

CITY OF HARRINGTON, DELAWARE

FINANCIAL STATEMENTS
SUPPLEMENTARY INFORMATION
AND
INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2021

CITY OF HARRINGTON, DELAWARE

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JUNE 30, 2021

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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, 2021, 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 of 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, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and budgetary comparison information on pages 6 through 15 and 51, respectively, proportionate share of the net pension liability (asset) - Delaware Municipal Police/Firefighter and Delaware County and Municipal Other Employees' Pension Plans on pages 52 and 53 and schedules of City contributions for the Delaware Municipal Police/Firefighter and Delaware County and Municipal Other Employees' Pension Plan on pages 54 and 55 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who, considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Harrington, Delaware's basic financial statements. The accompanying combining and individual special revenue fund financial statements and Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying combining and individual nonmajor fund financial statements and Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are the responsibility of management and were derived

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 15, 2023 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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
May 15, 2023

Horty: Horty PA

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, business - type activities, each major fund, and the aggregate remaining fund information of the City of Harrington, Delaware, as of and for the year ended June 30, 2021, 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 May 15, 2023.

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) as a basis for designing 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

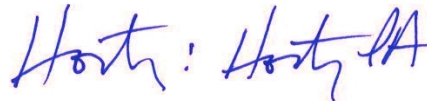
As part of obtaining reasonable assurance about whether the City of Harrington, Delaware’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 May 15, 2023.

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
May 15, 2023



CITY OF HARRINGTON, DELAWARE

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2021

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, 2021. We encourage users to read it in conjunction with the City's financial statements, which follow this section.

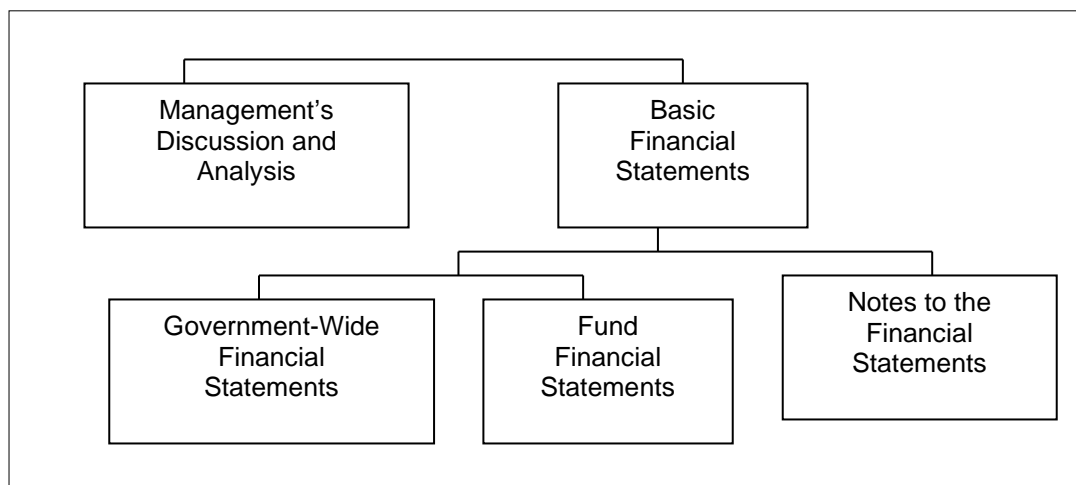
Financial Highlights For Fiscal Year 2021

- The assets of the City exceeded its liabilities at the close of the 2021 fiscal year resulting in a net position of \$15,507,147. Of this amount, \$7,199,308 is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors, and \$5,546,647 is invested in capital assets, net of related debt.
- As of June 30, 2021, the City's governmental funds reported combined ending fund balances of \$3,079,404.

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 funds statements; and 2) the proprietary funds 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 nonmajor governmental funds, all of which are added together in one column on the basic financial statements.

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

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

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

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

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

The government-wide statements can be found on pages 16 and 17 of this report.

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

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

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

The City has nine governmental funds. Information is presented separately in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund, municipal street fund and real estate transfer tax fund which are considered to be major funds. The nonmajor governmental funds comprise the other six governmental funds. Data for these funds is combined into a single, aggregated presentation.

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

The basic governmental fund financial statements can be found on pages 18 through 21 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 22 through 25 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 26 through 50 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 56 and 57 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, 2021.

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 \$15,507,147 at the close of the fiscal year, June 30, 2021.

By far the largest portion of the City's net position (51 percent) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment). The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

CITY OF HARRINGTON, DELAWARE'S NET POSITION

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>June 30,</u>		<u>June 30,</u>		<u>June 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Current and other assets	\$3,230,859	\$3,173,481	\$ 5,765,042	\$ 3,908,398	\$ 8,995,901	\$ 7,081,879
Land held for sale	1,196,771	1,187,778			1,196,771	1,187,778
Capital assets	3,963,206	3,925,748	11,840,120	12,367,389	15,803,326	16,293,137
Deferred outflows of resources	<u>361,045</u>	<u>404,513</u>	<u>19,377</u>	<u>23,323</u>	<u>380,422</u>	<u>427,836</u>
<u>Total Assets and Deferred Outflows of Resources</u>	<u>\$8,751,881</u>	<u>\$8,691,520</u>	<u>\$17,624,539</u>	<u>\$16,299,110</u>	<u>\$26,376,420</u>	<u>\$24,990,630</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>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Current liabilities	\$1,531,977	\$1,073,237	\$1,332,393	\$ 635,003	\$ 2,864,370	\$ 1,708,240
Noncurrent liabilities	131,156	273,276	7,668,531	7,129,362	7,799,687	7,402,638
Deferred inflows of resources	<u>194,803</u>	<u>100,329</u>	<u>10,413</u>	<u>6,497</u>	<u>205,216</u>	<u>106,826</u>
<u>Total Liabilities and Deferred Inflows of Resources</u>	<u>1,857,936</u>	<u>1,446,842</u>	<u>9,011,337</u>	<u>7,770,862</u>	<u>10,869,273</u>	<u>9,217,704</u>
Contributed capital			2,379,777	2,679,660	2,379,777	2,679,660
Restricted	381,415	504,935			381,415	504,935
Invested in capital assets	3,963,206	3,925,748	1,583,441	2,294,729	5,546,647	6,220,477
Unrestricted	<u>2,549,324</u>	<u>2,813,995</u>	<u>4,649,984</u>	<u>3,553,859</u>	<u>7,199,308</u>	<u>6,367,854</u>
<u>Total Net Position</u>	<u>\$6,893,945</u>	<u>\$7,244,678</u>	<u>\$8,613,202</u>	<u>\$8,528,248</u>	<u>\$15,507,147</u>	<u>\$15,772,926</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>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
REVENUES						
<u>Program Revenues</u>						
Charges for services	\$1,526,143	\$1,798,170	\$2,199,560	\$2,028,737	\$3,725,703	\$3,826,907
Operating grants and contributions	415,656	373,430			415,656	373,430
Capital grants and contributions	82,601	557,164		627,026	82,601	1,184,190
<u>General Revenues</u>						
Property taxes	1,141,326	1,076,342			1,141,326	1,076,342
Transfer tax	261,518	123,028			261,518	123,028
Community impact fees	21,700	15,750			21,700	15,750
Other revenue	<u>38,419</u>	<u>81,694</u>	<u>8,280</u>	<u>37,171</u>	<u>46,699</u>	<u>118,865</u>
<u>Total Revenues</u>	<u>3,487,363</u>	<u>4,025,578</u>	<u>2,207,840</u>	<u>2,692,934</u>	<u>5,695,203</u>	<u>6,718,512</u>
EXPENSES						
General government	1,156,600	1,054,935			1,156,600	1,054,935
Police	1,598,155	1,587,500			1,598,155	1,587,500
Public works	327,954	376,980			327,954	376,980
Parks and recreation	150,244	167,875			150,244	167,875
Trash	254,060	230,816			254,060	230,816
Library	182,715	181,733			182,715	181,733
Fire company	168,368	152,614			168,368	152,614
Sewer			1,723,771	1,571,064	1,723,771	1,571,064
Water			<u>399,115</u>	<u>435,622</u>	<u>399,115</u>	<u>435,622</u>
<u>Total Expenses</u>	<u>3,838,096</u>	<u>3,752,453</u>	<u>2,122,886</u>	<u>2,006,686</u>	<u>5,960,982</u>	<u>5,759,139</u>

