

CITY OF DOVER

AUDITED FINANCIAL STATEMENTS AND OTHER SUPPLEMENTARY INFORMATION

Year Ended September 30, 2015

Prepared by

Anderson Bros. CPA's, P.A.

Post Falls, ID

CITY OF DOVER

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CITY OF DOVER

ORGANIZATION

Mayor

Annie Shaha

Council Members

Neal Hewitt
Diane Brockway
Rowdy MacDonald
Bill Strand

City Clerk

Michelle Hutchings

Treasurer

Tammy Anderson



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INDEPENDENT AUDITORS' REPORT

Mayor and City Council
City of Dover, Idaho

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Dover, Idaho, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Dover, Idaho, as of September 30, 2015, and the respective changes in financial position and, where

applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 10 to the financial statements, in 2015, the City adopted new accounting guidance, *GASB Statement No. 68, Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedule of City's Share of Net Pension Liability and the Schedule of City's Contributions on page 29, and the budgetary comparison information on pages 30 through 31 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated February 11, 2016, on our consideration of the City of Dover, Idaho's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Dover, Idaho's internal control over financial reporting and compliance.



Anderson Bros. CPA's, P.A.

Post Falls, Idaho
February 11, 2016

CITY OF DOVER
Statement of Net Position
September 30, 2015

	Primary Government			Component Unit
	Government Activities	Business-Type Activities	Total	Urban Renewal Agency
ASSETS				
Current Assets:				
Cash & Cash Equivalents	\$ 1,079,703	66,775	1,146,478	57,642
Investments	-	52,260	52,260	-
Receivables:				
Property Taxes (net)	1,923	-	1,923	3,883
Other Governments (net)	31,857	-	31,857	-
Grants Receivable	123,454	-	123,454	-
Accounts Receivable	-	35,240	35,240	-
Other	2,990	2,367	5,357	-
Interest	-	1,721	1,721	-
Prepaid Expenses	6,452	758	7,210	-
Total Current Assets	1,246,379	159,121	1,405,500	61,525
Land	-	174,141	174,141	-
Capital Assets, net	773,815	6,609,632	7,383,447	-
Total Capital Assets	773,815	6,783,773	7,557,588	-
Other Assets:				
Interfund Balances	25,839	(25,839)	-	-
DURA Note Receivable	-	1,234,686	1,234,686	-
Restricted Cash	-	-	-	735,469
Total Other Assets	25,839	1,208,847	1,234,686	735,469
Total Assets	\$ 2,046,033	8,151,741	10,197,774	796,994
LIABILITIES				
Current Liabilities:				
Accounts Payable	\$ 19,742	17,698	37,440	2,427
Payroll, Benefits, and Taxes Payable	31,898	-	31,898	-
Interest Payable	-	1,230	1,230	-
Customer Deposits	-	500	500	-
Compensated Absences Payable	310	-	310	-
Payable to DURA - Hookup Fees	-	7,083	7,083	(7,083)
Current Portion of Long Term Debt	-	47,913	47,913	365,798
Total Current Liabilities	51,950	74,424	126,374	361,142
Long Term Liabilities:				
Bonds and Other Loans	\$ -	247,197	247,197	7,299,120
Net Pension Liability	62,252	7,941	70,193	-
Total Long Term Liabilities	62,252	255,138	317,390	7,299,120
Total Liabilities	114,202	329,562	443,764	7,660,262
DEFERRED INFLOWS OF RESOURCES				
Pension Plan	\$ 31,247	3,986	35,233	-
Total Deferred Inflows of Resources	31,247	3,986	35,233	-
NET POSITION				
Net Investment in Capital Assets	773,815	6,488,663	7,262,478	-
Restricted	-	61,780	61,780	745,526
Unrestricted	1,126,769	1,267,750	2,394,519	(6,863,268)
Total Net Position	\$ 1,900,584	7,818,193	9,718,777	(6,117,742)

See accompanying notes to financial statements and independent auditors' report.

CITY OF DOVER
Statement of Activities
Year Ended September 30, 2015

	Program Revenues			Net (Expenses) Revenues and Changes in Net Position			Component Unit	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities		Total
Primary Government:								
Governmental Activities								
General Government	\$ 209,041	-	-	-	(209,041)	-	(209,041)	
Highway and Streets	22,015	-	-	-	(22,015)	-	(22,015)	
Transportation	419,959	-	524,686	-	104,727	-	104,727	
Depreciation - Unallocated	63,843	-	-	-	(63,843)	-	(63,843)	
Total Governmental Activities	714,858	-	524,686	-	(190,172)	-	(190,172)	
Business-type Activities								
Water Service	130,294	139,236	-	-	-	8,942	8,942	
Sewer Service	436,854	271,942	-	-	-	(164,912)	(164,912)	
Total Business-type Activities	567,148	411,178	-	-	-	(155,970)	(155,970)	
Total primary government	\$ 1,282,006	411,178	524,686	-	(190,172)	(155,970)	(346,142)	
Component Units:								
Dover Urban Renewal Agency	296,773	-	-	-			(296,773)	
Total component units	\$ 296,773	-	-	-			(296,773)	
General Revenues:								
Property Taxes					\$ 73,684	-	73,684	625,427
Other Governmental					159,599	-	159,599	\
Licenses and Permits					60,791	-	60,791	-
Interest Earnings					1,741	2,621	4,362	1,039
Other Revenues					72,908	-	72,908	3,979
Gain/(Loss) on Sale of Assets					5,252	3,554	8,806	-
Total General Revenues and Transfers					373,975	6,175	380,150	630,445
Change in Net Position					183,803	(149,795)	34,008	333,672
Net Position- Beginning					1,813,532	7,980,329	9,793,861	(7,197,198)
Prior Period Adjustment- See Note 10					(96,751)	(12,341)	(109,092)	258
Net Position- Ending					\$ 1,900,584	7,818,193	9,718,777	(6,863,268)

See See accompanying notes to financial statements and independent auditors' report.

