

CITY OF HARRINGTON, DELAWARE

FINANCIAL STATEMENTS
SUPPLEMENTARY INFORMATION
AND
INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2018

CITY OF HARRINGTON, DELAWARE

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CITY OF HARRINGTON, DELAWARE

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business - type activities, each major fund, and the aggregate remaining fund information of the City of Harrington, Delaware, as of and for the year ended June 30, 2018, 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 statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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, 2018, and the respective changes in financial position and, when applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 18, the worldwide spread of the COVID-19 virus has resulted in adverse economic effects for many businesses and may negatively affect the City; however, the related impact and duration cannot be reasonably estimated at this time. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and budgetary comparison information on pages 6 through 16 and 51 through 59, proportionate share of the net pension liability - Delaware Municipal Police/Firefighter and Delaware County and Municipal Other Employees' Pension Plans on pages 60 and 61 and Schedules of City's contributions for the Delaware Municipal Police/Firefighter and Delaware County and Municipal Other Employees' Pension Plan on pages 62 and 63 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who, considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

The accompanying combining and individual non-major fund financial statements on pages 64 and 65 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

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



audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements, or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 October 19, 2020 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 the effectiveness of the City of Harrington, Delaware's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Harrington, Delaware's internal control over financial reporting and compliance.

Dover, Delaware
October 19, 2020

A handwritten signature in blue ink that reads "Horty: Horty PA". The signature is written in a cursive, flowing style.

**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**

Independent Auditor's Report

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, 2018, and the related notes to the financial statements, which collectively comprise the City of Harrington, Delaware's basic financial statements, and have issued our report thereon dated October 19, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

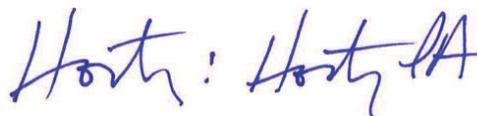
As part of obtaining reasonable assurance about whether the City of Harrington, Delaware’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have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

We noted certain matters that we have reported to management of the City of Harrington, Delaware in a separate letter dated October 19, 2020.

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
October 19, 2020



CITY OF HARRINGTON, DELAWARE

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

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, 2018. We encourage users to read it in conjunction with the City's financial statements, which follow this section.

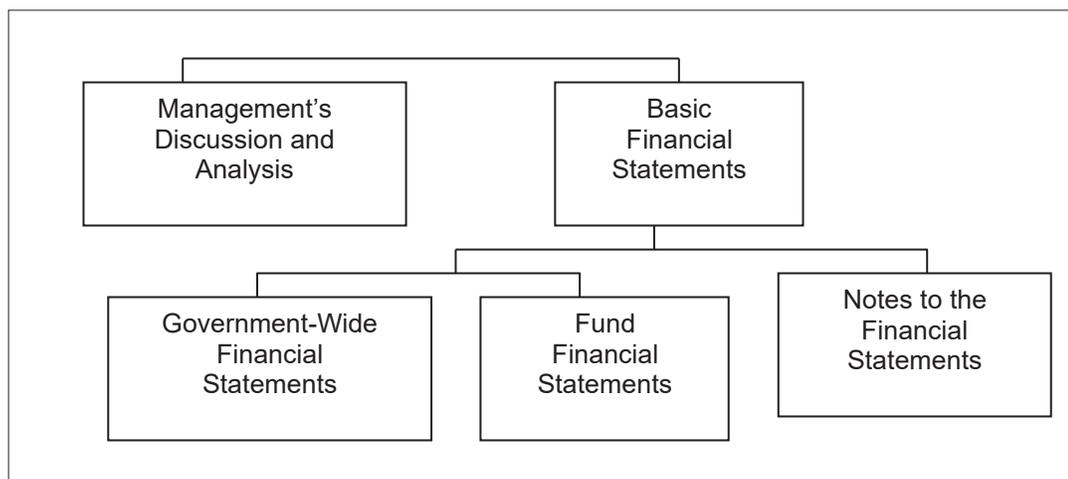
Financial Highlights For Fiscal Year 2018

- The assets of the City exceeded its liabilities at the close of the 2018 fiscal year resulting in a net position of \$13,855,113. Of this amount, \$5,419,496 is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors, and \$6,574,557 is invested in capital assets, net of related debt.
- As of June 30, 2018, the City's governmental funds reported combined ending fund balances of \$3,446,550.

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 reader's understanding of the financial condition of the City of Harrington, Delaware.

Required Components of Annual Financial Report



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

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

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

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

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

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

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

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

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

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

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

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

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

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

The City has eight 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 seven 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 64 and 65 of this report.

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

The basic governmental fund financial statements can be found on pages 19 through 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 50 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 64 and 65 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, 2018.

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 \$13,855,113 at the close of the fiscal year, June 30, 2018.

By far the largest portion of the City's net position (58 percent) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment). The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

CITY OF HARRINGTON, DELAWARE'S NET POSITION

| | <u>Governmental Activities</u> June 30, 2018 | <u>Business-Type Activities</u> June 30, 2018 | <u>Total Primary Government</u> June 30, 2018 |
|--|--|---|---|
| Current and other assets | \$4,111,128 | \$ 2,613,971 | \$ 6,725,099 |
| Capital assets | 3,732,044 | 11,390,358 | 15,122,402 |
| Deferred outflows of resources | <u>350,154</u> | <u>34,443</u> | <u>384,597</u> |
| <u>Total Assets and Deferred Outflows of Resources</u> | <u>8,193,326</u> | <u>14,038,772</u> | <u>22,232,098</u> |

City of Harrington, Delaware
Management's Discussion and Analysis

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

| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Total Primary Government</u> |
|--|--------------------------------|---------------------------------|---------------------------------|
| | <u>June 30,</u> | <u>June 30,</u> | <u>June 30,</u> |
| | <u>2018</u> | <u>2018</u> | <u>2018</u> |
| Current liabilities | 767,128 | 482,606 | 1,249,734 |
| Noncurrent liabilities | 185,977 | 6,817,878 | 7,003,855 |
| Deferred inflows of resources | <u>114,481</u> | <u>8,915</u> | <u>123,396</u> |
| <u>Total Liabilities and Deferred Inflows of Resources</u> | <u>1,067,586</u> | <u>7,309,399</u> | <u>8,376,985</u> |
| Contributed capital | | 1,479,125 | 1,479,125 |
| Restricted | 381,935 | | 381,935 |
| Invested in capital assets | 3,724,589 | 2,849,968 | 6,574,557 |
| Unrestricted | <u>3,019,216</u> | <u>2,400,280</u> | <u>5,419,496</u> |
| <u>Total Net Position</u> | <u>\$7,125,740</u> | <u>\$6,729,373</u> | <u>\$13,855,113</u> |

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

CITY OF HARRINGTON, DELAWARE'S CHANGES IN NET POSITION

| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Total Primary Government</u> |
|------------------------------------|--------------------------------|---------------------------------|---------------------------------|
| | <u>June 30,</u> | <u>June 30,</u> | <u>June 30,</u> |
| | <u>2018</u> | <u>2018</u> | <u>2018</u> |
| REVENUES | | | |
| <u>Program Revenues</u> | | | |
| Charges for services | \$2,085,040 | \$1,960,620 | \$4,045,660 |
| Operating grants and contributions | 262,805 | | 262,805 |
| Capital grants and contributions | 429,502 | 204,237 | 633,739 |
| <u>General Revenues</u> | | | |
| Property taxes | 1,096,063 | | 1,096,063 |
| Transfer tax | 103,479 | | 103,479 |
| Community impact fees | 12,471 | | 12,471 |
| Other revenue | <u>44,286</u> | <u>22,279</u> | <u>66,565</u> |
| <u>Total Revenues</u> | <u>4,033,646</u> | <u>2,187,136</u> | <u>6,220,782</u> |
| EXPENSES | | | |
| General government | 990,573 | | 990,573 |
| Police | 1,542,650 | | 1,542,650 |
| Public works | 382,324 | | 382,324 |
| Parks and recreation | 173,488 | | 173,488 |
| Trash | 238,589 | | 238,589 |
| Library | 179,680 | | 179,680 |
| Fire company | 146,378 | | 146,378 |
| Sewer | | 1,619,217 | 1,619,217 |
| Water | | <u>428,930</u> | <u>428,930</u> |
| <u>Total Expenses</u> | <u>3,653,682</u> | <u>2,048,147</u> | <u>5,701,829</u> |

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

| | <u>Governmental</u> <u>Activities</u> <u>June 30,</u> <u>2018</u> | <u>Business-Type Activities</u> <u>June 30,</u> <u>2018</u> | <u>Total Primary Government</u> <u>June 30,</u> <u>2018</u> |
|--|--|---|---|
| <u>Change in Net Position</u> | 379,964 | 138,989 | 518,953 |
| <u>Net Position</u> - Beginning of year | <u>6,745,776</u> | <u>6,590,384</u> | <u>13,336,160</u> |
| <u>Net Position</u> - End of year | <u>\$7,125,740</u> | <u>\$6,729,373</u> | <u>\$13,855,113</u> |

For the year ended June 30, 2018, 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, 2018, the City's governmental funds reported a combined ending fund balance of \$3,446,550.

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, 2018, the general fund balance is \$3,064,615.

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 \$136,940. Income before capital contributions of \$71,692 was reported in the water fund.

GENERAL FUND BUDGETARY HIGHLIGHTS

The City adopted the fiscal year 2018 budget on May 15, 2017. The City's practice is to get approval from the Council if the budget is amended. During 2018 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, 2018, was \$15,122,402 (net of accumulated depreciation). Capital assets include water and sewer systems, construction in progress, land and buildings and furniture, fixtures and equipment. Depreciation of \$987,930 exceeded capital additions being depreciated by \$271,875.

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

Debt Services

At year end, the City had \$7,061,265 in bonds and mortgages/notes payable outstanding. More detailed information about the City's long-term liabilities is presented in the notes to the financial statements.

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

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

Water

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

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

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

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

The City was offered the following financing package:

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

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

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

The City prioritized its sewer capacity expansion project discussed on pages 15 and 16 to be completed before commencing construction of the water main transmission system and above ground water storage tank and well projects discussed above. Proposals for these projects were received in the summer of 2019. The water main transmission system project had an engineering estimated cost of approximately \$1,999,000. The only bidder for the project presented a proposal with an estimated cost greater than the engineering estimate by approximately \$3,280,000. The City has put this project on hold indefinitely until which time there is increased competition so that they may receive more than one proposal. The proposal received for the above ground water storage tank and well project was approximately \$4,368,000 which is comparable to the City's engineering estimate. Funding for these projects was modified by DNREC and the USDA so that the City has a total of approximately \$3,688,000 available for construction of both projects. The City intends to move forward with the above ground water storage tank and well project and is awaiting approval from the USDA for additional funding of \$700,000.

