LEGISLATIVE, FINANCE AND ADMINISTRATION COMMITTEE

The Legislative, Finance, and Administration Committee meeting was held on December 9, 2013, at 6:00 p.m. with Mr. Hare presiding in the absence of Chairman Lynn. Members present were Mr. Slavin, Mr. Rushe, and Mr. Shevock. Members of Council present were Mr. Dixon, and Mr. Hutchison. Mayor Carey was also present.

AGENDA ADDITIONS/DELETIONS

Mr. Slavin moved for approval of the agenda, seconded by Mr. Shevock and unanimously carried.

Request of Elizabeth W. Murphey School - Grant for Judo Mats

During their meeting of November 25, 2013, members considered a request of the Elizabeth W. Murphey School for the City to provide assistance in purchasing Judo mats (10-12 mats at a total cost of approximately $2,500). The committee tabled the matter so that more information could be obtained regarding where the money may come from.

Mr. Rushe moved to remove the matter from the table, seconded by Mr. Shevock and unanimously carried.

Mr. Slavin stated that he would recuse himself from discussion or voting on this issue due to his relationship with the Murphey School through his job with the State of Delaware.

Mr. Scott Koenig, City Manager, stated that his preference would be for the City not to become involved due to concerns of receiving additional, similar, requests. Therefore, he suggested that the school seek private funding. Should Council wish to grant the request, since there are no available funds in City Council's budget, he stated that a portion of the community relations and travel expense funds in the City Manager's budget for the current fiscal year could be appropriated to cover the costs for purchasing the mats. In accordance with City policy a cash donation could not be made, therefore, he stated that staff would need to review the policy and determine whether the City could purchase the mats directly and extend them to the Murphey School for either temporary or permanent use. Should members wish to move forward and approve the request to purchase mats through City funds, staff recommended that it be charged against the City Manager's budget for fiscal year 2014.

Responding to Mr. Shevock, Mr. Koenig explained that the City's current policy prohibits the City from making cash donations.

Mr. Rushe suggested the possibility of the City providing "matching funds."

In response to Mr. Hare, Mr. Koenig advised members that, in the past, the City has made contributions to the Fourth of July Committee, Kent County Tourism for Old Dover Days, and the African American Festival. Regarding the contribution to Kent County Tourism, he explained that it is considered a "management" fee since they handle advertising, scheduling events, etc. for Old Dover Days. In regard to the African American Festival, he stated that the City's contribution had previously been as high as $15,000, that an amount of $7,500 was budgeted for the current year, and that the funds were provided as a reimbursement for actual expenses. For several years, he stated that the City did not provide any funds for the Fourth of July Festival; however, to his recollection,

there were times when the Festival was underfunded and the City provided a donation. For the current budget year, the Fourth of July Committee had indicated that there was no need for any donations. He reminded members that the Fourth of July Committee is a City appointed committee. He noted that the only event that does not have direct City involvement is the African American Festival, which is a reimbursement. He advised members that for the fiscal year 2012 Budget, staff had recommended that the funding for the African American Festival be removed; however, these funds were added back into the Budget by City Council.

Mr. Rushe moved to recommend denying the request to fund the Judo mats, seconded by Mr. Shevock and carried with three (3) yes (Hare, Rushe, and Shevock), one (1) abstention (Slavin), and one (1) absent (Lynn).

Proposed Ordinance #2013-18 - Budget Amendments for Fiscal Year 2013/14

Members were provided proposed Ordinance #2013-18 - Budget Amendments for Fiscal Year 2013/14. Mrs. Donna Mitchell, Controller/Treasurer, advised members that the proposed budget ordinance represents the first amendments proposed and incorporates changes into the FY2013/14 Budget. She noted that the Committee Action Form indicated that the proposed amendments were reflected in red font; however, the copy of the proposed ordinance included in the packet was incorrect. As a result, staff provided members with a copy of the proposed ordinance reflecting the proposed amendments in red font *(City Clerk's Office Note: Subsequent to the meeting, the packet was revised to include the ordinance as presented).*

Mrs. Mitchell briefly explained the proposed amendments, as follows: 1) amends the Beginning Budget Balances for all Funds; 2) transfers the favorability in the General Fund Beginning Budget Balance to the Civilian Pension Fund in accordance with policy; 3) amends the Electric Budget for an unfavorable Beginning Budget Balance by reducing the transfer to the Electric capital project fund (the capital project fund had a favorable budget balance and was able to accommodate the reduction in the transfer); 4) amends the Water/Wastewater transfer to the capital project fund for savings in Engineering wages in accordance with recent Council actions for project design work; 5) amends the Capital project funds to reflect the audited Beginning Balances and corresponding adjustments for those uncompleted projects with multi-year construction periods (a separate revised Capital Investment Plan was provided for review); and 6) amends Grant Funds to reflect programming changes in the Grants based on information received after the budget was approved.

Referring to the beginning balance amendment in the Governmental Capital Projects Fund (line 143), Mrs. Mitchell explained that this was the result of several incomplete projects, such as the Calpine Infrastructure Project and the Street Program from last fiscal year. She stated that line 147, Contractor's Contributions, was amended to reflect the $264,800 in escrow for the City to complete the Westover Subdivision Project. Mrs. Mitchell noted that specifics for the Capital Investment Plan Amendments have been provided to members. She advised members that the proceeds indicated in the Water/Wastewater Improvement and Extension Fund Cash Receipts/Revenue Budget (lines 345-351) were revised mainly due to project carry forwards and the new bond issue since the Calpine Project was just completed this year. Mrs. Mitchell stated that the revised beginning balance for the Electric Revenue Fund (line 421) was reduced; therefore, the transfer to the Improvement and Extension Budget (line 473) was reduced from $5.4M to $4.9 to make up the shortfall in order to keep the fund within the budget balance requirement of 8%.