CITY OF DOVER
Balance Sheet
Governmental Funds
September 30, 2015

	General Fund	Street Fund	Transportation Fund	Total
ASSETS				
Cash & Investments	\$ 720,465	189,333	169,905	1,079,703
Receivables:				
Property Taxes	1,923	-	-	1,923
Other Governments	25,533	5,856	468	31,857
Grants Receivable	-	-	123,454	123,454
Other	-	2,990	-	2,990
Interfund Balances	45,246	(16,936)	(2,471)	25,839
Prepaid Expenses	380	-	6,072	6,452
Total Assets	<u>\$ 793,547</u>	<u>181,243</u>	<u>297,428</u>	<u>1,272,218</u>
LIABILITIES				
Current Liabilities:				
Accounts Payable and Accrued Expenses	\$ 15,171	245	4,326	19,742
Payroll, Benefits and Taxes Payable	9,416	-	22,482	31,898
Total Liabilities	<u>24,587</u>	<u>245</u>	<u>26,808</u>	<u>51,640</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Property Taxes	1,752	-	-	1,752
Total Deferred Inflows of Resources	<u>1,752</u>	<u>-</u>	<u>-</u>	<u>1,752</u>
FUND EQUITY				
Nonspendable:				
Prepaid Expenses	380	-	6,072	6,452
Assigned:				
Street Fund	-	180,998	-	180,998
Transportation Fund	-	-	264,548	264,548
Unassigned	766,828	-	-	766,828
Total Fund Equity	<u>767,208</u>	<u>180,998</u>	<u>270,620</u>	<u>1,218,826</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Equity	<u>\$ 793,547</u>	<u>181,243</u>	<u>297,428</u>	<u>1,272,218</u>

RECONCILIATION TO THE STATEMENT OF NET POSITION:

Total fund equity reported above	\$ 1,218,826
Add capital assets not reported above	1,053,253
Less accumulated depreciation	(279,438)
Net Capital Assets	<u>773,815</u>
Less deferred inflows of resources not reported above	
Deferred inflows - pension	(31,247)
Total deferred inflows of resources not reported above	<u>(31,247)</u>
Less liabilities not reported above:	
Compensated absences	(310)
Net pension liability	(62,252)
Total liabilities not reported above	<u>(62,562)</u>
Deferred revenues for property taxes	1,752
Net Position	<u>\$ 1,900,584</u>

See accompanying notes to financial statements and independent auditors' report.

CITY OF DOVER
Statement of Revenues, Expenditures, and Changes in
Fund Balances - All Governmental Fund Types
Year Ended September 30, 2015

	General Fund	Street Fund	Transportation Fund	Total
Revenues:				
Property Taxes	\$ 74,599	-	-	74,599
Other Governmental	93,613	65,986	-	159,599
Licenses and Permits	60,791	-	-	60,791
Interest	1,217	262	262	1,741
Other Income	66,907	6,001	-	72,908
Donations & Grants	300	-	524,386	524,686
Total Revenues	297,427	72,249	524,648	894,324
Expenditures:				
General Government	210,455	-	-	210,455
Highways and Streets	-	22,015	-	22,015
Transportation Department	-	-	422,214	422,214
Capital Expenditures	5,537	29,446	64,664	99,647
Total Expenditures	215,992	51,461	486,878	754,331
Excess of Revenues Over Expenditures	81,435	20,788	37,770	139,993
Other Sources (Uses):				
Transfers from Other Funds	-	-	-	-
Gain/(Loss) on Sale of Assets	5,252	-	-	5,252
Total Other Sources (Uses)	5,252	-	-	5,252
Net Change in Fund Balance	86,687	20,788	37,770	145,245
Fund Balance - October 1,	680,521	160,210	232,850	1,073,581
Fund Balance - September 30,	\$ 767,208	180,998	270,620	1,218,826

See accompanying notes to financial statements and independent auditors' report.

CITY OF DOVER
Reconciliation of the
Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Year Ended September 30, 2015

Changes in fund balances as reported on the governmental funds statements		\$ 145,245
Decrease in current property taxes not reflected in revenue on the governmental funds statements		(915)
Expenses on the governmental fund statement not included on the government-wide statement of activity:		
Capital Asset Purchase	99,647	
Total expenses on the governmental fund statement not included on the government-wide statement		99,647
Income on the government-wide statement of activity not included on the governmental funds statements:		
Capital Contributions and Grants	-	
Total income on the governmental fund statement not included on the government-wide statement		-
Expenses on the government-wide statement of activity not included on the governmental funds statements:		
Depreciation	(63,843)	
Compensated Absences	417	
Increase in Pension Plan Expense	(12,406)	
Decrease in PERSI Contributions	15,658	
Total expenses on the government-wide statement of activity not included on the governmental funds statements:		(60,174)
Change in net position on the government-wide statements		\$ 183,803

See accompanying notes to financial statements and independent auditors' report.

