

CITY OF HARRINGTON, DELAWARE

FINANCIAL STATEMENTS
SUPPLEMENTARY INFORMATION
AND
INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2009

CITY OF HARRINGTON, DELAWARE

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JUNE 30, 2009

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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, 2009, 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, Delaware's management. Our responsibility is to express an opinion 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Harrington, Delaware's internal control over financial reporting. Accordingly, we express no such opinion. 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 opinion.

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, 2009, 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 February 2, 2011, on our consideration of the City of Harrington Delaware's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 43 through 49 are not a required part of the basic financial statements but are supplementary information required by 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
February 2, 2011

A handwritten signature in black ink, appearing to read 'Horty, Horty PA', is written in a cursive style.



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

To the 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, 2009, and have issued our report thereon dated February 2, 2011. 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, Delaware'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. Accordingly, we do not express an opinion on the effectiveness of the City of Harrington, Delaware's internal control over financial reporting.

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 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.

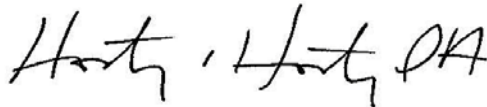
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Harrington, Delaware'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 noted certain matters that we have reported to management of the City of Harrington, Delaware in a separate letter dated February 2, 2011.

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.



Dover, Delaware
February 2, 2011

CITY OF HARRINGTON, DELAWARE

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2009

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, 2009. We encourage users to read it in conjunction with the City's financial statements, which follow this section.

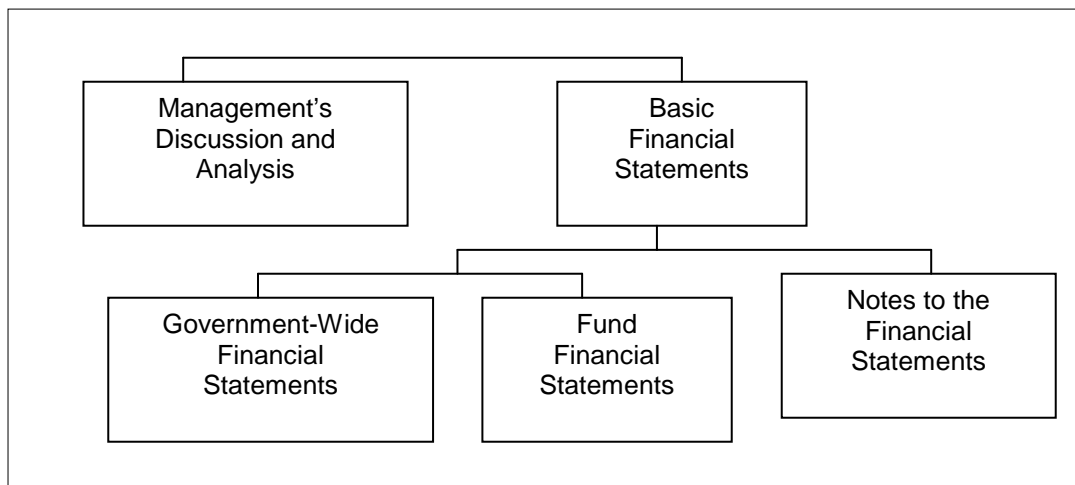
Financial Highlights For Fiscal Year 2009

- The assets of the City exceeded its liabilities at the close of the 2009 fiscal year resulting in net assets of \$6,608,546. Of this amount, \$3,001,062 is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors, and \$3,607,484 is invested in capital assets, net of related debt.
- As of June 30, 2009, the City's governmental funds reported combined ending fund balances of \$2,078,602.

Overview Of The Financial Statements

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

Required Components of Annual Financial Report



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

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

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

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

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

The statement of net 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 six governmental funds. Data for these funds is combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is presented in the form of combining statements on pages 50 and 51 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 42 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 50 through 52 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, 2009.

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 \$6,608,546 at the close of the fiscal year, June 30, 2009.

By far the largest portion of the City's net assets (55 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 ASSETS

	<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>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Current and other assets	\$2,189,345	\$1,050,768	\$1,142,139	\$ 983,273	\$ 3,331,484	\$2,034,041
Capital assets	<u>1,358,165</u>	<u>1,326,746</u>	<u>6,054,769</u>	<u>6,084,976</u>	<u>7,412,934</u>	<u>7,411,722</u>
Total Assets	<u>\$3,547,510</u>	<u>\$2,377,514</u>	<u>\$7,196,908</u>	<u>\$7,068,249</u>	<u>\$10,744,418</u>	<u>\$9,445,763</u>
Long-term liabilities	\$ 35,018	\$ 24,799	\$3,152,584	\$3,207,187	\$ 3,187,602	\$3,231,986
Other liabilities	<u>194,195</u>	<u>179,695</u>	<u>754,075</u>	<u>633,958</u>	<u>948,270</u>	<u>813,653</u>
Total Liabilities	<u>\$ 229,213</u>	<u>\$ 204,494</u>	<u>\$3,906,659</u>	<u>\$3,841,145</u>	<u>\$ 4,135,872</u>	<u>\$4,045,639</u>

CITY OF HARRINGTON DELAWARE'S NET ASSETS, (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>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Net Assets:						
Contributed capital			\$ 390,810	\$ 290,300	\$ 390,810	\$ 290,300
Invested in capital assets	\$1,296,534	\$1,283,139	1,920,140	1,998,269	3,216,674	3,281,408
Unrestricted	<u>2,021,763</u>	<u>889,881</u>	<u>979,299</u>	<u>938,535</u>	<u>3,001,062</u>	<u>1,828,416</u>
Total Net Assets	<u>\$3,318,297</u>	<u>\$2,173,020</u>	<u>\$3,290,249</u>	<u>\$3,227,104</u>	<u>\$6,608,546</u>	<u>\$5,400,124</u>

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

CITY OF HARRINGTON DELAWARE'S NET ASSETS

	<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>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
REVENUES						
Program Revenues:						
Charges for services	\$1,143,123	\$1,313,597	\$1,424,946	\$1,421,399	\$2,568,069	\$2,734,996
Operating grants and contributions	79,149	75,741			79,149	75,741
Capital grants and contributions	74,153		275,496	736,233	349,649	736,233
General Revenues:						
Property taxes	670,651	690,610			670,651	690,610
Transfer tax	79,361	146,085			79,361	146,085
Municipal Street Aid	86,526	80,628			86,526	80,628
Other revenue (expense)	<u>1,272,317</u>	<u>176,814</u>	<u>(36,961)</u>	<u>2,830</u>	<u>1,235,356</u>	<u>179,644</u>
Total Revenues	<u>3,405,280</u>	<u>2,483,475</u>	<u>1,663,481</u>	<u>2,160,462</u>	<u>5,068,761</u>	<u>4,643,937</u>
EXPENSES						
General government	749,020	870,776			749,020	870,776
Public safety	1,075,965	977,880			1,075,965	977,880
Public works	483,692	432,529			483,692	432,529
Parks and recreation	242,484	336,260			242,484	336,260
Trash	195,874	206,290			195,874	206,290
Library	175,190	172,558			175,190	172,558
Fire company	104,150	92,340			104,150	92,340
Water			128,252	156,715	128,252	156,715
Sewer			<u>709,169</u>	<u>622,547</u>	<u>709,169</u>	<u>622,547</u>
Total Expenses	<u>3,026,375</u>	<u>3,088,633</u>	<u>837,421</u>	<u>779,262</u>	<u>3,863,796</u>	<u>3,867,895</u>
Change in Net Assets						
Before Transfers	378,905	(605,158)	826,060	1,381,200	1,204,965	776,042
Transfers	<u>762,915</u>	<u>715,807</u>	<u>(762,915)</u>	<u>(715,807)</u>		
Change in Net Assets	1,141,820	110,649	63,145	665,393	1,204,965	776,042
Net Assets - Beginning of year	<u>2,176,477</u>	<u>2,062,371</u>	<u>3,227,104</u>	<u>2,561,711</u>	<u>5,403,581</u>	<u>4,624,082</u>
Net Assets - End of year	<u>\$3,318,297</u>	<u>\$2,173,020</u>	<u>\$3,290,249</u>	<u>\$3,227,104</u>	<u>\$6,608,546</u>	<u>\$5,400,124</u>

