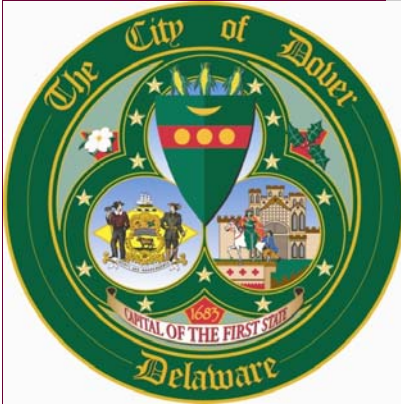




Comprehensive
Annual Financial
Report for the Year
Ended June 30, 2011



City of Dover, Delaware

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**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,
Financial Reporting & Accounting Manager

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Assistant Finance Director

Linda Gomes
Administrative Assistant

Sharon Daniel
Account Clerk II

Jeffrey Dill
Accountant II

Karlett Walker
Accountant II

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. Special appreciation is extended to Mr. Scott Koenig, City Manager and Mrs. Ann Marie Townshend, Planner and their staff for their continued support of the Finance Department.

CITY OF DOVER, DELAWARE

Comprehensive Annual Financial Report

For the Year Fiscal Ended June 30, 2011

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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



February 10, 2012

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, 2011. 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, 2011. 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 37,341.

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 Controller/Treasurer, 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 Capital City continued to be slow during Fiscal Year 2011, 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.

Total value of construction increased from \$50 million in Fiscal Year 2010 to \$65 million in Fiscal Year 2011. While there was an increase this is still significantly lower than the \$125 million on Fiscal Year 2009. The City of Dover issued 3,608 business licenses in Fiscal Year 2011. Building permits issued during this period totaled 1,953, which is a decline from the previous year. The City of Dover Planning Commission processed 17 development applications and 5 rezoning applications during the reporting period. This is also a decline from the previous year and a significant decrease from prior years.

Growth and development trends during Fiscal Year 2011 are further discussed and summarized below:

POPULATION GROWTH

The 2010 U.S. Decennial Census, which was conducted in April 2010, found that 36,047 people reside in Dover. This represents an approximately 11 percent increase in the City's population over the decade. According to the Delaware Population Consortium estimates, the City of Dover's population as of July 1, 2010 was 37,341.

RESIDENTIAL DEVELOPMENT

A total of 47 new residential housing starts were recorded during Fiscal Year 2011, which was down from 89 in Fiscal Year 2010. A number of active residential construction projects continue to move forward throughout the City. Construction is underway on houses in Emerald Pointe, and Lexington Glen. Additionally, the Blue Hen Apartments near the Blue Hen Corporate Center completed construction with a total of 162 units. The residential district of Eden Hill continued to take shape during Fiscal Year 2011, with 22 building permits and 44 certificates of occupancy issued during the fiscal year.

DOWNTOWN DOVER REDEVELOPMENT

In spite of the economy, efforts to revitalize downtown Dover remained strong during the last fiscal year. Six new businesses opened last year including Caribbean Cuisine, Beehive Beauty Salon, Juliano's Italian Market, Floridella, Hunter House Food Extravaganza, and Zandave.

During Fiscal Year 2011, the Downtown Dover Partnership (DDP) developed plans for the renovation of 22-24 West Loockerman Street and the former Acme site on South Governors Avenue. The DDP also completed a branding project to develop a "brand" to help promote the character of Dover. This is now being used in materials used to promote Dover.

The DDP hosted 13 Business Development Workshops that provided information on marketing techniques, green business, loan workshops, social media and e-commerce. They also provided \$5,150 to support façade improvements totaling \$30,290.

The former Bayard Hotel site was granted approval by the Planning Commission for the demolition of the existing building and the construction of a mixed-use building. The project consists of retail space on the first floor and 48 residential apartments on floors 2-5.

INSTITUTIONAL DEVELOPMENT

Institutional uses are continuing to expand. Construction continued on the expansion at Bay Health Medical Center, valued at over \$45 million. Construction was completed on the new Kent County Courthouse and the courthouse opened in summer of 2011. A new parking lot associated with the new Kent County Courthouse was reviewed by the Historic District Commission and the Planning Commission. In addition, Delaware State University continued improvements to its campus, and Wesley College engaged in its long-range master plan process.

The Capital School District was busy with a number of construction projects within Dover. The Planning Commission approved the site plan for the new Dover High School, located on Route 8 near Artis Drive. The Capital School District also brought forward plans for a new administrative complex at the former Stock Lumber location in Enterprise Business Park. Plans to improve the site circulation at the William Henry Middle School and Booker T. Washington Elementary School began to take shape as the fiscal year ended.

RETAIL/COMMERCIAL DEVELOPMENT

The retail sector continued slowly during Fiscal Year 2011, as is consistent with the national economic slowdown. While new commercial construction was stagnant during the year, several new businesses occupied vacant tenant spaces along the City's commercial corridor. At the close of the fiscal year, a new Chick-fil-A was preparing to open.

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. During Fiscal Year 2011, planning of the subdivision of Garrison Oak Technical Park continued. Construction of the Dover Sun Park began in early 2011 on approximately 104 acres of the Garrison Oak Technical Park. The City continued discussions with Calpine on development of a 300 MW dual cycle gas power plant on another lot within the Garrison Oak Technical Park.

OFFICE DEVELOPMENT

Dover's dominance as the place for business office locations downstate has continued; however, the market appears to be saturated with office space at this point in time. Several federal agencies relocated from the Frear Federal Building to other office locations in the City of Dover. Several recently completed or nearly completed office buildings continue to remain vacant, including State Street Commons and the Silver Bullit. Fortunately, as the fiscal year drew to a close, activity began to move these projects forward to completion.

SUMMARY

Dover has clearly been hit by the nation's economic downturn; as represented by the continued decline of construction related indicators such as building permits, construction value and applications to the Planning Commission. Fortunately growth in the institutional sector, with Bayhealth, the State of Delaware and the Capital School District have helped to stave off the worst of the economic downturn. Challenges continue to lie ahead, as the City addresses abandoned subdivisions, vacant buildings, foreclosures 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

Unassigned fund balance in the General Fund (10.0%) falls 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, 2011 for the utilities are water (18.3%), wastewater (4.9%) and electric (12.2%) (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 and in the 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 completed the architectural design and engineering phase for the new Dover Library. The construction phase began in this fiscal year towards the completion of a 42,000 square foot City library. The building construction is expected to be completed and fully operational September 2012. Current estimates for this project estimate the cost at approximately \$20.0 million. The capital construction is being financed through the library reserve, a state grant (50% matching funds), donations, proceeds from the sale of the existing library, and long-term debt. Kent County Levy Court, the County government, contributed \$1 million this past fiscal year in support of this project. 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 2011, \$2.3 million of water and wastewater capital improvements were completed. The fiscal year 2010 water and wastewater budget included \$8.3 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. These projects continued into fiscal year 2011 and are expected to be complete in fiscal year 2012. Another State Revolving Fund loan was approved in fiscal year 2011 in the amount of \$765,060 for two wastewater pump stations and force main upgrades. 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 final construction on several multi-year projects financed with the proceeds of the 2008 Series Electric Revenue Bonds issued with a par of \$22 million. The utility completed the 69kv feeders #3 & #4 at the Cartanza 230kv substation at a final cost of \$9.0 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 Horsepond Road transformer and Mid City substation upgrade were completed 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 \$2.8 million. The City upgraded its distribution lines in several subdivisions from overhead to

underground at a cost of \$1.7 million. As of fiscal year 2011 the City will have invested \$30.2 million since 2007 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, 2010. This was the twenty-sixth (26) 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, 2011. 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 Mrs. Ann Marie Townshend, City Planner for her assistance with the preparation of the local economy section and Ms. 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

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, 2010

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.



Linda C. Davidson

President

Jeffrey R. Emer

Executive Director

CITY OF DOVER, DELAWARE
List of Elected Officials
June 30, 2011

	<u>Length of Services</u>	<u>Term Expires</u>
Mayor		
Carleton E. Carey, Sr.	4 Years	May 2012
City Council		
At-Large		
Thomas J. Leary*	3 Years	May 2013
First District		
Beverly C. Williams	9 Years	May 2012
James L. Hutchison, Sr.	1 Month	May 2013
Second District		
William P. McGlumphy	5 Years	May 2012
William F. Hare	1 Month	May 2013
Third District		
David L. Bonar	1 Year	May 2012
Sean Lynn	1 Month	May 2013
Fourth District		
Sophia R. Russell	6 Years	May 2012
David L. Anderson	1 Month	May 2013

* Council President



Mayor Carleton Carey



City Council Members

1st row:

David L. Anderson, William F. Hare, William P. McGlumphy, and Sophia R. Russell

2nd row:

David L. Bonar, Beverly C. Williams, Thomas J. Leary, and Sean Lynn

CITY OF DOVER, DELAWARE
List of Appointed Officials
June 30, 2011

	<u>Length of Time in Position</u>	<u>Length of Time with the City</u>
City Clerk/Assistant Treasurer – Traci A. McDowell	5 Years	24 Years
Interim City Manager/Civil Defense Director – Scott D. Koenig	1 Month	21 Years
City Solicitor – Nicholas H. Rodriguez	43 Years	43 Years
Deputy City Solicitor – William Pepper	22 Years	22 Years
Council President – Thomas J. Leary	2 Months	3 Years
Fire Chief – Jack Fortney	6 Months	6 Months
Fire Marshal – David Truax	15 Years	20 Years
City Building Inspector - Scott D. Koenig	2 Year	21 Years
City Planner – Ann Marie Townshend	5 Years	5 Years
Police Chief – James Hosfelt	1 Year	22 Years
Controller/Treasurer – Donna Mitchell	11 Years	11 Years

CITY OF DOVER, DELAWARE
List of Commissions & Committees
As of June 30, 2011

Board of Adjustment

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

Construction Code Board of Appeals

David L. Anderson, Chairman
Sean M. Lynn, Councilman
Scott D. Koenig, Interim City Manager

Election Board

William T. Garfinkel, Chairman
Lillie M. Johnson
Goldie Legates
Anita L. McDowell Boyer
Cherrita Matthews
Traci McDowell

Historic District

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

Human Relations Commission

Roy Sudler, Jr., Chair
Dr. Maisha Britt
Dr. Phyllis Edamatsu
Catherine M. Gregory
Willie Jones
Dawn Allen-Pyne
G. Thomas Steele
Anlee Baccio-Walker
Ellen O. Wasfi

Legislative, Finance & Administration

William P. McGlumphy, Chairman
David L. Anderson, Councilman
William F. Hare, Councilman
Bobby C. Jones
Daniel Shevock

OPEB Board

William F. Hare, Councilman
Beverly C. Williams, Councilwoman
Scott D. Koenig, Interim City Manager
Kimberly Hawkins
Donna S. Mitchell, Controller/Treasurer

Parks, Recreation & Community Enhancement

Sophia R. Russell, Chairwoman
David L. Anderson, Councilman
William F. Hare, Councilman
Ann Baker Horsey
David A. Lewis, Jr.

Pension – Civilian

David L. Bonar, Councilman
William P. McGlumphy, Councilman
Scott D. Koenig, Interim City Manager
Donna S. Mitchell, Controller/Treasurer
Lester Blakeman
Kenneth Clendaniel
Frances P. Hettinger

Pension – Police

Timothy Mullaney, Chairman
David L. Bonar, Councilman
William P. McGlumphy, Councilman
Scott D. Koenig, Interim City Manager
James Hosfelt, Chief of Police
William Knotts

Planning Commission

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

Property Maintenance Code

Board of Appeals

Scott D. Koenig, Interim City Manager
Charles Martin

Safety Advisory & Transportation

James L. Hutchison, Chairman
Sean M. Lynn, Councilman
Sophia R. Russell, Councilwoman
John J. Davis
Wayne Hutchison

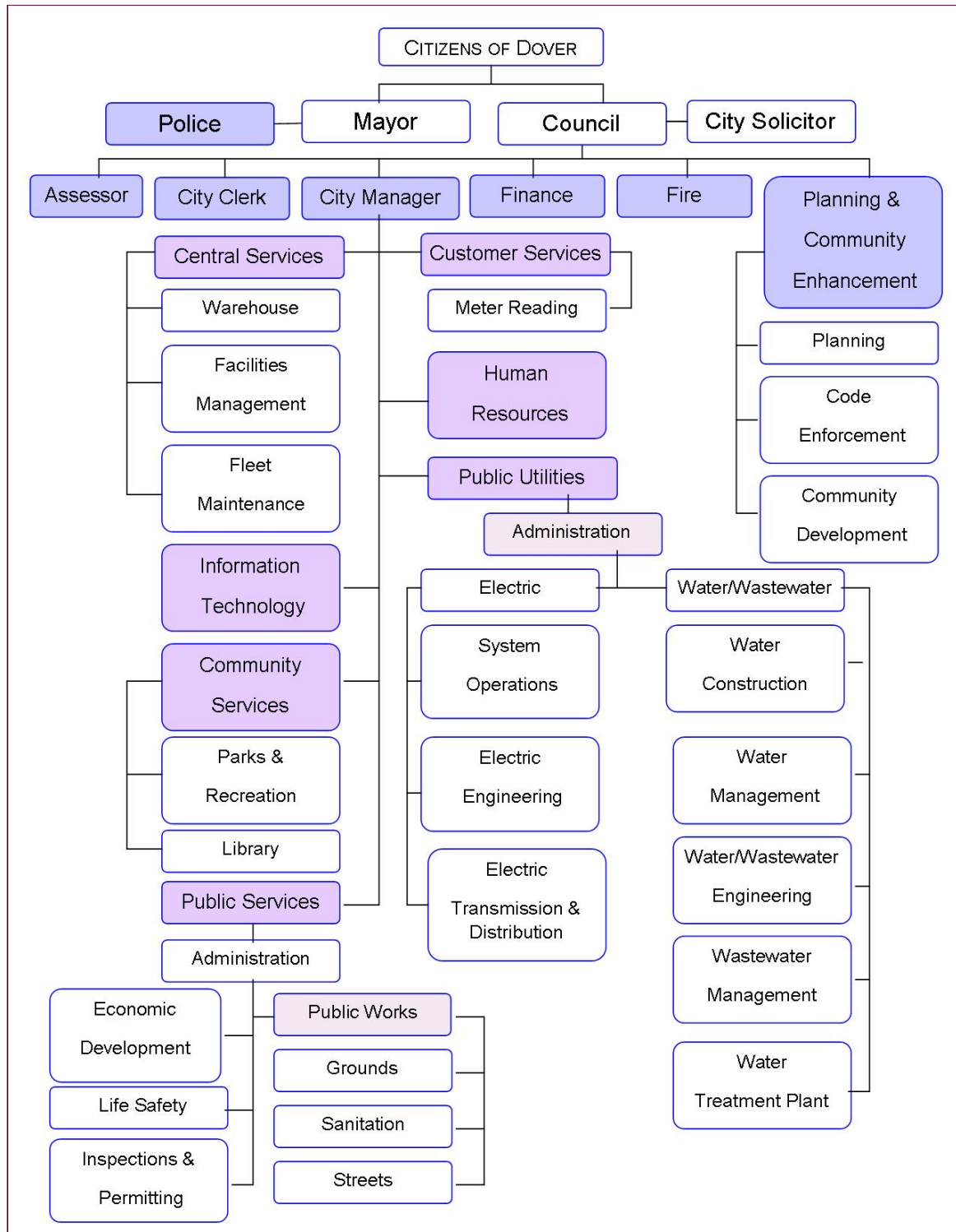
Utility

David L. Bonar, Chairman
Sean M. Lynn, Councilman
Beverly C. Williams, Councilwoman
Lester L. Blakeman
Richard Snaman

Youth Advisory Committee

Kristen Dietz, Co President
Dennis Hallock, II, Co-President
Kenneth Anderson
Seadric Corbitt
Chidinma Emenike
Karly Jones
Sonya Modi
Valeria Provotorova
Rachel Voak

City of Dover Organization Chart Fiscal Year 2011



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.



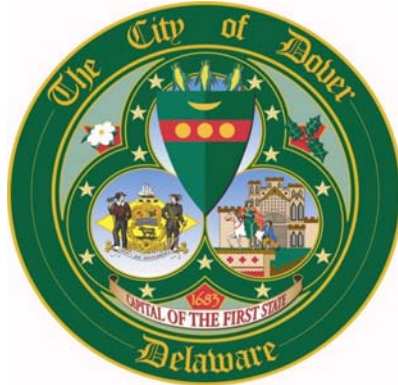
MISSION

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

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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



FAW CASSON

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

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 City of Dover, Delaware as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Dover, Delaware'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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Dover, Delaware, as of June 30, 2011, and the respective changes in financial position and, where applicable, cash flows 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 fund financial statements, other budgetary schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The combining financial statements have been subjected to the auditing procedures applied in the audit of the financial statements and in our opinion, are fairly stated in all material respects in relation to the basic financial statements as a whole. The introductory and statistical sections and other budgetary schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Faw, Casson & Co., LLP

Dover, Delaware
February 9, 2012

FINANCIAL SECTION

PART - B

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Dover Management's Discussion and Analysis For the Year Ended June 30, 2011

Financial Highlights

Total assets of the City exceeded its liabilities by \$195.2 million (total net assets). Of this amount, only \$23.2 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 (\$.1) million and the business type activities, Water/Wastewater and Electric funds, reported \$23.3 million of unrestricted net assets. The difference between the unrestricted amounts and the total net assets is \$172.0 million, \$35.9 million is restricted primarily for debt and capital construction purposes and \$136.1 million is invested in capital assets net of related debt.

- The governmental activities experienced a \$3.1 million increase in investment in capital assets, an increase in restricted net assets of \$.5 million, offset by a \$4.8 million decrease in unrestricted net assets resulting in a negative net change of \$1.3 million.
- The business-type activities saw a positive change in net assets of \$7.4 million.
- Pension Trust funds experienced an increase in net assets of \$5.5 million. Our latest actuarial analysis resulted in a change in the way the City contributes to the Pension funds. The rate for the General Employees' Pension Plan from 27.04% in the prior fiscal year as compared to 4.15% with a \$2.2 million lump sum contribution, equivalent to 28.5% of eligible payroll, in the current fiscal year. The change was a result of closing its General Pension Plan to all new hires in September 2009.
- The Other Post Employment Benefit (OPEB) Trust fund experienced an increase in net assets of \$2.2 million attributed to additions to net assets of \$4.2 million reduced by \$2.0 million in benefit payments and plan administration charges.

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 51-94) 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 98-102) 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 120.

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

	<u>Government-wide Statements</u>	<u>Governmental Funds</u>	<u>Proprietary Funds</u>	<u>Fiduciary Funds</u>
Scope	<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>
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	<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>
Type of asset/liability information	<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>
Type of inflow/outflow information	<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.

- Governmental Fund Balance classifications are reported to the extent to which they are constrained as promulgated by Governmental Accounting Standards Board Statement No. 54.
- 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, 2010 and 2011 are as follows (presented in millions of dollars):

	Governmental Activities		Business-Type Activities		Total	
	2010	2011	2010	2011	2010	2011
Assets						
Non-capital assets	\$ 13.9	\$ 15.7	\$ 69.7	\$ 71.9	\$ 83.6	\$ 87.6
Capital assets	37.5	40.3	131.2	134.3	168.7	174.6
Total assets	<u>\$ 51.4</u>	<u>\$ 56.0</u>	<u>\$ 200.9</u>	<u>\$ 206.2</u>	<u>\$ 252.3</u>	<u>\$ 262.2</u>
Liabilities						
Current liabilities	\$ 2.5	\$ 3.6	\$ 13.5	\$ 11.9	\$ 16.0	\$ 15.5
Non-current liabilities	7.1	11.9	40.1	39.6	47.2	51.5
Total liabilities	<u>\$ 9.6</u>	<u>\$ 15.5</u>	<u>\$ 53.6</u>	<u>\$ 51.5</u>	<u>\$ 63.2</u>	<u>\$ 67.0</u>
Net Assets						
Invested in capital assets, net of related debt	\$ 35.7	\$ 38.8	\$ 96.7	\$ 97.3	\$ 132.4	\$ 136.1
Restricted net assets	1.3	1.8	31.3	34.1	32.6	35.9
Unrestricted net assets	4.8	(0.1)	19.3	23.3	24.1	23.2
Total net assets	<u>\$ 41.8</u>	<u>\$ 40.5</u>	<u>\$ 147.3</u>	<u>\$ 154.7</u>	<u>\$ 189.1</u>	<u>\$ 195.2</u>

The Changes in Net Assets, for the City of Dover, as of June 30, 2010 and 2011 are as follows (presented in millions of dollars):

	Governmental Activities		Business-Type Activities		Total	
	2010	2011	2010	2011	2010	2011
Revenues:						
Program revenues						
Charges for services	\$ 7.6	\$ 9.0	\$ -	\$ -	\$ 7.6	\$ 9.0
Water/wastewater charges for services	-	-	11.5	14.0	11.5	14.0
Electric charges for services	-	-	100.3	101.9	100.3	101.9
Operating grants and contributions	3.8	5.0	-	-	3.8	5.0
Capital grants and contributions	0.2	0.9	0.4	1.0	0.6	1.9
General revenues						
Property taxes	10.0	10.9	-	-	10.0	10.9
Transfer taxes	0.9	1.5	-	-	0.9	1.5
Earnings on investments-other	0.3	0.1	0.8	0.6	1.1	0.7
Total revenues	<u>\$ 22.8</u>	<u>\$ 27.4</u>	<u>\$ 113.0</u>	<u>\$ 117.5</u>	<u>\$ 135.8</u>	<u>\$ 144.9</u>
Expenses						
General government	\$ 2.3	\$ 2.1	\$ -	\$ -	\$ 2.3	\$ 2.1
Public safety	16.4	16.8	-	-	16.4	16.8
Public works	7.7	6.8	-	-	7.7	6.8
Library and recreation	2.3	2.7	-	-	2.3	2.7
Community and economic development	2.2	1.2	-	-	2.2	1.2
Central services	1.4	1.5	-	-	1.4	1.5
Financial administration	7.0	10.4	-	-	7.0	10.4
Interest charges	0.1	0.1	-	-	0.1	0.1
Plus (less) indirect expense allocation	(4.1)	(4.0)	4.1	4.0	-	-
Water/wastewater	-	-	11.0	10.1	11.0	10.1
Electric	-	-	87.8	87.1	87.8	87.1
Total expenses	<u>\$ 35.3</u>	<u>\$ 37.6</u>	<u>\$ 102.9</u>	<u>\$ 101.2</u>	<u>\$ 138.2</u>	<u>\$ 138.8</u>
Change in net assets before transfers	(12.5)	(10.2)	10.1	16.3	(2.4)	6.1
Transfers	7.3	8.9	(7.3)	(8.9)	-	-
Change in net assets	<u>\$ (5.2)</u>	<u>\$ (1.3)</u>	<u>\$ 2.8</u>	<u>\$ 7.4</u>	<u>\$ (2.4)</u>	<u>\$ 6.1</u>
Net assets, beginning of year	47.0	41.8	144.5	147.3	191.5	189.1
Net assets	<u>\$ 41.8</u>	<u>\$ 40.5</u>	<u>\$ 147.3</u>	<u>\$ 154.7</u>	<u>\$ 189.1</u>	<u>\$ 195.2</u>

Governmental Activities

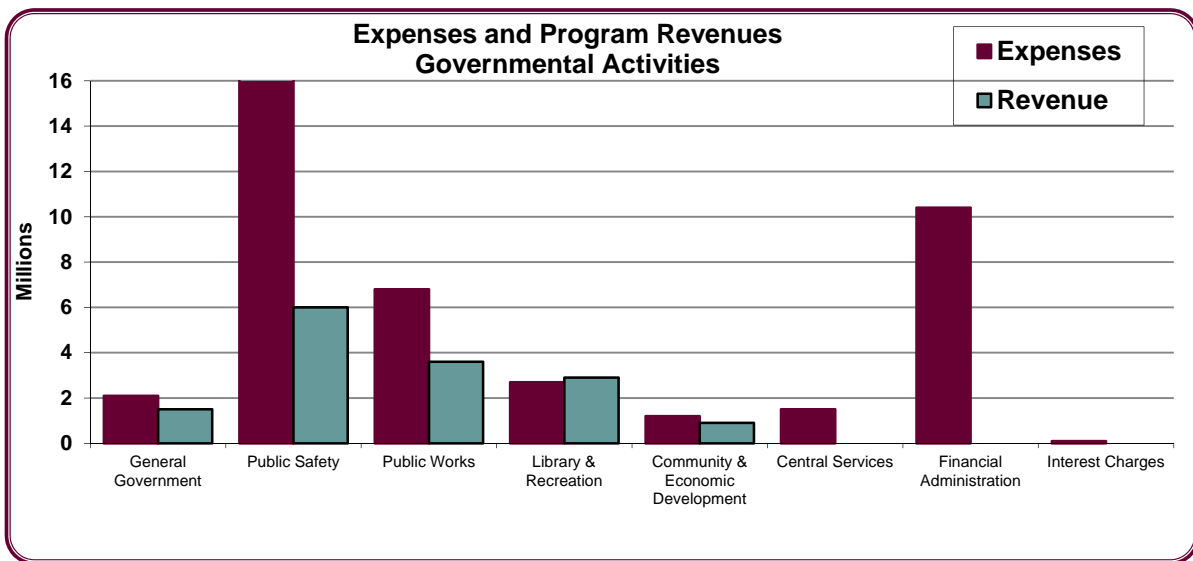
Governmental net assets decreased by \$1.3 million. Net revenues were more than the prior year by \$4.6 million.