CITY OF DOVER
Statement of Net Position
All Proprietary Funds
September 30, 2015

	Water Fund	Sewer Fund	Total
ASSETS			
CURRENT ASSETS:			
Cash & Cash Equivalents	\$ 26,268	40,507	66,775
Investments	-	52,260	52,260
Accounts Receivable (net)	11,982	23,258	35,240
Interest Receivable	774	947	1,721
Other Receivable	-	2,367	2,367
Prepaid Expenses	379	379	758
Total Current Assets	39,403	119,718	159,121
Land	5,600	168,541	174,141
Capital Assets	1,208,878	8,475,463	9,684,341
Accumulated Depreciation	(565,601)	(2,509,108)	(3,074,709)
Total Capital Assets	648,877	6,134,896	6,783,773
OTHER ASSETS:			
Interfund Balances	(129,943)	104,104	(25,839)
DURA Note Receivable	564,251	670,435	1,234,686
Total Other Assets	434,308	774,539	1,208,847
TOTAL ASSETS	\$ 1,122,588	7,029,153	8,151,741
LIABILITIES			
CURRENT LIABILITIES:			
Accounts Payable	\$ 12,080	5,618	17,698
Payroll, Benefits, & Taxes Payable	-	-	-
Interest Payable	337	893	1,230
Customer Deposits	250	250	500
Compensated Absences	-	-	-
Payable to DURA - Hookup Fees	3,775	3,308	7,083
Current Portion of Long Term Debt	13,104	34,809	47,913
Total Current Liabilities	29,546	44,878	74,424
LONG TERM LIABILITIES:			
Notes Payable, net of current portion	\$ 67,608	179,589	247,197
Net Pension Liability	-	7,941	7,941
Total Long Term Liabilities	67,608	187,530	255,138
TOTAL LIABILITIES	97,154	232,408	329,562
DEFERRED INFLOWS OF RESOURCES			
Pension Plan	\$ -	3,986	3,986
TOTAL DEFERRED INFLOWS OF RESOURCES	-	3,986	3,986
NET POSITION			
Net Investment in Capital Assets	568,165	5,920,498	6,488,663
Restricted:			
Expendable:			
Restricted for debt covenants	16,896	44,884	61,780
Unrestricted	440,373	827,377	1,267,750
Total Net Position	\$ 1,025,434	6,792,759	7,818,193

See accompanying notes to financial statements and independent auditors' report.

CITY OF DOVER
Statement of Income and Changes in Net Position
All Proprietary Funds
Year Ended September 30, 2015

	Water Fund	Sewer Fund	Total
Operating Revenues:			
Charges for Services	\$ 118,720	240,637	359,357
Hookups & Other	20,516	31,305	51,821
Grant Income	-	-	-
Total Operating Revenues	139,236	271,942	411,178
Operating Expenses:			
Administrative	16,563	12,566	29,129
Maintenance & Operations	75,607	142,267	217,874
Depreciation	33,748	268,816	302,564
Pension Plan Expense	-	1,582	1,582
Total Operating Expenses	125,918	425,231	551,149
Operating Income (Loss)	13,318	(153,289)	(139,971)
Non-Operating Revenues (Expenses):			
Interest Income	986	1,635	2,621
Interest Expense	(4,376)	(11,623)	(15,999)
Gain/(Loss) on Sale of Equipment	417	3,137	3,554
Total Non-Operating Revenue (Expenses)	(2,973)	(6,851)	(9,824)
Change in Net Position	10,345	(160,140)	(149,795)
Net Position - October 1,	1,015,089	6,965,240	7,980,329
Prior Period Adjustment- See Note 10	-	(12,341)	(12,341)
Net Position - September 30,	\$ 1,025,434	6,792,759	7,818,193

See accompanying notes to financial statements and independent auditors' report.

CITY OF DOVER
Statement of Cash Flows
All Proprietary Funds
Year Ended September 30, 2015

	Proprietary Fund Types		
	Water	Sewer	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from Customers and Users	\$ 137,045	274,726	411,771
Payments to Employees	(8,240)	(30,890)	(39,130)
Payments to Suppliers	(74,184)	(129,448)	(203,632)
Net Cash Provided by Operating Activities	54,621	114,388	169,009
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Due to/from Other Funds	(5,236)	(34,626)	(39,862)
Net Cash Used by Noncapital Financing Activities	(5,236)	(34,626)	(39,862)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Payments for Capital Asset Acquisitions	(20,485)	(24,531)	(45,016)
Proceeds from Sale of Capital Assets	417	3,137	3,554
Repayment on Revenue Bonds & Notes Payable	(12,469)	(33,122)	(45,591)
Interest Paid on Long Term Liabilities	(4,427)	(11,762)	(16,189)
Net Cash Used by Capital and Related Financing Activities	(36,964)	(66,278)	(103,242)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of Investments	(13,164)	(12,920)	(26,084)
Interest on Bank Balances	756	1,137	1,893
Net Cash Used by Investing Activities	(12,408)	(11,783)	(24,191)
Net Increase in Cash and Cash Equivalents	13	1,701	1,714
Cash and Cash Equivalents, October 1,	26,255	38,806	65,061
Cash and Cash Equivalents, September 30,	\$ 26,268	40,507	66,775
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATIONS:			
Operating Income (Loss)	\$ 13,318	(153,289)	(139,971)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Cash flows reported in other categories:			
Depreciation	33,748	268,816	302,564
Change in Pension Plan and PERSI Contributions	-	(414)	(414)
Change in assets and liabilities:			
Accounts Receivable	2,225	7,201	9,426
Prepaid Expenses	105	105	210
Accounts Payable & Accrued Expenses	9,641	3,943	13,584
Payroll, Benefits, & Taxes Payable	-	(7,557)	(7,557)
Customer Deposits	(4,416)	(4,417)	(8,833)
Net Cash Provided by Operating Activities	\$ 54,621	114,388	169,009

See accompanying notes to financial statements and independent auditors' report.

CITY OF DOVER
Notes to Financial Statements
September 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The City's combined 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 the Governmental Accounting Standards Board's (GASB) Codification of Government 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

The City of Dover is a municipality of the State of Idaho. The City has oversight responsibility and control over all activities related to The City's functions. The City is not included in any other governmental "reporting entity" as defined in GASB pronouncements, since the public elects the City Council members. The accompanying financial statements present the activities of the City and its discretely presented component unit, Dover Urban Renewal Agency.

Dover Urban Renewal Agency (the Agency) was formed by the City of Dover, Idaho on April 14, 2005, for the purpose of development and administering an urban renewal plan pursuant to Title 50, Chapters 20 and 29, Idaho Code.

The City's mayor appoints all members of the Agency's board, Dover's city council must confirm all appointments to the Agency's board, and Dover's city council must approve the urban renewal plan which governs the Agency's actions. Further, the chairman of the Agency's board is a member of Dover's Planning & Zoning Commission. Therefore, due to the significant influence these powers give Dover over the Agency's activities, the Agency is considered a component unit of the basic financial statements of the City of Dover, Idaho.

