

CITY OF HARRINGTON, DELAWARE
FINANCIAL STATEMENTS
SUPPLEMENTARY INFORMATION
AND
INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2008

CITY OF HARRINGTON, DELAWARE

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JUNE 30, 2008

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To the Mayor, Budget and Finance Committee
and Council
City of Harrington, Delaware

Independent Auditor's Report

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, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Harrington's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated November 18, 2009, on our consideration of the City of Harrington's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants, agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

To the Mayor, Budget and Finance Committee
and Council
City of Harrington, Delaware

The Management's Discussion and Analysis and budgetary comparison information on pages 5 through 12 and page 42 through 48 are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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 individual and combining nonmajor fund financial statements and other schedules listed in the table of contents as supplementary information, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Dover, Delaware
November 18, 2009

A handwritten signature in black ink, appearing to read "L. H. RA" or similar, written in a cursive style.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
AND ON COMPLIANCE AND OTHER MATTERS OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Mayor, Budget and Finance Committee
and Council
City of Harrington, Delaware

We have audited the financial statements of the City of Harrington, Delaware, as of and for the year ended June 30, 2008, and have issued our report thereon dated November 18, 2009. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Harrington's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Harrington's ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements.

We noted no matters involving the internal control over financial reporting and its operations that we consider to be a material weakness.

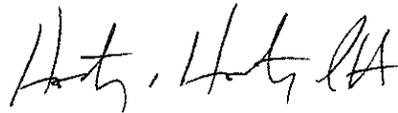
A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be a material weakness.

Compliance and Other Matters

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

We also noted certain matters that we have reported to management of the City of Harrington in a separate letter dated November 18, 2009.

This report is intended solely for the information and use of the Budget and Finance Committee, management, others within the City, Mayor and Council and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "H. H. H.", is located to the right of the main text.

Dover, Delaware
November 18, 2009

CITY OF HARRINGTON, DELAWARE

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2008

The following management discussion and analysis of the City of Harrington's (the City) financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2008. We encourage users to read it in conjunction with the City's financial statements, which follow this section.

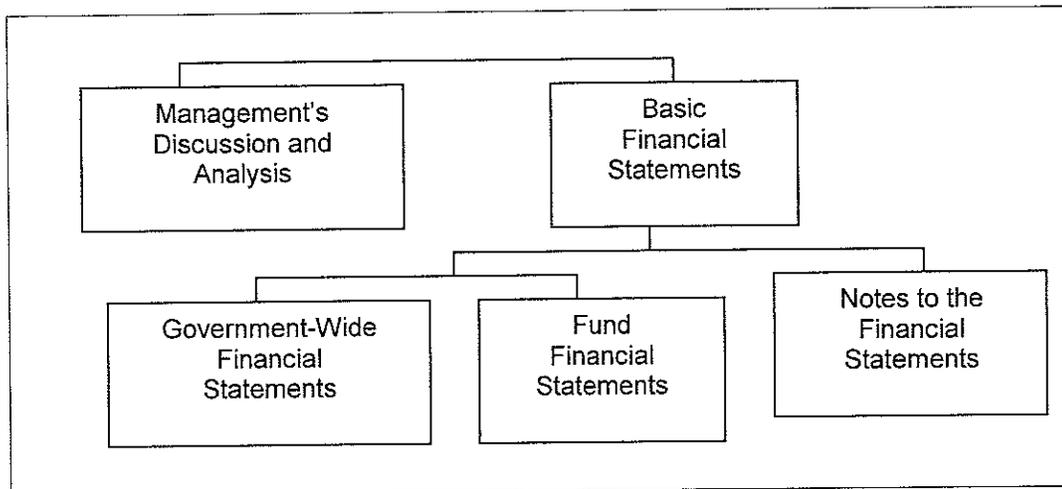
Financial Highlights For Fiscal Year 2008

- The assets of the City exceeded its liabilities at the close of the 2008 fiscal year resulting in net assets of \$5,400,124. Of this amount, \$1,828,416 is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors, and \$3,571,708 is invested in capital assets, net of related debt.
- As of June 30, 2008, the City's governmental funds reported combined ending fund balances of \$958,358.

Overview Of The Financial Statements

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

Required Components of Annual Financial Report



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

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

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

After the notes, **supplemental information** is provided to show details about the City's non-major governmental funds, all of which are added together in one column on the basic financial statements. Budgetary information can also be found in this part of the statements.

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

The statement of net assets presents information on all the City's assets and liabilities, with the difference between the two reported as net assets. Increases or decreases in net assets, 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 assets changed during the past fiscal year. All changes in net assets 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 13 and 14 of this report.

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

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

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

The City has eight governmental funds. Information is presented separately in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund, which is considered to be a major fund. The special revenue funds comprise the other seven governmental funds. Data for these funds is combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is presented in the form of combining statements on pages 49 and 50 of this report.

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

The basic governmental fund financial statements can be found on pages 15 through 19 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 20 through 23 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 24 through 41 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 49 through 51 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, 2008.

Statement of Net Assets

As noted earlier, net assets 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 \$5,400,124 at the close of the fiscal year, June 30, 2008.

By far the largest portion of the City's net assets (66 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'S NET ASSETS

	June 30, 2008		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>
Current and other assets	\$1,050,768	\$ 983,273	\$2,034,041
Capital assets	<u>1,326,746</u>	<u>6,084,976</u>	<u>7,411,722</u>
Total Assets	<u>\$2,377,514</u>	<u>\$7,068,249</u>	<u>\$9,445,763</u>
Long-term liabilities	\$ 24,799	\$3,207,187	\$3,231,986
Other liabilities	<u>179,695</u>	<u>633,958</u>	<u>813,653</u>
Total Liabilities	<u>\$ 204,494</u>	<u>\$3,841,145</u>	<u>\$4,045,639</u>

CITY OF HARRINGTON'S NET ASSETS, (Continued)

	June 30, 2008		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>
<u>Net Assets:</u>			
Contributed capital		\$ 290,300	\$ 290,300
Invested in capital assets	\$1,283,139	1,998,269	3,281,408
Unrestricted	<u>889,881</u>	<u>938,535</u>	<u>1,828,416</u>
<u>Total Net Assets</u>	<u>\$2,173,020</u>	<u>\$3,227,104</u>	<u>\$5,400,124</u>

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

CITY OF HARRINGTON'S NET ASSETS

	June 30, 2008		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>
<u>REVENUES</u>			
<u>Program Revenues:</u>			
Charges for services	\$1,313,597	\$1,421,399	\$2,734,996
Operating grants and contributions	75,741		75,741
Capital grants and contributions		736,233	736,233
<u>General Revenues:</u>			
Property taxes	690,610		690,610
Transfer tax	146,085		146,085
Municipal Street Aid	80,628		80,628
Other revenue	<u>176,814</u>	<u>2,830</u>	<u>179,644</u>
<u>Total Revenues</u>	<u>2,483,475</u>	<u>2,160,462</u>	<u>4,643,937</u>
<u>EXPENSES</u>			
General government	870,776		870,776
Public safety	977,880		977,880
Public works	432,529		432,529
Parks and recreation	336,260		336,260
Trash	206,290		206,290
Library	172,558		172,558
Fire company	92,340		92,340
Water		156,715	156,715
Sewer		<u>622,547</u>	<u>622,547</u>
<u>Total Expenses</u>	<u>3,088,633</u>	<u>779,262</u>	<u>3,867,895</u>
<u>Change in Net Assets Before Transfers</u>	(605,158)	1,381,200	776,042
<u>Transfers</u>	<u>715,807</u>	<u>(715,807)</u>	<u>—————</u>
<u>Increase in Net Assets</u>	110,649	665,393	776,042
<u>Net Assets – Beginning of year</u>	<u>2,062,371</u>	<u>2,561,711</u>	<u>4,624,082</u>
<u>Net Assets – End of year</u>	<u>\$2,173,020</u>	<u>\$3,227,104</u>	<u>\$5,400,124</u>

For the year ended June 30, 2008, the City reported positive balances in all categories of net assets.