Mrs. Mitchell reminded members that the City had put a substantial amount of money in the Electric Utility Rate Stabilization Reserve in fiscal year 2012 to assist the City during the next three (3) years. She explained that the revised amounts included in the Community Transportation Improvement Fund were due to projects that were not known earlier in the year. Similarly, she stated that the Library Grants and Police Grants Funds were revised to reflect grant monies that have been received that were not known of earlier in the year. Mrs. Mitchell indicated that the CDBG Fund was adjusted to reflect the Plan adopted by Council for CDBG which was accomplished after the City's Budget was approved. She stated that the After School Program - CJC Grants was also revised since the grant monies were received after the City's Budget was approved.

Mrs. Mitchell also reviewed the Capital Investment Plan Amendments and explained that these amendments were included in the budget amendments for fiscal year 2013/14.

Staff recommended adoption of Proposed Ordinance #2013-18 - Budget Amendments for Fiscal Year 2013/14, with the First Reading to be held on January 13, 2014.

Responding to Mr. Slavin's question regarding the source for the revised budget amount related to the carry forward balance for the General Fund, Mrs. Mitchell stated that the revenues came in at approximately $170,000 over budget, with the largest being $109,000 for permits and licenses. In addition, she stated that the expenses came in $500,000 under budget. She stated that most of the savings in expenses were the result of attrition. Mrs. Mitchell confirmed that this was a one time "blip" that occurred and will be filled back in once the vacant positions are filled.

Mr. Slavin moved to recommend adoption of Proposed Ordinance #2013-18, as presented by staff. The motion was seconded by Mr. Shevock and unanimously carried.

Draft Comprehensive Annual Financial Report (CAFR)

Mrs. Donna Mitchell, Controller/Treasurer, reviewed a Presentation - Comprehensive Annual Financial Report Fiscal Year Ended June 30, 2013 ***(Attachment #1)***.

Responding to Mr. Slavin, Mrs. Mitchell explained that the Governmental Accounting Standards Board (GASB) Statements No. 67 and No. 68 will require the City to report the unfunded liability on the financial statements. For the funded portion, the City can use the actuarial assumption of 7.0% for the return on investment. However, the GASB requires the City to bifurcate the unfunded liability and GASB 67 and 68 will require the use of the municipal bond rate, which is approximately 4%. She explained that when a lesser return rate is used, the liability will be raised, as is required since the City is not fully funded. *(City Clerk's Office Note: Subsequent to the meeting, Mrs. Mitchell, Controller/Treasurer, advised that the actuarial assumption is 7.0%, not 7.5% as stated.)*

Mr. Slavin noted that the interpretation of the original GASB requirements regarding the unfunded liability was the result of some negligence on the part of City Council. He explained that the GASB 67 and 68 are more stringent standards being instituted and that the City will not know the content of those standards until they are issued. Mr. Slavin stated the difficulty for the City to maintain very

high quality finances when every few years the standards change and new guidelines are instituted, with the possibility of additional liabilities for the City. He urged staff to provide a briefing to members of the Committee and City Council on the new requirements of the GASB 67 and 68 prior to the implementation.

Mrs. Mitchell advised members that the GASB requires the City to recognize the expense and if the expense is not funded, a liability is created. She explained that the GASB does not force the City to fund the expense, but if the expense is not funded, the liability must be recognized.

Mr. Slavin noted that if the City were to choose not to fund the liability, it would likely affect the City's bond rating. In addition, Mrs. Mitchell stated that in the long-term, it would affect the City's ability to pay those benefits.

Mrs. Mitchell provided members with Supplemental Information - Comprehensive Annual Financial Report Fiscal Year Ended June 30, 2013 ***(Attachment #2)*** and explained that the information contained budget to actual reports, which shows the individual budget variances. Noting that the budget balance for the General Fund is $4.2M (page 3 of attachment #2) and that the unassigned amount for the General Fund is $3.3M (page 7 of attachment #1), she explained that the difference is those non-expendable accounts which are the inventory, pre-paids, and the fair value of investments. She stated that the amount is adjusted for those non-cash items and explained that the City actually shows the higher number as the budget balance ($4.2M rather than the $3.3M) and she wanted members to be aware of the reconciliation listed that provides those details.

Mr. Rushe moved for adjournment, seconded by Mr. Shevock and unanimously carried.

Meeting adjourned by 6:55 p.m.

William F. Hare
Acting Chairman

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Attachments
Attachment #1- Presentation - Comprehensive Annual Financial Report Fiscal Year Ended June 30, 2013
Attachment #2 - Supplemental Information - Comprehensive Annual Financial Report Fiscal Year Ended June 30, 2013

City of Dover

Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2013

ATTACHMENT #1
LF&A Committee Meeting of 12/09/2013

Implementation of GASB 63

- Government Accounting Standards Board issued Statement 63 – Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position
- Definitions –
  - Net Position – The residual of all other financial statement elements presented in a statement of financial position. (Previously, Net Assets)
  - Deferred Outflows of Resources – the item meets the definition of an outflow of resources, but relates to a future period. An example would be a grant provided to a grantee before the grantee has met the related time requirements. The City had no deferred outflows of resources as of 6/30/13.
  - Deferred Inflows of Resources – Governmental funds defer recognition of revenue until amounts are considered to be available to liquidate the liabilities for the current period. Therefore, any unavailable revenues from prior periods must be eliminated and reported as unavailable revenue. The City had unavailable revenue (past due receivables over 60 days) of $577,437 as of June 30, 2013. The receivables are property taxes, demolitions, grass cutting, police extra duty, and state grants.
  - Unearned Revenue – Resources that are received for a future period prior to meeting eligibility requirements. Examples are property taxes and business licenses received in June for the following fiscal year. The City had unearned revenue as of 6/30/13

Financial Statements

- Government-wide Statement of Net Position and Statement of Activities – All activities (financial transactions) are reported on a GAAP (Generally Accepted Accounting Principles) basis. Includes all capital assets and liabilities. Does not include full-reporting of pension and OPEB liabilities as currently not required by GAAP. Two columns are shown.
  - First column for governmental activities which includes General Fund, Governmental Capital Project Fund, All Special Revenue (Grant) Funds. Worker's Compensation Fund assets & liabilities are included.
  - Second column for business-type activities (Proprietary Funds). This column includes the Water/Wastewater Fund and Electric Fund. Worker's Compensation Fund assets & liabilities are included.
- Governmental Fund Statements – All General Fund and Grant Fund activities reported on a modified basis of accounting. No capital assets and no long-term liabilities. Considered, spendable resources within a year. Unassigned Fund Balance is adjusted for Unavailable revenue, prepaid items, and inventory.
- Statement of Net Position and Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds – All activities of the Water/Wastewater and Electric Funds.
- Statement of Net Position – Fiduciary Funds – All activities of the Pension and OPEB Trust Funds as required by GAAP. Not included in the previous statements mentioned as they have been established as separate Trust for retirement benefits.
- The audit opinion is based on these Financial Statements.