For the year ended June 30, 2009, 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, 2009, the City's governmental funds reported a combined ending fund balance of \$2,078,602.

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, 2009, the general fund balance is \$1,930,656.

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 \$448,284 was reported in the water fund. The sewer fund had income before transfers and capital contributions of \$268,651.

GENERAL FUND BUDGETARY HIGHLIGHTS

The City adopted the fiscal year 2009 budget on June 30, 2008. The City's practice is to get approval from the Council if the budget is amended. During 2009 there were no changes or amendments to the original budget.

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2009, was \$7,412,934 (net of accumulated depreciation). Additions of \$766,017 in 2009 exceeded depreciation by \$343,707.

Major capital asset additions for the year ended June 30, 2009, included the following:

- Forced main improvements in the amount of \$219,934 were made during the year as well as \$199,490 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.

<u>CITY OF HARRINGTON, DELAWARE'S CAPITAL ASSETS</u> (Net Of Depreciation)						
	<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>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Construction in progress	\$ 80,839		\$ 1,054,748	\$ 955,123	\$1,135,587	\$ 955,123
Land improvements	318,081	\$ 321,971			318,081	321,971
Building improvements	584,486	614,876	4,923,283	5,034,275	5,507,769	5,649,151
Equipment	176,755	154,589	60,782	76,985	237,537	231,574
Vehicles	<u>198,004</u>	<u>235,310</u>	<u>15,956</u>	<u>18,593</u>	<u>213,960</u>	<u>253,903</u>
Total	<u>\$1,358,165</u>	<u>\$1,326,746</u>	<u>\$6,054,769</u>	<u>\$6,084,976</u>	<u>\$7,412,934</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 \$3,805,450 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 well improvements in the spring of 2009 and completed water tower painting project in the fall of 2010. Well #3 and its related building were completed in June 2010. 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 currently on hold.

Sewer - The sewer to County connection project planning began in the summer of 2009 and the project is anticipated to be completed in the summer of 2011 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, 2009

ASSETS

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>Current Assets:</u>			
Cash and cash equivalents	\$ 796,925	\$ 652,516	\$ 1,449,441
Taxes receivable (net of allowances)	15,952		15,952
Accounts receivable	106,311		106,311
Service charges receivable		435,003	435,003
Due from other Governments	51,243	54,620	105,863
Prepaid expenses	31,136		31,136
Land held for sale	<u>1,187,778</u>		<u>1,187,778</u>
<u>Total Current Assets</u>	<u>2,189,345</u>	<u>1,142,139</u>	<u>3,331,484</u>
<u>Noncurrent Assets:</u>			
Water and sewer systems		9,247,722	9,247,722
Construction in process	80,839	1,054,748	1,135,587
Land and buildings	1,373,680		1,373,680
Furniture, fixtures and equipment	1,348,136		1,348,136
Less: Accumulated depreciation	<u>(1,444,490)</u>	<u>(4,247,701)</u>	<u>(5,692,191)</u>
<u>Total Capital Assets, Net of Accumulated Depreciation</u>	<u>1,358,165</u>	<u>6,054,769</u>	<u>7,412,934</u>
<u>Total Assets</u>	<u>3,547,510</u>	<u>7,196,908</u>	<u>10,744,418</u>

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

LIABILITIES AND NET ASSETS

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>Current Liabilities:</u>			
Current portion of capital lease obligation	\$ 6,892		\$ 6,892
Accounts payable and other	96,316	\$ 157,795	254,111
Deferred revenue	14,427		14,427
Bonds and notes payable	19,721	591,235	610,956
Accrued compensated absences	<u>56,839</u>	<u>5,045</u>	<u>61,884</u>
<u>Total Current Liabilities</u>	194,195	754,075	948,270
<u>Noncurrent Liabilities:</u>			
Bonds and note payable	5,078	3,152,584	3,157,662
Capital lease obligation - Net of current portion	<u>29,940</u>		<u>29,940</u>
<u>Total Liabilities</u>	<u>229,213</u>	<u>3,906,659</u>	<u>4,135,872</u>
<u>Net Assets:</u>			
Contributed capital		390,810	390,810
Invested in capital assets, net of related debt	1,296,534	1,920,140	3,216,674
Unrestricted	<u>2,021,763</u>	<u>979,299</u>	<u>3,001,062</u>
<u>Total Net Assets</u>	<u>\$ 3,318,297</u>	<u>\$ 3,290,249</u>	<u>\$ 6,608,546</u>

CITY OF HARRINGTON, DELAWARE

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2009

	<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	\$ 749,020	\$ 8,865	
Police	1,075,965	351,308	\$ 79,149
Public works	483,692	188,084	
Trash	195,874	213,972	
Library	175,190	96,471	
Fire company	104,150	49,971	
Parks and recreation	242,484	205,105	
Other		29,347	
<u>Total Governmental Activities</u>	<u>3,026,375</u>	<u>1,143,123</u>	<u>79,149</u>
Business-Type Activities:			
Sewer	709,169	932,492	
Water	<u>128,252</u>	<u>492,454</u>	
<u>Total Business-Type Activities</u>	<u>837,421</u>	<u>1,424,946</u>	
<u>Total</u>	<u>\$ 3,863,796</u>	<u>\$ 2,568,069</u>	<u>\$ 79,149</u>

General Revenues and Transfers:

Taxes:

Property taxes

Transfer tax

Municipal Street Aid

Interest

Community impact fees

Land donation

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
\$ 74,153	(\$ 666,002)		(\$ 666,002)
	(645,508)		(645,508)
	(295,608)		(295,608)
	18,098		18,098
	(78,719)		(78,719)
	(54,179)		(54,179)
	(37,379)		(37,379)
	29,347		29,347
<u>74,153</u>	<u>(1,729,950)</u>		<u>(1,729,950)</u>
84,000		\$ 307,323	307,323
<u>191,496</u>		<u>555,698</u>	<u>555,698</u>
<u>275,496</u>		<u>863,021</u>	<u>863,021</u>
<u>\$ 349,649</u>	<u>(1,729,950)</u>	<u>863,021</u>	<u>(866,929)</u>
	670,651		670,651
	79,361		79,361
	86,526		86,526
	21,793	3,062	24,855
	41,000		41,000
	1,175,000		1,175,000
	34,524	(40,023)	(40,023)
	762,915	(762,915)	34,524
	<u>2,871,770</u>	<u>(799,876)</u>	<u>2,071,894</u>
	1,141,820	63,145	1,204,965
	<u>2,176,477</u>	<u>3,227,104</u>	<u>5,403,581</u>
	<u>\$ 3,318,297</u>	<u>\$ 3,290,249</u>	<u>\$ 6,608,546</u>

