

# City of Milford



## AGENDA

Monthly Council Meeting

November 13, 2012

Joseph Ronnie Rogers Council Chambers, Milford City Hall, 201 South Walnut Street, Milford, Delaware

7:00 P.M.  
COUNCIL MEETING

Call to Order - Mayor Joseph Ronnie Rogers

Invocation

Pledge of Allegiance

Approval of Previous Minutes

Recognition

Monthly Police Report

City Manager Report

Committee & Council Reports

Communications

Unfinished Business

Planning Commissioner Appointment

Board of Adjustment Vacancy and Appointment

New Business

Adoption of Resolution 2012-16/Authorizes Application for Funding/DLWCTF/Can-Do Playground At Milford

Adoption of Resolution 2012-17/Amendment to City's Health Flexible Spending Arrangement

Adoption of City of Milford Investment Policy Statement

Acceptance of Fiscal Year 2011-2012 City of Milford Annual Audit

Finance Report

\*Executive Session-

Pursuant to 29 Del. C. §10004(b)(4) Strategy sessions, including those involving legal advice or opinion from an attorney-at-law, with respect to collective bargaining or pending or potential litigation (Insurance Claim)

Adjourn

This agenda shall be subject to change to include additional items including executive sessions or the deletion of items including executive sessions which arise at the time of the public body's meeting.

**SUPPORTING DOCUMENTS MUST BE SUBMITTED TO THE CITY CLERK IN ELECTRONIC FORMAT  
NO LATER THAN ONE WEEK PRIOR TO MEETING; NO PAPER DOCUMENTS WILL BE ACCEPTED  
OR DISTRIBUTED AFTER PACKET HAS BEEN POSTED ON THE CITY OF MILFORD WEBSITE.**

*MILFORD CITY COUNCIL*  
MINUTES OF MEETING  
*October 8, 2012*

The Monthly Meeting of Milford City Council was held in the Joseph Ronnie Rogers Council Chambers of Milford City Hall, 201 South Walnut Street, Milford, Delaware on Monday, October 8, 2012.

PRESIDING: Mayor Joseph Ronnie Rogers

IN ATTENDANCE: Councilpersons Steve Johnson, Garrett Grier III, S. Allen Pikus, Dirk Gleysteen, Owen Brooks, Jr., Douglas Morrow, Sr., James Starling, Sr. and Katrina Wilson

City Manager Richard Carmean, Police Chief Keith Hudson and  
City Clerk/Recorder Terri Hudson

City Solicitor David Rutt, Esquire

CALL TO ORDER

Mayor Rogers called the Monthly Meeting to order at 7:00 p.m.

INVOCATION AND PLEDGE

The Pledge of Allegiance followed the invocation given by Councilman Starling.

APPROVAL OF MINUTES

Motion made by Mr. Pikus, seconded by Mr. Grier to approve the minutes of the September 10 and 24, 2012 Council Meetings as presented. Motion carried.

RECOGNITION

No special guests in attendance.

MONTHLY POLICE REPORT

After Mr. Morrow presented the monthly police report on behalf of Chief Hudson, Mr. Pikus moved to accept the police report as submitted, seconded by Mr. Brooks. Motion carried.

When questioned about persons charged with multiple traffic and criminal offenses, Chief Hudson confirmed the numbers reflect the total number of charges and not the number of defendants.

CITY MANAGER REPORT

The following report was then presented by the city manager:

*ADMINISTRATION*

*Dr. Phyllis Kohel, Milford School Superintendent, has asked me to serve on a committee to consider the future of the Milford Middle School. Committee members will be asked to help in the decision making process concerning whether the school should be closed. I do not have any information as to why this possibility is being considered, but according to Dr. Kohel's letter the committee will be given the opportunity to input their opinions.*

*We are proceeding with our plans to outsource our bills with BillTrust. I am having a kick-off meeting with the company and our involved employees. There will be changes to the look of our present bills and the ability to include public information inserts. I also think we can consider continuing the late notices because of not having to utilize our employees in the process.*

### *ELECTRIC*

*The city has closed and settled on the sale of the ten plus acres the city had purchased but did not need for the new substation. JSI Milford Realty Company, the owners of the solar project, purchased the property to have additional space for their solar field. The \$573,000.00 was received and deposited back into our bond account for the funding of the substation. The project is underway and they expect to be energized by December 31, 2012.*

*JSI Milford Realty Company has also committed to the city a gift of approximately \$300,000.00 dollars in solar panels, which I plan to place on the roofs of our public works buildings. This will save us power costs on those buildings for many years to come and let the city show our support of green power.*

*I am having the Electric Superintendent look into the possibility of placing street lights down Carpenter Pit Road. The residential growth and hotel being serviced by the road makes our consideration of this lighting necessary. We will get the cost of materials and the operation of the lights prior to installation. We usually require developers to help with lighting costs in developments, but we do light public streets.*

### *SEWER AND WATER*

*The test well in the southeast city limits will be done during the period between October 22 and the first week of November. The owners of the Wickersham development have entered into a utility agreement with the city to donate three plus acres of land for the proposed tower and treatment plant. I have previously reported to mayor and council the test boring on the property looked very promising.*

*The new water main construction on Wilkins Road across Route 1 will commence soon after we get permission from USDA to proceed. I anticipate it will be early November.*

*I have given final approval of the architectural plans for the Water Department Administration office to be built at 5 South Washington Street. I will be bringing the bids for demolition of the buildings on the site to the council in the near future. Both the Chamber of Commerce and Downtown Milford have relocated to new sites.*

### *STREETS AND SOLID WASTE*

*The newly adopted yard waste ordinance will be put into effect in November. Our Public Works Director will be posting the information on our website as well as in local papers. Additional waste cans of three different sizes will be offered to our customers. We are presently providing cans to those customer who request them, but expect to see the majority distributed after public notice is given. I fully expect complaints from some customers regarding the city not picking up large amounts of yard waste in the future. Customers have got to understand that we do not have the equipment to safely handle anything that will not fit in our provided rollouts.*

*Plans are being made for some repairs on Airport Road. This road really needs complete attention, but without enough funding we cannot fully restore it to the degree it needs to be restored. We have the funds to make some important repairs, but sooner rather than later we will have to address complete restoration.*

Mr. Brooks recalled that when Hampton Inn and Lighthouse Estates subdivision was approved, it was agreed at that time that all traffic would be entering and exiting the area from the north (New Wharf Road). The goal was to keep traffic off Northeast Tenth Street and away from the Woodshaven community and traffic. In addition, the dangers of the Route 1 and Tenth Street intersection were noted as they existed at the time. It was agreed by everyone that any additional traffic created by the new development would only add to the dangers in this area.

During DelDOT's review, it was determined there was a problem with the radius of the road and ultimately, the bridge work over Swan Creek. Therefore, the road was designated one way north of Lighthouse Drive.

He asked when the problem will be corrected and the roadway made two-way; Mr. Carmean said he is unsure.

Mr. Brooks recalled DelDOT Planner Ralph Reeb reporting that when the Thompsonville overpass was completed, this road would connect. Since that time, the order of completion on the overpasses has been continuously changed and he is unsure of its status at this point.

The city manager advised that once there are a certain number of homes built in Lighthouse Estates, the developer is required to make improvements to Carpenter Pit Road/Calvary Road (roadway north of Lighthouse Drive) in accordance with state standards.

Mr. Carmean confirmed his desire to install streetlights down that roadway due to its narrow width and darkness. Mr. Brooks agreed but again expressed concern that because the roadway remains one-way on one end (Calvary Road), related traffic uses the Tenth Street intersection where accidents continue to occur.

It was confirmed the developer installed the bridge incorrectly though the state approved the plans.

The city manager explained the other option is for the city to assume ownership of the entire road. We only own a small portion in the center. He believes that with the right speed limit and caution signs, the roadway could be made two-way out to New Wharf Road under the ownership of the city.

Mr. Brooks said if the roadway was made two-way, this would alleviate some of that traffic using the Route 1/Tenth Street intersection. Chief Hudson confirmed that accidents occur at that location on a regular basis despite the fact that DelDOT redesigned the intersection with delineators to prevent vehicles from crossing over from the west side of Route 1.

The city manager said that Pastor Royce Andrus is aware of the concerns. His engineers remain in contact with DelDOT though they have not come to an agreement on how to resolve the problem. He does not understand how DelDOT approved the roadway, then changed it to a one-way road after construction began.

Mr. Brooks wants to do everything possible to prevent accidents at that intersection. Eliminating traffic flow from this development would help. He would like something done before the church and academy is built which will add a couple hundred vehicles to this roadway on a regular basis.

Mr. Johnson said that he supports installing streetlights and any decision the city manager makes is within his realm.

Mr. Carmean clarified that the streetlights would run from Tenth Street to Lighthouse Drive. Mr. Pikus asked the estimated cost; the city manager is unsure though he will provide that information at the next meeting.

Mr. Pikus asked for an explanation of the numbers that Delaware Solid Waste Authority reports and in particular, what weight in pounds, single stream total and oil and gallons means.

Mr. Carmean explained the report breaks out the gallons of oil taken by residents to the recycling sites. In addition, it shows the weight of recyclables taken to the Middle School and Milford Commons.

It was confirmed that Clean Up Week is scheduled for the week of October 22<sup>nd</sup>.

Ms. Wilson asked the status of the fire hydrant program. Mr. Carmean advised that he is following up with Fire Company President Marvin Sharp who had offered some assistance with the program.

Mr. Johnson asked about the security cameras; Chief Hudson advised they are working with the owner of the building to have the cameras moved. They were at the location again today trying to determine the best direction in hopes of providing an estimate. He hopes it will be moved within a couple weeks.

Mr. Pikus moved to accept the city manager report, seconded by Ms. Wilson. Motion carried.

## COMMITTEE & COUNCIL REPORTS

Mr. Brooks recalled a previous discussion about the status of the public works radio project. Mr. Carmean advised the public works director e-mailed him today and he directed him to forward the e-mail to the city clerk. The bids are due Friday and a recommendation will be made at the next council meeting.

Mr. Brooks said this has been discussed for more than a year and recalled that Mr. Dennehy reported the deadline is December 31<sup>st</sup>. He feels this leaves a short window to secure the financing, purchase the equipment and ensure everything is in place by January 1<sup>st</sup>.

The city manager agreed noting that Mr. Dennehy wants to meet with the finance committee next week. He explained the bid was very complicated and required a great deal of technical information which he was unfamiliar with.

Mr. Carmean advised the finance director has already designated the funding source. Because of that, he feels it can be placed on the next council agenda and voted on.

As Public Works Committee Chairman, Mr. Brooks feels it is very important that council understand exactly what we are paying almost \$240,000 for and wants assurance the radios and tower will be in place by January 1<sup>st</sup>.

Mr. Carmean will direct Mr. Dennehy to review all the equipment that is required to be purchased. He explained that the vendors have indicated that if everything is not in place, there will not be a problem with a 30-day extension from the federal government.

Mr. Brooks recalled that when Mr. Dennehy advised council of the estimated cost of the project, he was adamant there was a drop-dead deadline of January 1<sup>st</sup>; Mr. Pikus agreed. Mr. Carmean compared it to the USDA who stated if we did not get the water tower project completed by a certain date, they were going to pull the funding. He feels that if it is requested in the right manner, they will provide an extension. This is the same scenario.

Mr. Brooks expressed concerned that when Mr. Dennehy said January 1<sup>st</sup> was the deadline, he also stated there were many other towns in Delaware in the same situation who had not done any more than Milford. Therefore, he is concerned there may be a shortage in equipment with all the other towns scrambling to make these purchases at the last minute.

Mr. Carmean said there is no one on staff to work on a project like this and it has created a lot of work for Mr. Dennehy to put the bid package together. The vendors have all assured Mr. Dennehy they can provide the equipment as soon as council approves the bid. He has no problem requesting a 30-day extension though the city manager will advise city council if that becomes necessary.

When asked if the finance committee meeting has been scheduled, Mr. Pikus said that he met with Mr. Dennehy who informed him at that time that he would contact him once he has compiled all the information.

Ms. Wilson advised that she is currently serving on the Circle of Light Board. Their group consists of community leaders representing both religious and civic organizations who are exploring the existing homeless needs and resources in the community. The emergency cold weather shelter is no longer open so the group is working in a number of ways to prepare the homeless for the upcoming weather. Through private donations, numerous articles of clothing, hats and gloves and toiletries have been provided.

The Milford School District has created a partnership with Circle of Light to promote awareness and support for local homeless children. The district identified 127 children last year that were living in a transitional stage of residency. As a result, 100 sleeping bags were donated by Walmart for these children during the upcoming school year.

She advised council that the homeless problem is growing in Milford and they can expect a request from Circle of Light for assistance. Ms. Wilson hopes the city will partner with the organization noting that other towns have taken an active part in similar situations.

Though unfortunate, she reported the churches previously involved were unable to participate as originally planned which has created an even more urgent need for the city to become involved.

Mr. Brooks described a recent situation when he was approached by a homeless person who had just been released from prison. He was looking for either a part-time or full-time job, and emphasized to Mr. Brooks that he only wanted to work and was not looking for problems.

Mr. Starling advised that Reverend Starling received a phone call Friday evening about a woman who was sitting downtown eating a sandwich who stated she would be there all night. They received a second call the same night about another person who was homeless and sleeping in a car.

He personally observes homeless people walking down the highway on a regular basis.

Mayor Rogers reported that he was approached by Deacon Dottie Vuono about the need to speak with council. She is hoping to schedule that presentation during a future workshop session.

Mr. Gleysteen recalled the presentation by Milford Food Bank a month ago. Similar to what was done for the parade committee, he suggests a notice be included in the utility bills asking that residents contribute toward the food bank's expansion in lieu of a dollar contribution from the city.

Mr. Gleysteen then suggested that someone contact the Food Bank and design a flyer.

Mr. Carmean then announced that he agreed to waive numerous fees from the overall costs of their building fees. Even though they are only providing a couple new jobs, because of their contribution to the community, he felt it was appropriate to attribute it toward economic incentives. He said he is unable reduce the fees paid into the fire company enhancement fund though he reduced the costs of the city impact fees.

In response to Mr. Gleysteen's recommendation, Mr. Carmean will contact their director to prepare the flyer.

Joe Palermo of 5 Misty Vale Court, Meadows at Shawnee, then reported that Milford Lions Club provided grants of \$5,000 to both the Circle of Light and Milford Food Bank. He recommends the Circle of Light contact the Lions Club again this year for funding.

Mr. Palermo advised that the Eunice S. Reed Fund, in the amount of \$2.3 million, established upon the death of she and her husband, benefits the Greater Milford Community by way of grants through the lions club.

## COMMUNICATIONS

All correspondence included in council packet.

## UNFINISHED BUSINESS

None to report.

## NEW BUSINESS

### *Appointment of City of Milford Planning Commissioners*

Mayor Rogers submitted Deborah O'Neill's name to fill one of the vacancies on the planning commission. She applied several months ago though there was no vacancy at the time.

Mr. Pikus moved to appoint Deborah O'Neill of 612 Lakelawn Drive as Milford's next Planning Commissioner, seconded by Mr. Gleysteen. Motion carried with no one opposed.

He asked that council contact him with any other recommendations noting there is still one vacancy.

## MONTHLY FINANCE REPORT

Chairman Pikus reported that through the second month of Fiscal Year 2012-2013 with 17% of the fiscal year having passed, 27.3% of revenues have been received and 17.23% of the operating budget expended.

He noted that electric revenues are up approximately 14% and expenses are on target. The budget is very tight and the finance committee is trying to keep the reserve accounts intact. The general reserve account has been depleted over the years and funds cannot be transferred from the sewer, water and electric reserve accounts.

Mr. Pikus moved to accept the August 2012 Finance Report.

Mr. Gleysteen then referenced the investment line items listed in each reserve and impact fee account. He asked Mr. Pikus to explain what type items this includes.

Mr. Carmean advised that most of the money is in CD or short-term bonds though there is very little money being made from the accounts at this time.

Mr. Pikus pointed out that we have only earned a total of \$35,000 in interest over a two-month period. Currently, the interest rate is very low. The city manager emphasized that the banks have very little interest in the city's money. Mr. Pikus added that \$4 million was recently invested after our finance director negotiated for a higher interest rate; the city manager said we still are only earning 2.3% interest.

It was noted that real estate tax revenues were budgeted at \$3,508,380 and to date is at \$3,612,513. Mr. Brooks asked if we received \$100,000 more than anticipated; Mr. Pikus stated yes.

Mr. Pikus stated that the real estate tax account is at 102% which is the percentage collected as of August.

When asked how much has been collected to date, Mr. Carmean explained they are not due until the end of October though a majority of our property owners pay their taxes through their mortgage companies. Those checks are sent based on the September 30<sup>th</sup> due date. We have received more than were expected even though there is another month left before the deadline. Mr. Brooks pointed out this finance report is as of August and there is two months left for taxes to be paid.

Mr. Pikus confirmed we have received \$100,000 more than was expected as of August. Mr. Brooks stated that based on this number, he expects that number to be much higher depending on what is still out.

Mr. Pikus emphasized that our expenses are down though we could be hit with some large expenses in September and October. He reiterated that we needed the tax increase to balance our budget. However, we cannot continue to transfer monies out of our reserve accounts. He said we are going to have some unexpected expenses like road paving that we do not have the money to pay. He hopes this will bring in the revenues needed to take care of it.

Mr. Brooks agrees the tax increase was needed to balance the budget and one of the reasons was to prevent transferring money out of our reserve accounts. He also added that we should not overtax our property owners and recalled the number of people who are upset over their tax bills this year.

(Motion was not seconded nor a vote taken.)

## EXECUTIVE SESSION

*Pursuant to 29 Del. C. §10004(b)(4) Strategy sessions, including those involving legal advice or opinion from an attorney-at-law, with respect to collective bargaining or pending or potential litigation (DeVisser Estate)*

Mr. Pikus moved to go into Executive Session reference discussions involving legal advice in regard to the DeVisser Estate, seconded by Mr. Grier. Motion carried.

Mayor Rogers recessed the Council Meeting at 7:48 p.m. for the purpose of an Executive Session (DeVisser Estate) as is permitted by Delaware's Freedom of Information Act.

*Return to Open Session*

City Council returned to Open Session at 8:03 p.m.

*DeVisser Estate*

Mr. Pikus moved to adopt the recommendation of city council and settle the pending DeVisser case, seconded by Mr. Grier. Motion carried by unanimous roll call vote.

ADJOURN

With no further business, Mr. Pikus moved to adjourn the Council Meeting, seconded by Mr. Grier. Motion carried.

The Council Meeting adjourned at 8:05 p.m.

Respectfully submitted,

Terri K. Hudson, MMC  
City Clerk

*MILFORD CITY COUNCIL*  
MINUTES OF MEETING  
October 18, 2012

A Meeting of the Finance Committee of Milford City Council was held in the Joseph Ronnie Rogers Council Chambers of Milford City Hall, 201 South Walnut Street, Milford, Delaware on Thursday, October 18, 2012.

PRESIDING: Chairman S. Allen Pikus

IN ATTENDANCE: Committee Members: Councilmen Douglas Morrow, Sr. and Garrett Grier III  
City Manager Richard Carmean and Recorder/City Clerk Terri Hudson

The meeting was called to order at 8:05 a.m. by Chairman Pikus.

Police Chief Keith Hudson was also present.

*Funding for Public Works Radio Replacement & Tower Project*

Public Works Director Brad Dennehy reported that they reviewed several options including a lease option for the public works radio upgrade. However, Finance Director Jeff Portmann felt the money should come from our reserve accounts. Mr. Dennehy estimated the price initially at approximately \$240,000. He prepared a very detailed RFP and two bids were received on Friday. Magnum Electronics submitted a bid for \$237,236.75 and Delmarva Communications for \$208,712.71.

Mr. Dennehy explained that because of the \$30,000 difference in the proposals, he sent a list of 42 questions to both vendors on Monday in order to obtain additional information. He did this because of the amount of equipment involved and the detailed programming needed and wanted to ensure the two bids were the same.

He received a response from Magnum Electronics on Monday and did not receive a response from Delmarva Communications until 5:00 p.m. last night.

Mr. Dennehy remains concerned with the differences in the bid and thought that perhaps they were trying to give the city a used tower considering the \$30,000 difference. Everything Magnum answered seems fairly reasonable with a new tower, and similar equipment though there were some minor differences. He pointed out there were seven to eight different answers and involved the minor items such as programming and the GPS component.

He advised that he has been working with Magnum Electronics for about eighteen months. Everything installed on the city side has been done by Magnum. He said they know the city system and are aware of what he is trying to achieve. He has met with them numerous times and has visited similar installations completed by Magnum in Kent County, Maryland and Washington College.

Mr. Dennehy stated that he has no history with Delmarva Communications. He said they did a mandatory site visit and spent an hour and a half in the city. He took them to the different city facilities. He emphasized that is the only time they spent in the city. He has also been in contact with Delmarva only through a couple e-mails and telephone calls.

The public works director does not have a comfort level with Delmarva and understands that traditionally the city takes the low bid.

He said at this point, he has three recommendations. The first is to take the low bidder; the second is to take Magnum's bid as it stands; the third is to go back to Delmarva Communications and tell them they have seven or eight minor differences and ask them to provide the prices on the exact items Magnum is proposing. That includes a GPS upgrade and an additional year on the warranty. He could then review the price they provided.

Mr. Dennehy then asked for permission to take money from reserves but still needs some direction because the city manager wants a recommendation for Monday's council meeting.

He asked the committee to give him any advice they can offer.

Mr. Morrow asked the time frame for Delmarva Communications getting back to Mr. Dennehy on the additional questions. He feels the additional questions need to be answered to do a fair comparison.

Mr. Dennehy explained that he received Delmarva's answers last night at 5:00 p.m.; he received Magnum's on Monday morning. He said he is not adverse to slowing the process down and having further conversations with both companies though the narrow banding requirement from the FCC must be completed by December 31<sup>st</sup>. He said the push was to get the RFP's in and have council approve it Monday night. If this is not approved then, the next council meeting is not until November 13<sup>th</sup>. However, if the committee wants to slow things down, he will continue to meet with the vendors and submit additional questions. He prefers that Electric Superintendent Rick Carmean also review the bids though he is out of the office today and tomorrow.

Mr. Grier asked the life expectancy on the equipment. Mr. Dennehy reported that Delmarva offered a two-year warranty though Magnum was going to give a three-year warranty on the repeaters. He thinks we should try to get the additional warranty from Delmarva as well. He said the new tower will be good for a very long time and possibly fifty plus years because it is galvanized metal.

The public works director then explained the current tower is too small which creates a lot of interference. He explained that these radios are also used for the SCADA system which is an alarm system for the wells, pump stations and electrical substations. Also, the new electrical substation will create even more interference. He explained that voices from New Jersey can actually be heard on the radio. The intent is to get away from that interference which impacts the alarm system and creates all kinds of blips.

Mr. Dennehy said this project will allow the city to comply with the FCC requirement, while we replace the antenna at the same time. The FCC regulations require the radio equipment be updated.

Mr. Pikus confirmed this system is required to be in place by January 1<sup>st</sup>. He asked which of the vendors guarantee installation by January 1<sup>st</sup>. Mr. Dennehy advised that both companies can get the city to the narrow banding requirement needed to meet the federal requirements. However, he does not anticipate the tower being installed until spring. He reiterated that both companies have said they can do what needs to be done and wants all radios converted by December 31<sup>st</sup>. Though that will most likely not happen, he does plan to have the main trucks used in the electric, trash, water and street departments updated. He explained that every piece of equipment and every vehicle has a radio. As a result, the balance of them can be done at a later date.