The City Council approved a property tax rate increase of \$.027 and a sanitation fee increase of \$5.85 for fiscal year 2011. These two increases account for approximately \$1.7 million of increased revenues. Other sources of increased revenues over the previous fiscal year are attributed to public safety fines and fees, public safety and library grants, transfer taxes, and Court of Chancery Fees. The revenue increases totaled \$4.8

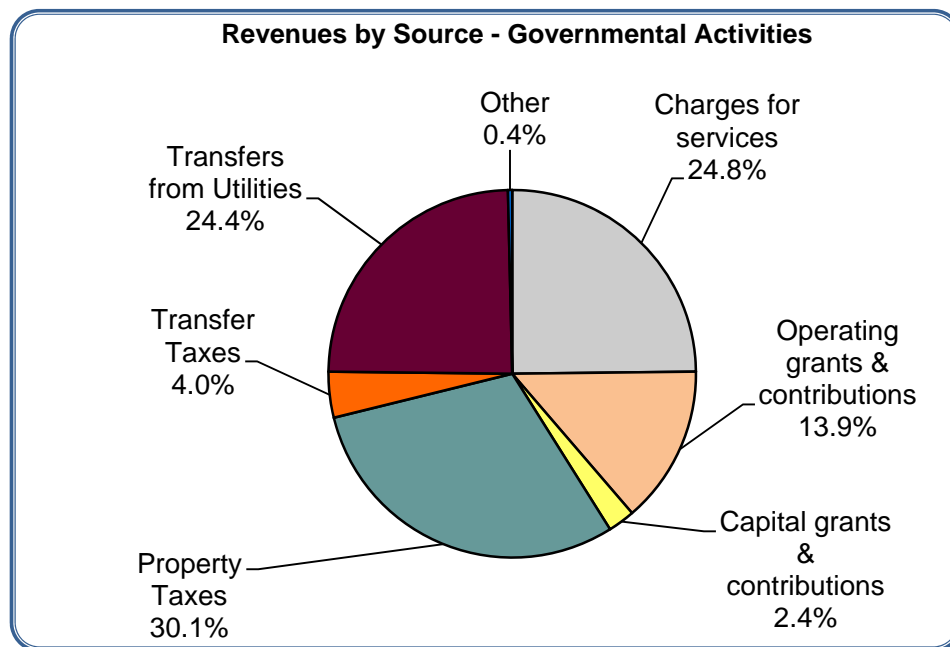
million. Revenue sources that decreased were business licenses, permits, and investment income for a total of \$.2 million.

Expenses of \$37.6 million reflect an overall increase of \$2.3 million from the prior year. The majority of this increase was attributed to \$2.1 million of other post-employment benefit cost. Other increases were in public safety, library and recreation, and central services. The decreases were in general government, public works streets and sanitation, as well as Community and economic development. Transfers to the Governmental Funds from the Proprietary Funds increased \$1.6 million.

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



The following chart 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 services and transfers from the utilities.

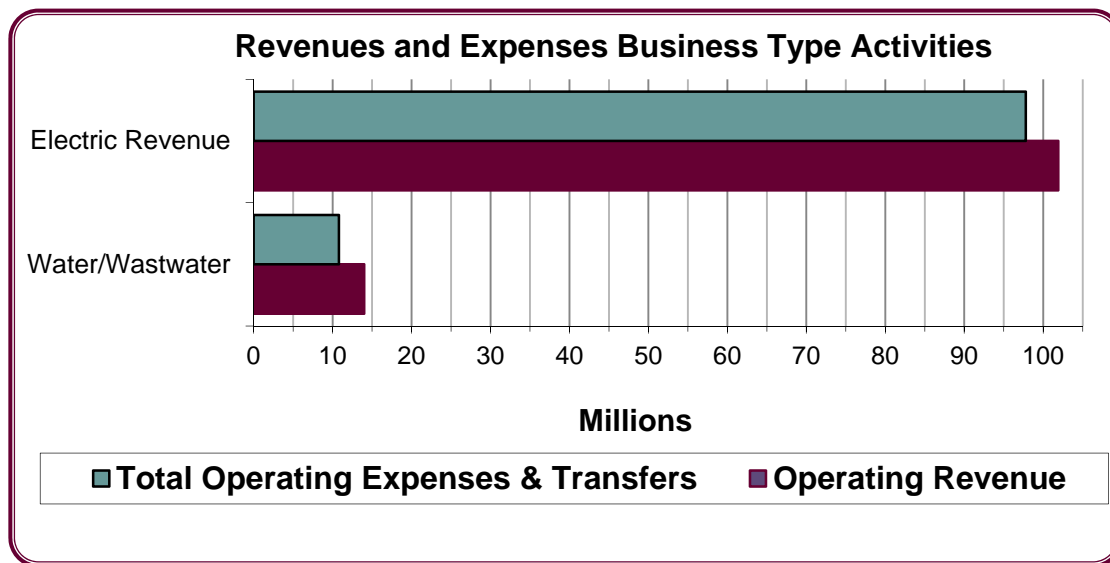


Business-Type Activities

As noted earlier, the business-type activities saw a positive change in net assets of \$7.4 million. The increase was a result of revenue increases in both the water and wastewater utilities and the electric utility coupled with lower expenses in all utilities.

The water/wastewater utility had a positive change in net assets of \$4.1 million. The utility experienced an increase in operating income of \$2.5 million over the previous year. The increase in operating income was due to City Council approved rates increased for services resulting in higher charges for services of \$1.3 million as well as an increase in miscellaneous services of \$1.2 million mainly attributed to increased impact fees. The utility also experienced a decrease in personnel and operating expenses of \$1.1 million. Non-operating revenue increased \$.5 million as a result of contractor contributions. There was no transfer made to the General Fund by the water/wastewater utility during fiscal year 2011.

The electric utility realized a positive change in net assets of \$3.2 million. The utility experienced an increase in operating revenues of \$1.6 million over the previous year as a result of higher kilowatt-hour sales. Operating expenses decreased by \$1.3 million due to lower power supply cost of \$3.1 million and \$.1 in operating expenses. The decreases were offset by increases in postemployment retirement benefits of \$1.3 million and depreciation expense of \$.6 million. Non-operating revenues and expenses reflect a negative result of \$.9 million because of an increase in interest and fiscal charges attributed to refunding bonds as explained in the Notes and a decrease in fair value of investments. These negative results were offset by an increase in investment interest earned. Transfers to the General Fund increased to \$8.9 million from \$6.8 million in the preceding year.



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, 2011, were \$8.8 million. This represented an increase of \$.4 million during the year. Approximately 38% of the combined fund balances, \$3.4 million, constitutes unassigned fund balance, which is available to meet the City's current and future needs. The remainder of fund balance is non-spendable, restricted, committed or assigned to indicate that it is not available for operational spending because it is constrained by legally enforceable contracts, other governmental agreements and legislation, City Council resolution or it is not convertible to cash within a reasonable period of time. Further detail of fund balances is presented in the Notes to the Basic Financial Statements in Note 7.

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, 2011, was \$7.8 million, which represents an increase of \$.2 million from the previous fiscal year. Increases in property taxes and sanitation revenues were attributed to rate increases. These revenue increases coupled with increases in library construction grants, transfer taxes, public safety fines and fees and the electric utility transfer were offset by increased operating cost for public safety, retiree health care, and library construction expenditures.

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, 2011, the Water/Wastewater Fund has net assets of \$45.5 million, of which \$5.5 million is unrestricted. The fund's net assets increased \$4.1 million during the year as explained on page 29. At June 30, 2011, the Electric Fund has net assets of \$109.2 million, of which \$17.8 million is unrestricted. This fund experienced an increase in net assets of \$3.2 million during the year as explained on page 29.

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 98-99).

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.

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 changes to the Original Budget. The Budget Balance carried forward from the prior fiscal year was higher by \$.4 million than was projected. Receipts had a net increase of \$.2 million. The most significant changes were attributed to transfer taxes of \$.4 million and a FEMA grant of \$.2 million for reimbursement of blizzard related expenditures in the previous fiscal year. The most significant reductions of revenue were in sanitation fees, library revenues and interest earnings by approximately \$.4 million.

Expenditures were revised to reflect an aggregate increase of \$.2 million. Reserve and pension fund appropriations accounted for the most significant increase by \$.7 million, to

provide for bad debts, replenishment of contingency funds, and pension liabilities. Several operating budgets were decreased as a result of personnel turnover and labor savings approximately \$.5 million. The net result of these changes was a \$.4 million increase over the Original Budget Balance (on a non-GAAP basis).

Actual revenues and other financing sources met the final budgeted amounts in the General Fund for the current fiscal year. The more significant shortfalls in property taxes and interfund services were offset by public safety grants, permits, and miscellaneous revenues. Expenditures were approximately \$.2 million under budget as a result of several operating departments experiencing personnel savings and landfill fees in the sanitation division. The General Fund budget balance carry forward was \$.2 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 \$40.3 million and \$134.3 million, respectively, in a variety of capital assets and infrastructure, as reflected in the following schedule, which represents a net increase of \$2.8 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	
	2010	2011	2010	2011	2010	2011
Depreciable Assets, Net						
Buildings	\$ 7.5	\$ 7.3	\$ -	\$ -	\$ 7.5	\$ 7.3
Equipment	2.1	1.8	-	-	2.1	1.8
Vehicles	1.5	1.7	-	-	1.5	1.7
General infrastructure	20.3	20.7	-	-	20.3	20.7
Utility, plant, buildings, and infrastructure	-	-	115.6	127.2	115.6	127.2
Other	0.5	0.5			0.5	0.5
Non-depreciable Assets						
Land	4.0	3.9	1.6	1.6	5.6	5.5
Construction in progress	1.6	4.4	14.0	5.5	15.6	9.9
	<u>\$ 37.5</u>	<u>\$ 40.3</u>	<u>\$ 131.2</u>	<u>\$ 134.3</u>	<u>\$ 168.7</u>	<u>\$ 174.6</u>

A summary of debt outstanding at June 30, 2010 and 2011 is as follows which represents an increase of \$.2 million for the governmental funds and no change for the proprietary funds, since the end of last year (presented in millions of dollars):

	Governmental Activities		Business-Type Activities		Total	
	2010	2011	2010	2011	2010	2011
Non-current liabilities						
Bonds (net of discount/issuance cost)	\$ 1.7	\$ 1.5	\$ 38.0	\$ 37.9	\$ 39.7	\$ 39.4
Liability for compensated absences	2.2	2.6	0.8	0.9	3.0	3.5
	<u>\$ 3.9</u>	<u>\$ 4.1</u>	<u>\$ 38.8</u>	<u>\$ 38.8</u>	<u>\$ 42.7</u>	<u>\$ 42.9</u>

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 remain the same. The City General Fund revenues were projected to fall short of the requirement for a balanced budget by approximately \$3.4 million. Given the rate and fee increases implemented in fiscal year 2011, the City incorporated the following changes into the fiscal year 2012 budget.

- All temporary positions eliminated
- All vacant positions remain vacant; Hiring freeze implemented in 2009 to continue into fiscal year 2012, unless deemed critical
- Reductions in travel, conference, subscriptions & dues expenses
- Elimination of all strategic budgeted items/programs
- One year hiatus of workers' compensation expense
 - City is self-funded and Workers' Compensation Fund is over funded per actuary valuation
- Increased the transfer policy for the Electric Utility transfer to the General Fund from 6.5% of utility revenue to 8.0% of utility revenue
- Reduced the transfer to the Governmental Capital Project Fund as a result of the deferral of a substantial amount of capital projects

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 for the Dover Anchor Library project include a State of Delaware matching grant of 50%, committed fund balance – Library Construction, a capital campaign of the Dover Library Foundation, and other grants and donations.

These steps 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 plan of approximately \$23.6 million. The City is aggressively making major upgrades in these systems to replace aging infrastructure and improve water quality and inflow/infiltration. Water rates and wastewater rates will remain the same as the prior fiscal year. Operational expenses are projected to remain at the prior year levels with no increase.

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 will be able to increase the current year's power cost adjustment credit of 1.9% to 5.9% for the electric customers due to a drop in the cost of power supply of \$3.3 million or cumulatively \$8.2 million over the past two years. 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 decrease as a result of lower personnel expenses and a reduction in the Electric Fund transfer over the prior year of \$1.0 million. 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).

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, 2011

	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and cash equivalents	\$ 3,563,365	\$ 21,080,867	\$ 24,644,232
Investments	7,766,317	38,162,138	45,928,455
Receivables, net	2,034,735	8,440,209	10,474,944
Internal balances	511,466	(511,466)	-
Due from other governments	955,072	-	955,072
Inventory, at cost	142,229	4,117,867	4,260,096
Prepaid items	99,599	386,110	485,709
Net Pension Asset	621,773	257,410	879,183
Land and construction in progress	8,312,106	7,098,876	15,410,982
Capital assets, net of depreciation	32,027,032	127,193,957	159,220,989
Total assets	56,033,694	206,225,968	262,259,662
Liabilities:			
Accounts payable and accrued liabilities	3,136,229	9,218,717	12,354,946
Unearned revenue	370,245	194,022	564,267
Customer deposits	-	1,828,242	1,828,242
Other	101,293	723,986	825,279
Non-current liabilities			
Due within one year	1,416,933	2,761,063	4,177,997
Due in more than one year	10,494,267	36,794,470	47,288,736
Total liabilities	15,518,967	51,520,500	67,039,467
Net Assets:			
Invested in capital assets net of related debt	38,839,995	97,270,906	136,110,901
Restricted for:			
Capital construction	1,210,667	34,148,330	35,358,997
Public Safety	431,830	-	431,830
Other purposes	131,670	-	131,670
Unrestricted	(99,435)	23,286,232	23,186,797
Total Net Assets	\$ 40,514,727	\$ 154,705,468	\$ 195,220,195

See accompanying notes to financial statements

The City of Dover
Statement of Activities
For the Year Ended June 30, 2011

Functions/Programs			Program Revenue			Net (Expenses) Revenue and Changes in Net Assets			
	Expenses	Indirect Expenses Allocation	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total	
Governmental activities									
General government	\$ 2,110,392	\$ (862,268)	\$ 1,503,243	\$ -	\$ -	\$ 255,119	\$ -	\$ 255,119	
Public safety	16,848,343	-	4,682,687	1,306,316	-	(10,859,340)	-	(10,859,340)	
Public works	6,785,831	(527,885)	2,173,434	548,792	856,338	(2,679,382)	-	(2,679,382)	
Library and recreation	2,731,492	-	632,861	2,267,317	-	168,686	-	168,686	
Community and economic development	1,173,546	-	-	910,501	-	(263,045)	-	(263,045)	
Central services	1,461,543	(862,045)	-	-	-	(599,498)	-	(599,498)	
Financial administration	10,397,154	(1,791,101)	-	-	-	(8,606,053)	-	(8,606,053)	
Interest charges	75,397	-	-	-	-	(75,397)	-	(75,397)	
Total governmental activities	\$ 41,583,698	\$ (4,043,299)	\$ 8,992,225	\$ 5,032,926	\$ 856,338	\$ (22,658,910)	\$ -	\$ (22,658,910)	
Business type activities								-	
Water/wastewater	10,020,184	892,538	14,033,678	-	997,750	-	4,118,706	4,118,706	
Electric	87,145,483	3,150,761	101,902,619	-	-	-	11,606,375	11,606,375	
Total business type activities	\$ 97,165,667	\$ 4,043,299	\$ 115,936,297	\$ -	\$ 997,750				
Total City						\$ (22,658,910)	\$ 15,725,081	\$ (6,933,829)	
General revenues									
Taxes									
Property taxes						10,904,908	-	10,904,908	
Transfer taxes						1,461,983	-	1,461,983	
Earnings on investments						137,218	554,787	692,005	
Total general revenues						12,504,109	554,787	13,058,896	
Transfers						8,856,000	(8,856,000)	-	
Total general revenues and transfers						21,360,109	(8,301,213)	13,058,896	
Changes in net assets						(1,298,801)	7,423,868	6,125,067	
Net assets beginning						41,813,528	147,281,600	189,095,128	
Net assets ending						\$ 40,514,727	\$ 154,705,468	\$ 195,220,195	

See accompanying notes to financial statements

The City of Dover
Governmental Funds Balance Sheet
June 30, 2011

	General Fund	Other Governmental Funds	Total Governmental Funds
Assets:			
Cash and Cash Equivalents	\$ 1,948,352	\$ 1,100,594	\$ 3,048,946
Investments	6,181,802	-	6,181,802
Receivables, net			
Accounts	1,700,123	105	1,700,228
Taxes	330,507	-	330,507
Due from Other Funds			
Charges	674,465	9,317	683,782
Temporary Advances	68,000	-	68,000
Due from Other Governments	-	955,072	955,072
Prepaid Items	27,744	4,203	31,947
Inventory, at cost	142,229	-	142,229
Total Assets	<u>\$ 11,073,222</u>	<u>\$ 2,069,291</u>	<u>\$ 13,142,513</u>
Liabilities:			
Vouchers Payable	\$ 2,825,379	\$ 105,496	\$ 2,930,875
Deferred Revenue	370,245	709,775	1,080,020
Due to Other Funds			
Charges	15,697	128,084	143,781
Temporary advances	-	68,000	68,000
Other	101,293	-	101,293
Total liabilities	<u>3,312,614</u>	<u>1,011,355</u>	<u>4,323,969</u>
Fund Balances:			
Non-spendable	191,567	4,203	195,770
Restricted	85,070	764,512	849,582
Committed	3,484,203	-	3,484,203
Assigned	614,559	289,221	903,780
Unassigned	3,385,209	-	3,385,209
Total fund balances	<u>7,760,608</u>	<u>1,057,936</u>	<u>8,818,544</u>
Total liabilities and fund balances	<u>\$ 11,073,222</u>	<u>\$ 2,069,291</u>	<u>\$ 13,142,513</u>

See accompanying notes to financial statements

The City of Dover
Reconciliation of Governmental Fund Balances
To Government-Wide Net Assets
June 30, 2011

Total fund balances for governmental funds (Page 39) \$ 8,818,544

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. 40,339,138

Other assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. 709,775

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

Police Pension Plan	\$ 535,811	
General Pension Plan	<u>85,962</u>	621,773

An internal service fund (page 44) 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. 1,936,697

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.

Compensated absences represent amounts accrued for sick leave for those employees who are vested and accrued vacation for all employees.

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

Current-		
General Obligation Bonds	(275,000)	
Compensated Absences	<u>(1,141,933)</u>	
	(1,416,933)	
Long-Term-		
General Obligation Bonds, net of discount	(1,224,143)	
Compensated Absences	(1,444,735)	
Net OPEB Obligation	<u>(7,825,389)</u>	
	(10,494,267)	(11,911,200)

Total net assets of governmental activities (Page 38) \$ 40,514,727

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, 2011

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues			
Fines	\$ 698,522	\$ 966,974	\$ 1,665,496
Library revenue- general	53,593	-	53,593
Library revenue county reimbursement	390,862	-	390,862
Licenses and permits	2,417,363	-	2,417,363
Sanitation fees and rebates	2,173,434	-	2,173,434
Recreation	-	44,292	44,292
Miscellaneous services	1,351,015	129,830	1,480,845
Property taxes	10,904,908	-	10,904,908
Transfer taxes	-	1,461,983	1,461,983
Grants received	2,842,859	2,708,316	5,551,175
Court of Chancery fees	766,340	-	766,340
Investment income	111,364	1,358	112,722
Total revenues	21,710,260	5,312,753	27,023,013
Expenditures			
Current:			
General government	1,348,911	-	1,348,911
Library services	4,130,549	239,029	4,369,578
Public safety and law enforcement	15,840,522	299,431	16,139,953
Public works	1,801,787	733,273	2,535,060
Recreational services	834,124	-	834,124
Streets and sanitation services	3,383,465	-	3,383,465
Financial administration	866,314	-	866,314
Garage and stores	490,113	-	490,113
Insurance	203,343	-	203,343
Retiree health care	1,297,509	-	1,297,509
Employee pension	1,544,978	-	1,544,978
Community and economic development	219,854	953,692	1,173,546
Street lights	968,562	-	968,562
Debt Service:			
Principal retirement	270,000	-	270,000
Interest and fiscal charges	65,225	-	65,225
Total expenditures	33,265,256	2,225,425	35,490,681
Excess (deficiency) of revenues over (under) expenditures	(11,554,996)	3,087,328	(8,467,668)
Other financing sources and uses			
Transfers in	12,089,015	331,314	12,420,329
Transfers out	(331,314)	(3,233,015)	(3,564,329)
Total other financing sources and uses	11,757,701	(2,901,701)	8,856,000
Net change in fund balances	202,705	185,627	388,332
Fund balances at beginning of year	7,557,903	872,309	8,430,212
Fund balances at end of year	\$ 7,760,608	\$ 1,057,936	\$ 8,818,544

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, 2011

Net change in fund balances--total governmental funds (Page 41) \$ 388,332

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	\$ 5,296,536	
Gain on assets transferred in and not fully depreciated	10,444	
Current Year depreciation and amortization	<u>(2,469,317)</u>	2,837,663

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. 270,000

Changes in other assets are not available to pay for current period expenditures and therefore are deferred in the funds. 338,089

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. (10,172)

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	\$ (421,659)	
Net pension obligation - Police Plan	(495,033)	
Net pension obligation - General Pension Plan	21,869	
Net OPEB obligation - General Fund	<u>(4,597,649)</u>	(5,492,472)

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. 369,759

Change in net assets of governmental activities (Page 38) \$ (1,298,801)