For financial reporting purposes, only the Agency's statement of net position and activities are included in the City's financial statements as required by generally accepted accounting principles.

During the year ended September 30, 2009, the City distributed \$1,174,095 to the Agency for restricted purposes (see note 3). Complete financial statements for the Agency can be obtained from the office of the Dover Urban Renewal Agency, Panhandle Area Council, Inc., 11100 Airport Drive, Hayden, Idaho, 83835.

Basis of Presentation, Basis of Accounting

Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government (the City). These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or part by fees charged to external parties.

See accompanying independent auditors' report.

CITY OF DOVER
Notes to Financial Statements
September 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

The statement of activities presents a comparison between direct and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees, fines, and charges by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not received for a specific purpose and classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the City's funds, including its fiduciary funds and blended component units. Separate statements for each fund category-*governmental, and enterprise* are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Enterprise fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The City reports the following major governmental funds:

General Fund. This is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Street Fund. The street fund accounts for the proceeds of specific revenue sources (other than trusts or major capital projects), the expenditures for which are legally restricted for purposes specified in the grant agreements. Principal sources of revenue are property taxes and state and local highway funds. Primary expenditures are for employee wages and benefits, street maintenance & repairs, and other general administration costs.

Transportation Fund. The transportation fund accounts for the proceeds of specific revenue sources (other than trusts or major capital projects), the expenditures for which are legally restricted for purposes specified in the grant agreements. Principal sources of revenue are grant income and donations. Primary expenditures are for employee wages and benefits, transit vehicle maintenance & repairs, and other general administration costs.

The City reports the following major enterprise funds:

Water Enterprise Fund. The Water Enterprise Fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where the costs (expenses, including depreciation) of providing water services to the general public on a continuing basis are financed through user charges.

Sewer Enterprise Fund. The Sewer Enterprise Fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where the costs (expenses, including depreciation) of providing water services to the general public on a continuing basis are financed through user charges.

See accompanying independent auditors' report.

CITY OF DOVER
Notes to Financial Statements
September 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Measurement Focus, Basis of Accounting

Government-wide and Proprietary Fund Financial Statements. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Property taxes, sales taxes, franchise taxes, licenses, and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Assets, Liabilities, and Equity

Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the City Treasurer for the purpose of increasing earnings through investment activities. The pool's investments are reported at fair market value as of September 30, 2015. The individual funds' portions of the pool's fair value are presented as "Cash and Cash Equivalents." Earnings on the pooled funds are apportioned and paid or credited to the funds monthly based on the average daily balance of each participating fund.

Cash and Cash Equivalents

The City considers cash and cash equivalents to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Investments with an initial maturity of more than three months are reported as investments.

Receivables and Payables

The City records all trade and property tax as they are assessed, not as collected. Cancellations and uncollectible taxes for this and prior years were minimal, thus no allowance for uncollectible taxes is necessary.

Receivables for State Highway User's Tax, State Liquor, and State Revenue Sharing are recorded as revenue in the general fund. A receivable for State Highway User's Tax is recorded as revenue in the street fund and a receivable for Grant Income is recorded as revenue in the transportation fund.

The City records enterprise fund charges as earned, not when collected. Because the City is able to lien property for unpaid utility charges, the City has recorded \$0 as an allowance for doubtful accounts.

See accompanying independent auditors' report.

CITY OF DOVER
Notes to Financial Statements
September 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Property Tax Calendar

Property taxes are levied on the third Monday of September and attach as an enforceable lien on property. They are payable in two installments on December 20 of the current year and June 20 of the next calendar year. The taxes are collected and remitted to the City by Bonner County.

Extraordinary and Special Items

Extraordinary items are transactions that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Council and that are either unusual in nature or infrequent in occurrence. Neither type of transactions occurred during the fiscal year ended September 30, 2015.

Inventories and Prepaid Items

The City has adopted the purchase method for recording and classifying material and supply purchases. Under this method, purchases of materials and supplies are recognized as expenditures when the goods are received and the transaction is vouchered. Because on hand materials and supplies of the City are not considered significant, no amount is reflected on the balance sheet and no portion of fund balance is reserved.

Interfund Transactions

Interfund transactions are reflected as loans, services provided, reimbursements, or transfers. Loans are reported as receivables and payables as appropriate, are subject to elimination upon consolidation and are referred to as “interfund balances”. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “interfund balances” as well.

Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide presentation.

Compensated Absences

Employees eligible for leave include regular full-time employees. The policy provides for leave according to the following schedule:

<u>Years of Service</u>	<u>Leave Time</u>
0 – 3 years	40 hours per year
After 3 years	80 hours per year

As of September 30, 2015, compensated absences payable for governmental activities and business-type activities were \$310.

Pensions

For purposes of measuring the net pension liability and pension expense, information about the fiduciary net position of the Public Employee Retirement System of Idaho Base Plan (Base Plan) and additions to/deductions from Base Plan's fiduciary net position have been determined on the same basis as they are reported by the Base Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

See accompanying independent auditors' report.

CITY OF DOVER
Notes to Financial Statements
September 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Long Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities.

Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Improvements	30 - 75
Machinery & Equipment	10 – 20
Vehicles	10 – 20
Office Equipment	5 – 10
Computer Equipment	5

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. Accordingly, actual results could differ from those estimates.

Use of Restricted Funds

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has no items that qualify for reporting in this category at this time.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

See accompanying independent auditors' report.

CITY OF DOVER
Notes to Financial Statements
September 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Fund Balance

During fiscal year 2011/12, the City adopted GASB Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions” (required implementation date of June 2011), which redefined how fund balances of the governmental funds are presented in the financial statements.

Fund balances are classified as follows:

Nonspendable—Amounts that cannot be spent either because they are not in a 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 state or federal laws, or externally imposed conditions by grantors or creditors.

Committed—Amounts that can be used only for specific purposes determined by a formal action by City Council ordinance or resolution. This includes the budget reserve account.