CITY OF HARRINGTON, DELAWARE

BALANCE SHEET
(GOVERNMENTAL FUNDS)

JUNE 30, 2009

<u>ASSETS</u>	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Total</u>
Cash and cash equivalents	\$ 648,979	\$ 147,946	\$ 796,925
Taxes receivable (net of allowances)	15,952		15,952
Accounts receivable	106,311		106,311
Grants receivable	51,243		51,243
Land held for sale	1,187,778		1,187,778
Prepaid expenditures	<u>31,136</u>		<u>31,136</u>
 <u>Total Assets</u>	 <u>\$ 2,041,399</u>	 <u>\$ 147,946</u>	 <u>\$ 2,189,345</u>
 <u>LIABILITIES</u>			
Accounts payable and other	\$ 96,316		\$ 96,316
Deferred revenue	<u>14,427</u>		<u>14,427</u>
 <u>Total Liabilities</u>	 <u>110,743</u>		 <u>110,743</u>
 <u>FUND BALANCE</u>			
<u>Fund Balances:</u>			
Designated		\$ 147,946	\$ 147,946
Unreserved and undesignated	<u>1,930,656</u>		<u>1,930,656</u>
 <u>Total Fund Balance</u>	 <u>1,930,656</u>	 <u>147,946</u>	 <u>2,078,602</u>
 <u>Total Liabilities and Fund Balance</u>	 <u>\$ 2,041,399</u>	 <u>\$ 147,946</u>	 <u>\$ 2,189,345</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, 2009

<u>Total Fund Balances, Governmental Funds (Page 15)</u>	\$ 2,078,602
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.	1,358,165
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	(56,839)
Mortgage and notes payable	(<u>61,631</u>)
<u>Net Assets of Governmental Activities in the Statement of Net Assets (Page 13)</u>	\$ <u>3,318,297</u>

CITY OF HARRINGTON, DELAWARE

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

YEAR ENDED JUNE 30, 2009

	<u>General</u> <u>Fund</u>	<u>Special</u> <u>Revenue</u> <u>Funds</u>	<u>Total</u>
<u>Revenues:</u>			
Taxes	\$ 670,651		\$ 670,651
Transfer tax	79,361		79,361
Rental income	8,865		8,865
Building permits	7,043		7,043
Planning and zoning fees	37,911		37,911
Vacant buildings	12,225		12,225
Miscellaneous	34,524		34,524
Contractors license fee	19,200		19,200
Intergovernmental revenues		\$ 165,675	165,675
Fire company	49,971		49,971
Interest	16,577	5,216	21,793
Fines and penalties	9,372		9,372
Business licenses	102,333		102,333
Police revenue	351,308		351,308
Library revenue	96,471		96,471
Trash fees	213,972		213,972
Parks and recreation	205,105		205,105
Grants	74,153		74,153
Community impact fees	41,000		41,000
Land donation	1,175,000		1,175,000
Other	29,347		29,347
	<u>3,234,389</u>	<u>170,891</u>	<u>3,405,280</u>
<u>Total Revenues</u>			
<u>Expenditures:</u>			
General government	810,811		810,811
Police	898,399	158,991	1,057,390
Public works	465,472		465,472
Trash	195,874		195,874
Library	174,929		174,929
Fire company	104,679		104,679
Parks and recreation	238,796		238,796
	<u>2,888,960</u>	<u>158,991</u>	<u>3,047,951</u>
<u>Total Expenditures</u>			
<u>Excess of Revenues Over Expenditures</u>			
<u>Before Other Financing Sources</u>	<u>345,429</u>	<u>11,900</u>	<u>357,329</u>

CITY OF HARRINGTON, DELAWARE

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

YEAR ENDED JUNE 30, 2009

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Total</u>
<u>Other Financing Sources:</u>			
Transfers in	<u>\$ 760,788</u>	<u>\$ 2,127</u>	<u>\$ 762,915</u>
<u>Excess of Revenue and Other Financing Sources Over Expenditures</u>	1,106,217	14,027	1,120,244
<u>Fund Balance</u> - Beginning of year	<u>824,439</u>	<u>133,919</u>	<u>958,358</u>
<u>Fund Balance</u> - End of year	<u>\$ 1,930,656</u>	<u>\$ 147,946</u>	<u>\$ 2,078,602</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, 2009

<u>Net Change in Fund Balances, Governmental Funds (Page 18)</u>	\$ 1,120,244
 <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 exceeded depreciation (\$175,077) , in the current period	(11,284)
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.	21,222
Some items reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. These activities consist of: Decrease in compensated absences	<u>11,638</u>
<u>Change in Net Assets of Governmental Activities (Page 14)</u>	<u>\$ 1,141,820</u>

CITY OF HARRINGTON, DELAWARE

STATEMENT OF NET ASSETS
PROPRIETARY FUND - WATER AND SEWER FUND

JUNE 30, 2009

ASSETS

Current Assets:

Cash and cash equivalents	\$ 652,516
Due from other Governments	54,620
Service charges receivable	<u>435,003</u>

Total Current Assets 1,142,139

Noncurrent Assets:

Capital Assets:

Water and sewer systems	9,247,722
Construction in process	1,054,748
Less: Accumulated depreciation	<u>(4,247,701)</u>

Total Noncurrent Assets 6,054,769

Total Assets 7,196,908

LIABILITIES

Current Liabilities:

Accounts payable and other	157,795
Bonds payable	591,235
Accrued compensated absences	<u>5,045</u>

Total Current Liabilities 754,075

Noncurrent Liabilities:

Bonds payable	<u>3,152,584</u>
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Total Liabilities 3,906,659

NET ASSETS

Contributed capital	390,810
Invested in capital assets, net of related debt	1,920,140
Unrestricted retained earnings	<u>979,299</u>

Total Net Assets \$ 3,290,249

CITY OF HARRINGTON, DELAWARE

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

YEAR ENDED JUNE 30, 2009

	Sewer	Water	Total
<u>Operating Revenues:</u>			
Sewer fees	\$ 913,093		\$ 913,093
Water fees		\$ 478,792	478,792
Hook ups	3,700	7,800	11,500
Miscellaneous	8,961	4,206	13,167
Sample testing charges	6,738	1,656	8,394
<u>Total Operating Revenues</u>	932,492	492,454	1,424,946
<u>Operating Expenses</u>	598,314	105,207	703,521
<u>Operating Income</u>	334,178	387,247	721,425
<u>Non-Operating Revenues (Expenses):</u>			
Interest expense	(110,855)	(23,045)	(133,900)
Impact fees	84,000	82,371	166,371
Interest income	1,351	1,711	3,062
Loss on disposal of property and equipment	(40,023)		(40,023)
<u>Income Before Transfers and</u>			
<u>Capital Contributions</u>	\$ 268,651	\$ 448,284	716,935
<u>Capital Contributions</u>			109,125
<u>Operating Transfers to Other Funds</u>			(762,915)
<u>Net Income After Operating Transfers</u>			63,145
<u>Net Assets - Beginning of year</u>			3,227,104
<u>Net Assets - End of year</u>			\$ 3,290,249

