

# **CITY OF DOVER**

## **AUDITED FINANCIAL STATEMENTS AND OTHER FINANCIAL INFORMATION**

**Year Ended September 30, 2003**

***Prepared by***

**Anderson Bros. CPA's, P.A.**

**Post Falls, ID**

# CITY OF DOVER

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## INDEPENDENT AUDITORS' REPORT

Mayor and City Council  
City of Dover, Idaho

We have audited the accompanying general-purpose financial statements of the City of Dover, Idaho, as of and for the year ended September 30, 2003, as listed in the table of contents. These general-purpose financial statements are the responsibility of the City of Dover, Idaho's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit. The financial statements of the City of Dover as of September 30, 2002, were audited by other auditors whose report dated January 17, 2003, expressed an unqualified opinion on those statements.

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 general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general-purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Dover, Idaho, as of September 30, 2003, and the results of its operations and the cash flows of its proprietary funds 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 a report dated September 17, 2004, on our consideration of the City of Dover, Idaho's internal control over financial reporting and our tests of its compliance with certain provisions of laws,

City of Dover  
September 17, 2004  
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regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements taken as a whole. The individual fund financial statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general-purpose financial statements of the City of Dover, Idaho. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

*Anderson Bros.*

Anderson Bros. CPA's, P.A.

Post Falls, Idaho  
September 17, 2004

Account Group	TOTALS	
	(Memorandum Only)	
General	9/30/2003	9/30/2002
Fixed		
Assets		
-	235,606	187,902
-	49,221	46,878
-	14,575	14,772
-	38,534	38,534
32,542	3,613,018	3,613,019
-	(600,269)	(545,915)
32,542	3,350,685	3,355,190
-	23,109	11,330
-	421	-
-	17,212	16,368
-	600	600
-	38,534	38,534
-	695,200	712,352
-	775,076	779,184
32,542	32,542	32,542
-	1,303,961	1,303,961
-	995,445	1,023,734
-	46,047	44,422
-	194,441	168,891
-	3,173	2,456
32,542	2,575,609	2,576,006
32,542	3,350,685	3,355,190

**CITY OF DOVER  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
 FUND BALANCES - ALL GOVERNMENTAL FUND TYPES  
 YEAR ENDED SEPTEMBER 30, 2003**

	Governmental Fund Types		TOTALS (Memorandum Only)	
			Year Ended	
	General	Streets	9/30/2003	9/30/2002
<b>Revenues:</b>				
Property Taxes	\$ 36,326	22,889	59,215	59,822
Other Taxes	29,234	13,476	42,710	44,629
Interest	689	-	689	900
Other Income	45,557	3,935	49,492	29,216
Total Revenues	111,806	40,300	152,106	134,567
<b>Expenditures:</b>				
General Operating:				
General Government	82,323	-	82,323	64,333
Highways and Streets	-	43,516	43,516	41,538
Capital Expenditures	-	-	-	-
Total Expenditures	82,323	43,516	125,839	105,871
Excess (Deficiency) of Revenues Over (Under) Expenditures	29,483	(3,216)	26,267	28,696
<b>Other Financing Sources (Uses):</b>				
Transfers to Other Funds	-	-	-	-
Net Other Financing Sources/(Uses)	-	-	-	-
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	29,483	(3,216)	26,267	28,696
Fund Balance - October 1,	141,436	29,911	171,347	142,651
Fund Balance - September 30,	\$ 170,919	26,695	197,614	171,347

See accompanying notes to the financial statements.