Assigned—Amounts that are designated by the Council for a specific purpose but are not spendable until a budget ordinance is passed by the City Council.

Unassigned—All amounts not included in other spendable classifications.

The details of the fund balances are included in the Governmental Funds Balance Sheet (page 6). Restricted funds are used first as appropriate. Assigned Funds are reduced to the extent that expenditure authority has been budgeted by the Council or the Assignment has been changed by the Mayor. Decreases to fund balance first reduce Unassigned Fund balance; in the event that Unassigned Fund Balance becomes zero, then Assigned and Committed Fund Balances are used in that order. The City reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by outstanding balances of any borrowings used for the acquisition, construction or improvements of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

NOTE 2 – DEPOSITS AND INVESTMENT BALANCES

General

State statutes authorize the City’s investments. The City is authorized to invest in demand deposits, savings accounts, U.S. Government obligations and its agencies, obligations of Idaho and its agencies, fully collateralized repurchase agreements, prime domestic commercial paper, prime domestic bankers acceptances, bonds, debentures or notes of any corporation organized, controlled, and operating in the U.S. which have at their purchase an “A” rating or higher, government pools, and money market funds consisting of any of these securities listed. No violations of these categories have occurred during the year.

See accompanying independent auditors’ report.

CITY OF DOVER
Notes to Financial Statements
September 30, 2015

NOTE 2 – DEPOSITS AND INVESTMENT BALANCES – (CONTINUED)

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the City’s deposits and investments may not be returned to it. The City does not have a deposit policy for custodial credit risk as it deposits funds in financial institutions that are members of the U.S. Federal Deposit Insurance Corporation (FDIC) and has never experienced such a loss. As of September 30, 2015, the City had amounts that were uninsured or uncollateralized. The bank balances and investments are categorized as follows:

	<u>Primary Government</u>
Amounts insured by FDIC	\$ 1,198,738
Otherwise insured or collateralized	-
Uninsured	-
Total	<u>\$ 1,198,738</u>

Summary of Cash and Cash Equivalent Balances

Cash, cash equivalents, and investments at September 30, 2015 are classified in the accompanying financial statement as follows:

	<u>Primary Government</u>
Statement of Net Position:	
Cash and cash equivalents	\$ 1,146,478
Restricted cash	-
Investments	52,260
Total	<u>\$ 1,198,738</u>

Cash, cash equivalents, and investments at September 30, 2015 consist of the following:

	<u>Primary Government</u>
Cash:	
Deposits with financial institutions	\$ 1,146,478
Cash equivalents:	
Money market funds and savings	-
Investments:	
Certificates of deposit	52,260
Total	<u>\$ 1,198,738</u>

Credit Risk

The City does not have a formal policy for credit risk.

See accompanying independent auditors’ report.

CITY OF DOVER
Notes to Financial Statements
September 30, 2015

NOTE 3 – OTHER ASSETS

The City loaned the Dover Urban Renewal Agency \$1,000,000 with a subordinated promissory note. The note earns interest computed on a monthly basis equal to the Idaho State Treasurer’s Local Government Investment Pool. The note and interest have a maturity date of February 6, 2030. As of September 30, 2015, the note is earning interest at the rate of 0.18%.

The City loaned an additional \$174,095 to the Dover Urban Renewal Agency with a revolving subordinated note during fiscal year 2008/2009. This loan is due to an agreement whereby the City loans 70% of specified hookup fees to the Agency. As these hookups occur, the City continues to loan 70% to DURA. These increases have brought the total balance up to \$234,686. The note earns interest computed on a monthly basis equal to the Idaho State Treasurer’s Local Government Investment Pool. The note and interest have a maturity date of February 6, 2030. As of September 30, 2015 the note is earning interest at the rate of 0.18%. Total interest earned on these notes for the year ended September 30, 2015 is \$2,152.

NOTE 4 – RECEIVABLES

The following is a schedule of property taxes assessed for the year, collected and remaining to be received.

Year	Balance 9/30/14	Levy 2014	Adjustments & Collections	Balance 9/30/15
2011-2014	\$ 2,766	74,022	(74,865)	\$ 1,923

In accordance with NCGA Interpretation #3, revenue, which is not received within 60 days of the year-end, has been reflected as deferred revenue. The balance as of September 30, 2015 is as follows:

Taxes due at September 30, 2015	\$ 1,923
Received October 2015	(171)
Received November 2015	-
Total	\$ 1,752

The analysis of accounts receivable and due from other governments is as follows:

	General	Streets	Transportation	Total
State Revenue Sharing	\$ 16,647	-	-	16,647
Highway Users	-	5,735	-	5,735
State Liquor	3,971	-	-	3,971
State Sales Tax	2,394	-	-	2,394
Road & Bridge	-	105	-	105
Franchise Fees	2,320	-	-	2,320
Miscellaneous	201	16	468	685
Total	\$ 25,533	5,856	468	31,857

The Transportation Department reflects \$123,454 of Grant Income receivable as of September 30, 2015.

PROPRIETARY FUNDS:	Water	Sewer	Total
User Fees Receivable (net)	\$ 11,982	23,258	35,240

See accompanying independent auditors' report.

CITY OF DOVER
Notes to Financial Statements
September 30, 2015

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2015, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental Activities				
<i>Capital Assets being depreciated</i>				
Machinery & Equipment	\$ 959,774	99,647	(6,167)	1,053,254
Total Capital Assets being depreciated	959,774	99,647	(6,167)	1,053,254
Less accumulated depreciation for:				
Machinery & Equipment	(221,763)	(63,843)	6,167	(279,439)
Total accumulated depreciation	(221,763)	(63,843)	6,167	(279,439)
Total capital assets being depreciated	738,011	35,804	-	773,815
Governmental Activities Capital Assets, net	\$ 738,011	35,804	-	773,815

Because the City is a Phase 3 government (governments with total annual revenues of less than \$10 million), the City is encouraged but not required to report major infrastructure assets retroactively. The City has not yet made a determination as to whether or not to record infrastructure assets retroactively.

