

CITY OF HARRINGTON, DELAWARE

FINANCIAL STATEMENTS  
SUPPLEMENTARY INFORMATION  
AND  
INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2015

# CITY OF HARRINGTON, DELAWARE

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## Independent Auditor's Report

To the Honorable Mayor and Members of Council  
City of Harrington, Delaware

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business - type activities, each major fund and the aggregate remaining fund information of the City of Harrington, Delaware, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Harrington, Delaware's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion of the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness or significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business - type activities, each major fund and the aggregate remaining fund information of the City of Harrington, Delaware, as of June 30, 2015, and the respective changes in financial position and, when applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

#### *Change in Accounting Principle*

As discussed in Note 17, during fiscal year ended June 30, 2015, the City of Harrington, Delaware adopted GASB Statement No. 68, "Accounting and Financial Reporting for Pensions", an amendment of GASB Statement No. 27, and the related GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date", an amendment of GASB Statement No. 68. As a result of the implementation of these standards, the City of Harrington, Delaware reported a restatement for the change in accounting principle. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and budgetary comparison information on pages 6 through 16 and 54 through 62, proportionate share of the net pension asset - Delaware Municipal Police/Firefighter and Delaware County and Municipal Other Employees' Pension Plans on pages 63 and 64 and Schedules of Town's contributions for the Delaware Municipal Police/Firefighter and Delaware County and Municipal Other Employees' Pension Plan on pages 65 and 66 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

To the Honorable Mayor and Members of Council  
City of Harrington, Delaware

*Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Harrington, Delaware's basic financial statements. The accompanying combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2016 on our consideration of the City of Harrington, Delaware's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Harrington, Delaware's internal control over financial reporting and compliance.

Dover, Delaware  
November 21, 2016

*Horty: Horty AA*



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**Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards**

To the Honorable Mayor and Members of Council  
City of Harrington, Delaware

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business - type activities, each major fund and the aggregate remaining fund information of the City of Harrington, Delaware, as of and for the year ended June 30, 2015, which collectively comprise the City of Harrington's basic financial statements, and have issued our report thereon dated November 21, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Harrington, Delaware's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Harrington, Delaware's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Harrington, Delaware's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention to those charged with governance.

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

**Compliance and Other Matters**

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

We noted certain matters that we have reported to management of the City of Harrington, Delaware in a separate letter dated November 21, 2016.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Dover, Delaware  
November 21, 2016

*Horty: Horty AA*

CITY OF HARRINGTON, DELAWARE

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015

The following management discussion and analysis of the City of Harrington, Delaware's (the City) financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2015. We encourage users to read it in conjunction with the City's financial statements, which follow this section.

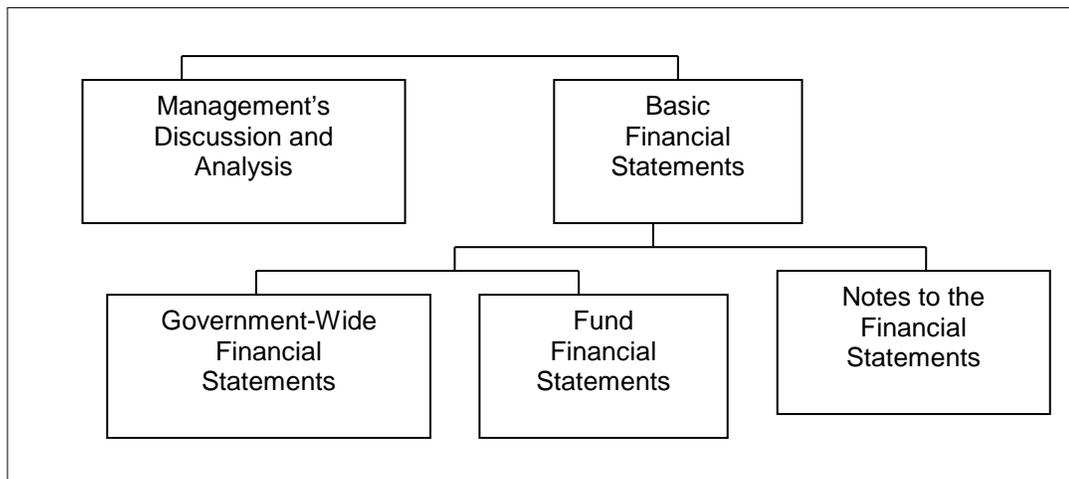
Financial Highlights For Fiscal Year 2015

- The assets of the City exceeded its liabilities at the close of the 2015 fiscal year resulting in a net position of \$12,668,606. Of this amount, \$5,308,388 is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors, and \$4,980,177 is invested in capital assets, net of related debt.
- As of June 30, 2015, the City's governmental funds reported combined ending fund balances of \$3,478,295.

Overview Of The Financial Statements

The management discussion and analysis is an introduction to the City's basic financial statements. These basic financial statements have three components; government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements to enhance the readers understanding of the financial condition of the City of Harrington, Delaware.

**Required Components of Annual Financial Report**



**Basic Financial Statements** - The first two statements in the basic financial statements are the **Government-Wide Financial Statements**. They provide both short and long-term information about the City's financial status, using the full-accrual basis of accounting, in a manner similar to a private-sector business.

The next statements are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the City's government. These statements provide more detail than the government-wide statements. There are two parts to the Fund Financial Statements; 1) the governmental fund statements; and 2) the proprietary fund statements.

The next section of the basic financial statements is the **Notes to the Financial Statements**. The notes are essential to a full understanding of the data provided in the government-wide and fund financial statements because they explain in detail some of the data contained in those statements.

In addition to the basic financial statements and accompanying notes, the **Required Supplementary Information**, presents certain required supplementary information concerning the City. A budgetary comparison schedule has been provided for the general fund. Certain information regarding the City's pension plans has also been presented.

After the required supplementary information, **supplemental information** is provided to show details about the City's non-major governmental funds, all of which are added together in one column on the basic financial statements.

**Government-Wide Financial Statements** - The government-wide financial statements are designed to provide readers with a broad overview of City finances as a whole in a manner similar to a private-sector business. The government-wide statements provide short and long-term information about the City's financial status as a whole.

The statement of net position presents information on all the City's assets and liabilities, with the difference between the two reported as net position. Increases or decreases in net position, over time, is an indicator of whether the financial position of the City is improving or declining.

The statement of activities presents information showing how the City's net position changed during the past fiscal year. All changes in net position are reported when the underlying event or transaction occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in a future fiscal period such as uncollected income taxes and earned but unused vacation leave.

Both of these government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues, governmental activities, from other functions that are intended to cover their costs primarily from user fees and charges and are business-type activities. The governmental activities of the

City include general government, police, public works, trash, library, fire company and parks and recreation. The business-type activities of the City are water and sewer.

The government-wide statements can be found on pages 17 and 18 of this report.

**Fund Financial Statements** - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories; governmental funds and proprietary funds.

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

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

The City has seven governmental funds. Information is presented separately in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund, which is considered to be a major fund. The special revenue funds comprise the other six governmental funds. Data for these funds is combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is presented in the form of combining statements on pages 67 and 68 of this report.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 19 through 23 of this report.

**Proprietary Funds** - The City maintains only one type of proprietary fund which is an enterprise fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the major funds.

The basic proprietary fund financial statements can be found on pages 24 through 27 of this report.

**Notes to the Financial Statements** - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 28 through 53 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 67 and 68 of this report.

### **Government-Wide Financial Analysis**

The following analysis discusses the financial position and changes to the financial position for the City as a whole as of and for the year ended June 30, 2015.

### **Statement of Net Position**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position and condition. In the case of the City, assets exceeded liabilities by \$12,668,606 at the close of the fiscal year, June 30, 2015.

By far the largest portion of the City's net position (61 percent) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment). The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

#### CITY OF HARRINGTON, DELAWARE'S NET POSITION

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>June 30,</u>		<u>June 30,</u>		<u>June 30,</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Current and other assets	\$3,866,418	\$3,551,915	\$ 2,768,019	\$ 2,409,273	\$ 6,634,437	\$ 5,961,188
Capital assets	2,923,297	2,770,498	11,822,764	11,890,679	14,746,061	14,661,177
Other noncurrent asset	92,344				92,344	
Deferred outflows of resources	<u>112,096</u>	<u>109,999</u>	<u>8,180</u>	<u>10,421</u>	<u>120,276</u>	<u>120,420</u>
<b>Total Assets and Deferred</b>						
<b>Outflows of Resources</b>	<u>\$6,994,155</u>	<u>\$6,432,412</u>	<u>\$14,598,963</u>	<u>\$14,310,373</u>	<u>\$21,593,118</u>	<u>\$20,742,785</u>

City of Harrington, Delaware  
Management's Discussion and Analysis

CITY OF HARRINGTON, DELAWARE'S NET POSITION (Continued)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>June 30,</u>		<u>June 30,</u>		<u>June 30,</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Current liabilities	\$ 452,612	\$ 437,350	\$ 735,685	\$ 441,446	\$ 1,188,297	\$ 878,796
Noncurrent liabilities	21,659	164,558	7,529,204	7,806,869	7,550,863	7,971,427
Deferred inflows of resources	<u>173,070</u>	<u>          </u>	<u>12,282</u>	<u>          </u>	<u>185,352</u>	<u>          </u>
<u>Total Liabilities and Deferred Inflows of Resources</u>	<u>\$ 647,341</u>	<u>\$ 601,908</u>	<u>\$8,277,171</u>	<u>\$8,248,315</u>	<u>\$ 8,924,512</u>	<u>\$ 8,850,223</u>
Contributed capital			\$1,944,709	\$1,990,513	\$ 1,944,709	\$ 1,990,513
Restricted	\$ 435,332	\$ 324,099			435,332	324,099
Invested in capital assets	2,894,874	2,735,528	2,085,303	1,842,300	4,980,177	4,577,828
Unrestricted	<u>3,016,608</u>	<u>2,770,877</u>	<u>2,291,780</u>	<u>2,229,245</u>	<u>5,308,388</u>	<u>5,000,122</u>
<u>Total Net Position</u>	<u>\$6,346,814</u>	<u>\$5,830,504</u>	<u>\$6,321,792</u>	<u>\$6,062,058</u>	<u>\$12,668,606</u>	<u>\$11,892,562</u>

The following table indicates the changes in net position for governmental and business type activities:

CITY OF HARRINGTON, DELAWARE'S CHANGES IN NET POSITION

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>June 30,</u>		<u>June 30,</u>		<u>June 30,</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
<b>REVENUES</b>						
<u>Program Revenues</u>						
Charges for services	\$1,599,539	\$1,101,202	\$2,143,962	\$1,900,532	\$ 3,743,501	\$ 3,001,734
Operating grants and contributions	283,440	236,247			283,440	236,247
Capital grants and contributions	299,628	365,854	263,163	24,971	562,791	390,825
<u>General Revenues</u>						
Property taxes	1,088,837	723,053			1,088,837	723,053
Transfer tax	284,264	117,349			284,264	117,349
Gain on sale of assets	16,450	11,551			16,450	11,551
Other revenue	<u>76,899</u>	<u>47,834</u>	<u>21,159</u>	<u>14,777</u>	<u>98,058</u>	<u>62,611</u>
<u>Total Revenues</u>	<u>3,649,057</u>	<u>2,603,090</u>	<u>2,428,284</u>	<u>1,940,280</u>	<u>6,077,341</u>	<u>4,543,370</u>
<b>EXPENSES</b>						
General government	915,394	917,316			915,394	917,316
Police	1,190,470	1,192,449			1,190,470	1,192,449
Public works	324,372	306,609			324,372	306,609
Parks and recreation	181,421	185,752			181,421	185,752
Trash	232,671	245,981			232,671	245,981
Library	167,948	187,596			167,948	187,596
Fire company	120,471	122,974			120,471	122,974
Sewer			1,729,578	1,379,451	1,729,578	1,379,451
Water			<u>438,972</u>	<u>326,530</u>	<u>438,972</u>	<u>326,530</u>
<u>Total Expenses</u>	<u>3,132,747</u>	<u>3,158,677</u>	<u>2,168,550</u>	<u>1,705,981</u>	<u>5,301,297</u>	<u>4,864,658</u>
<u>Change in Net Position</u>	516,310	(555,587)	259,734	234,299	776,044	(321,288)

CITY OF HARRINGTON, DELAWARE'S CHANGES IN NET POSITION (Continued)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>June 30,</u>		<u>June 30,</u>		<u>June 30,</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
<u>Net Position</u> - Beginning of year	<u>5,830,504</u>	<u>6,386,091</u>	<u>6,062,058</u>	<u>5,827,759</u>	<u>11,892,562</u>	<u>12,213,850</u>
<u>Net Position</u> - End of year	<u>\$6,346,814</u>	<u>\$5,830,504</u>	<u>\$6,321,792</u>	<u>\$6,062,058</u>	<u>\$12,668,606</u>	<u>\$11,892,562</u>

For the year ended June 30, 2015, the City reported positive balances in all categories of net position.

