

*The City of Dover, Delaware is a place  
where people want to live!*

*unity where all citizens are heard, enjoy a high quality of life, and diversity is valued.*

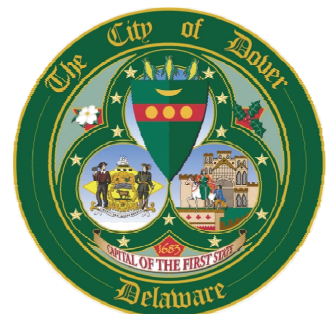


**Constitution Park**

*Through the team effort of its elected officials, employees and citizens, Dover is a clean*

*and safe community, with a future of balanced growth and oppor*

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT FOR THE  
YEAR ENDED JUNE 30, 2010**







# **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**For the Fiscal Year Ended  
June 30, 2010**

*Prepared by the Finance Department  
Donna S. Mitchell, Controller/Treasurer*

## Acknowledgements

The City of Dover's Comprehensive Annual Financial Report was prepared by the Finance Department.

Tracey Lisiecki  
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Accountant II

Karlett Walker  
Accountant II

Shonda Kelly  
Payroll Specialist

Turhan Jordan  
Payroll Specialist

### Special appreciation to:

All personnel throughout the City whose efforts and cooperation to submit accurate, timely financial data for their divisions made this report possible.

Cover: Constitution Park is a mini park featuring a 12-foot bronze quill on a 4-foot cube inscribed with the U.S. Constitution. On a half wall that surrounds the ornament with each of the thirteen colonies inscribed.

# **CITY OF DOVER, DELAWARE**

## **Comprehensive Annual Financial Report**

### **For the Year Fiscal Ended June 30, 2010**

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# **INTRODUCTORY SECTION**



**THIS SECTION CONTAINS THE FOLLOWING:**

**LETTER OF TRANSMITTAL**

**CERTIFICATE OF ACHIEVEMENT FOR  
EXCELLENCE IN FINANCIAL REPORTING**

**LIST OF ELECTED OFFICIALS**

**LIST OF APPOINTED OFFICIALS**

**LIST OF COMMISSIONS**

**ORGANIZATIONAL CHART**





December 17, 2010

The Honorable Mayor,  
Honorable Council President,  
Members of the City Council  
and Citizens of the City of Dover  
Dover, Delaware 19901

Ladies and Gentlemen:

I am pleased to submit the Comprehensive Annual Financial Report of the City of Dover for the fiscal year ended June 30, 2010. This report is published to comply with the provisions of Article IV, Section 46 of the City Charter. It is also intended to provide financial data to the tax and ratepayers, bondholders, trustees, banks, federal and state agencies and the financial community at large.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

The financial statements in this report have been audited by Faw Casson and Co., LLP, an independent firm of certified public accountants as required by Section 46 of the City Charter. Faw Casson and Co., LLP has provided an unqualified opinion on the City of Dover financial statements for the year ended June 30, 2010. The independent auditor's report is located at the front of the financial section of this report.

Management's Discussion and Analysis (MD&A) provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it. Our MD&A can be found immediately following the report of our independent auditors.

## **THE REPORTING ENTITY AND ITS SERVICES**

The City of Dover was incorporated in 1829 under a Charter granted by the General Assembly. Dover is the Capital of the State of Delaware and is located in the central part of the state. It is home to the State Governor's office, legislative offices, and is the County seat for Kent County. The City currently occupies a land area of 23 square miles and serves a population of approximately 36,627.

Dover's governing body is composed of a Mayor and nine Council Members, with one Council Member elected by Council to serve as Council President. Council members are elected from four districts and serve staggered, two-year terms. One member of Council and the Mayor are elected at-large and serve two-year terms. The Council is responsible for all matters of policy and is the authority for levying taxes, securing revenues, authorizing expenditures of City funds and incurring City debts. The City of Dover operates under a Council – Manager form of government.

The City provides a full range of services as mandated by the Charter or adopted by the City Council. They include police protection, street and sanitation maintenance, recreation, library, community development, economic development, public improvements, planning and zoning, safety inspections, electric power generation and distribution, water and wastewater services, legislative services and general administration.

Within the City is a volunteer fire company that is autonomous. Under established criteria, the operations of the Robbins Hose Fire Company are not a part of this report. However, the City provides financing for dispatching personnel costs, most of the building and equipment maintenance, supplies and contractual services. The City also provides funding to Robbins Hose for payments on several pieces of firefighting apparatus. These payments are grouped under the Fire Department and are included in the General Fund.

The Fire Chief is elected by the volunteer members of the Fire Company. The City Council traditionally adopts the election and the City Council officially appoints the Fire Chief for a one-year term. Therefore, the position of Fire Chief is included in the City organization chart.

The Capital School District does not meet the established criteria for inclusion in the reporting entity and, accordingly, is excluded from this report.

The City Council shall, on or before the second Monday of June in each year, adopt a budget for the succeeding fiscal year. This annual budget serves as the foundation for the City of Dover's financial planning and control. The budget is prepared by fund and department. With approval of the City Manager and Finance Director, Department Heads may transfer resources within or between departments, with the exception of capital project budgets. Transfers between funds and transfers of capital project budgets, however, need special approval from the City Council.

## **LOCAL ECONOMY**

The City of Dover is distinguished as the dominant center of employment, commerce, educational opportunity, and cultural activity in central Delaware. Development activity in the City continued to be slow during fiscal year 2010, consistent with the economic trends seen nationwide.

Residential growth continues to occur at a slow pace, and major institutions and government agencies continue to expand to meet the demands of a growing regional population and economy. Commercial corridor areas of U.S. Routes 13/113 and DE Route 8 have continued to attract medium- and large-scale commercial development with added interest along Court Street during the period but at a slower pace. Efforts to revitalize the traditional urban core of downtown Dover have continued despite the down economy. At the close of the fiscal year, the stretch of Loockerman Street between State Street and Governors Avenue saw nearly full occupancy, with several new businesses opening during the year.

Total value of construction dropped from \$125 million in fiscal year 2009 to \$50 million in fiscal year 2010. The City issued 3,631 business licenses in fiscal year 2010. Building permits issued during this period totaled 2,295, which was a decline from the previous year. The City of Dover Planning Commission processed 36 development applications and 9 rezoning applications during the reporting period. Again, this is a decline from the previous year and a significant decrease from prior years.

Growth and development trends during fiscal year 2010 are further discussed and summarized below.

### ***Population Growth & Employment***

The 2000 U.S. Decennial Census, which was conducted in April 2000, found that 32,135 people reside in Dover. As a result of the Count Question Resolution Process, the Census Bureau revised the 2000 population count for the City to 32,043 people. According to the Delaware Population Consortium estimates, the City's population as of July 1, 2009 was 36,627. This represents an approximately 14 percent increase in the City's population over the nine-year period. The non-seasonally adjusted unemployment rate for Dover as of June 30, 2010 was at 10.2% as compared to 8.5% for the State of Delaware.

### ***Residential Development***

A total of 89 new residential housing starts were recorded during fiscal year 2010. This represents a decline from the 115 during the prior fiscal year. A number of active residential construction projects continue to move forward throughout the City. Construction is underway on houses in Emerald Pointe, Lexington Glen, Patriot Village, and Clearview Meadows. Additionally, the Blue Hen Apartments near the Blue Hen Corporate Center are under construction, with 42 units completed by the end of June 2010.

The residential district of Eden Hill continued to take shape during fiscal year 2010, with 20 building permits and 24 certificates of occupancy issued during the fiscal year.

During fiscal year 2010, Stover Homes, the builder and developer of Nottingham Meadows, ceased operations, that caused challenges in terms of determining the City's role in addressing partially completed subdivisions. These challenges continue as the real estate market struggles to recover.

### ***Downtown Dover Redevelopment***

In spite of the economy, efforts to revitalize downtown Dover remained strong during the last fiscal year. Among the many highlights was the opening of the Community Services Building by the Greater Dover Foundation. In addition to the Downtown Dover Partnership, this building also is home to the United Way, Boy Scouts, Delaware Parents Association, Communities in School, and the Greater Dover Committee and Foundation. Mitten and Winters, an accounting firm and long-time business on Loockerman Street, completed a \$300,000 renovation on their building. Five new businesses opened last year including DNDTEK, Next Level Clothing Store, The Lunchbox, The Shoe Outlet, the Tattoo Shop, and Beauty and You. In addition to new businesses, Knights Copier Service, Zuha Trend, Partners in Design and Top Notch Sewing relocated their businesses to Loockerman St. and Governors Avenue.

### ***Institutional Development***

Institutional development in the City continues to expand. Construction continued on the new Kent County Courthouse and on the expansion at Bay Health Medical Center, valued at over \$45 million. In addition, Delaware State University continued improvements to its campus, and Wesley College engaged in its long-range master plan process.

### ***Retail/Commercial Development***

The retail sector remained slow during fiscal year 2010, as is consistent with the national economic slowdown. Dover Downs made improvements to its casino to accommodate sports betting and table games. While new commercial construction was stagnant during the year, several new businesses occupied vacant tenant spaces along the City's commercial corridor. Two new CVS pharmacies opened in the City, as well as the construction of a new McDonalds and a Chipotle restaurant.

### ***Industrial Development***

The Dover economy derives considerable benefits from a variety of large industrial and manufacturing companies including Kraft Foods, Procter and Gamble, Energizer/Playtex Family Products, and Berry Van Lines, as well as numerous small- to mid-sized industrial entities. In early 2010 the Planning Commission approved a site plan for the Dover Sun Park on 104 acres of Garrison Oak Park, and the City has been in discussion with Macquarie Energy regarding a gas plant on another lot within the park.



## **Office Development**

Dover continues to be the leading place for business office locations downstate; however, the market appears to be saturated with office space at this point in time. Several recently completed or nearly completed office buildings currently remain vacant, including State Street Commons and the Silver Bullit.

## **Infrastructure**

The City has several large water and sewer projects underway to upgrade pump stations, distribution and transmission mains. These projects are valued at \$8.3 million and will improve water quality and reduce the inflow/infiltration in our sewer system. The State has several transportation projects underway with the support of stimulus funding.

## **Summary**

Dover has been affected by the nation's economic downturn; however, even in the current economic climate, a number of key construction projects continue to move forward. The large institutional presence of Bayhealth, the State, and the colleges and universities helps to strengthen the City's economy. Challenges lie ahead, as the City addresses bankrupt subdivisions, vacant buildings and other symptoms of the down economy, but Dover remains a center for commerce, services and residential communities. As the economy rebounds, Dover is well positioned to support continued growth.

## **FINANCIAL POLICIES AND FINANCIAL PLANNING**

Unreserved, undesignated fund balances in the General Fund (8.0%) fall within the policy guidelines of a minimum of 8% and maximum of 12% of revenues as approved by City Council in the City of Dover Financial policies. The water, wastewater, and electric utilities have the same policy requirement for their budget balances. If the balances fall below 8%, the City Manager is required to submit budgets to bring the balances up to minimum within three years. The current budget balances as of June 30, 2010 for the utilities are water (24.9%), wastewater (-14.8%) and electric (13.5%) (See Major Initiatives below). The water and wastewater utilities are accounted for in the same fund.

The City policies also require non-recurring revenues to be set aside for capital improvements as designated by City Council (reserve accounts) and a 2% contingency reserve in the General Fund, Water/Wastewater Fund and 1% contingency in the Electric Revenue Fund to address unforeseeable natural disasters and insurance losses. All major funds meet the contingency reserve requirement.

The water and wastewater utilities impose impact fees, which are reserved by ordinance, on new developments to assist with financing future expansion projects. The electric utility maintains depreciation and future capacity reserves to assist with asset replacements and system expansions. Financial policies require the electric utility to maintain a minimum of \$10.0 million in each of these reserves, with replenishment over seven years when used to finance projects.

The City's Financial Policies also include an Electric Rate Stabilization Reserve account. The purpose of this reserve is to enable the City to absorb month-to-month power supply cost increases while adjusting budgets and implementing potential rate increases. If the cost of power supply decreases, the reserve can also be used to provide a power cost adjustment decrease to maintain competitive rates. The goal is to maintain a reserve balance equivalent to 10% of the power supply cost.

## **MAJOR INITIATIVES**

The City continues with its efforts towards the construction of a 42,000 square foot regional library. The City will complete the construction documents in fiscal year 2011 and complete the construction on the infrastructure improvements and parking. The building construction is expected to be completed and fully operational September 2012. Current estimates for this project estimate the cost at \$20.0 million. The capital construction is expected to be financed through the library reserve, a state grant (50% matching funds), donations, proceeds from the sale of the existing library, and long-term debt. Once completed additional annual operating expenses and debt service will be budgeted in the General Fund. The additional debt service and operating cost is estimated to increase by no more than \$400,000 in Fiscal Year 2013.

The City Council continues its focus on replacing or upgrading old infrastructure in order to improve the quality and reliability of our utility systems. In fiscal year 2010, \$1.8 million of water and wastewater capital improvements were completed. The fiscal year 2010 water and wastewater budget included \$9.3 million of State Revolving Loan funds of which \$2.4 million is for water main replacement projects and \$5.9 million for wastewater pump stations and pipe relining. The wastewater projects include a major sewer lateral upgrade and extension on the U.S. 13 corridor. The loan proceeds are remitted to the City on a reimbursement basis as projects are completed. The projects are scheduled for completion over a two-year period therefore, the loan proceeds and outstanding balance will increase with each reimbursement.

The City completed the projects associated with a \$22 million bond sale of Electric Revenue Bonds in July, 2008. The electric utility completed the 69kv feeders #3 & #4 at the Cartanza 230kv substation in fiscal year 2010 at a cost of \$7.4 million. The addition of the transmission lines will provide the City with a redundant line to prevent outages as well as carry the City's load and capacity requirements over the next twenty years. The electric utility completed the replacement of the St. Jones Substation at a cost of \$5.9 million. The Horsepond Road and Mid City substations were upgraded at a cost of \$2.0 million. The City's plant operator, North American Energy Services, completed the fuel oil conversion of the generating plants in order to comply with the Delaware Regulation 1146 at the McKee Run generating plant, at a cost of \$3.2 million. The City upgraded its distribution lines in several subdivisions from overhead to underground at a cost of \$1.5 million.

As of fiscal year 2010 the City will have invested \$32.9 million since 2005 in improvements to its electric systems and plants.

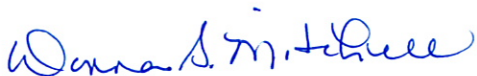
## **AWARDS AND ACKNOWLEDGEMENTS**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Dover, Delaware for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2009. This was the twenty-fifth (25) consecutive year that the City of Dover has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. The report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

The Finance Department is pleased to present the Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2010. Thank you for your continuing interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner. I also express my appreciation to the many City employees for their assistance and cooperation during the year in preparation of this report. My appreciation is extended to Mr. Anthony DePrima, City Manager, Mrs. Ann Marie Townshend, City Planner, Mrs. Traci McDowell, City Clerk and their staff for their continued support of the Finance Department. Special appreciation is extended to the employees of the Finance Department, whose pride and dedicated service made this report and the year a success.

Respectfully submitted,



Donna S. Mitchell, CPA  
Controller/Treasurer



***Mayor Carlton Carey***



***City Council Members***

***1<sup>st</sup> row:***

***James G. McGiffin, Sophia R. Russell, Kenneth L. Hogan,  
and Reuben Salters***

***2<sup>nd</sup> row:***

***David L. Bonar, Thomas J. Leary, Beverly C. Williams, Eugene  
B. Ruane, and William P. McGlumphy***

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Dover  
Delaware

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

**CITY OF DOVER, DELAWARE**  
**List of Elected Officials**  
**June 30, 2010**

|                               | <u>Length of<br/>Services</u> | <u>Term<br/>Expires</u> |
|-------------------------------|-------------------------------|-------------------------|
| <b><i>Mayor</i></b>           |                               |                         |
| Carleton E. Carey, Sr.        | 3 Years                       | May 2012                |
| <b><i>City Council</i></b>    |                               |                         |
| At-Large                      |                               |                         |
| Thomas J. Leary               | 2 Years                       | May 2011                |
| <b><i>First District</i></b>  |                               |                         |
| Beverly C. Williams           | 8 Years                       | May 2012                |
| Kenneth L. Hogan*             | 6 Years                       | May 2011                |
| <b><i>Second District</i></b> |                               |                         |
| William P. McGlumphy          | 4 Years                       | May 2012                |
| Eugene B. Ruane               | 9 Years                       | May 2011                |
| <b><i>Third District</i></b>  |                               |                         |
| James G. McGiffin, Jr.        | 4 Years                       | May 2011                |
| David L. Bonar                | 1 Month                       | May 2012                |
| <b><i>Fourth District</i></b> |                               |                         |
| Sophia R. Russell             | 5 Years                       | May 2012                |
| Reuben Salters                | 21 Years                      | May 2011                |

\* Council President

**CITY OF DOVER, DELAWARE**  
**List of Appointed Officials**  
**June 30, 2010**

|  | <u>Length of<br/>Time in<br/>Position</u> | <u>Length of<br/>Time with<br/>the City</u> |
|--|---|---|
| City Clerk/Assistant Treasurer – Traci A. McDowell       | 4 Years                                   | 23 Years                                    |
| City Manager/Civil Defense Director – Anthony J. DePrima | 9 Years                                   | 19 Years                                    |
| City Solicitor – Nicholas H. Rodriquez                   | 42 Years                                  | 42 Years                                    |
| Deputy City Solicitor – William Pepper                   | 21 Years                                  | 21 Years                                    |
| Council President – Kenneth L. Hogan                     | 1 Month                                   | 6 Years                                     |
| Fire Chief – Sean P. Christiansen                        | 6 Months                                  | 6 Months                                    |
| Fire Marshal – David Truax                               | 14 Years                                  | 19 Years                                    |
| City Building Inspector - Scott D. Koenig                | 1 Year                                    | 20 Years                                    |
| City Planner – Ann Marie Townshend                       | 4 Years                                   | 4 Years                                     |
| Police Chief – James Hosfelt                             | 3 Months                                  | 21 Years                                    |
| Controller/Treasurer – Donna Mitchell                    | 10 Years                                  | 10 Years                                    |

CITY OF DOVER, DELAWARE  
List of Commissions & Committees  
As of June 30, 2010

Board of Adjustment

Kishor C. Sheth, Chairman  
Arthur G. Ericson  
William Hufnel  
James N. Keller  
Richard Senato

Code Board of Appeals

James G. McGiffin, Jr., Chairman  
Beverly C. Williams, Councilwoman  
Anthony J. DePrima, City Manager

Election Board

William T. Garfinkel, Chairman  
Gerald P. Foss  
Lillie M. Johnson  
Goldie Legates  
Anita L. McDowell Boyer  
Traci McDowell

Historic District

Richard Scrafford, Chairman  
George M. Fisher, IV  
C. Terry Jackson, President  
Joseph McDaniel  
Charles A. Salkin

Human Relations Commission

Maisha Britt  
Dr. Phyllis Edamatsu  
Ivan F. Finney  
Paul Fleming  
Catherine M. Gregory  
Willie Jones  
Mark S. Monroe  
Dawn Allen-Pyne  
Roy Sudler, Jr.  
Anlee Baccio-Walker  
Ellen O. Wasfi

Legislative, Finance & Administration

Thomas J. Leary, Chairman  
James G. McGiffin, Jr, Councilman  
Reuben Salters, Councilman  
Bobby C. Jones  
Daniel Shevock

Parks, Recreation & Community Enhancement

Sophia R. Russell, Chairwoman  
William P. McGlumphy, Councilman  
Eugene B. Ruane, Councilman  
Ann Baker Horsey  
David A. Lewis, Jr.

Pension – Civilian

Thomas J. Leary, Chairman  
William P. McGlumphy, Councilman  
Anthony J. DePrima, City Manager  
Donna S. Mitchell, Controller/Treasurer  
Lester Blakeman  
Kenneth Clendaniel  
Judy Rigby

Pension – Police

Timothy P. Mullaney, Chairman  
Thomas J. Leary, Councilman  
William P. McGlumphy, Councilman  
Anthony J. DePrima, City Manager  
Jeffrey Horvath, Chief of Police  
William Knotts  
Martin Stallings

Planning Commission

John J. Friedman, Chairman  
Michael J. Ambruso, Sr.  
John H. Baldwin, Sr.  
Michael Hemmig  
Thomas Holt  
Francis C. Nichols  
Ron Shomo  
Fred Tolbert  
Col. Robert D. Welsh

Safety Advisory & Transportation

Beverly C. Williams, Chairwoman  
David L. Bonar, Councilman  
Sophia R. Russell, Councilwoman  
John J. Davis  
Mark D. Harmon

Utility

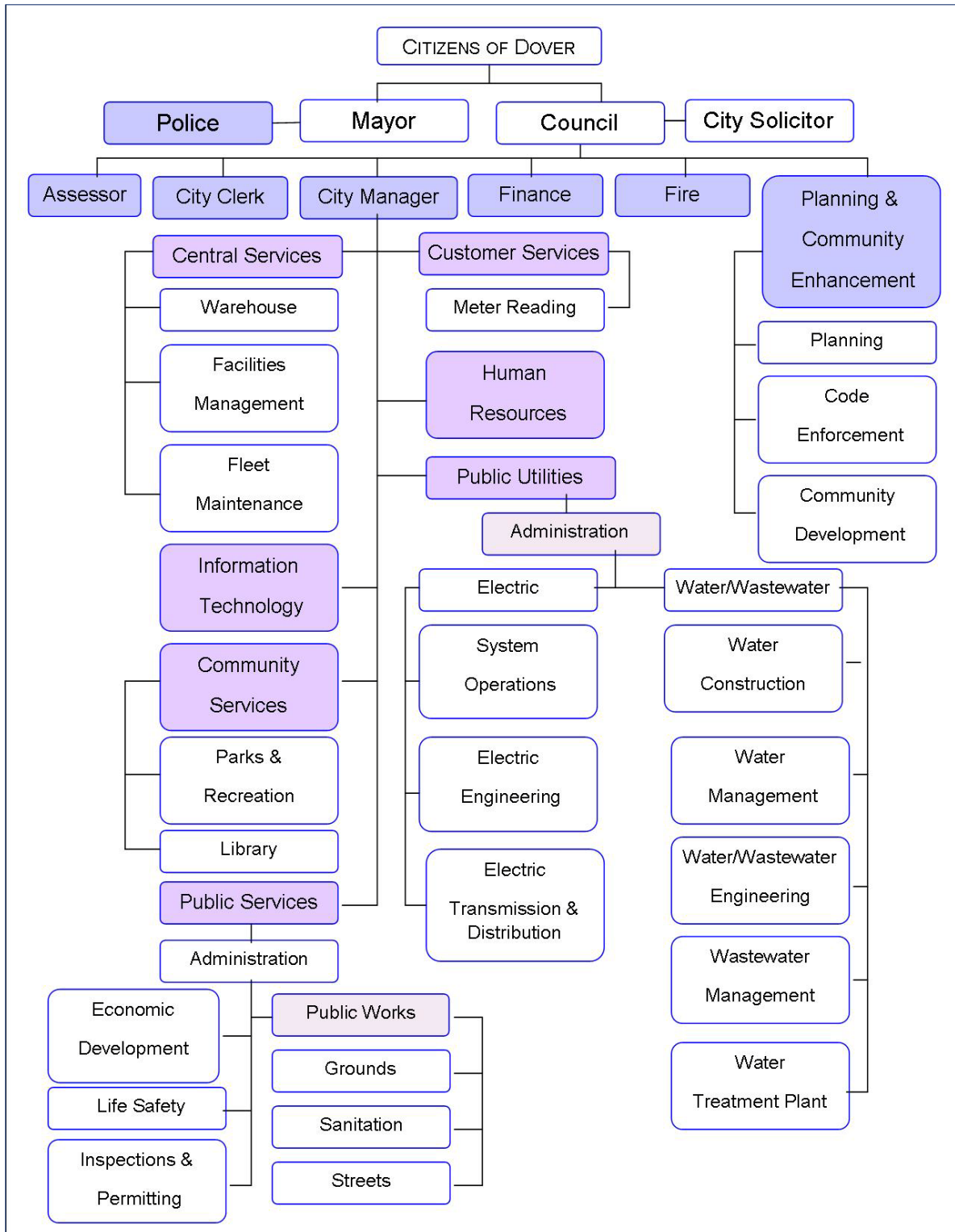
Eugene B. Ruane, Chairman  
David L. Bonar, Councilman  
James G. McGiffin, Councilman  
Richard Kosior  
Richard Snaman

Youth Advisory Committee

George Antoniou, Chairman  
Kenny Anderson  
Amber Draper  
Joiya Goldsboro  
Meghan Harris  
Sarah Harris  
Jack Knox  
Joshua Martin  
Melissa Micek  
Brianna Mitchell  
Amanda Mullnack  
Joseph Napolitano  
Vi Nguyen  
Michael Simpkins



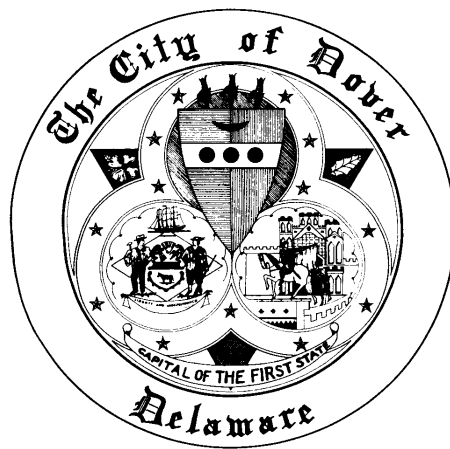
# **City of Dover Organization Chart Fiscal Year 2010**



## THE CITY OF DOVER, DELAWARE

## VISION

The City of Dover is a place where people want to live! Through the team effort of its elected officials, employees, and citizens, Dover is a clean and safe community, with a future of balanced growth and opportunity where all citizens are heard, enjoy a high quality of life, and diversity is valued.



## MISSION

The City of Dover will, in the next year:

- Establish a Regional Library
- Promote Homeownership and Affordable Housing
- Maintain & Improve the City's Infrastructure & Implement Brown Water Solutions
- Strengthen Property Maintenance & Enforcement
- Develop a Plan to Secure Electric Generation for next 20 years
- Support the Building of an Inner City Cultural Center
- Create an Economic Development Strategy

# **FINANCIAL SECTION**



**THIS SECTION CONTAINS THE FOLLOWING:**

**PART - A  
INDEPENDENT AUDITOR'S REPORT**

**PART - B  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**PART - C  
BASIC FINANCIAL STATEMENTS  
Government-wide Financial Statements  
Fund Financial Statements  
Notes to Financial Statements**

**PART - D  
REQUIRED SUPPLEMENTARY INFORMATION**

**PART - E  
SUPPLEMENTARY INFORMATION  
Combining Fund Statements  
Budgetary Schedules**



***FINANCIAL SECTION***

***PART - A***

***INDEPENDENT AUDITOR'S REPORT***



## INDEPENDENT AUDITOR'S REPORT

THE HONORABLE MAYOR AND MEMBERS OF THE  
CITY COUNCIL OF DOVER, DELAWARE  
Dover, Delaware

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 Dover, Delaware as of and for the year ended June 30, 2010, 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's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Dover, Delaware, as of June 30, 2010, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and information in the Financial Section Part D be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Dover, Delaware's basic financial statements. The introductory section, combining financial statements, other budgetary schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining financial statements and other budgetary schedules have 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. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Faw, Casson & Co., LLP*

Dover, Delaware  
December 17, 2010



# ***FINANCIAL SECTION***

## ***PART - B***

### ***MANAGEMENT'S DISCUSSION AND ANALYSIS***



## **The City of Dover Management's Discussion and Analysis For the Year Ended June 30, 2010**

### **Financial Highlights**

Total assets of the City exceeded its liabilities by \$189.1 million (total net assets). Of this amount, only \$24.1 million was reported as "unrestricted net assets" which represents the amount available to meet the City's ongoing obligations to citizens and creditors. The general government reported \$4.8 million and the business type activities, Water/Wastewater and Electric funds, reported \$19.3 million of unrestricted net assets. The difference between the unrestricted amounts and the total net assets is \$165.0 million, \$32.6 million is restricted primarily for debt and capital construction purposes and \$132.4 million is invested in capital assets net of related debt.

- The governmental activities decrease in investment in capital assets was offset by the decrease in related debt resulting in a net change of minus \$10,120. The governmental activities experienced a decrease in restricted net assets of \$.5 million, and a \$4.7 million decrease in unrestricted net assets resulting in a negative net change of \$5.2 million.
- The business-type activities saw a positive change in net assets of \$2.8 million.
- Due to decreased revenues and declining consumption of our utilities, a nine-day furlough was implemented for all employees as well as reductions in capital projects and operating expenses for both governmental and business-type activities.
- Pension Trust funds experienced an increase in net assets of \$1.7 million. Our latest actuarial analysis resulted in a decrease in the City's contribution rate for the General Employees Pension Plan from 27.04% in the current fiscal year as compared to 28.35% in the prior fiscal year. The City closed its General Pension Plan to all new hires in September 2009. The City will be changing its methodology of calculating the annual required contributions based on a closed plan during fiscal year 2011.
- The Other Post Employment Benefit (OPEB) Trust fund experienced an increase in net assets of \$.1 million all attributed to investment income net of expense. The City did not make any contribution for other post employment benefits in fiscal year 2010.

### **Overview of the Financial Statements**

This comprehensive annual financial report (CAFR) consists primarily of three *required* parts - management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The CAFR also includes *optional* supplementary information that provides summary information and detail, and a statistical section.

The basic financial statements are of two kinds that present different views of the City:

- The first two statements are *government-wide financial statements* (pages 37-38) that provide both long-term and short-term information about the City's overall financial status.
- The remaining statements (pages 39-47) are *fund financial statements* that focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide statements.
  - The governmental fund statements (pages 39-42) tell how general government services, like community services, planning, public safety, and public works, were financed in the short term as well as what remains for future spending.
  - Proprietary fund statements (pages 43-45) offer short and long-term financial information about the activities the government operates like businesses, which for the City of Dover are the Electric Revenue and Water/Wastewater Funds.
  - The *Fiduciary fund* statements (pages 46-47) provide information about the financial relationships in which the City acts solely as a trustee or agent for the benefit of others, to whom the resources belong. The City is the trustee, or fiduciary, for its Employee Pension plans and Other Postemployment Benefits plan and acts in an agency capacity for the Library Consortium, Dover Arts Council, Dover Downtown Partnership, Fourth of July Celebration Committee, and the Dover Library Foundation, none of which are considered to be component units of the City. All of the City's Fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets. We exclude these activities from the City's other financial statements because the City may not use these assets to finance its operations. The City is responsible for insuring that the assets reported in these funds are used for their intended purposes.

The financial statements also include notes (pages 51-92) that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information (pages 99-102) that further explains and supports the information in the financial statements. Other supplementary information includes details on non-major funds and other information that can be found on pages 107 through 121.

The following page summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and content of each of the statements:

## **Major Features of City's Government-wide and Fund Financial Statements**

|   | <b><u>Government-wide<br/>Statements</u></b>   | <b><u>Governmental Funds</u></b>  | <b><u>Proprietary Funds</u></b>   | <b><u>Fiduciary Funds</u></b>   |
|---|--|---|---|---|
| <b>Scope</b>                                  | <i>Entire City government (except fiduciary funds)</i>   | <i>The activities of the City that are not proprietary or fiduciary, such as public safety and public works</i>   | <i>Activities the City operates similar to private businesses, such as electric, water and wastewater funds</i>   | <i>Instances in which the City is the trustee or agent for someone else's resources</i>   |
| <b>Required financial statements</b>          | <ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul> | <ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>  | <ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in net assets</li> <li>• Statement of cash flows</li> </ul> | <ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul> |
| <b>Accounting basis and measurement focus</b> | <i>Accrual accounting and economic resources focus</i>   | <i>Modified accrual accounting and current financial resources focus</i>  | <i>Accrual accounting and economic resources focus</i>  | <i>Accrual accounting and economic resources focus</i>  |
| <b>Type of asset/liability information</b>    | <i>All assets and liabilities, both financial and capital, and short-term and long-term</i>                    | <i>Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included</i>  | <i>All assets and liabilities, both financial and capital, and short-term and long-term</i>   | <i>All assets and liabilities, both short-term and long-term</i>  |
| <b>Type of inflow/outflow information</b>     | <i>All revenues and expenses during the year, regardless of when cash is received or paid</i>                  | <i>Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter</i> | <i>All revenues and expenses during the year, regardless of when cash is received or paid</i>   | <i>All revenues and expenses during the year, regardless of when cash is received or paid</i>   |

### **Government-wide Statements**

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid. The two government-wide statements report the City's net assets and how they have changed. Net assets—the difference between the City's assets and liabilities—is one way to measure the City's financial health or position. Over time, increases or decreases in the City's net assets are indicators of whether its financial health is improving or deteriorating, respectively. To assess the overall health of the City, one needs to consider additional non-financial factors such as changes in the City's property tax base and the condition of the City's roads. The government-wide financial statements of the City are divided into two categories:

- *Governmental activities*—Most of the City's basic services are included here, such as general government, public safety, planning and code enforcement, public works, library and recreation, community and economic development, central services and financial administration. Property taxes, non property taxes and state and federal grants finance most of these activities.
- *Business-type activities*—The City charges fees to customers to help it cover the costs of certain services it provides. The City's electric, water, and wastewater services are included here.

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the City's most significant funds—not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law and by covenants. The City Council may also establish other funds to control and manage money for particular purposes.

The City has three kinds of funds:

- *Governmental Funds* - Most of the City's basic services are included in governmental funds, which focus on (1) how cash, and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Since this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on a separate page, which explains the relationship (or differences) between them. The City's general fund is the only governmental fund considered to be a major fund under the requirements of Governmental Accounting Standards Board Statement No. 34.

- **Proprietary Funds** - Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long and short-term financial information.
  - The City's enterprise funds (one type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information, such as cash flows.
  - The City's two enterprise funds are both considered major funds under the requirements of GASB Statement No. 34.
- **Fiduciary Funds** – The City is responsible for assets that because of a trust arrangement can be used only for the trust beneficiaries. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the City's government-wide financial statements because the City cannot use these assets to finance its operation.

## Financial Analysis of the City as a Whole

The City produces government-wide financial statements using the full accrual basis of accounting and economic resource management focus. As year-to-year financial information is accumulated on a consistent basis, changes in net assets may be observed and used to discuss the changing financial position of the City as a whole.

The Net Assets, of the City of Dover, as of June 30, 2009 and 2010 are as follows (presented in millions of dollars):

|  | Governmental Activities |         | Business-Type Activities |          | Total    |          |
|--|-------------------------|---------|--------------------------|----------|----------|----------|
|  | 2009                    | 2010    | 2009                     | 2010     | 2009     | 2010     |
| <b>Assets</b>                                      |                         |         |                          |          |          |          |
| Non-capital assets                                 | \$ 16.4                 | \$ 13.9 | \$ 70.7                  | \$ 69.7  | \$ 87.1  | \$ 83.6  |
| Capital assets                                     | 37.8                    | 37.5    | 128.1                    | 131.2    | 165.9    | 168.7    |
| Total assets                                       | \$ 54.2                 | \$ 51.4 | \$ 198.8                 | \$ 200.9 | \$ 253.0 | \$ 252.3 |
| <b>Liabilities</b>                                 |                         |         |                          |          |          |          |
| Current liabilities                                | \$ 3.3                  | \$ 2.5  | \$ 12.8                  | \$ 13.5  | \$ 16.1  | \$ 16.0  |
| Non-current liabilities                            | 3.9                     | 7.1     | 41.5                     | 40.1     | 45.4     | 47.2     |
| Total liabilities                                  | \$ 7.2                  | \$ 9.6  | \$ 54.3                  | \$ 53.6  | \$ 61.5  | \$ 63.2  |
| <b>Net Assets</b>                                  |                         |         |                          |          |          |          |
| Invested in capital assets,<br>net of related debt | \$ 35.7                 | \$ 35.7 | \$ 91.5                  | \$ 96.7  | \$ 127.2 | \$ 132.4 |
| Restricted net assets                              | 1.8                     | 1.3     | 34.4                     | 31.3     | 36.2     | 32.6     |
| Unrestricted net assets                            | 9.5                     | 4.8     | 18.6                     | 19.3     | 28.1     | 24.1     |
| Total net assets                                   | \$ 47.0                 | \$ 41.8 | \$ 144.5                 | \$ 147.3 | \$ 191.5 | \$ 189.1 |

|   | Governmental<br>Activities |          | Business-Type<br>Activities |          | Total    |          |
|---|----------------------------|----------|-----------------------------|----------|----------|----------|
|   | 2009                       | 2010     | 2009                        | 2010     | 2009     | 2010     |
| <b>Revenues:</b>                        |                            |          |                             |          |          |          |
| <b>Program revenues</b>                 |                            |          |                             |          |          |          |
| Charges for services                    | \$ 7.9                     | \$ 7.6   | \$ -                        | \$ -     | \$ 7.9   | \$ 7.6   |
| Water/wastewater charges for services   | -                          | -        | 11.3                        | 11.5     | 11.3     | 11.5     |
| Electric charges for services           | -                          | -        | 101.4                       | 100.3    | 101.4    | 100.3    |
| Operating grants and contributions      | 2.7                        | 3.8      | -                           | -        | 2.7      | 3.8      |
| Capital grants and contributions        | 1.1                        | 0.2      | -                           | 0.4      | 1.1      | 0.6      |
| <b>General revenues</b>                 |                            |          |                             |          |          |          |
| Property taxes                          | 10.1                       | 10.0     | -                           | -        | 10.1     | 10.0     |
| Transfer taxes                          | 1.2                        | 0.9      | -                           | -        | 1.2      | 0.9      |
| Earnings on investments-other           | 0.6                        | 0.3      | 1.8                         | 0.8      | 2.4      | 1.1      |
| Total revenues                          | \$ 23.6                    | \$ 22.8  | \$ 114.5                    | \$ 113.0 | \$ 138.1 | \$ 135.8 |
| <b>Expenses</b>                         |                            |          |                             |          |          |          |
| General government                      | \$ 2.7                     | \$ 2.3   | \$ -                        | \$ -     | \$ 2.7   | \$ 2.3   |
| Public safety                           | 15.9                       | 16.4     | -                           | -        | 15.9     | 16.4     |
| Public works                            | 8.2                        | 7.7      | -                           | -        | 8.2      | 7.7      |
| Library and recreation                  | 2.4                        | 2.3      | -                           | -        | 2.4      | 2.3      |
| Community and economic development      | 0.7                        | 2.2      | -                           | -        | 0.7      | 2.2      |
| Central services                        | 1.5                        | 1.4      | -                           | -        | 1.5      | 1.4      |
| Financial administration                | 7.0                        | 7.0      | -                           | -        | 7.0      | 7.0      |
| Interest charges                        | 0.1                        | 0.1      | -                           | -        | 0.1      | 0.1      |
| Plus (less) indirect expense allocation | (4.4)                      | (4.1)    | 4.4                         | 4.1      | -        | -        |
| Water/wastewater                        | -                          | -        | 10.2                        | 11.0     | 10.2     | 11.0     |
| Electric                                | -                          | -        | 91.1                        | 87.8     | 91.1     | 87.8     |
| Total expenses                          | \$ 34.1                    | \$ 35.3  | \$ 105.7                    | \$ 102.9 | \$ 139.8 | \$ 138.2 |
| Change in net assets before transfers   | (10.5)                     | (12.5)   | 8.8                         | 10.1     | (1.7)    | (2.4)    |
| Transfers                               | 5.5                        | 7.3      | (5.5)                       | (7.3)    | -        | -        |
| Change in net assets                    | \$ (5.0)                   | \$ (5.2) | \$ 3.3                      | \$ 2.8   | \$ (1.7) | \$ (2.4) |
| Net assets, beginning of year           | 52.0                       | 47.0     | 141.2                       | 144.5    | 193.2    | 191.5    |
| Net assets                              | \$ 47.0                    | \$ 41.8  | \$ 144.5                    | \$ 147.3 | \$ 191.5 | \$ 189.1 |

The Changes in Net Assets, for the City of Dover, as of June 30, 2009 and 2010 are as follows (presented in millions of dollars):

### **Governmental Activities**

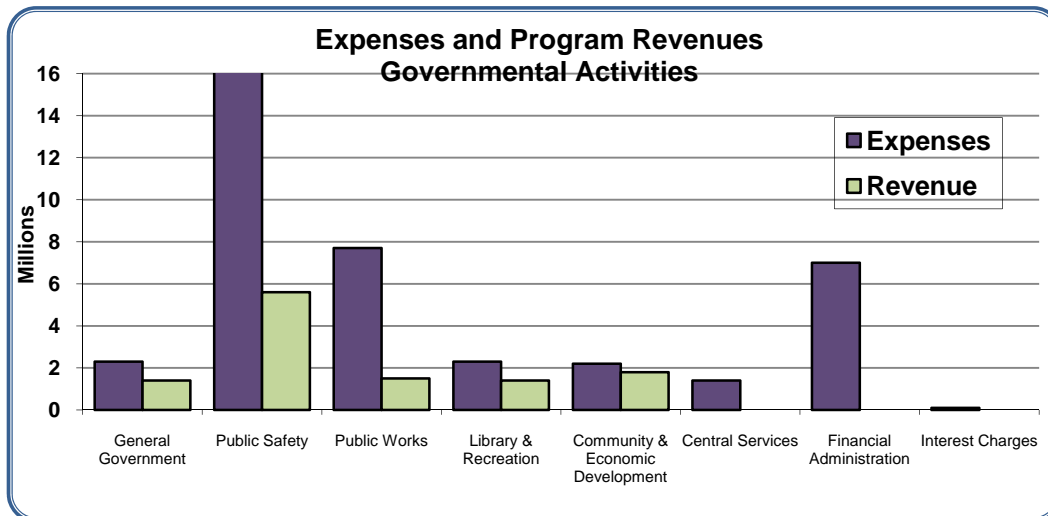
Governmental net assets decreased by \$5.2 million. Net revenues were less than the prior year by \$.8 million.

The following sources of revenues increased over the previous fiscal year: public safety fines, public safety grants, community and economic development grants and library and recreation grants. The revenue increases totaled \$1.1 million. Revenue sources that decreased were public safety services, business licenses and permits, transfer taxes and library revenues, for a total of \$1.9 million.

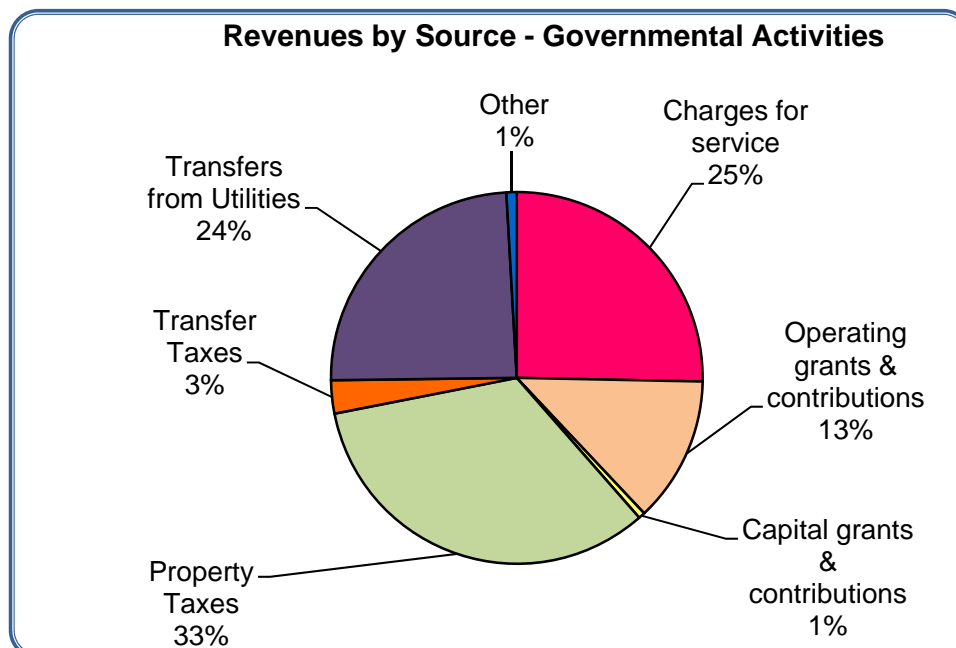


Expenses of \$35.3 million reflect an overall increase of \$1.2 million from the prior year. The increases were in public safety and community and economic development. The decreases were in general government, public works streets and sanitation, as well as library and recreation. Transfers to the Governmental Funds from the Proprietary Funds increased \$1.8 million.

The chart that follows allocates revenues to program costs as applicable. It shows that some City functions are in part self-supporting.



The chart below shows the sources of funding for program costs for the last fiscal year. As can be seen, a substantial portion of funding for governmental operations is provided by property taxes, charges for service and transfers from the utilities.