Wastewater

The City owns and operates ten 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 ten 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.

| City of Harrington, Delaware Wastewater Pump Stations | | | | |
|--|------------------------|-------------------------------------|----------------------------|----------------------|
| LOCATION | Peak Flow (gpm) | Pump Station Operating Point | Force Main Diameter | Length (feet) |
| Taco Bell | 41 | 55 FT TDH @ 55 gpm | 2" | 460 |
| N. Calvin Street | 14 | 30 FT TDH @ 60 gpm | 2" | 50 |
| Clark's Corner | 43.5 | 70 FT TDH @ 60 gpm | 3" 4" | 45 2050 |
| Misipillion Street | 50 | 25 FT TDH @ 60 gpm | 2" | 40 |
| Smith Avenue | 30 | 25 FT TDH @ 60 gpm | 3" | 800 |
| Second Avenue | 37.5 | 30 FT TDH @ 60 gpm | 2" 4" | 36 810 |
| WWTP Pump Station | --- | 55 FT TDH @ 1100 gpm | 8" | 315 |
| Farmington | 50 | 25 FT TDH @ 1000 gpm | 4" | 19,008 |
| Friendship Village | 45 | 30 FT TDH @ 60 gpm | 4" | 1,584 |
| Messicks | 30 | 25 FT TDH @ 1000 gpm | 4" | 3,168 |

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

Condition of Facilities

The collection and conveyance system is in need of repair. As noted above, I & I in the collection and conveyance system provides a persistent operational problem particularly with respect to elevated groundwater conditions and wet weather conditions. During the

spring of 2015, the City began work to expand the sewer line on Dorman Street using grants from the USDA of approximately \$378,000. The City continues working with DNREC Finance Group and USDA to provide a mechanism to implement additional improvements to the collection and conveyance system.

System Operation and Maintenance

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

Wastewater Improvements

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

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

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

The City continues to work with DNREC on the cleanout and closure of its wastewater lagoons which will consist of three phases. The approximate total cost for all phases is \$3 million. The City will then be responsible for the maintenance of its pump stations and gravity sewer system. The lagoon cleanout process began in the fall of 2019 and Phases I and II were completed in September 2020 for approximately \$200,000.

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.

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

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

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

Construction of the sewer capacity expansion project commenced in the summer of 2018 and was completed in the summer of 2020 for a total cost of approximately \$2.2 million. During the project DNREC and the USDA modified their funding resulting in additional DNREC principle forgiveness of approximately \$200,000 and additional USDA grants of approximately \$600,000 for a final USDA loan amount of approximately \$776,000.

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. In July 2017, the City purchased 4.15 acres of land on Dorman St. for approximately \$207,000 and the Delaware Division of Libraries has reimbursed the City approximately \$90,000. The City engaged an architect to work with the Library Building Committee on the design of the new building and proposals for construction costs were obtained. This project is currently on hold since the proposals received exceeded the City's \$1,500,294 capital project budget by approximately \$2.5 million.

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, 2018

| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Total</u> |
|---|------------------------------------|-------------------------------------|----------------------|
| <u>Assets</u> | | | |
| <u>Current Assets</u> | | | |
| Cash and cash equivalents | \$ 2,123,004 | \$ 1,944,705 | \$ 4,067,709 |
| Taxes receivable (net of allowances) | 9,374 | | 9,374 |
| Accounts receivable | 209,422 | 5,380 | 214,802 |
| Intragovernment receivable | 482,446 | 124,776 | 607,222 |
| Service charges receivable | | 536,805 | 536,805 |
| Assets held for sale | 18,000 | | 18,000 |
| Land held for sale | 1,236,778 | | 1,236,778 |
| Prepaid expenses | 32,104 | 2,305 | 34,409 |
| | <u>4,111,128</u> | <u>2,613,971</u> | <u>6,725,099</u> |
| <u>Total Current Assets</u> | | | |
| <u>Noncurrent Assets</u> | | | |
| <u>Capital Assets</u> | | | |
| Water and sewer systems | | 19,755,464 | 19,755,464 |
| Construction in progress | 348,378 | 462,191 | 810,569 |
| Land and buildings | 4,174,195 | | 4,174,195 |
| Furniture, fixtures and equipment | 2,374,968 | | 2,374,968 |
| <u>Less: Accumulated depreciation</u> | <u>(3,165,497)</u> | <u>(8,827,297)</u> | <u>(11,992,794)</u> |
| | <u>3,732,044</u> | <u>11,390,358</u> | <u>15,122,402</u> |
| <u>Total Capital Assets, Net of Accumulated Depreciation</u> | | | |
| | <u>7,843,172</u> | <u>14,004,329</u> | <u>21,847,501</u> |
| <u>Total Assets</u> | | | |
| <u>Deferred Outflows of Resources</u> | | | |
| Deferred outflows of resources - Delaware Public Employees Retirement System | 350,154 | 34,443 | 384,597 |
| | <u>350,154</u> | <u>34,443</u> | <u>384,597</u> |
| <u>Total Assets and Deferred Outflows of Resources</u> | | | |
| | <u>\$ 8,193,326</u> | <u>\$ 14,038,772</u> | <u>\$ 22,232,098</u> |

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

| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Total</u> |
|--|------------------------------------|-------------------------------------|----------------------|
| <u>Liabilities</u> | | | |
| <u>Current Liabilities</u> | | | |
| Current portion of capital lease obligation | \$ 7,455 | | \$ 7,455 |
| Accounts payable and other | 136,319 | \$ 113,786 | 250,105 |
| Intragovernment payable | 528,259 | 78,963 | 607,222 |
| Bonds and notes payable | | 280,704 | 280,704 |
| Accrued compensated absences | <u>95,095</u> | <u>9,153</u> | <u>104,248</u> |
| <u>Total Current Liabilities</u> | 767,128 | 482,606 | 1,249,734 |
| <u>Noncurrent Liabilities</u> | | | |
| Bonds and note payable | | 6,780,561 | 6,780,561 |
| Net pension liability | <u>185,977</u> | <u>37,317</u> | <u>223,294</u> |
| <u>Total Liabilities</u> | <u>953,105</u> | <u>7,300,484</u> | <u>8,253,589</u> |
| <u>Deferred Inflows of Resources</u> | | | |
| Deferred inflows of resources - Delaware Public Employees Retirement System | <u>114,481</u> | <u>8,915</u> | <u>123,396</u> |
| <u>Total Liabilities and Deferred Inflows of Resources</u> | <u>1,067,586</u> | <u>7,309,399</u> | <u>8,376,985</u> |
| <u>Net Position</u> | | | |
| Contributed capital | | 1,479,125 | 1,479,125 |
| Restricted for: | | | |
| Library expenditures | 146,716 | | 146,716 |
| Police expenditures | 8,322 | | 8,322 |
| Street rehabilitation expenditures | 226,897 | | 226,897 |
| Invested in capital assets, net of related debt | 3,724,589 | 2,849,968 | 6,574,557 |
| Unrestricted | <u>3,019,216</u> | <u>2,400,280</u> | <u>5,419,496</u> |
| <u>Total Net Position</u> | <u>\$ 7,125,740</u> | <u>\$ 6,729,373</u> | <u>\$ 13,855,113</u> |

CITY OF HARRINGTON, DELAWARE

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2018

| FUNCTIONS/PROGRAMS | Program Revenues | | | Capital Grants and Contributions | Net (Expense) Revenue and Changes in Net Position | | |
|---|---------------------|-------------------------|--|--|---|-----------------------------|----------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | | Governmental Activities | Business-Type Activities | Total |
| Governmental Activities: | | | | | | | |
| General government | \$ 990,573 | \$ 58,340 | | \$ 308,521 | \$ (623,712) | | \$ (623,712) |
| Police | 1,542,650 | 719,072 | \$ 262,805 | | (560,773) | | (560,773) |
| Public works | 382,324 | 209,765 | | | (172,559) | | (172,559) |
| Trash | 238,589 | 237,226 | | | (1,363) | | (1,363) |
| Library | 179,680 | 72,499 | | 120,981 | 13,800 | | 13,800 |
| Fire company | 146,378 | 78,788 | | | (67,590) | | (67,590) |
| Parks and recreation | 173,488 | 134,442 | | | (39,046) | | (39,046) |
| Interfund service fee | | 574,908 | | | 574,908 | | 574,908 |
| <u>Total Governmental Activities</u> | <u>3,653,682</u> | <u>2,085,040</u> | <u>262,805</u> | <u>429,502</u> | <u>(876,335)</u> | | <u>(876,335)</u> |
| Business-Type Activities: | | | | | | | |
| Sewer | 1,619,217 | 1,471,077 | | 204,237 | | \$ 56,097 | 56,097 |
| Water | 428,930 | 489,543 | | | | 60,613 | 60,613 |
| <u>Total Business-Type Activities</u> | <u>2,048,147</u> | <u>1,960,620</u> | | <u>204,237</u> | | <u>116,710</u> | <u>116,710</u> |
| <u>Total</u> | <u>\$ 5,701,829</u> | <u>\$ 4,045,660</u> | <u>\$ 262,805</u> | <u>\$ 633,739</u> | <u>(876,335)</u> | <u>116,710</u> | <u>(759,625)</u> |
| General Revenues and Transfers: | | | | | | | |
| Taxes: | | | | | | | |
| Property taxes | | | | | 1,096,063 | | 1,096,063 |
| Transfer tax | | | | | 103,479 | | 103,479 |
| Interest | | | | | 8,667 | 22,279 | 30,946 |
| Community impact fees | | | | | 12,471 | | 12,471 |
| Miscellaneous | | | | | 35,619 | | 35,619 |
| <u>Total General Revenues</u> | | | | | <u>1,256,299</u> | <u>22,279</u> | <u>1,278,578</u> |
| <u>Change in Net Position</u> | | | | | <u>379,964</u> | <u>138,989</u> | <u>518,953</u> |
| <u>Net Position - Beginning of year</u> | | | | | <u>6,745,776</u> | <u>6,590,384</u> | <u>13,336,160</u> |
| <u>Net Position - End of year</u> | | | | | <u>\$ 7,125,740</u> | <u>\$ 6,729,373</u> | <u>\$ 13,855,113</u> |

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

CITY OF HARRINGTON, DELAWARE

BALANCE SHEET
(GOVERNMENTAL FUNDS)