Mr. Pikus asked Chief Keith Hudson who installs the police department radios; he advised the Division of Communications out of Dover. Chief Hudson advised that one of Lieutenant Huey's duties is overseeing the radios in the department and he handles transferring radio equipment from one vehicle to another. That has saved the department a great deal of money over the years. However, any official installations are handled by the Division of Communications.

Mr. Pikus confirmed with Mr. Dennehy that all public works vehicles will get new radios and the old radios will be removed. Mr. Dennehy explained they are trading the old ones in for approximately \$9,000.

Mr. Pikus asked Mr. Dennehy who he is more comfortable working with and noted the difference of almost \$30,000. Mr. Dennehy reiterated he has worked with Magnum for more than eighteen months. He can only go by the dealings he has had with them and he has not experienced any problems. On the other hand, he is very reluctant to recommend a business he had not dealt with especially considering the cost is almost a quarter of a million dollars.

Mr. Dennehy said he is also gun-shy considering the bad paving job on Tenth Street when the city took the lowest bid and gained it back by having to throw an additional \$50,000 into it. That project went on and on and ended up being an inferior product. He said if he is asked who he is more comfortable with, his answer is Magnum because they know the system better than Mr. Dennehy or anyone else in the city.

Mr. Grier asked if Mr. Dennehy wants a recommendation from the committee on which vendor to select. Mr. Dennehy said he does not necessarily need a recommendation today but wants the item on Monday night's agenda. He said we can

slow the process down though he feels it should not wait until the November meeting for a decision from city council. He noted that he will be on vacation out of state next week which is causing him some heartburn because this is his number one priority right now.

Mr. Pikus explained that the finance committee is only going to recommend to council that the funds be taken from electric reserves. Mr. Carmean agreed that is all the action this committee needs to take today.

Mr. Pikus recommends to council to take the amount of the bid accepted by city council out of electric reserves. Mr. Grier recommends a cap of up to \$240,000. He agrees it needs to be on agenda and noted that Mr. Dennehy is leaning toward Magnum Electronics. However, if Mr. Dennehy asks seven or eight more questions to Delmarva Communications and they come back and say they can do something different by the end of the day tomorrow, then Mr. Dennehy should put his recommendation in an e-mail to council. If that is not the case, he agrees with Mr. Dennehy that we should award the bid to Magnum.

Mr. Pikus agrees and asked that a motion be offered.

Mr. Grier moved to recommend to city council to approve the bid as recommended by the city's public works director not to exceed \$240,000, of which would be transferred from the electric reserve account, seconded by Mr. Morrow. With no one opposed, motion carried.

When asked City Manager Carmean's opinion, the city manager said that he has discussed this with Mr. Dennehy and notes that the city needs to be careful considering the low bid especially because of the amount of money involved. He added that he worked with Magnum at the police department years ago.

Mr. Grier confirmed there is a difference in what was being offered in the terms of the bid and in particular, Magnum's proposal in relation to the GPS, the quality of the product and the warranty.

Mr. Dennehy stated that he is willing to go back to Delmarva and ask if they are willing to provide the extra warranty. He feels Delmarva should spec each item as Magnum did. He said if their bid comes in at \$220,000, perhaps we can take that.

Mr. Pikus advised the recommendation will be made to council that the money be transferred. However, he recommends Mr. Dennehy provide to the city manager Delmarva's new questions and answers and a final recommendation through an e-mail. They need to address the additional warranty and guarantee 24-hour on-call service if there is a problem.

Mr. Dennehy said the other problem is Delmarva is in New Castle county and Magnum is in Dover. Magnum can respond in 20 minutes versus 45 minutes to an hour for Delmarva.

Mr. Pikus asked if that can be included in the written recommendation for Monday night considering he will not be able to attend the meeting.

Mr. Pikus then stated that we need to be sure we are legally covered under our current bid laws and are not in violation by accepting a higher bid for the reasons stated.

Mr. Grier asked if there is a service warranty being offered beyond the initial warranty and if those costs were discussed. Mr. Dennehy stated that he does not typically have a service warranty though he can consider that. Mr. Carmean suggests that be considered to ensure they are obligated to respond when needed.

Mr. Morrow asked Chief Hudson if the police department has a maintenance contract for the police radios; Chief Hudson stated yes through the Division of Communications.

Mr. Carmean pointed out that Magnum has been very involved and has provided their expertise in helping the public works director prepare the bid.

Mr. Dennehy again pointed out the paving project on Tenth Street when the project was awarded to the low bidder which resulted in an inferior product. He said this past year, Jerry's Paving was awarded the bid and there have been no paving problems. He explained that is the difference between a quality contractor and a not-so quality contractor.

Mr. Pikus asked the city manager to ensure the manner in which this bid is being awarded would be legal. In particular, he wants to prevent ending up in court if we accept the higher bid. Mr. Carmean agreed that once Mr. Dennehy provides the additional information and he is still leaning toward the high bidder, he will review the matter with Mr. Rutt.

#### *Growmark Land Deposit*

Mr. Pikus reminded the committee that Growmark accepted the city's proposal (appraisal) to purchase their land for the new police department.

As a member of the finance committee and police committee, he recommends we lock in this land with a deposit to be paid from electric reserves. In addition, he recommends the city solicitor prepare a contract to cover the deposit and potential purchase.

He spoke with City Finance Director Portmann about using the proceeds from the sale of the solar farm though he was informed that can only be used for the purchase of lands related to electric. Mr. Carmean said they were figuring that up to \$4 million would be pulled out of reserves for the project; however, we only have about half the money anticipated through the referendum and bonds which is the reason he put the proceeds back into the bond account.

The city manager explained that regardless of what is pulled from reserves, there will be a half million dollars less.

Mr. Pikus moved to recommend the city send a \$50,000 deposit to Growmark, along with a contract to purchase the land. The contract should include a provision that the city has the right to go on the land as soon as possible to do any investigative and environmental work.

Mr. Pikus and Mr. Carmean suggested this be made a non-refundable deposit; Mr. Grier disagreed and recommended the \$50,000 be made a refundable deposit contingent upon the environmental study. Mr. Carmean explained they are recommending it be non-refundable because they are asking to hold the land for up to three years.

Mr. Carmean explained the importance of keeping the \$800,000 plus in reserves during the referendum process since our bank accounts will be under close scrutiny. Having the \$800,000 on hand will be an advantage when considering our bond ratings, versus the purchase of the 14-acre site.

Chief Hudson advised that currently, the Division of Historical and Cultural Affairs believes this could be a potential archeological site.

Mr. Carmean stated he does not feel there will be any environmental problems at the site because it was used mainly to store fertilizer equipment.

Mr. Morrow moved to recommend that a \$50,000 deposit be made on the Growmark property for the site of the new police department and that Solicitor Rutt prepare an agreement with a three-year deadline, as previously discussed, seconded by Mr. Grier. With no one opposed, motion carried.

Mr. Carmean added that at the end of the three years, if a referendum has not been approved, another funding plan will need to be considered.

#### *Archeological Study Fee*

Mr. Pikus also recommends that funds be set aside for the archeological survey. Mr. Carmean agreed adding that DNREC will also need to be contacted for their survey.

Mr. Pikus added that any associated funds will be paid from the same account.

Chief Hudson said he has a list of the archeological consultants and contractors. In addition, an environmental study will need to be done.

*Police Replacement Radios-Insurance Issue (Storm Damage)*

Chief Hudson recalled the two storms this summer at which times the department was struck on both occasions. He then advised the finance committee he is still waiting on a decision from the insurance company in relation to the replacement costs of the police departments' radios. The cost to replace the radios is \$100,000; another \$20,000 is needed for their installation. Though they have been in constant contact with the insurance company, the latest information he received was that a meeting was scheduled late last week at which time the claim would be discussed and a determination made.

There was concern about the fact that the equipment may not be covered under the city policy and why it has taken so long to address the claim.

Chief Hudson assured Mr. Pikus that they are up and running through the use of a portable radio system though they need the permanent equipment installed.

He wants the finance committee to be aware of this situation in case the insurance company comes back and informs us they will only pay a portion of the cost or will not cover the damage at all.

City Manager Carmean confirmed our coverage is thru Travelers Insurance Company whom the city has dealt with for more than ten years.

Chief Hudson noted that all other equipment lost or damaged has been replaced or repaired.

Mr. Pikus recommends that Chief Hudson contract Travelers Insurance and insist this be settled. Chief Hudson advised they are in contact with Travelers at least twice a week.

Mr. Morrow then suggested we contact Marvel Agency who is our broker. He feels the city should demand an answer from Travelers. Mr. Grier agrees and suggests that Harvey Marvel be contacted immediately to get involved.

Chief Hudson asked if it is appropriate for him to contact Mr. Marvel or if it should be someone from the city. The committee directed him to inform Mr. Marvel of the situation and to ask for his help.

The chief reiterated that he wanted the finance committee to be aware of this situation in case Travelers does not cover the entire costs of the radio replacement.

Mr. Pikus concluded by stating we purchase insurance and expect to be covered in these circumstances. He emphasized there is no reason for Travelers to procrastinate any longer.

Mr. Carmean informed Chief Hudson that Mr. Dennehy has purchased a base that can be used as a backup for the police during emergencies. Chief Hudson explained that his dispatchers will be able to dispatch city vehicles though it cannot be used as a backup for police calls because of their tie-in to the state system. The city manager agreed and explained that it can be used when the entire city is shut down and only the city crews and police are out.

*Adjourn*

With no further business, Mr. Grier moved to adjourn the meeting, seconded by Mr. Morrow. Motion carried.

The meeting was adjourned at 8:45 a.m.

Respectfully submitted,

Terri K. Hudson, MMC  
City Clerk/Recorder

*MILFORD CITY COUNCIL*  
MINUTES OF MEETING  
*October 22, 2012*

A Meeting of Milford City Council was held in the Joseph Ronnie Rogers Council Chambers of Milford City Hall, 201 South Walnut Street, Milford, Delaware on Monday, October 22, 2012.

PRESIDING: Mayor Joseph Ronnie Rogers

IN ATTENDANCE: Councilpersons Steve Johnson, S. Allen Pikus, Owen Brooks, Jr.,  
Douglas Morrow, Sr., James Starling, Sr. and Katrina Wilson

Police Chief Keith Hudson and City Clerk/Recorder Terri Hudson

City Solicitor David Rutt, Esquire

#### CALL TO ORDER

Mayor Rogers called the Monthly Meeting to order at 7:05 p.m.

It was noted that City Manager Carmean was absent due to being hospitalized on Thursday evening. However, he is now home and recovering.

#### INVOCATION AND PLEDGE

The Pledge of Allegiance followed the invocation given by Councilman Starling.

#### RECOGNITION

No special guests in attendance.

#### COMMUNICATIONS

Mayor Rogers reminded council that the next meeting will be held Tuesday, November 13, 2012 due to Veterans Day being observed November 12th.

#### UNFINISHED BUSINESS

*Appointment of City of Milford Planning Commissioner*

Mayor Rogers noted there remains one vacancy on the planning commission. He again asked council to submit names of any persons interested in serving.

A representative from the first ward would balance the commission though that is not required.

*Monthly Finance Report-August 2012*

City Clerk Hudson advised council that though this item was on the October 8<sup>th</sup> agenda, no vote was taken. A motion was made to accept the report followed by a comment which led to a lengthy discussion. As a result, the motion did not have a second and a subsequent vote did not occur.

Mr. Pikus moved to accept the August 2012 Finance Report as submitted, seconded by Mr. Brooks. Motion carried with no one opposed.

#### NEW BUSINESS

*Award of Bid & Funding for Public Works Radio Replacement & Tower Project*

Finance Chairman Pikus reported the finance committee met and agreed to approve up to \$240,000 for the bid award. However, the public works director will decide which company would be awarded the bid; that decision will then be reviewed by the city manager.

City Solicitor Rutt explained that a different bidding procedure was used for this project. A Request for Proposal was put out which resulted in two companies submitting bids. Those bids went before the finance committee. At that meeting, the public works director provided different options for the committee to consider. One consideration was to obtain additional information and pricing from the lower bidder. Mr. Pikus stated that he believes Mr. Dennehy had submitted an additional 42 questions to both contractors asking for clarification due the \$30,000 difference in bids. A finance committee meeting was then held on Thursday and he received the answers on Friday. Unfortunately, the city manager was unable to review the responses because he was hospitalized Thursday evening.

As a result, Mr. Pikus explained that both the public works director and city manager still have unanswered questions. He reported the one bid was offset by the pricing because the one bid covered some additional items that were not included in the lower bid. However, time is of the essence because of the January 1, 2013 deadline which both companies are able to meet. However, the bids must be awarded by the end of this week for that to happen. Upon clarification of the differences in the bids, a decision will be made and the bid awarded.

Mr. Rutt explained that legally, once the bid numbers have been disclosed, they cannot be changed. He said they cannot be negotiated by offering to add, remove, or change an item in the bid. He said Delaware Statute is very clear and states that the disclosure of one offeror's price to another and any information derived from competing proposals is prohibited. Therefore, it is very strictly prohibited.

Mr. Pikus said it is his understanding that the questions asked will not have an impact on the price. One has a different warranty and one has capabilities the other does not.

Mr. Rutt emphasized that it can be done in this manner as long as any discussion is for clarification of information and there is no intent to change the bid or prices. He does not want the city to go down the wrong path in this matter.

Mr. Pikus agreed noting the bids will stand as submitted.

Ms. Wilson expressed concern with the manner in which this is being done. She asked what happens if council agrees to approve the wrong bid and finds out later that the questions should have been asked beforehand. She is concerned we are putting the cart before the horse. Mr. Pikus said that is the reason he recommends the public works director and city manager very carefully review the bids before a final determination is made.

Ms. Wilson confirmed they could still say no and turn down each bid; Mr. Pikus stated yes but that will be the decision of Mr. Dennehy and Mr. Carmean.

Mr. Brooks asked if Mr. Dennehy was leaning toward Delmarva Communications who was the low bidder; Mr. Pikus said he does not recall him leaning toward either though he liked one better than the other. However, he recalled several items that Mr. Dennehy said needed further clarification. Mr. Morrow disagreed stating that he felt that Mr. Dennehy favored the higher bidder.

Mr. Pikus said that Mr. Dennehy is very knowledgeable in this matter and that is why they agreed to leave the decision to him. Mr. Pikus then moved that up to \$240,000 be approved and to allow the public works director determine which company be awarded the bid, which will be reviewed and approved by the city manager.

Mr. Brooks recalled the matter being discussed more than a year ago. Mr. Pikus agreed noting that the previous city manager had this information on his desk but nothing was done; Mr. Brooks pointed out the previous city manager was gone for more than nine months before the matter was brought before council. Mr. Pikus agreed emphasizing the bid will be awarded this week.

Mr. Morrow seconded motion and agreed we need to move this along. However, he has the same concerns Mr. Brooks expressed because this needs to be completed and in place by January 1<sup>st</sup>. He does not see how we can wait until November 13<sup>th</sup>.

Mr. Pikus said it will be completed by the deadline.

Mr. Morrow said we also need to keep in mind the laws the city solicitor has referenced and any changes to the bid may require it to be re-bid. However, Mr. Dennehy has indicated there remains unanswered questions that still need to be resolved.

Mr. Pikus said that the city manager informed him that he conferred with the public works director who assured him the bid would be awarded this week.

Mr. Brooks said he also spoke with the city manager who agreed with the urgency in getting the project completed quickly.

Motion carried then carried unanimously.

Ms. Wilson votes yes but stated that she wants to make sure the city manager and the public works director review everything thoroughly and any item that is questionable needs to be brought back to city council or at a minimum, council needs to be made aware of any discrepancies or potential problems.

#### *Growmark Land Deposit & Archeological Survey and Environmental Study Fees*

Mr. Pikus advised that the city manager has received notification from Growmark that they will accept the city's appraisal and are willing to work with the city in selling this land.

As a result, the finance committee recommends council direct City Solicitor Rutt to immediately draw up the related documents immediately and submit a \$50,000 deposit to secure the land to be used for the future growth of the Milford Police Department. Mr. Morrow seconded the motion noting they have been working toward securing this land for numerous months and finally having some positive communications with Growmark is a huge step toward the construction of the new police facility. In addition, this keeps the department in the downtown area.

Motion carried by unanimous roll call vote.

Mr. Pikus then moved that after we receive the city receives the authorization to enter the land, council directs Chief Hudson to contact the appropriate authorities to begin the archeological survey, environmental studies and any other evaluations required to qualify the land for development. Motion seconded by Ms. Wilson and carried by unanimous roll call vote.

It was confirmed the next step will be to prepare the purchase/sales agreement, have it signed by Growmark and the City of Milford and forward the down payment. In the meantime, Chief Hudson will begin making contacts with the appropriate agencies.

Mr. Pikus estimated it could take approximately sixty days to complete the studies after the agreement is signed; City Solicitor Rutt explained the typical agreement provides a ninety-day due diligence period for those type studies.

It was noted the Division of Historical and Cultural Affairs needs a letter of approval to go on the land. At that point, Chief Hudson will select a team to do the work. Because this involves the State of Delaware, Mr. Pikus is unsure how long the process will take.

#### *2013 New Year's Holiday*

City Clerk Hudson advised that the upcoming New Year's holidays falls on a Tuesday. When this has occurred in the past, city council has considered Monday (New Year's Eve) as an additional holiday. Should this be approved, city offices would be closed Saturday, December 29<sup>th</sup> thru Tuesday, January 1<sup>st</sup>.

Human Resources Manager Lisa Carmean brought the matter to the city manager's attention though the final decision will be by city council.

Mr. Brooks asked if the State of Delaware will recognize it as a holiday; Ms. Hudson advised that the state is somewhat unique and offers floating holidays. At this point, she is unsure and depending on the division, it may or may not be observed.

Mr. Brooks recalled that years ago, the city adopted the State of Delaware Holiday Schedule. Mr. Morrow noted that in some instances, the Governor has declared these type holidays at the eleventh hour. Ms. Hudson noted that it is not a legal holiday though our holiday schedule is subject to change, with the approval of city council.

Mr. Starling moved to approve December 31<sup>st</sup> as an additional city holiday, seconded by Ms. Wilson. Motion carried with no one opposed.

#### EXECUTIVE SESSION

*Pursuant to 29 Del. C. §10004(b)(9) Personnel matters in which the names, competency and abilities of individual employees or students are discussed.*

Mr. Pikus moved to go into Executive Session reference personnel matters, seconded by Ms. Wilson. Motion carried.

Mayor Rogers recessed the Council Meeting at 7:27 p.m. for the purpose of an Executive Session to discuss a personnel matter.

#### *Return to Open Session*

City Council returned to open session at 7:38 p.m.

#### *Adoption/Domestic Relation Procedure/ING 457 Deferred Compensation Plan*

Mr. Pikus moved to adopt the Domestic Relation Procedure 457 Deferred Compensation Plan, seconded by Mr. Morrow. Motion carried.

#### *Adoption/Domestic Relation Procedure/ING 401A Retirement Plan*

Mr. Pikus moved to adopt the Domestic Relation Procedure 401A Retirement Plan, seconded by Mr. Morrow. Motion carried.

#### *FY2012-13 Budget Adjustment/Transfer of Funds/City Hall Improvements*

Mr. Pikus advised that this was the last phase of the work needed at city hall as a result of the water damage that occurred in the basement last year. Some sidewalks were removed and concrete replaced at a different pitch. Drywall and flooring repairs were also completed.

Mr. Pikus moved to transfer \$5,423.00 from the general fund reserve account to pay for the repairs, seconded by Ms. Wilson. Motion carried with no one opposed.

#### ADJOURN

With no further business, Mr. Pikus moved to adjourn the Council Meeting, seconded by Mr. Morrow. Motion carried.

The Council Meeting adjourned at 7:43 p.m.

Respectfully submitted,

Terri K. Hudson, MMC  
City Clerk/Recorder

MILFORD CITY COUNCIL  
MINUTES OF MEETING  
October 22, 2012

The City Council of the City of Milford met in Workshop Session on Monday, October 22, 2012 in the Joseph Ronnie Rogers Council Chambers of Milford City Hall, 201 South Walnut Street, Milford, Delaware.

PRESIDING: Honorable Mayor Joseph Ronnie Rogers

IN ATTENDANCE: Councilpersons Steve Johnson, S. Allen Pikus, Owen Brooks, Jr.,  
Douglas Morrow, Sr., James Starling, Sr. and Katrina Wilson

Police Chief E. Keith Hudson and City Clerk/Recorder Terri Hudson

City Solicitor David Rutt

The Workshop Session convened at 7:43 p.m.

*Tax Exemption Status/Homeowner Associations (HOA's)*

City Solicitor Rutt recalled at last month's meeting, the Meadows at Shawnee submitted a request for a tax exemption status which council awarded. At that time, there was a question about whether all HOA's would be exempt. Mr. Rutt got the impression council felt it was appropriate to make all HOA's tax exempt.

After discussing the issue with the city manager, he reviewed the regulations which he found to be somewhat complicated. In addition, the qualifications vary in each county.

Mr. Rutt advised there are two ways an HOA can qualify for exemptions. One is to apply under a 501(c)(4) of the Internal Revenue Code and another is under a separate section of the IRS code. However, there is specific criteria HOA's must meet to qualify.

The solicitor noted that the rules in Kent County are much more stringent than those in Sussex County. Kent County requires an application be submitted and specific items provided to be considered. Sussex County was unaware of the parkland exemption under the Delaware code or the IRC exemption and simply awards the exemption. Mr. Rutt announced that will be changing when Sussex County adopts a similar policy.

Mr. Rutt suggests that Milford consider a policy that is consistent with each county. The homeowners' association would be required to file the application and provide proof they qualified under the application county before the city makes a determination. He does not recommend the city accept the word from an HOA that they are exempt when there could be a conflict with the county and an issue with property taxes. In this manner, the city will conform with the county rules.

Mr. Pikus noted that the IRS Code states a homeowners' association can apply for a tax exempt status as a 501(c)(4) so long as its "open space" or "parkland" is open to the general public and not just to its own members. He explained that once the city grants a tax exemption, that land is open to any person and not just those living in that community.

Mr. Rutt referenced Kent County's application which asks for the type of exemption being sought; it then asks for an explanation of the activities. This clearly defines the intent. He then referenced the language from 9 Del. C. §8110 which states that civic organizations owning parkland whose use of the property is open, without charge, or to the public, or to members of the civic organization, or to the residents of the neighborhood, or to residents of the community, etc.

He recommends we allow the counties to do the due diligence before the city makes a determination.

Mr. Pikus confirmed that any tax-exempt land owned by an HOA can be used by anyone who wishes. He asked if the HOA can deny someone from using their land; Mr. Rutt explained that theoretically they are unable to once they file for the tax exempt status.

Mr. Brooks pointed out that Meadows at Shawnee has already obtained their exemption from Sussex County. Therefore, any land in the HOA's name can be used by the public. However, he does not believe those areas are not appropriate for public use.

Mr. Rutt said he confirmed that Sussex County granted Meadows at Shawnee the tax exempt status; the HOA has since requested the City of Milford exempt them from paying city taxes. The homeowners' association, by seeking the tax exemption, has agreed to open any HOA lands to the public.