***Financial Analysis of the City's Funds***

As noted previously, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

***Governmental Funds*** - The focus of the City's governmental funds is to provide information on current inflows, outflows, and balances of available, spendable resources. Such information is useful in assessing the City's financing requirements. The amount of unreserved fund balance is a measure of the City's net resources available at fiscal year end. Unreserved fund balance provides a reserve for emergencies, enables the City Council to stabilize tax rates, and provides working capital from which to pay City bills between tax collection due dates.

At June 30, 2015, the City's governmental funds reported a combined ending fund balance of \$3,478,295.

The general fund is the chief operating fund of the City and accounts for major functions of the government including police, public works, trash, library, fire company and parks and recreation. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to general fund expenditures. At June 30, 2015, the general fund balance is \$3,042,963.

***Proprietary Funds*** - The City's proprietary funds provide the same information found in the government-wide financial statements, but in more detail. The sewer fund had a loss before capital contributions of \$124,018. Income before capital contributions of \$120,589 were reported in the water fund.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

The City adopted the fiscal year 2015 budget on June 16, 2014. The City's practice is to get approval from the Council if the budget is amended. During 2015 there were no changes or amendments to the original budget.

### ***Capital Assets***

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2015, was \$14,746,061 (net of accumulated depreciation). Capital assets include land, building and improvements, furniture and fixtures, equipment and streets. Additions of \$976,708 exceeded depreciation by \$75,108.

More detailed information about the City's capital assets is presented in the notes to the basic financial statements.

### ***Debt Services***

At year end, the City had \$7,792,752 in bonds and mortgages/notes payable outstanding. More detailed information about the City's long-term liabilities is presented in the notes to the financial statements.

## **CURRENTLY KNOWN FACTS, DECISIONS OR CONDITIONS BEARING ON THE CITY'S FUTURE**

The major issues facing the City over the next five to ten years are as follows:

### **Water**

The City understands that significant upgrades are required to both sustain their existing system and increase water availability for future users. In 2009, the City completed a hydraulic water model to evaluate the necessity for improvements to their system. The study revealed that the City needs to upgrade their system to include an additional well, an above ground water storage tank, piping replacement, and addition of new piping to loop the existing potable water system. The City has recently begun work with DNREC Financial Group and USDA to provide a mechanism to implement the additional facilities required to maintain and expand the potable water system.

In 2014, the City installed 1,141 new water meters at all residential properties and 71 new water meters at commercial properties. This improvement has allowed the City to accurately measure water usage but also the corresponding wastewater usage. In September 2014, the City implemented usage billing. As a result, water production at the City's wells has decreased.

In August of 2015, a referendum passed allowing the City to refinance old debt through the State of Delaware Revolving Loan Programs. This will save the City approximately \$5,137 per year in debt service or \$135,588 in debt service over the remaining terms of the original loans.

In the spring of 2016, the City applied to the DWSRF and USDA for a new loan package for needed water projects. The proposed loan projects include design and construction of new larger mains including 2,500 LF of 8 inch water main, 6,800 LF of 10 inch water main, 27 fire hydrants, 15 water connections, 3,750 KF of 1 inch service laterals, valves meters and connections for users along Liberty Street, South Dupont Highway and Clark Street. In addition, the project calls for construction of a new 800 foot deep 12 inch well, a 500,000 gallon elevated storage tower, control and disinfection systems, building, and associated utilities.

The City was offered the following financing package:

USDA Loan	\$2,115,000
USDA Grant	201,000
DNREC Funding	<u>1,866,100</u>
Total Cost	4,182,100
DNREC Forgiveness	1,866,100
Grant Value	<u>201,000</u>
Final Loan	<u>\$2,115,000</u>

The Loan will be repaid over a period of 40 years at 1.625%. Payments will be \$18,020 quarterly or \$72,080 annually.

The City's referendum passed on October 25, 2016.

### **Wastewater**

The City owns and operates nine pump stations within the collection and conveyance system to provide service within the City of Harrington, Delaware. These pump stations with their associated capacities are listed in the table below. The pump stations are in adequate condition but will likely require upgrades and maintenance in the foreseeable future. In 2014, the City connected all nine of its pump stations to Kent County's SCADA monitoring system. This provides 24/7 monitoring of the pump stations and alerts the City if an issue occurs.

<b>City of Harrington, Delaware Wastewater Pump Stations</b>				
<b>LOCATION</b>	<b>Peak Flow (gpm)</b>	<b>Pump Station Operating Point</b>	<b>Force Main Diameter</b>	<b>Length (feet)</b>
<b>N. Calvin Street</b>	14	30 FT TDH @ 60 gpm	2"	50
<b>Clark's Corner</b>	43.5	70 FT TDH @ 60 gpm	3" 4"	45 2050
<b>Misipillion Street</b>	50	25 FT TDH @ 60 gpm	2"	40
<b>Smith Avenue</b>	30	25 FT TDH @ 60 gpm	3"	800
<b>Second Avenue</b>	37.5	30 FT TDH @ 60 gpm	2" 4"	36 810
<b>WWTP Pump Station</b>	---	55 FT TDH @ 1100 gpm	8"	315
<b>Farmington</b>	50	25 FT TDH @ 1000 gpm	4"	19,008
<b>Friendship Village</b>	45	30 FT TDH @ 60 gpm	4"	1,584
<b>Messicks</b>	30	25 FT TDH @ 1000 gpm	4"	3,168

Inflow & Infiltration (I & I) issues have been investigated several times since 1996. Areas where I & I is a significant concern have been identified. During the summer of 2015, the City received a \$1.1 million loan and grant package, \$520,000 and \$580,000, respectively from the USDA and work began to remediate the City's wastewater transmission system. This work was completed in May 2016 resulting in significant savings in the City's sewer charges to Kent County.

### **Condition of Facilities**

The collection and conveyance system is in need of repair. As noted above, I & I in the collection and conveyance system provides a persistent operational problem particularly with respect to elevated groundwater conditions and wet weather conditions. During the spring of 2015, the City began work to expand the sewer line on Dorman Street using grants from the USDA of approximately \$378,000. The City has recently begun work with DNREC Finance Group and USDA to provide a mechanism to implement additional improvements to the collection and conveyance system.

## **System Operation and Maintenance**

Due to persistent flow capacity concerns, the conveyance system is in need of significant renovations in order to accommodate continued development and growth.

## **Wastewater Improvements**

In 2009, the City began exploring alternatives for its sanitary sewage impacts to address the need for reduced wastewater treatment plant discharge nutrient loadings. The options included wastewater treatment plant expansion, land application of treated effluent, conversion of the existing wastewater treatment facilities to a pump/transfer station with discharge to the Kent County (the County) wastewater treatment plant, and continue with current operating practices. The alternative that provided the most technically feasible, environmentally sound, and fiscally responsible option was the transfer of raw sewage to the County wastewater treatment plant by construction of a pump station and force main.

The project resulted in the construction of a force main that connects the City's sanitary sewer collection and conveyance system to the County collection and conveyance system, and the construction of a pump station on the grounds of the existing City wastewater treatment plant. The force main is approximately 10.5 miles in length and is located within the right-of-way of State highways.

This project was completed in January 2013 and as such the City contracts its wastewater treatment with the County.

Currently, the plans to close the lagoons are being reviewed by DNREC. The approximate cost is \$1.0 million. The City will then be responsible for the maintenance of its pump stations and gravity sewer system.

In August of 2015, a referendum passed allowing the City to refinance old debt through the State of Delaware Revolving Loan Program. This will save the City approximately \$33,889 per year in debt service or \$774,679 in debt service over the remaining terms of the original loans. The City has recently begun work with DNREC Financial Group and USDA to provide a mechanism to implement the additional improvements required to maintain the conveyance and transmission system.

In the summer of 2016, the City applied to the CWSRF and USDA for a new loan package for needed wastewater projects. The proposed project will upgrade 1,600 LF of aging and undersized pipes to 10", 1,250 LF to 12", 500 LF to 15" and 700 LF to 18". The City was offered the following financing package:

Construction Financing	CWSRF Loan	<u>\$1,462,925</u>
Funding at project completion		
	CWSRF Principle Forgiveness	306,120
	USDA Grant Amount	<u>306,120</u>
		<u>612,240</u>
Final USDA Loan Amount		<u>\$ 850,685</u>

The loan will be repaid over a period of 40 years at 1.75%. Payments will be \$7,404 quarterly and \$29,616 annually.

### **Library**

The City is currently investigating preliminary plans for a new Library. The City's existing Library is inadequate for the volume of visitors and is in need of repair. A needs assessment was completed in 2014. Since that time, the City has reviewed several sites and is pursuing land acquisition for a new library. The City has recently made an initial offer to purchase land.

### **REQUEST FOR INFORMATION**

This financial report is designed to provide our citizens, customers and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional information, contact the City of Harrington, 106 Dorman Street, Harrington, Delaware 19952.

BASIC FINANCIAL STATEMENTS

CITY OF HARRINGTON, DELAWARE

STATEMENT OF NET POSITION

JUNE 30, 2015

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>Assets</u>			
<u>Current Assets</u>			
Cash and cash equivalents	\$ 1,915,145	\$ 1,878,731	\$ 3,793,876
Taxes receivable (net of allowances)	133,345		133,345
Accounts receivable	140,702	153,368	294,070
Intragovernment receivable	249,365	124,776	374,141
Service charges receivable		608,133	608,133
Due from other Governments	105,324		105,324
Assets held for sale	30,620		30,620
Land held for sale	1,253,562		1,253,562
Prepaid expenses	38,355	3,011	41,366
	<u>3,866,418</u>	<u>2,768,019</u>	<u>6,634,437</u>
<u>Total Current Assets</u>			
<u>Noncurrent Assets</u>			
<u>Capital Assets</u>			
Water and sewer systems		18,693,469	18,693,469
Construction in progress	62,116	65,135	127,251
Land and buildings	3,218,000		3,218,000
Furniture, fixtures and equipment	2,184,238		2,184,238
Less: Accumulated depreciation	<u>(2,541,057)</u>	<u>(6,935,840)</u>	<u>(9,476,897)</u>
	<u>2,923,297</u>	<u>11,822,764</u>	<u>14,746,061</u>
<u>Total Capital Assets, Net of Accumulated Depreciation</u>			
<u>Other Noncurrent asset</u>			
Net pension asset	<u>92,344</u>		<u>92,344</u>
	<u>6,882,059</u>	<u>14,590,783</u>	<u>21,472,842</u>
<u>Total Assets</u>			
<u>Deferred Outflows of Resources</u>			
Deferred outflows of resources - Delaware Public Employees Retirement System	<u>112,096</u>	<u>8,180</u>	<u>120,276</u>
	<u>\$ 6,994,155</u>	<u>\$ 14,598,963</u>	<u>\$ 21,593,118</u>
<u>Total Assets and Deferred Outflows of Resources</u>			

