water revenues. The Commission is required to maintain a debt service coverage ratio of 1.2. Events trigger default include failure to pay principal and interest, failure to maintain 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. The Commission’s notes for direct borrowings and direct placements with the Delaware Municipal Electric Corporation (DEMEC) require monthly payments to DEMEC, the agreement has no default provisions. DEMEC issued tax exempt bonds to fund the project for the Commission. Revenue bonds and notes payable outstanding as of March 31, 2023 are as follows:

Description	Issue Date	Original Borrowing	Interest Rate	Maturity Date	Outstanding 3/31/2023
Revenue Bonds					
<u>Delaware Drinking Water State Revolving Loan Fund</u>					
Advanced Metering Infrastructure Project - Water	2/18/2022	1,011,110	2.00%	09/01/43	\$ 341,972
<i>Semi annual principal and interest payments of \$23,648. Principal forgiveness of \$622,870 upon completion of the project.</i>					
<i>Total issued as of March 31, 2023 - \$341,972</i>					
<u>Hewlett & Javier Water Main Replacement Project</u>	2/24/2023	1,490,000	2.00%	3/1/2044	-
<i>100% Principal forgiveness of \$1,490,000 upon completion of the project.</i>					
<i>Total issued as of March 31, 2023 - \$0</i>					
Notes from Direct Borrowings and Direct Placements					
<u>Delaware Municipal Electric Corporation, INC</u>					
Advanced Metering Infrastructure Project - Electric	7/14/2022	692,400	2.85%	07/19/31	398,813
<i>Monthly principal and interest payments of \$7,500</i>					
					\$ 740,785

The debt service requirements for the Commission’s note payable are detailed below. The full amount of the borrowing has not yet been drawn down; however, the Commission is required under the terms to pay \$7,500 per month from the date of settlement (7/14/22). The amounts shown below reflect the full amount of the expected borrowing by the end of the project.

Fiscal Year Ending	Notes form Direct Borrowings and Direct Placements	
	Principal	Interest
March 31,		
2024	\$ 71,108	\$ 18,895
2025	\$ 72,834	17,168
2026	\$ 74,635	15,367
2027	\$ 76,485	13,517
2028	\$ 78,409	11,593
2029-2033	268,081	25,073
	\$ 641,552	\$ 101,613

Funding Sources for other non-debt related liabilities

Compensated absences liabilities, and net pension liabilities are liquidated by the department 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, 2023 and 2022 are as follows:

	<u>Balance</u> <u>April 1, 2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>March 31, 2023</u>	<u>Due Within</u> <u>One Year</u>
Revenue Bonds	\$ -	\$ 341,972	\$ -	\$ 341,972	\$ 7,942
Notes from direct borrowings and direct placement:	-	449,662	50,849	398,813	71,108
Compensated Absences	404,890	260,058	236,028	428,920	12,520
Net pension liability	720,830	531,043		1,251,873	-
Long-term liabilities	<u>\$ 1,125,720</u>	<u>\$ 1,582,735</u>	<u>\$ 286,877</u>	<u>\$ 2,421,578</u>	<u>\$ 91,570</u>

	<u>Balance</u> <u>April 1, 2021</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>March 31, 2022</u>	<u>Due Within</u> <u>One Year</u>
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>

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, 2023 and 2022 days cash on hand was 99 and 119 respectively.

k. 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 was required to purchase these services until December 2022 when the bonds issued by DEMEC to finance the project were retired. Both the debt and the asset were recorded in DEMEC's financial statements. In December of 2022, when the debt was retired, the Commission exercised 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*.

During the years ended March 31, 2023 and 2022, the expense related to the purchase of power under the full purchase of power agreement with DEMEC was \$6,716,704 and \$6,118,440 respectively. The amount payable to DEMEC at 2023 and 2022 year end was \$531,703 and \$530,830 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, 2023 and 2022.

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

I. 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 2023 and 2022, the Commission paid the City \$665,839 and \$652,046 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 2023 and 2022, the City paid the Commission \$47,703 and \$43,990 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 2023 and 2022 that amount was \$35,732 and \$35,057 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 2023 and 2022 that amount was \$10,709 and \$111,779 respectively.

m. 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 2023 and 2022, the Commission paid Artesian Water, Inc \$22,924 and \$24,187 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. The collective bargaining agreement covers approximately 63% and 58% of the Commission's workforce for the years ended March 31, 2023 and 2022 respectively. The current agreement will expire on March 31, 2024.

n. Significant customers

Approximately 9.1% and 8.7% of the Commission's net operating revenues are from a single customer for the years ended March 31, 2023 and 2022 respectively.

o. Environmental issues

The Commission is subject to Federal, State, and Local 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 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 constructing 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 DNREC conducted a joint investigation to determine the source of the contamination which included a preliminary assessment, site inspection, and expanded site

inspection of the ground water contamination in the vicinity of the New Castle County Airport. The results of the investigation led the State of Delaware to request EPA add the East Basin Road Ground Water Site to the Superfund National Priorities List. EPA's next step will be conducting an in-depth Remedial Investigation into the extent 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.

p. Restatement of beginning net position

During the year ended March 31, 2023, the Commission determined that its defined benefit pension plan should have been reported in prior years as a fiduciary fund according to GASB Statement No. 84 *Fiduciary Activities*. This resulted in the need to restate the beginning fiduciary net position for the year ended March 31, 2022 in the amount of \$3,824,473.

q. Subsequent events

In preparing the accompanying financial statements, the Commission has evaluated events and transactions for potential recognition through July 10, 2023 the date the financial statements were available to be issued.