Schedules

- Schedules are budgetary reports prepared on a non-GAAP basis. For example, the City does not budget depreciation expense or compensated absence expense.
  - The General Fund Budget to Actual report for June 30, 2013 is located in Required Supplementary Information section of the CAFR, which follows the Notes to the Financial Statements. All other individual fund Budget to Actual Reports are located in the Supplementary Information section of the CAFR. These schedules are not required and therefore not required to be audited. We include these schedules and the auditor's do review them as they include budgets adopted by City Council.
  - The Supplementary Information section also includes combining statements. These are financial statements that combines the individual fund statements. For example, the Special Revenue Combining Statement of Net Position. This statement combines all the grant funds and the total is reported in the Financial Statement of the CAFR that the audit opinion is based on.

City of Dover
Statement of Net Position
June 30, 2013

	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and Cash Equivalents	$ 2,207,381	$ 4,743,549	$ 6,950,930
Investments	7,916,257	25,859,966	33,776,223
Receivables, Net	1,477,009	8,393,521	9,870,530
Internal Balances	207,510	(207,510)	-
Due from Other Governments	143,363	-	143,363
Inventory, at Cost	147,650	3,923,489	4,071,139
Prepaid Items	69,463	51,279	120,742
Restricted Cash and Cash Equivalents	1,619,543	8,146,564	9,766,107
Restricted Investments	18,252	27,902,862	27,921,114
Net Pension Asset	297,885	6,722,506	7,020,391
Net OPEB Asset	-	1,169,269	1,169,269
Land and Construction in Progress	4,076,042	4,049,402	8,125,444
Capital Assets, Net of Depreciation	49,979,976	131,683,597	181,663,573
Total Assets	68,160,331	222,438,494	290,598,825
Liabilities:			
Accounts Payable and Accrued Liabilities	1,613,267	6,941,229	8,554,496
Unearned Revenue	1,210,549	232,427	1,442,976
Customer Deposits	-	2,022,159	2,022,159
Other	156,984	677,104	834,088
Non-Current Liabilities			
Due within One Year	1,444,753	3,108,830	4,553,583
Due in more than One Year	5,115,314	34,727,258	39,842,572
Due in more than One Year - OPEB	13,112,314	449,016	13,561,330
Total Liabilities	22,653,181	48,158,023	70,811,204
Net Position:			
Net investment in capital assets	49,577,021	100,079,972	149,656,993
Restricted for:			
Capital Projects	85,867	34,665,736	34,751,603
Public Safety	216,344	-	216,344
Other Purposes	441,065	-	441,065
Unrestricted	(4,813,147)	39,534,763	34,721,616
Total Net Position	$ 45,507,150	$ 174,280,471	$ 219,787,621

The notes to financial statements are an integral part of this statement.

City of Dover
Statement of Activities
For the Year Ended June 30, 2013

Functions/Programs	Expenses	Indirect Expenses Allocation	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Business Type Activities	Net (Expense) Revenue and Changes in Net Position: Total
Governmental Activities								
General Government	$ 2,287,391	$ (813,346)	$ 2,463,437	$ 50,000	$ -	$ 1,039,392	$ -	$ 1,039,392
Public Safety	17,989,463	-	4,240,847	1,256,113	-	(12,492,503)	-	(12,492,503)
Public Works	6,716,039	(616,555)	2,624,877	663,953	161,698	(2,648,956)	-	(2,648,956)
Library and Recreation	2,313,048	-	656,001	276,863	1,945,746	565,562	-	565,562
Community and Economic Development	1,116,804	(176,838)	-	667,767	-	(272,199)	-	(272,199)
Central Services	1,184,169	(729,353)	-	-	-	(454,816)	-	(454,816)
Financial Administration	3,029,048	(1,906,218)	-	-	-	(1,122,830)	-	(1,122,830)
Other Post Employment Benefits	5,119,778	-	-	-	-	(5,119,778)		(5,119,778)
Interest Charges	114,785	-	-	-	-	(114,785)	-	(114,785)
Total Governmental Activities	39,870,525	(4,242,310)	9,985,162	2,914,696	2,107,444	(20,620,913)	-	(20,620,913)
Business Type Activities								-
Water/Wastewater	9,858,866	1,046,492	13,387,706	-	-	-	2,482,348	2,482,348
Electric	71,399,767	3,195,818	90,685,693	-	-	-	16,090,108	16,090,108
Total Business Type Activities	81,258,633	4,242,310	104,073,399	-	-			
Total Primary Government	$ 121,129,158	$ -	$ 114,058,561	$ 2,914,696	$ 2,107,444	$ (20,620,913)	$ 18,572,456	$ (2,048,457)
General Revenues								
Taxes								
Property Taxes						11,126,395	-	11,126,395
Transfer Taxes						1,107,686	-	1,107,686
Earnings on Investments						36,793	112,402	149,195
Total General Revenues						12,270,874	112,402	12,383,276
Transfers						10,491,718	(10,491,718)	-
Total General Revenues and Transfers						22,762,592	(10,379,316)	12,383,276
Changes in Net Position						2,141,679	8,193,140	10,334,819
Net Position Beginning						43,365,471	166,087,331	209,452,802
Net Position Ending						$ 45,507,150	$ 174,280,471	$ 219,787,621

The notes to financial statements are an integral part of this statement.

