

CITY OF HARRINGTON, DELAWARE

FINANCIAL STATEMENTS  
SUPPLEMENTARY INFORMATION  
AND  
INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2014

# CITY OF HARRINGTON, DELAWARE

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JUNE 30, 2014

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

## Independent Auditor's Report

### **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, 2014, 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, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **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 15 and 47 through 54, and 57 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 the 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.

### *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 supplementary information such as the combining and individual non-major fund financial statements and budgetary comparison schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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



The accompanying combining and individual non-major fund financial statements and budgetary comparison schedules 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 December 7, 2015 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  
December 7, 2015

A handwritten signature in blue ink, appearing to read "Horty, Horty PA". The signature is written in a cursive, flowing style.

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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, 2014, which collectively comprise the City of Harrington's basic financial statements, and have issued our report thereon dated December 7, 2015.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, 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 over financial reporting 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 significant deficiencies or material weaknesses. 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 December 7, 2015.

### **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  
December 7, 2015



CITY OF HARRINGTON, DELAWARE

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

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, 2014. We encourage users to read it in conjunction with the City's financial statements, which follow this section.

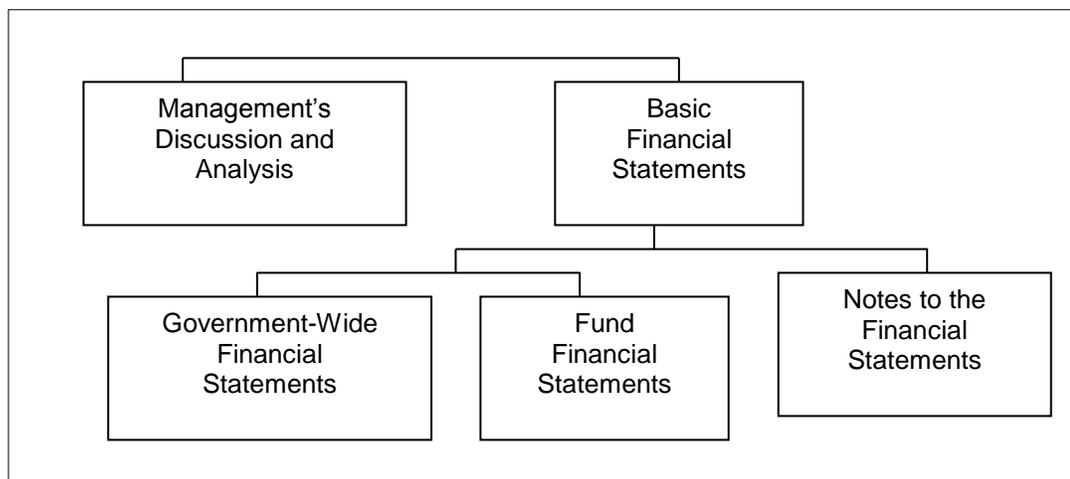
Financial Highlights For Fiscal Year 2014

- The assets of the City exceeded its liabilities at the close of the 2014 fiscal year resulting in a net position of \$11,922,212. Of this amount, \$4,266,192 is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors, and \$5,341,408 is invested in capital assets, net of related debt.
- As of June 30, 2014, the City's governmental funds reported combined ending fund balances of \$3,173,076.

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.

After the notes, **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. Budgetary information can also be found in this part of the 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 16 and 17 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 55 and 56 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 18 through 22 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 23 through 26 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 27 through 46 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 55 through 56 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, 2014.

**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 \$11,922,212 at the close of the fiscal year, June 30, 2014.

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

	June 30, 2014		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>
Current and other assets	\$3,551,915	\$ 2,409,273	\$ 5,961,188
Capital assets	<u>2,770,498</u>	<u>11,890,679</u>	<u>14,661,177</u>
<b>Total Assets</b>	<b><u>\$6,322,413</u></b>	<b><u>\$14,299,952</u></b>	<b><u>\$20,622,365</u></b>
Long-term liabilities	\$ 28,422	\$ 7,792,935	\$ 7,821,357
Other liabilities	<u>437,350</u>	<u>441,446</u>	<u>878,796</u>
<b>Total Liabilities</b>	<b><u>\$ 465,772</u></b>	<b><u>\$ 8,234,381</u></b>	<b><u>\$ 8,700,153</u></b>

City of Harrington, Delaware  
Management's Discussion and Analysis

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

	June 30, 2014		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>
<b>Net Position:</b>			
Contributed Capital		\$1,990,513	\$ 1,990,513
Restricted	\$ 324,099		324,099
Invested in capital assets	2,735,528	2,605,880	5,341,408
Unrestricted	<u>2,797,014</u>	<u>1,469,178</u>	<u>4,266,192</u>
<b>Total Net Position</b>	<b>\$5,856,641</b>	<b>\$6,065,571</b>	<b>\$11,922,212</b>

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

CITY OF HARRINGTON, DELAWARE'S NET POSITION

	June 30, 2014		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>
<b>REVENUES</b>			
<b>Program Revenues:</b>			
Charges for services	\$1,101,202	\$1,900,532	\$ 3,001,734
Operating grants and contributions	236,247		236,247
Capital grants and contributions	365,854	24,971	390,825
<b>General Revenues:</b>			
Property taxes	723,053		723,053
Transfer tax	117,349		117,349
Gain on sale of assets	11,551		11,551
Other revenue	<u>47,834</u>	<u>14,777</u>	<u>62,611</u>
<b>Total Revenues</b>	<b><u>2,603,090</u></b>	<b><u>1,940,280</u></b>	<b><u>4,543,370</u></b>
<b>EXPENSES</b>			
General government	\$ 905,718		\$ 905,718
Police	1,194,214		1,194,214
Public works	300,893		300,893
Parks and recreation	183,047		183,047
Trash	245,981		245,981
Library	183,420		183,420
Fire company	119,267		119,267
Sewer		\$1,377,830	1,377,830
Water		<u>324,638</u>	<u>324,638</u>
<b>Total Expenses</b>	<b><u>3,132,540</u></b>	<b><u>1,702,468</u></b>	<b><u>4,835,008</u></b>
Change in net position	( 529,450)	237,812	( 291,638)
Net position – Beginning of year	<u>6,386,091</u>	<u>5,827,759</u>	<u>12,213,850</u>
Net position – End of year	<b><u>\$5,856,641</u></b>	<b><u>\$6,065,571</u></b>	<b><u>\$11,922,212</u></b>

For the year ended June 30, 2014, 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, 2014, the City's governmental funds reported a combined ending fund balance of \$3,173,076.

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, 2014, the general fund balance is \$2,850,431

***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 \$125,906. Income before capital contributions of \$338,747 were reported in the water fund.

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

The City adopted the fiscal year 2014 budget on June 17, 2013. The City's practice is to get approval from the Council if the budget is amended. During 2014 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, 2014, was \$14,661,177 (net of accumulated depreciation). Capital assets include land, building and improvements, furniture and fixtures, equipment and streets. Depreciation of \$863,606 exceeded additions by \$67,823.

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 \$8,057,866 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.