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, 2008, the City's governmental funds reported a combined ending fund balance of \$958,358.

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, 2008, the general fund balance is \$824,439.

Proprietary Funds - The City's proprietary funds provide the same information found in the government-wide financial statements, but in more detail. Income before transfers and capital contributions of \$584,466 was reported in the water fund. The sewer fund had income before transfers and capital contributions of \$566,069.

GENERAL FUND BUDGETARY HIGHLIGHTS

The City adopted the fiscal year 2008 budget on June 28, 2007. The City's practice is to get approval from the Council if the budget is amended. During 2008 there were only minor 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, 2008, was \$7,411,722 (net of accumulated depreciation). Additions of \$927,865 in 2008 exceeded depreciation by \$533,921.

Major capital asset additions for the year ended June 30, 2008, included the following:

- Stormwater drainage improvements in the amount of \$295,477 were made during the year as well as \$641,292 of water improvements, that are also held in construction in progress until completion.

A table of the City's capital assets by type is listed below. Additional information can be found in Note 5 on pages 33 and 34 of this report.

CITY OF HARRINGTON'S CAPITAL ASSETS
 (Net Of Depreciation)

	June 30, 2008		<u>Total Primary Government</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	
Construction in progress		\$ 955,123	\$ 955,123
Land improvements	\$ 321,971		321,971
Building improvements	614,876	5,034,275	5,649,151
Equipment	154,589	76,985	231,574
Vehicles	<u>235,310</u>	<u>18,593</u>	<u>253,903</u>
Total	<u>\$1,326,746</u>	<u>\$6,084,976</u>	<u>\$7,411,722</u>

Under GASB Statement No. 34, the City is not required to and has chosen not to capitalize highway, state and bridge infrastructure added in prior years; thus it is not reporting a value for those assets.

Debt Services

At year end, the City had \$3,840,014 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 5 to 10 years are as follows:

Water - Phase I of USDA water projects – Completed the new water infrastructure on Farmington Road in the fall of 2008 and completed well improvements in the spring of 2009. Well #3 and its related building will be completed in the fall of 2009. These projects will be combined for a total cost of \$850,000 and will be funded by a loan from the USDA.

Water - Phase II will include a new water tower and well for an estimated cost of \$2.8 million and will be funded by a loan from the USDA. This project is anticipated to begin in the spring of 2010.

Sewer - The sewer to County connection project began in the summer of 2009 and is anticipated to be completed in the summer of 2010 for an estimated cost of \$6.7 million and will be partially funded by a loan from the USDA and DNREC.

Library - The City is planning to construct a new library for an estimated cost of \$1.8 million.

REQUEST FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

CITY OF HARRINGTON, DELAWARE

STATEMENT OF NET ASSETS

JUNE 30, 2008

ASSETS

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>Current Assets:</u>			
Cash and cash equivalents	\$ 921,017	\$ 408,028	\$ 1,329,045
Taxes receivable (net of allowances)	31,786		31,786
Accounts receivable	91,451		91,451
Service charges receivable		430,482	430,482
Due from other Governments	2,017	121,215	123,232
Prepaid expenses	4,497		4,497
Other receivables		23,548	23,548
	<hr/>	<hr/>	<hr/>
<u>Total Current Assets</u>	<u>1,050,768</u>	<u>983,273</u>	<u>2,034,041</u>
<u>Noncurrent Assets:</u>			
Water and sewer systems		9,149,274	9,149,274
Construction in process		955,123	955,123
Land and buildings	1,360,604		1,360,604
Furniture, fixtures and equipment	1,238,352		1,238,352
<u>Less: Accumulated depreciation</u>	<u>(1,272,210)</u>	<u>(4,019,421)</u>	<u>(5,291,631)</u>
	<hr/>	<hr/>	<hr/>
<u>Total Capital Assets, Net of Accumulated Depreciation</u>	<u>1,326,746</u>	<u>6,084,976</u>	<u>7,411,722</u>
	<hr/>	<hr/>	<hr/>
<u>Total Assets</u>	<u>2,377,514</u>	<u>7,068,249</u>	<u>9,445,763</u>

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

LIABILITIES AND NET ASSETS

	Governmental Activities	Business-Type Activities	Total
<u>Current Liabilities:</u>			
Accounts payable and other	\$ 82,692	\$ 39,468	\$ 122,160
Deferred revenue	9,718		9,718
Bonds and notes payable	18,808	589,220	608,028
Accrued compensated absences	68,477	5,270	73,747
<u>Total Current Liabilities</u>	179,695	633,958	813,653
<u>Noncurrent Liabilities:</u>			
Bonds and note payable	24,799	3,207,187	3,231,986
<u>Total Liabilities</u>	204,494	3,841,145	4,045,639
<u>Net Assets:</u>			
Contributed capital		290,300	290,300
Invested in capital assets, net of related debt	1,283,139	1,998,269	3,281,408
Unrestricted	889,881	938,535	1,828,416
<u>Total Net Assets</u>	\$ 2,173,020	\$ 3,227,104	\$ 5,400,124

CITY OF HARRINGTON, DELAWARE

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2008

	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
<u>FUNCTIONS/PROGRAMS:</u>			
Governmental Activities:			
General government	\$ 690,396	\$ 24,773	
Insurance/Audit	180,380		
Police	977,880	429,292	\$ 72,001
Public works	432,529	208,537	
Trash	206,290	195,994	
Library	172,558	90,366	3,740
Fire company	92,340	49,599	
Parks and recreation	336,260	239,866	
Other		75,170	
	<u>3,088,633</u>	<u>1,313,597</u>	<u>75,741</u>
<u>Total Governmental Activities</u>			
Business-Type Activities:			
Sewer	619,733	932,652	
Water	156,715	488,747	
	<u>776,448</u>	<u>1,421,399</u>	
<u>Total Business-Type Activities</u>			
<u>Total</u>	<u>\$ 3,865,081</u>	<u>\$ 2,734,996</u>	<u>\$ 75,741</u>

General Revenues and Transfers:

Taxes:

 Property taxes

 Transfer tax

Municipal Street Aid

Interest

Community impact fees

Loss on disposal of property and equipment

Miscellaneous

Transfers in (out)

Total General Revenues
and Transfers

Change in Net Assets

Net Assets - Beginning of year

Net Assets - End of year

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

Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets		
	Governmental Activities	Business-Type Activities	Total
	(\$ 665,623)		(\$ 665,623)
	(180,380)		(180,380)
	(476,587)		(476,587)
	(223,992)		(223,992)
	(10,296)		(10,296)
	(78,452)		(78,452)
	(42,741)		(42,741)
	(96,394)		(96,394)
	<u>75,170</u>		<u>75,170</u>
	(<u>1,699,295</u>)		(<u>1,699,295</u>)
<u>\$ 736,233</u>		<u>\$ 1,049,152</u>	<u>1,049,152</u>
		<u>332,032</u>	<u>332,032</u>
<u>736,233</u>		<u>1,381,184</u>	<u>1,381,184</u>
<u>\$ 736,233</u>	(<u>1,699,295</u>)	<u>1,381,184</u>	(<u>318,111</u>)
	690,610		690,610
	146,085		146,085
	80,628		80,628
	8,640	2,830	11,470
	125,000		125,000
	43,174	(2,814)	(2,814)
	<u>715,807</u>	(<u>715,807</u>)	
	<u>1,809,944</u>	(<u>715,791</u>)	<u>1,094,153</u>
	110,649	665,393	776,042
	<u>2,062,371</u>	<u>2,561,711</u>	<u>4,624,082</u>
	<u>\$ 2,173,020</u>	<u>\$ 3,227,104</u>	<u>\$ 5,400,124</u>

CITY OF HARRINGTON, DELAWARE

BALANCE SHEET
(GOVERNMENTAL FUNDS)

