

CITY OF DOVER, DELAWARE

**Single Audit Together with
Reports of Independent Public Accountants**

For the Year Ended June 30, 2012



SB & COMPANY, LLC
EXPERIENCE • QUALITY • CLIENT SERVICE

JUNE 30, 2012

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Dover Delaware (the City), as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2012, 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.

We also audited the adjustment described in Note 8 that was applied to restate the balance sheet as of June 30, 2011. In our opinion, such adjustment is appropriate and has been properly applied.

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, the general fund - schedule of revenues, expenditures, and changes in fund balance - budget and actual, the governmental capital projects fund - schedule of revenues, expenditures and changes in fund balance - budget and actual, and required supplemental schedules of funding progress and schedules of employer contributions for the Pension Plans Funds and Other Post Employment Plan, 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 evidence sufficient 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's basic financial statements. The combining nonmajor fund financial statements and other budgetary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or provide any assurance on them.

SB + Company, LLC

Hunt Valley, Maryland
December 21, 2012



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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Dover, Delaware (the City), as of and for the year ended June 30, 2012, and have issued our report thereon dated December 21, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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



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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the City Commissioners, others within the City, Federal awarding agencies and, if applicable, pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

SB & Company, LLC

Hunt Valley, Maryland
December 21, 2012



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**REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON COMPLIANCE
WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL
EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

We have audited the City of Dover's (the City) compliance with the types of compliance requirements described in OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major Federal programs for the year ended June 30, 2012. The City's major Federal programs are identified in the summary of independent public accountant's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2012, and have issued our report thereon dated December 21, 2012, which contained an unqualified opinion on those financial statements. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the City's financial statements. The accompanying schedule of expenditures of Federal awards is presented for purposes of additional analysis as required by Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of Federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.



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Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2012. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2012-01, 2012-02, and 2012-03.

Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a Federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal compliance that we consider to be *material weaknesses*, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items 2012-01, 2012-02, and 2012-03.



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A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the City Commissioners, Federal awarding agencies and, if applicable, pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

SB & Company, LLC

Hunt Valley, Maryland
March 28, 2013

CITY OF DOVER, DELAWARE

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-through or Grant Number	Federal Expenditures
Department of Housing and Urban Development			
Community Development Block Grant	14.218	B-09-MC-10-0002	\$ 71
Community Development Block Grant	14.218	B-10-MC-10-0002	48,442
Community Development Block Grant	14.218	B-11-MC-10-0002	179,566
<u>Passed through State of Delaware</u>			
Neighborhood Stabilization Program	14.228	Contract No. NSP 02-08	171,756
Total Department of Housing and Urban Development			399,835
Department of Justice			
VAWA Grant	16.588	VW09-214	300
CJC PSN Grant	16.609	SN08-404	5,276
LE Training & OT	16.738	DB10-10	19,116
FY 2012 ATF	16.727	N/A	6,717
Byrne Grant	16.738	2009-DJ-BX-0478	18,893
Byrne Grant	16.738	2010-DJ-BX-0020	46,018
Byrne Grant	16.738	2011-DJ-BX-2449	72,020
Byrne Grant	16.738	2012-DJ-BX-0242	10,479
Title V - Delinquency Prevention Program	16.548	JD09-91	11,369
Title V - Delinquency Prevention Program	16.548	JD10-91	23,793
2009 Cops Grant	16.710	2009RKWX0194	72,395
Federal Forfeiture Funds	16.000	DE0010100	221,710
Total Department of Justice			508,086
Department of Transportation			
FY 10 Hwy Safety Grant	20.600	N/A	10,175
Highway Special Events	20.600	N/A	51,067
FY 11 Highway Safety Grant	20.600	H107	11,634
Total Department of Transportation			72,876
National Endowment for the Arts			
Project Support Grant	45.025	2012.6153	1,500
Environmental Protection Agency			
<u>Passed through State of Delaware</u>			
ARRA - Capitalization Grant for Clean Water - State Revolving Funds WW	66.458	12000032	691,351
ARRA - Capitalization Grant for Clean Water - State Revolving Funds Water	66.468	21000038	1,899,907
ARRA - Capitalization Grant for Clean Water - State Revolving Funds WW	66.458	12000047	393,674
ARRA - Clean Water Act Section for Watershed Coordinator	66.454	2P-97381001	33,443
Total Environmental Protection Agency			3,018,375

The accompanying notes are an integral part of this schedule.