City of Dover
Governmental Fund Balance Sheet
June 30, 2013

	General Fund	Total Nonmajor Funds	Total Governmental Funds
Assets:			
Cash and Cash Equivalents	$ 1,824,267	$ -	$ 1,824,267
Restricted Cash and Cash Equivalents	858,086	761,457	1,619,543
Investments	6,564,730	-	6,564,730
Restricted Investments	18,252	-	18,252
Receivables, net			
Accounts	1,208,735	1,304	1,210,039
Taxes	262,970	-	262,970
Due from Other Funds	452,808	56,110	508,918
Due from Other Governments	-	143,363	143,363
Prepaid Items	58,213	-	58,213
Inventory, at Cost	147,650	-	147,650
Total Assets	$ 11,395,711	$ 962,234	$ 12,357,945
Liabilities:			
Accounts Payable	$ 1,028,037	$ 103,181	$ 1,131,218
Unearned Revenue	1,210,549	-	1,210,549
Due to Other Funds	216,385	85,023	301,408
Other	156,984	-	156,984
Total Liabilities	2,611,955	188,204	2,800,159
Deferred Inflows of Resources:			
Unavailable revenue	577,437	60,236	637,673
Total Deferred Inflows of Resources	577,437	60,236	637,673
Fund Balances:			
Non-Spendable	227,457	-	227,457
Restricted	131,237	590,445	721,682
Committed	936,899	-	936,899
Assigned	3,519,012	123,349	3,642,361
Unassigned	3,391,714	-	3,391,714
Total Fund Balances	8,206,319	713,794	8,920,113
Total Liabilities, Deferred Inflows and Fund Balances	$ 11,395,711	$ 962,234	$ 12,357,945

The notes to financial statements are an integral part of this statement.

Fund Balances (Note 7) – June 30, 2013

	General Fund	Other Governmental Funds	Total
Fund balances:			
Nonspendable:			
Inventory & Prepaids	$ 205,863	$ -	$ 205,863
Patronage Stock	16,594	-	16,594
Library Endowment	5,000	-	5,000
Subtotal Nonspendable:	227,457	-	227,457
Restricted for:			
Library Endowment Interest	1,658	-	1,658
Verizon cable franchise	129,579	-	129,579
Highway resurfacing	-	85,867	85,867
ERLSP	-	100	100
Realty Transfer Tax	-	100	100
CDBG	-	4,806	4,806
CDBG- State for ADA Improvements	-	3,931	3,931
Substance Abuse Prevention	-	41,008	41,008
Municiple Street Aid	-	251,558	251,558
Library Grants	-	27,839	27,839
Police Grants	-	175,236	175,236
Subtotal Restricted for:	131,237	590,445	721,682
Committed to:			
Contingency	733,985	-	733,985
Parkland	202,914	-	202,914
Subtotal Committed to:	936,899	-	936,899
Assigned to:			
Capital Assets	3,504,253	-	3,504,253
Police Investigations	14,759	-	14,759
Highway resurfacing	-	123,349	123,349
Subtotal Assigned to:	3,519,012	123,349	3,642,361
Unassigned	3,391,714	-	3,391,714
Total fund balances	$ 8,206,319	$ 713,794	$ 8,920,113

City of Dover
Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds
For the Year Ended June 30, 2013

	General Fund	Total Nonmajor Funds	Total Governmental Funds
Revenues			
Fines	$ 612,193	$ 299,811	$ 912,004
Library Revenue- General	64,584	-	64,584
Library Revenue County Reimbursement	406,481	-	406,481
Licenses and Permits	2,548,913	-	2,548,913
Sanitation Fees and Rebates	2,624,877	-	2,624,877
Recreation	-	40,446	40,446
Miscellaneous Services	2,470,200	-	2,470,200
Property Taxes	11,225,834	-	11,225,834
Transfer Taxes	-	1,107,686	1,107,686
Grants Received	2,719,977	2,399,112	5,119,089
Court of Chancery Fees	917,700	-	917,700
Investment Income	43,799	1,399	45,198
Total Revenues	23,634,558	3,848,454	27,483,012
Expenditures			
Current:			
General Government	1,107,122	-	1,107,122
Library Services	5,240,504	273,713	5,514,217
Public Safety and Law Enforcement	17,688,100	360,542	18,048,642
Public Works	1,565,442	192,963	1,758,405
Recreational Services	651,341	-	651,341
Streets and Sanitation Services	2,990,430	-	2,990,430
Financial Administration	909,877	-	909,877
Garage and Stores	431,542	-	431,542
Insurance	241,395	-	241,395
Retiree Health Care	1,620,600	-	1,620,600
Employee Pension	1,693,500	-	1,693,500
Community and Economic Development	223,110	716,856	939,966
Street Lights	878,760	-	878,760
Debt Service:			
Principal Retirement	296,003	-	296,003
Interest and Fiscal Charges	73,071	-	73,071
Bond Issuance Costs	1,029	-	1,029
Total Expenditures	35,611,826	1,544,074	37,155,900
Excess (deficiency) of Revenues over Expenditures	(11,977,268)	2,304,380	(9,672,888)
Other financing Sources (Uses)			
Proceeds from Sale of Bonds	2,648,500	-	2,648,500
Transfers in	12,666,208	-	12,666,208
Transfers out	-	(2,174,490)	(2,174,490)
Total other Financing Sources (Uses)	15,314,708	(2,174,490)	13,140,218
Net Change in Fund Balances	3,337,440	129,890	3,467,330
Fund Balances at Beginning of Year	4,868,879	583,904	5,452,783
Fund Balances at End of Year	$ 8,206,319	$ 713,794	$ 8,920,113

The notes to financial statements are an integral part of this statement.