JUNE 30, 2018

| <u>ASSETS</u> | <u>General Fund</u> | <u>Special Revenue Funds</u> | <u>Total</u> |
|---|-------------------------|--------------------------------------|---------------------|
| Cash and cash equivalents | \$ 1,589,434 | \$ 533,570 | \$ 2,123,004 |
| Taxes receivable (net of allowances) | 9,374 | | 9,374 |
| Accounts receivable | 209,422 | | 209,422 |
| Intragovernment receivable | 356,522 | 125,924 | 482,446 |
| Assets held for sale | 18,000 | | 18,000 |
| Land held for sale | 1,236,778 | | 1,236,778 |
| Prepaid expenses | 32,104 | | 32,104 |
| | <hr/> | <hr/> | <hr/> |
| <u>Total Assets</u> | <u>\$ 3,451,634</u> | <u>\$ 659,494</u> | <u>\$ 4,111,128</u> |
| | | | |
| <u>LIABILITIES</u> | | | |
| Accounts payable and other | \$ 136,319 | | \$ 136,319 |
| Intragovernment payable | 250,700 | \$ 277,559 | 528,259 |
| | <hr/> | <hr/> | <hr/> |
| <u>Total Liabilities</u> | <u>387,019</u> | <u>277,559</u> | <u>664,578</u> |
| | | | |
| <u>FUND BALANCE</u> | | | |
| <u>Fund Balances</u> | | | |
| Nonspendable: | | | |
| Land held for sale | 1,236,778 | | 1,236,778 |
| Assets held for sale | 18,000 | | 18,000 |
| Prepaid expenses | 32,104 | | 32,104 |
| Restricted for: | | | |
| Police | | 8,322 | 8,322 |
| Street rehabilitation | | 226,897 | 226,897 |
| Committed for: | | | |
| City capital improvements | 471,226 | | 471,226 |
| Library building | | 146,716 | 146,716 |
| Assigned: | | | |
| Contingency | 287,668 | | 287,668 |
| Unassigned | 1,018,839 | | 1,018,839 |
| | <hr/> | <hr/> | <hr/> |
| <u>Total Fund Balance</u> | <u>3,064,615</u> | <u>381,935</u> | <u>3,446,550</u> |
| | <hr/> | <hr/> | <hr/> |
| <u>Total Liabilities and Fund Balance</u> | <u>\$ 3,451,634</u> | <u>\$ 659,494</u> | <u>\$ 4,111,128</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, 2018

| | |
|---|---------------------|
| <u>Total Fund Balances, Governmental Funds</u> (Page 19) | \$ 3,446,550 |
| 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. | 3,732,044 |
| 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 | (95,095) |
| Capital lease obligation | (7,455) |
| Net pension liability | (185,977) |
| Deferred charges - Delaware Public Employees Retirement System | <u>235,673</u> |
| <u>Net Position of Governmental Activities in the Statement of Net Position</u> (Page 17) | <u>\$ 7,125,740</u> |

CITY OF HARRINGTON, DELAWARE

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

YEAR ENDED JUNE 30, 2018

| | General Fund | Special Revenue Funds | Total |
|--|---------------------|-----------------------------|---------------------|
| <u>Revenues</u> | <u> </u> | <u> </u> | <u> </u> |
| Taxes | \$ 1,096,063 | | \$ 1,096,063 |
| Transfer tax | 103,479 | | 103,479 |
| Rental income | 58,340 | | 58,340 |
| Building permits | 40,397 | | 40,397 |
| Planning and zoning fees | 7,150 | | 7,150 |
| Vacant buildings | 1,500 | | 1,500 |
| Mobile home park license | 31,050 | | 31,050 |
| City clean up fees | 19,182 | | 19,182 |
| Miscellaneous | 35,619 | | 35,619 |
| Contractors license fees | 15,000 | | 15,000 |
| Intergovernmental revenues | | \$ 306,011 | 306,011 |
| Fire company | 78,788 | | 78,788 |
| Interest | 5,269 | 3,398 | 8,667 |
| Fines and penalties | 19,869 | | 19,869 |
| Business licenses | 75,617 | | 75,617 |
| Police revenue | 796,847 | | 796,847 |
| Library revenue | 72,499 | | 72,499 |
| Trash fees | 237,226 | | 237,226 |
| Parks and recreation | 134,442 | | 134,442 |
| Grants | 308,521 | | 308,521 |
| Community impact fees | 12,471 | | 12,471 |
| Interfund service fee | 574,908 | | 574,908 |
| | <u> </u> | <u> </u> | <u> </u> |
| <u>Total Revenues</u> | <u>3,724,237</u> | <u>309,409</u> | <u>4,033,646</u> |
| <u>Expenditures</u> | | | |
| General government | 1,177,450 | | 1,177,450 |
| Police | 1,495,221 | 116,001 | 1,611,222 |
| Public works | 322,416 | | 322,416 |
| Trash | 238,589 | | 238,589 |
| Library | 177,130 | 268,024 | 445,154 |
| Fire company | 145,366 | | 145,366 |
| Parks and recreation | 165,730 | | 165,730 |
| | <u> </u> | <u> </u> | <u> </u> |
| <u>Total Expenditures</u> | <u>3,721,902</u> | <u>384,025</u> | <u>4,105,927</u> |
| <u>Excess (Deficiency) of Revenues Over</u> <u>Expenditures</u> | 2,335 | (74,616) | (72,281) |
| <u>Fund Balances - Beginning of year</u> | <u>3,062,280</u> | <u>456,551</u> | <u>3,518,831</u> |
| <u>Fund Balances - End of year</u> | <u>\$ 3,064,615</u> | <u>\$ 381,935</u> | <u>\$ 3,446,550</u> |

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

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, 2018

| | |
|---|-------------------|
| <u>Net Change in Fund Balances, Governmental Funds (Page 21)</u> | \$ (72,281) |
| <u>Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:</u> | |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$847,084) exceeded depreciation (\$375,331) , in the current period | 471,753 |
| The issuance of long-term debt (i.e. notes payable) provides current financial resources. Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. | 7,218 |
| Expenses accrued for compensated absences and pensions and reported in the statement of activities that do not require the use of current financial resources are not reported as expenditures in the governmental funds | <u>(26,726)</u> |
| <u>Change in Net Position of Governmental Activities (Page 18)</u> | <u>\$ 379,964</u> |

CITY OF HARRINGTON, DELAWARE

STATEMENT OF NET POSITION
PROPRIETARY FUND - WATER AND SEWER FUND

JUNE 30, 2018

Assets

Current Assets

| | |
|----------------------------|--------------|
| Cash and cash equivalents | \$ 1,944,705 |
| Accounts receivable | 5,380 |
| Intragovernment receivable | 124,776 |
| Service charges receivable | 536,805 |
| Prepaid expenses | <u>2,305</u> |

Total Current Assets 2,613,971

Noncurrent Assets

Capital Assets

| | |
|---------------------------------------|--------------------|
| Water and sewer systems | 19,755,464 |
| Construction in progress | 462,191 |
| <u>Less: Accumulated depreciation</u> | <u>(8,827,297)</u> |

Total Capital Assets, Net of Accumulated
Depreciation 11,390,358

Total Assets 14,004,329

Deferred Outflow of Resources

| | |
|---|---------------|
| Deferred outflows of resources - Delaware Public Employees Retirement System | <u>34,443</u> |
|---|---------------|

Total Assets and Deferred Outflows of Resources \$ 14,038,772

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

Liabilities

Current Liabilities

| | |
|------------------------------|--------------|
| Accounts payable and other | \$ 113,786 |
| Intragovernment payable | 78,963 |
| Bonds and notes payable | 280,704 |
| Accrued compensated absences | <u>9,153</u> |

Total Current Liabilities 482,606

Noncurrent Liabilities

| | |
|-------------------------|---------------|
| Bonds and notes payable | 6,780,561 |
| Net pension liability | <u>37,317</u> |

Total Liabilities 7,300,484

Deferred Inflows of Resources

| | |
|---|--------------|
| Deferred Inflows of resources - Delaware Public Employees Retirement System | <u>8,915</u> |
|---|--------------|

Total Liabilities and Deferred Inflows of Resources 7,309,399

Net Position

| | |
|---|------------------|
| Contributed capital | 1,479,125 |
| Invested in capital assets, net of related debt | 2,849,968 |
| Unrestricted retained earnings | <u>2,400,280</u> |

Total Net Position \$ 6,729,373

CITY OF HARRINGTON, DELAWARE

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

YEAR ENDED JUNE 30, 2018

| | <u>Sewer</u> | <u>Water</u> | <u>Total</u> |
|---|---------------------|------------------|---------------------|
| <u>Operating Revenues</u> | | | |
| Sewer fees | \$ 1,425,668 | | \$ 1,425,668 |
| Water fees | | \$ 449,129 | 449,129 |
| Hook ups | 4,300 | 15,199 | 19,499 |
| Miscellaneous | <u>880</u> | <u>18,195</u> | <u>19,075</u> |
| <u>Total Operating Revenues</u> | 1,430,848 | 482,523 | 1,913,371 |
| <u>Operating Expenses</u> | <u>1,087,369</u> | <u>241,117</u> | <u>1,328,486</u> |
| <u>Operating Income</u> | 343,479 | 241,406 | 584,885 |
| <u>Non-Operating Revenues (Expenses)</u> | | | |
| Interest expense | (116,641) | (28,112) | (144,753) |
| Interfund service fee | (415,207) | (159,701) | (574,908) |
| Impact fees | 40,229 | 7,020 | 47,249 |
| Interest income | <u>11,200</u> | <u>11,079</u> | <u>22,279</u> |
| <u>Income (Loss) Before Capital Contributions</u> | <u>\$ (136,940)</u> | <u>\$ 71,692</u> | <u>(65,248)</u> |
| <u>Capital Contributions</u> | | | <u>204,237</u> |
| <u>Net Income</u> | | | 138,989 |
| <u>Net Position - Beginning of year</u> | | | <u>6,590,384</u> |
| <u>Net Position - End of year</u> | | | <u>\$ 6,729,373</u> |

CITY OF HARRINGTON, DELAWARE
STATEMENT OF OPERATING EXPENSES
PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2018

| | <u>Sewer</u> | <u>Water</u> | <u>Total</u> |
|----------------------------------|---------------------|-------------------|---------------------|
| Salaries | \$ 58,809 | \$ 65,560 | \$ 124,369 |
| Payroll taxes | 6,825 | 7,678 | 14,503 |
| Pension | 5,365 | 6,193 | 11,558 |
| Health insurance | 15,337 | 17,664 | 33,001 |
| Office supplies | 190 | 289 | 479 |
| Telephone | 1,400 | | 1,400 |
| Postage | 1,980 | 2,243 | 4,223 |
| Heat and electric | 9,494 | 14,939 | 24,433 |
| Safety | 480 | | 480 |
| Maintenance agreement | 376 | 376 | 752 |
| Dues and meetings | | 250 | 250 |
| Building repairs and maintenance | 25,163 | | 25,163 |
| Equipment repair | | 1,068 | 1,068 |
| Pump station repairs | 5,160 | | 5,160 |
| Chemicals | 3,054 | 12,338 | 15,392 |
| Water meters | | 250 | 250 |
| Sample testing | | 500 | 500 |
| Water line repairs | | 9,612 | 9,612 |
| Flow meter operations | 671 | | 671 |
| License and permits | 6,596 | 806 | 7,402 |
| Insurance | 25,031 | 9,580 | 34,611 |
| County sewer fee | 400,610 | | 400,610 |
| Depreciation | 520,828 | 91,771 | 612,599 |
| | <u>\$ 1,087,369</u> | <u>\$ 241,117</u> | <u>\$ 1,328,486</u> |