CITY OF HARRINGTON, DELAWARE
STATEMENT OF OPERATING EXPENSES
PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2009

	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
Salaries	\$ 83,531		\$ 83,531
Payroll taxes	6,566		6,566
Pension	5,836		5,836
Fringe benefits	15,971		15,971
Vehicle maintenance and repairs	4,971		4,971
Equipment maintenance and repairs	726		726
Office supplies	261		261
Telephone	3,713		3,713
Postage	267	\$ 168	435
Heat and electric	90,747	22,715	113,462
Dues and meetings	40	200	240
Safety	7,100		7,100
Maintenance agreements	4,200	1,005	5,205
Pagers	79		79
Building repairs and maintenance	3,159	184	3,343
Sand filter	1,151		1,151
Miscellaneous	5		5
Sample testing	6,946		6,946
Water meters		27,542	27,542
Uniforms	2,121		2,121
Pump station repairs	18,758	517	19,275
Water line repairs		8,444	8,444
Mowing supplies	168		168
Engineering fees		4,918	4,918
Chemicals	79,665	4,629	84,294
Lab supplies	3,024		3,024
Small tools	86		86
Insurance	9,169		9,169
Training	45		45
Lagoon maintenance	8,871		8,871
Sludge application	27,501		27,501
Flow meter operations	964		964
License and permits	125	200	325
Depreciation	<u>212,548</u>	<u>34,685</u>	<u>247,233</u>
<u>Total Operating Expenses</u>	<u>\$ 598,314</u>	<u>\$ 105,207</u>	<u>\$ 703,521</u>

CITY OF HARRINGTON, DELAWARE

STATEMENT OF CASH FLOWS
(ALL PROPRIETARY FUNDS)

YEAR ENDED JUNE 30, 2009

Cash Flows From Operating Activities:

Cash received from customers	\$ 1,645,315
Cash paid to suppliers	(257,017)
Cash paid to employees	(84,695)

Net Cash Provided By Operating
Activities

1,303,603

Cash Flows From Non-Capital Financing Activities:

Operating transfers to other funds	(762,915)
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Cash Flows From Capital and Related
Financing Activities:

Purchase of property and equipment	(441,962)
Proceeds from disposal of property and equipment	224,936
Principal paid on general obligation debt	(52,588)
Interest paid	(134,895)
Capital contribution received	<u>105,247</u>

Net Cash Used For Capital and
Related Financing Activities

(299,262)

Cash Flows From Investing Activities:

Investment income	<u>3,062</u>
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Net Increase In Cash and Cash Equivalents

244,488

Cash and Cash Equivalents:

Beginning of year	<u>408,028</u>
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End of year	<u>\$ 652,516</u>
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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>	\$ 721,425
<u>Adjustments To Reconcile Operating Income To Net</u>	
<u>Cash Provided By Operating Activities:</u>	
Depreciation	247,233
Non-operating revenues	166,371
Loss on disposal of property and equipment	(40,023)
 (Increase) decrease in:	
Accounts receivable	23,548
Due from other government	70,473
Service charges receivable	(4,521)
 Increase (decrease) in:	
Accounts payable and other	119,322
Compensated absences	(225)
 <u>Net Cash Provided By Operating Activities</u>	 <u>\$ 1,303,603</u>

CITY OF HARRINGTON, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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 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. 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, 2009

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, 2009

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.

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, 2009

Note 1 - Summary Of Significant Accounting Policies (Continued)

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

The following comprise the City's major enterprise funds:

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

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

Measurement Focus and Basis of Accounting

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

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

CITY OF HARRINGTON, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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, 2009

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, 2009

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, 2009

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 30, 2008. There were no changes to the fiscal 2009 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, 2009

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, 2009 is shown below:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
<u>Cash and Cash Equivalents:</u>		
Category 1	\$ 250,000	\$ 250,000
Category 2	1,199,441	1,314,775
Category 3	<u> </u>	<u> </u>
<u>Total Cash and Cash Equivalents</u>	<u>\$1,449,441</u>	<u>\$1,564,775</u>

At June 30, 2009, the City's cash and cash equivalents are comprised of the following:

Carrying value of unrestricted cash and cash equivalents	\$1,301,495
Restricted cash and cash equivalents	<u>147,946</u>
<u>Total</u>	<u>\$1,449,441</u>

CITY OF HARRINGTON, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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, 2009, amounts due from other governments consisted of the following:

<u>Governmental Unit:</u>	<u>General Fund</u>	<u>Enterprise Funds</u>	<u>Total</u>
State of Delaware	<u>\$51,243</u>	<u>\$54,620</u>	<u>\$105,863</u>

Note 5 - Property and Equipment

The following is a summary of changes in capital assets for the year ended June 30, 2009:

	<u>Balance July 1, 2008</u>	<u>Additions</u>	<u>Transfers and Deletions</u>	<u>Balance June 30, 2009</u>
<u>Governmental Activities</u>				
Capital assets, not being depreciated:				
Construction in progress		<u>\$ 80,839</u>		<u>\$ 80,839</u>
Capital assets, being depreciated:				
Land improvements	\$ 396,036	6,011		402,047
Buildings and improvements	964,568			964,568
Equipment	647,009	118,566	\$ 2,797	762,778
Vehicles	<u>591,343</u>	<u>1,080</u>		<u>592,423</u>
Total capital assets being depreciated	<u>2,598,956</u>	<u>125,657</u>	<u>2,797</u>	<u>2,721,816</u>
Less accumulated depreciation for:				
Land improvements	74,065	9,901		83,966
Buildings and improvements	349,692	30,390		380,082
Equipment	492,420	96,400	2,797	586,023
Vehicles	<u>356,033</u>	<u>38,386</u>		<u>394,419</u>
Total accumulated depreciation	<u>1,272,210</u>	<u>175,077</u>	<u>2,797</u>	<u>1,444,490</u>
Governmental activities capital assets, net	<u>\$1,326,746</u>	<u>\$ 31,419</u>	<u>\$ -0-</u>	<u>\$1,358,165</u>

CITY OF HARRINGTON, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

Note 5 - Property and Equipment (Continued)

	<u>Balance</u> <u>July 1, 2008</u>	<u>Additions</u>	<u>Transfers</u> <u>and</u> <u>Deletions</u>	<u>Balance</u> <u>June 30, 2009</u>
<u>Business – Type</u>				
<u>Activities</u>				
Capital assets, not being depreciated:				
Construction in progress	\$ 955,123	\$ 99,625		\$1,054,748
Capital assets, being depreciated:				
Plants, maintenance and other improvements	9,000,187	459,896	\$361,448	9,098,635
Equipment	125,439			125,439
Vehicles	23,648			23,648
Total capital assets being depreciated	<u>9,149,274</u>	<u>459,896</u>	<u>361,448</u>	<u>9,247,722</u>
Less accumulated depreciation for:				
Plants, maintenance and other improvements	3,965,912	228,393	18,953	4,175,352
Equipment	48,454	16,203		64,657
Vehicles	5,055	2,637		7,692
Total accumulated depreciation	<u>4,019,421</u>	<u>247,233</u>	<u>18,953</u>	<u>4,247,701</u>
Total capital assets being depreciated, net	<u>5,129,853</u>	<u>212,663</u>	<u>342,495</u>	<u>5,000,021</u>
Business-type activities capital assets, net	<u>\$6,084,976</u>	<u>\$312,288</u>	<u>\$342,495</u>	<u>\$6,054,769</u>

