

BUDGET PROCESS

The budget process is conducted to comply with all charter mandates.

The City Charter mandates the following:

On or before the second Monday of May each year, the City Manager shall prepare and submit to the Council a budget presenting a financial plan for conducting the affairs of the City for the ensuing fiscal year. The total of proposed expenditures shall not exceed the total of anticipated income.

The budget shall include the following information:

- A detailed statement showing the expenses of conducting each department and office of the City for the current year and last preceding fiscal year
- A detailed estimate of the expenses of conducting each department and office of the City for the ensuing fiscal year with reasons for the increases and decreases recommended
- The value of supplies and materials on hand
- The amount of the debt of the City with a schedule of maturities of bond issues
- A statement showing the amount required for interest on the City debt and for paying off any bonds maturing during the year and the amount required for the sinking fund
- An itemized statement of all anticipated income of the City with a comparative statement of the amounts received by the City from each of the same or similar sources for the last preceding and current fiscal years
- An estimate of the amount of money to be received from taxes
- Other information as the City Manager may think desirable or as may be required by the Council

The Council shall, on or before the second Monday in July in each year, adopt a budget for the succeeding fiscal year. The Council shall, as far as possible, adhere to the budget so adopted in the making of appropriations.

The preparation of the budget begins with the establishment of goals and parameters through the City Manager's office. In November, the Administrative Services Department distributes comprehensive budget instructions to department heads.

The City of Dover's method of budgeting has evolved from concepts of many budgeting methods. A line item form of budget is used to account for expenses and revenues. In recent years, the City has incorporated concepts of programmatic budgeting which focuses on programs performed. Programs are examined periodically for their relevance and effectiveness, a concept which comes from zero-based budgeting philosophy.

In March 2006, budget line items for both the current budget and proposed budget were reviewed with department heads to determine if service levels were to be maintained, improved, or reduced. Revenues were projected as accurately as possible in order to set priorities for proposed expenditures.

The Council reviewed the proposed budget in May 2006 and set June 12, 2006, for the Electric Public Hearing. Public comments on the budget were also sought on this date. The budget is made available at City Hall, the Dover Public Library, and Weyandt Hall which is located at 5 East Reed Street.

According to the ordinance, the proposed budget must go through two readings. After the budget's adoption, monthly financial reports are issued to monitor and control the budget during the fiscal year.

AMENDING THE BUDGET

There are two ways of amending any individual budget. Although the budget is presented as a line item budget, department heads are permitted to change the breakdown within the materials and supplies and administrative groups of accounts (20, 30) as long as the total budgeted for that department is not exceeded. Department heads are not authorized to re-appropriate salary or capital items.

Through budget ordinance, the City Manager has the authority to make interdepartmental transfers of up to five percent as long as financial policies are adhered.

Any re-budgeting of available fund balances must have the approval of the City Council.

CITY OF DOVER 2006-2007 BUDGET CALENDAR

11/02/05	Budget kick-off meeting
11/07/05 – 01/20/06	Departments' budget preparation
11/30/05	New position proposals/revised classification requests due to HR
12/01/05 – 12/09/05	Human Resources returns position requests to depts.; meeting with Tony, Terry, and Frank re: requests
12/19/05 – 12/23/05	Salary budget packets distributed
01/06/06	<ul style="list-style-type: none"> – Salary budgets returned to Administrative (Customer) Services, including revised classifications and new positions – Estimated PFP scores for non-bargaining employees due to Administrative (Customer) Services
01/16/06 – 02/03/06	Revenue review by Revenue Committee
01/16/06 – 02/17/06	Work on mid-year review (Terry, Donna)
01/23/06 – 01/27/06	Review Council Workshop budget revisions with departments
01/27/06	Entry lockout on ALL years
01/30/06 – 02/10/06	Draft budget adjusted as per Council Workshop
02/13/06 – 03/17/06	Review draft budget with departments; assemble final draft budget
02/20/06 – 02/24/06	Present mid-year review to Council
03/20/06 – 04/07/06	Budget team balances budget; makes adjustments w/dept. heads as needed
04/10/06 – 04/21/06	Printing of draft budget
04/24/06 – 04/28/06	Final draft budget and CD to Council; news conference
05/10-11/06, 05/16-17/06	Budget review meetings
06/12/06	Electric public hearing; first reading of draft budget
06/26/06	Second reading of draft budget
06/30/06	Budget vetoed by Mayor
07/24/06	Final reading of draft budget; adopted by Council
07/25/06	Fiscal Year 2006-2007 budget goes into effect
07/26/06	Budget post-mortem meeting

CITY OF DOVER 2006-2007 CIP CALENDAR

10/03/05 – 10/07/05	CIP instruction packet to department heads
10/10/05 – 11/11/05	Departments' CIP development
11/14/05 – 11/18/05	Departments' CIP information due to City Manager's Office
11/21/05 – 11/30/05	Draft CIP prepared for review
12/05/05 – 12/16/05	Budget team reviews CIP
12/19/05 – 12/23/05	Draft CIP final review
12/27/05 – 12/30/05	Department heads place final CIP into budget
02/06/06 – 02/10/06	CIP adjusted as per Council Workshop