City of Dover
Statement of Revenues, Expenses and
Changes in Fund Net Position - Proprietary Funds
For the Year Ended June 30, 2013

	Business-type Activities			Governmental Activities
	Water/ Wastewater Fund	Electric Revenue Fund	Total Enterprise Funds	Internal Service Fund
Operating Revenues				
Charges for Services	$ 11,043,071	$ 88,331,196	$ 99,374,267	$ -
Miscellaneous Services/Income	2,344,635	2,354,497	4,699,132	1,214,013
Total Operating Revenues	13,387,706	90,685,693	104,073,399	1,214,013
Operating Expenses				
Water/Wastewater Services	7,174,128	-	7,174,128	-
General Administrative	1,175,225	4,470,795	5,646,020	433,214
Power Supply	-	55,681,251	55,681,251	-
Transmission/Distribution	-	3,267,698	3,267,698	-
Engineering	-	1,107,231	1,107,231	-
Metering	-	219,010	219,010	-
Systems Operations	-	544,405	544,405	-
Utility Tax	-	1,443,853	1,443,853	-
Depreciation	1,705,809	4,621,501	6,327,310	-
Contractual Services	-	-	-	33,700
Taxes	-	-	-	29,114
Retirees Pension	231,385	1,115,765	1,347,150	-
Retirees Health Care	261,019	696,500	957,519	-
Self Insurance-Workers' Compensation	-	-	-	74,789
Total Operating Expenses	10,547,566	73,168,009	83,715,575	570,817
Operating Income	2,840,140	17,517,684	20,357,824	643,196
Non-Operating Revenues (Expenses)				
Interest Earned:				
Operating Funds	114,833	190,469	305,302	-
Reserve Funds	87,675	506,771	594,446	12,459
Net Decrease in Fair Value of Investments	(172,357)	(614,989)	(787,346)	(20,864)
Interest and Fiscal Charges	(369,131)	(1,432,779)	(1,801,910)	-
Gain on Sale of Assets	11,339	5,203	16,542	-
Total Non-Operating Revenue (expenses)	(327,641)	(1,345,325)	(1,672,966)	(8,405)
Income before Contributions and Transfers	2,512,499	16,172,359	18,684,858	634,791
Transfers In	-	8,282	8,282	-
Transfers Out	(500,000)	(10,000,000)	(10,500,000)	-
Total transfers	(500,000)	(9,991,718)	(10,491,718)	-
Change in Net Position	2,012,499	6,180,641	8,193,140	634,791
Total Net Position--Beginning	48,365,722	117,721,609	166,087,331	633,051
Total Net Position--Ending	$ 50,378,221	$ 123,902,250	$ 174,280,471	$ 1,267,842

The notes to financial statements are an integral part of this statement.

Changes in Net Assets
Governmental Activities
June 30, 2013



Governmental Activities

Governmental net position increased by $2.1 million. Net revenues of $27.2 million were less than the prior year by $5.6 million.

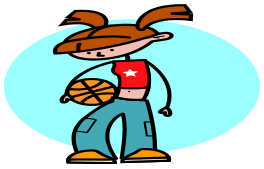
The General Governmental Charges for services line item decreased by $1.3 million from the prior year mainly due to a decrease in donations for the library which accounts for a decrease of $1.8 million. This decrease was offset by increases in police extra duty fees, court of chancery fees and sanitation fees totaling $.9 million. Other sources of decreased revenues from the previous fiscal year are attributed to police fines, recreation income and licenses and permits received totaling $.3 million.

Expenses of $35.6 million reflect an overall decrease of $2.7 million from the prior year. Post-employment benefits and pension benefit costs decreased by $1.4 million. Other decreases were to library and recreation, and central services. The increases to expense were in general government, public safety, community and economic development.

Transfers to the Governmental Funds from the Proprietary Funds increased $2.2 million of which $2.0 million was contributed towards infrastructure improvements at the Garrison Oak Technical Park. These improvements are necessary for the construction of the Calpine 305 megawatt electric generating facility.









Changes in Net Assets
Business Type Activities
June 30, 2013

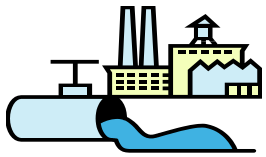
Business-Type Activities

The business-type activities saw a positive change in net position of $8.2 million. Both utilities experienced a decrease in revenues which resulted in a combined net decrease of $4.2 million. The utilities expenses when combined also decreased in total by $3.2 million.

The water/wastewater utility had a positive change in net position of $2.0 million. The utility experienced a decrease in operating income of $0.4 million from the previous year. The decrease in operating income was primarily due to a decrease in water, sewer and impact fees, offset by increases in ground water adjustment fees and water tank space rent. The utility experienced a decrease in personnel and operating expenses of $0.3 million. Non-operating expenses netted an increase as a result of a decrease in the fair value of the investments and decreased capital contributions.

The electric utility realized a positive change in net position of $6.2 million. The utility experienced a decrease in operating revenues of $2.8 million from the previous year as a result of a reduction in electric rates resulting from reduced power supply cost. Operating expenses decreased as well in total by $3.2 million due to lower power supply cost and a $.5 million decrease in operating expenses. The decreases were offset by an increase in post-retirement benefits expense totaling $.6 million. Non-operating revenues and expenses reflect a negative result of $1.3 million. Interest earned on both operating and reserve funds $ .7 million were offset by the interest and fiscal charges of $1.4 million and decrease in fair value of investments of $.6 million. Transfers to the General Fund increased to $10.0 million from $7.9 million in the preceding year including a $2.0 million contribution towards infrastructure improvements at the Garrison Oak Technical Park.