Depreciation expense for the year ended June 30, 2009 was charged to the functions of the primary government as follows:

Governmental Activities:

General government	\$ 56,755
Police	70,279
Public works	41,333
Parks and recreation	5,359
Library	<u>1,351</u>

Total Depreciation Expense – Governmental
Activities

\$175,077

CITY OF HARRINGTON, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

Note 6 - Accounts Payable and Other

Accounts payable and other at June 30, 2009 consists of the following:

	<u>General Fund</u>	<u>Enterprise Fund</u>	<u>Total</u>
Accounts payable	\$52,813	\$156,769	\$209,582
Accrued expenses	<u>43,503</u>	<u>1,026</u>	<u>44,529</u>
<u>Total</u>	<u>\$96,316</u>	<u>\$157,795</u>	<u>\$254,111</u>

Note 7 - Long-Term Debt

General Fund Debt

The City has a note payable for equipment purchased. The loan balance is \$24,799 at June 30, 2009 and is payable in monthly principal and interest payments of \$1,607, at 4.75% interest. The loan has been repaid.

	<u>Balance July 1, 2008</u>	<u>Additions</u>	<u>Repayments</u>	<u>Balance June 30, 2009</u>
<u>Governmental Activities:</u>				
Note Payable	<u>\$43,607</u>	<u>\$ -0-</u>	<u>\$18,808</u>	<u>\$24,799</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>
2010	\$19,721	\$ 752	\$20,473
2011	<u>5,078</u>	<u>40</u>	<u>5,118</u>
<u>Total</u>	<u>\$24,799</u>	<u>\$ 792</u>	<u>\$25,591</u>

CITY OF HARRINGTON, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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 \$1,691,134 at June 30, 2009 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 \$428,329 at June 30, 2009 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 \$711,302 at June 30, 2009 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 \$196,851 at June 30, 2009 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 \$77,801 at June 30, 2009 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, 2009

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 outstanding balance is \$450,000 at June 30, 2009. The line was repaid January 8, 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 2.7%. The balance at June 30, 2009 is \$88,402. Final payment is due August 1, 2027.

	<u>Balance</u> <u>July 1, 2008</u>	<u>Additions</u>	<u>Repayments</u>	<u>Balance</u> <u>June 30, 2009</u>
<u>Business-Type Activities</u>				
USDA 1996 Loan	\$1,722,229		\$31,095	\$1,691,134
USDA 2001 Loan	721,104		9,802	711,302
USDA 1999 Loan	436,486		8,157	428,329
USDA 2003 Loan	199,268		2,417	196,851
USDA 2005 Loan	78,918		1,117	77,801
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> </u>	<u>100,000</u>
Total	<u>\$3,796,407</u>	<u>\$ -0-</u>	<u>\$52,588</u>	<u>\$3,743,819</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>
2010	\$ 591,235	\$ 137,159	\$ 728,394
2011	57,207	127,781	184,988
2012	159,700	125,176	284,876
2013	62,595	122,460	185,055
2014	65,020	119,622	184,642
Thereafter	<u>2,808,062</u>	<u>1,619,267</u>	<u>4,427,329</u>
Total	<u>\$3,743,819</u>	<u>\$2,251,465</u>	<u>\$5,995,284</u>

CITY OF HARRINGTON, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

Note 8 - Capital Lease Obligations

The City leases certain equipment under capital lease agreements. The future minimum lease payments under the leases together with the present value of the net minimum lease payments as of June 30, 2009 are as follows:

2010	\$ 9,493
2011	9,493
2012	9,493
2013	9,493
2014	<u>5,694</u>
<u>Total Minimum Lease Payments</u>	43,666
<u>Less: Amount representing interest at 7.75%</u>	<u>6,834</u>
<u>Present Value of net Minimum Lease Payments</u>	36,832
<u>Less: Current portion</u>	<u>6,892</u>
<u>Long-Term Portion</u>	<u>\$29,940</u>

Equipment under capital leases has a cost of \$39,245 and accumulated depreciation of \$1,962 as of June 30, 2009.

Note 9 - State Of Delaware Police Pension Fund

Under Resolution 89-R12, the City participates in the State of Delaware Police Pension Plan for uniformed police officers whose employment with the City started on or after July 1, 1989. This is a "multiple-employer, cost-sharing" pension plan. This is a contributory plan with the employee contributing 7% of gross salary exclusive of overtime. The City's employer contributions are based upon actuarial valuations which was 13.82% of covered payroll for the year ended June 30, 2009. The total amount contributed by the City for the year ended June 30, 2009 is \$68,135 of which \$44,229 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.

CITY OF HARRINGTON, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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

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

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

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

Significant actuarial assumptions are as follows:

Actuarial Cost Method – Entry Age Normal
Amortization Method – Level Percent Open
Remaining Amortization Period – 10 Years
Asset Valuation Method – 5 Year Smoothed Market
Actuarial Assumptions:
Investment Rate Of Return – 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.

Note 10 - State Of Delaware County And Municipal Other Employees' Pension Plan

The City participates in the State of Delaware County and Municipal Other Employees' Pension Plan for employees who previously participated in the City of Harrington Retirement Plan. This is a "multiple-employer, cost-sharing" pension plan. This is a contributory plan with the employee contributing 3.0% of gross salary. The City's employer contributions are based upon actuarial valuations which was 6.44% of covered payroll for the year ended June 30, 2009. The total amount contributed by the City for the year ended June 30, 2009 is \$53,371.

CITY OF HARRINGTON, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

Note 10 - State Of Delaware County And Municipal Other Employees' Pension Plan (Continued)

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 1/60th 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

Note 11 - 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.

CITY OF HARRINGTON, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

Note 11 - Fund Equity (Continued)

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, 2008	\$290,300
<u>Add</u> : Grant proceeds received	109,125
<u>Less</u> : Depreciation on capital assets acquired with grant proceeds	<u>(8,615)</u>
<u>Contributed Capital</u> – June 30, 2009	<u>\$390,810</u>

Note 12 - Compensated Absences

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

Note 13 - Risk Management

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

Note 14 - 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.

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.

CITY OF HARRINGTON, DELAWARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

Note 15 - Segment Information

The City maintains two enterprise funds which provide water and wastewater public services. Selected financial information for business segments of enterprise funds at June 30, 2009 and for the year then ended is presented as follows:

	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Total</u>
Operating revenues	\$932,492	\$492,454	\$1,424,946
Depreciation	212,548	34,685	247,233
Other operating expenses	385,766	70,522	456,288
Operating income	334,178	387,247	721,425
Non-operating revenues	85,351	84,082	169,433
Non-operating expenses	(150,878)	(23,045)	(173,923)
Net income before transfers and capital contributions	268,651	448,284	716,935

Note 16 - Pronouncements Issues, Not Yet Effective

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2009 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 17 - Subsequent Events

Planning for 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 2011. The City entered into contracts totaling \$6.5 million in September 2010. Interim financing in the amount of \$1.6 million was obtained by the City from the First National Bank of Wyoming in November 2010.