CITY OF DOVER, DELAWARE

**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012**

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>CFDA Number</u>	<u>Pass-through or Grant Number</u>	<u>Federal Expenditures</u>
Department of Homeland Security			
FY10 BZPP-Dover PD	97.078	FY10 BZPP-Dover PD	\$ 53,650
FY10 BZPP-Dover PD	97.078	FY10 BZPP-Dover PD	19,850
FY10 BZPP-Dover PD	97.078	FY10 BZPP-Dover PD	10,150
Total Department of Homeland Security			<u>83,650</u>
Total Expenditures of Federal Awards			<u>\$ 4,084,322</u>

The accompanying notes are an integral part of this schedule.

CITY OF DOVER, DELAWARE

**Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

All Federal grant operations of the City of Dover, Delaware (the City) are included in the scope of Office of Management and Budget (OMB) Circular A-133 Audit (the Single Audit). The Single Audit was performed in accordance with the provisions of the OMB Circular A-133, Compliance Supplement (the Compliance Supplement). Compliance testing of all requirements, as described in the Compliance Supplement, was performed for the grant programs noted below. The programs on the Schedule of Expenditures of Federal Awards represent all Federal award programs and other grants with fiscal year 2012 cash or non-cash expenditure activities. For our single audit testing, we tested Federal award programs to ensure coverage of at least 50% of Federally granted funds. Our actual coverage was 73%. The major programs tested are listed below.

<u>Major Program</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
ARRA - Capitalization Grant for Clean Water - State Revolving Funds WW	66.458	\$ 1,085,025
ARRA - Capitalization Grant for Clean Water - State Revolving Funds Water	66.468	1,899,907
		<u>\$ 2,984,932</u>

2. BASIS OF PRESENTATION

The accompanying schedule of expenditures of Federal awards is prepared on the accrual basis of accounting.

3. SUB-RECIPIENTS OF FEDERAL AWARDS

The City passed funds to sub-recipients totaling \$147,041, during the year ended June 30, 2012. A summary of the entities which the funds were passed to is listed below:

<u>Recipient</u>	<u>CFDA</u>	<u>Amount Paid to Sub-Recipient</u>
Millford Housing Development Corporation	14.218	\$ 31,060
Connections CSP Inc.	14.218	5,000
Dover Interfaith	14.218	27,331
Dover International Speedway	97.078	83,650
Total		<u>\$ 147,041</u>

CITY OF DOVER, DELAWARE

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2012**

Section I –Summary of Independent Public Accountants’ Results

Financial Statements

Type of independent public accountants’ report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiencies:	None noted
Noncompliance material to financial statements?	No

Federal Awards

Type of report of independent public accountants’ issued on compliance for major programs:	Unqualified
Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiencies:	Yes
Audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	Yes

Identification of Major Programs:

<u>Major Program</u>	<u>Federal CFDA</u>	<u>Federal Expenditures</u>
ARRA - Capitalization Grant for Clean Water - State Revolving Funds WW	66.458	\$ 1,085,025
ARRA - Capitalization Grant for Clean Water - State Revolving Funds Water	66.468	1,899,907
		<u>\$ 2,984,932</u>
Dollar threshold used to determine Type A and B programs		\$ 300,000
Does the City qualify as a low-risk auditee?		No

CITY OF DOVER, DELAWARE

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2012**

Section II –Financial Statement Findings

None noted.

Section III –Federal Award Findings

See Reference Numbers 2012-01, 2012-02, and 2012-03.

CITY OF DOVER, DELAWARE

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2012**

Reference Number: 2012-01

**Program Number: CFDA #16.738 FY10 LE Training & OT
CFDA #16.727 FY 2012 ATF**

Type of Finding: Noncompliance, Significant Deficiency

Compliance Requirement(s): Allowable Costs, Payroll and Fringe Benefits

Criteria:

Per the 2011 Financial Guide, U.S. Department of Justice, Office of Justice Program, allowable costs, overtime compensation:

1. You should compensate recipient and sub-recipient employees with overtime payments for work performed in excess of the established work week (usually 40 hours).
 - a. Payment of more than occasional overtime is subject to periodic review by the awarding agency.
 - b. In addition, overtime compensation is typically reviewed during site visits and audits.
2. Executives, such as the president or executive director of an organization, may not be reimbursed for overtime or compensatory time under grants and cooperative agreements.
3. In no case is dual compensation allowable. That is, an employee of a unit of Federal, State, or local government may not receive compensation from his/her unit or agency of government and from an award for a single period of time (e.g., 1 to 5 p.m.), even though such work may benefit both activities.