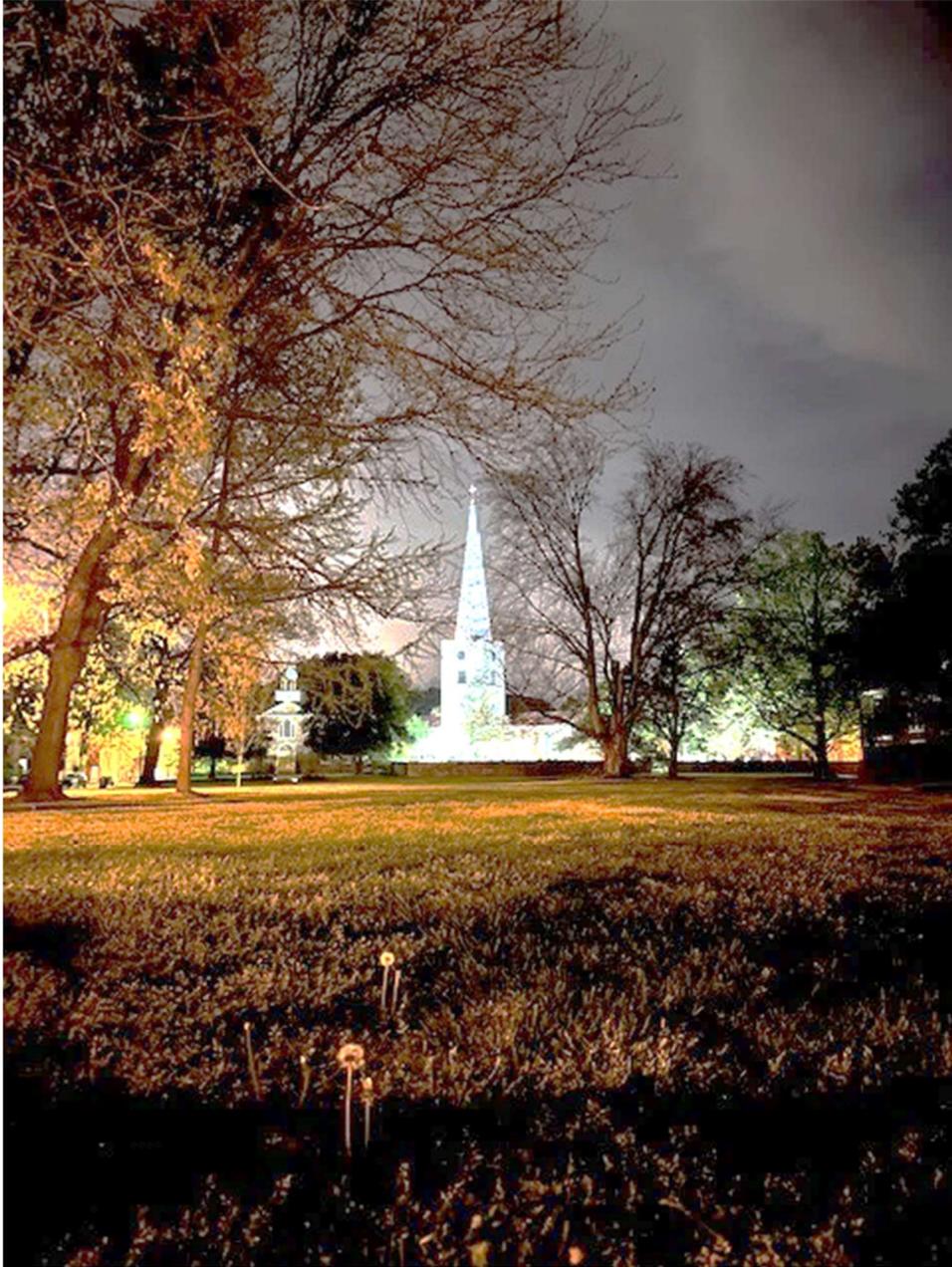


Photo Credit: Paula McHugh, MSC Customer Service Supervisor

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

	2023	2022	2021	2020	2019	2018	2017	2016
TOTAL PENSION LIABILITY								
Service Cost	\$ 173,073	\$ 141,017	\$ 142,685	\$ 171,999	\$ 84,928	\$ 121,509	\$ 112,447	\$ 89,074
Interest on total pension liability	312,173	290,565	292,452	274,195	262,991	248,860	251,912	242,239
Experience (gain) or loss	45,781	160,942	(170,924)	40,015	15,067	(17,745)	(137,115)	(7,211)
Effect of assumption changes or inputs	9,693	16,140	(13,451)	2,158	10,139	119,169	9,432	9,078
Plan benefit changes	-	-	-	51,203	64,550	-	-	54,088
Benefit payments	(305,386)	(296,586)	(267,914)	(278,863)	(273,734)	(272,991)	(286,752)	(246,747)
Net change in total pension liability	235,334	312,078	(17,152)	260,707	163,941	198,802	(50,076)	140,521
Total pension liability, beginning	4,611,308	4,299,230	4,316,382	4,055,675	3,891,734	3,692,932	3,743,008	3,602,487
Total pension liability, ending	<u>\$ 4,846,642</u>	<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>	<u>\$ 3,692,932</u>	<u>\$ 3,743,008</u>
Fiduciary Net Position								
Employer Contributions	234,159	218,259	261,078	235,233	201,749	254,642	212,736	200,000
Investment income(loss) net of investment expenses	(224,482)	144,332	1,013,264	(212,719)	104,910	257,584	277,298	(51,930)
Benefit payments	(305,386)	(296,586)	(267,914)	(278,863)	(273,734)	(272,991)	(286,752)	(246,747)
Net change in fiduciary net position	(295,709)	66,005	1,006,428	(256,349)	32,925	239,235	203,282	(98,677)
Fiduciary net position, beginning	3,890,478	3,824,473	2,818,045	3,074,394	3,041,469	2,802,234	2,598,952	2,697,629
Fiduciary net position, ending	<u>\$ 3,594,769</u>	<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>	<u>\$ 2,802,234</u>	<u>\$ 2,598,952</u>
Net pension liability	<u>\$ 1,251,873</u>	<u>\$ 720,830</u>	<u>\$ 474,757</u>	<u>\$ 1,498,337</u>	<u>\$ 981,281</u>	<u>\$ 850,265</u>	<u>\$ 890,698</u>	<u>\$ 1,144,056</u>
Plan fiduciary net position as a percentage of total pension liability	74.17%	84.37%	88.96%	65.29%	75.80%	78.15%	75.88%	69.43%
Covered payroll	1,301,347	1,217,537	1,402,180	1,424,474	1,306,758	1,327,758	1,366,918	1,303,130
Net pension liability as a percentage of covered payroll	96.20%	59.20%	33.86%	105.19%	75.09%	64.04%	65.16%	87.79%
Annual money-weighted return, net of investment expenses	-5.82%	3.81%	36.00%	-6.97%	3.49%	9.22%	10.82%	-1.93%

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

See notes to Required Supplementary Information.

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

<u>Fiscal Year Ended March 31,</u>	<u>Annual Required Contribution</u>	<u>Employer Contribution</u>	<u>Contribution Deficiency/(Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a % of Payroll</u>
2023	\$ 234,159	\$ 234,159	\$ -	\$ 1,301,347	17.99%
2022	218,259	218,259	-	1,217,537	17.93%
2021	261,078	261,078	-	1,402,180	18.62%
2020	235,233	235,233	-	1,424,474	16.51%
2019	201,749	201,749	-	1,306,758	15.44%
2018	204,642	254,642	(50,000)	1,327,758	19.18%
2017	212,736	212,736	-	1,366,918	15.56%
2016	175,827	200,000	(24,173)	1,303,130	15.35%
2015	210,053	210,053	-	1,140,106	18.42%
2014	203,177	215,784	(12,607)	1,307,399	16.50%