Management has evaluated all subsequent events through February 2, 2011, the date the financial statements are available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HARRINGTON, DELAWARE

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

YEAR ENDED JUNE 30, 2009

	Budget		Actual	Variance
	Original	Final		Favorable (Unfavorable)
Revenue:				
<u>City:</u>				
Property taxes	\$ 655,790	\$ 655,790	\$ 655,486	(\$ 304)
Capitation taxes	15,170	15,170	15,165	(5)
Transfer tax	93,000	93,000	79,361	(13,639)
Rental income			8,865	8,865
Building permits			7,043	7,043
Planning and zoning fees	10,000	10,000	37,911	27,911
Miscellaneous	15,000	15,000	34,524	19,524
Contractors license fees	23,340	23,340	19,200	(4,140)
Vacant buildings	9,000	9,000	12,225	3,225
Fines and penalties			9,372	9,372
Other	12,000	12,000	29,347	17,347
Interest			16,577	16,577
Business licenses	86,000	86,000	102,333	16,333
<u>Total City</u>	<u>919,300</u>	<u>919,300</u>	<u>1,027,409</u>	<u>108,109</u>
<u>Police:</u>				
Fines	250,000	250,000	311,299	61,299
Other	1,500	1,500	11,562	10,062
Grants			28,447	28,447
<u>Total Police</u>	<u>251,500</u>	<u>251,500</u>	<u>351,308</u>	<u>99,808</u>
<u>Library:</u>				
Grants	40,000	40,000	41,504	1,504
Reciprocal borrowing	40,000	40,000	47,617	7,617
Miscellaneous	4,000	4,000	7,350	3,350
<u>Total Library</u>	<u>84,000</u>	<u>84,000</u>	<u>96,471</u>	<u>12,471</u>
<u>Trash:</u>				
Fees	204,800	204,800	213,972	9,172
<u>Sewer:</u>				
Fees and fines	950,910	950,910	913,093	(37,817)
Hook ups	15,000	15,000	3,700	(11,300)
Sample testing charges	7,000	7,000	6,738	(262)
Miscellaneous			8,961	8,961
Interest			1,351	1,351
<u>Total Sewer</u>	<u>972,910</u>	<u>972,910</u>	<u>933,843</u>	<u>(39,067)</u>
<u>Water:</u>				
Fees and fines	443,050	443,050	478,792	35,742
Sample testing charges			1,656	1,656
Hook ups	12,000	12,000	7,800	(4,200)
Miscellaneous	75,000	75,000	4,206	(70,794)
Interest			1,711	1,711
<u>Total Water</u>	<u>530,050</u>	<u>530,050</u>	<u>494,165</u>	<u>(35,885)</u>
<u>Fire Company</u>	<u>46,170</u>	<u>46,170</u>	<u>49,971</u>	<u>3,801</u>
<u>Parks and Recreation Department:</u>				
DHSS	30,300	30,300	27,600	(2,700)
Grants in aid	14,000	14,000	12,900	(1,100)
Program income	115,500	115,500	130,072	14,572
Miscellaneous	28,500	28,500	8,287	(20,213)
Fundraiser funds	19,500	19,500	26,246	6,746
<u>Total Parks and Recreation Department</u>	<u>207,800</u>	<u>207,800</u>	<u>205,105</u>	<u>(2,695)</u>
<u>Total Revenues</u>	<u>3,216,530</u>	<u>3,216,530</u>	<u>3,372,244</u>	<u>155,714</u>

CITY OF HARRINGTON, DELAWARE

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

YEAR ENDED JUNE 30, 2009

	<u>Budget</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable (Unfavorable)</u>
<u>Expenditures:</u>				
<u>General Government:</u>				
<u>City:</u>				
Salaries	\$ 290,130	\$ 290,130	\$ 232,435	\$ 57,695
Payroll taxes	18,440	18,440	19,687	(1,247)
Health insurance	22,710	22,710	22,854	(144)
Pension	12,780	12,780	16,233	(3,453)
Vehicle maintenance	1,000	1,000	517	483
Office supplies	7,500	7,500	6,169	1,331
Telephone	4,500	4,500	4,369	131
Postage	3,300	3,300	4,494	(1,194)
Heat and electric	13,660	13,660	14,316	(656)
Capital outlay			115,999	(115,999)
Debt services	192,500	192,500	2,667	189,833
Legal	28,000	28,000	102,953	(74,953)
Advertising	7,000	7,000	4,455	2,545
Accounting services			6,176	(6,176)
Travel and food	1,000	1,000	468	532
Engineering	69,930	69,930	67,347	2,583
Dues and meetings	500	500	3,535	(3,035)
Bad debt expense			8,003	(8,003)
Bank charges			4,193	(4,193)
Inspection fees	2,000	2,000	504	1,496
Building maintenance and repairs	3,950	3,950	3,398	552
Computer maintenance and repairs	41,760	41,760	9,229	32,531
Cleaning services	3,840	3,840	2,256	1,584
Election expense	1,000	1,000	956	44
Miscellaneous	3,950	3,950	11,050	(7,100)
Heritage park	300	300	320	(20)
Equipment rental			1,209	(1,209)
Clean up fees			9,384	(9,384)
Training	1,500	1,500	4,373	(2,873)
Maintenance agreement	920	920	798	122
Lease equipment	3,300	3,300	768	2,532
Contingency	71,270	71,270	14,344	56,926
Insurance	180,000	180,000	22,875	157,125
Accounting and auditing	30,000	30,000	92,477	(62,477)
Contributions	1,000	1,000		1,000
Zoning map	50,000	50,000		50,000
<u>Total City</u>	<u>1,067,740</u>	<u>1,067,740</u>	<u>810,811</u>	<u>256,929</u>

CITY OF HARRINGTON, DELAWARE

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

YEAR ENDED JUNE 30, 2009

<u>Expenditures: (Continued)</u>	<u>Budget</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable</u> <u>(Unfavorable)</u>
<u>Police:</u>				
Salaries	\$ 468,350	\$ 468,350	\$ 420,874	\$ 47,476
Overtime	57,000	57,000	121,122	(64,122)
Payroll taxes	29,040	29,040	49,903	(20,863)
Pension	60,430	60,430	23,906	36,524
Health insurance	104,340	104,340	91,336	13,004
Medical	100	100	720	(620)
Vehicle maintenance and repairs	34,100	34,100	29,817	4,283
Radar/special electronics	2,500	2,500	2,629	(129)
Training	1,200	1,200	295	905
K-9 police dog	1,000	1,000	953	47
Office supplies	12,100	12,100	2,531	9,569
Telephone	6,000	6,000	9,653	(3,653)
Postage	300	300	212	88
Heat and electric	11,500	11,500	13,141	(1,641)
Capital outlay	6,900	6,900	22,514	(15,614)
Contributions			100	(100)
Homeland security grant			2,817	(2,817)
Seized funds return			965	(965)
Mid-Del grant expense			2,209	(2,209)
National nite out			4,075	(4,075)
Advertising	250	250	68	182
Debt services			554	(554)
Dues and meetings	1,200	1,200	740	460
Travel and food	600	600	153	447
Freight and shipping	200	200	183	17
Computer maintenance and repairs	500	500	598	(98)
Insurance			67,235	(67,235)
Furniture and office equipment	800	800	703	97
Building repairs and maintenance	3,250	3,250	2,366	884
Maintenance agreement	490	490	1,022	(532)
Cleaning services	5,950	5,950	4,960	990
Miscellaneous	1,700	1,700	2,198	(498)
Professional fees			77	(77)
Uniforms	900	900	1,261	(361)
Ammo and targets	6,400	6,400	6,314	86
Officer's equipment	1,200	1,200	370	830
Police forms	500	500	2,171	(1,671)
Clothing allowance	8,000	8,000	7,048	952
Lease equipment	2,460	2,460	606	1,854
<u>Total Police</u>	<u>829,260</u>	<u>829,260</u>	<u>898,399</u>	<u>(69,139)</u>