Mr. Pikus asked if the homeowners' associations are aware of this; Mr. Rutt stated it is their responsibility to be aware of this. Mr. Rutt further explained that when his law firm represents homeowner associations and prepares the related documents, they are informed of these laws. In addition, they are provided with copies of any related statutes.

Dan Marabello of 1 Windy Drive, Meadows at Shawnee, asked for clarification of §8110(2)c and whether it means the HOA has to open it to the public. Mr. Rutt informed Mr. Marabello he will not provide legal advice for his HOA. However, it is his duty to counsel the city and to make sure the tax exemption procedure is in place before they award a tax exemption.

Mr. Pikus and Mr. Brooks both agree with Mr. Rutt that the HOA's should be cognizant of any stipulations related to a tax exemption status before they apply.

Dave Markowitz of 8 East Thrush Drive, Meadows at Shawnee, stated that as far as issues of public lands and people using them, they do not have any land that can be used. Therefore, he does not see what the issue will be for the Meadows at Shawnee. People have egress and ingress into the neighborhood which is no problem. However, they have no parkland and nothing visitors can use except they can drive on their streets. Their only public land borders around the development and the bordering roads do not belong to the HOA. The ponds are regulated and cannot be used. Therefore, he does not see this as an issue at Meadows at Shawnee.

Mr. Rutt pointed out that even though that may be the case at Meadows at Shawnee, other HOA's may have public or green areas that could be used by the public. He then read the following definition of parkland:

Real property, including improvements erected thereon and fixtures attached thereto, used primarily for recreational purposes and dedicated as parkland, public open space, private open space or other public use on a recorded subdivision plan, or through valid and binding restrictive covenants.

Mr. Rutt recalled the plans for the Hickory Glen (Walter Thomas) subdivision which included open space, tot lots, etc. He emphasized this would fall within this definition and does qualify for use by the public.

Joe Palermo, 5 Misty Vale Court, Meadows at Shawnee, stated that according to the subdivision plan, there is 8.9 acres of common area (not parkland), most of which is stormwater ponds.

Mr. Brooks confirmed that the HOA is liable for any injuries in the public areas of the subdivision.

#### *Parliamentary Procedure/Roberts Rules of Order-Future Agenda Item*

Mr. Rutt referenced the finance report which had to be voted on at the council meeting earlier this evening. He reiterated this was because a discussion took place before the motion on the floor at the October 8<sup>th</sup> meeting was seconded and disrupted the normal procedure. In addition, there are other things he has observed over the last few months that he and the city clerk have discussed and need to be addressed.

As a result, he recommends a workshop be scheduled with members of the planning commission, board of adjustment and city council. During that session, the rules of procedure, Roberts Rules and FOIA will be discussed. In that way, all boards and commissions in the city will be on the same level.

Mayor Rogers and council members were very receptive to the idea noting a recent problem that occurred with a planning commissioner. Mayor Rogers will follow up with a later date and time.

*Trash Container Pickup/Delivery Fee*

Mr. Pikus asked the deadline for yard waste pickup; Mr. Morrow advised that yard waste is picked up through October 31<sup>st</sup>.

The city clerk reported that she was asked by City Manager Carmean to present council with his idea for a proposed trash container pickup and delivery fee.

She advised our current ordinance requires that every customer in Milford be charged a monthly trash fee whether or not they are using the service. Mr. Carmean has received an increased number of complaints from residents who go away for four or five months a year and have to continue paying for the service though they do not put out trash during that time frame.

To accommodate those requests, he is recommending a \$12.50 pickup and delivery fee. Each container is individually marked for their specific address. As a result, any container picked up for a \$12.50 fee, taken to the warehouse, inventoried and stored specifically for that address. When the customer calls for its return, that specific container is returned and another \$12.50 fee charged.

In the meantime, our crews will be instructed that nothing is to be picked up until they the official City of Milford container is set out again.

Ms. Hudson noted there are scenarios that would apply as well. For example, a resident might be staying in the hospital, rehab center, nursing home or even living with another relative for an extended period of time and no one is at their home.

She advised that any change to this policy would require an ordinance amendment. At this point, the city manager is only asking for councils' opinion and whether they feel it is worthwhile considering.

It was agreed to postpone discussion until the next workshop.

With no further business, the Workshop Session concluded at 8:06 p.m.

Respectfully submitted,

Terri K. Hudson, MMC  
City Clerk/Recorder

# Milford Police Department



E. Keith Hudson  
Chief of Police



400 N.E. Front Street  
Milford, Delaware 19963

TO: Mayor and Members of City Council

FROM: E. Keith Hudson, Chief of Police

DATE: November 13, 2012

RE: Activity Report/October 2012

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## **Monthly Stats:**

A total of 607 arrests were made by the Milford Police Department during October 2012. Of these arrests, 165 were for criminal offenses and 442 for traffic violations. Criminal offenses consisted of 25 felonies and 140 misdemeanors. Traffic violations consisted of 143 Special Duty Radar, 13 Drunk-Driving charges, and 286 other.

Police officers investigated 50 accidents during the month (6 personal injury, and 44 property damage) and issued 111 written reprimands. In addition, they responded to 1061 various complaints including city requests and other agency assistance.

## **Monthly Activities:**

With money granted by the Milford Lions Club, our School Resource Officer Pfc. Joey Melvin was able to bring Rachel's Challenge to Milford Students on October 1<sup>st</sup> to grades 8-12th and Middle School received the message on October 3<sup>rd</sup>. That was in addition to the program being presented to the Central Academy, High School and community at large. Rachel's Challenge, a series of programs based on the writings and life of 17-year-old Rachel Scott who was the first student killed at Columbine High School in the 1999 tragedy.

I am pleased to announce our second K-9 graduated after completing approximately five months of training at Wilmington Police Department. K-9 Henk and his handler are now on the road patrolling the streets.

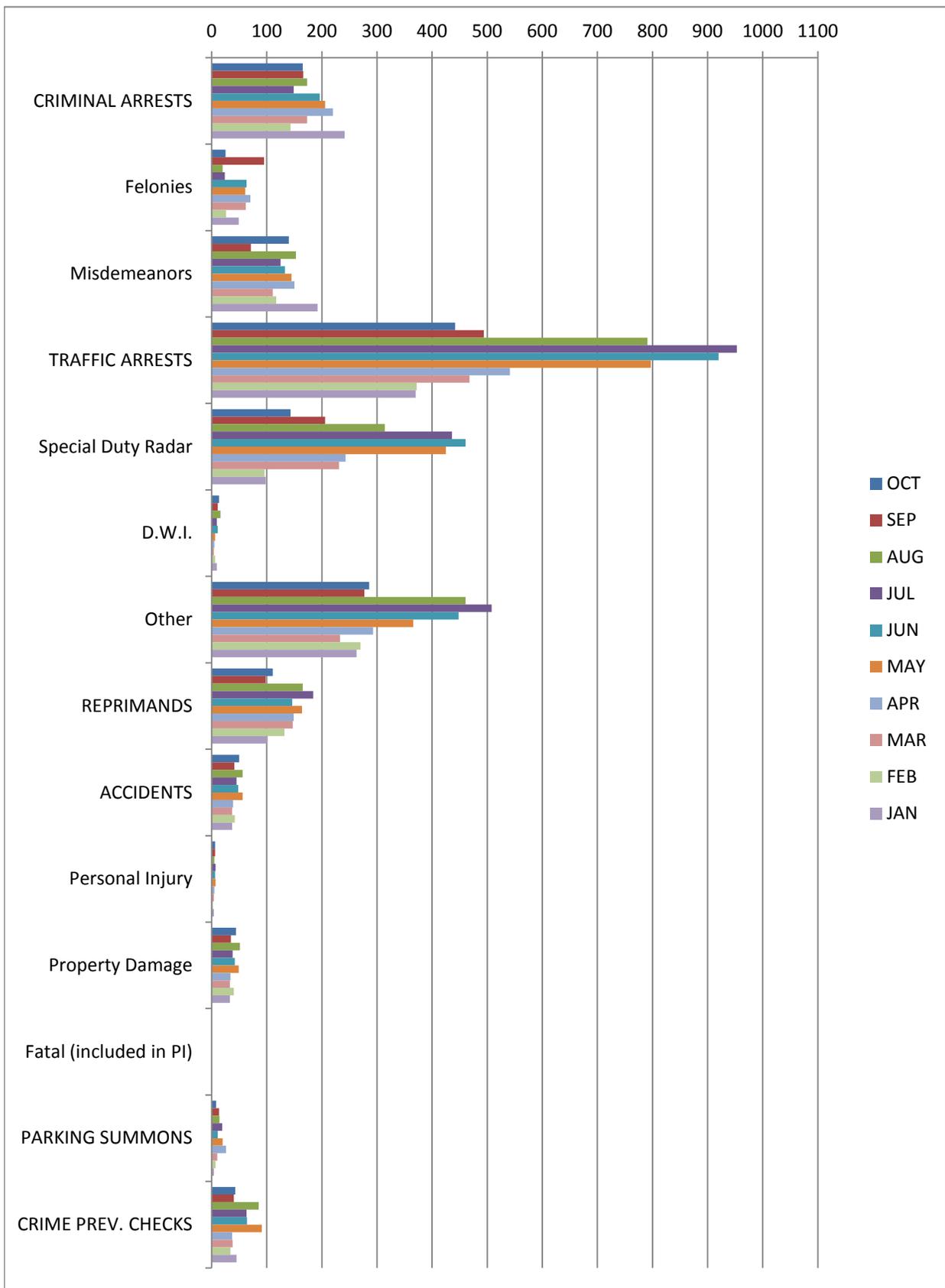
Our K-9 units remained busy during the month of October. They responded to 143 calls of service and were used in 17 different incidents. They conducted two sniffs for narcotics, locating several grams of cocaine. The unit conducted five assists to other police agencies, assisted patrol units with two large crowds, had two no-bite apprehensions (one wanted armed suspect and one suspect for drug dealing).

The final track of Hurricane Sandy (which was extremely unpredictable) came in a little further north than expected and from more of a right angle than expected. This kept us on the western edge of the storm. Although we did experience some minor power outages, we have seen worse storms in the form of Nor'easters. Flooding downtown was comparable or less than most of our nor'easter storms. Again the track of the storm did not push a tidal high further inland, and the angle of the storm verses the shoreline allowed wind direction to change earlier than was predicted, in turn saving us major flooding. We had many positive comments on the Code Red Alert System and their personnel made it a point to make direct contact with us prior to the storm to offer alternative notification options in the event that the system experienced some type of failure in light of the forecasts.

Myself and two other staff members attended a two-day training at the DEMA Headquarters in Smyrna. The training is a federally mandated requirement concerning the Incident Command System.

OCTOBER 2012 ACTIVITY REPORT

	OCT 2012	TOTAL 2012	OCT 2011	TOTAL 2011
COMPLAINTS	1061	12849	1179	12873
CRIMINAL ARRESTS	165	1832	188	1544
Felonies	25	495	47	438
Misdemeanors	140	1337	141	1090
TRAFFIC ARRESTS	442	6148	536	4877
Special Duty Radar	143	2653	210	2072
D.W.I.	13	90	8	73
Other	286	3405	318	2634
REPRIMANDS	111	1397	189	1862
ACCIDENTS	50	451	50	415
Personal Injury	6	52	5	48
Property Damage	44	399	45	367
Fatal (included in PI)	0	1	0	0
PARKING SUMMONS	8	132	3	85
CRIME PREV. CHECKS	43	540	27	461
FINES RECEIVED	\$ 15,070.98	\$ 150,503.10	\$ 16,213.88	\$ 125,929.25



# **COUNCIL REPORT**

## **November 12, 2012**

### **ADMINISTRATION**

We are continuing to move forward on our mailing outsource program for utility billing and taxes. I am waiting for a draft of what the new billing form will look like. We have made changes that will give us a larger area for messages. In addition, the return portion will be at the bottom of the bill instead of the top. This will give us the ability to use bar code readers in the future. I am also planning not to discontinue the late notice mailings. This will cut down on customer complaints and will not be a staff workload problem because it will be handled by BillTrust.

We have upgraded the audio system in the council chambers. This will enhance the ability of the audience to hear discussion by council and presenters. Mrs. Hudson will also going to see a large improvement in the clarity of the recordings, which will make her task of transcribing the minutes somewhat easier.

### **ELECTRIC**

The scheduled tree trimming followed by our crews over the past year paid dividends during our recent storm. I may be recommending an even more extensive trimming program for our next budget year. In the past, the city has contracted outside businesses to do the maintenance as extensive trimming and removal is needed. Our people were able to trim enough tree growth in and around our wires to make a difference in the level of outages created by the rain and wind generated by Sandy. However, after the soaking rain if the wind had not changed direction, and we have had sustained winds during the night, we most likely would have experienced major loss of power to customers.

The Fordmill Substation is once again moving forward. Many of our problems and concerns with our connection to the grid have been addressed and solved. It will not be completed as was expected by the end of 2012, but should be energized by spring 2013. The solar field has to be on-line by the end of the year and would not have happened if our Electric Superintendent had not diligently pursued a solution by allowing them a temporary connection to our system. The solar project, due to the financing method, would have been impossible if we had not made the effort to give them the ability to put generated energy on the system by the 12/31/12 date.

### **SEWER AND WATER**

The test well will be drilled at the Wickersham location this week. As I have reported before, all indications seem to be positive for a successful well at the site.

I am starting the process of getting the treatment facility at Washington Street demolished. As soon as the Washington Street Bridge is opened, I intend to immediately move forward with the

project. The sewer pump station at that location is also due for a complete rebuild. This will occur at approximately the same time.

I had scheduled a preconstruction meeting for the S.E. Water Extension with the engineers and construction people. Due to the storm and election this has been postponed. However, the change will not impact our start date. Everyone involved recognizes the importance of getting the bore and pipe under Route 1 prior to work beginning on the overpass.

## **STREETS AND SOLID WASTE**

We have made every effort to keep up with our collections of yard debris, household trash, recycling and anything else tossed our way. We have asked our employees to work in all areas of our operations regardless of their assignments. I received compliments for the manner in which the preparations for the storm were handled by employees, police as well as public works and electric were much appreciated. Many comments were also made as to how all our employees did a great job during the storm.



# DELAWARE SOLID WASTE AUTHORITY

Pasquale S. Canzano, P.E., BCEE  
Chief Executive Officer

Richard P. Watson, P.E., BCEE  
Chief Operating Officer

### Board of Directors

Richard V. Pryor  
*Chairman*  
Ronald G. McCabe  
*Vice Chairman*  
Theodore W. Ryan  
Timothy P. Sheldon  
Tonda L. Parks  
Gerard L. Esposito  
Gregory V. Moore, P.E.

October 11, 2012

Richard Carmean  
City of Milford  
P.O. Box 159  
Milford, DE 19963

Dear Richard:

Enclosed please find the City of Milford's numbers for the month of September 2012.

### September 2012 Weight in Pounds

#### MARSHALL STREET

SINGLE-STREAM TOTAL	OIL GALLONS
17,994	713

#### MILFORD MIDDLE SCHOOL

4,499	
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#### MILFORD COMMONS

11,996	
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Sincerely,

Rich Von Stetten  
Sr. Manager of Statewide Recycling

C:\RVSRD correspondence\cityofmilford.doc

Christie Murphy

Attachments: City of Milford Curbside Totals

1128 S. Bradford Street, P.O. Box 455, Dover, Delaware 19903-0455  
Phone: (302) 739-5361 Fax: (302) 739-4287

CITIZENS' RESPONSE LINE: 1-800-404-7080 [www.dswa.com](http://www.dswa.com)

**CITY OF MILFORD CURBSIDE RECYCLING  
SEPTEMBER 2012**

Date Out	Trans Num	MT Label	DT Label	Bill Acct Name	Net TN
9/13/2012	709970	7100-RC Single Strea	7000-Recommunity	City of Milford	6.19
9/27/2012	711411	7100-RC Single Strea	7000-Recommunity	City of Milford	4.29
9/28/2012	711448	7100-RC Single Strea	7000-Recommunity	City of Milford	2.53
9/7/2012	709203	7100-RC Single Strea	7000-Recommunity	City of Milford	5.99
9/7/2012	709205	7100-RC Single Strea	7000-Recommunity	City of Milford	1.45
9/13/2012	709948	7100-RC Single Strea	7000-Recommunity	City of Milford	4.17
9/14/2012	709989	7100-RC Single Strea	7000-Recommunity	City of Milford	2.05
9/14/2012	709990	7100-RC Single Strea	7000-Recommunity	City of Milford	2.81
9/21/2012	710716	7100-RC Single Strea	7000-Recommunity	City of Milford	2.52
9/21/2012	710717	7100-RC Single Strea	7000-Recommunity	City of Milford	4.07
9/27/2012	711434	7100-RC Single Strea	7000-Recommunity	City of Milford	6.02
9/28/2012	711449	7100-RC Single Strea	7000-Recommunity	City of Milford	1.69
				<b>TOTAL</b>	<b>43.78</b>



Comcast  
5729 West Denneys Road  
Dover, DE 19904

October 30, 2012

Mr. Richard D. Carmean  
Interim City Manager  
City of Milford  
201 S. Walnut Street  
Milford, Delaware 19963

Dear Mr. Carmean:

I write to advise you of programming changes coming to your community on or about December 4, 2012. The below customer bill message details the changes that are occurring. Customers began receiving this message in October.

“IMPORTANT CHANNEL LINEUP INFO: On 12/04/12, the following changes will occur: The Weather Channel on ch 2, MASN2 on ch 17 and TV Guide on ch 100 will move from Limited Basic to Digital Starter. Pentagon on ch 185 & Daystar on ch 287 will move from Digital Starter to Limited Basic. ION will move from ch 80 to ch 286. EWTN will move from ch 98 to ch 291. The Word Network ch 294 and INSP ch 295 will launch on Limited Basic.”

Please do not hesitate to contact me at (302) 672-5936 with any questions you may have.

Sincerely,

A handwritten signature in black ink, appearing to read "Tom".

R. Thomas Worley  
Sr. Director Government Regulatory Affairs

October 31, 2012

Joseph Ronnie Rogers  
Council Chambers  
201 South Walnut St.  
Milford, DE 19963

Dear Mr. Rogers,

I am notifying you that I regretfully must resign my position on the Board of Adjustments.

I have enjoyed this honor but due to my many health problems, I can no longer serve in this capacity.

Sincerely,  
Samuel E. Johnson

# City of Milford



## RESOLUTION 2012-16

WHEREAS, the Mayor and Council of the City of Milford have initiated action to bring a public playground accessible to children and families of all abilities by expanding the existing facility at Silicato Memorial Park; and

WHEREAS, the City of Milford Parks and Recreation Department has filed an application to the Delaware Land and Water Conservation Trust Fund; and

WHEREAS, the City of Milford Parks and Recreation Department will oversee the implementation of the project and authorizes Director Gary Emory as the project manager; and

WHEREAS, the Delaware Land and Water Conservation Trust Fund requires that Silicato Memorial Park remain open to the public for outdoor recreation purposes.

NOW, THEREFORE, IT IS HEREBY RESOLVED, that the Mayor and Council of the City of Milford authorizes an application for funding to the Delaware Land and Water Conservation Trust Fund be submitted and that the City of Milford agrees to place in use and maintain in perpetuity the Can-Do Playground at Milford for the enjoyment of all.

---

Mayor Joseph Ronnie Rogers  
City of Milford

Attest:

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Teresa K. Hudson, MMC  
City Clerk

# City of Milford



## RESOLUTION

2012-17

### HEALTH FLEXIBLE SPENDING ARRANGEMENT AMENDMENT

WHEREAS, The City of Milford maintains The City of Milford Health Flexible Spending Arrangement (the "Plan"); and

WHEREAS, the Plan was amended and restated effective January 1, 2011; and

WHEREAS, the City of Milford now desires to amend the Plan to reflect certain provisions of the Affordable Care Act of 2010 (the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act) and IRS Notice 2012-40l; and

WHEREAS, the City of Milford intends this Amendment as good faith compliance with the requirements of these provisions; it is

RESOLVED that, effective January 1, 2013, the City of Milford Health Flexible Spending Arrangement is hereby amended, as follows:

FIRST: Paragraph A. of Article IV of the Plan shall be deleted and replaced with the following new Paragraph A.:

"A. A Participant may elect to receive up to \$2,500, or such lesser amount as determined from time to time by the City, of medical expense reimbursement under this Plan by filing an election and Compensation Reduction Agreement, if applicable, in accordance with the procedures established under the Plan. The \$2,500 limitation will be adjusted for increases in the cost of living in accordance with Code Section 125(i)(2). The dollar increase in effect on January 1 of any calendar year shall be effective for the Plan Year beginning with or within such calendar year. For any short Plan Year, the limit shall be an amount equal to the limit for the calendar year in which the Plan Year begins multiplied by the ratio obtained by dividing the number of full months in the short Plan Year by twelve (12). An election to receive medical expense reimbursement and the corresponding Compensation Reduction Agreement shall be irrevocable during the Plan Year, subject to a change in family status, as provided in the Cafeteria Plan."

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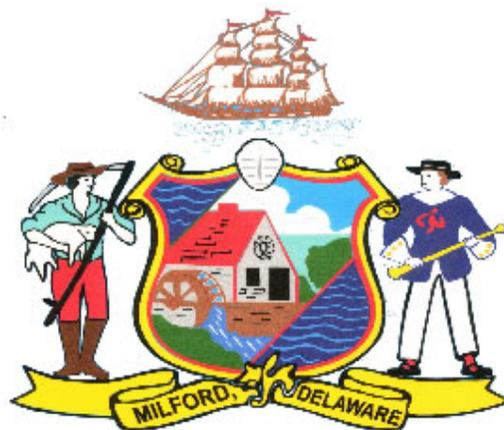
Mayor Joseph Ronnie Rogers  
City of Milford

Attest:

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Teresa K. Hudson, MMC  
City Clerk

City of Milford, DE  
Investment Policy Statement



Dated November 13, 2012

## **1.0 Governing Authority**

It is the policy of the City of Milford to invest public funds under its control in a manner that will provide the highest investment return consistent with the maximum safety of principal, while meeting cash flow needs of the City. The investment program shall conform to all state and local statutes governing the investment of public funds.

## **2.0 Scope**

This Investment Policy Statement (the "Policy") applies to all financial assets of the City of Milford for which the City retains direct or indirect daily control. Funds for which the City has retained outside fund manager(s) shall also be governed by this Policy or, in the case of bond proceeds, related governing bond documents, including any Trust Indentures.

## **3.0 Objectives**

The primary objectives of the City of Milford's investment activities, in order of importance shall be:

### **3.1 Safety**

Preservation of principal is the foremost objective of the investment program. To attain this objective, funds shall be diversified among securities of high credit quality and liquidity, so that risk of loss of principal is minimized.

### **3.2 Liquidity**

The City's investments shall be made for such periods as to enable the City to meet all operating requirements that may be scheduled or reasonably anticipated.

### **3.3 Return on Investments**

A goal of the investment program shall be to maximize investment return within the constraints of Sections 3.1 and 3.2.

## **4.0 Delegation of Authority**

Authority to manage the City of Milford's investment program is derived from this Policy, which is approved by City Council. The Finance Director shall be the custodian of all of the City funds.