**CITY OF DOVER  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED  
EARNINGS - ALL PROPRIETARY FUND TYPES  
YEARS ENDED SEPTEMBER 30, 2003 & 2002**

	Water	Sewer	9/30/2003 Total	9/30/2002 Total
<b>Operating Revenues:</b>				
Charges for Services	\$ 33,718	89,117	122,835	111,362
Hookups	11,250	33,116	44,366	9,690
Other	50	-	50	1,679
<b>Total Operating Revenues</b>	<b>45,018</b>	<b>122,233</b>	<b>167,251</b>	<b>122,731</b>
<b>Operating Expenses:</b>				
Administration	14,125	29,099	43,224	57,569
Maintenance & Operations	24,125	41,214	65,339	37,966
Depreciation	19,175	35,178	54,353	54,294
<b>Total Operating Expenses</b>	<b>57,425</b>	<b>105,491</b>	<b>162,916</b>	<b>149,829</b>
<b>Operating Income (Loss)</b>	<b>(12,407)</b>	<b>16,742</b>	<b>4,335</b>	<b>(27,098)</b>
<b>Non-Operating Items:</b>				
Interest Income	1,191	1,623	2,814	3,328
Interest Expense	(9,757)	(24,056)	(33,813)	(32,778)
<b>Total Non-Operating Revenue (Expense)</b>	<b>(8,566)</b>	<b>(22,433)</b>	<b>(30,999)</b>	<b>(29,450)</b>
<b>Net Income</b>	<b>(20,973)</b>	<b>(5,691)</b>	<b>(26,664)</b>	<b>(56,548)</b>
Retained Earnings October 1,	(72,682)	1,140,838	1,068,156	1,124,704
<b>Retained Earnings September 30,</b>	<b>\$ (93,655)</b>	<b>1,135,147</b>	<b>1,041,492</b>	<b>1,068,156</b>

See accompanying notes to the financial statements.

**CITY OF DOVER  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCES - BUDGET AND ACTUAL - ALL GOVERNMENTAL FUND TYPES  
YEAR ENDED SEPTEMBER 30, 2003**

	General Fund			Street Fund			Total		
	Budget	Actual	Variance- Favorable (Unfavorable)	Budget	Actual	Variance- Favorable (Unfavorable)	Budget	Actual	Variance- Favorable (Unfavorable)
<b>Revenues:</b>									
Property Taxes	\$ 36,581	36,326	(255)	24,000	22,889	(1,111)	60,581	59,215	(1,366)
Other Taxes	27,646	29,234	1,588	14,000	13,476	(524)	41,646	42,710	1,064
Interest	834	689	(145)	-	-	-	834	689	(145)
Other Income	9,939	45,557	35,618	-	3,935	3,935	9,939	49,492	39,553
<b>Total Revenues</b>	<b>75,000</b>	<b>111,806</b>	<b>36,806</b>	<b>38,000</b>	<b>40,300</b>	<b>2,300</b>	<b>113,000</b>	<b>152,106</b>	<b>39,106</b>
<b>Expenditures:</b>									
General Operating:									
General Government	75,000	82,323	(7,323)	-	-	-	75,000	82,323	(7,323)
Highways and Streets	-	-	-	38,000	43,516	(5,516)	38,000	43,516	(5,516)
<b>Total Expenditures</b>	<b>75,000</b>	<b>82,323</b>	<b>(7,323)</b>	<b>38,000</b>	<b>43,516</b>	<b>(5,516)</b>	<b>113,000</b>	<b>125,839</b>	<b>(12,839)</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ -	29,483	29,483	-	(3,216)	(3,216)	-	26,267	26,267
Fund Balance - Beginning of Year	141,436	141,436	-	29,911	29,911	-	171,347	171,347	-
Fund Balance - End of Year	\$ 141,436	170,919	29,483	29,911	26,695	(3,216)	171,347	197,614	26,267

See accompanying notes to the financial statements.