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>June 30,</u>		<u>June 30,</u>		<u>June 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
<u>Change in Net Position</u>	(350,733)	273,125	84,954	686,248	(265,779)	959,373
<u>Net Position - Beginning of year</u>	<u>7,244,678</u>	<u>6,971,553</u>	<u>8,528,248</u>	<u>7,842,000</u>	<u>15,772,926</u>	<u>14,813,553</u>
<u>Net Position - End of year</u>	<u>\$6,893,945</u>	<u>\$7,244,678</u>	<u>\$8,613,202</u>	<u>\$8,528,248</u>	<u>\$15,507,147</u>	<u>\$15,772,926</u>

For the year ended June 30, 2021, 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, 2021, the City's governmental funds reported a combined ending fund balance of \$3,079,404.

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, 2021, the general fund balance is \$1,982,420.

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 loss of \$115,789. Income of \$200,743 was reported in the water fund.

GENERAL FUND BUDGETARY HIGHLIGHTS

The City adopted the fiscal year 2021 budget on June 1, 2020. The City's practice is to get approval from the Council if the budget is amended. During 2021, there were no significant 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, 2021, was \$15,803,326 (net of accumulated depreciation). Capital assets include land, building and improvements, furniture and fixtures, equipment and streets. Capital asset additions of \$2,621,478 exceed depreciation by \$1,659,976.

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 \$7,876,902 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 continues working 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 October 2016, the City passed a referendum to obtain a new loan package from the DWSRF (DNREC) and USDA for needed water projects. The 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 overall financing package includes funding for these projects totaling \$9.916 million, in which DNREC will forgive \$7.600 million of principle and the USDA will grant the City \$201 thousand, resulting in a final loan with the

USDA in the amount of \$2.115 million. The loan will be repaid over a period of 40 years at 2.250%. Payments will be \$20,093 quarterly or \$80,372 annually.

Proposals for the water main transmission system project, the above ground water storage tank, and well house project were received in January 2022. Joao & Bradley was awarded the bid for the construction of the water main transmission system project in the amount of approximately \$3.7 million and Johnston Construction was awarded the bid for the construction of the water storage tank and well project in the amount of approximately \$5.9 million. The City is allocating \$709 thousand of their ARPA funds towards these projects. The water main transmission system project is estimated to be completed in May 2023 and the water tank storage project is estimated to be completed in August 2023.

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

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 between \$3 million and \$5 million. The western lagoon (Phases 1 and 2) has been closed and the City received final DNREC approval of its closure in October 2020. The City will be responsible for the maintenance of its pump stations and gravity sewer system once all lagoons are cleaned out and closed and the respective financing has been repaid. Cleanout of the other lagoons is ongoing.

In 2016, the City obtained a new loan package from the CWSRF (DNREC) and USDA 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 overall financing package includes funding for this project totaling approximately \$1.698 million, in which DNREC will forgive approximately \$306 thousand in principle and grant approximately \$199 thousand, and the USDA will grant approximately \$417 thousand, resulting in a final loan with the USDA in the amount of \$776 thousand. The loan will be repaid over a period of 40 years at 1.375%. Payments will be \$6,317 quarterly and \$25,268 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 \$2.4 million. During the project DNREC and the USDA modified their funding resulting in additional DNREC principle forgiveness of approximately \$199 thousand and additional USDA grants of approximately \$510 thousand.

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. The City was awarded approximately \$11.5 million of State Bond Bill and ARPA funds from the State of Delaware in February 2022 for the construction of a 15,000 sqft new library. The City hired a construction manager in October 2022. Construction of the new library is anticipated to begin in June 2023.

Industrial Park

The City owns 38.32 acres of industrial park on U.S #13. The City has been working with other landowners to develop a master plan for the combined areas. In August 2021 the Dover/Kent County Metropolitan Planning Organization assisted the City to create a master plan for three parcels, which resulted in The Harrington Multimodal Freight Terminal Feasibility Study prepared by Whitman, Requardt & Associates, LLP. The City hired an engineer in 2022 to complete a sub-division plan and cost analysis for infrastructure for the City's parcel as well as the two adjoining parcels. The total is estimated at \$5.2 million. The City received \$1,000,000 dollars from the Delaware Site Readiness grant through the Delaware Economic Development Authority in September 2022. The City plans to apply for additional funding.