The Finance Director shall:

- 1) Review the this Policy annually and recommend changes, if any, to City Council;
- 2) Be charged with implementing the Policy, and may delegate authority to make investments to an investment advisor. The Finance Director shall be responsible for all investment transactions and shall establish controls to regulate the activities of the investment advisor, if any.
- 3) Ensure that records of the City's investment activities are kept for ten-years.

## **5.0 Prudence, Ethics and Conflicts of Interest**

Any official of the City or investment advisor/manager empowered to make investments on behalf of the City of Milford shall comply with the following:

### **5.1 "Prudent Person" Rule**

Investment decisions shall be made with the judgment and care which persons of

reasonable intelligence, under circumstances prevailing at the time the investment is made, would exercise in the management of their own investments assuming that their objectives are those shown in Section 3.0 of this policy.

## **5.2 Ethics and Conflict of Interest**

The delegate authorized to make City investments shall act at all times in an ethical manner, and shall not engage in activity that could impair or be perceived to impair their ability to make impartial investment decisions. They shall disclose to the Mayor and City Council any material interests in financial institutions with which the City has financial dealings, and which may be related to the performance of the investment program. Employees and officers shall refrain from undertaking personal investment transactions with the same individual(s) with whom business is conducted on behalf of the City.

## **6.0 Authorized Institutions and Dealers**

All broker/dealers that desire to become qualified for investment transactions with the City shall meet the following:

1. Primary dealers and regional dealers that qualify under Securities and Exchange Commission Rule 15C3-1 (uniform net capital rule)
2. Capital of at least \$25,000,000 or capital of \$5,000,000 for firms incorporated in the State of Delaware
3. Registered as a dealer under the Securities Exchange Act of 1934
4. Member of the Financial Industry Regulatory Authority (FINRA)
5. Registered to sell securities in the State of Delaware
6. Engaged in the business of effecting transactions in U.S. government, federal agency, and corporate securities for at least five (5) consecutive years

To the extent the City utilizes the services of an outside Investment Advisor, it shall be the responsibility of the Investment Advisor to maintain an approved list of brokers.

## **7.0 Safekeeping and Custody**

To ensure that securities are deposited in an eligible financial institution prior to the release of funds, all trades of marketable securities will be executed by delivery vs. payment (“DVP”).

Further, all securities will be held by an independent third-party custodian, in the name of the City, and evidenced by safekeeping receipts in the City’s name. The custodian shall provide daily confirmation of held securities as well as a monthly transactions and holdings report.

## **8.0 Authorized Investments and Trading of Securities**

The Controller/Treasurer or authorized delegate may invest only in the types of securities listed below. The maximum stated maturity of any security shall be limited to 10 years at time of purchase, unless otherwise stated. For Agency mortgage backed securities, the maximum maturity shall be defined as the weighted average life (“WAL”). WAL is a convention that estimates the expected weighted amount of time, in years, for the principal amount of an issue to be fully paid. For this sector, WAL shall be limited to 10 years, measured at the original purchase date, provided by Bloomberg Financial Markets.

## **8.1 United States Government Securities**

Marketable securities issued by the U.S. Government and supported by the full faith and credit of the U. S. Treasury either by statute or an opinion of the attorney general of the United States. Up to 100% of the portfolio may be invested in this sector.

## **8.2 Government Agency Securities**

Debt securities issued by government-sponsored enterprises (“GSE”), federal agencies, and federal financing banks; the maximum stated maturity of any investment in this sector shall be limited to 5 years at time of purchase. Up to 100% of the portfolio may be invested in this sector.

## **8.3 Certificates of Deposit and Time Deposits**

**8.3.1 Domestic Institutions:** Issued or endorsed by a domestic bank, or a savings and loan association, organized and supervised under the laws of the United States and denominated in U.S. dollars; provided, however, that deposits are fully insured or guaranteed by the Federal Deposit Insurance Corporation (“FDIC”).

If not insured by the FDIC:

- The banking institution must have assets of not less than \$5 billion; and
- Issuers must have a short-term rating of A-1 by Standard & Poor’s and P1 by Moody’s and a long-term rating of AA by Standard & Poor’s or Aa by Moody’s.

The maximum stated maturity of any investment in this sector shall be limited to 5 years at time of purchase. This sector shall not exceed 25% of the total portfolio. No single issuer shall exceed 5% of the City’s portfolio.

**8.3.2 Delaware-Domiciled Institutions:** Issued by or endorsed by any bank or savings association domiciled in the State of Delaware and organized and supervised under federal or State of Delaware banking laws which does not meet the requirements of Section 8.3.1 hereto; provided, however, that:

- For each of the latest two years, the bank or association has had a return on total average assets of 0.50% or greater and an average capital ratio (defined as total equity capital to total assets) of at least 1 to 20, or the instrument is secured as set forth in Section 8, “Collateralization of City Deposits,” hereto; and
- Not more than the lesser of \$10 million or 25% of an issuer’s total equity capital, may be invested in any one issuer. (Investments due to mature in one business day may be excluded from the computation of this percentage.)
- The Board expressly affirms that, consistent with these guidelines, Delaware banks and savings associations should be considered as a source of investment.
- The maximum stated maturity of any investment in this sector shall be limited to 5 years at time of purchase. This sector shall not exceed 20% of the total portfolio. No single issuer shall exceed 5% of the City’s portfolio.

#### **8.4 Corporate Debt Instruments**

Such instruments include commercial paper bankers' acceptances, and non-convertible senior debt securities (bonds and debentures).

- 8.4.1** Any such instrument must be issued by a U.S. corporation;
- 8.4.2** No single issuer shall exceed 5% of the City's portfolio.
- 8.4.3** Commercial Paper shall be limited to a final stated maturity of 270 days. This sector shall not exceed 25% of the total portfolio. Issuers shall be rated at least A-1 by Standard & Poor's and P-1 by Moody's.
- 8.4.4.** Bankers' Acceptances shall be limited to a final maturity of 365 days. This sector shall not exceed 25% of the City's Portfolio. Issuers shall be rated at least A-1 by Standard & Poor's and P1 by Moody's.
- 8.4.5** Corporate bonds and debentures shall be limited to a final stated maturity of 5 years. This sector shall not exceed 50% of the total portfolio. Issuers shall hold a long-term rating of at least AA by S&P or Aa by Moody's.

#### **8.5 Repurchase Agreements**

The underlying collateral shall consist of U.S. government and/or GSE securities provided, however, that:

- 8.5.1** All repurchase agreements must be governed by a written master repurchase agreement;
- 8.5.2** Agreements will be entered into only with respect to underlying securities in which the investment manager may otherwise invest as described above, and only with a recognized U.S. Government/broker or a bank which meets the requirements set out under paragraph Section 8.3.1 or 8.3.2 above;
- 8.5.3** In the case of repurchase collateral held in book-entry form in the Federal Reserve System, all deliveries of securities must be made, for the transfer thereof, through the Federal Reserve book-entry system to the account designated by the investment manager for such purpose. Securities held in certificated form must be delivered to the investment manager or a custodian as directed by the investment manager.
- 8.5.4** Any collateral employed under this paragraph shall be counted towards the applicable maximum limits set forth within these guidelines for such type of investment, and such collateral shall be valued at market at not less than 103 percent of the maturity value of the agreement and marked-to-the-market as requested by the investment manager.
- 8.5.5** Repurchase agreements shall be limited to a maximum maturity of 90 days from date of purchase. No single issuer shall exceed 25% of the City's portfolio.

#### **8.6 Registered Investment Companies (Money Market Funds)**

Money market funds shall not be permitted to invest in or hold securities other than those approved in this Policy. No single fund shall exceed 25% of the City's portfolio. Money market funds shall be rated AAAM by Standard & Poor's. A current prospectus must be obtained before investing in any money market fund, and current holdings reports must be maintained at least each month.

### **8.7 Mortgage-Backed Securities**

Mortgage-backed securities issued by the following: Government National Mortgage Association (GNMA), Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Association (FHLMC). This sector shall not exceed 50% of the total portfolio.

### **8.8 Municipal Obligations**

Taxable and tax-exempt securities issued by state and local governments and public authorities in the United States. The maximum stated maturity of any investment in this sector shall be limited to 5 years at time of purchase. This sector shall not exceed 30% of the City's portfolio. No single issuer shall exceed 5% of the City's portfolio. Issuers shall be rated at least AA by Standard & Poor's and Aa by Moody's.

### **8.9 State of Delaware Investments Pool**

Delaware Local Government Investment Pool (DELGIP) -The investment in this pool is permitted in relation to the City's cash flow and the guidelines set forth by the State of Delaware. The investment in this pool will not exceed 25% of the total funds available and will be monitored by the City's Finance Department on a monthly basis.

### **8.10 Trading Securities**

The Controller/Treasurer is hereby authorized to sell securities prior to their stated maturity date in the following circumstances:

1. A security with declining credit may be sold prior to its maturity to minimize loss of principal;
2. A security swap may be executed if it would improve the quality, yield, or target duration of the portfolio;
3. Securities may be sold to provide needed liquidity.

### **8.11 Internal Control on such transactions**

- 8.11.1** An investment report will be made available to the Council on a quarterly basis.
- 8.11.2** All investment reporting documents will be provided to the independent auditors.
- 8.11.3** Investment records will be kept by the City for ten (10) years.
- 8.11.4** The trading shall not involve any hedge, derivatives and/or borrowing funds for trading purposes.

## **9.0 Collateralization of City Deposits**

If the City deposits funds in any financial institution, those funds will be subject to the following collateralization requirements. The financial institution shall:

- 9.1** Collateralize the City's daily ledger balance(s) if, for any quarter during the most recent eight quarters the bank has not met both of the following two criteria:
  - Return on total average assets of 0.50 percent or greater.
  - Average capital ratio (total equity to total assets) of 5.00 percent or greater.

- 9.2** If either criterion in paragraph 8.1 is not satisfied collateral must be pledged and shall consist of one or more of the following securities:
- U.S. Government securities
  - U.S. Government agency securities
  - Federal Home Loan Board letters of credit
  - State of Delaware securities
  - Securities of a political subdivision of the State of Delaware with a Moody's rating of "A" or better
- 9.3** Ensure that the securities pledged as collateral (except for Federal Home Loan Board letters of credit) have a market value equal to or greater than 103 percent of the ledger balance(s) in the account(s) marked to market each day.
- 9.4** Ensure that securities pledged as collateral are housed at the Federal Reserve Bank or a mutually agreed upon third party depository. (The trust department of the winning vendor will not be acceptable.)
- 9.5** Provide reports on a monthly basis to the City Finance Department detailing the collateral pledged.
- 9.6** Provide a Call Report (Consolidated Report of Condition and Income, FFIEC 031) on a quarterly basis to the City Finance Department.

## **10.0** Policy Considerations

If securities owned by the City are downgraded by either Standard & Poor's or Moody's to a level below the quality required by this Policy, it shall be the City's policy to review the credit situation and make a determination as to whether to sell or retain such securities in the portfolio.

If a security is downgraded two grades below the level required by the Policy, the security shall be sold immediately.

If a security is downgraded one grade below the level required by this Policy and matures within 6 months, the security may be held to maturity. The Finance Director may determine to sell the security if it is determined that there is a probability of default prior to maturity.

If a decision is made to retain a downgraded security in the portfolio, its presence in the portfolio will be monitored and reported monthly to the Finance Director.

## **11.0** Internal Controls

The Finance Director is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft, or misuse. The Finance Director shall also establish a process for an annual independent review by an external auditor to assure compliance with policies and procedures. The internal controls shall address the following:

- Control of collusion
- Separation of transaction authority from accounting and recordkeeping

- Custodial safekeeping
- Prohibition of physical delivery securities
- Clear, written delegation of authority to subordinate staff members
- Written confirmation of transactions for investments and wire transfers

### **12.0 Performance Standards**

The City of Milford's investment decisions shall be made with the objective of obtaining a rate of return commensurate with the investment risk constraints and the cash flow needs. On a quarterly basis, the Finance Director shall compare the City's portfolio against the

Merrill Lynch 0-5 Year U.S. Treasury Index, in terms of time-weighted total return and average duration for the period under review.

### **13.0 Reporting**

At the end of each calendar quarter, the Finance Director will make available a report of all quarter-ending investments to the Mayor and City Council. Reports shall include the following:

- Listing of individual securities held as of last day of reporting period, sorted by sector
- Par, market, and amortized cost values of each security
- Coupon, current yield, and final stated maturity date of each security

### **14.0 Investment Policy Adoption**

The City of Milford's investment policy will be adopted by the City Council after review and recommendation of the Finance Committee. The policy will be reviewed at least once every year by the Finance Committee, which is charged with considering the existing policy and any recommendations to modify the policy. Any modifications to the policy must be approved by the City Council.

GLOSSARY

**AGENCIES:** Federal agency securities, otherwise known as “Government Sponsored Enterprises.”

**CERTIFICATE OF DEPOSIT (CD):** A time deposit with a specific maturity evidenced by a certificate. Large denomination CD's are typically negotiable.

**BANKERS ACCEPTANCE:** A short-term credit investment which is created by a non-financial firm and whose payment is guaranteed by a bank.

**COLLATERAL:** Securities, evidence of deposit or other property which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

**COMMERCIAL PAPER:** An unsecured obligation issued by a corporation or bank to finance its short-term credit needs. Maturities typically range from one (1) to 270 days.

**COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR):** The official annual report for the City of Milford. It includes five combined statements for each individual fund and account group prepared in conformity with GAAP. It also includes supporting schedules necessary to demonstrate compliance with finance-related legal and contractual provisions, extensive introductory material, and a detailed Statistical Section.

**CORPORATE BONDS:** A debt security issued by a corporation based in the United States of America. Such bonds usually have a par value of \$1,000, have a term maturity, and are traded on a major exchange.

**DEALER:** A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for his own account.

**DIVERSIFICATION:** Dividing investment funds among a variety of securities offering independent returns, in an attempt to limit risk.

**FEDERAL CREDIT AGENCIES:** Agencies of the Federal government set up to supply credit to various classes of institutions and individuals, e.g., S&L's, small business firms, students, farmers, farm cooperatives, and exporters.

**FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC):** A federal agency that insures bank deposits, currently up to \$250,000 per deposit.

**FEDERAL FUNDS RATE:** The rate of interest at which Fed funds are traded. This rate is currently pegged by the Federal Reserve through open-market operations.

**FEDERAL HOME LOAN BANKS (FHLB):** The institutions that regulate and lend to savings and loan associations. The Federal Home Loan Banks play a role analogous to that played by the Federal Reserve Banks vis-a-vis member commercial banks.

**FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA):** FNMA, like GNMA was chartered under the Federal National Mortgage Association Act in 1938. FNMA is a federal corporation working under the auspices of the Department of Housing and Urban Development (HUD). It is the largest single provider of residential mortgage funds in the United States. Fannie Mae, as the corporation is called, is a private stockholder-owned corporation. The corporation's purchases include a variety of adjustable mortgages and second loans, in addition to fixed-rate mortgages. FNMA's securities are also highly liquid and are widely accepted.

**FEDERAL RESERVE SYSTEM:** The central bank of the United States created by Congress and consisting of a seven member Board of Governors in Washington, D.C., 12 regional banks and about 5,700 commercial banks that are members of the system.

**GOVERNMENT NATIONAL MORTGAGE ASSOCIATION (GNMA or Ginnie Mae):** Securities influencing the volume of bank credit guaranteed by GNMA and issued by mortgage bankers, commercial banks, savings and loan associations, and other institutions. Security holder is protected by full faith and credit of the U.S. Government. Ginnie Mae securities are backed by the FHA, VA or FMHM mortgages. The term "passthroughs" is often used to describe Ginnie Mae's.

**LIQUIDITY:** A liquid asset is one that can be converted easily and rapidly into cash without a substantial loss of value. In the money market, a security is said to be liquid if the spread between bid and asked prices is narrow and reasonable size can be done at those quotes.

**LOCAL GOVERNMENT INVESTMENT POOL (LGIP):** The aggregate of all funds from political subdivisions that are placed in the custody of the State Treasurer for investment and reinvestment.

**MARKET VALUE:** The price at which a security is trading and could presumably be purchased or sold.

**MATURITY:** The date upon which the principal or stated value of an investment becomes due and payable.

**MORTGAGE-BACKED SECURITIES (MBS):** An investment instrument that represents ownership of, and is backed by, an individual interest in a pool of mortgages such as those issued by Ginnie Mae or Freddie Mac. Principal and interest from the individual mortgages is used to pay principal and interest on the MBS.

**MUNICIPAL NOTES AND BONDS:** Securities issued by a state, city, or local government to finance operations or special projects.

**PRUDENT PERSON RULE:** An investment standard. In some states the law requires that a fiduciary, such as a trustee, may invest money only in a list of securities selected by the custody state--the so-called legal list. In other states the trustee may invest in a security if it is one which would be bought by a prudent person of discretion and intelligence who is seeking a reasonable income and preservation of capital.

**QUALIFIED PUBLIC DEPOSITORIES:** A financial institution which does not claim exemption from the payment of any sales or compensating use or ad valorem taxes under the laws of this state, which has segregated for the benefit of the commission eligible collateral having a value of not less than its maximum liability and which has been approved by the Public Deposit Protection Commission to hold public deposits.

**RATE OF RETURN:** A measure of worth, either at security or aggregate portfolio level, over a period of time. There are many return conventions, including but not limited to yield to maturity at cost, yield to maturity at market, yield to worst, time weighted total return, dollar weighted total return.

**REPURCHASE AGREEMENT (RP OR REPO):** A holder of securities sells these securities to an investor with an agreement to repurchase them at a fixed price on a fixed date. The security "buyer" in effect lends the "seller" money for the period of the agreement, and the terms of the agreement are structured to compensate him for this. Dealers use RP extensively to finance their positions. Exception: When the Fed is said to be doing RP, it is lending money, that is, increasing bank reserves.

**REVERSE REPURCHASE AGREEMENT:** The purchase of a security by a dealer with the agreement to sell it back to the seller at a fixed price at a later date. Typically used by owners of securities to finance short-term needs without having to liquidate the security.

**SAFEKEEPING:** A service to customers rendered by banks for a fee whereby securities and valuables of all types and descriptions are held in the bank's vaults for protection.

**TIME DEPOSITS:** A savings account or CD held for a fixed term or with the understanding that the customer can withdraw only by giving advanced notice.

**TREASURY BILLS:** A short-term (less than one year) non-interest bearing discount security issued by the U.S. Treasury department to finance the national debt. Most bills are issued to mature in three months, six months, or one year.

**TREASURY BOND:** Long-term U.S. Treasury securities having initial maturities of more than 10 years.

**TREASURY NOTES:** A non-interest bearing discount security issued by the U.S. Treasury to finance the national debt. Most bills are issued to mature in three months, six months or one year.

**UNIFORM NET CAPITAL RULE:** Securities and Exchange Commission requirement that member firms as well as nonmember broker-dealers in securities maintain a maximum ratio of indebtedness to liquid capital of 15 to 1: also called net capital rule and net capital ratio.

Indebtedness covers all money owed to a firm, including margin loans and commitments to purchase securities, one reason new public issues are spread among members of underwriting syndicates. Liquid capital includes cash and assets easily converted into cash.

**VARIABLE RATE MASTER DEMAND NOTES:** A floating rate security with initial maturities and indexed rates chosen by the investor. The interest rate is adjusted periodically, usually off a standard such as that prevailing on a Treasury Bill or the prime interest rate.

**YIELD:** The rate of annual income return on an investment, expressed as a percentage.

**INCOME YIELD** is obtained by dividing the current dollar income by the current market price for the security.

**NET YIELD or YIELD TO MATURITY** is the current income yield minus any premium above par or plus any discount from par in purchase price, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond.

# City of Milford



## AGENDA

Monthly Council Meeting

November 13, 2012

Joseph Ronnie Rogers Council Chambers, Milford City Hall, 201 South Walnut Street, Milford, Delaware

7:00 P.M.

COUNCIL MEETING

Call to Order - Mayor Joseph Ronnie Rogers

Invocation

Pledge of Allegiance

Approval of Previous Minutes

Recognition

Monthly Police Report

City Manager Report

Committee & Council Reports

Communications

Unfinished Business

Planning Commissioner Appointment

Board of Adjustment Vacancy and Appointment

New Business

Adoption of Resolution 2012-16/Authorizes Application for Funding/DLWCTF/Can-Do Playground At Milford

Adoption of Resolution 2012-17/Amendment to City's Health Flexible Spending Arrangement

Adoption of City of Milford Investment Policy Statement

Acceptance of Fiscal Year 2011-2012 City of Milford Annual Audit

Finance Report

\*Executive Session-

Pursuant to 29 Del. C. §10004(b)(4) Strategy sessions, including those involving legal advice or opinion from an attorney-at-law, with respect to collective bargaining or pending or potential litigation (Insurance Claim)

Adjourn

This agenda shall be subject to change to include additional items including executive sessions or the deletion of items including executive sessions which arise at the time of the public body's meeting.

**SUPPORTING DOCUMENTS MUST BE SUBMITTED TO THE CITY CLERK IN ELECTRONIC FORMAT  
NO LATER THAN ONE WEEK PRIOR TO MEETING; NO PAPER DOCUMENTS WILL BE ACCEPTED  
OR DISTRIBUTED AFTER PACKET HAS BEEN POSTED ON THE CITY OF MILFORD WEBSITE.**

**CITY OF MILFORD**

Milford, Delaware

Financial Statements

For The Year Ended June 30, 2012

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CITY OF MILFORD, DELAWARE

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**CITY OF MILFORD**  
DELAWARE



"THE GARDEN CITY OF TWIN COUNTIES"

(302) 424-5140  
FAX # (302) 424-5932

**TRANSMITTAL LETTER**

10 S.E. 2nd STREET  
MILFORD, DELAWARE 19963

October 29, 2012

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

The Finance Department and City Manager's Office are pleased to submit the Annual Financial Report for the City of Milford, Delaware for the fiscal year ended June 30, 2012.

This report is published to provide the City Council, City staff, our citizens, our bondholders and other interested parties with detailed information concerning the financial condition and activities of the City government. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City.

To the best of our knowledge and belief the enclosed data is accurate in all material respects, and is organized in a manner designed to fairly present the financial position and results of operations of the City as measured by the financial activity of its various funds. We also believe that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included.

**THE REPORT**

The accompanying financial section includes a Management and Discussion Analysis (MD&A), basic financial statements and combining and individual fund statements and schedules, as well as the independent auditor's report on the basic financial statements. Beck, Villata & Co., P.C., Certified Public Accountants, have issued an unqualified ("clean") opinion on the City's financial statements for the year ended June 30, 2012. The independent auditor's report is located at the front of the financial section of this report.

The MD&A is a narrative introduction, overview, and analysis to accompany the basic financial statements. This letter of transmittal is designed to complement and should be read in conjunction with the MD&A. The City of Milford's MD&A can be found immediately following the report of the independent auditors.

The Financial Section described above is prepared in accordance with generally accepted accounting principles for governments as prescribed by the Governmental Accounting Standards Board (GASB) and other professional associations, as applicable.

## **CITY PROFILE**

### **Location**

The City of Milford is the sixth largest city in population in the State of Delaware, serving over 9,000 residents within a rapidly growing corridor along U.S. Route 113/DE Route 1 in Kent and Sussex Counties. Located on the Mispillion River, within both Kent and Sussex Counties, the City is approximately 95 miles from Philadelphia, Pennsylvania, 85 miles from Baltimore, Maryland, and 100 miles from Washington, D.C. Locally, the City is 19 miles south of Dover, the State Capital.