Condition:

The City allows officers to receive compensation for vacation/leave time and from Federal award for a single period of time (e.g. 1 to 5 p.m.). The officers are working an extra-duty shift that is paid at time and half and charged against the Federal grant. The City was notified by the pass-through granting agency that this was an allowable activity.

Cause:

The City is not familiar with the allowable costs of the grants

Effect:

The Federal programs were charged with OT, while the officer had not worked more than 40 hours during the week.

Recommendation:

We recommend the City work with Federal agencies in developing policies and procedures related to the charging of overtime.

Questioned costs:

Unknown.

CITY OF DOVER, DELAWARE

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2012**

Reference Number: 2012-01 (continued)

Corrective Action Plan:

Our Chief of Police has implemented your recommendation for the City to ensure that officers who are working on Federal grants and less than 40 hours in a week do not charge overtime rates to the Federal government.

CITY OF DOVER, DELAWARE

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2012

Reference Number: 2012-02

Program Number: All

Type of Finding: Significant Deficiency

Compliance Requirement(s): Allowable Costs

Criteria:

Per the 2011 Financial Guide, U.S. Department of Justice, Office of Justice Program, support of salaries, wages, and fringe benefits:

Charges made to Federal awards for salaries, wages, and fringe benefits will be based on payroll records approved by a responsible official(s) and in accordance with the generally accepted practice of the organization.

- Where recipient employees are expected to work solely on a single Federal award, charges for their salaries must be supported by periodic certifications.
- These certifications must be prepared at least every 6 months and signed by the employee and supervisory official having firsthand knowledge of the employee's work.
- Where grant recipients work on multiple grant programs or cost activities, a reasonable allocation of costs to each activity must be made based on time and/or effort reports (e.g., timesheets). These reports must:
 - Reflect an after-the-fact distribution of the actual activity of each employee;
 - Account for the total activity for which each employee is compensated;
 - Be prepared monthly and coincide with one or more pay periods; and
 - Be signed by the employee and approved by a supervisory official having firsthand knowledge of the work performed.
- In cases where two or more grants constitute one identified activity or program, salary charges to one grant may be allowable after written permission is obtained from the awarding agency.

Condition:

During procedures performed to understand controls, SBC confirmed that officers that are being charged to the grants are not reporting their time individually. Officers have the ability to record time for another officer.

Cause:

The City is unaware of the time reporting requirements applicable to Federal grants.

Effect:

Federal grants may have been charged incorrectly due to weak internal control over time reporting.

CITY OF DOVER, DELAWARE

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2012**

Reference Number: 2012-02 (continued)

Recommendation:

We recommend that the City adjust their time reporting system to restrict users from the ability to report time on another individual's behalf.

Questioned costs:

Unknown.

Corrective Action Plan:

We are developing City-wide procedures and internal control processes that will restrict users from the ability to report time on another individual's behalf.

CITY OF DOVER, DELAWARE

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2012**

Reference Number: 2012-03

Program Number: All

Type of Finding: Significant Deficiency
Compliance Requirement(s): Financial Reporting

Criteria:

According to OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, § .310, B(3), the auditee is required to “provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available” included in the Schedule of Expenditures of Federal Awards (SEFA).

Condition:

City administrators reported an incomplete SEFA, upon further inquiry, additional Federal funds were discovered. Prior years Federal amounts could be understated

Cause:

Because most of the grants are received through sub-recipients and were not notified that the grants were from Federal agencies.

Effect:

Audit adjustments were required to the current year SEFA.

Recommendation:

We recommend that department grant managers ensure that record of Federal grants are tracked separately and reported to the finance department during the compilation of the SEFA.

Questioned costs:

Unknown.

Corrective Action Plan:

We are working with the Department Heads to insure that all grants be tracked separately and reported to Finance by Federal Agency, Program and CFDA number. The reporting will be completed and reconciled with Finance accounts monthly for compilation of the SEFA.

CITY OF DOVER, DELAWARE

**Schedule of Prior Year Findings and Questioned Costs
For the Year Ended June 30, 2012**

Finding 2011-1

Department of Housing and Urban Development Community

Development Block Grant
CFDA No. 14.218

**Type of Finding: Noncompliance, Significant Deficiency
Compliance Requirement(s): Sub-recipient Monitoring**

Criteria:

The City of Dover passes through grant funds received under the Community Development Block Grant to non-profit organizations in its area. As a pass-through entity, the City has certain responsibilities in regards to its sub-recipients. One of these requirements is to identify to the sub-recipient the Federal award information, i.e. CFDA title and number, award name and number, and name of Federal awarding agency.