General Fund Budget Highlights – Fiscal Year 2013

- The Final General Fund Budget incorporated the following changes to the Original Budget. The Budget Balance carried forward from the prior fiscal year was higher by $1.1 million than was projected. Receipts had a net decrease of approximately $.1 million. The most significant increases were attributed to police extra duty fees, property taxes, Garrison Farm rent and Court of Chancery fees. The most significant reductions of revenue were in intrafund service fees, and civil traffic penalties.
- Expenditures were revised to reflect an aggregate increase of $0.3 million. Increases In transfers to the Police and Employee Pension funds accounted for most of the increased budget expense with slight increases in code enforcement, police and streets operations budgets. The increases were offset by decreases in fire, library, recreation, sanitation, customer services, vehicle maintenance and facilities management. The net result of these changes was a $0.6 million increase in the revised budget balance over the Original Budget Balance (on a non-GAAP basis).
- Actual revenues and other financing sources exceeded the final budgeted amounts in the General Fund for the current fiscal year. The more significant positive variances were in permits and other licenses, police extra duty fees and court of chancery fees and were offset by fines and police revenue, transfer tax, trash fees, miscellaneous grants and civil traffic penalties netting $0.2 million over budgeted revenues. Expenditures were approximately $0.5 million under budget as a result of several operating departments experiencing personnel savings. The General Fund budget balance carry forward was $0.8 million higher than budgeted as a result of the above variances.

Other Post Employment Benefits (OPEB)



Annual OPEB Cost and Net OPEB Obligation

	Total	Governmental Activities	Water/ Wastewater Fund Activities	Electric Fund Activities
Annual Required contribution	$6,098,972	$4,927,856	$361,274	$809,842
Interest on OPEB obligation	549,345	585,403	21,850	(57,908)
Adjustment to annual required contribution	(700,200)	(746,160)	(27,850)	73,810
Annual OPEB Cost	5,948,117	4,767,099	355,274	825,744
Employer Contributions	(4,019,778)	(2,834,327)	(314,255)	(871,196)
Increase/(decrease) in net OPEB obligation	1,928,339	1,932,772	41,019	(45,452)
Net OPEB obligation (asset) at beginning of year	10,463,722	11,179,542	407,997	(1,123,817)
Net OPEB obligation (asset) at end of year	$12,392,061	$13,112,314	$449,016	($1,169,269)

Pension Plans – Defined Benefit



Employee Pension

	Total	Governmental Activities	Wastewater Fund Activities	Electric Fund Activities
Annual required contribution	$3,217,964	$1,752,130	$267,853	$1,197,981
Interest on net pension obligation	(24,528)	(4,532)	(14,079)	(5,917)
Adjustment to annual required contribution	31,085	5,744	17,842	7,499
Annual pension cost	3,224,521	1,753,342	271,616	1,199,563
Contributions made	(9,788,465)	(1,880,436)	(550,031)	(7,357,998)
(Increase)/decrease in net pension asset	(6,563,944)	(127,094)	(278,415)	(6,158,435)
Net pension (Asset) at beginning of year	(350,382)	(64,726)	(201,122)	(84,534)
Net pension (Asset) at end of year	($6,914,326)	($191,820)	($479,537)	($6,242,969)

Police

	Governmental Activities
Annual required contribution	$1,155,796
Interest on net pension asset	(13,885)
Adjustment to annual required contribution	24,973
Annual pension cost	1,166,884
Contributions	(1,074,599)
(Increase)/decrease in net pension asset	92,285
Net pension (Asset) at beginning of year	(198,350)
Net pension (Asset) at end of year	($106,065)

GASB 67 & 68 Pension standards will cause significant changes in the unfunded liabilities and how we report the pension fund activity. See Presentation to City Council on January 7, 2013.

GASB 67 effective FYE 2014
GASB 68 effective FYE 2015

GASB will most likely follow with OPEB

Material Commitments & Subsequent Events

Material Commitments – Note 11

1. Commitments for payments on fire apparatus currently for Ladder 1 - $145,614 and Ladder 2 - $92,901
2. Five year contract with The Energy Authority (TEA)
3. Extended contract with North American Energy Services (NAES)
4. Guarantee on $1.3 million loan held by Downtown Dover Partnership extended to July 2014.

Subsequent Events – Note 13

1. Series 2013 Water & Sewer Revenue Bonds - $6,125,000

City of Dover
Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2013

Supplemental Information
December 9, 2013

CITY OF DOVER
GENERAL FUND

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (Non-GAAP Basis)

For the Year Ended June 30, 2013

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
Beginning Balance - Working Capital	$ 2,666,600	$ 3,752,200	$ 3,851,086	$ 98,886
REVENUES:				
Fines & Police Revenue	605,000	605,000	548,856	(56,144)
911 Fee	63,000	63,000	63,337	337
Interest Earnings	75,000	75,000	93,173	18,173
Library Revenues - General	66,200	66,200	64,584	(1,616)
Library Revenues - County Reimbursement	405,900	405,900	406,481	581
Business Licenses	1,455,000	1,455,000	1,462,503	7,503
Permits & Other Licenses	1,053,300	1,053,300	1,162,765	109,465
Miscellaneous Revenues	55,500	70,900	106,997	36,097
Police Extra Duty Fees	494,400	636,100	703,575	67,475
Property Taxes	10,997,400	11,039,200	11,076,335	37,135
Bid Revenue	51,600	51,600	50,060	(1,540)
Recreations Revenue	130,000	130,000	144,490	14,490
Franchise Fees	550,000	600,000	618,347	18,347
Transfer Tax	1,370,000	1,370,000	1,107,959	(262,041)
Trash Fees	2,690,200	2,676,500	2,624,877	(51,623)
Garrison Farm Rent	62,000	117,200	117,247	47
Court of Chancery Fees	753,800	807,200	917,700	110,500
Intrafund Service Receipts Water/Wastewater	1,104,600	1,045,800	1,046,492	692
Intrafund Service Receipts Electric	3,224,500	3,177,100	3,195,818	18,718
Grants:				
Green Energy Grant	98,500	98,500	-	(98,500)
DEMA Grant	-	-	92,641	92,641
Miscellaneous Grants	25,000	25,000	1,224	(23,776)
Police Pension Grant	500,000	500,000	577,765	77,765
Verizon Reserve	-	-	50,000	50,000
Transfer from Police Grant Funds	85,000	112,100	170,337	58,237
Transfer from Municipal Street Aid	527,400	527,400	531,121	3,721
Transfer from Civil Traffic Penalties	750,000	350,000	299,828	(50,172)
Transfer from Verizon and CI Reserves	11,000	11,000	4,485	(6,515)
Transfer from Water/Wastewater Fund	500,000	500,000	500,000	-
Transfer from Electric Fund	8,000,000	8,000,000	8,000,000	-
Total Revenues	35,704,300	35,569,000	35,738,997	169,997
TOTAL BEGINNING BALANCE & REVENUES	$ 38,370,900	$ 39,321,200	$ 39,590,083	$ 268,883