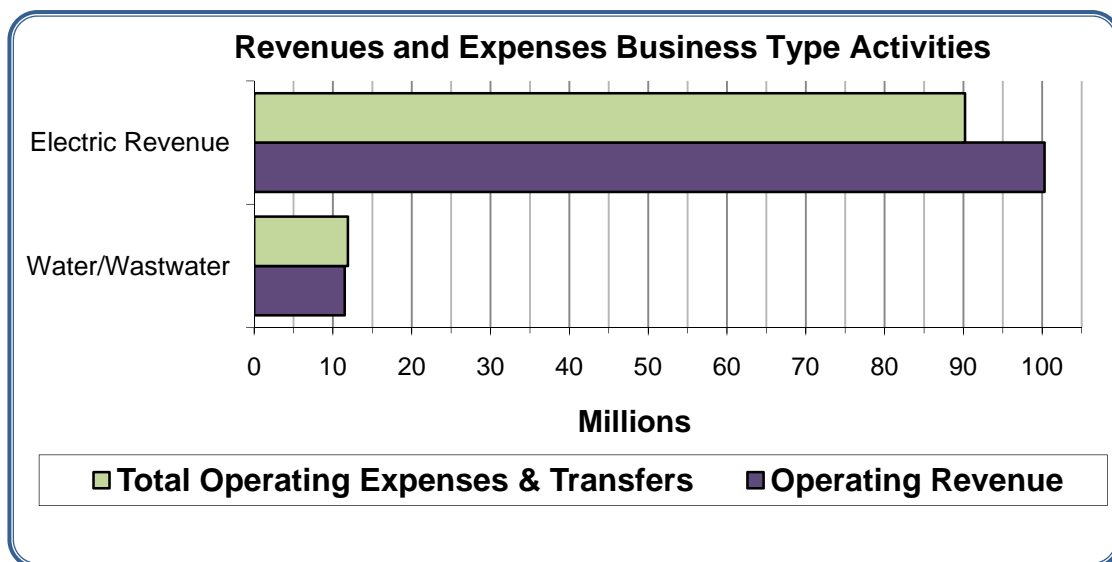


### **Business-Type Activities**

As noted earlier, the business-type activities saw a positive change in net assets of \$2.8 million. The increase was a result of decreased power supply charges in the electric utility and increased charges in the water waste/water utility as explained below.

The water/wastewater utility had a negative change in net assets of \$.5 million. The utility experienced an operating loss of \$.3 million which was a decrease of \$.6 million from the previous year. The operating loss was due to an increase in charges for services of \$.2 million coupled with an increase in personnel and operating expenses of \$.8 million. The water/wastewater utility's non-operating income and expenses had a positive change due to an increase in contractor contributions and a decrease in interest earned.

The electric utility realized a positive change in net assets of \$3.3 million. The utility experienced an increase in operating income of \$2.4 million over the previous year. Operating expenses decreased by \$3.5 million due to a decrease in retiree healthcare expense (there was no contribution to the OPEB trust fund in this year) as well as, decreases in personnel and power supply expenses. Non-operating income and expenses reflect a negative change because of the decrease in interest earned and fair value of investments. Transfers to the General Fund from the electric utility remained the same of \$6.8 million.



## **Financial Analysis of the City's Funds**

### **Governmental Funds**

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Government funds focus on expendable resources and near term inflows and outflows of those resources. As such, fund balance is generally a good indicator of net resources available for spending at the end of the fiscal year, subject to any stated restrictions on its use.

The combined fund balances of the City's governmental funds at June 30, 2010, were \$8.4 million. This represented a decrease of \$1.5 million during the year. Approximately 43% of the combined fund balances, \$3.6 million, constitutes unreserved, undesignated fund balance, which is available to meet the City's current and future needs. The remainder of fund balance is reserved or designated to indicate that it is not available for operational spending because it is committed to such matters as contingencies, capital projects and parklands.

The General Fund is the primary operating fund of the City, accounting for such activities as general government, public safety, public works, library and recreation, community and economic development, central services and financial administration. The General Fund balance at June 30, 2010, was \$7.6 million, which represents a decrease of \$1.5 million from the previous fiscal year. Primary reasons for this decrease are decreased revenues from licenses and permits, court of chancery fees, sanitation fees and rebates, property taxes and transfer taxes.

### **Proprietary Funds**

The City's proprietary funds provide the same type of information found in the government-wide Financial Statements, but in more detail.

As of June 30, 2010, the Water/Wastewater Fund has net assets of \$41.3 million, of which \$2.8 million is unrestricted. The fund's net assets decreased \$.5 million during the year as explained on page 28. At June 30, 2010, the Electric Fund has net assets of \$105.9 million, of which \$16.5 million is unrestricted. This fund experienced an increase in net assets of \$3.3 million during the year as explained on page 28.

### **General Fund Budgetary Highlights**

During this fiscal year, the City Council amended the budget three times. These budget amendments or supplemental appropriation ordinances were primarily for the following purposes:

1. To amend the carried forward budget balances for the actual results of the prior fiscal year and to re-appropriate budget balances for ongoing capital projects.
2. To amend all program revenue and expenses based on the analyses provided by a mid-year review; including capital projects.
3. To amend all program revenues and expenses for the fiscal year as a result of budget reviews conducted while compiling the next fiscal year's budget.

The General Fund – Schedule of Revenues, Expenditures and Changes in Fund Balances-Budget & Actual is included in Part D-Required Supplementary Information (page 96-97).

The General Fund financials in the Governmental Funds Balance Sheet (page 39) and Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds (page 41) include both the General Fund operating activities and the Governmental Capital Project Fund activities. Prior to fiscal year 2008, capital outlays were included in the General Fund activities.

The Governmental Capital Projects Fund – Schedule of Revenues, Expenditures and Changes in Fund Balances-Budget to Actual is included in Part D-Required Supplementary Information (Page 98).

The Final General Fund Budget incorporated the following significant changes to the Original Budget. Receipts had a net reduction of \$.4 attributed to decreases in Property Transfer Taxes of \$.6 million, Municipal Street Aid of \$.8 million, Court of Chancery fees of \$.1 million, Fines and Police revenue of \$.1 million, as well as, increases in transfer from Contingency Reserve of \$.4 million and the Beginning Budget Balance of \$.8 million. Expenditures were revised to reflect an aggregate decrease of \$.4 million in several operating budgets and a decrease in the transfer to the General Government Capital Projects Fund of \$.3 million as a result of reduced revenues. The net result of these changes was a \$.7 million decrease over the Original Budget Balance (on a non-GAAP basis).

Actual revenues and other financing sources fell short of the final budgeted amounts by approximately \$.5 million in the General Fund for the current fiscal year. Receipts in excess of budgeted amounts for fines and police revenue, 911 fee, licenses and permits, police extra duty fees, miscellaneous service charges, franchise fees, transfer taxes, court of chancery fees, franchise fees and civil traffic penalties, were offset by receipts that were less than budgeted amounts for interest earnings, library revenues, property taxes, and inter-fund service fees. Expenditures were less than budgeted by \$.9 million. The General Fund budget balance carry forward was \$.4 million higher than budgeted as a result of the above variances.

### **Capital Asset and Debt Administration**

At the end of the current fiscal year, the City's governmental and proprietary funds had invested \$37.5 million and \$131.2 million, respectively, in a variety of capital assets and infrastructure, as reflected in the following schedule, which represents a net decrease of \$.3 million for governmental activities and a net increase of \$3.1 million for the proprietary funds since the end of last fiscal year (presented in millions of dollars). Additional detailed data for all capital assets of the City is presented in the Notes to the Basic Financial Statements in Note 4.

|   | Governmental Activities |                | Business-Type Activities |                 | Total           |                 |
|---|-------------------------|----------------|--------------------------|-----------------|-----------------|-----------------|
|   | 2009                    | 2010           | 2009                     | 2010            | 2009            | 2010            |
| <b>Depreciable Assets, Net</b>                |                         |                |                          |                 |                 |                 |
| Buildings                                     | \$ 7.8                  | \$ 7.5         | \$ -                     | \$ -            | \$ 7.8          | \$ 7.5          |
| Equipment                                     | 2.6                     | 2.1            | -                        | -               | 2.6             | 2.1             |
| Vehicles                                      | 1.7                     | 1.5            | -                        | -               | 1.7             | 1.5             |
| General infrastructure                        | 20.5                    | 20.3           | -                        | -               | 20.5            | 20.3            |
| Utility, plant, buildings, and infrastructure | -                       | -              | 108.5                    | 115.6           | 108.5           | 115.6           |
| Other   | 0.5                     | 0.5            | -                        | -               | 0.5             | 0.5             |
| <b>Non-depreciable Assets</b>                 |                         |                |                          |                 |                 |                 |
| Land  | 3.9                     | 4.0            | 1.6                      | 1.6             | 5.5             | 5.6             |
| Construction in progress                      | 0.8                     | 1.6            | 18.0                     | 14.0            | 18.8            | 15.6            |
|   | <b>\$ 37.8</b>          | <b>\$ 37.5</b> | <b>\$ 128.1</b>          | <b>\$ 131.2</b> | <b>\$ 165.9</b> | <b>\$ 168.7</b> |

A summary of debt outstanding at June 30, 2009 and 2010 is as follows which represents no change for the governmental funds and a decrease of \$2.3 million for the proprietary funds, since the end of last year (presented in millions of dollars):

|                                       | Governmental Activities |               | Business-Type Activities |                | Total          |                |
|---------------------------------------|-------------------------|---------------|--------------------------|----------------|----------------|----------------|
|                                       | 2009                    | 2010          | 2009                     | 2010           | 2009           | 2010           |
| <b>Non-current liabilities</b>        |                         |               |                          |                |                |                |
| Bonds (net of discount/issuance cost) | \$ 2.0                  | \$ 1.7        | \$ 40.8                  | \$ 38.0        | \$ 42.8        | \$ 39.7        |
| Liability for compensated absences    | 1.9                     | 2.2           | 0.7                      | 0.8            | 2.6            | 3.0            |
|                                       | <b>\$ 3.9</b>           | <b>\$ 3.9</b> | <b>\$ 41.5</b>           | <b>\$ 38.8</b> | <b>\$ 45.4</b> | <b>\$ 42.7</b> |

Additional detailed data for all debt of the City is presented in the Notes to the Basic Financial Statements in Note 5.

The City Charter limits the amount of general obligation debt the City can issue in any one year to .25% of the taxable assessed value of real property within the City. The aggregate of amounts borrowed for which the full faith and credit of the City is pledged cannot exceed 5% of assessed value of real property within the City boundaries. The City has used .8% of its debt limit.

### Economic Factors and Next Year's Budgets and Rates

The City is expecting the recent trends in housing growth to continue its downward trend and has budgeted a two-cent property tax increase and increases in several license fees and rates for Fiscal Year 2011. The City also increased the transfer to the General Fund from the electric utility (\$2 million) and reduced the transfer from the water and wastewater utilities (\$600,000).

The governmental capital budgets included critical vehicle replacements and the continuation of our one major project, the Dover Anchor Library, currently estimated to cost \$20 million. The sources of funding the Dover Anchor Library project include a State of Delaware matching grant of 50%, designated fund balance – Library Construction, a capital campaign of the Dover Library Foundation, and other grants and donations.

The Fiscal Year 2011 budget continues with our hiring freeze that was implemented in Fiscal Year 2009 and does not include funding for some vacant positions. These steps have enabled the City to maintain its eight percent budget balance policy, maintain the number of active employees and maintain the level and quality of our existing services to our customers.

Water and Wastewater growth is also expected to remain level to the prior year due to stagnant residential and commercial growth. A significant increase in capital projects and debt issuance is included in the City's five-year capital investment plans (\$19.1 million). The City is aggressively making major upgrades in these systems to replace aging infrastructure and improve water quality and inflow/infiltration. Water rates are expected to increase eleven percent in addition to the ten percent increase in the prior year to cover additional debt service issuance for water utility projects. Wastewater rates are expected to increase thirty-three percent for the increase in debt service. Operational expenses are projected to remain at the prior year levels with no increase, with the exception of the Kent County Sewer Treatment fee and other contractual arrangements.

To finance the capital investment plan for the water and wastewater utilities the City is using a combination of low interest loans provided by the State of Delaware for public utility projects, grants and operating funds. Capital projects have been prioritized in order of criticality. The City continues to maintain competitive water and wastewater rates within the State of Delaware.

The City was able to provide a power cost adjustment credit of 1.9% to its electric customers due to a drop in the cost of power supply of \$5.6 million. The City anticipates less than one percent growth in the electric utility for the same reasons as discussed for the water and wastewater utilities. Operational expenses are projected to increase by \$4.1 million largely attributed to an increase in the transfer to the General Fund of \$2.1 million, a contribution to the Other Post Employment Benefits Trust of \$1.2, and \$500,000 for a system relay study. These increases were offset by the remaining decrease in power supply. Total operating expenses are projected lower by \$1.0 million over the previous fiscal year. Capital improvements are planned to be financed with existing capital reserves and a \$3.5 million transfer from operating income.

The City continues to closely monitor the local economy and its impact on growth and revenues. Revenue enhancements, rate increases, and potential cost reductions will continue to be reviewed in order to maintain the City's financial policies.

## **Contacting the City's Financial Management**

This financial report is designed to provide our citizens, taxpayers, 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 financial information, contact Ms. Donna Mitchell, Controller/Treasurer at 302-736-7018 (TTY/TDD Operator 1-800-855-1155).

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## ***FINANCIAL SECTION***

### ***PART - C***

#### ***BASIC FINANCIAL STATEMENTS***

- **GOVERNMENT-WIDE FINANCIAL STATEMENTS**
- **FUND FINANCIAL STATEMENTS**
- **NOTES TO FINANCIAL STATEMENTS**



The City of Dover  
 Statement of Net Assets  
 June 30, 2010

|   | Governmental<br>Activities | Business-Type<br>Activities | Total          |
|---|----------------------------|-----------------------------|----------------|
| <b>Assets:</b>                                    |                            |                             |                |
| Cash and cash equivalents                         | \$ 3,085,371               | \$ 23,755,132               | \$ 26,840,503  |
| Investments                                       | 7,307,049                  | 34,738,172                  | 42,045,221     |
| Receivables, net                                  | 1,179,716                  | 7,369,250                   | 8,548,966      |
| Internal balances                                 | 365,007                    | (365,007)                   | -              |
| Due from other governments                        | 663,840                    | -                           | 663,840        |
| Inventory, at cost                                | 138,412                    | 4,063,283                   | 4,201,695      |
| Prepaid items                                     | 149,508                    | 71,535                      | 221,043        |
| Net Pension Asset                                 | 1,094,937                  | 83,375                      | 1,178,312      |
| Land and construction in progress                 | 5,575,853                  | 15,650,905                  | 21,226,758     |
| Capital assets, net of depreciation               | 31,925,622                 | 115,536,738                 | 147,462,360    |
| Total assets                                      | 51,485,315                 | 200,903,383                 | 252,388,698    |
| <b>Liabilities:</b>                               |                            |                             |                |
| Accounts payable and accrued liabilities          | 2,154,416                  | 10,640,558                  | 12,794,974     |
| Unearned revenue                                  | 264,705                    | 168,928                     | 433,633        |
| Customer deposits                                 | -                          | 1,699,545                   | 1,699,545      |
| Other   | 100,946                    | 914,787                     | 1,015,733      |
| Non-current liabilities                           |                            |                             |                |
| Due within one year                               | 1,338,460                  | 3,026,373                   | 4,364,833      |
| Due in more than one year                         | 5,813,260                  | 37,171,592                  | 42,984,852     |
| Total liabilities                                 | 9,671,787                  | 53,621,783                  | 63,293,570     |
| <b>Net Assets:</b>                                |                            |                             |                |
| Invested in capital assets net of<br>related debt | 35,742,504                 | 96,660,480                  | 132,402,984    |
| Restricted for:                                   |                            |                             |                |
| Capital construction                              | 818,243                    | 31,302,487                  | 32,120,730     |
| Public Safety                                     | 326,546                    | -                           | 326,546        |
| Other purposes                                    | 105,553                    | -                           | 105,553        |
| Unrestricted                                      | 4,820,682                  | 19,318,633                  | 24,139,315     |
| Total Net Assets                                  | \$ 41,813,528              | \$ 147,281,600              | \$ 189,095,128 |

See accompanying notes to financial statements

The City of Dover  
Statement of Activities  
For the Year Ended June 30, 2010

| Functions/Programs                   | Expenses             | Indirect<br>Expenses<br>Allocation | Program Revenue         |  |  | Net (Expenses) Revenue and Changes<br>in Net Assets |                             | Total                  |
|--------------------------------------|----------------------|------------------------------------|-------------------------|--|--|---|-----------------------------|------------------------|
|                                      |                      |                                    | Charges for<br>Services | Operating Grants<br>and<br>Contributions | Capital Grants<br>and<br>Contributions | Governmental<br>Activities                          | Business Type<br>Activities |                        |
| Governmental activities              |                      |                                    |                         |  |  |   |                             |                        |
| General government                   | \$ 2,298,258         | \$ (787,950)                       | \$ 1,307,296            | \$ 50,000                                | \$ -                                   | \$ (153,012)  | \$ -                        | \$ (153,012)           |
| Public safety                        | 16,357,692           | -                                  | 4,309,516               | 1,247,697                                | -                                      | (10,800,479)  | -                           | (10,800,479)           |
| Public works                         | 7,698,334            | (583,015)                          | 1,340,729               | 10,000                                   | 169,130                                | (5,595,460)   | -                           | (5,595,460)            |
| Library and recreation               | 2,265,205            | -                                  | 650,283                 | 744,892                                  | -                                      | (870,030)   | -                           | (870,030)              |
| Community and economic development   | 2,228,744            | -                                  | -                       | 1,761,253                                | -                                      | (467,491)   | -                           | (467,491)              |
| Central services                     | 1,421,512            | (876,901)                          | -                       | -  | -                                      | (544,611)   | -                           | (544,611)              |
| Financial administration             | 7,008,157            | (1,811,497)                        | -                       | -  | -                                      | (5,196,660)   | -                           | (5,196,660)            |
| Interest charges                     | 78,581               | -                                  | -                       | -  | -                                      | (78,581)  | -                           | (78,581)               |
| Total governmental activities        | <u>\$ 39,356,483</u> | <u>\$ (4,059,363)</u>              | <u>\$ 7,607,824</u>     | <u>\$ 3,813,842</u>                      | <u>\$ 169,130</u>                      | <u>\$ (23,706,324)</u>                              | <u>\$ -</u>                 | <u>\$ (23,706,324)</u> |
| Business type activities             |                      |                                    |                         |  |  |   |                             |                        |
| Water/wastewater                     | 11,071,281           | 900,164                            | 11,531,595              | -  | 392,855                                | -   | (46,995)                    | (46,995)               |
| Electric                             | 87,780,857           | 3,159,199                          | 100,278,474             | -  | -                                      | -   | 9,338,418                   | 9,338,418              |
| Total business type activities       | <u>\$ 98,852,138</u> | <u>\$ 4,059,363</u>                | <u>\$ 111,810,069</u>   | <u>\$ -</u>                              | <u>\$ 392,855</u>                      |   |                             |                        |
| Total City                           |                      |                                    |                         |  |  | <u>\$ (23,706,324)</u>                              | <u>\$ 9,291,423</u>         | <u>\$ (14,414,901)</u> |
| General revenues                     |                      |                                    |                         |  |  |   |                             |                        |
| Taxes                                |                      |                                    |                         |  |  |   |                             |                        |
| Property taxes                       |                      |                                    |                         |  |  | 10,029,584  | -                           | 10,029,584             |
| Transfer taxes                       |                      |                                    |                         |  |  | 867,692   | -                           | 867,692                |
| Earnings on investments              |                      |                                    |                         |  |  | 268,748   | 837,564                     | 1,106,312              |
| Total general revenues               |                      |                                    |                         |  |  | <u>11,166,024</u>                                   | <u>837,564</u>              | <u>12,003,588</u>      |
| Transfers                            |                      |                                    |                         |  |  | 7,306,120   | (7,306,120)                 | -                      |
| Total general revenues and transfers |                      |                                    |                         |  |  | <u>18,472,144</u>                                   | <u>(6,468,556)</u>          | <u>12,003,588</u>      |
| Changes in net assets                |                      |                                    |                         |  |  | (5,234,180)   | 2,822,867                   | (2,411,313)            |
| Net assets beginning                 |                      |                                    |                         |  |  | 47,047,708  | 144,458,733                 | 191,506,441            |
| Net assets ending                    |                      |                                    |                         |  |  | <u>\$ 41,813,528</u>                                | <u>\$ 147,281,600</u>       | <u>\$ 189,095,128</u>  |

See accompanying notes to financial statements

**The City of Dover**  
**Governmental Funds Balance Sheet**  
**June 30, 2010**

|                                     | General<br>Fund     | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|-------------------------------------|---------------------|--------------------------------|--------------------------------|
| <b>Assets:</b>                      |                     |                                |                                |
| Cash and Cash Equivalents           | \$ 1,981,825        | \$ 835,827                     | \$ 2,817,652                   |
| Investments                         | 5,746,169           | -                              | 5,746,169                      |
| Receivables, net                    |                     |                                |                                |
| Accounts                            | 829,561             | 141,779                        | 971,340                        |
| Taxes                               | 204,376             | -                              | 204,376                        |
| Due from Other Funds                |                     |                                |                                |
| Charges                             | 504,457             | 1,687                          | 506,144                        |
| Temporary Advances                  | 85,000              | -                              | 85,000                         |
| Due from Other Governments          | -                   | 663,840                        | 663,840                        |
| Prepaid Items                       | 118,408             | -                              | 118,408                        |
| Inventory, at cost                  | 138,412             | -                              | 138,412                        |
| Total Assets                        | <u>\$ 9,608,208</u> | <u>\$ 1,643,133</u>            | <u>\$ 11,251,341</u>           |
| <b>Liabilities</b>                  |                     |                                |                                |
| Vouchers Payable                    | \$ 1,681,152        | \$ 176,503                     | \$ 1,857,655                   |
| Deferred Revenue                    | 264,705             | 371,686                        | 636,391                        |
| Due to Other Funds                  |                     |                                |                                |
| Charges                             | 3,502               | 137,635                        | 141,137                        |
| Temporary advances                  | -                   | 85,000                         | 85,000                         |
| Other                               | 100,946             | -                              | 100,946                        |
| Total liabilities                   | <u>2,050,305</u>    | <u>770,824</u>                 | <u>2,821,129</u>               |
| <b>Fund Balances</b>                |                     |                                |                                |
| Reserved for                        |                     |                                |                                |
| Parkland and Recreation             | 221,594             | -                              | 221,594                        |
| Cable Franchise                     | 87,639              | -                              | 87,639                         |
| Library Endowment                   | 6,347               | -                              | 6,347                          |
| Unreserved, designated for          |                     |                                |                                |
| Capital Assets                      | 505,398             | -                              | 505,398                        |
| Contingency                         | 530,393             | -                              | 530,393                        |
| Criminal Investigations             | 15,724              | -                              | 15,724                         |
| Library Construction                | 3,471,411           | -                              | 3,471,411                      |
| Unreserved, undesignated            |                     |                                |                                |
| Reported in general fund            | 2,719,397           | -                              | 2,719,397                      |
| Reported in special revenue funds   | -                   | 872,309                        | 872,309                        |
| Total fund balances                 | <u>7,557,903</u>    | <u>872,309</u>                 | <u>8,430,212</u>               |
| Total liabilities and fund balances | <u>\$ 9,608,208</u> | <u>\$ 1,643,133</u>            | <u>\$ 11,251,341</u>           |

See accompanying notes to financial statements

**The City of Dover**  
**Reconciliation of Governmental Fund Balances**  
**To Government-Wide Net Assets**  
**June 30, 2010**

|  |              |
|--|--------------|
| Total fund balances for governmental funds (Page 39) | \$ 8,430,212 |
|--|--------------|

Total net assets reported for governmental activities in the statement of net assets is different because:

|   |            |
|---|------------|
| Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. | 37,501,475 |
|---|------------|

|  |         |
|--|---------|
| Other assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. | 371,686 |
|--|---------|

The net pension asset resulting from contributions in excess of the annual required contribution in 2010 (police and employee) is not a current financial resource, and, therefore, is not reported in the governmental funds.

|                      |              |           |
|----------------------|--------------|-----------|
| Police Pension Plan  | \$ 1,030,844 |           |
| General Pension Plan | 64,093       | 1,094,937 |

|  |           |
|--|-----------|
| An internal service fund (page 40) is used by the City to charge the cost of the workers' compensation fund. The net assets of the internal service fund are included in governmental activities in the statement of net assets. | 1,566,938 |
|--|-----------|

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities--both current and long-term--are reported in the statement of net assets.

The net OPEB obligation resulting from contributions less than the annual required contribution in 2010 (general) is not a use of current financial resources, and therefore, is not reported in the governmental funds.

|   |             |             |
|---|-------------|-------------|
| Current-                                  |             |             |
| General Obligation Bonds                  | (270,000)   |             |
| Compensated Absences                      | (1,068,460) |             |
|   | (1,338,460) |             |
| Long-Term-                                |             |             |
| General Obligation Bonds, net of discount | (1,488,971) |             |
| Compensated Absences                      | (1,096,549) |             |
| Net OPEB Obligation                       | (3,227,740) |             |
|   | (5,813,260) | (7,151,720) |

|   |               |
|---|---------------|
| Total net assets of governmental activities (Page 37) | \$ 41,813,528 |
|---|---------------|

See accompanying notes to financial statements

**The City of Dover**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balances of Governmental Funds**  
**For the Year Ended June 30, 2010**

|   | General<br>Fund     | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|---------------------|--------------------------------|--------------------------------|
| <b>Revenues</b>   |                     |                                |                                |
| Fines   | \$ 626,833          | \$ 791,521                     | \$ 1,418,354                   |
| Library revenue- general                                  | 49,435              | -                              | 49,435                         |
| Library revenue county reimbursement                      | 415,952             | -                              | 415,952                        |
| Licenses and permits                                      | 2,424,768           | -                              | 2,424,768                      |
| Sanitation fees and rebates                               | 1,340,729           | -                              | 1,340,729                      |
| Recreation  | -                   | 36,100                         | 36,100                         |
| Miscellaneous services                                    | 1,240,186           | 6,910                          | 1,247,096                      |
| Property taxes  | 10,029,584          | -                              | 10,029,584                     |
| Transfer taxes  | -                   | 867,692                        | 867,692                        |
| Grants received   | 954,620             | 3,527,639                      | 4,482,259                      |
| Court of Chancery fees                                    | 675,390             | -                              | 675,390                        |
| Investment income (loss)                                  | 232,295             | 5,336                          | 237,631                        |
| <b>Total revenues</b>                                     | <b>17,989,792</b>   | <b>5,235,198</b>               | <b>23,224,990</b>              |
| <b>Expenditures</b>                                       |                     |                                |                                |
| Current:  |                     |                                |                                |
| General government  | 1,525,854           | -                              | 1,525,854                      |
| Library services  | 1,719,470           | 231,877                        | 1,951,347                      |
| Public safety and law enforcement                         | 15,421,121          | 527,177                        | 15,948,298                     |
| Public works  | 1,883,502           | 620,559                        | 2,504,061                      |
| Recreational services                                     | 746,868             | -                              | 746,868                        |
| Streets and sanitation services                           | 3,181,025           | -                              | 3,181,025                      |
| Financial administration                                  | 895,570             | -                              | 895,570                        |
| Garage and stores   | 526,286             | -                              | 526,286                        |
| Insurance   | 197,723             | -                              | 197,723                        |
| Retiree health care                                       | 1,006,397           | -                              | 1,006,397                      |
| Community and economic development                        | 214,591             | 2,014,153                      | 2,228,744                      |
| Street lights   | 956,860             | -                              | 956,860                        |
| Debt Service:   |                     |                                |                                |
| Principal retirement                                      | 260,000             | -                              | 260,000                        |
| Interest and fiscal charges                               | 68,410              | -                              | 68,410                         |
| <b>Total expenditures</b>                                 | <b>28,603,677</b>   | <b>3,393,766</b>               | <b>31,997,443</b>              |
| Excess (deficiency) of revenues over (under) expenditures | (10,613,885)        | 1,841,432                      | (8,772,453)                    |
| <b>Other financing sources and uses</b>                   |                     |                                |                                |
| Transfers in  | 9,156,575           | -                              | 9,156,575                      |
| Transfers out   | -                   | (1,850,455)                    | (1,850,455)                    |
| <b>Total other financing sources and uses</b>             | <b>9,156,575</b>    | <b>(1,850,455)</b>             | <b>7,306,120</b>               |
| <b>Net change in fund balances</b>                        | <b>(1,457,310)</b>  | <b>(9,023)</b>                 | <b>(1,466,333)</b>             |
| Fund balances at beginning of year                        | 9,015,213           | 881,332                        | 9,896,545                      |
| Fund balances at end of year                              | <b>\$ 7,557,903</b> | <b>\$ 872,309</b>              | <b>\$ 8,430,212</b>            |

See accompanying notes to financial statements

**The City of Dover**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes**  
**in Fund Balances of Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2010**

Net change in fund balances--total governmental funds (Page 41) \$ (1,466,333)

The change in net assets reported for governmental activities in the statement of activities is different because:

Governmental fund reports 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 in the current period

|  |              |           |
|--|--------------|-----------|
| Capitalization of net capital asset expenditures including CIP | \$ 2,434,391 |           |
| Loss on removal of assets under \$5,000 & transfers out        | (220,280)    |           |
| Current Year depreciation and amortization                     | (2,474,060)  | (259,949) |

Governmental funds report the repayment of principal of general long-term debt as an expenditure but the repayment reduces the liability in the statement of net assets. 260,000

Changes in other assets are not available to pay for current period expenditures and therefore are deferred in the funds. (499,287)

Governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Amortization of 2003 bond issuance cost. (10,171)

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for the transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, assets are not recognized in governmental funds unless they represent current financial resources but are recognized in the statement of activities as they accrue. The following differences, therefore, occur between the statement of activities and the governmental funds.

|   |              |             |
|---|--------------|-------------|
| Compensated absences                          | \$ (234,224) |             |
| Net pension obligation - Police Plan          | (331,233)    |             |
| Net pension obligation - General Pension Plan | (137,830)    |             |
| Net OPEB obligation - General Fund            | (2,843,480)  | (3,546,767) |

An internal service fund is used by the City to charge the costs of workers' compensation insurance to individual funds. The change in net assets of the internal service fund is transferred to the governmental funds and amounts attributable to internal charges are then allocated to functional expenditures. Net revenue is allocated back to respective functions and business type activities, as appropriate. 288,327

Change in net assets of governmental activities (Page 38) \$ (5,234,180)

See accompanying notes to financial statements



The City of Dover  
 Statement of Net Assets - Proprietary Funds  
 June 30, 2010

|   | Enterprise Funds             |                             |                | Governmental<br>Activities -<br>Internal<br>Service Fund |
|---|------------------------------|-----------------------------|----------------|--|
|   | Water/<br>Wastewater<br>Fund | Electric<br>Revenue<br>Fund | Total          |  |
| <b>Assets</b>                                   |                              |                             |                |  |
| Current assets:                                 |                              |                             |                |  |
| Cash and cash equivalents                       | \$ 2,006,058                 | \$ 11,746,247               | \$ 13,752,305  | \$ 267,719   |
| Investments                                     | 2,124,933                    | 7,531,465                   | 9,656,398      | 1,560,880  |
| Receivables, net                                | 710,316                      | 6,658,934                   | 7,369,250      | 4,000  |
| Due from other funds-charges                    | 257                          | 75,295                      | 75,552         | -  |
| Inventory                                       | 134,704                      | 3,928,579                   | 4,063,283      | -  |
| Prepaid items                                   | 1,359                        | 70,176                      | 71,535         | 31,100   |
| Total current assets                            | 4,977,627                    | 30,010,696                  | 34,988,323     | 1,863,699  |
| Non-current assets:                             |                              |                             |                |  |
| Restricted assets                               |                              |                             |                |  |
| Cash  | 1,166,650                    | 8,836,177                   | 10,002,827     | -  |
| Investments                                     | 3,096,538                    | 21,985,236                  | 25,081,774     | -  |
| Net Pension Asset                               | 28,080                       | 55,295                      | 83,375         | -  |
| Land and construction in progress               | 1,420,750                    | 14,230,155                  | 15,650,905     | -  |
| Capital assets, net of depreciation             | 36,591,299                   | 78,945,439                  | 115,536,738    | -  |
| Total non-current assets                        | 42,303,317                   | 124,052,302                 | 166,355,619    | -  |
| Total assets                                    | 47,280,944                   | 154,062,998                 | 201,343,942    | 1,863,699  |
| <b>Liabilities</b>                              |                              |                             |                |  |
| Current liabilities:                            |                              |                             |                |  |
| Accounts payable and accrued expenses           | 1,518,665                    | 9,121,893                   | 10,640,558     | 296,761  |
| Due to other funds - charges                    | 123,090                      | 317,469                     | 440,559        | -  |
| Deferred revenue                                | -                            | 168,928                     | 168,928        | -  |
| Accrued interest payable                        | 66,482                       | 848,305                     | 914,787        | -  |
| Customer deposits                               | -                            | 1,699,545                   | 1,699,545      | -  |
| Revenue bonds payable                           | 337,816                      | 2,370,000                   | 2,707,816      | -  |
| Liability for compensated absences              | 100,603                      | 217,954                     | 318,557        | -  |
| Total current liabilities                       | 2,146,656                    | 14,744,094                  | 16,890,750     | 296,761  |
| Non-current liabilities:                        |                              |                             |                |  |
| Net OPEB Obligation                             | 281,526                      | 759,583                     | 1,041,109      | -  |
| Revenue bonds payable                           | 3,427,731                    | 32,173,730                  | 35,601,461     | -  |
| Liability for compensated absences              | 89,658                       | 439,364                     | 529,022        | -  |
| Total non-current liabilities                   | 3,798,915                    | 33,372,677                  | 37,171,592     | -  |
| Total liabilities                               | 5,945,571                    | 48,116,771                  | 54,062,342     | 296,761  |
| <b>Net Assets</b>                               |                              |                             |                |  |
| Invested in capital assets, net of related debt | 35,413,152                   | 61,247,328                  | 96,660,480     | -  |
| Restricted for capital construction             | 3,096,538                    | 28,205,949                  | 31,302,487     | -  |
| Unrestricted                                    | 2,825,683                    | 16,492,950                  | 19,318,633     | 1,566,938  |
| Total net assets                                | \$ 41,335,373                | \$ 105,946,227              | \$ 147,281,600 | \$ 1,566,938   |

See accompanying notes to financial statements

**The City of Dover**  
**Statement of Revenues, Expenses and**  
**Changes in Fund Net Assets- Proprietary Funds**  
**For the Year Ended June 30, 2010**

|   | <b>Enterprise Funds</b>               |                                      |                | <b>Governmental<br/>Activities -<br/>Internal<br/>Service Funds</b> |
|---|---------------------------------------|--------------------------------------|----------------|---|
|   | <b>Water/<br/>Wastewater<br/>Fund</b> | <b>Electric<br/>Revenue<br/>Fund</b> | <b>Total</b>   |   |
| <b>Operating Revenues</b>                 |                                       |                                      |                |   |
| Charges for services                      | \$ 10,391,368                         | \$ 98,081,438                        | \$ 108,472,806 | \$ -  |
| Miscellaneous services/income             | 1,140,227                             | 2,197,036                            | 3,337,263      | 623,680   |
| Total operating revenues                  | 11,531,595                            | 100,278,474                          | 111,810,069    | 623,680   |
| <b>Operating Expenses</b>                 |                                       |                                      |                |   |
| Water/wastewater services                 | 8,683,781                             | -                                    | 8,683,781      | -   |
| General administrative                    | 1,501,226                             | 5,529,887                            | 7,031,113      | 203,481   |
| Power supply                              | -                                     | 72,695,602                           | 72,695,602     | -   |
| Transmission/distribution                 | -                                     | 3,146,123                            | 3,146,123      | -   |
| Engineering                               | -                                     | 1,465,740                            | 1,465,740      | -   |
| Metering                                  | -                                     | 301,416                              | 301,416        | -   |
| Systems operations                        | -                                     | 496,195                              | 496,195        | -   |
| Utility tax                               | -                                     | 1,922,645                            | 1,922,645      | -   |
| Depreciation                              | 1,475,698                             | 4,106,802                            | 5,582,500      | -   |
| Contractual services                      | -                                     | -                                    | -              | 34,190  |
| Taxes                                     | -                                     | -                                    | -              | 46,615  |
| Retirees healthcare                       | 134,721                               | 531,843                              | 666,564        | -   |
| Self insurance-workers' compensation      | -                                     | -                                    | -              | 82,184  |
| Total operating expenses                  | 11,795,426                            | 90,196,253                           | 101,991,679    | 366,470   |
| Operating income (loss)                   | (263,831)                             | 10,082,221                           | 9,818,390      | 257,210   |
| <b>Non-operating Revenues (Expenses)</b>  |                                       |                                      |                |   |
| Interest earned:                          |                                       |                                      |                |   |
| Operating funds                           | 46,519                                | 37,849                               | 84,368         | -   |
| Reserve funds                             | 106,738                               | 865,878                              | 972,616        | 45,353  |
| Net increase in fair value of investments | (50,645)                              | (168,775)                            | (219,420)      | (14,236)  |
| Interest and fiscal charges               | (141,558)                             | (648,581)                            | (790,139)      | -   |
| Bond discount amortized                   | (31,596)                              | (113,206)                            | (144,802)      | -   |
| Gain on sale of assets                    | (2,865)                               | 17,984                               | 15,119         | -   |
| Total non-operating revenue (expenses)    | (73,407)                              | (8,851)                              | (82,258)       | 31,117  |
| Income before contributions and transfers | (337,238)                             | 10,073,370                           | 9,736,132      | 288,327   |
| Contractor contributions - infrastructure | 392,855                               | -                                    | 392,855        | -   |
| Transfers out                             | (548,020)                             | (6,758,100)                          | (7,306,120)    | -   |
| Change in net assets                      | (492,403)                             | 3,315,270                            | 2,822,867      | 288,327   |
| Total net assets--beginning               | 41,827,776                            | 102,630,957                          | 144,458,733    | 1,278,611   |
| Total net assets--ending                  | \$ 41,335,373                         | \$ 105,946,227                       | \$ 147,281,600 | \$ 1,566,938  |

See accompanying notes to financial statements

The City of Dover  
 Statement of Cash Flows - Proprietary Funds  
 For the Year Ended June 30, 2010

|  | Enterprise Funds            |                             |                | Governmental<br>Activities -<br>Internal<br>Service Fund |
|--|-----------------------------|-----------------------------|----------------|--|
|  | Water<br>Wastewater<br>Fund | Electric<br>Revenue<br>Fund | Total          |  |
| <b>Cash Flows from Operating Activities</b>  |                             |                             |                |  |
| Receipts from customers  | \$ 11,494,360               | \$ 99,666,286               | \$ 111,160,646 | \$ -   |
| Payments to suppliers (including purchased power)  | (6,658,315)                 | (72,812,767)                | (79,471,082)   | (108,887)  |
| Payments to employees  | (1,832,656)                 | (4,439,095)                 | (6,271,751)    | -  |
| Payments of personnel related costs  | (915,641)                   | (2,055,704)                 | (2,971,345)    | 623,680  |
| Internal activity--payments from (to) other funds  | (12,710)                    | -                           | (12,710)       | -  |
| Other receipts (payments) including claims paid  | (127)                       | (2,014,663)                 | (2,014,790)    | (253,435)  |
| Net cash provided by operating activities  | 2,074,911                   | 18,344,057                  | 20,418,968     | 261,358  |
| <b>Cash Flows from Noncapital<br/>Financing Activities</b>                                 |                             |                             |                |  |
| Transfers out  | (548,020)                   | (6,758,100)                 | (7,306,120)    | -  |
| Net cash used by noncapital financing activities   | (548,020)                   | (6,758,100)                 | (7,306,120)    | -  |
| <b>Cash Flows from Capital and<br/>Related Financing Activities</b>                        |                             |                             |                |  |
| Acquisition and construction of capital assets   | (1,675,481)                 | (5,456,995)                 | (7,132,476)    | -  |
| Proceeds from capital debt   | 298,895                     | -                           | 298,895        | -  |
| Principal paid on revenue bond maturities  | (691,069)                   | (2,260,000)                 | (2,951,069)    | -  |
| Interest paid on capital debt  | (150,724)                   | (1,745,806)                 | (1,896,530)    | -  |
| Net cash used by capital and related financing activities                                  | (2,218,379)                 | (9,462,801)                 | (11,681,180)   | -  |
| <b>Cash Flows from Investing Activities</b>  |                             |                             |                |  |
| Interest on investments  | 46,519                      | 37,849                      | 84,368         | -  |
| Redemption of investment securities  | 1,500,000                   | -                           | 1,500,000      | -  |
| Purchase of investment securities  | (565,249)                   | (3,364,193)                 | (3,929,442)    | (45,051)   |
| Interest on restricted cash  | 106,738                     | 865,878                     | 972,616        | 45,364   |
| Net cash provided (used) by investing activities   | 1,088,008                   | (2,460,466)                 | (1,372,458)    | 313  |
| Net increase (decrease) in cash and cash equivalents                                       | 396,520                     | (337,310)                   | 59,210         | 261,671  |
| Balances--beginning of the year  | 2,776,188                   | 20,919,734                  | 23,695,922     | 6,048  |
| Balances--end of the year  | \$ 3,172,708                | \$ 20,582,424               | \$ 23,755,132  | \$ 267,719   |
| Reconciliation of operating income to net cash provided<br>(used) by operating activities: |                             |                             |                |  |
| Operating income (loss)  | \$ (263,831)                | \$ 10,082,221               | \$ 9,818,390   | \$ 257,210   |
| Adjustments to reconcile operating income to net cash<br>provided by operating activities: |                             |                             |                |  |
| Depreciation expense   | 1,475,698                   | 4,106,802                   | 5,582,500      | -  |
| Changes in assets and liabilities  |                             |                             |                |  |
| (Increase)/decrease in receivables   | (37,038)                    | (642,020)                   | (679,058)      | -  |
| (Increase)/decrease in due from other funds  | (197)                       | (53,308)                    | (53,505)       | -  |
| (Increase)/decrease in inventory   | 3,678                       | 351,551                     | 355,229        | -  |
| (Increase)/decrease in prepaid items   | (52)                        | 3,066,965                   | 3,066,913      | 54,102   |
| Increase/(decrease) in accounts payable and accrued expenses                               | 487,787                     | 136,371                     | 624,158        | (49,954)   |
| Increase/(decrease) in deferred revenue  | -                           | (48,859)                    | (48,859)       | -  |
| Increase/(decrease) in due to other funds  | (12,710)                    | (75,154)                    | (87,864)       | -  |
| Increase/(decrease) in customer deposits   | -                           | 131,999                     | 131,999        | -  |
| Increase/(decrease) in liability for compensated absences                                  | 7,120                       | 166,130                     | 173,250        | -  |
| Increase/(decrease) in NPO/NPA for Pension   | 442,536                     | 361,776                     | 804,312        | -  |
| Increase/(decrease) in NPO/NPA for OPEB  | (28,080)                    | 759,583                     | 731,503        | -  |
| Net cash provided (used) by operating activities   | \$ 2,074,911                | \$ 18,344,057               | \$ 18,883,153  | \$ 261,358   |
| Non-cash investing, capital and financing activities:                                      |                             |                             |                |  |
| Change in fair value of investments  | \$ (50,645)                 | \$ (168,775)                | \$ (219,420)   | \$ (14,236)  |
| Capital contributions - infrastructure   | \$ 392,855                  | \$ -                        | \$ 392,855     | \$ -   |

See accompanying notes to financial statements

**The City of Dover**  
**Statement of Fiduciary Net Assets**  
**June 30, 2010**

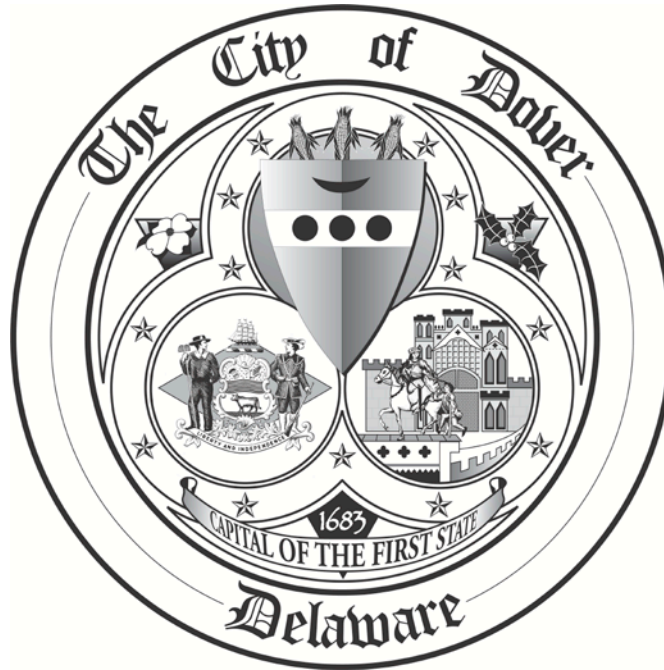
|  | <b>Pension<br/>Trust<br/>Funds</b> | <b>OPEB<br/>Trust<br/>Fund</b> | <b>Agency<br/>Funds</b> |
|--|------------------------------------|--------------------------------|-------------------------|
| <b>Assets</b>                                    |                                    |                                |                         |
| Cash and cash equivalents                        | \$ 1,077,639                       | \$ -                           | \$ 1,011,545            |
| Investments at fair value - Mutual Funds         | 27,029,953                         | -                              | -                       |
| U.S. government and agencies securities          | -                                  | 2,242,993                      | -                       |
| Corporate bonds and notes                        | -                                  | 2,641,173                      | -                       |
| Receivables                                      | -                                  | -                              | 94,094                  |
| Prepaid items                                    | -                                  | -                              | 590                     |
| Total assets                                     | <u>28,107,592</u>                  | <u>4,884,166</u>               | <u>1,106,229</u>        |
| <b>Liabilities</b>                               |                                    |                                |                         |
| Accounts payable                                 | 23,102                             | 1,791                          | 49,515                  |
| Unearned revenue                                 | -                                  | -                              | -                       |
| Due to agencies                                  | -                                  | -                              | 1,056,714               |
| Total liabilities                                | <u>23,102</u>                      | <u>1,791</u>                   | <u>\$ 1,106,229</u>     |
| Net Assets held in trust for retirement benefits | <u>\$ 28,084,490</u>               | <u>\$ 4,882,375</u>            |                         |

See accompanying notes to financial statements

**The City of Dover**  
**Statement of Changes in Fiduciary Net Assets**  
**For the Year Ended June 30, 2010**

|                                      | <b>Pension<br/>Trust<br/>Funds</b> | <b>OPEB<br/>Trust<br/>Fund</b> |
|--------------------------------------|------------------------------------|--------------------------------|
| <b>Additions:</b>                    |                                    |                                |
| Net investment income                | \$ 3,118,674                       | \$ 103,630                     |
| City's contribution- payroll based   | 2,270,623                          | -                              |
| City's contribution- lump sum        | 95,000                             | -                              |
| Employee contribution                | 294,599                            | -                              |
| State insurance premium tax proceeds | 399,289                            | -                              |
| Other                                | 2,298                              | -                              |
| Total additions to net assets        | <u>6,180,483</u>                   | <u>103,630</u>                 |
| <b>Deductions:</b>                   |                                    |                                |
| Benefit payments                     | 4,378,624                          | -                              |
| General administration               | 42,000                             | 36,722                         |
| Refund of pension contribution       | 38,955                             | -                              |
| Total deductions from net assets     | <u>4,459,579</u>                   | <u>36,722</u>                  |
| Changes in net assets                | 1,720,904                          | 66,908                         |
| Net assets - beginning               | 26,363,586                         | 4,815,467                      |
| Net assets - ending                  | <u>\$ 28,084,490</u>               | <u>\$ 4,882,375</u>            |

See accompanying notes to financial statements



**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2010**  
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## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2010

### 1. FINANCIAL REPORTING ENTITY

#### A. The City

The City of Dover was incorporated in 1829 and is a municipal corporation governed by an elected mayor and a nine-member council. The accompanying financial statements present the financial position and operating results for fiscal year ended June 30, 2010.