See accompanying notes to financial statements

The City of Dover
 Statement of Net Assets - Proprietary Funds
 June 30, 2011

	Enterprise Funds			Governmental Activities - Internal Service Fund
	Water/ Wastewater Fund	Electric Revenue Fund	Total	
Assets				
Current assets:				
Cash and cash equivalents	\$ 4,969,697	\$ 5,493,856	\$ 10,463,553	\$ 514,419
Investments	2,349,613	11,356,606	13,706,219	1,584,515
Receivables, net	907,633	7,532,576	8,440,209	4,000
Due from other funds-charges	20,082	26,585	46,667	500
Inventory	100,138	4,017,729	4,117,867	-
Prepaid items	1,185	384,925	386,110	67,652
Total current assets	8,348,348	28,812,277	37,160,625	2,171,086
Non-current assets:				
Restricted assets				
Cash	924,903	9,692,411	10,617,314	-
Investments	4,439,187	20,016,732	24,455,919	-
Net Pension Asset	189,031	68,379	257,410	-
Land and construction in progress	5,216,001	1,882,875	7,098,876	-
Capital assets, net of depreciation	37,330,503	89,863,454	127,193,957	-
Total non-current assets	48,099,625	121,523,851	169,623,476	-
Total assets	56,447,973	150,336,128	206,784,101	2,171,086
Liabilities				
Current liabilities:				
Accounts payable and accrued expenses	2,021,859	7,196,858	9,218,717	205,354
Due to other funds - charges	146,936	411,197	558,133	29,035
Deferred revenue	-	194,022	194,022	-
Accrued interest payable	66,534	657,452	723,986	-
Customer deposits	-	1,828,242	1,828,242	-
Revenue bonds payable	393,792	2,060,000	2,453,792	-
Liability for compensated absences	98,882	208,390	307,271	-
Total current liabilities	2,728,003	12,556,161	15,284,163	234,389
Non-current liabilities:				
Net OPEB Obligation	575,387	179,654	755,041	-
Revenue bonds payable	7,519,592	27,973,446	35,493,038	-
Liability for compensated absences	98,976	447,414	546,391	-
Total non-current liabilities	8,193,955	28,600,514	36,794,470	-
Total liabilities	10,921,958	41,156,675	52,078,633	234,389
Net Assets				
Invested in capital assets, net of related debt	35,558,023	61,712,883	97,270,906	-
Restricted for capital construction	4,439,187	29,709,143	34,148,330	-
Unrestricted	5,528,805	17,757,427	23,286,232	1,936,697
Total net assets	\$ 45,526,015	\$ 109,179,453	\$ 154,705,468	\$ 1,936,697

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, 2011

	Enterprise Funds			Governmental Activities - Internal Service Funds
	Water/Wastewater Fund	Electric Revenue Fund	Total	
Operating Revenues				
Charges for services	\$ 11,698,061	\$ 99,513,157	\$ 111,211,218	\$ -
Miscellaneous services/income	2,335,617	2,389,462	4,725,079	636,213
Total operating revenues	14,033,678	101,902,619	115,936,297	636,213
Operating Expenses				
Water/wastewater services	7,768,985	-	7,768,985	-
General administrative	1,275,693	5,298,869	6,574,562	161,880
Power supply	-	69,616,076	69,616,076	-
Transmission/distribution	-	3,083,714	3,083,714	-
Engineering	-	1,722,244	1,722,244	-
Metering	-	204,352	204,352	-
Systems operations	-	486,894	486,894	-
Utility tax	-	1,944,543	1,944,543	-
Depreciation	1,516,151	4,710,658	6,226,809	-
Contractual services	-	-	-	31,100
Taxes	-	-	-	46,831
Retirees healthcare	177,427	1,839,110	2,016,537	-
Self insurance-workers' compensation	-	-	-	51,139
Total operating expenses	10,738,256	88,906,460	99,644,716	290,950
Operating income	3,295,422	12,996,159	16,291,581	345,263
Non-operating Revenues (Expenses)				
Interest earned:				
Operating funds	36,622	832,145	868,767	-
Reserve funds	52,032	511,922	563,954	27,684
Net increase in fair value of investments	(16,718)	(861,216)	(877,934)	(3,188)
Interest and fiscal charges	(143,954)	(1,385,035)	(1,528,989)	-
Bond discount amortized	(31,596)	(21,579)	(53,175)	-
Gain on sale of assets	1,084	16,830	17,914	-
Total non-operating revenue (expenses)	(102,530)	(906,933)	(1,009,463)	24,496
Income before contributions and transfers	3,192,892	12,089,226	15,282,118	369,759
Contractor contributions - infrastructure	997,750	-	997,750	-
Transfers out	-	(8,856,000)	(8,856,000)	-
Change in net assets	4,190,642	3,233,226	7,423,868	369,759
Total net assets--beginning	41,335,373	105,946,227	147,281,600	1,566,938
Total net assets--ending	\$ 45,526,015	\$ 109,179,453	\$ 154,705,468	\$ 1,936,697

See accompanying notes to financial statements

The City of Dover
Statement of Cash Flows - Proprietary Funds
For the Year Ended June 30, 2011

	Enterprise Funds			Governmental Activities - Internal Service Fund
	Water Wastewater Fund	Electric Revenue Fund	Total	
Cash Flows from Operating Activities				
Receipts from customers	\$ 13,816,536	\$ 101,231,478	\$ 115,048,014	\$ -
Payments to suppliers (including purchased power)	(5,489,228)	(79,398,421)	(84,887,649)	(166,122)
Payments to employees	(1,841,741)	(4,520,644)	(6,362,385)	-
Payments of personnel related costs	(733,303)	(1,458,436)	(2,191,739)	636,213
Internal activity--payments from (to) other funds	(47,154)	-	(47,154)	63,308
Other receipts (payments) including claims paid	(408,391)	(1,955,872)	(2,364,263)	(287,560)
Net cash provided by operating activities	5,296,719	13,898,105	19,194,824	245,839
Cash Flows from Noncapital Financing Activities				
Transfers out	-	(8,856,000)	(8,856,000)	-
Net cash used by noncapital financing activities	-	(8,856,000)	(8,856,000)	-
Cash Flows from Capital and Related Financing Activities				
Acquisition and construction of capital assets	(5,016,669)	(3,337,819)	(8,354,488)	-
Proceeds from capital debt	4,443,920	-	4,443,920	-
Bond issuance costs	-	(144,482)	(144,482)	-
Principal paid on revenue bond maturities	(327,379)	(2,370,000)	(2,697,379)	-
Interest paid on capital debt	(179,305)	(1,609,193)	(1,788,498)	-
Net cash used by capital and related financing activities	(1,079,433)	(7,461,494)	(8,540,927)	-
Cash Flows from Investing Activities				
Interest on investments	36,622	832,145	868,767	-
Redemption of investment securities	-	1,089,296	1,089,296	-
Purchase of investment securities	(1,584,048)	(5,410,131)	(6,994,179)	(26,824)
Interest on restricted cash	52,032	511,922	563,954	27,685
Net cash provided (used) by investing activities	(1,495,394)	(2,976,768)	(4,472,162)	861
Net increase (decrease) in cash and cash equivalents	2,721,892	(5,396,157)	(2,674,265)	246,700
Balances--beginning of the year	3,172,708	20,582,424	23,755,132	267,719
Balances--end of the year	\$ 5,894,600	\$ 15,186,267	\$ 21,080,867	\$ 514,419
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 3,295,422	\$ 12,996,159	\$ 16,291,581	\$ 345,263
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation expense	1,516,151	4,710,658	6,226,809	-
Changes in assets and liabilities				
(Increase)/decrease in receivables	(197,317)	(873,642)	(1,070,959)	(500)
(Increase)/decrease in due from other funds	(19,825)	48,710	28,885	-
(Increase)/decrease in inventory	34,566	(89,151)	(54,585)	-
(Increase)/decrease in prepaid items	174	(314,748)	(314,574)	(36,552)
Increase/(decrease) in accounts payable and accrued expenses	503,194	(2,232,873)	(1,729,679)	(125,680)
Increase/(decrease) in deferred revenue	-	25,094	25,094	-
Increase/(decrease) in due to other funds	23,846	93,728	117,574	63,308
Increase/(decrease) in customer deposits	-	128,697	128,697	-
Increase/(decrease) in liability for compensated absences	7,597	(1,514)	6,083	-
Increase/(decrease) in NPO/NPA for Pension	293,862	(13,084)	280,778	-
Increase/(decrease) in NPO/NPA for OPEB	(160,951)	(579,929)	(740,880)	-
Net cash provided (used) by operating activities	\$ 5,296,719	\$ 13,898,105	\$ 19,194,824	\$ 245,839
Non-cash investing, capital and financing activities:				
Change in fair value of investments	\$ (16,718)	\$ (861,216)	\$ (877,934)	\$ (3,188)
Capital contributions - infrastructure	\$ 997,750	\$ -	\$ 997,750	\$ -

See accompanying notes to financial statements

The City of Dover
Statement of Fiduciary Net Assets
June 30, 2011

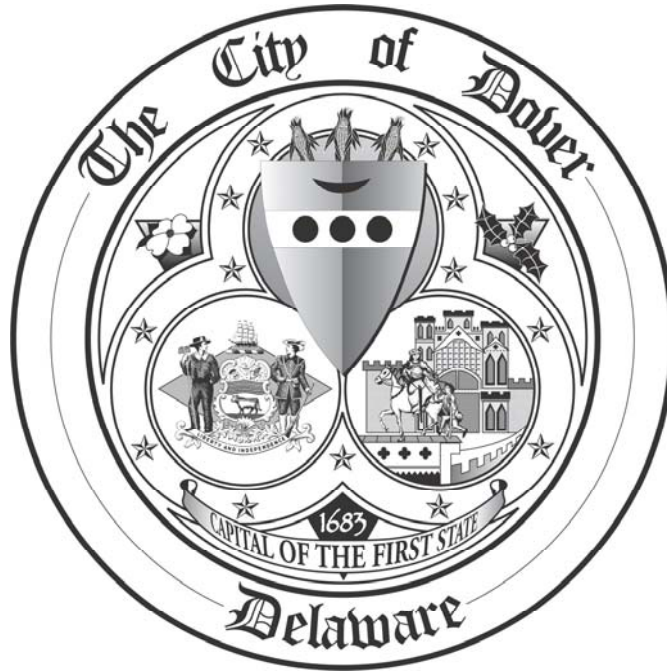
	Pension Trust Funds	OPEB Trust Fund	Agency Funds
Assets			
Cash and cash equivalents	\$ 1,653,391	\$ 106,701	\$ 918,346
Investments at fair value - Mutual Funds	31,935,370	6,944,299	-
Receivables	-	465	59,641
Prepaid items	-	-	2,426
Total assets	<u>33,588,761</u>	<u>7,051,465</u>	<u>980,413</u>
Liabilities			
Accounts payable	26,095	3,478	36,459
Due to agencies	-	-	943,954
Total liabilities	<u>26,095</u>	<u>3,478</u>	<u>\$ 980,413</u>
Net Assets held in trust for retirement benefits	<u>\$ 33,562,666</u>	<u>\$ 7,047,987</u>	

See accompanying notes to financial statements

The City of Dover
Statement of Changes in Fiduciary Net Assets
For the Year Ended June 30, 2011

	Pension Trust Funds	OPEB Trust Fund
Additions:		
Net investment income	\$ 5,789,679	\$ 861,447
City's contribution- payroll based	510,273	2,114,046
City's contribution- lump sum	2,932,455	1,200,000
Employee contribution	293,546	-
State insurance premium tax proceeds	538,136	-
Other	500	-
Total additions to net assets	<u>10,064,589</u>	<u>4,175,493</u>
Deductions:		
Benefit payments	4,534,039	1,926,130
General administration	42,000	83,751
Refund of pension contribution	10,374	-
Total deductions from net assets	<u>4,586,413</u>	<u>2,009,881</u>
Changes in net assets	5,478,176	2,165,612
Net assets - beginning	<u>28,084,490</u>	<u>4,882,375</u>
Net assets - ending	<u><u>\$ 33,562,666</u></u>	<u><u>\$ 7,047,987</u></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, 2011

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, 2011.

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 ten Special Revenue Funds to account for proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

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 three agency funds.

The City acts as the receiving and paying agent for the Downtown Dover Partnership, Fourth of July Celebration Committee, and Dover Library Foundation. The Library Consortium and Dover Arts Council are presented as well to report their transactions, however they are no longer operating with the City as their agent as of June 30, 2011. All transactions of these funds 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	4 - 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	4	-	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 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. In this fiscal year transfers were also made from the Realty Transfer Tax Fund, Municipal Street Aid Fund, Electronic Red Light Safety Program (ERLSP) Fund, and Police Grant 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 and net of reserves, utilizing a weighted moving average method of valuation. The City maintains inventory reserves to charge off any damaged or obsolete items.

The Electric Revenue Fund maintains fuel inventory for the generating assets on a perpetual basis and utilizes the weighted moving average method of valuation.

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	\$146,655
Water/Wastewater Fund	\$98,233
Electric Revenue Fund	\$467,401

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, 2011 total \$36,196,877 including cash and cash equivalents of \$11,717,908 and \$24,478,969 in investments. Of this amount, \$1,123,644 is attributed to governmental activities and \$35,073,233 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, 2011, 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 Balances and Net Assets

Governmental fund balances are reported based on a hierarchy of constraints on the nature or specific purpose to which the funds can be spent. The classifications of fund balance are as follows:

- Nonspendable are amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.
- Restricted are amounts that can be spent only for specific purposes because of the City Charter, the City Code, state or federal laws, or externally imposed conditions by grantors or creditors.
- Committed are amounts that can be used only for specific purposes determined by a formal action by City Council ordinance or resolution.
- Assigned are amounts that are designated by city management for a particular purpose but are not spendable until a budget ordinance is passed or there is a majority vote approval (for capital projects or debt service) by City Council.

- Unassigned 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 balances and 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, 2011, the carrying amount of unrestricted bank deposits was \$12,926,324 and the carrying amount of restricted bank deposits totaled \$11,717,908. The

restricted deposits are held by the City for bond related transactions, special purpose operating and capital grants. Fiduciary funds deposits of \$2,678,438 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, 2011, the City had the following investments:

Investment Type	Fair Value	(Years)
Government-Wide:		
Fixed income securities:		
U. S. Government Agencies	\$ 20,068,125	2.13
Corporate Bonds	23,312,258	1.53
Fair Value of fixed income securities	43,380,383	
Portfolio weighted average maturity		1.83
Other investments:		
Money Market Mutual Funds & Certificate of Deposit	2,524,914	
Equity Stock and Other	23,158	
Total Other Investments	2,548,072	
Total Government-Wide Investments	\$ 45,928,455	

Interest rate risk: The City's investment policy requires the Treasurer to periodically review and analyze its investments for exposure to fluctuating interest rates. For U.S. Government securities, maximum maturity permitted by the policy is 10 years from the date of purchase. For most other securities, the maximum maturity is five years from the date of purchase. Short-term cash flow balances are invested up to one year.

The investments are held in the City's name at a third party custodian. The City's custodian 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, 2011, the City's fixed income and short-term investments had the following risk characteristics as compared to the Standard's & Poor's:

Authorized Investments	Policy Minimum Rating Category	Portfolio Ratings	Percent Allocation
U.S. Government	N/A	AAA	
U.S. Government Agency	N/A	AAA	34.64 %
Certificates of Deposit and Time Deposits	Short-Term A-1 Long-Term AA	Short-Term A-1+ Long-Term AA-	4.1 %

Authorized Investments	Policy Minimum Rating Category	Portfolio Ratings	Percent Allocation
Corporate Debt			
Commercial Paper	A-1	N/A	6.33 %
Corporate Notes/Bonds	AA	AA- to AAA	48.54 %
Repurchase Agreements	Short-Term A-1 Long-Term AA	N/A	
Registered Investment Companies (money market funds)	AAAm	AAAm	6.39 %

Concentration of credit risk: The City has sector and issuer limitations on its investment portfolio as follows:

Authorized Investments	Sector and Issuer Restrictions
U.S. Government	Up to 100% per sector
U.S. Government Agency	Up to 100% per sector
Certificates of Deposits and Time Deposits	Up to 25% per sector; 5% per issuer
Corporate Debt	
Commercial Paper	Up to 25% per sector; 5% per issuer
Corporate Notes/Bonds	Up to 50% per sector; 5% per issuer
Repurchase Agreements	Up to 25% per issuer
Registered Investment Companies (money market funds)	Up to 25% per issuer

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. To avoid custodial credit risk, it is the City's policy to have its investments held at a third party custodian in the City's name.

Investment Type	Fair Value	(Years)
Other Postemployment Benefits (OPEB) and Pension Funds (Trustee held):		
Short-term corporate bond open-end mutual funds	\$ 9,108,709	4.95
Intermediate-term corporate bond open-end mutual funds	3,795,969	7.30
Fair value of fixed income investments	12,904,678	
Portfolio weighted average maturity		3.06
Other investments:		
Domestic equity open-end mutual funds	20,012,698	
International equity open-end mutual funds	5,962,294	
Fair value of other investments	25,974,991	
Total fair value OPEB and pension funds	<u>\$ 38,879,669</u>	

The Pension Trust and OPEB Trust have their 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. May maintain no more than 8% in any one security. International Equities: Maintain limit of 15% of international equity portfolio.
Domestic Equity funds	Minimum 46% of total Maximum 56% of total Target 51% Benchmark Russell 3000
International Equity	Minimum 9% of total Maximum 18% of total Target 14% of total Benchmark MSCI EAFE
Fixed Income	Minimum 30% of total Maximum 40% of total Target 35% of total Benchmark Lehman Intermediate Govt/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. To avoid custodial credit risk, it is the City's policy to have its investments held at a third party custodian in the City's name.

4. CAPITAL ASSETS

A summary of the Capital asset activity for the year ended June 30, 2011 is presented below:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 3,958,887	\$ -	\$ -	\$ 3,958,887
Construction in progress	1,616,966	2,764,882	28,629	4,353,219
Total capital assets, not being depreciated	5,575,853	2,764,882	28,629	8,312,106
Capital assets, being depreciated:				
Buildings	10,912,748	28,629	-	10,941,377
Furniture and fixtures	180,350	-	-	180,350
Equipment	6,846,703	123,769	24,486	6,945,986
Vehicles	4,244,442	617,543	160,700	4,701,285
Lights	614,531	-	-	614,531
Improvements other than buildings	36,979,310	1,790,342	1,004	38,768,648
Books and audio visuals	8,115	-	-	8,115
D.R.M.O. police equipment	46,701	-	-	46,701
Total capital assets, being depreciated	59,832,900	2,560,283	186,190	62,206,993
Less accumulated depreciation for:				
Buildings	(3,402,207)	(257,908)	-	(3,660,115)
Furniture and fixtures	(157,372)	(6,297)	-	(163,669)
Equipment	(4,711,035)	(419,225)	25,489	(5,104,771)
Vehicles	(2,711,801)	(457,647)	171,145	(2,998,303)
Lights	(431,990)	(13,240)	-	(445,230)
Improvements other than buildings	(16,438,036)	(1,315,000)	-	(17,753,036)
Books and audio visuals	(8,136)	-	-	(8,136)
D.R.M.O. police equipment	(46,701)	-	-	(46,701)
Total accumulated depreciation	(27,907,278)	(2,469,317)	196,634	(30,179,961)
Total capital assets, being depreciated, net	31,925,622	90,966	(10,444)	32,027,032
Governmental activities capital assets, net	\$ 37,501,475	\$ 2,855,848	\$ 18,185	\$ 40,339,138

(continued)

(continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Electric Revenue Fund				
Capital assets, not being depreciated				
Land	\$ 1,458,066	\$ -	\$ -	\$ 1,458,066
Construction in progress	12,772,089	931,819	13,279,099	424,809
Total capital assets, not being depreciated	14,230,155	931,819	13,279,099	1,882,875
Capital assets, being depreciated				
Buildings	16,922,580	460,986	-	17,383,566
Production	62,442,716	1,395,878	429,657	63,408,937
Transmission	22,651,256	9,907,688	-	32,558,944
Distribution	55,811,945	4,012,303	-	59,824,248
Administration	1,530,413	44,370	23,503	1,551,280
Vehicles	624,428	70,108	72,300	622,236
Total capital assets, being depreciated	159,983,338	15,891,333	525,460	175,349,211
Less accumulated depreciation for:				
Buildings	(10,574,839)	(417,226)	-	(10,992,065)
Production	(38,692,760)	(1,419,952)	181,270	(39,931,442)
Transmission	(8,052,226)	(1,154,756)	-	(9,206,982)
Distribution	(22,260,895)	(1,556,407)	-	(23,817,302)
Administration	(1,029,427)	(96,611)	23,260	(1,102,778)
Vehicles	(427,752)	(65,706)	58,270	(435,188)
Total accumulated depreciation	(81,037,899)	(4,710,658)	262,800	(85,485,757)
Total capital assets, being depreciated, net	78,945,439	11,180,675	262,660	89,863,454
Total electric revenue fund capital assets, net	\$ 93,175,594	\$ 12,112,494	\$ 13,541,759	\$ 91,746,329
Water/Wastewater Fund				
Capital assets, not being depreciated				
Land	\$ 163,240	\$ -	\$ -	\$ 163,240
Construction in progress	1,257,510	4,750,171	954,920	5,052,761
Total capital assets, not being depreciated	1,420,750	4,750,171	954,920	5,216,001
Capital assets, being depreciated				
Plant, wells, pumping stations, and storage	15,330,137	315,497	-	15,645,634
Distribution mains, hydrants, and accessories	16,045,935	782,501	-	16,828,436
Sewage plant mains, and pumping stations	24,795,216	1,072,927	-	25,868,143
Vehicles and equipment	4,378,094	108,159	45,228	4,441,025
Total capital assets, being depreciated	60,549,382	2,279,084	45,228	62,783,238
Less accumulated depreciation for:				
Plant, wells, pumping stations, and storage	(6,067,199)	(315,696)	-	(6,382,895)
Distribution mains, hydrant, and accessories	(5,137,297)	(332,820)	-	(5,470,117)
Sewage plant mains, and pumping stations	(9,934,934)	(579,733)	-	(10,514,667)
Vehicles and equipment	(2,818,653)	(287,902)	21,499	(3,085,056)
Total accumulated depreciation	(23,958,083)	(1,516,151)	21,499	(25,452,735)
Total capital assets, being depreciated, net	36,591,299	762,933	23,729	37,330,503
Total water/wastewater fund capital assets, net	\$ 38,012,049	\$ 5,513,104	\$ 978,649	\$ 42,546,504
Business-type activities capital assets, net	\$ 131,187,643	\$ 17,625,598	\$ 14,520,408	\$ 134,292,833

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

Governmental activities:	
General government	\$ 21,000
Central services	95,611
Public safety	454,044
Public works	1,609,068
Library and recreation	198,844
Financial administration	90,750
Total depreciation expense - governmental activities	<u>\$ 2,469,317</u>
Business-type activities:	
Electric	\$ 4,710,658
Water/wastewater	1,516,151
Total depreciation expense-business-type activities	<u>\$ 6,226,809</u>

The increase in accumulated depreciation for governmental activities is \$2,272,683 comprised of \$2,469,317 current depreciation and \$196,634 accumulated depreciation on fully depreciated assets that were either disposed of or transferred in/out of the fund during the fiscal year.

The increase in accumulated depreciation for the Electric Fund is \$4,447,858 comprised of \$4,710,658 current depreciation and \$262,800 accumulated depreciation on fully depreciated assets that were either disposed of or transferred in/out of the fund during the fiscal year.

The increase in accumulated depreciation for the Water/Wastewater Fund is \$1,494,617 comprised of \$1,516,117 current depreciation and \$21,500 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 \$75,508 of interest paid during the construction of projects for enterprise funds is capitalized. This amount is netted against the interest earned of \$818 on the project funds.