Condition:

For the year ended June 30, 2011, the City made three sub-awards and did not comply with the requirement to notify the sub-recipients of the Federal award information.

Cause:

The City does not have written procedures covering its responsibilities regarding sub-recipients.

Effect:

The sub-recipient's lack of information could cause a sub-recipient to not comply with requirements of the Single Audit Act.

Questioned Costs:

None.

Recommendation:

We recommend that the City should review its responsibilities with respect to sub-recipients and design procedures to ensure compliance with the requirements.

Auditee Response and Corrective Action Plan:

The City has addressed the procedural matter of notifying the sub-recipients of the Federal award information. Staff has been requested to establish written procedures covering its responsibilities regarding the sub-recipients within the next thirty days. The City will provide you, the auditors, the formal procedures as soon as they are available.

Status:

The City has addressed the matter by including the required information within the sub-recipient grant agreements.

The City of Dover
 Statement of Net Assets
 June 30, 2012

	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and cash equivalents	\$ 2,895,605	\$ 8,010,528	\$ 10,906,133
Investments	4,022,628	23,978,366	28,000,994
Receivables, net	2,785,509	7,492,888	10,278,397
Internal balances	463,832	(463,832)	-
Due from other governments	300,491	-	300,491
Inventory, at cost	146,562	3,931,323	4,077,885
Prepaid items	54,368	15,459	69,827
Restricted cash and cash equivalents	857,292	8,521,813	9,379,105
Restricted investments	18,136	26,746,829	26,764,965
Net pension	263,076	1,409,473	1,672,549
Land and construction in progress	20,718,301	5,202,899	25,921,200
Capital assets, net of depreciation	31,009,638	130,528,414	161,538,052
Total assets	63,535,438	215,374,160	278,909,598
Liabilities:			
Accounts payable and accrued liabilities	3,701,738	6,232,357	9,934,095
Unearned revenue	801,533	285,867	1,087,400
Customer deposits	-	1,904,431	1,904,431
Other	121,215	748,397	869,612
Non-current liabilities			
Due within one year	1,429,065	3,059,437	4,488,503
Due in more than one year	2,936,874	36,648,343	39,585,216
Due in more than one year - OPEB	11,179,542	407,997	11,587,539
Total liabilities	20,169,967	49,286,829	69,456,796
Net Assets:			
Invested in capital assets net of related debt	49,642,124	98,303,263	147,945,387
Restricted for:			
Capital construction	38,479	33,836,315	33,874,794
Public Safety	190,520	-	190,520
Other purposes	253,781	-	253,781
Unrestricted	(6,759,433)	33,947,753	27,188,320
Total Net Assets	\$ 43,365,471	\$ 166,087,331	\$ 209,452,802

See accompanying notes to financial statements

The City of Dover
Statement of Activities
For the Year Ended June 30, 2012

Functions/Programs	Expenses	Indirect Expenses Allocation	Program Revenue			Net (Expenses) Revenue and Changes in Net Assets		Total
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	
Governmental activities								
General government	\$ 2,002,538	\$ (822,211)	\$ 4,043,168	\$ 66,576	\$ -	\$ 2,929,417	\$ -	\$ 2,929,417
Public safety	17,638,304	-	4,803,827	1,196,392	-	(11,638,085)	-	(11,638,085)
Public works	8,625,613	(490,441)	1,903,623	664,036	290,246	(5,277,267)	-	(5,277,267)
Library and recreation	2,377,363	-	632,824	283,927	6,002,057	4,541,445	-	4,541,445
Community and economic development	773,208	-	-	443,120	-	(330,088)	-	(330,088)
Central services	1,315,984	(846,599)	-	-	-	(469,385)	-	(469,385)
Financial administration	2,986,473	(1,839,949)	-	-	-	(1,146,524)	-	(1,146,524)
Other post-employment benefits	6,534,630	-	-	-	-	(6,534,630)	-	(6,534,630)
Interest charges	90,161	-	-	-	-	(90,161)	-	(90,161)
Total governmental activities	<u>42,344,274</u>	<u>(3,999,200)</u>	<u>11,383,442</u>	<u>2,654,051</u>	<u>6,292,303</u>	<u>(18,015,278)</u>	<u>-</u>	<u>(18,015,278)</u>
Business type activities								
Water/wastewater	10,174,421	894,186	13,775,833	-	441,285	-	3,148,511	3,148,511
Electric	74,520,659	3,105,014	93,529,401	-	-	-	15,903,728	15,903,728
Total business type activities	<u>84,695,080</u>	<u>3,999,200</u>	<u>107,305,234</u>	<u>-</u>	<u>441,285</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>\$ 127,039,354</u>	<u>\$ -</u>	<u>\$ 118,688,676</u>	<u>\$ 2,654,051</u>	<u>\$ 6,733,588</u>	<u>\$ (18,015,278)</u>	<u>\$ 19,052,239</u>	<u>\$ 1,036,961</u>
General revenues								
Taxes								
Property taxes						11,050,198	-	11,050,198
Transfer taxes						1,373,103	-	1,373,103
Earnings on investments						141,925	630,420	772,345
Total general revenues						12,565,226	630,420	13,195,646
Transfers						8,300,796	(8,300,796)	-
Total general revenues and transfers						20,866,022	(7,670,376)	13,195,646
Changes in net assets						2,850,744	11,381,863	14,232,607
Net assets beginning						40,514,727	154,705,468	195,220,195
Net assets ending						<u>\$ 43,365,471</u>	<u>\$ 166,087,331</u>	<u>\$ 209,452,802</u>