**CITY OF DOVER  
STATEMENT OF CASH FLOWS  
ALL PROPRIETARY FUND TYPES  
YEARS ENDED SEPTEMBER 30, 2003 & 2002**

	Water	Sewer	9/30/2003 Total	9/30/2002 Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Operating Income	\$ (12,407)	16,742	4,335	(27,098)
Depreciation	19,175	35,178	54,353	54,294
Operating Transfers	-	-	-	-
Changes in:				
Accounts Receivable (net)	104	(562)	(458)	9,761
Accounts Payable & Accrued Expenses	7,080	2,412	9,492	859
Accrued Interest Payable	331	513	844	(940)
Total Adjustments	26,690	37,541	64,231	63,974
Net Cash Provided by Operating Activities	14,283	54,283	68,566	36,876
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Purchase of Capital Assets	-	-	-	(1,190)
Principal Paid on Capital Debt	(3,221)	(13,931)	(17,152)	(16,401)
Interest Paid on Debt	(9,757)	(24,056)	(33,813)	(32,778)
Principal Received on Due from other Funds	-	-	-	15,315
Proceeds of Due to other Funds	-	-	-	16,424
Net Cash Used by Capital and Related Financing Activities	(12,978)	(37,987)	(50,965)	(18,630)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Interest Income	1,191	1,623	2,814	3,328
Net Cash Provided by Investing Activities	1,191	1,623	2,814	3,328
Net Increase in Cash and Cash Equivalents	2,496	17,919	20,415	21,574
Cash and Cash Equivalents, October 1,	52,139	54,186	106,325	84,751
Cash and Cash Equivalents, September 30,	\$ 54,635	72,105	126,740	106,325
<b>SUPPLEMENTAL DISCLOSURES:</b>				
Interest Paid	\$ 9,426	23,543	32,969	33,718

See accompanying notes to the financial statements.

## CITY OF DOVER

### NOTES TO COMBINED FINANCIAL STATEMENTS September 30, 2003

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### Introduction

The accounting and reporting policies of the City of Dover relating to the funds and account groups included in the accompanying financial statements conform in all material respects to generally accepted accounting principles 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 principles and practices are discussed in subsequent sections of this note. The remainder of the notes are organized to provide explanations, including required disclosures, of the City's financial activities for the fiscal year ended September 30, 2003.

##### Measurement Focus/Basis of Accounting

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

The governmental fund types (General Fund and Street Fund) use a current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Their revenues are recognized when susceptible to accrual, i.e., when they become measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities in the current period. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, if measurable. The Proprietary Fund Type is accounted for on an economic resources measurement focus using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when the related liabilities are incurred.

The major sources of revenue are discussed below:

Revenues for grants, which are recorded as earned, including federal revenue sharing entitlements.

## CITY OF DOVER

### NOTES TO COMBINED FINANCIAL STATEMENTS September 30, 2003

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

State, county and local shared revenues for highway users, liquor tax, and other.

Property taxes collected within sixty days following year-end.

#### Total Columns on General-Purpose Statements

Total columns on the combined financial statements are captioned "memorandum only" to indicate that they are presented only to facilitate analysis. Data in these columns does not present financial position or results of operations and cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in aggregation of this data. Certain comparative data has been reclassified to present such amounts consistent with current year's presentation.

#### Budgets and Budgetary Accounting

The City's annual budget is a management tool that assists its users in analyzing financial activity for its fiscal year ending September 30.

Because of the City's dependency on state and local budgetary decisions, revenue estimates are based upon the best available information as to potential sources of funding.

The City of Dover follows these procedures in establishing the General and Street Fund budgetary data reflected in the financial statements:

- a) In July, the City Clerk submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
- b) Prior to October 1, the City Council formally approves the budget document following a public hearing.
- c) The approved annual budget is used as a control device for the governmental funds.
- d) The budget for the governmental funds is adopted on a basis consistent with generally accepted accounting principles (GAAP) applicable to state and local governments.

**CITY OF DOVER**

**NOTES TO COMBINED FINANCIAL STATEMENTS  
September 30, 2003**

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

- e) Appropriations for the governmental funds lapse at the end of the fiscal year.
- f) Expenditures cannot legally exceed appropriations at the fund level. Expenditures are monitored on a monthly basis by the City Clerk. When expenditures are required for functions that have not been budgeted, authorization to incur the expenditures is requested from the City Council by resolution during its regular monthly meetings. No supplemental appropriations were made in fiscal year 2002/03.
- g) The City Clerk is authorized to transfer budgeted amounts between separate line items; however, any revisions, which would increase total expenditures, would be approved by the City Council.