Projects that have already been identified include water main replacements on Liberty Street, S.R. 14 (westbound), and S.R. 13, installation of a new 500,000 gallon above ground water storage tank and installation of a new 350 gpm potable well. The City initially applied for a loan to pay for the water main replacement on Liberty, S.R. 13 and S.R. 14 and the new well through the Drinking Water State Revolving Fund, and completed its formal application in February 2013. The loan request was for \$2.24 million. This application did not pass referendum.

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 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.

### **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, \$820,000 and \$880,000, respectively from the USDA and work began to remediate the City's wastewater transmission system.

### **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, and address unnecessary treatment fees for I & I.

## **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 wastewater treatment plant and lagoons are being reviewed by DNREC. The City is required by DNREC to dismantle the WWTP outfall and restore Browns Branch to settle a penalty assessment for a prior breach. The Browns Branch restoration was completed in July 2014. The City has settled the DNREC penalty for approximately \$40,000.

In addition, the lagoons need to be cleaned and closed and the remaining WWTP tanks, structures, etc., cleaned and/or dismantled. Approximate cost is \$1.0 million. The City will then be responsible for the maintenance of its pump stations and gravity sewer system.

The evaluation will also examine existing interceptor sewers relative to their current capacities and estimate the need for additional capacity. The following upgrades were recommended based on the study:

1. Existing Sewer Capacity Upgrades:
  - a. Liberty Street (between Thomas and Dixon Streets) increase from 10" to 12". Approximate cost = \$122,175.
  - b. Gordon Street (between Dixon Street and US 13) increase from 10" to 15". Approximate cost = \$177,188.
  - c. Dixon Street (between Liberty and Gordon Street) increase from 10" to 12". Approximate cost = \$299,362.

- d. Dorman Street (between Friendship Village and Center Street) increase from 6" to 8". Approximate cost = \$353,970.

Total = \$952,695 for Year 1 Upgrades.

2. Maximum Buildout Sewer Improvement Recommendations:

- a. Clark Street (between Dixon Street and East Streets) increase from 8" to 10". Approximate cost = \$360,956.
- b. Route 14 to Main Pump station increase from 15" to 18". Approximate cost = \$304,425.

Total = \$665,381 for Year 2 Upgrades to occur in subsequent years as needed to accommodate future development.

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.

### **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.

### **Parks and Recreation**

The City has repaired the Parks and Recreation roof and replaced the floor using USDA grants, Delaware State Bond Bill funds and City of Harrington funds of approximately \$148,000.

### **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, 2014

ASSETS

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>Current Assets:</u>			
Cash and cash equivalents	\$ 1,635,845	\$ 1,723,152	\$ 3,358,997
Taxes receivable	106,917		106,917
Accounts receivable	168,572	150,766	319,338
Intragovernment receivable	163,327		163,327
Due from other Governments	175,617	24,971	200,588
Service charges receivable		510,384	510,384
Assets held for sale	39,900		39,900
Land held for sale	1,245,162		1,245,162
Prepaid expenses	16,575		16,575
<u>Total Current Assets</u>	<u>3,551,915</u>	<u>2,409,273</u>	<u>5,961,188</u>
<u>Noncurrent Assets:</u>			
Water and sewer systems		18,185,420	18,185,420
Furniture, fixtures and equipment	1,948,285		1,948,285
Land and buildings	3,009,293		3,009,293
Construction in progress	62,523	41,735	104,258
<u>Less: Accumulated depreciation</u>	<u>( 2,249,603)</u>	<u>( 6,336,476)</u>	<u>( 8,586,079)</u>
<u>Total Capital Assets, Net of Accumulated Depreciation</u>	<u>2,770,498</u>	<u>11,890,679</u>	<u>14,661,177</u>
 <u>Total Assets</u>	 <u>\$ 6,322,413</u>	 <u>\$ 14,299,952</u>	 <u>\$ 20,622,365</u>

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

LIABILITIES AND NET POSITION

	Governmental Activities	Business-Type Activities	Total
<u>Current Liabilities:</u>			
Current portion of capital lease obligation	\$ 6,548		\$ 6,548
Accounts payable and other	294,477	\$ 86,620	381,097
Intragovernment payable	84,362	78,965	163,327
Bonds and notes payable		264,931	264,931
Accrued compensated absences	51,963	10,930	62,893
<u>Total Current Liabilities</u>	437,350	441,446	878,796
<u>Noncurrent Liabilities:</u>			
Bonds and note payable		7,792,935	7,792,935
Capital lease obligation - Net of current portion	28,422		28,422
<u>Total Liabilities</u>	465,772	8,234,381	8,700,153
<u>Net Position:</u>			
Contributed capital		1,990,513	1,990,513
Restricted for:			
Library expenditures	158,026		158,026
Police expenditures	9,098		9,098
Street rehabilitation expenditures	156,975		156,975
Invested in capital assets, net of related debt	2,735,528	2,605,880	5,341,408
Unrestricted	2,797,014	1,469,178	4,266,192
<u>Total Net Position</u>	\$ 5,856,641	\$ 6,065,571	\$ 11,922,212

CITY OF HARRINGTON, DELAWARE

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2014

	Program Revenues			Net Revenue (Expense) and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>FUNCTIONS/PROGRAMS:</b>							
Governmental Activities:							
General government	\$ 905,718	\$ 57,960		\$ 346,666	(\$ 501,092)		(\$ 501,092)
Police	1,194,214	361,707	\$ 236,247		( 596,260)		( 596,260)
Public works	300,893	128,732			( 172,161)		( 172,161)
Parks and recreation	183,047	168,901			( 14,146)		( 14,146)
Trash	245,981	232,837			( 13,144)		( 13,144)
Library	183,420	86,372		19,188	( 77,860)		( 77,860)
Fire company	119,267	64,543			( 54,724)		( 54,724)
Other		150			150		150
<u>Total Governmental Activities</u>	<u>3,132,540</u>	<u>1,101,202</u>	<u>236,247</u>	<u>365,854</u>	<u>( 1,429,237)</u>		<u>( 1,429,237)</u>
Business-Type Activities:							
Sewer	1,377,830	1,243,412		24,971		(\$ 109,447)	( 109,447)
Water	<u>324,638</u>	<u>657,120</u>				<u>332,482</u>	<u>332,482</u>
<u>Total Business-Type Activities</u>	<u>1,702,468</u>	<u>1,900,532</u>		<u>24,971</u>		<u>223,035</u>	<u>223,035</u>
<u>Total</u>	<u>\$ 4,835,008</u>	<u>\$ 3,001,734</u>	<u>\$ 236,247</u>	<u>\$ 390,825</u>	<u>( 1,429,237)</u>	<u>223,035</u>	<u>( 1,206,202)</u>
<b>General Revenues and Transfers:</b>							
Taxes:							
Property taxes					723,053		723,053
Transfer tax					117,349		117,349
Interest					7,046	14,777	21,823
Net gain on disposal of property and equipment					11,551		11,551
Miscellaneous					<u>40,788</u>		<u>40,788</u>
<u>Total General Revenues and Transfers</u>					<u>899,787</u>	<u>14,777</u>	<u>914,564</u>
<u>Change in Net Position</u>					<u>( 529,450)</u>	<u>237,812</u>	<u>( 291,638)</u>
<u>Net Position - Beginning of year</u>					<u>6,386,091</u>	<u>5,827,759</u>	<u>12,213,850</u>
<u>Net Position - End of year</u>					<u>\$ 5,856,641</u>	<u>\$ 6,065,571</u>	<u>\$ 11,922,212</u>