5. LONG-TERM OBLIGATIONS

A. Summary of Bonded Indebtedness by Issue

	<u>Original</u>	<u>Remaining</u>	<u>Interest</u>	<u>Maturity</u>	<u>Arbitrage</u>	<u>Purpose</u>
<u>Governmental Activities</u>						
2003 General Obligation Bonds	\$ 3,430,000	\$ 1,550,000	3.870%	7/1/04 - 7/1/16	No	Refunding of '92 & '95 issues
<u>Business Type Activities</u>						
<u>Water/Wastewater Bonds</u>						
State of Delaware - Revolving Loan Fund - Municipal Revenue	\$ 750,000	\$ 403,820	3.600%	10/1/00 - 4/1/20	No	Wastewater Pump Station # 7 - Leipsic
2003 Revenue Bonds	\$ 7,980,000	\$ 2,910,000	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
2010 State of Delaware - Revolving Loan Fund - Municipal Revenue	\$ 5,942,481	\$ 4,321,209	2.000%	Est. 12/31/31	No	Construction in progress - Pump station replacements/upgrades and sanitary sewer main relining; Maturity date will be set at project completion
2010 State of Delaware - Revolving Loan Fund - Municipal Revenue	\$ 2,404,017	\$ 480,528	2.470%	Est. 12/31/31	No	Construction in progress - Water quality improvements and main replacements; Maturity date will be set at project completion
2011 State of Delaware - Revolving Loan Fund - Municipal Revenue	\$ 765,060	\$ -	2.000%	Est. 12/31/31	No	Construction in progress - Pump station replacements/upgrades and sanitary sewer main relining; Maturity date will be set at project completion
(Coverage ratio on Water/Wastewater Bonds requires net revenues to be at least 1.2 times the maximum annual debt service)						
<u>Electric Revenue Bonds</u>						
2010 Revenue Bonds	\$ 8,810,000	\$ 8,810,000	1.777%	7/1/11 - 7/1/15	Yes	Complete refund 2004 Series
2008 Revenue Bonds	\$ 22,200,000	\$ 21,470,000	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, 2011 – General Obligation Bonds

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

2003 Series	\$ 1,550,000
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The total General Obligation Bonds outstanding amount includes \$275,000 payable within one year.

C. Change in Long-Term Debt

The following tables summarize the debt transactions for the year ended June 30, 2011:

i. General Long-Term Debt

Item	Balance 7/01/10	Additions	Reductions	Balance 6/30/11	Payable within one Year
Compensated Absences	\$ 2,165,009	\$ 1,562,619	\$ 1,140,960	\$ 2,586,668	\$ 1,141,933
General Obligation Bonds	1,820,000	-	270,000	1,550,000	275,000
Sub-total of General Long-Term Debt	\$ 3,985,009	\$ 1,562,619	\$ 1,410,960	\$ 4,136,668	\$ 1,416,933

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

Item	Balance 7/01/10	Additions	Reductions	Balance 6/30/11	Payable within one Year
Compensated Absences	\$ 190,261	\$ 150,782	\$ 143,185	\$ 197,858	\$ 98,882
Revenue Bonds-Water and Wastewater	3,200,000	-	290,000	2,910,000	300,000
State of Delaware Municipal Revenue Bond - Wastewater	441,199	-	37,379	403,820	38,737
State of Delaware Municipal Revenue Bond - Wastewater (a)	344,525	3,976,684	-	4,321,209	200,000
State of Delaware Municipal Revenue Bond - Water (a)	-	480,528	-	480,528	55,055
State of Delaware Municipal Revenue Bond - Wastewater (b)	-	-	-	-	26,998
Sub-total of Water/ Wastewater Fund	\$ 4,175,985	\$ 4,607,994	\$ 470,564	\$ 8,313,415	\$ 719,672

(a) & (b) Estimated payments due in FY12 upon completion of financed projects.

(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 was \$2,404,017 and the Wastewater was \$5,942,481. The loan program is set up for the City to draw down the funds as capital expenses are paid. The City pays interest only during the construction period, which is capitalized with the asset. Upon completion of the financed projects, the City will receive twenty-year amortization schedules for the principal and interest payments. The capital projects associated with these loans are expected to be completed in fiscal year 12. Estimated annual payments of \$361,964 for Wastewater and \$153,050 for Water are expected to begin in FY13.

(b) During fiscal year 2011 the City issued revenue bonds through the State of Delaware Revolving Fund Loan program for Wastewater projects. The amount of the Wastewater Bond was \$765,060. The loan program is set up for the City to draw down the funds as capital expenses are paid. The City pays interest only during the construction period, which is capitalized with the asset. Upon completion of the financed projects, the City will receive a twenty-year amortization schedule for the principal and interest payments. The capital projects associated with this bond are expected to be completed in fiscal year 2012. Estimated annual payments of \$53,996 for Wastewater are expected to begin in FY13.

iii. Enterprise Funds Debt Electric Revenue Fund

Item	Balance 7/01/10	Additions	Reductions	Balance 6/30/11	Payable within one Year
Compensated Absences	\$ 657,318	\$ 278,363	\$ 279,877	\$ 655,804	\$ 208,390
Revenue Bonds	35,270,000	8,810,000	13,800,000	30,280,000	2,060,000
Sub-total of Electric Revenue Fund	\$ 35,927,318	\$ 9,088,363	\$ 14,079,877	\$ 30,935,804	\$ 2,268,390
Sub-total of Enterprise Fund Debt	\$ 40,103,303	\$ 13,696,357	\$ 14,550,441	\$ 39,249,219	\$ 2,988,061

The City refunded the 2004 Taxable Series Electric Revenue bonds during November 2010. The refunding resulted in an economic gain of \$3,375,876. The 2010 Tax Exempt Series were issued with a par value of \$8,810,000, and the par value of the 2004 Taxable Series bonds refunded was \$11,430,000. The true interest cost on the 2004 Series was 4.82% and the 2010 Series is 1.78%. The reduction of \$13,800,000 shown above for the Electric Revenue Bonds includes principal reduction of \$2,620,000 for the July 1, 2010 debt service payments.

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 Above	Discount/ Issuance Costs	Balance Sheet
General	\$ 1,550,000	\$ 50,857	\$ 1,499,143
Water/Wastewater	8,115,557	202,173	7,913,384
Electric	30,280,000	246,554	30,033,446
Total	\$ 39,945,557	\$ 499,584	\$ 39,445,973

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, 2011.

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 Year	2003 General Obligation Bonds		
	Principal	Interest	Total
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	\$ 1,550,000	\$ 169,575	\$ 1,719,575

Business-type Activities

Fiscal Year	Water/Wastewater Fund				Electric Revenue Fund				Total
	2003 Revenue Bonds		Municipal Revenue Bonds		2008 Revenue Bonds		2010 Revenue Bonds		
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2012	\$ 300,000	\$ 106,422	\$ 38,737	\$ 14,192	\$ 390,000	\$ 1,028,404	\$ 1,670,000	\$ 178,267	\$ 3,726,022
2013	310,000	95,572	40,144	12,785	410,000	1,006,954	1,700,000	253,100	3,828,555
2014	320,000	84,052	41,601	11,326	430,000	986,454	1,740,000	219,100	3,832,533
2015	330,000	71,512	43,113	9,815	450,000	964,954	1,810,000	166,900	3,846,294
2016	155,000	65,468	44,679	8,250	475,000	942,454	1,890,000	94,500	3,675,351
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	\$2,910,000	\$ 675,024	\$ 403,819	\$ 72,539	\$21,470,000	\$15,013,223	\$ 8,810,000	\$ 911,867	\$50,266,472

The preceding tables do not include the final payment schedules for the State Revolving Loans in the Water/Wastewater Fund which as previously stated will be issued upon completion of the capital related projects; nor do they 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, 2011:

	Balance	Additions	Amortized	Balance
	<u>7/1/2010</u>	(Reductions)	<u>FY 2011</u>	<u>6/30/2011</u>
		<u>FY 2011</u>	<u>FY 2011</u>	
General Fund GO Bonds	\$ 61,029	-	10,172	\$ 50,857
Discounts/Issuance Cost				
Water/Wastewater Bonds	\$ 220,177	13,593	31,597	\$ 202,173
Discounts/Issuance Cost				
Electric Revenue Bonds	\$ 726,270	(458,137)	21,579	\$ 246,554
Discounts/Issuance Cost				

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 Amount Due	Date Due
2003 Series General Obligation	\$ 275,000	July 1, 2011
Total General Fund	<u>\$ 275,000</u>	

ii. Payable by Water/Wastewater Fund – Revenue Bonds

Issue	Principal Amount Due	Date Due
2003 Water/Wastewater Revenue	\$ 300,000	July 1, 2011
Subtotal - Revenue	\$ 300,000	

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

Issue	Principal Amount Due	Date Due
Series 2000-SRF Wastewater	\$ 19,196	October 1, 2011
Series 2000-SRF Wastewater	19,541	April 1, 2012
Series 2010-SRF Wastewater	200,000	April 1, 2012
Series 2010-SRF Water	55,055	April 1, 2012
Series 2011-SRF Wastewater	26,998	June 1, 2012
Subtotal – Revenue SRF	\$ 320,791	
Total Water/Wastewater	<u>\$ 620,790</u>	

iv. Payable by Electric Fund – Revenue Bonds

Issue	Principal Amount Due	Date Due
2008 Electric Revenue	\$ 390,000	July 1, 2011
2010 Electric Revenue	1,670,000	July 1, 2011
Total Electric Fund	<u>\$ 2,060,000</u>	

Total bond indebtedness principal to be paid in fiscal year 2012 is \$2,955,790, including estimated Water/Wastewater – State Revolving Loan Funds.

6. RESTRICTED NET 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.	\$ 1,210,667
Grants-public safety	These represent the Police grants, ERLSP grant and Substance Abuse Prevention grant in the special revenue type funds.	431,830
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.	131,670
Total Restricted Net Assets		<u>\$ 1,774,167</u>

Business Type Activities

Net restricted assets for construction purposes - expendable

Water/Wastewater	Restrictions on investments imposed by bond covenants	\$ 4,439,187
Electric	Restrictions on investments imposed by bond covenants	29,709,143
		<u>\$ 34,148,330</u>

7. FUND BALANCES & NET ASSETS

In the governmental fund financial statements, fund balances are reported based on a hierarchy of constraints on the specific purposes for which the funds can be spent.

Non-spendable fund balances represent items that are not in spendable form and not expected to be converted to cash. This criterion also applies to the corpus of permanent funds, which would include the Mary Paton endowment.

Restricted fund balances represent amounts that have externally imposed restrictions by creditors, grantors, enabling legislation or laws and regulations of other governments. The fund balances of the City's grant funds fall into this category, as well as a couple of accounts that have contractual restrictions imposed by a third party.

Committed fund balances represent amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. These amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action to which it previously committed the amount.

Assigned fund balances represent amounts constrained by the City's intent to be used for specific purposes. These amounts represent the City's capital asset appropriations and the City's matching funds for grant related projects. Also, included are donated assets to be used for law enforcement purposes. The constraints placed on assigned fund balances are implemented through internal processes such as a budget ordinance or motion of City Council. Therefore, they do not have the same restrictive nature of a restricted fund balance.

Unassigned fund balance is the residual amount that has not met the criteria for the aforementioned classifications. The unassigned fund balance is available for expenditures as they are incurred.

The composition of the City fund balances is as follows:

	General Fund	Other Governmental Funds	Total
Fund balances:			
Nonspendable:			
Inventory & Prepaids	\$ 169,973	\$ 4,203	\$ 174,176
Patronage Stock	16,594	-	16,594
Library Endowment	5,000	-	5,000
Restricted for:			
Library Endowment Interest	1,456	-	1,456
Verizon cable franchise	83,614	-	83,614
Highway resurfacing	-	145,939	145,939
ERLSP	-	100	100
Realty Transfer Tax	-	100	100
CDBG	-	2,014	2,014
CDBG- State for ADA Improvements	-	4,171	4,171
NSP	-	71,355	71,355
Garrison Oak Master Plan	-	65,732	65,732
Substance Abuse Prevention	-	13,352	13,352
Municiple Street Aid	-	102	102
Library Grants	-	46,865	46,865
Police Grants	-	414,782	414,782
Committed to:			
Library Reserve	2,575,784	-	2,575,784
Contingency	711,747	-	711,747
Parkland	196,672	-	196,672
Assigned to:			
Capital Assets	597,518	-	597,518
Police Investigations	17,041	-	17,041
Highway resurfacing	-	289,221	289,221
Unassigned	3,385,209	-	3,385,209
Total fund balances	<u>\$ 7,760,608</u>	<u>\$ 1,057,936</u>	<u>\$ 8,818,544</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, 2011.

9. GRANTS RECEIVED

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

Police grants	\$ 560,306
Library related	250,996
Municipal Street Aid	526,814
Housing grants	710,293
Girls Circle of Dover	46,616
DelDOT grant	518,249
Substance Abuse Prevention grant	95,042
	<u>\$ 2,708,316</u>

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

Community and Economic Development	\$ 58,550
Public Safety	746,010
Public Works	21,978
Recreation	2,016,321
Total	<u>\$ 2,842,859</u>

10. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2011 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	\$ 108,196
	Water/ Wastewater Fund	126,037
	Electric Revenue Fund	411,197
	Internal Service Fund	29,035
Water/ Wastewater Fund	General Fund	194
	Non-major governmental funds	19,888
Electric Fund	General Fund	5,686
	Water/Wastewater Fund	20,899
Non-Major Governmental Funds	General Fund	9,317
Internal Service Fund	General Fund	500
Total		<u>\$ 730,949</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	\$ 68,000

C. Interfund Transfers

<u>Transfers Out</u>	<u>Transfers In - General Fund</u>
Non-major governmental funds	\$ 3,233,015
Electric Revenue Fund	8,856,000
Total	<u>\$ 12,089,015</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 three lease agreements that are recorded as miscellaneous revenue in the General Fund. The first lease is with an individual for agricultural use of the Garrison Farm which generated \$27,917 in rental income. The second lease is with LS Power for electric generation use of the Garrison Farm which generated \$27,500 in rental income. The third and final lease is with Calpine, which generated \$8,800 in rental income.

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, 2011, the City had leases with three tenants for the remaining space available. Lease revenue is \$215,248 in the Electric Revenue Fund consisting of office space rental of \$141,302, substation rental of \$30,000, pole rentals of \$41,683, and dark fiber leasing of \$2,263.

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 \$300,137 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	\$ 130,499

During fiscal year 2011, City Council approved additional payments for the replacement of Ladder #1 estimated at \$153,000 for a period of seven years. The payments on Ladder #1 will begin in fiscal year 2013.

- (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 annual cost for fiscal year 2011 was \$2.4 million. The aforementioned contract expired June 30, 2011. The City entered into a five-year management contract with The Energy Authority effective July 1, 2011. (see Note 16)
- (c) On May 4, 2006, the City also entered into a four-year management contract with North American Energy Services (NAES) to operate and maintain the generating assets of the electric utility. The City extended the contract with NAES 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 NAES 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 \$260,000 and is included in the plant-operating budget.
- (d) The City completed the design and engineering phase of the new Dover library early in fiscal year 2011. The City entered into a manager at risk construction contract with the EDIS Company of Wilmington, Delaware in the amount of \$16.7 million and an architectural/engineering contract with Holzman Moss Bottino of New York, New York in the amount of \$2.6 million. Construction of the project started in May 2011 and is expected to be completed in July 2012. The library is on schedule to open in September 2012.

- (e) The City is the guarantor on a \$1.3 million loan held by the Downtown Dover Partnership. The loan is secured by a parcel in the downtown business district that the Downtown Dover Partnership is marketing for its redevelopment initiative. The interest on the loan is paid monthly from rental receipts the Partnership receives from its current tenants in the property. The principal is a balloon payment due in July 2013.

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 (EEI), 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 ERMC 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 ERMC.

Counterparty Credit Risk (\$000's)

Counterparty	Credit Rating	Credit Limit	Line Availability	Maximum Amount of Loss due to Credit Risk w/o Respect to Collateral (\$)	Collateral Description	Diversification Requirement
Deutsche Bank	Aa3	\$15,000	\$13,116	\$1,884	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	N/A
Constellation	Baa2	\$30,000	\$23,904	\$6,096	Up to \$10,000 is guaranteed by Constellation Energy/Group, Inc.	N/A
Barclays Bank	Aa2	\$15,000	\$13,307	\$1,693	No Collateral if exposure under specified threshold	N/A
Integrus Energy Services	Baa1	\$15,000	\$5,541	\$9,459	No Collateral if exposure under specified threshold in the event of potential default, performance from counter party is required	N/A
Macquarie Cook	A1	\$15,000	\$10,666	\$4,334	Up to \$15,000 is guaranteed by Macquarie Bank Limited	N/A
FPL Energy Power Marketing Inc.	A	\$13,000	\$8,941	\$4,059	No Collateral if exposure under specified threshold	N/A
EDF	A3	\$18,000	\$18,087	(\$87)	No Collateral if exposure under specified threshold	N/A
BP	Aa1	\$20,000	\$20,000	\$0	No Collateral if exposure under specified threshold	N/A
Conectiv	Baa3	\$10,000	\$10,000	\$0	No Collateral if exposure under specified threshold	N/A

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, 2011, there is \$170,509 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, 2011.

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:

	2011	2010
Claims payable beginning of year	\$ 296,189	\$ 346,143
Claims incurred	161,880	203,481
Payment of claims	(287,560)	(253,435)
Claims payable end of year	<u>\$ 170,509</u>	<u>\$ 296,189</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

- (a) On July 1, 2011, the City entered into a contract to provide a market-based approach for power supply managed by The Energy Authority (TEA), replacing the previous contract with PACE Global Asset Management, LLC. The five-year management contract with TEA covers asset, energy and risk management programs. TEA 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 \$1.2 million.
- (b) The City will close on a \$4.7 million commercial tax-exempt loan in March 2012. The proceeds of which will be used to repave roads in the city, installation of sprinklers for City Hall and the new Library Construction.
- (c) The City will complete the construction of a new 46,000 square foot library scheduled to open in September 2012. The City's operating cost is estimated to increase approximately \$400,000 annually. The building will be LEED certified.

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 purchases health insurance from the State of Delaware through a cooperative purchasing arrangement permitted by State code. 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.

Membership of the plan consisted of the following at June 30, 2011:

Retirees and beneficiaries receiving benefits	236
Terminated plan members entitled to but not yet receiving the benefits	11
Active eligible plan members	<u>342</u>
Total	<u>589</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, including \$1.2 million in ad hoc contributions, are as follows:

General Government	\$ 1,297,509
Water/Wastewater Fund	177,427
Electric Revenue Fund	<u>1,839,110</u>
Total Benefit Provided	<u>\$ 3,214,046</u>

Transactions are recorded in the OPEB Trust for the payment of administrative and investment expenses and 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 contributed \$1,200,000 toward the OPEB Trust unfunded liability for fiscal year 2011 as also noted above.

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 Activities	Water/ Wastewater Fund Activities	Electric Fund Activities
Annual Required contribution	\$7,690,991	\$5,944,581	\$475,599	\$1,270,811
Interest on OPEB obligation	209,174	158,159	13,795	37,220
Adjustment to annual required contribution	(274,537)	(207,582)	(18,105)	(48,850)
Annual OPEB Cost	7,625,628	5,895,158	471,289	1,259,181
Employer Contributions	(3,314,046)	(1,297,509)	(177,427)	(1,839,110)
Increase/(decrease) in net OPEB obligation	4,311,582	4,597,649	293,862	(579,929)
Net OPEB obligation (asset) at beginning of year	4,268,849	3,227,740	281,526	759,583
Net OPEB obligation (asset) at end of year	\$8,580,431	\$7,825,389	\$575,388	\$179,654

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation thru fiscal year 2011 are as follows:

Fiscal Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2009	\$6,227,825	99.2%	\$50,679
2010	\$5,891,130	28.4%	\$4,268,060
2011	\$7,625,628	42.1%	\$8,580,431

The City did not meet its funding obligation for Fiscal Year 2011. 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, 2011, the most recent actuarial valuation date, the plan was 5.8% funded. The actuarial accrued liability for benefits was \$83.5 million, and the actuarial value of assets was \$4.9 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$78.6 million for the primary government. The covered payroll (annual payroll of active

employees covered by the plan) was \$18.3 million, and the ratio of the UAAL to the covered payroll was 430%.

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, 2011 actuarial valuation, the projected unit credit actuarial cost method was used. Investments are valued at market rates. The actuarial assumptions included a 4.9% 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 7.1% with an ultimate rate of 5.5%. 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.

Currently, the ICMA Plan has assets of \$5,829,410 (market value) as of June 30, 2011, with 120 employees participating. The Nationwide plan has assets of \$2,779,218 (market value) as of June 30, 2011 with 21 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, 2011, there are 342 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 "401a Plan," a self-directed defined contribution plan, as an alternative choice for pension benefits. 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 3% match of the employees required contribution to the 401a Plan, and up to an additional 3% to the 401a Plan for a potential total contribution of 6%, if the employee contributes up to an additional 3% to their 457 Plan (see note 18 – Deferred Compensation). The 401a Plan and 457 Plan contributions are calculated 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, 2011, there were 253 eligible full-time employees of whom 91 are participants in this plan. The City contributed a total of \$233,153 on wages of approximately \$3,810,301 and employees contributed \$128,644 to the 401a Money Purchase Plan and \$87,038 to the 457 ICMA Deferred Compensation Plan. The market value of the 401a plan assets totaled \$2,980,747 as of June 30, 2011.

B. Defined Benefit Plans

The City participates in three defined benefit pension plans: City of Dover Police Pension Plan, City of Dover General Employee Pension Plan, and State of Delaware County and Municipal Police 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 City of Dover General Employee Pension Plan, a single employer defined benefit plan, covers all full-time permanent employees, other than police officers. The State of Delaware County and Municipal 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 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, 2011

	<u>Police Pension</u>	<u>General Pension</u>	<u>Totals</u>
ASSETS:			
Cash and cash equivalents	\$ 756,887	\$ 896,504	\$ 1,653,391
Investments at fair value - Mutual Funds	10,797,332	21,138,038	31,935,370
LIABILITIES:			
Accounts Payable	<u>(468)</u>	<u>(25,627)</u>	<u>(26,095)</u>
Net assets held in trust for pension benefits	<u>\$ 11,553,751</u>	<u>\$ 22,008,915</u>	<u>\$ 33,562,666</u>

The City of Dover, Delaware
Statement of Changes in Pension Trust Fund Net Assets
For the Year Ended June 30, 2011

	Police Pension	General Pension	Totals
Additions			
Net investment income/loss	\$ 2,013,005	\$ 3,776,674	\$ 5,789,679
City's contribution - payroll based	95,000	415,273	510,273
City's contribution - lump sum	-	2,932,455	2,932,455
Employee contribution	-	293,546	293,546
State contributions	538,136	-	538,136
Other	500	-	500
Total Additions to Net Assets	<u>2,646,641</u>	<u>7,417,948</u>	<u>10,064,589</u>
Deductions			
Benefit payments	1,456,162	3,077,877	4,534,039
General administration	15,330	26,670	42,000
Refund of pension contribution	-	10,374	10,374
Total Deductions From Net Assets	<u>1,471,492</u>	<u>3,114,921</u>	<u>4,586,413</u>
Changes in net assets	1,175,149	4,303,027	5,478,176
Net assets - beginning	10,378,602	17,705,888	28,084,490
Net assets - ending	<u>\$ 11,553,751</u>	<u>\$ 22,008,915</u>	<u>\$ 33,562,666</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, 2011, was \$20,895,216. Of this amount \$14,490,259 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, 2011, there are 48 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, 2011, the State contribution was \$538,136. The State also provides 75% for the annual cost of living increase (COLA) granted to police retirees on January 1 each year. For 2011, the State remitted their 2010 contribution and part of their 2011 contribution by June 30, 2011. 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 June 30, 2011 in accordance with GASB Statement 25 and 27 has been completed. The City's actuary is Milliman of Wayne, PA.

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 \$621,773, of which \$535,811 is attributed to the Police Pension Plan is as follows:

	Governmental Activities
Annual required contribution	\$ 1,082,956
Interest on net pension asset	(72,159)
Adjustment to annual required contribution	117,872
Annual pension cost	1,128,669
Contributions	(633,636)
(Increase)/decrease in net pension asset	495,033
Net pension obligation (asset) at beginning of year	(1,030,844)
Net pension obligation (asset) at end of year	\$ (535,811)

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 Pension Cost	Percentage Contributed	NPO (Asset) End of Year
2009	\$ 552,319	131%	\$ (1,362,077)
2010	\$ 827,820	60%	\$ (1,030,844)
2011	\$ 1,128,669	56%	\$ (535,811)

Funded Status and Funding Progress

As of June 30, 2011, the most recent actuarial valuation date, the plan was 52.3% funded. The actuarial accrued liability for benefits was \$19.9 million, and the actuarial value of assets was \$10.4 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$9.5 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 actuarial valuation included a change in the investment return assumption from 7.5% to 7.0% and the postretirement mortality table. These changes increased the unfunded Actuarial Accrued Liability (AAL) by \$1.9 million and the Annual Required Contribution (ARC) by \$.23 million.