The changes in capital assets used in business-type activities during fiscal year 2014/15 were as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type Activities				
<i>Capital assets not being depreciated</i>				
Land	\$ 174,141	-	-	174,141
Total capital assets not being depreciated	174,141	-	-	174,141
<i>Capital assets being depreciated</i>				
Improvements	9,622,480	44,236	-	9,666,716
Machinery & Equipment	21,178	780	(4,334)	17,624
Total capital assets being depreciated	9,643,658	45,016	(4,334)	9,684,340
Less accumulated depreciation	(2,776,478)	(302,564)	4,334	(3,074,708)
Capital assets being depreciated, net	6,867,180	(257,548)	-	6,609,632
Business-type Activities Capital Assets, net	\$ 7,041,321	(257,548)	-	6,783,773

See accompanying independent auditors' report.

CITY OF DOVER
Notes to Financial Statements
September 30, 2015

NOTE 5 – CAPITAL ASSETS – (CONTINUED)

Depreciation expense was charged to function as follows:

Governmental Activities:

Unallocated	\$ 63,843
Sub-Total	<u>63,843</u>

Business-Type Activities:

Water	33,748
Sewer	268,816
Sub-Total	<u>302,564</u>
Total Depreciation Expense	<u>\$ 366,407</u>

NOTE 6 – LONG-TERM OBLIGATIONS

Changes in long-term debt during fiscal year 2014/15 are as follows:

	10/01/14	Increases	Decreases	09/30/15
<u>Business-Type Activities</u>				
Bonds Payable	\$ 340,701	-	(45,591)	295,110

Accrued but unpaid interest on outstanding bonds payable as of September 30, 2015 is \$1,230.

Debt Service Requirements

Debt service requirements on long-term debt at September 30, 2015, are as follows:

Business-Type Activities

<u>Year Ended September 30</u>	<u>Bonds and Notes</u>	
	<u>Principal</u>	<u>Interest</u>
2016	47,914	13,866
2017	50,355	11,425
2018	52,920	8,860
2019	55,616	6,164
2020	58,449	3,331
2021	29,856	558
Total	<u>\$ 295,110</u>	<u>44,204</u>

CITY OF DOVER
Notes to Financial Statements
September 30, 2015

NOTE 7 – INTERFUND BALANCES AND ACTIVITY

Interfund Balances to/from other funds for the year ended September 30, 2015 consisted of the following:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
General Fund	45,246	-
Street Fund	-	16,936
Transportation Fund	-	2,471
Water Fund	-	129,943
Sewer Fund	104,104	-
Total	<u>\$ 149,350</u>	<u>149,350</u>

The City regularly uses short term interfund receivables and payables for payment of operating expenses for a fund by another fund.

NOTE 8 – RISK MANAGEMENT

The City faces a number of risks of loss including damage to and loss of property and contents, professional liability, i.e. errors and omissions, and health insurance costs of employees. Commercial insurance policies are purchased for health insurance. Coverage for the loss or damage to property and professional liability insurance is provided by the Idaho Counties Risk Management Program (ICRMP).

ICRMP provides general liability, property insurance, and public officials' insurance. The City, along with other participating entities, contributes annual amounts determined by ICRMP management. As claims arise they are submitted to and paid by ICRMP. During fiscal year 2014/15, the City contributed \$6,877 for this insurance coverage. There were no significant reductions in insurance coverage from the prior year. The City's workman's compensation coverage is provided by the Idaho State Insurance Fund. During fiscal year 2014/15, the City contributed \$9,051 for this insurance coverage.

NOTE 9 – PENSION PLAN

Plan Description

The City of Dover contributes to the Base Plan which is a cost-sharing multiple-employer defined benefit pension plan administered by Public Employee Retirement System of Idaho (PERSI or System) that covers substantially all employees of the State of Idaho, its agencies and various participating political subdivisions. The cost to administer the plan is financed through the contributions and investment earnings of the plan. PERSI issues a publicly available financial report that includes financial statements and the required supplementary information for PERSI. That report may be obtained on the PERSI website at www.persi.idaho.gov.

Responsibility for administration of the Base Plan is assigned to the Board comprised of five members appointed by the Governor and confirmed by the Idaho Senate. State law requires that two members of the Board be active Base Plan members with at least ten years of service and three members who are Idaho citizens not members of the Base Plan except by reason of having served on the Board.

CITY OF DOVER
Notes to Financial Statements
September 30, 2015

NOTE 9 – PENSION PLAN – (CONTINUED)

Employee membership data related to the PERSI Base Plan, as of June 30, 2015 was as follows:

Retirees and beneficiaries currently receiving benefits	42,657
Terminated employees entitled to but no yet receiving benefits	11,859
Active plan members	67,008
	121,524
	121,524

Pension Benefits

The Base Plan provides retirement, disability, death and survivor benefits of eligible members or beneficiaries. Benefits are based on members' years of service, age, and highest average salary. Members become fully vested in their retirement benefits with five years of credited service (5 months for elected or appointed officials). Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. The annual service retirement allowance for each month of credited service is 2.0% (2.3% for police/firefighters) of the average monthly salary for the highest consecutive 42 months.

The benefit payments for the Base Plan are calculated using a benefit formula adopted by the Idaho Legislature. The Base Plan is required to provide a 1% minimum cost of living increase per year provided the Consumer Price Index increases 1% or more. The PERSI Board has the authority to provide higher cost of living increases to a maximum of the Consumer Price Index movement or 6%, whichever is less; however, any amount above the 1% minimum is subject to review by the Idaho Legislature.

Member and Employer Contributions

Member and employer contributions paid to the Base Plan are set by statute and are established as a percent of covered compensation and earnings from investments. Contribution rates are determined by the PERSI Board within limitations, as defined by state law. The Board may make periodic changes to employer and employee contribution rates (expressed as percentages of annual covered payroll) that are adequate to accumulate sufficient assets to pay benefits when due.