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

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>Liabilities</u>			
<u>Current Liabilities</u>			
Current portion of capital lease obligation	\$ 6,764		\$ 6,764
Accounts payable and other	92,947	\$ 373,374	466,321
Intragovernment payable	295,176	78,965	374,141
Bonds and notes payable		272,198	272,198
Accrued compensated absences	<u>57,725</u>	<u>11,148</u>	<u>68,873</u>
<u>Total Current Liabilities</u>	452,612	735,685	1,188,297
<u>Noncurrent Liabilities</u>			
Bonds and note payable		7,520,554	7,520,554
Net pension liability		8,650	8,650
Capital lease obligation - Net of current portion	<u>21,659</u>		<u>21,659</u>
<u>Total Liabilities</u>	<u>474,271</u>	<u>8,264,889</u>	<u>8,739,160</u>
<u>Deferred Inflows of Resources</u>			
Deferred inflows of resources - Delaware Public Employees Retirement System	<u>173,070</u>	<u>12,282</u>	<u>185,352</u>
<u>Total Liabilities and Deferred Inflows of Resources</u>	<u>647,341</u>	<u>8,277,171</u>	<u>8,924,512</u>
<u>Net Position</u>			
Contributed capital		1,944,709	1,944,709
Restricted for:			
Library expenditures	199,864		199,864
Police expenditures	6,698		6,698
Street rehabilitation expenditures	228,770		228,770
Invested in capital assets, net of related debt	2,894,874	2,085,303	4,980,177
Unrestricted	<u>3,016,608</u>	<u>2,291,780</u>	<u>5,308,388</u>
<u>Total Net Position</u>	<u>\$ 6,346,814</u>	<u>\$ 6,321,792</u>	<u>\$ 12,668,606</u>

CITY OF HARRINGTON, DELAWARE

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2015

<u>FUNCTIONS/PROGRAMS</u>	Program Revenues			Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions		Governmental Activities	Business-Type Activities	Total
<u>Governmental Activities:</u>							
General government	\$ 915,394	\$ 58,688		\$ 259,328	\$ (597,378)		\$ (597,378)
Police	1,190,470	333,225	\$ 283,440		(573,805)		(573,805)
Public works	324,372	128,770			(195,602)		(195,602)
Trash	232,671	242,386			9,715		9,715
Library	167,948	85,478		40,300	(42,170)		(42,170)
Fire company	120,471	62,141			(58,330)		(58,330)
Parks and recreation	181,421	173,791			(7,630)		(7,630)
Interfund service fee		515,060			515,060		515,060
<u>Total Governmental Activities</u>	<u>3,132,747</u>	<u>1,599,539</u>	<u>283,440</u>	<u>299,628</u>	<u>(950,140)</u>		<u>(950,140)</u>
<u>Business-Type Activities:</u>							
Sewer	1,729,578	1,594,998		263,163		\$ 128,583	128,583
Water	438,972	548,964				109,992	109,992
<u>Total Business-Type Activities</u>	<u>2,168,550</u>	<u>2,143,962</u>		<u>263,163</u>		<u>238,575</u>	<u>238,575</u>
<u>Total</u>	<u>\$ 5,301,297</u>	<u>\$ 3,743,501</u>	<u>\$ 283,440</u>	<u>\$ 562,791</u>	<u>(950,140)</u>	<u>238,575</u>	<u>(711,565)</u>
<u>General Revenues:</u>							
<u>Taxes:</u>							
Property taxes					1,088,837		1,088,837
Transfer tax					284,264		284,264
Interest					5,169	21,159	26,328
Community impact fees					4,000		4,000
Gain on sale of assets					16,450		16,450
Miscellaneous					67,730		67,730
<u>Total General Revenues</u>					<u>1,466,450</u>	<u>21,159</u>	<u>1,487,609</u>
<u>Change in Net Position</u>					<u>516,310</u>	<u>259,734</u>	<u>776,044</u>
<u>Net Position - Beginning of year - Restated</u>					<u>5,830,504</u>	<u>6,062,058</u>	<u>11,892,562</u>
<u>Net Position - End of year</u>					<u>\$ 6,346,814</u>	<u>\$ 6,321,792</u>	<u>\$ 12,668,606</u>

CITY OF HARRINGTON, DELAWARE

BALANCE SHEET  
(GOVERNMENTAL FUNDS)

JUNE 30, 2015

<u>ASSETS</u>	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Total</u>
Cash and cash equivalents	\$ 1,311,127	\$ 604,018	\$ 1,915,145
Taxes receivable (net of allowances)	133,345		133,345
Accounts receivable	140,702		140,702
Intragovernment receivable	247,651	1,714	249,365
Grants receivable	105,324		105,324
Assets held for sale	30,620		30,620
Land held for sale	1,253,562		1,253,562
Prepaid expenses	38,355		38,355
	<u>3,260,686</u>	<u>605,732</u>	<u>3,866,418</u>
<u>Total Assets</u>	<u>\$ 3,260,686</u>	<u>\$ 605,732</u>	<u>\$ 3,866,418</u>
<u>LIABILITIES</u>			
Accounts payable and other	\$ 92,947		\$ 92,947
Intragovernment payable	124,776	\$ 170,400	295,176
	<u>217,723</u>	<u>170,400</u>	<u>388,123</u>
<u>Total Liabilities</u>	<u>217,723</u>	<u>170,400</u>	<u>388,123</u>
<u>FUND BALANCE</u>			
<u>Fund Balances</u>			
Nonspendable:			
Land held for sale	1,253,562		1,253,562
Assets held for sale	30,620		30,620
Prepaid expenses	38,355		38,355
Restricted for:			
Police		6,698	6,698
Street rehabilitation		228,770	228,770
Committed for:			
City capital improvements	423,146		423,146
Library building		199,864	199,864
Assigned:			
Contingency	276,527		276,527
Unassigned	1,020,753		1,020,753
	<u>3,042,963</u>	<u>435,332</u>	<u>3,478,295</u>
<u>Total Fund Balance</u>	<u>3,042,963</u>	<u>435,332</u>	<u>3,478,295</u>
<u>Total Liabilities and Fund Balance</u>	<u>\$ 3,260,686</u>	<u>\$ 605,732</u>	<u>\$ 3,866,418</u>

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

CITY OF HARRINGTON, DELAWARE

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

JUNE 30, 2015

<u>Total Fund Balances, Governmental Funds</u> (Page 19)	\$ 3,478,295
Capital assets used in governmental activities are not financial resources and are therefore not reported in the fund financial statements, but are reported in the governmental activities of the statement of net position.	2,923,297
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the fund financial statements. <u>Long-Term Liabilities at Year-End Consist of:</u>	
Accrued compensated absences	(57,725)
Capital lease obligation	(28,423)
Net pension assets	92,344
Deferred charges - Delaware Public Employees Retirement System	<u>(60,974)</u>
<u>Net Position of Governmental Activities in the Statement of Net Position</u> (Page 17)	<u>\$ 6,346,814</u>

CITY OF HARRINGTON, DELAWARE

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

YEAR ENDED JUNE 30, 2015

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Total</u>
<u>Revenues</u>			
Taxes	\$ 1,088,837		\$ 1,088,837
Transfer tax	284,264		284,264
Rental income	58,688		58,688
Building permits	33,702		33,702
Planning and zoning fees	2,185		2,185
Vacant buildings	1,735		1,735
Miscellaneous	68,800		68,800
Contractors license fees	17,600		17,600
Intergovernmental revenues		\$ 211,037	211,037
Fire company	62,141		62,141
Interest	3,283	1,886	5,169
Fines and penalties	16,191		16,191
Business licenses	57,317		57,317
Police revenue	474,525		474,525
Public Works	40		40
Library revenue	85,478		85,478
Trash fees	242,386		242,386
Parks and recreation	173,791		173,791
Grants	259,328		259,328
Community impact fees	4,000		4,000
Interfund service fee	515,060		515,060
	<u>3,449,351</u>	<u>212,923</u>	<u>3,662,274</u>
<u>Total Revenues</u>			
<u>Expenditures</u>			
General government	971,963		971,963
Police	1,118,628	100,236	1,218,864
Public works	317,775		317,775
Trash	232,671		232,671
Library	167,555		167,555
Fire company	123,577		123,577
Parks and recreation	324,650		324,650
	<u>3,256,819</u>	<u>100,236</u>	<u>3,357,055</u>
<u>Total Expenditures</u>			
<u>Excess of Revenues Over Expenditures</u>	<u>192,532</u>	<u>112,687</u>	<u>305,219</u>

CITY OF HARRINGTON, DELAWARE

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
(GOVERNMENTAL FUNDS) - CONTINUED

YEAR ENDED JUNE 30, 2015

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Total</u>
<u>Fund Balances</u> - Beginning of year	<u>2,850,431</u>	<u>322,645</u>	<u>3,173,076</u>
<u>Fund Balances</u> - End of year	<u>\$ 3,042,963</u>	<u>\$ 435,332</u>	<u>\$ 3,478,295</u>

CITY OF HARRINGTON, DELAWARE

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

YEAR ENDED JUNE 30, 2015

<u>Net Change in Fund Balances, Governmental Funds (Page 21)</u>	\$ 305,219
 <u>Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:</u>	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$468,254) exceeded depreciation (\$302,237) , in the current period	166,017
Gains as a result of the sale of capital assets are not financial resources and are therefore not reported in the fund financial statements but are reported in the governmental activities of the statement of activities	(13,217)
The issuance of long-term debt (i.e. Notes payable) provides current financial resources. Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	6,547
Expenses accrued for compensated absences and pensions and reported in the statement of activities that do not require the use of current financial resources are not reported as expenditures in the governmental funds	<u>51,744</u>
<u>Change in Net Position of Governmental Activities (Page 18)</u>	<u>\$ 516,310</u>

CITY OF HARRINGTON, DELAWARE

STATEMENT OF NET POSITION  
PROPRIETARY FUND - WATER AND SEWER FUND

JUNE 30, 2015

Assets

Current Assets

Cash and cash equivalents	\$ 1,878,731
Accounts receivable	153,368
Service charges receivable	608,133
Intragovernment receivable	124,776
Prepaid Expenses	<u>3,011</u>

Total Current Assets 2,768,019

Noncurrent Assets

Capital Assets

Water and sewer systems	18,693,469
Construction in progress	65,135
<u>Less: Accumulated depreciation</u>	<u>(6,935,840)</u>

Total Capital Assets, Net of Accumulated 11,822,764  
Depreciation

Total Assets 14,590,783

Deferred Outflow of Resources

Deferred outflows of resources - Delaware Public Employees Retirement System	<u>8,180</u>
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Total Assets and Deferred Outflows of Resources \$ 14,598,963

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

Liabilities

Current Liabilities

Accounts payable and other	\$ 373,374
Bonds payable	272,198
Intragovernment payable	78,965
Accrued compensated absences	<u>11,148</u>

Total Current Liabilities 735,685

Noncurrent Liabilities

Bonds payable	7,520,554
Net pension liability	<u>8,650</u>

Total Liabilities 8,264,889

Deferred Inflows of Resources

Deferred Inflows of resources - Delaware Public Employees Retirement System	<u>12,282</u>
---	---------------

Total Liabilities and Deferred Inflows of Resources 8,277,171

Net Position

Contributed capital	1,944,709
Invested in capital assets, net of related debt	2,085,303
Unrestricted retained earnings	<u>2,291,780</u>

Total Net Position \$ 6,321,792

CITY OF HARRINGTON, DELAWARE

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2015

	Sewer	Water	Total
<u>Operating Revenues</u>			
Sewer fees	\$ 1,560,289		\$ 1,560,289
Water fees		\$ 502,463	502,463
Hook ups	5,100	17,589	22,689
Miscellaneous	125	17,193	17,318
<u>Total Operating Revenues</u>	1,565,514	537,245	2,102,759
<u>Operating Expenses</u>	1,152,624	275,807	1,428,431
<u>Operating Income</u>	412,890	261,438	674,328
<u>Non-Operating Revenues (Expenses)</u>			
Interest expense	(186,592)	(38,467)	(225,059)
Interfund service fee	(390,362)	(124,698)	(515,060)
Impact fees	29,484	11,719	41,203
Interest income	10,562	10,597	21,159
<u>Income (Loss) Before Capital</u>			
<u>Contributions</u>	\$ (124,018)	\$ 120,589	(3,429)
<u>Capital Contributions</u>			263,163
<u>Net Income</u>			259,734
<u>Net Position - Beginning of year - Restated</u>			6,062,058
<u>Net Position - End of year</u>			\$ 6,321,792

CITY OF HARRINGTON, DELAWARE  
STATEMENT OF OPERATING EXPENSES  
PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2015