#### B. Reporting Entity

In evaluating how to define the reporting entity, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit was made by applying the criteria set forth in Generally Accepted Accounting Principles (GAAP). The criterion used is that set forth by Statement of Governmental Accounting Standard 14, which defines the reporting entity as the primary government and those component units for which the primary government is financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board and either (a) the ability to impose will by the primary government, or (b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government. Based upon this criterion, the following is a brief review of each potential component unit addressed in defining the government's reporting entity.

##### *Included within the reporting entity:*

The City has complete financial and operational oversight of the following functions, and, therefore, they are included in this report - police protection, street maintenance, sanitation, recreation, library, community development, public improvements, planning, safety inspections, electric generation and distribution, water and wastewater services, legislative services and general administration, including employee benefits.

##### *Not included within the reporting entity:*

The City has joined the State of Delaware Police Pension Plan for uniformed police officers employed by the City after September 1, 1982. The plan is completely managed by the State of Delaware and, therefore, is not included in the financial statements.

The Robbins Hose Volunteer Fire Company and the Capital School District are not included within the financial reporting entity because they do not meet the criteria for inclusion set forth by Governmental Accounting Standards.

## 2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City conform to generally accepted accounting principles as applicable to governments. A summary of the more significant policies follows:

### **A. Basis of Presentation**

Government-wide Statements: The statement of net assets and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Individual funds are not displayed but the statements distinguish governmental activities, generally funded by taxes and other City revenue, from business-type activities (BTAs), generally funded in whole or in part with fees charged to external users. Eliminations have been made for the doubling-up effect of certain internal activities.

The government-wide statement of activities presents a comparison between direct program expenses and program revenues for each function of the City's governmental activities and for each of the City's identifiable business-type activities. Direct expenses are those that are specifically associated with a program, function or activity. Program revenues include (a) charges paid by the recipients or beneficiaries of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

The City allocates the costs of certain governmental services to the costs of business-type activities (indirect expense allocation). These costs include allocated amounts of city management, centralized budgetary formulation and oversight, accounting, financial reporting, payroll, procurement contracting and oversight, investing and cash management, personnel services, etc. The allocations are charged to the BTAs based on the use of these services. As a matter of policy, the costs of certain governmental functions are not allocated to the business-type activities such as public safety, library and recreation and community and economic development.

Fund Financial Statements: The accounts of the City are organized on the basis of funds, 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 fund financial statements provide information about the City's funds, including fiduciary funds. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

The City reports the following major governmental fund:

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.

The City reports the following major proprietary funds:

Electric Revenue Fund

This fund incorporates all transactions related to the generation, transmission and distribution of electricity. The City has contracted with both PACE Global and North American Energy Services to manage the City's power supply and generation assets.

Water/Wastewater Fund

This fund accounts for transactions related to water and wastewater services, including the payment of fees to Kent County for the treatment of sewage. The City also holds lease agreements with cell phone companies for equipment placed on City water towers.

The City reports the following non-major funds:

Internal Service Fund

The City has created one internal service fund to account for the activities related to self-insured Workers' Compensation. Receipts are provided from contributions by the City's three major funds. Expenses are related to payment of claims, premiums, and administration costs. Actuarial analyses are completed triennially to insure sufficient reserves for claims for the Workers' Compensation Fund.

Special Revenue Funds

The City has eleven Special Revenue Funds to account for proceeds from specific revenue sources which are legally or administratively restricted to specified expenditure purposes.

Fiduciary Funds

Fiduciary funds consist of trust and agency funds and are used to report assets held by the City in a trustee or agency capacity for other purposes. These funds are, therefore, not available to support City programs.

The City is the trustee for the City's two pension plans, the Police Pension Fund and the Employee Pension Fund, and the Other Post Employment Benefit Trust. The activity of these plans is accounted for in the Basic Financial Statements.

Agency funds are used to account for assets held by the City as an agent for individuals, private organizations or other governments. The City has five agency funds.

The City acts as the receiving and paying agent for the Dover Library Consortium, Dover Library Foundation, Dover Arts Council, Downtown Dover Partnership, and Fourth of July Celebration Committee and the transactions are shown under the Agency Funds category.

## **B. Basis of Accounting and Measurement Focus**

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 are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Their revenues are recognized when they become measurable and available as net current assets.

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

Property taxes are recognized in the fiscal period for which they are levied provided they are "available"- i.e., they are collected in the current period or are expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty-days after year-end, except for trash collection, which has a thirty-day collection period.

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. Also, claims and judgments and compensated absences are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The government-wide financial statements as well as all proprietary and fiduciary trust funds are accounted for using the accrual basis of accounting and the economic resources measurement focus. Agency funds have no measurement focus.

A reconciliation of the governmental fund financial statements prepared on the modified accrual basis of accounting to the government-wide financial statements prepared on the accrual basis of accounting is also provided. The types of transactions included in program revenues in the government-wide statement of activities include charges for services, operating grants and capital grants.

Operating income reported in the proprietary fund financial statements includes revenue and expenses related to the continuing operations of the fund. Principal operating revenue for proprietary funds is charges to customers for sales and services.

Principal operating expenses are the costs of providing goods and services, which include purchased power, administrative expenses and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

As permitted by GASB Statement No. 20, with regards to its Enterprise funds the City has elected to apply all applicable GASB pronouncements and all FASB Statements and interpretations, Accounting Principles Board (APB) Opinions and Accounting Research Bulletins (ARB) issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements.

### **C. Capital Assets and Long-Term Liabilities**

Capital assets used in Governmental Fund type operations (general capital assets) are accounted for in the government-wide financial statements rather than in the funds. Public domain ("infrastructure") general capital assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems, are capitalized in the government-wide financial statements along with other general capital assets. The capitalization threshold for the City's assets is \$5,000. Personal computers and related hardware valued under \$5,000 are manually controlled by the Information Technology Department. All capital assets are valued at historical cost and donated assets are shown at a fair market value as of the date of donation. Depreciation has been provided on general capital assets and is shown in Note 5. Depreciation has been provided over the estimated useful lives using the straight-line method. Estimated useful lives are as follows:

|                                |         |       |
|--------------------------------|---------|-------|
| Buildings                      | 20 - 50 | years |
| Infrastructure                 | 20 - 50 | years |
| Vehicles                       | 5 - 7   | years |
| Equipment, Furniture, Fixtures | 5 - 15  | years |

Long-term liabilities expected to be financed from governmental funds and the long-term estimated liabilities for compensated absences are accounted for in the government-wide financial statements, but not in the Governmental Funds.

Depreciation of all exhaustible capital assets used by Proprietary Funds is charged as an expense against their operations. Accumulated depreciation is shown in Note 4 of this section. Depreciation in the proprietary funds has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are presented below:

|                         |         |       |
|-------------------------|---------|-------|
| Buildings, Mains, Plant | 25 - 50 | years |
| Improvements            | 10 - 20 | years |
| Equipment               | 5 - 15  | years |
| Vehicles                | 5 - 7   | years |

#### **D. Budget Procedures**

Legally adopted budgets are prepared for the General Fund, Water/Wastewater Fund, Electric Revenue Fund, the Internal Service Fund and the following non-major special revenue funds: Municipal Street Aid Fund, Community Development Block Grant Fund (Federal), and State Department of Transportation Grants Fund (Community Transportation).

The General Governmental Capital Project Fund provides for separate budgets to cover the planning and control of capital items for the governmental programs. The financial transactions of this fund are included in the financial statements of the General Fund. The Electric Improvement 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 the capital items of the utilities. The financial transactions of these funds are included in the financial statements of the Electric Revenue Fund and the Water/Wastewater Fund.

The City prepares the budget for the General Fund revenues on the cash basis, except for property taxes and billable services, which are on a modified accrual basis. The expenditures are accounted for when the purchase orders are issued.

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 and actual schedules (in the legal budget format (non-GAAP), adopted by the City) for the General Fund, the City's major governmental fund, are presented in the Required Supplementary Information Section of this report. The Governmental Capital Project Fund is budgeted as part of the General Fund and is also presented in the Required Supplementary Information Section of this report. The budget and actual schedules of the other funds are presented in the supplementary information section of this report because they are "not required."

According to the City's procedures, the preceding year's ending net budgetary balances are considered as resources for the following year. The beginning balances become operating items of revenues in the budgets. Estimated ending budgetary balances provide the balancing amount for each budget. In accordance with the City's financial policies, adopted by City Council, the major operating funds of the City are required to maintain an 8% minimum ending budget balance expressed as a percentage of operating revenues excluding the beginning budget balance.

#### **E. Major Transfers**

The Electric Revenue Fund annually transfers a budgeted portion of its revenues to the General Fund. Transfers are also usually made from the Realty Transfer Tax Fund,

Municipal Street Aid Fund, Electronic Red Light Safety Program (ERLSP) Fund, Police Grant Fund and Water/Wastewater Fund to the General Fund. The purpose of these transfers is to provide routine subsidies to the General Fund for operating functions, capital project expenditures and debt service requirements.

All transfers between the General Fund and the non-major governmental funds are netted in the government-wide financial statements.

#### **F. Inventories and Prepaid Items**

Both inventories and prepaid items are accounted for using the consumption method. Inventories are treated as operational expenditures at the time of use rather than at the time of purchase for both the governmental and proprietary funds. Prepaid expenses are reflective of insurance policies and commitments due on July 1 for the following fiscal year.

The warehouse inventories, consisting mostly of parts and supplies, are maintained on a perpetual inventory basis. Inventories of all funds are valued at cost, utilizing a weighted moving average method of valuation.

The Electric Revenue Fund maintains fuel inventory for the generating assets on a perpetual basis and utilizes the weighted moving average method of valuation. The balance as of June 30, 2010 is \$1,202,465.

#### **G. Cash and Investments**

The City's cash and cash equivalents consist of cash on hand, demand deposits, certificate of deposits and short-term investments with original maturities of three months or less from the date of acquisition. Investments consist of United States Government and its agencies notes and bonds, corporate bonds and common stocks and open-end mutual funds. The fair value of investments is determined by current market value.

#### **H. Accounts Receivable**

Allowances for uncollectible accounts are maintained and uncollectible accounts are charged off against these allowances. The authority to write off accounts is vested with the City Council. Current balances are as follows:

|                       |           |
|-----------------------|-----------|
| General Fund          | \$41,978  |
| Water/Wastewater Fund | \$27,234  |
| Electric Revenue Fund | \$389,531 |

#### **I. Restricted Assets**

Certain assets are restricted because their use is limited by bond covenants, endowments, or other similar third party restrictions.

Restricted assets at June 30, 2010 total \$35,943,370 including cash and cash equivalents of \$10,838,655 and \$25,104,715 in investments. Of this amount, \$858,769 is attributed to governmental activities and \$35,084,601 is attributable to business-type activities.

#### **J. Unbilled Service Receivables**

The City follows a policy of billing for services in accordance with billing cycle procedures. All known services rendered are billed and incorporated in the books at the end of the fiscal year. Billing information which is unreported by June 30, 2010, by the operating departments is billed and accounted for in the month the information is received.

#### **K. Bond Accounts/Issuance Costs**

In governmental funds, bond discounts and issuance costs are recognized in the current period. Bond discounts and issuance costs for Proprietary Funds and in the government-wide financial statements are deferred and amortized over the term of the bonds using the straight-line method. Bond discounts and issuance costs are presented as a reduction of the face amount of bonds payable.

#### **L. Fund Equity/Net Assets**

Governmental funds report reservations of fund balance for amounts that are not available for appropriation or that are legally restricted by third parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. Unreserved, undesignated fund balance represents the amount available for appropriation. Proprietary funds report net assets in three categories; 1) invested in capital assets net of related debt; 2) restricted net assets; and 3) unrestricted net assets. Fund equity/net assets are further explained in Note 7.

#### **M. Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent 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.

### **3. DEPOSITS AND INVESTMENTS**

#### **A. Cash in Bank and Cash Equivalents**

*Custodial credit risk – deposits.* The bank collateralizes the City of Dover's deposits over and above those covered by the \$250,000 FDIC Insurance limit with specific securities, which are 'marked to market' daily against the aggregate balances. The



market value of the collateral is always kept at a minimum of or equal to 102% of the amount of applicable deposits. Collateral consists solely of either full faith and credit obligations of the United States Government or fixed rate obligations of agencies or instruments of the United States Government. Citizens Bank utilizes 'A' rated securities. The Bank of New York, as Custodian, holds the Collateral in a separately designated pledge account. These securities are held in safekeeping by the Bank of New York so not to commingle the funds with the bank investments. Collateral procedures and agreements are reviewed regularly by the Bank's outside counsel.

The City's minimum requirements for its depository are as follows:

- Federally or State of Delaware chartered Financial Institution
- Qualified depository as defined by the State of Delaware
- A member of the Federal Reserve System
- Maintain FDIC insurance
- Be assigned or maintain a rating of "B" or better by Standard & Poor's, Moody's, Fitch Ratings or other such bank rating service.
- Collateralize all account balances in accordance with the Collateralization Agreement and provide the City with a certified board resolution of collateralization
- Local presence

On June 30, 2010, the carrying amount of unrestricted bank deposits was \$16,001,849 and the carrying amount of restricted bank deposits totaled \$10,838,654. The restricted deposits are held by the City for bond related transactions, special purpose operating and capital grants. Fiduciary funds deposits of \$1,676,184 are excluded.

## **B. Investments**

The City Council has adopted an investment policy which is reviewed every two years and updated as needed for best practices. The Pension Boards have their own distinct investment policy over the Pension Trust funds since the objectives differ from those of the City. The City investments are segregated from the Pension Trust investments for clarity. As of June 30, 2010, the City had the following investments:

| Investment Type   | Fair Value           | (Years) |
|---|----------------------|---------|
| <b>Government-Wide:</b>   |                      |         |
| Fixed income securities:  |                      |         |
| U. S. Government Treasuries   | \$ 3,401,936         | 4.69    |
| U. S. Government Agencies   | 13,802,066           | 1.55    |
| Corporate Bonds   | <u>16,252,229</u>    | 1.15    |
| Fair Value of fixed income securities   | 33,456,232           |         |
| Portfolio weighted average maturity   |                      | 2.46    |
| Other investments:  |                      |         |
| Money Market Mutual Funds & Certificate of Deposit                            | 8,489,017            |         |
| Equity Stock and Other  | <u>99,972</u>        |         |
| Total Other Investments   | 8,588,989            |         |
| Total Government-Wide Investments   | <u>\$ 42,045,221</u> |         |
| <b>Other Postemployment Benefits (OPEB) and Pension Funds (Trustee held):</b> |                      |         |
| U. S. Government Agencies - OPEB Trust  | \$ 2,242,993         | 1.55    |
| Corporate Bonds - OPEB Trust  | 2,641,173            | 1.15    |
| Short-term corporate bond open-end mutual funds                               | 6,032,073            | 2.80    |
| Intermediate-term corporate bond open-end mutual funds                        | <u>3,360,995</u>     | 7.50    |
| Fair value of fixed income investments  | 14,277,234           |         |
| Portfolio weighted average maturity   |                      | 3.25    |
| Other investments:  |                      |         |
| Domestic equity open-end mutual funds   | 13,991,693           |         |
| International equity open-end mutual funds                                    | <u>3,645,192</u>     |         |
| Fair value of other investments   | 17,636,885           |         |
| Total fair value OPEB and pension funds                                       | <u>\$ 31,914,119</u> |         |

*Interest rate risk:* The City's investment policy requires the Treasurer to periodically review and analyze its investments for exposure to fluctuating interest rates. Debt securities are held to maturity to further reduce exposure to interest rate fluctuations. Maximum maturity permitted by the policy is forty-eight months. Short-term cash flow balances are invested up to one year.

The investments are held in the City's name. Wilmington Trust Company issues monthly statements which the Finance Department reviews for contractual and investment policy compliance.

*Credit risk:* The City's investment policy is to apply the prudent-person rule. Investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital and, in general, avoid speculative investments. As of June 30, 2010, the City's fixed income and short-term investments had the following risk characteristics as compared to the Standard's & Poor's:

| <u>Authorized Investments</u>                                | <u>Policy</u> | <u>Portfolio Characteristics</u> |     |
|--|---------------|----------------------------------|-----|
| Certificates of Deposit, Time Deposits & Bankers Acceptances | B             | Aaa/AAA                          | 5%  |
| Corporate Debt   |               |                                  |     |
| Commercial Paper   | A1/P1         |                                  |     |
| Corporate Bonds  | AA            | Aa/AAA                           | 8%  |
|  |               | Aa/AA                            | 28% |
|  |               | A/AA OR A/Aa                     | 12% |
| US Agency  |               | Aa/AAA                           | 37% |
| Money Market   |               | Aaa/AAA                          | 10% |
| Pension Trusts   |               |                                  |     |
| Short-term Corporate bond open-end mutual funds              | Avg. AA       | AAA                              | 77% |
|  | Min. BB       | AA                               | 6%  |
|  |               | A                                | 10% |
| Mid-term Corporate bond open-end mutual funds                | Avg. AA       | AAA                              | 56% |
|  | Min. BBB      | AA                               | 6%  |
|  |               | A                                | 20% |
|  |               | BBB                              | 18% |
| Equity open-end mutual funds                                 |               | AAA                              | 69% |

*Concentration of credit risk:* The City has limitations on its investment portfolio as follows:

|  |   |
|--|---|
| U. S. Government                           | No Restrictions   |
| Certificates of Deposits and Time Deposits | 50% of total, max 10% for any one issuer  |
| U. S. Government Agency Securities         | 75% of total, max 40% in any one agency   |
| Corporate Debt                             | 50% of total, max 25% in any industry, 10% in any one issuer, and, additionally, 10% of any issuer's total outstanding securities |
| Repurchase Agreements                      | 50% of total  |
| Reverse Repurchase Agreements              | 25% of total  |
| Money market funds                         | 25% of total, 10% in any one fund except for the cash account   |
| Municipal Obligations                      | 10% in any one issuer   |

The Pension Trust fund has its investments exclusively in open-end mutual funds, with limits on its investments as follows:

|                       |  |
|-----------------------|--|
| General Restriction   | Domestic: Investment no more than 5% in any one security.<br>May maintain no more than 8% in any one security.<br>International Equities: Maintain limit of 15% of international equity portfolio. |
| Domestic Equity funds | Minimum 46% of total<br>Maximum 56% of total<br>Target 51%<br>Benchmark Russell 3000   |
| International Equity  | Minimum 9% of total<br>Maximum 18% of total<br>Target 14% of total<br>Benchmark MSCI EAFE  |
| Fixed Income          | Minimum 30% of total<br>Maximum 40% of total<br>Target 35% of total<br>Benchmark Barclays Intermediate Government/Credit   |

*Custodial credit risk-investments:* For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's policy is to have its investments held in the City's name by the City's agents to avoid custodial credit risk.

#### 4. CAPITAL ASSETS

A summary of the Capital asset activity for the year ended June 30, 2010 is presented below:

|  | Beginning<br>Balance | Increases         | Decreases         | Ending<br>Balance    |
|--|----------------------|-------------------|-------------------|----------------------|
| <b>Governmental activities:</b>                    |                      |                   |                   |                      |
| Capital assets, not being depreciated              |                      |                   |                   |                      |
| Land   | \$ 3,958,887         | \$ -              | \$ -              | \$ 3,958,887         |
| Construction in progress                           | 755,751              | 1,290,802         | 429,587           | 1,616,966            |
| Total capital assets, not being depreciated        | 4,714,638            | 1,290,802         | 429,587           | 5,575,853            |
| Capital assets, being depreciated:                 |                      |                   |                   |                      |
| Buildings  | 10,912,748           | -                 | -                 | 10,912,748           |
| Furniture and fixtures                             | 180,350              | -                 | -                 | 180,350              |
| Equipment  | 7,024,438            | 17,698            | 195,433           | 6,846,703            |
| Vehicles   | 4,058,078            | 510,373           | 324,009           | 4,244,442            |
| Lights   | 614,531              | -                 | -                 | 614,531              |
| Improvements other than buildings                  | 35,648,647           | 1,045,105         | -                 | 36,693,752           |
| Books and audio visuals                            | 8,115                | -                 | -                 | 8,115                |
| D.R.M.O. police equipment                          | 46,701               | -                 | -                 | 46,701               |
| Fully depreciated assets                           | 287,753              | -                 | 2,195             | 285,558              |
| Total capital assets, being depreciated            | 58,781,361           | 1,573,176         | 521,637           | 59,832,900           |
| Less accumulated depreciation for:                 |                      |                   |                   |                      |
| Buildings  | (3,143,103)          | (259,104)         | -                 | (3,402,207)          |
| Furniture and fixtures                             | (151,075)            | (6,297)           | -                 | (157,372)            |
| Equipment  | (4,428,910)          | (459,406)         | 177,281           | (4,711,035)          |
| Vehicles   | (2,388,182)          | (447,695)         | 124,076           | (2,711,801)          |
| Lights   | (415,465)            | (16,525)          | -                 | (431,990)            |
| Improvements other than buildings                  | (15,153,583)         | (1,284,453)       | -                 | (16,438,036)         |
| Books and audio visuals                            | (7,556)              | (580)             | -                 | (8,136)              |
| D.R.M.O. police equipment                          | (46,701)             | -                 | -                 | (46,701)             |
| Total accumulated depreciation                     | (25,734,575)         | (2,474,060)       | 301,357           | (27,907,278)         |
| Total capital assets, being depreciated, net       | 33,046,786           | (900,884)         | 220,280           | 31,925,622           |
| <b>Governmental activities capital assets, net</b> | <b>\$ 37,761,424</b> | <b>\$ 389,918</b> | <b>\$ 649,867</b> | <b>\$ 37,501,475</b> |

(continued)

(continued)

|  | Beginning<br>Balance  | Increases            | Decreases           | Ending<br>Balance     |
|--|-----------------------|----------------------|---------------------|-----------------------|
| <b>Business-type activities:</b>                       |                       |                      |                     |                       |
| Electric Revenue Fund                                  |                       |                      |                     |                       |
| Capital assets, not being depreciated                  |                       |                      |                     |                       |
| Land   | \$ 1,458,066          | \$ -                 | \$ -                | \$ 1,458,066          |
| Construction in progress                               | 17,272,520            | 4,451,167            | 8,951,598           | 12,772,089            |
| Total capital assets, not being depreciated            | 18,730,586            | 4,451,167            | 8,951,598           | 14,230,155            |
| Capital assets, being depreciated                      |                       |                      |                     |                       |
| Buildings  | 16,676,093            | 246,487              | -                   | 16,922,580            |
| Production   | 60,028,422            | 2,414,294            | -                   | 62,442,716            |
| Transmission   | 20,821,161            | 1,830,095            | -                   | 22,651,256            |
| Distribution   | 49,431,989            | 6,578,382            | 198,426             | 55,811,945            |
| Administration   | 1,519,649             | 10,764               | -                   | 1,530,413             |
| Vehicles   | 674,610               | 32,595               | 82,777              | 624,428               |
| Total capital assets, being depreciated                | 149,151,924           | 11,112,617           | 281,203             | 159,983,338           |
| Less accumulated depreciation for:                     |                       |                      |                     |                       |
| Buildings  | (10,180,242)          | (394,597)            | -                   | (10,574,839)          |
| Production   | (37,316,699)          | (1,376,061)          | -                   | (38,692,760)          |
| Transmission   | (7,369,638)           | (682,588)            | -                   | (8,052,226)           |
| Distribution   | (20,962,765)          | (1,489,168)          | 191,038             | (22,260,895)          |
| Administration   | (937,556)             | (91,871)             | -                   | (1,029,427)           |
| Vehicles   | (405,418)             | (72,517)             | 50,183              | (427,752)             |
| Total accumulated depreciation                         | (77,172,318)          | (4,106,802)          | 241,221             | (81,037,899)          |
| Total capital assets, being depreciated, net           | 71,979,606            | 7,005,815            | 39,982              | 78,945,439            |
| <b>Total electric revenue fund capital assets, net</b> | <b>\$ 90,710,192</b>  | <b>\$ 11,456,982</b> | <b>\$ 8,991,580</b> | <b>\$ 93,175,594</b>  |
| Water/Wastewater Fund                                  |                       |                      |                     |                       |
| Capital assets, not being depreciated                  |                       |                      |                     |                       |
| Land   | \$ 163,240            | \$ -                 | \$ -                | \$ 163,240            |
| Construction in progress                               | 742,255               | 1,459,679            | 944,424             | 1,257,510             |
| Total capital assets, not being depreciated            | 905,495               | 1,459,679            | 944,424             | 1,420,750             |
| Capital assets, being depreciated                      |                       |                      |                     |                       |
| Plant, wells, pumping stations, and storage            | 15,120,720            | 209,417              | -                   | 15,330,137            |
| Distribution mains, hydrants, and accessories          | 15,244,827            | 801,108              | -                   | 16,045,935            |
| Sewage plant mains, and pumping stations               | 24,372,849            | 422,367              | -                   | 24,795,216            |
| Vehicles and equipment                                 | 4,327,093             | 158,575              | 107,574             | 4,378,094             |
| Total capital assets, being depreciated                | 59,065,489            | 1,591,467            | 107,574             | 60,549,382            |
| Less accumulated depreciation for:                     |                       |                      |                     |                       |
| Plant, wells, pumping stations, and storage            | (5,756,404)           | (310,795)            | -                   | (6,067,199)           |
| Distribution mains, hydrant, and accessories           | (4,823,506)           | (313,791)            | -                   | (5,137,297)           |
| Sewage plant mains, and pumping stations               | (9,380,073)           | (554,861)            | -                   | (9,934,934)           |
| Vehicles and equipment                                 | (2,588,725)           | (296,251)            | 66,323              | (2,818,653)           |
| Total accumulated depreciation                         | (22,548,708)          | (1,475,698)          | 66,323              | (23,958,083)          |
| Total capital assets, being depreciated, net           | 36,516,781            | 115,769              | 41,251              | 36,591,299            |
| <b>Total water/wastewater fund capital assets, net</b> | <b>\$ 37,422,276</b>  | <b>\$ 1,575,448</b>  | <b>\$ 985,675</b>   | <b>\$ 38,012,049</b>  |
| <b>Business-type activities capital assets, net</b>    | <b>\$ 128,132,468</b> | <b>\$ 13,032,430</b> | <b>\$ 9,977,255</b> | <b>\$ 131,187,643</b> |

Depreciation expense was charged to functions/ programs of the primary government as follows:

Governmental activities:

|  |                     |
|--|---------------------|
| General government                                   | \$ 22,187           |
| Central services                                     | 104,196             |
| Public safety  | 423,567             |
| Public works   | 1,633,017           |
| Library and recreation                               | 199,372             |
| Financial administration                             | 91,721              |
| Total depreciation expense - governmental activities | <u>\$ 2,474,060</u> |

Business-type activities:

|   |                     |
|---|---------------------|
| Electric  | \$ 4,106,802        |
| Water/wastewater                                    | 1,475,698           |
| Total depreciation expense-business-type activities | <u>\$ 5,582,500</u> |

The increase in accumulated depreciation for governmental activities is \$2,172,703 comprised of \$2,474,060 current depreciation and \$301,357 accumulated depreciation on fully depreciated assets that were either disposed of or transferred out of the fund during the fiscal year.

The increase in accumulated depreciation for the Electric Fund is \$3,865,581 comprised of \$4,106,802 current depreciation and \$241,221 accumulated depreciation on fully depreciated assets that were either disposed of or transferred out of the fund during the fiscal year.

The increase in accumulated depreciation for the Water/Wastewater Fund is \$1,409,375 comprised of \$1,475,698 current depreciation and \$66,323 accumulated depreciation on fully depreciated assets that were either disposed of or transferred out of the fund during the fiscal year.

In accordance with generally accepted accounting principles, \$1,040,568 of interest paid during the construction of projects for enterprise funds is capitalized. This amount is netted against the interest earned on the project funds \$8,461.

## 5. LONG -TERM OBLIGATIONS

### A. Summary of Bonded Indebtedness by Issue

|   | Original      | Remaining     | Interest | Maturity              | Arbitrage |   |
|---|---------------|---------------|----------|-----------------------|-----------|---|
| <b><u>Governmental Activities</u></b>   |               |               |          |                       |           |   |
| 2003 General Obligation Bonds   | \$ 3,430,000  | \$ 1,820,000  | 3.870%   | 7/1/04 - 7/1/16       | No        | Refunding of '92 & '95 issues   |
| <b><u>Business Type Activities</u></b>  |               |               |          |                       |           |   |
| <b><u>Water/Wastewater Bonds</u></b>  |               |               |          |                       |           |   |
| State of Delaware - Revolving Loan Fund - Municipal Revenue   | \$ 750,000    | \$ 441,199    | 3.600%   | 10/1/00 - 4/1/20      | No        | Wastewater Pump Station # 7 - Leipsic   |
| 2003 Revenue Bonds  | \$ 7,980,000  | \$ 3,200,000  | 3.790%   | 7/1/04 - 7/1/23       | Yes       | Complete refund 1986B Series; partial refunding 1993 and 1993A Series; expansion and upgrades of water and sanitary sewer systems |
| State of Delaware - Revolving Loan Fund - Municipal Revenue   | \$ 344,525    | \$ 344,525    | 2.000%   | 12/31/2009 - 12/31/31 | No        | Pump station replacements/upgrades and sanitary sewer main relining   |
| (Coverage ratio on Water/Wastewater Bonds requires net revenues to be at least 1.2 times the maximum annual debt service) |               |               |          |                       |           |   |
| <b><u>Electric Revenue Bonds</u></b>  |               |               |          |                       |           |   |
| 2004 Taxable Revenue Bonds  | \$ 22,535,000 | \$ 13,425,000 | 4.820%   | 7/1/05 - 7/1/15       | No        | Complete refund 1990 and 1993 Series  |
| 2008 Revenue Bonds  | \$ 22,200,000 | \$ 21,845,000 | 4.810%   | 7/1/09 - 7/1/33       | Yes       | Expansion and upgrades of electric system   |
| (Coverage ratio on Electric Bonds requires net revenues to be at least 1.25 times the maximum annual debt service)        |               |               |          |                       |           |   |

### B. Status as of June 30, 2010 – General Obligation Bonds

Long-term indebtedness of the City of Dover consists of the following general purpose General Obligation Bonds:

2003 Series      \$    1,820,000

The total General Obligation Bonds outstanding amount includes \$270,000 payable within one year.

### C. Change in Long-Term Debt

The following tables summarize the debt transactions for the year ended June 30, 2010:

#### i. General Long-Term Debt

| Item                                | Balance<br>7/01/09 | Additions    | Reductions   | Balance<br>6/30/10 | Payable within<br>one Year |
|-------------------------------------|--------------------|--------------|--------------|--------------------|----------------------------|
| Compensated Absences                | \$ 1,930,785       | \$ 1,613,724 | \$ 1,379,500 | \$ 2,165,009       | \$ 1,068,460               |
| General Obligation Bonds            | 2,080,000          | -            | 260,000      | 1,820,000          | 270,000                    |
| Sub-total of General Long-Term Debt | \$ 4,010,785       | \$ 1,613,724 | \$ 1,639,500 | \$ 3,985,009       | \$ 1,338,460               |



**ii. Enterprise Funds Debt  
 Water/Wastewater Fund**

| Item   | Balance<br>7/01/09 | Additions  | Reductions | Balance<br>6/30/10 | Payable within<br>one Year |
|--|--------------------|------------|------------|--------------------|----------------------------|
| Compensated Absences   | \$ 183,141         | \$ 132,575 | \$ 125,455 | \$ 190,261         | \$ 100,603                 |
| Revenue Bonds-Water and<br>Wastewater                        | 3,855,000          | -          | 655,000    | 3,200,000          | 290,000                    |
| State of Delaware Municipal<br>Revenue Bond - Wastewater     | 477,268            | -          | 36,069     | 441,199            | 37,379                     |
| State of Delaware Municipal<br>Revenue Bond - Wastewater (a) | -                  | 344,525    | -          | 344,525            | 10,437                     |
| Sub-total of Water/<br>Wastewater Fund                       | \$ 4,515,409       | \$ 477,100 | \$ 816,524 | \$ 4,175,985       | \$ 438,419                 |

(a) During fiscal year 2010 the City issued revenue bonds through the State of Delaware Revolving Fund Loan programs for Water and Wastewater projects. The amount of the Water Bond is \$2,404,017 and the Wastewater is \$5,942,481. The loan program is set up for the City to draw down the funds as capital expenses are paid. At the time of this report the City has expended only \$344,525 in wastewater capital expense. Interest is accruing at 2% on amounts drawn against the principal balance. The State provided the City with the amount payable within one year as of June 30, 2010. No monies for water projects were expended as the date of this report. The capital projects are expected to be completed by fiscal year ended 2012.

**iii. Enterprise Funds Debt  
 Electric Revenue Fund**

| Item                                  | Balance<br>7/01/09   | Additions           | Reductions          | Balance<br>6/30/10   | Payable within<br>one Year |
|---------------------------------------|----------------------|---------------------|---------------------|----------------------|----------------------------|
| Compensated Absences                  | \$ 491,189           | \$ 427,194          | \$ 261,065          | \$ 657,318           | \$ 217,954                 |
| Revenue Bonds                         | 37,530,000           | -                   | 2,260,000           | 35,270,000           | 2,370,000                  |
| Sub-total of Electric<br>Revenue Fund | \$ 38,021,189        | \$ 427,194          | \$ 2,521,065        | \$ 35,927,318        | \$ 2,587,954               |
| Sub-total of Enterprise<br>Fund Debt  | \$ 42,536,598        | \$ 904,294          | \$ 3,337,589        | \$ 40,103,303        | \$ 3,026,373               |
| Grand Totals of<br>Long-Term Debt     | <u>\$ 46,547,383</u> | <u>\$ 2,518,018</u> | <u>\$ 4,977,089</u> | <u>\$ 44,088,312</u> | <u>\$ 4,364,833</u>        |

The revenue and general obligation bonds payable as shown in the statement of net assets are net of unamortized bond discount and issuance costs as follows:

| Fund             | As Shown<br>Above    | Discount/<br>Issuance<br>Costs | Balance<br>Sheet     |
|------------------|----------------------|--------------------------------|----------------------|
| General          | \$ 1,820,000         | \$ 61,029                      | \$ 1,758,971         |
| Water/Wastewater | 3,985,724            | 220,177                        | 3,765,547            |
| Electric         | 35,270,000           | 726,270                        | 34,543,730           |
| Total            | <u>\$ 41,075,724</u> | <u>\$ 1,007,476</u>            | <u>\$ 40,068,248</u> |

The City does not receive reimbursement for debt service from any other governmental units. The City does not have any special assessment debt or defeased bonds as of June 30, 2010.

#### D. Debt Service Requirements

The following are the debt service requirements to maturity on the City's general obligation bonds and revenue bonds.

##### i. Governmental Activities:

| Fiscal<br>Year | 2003 General Obligation Bonds |            |              |
|----------------|-------------------------------|------------|--------------|
|                | Principal                     | Interest   | Total        |
| 2011           | \$ 270,000                    | \$ 60,850  | \$ 330,850   |
| 2012           | 275,000                       | 52,262     | 327,262      |
| 2013           | 285,000                       | 42,738     | 327,738      |
| 2014           | 295,000                       | 32,440     | 327,440      |
| 2015           | 220,000                       | 22,950     | 242,950      |
| 2016           | 230,000                       | 14,285     | 244,285      |
| 2017           | 245,000                       | 4,900      | 249,900      |
| Total          | \$ 1,820,000                  | \$ 230,425 | \$ 2,050,425 |

##### ii. Business-type Activities

| Fiscal<br>Year | Water/Wastewater Fund |            |                         |           | Electric Revenue Fund |              |                    |               | Total         |
|----------------|-----------------------|------------|-------------------------|-----------|-----------------------|--------------|--------------------|---------------|---------------|
|                | 2003 Revenue Bonds    |            | Municipal Revenue Bonds |           | 2004 Revenue Bonds    |              | 2008 Revenue Bonds |               |               |
|                | Principal             | Interest   | Principal               | Interest  | Principal             | Interest     | Principal          | Interest      |               |
| 2011           | \$ 290,000            | \$ 116,322 | \$ 47,816               | \$ 15,550 | \$ 1,995,000          | \$ 560,300   | \$ 375,000         | \$ 1,049,029  | \$ 4,449,017  |
| 2012           | 300,000               | 106,422    | 38,737                  | 14,192    | 2,080,000             | 464,620      | 390,000            | 1,028,404     | 4,422,375     |
| 2013           | 310,000               | 95,572     | 40,144                  | 12,785    | 2,180,000             | 361,070      | 410,000            | 1,006,954     | 4,416,525     |
| 2014           | 320,000               | 84,052     | 41,601                  | 11,326    | 2,270,000             | 248,706      | 430,000            | 986,454       | 4,392,139     |
| 2015           | 330,000               | 71,512     | 43,113                  | 9,815     | 2,390,000             | 128,010      | 450,000            | 964,954       | 4,387,404     |
| 2016           | 155,000               | 65,468     | 44,679                  | 8,250     | 2,510,000             | -            | 475,000            | 942,454       | 4,200,851     |
| 2017           | 160,000               | 59,068     | 46,301                  | 6,626     | -                     | -            | 695,000            | 918,704       | 1,885,699     |
| 2018           | 165,000               | 52,302     | 47,984                  | 4,946     | -                     | -            | 730,000            | 883,954       | 1,884,186     |
| 2019           | 175,000               | 44,866     | 49,727                  | 3,202     | -                     | -            | 765,000            | 847,454       | 1,885,249     |
| 2020           | 180,000               | 37,126     | 51,533                  | 1,397     | -                     | -            | 800,000            | 815,706       | 1,885,762     |
| 2021           | 190,000               | 28,766     | -                       | -         | -                     | -            | 840,000            | 781,706       | 1,840,472     |
| 2022           | 200,000               | 19,764     | -                       | -         | -                     | -            | 880,000            | 746,006       | 1,845,770     |
| 2023           | 210,000               | 10,106     | -                       | -         | -                     | -            | 925,000            | 707,506       | 1,852,612     |
| 2024           | 215,000               | -          | -                       | -         | -                     | -            | 970,000            | 665,881       | 1,850,881     |
| 2025           | -                     | -          | -                       | -         | -                     | -            | 1,015,000          | 622,231       | 1,637,231     |
| 2026           | -                     | -          | -                       | -         | -                     | -            | 1,065,000          | 576,555       | 1,641,555     |
| 2027           | -                     | -          | -                       | -         | -                     | -            | 1,120,000          | 527,300       | 1,647,300     |
| 2028           | -                     | -          | -                       | -         | -                     | -            | 1,175,000          | 475,500       | 1,650,500     |
| 2029           | -                     | -          | -                       | -         | -                     | -            | 1,230,000          | 416,750       | 1,646,750     |
| 2030           | -                     | -          | -                       | -         | -                     | -            | 1,290,000          | 355,250       | 1,645,250     |
| 2031           | -                     | -          | -                       | -         | -                     | -            | 1,355,000          | 290,750       | 1,645,750     |
| 2032           | -                     | -          | -                       | -         | -                     | -            | 1,420,000          | 223,000       | 1,643,000     |
| 2033           | -                     | -          | -                       | -         | -                     | -            | 1,485,000          | 152,000       | 1,637,000     |
| 2034           | -                     | -          | -                       | -         | -                     | -            | 1,555,000          | 77,750        | 1,632,750     |
| Total          | \$ 3,200,000          | \$ 791,346 | \$ 451,635              | \$ 88,089 | \$ 13,425,000         | \$ 1,762,706 | \$ 21,845,000      | \$ 16,062,252 | \$ 57,626,028 |

The preceding tables do not include compensated absences.

### E. Bond Discounts/Issuance Cost Unamortized

The following adjustments were made to the bond discounts/issuance cost for the fiscal year ending June 30, 2010:

|   | <b>Balance<br/>7/1/2009</b> | <b>Additions<br/>FY 2010</b> | <b>Amortized<br/>FY 2010</b> | <b>Balance<br/>6/30/2010</b> |
|---|-----------------------------|------------------------------|------------------------------|------------------------------|
| General Fund GO Bonds<br>Discounts/Issuance Cost  | \$ 71,200                   | -                            | 10,171                       | \$ 61,029                    |
| Water/Wastewater Bonds<br>Discounts/Issuance Cost | \$ 206,144                  | 45,630                       | 31,597                       | \$ 220,177                   |
| Electric Revenue Bonds<br>Discounts/Issuance Cost | \$ 839,476                  | -                            | 113,206                      | \$ 726,270                   |

### F. Bonds Payable within One Year – Detail by Issue

Principal payments on bonds are due as follows:

#### i. Payable by General Fund – General Obligation Bonds

| Issue                          | Principal<br>Amount Due | Date Due     |
|--------------------------------|-------------------------|--------------|
| 2003 Series General Obligation | \$ 270,000              | July 1, 2010 |
| Total General Fund             | <u>\$ 270,000</u>       |              |

#### ii. Payable by Water/Wastewater Fund – Revenue Bonds

| Issue                         | Principal<br>Amount Due | Date Due     |
|-------------------------------|-------------------------|--------------|
| 2003 Water/Wastewater Revenue | \$ 290,000              | July 1, 2010 |
| Subtotal - Revenue            | \$ 290,000              |              |

#### iii. State of Delaware Municipal Revenue Bonds – State Revolving Fund

| Issue                        | Principal<br>Amount Due | Date Due          |
|------------------------------|-------------------------|-------------------|
| Subordinated Series 2000-SRF | \$ 18,523               | October 1, 2010   |
| Subordinated Series 2000-SRF | 18,856                  | April 1, 2011     |
| Wastewater 2010 - SRF        | 5,218                   | December 22, 2010 |
| Wastewater 2010- SRF         | <u>5,219</u>            | June 22, 2011     |
| Subtotal – Revenue SRF       | \$ 47,816               |                   |
| Total Water/Wastewater       | <u>\$ 337,816</u>       |                   |

**iv. Payable by Electric Fund – Revenue Bonds**

| Issue                 | Principal<br>Amount Due | Date Due     |
|-----------------------|-------------------------|--------------|
| 2004 Electric Revenue | \$ 1,995,000            | July 1, 2010 |
| 2008 Electric Revenue | 375,000                 | July 1, 2010 |
| Total Electric Fund   | <u>\$ 2,370,000</u>     |              |

Total bond indebtedness principal to be paid in fiscal year 2010 is \$2,977,816.