CITY OF HARRINGTON, DELAWARE

BALANCE SHEET  
(GOVERNMENTAL FUNDS)

JUNE 30, 2014

<u>ASSETS</u>	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Total</u>
Cash and cash equivalents	\$ 1,251,926	\$ 383,919	\$ 1,635,845
Taxes receivable	106,917		106,917
Accounts receivable	168,572		168,572
Intragovernment receivable	139,047	24,280	163,327
Grants receivable	175,617		175,617
Assets held for sale	39,900		39,900
Land held for sale	1,245,162		1,245,162
Prepaid expenses	16,575		16,575
<u>Total Assets</u>	<u>\$ 3,143,716</u>	<u>\$ 408,199</u>	<u>\$ 3,551,915</u>
<u>LIABILITIES</u>			
Accounts payable and other	\$ 293,285	\$ 1,192	\$ 294,477
Intragovernment payable		84,362	84,362
<u>Total Liabilities</u>	<u>293,285</u>	<u>85,554</u>	<u>378,839</u>
<u>FUND BALANCE</u>			
<u>Fund Balances:</u>			
Nonspendable:			
Land held for sale	1,245,162		1,245,162
Assets held for sale	39,900		39,900
Prepaid expenses	16,575		16,575
Restricted for:			
Police	1,454	\$ 7,644	9,098
Street rehabilitation		156,975	156,975
Committed for:			
City capital improvements	245,127		245,127
Library building		158,026	158,026
Assigned:			
Contingency	273,913		273,913
Unassigned	1,028,300		1,028,300
<u>Total Fund Balance</u>	<u>2,850,431</u>	<u>322,645</u>	<u>3,173,076</u>
<u>Total Liability and Fund Balance</u>	<u>\$ 3,143,716</u>	<u>\$ 408,199</u>	<u>\$ 3,551,915</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, 2014

<u>Total Fund Balances, Governmental Funds</u> (Page 18)	\$ 3,173,076
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.	2,770,498
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	( 51,963)
Capital lease obligation	( 34,970)
<u>Net Position of Governmental Activities in the Statement of Net Position</u> (Page 16)	<u>\$ 5,856,641</u>

CITY OF HARRINGTON, DELAWARE

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

YEAR ENDED JUNE 30, 2014

	General Fund	Special Revenue Funds	Total
	<u>          </u>	<u>          </u>	<u>          </u>
<u>Revenues:</u>			
Taxes	\$ 723,053		\$ 723,053
Transfer tax	117,349		117,349
Rental income	57,960		57,960
Building permits	20,354		20,354
Planning and zoning fees	3,053		3,053
Vacant buildings	2,140		2,140
Miscellaneous	40,788		40,788
Contractors license fees	16,900		16,900
Intergovernmental revenues		\$ 180,017	180,017
Fire company	64,543		64,543
Interest	5,576	1,470	7,046
Fines and penalties	19,009		19,009
Business licenses	58,186		58,186
Police revenue	450,919		450,919
Library revenue	86,372		86,372
Trash fees	232,837		232,837
Public works revenue	20,846		20,846
Parks and recreation	168,901		168,901
Grants	346,666		346,666
Other	150		150
	<u>          </u>	<u>          </u>	<u>          </u>
<u>Total Revenues</u>	<u>2,435,602</u>	<u>181,487</u>	<u>2,617,089</u>
<u>Expenditures:</u>			
General government	1,204,898		1,204,898
Police	1,074,615	86,922	1,161,537
Public works	355,296		355,296
Trash	245,981		245,981
Library	223,681		223,681
Fire company	118,694		118,694
Parks and recreation	177,844		177,844
	<u>          </u>	<u>          </u>	<u>          </u>
<u>Total Expenditures</u>	<u>3,401,009</u>	<u>86,922</u>	<u>3,487,931</u>
<u>Excess (Deficiency) of Revenues Over</u>			
<u>Expenditures Before Other Financing Sources</u>	<u>( 965,407)</u>	<u>94,565</u>	<u>(870,842)</u>

CITY OF HARRINGTON, DELAWARE

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

YEAR ENDED JUNE 30, 2014

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Total</u>
<u>Other Financing Sources:</u>			
Transfers in (out)	\$ 96,087	(\$ 96,087)	
<u>Deficiency of Revenues and Other     Financing Sources Over Expenditures</u>	( 869,320)	( 1,522)	(\$ 870,842)
<u>Fund Balance - Beginning of year</u>	<u>3,719,751</u>	<u>324,167</u>	<u>4,043,918</u>
<u>Fund Balance - End of year</u>	<u>\$ 2,850,431</u>	<u>\$ 322,645</u>	<u>\$ 3,173,076</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, 2014

Net Change in Fund Balances, Governmental Funds (Page 21) ( \$ 870,842)

Amounts Reported for Governmental Activities in the Statement  
of Activities are Different Because:

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 (\$640,337) exceeded depreciation (\$275,591) , in the current period 364,746

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 position.

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 ( 14,000)

Some items reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. These activities consist of:  
Decrease in compensated absences ( 9,354)

Change in Net Position of Governmental Activities (Page 17) ( \$ 529,450)

CITY OF HARRINGTON, DELAWARE

STATEMENT OF NET POSITION  
PROPRIETARY FUND - WATER AND SEWER FUND

JUNE 30, 2014

ASSETS

Current Assets:

Cash and cash equivalents	\$ 1,723,152
Accounts receivable	150,766
Due from other Governments	24,971
Service charges receivable	<u>510,384</u>

Total Current Assets 2,409,273

Noncurrent Assets:

Capital Assets:

Water and sewer systems	18,185,420
Construction in progress	41,735
<u>Less: Accumulated depreciation</u>	<u>( 6,336,476)</u>

Total Noncurrent Assets 11,890,679

Total Assets 14,299,952

LIABILITIES

Current Liabilities:

Accounts payable and other	86,620
Bonds payable	264,931
Intragovernment payable	78,965
Accrued compensated absences	<u>10,930</u>

Total Current Liabilities 441,446

Noncurrent Liabilities:

Bonds payable	<u>7,792,935</u>
---------------	------------------

Total Liabilities 8,234,381

NET POSITION

Contributed capital	1,990,513
Invested in capital assets, net of related debt	2,605,880
Unrestricted retained earnings	<u>1,469,178</u>

Total Net Position \$ 6,065,571

CITY OF HARRINGTON, DELAWARE

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

YEAR ENDED JUNE 30, 2014

	Sewer	Water	Total
<u>Operating Revenues:</u>			
Sewer fees	\$ 1,225,524		\$ 1,225,524
Water fees		\$ 625,040	625,040
Hook ups		13,341	13,341
Miscellaneous	2,120	16,739	18,859
<u>Total Operating Revenues</u>	1,227,644	655,120	1,882,764
<u>Operating Expenses</u>	1,184,733	285,345	1,470,078
<u>Operating Income</u>	42,911	369,775	412,686
<u>Non-Operating Revenues (Expenses):</u>			
Interest expense	( 193,097)	( 39,293)	( 232,390)
Impact fees	15,768	2,000	17,768
Interest income	8,512	6,265	14,777
<u>Income (Loss) Before Capital Contributions</u>	( \$ 125,906)	\$ 338,747	212,841
<u>Capital Contributions</u>			24,971
<u>Net Income</u>			237,812
<u>Net Position - Beginning of year</u>			5,827,759
<u>Net Position - End of year</u>			\$ 6,065,571