JUNE 30, 2008

<u>ASSETS</u>	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Totals</u>
Cash and cash equivalents	\$ 787,098	\$ 133,919	\$ 921,017
Taxes receivable (net of allowances)	31,786		31,786
Accounts receivable	91,451		91,451
Grant receivable	2,017		2,017
Prepaid expenditures	<u>4,497</u>		<u>4,497</u>
 <u>Total Assets</u>	 <u>\$ 916,849</u>	 <u>\$ 133,919</u>	 <u>\$ 1,050,768</u>
 <u>LIABILITIES</u>			
Accounts payable and other	\$ 82,692		\$ 82,692
Deferred revenue	<u>9,718</u>		<u>9,718</u>
 <u>Total Liabilities</u>	 <u>92,410</u>		 <u>92,410</u>
 <u>FUND BALANCE</u>			
Fund Balances:			
Designated		\$ 133,919	\$ 133,919
Unreserved and undesignated	<u>824,439</u>		<u>824,439</u>
 <u>Total Fund Balance</u>	 <u>824,439</u>	 <u>133,919</u>	 <u>958,358</u>
 <u>Total Liabilities and Fund Balance</u>	 <u>\$ 916,849</u>	 <u>\$ 133,919</u>	 <u>\$ 1,050,768</u>

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

CITY OF HARRINGTON, DELAWARE

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

JUNE 30, 2008

<u>Total Fund Balances, Governmental Funds (Page 15)</u>	\$	958,358
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 Assets.		1,326,746
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the fund financial statements. <u>Long-Term Liabilities at Year-End Consist of:</u>		
Accrued compensated absences	(68,477)
Mortgage and notes payable	(<u>43,607</u>)
<u>Net Assets of Governmental Activities in the Statement of Net Assets (Page 13)</u>	\$	<u>2,173,020</u>

CITY OF HARRINGTON, DELAWARE

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

YEAR ENDED JUNE 30, 2008

	<u>General</u> <u>Fund</u>	<u>Special</u> <u>Revenue</u> <u>Funds</u>	<u>Total</u>
<u>Revenues:</u>			
Taxes	\$ 690,610		\$ 690,610
Transfer tax	146,085		146,085
Rental income	24,773		24,773
Building permits	69,987		69,987
Planning and zoning fees	17,274		17,274
Miscellaneous	43,174	\$ 3,740	46,914
License fee	24,900		24,900
Intergovernmental revenues		152,629	152,629
Fire company	49,599		49,599
Interest	8,640		8,640
Business licenses	96,376		96,376
Police revenue	429,292		429,292
Library revenue	90,366		90,366
Trash fees	195,994		195,994
Parks and recreation	239,866		239,866
Community impact fees	125,000		125,000
Other	75,170		75,170
	<u>2,327,106</u>	<u>156,369</u>	<u>2,483,475</u>
<u>Total Revenues</u>			
<u>Expenditures:</u>			
General government	845,657		845,657
Police	851,570	151,114	1,002,684
Public works	417,524		417,524
Trash	206,290		206,290
Library	170,787		170,787
Fire company	92,340		92,340
Parks and recreation	337,729		337,729
	<u>2,921,897</u>	<u>151,114</u>	<u>3,073,011</u>
<u>Total Expenditures</u>			
<u>Excess (Deficiency) of Revenues Over</u> <u>Expenditures Before Other Financing</u> <u>Sources</u>	<u>(594,791)</u>	<u>5,255</u>	<u>(589,536)</u>

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

CITY OF HARRINGTON, DELAWARE

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

YEAR ENDED JUNE 30, 2008

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Total</u>
<u>Other Financing Sources:</u>			
Transfers in	\$ 721,435		\$ 721,435
Transfers out		(\$ 5,628)	(5,628)
<u>Total Other Financing Sources</u>	<u>721,435</u>	<u>(5,628)</u>	<u>715,807</u>
<u>Excess (Deficiency) of Revenue and Other Financing Sources Over Expenditures</u>	126,644	(373)	126,271
<u>Fund Balance</u> - Beginning of year	<u>697,795</u>	<u>134,292</u>	<u>832,087</u>
<u>Fund Balance</u> - End of year	<u>\$ 824,439</u>	<u>\$ 133,919</u>	<u>\$ 958,358</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, 2008

Net Change in Fund Balances, Governmental Funds (Page 18) \$ 126,271

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense (\$152,021) exceeded capital outlays, in the current period.

(26,405)

The issuance of long-term debt (i.e. Notes payable) provides current financial resources. Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

17,937

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

(7,154)

Change in Net Assets of Governmental Activities (Page 14)

\$ 110,649

CITY OF HARRINGTON, DELAWARE

STATEMENT OF NET ASSETS
PROPRIETARY FUND - WATER AND SEWER FUND

JUNE 30, 2008

ASSETS

Current Assets:

Cash and cash equivalents	\$ 408,028
Accounts receivable	23,548
Due from other governments	121,215
Service charges receivable	<u>430,482</u>

Total Current Assets 983,273

Noncurrent Assets:

Capital Assets:

Water and sewer systems	9,149,274
Construction in process	955,123
Less: Accumulated depreciation	<u>(4,019,421)</u>

Total Noncurrent Assets 6,084,976

Total Assets 7,068,249

LIABILITIES

Current Liabilities:

Accounts payable and other	39,468
Bonds payable	589,220
Accrued compensated absences	<u>5,270</u>

Total Current Liabilities 633,958

Noncurrent Liabilities:

Bonds payable	<u>3,207,187</u>
---------------	------------------

Total Liabilities 3,841,145

NET ASSETS

Contributed capital	290,300
Invested in capital assets, net of related debt	1,998,269
Unrestricted retained earnings	<u>938,535</u>
<u>Total Net Assets</u>	<u>\$ 3,227,104</u>

CITY OF HARRINGTON, DELAWARE

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

YEAR ENDED JUNE 30, 2008

	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
<u>Operating Revenues:</u>			
Sewer fees	\$ 927,077		\$ 927,077
Water fees		\$ 467,830	467,830
Hook ups		20,697	20,697
Water meters		220	220
Sample testing charges	<u>5,575</u>		<u>5,575</u>
 <u>Total Operating Revenues</u>	 932,652	 488,747	 1,421,399
 <u>Operating Expenses</u>	 <u>530,833</u>	 <u>109,066</u>	 <u>639,899</u>
 <u>Operating Income</u>	 401,819	 379,681	 781,500
 <u>Non-Operating Revenues (Expenses)</u>			
Interest expense	(88,900)	(47,649)	(136,549)
Impact fees	254,642	250,926	505,568
Interest income	1,322	1,508	2,830
Loss on sale of property and equipment	<u>(2,814)</u>		<u>(2,814)</u>
 <u>Income Before Transfers and</u>			
<u>Capital Contributions</u>	<u>\$ 566,069</u>	<u>\$ 584,466</u>	1,150,535
 <u>Capital Contributions</u>			230,665
 <u>Operating Transfers to Other Funds</u>			<u>(715,807)</u>
 <u>Net Income After Operating Transfers</u>			665,393
 <u>Net Assets - Beginning of year</u>			<u>2,561,711</u>
 <u>Net Assets - End of year</u>			<u>\$ 3,227,104</u>

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

CITY OF HARRINGTON, DELAWARE

STATEMENT OF OPERATING EXPENSES
PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2008

	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
Salaries	\$ 80,932		\$ 80,932
Payroll taxes	5,817		5,817
Pension	5,053		5,053
Fringe benefits	12,907		12,907
Vehicle maintenance and repairs	1,949		1,949
Equipment maintenance and repairs	30	\$ 1,116	1,146
Bank charges		29	29
Office supplies	38		38
Telephone	3,662		3,662
Postage	31	5	36
Heat and electric	88,541	21,698	110,239
Dues and meetings	20		20
Safety	2,009		2,009
Maintenance agreements	3,248		3,248
Pagers	78		78
Building maintenance and supply	1,660	542	2,202
Sand filter	1,360		1,360
Miscellaneous	83	2,467	2,550
Sample testing	6,767	2,925	9,692
Water meters		8,777	8,777
Uniform purchase	2,524		2,524
Water line repairs		6,380	6,380
Mowing supplies	735		735
Engineering fees		1,233	1,233
Chemicals	65,853	12,743	78,596
Lab supplies	3,090		3,090
Small tools	172		172
Equipment leases	352		352
Pump and motor repairs	8,632	18,512	27,144
Lagoon maintenance	7,736		7,736
Sludge application	17,316		17,316
Flow meter operations	730		730
License and permits	225		225
Depreciation	<u>209,283</u>	<u>32,639</u>	<u>241,922</u>
<u>Total Operating Expenses</u>	<u>\$ 530,833</u>	<u>\$ 109,066</u>	<u>\$ 639,899</u>

