



Municipal Services Commission

A Component Unit of the City of New Castle, Delaware

Annual Comprehensive Financial Report

For the Fiscal Years Ended March 31, 2026 and 2025

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

**Annual Comprehensive Financial Report
For the Fiscal Years Ended March 31, 2026 and 2025**



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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Introductory Section



Municipal Services Commission

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

June 3, 2026

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 Municipal Services Commission (the Commission) hereby submits the Annual Comprehensive Financial Report (ACFR) for the fiscal years ended March 31, 2026, and 2025. Prepared by the Accounting and Customer Service Department, this report fulfills the requirements of Section 5 of the Commission's charter regarding a full accounting of receipts and expenses.

Management Responsibility and Internal Controls

Management assumes full responsibility for the completeness and reliability of the information contained within this report. To provide a reasonable basis for these representations, the Commission has established a comprehensive framework of internal controls. This system is designed to protect assets from loss or misuse and to compile reliable information for financial statement preparation in accordance with U.S. Generally Accepted Accounting Principles (GAAP). Because the cost of internal controls should not exceed the anticipated benefits, the framework is designed to provide reasonable, rather than absolute, assurance that the financial statements are free of material misstatements. As management, we assert that, to the best of its knowledge, this report is complete and reliable in all material respects.

Independent Audit and MD&A

The financial statements have been audited by CliftonLarsonAllen LLP, an independent firm of certified public accountants. The auditors concluded that there was a reasonable basis for rendering an unmodified opinion, meaning the Commission's financial statements are fairly presented in conformity with GAAP.

GAAP requires that management provide a narrative introduction 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 the MD&A and should be read in conjunction with it. The MD&A provides a more detailed look at the Commission's financial activities and can be found immediately following the independent auditor's report.

Profile of the Commission

The Commission is a component unit of the City of New Castle, Delaware, established in 1921 to provide water and electric services. It is governed by three commissioners: the Mayor serves as an *ex officio* commissioner, and the City Council appoints two residents of the city as commissioners to four-year terms. Currently, the Commission operates a water utility with four wells and one treatment facility, alongside an electric distribution system with two 50-megawatt substations. The Commission currently serves 3,278 accounts.

Budgetary and Capital Planning

The Commission utilizes annual operating and capital budgets as essential financial planning and control tools. The operating budget focuses on daily staffing and funding levels necessary for efficient facility operations.

Beyond daily operations, the Commission prepares and updates a five-year capital improvement plan. This plan identifies priorities for long-term investments in the water and electric utilities. Each year, the Commission approves a specific capital budget based on this five-year plan and any unforeseen infrastructure needs. This process ensures that the Commission can systematically upgrade aging equipment and prepare for future growth without compromising service reliability.

Factors Affecting Financial Condition

Local Economy and Growth

The Commission benefits from a diversified customer base of residential, commercial, and industrial clients. The City's proximity to major highways, airports and seaports makes it a prime location for commercial operations. Several large development projects are currently underway, which are anticipated to add approximately 1,000 residential units and 37,000 square feet of commercial space. To protect existing customers, the Commission's policies require the full cost of new development to be paid by the developer so that existing customers are not responsible for funding the expansion of the system to serve new projects.

Environmental Stewardship

The Commission's water supply wells have been affected by per- and polyfluoroalkyl substances (PFAS/PFOAS). PFAS/PFOAS and other similar compounds are man-made "forever" chemicals that do not break down easily in the environment. In response, a carbon filtration system was designed and installed to remove these contaminants. Independent laboratory testing demonstrates that this system is successful in removing PFAS/PFOAs to a "non-detect level," ensuring the water meets strict safety standards.

The Commission aggressively pursues grants to fund the operation of this filtration system and has joined several class-action lawsuits to hold manufacturers responsible for the contamination. Furthermore, the addition of the East Basin Road Groundwater Site to the Superfund National Priorities List in 2023 makes the Commission eligible for federal funding to assist with remediation costs.

Utility Business Models and Rate Design

The Commission works with experts on cost-of-service studies to ensure rates are fair and sustainable. As a municipally owned utility, the Commission operates differently than an investor-owned utility (IOU). Some of those main differences involve:

- **Profit Motive:** Unlike IOUs, which must generate profits for private shareholders, the Commission is a unit of local government and does not have a profit motive. Rates are set only to cover the cost of operations, maintenance, and the "rate of return" necessary to fund the replacement of aging infrastructure.
- **Local Control:** Decisions regarding rates and services are made by local commissioners rather than a distant board of directors or state-level regulators.

The Commission's rates are designed to ensure appropriate industry financial benchmarks are met. These benchmarks include debt coverage ratios, operating ratios, and reserve levels. The reserves act as a cushion for customers against unexpected costs or revenue drops. As of March 31, 2026, the Commission held 178 days of cash on hand, an increase from 2025's level of 95 days which was primarily due to the receipt of settlement funds from PFAS-related lawsuits.

Awards & Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Commission for its annual comprehensive financial report for the fiscal years ended March 31, 2025 and 2024. This was the fourth consecutive year the Commission achieved 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.

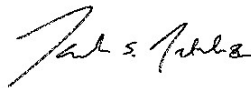
A Certificate of Achievement is valid for a period of one year only. We believe that our current annual comprehensive financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

The preparation of this report was made possible by the dedicated service of the Accounting and Customer Service Department. A special thanks goes to the commissioners for their leadership in advocating for high financial standards.

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, 2025

Christopher P. Morill

Executive Director/CEO

Municipal Services Commission of the City of New Castle
Principal Officials
As of March 31, 2026

Commissioners



David Atherton
President
Term Expires March 31, 2030



John Wik
Commissioner
Term Expires March 31, 2027



Mayor Valarie Leary
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

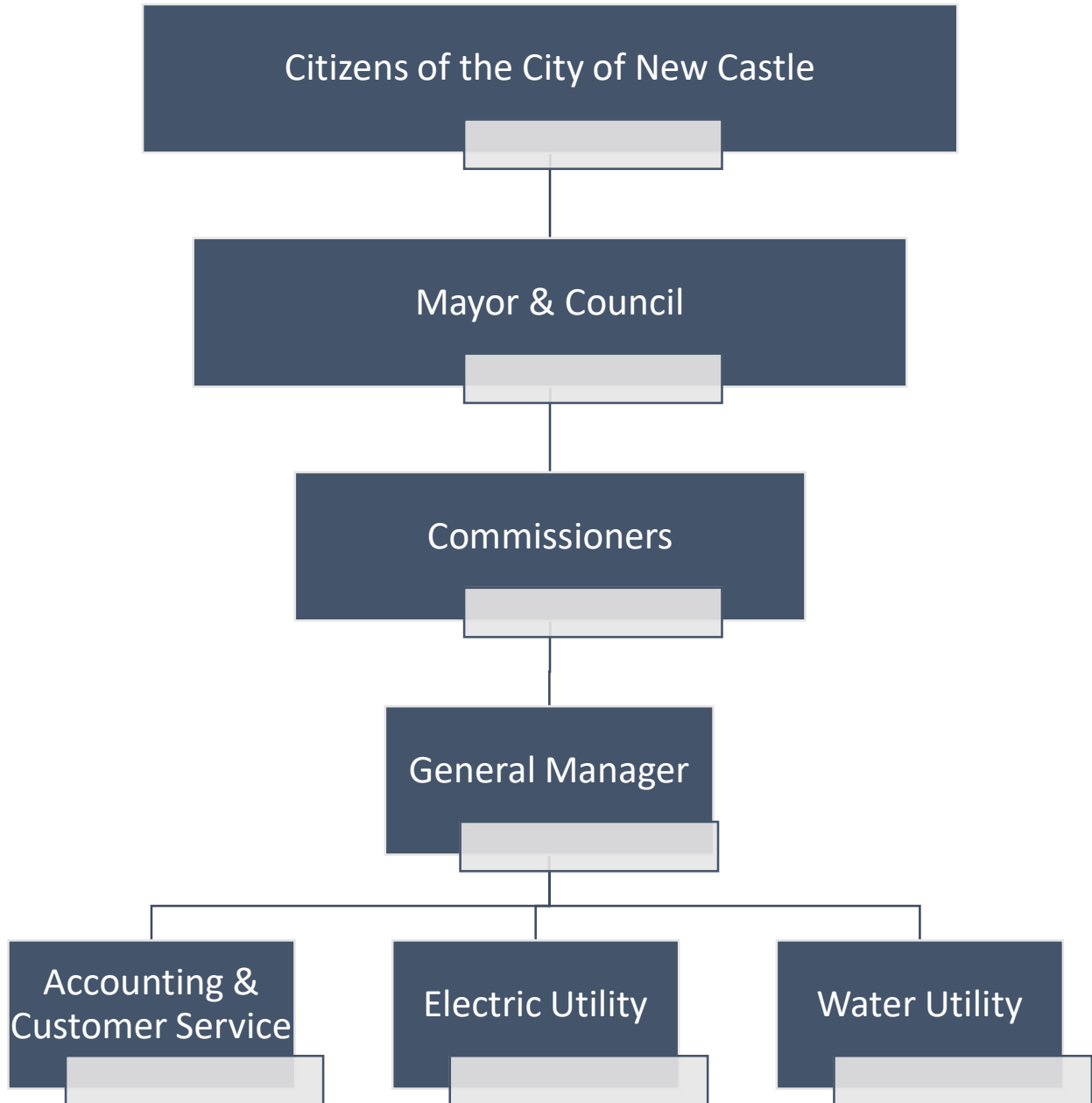
Legal Counsel

Morris James LLP
Wilmington, Delaware

Connolly Gallagher, LLP
Wilmington, Delaware

McCullom D'Emilio
Smith Uebler LLC
Wilmington, Delaware

Municipal Services Commission of the City of New Castle
Organizational Chart
March 31, 2026





Financial Section



INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Municipal Services Commission
New Castle, Delaware

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities and the fiduciary activities of the Municipal Services Commission (the Commission), a component unit of the City of New Castle, Delaware, as of and for the year ended March 31, 2026 and 2025, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and fiduciary activities of the Commission, as of March 31, 2026 and 2025, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Commission and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note I to the financial statements, during the year ended March 31, 2026, the Commission implemented the provisions of Governmental Accounting Standards Board Statement No. 103, *Financial Reporting Model Improvements*. Our opinion is not modified with respect to this matter.

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.

Board of Commissioners
Municipal Services Commission
New Castle, Delaware

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

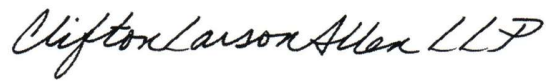
Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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.

Board of Commissioners
Municipal Services Commission
New Castle, Delaware

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 3, 2026, 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
June 3, 2026



Management’s Discussion and Analysis

Introduction

This management’s discussion and analysis (MD&A) helps readers understand the Municipal Services Commission’s (the Commission’s) financial health and how it changed over the past year. It contains information drawn from other parts of this report, accompanied by explanations informed by the finance staff’s knowledge of the Commission’s finances.

If you have questions about this report or require further information, you can contact the Comptroller at knatale@newcastlemsc.delaware.gov or 302-323-2330.

Overview of the Financial Statements

The Commission’s financial report contains basic financial statements for the Commission as a whole. The operations of the Commission are considered to be “business-type activities” for a local government. Services are primarily financed in whole or in part with charges to customers of the Commission’s electric and water utilities.

The Commission is a component unit of the City of New Castle. This means while the Commission is separately chartered by the State of Delaware and legally separate from the City, the Commission exists for the benefit of the City of New Castle and its residents. Under the Commission’s charter, the City Council has the ability to exert control or influence over the Commission through its authority to appoint the Commission’s board, making the Commission financially accountable to the City.

The Commission’s basic financial statements include a single major Proprietary Fund for its business type activities related to running the water and electric utilities, as well as a Fiduciary Fund which reports resources held in trust for the Commission’s closed defined benefit pension plan for which the Commission acts as a trustee. The resources in this fund do not belong to the Commission and cannot be used to provide services, which is why they are reported separately.

The next section of this financial report contains *notes to financial statements*, which delve deeper into the Commission’s finances as reported in the financial statements. The information in the notes is as important to understanding the Commission’s finances as the information in the financial statements themselves. The Commission uses notes to (1) present information in greater detail than is possible within the financial statements themselves, (2) explain the nature and amounts reported in the financial statements and how those amounts were determined, and (3) report certain information that does not meet the requirements for inclusion in the financial statements (such as certain contingencies).

This report also includes *supplementary information* related to the Commission’s defined benefit pension plan and “sub-fund” statements prepared by the water and electric utilities which show the results of operations for each utility separately in order for readers to understand the effects of the Commission’s operations on each utility.

Types of Information in the Financial Statements

All of the Commission’s financial statements use the *economic resources measurement focus* and *accrual basis of accounting*. In other words, they comprehensively report all types of financial statement elements:

- *Assets* – resources the Commission controls, from short-term assets like cash to long-term assets like water mains and electrical substations.
- *Liabilities* – amounts the Commission owes, from short-term liabilities such as salaries payable to long-term liabilities such as outstanding debt and net amounts owed to employees for pensions.
- *Deferred outflows of resources* and *deferred inflows of resources* – flows that occurred during the year, or in prior years, that will not be reported as expenses and revenues until the future year to which they are related.
- *Revenues* and *expenses* – inflows and outflows of resources, respectively, related to the current year.