CITY OF HARRINGTON, DELAWARE  
STATEMENT OF OPERATING EXPENSES  
PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2014

	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
Salaries	\$ 72,012	\$ 82,491	\$ 154,503
Payroll taxes	6,332	7,259	13,591
Pension	4,945	5,476	10,421
Health insurance	13,860	16,286	30,146
Vehicle maintenance and repairs		1,035	1,035
Office supplies	235	261	496
Telephone	965		965
Postage	822	3,285	4,107
Heat and electric	9,765	27,199	36,964
Safety	1,133		1,133
Maintenance agreements	472	350	822
Building repairs and maintenance	13,047		13,047
Water meters		443	443
Sample testing	468		468
Pump station repairs	8,054		8,054
Water line repairs		5,459	5,459
Chemicals	1,755	10,518	12,273
Flow meter operations	452		452
Licenses and permits	125	100	225
Insurance	24,582	8,791	33,373
Engineering	13,340	5,050	18,390
Legal and administrative fees	45,778	25,000	70,778
County sewer fee	464,918		464,918
Depreciation	501,673	86,342	588,015
	<u>\$ 1,184,733</u>	<u>\$ 285,345</u>	<u>\$ 1,470,078</u>
<u>Total Operating Expenses</u>			

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

CITY OF HARRINGTON, DELAWARE

STATEMENT OF CASH FLOWS  
(ALL PROPRIETARY FUNDS)

YEAR ENDED JUNE 30, 2014

Cash Flows From Operating Activities:

Cash received from customers	\$ 2,227,019
Cash paid to suppliers	( 1,650,491)
Cash paid to employees	( 152,991)

Net Cash Provided By Operating  
Activities

423,537

Cash Flows From Capital and Related  
Financing Activities:

Purchase of property and equipment	( 70,568)
Principal paid on general obligation debt	( 196,739)
Interest paid	( 232,390)

Net Cash Used for Capital and  
Related Financing Activities

( 499,697)

Cash Flows From Investing Activities:

Interest income	<u>14,777</u>
-----------------	---------------

Net Decrease In Cash and Cash Equivalents

( 61,383)

Cash and Cash Equivalents:

Beginning of year	<u>1,784,535</u>
End of year	<u>\$ 1,723,152</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>	\$ 412,686
<u>Adjustments To Reconcile Operating Income To Net</u>	
<u>Cash Provided By Operating Activities:</u>	
Depreciation	588,015
Non-operating revenues	17,768
(Increase) decrease in:	
Accounts receivable	172,603
Service charges receivable	153,884
Increase (decrease) in:	
Accounts payable and other	( 946,136)
Intragovernment payable	23,719
Compensated absences	998
	<hr/>
<u>Net Cash Provided By Operating Activities</u>	<u>\$ 423,537</u>

CITY OF HARRINGTON, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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.

CITY OF HARRINGTON, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

Note 1 - Summary of Significant Accounting Policies (Continued)

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.

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:

CITY OF HARRINGTON, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

Note 1 - Summary of Significant Accounting Policies (Continued)

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.

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.

CITY OF HARRINGTON, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

Note 1 - Summary of Significant Accounting Policies (Continued)

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.

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.

CITY OF HARRINGTON, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

Note 1 - Summary of Significant Accounting Policies (Continued)

Measurement Focus and Basis of Accounting (Continued)

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.

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.

CITY OF HARRINGTON, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

Note 1 - Summary of Significant Accounting Policies (Continued)

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 \$1,000 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.

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.

CITY OF HARRINGTON, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

Note 1 - Summary of Significant Accounting Policies (Continued)

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.

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.

CITY OF HARRINGTON, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

Note 1 - Summary of Significant Accounting Policies (Continued)

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:

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 17, 2013. There were no significant changes to the fiscal 2014 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.

CITY OF HARRINGTON, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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.

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, 2014 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	3,108,997	3,273,156
Category 3	_____	_____
<u>Total Cash and Cash Equivalents</u>	<u>\$3,358,997</u>	<u>\$3,523,156</u>

CITY OF HARRINGTON, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

Note 3 - Cash and Cash Equivalents (Continued)

At June 30, 2014, the City's cash and cash equivalents are comprised of the following:

Carrying value of unrestricted cash and cash equivalents	\$1,906,628
Restricted cash and cash equivalents	<u>1,452,369</u>
<u>Total</u>	<u>\$3,358,997</u>

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, 2014, 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>\$175,617</u>	<u>\$24,971</u>	<u>\$200,588</u>

Note 5 - Property and Equipment

The following is a summary of changes in capital assets for the year ended June 30, 2014:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Construction in progress	\$ 50,156	\$ 382,736	\$ 370,369	\$ 62,523

CITY OF HARRINGTON, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

Note 5 - Property and Equipment (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, being depreciated:				
Furniture, fixtures and equipment	\$ 1,765,850	\$269,645	\$ 87,210	\$ 1,948,285
Land and Buildings	<u>2,586,918</u>	<u>422,375</u>	<u>          </u>	<u>3,009,293</u>
Total capital assets being depreciated	<u>4,352,768</u>	<u>692,020</u>	<u>87,210</u>	<u>4,957,578</u>
Less accumulated depreciation for:				
Furniture, fixtures and equipment	1,259,948	159,865	73,210	1,346,603
Land and buildings	<u>787,274</u>	<u>115,726</u>	<u>          </u>	<u>903,000</u>
Total accumulated depreciation	<u>2,047,222</u>	<u>275,591</u>	<u>73,210</u>	<u>2,249,603</u>
Governmental activities capital assets, net	<u>\$ 2,355,702</u>	<u>\$799,165</u>	<u>\$384,369</u>	<u>\$ 2,770,498</u>
<u>Business – Type Activities</u>				
Capital assets, not being depreciated:				
Construction in progress	\$ 74,930	\$ 53,228	\$ 86,423	\$ 41,735
Capital assets, being depreciated:				
Water and Sewer systems	<u>18,081,657</u>	<u>103,763</u>	<u>          </u>	<u>18,185,420</u>
Less accumulated depreciation for:				
Water and sewer systems	<u>5,748,461</u>	<u>588,015</u>	<u>          </u>	<u>6,336,476</u>
Total capital assets being depreciated, net	<u>12,333,196</u>	<u>( 484,252)</u>	<u>          </u>	<u>11,848,944</u>
Business-type activities capital assets, net	<u>\$12,408,126</u>	<u>(\$431,024)</u>	<u>\$ 86,423</u>	<u>\$11,890,679</u>

CITY OF HARRINGTON, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

Note 5 - Property and Equipment (Continued)

Depreciation expense for the year ended June 30, 2014 was charged to the functions of the primary government as follows:

<u>Governmental Activities:</u>	
General government	\$125,762
Police	104,458
Public works	34,672
Parks and recreation	5,152
Library	<u>5,547</u>
<u>Total Depreciation Expense - Governmental Activities</u>	<u>\$275,591</u>

Note 6 - Accounts Payable and Other

Accounts payable and other at June 30, 2014 consists of the following:

	<u>Governmental Funds</u>	<u>Enterprise Funds</u>	<u>Total</u>
Accounts payable	\$216,909	\$79,581	\$296,490
Accrued expenses	<u>77,568</u>	<u>7,039</u>	<u>84,607</u>
<u>Total</u>	<u>\$294,477</u>	<u>\$86,620</u>	<u>\$381,097</u>

CITY OF HARRINGTON, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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 \$1,512,696 at June 30, 2014 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 \$383,646 at June 30, 2014 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 \$607,308 at June 30, 2014 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 \$157,125 at June 30, 2014 and is payable in quarterly payments of principal and interest at 4.5%. Final payment is due in May 2043.