See notes to Required Supplementary Information.

**Municipal Services Commission of the City of New Castle
(A Component Unit of the City of New Castle, Delaware)
Notes to Required Supplementary Information**

1. *Changes in benefit terms*

There were no benefit changes during the year.

2. *Changes in assumptions*

Assumed mortality rates have been updated from the 2022 IRS Statistic Table from the last valuation.

3. *Methods and assumptions used in calculations of actuarially determined contributions*

Valuation Date	March 31, 2023
Actuarial Cost Method	Entry age normal
Amortization Period	The present value of future benefits that is unfunded is amortized over the average future working lifetime of active participants. As of March 31, 2023, this amortization period is 13.03 years.
Asset Valuation Method	Market value of assets
Investment Rate of Return	7.0% per year net of inflation and investment expense
Projected Salary Increases	5.5% annually
Cost of Living Adjustments	The plan has no provisions for COLAs
General Inflation	3.5% annually
Retirement	All participants are assumed to retire at the early age of 60 with 30 years of service or age 65 with 5 years of service.
Mortality Rate	Assumed in accordance with sex distinct IRS 2023 Static Mortality Table for Annuitants and Non-annuitants.

4. *Schedule of Employer Contributions*

Prior to the fiscal year ended March 31, 2014, contributions were calculated on a fiscal year basis. Additional contributions show in fiscal year 2014 are a result of valuations changing from a fiscal year to calendar year basis.

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 Department
March 31, 2023 and 2022**

	Water		Electric		Total	
	2023	2022	2023	2022	2023	2022
ASSETS:						
Current assets:						
Cash and equivalents	\$ -	\$ -	\$ 1,955,472	\$ 2,514,386	\$ 1,955,472	\$ 2,514,386
Investments	175,616	183,233	995,163	1,038,315	1,170,779	1,221,548
Accounts receivable, net	131,289	153,203	423,108	604,850	554,397	758,053
Inventories	191,867	104,230	642,772	656,388	834,639	760,618
Prepays	49,040	59,375	93,081	109,874	142,121	169,249
Restricted cash	-	-	733,959	645,790	733,959	645,790
Total current assets	<u>547,812</u>	<u>500,041</u>	<u>4,843,555</u>	<u>5,569,603</u>	<u>5,391,367</u>	<u>6,069,644</u>
Noncurrent assets:						
Capital assets not being depreciated:						
Land	43,796	45,386	-	-	43,796	45,386
Construction in progress	465,279	67,293	467,445	1,375	932,724	68,668
Capital assets net of accumulated depreciation:						
Buildings	323,177	127,393	387,076	147,457	710,253	274,850
Equipment	257,140	298,940	533,051	462,286	790,191	761,226
Infrastructure	<u>6,952,525</u>	<u>7,079,992</u>	<u>7,484,606</u>	<u>3,942,931</u>	<u>14,437,131</u>	<u>11,022,923</u>
Total noncurrent assets	<u>8,041,917</u>	<u>7,619,004</u>	<u>8,872,178</u>	<u>4,554,049</u>	<u>16,914,095</u>	<u>12,173,053</u>
Total assets	<u>8,589,729</u>	<u>8,119,045</u>	<u>13,715,733</u>	<u>10,123,652</u>	<u>22,305,462</u>	<u>18,242,697</u>
DEFERRED OUTFLOWS OF RESOURCES						
Pension	258,583	143,624	316,044	175,540	574,627	319,164
Regulatory accounting - substation	-	-	-	3,436,566	-	3,436,566
Total deferred outflows	<u>258,583</u>	<u>143,624</u>	<u>316,044</u>	<u>3,612,106</u>	<u>574,627</u>	<u>3,755,730</u>