**6. RESTRICTED ASSETS**

In the government-wide financial statements the restricted net assets of the governmental activities and business type activities are as follows:

**Governmental Activities**

|                             |  |                     |
|-----------------------------|--|---------------------|
| Grants-capital construction | These represent the State DOT and Garrison Oak grants reported in the non-major special revenue funds.   | \$ 818,243          |
| Grants-public safety        | These represent the Police grants, ERLSP grant and Substance Abuse Prevention grant in the special revenue type funds.   | 326,546             |
| Other Purposes              | These represent all other funds reported in the special revenue type, except the grants reserved for capital construction and public safety. Also included is an endowment from Mary Elizabeth Paton and patronage stocks. | 105,553             |
| Total Restricted Net Assets |  | <u>\$ 1,250,342</u> |

**Business Type Activities**

|  |   |                      |
|--|---|----------------------|
| Net restricted assets for construction purposes - expendable |   |                      |
| Water/Wastewater   | Restrictions on investments imposed by bond covenants | \$ 3,096,538         |
| Electric   | Restrictions on investments imposed by bond covenants | 28,205,949           |
|  |   | <u>\$ 31,302,487</u> |

## 7. FUND EQUITY/NET ASSETS

In the governmental fund financial statements, the stocks, and Mary Paton restricted assets in preceding note are reported as reserved fund balances. Additionally, the following unrestricted net assets are reported as reservations or designations of fund balances as follows:

|  |  |                     |
|--|--|---------------------|
| Reserved for<br>Parkland and<br>Recreation | A separate account established by ordinance for the construction and/or development of parklands and recreation facilities.                    | <u>\$ 221,594</u>   |
| Reserved for Cable<br>Franchise            | The Verizon Franchise Agreement requires a separate account for grant receipts for the creation of a City of Dover Network Television Station. | <u>\$ 87,639</u>    |
| Designated for capital<br>assets           | A separate account established in 2003 for the acquisition of future capital assets.   | <u>\$ 505,398</u>   |
| Designated for<br>contingency              | A separate account established by ordinance for emergencies or uninsured capital losses with approval of City Council.                         | <u>\$ 530,393</u>   |
| Designated for<br>criminal investigations  | A separate account established in 2010 for police donations to be used solely for criminal investigations.                                     | <u>\$ 15,724</u>    |
| Library Construction<br>Reserve            | A separate capital account established for the construction of a new City library.   | <u>\$ 3,471,411</u> |

## 8. PROPERTY TAXES

Property taxes are levied under the authority of the City Charter on all real property located within the City limits. The City assessor is in charge of the property assessments and the City Council levies the property tax rate. The following table provides important dates with reference to property taxes.

|   |                              |
|---|------------------------------|
| Beginning of fiscal year for taxes              | July 1                       |
| Tax rate levied                                 | June                         |
| Taxes billed                                    | July 1                       |
| Taxes due and payable at par                    | July 31                      |
| Penalty of one and one half percent starts      | August 1                     |
| Lien established on property for property taxes | July 1                       |
| Tax sales of property with unpaid taxes         | 2 years from date of billing |

There are no material delinquent property taxes as of June 30, 2010.

**9. GRANTS RECEIVED**

The total grants received in various non-major Special Revenue Funds are as follows:

|                                  |                     |
|----------------------------------|---------------------|
| Police grants                    | \$ 848,408          |
| Library related                  | 251,046             |
| Housing grants                   | 1,613,168           |
| Girls Circle of Dover            | 49,127              |
| DeIDOT grant                     | 527,917             |
| Substance Abuse Prevention grant | 97,473              |
| Community Air Service grant      | 140,500             |
|                                  | <u>\$ 3,527,639</u> |

Total grants received directly in the General Fund are as follows:

|                                    |                   |
|------------------------------------|-------------------|
| Community and Economic Development | \$ 1,485          |
| General Government                 | 50,000            |
| Public Safety                      | 399,289           |
| Public Works                       | 10,000            |
| Recreation                         | 493,846           |
| Total                              | <u>\$ 954,620</u> |

**10. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

The composition of interfund balances as of June 30, 2010 is as follows:

**A. Due to/from other funds – Charges and Allocations**

| <u>Receivable Fund</u>       | <u>Payable Fund</u>          | <u>Amount</u>     |
|------------------------------|------------------------------|-------------------|
| General Fund                 | Non-major governmental funds | \$ 85,179         |
|                              | Water/ Wastewater Fund       | 101,809           |
|                              | Electric Revenue Fund        | 317,469           |
| Water/ Wastewater Fund       | General Fund                 | 257               |
| Electric Fund                | General Fund                 | 1,558             |
|                              | Water/Wastewater Fund        | 21,281            |
|                              | Non-major governmental funds | 52,456            |
| Non-Major Governmental Funds | General Fund                 | 1,687             |
| Total                        |                              | <u>\$ 581,696</u> |

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

**B. Due to/from Other Funds-Temporary Advances**

| <u>Receivable Fund</u> | <u>Payable Fund</u>          | <u>Amount</u> |
|------------------------|------------------------------|---------------|
| General Fund           | Non-major governmental funds | \$ 85,000     |

**C. Interfund Transfers**

| <u>Transfers Out</u>         | <u>Transfers In - General Fund</u> |
|------------------------------|------------------------------------|
| Non-major governmental funds | \$ 1,850,455                       |
| Water/ Wastewater Fund       | 548,020                            |
| Electric Revenue Fund        | 6,758,100                          |
| Total                        | <u>\$ 9,156,575</u>                |

Transfers are generally made for the purpose of providing operating capital or debt service subsidies to the receiving fund in accordance with City policy.

**11. RENTAL INCOME**

The City has a lease agreement with an individual for agricultural use of the Garrison Farm. The lease payment of \$41,536 has been recorded as miscellaneous revenue in the General Fund.

The City's Electric Revenue Fund owns a professional office building which houses the City's Customer Service, Finance and Information Technology Departments. At June 30, 2010, the City had leases with three tenants for the remaining space available. Lease revenue is \$217,731 in the Electric Revenue Fund consisting of office space rental of \$142,296, substation rental of \$30,000, pole rentals of \$41,683, and dark fiber leasing of \$3,752.

The City maintains several water tower leases for a group of telecommunications companies. These are recorded as revenue of the Water/Wastewater Fund and total \$293,154 in the current fiscal year.

## 12. MATERIAL COMMITMENTS

- A. The City budgets monies to assist the volunteer fire company with payments on two pieces of firefighting equipment. The payments are budgeted as expenditures in the Governmental Capital Projects Fund budget.

The payments are as follows:

|           |            |
|-----------|------------|
| Ladder #2 | \$ 92,901  |
| Engine #5 | \$ 132,075 |

B. On May 4, 2006 the City entered into a contract to provide a market-based approach for power supply managed by PACE Global Asset Management, LLC (PACE). The five-year management contract with PACE covers asset, energy and risk management programs. PACE manages energy purchases and utilizes the City's generating assets to provide a level of rate stability as necessary to mitigate the effects of rising and volatile energy prices. The contract provides for management fees to be paid monthly with a performance incentive to be paid at the end of the each fiscal year. The average annual cost is approximately \$3 million. The current contract expires June 30, 2011. The City will be issuing request for proposals in fiscal year 2011 in preparation of the contract expiration.

C. On May 4, 2006, the City also entered into a four-year management contract with North American Energy Services to operate and maintain the generating assets of the electric utility. The City extended the contract with North American Energy Service in fiscal year 2010 through June 30, 2012. The City has incorporated the budgets and financial activity of the plant into its procedures used for all other divisions of the electric utility. These procedures include a line item budget and adherence to City policies. All personnel are employed by North American and personnel costs are billed to the City bi-weekly. Any capital improvements are included in the City's capital improvement plan. The contract also provides for a monthly management fee and a performance incentive based on budget and plant performance. The average annual cost for management and the incentive is approximately \$350,000 and is included in the plant-operating budget.

## 13. FORWARD CONTRACTS

Pursuant to the May 4, 2006 Energy Management Agreement between the City and PACE Global Asset Management, LLC, the City has formed an Executive Risk Management Committee ("ERMC"). The ERMC has adopted a Governing Policy for Energy Commodity Risk Management (Policy) aimed at addressing the energy commodity risks and the Procedures and Controls Manual for Energy Commodity Risk Management ("Procedures Manual"). The Procedures Manual further describes the risk management philosophy under which PACE Global, the City's designated provider of energy risk management services conducts its activities.



The Procedures authorize PACE to enter into physical forward transactions which shall be governed by Edison Electric Institute (EEl), North American Energy Standards Board (NAESB), or similar agreements with counterparties approved by the City.

These agreements will enable the City to hedge the forward price of purchased power, natural gas or fuel oil for delivery as needed to meet its load requirements. No speculative transactions for volumes in excess of forecasted power and fuel needs are permitted. PACE also provides advisory services to the City for financial hedges in determining if they would be beneficial to mitigate market and credit risk.

Under the Procedures the City will not extend credit to any potential counterparty that has a credit rating below investment grade (defined as BBB as rated by Standard & Poor's or Baa2 as rated by Moody's). Any counterparty that is unrated by either S & P or Moody's must be approved by the ERM C prior to the execution of any trading activities.

Credit risk is mitigated through the use of collateral thresholds, credit limits, maximum nominal exposure and term limitations. A collateral threshold is the amount of unsecured credit granted to the counterparty. Unsecured credit exposure includes amounts owed by the counterparty, whether billed or not, and the market-to-market differences in value of any collateral held. Any net exposure above the collateral threshold will require the posting of collateral by the counterparty. Collateral thresholds, term limitations and credit exposure limits are subject to maximums as established by the ERM C.

**Counterparty Credit Risk (\$000's)**

| <b>Counterparty</b>             | <b>Credit Rating</b> | <b>Credit Limit</b> | <b>Line Availability</b> | <b>Maximum Amount of Loss due to Credit Risk w/o Respect to Collateral (\$)</b> | <b>Collateral Description</b>   | <b>Diversification Requirement</b> |
|---------------------------------|----------------------|---------------------|--------------------------|---|---|------------------------------------|
| Deutsche Bank                   | Aa3                  | \$15,000            | \$13,280                 | \$1,720   | No Collateral if exposure under specified threshold   | N/A                                |
| Sempra Energy Trading           | Baa1                 | \$27,000            | \$27,000                 | \$0   | No Collateral if exposure under specified threshold   | NA                                 |
| Constellation                   | Baa2                 | \$30,000            | \$23,356                 | \$6,644   | Up to \$10,000 is guaranteed by Constellation Energy/Group, Inc.  | NA                                 |
| Barclays Bank                   | Aa2                  | \$15,000            | \$13,130                 | \$1,870   | No Collateral if exposure under specified threshold   | N/A                                |
| Integrus Energy Services        | Baa1                 | \$15,000            | (\$559)                  | \$15,559  | No Collateral if exposure under specified threshold in the event of potential default, performance from counter party is required | NA                                 |
| Macquarie Cook                  | A1                   | \$15,000            | \$6,671                  | \$8,329   | Up to \$15,000 is guaranteed by Macquarie Bank Limited  | N/A                                |
| FPL Energy Power Marketing Inc. | A                    | \$13,000            | \$7,618                  | \$5,382   | No Collateral if exposure under specified threshold   | NA                                 |

**14. INSURANCE****A. Health Insurance – State of Delaware**

The City participates in the State of Delaware Health Insurance Program. The State offers four health plan options. The administration of benefits is coordinated with Aetna and Blue Cross Blue Shield of Delaware. Pre-determined premiums consisting of the City and employee contributions are subsequently paid out to the State of Delaware.

**B. Workers' Compensation Fund – Self-Insurance**

On July 1, 1990, the City began self-insuring its Workers' Compensation insurance. For this purpose, the City has established a separate fund.

Claims are processed and administered by a third party administrator. The City manages the revenue and expenditures in this fund and maintains all the records.

An actuarial analysis was completed in fiscal year 2010. As of June 30, 2010, there is \$296,189 in outstanding claims in this fund. An appropriate umbrella policy for the excess coverage has been purchased and is in effect as of June 30, 2010.

The City maintains a fund balance to cover any significant claims or settlements. There have been no significant reductions or settlements exceeding coverage in the past four fiscal years.

Workers' Compensation activity is as follows:

|                                  | 2010              | 2009              |
|----------------------------------|-------------------|-------------------|
| Claims payable beginning of year | \$ 346,143        | \$ 206,900        |
| Claims incurred                  | 203,481           | 569,529           |
| Payment of claims                | (253,435)         | (430,286)         |
| Claims payable end of year       | <u>\$ 296,189</u> | <u>\$ 346,143</u> |

### **C. Other than Health or Workers' Compensation Insurance**

The City purchases commercial insurance policies to cover risks not insured through self-insurance funds. The City has designated a contingency account to provide for uninsured capital losses (See Note 7). There have been no significant reductions or settlements exceeding coverage in the past five fiscal years.

## **15. COMPENSATED ABSENCES**

The City grants a specific number of vacation days with pay to its employees. Upon termination or retirement, an employee is paid for accumulated vacation days. The City also grants one paid sick day per month to all employees with the exception of employees covered by the International Brotherhood of Electric Workers (IBEW) contract. The IBEW employees are granted eleven sick days per year. Employees hired on or before July 1, 2004 accumulate sick days, payable upon retirement, at a maximum of 130 days for less than 25 years of service or 150 days for more than 25 years of service. Employees hired after July 1, 2004 will be permitted to be paid in full for a maximum of 100 days of accrued sick leave upon retirement. No accrued sick leave is paid when an employee is terminated.

In the government-wide and proprietary fund financial statements, unpaid compensated absences are recorded as a liability as the vested employees' benefits accrue, to the extent it is probable that the employee will be paid for sick benefits at retirement.

In governmental funds, compensated absences are recorded as expenditures as payments become due; accordingly, no liability is recorded in the Governmental Funds statement. Typically the General Fund has been used in prior years to liquidate the liability for compensated absences recorded in governmental activities.

## 16. SUBSEQUENT EVENTS

On November 17, 2010 the City closed on the Electric Revenue Refunding Bond Series 2010 – Tax Exempt. This series refunded the 2004 Electric Revenue Bonds - Taxable Series in the aggregate principal amount of \$10,625,000. The new bonds were issued with principal of \$8,810,000 due to lower interest rates and use of excess funds in the bond reserve accounts in paying off the refunded bonds. The City electric utility will save approximately \$650,000 in annual debt service over the remaining years on the bonds or five and a half years.

The City will close on a revenue bond, estimated at \$3 million, with the State of Delaware using the State's revolving loan fund program during the second half of fiscal year 2011. The proceeds of this bond will be used to continue relining the sanitary sewer mains and upgrade two pump stations.

## 17. OTHER POST EMPLOYMENT BENEFITS

### Plan Description

On May 11, 2009 the City of Dover Other Post Employment Benefits Trust (OPEB Trust) was established pursuant to Section 115 of the Internal Revenue Code. Policy for and management of the OPEB benefits provided to retirees are the responsibility of the City of Dover. No stand-alone financial report is issued for the OPEB Trust.

The OPEB Trust is a single-employer defined benefit plan. The OPEB Trust provides retirement medical coverage to pensioners and their eligible dependents in the City of Dover defined benefit and defined contribution pension plans.

The City is a participating member of the State Employees' Post-Retirement Health Insurance Premium Fund administered by the State of Delaware. The State Office of Benefits provides the City with the medical insurance premiums by type of coverage and carrier during the budget cycle each year. The City also pays a five percent risk premium and contract administration fee for each contract in addition to the premium. Any premiums paid over or under the benefits paid out for City employees' revert to the State's Post-Retirement Health Insurance Premium Fund.

Membership of the plan consisted of the following at June 30, 2010:

|  |            |
|--|------------|
| Retirees and beneficiaries receiving benefits                          | 231        |
| Terminated plan members entitled to but not yet receiving the benefits | 13         |
| Active eligible plan members   | <u>342</u> |
| Total  | <u>586</u> |

Substantially all City employees become eligible for post retirement benefits if they reach retirement age while working for the City. The costs of providing these benefits are shared between the City and the retired employee. The IUE-CWA/DOE union employees hired

after July 1, 1994 are not eligible for post retirement medical benefits if they elect early retirement. The eligibility provisions are as follows:

- Age 55 with 10 years of continuing service, or
- If hired May 1, 1994 or later, Age 55, and whose attained age plus years of continuous service is equal to or greater than 80, or
- If hired before May 1, 1994, 25 years of continuous service, or has attained the age of 50 years and completed 20 years of continuous service

Spouse and Survivor Coverage:

Spouse and survivor coverage are both available under any of the plan options with similar retiree contributions with one exception. The International Brotherhood of Electrical Workers (IBEW) collective bargaining agreement does not include spouse and survivor coverage.

Employer and Employee Contributions:

Currently, the City of Dover contributes 100% of individual coverage for the type of coverage they choose. The City also contributes 75% of the amount over the individual premium for dependent care coverage. The employee contributes 25% of the amount over the individual premium for dependent care coverage.

The City of Dover funds the other postemployment benefits for current retirees on a pay-as-you-go basis along with funding for future benefits at a rate that is approved in the annual budget, but not actuarially determined. Additional funding has also been provided on an ad hoc basis. The employer contributions towards retiree health care premiums this fiscal year are as follows:

|                        |                     |
|------------------------|---------------------|
| General Government     | \$ 1,006,397        |
| Water/Wastewater Fund  | 134,721             |
| Electric Revenue Fund  | 531,843             |
| Total Benefit Provided | <u>\$ 1,672,960</u> |

Transactions recorded in the OPEB Trust for the payment of administrative and investment expenses. Administrative costs are financed through investment earnings. City appropriations and other employer contributions for health care are recorded in the OPEB Trust. The OPEB Board of Trustees is responsible for the management of the trust investments.

Contributions

The contribution rates for the employer are established annually by the budgeting process of the City. Those rates include an employer contribution based on projected pay-as-you-go financing requirements as a percent of premiums, with an additional amount to prefund benefits, which is not actuarially determined. The City did not contribute additional amounts to the OPEB Trust for fiscal year 2010.

**Annual OPEB Cost and Net OPEB Obligation/ (Asset)**

The City's annual OPEB cost is calculated based on the ARC of the employer, an amount actuarially determined in accordance with GAAP. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period of thirty years. Amounts "required" but not actually set aside to pay for these benefits are accumulated as part of the net OPEB obligations. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and the City's net OPEB obligation:

|  | Total              | Governmental<br>Activities | Water/<br>Wastewater<br>Fund Activities | Electric Fund<br>Activities |
|--|--------------------|----------------------------|---|-----------------------------|
| Net OPEB obligation (asset) at June 30, 2009 | \$50,679           | \$384,260                  | (\$85,388)                              | (\$248,193)                 |
| Annual Required contribution                 | 5,891,919          | 3,850,393                  | 501,701                                 | 1,539,825                   |
| Adjustment to annual required contribution   | (789)              | (516)                      | (67)                                    | (206)                       |
| Annual OPEB Cost                             | 5,891,130          | 3,849,877                  | 501,634                                 | 1,539,619                   |
| Employer Contributions                       | (1,672,960)        | (1,006,397)                | (134,720)                               | (531,843)                   |
| Net OPEB obligation (asset) at June 30, 2010 | <u>\$4,268,849</u> | <u>\$3,227,740</u>         | <u>\$281,526</u>                        | <u>\$759,583</u>            |

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation thru fiscal year 2010 are as follows:

| <b><u>Fiscal Year<br/>Ended<br/>June 30</u></b> | <b><u>Annual<br/>OPEB<br/>Cost</u></b> | <b><u>Percentage<br/>of Annual<br/>OPEB Cost<br/>Contributed</u></b> | <b><u>Net<br/>OPEB<br/>Obligation</u></b> |
|---|--|--|---|
| 2009  | \$6,227,825                            | 99.2%  | \$50,679                                  |
| 2010  | \$5,891,130                            | 28.4%  | \$4,268,060                               |

The City did not meet its funding obligation for Fiscal Year 2010. The City has elected a ten-year phase-in plan to achieve the appropriate funding level. During this time the City will be researching alternative benefit plan options to reduce the AAL and ARC.

**Funded Status and Funding Progress**

As of June 30, 2010, the most recent actuarial valuation date, the plan was 7.3% funded. The actuarial accrued liability for benefits was \$64.8 million, and the actuarial value of assets was \$4.8 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$60.1 million for the primary government. The covered payroll (annual payroll of active employees covered by the plan) was \$18.8 million, and the ratio of the UAAL to the covered payroll was 319%.

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future.

Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

#### Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the OPEB plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2010 actuarial valuation, the projected unit credit actuarial cost method was used. Investments are valued at market rates. The actuarial assumptions included a 4.8% investment rate of return, which is a blended rate of the expected long-term investment returns on plan assets and on the City's own investments calculated based on the funded level of the plan at the valuation date, and an initial medical inflation rate of 9.0% with an ultimate rate of 5.2%. The UAAL is being amortized as a level dollar amount over 30 years based on an open group using a 3.5% rate of salary increase.

### **18. DEFERRED COMPENSATION PLAN**

Effective November 14, 1983, the City added a self-directed 457 Deferred Compensation Plan to its employee benefit options. The plan is administered by the International City Management Retirement Corporation (RC). The assets are held in the name of each participant with the ICMA (International/ City/County Management Associations) Retirement Trust. Employees are eligible to make contributions to the plan not to exceed the ceiling set by federal regulations.

The City later added an alternative investment firm for the Deferred Compensation Plan with Nationwide Retirement Solutions. In May 1994, the City offered to employees the 457 Deferred Compensation Plan as their pension plan in lieu of participation in the General Employee Pension Plan. At that time 41 employees opted out of the Defined Benefit Pension Plan and enrolled in the Deferred Compensation Plan.

Effective July 2000, the City implemented an IRC 401a Money Purchase Plan to replace the 457 Plan as an alternative choice for pension benefits. (See Note 19)

Currently, the ICMA Plan has assets of \$5,099,434 (market value) as of June 30, 2010, with 131 employees participating. The Nationwide plan has assets of \$2,382,399 (market value) as of June 30, 2010 with 37 employees participating. Quarterly statements are

mailed to each participant by the plan administrators. All administration fees are borne by the participants. All contributions are 100% vested upon election of the plan. Employees are eligible to withdraw or rollover to another plan the employer and employee benefits upon separation of service. Withdrawals prior to age 59 ½ could be subject to penalty.

Employees who select the defined benefit plan or the defined contribution plan are also eligible for the 457 Deferred Compensation Plan. No matching employer contribution is made to the 457 Deferred Compensation Plan. As of June 30, 2010, there are 358 employees eligible to enroll in the 457 Deferred Compensation Plan.

## **19. RETIREMENT PLANS**

### **A. Defined Contribution Plan**

Effective July 1, 2000, the City implemented an IRC 401a Money Purchase Plan, a self-directed defined contribution plan. The contribution and funding requirements of the plan are established by the City and may be amended by the City. The plan is administered by the International City Management Retirement Corporation (RC). The assets are held in the name of each participant with the ICMA (International City/County Management Associations) Retirement Trust.

Quarterly statements are mailed to each participant by RC. All administration fees are borne by the participants.

The City provides a 100% match of the employees required contribution up to 6% on base wages plus on-call pay, pay adjustments, and scheduled overtime. All full-time regular employees are eligible, excluding law enforcement personnel. Personnel that elect the defined contribution plan are not eligible for the defined benefit plan. All contributions are 100% vested upon election of the plan. To be eligible for benefit payments, the participant must meet the same eligibility requirements as the participants in the defined benefit plan. Employees are eligible to withdraw or rollover to another plan the employer and employee benefits upon separation of service. Withdrawals prior to age 59 ½ could be subject to penalty.

As of June 30, 2010, there were 269 eligible full-time employees of whom 83 are participants in this plan. The City contributed a total of \$214,466 on wages of approximately \$3,785,586 and employees contributed \$113,567. The market value of plan assets totaled \$2,257,914 as of June 30, 2010.

### **B. Defined Benefit Plans**

The City participates in three defined benefit pension plans: City of Dover Police Pension Plan, State of Delaware Police Pension Plan, and The City of Dover General Employee Pension Plan. The City of Dover Police Pension Plan, a single employee defined benefit plan, covers all uniformed police officers hired prior to September 1, 1982. The State of Delaware Police Pension Plan, a multi-employer cost sharing



defined benefit plan, covers all uniformed police officers hired on or after September 1, 1982. The City of Dover General Employee Pension Plan, a single employer defined benefit plan, covers all full-time permanent employees, other than police officers. The City makes employer contributions to all three plans.

The City holds and administers the assets of the two single-employer defined benefit plans and, accordingly, is required to prepare pension trust fund financial statements using the accrual basis of accounting. Separate pension fund financial statements for each plan have not been issued; accordingly, they are presented as required by GASB Statement No. 34, as follows:

**The City of Dover, Delaware**  
**Statement of Pension Trust Fund Net Assets**  
**June 30, 2010**

|  | <b>Police<br/>Pension</b> | <b>General<br/>Pension</b> | <b>Totals</b>        |
|--|---------------------------|----------------------------|----------------------|
| <b>ASSETS:</b>                                   |                           |                            |                      |
| Cash and cash equivalents                        | \$ 707,910                | \$ 369,729                 | \$ 1,077,639         |
| Investments at fair value - Mutual Funds         | 9,679,405                 | 17,350,548                 | 27,029,953           |
| <b>LIABILITIES:</b>                              |                           |                            |                      |
| Accounts Payable                                 | (8,713)                   | \$ (14,389)                | (23,102)             |
| Net assets held in trust<br>for pension benefits | <u>\$ 10,378,602</u>      | <u>\$ 17,705,888</u>       | <u>\$ 28,084,490</u> |

**The City of Dover, Delaware**  
**Statement of Changes in Pension Trust Fund Net Assets**  
**For the Year Ended June 30, 2010**

|                                     | <b>Police<br/>Pension</b>   | <b>General<br/>Pension</b>  | <b>Totals</b>               |
|-------------------------------------|-----------------------------|-----------------------------|-----------------------------|
| Additions                           |                             |                             |                             |
| Net investment income/loss          | \$ 1,154,965                | \$ 1,963,709                | \$ 3,118,674                |
| City's contribution - payroll based | -                           | 2,270,623                   | 2,270,623                   |
| City's contribution - lump sum      | 95,000                      | -                           | 95,000                      |
| Employee contribution               | -                           | 294,599                     | 294,599                     |
| State contributions                 | 399,289                     | -                           | 399,289                     |
| Other                               | 2,298                       | -                           | 2,298                       |
| Total Additions to Net Assets       | <u>1,651,552</u>            | <u>4,528,931</u>            | <u>6,180,483</u>            |
| Deductions                          |                             |                             |                             |
| Benefit payments                    | 1,446,236                   | 2,932,388                   | 4,378,624                   |
| General administration              | 15,613                      | 26,387                      | 42,000                      |
| Refund of pension contribution      | -                           | 38,955                      | 38,955                      |
| Total Deductions From Net Assets    | <u>1,461,849</u>            | <u>2,997,730</u>            | <u>4,459,579</u>            |
| Changes in net assets               | 189,703                     | 1,531,201                   | 1,720,904                   |
| Net assets - beginning              | <u>10,188,899</u>           | <u>16,174,687</u>           | <u>26,363,586</u>           |
| Net assets - ending                 | <u><u>\$ 10,378,602</u></u> | <u><u>\$ 17,705,888</u></u> | <u><u>\$ 28,084,490</u></u> |

Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to each plan are recognized when due, pursuant to formal commitments, to provide contributions. Benefits or refunds are recognized when due and payable in accordance with the terms of each plan. Investment management and consultant fees are paid from the Pension Trusts Funds. All actuarial costs are paid from other City funds.

The City's total payroll for all eligible full-time regular employees for the year ended June 30, 2010, was \$20,774,091. Of this amount \$14,120,132 in total payroll earnings was reported to and covered by the two active defined benefit pension plans.

**i. City of Dover Police Pension Plan**

This contributory pension plan began on January 1, 1970 under the authority of the City Code, Chapter 62, Article III, Pension Plan, Section 62-71 through 62-84. The contribution and funding requirements of the plan are established by the City and may be amended by the City. It is a closed plan. The last active employee retired June 29, 2006. An officer's pension right is vested upon the completion of 15 years of continuous service. As of June 30, 2010, there are 46 retirees and beneficiaries receiving benefits.

The percentage of covered payroll, which employees contribute, is stated in the City Code, and is considered by the actuaries in their determination of the actuarial requirement for employer normal cost.

Fully vested employees who have completed 20 to 25 years of continuous service are entitled to annual benefits equal to 2 ½% of their average earnings for each year of continuous service. The maximum benefit is 62 ½% of average earnings. An employee may not work longer than 25 years of continuous service or past the first of the month following his or her attainment of age 55. With the written consent of the participant and the Chief of Police, a participant's retirement may be deferred on an annual basis beyond his normal retirement to 60 years of age. If a participant terminates after completing 15 years of service, the participant will be eligible for a deferred benefit commencing at age 60 with a benefit accrued at the date of termination. In place of this vesting, participants may elect to receive their accumulated contributions.

Disability benefits are paid to a participant who is totally or partially disabled in the performance of his or her duties. The total duty-connected disability benefit is payable monthly and equal to 75% of the monthly rate of earning at the time of disability. The partial duty-connected disability benefit is the accrued benefit at the date of disability if not less than 50% of average earnings. Disability benefits cease if the participant recovers or dies. If the disabled participant reaches his normal retirement date, the benefit is reduced by one-third.

Survivor's benefits are payable monthly in an amount equal to 75% of the participant's rate of earnings, for a duty related death. Survivor's benefits are payable monthly in an amount not to exceed 25% of the participant's rate of earnings, for a non-duty related death, if the participant has completed 10 years of service. If a retired participant dies, his or her spouse receives 50% of the benefit. All benefits under the plan, including survivor's benefits, are increased 2% per annum.

If an employee terminates before becoming vested in the plan, his/her total contribution is refunded with interest compounded annually. Interest is based on prime.

The plan is managed by the City of Dover Police Pension Board established in the City Code. The committee recommends changes and amendments to City Council, which approves changes to the code. The rate of the City's contribution is determined by the actuarial study.

The State contributes to the City of Dover Police Pension Plan on behalf of the City. The State assesses a .25% surcharge on insurance policies issued in the state. Each year this amount is allocated to the municipalities in Delaware in direct ratio to the number of officers employed. For the year ended June 30, 2010, the State contribution was \$399,289. The State also provides 75% for the annual cost of living increase (COLA) granted to police retirees on January 1 each year. For 2010, the

State did not remit their contribution by June 30, 2010. Once remitted these amounts are included as Grants received revenue and Public Safety and Law Enforcement expenditures in the General Fund.

The legally defined liability for the City of Dover Police Pension Plan is the full amount required to pay the current year's total benefits. The City has met this liability for the current fiscal year. An actuarial study as of July 1, 2009 in accordance with GASB Statement 25 and 27 has been completed. The City's actuary is Pike Associates of Potomac, Maryland.

The annual required contribution (ARC) conforms to the entry age normal cost method as defined in Statement 25.

During the past year, the City contributions combined with the State insurance tax proceeds did not exceed the calculated annual pension cost and has resulted in a reduction of the overall net pension asset (NPA). The Governmental Activities accumulated value of contributions, deficiencies, or excesses over required contributions of \$1,094,937, of which \$1,030,844 is attributed to the Police Pension Plan is as follows:

|   | Governmental<br>Activities |
|---|----------------------------|
| Annual required contribution                        | \$ 786,436                 |
| Interest on net pension asset                       | (102,156)                  |
| Adjustment to annual required contribution          | 143,540                    |
| Annual pension cost                                 | 827,820                    |
| Contributions                                       | (496,587)                  |
| (Increase)/decrease in net pension asset            | 331,233                    |
| Net pension obligation (asset) at beginning of year | (1,362,077)                |
| Net pension obligation (asset) at end of year       | <u>\$ (1,030,844)</u>      |

There have been no significant changes affecting benefits during the valuation periods shown in the preceding table.

The following summarizes activity for this plan for the past three years:

|      | Annual<br>Pension Cost | Percentage<br>Contributed | NPO (Asset)<br>End of Year |
|------|------------------------|---------------------------|----------------------------|
| 2008 | \$ 378,828             | 190%                      | \$ (1,188,905)             |
| 2009 | \$ 552,319             | 131%                      | \$ (1,362,077)             |
| 2010 | \$ 827,820             | 60%                       | \$ (1,030,844)             |

#### Funded Status and Funding Progress

As of June 30, 2009, the most recent actuarial valuation date, the plan was 57.7% funded. The actuarial accrued liability for benefits was \$17.7 million, and the

actuarial value of assets was \$10.2 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$7.5 million for the primary government. There are no active officers, therefore there is no covered payroll or ratio of the UAAL to cover payroll.

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

The funding requirement for fiscal year 2009-2010 for this plan is presented below:

|                                    |             |                             |
|------------------------------------|-------------|-----------------------------|
| 1. Employer's Contribution         | \$95,000    | Lump sum contribution as    |
| Additional Lump Sum                |             | actuarially determined to   |
|                                    |             | fund the unfunded liability |
| 2. State of Delaware Contributions | \$399,289   | Surcharge on insurance      |
|                                    |             | premiums and COLA           |
| 3. Annual Pension Cost             | \$827,820   | Actuarially computed using  |
|                                    |             | entry age cost method       |
| 4. Net Pension Asset               | \$1,030,844 | As of June 30, 2010         |

The net pension asset is a result of matching funds that the State of Delaware provides (75%) for the annual cost of living increase granted to police retirees on January 1 of each year. The increase on January 1, 2010 is not included in the liability calculation that was performed on July 1, 2009. The July 1, 2010 valuation takes into account the January 1, 2010 COLA and the State contribution.

Actuarial methods and significant assumptions:

|                               |                                       |
|-------------------------------|---------------------------------------|
| Valuation date                | July 1, 2009                          |
| Actuarial cost method         | Entry age cost method                 |
| Amortization method           | Level percentage of projected payroll |
| Remaining amortization period | 15 years                              |
| Amortization Period           | Closed                                |
| Asset valuation method        | Current market value                  |

Actuarial Assumptions:

|                                     |  |
|-------------------------------------|--|
| Investment rate of return           | 7.5%                                   |
| Projected salary increases          | none, no remaining active participants |
| Includes inflation at               | none, no remaining active participants |
| Automatic Cost of Living (retirees) | 2.0%                                   |

## ii. State of Delaware Police Pension Plan

The City participates in the State of Delaware "County and Municipal Police Pension Plan" for uniformed police officers whose employment with the City started on or after September 1, 1982 under the authority of the City Code, Chapter 62, Article III, Pension Plan, Section 62-71. This is a cost-sharing multiple-employer defined benefit pension plan. The State of Delaware enacted legislation to provide for the plan and is responsible for setting benefits, contributions and amending plan provisions. This is a contributory plan with the employee contributing 7% of gross salary, exclusive of overtime. For the year ended June 30, 2010, \$5,735,522 in payroll earnings were reported to and covered by this plan.

The City's actuarially determined contributions as the employer were 13.61%, 13.82% and 13.70% for the fiscal years ended June 30, 2008, 2009 and 2010, respectively. The City's contributions to the plan for years ending June 30, 2008, 2009 and 2010 were \$759,774, \$822,782 and \$785,766 and were equal to the required contributions for each year. These contributions cover 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 Board of Pension Trustees. The Comprehensive Annual Financial Report of the Delaware Public Employees Retirement System can be obtained from the Office of Pensions, 680 Silver Lake Boulevard, Dover, Delaware, 19904-2402 or at [www.delawarepensions.com](http://www.delawarepensions.com).

As of June 30, 2010 city membership in this plan is comprised of the following:

|  |    |
|--|----|
| Retired and beneficiaries currently receiving benefits | 28 |
| Active employees: Fully Vested 10 years                | 48 |
| Non-Vested   | 41 |

The State of Delaware County and Municipal Police Pension Plan provides benefits equal to 2½% of final average monthly compensation multiplied by years of service up to 20 years inclusive, plus 3.5 % of final average monthly compensation multiplied by years of service above 20 years. Vesting occurs after 10 years of credited service. Retirement is at age 62 with 10 years of service, when age plus credited service (but not less than 10 years) equals 75, or 20 years of service.

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

If a retired participant dies, the eligible survivor receives 50% of the monthly benefit. If an active employee dies, the survivor receives 50% of the monthly benefit that the employee would have received at age 62.

Assets of the plan are managed by many investment firms approved by the State Pension Board. Details are available from the State Pension Office, Dover, Delaware at: [www.delawarepensions.com](http://www.delawarepensions.com).

### **iii. City of Dover General Employee Pension Plan**

The City of Dover General Employee Pension Plan started on July 1, 1967, under the authority of the City Code, Chapter 2, Article IV, Division 7, General Employee Pension Plan, Sections 2-321 through 2-370, and was made contributory on July 1, 1983. The contribution and funding requirements of the plan are established by the City and may be amended by the City. Employees contribute 3.5% of gross salary, exclusive of unscheduled overtime. An employee's pension right is vested upon completion of 10 years of continuous service. Participation in the plan became mandatory for employees hired after July 1, 1991. At the present time, 181 employees and 187 retirees participate in the plan, while 83 employees have chosen to participate in the defined contribution plan, which began July 1, 2000. Current membership in the General Employee Pension Plan as of June 30, 2010, is comprised of the following:

|  |     |
|--|-----|
| Retired and beneficiaries currently receiving benefits | 187 |
| Active employees: Fully Vested                         | 82  |
| Non-Vested   | 99  |
| Deferred Vested:                                       | 13  |

The percentage of covered payroll which employees contribute is stated in the City Code, and is considered by the actuaries in their determination of the actuarial requirement for employer normal cost. For the year ended June 30, 2010, payroll earnings of \$8,384,610 were reported to and covered by this plan.

An employee hired before May 1, 1994 is eligible for normal retirement benefits under this plan: when he/she attains the age of 65 with 10 years of continuous service. This same employee is eligible for early retirement when he/she attains the age of 50 with 20 years of continuous service or has completed 25 years of service.

Employees hired on or after May 1, 1994 who attained age 55 and whose attained age plus years of continuous service is equal to or greater than 80 are eligible for early-unreduced retirement benefits under this plan. The monthly benefits are 1/50 of the average monthly earnings multiplied by years and months of credited service upon retirement (highest 36 consecutive months in his/her final 10 years of continuous service). The monthly benefit shall not be less than \$200 per month. Benefits are paid for the lifetime of the participant. Upon the death of the participant, 50% of the benefit continues to the eligible survivor.

An employee may also take an early-reduced retirement on any date following the attainment of age 55 and the completion of 10 years of continuous service.

However, the early retirement benefit is calculated in the same manner as the normal retirement benefit, reduced by one-half of one percent for each month the benefit commences prior to the age 65.

Survivor's benefits are payable to eligible survivors of a participant who dies after completing 10 years of continuous service. The amount of the death benefit is equal to 50% of the retirement benefit the participant would have received had he retired the day before he died. A participant is vested in the pension plan after completing 10 years of continuous service, with survivor benefits commencing when the employee would have attained the age of 65.

The benefit is calculated using the normal retirement benefit formula and service at date of termination. If an employee terminated before becoming vested in the plan, they are eligible to withdraw this total contribution with interest compounded annually. Interest is based on prime.

The plan is managed by the City of Dover Employees' Pension Board established in the Code, which may make recommendations for changes and amendments to the plan to the City Council. The City Council must authorize changes to the City Code. The rate of the City contribution is determined by the actuarial study. The Pension Board of Trustees does not issue a separate comprehensive annual financial report, and the City of Dover General Employee Pension Plan is included in the City's Comprehensive Annual Financial Report as a Pension Trust.

The legally defined liability for the City of Dover General Employee Pension Plan is the full amount required to pay the current year's total benefits. The City has met this liability for the current fiscal year. An actuarial study as of July 1, 2009 has been completed in accordance with GASB Statements No. 25 and 27. The City's actuary is Pike Associates of Potomac, Maryland.

The annual required contribution (ARC) conforms to the aggregate entry age cost method as defined in Statement 25. During the past year, the City contributions did not exceed the calculated annual pension cost and have resulted in a reduction of the overall net pension asset (NPA), defined as the accumulated value of contributions, deficiencies, or excesses over required contributions of \$148,848.

The Governmental Activities have a net pension asset of \$1,094,937 of which \$1,030,844 is attributed to the City of Dover Police Pension Plan and \$65,473 is attributed to the General Pension Plan as indicated in the table below. The Business-Type Activities have a net pension asset of \$83,375 of which \$28,080 is attributed to the Water/Wastewater Fund and \$55,295 is attributed to the Electric Revenue Fund as included in the following table.



|   | Total       | Governmental<br>Activities | Wastewater<br>Fund Activities | Electric Fund<br>Activities |
|---|-------------|----------------------------|-------------------------------|-----------------------------|
| Annual required contribution                        | \$2,564,767 | \$1,182,460                | \$407,868                     | \$974,439                   |
| Interest on net pension obligation                  | (33,482)    | (15,437)                   | (5,325)                       | (12,720)                    |
| Adjustment to annual required contribution          | 36,913      | 16,275                     | 6,090                         | 14,548                      |
| Annual pension cost                                 | 2,568,198   | 1,183,298                  | 408,633                       | 976,267                     |
| Contributions made                                  | (2,270,623) | (1,046,848)                | (361,091)                     | (862,684)                   |
| (Increase)/decrease in net pension asset            | 297,575     | 136,450                    | 47,542                        | 113,583                     |
| Net pension obligation (asset) at beginning of year | (446,423)   | (201,923)                  | (75,622)                      | (168,878)                   |
| Net pension obligation (asset) at end of year       | (\$148,848) | (\$65,473)                 | (\$28,080)                    | (\$55,295)                  |

There have been no significant changes affecting benefits provided by the Plan during the valuation periods shown in the preceding table.

The following summarizes activity for this plan for the past three years:

|      | Annual<br>Pension Cost | Percentage<br>Contributed | NPO (Asset)<br>End of Year |
|------|------------------------|---------------------------|----------------------------|
| 2008 | \$ 2,268,709           | 128%                      | \$ (313,693)               |
| 2009 | \$ 2,358,663           | 106%                      | \$ (446,423)               |
| 2010 | \$ 2,569,578           | 88%                       | \$ (147,468)               |

On May 1, 1994, a deferred compensation option was offered to employees in lieu of participation in the General Employee Pension Plan, and at that time 41 employees elected to switch to the deferred compensation plan. (See Note 18 – Deferred Compensation Plan)

On October 12, 2009 the City Council voted to close the General Employee's Pension plan to new hires. In fiscal year 2011, the City's actuary will make the necessary changes to the valuation method for a closed plan.

#### Funded Status and Funding Progress

As of June 30, 2009, the most recent actuarial valuation date, the plan was 43.7% funded. The actuarial accrued liability for benefits was \$45.5 million, and the actuarial value of assets was \$19.9 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$25.6 million for the primary government. The covered payroll (annual payroll of active employees covered by the plan) was \$8.8 million, and the ratio of the UAAL to the covered payroll was 292%.

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

The funding requirement for fiscal year 2009-2010 for this plan is as follows:

|    |   |                 |   |
|----|---|-----------------|---|
| 1. | Employee Contribution                           | 3.5% of payroll | As required by the City Code and the plan provisions (\$293,339)                |
| 2. | Employer's Contribution<br>July 2009– June 2010 | 27.04%          | Actuarially determined percent of payroll for current normal cost (\$2,270,623) |
| 3. | Annual Pension Cost                             | \$2,568,198     | Actuarially computed using entry age cost method                                |
| 4. | Net Pension Asset                               | \$147,468       | As of June 30, 2010   |

Actuarial Methods and significant assumptions:

|                               |                                       |
|-------------------------------|---------------------------------------|
| Valuation date                | July 1, 2009                          |
| Actuarial cost method         | Aggregate entry age cost method       |
| Amortization method           | Level percentage of projected payroll |
| Remaining amortization period | 15 years                              |
| Amortization Period           | Closed – October 12, 2009             |
| Asset valuation method        | Current market value                  |

Note – The amortization method and period will be reviewed for changes in the next actuarial valuation due to the plan closure.