More detail about the measurement focus and basis of accounting can be found in the first note to the financial statements, the summary of significant accounting policies, beginning on page 28.

Analysis of the Commission's Finances

	2026	2025	2024
Assets			
Current and other assets	\$ 12,112,293	\$ 7,923,965	\$ 6,111,751
Capital assets, net	<u>21,671,239</u>	<u>17,920,961</u>	<u>18,356,095</u>
Total assets	<u>33,783,532</u>	<u>25,844,926</u>	<u>24,467,846</u>
Deferred outflows of resources	<u>305,710</u>	<u>501,636</u>	<u>327,027</u>
Liabilities			
Current liabilities	2,580,222	2,659,364	1,677,953
Long-term liabilities	<u>2,493,436</u>	<u>2,388,371</u>	<u>3,996,033</u>
Total liabilities	<u>5,073,658</u>	<u>5,047,735</u>	<u>5,673,986</u>
Deferred inflows	<u>464,218</u>	<u>309,546</u>	<u>348,995</u>
Net position			
Net investment in capital assets	20,436,396	16,911,971	15,624,457
Unrestricted	<u>8,114,970</u>	<u>4,077,310</u>	<u>3,147,435</u>
Total net position	<u>\$ 28,551,366</u>	<u>\$ 20,989,281</u>	<u>\$ 18,771,892</u>

The above table shows that during fiscal year 2026 the Commission's total net position – assets and deferred outflows minus liabilities and deferred inflows – was \$28.5 million, an increase of \$7.6 million (36%) from fiscal year 2025. There was a \$3.5 million (21%) increase in net investment in capital assets mostly from donated infrastructure from the developer of the Riverbend Subdivision and other changes in capital assets discussed below. The \$4 million (99%) increase in unrestricted net position was driven primarily by class action settlement awards, as detailed further in the discussion below. In 2025, total net position was \$21 million, an increase of \$2.3 million (12%) from the prior year. There was \$1.3 million (8%) increase in net investment in capital assets which was primarily the result of the Commission receiving principal forgiveness on State Revolving Loan Fund bonds from the State of Delaware. The increase of \$930,000 (30%) in unrestricted net position is the result of operations which will be discussed in detail below.

	2026	2025	2024
Net operating revenues	<u>\$ 17,389,358</u>	<u>\$ 13,685,213</u>	<u>\$ 12,332,573</u>
Total operating expenses	<u>13,632,362</u>	<u>12,835,109</u>	<u>11,881,600</u>
Operating income (loss)	<u>3,756,996</u>	<u>850,104</u>	<u>450,973</u>
Noncapital subsideis			
Intergovernmental	52,678	41,038	
Appropriations to City	<u>(854,951)</u>	<u>(774,924)</u>	
Total noncapital subsidies	<u>(802,273)</u>	<u>(733,886)</u>	
Operating income (loss) and noncapital subsideis	<u>2,954,723</u>	<u>116,218</u>	
Other nonoperating revenues (expenses)			
Investment earnings	213,948	253,909	
Gain (loss) on disposal of fixed assets	47,818	(47,298)	
Grant revenue - restricted for capital	88,492	1,930,399	
Capital contributions	4,303,416	-	
Special Appropriations - capital related	(4,300)	(12,706)	
Interest expense	<u>(42,012)</u>	<u>(23,133)</u>	
Total other nonoperating revenues (expenses)	<u>4,607,362</u>	<u>2,101,171</u>	
Non operating revenues(expenses)			
Investment earnings			131,200
Appropriations to City			(729,960)
Grants			168,510
Miscellaneous			<u>(62,699)</u>
Total nonoperating revenues(expenses)			<u>(492,949)</u>
Increase (decrease) in net position	7,562,085	2,217,389	(41,976)
Net position - beginning	<u>20,989,281</u>	<u>18,771,892</u>	<u>18,813,868</u>
Net position - ending	<u>\$ 28,551,366</u>	<u>\$ 20,989,281</u>	<u>\$ 18,771,892</u>

In 2026, operating revenues increased 27% (\$3.7 million) compared with fiscal year 2025. Most of the increase in revenues is related to the settlements received as part of the Commission joining several class action lawsuits against manufacturers of PFAS/PFOAs (“forever chemicals”) which have contaminated the Commission’s source water wells. The Commission raised electric and water rates 7.2% and 8% respectively from the prior year. This generated less revenue than anticipated due to a milder and wetter spring, summer, and fall compared with the prior year. Electric revenues did not increase as much as projected despite the 7.2% rate increase because the Commission’s largest commercial customer reduced consumption by more than 20% as a result of tariffs levied by the federal government.

2026 operating expenses increased 6.2% (\$797,000) from fiscal year 2025. This increase is primarily related to increases in salary and benefit costs related to the Commission’s participation in the State of Delaware’s Group Health Insurance plan, increases in pay rates for employees covered by a collective bargaining agreement and increased professional services costs for planning, information technology, and project management costs compared to the same period last year. Additionally in prior years, the Commission’s staff worked on the construction of several capital projects which saw those related salary and benefit costs capitalized to the project instead of being reported as operating expenses in prior years.

Note: The display of fiscal year 2024 data in the condensed statements above differs from 2026 and 2025 due to the Commission implementing GASB Statement No. 103 *Financial Model Improvements*. Consistent with the provisions of GASB Statement No. 100 *Accounting for Changes and Error Corrections* the presentation of data prior to Fiscal Year 2025 has not been adjusted. More information on the implementation of GASB Statement No. 103 can be found in Note I(f) *Implementation of New Accounting Principles* on page 33.

In 2025, operating revenues increased 11% (\$1.4 million) from fiscal year 2024 as a result of the Commission enacting a 10% water rate increase and an average 0.8% electric rate increase in February 2024. The Commission enacted a power cost adjustment in May 2024 of \$0.00308 per kWh due to increased wholesale electric cost related to a lack of generation on the Delmarva Peninsula. In February 2025, the Commission enacted a rate increase due to the findings of a cost-of-service study and increasing wholesale electric costs related to capacity issues on the peninsula. The cost-of-service identified the need for an additional 8% in water revenues and 7.2% in electric revenues.

2025 operating expenses increased 8% (\$954,000) compared to fiscal year 2024. Major reasons for the increase were an 11% net increase in salaries and benefits related to an increased benefits costs and negotiated wage increases with the collective bargaining unit. Costs of power purchases increased by 11% due to increased capacity charges and an increase in power sales to customers due to warmer summer temperatures.

As Fiscal Year 2024 was not reclassified as noted above comparisons between 2025 and 2024 non-operating revenues and expenses are more complicated. Appropriations to the City (noncapital subsidies plus special appropriations – capital related) increased \$25,000 from 2024 due to increased user fees charged to customers that increased the City’s allocation which is based on 6% of the prior year’s charges. While all other nonoperating revenues and expenses increased \$1.8 million as the result of the Commission receiving principal forgiveness on a state revolving loan fund bond.

Significant capital asset and long-term financing activity

The discussion thus far has only touched upon certain significant revenue and expense transactions. The discussion now turns towards capital assets and long-term debt. Overall, the carrying value of capital assets – original cost minus accumulated depreciation – increased 21% (\$3.8 million) from 2025. This is related to the donation of infrastructure assets by the developer of the Riverbend Subdivision as previously discussed (\$4.3 million), replacement of obsolete equipment (\$541,000), increases in construction in progress (\$321,000) for assets anticipated to be completed in fiscal year 2027, and depreciation expense (\$1.4 million) in fiscal year 2026. In 2025, the value of the Commissions assets decreased 2.3% (\$435,000) from 2024 due to depreciation expense and a delay in construction of several projects.

The Commission had significant investments in both the water and electric utilities planned for fiscal year 2026 which were not completed and will be re-appropriated in fiscal year 2027. The project budgets which will be rolled forward with a budget amendment to fiscal year 2027 include:

- Upgrades to the water distribution system - \$185,000
- Upgrades to the water treatment plant - \$1,254,000
- Upgrades to the electrical distribution system - \$291,000

In May 2025, after receiving the required approval of City Council, the Commission settled on a financed purchase agreement with M&T Bank to fund the purchase of two vehicles at the end of their estimated useful lives. The total amount financed is \$485,000 over seven years at an interest rate of 4.304%. The Commission is required to make semi-annual payments of \$41,000 which began in November of 2025.

In addition to the new M&T financing, in both 2026 and 2025 the Commission made monthly debt service payments to the Delaware Municipal Electric Corporation of \$7,500 on the borrowing for the electric metering system, and semiannual payments to the State of Delaware of \$12,000 on the borrowing for the water metering system.

For more detailed information about capital assets and long-term financing activity, see pages 36 and 45, respectively.

Currently known facts, decisions, or conditions

The Commission is aware of several developments that will have an impact on the Commission's finances and operations. The General Assembly passed and the Governor has signed into law, House Substitute 1 for House Bill 61 which regulates the way all electric utilities in the state (including the Commission) can disconnect services for non-payment and mandates utilities offer payment plans to customers unable to pay their bill. This change has the potential to increase uncollectible accounts, and decrease the predictability of cash inflows from customers which the Commission is monitoring.

In January 2026, the Commission adopted a balanced fiscal year 2027 budget that required no general revenue increases, thanks to strong 2026 operating results. Water and electric rates underwent a revenue-neutral restructuring to ensure customer classes accurately reflect their cost of service. Capital investments remain a priority, with the budget funding \$1.5 million in new projects on top of the three carryover projects from the prior year which were discussed above.

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, 2026 and 2025

	2026	2025
ASSETS:		
Current assets:		
Cash and equivalents	\$ 6,562,107	\$ 2,733,825
Investments	1,384,690	1,339,716
Accounts receivable, net	1,104,073	976,849
Inventories	1,144,518	1,017,266
Prepays	131,215	90,506
Restricted cash	1,785,690	1,765,803
Total current assets	12,112,293	7,923,965
Noncurrent assets:		
Capital assets not being depreciated:		
Land	43,796	43,796
Construction in progress	429,636	108,547
Capital assets net of accumulated depreciation:		
Buildings	627,761	644,274
Equipment	1,131,476	825,037
Infrastructure	19,438,570	16,299,307
Total noncurrent assets	21,671,239	17,920,961
Total assets	33,783,532	25,844,926
 DEFERRED OUTFLOWS OF RESOURCES		
Pension	305,710	501,636
Total deferred outflows	305,710	501,636
 LIABILITIES		
Current liabilities:		
Accounts payable	675,461	822,109
Accrued liabilities	106,647	44,491
Customer Deposits	1,798,114	1,792,764
Total current liabilities	2,580,222	2,659,364
Noncurrent liabilities:		
Due within one year	163,861	109,529
Due in more than one year	2,329,575	2,278,842
Total noncurrent liabilities	2,493,436	2,388,371
Total liabilities	5,073,658	5,047,735
 DEFERRED INFLOWS OF RESOURCES		
Pension	464,218	309,546
Total deferred inflows	464,218	309,546
 NET POSITION		
Net investment in capital assets	20,436,396	16,911,971
Unrestricted	8,114,970	4,077,310
Total net position	\$ 28,551,366	\$ 20,989,281

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, 2026 and 2025

	2026	2025
Operating Revenues:		
Water sales	\$ 3,021,038	\$ 2,913,737
Power sales	10,962,124	10,669,031
Miscellaneous	3,418,889	114,432
Total operating revenues	17,402,051	13,697,200
Less: free service	(12,693)	(11,987)
Net operating revenues	17,389,358	13,685,213
 Operating Expenses		
Purchase of water and power	7,541,061	7,529,146
Salaries and benefits	3,473,794	2,993,870
Repairs and maintenance	356,164	317,125
Professional fees	564,300	454,242
Supplies	137,438	109,331
Other purchased services	157,907	134,098
Miscellaneous	38,985	8,416
Depreciation	1,362,713	1,288,881
Total operating expenses	13,632,362	12,835,109
Operating income (loss)	3,756,996	850,104
 Noncapital subsidies		
Intergovernmental	52,678	41,038
Appropriations to Mayor & Council of New Castle:		
Ordinary	(808,218)	(729,835)
City Services	(46,733)	(45,089)
Total noncapital subsidies	(802,273)	(733,886)
 Operating income(loss) and noncapital subsidies	2,954,723	116,218
 Other nonoperating revenues (expenses):		
Investment earnings	213,948	253,909
Gain(loss) on disposal of fixed assets	47,818	(47,298)
Grant revenue - restricted for capital assets	88,492	1,930,399
Capital contributions	4,303,416	-
Special appropriation - capital related	(4,300)	(12,706)
Interest expense	(42,012)	(23,133)
Total other nonoperating revenues (expenses)	4,607,362	2,101,171
 Increase (decrease) in net position	7,562,085	2,217,389
 Net position - beginning	20,989,281	18,771,892
 Net position - ending	\$ 28,551,366	\$ 20,989,281

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 Cash Flows
For the Fiscal Years Ended March 31, 2026 and 2025