See accompanying notes to financial statements

**The City of Dover
 Governmental Funds Balance Sheet
 June 30, 2012**

	General Fund	Other Governmental Funds	Total Governmental Funds
Assets:			
Cash and Cash Equivalents	\$ 2,428,006	\$ -	\$ 2,428,006
Restricted Cash and Cash Equivalents	99,528	757,764	857,292
Investments	3,412,604	-	3,412,604
Restricted Investments	18,136	-	18,136
Receivables, net			
Accounts	2,380,970	114,476	2,495,446
Taxes	270,499	-	270,499
Due from Other Funds			
Charges	650,228	135,697	785,925
Due from Other Governments	-	300,491	300,491
Prepaid Items	30,019	13,099	43,118
Inventory, at cost	146,562	-	146,562
Total Assets	<u>\$ 9,436,552</u>	<u>\$ 1,321,527</u>	<u>\$ 10,758,079</u>
Liabilities:			
Accounts Payable	\$ 2,828,599	\$ 398,858	\$ 3,227,457
Deferred Revenue	1,473,133	162,503	1,635,636
Due to Other Funds			
Charges	144,726	176,262	320,988
Other	121,215	-	121,215
Total liabilities	<u>4,567,673</u>	<u>737,623</u>	<u>5,305,296</u>
Fund Balances:			
Non-spendable	198,175	13,099	211,274
Restricted	83,356	399,424	482,780
Committed	920,475	-	920,475
Assigned	658,890	171,381	830,271
Unassigned	3,007,983	-	3,007,983
Total fund balances	<u>4,868,879</u>	<u>583,904</u>	<u>5,452,783</u>
Total liabilities and fund balances	<u>\$ 9,436,552</u>	<u>\$ 1,321,527</u>	<u>\$ 10,758,079</u>

See accompanying notes to financial statements

The City of Dover
Reconciliation of Governmental Fund Balances
To Government-Wide Net Assets
June 30, 2012

Total fund balances for governmental funds (Page 39)	\$	5,452,783	
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.		51,727,939	
Other assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.		834,103	
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	\$	198,350	
General Pension Plan		<u>64,726</u>	263,076
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.			633,051
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	\$	(420,000)	
Compensated Absences		<u>(1,009,065)</u>	
		(1,429,065)	
Long-Term-			
General Obligation Bonds, net of discount	\$	(1,665,815)	
Compensated Absences		(1,271,059)	
Net OPEB Obligation		<u>(11,179,542)</u>	
		(14,116,416)	(15,545,481)
Total net assets of governmental activities (Page 37)	\$		<u><u>43,365,471</u></u>