Actuarial Assumptions:

|                            |      |
|----------------------------|------|
| Investment rate of return  | 7.5% |
| Projected salary increases | 4.5% |
| Includes inflation at      | 3.5% |

***FINANCIAL SECTION***

***PART - D***

***REQUIRED SUPPLEMENTARY  
INFORMATION***



***Services to Our Residents and Customers***

*Animal Control Enforcement*  
*Beautification*  
*Building Inspections*  
*City Elections*  
*Community Development/Housing*  
*Community Policing*  
*Economic Development*  
*Electricity*  
*Emergency Preparedness*  
*Fire Protection*  
*Leaf Collection*  
*Library*  
*Parks*  
*Planning & Zoning*  
*Police Protection*  
*Recreation*  
*Street Maintenance/Cleaning*  
*Snow Removal*  
*Trash Collection*  
*Bulk Trash Collection*  
*Tree Maintenance & Management*  
*Water/Sewage Service*

***The City also Offers***

*Historic Preservation*  
*Parking*

**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, 2010**

|   | ORIGINAL<br>BUDGET   | FINAL<br>BUDGET      | ACTUAL               | VARIANCE<br>POSITIVE<br>(NEGATIVE) |
|---|----------------------|----------------------|----------------------|------------------------------------|
| Beginning Balance - Working Capital           | \$ 2,816,763         | \$ 3,628,890         | \$ 3,628,890         | \$ -                               |
| <b>REVENUES:</b>                              |                      |                      |                      |                                    |
| Fines & Police Revenue                        | \$ 620,000           | \$ 520,000           | \$ 566,486           | \$ 46,486                          |
| 911 Fee                                       | 45,000               | 45,000               | 60,347               | 15,347                             |
| Interest Earnings                             | 253,000              | 253,000              | 145,869              | (107,131)                          |
| Library Revenues - General                    | 66,508               | 66,508               | 49,435               | (17,073)                           |
| Library Revenues - County Reimb.              | 460,000              | 460,000              | 415,952              | (44,048)                           |
| Business Licenses                             | 1,430,000            | 1,465,000            | 1,464,341            | (659)                              |
| Permits & Other Licenses                      | 904,000              | 934,000              | 960,427              | 26,427                             |
| Miscellaneous Revenues                        | 54,250               | 54,250               | 89,258               | 35,008                             |
| Police Extra Duty Fees                        | 300,000              | 300,000              | 418,479              | 118,479                            |
| Property Taxes                                | 10,185,246           | 10,155,246           | 9,977,466            | (177,780)                          |
| Bid Revenue                                   | 52,692               | 52,692               | 52,118               | (574)                              |
| Recreations Revenue                           | 141,500              | 141,500              | 148,796              | 7,296                              |
| Franchise Fees                                | 486,000              | 486,000              | 520,157              | 34,157                             |
| Transfer Tax                                  | 1,400,000            | 830,000              | 867,795              | 37,795                             |
| Trash Fees                                    | 1,260,000            | 1,201,000            | 1,193,850            | (7,150)                            |
| DSWA-Trash Fee Rebate                         | 160,000              | 160,000              | 146,880              | (13,120)                           |
| Garrison Farm Rent                            | 41,535               | 41,535               | 45,052               | 3,517                              |
| Court of Chancery Fees                        | 745,000              | 645,000              | 675,390              | 30,390                             |
| Intrafund Service Receipts Water/Wastewater   | 991,830              | 968,999              | 900,164              | (68,835)                           |
| Intrafund Service Receipts Electric           | 3,483,884            | 3,379,975            | 3,159,199            | (220,776)                          |
| Grants:                                       |                      |                      |                      |                                    |
| Police Related                                | 40,000               | 173,500              | 191,079              | 17,579                             |
| Verizon Grant                                 | -                    | -                    | 50,000               | 50,000                             |
| Recreation - Watershed Coordinator            | -                    | -                    | 1,485                | 1,485                              |
| Miscellaneous Grants                          | -                    | -                    | 10,000               | 10,000                             |
| Police Pension Grant                          | 620,000              | 620,000              | 399,289              | (220,711)                          |
| Capital School District Revenue               | 74,000               | -                    | -                    | -                                  |
| Transfer from Municipal Street Aid            | 775,200              | -                    | -                    | -                                  |
| Transfer from Civil Traffic Penalties         | 700,000              | 750,000              | 791,583              | 41,583                             |
| Transfer from Worker's Comp Fund              | -                    | -                    | -                    | -                                  |
| Transfer from Delaware Prevention Network     | -                    | -                    | -                    | -                                  |
| Transfer from Library Reserve                 | -                    | -                    | -                    | -                                  |
| Transfer from Contingency Reserve             | -                    | 350,000              | 236,582              | (113,418)                          |
| Transfer from Water/Wastewater Fund           | 548,020              | 548,020              | 548,020              | -                                  |
| Transfer from Electric Fund                   | 6,758,100            | 6,758,100            | 6,758,100            | -                                  |
| <b>Total Revenues</b>                         | <b>\$ 32,595,765</b> | <b>\$ 31,359,325</b> | <b>\$ 30,843,599</b> | <b>\$ (515,726)</b>                |
| <b>TOTAL BEGINNING BALANCE &amp; REVENUES</b> | <b>\$ 35,412,528</b> | <b>\$ 34,988,215</b> | <b>\$ 34,472,489</b> | <b>\$ (515,726)</b>                |

(continued)

(continued)

|  | ORIGINAL<br>BUDGET   | FINAL<br>BUDGET      | ACTUAL               | VARIANCE<br>POSITIVE<br>(NEGATIVE) |
|--|----------------------|----------------------|----------------------|------------------------------------|
| <b>EXPENDITURES:</b>                           |                      |                      |                      |                                    |
| Tax Assessor                                   | \$ 572,526           | \$ 565,924           | \$ 544,951           | \$ 20,973                          |
| Fire   | 750,445              | 718,058              | 670,923              | 47,135                             |
| Library  | 1,148,716            | 1,128,481            | 1,072,719            | 55,762                             |
| Recreation                                     | 757,467              | 754,140              | 715,266              | 38,874                             |
| Planning Commission                            | 409,335              | 400,895              | 395,217              | 5,678                              |
| Public Inspections                             | 517,316              | 509,371              | 481,259              | 28,112                             |
| Life Safety                                    | 422,029              | 508,320              | 499,349              | 8,971                              |
| Code Enforcement                               | 378,092              | 359,064              | 347,049              | 12,015                             |
| Economic Development                           | 243,854              | 223,350              | 214,591              | 8,759                              |
| Police   | 12,188,986           | 12,757,082           | 12,754,777           | 2,305                              |
| Streets  | 857,422              | 895,084              | 869,688              | 25,396                             |
| Sanitation                                     | 2,200,285            | 2,078,770            | 2,024,288            | 54,482                             |
| Allocated Expenditures:                        |                      |                      |                      |                                    |
| Human Resources                                | 451,960              | 430,037              | 378,029              | 52,008                             |
| Customer Services                              | 893,054              | 889,919              | 881,478              | 8,441                              |
| City Manager                                   | 553,130              | 566,474              | 558,515              | 7,959                              |
| Information Technology                         | 883,075              | 797,071              | 751,715              | 45,356                             |
| Finance  | 781,791              | 781,791              | 756,916              | 24,875                             |
| Public Services-Administration                 | 355,159              | 354,640              | 346,530              | 8,110                              |
| Facilities Management                          | 1,042,498            | 996,515              | 1,027,641            | (31,126)                           |
| Central Services                               | 778,095              | 714,165              | 664,433              | 49,732                             |
| Vehicle Maintenance                            | 699,676              | 712,645              | 701,754              | 10,891                             |
| City Clerk                                     | 290,580              | 278,229              | 261,520              | 16,709                             |
| Mayor  | 69,899               | 70,699               | 69,248               | 1,451                              |
| Council  | 112,684              | 113,934              | 95,842               | 18,092                             |
| Grounds Maintenance                            | 1,119,611            | 1,104,457            | 1,092,347            | 12,110                             |
| Insurance                                      | 600,000              | 600,000              | 514,904              | 85,096                             |
| Retiree Benefits                               | 1,014,820            | 1,014,820            | 1,006,397            | 8,423                              |
| Subtotal                                       | \$ 30,092,505        | \$ 30,323,935        | \$ 29,697,346        | \$ 626,589                         |
| Debt Service - Principal and Interest          | 328,410              | 328,410              | 328,410              | -                                  |
| Transfer to CDBG Fund                          | 11,000               | 5,500                | -                    | 5,500                              |
| Transfer to Verizon Reserve                    | -                    | -                    | 47,921               | (47,921)                           |
| Transfer to Criminal Investigation Reserve     | -                    | -                    | 15,724               | (15,724)                           |
| Transfer to Police Pension Fund                | 620,000              | 620,000              | 399,289              | 220,711                            |
| Transfer to Capital Projects Fund              | 344,802              | 44,802               | 44,802               | -                                  |
| Loss on sale of assets                         | -                    | 42,993               | 42,993               | -                                  |
| Inventory Write Offs                           | -                    | -                    | 37,000               | (37,000)                           |
| 2008 Snow Storm Expense                        | -                    | 350,000              | 236,582              | 113,418                            |
| Provision for Uncollectible                    | 10,000               | 10,000               | 10,000               | -                                  |
| Street Lights                                  | 985,000              | 985,000              | 956,860              | 28,140                             |
| <b>Total Expenditures</b>                      | <b>\$ 32,391,717</b> | <b>\$ 32,710,640</b> | <b>\$ 31,816,927</b> | <b>\$ 893,713</b>                  |
| Budget Balance - Working Capital               | 3,020,811            | 2,277,575            | 2,655,562            | (377,987)                          |
| <b>Total Budget Balance &amp; Expenditures</b> | <b>\$ 35,412,528</b> | <b>\$ 34,988,215</b> | <b>\$ 34,472,489</b> | <b>\$ 515,726</b>                  |
| Budget Balance - Working Capital               |                      |                      | \$ 2,655,562         |                                    |
| Perspective and GAAP (Non-GAAP) Differences:   |                      |                      |                      |                                    |
| Escrows not included in fund balance           |                      |                      | 66,447               |                                    |
| Fair value of investment adjustment            |                      |                      | (2,612)              |                                    |
| <b>Unreserved, Undesignated Fund Balance</b>   |                      |                      | <b>\$ 2,719,397</b>  |                                    |

**CITY OF DOVER**  
**GOVERNMENTAL CAPITAL PROJECTS FUND**

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

**For the Year Ended June 30, 2010**

|  | ORIGINAL<br>BUDGET  | FINAL<br>BUDGET     | ACTUAL              | VARIANCE<br>POSITIVE<br>(NEGATIVE) |
|--|---------------------|---------------------|---------------------|------------------------------------|
| Beginning Balance - Working Capital              | \$ 375,408          | \$ 462,693          | \$ 462,693          | \$ -                               |
| <b>REVENUES:</b>                                 |                     |                     |                     |                                    |
| State Grant for Library Project                  | \$ 4,000,000        | \$ 780,290          | \$ 493,846          | \$ (286,444)                       |
| Library Gifts/Donations                          | 1,912,433           | 602,384             | -                   | (602,384)                          |
| Investment Income                                | 2,700               | 2,700               | 8,114               | 5,414                              |
| Income from Sale of Assets                       | -                   | 29,200              | 36,437              | 7,237                              |
| Miscellaneous Receipts - Developer Contributions | -                   | -                   | 25,000              | 25,000                             |
| Transfer from Library Construction Reserve       | 3,000,000           | 177,906             | 157,693             | (20,213)                           |
| Transfer from Parkland Reserve                   | -                   | 40,000              | 3,128               | (36,872)                           |
| Transfer from General Fund                       | 344,802             | 44,802              | 44,802              | -                                  |
| <b>Total Revenues</b>                            | <b>\$ 9,259,935</b> | <b>\$ 1,677,282</b> | <b>\$ 769,020</b>   | <b>\$ (908,262)</b>                |
| <b>TOTAL BEGINNING BALANCE &amp; REVENUES</b>    | <b>\$ 9,635,343</b> | <b>\$ 2,139,975</b> | <b>\$ 1,231,713</b> | <b>\$ (908,262)</b>                |
| <b>EXPENDITURES:</b>                             |                     |                     |                     |                                    |
| Fire   | \$ 292,210          | \$ 292,210          | \$ 228,976          | \$ 63,234                          |
| Library  | 8,912,433           | 1,560,580           | 618,627             | 941,953                            |
| Police   | 73,700              | 94,706              | 39,500              | 55,206                             |
| Recreation                                       | -                   | 70,000              | 31,862              | 38,138                             |
| Streets  | 350,000             | 50,000              | 50,467              | (467)                              |
| Information Technology                           | 7,000               | 7,000               | -                   | 7,000                              |
| Subtotal   | 9,635,343           | 2,074,496           | 969,432             | 1,105,064                          |
| Transfer to Parkland Reserve                     | -                   | -                   | 106                 | (106)                              |
| <b>Total Expenditures</b>                        | <b>\$ 9,635,343</b> | <b>\$ 2,074,496</b> | <b>\$ 969,538</b>   | <b>\$ 1,104,958</b>                |
| Budget Balance - Working Capital                 | -                   | 65,479              | 262,175             | (196,696)                          |
| <b>Budget Balance &amp; Expenditures</b>         | <b>\$ 9,635,343</b> | <b>\$ 2,139,975</b> | <b>\$ 1,231,713</b> | <b>\$ 908,262</b>                  |
| Budget Balance - Working Capital                 |                     |                     | \$ 262,175          |                                    |
| Perspective and GAAP (Non-GAAP) Differences:     |                     |                     |                     |                                    |
| Capital asset funds - designated for future use  |                     |                     | 249,145             |                                    |
| Fair value of investment adjustment              |                     |                     | (5,922)             |                                    |
| Unreserved, designated for Capital Assets        |                     |                     | <b>\$ 505,398</b>   |                                    |



## **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

### **1. GOVERNMENTAL BUDGETS**

#### **A. Budgetary Basis of Accounting**

The City prepares its budget for the General Fund revenue on the cash basis except for property taxes and billable service charges, which are on a modified accrual basis. The expenditures are accounted for when the purchase orders are issued. Encumbrances are established when purchase orders are issued and accounted for as a reservation 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.

The Governmental Capital Project Fund is a section of the General Fund to provide for separate budgets to cover the planning and control of capital items for the governmental programs. The City prepares its budget for the Governmental Capital Projects Fund revenue on a cash basis. Encumbrances are established when purchase orders are issued and accounted for as a reservation of fund balance at year-end. The budget is amended in the subsequent year for the outstanding encumbrances of the prior year. The financial transactions of this fund are included in the governmental financial statements of the General Fund. Fund balance is included in unreserved, designated for Capital Assets at the end of each fiscal year.

- i. General Fund: Actual revenues were lower than the final appropriation by (\$515,726) mainly as a result of a decrease in revenue received for Interest earnings, Property taxes, Intra-fund service receipts, Police pension grant and transfer from Contingency reserve offset by increased revenue for police extra-duty, fines and police revenue, and Electronic Red Light Special Revenue. Expenditures were lower than budget by \$892,679 across several functions. The net result is an increase of \$377,987 to the General Fund ending fund balance.
- ii. Governmental Capital Projects Fund: Actual revenues were lower than the final budget by \$908,262 primarily attributed to no Gifts/Donations received in the year as well as, State Reimbursement for the Library project was lower than budget by \$286,444 due to delayed construction of the New Library Building. Expenditures were lower than budget due to projects and assets not purchased or completed. The net result is an increase of \$196,696 to the Governmental Capital Projects Fund ending fund balance.

#### **B. Budget Amendments**

During this fiscal year, the City Council amended the budget three times. These budget amendments or supplemental appropriation ordinances were primarily for the following purposes:

1. To amend the carried forward budget balances for the actual results of the prior fiscal year and to re-appropriate budget balances for ongoing capital projects.
2. To amend all program revenue and expenses based on the analyses provided by a mid-year review.
3. To amend all program revenues and expenses for the fiscal year as a result of budget reviews conducted while compiling the next fiscal year's budget.

## 2. **PENSION PLANS**

### A. Police Pension Plan

| <b>Police Pension Fund<br/>Required Supplementary Information<br/>Schedule of Funding Progress</b> |                    |                                    |                                   |                     |                |   |
|--|--------------------|------------------------------------|-----------------------------------|---------------------|----------------|---|
| <b>Valuation Date</b>  | <b>Plan Assets</b> | <b>Actuarial Accrued Liability</b> | <b>Unfunded Accrued Liability</b> | <b>Funded Ratio</b> | <b>Payroll</b> | <b>Unfunded as a Percent of Payroll</b> |
| 7/1/04   | \$ 11,829,963      | \$ 17,587,922                      | \$ 5,757,959                      | 67.3%               | \$ 63,830      | 9020.8%                                 |
| 7/1/05   | \$ 11,944,213      | \$ 17,850,795                      | \$ 5,906,582                      | 66.9%               | \$ 65,745      | 8984.1%                                 |
| 7/1/06   | \$ 12,471,057      | \$ 17,532,104                      | \$ 5,061,047                      | 71.1%               | \$ -           | -                                       |
| 7/1/07   | \$ 13,950,322      | \$ 17,589,169                      | \$ 3,638,847                      | 79.3%               | \$ -           | -                                       |
| 7/1/08   | \$ 12,500,417      | \$ 17,615,785                      | \$ 5,115,368                      | 71.0%               | \$ -           | -                                       |
| 7/1/09   | \$ 10,188,899      | \$ 17,651,507                      | \$ 7,462,608                      | 57.7%               | \$ -           | -                                       |

The unfunded actuarial accrued liability for this plan is being amortized over 30 years beginning July 1, 1994, 15 of which remain as of July 30, 2010 with payments increasing at 3 ½% per year. Investment gains or losses are spread over five years. The amortization period is closed.

| <b>Police Pension Fund<br/>Required Supplementary Information<br/>Schedule of Employers' Contribution</b> |                                     |                               |
|---|-------------------------------------|-------------------------------|
| <b>Year Ended June 30</b>   | <b>Annual Required Contribution</b> | <b>Percentage Contributed</b> |
| 2005  | \$533,486                           | 159%                          |
| 2006  | \$560,638                           | 128%                          |
| 2007  | \$485,055                           | 154%                          |
| 2008  | \$358,807                           | 201%                          |
| 2009  | \$520,505                           | 139%                          |
| 2010  | \$786,436                           | 63%                           |

## B. Employee Pension Plan

### General Employee Pension Fund Required Supplementary Information Schedule of Funding Progress

| Valuation Date | Plan Assets   | Actuarial Accrued Liability | Unfunded Accrued Liability | Funded Ratio | Payroll      | Unfunded as a Percent of Payroll |
|----------------|---------------|-----------------------------|----------------------------|--------------|--------------|----------------------------------|
| 7/1/04         | \$ 17,531,096 | \$ 37,764,973               | \$ 20,233,877              | 46.4%        | \$ 7,320,938 | 276.4%                           |
| 7/1/05         | \$ 16,277,640 | \$ 39,860,241               | \$ 23,582,601              | 40.8%        | \$ 7,380,629 | 319.5%                           |
| 7/1/06         | \$ 15,712,605 | \$ 41,103,526               | \$ 25,390,921              | 38.2%        | \$ 7,612,121 | 333.6%                           |
| 7/1/07         | \$ 17,616,172 | \$ 42,335,142               | \$ 24,718,970              | 41.6%        | \$ 8,006,103 | 308.8%                           |
| 7/1/08         | \$ 19,381,391 | \$ 43,800,212               | \$ 24,418,821              | 44.2%        | \$ 8,716,361 | 280.1%                           |
| 7/1/09         | \$ 19,880,033 | \$ 45,525,384               | \$ 25,645,351              | 43.7%        | \$ 8,786,981 | 291.9%                           |

The unfunded actuarial accrued liability for this plan is being amortized over 30 years beginning July 1, 1994, 15 of which remain as of June 30, 2010, with payments increasing at 3 1/2% per year. Investment gains or losses are spread over five years. The amortization period is closed. The City utilizes the level percentage of projected payroll method to amortize the unfunded liabilities, currently 29.180%.

### Employee Pension Plan Required Supplementary Information Schedule of Employer's Contribution

| Year Ended June 30 | Annual Required Contribution | Percentage Contributed |
|--------------------|------------------------------|------------------------|
| 2005               | \$1,726,989                  | 91%                    |
| 2006               | \$2,022,614                  | 86%                    |
| 2007               | \$2,231,594                  | 124%                   |
| 2008               | \$2,269,802                  | 128%                   |
| 2009               | \$2,356,529                  | 106%                   |
| 2010               | \$2,564,767                  | 89%                    |

## 3. OTHER POSTEMPLOYMENT PLAN

The following information presents additional information related to funding status and progress of Other Postemployment Benefits. It is intended to help readers assess the individual plans' funding status on a going-concern basis and assess progress made in accumulating sufficient assets to pay benefits when due.

The amount shown below as actuarial accrued liability is a measure of the difference between the actuarial present value of future plan benefits, and the actuarial present value of future normal cost.

**OPEB Trust**  
**Schedule of Funding Status and Progress**

| Actuarial<br>Valuation<br>Date | (1)<br>Actuarial<br>Value of<br>Assets | (2)<br>Actuarial<br>Accrued<br>Liability<br>(AAL) | (3)<br>Unfunded<br>Actuarial<br>Accrued<br>Liabilities<br>(UAAL)<br>(2) – (1) | (4)<br>Funded<br>Ratio<br>(1)/(2) | (5)<br>Covered<br>Payroll | (6)<br>UAAL<br>as a<br>% of<br>Covered<br>Payroll<br>(3)/(5) |
|--------------------------------|--|---|---|-----------------------------------|---------------------------|--|
| 7/1/2008                       | \$ -0-                                 | \$64,297,063                                      | \$64,297,063  | 0.0%                              | \$18,162,177              | 354%   |
| 7/1/2009                       | \$4,761,141                            | \$64,812,543                                      | \$60,051,402  | 7.3%                              | \$18,797,853              | 319%   |

|                                    |                          |
|------------------------------------|--------------------------|
| Valuation Date                     | July 1, 2009             |
| Actuarial Cost Method              | Projected Unit Credit    |
| Amortization Method                | Level Dollar Amount Open |
| Remaining Amortization Period      | 30 years                 |
| Asset Valuation Method             | Market Value             |
| Actuarial Assumptions:             |                          |
| Investment Rate of Return          | 4.80%                    |
| Rate of Salary Increases           | 3.50%                    |
| Ultimate Rate of Medical inflation | 5.20%                    |
| Initial Rate of Medical Inflation  | 9.00%                    |

**OPEB Trust Plan**  
**Required Supplementary Information**  
**Schedule of Employer's Contribution**

| Year Ended<br>June 30 | Annual<br>Required<br>Contribution | Percentage<br>Contributed |
|-----------------------|------------------------------------|---------------------------|
| 2009                  | \$ 6,227,825                       | 99%                       |
| 2010                  | \$ 5,891,919                       | 28%                       |

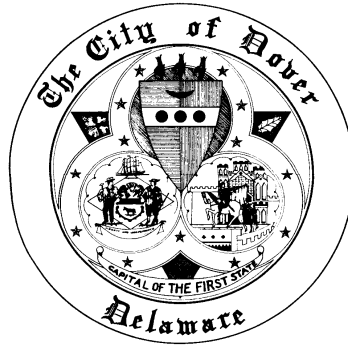
# ***FINANCIAL SECTION***

## ***PART - E***

### ***SUPPLEMENTARY INFORMATION***

- **COMBINING FUND STATEMENTS**
- **BUDGETARY SCHEDULES**





## FINANCIAL STATEMENTS SPECIAL REVENUE FUNDS

Special Revenue Funds include the group of funds classified as grant funds, post-retirement benefits and a recently created Realty Transfer Tax Fund. The proceeds from specific revenue sources are restricted to specified expenditure purposes. The City adopts budgets for selected Special Revenue Funds. Combining and individual statements appear in this section.

### POLICE GRANTS

The City of Dover Police Department receives various grants from the State of Delaware for public and highway safety and the U.S. Department of Justice for local law enforcement. All grant transactions are recorded in this fund.

### LIBRARY GRANTS

The City of Dover Public Library receives various grants from the State of Delaware, Kent County, and the Federal Government. Activities associated with these grants are recorded in this fund.

### MUNICIPAL STREET AID

The State of Delaware has passed legislation to share a portion of Delaware's motor fuel tax revenue with local municipalities through grants. The amount of the grant the City receives depends on its population and miles of streets maintained. The grant is used for street maintenance and repairs.

### CDBG HOUSING GRANTS & NEIGHBORHOOD STABILIZATION PROGRAM

The City receives a U.S. Department of Housing and Urban Development Entitlement Grant for the Community Development Block Grant Program. This provides housing to low or moderate-income persons as well as public housing rehabilitation and community policing. Combined with the CDBG Fund is the Neighborhood Stabilization Program (NSP) that provides low interest loans for low to moderate-income families.

### GIRLS CIRCLE GRANT

The City of Dover, in coordination with Aide in Dover, received a grant from the Criminal Justice Council for a program called Girls Circle. The program provides youth programming for at-risk girls.

### STATE OF DELAWARE DEPARTMENT OF TRANSPORTATION GRANTS

The State of Delaware Department of Transportation grants provide funds for specific street projects in the City. State law provides funds to the State's elected officials for suburban street aid, which officials can then provide to their districts. The City receives these funds for designated street projects and records all transactions for this fund.



FINANCIAL STATEMENTS  
SPECIAL REVENUE FUNDS  
(continued)

COMMUNITY AIR GRANT

The United States Department of Transportation has provided a grant to the City as a Project Sponsor for conducting a feasibility study to identify market demand for air service, developing an operating and marketing plan and identify potential air service providers. All grant transactions are recorded in this fund.

SUBSTANCE ABUSE PREVENTION GRANT

The State of Delaware General Assembly Grant-In-Aid Program provides funds to implement a substance abuse prevention program for at-risk and/or disadvantaged youths in the City of Dover.

ELECTRONIC RED LIGHT SAFETY PROGRAM (ERLSP)

The State of Delaware Department of Transportation provides a grant to municipalities that implement the Electronic Red Light Safety Program. Under this program, the City is granted a portion of the fines collected from drivers who are ticketed for running red lights installed with electronic photo identification equipment within the City limits.

GARRISON OAK TECHNOLOGY PARK

The State of Delaware Economic Development office appropriated funds to the City for infrastructure improvement to the Garrison Oak property.

REALTY TRANSFER TAX

Delaware Code states that realty transfer tax realized by the City shall be segregated from the general fund and the funds shall be expended solely for the capital and operating costs of public safety services, economics development programs, public works services, capital projects and improvements, infrastructure projects and improvements and debt reduction.



CITY OF DOVER  
 SPECIAL REVENUE FUNDS  
 COMBINING BALANCE SHEET  
 JUNE 30, 2010

|  | POLICE<br>GRANTS  | LIBRARY<br>GRANTS | MUNICIPAL<br>STREET<br>AID | CDBG/NSP<br>HOUSING<br>GRANTS | GIRLS<br>CIRCLE<br>GRANT | STATE<br>D.O.T.<br>GRANTS | COMMUNITY<br>AIR SERVICE<br>GRANT | SUBSTANCE<br>ABUSE<br>PREV. GRANT | ERLSP            | GARRISON<br>OAK TECH.<br>PARK | REALTY<br>TRANSFER<br>TAX | TOTALS              |
|--|-------------------|-------------------|----------------------------|-------------------------------|--------------------------|---------------------------|-----------------------------------|-----------------------------------|------------------|-------------------------------|---------------------------|---------------------|
| <b>ASSETS:</b>                             |                   |                   |                            |                               |                          |                           |                                   |                                   |                  |                               |                           |                     |
| Cash                                       | \$ 168,942        | \$ 81,171         | \$ 101                     | \$ 130,305                    | \$ -                     | \$ 299,799                | \$ -                              | \$ 6,345                          | \$ 102           | \$ 148,962                    | \$ 100                    | \$ 835,827          |
| Receivables                                | 141,779           | -                 | -                          | -                             | -                        | -                         | -                                 | -                                 | -                | -                             | -                         | 141,779             |
| Due from other funds-charges               | 1,687             | -                 | -                          | -                             | -                        | -                         | -                                 | -                                 | -                | -                             | -                         | 1,687               |
| Due from other governments                 | 50,694            | -                 | 328                        | 82,358                        | 8,742                    | 439,540                   | -                                 | 14,096                            | 68,082           | -                             | -                         | 663,840             |
| <b>TOTAL ASSETS</b>                        | <b>\$ 363,102</b> | <b>\$ 81,171</b>  | <b>\$ 429</b>              | <b>\$ 212,663</b>             | <b>\$ 8,742</b>          | <b>\$ 739,339</b>         | <b>\$ -</b>                       | <b>\$ 20,441</b>                  | <b>\$ 68,184</b> | <b>\$ 148,962</b>             | <b>\$ 100</b>             | <b>\$ 1,643,133</b> |
| <b>LIABILITIES AND FUND BALANCE:</b>       |                   |                   |                            |                               |                          |                           |                                   |                                   |                  |                               |                           |                     |
| Liabilities:                               |                   |                   |                            |                               |                          |                           |                                   |                                   |                  |                               |                           |                     |
| Vouchers Payable                           | \$ 18,781         | \$ 45,666         | \$ -                       | \$ 75,981                     | \$ 8,742                 | \$ 6,845                  | \$ -                              | \$ 9,731                          | \$ -             | \$ 10,757                     | \$ -                      | \$ 176,503          |
| Deferred Revenue                           | 1,500             | -                 | -                          | -                             | -                        | 370,186                   | -                                 | -                                 | -                | -                             | -                         | 371,686             |
| Due to other funds-charges                 | 17,085            | -                 | -                          | 10                            | -                        | 52,456                    | -                                 | -                                 | 68,084           | -                             | -                         | 137,635             |
| Due to other funds-temporary advances      | 10,000            | -                 | -                          | 75,000                        | -                        | -                         | -                                 | -                                 | -                | -                             | -                         | 85,000              |
| <b>Total Liabilities</b>                   | <b>\$ 47,366</b>  | <b>\$ 45,666</b>  | <b>\$ -</b>                | <b>\$ 150,991</b>             | <b>\$ 8,742</b>          | <b>\$ 429,487</b>         | <b>\$ -</b>                       | <b>\$ 9,731</b>                   | <b>\$ 68,084</b> | <b>\$ 10,757</b>              | <b>\$ -</b>               | <b>\$ 770,824</b>   |
| <b>Fund Balances:</b>                      |                   |                   |                            |                               |                          |                           |                                   |                                   |                  |                               |                           |                     |
| Unreserved                                 | \$ 315,736        | \$ 35,505         | \$ 429                     | \$ 61,672                     | \$ -                     | \$ 309,852                | \$ -                              | \$ 10,710                         | \$ 100           | \$ 138,205                    | \$ 100                    | \$ 872,309          |
| <b>Total Fund Balances</b>                 | <b>\$ 315,736</b> | <b>\$ 35,505</b>  | <b>\$ 429</b>              | <b>\$ 61,672</b>              | <b>\$ -</b>              | <b>\$ 309,852</b>         | <b>\$ -</b>                       | <b>\$ 10,710</b>                  | <b>\$ 100</b>    | <b>\$ 138,205</b>             | <b>\$ 100</b>             | <b>\$ 872,309</b>   |
| <b>TOTAL LIABILITIES AND FUND BALANCES</b> | <b>\$ 363,102</b> | <b>\$ 81,171</b>  | <b>\$ 429</b>              | <b>\$ 212,663</b>             | <b>\$ 8,742</b>          | <b>\$ 739,339</b>         | <b>\$ -</b>                       | <b>\$ 20,441</b>                  | <b>\$ 68,184</b> | <b>\$ 148,962</b>             | <b>\$ 100</b>             | <b>\$ 1,643,133</b> |

*2010 Comprehensive Annual Financial Report for the City of Dover, Delaware*  
*Financial Section, Part E – Supplementary Information*

CITY OF DOVER  
SPECIAL REVENUE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN UNRESERVED FUND BALANCES  
YEAR ENDED JUNE 30, 2010

|  | POLICE<br>GRANTS  | LIBRARY<br>GRANTS | MUNICIPAL<br>STREET<br>AID | CDBG/NSP<br>HOUSING<br>GRANTS | GIRLS<br>CIRCLE<br>OF DOVER | STATE<br>D.O.T.<br>GRANTS | COMMUNITY<br>AIR SERVICE<br>GRANT | SUBSTANCE<br>ABUSE PREV.<br>GRANT | ERLSP             | GARRISON<br>OAK TECH.<br>PARK | REALTY<br>TRANSFER<br>TAX | TOTALS              |
|--|-------------------|-------------------|----------------------------|-------------------------------|-----------------------------|---------------------------|-----------------------------------|-----------------------------------|-------------------|-------------------------------|---------------------------|---------------------|
| <b>REVENUES:</b>   |                   |                   |                            |                               |                             |                           |                                   |                                   |                   |                               |                           |                     |
| Grants received  | \$ 848,408        | \$ 251,046        | \$ -                       | \$ 1,613,168                  | \$ 49,127                   | \$ 527,917                | \$ 140,500                        | \$ 97,473                         | \$ -              | \$ -                          | \$ -                      | \$ 3,527,639        |
| Recreation revenue   | -                 | -                 | -                          | -                             | -                           | -                         | -                                 | 36,100                            | -                 | -                             | -                         | 36,100              |
| Police fines   | -                 | -                 | -                          | -                             | -                           | -                         | -                                 | -                                 | 791,521           | -                             | -                         | 791,521             |
| Transfer taxes   | -                 | -                 | -                          | -                             | -                           | -                         | -                                 | -                                 | -                 | -                             | 867,692                   | 867,692             |
| Miscellaneous revenue  | 6,910             | -                 | -                          | -                             | -                           | -                         | -                                 | -                                 | -                 | -                             | -                         | 6,910               |
| Investment income (loss)   | 772               | -                 | 1                          | -                             | -                           | 1,589                     | (48)                              | -                                 | 43                | 2,876                         | 103                       | 5,336               |
| <b>TOTAL REVENUES</b>  | <b>\$ 856,090</b> | <b>\$ 251,046</b> | <b>\$ 1</b>                | <b>\$ 1,613,168</b>           | <b>\$ 49,127</b>            | <b>\$ 529,506</b>         | <b>\$ 140,452</b>                 | <b>\$ 133,573</b>                 | <b>\$ 791,564</b> | <b>\$ 2,876</b>               | <b>\$ 867,795</b>         | <b>\$ 5,235,198</b> |
| <b>EXPENDITURES:</b>   |                   |                   |                            |                               |                             |                           |                                   |                                   |                   |                               |                           |                     |
| Program expenditures   | \$ 527,177        | \$ 231,877        | \$ -                       | \$ 1,561,283                  | \$ 49,127                   | \$ 569,341                | \$ 51,218                         | \$ 138,123                        | \$ -              | \$ 265,620                    | \$ -                      | \$ 3,393,766        |
| <b>TOTAL EXPENDITURES</b>  | <b>\$ 527,177</b> | <b>\$ 231,877</b> | <b>\$ -</b>                | <b>\$ 1,561,283</b>           | <b>\$ 49,127</b>            | <b>\$ 569,341</b>         | <b>\$ 51,218</b>                  | <b>\$ 138,123</b>                 | <b>\$ -</b>       | <b>\$ 265,620</b>             | <b>\$ -</b>               | <b>\$ 3,393,766</b> |
| Excess (deficiency) of revenues over expenditures  | \$ 328,913        | \$ 19,169         | \$ 1                       | \$ 51,885                     | \$ -                        | \$ (39,835)               | \$ 89,234                         | \$ (4,550)                        | \$ 791,564        | \$ (262,744)                  | \$ 867,795                | \$ 1,841,432        |
| Other financing sources (uses):  |                   |                   |                            |                               |                             |                           |                                   |                                   |                   |                               |                           |                     |
| Operating transfers-out  | (191,077)         | -                 | -                          | -                             | -                           | -                         | -                                 | -                                 | (791,583)         | -                             | (867,795)                 | (1,850,455)         |
| Excess (deficiency) of revenues and other financing sources over expenditures & other uses | \$ 137,836        | \$ 19,169         | \$ 1                       | \$ 51,885                     | \$ -                        | \$ (39,835)               | \$ 89,234                         | \$ (4,550)                        | \$ (19)           | \$ (262,744)                  | \$ -                      | \$ (9,023)          |
| <b>UNRESERVED FUND BALANCE AT BEGINNING OF YEAR</b>  | <b>\$ 177,900</b> | <b>\$ 16,336</b>  | <b>\$ 428</b>              | <b>\$ 9,787</b>               | <b>\$ -</b>                 | <b>\$ 349,687</b>         | <b>\$ (89,234)</b>                | <b>\$ 15,260</b>                  | <b>\$ 119</b>     | <b>\$ 400,949</b>             | <b>\$ 100</b>             | <b>\$ 881,332</b>   |
| <b>UNRESERVED FUND BALANCE AT END OF YEAR</b>  | <b>\$ 315,736</b> | <b>\$ 35,505</b>  | <b>\$ 429</b>              | <b>\$ 61,672</b>              | <b>\$ -</b>                 | <b>\$ 309,852</b>         | <b>\$ -</b>                       | <b>\$ 10,710</b>                  | <b>\$ 100</b>     | <b>\$ 138,205</b>             | <b>\$ 100</b>             | <b>\$ 872,309</b>   |

**CITY OF DOVER  
 MUNICIPAL STREET AID FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
 UNRESERVED FUND BALANCE-BUDGET (NON-GAAP BASIS) AND ACTUAL**

**YEAR ENDED JUNE 30, 2010**

|                                     | <b>ORIGINAL<br/>BUDGET</b> | <b>FINAL<br/>BUDGET</b> | <b>ACTUAL</b> | <b>VARIANCE<br/>POSITIVE<br/>(NEGATIVE)</b> |
|-------------------------------------|----------------------------|-------------------------|---------------|---|
| <b>REVENUES:</b>                    |                            |                         |               |   |
| Beginning balance                   | \$ 107                     | \$ 428                  | \$ 428        | \$ -  |
| Grant received                      | 775,000                    | -                       | -             | -   |
| Interest earned                     | 200                        | -                       | 1             | 1   |
| <b>TOTAL REVENUES</b>               | <b>\$ 775,307</b>          | <b>\$ 428</b>           | <b>\$ 429</b> | <b>\$ 1</b>                                 |
| Other financing uses:               |                            |                         |               |   |
| Operating transfers-out             | \$ (775,200)               | \$ -                    | \$ -          | \$ -  |
| <b>BALANCE CARRIED TO NEXT YEAR</b> | <b>\$ 107</b>              | <b>\$ 428</b>           | <b>\$ 429</b> | <b>\$ 1</b>                                 |

**CITY OF DOVER  
 HOUSING PROGRAMS - CDBG & NSP**

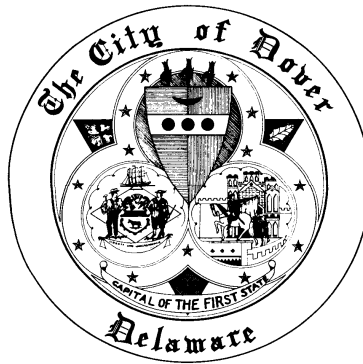
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
 UNRESERVED FUND BALANCE-BUDGET (NON-GAAP BASIS) AND ACTUAL**

**YEAR ENDED JUNE 30, 2010**

|                                   | <b>ORIGINAL<br/>BUDGET</b> | <b>FINAL<br/>BUDGET</b> | <b>ACTUAL</b>       | <b>VARIANCE<br/>POSITIVE<br/>(NEGATIVE)</b> |
|-----------------------------------|----------------------------|-------------------------|---------------------|---|
| <b>REVENUES:</b>                  |                            |                         |                     |   |
| Beginning balance                 | \$ -                       | \$ -                    | \$ 2,027            | \$ 2,027                                    |
| Federal grant received            | 269,548                    | 382,684                 | 317,272             | (65,412)                                    |
| Revenues from General Fund        | 11,000                     | -                       | -                   | -   |
| Revenue from NSP                  | -                          | -                       | 1,295,896           | 1,295,896                                   |
| <b>TOTAL REVENUES</b>             | <b>\$ 280,548</b>          | <b>\$ 382,684</b>       | <b>\$ 1,615,195</b> | <b>\$ 1,232,511</b>                         |
| <b>EXPENDITURES:</b>              |                            |                         |                     |   |
| Federal program expenditures      | \$ 280,548                 | \$ 382,684              | \$ 317,286          | \$ 65,398                                   |
| NSP program expenditures          | -                          | -                       | 1,241,437           | (1,241,437)                                 |
| <b>TOTAL EXPENDITURES</b>         | <b>\$ 280,548</b>          | <b>\$ 382,684</b>       | <b>\$ 1,558,723</b> | <b>\$ (1,176,039)</b>                       |
| CDBG BALANCE CARRIED TO NEXT YEAR | \$ -                       | \$ -                    | \$ 2,013            | \$ (2,013)                                  |
| NSP BALANCE CARRIED TO NEXT YEAR  | \$ -                       | \$ -                    | \$ 54,459           | \$ (54,459)                                 |

**CITY OF DOVER**  
**STATE OF DELAWARE DEPARTMENT OF TRANSPORTATION GRANTS**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN**  
**UNRESERVED FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL**  
**YEAR ENDED JUNE 30, 2010**

|  | ORIGINAL<br>BUDGET  | FINAL<br>BUDGET     | ACTUAL            | VARIANCE<br>POSITIVE<br>(NEGATIVE) |
|--|---------------------|---------------------|-------------------|------------------------------------|
| <b>REVENUES:</b>                       |                     |                     |                   |                                    |
| Beginning balance                      | \$ 108,812          | \$ 270,803          | \$ 270,803        | \$ -                               |
| Grants received: State                 | 1,000,000           | 1,000,000           | 527,917           | (472,083)                          |
| Interest earned                        | 2,800               | 2,800               | 1,324             | (1,476)                            |
| <b>TOTAL REVENUES</b>                  | <b>\$ 1,111,612</b> | <b>\$ 1,273,603</b> | <b>\$ 800,044</b> | <b>\$ (473,559)</b>                |
| <b>EXPENDITURES:</b>                   |                     |                     |                   |                                    |
| Program expenditures Grant Related     | \$ 1,000,000        | \$ 1,000,000        | \$ 538,448        |                                    |
| Program expenditures City Appropriated | 350,000             | 172,690             | 30,893            | 141,797                            |
| <b>TOTAL EXPENDITURES</b>              | <b>\$ 1,350,000</b> | <b>\$ 1,172,690</b> | <b>\$ 569,341</b> | <b>\$ 603,349</b>                  |
| Other financing sources:               |                     |                     |                   |                                    |
| Operating transfers-in                 | \$ 350,000          | \$ -                | \$ 79,148         | \$ 79,148                          |
| <b>BALANCE CARRIED TO NEXT YEAR</b>    | <b>\$ 111,612</b>   | <b>\$ 100,913</b>   | <b>\$ 309,851</b> | <b>\$ 208,938</b>                  |



### **FINANCIAL SCHEDULES PROPRIETARY FUND TYPES ENTERPRISE FUNDS**

The following schedules pertaining to the major enterprise funds are not required under GAAP, but are included for public review of budgetary compliance. Accordingly, no reconciliation to the GAAP financial statements is provided.

#### **WATER/WASTEWATER FUND**

The Water/Wastewater Fund accounts for all operating activity of the Water/Wastewater Utility. This includes service revenues, investment earnings on operating accounts, direct and indirect operating expenses, sewerage treatment fees, debt service, and transfers to other funds and the Improvement and Extension Fund.

The Water/Wastewater Improvement and Extension Fund is used to account for all capital project and equipment purchases. The City utilizes revenue and expenditure accounts to record capital project receipts, transfers from the operating fund, and project costs.

The funds are combined for GAAP reporting purposes with assets capitalized.

#### **ELECTRIC REVENUE FUND**

The Electric Revenue Fund accounts for all operating activity of the electric utility. This includes service revenues, investment earnings on operating accounts, direct and indirect operating expenses, purchased power cost, debt service, and transfers to other funds and the Improvement and Extension Fund.

The Electric Improvement and Extension Fund is used to account for all capital project and equipment purchases. The City utilizes revenue and expenditure accounts to record capital project receipts, transfers from the operating fund, and project costs.