	2026	2025
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 14,126,152	\$ 14,431,723
Receipts from legal settlements/litigation	3,096,443	-
Payments to suppliers for goods and services	(8,875,725)	(8,721,457)
Payments to employees for salaries and benefits	(3,396,911)	(3,061,145)
Net cash provided by (used for) operating activities	4,949,959	2,649,121
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Appropriations to the Mayor and Council of New Castle	(808,218)	(729,835)
Noncapital Grants	52,678	41,038
Net cash provided by (used for) non capital financing activities	(755,540)	(688,797)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from revenue bonds and notes	507,194	53,871
Acquisition and construction of capital assets	(899,713)	(715,916)
Gain on disposal of capital assets	47,818	16,164
Principal paid on capital debt	(128,412)	(89,293)
Interest paid on capital debt	(42,012)	(23,133)
Net cash provided by (used for) capital and related financing activities	(515,125)	(758,307)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest/Dividends	168,875	115,032
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	3,848,169	1,317,049
CASH AND CASH EQUIVALENTS, BEGINNING	4,499,628	3,182,579
(includes restricted cash: 2026 - \$1,765,803 and 2025 \$833,089)		
CASH AND CASH EQUIVALENTS, ENDING	\$ 8,347,797	\$ 4,499,628
(includes restricted cash: 2026 - \$1,785,690 and 2025 \$1,765,803)		
Reconciliation of operating income(loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	3,756,996	850,104
Adjustments:		
Depreciation	1,362,713	1,288,881
Bad debt	29,103	4,216
Free service	(59,426)	(53,003)
(Increase) decrease in:		
Accounts receivable	(127,224)	(192,808)
Inventory	(141,700)	9,112
Prepaid expenses	(40,709)	3,540
Deferred outflows - pension	195,928	(174,610)
Increase (decrease) in:		
Accounts payable	11,280	(76,311)
Accrued expenses	62,156	(50,049)
Accrued compensated absences	3,460	5,835
Customer deposits	19,887	932,714
Net pension liability	(277,176)	140,948
Deferred inflows - pension	154,671	(39,448)
Total Adjustments	1,192,963	1,799,017
Net cash provided (used) by operating activities	4,949,959	2,649,121
Schedule of non-cash investing, capital and related financing activities:		
Increase (decrease) in fair value of investments	44,974	124,484
Donated capital assets	4,303,416	-
Principal forgiveness of state revolving loan fund bonds	-	1,764,774
Appropriation to Mayor and Council	(59,439)	(49,389)
Increase (decrease) in accounts payable related to capital assets	(152,928)	163,768

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, 2026 and 2025**

	2026	2025
ASSETS:		
Cash and cash equivalents	\$ 950,142	\$ 856,980
Investments at fair value:		
Mutual funds	3,773,726	3,362,637
Total assets	4,723,868	4,219,617
NET POSITION:		
Restricted for Pensions	4,723,868	4,219,617
Total fiduciary net position	\$ 4,723,868	\$ 4,219,617

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
For the Fiscal Years Ended March 31, 2026 and 2025

	2026	2025
ADDITIONS		
Contributions:		
Employer	\$ 284,446	\$ 287,884
Total	284,446	287,884
Investment earnings:		
Increase in fair value of investments	500,452	174,374
Interest, dividends and other	14,214	6,569
Total investment earnings	514,666	180,943
Less: Investment expense	(13,880)	(12,606)
Net investment earnings	500,786	168,337
 Total additions	 785,232	 456,221
 DEDUCTIONS		
Benefits paid to participants or beneficiaries	280,981	295,308
Total Deductions	280,981	295,308
 Net increase(decrease) in fiduciary net position	 504,251	 160,913
 Beginning fiduciary net position	 4,219,617	 4,058,704
 Ending fiduciary net position	 \$ 4,723,868	 \$ 4,219,617

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, 2026 and 2025

I. Summary of significant accounting policies

a. Reporting entity

The Municipal Services Commission of the City of New Castle (the Commission) owns and operates the local water and electric utilities. It was established in 1921 by an act of the Delaware General Assembly as an independent municipal corporation.

The Commission is governed by a three-member board consisting of:

- The Mayor of the City of New Castle, who serves *ex officio*. (If the Mayor is absent, the Town Administrator is authorized by the charter to serve as an alternate).
- Two Appointed Commissioners, who are named by the City Council to serve four-year terms. Active City Councilors are not permitted to serve on the Commission.

For financial reporting purposes, the Commission is classified as a "component unit" of the City of New Castle. This means that while the Commission operates independently on a day-to-day basis, the City is financially accountable for it because the City Council appoints the majority of the voting commissioners.

Accounting standards require the Commission to evaluate whether it has any component units of its own—meaning other legally separate organizations for which the Commission holds financial accountability or a special financing relationship. After evaluating these criteria, management has determined that the Commission does not oversee any other entities. Therefore, no other organizations are included in these financial statements.

b. Measurement focus and basis of accounting

The Commission's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, in accordance with U.S. Generally Accepted Accounting Principles (GAAP) and Governmental Accounting Standards Board (GASB) pronouncements. Under this method, revenues are recorded when they are earned, and expenses are recorded when a liability is incurred, regardless of when cash actually changes hands. Money received by the Commission before services are provided is classified as unearned revenue.

The Commission operates as a single, major proprietary (enterprise) fund, which encompasses two distinct utility departments: Water and Electric. While these departments maintain separate, self-balancing accounts for internal tracking, they are combined for overall financial reporting.

Because proprietary funds operate similarly to private-sector businesses, the Commission is designed to be entirely self-supporting through user charges to customers. To provide a clear picture of utility performance, the Commission distinguishes between operating and non-operating items in accordance with GASB Statement No. 103:

- Non-Operating Revenues and Expenses: These are specifically defined by GASB as: (1) subsidies received and provided, (2) contributions to permanent and term endowments, (3) revenues and expenses related

to financing (such as interest expense), (4) resources from the disposal of capital assets and inventory, and (5) investment income and expenses.

- Operating Revenues and Expenses: Any revenues and expenses that do not explicitly meet the definition of non-operating are classified as operating. For the Commission, this primarily includes the core activities of providing water and electric services—such as revenue from customer sales, as well as the expenses required to deliver those services (e.g., salaries, power purchases, administration, and depreciation).

In addition to the proprietary fund, the Commission reports one fiduciary pension trust fund. This fund accounts for retirement assets held by the Commission strictly in a fiduciary capacity on behalf of its employees. The pension trust fund also utilizes the economic resources measurement focus and the accrual basis of accounting. Employer contributions are recognized when due under a formal commitment, and benefit payments are recognized when they become due and payable according to the terms of the pension plan.

c. Budgetary information

The Commission adopts an annual operating budget prepared on a modified accrual basis. This means that for budgeting purposes, revenues are recognized when they become both measurable and available to pay current bills, and expenses are generally recorded when the liability is incurred (which differs slightly from the full accrual method used in the main financial statements, but is helpful in making sure there is sufficient cash coming into the Commission to cover current cash going out). In contrast to the annual operating budget, capital investments and special projects are budgeted over the total life of the project, rather than on a strict yearly basis.

To ensure responsible financial management, the Commission maintains strict budgetary control. The level of control—the point at which actual expenses cannot exceed the approved budget—is set at the department level.

- Internal Transfers: Department heads have the authority to transfer funds between different accounts *within* their own department.
- External Transfers: Any transfer of funds *between* different departments requires formal approval from the Board of Commissioners.

At the end of the fiscal year, any unspent budget appropriations automatically lapse (expire). The Commission uses encumbrance accounting to track commitments for goods or services that have been ordered but not yet received, such as open purchase orders or active contracts.

While these open encumbrances also lapse at year-end, valid commitments for items expected to be delivered in the new fiscal year are automatically "re-appropriated." This means they are rolled forward and added to the subsequent year's budget, ensuring effective cash planning and continuous operations.

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

1. Cash and cash equivalents

For both the statement of net position and the statement of cash flows, the Commission defines "cash and cash equivalents" as cash on hand, standard bank accounts, and highly liquid short-term investments. To qualify as a cash equivalent, an investment must be readily convertible to cash and have an original maturity date of three months or less from the time the Commission purchased it.

Certain cash balances are classified as "restricted" because their use is legally or contractually limited to specific purposes. As of March 31, 2026, and 2025, the Commission held \$1,785,690 and \$1,765,803, respectively, in restricted funds. These specific funds are set aside strictly to:

- Refund security deposits to customers when their accounts are closed.
- Pay for infrastructure costs where developers have provided upfront funds to extend utility services to new properties.

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*

The Commission's receivables consist of unpaid charges for water and electric services used by customers. The Commission handles the collection and security of these balances differently depending on the utility:

- **Water Receivables:** Unpaid water charges constitute a legal lien against the real property. Because of this, these balances are ultimately collected in full when a property is sold, transferred, or goes to sheriff's sale.
- **Electric Receivables:** Unpaid electric charges do not constitute a property lien. To minimize losses from these accounts, the Commission relies on requiring adequate security deposits, issuing monthly billings, and maintaining diligent collection procedures.

The Commission maintains an allowance for doubtful accounts to estimate the portion of electric receivables that may never be collected. Management calculates this estimate by combining two factors:

- The total value of accounts sent to outside collection agencies (minus any expected recoveries).
- The balances of customers in active bankruptcy where no payments are being received from the customer or the bankruptcy trustee.

The Commission only writes off an account balance permanently after all collection activities, including the use of outside agencies, have been completely exhausted. As of March 31, 2026, and 2025, the allowance for doubtful accounts was \$41,129 and \$13,912, respectively.

4. *Inventories and prepaid items*

The Commission handles certain purchases by recording them as assets first and expensing them later, an approach known as the "consumption method."

- ***Inventories:*** The Commission keeps a stock of materials on hand, primarily consisting of daily operating supplies and the parts needed to repair the water and electric systems. These items are valued based on their average purchase price. They are only recorded as a financial expense when they are actually taken out of stock and used in the field.
- ***Prepaid Items:*** Occasionally, the Commission must pay vendors in advance for services that will be provided in a future fiscal year (such as annual insurance premiums or software licenses). Similar to inventory, these payments are temporarily held as assets on the balance sheet and are only recognized as an expense when the service is actually received or the time period has passed.

5. Capital Assets

The Commission reports property, plant, equipment, and infrastructure (such as water mains, pumps, and electrical transformers) as capital assets on the statement of net position. An item is classified as a capital asset if it meets both of the following criteria:

- An initial individual cost of more than \$10,000.
- An estimated useful life of more than one year.

Routine maintenance and repairs that simply keep an asset in working order are expensed immediately. The Commission only adds costs to the value of a capital asset if the upgrade significantly increases the asset's capacity, efficiency, or extends its original useful life.

Occasionally, the Commission receives donated assets. For example, a housing developer might build a new subdivision and then turn over the newly installed water mains to the Commission to maintain. These donated assets are recorded on the books at their acquisition value. This simply means the estimated price the Commission would have had to pay on the open market to buy or build that exact same asset, in its current condition, on the day it was donated.

Land and active construction projects (construction in progress) are not depreciated. The cost of all other capital assets is spread out over time using the straight-line method, meaning an equal amount of depreciation expense is recorded for each year of the asset's estimated useful life:

Capital asset classes	Useful Lives
Infrastructure	15-100
Buildings	30-50
Equipment	2-20

The Commission regularly evaluates its capital assets to ensure their recorded value on the books is still accurate. If events or changes in circumstances indicate that an asset has suffered a significant, unexpected decline in its usefulness—such as severe physical damage or technological obsolescence—the asset is considered "impaired." When this happens, the Commission writes down the carrying value of the asset to reflect its newly reduced fair value. The Commission did not recognize any impairment losses during the fiscal years ended March 31, 2026, and 2025.

6. Deferred outflows/inflows of resources

In addition to traditional assets and liabilities, the Commission's statement of net position includes two special categories: deferred outflows and deferred inflows of resources.

These items act as accounting placeholders. They represent financial events that have already occurred but, according to accounting rules, must be recognized as expenses or revenues gradually over multiple future years rather than all at once. For the Commission, these deferrals are entirely related to annual changes in the employee pension plan.

- *Deferred Outflows of Resources*: This represents a consumption of net assets that applies to future periods (similar to a delayed expense). For the years ended March 31, 2026, and 2025, the Commission reported deferred outflows of \$305,710 and \$501,636, respectively.
- *Deferred Inflows of Resources*: This represents an acquisition of net assets that applies to future periods (similar to delayed revenue or savings). For the years ended March 31, 2026, and 2025, the Commission reported deferred inflows of \$464,218 and \$309,546, respectively.

By classifying these pension changes as deferred items, the Commission is "amortizing" them—spreading the financial impact over a period of years to prevent extreme, single-year fluctuations in the Commission's reported pension expenses.

7. *Long-Term Obligations*

The Commission reports its long-term debt and other long-term obligations as liabilities on the statement of net position for the specific utility department (Water or Electric) that the debt was issued.

When the Commission issues bonds, it sometimes receives slightly more or less money than the actual face value of the debt. These differences are called bond premiums or bond discounts.

According to accounting rules, these amounts are not recognized as an expense or revenue all at once. Instead, they are amortized (spread out gradually) over the total life of the bonds. On the financial statements, the outstanding bond liability is combined with any remaining premium or discount so that the reader sees a single, "net" total for the debt.