The contribution rates for employees are set by statute at 60% of the employer rate for general employees and 72% for police and firefighters. As of June 30, 2015 it was 6.79% for general employees and 8.36% for police and firefighters. The employer contribution rate as a percentage of covered payroll is set by the Retirement Board and was 11.32% general employees and 11.66% for police and firefighters. The City's contributions were \$17,653 for the year ended September 30, 2015.

Pension Liabilities, Pension Expense (Revenue), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2015, the City reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Agency's proportion of the net pension liability was based on the City's share of contributions in the Base Plan pension plan relative to the total contributions of all participating PERSI Base Plan employers. At July 1, 2015, the City's proportion was 0.0053304 percent.

See accompanying independent auditors' report.

CITY OF DOVER
Notes to Financial Statements
September 30, 2015

NOTE 9 – PENSION PLAN – (CONTINUED)

Pension Liabilities, Pension Expense (Revenue), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions- (continued)

For the year ended September 30, 2015, the City recognized pension expense of \$13,988. At September 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ --	\$8,415
Changes in assumptions or other inputs	\$2,556	\$ --
Net difference between projected and actual earnings on pension plan investments	\$25,833	\$36,860
Changes in the City's proportion and differences between the City's contributions and the City's proportionate contributions	\$--	\$23,661
City's contributions subsequent to the measurement date	\$5,314	\$ --
Total	\$33,703	\$68,936

\$5,314 reported as deferred outflows of resources related to pensions resulting from City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2015.

The average of the expected remaining service lives of all employees that are provided with pensions through the System (active and inactive employees) determined at July 1, 2014 the beginning of the measurement period ended June 30, 2015 is 5.5 years.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year ended September 30:	
2016	(11,502)
2017	(11,502)
2018	(11,502)
2019	924
2020	(4,813)

See accompanying independent auditors' report.

CITY OF DOVER
Notes to Financial Statements
September 30, 2015

NOTE 9 – PENSION PLAN – (CONTINUED)

Actuarial Assumptions

Valuations are based on actuarial assumptions, the benefit formulas, and employee groups. Level percentages of payroll normal costs are determined using the Entry Age Normal Cost Method. Under the Entry Age Normal Cost Method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated as a level percentage of each year's earnings of the individual between entry age and assumed exit age. The Base Plan amortizes any unfunded actuarial accrued liability based on a level percentage of payroll. The maximum amortization period for the Base Plan permitted under Section 59-1322, Idaho Code, is 25 years.

The total pension liability in the July 1, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25%
Salary increases	4.25 - 10.00%
Salary inflation	3.75%
Investment rate of return	7.10% net of investment expenses
Cost-of-living adjustments	1%

Mortality rates were based on the RP - 2000 combined table for healthy males or females as appropriate with the following offsets:

- Set back 3 years for teachers
- No offset for male fire and police
- Forward one year for female fire and police
- Set back one year for all general employees and all beneficiaries

An experience study was performed in 2012 for the period July 1, 2007 through June 30, 2011 which reviewed all economic and demographic assumptions other than mortality. Mortality and all economic assumptions were studied in 2014 for the period from July 1, 2009 through June 30, 2013. The Total Pension Liability as of June 30, 2015 is based on the results of an actuarial valuation date of July 1, 2015.

The long-term expected rate of return on pension plan investments was determined using the building block approach and a forward-looking model in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Even though history provides a valuable perspective for setting the investment return assumption, the System relies primarily on an approach which builds upon the latest capital market assumptions. Specifically, the System uses consultants, investment managers and trustees to develop capital market assumptions in analyzing the System's asset allocation. The assumptions and the System's formal policy for asset allocation are shown below. The formal asset allocation policy is somewhat more conservative than the current allocation of System's assets.

CITY OF DOVER
Notes to Financial Statements
September 30, 2015

NOTE 9 – PENSION PLAN – (CONTINUED)

Actuarial Assumptions-(continued)

The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are as of January 1, 2014.

Asset Class	Index	Target Allocation	Long-Term Expected Real Rate of Return*
Core Fixed Income	Barclays Aggregate	30.00%	0.80%
Broad US Equities	Russell 3000	55.00%	6.90%
Developed Foreign Equities	MSCI ACWI ex USA	15.00%	7.55%

*Arithmetic return

Actuarial Assumptions

Assumed Inflation - Mean	3.25%
Assumed Inflation - Standard Deviation	2.00%
Portfolio Arithmetic Mean Return	8.42%
Portfolio Long-Term Expected Geometric Rate of Return	7.50%
Assumed Investment Expenses	0.40%
Long-Term Expected Geometric Rate of Return, Net of Investment Expenses	<u>7.10%</u>

Discount Rate

The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate. Based on these assumptions, the pension plans' net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term expected rate of return was determined net of pension plan investment expense but without reduction for pension plan administrative expense.

CITY OF DOVER
Notes to Financial Statements
September 30, 2015

NOTE 9 – PENSION PLAN – (CONTINUED)

Sensitivity of the City’s proportionate share of the net pension liability to changes in the discount rate

The following presents the City’s proportionate share of the net pension liability calculated using the discount rate of 7.10 percent, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10 percent) or 1-percentage-point higher (8.10 percent) than the current rate:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
City’s proportionate share of the net pension liability (asset)	\$170,964	\$70,193	\$(13,585)

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERSI financial report.

PERSI issues a publicly available financial report that includes financial statements and the required supplementary information for PERSI. That report may be obtained on the PERSI website at www.persi.idaho.gov.

NOTE 10 – CHANGE IN ACCOUNTING PRINCIPLE

Effective October 1, 2014, the City implemented GASB Statement No. 68, Accounting and Financial Reporting for Pensions, which improves information provided by local governmental employers about financial support for pensions that is provided by other entities. This statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

As a result of implementing GASB Statement No. 68, the City has restated the beginning net position in the Statement of Net Position, effectively decreasing net position as of October 1, 2014 by \$96,751 for governmental activities and \$12,341 for business-type activities. The decrease results from the beginning net pension liability of \$44,106 and deferred inflows of resources of \$52,645 for governmental activities, and beginning net pension liability of \$5,451 and deferred inflows of resources of \$6,890 for business-type activities.