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, 2021

	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
<u>Current Assets</u>			
Cash and cash equivalents	\$ 2,435,029	\$ 3,936,546	\$ 6,371,575
Taxes receivable (net of allowances)	49,965		49,965
Accounts receivable	191,138	6,335	197,473
Intragovernment receivable	517,245	657,364	1,174,609
Government receivable	8,992	610,475	619,467
Service charges receivable		549,212	549,212
Assets held for sale	7,500		7,500
Prepaid expenses	20,990	5,110	26,100
<u>Total Current Assets</u>	<u>3,230,859</u>	<u>5,765,042</u>	<u>8,995,901</u>
<u>Noncurrent Assets</u>			
Land held for sale	1,196,771		1,196,771
<u>Capital Assets</u>			
Water and sewer systems		22,036,267	22,036,267
Construction in progress	385,402	461,139	846,541
Land and buildings	4,985,763		4,985,763
Furniture, fixtures and equipment	2,750,608		2,750,608
<u>Less: Accumulated depreciation</u>	<u>(4,158,567)</u>	<u>(10,657,286)</u>	<u>(14,815,853)</u>
<u>Total Capital Assets, Net of Accumulated Depreciation</u>	<u>3,963,206</u>	<u>11,840,120</u>	<u>15,803,326</u>
<u>Total Assets</u>	<u>8,390,836</u>	<u>17,605,162</u>	<u>25,995,998</u>
<u>Deferred Outflows of Resources</u>			
Deferred outflows of resources - Delaware Public Employees Retirement System	361,045	19,377	380,422
<u>Total Assets and Deferred Outflows of Resources</u>	<u>\$ 8,751,881</u>	<u>\$ 17,624,539</u>	<u>\$ 26,376,420</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>			
Accounts payable and other	\$ 173,617	\$ 101,045	\$ 274,662
Intragovernment payable	1,174,609		1,174,609
Bonds and notes payable		1,211,427	1,211,427
Accrued compensated absences	<u>183,751</u>	<u>19,921</u>	<u>203,672</u>
<u>Total Current Liabilities</u>	1,531,977	1,332,393	2,864,370
<u>Noncurrent Liabilities</u>			
Bonds and note payable		6,665,475	6,665,475
Unearned revenue		982,044	982,044
Net pension liability	<u>131,156</u>	<u>21,012</u>	<u>152,168</u>
<u>Total Liabilities</u>	<u>1,663,133</u>	<u>9,000,924</u>	<u>10,664,057</u>
<u>Deferred Inflows of Resources</u>			
Deferred inflows of resources - Delaware Public Employees Retirement System	<u>194,803</u>	<u>10,413</u>	<u>205,216</u>
<u>Total Liabilities and Deferred Inflows of Resources</u>	<u>1,857,936</u>	<u>9,011,337</u>	<u>10,869,273</u>
<u>Net Position</u>			
Contributed capital		2,379,777	2,379,777
Restricted for:			
Library expenditures	155,240		155,240
Police expenditures	23,012		23,012
Street rehabilitation expenditures	203,163		203,163
Invested in capital assets, net of related debt	3,963,206	1,583,441	5,546,647
Unrestricted	<u>2,549,324</u>	<u>4,649,984</u>	<u>7,199,308</u>
<u>Total Net Position</u>	<u>\$ 6,893,945</u>	<u>\$ 8,613,202</u>	<u>\$ 15,507,147</u>

CITY OF HARRINGTON, DELAWARE

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2021

<u>FUNCTIONS/PROGRAMS</u>	<u>Program Revenues</u>			<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>		<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>Governmental Activities:</u>							
General government	\$ 1,156,600	\$ 318,008	\$ 111,808	\$ 82,601	\$ (644,183)		\$ (644,183)
Police	1,598,155	333,824	226,610		(1,037,721)		(1,037,721)
Public works	327,954	4,663			(323,291)		(323,291)
Trash	254,060	249,069			(4,991)		(4,991)
Library	182,715	717	45,238		(136,760)		(136,760)
Fire company	168,368	96,260			(72,108)		(72,108)
Parks and recreation	150,244	55,067	32,000		(63,177)		(63,177)
Interfund service fee		468,535			468,535		468,535
<u>Total Governmental Activities</u>	<u>3,838,096</u>	<u>1,526,143</u>	<u>415,656</u>	<u>82,601</u>	<u>(1,813,696)</u>		<u>(1,813,696)</u>
<u>Business-Type Activities:</u>							
Sewer	1,723,771	1,607,279				\$ (116,492)	(116,492)
Water	399,115	592,281				193,166	193,166
<u>Total Business-Type Activities</u>	<u>2,122,886</u>	<u>2,199,560</u>				<u>76,674</u>	<u>76,674</u>
<u>Total</u>	<u>\$ 5,960,982</u>	<u>\$ 3,725,703</u>	<u>\$ 415,656</u>	<u>\$ 82,601</u>	<u>(1,813,696)</u>	<u>76,674</u>	<u>(1,737,022)</u>
<u>General Revenues and Transfers:</u>							
<u>Taxes:</u>							
Property taxes					1,141,326		1,141,326
Transfer tax					261,518		261,518
Loss on disposal of assets					(9,603)		(9,603)
Interest					11,019	8,280	19,299
Community impact fees					21,700		21,700
Miscellaneous					37,003		37,003
<u>Total General Revenues</u>					<u>1,462,963</u>	<u>8,280</u>	<u>1,471,243</u>
<u>Change in Net Position</u>					<u>(350,733)</u>	<u>84,954</u>	<u>(265,779)</u>
<u>Net Position - Beginning of year</u>					<u>7,244,678</u>	<u>8,528,248</u>	<u>15,772,926</u>
<u>Net Position - End of year</u>					<u>\$ 6,893,945</u>	<u>\$ 8,613,202</u>	<u>\$ 15,507,147</u>

CITY OF HARRINGTON, DELAWARE

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2021

<u>ASSETS</u>	<u>General Fund</u>	<u>Municipal Street Aid Fund</u>	<u>Real Estate Transfer Tax Fund</u>	<u>Other Nonmajor Funds</u>	<u>Total Governmental Funds</u>
Cash and cash equivalents	\$ 1,194,993	\$ 281,259	\$ 715,569	\$ 243,208	\$ 2,435,029
Taxes receivable (net of allowances)	49,965				49,965
Accounts receivable	191,138				191,138
Intragovernment receivable	369,676			147,569	517,245
Government receivable	8,992				8,992
Assets held for sale	7,500				7,500
Land held for sale	1,196,771				1,196,771
Prepaid expenses	20,990				20,990
<u>Total Assets</u>	<u>\$ 3,040,025</u>	<u>\$ 281,259</u>	<u>\$ 715,569</u>	<u>\$ 390,777</u>	<u>\$ 4,427,630</u>
<u>LIABILITIES</u>					
Accounts payable and other	\$ 173,617				\$ 173,617
Intragovernment payable	883,988	\$ 78,096		\$ 212,525	1,174,609
<u>Total Liabilities</u>	<u>1,057,605</u>	<u>78,096</u>		<u>212,525</u>	<u>1,348,226</u>
<u>FUND BALANCE</u>					
Nonspendable:					
Nonspendable:					
Land held for sale	1,196,771				1,196,771
Assets held for sale	7,500				7,500
Prepaid expenses	20,990				20,990
Restricted for:					
Police				23,012	23,012
Street rehabilitation		203,163			203,163
Committed for:					
City capital improvements			715,569		715,569
Library building				155,240	155,240
Assigned:					
Contingency	305,768				305,768
Unassigned	451,391				451,391
<u>Total Fund Balance</u>	<u>1,982,420</u>	<u>203,163</u>	<u>715,569</u>	<u>178,252</u>	<u>3,079,404</u>
<u>Total Liabilities and Fund Balance</u>	<u>\$ 3,040,025</u>	<u>\$ 281,259</u>	<u>\$ 715,569</u>	<u>\$ 390,777</u>	<u>\$ 4,427,630</u>

CITY OF HARRINGTON, DELAWARE

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

JUNE 30, 2021

<u>Total Fund Balances, Governmental Funds (Page 18)</u>	\$ 3,079,404
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.	3,963,206
Some liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the fund financial statements. Those liabilities consist of:	
Accrued compensated absences	(183,751)
Net pension liability	<u>(131,156)</u> (314,907)
Deferred charges - Delaware Public Employees Retirement System	<u>166,242</u>
<u>Net Position of Governmental Activities in the Statement of Net Position (Page 16)</u>	<u>\$ 6,893,945</u>