CITY OF HARRINGTON, DELAWARE

STATEMENT OF CASH FLOWS
(ALL PROPRIETARY FUNDS)

YEAR ENDED JUNE 30, 2008

Cash Flows From Operating Activities:

Cash received from customers	\$ 1,900,760
Cash paid to suppliers	(434,273)
Cash paid to employees	(82,588)

Net Cash Provided By Operating
Activities 1,383,899

Cash Flows From Non Capital Financing Activities:

Operating transfers to other funds	(715,807)
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Cash Flows From Capital and Related
Financing Activities:

Purchase of property and equipment	(775,855)
Proceeds received on general obligation debt	450,000
Principal paid on general obligation debt	(51,930)
Interest paid	(135,554)
Capital contribution received	<u>230,665</u>

Net Cash Used For Capital and
Related Financing Activities (282,674)

Cash Flows From Investing Activities:

Investment income	<u>21,797</u>
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Net Increase In Cash and Cash Equivalents 407,215

Cash and Cash Equivalents:

Beginning of year	<u>813</u>
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End of year \$ 408,028

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>	\$ 781,500
 <u>Adjustments To Reconcile Operating Income To Net</u>	
<u>Cash Provided By Operating Activities:</u>	
Depreciation	241,922
Non-operating revenues	505,568
Loss on sale of property and equipment	(2,814)
 (Increase) decrease in:	
Accounts receivable	(23,548)
Due from other government	(100,235)
Grant receivable	100,390
Service charges receivable	(121,648)
 Increase (decrease) in:	
Accounts payable and other	4,458
Compensated absences	(1,694)
 <u>Net Cash Provided By Operating Activities</u>	 <u>\$ 1,383,899</u>

CITY OF HARRINGTON, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

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 and parks and recreation.

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 potential 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.

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

CITY OF HARRINGTON, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

Note 1 - Summary Of Significant Accounting Policies (Continued)

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

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

GASB Statement No. 34 established new requirements and a new 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 assets, revenues, and expenditures or expenses, as appropriate. The City has the following funds:

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

The following comprise the City's major governmental funds:

CITY OF HARRINGTON, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

Note 1 - Summary Of Significant Accounting Policies (Continued)

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

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

The following nonmajor funds are included in this fund type:

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

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

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

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

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

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

Technology Grants – To account for grant revenue provided to the City for police equipment.

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

CITY OF HARRINGTON, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

Note 1 - Summary Of Significant Accounting Policies (Continued)

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

The following comprise the City's major enterprise funds:

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

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

Measurement Focus and Basis of Accounting

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

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

CITY OF HARRINGTON, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

Note 1 - Summary Of Significant Accounting Policies (Continued)

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

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

Property taxes are recognized as a receivable at the time an enforceable legal claim is established. This is determined to occur when the taxes are levied.

Proprietary funds distinguish operating revenues and expenses from nonoperating 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 nonoperating revenues and expenses.

Cash and Cash Equivalents

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

CITY OF HARRINGTON, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

Note 1 - Summary Of Significant Accounting Policies (Continued)

Fixed Assets and Depreciation

Capital assets, including land, building, improvements, and equipment assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$1,000 and an initial useful life of one year or greater. Such assets are recorded at historical cost if purchased or constructed. Donated fixed assets are valued at their estimated fair value on the date of donation.

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

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

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

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

Building and improvements	15 - 39 years
Equipment	5 - 7 years

Compensated Absences

Full-time permanent employees are granted vacation benefits.

Unearned Revenues

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

CITY OF HARRINGTON, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

Note 1 - Summary Of Significant Accounting Policies (Continued)

Fund Equity

Reservations of fund balance represent amounts that are not appropriated or are legally segregated for a specific purpose. Restrictions of net assets are limited to outside third-party restrictions. Designations of fund balances represent tentative management plans that are subject to change.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested 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 assets invested in capital assets, net of related debt excludes unspent debt proceeds. Net assets are 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 assets are available.

Use of Estimates

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

Budgetary Data

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

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.

CITY OF HARRINGTON, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

Note 1 - Summary Of Significant Accounting Policies (Continued)

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 28, 2007. There were minor budget amendments during the year. The budget is presented as originally adopted and as also amended.

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, 2008

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, 2008 is shown below:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
<u>Cash and Cash Equivalents:</u>		
Category 1	\$ 100,000	\$ 100,000
Category 2	1,227,230	1,311,327
Category 3	<u>1,815</u>	<u> </u>
<u>Total Cash and Cash Equivalents</u>	<u>\$1,329,045</u>	<u>\$1,411,327</u>

At June 30, 2008, the City's cash and cash equivalents are comprised of the following:

Carrying value of unrestricted cash and cash equivalents	\$1,195,126
Restricted cash and cash equivalents	<u>133,919</u>
<u>Total</u>	<u>\$1,329,045</u>

CITY OF HARRINGTON, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

Note 4 - Due From Other Governments

The amount due from other governments represents revenues earned by the City or collections made by other governmental units on behalf of the City. At June 30, 2008, amounts due from other governments consisted of the following:

	<u>General Fund</u>	<u>Enterprise Funds</u>	<u>Total</u>
<u>Governmental Unit:</u>			
State of Delaware	<u>\$2,017</u>	<u>\$121,215</u>	<u>\$123,232</u>

Note 5 - Property and Equipment

The following is a summary of changes in capital assets for the year ended June 30, 2008:

	<u>Balance July 1, 2007</u>	<u>Additions</u>	<u>Transfers and Deletions</u>	<u>Balance June 30, 2008</u>
<u>Governmental Activities</u>				
Capital assets, being depreciated:				
Land improvements	\$ 396,036			\$ 396,036
Buildings and improvements	959,718	\$ 4,850		964,568
Equipment	647,091	42,649	\$ 42,731	647,009
Vehicles	<u>635,129</u>	<u>70,949</u>	<u>114,735</u>	<u>591,343</u>
Total capital assets being depreciated	<u>2,637,974</u>	<u>118,448</u>	<u>157,466</u>	<u>2,598,956</u>
Less accumulated depreciation for:				
Land improvements	64,164	9,901		74,065
Buildings and improvements	318,769	30,923		349,692
Equipment	500,868	34,283	42,731	492,420
Vehicles	<u>393,854</u>	<u>76,914</u>	<u>114,735</u>	<u>356,033</u>
Total accumulated depreciation	<u>1,277,655</u>	<u>152,021</u>	<u>157,466</u>	<u>1,272,210</u>
Governmental activities capital assets, net	<u>\$1,360,319</u>	<u>(\$ 33,573)</u>	<u>\$ -0-</u>	<u>\$1,326,746</u>

CITY OF HARRINGTON, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

Note 5 - Property and Equipment (Continued)

	<u>Balance</u> <u>July 1, 2007</u>	<u>Additions</u>	<u>Transfers</u> <u>and</u> <u>Deletions</u>	<u>Balance</u> <u>June 30, 2008</u>
<u>Business – Type</u>				
<u>Activities</u>				
Capital assets, not being depreciated:				
Construction in progress	\$ 203,112	\$752,011		\$ 955,123
Capital assets, being depreciated:				
Plants, maintenance and other improvements	8,965,207	41,830	\$ 6,850	9,000,187
Equipment	120,362	15,576	10,499	125,439
Vehicles	123,480	_____	99,832	23,648
Total capital assets being depreciated	<u>9,209,049</u>	<u>57,406</u>	<u>117,181</u>	<u>9,149,274</u>
Less accumulated depreciation for:				
Plants, maintenance and other improvements	3,748,355	224,407	6,850	3,965,912
Equipment	41,261	14,878	7,685	48,454
Vehicles	102,249	2,638	99,832	5,055
Total accumulated depreciation	<u>3,891,865</u>	<u>241,923</u>	<u>114,367</u>	<u>4,019,421</u>
Total capital assets being depreciated, net	<u>5,317,184</u>	<u>(184,517)</u>	<u>2,814</u>	<u>5,129,853</u>
Business-type activities capital assets, net	<u>\$5,520,296</u>	<u>\$567,494</u>	<u>\$ 2,814</u>	<u>\$6,084,976</u>