**Receivables**

The City records real and personal property taxes as they are assessed, not as collected. Cancellations and uncollectable taxes for this and prior years were minimal, thus no allowance for uncollectable taxes is necessary.

Since amounts not collected within 60 days are material, the provision of the National Council on Governmental Accounting Interpretation 3 - "Revenue Recognition - Property Taxes" - has been applied.

The City records water charges as earned, not when collected.

Receivables for Federal and State grants, Federal revenue sharing entitlements and State, County and local shared revenue are recorded as revenue in all fund types as measurable and available.

**Inventories**

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.

## CITY OF DOVER

### NOTES TO COMBINED FINANCIAL STATEMENTS

September 30, 2003

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

##### 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.

##### Fixed Assets

Fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their estimated fair value on the date donated. The City of Dover has no public domain assets. Depreciation and accumulated depreciation are recorded for proprietary funds only. Fixed assets are charged to expenditures in the governmental fund types as purchased and capitalized in the General Fixed Assets Account Group.

Maintenance and repairs of fixed assets are charged to expenditures in the governmental fund types as incurred and not capitalized. Upon disposal of fixed assets, the historical cost or estimated historical cost is removed from the General Fixed Assets Account Group, and proceeds from any sales are recorded as revenue in the funds originally acquiring the assets. Depreciation is not computed on these fixed assets.

Fixed assets in the proprietary fund types are capitalized at historical cost or estimated historical cost when historical cost is not available, or the estimated fair market value at the time received in the case of gifts or projects constructed by others and accepted for ownership and maintenance by the City. Maintenance and repairs are expensed as incurred. Replacements, which improve or extend the lives of property, are capitalized.

Depreciation of fixed assets of the City's enterprise operations is computed on the straight-line method over the estimated useful lives of the related assets. Upon disposal of such assets, the accounts are relieved of the related historical costs and accumulated depreciation, and resulting gains or losses are reflected in income. Depreciation of the system is computed on the straight-line method on a composite basis. Historical costs of assets retired are removed from the asset accounts and charged to the accumulated depreciation accounts less any proceeds from sales.

The estimated useful lives of proprietary fund fixed assets are as follows:

## CITY OF DOVER

### NOTES TO COMBINED FINANCIAL STATEMENTS

September 30, 2003

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Supply and distribution systems - 30 to 75 years

Machinery and equipment - 10 to 20 years

#### Infrastructure

The City has elected to not report public domain or "infrastructure" fixed assets - roads, bridges, curbs and gutters, streets and sidewalks, and other similar assets that are immovable and of value only to the City.

#### Leases

Leases, which meet certain criteria established by the Financial Accounting Standards Board, will be classified as capital leases and the assets and related liabilities recorded at amounts equal to the lesser of the present value of minimum lease payments or the fair value of the lease property at the beginning of the respective lease term. Leases, which do not meet the criteria of a capital lease, are classified as operating leases.

#### Long-Term Debt

Un-matured long-term debt directly related to and expected to be paid from proprietary funds is included in such funds. Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-Term Debt Account Group. The City currently does not have any liabilities in their General Long-Term Debt Account Group.

#### Statement of Cash Flows

For the purposes of the Statement of Cash Flows, the proprietary fund considers all bank accounts and investments with a maturity of less than 90 days to be cash equivalents.

#### Investments

The City invests in authorized investment pool and funds. Investments are carried at fair value. See Note 3.

## CITY OF DOVER

### NOTES TO COMBINED FINANCIAL STATEMENTS

September 30, 2003

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

##### Capitalization of Interest

The City capitalizes net interest costs and interest earned as part of the cost of constructing various water projects when material.