CITY OF DOVER 2006-2007 STRATEGIC PLANNING CALENDAR

07/04/05 – 07/08/05	I/T Technology Plan Update
08/15/05 – 08/19/05	Dept. submissions for I/T Plan due to TAC
09/06/05 – 09/09/05	Department heads training on objectives/CIP formulation
09/06/05 – 09/09/05	Review Citizen Survey results
09/12/05 – 09/16/05	Tech. Planning meeting to review, rank
09/11/05 – 09/30/05	– Department heads develop new strategic objectives
	– Make changes to department Vision, Major Programs if needed
09/19/05 – 09/30/05	Department heads strategic planning meeting with Tony and Terry
10/03/05 – 10/07/05	New strategic performance objectives and changes to Vision, Major Programs due to City Manager's Office
10/10/05 – 10/28/05	Budget Team reviews revised strategic plan and I/T plan
11/21/05 – 12/02/05	Final review of strategic performance objectives by Budget Team
12/05/05 – 12/16/05	Budget Team assembles strategic plans from departments
01/16/06 – 01/20/06	Council Workshop
02/06/06 – 02/10/06	Strategic plan adjusted as per Council Workshop
04/03/06 – 04/07/06	City Manager submits Citizen Survey to National Research Center
04/24/06 – 04/28/06	New Council members orientation (strategic planning, CIP, budget, PFP)

CITY OF DOVER 2006-2007 PAY-FOR-PERFORMANCE CALENDAR

09/12/05 – 09/30/05	Optional quarterly review to adjust employees' planned goals
10/03/05	Quarterly review due to Human Resources
11/07/05 – 11/18/05	Employees and supervisor individually review job descriptions
11/30/05	New position proposals, revised classification requests due to Human Resources
12/01/05 – 12/09/05	Human Resources returns position requests to department heads.; meeting with Tony, Terry, and Frank re: requests
12/01/05 – 12/23/05	Optional quarterly review to adjust employees' planned goals
12/30/05	Quarterly review due to Human Resources
01/06/06	Estimated PFP scores due to Administrative (Customer) Services, including revised classifications and new positions
03/06/06 – 03/24/06	Optional quarterly review to adjust employees' planned goals
03/13/06 – 03/24/06	Pay-For-Performance training
03/31/06	Quarterly review due to Human Resources
05/01/06 – 05/19/06	Pay-For-Performance annual evaluations
05/31/06	Annual review due to Human Resources

CITY OF DOVER FINANCIAL POLICIES

The purpose of these policies are to present a standardized set of principles that the City follows in managing its financial and budgetary affairs. These are general statements of policies, which represent long-standing principles, traditions, and practices that will be used to guide the City in maintaining financial stability.

REVENUE POLICY

- The City will strive to maintain a broad and diversified revenue base that will equitably distribute the burden of supporting City services and will protect the City from short-term fluctuations in any one revenue source.
- The City will actively support economic and industrial development recruitment and retention efforts to provide for a solid revenue base.
- The City will maintain timely collection systems and implement necessary enforcement strategies to collect revenues from available sources.
- The City will establish user fees and charges for services, when feasible, at levels related to the cost of providing the services. The City will review the fees and charges every three years to determine modifications needed to keep pace with the cost of providing the services.
- The City will establish, when feasible, self-supporting enterprise funds and intergovernmental service funds in which a relationship between revenues and expenditures clearly exists.
- The City will project current revenues on a conservative basis so the actual revenues will consistently meet or exceed budgeted revenues.
- The City will maintain a budgetary control system and will prepare reports, which compare actual revenues to budgeted amounts.
- The City will limit the designation of General Fund revenues for specified purposes to maximize flexibility in budgeting and revenue utilization.
- The City will review annually and revise, where necessary, its cost allocation formulas, i.e. internal service funds, right-of-way fees.

EXPENDITURE POLICY

1. Basic and essential services provided by the City will receive first priority for funding, i.e. Public Safety & Health, Utilities, Streets, & Sanitation. The City will establish performance measurements for all program areas, when feasible. These measures will reflect the demand, workload capability, and projected outcomes for the program to accomplish its objectives.
2. The City will adopt a balanced budget, by fund, for all funds maintained by the City, in which total anticipated revenues must equal or exceed the budgeted expenditures for each fund. However, if this cannot be attained, the City will utilize unallocated fund reserves, which have been carried forward from prior years as approved by Mayor and Council.
3. The City will maintain a budgetary control system to ensure adherence to the adopted budget and will prepare reports, which compare actual expenditures to budgeted amounts.
4. The City will refrain from budgeting non-recurring or one-time revenue for ongoing expenses. These revenues will be set aside for asset replacement or as otherwise directed by Mayor and Council.
5. The City will provide access to medical, dental, vision, life, AD & D, and short-term disability insurance for its employees. The cost for these benefits will be a shared responsibility between the City and its employees as outlined in the City Personnel Handbook or collective bargaining agreements.

6. The City will provide access to appropriate retirement plans for its employees. The City will make contributions for eligible employees at the percentage defined for each of the respective retirement plans.
7. The City will provide access to medical and dental insurance for its retiree's and their families. The cost for these benefits will be a shared responsibility between the City and its retirees as outlined in the City Personnel Handbook or collective bargaining agreements.