CITY OF HARRINGTON, DELAWARE

STATEMENT OF CASH FLOWS
(ALL PROPRIETARY FUNDS)

YEAR ENDED JUNE 30, 2018

Cash Flows From Operating Activities

| | |
|---|------------------|
| Cash received from customers and other government | \$ 2,318,893 |
| Cash paid to suppliers | (556,801) |
| Cash paid to employees | <u>(123,858)</u> |

Net Cash Provided By Operating
Activities

1,638,234

Cash Flows From Non-Capital Financing Activities

| | |
|------------------------------------|------------------|
| Operating transfers to other funds | <u>(574,908)</u> |
|------------------------------------|------------------|

Cash Flows From Capital and Related
Financing Activities

| | |
|---|----------------|
| Purchase of property and equipment | (207,259) |
| Principal paid on general obligation debt | (275,262) |
| Interest paid | (144,753) |
| Capital contribution received | <u>204,237</u> |

Net Cash Used For Capital and
Related Financing Activities

(423,037)

Cash Flows From Investing Activities

| | |
|-----------------|---------------|
| Interest income | <u>22,279</u> |
|-----------------|---------------|

Net Increase In Cash and Cash Equivalents

662,568

Cash and Cash Equivalents

| | |
|-------------------|------------------|
| Beginning of year | <u>1,282,137</u> |
|-------------------|------------------|

| | |
|-------------|---------------------|
| End of year | <u>\$ 1,944,705</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> | \$ 584,885 |
| <u>Adjustments To Reconcile Operating Income To Net</u> | |
| <u>Cash Provided By Operating Activities</u> | |
| Depreciation | 612,599 |
| Non-operating revenues | 47,249 |
| (Increase) decrease in: | |
| Accounts receivable | (5,380) |
| Service charges receivable | 363,653 |
| Prepaid expenses | (2,336) |
| Deferred outflows of resources | (1,245) |
| Increase (decrease) in: | |
| Accounts payable and other | 36,859 |
| Compensated absences | (980) |
| Net pension liability | (2,015) |
| Deferred inflows of resources | <u>4,945</u> |
| <u>Net Cash Provided By Operating Activities</u> | <u>\$ 1,638,234</u> |

CITY OF HARRINGTON, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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 transmission.

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

Reporting Entity

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

Government-Wide And Fund Financial Statements

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

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

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

CITY OF HARRINGTON, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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

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

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

Fund Accounting

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

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

The following comprise the City's major governmental funds:

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

CITY OF HARRINGTON, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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

The following nonmajor funds are included in this fund type:

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

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

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

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

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

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

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

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

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

CITY OF HARRINGTON, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

The following comprise the City's major enterprise funds:

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

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

Measurement Focus and Basis of Accounting

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

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

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

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

CITY OF HARRINGTON, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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

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

Cash and Cash Equivalents

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

Fixed Assets and Depreciation

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

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

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

CITY OF HARRINGTON, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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

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

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

Compensated Absences

Full-time permanent employees are granted vacation benefits.

Unearned Revenues

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

Fund Equity

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

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

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

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

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

Unassigned - All amounts not included in other spendable classifications.

CITY OF HARRINGTON, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Deferred Inflows/Outflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The City has three items that are required to be reported in this category: (1) changes in employer proportionate share of the net pension liabilities that are being amortized over future periods, (2) differences between actual and expected experience and (3) changes in pension plan assumptions which are all reported in the statement of net position which reported deferred inflows of resources - Delaware Public Employees Retirement System.

Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenditure) until the future period. The City has five items that are required to be reported in this category: (1) pension contributions made subsequent to the measurement date related to pensions, (2) differences between projected and actual investment earnings, (3) changes in pension assumptions, (4) differences between actual and expected experience and (5) changes in employer proportionate share of the net pension liabilities. Accordingly, these items are reported in the statement of net position as deferred outflows of resources - Delaware Public Employees Retirement System.

Net Position

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

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

Use of Estimates

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

CITY OF HARRINGTON, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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 May 15, 2017. There were no significant changes to the fiscal 2018 original budget as presented.

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

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

Note 2 - Property Taxes

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

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

CITY OF HARRINGTON, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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, 2018 is shown below:

| | <u>Carrying Amount</u> | <u>Bank Balance</u> |
|--|----------------------------|-------------------------|
| <u>Cash and Cash Equivalents</u> | | |
| Category 1 | \$ 500,000 | \$ 500,000 |
| Category 2 | 3,567,709 | 3,628,935 |
| Category 3 | _____ | _____ |
| <u>Total Cash and Cash Equivalents</u> | <u>\$4,067,709</u> | <u>\$4,128,935</u> |

At June 30, 2018, the City's cash and cash equivalents are comprised of the following:

| | |
|---|--------------------|
| Carrying value of unrestricted cash and cash equivalents | \$1,983,093 |
| Restricted cash and cash equivalents | <u>2,084,616</u> |
| <u>Total</u> | <u>\$4,067,709</u> |

CITY OF HARRINGTON, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Note 5 - Property and Equipment

The following is a summary of changes in capital assets for the year ended June 30, 2018:

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|---|------------------------------|-------------------|-------------------|---------------------------|
| <u>Governmental Activities</u> | | | | |
| Capital assets, not being depreciated: | | | | |
| Construction in progress | \$ <u>106,288</u> | \$ <u>426,429</u> | \$ <u>184,339</u> | \$ <u>348,378</u> |
| Capital assets, being depreciated: | | | | |
| Furniture, fixtures and equipment | 2,152,096 | 222,872 | | 2,374,968 |
| Land and buildings | <u>3,792,074</u> | <u>382,121</u> | | <u>4,174,195</u> |
| Total capital assets being depreciated | <u>5,944,170</u> | <u>604,993</u> | | <u>6,549,163</u> |
| Less accumulated depreciation for: | | | | |
| Furniture, fixtures and equipment | 1,433,826 | 190,768 | | 1,624,594 |
| Land and buildings | <u>1,356,340</u> | <u>184,563</u> | | <u>1,540,903</u> |
| Total accumulated depreciation | <u>2,790,166</u> | <u>375,331</u> | | <u>3,165,497</u> |
| Governmental activities capital assets, net | <u>\$ 3,260,292</u> | <u>\$656,091</u> | <u>\$184,339</u> | <u>\$ 3,732,044</u> |
| <u>Business - Type Activities</u> | | | | |
| Capital assets, not being depreciated: | | | | |
| Construction in progress | \$ <u>365,994</u> | \$ <u>207,259</u> | \$ <u>111,062</u> | \$ <u>462,191</u> |
| Capital assets, being depreciated: | | | | |
| Water and sewer systems | <u>19,644,402</u> | <u>111,062</u> | | <u>19,755,464</u> |
| Less accumulated depreciation for: | | | | |
| Water and sewer systems | <u>8,214,698</u> | <u>612,599</u> | | <u>8,827,297</u> |

CITY OF HARRINGTON, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

| | | | | |
|--|---------------------|--------------------|------------------|---------------------|
| Total capital assets being depreciated, net | <u>11,429,704</u> | <u>(501,537)</u> | | <u>10,928,167</u> |
| Business-type activities capital assets, net | <u>\$11,795,698</u> | <u>(\$294,278)</u> | <u>\$111,062</u> | <u>\$11,390,358</u> |

Depreciation expense for the year ended June 30, 2018 was charged to the functions of the primary government as follows:

| | |
|---|----------------------|
| <u>Governmental Activities</u> | |
| General government | \$209,115 |
| Police | 82,056 |
| Public works | 71,556 |
| Parks and recreation | 9,436 |
| Library | <u>3,168</u> |
| <u>Total Depreciation Expense - Governmental Activities</u> | <u>\$375,331</u> |

Note 6 - Accounts Payable and Other

Accounts payable and other at June 30, 2018 consists of the following:

| | <u>Governmental Funds</u> | <u>Enterprise Funds</u> | <u>Total</u> |
|------------------|-------------------------------|-----------------------------|----------------------|
| Accounts payable | \$ 87,483 | \$ 42,327 | \$129,810 |
| Accrued expenses | <u>48,836</u> | <u>71,459</u> | <u>122,095</u> |
| <u>Total</u> | <u>\$136,319</u> | <u>\$113,786</u> | <u>\$250,105</u> |

Note 7 - Long-Term Debt

Enterprise Funds Debt

In November 2009, the City entered into a loan agreement with the Farmers Home Administration. Proceeds of the loan were used to fund a water improvement project. The loan balance is \$745,002 at June 30, 2018 and is payable in quarterly payments of principal and interest at 2.375%. Final payment is due October 2049.

CITY OF HARRINGTON, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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 \$1,504,300 at June 30, 2018 and is payable in quarterly payments of principal and interest at 1.875%. Final payment is due March 2053.

In October 2010, the City entered into a Clean Water State Revolving Fund loan with the State of Delaware Department of Natural Resources (DNREC). Interest is paid monthly at a rate of 2%, beginning February 2014. The balance at June 30, 2018 is \$1,442,716. 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, 2018 is \$439,504. Final payment is due in August of 2031. The loan is secured by a general obligation bond.

In June 2016, the City entered into a loan with the United States Department of Agriculture. Proceeds were used to remediate the City's wastewater transmission system. The loan balance is \$493,152 at June 30, 2018 and is payable in quarterly payments of principal and interest at 1.75%, beginning in September 2016. Final payment is due June 2046. The loan is secured by a general obligation bond.

In February 2016, the City entered into a Clean Water State Revolving Fund loan with the State of Delaware Department of Natural Resources (DNREC). Proceeds of the loan paid off loans from the Farmers Home Administration, which were used for the waste water treatment plant. The loan balance is \$1,368,926 at June 30, 2018 and is payable in semi-annual payments of principal and interest at 2%, beginning in March 2017. Final payment is due September 2037. The loan is secured by a general obligation bond.

In February 2016, the City entered into a Clean Water State Revolving Fund loan with the State of Delaware Department of Natural Resources (DNREC). Proceeds of the loan paid off loans from the Farmers Home Administration, which were used for the Farmington sewer extension. The loan balance is \$564,318 at June 30, 2018 and is payable in semi-annual payments of principal and interest at 2%, beginning in March 2017. Final payment is due September 2042. The loan is secured by a general obligation bond.

In February 2016, the City entered into a Clean Water State Revolving Fund loan with the State of Delaware Department of Natural Resources (DNREC). Proceeds of the loan paid off loans from the Farmers Home Administration, which were used for the

CITY OF HARRINGTON, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

emergency water main project. The loan balance \$355,795 at June 30, 2018 and is payable in semi-annual payments of principal and interest at 2%, beginning in March 2017. Final payment is due September 2040. The loan is secured by a general obligation bond.