##### Comparative Data

Comparative totals for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the City's financial position and operations. However, presentation of prior year totals by fund type have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

##### Risk Management

The City participates in the Idaho Counties Risk Management Program (ICRMP) to provide 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 2002/03, the City contributed \$4,535 from the general fund. 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 2002/03, the City contributed \$1,745 from the general fund for this insurance coverage.

#### NOTE 2 - ORGANIZATION AND OPERATION

The City of Dover operates under a charter granted by the State of Idaho. The City Council, composed of the Mayor and four council members, forms the executive and legislative branches of the City government.

##### 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:

## CITY OF DOVER

### NOTES TO COMBINED FINANCIAL STATEMENTS September 30, 2003

#### NOTE 2 - ORGANIZATION AND OPERATION (Continued):

- ✓ 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 of Dover has no component units.

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.

#### Fund Accounting

The accounts of the City are organized on the basis of funds and account groups. A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. These funds and account groups are used to report on the City's financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities. Resources are accounted for in individual funds based upon the purposes for which they are to be spent and the restrictions, if any, on the spending activities. The City of Dover uses the following generic fund types in its activities:

#### Governmental Fund Types

Governmental funds are those through which most governmental functions of the City are financed. The acquisition, use and balances of the City's expendable financial resources and related liabilities (except those accounted for in proprietary funds) are accounted for through governmental fund types. The measurement focus is upon determination of changes in financial position, rather than upon net income determination. The following are the City's governmental fund types:

**CITY OF DOVER**

**NOTES TO COMBINED FINANCIAL STATEMENTS**

**September 30, 2003**

**NOTE 2 - ORGANIZATION AND OPERATION (Continued):**

**General Fund**

The general operating fund of the City accounts for all financial resources of the City of Dover that are not required to be accounted for in the special revenue fund. Principal sources of revenue are property taxes, licenses and permits, and State shared revenues. Primary expenditures are for administration wages & benefits, insurance, legal & professional services, and general administration.

**Special Revenue 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.

**Proprietary Fund Types**

Proprietary Funds are used to account for the City's ongoing activities, which are similar to those often found in the private sector. The measurement focus is upon determination of net income, financial position, and changes in cash flows. The following are the City's Proprietary Fund Types:

**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.

The City applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

## CITY OF DOVER

### NOTES TO COMBINED FINANCIAL STATEMENTS September 30, 2003

#### NOTE 2 - ORGANIZATION AND OPERATION (Continued):

##### 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 sewer services to the general public on a continuing basis are financed through user charges.

##### Account Groups

An account group is used to establish accounting control and accountability for the City's general fixed assets. The account group is not a "fund." It is concerned only with measurement of financial position and does not measure results of operations. The following is the City's account group.

##### General Fixed Assets Account Group

Fixed assets used in governmental type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group rather than in governmental funds. Capital outlays in funds other than Proprietary Funds are recorded as expenditures of those funds at the time of purchase and are subsequently recorded for control purposes in the General Fixed Assets Account Group.

##### Encumbrance Accounting

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the City of Dover.

#### NOTE 3 - CASH & INVESTMENTS

GASB 31 requires investments to be carried at fair value with unrealized changes being recorded in the statements of revenues, expenditures and changes in fund balance.

Deposits (cash and certificates of deposit) are carried at cost, which approximates fair value. At September 30, 2003 the carrying amount of deposits was \$168,031 and the bank balance was \$167,208. No securities were held by the financial institution in the City's name as collateral for bank balances over the FDIC insured amount of \$100,000 at September 30, 2003.

**CITY OF DOVER**

**NOTES TO COMBINED FINANCIAL STATEMENTS**

**September 30, 2003**

**NOTE 3 - CASH & INVESTMENTS (Continued):**

State statutes authorize the City's investments. The City of Dover is authorized to invest in 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, government pool and money market funds consisting of any of these securities listed. Category 1 includes investments that are insured or registered for which the securities are held by the City or its agent in the City's name. Category 2 includes investments that are uninsured and unregistered, or for which securities are held by the counter party's trust department or agent in the entity's name. The short-term investment pools are not evidenced by securities that exist in physical or book entry form and accordingly, are not categorized for credit risk.