Depreciation expense for the year ended June 30, 2008 was charged to the functions of the primary government as follows:

Governmental Activities:

General government	\$ 41,788
Police	63,455
Public works	41,118
Parks and recreation	4,686
Library	974

Total Depreciation Expense – Governmental
Activities

\$152,021

CITY OF HARRINGTON, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

Note 6 - Accounts Payable and Other

Accounts payable and other at June 30, 2008 consisted of the following:

	<u>General Fund</u>	<u>Enterprise Fund</u>	<u>Total</u>
Accounts payable	\$54,520	\$36,508	\$ 91,028
Accrued expenses	<u>28,172</u>	<u>2,960</u>	<u>31,132</u>
<u>Total</u>	<u>\$82,692</u>	<u>\$39,468</u>	<u>\$122,160</u>

Note 7 - Long-Term Debt

General Fund Debt

The City entered into a loan agreement to purchase equipment. The loan balance is \$43,607 and is payable in monthly principal and interest payments of \$1,706, with the final payment due October 2010. Interest rate is 4.75%.

	<u>Balance July 1, 2007</u>	<u>Additions</u>	<u>Repayments</u>	<u>Balance June 30, 2008</u>
<u>Governmental Activities:</u>				
Notes Payable	<u>\$61,544</u>		<u>(\$17,937)</u>	<u>\$43,607</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>
2009	\$18,808	\$1,665	\$20,473
2010	19,721	752	20,473
2011	<u>5,078</u>	<u>40</u>	<u>5,118</u>
<u>Total</u>	<u>\$43,607</u>	<u>\$2,457</u>	<u>\$46,064</u>

CITY OF HARRINGTON, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

Note 7 - Long-Term Debt (Continued)

Enterprise Funds Debt

In July, 1996, the City entered into a loan agreement with the Farmers Home Administration. Proceeds of the loan paid off loans from Wilmington Trust Company, which were used for wastewater treatment plant upgrades. The loan balance is \$1,722,229 at June 30, 2008 and is payable in quarterly payments of principal and interest at 4.5%. Final payment is due in July 2036. The loan is secured by a general obligation bond.

In December, 1999, the City entered into a similar loan agreement with the Farmers Home Administration. Proceeds of the loan paid down loans from Wilmington Trust Company, which were used for various water and sewer projects. The loan balance is \$436,486 at June 30, 2008 and is payable in quarterly payments of principal and interest at 3.25%. Final payment is due in December 2039.

In June, 2001, the City entered into a similar loan agreement with the Farmers Home Administration. Proceeds of the loan paid down loans from Wilmington Trust Company, which were used for various water and sewer projects. The loan balance is \$721,104 at June 30, 2008 and is payable in quarterly payments of principal and interest at 4.5%. Final payment is due in June 2041.

In May, 2003, the City entered into a similar loan agreement with the Farmers Home Administration. Proceeds of the loan paid down loans from Wilmington Trust Company, which were used for various water and sewer projects. The loan balance is \$199,268 at June 30, 2008 and is payable in quarterly payments of principal and interest at 4.5%. Final payment is due in May 2043.

In July, 2005, the City entered into a similar loan agreement for \$81,800 with the Farmers Home Administration. Proceeds of the loan paid down loans from Wilmington Trust Company, which were used for various water and sewer projects. The loan balance is \$78,918 at June 30, 2008 and is payable in quarterly payments of principal and interest at 3.25%. Final payment is due in July 2045.

The Water Main Improvement Project note in the amount of \$100,000 is payable to National Rural Water Association. Interest payments are made monthly, in the amount of \$375. The full balance of the note is due in 2011.

CITY OF HARRINGTON, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

Note 7 - Long-Term Debt (Continued)

The City maintains a \$500,000 line of credit with First National Bank of Wyoming for financing of the Water Main Improvement Project. Interest payments are due monthly at a rate of 5.75%. The line is unsecured and the entire balance is due December 2009 unless its extension option is granted which is currently being negotiated with the bank. The outstanding balance of the line is \$450,000 at June 30, 2008.

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 2.7%. The balance at June 30, 2008 is \$88,402 and its due date is currently being negotiated.

	<u>Balance</u> <u>July 1, 2007</u>	<u>Additions</u>	<u>Repayments</u>	<u>Balance</u> <u>June 30, 2008</u>
<u>Business-Type Activities</u>				
USDA 1996 Loan	\$1,752,986		\$30,757	\$1,722,229
USDA 2001 Loan	730,687		9,583	721,104
USDA 1999 Loan	444,633		8,147	436,486
USDA 2003 Loan	201,632		2,364	199,268
USDA 2005 Loan	79,997		1,079	78,918
DNREC Loan	88,402			88,402
First National Bank of Wyoming Line		\$450,000		450,000
National Rural Water Association Loan	<u>100,000</u>			<u>100,000</u>
<u>Total</u>	<u>\$3,398,337</u>	<u>\$450,000</u>	<u>\$51,930</u>	<u>\$3,796,407</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>
2009	\$ 589,220	\$ 139,645	\$ 728,865
2010	54,826	137,159	191,985
2011	157,514	131,022	288,536
2012	59,406	127,780	187,186
2013	62,309	126,176	188,485
Thereafter	<u>2,873,132</u>	<u>1,861,351</u>	<u>4,734,483</u>
<u>Total</u>	<u>\$3,796,407</u>	<u>\$2,523,133</u>	<u>\$6,319,540</u>

CITY OF HARRINGTON, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

Note 8 - State Of Delaware Police Pension Fund

Under Resolution 89-R12, the City participates in the State of Delaware Police Pension Plan for uniformed police officers whose employment with the City started on or after July 1, 1989. This is a "multiple-employer, cost-sharing" pension plan. This is a contributory plan with the employee contributing 7% of gross salary exclusive of overtime. The City's employer contributions are based upon actuarial valuations which was 13.60% of covered payroll for the year ended June 30, 2008. The total amount contributed by the City for the year ended June 30, 2008 is \$57,036 of which \$43,281 was reimbursed by the State of Delaware.

This contribution covers the City's total liability for funding, as determined by the State of Delaware. The City does not have any unfunded liability in this plan. The pension plan is managed by the State of Delaware. The Comprehensive Annual Financial Report of the Delaware Public Employees' Retirement System can be obtained from the Office of Pensions, McArdle Building, Suite #1, 860 Silver Lake Blvd., Dover, Delaware 19904.

The State of Delaware Police Pension Plan provides benefits equal to 2 ½% of final average monthly compensation multiplied by years of credited service. Vesting occurs after five years of credited service; and, retirement is at age sixty-two with five years service, age plus credited service (but not less than ten years) equals seventy-five, or twenty-five years of service.

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

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

Significant actuarial assumptions are as follows:

Actuarial Cost Method – Entry Age Normal
Amortization Method – Level Percent Open
Remaining Amortization Period – 10 Years
Asset Valuation Method – 5 Year Smoothed Market
Actuarial Assumptions:
Investment Rate Of Return – 8.00%
Projected Salary Increases – 4.3% – 15.7%
Cost-Of-Living Adjustments – Ad Hoc

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.

CITY OF HARRINGTON, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

Note 9 - State Of Delaware County And Municipal Other Employees' Pension Plan

The City participates in the State of Delaware County and Municipal Other Employees' Pension Plan for employees who previously participated in the City of Harrington Retirement Plan. This is a "multiple-employer, cost-sharing" pension plan. This is a contributory plan with the employee contributing 3.0% of gross salary. The City's employer contributions are based upon actuarial valuations which was 6.20% of covered payroll for the year ended June 30, 2008. The total amount contributed by the City for the year ended June 30, 2008 is \$49,124.