CITY OF HARRINGTON, DELAWARE

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

YEAR ENDED JUNE 30, 2009

	<u>Budget</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable (Unfavorable)</u>
<u>Expenditures: (Continued)</u>				
<u>Public Works:</u>				
Salaries	\$ 218,540	\$ 218,540	\$ 223,544	(\$ 5,004)
Payroll taxes	12,870	12,870	18,250	(5,380)
Pension	10,640	10,640	15,929	(5,289)
Health insurance	42,370	42,370	38,153	4,217
Per diem	4,160	4,160	4,402	(242)
Vehicle maintenance and repairs	13,000	13,000	10,973	2,027
Equipment maintenance and repairs	7,900	7,900	6,775	1,125
Maintenance agreement	150	150	75	75
Office supplies	430	430	1,347	(917)
Telephone	1,920	1,920	2,467	(547)
Building maintenance	1,100	1,100	2,192	(1,092)
Heat and electric	5,000	5,000	6,933	(1,933)
Equipment rental	900	900	1,089	(189)
Dues and meetings	50	50	220	(170)
Insurance			27,107	(27,107)
Computer repairs and maintenance	100	100	317	(217)
Uniforms	5,340	5,340	5,240	100
Supplies	1,250	1,250	1,779	(529)
Sewer line repairs	5,000	5,000	990	4,010
Street maintenance	4,000	4,000	4,640	(640)
Ditch cleaning	3,000	3,000	2,871	129
Street signs and markings	8,500	8,500	7,249	1,251
Street lights	45,000	45,000	46,598	(1,598)
Street sweeper	21,000	21,000	18,808	2,192
Snow and ice removal	1,200	1,200	200	1,000
Water line repairs	3,200	3,200	2,718	482
Chemicals	7,000	7,000	7,554	(554)
Miscellaneous	250	250	374	(124)
Capital outlay			4,751	(4,751)
Debt services			1,665	(1,665)
Safety	2,200	2,200	187	2,013
Wildlife control	250	250	75	175
	<u>426,320</u>	<u>426,320</u>	<u>465,472</u>	<u>(39,152)</u>
<u>Total Public Works</u>				
<u>Trash:</u>				
Postage	670	670	168	502
Contract services	189,500	189,500	195,706	(6,206)
	<u>190,170</u>	<u>190,170</u>	<u>195,874</u>	<u>(5,704)</u>
<u>Total Trash</u>				

CITY OF HARRINGTON, DELAWARE

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

YEAR ENDED JUNE 30, 2009

	<u>Budget</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable</u> <u>(Unfavorable)</u>
<u>Expenditures: (Continued)</u>				
<u>Library:</u>				
Salaries	\$ 90,720	\$ 90,720	\$ 88,896	\$ 1,824
Payroll taxes	5,480	5,480	6,903	(1,423)
Pension	3,990	3,990	6,201	(2,211)
Health insurance	19,740	19,740	16,196	3,544
Furniture and office equipment	200	200	660	(460)
Insurance			9,749	(9,749)
Training	150	150	150	
Office supplies	1,100	1,100	1,932	(832)
Telephone	1,700	1,700	1,421	279
Postage	300	300	168	132
Heat and electric	14,000	14,000	9,636	4,364
Travel and food	250	250	304	(54)
Dues and meetings	3,900	3,900	3,478	422
Equipment repairs	200	200	980	(780)
Building repairs and maintenance	800	800	1,176	(376)
Cleaning services	3,500	3,500	2,336	1,164
Miscellaneous			17	(17)
Books and subscriptions	22,000	22,000	21,977	23
Special library programs	2,500	2,500	1,853	647
Debt services			135	(135)
Maintenance agreement	330	330	327	3
Lease equipment	1,800	1,800	434	1,366
	<u>172,660</u>	<u>172,660</u>	<u>174,929</u>	<u>(2,269)</u>
<u>Total Library</u>				
<u>Sewer:</u>				
Salaries	82,420	82,420	83,531	(1,111)
Payroll taxes	5,000	5,000	6,566	(1,566)
Pension	4,250	4,250	5,836	(1,586)
Fringe benefits	21,660	21,660	15,971	5,689
Vehicle maintenance and repairs	5,500	5,500	4,971	529
Equipment maintenance and repairs	180	180	726	(546)
Office supplies	740	740	261	479
Telephone	2,500	2,500	3,713	(1,213)
Postage	900	900	267	633
Heat and electric	83,200	83,200	90,747	(7,547)
Dues and meetings	90	90	40	50
Safety	4,500	4,500	7,100	(2,600)
Maintenance agreements	4,160	4,160	4,200	(40)
Pagers	90	90	79	11
Building repairs and maintenance	3,600	3,600	3,159	441
Sand filter	2,250	2,250	1,151	1,099
Miscellaneous	90	90	5	85
Sample testing	5,500	5,500	6,946	(1,446)

CITY OF HARRINGTON, DELAWARE

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

YEAR ENDED JUNE 30, 2009

	Budget		Actual	Variance Favorable (Unfavorable)
	Original	Final		
<u>Expenditures: (Continued)</u>				
<u>Sewer: (Continued)</u>				
Uniforms	\$ 2,000	\$ 2,000	\$ 2,121	(\$ 121)
Pump station repairs	20,500	20,500	18,758	1,742
Mowing supplies	450	450	168	282
Chemicals	85,000	85,000	79,665	5,335
Lab supplies	5,000	5,000	3,024	1,976
Small tools	330	330	86	244
Insurance			9,169	(9,169)
Training	30	30	45	(15)
Lagoon maintenance	8,000	8,000	8,871	(871)
Sludge application	20,000	20,000	27,501	(7,501)
Flow meter operations	900	900	964	(64)
License and permits	250	250	125	125
Depreciation			212,548	(212,548)
	<u>369,090</u>	<u>369,090</u>	<u>598,314</u>	<u>(229,224)</u>
 <u>Total Sewer</u>				
 <u>Water:</u>				
Postage	1,000	1,000	168	832
Heat and electric	23,250	23,250	22,715	535
Dues and meetings			200	(200)
Maintenance agreement	1,000	1,000	1,005	(5)
Building repair and maintenance	1,000	1,000	184	816
Water meters	4,500	4,500	27,542	(23,042)
Pump and motor repairs	3,000	3,000	517	2,483
Water line repairs	8,000	8,000	8,444	(444)
Engineering fees			4,918	(4,918)
Chemicals	8,000	8,000	4,629	3,371
Licenses and permits	300	300	200	100
Depreciation			34,685	(34,685)
Sample testing	700	700		700
	<u>50,750</u>	<u>50,750</u>	<u>105,207</u>	<u>(54,457)</u>
 <u>Total Water</u>				
 <u>Fire Company:</u>				
Salaries	66,920	66,920	72,222	(5,302)
Payroll taxes	3,840	3,840	5,730	(1,890)
Health insurance	15,890	15,890	11,499	4,391
Pension	3,090	3,090	5,066	(1,976)
Insurance			8,049	(8,049)
Office supplies			34	(34)
Pagers	100	100	79	21
Fuel	2,000	2,000	2,000	
	<u>91,840</u>	<u>91,840</u>	<u>104,679</u>	<u>(12,839)</u>
 <u>Total Fire Company</u>				