Investments in 2a7-like pools are valued based upon the value of pool shares. The City invests in one 2a7-like pool, the Idaho State Investment Pool. The advisory board of the Idaho State Investment Pool is composed of members appointed pursuant to the requirements of the Public Funds Investment Act. The following table reflects the City's balance in the investment pool at September 30, 2003:

<b>UNRESTRICTED:</b>	<b>General</b>	<b>Street</b>	<b>Enterprise</b>	<b>Total</b>
State Investment Pool	\$ --	--	116,776	116,776
Totals	\$ --	--	116,776	116,776

The City's cash is covered by FDIC insurance on deposits up to \$100,000 per bank for checking accounts and \$100,000 per bank for time and savings accounts combined. At the balance sheet date, no accounts exceeded this coverage. Because the City is not issued securities for their deposits, the bank has not been assigned a risk category.

The balances above that the City has in the State Investment Pool are carried at un-amortized cost. The City's portion of the State Investment Pool had an unrealized loss of \$89 as of September 30, 2003.

**NOTE 4 - ACCOUNTS RECEIVABLE / DUE FROM OTHER GOVERNMENTS**

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

**CITY OF DOVER**

**NOTES TO COMBINED FINANCIAL STATEMENTS**

**September 30, 2003**

**NOTE 4 - ACCOUNTS RECEIVABLE / DUE FROM OTHER GOVERNMENTS**  
**(Continued):**

**GENERAL FUND:**

State Revenue Sharing	\$ 5,514
State Liquor	1,439
	<hr/>
Total	\$ 6,953
	<hr/> <hr/>

**STREET FUND:**

Highway User's	\$ 3,355
Road & Bridge	63
	<hr/>
Total	3,418
	<hr/> <hr/>

**ENTERPRISE FUND:**

Utility Fees Receivable (net)	\$ 3,621
-------------------------------	----------

**NOTE 5 - PROPERTY TAX RECEIVABLE**

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 and June 20. The following is a schedule of property taxes assessed for the year, collected and remaining to be received.

Year	Balance 9/30/02	Levy 2003	Adjustments & Collections	Balance 9/30/03
1997 - 2003	\$ 1,029	35,864	36,310	\$ 583
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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, 2003, is as follows:

Taxes Due at September 30, 2003	\$ 583
Received October 2003	(118)
Received November 2003	(44)
	<hr/>
Total	\$ 421
	<hr/> <hr/>

**CITY OF DOVER**

**NOTES TO COMBINED FINANCIAL STATEMENTS  
September 30, 2003**

**NOTE 6 - FIXED ASSETS: GENERAL FIXED ASSETS ACCOUNT GROUP**

Changes in the General Fixed Assets Account Group for the year ended September 30, 2003, are as follows:

Balance, Sept. 30, 2002	\$ 32,542
Additions:	
General & Street	--
Sub-Total	<u>32,542</u>
Deletions	--
Balance, Sept. 30, 2003	<u><u>\$ 32,542</u></u>

**NOTE 7 - SEGMENT INFORMATION**

Segment information for the enterprise funds for the year ended September 30, 2003, is as follows:

	<u>Water Fund</u>	<u>Sewer Fund</u>
Operating Revenues	45,018	122,233
Depreciation	19,175	35,178
Operating Income (Loss)	(12,407)	16,742
Transfers In (Out)	--	--
Net Income (Loss)	(20,973)	(5,691)
Fixed Assets:		
Additions (net)	--	--
Increase (Decrease) in Cash	2,496	17,919
Net Working Capital	40,779	1,686
Total Assets	601,536	2,509,032
Notes Payable	184,415	510,785
Total Fund Equity	405,490	1,939,963