The City is a home rule city operating under the Council-Manager form of government. The City Council is comprised of the Mayor and eight Council members, who enact local laws, determine policies and adopt the annual budget. The City Manager is appointed by the City Council and is responsible for the daily management of the City. The Basic Financial Statements of the City include all government activities, organizations and functions for which the City is financially accountable as defined by the GASB. Based on these criteria no other governmental organizations are included in this report.

## **FINANCE**

### **Services Provided**

The City provides to its citizens those services that have proven to be necessary and meaningful and which the City at the least cost can provide. Major services provided under general government and enterprise functions are: police protection, water and sewer services, electric services, sanitation services, park and recreational facilities, street improvements and general administrative services.

### **Accounting System and Budgetary Control**

The City's accounting records for general governmental operations are maintained on a modified accrual basis with the revenues being recorded when available and measurable and expenditures being recorded when the services or goods are received and the liabilities are incurred. Accounting records for the City's utilities and other proprietary activities are maintained on the accrual basis.

In developing and maintaining the City's accounting system, consideration is given to the adequacy of the internal control structure. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. We believe that the City's informal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

The City charter provides that the City Council shall adopt the annual budget prepared by City Management. This budget is reviewed by the City Council and is formally adopted by the passage of a budget ordinance. The City Manager is authorized to transfer budgeted amounts between the items and departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council.

Budgetary control has been established at the general fund level. Financial reports are produced showing budget and actual expenditures by line item, and are distributed monthly to City departmental and divisional management and to others upon request.

Individual line items are reviewed and analyzed for budgetary compliance. Personnel expenditures are monitored and controlled at a position level and capital expenditures are monitored and controlled item by item. Revenue budgets are reviewed monthly.

#### OTHER INFORMATION

##### Independent Audit

The City Charter requires an annual audit of the accounts, financial records and transactions of the City by independent certified public accountants selected by the City Council. This requirement has been complied with, and the independent auditor's report has been included in this report. Additionally, the City of Milford's Director of Finance hears and reviews all recommendations made by the independent auditors.

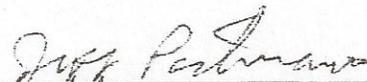
##### Acknowledgments

The preparation of this report on a timely basis could not have been accomplished without the efficient and dedicated services of the entire staff of the Finance Department. Appreciation is expressed to City employees throughout the organization, especially those employees who were instrumental in the successful completion of this report.

We would like to thank the members of the City Council for their interest and support in planning and conducting the financial operation of the City in a responsible and progressive manner.

Respectively submitted,

  
\_\_\_\_\_  
Richard Carmean  
City Manager

  
\_\_\_\_\_  
Jeff Portmann  
Finance Director



**Certified Public Accountants**

Member Firm Private Companies Practice Section  
AICPA Division for CPA Firms

**BECK, VILLATA & CO., P.C.**

[www.beckvillata.com](http://www.beckvillata.com)

Frank C. Beck, CPA/ABV  
Vincent P. Villata, Jr., CPA  
Robert K. Griffin, CPA

**Independent Auditor's Report**

To the Mayor and City Council  
**City of Milford**  
Milford, Delaware

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the City of Milford, Delaware, as of and for the year ended June 30, 2012, which collectively comprise the City of Milford's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Milford'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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, and each major fund of the City of Milford, Delaware, as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2012, on our consideration of the City of Milford, Delaware's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 3 through 12 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures to this required supplementary information, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Book Villalobos & Co PC*

Voorhees, New Jersey  
October 29, 2012

**CITY OF MILFORD, DELAWARE**

Management's Discussion and Analysis

For the Year Ended June 30, 2012

**Amounts in Thousands Unless Stated Otherwise**

(Unaudited)

As management of the City of Milford, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities and financial position of the City for the fiscal year ended June 30, 2012. In the broadest context, the financial well-being of a government lies in the underlying wealth and willingness of its citizens and property owners to pay adequate taxes combined with the vision of the government's elected and appointed leadership to spend those taxes strategically so that the City's tax base, service levels, City assets and the City's desirability will be maintained not just for the current year but well into the future. Financial reporting is limited in its ability to provide this "big picture" but rather focuses on financial position and changes in financial position. In other words, are revenues and or expenses higher or lower than the previous year? Have net assets (containing both short and long term assets and liabilities) or fund balances (the current "spendable" assets less current liabilities) of the government been maintained? We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal (pages i-iii of this report) as well as information on the City's annual budget and other community information found on the City's website at [www.cityofmilford.com](http://www.cityofmilford.com). It should be noted that the Independent Auditor's Report describes the auditors' association with the various sections of this report and that all of the additional information from the website and other City sources is unaudited and has not been updated for events that may have occurred subsequent to the issuance of the respective report.

**IN BRIEF**

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$63,376 (net assets). This number must be viewed in the context that the vast majority of the City's net assets of \$22,215 (35%) are invested in capital assets, net of related debt, and that most capital assets in government do not directly generate revenue nor can they be sold to generate liquid capital. Those net assets restricted for specific purposes total \$2,597 (4%). The remaining \$38,564 (61%) are unrestricted net assets and may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the City's fund designation and fiscal policies. Unrestricted net assets increased by \$2,794 in fiscal year 2012.

**CITY OF MILFORD, DELAWARE**

Management's Discussion and Analysis

For the Year Ended June 30, 2012

**Amounts in Thousands Unless Stated Otherwise**

(Unaudited)

- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$7,514. Within this total \$763 is restricted by specific legal requirements and \$2,511 has been committed and assigned to specific types of expenditures, The remaining \$4,240 is unassigned fund balance in the general fund and can be used for any lawful purpose.
- The City's long-term liabilities decreased by \$1,027 due primarily debt retirements.
- The City, like most governments, has been impacted by the current economic downturn. The City has seen certain revenues stagnate or decline and has moved aggressively to reduce expenditures accordingly. The City also benefits from strong fund balances and conservative financial practices. The Economic Factors and Next Year's Budget section on the last page of this discussion provide additional information on the subject.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of four components: 1) government wide financial statements, 2) fund financial statements 3) notes to the financial statements and 4) required supplementary information which includes this management's discussion and analysis. In addition to the basic financial statements, this report also contains other supplementary information as listed in the Table of Contents.

**Government Wide Financial Statements** - The government wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. The Statement of Net Assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. The Statement of Activities presents information showing how the City's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences.)

**CITY OF MILFORD, DELAWARE**

Management's Discussion and Analysis

For the Year Ended June 30, 2012

**Amounts in Thousands Unless Stated Otherwise**

(Unaudited)

Both of the government-wide financial statements distinguish between functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government and administration, public safety, public works, and cultural and recreation. The business-type activities of the City include water and sewer, electric and sanitation operations. The government wide financial statements can be found on pages 13 and 14 of this report.

**Fund Financial Statements** - A fund is a self-balancing set of accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories-governmental funds and proprietary funds.

**Governmental Funds** - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Non-financial assets such as governmental buildings, roads, drainage ways, park land and long term liabilities such as bonds payable or long term liabilities that will not be paid with current assets are excluded. Such information may be useful in evaluating a government's near term financing requirements. Because the focus of governmental funds is narrower than that of the government wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

**Proprietary Funds** - The City maintains two types of proprietary funds. Enterprise funds are used functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer, electric and sanitation operations.

**CITY OF MILFORD, DELAWARE**

Management's Discussion and Analysis

For the Year Ended June 30, 2012

**Amounts in Thousands Unless Stated Otherwise**

(Unaudited)

Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses its internal service funds to account for its fleet services, public works, meter department, billing services and city hall building maintenance cost allocation programs. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water, Sewer, Electric, and Sanitation funds, since all are considered to be major funds of the City. All internal service funds are combined into a single aggregated presentation in the proprietary fund financial statements. The basic proprietary fund financial statements can be found on pages 20 to 22 of this report.

**Notes to the Financial Statements** - The notes provide additional information that is essential to a full understanding of the data provided in the government wide and fund financial statements. The notes to the financial statements can be found on pages 24 through 41.

**Other Information** - In addition to the basic financial statements and accompanying notes, the basic financial statements contain required supplementary information including this discussion and analysis.

**GOVERNMENTAL-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets and especially net assets by category may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$63,376 as of June 30, 2012.

The largest portion of the City's net assets \$22,215 (35%) reflects its investments in capital assets (e.g., land, building, equipment, improvements and infrastructure), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide service to citizens; consequently these assets are not available for future spending, and with exception of business type assets, do not generate direct revenue for the City.

They do represent, however, an obligation on the part of the City to maintain these assets into the future. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**CITY OF MILFORD, DELAWARE**

Management's Discussion and Analysis

For the Year Ended June 30, 2012

**Amounts in Thousands Unless Stated Otherwise**

(Unaudited)

An additional portion of the City's net assets \$2,597 (4%) represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets \$38,564 (61%) may be used to meet the government's ongoing obligations to citizens and creditors. The current and other assets increased in the Governmental and Business type activities by \$1,033 and \$77, respectively. Increase in the Governmental activities is primarily due to the sale of city land. Increase in the Business-type activities is primarily from tighter budgetary controls on expenditures for all business type activities. The City's long term liabilities decreased by \$1,027 due primarily to debt retirements.

Overall the City had an increase in net assets of \$3,673 or 0.6%.

**Governmental Activities** - Governmental activities net assets increased by \$1,354. Net assets invested in capital assets, net of related debt increased by \$309 or 2.4% primarily due to vehicle purchases for public safety and a dump truck for the streets department. Restricted net assets increased by \$32 or 0.2%. Unrestricted net assets increased by \$1,013 or 19% primarily due to unrestricted funds accumulated for future capital purchases.

Excluding transfers from business-type activities and special items from the sale of land, total revenues for governmental activities decreased from the previous year by \$138. General revenue (excluding transfers and special items) had a net decrease of \$188 or 4.0%. In General Revenues, license and permits increased by \$51 and fees and fines increased by \$82. Engineering and Inspections decreased by \$223 as the department became part of an interservice fund. Miscellaneous revenue decreased by \$120 mostly due to the reduction in rent revenue lost upon the sale of land. Total expenses for governmental activities decreased by \$411 or 5%.

**Business-Type Activities** - Net assets from business-type activities increased by \$2,319 or 5.7% from \$41,032 to \$43,351. Net assets invested in capital assets, net of related debt, increased by \$2,295 primarily due to electric substation and sewer infrastructure improvements. Unrestricted net assets increased by \$24. Restricted net assets remained unchanged from the previous year.

**CITY OF MILFORD, DELAWARE**

Management's Discussion and Analysis

For the Year Ended June 30, 2012

**Amounts in Thousands Unless Stated Otherwise**

(Unaudited)

**CITY OF MILFORD'S NET ASSETS  
(Amounts in Thousands)**

	Government Activities		Business-Type Activities		Total	
	2011	2012	2011	2012	2011	2012
Current and other assets	\$ 6,986	\$ 8,019	\$ 36,944	\$ 37,021	\$ 43,930	\$ 45,040
Capital assets, net	12,823	13,097	25,738	27,496	38,561	40,593
Total Assets	<u>19,809</u>	<u>21,116</u>	<u>62,682</u>	<u>64,517</u>	<u>82,491</u>	<u>85,633</u>
Long term liabilities	716	666	18,073	17,096	18,789	17,762
Other liabilities	423	425	3,577	4,070	4,000	4,495
Total Liabilities	<u>1,139</u>	<u>1,091</u>	<u>21,650</u>	<u>21,166</u>	<u>22,789</u>	<u>22,257</u>
Net Assets						
Invested in capital assets, net of related debt	12,590	12,899	7,021	9,316	19,611	22,215
Restricted	731	763	1,834	1,834	2,565	2,597
Unrestricted	5,349	6,362	32,177	32,202	37,526	38,564
Total Net Assets	<u>\$ 18,670</u>	<u>\$ 20,024</u>	<u>\$ 41,032</u>	<u>\$ 43,352</u>	<u>\$ 59,702</u>	<u>\$ 63,376</u>

As of June 30, 2012, the City has positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

**CITY OF MILFORD, DELAWARE**

Management's Discussion and Analysis  
For the Year Ended June 30, 2012

**Amounts in Thousands Unless Stated Otherwise**  
(Unaudited)

The following table provides a summary of the City's operations for the year ended June 30, 2012 with comparative totals for the year ended June 30, 2011.

**CITY OF MILFORD'S CHANGES IN NET ASSETS**  
(Amounts in Thousands)

	Government Activities		Business-Type Activities		Total	
	2011	2012	2011	2012	2011	2012
<b>Revenues</b>						
Program Revenues:						
Fees, fines and charges for services	\$ 145	\$ 114	\$ 34,738	\$ 33,045	\$ 34,883	\$ 33,159
Operating grants and contributions	713	997	50	-	763	997
General Revenues:						
Property taxes	3,282	3,325	-	-	3,282	3,325
Franchise taxes	589	500	-	-	589	500
Impact fees	-	-	60	125	60	125
Investment earnings	59	57	75	277	134	334
Gain on sale of assets	109	1,360	-	-	109	1,360
Miscellaneous	493	403	9	2	502	405
Total revenues	<u>5,390</u>	<u>6,756</u>	<u>34,932</u>	<u>33,449</u>	<u>40,322</u>	<u>40,205</u>
<b>Expenses</b>						
General government	1,778	1,901	-	-	1,778	1,901
Public safety	4,391	4,061	-	-	4,391	4,061
Public works	802	727	-	-	802	727
Culture and recreation	1,333	1,208	-	-	1,333	1,208
Interest on long term debt	9	5	412	667	421	672
Electric	-	-	23,861	22,165	23,861	22,165
Water	-	-	1,527	1,553	1,527	1,553
Sewer	-	-	2,952	3,189	2,952	3,189
Trash	-	-	1,006	1,056	1,006	1,056
Total expenses	<u>8,313</u>	<u>7,902</u>	<u>29,758</u>	<u>28,630</u>	<u>38,071</u>	<u>36,532</u>
Increase (decrease) in net assets before transfers	(2,923)	(1,146)	5,174	4,819	2,251	3,673
Transfers	<u>2,500</u>	<u>2,500</u>	<u>(2,500)</u>	<u>(2,500)</u>	-	-
Increase (decrease) in net assets	(423)	1,354	2,674	2,319	2,251	3,673
Net assets, July 1	19,093	18,670	38,358	41,032	57,451	59,702
Net assets, June 30	<u>\$ 18,670</u>	<u>\$ 20,024</u>	<u>\$ 41,032</u>	<u>\$ 43,351</u>	<u>\$ 59,702</u>	<u>\$ 63,375</u>

**CITY OF MILFORD, DELAWARE**

Management's Discussion and Analysis

For the Year Ended June 30, 2012

**Amounts in Thousands Unless Stated Otherwise**

(Unaudited)

**Financial Analysis of the Government's Funds**

**Governmental Funds** - The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending in the next fiscal year. At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$7,514. Within this total \$763 is restricted by specific legal requirements, for street improvements, and \$2,511 has been committed and assigned to specific types of expenditures. The remaining \$4,240 is unassigned fund balance in the general fund and can be used for any lawful purpose. In the general fund, the City originally budgeted a fund balance decrease in the current year of \$501. Due primarily to the unbudgeted sale of land, the actual general fund balance increased by \$1,097.

**Proprietary Funds** - The City's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net assets of the respective enterprise funds are \$6,617 for Water, \$5,394 for sewer, \$19,486 for electric and \$704 for Sanitation. The total of all enterprise fund net assets of \$43,351 is adjusted by \$756 for the consolidation of the internal service fund activities related to enterprise funds to equal the total net assets for business-type activities in the entity wide statements of \$44,107. Change in net assets for enterprise funds in 2012 were \$979 in the water, \$380 in the sewer, \$899 in the electric and \$61 in the sanitation fund.

**General Fund Budgetary Highlights** - The City made revisions to the original appropriations approved by the City Council. Overall these changes resulted in an increase in budgeted expenditures from the original budget of 4% or \$290. Management's estimate of the General Funds budgeted revenues increased \$58 or 1.3% from original budget based on year to date experience.

**CITY OF MILFORD, DELAWARE**

Management's Discussion and Analysis  
For the Year Ended June 30, 2012  
**Amounts in Thousands Unless Stated Otherwise**  
(Unaudited)

**DEBT ADMINISTRATION**

At the end of the current fiscal year, the City had a total bonded debt of \$18,379 all backed by the full faith and credit of the government.

**Outstanding Debt at Year End  
Bonds and Notes Payable**

	<u>Government Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>
General Obligation Bonds	\$ 233	\$ 199	\$ 16,720	\$ 16,117	\$ 16,953	\$ 16,316
Revolving Fund Loans	-	-	1,996	2,063	1,996	2,063
<b>Total</b>	<u>\$ 233</u>	<u>\$ 199</u>	<u>\$ 18,716</u>	<u>\$ 18,180</u>	<u>\$ 18,949</u>	<u>\$ 18,379</u>

During the fiscal year, the City's total debt decreased by \$533 or 2.8%, due primarily to debt retirements.

The City's General Obligation Bond rating is AA- as rated by Standard & Poor's. Additionally, several of the City's bonds are insured.

Additional information on the City's long term debt can be found in footnote 10 on pages 36 to 39 of this report.

**CITY OF MILFORD, DELAWARE**

Management's Discussion and Analysis

For the Year Ended June 30, 2012

**Amounts in Thousands Unless Stated**

**Otherwise**

(Unaudited)

**CAPITAL ASSETS**

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2012, amounts to \$40,593 (net of accumulated depreciation). This investment in capital assets includes land, building, equipment, intangibles, improvements, and infrastructure and construction in progress. The total increase in the City's investment in capital assets, net of accumulated depreciation, for the current fiscal year was \$2,032 or 5% (\$274 for governmental activities and \$1,758 for business type activities.) Additional information on the City's capital assets can be found in note 9 on pages 35 and 36 of this report.

Major capital asset events during the current fiscal year included the following: acquisition of vehicles and equipment totaling \$262, including public safety and street vehicles; sewer system infrastructure improvements totaling \$1,780; electric system land and infrastructure improvements of \$299 and \$504 respectively.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS**

In the fiscal year 2013 Budget, General Fund revenues are budgeted to increase by 4% from the fiscal year 2012 final budget. Certified assessed valuations, including estimated values on properties under protest, increased for the fiscal year 2013 budget by 29% due to a reassessment. The reassessment was completed this year as required by the city charter at least every 10 years.

In this coming fiscal year, the City's budget will continue to be impacted by the economic downturn but is seeing some encouraging signs. On the positive side, rates charged for services remained unchanged in order to operate the city's four enterprise funds consisting of water, sewer, electric and sanitation. The city's electric service will be adding a new substation to better serve our customers. The city has also been aggressively pursuing the removal of groundwater from our sewer lines which should result in a reduction of expenses to process the sewer discharge at the Kent County sewer processing plant.

**REQUEST FOR INFORMATION**

The financial report is designed to provide our citizens, customers, investors and creditors with general overview of the City's finances. If you have questions about this report or need any additional information, contact the Department of Finance, Attention: Finance Director, 10 SE 2<sup>nd</sup> Street, Milford, DE 19963 or call 302-424-5141 or email: [jportmann@milford-de.gov](mailto:jportmann@milford-de.gov).

**CITY OF MILFORD, DE**  
**STATEMENT OF NET ASSETS**  
**June 30, 2012**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and Equivalents	\$ 3,993,162	\$ 18,855,842	\$ 22,849,004
Investments	3,573,597	13,871,527	17,445,124
Receivables	331,709	2,928,175	3,259,884
Inventories	-	1,136,002	1,136,002
Other Assets	120,354	229,651	350,005
Capital Assets			
Land, Infrastructure and Other Assets not being depreciated	13,237,055	1,760,159	14,997,214
Utility System	-	40,979,572	40,979,572
Buildings	4,343,379	6,109,747	10,453,126
Equipment and Furniture	4,842,689	4,184,687	9,027,376
Construction in Progress	201,685	-	201,685
Less: Accumulated Depreciation	(9,527,392)	(25,538,244)	(35,065,636)
Total Capital Assets	<u>13,097,416</u>	<u>27,495,921</u>	<u>40,593,337</u>
Total Assets	<u>\$ 21,116,238</u>	<u>\$ 64,517,118</u>	<u>\$ 85,633,356</u>
<b>LIABILITIES</b>			
Accounts Payable and Accrued Expenses	\$ 301,080	\$ 2,417,073	\$ 2,718,153
Long-Term Liabilities			
Due Within One Year			
Bonds, Capital Leases and Contracts	42,886	1,211,058	1,253,944
Compensated Absences	81,642	31,679	113,321
Customer Deposits	-	410,200	410,200
Due in More Than One Year			
Bonds, Capital Leases and Contracts	155,703	16,968,942	17,124,645
Compensated Absences	510,524	126,718	637,242
Total Liabilities	<u>1,091,835</u>	<u>21,165,670</u>	<u>22,257,505</u>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	12,898,827	9,315,921	22,214,748
Restricted	762,794	1,833,976	2,596,770
Unrestricted	6,362,782	32,201,551	38,564,333
Total Net Assets	<u>\$ 20,024,403</u>	<u>\$ 43,351,448</u>	<u>\$ 63,375,851</u>

The accompanying notes are an integral part of these financial statements.