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 2010-2011 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	\$538,136	Surcharge on insurance
		premiums and COLA
3. Annual Pension Cost	\$1,128,669	Actuarially computed using
		entry age cost method
4. Net Pension Asset	\$535,811	As of June 30, 2011

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, 2011 is not included in the liability calculation that was performed on July 1, 2010. The July 1, 2011 valuation takes into account the January 1, 2011 COLA and the State contribution.

Actuarial methods and significant assumptions:

Valuation date	July 1, 2011
Actuarial cost method	Entry age cost method
Amortization method	Level percentage of projected payroll
Remaining amortization period	14 years
Amortization Period	Closed
Asset valuation method	Current market value
Actuarial Assumptions:	
Investment rate of return	7.0%
Projected salary increases	none, no remaining active participants
Includes inflation at	none, no remaining active participants
Automatic Cost of Living (retirees)	2.0%

ii. 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, 177 employees and 188 retirees participate in the plan, while 91 employees are enrolled in the defined contribution plan, which began July 1, 2000. Current membership in the General Employee Pension Plan as of June 30, 2011, is comprised of the following:

Retired and beneficiaries currently receiving benefits	188
Active employees: Fully Vested	94
Non-Vested	83
Deferred Vested:	14

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, 2011, payroll earnings of \$8,387,029 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, 2011 has been completed in accordance with GASB Statements No. 25 and 27. The City's actuary is Milliman of Wayne, PA.

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 an increase of the overall net pension asset (NPA), defined as the accumulated value of contributions, deficiencies, or excesses over required contributions of \$343,372.

The Governmental Activities have a net pension asset of \$621,773 of which \$535,811 is attributed to the City of Dover Police Pension Plan and \$85,962 is attributed to the General Pension Plan as indicated in the table below. The Business-Type Activities have a net pension asset of \$257,410 of which \$189,031 is attributed to the Water/Wastewater Fund and \$68,379 is attributed to the Electric Revenue Fund as included in the following table.

	Total	Governmental Activities	Wastewater Fund Activities	Electric Fund Activities
Annual required contribution	\$3,149,493	\$1,687,508	\$259,071	\$1,202,914
Interest on net pension obligation	(10,324)	(4,487)	(1,966)	(3,871)
Adjustment to annual required contribution	14,035	6,880	2,410	4,745
Annual pension cost	3,153,204	1,689,901	259,515	1,203,788
Contributions made	(3,347,728)	(1,710,390)	(420,466)	(1,216,872)
Increase in net pension asset	(194,524)	(20,489)	(160,951)	(13,084)
Net pension obligation (asset) at beginning of year	(148,848)	(65,473)	(28,080)	(55,295)
Net pension obligation (asset) at end of year	<u>(\$343,372)</u>	<u>(\$85,962)</u>	<u>(\$189,031)</u>	<u>(\$68,379)</u>

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 Pension Cost	Percentage Contributed	NPO (Asset) End of Year
2009	\$ 2,358,663	106%	\$ (446,423)
2010	\$ 2,569,578	88%	\$ (147,468)
2011	\$ 3,153,204	106%	\$ (343,372)

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)

Effective September 29, 2009 the City Council voted to close the General Employee's Pension plan to new hires.

Funded Status and Funding Progress

As of June 30, 2011, the most recent actuarial valuation date, the plan was 38.1% funded. The actuarial accrued liability for benefits was \$52.5 million, and the actuarial value of assets was \$20.0 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$32.5 million for the primary government. The covered payroll (annual payroll of active employees covered by the plan) was \$8.3 million, and the ratio of the UAAL to the covered payroll was 394%.

The actuarial valuation included changes in the investment return assumption from 7.5% to 7.0%, decrease in the salary increase from 4.5% to 4.0%, postretirement mortality table and changes in the retirement, turnover, and disability assumptions. These changes increased the unfunded Actuarial Accrued Liability (AAL) by \$4.1 million and the Annual Required Contribution (ARC) by \$0.2 million. The amortization of the unfunded AAL has been extended from a 15 year level percent of pay to a 25 year level dollar amortization (closed plan).

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 2010-2011 for this plan is as follows:

- | | | | |
|----|---|--------------------------------|---|
| 1. | Employee Contribution | 3.5% of payroll | As required by the City Code and the plan provisions (\$293,546) |
| 2. | Employer's Contribution
July 2010– June 2011 | 4.15%
Plus
\$2.2 million | Actuarially determined percent of payroll for current normal cost (\$3,347,728) |

3.	Annual Pension Cost	\$3,153,204	Actuarially computed using entry age cost method
4.	Net Pension Asset	\$343,372	As of June 30, 2011

Actuarial Methods and significant assumptions:

Valuation date	July 1, 2011
Actuarial cost method	Aggregate entry age cost method
Amortization method	Level percentage of projected payroll
Remaining amortization period	25 years
Amortization Period	Closed
Asset valuation method	Current market value

Actuarial Assumptions:

Investment rate of return	7.0%
Projected salary increases	4.0%
Includes inflation at	3.5%

iii. 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, 2011, \$6,103,230 in payroll earnings were reported to and covered by this plan.

The City's contributions as the employer were 13.82%, 13.70% and 13.90% for the fiscal years ended June 30, 2009, 2010 and 2011, respectively. The City's contributions to the plan for years ending June 30, 2009, 2010 and 2011 were \$825,950, \$788,000 and \$848,349 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's actuary. 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.

As of June 30, 2011 city membership in this plan is comprised of the following:

Retired and beneficiaries currently receiving benefits	28
Active employees: Fully Vested 10 years	49
Non-Vested	44

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.

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, 2011

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
Beginning Balance - Working Capital	\$ 2,277,575	\$ 2,655,562	\$ 2,655,562	\$ -
REVENUES:				
Fines & Police Revenue	\$ 536,502	\$ 578,889	\$ 621,911	\$ 43,022
911 Fee	45,000	60,000	76,611	16,611
Interest Earnings	224,000	116,000	49,779	(66,221)
Library Revenues - General	64,189	64,189	53,593	(10,596)
Library Revenues - County Reimb.	460,000	370,811	390,862	20,051
Business Licenses	1,523,675	1,470,000	1,467,382	(2,618)
Permits & Other Licenses	934,000	892,000	949,982	57,982
Miscellaneous Revenues	54,250	65,750	197,585	131,835
Police Extra Duty Fees	300,000	373,500	334,023	(39,477)
Property Taxes	10,982,634	10,982,634	10,855,007	(127,627)
Bid Revenue	52,692	52,692	49,902	(2,790)
Recreations Revenue	141,500	141,500	144,114	2,614
Franchise Fees	486,000	520,000	549,353	29,353
Transfer Tax	1,000,000	1,400,000	1,462,154	62,154
Trash Fees	2,244,511	2,050,000	2,031,030	(18,970)
Curb Side Recycling	-	-	768	768
DSWA-Trash Fee Rebate	143,000	141,635	141,635	-
Garrison Farm Rent	87,000	87,000	64,217	(22,783)
Court of Chancery Fees	645,000	715,000	766,340	51,340
Intrafund Service Receipts Water/Wastewater	972,889	944,580	892,538	(52,042)
Intrafund Service Receipts Electric	3,374,945	3,293,025	3,150,761	(142,264)
Grants:				
Homeland Security Grant	-	172,061	187,874	15,813
Police Related	211,850	80,000	156,614	76,614
Recreation - Watershed Coordinator	-	51,000	58,550	7,550
Miscellaneous Grants	-	16,000	21,978	5,978
Police Pension Grant	620,000	620,000	538,136	(81,864)
Transfer from Reynolds Trust Escrow	-	-	46,355	46,355
Transfer from Municipal Street Aid	526,843	526,814	527,226	412
Transfer from Civil Traffic Penalties	930,000	1,000,000	967,020	(32,980)
Transfer from Criminal Investigation Reserve	-	-	655	655
Transfer from Verizon Reserve	-	-	4,024	4,024
Transfer from Electric Fund	8,856,000	8,856,000	8,856,000	-
Total Revenues	\$ 35,416,480	\$ 35,641,080	\$ 35,613,979	\$ (27,101)
TOTAL BEGINNING BALANCE & REVENUES	\$ 37,694,055	\$ 38,296,642	\$ 38,269,541	\$ (27,101)

(continued)

(continued)

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
EXPENDITURES:				
Tax Assessor	\$ 197,249	\$ 269,721	\$ 270,570	\$ (849)
Fire	709,862	665,732	654,036	11,696
Library	1,126,227	1,064,547	1,033,149	31,398
Recreation	778,469	811,261	795,672	15,589
Planning Commission	423,193	409,937	403,328	6,609
Public Inspections	494,807	561,668	541,987	19,681
Life Safety	501,835	512,792	517,806	(5,014)
Code Enforcement	276,481	293,540	280,350	13,190
Economic Development	247,488	229,938	219,854	10,084
Police	12,907,889	12,694,539	12,783,109	(88,570)
Streets	802,029	837,040	835,415	1,625
Sanitation	2,347,344	2,253,529	2,181,006	72,523
Allocated Expenditures:				
Human Resources	358,890	336,035	331,227	4,808
Customer Services	869,404	866,691	852,059	14,632
City Manager	561,572	576,782	574,437	2,345
Information Technology	748,214	688,969	674,316	14,653
Finance	827,169	802,269	798,185	4,084
Public Services-Administration	369,752	367,646	388,662	(21,016)
Facilities Management	990,757	926,252	910,730	15,522
Central Services	669,977	648,859	645,888	2,971
Vehicle Maintenance	761,929	730,432	706,270	24,162
City Clerk	287,403	278,868	268,348	10,520
Mayor	88,341	88,335	85,673	2,662
Council	130,769	128,944	115,379	13,565
Grounds Maintenance	1,055,557	1,029,824	983,732	46,092
Insurance	600,000	550,000	529,537	20,463
Retiree Benefits	1,297,509	1,297,509	1,297,509	-
Subtotal	\$ 30,430,116	\$ 29,921,659	\$ 29,678,234	\$ 243,425
Debt Service - Principal and Interest	331,800	331,800	335,225	(3,425)
Transfer to Capital Fund for Projects	1,307,839	1,307,839	1,354,194	(46,355)
Transfer to Police Pension Fund	620,000	620,000	538,136	81,864
Transfer to Uncollectibles trash and other	10,000	110,000	110,000	-
Transfer to Contingency	-	172,061	172,061	-
Transfer to CDBG	6,000	6,000	6,314	(314)
Appropriation to Pension Fund	1,090,000	1,544,978	1,544,978	-
Street Lights	985,000	960,000	968,562	(8,562)
Total Expenditures	\$ 34,780,755	\$ 34,974,337	\$ 34,707,704	\$ 266,633
Budget Balance - Working Capital	2,913,300	3,322,305	3,561,837	(239,532)
Total Budget Balance & Expenditures	\$ 37,694,055	\$ 38,296,642	\$ 38,269,541	\$ 27,101
Budget Balance - Working Capital			\$ 3,561,837	
Perspective and GAAP (Non-GAAP) Differences:				
Escrows not included in fund balance			1,538	
Fair value of investment adjustment			(8,193)	
Inventory & Prepaids - Non-spendable			(169,973)	
Unassigned Fund Balance			\$ 3,385,209	

**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, 2011

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
Beginning Balance - Working Capital	\$ 65,479	\$ 262,175	\$ 262,175	\$ -
REVENUES:				
State Grant for Library Project	\$ 3,343,520	\$ 4,250,348	\$ 2,016,321	\$ (2,234,027)
Library Gifts/Donations	1,000,000	1,000,000	30,000	(970,000)
Investment Income	10,900	10,900	2,244	(8,656)
Income from Sale of Assets	-	-	26,100	26,100
Miscellaneous Receipts	-	-	5,745	5,745
Grants:				
Police	18,000	20,000	20,000	-
Transfer from Library Construction Reserve	2,343,519	2,363,732	683,187	(1,680,545)
Transfer from Community Transportation Fund	-	-	120,000	120,000
Transfer from Parkland Reserve	-	36,872	28,629	(8,243)
Transfer from General Fund	1,307,839	1,307,839	1,307,839	-
Transfer from Capital Asset Reserve	140,000	-	-	-
Transfer from Reynolds Trust Reserve	-	-	46,355	46,355
Total Revenues	\$ 8,163,778	\$ 8,989,691	\$ 4,286,420	\$ (4,703,271)
TOTAL BEGINNING BALANCE & REVENUES	\$ 8,229,257	\$ 9,251,866	\$ 4,548,595	\$ (4,703,271)
EXPENDITURES:				
Fire	\$ 288,210	\$ 223,700	\$ 223,399	\$ 301
Library	6,687,039	7,630,663	2,829,484	4,801,179
Police	282,380	322,830	301,818	21,012
Recreation	45,000	81,872	38,453	43,419
Streets	481,055	454,476	454,599	(123)
Sanitation	246,075	212,419	212,446	(27)
Information Technology	12,000	7,000	6,680	320
Grounds Maintenance	63,675	46,517	46,549	(32)
Mayor	31,500	52,198	52,198	-
Subtotal	8,136,934	9,031,675	4,165,626	4,866,049
Transfer to Library Construction Reserve	-	-	615	(615)
Transfer to Community Transportation Fund	-	25,000	25,000	-
Total Expenditures	\$ 8,136,934	\$ 9,056,675	\$ 4,191,241	\$ 4,865,434
Budget Balance - Working Capital	92,323	195,191	357,354	(162,163)
Budget Balance & Expenditures	\$ 8,229,257	\$ 9,251,866	\$ 4,548,595	\$ 4,703,271
Budget Balance - Working Capital			\$ 357,354	
Perspective and GAAP (Non-GAAP) Differences:				
Capital asset funds/Assigned to			253,420	
Fair value of investment adjustment			(13,256)	
Assigned Fund Balance - Capital Assets			\$ 597,518	

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

1. GOVERNMENTAL BUDGETS

A. Budgetary Basis of Accounting

The City prepares its budget for the General Fund revenue 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 modified accrual 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 assigned fund balances for Capital Assets at the end of each fiscal year.

- i. General Fund: Actual revenues were lower than the final budget by (\$27,101) mainly as a result of a decrease in revenue received for Interest earnings, Property taxes, Intra-fund service receipts and Police pension grant offset by increased revenue for Permits & Other Licenses, Fines and Police revenue, Miscellaneous Revenues, Transfer Tax, and Court of Chancery Fees. Expenditures were lower than budget by \$266,633 across several functions. The net result is a increase of \$239,532 to the General Fund ending fund balance.
- ii. Governmental Capital Projects Fund: Actual revenues were lower than the final budget by \$4,703,271 primarily attributed to State Reimbursements for the Library project were lower than budget by \$2,234,037 due to delayed construction of the New Library Building, as well as, Library Gifts/Donations were under budget by \$970,000. Expenditures were lower than budget also as a result of the delayed start of construction on the new library. The net result is an increase of \$162,163 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

Police 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
7/1/05	\$ 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%	\$ -	-
7/1/10	\$ 10,378,602	\$ 19,849,553	\$ 9,470,951	52.3%	\$ -	-

The unfunded actuarial accrued liability for this plan is being amortized over 30 years beginning July 1, 1994, 14 of which remain as of July 30, 2011 with payments increasing at 3 ½% per year. Investment gains or losses are spread over five years. The amortization period is closed.

Police Pension Fund Required Supplementary Information Schedule of Employers' Contribution		
Year Ended June 30	Annual Required Contribution	Percentage Contributed
2006	\$560,638	128%
2007	\$485,055	154%
2008	\$358,807	201%
2009	\$520,505	139%
2010	\$786,436	63%
2011	\$1,082,956	44%

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
7/1/05	\$ 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%
7/1/10	\$ 19,963,426	\$ 52,462,693	\$ 32,499,267	38.1%	\$ 8,256,751	393.6%

The unfunded actuarial accrued liability for this plan is being amortized over 30 years beginning July 1, 1994, 14 of which remain as of June 30, 2011, 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.

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

Year Ended June 30	Annual Required Contribution	Percentage Contributed
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%
2011	\$3,149,493	106%

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 Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Unfunded Actuarial Accrued Liabilities (UAAL) (2) – (1)	(4) Funded Ratio (1)/(2)	(5) Covered Payroll	(6) UAAL as a % of Covered Payroll (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%
7/1/2010	\$4,882,375	\$83,518,121	\$78,635,746	5.8%	\$18,292,104	430%

Valuation Date	July 1, 2011
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Dollar Amount Open
Remaining Amortization Period	29 years
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Investment Rate of Return	4.90%
Rate of Salary Increases	3.50%
Ultimate Rate of Medical inflation	5.20%
Initial Rate of Medical Inflation	9.00%

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 and a 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 light expense within the City.

CDBG HOUSING GRANTS & NEIGHBORHOOD STABILIZATION PROGRAM

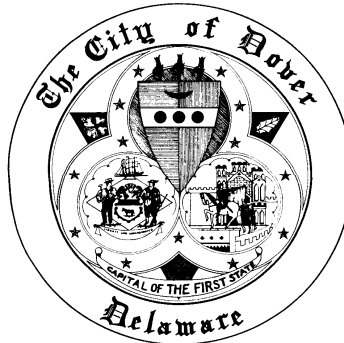
The City receives a U.S. Department of Housing and Urban Development Entitlement Grant for the Community Development Block Grant Program. This provides housing to low or moderate-income persons as well as public housing rehabilitation and community policing. Combined with the CDBG Fund is the Neighborhood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

GIRLS CIRCLE, GAMES AND YOUTH CONNECTIONS GRANT

The City of Dover, in coordination with Aid in Dover, received three grants from the Criminal Justice Council for programs called Girls Circle, GAMES and Youth Connections. The programs provide youth programming for at-risk girls and boys.

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)

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, economic development programs, public works services, capital projects and improvements, infrastructure projects and improvements and debt reduction.

2011 Comprehensive Annual Financial Report for the City of Dover, Delaware

Financial Section, Part E – Supplementary Information

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CITY OF DOVER
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2011

	POLICE GRANTS	LIBRARY GRANTS	MUNICIPAL STREET AID	CDBG/NSP HOUSING GRANTS	GIRLS CIRCLE, GAMES & Y.C. GRANT	STATE D.O.T. GRANTS	SUBSTANCE ABUSE PREV. GRANT	ERLSP	GARRISON OAK TECH. PARK	REALTY TRANSFER TAX	TOTALS
ASSETS:											
Cash	\$ 445,574	\$ 70,265	\$ 102	\$ 66,907	\$ -	\$ 428,407	\$ 1,632	\$ 104	\$ 87,240	\$ 363	\$ 1,100,594
Receivables	105	-	-	-	-	-	-	-	-	-	105
Due from other funds-charges	3,003	-	-	6,314	-	-	-	-	-	-	9,317
Prepaid items	622	607	-	-	-	-	2,974	-	-	-	4,203
Due from other governments	81,882	-	-	22,829	8,225	749,158	23,147	69,831	-	-	955,072
TOTAL ASSETS	\$ 531,186	\$ 70,872	\$ 102	\$ 96,050	\$ 8,225	\$ 1,177,565	\$ 27,753	\$ 69,935	\$ 87,240	\$ 363	\$ 2,069,291
LIABILITIES AND FUND BALANCE:											
Liabilities:											
Vouchers Payable	\$ 37,147	\$ 23,400	\$ -	\$ 11,868	\$ 8,225	\$ 15,624	\$ 7,612	\$ -	\$ 1,620	\$ -	\$ 105,496
Deferred Revenue	-	-	-	-	-	709,775	-	-	-	-	709,775
Due to other funds-charges	10,635	-	-	6,642	-	17,006	3,815	69,835	19,888	263	128,084
Due to other funds-temporary advances	68,000	-	-	-	-	-	-	-	-	-	68,000
Total Liabilities	\$ 115,782	\$ 23,400	\$ -	\$ 18,510	\$ 8,225	\$ 742,405	\$ 11,427	\$ 69,835	\$ 21,508	\$ 263	\$ 1,011,355
Total Fund Balances	\$ 415,404	\$ 47,472	\$ 102	\$ 77,540	\$ -	\$ 435,160	\$ 16,326	\$ 100	\$ 65,732	\$ 100	\$ 1,057,936
TOTAL LIABILITIES AND FUND BALANCES	\$ 531,186	\$ 70,872	\$ 102	\$ 96,050	\$ 8,225	\$ 1,177,565	\$ 27,753	\$ 69,935	\$ 87,240	\$ 363	\$ 2,069,291

CITY OF DOVER
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN UNRESERVED FUND BALANCES
YEAR ENDED JUNE 30, 2011

	POLICE GRANTS	LIBRARY GRANTS	MUNICIPAL STREET AID	CDBG/NSP HOUSING GRANTS	GIRLS CIRCLE, GAMES & Y.C. GRANT	STATE D.O.T. GRANTS	SUBSTANCE ABUSE PREV. GRANT	ERLSP	GARRISON OAK TECH. PARK	REALTY TRANSFER TAX	TOTALS
REVENUES:											
Grants received	\$ 560,306	\$ 250,996	\$ 526,814	\$ 710,293	\$ 46,616	\$ 518,249	\$ 95,042	\$ -	\$ -	\$ -	\$ 2,708,316
Recreation revenue	-	-	-	-	-	-	44,292	-	-	-	44,292
Police fines	-	-	-	-	-	-	-	966,974	-	-	966,974
Transfer taxes	-	-	-	-	-	-	-	-	-	1,461,983	1,461,983
Miscellaneous revenue	(5,130)	-	-	-	-	134,960	-	-	-	-	129,830
Investment income (loss)	537	-	86	-	-	372	-	46	146	171	1,358
TOTAL REVENUES	\$ 555,713	\$ 250,996	\$ 526,900	\$ 710,293	\$ 46,616	\$ 653,581	\$ 139,334	\$ 967,020	\$ 146	\$ 1,462,154	\$ 5,312,753
EXPENDITURES:											
Program expenditures	\$ 299,431	\$ 239,029	\$ -	\$ 700,739	\$ 46,616	\$ 733,273	\$ 133,718	\$ -	\$ 72,619	\$ -	\$ 2,225,425
TOTAL EXPENDITURES	\$ 299,431	\$ 239,029	\$ -	\$ 700,739	\$ 46,616	\$ 733,273	\$ 133,718	\$ -	\$ 72,619	\$ -	\$ 2,225,425
Excess (deficiency) of revenues over expenditures	\$ 256,282	\$ 11,967	\$ 526,900	\$ 9,554	\$ -	\$ (79,692)	\$ 5,616	\$ 967,020	\$ (72,473)	\$ 1,462,154	\$ 3,087,328
Other financing sources (uses):											
Operating transfers-in	-	-	-	6,314	-	325,000	-	-	-	-	331,314
Operating transfers-out	(156,614)	-	(527,227)	-	-	(120,000)	-	(967,020)	-	(1,462,154)	(3,233,015)
Excess (deficiency) of revenues and other financing sources over expenditures & other uses	\$ 99,668	\$ 11,967	\$ (327)	\$ 15,868	\$ -	\$ 125,308	\$ 5,616	\$ -	\$ (72,473)	\$ -	\$ 185,627
FUND BALANCE											
AT BEGINNING OF YEAR	\$ 315,736	\$ 35,505	\$ 429	\$ 61,672	\$ -	\$ 309,852	\$ 10,710	\$ 100	\$ 138,205	\$ 100	\$ 872,309
FUND BALANCE											
AT END OF YEAR	\$ 415,404	\$ 47,472	\$ 102	\$ 77,540	\$ -	\$ 435,160	\$ 16,326	\$ 100	\$ 65,732	\$ 100	\$ 1,057,936

**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, 2011

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES:				
Beginning balance	\$ 428	\$ 428	\$ 429	\$ 1
Grant received	526,843	526,814	526,814	-
Interest earned	200	100	86	(14)
TOTAL REVENUES	\$ 527,471	\$ 527,342	\$ 527,329	\$ (13)
Other financing uses:				
Operating transfers-out	\$ (526,843)	\$ (527,242)	\$ (527,227)	\$ 15
BALANCE CARRIED TO NEXT YEAR	\$ 628	\$ 100	\$ 102	\$ 2