	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
Salaries	\$ 61,895	\$ 74,266	\$ 136,161
Payroll taxes	7,751	9,070	16,821
Pension	8,039	9,379	17,418
Health insurance	16,740	20,338	37,078
Vehicle maintenance and repairs	5,426	1,350	6,776
Office supplies	343	343	686
Telephone	883		883
Postage	1,610	1,910	3,520
Dues and meetings		878	878
Heat and electric	8,577	22,272	30,849
Safety	471		471
Maintenance agreements	350	350	700
Building repairs and maintenance	1,519		1,519
Water meters		13,424	13,424
Sample testing	624	1,351	1,975
Pump station repairs	5,067		5,067
Water line repairs		5,765	5,765
Chemicals		12,418	12,418
Flow meter operations	701		701
Licenses and permits	125	200	325
Insurance	23,775	9,246	33,021
Engineering	7,001	6,716	13,717
Legal and administrative fees	40,980		40,980
County sewer fee	447,915		447,915
Depreciation	512,832	86,531	599,363
	<u>\$ 1,152,624</u>	<u>\$ 275,807</u>	<u>\$ 1,428,431</u>
<u>Total Operating Expenses</u>			

CITY OF HARRINGTON, DELAWARE

STATEMENT OF CASH FLOWS  
(ALL PROPRIETARY FUNDS)

YEAR ENDED JUNE 30, 2015

<u>Cash Flows From Operating Activities</u>	
Cash received from customers	\$ 1,943,806
Cash paid to suppliers	(666,675)
Cash paid to employees	<u>(141,369)</u>
<u>Net Cash Provided By Operating</u>	
<u>Activities</u>	<u>1,135,762</u>
<u>Cash Flows From Non-Capital Financing Activities</u>	
Operating transfers to other funds	<u>(515,060)</u>
<u>Cash Flows From Capital and Related</u>	
<u>Financing Activities</u>	
Purchase of property and equipment	(259,272)
Principal paid on general obligation debt	(265,114)
Interest paid	(225,059)
Capital contribution received	<u>263,163</u>
<u>Net Cash Used for Capital and</u>	
<u>Related Financing Activities</u>	<u>(486,282)</u>
<u>Cash Flows From Investing Activities</u>	
Interest income	<u>21,159</u>
<u>Net Increase In Cash and Cash Equivalents</u>	155,579
<u>Cash and Cash Equivalents</u>	
Beginning of year	<u>1,723,152</u>
End of year	<u>\$ 1,878,731</u>

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

RECONCILIATION OF OPERATING INCOME TO NET CASH  
PROVIDED BY OPERATING ACTIVITIES  
(ALL PROPRIETARY FUNDS)

<u>Operating Income</u>	\$ 674,328
<u>Adjustments To Reconcile Operating Income To Net</u>	
<u>Cash Provided By Operating Activities</u>	
Depreciation	599,363
Non-operating revenues	41,203
 (Increase) decrease in:	
Accounts receivable	(2,602)
Due from other government	24,971
Service charges receivable	(97,749)
Intragovernment receivable	(124,776)
Prepaid expenses	(3,011)
Deferred outflows of resources	(8,180)
 Increase in:	
Accounts payable and other	14,578
Compensated absences	218
Net pension liability	5,137
Deferred inflows of resources	<u>12,282</u>
 <u>Net Cash Provided By Operating Activities</u>	 <u>\$ 1,135,762</u>

CITY OF HARRINGTON, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

Note 1 - Summary of Significant Accounting Policies

Operations

The City of Harrington, Delaware (hereinafter referred to as the City or Mayor and Council) is located in south-central Delaware and it operates under a Mayor-Council form of government. The City provides the following services: police, public works, trash, library, fire company, parks and recreation, water treatment and distribution and sewer treatment and transmission.

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

Reporting Entity

In accordance with GASB Statement No. 14, "The Financial Reporting Entity," the financial statements are constructed around the concept of a primary government and therefore encompass the primary government. There are no material component units (legally separate entities for which the City is accountable, that would be included in the City's financial statements) within the City of Harrington, Delaware.

Government-Wide And Fund Financial Statements

The government-wide financial statements report information on all of the non-fiduciary activities of the City. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Program revenues are 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

CITY OF HARRINGTON, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

The City adopted the provisions of GASB Statement No. 34 "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments," as modified by GASB Statement No. 37. These statements affect the manner in which the City records transactions and presents financial information. State and local governments have traditionally used a financial reporting model substantially different from the one used to prepare private-sector financial reports.

GASB Statement No. 34 established a reporting model for the annual financial reports of state and local governments. The statement was developed to make annual reports of state and local governments easier to understand and more useful to the people who use governmental financial information to make decisions.

The retroactive reporting of roads and certain other infrastructure as capital assets is not required for the City under GASB reporting principles and has not been implemented.

Fund Accounting

The accounts of the City are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, reserves, fund balance/net position, revenues, and expenditures or expenses, as appropriate. The City has the following funds:

Governmental Fund Types - Governmental fund types are those funds through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used; current liabilities are assigned to the fund from which they are paid; the fund equity, is referred to as "fund balance". The measurement focus is upon determination of changes in financial position, rather than upon net income determination.

The following comprise the City's major governmental funds:

General Fund - The general fund is the general operating fund of the City. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. Many of the most important activities of the City, including operation of the City's general service departments; police, public works, trash, library, fire company and parks and recreation are accounted for in this fund.

CITY OF HARRINGTON, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

Special Revenue Funds - Special revenue funds are used to account for revenues derived from specific sources, which are usually required by law or regulation to be accounted for in separate funds.

The following nonmajor funds are included in this fund type:

Police Pension Fund - To account for police retirement benefits reimbursed by the State of Delaware.

Municipal Street Aid - To account for certain street improvements within the City and reimbursement for police enforcement.

Combat Violent Crime - To account for grant revenue provided to the City for police equipment.

SLEAF Grants - To account for grant revenue provided to the City for police equipment.

EIDE Grants - To account for grant revenue provided to the City for certain police salaries and equipment.

SALLE Grants - To account for grant revenue provided to the City for police equipment.

Library Building Fund - To account for certain revenue to be used by the City for construction of a new library.

Proprietary Fund Types - Proprietary fund types are used to account for a government's ongoing organizations and activities which are similar to those often found in the private-sector. The measurement focus is upon income determination, financial position, and cash flows.

Enterprise Funds - Enterprise funds are used to finance and account for the acquisition, operation, and maintenance of the City's facilities and services which are supported primarily by user charges. In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the City has elected to apply all applicable FASB pronouncements, including those on or before November 30, 1989, except for those pronouncements which conflict with or contradict GASB pronouncements.

CITY OF HARRINGTON, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

The following comprise the City's major enterprise funds:

Water Fund - To account for the City's water utility operations that provide services to users.

Sewer Fund - To account for the operation and maintenance of the City's sanitary sewer system.

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt services expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the City; therefore, revenues are recognized based upon the expenditures recorded and the availability criteria. In the other, monies are virtually unrestricted as to purpose of expenditure, and are usually revocable only for failure to comply with prescribed requirements. These resources are reflected as revenues at the time of receipt, or earlier if the susceptible to accrual criteria are met.

Licenses and permits, fines and forfeitures, charges for sales and services (other than utility), and miscellaneous revenues are generally recorded as revenue when received in cash, but investment earnings are recorded as earned, since they are measurable and available.

CITY OF HARRINGTON, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

Property taxes are recognized as a receivable at the time an enforceable legal claim is established. This is determined to occur when the taxes are levied. Property taxes have been determined to be fully collectible and therefore an allowance for doubtful accounts is not considered necessary.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Cash and Cash Equivalents

Except where otherwise required, the City maintains all deposits in bank accounts in the name of the City. These deposits are invested on a short term basis with interest income being recorded in the general fund, except for interest income allocated to enterprise funds and where specifically required by law to be recorded in other funds. The balance reported in each fund represents an equity interest in the commingled pool of cash, which is under the management of the City. For purposes of the statement of cash flows, the City considers all highly liquid debt instruments (including restricted cash) with an original maturity of three months or less to be cash equivalents.

Fixed Assets and Depreciation

Capital assets, including land, building, improvements, and equipment assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$2,500 and an initial useful life of one year or greater. Such assets are recorded at historical cost if purchased or constructed. Donated fixed assets are valued at their estimated fair value on the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized.

Under GASB Statement No. 34, the City is not required and therefore has elected not to reconstruct public domain or infrastructure assets added in years' prior to its implementation such as roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems, that are immovable and of value only to the City government.

CITY OF HARRINGTON, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Buildings, improvements, infrastructure and equipment assets are depreciated using the straight-line method over the following estimated useful lives:

Building and improvements	15 - 40 years
Equipment	5 - 7 years

Compensated Absences

Full-time permanent employees are granted vacation benefits.

Unearned Revenues

Unearned revenues are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met.

Fund Equity

The City has adopted GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions," which redefined how fund balances are presented in fund financial statements. In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable - Amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

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

Committed - Amounts that can be used only for specific purposes determined by a formal action by City Council ordinance or resolution.

Assigned - Amounts that are designated as committed by the Mayor but are not spendable until a budget ordinance is passed by City Council.

Unassigned - All amounts not included in other spendable classifications.

CITY OF HARRINGTON, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

Deferred Inflows/Outflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The City has two items that are required to be reported in this category: (1) changes in employer proportionate share of the net pension assets that are being amortized over future periods and (2) differences between projected and actual investments earnings, which are both reported in the statement of net position which reported deferred inflows of resources - Delaware Public Employees Retirement System.

Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenditure) until the future period. The City has one item that is required to be reported in this category. Accordingly, this item, pension contributions made subsequent to the measurement date related to pensions, is reported in the statement of net position as deferred outflows of resources - Delaware Public Employees Retirement System.

Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net investment in capital assets, net of related debt excludes unspent debt proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Restricted resources are used first to fund appropriation.

The City first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Budgetary Data

*Budget Policy and Practice* - The City follows these procedures in establishing the budgetary data reflected in the financial statements:

CITY OF HARRINGTON, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

The City Manager submits to the Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means for funding them.

Prior to July 1, the budget is legally enacted through a majority vote of the Council.

Transfers of appropriations between functions require approval of the Council.

Formal budgetary integration is employed as a management control device during the year for the General Fund.

Budgeted amounts were originally adopted by the Council on June 16, 2014. There were no significant changes to the fiscal 2015 original budget as presented.

Encumbrances - Encumbrance accounting is used for the General Fund. Encumbrances, consisting of contracts and other commitments outstanding at year end, are reported as a reservation of fund balance on the balance sheet. Encumbrances do not lapse at the close of the fiscal year but are carried forward as reserved fund balances until liquidated.

Budget Basis of Accounting - The budgets are prepared on the cash and expenditure/encumbrance basis. Revenues are budgeted in the year receipt is expected; and expenditures, which include encumbrances, are budgeted in the year that the applicable purchases are expected. The budget and actual financial statements are reported on this basis. Unencumbered appropriations for annually budgeted funds lapse at fiscal year-end.

Note 2 - Property Taxes

Property taxes are levied on July 1. City property taxes are recognized when levied since they result in current receivables. The City bills and collects its own real estate taxes. Delinquent taxes are levied by the City. The schedule for real estate taxes for the fiscal year is as follows:

- |                     |  |
|---------------------|--|
| • July 1            | Levy date.   |
| • July - October 31 | Face payment period with a 3% discount if paid by July 31. |
| • November 1        | 2% penalty for each subsequent month not paid.             |

CITY OF HARRINGTON, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

Note 3 - Cash and Cash Equivalents

The City's cash and cash equivalents on deposit with financial institutions are subject to prudent business practices. They are held in federally regulated financial institutions whose balances are covered by the Federal Deposit Insurance Corporation (FDIC). The City's deposits are categorized to give an indication of the level of risk assumed by the City at fiscal year-end. The categories are as follows:

Category 1 - Insured or collateralized with securities held by the City or by its agent in the City's name.

Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.

Category 3 - Uncollateralized.

