

City of Dover
2007 CAFR Presentation

This is a DRAFT report. In reviewing the draft this past weekend Donna has come across needed corrections and we are still expecting changes from our auditors.

Back in 2004 the Governmental Accounting Standards Board implemented a requirement for two new statements that provide a governmental wide financial picture. These new statements are on page 39 and 40 in the Part C – Basic Financial Statements. These changes provide financial users and bond investors with financial reports that are issued on the same basis as used for private entities.

In order to implement these changes, the Governmental Funds (General Fund & All Grant Funds) had to be restated to include capital assets net of depreciation and all debt outstanding. This was to provide for consolidating the Governmental Funds with the Enterprise Funds (Utilities & Worker's Compensation) on the same accounting basis.

Since the Governmental Funds on a stand alone basis are not required to carry the fixed asset and debt details a reconciliation of the Governmental Fund Balances to Government Wide Net Assets is on page 42 of Part C – Basic Financial Statements. This reconciles page 39 to page 41 (Balance Sheet – Government Wide and Governmental only). The reconciliation of the Statement of Activities (government wide, page 40) to the Statement of Revenues, Expenditures and Changes in Fund Balance (income statement – stand alone funds, page 43) is on page 44 of Part C.

Last week, Donna was able to complete the negotiations with Duke Energy for the closeout of their contract. This includes purchasing the inventory and the 2006 Rebate calculation. The report was done as if these items were still outstanding. Since this has been completed prior to completion of the audit, we have to go back and change the Electric Fund financial statements and notes. Donna will be sending out information on this settlement to members of City Council this week. In short, it saves the City almost \$300,000 for the purchase of the inventory and adds \$200,000 to the rebate calculation.

The Electric Fund experienced a \$4.8 million negative change in net assets (net loss). This is because on the financial statements you cannot report the \$5.0 million transfer from the reserve as income (on a budgetary basis it's permissible). We were aware of this issue when we agreed to implement the cost of power supply increase over two years. Our debt ratio is 1.6.

Another item that we still need to include in the Notes to the Financial Statements is how the City is addressing the Other Post Employment Benefits – GASB 45. We are still researching how our relationship with the State for health insurance impacts what we need to do. A briefing will be made to the Committee on this matter the first meeting in January.

Please note the latest revisions
in blue and red font.



CITY OF DOVER DEPARTMENT OF FINANCE PROCEDURE MANUAL

TITLE: Grant Application Procedures

PROCEDURE # 317

DATE: November 2, 2007

Introduction

This procedure is intended to establish clear directions for accounting for and administering the funds and resources received by the City through Federal, State, and other Grants.

It is the City's policy to strictly prohibit any political activities related to Federal, State and other political subdivision assisted programs. The City's employees will not engage in such activities nor spend City funds or grant funds in such activities.

Definitions

"Department": Departments are the major organizational sub-divisions. They have a broad overall purpose. The City of Dover is organized into departments as follow: Customer Services, Parks, Recreation & Library, Public Services, Police, Public Utilities, Mayor, Central Services, City Clerk, City Manager, Information Technology, Finance, Human Resources, and Tax Assessor.

"Grants": Funds and resources procured by the City which are restricted as to usage by the government or institution providing the funds. Usually, there is an application process whereby the City provides evidence of its need for the funds, its ability to use the funds in a manner approved by the grantor, and detailing the expenditures expected to be incurred. The primary grant providers to the City are the Federal and State governments.

"Closeout": The process of finalizing a grant project, including completion of the final financial reports, determination of cash balances, accomplishment of necessary accounting entries and placing all project files in a manageable holding system.

"Matching Funds": Dollars that must be available in order to qualify for a grant. Often grantors will not support the entire cost of a project and require that the applicant provides a certain share of the project cost from other sources.

"In Kind Match": A grant where the required match is not a cash contribution, but is existing personnel time, equipment or material made available for the purpose of the grant."

"NOFA": Notice of funding availability. Grant-making agencies issue a NOFA to solicit applications.

"OMB Circular A-87": Establishes principles and standards for determining costs for Federal awards carried out through grants, cost reimbursement contracts, and other agreements with State and local governments.