(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 Department
March 31, 2023 and 2022**

	Water		Electric		Total	
	2023	2022	2023	2022	2023	2022
LIABILITIES						
Current liabilities						
Accounts payable	44,928	35,728	580,238	561,648	625,166	597,376
Accrued liabilities	11,511	28,927	12,768	33,555	24,280	62,482
Customer Deposits	(3,129)	-	747,992	645,790	744,863	645,790
Due to other funds	814,498	843,636	(814,498)	(843,636)	-	-
Total current liabilities						
Noncurrent liabilities:						
Due within one year	13,576	4,736	77,994	5,789	91,570	10,525
Due in more than one year.	1,131,783	550,595	1,198,225	564,601	2,330,008	1,115,195
Total noncurrent liabilities	1,145,359	555,331	1,276,219	570,389	2,421,578	1,125,720
Total liabilities	2,013,167	1,463,622	1,802,720	967,746	3,815,887	2,431,368
DEFERRED INFLOWS OF RESOURCES						
Pension	112,650	212,779	137,684	260,064	250,334	472,843
Total deferred inflows	112,650	212,779	137,684	260,064	250,334	472,843
NET POSITION						
Net investment in capital assets	7,687,685	7,619,004	8,473,194	4,554,049	16,160,879	12,173,053
Unrestricted	(965,190)	(1,032,736)	3,618,179	7,953,899	2,652,989	6,921,163
Total net position	<u>\$ 6,722,495</u>	<u>\$ 6,586,268</u>	<u>\$ 12,091,373</u>	<u>\$ 12,507,948</u>	<u>\$ 18,813,868</u>	<u>\$ 19,094,216</u>

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 Department
March 31, 2023 and 2022

	Water		Electric		Total	
	2023	2022	2023	2022	2023	2022
Operating Revenues:						
Charges for services	\$ 2,336,624	\$ 2,254,039	\$ 9,183,805	\$ 8,969,087	\$11,520,429	\$11,223,126
Miscellaneous	40,605	48,457	38,126	45,018	78,731	93,475
Total operating revenues	<u>2,377,229</u>	<u>2,302,496</u>	<u>9,221,931</u>	<u>9,014,105</u>	<u>11,599,160</u>	<u>11,316,601</u>
Less: free service	<u>(3,791)</u>	<u>(3,474)</u>	<u>(6,802)</u>	<u>(4,997)</u>	<u>(10,593)</u>	<u>(8,471)</u>
Net operating revenues	2,373,438	2,299,022	9,215,129	9,009,108	11,588,567	11,308,130
Operating Expenses						
Purchase of water and power	22,924	24,187	6,716,704	6,118,440	6,739,628	6,142,627
Salaries and benefits	1,156,660	993,611	1,304,276	1,050,824	2,460,936	2,044,435
Repairs and maintenance	209,087	66,115	123,964	94,666	333,051	160,781
Supplies	84,406	73,472	71,936	18,836	156,342	92,308
Utilities	38,515	35,061	27,217	22,779	65,732	57,840
Insurance	56,265	65,959	61,453	77,871	117,718	143,830
Professional fees	56,798	51,787	87,313	106,282	144,111	158,069
Administrative	92,450	45,428	107,699	47,151	200,149	92,579
Depreciation	<u>325,685</u>	<u>362,459</u>	<u>573,886</u>	<u>318,692</u>	<u>899,571</u>	<u>681,151</u>
Total operating expenses	<u>2,042,790</u>	<u>1,718,079</u>	<u>9,074,448</u>	<u>7,855,541</u>	<u>11,117,238</u>	<u>9,573,620</u>
Operating income (loss)	330,648	580,943	140,681	1,153,567	471,329	1,734,510

(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 Department
March 31, 2023 and 2022