DEBT POLICY

1. The City will maintain a policy of full disclosure on financial reports and bond prospectus.
2. The City will maintain communications with bond rating agencies and continue to strive for improvements in the City's bond rating.
3. The City will adhere to its debt covenants.
4. The City will review its debt capacity every three years.
5. The City will pay for all capital projects and capital improvements on a pay-as-you-go basis using current revenues whenever possible. If a project or improvement can not be financed with current revenues, long-term debt will be recommended.
6. The City will refrain from issuing long-term debt for a period in excess of the expected useful life of the capital project.
7. The City will use special assessment revenue or other self-supporting bonds instead of general obligation bonds, when feasible.
8. The City will seek refinancing of outstanding debt if it is determined that the City will benefit by reduced interest expense over the remaining life of the bonds.

RESERVE POLICY

1. The City will strive to maintain a minimum reserve, in the Budget Balance, of at least 8% of the current year operating revenues for the General Fund, excluding the carry forward balance. If existing reserves exceed the required level, such funds may be used to provide for non-recurring expenditures. The City may use monies in the reserve only in times of fiscal and economic hardship.
2. The City will strive to maintain a minimum reserve, in the Budget Balance, of at least 10% of the current year operating revenues for the Water/Wastewater Fund, excluding the carry forward balance. If existing reserves exceed the required level, such funds may be used to provide for non-recurring expenditures. The City may use monies in the reserve only in times of fiscal and economic hardship.
3. The City will strive to maintain a minimum reserve, in the Budget Balance, of at least 5% of the current year operating revenues for the Electric Revenue Fund, excluding the carry forward balance. If existing reserves exceed the required level, such funds may be used to provide for non-recurring expenditures. The City may use monies in the reserve only in times of fiscal and economic hardship.
4. Once achieved, at no time should the City's budget balances fall below their specified percentages. If a shortfall occurs in the budget balance and immediately restoring the balances to the specified percentage would cause an extreme burden on the taxpayers, the budget balance may, with the Mayor's and City Council's approval, be restored to the specified percentage within one year, but in any case, no longer than three years.
5. The City will maintain a minimum reserve, in a contingency account, of at least 2% of the current year operating revenues for the General Fund. The City may only use monies in the contingency accounts in times of unforeseen emergency expenditures and uninsured capital losses.

6. The City will maintain a minimum reserve, in a contingency account, of at least 2% of the current year operating revenues for the Water/Wastewater Fund. The City may only use monies in the contingency accounts in times of unforeseen emergency expenditures and uninsured capital losses.
7. The City will maintain a minimum reserve, in a contingency account, of at least 1% of the current year operating revenues for the Electric Revenue Fund. The City may only use monies in the contingency accounts in times of unforeseen emergency expenditures and uninsured capital losses.
8. The City will strive to maintain a Capital Asset reserve necessary to fund the replacement and expansion of the City's long-term assets (i.e., infrastructure, buildings).

INVESTMENT AND CASH MANAGEMENT POLICY

1. The City will deposit all receipts on a timely basis.
2. The City will strive to maximize the return on its investment portfolio without jeopardizing principal amounts.
3. The City will limit its investments to the types of securities provided for by Delaware statutes.
4. The City will diversify its investments by maturity date to protect against market fluctuations.
5. The City will purchase securities from qualified institutions based on competitive bids in an effort to obtain the highest available rates.

CAPITAL IMPROVEMENT POLICY

1. The City will prepare and update, as needed a five-year Capital Improvements Program (CIP) which will provide for the orderly maintenance, replacement, and expansion of capital assets.
2. The CIP will identify long-range capital projects and capital improvements of all types, which will be coordinated with the annual operating budget to maintain full utilization of available revenue sources.
3. When preparing the CIP, the City will seek to identify all viable capital projects and capital improvements required during the subsequent five-year period. These projects and improvements will be prioritized by year and by funding source.
4. Every attempt will be made to match projects and improvements with available funding sources. Future operating costs and savings associated with a project or an improvement will also be given consideration in the establishment of priorities.
5. The City will seek Federal, State, and other funding to assist in financing capital projects and capital improvements.
6. The City will incorporate the reasonable findings and recommendations of other cities' Boards, Commissions, Committees, and Citizen Task Forces, as they relate to capital projects and improvements.
7. The City will seek input from the public by holding public hearings in relation to the establishment of projects and project priorities.

FINANCIAL REPORTING POLICIES

1. The City's accounting system will maintain records in accordance with accounting standards and principles outlined by the Governmental Accounting Standards Board (GASB), Financial Accounting Standards Board (FASB), and the State of Delaware.
2. The City will employ an independent accounting firm to perform an annual audit of the City's finances and make the annual audit available to all required and interested parties.