The funds are combined for GAAP reporting purposes with assets capitalized

**CITY OF DOVER  
WATER/WASTEWATER FUND**

**SCHEDULE OF REVENUES AND EXPENSES  
BUDGET (NON-GAAP BASIS) AND ACTUAL**

YEAR ENDED JUNE 30, 2010

|   | ORIGINAL<br>BUDGET   | FINAL<br>BUDGET      | ACTUAL               | VARIANCE<br>POSITIVE<br>(NEGATIVE) |
|---|----------------------|----------------------|----------------------|------------------------------------|
| Beginning Balance - Water                           | \$ 662,079           | \$ 659,584           | \$ 659,584           | \$ -                               |
| Beginning Balance - Wastewater                      | \$ 307,112           | \$ 327,614           | \$ 327,614           | \$ -                               |
| Beginning Balance - Kent County Treatment Fee       | \$ 100,194           | \$ (397,473)         | \$ (397,473)         | \$ -                               |
| <b>REVENUES:</b>                                    |                      |                      |                      |                                    |
| Water fees  | \$ 4,499,000         | \$ 4,130,000         | \$ 4,274,966         | \$ 144,966                         |
| Wastewater fees                                     | 3,045,560            | 2,700,000            | 3,015,856            | 315,856                            |
| Wastewater adjustment                               | 3,435,390            | 3,000,000            | 3,100,547            | 100,547                            |
| Miscellaneous services                              | 71,000               | 71,000               | 58,848               | (12,152)                           |
| Water tank space rent                               | 293,669              | 293,669              | 293,154              | (515)                              |
| Interest earnings                                   | 78,600               | 2,000                | 1,573                | (427)                              |
| Sewer Impact Fees                                   | 475,000              | 320,000              | 418,475              | 98,475                             |
| Water Impact Fees                                   | 280,000              | 250,000              | 369,750              | 119,750                            |
| <b>Total Revenues</b>                               | <b>\$ 12,178,219</b> | <b>\$ 10,766,669</b> | <b>\$ 11,533,169</b> | <b>\$ 766,500</b>                  |
| <b>TOTAL BEGINNING BALANCES &amp; REVENUES</b>      | <b>\$ 13,247,604</b> | <b>\$ 11,356,394</b> | <b>\$ 12,122,894</b> | <b>\$ 766,500</b>                  |
| <b>EXPENSES:</b>                                    |                      |                      |                      |                                    |
| Water services                                      | \$ 458,333           | \$ 421,268           | \$ 404,249           | \$ 17,019                          |
| Engineering & inspection                            | 697,783              | 708,360              | 695,817              | 12,543                             |
| Water construction                                  | 410,338              | 421,040              | 437,064              | (16,024)                           |
| Water treatment plant                               | 1,517,663            | 1,519,732            | 1,465,119            | 54,613                             |
| Water meter reading                                 | 72,533               | 71,350               | 56,734               | 14,616                             |
| Wastewater services                                 | 988,455              | 879,992              | 922,802              | (42,810)                           |
| Kent County sewer fees                              | 3,435,430            | 4,235,403            | 4,575,155            | (339,752)                          |
| Intrafund service fee                               | 1,262,456            | 1,250,827            | 1,079,524            | 171,303                            |
| Retirees health care                                | 134,680              | 134,680              | 134,720              | (40)                               |
| Debt Service - Water                                | 468,013              | 244,000              | 249,014              | (5,014)                            |
| Debt Service - Wastewater                           | 364,938              | 216,000              | 214,642              | 1,358                              |
| Transfer to Water Improvement & Extension Fund      | 500,000              | 500,000              | 500,000              | -                                  |
| Transfer to Wastewater Improvement & Extension Fund | 200,000              | 200,000              | 200,000              | -                                  |
| Transfer to General Fund from Water                 | 231,459              | 231,459              | 231,459              | -                                  |
| Transfer to General Fund from Wastewater            | 316,561              | 316,561              | 316,561              | -                                  |
| Transfer to Impact Fee Reserve-Water                | -                    | 6,000                | 120,737              | (114,737)                          |
| Transfer to Impact Fee Reserve-Wastewater           | 110,062              | 104,000              | 252,466              | (148,466)                          |
| <b>Total Expenses</b>                               | <b>\$ 11,168,704</b> | <b>\$ 11,460,672</b> | <b>\$ 11,856,063</b> | <b>\$ (395,391)</b>                |
| Budget Balance - Water                              | \$ 1,136,086         | \$ 943,545           | \$ 1,236,546         | \$ (293,001)                       |
| Budget Balance - Wastewater                         | 842,660              | 585,053              | 902,366              | (317,313)                          |
| Budget Balance - Kent County Treatment Fee          | 100,154              | (1,632,876)          | (1,872,081)          | 239,205                            |
| <b>Total Budget Balances - Working Capital</b>      | <b>\$ 2,078,900</b>  | <b>\$ (104,278)</b>  | <b>\$ 266,831</b>    | <b>\$ (371,109)</b>                |
| <b>TOTAL BUDGET BALANCES &amp; EXPENSES</b>         | <b>\$ 13,247,604</b> | <b>\$ 11,356,394</b> | <b>\$ 12,122,894</b> | <b>\$ (766,500)</b>                |

CITY OF DOVER  
 WATER/WASTEWATER IMPROVEMENT & EXTENSION FUND

SCHEDULE OF REVENUES AND EXPENSES  
 BUDGET (NON-GAAP BASIS) AND ACTUAL

YEAR ENDED JUNE 30, 2010

|  | ORIGINAL<br>BUDGET   | FINAL<br>BUDGET      | ACTUAL              | VARIANCE<br>POSITIVE<br>(NEGATIVE) |
|--|----------------------|----------------------|---------------------|------------------------------------|
| Beginning Balance -Water                       | \$ 431,400           | \$ 1,631,844         | \$ 1,631,844        | \$ -                               |
| Beginning Balance -Wastewater                  | \$ 219,375           | \$ 625,152           | \$ 625,152          | \$ -                               |
| <b>REVENUES:</b>                               |                      |                      |                     |                                    |
| State Loan Fund-Water                          | \$ 2,404,017         | \$ 2,404,017         | \$ -                | \$ (2,404,017)                     |
| State Loan Fund-Wastewater                     | 5,942,481            | 5,942,481            | 344,525             | (5,597,956)                        |
| Income from Sale of Assets                     | -                    | -                    | 6,202               | 6,202                              |
| Interest earnings                              | -                    | -                    | 44,688              | 44,688                             |
| State grants                                   | -                    | 45,248               | -                   | (45,248)                           |
| Transfer from Water Fund                       | 500,000              | 500,000              | 500,000             | -                                  |
| Transfer from Wastewater Fund                  | 200,000              | 200,000              | 200,000             | -                                  |
| Transfer from Impact Fee Reserve               | 518,230              | 518,230              | 1,449               | (516,781)                          |
| <b>Total Revenues</b>                          | <b>\$ 9,564,728</b>  | <b>\$ 9,609,976</b>  | <b>\$ 1,096,864</b> | <b>\$ (8,513,112)</b>              |
| <b>TOTAL BEGINNING BALANCES &amp; REVENUES</b> | <b>\$ 10,215,503</b> | <b>\$ 11,866,972</b> | <b>\$ 3,353,860</b> | <b>\$ (8,513,112)</b>              |
| <b>EXPENSES:</b>                               |                      |                      |                     |                                    |
| Water  | \$ 2,987,317         | \$ 3,753,430         | \$ 527,712          | \$ 3,225,718                       |
| Wastewater                                     | 6,539,110            | 6,787,443            | 1,242,146           | 5,545,297                          |
| Water Treatment Plant                          | 39,000               | 39,000               | 38,793              | 207                                |
| <b>Total Expenses</b>                          | <b>\$ 9,565,427</b>  | <b>\$ 10,579,873</b> | <b>\$ 1,808,651</b> | <b>\$ 8,771,222</b>                |
| Budget Balance - Water                         | \$ 309,100           | \$ 743,431           | \$ 1,590,874        | \$ (847,443)                       |
| Budget Balance - Wastewater                    | 340,976              | 543,668              | (45,665)            | 589,333                            |
| <b>Total Budget Balances - Working Capital</b> | <b>\$ 650,076</b>    | <b>\$ 1,287,099</b>  | <b>\$ 1,545,209</b> | <b>\$ (258,110)</b>                |
| <b>TOTAL BUDGET BALANCES &amp; EXPENSES</b>    | <b>\$ 10,215,503</b> | <b>\$ 11,866,972</b> | <b>\$ 3,353,860</b> | <b>\$ 8,513,112</b>                |

**CITY OF DOVER  
ELECTRIC REVENUE FUND**

**SCHEDULE OF REVENUE AND EXPENSES  
BUDGET (NON-GAAP BASIS) AND ACTUAL**

YEAR ENDED JUNE 30, 2010

|  | ORIGINAL<br>BUDGET    | FINAL<br>BUDGET       | ACTUAL                | VARIANCE<br>POSITIVE<br>(NEGATIVE) |
|--|-----------------------|-----------------------|-----------------------|------------------------------------|
| Beginning Balance - Working Capital          | \$ 8,219,350          | \$ 11,415,737         | \$ 11,415,737         | \$ -                               |
| <b>REVENUES:</b>                             |                       |                       |                       |                                    |
| Direct base sales                            | \$ 99,533,042         | \$ 95,830,100         | \$ 96,158,794         | \$ 328,694                         |
| Rental income                                | 186,816               | 186,816               | 217,731               | 30,915                             |
| Miscellaneous services                       | 1,325,184             | 1,165,200             | 1,314,775             | 149,575                            |
| Utility tax                                  | 1,781,500             | 1,850,000             | 1,922,645             | 72,645                             |
| Green Energy                                 | 137,600               | 128,600               | 131,190               | 2,590                              |
| Interest earned-operating                    | 158,500               | 57,000                | 16,441                | (40,559)                           |
| Intrafund Services - Water/Wastewater        | 270,626               | 281,828               | 179,360               | (102,468)                          |
| <b>Total Revenues</b>                        | <b>\$ 103,393,268</b> | <b>\$ 99,499,544</b>  | <b>\$ 99,940,936</b>  | <b>\$ 441,392</b>                  |
| <b>TOTAL BEGINNING BALANCE &amp; REVENUE</b> | <b>\$ 111,612,618</b> | <b>\$ 110,915,281</b> | <b>\$ 111,356,673</b> | <b>\$ 441,392</b>                  |
| <b>EXPENSES:</b>                             |                       |                       |                       |                                    |
| Power Supply & Generation                    |                       |                       |                       |                                    |
| Power Supply                                 | \$ 55,619,481         | \$ 55,619,481         | \$ 55,619,481         | \$ -                               |
| Power Supply Management                      | 3,000,000             | 3,000,000             | 3,000,000             | -                                  |
| Capacity Charges                             | 13,469,528            | 13,456,389            | 13,516,203            | (59,814)                           |
| PJM Charges - Load                           | 13,943,413            | 7,356,438             | 7,247,049             | 109,389                            |
| Total Power Supply                           | 86,032,422            | 79,432,308            | 79,382,733            | 49,575                             |
| Plant Operations                             | 5,798,710             | 5,768,710             | 5,547,750             | 220,960                            |
| Capacity Credits                             | (12,133,285)          | (12,135,127)          | (12,133,292)          | (1,835)                            |
| PJM Credits                                  | (1,701,066)           | (520,842)             | (793,599)             | 272,757                            |
| Generation Fuels                             | 1,275,251             | 213,529               | 355,428               | (141,899)                          |
| Total Generation                             | (6,760,390)           | (6,673,730)           | (7,023,713)           | 349,983                            |
| Utility Tax                                  | 1,781,500             | 1,850,000             | 1,922,645             | (72,645)                           |
| Administration                               | 640,535               | 679,558               | 714,750               | (35,192)                           |
| Transmission/Distribution                    | 3,318,622             | 3,215,601             | 3,072,816             | 142,785                            |
| Electrical Engineering                       | 1,500,012             | 1,359,569             | 1,319,394             | 40,175                             |
| Systems Operations                           | 624,520               | 488,131               | 496,195               | (8,064)                            |
| Meter Reading                                | 289,103               | 281,614               | 301,416               | (19,802)                           |
| Contractual Services 2030 Committee          | 497,250               | 457,250               | 55,459                | 401,791                            |
| Provision for Uncollectible                  | 135,000               | 135,000               | 135,000               | -                                  |
| Retirees Health Care                         | 567,430               | 567,430               | 531,843               | 35,587                             |
| Green Energy Payment to DEMEC                | 137,600               | 128,600               | 131,187               | (2,587)                            |
| Interest on Deposits                         | 54,500                | 54,500                | 35,675                | 18,825                             |
| Intrafund Service Fees                       | 3,483,884             | 3,379,975             | 3,159,199             | 220,776                            |
| Other Appropriations:                        |                       |                       |                       |                                    |
| Electric Capital Project Fund                | 2,500,000             | 2,500,000             | 2,500,000             | -                                  |
| General Fund                                 | 6,758,100             | 6,758,100             | 6,758,100             | -                                  |
| Debt Service                                 | 3,956,600             | 3,956,600             | 4,067,610             | (111,010)                          |
| Rate Stabilization Fund                      | (3,000,000)           | -                     | -                     | -                                  |
| Inventory Reserve                            | 175,000               | 175,000               | 175,000               | -                                  |
| Transfer to Contingency                      | 83,500                | 83,500                | 83,500                | -                                  |
| <b>TOTAL EXPENSES</b>                        | <b>\$ 102,775,188</b> | <b>\$ 98,829,006</b>  | <b>\$ 97,818,809</b>  | <b>\$ 1,010,197</b>                |
| Budget Balance - Working Capital             | 8,837,430             | 12,086,275            | 13,537,864            | (1,451,589)                        |
| <b>TOTAL BUDGET BALANCE &amp; EXPENSES</b>   | <b>\$ 111,612,618</b> | <b>\$ 110,915,281</b> | <b>\$ 111,356,673</b> | <b>\$ (441,392)</b>                |



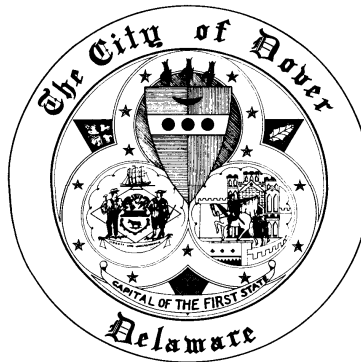
CITY OF DOVER  
 ELECTRIC IMPROVEMENT AND EXTENSION FUND

SCHEDULE OF REVENUES AND EXPENSES  
 BUDGET (NON-GAAP BASIS) AND ACTUAL

YEAR ENDED JUNE 30, 2010

|  | ORIGINAL<br>BUDGET  | FINAL<br>BUDGET      | ACTUAL              | VARIANCE<br>POSITIVE<br>(NEGATIVE) |
|--|---------------------|----------------------|---------------------|------------------------------------|
| Beginning Balance - Working Capital            | \$ 1,461,547        | \$ 2,625,760         | \$ 2,625,760        | \$ -                               |
| Beginning Balance - Bond Proceeds              | \$ 1,378,257        | \$ 4,240,034         | \$ 4,240,034        | \$ -                               |
| <b>REVENUES:</b>                               |                     |                      |                     |                                    |
| Bond Proceeds                                  | \$ 1,958,107        | \$ -                 | \$ -                | \$ -                               |
| Transfer from Electric Revenue Fund            | 2,500,000           | 2,500,000            | 2,500,000           | -                                  |
| Interest Trustee                               | -                   | 2,599                | -                   | (2,599)                            |
| Interest earnings                              | 33,700              | 25,000               | 8,675               | (16,325)                           |
| Income from Sale of Assets                     | -                   | -                    | 15,000              | 15,000                             |
| State Reimbursement for Governor's Ave         | -                   | 710,319              | 278,296             | (432,023)                          |
| Green Energy for Security System               | -                   | 105,723              | 86,180              | (19,543)                           |
| DEMA Grant                                     | -                   | 135,152              | -                   | (135,152)                          |
| <b>Total Revenues</b>                          | \$ 4,491,807        | \$ 3,478,793         | \$ 2,888,151        | \$ (590,642)                       |
| <b>TOTAL BEGINNING BALANCES &amp; REVENUES</b> | <b>\$ 7,331,611</b> | <b>\$ 10,344,587</b> | <b>\$ 9,753,945</b> | <b>\$ (590,642)</b>                |
| <b>EXPENSES:</b>                               |                     |                      |                     |                                    |
| Power Plant                                    | \$ 1,254,000        | \$ 1,401,645         | \$ 634,954          | \$ 766,691                         |
| Transmission/Distribution                      | 1,127,147           | 1,108,147            | 813,504             | 294,643                            |
| Engineering                                    | 3,525,536           | 6,040,212            | 4,354,502           | 1,685,710                          |
| Administration                                 | -                   | 105,723              | 105,776             | (53)                               |
| <b>Total Expenses</b>                          | \$ 5,906,683        | \$ 8,655,727         | \$ 5,908,736        | \$ 2,746,991                       |
| Budget Balance - Improvement & Extension Fund  | \$ 1,424,928        | \$ 1,688,860         | \$ 3,429,624        | \$ (1,740,764)                     |
| Budget Balance - Bond Proceeds                 | -                   | -                    | 415,585             | (415,585)                          |
| <b>Total Budget Balances - Working Capital</b> | <b>\$ 1,424,928</b> | <b>\$ 1,688,860</b>  | <b>\$ 3,845,209</b> | <b>\$ (2,156,349)</b>              |
| <b>TOTAL BUDGET BALANCES &amp; EXPENSES</b>    | <b>\$ 7,331,611</b> | <b>\$ 10,344,587</b> | <b>\$ 9,753,945</b> | <b>\$ 590,642</b>                  |

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**FINANCIAL STATEMENTS  
PROPRIETARY FUND TYPES  
INTERNAL SERVICE FUNDS**

**WORKERS' COMPENSATION INSURANCE FUND**

The City has created this fund to account for the revenues and expenses related to a self-insured Workers' Compensation Fund. The revenues are received from the City's various funds. These funds contribute to the Workers' Compensation Fund an amount based on salaries at a pre-determined assessment rate. Claims paid, reinsurance cost and third party administrator's fees are charged to this fund.

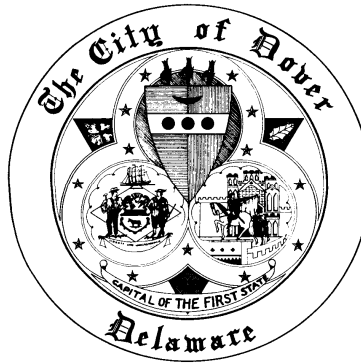
Budgetary schedules are included for public review of budgetary compliance.

**CITY OF DOVER  
INTERNAL SERVICE FUND - WORKERS' COMPENSATION**

**SCHEDULE OF REVENUES AND EXPENSES  
BUDGET (NON-GAAP BASIS) AND ACTUAL**

**YEAR ENDED JUNE 30, 2010**

|                                       | <b>ORIGINAL<br/>BUDGET</b> | <b>FINAL<br/>BUDGET</b> | <b>ACTUAL</b>       | <b>VARIANCE<br/>POSITIVE<br/>(NEGATIVE)</b> |
|---------------------------------------|----------------------------|-------------------------|---------------------|---|
| <b>OPERATING REVENUES:</b>            |                            |                         |                     |   |
| Beginning balance                     | \$ 1,404,956               | \$ 1,278,611            | \$ 1,278,611        | \$ -  |
| Interest earned                       | 46,300                     | 40,000                  | 31,117              | (8,883)                                     |
| City contribution                     | 753,822                    | 634,149                 | 620,288             | (13,861)                                    |
| Miscellaneous revenue                 | -                          | 3,392                   | 3,392               | -   |
| <b>TOTAL REVENUES</b>                 | <b>\$ 2,205,078</b>        | <b>\$ 1,956,152</b>     | <b>\$ 1,933,408</b> | <b>\$ (22,744)</b>                          |
| <b>OPERATING EXPENSES:</b>            |                            |                         |                     |   |
| Program expenses                      | \$ 450,000                 | \$ 450,000              | \$ 203,481          | \$ 246,519                                  |
| Contractual services                  | 37,000                     | 35,000                  | 34,190              | 810   |
| Insurance                             | 93,400                     | 93,400                  | 82,184              | 11,216                                      |
| Bank fees                             | 1,300                      | -                       | -                   | -   |
| State of Del. - Self-Insurance Tax    | 50,000                     | 35,365                  | 46,615              | (11,250)                                    |
| <b>TOTAL EXPENSES</b>                 | <b>\$ 631,700</b>          | <b>\$ 613,765</b>       | <b>\$ 366,470</b>   | <b>\$ 247,295</b>                           |
| <b>BUDGET BALANCE - CARRY FORWARD</b> | <b>\$ 1,573,378</b>        | <b>\$ 1,342,387</b>     | <b>\$ 1,566,938</b> | <b>\$ 224,551</b>                           |



## **FINANCIAL STATEMENTS FIDUCIARY FUND TYPES AGENCIES**

### **LIBRARY CONSORTIUM**

The Library Consortium is an Agency Fund, which incorporates the transactions of three libraries. They are the City of Dover Public Library, Harrington Public Library, and Smyrna Public Library. Receipts from these libraries are for services to provide a book catalogue system. Disbursements are for the cost of the book catalogue system.

### **DOVER ARTS COUNCIL**

The Dover Arts Council is an organization, which promotes the arts and cultural activities in the City. The City acts as the receiving and disbursing agent for the Dover Arts Council. The relevant transactions of Dover Arts Council are presented in this section.

### **DOWNTOWN DEVELOPMENT**

The City established the Downtown Dover Partnership as an agency for the development of the downtown urban area.

### **FOURTH OF JULY CELEBRATION COMMITTEE**

The Fourth of July Celebration Committee is designed to provide recreation enjoyment and educational events commemorating the birth of our nation.

### **DOVER LIBRARY FOUNDATION**

The Dover Library Foundation was formed to provide fund raising for the construction of a new regional library.

**CITY OF DOVER  
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS**

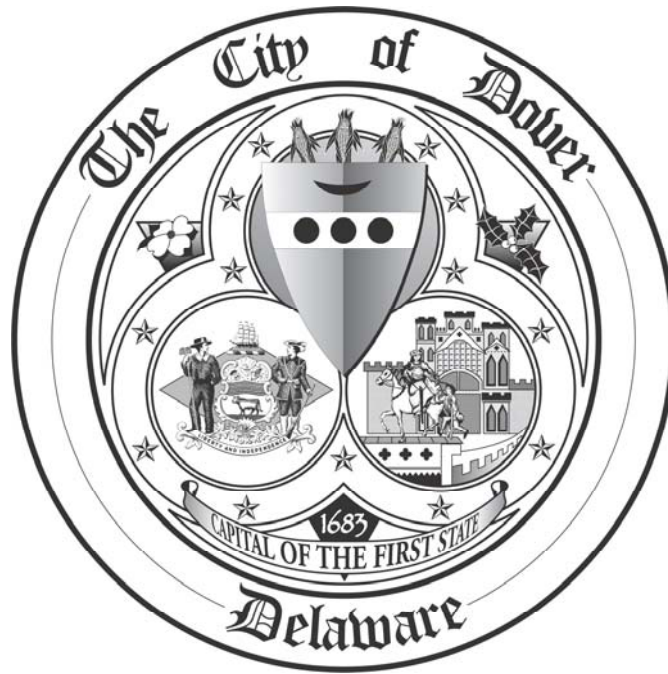
**YEAR ENDED JUNE 30, 2010**

|                                       | BALANCE<br>JUNE 30, 2009 | ADDITIONS           | DEDUCTIONS        | BALANCE<br>JUNE 30, 2010 |
|---------------------------------------|--------------------------|---------------------|-------------------|--------------------------|
| <b>LIBRARY CONSORTIUM</b>             |                          |                     |                   |                          |
| <b>ASSETS:</b>                        |                          |                     |                   |                          |
| Cash                                  | \$ 615                   | \$ -                | \$ -              | \$ 615                   |
| <b>Total Assets</b>                   | <b>\$ 615</b>            | <b>\$ -</b>         | <b>\$ -</b>       | <b>\$ 615</b>            |
| <b>LIABILITIES:</b>                   |                          |                     |                   |                          |
| Due to agencies                       | \$ 615                   | \$ -                | \$ -              | \$ 615                   |
| <b>Total Liabilities</b>              | <b>\$ 615</b>            | <b>\$ -</b>         | <b>\$ -</b>       | <b>\$ 615</b>            |
| <b>DOVER ARTS COUNCIL</b>             |                          |                     |                   |                          |
| <b>ASSETS:</b>                        |                          |                     |                   |                          |
| Cash                                  | \$ 2,350                 | \$ -                | \$ -              | \$ 2,350                 |
| <b>Total Assets</b>                   | <b>\$ 2,350</b>          | <b>\$ -</b>         | <b>\$ -</b>       | <b>\$ 2,350</b>          |
| <b>LIABILITIES:</b>                   |                          |                     |                   |                          |
| Due to agencies                       | \$ 2,350                 | \$ -                | \$ -              | \$ 2,350                 |
| <b>Total Liabilities</b>              | <b>\$ 2,350</b>          | <b>\$ -</b>         | <b>\$ -</b>       | <b>\$ 2,350</b>          |
| <b>DOWNTOWN DOVER<br/>PARTNERSHIP</b> |                          |                     |                   |                          |
| <b>ASSETS:</b>                        |                          |                     |                   |                          |
| Cash                                  | \$ 85,889                | \$ 975,951          | \$ 562,951        | \$ 498,889               |
| Investments                           | 227,625                  | 3,862               | 231,487           | -                        |
| Receivables                           | 93,026                   | 44,125              | 43,057            | 94,094                   |
| Prepaid items                         | 11,478                   | 234                 | 11,122            | 590                      |
| <b>Total Assets</b>                   | <b>\$ 418,018</b>        | <b>\$ 1,024,172</b> | <b>\$ 848,617</b> | <b>\$ 593,573</b>        |
| <b>LIABILITIES:</b>                   |                          |                     |                   |                          |
| Vouchers payable                      | \$ 16,389                | \$ 432,542          | \$ 407,316        | \$ 41,615                |
| Deposit payable                       | 3,000                    | 17,015              | 13,000            | 7,015                    |
| Prereceived revenue                   | 129,904                  | 36,767              | 166,671           | -                        |
| Due to agencies                       | 268,725                  | 276,218             | -                 | 544,943                  |
| <b>Total Liabilities</b>              | <b>\$ 418,018</b>        | <b>\$ 762,542</b>   | <b>\$ 586,987</b> | <b>\$ 593,573</b>        |

(Continued)

(Continued-Combining Statement of Changes in Assets & Liabilities all Agency Funds)

|                                | BALANCE<br>JUNE 30, 2009 |         | ADDITIONS |           | DEDUCTIONS |         | BALANCE<br>JUNE 30, 2010 |           |
|--------------------------------|--------------------------|---------|-----------|-----------|------------|---------|--------------------------|-----------|
| 4TH JULY CELEBRATION COMMITTEE |                          |         |           |           |            |         |                          |           |
| ASSETS:                        |                          |         |           |           |            |         |                          |           |
| Cash                           | \$                       | 7,539   | \$        | 17,117    | \$         | 20,157  | \$                       | 4,499     |
| Total Assets                   | \$                       | 7,539   | \$        | 17,117    | \$         | 20,157  | \$                       | 4,499     |
| LIABILITIES:                   |                          |         |           |           |            |         |                          |           |
| Vouchers payable               | \$                       | 1       | \$        | 19,856    | \$         | 19,857  | \$                       | -         |
| Due to agencies                |                          | 7,538   |           | 4,499     |            | 7,538   |                          | 4,499     |
| Total Liabilities              | \$                       | 7,539   | \$        | 24,355    | \$         | 27,395  | \$                       | 4,499     |
| DOVER LIBRARY FOUNDATION       |                          |         |           |           |            |         |                          |           |
| ASSETS:                        |                          |         |           |           |            |         |                          |           |
| Cash                           | \$                       | 1,282   | \$        | 548,052   | \$         | 44,142  | \$                       | 505,192   |
| Total Assets                   | \$                       | 1,282   | \$        | 548,052   | \$         | 44,142  | \$                       | 505,192   |
| LIABILITIES:                   |                          |         |           |           |            |         |                          |           |
| Vouchers payable               | \$                       | -       | \$        | 32,162    | \$         | 31,277  | \$                       | 885       |
| Due to agencies                |                          | 1,282   |           | 585,628   |            | 82,603  |                          | 504,307   |
| Total Liabilities              | \$                       | 1,282   | \$        | 617,790   | \$         | 113,880 | \$                       | 505,192   |
| TOTAL-ALL AGENCY FUNDS         |                          |         |           |           |            |         |                          |           |
| ASSETS:                        |                          |         |           |           |            |         |                          |           |
| Cash                           | \$                       | 97,675  | \$        | 1,541,120 | \$         | 627,250 | \$                       | 1,011,545 |
| Investments                    |                          | 227,625 |           | 3,862     |            | 231,487 |                          | -         |
| Receivables                    |                          | 93,026  |           | 44,125    |            | 43,057  |                          | 94,094    |
| Prepaid items                  |                          | 11,478  |           | 234       |            | 11,122  |                          | 590       |
| Total Assets                   | \$                       | 429,804 | \$        | 1,589,341 | \$         | 912,916 | \$                       | 1,106,229 |
| LIABILITIES:                   |                          |         |           |           |            |         |                          |           |
| Vouchers payable               | \$                       | 16,390  | \$        | 484,560   | \$         | 458,450 | \$                       | 42,500    |
| Deposit payable                |                          | 3,000   |           | 17,015    |            | 13,000  |                          | 7,015     |
| Prereceived revenue            |                          | 129,904 |           | 36,767    |            | 166,671 |                          | -         |
| Due to agencies                |                          | 280,510 |           | 866,345   |            | 90,141  |                          | 1,056,714 |
| Total Liabilities              | \$                       | 429,804 | \$        | 1,404,687 | \$         | 728,262 | \$                       | 1,106,229 |



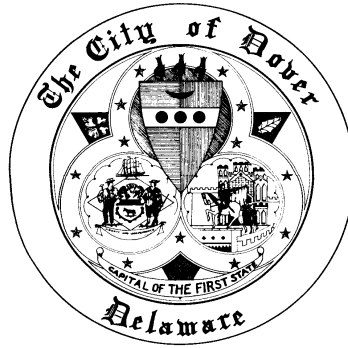


# STATISTICAL SECTION



**THIS SECTION OF THE CITY OF DOVER 'S COMPREHENSIVE ANNUAL FINANCIAL REPORT PRESENTS DETAILED INFORMATION AS A CONTEXT FOR UNDERSTANDING WHAT THE INFORMATION IN THE FINANCIAL STATEMENTS, NOTE DISCLOSURES, AND REQUIRED SUPPLEMENTARY INFORMATION SAYS ABOUT THE GOVERNMENT'S OVERALL FINANCIAL HEALTH.**





## STATISTICAL SECTION

This part of the City of Dover's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

### FINANCIAL TRENDS

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

### REVENUE CAPACITY

These schedules contain information to help the reader assess the City's most significant local revenue source, property tax.

### DEBT CAPACITY

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

### DEMOGRAPHIC AND ECONOMIC INFORMATION

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

### OPERATING INFORMATION

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

Table 1

**City of Dover**  
**Net Assets by Component**  
**Last Eight Fiscal Years**  
**(Accrual basis of accounting)**

|   | Fiscal Year    |                |                |                |                |                |                |                |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
|   | 2003           | 2004           | 2005           | 2006           | 2007           | 2008           | 2009           | 2010           |
| Governmental Activities                         |                |                |                |                |                |                |                |                |
| Invested in capital assets, net of related debt | \$ 19,554,571  | \$ 21,824,685  | \$ 23,343,787  | \$ 27,056,161  | \$ 29,709,046  | \$ 35,255,463  | \$ 35,752,624  | \$ 35,742,504  |
| Restricted                                      | 1,002,363      | 1,852,754      | 2,023,096      | 887,235        | 1,591,678      | 1,602,932      | 1,758,470      | 1,250,342      |
| Unrestricted                                    | 5,423,283      | 4,067,810      | 7,431,716      | 11,590,341     | 13,849,061     | 15,155,125     | 9,536,614      | 4,820,682      |
| Total governmental activities net assets        | \$ 25,980,217  | \$ 27,745,249  | \$ 32,798,599  | \$ 39,533,737  | \$ 45,149,785  | \$ 52,013,520  | \$ 47,047,708  | \$ 41,813,528  |
| Business-type activities                        |                |                |                |                |                |                |                |                |
| Invested in capital assets, net of related debt | \$ 73,946,422  | \$ 81,968,635  | \$ 82,878,764  | \$ 89,089,027  | \$ 89,289,351  | \$ 101,154,934 | \$ 91,471,776  | \$ 96,660,480  |
| Restricted                                      | 39,568,228     | 36,010,001     | 32,620,056     | 33,801,000     | 29,762,946     | 23,758,183     | 34,372,050     | 31,302,487     |
| Unrestricted                                    | 8,253,229      | 4,831,263      | 11,569,305     | 11,859,329     | 14,371,418     | 16,263,139     | 18,614,907     | 19,318,633     |
| Total business-type activities net assets       | \$ 121,767,879 | \$ 122,809,899 | \$ 127,068,125 | \$ 134,749,356 | \$ 133,423,715 | \$ 141,176,256 | \$ 144,458,733 | \$ 147,281,600 |
| Primary government                              |                |                |                |                |                |                |                |                |
| Invested in capital assets, net of related debt | \$ 93,500,993  | \$ 103,793,320 | \$ 106,222,551 | \$ 116,145,188 | \$ 118,998,397 | \$ 136,410,397 | \$ 127,224,400 | \$ 132,402,984 |
| Restricted                                      | 40,570,591     | 37,862,755     | 34,643,152     | 34,688,235     | 31,354,624     | 25,361,115     | 36,130,520     | 32,552,829     |
| Unrestricted                                    | 13,676,512     | 8,899,073      | 19,001,021     | 23,449,670     | 28,220,479     | 31,418,264     | 28,151,521     | 24,139,315     |
| Total primary government net assets             | \$ 147,748,096 | \$ 150,555,148 | \$ 159,866,724 | \$ 174,283,093 | \$ 178,573,500 | \$ 193,189,776 | \$ 191,506,441 | \$ 189,095,128 |

**NOTE**

Eight years worth of trend data is shown here instead of ten, due to data not available prior to fiscal year 2003.

Table 2

**City of Dover**  
**Changes in Net Assets**  
**Last Eight Fiscal Years**  
**(Accrual basis of accounting)**

|  | Fiscal Year  |              |            |            |              |              |              |              |
|--|--------------|--------------|------------|------------|--------------|--------------|--------------|--------------|
|  | 2003         | 2004         | 2005       | 2006       | 2007         | 2008         | 2009         | 2010         |
| <b>Expenses</b>                                |              |              |            |            |              |              |              |              |
| Governmental activities:                       |              |              |            |            |              |              |              |              |
| General government                             | \$ 1,710,749 | \$ 1,426,396 | \$ 905,382 | \$ 836,668 | \$ 1,472,104 | \$ 1,384,276 | \$ 1,855,983 | \$ 1,510,308 |
| Public safety                                  | 11,131,850   | 12,319,713   | 12,533,566 | 13,879,609 | 14,509,849   | 15,120,737   | 15,929,187   | 16,357,692   |
| Public Works                                   | 4,029,404    | 4,536,928    | 4,547,747  | 4,493,296  | 4,791,235    | 4,355,206    | 7,539,463    | 7,115,319    |
| Library and recreation                         | 1,512,396    | 1,371,944    | 1,706,743  | 1,309,601  | 1,875,872    | 2,108,664    | 2,417,236    | 2,265,205    |
| Community and economic development             | 392,101      | 545,899      | 711,743    | 600,907    | 639,545      | 497,914      | 724,555      | 2,228,744    |
| Central services                               | 48,032       | 297,857      | 236,451    | 447,877    | 552,042      | 586,274      | 550,886      | 544,611      |
| Financial administration                       | 241,609      | 1,902,719    | 1,582,911  | 1,774,380  | 1,588,425    | 1,425,074    | 4,999,006    | 5,196,660    |
| Interest on long-term debt                     | 249,661      | 224,155      | 129,352    | 118,130    | 106,815      | 82,657       | 87,491       | 78,581       |
| Total governmental activities expenses         | 19,315,802   | 22,625,611   | 22,353,895 | 23,460,468 | 25,535,887   | 25,560,802   | 34,103,807   | 35,297,120   |
| Business-type activities                       |              |              |            |            |              |              |              |              |
| Water and Sewer                                | 8,789,932    | 9,291,404    | 8,678,186  | 9,263,236  | 9,846,771    | 10,387,198   | 11,196,913   | 11,971,445   |
| Electric                                       | 52,380,785   | 53,387,490   | 56,384,796 | 58,620,196 | 88,297,987   | 88,442,048   | 94,475,940   | 90,940,056   |
| Total business-type activities                 | 61,170,717   | 62,678,894   | 65,062,982 | 67,883,432 | 98,144,758   | 98,829,246   | 105,672,853  | 102,911,501  |
| Total primary government expenses              | 80,486,519   | 85,304,505   | 87,416,877 | 91,343,900 | 123,680,645  | 124,390,048  | 139,776,660  | 138,208,621  |
| <b>Program Revenues</b>                        |              |              |            |            |              |              |              |              |
| Governmental activities:                       |              |              |            |            |              |              |              |              |
| Charges for services:                          |              |              |            |            |              |              |              |              |
| General government                             | 524,342      | 1,117,648    | 1,209,067  | 1,428,996  | 1,683,817    | 1,603,935    | 1,426,972    | 1,307,296    |
| Public safety                                  | 3,000,136    | 2,956,135    | 3,684,792  | 4,487,028  | 4,499,315    | 4,571,911    | 4,358,641    | 4,309,516    |
| Public works                                   | 1,080,356    | 1,083,894    | 1,081,064  | 1,253,313  | 1,312,328    | 1,334,492    | 1,396,801    | 1,340,729    |
| Library and recreation                         | 434,149      | 443,925      | 447,948    | 549,959    | 1,100,412    | 788,875      | 715,404      | 650,283      |
| Operating grants and contributions             | 1,683,806    | 2,090,106    | 2,267,722  | 3,156,369  | 3,108,545    | 2,511,244    | 2,758,194    | 3,813,842    |
| Capital grants and contributions               | 717,603      | 1,154,728    | 1,983,669  | 500,103    | 790,612      | 647,724      | 1,090,838    | 169,130      |
| Total governmental activities program revenues | 7,440,392    | 8,846,436    | 10,674,262 | 11,375,768 | 12,495,029   | 11,458,181   | 11,746,850   | 11,590,796   |

(Continued)

(Table 2 Continued - Changes in Net Assets)

|   | Fiscal Year  |              |              |               |              |               |                |                |
|---|--------------|--------------|--------------|---------------|--------------|---------------|----------------|----------------|
|   | 2003         | 2004         | 2005         | 2006          | 2007         | 2008          | 2009           | 2010           |
| <b>Expenses</b>   |              |              |              |               |              |               |                |                |
| Business-type activities                                |              |              |              |               |              |               |                |                |
| Charges for services:                                   |              |              |              |               |              |               |                |                |
| Water and Sewer   | 10,541,804   | 10,454,520   | 10,804,685   | 12,224,877    | 11,819,643   | 12,158,812    | 11,319,027     | 11,531,595     |
| Electric  | 59,578,543   | 59,476,870   | 63,303,032   | 68,005,332    | 87,014,071   | 96,858,790    | 101,420,982    | 100,278,474    |
| Capital Contributions                                   | -            | 211,390      | 368,740      | 272,000       | 705,572      | 2,078,040     | -              | 392,855        |
| Total business-type activities program revenues         | 70,120,347   | 70,142,780   | 74,476,457   | 80,502,209    | 99,539,286   | 111,095,642   | 112,740,009    | 112,202,924    |
| Total primary government program revenues               | 77,560,739   | 78,989,216   | 85,150,719   | 91,877,977    | 112,034,315  | 122,553,823   | 124,486,859    | 123,793,720    |
| Net (expense)/revenue:                                  |              |              |              |               |              |               |                |                |
| Governmental activities                                 | (11,875,410) | (13,779,175) | (11,679,633) | (12,084,700)  | (13,040,858) | (14,102,621)  | (22,356,957)   | (23,706,324)   |
| Business-type activities                                | 8,949,630    | 7,463,886    | 9,413,475    | 12,618,777    | 1,394,528    | 12,266,396    | 7,067,156      | 9,291,423      |
| Total primary government net revenue (expense)          | (2,925,780)  | (6,315,289)  | (2,266,158)  | 534,077       | (11,646,330) | (1,836,225)   | (15,289,801)   | (14,414,901)   |
| <b>General Revenues and Other Changes in Net Assets</b> |              |              |              |               |              |               |                |                |
| Governmental activities:                                |              |              |              |               |              |               |                |                |
| Property taxes  | 7,076,050    | 7,183,124    | 7,370,318    | 8,792,652     | 9,032,995    | 9,557,982     | 10,075,401     | 10,029,584     |
| Transfer taxes  | 2,663,963    | 1,627,172    | 2,379,548    | 3,048,064     | 3,008,371    | 3,515,422     | 1,197,425      | 867,692        |
| Gain (loss) on sale of capital assets                   | -            | -            | 3,750        | -             | -            | -             | -              | -              |
| Investment earnings                                     | 254,510      | 97,171       | 332,853      | 640,381       | 1,230,540    | 726,683       | 585,264        | 268,748        |
| Transfers   | 5,440,923    | 6,636,740    | 6,611,024    | 6,338,741     | 5,385,000    | 7,166,269     | 5,533,055      | 7,306,120      |
| Total governmental activities                           | 15,435,446   | 15,544,207   | 16,697,493   | 18,819,838    | 18,656,906   | 20,966,356    | 17,391,145     | 18,472,144     |
| Business-type activities:                               |              |              |              |               |              |               |                |                |
| Gain (loss) on sale of capital assets                   | -            | 16,213       | (13,264)     | (127,477)     | -            | -             | -              | -              |
| Investment earnings                                     | 2,152,263    | 198,661      | 1,312,098    | 1,528,672     | 2,664,831    | 2,652,414     | 1,748,376      | 837,564        |
| Transfers   | (5,440,923)  | (6,636,740)  | (6,611,024)  | (6,338,741)   | (5,385,000)  | (7,166,269)   | (5,533,055)    | (7,306,120)    |
| Total business-type activities                          | (3,288,660)  | (6,421,866)  | (5,312,190)  | (4,937,546)   | (2,720,169)  | (4,513,855)   | (3,784,679)    | (6,468,556)    |
| Total primary government                                | 12,146,786   | 9,122,341    | 11,385,303   | 13,882,292    | 15,936,737   | 16,452,501    | 13,606,466     | 12,003,588     |
| <b>Change in Net Assets</b>                             |              |              |              |               |              |               |                |                |
| Government activities                                   | 3,560,036    | 1,765,032    | 5,017,860    | 6,735,138     | 5,616,048    | 6,863,735     | (4,965,812)    | (5,234,180)    |
| Business-type activities                                | 5,660,970    | 1,042,020    | 4,101,285    | 7,681,231     | (1,325,641)  | 7,752,541     | 3,282,477      | 2,822,867      |
| Total primary government                                | \$ 9,221,006 | \$ 2,807,052 | \$ 9,119,145 | \$ 14,416,369 | \$ 4,290,407 | \$ 14,616,276 | \$ (1,683,335) | \$ (2,411,313) |

## NOTE

Eight years worth of trend data is shown here instead of ten, due to data not available prior to fiscal year 2003.

Table 3

**City of Dover**  
**Fund Balances of Governmental Funds**  
**Last Eight Fiscal Years**  
**(Modified accrual basis of accounting)**

|                                    | Fiscal Year  |              |              |               |               |               |              |              |
|------------------------------------|--------------|--------------|--------------|---------------|---------------|---------------|--------------|--------------|
|                                    | 2003         | 2004         | 2005         | 2006          | 2007          | 2008          | 2009         | 2010         |
| General Fund                       |              |              |              |               |               |               |              |              |
| Reserved                           | \$ 689,233   | \$ 720,698   | \$ 1,099,450 | \$ 2,158,007  | \$ 2,023,169  | \$ 528,145    | \$ 709,817   | \$ 315,580   |
| Unreserved                         | 4,682,483    | 3,729,125    | 4,156,574    | 6,515,829     | 7,046,831     | 9,387,795     | 8,305,396    | 7,242,323    |
| Total General Fund                 | 5,371,716    | 4,449,823    | 5,256,024    | 8,673,836     | 9,070,000     | 9,915,940     | 9,015,213    | 7,557,903    |
| All other governmental funds       |              |              |              |               |               |               |              |              |
| Unreserved, reported in:           |              |              |              |               |               |               |              |              |
| Special revenue funds              | 805,171      | 2,119,882    | 2,984,929    | 2,829,793     | 5,248,929     | 5,180,097     | 881,332      | 872,309      |
| Total all other governmental funds | 805,171      | 2,119,882    | 2,984,929    | 2,829,793     | 5,248,929     | 5,180,097     | 881,332      | 872,309      |
| Total fund balances                | \$ 6,176,887 | \$ 6,569,705 | \$ 8,240,953 | \$ 11,503,629 | \$ 14,318,929 | \$ 15,096,037 | \$ 9,896,545 | \$ 8,430,212 |

**NOTE**

Eight years worth of trend data is shown here instead of ten, due to data not available prior to fiscal year 2003.

Table 4

**City of Dover**  
**Changes in Fund Balances of Governmental Funds**  
**Last Eight Fiscal Years**  
**(Modified accrual basis of accounting)**

|                                    | Fiscal Year |            |              |              |              |              |              |              |
|------------------------------------|-------------|------------|--------------|--------------|--------------|--------------|--------------|--------------|
|                                    | 2003        | 2004       | 2005         | 2006         | 2007         | 2008         | 2009         | 2010         |
| <b>Revenues</b>                    |             |            |              |              |              |              |              |              |
| Fines                              | \$ 650,004  | \$ 619,493 | \$ 1,117,440 | \$ 1,759,979 | \$ 1,314,246 | \$ 1,262,180 | \$ 1,323,041 | \$ 1,418,354 |
| Library revenue                    | 334,702     | 333,157    | 346,652      | 451,705      | 989,006      | 517,697      | 514,458      | 465,387      |
| Licenses and permits               | 1,934,820   | 2,017,287  | 2,251,091    | 2,465,845    | 2,689,348    | 2,916,749    | 2,599,948    | 2,424,768    |
| Sanitation fees and rebates        | 1,080,356   | 1,083,894  | 1,081,064    | 1,253,313    | 1,293,399    | 1,333,436    | 1,396,801    | 1,340,729    |
| Recreation                         | -           | -          | -            | -            | 12,793       | 34,111       | 47,079       | 36,100       |
| Miscellaneous services             | 1,039,303   | 988,511    | 916,244      | 996,174      | 1,367,960    | 1,351,160    | 1,278,251    | 1,247,096    |
| Taxes                              | 9,740,013   | 8,810,296  | 9,749,866    | 11,840,716   | 12,041,366   | 13,073,404   | 11,272,826   | 10,897,276   |
| Grants                             | 2,396,409   | 3,244,834  | 2,812,082    | 3,919,800    | 4,550,607    | 3,148,194    | 3,513,365    | 4,482,259    |
| Court of Chancery fees             | -           | 559,260    | 710,380      | 792,280      | 929,120      | 883,880      | 738,240      | 675,390      |
| Investment income                  | 226,165     | 95,127     | 315,642      | 603,451      | 1,154,829    | 638,782      | 513,873      | 237,631      |
| Total revenues                     | 17,401,772  | 17,751,859 | 19,300,461   | 24,083,263   | 26,342,674   | 25,159,593   | 23,197,882   | 23,224,990   |
| <b>Expenditures</b>                |             |            |              |              |              |              |              |              |
| General government                 | 698,081     | 693,874    | 902,139      | 836,419      | 1,000,622    | 1,319,774    | 1,661,742    | 1,525,854    |
| Library services                   | 1,021,282   | 1,132,413  | 1,144,289    | 1,162,301    | 1,253,300    | 1,391,974    | 2,150,585    | 1,951,347    |
| Public safety                      | 10,671,475  | 11,755,081 | 12,432,257   | 13,922,271   | 15,055,746   | 15,068,451   | 15,680,044   | 15,948,298   |
| Public works                       | 1,696,969   | 2,864,345  | 2,478,911    | 3,340,643    | 2,551,962    | 2,928,236    | 3,219,659    | 2,504,061    |
| Recreational services              | 482,936     | 486,789    | 617,624      | 705,241      | 1,452,987    | 2,699,725    | 869,134      | 746,868      |
| Streets and sanitation services    | 2,971,180   | 2,957,758  | 2,711,775    | 3,242,649    | 3,018,222    | 3,675,282    | 3,279,188    | 3,181,025    |
| Engineering services               | 56,703      | 225,658    | 253,299      | 289,208      | 314,728      | -            | -            | -            |
| Financial administration           | 391,721     | 597,973    | 687,450      | 725,963      | 829,002      | 1,055,619    | 1,009,240    | 895,570      |
| Garage and stores                  | 545,371     | 382,851    | 418,710      | 417,202      | 402,915      | 486,966      | 491,450      | 526,286      |
| Insurance                          | 128,127     | 203,997    | 168,430      | 153,202      | 165,584      | 176,947      | 199,643      | 197,723      |
| Retiree health care                | 456,025     | 541,715    | 590,587      | 645,457      | 736,286      | 758,185      | 3,265,857    | 1,006,397    |
| Employee pension                   | 140,910     | -          | -            | -            | 402,204      | 134,775      | -            | -            |
| Street lights                      | 465,923     | 470,110    | 534,682      | 545,426      | 624,243      | 917,438      | 937,013      | 956,860      |
| Community and economic development | 392,101     | 545,899    | 711,743      | 600,907      | 639,545      | 497,914      | 724,555      | 2,228,744    |
| Miscellaneous                      | 296,914     | -          | 16,000       | -            | -            | -            | -            | -            |

(Continued)



(Table 4 - Continued Changes in Fund Balances of Governmental Funds)

|  | Fiscal Year  |              |              |              |              |              |                |                |
|--|--------------|--------------|--------------|--------------|--------------|--------------|----------------|----------------|
|  | 2003         | 2004         | 2005         | 2006         | 2007         | 2008         | 2009           | 2010           |
| <b>Expenditures</b>  |              |              |              |              |              |              |                |                |
| Debt service   |              |              |              |              |              |              |                |                |
| Principal  | 637,960      | 668,341      | 490,171      | 464,480      | 368,384      | 350,000      | 365,000        | 260,000        |
| Interest   | 249,661      | 217,374      | 121,350      | 107,959      | 96,644       | 87,468       | 77,319         | 68,410         |
| Other charges (Issuance of debt)                           | -            | 122,387      | -            | -            | -            | -            | -              | -              |
| Total expenditures   | 21,305,342   | 23,868,569   | 24,281,422   | 27,161,334   | 28,914,381   | 31,550,762   | 33,930,429     | 31,999,453     |
| Excess of revenues<br>over(under) expenditures             | (3,903,570)  | (6,116,710)  | (4,980,961)  | (3,078,071)  | (2,571,707)  | (6,391,169)  | (10,732,547)   | (8,774,463)    |
| <b>Other financing sources (uses)</b>                      |              |              |              |              |              |              |                |                |
| Transfers in   | 6,499,751    | 8,249,757    | 8,965,067    | 8,850,767    | 8,316,722    | 12,369,176   | 12,683,925     | 9,156,575      |
| Transfers out  | (1,053,828)  | (1,928,012)  | (2,354,043)  | (2,512,026)  | (2,931,722)  | (5,202,907)  | (7,150,870)    | (1,850,455)    |
| Refunding bonds issued                                     | -            | 3,430,000    | -            | -            | -            | -            | -              | -              |
| Payments to refunded bond escrow agent                     | -            | (3,244,281)  | -            | -            | -            | -            | -              | -              |
| Capital leases   | 84,377       | -            | -            | -            | -            | -            | -              | -              |
| Sale of capital assets                                     | -            | -            | 3,750        | -            | -            | -            | -              | -              |
| Total other financing sources (uses)                       | 5,530,300    | 6,507,464    | 6,614,774    | 6,338,741    | 5,385,000    | 7,166,269    | 5,533,055      | 7,306,120      |
| Net change in fund balances                                | \$ 1,626,730 | \$ 390,754   | \$ 1,633,813 | \$ 3,260,670 | \$ 2,813,293 | \$ 775,100   | \$ (5,199,492) | \$ (1,468,343) |
| Debt service as a percentage of<br>noncapital expenditures | 4.89%        | 4.70%        | 2.75%        | 2.42%        | 1.83%        | 1.62%        | 1.42%          | 1.05%          |
| Capital outlay included in total<br>expenditures (2)       | \$ 3,159,696 | \$ 2,425,801 | \$ 2,084,385 | \$ 3,523,649 | \$ 3,554,679 | \$ 4,559,625 | \$ 2,698,627   | \$ 809,930     |

NOTE

(1) Eight years worth of trend data is shown here instead of ten, due to data not available prior to fiscal year 2003.