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, 2012

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues			
Fines	\$ 684,012	\$ 518,603	\$ 1,202,615
Library revenue- general	53,101	-	53,101
Library revenue county reimbursement	422,721	-	422,721
Licenses and permits	2,816,866	-	2,816,866
Sanitation fees and rebates	1,903,623	-	1,903,623
Recreation	-	44,522	44,522
Miscellaneous services	3,939,634	660	3,940,294
Property taxes	11,089,429	-	11,089,429
Transfer taxes	-	1,373,103	1,373,103
Grants received	6,865,165	2,044,593	8,909,758
Court of Chancery fees	863,220	-	863,220
Investment income	116,870	535	117,405
Total revenues	28,754,641	3,982,016	32,736,657
Expenditures			
Current:			
General government	1,093,772	-	1,093,772
Library services	13,219,138	299,431	13,518,569
Public safety and law enforcement	16,478,602	523,017	17,001,619
Public works	1,649,460	424,601	2,074,061
Recreational services	827,230	-	827,230
Streets and sanitation services	3,280,165	-	3,280,165
Financial administration	902,009	-	902,009
Garage and stores	503,036	-	503,036
Insurance	198,241	-	198,241
Retiree health care	1,614,241	-	1,614,241
Employee pension	1,545,000	-	1,545,000
Community and economic development	216,803	556,405	773,208
Street lights	986,430	-	986,430
Debt Service:			
Principal retirement	275,000	-	275,000
Interest and fiscal charges	52,734	-	52,734
Bond issuance costs	27,255	-	27,255
Total expenditures	42,869,116	1,803,454	44,672,570
Excess (deficiency) of revenues over (under) expenditures	(14,114,475)	2,178,562	(11,935,913)
Other financing sources and uses			
Proceeds from sale of bonds	851,500	-	851,500
Transfers in	10,956,297	2,907	10,959,204
Transfers out	(2,907)	(2,655,501)	(2,658,408)
Total other financing sources and uses	11,804,890	(2,652,594)	9,152,296
Net change in fund balances	(2,309,585)	(474,032)	(2,783,617)
Fund balances at beginning of year	7,760,608	1,057,936	8,818,544
Prior Period Adjustment - Deferred Revenue	(582,144)	-	(582,144)
Fund balances at beginning of year - Restated	7,178,464	1,057,936	8,236,400
Fund balances at end of year	\$ 4,868,879	\$ 583,904	\$ 5,452,783

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, 2012

Net change in fund balances--total governmental funds (Page 41) \$ (2,783,617)

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	\$ 13,927,289	
Loss on assets transferred in and not fully depreciated	(45,880)	
Current Year depreciation and amortization	<u>(2,492,608)</u>	11,388,801

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. 275,000

Changes in other assets are not available to pay for current period expenditures and therefore are deferred in the funds. (457,816)

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, 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. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Amortization of 2003 Bond Issuance costs	\$ (10,172)	
2012 Library Construction Loan Proceeds	<u>(851,500)</u>	(861,672)

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.

Decrease in compensated absences	\$ 306,544	
Increase in net pension asset - Police Plan	(337,461)	
Increase in net pension asset - General Pension Plan	(21,236)	
Increase in net OPEB obligation - General Fund	<u>(3,354,153)</u>	(3,406,306)

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. (1,303,646)

Change in net assets of governmental activities (Page 38) \$ 2,850,744

See accompanying notes to financial statements

The City of Dover
 Statement of Net Assets - Proprietary Funds
 June 30, 2012

	Enterprise Funds		Total	Governmental Activities - Internal Service Fund
	Water/ Wastewater Fund	Electric Revenue Fund		
Assets				
Current assets:				
Cash and cash equivalents	\$ 1,571,836	\$ 6,438,692	\$ 8,010,528	\$ 467,599
Investments	6,999,674	16,978,692	23,978,366	610,024
Receivables, net	855,506	6,637,382	7,492,888	19,564
Due from other funds-charges	72	24,590	24,662	-
Inventory	67,789	3,863,534	3,931,323	-
Prepaid items	477	14,982	15,459	11,250
Total current assets	9,495,354	33,957,872	43,453,226	1,108,437
Non-current assets:				
Restricted assets				
Cash	1,432,327	7,089,486	8,521,813	-
Investments	3,911,530	22,835,299	26,746,829	-
Net pension/OPEB asset	201,122	1,208,351	1,409,473	-
Land and construction in progress	2,955,819	2,247,080	5,202,899	-
Capital assets, net of depreciation	42,544,676	87,983,738	130,528,414	-
Total non-current assets	51,045,474	121,363,954	172,409,428	-
Total assets	60,540,828	155,321,826	215,862,654	1,108,437
Liabilities				
Current liabilities:				
Accounts payable and accrued expenses	470,654	5,761,703	6,232,357	475,386
Due to other funds - charges	128,396	360,098	488,494	-
Deferred revenue	-	285,867	285,867	-
Accrued interest payable	118,370	630,027	748,397	-
Customer deposits	-	1,904,431	1,904,431	-
Revenue bonds payable	687,230	2,110,000	2,797,230	-
Liability for compensated absences	81,961	180,247	262,207	-
Total current liabilities	1,486,611	11,232,373	12,718,983	475,386
Non-current liabilities:				
Net OPEB Obligation	407,997	-	407,997	-
Revenue bonds payable	10,178,124	25,885,025	36,063,149	-
Liability for compensated absences	102,374	482,819	585,194	-
Total non-current liabilities	10,688,495	26,367,844	37,056,340	-
Total liabilities	12,175,106	37,600,217	49,775,323	475,386
Net Assets				
Invested in capital assets, net of related debt	36,067,468	62,235,795	98,303,263	-
Restricted for capital construction	3,911,530	29,924,785	33,836,315	-
Unrestricted	8,386,724	25,561,029	33,947,753	633,051
Total net assets	\$ 48,365,722	\$ 117,721,609	\$ 166,087,331	\$ 633,051