3. The City will produce monthly and quarterly financial statements reporting the current periods' activity for all funds maintained by the City.
4. The City will prepare an annual budget document that provides a basic understanding of the City's planned financial operations for the coming fiscal year. Copies of the proposed and final budget will be made available to all interested parties and opportunities will be provided for citizen input prior to final decisions on the budget.
5. The City will place continued emphasis on review and maintenance of an accounting system which provides strong internal budgetary and accounting controls designed to provide reasonable assurance, but not absolute, assurance regarding:
 - (a) the safeguarding of assets against loss from unauthorized use or disposition and
 - (b) the reliability of financial records for preparing financial statements and reports, and the maintaining accountability for assets.
6. The City will seek annual renewal of the Government Finance Officers Association's (GFOA) Certificate of Achievement for Excellence in Financial Reporting and the Distinguished Budget Presentation Award.

LEGEND

1. Approval by City Council: January 28, 2002
2. Approved by City Council: November 25, 2002

BUDGET PROCEDURES

The City prepares the budget for Governmental Fund types in which the expenditures are estimated based on liabilities for goods and services to be incurred during the fiscal year. Revenues for the General Fund and revenues of the Special Revenue Funds are budgeted on a modified accrual basis. The expenditures are accounted for when the purchase orders are issued and encumbrances are recognized.

Budgets for the Electric Revenue Fund, Water/Wastewater Fund, and Internal Service Fund are prepared on an accrual basis. Budgets are prepared under the assumption that the principal redemption of long-term debt must be assumed by Enterprise Fund activity in conformity with the bond ordinance.

The budget is presented in this report in the legal budget format (non-GAAP) adopted by the City.

Budgets are prepared for the General Fund, Water/Wastewater Fund, Water/Wastewater Improvement and Extension Fund, Electric Revenue Fund, Electric Improvement and Extension Fund, Municipal Street Aid Fund, Housing Grant Funds, and DPN.

The Electric Improvements and Extension Fund and the Water/Wastewater Improvement and Extension Fund are sections of each utility enterprise. These sections are required by bond resolutions. Separate budgets for these funds cover the planning and control of only capital items of the utilities.

Financial policy has set acceptable levels for budgetary balances. They are as follows: General Fund – eight percent of the current year operating revenues excluding the carry forward balance; Water/Wastewater Fund – ten percent of the current year operating revenues excluding the carry forward balance; Electric Revenue Fund – five percent of the current year operating revenues excluding the carry forward balance. If existing reserves exceed the required level, such funds may be used to provide for non-recurring expenditures. The City may use monies in the reserve only in times of fiscal and economic hardship.

The City follows the practice of encumbrance accounting for the Governmental Fund types. Encumbrances represent commitments related to unperformed contracts for goods or services. The encumbrances outstanding at year ends are reported as reservations of fund balances and do not constitute expenditures or liabilities. The commitments will be honored during the subsequent year.

Mayor and Council have adopted revised budgets for all funds. Budget ordinances give the City Manager the authority to transfer within departments amounts not exceeding five percent of the total departmental budget as long as financial policies are adhered to.

The City Council adopts the budget. The City Council also adopts revisions for major items throughout the year. The City Charter requires the City to adhere to the budget appropriations as adopted by City Council. Department managers may not amend the total department budget amounts. Budget ordinances give the City Council the authority to revise budget appropriations. Revisions are very few in number and affect the budgets for the General Fund, Water/Wastewater Fund, Electric Revenue Fund, and Electric Improvement and Extension Fund. Budget ordinances give the City Manager the authority to transfer amounts not exceeding five percent of the total departmental budget within departments and between departments within funds. This is the legal level of budgetary control. If expenditures exceed appropriations by less than five percent of the total department budget, no formal Council approval procedure is required by the City budget ordinance. However, the City Council reviews all departmental budget activity on a regular basis and must approve all over expenditures of appropriations or transfer of appropriated amounts. All unencumbered appropriations lapse at the end of the fiscal year.

BUDGET POLICY GUIDELINES

The City of Dover follows numerous policy guidelines when preparing the budget. The most significant guidelines follow:

The budget should be balanced with current revenues being equal to or greater than current expenditures/expenses. The following approaches are employed to balance the budget in order of priority: improve productivity, create new service fees, raise existing service fees based on the cost of services, eliminate programs, increase property taxes, and lastly, reduce or eliminate services.

The tax rate should be competitive with nearby cities and cities of comparable size. The rate should produce revenue adequate to pay for approved City services. Qualified senior citizens receive an \$50,000 exemption from assessed value.

The General Fund shall realize returns from the Enterprise Funds. The returns should not sacrifice improvements to the utilities. The budget includes transfers of \$5,716,956 from the Electric Fund and \$535,785 from the Water/Wastewater Fund. A guideline of not more than eight percent of fund revenues is used for these transfers.

Acceptable budgetary balance guidelines were established by Council. The General Fund should maintain a minimum reserve in the budget balance of at least eight percent of the current year operating revenues for the General Fund, excluding the carry forward balance. Water/Wastewater should maintain a minimum reserve in the budget balance of at least ten percent of the current year operating revenues for the Water/Wastewater Fund, excluding the carry forward balance. Electric Revenue Fund should maintain a minimum reserve in the budget balance of at least five percent of the current year operating revenues for the Electric Revenue Fund, excluding the carry forward balance.

Contingency Funds shall be maintained in the General, Water/Wastewater, and Electric Funds. These contingencies should be adequate to handle unexpected expenditures/expenses. The General and Water/Wastewater Funds should maintain an amount equal to at least two percent of the current year operating revenues. The Electric Revenue Fund should maintain an amount equal to at least one percent of the current year operating revenues. The City may only use monies in the contingency funds in times of unforeseen emergency expenditures.