This contribution covers the City's total liability for funding, as determined by the State of Delaware. The City does not have any unfunded liability in this plan. The pension plan is managed by the State of Delaware. The Comprehensive Annual Financial Report of the Delaware Public Employees' Retirement System can be obtained from the Office of Pensions, McArdle Building, Suite #1, 860 Silver Lake Blvd., Dover, Delaware 19904.

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

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

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

Significant actuarial assumptions are as follows:

Actuarial Cost Method – Entry Age Normal
Amortization Method – Level Percent Open
Remaining Amortization Period – 10 Years
Asset Valuation Method – 5 Year Smoothed Market
Actuarial Assumptions:
Investment Rate Of Return – 8.00%
Projected Salary Increases – 4.3% To 10.1%
Cost-Of-Living Adjustments – Ad Hoc

CITY OF HARRINGTON, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

Note 10 - Fund Equity

Designated Fund Balance

Designations of fund balance are used to show amounts within unreserved fund balance which are intended to be used for specific purposes, but are not legally restricted. Designated fund balance in the Special Revenue Funds is to provide funding for appropriations in the subsequent fiscal year.

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, 2007	\$ 59,635
<u>Add:</u> Grant proceeds received	<u>230,665</u>
<u>Contributed Capital</u> – June 30, 2008	<u>\$290,300</u>

Note 11 - 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 12 - 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 13 - Contingencies

Litigation – 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.

CITY OF HARRINGTON, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

Note 13 - Contingencies (Continued)

Governmental Grants – 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 14 - 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, 2008 and for the year then ended is presented as follows:

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Operating revenues	\$ 488,747	\$ 932,652	\$1,421,399
Depreciation	32,639	209,283	241,922
Other operating expenses	76,427	321,550	397,977
Operating income	379,681	401,819	781,500
Non-operating revenues	252,434	255,964	508,398
Non-operating expenses	(47,649)	(91,714)	(139,363)
Net income before transfers and capital contributions	584,466	566,069	1,150,535

Note 15 - Pronouncements Issues, Not Yet Effective

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2008 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 16 - Subsequent Events

The City completed its new water infrastructure on Farmington Road in the fall of 2008 and certain well improvements in the spring of 2009. Financing for these projects was obtained by the City from the USDA on August 14, 2008 in the amount of \$850,000.

The City's sewer system connection to Kent County's sewer system project began in the summer of 2009. The total estimated cost of this project is \$6.7 million and is anticipated to be completed in the summer of 2010.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HARRINGTON, DELAWARE

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

YEAR ENDED JUNE 30, 2008

	<u>Budget</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenue:</u>				
<u>City:</u>				
Property taxes	\$ 800,300	\$ 800,300	\$ 675,475	(\$ 124,825)
Capitation taxes	20,000	20,000	15,135	(4,865)
Transfer tax	150,000	150,000	146,085	(3,915)
Rental income	25,000	25,000	24,773	(227)
Building permits			69,987	69,987
Planning and zoning fees	5,000	5,000	17,274	12,274
Miscellaneous	10,000	10,000	43,174	33,174
Contractors license fees	19,000	19,000	24,900	5,900
Vacant buildings	10,000	10,000	21,441	11,441
Penalty and fines			16,803	16,803
Other			36,926	36,926
Interest			8,640	8,640
Business licenses	83,365	83,365	96,376	13,011
<u>Total City</u>	<u>1,122,665</u>	<u>1,122,665</u>	<u>1,196,989</u>	<u>74,324</u>
<u>Police:</u>				
Fines	250,000	312,000	334,383	22,383
Seized funds			5,529	5,529
Grants			89,380	89,380
<u>Total Police</u>	<u>250,000</u>	<u>312,000</u>	<u>429,292</u>	<u>117,292</u>
<u>Library:</u>				
Grants	39,000	39,000	41,362	2,362
Reciprocal borrowing	26,000	26,000	42,959	16,959
Miscellaneous	3,600	3,600	6,045	2,445
<u>Total Library</u>	<u>68,600</u>	<u>68,600</u>	<u>90,366</u>	<u>21,766</u>
<u>Trash:</u>				
Fees	204,557	204,557	195,994	(8,563)
<u>Sewer:</u>				
Fees and fines	924,874	924,874	927,077	2,203
Sample testing chargers	4,800	4,800	5,575	775
Interest			1,322	1,322
<u>Total Sewer</u>	<u>929,674</u>	<u>929,674</u>	<u>933,974</u>	<u>4,300</u>
<u>Water:</u>				
Fees and fines	440,117	440,117	467,830	27,713
Hook ups	15,000	15,000	20,697	5,697
Miscellaneous			220	220
Interest			1,508	1,508
<u>Total Water</u>	<u>455,117</u>	<u>455,117</u>	<u>490,255</u>	<u>35,138</u>
<u>Fire Company</u>	<u>46,167</u>	<u>46,167</u>	<u>49,599</u>	<u>3,432</u>
<u>Parks and Recreation Department:</u>				
DHSS	30,300	30,300	30,300	
Grants in aid	12,500	12,500	14,000	1,500
Fundraiser funds	186,000	186,000	195,566	9,566
<u>Total Parks and Recreation Department</u>	<u>228,800</u>	<u>228,800</u>	<u>239,866</u>	<u>11,066</u>
<u>Total Revenues</u>	<u>3,305,580</u>	<u>3,367,580</u>	<u>3,626,335</u>	<u>258,755</u>

CITY OF HARRINGTON, DELAWARE

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

YEAR ENDED JUNE 30, 2008

	<u>Budget</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>Expenditures:</u>				
<u>General Government:</u>				
<u>City:</u>				
Salaries	\$ 267,890	\$ 267,890	\$ 235,464	\$ 32,426
Payroll taxes	25,994	25,994	17,705	8,289
Health insurance	23,448	23,448	15,421	8,027
Pension	11,401	11,401	14,545	(3,144)
Vehicle maintenance	500	500	441	59
Office supplies	8,500	8,500	4,901	3,599
Telephone	4,500	4,500	7,982	(3,482)
Postage	4,300	4,300	4,290	10
Heat and electric	10,000	10,000	13,591	(3,591)
Capital outlay	2,800	2,800	19,655	(16,855)
Debt services	212,500	212,500	1,915	210,585
Legal	28,000	28,000	29,774	(1,774)
Advertising	7,000	7,000	5,020	1,980
Accounting services			3,746	(3,746)
Travel and food	2,000	2,000	625	1,375
Engineering	33,000	33,000	163,428	(130,428)
Dues and meetings	1,000	1,000	505	495
Bank charges			8,561	(8,561)
Inspection fees			4,373	(4,373)
Building maintenance and repairs	2,500	2,500	5,500	(3,000)
Computer maintenance and repairs	4,500	4,500	15,708	(11,208)
Cleaning services	2,500	2,500	2,081	419
Election expense	1,000	1,000	719	281
Miscellaneous	4,250	4,250	62,064	(57,814)
Heritage park	300	300	323	(23)
Other contributions	2,000	2,000	520	1,480
Training	3,000	3,000	22,899	(19,899)
Maintenance agreement	4,500	4,500	509	3,991
Lease equipment	4,000	4,000	3,012	988
<u>Total City</u>	<u>671,383</u>	<u>671,383</u>	<u>665,277</u>	<u>6,106</u>
<u>Other:</u>				
Contingency	140,387	140,387	8,950	131,437
Insurance	124,000	124,000	167,470	(43,470)
Audit	30,000	30,000	3,960	26,040
<u>Total Other</u>	<u>294,387</u>	<u>294,387</u>	<u>180,380</u>	<u>114,007</u>
<u>Total General Government</u>	<u>965,770</u>	<u>965,770</u>	<u>845,657</u>	<u>120,113</u>