	Water		Electric		Total	
	2023	2022	2023	2022	2023	2022
Nonoperating revenues (expenses):						
Net investment income	9,827	3,696	57,793	23,090	67,620	26,786
Realized gain (loss) on investments	-	(34,807)	-	(12,915)	-	(47,722)
Unrealized gain(loss) on investments	(12,443)	(9,046)	(70,509)	(53,506)	(82,952)	(62,552)
Gain (loss) on disposal of assets	(13,771)	-	(4,888)	-	(18,659)	-
Grant income	39,521	80,216	-	54,553	39,521	134,769
Grant Expense	(39,521)	(11,816)	(480)	-	(40,001)	(11,816)
Miscellaneous	(3,800)	(27,302)	(1,126)	(182)	(4,926)	(27,484)
Appropriations to Mayor & Council of New Castle						
Ordinary	(132,951)	(117,778)	(532,888)	(534,268)	(665,839)	(652,046)
City Services	(35,732)	(35,057)	-	-	(35,732)	(35,057)
Special	(5,551)	(60,245)	(5,158)	(51,534)	(10,709)	(111,779)
Total nonoperating revenues (expenses)	<u>(194,421)</u>	<u>(212,139)</u>	<u>(557,256)</u>	<u>(574,762)</u>	<u>(751,677)</u>	<u>(786,901)</u>
Income before capital contributions	136,227	368,804	(416,575)	578,805	(280,348)	947,609
Capital Contributions	-	-	-	2,548	-	2,548
Change in net position	136,227	368,804	(416,575)	581,353	(280,348)	950,157
Net position - beginning	6,586,268	6,217,464	12,507,948	11,926,595	19,094,216	18,144,059
Net position - ending	<u>\$ 6,722,495</u>	<u>\$ 6,586,268</u>	<u>\$12,091,373</u>	<u>\$12,507,948</u>	<u>\$18,813,868</u>	<u>\$19,094,216</u>

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 Department
March 31, 2023 and 2022

	Water		Electric		Total	
	2023	2022	2023	2022	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers	\$ 2,384,039	\$ 2,280,185	\$ 9,460,354	\$ 8,717,476	\$11,844,393	\$10,997,661
Payments to suppliers for goods and services	(523,081)	(360,064)	(6,696,792)	(6,853,794)	(7,219,873)	(7,213,858)
Payments to employees for salaries and benefits	(1,253,100)	(1,033,802)	(1,548,609)	(1,144,727)	(2,801,709)	(2,178,529)
Net cash provided by (used for) operating activities	607,858	886,319	1,214,952	718,955	1,822,810	1,605,274
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Appropriations to the Mayor and Council of New Castle	(138,502)	(222,740)	(538,046)	(541,085)	(676,548)	(763,825)
Transfers from (to) other funds	(69,813)	(990,829)	69,813	990,829	-	-
Net cash provided by (used for) non capital financing activities	(208,315)	(1,213,569)	(468,233)	449,744	(676,548)	(763,825)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Proceeds from revenue bonds and notes	341,972	-	449,661	-	791,633	-
Acquisition and construction of capital assets	(767,107)	326,665	(1,641,452)	(1,151,082)	(2,408,559)	(824,417)
Principal paid on capital debt	-	-	(50,848)	-	(50,848)	-
Interest paid on capital debt	-	-	(9,152)	-	(9,152)	-
Net cash provided by (used for) capital and related financing activities	(425,135)	326,665	(1,251,791)	(1,151,082)	(1,676,926)	(824,417)
CASH FLOWS FROM INVESTING ACTIVITIES						
Dividends	25,592	585	34,327	3,426	59,919	4,011
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	-	-	(470,745)	21,043	(470,745)	21,043
CASH AND CASH EQUIVALENTS, BEGINNING	-	-	3,160,176	3,139,133	3,160,176	3,139,133
(includes restricted cash: 2023 - \$645,790 and 2022 \$ 698,934)						
CASH AND CASH EQUIVALENTS, ENDING	\$ -	\$ -	\$ 2,689,431	\$ 3,160,176	\$ 2,689,431	\$ 3,160,176
(includes restricted cash: 2023 - \$733,959 and 2022 \$ 645,790)						

(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 Department
March 31, 2023 and 2022

Reconciliation of operating income(loss) to net cash provided by (used for) operating activities:

Operating income (loss)	\$ 330,648	\$ 580,943	\$ 140,681	\$ 1,153,567	\$ 471,329	\$ 1,734,510
Adjustments:						
Depreciation	325,685	362,459	573,888	318,692	899,573	681,151
Bad debt	(55)	-	2,404	22,575	2,349	22,575
Free service	273	41	(38,857)	(38,632)	(38,584)	(38,591)
(Increase) decrease in:						
Accounts receivable	15,273	(20,690)	181,880	(199,856)	197,153	(220,546)
Inventory	(87,637)	(15,674)	13,616	(52,764)	(74,021)	(68,438)
Prepaid expenses	10,335	(1,370)	16,793	(38,977)	27,128	(40,347)
Deferred outflows - pension	(114,959)	(69,448)	(140,504)	(84,880)	(255,463)	(154,328)
Deferred outflows - regulatory accounting	1,063	-	(195,564)	(312,221)	(194,501)	(312,221)
Increase (decrease) in:						
Accounts payable	(3,285)	18,557	408,603	10,876	405,318	29,433
Accrued expenses	(17,410)	2,620	(20,787)	1,402	(38,197)	4,022
Accrued compensated absences	9,087	2,133	14,937	(40,377)	24,024	(38,244)
Customer deposits	-	-	88,169	(53,144)	88,169	(53,144)
Net pension liability	238,969	110,732	292,073	135,341	531,042	246,073
Deferred inflows - pension	(100,129)	(83,984)	(122,380)	(102,647)	(222,509)	(186,631)
Total Adjustments	<u>277,210</u>	<u>305,376</u>	<u>1,074,271</u>	<u>(434,612)</u>	<u>1,351,481</u>	<u>(129,236)</u>
Net cash provided (used) by operating activities	<u>\$ 607,858</u>	<u>\$ 886,319</u>	<u>\$ 1,214,952</u>	<u>\$ 718,955</u>	<u>\$ 1,822,810</u>	<u>\$ 1,605,274</u>