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*

Net position represents the difference between all of the Commission's resources (assets and deferred outflows) and its obligations (liabilities and deferred inflows). It serves as a key indicator of the Commission's overall financial health. The Commission reports its net position in three categories:

- *Net Investment in Capital Assets:* This represents the Commission's investment in its physical infrastructure (such as land, buildings, water mains, and electrical lines). It is calculated by taking the total value of these capital assets, subtracting accumulated depreciation, and then subtracting any outstanding debt that was used to buy, build, or improve them.
- *Restricted Net Position:* This represents resources that cannot be spent freely. Their use is legally limited by outside parties (such as creditors or grantors) or by specific laws and regulations.
- *Unrestricted Net Position:* This is the remaining balance of the Commission's net position. These resources are not subject to external restrictions and are available to meet the Commission's ongoing operational needs and obligations to customers.

Occasionally, the Commission will undertake a project that could be funded using either restricted resources (like a specific government grant) or unrestricted resources. When this happens, it is the Commission's policy to spend the restricted funds first, before using any unrestricted funds.

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*

The Commission allows employees to earn and accumulate paid time off. Under standard accounting rules, the Commission must record a liability for these "compensated absences" if the leave time has already been earned, can be carried over to future years, and is more likely than not to be used or paid out in cash. For the Commission, this applies to both vacation and sick leave. (Note: All calculated liabilities for compensated absences include any applicable salary-related benefits and payroll taxes).

The Commission handles the accumulation and payout of these two types of leave differently:

- **Vacation Leave:** Employees may accumulate up to 200 hours of unused vacation time. This balance is eligible to be paid out in cash whenever an employee separates from service for any reason. As of March 31, 2026, and 2025, the Commission recorded a vacation leave liability of \$134,291 and \$138,250, respectively.
- **Sick Leave:** Employees may accumulate up to 2,080 hours of unused sick leave. Unlike vacation time, accumulated sick leave is only eligible for a cash payout when an employee officially *retires*, and the payout is strictly capped at a maximum of 720 hours. As of March 31, 2026, and 2025, the Commission recorded a sick leave liability of \$338,423 and \$331,004, respectively.

These liabilities are reported with other long-term liabilities on the statement of net position.

f. Implementation of new accounting principles

The Governmental Accounting Standards Board (GASB) regularly issues new rules to improve transparency in government reporting. The Commission's management reviews these pronouncements to ensure full compliance.

During the current fiscal year, the Commission successfully adopted the following GASB Statements:

- **GASB Statement No. 102 (Certain Risk Disclosures):** Requires governments to disclose certain risks that could negatively affect the level of services they provide or their ability to meet obligations.
- **GASB Statement No. 103 (Financial Reporting Model Improvements):** Required the Commission to update the formatting of the Management's Discussion and Analysis (MD&A) and the statement of revenues, expenses and change in net position (specifically how operating and non-operating items are categorized).

While these new standards successfully improved the layout and transparency of this report, they did not have a material (significant) impact on the Commission's actual financial balances or bottom line. In order to comply with the provisions of Statement No. 103, the 2025 statement of revenues expenses and changes in net position has been reclassified to reflect the new format. There was no change to net position as a result of the implementation of Statement 103.

The GASB has issued additional standards that will become effective for the Commission in the next fiscal year:

- GASB Statement No. 104 (Disclosure of Certain Capital Assets)
- GASB Statement No. 105 (Subsequent Events)

Management is currently evaluating the specific requirements of these upcoming statements, but does not anticipate that they will have a material effect on the financial statements once implemented.

g. Use of estimates

To prepare financial statements that comply with U.S. Generally Accepted Accounting Principles (GAAP), the Commission’s management must make certain educated estimates and assumptions. These estimates directly affect:

- The reported values of assets, liabilities, and deferred items on the date of the financial statements.
- The disclosure of contingent liabilities (potential future financial obligations, such as pending legal claims).
- The reported amounts of revenues and expenses during the fiscal year.

Because these figures are based on management's best assumptions at the time, the actual future results could ultimately differ from these original estimates.

II. Detailed notes on all activities

a. Cash deposits and investments with financial institutions

Section 2 of the Commission’s charter grants the Treasurer the authority to hold the Commission’s funds in separate accounts at banks and trust companies, subject to terms prescribed by the Board of Commissioners.

Custodial credit risk – deposits. Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Commission may not be able to recover its deposits. The Commission’s bank balances were as follows:

Financial Institution	Bank Balance March 31, 2026	Bank Balance March 31, 2025
M&T Bank NA (checking account)	\$ 562,106	\$ 427,723
M&T Bank NA (customer deposits)	1,764,703	1,587,799
M&T Financial Services (investment sweep)	6,001,957	2,514,206

To manage this risk, the Commission ensures its deposits are fully protected. For both fiscal years 2026 and 2025, the first \$500,000 of the Commission’s balances at M&T Bank NA were covered by Federal Deposit Insurance Corporation (FDIC) insurance. All remaining balances (\$1,826,809 in 2026 and \$1,515,522 in 2025) were fully covered by collateral pledged by M&T Bank and held by an independent custodian (BNY Mellon) under a tri-party agreement.

Additionally, deposits held in M&T Financial Services are swept into a government money market mutual fund (Goldman Sachs Financial Square Government Fund). This fund maintains a stable net asset value (NAV) of \$1.00 and is rated AAAM by Standard & Poor’s and Aaa-mf by Moody’s.

Custodial credit risk – investments. For investments, custodial credit risk is the risk that the Commission will not be able to recover the value of its investments if the counterparty fails. The Commission’s investments in mutual funds are exempt from this risk categorization because the Commission does not own specific, identifiable securities; rather, it owns a percentage of the overall mutual funds. The Commission has no uninsured or unregistered investments held by a counterparty.

Fair Value Hierarchy – Investments. The Commission categorizes its investments based on the "fair value hierarchy" established by GAAP. This hierarchy prioritizes the inputs used to measure fair value:

- **Level 1:** Valuations based on unadjusted, publicly quoted prices for identical assets in active markets (e.g., daily stock or mutual fund prices).
- **Level 2:** Valuations based on quoted prices for similar assets in active markets, or identical assets in less active markets.
- **Level 3:** Valuations derived from unobservable inputs, such as internal pricing models or discounted cash flows.

All of the Commission's investments are highly liquid instruments with maturities of less than one year and are categorized as **Level 1**. The Commission's investment balances are categorized as follows:

Investment Type	March 31, 2026		March 31, 2025	
	Fair Value	Level 1	Fair Value	Level 1
US Agency Bond Fund	\$ 152,234	\$ 152,234	\$ 88,052	\$ 88,052
Total Return Bond Fund	237,943	237,943	227,460	227,460
TBI Bond Fund	-	-	121,385	121,385
Total Bond Fund	372,400	372,400	234,495	234,495
Global Multi Sector Bond Fund	122,076	122,076	116,821	116,821
1-3 Year Treasury Bond EFT	500,037	500,037	482,660	482,660
Prudential Financial Common Stock	-	-	66,003	66,003
Money Market Mutual Fund	-	-	2,840	2,840
Total	\$ 1,384,690	\$ 1,384,690	\$ 1,339,716	\$ 1,339,716

(Note: The shares of Prudential Financial held in 2025 were a temporary holding, which was liquidated during 2026 and reinvested in the US Agency Bond Fund).

Additional Risks – Investments. While the Commission does not currently have formal, adopted policies specifically limiting the following risks, management and the Commission's investment advisor actively monitor the portfolio to ensure safety and liquidity:

- **Credit Risk:** The risk that an issuer will not fulfill its obligations. The Commission's mutual funds are not rated by a nationally recognized statistical rating organization, but are monitored based on the quality of the underlying assets and fund management.
- **Interest Rate Risk:** The risk that changes in market interest rates will adversely affect an investment's fair value.
- **Concentration of Credit Risk:** The risk of loss attributed to the magnitude of investment in a single issuer.
- **Foreign Currency Risk:** The risk that changes in exchange rates will negatively affect an investment. All mutual funds in the Commission's portfolio, including those with international equities or bonds, are strictly denominated in United States dollars.

b. Receivables

As described in Note 1(d)(3), the Commission maintains an allowance for doubtful accounts to estimate the portion of receivables that may ultimately be uncollectible. This allowance is calculated based on the balances of accounts currently at outside collection agencies (less anticipated recoveries) combined with the balances of accounts in active bankruptcy.

The following table details the Commission's net receivables for the fiscal years ended March 31, 2026, and 2025:

	March 31,	
	2026	2025
Electric service charges receivable	\$ 450,124	\$535,075
Water service charges receivable	135,575	152,924
Due from other governments	529	164,282
Miscellaneous receivables	558,974	138,471
Dividends receivable	-	9
	<u>1,145,202</u>	<u>990,761</u>
Less: allowance for doubtful accounts	41,129	13,912
Total accounts receivable	<u>\$1,104,073</u>	<u>\$976,849</u>

c. Capital assets

Capital asset activity for the years ended March 31, 2026 and 2025 was as follows:

	<u>Balance</u> <u>April 1, 2025</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>March 31, 2026</u>
Capital Assets, not being depreciated:				
Land	43,796	-	-	43,796
Construction in progress	108,547	387,257	66,168	429,636
Total capital assets, not being depreciated	<u>152,343</u>	<u>387,257</u>	<u>66,168</u>	<u>473,432</u>
Capital Assets, being depreciated:				
Buildings	1,067,264	14,602	19,210	1,062,656
Equipment	2,803,846	579,899	385,049	2,998,696
Infrastructure	30,470,583	4,197,401	-	34,667,984
Total capital assets, being depreciated	<u>34,341,693</u>	<u>4,791,902</u>	<u>404,259</u>	<u>38,729,336</u>
Less accumulated depreciation for:				
Buildings	422,990	31,115	19,210	434,895
Equipment	1,978,809	273,460	385,049	1,867,220
Infrastructure	14,171,276	1,058,138	-	15,229,414
Total accumulated depreciation	<u>16,573,075</u>	<u>1,362,713</u>	<u>404,259</u>	<u>17,531,529</u>
Total capital assets being depreciated, net	<u>17,768,618</u>	<u>3,429,189</u>	<u>-</u>	<u>21,197,807</u>
Total capital assets, net	<u>17,920,961</u>	<u>3,816,446</u>	<u>66,168</u>	<u>21,671,239</u>

	Balance April 1, 2024	Increases	Decreases	Balance March 31, 2025
Capital Assets, not being depreciated:				
Land	43,796	-	-	43,796
Construction in progress	69,797	38,750	-	108,547
Total capital assets, not being depreciated	<u>113,593</u>	<u>38,750</u>	<u>-</u>	<u>152,343</u>
Capital Assets, being depreciated:				
Buildings	1,067,264	-	-	1,067,264
Equipment	2,664,193	293,148	153,495	2,803,846
Infrastructure	29,962,306	570,920	62,643	30,470,583
Total capital assets, being depreciated	<u>33,693,763</u>	<u>864,068</u>	<u>216,138</u>	<u>34,341,693</u>
Less accumulated depreciation for:				
Buildings	390,529	32,461	-	422,990
Equipment	1,917,912	214,393	153,496	1,978,809
Infrastructure	13,142,820	1,042,027	13,571	14,171,276
Total accumulated depreciation	<u>15,451,261</u>	<u>1,288,881</u>	<u>167,067</u>	<u>16,573,075</u>
Total capital assets being depreciated, net	<u>18,242,502</u>	<u>(424,813)</u>	<u>49,071</u>	<u>17,768,618</u>
Total capital assets, net	<u>18,356,095</u>	<u>(386,063)</u>	<u>49,071</u>	<u>17,920,961</u>

d. Accrued liabilities

Accrued liabilities reported in the financial statements at March 31, 2026 and 2025 respectively were as follows:

	2026	2025
Salaries & Benefits	\$ 103,814	\$ 44,491
Interest	2,833	-
Total accrued liabilities	<u>\$ 106,647</u>	<u>\$ 44,491</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, 2026 and 2025, the dollar amount of current payroll used in the determination of the minimal contribution utilized the calendar year payroll of \$1,475,065 and \$1,413,184 respectively. Total payroll for the years ended March 31, 2026 and 2025 was \$2,208,199 and \$2,112,270 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. All employees in the Plan are 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. Effective April 1, 2024 the maximum monthly benefit was increased to \$4,800.
- 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, 2026 and 2025, the Commission reported a net pension liability of \$796,719 and \$1,073,895 respectively. The net pension liability was measured as of March 31, 2026 and 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of March 31, 2026 and 2025. For the years ended March 31, 2026 and 2025, the Commission recognized pension expense in the amount of \$357,868 and \$214,774 respectively.