Carrying amounts differ from bank balances as a result of normal reconciling items. A summary of these deposits at June 30, 2015 is shown below:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
<u>Cash and Cash Equivalents</u>		
Category 1	\$ 250,000	\$ 250,000
Category 2	3,543,876	3,643,630
Category 3	<u>                    </u>	<u>                    </u>
<u>Total Cash and Cash Equivalents</u>	<u>\$3,793,876</u>	<u>\$3,893,630</u>

At June 30, 2015, the City's cash and cash equivalents are comprised of the following:

Carrying value of unrestricted cash and cash equivalents	\$1,939,930
Restricted cash and cash equivalents	<u>1,853,946</u>
<u>Total</u>	<u>\$3,793,876</u>

CITY OF HARRINGTON, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

Note 4 - Due From Other Governments

The amount due from other governments represents revenues earned by the City or collections made by other governmental units on behalf of the City. At June 30, 2015, amounts due from other governments consisted of the following:

<u>Governmental Unit</u>	<u>General Fund</u>	<u>Enterprise Funds</u>	<u>Total</u>
State of Delaware	<u>\$105,324</u>	<u>\$-0-</u>	<u>\$105,324</u>

Note 5 - Property and Equipment

The following is a summary of changes in capital assets for the year ended June 30, 2015:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Governmental Activities</u>				
Capital assets, not being depreciated:				
Construction in progress	\$ 62,523	\$314,611	\$ 315,018	\$ 62,116
Capital assets, being depreciated:				
Furniture, fixtures and equipment	1,948,285	259,953	24,000	2,184,238
Land and Buildings	<u>3,009,293</u>	<u>208,707</u>	<u>          </u>	<u>3,218,000</u>
Total capital assets being depreciated	<u>4,957,578</u>	<u>468,660</u>	<u>24,000</u>	<u>5,402,238</u>
Less accumulated depreciation for:				
Furniture, fixtures and equipment	1,346,603	165,657	10,783	1,501,477
Land and buildings	<u>903,000</u>	<u>136,580</u>	<u>          </u>	<u>1,039,580</u>
Total accumulated depreciation	<u>2,249,603</u>	<u>302,237</u>	<u>10,783</u>	<u>2,541,057</u>
Governmental activities capital assets, net	<u>\$ 2,770,498</u>	<u>\$481,034</u>	<u>\$328,235</u>	<u>\$ 2,923,297</u>

CITY OF HARRINGTON, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

<u>Business - Type</u>				
<u>Activities</u>				
Capital assets, not being depreciated:				
Construction in progress	\$ 41,735	\$ 423,657	\$ 400,257	\$ 65,135
Capital assets, being depreciated:				
Water and Sewer systems	<u>18,185,420</u>	<u>508,048</u>		<u>18,693,468</u>
Less accumulated depreciation for:				
Water and sewer systems	<u>6,336,476</u>	<u>599,363</u>		<u>6,935,839</u>
Total capital assets being depreciated, net	<u>11,848,944</u>	<u>(91,315)</u>		<u>11,757,629</u>
Business-type activities capital assets, net	<u>\$11,890,679</u>	<u>\$ 332,342</u>	<u>\$ 400,257</u>	<u>\$11,822,764</u>

Depreciation expense for the year ended June 30, 2015 was charged to the functions of the primary government as follows:

<u>Governmental Activities</u>	
General government	\$153,918
Police	94,976
Public works	43,058
Parks and recreation	4,835
Library	<u>5,450</u>
<u>Total Depreciation Expense - Governmental Activities</u>	<u>\$302,237</u>

CITY OF HARRINGTON, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

Note 6 - Accounts Payable and Other

Accounts payable and other at June 30, 2015 consists of the following:

	<u>Governmental Funds</u>	<u>Enterprise Funds</u>	<u>Total</u>
Accounts payable	\$ 84,122	\$348,669	\$432,791
Accrued expenses	<u>8,825</u>	<u>24,705</u>	<u>33,530</u>
<u>Total</u>	<u>\$ 92,947</u>	<u>\$373,374</u>	<u>\$466,321</u>

Note 7 - Long-Term Debt

Enterprise Funds Debt

In July, 1996, the City entered into a loan agreement with the Farmers Home Administration. Proceeds of the loan paid off loans from Wilmington Trust Company, which were used for wastewater treatment plant upgrades. The loan balance is \$1,472,007 at June 30, 2015 and is payable in quarterly payments of principal and interest at 4.5%. Final payment is due in July 2036. The loan is secured by a general obligation bond.

In December, 1999, the City entered into a similar loan agreement with the Farmers Home Administration. Proceeds of the loan paid down loans from Wilmington Trust Company, which were used for various water and sewer projects. The loan balance is \$373,806 at June 30, 2015 and is payable in quarterly payments of principal and interest at 3.25 %. Final payment is due in December 2039.

In June, 2001, the City entered into a similar loan agreement with the Farmers Home Administration. Proceeds of the loan paid down loans from Wilmington Trust Company, which were used for various water and sewer projects. The loan balance is \$592,288 at June 30, 2015 and is payable in quarterly payments of principal and interest at 4.5%. Final payment is due in June 2041.

In May, 2003, the City entered into a similar loan agreement with the Farmers Home Administration. Proceeds of the loan paid down loans from Wilmington Trust Company, which were used for various water and sewer projects. The loan balance is \$152,796 at June 30, 2015 and is payable in quarterly payments of principal and interest at 4.5%. Final payment is due in May 2043.

CITY OF HARRINGTON, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

In July, 2005, the City entered into a similar loan agreement for \$81,800 with the Farmers Home Administration. Proceeds of the loan paid down loans from Wilmington Trust Company, which were used for various water and sewer projects. The loan balance is \$66,531 at June 30, 2015 and is payable in quarterly payments of principal and interest at 3.25%. Final payment is due in July 2045.

In November 2009, the City entered into a similar loan agreement with the Farmers Home Administration. Proceeds of the loan were used to fund a water improvement project. The loan balance is \$790,779 at June 30, 2015 and is payable in quarterly payments of principal and interest at 2.4%. Final payment is due April 2051.

In March 2013, the City entered into a similar loan agreement with the Farmers Home Administration. Proceeds from the loan paid down interim financing from the First National Bank of Wyoming, which were used for the Water Main Improvement Project. The loan balance is \$1,594,027 at June 30, 2015 and is payable in quarterly payments of principal and interest at 1.875%. Final payment is due March 2053.

In June 2012, the City increased its Clean Water State Revolving Fund loan with the State of Delaware Department of Natural Resources (DNREC). Interest is paid monthly at a rate of 2.7%. The balance at June 30, 2015 is \$502,470. Final payment is due August 1, 2027.

In October 2010, the City entered into a Clean Water State Revolving Fund loan with the State of Delaware Department of Natural Resources (DNREC). Interest is paid monthly at a rate of 2%, beginning February 2014. The balance at June 30, 2015 is \$1,725,901. Final payment is due in February 2031. The loan is secured by a general obligation bond.

In June 2014, the City entered into a Clean Water State Revolving Fund loan with the State of Delaware Department of Natural Resources (DNREC). Interest is paid monthly at a rate of 2%, beginning August 1, 2013. The balance at June 30, 2015 is \$522,147. Final payment is due in August of 2031. The loan is secured by a general obligation bond.

CITY OF HARRINGTON, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Decreases</u>	<u>Balance June 30, 2015</u>
<u>Business-Type Activities</u>				
USDA 1996 Loan	\$1,512,696		\$ 40,689	\$1,472,007
USDA 1999 Loan	383,646		9,840	373,806
USDA 2001 Loan	607,308		15,020	592,288
USDA 2003 Loan	157,125		4,329	152,796
USDA 2005 Loan	67,997		1,466	66,531
USDA 2009 Loan	805,255		14,476	790,779
USDA 2013 Loan	1,622,766		28,739	1,594,027
DNREC Loan	535,856		33,386	502,470
DNREC Loan	1,816,601		90,700	1,725,901
DNREC Loan	<u>548,616</u>		<u>26,469</u>	<u>522,147</u>
<u>Total</u>	<u>\$8,057,866</u>	<u>\$ -0-</u>	<u>\$265,114</u>	<u>\$7,792,752</u>

The annual debt service requirements to maturity, including principal and interest, for long-term debt are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 272,198	\$ 219,327	\$ 491,525
2017	279,693	211,832	491,525
2018	287,425	204,100	491,525
2019	295,402	196,123	491,525
2020	303,633	187,892	491,525
Thereafter	<u>6,354,401</u>	<u>1,942,990</u>	<u>8,297,391</u>
<u>Total</u>	<u>\$7,792,752</u>	<u>\$2,962,264</u>	<u>\$10,755,016</u>

CITY OF HARRINGTON, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

Note 8 - Capital Lease Obligations

The City leases certain equipment under capital lease agreements. The future minimum lease payments under the leases together with the present value of the net minimum lease payments as of June 30, 2015 are as follows:

2016	\$ 7,587
2017	7,587
2018	7,587
2019	<u>7,587</u>
<u>Total Minimum Lease Payments</u>	30,348
<u>Less: Amount representing interest at 3.25%</u>	<u>1,925</u>
<u>Present Value of net Minimum Lease Payments</u>	28,423
<u>Less: Current portion</u>	<u>6,764</u>
<u>Long-Term Portion</u>	<u>\$21,659</u>

Equipment under capital leases has a cost of \$34,970 and accumulated depreciation of \$6,994 as of June 30, 2015.

Note 9 - State of Delaware Municipal Police/Firefighter Pension Plan

The City participates in the State of Delaware Municipal Police/Firefighter Pension Plan for uniformed police officers whose employment with the City started on or after July 1, 1989. This is a "multiple-employer, cost-sharing" contributory pension plan, with the employee contributing 7% of gross salary exclusive of overtime. The City's employer contributions are based upon actuarial valuations and represented 14.18% of covered payroll for the year ended June 30, 2015. The total amount contributed by the City for the year ended June 30, 2015 is \$72,019 of which \$45,497 was reimbursed by the State of Delaware.

CITY OF HARRINGTON, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

This contribution covers the City's total liability for funding, as determined by the State of Delaware. The pension plan is managed by the State of Delaware. The Comprehensive Annual Financial Report of the Delaware Public Employees' Retirement System can be obtained from the Office of Pension, McArdle Building, Suite #1, 860 Silver Lake Blvd., Dover, Delaware 19904.

The State of Delaware Municipal Police/Firefighter Pension Plan provides benefits equal to 2½% of final average monthly compensation for up to twenty years of service and 3½% of final average compensation for up to twenty years of service, multiplied by years of credited service. Vesting occurs after five consecutive years of credited service, age plus credited service (but not less than ten years) equals seventy-five, or twenty years of service at any age.

Disability benefits paid to a participant who is totally disabled in the performance of duty are 75% of final average compensation plus 10% for each dependent not to exceed 25% for all dependents. Partial disability benefits for duty-related or ordinary disability are calculated the same as a service pension (subject to maximum and minimum limitations).

If a retired participant dies, the eligible survivor receives 50% of the monthly benefit. If any active employee dies, the survivor receives 50% of the monthly benefit that the employee would have received at age sixty-two.

The total pension liability (asset) for the June 30, 2014 measurement date was determined by an actuarial valuation as of June 30, 2013, and update procedures were used to roll forward the total pension liability (asset) to June 30, 2014. These actuarial valuations used the following actuarial assumptions, applied to all periods:

Significant actuarial assumptions are as follows:

Actuarial Cost Method - Entry Age Normal  
Amortization Method - Level Percent Open  
Remaining Amortization Period - 10 Years  
Asset Valuation Method - 5 Year Smoothed Market  
Actuarial Assumptions:  
Investment Rate of Return - 7.2%  
Projected Salary Increases - 4.0% - 11.5%  
Inflation - 3%  
Cost-of-Living Adjustments - Ad Hoc

CITY OF HARRINGTON, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

The total pension liabilities (assets) are measured based on the assumptions pertaining to the interest rates, inflation rates, and employee demographics behavior in future years. The assumptions used were based on results of an actuarial experience study conducted in 2011. It is likely that future experiences will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities (assets) may be higher or lower than anticipated. The more the experience deviates the larger the impact on future financial statements.

Mortality rates were based on the Sex distinct RP - 2000 combined Mortality Table projected to 2015 using scale AA for Males and Females, as appropriate, for mortality improvement.

Projected benefit payments do not include the effects of projected ad hoc cost-of-living adjustments (ad hoc COLAs) as they are not substantively automatic. The primary consideration relevant to making this determination include the historical pattern of granting the changes and the consistency in the amounts of the changes.

Assets of the plan are managed by many investment firms approved by the State Pension Board. Details are available from the Office of Pensions, Dover, Delaware.