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

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

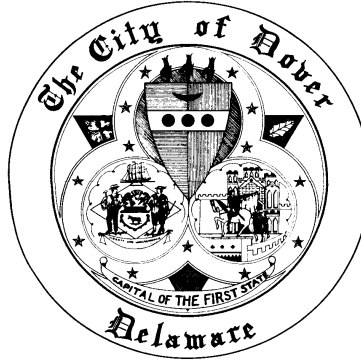
YEAR ENDED JUNE 30, 2011

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES:				
Beginning balance CDBG	\$ -	\$ -	\$ 2,013	\$ 2,013
Beginning balance NSP	-	-	54,459	54,459
Federal grant received	306,375	380,431	401,370	20,939
Revenues from General Fund	-	6,000	6,314	314
Revenue from NSP	-	-	308,923	308,923
TOTAL REVENUES	\$ 306,375	\$ 386,431	\$ 773,079	\$ 386,648
EXPENDITURES:				
Federal program expenditures	\$ 306,375	\$ 386,431	\$ 407,684	\$ (21,253)
NSP program expenditures	-	-	292,026	(292,026)
TOTAL EXPENDITURES	\$ 306,375	\$ 386,431	\$ 699,710	\$ (313,279)
CDBG BALANCE CARRIED TO NEXT YEAR	\$ -	\$ -	\$ 2,013	\$ (2,013)
NSP BALANCE CARRIED TO NEXT YEAR	\$ -	\$ -	\$ 71,356	\$ (71,356)

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, 2011

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES:				
Beginning balance	\$ 100,913	\$ 309,851	\$ 309,852	\$ 1
Grants received: State	1,000,000	1,000,000	518,249	(481,751)
Interest earned	2,800	2,800	372	(2,428)
TOTAL REVENUES	\$ 1,103,713	\$ 1,312,651	\$ 828,473	\$ (484,178)
EXPENDITURES:				
Program expenditures Grant Related	\$ 1,000,000	\$ 1,000,000	\$ 554,002	\$ (445,998)
Program expenditures City Appropriated	350,000	300,000	179,271	120,729
TOTAL EXPENDITURES	\$ 1,350,000	\$ 1,300,000	\$ 733,273	\$ 566,727
Other financing sources (uses):				
Operating transfers-in	\$ 300,000	\$ 300,000	\$ 459,960	\$ 159,960
Operating transfers-out	-	-	120,000	120,000
BALANCE CARRIED TO NEXT YEAR	\$ 53,713	\$ 312,651	\$ 435,160	\$ 122,509



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, 2011

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
Beginning Balance - Water	\$ 943,545	\$ 1,236,546	\$ 1,236,546	\$ -
Beginning Balance - Wastewater	585,053	902,366	912,803	10,437
Beginning Balance - Kent County Treatment Fee	(1,632,876)	(1,872,081)	(1,872,081)	-
TOTAL BEGINNING BALANCES	\$ (104,278)	\$ 266,831	\$ 277,268	\$ 10,437
REVENUES:				
Water fees	\$ 4,206,700	\$ 4,800,000	\$ 4,945,385	\$ 145,385
Wastewater fees	3,308,300	3,500,000	3,694,020	194,020
Wastewater adjustment	4,275,600	3,000,000	3,058,656	58,656
Groundwater adjustment	-	1,350,000	1,171,376	(178,624)
Miscellaneous services	71,000	58,000	83,056	25,056
Water tank space rent	299,400	299,400	300,137	737
Interest earnings	1,515	19,800	9,808	(9,992)
Sewer Impact Fees	323,000	323,000	354,825	31,825
Water Impact Fees	357,000	357,000	393,750	36,750
Total Revenues	\$ 12,842,515	\$ 13,707,200	\$ 14,011,013	\$ 303,813
TOTAL BEGINNING BALANCES & REVENUES	\$ 12,738,237	\$ 13,974,031	\$ 14,288,281	\$ 314,250
EXPENSES:				
Water services	\$ 412,588	\$ 374,920	\$ 379,271	\$ (4,351)
Engineering & inspection	642,878	540,099	488,090	52,009
Water construction	392,561	400,439	389,807	10,632
Water treatment plant	1,499,857	1,475,704	1,457,505	18,199
Wastewater services	969,762	945,296	909,547	35,749
Kent County sewer fees	4,235,403	4,235,403	3,601,194	634,209
Intrafund service fee	1,272,331	1,117,897	1,042,762	75,135
Retirees health care	177,427	177,427	177,427	-
Pension Trust Contribution	372,000	372,000	372,000	-
Debt Service - Water	246,403	244,000	318,897	(74,897)
Debt Service - Wastewater	316,198	216,000	295,086	(79,086)
Transfer to Contingency Reserve	-	18,000	18,000	-
Transfer to Capital Asset Reserve- Water	100,000	100,000	100,000	-
Transfer to Capital Asset Reserve- Wastewater	100,000	100,000	100,000	-
Transfer to Water Improvement & Extension Fund	500,000	500,000	500,000	-
Transfer to Wastewater Improvement & Extension Fund	500,000	500,000	500,000	-
Transfer to Impact Fee Reserve-Water	110,597	113,000	133,456	(20,456)
Transfer to Impact Fee Reserve-Wastewater	6,802	107,000	178,796	(71,796)
Transfer to Uncollectible Reserve	-	71,000	71,000	-
Total Expenses	\$ 11,854,807	\$ 11,608,185	\$ 11,032,838	\$ 575,347
Budget Balance - Water	\$ 1,348,501	\$ 2,383,557	\$ 2,567,172	\$ (183,615)
Budget Balance - Wastewater	1,127,608	1,739,773	1,931,514	(191,741)
Budget Balance - Kent County Treatment Fee	(1,592,679)	(1,757,484)	(1,243,243)	(514,241)
Total Budget Balances - Working Capital	\$ 883,430	\$ 2,365,846	\$ 3,255,443	\$ (889,597)
TOTAL BUDGET BALANCES & EXPENSES	\$ 12,738,237	\$ 13,974,031	\$ 14,288,281	\$ (314,250)

CITY OF DOVER
 WATER/WASTEWATER IMPROVEMENT & EXTENSION FUND

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

YEAR ENDED JUNE 30, 2011

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
Beginning Balance -Water	\$ 743,431	\$ 1,590,874	\$ 1,590,874	\$ -
Beginning Balance -Wastewater	257,168.00	(45,575.00)	(45,665.00)	(90.00)
Beginning balance-Bond Proceeds-Wastewater	286,500.00	-	-	-
Bond Issue Proceeds Series	3,016,200.00	-	-	-
TOTAL BEGINNING BALANCES	\$ 4,303,299	\$ 1,545,299	\$ 1,545,209	\$ (90)
REVENUES:				
State Loan Fund-Water	\$ -	\$ 2,404,017	\$ 480,528	\$ (1,923,489)
State Loan Fund-Wastewater	-	765,060	-	(765,060)
State Loan Fund-Wastewater	-	3,797,956	3,976,684	178,728
Income from Sale of Assets	-	-	11,529	11,529
Interest earnings	-	-	26,620	26,620
State grants	-	28,877	28,877	-
Transfer from Water Fund	500,000	500,000	500,000	-
Transfer from Wastewater Fund	500,000	500,000	500,000	-
Transfer from Impact Fee Reserve	242,040	516,781	-	(516,781)
Total Revenues	\$ 1,242,040	\$ 8,512,691	\$ 5,524,238	\$ (2,988,453)
TOTAL BEGINNING BALANCES & REVENUES	\$ 5,545,339	\$ 10,057,990	\$ 7,069,447	\$ (2,988,543)
EXPENSES:				
Water	\$ 620,000	\$ 3,605,055	\$ 1,052,703	\$ 2,552,352
Wastewater	1,560,700	5,259,623	4,139,297	1,120,326
Total Expenses	\$ 2,180,700	\$ 8,864,678	\$ 5,192,000	\$ 3,672,678
Budget Balance- Wastewater Bond Proceeds	\$ 2,153,140	\$ -	\$ -	\$ -
Budget Balance - Water	623,431	889,836	1,537,774	(647,938)
Budget Balance - Wastewater	588,068	303,476	339,673	(36,197)
Total Budget Balances - Working Capital	\$ 3,364,639	\$ 1,193,312	\$ 1,877,447	\$ (684,135)
TOTAL BUDGET BALANCES & EXPENSES	\$ 5,545,339	\$ 10,057,990	\$ 7,069,447	\$ 2,988,543

**CITY OF DOVER
ELECTRIC REVENUE FUND**

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

YEAR ENDED JUNE 30, 2011

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
Beginning Balance - Working Capital	\$ 12,086,275	\$ 13,537,864	\$ 13,537,864	\$ -
REVENUES:				
Direct base sales	\$ 96,595,300	\$ 97,917,206	\$ 99,859,602	\$ 1,942,396
Purchased power adjustment	(2,000,000)	(2,293,603)	(2,290,989)	2,614
Rental income	186,816	186,816	215,248	28,432
Miscellaneous services	891,200	891,200	1,029,887	138,687
Utility tax	1,864,800	1,965,000	1,944,543	(20,457)
Green Energy	128,600	128,600	136,165	7,565
Interest earned-operating	65,700	965,500	12,662	(952,838)
Intrafund Services - Water/Wastewater	299,442	173,317	171,646	(1,671)
Total Revenues	\$ 98,031,858	\$ 99,934,036	\$ 101,078,764	\$ 1,144,728
TOTAL BEGINNING BALANCE & REVENUE	\$ 110,118,133	\$ 113,471,900	\$ 114,616,628	\$ 1,144,728
EXPENSES:				
Power Supply & Generation				
Power Supply	\$ 48,059,699	\$ 47,634,363	\$ 47,543,983	\$ 90,380
Power Supply Management	2,280,000	2,321,562	2,355,630	(34,068)
Capacity Charges	11,618,223	12,302,392	12,344,169	(41,777)
PJM Charges - Load	11,850,876	13,363,432	15,051,912	(1,688,480)
Total Power Supply	73,808,798	75,621,749	77,295,694	(1,673,945)
Plant Operations	5,694,315	6,155,046	6,114,037	41,009
Capacity Credits	(11,488,785)	(11,419,723)	(11,407,201)	(12,522)
PJM Credits	(720,797)	(5,553,404)	(6,834,780)	1,281,376
Generation Fuels	297,820	3,244,977	3,685,199	(440,222)
Total Generation	(6,217,447)	(7,573,104)	(8,442,745)	869,641
Utility Tax	1,864,800	1,965,000	1,944,543	20,457
Administration	609,169	974,959	942,446	32,513
Transmission/Distribution	3,206,515	3,035,144	2,986,828	48,316
Electrical Engineering	1,842,903	1,745,105	1,514,558	230,547
Systems Operations	518,053	492,493	486,894	5,599
Meter Reading	222,908	205,915	204,351	1,564
Contractual Services 2030 Committee	-	-	226	(226)
Provision for Uncollectible	135,000	310,000	310,000	-
Retirees Health Care	639,110	639,110	639,110	-
OPEB Trust Contribution	1,200,000	1,200,000	1,200,000	-
Pension Trust Contribution	833,000	833,000	1,110,477	(277,477)
Green Energy Payment to DEMEC	128,600	128,600	136,165	(7,565)
Interest on Deposits	54,500	54,500	25,389	29,111
Intrafund Service Fees	3,374,945	3,293,025	3,150,761	142,264
Other Appropriations:				
Depreciation Reserve	1,250,000	1,250,000	1,250,000	-
Electric Capital Project Fund	3,500,000	3,500,000	3,500,000	-
General Fund	8,856,000	8,856,000	8,856,000	-
Debt Service	4,058,700	3,589,904	3,590,381	(477)
Rate Stabilization Fund	1,300,000	1,300,000	1,300,000	-
Inventory Reserve	175,000	175,000	175,000	-
TOTAL EXPENSES	\$ 101,360,554	\$ 101,596,400	\$ 102,176,078	\$ (579,678)
Budget Balance - Working Capital	8,757,579	11,875,500	12,440,550	(565,050)
TOTAL BUDGET BALANCE & EXPENSES	\$ 110,118,133	\$ 113,471,900	\$ 114,616,628	\$ (1,144,728)

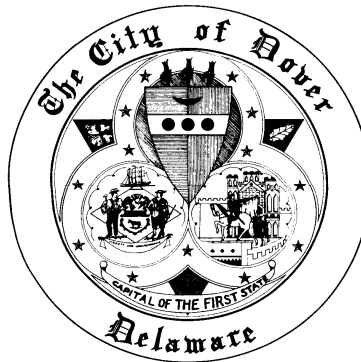
CITY OF DOVER
 ELECTRIC IMPROVEMENT AND EXTENSION FUND

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

YEAR ENDED JUNE 30, 2011

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
Beginning Balance - Working Capital	\$ 1,688,861	\$ 3,429,624	\$ 3,429,624	\$ -
Beginning Balance - Bond Proceeds	-	415,585	415,585	-
TOTAL BEGINNING BALANCES	\$ 1,688,861	\$ 3,845,209	\$ 3,845,209	\$ -
REVENUES:				
Grants Revenue	\$ -	\$ 480,909	\$ 306,457	\$ (174,452)
Insurance Claims Proceeds	-	280,000	274,954	(5,046)
Transfer from Electric Revenue Fund	3,500,000	3,500,000	3,500,000	-
Interest earnings	40,700	40,700	7,802	(32,898)
Income from Sale of Assets	-	-	11,494	11,494
State Reimbursement for Governor's Ave	-	-	260,441	260,441
Total Revenues	\$ 3,540,700	\$ 4,301,609	\$ 4,361,148	\$ 59,539
TOTAL BEGINNING BALANCES & REVENUES	\$ 5,229,561	\$ 8,146,818	\$ 8,206,357	\$ 59,539
EXPENSES:				
Power Plant	\$ 1,480,068	\$ 2,106,427	\$ 1,967,543	\$ 138,884
Transmission/Distribution	739,000	731,432	692,823	38,609
Engineering	1,390,429	1,747,863	1,370,616	377,247
Transfer to Depreciation Reserve	-	1,000,000	1,000,000	-
Total Expenses	\$ 3,609,497	\$ 5,585,722	\$ 5,030,982	\$ 554,740
Budget Balance - Improvement & Extension Fund	\$ 1,620,064	\$ 2,561,096	\$ 3,175,375	\$ (614,279)
Budget Balance - Bond Proceeds	-	-	-	-
Total Budget Balances - Working Capital	\$ 1,620,064	\$ 2,561,096	\$ 3,175,375	\$ (614,279)
TOTAL BUDGET BALANCES & EXPENSES	\$ 5,229,561	\$ 8,146,818	\$ 8,206,357	\$ (59,539)

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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.

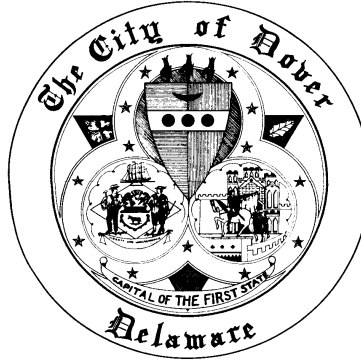
Budgetary schedules are included for public review of budgetary compliance.

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

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

YEAR ENDED JUNE 30, 2011

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
OPERATING REVENUES:				
Beginning balance	\$ 1,342,387	\$ 1,566,938	\$ 1,566,938	\$ -
Interest earned	40,000	35,000	26,549	(8,451)
City contribution	670,530	670,530	631,636	(38,894)
Miscellaneous revenue	-	4,600	4,577	(23)
TOTAL REVENUES	\$ 2,052,917	\$ 2,277,068	\$ 2,229,700	\$ (47,368)
OPERATING EXPENSES:				
Program expenses	\$ 450,000	\$ 450,000	\$ 161,880	\$ 288,120
Contractual services	32,000	32,000	31,100	900
Insurance	93,400	93,400	51,139	42,261
Bank fees	-	1,500	2,053	(553)
State of Del. - Self-Insurance Tax	37,000	37,000	46,831	(9,831)
TOTAL EXPENSES	\$ 612,400	\$ 613,900	\$ 293,003	\$ 320,897
BUDGET BALANCE - CARRY FORWARD	\$ 1,440,517	\$ 1,663,168	\$ 1,936,697	\$ 273,529



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. This agency fund is no longer operating with the City as their agent as of June 30, 2011.

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. This agency fund is no longer operating with the City as their agent as of June 30, 2011.

DOWNTOWN DOVER PARTNERSHIP

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**

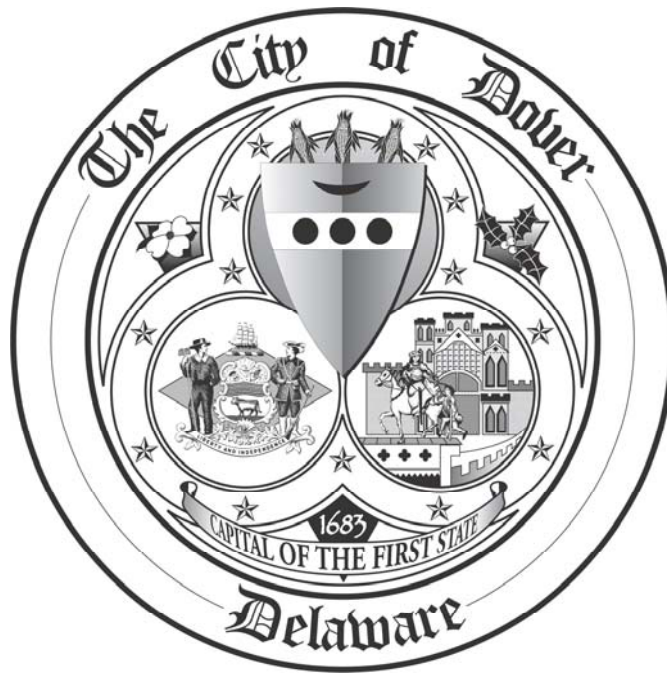
YEAR ENDED JUNE 30, 2011

	BALANCE JUNE 30, 2010	ADDITIONS	DEDUCTIONS	BALANCE June 30, 2011
LIBRARY CONSORTIUM				
ASSETS:				
Cash	\$ 615	\$ -	\$ 615	\$ -
Total Assets	\$ 615	\$ -	\$ 615	\$ -
LIABILITIES:				
Due to agencies	\$ 615	\$ -	\$ 615	\$ -
Total Liabilities	\$ 615	\$ -	\$ 615	\$ -
DOVER ARTS COUNCIL				
ASSETS:				
Cash	\$ 2,350	\$ -	\$ 2,350	\$ -
Total Assets	\$ 2,350	\$ -	\$ 2,350	\$ -
LIABILITIES:				
Due to agencies	\$ 2,350	\$ -	\$ 2,350	\$ -
Total Liabilities	\$ 2,350	\$ -	\$ 2,350	\$ -
DOWNTOWN DOVER PARTNERSHIP				
ASSETS:				
Cash	\$ 498,889	\$ 281,697	\$ 381,355	\$ 399,231
Receivables	94,094	8,959	43,412	59,641
Prepaid items	590	239	-	829
Total Assets	\$ 593,573	\$ 290,895	\$ 424,767	\$ 459,701
LIABILITIES:				
Vouchers payable	\$ 41,615	\$ 288,281	\$ 303,210	\$ 26,686
Deposit payable	7,015	-	-	7,015
Due to agencies	544,943	-	118,943	426,000
Total Liabilities	\$ 593,573	\$ 288,281	\$ 422,153	\$ 459,701

(Continued)

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

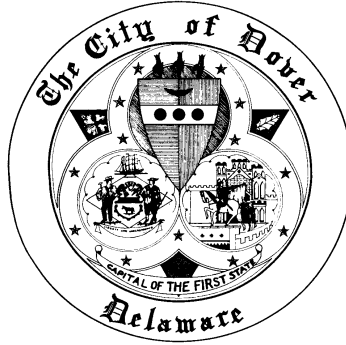
	BALANCE				BALANCE		
	JUNE 30, 2010		ADDITIONS		DEDUCTIONS		JUNE 30, 2011
4TH JULY CELEBRATION COMMITTEE							
ASSETS:							
Cash	\$	4,499	\$	30,973	\$	20,087	\$ 15,385
Prepaid items		-		1,597		-	1,597
Total Assets	\$	4,499	\$	32,570	\$	20,087	\$ 16,982
LIABILITIES:							
Vouchers payable	\$	-	\$	21,909	\$	20,087	\$ 1,822
Due to agencies		4,499		30,973		20,312	15,160
Total Liabilities	\$	4,499	\$	52,882	\$	40,399	\$ 16,982
DOVER LIBRARY FOUNDATION							
ASSETS:							
Cash	\$	505,192	\$	970,276	\$	971,738	\$ 503,730
Total Assets	\$	505,192	\$	970,276	\$	971,738	\$ 503,730
LIABILITIES:							
Vouchers payable	\$	885	\$	71,789	\$	71,738	\$ 936
Due to agencies		504,307		70,396		71,909	502,794
Total Liabilities	\$	505,192	\$	142,185	\$	143,647	\$ 503,730
TOTAL-ALL AGENCY FUNDS							
ASSETS:							
Cash	\$	1,011,545	\$	1,282,946	\$	1,376,145	\$ 918,346
Receivables		94,094		8,959		43,412	59,641.00
Prepaid items		590		1,836		-	2,426
Total Assets	\$	1,106,229	\$	1,293,741	\$	1,419,557	\$ 980,413
LIABILITIES:							
Vouchers payable	\$	42,500	\$	381,979	\$	395,035	\$ 29,444
Deposit payable		7,015		-		-	7,015
Due to agencies		1,056,714		101,369		214,129	943,954
Total Liabilities	\$	1,106,229	\$	483,348	\$	609,164	\$ 980,413



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 Nine Fiscal Years
(Accrual basis of accounting)

	Fiscal Year								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
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	\$ 38,839,995
Restricted	1,002,363	1,852,754	2,023,096	887,235	1,591,678	1,602,932	1,758,470	1,250,342	1,774,167
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	(99,435)
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	\$ 40,514,727
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	\$ 97,270,906
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	34,148,330
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	23,286,232
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	\$ 154,705,468
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	\$ 136,110,901
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	35,922,497
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	23,186,797
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	\$ 195,220,195

NOTE

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

Expenses

Program Revenues

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	1,503,243
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	4,682,687
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	2,173,434
Library and recreation	434,149	443,925	447,948	549,959	1,100,412	788,875	715,404	650,283	632,861
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	5,032,926
Capital grants and contributions	717,603	1,154,728	1,983,669	500,103	790,612	647,724	1,090,838	169,130	856,338
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	14,881,489
(Continued)									

(Table 2 Continued - Changes in Net Assets)

	Fiscal Year								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
Expenses									
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	14,033,678
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	101,902,619
Capital Contributions	-	211,390	368,740	272,000	705,572	2,078,040	-	392,855	997,750
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	116,934,047
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	131,815,536
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)	(22,658,910)
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	15,725,081
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)	(6,933,829)
General Revenues and Other Changes in Net Assets									
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	10,904,908
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	1,461,983
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	137,218
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	8,856,000
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	21,360,109
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	554,787
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)	(8,856,000)
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)	(8,301,213)
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	13,058,896
Change in Net Assets									
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)	(1,298,801)
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	7,423,868
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)	\$ 6,125,067

Table 3

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

	Fiscal Year								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
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	-
Non-spendable	-	-	-	-	-	-	-	-	191,567
Restricted	-	-	-	-	-	-	-	-	85,070
Committed	-	-	-	-	-	-	-	-	3,484,203
Assigned	-	-	-	-	-	-	-	-	614,559
Unassigned	-	-	-	-	-	-	-	-	3,385,209
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	7,760,608
All other governmental funds									
Special revenue funds									
Unreserved	805,171	2,119,882	2,984,929	2,829,793	5,248,929	5,180,097	881,332	872,309	-
Non-spendable	-	-	-	-	-	-	-	-	4,203
Restricted	-	-	-	-	-	-	-	-	764,512
Assigned	-	-	-	-	-	-	-	-	289,221
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	1,057,936
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	\$ 8,818,544

NOTE

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

The fiscal years prior to 2011 show fund balances as they were classified and reported prior to GASB 54.