CITY OF MILFORD, DE  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2012

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Primary Government</b>							
Governmental Activities							
General Government	\$ 1,906,251	\$ 33,274	\$ 129,761	\$ -	\$ (1,743,216)		\$ (1,743,216)
Public Safety	4,060,466	-	82,785	-	(3,977,681)		(3,977,681)
Public Works	727,428	-	784,902	-	57,474		57,474
Culture and Recreation	1,207,864	80,737	-	-	(1,127,127)		(1,127,127)
Total Governmental Activities	<u>7,902,009</u>	<u>114,011</u>	<u>997,448</u>	<u>-</u>	<u>(6,790,550)</u>		<u>(6,790,550)</u>
Business-Type Activities							
Electric Fund	22,496,240	25,746,496	-	-		3,250,256	3,250,256
Water Fund	1,696,147	2,519,501	-	-		823,354	823,354
Sewer Fund	3,380,158	3,662,834	-	-		282,676	282,676
Trash Fund	1,056,875	1,115,997	-	-		59,122	59,122
Total Business-Type Activities	<u>28,629,420</u>	<u>33,044,828</u>	<u>-</u>	<u>-</u>		<u>4,415,408</u>	<u>4,415,408</u>
Total Primary Government	<u>\$ 36,531,429</u>	<u>\$ 33,158,839</u>	<u>\$ 997,448</u>	<u>\$ -</u>	<u>\$ (6,790,550)</u>	<u>\$ 4,415,408</u>	<u>\$ (2,375,142)</u>
<b>General Revenues:</b>							
Taxes:							
Property Taxes, Levied for General Purposes					3,324,676	-	3,324,676
Franchise Taxes					499,968	-	499,968
Impact Fees					-	124,801	124,801
Unrestricted Investment Earnings					57,192	277,293	334,485
Miscellaneous					403,071	1,622	404,693
<i>Special item</i> - Gain on Sale of Assets					1,359,822	-	1,359,822
Transfers					2,500,000	(2,500,000)	-
Total General Revenues, Special Items, and Transfers					<u>8,144,729</u>	<u>(2,096,284)</u>	<u>6,048,445</u>
Change in Net Assets					1,354,179	2,319,124	3,673,303
Net Assets - Beginning					<u>18,670,224</u>	<u>41,032,324</u>	<u>59,702,548</u>
Net Assets - Ending					<u>\$ 20,024,403</u>	<u>\$ 43,351,448</u>	<u>\$ 63,375,851</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF MILFORD, DE  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2012**

<b>ASSETS</b>	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Parks and Recreation Fund</u>	<u>Total Governmental Funds</u>
Cash and Cash Equivalents	\$ 1,803,656	\$ 2,169,728	\$ 19,778	\$ 3,993,162
Investments	2,626,133	947,464	-	3,573,597
Taxes Receivable, Net of Allowance for Doubtful Accounts	96,269	29,635	-	125,904
Other Receivables	123,890	81,915	-	205,805
Prepaid Expenses	120,354	-	-	120,354
<b>Total Assets</b>	<u>\$ 4,770,302</u>	<u>\$ 3,228,742</u>	<u>\$ 19,778</u>	<u>\$ 8,018,822</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts Payable	\$ 132,932	\$ 91,150	\$ 2,818	\$ 226,900
Compensated Absences - Current	81,642	-	-	81,642
Other Accrued Expenses	188,376	-	-	188,376
Other Payables	6,789	-	809	7,598
<b>Total Liabilities</b>	<u>409,739</u>	<u>91,150</u>	<u>3,627</u>	<u>504,516</u>
<b>Fund Balances:</b>				
Restricted	-	762,794	-	762,794
Nonspendable	120,354	-	-	120,354
Assigned	-	2,374,798	16,151	2,390,949
Unassigned	4,240,209	-	-	4,240,209
<b>Total Fund Balances</b>	<u>4,360,563</u>	<u>3,137,592</u>	<u>16,151</u>	<u>7,514,306</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 4,770,302</u>	<u>\$ 3,228,742</u>	<u>\$ 19,778</u>	<u>\$ 8,018,822</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF MILFORD, DE**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS**  
**June 30, 2012**

Total Fund Balance, Governmental Funds \$ 7,514,306

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the fund financial statements, but are reported in the governmental activities of the Statement of Net Assets. 13,097,416

Certain other long-term assets are not available to pay current period expenditures and therefore are not reported in the fund financial statements, but are reported in the governmental activities of the Statement of Net Assets. 121,794

Some liabilities, (such as Notes Payable, Capital Lease Contract Payable, Long-term Compensated Absences, and Bonds Payable ), are not due and payable in the current period and are not included in the fund financial statements, but are included in the governmental activities of the Statement of Net Assets. (709,113)

Net Assets of Governmental Activities in the Statement of Net Assets \$ 20,024,403

The accompanying notes are an integral part of these financial statements.

**CITY OF MILFORD, DE**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Parks and Recreation Fund</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Property Taxes	\$ 3,020,880	\$ -	\$ -	\$ 3,020,880
Real Estate Transfer Taxes	-	303,796	-	303,796
Fees and Fines	249,852	-	-	249,852
Licenses and Permits	250,116	-	-	250,116
Engineering & Inspection Fees	-	-	-	-
Intergovernmental	129,761	867,687	-	997,448
Charges for Services	33,274	-	80,737	114,011
Investment Earnings	42,672	14,520	-	57,192
Miscellaneous	359,038	44,033	-	403,071
	<u>4,085,593</u>	<u>1,230,036</u>	<u>80,737</u>	<u>5,396,366</u>
<b>EXPENDITURES</b>				
Current:				
General Government	1,365,841	-	-	1,365,841
Public Safety	3,949,514	110,952	-	4,060,466
Public Works	727,428	-	-	727,428
Culture and Recreation	1,126,850	-	81,014	1,207,864
Debt Service:				
Principal	33,300	-	-	33,300
Interest	5,004	-	-	5,004
Capital Outlay	317,228	584,317	-	901,545
	<u>7,525,165</u>	<u>695,269</u>	<u>81,014</u>	<u>8,301,448</u>
Total Expenditures	<u>7,525,165</u>	<u>695,269</u>	<u>81,014</u>	<u>8,301,448</u>
(Deficiency) Excess of Revenues Over Expenditures	<u>(3,439,572)</u>	<u>534,767</u>	<u>(277)</u>	<u>(2,905,082)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	3,162,349	-	-	3,162,349
Transfers Out	-	(629,280)	(33,069)	(662,349)
	<u>3,162,349</u>	<u>(629,280)</u>	<u>(33,069)</u>	<u>2,500,000</u>
<b>SPECIAL ITEM</b>				
Net Proceeds from Sale of Land	1,374,937	-	-	1,374,937
	<u>1,374,937</u>	<u>-</u>	<u>-</u>	<u>1,374,937</u>
Net Change in Fund Balances	1,097,714	(94,513)	(33,346)	969,855
Fund Balances - Beginning	3,262,849	3,232,105	49,497	6,544,451
Fund Balances - Ending	<u>\$ 4,360,563</u>	<u>\$ 3,137,592</u>	<u>\$ 16,151</u>	<u>\$ 7,514,306</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF MILFORD, DE**  
**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:	\$ 969,855
Amounts reported for Governmental Activities in the Statement of Activities are different because:	
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenses in the statement of revenues, expenditures and changes in fund balance.	(6,243)
Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period. This is the amount by which capital outlays of \$901,545 exceeded depreciation expense of \$521,163 in the current period.	372,382
Governmental funds report the entire net sales price (proceeds) from sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the gain on the sale of the assets. Thus, the change in net assets differs from the change in fund balance by the cost of the asset sold	(15,115)
Governmental funds report repayment of bond principal as an expenditure, In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities.	<u>33,300</u>
Change in net assets of governmental activities	<u><u>\$ 1,354,179</u></u>

The accompanying notes are an integral part of these financial statements.

**CITY OF MILFORD, DE  
BUDGET AND ACTUAL (WITH VARIANCES)  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2012**

	<b>Budgeted Amounts</b>		<b>Actual Amounts, Budgetary Basis</b>	<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Property Taxes	\$ 3,004,155	\$ 3,004,155	\$ 3,020,880	\$ 16,725
Real Estate Transfer Tax (from Special Revenue Fund)	500,000	500,000	500,000	-
Fees and Fines	130,000	130,000	249,852	119,852
Licenses and Permits	190,000	190,000	250,116	60,116
Municipal Street Aid	195,000	195,000	129,761	(65,239)
Charges for Services	31,000	31,000	33,274	2,274
Investment Earnings	20,000	20,000	42,672	22,672
Miscellaneous	233,035	290,776	359,038	68,262
<b>Total Revenues</b>	<b>4,303,190</b>	<b>4,360,931</b>	<b>4,585,593</b>	<b>224,662</b>
<b>EXPENDITURES</b>				
Current:				
General Government	1,492,665	1,787,395	1,365,841	421,554
Public Safety	3,834,790	3,883,785	3,949,514	(65,729)
Public Works	855,065	858,565	727,428	131,137
Culture and Recreation	711,790	711,790	1,126,850	(415,060)
Debt Service:				
Principal	37,885	37,885	33,300	4,585
Interest and Other Charges	8,230	8,230	5,004	3,226
Capital Outlay	364,500	364,500	317,228	47,272
<b>Total Expenditures</b>	<b>7,304,925</b>	<b>7,652,150</b>	<b>7,525,165</b>	<b>126,985</b>
Deficiency of Revenues Over Expenditures	(3,001,735)	(3,291,219)	(2,939,572)	351,647
<b>OTHER FINANCING SOURCES</b>				
Transfers In From Electric Fund	2,500,000	2,500,000	2,500,000	-
Transfers In From Special Revenue Fund	-	-	162,349	162,349
Deficiency of Revenues Over Expenditures and Other Financing Sources	(501,735)	(791,219)	(277,223)	513,996
<b>SPECIAL ITEM</b>				
Net Proceeds from Sale of Land	-	-	1,374,937	1,374,937
Net Change in Fund Balance	(501,735)	(791,219)	1,097,714	1,888,933
<b>DEFICIENCY FUNDED BY</b>				
General Fund Prior Balance and Reserves	501,735	791,219	-	(791,219)
<b>Net Revenues, Other Financing Sources, Prior Fund Balances and Expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,097,714</b>	<b>\$ 1,097,714</b>

The accompanying notes are an integral part of these financial statements.

CITY OF MILFORD, DE  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
June 30, 2012

Business Type Activities - Enterprise Funds						
	Electric	Water	Sewer	Trash	Total	Governmental Activities- Internal Service Fund
<b>ASSETS</b>						
Current Assets:						
Cash and Cash Equivalents	\$ 11,329,328	\$ 3,980,122	\$ 3,119,261	\$ 427,131	\$ 18,855,842	\$ 169,967
Investments	7,452,792	3,402,791	2,765,944	250,000	13,871,527	-
Accounts Receivable, net of allowance for doubtful accounts	2,250,783	180,210	271,394	92,018	2,794,405	-
Other Receivables	81,870	750	50,650	500	133,770	-
Inventories	1,095,525	40,477	-	-	1,136,002	30,549
Deferred Bond Issue Costs	139,611	26,693	63,347	-	229,651	-
<b>Total Current Assets</b>	<b>22,349,909</b>	<b>7,631,043</b>	<b>6,270,596</b>	<b>769,649</b>	<b>37,021,197</b>	<b>200,516</b>
Non-Current Assets:						
Capital Assets:						
Land and Improvements	1,704,152	27,369	28,638	-	1,760,159	-
Utility System	11,061,623	12,920,132	16,997,817	-	40,979,572	-
Buildings and Improvements	5,850,346	202,734	45,821	10,846	6,109,747	-
Equipment and Furniture	2,237,169	650,769	410,927	885,822	4,184,687	1,104,688
Less Accumulated Depreciation	(11,623,455)	(6,426,240)	(6,764,809)	(723,740)	(25,538,244)	(342,275)
<b>Total Non-Current Assets</b>	<b>9,229,835</b>	<b>7,374,764</b>	<b>10,718,394</b>	<b>172,928</b>	<b>27,495,921</b>	<b>762,413</b>
<b>Total Assets</b>	<b>\$ 31,579,744</b>	<b>\$ 15,005,807</b>	<b>\$ 16,988,990</b>	<b>\$ 942,577</b>	<b>\$ 64,517,118</b>	<b>\$ 962,929</b>
<b>LIABILITIES</b>						
Current Liabilities:						
Accounts Payable	\$ 1,823,156	\$ 75,857	\$ 187,912	\$ 34,020	\$ 2,120,945	\$ 79,003
Salaries Payable	32,255	6,945	6,945	10,417	56,562	-
Other Accrued Expenses	239,566	-	-	-	239,566	15,567
Customer Deposits	410,200	-	-	-	410,200	-
Compensated Absences	20,156	3,663	3,663	4,197	31,679	22,403
Bonds, Notes and Loans Payable	333,906	460,792	416,360	-	1,211,058	-
<b>Total Current Liabilities</b>	<b>2,859,239</b>	<b>547,257</b>	<b>614,880</b>	<b>48,634</b>	<b>4,070,010</b>	<b>116,973</b>
Non-Current Liabilities:						
Compensated Absences	80,624	14,654	14,654	16,786	126,718	89,612
Bonds, Notes and Loans Payable	8,115,137	2,882,195	5,971,610	-	16,968,942	-
<b>Total Non-Current Liabilities</b>	<b>8,195,761</b>	<b>2,896,849</b>	<b>5,986,264</b>	<b>16,786</b>	<b>17,095,660</b>	<b>89,612</b>
<b>Total Liabilities</b>	<b>\$ 11,055,000</b>	<b>\$ 3,444,106</b>	<b>\$ 6,601,144</b>	<b>\$ 65,420</b>	<b>\$ 21,165,670</b>	<b>\$ 206,585</b>
<b>NET ASSETS</b>						
Invested in Capital Assets, net of related debt	\$ 780,792	\$ 4,031,777	\$ 4,330,424	\$ 172,928	\$ 9,315,921	\$ 762,413
Restricted for Capital Improvements	257,828	912,632	663,516	-	1,833,976	-
Unrestricted	19,486,124	6,617,292	5,393,906	704,229	32,201,551	(6,069)
<b>Total Net Assets</b>	<b>\$ 20,524,744</b>	<b>\$ 11,561,701</b>	<b>\$ 10,387,846</b>	<b>\$ 877,157</b>	<b>\$ 43,351,448</b>	<b>\$ 756,344</b>

The accompanying notes are an integral part of these financial statements.

CITY OF MILFORD, DE  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2012

	Business Type Activities - Enterprise Funds					Governmental Activities- Internal Service Fund
	Electric	Water	Sewer	Trash	Total	
<b>REVENUES</b>						
Charges for Services	\$ 25,401,989	\$ 2,454,062	\$ 3,662,834	\$ 1,111,801	\$ 32,630,686	\$ 1,737,084
Miscellaneous	344,507	65,439	-	4,196	414,142	-
<b>Total Operating Revenues</b>	<u>25,746,496</u>	<u>2,519,501</u>	<u>3,662,834</u>	<u>1,115,997</u>	<u>33,044,828</u>	<u>1,737,084</u>
<b>OPERATING EXPENSES</b>						
Personal Services	2,007,596	360,626	444,404	460,934	3,273,560	1,271,702
Contractual Services	18,924,762	52,689	2,108,420	331,476	21,417,347	55,236
Utilities	6,385	225,887	25,879	-	258,151	6,418
Repairs and Maintenance	391,461	75,745	16,305	87,188	570,699	201,853
Other Supplies and Expenses	344,808	519,168	267,231	131,984	1,263,191	316,802
Insurance Claims and Expenses	54,017	10,372	4,147	9,232	77,768	8,030
Depreciation	428,801	308,493	323,225	36,061	1,096,580	-
<b>Total Operating Expenses</b>	<u>22,157,830</u>	<u>1,552,980</u>	<u>3,189,611</u>	<u>1,056,875</u>	<u>27,957,296</u>	<u>1,860,041</u>
<b>Operating Income</b>	<u>3,588,666</u>	<u>966,521</u>	<u>473,223</u>	<u>59,122</u>	<u>5,087,532</u>	<u>(122,957)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>						
Interest and Investment Revenues	147,428	73,625	54,150	2,090	277,293	-
Impact Fees	-	81,637	43,164	-	124,801	-
Miscellaneous Revenue	1,622	-	-	-	1,622	-
Operating Grants and Contributions	-	-	-	-	-	-
Interest Expense	(333,305)	(143,167)	(190,547)	-	(667,019)	-
Miscellaneous Expenses	(5,105)	-	-	-	(5,105)	-
<b>Total Non-Operating (Expenses) Revenues</b>	<u>(189,360)</u>	<u>12,095</u>	<u>(93,233)</u>	<u>2,090</u>	<u>(268,408)</u>	<u>-</u>
<b>Income Before Transfers</b>	<u>3,399,306</u>	<u>978,616</u>	<u>379,990</u>	<u>61,212</u>	<u>4,819,124</u>	<u>(122,957)</u>
Transfers In	-	-	-	-	-	-
Transfers Out	(2,500,000)	-	-	-	(2,500,000)	-
<b>Changes in Net Assets</b>	<u>899,306</u>	<u>978,616</u>	<u>379,990</u>	<u>61,212</u>	<u>2,319,124</u>	<u>(122,957)</u>
<b>Total Net Assets - Beginning</b>	<u>19,625,438</u>	<u>10,583,085</u>	<u>10,007,856</u>	<u>815,945</u>	<u>41,032,324</u>	<u>879,301</u>
<b>Total Net Assets - Ending</b>	<u>\$ 20,524,744</u>	<u>\$ 11,561,701</u>	<u>\$ 10,387,846</u>	<u>\$ 877,157</u>	<u>\$ 43,351,448</u>	<u>\$ 756,344</u>

The accompanying notes are an integral part of these financial statements.

CITY OF MILFORD, DE  
STATEMENT OF CASH FLOWS  
ALL PROPRIETARY FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2012

	ENTERPRISE FUNDS				
	Electric	Water	Sewer	Trash	Total
<b>Cash Flows from Operations:</b>					
Receipts from Customers	\$ 26,196,596	\$ 2,488,474	\$ 3,727,148	\$ 1,151,113	\$ 33,563,331
Other Operating Receipts	265,938	75,082	(25,208)	4,196	320,008
Payments to Suppliers	(19,726,590)	(834,938)	(2,458,641)	(549,074)	(23,569,243)
Payments to Employees	(2,009,085)	(360,002)	(443,779)	(454,098)	(3,266,964)
Insurance Premiums Paid	(54,017)	(10,372)	(4,147)	(9,232)	(77,768)
<b>Net Cash Provided by Operating Activities</b>	<u>4,672,842</u>	<u>1,358,244</u>	<u>795,373</u>	<u>142,905</u>	<u>6,969,364</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>					
Operating Transfers In	-	-	-	-	-
Operating Transfers (Out)	(2,500,000)	-	-	-	(2,500,000)
<b>Net Cash Flows Used in Non-Capital Financing Activities</b>	<u>(2,500,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,500,000)</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>					
Additions to Property, Plant and Equipment	(838,451)	(112,221)	(1,754,815)	-	(2,705,487)
Principal Paid on Bonds	(175,000)	(357,793)	(236,440)	-	(769,233)
Interest Paid on Bonds	(328,461)	(53,760)	(192,149)	-	(574,370)
Non-Operating Capital	1,622	-	-	-	1,622
Impact Fees Received	-	81,637	43,164	-	124,801
<b>Net Cash Flows Used in Capital and Related Financing Activities</b>	<u>(1,340,290)</u>	<u>(442,137)</u>	<u>(2,140,240)</u>	<u>-</u>	<u>(3,922,667)</u>
<b>Cash Flows from Investing Activities:</b>					
Net Proceeds/Purchases from Sales and Maturities of Short-Term Investments	251,127	395,697	97,553	(250,000)	494,377
Income on Investments	147,428	73,625	54,150	2,090	277,293
<b>Net Cash Flows from Investing Activities</b>	<u>398,555</u>	<u>469,322</u>	<u>151,703</u>	<u>(247,910)</u>	<u>771,670</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<u>1,231,107</u>	<u>1,385,429</u>	<u>(1,193,164)</u>	<u>(105,005)</u>	<u>1,318,367</u>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<u>10,098,221</u>	<u>2,594,693</u>	<u>4,312,425</u>	<u>532,136</u>	<u>17,537,475</u>
<b>Cash and Cash Equivalents at End of Year</b>	<u>\$ 11,329,328</u>	<u>\$ 3,980,122</u>	<u>\$ 3,119,261</u>	<u>\$ 427,131</u>	<u>\$ 18,855,842</u>
<b>Reconciliation of Operating Income to Net Cash Flows from Operating Activities:</b>					
Operating Income	\$ 3,588,666	\$ 966,521	\$ 473,223	\$ 59,122	\$ 5,087,532
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:					
Depreciation and Amortization	428,801	308,493	323,225	36,061	1,096,580
Effect of Changes in Operating Assets and Liabilities:					
Accounts Receivable, net	650,288	44,055	39,106	39,312	772,761
Inventory	(41,225)	1,285	-	-	(39,940)
Accounts Payable and Accrued Expenses	(17,949)	37,266	(40,806)	1,574	(19,915)
Salaries Payable	3,757	896	897	3,159	8,709
Customer Deposits	65,750	-	-	-	65,750
Liability for Compensated Absences	(5,246)	(272)	(272)	3,677	(2,113)
<b>Net Cash Provided by Operating Activities</b>	<u>\$ 4,672,842</u>	<u>\$ 1,358,244</u>	<u>\$ 795,373</u>	<u>\$ 142,905</u>	<u>\$ 6,969,364</u>
<b>Noncash Capital Financing Activities</b>					
Additions to Property, Plant and Equipment Financed by Delaware Revolving Loans	\$ 838,451	\$ 210,292	\$ 1,805,947	\$ -	\$ 2,854,690
Net Cash	<u>-</u>	<u>(98,071)</u>	<u>(51,132)</u>	<u>-</u>	<u>(149,203)</u>
	<u>\$ 838,451</u>	<u>\$ 112,221</u>	<u>\$ 1,754,815</u>	<u>\$ -</u>	<u>\$ 2,705,487</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF MILFORD, DE**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**June 30, 2012**

<b>ASSETS</b>	<u><b>AGENCY</b></u>
Cash and Cash Equivalents	<u>237,843</u>
Total Assets	<u><u>\$ 237,843</u></u>
 <b>LIABILITIES</b>	
Due to Other Governments	<u>237,843</u>
Total Liabilities	<u><u>\$ 237,843</u></u>

The accompanying notes are an integral part of these financial statements.

**CITY OF MILFORD, DELAWARE**  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

**Introduction**

The City of Milford, Delaware (the "City"), operates under a Council-Manager form of government and provides the following services as authorized by its charter adopted on May 24, 1977: public safety (police), highways and streets, sanitation, health and social services, electric, water, parks and recreation, public improvements, planning and zoning, and administrative services.

The City complies with Generally Accepted Accounting Principles (GAAP) applicable to state and local governments. The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary Funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

The accounting and reporting framework and the more significant accounting policies and practices are discussed in subsequent sections of this Note. The remainder of the notes is organized to provide explanations, including required disclosures, of the City's financial activities for the year ended June 30, 06/30/2012.

**Financial Reporting Entity**

The City's basic financial statements include the accounts of all City operations. The criteria for including organizations as component units within the City's reporting entity, as set forth in Section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the City holds the corporate powers of the organization
- the City appoints a voting majority of the organization's board
- the City is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the City
- there is fiscal dependency by the organization on the City

Based on the aforementioned criteria, the City has no component units.

**Government-Wide and Fund Financial Statements**

The government-wide financial statements (statement of net assets and statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and inter-governmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

**CITY OF MILFORD, DELAWARE**  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):**

**Government-Wide and Fund Financial Statements (continued)**

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include 1) charges to customers who directly benefit from goods or services provided by a given function or activity and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Taxes and other items not properly included among program revenues are reported as general revenues.

Separate financial statements are provided by governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Financial resources used to acquire capital assets are capitalized in the government-wide financial statements, rather than reported as expenditures. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as another financing source. Amounts paid to reduce long-term debt of the City are reported as a reduction of the related liability, rather than as an expenditure in the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter (within sixty days) to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt-service expenditures are recorded only when payment is due. Also, compensated absences are recorded as expenditures when paid.

CITY OF MILFORD, DELAWARE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):**

**Measurement Focus, Basis of Accounting and Financial Statement Presentation  
(continued)**

Sales taxes, franchise taxes, permits and fees, recreation fees, fines and court fees, other miscellaneous revenues and earned but unreimbursed state and federal grants associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Property taxes are measurable as of the date levied (assessed) and are recognized as revenues when they become available. Available means when due, or past due, and received within the current period or collected soon enough thereafter to be used to pay liabilities of the current period. All other revenues are considered to be measurable and available only when the City receives cash.

The City reports the following governmental funds:

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

Special Revenue Funds - The special revenue funds account for revenues derived from earmarked revenue sources. Separate self-balancing funds are established to account for each restricted special revenue source.

Parks and Recreation Fund - The parks and recreation fund accounts for revenues derived from activities provided by the City's parks and recreation department, which include youth and adult sports leagues, summer camps and clinics, special events and festivals as well as fund raising activities.

The City reports the following proprietary funds:

Enterprise Funds - The Enterprise Funds of the City include the electric, water, sewer and trash funds. Enterprise funds are used to account for operations (a) which are financed and operated in a manner similar to private business enterprises; where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body had decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Internal Service Fund - Consists of five internal funds which are used to account for the financing of goods and services provided by one department to other departments of the City on a cost-reimbursement basis.