CITY OF HARRINGTON, DELAWARE

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

YEAR ENDED JUNE 30, 2008

	Budget		Actual	Variance
	Original	Final		Favorable (Unfavorable)
Expenditures: (Continued)				
Police:				
Salaries	\$ 459,427	\$ 459,427	\$ 432,006	\$ 27,421
Overtime	50,000	119,000	103,963	15,037
Payroll taxes	39,507	39,507	43,592	(4,085)
Pension	59,216	59,216	13,755	45,461
Health insurance	84,362	84,362	84,183	179
Medical	550	550	90	460
Vehicle maintenance and repairs	29,000	29,000	36,518	(7,518)
Radar/special electronics	2,500	2,500	5,282	(2,782)
Training	10,800	10,800	6	10,794
K-9 police dog	1,000	1,000	1,522	(522)
Office supplies	2,650	2,650	2,896	(246)
Telephone	6,976	6,976	6,653	323
Postage	350	350	141	209
Heat and electric	12,500	12,500	10,958	1,542
Capital outlay	16,000	16,000	77,762	(61,762)
Contributions			100	(100)
National nite out			1,355	(1,355)
Seized funds return			5,195	(5,195)
USDA grant			300	(300)
Debt services			1,010	(1,010)
Dues and meetings	1,200	1,200	1,960	(760)
Travel and food	750	750	701	49
Freight and shipping			259	(259)
Pagers	80	80	67	13
Computer maintenance and repairs	600	600	68	532
Furniture and office equipment	1,200	1,200	709	491
Building repairs and maintenance	3,250	3,250	1,652	1,598
Maintenance agreement			247	(247)
Cleaning services	5,000	5,000	3,769	1,231
Miscellaneous	1,800	1,800	2,130	(330)
Professional fees			90	(90)
Uniforms	900	900	1,162	(262)
Ammo and targets	5,925	5,925	1,329	4,596
Officer's equipment	1,200	1,200	3,144	(1,944)
Police forms	1,100	1,100	417	683
Clothing allowance	8,000	8,000	4,804	3,196
Leases	3,000	3,000	1,775	1,225
Total Police	808,843	877,843	851,570	26,273

CITY OF HARRINGTON, DELAWARE

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

YEAR ENDED JUNE 30, 2008

	Budget		Actual	Variance Favorable (Unfavorable)
	Original	Final		
<u>Expenditures: (Continued)</u>				
<u>Public Works:</u>				
Salaries	\$ 222,550	\$ 222,550	\$ 226,583	(\$ 4,033)
Payroll taxes	17,025	17,025	16,287	738
Pension	11,566	11,566	14,147	(2,581)
Health insurance	37,389	37,389	32,858	4,531
Medical	500	500	191	309
Vehicle maintenance and repairs	17,000	17,000	3,872	13,128
Equipment maintenance and repairs	8,000	8,000	1,370	6,630
Maintenance agreement			75	(75)
Office supplies	575	575	333	242
Telephone	2,900	2,900	4,286	(1,386)
Building maintenance	1,400	1,400	1,610	(210)
Heat and electric	5,000	5,000	5,423	(423)
Equipment rent	600	600	874	(274)
Dues and meetings	100	100		100
Pagers	500	500	452	48
Computer repairs and maintenance	150	150	90	60
Uniforms	7,200	7,200	6,447	753
Supplies	600	600		600
Tools	1,000	1,000	779	221
Sewer line repairs	5,500	5,500	3,460	2,040
Street maintenance	4,000	4,000	5,289	(1,289)
Ditch cleaning	2,850	2,850	18	2,832
Street signs and markings	2,500	2,500	1,994	506
Street lights	45,000	45,000	47,764	(2,764)
Street sweeper	24,000	24,000	17,937	6,063
Snow and ice removal	1,350	1,350	162	1,188
Mowing supplies	1,000	1,000	1,360	(360)
Water line repairs	15,200	15,200	4,285	10,915
Chemicals	7,000	7,000	5,067	1,933
Water meters			1,511	(1,511)
Miscellaneous	500	500	493	7
Capital outlay	20,750	20,750	8,624	12,126
Debt services			3,223	(3,223)
Safety	3,500	3,500	507	2,993
Wildlife control	400	400	153	247
<u>Total Public Works</u>	<u>467,605</u>	<u>467,605</u>	<u>417,524</u>	<u>50,081</u>
<u>Trash:</u>				
Postage	500	500		500
Contract services	189,834	189,834	206,290	(16,456)
<u>Total Trash</u>	<u>190,334</u>	<u>190,334</u>	<u>206,290</u>	<u>(15,956)</u>

CITY OF HARRINGTON, DELAWARE

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

YEAR ENDED JUNE 30, 2008

	Budget		Actual	Variance
	Original	Final		Favorable (Unfavorable)
Expenditures: (Continued)				
<u>Library:</u>				
Salaries	\$ 90,722	\$ 90,722	\$ 92,195	(\$ 1,473)
Payroll taxes	6,940	6,940	6,627	313
Pension	4,137	4,137	5,756	(1,619)
Health insurance	17,418	17,418	17,380	38
Furniture and office equipment	250	250	175	75
Training	500	500	100	400
Office supplies	1,200	1,200	1,311	(111)
Telephone	2,000	2,000	1,853	147
Postage	500	500	330	170
Heat and electric	6,900	6,900	14,024	(7,124)
Travel and food	500	500	925	(425)
Dues and meetings	2,250	2,250	680	1,570
Equipment repairs	100	100	397	(297)
Building repairs and maintenance	700	700	138	562
Cleaning services	5,000	5,000	2,212	2,788
Miscellaneous	1,150	1,150		1,150
Books and subscriptions	22,000	22,000	24,052	(2,052)
Special library programs	1,500	1,500	1,127	373
Maintenance agreement			165	(165)
Lease equipment	1,700	1,700	1,340	360
<u>Total Library</u>	<u>165,467</u>	<u>165,467</u>	<u>170,787</u>	<u>(5,320)</u>
<u>Sewer:</u>				
Salaries	82,623	82,623	80,932	1,691
Payroll taxes	6,321	6,321	5,817	504
Pension	4,255	4,255	5,053	(798)
Fringe benefits	18,610	18,610	12,907	5,703
Medical	675	675		675
Vehicle maintenance and repairs	6,500	6,500	1,949	4,551
Equipment maintenance and repairs	200	200	30	170
Office supplies	1,565	1,565	38	1,527
Telephone	2,500	2,500	3,662	(1,162)
Postage	1,000	1,000	31	969
Heat and electric	81,000	81,000	88,541	(7,541)
Dues and meetings	100	100	20	80
Safety	6,500	6,500	2,009	4,491
Maintenance agreements	4,000	4,000	3,248	752
Pagers	200	200	78	122
Building repairs and maintenance	4,000	4,000	1,660	2,340
Sand filter	2,500	2,500	1,360	1,140
Miscellaneous	100	100		100
Sample testing	5,000	5,000	6,767	(1,767)