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 \$67,997 at June 30, 2014 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 \$805,255 at June 30, 2014 and is payable in quarterly payments of principal and interest at 2.4%. Final payment is due April 2051.

CITY OF HARRINGTON, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

Note 7 - Long-Term Debt (Continued)

Enterprise Funds Debt (Continued)

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 \$1,622,766 at June 30, 2014 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, 2014 is \$535,856. 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 rate of 2%, beginning February 2014. The balance at June 30, 2014 is \$1,816,601. 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, 2014 is \$548,616. Final payment is due in August of 2031. The loan is secured by a general obligation bond.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Decreases</u>	<u>Balance June 30, 2014</u>
<u>Business-Type Activities</u>				
USDA 1996 Loan	\$1,551,604		\$ 38,908	\$1,512,696
USDA 1999 Loan	393,172		9,526	383,646
USDA 2001 Loan	621,668		14,360	607,308
USDA 2003 Loan	161,281		4,156	157,125
USDA 2005 Loan	69,317		1,320	67,997
USDA 2009 Loan	819,392		14,137	805,255
USDA 2013 Loan	1,651,019		28,253	1,622,766
DNREC Loan	554,694		18,838	535,856
DNREC Loan	1,868,652		52,051	1,816,601
DNREC Loan	<u>563,806</u>		<u>15,190</u>	<u>548,616</u>
<u>Total</u>	<u>\$8,254,605</u>	<u>\$ -0-</u>	<u>\$196,739</u>	<u>\$8,057,866</u>

CITY OF HARRINGTON, DELAWARE  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

Note 7 - Long-Term Debt (Continued)

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>
2015	\$ 264,931	\$ 226,594	\$ 491,525
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
Thereafter	<u>6,658,217</u>	<u>2,130,881</u>	<u>8,789,098</u>
<u>Total</u>	<u>\$8,057,866</u>	<u>\$3,188,857</u>	<u>\$11,246,723</u>

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, 2014 are as follows:

2015	\$ 7,587
2016	7,587
2017	7,587
2018	7,587
2019	<u>7,587</u>
<u>Total Minimum Lease Payments</u>	37,935
<u>Less: Amount representing interest at 3.25%</u>	<u>2,965</u>
<u>Present Value of net Minimum Lease Payments</u>	34,970
<u>Less: Current portion</u>	<u>6,548</u>
<u>Long-Term Portion</u>	<u>\$ 28,422</u>

Equipment under capital leases has a cost of \$34,970 and accumulated depreciation of \$-0- as of June 30, 2014.

CITY OF HARRINGTON, DELAWARE  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

Note 9 - State Of Delaware Police Pension Fund

Under Resolution 89-R12, the City participates in the State of Delaware Police 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" pension plan. This is a contributory plan with the employee contributing 7% of gross salary exclusive of overtime. The City's employer contributions are based upon actuarial valuations which was 15.52% of covered payroll for the year ended June 30, 2014. The total amount contributed by the City for the year ended June 30, 2014 is \$73,318 of which \$43,637 was reimbursed by the State of Delaware.

This contribution covers the City's total liability for funding, as determined by the State of Delaware. The City does not have any unfunded liability in this plan. 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 Police 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 beyond twenty years of service, multiplied by years of credited service. Vesting occurs after five consecutive years of credited service; and, retirement is at age sixty-two with 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 an active employee dies, the survivor receives 50% of the month benefit that the employee would have received at age sixty-two.

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%
  - Cost-Of-Living Adjustments - Ad Hoc.

CITY OF HARRINGTON, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

Note 9 - State Of Delaware Police Pension Fund (Continued)

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.

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 for employees who previously participated in the City of Harrington Retirement Plan. This is a "multiple-employer, cost-sharing" pension plan. This is a contributory plan with the employee contributing 3.0% of gross salary. The City's employer contributions are based upon actuarial valuations which was 6.62% of covered payroll for the year ended June 30, 2014. The total amount contributed by the City for the year ended June 30, 2014 is \$47,971.

This contribution covers the City's total liability for funding, as determined by the State of Delaware. The City does not have any unfunded liability in this plan. 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 five years of service and dies, the survivor receives 50% of the monthly benefit that the employee would have received at age sixty-two.

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% To 11.5%  
Cost-Of-Living Adjustments – Ad Hoc.

CITY OF HARRINGTON, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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, 2013	\$2,273,310
<u>Add:</u> Grant proceeds received	24,971
<u>Less:</u> Depreciation on capital assets acquired with grant proceeds	( <u>307,768</u> )
<u>Contributed Capital</u> – June 30, 2014	<u>\$1,990,513</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, 2014

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, 2014 and for the year then ended is presented as follows:

	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Total</u>
Operating revenues	\$1,227,644	\$655,120	\$1,882,764
Depreciation	501,673	86,342	588,015
Other operating expenses	683,060	199,003	882,063
Operating income	42,911	369,775	412,686
Non-operating revenues	24,280	8,265	32,545
Non-operating expenses	( 193,097)	( 39,293)	( 232,390)
Net income (loss) before capital contributions	( 125,906)	338,747	212,841

Note 16 - Pronouncements Issues, Not Yet Effective

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2014 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, 2014

Note 17 - Excess of Expenditures over Appropriations

The general fund incurred expenditures in excess of appropriations in the amount of \$794,752 for the year ended June 30, 2014. The expenditures were funded through the use of operating reserves.

Note 18 - 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%.

Management has evaluated all subsequent events through December 7, 2015, 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, 2014

	Budget		Actual	Variance Favorable (Unfavorable)
	Original	Final		
<b>Revenues:</b>				
<u>City:</u>				
Property taxes	\$ 713,469	\$ 763,200	\$ 723,053	(\$ 40,147)
Transfer tax			117,349	117,349
Rental income	64,000	64,000	57,960	( 6,040)
Miscellaneous	27,550	27,550	40,788	13,238
Grants			346,666	346,666
Community impact fees	1,000	1,000		( 1,000)
Other	400	400	150	( 250)
Interest	14,000	14,000	5,576	( 8,424)
<u>Total City</u>	<u>820,419</u>	<u>870,150</u>	<u>1,291,542</u>	<u>421,392</u>
<u>Police:</u>				
Fines	291,300	291,300	310,407	19,107
Other			65,094	65,094
Grants			75,418	75,418
<u>Total Police</u>	<u>291,300</u>	<u>291,300</u>	<u>450,919</u>	<u>159,619</u>
<u>Library:</u>				
Grants	37,000	37,000	36,626	( 374)
Reciprocal borrowing	40,000	40,000	42,460	2,460
Miscellaneous	5,000	5,000	7,286	2,286
<u>Total Library</u>	<u>82,000</u>	<u>82,000</u>	<u>86,372</u>	<u>4,372</u>
<u>Trash:</u>				
Fees	235,000	235,000	231,824	( 3,176)
Penalties and fines	2,600	2,600	1,013	( 1,587)
<u>Total Trash</u>	<u>237,600</u>	<u>237,600</u>	<u>232,837</u>	<u>( 4,763)</u>
<u>Sewer:</u>				
Fees	1,203,000	1,203,000	1,225,524	22,524
Other			2,120	2,120
Hook ups	2,000	2,000		( 2,000)
Sample testing charges	2,000	2,000		( 2,000)
Impact fees			15,768	15,768
Interest	10,000	10,000	8,512	( 1,488)
<u>Total Sewer</u>	<u>1,217,000</u>	<u>1,217,000</u>	<u>1,251,924</u>	<u>34,924</u>