**NOTE 8 - EMPLOYEE'S RETIREMENT SYSTEM**

Public Employee Retirement System of Idaho - The Public Employee Retirement System of Idaho (PERSI), a cost sharing multiple-employer public retirement system, was created by the Idaho State Legislature. It is a defined benefit plan requiring that both the member and the employer contribute. The plan provides benefits based on members' years of service, age and compensation. In addition, benefits are provided for disability, death,

**CITY OF DOVER**

**NOTES TO COMBINED FINANCIAL STATEMENTS**

**September 30, 2003**

**NOTE 8 - EMPLOYEE'S RETIREMENT SYSTEM (Continued):**

and survivors of eligible members of beneficiaries. Designed as a mandatory system for eligible state and school district employees, the legislation provided for other political subdivisions to participate by contractual agreement with PERSI. Financial reports for the plan are available from PERSI upon request.

After five years of credited service, members become fully vested in retirement benefits earned to date. Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. Effective June 30, 2000, the annual service retirement allowance for each month of credited service is 2.0% of the average monthly salary for the highest consecutive 42 months.

For the year ended June 30, 2003 the required contribution rate for general employees was 9.77% and 5.86% of covered payroll for the City of Dover and its employees, respectively. The City of Dover did not participate in PERSI during 2001. The City of Dover's contributions required and paid were \$9,211 and \$8,162 for the two years ended September 30, 2003, and 2002, respectively.

**NOTE 9 - PROPERTY, PLANT, AND EQUIPMENT - ENTERPRISE FUND**

Below are details of property & equipment owned by the proprietary fund:

	Balance 9/30/02	Additions/ (Deletions)	Balance 9/30/03
Property & Equipment	\$ 3,580,476	--	3,580,476
Accum. Depreciation	(545,915)	(54,354)	(600,269)
Totals	<u>\$ 3,034,561</u>	<u>(54,354)</u>	<u>2,980,207</u>

Depreciation in the water fund and the sewer fund for this fiscal year was \$19,175 and \$35,178, respectively.

**CITY OF DOVER  
BALANCE SHEET- ALL PROPRIETARY FUND TYPES  
AS OF SEPTEMBER 30, 2003 & 2002**

	Water	Sewer	9/30/2003 Total	9/30/2002 Total
<b>ASSETS</b>				
<b>CURRENT ASSETS:</b>				
Cash & Investments	\$ 45,290	35,402	80,692	61,903
Cash & Investments (Restricted)	9,345	36,703	46,048	44,422
Accounts Receivable (net)	1,159	2,462	3,621	3,163
<b>Total Current Assets</b>	<b>55,794</b>	<b>74,567</b>	<b>130,361</b>	<b>109,488</b>
<b>PROPERTY &amp; EQUIPMENT:</b>				
Property, Plant & Equipment	772,596	2,807,880	3,580,476	3,580,477
Accumulated Depreciation	(226,854)	(373,415)	(600,269)	(545,915)
<b>Total Property &amp; Equipment</b>	<b>545,742</b>	<b>2,434,465</b>	<b>2,980,207</b>	<b>3,034,562</b>
<b>TOTAL ASSETS</b>	<b>\$ 601,536</b>	<b>2,509,032</b>	<b>3,110,568</b>	<b>3,144,050</b>
<b>LIABILITIES AND FUND EQUITY</b>				
<b>CURRENT LIABILITIES:</b>				
Accounts Payable & Accrued Expenses	\$ 8,086	5,483	13,569	4,079
Due to Other Funds	2,987	35,547	38,534	38,534
Interest Payable	558	16,654	17,212	16,368
Customer Deposits	-	600	600	600
Current Portion Long Term Debt	3,384	14,597	17,981	17,173
<b>Total Current Liabilities</b>	<b>15,015</b>	<b>72,881</b>	<b>87,896</b>	<b>76,754</b>
Long Term Debt (net of current portion)	181,031	496,188	677,219	695,179
<b>TOTAL LIABILITIES</b>	<b>196,046</b>	<b>569,069</b>	<b>765,115</b>	<b>771,933</b>
<b>Fund Equity:</b>				
Contributed Capital	499,145	804,816	1,303,961	1,303,961
Retained Earnings:				
Reserved	9,345	36,702	46,047	44,422
Unreserved	(103,000)	1,098,445	995,445	1,023,734
<b>Total Fund Equity</b>	<b>405,490</b>	<b>1,939,963</b>	<b>2,345,453</b>	<b>2,372,117</b>
<b>TOTAL LIABILITIES &amp; FUND EQUITY</b>	<b>\$ 601,536</b>	<b>2,509,032</b>	<b>3,110,568</b>	<b>3,144,050</b>