Schedule of non-cash investing, capital and related financing activities:

Increase (decrease) in fair value of investments	(3,381)	(40,470)	(17,050)	(44,185)	(20,431)	(84,655)
Contributions of capital assets	-	-	-	2,548	-	2,548
Decrease in regulatory accounting deferrals for acquisition of asset	-	-	3,436,566	-	3,436,566	-
Appropriation to Mayor and Council	(35,732)	(35,057)	-	-	(35,732)	(35,057)

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>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>	<u>2023</u>
Investment in										
Capital Assets	\$ 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	\$ 16,160,879
Unrestricted	<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>	<u>2,652,989</u>
Total Net Position	<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>	<u>\$ 18,813,868</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

	<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>	<u>2023</u>
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	\$ 2,336,624
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	9,183,805
Miscellaneous	91,268	331,041	114,496	83,183	112,003	66,527	82,548	68,730	77,813	93,475	78,731
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	11,599,160
Less: Free services	(18,361)	(28,021)	(44,623)	(7,055)	(9,277)	(8,326)	(7,204)	(8,777)	(7,408)	(8,471)	(10,593)
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	11,588,567
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	1,225,551
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	1,543,439
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	22,924
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	1,608,620
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	6,716,704
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	11,117,238
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	471,329
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	67,620
Loss on sale of asset	7,700	18,119	1,900	(26,134)	8,550	-	-	(6,294)	-	(50,777)	(18,659)
Grant revenue	-	-	-	595,422	55,470	49,995	-	33,586	31,397	134,769	39,521
Grant expense	-	-	-	(41,612)	(11,878)	-	-	(34,201)	(23,333)	(11,816)	(40,001)
Miscellaneous	-	-	-	-	-	-	-	(5,252)	(4,670)	(27,484)	(4,926)
Appropriations to City	(605,338)	(613,052)	(621,642)	(672,490)	(735,965)	(705,609)	(688,197)	(705,272)	(721,989)	(798,882)	(712,280)
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)	(82,952)
TOTAL NONOPERATING REVENUE(EXPENSE)	(582,584)	(613,959)	(582,482)	(138,932)	(638,063)	(629,717)	(655,974)	(650,658)	(642,820)	(786,901)	(751,677)
CAPITAL CONTRIBUTIONS	15,279	440,390	404,036	32,578	32,380	20,922	98,027	-	39,929	2,548	-
CHANGE IN NET POSITION	\$ 296,804	\$ 1,162,950	\$ 310,511	\$ 851,748	\$ 452,659	\$ 478,727	\$ 921,342	\$ 609,607	\$ 746,456	\$ 950,157	\$ (280,348)

**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>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>	<u>2023</u>
Agriculture	n/a	n/a	n/a	n/a	\$ -	\$ 366	\$ 4,653	\$ 5,569	\$ 4,763	\$ 4,852
Governmental	n/a	n/a	n/a	n/a	70,435	99,889	91,152	60,281	89,417	94,123
Commercial	n/a	n/a	n/a	n/a	527,054	807,986	707,785	641,968	760,939	828,421
Residential	n/a	n/a	n/a	n/a	1,046,033	862,674	1,188,959	1,286,622	1,398,920	1,409,228
					<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>	<u>\$ 2,336,624</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**