CITY OF HARRINGTON, DELAWARE

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

YEAR ENDED JUNE 30, 2021

	<u>General Fund</u>	<u>Municipal Street Aid Fund</u>	<u>Real Estate Transfer Tax Fund</u>	<u>Other Nonmajor Funds</u>	<u>Total Governmental Funds</u>
<u>Revenues</u>					
Taxes and assessments	\$ 1,141,326		\$ 261,518		\$ 1,402,844
Licenses and permits	309,589				309,589
Fines, forfeits and costs	8,019				8,019
Intergovernmental revenues		\$ 82,601		\$ 126,993	209,594
Charges for services	249,469				249,469
Grants	111,808				111,808
Fire company	96,260				96,260
Police revenue	433,441				433,441
Library revenue	45,955				45,955
Parks and recreation revenue	87,067				87,067
Miscellaneous	41,664		2,000		43,664
Interest income	8,646	448	914	1,011	11,019
Community impact fees	21,700				21,700
Interfund service fee	468,535				468,535
<u>Total Revenues</u>	<u>3,023,479</u>	<u>83,049</u>	<u>264,432</u>	<u>128,004</u>	<u>3,498,964</u>
<u>Expenditures</u>					
General government	1,026,604	97,462			1,124,066
Police	1,361,130		38,660	112,111	1,511,901
Public works	297,282		123,933		421,215
Trash	254,060				254,060
Library	174,075				174,075
Fire company	157,255				157,255
Parks and recreation	137,367		10,070		147,437
<u>Total Expenditures</u>	<u>3,407,773</u>	<u>97,462</u>	<u>172,663</u>	<u>112,111</u>	<u>3,790,009</u>
<u>Excess (Deficiency) of Revenues Over Expenditures</u>	<u>(384,294)</u>	<u>(14,413)</u>	<u>91,769</u>	<u>15,893</u>	<u>(291,045)</u>
<u>Other Financing Sources</u>					
Transfers in (out)	(2,408)		2,408		
<u>Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures</u>	<u>(386,702)</u>	<u>(14,413)</u>	<u>94,177</u>	<u>15,893</u>	<u>(291,045)</u>
<u>Fund Balances - Beginning of year</u>	<u>2,369,122</u>	<u>217,576</u>	<u>621,392</u>	<u>162,359</u>	<u>3,370,449</u>
<u>Fund Balances - End of Year</u>	<u>\$ 1,982,420</u>	<u>\$ 203,163</u>	<u>\$ 715,569</u>	<u>\$ 178,252</u>	<u>\$ 3,079,404</u>

CITY OF HARRINGTON, DELAWARE

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

YEAR ENDED JUNE 30, 2021

<u>Net Change in Fund Balances, Governmental Funds (Page 20)</u>	\$ (291,045)
<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 (\$400,274) is more than depreciation (\$351,213), in the current period	49,061
Losses as a result of the disposal of capital assets are not financial resources and are therefore not report in the fund financial statements but are reported in the governmental activities in the statement of activities.	(11,603)
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>(97,146)</u>
<u>Change in Net Position of Governmental Activities (Page 17)</u>	<u>\$ (350,733)</u>

CITY OF HARRINGTON, DELAWARE
STATEMENT OF NET POSITION
PROPRIETARY FUND - WATER AND SEWER FUND

JUNE 30, 2021

Assets

Current Assets

Cash and cash equivalents	\$ 3,936,546
Accounts receivable	6,335
Intragovernment receivable	657,364
Government receivable	610,475
Service charges receivable	549,212
Prepaid expenses	<u>5,110</u>

Total Current Assets 5,765,042

Noncurrent Assets

Capital Assets

Water and sewer systems	22,036,267
Construction in progress	461,139
<u>Less: Accumulated depreciation</u>	<u>(10,657,286)</u>

Total Capital Assets, Net of Accumulated
Depreciation 11,840,120

Total Assets 17,605,162

Deferred Outflow of Resources

Deferred outflows of resources - Delaware Public Employees Retirement System	<u>19,377</u>
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Total Assets and Deferred Outflows of Resources \$ 17,624,539

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

Liabilities

Current Liabilities

Accounts payable and other	\$ 101,045
Bonds and notes payable	1,211,427
Accrued compensated absences	<u>19,921</u>

Total Current Liabilities 1,332,393

Noncurrent Liabilities

Bonds and notes payable	6,665,475
Unearned revenue	982,044
Net pension liability	<u>21,012</u>

Total Liabilities 9,000,924

Deferred Inflows of Resources

Deferred Inflows of resources - Delaware Public Employees Retirement System	<u>10,413</u>
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Total Liabilities and Deferred Inflows of Resources 9,011,337

Net Position

Contributed capital	2,379,777
Invested in capital assets, net of related debt	1,583,441
Unrestricted retained earnings	<u>4,649,984</u>

Total Net Position \$ 8,613,202

CITY OF HARRINGTON, DELAWARE

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

YEAR ENDED JUNE 30, 2021

	Sewer	Water	Total
<u>Operating Revenues</u>			
Sewer fees	\$ 1,476,118		\$ 1,476,118
Water fees		\$ 485,605	485,605
Hook ups	17,000	42,634	59,634
Miscellaneous	3,122	19,582	22,704
<u>Total Operating Revenues</u>	1,496,240	547,821	2,044,061
<u>Operating Expenses</u>	1,258,475	255,906	1,514,381
<u>Operating Income</u>	237,765	291,915	529,680
<u>Non-Operating Revenues (Expenses)</u>			
Interest expense	(113,895)	(26,075)	(139,970)
Interfund service fee	(351,401)	(117,134)	(468,535)
Impact fees	111,039	44,460	155,499
Interest income	703	7,577	8,280
<u>Total Non-Operating Expenses</u>	(353,554)	(91,172)	(444,726)
<u>Net Income (Loss)</u>	\$ (115,789)	\$ 200,743	84,954
<u>Net Position</u> - Beginning of year			8,528,248
<u>Net Position</u> - End of year			\$ 8,613,202

CITY OF HARRINGTON, DELAWARE
STATEMENT OF OPERATING EXPENSES
PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2021

	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
Salaries	\$ 52,789	\$ 56,821	\$ 109,610
Payroll taxes	8,544	9,077	17,621
Pension	4,196	4,876	9,072
Health insurance	14,882	29,295	44,177
Vehicle maintenance and repair	276		276
Office supplies	606	252	858
Telephone	195	240	435
Postage	1,965	1,965	3,930
Heat and electric	7,142	15,631	22,773
Safety	869		869
Maintenance agreement	2,677	434	3,111
Dues and meetings		500	500
Building repairs and maintenance	2,576		2,576
Equipment repair		3,048	3,048
Pump station repairs	5,194		5,194
Engineering	81,475	2,820	84,295
Chemicals	1,650	8,458	10,108
Water meters		1,617	1,617
Sample testing		500	500
Water line repairs		14,447	14,447
Flow meter operations	2,700		2,700
License and permits		1,209	1,209
Insurance	31,042	12,417	43,459
County sewer fee	521,707		521,707
Depreciation	<u>517,990</u>	<u>92,299</u>	<u>610,289</u>
<u>Total Operating Expenses</u>	<u>\$ 1,258,475</u>	<u>\$ 255,906</u>	<u>\$ 1,514,381</u>