Net Pension Liability -The components of the net pension liability of the Commission at March 31, 2026 and 2025 were as follows:

	<u>2026</u>	<u>2025</u>
Total pension liability	\$ 5,520,587	\$ 5,293,512
Plan fiduciary net position	<u>4,723,868</u>	<u>4,219,617</u>
Commission's net pension liability	<u>\$ 796,719</u>	<u>\$ 1,073,895</u>
Plan fiduciary net position as a percentage of total pension liability	85.6%	79.7%

The Commission's changes in total pension liability, plan fiduciary net position, and net pension liability for the years ended March 31, 2026 and 2025 were as follows:

	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
Balance at March 31, 2025	<u>\$ 5,293,512</u>	<u>\$ 4,219,617</u>	<u>\$ 1,073,895</u>
Changes for the year:			
Service cost	243,118	-	243,118
Interest	358,866	-	358,866
Experience (gain) or loss	(98,896)	-	(98,896)
Changes in assumptions	4,968	-	4,968
Benefit payments	(280,981)	(280,981)	-
Employer contributions	-	284,446	(284,446)
Net investment income	-	500,786	(500,786)
Net changes	<u>227,075</u>	<u>504,251</u>	<u>(277,176)</u>
Balance at March 31, 2026	<u>\$ 5,520,587</u>	<u>\$ 4,723,868</u>	<u>\$ 796,719</u>
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
Balance at March 31, 2024	<u>\$ 4,991,651</u>	<u>\$ 4,058,704</u>	<u>\$ 932,947</u>
Changes for the year:			
Service cost	224,439	-	224,439
Interest	339,212	-	339,212
Experience (gain) or loss	27,166	-	27,166
Changes in assumptions	6,352	-	6,352
Benefit payments	(295,308)	(295,308)	-
Employer contributions	-	287,884	(287,884)
Net investment income	-	168,337	(168,337)
Net changes	<u>301,861</u>	<u>160,913</u>	<u>140,948</u>
Balance at March 31, 2025	<u>\$ 5,293,512</u>	<u>\$ 4,219,617</u>	<u>\$ 1,073,895</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, 2026 and 2025, 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 stated 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, 2026 and 2025, five percent or more of Plan assets were held in the following individual mutual funds:

Investment Fund	2026	2025
Nationwide Fixed Fund	20.1%	20.3%
Vanguard Mid-Cap Index	13.0%	12.9%
Vanguard Large-Cap Value Index	7.0%	7.1%
American Funds American Mutual	7.0%	7.1%
MFS Growth Fund	5.9%	5.8%
Vanguard Total Bond Market	5.0%	5.1%
Fidelity Advisor Total Bond Fund	5.0%	5.1%
PIMCO Income Fund	5.0%	5.1%

7. *Interest rate risk*

The Plan had recurring fair value measurements as of March 31, 2026 and 2025 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 Plan's 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%	4.75%
International equity	14%	5.00%
Fixed income	35%	2.75%
Real estate	3%	4.50%
Cash	0%	2.00%

Over the long-term, inflation is expected to add 2.5% to 3.0% in portfolio return.

11. Discount Rate and Liability Disclosures

The discount rate used to measure the total pension liability as of March 31, 2026 and 2025 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, 2026. 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 17.9% of annual covered payroll.

As of March 31, 2026, the Plan covered a total of 31 participants including 11 active plan members, 15 retirees and beneficiaries receiving benefits from the Plan, and 5 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, 2026 and 2025, 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, 2026	\$ 1,511,251	\$ 796,719	\$ 209,468
As of March 31, 2025	\$ 1,744,738	\$ 1,073,895	\$ 522,525

12. Deferred Amounts and Plan Change Disclosures

As of March 31, 2026 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	\$ 196,371	\$ (362,932)
Assumption changes	109,339	(8,105)
Investment experience	-	(93,181)
	\$ 305,710	\$ (464,218)

As of March 31, 2025, 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	\$ 215,349	\$ (300,550)
Assumption changes	115,491	(8,996)
Investment experience	170,796	-
	\$ 501,636	\$ (309,546)

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

Year ending March 31,	Expense
2027	\$ 25,405
2028	(73,474)
2029	(25,608)
2030	(48,736)
2031	(7,308)
Thereafter	(28,787)
Total	\$ (158,508)

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, \$4,400 on April 1, 2019 and \$4,800 on April 1, 2024.
- 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, 2026 and 2025, the pension plan reported fiduciary net position of \$4,723,868 and \$4,219,617 respectively. This net position is restricted for the payment of benefits to employees and beneficiaries.

f. Defined contribution plan

The Commission offers two deferred compensation plans to its employees: a 401(a) plan (for employees hired after April 1, 2016) and a 457(b) plan (available to all employees). These plans, established under the Internal Revenue Code, allow employees to defer a portion of their current salary until future years. These deferred funds are not available to employees until termination, retirement, or death.

The Commission's contribution policies depend on the employee's hire date, union status, and length of service:

- **Base Contribution:** For non-union employees hired after April 1, 2016, who have completed one year of service, the Commission automatically contributes an amount equal to 4.4% of their salary into a 401(a) account.
- **Matching Contribution:** If those same eligible employees choose to contribute to their own 457(b) account, the Commission will match those contributions up to 3% of their salary (deposited into the 401(a) account). This allows for a maximum employer contribution of 7.4%.
- **Longevity Contributions:** In September 2024, the Commission amended the plan to provide annual longevity deposits for all non-union employees, regardless of their original hire date. These contributions begin at 10 years of service and increase in five-year increments, ranging from \$1,000 to \$2,500 per year.
- **Union Employees:** Commission contributions for union employees are dictated strictly by the current collective bargaining agreement.

All Commission contributions are 100% vested at the time they are deposited, meaning there are no forfeiture provisions.

During the fiscal years ended March 31, 2026, and 2025, a total of 19 employees actively participated in and contributed to the plans.

- **Employee Contributions:** \$116,432 (2026) and \$103,586 (2025)
- **Commission Contributions:** \$59,763 (2026) and \$57,835 (2025)

The Commission pays all employer contributions biweekly as part of the normal payroll process.

The plans are administered by T. Rowe Price. Participants have full discretion over how their funds are invested among the available investment options. All deferred compensation, employer contributions, and

any subsequent investment earnings are solely the property and rights of the individual participants. As a result, the Commission has no liability for any investment losses under the plans.

g. Construction and other significant commitments

As of March 31, 2026, the Commission had several active construction projects and engineering agreements related to the ongoing maintenance and upgrade of its utility infrastructure. The most significant of these active contracts involve the design and installation of the PFAS filtration system at the School Lane Treatment Facility, as well as electrical substation upgrades.

The Commission's significant outstanding commitments with contractors as of March 31, 2026, are detailed in the following table:

	Total Contract Amount	Remaining Contract
School Lane PFAS Upgrades		
Pennoni Engineering	\$ 78,870	\$ 21,203
KMP Mechanical	787,612	787,612
Dobbinville Substation Upgrades		
SEL Engineering Services	192,665	104,923
Design Management Group	19,000	17,750

h. Risk management

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

Commercial Insurance - To protect against the majority of these risks, the Commission purchases traditional commercial insurance policies. For all categories of risk, there have been no significant reductions in insurance coverage during the fiscal years ended March 31, 2026, and 2025. Furthermore, settled claims have not exceeded insurance coverage in any of the past three fiscal years.

Public Entity Risk Pool (Worker's Compensation) - For worker's compensation coverage, the Commission participates in the DeLea Founders Insurance Trust (DFIT). DFIT is a public entity risk pool that is owned and directed by the local governments that subscribe to its coverage.

The Commission pays an annual premium to DFIT, and in return, DFIT processes all claims and pays all administrative costs and recoveries (subject to standard deductibles and occurrence limits). Because subscribers share the risk across the entire pool, the Commission's financial obligations are directly tied to the pool's overall performance:

- Favorable Performance: If the pool experiences fewer losses than expected, the Commission may benefit from reduced future premiums or refunded surpluses.
- Unfavorable Performance: If the pool experiences high losses, the Commission's annual premiums could increase, or it could be subjected to additional assessments. (The Commission would record these additional assessments as an expense if they become probable and can be reasonably estimated).

Complete financial statements for the risk pool can be obtained directly from their administrative offices at: DeLea Founders Insurance Trust, 492 Franklin Ave Nutley, NJ 07110

i. Noncurrent liabilities & legal debt margin

Under Section 3(g) of the Commission’s charter, the Commission is empowered to issue revenue bonds and other debt obligations that are not backed by the full faith and credit of the City of New Castle, provided the Commission gives the City Council 30 days’ notice prior to issuance.

The charter limits the maximum amount of outstanding debt to the Commission’s annual gross revenues from the preceding year. For the fiscal years ended March 31, 2026, and 2025, the legal debt limits were \$13,697,200 and \$12,343,869, respectively. Against these limits, the Commission had actual outstanding debt of only \$1,224,003 in 2026 and \$845,222 in 2025.

Long-term debt and default provisions

The Commission holds different types of debt, each with specific security terms and default provisions:

- **Revenue Bonds:** These bonds are secured exclusively by the Commission's water revenues. The Commission is required to maintain a debt service coverage ratio of 1.2. Events that would trigger a default include failure to pay principal and interest, failure to maintain adequate debt coverage ratios or insurance coverage, or filing for bankruptcy. In the event of a default, the outstanding balance can be accelerated and become immediately due and payable.
- **Direct Placements (DEMEC):** The Commission holds notes with the Delaware Municipal Electric Corporation (DEMEC), which issued tax-exempt bonds to fund electric projects. These agreements require monthly payments of \$7,500, but do not contain any specific default provisions.
- **Direct Borrowings (M&T Bank):** The Commission financed the purchase of two vehicles through M&T Bank. The default provisions for this borrowing allow the bank to accelerate the outstanding balance and repossess the financed vehicles (which secure the loan).

Revenue bonds and notes payable outstanding as of March 31, 2026 and 2025 are as follows:

Description	Issue Date	Original Borrowing	Interest Rate	Maturity Date	Outstanding 3/31/2026	Outstanding 3/31/2025
Revenue Bonds						
<u>Delaware Drinking and Clean Water State Revolving Loan Funds</u>						
Advanced Metering Infrastructure Project - Water	2/18/2022	1,011,110	2.00%	9/1/2043	\$ 354,991	\$ 371,781
<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, 2024 - \$1,011,110</i>						
School Lane PFAS Treatment Upgrades	May 3, 2024	1,135,728	2.00%	3/1/2045	67,944	45,750
<i>100% Principal forgiveness of 1,135,728 upon completion of the project</i>						
<i>Total issued as of March 31, 2026 - \$67,944</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%	7/19/2031	353,056	427,691
<i>Monthly principal and interest payments of \$7,500</i>						
<u>M&T Bank, N.A.</u>						
Purchase of two vehicles.	May 2, 2025	485,000	4.30%	5/2/2032	448,012	-
<i>Semi-annual principal and interest payments of \$40,546</i>						
					<u>\$ 1,224,003</u>	<u>\$ 845,222</u>

The future debt service requirements for the Commission's outstanding obligations are detailed below. While the full amount of the DEMEC borrowing has not yet been drawn down, the table reflects the full expected borrowing by the end of the project:

Fiscal Year Ending March 31,	Bonds		Notes form Direct Borrowings and Direct Placements	
	Principal	Interest	Principal	Interest
2027	16,777	6,871	\$ 131,514	26,682
2028	17,114	6,534	143,131	27,964
2029	17,458	6,190	147,971	23,125
2030	17,809	5,839	152,984	18,112
2031	18,167	5,481	158,177	12,919
2032-2036	96,462	21,778	137,213	7,577
2037-2041	106,554	11,688	-	-
2042-2046	64,650	1,733	-	-
	<u>\$ 354,991</u>	<u>\$ 66,114</u>	<u>\$ 870,990</u>	<u>\$ 116,379</u>

The School Lane PFAS Treatment Upgrade bond was issued by the State of Delaware with 100% principal forgiveness upon completion of the project; therefore, there is no anticipated debt service requirement reported for this bond.

Funding Sources for other non-debt related liabilities

Compensated absences and net pension liabilities are liquidated by the specific department (Water or Electric) that originally incurred the personnel cost.

Changes in non-current liabilities

Changes in the Commission's noncurrent liabilities for the year ended March 31, 2026 and 2025 are as follows:

	Balance			Balance	Due Within
	April 1, 2025	Increases	Decreases	March 31, 2026	One Year
Revenue Bonds	\$ 417,531	\$ 22,194	\$ 16,790	\$ 422,935	\$ 16,777
Notes from direct borrowings and direct placements	427,691	485,000	111,623	801,068	131,514
Compensated Absences	469,254	331,892	328,432	472,714	15,570
Net pension liability	1,073,895	-	277,176	796,719	-
Long-term liabilities	<u>\$ 2,388,371</u>	<u>\$ 839,086</u>	<u>\$ 734,021</u>	<u>\$ 2,493,436</u>	<u>\$ 163,861</u>

	Balance			Balance	Due Within
	April 1, 2024	Increases	Decreases	March 31, 2025	One Year
Revenue Bonds	\$ 2,099,143	\$ 99,622	\$ 1,781,234	\$ 417,531	\$ 16,790
Notes from direct borrowings and direct placements	500,525	-	72,834	427,691	74,635
Compensated Absences	463,418	286,747	280,911	469,254	18,104
Net pension liability	932,947	140,948	-	1,073,895	-
Long-term liabilities	<u>\$ 3,996,033</u>	<u>\$ 527,317</u>	<u>\$ 2,134,979</u>	<u>\$ 2,388,371</u>	<u>\$ 109,529</u>

j. Net position

While the Commission does not have a formally adopted minimum net position policy, management strives to maintain an unrestricted cash and investment balance equivalent to 90 to 120 days of operating expenditures. This liquidity target is designed to ensure continuous fiscal stability and provide a buffer for unforeseen emergencies, revenue shortfalls, or timing differences in cash flows.