CITY OF HARRINGTON, DELAWARE

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

YEAR ENDED JUNE 30, 2014

	<u>Budget</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<b><u>Revenues: (Continued)</u></b>				
<u>Water:</u>				
Fees and fines	\$ 610,000	\$ 610,000	\$ 625,040	\$ 15,040
Hook ups	7,860	7,860	13,341	5,481
Impact fees	2,000	2,000	2,000	
Other	17,800	17,800	16,739	( 1,061)
Interest	<u>5,000</u>	<u>5,000</u>	<u>6,265</u>	<u>1,265</u>
<u>Total Water</u>	<u>642,660</u>	<u>642,660</u>	<u>663,385</u>	<u>20,725</u>
<u>Fire Company:</u>				
Fire company personnel	<u>59,000</u>	<u>59,000</u>	<u>64,543</u>	<u>5,543</u>
<u>Total Fire Company</u>	<u>59,000</u>	<u>59,000</u>	<u>64,543</u>	<u>5,543</u>
<u>Public Works:</u>				
Building permits	15,000	15,000	20,354	5,354
Planning and zoning fees	11,450	11,450	3,053	( 8,397)
Contractors license fees	19,000	19,000	16,900	( 2,100)
Vacant buildings	8,500	8,500	2,140	( 6,360)
Fines and penalties	56,226	56,226	19,009	( 37,217)
Business licenses	21,000	21,000	19,760	( 1,240)
Franchise fees	38,000	38,000	38,426	426
Other	<u>                    </u>	<u>                    </u>	<u>20,846</u>	<u>20,846</u>
<u>Total Public Works</u>	<u>169,176</u>	<u>169,176</u>	<u>140,488</u>	<u>( 28,688)</u>
<u>Parks and Recreation:</u>				
Grants in aid	33,234	33,234	33,000	( 234)
Program income	83,000	83,000	78,375	( 4,625)
Miscellaneous	10,000	10,000	12,325	2,325
Fundraiser funds	<u>30,000</u>	<u>30,000</u>	<u>45,201</u>	<u>15,201</u>
<u>Total Parks and Recreation</u>	<u>156,234</u>	<u>156,234</u>	<u>168,901</u>	<u>12,667</u>
<u>Total Revenues</u>	<u>3,675,389</u>	<u>3,725,120</u>	<u>4,350,911</u>	<u>625,791</u>

CITY OF HARRINGTON, DELAWARE

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

YEAR ENDED JUNE 30, 2014

	Budget		Actual	Variance
	Original	Final		Favorable (Unfavorable)
<b><u>Expenditures:</u></b>				
<b><u>General Government:</u></b>				
<b><u>City:</u></b>				
Salaries	\$ 277,797	\$ 277,797	\$ 284,112	( \$ 6,315)
Payroll taxes	21,647	21,647	25,317	( 3,670)
Health insurance	46,392	46,392	82,512	( 36,120)
Pension	17,066	17,066	66,488	( 49,422)
Vehicle maintenance	1,900	1,900	3,678	( 1,778)
Office supplies	9,000	9,000	4,732	4,268
Telephone	3,900	3,900	4,708	( 808)
Postage	1,650	1,650	3,401	( 1,751)
Heat and electric	8,950	8,950	9,013	( 63)
Capital outlay	2,000	2,000	36,513	( 34,513)
Legal	38,000	38,000	43,480	( 5,480)
Advertising	2,000	2,000	2,696	( 696)
Accounting services	29,909	29,909	18,130	11,779
Travel and food	1,300	1,300	1,249	51
Engineering	15,500	13,500	4,929	8,571
Dues and meetings	1,400	1,400	4,347	( 2,947)
Bank charges	500	500	109	391
Inspection fees	74,850	74,850	78,250	( 3,400)
Building maintenance and repairs	3,145	3,145	6,853	( 3,708)
Computer maintenance and repairs	12,700	12,700	18,010	( 5,310)
Election expense	1,100	1,100	1,007	93
Miscellaneous	8,850	18,850	13,348	5,502
Clean up fees	5,000	5,000	3,990	1,010
Training	2,650	2,650	1,826	824
Lease equipment	6,650	6,650	4,984	1,666
Insurance	10,052	21,701	18,008	3,693
Capital expenditures			392,023	( 392,023)
Accounting and auditing	76,000	76,000	71,185	4,815
<b><u>Total City</u></b>	<b><u>679,908</u></b>	<b><u>699,557</u></b>	<b><u>1,204,898</u></b>	<b><u>( 505,341)</u></b>

CITY OF HARRINGTON, DELAWARE

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

YEAR ENDED JUNE 30, 2014

	Budget		Actual	Variance
	Original	Final		Favorable (Unfavorable)
<b><u>Expenditures: (Continued)</u></b>				
<u>Police:</u>				
Salaries	\$ 466,450	\$ 466,450	\$ 549,861	( \$ 83,411)
Overtime	121,473	121,473	105,264	16,209
Payroll taxes	45,690	45,690	53,434	( 7,744)
Pension	23,211	23,211	29,681	( 6,470)
Health insurance	115,060	115,060	118,756	( 3,696)
Medical	300	300		300
Vehicle maintenance and repairs	58,000	58,000	59,580	( 1,580)
Radar/special electronics	2,500	2,500	1,010	1,490
Training	9,600	9,600	2,983	6,617
K-9 police dog	1,000	1,000		1,000
Office supplies	3,000	3,000	1,790	1,210
Telephone	11,520	11,520	11,722	( 202)
Postage	1,600	1,600	1,128	472
Heat and electric	12,000	12,000	10,868	1,132
Capital outlay			52,842	( 52,842)
National nite out			527	( 527)
Advertising	250	250	310	( 60)
Insurance	40,391	24,542	38,251	( 13,709)
Dues and meetings	800	800	560	240
Travel and food	1,200	1,200	1,128	72
Computer maintenance and repairs	200	200	676	( 476)
Furniture and office equipment	200	200	8	192
Building repairs and maintenance	2,700	2,700	2,017	683
Maintenance agreement	550	550	550	
Miscellaneous	5,250	5,250	8,517	( 3,267)
Uniforms	1,200	1,200	1,075	125
Ammo and targets	2,500	2,500	2,272	228
Officer's equipment	1,200	1,200	267	933
Clothing allowance	9,000	9,000	8,128	872
Lease equipment	3,060	3,060	2,037	1,023
Legal	1,350	1,350	9,373	( 8,023)
<u>Total Police</u>	<u>941,255</u>	<u>925,406</u>	<u>1,074,615</u>	<u>( 149,209)</u>