In February 2016, the City entered into a Clean Water State Revolving Fund loan with the State of Delaware Department of Natural Resources (DNREC). Proceeds of the loan paid off loans from the Farmers Home Administration, which were used for the Clark Street sewer project. The loan balance is \$147,552 at June 30, 2018 and is payable in semi-annual payments of principal and interest at 2%, beginning in March 2017. Final payment is due September 2044. The loan is secured by a general obligation bond.

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Decreases</u> | <u>Balance June 30, 2018</u> |
|---------------------------------|------------------------------|------------------|------------------|----------------------------------|
| <u>Business-Type Activities</u> | | | | |
| USDA 2009 Loan | \$ 760,697 | | \$ 15,695 | \$ 745,002 |
| USDA 2013 Loan | 1,534,764 | | 30,464 | 1,504,300 |
| DNREC 2010 Loan | 1,538,996 | | 96,280 | 1,442,716 |
| DNREC 2014 Loan | 467,601 | | 28,097 | 439,504 |
| USDA 2016 Loan | 506,693 | | 13,541 | 493,152 |
| DNREC 2016 Loan | 1,425,817 | | 56,891 | 1,368,926 |
| DNREC 2016 Loan | 582,014 | | 17,696 | 564,318 |
| DNREC 2016 Loan | 368,207 | | 12,412 | 355,795 |
| DNREC 2016 Loan | <u>151,738</u> | | <u>4,186</u> | <u>147,552</u> |
| <u>Total</u> | <u>\$7,336,527</u> | <u>\$ -0-</u> | <u>\$275,262</u> | <u>\$7,061,265</u> |

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

| <u>Year Ended June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|----------------------------|--------------------|--------------------|--------------------|
| 2019 | \$ 280,704 | \$ 139,314 | \$ 420,018 |
| 2020 | 286,317 | 133,701 | 420,018 |
| 2021 | 292,152 | 127,866 | 420,018 |
| 2022 | 297,947 | 122,071 | 420,018 |
| 2023 | 303,927 | 116,091 | 420,018 |
| Thereafter | <u>5,600,218</u> | <u>1,194,834</u> | <u>6,795,052</u> |
| <u>Total</u> | <u>\$7,061,265</u> | <u>\$1,833,877</u> | <u>\$8,895,142</u> |

CITY OF HARRINGTON, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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, 2018 is \$7,455. Equipment under capital leases has a cost of \$34,970 and accumulated depreciation of \$27,976 as of June 30, 2018. The lease expires in June of 2019.

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

The City participates in the State of Delaware Municipal Police/Firefighter Pension Plan for uniformed police officers whose employment with the City started on or after July 1, 1989. This is a "multiple-employer, cost-sharing" contributory pension plan, with the employee contributing 7% of gross salary exclusive of overtime. The City's employer contributions are based upon actuarial valuations which was 11.42% of covered payroll for the year ended June 30, 2018. The total amount contributed by the City for the year ended June 30, 2018 is \$73,984 of which \$58,648 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 pension plan is managed by the State of Delaware.

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

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

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

The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of June 30, 2016, and update procedures were used to roll forward the total pension liability to June 30, 2017. These actuarial valuations used the following actuarial assumptions, applied to all periods:

Significant actuarial assumptions are as follows:

CITY OF HARRINGTON, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Actuarial Cost Method - Entry Age Normal
Amortization Method - Level Percent Open
Remaining Amortization Period - 8 Years
Asset Valuation Method - 5 Year Smoothed Market
Actuarial Assumptions:
Investment Rate of Return - 7.0%
Projected Salary Increases - 2.5% + Merit
Inflation - 2.5%
Cost-of-Living Adjustments - 0.00%

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

Mortality assumptions are based on the RP - 2014 tables with gender adjustments for healthy annuitants and disabled retirees and an adjusted version on MP - 2015 mortality improvement scale on a fully generational basis.

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

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

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

At June 30, 2018, the City reported a pension liability of \$72,911 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by rolling forward the plan's total pension liability as of June 30, 2016 to June 30, 2017. The City's proportion of the net pension liability was calculated utilizing the employer's one-year actual reported contributions. At June 30, 2017, the City's proportion was 0.7232%, which was a decrease of 0.0210% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the City recognized a net pension expense of \$86,981. At June 30, 2018 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

CITY OF HARRINGTON, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| Difference between projected and actual investment earnings | \$ 37,163 | |
| Changes in proportions | 1,917 | \$ 693 |
| Difference between actual and expected experience | 17,448 | 44,464 |
| Changes in assumptions | 61,558 | 26,866 |
| Contributions subsequent to the measurement date | <u>73,984</u> | |
| | <u>\$ 192,070</u> | <u>\$ 72,023</u> |

An amount of \$73,984 is reported as deferred outflows of resources resulting from the City's contribution subsequent to the measurement date (June 30, 2017) and will be recognized as a reduction of the net pension liability in the year ended June 30, 2019.

Other amounts will be reported as deferred inflows of resources related to pensions, and will be recognized in pension expense as follows:

| Year ended June 30, | |
|---------------------|--------------------|
| 2019 | \$ 11,260 |
| 2020 | (39,780) |
| 2021 | (26,487) |
| 2022 | 15,304 |
| 2023 | (635) |
| Thereafter | <u>(5,725)</u> |
| | <u>\$ (46,063)</u> |

The difference between expected and actual experience and the change in assumptions with regard to economic and demographic factors, and the change in employer proportionate share are amortized over the average of the expected remaining service life of active and inactive members, which is 10 years for the 2017 amounts.

The difference between the actual earnings on plan investments compared to the plan's expected rate of return of 7.0% is amortized over a closed period of 5 years.

The long-term expected rate of return on pension plan investments was determined using the building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by an asset allocation percentage, which is based on the

CITY OF HARRINGTON, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

nature and mix of current and expected plan investments, and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the system's current and expected asset allocation are summarized in the following table:

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

Discount Rate

The discount rate used to measure the total pension liability was 7.0%. The change in the discount rate to 7.0% from 7.2% was due to an adoption by the Board of Trustees in 2017. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at rates determined by the Board of Pension Trustees, actuarially determined. Based on those assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability

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

The following presents the collective net pension liability, calculated using the discount rate of 7.0%, as well as what the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate:

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

| | <u>1% Decrease 6.0%</u> | <u>Current Discount Rate 7.0%</u> | <u>1% Increase 8.0%</u> |
|---|---------------------------------|---|---------------------------------|
| City's proportionate share of the net pension liability | \$461,040 | \$ 72,911 | \$ (243,118) |

CITY OF HARRINGTON, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Pension Plan Fiduciary Net Position

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

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

The City participates in the State of Delaware County and Municipal Other Employees' Pension Plan. This is a "multiple-employer, cost-sharing" contributory pension plan, with the employee contributing 3% of gross salary. The City's employer contributions are based upon actuarial valuations which was 7.09% of covered payroll for the year ended June 30, 2018. The total amount contributed by the City for the year ended June 30, 2018 is \$57,213.

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

The State of Delaware County and Municipal Other Employees' Pension Plan provides benefits equal to 1/60th of final average monthly compensation, multiplied by years of credited service, subject to maximum limitations. 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 dies, the survivor receives 75% of the pension. If an employee who has years of service dies, the eligible survivor receives 50% of pension that the employee would have received at age sixty-two.

The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of June 30, 2016, and update procedures were used to roll forward the total pension liability to June 30, 2017. These actuarial valuations used the following actuarial assumptions, applied to all periods:

Significant actuarial assumptions are as follows:

Actuarial Cost Method - Entry Age Normal
Amortization Method - Level Percent Open
Remaining Amortization Period - 8 Years

CITY OF HARRINGTON, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Asset Valuation Method - 5 Year Smoothed Market
Actuarial Assumptions:

Investment Rate of Return - 7.0%

Projected Salary Increases - 2.5% + Merit

Inflation - 2.5%

Cost-Of-Living Adjustments - 0.0%.

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

Mortality rates were based on the RP - 2014 tables with gender adjustments for healthy annuitants and disabled retirees and an adjusted version on MP-2015 mortality improvement scale on a fully generational basis.

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

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

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

At June 30, 2018, the City reported a pension liability of \$113,066 for the governmental activities and a pension liability of \$37,317 for the business-type activities for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by rolling forward the plan's total pension liability as of June 30, 2016 to June 30, 2017. The City's proportion of the net pension asset was calculated utilizing the employer's one-year actual reported contributions. At June 30, 2017, the City's proportion was 2.3241%, which was a decrease of 0.2916% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the City recognized a net pension expense of \$53,733 for the governmental activities and a net pension expense of \$11,558 for its business-type activities. At June 30, 2018 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

CITY OF HARRINGTON, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Difference between projected and actual investment earnings | \$ 17,130 | |
| Changes in proportions | 29,187 | \$ 41,223 |
| Changes in assumptions | 48,094 | |
| Difference between actual and expected experience | 40,903 | 10,150 |
| Contributions subsequent to the measurement date | <u>57,213</u> | |
| | <u>\$ 192,527</u> | <u>\$ 51,373</u> |

An amount of \$47,340 for governmental activities and \$9,873 for business-type activities is reported as deferred outflows of resources resulting from the City's contribution subsequent to the measurement date (June 30, 2017) and will be recognized as a reduction of the net pension liability in the year ended June 30, 2019.

Other amounts will be reported as deferred inflows of resources related to pensions, and will be recognized in pension expense as follows:

| Year ended June 30, | |
|---------------------|--------------------|
| 2019 | \$ (9,291) |
| 2020 | (22,359) |
| 2021 | (16,447) |
| 2022 | (878) |
| 2023 | (9,193) |
| Thereafter | <u>(25,773)</u> |
| | <u>\$ (83,941)</u> |

The difference between expected and actual experience and the change in assumptions with regard to economic and demographic factors, and the change in employer proportionate share are amortized over the average of the expected remaining service life of active and inactive members which is 10 years for the 2017 amounts.

The difference between the actual earnings on plan investments compared to the plan's expected rate of return of 7.0% is amortized over a closed period of 5 years.

The long-term expected rate of return on pension plan investments was determined using the building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by an asset allocation percentage, which is based on the

CITY OF HARRINGTON, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

nature and mix of current and expected plan investments, and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the system's current and expected asset allocation are summarized in the following table:

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

Discount Rate

The discount rate used to measure the total pension liability was 7.0%. The change in the discount rate assumption to 7.0% from 7.2% was due to an adoption by the Board of Trustees in 2017. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at rates determined by the Board of Pension Trustees, actuarially determined. Based on those assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the collective net pension liability, calculated using the discount rate of 7.0%, as well as what the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate:

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

| | 1% Decrease 6.0% | Current Discount Rate 7.0% | 1% Increase 8.0% |
|--|------------------------|-------------------------------------|---------------------|
| City's proportionate share of the net pension liability | \$338,831 | \$150,583 | \$ (4,230) |

CITY OF HARRINGTON, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Pension Plan Fiduciary Net Position

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

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 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, 2017 | \$1,651,476 |
| <u>Add:</u> Grant proceeds received | 204,237 |
| <u>Less:</u> Depreciation on capital assets acquired with grant proceeds | <u>(376,588)</u> |
| <u>Contributed Capital</u> - June 30, 2018 | <u>\$1,479,125</u> |

CITY OF HARRINGTON, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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.