CITY OF HARRINGTON, DELAWARE

STATEMENT OF CASH FLOWS
(ALL PROPRIETARY FUNDS)

YEAR ENDED JUNE 30, 2021

<u>Cash Flows From Operating Activities</u>	
Cash received from customers and other government	\$ 1,716,688
Cash paid to suppliers	(44,380)
Cash paid to employees	<u>(96,302)</u>
<u>Net Cash Provided By Operating Activities</u>	<u>1,576,006</u>
<u>Cash Flows From Non-Capital Financing Activities</u>	
Operating transfers to other funds	<u>(468,535)</u>
<u>Cash Flows From Capital and Related Financing Activities</u>	
Purchase of property and equipment	(83,020)
Proceeds from financing with federal agency	776,000
Principal paid on general obligation debt	(292,099)
Interest paid	(139,970)
Capital contribution received	<u>61,129</u>
<u>Net Cash Provided by Capital and Related Financing Activities</u>	<u>322,040</u>
<u>Cash Flows From Investing Activities</u>	
Interest income	<u>8,280</u>
<u>Net Increase In Cash and Cash Equivalents</u>	1,437,791
<u>Cash and Cash Equivalents</u>	
Beginning of year	<u>2,498,755</u>
End of year	<u>\$ 3,936,546</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>	\$ 529,680
<u>Adjustments To Reconcile Operating Income To Net</u>	
<u>Cash Provided By Operating Activities</u>	
Depreciation	610,289
Non-operating revenues	155,499
(Increase) decrease in:	
Accounts receivable	(738)
Service charges receivable	(28,404)
Intragovernment receivable	(453,730)
Deferred outflows of resources	3,946
Prepaid expenses	2,890
Increase (decrease) in:	
Accounts payable and other	(233,917)
Compensated absences	12,032
Unearned revenue	982,044
Net pension liability	(7,501)
Deferred inflows of resources	<u>3,916</u>
<u>Net Cash Provided By Operating Activities</u>	<u>\$ 1,576,006</u>

CITY OF HARRINGTON, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

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, 2021

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 funds 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, 2021

Municipal Street Aid Fund - This fund is a grant that is derived from a portion of the of the State of Delaware's motor fuel tax. All revenue received must be expended on street maintenance and repairs.

Real Estate Transfer Tax Fund - This fund is a source of income derived from the State of Delaware, by which each town will receive 1-1/2 percent of real estate transfer taxes. This revenue may be used for public safety, economic development programs, capital and City capital projects and debt reduction.

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 City reports six special revenue funds as nonmajor funds. These special revenue funds account for proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

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, 2021

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, 2021

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, 2021

Major outlays for capital assets and improvements are capitalized as projects are 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 and sick leave 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, 2021

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, (3) changes in pension plan assumptions and (4) differences between projected and actual earnings 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) changes in pension plan assumptions, (3) differences between actual and expected experience and (4) 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, 2021

Budgetary Data

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

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

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

Transfers of appropriations between functions require approval of the Council.

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

Budgeted amounts were originally adopted by the Council on June 1, 2020. There were no significant changes to the fiscal 2021 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, 2021

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, 2021 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	5,871,575	5,963,143
Category 3	<hr/>	<hr/>
<u>Total Cash and Cash Equivalents</u>	<u>\$6,371,575</u>	<u>\$6,463,143</u>

At June 30, 2021, the City's cash and cash equivalents are comprised of the following:

Carrying value of unrestricted cash and cash equivalents	\$3,811,329
Restricted cash and cash equivalents	<u>2,560,246</u>
<u>Total</u>	<u>\$6,371,575</u>

CITY OF HARRINGTON, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

Note 4 - Property and Equipment

The following is a summary of changes in capital assets for the year ended June 30, 2021:

	<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	\$ 390,402	\$ 110,549	\$ 115,549	\$ 385,402
Capital assets, being depreciated:				
Furniture, fixtures and equipment	2,386,083	405,274	40,749	2,750,608
Land and buildings	4,985,763	_____	_____	4,985,763
Total capital assets being depreciated	<u>7,371,846</u>	<u>405,274</u>	<u>40,749</u>	<u>7,736,371</u>
Less accumulated depreciation for:				
Furniture, fixtures and equipment	1,913,818	135,310	29,146	2,019,982
Land and buildings	1,922,682	215,903	_____	2,138,585
Total accumulated depreciation	<u>3,836,500</u>	<u>351,213</u>	<u>29,146</u>	<u>4,158,567</u>
Total capital assets being depreciated, net	<u>3,535,346</u>	<u>54,061</u>	<u>11,603</u>	<u>3,577,804</u>
Governmental activities capital assets, net	<u>\$ 3,925,748</u>	<u>\$ 164,610</u>	<u>\$ 127,152</u>	<u>\$ 3,963,206</u>
<u>Business - Type Activities</u>				
Capital assets, not being depreciated:				
Construction in progress	\$ 2,594,323	\$ 71,260	\$ 2,204,444	\$ 461,139
Capital assets, being depreciated:				
Water and sewer systems	19,820,063	2,216,204	_____	22,036,267
Less accumulated depreciation for:				
Water and sewer systems	<u>10,046,997</u>	<u>610,289</u>	_____	<u>10,657,286</u>

CITY OF HARRINGTON, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

Total capital assets being depreciated, net	<u>9,773,066</u>	<u>1,605,915</u>		<u>11,378,981</u>
Business-type activities capital assets, net	<u>\$12,367,389</u>	<u>\$ 1,677,175</u>	<u>\$ 2,204,444</u>	<u>\$11,840,120</u>

Depreciation expense for the year ended June 30, 2021 was charged to the functions of the primary government as follows:

Governmental Activities

General government	\$228,749
Police	87,298
Public works	23,772
Parks and recreation	5,196
Library	<u>6,198</u>

<u>Total Depreciation Expense - Governmental Activities</u>	<u>\$351,213</u>
---	------------------

Note 5 - Accounts Payable and Other

Accounts payable and other at June 30, 2021 consists of the following:

	<u>Governmental Funds</u>	<u>Enterprise Funds</u>	<u>Total</u>
Accounts payable	\$113,552	\$ 76,308	\$189,860
Accrued expenses	<u>60,065</u>	<u>24,737</u>	<u>84,802</u>
<u>Total</u>	<u>\$173,617</u>	<u>\$101,045</u>	<u>\$274,662</u>

Note 6 - 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 \$696,031 at June 30, 2021 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, 2021

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 \$1,409,412 at June 30, 2021 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, 2021 is \$1,142,109. 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, 2021 is \$351,776. 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 \$451,080 at June 30, 2021 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 wastewater treatment plant. The loan balance is \$1,191,157 at June 30, 2021 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 \$509,008 at June 30, 2021 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, 2021

emergency water main project. The loan balance is \$317,041 at June 30, 2021 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 \$134,481 at June 30, 2021 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.

In June 2018, the City entered into an interim financing loan agreement with the State of Delaware Department of Natural Resources (DNREC). Proceeds of the loan were used to complete the City's sewer capacity expansion project. The loan balance is \$898,807 at June 30, 2021 and currently requires semi-annual payments of interest at 2%. The City started making semi-annual interest only payments in July 2019 and the outstanding principal balance is expected to be fully repaid in fiscal year 2022.