Departmental Grant Application Decision Making Process

1. The Departments are responsible for seeking out new grant resources. The Department shall analyze the need and future costs of a grant before applying for a grant. A number of questions shall be considered by the department before determining whether a grant application is appropriate. A 'Department Grant Application Decision-making Process Form' to be completed by each department can be found in Appendix A.
2. A copy of the 'Department Grant Application Decision-making Process Form' should be maintained in the grant folders at the department level and ~~in the Finance department as documentation for future audits~~ **copies distributed to the City Manager and Finance Director for budgeting and auditing purposes.**
3. If the annual project/program cost in excess of the grant award exceeds \$25,000.00 Council approval is required. A copy of the Department Grant Application Decision-making Process Form should accompany the appropriate approval forms.

Grant Application Process

1. The Application process is the most critical step. The requesting department prepares the grant application package and submits the approved, completed grant packages to the proper grantor institution. The reviewing body will make their decision solely upon the evidence of need as shown in the application. Therefore, a well documented proposal is imperative. Departments should review the requirements of the application closely.
2. City Council must approve the application of all grants which require a 'monetary' match in funds of \$25,000 or more from the City of Dover or if the grant requires City Council approval. Grants requiring 'in-kind' matches do not need Council approval. The Department shall be responsible for acquiring City Council approval before applying for grants with these requirements. Please note if the grant and match have been fully identified in the approved budget, Council approval shall be met. **This procedure does not negate any requirements of the City Purchasing Policy.**
3. The application cannot be submitted to a grantor for consideration without the written approval of the Department Head regardless of the amount. A copy of the application with the Department Head's signature should be kept on file within the submitting department.
4. The requesting department will be responsible for ensuring that all approved applications are signed by the Mayor or appropriate official prior to submission.

Grant Award/Post Award Process

1. The requesting department receives the grant award letter. Federal award notification is

Finance Department
Grant Application Procedures F317

received by email. If the City is awarded the grant, a Committee Action Form (CAF) is to be prepared for the Legislative, Finance & Administrative Committee to approve the grant award. The CAF shall include any non-grant funded expenses listed in the 'Department Grant Application Decision-making Process Form' for the current and future fiscal years.

Several types of state funded grants are awarded to local law enforcement agencies state-wide based on annual allocations of funds approved by the State Legislature and quarterly applications for funds resulting from property and drug seizures. The Police Department must conform to the grantor requirements for spending these funds. The Police Chief approves the application for and disbursing of these particular funds.

2. A grant records file shall be maintained and updated by the requesting department for each application throughout the grant process, including the final accounting and closeout. The file shall consist of, at a minimum, the application, acceptance letter and a spreadsheet detailing cash receipts and disbursements. The Department must maintain records of expenditures including any appropriate supporting documentation. The expenditures must be reviewed to determine if they are an eligible expense under the grant agreement.

Confidential records supporting expenditures for informant funds etc, used by the Police Department must be maintained in separate secure files. Informant payment records must include a summary of payments, current photographs, fingerprint cards, debriefing information and copies of signed statements by the informants. The director must prepare and maintain reconciliation reports for these imprest funds on a quarterly basis.

3. The Department Head, or his/her designee, shall monitor the status of the grant application and the subsequent award.
4. The original signed grant contract shall be added to the appropriate grant file and identified with a contract number and the performance period.
5. Copies of all documents are to be provided to the Finance Department to monitor compliance and completion of the annual audit.
6. Where applicable, Public Hearings and Advisory Board Meetings must be held in accordance with the grantor requirements throughout the term of the grant.

Accounting Procedures

1. The Department Head shall request account numbers for grant revenues and expected expenditures from the City Finance office. Where applicable a project number will be assigned to each grant to track receipts and expenses.
2. The Finance Department and Department Head are responsible for maintaining separate records for each grant project to avoid commingling of grant funds.
3. The Department Head is responsible for assuring all grant project funds are expended

Finance Department
Grant Application Procedures F317

according to the terms of the grant. All grant project funds must be obligated by the termination date(s) specified in the grant. Any matching funds must be expended and reported timely.