As of the end of the last two fiscal years, the Commission successfully met this internal target. The calculated days cash on hand were 178 days (2026) and 95 days (2025)

k. The Delaware Municipal Electric Corporation, Inc

The Commission is a member of the Delaware Municipal Electric Corporation (DEMEC), a public corporation constituted as a joint action agency and wholesale electric utility. DEMEC represents nine municipal electric distribution utilities in Delaware. It serves as the authorized agent for the Commission in the energy markets, managing the acquisition, delivery, and risk of the Commission's wholesale power supply.

The Commission purchases 100% of its electric supply from DEMEC under a long-term service contract effective January 1, 2000. This agreement remains in effect until either party provides a 60-day written notice of termination. If terminated, the Commission remains financially obligated to pay its allocated share of any forward capacity and energy contracts that DEMEC secured with third parties prior to the termination date.

In addition to general power purchases, the Commission holds specific capacity rights in the Warren F. "Sam" Beasley Power Station in Smyrna, Delaware (owned by DEMEC). Under these power sales agreements, the Commission is entitled to a set percentage of all power and ancillary products generated by the facility for the entirety of its useful life:

- Unit 1 (45 MW generator): 8.90% interest (Agreement effective May 1, 2001)
- Unit 2 (50 MW generator): 7.15% interest (Agreement effective May 1, 2011)

During the fiscal years ended March 31, 2026, and 2025, the Commission's financial activity related to the DEMEC full purchase of power agreement was as follows:

- Purchased Power Expense: \$7,512,902 (2026) and \$7,507,739 (2025)
- Outstanding Payable at Year-End: \$602,067 (2026) and \$593,981 (2025)

At times, the Commission may be required to provide advances to DEMEC to cover cash collateral calls resulting from forward power purchase positions. There were no such advances required during the years ended March 31, 2026, and 2025.

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

l. Related party transactions

The Commission is a component unit of the Mayor and Council of the City of New Castle. Under Section 12 of the Commission's charter, several specific financial arrangements exist between the two entities to ensure mutual support and the recovery of utility costs.

The Commission is required to pay the City an annual appropriation equal to 6% of the Commission's audited annual user charges from the previous fiscal year. This amount is paid in quarterly installments.

The charter establishes unique billing rules for the City's use of Commission services:

- Electric: The City is charged for its electric consumption at the same "pass-through" rate the Commission pays to purchase power from its wholesale supplier.
- Water: The City is not charged for its water consumption. Instead, the Commission records a "non-cash" appropriation to the City in an amount equal to what the City would have been billed at standard rates.

From time to time, the Commission provides labor and equipment to the City and the Trustees of the New Castle Common for specific projects at no cost. The value of these services is tracked and recorded as a special appropriation to the City.

The financial impact of these transactions for the fiscal years ended March 31, 2026, and 2025, is summarized below:

	<u>2026</u>	<u>2025</u>
Payments to the City		
6% Charter Appropriation	\$ 808,218	\$ 729,835
Non-Cash Appropriations		
Value of free water provided to city	46,733	45,089
Labor & equipment	4,300	12,706
Payments from the City		
Electric consumption	(65,176)	(62,013)

m. Agreements

The Commission maintains two separate interconnection agreements with Artesian Water, Inc. to ensure efficient water distribution and service reliability:

- **Water Purchases:** The Commission purchases water from Artesian for resale to customers in the Boothhurst Subdivision. During the fiscal years ended March 31, 2026, and 2025, the Commission paid Artesian \$28,159 and \$21,407, respectively.
- **Water Sales:** The Commission also sells water to Artesian under a separate agreement. During the fiscal years ended March 31, 2026, and 2025, Artesian paid the Commission \$20,450 and \$93,850, respectively.

A significant portion of the Commission’s workforce is comprised of union employees. These employees are represented under a collectively bargained compensation agreement that covers approximately 63% of the Commission’s total labor force.

On March 21, 2024, the Commission entered into a new five-year agreement with the represented employees. This contract governs employee compensation and benefits through its expiration date on March 31, 2029.

n. Significant customers

Approximately 5.5% and 8.0% of the Commission’s net operating revenues are from a single customer for the years ended March 31, 2026 and 2025 respectively.

o. Environmental issues

The Commission complies with all Federal, State, and Local environmental laws and regulations. It is the Commission’s policy to record a liability for non-capital environmental clean-up costs when it is probable that a liability has been incurred and the amount can be reasonably estimated. Management believes that future compliance and remediation costs will not have a material adverse effect on the Commission’s financial position or operations.

In August 2014, the Commission was ordered by the U.S. Environmental Protection Agency (EPA) and the Delaware Office of Drinking Water (ODW) to shut down its water supply wells. This order followed the

discovery of Perfluorooctane Sulfonic Acid (PFOS) and Perfluorooctanoic Acid (PFOA)—types of "forever chemicals" known as PFAS—at levels exceeding the EPA health advisory limit of 70 parts per trillion.

Between 2014 and 2016, the Commission collaborated with the ODW and the U.S. Department of Agriculture to fund and construct a granulated activated carbon filtration system. This system has proven successful in filtering these contaminants to "non-detectable" levels in laboratory testing.

The EPA and the Delaware Department of Natural Resources and Environmental Control (DNREC) conducted joint investigations to identify the source of the groundwater contamination near the New Castle County Airport and the Delaware Air National Guard Base.

As a result of these findings, the EPA officially added the East Basin Road Groundwater Site—a site spanning over 5,000 acres—to the Superfund National Priorities List (NPL) in March 2023. The EPA is currently conducting an in-depth Remedial Investigation to determine the full extent of the contamination. While this investigation is ongoing with no set completion date, management anticipates the outcome will not have a significant negative impact on the Commission's financial position or its ability to provide utility services.

p. Subsequent events

In preparing the accompanying financial statements, the Commission has evaluated events and transactions for potential recognition through June 3, 2026 the date the financial statements were available to be issued.



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

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
TOTAL PENSION LIABILITY										
Service Cost	\$ 243,118	\$ 224,439	\$ 215,627	\$ 173,073	\$ 141,017	\$ 142,685	\$ 171,999	\$ 84,928	\$ 121,509	\$ 112,447
Interest on total pension liability	358,866	339,212	328,653	312,173	290,565	292,452	274,195	262,991	248,860	251,912
Experience (gain) or loss	(98,896)	27,166	(118,327)	45,781	160,942	(170,924)	40,015	15,067	(17,745)	(137,115)
Effect of assumption changes or inputs	4,968	6,352	5,990	9,693	16,140	(13,451)	2,158	10,139	119,169	9,432
Plan benefit changes	-	-	13,876	-	-	-	51,203	64,550	-	-
Benefit payments	(280,981)	(295,308)	(300,810)	(305,386)	(296,586)	(267,914)	(278,863)	(273,734)	(272,991)	(286,752)
Net change in total pension liability	227,075	301,861	145,009	235,334	312,078	(17,152)	260,707	163,941	198,802	(50,076)
Total pension liability, beginning	5,293,512	4,991,651	4,846,642	4,611,308	4,299,230	4,316,382	4,055,675	3,891,734	3,692,932	3,743,008
Total pension liability, ending	<u>\$5,520,587</u>	<u>\$5,293,512</u>	<u>\$4,991,651</u>	<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>
Fiduciary Net Position										
Employer Contributions	284,446	287,884	274,769	234,159	218,259	261,078	235,233	201,749	254,642	212,736
Investment income(loss), net of investment expenses	500,786	168,337	489,976	(224,482)	144,332	1,013,264	(212,719)	104,910	257,584	277,298
Benefit payments	(280,981)	(295,308)	(300,810)	(305,386)	(296,586)	(267,914)	(278,863)	(273,734)	(272,991)	(286,752)
Net change in fiduciary net position	504,251	160,913	463,935	(295,709)	66,005	1,006,428	(256,349)	32,925	239,235	203,282
Fiduciary net position, beginning	4,219,617	4,058,704	3,594,769	3,890,478	3,824,473	2,818,045	3,074,394	3,041,469	2,802,234	2,598,952
Fiduciary net position, ending	<u>\$4,723,868</u>	<u>\$4,219,617</u>	<u>\$4,058,704</u>	<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>
Net pension liability	<u>\$ 796,719</u>	<u>\$ 1,073,895</u>	<u>\$ 932,947</u>	<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>
Plan fiduciary net position as a percentage of total pension liability	85.57%	79.71%	81.31%	74.17%	84.37%	88.96%	65.29%	75.80%	78.15%	75.88%
Covered payroll	1,475,065	1,413,184	1,334,567	1,301,347	1,217,537	1,402,180	1,424,474	1,306,758	1,327,758	1,366,918
Net pension liability as a percentage of covered payroll	54.01%	75.99%	69.91%	96.20%	59.20%	33.86%	105.19%	75.09%	64.04%	65.16%
Annual money-weighted return, net of investment expenses	11.86%	4.15%	13.68%	-5.82%	3.81%	36.00%	-6.97%	3.49%	9.22%	10.82%

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
Last Ten Fiscal Years**

<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>
2017	212,736	212,736	-	1,366,918	15.56%
2018	204,642	254,642	(50,000)	1,327,758	19.18%
2019	201,749	201,749	-	1,306,758	15.44%
2020	235,233	235,233	-	1,424,474	16.51%
2021	261,078	261,078	-	1,402,180	18.62%
2022	218,259	218,259	-	1,217,537	17.93%
2023	234,159	234,159	-	1,301,347	17.99%
2024	274,769	274,769	-	1,334,567	20.59%
2025	287,890	287,884	6	1,413,184	20.37%
2026	284,446	284,446	-	1,475,065	19.28%

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

Effective April 1, 2024 the maximum benefit for union employees has been increased to \$4,800 per month. This resulted in an increase of \$13,876 in the total and net pension liabilities as of March 31, 2024 as reported above.

2. Changes in assumptions

Assumed mortality rates have been updated from the 2026 IRS Statistic Table from the last valuation.

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

Valuation Date	March 31, 2026
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, 2026, this amortization period is 12.16 years.
Asset Valuation Method	Fair 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 2026 Static Mortality Table for Annuitants and Non-annuitants.

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, 2026 and 2025

	Water		Electric		Total	
	2026	2025	2026	2025	2026	2025
ASSETS:						
Current assets:						
Cash and equivalents	2,797,715	-	3,764,392	2,733,825	6,562,107	2,733,825
Investments	207,703	200,957	1,176,987	1,138,759	1,384,690	1,339,716
Accounts receivable, net	683,355	362,469	420,718	614,380	1,104,073	976,849
Inventories	347,136	301,588	797,382	715,678	1,144,518	1,017,266
Prepays	55,476	36,724	75,739	53,782	131,215	90,506
Restricted cash	-	-	1,785,690	1,765,803	1,785,690	1,765,803
Total current assets	4,091,385	901,738	8,020,908	7,022,227	12,112,293	7,923,965
Noncurrent assets:						
Capital assets not being depreciated:						
Land	43,796	43,796	-	-	43,796	43,796
Construction in progress	153,910	108,547	275,726	-	429,636	108,547
Capital assets net of accumulated depreciation:						
Buildings	285,611	293,190	342,150	351,084	627,761	644,274
Equipment	473,559	518,099	657,917	306,938	1,131,476	825,037
Infrastructure	11,647,084	8,901,527	7,791,486	7,397,780	19,438,570	16,299,307
Total noncurrent assets	12,603,960	9,865,159	9,067,279	8,055,802	21,671,239	17,920,961
Total assets	16,695,345	10,766,897	17,088,187	15,078,029	33,783,532	25,844,926
DEFERRED OUTFLOWS OF RESOURCES						
Pension	129,242	223,882	176,468	277,754	305,710	501,636
Total deferred outflows	129,242	223,882	176,468	277,754	305,710	501,636

(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, 2026 and 2025**

	Water		Electric		Total	
	2026	2025	2026	2025	2026	2025
LIABILITIES						
Current liabilities						
Accounts payable	46,923	212,061	628,538	610,048	675,461	822,109
Accrued liabilities	47,311	20,021	59,336	24,470	106,647	44,491
Customer Deposits	-	-	1,798,114	1,792,764	1,798,114	1,792,764
Due to other funds	-	377,086	-	(377,086)	-	-
Total current liabilities	94,234	609,168	2,485,988	2,050,195	2,580,222	2,659,364
Noncurrent liabilities:						
Due within one year	23,784	24,937	140,078	84,592	163,861	109,529
Due in more than one year.	1,087,888	1,122,020	1,241,687	1,156,822	2,329,575	2,278,842
Total noncurrent liabilities	1,111,671	1,146,956	1,381,765	1,241,414	2,493,436	2,388,371
Total liabilities	1,205,905	1,756,125	3,867,753	3,291,610	5,073,658	5,047,735
DEFERRED INFLOWS OF RESOURCES						
Pension	215,551	140,838	248,667	168,708	464,218	309,546
Total deferred inflows	215,551	140,838	248,667	168,708	464,218	309,546
NET POSITION						
Net investment in capital assets	12,088,651	9,283,860	8,347,745	7,628,111	20,436,396	16,911,971
Unrestricted	3,314,480	(190,044)	4,800,490	4,267,354	8,114,970	4,077,310
Total net position	15,403,131	9,093,816	13,148,235	11,895,465	28,551,366	20,989,281