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, 2018 and for the year then ended is presented as follows:

| | <u>Sewer Fund</u> | <u>Water Fund</u> | <u>Total</u> |
|---|-------------------|-------------------|--------------|
| Operating revenues | \$1,430,848 | \$482,523 | \$1,913,371 |
| Depreciation | 520,828 | 91,771 | 612,599 |
| Other operating expenses | 566,541 | 149,346 | 715,887 |
| Operating income | 343,479 | 241,406 | 584,885 |
| Non-operating revenues | 51,429 | 18,099 | 69,528 |
| Non-operating expenses | 531,848 | 187,813 | 719,661 |
| Income (loss) before Capital contributions | (136,940) | 71,692 | (65,248) |

Note 16 - Pronouncements Issues, Not Yet Effective

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2018 that have effective dates that may impact future

CITY OF HARRINGTON, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

financial presentations. Management has not currently determined what, if any impact the implementation may have on the financial statements of the City.

Note 17 - Excess of Expenditures over Appropriations

The general fund incurred expenditures in excess of appropriations in the amount of \$204,706 for the year ended June 30, 2018. The expenditures were funded through the use of operating reserves.

Note 18 - Subsequent Events

During the summer of 2018, the City commenced a construction project to expand its sewer capacity. The total value of the related contracts is approximately \$2.2 million. The project was completed in the summer of 2020. The City received funding from DNREC and the USDA in the form of loan principle forgiveness and a grant, respectively, to cover all of the project costs except for approximately \$776,000. The remaining balance is being financed by the USDA and is required to be repaid over a period of 40 years at a rate of 2%. The City started making semi-annual interest only payments in July 2019 and principle and interest payments will begin January 2021. Final payment is due July 2060. This loan is secured by a general obligation bond.

In September 2019, the City entered into a contract in the amount of \$214,000 to commence Phases I and II of its wastewater lagoons cleanout. This project was completed in September 2020 and is awaiting final DNREC approval.

The worldwide spread of the COVID-19 virus has resulted in adverse economic effects for many businesses resulting from interruptions in the supply-chain, diminished ability for customers to buy and timely pay, business interruptions and potential effects on the labor force resulting from mandated quarantines, Government ordered shutdowns and stay at home orders. While its unknown how long these conditions will last and what the complete financial effect will be to the City, to date, the City has not experienced any identified interruptions or quantifiable impacts to its operations and management cannot estimate such effects at this time. However, the effects of COVID-19 are likely to have some impact on the City's financial position and operating results and it is reasonably possible that the City is vulnerable to the risk of a near-term material impact. Additionally, it is reasonably possible that estimates made in the financial statements will be adversely impacted in the near term as a result of the present situation.

Management has evaluated all subsequent events through October 19, 2020, 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, 2018

| | Budget | | Actual | Variance Favorable (Unfavorable) |
|--------------------------|------------------|------------------|------------------|--|
| | Original | Final | | |
| <u>Revenues</u> | | | | |
| <u>City</u> | | | | |
| Property taxes | \$ 1,065,000 | \$ 1,065,000 | \$ 1,096,063 | \$ 31,063 |
| Transfer tax | | | 103,479 | 103,479 |
| Rental income | 57,000 | 57,000 | 58,340 | 1,340 |
| Mobile home park license | 28,350 | 28,350 | 31,050 | 2,700 |
| Miscellaneous | 16,650 | 16,650 | 35,009 | 18,359 |
| Grants | | | 308,521 | 308,521 |
| Community impact fees | | | 12,471 | 12,471 |
| Interfund service fee | 535,848 | 535,848 | 574,908 | 39,060 |
| Interest | 4,000 | 4,000 | 5,269 | 1,269 |
| <u>Total City</u> | <u>1,706,848</u> | <u>1,706,848</u> | <u>2,225,110</u> | <u>518,262</u> |
| <u>Police</u> | | | | |
| Fines | 361,300 | 361,300 | 483,286 | 121,986 |
| Other | | | 235,786 | 235,786 |
| Grants | | | 77,775 | 77,775 |
| <u>Total Police</u> | <u>361,300</u> | <u>361,300</u> | <u>796,847</u> | <u>435,547</u> |
| <u>Library</u> | | | | |
| Grants | 35,100 | 35,100 | 34,974 | (126) |
| Reciprocal borrowing | 35,000 | 35,000 | 31,535 | (3,465) |
| Miscellaneous | 7,500 | 7,500 | 5,990 | (1,510) |
| <u>Total Library</u> | <u>77,600</u> | <u>77,600</u> | <u>72,499</u> | <u>(5,101)</u> |
| <u>Trash</u> | | | | |
| Fees | 241,956 | 241,956 | 235,926 | (6,030) |
| Penalties and fines | 4,000 | 4,000 | 1,300 | (2,700) |
| <u>Total Trash</u> | <u>245,956</u> | <u>245,956</u> | <u>237,226</u> | <u>(8,730)</u> |
| <u>Sewer</u> | | | | |
| Fees | 1,555,000 | 1,555,000 | 1,425,668 | (129,332) |
| Hook ups | | | 4,300 | 4,300 |
| Impact fees | | | 40,229 | 40,229 |
| Other | | | 880 | 880 |
| Interest | 23,600 | 23,600 | 11,200 | (12,400) |
| <u>Total Sewer</u> | <u>1,578,600</u> | <u>1,578,600</u> | <u>1,482,277</u> | <u>(96,323)</u> |

CITY OF HARRINGTON, DELAWARE

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

YEAR ENDED JUNE 30, 2018

| | <u>Budget</u> | | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> |
|------------------------------------|------------------|------------------|------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| <u>Revenues</u> (Continued) | | | | |
| <u>Water</u> | | | | |
| Fees | \$ 490,000 | \$ 490,000 | \$ 449,129 | \$ (40,871) |
| Hook ups | 12,000 | 12,000 | 15,199 | 3,199 |
| Impact fees | | | 7,020 | 7,020 |
| Other | 18,388 | 18,388 | 18,195 | (193) |
| Interest | 8,100 | 8,100 | 11,079 | 2,979 |
| <u>Total Water</u> | <u>528,488</u> | <u>528,488</u> | <u>500,622</u> | <u>(27,866)</u> |
| <u>Fire Company</u> | | | | |
| Fire company personnel | 74,000 | 74,000 | 78,788 | 4,788 |
| <u>Total Fire Company</u> | <u>74,000</u> | <u>74,000</u> | <u>78,788</u> | <u>4,788</u> |
| <u>Public Works</u> | | | | |
| Building permits | 30,000 | 30,000 | 40,397 | 10,397 |
| Planning and zoning fees | 172,600 | 172,600 | 7,150 | (165,450) |
| Contractors license fees | 16,000 | 16,000 | 15,000 | (1,000) |
| Vacant buildings | 1,500 | 1,500 | 1,500 | |
| Fines and penalties | 17,000 | 17,000 | 19,869 | 2,869 |
| Business licenses | 67,600 | 67,600 | 75,617 | 8,017 |
| City clean up fees | 30,000 | 30,000 | 19,182 | (10,818) |
| Other | 25,000 | 25,000 | 610 | (24,390) |
| <u>Total Public Works</u> | <u>359,700</u> | <u>359,700</u> | <u>179,325</u> | <u>(180,375)</u> |
| <u>Parks and Recreation</u> | | | | |
| Grants in aid | 30,000 | 30,000 | 25,600 | (4,400) |
| Program income | 84,700 | 84,700 | 77,331 | (7,369) |
| Miscellaneous | 12,000 | 12,000 | 11,630 | (370) |
| Fundraiser funds | 24,000 | 24,000 | 19,881 | (4,119) |
| <u>Total Parks and Recreation</u> | <u>150,700</u> | <u>150,700</u> | <u>134,442</u> | <u>(16,258)</u> |
| <u>Total Revenues</u> | <u>5,083,192</u> | <u>5,083,192</u> | <u>5,707,136</u> | <u>623,944</u> |

CITY OF HARRINGTON, DELAWARE

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

YEAR ENDED JUNE 30, 2018

| | Budget | | Actual | Variance |
|----------------------------------|----------------|----------------|------------------|----------------------------|
| | Original | Final | | Favorable (Unfavorable) |
| <u>Expenditures</u> | | | | |
| <u>General Government</u> | | | | |
| <u>City:</u> | | | | |
| Salaries | \$ 368,089 | \$ 368,089 | \$ 327,726 | \$ 40,363 |
| Payroll taxes | 34,739 | 34,739 | 26,601 | 8,138 |
| Health insurance | 80,461 | 80,461 | 52,948 | 27,513 |
| Pension | 24,011 | 24,011 | 21,389 | 2,622 |
| Vehicle maintenance | 1,000 | 1,000 | 844 | 156 |
| Office supplies | 5,250 | 5,250 | 5,249 | 1 |
| Telephone | 6,300 | 6,300 | 6,618 | (318) |
| Postage | 2,000 | 2,000 | 2,852 | (852) |
| Heat and electric | 8,750 | 8,750 | 8,459 | 291 |
| Capital outlay | | | 419,146 | (419,146) |
| Legal | 45,000 | 45,000 | 38,905 | 6,095 |
| Advertising | 3,000 | 3,000 | 2,276 | 724 |
| Accounting services | 6,500 | 6,500 | 34,355 | (27,855) |
| Travel and food | 2,400 | 2,400 | 1,278 | 1,122 |
| Engineering | 2,500 | 2,500 | | 2,500 |
| Dues and meetings | 8,000 | 8,000 | 4,489 | 3,511 |
| Inspection fees | 50,000 | 50,000 | 54,622 | (4,622) |
| Building maintenance and repairs | 6,122 | 6,122 | 7,463 | (1,341) |
| Computer maintenance and repairs | 36,200 | 36,200 | 33,678 | 2,522 |
| Election expense | 2,000 | 2,000 | 865 | 1,135 |
| Miscellaneous | 17,600 | 17,600 | 12,984 | 4,616 |
| Bad debt expense | | | 26,108 | (26,108) |
| Clean up fees | 4,000 | 4,000 | 1,850 | 2,150 |
| Training | 9,150 | 9,150 | 5,652 | 3,498 |
| Lease equipment | 6,500 | 6,500 | 4,906 | 1,594 |
| Insurance | 14,000 | 14,000 | 12,557 | 1,443 |
| Accounting and auditing | 30,000 | 30,000 | 63,630 | (33,630) |
| <u>Total City</u> | <u>773,572</u> | <u>773,572</u> | <u>1,177,450</u> | <u>(403,878)</u> |