CITY OF HARRINGTON, DELAWARE

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

YEAR ENDED JUNE 30, 2008

<u>Expenditures: (Continued)</u>	<u>Budget</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>Sewer: (Continued)</u>				
Uniforms	\$ 3,000	\$ 3,000	\$ 2,524	\$ 476
Pump station repairs	22,500	22,500	8,632	13,868
Mowing supplies	500	500	735	(235)
Chemicals	85,000	85,000	65,853	19,147
Lab supplies	5,500	5,500	3,090	2,410
Small tools	375	375	172	203
Equipment leases			352	(352)
Miscellaneous			83	(83)
Lagoon maintenance	8,000	8,000	7,736	264
Sludge application	12,000	12,000	17,316	(5,316)
Flow meter operations	1,000	1,000	730	270
License and permits	300	300	225	75
Depreciation			209,283	(209,283)
<u>Total Sewer</u>	<u>365,824</u>	<u>365,824</u>	<u>530,833</u>	<u>(165,009)</u>
<u>Water:</u>				
Bank charges			29	(29)
Postage	2,650	2,650	5	2,645
Heat and electric	23,250	23,250	21,698	1,552
Sample testing	700	700	2,925	(2,225)
Pump and motor repairs	3,000	3,000	18,512	(15,512)
Chemicals	8,750	8,750	12,743	(3,993)
Engineering fees			1,233	(1,233)
Licenses and permits	625	625		625
Water meters	4,500	4,500	8,777	(4,277)
Miscellaneous expense			2,467	(2,467)
Equipment repairs	1,000	1,000	1,116	(116)
Water line repairs	3,000	3,000	6,380	(3,380)
Building repairs	1,000	1,000	542	458
Depreciation			32,639	(32,639)
<u>Total Water</u>	<u>48,475</u>	<u>48,475</u>	<u>109,066</u>	<u>(60,591)</u>
<u>Fire Company:</u>				
Salaries	66,341	66,341	68,510	(2,169)
Payroll taxes	5,075	5,075	4,924	151
Health insurance	16,177	16,177	12,570	3,607
Pension	3,369	3,369	4,258	(889)
Pagers	100	100	78	22
Fuel	2,000	2,000	2,000	
<u>Total Fire Company</u>	<u>93,062</u>	<u>93,062</u>	<u>92,340</u>	<u>722</u>

CITY OF HARRINGTON, DELAWARE

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

YEAR ENDED JUNE 30, 2008

	<u>Budget</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>Expenditures: (Continued)</u>				
<u>Parks and Recreation Department:</u>				
Salaries	\$ 94,038	\$ 94,038	\$ 85,935	\$ 8,103
Payroll taxes	7,180	7,180	6,177	1,003
Health insurance	10,627	10,627	10,238	389
Pension	4,255	4,255	5,365	(1,110)
Office supplies	5,200	5,200	842	4,358
Telephone	1,500	1,500	2,566	(1,066)
Heat and electric	15,000	15,000	35,282	(20,282)
Advertising			500	(500)
Capital outlay	9,000	9,000	7,280	1,720
Travel and food			450	(450)
Consulting fees			2,952	(2,952)
Vehicle repairs and maintenance	2,500	2,500	2,308	192
Building repairs and maintenance	15,000	15,000	6,294	8,706
Supplies			1,359	(1,359)
Fundraisers	22,500	22,500	35,541	(13,041)
Computer maintenance and repair			5,269	(5,269)
Equipment lease			750	(750)
Maintenance agreement			308	(308)
Programs	59,000	59,000	127,383	(68,383)
Miscellaneous			930	(930)
<u>Total Parks and Recreation Department</u>	<u>245,800</u>	<u>245,800</u>	<u>337,729</u>	<u>(91,929)</u>
<u>Total Expenditures</u>	<u>3,351,180</u>	<u>3,420,180</u>	<u>3,561,796</u>	<u>(141,616)</u>
	<u>(\$ 45,600)</u>	<u>(\$ 52,600)</u>	<u>\$ 64,539</u>	<u>\$ 117,139</u>

SUPPLEMENTARY INFORMATION

CITY OF HARRINGTON, DELAWARE

COMBINING BALANCE SHEET -
ALL SPECIAL REVENUE FUNDS

JUNE 30, 2008

	<u>Police Pension Fund</u>	<u>Municipal Street Aid</u>	<u>SLEAF</u>	<u>EIDE</u>	<u>SALLE</u>	<u>Library Building</u>	<u>Technology Grant</u>	<u>Total</u>
<u>ASSETS</u>								
<u>Current Assets:</u>								
Cash and cash equivalents		\$ 207		\$ 3,892	\$ 6,059	\$ 123,761		\$ 133,919
<u>Total Assets</u>	<u>\$ -0-</u>	<u>\$ 207</u>	<u>\$ -0-</u>	<u>\$ 3,892</u>	<u>\$ 6,059</u>	<u>\$ 123,761</u>	<u>\$ -0-</u>	<u>\$ 133,919</u>
<u>FUND EQUITY</u>								
<u>Designated Fund Balance</u>	<u>\$ -0-</u>	<u>\$ 207</u>	<u>\$ -0-</u>	<u>\$ 3,892</u>	<u>\$ 6,059</u>	<u>\$ 123,761</u>	<u>\$ -0-</u>	<u>\$ 133,919</u>
<u>Total Fund Equity</u>	<u>\$ -0-</u>	<u>\$ 207</u>	<u>\$ -0-</u>	<u>\$ 3,892</u>	<u>\$ 6,059</u>	<u>\$ 123,761</u>	<u>\$ -0-</u>	<u>\$ 133,919</u>

CITY OF HARRINGTON, DELAWARE

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

YEAR ENDED JUNE 30, 2008

	<u>Police Pension Fund</u>	<u>Municipal Street Aid</u>	<u>SLEAF</u>	<u>EIDE</u>	<u>SALLE</u>	<u>Library Building</u>	<u>Technology Grant</u>	<u>Total</u>
<u>Revenue:</u>								
Intergovernmental revenues	\$ 43,281	\$ 80,628	\$ 13,429	\$ 5,442	\$ 7,831	\$ 3,740	\$ 2,018	\$ 152,629
Miscellaneous								3,740
<u>Total Revenues</u>	43,281	80,628	13,429	5,442	7,831	3,740	2,018	156,369
<u>Expenditures</u>	43,281	80,628	12,471	5,967	7,085		1,682	151,114
<u>Excess (Deficiency) of Revenues Over Expenditures</u>			958	(525)	746	3,740	336	5,255
<u>Other Financing Sources: Transfers - In (out)</u>	(25)	(667)	(958)	(1,649)	(1,392)	(601)	(336)	(5,628)
<u>Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures</u>	(25)	(667)	-0-	(2,174)	(646)	3,139	-0-	(373)
<u>Fund Balance - Beginning of year</u>	25	874		6,066	6,705	120,622		134,292
<u>Fund Balance - End of year</u>	\$ -0-	\$ 207	\$ -0-	\$ 3,892	\$ 6,059	\$ 123,761	\$ -0-	\$ 133,919

CITY OF HARRINGTON, DELAWARE

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

YEAR ENDED JUNE 30, 2008

	Budget		Actual	Variance Favorable (Unfavorable)
	Original	Final		
<u>Municipal Street Aid:</u>				
Revenues	\$ 75,600	\$ 75,600	\$ 80,628	\$ 5,028
Expenditures	<u>75,600</u>	<u>75,600</u>	<u>80,628</u>	<u>(5,028)</u>
<u>Excess Revenues Over Expenditures</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
<u>Police Pension Fund:</u>				
Revenues	\$ 36,500	\$ 36,500	\$ 43,281	\$ 6,781
Expenditures	<u>36,500</u>	<u>36,500</u>	<u>43,281</u>	<u>(6,781)</u>
<u>Excess Revenues Over Expenditures</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
<u>SLEAF:</u>				
Revenues			\$ 13,429	13,429
Expenditures			<u>12,471</u>	<u>(12,471)</u>
<u>Excess Revenues Over Expenditures</u>			<u>\$ 958</u>	<u>\$ 958</u>
<u>EIDE:</u>				
Revenues			\$ 5,442	\$ 5,442
Expenditures			<u>5,967</u>	<u>(5,967)</u>
<u>Excess Revenues Over Expenditures</u>			<u>(\$ 525)</u>	<u>(\$ 525)</u>
<u>SALLE:</u>				
Revenues			\$ 7,831	\$ 7,831
Expenditures			<u>7,085</u>	<u>(7,085)</u>
<u>Excess Revenues Over Expenditures</u>			<u>\$ 746</u>	<u>\$ 746</u>
<u>Library Building Fund:</u>				
Revenues			\$ 3,740	\$ 3,740
Expenditures			<u> </u>	<u> </u>
<u>Excess Revenues Over Expenditures</u>			<u>\$ 3,740</u>	<u>\$ 3,740</u>
<u>Technology Grant:</u>				
Revenues			\$ 2,018	\$ 2,018
Expenditures			<u>1,682</u>	<u>(1,682)</u>
<u>Excess Revenues Over Expenditures</u>			<u>\$ 336</u>	<u>\$ 336</u>