NOTE 11 – JOINTLY GOVERNED ORGANIZATION

During fiscal year 2010/11 the City entered into a jointly governed organization with the City of Sandpoint, the City of Kootenai, and the City of Ponderay to fund the SPOT transportation system also known as Selkirk Pend Oreille Transit (SPOT). The purpose of this organization is to cooperatively provide transportation and mobility services. The original agreement of understanding expired in March 2012, and was extended by the participants shortly thereafter. The City has agreed to manage the organization, which is reported on the City’s governmental funds financial statements as the Transportation Fund. Funding is provided by the Cities participating in SPOT and the Idaho Transportation Department.

CITY OF DOVER
Notes to Financial Statements
September 30, 2015

NOTE 12 – RELATED PARTY TRANSACTIONS

The following are significant transactions between the primary government and its component units during the year ended September 30, 2015:

The City received \$30,000 from Dover Urban Renewal Agency (the Agency) as a tax rebate. In 2007, the City authorized Dover Urban Renewal Agency (the Agency) to include a rebate to local agencies whose budgets may be impacted by the extension of the Agency to 2029. The Agency will continue to pay \$30,000 annually to the City until its expiration.

The City received \$7,909 for the Agency as reimbursement for a portion of a sewer related capital project.

CITY OF DOVER
Schedule of City's Share of Net Pension Liability
PERSI - Base Plan
Last 10 - Fiscal Years *

	9/30/2015
City's portion of the net pension liability	0.0053304%
City's proportionate share of the net pension liability	\$ 70,193
City's covered-employee payroll	\$ 170,463
City's proportional share of the net pension liability as a percentage of its covered-employee payroll	41.18%
Plan fiduciary net position as a percentage of the total pension liability	91.38%

* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City of Dover will present information for those to use for which information is available.

Data reported is measured as of July 1, 2015 (measurement date)

Schedule of City's Contributions
PERSI - Base Plan
Last 10 - Fiscal Years *

	9/30/2015
Statutorily required contribution	\$ 17,436
Contributions in relation to the statutorily required contribution	\$ (17,123)
Contribution (deficiency) excess	\$ 313
City's covered-employee payroll	\$ 170,463
Contributions as a percentage of covered-employee payroll	10.05%

* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City of Dover will present information for those to use for which information is available.

Data reported is measured as of July 1, 2015 (measurement date)

See independent auditors' report.

CITY OF DOVER
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual - All Governmental Fund Types
Year Ended September 30, 2015

	General Fund			Street Fund			Transportation Fund		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
Revenues:									
Property Taxes	\$ -	-	74,599	-	-	-	-	-	-
Other Governmental	-	-	93,613	68,266	68,266	65,986	-	-	-
Licenses and Permits	-	-	60,791	-	-	-	-	-	-
Interest	-	-	1,217	-	-	262	-	-	262
Other Income	243,559	243,559	66,907	-	-	6,001	-	-	-
Donations & Grants	-	-	300	-	-	-	528,000	528,000	524,386
Capital Funds	-	-	-	-	-	-	-	-	-
Total Revenues	243,559	243,559	297,427	68,266	68,266	72,249	528,000	528,000	524,648
Expenditures:									
General Government	243,559	243,559	210,455	-	-	-	-	-	-
Highways and Streets	-	-	-	68,266	68,266	22,015	-	-	-
Transportation Department	-	-	-	-	-	-	528,000	528,000	422,214
Capital Expenditures	-	-	5,537	-	-	29,446	-	-	64,664
Total Expenditures	243,559	243,559	215,992	68,266	68,266	51,461	528,000	528,000	486,878
Excess of Revenues Over Expenditures	-	-	81,435	-	-	20,788	-	-	37,770
Other Financing Sources (Uses):									
Gain/(Loss) on Sale of Assets	-	-	5,252	-	-	-	-	-	-
Net Other Financing Sources (Uses)	-	-	5,252	-	-	-	-	-	-
Excess of Revenues and Other Sources Over Expenditures and Other Uses	-	-	86,687	-	-	20,788	-	-	37,770
Fund Balance - October 1,	680,521	680,521	680,521	160,210	160,210	160,210	232,850	232,850	232,850
Fund Balance - September 30,	\$ 680,521	680,521	767,208	160,210	160,210	180,998	232,850	232,850	270,620

See accompanying notes to budget and independent auditors' report.

CITY OF DOVER
Notes to Budget and Actual Schedule
Year Ended September 30, 2015

Budgets are adopted for the general, street, transportation, and proprietary funds. The annual budget is a plan of financial operation with an estimate of expenditures and means of financing them. A preliminary budget is prepared in July, budget hearings are held, and the final budget is adopted in September.

The budget is prepared on the basis of accounting described for its governmental funds in Note 1 to the financial statement. Tax levies are set by expenditure requirements, but are authorized and limited by State law. Transfers of budget authority within a fund are permitted. Appropriations lapse at September 30, except those expenditures made prior to October 30 for appropriations of the preceding fiscal year may be charged to that fiscal year. There was one budget amendment in the current fiscal year, made to increase the budget for street expenditures.

The amounts shown in the budget column of the schedule are the original and final budgeted amounts. State law requires only that a fund's total expenditures not exceed total budgeted expenditures. There were no violations of this requirement in the current fiscal year.



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INDEPENDENT AUDITORS' 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 Dover, Idaho

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Dover, Idaho as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Dover, Idaho's basic financial statements and have issued our report thereon dated February 11, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Dover, Idaho's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Dover, Idaho's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Dover, Idaho's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Dover, Idaho'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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Anderson Bros".

Anderson Bros. CPA's, P.A.

Post Falls, Idaho
February 11, 2016