CITY OF HARRINGTON, DELAWARE

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

YEAR ENDED JUNE 30, 2014

	<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>Public Works:</u>				
Salaries	\$ 71,707	\$ 71,707	\$ 90,639	( \$ 18,932)
Payroll taxes	5,635	5,635	7,800	( 2,165)
Pension	4,598	4,598	5,768	( 1,170)
Health insurance	17,064	17,064	20,669	( 3,605)
Per diem	2,080	2,080	2,080	
Training	500	500	114	386
Vehicle maintenance and repairs	14,000	14,000	16,315	( 2,315)
Equipment maintenance and repairs	11,000	11,000	15,860	( 4,860)
Office supplies	1,310	1,310	528	782
Telephone	2,000	2,000	2,810	( 810)
Building maintenance	1,600	1,600	1,061	539
Heat and electric	5,000	5,000	5,286	( 286)
Insurance	3,663	8,865	10,552	( 1,687)
Dues and meetings	550	550	790	( 240)
Uniforms	4,200	4,200	5,310	( 1,110)
Supplies	5,100	5,100	396	4,704
Street maintenance	12,625	22,625	7,904	14,721
Ditch cleaning	6,000	6,000	5,609	391
Street signs and markings	2,000	2,000	537	1,463
Street lights	54,000	54,000	57,501	( 3,501)
Snow and ice removal	2,000	2,000	1,553	447
Water line repairs	3,000	3,000	360	2,640
Chemicals	5,000	5,000	545	4,455
Miscellaneous	250	250	34	216
Capital outlay			89,574	( 89,574)
Safety	750	750		750
Engineering	13,000	18,000	5,701	12,299
Wildlife control	250	250		250
	<u>248,882</u>	<u>269,084</u>	<u>355,296</u>	<u>( 86,212)</u>
<u>Trash:</u>				
Postage	500	500	425	75
Contract services	233,500	233,500	242,416	( 8,916)
Insurance	3,600	3,600	3,140	460
	<u>237,600</u>	<u>237,600</u>	<u>245,981</u>	<u>( 8,381)</u>

CITY OF HARRINGTON, DELAWARE

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

YEAR ENDED JUNE 30, 2014

	Budget		Actual	Variance
	Original	Final		Favorable (Unfavorable)
<b>Expenditures: (Continued)</b>				
<u>Library:</u>				
Salaries	\$ 97,236	\$ 97,236	\$ 94,985	\$ 2,251
Payroll taxes	7,587	7,587	8,488	( 901)
Pension	6,437	6,437	6,167	270
Health insurance	16,103	16,103	15,616	487
Furniture and office equipment	200	200		200
Office supplies	2,350	2,350	2,100	250
Telephone	1,400	1,400	1,425	( 25)
Postage	100	100	86	14
Heat and electric	15,000	15,000	11,867	3,133
Travel and food	300	300		300
Dues and meetings	200	200	50	150
Building repairs and maintenance	3,600	3,600	1,821	1,779
Books and subscriptions	23,000	23,000	22,981	19
Automation	3,000	3,000	1,801	1,199
Insurance	875	3,848	4,715	( 867)
Capital outlay			49,955	( 49,955)
Miscellaneous	120	120	163	( 43)
Lease equipment	2,200	2,200	1,461	739
<u>Total Library</u>	<u>179,708</u>	<u>182,681</u>	<u>223,681</u>	<u>( 41,000)</u>
<u>Sewer:</u>				
Salaries	77,998	77,998	72,012	5,986
Payroll taxes	5,464	5,464	6,332	( 868)
Pension	4,459	4,459	4,945	( 486)
Health insurance	18,245	18,245	13,860	4,385
Office supplies			235	( 235)
Telephone			965	( 965)
Postage	1,000	1,000	822	178
Heat and electric	17,000	500	9,765	( 9,265)
Safety	1,000	1,000	1,133	( 133)
Maintenance agreements			472	( 472)
Building repairs and maintenance	4,600	4,600	13,047	( 8,447)
Sample testing	1,500	1,500	468	1,032

CITY OF HARRINGTON, DELAWARE

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

YEAR ENDED JUNE 30, 2014

	Budget		Actual	Variance
	Original	Final		Favorable (Unfavorable)
<b><u>Expenditures: (Continued)</u></b>				
<u>Sewer: (Continued)</u>				
Pump station repairs	\$ 4,000	\$ 4,000	\$ 8,054	( \$ 4,054)
Chemicals	500	500	1,755	( 1,255)
Small tools	300	300		300
Miscellaneous	200	200		200
Flow meter operations	500	500	452	48
License and permits	125	125	125	
Insurance	49,598	27,915	24,582	3,333
Interest	424,383	424,383	193,097	231,286
Engineering	20,000	20,000	13,340	6,660
Legal and administrative fees			45,778	( 45,778)
County sewer fee	420,000	420,000	464,918	( 44,918)
Depreciation			501,673	( 501,673)
	<u>1,050,872</u>	<u>1,012,689</u>	<u>1,377,830</u>	<u>( 365,141)</u>
 <u>Total Sewer</u>				
 <u>Water:</u>				
Salaries	75,666	75,666	82,491	( 6,825)
Payroll taxes	5,962	5,962	7,259	( 1,297)
Pension	5,476	5,476	5,476	
Health insurance	26,218	26,218	16,286	9,932
Vehicle maintenance and repairs	5,300	5,300	1,035	4,265
Office supplies	150	150	261	( 111)
Postage	1,250	1,250	3,285	( 2,035)
Heat and electric	25,000	25,000	27,199	( 2,199)
Maintenance agreements	325	325	350	( 25)
Water meters	2,000	2,000	443	1,557
Miscellaneous	100	100		100
Sample testing	800	800		800
Water line repairs	6,100	6,100	5,459	641
Chemicals	10,000	10,000	10,518	( 518)
Licenses and permits	200	200	100	100
Insurance	11,843	10,059	8,791	1,268
Engineering	5,000	5,000	5,050	( 50)
Legal and administrative fees			25,000	( 25,000)
Interest	67,112	67,112	39,293	27,819
Depreciation			86,342	( 86,342)
	<u>248,502</u>	<u>246,718</u>	<u>324,638</u>	<u>( 77,920)</u>
 <u>Total Water</u>				