Investments made by the City will address safety, liquidity, and yield. Interest earned from investment of available funds will be distributed to funds according to ownership of the invested funds. The City's investment policy authorizes investment of City funds in U.S. Government Securities, fully-insured or fully-collateralized Certificates of Deposit with federally insured institutions, the State investment pool, and Repurchase Agreements.

Utility rates are reviewed annually to ensure that they will generate revenues adequate to cover operating expenses, meet the legal requirements of bond covenants, and allow adequate capital replacement.

CAPITAL INVESTMENTS PLAN AND BUDGET

The Capital Investments Plan is a five-year plan for the purchase of property, equipment, and public improvements that are of a permanent nature. The City proposes a five-year Capital Investments Plan annually. The capital investments budget is a one-year appropriation of expenditures from the Capital Investments Plan and is normally funded from bond proceeds, grants, and operating funds. Capital expenditures are those which are not a current expense and have a period of usefulness of at least five years. Such items include projects requiring debt obligation, acquisitions or lease of land, purchase of major equipment or vehicles, construction of buildings or facilities, and major improvements.

EXPLANATION OF FUNDS

The accounting policies of the City conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

- Basis of Presentation - Fund Accounting

The accounts of the City are organized based on funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped into eight generic fund types and four broad fund categories as follows:

GOVERNMENTAL FUNDS

General Fund: The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds: These funds account for the proceeds of specific revenue sources (other than expendable trusts or for major capital projects) that are legally restricted to expenditure for specified purposes. They are State (Police) Grants, Library Grants, Municipal Street Aid, Housing Grants, DPN Grant, Substance Abuse Prevention Grant, Greenway Grant, DeIDOT Grant, and Computer Training Grant.

Capital Projects Funds: Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds and Trust Funds).

Debt Service Fund: The City has chosen to pay the general obligation bonds and interest thereon from the General Fund and Water/Wastewater Fund as applicable. There are no bank balances, investments, or transactions related to debt service. Therefore, the City does not utilize a debt service fund.

PROPRIETARY FUNDS

Enterprise Funds: Enterprise Funds are used to account for operations that are: (1) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (2) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Water/Wastewater Fund and Electric Revenue Fund are included in this category.

INTER-GOVERNMENTAL FUNDS

These funds serve as a conduit for the efficient allocation of multi-fund expenses but have no net effect on the revenues and expenses of the City.

The assets and liabilities of these funds consisted of cash, investments, accounts payable, and inter-fund receivables and payables. Beginning in Fiscal Year 2004, the fund was eliminated. Divisions previously in this fund were transferred to the General Fund with the exception of the Construction division which was transferred to the Water/Wastewater Fund. Intrafund Service Fees and Receipts were established to charge and repay funds for goods and services. These changes were made to comply with generally accepted accounting principles.

FIDUCIARY FUNDS

Trust Funds: Trust Funds are used to account for assets held by the City in a trustee capacity. These include Non-expendable Trust, Expendable Trust, and Pension Trust Funds. Non-expendable Trust and Pension Trust Funds are accounted for in essentially the same manner as Proprietary Funds since capital maintenance is critical. The Non-expendable Trust Fund is maintained for an endowment received from Mary Paton for library purposes. Pension Trusts include the City of Dover Employees' Pension Fund and the City of Dover Police Pension Fund.

Agency Funds: Agency Funds are used to account for assets held by the City as an agent for individuals, private organizations, other governments, and/or other funds. The City has six agency funds: the Library Consortium, the Parking Authority, the Dover Arts Council, the Downtown Dover Development Corporation and Main Street Project, and the Deferred Compensation Plan. The Library Consortium is a group of five libraries that provides a book catalogue service for the libraries' use. The City acts as the receiving and paying agent for the Dover Parking Authority, Dover Arts Council, and Downtown Dover Development Corporation, and the transactions are shown under the Agency Funds category. The City acts as an agent for the employees enrolled in the Deferred Compensation Plan for which the only activity is employees' contributions invested weekly.

Basis of Accounting: Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made regardless of the measurement focus applied.

All Governmental Funds, Expendable Trusts, and Agency Funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets.

Revenues that are susceptible to accrual include property taxes and billable service charges. All other revenues are accounted for when they are received.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. The exception to this general rule is principal and interest on general long-term debt which is recognized when due.

All Proprietary, Non-expendable Trust, and Pension Trust Funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

BUDGETARY BASIS OF ACCOUNTING

The City prepares its budget for the General Fund on the cash basis. The expenditures are accounted for when the invoices are paid. Encumbrances are established when purchase orders are issued and accounted for as a designation of fund balance at year-end. The budget is amended in the subsequent year for the outstanding encumbrances of the prior year. The modified accrual basis of accounting is used for the fund financial statements. The City considers the beginning fund balance an item of revenue for budgetary purposes.