Table 4

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

	Fiscal Year								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
Revenues									
Fines	\$ 650,004	\$ 619,493	\$ 1,117,440	\$ 1,759,979	\$ 1,314,246	\$ 1,262,180	\$ 1,323,041	\$ 1,418,354	\$ 1,665,496
Library revenue	334,702	333,157	346,652	451,705	989,006	517,697	514,458	465,387	444,455
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	2,417,363
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	2,173,434
Recreation	-	-	-	-	12,793	34,111	47,079	36,100	44,292
Miscellaneous services	1,039,303	988,511	916,244	996,174	1,367,960	1,351,160	1,278,251	1,247,096	1,480,845
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	12,366,891
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	5,551,175
Court of Chancery fees	-	559,260	710,380	792,280	929,120	883,880	738,240	675,390	766,340
Investment income	226,165	95,127	315,642	603,451	1,154,829	638,782	513,873	237,631	112,722
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	27,023,013
Expenditures									
General government	698,081	693,874	902,139	836,419	1,000,622	1,319,774	1,661,742	1,525,854	1,348,911
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	4,369,578
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	16,139,953
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	2,535,060
Recreational services	482,936	486,789	617,624	705,241	1,452,987	2,699,725	869,134	746,868	834,124
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	3,383,465
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	866,314
Garage and stores	545,371	382,851	418,710	417,202	402,915	486,966	491,450	526,286	490,113
Insurance	128,127	203,997	168,430	153,202	165,584	176,947	199,643	197,723	203,343
Retiree health care	456,025	541,715	590,587	645,457	736,286	758,185	3,265,857	1,006,397	1,297,509
Employee pension	140,910	-	-	-	402,204	134,775	-	-	1,544,978
Street lights	465,923	470,110	534,682	545,426	624,243	917,438	937,013	956,860	968,562
Community and economic development	392,101	545,899	711,743	600,907	639,545	497,914	724,555	2,228,744	1,173,546
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	2011
Expenditures									
Debt service									
Principal	637,960	668,341	490,171	464,480	368,384	350,000	365,000	260,000	270,000
Interest	249,661	217,374	121,350	107,959	96,644	87,468	77,319	68,410	65,225
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	31,997,443	35,490,681
Excess of revenues over(under) expenditures	(3,903,570)	(6,116,710)	(4,980,961)	(3,078,071)	(2,571,707)	(6,391,169)	(10,732,547)	(8,772,453)	(8,467,668)
Other financing sources (uses)									
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	12,420,329
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)	(3,564,329)
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	8,856,000
Net change in fund balances	\$ 1,626,730	\$ 390,754	\$ 1,633,813	\$ 3,260,670	\$ 2,813,293	\$ 775,100	\$ (5,199,492)	\$ (1,466,333)	\$ 388,332
Debt service as a percentage of noncapital expenditures	4.89%	4.70%	2.75%	2.42%	1.83%	1.62%	1.42%	1.05%	1.11%
Capital outlay included in total expenditures (2)	\$ 3,159,696	\$ 2,425,801	\$ 2,084,385	\$ 3,523,649	\$ 3,554,679	\$ 4,559,625	\$ 2,698,627	\$ 2,434,391	\$ 5,296,536

NOTES

(1)- Nine 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 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
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
2011	10,904,908	1,461,983	12,366,891

NOTES

1. Property Tax rate \$.3378 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

REAL PROPERTY						
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
2002	1,687,672,100	784,466,500	903,205,600	2,812,786,833	32.11%	0.6850
2003	2,209,978,500	504,226,700	1,705,751,800	2,209,978,500	77.18%	0.4110
2004	2,576,251,900	841,436,800	1,734,815,100	2,576,251,900	67.34%	0.4110
2005	2,605,638,000	841,290,300	1,764,347,700	2,605,638,000	67.71%	0.4110
2006	3,146,043,800	618,735,300	2,527,308,500	3,146,043,800	80.33%	0.3300
2007	3,516,580,775	618,433,400	2,898,147,375	3,516,580,775	82.41%	0.3300
2008	3,406,762,915	616,277,700	2,790,485,215	3,406,762,915	81.91%	0.3300
2009	4,124,562,920	1,225,269,600	2,899,293,320	4,124,562,920	70.29%	0.3300
2010	4,139,869,700	1,232,858,580	2,907,011,120	4,139,869,700	70.22%	0.3300
2011	4,363,518,360	1,226,879,300	3,136,639,060	4,363,518,360	71.88%	0.3378

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. Had the tax rate been rolled back to a revenue neutral rate, the rate would have been \$.3310. The revised rate represents an \$.08 increase.
3. In 2005, the City property values were reassessed, effective for tax year 2006. The tax rate was lowered from \$.411 to \$.330. Had the tax rate been rolled back to a revenue neutral rate, the rate would have been \$.310. The revised rate represents a \$.02 increase.
4. In 2010, the City property values were reassessed, effective for tax year 2011. The tax rate was increased from \$.330 to \$.3378. Had the tax rate been rolled back to a revenue neutral rate, the rate would have been \$.3108. The revised rate represents a \$.027 rate increase.

Table 7

NOTES		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	Direct	Overlapping		Total Direct & Overlapping	
		City of Dover	Kent County	Capital School District	Vo-Tech School District	
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.	2002	0.6850	0.250	1.022	0.0950	2.052
2. Kent County Property tax rates reflect the 1987 reappraisal of properties in Kent County.	2003	0.4110	0.250	1.120	0.0870	1.868
3. The City of Dover changed from 60% of assessed value to 100% and accordingly lowered the tax rate in 2003.	2004	0.4110	0.250	1.173	0.0870	1.921
4. The City of Dover reassessed property values and "rolled back" the tax rate in 2006.	2005	0.4110	0.250	1.403	0.0887	2.153 *
	2006	0.3300	0.250	1.459	0.1180	2.157 *
	2007	0.3300	0.250	1.534	0.1160	2.230 *
	2008	0.3300	0.250	1.480	0.1219	2.182
	2009	0.3300	0.310	1.543	0.1219	2.305
	2010	0.3300	0.310	1.769	0.1304	2.539
	2011	0.3378	0.300	1.832	0.1351	2.605

Sources: Tax Assessor's Office - City
Receiver of Taxes Office - Kent County
* Corrected Capital School District & Vo-tech tax rates

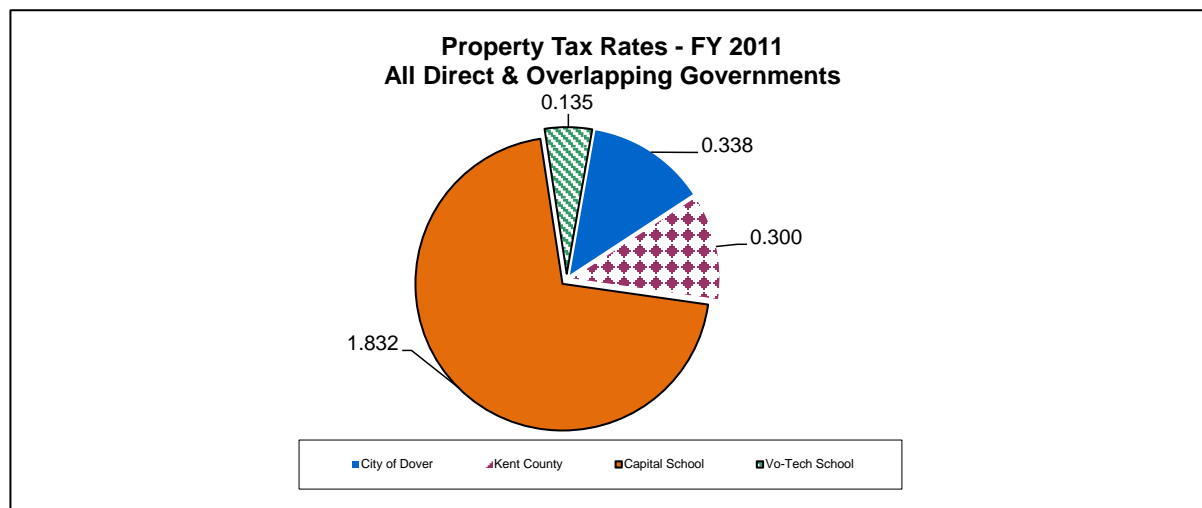


Table 8

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

REVENUES:	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Beginning Balance	\$380,166	\$2,266,936	\$2,890,843	\$2,865,516	\$3,223,548	\$ 5,437,696	\$ 4,051,979	\$ 5,038,076	\$ 4,091,583	\$ 2,917,737
Fines and Other Police Revenue	658,869	650,004	619,493	858,604	823,439	773,680	747,458	628,928	626,833	698,522
Franchise fees	-	331,515	462,859	395,821	416,595	440,745	462,149	507,135	520,157	549,353
Right-of-Way Revenue	56,339	-	-	-	-	-	-	-	-	-
Court of Chancery Fees	-	-	559,260	710,380	792,280	929,120	883,880	738,240	675,390	766,340
Internet Revenue	10,613	17,903	20,779	17,205	12,951	7,483	1,894	-	-	-
Interest Earnings & Transfers	217,917	146,113	164,686	139,444	263,223	307,698	442,095	246,290	198,785	1,526,217
Library Revenue - General	33,536	42,251	37,357	50,852	58,905	53,634	53,634	59,535	49,435	53,593
Library Revenue - County Reimbursement	290,607	292,451	295,800	295,800	392,800	935,371	464,063	454,923	415,952	390,862
Library Trust Receipt	105,410	-	-	-	-	-	-	-	-	46,355
Licenses and Permits	1,888,673	1,934,820	2,017,287	2,251,092	2,465,845	2,689,348	2,916,748	2,599,948	2,424,768	2,417,364
Miscellaneous Service Charges	49,991	77,276	83,572	55,310	120,433	236,646	103,452	114,862	114,258	203,330
Police Extra Duty Fees	389,503	393,601	307,426	303,195	250,985	358,756	370,379	386,770	418,479	334,023
Property Taxes	6,190,763	7,076,050	7,183,124	7,370,318	8,792,652	9,032,995	9,557,982	10,075,401	10,029,584	10,904,909
Recreation Revenue & Donations	88,865	92,699	102,483	101,296	98,254	98,613	320,767	153,867	148,796	174,114
Rent Revenue	15,250	28,214	28,214	28,213	35,533	35,533	35,533	41,536	45,052	64,217
Electric Fund Appropriation	3,975,000	4,525,000	4,701,664	5,463,008	5,716,956	4,700,000	6,601,269	6,758,100	6,758,100	8,856,000
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	548,020	-
Transfer Tax	1,207,241	2,663,963	1,627,172	2,379,548	3,048,064	3,009,539	3,526,187	1,198,064	867,795	1,462,154
Curbside Recycling	-	-	-	-	8,869	10,041	-	-	-	768
Sanitation Fees	1,059,007	1,080,356	1,083,894	1,081,064	1,244,444	1,283,358	1,333,437	1,396,801	1,340,730	2,172,665
Transfer from Reserves	-	-	859,816	1,040	124,504	1,106,362	2,319,759	386,076	397,403	716,495
Sale of Capital Assets	-	21,371	2,800	13,000	59,850	169,900	52,651	70,197	36,437	26,100
Interfund Service Receipts- Water/Wastewater	-	-	846,864	932,708	1,045,326	1,092,328	993,869	965,917	900,164	892,538
Interfund Service Receipts- Electric	-	-	3,151,045	3,536,040	3,652,063	3,679,042	3,462,974	3,417,682	3,159,199	3,150,761
Grants:										
Emergency Related	-	66,263	48,655	-	-	-	-	-	-	-
Homeland Security	-	-	-	-	164,872	87,351	30,000	4,891	-	187,874
Municipal Street Aid	822,385	803,446	794,301	792,242	659,910	657,474	710,744	791,306	-	527,226
Police Related	96,611	124,360	248,070	611,801	1,279,116	681,399	613,198	813,193	982,662	1,681,770
Recreation Related	3,007	-	20,000	25,000	300,000	332,607	61,911	67,262	1,485	58,550
State Revenue Sharing/Other	-	21,203	-	-	-	-	-	-	-	-
Misc Grant Revenue	-	-	1,258	9,900	19,700	22,100	58,220	10,000	459,289	21,978
State Grant for Library Reimbursement	-	-	-	-	-	-	-	368,065	493,846	2,016,321
Downtown Amenities	-	-	-	-	-	-	-	-	-	-
DelDot Enhancements	57,056	-	-	-	-	-	-	-	-	-
TOTAL REVENUES	\$20,384,759	\$23,105,795	\$28,989,722	\$31,136,413	\$35,606,902	\$38,703,819	\$40,741,232	\$37,857,875	\$ 35,704,202	\$42,818,136

Source: City of Dover Financial Reports.

Chart on page 138

Table 9

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

EXPENDITURES:	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Customer Services/Admin Services	\$ 41,327	\$ 38,759	\$ 849,620	\$ 1,072,083	\$ 951,557	1,048,692	\$ 1,165,649	\$ 929,245	\$ 881,478	\$ 852,059
Central Services	48,152	38,109	659,788	755,866	678,110	733,291	706,065	757,091	664,433	645,888
City Clerk	105,075	103,961	243,852	301,129	333,612	236,271	242,572	274,582	261,520	268,348
City Manager	91,399	101,439	310,272	358,401	563,970	629,503	623,141	550,883	558,515	574,437
Code Enforcement	-	-	-	-	-	-	-	327,365	347,049	280,350
Construction	78,830	85,304	-	-	-	-	-	-	-	-
Economic Development	-	-	-	-	-	-	-	208,420	214,591	219,854
Engineering	47,030	56,703	225,658	253,299	289,208	314,729	-	-	-	-
Facilities Management	338,644	388,957	871,691	958,764	824,260	1,330,499	1,060,048	1,091,135	1,027,641	910,730
Finance	157,672	172,862	526,973	598,639	649,802	654,883	726,153	791,349	756,916	798,185
Health Inspections	-	-	-	-	-	-	-	-	-	-
Fire	582,435	775,129	858,193	911,534	948,785	1,188,173	923,706	1,010,589	899,899	877,435
Fire Marshal	-	-	-	-	-	-	-	-	-	-
Grounds Maintenance	267,376	295,385	952,009	989,042	1,054,767	1,105,432	1,082,558	1,311,810	1,092,347	1,030,281
Human Resources	88,830	102,472	236,467	271,823	306,782	349,509	385,420	440,196	378,029	331,227
Information Technology	135,569	180,100	675,002	741,812	859,120	892,449	955,270	914,481	751,715	680,996
Insurance	105,400	128,127	523,069	431,871	429,139	452,414	460,800	519,904	514,904	529,537
Library	759,169	791,726	908,656	909,005	953,761	1,005,737	1,141,524	1,896,418	1,691,346	3,862,633
Life Safety	-	-	-	-	-	-	-	290,053	499,349	517,806
Mayor & Council	87,893	111,910	223,890	221,958	225,071	217,312	235,916	199,380	165,090	253,250
Parks and Recreation	413,409	482,936	486,789	617,624	705,241	1,452,987	2,699,725	872,438	747,128	834,125
Planning Commission	96,863	123,716	196,907	202,516	201,563	295,426	408,984	415,933	395,217	403,328
Police	8,646,777	9,016,043	9,952,938	10,472,023	11,205,497	11,695,791	12,169,372	12,799,720	12,794,277	13,084,927
Public Inspections	729,450	769,831	811,805	898,687	957,385	1,167,072	1,083,251	500,109	481,259	541,987
Public Services - Admin.	81,657	78,312	273,982	306,773	318,900	235,183	397,699	383,995	346,530	388,662
Sanitation	1,657,753	2,025,888	2,202,051	1,940,866	2,257,821	2,163,486	2,722,626	2,345,710	2,024,288	2,393,452
Senior Surrey	-	-	-	-	-	-	-	-	-	-
Streets	1,020,123	1,046,294	1,122,311	1,237,428	1,081,869	868,910	1,302,657	1,133,477	920,155	1,290,014
Tax Assessor	164,012	120,745	154,792	301,445	195,383	224,895	282,989	594,518	544,951	270,570
Vehicle Maintenance	449,159	502,044	533,699	581,689	672,608	649,012	688,553	688,979	701,754	706,270

(Continued)

Table 9
(Continued)

EXPENDITURES:	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Other Charges:										
Other Appropriations	79,352	183,831	1,456	-	500,000	668,120	-	10,000	-	1,544,978
Park Construction	-	-	-	-	1,193,323	361,375	-	-	-	-
Approp. to Street Lights	-	-	470,110	534,682	545,426	624,242	917,439	937,013	956,860	968,562
Approp. to Capital Outlays	20,000	-	-	-	150,000	159,810	-	-	44,802	1,354,194
Internet Service	7,622	-	-	-	-	-	-	-	-	-
Copier Expense	-	-	-	4,863	-	-	-	-	-	-
N. Dover Athletic Complex	-	-	-	-	-	-	-	-	-	-
Transfer to Contingency Fund	-	250,000	-	-	-	-	34,500	-	-	172,061
Transfers to Reserves	105,410	796,372	634,774	974,970	-	-	283,027	201,770	63,751	615
Transfer to Grant Funds	-	-	867	-	-	-	2,778	6,697	-	31,314
Appropriations to Other Funds	-	6,515	-	-	-	-	-	-	-	-
Environmental Related Expense	30,000	-	-	-	-	-	-	-	236,582	-
I/T Emergency Preparedness Plan	-	-	-	-	-	87,351	-	-	-	-
Accounts Receivable Uncollectibles	-	-	-	10,000	10,000	10,000	10,000	-	10,000	110,000
Inventory Write Offs	-	-	14,636	7,114	12,176	13,010	11,197	-	37,000	-
Retiree Benefits	375,173	456,025	541,715	590,587	645,457	736,286	758,185	920,713	1,006,397	1,297,509
Employee Pension	-	-	-	-	-	402,204	134,775	-	-	-
Police Pension	-	-	-	-	-	-	-	-	399,289	538,136
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	-	-	-	-	-	-	-	-	42,993	-
Consulting	-	-	-	-	-	-	-	-	-	-
Debt Service: Principal	445,000	465,000	485,000	330,000	335,000	345,000	350,000	365,000	260,000	270,000
Debt Service: Interest	244,813	223,543	198,509	110,372	103,719	96,232	87,468	77,319	68,410	60,850
Debt. Service: Other	-	-	122,387	-	-	-	-	-	-	4,375
Debt Service: Bond Proceeds	-	-	(3,430,000)	-	-	-	-	-	-	-
Debt Service: Payment to Bond Agent	-	-	3,244,281	-	-	-	-	-	-	-
TOTAL EXPENDITURES	\$ 18,117,823	\$ 20,214,952	\$ 26,084,149	\$ 27,912,865	\$ 30,169,206	\$ 34,651,840	\$ 35,703,156	\$ 33,766,292	\$ 32,786,465	\$ 38,898,945

Source: City of Dover Financial Reports.

Chart on page 138

Table 8 on page 135

SCHEDULE OF REVENUES AND OTHER FINANCING TREND DATA

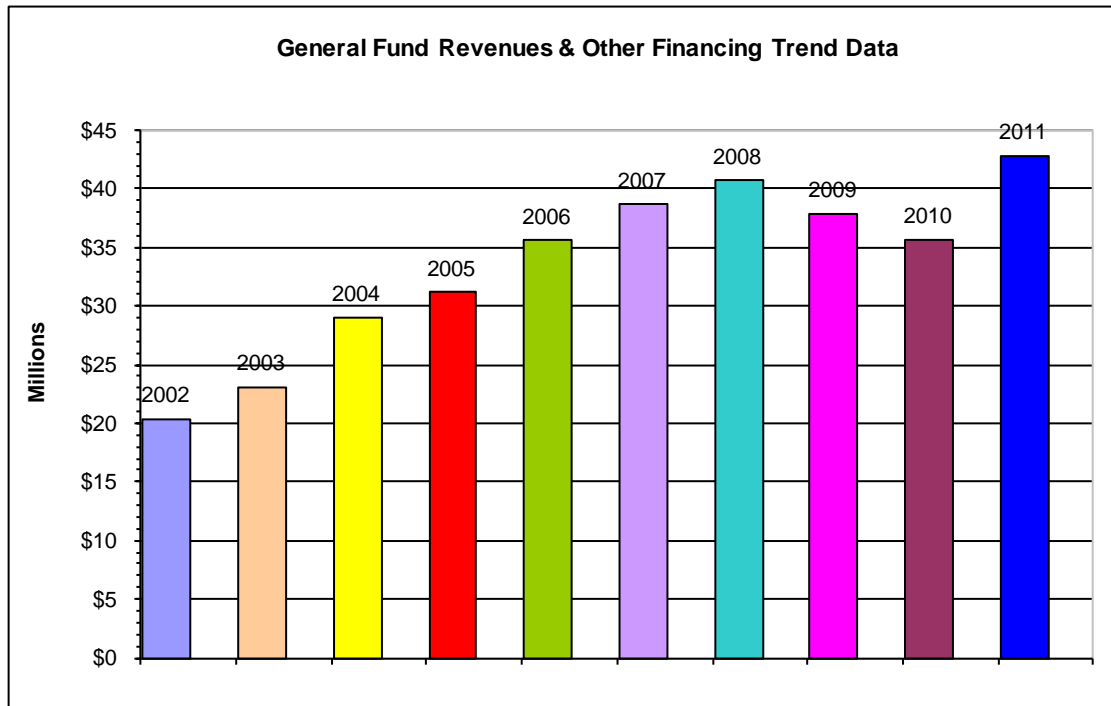


Table 9 on page 136

SCHEDULE OF EXPENDITURES AND OTHER USES TREND DATA

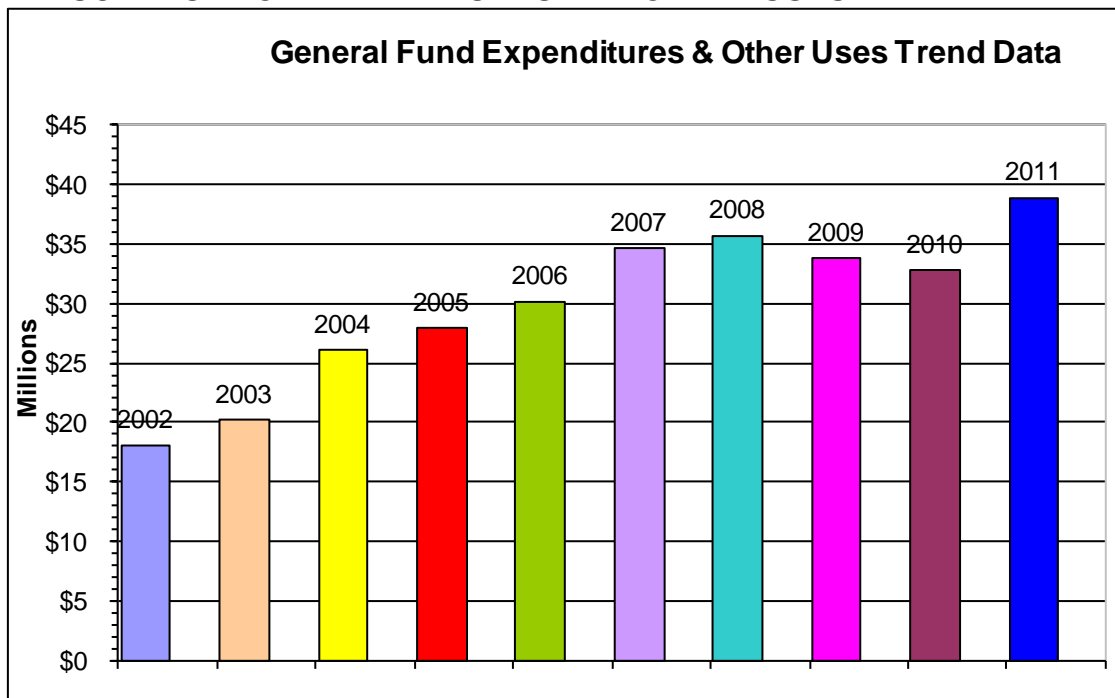


Table 10

City of Dover, Delaware Principal Tax Payers Current Year and Nine Years Ago						
TAX PAYERS	2011 ASSESSED VALUATION	RANK	PERCENTAGE OF TOTAL TAXABLE ASSESSED VALUATION	2002 ASSESSED VALUATION	RANK	PERCENTAGE OF TOTAL TAXABLE ASSESSED VALUATION
Dover Downs Prop, Inc.	146,847,600	1	4.68%	47,850,900	1	5.30%
Dover Mall LP/Dover Commons	80,921,800	2	2.58%	23,236,260	2	2.57%
Dover Medical Center	27,270,100	3	0.87%	-	-	-
Dover South Coast Partnership	25,035,100	4	0.80%	5,866,500	9	0.65%
Kraft-General Foods Corp.	19,565,300	5	0.62%	21,956,580	3	2.43%
Robino Bay Court Plaza	17,291,300	6	0.55%	-	-	-
East Coast Country Village LLC	15,691,800	7	0.50%	-	-	-
Berks City Real Estate Assoc	13,492,400	8	0.43%	-	-	-
Millers Dover Downs	13,463,600	9	0.43%	-	-	-
G & I VA Dover Country Club LLC	13,176,500	10	0.42%	-	-	-
Del-Homes Catalog Group	-	-	-	5,544,960	10	0.61%
Dover Wipes	-	-	-	13,195,260	4	1.46%
K.W. Lands/Sheraton/Hampton	-	-	-	5,992,380	8	0.66%
Playtex Apparel Inc.	-	-	-	6,829,740	7	0.76%
Energizer(was Playtex Products Inc.)	-	-	-	8,545,080	5	0.95%
Woodmill Capital Advisors LLC	-	-	-	7,420,320	6	0.82%
	\$ 372,755,500		11.88%	\$ 146,437,980		16.21%