In May 2021, the City entered into a loan with the United States Department of Agriculture. Proceeds were used to repay the interim financing loan agreement with the State of Delaware Department of Natural Resources (DNREC). The loan balance is \$776,000 at June 30, 2021 and is payable in quarterly payments of principal and interest at 1.375%, beginning in August 2021. Final payment is due May 2061. The loan is secured by a general obligation bond.

<u>Business-Type Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Decreases</u>	<u>Balance June 30, 2021</u>
USDA 2009 Loan	\$ 712,743		\$ 16,712	\$ 696,031
USDA 2013 Loan	1,441,635		32,223	1,409,412
DNREC 2010 Loan	1,244,312		102,203	1,142,109
DNREC 2014 Loan	381,603		29,827	351,776
USDA 2016 Loan	465,349		14,269	451,080
DNREC 2016 Loan	1,251,597		60,440	1,191,157
DNREC 2016 Loan	527,813		18,805	509,008
DNREC 2016 Loan	330,217		13,176	317,041
DNREC 2016 Loan	138,925		4,444	134,481

CITY OF HARRINGTON, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

DNREC 2020 Loan	898,807			898,807
USDA 2021 Loan	<u> </u>	<u>\$776,000</u>	<u> </u>	<u>776,000</u>
<u>Total</u>	<u>\$7,393,001</u>	<u>\$776,000</u>	<u>\$292,099</u>	<u>\$7,876,902</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>
2022	\$1,211,427	\$ 144,716	\$1,356,143
2023	318,802	126,484	445,286
2024	325,065	120,221	445,286
2025	331,539	113,747	445,286
2026	340,368	107,188	447,556
2027-2031	1,791,245	432,916	2,224,161
2032-2036	1,141,081	276,964	1,418,045
2037-2041	920,336	196,566	1,116,902
2042-2046	665,846	172,223	838,069
2047-2051	495,408	96,666	592,074
2052-2056	215,913	40,694	256,607
2057-2061	<u>119,872</u>	<u>6,301</u>	<u>126,173</u>
<u>Total</u>	<u>\$7,876,902</u>	<u>\$1,834,686</u>	<u>\$9,711,588</u>

Note 7 - 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 16.59% of covered payroll for the year ended June 30, 2021. The total amount contributed by the City for the year ended June 30, 2021 is \$112,463 of which \$70,860 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 in excess of twenty years. Vesting occurs after five years of credited service, age plus credited service (but not less than ten years) equals seventy-five, or twenty years of service at

CITY OF HARRINGTON, DELAWARE

NOTES TO FINANCIAL STATEMENTS

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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, 2020 measurement date was determined by an actuarial valuation as of June 30, 2019, and update procedures were used to roll forward the total pension liability to June 30, 2020. 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
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 based 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.

CITY OF HARRINGTON, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

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, 2021, the City reported a pension liability of \$112,639 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, 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, 2019 to June 30, 2020. The City's proportion of the net pension liability was calculated utilizing the employer's one-year actual reported contributions. At June 30, 2020, the City's proportion was 0.7329%, which was an increase of 0.0034% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the City recognized a net negative pension expense of \$1,256. At June 30, 2021 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between projected and actual investment earnings		\$ 79,859
Changes in proportions	\$ 2,162	1,508
Difference between actual and expected experience	112,070	35,491
Changes in assumptions	41,588	17,016
Contributions subsequent to the measurement date	<u>112,463</u>	<u> </u>
	<u>\$ 268,283</u>	<u>\$ 133,874</u>

An amount of \$112,463 is reported as deferred outflows of resources resulting from the City's contribution subsequent to the measurement date (June 30, 2020) and will be recognized as a reduction of the net pension liability in the year ended June 30, 2022.

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

CITY OF HARRINGTON, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

Year ended June 30,	
2022	\$ 22,923
2023	6,765
2024	(9,487)
2025	2,466
2026	(14,251)
Thereafter	<u>(30,362)</u>
	<u>\$ (21,946)</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 9 years for the 2020 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 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>	<u>Asset Allocation</u>
Domestic equity	5.7%	28.5%
International equity	5.7%	15.2%
Fixed income	2.0%	28.8%
Alternative investments	7.8%	23.0%
Cash and cash equivalents	0.0%	4.5%

Discount Rate

The discount rate used to measure the total pension liability was 7.0%. 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

CITY OF HARRINGTON, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

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 (asset) would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate:

	1% Decrease 6.0%	Current Discount Rate 7.0%	1% Increase 8.0%
City's proportionate share of the net pension liability (asset)	\$626,930	\$112,639	\$ (307,129)

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 8 - 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 7.06% of covered payroll for the year ended June 30, 2021. The total amount contributed by the City for the year ended June 30, 2021 is \$61,234.

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

CITY OF HARRINGTON, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

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 50% of the pension. If an employee who has years of service dies, the eligible survivor receives 50% of the pension that the employee would have received at age sixty-two.

The total pension liability for the June 30, 2020 measurement date was determined by an actuarial valuation as of June 30, 2019, and update procedures were used to roll forward the total pension liability to June 30, 2020. 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
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 based 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.

CITY OF HARRINGTON, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

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, 2021, the City reported a pension liability of \$18,517 for the governmental activities and a pension liability of \$21,012 for the business-type activities for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, 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, 2019 to June 30, 2020. The City's proportion of the net pension liability was calculated utilizing the employer's one-year actual reported contributions. At June 30, 2020, the City's proportion was 1.8600%, which was a decrease of 0.1532% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the City recognized a net negative pension expense of \$2,922 for the governmental activities and a net pension expense of \$361 for its business-type activities. At June 30, 2021 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between projected and actual investment earnings		\$ 29,539
Changes in proportions	\$ 49	13,937
Changes in assumptions	23,267	
Difference between actual and expected experience	27,589	27,866
Contributions subsequent to the measurement date	61,234	
	<u>\$ 112,139</u>	<u>\$ 71,342</u>

An amount of \$52,523 for governmental activities and \$8,711 for business-type activities is reported as deferred outflows of resources resulting from the City's contribution subsequent to the measurement date (June 30, 2020) and will be recognized as a reduction of the net pension liability in the year ended June 30, 2022.

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,	
2022	\$ 11,878
2023	4,976
2024	(2,640)

CITY OF HARRINGTON, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

2025	1,787
2026	1,420
Thereafter	<u>3,016</u>
	<u>\$ 20,437</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 9 years for the 2020 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 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>	<u>Asset Allocation</u>
Domestic equity	5.7%	28.5%
International equity	5.7%	15.2%
Fixed income	2.0%	28.8%
Alternative investments	7.8%	23.0%
Cash and cash equivalents	0.0%	4.5%

Discount Rate

The discount rate used to measure the total pension liability was 7.0%. 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.

CITY OF HARRINGTON, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

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 (asset) would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate:

	<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 (asset)	\$239,884	\$39,529	\$ (124,955)

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 9 - 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 10 - 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.