(continued)

(continued)

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
EXPENDITURES:				
Tax Assessor	$ 187,500	$ 187,500	$ 187,438	$ 62
Fire	688,300	645,200	654,884	(9,684)
Library	1,250,200	1,225,400	1,169,605	55,795
Recreation	713,400	674,900	644,346	30,554
Planning Commission	410,300	416,100	399,461	16,639
Public Inspections	592,200	577,100	493,902	83,198
Life Safety	469,900	451,800	452,175	(375)
Code Enforcement	293,100	323,100	326,437	(3,337)
Economic Development	231,100	231,100	219,947	11,153
Police	13,774,600	14,180,100	14,258,132	(78,032)
Streets	756,700	772,200	705,071	67,129
Sanitation	2,140,700	2,072,000	2,003,887	68,113
Allocated Expenditures:				
Human Resources	319,700	310,800	295,146	15,654
Customer Services	901,200	866,900	860,657	6,243
City Manager	420,000	420,000	497,281	(77,281)
Information Technology	642,700	633,300	611,301	21,999
Finance	879,500	879,500	854,310	25,190
Public Services-Administration	468,600	401,200	360,118	41,082
Facilities Management	678,800	660,600	638,748	21,852
Central Services	576,900	578,700	530,208	48,492
Vehicle Maintenance	712,700	678,500	630,686	47,814
City Clerk	326,900	326,900	315,512	11,388
Mayor	82,400	82,400	81,073	1,327
Council	114,200	114,200	101,707	12,493
Grounds Maintenance	993,300	980,400	961,489	18,911
Insurance	600,000	600,000	628,633	(28,633)
Contribution to Downtown Dover Partnership	180,000	180,000	180,000	-
Tree Grant Expense	25,000	25,000	-	25,000
Other Employment Expenses	463,400	94,700	-	94,700
Retiree Benefits	1,620,600	1,620,600	1,620,600	-
Subtotal	31,513,900	31,210,200	30,682,754	527,446
Debt Service - Principal and Interest	624,200	474,200	369,073	105,127
Transfer to Capital Fund for Projects	613,400	613,400	613,400	-
Transfer to Police Pension Fund	500,000	500,000	577,765	(77,765)
Transfer to Uncollectbles trash and other	10,000	10,000	10,000	-
Transfer to Verizon Reserve	-	-	50,000	(50,000)
Appropriation to Police Pension Fund	95,000	495,000	495,000	-
Appropriation to Pension Fund	1,310,500	1,693,500	1,693,500	-
Street Lights	869,700	869,700	878,760	(9,060)
Total Expenditures	35,536,700	35,866,000	35,370,252	495,748
Budget Balance - Working Capital	2,834,200	3,455,200	4,219,831	(764,631)
Total Budget Balance & Expenditures	$ 38,370,900	$ 39,321,200	$ 39,590,083	$ (268,883)
Budget Balance - Working Capital			$ 4,219,831	
Perspective and GAAP (Non-GAAP) Differences:				
Fair value of investment adjustment			(52,736)	
Deferred Revenues - Non-spendable			(569,518)	
Inventory & Prepaids - Non-spendable			(205,863)	
Unassigned Fund Balance			$ 3,391,714	

The notes to financial statements are an integral part of this statement

CITY OF DOVER
WATER/WASTEWATER FUND
SCHEDULE OF REVENUES AND EXPENSES
BUDGET (NON-GAAP BASIS) AND ACTUAL
YEAR ENDED JUNE 30, 2013

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
Beginning Balance - Water	$ 865,100	$ 1,075,800	$ 1,075,800	$ -
Beginning Balance - Wastewater	853,000	991,100	991,100	-
Beginning Balance - Kent County Treatment Fee	(553,500)	(626,400)	(626,400)	-
TOTAL BEGINNING BALANCES	1,164,600	1,440,500	1,440,500	-
REVENUES:				
Water fees	4,730,700	4,730,700	4,551,840	(178,860)
Wastewater fees	3,834,600	3,642,700	3,564,615	(78,085)
Wastewater adjustment	3,090,800	2,980,400	2,926,616	(53,784)
Groundwater adjustment	1,257,600	1,324,600	1,314,033	(10,567)
Miscellaneous services	77,000	81,400	73,312	(8,088)
Water tank space rent	313,500	313,500	300,067	(13,433)
Interest earnings	25,800	18,900	13,507	(5,393)
State Reimbursement - DEMA	-	-	50,876	50,876
Sewer Impact Fees	317,000	380,000	385,986	5,986
Water Impact Fees	350,000	350,000	220,362	(129,638)
Total Revenues	13,997,000	13,822,200	13,401,214	(420,986)
TOTAL BEGINNING BALANCES & REVENUES	**$ 15,161,600**	**$ 15,262,700**	**$ 14,841,714**	**$ (420,986)**
EXPENSES:				
Water services	$ 408,200	$ 415,000	$ 415,700	$ (700)
Engineering & inspection	597,900	601,900	486,714	115,186
Water construction	345,700	353,200	333,511	19,689
Water treatment plant	1,522,600	1,535,400	1,390,347	145,053
Wastewater services	993,000	997,000	802,551	194,449
Kent County sewer fees	3,600,000	3,537,000	3,631,516	(94,516)
Intrafund service fee	1,235,400	1,176,600	1,182,905	(6,305)
Retirees health care	220,000	220,000	220,000	-
Pension Unfunded Liability	309,800	509,800	509,800	-
Debt Service - Water	532,100	438,100	410,632	27,468
Debt Service - Wastewater	731,500	636,300	579,394	56,906
Inventory/Fixed Asset Writeoffs	5,000	5,000	5,000	-
Other Employment Expenses	16,200	15,400	-	15,400
Transfer to Capital Asset Reserve- Water	70,000	70,000	70,000	-
Transfer to Capital Asset Reserve- Wastewater	22,000	22,000	22,000	-
Transfer to Water Improvement & Extension Fund	1,700,000	1,700,000	1,700,000	-
Transfer to Wastewater Improvement & Extension Fund	1,200,000	1,200,000	1,200,000	-
Transfer to General Fund from Water	250,000	250,000	250,000	-
Transfer to General Fund from Wastewater	250,000	250,000	250,000	-
Transfer to Impact Fee Reserve-Wastewater	-	-	219,757	(219,757)
Transfer to Uncollectible Reserve	5,000	5,000	5,000	-
Total Expenses	14,014,400	13,937,700	13,684,827	252,873
Budget Balance - Water	482,700	770,800	732,740	38,060
Budget Balance - Wastewater	664,500	412,600	441,414	(28,814)
Budget Balance - Kent County Treatment Fee	-	141,600	(17,267)	158,867
Total Budget Balances - Working Capital	1,147,200	1,325,000	1,156,887	168,113
TOTAL BUDGET BALANCES & EXPENSES	**$ 15,161,600**	**$ 15,262,700**	**$ 14,841,714**	**$ 420,986**