CITY OF HARRINGTON, DELAWARE

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

YEAR ENDED JUNE 30, 2009

	<u>Budget</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable (Unfavorable)</u>
<u>Expenditures: (Continued)</u>				
<u>Parks and Recreation Department:</u>				
Salaries	\$ 95,400	\$ 95,400	\$ 74,930	\$ 20,470
Payroll taxes	5,920	5,920	6,096	(176)
Health insurance	12,290	12,290	2,813	9,477
Pension	4,430	4,430	4,106	324
Office supplies	3,000	3,000	1,161	1,839
Telephone	2,000	2,000	3,787	(1,787)
Heat and electric	17,350	17,350	10,392	6,958
Debt services			187	(187)
Postage	50	50	24	26
Insurance			8,246	(8,246)
Training			100	(100)
Vehicle repairs and maintenance	1,500	1,500	1,054	446
Building repairs and maintenance	10,000	10,000	4,078	5,922
Supplies			92	(92)
Fundraisers	3,250	3,250	7,988	(4,738)
Computer maintenance and repair	4,500	4,500	4,937	(437)
Lease equipment	2,880	2,880	606	2,274
Maintenance agreement	620	620	1,127	(507)
Programs	79,110	79,110	106,933	(27,823)
Miscellaneous			139	(139)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u>Total Parks and Recreation</u>				
<u>Department</u>	<u>242,300</u>	<u>242,300</u>	<u>238,796</u>	<u>3,504</u>
<u>Total Expenditures</u>	<u>3,440,130</u>	<u>3,440,130</u>	<u>3,592,481</u>	<u>(152,351)</u>
	<u>(\$ 223,600)</u>	<u>(\$ 223,600)</u>	<u>(\$ 220,237)</u>	<u>\$ 3,363</u>

SUPPLEMENTARY INFORMATION

CITY OF HARRINGTON, DELAWARE

COMBINING BALANCE SHEET -
ALL SPECIAL REVENUE FUNDS

JUNE 30, 2009

	<u>Police Pension Fund</u>	<u>Municipal Street Aid</u>	<u>SLEAF</u>	<u>EIDE</u>	<u>SALLE</u>	<u>Library Building</u>	<u>Total</u>
<u>ASSETS</u>							
<u>Current Assets:</u>							
Cash and cash equivalents	\$ -0-	\$ 328	\$ -0-	\$ 7,061	\$ 11,161	\$ 129,396	\$ 147,946
<u>Total Assets</u>	<u>\$ -0-</u>	<u>\$ 328</u>	<u>\$ -0-</u>	<u>\$ 7,061</u>	<u>\$ 11,161</u>	<u>\$ 129,396</u>	<u>\$ 147,946</u>
<u>FUND EQUITY</u>							
<u>Designated Fund Balance</u>	<u>\$ -0-</u>	<u>\$ 328</u>	<u>\$ -0-</u>	<u>\$ 7,061</u>	<u>\$ 11,161</u>	<u>\$ 129,396</u>	<u>\$ 147,946</u>
<u>Total Fund Equity</u>	<u>\$ -0-</u>	<u>\$ 328</u>	<u>\$ -0-</u>	<u>\$ 7,061</u>	<u>\$ 11,161</u>	<u>\$ 129,396</u>	<u>\$ 147,946</u>

CITY OF HARRINGTON, DELAWARE

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

YEAR ENDED JUNE 30, 2009

	<u>Police Pension Fund</u>	<u>Municipal Street Aid</u>	<u>SLEAF</u>	<u>EIDE</u>	<u>SALLE</u>	<u>Library Building</u>	<u>Total</u>
<u>Revenue:</u>							
Intergovernmental revenues	\$ 44,229	\$ 86,526	\$ 19,528	\$ 9,227	\$ 6,165		\$ 165,675
Interest		95			25	\$ 5,096	5,216
<u>Total Revenues</u>	<u>44,229</u>	<u>86,621</u>	<u>19,528</u>	<u>9,227</u>	<u>6,190</u>	<u>5,096</u>	<u>170,891</u>
<u>Expenditures</u>	<u>44,229</u>	<u>86,500</u>	<u>19,528</u>	<u>7,159</u>	<u>1,575</u>		<u>158,991</u>
<u>Excess of Revenues Over Expenditures</u>		121		2,068	4,615	5,096	11,900
<u>Other Financing Sources:</u>							
Transfers - In				1,101	487	539	2,127
<u>Excess of Revenues and Other Financing Sources Over Expenditures</u>	<u>-0-</u>	<u>121</u>	<u>-0-</u>	<u>3,169</u>	<u>5,102</u>	<u>5,635</u>	<u>14,027</u>
<u>Fund Balance - Beginning of year</u>		<u>207</u>		<u>3,892</u>	<u>6,059</u>	<u>123,761</u>	<u>133,919</u>
<u>Fund Balance - End of year</u>	<u>\$ -0-</u>	<u>\$ 328</u>	<u>\$ -0-</u>	<u>\$ 7,061</u>	<u>\$ 11,161</u>	<u>\$ 129,396</u>	<u>\$ 147,946</u>

CITY OF HARRINGTON, DELAWARE

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

YEAR ENDED JUNE 30, 2009

	<u>Budget</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>Municipal Street Aid:</u>				
Revenues			\$ 86,621	\$ 86,621
Expenditures			<u>86,500</u>	<u>(86,500)</u>
<u>Excess Revenues Over Expenditures</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 121</u>	<u>\$ 121</u>
<u>Police Pension Fund:</u>				
Revenues			\$ 44,229	\$ 44,229
Expenditures			<u>44,229</u>	<u>(44,229)</u>
<u>Excess Revenues Over Expenditures</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
<u>SLEAF:</u>				
Revenues			\$ 19,528	\$ 19,528
Expenditures			<u>19,528</u>	<u>(19,528)</u>
<u>Excess Revenues Over Expenditures</u>			<u>\$ -0-</u>	<u>\$ -0-</u>
<u>EIDE:</u>				
Revenues			\$ 9,227	\$ 9,227
Expenditures			<u>7,159</u>	<u>(7,159)</u>
<u>Excess Revenues Over Expenditures</u>			<u>\$ 2,068</u>	<u>\$ 2,068</u>
<u>SALLE:</u>				
Revenues			\$ 6,190	\$ 6,190
Expenditures			<u>1,575</u>	<u>(1,575)</u>
<u>Excess Revenues Over Expenditures</u>			<u>\$ 4,615</u>	<u>\$ 4,615</u>
<u>Library Building Fund:</u>				
Revenues			\$ 5,096	\$ 5,096
Expenditures			<u></u>	<u></u>
<u>Excess Revenues Over Expenditures</u>			<u>\$ 5,096</u>	<u>\$ 5,096</u>