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN UNDESIGNATED FUND BALANCES

ALL GOVERNMENTAL FUND TYPES

Fiscal Year 2007 Budget with Comparison to Fiscal Year 2006 Estimate

(For Budgetary Purposes Only)

	GOVERNMENTAL FUND TYPES		TOTAL GOVERNMENTAL FUNDS	
	GENERAL FUND	SPECIAL REVENUE	2007 BUDGET	2006 ESTIMATE
REVENUES:				
FINES AND POLICE REVENUE	2,060,000	-	2,060,000	1,918,520
LIBRARY REVENUES	399,500	-	399,500	393,000
BUSINESS LICENSES/PERMITS	2,310,000	-	2,310,000	2,436,500
MISCELLANEOUS CHARGES	2,693,307	-	2,693,307	2,734,763
PROPERTY TAXES	9,148,680	-	9,148,680	8,806,471
TRANSFER TAX	2,900,000	-	2,900,000	2,900,000
INTEREST EARNED	290,000	255,879	545,879	378,136
INTRAFUND SERVICE RECEIPTS	5,045,735	-	5,045,735	4,931,860
GRANTS RECEIVED	1,184,435	2,040,202	3,224,637	4,063,451
TRANSFERS FROM OTHER FUNDS	7,199,800	2,476,997	9,676,797	9,081,850
TOTAL REVENUES	33,231,457	4,773,078	38,004,535	37,644,551
EXPENDITURES:				
GENERAL ADMINISTRATION	6,547,124	-	6,547,124	5,976,912
PARKS AND RECREATION	2,815,806	-	2,815,806	1,789,007
PUBLIC SAFETY	13,364,430	-	13,364,430	13,090,279
PUBLIC WORKS	8,449,326	-	8,449,326	6,546,000
DEBT SERVICE	441,232	-	441,232	435,247
TRANSFER TO CONTINGENCY	8,007	-	8,007	-
TRANSFER TO PARKLAND RESERVE	350,000	-	350,000	1,508,593
TRANSFER TO LIBRARY RESERVE	583,500	-	583,500	-
TRANSFER TO OPEB	250,000	-	250,000	250,000
TRANSFER TO PENSION UNFUNDED LIABILITY	262,455	-	262,455	-
TRANSFER TO PENSION COLA	139,749	-	139,749	-
TRANSFER TO CAPITAL ASSET RESERVE	-	-	-	150,000
DSWA RECYCLING PROGRAM	24,000	-	24,000	10,000
IT EMERGENCY PREPAREDNESS PLAN	-	-	-	100,000
HOMELAND SECURITY GRANT	-	-	-	213,581
RETIREEES HEALTH CARE	763,982	-	763,982	644,624
UNCOLLECTIBLES	10,000	-	10,000	10,000
PROGRAM EXPENDITURES	-	3,829,748	3,829,748	3,211,355
STREET LIGHTS	746,200	-	746,200	533,000
TOTAL EXPENDITURES	34,755,811	3,829,748	38,585,559	34,468,598
NET INCREASE (DECREASE) IN FUND BALANCE	(1,524,354)	943,330	(581,024)	3,175,953
FUND BALANCE - BEGINNING	4,232,792	6,344,578	10,577,370	7,401,417
FUND BALANCE - ENDING	2,708,438	7,287,908	9,996,346	10,577,370

The projected fund balance in the General Fund for June 30, 2007, of \$2,708,438 is eight percent of General Fund operating revenues excluding the carry forward balance. This amount is in compliance with established financial policies. We believe these guidelines will assist us in our efforts to be fiscally responsible. Much of the \$1.5 million decrease comes from transferring undesignated General Fund balance (\$1.1 million) to reserves such as Library Reserve, OPEB reserve, and the Unfunded Liability Reserve. Additionally, some Fiscal Year 2006 projects were not completed, and their balances carry forward for rebudgeting in Fiscal Year 2007.

Special Revenue Fund balances are anticipated to increase from \$6.6 million to \$7.3 million. This is due to the funding levels of the OPEB reserve, Library Reserve, Parkland/Recreation Reserve, and the Unfunded Liability Reserve.

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN UNDESIGNATED FUND BALANCES ALL PROPRIETARY FUND TYPES

Fiscal Year 2007 Budget with Comparison to Fiscal Year 2006 Estimate
(For Budgetary Purposes Only)