**CITY OF MILFORD, DELAWARE**  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):**

**Measurement Focus, Basis of Accounting and Financial Statement Presentation  
(Continued)**

Proprietary funds and the internal service fund distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the utility funds are charges to customers for sales and services. Operating expenses for the utility funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The City reports the following fiduciary fund type:

Agency Fund - The agency fund accounts for assets held by the City in a trustee capacity for fees collected on behalf of Kent County and the Carlisle Fire Department.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results may differ from those estimates.

**Encumbrances**

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in governmental funds. Encumbrances as of the year end are reported as reservations of fund balance since they do not constitute expenditures or liabilities but serve as authorization for expenditures in the subsequent year. As of the end of the period, the City had no such encumbrances.

**Budgets and Budgetary Accounting**

The City Council follows these procedures in establishing the budgetary data reflected within the financial statements:

- (1) In accordance with the City Charter, prior to June 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the current year. The City Charter requires that the budget be submitted in summary form. In addition, more detailed line item budgets are included and provided for administrative control.
- (2) Public hearings are conducted to obtain taxpayer comment.
- (3) Prior to June 30, the budget is legally enacted through passage of an ordinance.

**CITY OF MILFORD, DELAWARE**  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):**

- (4) The City Manager is required by the City Charter to present a monthly report to the City Council explaining any variances from the approved budget.
- (5) Formal budgetary integration is employed as a management control device during the year for the general fund.
- (6) The budget for the general fund is adopted on a basis consistent with generally accepted accounting principles (GAAP) as applicable to governments.
- (7) The budgets for the special revenue fund are approved on a program by program basis by the funding agencies.
- (8) Budgetary amendments are approved by City Council as required throughout the year. If revenues in excess of those estimated in the budget become available, the Council, by ordinance, may make supplemental appropriations for the year up to the amount of such excess.

**Cash and Cash Equivalents**

Cash and cash equivalents consist of cash, checking and money market accounts, and short-term investments generally maturing in three months or less.

**Receivables**

Receivables are shown net of the allowances for estimated uncollectible accounts. The allowance for uncollectible accounts is based upon historical data established according to experience and other factors which in the judgment of City officials should be recognized in estimating possible losses. Management believes that they have adequately provided for future probable losses.

**Interfund Receivables/Payables**

Advances between funds are accounted within the appropriate interfund receivable and payable accounts. These advances (reported as "due from/to other funds") are considered "available spendable resources."

**Inventory**

Inventory is carried at cost for the water fund, and at replacement cost for the electric fund, and is determined using the first-in, first out (FIFO) method.

Inventory in the general fund consists of gasoline and diesel fuel held for consumption. Inventory in the internal service fund consists of garage and meter supplies held for consumption. The inventory acquisitions are recorded in the inventory accounts initially and charged to expenditures when used. The cost value of such inventory has been presented on an average cost basis.

**Deferred Bond Discount and Costs**

The deferred bond discounts and costs are being amortized over the respective lives of the bonds, using the straight-line method.

**CITY OF MILFORD, DELAWARE**  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):**

**Fixed Assets**

Fixed assets which include land, buildings, improvements, equipment, vehicles and infrastructure assets, consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage and lighting systems, are reported on the applicable governmental or business-type activities columns in the government-wide financial statements and the proprietary fund financial statements. Fixed assets are recorded at historical cost, if purchased, and at fair market value, if donated. The capitalization threshold for all fixed assets is \$5,000. No dollar threshold is set for land. Fixed asset depreciation is recognized using the straight-line method over the estimated useful lives.

**Compensated Absences**

A maximum of 30 days of vacation and 130 days of sick leave may be accumulated by each employee except for those hired before 1992, whose carry-over is not limited. The City accrues a liability for compensated absences which meet the following criteria:

- The City's obligation relating to employees' rights to receive compensation for future absences is attributable to employees' services already rendered.
- The obligation relates to rights that vest or accumulate.
- Payment of the compensation is probable.
- The amount can be reasonably estimated.

In accordance with the above criteria, the City has accrued a liability for vacation and sick pay which has been earned but not taken by City employees. For governmental funds, the liability for compensated absences is reported as a long term liability in the government-wide financial statements since it is anticipated that none of the liability will be liquidated with expendable available financial resources. The liability for compensated absences is recorded in proprietary fund types as an accrued liability in accordance with Statement of Financial Accounting Standards No. 43, Accounting for Compensated Absences.

**Long-Term Liabilities**

In the government-wide financial statements, and in the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are recorded net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and are amortized over the life of the related debt. In the fund financial statements, governmental fund types recognize bond premium and discounts, as well as debt issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

CITY OF MILFORD, DELAWARE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):**

**Government-wide and Proprietary Fund Net Assets:**

- Invested in capital assets, net of related debt - consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.
- Restricted net assets - consist of net assets that are restricted by the City's creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors (including those who have donated to the City's parks endowment).
- Unrestricted - all other net assets are reported in this category.

**Governmental Fund Balances:**

In the governmental fund financial statements, fund balances are classified as follows:

- **Non-spendable** - Amounts that cannot be spent either because they are in a non-spendable form or because they are legally or contractually required to be maintained intact.
- **Restricted** - 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 grantor or creditors.
- **Committed** - Amounts that can be used only for specific purposes determined by a formal action by City Council ordinance or resolution. This included the Budget Reserve Account.
- **Assigned** - Amounts that are designated by the Mayor 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** - All amounts not included in other spendable classifications.

**Inter-Fund Transactions**

During the course of normal operations, the City has transactions between funds to subsidize operations in certain funds, to allocate administrative costs, to construct assets, to distribute grant proceeds, etc. These transactions are generally reflected as operating transfers, which are transfers from a fund authorized to receive certain revenues to the fund through which the resources are to be expended.

**Interest Capitalization**

Interest costs incurred for the acquisition and/or construction of capital assets are capitalized based on the guidelines established by the Statement of Financial Accounting Standards No. 34, Capitalization of Interest Cost.

**CITY OF MILFORD, DELAWARE**  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):**

The interest capitalization period begins when the following conditions are present:

- Expenditures for the capital asset have been made.
- Activities that are necessary to get the capital asset ready for its intended use are in progress.
- Interest expense is being incurred.

The amount of interest expense to be capitalized is based on the weighted-average amount of accumulated expenditures for the period multiplied by the interest rate for the obligation incurred specifically to finance the construction of capital assets. No capitalizable interest was incurred during the year ended June 30, 2012.

**NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS:**

**Explanation of Certain Differences between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Assets.**

The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net assets of governmental activities in the government-wide statement of net assets. This difference primarily results from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheets.

Capital Asset Differences

When capital assets (land, building, improvements and equipment) are purchased or constructed for use in governmental fund activities, the costs of those assets are reported as expenditures in the governmental funds. However, these costs are reported as capital assets in the statement of net assets. The details of these differences are presented below:

Land, Infrastructure and Other Assets	\$13,237,055
Building and Improvements	4,343,379
Equipment and Furniture	4,842,689
Construction in Progress	201,685
Less: Accumulated Depreciation	<u>( 9,527,392)</u>
Net Capital Asset Difference	<u>\$13,097,416</u>

Long-Term Liability Differences

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental fund balance sheet. All liabilities (both current and long-term) are reported in the statement of net assets. The details of these differences are presented below:

Long-Term Portion of Compensated Absences	\$ 510,524
Current Portion of Bonds Payable	41,854
Long-Term Portion of Bonds Payable	<u>156,735</u>
Total Current and Long-Term Liability Differences	<u>\$ 709,113</u>

**CITY OF MILFORD, DELAWARE**  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012

**NOTE 2 - RECONCILIATION OF GOVERNMENT-SIDE AND FUND FINANCIAL STATEMENTS  
(CONTINUED):**

**Explanation of certain differences between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-Wide Statement of Activities.**

The governmental fund financial statements include a reconciliation between changes in fund balances in the governmental funds and changes in net assets in the government-wide statement of activities. The difference primarily results from the long-term economic focus of the statement of activities versus the current financial resources focus of the governmental fund financial statements.

Capital Outlay Differences

Capital Outlays are reported as expenditures in the statement of revenues, expenditures and changes in fund balances. They are reported as capital assets, with the costs allocated over the useful lives of the assets, as depreciation, in the statement of activities. The details of these differences are reported below:

Capital Outlay	\$ 901,545
Depreciation	( 529,163)
Net Difference	<u>\$ 372,382</u>

Long-Term Debt Issuance and Repayment Differences

When long-term debt is issued, it is reported as an other financing source. Repayments are reported as expenditures in the statement of revenues, expenditures and changes in fund balance. Issuance of debt is reported as a long-time liability and repayments are reported as reductions of those liabilities in the statement of activities. The detail of this difference is reported below:

Principal Repayment	<u>\$ 33,300</u>
---------------------	------------------

**NOTE 3 - FINANCIAL INSTRUMENTS**

The City has a number of financial instruments. The City estimates that the fair value of all financial instruments as of June 30, 2012, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet and statement of net assets.

**NOTE 4 - REAL ESTATE TAXES**

The tax on real estate in the City area for the fiscal year June 30, 2012 was [46 mills (\$1,000 of assessed valuation)] as levied by the City Council. The City bills and collects its own real estate taxes. Delinquent taxes are liened by the City. The schedules of real estate taxes levied for the fiscal year 2011 are:

July 1 -	Levy Date (effective date of enforceable lien)	
August 1 - September 30 -	Face Payment Period	
October 1 -	1% Penalty for each subsequent month not paid	

**CITY OF MILFORD, DELAWARE**  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012

**NOTE 5 - IMPACT FEES**

All new water, sewage, and electric services within the City of Milford are required to pay a one-time "impact fee." The purpose of the fee is to compensate for the impact of new users to the existing water and sewage systems, in order to provide for future expansion. All impact fees collected are restricted for capital improvements, as specified and approved by City Council that will be required as the result of population growth. The cost of the impact fee for water, sewage, and electric for the year ended June 30, 2012 was \$2,158, \$1,141, and \$600 per Estimated Discharge Usage (EDU), respectively.

The City has recorded as revenue in the proprietary funds Statement of Revenues, Expenses and Changes in Net Assets and in the government-wide Statement of Activities the impact fee monies, as required by GASB No. 33. Resulting restricted net assets at June 30, 2012 is \$1,833,976.

**NOTE 6 - INTERFUND TRANSACTIONS**

During the course of normal operations, the City has numerous transactions between funds including expenses or expenditures and transfers of resources primarily to provide services. The financial statements of the governmental and proprietary fund types generally reflect such transactions as transfers. Transfers that are not considered operating or residual equity transfers give rise to individual fund, interfund receivables and payables. As of June 30, 2012, there are no outstanding interfund balances.

**NOTE 7 - INTERGOVERNMENTAL RECEIVABLES**

Amounts due from other governmental units represent receivables for revenues earned by the City or collections made by another governmental unit on behalf of the City.

**NOTE 8 - CASH AND INVESTMENTS**

Custodial credit risk is the risk that in the event of bank failure, the City's deposits may not be returned to it. The City does not have a formal deposit policy for custodial credit risk. Deposits are classified as *Category 1* if they are fully insured, registered or held by the City's agent in the City's name. Deposits would be classified as *Category 2* for those deposits which are collateralized with securities held by the pledging financial institution's trust department or agent(s) in the City's name, or *Category 3* for those deposits which are not collateralized, including bank balances that are collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the City's name. As of June 30, 2012, all of the City's bank balances were Category 1 deposits, and the financial institution balances were the same as the carrying amounts.

CITY OF MILFORD, DELAWARE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012

**NOTE 8 - CASH AND INVESTMENTS (CONTINUED)**

The City's investments are categorized according to the level of credit risk assumed as of the balance sheet date. *Category 1* includes investments that are insured, registered or are held by the City's agent in the City's name. *Category 2* includes uninsured and unregistered investments held by the counterparty's trust department or agent in the city's name. *Category 3* includes uninsured and unregistered investments held by the counterparty, its trust department or its agent but not in the City's name. As of June 30, 2012, the City's investments consist of the following:

Description	Category	Amount	
		Market	Carrying
Government Securities	1		
Federal Home Loan Bank		\$ 8,903,077	\$ 8,903,077
Federal National Mort. Assn.		4,751,900	4,751,900
Total Government Securities		<u>13,654,977</u>	<u>13,654,977</u>
Certificates of Deposit	1		
Bank of India, NY		248,695	248,695
Discover Bank		248,640	248,640
Delaware Federal Credit Union		500,000	500,000
MetLife Bank		244,998	244,998
Bank of America		243,015	243,015
BMW Bank of North America		242,991	242,991
Total Certificates of Deposit		<u>1,728,339</u>	<u>1,728,339</u>
Municipal Bonds	1		
Rhode Island Clean Water		50,401	50,401
Cheshire County NH		944,061	944,061
Maine Governmental Facs		100,685	100,685
Virginia CLG BLG		337,356	337,356
Birmingham Ala Waterworks		629,305	629,305
Total Municipal Bonds		<u>2,061,808</u>	<u>2,061,808</u>
Total		<u>\$17,445,124</u>	<u>\$17,445,124</u>

**CITY OF MILFORD, DELAWARE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 9 - FIXED ASSETS**

The following schedule presents the capital activity of the governmental activities for the year ended June 30, 2012:

Description	Year Ended June 30, 2012				
	Balances 07/01/11	Additions	Deletions	Adjustments & Transfers	Balances 06/30/12
<b>City Department:</b>					
Land	\$ 6,643,805	\$ -	\$ -	\$ 372,265	\$ 7,016,070
Buildings and Improvements	4,137,131	13,330	-	-	4,150,461
Vehicles and Equipment	3,479,771	132,752	42,927	( 39,000)	3,530,596
Construction in Progress	230,229	45,832	51,836	( 22,540)	201,685
Total City Depreciation	14,490,936	191,914	94,763	310,725	14,898,812
Accumulated Depreciation	( 4,470,715)	( 347,516)	( 42,545)	-	( 4,775,686)
<b>Total City Department, Net</b>	<b>\$10,020,221</b>	<b>(\$ 155,602)</b>	<b>\$ 52,218</b>	<b>\$ 310,725</b>	<b>\$10,123,126</b>
<b>Street Department:</b>					
Land Improvements	\$ 5,997,671	\$ 223,314	\$ -	\$ -	\$ 6,220,985
Buildings and Improvements	192,918	-	-	-	192,918
Vehicles and Equipment	1,182,813	129,280	-	-	1,312,093
Total City Department	7,373,402	352,594	-	-	7,725,996
Accumulated Depreciation	( 4,570,411)	( 181,295)	-	-	( 4,751,706)
<b>Total Street Department, Net</b>	<b>\$ 2,802,991</b>	<b>\$ 171,299</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,974,290</b>

Description	Year Ended June 30, 2012				
	Balances 07/01/11	Additions	Deletions	Adjustments & Transfers	Balances 06/30/12
<b>Total Government</b>					
<b>Capital Assets:</b>					
Land	\$12,641,476	\$ 223,314	\$ -	\$ 372,265	\$13,237,055
Buildings and Improvements	4,330,049	13,330	-	-	4,343,379
Vehicles and Equipment	4,662,584	262,032	42,927	( 39,000)	4,842,689
Construction in Progress	230,229	45,832	51,836	( 22,540)	201,685
<b>Total Governmental Capital Assets</b>	<b>21,864,338</b>	<b>544,508</b>	<b>94,763</b>	<b>310,725</b>	<b>22,624,808</b>
<b>Accumulated Depreciation</b>	<b>( 9,041,126)</b>	<b>( 528,811)</b>	<b>( 42,545)</b>	<b>-</b>	<b>( 9,527,392)</b>
<b>Total Governmental Capital Assets, Net</b>	<b>\$12,823,212</b>	<b>\$ 15,697</b>	<b>\$ 52,218</b>	<b>\$ 310,725</b>	<b>\$13,097,416</b>

**CITY OF MILFORD, DELAWARE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 9 - FIXED ASSETS (CONTINUED)**

The following schedule presents the capital activity of the business-type activities for the year ended June 30, 2012:

Description	Year Ended June 30, 2012				Balances 06/30/12
	Balances 07/01/11	Additions	Deletions	Adjustments & Transfers	
<b>Electric Fund:</b>					
Land	\$ 1,405,351	\$ 298,801	\$ -	\$ -	\$ 1,704,152
Buildings and Improvements	5,850,346	-	-	-	5,850,346
Electric System	10,593,827	503,996	36,200	-	11,061,623
Vehicles and Equipment	2,293,995	35,653	92,479	-	2,237,169
<b>Total Fixed Assets</b>	<b>20,143,519</b>	<b>838,450</b>	<b>128,679</b>	<b>-</b>	<b>20,853,290</b>
Accumulated Depreciation	( 11,323,334)	( 428,800)	( 128,679)	-	( 11,623,455)
<b>Net Book Value</b>	<b>\$ 8,820,185</b>	<b>\$ 409,650</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 9,229,835</b>
<b>Water Fund:</b>					
Land	\$ 27,369	\$ -	\$ -	\$ -	\$ 27,369
Buildings and Improvements	202,734	-	-	-	202,734
Water System	12,734,716	185,416	-	-	12,920,132
Vehicles and Equipment	625,892	24,877	-	-	650,769
<b>Total Fixed Assets</b>	<b>13,590,711</b>	<b>210,293</b>	<b>-</b>	<b>-</b>	<b>13,801,004</b>
Accumulated Depreciation	( 6,117,746)	( 308,494)	-	-	( 6,426,240)
<b>Net Book Value</b>	<b>\$ 7,472,965</b>	<b>(\$ 98,201)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 7,374,764</b>
<b>Waste Water Fund:</b>					
Land	\$ 28,638	\$ -	\$ -	\$ -	\$ 28,638
Buildings and Improvements	45,821	-	-	-	45,821
Waste Water System	15,220,365	2,665,390	937,938	50,000	16,997,817
Vehicles and Equipment	382,432	28,495	-	-	410,927
<b>Total Fixed Assets</b>	<b>15,677,256</b>	<b>2,693,885</b>	<b>937,938</b>	<b>50,000</b>	<b>17,483,203</b>
Accumulated Depreciation	( 6,441,584)	( 323,225)	-	-	( 6,764,809)
<b>Net Book Value</b>	<b>\$ 9,235,672</b>	<b>\$2,370,660</b>	<b>\$ 937,938</b>	<b>\$ 50,000</b>	<b>\$10,718,394</b>
<b>Trash Fund:</b>					
Buildings and Improvements	\$ 10,846	\$ -	\$ -	\$ -	\$ 10,846
Vehicles and Equipment	1,064,818	-	178,996	-	885,822
<b>Total Fixed Assets</b>	<b>1,075,664</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>896,668</b>
Accumulated Depreciation	( 866,676)	( 36,060)	( 178,996)	-	( 1,081,732)
<b>Net Book Value</b>	<b>\$ 208,988</b>	<b>(\$ 36,060)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 172,928</b>
Description	Balances 07/01/11	Additions	Deletions	Adjustments & Transfers	Balances 06/30/12
<b>Total Enterprise Funds:</b>					
Land	\$ 1,461,358	\$ 298,802	\$ -	\$ -	\$ 1,760,160
Buildings and Improvements	6,109,747	-	-	-	6,109,747
Electric System	10,593,827	503,996	36,200	-	11,061,623
Water System	12,734,716	185,415	-	-	12,920,131
Waste Water System	15,220,365	2,665,390	937,938	50,000	16,997,817
Vehicles and Equipment	4,367,137	89,025	271,475	-	4,184,687
<b>Total Fixed Assets</b>	<b>50,487,150</b>	<b>3,742,628</b>	<b>1,245,613</b>	<b>50,000</b>	<b>53,034,165</b>
Accumulated Depreciation	( 24,749,340)	( 1,096,580)	( 307,676)	-	( 25,538,244)
<b>Net Book Value</b>	<b>\$25,737,810</b>	<b>\$2,646,048</b>	<b>\$ 937,937</b>	<b>\$ 50,000</b>	<b>\$27,495,921</b>

**CITY OF MILFORD, DELAWARE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 10 - LONG-TERM DEBT OBLIGATIONS**

Long-Term liability activity for the year ended June 30, 2012 is summarized as follows:

**Governmental Activities:**

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Within One Year
Bonds Payable: Series B of 2011 General Obligation Bonds	\$ 227,292	\$ -	(\$ 33,300)	\$ 193,992	\$ 41,854
Bond Premium	5,815	-	( 1,219)	4,596	1,032
Other Liabilities: Compensated Absences	613,715	-	( 21,549)	592,166	81,642
Governmental Activities Long-Term Liabilities	<u>\$ 846,822</u>	<u>\$ -</u>	<u>(\$ 56,068)</u>	<u>\$ 790,754</u>	<u>\$ 124,528</u>

**Business Activities:**

Bonds Payable: Series 1992A Capital Appreciation Bond	\$ 1,670,000	\$ -	\$ -	\$ 1,670,000	\$ -
Revolving Funds Loans - State of Delaware	1,058,282	-	( 82,532)	975,750	85,027
State of Delaware 2010	937,938	51,132	-	989,070	-
State of Delaware 2011	-	98,071	-	98,071	-
Series 2005 General Obligation Bonds	3,140,000	-	( 175,000)	2,965,000	180,000
Series A of 2011 General Obligation Bonds	9,000,000	-	-	9,000,000	280,000
Series B of 2011 General Obligation Bonds	3,492,708	-	( 511,700)	2,981,008	643,146
	<u>19,298,928</u>	<u>149,203</u>	<u>( 769,232)</u>	<u>18,678,899</u>	<u>1,188,173</u>
Add: Bond Premium 2011 Bonds	197,982	-	( 25,836)	172,146	22,883
Less: Bond Discount and Deferred Amount on Refunding	( 780,365)	-	109,317	( 671,048)	( 26,290)
Total Bonds Payable	18,716,545	149,203	( 685,751)	18,179,997	1,184,766
Other Liabilities: Compensated Absences	266,402	4,010	-	270,412	54,082
Business-Type Activities Long-Term Liabilities	<u>\$18,982,947</u>	<u>\$ 153,213</u>	<u>(\$ 685,751)</u>	<u>\$18,450,409</u>	<u>\$1,238,848</u>

CITY OF MILFORD, DELAWARE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012

**NOTE 10 - LONG-TERM DEBT OBLIGATIONS (CONTINUED)**

Bonds payable at June 30, 2012 are comprised of the following individual issues:

	Interest Rate %	Issue Date	Maturity Date	Amount Outstanding				Total
				General Fund	Electric Fund	Sewer Fund	Water Fund	
General Obligation Bonds								
Series 1992A Capital Appreciation	0.00	4/1/1992	4/1/2018	\$ -	\$ -	\$ -	\$ 1,670,000	\$ 1,670,000
Series 2005 Refunding	3.45-4.25	6/1/2005	4/1/2025	-	2,965,000	-	-	2,965,000
Series A 2011	2.00-4.40	6/30/2011	11/1/2037	-	5,500,000	3,500,000	-	9,000,000
Series B 2011 Refunding	2.00-3.00	6/30/2011	11/1/2021	193,992	-	898,528	2,082,480	3,175,000
Total Amounts Outstanding				\$ 193,992	\$ 8,465,000	\$ 4,398,528	\$ 3,752,480	\$ 16,810,000

The annual aggregate maturities for all of the general obligation bonds as of June 30, 2012 are as follows:

Year Ending June 30,	General Obligation Bonds		
	Principal	Interest	Total
2013	\$ 1,145,000	\$ 510,899	\$ 1,655,899
2014	1,160,000	485,389	1,645,389
2015	1,195,000	459,322	1,654,322
2016	1,200,000	440,604	1,640,604
2017	1,140,000	422,505	1,562,505
2018-2022	4,245,000	1,746,317	5,991,317
2023-2027	2,780,000	1,124,587	3,904,587
2028-2032	2,350,000	643,430	2,993,430
2033-2037	1,595,000	215,350	1,810,350
Total	<u>\$16,810,000</u>	<u>\$ 6,048,403</u>	<u>\$22,858,403</u>

**CITY OF MILFORD, DELAWARE**  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012

**NOTE 10 - LONG-TERM DEBT OBLIGATIONS (CONTINUED)**

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. The City is required to compute, at the time taxes are levied, the rate of tax required to provide a fund to pay interest and principal at maturity. The City is in compliance with this requirement.