4. The Department Head is responsible for submitting any required reimbursement requests to the grantor as authorized expenditures are incurred. At the end of each fiscal year, the Department Head shall submit to the Finance Department a list of all outstanding reimbursement requests and qualified expenditures incurred, but not submitted to the grantor for reimbursement. Accordingly, the Finance Department shall create a grant receivable entry, reconciling this to the grant activity recorded during the period.
5. Purchase, Invoice and Payment processing shall be in accordance with the City of Dover Purchasing Policy, incorporated into this procedure by this reference. Payroll processing shall be in accordance with City payroll procedures.
6. Retention of records shall be in accordance with the State of Delaware's Local Government General Records Retention Schedule for Grants, which specifies grant financial files are to be retained for five years after submission of the grant closeout letter and successful audit.
7. Requests for drawdown of funds must be in accordance with award requirements specified by the grantor.
8. Receipts are received and entered into the General Ledger by the Finance Department.
9. The Department Head is responsible for maintaining records of all inventory purchased and are to provide an updated copy to the Finance Department June 30 each year for audit purposes. All records for equipment, non-expendable personal property and real property shall be retained for a period of at least three years from the date of the disposition, replacement, or transfer.
10. Records must be maintained for each non-expendable item that costs \$5,000 or more and has a useful life of one year or more. The Department Head shall send the invoices and appropriate backup data to the Finance Department for recording in the Capital Asset system.
11. The Department Head is responsible for timely submission of reports to the grantor as required under the terms of the grant.
12. The Department Head is responsible for submitting quarterly and final Financial Status Reports (FSRs) for grants if required under the terms of the grant. A copy of any FSR must be submitted to the Finance Department before being sent to the grantor. Finance shall reconcile amounts reported on the FSR with the amounts recorded in the City's accounting system. Any discrepancy shall be resolved by the Department Head and communicated to the Finance Department.
13. The Department Head is responsible for performing and monitoring closeout activities.

Finance Department
Grant Application Procedures F317

14. Any unexpended funds shall be returned to the grantor and any interest earned on cash balances shall be disbursed in accordance with the grant requirements.
15. The Finance Department is responsible for preparing Form SF-SAC, "Data Collection Form for Reporting on Audits of States, Local Governments, and Non-Profit Organizations," in accordance with Federal OMB Circular A-133.
16. A quarterly report will be presented to City Council by the Finance Department for all grants.

Control of Grant Funds

1. Interest Earned and expended is promptly recorded in the accounting records and reported on the FSR's. FSR's are due 45 days after the end of the calendar quarter.
2. Grant funds and interest earned is expended by the end of the allowable period.
3. Matching funds are expended and reported timely.
4. Final FSR's are submitted timely.
5. The Department Head will ensure grant requirements are met and if necessary will request changes from the grantor 60 days before the end of the award period.
6. Draw down of Federal funds will be initiated after the Department submits the quarterly FSR's. This ensures that the department has already paid for the cost of goods or services incurred on behalf of federal grants. Any funds received in advance will be placed in an interest earning account.
7. Department Heads ensure matching funds are spent and that related expenditures are tracked for reporting purposes.
8. Department Heads will obtain permission from federal grantees to spend the interest earned as part of the grant proceeds. They will request a Budget Adjustment Request to augment grant budgets with interest earned revenues that they have received.

DISTRIBUTION

Mayor
CDBG Director
Police Department
City Manager
Department Heads

Appendix A

Department Grant Application Decision-making Process Form

Department: _____ Staff Contact: _____

Funding Source: _____

Grant/Project Name: _____

Date application due: _____

New___ OR Recurring Grant___ If so when? List past projects _____

Brief Project Summary: _____

Total Cost of Project: _____

Material: _____

Labor: _____

City Match: _____

Indirect Cost: _____ (Vehicles, repairs, mileage, IT, telephone, etc)

Additional Salaries: _____ (support costs, administrative salaries)

Long term costs & commitments: _____

Maximum Amount Available from Funding Source: _____

Anticipated Award Notification Date: _____

Finance Department
Grant Application Procedures F317

Anticipated Grant Term: Start Date _____ End Date: _____

Amount to be Requested: _____

Project Shortage amount: _____

Does this grant have a match requirement?: Yes _____ NO _____

Does the amount of match requirement, project shortage or other grant requirements necessitate City Council approval prior to award?: Yes _____ NO _____

Source for City Match? _____

Is this project a Cash award _____ or reimbursement _____? If this is a reimbursement grant, will funds be available?

Is this project costs included in the City Budget? _____

Grant funds will be used for the following: (check & list all that apply)

____ Equipment _____

____ Supplies _____

____ Program Expenses

____ Printing

____ Personnel-Current Staff. Number of staff _____ Number of hours _____

____ Personnel-to hire additional Staff. Number of positions _____ Number of hours _____

____ Capital (land, building, vehicles, etc) _____

____ Contracted Services: _____

____ Other: _____

How will the program/project be funded after the grant expires? _____

If the Department receives only a portion of amount requested, how will the project be funded? _____

Finance Department
Grant Application Procedures F317

Are there any other departments within the City eligible for this funding?

Are any other departments within the City willing to collaborate on this project?

Will this project duplicate or compete with any other service or program provided by the City or other local agency?