	PROPRIETARY FUND TYPE		TOTALS	
	WATER/ WASTEWATER	ELECTRIC REVENUE	2007 BUDGET	2006 ESTIMATE
REVENUES:				
CHARGES FOR SERVICES	10,601,760	83,515,686	94,117,446	75,785,764
MISCELLANEOUS SERVICES/INCOME	2,001,750	9,750,946	11,752,696	6,137,841
INTEREST EARNED	98,000	634,000	732,000	437,081
TOTAL REVENUES	12,701,510	93,900,632	106,602,142	82,360,686
EXPENDITURES:				
WATER/WASTEWATER SERVICES	3,230,188	-	3,230,188	2,822,643
GENERAL ADMINISTRATION	-	562,322	562,322	747,126
PURCHASED POWER	-	67,329,000	67,329,000	42,636,070
TRANSMISSION/DISTRIBUTION	-	3,282,637	3,282,637	3,052,780
ENGINEERING	-	2,001,295	2,001,295	1,754,658
METERING	-	323,111	323,111	306,251
UTILITY TAX	-	1,937,446	1,937,446	1,245,946
ALLOWANCE FOR UNCOLLECTIBLES	-	125,000	125,000	125,000
RETIREEES HEALTH CARE	151,220	526,400	677,620	576,094
INTERFUND SERVICE FEES	1,176,357	3,869,378	5,045,735	4,931,860
TRANSFER TO OPEB	50,000	100,000	150,000	150,000
TRANSFER TO PENSION UNFUNDED LIABILITY	50,225	89,271	139,496	-
TRANSFER TO PENSION COLA	39,850	101,692	141,542	-
TRANSFER TO GENERAL FUND	535,000	5,700,000	6,235,000	6,252,741
CAPITAL ITEMS	1,819,888	6,705,919	8,525,807	7,739,858
IMPACT FEE RESERVE	89,756	-	89,756	387,355
KENT COUNTY SEWER ADJUSTMENT	3,853,000	-	3,853,000	3,815,000
TRANSFER TO CAPITAL ASSET RESERVE	300,000	-	300,000	600,000
RATE STABILIZATION FUND	-	500,000	500,000	2,314,790
INTEREST ON DEPOSITS	-	25,000	25,000	25,000
DEBT SERVICE	1,583,076	2,149,048	3,732,124	3,804,423
TOTAL EXPENDITURES	12,878,560	95,327,519	108,206,079	83,287,595
NET INCREASE (DECREASE) IN FUND BALANCE	(177,050)	(1,426,887)	(1,603,937)	(926,909)
FUND BALANCE - BEGINNING	1,694,325	7,445,485	9,139,810	10,066,719
FUND BALANCE - ENDING	1,517,275	6,018,598	7,535,873	9,139,810

The projected fund balance in the Water/Wastewater Fund for June 30, 2007, of \$1,517,275 is ten percent of Water/Wastewater Fund operating revenues excluding the carry forward balance. This amount is in compliance with established financial policies. We believe these guidelines will assist us in our efforts to be fiscally responsible. We believe the decrease in fund balance is a result of the carry forward of unfinished projects in Fiscal Year 2006 and their re-budgeting in Fiscal Year 2007. In addition, the undesignated fund balance (\$100,225) was transferred to OPEB and Unfunded Pension Liability Reserve accounts.

The projected fund balance in the Electric Revenue Fund for June 30, 2007, of \$6,018,598 is five percent of Electric Revenue Fund operating revenues excluding the carry forward balance. This amount is in compliance with established financial policies. We believe these guidelines will assist us in our efforts to be fiscally responsible. We believe the decrease in fund balance is a result of the carry forward of unfinished projects in Fiscal Year 2006 and their re-budgeting in Fiscal Year 2007. Additionally, \$689,271 of the undesignated fund balance was transferred to OPEB Reserve, Unfunded Pension Liability Reserve, and Rate Stabilization Reserve.

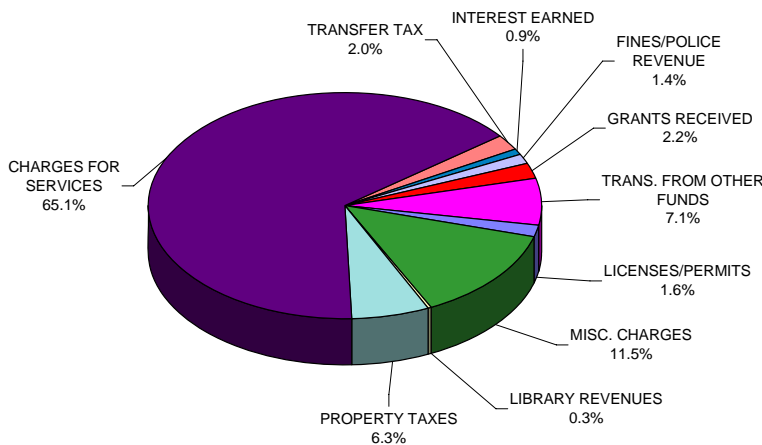
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN UNDESIGNATED FUND BALANCES

ALL FUND SUMMARY

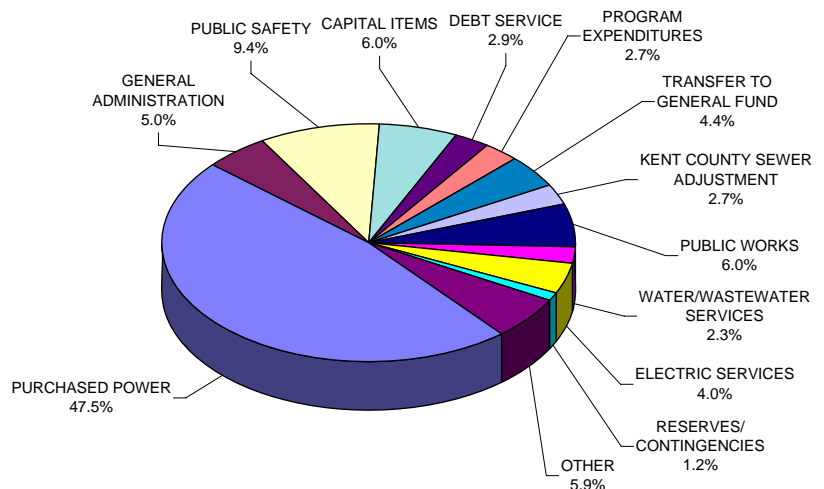
Fiscal Year 2007 Budget with Comparison to Fiscal Year 2006 Estimate
(For Budgetary Purposes Only)