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, 2012

	Enterprise Funds			Governmental Activities - Internal Service Funds
	Water/ Wastewater Fund	Electric Revenue Fund	Total	
Operating Revenues				
Charges for services	\$ 11,481,030	\$ 91,947,980	\$ 103,429,010	\$ -
Miscellaneous services/income	2,294,803	1,581,421	3,876,224	564,887
Total operating revenues	<u>13,775,833</u>	<u>93,529,401</u>	<u>107,305,234</u>	<u>564,887</u>
Operating Expenses				
Water/wastewater services	7,637,920	-	7,637,920	-
General administrative	1,041,868	5,223,149	6,265,017	1,769,964
Power supply	-	58,929,133	58,929,133	-
Transmission/distribution	-	3,023,566	3,023,566	-
Engineering	-	1,163,379	1,163,379	-
Metering	-	205,791	205,791	-
Systems operations	-	498,063	498,063	-
Utility tax	-	1,548,209	1,548,209	-
Depreciation	1,603,159	4,783,444	6,386,603	-
Contractual services	-	-	-	31,100
Taxes	-	-	-	24,337
Retirees healthcare	383,765	1,015,731	1,399,496	-
Self insurance-workers' compensation	-	-	-	67,652
Total operating expenses	<u>10,666,712</u>	<u>76,390,465</u>	<u>87,057,177</u>	<u>1,893,053</u>
Operating income	<u>3,109,121</u>	<u>17,138,936</u>	<u>20,248,057</u>	<u>(1,328,166)</u>
Non-operating Revenues (Expenses)				
Interest earned:				
Operating funds	43,089	120,876	163,965	-
Reserve funds	66,519	348,640	415,159	19,987
Net increase in fair value of investments	6,096	45,200	51,296	4,533
Interest and fiscal charges	(403,597)	(1,283,174)	(1,686,771)	-
Gain on sale of assets	1,702	47,966	49,668	-
Total non-operating revenue (expenses)	<u>(286,191)</u>	<u>(720,492)</u>	<u>(1,006,683)</u>	<u>24,520</u>
Income before contributions and transfers	<u>2,822,930</u>	<u>16,418,444</u>	<u>19,241,374</u>	<u>(1,303,646)</u>
Contractor contributions - infrastructure	441,285	-	441,285	-
Transfers out	(424,508)	(7,876,288)	(8,300,796)	-
Change in net assets	2,839,707	8,542,156	11,381,863	(1,303,646)
Total net assets--beginning	45,526,015	109,179,453	154,705,468	1,936,697
Total net assets--ending	<u>\$ 48,365,722</u>	<u>\$ 117,721,609</u>	<u>\$ 166,087,331</u>	<u>\$ 633,051</u>

See accompanying notes to financial statements

The City of Dover
 Statement of Cash Flows - Proprietary Funds
 For the Year Ended June 30, 2012