Pension Asset and Expense, and Deferred Outflows and Inflows of Resources

At June 30, 2015, the City reported a pension asset of \$73,248 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014, and the total pension liability (asset) used to calculate the net pension asset was determined by rolling forward the plan's total pension liability (asset) as of June 30, 2013 to June 30, 2014. The City's proportion of the net pension asset was calculated utilizing the employer's one-year actual reported contributions. At June 30, 2014, the City's proportion was 0.6771%, which was a decrease of 0.0056% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the City recognized a net negative pension expense of \$30,612. At June 30, 2015 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

CITY OF HARRINGTON, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between projected and actual investment earnings		\$ 112,890
Contributions subsequent to the measurement date	<u>\$ 72,019</u>	<u>                    </u>
	<u>\$ 72,019</u>	<u>\$ 112,890</u>

An amount of \$72,019 is reported as deferred outflows of resources resulting from the City's contribution subsequent to the measurement date (June 30, 2014) and will be recognized as a reduction of the net pension liability (asset) in the year ended June 30, 2016. Other amounts will be reported as deferred inflows of resources related to pensions, and will be recognized in pension expense as follows:

Year ended June 30,	
2016	\$ (28,223)
2017	(28,223)
2018	(28,223)
2019	<u>(28,221)</u>
	<u>\$ (112,890)</u>

The difference between expected and actual experience and the change in assumptions with regard to economic and demographic factors, and the change in employer proportionate share are amortized over the average of the expected remaining service life of active and inactive members which is 11 years.

The difference between the actual earnings on plan investments compared to the plan's expected rate of return of 7.2% is amortized over a closed period of 5 years.

The long-term expected rate of return on pension plan investments was determined using the building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by an asset allocation percentage, which is based on the nature and mix of current and expected plan investments, and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the system's current and expected asset allocation are summarized in the following table:

CITY OF HARRINGTON, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	5.7%
International equity	5.7%
Fixed income	2.0%
Alternative investments	7.8%
Cash and cash equivalents	0.0%

Discount Rate

The discount rate used to measure the total pension liability (asset) was 7.2%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at rates determined by the Board of Pension Trustees, actuarially determined. Based on those assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability (asset).

Sensitivity of the City's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the collective net pension liability (asset), calculated using the discount rate of 7.2%, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate:

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

	<u>1% Decrease 6.20%</u>	<u>Current Discount Rate 7.20%</u>	<u>1% Increase 8.20%</u>
City's proportionate share of the net pension liability (asset)	\$191,910	\$ (73,248)	\$ (290,408)

Pension Plan Fiduciary Net Position

Detailed information about Delaware Public Employees' Retirement Systems' fiduciary net position is available in Delaware Public Employees' Retirement System Comprehensive Annual Financial Report, which are available from the pension office in Dover, Delaware.

CITY OF HARRINGTON, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

Note 10 - State of Delaware County and Municipal Other Employees' Pension Plan

The City participates in the State of Delaware County and Municipal Other Employees' Pension Plan. This is a "multiple-employer, cost-sharing" contributory pension plan, with the employee contributing 3% of gross salary. The City's employer contributions are based upon actuarial valuations and represented 6.48% of covered payroll for the year ended June 30, 2015. The total amount contributed by the City for the year ended June 30, 2015 is \$48,257.

This contribution covers the City's total liability for funding, as determined by the State of Delaware. The pension plan is managed by the State of Delaware. The Comprehensive Annual Financial Report of the Delaware Public Employees' Retirement System can be obtained from the Office of Pensions, McArdle Building, Suite #1, 860 Silver Lake Blvd., Dover, Delaware 19904.

The State of Delaware County and Municipal Other Employees' Pension Plan provides benefits equal to 1/60<sup>th</sup> of final average monthly compensation, multiplied by years of credited service. Vesting occurs after five years of credited service; and, retirement is at age sixty-two with five years of service, age sixty with fifteen years of service or thirty years of service.

Disability benefits paid to a participant are the same as service benefits.

If an employee who is receiving a pension or one who has years of service and dies, the survivor receives 50% of the monthly benefit that the employee would have received at age sixty-two.

The total pension liability (asset) for the June 30, 2014 measurement date was determined by an actuarial valuation as of June 30, 2013, and update procedures were used to roll forward the total pension liability (asset) to June 30, 2014. These actuarial valuations used the following actuarial assumptions, applied to all periods:

Significant actuarial assumptions are as follows:

Actuarial Cost Method - Entry Age Normal  
Amortization Method - Level Percent Open  
Remaining Amortization Period - 10 Years  
Asset Valuation Method - 5 Year Smoothed Market  
Actuarial Assumptions:  
    Investment Rate of Return - 7.2%  
    Projected Salary Increases - 3.5% - 11.5%  
    Inflation - 3%  
Cost-Of-Living Adjustments - Ad Hoc.

CITY OF HARRINGTON, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

The total pension liabilities (assets) are measured based on the assumptions pertaining to the interest rates, inflation rates, and employee demographics behavior in future years. The assumptions used were based on results of an actuarial experience study conducted in 2011. It is likely that future experiences will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities (assets) may be higher or lower than anticipated. The more the experience deviates the larger the impact on future financial statements.

Mortality rates were based on the Sex distinct RP - 2000 combined Mortality Table projected to 2015 using scale AA for Males and Females, as appropriate, for mortality improvement.

Projected benefit payments do not include the effects of projected ad hoc cost-of-living adjustments (ad hoc COLAs) as they are not substantively automatic. The primary consideration relevant to making this determination include the historical pattern of granting the changes and the consistency in the amounts of the changes.

Assets of the plan are managed by many investment firms approved by the State Pension Board. Details are available from the Office of Pensions, Dover, Delaware.

Pension Asset and Expense, and Deferred Outflows and Inflows of Resources

At June 30, 2015, the City reported a pension asset of \$19,096 for the governmental activities and a net pension liability of \$8,650 for the business-type activities for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014, and the total pension liability (asset) used to calculate the net pension asset was determined by rolling forward the plan's total pension liability (asset) as of June 30, 2013 to June 30, 2014. The City's proportion of the net pension asset was calculated utilizing the employer's one-year actual reported contributions. At June 30, 2014, the City's proportion was 2.8379%, which was a decrease of 0.3867% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the City recognized a net negative pension expense of \$26,893 for the governmental activities and a pension expense of \$9,239 for its business-type activities. At June 30, 2015 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between projected and actual investment earnings		\$ 63,835
Changes in proportions		8,627
Contributions subsequent to the measurement date	\$ 48,257	<u>                    </u>
	<u>\$ 48,257</u>	<u>\$ 72,462</u>

CITY OF HARRINGTON, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

An amount of \$40,077 for governmental activities and \$8,180 for business-type activities is reported as deferred outflows of resources resulting from the City's contribution subsequent to the measurement date (June 30, 2014) and will be recognized as a reduction of the net pension liability (asset) in the year ended June 30, 2016. Other amounts will be reported as deferred inflows of resources related to pensions, and will be recognized in pension expense as follows:

Year ended June 30,	
2016	\$ (16,822)
2017	(16,822)
2018	(16,822)
2019	(16,821)
2020	(863)
Thereafter	<u>(4,312)</u>
	<u>\$ (72,462)</u>

The difference between expected and actual experience and the change in assumptions with regard to economic and demographic factors, and the change in employer proportionate share are amortized over the average of the expected remaining service life of active and inactive members which is 11 years.

The difference between the actual earnings on plan investments compared to the plan's expected rate of return of 7.2% is amortized over a closed period of 5 years.

The long-term expected rate of return on pension plan investments was determined using the building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by an asset allocation percentage, which is based on the nature and mix of current and expected plan investments, and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the system's current and expected asset allocation are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	5.7%
International equity	5.7%
Fixed income	2.0%
Alternative investments	7.8%
Cash and cash equivalents	0.0%

CITY OF HARRINGTON, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

Discount Rate

The discount rate used to measure the total pension liability (asset) was 7.2%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at rates determined by the Board of Pension Trustees, actuarially determined. Based on those assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability (asset).

Sensitivity of the City's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the collective net pension liability (asset), calculated using the discount rate of 7.2%, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate:

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

	1% Decrease 6.20%	Current Discount Rate 7.20%	1% Increase 8.20%
City's proportionate share of the net pension liability (asset)	\$137,581	\$ (10,446)	\$ (132,473)

Pension Plan Fiduciary Net Position

Detailed information about Delaware Public Employees' Retirement Systems' fiduciary net position is available in Delaware Public Employees' Retirement System Comprehensive Annual Financial Report, which are available from the pension office in Dover, Delaware.

CITY OF HARRINGTON, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

Note 11 - Fund Equity

Fund Balance

The details of the fund balances are included in the balance sheet of Governmental Funds. As noted in Note 1, restricted funds are used first as appropriate. Assigned funds are reduced to the extent that expenditure authority has been budgeted by Council or the assignment has been changed by the Mayor. Decreases to fund balance first reduce unassigned fund balance; in the event that unassigned becomes zero, then assigned and committed fund balances are used in that order.

Contributed Capital

Contributed capital in the proprietary fund consists of amounts awarded to the City in the form of grants and used to construct or acquire fixed assets. The change in contributed capital is as follows:

<u>Contributed Capital</u> - July 1, 2014	\$1,990,513
<u>Add:</u> Grant proceeds received	263,163
<u>Less:</u> Depreciation on capital assets acquired with grant proceeds	<u>(308,967)</u>
<u>Contributed Capital</u> - June 30, 2015	<u>\$1,944,709</u>

Note 12 - Compensated Absences

The City allows the accumulation of vacation and sick leave which may be carried over to subsequent years. Employees obtain a vested right in their accumulated vacation. Compensated absences are accounted for in the government-wide and proprietary fund financial statements when earned.

Note 13 - Risk Management

The City is exposed to various risks of loss related to torts; theft, damage to, and destruction of assets; errors and omissions; injuries to employees; employee health benefits; and other claims of various nature for which it purchases insurance.

CITY OF HARRINGTON, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

Note 14 - Commitment and Contingencies

The City is party to various legal proceedings which normally occur in governmental operations. These legal proceedings are not likely to have a material adverse impact on the affected funds of the City. In addition, it is believed in the event of an unfavorable outcome, the damages would be covered by the City's insurance coverage. Accordingly, no contingent liability has been recorded.

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

Note 15 - Segment Information

The City maintains two enterprise funds which provide water and wastewater public services. Selected financial information for business segments of enterprise funds at June 30, 2015 and for the year then ended is presented as follows:

	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Total</u>
Operating revenues	\$1,565,514	\$537,245	\$2,102,759
Depreciation	512,832	86,531	599,363
Other operating expenses	639,792	189,276	829,068
Operating income	412,890	261,438	674,328
Non-operating revenues	40,046	22,316	62,362
Non-operating expenses	(576,954)	(163,165)	(740,119)
Income (loss) before Capital contributions	(124,018)	120,589	(3,429)

Note 16 - Pronouncements Issues, Not Yet Effective

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2015 that have effective dates that may impact future financial presentations. Management has not currently determined what, if any impact the implementation may have on the financial statements of the City.

CITY OF HARRINGTON, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

Note 17 - Restatement of Beginning Net Position

The City adopted GASB No. 68, "Accounting and Financial Reporting for Pensions", an amendment of GASB Statement No. 27, and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date", an amendment of GASB Statement No. 68, which improves accounting and financial reporting by state and local government employers whose employees are provided benefits through pensions. The City is now required to record an asset for accumulated plan contributions in excess of future pension benefits, or a liability for future pension benefits in excess of accumulated plan contributions. This new accounting pronouncement requires the restatement of the June 30, 2014 net position of governmental activities as a \$26,137 reduction in net position from \$5,856,641 as originally stated to the restated net position of \$5,830,504, and for business-type activities as a \$3,513 reduction in net position from \$6,065,571 as originally stated to the restated net position of \$6,062,058.

Note 18 - Excess of Expenditures over Appropriations

The general fund incurred expenditures in excess of appropriations in the amount of \$167,142 for the year ended June 30, 2015. The expenditures were funded through the use of operating reserves.

Note 19 - Subsequent Events

In August 2015, a referendum passed allowing the City to refinance certain Farmers Home Administration existing debt in the amount of \$2,638,902, with interest rates ranging between 3.25% and 4.50%, through the State of Delaware Revolving Loan Program at an interest rate of 2%.