CITY OF HARRINGTON, DELAWARE

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

YEAR ENDED JUNE 30, 2014

	Budget		Actual	Variance
	Original	Final		Favorable (Unfavorable)
<b>Expenditures: (Continued)</b>				
<u>Fire Company:</u>				
Salaries	\$ 82,739	\$ 82,739	\$ 79,880	\$ 2,859
Payroll taxes	6,438	6,438	6,649	( 211)
Health insurance	21,020	21,020	20,813	207
Pension	4,701	4,701	5,253	( 552)
Fuel	3,000	3,000	3,000	
Insurance	<u>4,282</u>	<u>2,620</u>	<u>3,099</u>	<u>( 479)</u>
<u>Total Fire Company</u>	<u>122,180</u>	<u>120,518</u>	<u>118,694</u>	<u>1,824</u>
<u>Parks and Recreation Department:</u>				
Salaries	\$ 57,387	\$ 57,387	\$ 59,948	( \$ 2,561)
Payroll taxes	4,478	4,478	5,175	( 697)
Health insurance	15,058	15,058	11,406	3,652
Pension	3,799	3,799	4,016	( 217)
Office supplies	700	700	777	( 77)
Telephone	2,500	2,500	2,545	( 45)
Heat and electric	14,600	14,600	14,972	( 372)
Postage	250	250	146	104
Vehicle repairs and maintenance	1,080	1,080	359	721
Building Maintenance	2,250	2,250	2,204	46
Fundraisers	14,000	14,000	15,663	( 1,663)
Lease equipment	3,400	3,400	2,037	1,363
Maintenance agreement	500	500	896	( 396)
Insurance	3,236	7,373	8,214	( 841)
Programs	45,760	45,760	49,451	( 3,691)
Miscellaneous	<u>100</u>	<u>100</u>	<u>35</u>	<u>65</u>
<u>Total Parks and Recreation Department</u>	<u>169,098</u>	<u>173,235</u>	<u>177,844</u>	<u>( 4,609)</u>
<u>Total Expenditures</u>	<u>3,878,005</u>	<u>3,867,488</u>	<u>5,103,477</u>	<u>( 1,235,989)</u>
	<u>( \$ 202,616)</u>	<u>( \$ 142,368)</u>	<u>( \$ 752,566)</u>	<u>( \$ 610,198)</u>

SUPPLEMENTARY INFORMATION

CITY OF HARRINGTON, DELAWARE

COMBINING BALANCE SHEET -  
ALL SPECIAL REVENUE FUNDS

JUNE 30, 2014

	<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		\$ 224,627	\$ 830		\$ 9,110	\$ 10,514	\$ 138,838	\$ 383,919
Interfund receivable				5,092			19,188	24,280
<u>Total Assets</u>	<u>\$ -0-</u>	<u>\$ 224,627</u>	<u>\$ 830</u>	<u>\$ 5,092</u>	<u>\$ 9,110</u>	<u>\$ 10,514</u>	<u>\$ 158,026</u>	<u>\$ 408,199</u>
<u>LIABILITIES</u>								
Accounts payable				\$ 1,192				\$ 1,192
Intragovernment payable		\$ 67,652	\$ 719		\$ 6,120	\$ 9,871		84,362
<u>Total Liabilities</u>		<u>67,652</u>	<u>719</u>	<u>1,192</u>	<u>6,120</u>	<u>9,871</u>		<u>85,554</u>
<u>FUND EQUITY</u>								
<u>Fund Balances:</u>								
Restricted	\$ -0-	\$ 156,975	\$ 111	\$ 3,900	\$ 2,990	\$ 643	\$ -0-	\$ 164,619
Committed	-0-	-0-	-0-	-0-	-0-	-0-	158,026	158,026
<u>Total Fund Equity</u>	<u>-0-</u>	<u>156,975</u>	<u>111</u>	<u>3,900</u>	<u>2,990</u>	<u>643</u>	<u>158,026</u>	<u>322,645</u>
<u>Total Liabilities and Fund Equity</u>	<u>\$ -0-</u>	<u>\$ 224,627</u>	<u>\$ 830</u>	<u>\$ 5,092</u>	<u>\$ 9,110</u>	<u>\$ 10,514</u>	<u>\$ 158,026</u>	<u>\$ 408,199</u>

CITY OF HARRINGTON, DELAWARE

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

YEAR ENDED JUNE 30, 2014

	<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	\$ 43,637	\$ 71,430	\$ 21,579	\$ 14,441	\$ 4,838	\$ 4,904	\$ 19,188	\$ 180,017
Interest		291	3				1,176	1,470
<u>Total Revenues</u>	<u>43,637</u>	<u>71,721</u>	<u>21,582</u>	<u>14,441</u>	<u>4,838</u>	<u>4,904</u>	<u>20,364</u>	<u>181,487</u>
<u>Expenditures</u>	<u>43,637</u>		<u>22,091</u>	<u>10,541</u>	<u>3,784</u>	<u>6,869</u>		<u>86,922</u>
<u>Excess (Deficiency) of Revenues Over Expenditures</u>	<u>-0-</u>	<u>71,721</u>	<u>( 509)</u>	<u>3,900</u>	<u>1,054</u>	<u>( 1,965)</u>	<u>20,364</u>	<u>94,565</u>
<u>Other Financing Sources:</u>								
Transfers - Out		( 96,087)						( 96,087)
<u>Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures</u>	<u>-0-</u>	<u>( 24,366)</u>	<u>( 509)</u>	<u>3,900</u>	<u>1,054</u>	<u>( 1,965)</u>	<u>20,364</u>	<u>( 1,522)</u>
<u>Fund Balance - Beginning of year</u>		<u>181,341</u>	<u>620</u>		<u>1,936</u>	<u>2,608</u>	<u>137,662</u>	<u>324,167</u>
<u>Fund Balance - End of year</u>	<u>\$ -0-</u>	<u>\$ 156,975</u>	<u>\$ 111</u>	<u>\$ 3,900</u>	<u>\$ 2,990</u>	<u>\$ 643</u>	<u>\$ 158,026</u>	<u>\$ 322,645</u>

CITY OF HARRINGTON, DELAWARE

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

YEAR ENDED JUNE 30, 2014

	Budget		Actual	Variance Favorable (Unfavorable)
	Original	Final		
<u>Police Pension Fund:</u>				
Revenues	\$ 40,000	\$ 40,000	\$ 43,637	\$ 3,637
Expenditures			43,637	( 43,637)
<u>Excess Revenues Over Expenditures</u>	<u>\$ 40,000</u>	<u>\$ 40,000</u>	<u>\$ -0-</u>	<u>(\$ 40,000)</u>
<u>Municipal Street Aid:</u>				
Revenues	\$	\$	\$ 71,721	\$ 71,721
Expenditures				
<u>Excess Revenues Over Expenditures</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 71,721</u>	<u>\$ 71,721</u>
<u>Combat Violent Crime:</u>				
Revenues	\$	\$	\$ 21,582	\$ 21,582
Expenditures			22,091	( 22,091)
<u>Deficiency of Revenues Over Expenditures</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>(\$ 509)</u>	<u>(\$ 509)</u>
<u>SLEAF:</u>				
Revenues	\$	\$	\$ 14,441	\$ 14,441
Expenditures			10,541	( 10,541)
<u>Excess Revenues Over Expenditures</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 3,900</u>	<u>\$ 3,900</u>
<u>EIDE:</u>				
Revenues	\$	\$	\$ 4,838	\$ 4,838
Expenditures			3,784	( 3,784)
<u>Excess Revenues Over Expenditures</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 1,054</u>	<u>\$ 1,054</u>
<u>SALLE:</u>				
Revenues	\$	\$	\$ 4,904	\$ 4,904
Expenditures			6,869	( 6,869)
<u>Deficiency of Revenues Over Expenditures</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>(\$ 1,965)</u>	<u>(\$ 1,965)</u>
<u>Library Building Fund:</u>				
Revenues			\$ 20,364	\$ 20,364
Expenditures				
<u>Excess Revenues Over Expenditures</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 20,364</u>	<u>\$ 20,364</u>