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Agricultural										
Monthly charges	n/a	\$10.0000	\$10.0000	\$10.0000	\$11.5000	\$13.0000	\$16.5000	\$18.5000	\$18.5000	\$22.5000
\$/Gallon	n/a	0.0070	0.0070	0.0070	0.0076	0.0086	0.0061	0.0065	0.0065	0.0073
off peak \$/Gallon	n/a	0.0045	0.0045	0.0045	0.0049	0.0055	0.0061	0.0065	0.0065	0.0073
Bulk Sales										
Monthly charges	n/a	n/a	n/a	n/a	n/a	n/a	n/a	50.0000	50.0000	50.0000
\$/Gallon	n/a	n/a	n/a	n/a	n/a	n/a	n/a	0.0084	0.0084	0.0088
Meter Size										
5/8"										
Monthly charges	14.4300	9.7500	9.7500	9.7500	9.7500	10.8500	11.8500	11.8500	12.8500	14.8500
\$/Gallon - Winter	0.0067	0.0070	0.0070	0.0070	0.0076	0.0086	0.0096	0.0100	0.0100	0.0110
\$/Gallon - Summer	0.0067	0.0070	0.0070	0.0070	0.0076	0.0086	0.0096	0.0096	0.0096	0.0110
1"										
Monthly charges	22.8000	23.3000	23.3000	23.3000	25.9500	28.1500	32.4100	34.1000	34.1000	38.1000
\$/Gallon - Winter	0.0067	0.0070	0.0070	0.0070	0.0076	0.0086	0.0096	0.0100	0.0100	0.0110
\$/Gallon - Summer	0.0067	0.0070	0.0070	0.0070	0.0076	0.0086	0.0096	0.0096	0.0096	0.1100
1.5"										
Monthly charges	36.0000	36.5000	36.5000	36.5000	41.9000	46.5500	54.2500	59.2500	59.2500	69.2500
\$/Gallon - Winter	0.0067	0.0070	0.0070	0.0070	0.0076	0.0086	0.0096	0.0100	0.0100	0.0110
\$/Gallon - Summer	0.0067	0.0070	0.0070	0.0070	0.0076	0.0086	0.0096	0.0096	0.0096	0.0110
2"										
Monthly charges	60.0000	60.0000	60.0000	60.0000	71.1500	81.0500	96.7500	111.7500	111.7500	141.7500
\$/Gallon - Winter	0.0067	0.0070	0.0070	0.0070	0.0076	0.0086	0.0096	0.0100	0.0100	0.0110
\$/Gallon - Summer	0.0067	0.0070	0.0070	0.0070	0.0076	0.0086	0.0096	0.0096	0.0096	0.0110
3"										
Monthly charges	120.0000	120.0000	120.0000	120.0000	141.2500	160.0500	183.9500	203.9500	203.9500	243.9500
\$/Gallon - Winter	0.0067	0.0070	0.0070	0.0070	0.0076	0.0086	0.0096	0.0100	0.0100	0.0110
\$/Gallon - Summer	0.0067	0.0070	0.0070	0.0070	0.0076	0.0086	0.0096	0.0096	0.0096	0.0110
4"										
Monthly charges	180.0000	180.0000	180.0000	180.0000	234.5000	285.3000	331.2000	371.2000	371.2000	451.2000
\$/Gallon - Winter	0.0067	0.0070	0.0070	0.0070	0.0076	0.0086	0.0096	0.0100	0.0100	0.0110
\$/Gallon - Summer	0.0067		0.0070	0.0070	0.0076	0.0086	0.0096	0.0096	0.0096	0.0110
6"										
Monthly charges	300.0000	309.0000	309.0000	309.0000	375.4500	435.4500	520.4500	595.4500	595.4500	745.4500
\$/Gallon - Winter	0.0067	0.0070	0.0070	0.0070	0.0076	0.0086	0.0096	0.0100	0.0100	0.0110
\$/Gallon - Summer	0.0067	0.0070	0.0070	0.0070	0.0076	0.0086	0.0096	0.0096	0.0096	0.0110
8"										
Monthly charges	230.0000	240.0000	240.0000	240.0000	261.4000	274.4000	287.4000	287.4000	287.4000	287.4000
10"										
Monthly charges	280.0000	294.0000	294.0000	294.0000	317.3000	330.3000	343.3000	343.3000	343.3000	346.0000
12"										
Monthly charges	350.0000	368.0000	368.0000	368.0000	396.8500	412.8500	428.8500	428.8500	428.8500	482.0000

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 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>	<u>2023</u>
Governmental	n/a	n/a	n/a	n/a	n/a	\$ 215,207	\$ 210,191	\$ 381,829	\$ 299,335	\$ 365,425	\$ 370,555
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	5,573,711
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	3,239,539
						<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>	<u>\$ 9,183,805</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