(concluded)

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, 2026 and 2025

	Water		Electric		Total	
	2026	2025	2026	2025	2026	2025
Operating Revenues:						
Charges for services	\$ 3,021,038	\$ 2,913,737	\$10,962,124	\$10,669,031	\$13,983,162	\$13,582,768
Miscellaneous	3,161,516	39,839	257,373	74,593	3,418,889	114,432
Total operating revenues	6,182,554	2,953,576	11,219,497	10,743,624	17,402,051	13,697,200
Less: free service	(3,894)	(3,202)	(8,799)	(8,785)	(12,693)	(11,987)
Net operating revenues	6,178,660	2,950,374	11,210,698	10,734,839	17,389,358	13,685,213
Operating Expenses						
Purchase of water and power	28,159	21,407	7,512,902	7,507,739	7,541,061	7,529,146
Salaries and benefits	1,567,257	1,427,019	1,906,537	1,566,851	3,473,794	2,993,870
Repairs and maintenance	211,141	265,521	145,023	51,604	356,164	317,125
Professional fees	298,971	214,157	265,329	240,085	564,300	454,242
Supplies	66,944	64,467	70,494	44,864	137,438	109,331
Other purchased services	75,907	63,224	82,000	70,874	157,907	134,098
Miscellaneous	10,348	6,327	28,637	2,089	38,985	8,416
Depreciation	573,338	501,791	789,375	787,090	1,362,713	1,288,881
Total operating expenses	2,832,065	2,563,913	10,800,297	10,271,196	13,632,362	12,835,109
Operating income (loss)	3,346,595	386,461	410,401	463,643	3,756,996	850,104

(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, 2026 and 2025

	Water		Electric		Total	
	2026	2025	2026	2025	2026	2025
Noncapital subsidies						
Intergovernmental	52,678	-	-	41,038	52,678	41,038
Appropriations to Mayor & Council of New Castle:						
Ordinary	(171,669)	(149,563)	(636,549)	(580,272)	(808,218)	(729,835)
City Services	(46,733)	(45,089)	-	-	(46,733)	(45,089)
Total noncapital subsidies	(165,724)	(194,652)	(636,549)	(539,234)	(802,273)	(733,886)
Operating income(loss) and noncapital subsidies	<u>3,180,871</u>	<u>191,809</u>	<u>(226,148)</u>	<u>(75,591)</u>	<u>2,954,723</u>	<u>116,218</u>
Other nonoperating revenues (expenses):						
Investment earnings	65,993	49,653	147,955	204,256	213,948	253,909
Gain(loss) on disposal of fixed assets	12,718	-	35,100	(47,298)	47,818	(47,298)
Grant revenue - restricted for capital assets	-	1,930,399	88,492	-	88,492	1,930,399
Capital contributions	3,067,232	-	1,236,184	-	4,303,416	-
Special appropriations - capital related	-	-	(4,300)	(12,706)	(4,300)	(12,706)
Interest expense	(17,499)	(5,965)	(24,513)	(17,168)	(42,012)	(23,133)
Total other nonoperating revenues (expenses)	<u>3,128,444</u>	<u>1,974,087</u>	<u>1,478,918</u>	<u>127,084</u>	<u>4,607,362</u>	<u>2,101,171</u>
Increase (decrease) in net position	6,309,315	2,165,896	1,252,770	51,493	7,562,085	2,217,389
Net position - beginning	9,093,816	6,927,920	11,895,465	11,843,972	20,989,281	18,771,892
Net position - ending	<u>\$15,403,131</u>	<u>\$ 9,093,816</u>	<u>\$13,148,235</u>	<u>\$11,895,465</u>	<u>\$28,551,366</u>	<u>\$20,989,281</u>

(Concluded)

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, 2026 and 2025

	Water		Electric		Total	
	2026	2025	2026	2025	2026	2025
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers	\$ 2,710,704	\$ 2,947,123	\$ 11,415,448	\$ 11,484,600	\$ 14,126,152	\$ 14,431,723
Receipts from legal settlements/litigation	3,096,443	-	-	-	3,096,443	-
Payments to suppliers for goods and services	(714,504)	(804,273)	(8,161,221)	(7,917,184)	(8,875,725)	(8,721,457)
Payments to employees for salaries and benefits	(1,530,968)	(1,458,998)	(1,865,943)	(1,602,147)	(3,396,911)	(3,061,145)
Net cash provided by (used for) operating activities	3,561,675	683,852	1,388,284	1,965,269	4,949,959	2,649,121
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Appropriations to the Mayor and Council of New Castle	(171,669)	(149,563)	(636,549)	(580,272)	(808,218)	(729,835)
Noncapital Grants	52,678	-	-	41,038	52,678	41,038
Transfers from (to) other funds	(474,051)	(443,373)	474,051	443,373	-	-
Net cash provided by (used for) non capital financing activities	(593,042)	(592,936)	(162,498)	(95,861)	(755,540)	(688,797)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Proceeds from revenue bonds and notes	122,194	53,871	385,000	-	507,194	53,871
Acquisition and construction of capital assets	(323,060)	(153,384)	(576,653)	(562,532)	(899,713)	(715,916)
Gain on disposal of capital assets	12,718	14,392	35,100	1,772	47,818	16,164
Principal paid on capital debt	(24,416)	(16,459)	(103,996)	(72,834)	(128,412)	(89,293)
Interest paid on capital debt	(17,499)	(5,965)	(24,513)	(17,168)	(42,012)	(23,133)
Net cash provided by (used for) capital and related financing activities	(230,063)	(107,545)	(285,062)	(650,762)	(515,125)	(758,307)
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest/Dividends	59,145	16,629	109,730	98,403	168,875	115,032
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	2,797,715	-	1,050,454	1,317,049	3,848,169	1,317,049
CASH AND CASH EQUIVALENTS, BEGINNING	-	-	4,499,628	3,182,579	4,499,628	3,182,579
(includes restricted cash: 2026 - \$1,765,803 and 2025 \$833,089)						
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 2,797,715</u>	<u>\$ -</u>	<u>\$ 5,550,082</u>	<u>\$ 4,499,628</u>	<u>\$ 8,347,797</u>	<u>\$ 4,499,628</u>
(includes restricted cash: 2026 - \$1,785,690 and 2025 \$1,765,803)						

(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, 2026 and 2025

	Water		Electric		Total	
	2026	2025	2026	2025	2026	2025
Reconciliation of operating income(loss) to net cash provided by (used for) operating activities:						
Operating income (loss)	3,346,595	386,461	410,401	463,643	3,756,996	850,104
Adjustments:						
Depreciation	573,338	501,791	789,375	787,090	1,362,713	1,288,881
Bad debt	10,346	-	18,757	4,216	29,103	4,216
Free service	(50,627)	(46,563)	(8,799)	(6,440)	(59,426)	(53,003)
(Increase) decrease in:						
Accounts receivable	(320,886)	48,139	193,662	(240,947)	(127,224)	(192,808)
Inventory	(45,548)	(34,284)	(96,152)	43,396	(141,700)	9,112
Prepaid expenses	(18,752)	(6,122)	(21,957)	9,662	(40,709)	3,540
Deferred outflows - pension	94,641	(83,613)	101,287	(90,997)	195,928	(174,610)
Increase (decrease) in:						
Accounts payable	3,630	(79,851)	7,650	3,540	11,280	(76,311)
Accrued expenses	27,290	(53,740)	34,866	3,691	62,156	(50,049)
Accrued compensated absences	823	3,031	2,637	2,804	3,460	5,835
Customer deposits	-	-	19,887	932,714	19,887	932,714
Net pension liability	(133,887)	67,493	(143,289)	73,455	(277,176)	140,948
Deferred inflows - pension	74,712	(18,890)	79,959	(20,558)	154,671	(39,448)
Total Adjustments	<u>215,080</u>	<u>297,391</u>	<u>977,883</u>	<u>1,501,626</u>	<u>1,192,963</u>	<u>1,799,017</u>
Net cash provided (used) by operating activities	<u>3,561,675</u>	<u>683,852</u>	<u>1,388,284</u>	<u>1,965,269</u>	<u>4,949,959</u>	<u>2,649,121</u>
Schedule of non-cash investing, capital and related financing activities:						
Increase (decrease) in fair value of investments	6,746	18,672	38,228	105,812	44,974	124,484
Donated capital assets	3,067,232	-	1,236,184	-	4,303,416	-
Principal forgiveness of state revolving loan fund bonds	-	1,764,774	-	-	-	1,764,774
Appropriation to Mayor and Council	(46,733)	(45,089)	(4,300)	(12,706)	(51,033)	(57,795)
Increase (decrease) in accounts payable related to capital assets	(163,768)	163,768	10,840	-	(152,928)	163,768

(Concluded)



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>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>
Investment in										
Capital Assets	\$ 10,736,178	\$ 11,123,073	\$ 11,105,014	\$ 11,588,654	\$ 12,028,967	\$ 12,173,053	\$ 16,160,879	\$ 15,624,457	\$ 16,911,971	\$ 20,436,396
Unrestricted	<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>	<u>3,147,435</u>	<u>4,077,310</u>	<u>8,114,970</u>
Total Net Position	<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>	<u>\$ 18,771,892</u>	<u>\$ 20,989,281</u>	<u>\$ 28,551,366</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

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
OPERATING REVENUES										
Water charges for services	\$ 1,613,532	\$ 1,643,522	\$ 1,770,915	\$ 1,992,549	\$ 1,994,440	\$ 2,254,039	\$ 2,336,624	\$ 2,519,889	\$ 2,913,737	\$ 3,021,038
Electric charges for services	9,591,292	9,441,734	9,573,198	9,154,251	8,988,195	8,969,087	9,183,805	9,699,691	10,669,031	10,962,124
Miscellaneous	112,003	66,527	82,548	68,730	77,813	93,475	78,731	124,289	114,432	3,418,889
TOTAL OPERATING REVENUES	11,316,827	11,151,783	11,426,661	11,215,530	11,060,448	11,316,601	11,599,160	12,343,869	13,697,200	17,402,051
Less: Free services	(9,277)	(8,326)	(7,204)	(8,777)	(7,408)	(8,471)	(10,593)	(11,296)	(11,987)	(12,693)
NET OPERATING REVENUES	11,307,550	11,143,457	11,419,457	11,206,753	11,053,040	11,308,130	11,588,567	12,332,573	13,685,213	17,389,358
OPERATING EXPENSES										
General and administrative	865,468	947,751	990,241	1,154,814	1,087,964	1,134,865	1,225,551	1,566,389	1,368,766	1,534,423
Water operations	1,204,593	1,296,759	1,324,182	1,448,541	1,459,297	1,253,403	1,543,439	1,668,375	1,990,147	2,204,012
Purchase of water for resale	24,428	25,049	25,770	22,632	25,240	24,187	22,924	26,807	21,407	28,159
Electric operations	1,136,743	1,244,139	1,282,016	1,293,950	1,180,989	1,042,725	1,608,620	1,879,978	1,947,051	2,352,866
Purchase of power for resale	7,017,976	6,542,237	6,317,959	6,026,551	5,950,203	6,118,440	6,716,704	6,740,051	7,507,738	7,512,902
TOTAL OPERATING EXPENSES	10,249,208	10,055,935	9,940,168	9,946,488	9,703,693	9,573,620	11,117,238	11,881,600	12,835,109	13,632,362
OPERATING INCOME	1,058,342	1,087,522	1,479,289	1,260,265	1,349,347	1,734,510	471,329	450,973	850,104	3,756,996
NONOPERATING REVENUE(EXPENSE)										
Investment income, net	45,760	25,897	32,223	43,461	75,775	(32,711)	(15,332)	131,200		
Gain(loss) on disposal of assets	8,550	-	-	(6,294)	-	(50,777)	(18,659)	(52,223)		
Grants	43,592	49,995	-	(615)	8,064	122,953	(480)	168,510		
Miscellaneous	-	-	-	(5,252)	(4,670)	(27,484)	(4,926)	(10,476)		
Appropriations to city	(735,965)	(705,609)	(688,197)	(705,272)	(721,989)	(798,882)	(712,280)	(729,960)		
TOTAL NONOPERATING REVENUE(EXPENSE)	(638,063)	(629,717)	(655,974)	(673,972)	(642,820)	(786,901)	(751,677)	(492,949)		

(Continued)

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

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
NONCAPITAL SUBSIDIES										
Intergovernmental									41,038	52,678
Appropriations to City									(774,924)	(854,951)
Total non capital subsidies									(733,886)	(802,273)
OPERATING INCOME(LOSS) AND NONCAPITAL SUBSIDIES									116,218	2,954,723
OTHER NON OPERATING REVENUE(EXPENSE)										
Net investment income									253,909	213,948
Loss on sale of asset									(47,298)	47,818
Grant revenue - restricted for capital assets									1,930,399	88,492
Capital contributions									-	4,303,416
Special appropriation - capital related									(12,706)	(4,300)
Interest expense									(23,133)	(42,012)
TOTAL OTHER NONOPERATING REVENUE(EXPENSE)									2,101,171	4,607,362
CAPITAL CONTRIBUTIONS	32,380	20,922	98,027	-	39,929	2,548	-	-		
CHANGE IN NET POSITION	\$ 452,659	\$ 478,727	\$ 921,342	\$ 586,293	\$ 746,456	\$ 950,157	\$ (280,348)	\$ (41,976)	\$ 2,217,389	\$ 7,562,085

(Concluded)

With the implementation of GASB Statement No. 103 the classification of non-operating revenues and expenses for fiscal year 2024 and prior have not been updated, consistent with the provisions of GASB Statement No. 100 Accounting Changes and Error Corrections.