	FUND SUMMARY TYPES		TOTALS	
	GOVERNMENTAL FUND TYPES	PROPRIETARY FUND TYPES	2007 BUDGET	2006 ESTIMATE
REVENUES:				
FINES AND POLICE REVENUE	2,060,000	-	2,060,000	1,918,520
LIBRARY REVENUES	399,500	-	399,500	393,000
BUSINESS LICENSES/PERMITS	2,310,000	-	2,310,000	2,436,500
MISCELLANEOUS CHARGES	2,693,307	11,752,696	14,446,003	8,872,604
PROPERTY TAXES	9,148,680	-	9,148,680	8,806,471
TRANSFER TAX	2,900,000	-	2,900,000	2,900,000
INTEREST EARNED	545,879	732,000	1,277,879	815,217
INTRAFUND SERVICE RECEIPTS	5,045,735	-	5,045,735	4,931,860
GRANTS RECEIVED	3,224,637	-	3,224,637	4,063,451
TRANSFERS FROM OTHER FUNDS	9,676,797	-	9,676,797	9,081,850
CHARGES FOR SERVICES	-	94,117,446	94,117,446	75,785,764
TOTAL REVENUES	38,004,535	106,602,142	144,606,677	120,005,237

Distribution of Revenues - All Funds



Distribution of Expenditures - All Funds



COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN UNDESIGNATED FUND BALANCES

ALL FUND SUMMARY

Fiscal Year 2007 Budget with Comparison to Fiscal Year 2006 Estimate

(For Budgetary Purposes Only)

	FUND SUMMARY TYPES		TOTALS	
	GOVERNMENTAL FUND TYPES	PROPRIETARY FUND TYPES	2007 BUDGET	2006 ESTIMATE
EXPENDITURES:				
GENERAL ADMINISTRATION	6,547,124	562,322	7,109,446	6,724,038
PARKS AND RECREATION	2,815,806	-	2,815,806	1,789,007
PUBLIC SAFETY	13,364,430	-	13,364,430	13,090,279
PUBLIC WORKS	8,449,326	-	8,449,326	6,546,000
DEBT SERVICE	441,232	3,732,124	4,173,356	4,239,670
TRANSFER TO PARKLAND RESERVE	350,000	-	350,000	1,508,593
TRANSFER TO LIBRARY RESERVE	583,500	-	583,500	-
TRANSFER TO CAPITAL ASSET RESERVE	-	300,000	300,000	750,000
DSWA RECYCLING PROGRAM	24,000	-	24,000	10,000
CONTINGENCY	8,007	-	8,007	-
TRANSFER TO OPEB	250,000	150,000	400,000	400,000
TRANSFER TO PENSION UNFUNDED LIABILITY	262,455	139,496	401,951	-
TRANSFER TO PENSION COLA	139,749	141,542	281,291	-
IT EMERGENCY PREPAREDNESS PLAN	-	-	-	100,000
HOMELAND SECURITY GRANT	-	-	-	213,581
RETIREEES HEALTH CARE	763,982	677,620	1,441,602	1,220,718
INTERFUND SERVICE FEES	-	5,045,735	5,045,735	4,931,860
PROGRAM EXPENDITURES	3,829,748	-	3,829,748	3,211,355
STREET LIGHTS	746,200	-	746,200	533,000
WATER/WASTEWATER SERVICES	-	3,230,188	3,230,188	2,822,643
PURCHASED POWER	-	67,329,000	67,329,000	42,636,070
TRANSMISSION AND DISTRIBUTION	-	3,282,637	3,282,637	3,052,780
ENGINEERING	-	2,001,295	2,001,295	1,754,658
METERING	-	323,111	323,111	306,251
UTILITY TAX	-	1,937,446	1,937,446	1,245,946
ALLOWANCE FOR UNCOLLECTIBLES	10,000	125,000	135,000	135,000
TRANSFER TO GENERAL FUND	-	6,235,000	6,235,000	6,252,741
CAPITAL ITEMS	-	8,525,807	8,525,807	7,739,858
IMPACT FEE RESERVE	-	89,756	89,756	387,355
KENT COUNTY SEWER ADJUSTMENT	-	3,853,000	3,853,000	3,815,000
RATE STABILIZATION FUND	-	500,000	500,000	2,314,790
INTEREST ON DEPOSITS	-	25,000	25,000	25,000
TOTAL EXPENDITURES	38,585,559	108,206,079	146,791,638	117,756,193
NET INCREASE (DECREASE) IN FUND BALANCE	(581,024)	(1,603,937)	(2,184,961)	2,249,044
FUND BALANCE - BEGINNING	10,577,370	9,139,810	19,717,180	17,468,136
FUND BALANCE - ENDING	9,996,346	7,535,873	17,532,219	19,717,180

THIS PAGE INTENTIONALLY LEFT BLANK