See accompanying notes to the financial statements

**CITY OF DOVER  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED  
EARNINGS - ALL PROPRIETARY FUND TYPES - BUDGET & ACTUAL  
YEAR ENDED SEPTEMBER 30, 2003**

	Water		Variance- Favorable (Unfavorable)	Sewer		Variance- Favorable (Unfavorable)
	Budget	Actual		Budget	Actual	
<b>Operating Revenues:</b>						
Charges for Services	\$ 34,000	33,718	(282)	94,000	89,117	(4,883)
Hookups & Other	-	11,300	11,300	12,280	33,116	20,836
Total Operating Revenues	34,000	45,018	11,018	106,280	122,233	15,953
<b>Operating Expenses:</b>						
Administration	11,514	14,125	(2,611)	26,975	29,099	(2,124)
Maintenance & Operations	10,838	24,125	(13,287)	40,514	41,214	(700)
Depreciation	-	19,175	(19,175)	-	35,178	(35,178)
Total Operating Expenses	22,352	57,425	(35,073)	67,489	105,491	(38,002)
Operating Income (Loss)	11,648	(12,407)	(24,055)	38,791	16,742	(22,049)
<b>Non-Operating Items:</b>						
Interest Income	1,000	1,191	191	950	1,623	673
Interest Expense	(10,000)	(9,757)	243	(24,000)	(24,056)	(56)
Total Non-Operating Revenue (Expense)	(9,000)	(8,566)	434	(23,050)	(22,433)	617
Net Income (Loss)	2,648	(20,973)	(23,621)	15,741	(5,691)	(21,432)
Retained Earnings October 1,	(72,682)	(72,682)	-	1,140,838	1,140,838	-
Retained Earnings September 30,	\$ (70,034)	(93,655)	(23,621)	1,156,579	1,135,147	(21,432)

See accompanying notes to the financial statements.

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

Mayor and City Council  
City of Dover, Idaho

We have audited the general-purpose financial statements of the City of Dover, Idaho, as of and for the year ended September 30, 2003, and have issued our report thereon dated September 17, 2004. 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.

Compliance

As part of obtaining reasonable assurance about whether the City of Dover, Idaho's general-purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 one instance of noncompliance that is required to be reported under *Government Auditing Standards*.

1. The City exceeding budgeted expenditures in both the general and street funds during fiscal year 2002/03.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Dover, Idaho's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general-purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation

that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Dover, Idaho's ability to record, process, summarize and report financial data consistent with the assertions of management in the general-purpose financial statements. Reportable conditions are described below.

Lack of Segregation of Duties

As with most small municipalities the job of the Clerk entails too many responsibilities to ensure true segregation of duties, however the council has determined that there is no remedy for the problem and feel the costs of correcting such would outweigh the benefits.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition described above is a material weakness. We also noted other matters involving the internal control structure and its operation that we have reported to management of the City of Dover, Idaho in a separate letter dated September 17, 2004.

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

*Anderson Bros.*  
Anderson Bros. CPA's, P.A.  
Post Falls, Idaho  
September 17, 2004