CITY OF HARRINGTON, DELAWARE

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

YEAR ENDED JUNE 30, 2018

| <u>Expenditures (Continued)</u> | <u>Budget</u> | | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> |
|----------------------------------|------------------|------------------|------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| <u>Police</u> | | | | |
| Salaries | \$ 626,622 | \$ 626,622 | \$ 697,313 | \$ (70,691) |
| Overtime | 107,000 | 107,000 | 152,431 | (45,431) |
| Payroll taxes | 96,241 | 96,241 | 96,341 | (100) |
| Pension | 25,164 | 25,164 | 15,335 | 9,829 |
| Health insurance | 171,400 | 171,400 | 187,069 | (15,669) |
| Vehicle maintenance and repairs | 42,000 | 42,000 | 56,131 | (14,131) |
| Radar/special electronics | 2,500 | 2,500 | 1,698 | 802 |
| Training | 2,600 | 2,600 | 10,542 | (7,942) |
| Office supplies | 3,300 | 3,300 | 2,806 | 494 |
| Telephone | 12,000 | 12,000 | 10,397 | 1,603 |
| Postage | 1,200 | 1,200 | 646 | 554 |
| Heat and electric | 11,000 | 11,000 | 9,361 | 1,639 |
| Advertising | 200 | 200 | 258 | (58) |
| National nite out | | | 6,844 | (6,844) |
| Insurance | 20,000 | 20,000 | 15,692 | 4,308 |
| Dues and meetings | 800 | 800 | 260 | 540 |
| Travel and food | 1,200 | 1,200 | 829 | 371 |
| Computer maintenance and repairs | 300 | 300 | 214 | 86 |
| Building repairs and maintenance | 2,700 | 2,700 | 846 | 1,854 |
| Maintenance agreement | 590 | 590 | 1,439 | (849) |
| Miscellaneous | 5,250 | 5,250 | 201,274 | (196,024) |
| Uniforms | 1,500 | 1,500 | 1,532 | (32) |
| Ammo and targets | 3,500 | 3,500 | 4,791 | (1,291) |
| Clothing allowance | 8,000 | 8,000 | 4,357 | 3,643 |
| Lease equipment | 1,552 | 1,552 | 1,612 | (60) |
| Legal | 5,000 | 5,000 | 15,203 | (10,203) |
| <u>Total Police</u> | <u>1,151,619</u> | <u>1,151,619</u> | <u>1,495,221</u> | <u>(343,602)</u> |

CITY OF HARRINGTON, DELAWARE

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

YEAR ENDED JUNE 30, 2018

| | <u>Budget</u> | | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> |
|--|-----------------|----------------|----------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| <u>Expenditures (Continued)</u> | | | | |
| <u>Public Works</u> | | | | |
| Salaries | \$ 115,645 | \$ 115,645 | \$ 123,291 | \$ (7,646) |
| Payroll taxes | 15,203 | 15,203 | 15,082 | 121 |
| Pension | 8,199 | 8,199 | 7,728 | 471 |
| Health insurance | 30,325 | 30,325 | 26,381 | 3,944 |
| Per diem | 2,080 | 2,080 | 14,560 | (12,480) |
| Vehicle maintenance and repairs | 14,500 | 14,500 | 10,857 | 3,643 |
| Equipment maintenance and repairs | 12,200 | 12,200 | 11,725 | 475 |
| Maintenance agreement | 432 | 432 | 1,200 | (768) |
| Office supplies | 500 | 500 | 500 | |
| Telephone | 4,000 | 4,000 | 4,294 | (294) |
| Building maintenance | 1,600 | 1,600 | 1,258 | 342 |
| Heat and electric | 6,000 | 6,000 | 5,266 | 734 |
| Engineering | 5,000 | 5,000 | | 5,000 |
| Insurance | 4,000 | 4,000 | 3,116 | 884 |
| Dues and meeting | 250 | 250 | 124 | 126 |
| Uniforms | 5,600 | 5,600 | 5,398 | 202 |
| Supplies | 1,000 | 1,000 | 1,330 | (330) |
| Street maintenance | 25,000 | 25,000 | 25,134 | (134) |
| Ditch cleaning | 3,000 | 3,000 | 3,008 | (8) |
| Street signs and markings | 500 | 500 | 328 | 172 |
| Street lights | 57,000 | 57,000 | 60,127 | (3,127) |
| Training | 100 | 100 | | 100 |
| Snow and ice removal | 3,000 | 3,000 | 773 | 2,227 |
| Safety | 1,100 | 1,100 | 936 | 164 |
| Wildlife control | 500 | 500 | | 500 |
| | <u>316,734</u> | <u>316,734</u> | <u>322,416</u> | <u>(5,682)</u> |
| <u>Total Public Works</u> | | | | |
| <u>Trash</u> | | | | |
| Postage | 600 | 600 | 726 | (126) |
| Insurance | 4,000 | 4,000 | 4,193 | (193) |
| Contract services | <u>232,780</u> | <u>232,780</u> | <u>233,670</u> | <u>(890)</u> |
| | <u>237,380</u> | <u>237,380</u> | <u>238,589</u> | <u>(1,209)</u> |
| <u>Total Trash</u> | | | | |

CITY OF HARRINGTON, DELAWARE

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

YEAR ENDED JUNE 30, 2018

| <u>Expenditures (Continued)</u> | <u>Budget</u> | | <u>Actual</u> | <u>Variance</u> |
|----------------------------------|------------------|------------------|------------------|------------------------------------|
| | <u>Original</u> | <u>Final</u> | | <u>Favorable (Unfavorable)</u> |
| <u>Library</u> | | | | |
| Salaries | \$ 103,576 | \$ 103,576 | \$ 101,365 | \$ 2,211 |
| Payroll taxes | 9,725 | 9,725 | 8,364 | 1,361 |
| Pension | 7,344 | 7,344 | 7,187 | 157 |
| Health insurance | 21,270 | 21,270 | 21,291 | (21) |
| Office supplies | 1,650 | 1,650 | 1,854 | (204) |
| Telephone | 1,800 | 1,800 | 2,061 | (261) |
| Postage | 20 | 20 | 27 | (7) |
| Heat and electric | 8,300 | 8,300 | 9,179 | (879) |
| Travel and food | 150 | 150 | | 150 |
| Dues and meetings | 70 | 70 | 70 | |
| Miscellaneous | 100 | 100 | | 100 |
| Building repairs and maintenance | 2,300 | 2,300 | 2,041 | 259 |
| Books and subscriptions | 22,000 | 22,000 | 19,470 | 2,530 |
| Automation | 2,500 | 2,500 | 2,418 | 82 |
| Insurance | 1,200 | 1,200 | 341 | 859 |
| Lease equipment | 1,416 | 1,416 | 1,462 | (46) |
| <u>Total Library</u> | <u>183,421</u> | <u>183,421</u> | <u>177,130</u> | <u>6,291</u> |
| <u>Sewer</u> | | | | |
| Salaries | 60,918 | 60,918 | 58,809 | 2,109 |
| Payroll taxes | 8,009 | 8,009 | 6,825 | 1,184 |
| Pension | 4,319 | 4,319 | 5,365 | (1,046) |
| Health insurance | 16,002 | 16,002 | 15,337 | 665 |
| Training | 500 | 500 | | 500 |
| Office supplies | 500 | 500 | 190 | 310 |
| Telephone | 1,400 | 1,400 | 1,400 | |
| Postage | 1,500 | 1,500 | 1,980 | (480) |
| Heat and electric | 7,500 | 7,500 | 9,494 | (1,994) |
| Safety | 800 | 800 | 480 | 320 |
| Maintenance agreement | 400 | 400 | 376 | 24 |
| Building repairs and maintenance | 2,100 | 2,100 | 25,163 | (23,063) |
| Sample testing | 500 | 500 | | 500 |
| Pump station repairs | 5,000 | 5,000 | 5,160 | (160) |
| Chemicals | 2,000 | 2,000 | 3,054 | (1,054) |
| Flow meter operations | 1,800 | 1,800 | 671 | 1,129 |
| License and permits | 125 | 125 | 6,596 | (6,471) |
| Insurance | 24,000 | 24,000 | 25,031 | (1,031) |
| Engineering | 10,000 | 10,000 | | 10,000 |
| Contingency | 129,000 | 129,000 | | 129,000 |
| Interfund service fee | 415,207 | 415,207 | 415,207 | |
| County sewer fee | 355,000 | 355,000 | 400,610 | (45,610) |
| Interest | 359,954 | 359,954 | 116,641 | 243,313 |
| Depreciation | | | 520,828 | (520,828) |
| <u>Total Sewer</u> | <u>1,406,534</u> | <u>1,406,534</u> | <u>1,619,217</u> | <u>(212,683)</u> |

CITY OF HARRINGTON, DELAWARE

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

YEAR ENDED JUNE 30, 2018

| <u>Expenditures</u> (Continued) | Budget | | Actual | Variance |
|---------------------------------|----------------|----------------|----------------|----------------------------|
| | Original | Final | | Favorable (Unfavorable) |
| <u>Water</u> | | | | |
| Salaries | 69,437 | 69,437 | 65,560 | 3,877 |
| Payroll taxes | 9,137 | 9,137 | 7,678 | 1,459 |
| Health insurance | 18,511 | 18,511 | 17,664 | 847 |
| Pension | 4,923 | 4,923 | 6,193 | (1,270) |
| Equipment repair | 1,800 | 1,800 | 1,068 | 732 |
| Office supplies | 300 | 300 | 289 | 11 |
| Postage | 1,700 | 1,700 | 2,243 | (543) |
| Dues and meetings | 1,000 | 1,000 | 250 | 750 |
| Heat and electric | 15,000 | 15,000 | 14,939 | 61 |
| Maintenance agreement | 400 | 400 | 376 | 24 |
| Water meters | 2,000 | 2,000 | 250 | 1,750 |
| Sample testing | 800 | 800 | 500 | 300 |
| Water line repairs | 9,500 | 9,500 | 9,612 | (112) |
| Chemicals | 16,000 | 16,000 | 12,338 | 3,662 |
| Contingency | 112,000 | 112,000 | | 112,000 |
| Insurance | 9,500 | 9,500 | 9,580 | (80) |
| Engineering | 10,000 | 10,000 | | 10,000 |
| Interfund service fee | 159,701 | 159,701 | 159,701 | |
| Interest | 60,428 | 60,428 | 28,112 | 32,316 |
| License & permits | 700 | 700 | 806 | (106) |
| Depreciation | | | 91,771 | (91,771) |
| <u>Total Water</u> | <u>502,837</u> | <u>502,837</u> | <u>428,930</u> | <u>73,907</u> |
| <u>Fire Company</u> | | | | |
| Salaries | 89,085 | 89,085 | 94,887 | (5,802) |
| Payroll taxes | 11,660 | 11,660 | 10,726 | 934 |
| Health insurance | 28,392 | 28,392 | 28,456 | (64) |
| Insurance | 750 | 750 | 72 | 678 |
| Pension | 6,316 | 6,316 | 6,725 | (409) |
| Fuel | 3,000 | 3,000 | 4,500 | (1,500) |
| <u>Total Fire Company</u> | <u>139,203</u> | <u>139,203</u> | <u>145,366</u> | <u>(6,163)</u> |