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>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>
Agriculture	n/a	\$ -	\$ 366	\$ 4,653	\$ 5,569	\$ 4,763	\$ 4,852	\$ 7,950	\$ 5,934	\$ 12,147
Governmental	n/a	70,435	99,889	91,152	60,281	89,417	94,123	97,076	107,047	102,958
Commercial	n/a	527,054	807,986	707,785	641,968	760,939	828,421	845,822	1,141,338	1,175,111
Residential	n/a	1,046,033	862,674	1,188,959	1,286,622	1,398,920	1,409,228	1,569,041	1,659,418	1,730,821
		<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>	<u>\$ 2,519,889</u>	<u>\$ 2,913,737</u>	<u>\$ 3,021,038</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

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Agricultural										
Monthly charges	8.25	9.25	10.25	10.25	11.25	12.25	13.25	14.75	16.00	16.00
\$/Gallon	0.0076	0.0076	0.0086	0.0061	0.0065	0.0105	0.0073	0.0120	0.0128	0.0128
Bulk Sales										
Monthly charges	n/a	n/a	n/a	n/a	50.00	55.50	50.00	65.83	76.35	76.35
\$/Gallon	n/a	n/a	n/a	n/a	0.0084	0.0084	0.0088	0.0096	0.0100	0.0100
Meter Size										
5/8"										
Monthly charges	16.28	16.28	17.85	18.35	19.35	20.35	21.35	23.66	25.16	25.16
\$/Gallon - Winter	0.0076	0.0076	0.0086	0.0096	0.0100	0.0105	0.0110	0.0120	0.0128	0.0128
\$/Gallon - Summer	0.0076	0.0076	0.0086	0.0096	0.0096	0.0105	0.0110	0.0120	0.0128	0.0128
1"										
Monthly charges	25.95	25.95	28.15	32.41	34.10	36.10	38.10	42.41	44.91	44.91
\$/Gallon - Winter	0.0076	0.0076	0.0086	0.0096	0.0100	0.0105	1.0110	0.0120	0.0128	0.0128
\$/Gallon - Summer	0.0076	0.0076	0.0086	0.0096	0.0096	0.0105	0.0110	0.0120	0.0128	0.0128
1.5"										
Monthly charges	41.90	41.90	46.55	54.25	59.25	64.25	69.25	79.78	84.78	84.78
\$/Gallon - Winter	0.0076	0.0076	0.0086	0.0096	0.0100	0.0105	0.0110	0.0120	0.0128	0.0128
\$/Gallon - Summer	0.0076	0.0076	0.0086	0.0096	0.0096	0.0105	0.0110	0.0120	0.0128	0.0128
2"										
Monthly charges	71.15	71.15	81.05	96.75	111.75	126.75	141.75	165.93	165.93	165.93
\$/Gallon - Winter	0.0076	0.0076	0.0086	0.0096	0.0100	0.0105	0.0110	0.0120	0.0128	0.0128
\$/Gallon - Summer	0.0076	0.0076	0.0086	0.0096	0.0096	0.0105	0.0110	0.0120	0.0128	0.0128
3"										
Monthly charges	141.25	141.25	160.05	183.95	203.95	223.95	243.95	282.35	292.35	292.35
\$/Gallon - Winter	0.0076	0.0076	0.0086	0.0096	0.0100	0.0105	0.0110	0.0120	0.0128	0.0128
\$/Gallon - Summer	0.0076	0.0076	0.0086	0.0096	0.0096	0.0105	0.0110	0.0120	0.0128	0.0128
4"										
Monthly charges	234.50	234.50	285.30	331.20	371.20	411.20	451.20	513.82	523.82	523.82
\$/Gallon - Winter	0.0076	0.0076	0.0086	0.0096	0.0100	0.0105	0.0110	0.0120	0.0128	0.0128
\$/Gallon - Summer	0.0076	0.0076	0.0086	0.0096	0.0096	0.0105	0.0110	0.0120	0.0128	0.0128
6"										
Monthly charges	375.45	375.45	435.45	520.45	595.45	670.45	745.45	867.50	907.50	907.50
\$/Gallon - Winter	0.0076	0.0076	0.0086	0.0096	0.0100	0.0105	0.0110	0.0120	0.0128	0.0128
\$/Gallon - Summer	0.0076	0.0076	0.0086	0.0096	0.0096	0.0105	0.0110	0.0120	0.0128	0.0128
8"										
Monthly charges	261.40	261.40	274.40	287.40	287.40	287.40	287.40	316.14	343.62	343.62
10"										
Monthly charges	317.30	317.30	330.30	343.30	343.30	343.30	346.00	380.60	413.04	413.04
12"										
Monthly charges	396.85	396.85	412.85	428.85	428.85	428.85	432.00	475.20	535.00	535.00

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

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

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

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>
Governmental	n/a	\$ 215,207	\$ 210,191	\$ 381,829	\$ 299,335	\$ 365,425	\$ 370,555	\$ 281,168	\$ 125,643	\$ 109,036
Commercial	n/a	6,297,180	6,288,025	5,746,427	5,499,801	5,330,339	5,573,711	5,927,804	6,684,466	6,866,511
Residential	n/a	2,929,347	3,074,982	3,025,995	3,189,059	3,273,323	3,239,539	3,490,719	3,858,922	3,986,577
		<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>	<u>\$9,699,691</u>	<u>\$10,669,031</u>	<u>\$10,962,124</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

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Residential										
Customer Charge	10.00	11.00	13.00	14.00	14.00	15.00	16.00	17.50	19.00	19.00
\$/kWh - Winter	0.1155	0.1121	0.1087	0.1069	0.1069	0.1076	0.1186	0.1242	0.1343	0.1343
\$/kWh - Summer >750 kWh	0.1800	0.1766	0.1700	0.1672	0.1672	0.1672	0.1186	0.1881	0.1343	0.1343
\$/kWh - Summer <750 kWh	0.1155	0.1121	0.1087	0.1069	0.1069	0.1076	0.1754	0.1242	0.2034	0.2034
Residential Space Heating										
Customer Charge	10.00	11.00	13.00	14.00	14.00	15.00	16.00	17.50	19.00	19.00
\$/kWh - Winter > 750 kWh	0.1033	0.1100	0.1100	0.1069	0.1069	0.1076	0.1186	0.1242	0.1343	0.1343
\$/kWh - Winter < 750 kWh	0.1155	0.1121	0.1087	0.1069	0.1069	0.1076	0.1186	0.1242	0.1343	0.1343
\$/kWh - Summer > 750 kWh	0.1800	0.1766	0.1700	0.1672	0.1672	0.1672	0.1186	0.1881	0.1343	0.1343
\$/kWh - Summer < 750 kWh	0.1150	0.1121	0.1087	0.1069	0.1069	0.1076	0.1754	0.1242	0.2034	0.2034
Large General Service										
Primary Demand										
Customer Charge	50.00	100.00	150.00	150.00	150.00	150.00	150.00	150.00	150.00	150.00
\$/kWh - on peak	0.0715	0.0623	0.5948	0.0570	0.0570	0.0573	0.0679	0.0763	0.0865	0.0865
\$/kWh - off peak	0.0540	0.0525	0.0497	0.0512	0.0512	0.0512	0.0594	0.0655	0.0743	0.0743
Demand Charge per kWh	17.25	18.25	18.25	18.25	18.25	18.50	18.73	18.73	18.67	18.67
Large General Service										
Secondary Demand										
Customer Charge	50.00	100.00	150.00	150.00	150.00	150.00	150.00	150.00	377.00	377.00
\$/kWh - on peak	0.0750	0.0648	0.6193	0.0586	0.0586	0.0589	0.0695	0.0784	0.0892	0.0892
\$/kWh - off peak	0.0555	0.0555	0.0526	0.0526	0.0526	0.0526	0.0695	0.0673	0.0766	0.0766
Demand Charge per kWh	17.90	18.50	18.50	18.75	18.75	19.00	0.06	19.25	19.25	19.25
Small General Service										
Commercial										
Customer Charge	11.00	13.00	15.00	18.00	18.00	21.00	24.00	28.00	28.00	28.00
\$/kWh - Winter	0.1185	0.1146	0.1114	0.1072	0.1072	0.1060	0.1146	0.1192	0.1385	0.1385
\$/kWh - Summer	0.1185	0.1146	0.1114	0.1072	0.1072	0.1060	0.1146	0.1192	0.1385	0.1385
Medium General Service										
Commercial Demand										
Customer Charge	15.50	31.00	45.00	55.00	55.00	65.00	75.00	85.00	95.00	95.00
\$/kWh - Winter	0.0900	0.0808	0.0739	0.0701	0.0701	0.0688	0.0771	0.0836	0.0968	0.0968
Winter Demand Charge per kWh	9.9000	11.0000	12.0000	12.5000	12.5000	13.0000	13.5000	13.7500	14.5000	14.5000
\$/kWh - Summer	0.9000	0.0808	0.0739	0.0701	0.0701	0.0688	0.0771	0.0836	0.0968	0.0968
Summer Demand Charge per kWh	13.15	14.15	15.00	15.50	15.50	16.00	16.50	16.75	17.25	17.25
General Service Commercial										
Primary Demand										
Customer Charge	300.00	300.00	300.00	300.00	300.00	300.00	300.00	300.00	500.00	500.00
\$/kWh - on peak	0.0715	0.0623	0.0595	0.0570	0.0570	0.0573	0.0679	0.0763	0.0770	0.0770
\$/kWh - off peak	0.0540	0.0525	0.0497	0.5120	0.0512	0.0512	0.0594	0.0655	0.0661	0.0661
Demand Charge per kWh	17.25	18.25	18.25	18.25	18.25	18.50	18.73	18.73	20.00	20.00

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>
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
2024	2,099,143	500,525	2,599,668	101,827	3,220	807	32
2025	417,531	427,691	845,222	113,650	3,221	262	35
2026	422,935	801,068	1,224,003	181,844	3,278	373	55

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
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
2024	11,599,160	2,599,668	8,999,492
2025	12,343,869	845,222	11,498,647
2026	13,697,200	1,224,003	12,473,197

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)
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	5,523	290,434,852	53,997	4.9%
2023	5,519	273,619,896	45,543	3.9%
2024	5,519	288,692,954	52,309	3.9%
2025	5,551	n/a	n/a	4.4%

(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	2025			2016		
	Total County Employment	Rank	Percentage of Total County Employment	Total County Employment	Rank	Percentage of Total County Employment
Health care and social assistance	58,126	1	19.0%	46,030	1	15.7%
Finance and insurance	38,192	2	12.5%	37,209	2	12.7%
Retail trade	28,319	3	9.3%	33,019	3	11.2%
Education	26,391	4	8.6%	n/a		n/a
Accommodation and food services	22,086	5	7.2%	22,383	6	7.6%
Professional and technical services	21,407	6	7.0%	23,068	4	7.9%
Transportation and warehousing	20,632	7	6.7%	n/a		n/a
Administration and waste services	17,333	8	5.7%	22,539	5	7.7%
Construction	14,925	9	4.9%	12,237	9	4.5%
Manufacturing	10,601	10	3.5%	12,592	10	4.3%
State government	n/a		n/a	16,251	7	5.5%
Local government	n/a		n/a	15,227	8	5.2%
Total	258,012		84.4%	240,555		82.3%

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

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Part time Positions (FTE)	0	0	0	0	0	0	0	0	0	0
Exempt - full time	7	7	9	9	9	8	8	8	8	8
Non-Exempt - Full Time	13	13	11	10	11	10	11	11	11	11
Total Commission Employees	20	20	20	19	20	18	19	19	19	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

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
General and administrative	8	8	8	7	8	7	7	7	7	7
Water Operations	6	6	6	6	6	6	6	6	6	6
Electric Operations	6	6	6	6	6	5	6	6	6	6
Total Commission Employees	20	20	20	19	20	18	19	19	19	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**

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
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	4	4	4	4	4	4	4	4	4	4
Water Towers	2	2	2	2	2	2	2	2	2	2
Carbon Filtration Systems	1	1	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	2	2	2	2
Fleet										
Electric	10	9	9	9	10	9	7	7	7	7
Water	4	4	4	4	4	5	5	5	5	4
Heavy Equipment	9	9	10	11	13	14	17	17	17	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**

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Electric										
Residential megawatt hours	21,258	22,829	22,452	23,085	23,401	23,145	22,114	23,607	23,639	n/a
Commercial megawatt hours	55,602	56,254	55,708	52,462	53,317	53,569	51,584	51,481	49,792	n/a
Water										
Gallons produced, millions	166.7	161.0	154.8	142.3	143.1	148.1	154.7	157.6	152.5	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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