CITY OF HARRINGTON, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

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, 2020	\$2,679,660
<u>Less:</u> Depreciation on capital assets acquired with grant proceeds	<u>(299,883)</u>
<u>Contributed Capital</u> - June 30, 2021	<u>\$2,379,777</u>

Note 11 - 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 12 - 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 13 - 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, 2021 and for the year then ended is presented as follows:

CITY OF HARRINGTON, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Total</u>
Operating revenues	\$1,496,240	\$547,821	\$2,044,061
Depreciation	517,990	92,299	610,289
Other operating expenses	740,485	163,607	904,092
Operating income	237,765	291,915	529,680
Non-operating revenues	111,742	52,037	163,779
Non-operating expenses	465,296	143,209	608,505
Income (Loss) from operations	(115,789)	200,743	84,954

Note 14 - Pronouncements Issues, Not Yet Effective

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2021 that have effective dates that may impact future financial presentations. Management has not currently determined what, if any impact the implementation may have on the financial statements of the City.

Note 15 - Unearned Revenue

On March 11, 2021, the Federal government enacted the American Rescue Plan Act of 2021 (ARPA), which included the Local Fiscal Reserve Fund for local governments. The City's proportionate share from the ARPA funding is \$1,964,090, of which \$982,044 was received during fiscal year 2021. These federal funds are earned when spent on qualifying expenditures. The City anticipates receiving the remaining ARPA funding during fiscal year 2022. These federal funds are to be obligated by the City by December 31, 2024 and expended by December 31, 2026.

Note 16 - Reclassification

Certain amounts in the 2020 financial statements have been reclassified to agree with the 2021 presentation.

Note 17 - Subsequent Events

In August 2021, the Parks and Recreation Department received a building and land from the Delaware National Guard with an estimated value of \$250 thousand.

The City entered into a Public Private Partnership agreement with a developer in October 2021, whereby the City has committed to pay the developer an amount not to exceed approximately \$584 thousand to offset its construction costs. The City made periodic payments to the developer totaling approximately \$524 thousand, with final payment occurring in May

CITY OF HARRINGTON, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

2022, and also waived water and sewer impact and other various fees totaling approximately \$41 thousand. The project has been completed and the City will not incur any additional costs.

In February 2022, the City commenced construction of their water main transmission and water storage tank and well projects. The overall financing package includes funding for these projects totaling \$9.916 million, in which DNREC will forgive \$7.600 million of principle and the USDA will grant the City \$201 thousand, resulting in a final loan with the USDA in the amount of \$2.115 million. The loan will be repaid over a period of 40 years at 2.250%. Payments will be \$20,093 quarterly or \$80,372 annually. The City has also allocated \$709 thousand of their ARPA funds towards these projects. The water main transmission system project is estimated to be completed in May 2023 for a total cost of approximately \$4.0 million. The City has incurred approximately \$3.8 million of construction costs to date for the water tank storage project, which is estimated to be completed in August 2023.

The City was awarded approximately \$11.5 million of State Bond Bill and ARPA funds from the State of Delaware in February 2022 for the construction of a new library. In October 2022, the City hired a construction manager and anticipates construction to begin in June 2023. The City has received approximately \$456 thousand of its awarded funds to date.

In September 2022, the City was awarded a \$1 million grant from the Delaware Site Readiness Fund Program through The Delaware Economic Development Authority for future development of its industrial park. The cost to develop the industrial park is estimated to be approximately \$5.2 million, of which the City has committed to spend \$234 thousand for engineering costs. The City is in the process of applying for additional funding.

Management has evaluated all subsequent events through May 15, 2023, 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 -
GENERAL FUND

YEAR ENDED JUNE 30, 2021

	<u>Original and Final Budget</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance Favorable (Unfavorable)</u>
<u>Revenues</u>			
Taxes and assessments	\$ 1,085,000	\$ 1,141,326	\$ 56,326
Licenses and permits	225,113	309,589	84,476
Fines, forfeits and costs	27,500	8,019	(19,481)
Charges for services	241,500	249,469	7,969
Grants		111,808	111,808
Fire company	79,244	96,260	17,016
Police revenue	510,442	433,441	(77,001)
Library revenue	69,800	45,955	(23,845)
Parks and recreation revenue	108,150	87,067	(21,083)
Miscellaneous	14,750	41,664	26,914
Interest income	11,813	8,646	(3,167)
Community impact fees		21,700	21,700
Interfund service fee	468,535	468,535	
<u>Total Revenues</u>	2,841,847	3,023,479	181,632
<u>Expenditures</u>			
General government	797,074	1,026,604	(229,530)
Police	1,333,959	1,361,130	(27,171)
Public works	359,174	297,282	61,892
Trash	230,259	254,060	(23,801)
Library	190,497	174,075	16,422
Fire company	148,815	157,255	(8,440)
Parks and recreation	152,791	137,367	15,424
<u>Total Expenditures</u>	3,212,569	3,407,773	(195,204)
<u>Other Financing Sources</u>			
Transfers out		(2,408)	(2,408)
<u>Deficiency of Revenues and Other Financing Sources Over Expenditures</u>			
	\$ (370,722)	(386,702)	\$ (15,980)
<u>Fund Balances - Beginning of year</u>		2,369,122	
<u>Fund Balances - End of Year</u>		\$ 1,982,420	

Note 1 - Excess of Expenditures over Appropriations

The general fund incurred expenditures in excess of appropriations in the amount of \$63,759 for the year ended June 30, 2021. Of this amount, \$31,518 was funded through the use of intergovernmental grants, the remaining was funded through the use of fund balance.

CITY OF HARRINGTON, DELAWARE

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

YEAR ENDED JUNE 30, 2021

	<u>Measurement Date</u>					
	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
City's proportionate share of the net pension liability (asset)	0.7329%	0.7295%	0.7452%	0.7232%	0.7442%	0.6769%
City's proportionate share of the net pension liability (asset)	\$ 112,463	\$ 209,532	\$ 171,659	\$ 72,911	\$ 118,300	\$ (35,677)
City's covered employee payroll	\$ 668,278	\$ 644,874	\$ 618,888	\$ 594,234	\$ 542,202	\$ 480,599
City's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	16.83%	32.49%	27.74%	12.27%	21.82%	-7.42%
Plan fiduciary net position as a percentage of the total pension liability	96.67%	93.25%	94.10%	97.00%	94.70%	101.97%

CITY OF HARRINGTON, DELAWARE

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

YEAR ENDED JUNE 30, 2021

	<u>Measurement Date</u>					
	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
City's proportionate share of the net pension liability (asset)	1.8600%	2.0132%	2.1417%	2.3241%	2.6157%	2.7587%
City's proportionate share of the net pension liability (asset)	\$ 39,529	\$ 92,257	\$ 67,399	\$ 150,583	\$ 162,062	\$ 1,177
City's covered employee payroll	\$ 911,580	\$ 894,239	\$ 853,597	\$ 864,349	\$ 875,024	\$ 817,793
City's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	4.34%	10.32%	7.90%	17.42%	18.52%	0.14%
Plan fiduciary net position as a percentage of the total pension liability	96.95%	92.74%	94.41%	87.62%	86.38%	99.89%