CITY OF HARRINGTON, DELAWARE

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

YEAR ENDED JUNE 30, 2018

| | <u>Budget</u> | | <u>Actual</u> | <u>Variance</u> |
|--|-------------------|-------------------|--------------------|------------------------------------|
| | <u>Original</u> | <u>Final</u> | | <u>Favorable (Unfavorable)</u> |
| <u>Expenditures</u> (Continued) | | | | |
| <u>Parks and Recreation Department</u> | | | | |
| Salaries | \$ 63,697 | \$ 63,697 | \$ 60,805 | \$ 2,892 |
| Payroll taxes | 8,517 | 8,517 | 7,580 | 937 |
| Health insurance | 10,868 | 10,868 | 10,879 | (11) |
| Pension | 4,516 | 4,516 | 4,311 | 205 |
| Office supplies | 600 | 600 | 196 | 404 |
| Telephone | 3,000 | 3,000 | 2,858 | 142 |
| Heat and electric | 12,700 | 12,700 | 13,595 | (895) |
| Postage | 150 | 150 | 168 | (18) |
| Vehicle repairs and maintenance | 550 | 550 | 443 | 107 |
| Fundraisers | 15,000 | 15,000 | 6,809 | 8,191 |
| Building repairs and maintenance | 2,500 | 2,500 | 1,541 | 959 |
| Lease equipment | 1,464 | 1,464 | 1,524 | (60) |
| Maintenance agreement | 1,100 | 1,100 | 1,274 | (174) |
| Insurance | 4,900 | 4,900 | 6,842 | (1,942) |
| Programs | 50,450 | 50,450 | 46,905 | 3,545 |
| Advertising | 200 | 200 | | 200 |
| | <u>180,212</u> | <u>180,212</u> | <u>165,730</u> | <u>14,482</u> |
| <u>Total Parks and Recreation Department</u> | | | | |
| | <u>180,212</u> | <u>180,212</u> | <u>165,730</u> | <u>14,482</u> |
| <u>Total Expenditures</u> | <u>4,891,512</u> | <u>4,891,512</u> | <u>5,770,049</u> | <u>(878,537)</u> |
| | <u>\$ 191,680</u> | <u>\$ 191,680</u> | <u>\$ (62,913)</u> | <u>\$ (254,593)</u> |

CITY OF HARRINGTON, DELAWARE

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

YEAR ENDED JUNE 30, 2018

| | Budget | | Actual | Variance |
|---|---------------|---------------|---------------------|----------------------------|
| | Original | Final | | Favorable (Unfavorable) |
| <u>Police Pension Fund</u> | | | | |
| Revenues | | | \$ 58,648 | \$ 58,648 |
| Expenditures | | | 58,648 | (58,648) |
| <u>Excess Revenues Over Expenditures</u> | <u>\$ -0-</u> | <u>\$ -0-</u> | <u>\$ -0-</u> | <u>\$ -0-</u> |
| <u>Municipal Street Aid</u> | | | | |
| Revenues | | | \$ 70,112 | \$ 70,112 |
| Expenditures | | | | |
| <u>Excess Revenues Over Expenditures</u> | <u>\$ -0-</u> | <u>\$ -0-</u> | <u>\$ 70,112</u> | <u>\$ 70,112</u> |
| <u>Combat Violent Crime</u> | | | | |
| Revenues | | | \$ 31,182 | \$ 31,182 |
| Expenditures | | | 32,199 | (32,199) |
| <u>Deficiency of Revenues Over Expenditures</u> | <u>\$ -0-</u> | <u>\$ -0-</u> | <u>\$ (1,017)</u> | <u>\$ (1,017)</u> |
| <u>SLEAF</u> | | | | |
| Revenues | | | \$ 13,648 | \$ 13,648 |
| Expenditures | | | 14,460 | (14,460) |
| <u>Deficiency of Revenues Over Expenditures</u> | <u>\$ -0-</u> | <u>\$ -0-</u> | <u>\$ (812)</u> | <u>\$ (812)</u> |
| <u>EIDE</u> | | | | |
| Revenues | | | \$ 6,629 | \$ 6,629 |
| Expenditures | | | 4,077 | (4,077) |
| <u>Excess Revenues Over Expenditures</u> | <u>\$ -0-</u> | <u>\$ -0-</u> | <u>\$ 2,552</u> | <u>\$ 2,552</u> |
| <u>SALLE</u> | | | | |
| Revenues | | | \$ 5,665 | \$ 5,665 |
| Expenditures | | | 6,617 | (6,617) |
| <u>Deficiency of Revenues Over Expenditures</u> | <u>\$ -0-</u> | <u>\$ -0-</u> | <u>\$ (952)</u> | <u>\$ (952)</u> |
| <u>Library Building Fund</u> | | | | |
| Revenues | | | \$ 123,525 | \$ 123,525 |
| Expenditures | | | 268,024 | 268,024 |
| <u>Deficiency of Revenues Over Expenditures</u> | <u>\$ -0-</u> | <u>\$ -0-</u> | <u>\$ (144,499)</u> | <u>\$ (144,499)</u> |

CITY OF HARRINGTON, DELAWARE

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

YEAR ENDED JUNE 30, 2018

| | <u>Measurement Date</u> <u>June 30, 2017</u> |
|--|---|
| City's proportionate share of the net pension liability | 0.7232% |
| City's proportionate share of the net pension liability | \$ 72,911 |
| City's covered employee payroll | \$ 716,028 |
| City's proportionate share of the net pension liability as a percentage of its covered employee payroll | 10.2% |
| Plan fiduciary net position as a percentage of the total pension liability | 97.0% |

CITY OF HARRINGTON, DELAWARE

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

YEAR ENDED JUNE 30, 2018

| | <u>Measurement Date</u> <u>June 30, 2017</u> |
|--|---|
| City's proportionate share of the net pension liability | 2.3241% |
| City's proportionate share of the net pension liability | \$ 150,383 |
| City's covered employee payroll | \$ 771,258 |
| City's proportionate share of the net pension liability as a percentage of its covered employee payroll | 19.5% |
| Plan fiduciary net position as a percentage of the total pension liability | 87.6% |

CITY OF HARRINGTON, DELAWARE

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

YEAR ENDED JUNE 30, 2018

| | |
|--|---------------|
| Required contribution | \$ 73,984 |
| Contribution in relation to the required contribution | <u>73,984</u> |
| Contribution deficiency (excess) | <u>\$ -</u> |
| City's covered employee payroll | \$ 716,028 |
| Contributions as a percentage of covered employee payroll | 10.3% |

CITY OF HARRINGTON, DELAWARE

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

YEAR ENDED JUNE 30, 2018

| | |
|--|---------------|
| Required contribution | \$ 57,213 |
| Contribution in relation to the required contribution | <u>57,213</u> |
| Contribution deficiency (excess) | <u>\$ -</u> |
| City's covered employee payroll | \$ 771,258 |
| Contributions as a percentage of covered employee payroll | 7.4% |

SUPPLEMENTARY INFORMATION

CITY OF HARRINGTON, DELAWARE

COMBINING BALANCE SHEET -
ALL SPECIAL REVENUE FUNDS

JUNE 30, 2018

| <u>ASSETS</u> | <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>Current Assets</u> | | | | | | | | |
| Cash and cash equivalents | | \$ 294,549 | \$ 12,144 | \$ 72,170 | \$ 8,515 | \$ 13,560 | \$ 204,802 | \$ 533,570 |
| Interfund receivable | | | | | 1,768 | 1,314 | 50,672 | 125,924 |
| <u>Total Assets</u> | \$ -0- | \$ 294,549 | \$ 12,144 | \$ 72,170 | \$ 10,283 | \$ 14,874 | \$ 255,474 | \$ 659,494 |
| <u>LIABILITY</u> | | | | | | | | |
| Intragovernment payable | | \$ 67,652 | \$ 12,144 | \$ 71,671 | \$ 6,119 | \$ 11,215 | \$ 108,758 | \$ 277,559 |
| <u>FUND EQUITY</u> | | | | | | | | |
| <u>Fund Balances</u> | | | | | | | | |
| Restricted | | 226,897 | | 499 | 4,164 | 3,659 | 146,716 | 235,219 |
| Committed | | | | | | | | 146,716 |
| <u>Total Fund Equity</u> | | 226,897 | | 499 | 4,164 | 3,659 | 146,716 | 381,935 |
| <u>Total Liabilities and Fund Equity</u> | \$ -0- | \$ 294,549 | \$ 12,144 | \$ 72,170 | \$ 10,283 | \$ 14,874 | \$ 255,474 | \$ 659,494 |

CITY OF HARRINGTON, DELAWARE

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

YEAR ENDED JUNE 30, 2018

| | <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 | \$ 58,648 | \$ 69,368 | \$ 31,122 | \$ 13,648 | \$ 6,613 | \$ 5,631 | \$ 120,981 | \$ 306,011 |
| Interest | | 744 | 60 | | 16 | 34 | 2,544 | 3,398 |
| <u>Total Revenues</u> | <u>58,648</u> | <u>70,112</u> | <u>31,182</u> | <u>13,648</u> | <u>6,629</u> | <u>5,665</u> | <u>123,525</u> | <u>309,409</u> |
| <u>Expenditures</u> | <u>58,648</u> | | <u>32,199</u> | <u>14,460</u> | <u>4,077</u> | <u>6,617</u> | <u>268,024</u> | <u>384,025</u> |
| <u>Excess (Deficiency) of Revenues Over Expenditures</u> | | <u>70,112</u> | <u>(1,017)</u> | <u>(812)</u> | <u>2,552</u> | <u>(952)</u> | <u>(144,499)</u> | <u>(74,616)</u> |
| <u>Fund Balance - Beginning of year</u> | | <u>156,785</u> | <u>1,017</u> | <u>1,311</u> | <u>1,612</u> | <u>4,611</u> | <u>291,215</u> | <u>456,551</u> |
| <u>Fund Balance - End of year</u> | <u>\$ -0-</u> | <u>\$ 226,897</u> | <u>\$ -0-</u> | <u>\$ 499</u> | <u>\$ 4,164</u> | <u>\$ 3,659</u> | <u>\$ 146,716</u> | <u>\$ 381,935</u> |