The notes to financial statements are an integral part of this statement

CITY OF DOVER
ELECTRIC REVENUE FUND
SCHEDULE OF REVENUE AND EXPENSES
BUDGET (NON-GAAP BASIS) AND ACTUAL
YEAR ENDED JUNE 30, 2013

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
Beginning Balance - Working Capital	$ 7,184,000	$ 14,567,100	$ 14,567,100	$ -
REVENUES:				
Direct base sales	85,071,400	87,519,500	86,887,345	(632,155)
Rental income	225,000	200,000	234,488	34,488
Miscellaneous services	850,700	985,700	1,553,812	568,112
Utility tax	1,595,200	1,498,900	1,443,852	(55,048)
Green Energy	129,000	129,000	129,195	195
Grants DEMA	-	-	108,632	108,632
Interest earned-operating	107,800	107,800	137,718	29,918
Transfer from Rate Stabilization	5,400,000	5,400,000	5,400,000	-
Intrafund Services - Water/Wastewater	130,800	130,800	136,413	5,613
Total Revenues	93,509,900	95,971,700	96,031,455	**59,755**
TOTAL BEGINNING BALANCE & REVENUE	**$ 100,693,900**	**$ 110,538,800**	**$ 110,598,555**	**$ 59,755**
EXPENSES:				
Power Supply & Generation				
Power Supply	$ 39,468,900	$ 37,701,000	$ 37,698,282	$ 2,718
Power Supply Management	996,000	996,000	996,000	-
Dover Sun Park Energy	1,414,500	1,587,600	1,595,826	(8,226)
Solar Renewal Energy Credits	-	351,600	370,256	(18,656)
Capacity Charges	12,564,800	11,817,200	11,587,934	229,266
PJM Charges - Transmission & Fees	-	6,100,700	7,103,571	(1,002,871)
PJM Charges - Load	17,508,300	5,697,700	6,024,702	(327,002)
Total Power Supply	71,952,500	64,251,800	65,376,571	(1,124,771)
Plant Operations	5,914,900	5,914,900	5,719,083	195,817
Capacity Credits	(14,318,600)	(14,318,600)	(14,318,588)	(12)
PJM Credits	(427,000)	(488,400)	(502,983)	14,583
PJM Spot Market Energy	(772,700)	(1,865,600)	(1,930,510)	64,910
Generation Fuels	586,000	948,800	1,023,574	(74,774)
Total Generation	(9,017,400)	(9,808,900)	(10,009,424)	200,524
Utility Tax	1,595,200	1,498,900	1,443,853	55,047
Administration	501,200	501,200	393,666	107,534
Transmission/Distribution	3,223,600	3,233,700	3,230,473	3,227
Electrical Engineering	1,163,900	1,171,300	1,098,315	72,985
Systems Operations	517,600	526,300	544,405	(18,105)
Meter Reading	212,500	212,500	219,010	(6,510)
Contractual Services - Power Supply	190,000	190,000	157,955	32,045
Provision for Uncollectible	150,000	150,000	150,000	-
Retirees Health Care	696,500	696,500	696,500	-
Pension Trust Contribution	1,074,200	7,274,200	7,274,200	-
Green Energy Payment to DEMEC	129,000	129,000	129,195	(195)
Interest on Deposits	35,000	35,000	25,576	9,424
Intrafund Service Fees	3,224,500	3,177,100	3,195,818	(18,718)
Other Appropriations:				-
Electric Capital Project Fund	3,500,000	3,500,000	3,500,000	-
General Fund	8,000,000	8,000,000	8,000,000	-
Debt Service	3,323,600	3,323,600	3,376,564	(52,964)
Workers Compensation	-	500,000	500,000	-
Future Capacity Reserve	-	2,100,000	2,100,000	-
Rate Stabilization Fund	-	12,400,000	12,400,000	-
Other Employment Expenses	157,900	149,200	-	149,200
Inventory Reserve	175,000	175,000	175,000	-
TOTAL EXPENSES	**90,804,800**	**103,386,400**	**103,977,677**	**(591,277)**
Budget Balance - Working Capital	9,889,100	7,152,400	6,620,878	531,522
TOTAL BUDGET BALANCE & EXPENSES	**$ 100,693,900**	**$ 110,538,800**	**$ 110,598,555**	**$ (59,755)**

The notes to financial statements are an integral part of this statement