	Enterprise Funds			Governmental Activities - Internal Service Fund
	Water Wastewater Fund	Electric Revenue Fund	Total	
Cash Flows from Operating Activities				
Receipts from customers	\$ 13,847,970	\$ 94,594,624	\$ 108,442,594	\$ -
Payments to suppliers (including purchased power)	(7,773,310)	(65,156,443)	(72,929,753)	(101,532)
Payments to employees	(1,795,748)	(4,380,958)	(6,176,704)	-
Payments of personnel related costs	(730,933)	(1,482,394)	(2,213,327)	24,528
Internal activity—payments from (to) other funds	(23,539)	-	(23,539)	(27,430)
Other receipts (payments) including claims paid	(417,882)	(2,889,132)	(3,307,014)	(941,397)
Net cash provided by operating activities	3,106,560	20,685,697	23,792,257	(1,045,831)
Cash Flows from Noncapital Financing Activities				
Transfers out	(424,508)	(7,876,288)	(8,300,796)	-
Net cash used by noncapital financing activities	(424,508)	(7,876,288)	(8,300,796)	-
Cash Flows from Capital and Related Financing Activities				
Acquisition and construction of capital assets	(4,114,070)	(3,194,082)	(7,308,152)	-
Proceeds from capital debt	3,249,161	-	3,249,161	-
Bond issuance costs	(59,222)	-	(59,222)	-
Principal paid on revenue bond maturities	(388,009)	(2,060,000)	(2,448,009)	-
Interest paid on capital debt	(253,649)	(1,287,479)	(1,541,128)	-
Net cash used by capital and related financing activities	(1,565,789)	(6,541,561)	(8,107,350)	-
Cash Flows from Investing Activities				
Interest on investments	43,089	120,876	163,965	-
Redemption of investment securities	-	-	-	974,491
Purchase of investment securities	(4,116,308)	(8,395,453)	(12,511,761)	24,520
Interest on restricted cash	66,519	348,640	415,159	-
Net cash provided (used) by investing activities	(4,006,700)	(7,925,937)	(11,932,637)	999,011
Net decrease in cash and cash equivalents	(2,890,437)	(1,658,089)	(4,548,526)	(46,820)
Balances—beginning of the year	5,894,600	15,186,267	21,080,867	514,419
Balances—end of the year	\$ 3,004,163	\$ 13,528,178	\$ 16,532,341	\$ 467,599
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 3,109,121	\$ 17,138,936	\$ 20,248,057	\$ (1,328,166)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation expense	1,603,159	4,783,444	6,386,603	-
Changes in assets and liabilities				
(Increase)/decrease in receivables	52,127	895,194	947,321	(15,564)
(Increase)/decrease in due from other funds	20,010	1,995	22,005	500
(Increase)/decrease in inventory	32,349	154,195	186,544	-
(Increase)/decrease in prepaid items	708	369,943	370,651	56,402
Increase/(decrease) in accounts payable and accrued expenses	(1,499,370)	(1,462,579)	(2,961,949)	240,997
Increase/(decrease) in deferred revenue	-	91,845	91,845	-
Increase/(decrease) in due to other funds	(18,539)	(51,100)	(69,639)	-
Increase/(decrease) in customer deposits	-	76,189	76,189	-
Increase/(decrease) in liability for compensated absences	(13,523)	7,261	(6,262)	-
Increase/(decrease) in NPO/NPA for Pension	(167,391)	(1,139,972)	(1,307,363)	-
Increase/(decrease) in NPO/NPA for OPEB	(12,091)	(179,654)	(191,745)	-
Net cash provided (used) by operating activities	\$ 3,106,560	\$ 20,685,697	\$ 23,792,257	\$ (1,045,831)
Non-cash investing, capital and financing activities:				
Change in fair value of investments	\$ 6,096	\$ 45,200	\$ 51,296	\$4,533
Capital contributions - infrastructure	441,285	-	441,285	-

See accompanying notes to financial statements

The City of Dover
Statement of Fiduciary Net Assets
June 30, 2012

	Pension Trust Funds	OPEB Trust Fund	Agency Funds
Assets			
Cash and cash equivalents	\$ 1,462,787	\$ 748,815	\$ 453,410
Investments at fair value - Mutual Funds	31,273,526	10,165,607	-
Receivables	-	-	54,854
Prepaid items	-	-	3,140
Total assets	<u>32,736,313</u>	<u>10,914,422</u>	<u>511,404</u>
Liabilities			
Accounts payable	-	1,250	56,270
Due to agencies	-	-	455,134
Total liabilities	<u>-</u>	<u>1,250</u>	<u>\$ 511,404</u>
Net Assets held in trust for retirement benefits	<u>\$ 32,736,313</u>	<u>\$ 10,913,172</u>	

See accompanying notes to financial statements

The City of Dover
Statement of Changes in Fiduciary Net Assets
For the Year Ended June 30, 2012

	Pension Trust Funds	OPEB Trust Fund
Additions:		
Net investment income/(loss)	\$ (39,822)	\$ 236,936
City's contribution- payroll based	354,034	1,068,895
City's contribution- lump sum	2,883,900	4,512,845
Employee contribution	279,092	-
State insurance premium tax proceeds	561,772	-
Other	11,519	63,571
Total additions to net assets	4,050,495	5,882,247
Deductions:		
Benefit payments	4,736,089	1,974,870
General administration	31,405	42,192
Refund of pension contribution	109,354	-
Total deductions from net assets	4,876,848	2,017,062
Changes in net assets	(826,353)	3,865,185
Net assets - beginning	33,562,666	7,047,987
Net assets - ending	\$ 32,736,313	\$ 10,913,172

See accompanying notes to financial statements