Source: Tax Assessor's Office, City of Dover

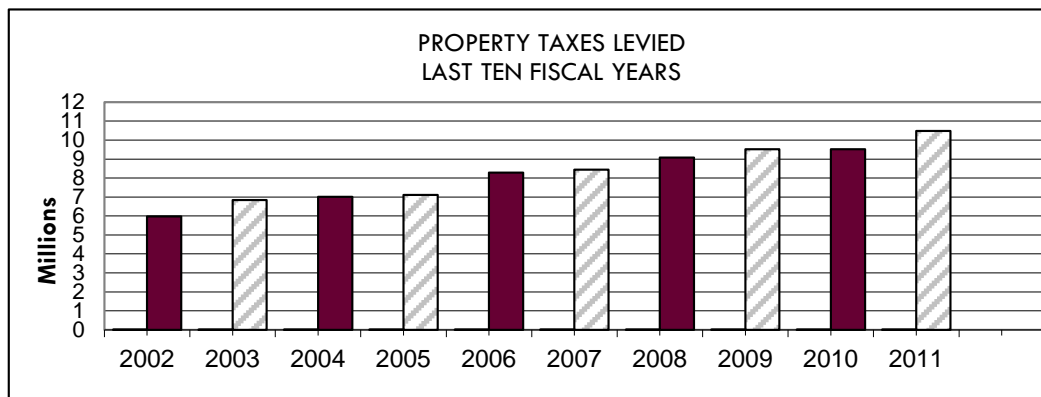
Total taxable assessed valuation for current year is	\$ 3,136,639,060
In 2003 the City changed assessed values to 100% of estimated actual values from 60%. Total taxable assessed valuation for 2002 was 60%	\$ 903,205,600

Table 11

**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
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	282,280	9,596,607	100.75%
2011	10,481,734	10,166,681	236,992	10,403,673	99.26%

Source: City of Dover Assessor & Customer Service Reports.



NOTES

1. Section 48 of the City of Dover charter provides that the maximum budget 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 12

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				
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
2011	1,550,000	-	8,115,557	30,280,000	-	-	39,945,557	4.9%	\$ 1,070	37,341

Source: City of Dover Financial Records

Population Source: Delaware Population Consortium Annual Population Projections

Table 13

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
2002	32,043	903,205,600	4,715,000	150,000	4,565,000	0.51%	142.46
2003	32,043	1,705,751,800	4,100,000	-	4,100,000	0.24%	127.95
2004	32,043	1,734,815,100	3,805,000	-	3,805,000	0.22%	118.75
2005	32,043	1,764,347,700	3,475,000	-	3,475,000	0.20%	138.95
2006	32,043	2,527,308,500	3,140,000	-	3,140,000	0.12%	97.99
2007	32,043	2,898,147,375	2,795,000	-	2,795,000	0.10%	87.23
2008 ⁽³⁾	32,043	2,790,485,215	2,445,000	-	2,445,000	0.09%	76.30
2009 ⁽³⁾	32,043	2,879,943,320	2,080,000	-	2,080,000	0.07%	64.91
2010 ⁽³⁾	32,043	2,907,011,120	1,820,000	-	1,820,000	0.06%	56.80
2011 ⁽³⁾	36,047	3,136,639,060	1,550,000	-	1,550,000	0.05%	43.00

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

NOTES

1. This table includes all long-term general obligation bonded debt only.
2. Assessed value reflects the net billable tax base and does not include the exempt value, exemption for Senior Citizens and exemption for disability.

Table 14

**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
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	32,786,465	1.00%
2011	270,000	65,225	335,225	38,898,945	0.86%

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 9)

Table 15

**City of Dover, Delaware
Computation of Direct and Overlapping Debt
with the Capital School District
June 30, 2011**

Jurisdiction	Net Debt Outstanding	Percentage Applicable to City of Dover	Amount Applicable to City of Dover
City of Dover	\$ 1,499,143	100%	\$ 1,499,143
Kent County ⁽¹⁾	26,779,888	6%	1,606,793
Capital School District ⁽²⁾	<u>54,665,295</u>		<u>-</u>
TOTAL	<u>\$ 82,944,326</u>		<u>\$ 3,105,936</u>

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. Total debt for Kent County is not available for June 30, 2011, at the time this report was prepared.
2. Capital School District: As of June 30, 2011 the net outstanding debt was \$54,665,295. 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 16

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

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Debt Limit	\$ 225,802	\$ 426,438	\$ 433,704	\$ 441,087	\$ 631,827	\$ 724,537	\$ 697,621	\$ 144,965	\$ 144,341	\$ 155,838
Net (Taxable) Assessed Value on Books	\$ 903,206	\$ 1,705,752	\$ 1,734,815	\$ 1,764,348	\$ 2,527,309	\$ 2,898,147	\$ 2,790,485	\$ 2,899,293	\$ 2,886,826	\$ 3,116,765
Total Net Debt applicable to limit	4,715	4,100	3,805	3,475	3,140	2,795	2,445	2,080	1,820	1,550
Legal debt margin	\$ 221,086	\$ 422,374	\$ 429,899	\$ 437,612	\$ 629,848	\$ 721,742	\$ 695,176	\$ 142,885	\$ 142,521	\$ 154,288
Total Net Debt applicable to limit as a percentage of debt limit	2.13%	0.97%	0.89%	0.79%	0.50%	0.39%	0.35%	1.46%	1.28%	1.00%

Legal Debt Margin Calculation for Fiscal Year 2011

Net (Taxable) Assessed Value on Books \$ 3,116,765

Debt Limit - 5 Percent of Total Assessed Value \$ 155,838

DEBT
(For which the City's full faith and credit has been pledged)

Gross Bonded Debt 1,550

LEGAL DEBT MARGIN \$ 154,288

Source: City of Dover Financial Reports, City of Dover Charter, Section 50(b), and Tax Assessor's Office
July 2009 the Charter was amended and the debt limit was reduced from 25% of the total assessed value to 5%.

Table 17

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
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%
2011	102,734,764	84,195,802	18,538,962	2,370,000	1,609,192	3,979,192	4.66%

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 2011 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;">\$ 101,902,619</td> </tr> <tr> <td>Interest Earned-Operating Funds</td> <td style="text-align: right;">832,145</td> </tr> <tr> <td>Total Gross Revenue</td> <td style="text-align: right; border-top: 1px solid black;">\$ 102,734,764</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 | \$ 101,902,619 | Interest Earned-Operating Funds | 832,145 | Total Gross Revenue | \$ 102,734,764 | <p>5. 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>6. 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> <p>7. In November 2011, the City issued Electric Revenue Refunding Bonds in the amount of \$8,810,000 to refund the 2004 Series. This refunding reduced the principal payable by \$2,620,000.</p> |
| Gross Revenue: | | | | | | | | | |
| Operating Revenues | \$ 101,902,619 | | | | | | | | |
| Interest Earned-Operating Funds | 832,145 | | | | | | | | |
| Total Gross Revenue | \$ 102,734,764 | | | | | | | | |

Table 18

**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
2002	\$ 9,639,256	\$ 6,185,232	\$ 3,454,024	\$ 1,524,380	2.27%
2003	10,604,052	7,180,175	3,423,877	1,472,412	2.33%
2004	10,101,660	7,608,196	2,493,464	1,553,713	1.60%
2005	10,619,688	7,223,283	3,396,405	1,553,713	2.19%
2006	12,372,563	7,805,396	4,567,167	1,551,228	2.94%
2007	12,294,847	8,242,898	4,051,949	797,748	5.08%
2008	11,594,402	8,763,407	2,830,995	797,748	3.55%
2009	11,067,901	9,510,814	1,557,087	797,708	1.95%
2010	11,204,911	10,319,728	885,183	416,423	2.13%
2011	13,758,048	9,222,105	4,535,943	416,423	10.89%

Source: City of Dover Financial Records.

NOTES

1. Coverage required by bond resolution is 1.20%.
2. The maximum debt service requirement presented above covers all revenue bond requirements. Rates were increased in 2011 for debt service coverage on multi-year projects that are still under construction. Once these projects are completed, debt service requirements will increase.
3. Direct operating expenses do not include depreciation expense for coverage purposes as per the bond indenture.
4. 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 and to provide approximately \$1,600,000 for future capital projects.

Table 19

City of Dover
Demographic and Economic Statistics
Last Ten Calendar Years

Year	Population	Personal Income	Per Capita Personal Income	Median Age	School Enrollment	Unemployment Rate
2002	32,562	\$ 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%
2010	36,627	\$ 712,212,015	\$ 19,445	32.9	8,053	10.2%
2011	36,047	\$ 818,158,759	\$ 22,697	31.3	7,805	9.9%

Population Source: U. S. Census

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

Per Capital Personal Income and Median Age Sources: American Community Survey 2006-2010 Dover, DE

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 20

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

Name	2011			2002		
	Numbers of Employees	Rank	Percentage of Total City Employment	Number of Employees 06/30/2002	Rank	Percentage of Total City Employment
Dover Air Force Base ⁽¹⁾	5,500	1	29.1%	7,900	1	50.9%
State of Delaware ⁽⁴⁾	4,500	2	23.8%	8,614 ⁽³⁾	2	31.5%
Bayhealth Medical Center ⁽²⁾	3,002	3	15.9%	2,426	3	15.6%
Dover Downs Co., Inc.	1,535	4	8.1%	1,055	6	6.8%
Dover Mall LP ⁽³⁾	1,000	6	5.3%	3,200 ⁽³⁾	4	11.7%
Capital School District	866	5	4.6%	809	7	5.2%
Delaware State University	922	7	4.9%	800	8	5.2%
Kraft Foods Inc.	630	9	3.3%	676	9	4.4%
Energizer Personal Care (aka Playtex Products)	509	8	2.7%	1,086	5	7.0%
City of Dover	371	10	2.0%	372	11	2.4%
Playtex Apparat	-	-	-	425	10	2.7%
	18,923			15,521		

Source: City Economic Development Office

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.

Table 21

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

	2002	2003	2004	2005	2006	2007	2008	2009*	2010	2011
Assessor	2.0	2.0	2.0	2.0	2.0	3.0	4.5	4.5	4.5	3.0
Central Services	7.0	7.0	7.0	7.0	8.0	8.0	8.0	8.0	8.0	6.0
City Clerk	3.0	4.0	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	5.0	5.0	5.0	5.0	5.0	5.0
Customer Services	16.0	16.0	16.0	16.0	14.0	14.0	16.0	16.0	16.0	15.0
Delaware Prevention Network	2.0	2.0	2.0	1.0	-	-	-	-	-	-
Facilities Management	11.0	12.0	13.0	13.0	12.0	12.0	13.0	13.0	13.0	13.0
Finance	7.0	7.0	7.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0
Fire	5.5	5.5	5.5	5.5	6.0	6.0	6.0	6.0	6.0	6.0
Fleet Maintenance	5.0	5.0	5.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
Human Resources	3.0	3.0	3.5	3.5	3.5	4.0	4.0	4.0	4.0	3.0
Information Technology	6.0	7.0	7.0	8.0	8.0	8.0	8.0	8.0	8.0	7.0
Library	17.0	17.0	17.0	17.0	17.0	17.0	18.0	18.0	18.0	17.5
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	8.0	8.0	8.0	8.0
Police Civilian	31.0	30.0	29.0	29.0	29.0	29.0	29.0	29.0	29.0	29.0
Police Law Enforcement	81.0	81.0	85.0	87.0	90.0	91.0	93.0	93.0	90.0	91.0
Public Services, Administration	3.0	3.0	4.0	4.0	4.0	4.0	5.0	4.0	4.0	4.0
Public Services, Code Enforcement	-	-	-	-	-	-	-	5.0	5.0	4.5
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	3.0
Public Services, Grounds Maintenance	15.0	15.0	15.0	15.0	16.0	16.0	16.0	16.0	16.0	15.0
Public Services, Inspections	14.0	14.0	14.5	14.5	15.0	15.0	16.0	7.0	7.0	7.0
Public Services, Life Safety	-	-	-	-	-	-	-	4.0	4.0	4.0
Public Services, Planning	2.0	2.0	3.0	3.0	4.0	5.0	5.0	6.0	6.0	5.0
Public Services, Sanitation	13.0	13.0	13.0	13.0	13.0	13.0	13.0	13.0	13.0	12.0
Public Services, Streets	13.0	13.0	11.0	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	3.0	3.0	-	-	-	-	-	-
General Fund Total	269.5	271.5	277.5	281.5	283.5	288.0	298.5	301.5	298.5	289.0
Public Utilities, Electric Administration	3.0	3.0	3.0	3.0	3.0	3.0	4.0	4.0	4.0	4.0
Public Utilities, Electric Engineering	20.5	21.5	18.5	19.5	20.5	20.5	12.5	12.5	12.5	10.0
Public Utilities, Electric System OPS	-	-	-	-	-	-	5.0	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	4.0	4.0	3.0
Public Utilities, Electric Transmission and Distribution	31.0	31.0	29.0	29.0	29.0	29.0	28.0	28.0	28.0	25.0
Emergency Preparedness	1.0	1.0	-	-	-	-	-	-	-	-
Electric Tree Trimmers	5.0	5.0	-	-	-	-	-	-	-	-
Electric Fund Total	65.5	66.5	55.5	56.5	57.5	57.5	54.5	53.5	53.5	47.0
Public Utilities, Construction	12.0	10.0	8.0	8.0	8.0	8.0	7.0	7.0	7.0	6.0
Public Utilities, Wastewater Engineering	-	-	-	-	3.0	3.0	8.0	8.0	8.0	6.0
Public Utilities, Wastewater T & D	9.5	9.5	9.5	9.5	11.0	11.0	11.0	11.0	11.0	9.0
Public Utilities, Water T & D	9.5	9.5	4.5	4.5	5.0	5.0	5.0	5.0	5.0	4.0
Public Utilities, Water Treatment Plant	5.0	8.0	8.0	8.0	8.0	9.0	10.0	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	-
Water/Wastewater Fund Total	37.0	38.0	31.0	31.0	36.0	37.0	42.0	42.0	42.0	35.0
Total Full-Time Equivalents	372.0	376.0	364.0	369.0	377.0	382.5	395.0	397.0	394.0	371.0

Source: City of Dover Budget

* Per Revised Budget

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Table 22

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

	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	June 30, 2011
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	14,406.68	14,571.35	14,714.60	14,674.58	14,914.27	14,904.90	14,904.90	14,909.33	14,909.33
Land area - Square Miles	22.473	22.5104	22.7677	22.991	22.929	23.303	22.586	22.586	23.29	23.29
Total Miles of Street	148.81	149.1	150.69	152.96	153.76	155.62	159.62	159.62	159.62	101.59
City Maintained Miles of Streets	89.46	89.75	91.34	93.61	94.41	96.27	100.27	100.27	100.27	101.59
State Maintained Miles of Streets	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	32,043	32,043	32,043	32,043	32,043	32,043	32,043	32,043	36,047
Population-City Count	33,169	33,829	33,829	33,829	34,288	35,197	35,200	36,359	36,627	37,341
Registered Voters	20,381	19,850	18,259	18,714	19,502	19,084	20,181	21,897	21,897	21,454
Electric Utility:										
Generating Units	4	4	4	4	4	4	4	4	4	4
Co-Generating Unit	1	0	0	0	0	1	1	1	1	1
	5	4	4	4	4	5	5	5	5	5
Generating Capacity	175 mw	175 mw	175 mw	175 mw	175 mw	176 mw	176 mw	175 mw	175 mw	175 mw
Co-Generating Capacity	16 mw	0 mw	0 mw			16 mw	16 mw	16 mw	16 mw	16 mw
	191 mw	175 mw	175 mw	175 mw	175 mw	192 mw	192 mw	191 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	16	16	16	16	15	15	15	15	15
High Peak Load	171 mw	165 mw	163 mw	160	160	176 mw	175 mw	155.656 mw	164.082 mw	162.6 mw
Customers:										
Residential	17,246	17,636	17,757	17,867	18,297	18,807	19,075	19,635	19,827	19,730
Commercial	2,626	2,836	2,915	2,813	3,280	3,535	3,602	3,096	3,141	3,140
Primary	32	30	33	32	32	38	38	41	41	42
Vapor Lights Only	865	874	874	867	867	872	880	850	843	820
69 KV Industrial	3	4	4	4	4	3	3	3	3	3
Municipal- Total number of meters	149	149	148	149	149	0	0	0	0	0
Total Customers Sales \$	\$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	\$99,513,157
Total Customers Sales kWh	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	711,907,207
Power Supply										
\$	\$34,377,595	\$36,222,102	\$37,675,178	\$39,628,388	\$41,871,486	\$70,800,844	\$68,831,697	\$74,928,897	\$72,695,602	\$69,616,078
kWh	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	768,254,000
Fire Department:										
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-Active)	80	100	100	100	100	100	100	80	120	100
Equipment	13	15	15	11	14	14	18	14	14	14

(Continued)

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(Continued)

	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	June 30, 2011
Parks and Recreation:										
Major Parks	2	3	3	3	3	3	3	3	3	3
Small Parks	23	23	23	22	22	22	22	22	22	22
Police Department:										
Station	1	1	1	1	1	1	1	1	1	1
Substation	1	1	0	0	0	0	0	0	0	0
Uniformed Personnel	81	81	85	87	88	90	92	92	90	93
Automobiles	65	60	74	79	71	66	66	66	66	67
Motorcycles	5	5	5	5	5	5	7	7	7	7
Motor Boats	1	1	1	1	1	1	1	1	1	1
Bicycles	5	5	5	4	4	4	4	4	4	4
Specialty Vehicles	7	7	5	5	6	6	6	6	7	7
Trailers	4	3	3	3	4	4	3	3	3	3
Public Library:										
Books	85,594	93,340	97,820	101,631	111,496	120,203	119,392	121,312	138,931	103,091
Audiovisual Materials (VCRs, DVDs, CDs, Cassettes, Recorded Books)	12,578	6,725	9,823	10,138	7,171	11,507	11,917	15,356	15,572	14,409
Members	38,898	43,185	46,318	48,626	39,202	37,036	37,587	39,354	36,534	33,466
Magazines Subscriptions	285	289	359	359	359	359	287	193	201	178
Newspapers	12	10	12	12	12	15	29	19	19	19
Circulation of Books	307,533	327,310	348,269	398,842	398,666	400,336	408,827	428,633	375,632	400,130
Water Utility:										
Supply - Wells	15	22	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)	162	165	175	185 miles	176 miles	176 miles	196 miles	215.7 miles	215.7 miles	215.7 miles
Average Daily Gallons Pumped	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	4,656,334
Peak Daily Gallons	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	8,620,000
Water Gallons - Pumped	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	1,699,562,000
Number of Metered Customers	11,670	10,999	11,150	11,625	11,764	11,962	13,229	13,375	13,863	12,330
Number of New Connections	263	173	298	475	139	198	284	146	488	0
Wastewater Utility:										
Pumping Stations	34	34	34	34	38	42	42	42	42	42
Wastewater Mains	150 miles	152 miles	155 miles	160 miles	185 miles	185 miles	185 miles	185 miles	185 miles	185 miles
Average Daily Gallons	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	4,230,586
Peak Daily Gallons	4,530,000	7,000,000	7,000,000	5,983,000	Not Measured	Not Measured	Not Measured	Not Measured	Not Measured	Not Measured
Total Annual Gallons	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	1,544,249,000
Number of New Connections	236	133	250	350	Not Available	Not Available	Not Available	146	488	0
Water Treatment Plant:										
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
Sales to Customers:										
Water Fees	\$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	\$4,945,385
Wastewater Fees	\$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	\$3,694,020
Wastewater Adjustment	\$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	\$3,058,656

Sources: Various City departments

Table 23

**City of Dover, Delaware
Schedule of Insurance
as of June 30, 2011**

TYPE OF COVERAGE		PROTECTION 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) 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) \$50,000 Deductible	\$2,000,000
	Blanket Business Earnings & Expense	\$100,000
2.	Inland Marine-	
	Miscellaneous Scheduled	
	Electronic Data Processing Equipment (\$1,000 Deductible)	\$1,674,830
	Unlisted Items (Maximum any one item \$5,000)	\$100,000
	Employee Tools (\$250 Deductible [Maximum any one item \$18,000])	\$112,812
	Scheduled Equipment (\$1,000 Deductible)	\$9,885
	Leased or Rented Equipment (Maximum any one item \$100,000)	\$100,000
	New Acquired Equipment	\$250,000
	Rental Cost (per item)	\$5,000
	Scheduled Property - Bikes & Boat	\$16,000
	Flood Deductible	\$1,000
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
	Sexual Abuse Total Limit	\$2,000,000
	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

(Continued)

Table 23

(Continued)

TYPE OF COVERAGE		PROTECTION LIMIT IN DOLLARS
8.	Crime	
	Employee Theft Per Loss	\$500,000
	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 (\$1,000 Deductible)	\$100,000
	Faithful Performance Coverage	
9.	Boiler and Machinery Insurance (Excluding Power Plants)	
	Coverage Limit	Property Limit
	Deductible	\$10,000
	Expediting Expenses	\$100,000
	Hazardous Substance	\$250,000
	Ammonia Contamination	\$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
	Each Event Limit	\$4,000,000
	Deductible Per Event	\$10,000
	Umbrella Underlying Policies:	
	General Liability	\$1,000,000
	Employment Benefits	\$1,000,000
	Auto Liability	\$1,000,000
	Law Enforcement Liability	\$1,000,000
	Public Entity Management Liability	\$1,000,000
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
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	\$5,000,000
	Earthquake	\$20,000,000
	Flood	\$10,000,000
	Debris Removal	\$2,500,000
	Property in Transit	\$2,500,000
	Demolition & Increase Cost of Construction	\$10,000,000
	Deductibles	\$100,000
	Except: \$250,000 per occurrence w/respect to Unit #3 Steam Turbine Generator	
	Per occurrence w/respect to Unit #3 Step Up Transformer	
	\$300,000 per occurrence w/respect to Unit #4 Gas Turbine	