In July 2016, the City obtained financing for certain water projects from the USDA in the amount of \$850,685 at an interest rate of 1.75%.

On October 25, 2016, a referendum passed allowing the City to obtain financing for certain water projects from the USDA in the amount of \$2,115,000 at an interest rate of 1.625%.

Management has evaluated all subsequent events through November 21, 2016, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HARRINGTON, DELAWARE

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL -  
COMBINED GOVERNMENTAL AND PROPRIETARY FUND TYPES

YEAR ENDED JUNE 30, 2015

	Budget		Actual	Variance Favorable (Unfavorable)
	Original	Final		
<b><u>Revenues</u></b>				
<u>City</u>				
Property taxes	\$ 1,086,987	\$ 1,086,987	\$ 1,088,837	\$ 1,850
Transfer tax			284,264	284,264
Rental income	58,000	58,000	58,688	688
Miscellaneous	27,430	27,430	68,800	41,370
Grants			259,328	259,328
Community impact fees			4,000	4,000
Other	456,594	456,594	515,060	58,466
Interest	5,500	5,500	3,283	(2,217)
<u>Total City</u>	<u>1,634,511</u>	<u>1,634,511</u>	<u>2,282,260</u>	<u>647,749</u>
<u>Police</u>				
Fines	296,300	296,300	311,540	15,240
Other			50,282	50,282
Grants			112,703	112,703
<u>Total Police</u>	<u>296,300</u>	<u>296,300</u>	<u>474,525</u>	<u>178,225</u>
<u>Library</u>				
Grants	37,000	37,000	37,403	403
Reciprocal borrowing	35,000	35,000	40,389	5,389
Miscellaneous	5,000	5,000	7,686	2,686
<u>Total Library</u>	<u>77,000</u>	<u>77,000</u>	<u>85,478</u>	<u>8,478</u>
<u>Trash</u>				
Fees	239,392	239,392	239,638	246
Penalties and fines	2,600	2,600	2,748	148
<u>Total Trash</u>	<u>241,992</u>	<u>241,992</u>	<u>242,386</u>	<u>394</u>
<u>Sewer</u>				
Fees	1,623,921	1,623,921	1,560,289	(63,632)
Hook ups			5,100	5,100
Impact fees			29,484	29,484
Other			125	125
Interest	11,600	11,600	10,562	(1,038)
<u>Total Sewer</u>	<u>1,635,521</u>	<u>1,635,521</u>	<u>1,605,560</u>	<u>(29,961)</u>

CITY OF HARRINGTON, DELAWARE

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL -  
COMBINED GOVERNMENTAL AND PROPRIETARY FUND TYPES - (CONTINUED)

YEAR ENDED JUNE 30, 2015

	Budget		Actual	Variance Favorable (Unfavorable)
	Original	Final		
<b><u>Revenues (Continued)</u></b>				
<u>Water</u>				
Fees	\$ 524,657	\$ 524,657	\$ 502,463	\$ (22,194)
Hook ups	9,950	9,950	17,589	7,639
Impact fees			11,719	11,719
Other	16,700	16,700	17,193	493
Interest	6,500	6,500	10,597	4,097
<u>Total Water</u>	<u>557,807</u>	<u>557,807</u>	<u>559,561</u>	<u>1,754</u>
<u>Fire Company</u>				
Fire company personnel	61,652	61,652	62,141	489
<u>Total Fire Company</u>	<u>61,652</u>	<u>61,652</u>	<u>62,141</u>	<u>489</u>
<u>Public Works</u>				
Building permits	14,400	14,400	33,702	19,302
Planning and zoning fees	5,800	5,800	2,185	(3,615)
Contractors license fees	19,000	19,000	17,600	(1,400)
Vacant buildings	8,500	8,500	1,735	(6,765)
Fines and penalties	15,000	15,000	16,191	1,191
Business licenses	59,600	59,600	57,317	(2,283)
Other	36,938	36,938	40	(36,898)
<u>Total Public Works</u>	<u>159,238</u>	<u>159,238</u>	<u>128,770</u>	<u>(30,468)</u>
<u>Parks and Recreation</u>				
Grants in aid	33,000	33,000	32,000	(1,000)
Program income	76,460	76,460	92,610	16,150
Miscellaneous	10,275	10,275	11,500	1,225
Fundraiser funds	37,000	37,000	37,681	681
<u>Total Parks and Recreation</u>	<u>156,735</u>	<u>156,735</u>	<u>173,791</u>	<u>17,056</u>
<u>Total Revenues</u>	<u>4,820,756</u>	<u>4,820,756</u>	<u>5,614,472</u>	<u>793,716</u>

CITY OF HARRINGTON, DELAWARE

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL -  
COMBINED GOVERNMENTAL AND PROPRIETARY FUND TYPES - (CONTINUED)

YEAR ENDED JUNE 30, 2015

	<u>Budget</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<b><u>Expenditures</u></b>				
<b><u>General Government</u></b>				
<u>City:</u>				
Salaries	\$ 276,841	\$ 276,841	\$ 271,553	\$ 5,288
Payroll taxes	27,784	27,784	26,489	1,295
Health insurance	42,760	42,760	42,737	23
Pension	13,320	13,320	16,660	(3,340)
Vehicle maintenance	3,050	3,050	2,660	390
Office supplies	4,000	4,000	4,882	(882)
Telephone	4,250	4,250	6,091	(1,841)
Postage	2,650	2,650	3,005	(355)
Heat and electric	8,450	8,450	6,331	2,119
Capital outlay			196,891	(196,891)
Debt services			476	(476)
Legal	40,000	40,000	45,885	(5,885)
Advertising	1,250	1,250	2,015	(765)
Accounting services	7,000	7,000	5,736	1,264
Travel and food	950	950	718	232
Engineering	6,000	6,000	4,711	1,289
Dues and meetings	4,000	4,000	5,392	(1,392)
Inspection fees	91,000	91,000	130,916	(39,916)
Building maintenance and repairs	3,750	3,750	6,437	(2,687)
Computer maintenance and repairs	23,500	23,500	20,267	3,233
Election expense	1,000	1,000	759	241
Miscellaneous	15,450	15,450	19,199	(3,749)
Bad debt expense			7,976	(7,976)
Clean up fees	3,000	3,000	3,665	(665)
Training	4,150	4,150	3,010	1,140
Lease equipment	5,500	5,500	5,529	(29)
Insurance	14,375	14,375	14,843	(468)
Accounting and auditing	89,000	89,000	117,130	(28,130)
	<u>693,030</u>	<u>693,030</u>	<u>971,963</u>	<u>(278,933)</u>
<u>Total City</u>				

CITY OF HARRINGTON, DELAWARE

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL -  
COMBINED GOVERNMENTAL AND PROPRIETARY FUND TYPES - (CONTINUED)

YEAR ENDED JUNE 30, 2015

	<u>Budget</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable (Unfavorable)</u>
<b><u>Expenditures (Continued)</u></b>				
<u>Police</u>				
Salaries	\$ 495,668	\$ 495,668	\$ 562,464	\$ (66,796)
Overtime	121,473	121,473	103,615	17,858
Payroll taxes	81,385	81,385	79,436	1,949
Pension	28,340	28,340	26,522	1,818
Health insurance	126,566	126,566	120,912	5,654
Medical	300	300	432	(132)
Vehicle maintenance and repairs	50,200	50,200	48,001	2,199
Radar/special electronics	2,500	2,500	5,624	(3,124)
Training	1,200	1,200	537	663
Office supplies	3,300	3,300	3,704	(404)
Telephone	12,500	12,500	11,603	897
Postage	1,200	1,200	593	607
Heat and electric	12,800	12,800	13,314	(514)
Capital outlay			67,620	(67,620)
National nite out	250	250	9,127	(8,877)
Insurance	8,250	8,250	17,483	(9,233)
Debt services			197	(197)
Dues and meetings	800	800	600	200
Travel and food	1,200	1,200	592	608
Computer maintenance and repairs	2,500	2,500	2,019	481
Building repairs and maintenance			5,403	(5,403)
Maintenance agreement	550	550	1,141	(591)
Miscellaneous	5,250	5,250	17,099	(11,849)
Uniforms	1,200	1,200	981	219
Ammo and targets	2,500	2,500	4,176	(1,676)
Clothing allowance	10,200	10,200	6,614	3,586
Lease equipment	3,000	3,000	1,257	1,743
Legal	1,500	1,500	7,562	(6,062)
<u>Total Police</u>	<u>974,632</u>	<u>974,632</u>	<u>1,118,628</u>	<u>(143,996)</u>

CITY OF HARRINGTON, DELAWARE

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL -  
COMBINED GOVERNMENTAL AND PROPRIETARY FUND TYPES - (CONTINUED)

YEAR ENDED JUNE 30, 2015

	Budget		Actual	Variance
	Original	Final		Favorable (Unfavorable)
<b><u>Expenditures (Continued)</u></b>				
<u>Public Works</u>				
Salaries	\$ 113,716	\$ 113,716	\$ 114,950	\$ (1,234)
Payroll taxes	16,619	16,619	14,999	1,620
Pension	5,774	5,774	8,210	(2,436)
Health insurance	24,411	24,411	27,042	(2,631)
Per diem	2,080	2,080	2,080	
Vehicle maintenance and repairs	14,000	14,000	18,649	(4,649)
Equipment maintenance and repairs	11,000	11,000	13,198	(2,198)
Office supplies	400	400	403	(3)
Telephone	2,700	2,700	2,710	(10)
Building maintenance	1,600	1,600	1,642	(42)
Heat and electric	4,900	4,900	5,318	(418)
Engineering	12,500	12,500	2,160	10,340
Insurance	2,900	2,900	3,302	(402)
Dues and meeting	550	550	151	399
Uniforms	4,550	4,550	4,980	(430)
Supplies	3,000	3,000	2,081	919
Street maintenance	35,000	35,000	1,676	33,324
Ditch cleaning	3,000	3,000	2,874	126
Street signs and markings	500	500	381	119
Street lights	57,500	57,500	56,239	1,261
Training	200	200	85	115
Snow and ice removal	3,000	3,000	2,428	572
Water line repairs	2,000	2,000	20	1,980
Chemicals			24	(24)
Miscellaneous			158	(158)
Debt services			31,060	(31,060)
Safety	1,050	1,050	955	95
Wildlife control	2,000	2,000		2,000
	<u>324,950</u>	<u>324,950</u>	<u>317,775</u>	<u>7,175</u>
<u>Total Public Works</u>				
<u>Trash</u>				
Postage	500	500	450	50
Insurance	3,452	3,452	3,302	150
Contract services	238,040	238,040	228,919	9,121
	<u>241,992</u>	<u>241,992</u>	<u>232,671</u>	<u>9,321</u>
<u>Total Trash</u>				

CITY OF HARRINGTON, DELAWARE

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL -  
COMBINED GOVERNMENTAL AND PROPRIETARY FUND TYPES - (CONTINUED)

YEAR ENDED JUNE 30, 2015

	Budget		Actual	Variance
	Original	Final		Favorable (Unfavorable)
<b><u>Expenditures (Continued)</u></b>				
<u>Library</u>				
Salaries	\$ 95,739	\$ 95,739	\$ 92,941	\$ 2,798
Payroll taxes	9,796	9,796	8,971	825
Pension	4,448	4,448	5,999	(1,551)
Health insurance	17,713	17,713	17,651	62
Furniture and office equipment	200	200		200
Office supplies	2,200	2,200	622	1,578
Telephone	1,550	1,550	1,372	178
Postage	200	200	15	185
Heat and electric	12,300	12,300	10,248	2,052
Travel and food	300	300		300
Dues and meetings	200	200		200
Debt services			182	(182)
Building repairs and maintenance	3,265	3,265	2,686	579
Books and subscriptions	23,000	23,000	22,054	946
Automation	1,500	1,500	2,326	(826)
Insurance	1,500	1,500	1,321	179
Lease equipment	2,200	2,200	1,167	1,033
<u>Total Library</u>	<u>176,111</u>	<u>176,111</u>	<u>167,555</u>	<u>8,556</u>
<u>Sewer</u>				
Salaries	56,570	56,570	61,895	(5,325)
Payroll taxes	8,260	8,260	7,751	509
Pension	2,878	2,878	8,039	(5,161)
Health insurance	15,950	15,950	16,740	(790)
Vehicle maintenance and repairs			5,426	(5,426)
Office supplies	400	400	343	57
Telephone	1,000	1,000	883	117
Postage	2,000	2,000	1,610	390
Heat and electric	9,780	9,780	8,577	1,203
Safety	1,500	1,500	471	1,029
Maintenance agreements	550	550	350	200
Building repairs and maintenance	2,900	2,900	1,519	1,381
Sample testing	1,000	1,000	624	376