(2) Capital outlay has been included in functional expenditures. In order to get debt service as a percentage of noncapital expenditures capital outlay has been deducted from the total expenditures above.

**Table 5**

**City of Dover**  
**Governmental Activities Tax Revenues by Source**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**

| Fiscal Year | Property Tax | Transfer Tax | Total        |
|-------------|--------------|--------------|--------------|
| 2001        | \$ 6,021,821 | \$ 987,753   | \$ 7,009,574 |
| 2002        | 6,190,763    | 1,207,241    | 7,398,004    |
| 2003        | 7,076,050    | 2,663,963    | 9,740,013    |
| 2004        | 7,183,124    | 1,627,172    | 8,810,296    |
| 2005        | 7,370,318    | 2,379,548    | 9,749,866    |
| 2006        | 8,792,652    | 3,048,064    | 11,840,716   |
| 2007        | 9,032,995    | 3,008,371    | 12,041,366   |
| 2008        | 9,557,982    | 3,515,422    | 13,073,404   |
| 2009        | 10,075,401   | 1,197,425    | 11,272,826   |
| 2010        | 10,029,584   | 867,692      | 10,897,276   |

**NOTES**

1. Property Tax tax rate \$.33 of 100% assessed value (See Table 6 for tax rates) includes payments in lieu of taxes, farm land roll back and penalties.
2. Transfer Taxes equal 1.5% of the real property sales value.
3. Assessed value by major component not available. (See Table 6 for total assessed value.)

Table 6

**City of Dover, Delaware  
 Assessed and Estimated Actual Value  
 of Taxable Property Last Ten Fiscal Years**

| <b>REAL PROPERTY</b> |                      |                         |                              |                        |  |                 |
|----------------------|----------------------|-------------------------|------------------------------|------------------------|--|-----------------|
| Fiscal Year          | Total Assessed Value | Less: Exempt Properties | Total Taxable Assessed Value | Estimated Actual Value | Ratio of Total Taxable Value to Total Assessed Value | Direct Tax Rate |
| 2001                 | \$ 1,342,023,600     | \$ 465,530,500          | \$ 876,493,100               | \$ 2,236,706,000       | 39.19%   | 0.685           |
| 2002                 | 1,687,672,100        | 784,466,500             | 903,205,600                  | 2,812,786,833          | 32.11%   | 0.685           |
| 2003                 | 2,209,978,500        | 504,226,700             | 1,705,751,800                | 2,209,978,500          | 77.18%   | 0.411           |
| 2004                 | 2,576,251,900        | 841,436,800             | 1,734,815,100                | 2,576,251,900          | 67.34%   | 0.411           |
| 2005                 | 2,605,638,000        | 841,290,300             | 1,764,347,700                | 2,605,638,000          | 67.71%   | 0.411           |
| 2006                 | 3,146,043,800        | 618,735,300             | 2,527,308,500                | 3,146,043,800          | 80.33%   | 0.330           |
| 2007                 | 3,516,580,775        | 618,433,400             | 2,898,147,375                | 3,516,580,775          | 82.41%   | 0.330           |
| 2008                 | 3,406,762,915        | 616,277,700             | 2,790,485,215                | 3,406,762,915          | 81.91%   | 0.330           |
| 2009                 | 4,124,562,920        | 1,225,269,600           | 2,899,293,320                | 4,124,562,920          | 70.29%   | 0.330           |
| 2010                 | 4,139,869,700        | 1,232,858,580           | 2,907,011,120                | 4,139,869,700          | 70.22%   | 0.330           |

Source: Tax Assessor's Office, City of Dover.

**NOTES**

1. There is no tax on personal properties. Therefore, no figures are presented.
2. In 2003 the City changed assessed values to 100% of estimated actual values from 60%. In doing so, the tax rate was lowered from \$.685 to \$.411 to stay revenue neutral.
3. In 2005, the City property values were reassessed, effective for tax year 2006. The tax rate was lowered from \$.411 to \$.330.

Table 7

| NOTES |   |
|-------|---|
| 1.    | Section 48 of the City of Dover charter provides that the amount of money to be raised through exceed 2% of the total taxable assessment. |
| 2.    | Kent County Property tax rates reflect the 1987 reappraisal of properties in Kent County.   |
| 3.    | The City of Dover changed from 60% of assessed value to 100% and accordingly lowered the tax rate in 2003.                                |
| 4.    | The City of Dover reassessed property values and "rolled back" the tax rate in 2006.  |
| 5.    | The Capital School District is one of two school districts in the City corporate limits.  |

**City of Dover, Delaware**  
**Property Tax Rates - All Direct and Overlapping Governments**  
**with the Capital School District**  
**(Per \$100 of Assessed Value)**  
**Last Ten Fiscal Years**

| Fiscal Year | City of Dover | Kent County | Capital School District | Vo-Tech School District | Total   |
|-------------|---------------|-------------|-------------------------|-------------------------|---------|
| 2000        | 0.685         | 0.250       | 0.936                   | 0.0730                  | 1.944   |
| 2001        | 0.685         | 0.250       | 0.936                   | 0.0730                  | 1.944   |
| 2002        | 0.685         | 0.250       | 1.022                   | 0.0950                  | 2.052   |
| 2003        | 0.411         | 0.250       | 1.120                   | 0.0870                  | 1.868   |
| 2004        | 0.411         | 0.250       | 1.173                   | 0.0870                  | 1.921   |
| 2005        | 0.411         | 0.250       | 1.403                   | 0.0887                  | 2.153 * |
| 2006        | 0.330         | 0.250       | 1.459                   | 0.1180                  | 2.157 * |
| 2007        | 0.330         | 0.250       | 1.534                   | 0.1160                  | 2.230 * |
| 2008        | 0.330         | 0.250       | 1.480                   | 0.1219                  | 2.182   |
| 2009        | 0.330         | 0.310       | 1.543                   | 0.1219                  | 2.305   |

Sources: Tax Assessor's Office - City

Receiver of Taxes Office - Kent County

\* Corrected Capital School District & Vo-tech tax rates

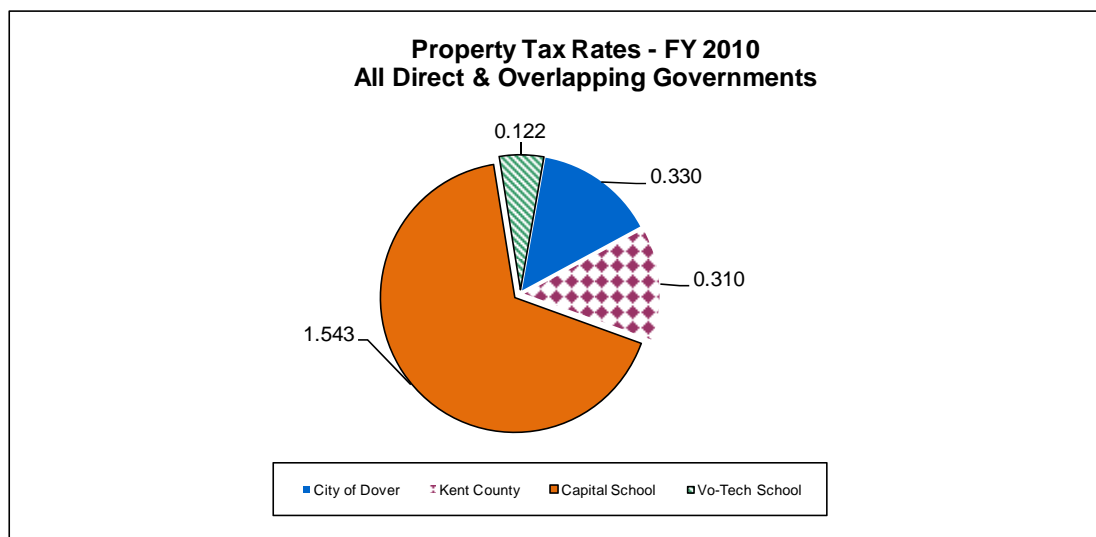


TABLE 8

- NOTES**
1. Section 48 of the City of Dover charter provides that the amount of money to be raised through property taxes shall not exceed 2% of the total taxable assessment.
  2. Kent County Property tax rates reflect the 1987 reappraisal of properties in Kent County.
  3. The City of Dover changed from 60% of assessed value to 100% and accordingly lowered the tax rate in 2003.
  4. The City of Dover reassessed property values and "rolled back" the tax rate in 2006.
  5. The Caesar Rodney School District is one of two school districts in the City corporate limits.

**City of Dover, Delaware  
 Property Tax Rates - All Direct and Overlapping Governments  
 with the Caesar Rodney School District  
 (Per \$100 of Assessed Value)  
 Last Ten Fiscal Years**

| Fiscal Year | City of Dover | Kent County | Caesar Rodney School District | Vo-Tech School District | Total   |
|-------------|---------------|-------------|-------------------------------|-------------------------|---------|
| 2000        | 0.685         | 0.250       | 0.884                         | 0.0730                  | 1.892   |
| 2001        | 0.685         | 0.250       | 0.986                         | 0.0730                  | 1.994   |
| 2002        | 0.685         | 0.250       | 1.030                         | 0.0950                  | 2.060   |
| 2003        | 0.411         | 0.250       | 1.030                         | 0.0870                  | 1.778   |
| 2004        | 0.411         | 0.250       | 1.161                         | 0.0870                  | 1.909   |
| 2005        | 0.411         | 0.250       | 1.161                         | 0.0887                  | 1.911   |
| 2006        | 0.330         | 0.250       | 1.075                         | 0.1180                  | 1.773 * |
| 2007        | 0.330         | 0.250       | 1.125                         | 0.1160                  | 1.821 * |
| 2008        | 0.330         | 0.250       | 1.125                         | 0.1219                  | 1.827   |
| 2009        | 0.330         | 0.310       | 1.125                         | 0.1219                  | 1.887   |

Sources: Tax Assessor's Office - City

Receiver of Taxes Office - Kent County

\* Corrected Ceasar Rodney School District & Vo-tech tax rates

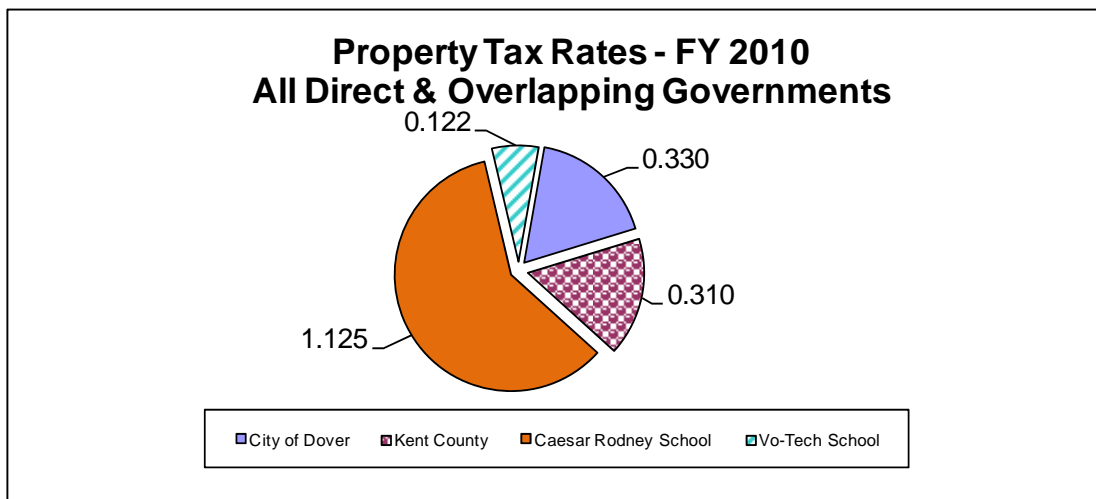


Table 9

**CITY OF DOVER**  
**GENERAL FUND INCLUDING CAPITAL OUTLAY**  
**SCHEDULE OF REVENUES AND OTHER FINANCING TREND DATA**  
**LAST TEN FISCAL YEARS**

| REVENUES:                                     | 2001                | 2,002               | 2003                | 2004                | 2005                | 2006                | 2007                | 2008                | 2009                | 2010         |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|--------------|
| Beginning Balance                             | \$2,827,370         | \$380,166           | \$2,266,936         | \$2,890,843         | \$2,865,516         | \$3,223,548         | \$ 5,437,696        | \$ 4,051,979        | \$ 5,038,076        | #REF!        |
| Fines and Other Police Revenue                | 635,711             | 658,869             | 650,004             | 619,493             | 858,604             | 823,439             | 773,680             | 747,458             | 628,928             | -            |
| Franchise fees                                | -                   | -                   | 331,515             | 462,859             | 395,821             | 416,595             | 440,745             | 462,149             | 507,135             | 52,118       |
| Right-of-Way Revenue                          | 169,262             | 56,339              | -                   | -                   | -                   | -                   | -                   | -                   | -                   | -            |
| Court of Chancery Fees                        | -                   | -                   | -                   | 559,260             | 710,380             | 792,280             | 929,120             | 883,880             | 738,240             | 146,880      |
| Internet Revenue                              | -                   | 10,613              | 17,903              | 20,779              | 17,205              | 12,951              | 7,483               | 1,894               | -                   | -            |
| Interest Earnings & Transfers                 | 336,533             | 217,917             | 146,113             | 164,686             | 139,444             | 263,223             | 307,698             | 442,095             | 246,290             | 1,060,332    |
| Library Revenue - General                     | 34,601              | 33,536              | 42,251              | 37,357              | 50,852              | 58,905              | 53,634              | 53,634              | 59,535              | 60,347       |
| Library Revenue - County Reimbursement        | 286,090             | 290,607             | 292,451             | 295,800             | 295,800             | 392,800             | 935,371             | 464,063             | 454,923             | 145,869      |
| Library Trust Receipt                         | -                   | 105,410             | -                   | -                   | -                   | -                   | -                   | -                   | -                   | -            |
| Licenses and Permits                          | 2,141,937           | 1,888,673           | 1,934,820           | 2,017,287           | 2,251,092           | 2,465,845           | 2,689,348           | 2,916,748           | 2,599,948           | 465,387      |
| Miscellaneous Service Charges                 | 215,266             | 49,991              | 77,276              | 83,572              | 55,310              | 120,433             | 236,646             | 103,452             | 114,862             | 1,500,778    |
| Police Extra Duty Fees                        | 345,324             | 389,503             | 393,601             | 307,426             | 303,195             | 250,985             | 358,756             | 370,379             | 386,770             | 960,427      |
| Property Taxes                                | 6,021,821           | 6,190,763           | 7,076,050           | 7,183,124           | 7,370,318           | 8,792,652           | 9,032,995           | 9,557,982           | 10,075,401          | 507,737      |
| Recreation Revenue & Donations                | 88,460              | 88,865              | 92,699              | 102,483             | 101,296             | 98,254              | 98,613              | 320,767             | 153,867             | 9,977,466    |
| Rent Revenue                                  | 65,610              | 15,250              | 28,214              | 28,214              | 28,213              | 35,533              | 35,533              | 35,533              | 41,536              | -            |
| Electric Fund Appropriation                   | 3,975,000           | 3,975,000           | 4,525,000           | 4,701,664           | 5,463,008           | 5,716,956           | 4,700,000           | 6,601,269           | 6,758,100           | 236,582      |
| Electric Improvement & Extension Fund Approp. | -                   | 1,887,950           | -                   | -                   | -                   | -                   | -                   | -                   | -                   | -            |
| Water/Sewer Fund Appropriation                | -                   | 900,000             | 450,000             | 831,000             | 848,016             | 535,785             | 535,000             | 565,000             | 564,810             | -            |
| Transfer Tax                                  | 987,753             | 1,207,241           | 2,663,963           | 1,627,172           | 2,379,548           | 3,048,064           | 3,009,539           | 3,526,187           | 1,198,064           | 148,796      |
| Curbside Recycling                            | -                   | -                   | -                   | -                   | -                   | 8,869               | 10,041              | -                   | -                   | -            |
| Sanitation Fees                               | 920,115             | 1,059,007           | 1,080,356           | 1,083,894           | 1,081,064           | 1,244,444           | 1,283,358           | 1,333,437           | 1,396,801           | 1,714,007    |
| Transfer from Reserves                        | -                   | -                   | -                   | 859,816             | 1,040               | 124,504             | 1,106,362           | 2,319,759           | 386,076             | #REF!        |
| Sale of Capital Assets                        | -                   | -                   | 21,371              | 2,800               | 13,000              | 59,850              | 169,900             | 52,651              | 70,197              | -            |
| Interfund Service Receipts- Water/Wastewater  | -                   | -                   | -                   | 846,864             | 932,708             | 1,045,326           | 1,092,328           | 993,869             | 965,917             | -            |
| Interfund Service Receipts- Electric          | -                   | -                   | -                   | 3,151,045           | 3,536,040           | 3,652,063           | 3,679,042           | 3,462,974           | 3,417,682           | -            |
| Grants:                                       |                     |                     |                     |                     |                     |                     |                     |                     |                     |              |
| Emergency Related                             | -                   | -                   | 66,263              | 48,655              | -                   | -                   | -                   | -                   | -                   | -            |
| Homeland Security                             | -                   | -                   | -                   | -                   | -                   | 164,872             | 87,351              | 30,000              | 4,891               | -            |
| Municipal Street Aid                          | 845,221             | 822,385             | 803,446             | 794,301             | 792,242             | 659,910             | 657,474             | 710,744             | 791,306             | 399,289      |
| Police Related                                | 114,270             | 96,611              | 124,360             | 248,070             | 611,801             | 1,279,116           | 681,399             | 613,198             | 813,193             | 1,485        |
| Recreation Related                            | 74,865              | 3,007               | -                   | 20,000              | 25,000              | 300,000             | 332,607             | 61,911              | 67,262              | -            |
| State Revenue Sharing/Other                   | -                   | -                   | 21,203              | -                   | -                   | -                   | -                   | -                   | -                   | -            |
| Misc Grant Revenue                            | -                   | -                   | -                   | 1,258               | 9,900               | 19,700              | 22,100              | 58,220              | 10,000              | 241,079      |
| State Grant for Library Reimbursement         | -                   | -                   | -                   | -                   | -                   | -                   | -                   | -                   | 368,065             | 157,693      |
| Downtown Amenities                            | 253,983             | -                   | -                   | -                   | -                   | -                   | -                   | -                   | -                   | -            |
| DelDot Enhancements                           | -                   | 57,056              | -                   | -                   | -                   | -                   | -                   | -                   | -                   | -            |
| <b>TOTAL REVENUES</b>                         | <b>\$20,339,192</b> | <b>\$20,384,759</b> | <b>\$23,105,795</b> | <b>\$28,989,722</b> | <b>\$31,136,413</b> | <b>\$35,606,902</b> | <b>\$38,703,819</b> | <b>\$40,741,232</b> | <b>\$37,857,875</b> | <b>#REF!</b> |

Source: City of Dover Financial Reports.

Table 10

**CITY OF DOVER**  
**GENERAL FUND INCLUDING CAPITAL OUTLAY**  
**SCHEDULE OF EXPENDITURES AND OTHER USES TREND DATA**  
**LAST TEN FISCAL YEARS**

| EXPENDITURES:                       | 2001                 | 2002                 | 2003                 | 2004                 | 2005                 | 2006                 | 2007                 | 2008                 | 2009                 | 2010         |
|-------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|--------------|
| Customer Services/Admin Services    | \$ 39,744            | \$ 41,327            | \$ 38,759            | \$ 849,620           | \$ 1,072,083         | \$ 951,557           | 1,048,692            | \$ 1,165,649         | \$ 929,245           | \$ 558,515   |
| Central Services                    | 37,061               | 48,152               | 38,109               | 659,788              | 755,866              | 678,110              | 733,291              | 706,065              | 757,091              | 701,754      |
| City Clerk                          | 96,564               | 105,075              | 103,961              | 243,852              | 301,129              | 333,612              | 236,271              | 242,572              | 274,582              | 69,248       |
| City Manager                        | 111,332              | 91,399               | 101,439              | 310,272              | 358,401              | 563,970              | 629,503              | 623,141              | 550,883              | 751,715      |
| Code Enforcement                    | -                    | -                    | -                    | -                    | -                    | -                    | -                    | -                    | 327,365              | -            |
| Construction                        | 138,867              | 78,830               | 85,304               | -                    | -                    | -                    | -                    | -                    | -                    | -            |
| Economic Development                | -                    | -                    | -                    | -                    | -                    | -                    | -                    | -                    | 208,420              | ACTUAL       |
| Engineering                         | 48,286               | 47,030               | 56,703               | 225,658              | 253,299              | 289,208              | 314,729              | -                    | -                    | -            |
| Facilities Management               | 251,784              | 338,644              | 388,957              | 871,691              | 958,764              | 824,260              | 1,330,499            | 1,060,048            | 1,091,135            | 664,433      |
| Finance                             | 181,055              | 157,672              | 172,862              | 526,973              | 598,639              | 649,802              | 654,883              | 726,153              | 791,349              | 346,530      |
| Fire                                | 765,747              | 582,435              | 775,129              | 858,193              | 911,534              | 948,785              | 1,188,173            | 923,706              | 1,010,589            | 34,472,489   |
| Grounds Maintenance                 | 246,111              | 267,376              | 295,385              | 952,009              | 989,042              | 1,054,767            | 1,105,432            | 1,082,558            | 1,311,810            | 514,904      |
| Human Resources                     | 68,297               | 88,830               | 102,472              | 236,467              | 271,823              | 306,782              | 349,509              | 385,420              | 440,196              | 881,478      |
| Information Technology              | 132,062              | 135,569              | 180,100              | 675,002              | 741,812              | 859,120              | 892,449              | 955,270              | 914,481              | 756,916      |
| Insurance                           | 113,220              | 105,400              | 128,127              | 523,069              | 431,871              | 429,139              | 452,414              | 460,800              | 519,904              | 1,006,397    |
| Library                             | 779,665              | 759,169              | 791,726              | 908,656              | 909,005              | 953,761              | 1,005,737            | 1,141,524            | 1,896,418            | 228,976      |
| Life Safety                         | -                    | -                    | -                    | -                    | -                    | -                    | -                    | -                    | 290,053              | -            |
| Mayor & Council                     | 79,580               | 87,893               | 111,910              | 223,890              | 221,958              | 225,071              | 217,312              | 235,916              | 199,380              | 1,188,189    |
| Parks and Recreation                | 394,915              | 413,409              | 482,936              | 486,789              | 617,624              | 705,241              | 1,452,987            | 2,699,725            | 872,438              | 39,500       |
| Planning Commission                 | 123,374              | 96,863               | 123,716              | 196,907              | 202,516              | 201,563              | 295,426              | 408,984              | 415,933              | -            |
| Police                              | 8,082,681            | 8,646,777            | 9,016,043            | 9,952,938            | 10,472,023           | 11,205,497           | 11,695,791           | 12,169,372           | 12,799,720           | #REF!        |
| Public Inspections                  | 752,168              | 729,450              | 769,831              | 811,805              | 898,687              | 957,385              | 1,167,072            | 1,083,251            | 500,109              | -            |
| Public Services - Admin.            | 74,125               | 81,657               | 78,312               | 273,982              | 306,773              | 318,900              | 235,183              | 397,699              | 383,995              | 1,027,641    |
| Sanitation                          | 1,807,335            | 1,657,753            | 2,025,888            | 2,202,051            | 1,940,866            | 2,257,821            | 2,163,486            | 2,722,626            | 2,345,710            | 544,951      |
| Streets                             | 1,293,463            | 1,020,123            | 1,046,294            | 1,122,311            | 1,237,428            | 1,081,869            | 868,910              | 1,302,657            | 1,133,477            | 31,862       |
| Tax Assessor                        | 114,360              | 164,012              | 120,745              | 154,792              | 301,445              | 195,383              | 224,895              | 282,989              | 594,518              | -            |
| Vehicle Maintenance                 | 667,421              | 449,159              | 502,044              | 533,699              | 581,689              | 672,608              | 649,012              | 688,553              | 688,979              | 261,520      |
| Other Charges:                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |              |
| Other Appropriations                | 126,282              | 79,352               | 183,831              | 1,456                | -                    | 500,000              | 668,120              | -                    | 10,000               | 956,860      |
| Park Construction                   | -                    | -                    | -                    | -                    | -                    | 1,193,323            | 361,375              | -                    | -                    | -            |
| Approp. to Street Lights            | -                    | -                    | -                    | 470,110              | 534,682              | 545,426              | 624,242              | 917,439              | 937,013              | -            |
| Approp. to Capital Outlays          | 60,000               | 20,000               | -                    | -                    | -                    | 150,000              | 159,810              | -                    | -                    | -            |
| Internet Service                    | 10,493               | 7,622                | -                    | -                    | -                    | -                    | -                    | -                    | -                    | -            |
| Copier Expense                      | -                    | -                    | -                    | -                    | 4,863                | -                    | -                    | -                    | -                    | -            |
| N. Dover Athletic Complex           | 40,000               | -                    | -                    | -                    | -                    | -                    | -                    | -                    | -                    | -            |
| Transfer to Contingency Fund        | 50,000               | -                    | 250,000              | -                    | -                    | -                    | -                    | 34,500               | -                    | -            |
| Transfers to Reserves               | -                    | 105,410              | 796,372              | 634,774              | 974,970              | -                    | -                    | 283,027              | 201,770              | #REF!        |
| Transfer to Grant Funds             | -                    | -                    | -                    | 867                  | -                    | -                    | -                    | 2,778                | 6,697                | -            |
| Appropriations to Other Funds       | 329,234              | -                    | 6,515                | -                    | -                    | -                    | -                    | -                    | -                    | -            |
| Environmental Related Expense       | 61,227               | 30,000               | -                    | -                    | -                    | -                    | -                    | -                    | -                    | -            |
| I/T Emergency Preparedness Plan     | -                    | -                    | -                    | -                    | -                    | -                    | 87,351               | -                    | -                    | -            |
| Accounts Receivable Uncollectibles  | -                    | -                    | -                    | -                    | 10,000               | 10,000               | 10,000               | 10,000               | -                    | -            |
| Inventory Write Offs                | -                    | -                    | -                    | 14,636               | 7,114                | 12,176               | 13,010               | 11,197               | -                    | -            |
| Retiree Benefits                    | 306,106              | 375,173              | 456,025              | 541,715              | 590,587              | 645,457              | 736,286              | 758,185              | 920,713              | -            |
| Employee Pension                    | -                    | -                    | -                    | -                    | -                    | -                    | 402,204              | 134,775              | -                    | -            |
| Police Pension                      | 226,863              | -                    | -                    | -                    | -                    | -                    | -                    | -                    | -                    | 42,993       |
| Workers Compensation Fund           | -                    | 616,449              | 296,914              | -                    | 16,000               | -                    | -                    | -                    | -                    | -            |
| Library Escrow                      | -                    | -                    | -                    | -                    | -                    | -                    | 2,226,932            | 1,649,109            | -                    | -            |
| DSWA Recycling Program              | -                    | -                    | -                    | -                    | -                    | 9,894                | 9,622                | -                    | -                    | -            |
| Loss on Sale of Assets              | -                    | -                    | -                    | -                    | -                    | -                    | -                    | -                    | -                    | -            |
| Consulting                          | 150,000              | -                    | -                    | -                    | -                    | -                    | -                    | -                    | -                    | -            |
| Debt Service: Principal             | 425,000              | 445,000              | 465,000              | 485,000              | 330,000              | 335,000              | 345,000              | 350,000              | 365,000              | (68,410)     |
| Debt Service: Interest              | 301,625              | 244,813              | 223,543              | 198,509              | 110,372              | 103,719              | 96,232               | 87,468               | 77,319               | 68,410       |
| Debt. Service: Bond Issue Costs     | -                    | -                    | -                    | 122,387              | -                    | -                    | -                    | -                    | -                    | -            |
| Debt Service: Bond Proceeds         | -                    | -                    | -                    | (3,430,000)          | -                    | -                    | -                    | -                    | -                    | -            |
| Debt Service: Payment to Bond Agent | -                    | -                    | -                    | 3,244,281            | -                    | -                    | -                    | -                    | -                    | -            |
| <b>TOTAL EXPENDITURES</b>           | <b>\$ 18,486,047</b> | <b>\$ 18,117,823</b> | <b>\$ 20,214,952</b> | <b>\$ 26,084,149</b> | <b>\$ 27,912,865</b> | <b>\$ 30,169,206</b> | <b>\$ 34,651,840</b> | <b>\$ 35,703,156</b> | <b>\$ 33,766,292</b> | <b>#REF!</b> |

Source: City of Dover Financial Reports.

Table 11

**City of Dover, Delaware  
Principal Tax Payers  
Current Year and Nine Years Ago**

| TAX PAYERS                           | 2010<br>ASSESSED<br>VALUATION | RANK | PERCENTAGE<br>OF TOTAL<br>TAXABLE<br>ASSESSED<br>VALUATION | 2001<br>ASSESSED<br>VALUATION | RANK | PERCENTAGE<br>OF TOTAL<br>TAXABLE<br>ASSESSED<br>VALUATION |
|--------------------------------------|-------------------------------|------|--|-------------------------------|------|--|
| Dover Downs Prop, Inc.               | 168,411,200                   | 1    | 5.79%  | 29,776,400                    | 2    | 19.52%   |
| Dover Mall LP                        | 75,714,000                    | 2    | 2.60%  | 29,865,800                    | 1    | 19.58%   |
| Dover Medical Center                 | 24,887,600                    | 3    | 0.86%  | -                             | -    | -  |
| Kraft-General Foods Corp.            | 20,624,800                    | 4    | 0.71%  | 13,920,000                    | 3    | 9.13%  |
| Robino Bay Court Plaza               | 19,107,300                    | 5    | 0.66%  | 2,746,600                     | -    | 1.80%  |
| Berks City Real Estate Assoc         | 18,034,400                    | 6    | 0.62%  | 5,004,800                     | 10   | 3.28%  |
| East Coast Country Village LLC       | 15,691,800                    | 7    | 0.54%  | 3,086,600                     |      |  |
| Millers Dover Downs                  | 14,837,900                    | 8    | 0.51%  | 2,557,700                     | -    | 1.68%  |
| Dover South Coast Partnership        | 14,470,300                    | 9    | 0.50%  | 5,626,300                     | 8    | 3.69%  |
| Tritex Real Estate Advisors          | 11,650,000                    | 10   | 0.40%  | -                             | -    | -  |
| Dover East Estates LP                | 11,647,200                    | -    | 0.40%  | 599,600                       | -    | 0.39%  |
| Proctor & Gamble                     | -                             | -    | -  | 11,510,900                    | 4    | 7.55%  |
| K.W. Lands/Sheraton/Hampton          | -                             | -    | -  | 5,861,600                     | 7    | 3.84%  |
| McKee Business Park LLC              | -                             | -    | -  | 5,476,200                     | 9    | 3.59%  |
| Playtex Apparel Inc.                 | -                             | -    | -  | 6,503,200                     | 6    | 4.26%  |
| Energizer(was Playtex Products Inc.) | -                             | -    | -  | 10,491,800                    | 5    | 6.88%  |
|                                      | \$ 395,076,500                |      | 13.59%   | \$ 133,027,500                |      | 85.20%   |

Source: Tax Assessor's Office, City of Dover

|   |                  |
|---|------------------|
| Total taxable assessed valuation for current year is  | \$ 2,907,011,120 |
| In 2003 the City changed assessed values to 100% of estimated actual values from 60%. Total taxable assessed valuation for 2001 was 60% | \$ 152,521,400   |

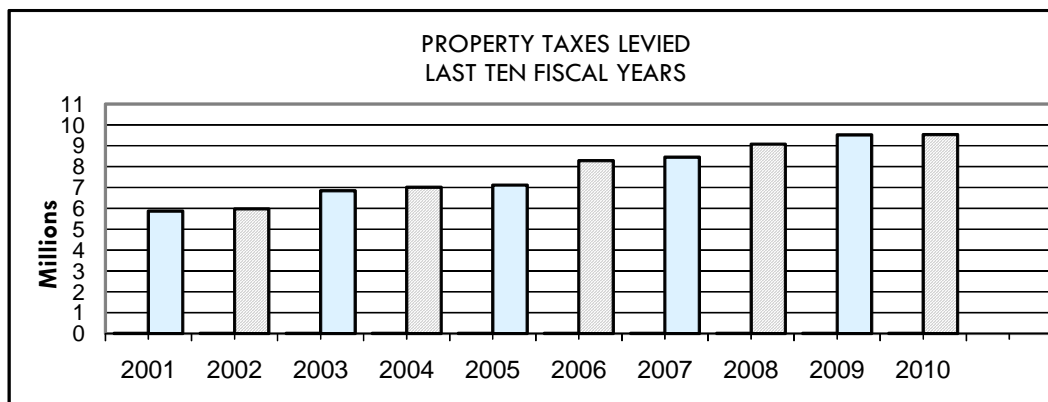


Table 12

**City of Dover, Delaware  
 Property Tax Levies  
 and Collections  
 Last Ten Fiscal Years**

| Fiscal Year | Total Tax Levy | Collected Within the Fiscal Year of the Levy | Collected in Subsequent Years | Total Collections to Date | Collection as Percentage of Levy |
|-------------|----------------|--|-------------------------------|---------------------------|----------------------------------|
| 2001        | \$ 5,866,188   | \$ 5,747,774                                 | \$ 118,414                    | \$ 5,866,188              | 100.00%                          |
| 2002        | 5,974,417      | 5,828,062                                    | 146,355                       | 5,974,417                 | 100.00%                          |
| 2003        | 6,842,874      | 6,724,009                                    | 118,865                       | 6,842,874                 | 100.00%                          |
| 2004        | 7,011,906      | 6,941,843                                    | 70,063                        | 7,011,906                 | 100.00%                          |
| 2005        | 7,109,977      | 6,941,217                                    | 168,750                       | 7,109,967                 | 100.00%                          |
| 2006        | 8,287,536      | 8,081,411                                    | 206,125                       | 8,287,536                 | 100.00%                          |
| 2007        | 8,448,462      | 8,242,898                                    | 204,732                       | 8,447,630                 | 99.99%                           |
| 2008        | 9,074,777      | 8,937,384                                    | 135,399                       | 9,072,783                 | 99.98%                           |
| 2009        | 9,512,522      | 9,206,158                                    | 296,166                       | 9,502,324                 | 99.89%                           |
| 2010        | 9,525,034      | 9,314,327                                    | -                             | 9,314,327                 | 97.79%                           |

Source: City of Dover Assessor & Customer Service Reports.



NOTES

1. Section 48 of the City of Dover chapter provides that the amount of money to be raised through property taxes shall not exceed 2% of the total taxable assessment.
2. Total Tax Levy represents the annual tax billings, quarterly billings and adjustments from tax appeals.
3. The table above includes receipt of property taxes and penalties. It excludes payments in lieu of taxes and farm land roll back taxes.

Table 13

**City of Dover**  
**Ratios of Outstanding Debt by Type**  
**Last Ten Fiscal Years**

| Fiscal Year | Governmental Activities  |                | Business-type Activities  |                        |                                      |                | Total Primary Government | Percentage of Personal Income | Per Capita | Population |
|-------------|--------------------------|----------------|---------------------------|------------------------|--------------------------------------|----------------|--------------------------|-------------------------------|------------|------------|
|             | General Obligation Bonds | Capital Leases | Water/Sewer Revenue Bonds | Electric Revenue Bonds | General Obligation Bonds Water/Sewer | Capital Leases |                          |                               |            |            |
| 2001        | \$ 5,010,000             | \$ -           | \$ 10,863,838             | \$ 26,350,000          | \$ 300,000                           | \$ -           | \$ 42,523,838            | 6.7%                          | \$ 1,318   | 32,271     |
| 2002        | 4,565,000                | 90,143         | 9,861,726                 | 26,164,844             | 150,000                              | 399,613        | 41,231,326               | 6.5%                          | \$ 1,266   | 32,562     |
| 2003        | 4,100,000                | 554,217        | 8,803,629                 | 24,085,000             | -                                    | 393,030        | 37,935,876               | 5.9%                          | \$ 1,154   | 32,860     |
| 2004        | 3,805,000                | 313,035        | 9,759,511                 | 22,830,000             | -                                    | 309,915        | 37,017,461               | 5.7%                          | \$ 1,116   | 33,179     |
| 2005        | 3,475,000                | 152,864        | 8,429,336                 | 22,535,000             | -                                    | 161,836        | 34,754,036               | 5.3%                          | \$ 1,037   | 33,511     |
| 2006        | 3,140,000                | -              | 7,053,065                 | 20,680,000             | -                                    | 68,892         | 30,941,957               | 4.7%                          | \$ 914     | 33,858     |
| 2007        | 2,795,000                | -              | 5,660,657                 | 18,950,000             | -                                    | -              | 27,405,657               | 4.1%                          | \$ 807     | 33,962     |
| 2008        | 2,445,000                | -              | 5,007,072                 | 17,170,000             | -                                    | -              | 24,622,072               | 3.7%                          | \$ 690     | 35,665     |
| 2009        | 2,080,000                | -              | 4,332,268                 | 37,530,000             | -                                    | -              | 43,942,268               | 6.3%                          | \$ 1,200   | 36,627     |
| 2010        | 1,820,000                | -              | 3,641,199                 | 35,270,000             | -                                    | -              | 40,731,199               | 5.7%                          | \$ 1,112   | 36,627     |

Source: City of Dover Financial Records

Population Source 1997-1999: U. S. Census

Population Source: Delaware Population Consortium Annual Population Projections as of 7/09

Table 14

**City of Dover, Delaware**  
**Ratio of Net General Obligation Bonded Debt**  
**To Assessed Value and Net Bonded Debt Per Capita**  
**Last Ten Fiscal Years**

| Fiscal Year | Population     | Assessed Value | Gross Bonded Debt | Debt Payable From Enterprise Revenues | Net Bonded Debt | Ratio of Net Bonded Debt To Assessed Value | Net Bonded Debt Per Capita |
|-------------|----------------|----------------|-------------------|---------------------------------------|-----------------|--|----------------------------|
| 2001        | 32,135         | 876,493,100    | 5,310,000         | 300,000                               | 5,010,000       | 0.57%                                      | 155.90                     |
| 2002        | 32,135         | 903,205,600    | 4,715,000         | 150,000                               | 4,565,000       | 0.51%                                      | 142.06                     |
| 2003        | (2) 32,043     | 1,705,751,800  | 4,100,000         | -                                     | 4,100,000       | 0.24%                                      | 127.95                     |
| 2004        | (2) 32,043     | 1,734,815,100  | 3,805,000         | -                                     | 3,805,000       | 0.22%                                      | 118.75                     |
| 2005        | (2) 32,043     | 1,764,347,700  | 3,475,000         | -                                     | 3,475,000       | 0.20%                                      | 138.95                     |
| 2006        | (2) 32,043     | 2,527,308,500  | 3,140,000         | -                                     | 3,140,000       | 0.12%                                      | 97.99                      |
| 2007        | (2) 32,043     | 2,898,147,375  | 2,795,000         | -                                     | 2,795,000       | 0.10%                                      | 87.23                      |
| 2008        | (2) (3) 32,043 | 2,790,485,215  | 2,445,000         | -                                     | 2,445,000       | 0.09%                                      | 76.30                      |
| 2009        | (2) (3) 32,043 | 2,879,943,320  | 2,080,000         | -                                     | 2,080,000       | 0.07%                                      | 64.91                      |
| 2010        | (2) (3) 32,043 | 2,907,011,120  | 1,820,000         | -                                     | 1,820,000       | 0.06%                                      | 56.80                      |

Source: City of Dover Financial Records and Tax Assessor's Office.

NOTES

1. This table includes all long-term general obligation bonded debt only.
2. As a result of Count Question Resolution Process, the Census Bureau revised the 2000 population for the City of Dover to 32,043 people.
3. Assessed value reflects the net billable tax base and does not include the exempt value of \$1,232,858,580, exemption for Senior Citizens of \$18,600,000 and exemption for disability of \$1,584,700.
4. In 2003 the City changed assessed values to 100% of estimated actual values from 60%. In doing so, the tax rate was lowered from \$.685 to \$.411 to stay revenue neutral.
5. In 2005 the City property values were reassessed, effective for tax year 2006. The tax rate was lowered from \$.411 to \$.330.

Table 15

**City of Dover, Delaware**  
**Ratio of Annual Debt Service Expenditures for**  
**General Bonded Debt to Total General Expenditures**  
**Last Ten Fiscal Years**

| Fiscal Year | Principal  | Interest   | Total Debt Service(1) | Total General Expenditures(2) | Ratio of Debt Service to Total General Expenditures |
|-------------|------------|------------|-----------------------|-------------------------------|---|
| 2001        | \$ 425,000 | \$ 301,625 | \$ 726,625            | \$ 18,486,047                 | 3.93%   |
| 2002        | 445,000    | 244,813    | 689,813               | 18,117,823                    | 3.81%   |
| 2003        | 465,000    | 223,543    | 688,543               | 20,214,952                    | 3.41%   |
| 2004        | 485,000    | 200,740    | 685,740               | 26,084,149                    | 2.63%   |
| 2005        | 330,000    | 110,371    | 440,371               | 27,912,865                    | 1.58%   |
| 2006        | 335,000    | 103,718    | 438,718               | 30,169,206                    | 1.45%   |
| 2007        | 345,000    | 96,232     | 441,232               | 34,651,840                    | 1.27%   |
| 2008        | 350,000    | 87,468     | 437,468               | 35,703,156                    | 1.23%   |
| 2009        | 365,000    | 77,319     | 442,319               | 33,766,292                    | 1.31%   |
| 2010        | 260,000    | 68,410     | 328,410               | 45,490,962                    | 0.72%   |

Source: City of Dover Financial Records.