CITY OF HARRINGTON, DELAWARE

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

YEAR ENDED JUNE 30, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 112,463	\$ 112,538	\$ 107,565	\$ 70,677	\$ 81,826	\$ 75,095
Contribution in relation to the contractually required contribution	<u>112,463</u>	<u>112,538</u>	<u>107,565</u>	<u>70,677</u>	<u>81,826</u>	<u>75,095</u>
Contribution deficiency/excess	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
City's covered employee payroll	\$ 677,896	\$ 668,278	\$ 644,874	\$ 618,888	\$ 594,234	\$ 542,202
Contributions as a percentage of covered employee payroll	16.59%	16.84%	16.68%	11.42%	13.77%	13.85%

CITY OF HARRINGTON, DELAWARE

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

YEAR ENDED JUNE 30, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 61,234	\$ 66,363	\$ 65,190	\$ 60,520	\$ 58,430	\$ 54,339
Contribution in relation to the contractually required contribution	<u>61,234</u>	<u>66,363</u>	<u>65,190</u>	<u>60,520</u>	<u>58,430</u>	<u>54,339</u>
Contribution deficiency/excess	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
City's covered employee payroll	\$ 867,337	\$ 911,580	\$ 894,239	\$ 853,597	\$ 864,349	\$ 875,024
Contributions as a percentage of covered employee payroll	7.06%	7.28%	7.29%	7.09%	6.76%	6.21%

SUPPLEMENTARY INFORMATION

CITY OF HARRINGTON, DELAWARE
COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUND TYPES

JUNE 30, 2021

	Police Pension Fund	Combat Violent Crime	SLEAF	EIDE	SALLE	Library Building	Total
<u>ASSETS</u>							
<u>Current Assets</u>							
Cash and cash equivalents		\$ 21,760		\$ 3,341	\$ 4,981	\$ 213,126	\$ 243,208
Intragovernment receivable		<u> </u>	<u>\$ 93,069</u>	<u>1,768</u>	<u>1,860</u>	<u>50,872</u>	<u>147,569</u>
<u>Total Assets</u>	<u>\$ -0-</u>	<u>\$ 21,760</u>	<u>\$ 93,069</u>	<u>\$ 5,109</u>	<u>\$ 6,841</u>	<u>\$ 263,998</u>	<u>\$ 390,777</u>
<u>LIABILITY</u>							
Intragovernment Payable		<u>\$ 16,565</u>	<u>\$ 77,395</u>	<u>\$ 4,710</u>	<u>\$ 5,097</u>	<u>\$ 108,758</u>	<u>\$ 212,525</u>
<u>FUND EQUITY</u>							
<u>Fund Balance</u>							
Restricted		5,195	15,674	399	1,744		23,012
Committed		<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u>155,240</u>	<u>155,240</u>
<u>Total Fund Equity</u>		<u>5,195</u>	<u>15,674</u>	<u>399</u>	<u>1,744</u>	<u>155,240</u>	<u>178,252</u>
<u>Total Liabilities and Fund Equity</u>	<u>\$ -0-</u>	<u>\$ 21,760</u>	<u>\$ 93,069</u>	<u>\$ 5,109</u>	<u>\$ 6,841</u>	<u>\$ 263,998</u>	<u>\$ 390,777</u>

CITY OF HARRINGTON, DELAWARE

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUND TYPES

YEAR ENDED JUNE 30, 2021

	<u>Police Pension Fund</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	\$ 70,860	\$ 35,602	\$ 15,175		\$ 5,356		\$ 126,993
Interest						\$ 1,011	1,011
<u>Total Revenues</u>	70,860	35,602	15,175		5,356	1,011	128,004
<u>Expenditures</u>	70,860	30,971		\$ 2,088	8,192		112,111
<u>Excess (Deficiency) of Revenues Over Expenditures</u>		4,631	15,175	(2,088)	(2,836)	1,011	15,893
<u>Fund Balance - Beginning of year</u>		564	499	2,487	4,580	154,229	162,359
<u>Fund Balance - End of year</u>	\$ -0-	\$ 5,195	\$ 15,674	\$ 399	\$ 1,744	\$ 155,240	\$ 178,252

SINGLE AUDIT SECTION

**Independent Auditor's Report on Compliance For Each Major Federal Program;
Report on Internal Control Over Compliance; and Report on Schedule of
Expenditures of Federal Awards Required By the Uniform Guidance**

To the Mayor and Council
City of Harrington, Delaware

Report on Compliance for Each Major Federal Program

We have audited the City of Harrington, Delaware's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021. The City of Harrington, Delaware's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Harrington, Delaware's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Harrington, Delaware's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the City of Harrington, Delaware's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Harrington, Delaware complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of the City of Harrington, Delaware is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Harrington, Delaware's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Harrington, Delaware's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the City of Harrington, Delaware as of and for the year ended June 30, 2021, and have issued our report thereon dated May 15, 2023, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Dover, Delaware
May 15, 2023

Horty: Horty PA

CITY OF HARRINGTON, DELAWARE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2021

I. Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP - Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ___ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ___ Yes X None Reported

Noncompliance material to financial statements noted? ___ Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ___ Yes X No
- Significant deficiency(ies) identified? ___ Yes X None Reported

Type of auditor's report issued on compliance for major federal programs - Unmodified

- Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? ___ Yes X No

Identification of major programs:

<u>Program Name</u>	<u>CFDA</u>
Water and Waste Disposal Systems for Rural Communities	10.760
Dollar threshold used to distinguish between Type A and Type B Programs	<u>\$750,000</u>
Auditee qualified as low-risk auditee?	___ Yes <u> X </u> No

CITY OF HARRINGTON, DELAWARE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2021

II. Financial Statement Findings

Our audit did not disclose any matters required to be reported in accordance with Government Auditing Standards.

III. Findings And Questioned Costs For Federal Awards

Our audit did not disclose any matters required to be reported in accordance with Government Auditing Standards.

CITY OF HARRINGTON, DELAWARE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2021

<u>Federal Grantor/Pass- Through Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Agriculture:</u>		
Water and Waste Disposal Systems for Rural Communities	10.760	\$ 776,000
Passed through Delaware Department of Natural Resources (DNREC) Water and Waste Disposal Systems For Rural Communities	10.760	174,997
Rural Business Development Grant	10.351	<u>8,992</u>
		<u>959,989</u>
<u>U.S. Department of Transportation:</u>		
Passed through Delaware Office of Highway Safety (OHS)		
State and Community Highway Safety	20.600	16,380
Alcohol Open Container Requirements	20.607	5,070
National Priority Safety Programs	20.616	<u>2,080</u>
		<u>23,530</u>
<u>National Endowment for the Humanities:</u>		
Passed through Delaware Division of Libraries		
Grants to States	45.310	<u>2,666</u>
<u>Total Expenditures of Federal Awards</u>		<u>\$ 986,185</u>

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal award activity of the City of Harrington, Delaware under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Harrington, Delaware, it is not intended and does not present the financial position, changes in net assets or cash flows of the City of Harrington, Delaware.

CITY OF HARRINGTON, DELAWARE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2021

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The City of Harrington, Delaware has elected to not use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.