CITY OF HARRINGTON, DELAWARE

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL -  
COMBINED GOVERNMENTAL AND PROPRIETARY FUND TYPES - (CONTINUED)

YEAR ENDED JUNE 30, 2015

	<u>Budget</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable (Unfavorable)</u>
<b><u>Expenditures (Continued)</u></b>				
<u>Sewer (Continued)</u>				
Pump station repairs	\$ 7,000	\$ 7,000	\$ 5,067	\$ 1,933
Chemicals	500	500		500
Flow meter operations	1,300	1,300	701	599
License and permits			125	(125)
Insurance	23,775	23,775	23,775	
Engineering	20,000	20,000	7,001	12,999
Legal and administrative fee	154,403	154,403	40,980	113,423
Interfund service fee	396,971	396,971	390,362	6,609
County sewer fee	475,000	475,000	447,915	27,085
Interest	424,385	424,385	186,592	237,793
Depreciation			512,832	(512,832)
	<u>1,606,122</u>	<u>1,606,122</u>	<u>1,729,578</u>	<u>(123,456)</u>
 <u>Water</u>				
Salaries	64,945	64,945	74,266	(9,321)
Payroll taxes	9,451	9,451	9,070	381
Pension	3,327	3,327	9,379	(6,052)
Health insurance	19,325	19,325	20,338	(1,013)
Vehicle maintenance and repairs	3,300	3,300	1,350	1,950
Office supplies	400	400	343	57
Postage	2,000	2,000	1,910	90
Dues and meetings	2,000	2,000	878	1,122
Heat and electric	25,000	25,000	22,272	2,728
Maintenance agreement	550	550	350	200
Water meters	2,000	2,000	13,424	(11,424)
Sample testing	800	800	1,351	(551)
Water line repairs	15,000	15,000	5,765	9,235
Chemicals	10,000	10,000	12,418	(2,418)
Licenses and permits	200	200	200	
Insurance	10,600	10,600	9,246	1,354
Engineering	15,000	15,000	6,716	8,284
Interfund service fee	96,561	96,561	124,698	(28,137)
Interest	67,112	67,112	38,467	28,645
Depreciation			86,531	(86,531)
	<u>347,571</u>	<u>347,571</u>	<u>438,972</u>	<u>(91,401)</u>
 <u>Fire Company</u>				
Salaries	82,003	82,003	83,245	(1,242)
Payroll taxes	10,937	10,937	10,491	446
Health insurance	23,122	23,122	20,860	2,262
Insurance	2,620	2,620	660	1,960
Pension	3,658	3,658	5,321	(1,663)
Fuel	3,000	3,000	3,000	
	<u>125,340</u>	<u>125,340</u>	<u>123,577</u>	<u>1,763</u>

CITY OF HARRINGTON, DELAWARE

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL -  
COMBINED GOVERNMENTAL AND PROPRIETARY FUND TYPES - (CONTINUED)

YEAR ENDED JUNE 30, 2015

	<u>Budget</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<b><u>Expenditures (Continued)</u></b>				
<u>Parks and Recreation Department</u>				
Salaries	\$ 59,429	\$ 59,429	\$ 60,070	\$ (641)
Payroll taxes	5,865	5,865	5,565	300
Health insurance	13,000	13,000	14,000	(1,000)
Pension	2,941	2,941	3,886	(945)
Office supplies	400	400	364	36
Telephone	2,500	2,500	2,677	(177)
Heat and electric	13,500	13,500	14,908	(1,408)
Debt services			185	(185)
Postage	250	250	295	(45)
Vehicle repairs and maintenance	550	550	462	88
Fundraisers	11,000	11,000	14,147	(3,147)
Building repairs and maintenance	2,250	2,250	2,657	(407)
Capital outlay			144,171	(144,171)
Lease equipment	3,400	3,400	1,185	2,215
Maintenance agreement	900	900	1,167	(267)
Insurance	6,000	6,000	4,446	1,554
Programs	49,670	49,670	54,391	(4,721)
Advertising	100	100	74	26
	<u>171,755</u>	<u>171,755</u>	<u>324,650</u>	<u>(152,895)</u>
<u>Total Parks and Recreation Department</u>				
	<u>171,755</u>	<u>171,755</u>	<u>324,650</u>	<u>(152,895)</u>
<u>Total Expenditures</u>	<u>4,661,503</u>	<u>4,661,503</u>	<u>5,425,369</u>	<u>(763,866)</u>
	<u>\$ 159,253</u>	<u>\$ 159,253</u>	<u>\$ 189,103</u>	<u>\$ 29,850</u>

CITY OF HARRINGTON, DELAWARE

STATEMENT OF REVENUES, EXPENDITURES -  
BUDGET AND ACTUAL - ALL SPECIAL REVENUE FUNDS

YEAR ENDED JUNE 30, 2015

	Budget		Actual	Variance Favorable (Unfavorable)
	Original	Final		
<u>Police Pension Fund</u>				
Revenues	\$ 47,995	\$ 47,995	\$ 45,497	(\$ 2,498)
Expenditures			45,497	( 45,497)
<u>Excess Revenues Over Expenditures</u>	<u>\$ 47,995</u>	<u>\$ 47,995</u>	<u>\$ -0-</u>	<u>(\$ 47,995)</u>
<u>Municipal Street Aid</u>				
Revenues	\$	\$	\$ 71,795	\$ 71,795
Expenditures				
<u>Excess Revenues Over Expenditures</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 71,795</u>	<u>\$ 71,795</u>
<u>Combat Violent Crime</u>				
Revenues	\$	\$	\$ 22,382	\$ 22,382
Expenditures			22,444	( 22,444)
<u>Deficiency of Revenues Over Expenditures</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>(\$ 62)</u>	<u>(\$ 62)</u>
<u>SLEAF</u>				
Revenues	\$	\$	\$ 19,640	\$ 19,640
Expenditures			23,540	( 23,540)
<u>Deficiency of Revenues Over Expenditures</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>(\$ 3,900)</u>	<u>(\$ 3,900)</u>
<u>EIDE</u>				
Revenues	\$	\$	\$ 6,049	\$ 6,049
Expenditures			3,968	( 3,968)
<u>Excess Revenues Over Expenditures</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 2,081</u>	<u>\$ 2,081</u>
<u>SALLE</u>				
Revenues	\$	\$	\$ 5,722	\$ 5,722
Expenditures			4,787	( 4,787)
<u>Excess Revenues Over Expenditures</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 935</u>	<u>\$ 935</u>
<u>Library Building Fund</u>				
Revenues			\$ 41,838	\$ 41,838
Expenditures				
<u>Excess Revenues Over Expenditures</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 41,838</u>	<u>\$ 41,838</u>

CITY OF HARRINGTON, DELAWARE

PROPORTIONATE SHARE OF NET PENSION ASSET - DELAWARE MUNICIPAL  
POLICE/FIREFIGHTER PENSION PLAN

YEAR ENDED JUNE 30, 2015

City's proportionate share of the net pension asset	0.6771%
City's proportionate share of the net pension asset	\$ 73,248
City's covered employee payroll	\$ 562,464
City's proportionate share of the net pension asset as a percentage of its covered employee payroll	13.0%
Plan fiduciary net position as a percentage of the total pension asset	104.5%

CITY OF HARRINGTON, DELAWARE

PROPORTIONATE SHARE OF NET PENSION ASSET - DELAWARE COUNTY  
AND MUNICIPAL OTHER EMPLOYEES' PENSION PLAN

YEAR ENDED JUNE 30, 2015

City's proportionate share of the net pension asset	2.8379%
City's proportionate share of the net pension asset	\$ 10,446
City's covered employee payroll	\$ 726,438
City's proportionate share of the net pension asset as a percentage of its covered employee payroll	1.4%
Plan fiduciary net position as a percentage of the total pension asset	101.1%

CITY OF HARRINGTON, DELAWARE

SCHEDULE OF CITY CONTRIBUTIONS - DELAWARE MUNICIPAL  
POLICE/FIREFIGHTER PENSION PLAN

YEAR ENDED JUNE 30, 2015

Required contribution	\$ 69,626
Contribution in relation to the required contribution	<u>69,626</u>
Contribution deficiency/excess	<u>\$ -</u>
City's covered employee payroll	\$ 562,464
Contributions as a percentage of covered employee payroll	12.4%

CITY OF HARRINGTON, DELAWARE

SCHEDULE OF CITY CONTRIBUTIONS - DELAWARE COUNTY AND  
MUNICIPAL OTHER EMPLOYEES' PENSION PLAN

YEAR ENDED JUNE 30, 2015

Required contribution	\$ 51,712
Contribution in relation to the required contribution	<u>51,712</u>
Contribution deficiency/excess	<u>\$ -</u>
City's covered employee payroll	\$ 726,438
Contributions as a percentage of covered employee payroll	7.1%

SUPPLEMENTARY INFORMATION

CITY OF HARRINGTON, DELAWARE

COMBINING BALANCE SHEET -  
ALL SPECIAL REVENUE FUNDS

JUNE 30, 2015

	<u>Police Pension Fund</u>	<u>Municipal Street Aid</u>	<u>Combat Violent Crime</u>	<u>SLEAF</u>	<u>EIDE</u>	<u>SALLE</u>	<u>Library Building</u>	<u>Total</u>
<u>ASSETS</u>								
<u>Current Assets</u>								
Cash and cash equivalents		\$ 296,422	\$ 10,345		\$ 11,192	\$ 11,595	\$ 274,464	\$ 604,018
Interfund Receivable						1,314	400	1,714
<u>Total Assets</u>	<u>\$ -0-</u>	<u>\$ 296,422</u>	<u>\$ 10,345</u>	<u>\$ -0-</u>	<u>\$ 11,192</u>	<u>\$ 12,909</u>	<u>\$ 274,864</u>	<u>\$ 605,732</u>
<u>LIABILITY</u>								
Intragovernment payable		67,652	10,296		6,121	11,331	75,000	170,400
<u>FUND EQUITY</u>								
<u>Fund Balances</u>								
Restricted		228,770	49		5,071	1,578		235,468
Committed							199,864	199,864
<u>Total Fund Equity</u>		<u>228,770</u>	<u>49</u>		<u>5,071</u>	<u>1,578</u>	<u>199,864</u>	<u>435,332</u>
<u>Total Liabilities and Fund Equity</u>	<u>\$ -0-</u>	<u>\$ 296,422</u>	<u>\$ 10,345</u>	<u>\$ -0-</u>	<u>\$ 11,192</u>	<u>\$ 12,909</u>	<u>\$ 274,864</u>	<u>\$ 605,732</u>

CITY OF HARRINGTON, DELAWARE

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - ALL SPECIAL REVENUE FUNDS

YEAR ENDED JUNE 30, 2015

	<u>Police Pension Fund</u>	<u>Municipal Street Aid</u>	<u>Combat Violent Crime</u>	<u>SLEAF</u>	<u>EIDE</u>	<u>SALLE</u>	<u>Library Building</u>	<u>Total</u>
<u>Revenues</u>								
Intergovernmental revenues	\$ 45,497	\$ 71,451	\$ 22,379	\$ 19,640	\$ 6,049	\$ 5,721	\$ 40,300	\$ 211,037
Interest		344	3			1	1,538	1,886
<u>Total Revenues</u>	45,497	71,795	22,382	19,640	6,049	5,722	41,838	212,923
<u>Expenditures</u>	45,497		22,444	23,540	3,968	4,787		100,236
<u>Excess (Deficiency) of Revenues Over Expenditures</u>		71,795	(62)	(3,900)	2,081	935	41,838	112,687
<u>Fund Balance - Beginning of year</u>		156,975	111	3,900	2,990	643	158,026	322,645
<u>Fund Balance - End of year</u>	\$ -0-	\$ 228,770	\$ 49	\$ -0-	\$ 5,071	\$ 1,578	\$ 199,864	\$ 435,332