NOTES

1. The debt service figures include the General Obligation Bonds payable from the General Fund only.
2. The General Expenditures include all operating items, capital items and debt service.  
(See Table 10)

Table 16

**City of Dover, Delaware  
 Computation of Direct and Overlapping Debt  
 with the Capital School District  
 June 30, 2010**

| Jurisdiction                           | Net Debt<br>Outstanding     | Percentage<br>Applicable to<br>City of Dover | Amount<br>Applicable to<br>City of Dover |
|--|-----------------------------|--|--|
| City of Dover                          | \$ 1,758,971                | 100%   | \$ 1,758,971                             |
| Kent County <sup>(1)</sup>             | 26,779,888                  | 6%   | 1,606,793                                |
| Capital School District <sup>(2)</sup> | <u>25,897,695</u>           |  | <u>-</u>                                 |
| <b>TOTAL</b>                           | <b><u>\$ 54,436,554</u></b> |  | <b><u>\$ 3,365,764</u></b>               |

Sources: City of Dover Financial Records, Kent County Levy Court - Accounting Department and  
 Capital School District - Administration Department.

**NOTES**

1. Kent County: Total debt for Kent County is \$26,779,888 at June 30, 2010. Although, Kent County's bonds are general obligation bonds, \$21,262,028 is payable from the Kent County Sewer Fund(s) or other committed sources.
2. Capital School District: As of June 30, 2010 the net outstanding debt was \$25,897,695. Percentage and amount applicable to the City is not available. The Capital School District is one of two school districts in the City corporate limits.

Table 17

**City of Dover, Delaware**  
**Computation of Direct and Overlapping Debt**  
**with the Caesar Rodney School District**  
**June 30, 2010**

| Jurisdiction                                 | Net Debt<br>Outstanding     | Percentage<br>Applicable to<br>City of Dover | Amount<br>Applicable to<br>City of Dover |
|--|-----------------------------|--|--|
| City of Dover                                | \$ 1,758,971                | 100%   | \$ 1,758,971                             |
| Kent County <sup>(1)</sup>                   | 26,779,888                  | 6%   | 1,606,793                                |
| Caesar Rodney School District <sup>(2)</sup> | <u>\$ 12,724,595</u>        |  | <u>-</u>                                 |
| <b>TOTAL</b>                                 | <u><u>\$ 41,263,454</u></u> |  | <u><u>\$ 3,365,764</u></u>               |

Sources: City of Dover Financial Records, Kent County Levy Court - Accounting Department and  
Caesar Rodney School District - Administration Department.

#### NOTES

1. Kent County: Total debt for Kent County is \$26,779,888 at June 30, 2010. Although, Kent County's bonds are general obligation bonds, \$21,262,028 is payable from the Kent County Sewer Fund(s) or other committed sources.
2. Caesar Rodney School District: As of June 30, 2010 the net outstanding debt was \$12,724,595. Percentage and amount applicable to the City is not available. The Caesar Rodney School District is one of two school districts in the City corporate limits.

Table 18

**City of Dover, Delaware**  
**Computation of Legal Debt Margin**  
**Last Ten Fiscal Years**  
**(amounts expressed in thousands)**

|   | 2001       | 2002       | 2003       | 2004       | 2005       | 2006       | 2007       | 2008       | 2009       | 2010       |
|---|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Debt Limit  | \$ 219,123 | \$ 225,801 | \$ 426,474 | \$ 433,704 | \$ 441,087 | \$ 632,988 | \$ 724,537 | \$ 713,816 | \$ 724,823 | \$ 721,707 |
| Total Net Debt applicable to limit                                  | 5,310      | 4,715      | 4,100      | 3,805      | 3,475      | 3,140      | 2,795      | 2,445      | 2,080      | 1,820      |
| Legal debt margin   | \$ 213,813 | \$ 221,086 | \$ 422,374 | \$ 429,899 | \$ 437,612 | \$ 629,848 | \$ 721,742 | \$ 711,371 | \$ 722,743 | \$ 719,887 |
| Total Net Debt applicable to limit<br>as a percentage of debt limit | 2.48%      | 2.13%      | 0.97%      | 0.89%      | 0.79%      | 0.50%      | 0.39%      | 0.34%      | 0.29%      | 0.25%      |

Legal Debt Margin Calculation for Fiscal Year 2010

|   |                     |
|---|---------------------|
| Net (Taxable) Assessed Value on Books                                 | <u>\$ 2,886,826</u> |
| Debt Limit - 25 Percent of Total Assessed Value                       | \$ 721,707          |
| DEBT<br>(For which the City's full faith and credit has been pledged) |                     |
| Gross Bonded Debt   | <u>1,820</u>        |
| LEGAL DEBT MARGIN   | <u>\$ 719,887</u>   |

Source: City of Dover Financial Reports, City of Dover Charter, Section 50(b),  
and Tax Assessor's Office

Table 19

**City of Dover, Delaware**  
**Revenue Bond Coverage - Electric Revenue Bonds**  
**Last Ten Fiscal Years**

| Fiscal Year | Gross Revenue | Operating Expenses | Available For Debt Service | Debt Service Requirements of Each Fiscal Year |              |              |          |
|-------------|---------------|--------------------|----------------------------|---|--------------|--------------|----------|
|             |               |                    |                            | Principal                                     | Interest     | Total        | Coverage |
| 2001        | \$ 51,765,524 | \$ 41,007,889      | \$ 10,757,635              | \$ 1,025,000                                  | \$ 1,620,938 | \$ 2,645,938 | 4.07%    |
| 2002        | 54,903,340    | 44,315,614         | 10,587,726                 | 1,095,000                                     | 1,549,344    | 2,644,344    | 4.00%    |
| 2003        | 59,737,571    | 46,611,778         | 13,125,793                 | 1,170,000                                     | 1,480,203    | 2,650,203    | 4.95%    |
| 2004        | 59,611,552    | 47,393,103         | 12,218,449                 | 1,255,000                                     | 1,380,002    | 2,635,002    | 4.64%    |
| 2005        | 63,467,514    | 51,505,300         | 11,962,214                 | 1,335,000                                     | 1,115,728    | 2,450,728    | 4.88%    |
| 2006        | 68,377,892    | 53,839,945         | 14,537,947                 | 1,855,000                                     | 910,256      | 2,765,256    | 5.26%    |
| 2007        | 87,606,858    | 83,006,505         | 4,600,353                  | 1,730,000                                     | 859,048      | 2,589,048    | 1.78%    |
| 2008        | 97,354,991    | 82,132,360         | 15,222,631                 | 1,780,000                                     | 828,076      | 2,608,076    | 5.84%    |
| 2009        | 101,562,292   | 89,853,449         | 11,708,843                 | 1,840,000                                     | 1,753,447    | 3,593,447    | 3.26%    |
| 2010        | 100,316,323   | 86,089,451         | 14,226,872                 | 2,260,000                                     | 1,716,134    | 3,976,134    | 3.58%    |

Source: City of Dover Financial Records.

**NOTES**

- |  |                |  |                    |                |                                 |        |                     |                |   |
|--|----------------|--|--------------------|----------------|---------------------------------|--------|---------------------|----------------|---|
| <p>1. Coverage required by the bond resolution is 1.25%.</p> <p>2. Calculation of gross revenue for fiscal year 2010 is as follows:</p> <table border="0" style="margin-left: 20px;"> <tr> <td>Gross Revenue:</td> <td></td> </tr> <tr> <td>Operating Revenues</td> <td style="text-align: right;">\$ 100,278,474</td> </tr> <tr> <td>Interest Earned-Operating Funds</td> <td style="text-align: right;">37,849</td> </tr> <tr> <td>Total Gross Revenue</td> <td style="text-align: right; border-top: 1px solid black;">\$ 100,316,323</td> </tr> </table> <p>3. Direct operating expenses do not include depreciation expense.</p> <p>4. Figures presented in this table compare the net revenue available for debt service to the debt service requirements of the same fiscal year.</p> | Gross Revenue: |  | Operating Revenues | \$ 100,278,474 | Interest Earned-Operating Funds | 37,849 | Total Gross Revenue | \$ 100,316,323 | <p>5. In June 1990, the City issued Electric Revenue Bonds in the amount of \$29,830,000 for partial defeasance of 1985 Electric Revenue Refunding Bonds and for financing the Combustion Turbine Project.</p> <p>6. In January 1993, the City issued Electric Revenue Refunding Bonds in the amount of \$20,985,000 to partially refund the 1990 Series.</p> <p>7. In August 2004, the City issued Electric Revenue refunding bonds in the amount of \$22,535,000 to refund the outstanding Electric Revenue Bonds Series 1990 and Electric Revenue Refunding Bonds Series 1993.</p> <p>8. In July 2008, the City issued Electric Revenue bonds in the amount of \$22,200,000. Fiscal year 2009 includes \$1,026,999 of interest related to this bond issue.</p> |
| Gross Revenue:   |                |  |                    |                |                                 |        |                     |                |   |
| Operating Revenues   | \$ 100,278,474 |  |                    |                |                                 |        |                     |                |   |
| Interest Earned-Operating Funds  | 37,849         |  |                    |                |                                 |        |                     |                |   |
| Total Gross Revenue  | \$ 100,316,323 |  |                    |                |                                 |        |                     |                |   |



Table 20

**City of Dover, Delaware  
 Revenue Bond Coverage - Water/Wastewater Bonds  
 Last Ten Fiscal Years**

| Fiscal Year | Gross Revenue | Direct Operating Expenses | Net Revenue Available For Debt Service | Maximum Requirements             |                 |                   |
|-------------|---------------|---------------------------|--|----------------------------------|-----------------|-------------------|
|             |               |                           |  | Maximum Debt Service Requirement | Actual Coverage | Coverage Required |
| 2001        | \$ 8,932,763  | \$ 6,620,732              | \$ 2,312,031                           | \$ 1,524,280                     | 1.52%           | 1.20%             |
| 2002        | 9,639,256     | 6,185,232                 | 3,454,024                              | 1,524,380                        | 2.27%           | 1.20%             |
| 2003        | 10,604,052    | 7,180,175                 | 3,423,877                              | 1,472,412                        | 2.33%           | 1.20%             |
| 2004        | 10,101,660    | 7,608,196                 | 2,493,464                              | 1,553,713                        | 1.60%           | 1.20%             |
| 2005        | 10,619,688    | 7,223,283                 | 3,396,405                              | 1,553,713                        | 2.19%           | 1.20%             |
| 2006        | 12,372,563    | 7,805,396                 | 4,567,167                              | 1,551,228                        | 2.94%           | 1.20%             |
| 2007        | 12,294,847    | 8,242,898                 | 4,051,949                              | 797,748                          | 5.08%           | 1.20%             |
| 2008        | 11,594,402    | 8,763,407                 | 2,830,995                              | 797,748                          | 3.55%           | 1.20%             |
| 2009        | 11,067,901    | 9,510,814                 | 1,557,087                              | 797,708                          | 1.95%           | 1.20%             |
| 2010        | 11,204,911    | 10,319,728                | 885,183                                | 416,423                          | 2.13%           | 1.20%             |

Source: City of Dover Financial Records.

NOTES

1. The maximum debt service requirement presented above covers the Series 2003 Water and Wastewater Revenue Bonds.
2. Direct operating expenses do not include depreciation expense for coverage purposes as per the bond indenture.
3. In January 1993 the City issued Water and Wastewater Revenue Refunding Bonds in the amount of \$7,745,000. These bonds were issued to partially defease Water and Wastewater Revenue Bonds 1986 Series A, 1986 Series B, and fully defease all outstanding bonds of Series 1989.
4. In September 1993, the City issued Water and Sewer Revenue bonds in the amount of \$4,595,000 through 1993 Series A.
5. In October 2003, the City issued Water and Sewer Revenue Bonds in the amount of \$7,980,000. These bonds were issued to fully defease Water and Wastewater Revenue Bond Series 1986 B and to partially defease Water and Wastewater Revenue Bond Series 1993 and Series 1993 A

Table 21

**City of Dover**  
**Demographic and Economic Statistics**  
**Last Ten Calendar Years**

| Year | Population | Personal<br>Income | Per Capita<br>Personal<br>Income | Median<br>Age | School<br>Enrollment | Unemployment<br>Rate |
|------|------------|--------------------|----------------------------------|---------------|----------------------|----------------------|
| 2000 | 32,271     | \$ 627,509,595     | \$ 19,445                        | 32.9          | 6,204                | 3.9%                 |
| 2001 | 32,562     | \$ 633,168,090     | \$ 19,445                        | 32.9          | 6,185                | 4.0%                 |
| 2002 | 32,860     | \$ 638,962,700     | \$ 19,445                        | 32.9          | 6,255                | 4.0%                 |
| 2003 | 33,179     | \$ 645,165,655     | \$ 19,445                        | 32.9          | 6,091                | 4.3%                 |
| 2004 | 33,511     | \$ 651,621,395     | \$ 19,445                        | 32.9          | 6,439                | 3.9%                 |
| 2005 | 33,858     | \$ 658,368,810     | \$ 19,445                        | 32.9          | 6,315                | 3.2%                 |
| 2006 | 33,962     | \$ 660,391,090     | \$ 19,445                        | 32.9          | 6,432                | 2.9%                 |
| 2007 | 34,735     | \$ 675,422,075     | \$ 19,445                        | 32.9          | 6,977                | 3.8%                 |
| 2008 | 36,107     | \$ 702,100,615     | \$ 19,445                        | 32.9          | 6,996                | 5.7%                 |
| 2009 | 36,627     | \$ 712,212,015     | \$ 19,445                        | 32.9          | 8,053                | 10.2%                |

Population Source 1997-2000: U. S. Census

Population Source 2000-2040: Delaware Population Consortium Annual Projections

Per Capital Personal Income and Median Age Sources: 1990 and 2000 U. S. Census

Personal Income Source: Estimation based on Population times Per Capita Personal Income

School Enrollment Source: School District's Administrations based on census at start of school year

Unemployment Rate Source: Delaware Department of Labor Statistics adjusted yearly average

Table 22

**City of Dover, Delaware  
 Major Employers  
 Current Year and Nine Years Ago**

| Name   | 2010                 |      |                                     | 2001                           |      |                                     |
|--|----------------------|------|-------------------------------------|--------------------------------|------|-------------------------------------|
|  | Numbers of Employees | Rank | Percentage of Total City Employment | Number of Employees 06/30/2001 | Rank | Percentage of Total City Employment |
| Dover Air Force Base <sup>(1)</sup>            | 6,355                | 1    | 31.5%                               | 5,808                          | 2    | 24.7%                               |
| State of Delaware <sup>(4)</sup>               | 5,219                | 2    | 25.9%                               | 8,614                          | 1    | 36.6%                               |
| Bayhealth Medical Center <sup>(2)</sup>        | 2,871                | 3    | 14.2%                               | 2,338                          | 3    | 9.9%                                |
| Dover Downs Co., Inc.                          | 1,457                | 4    | 7.2%                                | 850                            | 6    | 3.6%                                |
| Dover Mall LP <sup>(3)</sup>                   | 1,000                | 6    | 5.0%                                | 1,800                          | 4    | 7.7%                                |
| Capital School District                        | 866                  | 5    | 4.3%                                | 816                            | 7    | 3.5%                                |
| Delaware State University                      | 836                  | 7    | 4.1%                                | 587                            | 9    | 2.5%                                |
| Kraft Foods Inc.                               | 578                  | 9    | 2.9%                                | 770                            | 8    | 3.3%                                |
| Energizer Personal Care (aka Playtex Products) | 564                  | 8    | 2.8%                                | 1,153                          | 5    | 4.9%                                |
| City of Dover                                  | 442                  | 10   | 2.2%                                | 354                            | 14   | 1.5%                                |
| Playtex Apparat                                | -                    | -    | -                                   | 428                            | 10   | 1.8%                                |

Source: City of Dover Finance Department

NOTES

1. Dover Air Force Base total includes active duty, reservists and civilian employees.
2. Number of employees working in Kent County.
3. Figures estimated by Employer.
4. Unable to get an updated figure for 2010, this is the 2009 figure.

Table 23

**City of Dover**  
**Full-time Equivalent City Government Employees by Function**  
**Last Ten Fiscal Years**

|  | 2001  | 2002  | 2003  | 2004  | 2005  | 2006  | 2007  | 2008  | 2009* | 2010  |
|--|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Assessor   | 2.0   | 2.0   | 2.0   | 2.0   | 2.0   | 2.0   | 3.0   | 4.5   | 4.5   | 4.5   |
| Central Services   | 7.0   | 7.0   | 7.0   | 7.0   | 7.0   | 8.0   | 8.0   | 8.0   | 8.0   | 8.0   |
| City Clerk   | 3.0   | 3.0   | 4.0   | 4.0   | 4.0   | 4.0   | 4.0   | 4.0   | 4.0   | 4.0   |
| City Manager   | 3.0   | 3.0   | 3.0   | 3.0   | 3.0   | 5.0   | 5.0   | 5.0   | 5.0   | 5.0   |
| Customer Services  | 16.0  | 16.0  | 16.0  | 16.0  | 16.0  | 14.0  | 16.0  | 16.0  | 16.0  | 16.0  |
| Delaware Prevention Network                              | 1.0   | 2.0   | 2.0   | 2.0   | 1.0   | -     | -     | -     | -     | -     |
| Facilities Management                                    | 11.0  | 11.0  | 12.0  | 13.0  | 13.0  | 12.0  | 12.0  | 13.0  | 13.0  | 13.0  |
| Finance  | 6.5   | 7.0   | 7.0   | 7.0   | 8.0   | 8.0   | 8.0   | 8.0   | 8.0   | 8.0   |
| Fire   | 5.5   | 5.5   | 5.5   | 5.5   | 5.5   | 6.0   | 6.0   | 6.0   | 6.0   | 6.0   |
| Fleet Maintenance  | 5.0   | 5.0   | 5.0   | 5.0   | 6.0   | 6.0   | 6.0   | 6.0   | 6.0   | 6.0   |
| Human Resources  | 3.0   | 3.0   | 3.0   | 3.5   | 3.5   | 3.5   | 4.0   | 4.0   | 4.0   | 4.0   |
| Information Technology                                   | 7.0   | 6.0   | 7.0   | 7.0   | 8.0   | 8.0   | 8.0   | 8.0   | 8.0   | 8.0   |
| Library  | 17.0  | 17.0  | 17.0  | 17.0  | 17.0  | 17.0  | 17.0  | 18.0  | 18.0  | 18.0  |
| Mayor  | 1.0   | 1.0   | 1.0   | 1.0   | 1.0   | 1.0   | 1.0   | 1.0   | 1.0   | 1.0   |
| Parks and Recreation                                     | 5.0   | 5.0   | 5.0   | 5.0   | 5.0   | 5.0   | 5.0   | 8.0   | 8.0   | 8.0   |
| Police Civilian  | 31.0  | 31.0  | 30.0  | 29.0  | 29.0  | 29.0  | 29.0  | 29.0  | 29.0  | 29.0  |
| Police Law Enforcement                                   | 81.0  | 81.0  | 81.0  | 85.0  | 87.0  | 90.0  | 91.0  | 93.0  | 93.0  | 90.0  |
| Public Services, Administration                          | 3.0   | 3.0   | 3.0   | 4.0   | 4.0   | 4.0   | 4.0   | 5.0   | 4.0   | 4.0   |
| Public Services, Code Enforcement                        | -     | -     | -     | -     | -     | -     | -     | -     | 5.0   | 5.0   |
| Public Services, Community Development                   | 1.0   | 1.0   | 1.0   | 1.0   | 1.0   | 1.0   | 1.0   | 1.0   | 1.0   | 1.0   |
| Public Services, Economic Development                    | -     | -     | -     | -     | -     | -     | -     | -     | 3.0   | 3.0   |
| Public Services, Grounds Maintenance                     | 14.0  | 15.0  | 15.0  | 15.0  | 15.0  | 16.0  | 16.0  | 16.0  | 16.0  | 16.0  |
| Public Services, Inspections                             | 11.0  | 14.0  | 14.0  | 14.5  | 14.5  | 15.0  | 15.0  | 16.0  | 7.0   | 7.0   |
| Public Services, Life Safety                             | -     | -     | -     | -     | -     | -     | -     | -     | 4.0   | 4.0   |
| Public Services, Planning                                | 2.0   | 2.0   | 2.0   | 3.0   | 3.0   | 4.0   | 5.0   | 5.0   | 6.0   | 6.0   |
| Public Services, Sanitation                              | 13.0  | 13.0  | 13.0  | 13.0  | 13.0  | 13.0  | 13.0  | 13.0  | 13.0  | 13.0  |
| Public Services, Streets                                 | 11.0  | 13.0  | 13.0  | 11.0  | 11.0  | 11.0  | 11.0  | 11.0  | 11.0  | 11.0  |
| Public Services, Weed and Seed                           | -     | 1.0   | 1.0   | 1.0   | 1.0   | 1.0   | -     | -     | -     | -     |
| Public Works E & I                                       | 2.0   | 2.0   | 2.0   | 3.0   | 3.0   | -     | -     | -     | -     | -     |
| General Fund Total                                       | 262.0 | 269.5 | 271.5 | 277.5 | 281.5 | 283.5 | 288.0 | 298.5 | 301.5 | 298.5 |
| Public Utilities, Electric Administration                | 3.0   | 3.0   | 3.0   | 3.0   | 3.0   | 3.0   | 3.0   | 4.0   | 4.0   | 4.0   |
| Public Utilities, Electric Engineering                   | 19.5  | 20.5  | 21.5  | 18.5  | 19.5  | 20.5  | 20.5  | 12.5  | 12.5  | 12.5  |
| Public Utilities, Electric System OPS                    | -     | -     | -     | -     | -     | -     | -     | 5.0   | 5.0   | 5.0   |
| Public Utilities, Electric Meter Reading                 | 5.0   | 5.0   | 5.0   | 5.0   | 5.0   | 5.0   | 5.0   | 5.0   | 4.0   | 4.0   |
| Public Utilities, Electric Transmission and Distribution | 31.0  | 31.0  | 31.0  | 29.0  | 29.0  | 29.0  | 29.0  | 28.0  | 28.0  | 28.0  |
| Emergency Preparedness                                   | 1.0   | 1.0   | 1.0   | -     | -     | -     | -     | -     | -     | -     |
| Electric Tree Trimmers                                   | 5.0   | 5.0   | 5.0   | -     | -     | -     | -     | -     | -     | -     |
| Electric Fund Total                                      | 64.5  | 65.5  | 66.5  | 55.5  | 56.5  | 57.5  | 57.5  | 54.5  | 53.5  | 53.5  |
| Public Utilities, Construction                           | 18.0  | 12.0  | 10.0  | 8.0   | 8.0   | 8.0   | 8.0   | 7.0   | 7.0   | 7.0   |
| Public Utilities, Wastewater Engineering                 | -     | -     | -     | -     | -     | 3.0   | 3.0   | 8.0   | 8.0   | 8.0   |
| Public Utilities, Wastewater T & D                       | 9.0   | 9.5   | 9.5   | 9.5   | 9.5   | 11.0  | 11.0  | 11.0  | 11.0  | 11.0  |
| Public Utilities, Water T & D                            | 9.0   | 9.5   | 9.5   | 4.5   | 4.5   | 5.0   | 5.0   | 5.0   | 5.0   | 5.0   |
| Public Utilities, Water Treatment Plant                  | 5.0   | 5.0   | 8.0   | 8.0   | 8.0   | 8.0   | 9.0   | 10.0  | 10.0  | 10.0  |
| Water Meter Reading                                      | 1.0   | 1.0   | 1.0   | 1.0   | 1.0   | 1.0   | 1.0   | 1.0   | 1.0   | 1.0   |
| Water/Wastewater Fund Total                              | 42.0  | 37.0  | 38.0  | 31.0  | 31.0  | 36.0  | 37.0  | 42.0  | 42.0  | 42.0  |
| Total Full-Time Equivalents                              | 368.5 | 372.0 | 376.0 | 364.0 | 369.0 | 377.0 | 382.5 | 395.0 | 397.0 | 394.0 |

Source: City of Dover Budget

\* Per Revised Budget

Table 24

**City of Dover, Delaware**  
**Operating Indicators and Capital Assets Used in Operations**  
**Last Ten Fiscal Years**

|                                   | June 30, 2001 | June 30, 2002 | June 30, 2003 | June 30, 2004 | June 30, 2005 | June 30, 2006 | June 30, 2007 | June 30, 2008 | June 30, 2009 | June 30, 2010 |
|-----------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Date of Incorporation             | Feb. 16, 1829 | Feb. 16, 1829 | Feb. 16, 1829 | Feb. 16, 1829 | Feb. 16, 1829 | Feb. 16, 1829 | Feb. 16, 1829 | Feb. 16, 1829 | Feb. 16, 1829 | Feb. 16, 1829 |
| Land area - Acres                 | 14,382.79     | 14,382.79     | 14,406.68     | 14,571.35     | 14,714.60     | 14,674.58     | 14,914.27     | 14,904.90     | 14,904.90     | 14,909.33     |
| Land area - Square Miles          | 22.473        | 22.473        | 22.5104       | 22.7677       | 22.991        | 22.929        | 23.303        | 22.586        | 22.586        | 23.29         |
| Total Miles of Street             | 148.81        | 148.81        | 149.1         | 150.69        | 152.96        | 153.76        | 155.62        | 159.62        | 159.62        | 159.62        |
| City Maintained Miles of Streets  | 89.46         | 89.46         | 89.75         | 91.34         | 93.61         | 94.41         | 96.27         | 100.27        | 100.27        | 100.27        |
| State Maintained Miles of Streets | 59.35         | 59.35         | 59.35         | 59.35         | 59.35         | 59.35         | 59.35         | 59.35         | 59.35         | 59.35         |
| Population-U. S. Census data      | 32,135        | 32,135        | 32,043        | 32,043        | 32,043        | 32,043        | 32,043        | 32,043        | 32,043        | 32,043        |
| Population-City Count             | 34,120        | 33,169        | 33,829        | 33,829        | 33,829        | 34,288        | 35,197        | 35,200        | 36,359        | 36,627        |
| Registered Voters                 | 20,387        | 20,381        | 19,850        | 18,259        | 18,714        | 19,502        | 19,084        | 20,181        | 21,897        | 21,897        |
| <b>Electric Utility:</b>          |               |               |               |               |               |               |               |               |               |               |
| Generating Units                  | 4             | 4             | 4             | 4             | 4             | 4             | 4             | 4             | 4             | 4             |
| Co-Generating Unit                | 1             | 1             | 0             | 0             |               |               | 1             | 1             | 1             | 1             |
|                                   | 5             | 5             | 4             | 4             | 4             | 4             | 5             | 5             | 5             | 5             |
| Generating Capacity               | 175 mw        | 175 mw        | 175 mw        | 175 mw        | 175 mw        | 175 mw        | 176 mw        | 176 mw        | 175 mw        | 175 mw        |
| Co-Generating Capacity            | 16 mw         | 16 mw         | 0 mw          | 0 mw          |               |               | 16 mw         | 16 mw         | 16 mw         | 16 mw         |
|                                   | 191 mw        | 191 mw        | 175 mw        | 175 mw        | 175 mw        | 175 mw        | 192 mw        | 192 mw        | 191 mw        | 191 mw        |
| Area of Service                   | 68 sq. mi.    | 68 sq. mi.    | 68 sq. mi.    | 68 sq. mi.    | 68 sq. mi.    | 68 sq. mi.    | 68 sq. mi.    | 68 sq. mi.    | 68 sq. mi.    | 68 sq. mi.    |
| Substations                       | 14            | 14            | 16            | 16            | 16            | 16            | 15            | 15            | 15            | 15            |
| High Peak Load                    | 158 mw        | 171 mw        | 165 mw        | 163 mw        | 160           | 160           | 176 mw        | 175 mw        | 155.656 mw    | 164.082 mw    |
| <b>Customers:</b>                 |               |               |               |               |               |               |               |               |               |               |
| Residential                       | 16,819        | 17,246        | 17,636        | 17,757        | 17,867        | 18,297        | 18,807        | 19,075        | 19,635        | 19,827        |
| Commercial                        | 2,488         | 2,626         | 2,836         | 2,915         | 2,813         | 3,280         | 3,535         | 3,602         | 3,096         | 3,141         |
| Primary                           | 32            | 32            | 30            | 33            | 32            | 32            | 38            | 38            | 41            | 41            |
| Vapor Lights Only                 | 858           | 865           | 874           | 874           | 867           | 867           | 872           | 880           | 850           | 843           |
| 69 KV Industrial                  | 3             | 3             | 4             | 4             | 4             | 4             | 3             | 3             | 3             | 3             |
| Municipal- Total number of meters | 213           | 149           | 149           | 148           | 149           | 149           | 0             | 0             | 0             | 0             |
| Total Customers Sales \$          | \$49,408,410  | \$52,555,412  | \$56,599,722  | \$57,151,810  | \$60,170,424  | \$63,844,353  | \$83,109,810  | \$94,037,212  | \$99,642,490  | \$93,195,907  |
| Total Customers Sales kWh         | 711,570,587   | 722,908,715   | 748,260,252   | 741,523,091   | 731,635,019   | 736,810,231   | 734,072,008   | 731,024,065   | 719,949,121   | 711,907,207   |
| <b>Purchased PowerSupply</b>      |               |               |               |               |               |               |               |               |               |               |
| \$                                | \$32,455,247  | \$34,377,595  | \$36,222,102  | \$37,675,178  | \$39,628,388  | \$41,871,486  | \$70,146,601  | \$68,648,786  | \$76,937,610  | \$71,745,922  |
| kWh                               | 744,657,254   | 774,177,780   | 778,715,700   | 780,677,900   | 767,750,050   | 781,466,220   | 788,824,000   | 770,997,000   | 751,171,000   | 751,250,000   |
| <b>Fire Department:</b>           |               |               |               |               |               |               |               |               |               |               |
| Stations                          | 2             | 2             | 2             | 2             | 2             | 2             | 2             | 2             | 2             | 2             |
| Officers                          | 8             | 8             | 8             | 8             | 8             | 8             | 8             | 8             | 8             | 8             |
| Firemen - Membership (Volunteers- | 80            | 80            | 100           | 100           | 100           | 100           | 100           | 100           | 80            | 120           |
| Equipment                         | 16            | 13            | 15            | 15            | 11            | 14            | 14            | 18            | 14            | 14            |

(Continued)

Table 24

(Continued)

|  | June 30, 2001 | June 30, 2002 | June 30, 2003 | June 30, 2004 | June 30, 2005 | June 30, 2006 | June 30, 2007 | June 30, 2008 | June 30, 2009 | June 30, 2010 |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| <b>Parks and Recreation:</b>                                       |               |               |               |               |               |               |               |               |               |               |
| Major Parks  | 3             | 2             | 3             | 3             | 3             | 3             | 3             | 3             | 3             | 3             |
| Small Parks  | 23            | 23            | 23            | 23            | 22            | 22            | 22            | 22            | 22            | 22            |
| <b>Police Department:</b>  |               |               |               |               |               |               |               |               |               |               |
| Station  | 1             | 1             | 1             | 1             | 1             | 1             | 1             | 1             | 1             | 1             |
| Substation   | 1             | 1             | 1             | 0             | 0             | 0             | 0             | 0             | 0             | 0             |
| Uniformed Personnel  | 81            | 81            | 81            | 85            | 87            | 88            | 90            | 92            | 92            | 90            |
| Automobiles  | 69            | 65            | 60            | 74            | 79            | 71            | 66            | 66            | 66            | 66            |
| Motorcycles  | 5             | 5             | 5             | 5             | 5             | 5             | 5             | 7             | 7             | 7             |
| Motor Boats  | 1             | 1             | 1             | 1             | 1             | 1             | 1             | 1             | 1             | 1             |
| Bicycles   | 5             | 5             | 5             | 5             | 4             | 4             | 4             | 4             | 4             | 4             |
| Specialty Vehicles   | 7             | 7             | 7             | 5             | 5             | 6             | 6             | 6             | 6             | 7             |
| Trailers   | 5             | 4             | 3             | 3             | 3             | 4             | 4             | 3             | 3             | 3             |
| <b>Public Library:</b>   |               |               |               |               |               |               |               |               |               |               |
| Books  | 101,609       | 85,594        | 93,340        | 97,820        | 101,631       | 111,496       | 120,203       | 119,392       | 121,312       | 138,931       |
| Audiovisual Materials (VCRs, DVDs, CDs, Cassettes, Recorded Books) | 8,751         | 12,578        | 6,725         | 9,823         | 10,138        | 7,171         | 11,507        | 11,917        | 15,356        | 15,572        |
| Members  | 35,824        | 38,898        | 43,185        | 46,318        | 48,626        | 39,202        | 37,036        | 37,587        | 39,354        | 36,534        |
| Magazines Subscriptions  | 285           | 285           | 289           | 359           | 359           | 359           | 359           | 287           | 193           | 201           |
| Newspapers   | 12            | 12            | 10            | 12            | 12            | 12            | 15            | 29            | 19            | 19            |
| Circulation of Books   | 305,809       | 307,533       | 327,310       | 348,269       | 398,842       | 398,666       | 400,336       | 408,827       | 428,633       | 375,632       |
| <b>Water Utility:</b>  |               |               |               |               |               |               |               |               |               |               |
| Supply - Wells   | 13            | 15            | 22            | 22            | 22            | 22            | 22            | 22            | 22            | 22            |
| Storage Tanks  | 6             | 6             | 6             | 6             | 6             | 6             | 6             | 6             | 6             | 6             |
| Total Storage Capacity (gallons)                                   | 3,750,000     | 3,750,000     | 3,750,000     | 3,750,000     | 3,750,000     | 3,750,000     | 3,750,000     | 3,750,000     | 3,750,000     | 3,750,000     |
| Water Mains (miles)  | 160           | 162           | 165           | 175           | 185 miles     | 176 miles     | 176 miles     | 196 miles     | 215.7 miles   | 215.7 miles   |
| Average Daily Gallons Pumped                                       | 5,133,000     | 5,260,000     | 5,168,536     | 5,149,613     | 4,898,000     | 5,218,000     | 4,721,174     | 4,974,526     | 4,429,115     | 4,474,063     |
| Peak Daily Gallons   | 7,847,000     | 8,770,000     | 8,194,800     | 7,400,000     | 8,421,000     | 8,358,000     | 8,672,000     | 9,278,000     | 8,058,000     | 6,756,000     |
| Water Gallons - Pumped   | 1,816,000,000 | 1,898,129,650 | 1,890,466,700 | 1,879,000,000 | 1,788,000,000 | 1,904,666,300 | 1,869,585,000 | 1,815,702,000 | 1,616,627,000 | 1,633,033,000 |
| Number of Metered Customers  | 11,407        | 11,670        | 10,999        | 11,150        | 11,625        | 11,764        | 11,962        | 13,229        | 13,375        | 13,863        |
| Number of New Connections  |               | 263           | 173           | 298           | 475           | 139           | 198           | 284           | 146           | 488           |
| <b>Wastewater Utility:</b>   |               |               |               |               |               |               |               |               |               |               |
| Pumping Stations   | 33            | 34            | 34            | 34            | 34            | 38            | 42            | 42            | 42            | 42            |
| Wastewater Mains   | 150 miles     | 150 miles     | 152 miles     | 155 miles     | 160 miles     | 185 miles     | 185 miles     | 185 miles     | 185 miles     | 185 miles     |
| Average Daily Gallons  | 4,283,000     | 4,190,000     | 5,131,076     | 5,708,000     | 5,127,000     | 4,241,798     | 4,631,172     | 4,202,974     | 4,115,281     | 5,389,524     |
| Peak Daily Gallons   | 5,170,000     | 4,530,000     | 7,000,000     | 7,000,000     | 5,983,000     | Not Measured  | Not Measured  | Not Measured  | Not Measured  | Not Measured  |
| Total Annual Gallons   | 1,564,000,000 | 1,530,000,000 | 1,872,843,000 | 2,083,000,000 | 1,871,000,000 | 1,548,256,115 | 1,722,795,930 | 1,538,796,919 | 1,502,077,732 | 1,965,547,000 |
| Number of New Connections  | -             | 236           | 133           | 250           | 350           | Not Available | Not Available | Not Available | 146           | 488           |
| <b>Water Treatment Plant:</b>                                      |               |               |               |               |               |               |               |               |               |               |
| Capacity   | 4.6 MGD       | 4.6 MGD       | 4.6 MGD       | 4.6 MGD       | 4.6 MGD       | 4.6 MGD       | 4.6 MGD       | 4.6 MGD       | 4.6 MGD       | 4.6 MGD       |
| <b>Sales to Customers:</b>   |               |               |               |               |               |               |               |               |               |               |
| Water Fees   | \$3,033,403   | \$3,145,235   | \$3,803,967   | \$3,769,635   | \$3,791,254   | \$4,289,413   | \$4,250,634   | 4,203,972     | 4,070,523     | 4,274,966     |
| Wastewater Fees  | \$2,345,141   | \$2,227,758   | \$2,532,802   | \$2,521,499   | \$2,719,577   | \$2,605,428   | \$2,619,013   | 2,589,539     | 2,351,885     | 3,015,856     |
| Wastewater Adjustment  | \$2,686,790   | \$2,814,587   | \$2,778,521   | \$2,743,359   | \$2,611,290   | \$3,865,683   | \$3,854,100   | 4,109,166     | 3,733,644     | 3,100,547     |

Sources: Various City departments

Table 25

City of Dover, Delaware  
 Schedule of Insurance  
 as of June 30, 2010

| TYPE OF COVERAGE |  | PROTECTION<br>LIMIT IN DOLLARS |
|------------------|--|--------------------------------|
| 1.               | Property-  |                                |
|                  | Blanket Building and Contents - \$10,000 Deductible  | \$136,542,391                  |
|                  | Real and Personal Property (all risks of physical loss or damage)<br>including property of other City Departments. | \$100,000,000                  |
|                  | Flood (all scheduled locations except if located in Flood Zones: A, B/shaded X, V & D)<br>\$50,000 Deductible      | \$2,000,000                    |
|                  | Blanket Business Earnings & Expense  | \$100,000                      |
| 2.               | Inland Marine-   |                                |
|                  | Miscellaneous Scheduled and Unscheduled Equipment  |                                |
|                  | Computer Equipment - \$1,000 Deductible  | \$1,674,830                    |
|                  | Unscheduled Equipment - \$1,000 Deductible (Maximum any one item \$5,000)  | \$100,000                      |
|                  | Employee Tools - \$250 Deductible  | \$62,500                       |
|                  | Scheduled Equipment - \$1,000 Deductible   | \$162,500                      |
| 3.               | General Liability-   |                                |
|                  | Each Event   | \$1,000,000                    |
|                  | General Total Limit  | \$3,000,000                    |
|                  | Personal Injury Each Person  | \$1,000,000                    |
|                  | Advertising Injury Each Person   | \$1,000,000                    |
|                  | Medical Expenses   | \$0                            |
|                  | Sexual Abuse Coverage  | \$1,000,000                    |
|                  | Sewer Back-Up - (resulting from negligence) \$0 Deductible   | \$1,000,000                    |
|                  | Failure to Supply Services - Water   | \$1,000,000                    |
|                  | Statutory Cap Limits of Coverage Endorsement   |                                |
|                  | Delaware Personal Injury Statutory Cap Limit   | \$300,000                      |
|                  | Delaware Advertising Injury Statutory Cap Limit  | \$300,000                      |
|                  | Delaware Bodily Injury & Property Damage Statutory Cap Limit   | \$300,000                      |
| 4.               | Automobile-  |                                |
|                  | Liability  | \$1,000,000                    |
|                  | Personal Injury Protection   | \$300,000                      |
|                  | Uninsured Motorist   | \$1,000,000                    |
|                  | Underinsured Motorist  | \$1,000,000                    |
|                  | Comprehensive - \$500 Deductible-Specified Vehicles  |                                |
|                  | Collision - \$1,000 Deductible-Specified Vehicles  |                                |
|                  | (Physical Damage Applies to Police & Specified Electric & Sanitation Trucks)                                       |                                |
|                  | Non-owned Liability  | \$1,000,000                    |
|                  | Hired Auto Liability   | \$1,000,000                    |
|                  | Employees as Additional Insured  |                                |
|                  | Hired Auto Physical Damage   | \$50,000                       |
|                  | Statutory Cap Limits of Coverage Endorsement   |                                |
|                  | Delaware Statutory Cap Limit   | \$300,000                      |
| 5.               | Employee Benefit Plans Administration Liability - Claims Made  |                                |
|                  | Total Limit  | \$3,000,000                    |
|                  | Each Wrongful Act Limit  | \$1,000,000                    |
|                  | Deductible   | \$1,000                        |
|                  | Law Enforcement Liability - Occurrence   |                                |
|                  | Total Limit  | \$3,000,000                    |
|                  | Each Wrongful Act  | \$1,000,000                    |
|                  | Deductible   | \$5,000                        |
|                  | Statutory Cap Limits of Coverage Endorsement   |                                |
|                  | Delaware Statutory Cap Limit   | \$300,000                      |
| 6.               | Public Entity Management Liability - Claims Made   |                                |
|                  | Retroactive Date: 7/1/96   |                                |
|                  | Total Limit  | \$3,000,000                    |
|                  | Each Wrongful Act Limit  | \$1,000,000                    |
|                  | Deductible   | \$25,000                       |
| 7.               | Employment Practices Liability - Claims Made   |                                |
|                  | Retroactive Date: 7/1/96   |                                |
|                  | Total Limit  | \$5,000,000                    |
|                  | Each Wrongful Employment Practice Offense Limit  | \$5,000,000                    |
|                  | Offense Deductible   | \$25,000                       |

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| TYPE OF COVERAGE |   | PROTECTION<br>LIMIT IN DOLLARS |
|------------------|---|--------------------------------|
| 8.               | Crime   |                                |
|                  | Employee Theft Per Loss (\$500 Deductible)                                  | \$1,000,000                    |
|                  | Forgery or Alteration (\$1,000 Deductible)                                  | \$100,000                      |
|                  | Inside the Premises-  |                                |
|                  | Theft of Money & Securities (\$500 Deductible)                              | \$25,000                       |
|                  | Outside the Premises (\$500 Deductible)                                     | \$25,000                       |
|                  | Computer Fraud (\$1,000 Deductible)   | \$100,000                      |
|                  | Money Orders and Counterfeit Paper Currency                                 | \$100,000                      |
|                  | Faithful Performance Coverage   |                                |
| 9.               | Boiler and Machinery Insurance (Excluding Power Plants)                     |                                |
|                  | Coverage Limit  | Property Limit                 |
|                  | Deductible  | \$10,000                       |
|                  | Expediting Expenses   | \$250,000                      |
|                  | Pollution Cleanup & Removal   | \$250,000                      |
|                  | Spoilage  | \$250,000                      |
| 10.              | Umbrella  |                                |
|                  | General Total Limit   | \$4,000,000                    |
|                  | Products & Completed Work:  |                                |
|                  | Total Limit   | \$4,000,000                    |
|                  | Personal Injury   | \$4,000,000                    |
|                  | Advertising Injury  | \$4,000,000                    |
|                  | Law Enforcement Liability   | \$4,000,000                    |
|                  | Each Event Limit  | \$4,000,000                    |
|                  | Deductible Per Event  | \$10,000                       |
|                  | Umbrella Underlying Policies:   |                                |
|                  | General Liability   | \$1,000,000/\$3,000,000        |
|                  | Auto Liability  | \$1,000,000                    |
|                  | Law Enforcement Liability   | \$1,000,000/\$3,000,000        |
| 11.              | Excess Errors & Omissions Liability Protection - Claims Made                |                                |
|                  | Total Limit   | \$4,000,000                    |
|                  | Underlying Policies:  |                                |
|                  | Public Entity Management Liability - Each Wrongful Act Limit                | \$1,000,000                    |
|                  | Total Limit   | \$3,000,000                    |
|                  | Employees Benefit Plans Administration Liability - Each Wrongful Act Limit  | \$1,000,000                    |
|                  | Total Limit   | \$3,000,000                    |
| 12.              | Pollution Liability (Includes 2 Underground Storage Tanks & 2 Power Plants) |                                |
|                  | Retroactive Date: 4/1/97  |                                |
|                  | Each Pollution Event Limit  | \$5,000,000                    |
|                  | Aggregate Policy Limit  | \$10,000,000                   |
|                  | Deductibles   | \$5,000 on UST's               |
|                  | and McKee Run & VaSant Power Plants Deductibles                             | \$25,000                       |
| 13.              | EXCESS WORKER'S COMPENSATION  |                                |
|                  | Employers Liability Limit   | \$1,000,000                    |
|                  | Specific Limit: (\$500,000 Retention)                                       | Statutory                      |
|                  | Aggregate Limit:  | \$1,000,000                    |
|                  | Cash Flow Endorsement   |                                |
| 14.              | WORKER'S COMPENSATION - TPA SERVICES  | N/A                            |
| 15.              | TRAVEL ACCIDENT POLICY  |                                |
|                  | Principal Sum (Covered positions specified)                                 | \$100,000                      |
|                  | Deductible  | \$0                            |
| 16.              | BOND-SELF INSURED WORKER'S COMPENSATION                                     |                                |
|                  | STATE OF DELAWARE   |                                |
|                  | LIMIT   | \$750,000                      |
| 17.              | BOND PUBLIC OFFICIALS BOND  |                                |
|                  | Treasurer - Limit   | \$100,000                      |
|                  | City Clerk-Assistant Treasurer - Limit                                      | \$100,000                      |
| 18.              | Power Plants - Property & Boiler & Machinery                                |                                |
|                  | Limit per Occurrence  | \$100,000,000                  |
|                  | Extra Expense   | \$2,000,000                    |
|                  | Errors & Omissions  | \$1,000,000                    |
|                  | Expediting Cost   | \$1,000,000                    |
|                  | Property in the Course of Construction                                      | 5000000                        |
|                  | Earthquake  | \$20,000,000                   |
|                  | Flood   | \$10,000,000                   |
|                  | Debris Removal  | \$2,500,000                    |
|                  | Property in Transit   | \$2,500,000                    |
|                  | Deductibles   | \$100,000                      |