The 1992 General Obligation Enterprise Bonds, Series A, represents the remaining principal portion, net of unamortized appreciation of \$649,349 with variable interest rates of 5.50% to 6.95%. The bonds were used to defease in-substance a portion of the 1989 Bond Issue and to finance additional waste water system improvements. The general obligation bonds have various maturity dates through April 2018.

On June 1, 2005, the City issued \$3,790,000 in General Obligation Refunding Bonds with the average rate of interest not to exceed 4.50%. The City issued the bonds to advance refund the total amount outstanding under the Series of 2000 General Obligation Bonds of \$3,580,000 with interest rates ranging from 4.70% to 5.65% per annum. The advanced refunding reduced total debt service payments over the then remaining term of 20 years by approximately \$384,000.

On June 30, 2011, the City issued \$9,000,000 in General Obligation Bonds in connection with planned electric and sewer capital projects, with interest rates ranging from 2.0% to 4.4%. The bonds are scheduled to mature January 1, 2037. Annual principal payments are scheduled to commence January 1, 2013, with semi-annual interest payments commencing January 1, 2012. The bonds had an original issue premium of \$108,620, the unamortized portion of which is included in the balance reflected in the financial statements at June 30, 2012.

On June 30, 2011, the City issued \$3,720,000 in General Obligation Bonds with interest rates ranging between 2.0% and 3.0%. The City issued the bonds in order to currently refund \$3,770,000 of outstanding 2002 Refunding Bonds with interest rates ranging from 3.2% to 4.35%. The Series B 2011 General Obligation Bonds are scheduled to mature January 1, 2021, with annual principal payments commencing January 1, 2012. Semi-annual interest payments also commenced January 1, 2012.

The current refunding reduced total debt service payments over the next 10 years by \$276,000. This resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$259,000.

**CITY OF MILFORD, DELAWARE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 10 - LONG-TERM DEBT OBLIGATIONS (CONTINUED)**

**NOTES PAYABLE - STATE OF DELAWARE**

In connection with its Wastewater Collection System Expansion Project, the City entered into a financing agreement with the Delaware Water Pollution Control Revolving Fund, acting by and through the Delaware Department of Natural Resources and Environmental Control, a public agency of the State of Delaware. Under terms of the agreement, interest only payments were due semi-annually at a rate of three percent (3%) per annum on the amounts that had been advanced to fund the project. Semi-annual payments of principal and interest (at 3%) are due through scheduled maturity of July 1, 2022. The note is secured by the full faith and credit of the City. Scheduled maturities of the note are as follows:

Year Ending June 30,	Principal	Interest	Total
2013	\$ 85,027	\$ 28,640	\$ 113,667
2014	87,597	26,070	113,667
2015	90,245	23,422	113,667
2016	92,972	20,694	113,667
2017	95,782	17,884	113,667
2018-2022	524,127	44,205	568,330
	<u>\$975,750</u>	<u>\$160,915</u>	<u>\$1,136,665</u>

During fiscal year 2011, the City received additional funds under this program in connection with the second part of its System Expansion Project which is still in progress. The balance on the related note as of June 30, 2012 is \$989,070. Semi-annual interest payments are due during construction at an annual rate of 2.0%. Amortized loan payments shall begin semi-annually after the completion of the project.

The City has received funds from the State of Delaware in connection with its Washington Street Water Treatment Facility Replacement Project. The funds are being provided by the DE Drinking Water State Revolving Fund only as expenditures are incurred by the City and approved by the State. Interest will be payable semi-annually commencing September 1, 2012 at 1% per annum. Upon completion of the project, if the City has complied with all of the requirements of the State, thirty-five percent of the amounts advanced will be forgiven, and the remaining balance will be amortized over a twenty year period with interest at 1% per annum. The balance outstanding as of June 30, 2012 is \$98,071, which represents the total amount of advances received on the project.

**CITY OF MILFORD, DELAWARE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 11 - PENSION PLAN**

**County and Municipal Pension Plan**

Effective January 1, 2005, City Council elected, under provisions of the Delaware Code, to participate in the County and Municipal Police/Firefighter and the General Employees Retirement Funds. In connection with this election, the City agreed to fund prior service cost up to a maximum of fifteen (15) years for all eligible employees.

Along with the prior service cost, the City is obligated to pay the ongoing regular contribution rate (6.55% for fiscal year 2012). For sworn officers, the contribution rate was 14.53% for fiscal year 2012. These contribution rates are expected to gradually increase over the next several years. In addition, eligible employees are required to contribute 3% of their earnings in excess of \$6,000 and an additional 2% of their earnings in excess of the Social Security wage base.

**NOTE 12 - COMMITMENTS AND CONTINGENCIES**

In the normal course of business, there are outstanding various commitments and contingent liabilities in addition to the normal encumbrances for the purchase of goods and services. The City does not anticipate losses as a result of these transactions.

**Government Grant/Award Programs**

The City participates in a number of federal and state assisted programs. These programs are subject to program compliance audits by the grantors or their representatives. Accordingly, the City's compliance with applicable program requirements will be established at some future date. The amount, if any, of expenditures, not already disclosed, which may be disallowed by the granting agencies cannot be determined at this time although the City expects such amounts, if any, to be immaterial.



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**INDEPENDENT AUDITOR'S REPORT 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**

To the Mayor and City Council  
**City of Milford**  
Milford, 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 City of Milford, Delaware, as of and for the year ended June 30, 2012, which collectively comprise the City of Milford, Delaware's basic financial statements and have issued our report thereon dated October 29, 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

In planning and performing our audit, we considered City of Milford, Delaware'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 of Milford, Delaware's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Milford, Delaware'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 misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is reasonable possibility that a material misstatement of the financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of 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 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 above. However, we identified a deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Responses that we consider to be a significant deficiency in internal control over financial reporting. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Milford, Delaware'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 and City Council and is not intended to be and should not be used by anyone other than these specified parties.

*Beck Villard + Co PC*

Voorhees, New Jersey  
October 29, 2012

CITY OF MILFORD, DELAWARE  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2012

**2012-1 Financial Statement Preparation**

**Condition:** The City of Milford, like many governmental units, has historically relied on its auditors to draft its annual financial statements and required disclosures as part of the year-end audit process. Upon completion of audit fieldwork, management reviews and approves any adjustments made to the general ledger, and then reviews and approves the audited financial statements prior to issuance.

While the City's accounting personnel have possessed the level of skill necessary to produce the basic financial statements, they have lacked the technical expertise needed to ensure compliance with the current reporting standards promulgated by GAAP. Further, the city does not have the necessary technical reference materials and resources needed to ensure the propriety and completeness of all of the required financial disclosures applicable to its financial statements. We believe these resource limitations would limit the organization's ability to comply with the requirements as outlined and as such would be deemed an internal control deficiency with respect to the financial reporting control.

**Criteria:** U.S. generally accepted auditing standards require management be responsible for the preparation of an organization's financial statements and all required disclosures in accordance with U.S. generally accepted accounting principles (GAAP). Accordingly, to comply with these standards an organization must not only have accounting personnel that have the expertise in the area of financial reporting standards, but a system in place that ensures on-going training for its personnel in the area of financial reporting and the necessary reference materials or other resources to ensure compliance with financial reporting standards.

**Recommendation:** We acknowledge that this is an element of internal control embodied in the standards that may be difficult for some organizations to overcome. For many governmental units like the City of Milford, it has been more cost effective to rely on its auditors for this technical expertise. We recommend that the City continue to monitor the cost/benefit of this control as its operations evolve as to whether it would ever be appropriate to develop all of the internal resources necessary to remedy this condition.

**Management response:** We have a small and limited staff but we do provide city council monthly and year-end financial reports, as well as all budgetary reports. Our annual audited financial statements and footnotes have been outsourced to our auditors because of the cost/benefit standpoint and our auditors have direct knowledge that aids in preparing the annual audited financial statement package. Our trial balance and financial package is used for basis in preparation of the annual audited financial statement package.

**CITY OF MILFORD  
FUND BALANCES REPORT**

Date: SEPTEMBER 2012

Cash Balance - General Fund Bank Balance	\$1,993,567
Cash Balance - Electric Fund Bank Balance	\$4,091,103
Cash Balance - Water Fund Bank Balance	\$1,848,652
Cash Balance - Sewer Fund Bank Balance	\$647,271
Cash Balance - Trash Fund Bank Balance	\$425,778

	General <u>Improvement</u>	Municipal <u>Street Aid</u>	Real Estate <u>Transfer Tax</u>	Solid Waste <u>Reserves</u>
Beginning Cash Balance	277,708	763,043	483,107	0
Deposits		134,702	1,450,262	
Interest Earned this Month	33	121	60	
Disbursements this Month	(37,261)	(1,379)	(41,667)	
Investments				250,000
Ending Cash Balance	\$240,480	\$896,487	\$1,891,762	\$250,000

	GF Capital <u>Reserves</u>	Water Capital <u>Reserves</u>	Sewer Capital <u>Reserves</u>	Electric <u>Reserves</u>
Beginning Cash Balance	852,353	4,230,639	3,158,488	8,512,073
Deposits	1,521,976	255,110	381,708	2,594,578
Interest Earned this Month	624			373
Disbursements this Month		(65,464)		
Investments	250,000			
Ending Cash Balance	\$2,624,953	\$4,420,285	\$3,540,196	\$11,107,024

	Water <u>Impact Fee</u>	Sewer <u>Impact Fee</u>	Electric <u>Impact Fee</u>
Beginning Cash Balance	83,641	\$44,668	\$1,222
Deposits	929,490	\$672,373	\$261,195
Interest Earned this Month			
Disbursements this Month			
Investments			
Ending Cash Balance	\$1,013,131	\$717,041	\$262,417

INTEREST THROUGH THE THIRD MONTH OF THE FISCAL YEAR:

General Fund	2,613	Water Fund	787
GF Capital Reserves	6,117	Water Capital Reserves	9,497
General Improvement Fund	131	Water Impact Fees	0
Municipal Street Aid	370	Sewer Fund	268
Real Estate Transfer Tax	3,849	Sewer Capital Reserves	10,445
Electric Fund	1,977	Sewer Impact Fees	0
Electric Reserves	43,883	Trash Fund	1,258
Electric Impact Fees	0		

TOTAL INTEREST EARNED TO DATE \$81,195

**REVENUE REPORT**

**Page Two**

Date: September 2012 ACCOUNT	AMOUNT BUDGETED	MTD	25% of Year Expended	
			YTD	YTD%
Budgeted Fund Balance	163,735	0	0	0.00%
General Fund Capital Reserves	334,705	12,803	37,278	11.14%
Property Transfer Tax-Police	500,000	41,667	125,000	25.00%
Real Estate Tax	3,508,380	(438)	3,612,075	102.96%
Business License	35,000	1,100	2,900	8.29%
Rental License	85,000	0	1,150	1.35%
Building Permits	60,000	53,210	67,649	112.75%
Planning & Zoning	25,000	300	1,000	4.00%
Grasscutting Revenue	5,000	416	1,248	24.96%
Police Revenues	300,000	23,599	73,394	24.46%
Misc. Revenues	262,810	7,960	25,259	9.61%
Transfers From	3,215,480	267,956	803,870	25.00%
<b>Total General Fund Revenues</b>	<b>\$8,495,110</b>	<b>\$408,573</b>	<b>\$4,750,823</b>	<b>55.92%</b>
Water Revenues	2,330,000	211,326	687,547	29.51%
Sewer Revenues	2,008,920	173,144	541,419	26.95%
Kent County Sewer	1,500,000	122,277	385,552	25.70%
Solid Waste Revenues	1,118,252	91,689	274,370	24.54%
Electric Revenues	23,686,500	2,234,228	7,278,349	30.73%
<b>TOTAL REVENUES</b>	<b>\$39,138,782</b>	<b>\$3,241,237</b>	<b>\$13,918,060</b>	<b>35.56%</b>
YTD Enterprise Expense		23,431		
YTD Enterprise Revenue		26,676		
LTD Carlisle Fire Company Building Permit Fund		74,240		

**EXPENDITURE REPORT**  
**Page Three**

Date: September 2012

25% of Year Expended

ACCOUNT	AMOUNT BUDGETED	MTD	YTD	YTD%	UNEXPENDED BALANCE
<b>City Manager</b>					
Personnel	477,650	\$43,584	126,519	26.49%	351,131
O&M	156,505	\$6,724	25,226	16.12%	131,279
Capital	0	\$0	0		0
<b>Total City Manager</b>	<b>\$634,155</b>	<b>\$50,308</b>	<b>\$151,745</b>	<b>23.93%</b>	<b>482,410</b>
<b>Planning &amp; Zoning</b>					
Personnel	127,535	\$9,140	27,412	21.49%	100,123
O&M	35,550	\$2,715	5,177	14.56%	30,373
Capital	0	\$0	0		0
<b>Total P, C &amp; I</b>	<b>\$163,085</b>	<b>\$11,855</b>	<b>\$32,589</b>	<b>19.98%</b>	<b>130,496</b>
<b>Code Enforcement &amp; Inspections</b>					
Personnel	141,890	\$10,757	32,199	22.69%	109,691
O&M	55,200	\$4,501	11,165	20.23%	44,035
Capital	0	\$0	0		0
<b>Total P, C &amp; I</b>	<b>\$197,090</b>	<b>\$15,258</b>	<b>\$43,364</b>	<b>22.00%</b>	<b>153,726</b>
<b>Council</b>					
Personnel	31,225	\$2,122	6,343	20.31%	24,882
O&M	39,650	\$2,478	6,435	16.23%	33,215
Council Expense	17,000	\$610	8,310	48.88%	8,690
Contributions	369,735	\$0	66,000	17.85%	303,735
Codification	3,000	\$0	1,270	42.33%	1,730
Employee Recognition	9,000	\$0	0	0.00%	9,000
Insurance	17,000	\$0	0	0.00%	17,000
Capital	18,275	\$9,169	9,169	50.17%	9,106
<b>Total Council</b>	<b>\$504,885</b>	<b>\$14,379</b>	<b>\$97,527</b>	<b>19.32%</b>	<b>407,358</b>
<b>Finance</b>					
Personnel	330,625	\$25,065	75,207	22.75%	255,418
O&M	51,325	\$2,800	11,420	22.25%	39,905
Capital	0	\$0	0		0
<b>Total Finance</b>	<b>\$381,950</b>	<b>\$27,865</b>	<b>\$86,627</b>	<b>22.68%</b>	<b>295,323</b>
<b>Information Technology</b>					
Personnel	170,165	\$13,079	39,250	23.07%	130,915
O&M	169,550	\$5,659	38,511	22.71%	131,039
Capital	61,575	\$0	15,340	24.91%	46,235
<b>Total Information Technology</b>	<b>\$401,290</b>	<b>\$18,738</b>	<b>\$93,101</b>	<b>23.20%</b>	<b>308,189</b>

**EXPENDITURE REPORT**  
**Page Four**

Date: September 2012

25% of Year Expended

ACCOUNT	AMOUNT BUDGETED	MTD	YTD	YTD%	UNEXPENDED BALANCE
<b>Police Department</b>					
Personnel	3,585,375	\$274,702	815,579	22.75%	2,769,796
O&M	489,260	\$34,360	134,524	27.50%	354,736
Capital	112,500	\$0	0	0.00%	112,500
<b>Total Police</b>	<b>\$4,187,135</b>	<b>\$309,062</b>	<b>\$950,103</b>	<b>22.69%</b>	<b>3,237,032</b>
<b>Streets &amp; Grounds Division</b>					
Personnel	422,865	\$28,066	83,513	19.75%	339,352
O&M	407,265	\$45,094	95,019	23.33%	312,246
Capital	75,000	\$0	0		75,000
Debt Service	46,095	\$0	0	0.00%	46,095
<b>Total Streets &amp; Grounds</b>	<b>\$951,225</b>	<b>\$73,160</b>	<b>\$178,532</b>	<b>18.77%</b>	<b>772,693</b>
<b>Parks &amp; Recreation</b>					
Personnel	480,345	\$46,676	136,719	28.46%	343,626
O&M	233,950	\$10,879	68,583	29.32%	165,367
Capital	360,000	\$21,009	21,009	5.84%	338,991
<b>Total Parks &amp; Recreation</b>	<b>\$1,074,295</b>	<b>\$78,564</b>	<b>\$226,311</b>	<b>21.07%</b>	<b>847,984</b>
<b>Total General Fund</b>					
Operating Budget	\$8,495,110	\$599,189	\$1,859,899	21.89%	6,635,211

EXPENDITURE REPORT

Page Five

Date: September 2012

25 % of Year Expended

ACCOUNT	AMOUNT BUDGETED	MTD	YTD	YTD%	UNEXPENDED BALANCE
<b>Water Division</b>					
Personnel	219,350	\$17,571	50,534	23.04%	168,816
O&M	1,185,150	\$117,607	288,354	24.33%	896,796
Capital	80,000	\$1,632	31,377	39.22%	48,623
Debt Service	845,500	\$0	0	0.00%	845,500
<b>Total Water</b>	<b>\$2,330,000</b>	<b>\$136,810</b>	<b>\$370,265</b>	<b>15.89%</b>	<b>1,959,735</b>
<b>Sewer Division</b>					
Personnel	219,350	\$17,570	50,532	23.04%	168,818
O&M	1,070,885	\$64,211	232,764	21.74%	838,121
Capital	35,000	\$0	0	0.00%	35,000
Debt Service	633,685	\$0	0	0.00%	633,685
<b>Sewer Sub Total</b>	<b>\$1,958,920</b>	<b>\$81,781</b>	<b>\$283,296</b>	<b>14.46%</b>	<b>1,675,624</b>
Kent County Sewer	1,550,000	\$121,816	385,552	24.87%	1,164,448
<b>Total Sewer</b>	<b>\$3,508,920</b>	<b>\$203,597</b>	<b>\$668,848</b>	<b>19.06%</b>	<b>2,840,072</b>
<b>Solid Waste Division</b>					
Personnel	338,610	\$26,136	78,872	23.29%	259,738
O&M	779,642	\$55,899	171,878	22.05%	607,764
Capital	0	\$0	0	0.00%	0
<b>Total Solid Waste</b>	<b>\$1,118,252</b>	<b>\$82,035</b>	<b>\$250,750</b>	<b>22.42%</b>	<b>867,502</b>
<b>Total Water, Sewer Solid Waste</b>	<b>\$6,957,172</b>	<b>\$422,442</b>	<b>\$1,289,863</b>	<b>18.54%</b>	<b>5,667,309</b>
<b>Electric Division</b>					
Personnel	972,700	\$72,802	218,493	22.46%	754,207
O&M	1,801,635	\$120,736	364,282	20.22%	1,437,353
Transfer to General Fund	2,500,000	\$208,333	625,000	25.00%	1,875,000
Capital	266,725	\$0	7,940	2.98%	258,785
Debt Service	645,440	\$58,346	58,346	9.04%	587,094
<b>Electric Sub Total</b>	<b>\$6,186,500</b>	<b>\$460,217</b>	<b>\$1,274,061</b>	<b>20.59%</b>	<b>4,912,439</b>
Power Purchased	17,500,000	\$1,508,354	5,306,787	30.32%	12,193,213
<b>Total Electric</b>	<b>\$23,686,500</b>	<b>\$1,968,571</b>	<b>\$6,580,848</b>	<b>27.78%</b>	<b>17,105,652</b>
<b>TOTAL OPERATING BUDGET</b>	<b>\$39,138,782</b>	<b>\$2,990,202</b>	<b>\$9,730,610</b>	<b>24.86%</b>	<b>29,408,172</b>

**INTERSERVICE DEPARTMENTS REPORT**

Page Six

Date: September 2012

ACCOUNT	AMOUNT BUDGETED	MTD	25% of Year Expended		UNEXPENDED BALANCE
			YTD	YTD%	
<b>Garage</b>					
Personnel	91,800	6,153	17,334	18.88%	74,466
O&M	65,655	4,445	14,443	22.00%	51,212
Capital	0	0	0		0
<b>Total Garage Expense</b>	<b>\$157,455</b>	<b>10,598</b>	<b>\$31,777</b>	<b>20.18%</b>	<b>125,678</b>
<b>Public Works</b>					
Personnel	310,070	18,311	52,679	16.99%	257,391
O&M	205,550	19,067	39,228	19.08%	166,322
Capital	21,300	0	20,880	98.03%	420
<b>Total Public Works Expense</b>	<b>\$536,920</b>	<b>37,378</b>	<b>\$112,787</b>	<b>21.01%</b>	<b>424,133</b>
<b>Meter Department-Water</b>					
Personnel	123,030	10,314	29,097	23.65%	93,933
O&M	100,145	3,490	16,068	16.04%	84,077
Capital	0	0	0		0
<b>Total Water Meter Expense</b>	<b>\$223,175</b>	<b>13,804</b>	<b>\$45,165</b>	<b>20.24%</b>	<b>178,010</b>
<b>Meter Department-Electric</b>					
Personnel	174,500	30,999	40,860	23.42%	133,640
O&M	97,560	2,779	10,808	11.08%	86,752
Capital	0	0	0		0
<b>Total Electric Meter Expense</b>	<b>\$272,060</b>	<b>33,778</b>	<b>\$51,668</b>	<b>18.99%</b>	<b>220,392</b>
<b>Billing &amp; Collections</b>					
Personnel	445,725	35,781	104,908	23.54%	340,817
O&M	283,830	25,175	67,163	23.66%	216,667
Capital	0	0	0		0
<b>Total Billing &amp; Collections</b>	<b>\$729,555</b>	<b>60,956</b>	<b>\$172,071</b>	<b>23.59%</b>	<b>557,484</b>
<b>City Hall Cost Allocation</b>					
Personnel	0	0	0		0
O&M	54,600	3,274	12,272	22.48%	42,328
Capital	0	0	0		0
<b>Total City Hall Cost Allocation</b>	<b>\$54,600</b>	<b>3,274</b>	<b>\$12,272</b>	<b>22.48%</b>	<b>42,328</b>

ALL COSTS SHOWN ON PAGE 6 ARE ALSO INCLUDED IN THE VARIOUS DEPARTMENTS LISTED ON PAGES 3-5 OF THE EXPENDITURE REPORT WHO UTILIZE THE SERVICES OF THE DEPARTMENTS LISTED ABOVE. INTERSERVICE FUNDS ARE ENTIRELY FUNDED BY OTHER CITY DEPARTMENTS.