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Residential										
Customer Charge	\$8.7500	\$10.0000	\$10.0000	\$10.0000	\$11.0000	\$13.0000	\$14.0000	\$14.0000	\$14.0000	\$16.0000
\$/kWh - Winter	0.1155	0.1155	0.1155	0.1155	0.1121	0.1087	0.1069	0.1069	0.1069	0.1186
\$/kWh - Summer >750 kWh	0.1667	0.1667	0.1800	0.1800	0.1766	0.1700	0.1672	0.1672	0.1672	0.1186
\$/kWh - Summer <750 kWh	0.1155	0.1155	0.1155	0.1155	0.1121	0.1087	0.1069	0.1069	0.1069	0.1754
Residential Space Heating										
Customer Charge	8.7500	10.0000	10.0000	10.0000	11.0000	13.0000	14.0000	14.0000	14.0000	16.0000
\$/kWh - Winter > 750 kWh	0.1000	0.1033	0.1033	0.1033	0.1100	0.1100	0.1069	0.1069	0.1069	0.1186
\$/kWh - Winter < 750 kWh	0.1155	0.1155	0.1155	0.1155	0.1121	0.1087	0.1069	0.1069	0.1069	0.1186
\$/kWh - Summer > 750 kWh	0.1667	0.1800	0.1800	0.1800	0.1766	0.1700	0.1672	0.1672	0.1672	0.1186
\$/kWh - Summer < 750 kWh	0.1155	0.1155	0.1155	0.1150	0.1121	0.1087	0.1069	0.1069	0.1069	0.1754
Large General Service										
Primary Demand										
Customer Charge	20.0000	50.0000	50.0000	50.0000	100.0000	150.0000	150.0000	150.0000	150.0000	150.0000
\$/kWh - on peak	0.0685	0.0715	0.0715	0.0715	0.0623	0.5948	0.0570	0.0570	0.0570	0.0679
\$/kWh - off peak	0.0544	0.0540	0.0540	0.0540	0.0525	0.0497	0.0512	0.0512	0.0512	0.0594
Demand Charge per kWh	16.8000	17.2500	17.2500	17.2500	18.2500	18.2500	18.2500	18.2500	18.2500	18.7300
Large General Service										
Secondary Demand										
Customer Charge	20.0000	50.0000	50.0000	50.0000	100.0000	150.0000	150.0000	150.0000	150.0000	150.0000
\$/kWh - on peak	0.0720	0.0750	0.0750	0.0750	0.0648	0.6193	0.0586	0.0586	0.0586	0.0695
\$/kWh - off peak	0.0562	0.0555	0.0555	0.0555	0.0555	0.0526	0.0526	0.0526	0.0526	0.0695
Demand Charge per kWh	17.2500	17.9000	17.9000	17.9000	18.5000	18.5000	18.7500	18.7500	18.7500	0.0608
Small General Service										
Commercial										
Customer Charge	9.7500	11.0000	11.0000	11.0000	13.0000	15.0000	18.0000	18.0000	18.0000	24.0000
\$/kWh - Winter	0.1163	0.1185	0.1185	0.1185	0.1146	0.1114	0.1072	0.1072	0.1072	0.1146
\$/kWh - Summer	0.1163	0.1185	0.1185	0.1185	0.1146	0.1114	0.1072	0.1072	0.1072	0.1146
Medium General Service										
Commercial Demand										
Customer Charge	11.7500	15.5000	15.5000	15.5000	31.0000	45.0000	55.0000	55.0000	55.0000	75.0000
\$/kWh - Winter	0.0990	0.0900	0.0900	0.0900	0.0808	0.0739	0.0701	0.0701	0.0701	0.0771
Winter Demand Charge per kWh	7.3600	9.9000	9.9000	9.9000	11.0000	12.0000	12.5000	12.5000	12.5000	13.5000
\$/kWh - Summer	0.0990	0.0900	0.0900	0.9000	0.0808	0.0739	0.0701	0.0701	0.0701	0.0771
Summer Demand Charge per kWh	9.7500	13.5000	13.1500	13.1500	14.1500	15.0000	15.5000	15.5000	15.5000	16.5000
General Service Commercial										
Primary Demand										
Customer Charge	n/a	n/a	300.0000	300.0000	300.0000	300.0000	300.0000	300.0000	300.0000	300.0000
\$/kWh - on peak	n/a	n/a	0.0715	0.0715	0.0623	0.0595	0.0570	0.0570	0.0570	0.0679
\$/kWh - off peak	n/a	n/a	0.0540	0.0540	0.0525	0.0497	0.5120	0.0512	0.0512	0.0594
Demand Charge per kWh	n/a	n/a	17.2500	17.2500	18.2500	18.2500	18.2500	18.2500	18.2500	18.7300

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**

<u>Fiscal Year</u>	<u>Revenue Bonds</u>	<u>Notes from Direct Borrowings and Direct Placements</u>	<u>Total Outstanding Debt (1)</u>	<u>Total Annual Debt Service (2)</u>	<u>Total Active Accounts (3)</u>	<u>Outstanding Debt Per Customer</u>	<u>Debt Service per Customer</u>
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	-	-
2023	341,972	398,813	740,785	60,000	3,222	230	19

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
2023	11,316,601	740,785	10,575,816

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)
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	259,421,292	46,734	5.9%
2022	5,551	n/a	n/a	4.9%

(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	2022			2013		
	Employment	Rank	Percentage of Total County Employment	Employment	Rank	Percentage of Total County Employment
Health care and social assistance	69,499	1	15.5%	62,130	1	14.8%
Retail trade	49,193	2	11.0%	54,710	2	13.0%
Finance and insurance	42,057	3	9.4%	39,227	3	9.3%
Accommodation and food services	38,693	4	8.6%	34,543	4	8.2%
State government	32,660	5	7.3%	29,611	5	7.0%
Administration and waste services	29,989	6	6.7%	25,918	8	6.2%
Local government	29,185	7	6.5%	26,237	7	6.2%
Professional and technical services	25,926	8	5.8%	28,929	6	6.9%
Manufacturing	25,849	9	5.8%	25,475	9	6.1%
Construction	22,906	10	5.1%	19,466	10	4.6%
Transportation and warehousing	19,608	11	4.4%	11,898	13	2.8%
Total	385,565		86.1%	358,144		85.1%

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**

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Part time Positions (FTE)	0	0	0	0	0	0	0	0	0	0
Exempt - full time	7	6	7	7	7	9	9	9	8	8
Non-Exempt - Full Time	13	11	13	13	13	11	10	11	10	11
Total Commission Employees	20	17	20	20	20	20	19	20	18	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**

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
General and administrative	7	7	8	8	8	8	7	8	7	7
Water Operations	6	5	6	6	6	6	6	6	6	6
Electric Operations	7	5	6	6	6	6	6	6	5	6
Total Commission Employees	20	17	20	20	20	20	19	20	18	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**

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
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	4	4	4	4	4	4	4	4
Water Towers	2	2	2	2	2	2	2	2	2	2
Carbon Filtration Systems	0	0	1	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	8	8	10	9	9	9	10	9	7
Water	4	4	4	4	4	4	4	4	5	5
Heavy Equipment	7	7	9	9	9	10	11	13	14	17
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**

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Electric										
Residential megawatt hours	21,196	22,180	21,869	21,258	22,829	22,452	23,085	23,401	23,145	n/a
Commercial megawatt hour:	56,465	55,481	55,152	55,602	56,254	55,708	52,462	53,317	53,569	n/a
Water										
Gallons produced, millions	168.5	172.5	155.9	166.7	161.0	154.8	142.3	143.1	148.1	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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